

IN THE INCOME TAX APPELLATE TRIBUNAL
“PATNA BENCH”, PATNA
(VIRTUAL HEARING AT KOLKATA)

SHRI LAXMI PRASAD SAHU, ACCOUNTANT MEMBER
SHRI SONJOY SARMA, JUDICIAL MEMBER

ITA No. 123/PAT/2025
Assessment Year : 2016-17

Manoj Kumar, Vill-Simra, P.O. and PS- Parsa Bazar, Distt. Patna, Bihar - 804453 [PAN: CRNPK6703Q]	Vs.	ITO Ward 4(4), Patna, 3 rd Floor, Lok Nayak Jai Prakash Bhawan, Dak Bunglow, Patna - 800001
APPELLANT		RESPONDENT

Assessee by	:	Sh. Mahesh Sharma, AR
Revenue by	:	Sh. Manab Adak, JCIT

Date of hearing	:	14.01.2026
Date of Pronouncement	:	20.01.2026

ORDER

PER LAXMI PRASAD SAHU, ACCOUNTANT MEMBER

This is an appeal filed by the assessee against the order passed u/s 250 of the Income Tax Act, 1961 (hereafter “the Act”) by the Ld. Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi [hereafter “the Ld. CIT(A)] dated 22.01.2025, DIN & order No. ITBA/NFAC/S/250/2024-25/1072402022(1) challenging the addition of capital gains arising out of compensation received towards compulsory acquisition by the Govt. of Bihar and challenging

that compensation received under RFCTLARR Act is exempt from tax as per the circular issued by the CBDT.

2. Briefly stated that the facts of the case are that the assessee has filed return of income declaring at Rs. 2,20,560/-. The case was selected for scrutiny and notice u/s 143(2) of the Act dated 05.07.2017 was issued to the assessee and subsequently, other statutory notices were issued to the assessee and assessee furnished reply the AO observed that the assessee engaged in agricultural activities has purchased a new asset on 26.03.2016 for Rs. 1 crore and claimed deduction u/s 54B of Rs. 1 Crore and the assessee is deposited Rs. 3,05,758/- and the capital gain account scheme due to non-cooperation repeatedly by the assessee. During the course of assessment proceedings, the long term capital gain computed at Rs. 1,00,35,508/- was added.

3. Aggrieved from the above order, the assessee filed appeal before the Ld. CIT(A). During the course of assessment proceedings detailed written submissions were made which is incorporated by the Ld. CIT(A) in his order. During the course of appellate proceedings, the Ld. CIT(A) observed that the assessee is required to submit the following documents:

i) Copy of return of income along with computation of total income and computation of capital gain.

(ii) Copy of Compensation receipt from the Government of Bihar

(iii) Documentary evidences in support of the claim to prove that the land acquired by the Government was agricultural land and not an urban land. For this purpose, the appellant ought to have submitted copy of certificates from VAO and proof whether it is an agricultural land from the municipal limits.

(iv) Even if the appellant is liable for capital gains, the computation of capital gain by providing evidence for cost of acquisition of the property acquired by the Government.

(v) To claim exemption on capital gains, the appellant ought to have submitted the copy of Purchase Deed for investment in agricultural land to claim exemption under Sec.548.

4. The Ld. CIT(A) observed that the assessee except the above documents did not file any other evidences in support of his claim and he also did not file to prove of deposit in CGAS account. Accordingly, he dismissed the appeal of the assessee.

5. Aggrieved from the above order, the assessee is in appeal before the ITAT.

6. The Ld. Counsel reiterated the submissions made before the lower authorities and strongly supported that the compensation received under the RFCTLARR Act is exempt from income tax as per the CBDT Circular issued and submitted that the land is agricultural land is also exempt from tax and the assessee also purchased new assets for which the assessee is eligible for claim of exemption u/s 54B of the Act and he strongly supported the Circular No. 36/2016 dated 25.10.2016 and further submitted that the land was acquired by NHAI, therefore, it is exempt from tax.

7. He also submitted that substantial amount of Rs. 3.06 lakhs was deposited by the assessee under in CGAS account which is also support to the case of the assessee.

8. On the other hand, the Ld. DR relied on the order of lower authorities and submitted that the land was acquired by the Government of Bihar therefore, the exemption cannot be given to the

assesse. The state Act cannot override the income tax provision for giving exemption under RFCTLARR Act section 96 is providing exemption and it is also not clear whether the compensation was given under the RFCTLARR Act comments w.e.f. 01.04.2014, section 96 provides income tax exemption but section 46 of the RFCTLARR Act says otherwise but the assessee unable to produce the requisite documents to justify the exemption as claimed by the assessee in his submission and grounds of appeal taken to the assessee. The Id. Counsel is also unable to demonstrate that the circular issued by the CBDT noted supra is squarely applicable

9. Considering the rival submissions and perusing the materials available on record and order of authorities below we noted that hear the dispute is regarding deduction claimed by the assessee towards long term capital gain u/s 54B of the Act and also stated by the Ld. Counsel that the compensation received by the assessee is exempt from tax because it was received under RFCTLARR Act and CBDT has issued Circular No. 36 of 2016 dated 25.10.2016. We noted from the order of the Ld. CIT(A) that land was acquired by the Govt. of Bihar. However, during the course of argument, the assessee submitted that the land was acquired by NHAI but during the course of hearing, the assessee could not controvert the observation of the Ld. CIT(A) and during the appellate proceedings the documents were required to be furnished as noted supra No. (i) to (v) noted by Id. CIT(A) supra except the compensation received. The Id. Counsel was also unable to satisfy the case of the assessee is squarely covered under the Circular No. 36/2016 issued by the CBDT noted supra.

10. Considering the facts of the case and in the interest of justice, we are remitting this issue back to the file of AO for denovo consideration after giving a reasonable opportunity of being heard to the assessee and

decide the issue as per law and the assessee is directed to substantiate his case with cogent documents in support of the case and not to seek any unnecessary adjournments for early disposal of the case. We make it clear that in case of failure no second leniency shall be granted to the assessee.

11. In the result, appeal of the assessee is allowed for statistical purposes.

Order pronounced on 20.01.2026

Sd/-
(Sonjoy Sarma)
Judicial Member

Sd/-
(Laxmi Prasad Sahu)
Accountant Member

Dated: 20.01.2026

AK, Sr. P.S.

Copy of the order forwarded to:

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

//True copy//

By order

Assistant Registrar, Kolkata Benches