**IN THE INCOME TAX APPELLATE TRIBUNAL**
**"B" BENCH, AHMEDABAD**

**BEFORE DR. B.R.R. KUMAR, VICE-PRESIDENT**
**SHRI SIDDHARTHA NAUTIYAL, JUDICIAL MEMBER**

ITA No.1061/Ahd/2025
(Assessment Year: 2015-16)

| Ravindrabhai Shankarbhai Patel<br>86,Kanha Residency<br>Kalali Road, Kalali<br>Ahmedabad – 390 012<br>[**PAN : AIGPP 8415 M**] | Vs. | The ITO<br>Ward-1(2)(5).<br>Now ITO, Ward-1(2)(2)<br>Vadodara – 390 007 |
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| (**Appellant**) | .. | (**Respondent**) |

| **Assessee represented by :** | Ms. Urvashi Shodhan, AR |
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| **Revenue represented by :** | Shri Abhijit, Sr.DR |

| **Date of Hearing** | 27/11/2025 |
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| **Date of Pronouncement** | 29/01/2026 |

**O R D E R**

**PER SIDDHARTHA NAUTIYAL, JUDICIAL MEMBER:**

The present appeal has been filed by the assessee against the order of the Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), Delhi [hereinafter referred to as the "the CIT(A)"] dated 25/04/2025 passed for Assessment Year (AY) 2015-16.

2. The Assessee has raised the following grounds of appeal:

*"1. The learned CIT (A) has erred in law and on the facts of the appellant's case in confirming addition of ₹1,66,98,526/- under Income from Capital Gain instead of "NIL".*

*2. The learned CIT (A) has erred in law and on the facts of the appellant's case in confirming disallowance of deduction U/s 54B of the Act of ₹1,50,26,830/- on the*

*erroneous plea that the appellant has not complied with provisions of Section 54B of the Act.*

*3. The learned CIT (A) has erred in law and on the facts of the appellant's case in confirming disallowance of deduction U/s 54F of the Act of ₹16,71,696/- on the erroneous plea that the appellant has not complied with provisions of Section 54F of the Act.*

*4. Both the lower authorities have erred in law and on the facts of the appellant's case in not appreciating the fact that the appellant has duly complied all the conditions for claiming deduction U/s 54B & 54F of the Act.*

*5. The appellant craves leave to add, amend, alter, edit, delete, modify or change all or any of the grounds of appeal at the time of or before the hearing of the appeal."*

3. The brief facts of the case are that the assessee is an individual engaged in the business of retail trading of furniture and, during the year under consideration, had income from capital gains and income from other sources. For Assessment Year 2015–16, the assessee filed his return of income on 18.03.2016 under section 139(4) of the Income-tax Act declaring a total income of Rs.78,36,110/-. The case was selected for scrutiny and assessment was completed by the Assessing Officer under section 143(3) of the Act on 29.12.2017 determining the total income at Rs.1,75,34,640/-.

3.1. During the year, the assessee along with his wife, who was a co-owner with 50 per cent share, sold an agricultural land situated at Village Kalali, Vadodara, for a total consideration of Rs.4,29,00,000/-. The assessee's share in the sale consideration was Rs.2,14,50,000/-. The assessee claimed that the land was transferred during the previous year relevant to the assessment year under consideration and declared long-term capital gains arising from the said transfer. Against the capital gains, the assessee claimed deduction under section 54B of the Act on the ground that he had invested the capital gains in purchase of other agricultural lands, and deduction under section 54F of the Act on the ground that he

had invested in purchase of a plot and construction of a residential house. The assessee also claimed that part of the capital gains was deposited in the Capital Gain Account Scheme. After claiming indexed cost of acquisition, brokerage and other expenses, and deductions under sections 54B and 54F, the assessee returned the taxable long-term capital gain at Nil.

4. During the assessment proceedings, the Assessing Officer examined the claim of deductions under sections 54B and 54F. The Assessing Officer noted that substantial amounts claimed as investment in agricultural land, residential house and deposits in the Capital Gain Account Scheme were made after the due date of filing the return of income under section 139(1), which was 31.07.2015. The Assessing Officer also referred the matter to the Additional Commissioner of Income Tax under section 144A of the Act for directions. The Additional Commissioner, vide directions dated 27.12.2017, held that since the amounts were not deposited in the Capital Gain Account Scheme before the due date prescribed under section 139(1), the assessee was not entitled to deduction to that extent.

4.1. Relying on these directions, the Assessing Officer restricted the deduction under section 54B to Rs.24,12,350/- and the deduction under section 54F to Rs.9,61,340/-. The remaining claims of deduction amounting to Rs.1,50,26,830/- under section 54B and Rs.16,71,696/- under section 54F were disallowed. As a result, the Assessing Officer computed the long-term capital gains at Rs.1,66,98,526/- as against Nil returned by the assessee and completed the assessment at a total income of Rs.1,75,34,640/-. Penalty proceedings under section 271(1)(c) of the Act were also initiated.

5. Aggrieved by the assessment order, the assessee carried the matter in appeal before the Commissioner of Income Tax (Appeals). Before the CIT(Appeals), the assessee contended that all the conditions of sections 54B and 54F were duly complied with. It was submitted that the requirement of the law was purchase of agricultural land or investment in a residential house within the prescribed period and that the actual payment of consideration could be made even after the due date under section 139(1). The assessee further contended that the expression “due date” in sections 54B(2) and 54F(4) should be read as the due date under section 139, which also includes section 139(4), and since the return was filed on 18.03.2016, investments made up to that date should be considered as valid. The assessee relied on several judicial decisions to support the contention that beneficial provisions like sections 54B and 54F should be interpreted liberally and that investments made before filing the return under section 139(4) should be allowed. The assessee also explained the payments made through memorandums of understanding and through intermediaries, contending that these were genuine payments connected with acquisition of agricultural land.

6. The CIT(Appeals) carefully considered the assessment order, the submissions of the assessee and the case laws relied upon. However, the CIT(Appeals) held that the provisions of sections 54B(2) and 54F(4) specifically require that the unutilised capital gains should be deposited in the Capital Gain Account Scheme before the due date of filing the return under section 139(1). It was observed that in the present case, significant portions of the investments in agricultural land, payments towards brokerage and additional consideration, as well as deposits in the Capital Gain Account Scheme, were made after 31.07.2015. The CIT(Appeals) further noted that certain payments for purchase of agricultural land and additional amounts under memorandums of understanding were made much later, even during subsequent years, which clearly fell outside the time limits contemplated under the Act.

According to the CIT(Appeals), the assessee had not fulfilled the mandatory conditions laid down in sections 54B and 54F, and therefore the Assessing Officer was justified in restricting the deductions. The CIT(Appeals) distinguished the case laws relied upon by the assessee on facts and held that they were not applicable to the present case. Consequently, the disallowance of deduction under section 54B amounting to Rs.1,50,26,830/- and under section 54F amounting to Rs.16,71,696/- was confirmed, and the computation of long-term capital gains at Rs.1,66,98,526/- was upheld. The ground relating to initiation of penalty proceedings was held to be premature and not requiring adjudication at that stage. In the result, the appeal filed by the assessee was dismissed by the Commissioner of Income Tax (Appeals).

7. The assessee is in appeal before us against the order passed by CIT(Appeals) dismissing the appeal of the assessee.

8. The learned counsel for the assessee, while advancing written submissions before the Tribunal, reiterated the factual background of the case and strongly assailed the orders passed by the Assessing Officer and the Commissioner of Income Tax (Appeals). It was submitted that the assessee, along with his wife as a joint owner, had sold an agricultural land on 14.10.2014 and the capital gains arising therefrom were duly invested in accordance with the provisions of sections 54B and 54F of the Act. The assessee claimed deduction under section 54B on account of purchase of two agricultural lands and deduction under section 54F on account of purchase of a residential plot, and after such investments, no taxable capital gain survived. Accordingly, the return of income was filed on 18.03.2016 under section 139(4) declaring Nil long-term capital gain. The learned counsel submitted that the entire controversy in the present case revolves around the interpretation of the expression “due date” referred to in sections 54B(2) and 54F(4) of the Act. According to the lower authorities, since certain investments and deposits in the

Capital Gain Account Scheme were made after the due date prescribed under section 139(1), i.e. 31.07.2015, the assessee was held to be ineligible for deduction to that extent. The counsel submitted that this approach is contrary to settled judicial position. It was argued that if the investments are made after the due date under section 139(1) but before the due date available under section 139(4), the deduction under sections 54B and 54F cannot be denied. In support of this proposition, reliance was placed on several judicial decisions, copies of which were stated to have been filed in the compilation, wherein it has been consistently held that the time limit under section 139 includes both sub-sections (1) and (4) and that beneficial provisions granting exemption from capital gains have to be construed liberally.

8.1. With regard to the disallowance relating to investments in agricultural land, the learned counsel explained that the Assessing Officer disallowed payments relating to the Anklav land and the Chansad land on the sole ground that the payments were made after 31.07.2015. It was submitted that the law does not mandate that the entire consideration should be paid before the due date under section 139(1), but what is relevant is the purchase of agricultural land within the time prescribed under section 54B. It was further submitted that since the assessee had filed his return under section 139(4) on 18.03.2016, the investments made up to that date ought to have been considered as eligible for deduction.

8.2. The learned counsel then dealt with the issue of additional payment of Rs.79,12,000/- made in respect of the agricultural land purchased at Chansad. It was submitted that though the registered sale deed dated 12.08.2015 mentioned a consideration of Rs.1,12,88,000/- and recorded that the full consideration had been received, **an additional amount became payable subsequently to align the transaction value with the prevailing jantri or circle rate fixed by the land revenue authorities. For this purpose, a Memorandum of Understanding dated**

**02.09.2015 was executed between the parties, and additional payments aggregating to Rs.79,12,000/- were made by the assessee. The counsel explained that this additional payment was necessary to ensure that the transaction value was at par with the stamp duty valuation, thereby avoiding the consequences of sections 50C and 56(2)(x) of the Act.**

8.4. Addressing the objection of the Assessing Officer that the additional payments **were made much later and in the names of persons other than the seller, the learned counsel submitted that these were merely technical and clerical issues and did not alter the substance of the transaction**. It was pointed out that one cheque dated 18.09.2016 for Rs.39,56,000/- was wrongly reflected in the bank statement in the name of "Lalubhai" instead of "Balubhai" due to a typographical error, which was subsequently clarified by a certificate issued by Indian Overseas Bank. As regards the second cheque dated 14.06.2017 for Rs.39,56,000/-, it was explained that the cheque, though issued in favour of the seller Shri Balubhai Parshottambhai Patel, was discounted through M/s P.D. & Sons at the seller's request, and therefore the debit appeared in the name of the said concern. To substantiate this claim, the assessee furnished certificates from the bank and from M/s P.D. & Sons confirming that the payments were indeed made on behalf of and for the benefit of the seller. The death certificate of Shri Balubhai Parshottambhai Patel was also produced to explain why subsequent confirmations could not be directly obtained from him.

8.5. The learned counsel further explained, with reference to detailed working, that the jantri rate applicable to the land purchased was Rs.1,020 per square metre, and for the total area of 18,811 square metres, the value as per jantri came to approximately Rs.1.92 crore. It was pointed out that the stamp duty paid on the transaction also reflected this higher value, and therefore, when the original

consideration mentioned in the sale deed and the additional payment under the MOU are taken together, the total consideration exactly matched the stamp duty valuation. **It was thus argued that the additional payment was genuine, bona fide and intrinsically linked to the purchase of the agricultural land, and therefore should be fully considered for the purpose of deduction under section 54B of the Act**.

8.6. In relation to the deduction under section 54F of the Act, the learned counsel submitted that the assessee had invested in purchase of a residential plot and had also deposited amounts in the Capital Gain Account Scheme. The denial of deduction by the Assessing Officer and confirmation thereof by the CIT(A) was solely on the ground that the deposits and investments were made after 31.07.2015. It was again contended that since the return was filed under section 139(4) of the Act, the investments made before that date ought to have been accepted, particularly when the provision is intended to encourage investment in residential housing. Accordingly, the learned counsel submitted that both the lower authorities had adopted a hyper-technical and narrow interpretation of the provisions, ignoring the settled judicial position and the beneficial nature of sections 54B and 54F of the Act. It was contended that the assessee had duly complied with all substantive conditions for claiming deduction and that the entire capital gains had been reinvested in eligible assets within the permissible time. Accordingly, it was submitted that the additions sustained by the CIT(A) be deleted, the long-term capital gain be accepted at Nil as returned by the assessee, and the appeal be allowed.

9. In response, the Ld. DR placed reliance on the observations made by the Assessing Officer and Ld. CIT(Appeals) in their respective orders. Before us, Ld. DR submitted that the assessee has submitted new documents on 29-10-2025 before the ITAT and the Assessing Officer and CIT(Appeals) had no occasion to consider

the same and provide any comments thereon. Further, CIT(Appeals) also did not adjudicate on the legal contention of whether the assessee is eligible to claim deduction u/s 54 if investment is made beyond due date prescribed u/s 139(1) of the Act but before due date prescribed u/s 139(1) of the Act, keeping into consideration the assessee's set of facts.

10. We have heard the rival contentions and perused the material on record. The brief facts of the case have already been noted hereinabove and are not being repeated for the sake of brevity. The controversy before us essentially relates to the allowability of deduction claimed by the assessee under sections 54B and 54F of the Act and the consequential computation of long-term capital gains, which has been decided against the assessee by the Assessing Officer and confirmed by the Commissioner of Income Tax (Appeals).

10.1. On a careful consideration of the entire material placed before us, we find that during the course of proceedings before the Tribunal, the assessee has filed certain additional documents, including bank confirmations, certificates from third parties, death certificate of the seller, and detailed workings relating to jantri valuation and additional consideration paid through a Memorandum of Understanding. These documents are stated to be crucial for substantiating the assessee's claim that the additional payments made in respect of agricultural land were genuine, were in fact made to the seller, and were intrinsically connected with the purchase of the agricultural land so as to qualify for deduction under section 54B of the Act. It is an admitted position that these documents were not before the Assessing Officer or the CIT(Appeals), and therefore the lower authorities had no occasion to examine, verify or comment upon the same.

10.2. We further note that one of the central legal issues arising in this appeal is the interpretation of the expression "due date" appearing in sections 54B(2) and 54F(4) of the Act, namely whether the investment or deposit made after the due date prescribed under section 139(1) but before the due date under section 139(4) would entitle the assessee to the benefit of deduction. From the record, it emerges that although certain submissions were made by the assessee before the CIT(Appeals), the issue has not been examined in a comprehensive manner in the context of the assessee's specific factual matrix, nor has there been any adjudication after considering the judicial precedents relied upon by the assessee, particularly in light of the timing of investments vis-à-vis the filing of return under section 139(4) of the Act.

10.3. We also take note of the submission of the learned Departmental Representative that the additional documents were filed before the Tribunal only on 29.10.2025 and that neither the Assessing Officer nor the CIT(Appeals) had any opportunity to examine the same or to give their comments thereon. In our considered view, these documents go to the root of the matter and have a direct bearing on the allowability of deduction under sections 54B and 54F of the Act. At the same time, principles of natural justice require that the lower appellate authority should be given an opportunity to examine the evidences, call for a remand report if necessary, and adjudicate both on facts and in law after granting due opportunity of being heard to the assessee as well as to the Assessing Officer.

10.4. Considering the totality of the facts and circumstances of the case, and in the interest of justice, we are of the considered opinion that this is a fit case where the impugned order passed by the CIT(Appeals) should be set aside and the matter restored to his file for fresh adjudication. Accordingly, we set aside the order of the CIT(Appeals) on the issues relating to deduction under sections 54B and 54F of the

Act and the consequent computation of long-term capital gains, and remit the matter back to the file of the CIT(Appeals) for de novo consideration. The CIT(Appeals) shall examine all the evidences on record, including the additional documents filed by the assessee before the Tribunal and pass a speaking order after affording adequate opportunity of being heard to the assessee and the Assessing Officer.

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

**The order is pronounced in the open Court on 29/01/2026**

| **Sd/-**<br>**(DR. B.R.R. KUMAR)**<br>**VICE-PRESIDENT** | **Sd/-**<br>**(SIDDHARTHA NAUTIYAL)**<br>**JUDICIAL MEMBER** |
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Ahmedabad; Dated 29/01/2026
**tc nair, sr.ps*

**<u>आदेश की प्रतिलिपि  अग्रेषित/Copy of the Order forwarded to</u> :**

1. अपीलार्थी / The Appellant
2. प्रत्यर्थी / The Respondent.
3. संबंधित आयकर आयुक्त / Concerned CIT
4. आयकर आयुक्त(अपील) / The CIT(A)-(NFAC), Delhi
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, अहमदाबाद / DR, ITAT, Ahmedabad
6. गार्ड फाईल / Guard file.

**आदेशानुसार/** BY ORDER,

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