

**IN THE INCOME TAX APPELLATE TRIBUNAL
“B” BENCH, DELHI**

**BEFORE SHRI ANUBHAV SHARMA, JUDICIAL MEMBER &
SHRI MANISH AGARWAL, ACCOUNTANT MEMBER**

**ITA No.2087/Del/2024
(Assessment Year:2018-19)**

Sh. Charat Singh 1 Dhani Amar Singhwali, Village Khairpur Sirsa 125055, Haryana, India	Vs.	Principal Commissioner of Income Tax, Aaykar Bhavan, Opp. Mansarover Park, Rohtak, Haryana – 124001
स्थायीलेखासं./जीआइआरसं./PAN/GIR No: DTBPS4489C		
Appellant	..	Respondent

Appellant by :	Sh. Ankit Kumar, Adv.
Respondent by :	Ms. PoojaSwaroop, CIT, DR

Date of Hearing	06.01.2026
Date of Pronouncement	21.01.2026

ORDER

PER ANUBHAV SHARMA, JM:

This appeal is preferred by the Assessee against the order dated 01.03.2024 of the Ld. Principal Commissioner of Income Tax (PCIT)

(hereinafter referred as Ld. First Appellate Authority or in short Ld. 'FAA') in DIN & Order No: ITBA/REV/F/REV5/2023-24/1061861185(1) arising out of the order dated 06.04.2021 u/s 143(3) r.w.s. 143(3A) & 143(3B) of the Income Tax Act, 1961 (hereinafter referred to as 'the Act') passed by the Income Tax Department, National e-Assessment Center for AY: 2018-19.

2. Heard and perused the record and we find that primarily assessee challenges the impugned order u/s 263 of the Act on the basis that Principal Commissioner of Income Tax application without applying his mind and without taking into consideration the assessment record merely on proposal of the Assessing Officer has invoked the powers u/s 263 of the Act and reliance is placed on the decision in the case of Joginder Kumar & Sons HUF Vs. PCIT in ITA No. 1975/Del/2025 dated 27.11.2025; Indian City Properties Limited Vs. PCIT in ITA No. 1051/Kol/2025 dated 23.12.2025; Anil Kumar Anthony Krishna Murthy Vs. PCIT in ITA No. 915/Bang/2024 dated 09.10.2025 & Morpheus Developers Private Limited Vs. PCIT in ITA No. 1754/D/2023 dated 20.08.2025, to contend exercise of powers u/s 263 of

the Act on the basis of proposal of assessing officer is not valid exercise of jurisdiction.

3. The Ld. DR at the same time submitted that there is no bar in invoking the provision of Section 263 of the Act on the basis of any proposal of Assessing Officer as it is merely an information.

4. We find that the issue involved in the present case is primarily about taxability of the interest received on enhanced compensation of compulsory acquisition of agricultural land received u/s 28 of Land Acquisition Act, 1894 of the Act which was allowed by the Assessing Officer and which ld. PCIT in the impugned order has found to be finding erroneous in so far as it is prejudicial to the interest of revenue holding that same is liable for taxation and income u/s 56(2)(viii) r.w.s 57(iv) and Section 145A(b) of the Act.

5. As we go through the material relied by the ld. Counsel for the assessee at page 213-214 assessee has provided a copy of proposal for action u/s 263 of the Act made by Income Tax Officer Ward, Sirsa and as for convenience we reproduce the same:

Proposal for action u/s 263 of the Income Tax Act, 1961

1.	Name of the Case	Charat Singh, 1 Dhani Amar singhwali, Village Khairpur, Sirsa
2.	Name of the AO/Ward	National e-Assessment Centre, Delhi
3.	A. Y.	2018-19
4.	Returned Income/Loss	1,65,130/-
5.	Date of Order	03.02.2021

The assessee is an individual. The Return declaring an income of Rs. 1,65,130/- was e-filed by the assessee on 27.07.2018. The case was selected for **Scrutiny Under CASS for examination of (i) Income From other sources; and (ii) Refund claim.** The assessment proceedings under section 143(3) r.w.s 143(3A) & 143(3B) of the Income Tax Act was completed vide order dated 06.04.2021 vide DIN ITBA/AST/143(3)/2021-22/1032229067(1) and returned income was accepted without bringing interest income of Rs. 61,55,950/- to tax received by the assessee from Land Acquisition Officer, Urban Estate Department, Hisar on enhanced compensation whereon TDS of Rs. 6,15,595/- was made by the aforementioned authority and the assessee has claimed TDS of Rs. 6,15,595/- on receipt of interest income of Rs. 61,55,950/- on enhanced compensation, however the assessee has not offered/ accounted for interest income of Rs. 61,55,950/- for taxation received by him from Land Acquisition Officer on enhanced compensation. Rather, the assessee has claimed interest of Rs. 61,55,950/- as exempt u/s 10(37) of the I.T. Act.

The assessee has received interest income amounting to Rs. 61,55,950/- on enhanced compensation on compulsory acquisition of agriculture land and claimed as exempt U/s 10(37). The AO relying upon the reply/ facts/ sections/citations etc. cited / given by the assessee during the course of assessment proceeding treated the interest on enhanced compensation received by the assessee from the Land Acquisition Officer/ Collector as exempt. The AO assessed the income of the assessee by not taking into consideration interest income received by the assessee on enhanced compensation on account of acquisition of his agriculture land without appreciating / following the full facts of the case and various judicial rulings/judgments given by the Hon'ble Jurisdictional High court in this regard in favour of revenue.

Certified To Be True Copy


(रोहतास सिंह)
(Rohtas Singh)
आयकर अधिकारी
Income Tax Officer
वार्ड-1, रिसा, हरियाणा
Ward-1, Sirsa, Haryana

As per the amended provisions of Income Tax Act as clause (vii) in the sub-section 2 of Section 56 introduced by Finance Act, 2009 effective from the assessment year 2010-11, an income received by way of interest on compensation or on enhanced compensation referred to in sub-section (1) of the section 145B is taxable in the year of receipt and a deduction of 50% is allowable from such receipt u/s 57(iv). The following 3 (three) amended provisions of Income Tax Act, 1961 were introduced by the Finance Act, 2009 w.e.f. 01.04.2010, which reproduced as under:-

1. Clause (viii) of sub-section 2 of Section 56:

"Income by way of interest received on compensation or on enhanced compensation referred to in clause (b) of section 145A."

2. Clause (iv) Section 57:

"In the case of income of 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."

3. Clause (b) of section-145A:

"Interest received by an assessee on compensation or on enhanced compensation, as the case may be, shall be deemed to be the income of the year in which it is received."

In view of the above amended provisions introduced w.e.f. 01.04.2010, 50% of the interest on enhanced compensation is assessable as interest income under the head of income from other sources in the year in which the interest is received by the assessee. Thus, the interest received by the assessee on compensation or enhanced compensation is clearly taxable u/s 56(2)(viii) of the I T Act.

In view of above facts, the assessment order passed by the AO is prejudicial and erroneous to the interest of the revenue. Therefore, the case is submitted to Pr. Commissioner of Income Tax, Rohtak through proper channel for initiating the proceedings u/s 263 of the Income Tax Act, 1961. The record in one volume is enclosed for further reference.

Subhash Chander
(Subhash Chander)
Income Tax Officer,
Ward Sirsa

Certified To Be True Copy

(Signature)
(रोहतास सिंह)
(Rohtas Singh)
आयकर अधिकारी
Income Tax Officer
वार्ड-1, सिरसा / Ward-1, Sirsa

6. Now as we go through the show cause notice the issue u/s 263 of the Act which is reproduced in para 2 of the impugned order we find at the outset that there is no mention of the proposal being received from Assessing Officer and Id. PCIT has mentioned that it is on the basis of his understanding of the issue he has found the impugned order to be erroneous in so far as it is prejudicial to the interest of revenue and for that purpose he has mentioned that the assessment order has not been passed in accordance with decision of Hon'ble jurisdictional Punjab & Haryana High Court. As we take into consideration the proposal which is reproduced above we find that AO had also mentioned that AO assessed the income of the assessee by not following the judicial rulings/judgments given by the Hon'ble jurisdictional High Court. However, no specific decision was referred to in the proposal to cause show cause notice which was issued to the assessee u/s 263 of the Act. The Ld. PCIT mentioned that the impugned Assessment Order is prejudicial to the interest in terms of clause (d) of Explanation 2 to Section 263 of the Act. That issue being a pure question of law and not examination of facts or evidences from the assessment record, the proposal, was merely information and the basis of assumption of jurisdiction and it cannot be said that some facts or evidences brought on record in the proposal are based on audit or

discovered by assessing officer and same alone was the basis of assumption of jurisdiction u.s 263 of the Act. The decision relied by Id. AR are thus distinguishable as in those cases the facts cited by audit or AO alone were redrawn in the notice u/s 263 of the Act.

7. A co-ordinate bench in **ITA No. 1063/Del/2022 (Assessment Year: 2017-18) Subhash Chand Dhingra and others vide order dated 07.02.23** has considered similar issue and held that for not following jurisdictional high court decision of Hon'ble Punjab Haryana High Court the assessment concluded by assessing officer of jurisdiction of Haryana, leads to assessment order being prejudicial to interest of revenue. Relevant para 36 is reproduced;

“36. There is no doubt to the legal proposition, as cited by Ld Counsel of appellant, that the assessment order need not be disclosing all the facts and reasoning for accepting the claim. But when the question is of taking a call on the basis of judicial pronouncements qua the issues, then to the mind of this Bench, there should be very categorical reasoning reflected in the assessment order that for what good reasons a particular view is accepted to benefit or deny the claim. The absence of same can very well be taken to be a case to assume there was no enquiry. The questions of fact may not require much reasoning and can be collated and correlated by reading the notice and replies, but how a legal controversy is dealt with by Ld. AO, needs to be

exhibited and reflected in the form of reasons recorded in the assessment order. That not being done, the Ld. Revisional Authority was right to conclude that Ld. AO has not taken into consideration the relevant and prevalent principles of law as laid by Jurisdictional High Court in favour of Revenue. Assessment in the absence of such reasoning is certainly erroneous and prejudicial to the interest of the Revenue.”

8. Thus grounds have no substance and the appeal is dismissed.

Order pronounced in the open court on 21.01.2026

Sd/-
(Manish Agarwal)
ACCOUNTANT MEMBER

Sd/-
(Anubhav Sharma)
JUDICIAL MEMBER

Dated 21.01.2026
Rohit, Sr. PS

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(Appeals)
5. DR: ITAT

ASSISTANT REGISTRAR
ITAT NEW DELHI