

आयकर अपीलीय अधिकरण, 'ए' न्यायपीठ, चेन्नई
IN THE INCOME-TAX APPELLATE TRIBUNAL 'A' BENCH, CHENNAI
श्री एस.एस. विश्वनेत्र रवि, न्यायिक सदस्य एवं श्री अमिताभ शुक्ला, लेखा सदस्य के समक्ष
Before Shri S.S. Viswanethra Ravi, Judicial Member &
Shri Amitabh Shukla, Accountant Member

आयकर अपील सं./I.T.A. No.2306/Chny/2025
निर्धारण वर्ष/Assessment Year: 2016-17

Point Mani Janaki,
W/o Point Mani,
Door No. 6/32 A3, Point Illam, North
Street, Vijayapuram Post, Nallur,
Tiruppur 641 606.
[PAN:AGDPJ8781C]

Vs. The Income Tax Officer,
Ward 2(1),
Tiruppur.

(अपीलार्थी/Appellant)

(प्रत्यर्थी/Respondent)

अपीलार्थी की ओर से / Appellant by : None
प्रत्यर्थी की ओर से/Respondent by : Shri R.V. Aroon Prasad, Addl. CIT
सुनवाई की तारीख/ Date of hearing : 13.11.2025
घोषणा की तारीख /Date of Pronouncement : 14.11.2025

आदेश / O R D E R

PER S.S. VISWANETHRA RAVI, JUDICIAL MEMBER:

This appeal filed by the assessee is directed against the order dated 16.07.2025 passed by the Id. Commissioner of Income Tax (Appeals), National Faceless Appeal Centre [NFAC], Delhi for the assessment year 2016-17.

2. When the appeal was taken up for hearing, none appeared on behalf of the assessee nor filed any adjournment petition. Hence, we proceed to decide the appeal on merits after hearing the Id. DR.

3. The assessee raised ground Nos. a to l in challenging the action of the Id. CIT(A) in confirming the disallowance made by the Assessing Officer by denying the deduction under section 54F of the Income Tax Act, 1961 ["Act" in short].

4. The Id. DR Shri R.V. Aroon Prasad, Addl. CIT drew our attention to para 8 of the assessment order and submits that the Tirupur Municipal Corporation issued a letter stating that there are seven residential houses were under the ownership of the assessee as on the date of transfer of original capital assets. He drew our attention to the letter issued by Triupur Municipal Corporation, which is in vernacular language and translated in English. He vehemently contended that the assessee is not eligible for deduction from capital gains as provided under section 54F of the Act since the assessee possesses seven residential houses in her name. Further, he drew our attention to para 6.13 & 6.14 of the impugned order and argued that the Id. CIT(A), considering the facts and circumstances of the case, passed well-reasoned order and prayed to confirm the same.

5. Having heard the Id. DR and on perusal of the assessment order, it is clear that the assessee owns 7 residential house in her name, which is supported by the letter dated 19.12.2018 informing the Assessing officer

in response to the summon under section 133(6) of the Act, wherein, it is made to understand that the Tirupur Municipal Corporation levied house property tax in the year 2001, under receipt No. 38004559 and like-wise for all other six properties, the Tirupur Municipal Corporation levied property tax in 2004, 2007, etc. for ready reference the relevant part of said letter is reproduced herein below:

S.No.	Property tax assessment year	Property tax assessment No.	Description of the property
1.	2001	38004559	House
2.	2004	38005336	House
3.	2007	38008251	House
4.	2007	38008252	House
5.	2007	38008253	House
6.	2007	38008254	House
7.	2007	38008255	House

6. Further, the Id. CIT(A), considering the above said letter as well as the assessment order, held that the assessee is not entitled to claim deduction under section 54F of the Act violating the proviso 1 of section 54F of the Act. The relevant portion of the impugned order is reproduced herein below for better understanding:

6.13 As such, it may be seen that the assessing officer has carried out third-party inquiries, deploy the inspector to obtained field inquiries as mentioned in para 20 and 21 of the assessment order, given a factual finding that as on date of transfer of the long-term asset, the assessee owned more than one residential properties. Therefore, the assessee has violated the provisions of section 54F, proviso - 1.

Therefore, considering the facts and circumstance of the case and express legal provisions, assessee is not eligible to claim deduction under section 54F of the IT Act.

6.14 Without prejudice to the above, it may be appreciated that the assessing officer has given a factual finding at para-5, 6, 7, 8, 9, 12, 14, 15 and 17 that the assessee has demolished the old house. It is claimed that the assessee has constructed new house after demolishing the old house and invested proceeds from the sale of long-term capital asset therefore claimed to be eligible for claiming deduction under section 54 F of the IT Act. Further it is found that the assessment of the property mentioned by the assessee to be completed and newly constructed pertains to year 2001. Which means that the assessee is paying the property tax or N.A. assessment tax prescribed by the local authorities on the basis of construction made or completed in 2001. The claim of the assessee and submissions made by the assessee and the information gathered from the municipal Corporation are contradictory. If the assessee has constructed new property in the year 2015, then, the assessment of property tax and payment of property tax shall be made and the relevant document shall be available with the assessee pertains to the new construction made in 2015. However, it may be appreciated that the assessee failed to substantiate its claim with payment of property tax/any of the tax prescribed by the local authority as per the constructions made by the assessee in the 2015. Further, it may be appreciated that the assessee has not submitted any documentary evidence other than the valuation report that the assessee has actually obtained commencement certificate, part commencement certificate, completion certificate, part completion certificate or any other documentary evidence submitted to the municipal corporation wherein the municipal corporation has certified that the assessee has constructed new residential house by demolishing the old residential house. The assessee has not submitted any documentary correspondence with the local authority to substantiate its claim that the assessee has obtained permission for demolition of old house, obtained permission for construction of new house, obtained completion certificate of construction of new house. In absence of such documentary evidences only inference can be drawn that the demolition of old residential house and construction of new residential house is made in contravention with the legal permissible development control rules/any other rules prescribed by the municipal corporation or any other local authority or planning authority as the case may be.

6.15 It may be appreciated that the provisions of section 54F has prescribed that the deduction under section 54F is available to the assessee for construction of one residential house. The assessee is duty bound by the statutory provisions to construct new residential house and invest the proceeds of the sales of long-term capital asset in such construction of new house. However, such construction does not mean 'construction made without proper sanction' [illegal construction] of the local authority. If the assessee construct new residential house by flouting the prescribed statutory provisions governing the constructions/development control rules of local authority, such construction would amount to illegal construction. It may be

appreciated that, statutory provisions of Income Tax Act does not encourage or incentivise the illegal construction to be made by the assessee to claim deduction on such illegal constructions. It may be appreciated that there is no presumption of correctness of illegal activities to claim benefit of provisions of Income Tax Act.

6.16 Therefore, considering the facts and circumstance of the case, factual findings gathered and marshalled by the assessing officer during the course of assessment proceedings, absence of documentary evidence in the form of commencement certificate, completion certificate, the assertion of the assessee that it has constructed new house by demolishing old house is self-serving and devoid of any documentary evidence issued by competent authority.

Therefore, considering the facts and circumstance of the case, findings given by the assessing officer, material available on record, grounds of appeal the contested by the assessee at serial No. 1 to 3 are dismissed.

7. On perusal of the above, it is noted that there is no evidence on record brought by the assessee contrary to the findings of the Id. CIT(A). Thus, we completely agree with the findings of the Id. CIT(A) in confirming the disallowance made by the Assessing Officer in denying the deduction claimed under section 54F of the Act. Thus, the grounds raised by the assessee are dismissed.

8. In the result, the appeal filed by the assessee is dismissed.

Order pronounced on 14th November, 2025 at Chennai.

Sd/-
(AMITABH SHUKLA)
ACCOUNTANT MEMBER

Sd/-
(S.S. VISWANETHRA RAVI)
JUDICIAL MEMBER

Chennai, Dated, 14.11.2025

Vm/-

आदेश की प्रतिलिपि अग्रेषित/Copy to:

1. अपीलार्थी/Appellant,
2. प्रत्यर्थी/ Respondent,
3. आयकर आयुक्त/CIT, Chennai/Madurai/Coimbatore/Salem
4. विभागीय प्रतिनिधि/DR &
5. गार्ड फाईल/GF.