

**N THE INCOME TAX APPELLATE TRIBUNAL, DELHI 'C' BENCH,
NEW DELHI**

**BEFORE SHRI ANUBHAV SHARMA, JUDICIAL MEMBER, AND
SHRI NAVEEN CHANDRA, ACCOUNTANT MEMBER**

ITA No. 2092/DEL/2024 [A.Y 2018-19]

Shri Jagpal
H. No. 33, Village Dhanwapur
Gurgaon, Haryana

Vs.

The PCIT
Faridabad

PAN: APCPJ 3746 B

(Appellant)

(Respondent)

Assessee By : None
Department By : Shri D.S. Sidhu, CIT-DR

Date of Hearing : 26.11.2025
Date of Pronouncement : 16.01.2026

PER NAVEEN CHANDRA, AM :-

This appeal by the assessee is directed against the order of the Id. Id. PCIT, Faridabad dated 14.03.2024 pertaining to A.Y 2018-19.

2. None appeared for and on behalf of the assessee. The assessee however, has submitted a written submission alongwith a Paper book incorporating documents and submissions made before the lower authorities on the issue at hand. We decided to proceed with the assistance of the Id. DR. Therefore, the Id. DR was heard at length and the case records were carefully perused.

3. The sum and substance of the grievance of the assessee is that the ld. PCIT erred in exercising jurisdiction u/s 263 of the Income-tax Act, 1961 [the Act, for short] and setting aside the issue of taxability of interest received on enhanced compensation of compulsory acquisition of agricultural land u/s 28 of the Land Acquisition Act, 1894.

4. We have heard the ld. DR and have perused the detailed written submissions made by the assessee and relevant material on record. The brief fact is that the assessee had received interest of Rs 82,88,672/- u/s 28 of the Land Acquisition Act, 1984 during the year on enhanced compensation for acquisition of land which was claimed as exempt in its return filed in response to notice u/s 148. The AO, in the reassessment proceedings, accepted the claim of the assessee vide his order dated 21.03.2023.

5. The PCIT, Faridabad found that the AO did not conduct proper enquiry in terms of law laid down by Supreme Court and Punjab & Haryana High Court as well law provided in the Act in terms of section 56(2)(viii) r.w. 57(iv) read with section 145A. The PCIT further found that the AO did not make any inquiry with regard to the eligibility of the assessee for claiming exemption u/s 10(37). The PCIT therefore, invoking his revisional powers under Explanation 2 of section 263(1) of

the Act, held that the AO has made an assessment order which is erroneous and prejudicial to the interest of the revenue.

6. In the present case, it is not in dispute that the assessee had received interest of Rs 82,88,672/- u/s 28 of the Land Acquisition Act, 1984 during the year on enhanced compensation for acquisition of land. The issue for adjudication is whether the interest received under section 28 of the Land Acquisition Act on enhanced compensation for acquisition of land, is exempt u/s 10(37) or will be exigible to tax under the "income from other sources" in view of amendment w.e.f 01.04.2010 in the provisions of section 56(2)(viii) and 57(iv) of the Act.

7. The issue is no longer integra. The issue has been decided by the Delhi ITAT Benches in the case of *Shri Bhim Singh Vs. The I.T.O* in ITA No. 255/DEL/2024 [A.Y 2019-20] against the assessee in which the author of this decision, was a party. The ITAT held as under:

"15. Before proceeding further, we find it appropriate to deal with the various provisions of the laws that comes under play in the present controversy. The two sections that deals with the interest on compensation in the Land Acquisition Act, 1894 are section 34 and section 28. The section 34 of the Land Acquisition Act provides for payment of interest on delayed payment of compensation and Section 28 of the Land Acquisition Act provides for the interest on enhanced compensation awarded by the Court. The sections 28 and 34 of the Land Acquisition Act read as under: -

"28. Collector may be directed to pay interest on excess compensation. – If the sum which, in the opinion of the court, the

Collector ought to have awarded as compensation is in excess of the sum which the Collector did award as compensation, the award of the Court may direct that the Collector shall pay interest on such excess at the rate of [nine per centum] per annum from the date on which he took possession of the land to the date of payment of such excess into Court."

"34. Payment of interest. – When the amount of such compensation is not paid or deposited on or before taking possession of the land, the Collector shall pay the amount awarded with interest thereon at the rate of nine per centum per annum from the time of so taking possession until it shall have been so paid or deposited.

Provided that if such compensation or any part thereof is not paid or deposited within a period of one year from the date on which possession is taken, interest at the rate of fifteen per centum per annum shall be payable from the date of expiry of the said period of one year on the amount of compensation or part thereof which has not been paid or deposited before the date of such expiry."

16. The taxability of interest on delayed payment of compensation u/s 34 of LAA was not under dispute. The controversy raised is with regard to the taxability of the interest received on enhanced compensation u/s 28 of LAA. This issue of taxability of interest received on enhanced compensation u/s 28 of LAA came up for consideration, way back in 1964, by a three judge bench of the hon'ble Supreme Court in the case of Sham Lal Narula (Dr.) v. CIT [(1964) 53 ITR 151]. The hon'ble Court considered the interest under Section 28 of the Act of 1894 to be analogous to the interest under Section 34 of the Act, and held that the same did not form part of compensation. The relevant extract of the said decision is culled out as under:-

"9. ---As we have pointed out, earlier, as soon as the Collector has taken possession of the land either before or after the award the title absolutely vests in the Government

and thereafter the owner of the land so acquired ceases to have any title or right of possession to the land acquired. Under the award he gets compensation for both the rights. Therefore, the interest awarded under Section 28 of the Act, just like under Section 34 thereof, cannot be a compensation or damages for the loss of the right to retain possession but only compensation payable by the State for keeping back the amount payable to the owner.---

17. The decision in *Sham Lal Narula (supra)* was subsequently followed by the Hon'ble Supreme Court in the case of *Bikram Singh v. Land Acquisition Collector* [(1997) 10 SCC 243], wherein, it was held that interest under Section 28 of the Act of 1894 was in the nature of a revenue receipt and hence, the same was considered to be taxable. This position of law has been consistently reiterated by the Supreme Court in the case of *T.N.K. Govindaraju Chetty v. CIT* [(1967) 66 ITR 465 : AIR 1968 SC 129], *Rama Bai v. CIT* [1990 Supp SCC 699 : (1990) 181 ITR 400] and *K.S. Krishna Rao v. CIT* [[1990] 84 CTR 144/181 ITR 408/[1991] 54 Taxman 339 (SC)].

18. It was in 2009 that the Hon'ble Supreme Court in the case of *Ghanshyam HUF (supra)* grappled with issue "whether additional amount under section 23(1A), solatium under section 23(2), interest paid on excess compensation under section 28 and interest under section 34 of the 1894 Act, could be treated as part of the compensation under section 45(5) of the 1961 Act?" The Hon'ble Court answered in affirmative that the "interest under Section 28 unlike interest under Section 34 is an accretion to the value, hence it is a part of enhanced compensation or consideration which is not the case with interest under Section 34 of the 1894 Act. So also additional amount under Section 23(1A) and solatium under Section 23(2) of the 1961 Act forms part of enhanced compensation under Section 45(5)(b) of the 1961 Act".

19. We are of the considered opinion that the decision of *Ghanshyam HUF* deals with the taxability of interest on enhanced

compensation under section 28 of the Land Acquisition Act under capital gains under section 45(5)(b) of the Act only. In this case, the hon'ble Supreme Court had no occasion to deal with the issue of taxability of interest received under section 28 of LAA as 'income from other sources' especially after the amended provision of section 56(2)(viii) and 145B(1) of the I T Act with effect from 01.04.2010.

20. *It was in 2010, to align the law with the legislative intent, the Parliament brought in an amendment into clause (viii) of sub-Section 2 to Section 56 of the Act, vide Finance (No.2) Act, 2009 (with effect from 01.04.2010) and section 145B(1) of the Income Tax Act to bring the interest on compensation or on enhanced compensation as taxable as 'income from other sources'. The relevant provisions for deciding this case are extracted hereunder:*

"56. Income from other sources: -

(2) In particular and without prejudice to the generality of the provisions of sub-section (1), the following incomes shall be chargeable to income tax under the head "Income from other sources", namely: --

(viii) income by way of interest received on compensation or on enhanced compensation referred to in [sub-section (1) of Section 145-B]."

Section 145B of the Act reads as under: -

"[145B. Taxability of certain income: -

(1) Notwithstanding anything to the contrary contained in Section 145, the interest received by an assessee on any compensation or on enhanced compensation, as the case may be, shall be deemed to be the income of the previous year in which it is received.]

Section 10(37) of the Act reads as under: -

"Incomes are not included in total income.

10(37) in the case of an assessee, being an individual or a Hindu undivided family, any income chargeable under the head "Capital gains" arising from the transfer of agricultural land, where—

such land is situated in any area referred to in item (a) or item (b) of sub-clause (iii) of clause (14) of section 2;

such land, during the period of two years immediately preceding the date of transfer, was being used for agricultural purposes by such Hindu undivided family or individual or a parent of his;

such transfer is by way of compulsory acquisition under any law, or a transfer the consideration for which is determined or approved by the Central Government or the Reserve Bank of India;

such income has arisen from the compensation or consideration for such transfer received by such assessee on or after the 1st day of April, 2004.

21. From the study of law as it exists today, we are of the considered view that the legal position as deliberated by the Id counsel of the assessee has undergone a sea change in the present with the amendment brought in the statute in section 56 and 145B. The Delhi High Court in the case of Inderjit Singh Sodhi (HUF) reported in [2024] 423 ITR 13 (Delhi), and the Punjab and Haryana High Court in the case of Mahender Pal Narang [2021] 415 ITR 215 (P & H) have deliberated on the issue at hand. It was held by both the Delhi High Court and the Punjab and Haryana High Court that the decision of the hon'ble Supreme Court in the case of CIT Vs. Ghanshyam Dass HUF (supra) pertained to the law which existed prior to the amendment in section 56(2)(viii) and 145B(1) of the Income Tax Act.

22. The hon'ble Delhi High Court in the case of Principal Commissioner of Income-tax 10 v. Inderjit Singh Sodhi (HUF) reported in [2024] 423 ITR 13 (Delhi), deliberated at length on the issue at hand as follows:

"22. However, vide Finance (No.2) Act, 2009 (with effect from 01.10.2010), Clause (viii) of sub-Section 2 to Section 56 of the Act was inserted and the same is extracted hereunder as:-

"56. Income from other sources. -

(2) In particular and without prejudice to the generality of the provisions of sub-section (1), the following incomes shall be chargeable to income tax under the head "Income from other sources", namely:-

[(viii) income by way of interest received on compensation or on enhanced compensation referred to in [sub-section (1) of Section 145-B].]"

23. For the sake of clarity, Section 145-B of the Act is reproduced as under:-

"[145-B. Taxability of certain income.-(1) Notwithstanding anything to the contrary contained in Section 145, the interest received by an assessee on any compensation or on enhanced compensation, as the case may be, shall be deemed to be the income of the previous year in which it is received.

(2) Any claim for escalation of price in a contract or export incentives shall be deemed to be the income of the previous year in which reasonable certainty of its realisation is achieved.

(3) The income referred to in sub-clause (xviii) of clause (24) of Section 2 shall be deemed to be the income of the previous year in which it is received, if not charged to income-tax in any earlier previous year.]"

24. A conjoint reading of the aforementioned provisions i.e., Sections 56(2)(viii) and 145-B of the Act vividly stipulate that the income received by way of interest on compensation or on enhanced compensation shall be chargeable to tax under the head 'income

from other sources'. Therefore, since the position with respect to the imposition of tax on interest on compensation or enhanced compensation, as it exists today, came into being only in the year 2010, the conclusions drawn from the decision in Ghanshyam (supra), which was passed in the year 2009, are unsustainable in the facts of the present case.

25. Further, much reliance has been placed by the ITAT upon the decision of the Hon'ble Supreme Court in the case of Ghanshyam (supra) to hold that the interest on enhanced compensation received under Section 28 of the Act of 1894 is exigible to tax on receipt basis. However, a deeper analysis of the decision in Govindbhai Mamaiya (supra) would show that it does not deal with any issue pertaining to the change in the taxability, put in place through the concerned amendment of 2010. Therefore, the said decision lacks any applicability in the facts and circumstances of the present case.

26. Notably, a three-Judges Bench of the Hon'ble Supreme Court in the case of Sham Lal Narula (Dr.) v. CIT [(1964) [53 ITR 151](#)], while considering the interest under Section 28 of the Act of 1894 to be analogous to the interest under Section 34 of the Act, took the view that the same did not form part of compensation. The relevant extract of the said decision is culled out as under:-

"9. ---

As we have pointed out, earlier, as soon as the Collector has taken possession of the land either before or after the award the title absolutely vests in the Government and thereafter the owner of the land so acquired ceases to have any title or right of possession to the land acquired. Under the award he gets compensation for both the rights. Therefore, the interest awarded under Section 28 of the Act, just like under Section 34 thereof, cannot be a compensation or damages for the loss of the right to retain possession but only compensation payable by the State for keeping back the amount payable to the owner. ---"

[Emphasis supplied]

27. The decision in *Sham Lal Narula (supra)* was subsequently followed by the Hon'ble Supreme Court in the case of *Bikram Singh v. Land Acquisition Collector* [(1997) 10 SCC 243], wherein, it was held that interest under Section 28 of the Act of 1894 was in the nature of a revenue receipt and hence, the same was considered to be taxable. The relevant paragraphs of the said decision read as under: -

"8. The controversy is no longer *res integra*. This question was considered elaborately by this Court in *Sham Lal Narula (Dr) v. CIT* [(1964) [53 ITR 151](#) : AIR 1964 SC 1878] . Therein, K. Subba Rao, J., as he then was, considered the earlier case-law on the concept of "interest" laid down by the Privy Council and all other cases and had held at p. 158 as under:

"In a case where title passes to the State, the statutory interest provided thereafter can only be regarded either as representing the profit which the owner of the land might have made if he had the use of the money or the loss he suffered because he had not that use. In no sense of the term can it be described as damages or compensation for the owner's right to retain possession, for he has no right to retain possession after possession was taken under Section 16 or Section 17 of the Act. We, therefore, hold that the statutory interest paid under Section 34 of the Act is interest paid for the delayed payment of the compensation amount and, therefore, is a revenue receipt liable to tax under the Income Tax Act."

9. This position of law has been consistently reiterated by this Court in the case of *T.N.K. Govindaraju Chetty v. CIT* [(1967) [66 ITR 465](#) : AIR 1968 SC 129] , *Rama Bai v. CIT* [1990 Supp SCC 699 : (1990) 181 ITR 400] and *K.S. Krishna Rao v. CIT* [[1990 84 CTR 144/181 ITR 408/\[1991\] 54 Taxman 339 \(SC\)](#)] . Thus by a catena of judicial pronouncements, it is settled law that the interest received on delayed payment of the compensation is a revenue receipt exigible to income tax. It is true that in amending the definition of "interest" in Section 2(28-A), interest was defined

to mean interest payable in any manner in respect of any money borrowed or debt incurred including a deposit, claim or other similar right or obligation and includes any service, fee or other charges in respect of the moneys borrowed or debt incurred or in respect of any credit facility which has not been utilised. It is seen that the word "interest" for the purpose of the Act was interpreted by the inclusive definition. A literal construction may lead to the conclusion that the interest received or payable in any manner in respect of any moneys borrowed or a debt incurred or enumerated analogous transaction would be deemed interest. That was explained by the Board in the circular referred to hereinbefore."

[Emphasis supplied]

28. In the case of Puneet Singh (supra), the High Court of Punjab and Haryana, while enunciating the effect of Section 145A(b) and Section 56(2)(viii) of the Act, has held as under:-

"19. The cumulative effect of section 145A(b) and section 56(2)(viii) would be that any interest received on compensation or on enhanced compensation shall be taxable under the head "Income from other sources" in the year of receipt.

20. However, by section 27 of the 2009 Act, a new clause (iv) in section 57 has been inserted with effect from April 1, 2010 which lays down that in the case of income of the nature referred to in section 56(2)(viii), a deduction of a sum equal to 50 per cent. of such income would be allowable thereunder and no deduction would be allowed under any other clause of section 57. The said provision reads thus:

"57. Deductions. -The income chargeable under the head 'Income from other sources' shall be computed after making the following deductions, namely : . . .

(iv) in the case of income of the nature referred to in clause (viii) of sub-section (2) of section 56, a deduction of a sum equal to fifty per cent. of such income and no deduction shall be allowed under any other clause of this section."

21. *The Assessing Officer in I. T. A. No. 132 of 2018 where the assessee had received Rs. 11,30,561 as interest income, held that the interest payment received on compensation/enhanced compensation to the tune of Rs. 5,65,280 (50 per cent. of Rs. 11,30,561) is taxable as income from other sources as per provisions of sections 56(2)(viii) read with 57(iv) and section 145A(b) of the Act for the assessment year 2010-11. The Commissioner of Income-tax (Appeals) and the Tribunal had upheld the order of the Assessing Officer in that regard.*

22. *No illegality or perversity could be pointed out by learned counsel for the assessee in the concurrent findings of fact recorded by the authorities below which may warrant interference by this court. No question of law, much less, substantial question of law arise in these appeals.*

23. *Accordingly, finding no merit in the appeals, the same are hereby dismissed."*

[Emphasis supplied]

29. *Considering the foregoing discussion, we affirm the concurrent findings of the AO and CIT(A) and find that the view taken by the ITAT is unsustainable, as the same is based on an incorrect appreciation of law. The 2010 amendment was a conscious departure by the Legislature from the earlier position and the said departure holds good law, as on date. There is no question with respect to the vires of the amendment before us or regarding any ambiguity in the language of the amendment. The only concern is regarding the enunciation of the applicable law and we hold the same to unequivocally mean that interest, whether on compensation or on enhanced compensation, shall be considered as income from other sources and shall be exigible to income tax.*

30. *We, accordingly, answer the substantial question of law which has arisen in the instant appeal in affirmative and in favour of the Revenue. We, thus, hold that the ITAT has erred in relying upon the decision of Ghanshyam (supra), ignoring the*

changes brought about by Finance (No.2) Act, 2009, which came into effect in the year 2010."

23. *Similarly, the Hon'ble Punjab & Haryana High Court, in the case of Mahender Pal Narang [2021] 415 ITR 13 (P & H) and Puneet Singh (2019) 415 ITR 215(P&H), had held categorically that the interest received on compensation or on enhanced compensation is taxable under the head "Income from other sources" in the year of receipt. The decision of Puneet Singh (supra) has been quoted with approval by the Delhi High Court in the case of Inderjit Sodhi(supra). We also note that the decision in the case of Mahender Pal Narang and Puneet Singh is binding in the case of the assessee as he is assessed in the territorial and subjective jurisdiction of the Hon'ble Punjab & Haryana High Court.*

24. *In recent case of Veena Shah in ITA No.1222/Del/2023 for A.Y. 2018-19, the ITAT Delhi Bench deliberated on the similar issue at length and held as follows:*

"The 2010 amendment was a conscious departure by the legislature from earlier position and said departure holds good law, as on date. There is no question with respect to the vires of the amendment or regarding any ambiguity in the language of the amendment. Interest whether on compensation or on enhanced compensation shall be considered as income from other sources and shall be exigible to Income Tax..... The language of section 56(2)(viii) and 57(iv) of the Act is plain, simple and unambiguous. There is no scope of taking outside aid for giving an interpretation to newly inserted sub sections and clauses. Therefore, in view of the decision in the case of Sham Lal Narula (supra), we are of the considered opinion that the decision in the case of Ghanshyam HUF (supra) is not applicable after the substitution of Sections 145A, 145B, 56(2)(viii) and 57(iv) by Finance (No.2) Act, 2009. In view of the above, it is evident that the interest on compensation or interest on enhanced compensation is chargeable to tax under the head "income from other sources" from 01.10.2010 onwards. Therefore, the decision of the Hon'ble Supreme Court in the case of Ghanshyam HUF (supra), which was

passed in the year 2009, in our considered opinion, is not applicable in the facts of the present case”.

25. The decisions of the coordinate benches of the ITAT based on Ghanshyam HUF (supra) and relied upon by the Ld. Counsel, have not considered the decision of the Supreme Court's earlier three bench judgment in the case of Sham Lal Narula (supra) and its interpretation by the Hon'ble Delhi and Punjab & Haryana High Court in the cases discussed above. Consequently, all the ITAT decisions relied upon by the assessee do not postulate correct law as held in the case of Veena Shah(supra).

8. From the perusal of the facts and circumstances of the case and the judicial precedence as discussed above, we are of the considered view that the language in section 56(2)(viii) and 145B(1) are plain, simple and unambiguous and that the correct legal position is that the interest of Rs. 82,88,672/- received during the year on enhanced compensation under section 28 of the Land Acquisition Act, 1894 is exigible to tax u/s 56(2)(viii) r.w.s 145B(1). The assessee's claim of the same being exempt u/s 10(37) of the Act is unsustainable as the provisions of section 10(37) deals with 'compensation' only and not "interest on compensation or enhanced compensation".

9. We are of the considered view that the AO had not inquired all the aspect both in terms of law as in the statute book and law laid down by the Supreme Court and High Court, especially the jurisdictional High Court of Punjab & Haryana High Court in the case of ***Mahender Pal Narang*** (supra) and ***Puneet Singh*** (supra). We therefore are of

considered view that the PCIT rightly assumed the jurisdiction over the assessee u/s 263 as the reassessment order being erroneous and prejudicial to the interest of the Revenue.

10. Respectfully following the Hon'ble Supreme Court in *Sham Lal Narula (Dr.) v. CIT* (supra) and the jurisdictional High Court of hon'ble Punjab & Haryana in the case of *Mahender Pal Narang and Puneet Singh (supra)* and Hon'ble High Court of Delhi in the case of *Inderjit Sodhi* (supra) and that of *Veena Shah* in ITA No.1222/Del/2023 for A.Y. 2018-19, the ITAT Delhi Bench (which dealt with identical issue being revised u/s 263 of the Act) as cited above, we hold that the ld. PCIT order dated 14.03.2024 to recompute the interest on enhanced compensation in accordance with section 56(2)(viii) r.w.s. 145B(1) and allowing deduction u/s 57(iv) needs no interference. Grounds raised by the assessee are, accordingly, dismissed.

7. In the result, appeal of assessee in ITA No. 3969/DEL/2025 is dismissed.

Order pronounced in open court on 16.01.2026.

Sd/-

[ANUBHAV SHARMA]
JUDICIAL MEMBER

Sd/-

[NAVEEN CHANDRA]
ACCOUNTANT MEMBER

Dated: 16th January, 2026.

VL/

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(A)
5. DR

Asst. Registrar,
ITAT, New Delhi

Sl No.	PARTICULARS	DATES
1.	<i>Date of dictation of Tribunal Order</i>	
2.	<i>Date on which the typed draft order is placed before the Dictating Member</i>	
3.	<i>Date on which the typed draft order is placed before the other Member [in case of DB]</i>	
4.	<i>Date on which the approved draft order comes to the Sr. P.S./P.S.</i>	
5.	<i>Date on which the fair Order is placed before the Dictating Member for sign</i>	
6.	<i>Date on which the fair order is placed before the other Member for sign [in case of DB]</i>	
7.	<i>Date on which the Order comes back to the Sr. P.S./P.S for uploading on ITAT website</i>	
8.	<i>Date of uploading, inf not, reason for not uploading</i>	
9.	<i>Date on which the file goes to the Bench Clerk</i>	
10.	<i>Date on which the file goes for Xerox</i>	
11.	<i>Date on which the file goes for endorsement</i>	
12.	<i>The date on which the file goes to the Superintendent for checking</i>	
13.	<i>Date on which the file goes to the Assistant Registrar for signature on the order</i>	
14.	<i>Date on which the file goes to the dispatch section for dispatch the Tribunal order</i>	
15.	<i>Date of Dispatch of the Order</i>	
16.	<i>Date on which the file goes to the Record Room after dispatch the order</i>	