आयकर अपीलीय अधिकरण, चण्डीगढ़ न्यायपीठ "ए" , चण्डीगढ़
IN THE INCOME TAX APPELLATE TRIBUNAL, CHANDIGARH BENCH "A", CHANDIGARH

HEARING THROUGH: PHYSICAL MODE/HYBRID MODE/VIRTUAL MODE

श्री ललित कुमार, न्यायिक सदस्य एवं श्री कृणवन्त सहाय, लेखा सदस्य
BEFORE: SHRI. LALIET KUMAR, JM & SHRI. KRINWANT SAHAY, AM

आयकर अपील सं. / ITA No. 167 /Chd/ 2023
निर्धारण वर्ष / Assessment Year : 2018-19

Baljinder Singh C/o Parikshit Aggarwal, Chartered Accountant, H.No. 3035, Sector 27D, Chandigarh	बनाम	The Pr. CIT Chandigarh-1
स्थायी लेखा सं./PAN NO: BATPS0733E		
अपीलार्थी/Appellant		प्रत्यर्थी/Respondent

निर्धारिती की ओर से/Assessee by : Shri Parikshit Aggarwal, C.A (Virtual)
राजस्व की ओर से/ Revenue by : Shri Manav Bansal, CIT, DR

आयकर अपील सं. / ITA No. 575 /Chd/ 2024
निर्धारण वर्ष / Assessment Year : 2018-19

Maninder Jeet Singh V.P.O Udhamgarh, Jagadhri Haryana-135003	बनाम	The PCIT Panchkula
स्थायी लेखा सं./PAN NO: CVHPS3353L		
अपीलार्थी/Appellant		प्रत्यर्थी/Respondent

निर्धारिती की ओर से/Assessee by : Shri Sudhir Sehgal, Advocate
राजस्व की ओर से/ Revenue by : Shri Manav Bansal, CIT, DR

आयकर अपील सं. / ITA No. 335 /Chd/ 2023
निर्धारण वर्ष / Assessment Year : 2018-19

Kartar Singh S/o Shri Chuni Ram H.No. 95 VPO Matana, Dist: Fatehabad, Haryana-125050	बनाम	The Pr. CIT Rohtak
स्थायी लेखा सं./PAN NO: CAYPK4198R		
अपीलार्थी/Appellant		प्रत्यर्थी/Respondent

निर्धारिती की ओर से/Assessee by : Shri Kuldip Khera, C.A (Virtual)
राजस्व की ओर से/ Revenue by : Shri Manav Bansal, CIT, DR

आयकर अपील सं. / ITA No. 780/Chd/ 2025
निर्धारण वर्ष / Assessment Year : 2018-19

Anil Tuteja H.No. 336, Ward No. 11, G.T. Road, Fatehabad-125050	बनाम	The Pr. CIT Rohtak, Haryana-125050
स्थायी लेखा सं./PAN NO: ABIPT8143Q		
अपीलार्थी/Appellant		प्रत्यर्थी/Respondent

निर्धारिती की ओर से/Assessee by : Shri Suraj Bhan Nain, Advocate (Virtual)
राजस्व की ओर से/ Revenue by : Shri Manav Bansal, CIT, DR

आयकर अपील सं./ ITA No. 456/Chd/ 2024
निर्धारण वर्ष / Assessment Year : 2015-16

Rakesh Kumar (Deceased) Through Legal Heir Shri Saket Bansal, Jagadhri C/o Tejmohan Singh, Advocate # 527, Sector 10-D, Chandigarh	बनाम	The Pr. CIT Panchkula
स्थायी लेखा सं./PAN NO: ACTPK8266F		
अपीलार्थी/Appellant		प्रत्यर्थी/Respondent

निर्धारिती की ओर से/Assessee by : Shri Tejmohan Singh, Advocate
राजस्व की ओर से/ Revenue by : Shri Manav Bansal, CIT, DR

आयकर अपील सं./ ITA No. 233 /Chd/ 2023
निर्धारण वर्ष / Assessment Year : 2018-19

Gurdeep Singh Mahal 14/535, Guru Nanak Nagar, Hissar Road, Sirsa-125055, Haryana	बनाम	The Pr. CIT Rohtak
स्थायी लेखा सं./PAN NO: DQXPS2774B		
अपीलार्थी/Appellant		प्रत्यर्थी/Respondent

निर्धारिती की ओर से/Assessee by : Shri Sudhir Sehgal, Advocate
राजस्व की ओर से/ Revenue by : Shri Manav Bansal, CIT, DR

आयकर अपील सं./ ITA No. 192 /Chd/2023
निर्धारण वर्ष / Assessment Year : 2018-19

Devender Kumar Village Manakpur, PO: Udhamgarh Yamuna Nagar- 135001, Haryana	बनाम	The ITO Ward-1, Yamuna Nagar, Haryana
स्थायी लेखा सं./PAN NO: BETPK6819R		
अपीलार्थी/Appellant		प्रत्यर्थी/Respondent

निर्धारिती की ओर से/Assessee by : Shri Vibhor Garg, C.A (Virtual)
राजस्व की ओर से/ Revenue by : Shri Manav Bansal, CIT, DR

आयकर अपील सं. / ITA No. 325/Chd/ 2023
निर्धारण वर्ष / Assessment Year : 2018-19

Amarjeet Singh C/o Parikshit Aggarwal,CA H.No. 3035, Sector 27D, Chandigarh	बनाम	The Pr. CIT Rohtak
स्थायी लेखा सं./PAN NO: ASZPS7124C		
अपीलार्थी/Appellant		प्रत्यर्थी/Respondent

निर्धारिती की ओर से/Assessee by : Shri Parikshit Aggarwal, C.A (Virtual)
राजस्व की ओर से/ Revenue by : Shri Manav Bansal, CIT, DR

आयकर अपील सं. / ITA No. 326/Chd/ 2023
निर्धारण वर्ष / Assessment Year : 2018-19

Inder Kaur C/o Parikshit Aggarwal,CA H.No. 3035, Sector 27D, Chandigarh	बनाम	The Pr. CIT Rohtak
स्थायी लेखा सं./PAN NO: BPJPK3298B		
अपीलार्थी/Appellant		प्रत्यर्थी/Respondent

निर्धारिती की ओर से/Assessee by : Shri Parikshit Aggarwal, C.A (Virtual)
राजस्व की ओर से/ Revenue by : Shri Manav Bansal, CIT, DR

आयकर अपील सं. / ITA No. 327 /Chd/ 2023
निर्धारण वर्ष / Assessment Year : 2018-19

Paramjit Singh, C/o Parikshit Aggarwal,CA H.No. 3035, Sector 27D, Chandigarh	बनाम	The Pr. CIT Rohtak
स्थायी लेखा सं./PAN NO: CZXPS7346P		
अपीलार्थी/Appellant		प्रत्यर्थी/Respondent

निर्धारिती की ओर से/Assessee by : Shri Parikshit Aggarwal, C.A (Virtual)
राजस्व की ओर से/ Revenue by : Shri Manav Bansal, CIT, DR

आयकर अपील सं. / ITA No. 328 /Chd/ 2023
निर्धारण वर्ष / Assessment Year : 2018-19

Bimla Devi # 192, Vishnu Garden, Jagadhri, Haryana-135003	बनाम	The Pr. CIT Rohtak
स्थायी लेखा सं./PAN NO: AGZPD1368A		
अपीलार्थी/Appellant		प्रत्यर्थी/Respondent

निर्धारिती की ओर से/Assessee by : Shri Sudhir Sehgal, Advocate
राजस्व की ओर से/ Revenue by : Shri Manav Bansal, CIT,DR

आयकर अपील सं./ ITA No. 754/Chd/2025
निर्धारण वर्ष / Assessment Year : 2018-19

Munish Kumar Legal Heir Late Shri Gurdeep Singh Vill: Manakpur, Yamunanagar-135003, Haryana	बनाम	The ITO Ward-5
स्थायी लेखा सं./PAN NO: ECPPS3287E		
अपीलार्थी/Appellant		प्रत्यर्थी/Respondent

निर्धारिती की ओर से/Assessee by : Shri Vibhor Garg, C.A (Virtual)
राजस्व की ओर से/ Revenue by : Shri Manav Bansal, CIT, DR

आयकर अपील सं./ ITA No. 498 /Chd/ 2024
निर्धारण वर्ष / Assessment Year : 2018-19

Ram Niwas 12, Ram Niwas Saini, Bighar Road, Near Pioneer Convent School, Fatehabad- Haryana-125050	बनाम	The ITO Fatehabad
स्थायी लेखा सं./PAN NO: AKNPS6866R		
अपीलार्थी/Appellant		प्रत्यर्थी/Respondent

निर्धारिती की ओर से/Assessee by : Shri Ankush Sharma, C.A (Virtual)
राजस्व की ओर से/ Revenue by : Shri Manav Bansal, CIT, DR

आयकर अपील सं./ ITA No. 576 /Chd/ 2024
निर्धारण वर्ष / Assessment Year : 2018-19

Parveen Kumar 229, Village Manakpur-II Tehsil, Jagadhri, Haryana-135003	बनाम	The PCIT Panchkula
स्थायी लेखा सं./PAN NO: DEOPK7421G		
अपीलार्थी/Appellant		प्रत्यर्थी/Respondent

निर्धारिती की ओर से/Assessee by : Shri Sudhir Sehgal, Advocate
राजस्व की ओर से/ Revenue by : Shri Manav Bansal, CIT, DR

आयकर अपील सं./ ITA No. 603/Chd/ 2024
निर्धारण वर्ष / Assessment Year : 2019-20

Madhu Grewal C/o Tejmohan Singh, Advocate # 527, Sector-10D, Chandigarh-	बनाम	The Pr. CIT Chandigarh-1

160011		
स्थायी लेखा सं./PAN NO: APFPG0486E		
अपीलार्थी/Appellant		प्रत्यर्थी/Respondent

निर्धारिती की ओर से/Assessee by : Shri Tejmohan Singh, Advocate
राजस्व की ओर से/ Revenue by : Shri Manav Bansal, CIT, DR

आयकर अपील सं./ ITA No. 761 /Chd/ 2025
निर्धारण वर्ष / Assessment Year : 2018-19

Karan Pratap Singh H.No. 11-4, Begu Road, Grewal Basti, Sirsa, Haryana-125055	बनाम	The ITO Ward-1 Sirsa
स्थायी लेखा सं./PAN NO: FKKPS6208B		
अपीलार्थी/Appellant		प्रत्यर्थी/Respondent

निर्धारिती की ओर से/Assessee by : Shri Parikshit Aggarwal, C.A (Virtual)
राजस्व की ओर से/ Revenue by : Shri Manav Bansal, CIT, DR

आयकर अपील सं./ ITA No. 332 /Chd/ 2023
निर्धारण वर्ष / Assessment Year : 2018-19

Ram Pal Village: Matana Fatehabad, Haryana-125050	बनाम	The Pr. CIT Rohtak
स्थायी लेखा सं./PAN NO: BAOPR8072A		
अपीलार्थी/Appellant		प्रत्यर्थी/Respondent

निर्धारिती की ओर से/Assessee by : None
राजस्व की ओर से/ Revenue by : Shri Manav Bansal, CIT, DR

आयकर अपील सं./ ITA No. 455 /Chd/ 2024
निर्धारण वर्ष / Assessment Year : 2015-16

Ashok Kumar Thakral C/o Tejmohan Singh, Advocate # 527, Sector 10-D, Chandigarh	बनाम	The Pr. CIT Panchkula
स्थायी लेखा सं./PAN NO: ADPPK5537L		
अपीलार्थी/Appellant		प्रत्यर्थी/Respondent

निर्धारिती की ओर से/Assessee by : Shri Tejmohan Singh, Advocate
राजस्व की ओर से/ Revenue by : Shri Manav Bansal, CIT, DR

सुनवाई की तारीख/Date of Hearing : 20/01/2026
उदघोषणा की तारीख/Date of Pronouncement : 11/02/2026

आदेश/Order

PER BENCH:

These appeals are filed by the different assessee against the separate orders passed by the Pr. CIT at various stations against the common legal ground mentioned in the respective appeals. Since all the appeals were heard together, they are being disposed of by this consolidated order for the sake of convenience and brevity.

2. It has been brought to our notice that, in certain appeals, there is a delay in filing the same before the Tribunal as pointed out by the Registry. Considering that the issue involved is purely legal in nature, and respectfully following the ratio laid down by the Hon'ble Supreme Court in Collector, Land Acquisition v. Mst. Katiji & Others [(1987) 167 ITR 471 (SC)], which emphasizes that substantial justice should prevail over technical considerations, we condone the delay in filing these appeals.

3. We shall take appeal of the assessee in ITA No. 167/Chd/2023 for A.Y 2018-19 as a lead case for discussion wherein assessee has raised the following effective grounds:

> *1. That on law, facts & circumstances of the case, the Worthy Pr. CIT has grossly erred assuming jurisdiction u/s 263 even when:*
>
> *1.1 The original assessment order passed u/s 143(3) did not satisfy the twin conditions of being an 'erroneous order' and 'prejudicial to the interest of revenue".*
>
> *1.2 The Worthy Pr. CIT has erred in setting aside the assessment order u/s 143(3) and in directing the AO to make assessment afresh on the ground that the assessment order was passed under inadequate enquiry.*
>
> *1.3 The Worthy Pr. CIT, has erred in holding that the assessment order requires to be revised u/s 263 since the interest received on enhanced compensation of compulsory acquisition of non capital asset agricultural land is taxable and the Ld. AO has erred to add the same.*
>
> *1.4 The Worthy Pr. CIT has conducted the impugned proceedings u/s 263 in extreme haste and without affording reasonable opportunity of being heard to the appellant.*
>
> *2. That the appellant craves leave for any addition, deletion or amendment in the grounds of appeal on or before the disposal of the same.*

4. Briefly, the facts of the case are that the assessee is an individual who filed his original return of income for A.Y. 2018-19 on 21.07.2018 declaring total income of Rs.7,62,120/-, which was subsequently revised on 19.01.2019 declaring income of Rs.7,81,320/-. The case was selected for scrutiny and assessment was completed by the Faceless Assessing Officer u/s 143(3) read with sections 143(3A) and 143(3B) of the Act on 11.12.2020, accepting the returned income without making any addition or disallowance.

5. On examination of assessment records, the Ld. Pr. CIT noticed that during the relevant year, the assessee had received an interest amounting to Rs. 1,05,10,592/- on enhanced compensation arising from the acquisition of land. The Assessing Officer had treated the said receipt as exempt and did not bring the same to tax.

6. According to the Ld. Pr. CIT, in view of the provisions of section 56(2)(viii) read with section 145B(1) of the Act, interest received on compensation or enhanced compensation is chargeable to tax under the head "Income from Other Sources" in the year of receipt, with consequential deduction of 50% allowable u/s 57(iv). It was therefore observed that the Assessing Officer ought to have taxed the interest receipt and allowed a deduction restricted to 50%, instead of accepting the assessee's claim of full exemption.

7. Accordingly, a show cause notice u/s 263 dated 02.02.2023 was issued proposing to revise the assessment order on the ground that it was erroneous in so far as prejudicial to the interests of the Revenue.

8. In response, the assessee filed detailed written submissions contending, inter alia, that interest received u/s 28 of the Land Acquisition Act partakes the character of compensation. The assessee before the PCIT had submitted that there are divergent views of the High Courts and in the absence of a jurisdictional Delhi High Court decision, a view favourable to the assessee

ought to be adopted. It was submitted that the receipt of compensation was also covered by section 10(37) and further that the Assessing Officer had taken one of the possible views after due enquiry. Reliance was placed on various judicial precedents, including Faridabad Vs. Ghanshyam (HUF) reported in (2009) 8 SCC 412, CIT Vs. Chet Ram (HUF) [Civil Appeal No.13053/2017 [@ SLP (C) No.751/2009, CIT vs. Vegetable Products Ltd. [(1972) 88 ITR 192 (SC), CIT vs. Sunbeam Auto Ltd. 332 ITR 167 (Del), and ITO vs. DG Housing Projects Ltd. 343 ITR 329 (Del).

9. The Ld. Pr. CIT considered the assessee's submissions but did not find merit in them. He held that by virtue of Finance Act, 2009, specific provisions were introduced in sections 145B(1), 56(2)(viii) and 57(iv) with effect from A.Y. 2011-12, which clearly mandate that interest received on compensation or enhanced compensation shall be deemed to be income of the year of receipt and assessed under the head "Income from Other Sources", with deduction restricted to 50%. According to him, the statutory language is clear and unambiguous, leaving no scope for alternative interpretation.

10. The Ld. Pr. CIT further observed that the reliance placed by the assessee on decisions such as Ghanshyam (HUF) and Chet Ram (HUF) was misplaced, as those judgments pertained to the pre-amendment regime dealing with capital gains under section 45(5), whereas the present case is governed by the post-2010 legislative framework under sections 145B and 56(2)(viii). He held that these operate in distinct fields and that the earlier Supreme Court rulings could not override the subsequently enacted specific charging provisions.

11. Placing reliance on judgments of the Hon'ble Punjab & Haryana High Court, including Mahender Pal Narang vs. CBDT [(2020) 423 ITR 013 (P&H) and Manjeet Singh (HUF) Karta Manjeet Singh v UOI (2016) 237 Taxman 116 (P&H), the Ld. Pr. CIT held that interest received on enhanced compensation is taxable as income from other sources. He rejected the assessee's plea

regarding applicability of section 10(37), holding that the said provision deals with capital gains on transfer of agricultural land and does not govern taxability of interest which is separately brought to charge under section 56(2)(viii).

12. The contention of the assessee regarding jurisdiction of Delhi High Court on account of faceless assessment was also rejected. The Ld. Pr. CIT held that jurisdiction remained with Chandigarh, where the assessee is assessed, and that faceless assessment merely involved a temporary allocation for completing assessment proceedings.

13. On facts, the Ld. Pr. CIT concluded that the Assessing Officer had failed to apply the correct statutory provisions and had accepted the claim of exemption without making proper enquiries or verification as mandated by law. He therefore held that the assessment order dated 11.12.2020 was erroneous in so far as prejudicial to the interests of the Revenue within the meaning of section 263 read with Explanation 2(a).

14. Accordingly, exercising powers u/s 263, the Ld. Pr. CIT set aside the assessment order and directed the Assessing Officer to make a de novo assessment after conducting requisite enquiries and proper verification with regard to taxability of interest on enhanced compensation, after granting adequate opportunity of being heard to the assessee.

15. Now the assessee is before us, challenging the order passed by the Ld. Pr. CIT on the grounds mentioned hereinabove.

16. At the outset, Ld. Counsel for the Assessee has drawn the attention of the Bench to the assessment order, where the Assessing Officer has captured the reasons for reopening and on page 1 of the order, the Assessing Officer has mentioned the reasons for reopening for the interest on enhanced compensation. It was submitted that the Assessing Officer for the above-mentioned purposes had issued various notices, which are available at

pages 11 (12) of the paper book, 13, page 20, 22, page 25, and 27. On the basis of the above-mentioned document, it was submitted that the Assessing Officer, in the original assessment order, had made elaborate inquiries and, thereafter, the Assessing Officer deemed it appropriate not to tax on interest on enhanced compensation. In view thereof, the subsequent invocation of the jurisdiction u/s 263 by the PCIT is incorrect.

17. Secondly, it was submitted that the assessment order was passed by the Faceless Assessing Officer and at the time of passing of assessment order by the Faceless Assessing Officer who is situated in Delhi, there is no contrary view available of Hon'ble Delhi High Court so as to make the order prejudicial to the interest of the Assessee and, therefore, the Assessing Officer relying upon the decision of the Hon'ble Gujarat High Court in the case of **Movaliya Bhikubhai Balabhai vs ITO, 388 ITR 343** has held that the interest on enhanced compensation is not taxable.

18. It was submitted that once the view favouring the Assessee is available in respect of a non-jurisdictional High Court, then the view which is favourable to the Assessee is required to be applied and for the above-mentioned purposes, the Ld. Assessing Officer relied upon the decision of the Hon'ble Supreme Crout in the case of CIT vs M/s **Vegetable Products Pvt Ltd., 88 ITR 192 .**

19. The Ld. AR, had further submitted that the Delhi High Court in the case of **RKKR Foundation vs NAFC** vide its order dated **12.5.2021, relying** on the decision of the Hon'ble Court in the case of Kusum Ingot has prima facie held that the Delhi High Court is appropriately court for the purposes of deciding the issue and, therefore, the writ petition before the Hon'ble Delhi High Court challenging the assessment order passed by the Assessing Officer is amenable to challenge before the Hon'ble Delhi High Court.

20. The ld. AR, had further submitted that there are various decisions passed by the Coordinate Bench even after the decision of the Hon'ble Punjab and Haryana High Court deciding the issue in favour of the Assessee and the attention of the Bench was drawn to the decision of Coordinate Bench in case of Shri Balwinder Singh Vs. Pr. CIT in ITA No. 648/Chd/2018 dt. 31/10/2018 wherein, the Coordinate Bench have decided the issue in favour of the Assessee. He referred to pages 15 to 18 of the case law paper book.

21. It was submitted that a similar view was taken by the Coordinate Bench in case of Shri Satbir Vs. The ITO in **ITA No. 1413/Chd/2016 dt. 09/07/2018 and our attention was drawn to paragraphs 15 & 16.**

22. It was further submitted that the Delhi Benches while hearing the appeal in the case of **Pawan Kumar vs PCIT ,Rohtak in ITA No. 1655/Del/2023 at page 61 of the paper book field on 8.6.2026,** have decided the issue in favour of the Assessee and he has drawn our attention to **paragraph Nos. 11 to 16** .

23. The ld. AR had further submitted that the Assessee has also submitted that the interest earned by the Assessee and the compensation granted by the Land Acquisition Collector would partake the similar character as mentioned u/s 10(37) of the Act, and, therefore, the same is exempt, and for the above said proposition, the Ld. AR drawn our attention to the decision of the Bangalore Tribunal of the Tribunal in the case of **Income Tax Officer, Bagalkot vs. Shri Prabhayya Basayya Saraganachariaryaha Badshah, ITA No. 858/Banglore/2018, it** was submitted that the Ld. PCIT, without considering the submissions of the Assessee, has decided the issue against the Assessee and has directed the Assessing Officer to redo the assessment on the basis of the order passed by the PCIT. Besides the above, the ld. AR, has also drawn our attention to the decision of the **Hon'ble Supreme Court in the case of Max India,** wherein the Hon'ble Supreme court has decided the issue in favour of the Assessee and held the proceedings u/s 263 are not sustainable in the

eyes of law as there was ambiguity in law and, therefore, the Assessing Officer was right in taking one of the view and merely because the Ld. CIT(A) had taken a different view; therefore, the order passed by the Ld. PCIT is not correct, as one of the possible views has been taken by the Assessee.

24. In the present case, the assessee had also filed written submissions in support of its claim, which are reproduced hereinbelow for the sake of completeness of the record.

> ***"Brief Facts of the Case:***
>
> ***Filing of ITR:***
>
> - *The **"A"** is an individual who filed ITR for the year under consideration on 21.07.2018, declaring income of Rs.7,62,120/-. The ITR was further revised on 19.01.2019 declaring income of Rs. 7,81,320/- and claiming exemption of Rs. 1,05,10,592/- being interest received on enhanced compensation of compulsory acquisition of agricultural land.* ***(Copy appended at page 16-18 of APB)***.
>
> - *During AY 2012-13 i.e. FY 2011-12, agriculture land of the **"A"** was acquired under Land Acquisition Act, 1894 by the Land Acquisition Authority, Pkl. Later on during the year in question, "**A**" received principal amount of enhanced compensation and interest thereon in accordance with the order passed by the Hon'ble Court.*
>
> ***Assessment Proceedings:***
>
> - *The case of the **"A"** was selected for scrutiny under the faceless regime and proceedings were initiated by issuing notice u/s 143(2) on 28.09.2019. Subsequently, a notice u/s 142(1) was issued on 30.07.2020, wherein query was raised regarding the interest on enhanced compensation, calling upon **"A"** to furnish documentary evidence in support thereof. In response, **"A"** filed reply on 08.08.2020, explaining that the interest received on enhanced compensation and also as to why said interest is not taxable by placing reliance on the following judicial precedents* ***(Copy appended at page 19-23 of APB)***:
>   - ***UOI vs Hari Singh 302 CTR 458 (SC)***
>   - ***CIT vs Ghanshyam HUF 315 ITR 1 (SC)***
>   - ***ITO vs Dhanendar Kumar HUF 1591/Chd/2018 (Chandigarh ITAT)***
>   - ***Sham lal vs ITO 364/Chd/2016 (Chandigarh ITAT)***
>   - ***Surinder Kumar vs DCIT 539/Chd/2016 (Chandigarh ITAT)***
>
> - *Thereafter, another notice u/s 142(1) was issued on 03.12.2020 seeking information with regard to order of enhanced compensation, in response to which **"A"** filed copy of court order.* ***(Copy appended at page 24-29 of APB)***.
> - *After considering the facts of the case, submission of **"A"** and legal position on the issue, the Ld. AO accepted the claim of **"A"** that the total enhanced compensation including interest u/s 28 of Land Acquisition Act is not taxable. Accordingly, the Ld. AO passed the assessment order u/s 143(3) on 11.12.2020 without making any addition to the returned income.* ***(Copy appended at pg 30-31 of APB)***.

Proceedings u/s 263:

- *Then revision proceedings u/s 263 were initiated by issuing SCN on 02.02.2023 alleging that the interest on enhanced compensation claimed as exempt is taxable u/s 56(2)(viii) and for this, the Ld. PCIT placed reliance on* ***Mahender Pal Narang vs CBDT (423 ITR 13) (P&H HC),*** *wherein it was held that "13…interest received on compensation or enhanced compensation is to be treated as "income from other sources" and not under the head "capital gains"* ***& Puneet Singh vs CIT, Karnal (2019) (415 ITR 215) (P&H HC)*** *wherein it was held that "16. The Tribunal relying upon the decision of this Court in Manjeet Singh (HUF) Karta Manjeet Singh vs. Union of India (Civil Writ. Petn. No. 15506 of 2013, decided on 14th Jan., 2014) against which the SLP having been dismissed by the Supreme Court, had held that the interest received under s. 28 of the 1894 Act is not exempt under the Act as it could not partake the character of compensation for acquisition of agricultural land."*

- *In response to SCN u/s 263,* ***"A"*** *filed detailed & comprehensive reply on 11.02.2023, wherein relying on various judicial precedents,* ***"A"*** *tried to substantiate his claim of exemption on interest on enhanced compensation was allowable* ***(Copy appended at page 1-10 of APB),*** *the said interest is alternatively exempt u/s 10(37). It was submitted that, for the purpose of examining the issue, the jurisdictional High Court ought to be reckoned as the Hon'ble Delhi HC, since the Headquarter of the FAO is situated at Delhi. Reliance on binding judicial precedents of the Hon'ble Delhi High Court clearly demonstrated that the issue is debatable in nature and, therefore, proceedings u/s 263 could not be validly assumed. However, the Ld. PCIT failed to appreciate the said submissions and proceeded to direct reassessment. Aggrieved by this order passed u/s 263, the appellant is in appeal before Your Honour.*

Arguments before the Hon'ble ITAT:

Issue 1: The issue of taxability of Interest on enhanced compensation was highly debatable when the Ld. AO passed order u/s 143(3) or even when the PCIT passed order u/s 263 and so, when the issue is purely legal and it is highly debatable, proceedings u/s 263 is not possible:

- *The issue of taxability of receipt of interest u/s 28 of LA Act on enhanced compensation of compulsory acquisition of agricultural land is not a recent issue. In the last 2 decades, we have seen Judgements from Hon'ble Supreme Court, which some people say, have settled the issue in favour of the assessee. But then, there have been conflicting decisions from various High Courts, some holding it non-taxable and some holding it taxable and while doing so, some have held that earlier decisions of Supreme Court has settled the controversy and some have held otherwise. Infact, from the Hon'ble P&H HC, there have been conflicting judgments, all of co-equal strength.*
- ***List of few cases in favour of assessees :***

Year of Judgement	Name of the Case	Citation	Tribunal/Court
2009	CIT vs Ghanshyam (HUF)	315 ITR 1	SC
2013	HSIDC Ltd vs Savitri	CR No. 2509 of 2012	P&H HC
2014	Ajay Kumar v. State of Haryana	CR No. 3236 of 2014	P&H HC
2016	Movaliya Bhikhubhai Balabhai v. ITO (TDS)	388 ITR 343	Gujarat HC
	Muktanandgiri Maheshgiri vs	SLP 16453 of 2016	SC

Year of Judgement	Name of the Case	Citation	Tribunal/Court
	District Development Officer		
2017	CIT vs. Chet Ram (HUF)	CA No. 13053/2017	SC
	Union of India vs Hari Singh	CA No. 15041 of 2017	SC
2019	ITO vs. Shri Prabhayya Basayya	858/Bang/2018	Bangalore ITAT
2020	Ram Kishan vs ITO	5391/Del/2017	Delhi ITAT
2021	Paramjeet Singh vs. ACIT	1393/Del/2017	Delhi ITAT
	ITO vs Smt Chawli Devi	63 & 64/Chd/2020	Chandigarh ITAT
2022	Swarn Singh vs ITO	264/Chd/2022	Chandigarh ITAT
	Shri Umang Sitani vs. ITO	3843/DEL/2018	Delhi ITAT
2023	Bhoop Singh Yadav vs. ITO	1589/Del/2023	Delhi ITAT
	Nitin Kumar vs. ITO	56/Del/2023	Delhi ITAT
2024	Sanjay Kumar Sharma vs PCIT	357/Del/2023	Delhi ITAT
	Pawan Kumar vs PCIT	1655/Del/2023	Delhi ITAT
	Smt. Purnima Sareen Vs. Pr. CIT	892/Del/2023	Delhi ITAT
	Gulshan Kumar vs PCIT	1676/Del/2023	Delhi ITAT
	Jai Parkash vs. PCIT	1675/Del/2023	Delhi ITAT
	Land Acquisition Officer vs ACIT	478 ITR 648	P&H HC
2025	Gian Devi Chirapotra Vs ITO	4182/Del/2024	Delhi ITAT
	Shri Paras and Shubham Chaudhary vs ITO	1236/CHD/2016	Chandigarh ITAT
2026	Shri Suresh Kumar vs ITO	390/CHD/2023	Chandigarh ITAT

- **List of few cases in favour of revenue:**

Year of Judgement	Name of the Case	Citation	Tribunal/Court
2018	Puneet Singh vs CIT	310 CTR 817	P&H HC
2020	Mahender Pal Narang vs CBDT	423 ITR 13	P&H HC
2024	PCIT vs Inderjit Singh Sodhi (HUF)	ITA 769/2023	Delhi HC

- **List of Few Cases from P&H HC which have given conflicting decision:**

Year of Judgement	Name of the Case	Citation	In favour of
2013	HSIDC Ltd vs Savitri	CR No. 2509 of 2012	Assessee
2014	Ajay Kumar v. State of Haryana	CR No. 3236 of 2014	Assessee
2018	Puneet Singh vs CIT	310 CTR 817	Revenue
2020	Mahender Pal Narang vs CBDT	423 ITR 13	Revenue
2024	Land Acquisition Officer vs ACIT	478 ITR 648	Assessee

- ***Date-wise chronology of some important decisions on the issue:***

a. Dtd. 16.07.2009 CIT vs Ghanshyam (HUF) [(2009) 315 ITR 1 (SC)] *wherein it was held that "24. To sum up, interest is different from compensation. However, interest paid on the excess amount under s. 28 of the 1894 Act depends upon a claim by the person whose land is acquired whereas interest under s. 34 is for delay in making payment. This vital difference needs to be kept in mind in deciding this matter. Interest under s. 28 is part of the amount of compensation whereas interest under s. 34 is only for delay in making payment after the compensation amount is determined."*

b. ***Dtd. 08.05.2014 Ajay Kumar vs State of Haryana (CR No. 3236 of 2014) (P&H HC)*** *in favour of "A"* ***(Copy appended at page 21-23 of WS)***

c. *Amendment u/s 56(2)(viii) and 57(iv) w.e.f. 01.04.2010: whereby as per sec 56(2)(viii) "the income by way of interest on compensation or enhanced compensation is taxable under the Head income from other sources" and as per s. 57(iv) "deduction of 50% is allowed".*

d. ***Dtd. 31.03.2016 Movaliya Bhikhubhai Balabhai v. ITO (TDS) (388 ITR 343) (Guj. HC)*** *held that "14……However, since the amount paid under section 28 of the Act of 1894 forms part of the compensation and not interest, the second respondent was not justified in deducting tax at source under section 194A of the I.T. Act in respect of such amount. The petitioner is, therefore, entitled to refund of the amount wrongly deducted under section 194A of the I.T. Act."* ***(Copy appended at page 18-28 of AJC)***

e. ***Dtd. 29.11.2016 Muktanandgiri Maheshgiri vs District Development Officer (SLP 16453 of 2016)****, in which it was held that "9. In view of above and for the reasons stated hereinabove, more particularly for the reasons stated in the binding decision of this Court in case of Movaliya Bhikhubhai Balabhai v. Income Tax Officer [Supra], the present petition succeeds. The impugned action of the respondent no. 1 in deducting and depositing a sum of Rs. 45,20,257/= towards TDS on the amount of compensation and interest received thereon pursuant to judgment and award of the Land Acquisition Reference is hereby quashed and set-aside….." in favour of the* ***"A"****.* ***(Copy appended at page of 24-30 WS)***

f. ***Dtd. 12.09.2017 CIT vs. Chet Ram (HUF) in Civil Appeal No. 13053/2017,*** *in favour of* ***"A"****.* ***(Copy appended at page 1-5 of AJC)***

g. ***Dtd. 15.07.2017 Union of India vs Hari Singh Civil Appeal No. 15041 of 2017, in which it was held that*** *"(2) While determining as to whether the compensation paid was for agricultural land or not, the Assessing Officer(s) will keep in mind the provisions of Section 28 of the Land Acquisition Act and the law laid down by this Court in 'Commissioner of Income Tax, Faridabad v. Ghanshyam (HUF)' [2009 (8) SCC 412] in order to ascertain whether the interest given under the said provision amounts to compensation or not." in favour of* ***"A"****.* ***(Copy appended at page 6-17 of AJC)***

h. ***Dtd. 19.11.2018 Puneet Singh vs CIT (310 CTR 817) (P&H HC)*** *against "A".* ***(Copy appended a page 31-39 of WS)***

i. ***Dtd. 13.03.2019 ITO vs. Shri Prabhayya Basayya (858/Bang/2018) (Bangalore ITAT)*** *in favour of* ***"A"****.* ***(Copy appended at page 45-60 of AJC)***

j. ***Dtd. 19.02.2020 Mahender Pal Narang vs CBDT (Supra)*** *against the* ***"A"****, held that the interest on enhanced compensation shall be taxable as income from other sources u/s 56(2)(viii).* ***(Copy appended at page 40-45 of WS)***

k. ***Dtd. 02.12.2020 Ram Kishan vs ITO (5391/Del/2017) (Delhi ITAT)****, wherein it was held that "8. ….. Further we are also mindful of the fact that the honourable Punjab and Haryana High Court in the case of Mahenderpal Narang versus CBDT CWP 17971 of 2019 dated 19/2/2020 as well as in case of Puneet Singh V CIT 110 taxmann.com 16 and Manjeet Singh HUF V Union of India 137 taxman 116 has decided in favour of revenue…….. In view*

of above facts and judicial precedence we hold that the interest received by the assessee u/s 28 of the land acquisition act of ₹ 24,207,223 is not taxable……", in favour of ***"A". (Copy appended at page of 46-50 WS)***

l. Dtd. 16.04.2021 Paramjeet Singh vs. ACIT (1393/Del/2017) (Delhi ITAT), *in favour of* ***"A".***

m. Dtd. 17.05.2021 ITO vs Smt Chawli Devi (63 & 64/Chd/2020) (Chd. ITAT) *in favour of* ***"A". (Copy appended at page 29-36 of AJC)***

n. Dtd. 24.02.2022 Swarn Singh vs ITO (264/Chd/2022) (Chd. ITAT) *in favour of* ***"A". (Copy appended at page 37-44 of AJC)***

o. Dtd. 28.06.2022 Shri Umang Sitani vs. ITO (3843/DEL/2018) (Delhi ITAT) *in favour of* ***"A".***

p. Dtd. 22.06.2023 Bhoop Singh Yadav vs. ITO (1589/Del/2023) (ITAT Delhi) *in favour of* ***"A".***

q. Dtd. 23.06.2023 Nitin Kumar vs. ITO (56/Del/2023) (ITAT Delhi) *in favour of* ***"A".***

r. Dtd. 29.11.2013 HSIDC ltd. vs Savitri (CR No. 2509 of 2012) (P&H HC) *in favour of* ***"A". (Copy appended at page 51-61 of ws)***

s. Dtd. 24.01.2024 Sanjay Kumar Sharma vs PCIT (357/Del/2023) (Delhi ITAT) *in favour of* ***"A".***

t. Dtd. 24.01.2024 Pawan Kumar vs PCIT (1655/Del/2023) (Delhi ITAT) in favour of "A". (Copy appended at page 61-72 of AJC)

u. Dtd. 29.01.2024 Smt. Purnima Sareen Vs. Pr. CIT (892/Del/2023) (Delhi ITAT), *in favour of* ***"A".***

v. Dtd. 13.02.2024 Gulshan Kumar vs PCIT (1676/Del/2023) (Delhi ITAT) *in favour of* ***"A".***

w. Dtd. 15.04.2024 Jai Parkash vs. PCIT (1675/Del/2023) (Delhi ITAT) *in favour of* ***"A".***

x. Dtd. 28.04.2024 PCIT vs Inderjit Singh Sodhi (HUF) (ITA 769/2023) (Delhi HC) held that *"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" against the* ***"A". (Copy appended at page 62-74 of WS)***

y. Dtd. 09.08.2024 Land Acquisition Officer vs. ACIT (478 ITR 648) (P&H HC) *in favour of* ***"A". (Copy appended at page of 75-79 WS).***

z. Dtd. 21.01.2025 Gian Devi Chirapotra Vs ITO (4182/Del/2024) (Delhi ITAT) *in favour of* ***"A".***

aa. Dtd. 24.09.2025 Shri Paras and Shubham Chaudhary vs ITO (1236/CHD/2016) (Chandigarh ITAT) *in favour of* ***"A". (Copy appended at page 80-94 of WS)***

bb. Dtd. 20.01.2026 Shri Suresh Kumar vs ITO (390/CHD/2023) (Chandigarh ITAT) *in favour of* ***"A". (Copy appended at page of 95-112 WS)***

- *Further, it is submitted that Hon'ble P&H HC in the case of Mahender Pal Narang (supra) held that interest received on compensation or enhanced compensation under LA Act 1894 is to be treated as 'income from other sources' and not under the head 'capital gains' observing inter alia that "we with utmost respect are not in agreement with the view taken by Gujarat High*

Court" in Movaliya Bhikhubhai Balabhai case (supra). It is humbly submitted that the decision of Hon'ble Supreme Court ***(SC)*** *in the case of UOI v. Hari Singh & Ors. (supra) was not brought to the notice of the Hon'ble P&H HC wherein the decision of the Hon'ble Guj. HC in the case of Movaliya has been affirmed and approved that interest u/s 28 of LA Act is an accretion to the value, hence is a part of enhanced compensation. It is submitted that the ratio of decisions of the Hon'ble Supreme Court in Hari Singh and Muktanandgiri Maheshgiri have precedence over High Court decision as per Article 141 of the Constitution and is binding.*

- *The assessee's SLP was dismissed in limine by Hon'ble SC in Mahender Pal Narang (2024) (462 ITR 498) and since this is a SLP dismissal in limine, it has no binding precedence. In this regard reference is made to the decision of the* ***Hon'ble Supreme Court in the case of Shivappa Etc. vs The Chief Engineer and Others in Civil Appeal No. 2694-2700 of 2023 dated 11.04.2023*** *wherein the Apex Court observed as under* ***(Copy appended at page 113-118 of ws)****:*

"6. By now, it is a settled principle of law that the dismissal of the special leave petition in limine does not amount to affirmation of the view taken by the High Court. Unless the judgment of the High Court is affirmed, at least, with short reasoning, the same would not amount to bindings precedent."

- *The above series of decisions clearly show that the issue is not at all settled even till date. There have been decisions from Supreme Court holding it in favour of assessee and those decisions have been followed by Courts like Gujarat High Court and then also by Chandigarh ITAT, Delhi ITAT and many others. But then there are decisions on other side also like from P&H HC and Delhi HC. Infact, even within P&H HC, there have been decisions on both sides. Further, it is not that decisions favouring assessee are old and decisions favouring revenue is the recent trend. Infact, decisions on both sides have been coming regularly and Delhi ITAT has given in favour of assessee even in 2025 and that too in cases of assessees whose jurisdictional High Court was P&H. Further, even the Chd ITAT has also given decision in favour of assessee in 2026. This shows that the issue is highly debatable even as on date, it was debatable when the AO passed the order and it was debatable when the PCIT passed the order u/s 263. It is a settled law that proceedings u/s 263 is not possible when the underlying issue is debatable or where 2 views are possible. For this, we rely upon:* ***(Copy appended at page 119-130 of ws)***
  - ***CIT v. Max India Ltd. [(2007) 213 CTR 266 (SC)]***
  - ***CIT vs M/s DLF Ltd. (ITA 236/2010 & 384/2010) (Delhi HC)***

- *It is further, most respectfully, submitted that one of the assessee in the Batch of cases in* ***Hari Singh (Supreme Court)*** *was Rajender Singh. In that case, the Hon'ble SC having decided the matter in favour of the assessee in 2017, the revenue initially filed MA No. 823 of 2019 before the Hon'ble SC but then withdrew it. Then they again filed MA no. 603 of 2020 before the Hon'ble SC where they sought clarifications from the Hon'ble SC. The arguments and prayer of revenue in that MA absolutely brings home the point that the issue is settled in favour of the assessee or at maximum, it can be said to be at stage of highly debatable and 2 views are possible.* ***Copy of this MA filed by revenue is enclosed at page 117-118 of WS).*** *This MA and IA filed by the revenue stands dismissed by Hon'ble SC.* ***(Copy appended at page 131-153 of ws)***

- *It is also pertinent to mention here that* ***CBDT, Directorate of Income Tax (Legal & Research) has issued instruction vide letter dated 22.05.2019 [PB-Pages 422-428 of Anil Tuteja Case]*** *on the subject of W.P. (C) No. 1226 of 2018 in the case of Jai Bhagwan Singh & Ors. vs Haryana Development Corporation & Ors.*

forwarding the letter dated 08.05.2019 of Government Counsel stating that it is self-explanatory and to take necessary action. Sh. H.R. Rao, Advocate who assisted Ld. ASG stated in the letter that the Hon'ble Supreme Court was pleased to dismiss the Writ Petition filed by a group of farmers but with certain observations and directions. He stated in the letter, after discussing the directions of the Hon'ble Supreme Court in Civil Appeal No. 15041/2017 order dated 15.09.2017 in the case titled Union of India & Ors. v. Hari Singh & Ors., inter alia as under:

"The above directions of the Hon'ble Supreme Court are binding on the Income Tax Department and it should be implemented in good spirit whether we like it or not. Instead of implementing the directions given by the Court, surprisingly, in some of the orders, the Assessing Officers while dismissing the order passed under Section 154 of the Act have strangely stated that the department has initiated review petition proposal to be submitted before the Hon'ble Supreme Court against this order and hence, they are dismissing the claim petitions. The Assessing Officers in my view clearly flouted the order of the Supreme Court and are liable for contempt. As long as the order of Supreme Court is in force, the department should give effect to the directions of the Hon'ble Supreme Court at any cost and filing of a review petition is no ground to deny the relief to the taxpayers. Fortunately, the taxpayers have not filed any contempt petitions before the Supreme Court otherwise the Court might have issued contempt notices to the concerned Officers as it is clear violation of the order of the Supreme Court and hence liable for contempt.

Mr. A.N.S. Nadkarni learned ASG has submitted to the Hon'ble Court that the concerned Assessing Officers before whom the returns of income have been filed and refund claim applications are filed may be allowed to pass fresh orders in accordance with law. The respective Assessing Officer before whom return of income are filed or applications for claim of refund of TDS are filed, may be instructed first to ascertain and give a finding as to whether the land acquired by the State Government is an agricultural land or not. If it is an agricultural land, then the benefit of exemption should be given to the assessee……"

- *In pursuance to the above instruction/letter of the CBDT dated 22.05.2019, the Assessing Officers of the Writ Petitioners have passed rectification orders u/s 154 of the Act and granted refunds treating the interest u/s 28 of the Land Acquisition Act received as part of enhanced compensation on compulsory acquisition of agricultural land and accordingly exempt u/s 10(37) of the Act. (Copy of order u/s 154 in the case of Sh. Ajay Yadav and intimations in the cases of Sh. Jai Bhagwan and Kuldeep are enclosed at* ***PB-Pages 429-435 of Anil Tuteja Case****)*

- ***Exemption u/s 10(37) on interest received on enhanced compensation:***
- *It is not in dispute that principal amount received has been given exemption even by Ld. AO as well as Worthy PCIT. Now, the question arises whether the interest received on compensation or enhanced compensation is exempt in s. 10(37).*
- *The provision of sec. 10(37) of the Act is as [Inserted by Finance Act, 2004 applicable w.e.f 01.04.2005]:*

"(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 agriculture land, where-

i. *such land is situate in any area referred to in item (a) or item (b) of sub-clause (iii) of clause (14) of section 2;*
ii. *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;*
iii. *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;*
iv. *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.*

Explanation- For the purposes of this clause, the expression "compensation or consideration" includes the compensation or consideration enhanced or further enhanced by any court, Tribunal or other authority."

- *As per above extract, any income chargeable under the head "Capital Gains" arising from the transfer of agricultural land will be exempt u/s 10(37), provided all 4 stipulated conditions are cumulatively satisfied, by an individual or HUF.*
- *Particular emphasis is placed on clause (iv) of sec. 10(37), which provides that the income should have arisen from "compensation or consideration" received on account of such transfer. The expression "compensation or consideration" is of wide import and is not confined merely to the principal amount of compensation awarded for the transfer of land. Rather, it encompasses all receipts intrinsically connected with and arising from such compensation.*
- *Consequently, any income accruing by way of interest on compensation or enhanced compensation, being inextricably linked to the consideration received for the compulsory acquisition or transfer of agricultural land, falls within the ambit of the expression "such income has arisen from compensation or consideration." Accordingly, where the original compensation or enhanced compensation itself qualifies for exemption u/s 10(37) of the Act, the interest thereon awarded u/s 28 would likewise be exempt.*
- *In a recent decision in the case of **Anvar Ali Poolakkodan vs ITO (2025) (344 CTR 551) (Kerala High Court)**, the Hon'ble Kerala High Court held that interest u/s 28 of the Land Acquisition Act in respect of enhanced compensation received by the assessee would partake character of principal compensation and would be classified as capital gains and consequently, would also get benefit of section 10(37) if the land compulsorily acquired was agricultural land. **(Copy appended at page 154-162 of ws).***
- *Reliance is also placed on **ITO vs Shri Prabhayya Basayya (858/Bang/2018) (Bangalore ITAT) (Copy appended at page 40-55 of AJC-2)**:*

"4.3 ……we are of the view that the CIT(A) is justified in allowing exemption u/s 10(37) of the Act on interest received by the assessee u/s 28 of the Land Acquisition Act, 1984 and therefore uphold the order of the CIT(A) on this issue. Consequently, Revenue grounds are dismissed."

Moreover, we could not lay our hands on any contrary view from any court on this proposition.

- ***<u>When assessment is framed by officer placed at National Faceless Assessment Center (NFAC) whose headquarter is at New Delhi and when nobody knows where such AO is located and is framing the assessment, which is going to be the jurisdictional High Court whose decisions are to be followed and others are to be treated as Non-Jurisdictional HCs:</u>***

The Jurisdictional AO of the assessee is at Chandigarh. But as per Faceless assessment scheme, he is not permitted to issue even the foundational notice

u/s 143(2). He is not permitted to interfere even slightly in the assessment. It is only the post-assessment works for which he has jurisdiction. The assessment function, right from issuance of notice u/s 143(2) is issued by NFAC, Delhi. Its headquarter is at Delhi and the location of its AO is unknown. Therefore, AO has to be tagged with Headquarter at Delhi. It is a settled law that location of AO would decide the jurisdiction of appellate authorities. For this, we rely upon the ratio of decisions in: ***(Copy appended at page 163-178 of ws)***

- ***PCIT vs ABC Papers Ltd (447 ITR 1) (SC)***

"33. In conclusion, we hold that appeals against every decision of the Tribunal shall lie only before the High Court within whose jurisdiction the AO who passed the assessment order is situated. Even if the case or cases of an assessee are transferred in exercise of power under s. 127 of the Act, the High Court within whose jurisdiction the AO has passed the order, shall continue to exercise the jurisdiction of appeal. This principle is applicable even if the transfer is under s. 127 for the same assessment year(s)."

Further, if the AO is at Delhi, even if the assessee is at Chandigarh and also the JAO is at Chandigarh, it would be the Hon'ble Delhi HC which should be the Jurisdictional HC. Infact, this issue of determination of High Court, when the assessment order has been passed by NFAC, Delhi in case of Non-Delhi assessees, came up multiple times before the Hon'ble Delhi HC when such type of assessees filed writs. At this moment, there stands 2 divergent views from the Hon'ble Delhi HC and the matter is pending before the Larger Bench in the case of ***RKKR Foundation vs NFAC dtd.17.11.2022 W.P.(C) 9307/2022,*** *wherein it was held that "16. Keeping in view the complexity of the legal issues involved and since we have doubted the correctness of the view expressed by a coordinate bench of this Court in RKKR Foundation (supra) wherein this Court had decided to exercise its jurisdiction in a similar matter where the jurisdictional assessing officer was located outside the NCT of Delhi, we are of the considered view that the aforesaid questions of law requires to be settled and decided by way of an authoritative pronouncement by a larger bench of this Court." One view of the Hon'ble Judges holding that Delhi HC would have jurisdiction and other holding otherwise.* ***(Copy of judgment whereby this matter has been referred to Larger Bench is enclosed as per page 179-193 of WS)***

Further, it is settled law laid by numerous court judgments that when there is conflict in the views of non-jurisdictional High Courts, in such case, one is favour of ***"A"*** *must be applied, by following the decision of* ***CIT vs. Vegetable Products Ltd. (1972) (88 ITR 192) (SC),*** *wherein it was held that "On the other hand, if two reasonable constructions of a taxing provision are possible that construction which favours the assessee must be adopted. This is a well 'accepted rule of construction recognised by this Court in several of its decisions."* ***(Copy appended at page 77-81 of AJC).***

But above clearly shows that even as on date, there is cleavage of opinion as high as Hon'ble Delhi HC in so far as which is the jurisdictional HC. Then, when the AO passed the order u/s 143(3) and even the PCIT passed the order u/s 263, there was no view against the assessee from the Delhi HC. Infact, one view that this interest u/s 28 would be covered u/s 10(37) was available from Delhi HC in the case of ***Surjit Kumar Chetal v. Commissioner of Income-tax-XV [2017] 86 taxmann.com 121 (Delhi) [PB-Pages 248-251]****.*

Therefore, it can be safely said that when the AO passed the order, he was even unclear as to which is his jurisdictional HC and he chose Delhi HC and ultimately applied law in favour of the assessee. Infact, this non-clarity in the mind of AO and then application of Delhi HC as jurisdictional HC can not be said to be illegal since there exists cleavage of opinion even amongst Hon'ble

Judges of Delhi HC even as on date and matter is pending before the larger bench. This clearly shows that AO has taken one of the possible views and once he has taken one of the possible views, CIT cannot assume valid jurisdiction u/s 263.

- ***Number of decisions u/s 263 from Delhi ITAT where assessees were from Haryana whose High Court was Punjab & Haryana and after taking note of decision in Mahendra Pal Narang (P&H) (supra), the Hon'ble ITAT still chose to quash the proceedings u/s 263:***

Number of assessee's who are identically placed, they are also from Haryana and whose High Court is also P&H and in their cases also, AO accepted the interest u/s 28 as exempt while passing order u/s 143(3) but then the PCIT passed similar order u/s 263 by relying upon Mahendra Pal Narang. The Hon'ble Delhi ITAT in last 3-4 years have come across multiple cases u/s 263 of this nature and even after taking note of decision in Mahendra Pal Narang, they noted that the issue is debatable and therefore, power u/s 263 cannot be assumed. Some of those decisions are: ***(Copy appended a page 194-245 of ws)***

- ***Gulshan Kumar vs. Pr. CIT (1676/Del/2023) (Del11hi ITAT)***
- ***Sanjay Kumar Sharma vs. Pr. CIT (357/Del/2023) (Delhi ITAT).***
- ***Pawan Kumar vs. Pr. CIT (1655/Del/2023) (Delhi ITAT)***
- ***Smt. Purnima Sareen vs. Pr. CIT Rohtak (892/Del/2023) (Delhi ITAT)***
- ***Jai Parkash v. Pr. CIT Rohtak (1675/Del/2023) (Delhi ITAT).***

- ***Explanation 2 below s. 263 defines certain situations which, if exist, would make the subject order amenable to power u/s 263. One of such situations, which may be relevant to our case is:***

(d) the order has not been passed in accordance with any decision which is prejudicial to the assessee, rendered by the jurisdictional High Court or Supreme Court in the case of the assessee or any other person.

- *On above issue, first is the issue of determination of jurisdictional HC. Let us assume (though not admitted), it is P&H HC. Kindly appreciate that when the AO passed the order, there were divergent views from P&H HC on the issue. Therefore, the jurisdictional HC decision available being prejudicial to assessee and not applied by AO, this situation did not exist in clear terms since there were both side views available and hence, the decision in Mahendra Pal Narang cannot be said to be prejudicial to the assessee.*
- *Then, there were decisions from Hon'ble SC which all were in favour of assessee. Against one such decision, the revenue even filed MA seeking clarification from SC but even that was dismissed. The officer at L&R of revenue even issued instructions in the field that decision of SC must be followed and the benefit may be allowed even in proceedings u/s 154. Therefore, the decision from SC was not at all prejudicial to assessee but was rather in favour of assessee. It is also law of land that decision of SC will prevail over all others (art. 141). Therefore, this clause (d) of explanation below s. 263 was not applicable in this case.*
- *Alternatively, if the jurisdictional HC is accepted as Delhi HC, there was no decision prejudicial to assessee when AO passed the order. Therefore, based on this also clause (d) of explanation below s. 263 was not applicable in this case.*
- *Therefore, it cannot be said that the AO passed the order ignoring the decisions from Jurisdictional HC or the SC. Therefore, clause (d) in Explanation below s. 263 is not getting satisfied.*

SUMMARY OF ARGUMENTS:

- *Before passing order u/s 143(3), it is clear that AO made sufficient enquiry in regard to taxability of interest awarded u/s 28 of Land Acquisition*

Act, 1894. So, it is not a case of no-enquiry by AO, rather this is not even alleged by CIT.

- *While passing order u/s 263, the AO had so many views in hand. Some decisions from SC saying it in favour of assessee, some from P&H HC saying in favour of assessee, some from P&H HC saying in favour of revenue, Chandigarh ITAT following SC view and not following P&H HC view in their decisions in Smt Chawli Devi (Supra) and Swarn Singh (Supra), Gujarat HC in favour of assessee, revenue itself filing MA before SC in case of Rajendra, the letter from L&R wing of deptt saying that benefit may be granted even in proceedings u/s 154, number of decisions in favour of assessee from Delhi ITAT. Then there is issue of determination of Jurisdictional HC whose decision would be binding on parties, since the assessment is by NFAC, Delhi. All this goes to show AO had so many views, may be divergent. He took one of the possible views in favour of the assessee and in this situation, the taking of that view cannot be said to be absolutely absurd. When the AO passed the order, the Higher judiciary of Chd ITAT even when having decision adverse to assessee from P&H HC chose to apply decision from SC. This definitely acted as guidance for the AO and hence he passed the order u/s 143(3). He has taken one of the possible views and hence, the CIT has erred in assuming jurisdiction u/s 263.*
- *If the jurisdictional HC is Delhi HC since assessment was framed by NFAC, Delhi, there was no decision adverse to assessee when AO passed the order or even the PCIT passed the order u/s 263. The PCIT's order u/s 263 is dated 28.02.2023 whereas the decision in Inderjeet Singh Sodhi (HUF) (ITA 769/2023) (Del) came on 28.04.2024. So, when the PCIT passed order u/s 263, jurisdictional HC had no decision but one view from Guj HC was in favour of assessee in 2016. It is a settled law that decisions upto the date when PCIT passes order u/s 263 would be relevant and not subsequent decisions. For this, we rely upon the ratio of decisions in:**(Copy appended at page 56-81 of AJC2)***
- ***CIT vs Honda Siel Power Products Ltd (ITA 1376/2009) (Delhi HC)***

"23……. It is also true that the validity of an order under Section 263 has to be tested with regard to the position of law as it exists on the date on which such an order is made by the Commissioner of Income-tax. From the narration of facts in the Tribunals order, it is clear that on the date when the Commissioner of Income-tax passed his orders under Section 263, the view taken by the Assessing Officer was in consonance with the views taken by several benches of the Income-tax Appellate Tribunal. Therefore, the conclusion of the Tribunal that the Commissioner of Income-tax could not have invoked his jurisdiction under Section 263 of the said Act was correct."

- ***CIT vs G.M. Mittal Stainless Steell (P) ltd. (263 ITR 255) (2003) (SC)***

"9…..If at the time when the power under s. 263 was exercised the decision of the jurisdictional High Court had not been set aside by this Court or at least had not been appealed from, it would not be open to the Commissioner to have proceeded on the basis that the High Court was erroneous and that the AO who had acted in terms of the High Court's decision had acted erroneously."

- *The above also shows that there has been lot of evolution of law through judgments of courts in this field in the last 15 years or so. The decisions have been coming regularly on both sides. In this regular change, AO can not be said to have taken erroneous view. In **CIT v. Max India Ltd. [(2007) 213 CTR 266 (SC)]**, the Hon'ble Supreme Court quashed s. 263 proceedings only on the ground that law on s. 80HHC has witnessed changes 11 times in the recent past and if the AO applied earlier law, it can not be said to be a bad or absurd view. The same is the situation on our case. The relevant extract from this decision is as under:*

"We find no merit in the said contentions. Firstly, it is not in dispute that when the order of the Commissioner was passed there were two views on the word

"profits" in that section. ***The problem with s. 80HHC is that it has been amended eleven times. Different views existed on the day when the Commissioner passed the above order. Moreover, the mechanics of the section have become so complicated over the years that two views were inherently possible.*** *Therefore, subsequent amendment in 2005 even though retrospective* ***will not attract the provision of s. 263 particularly when as stated above we have to take into account the position of law as it stood on the date when the Commissioner passed the order*** *dt. 5th March, 1997, in purported exercise of his powers under s. 263 of the Income-tax Act."***.**

- ***In view of the totality of facts and circumstances of the case, the submissions advanced, the statutory provisions, and the judicial precedents relied upon, the assumption of jurisdiction under s. 263 of the Act on a debatable issue—merely on the basis of an alternative possible view, when the Assessing Officer had adopted one of the permissible views and in the absence of any binding decision of the jurisdictional bench at the relevant time—is wholly unsustainable in law and liable to be quashed.***

25. It is pertinent to mention here that the argument advanced by the Ld. AR during the course of arguments have already been reproduced hereinabove. However, it is also noticed that while filing the written submissions, the Ld. The Ld. AR raised certain additional submissions which were not advanced during the oral hearing.

26. We do not approve of this practice. It is incumbent upon the parties to confine themselves to the submissions made and decisions reported during the course of hearing, and not to enlarge the scope of arguments merely because an opportunity to file written submissions has been granted by the Bench.

27. Per contra, the Ld. DR at the outset, submitted that the learned PCIT has validly assumed jurisdiction under section 263 of the Act. The assessment order dated 11.12.2020 was found to be erroneous insofar as it is prejudicial to the interest of the Revenue, as the Assessing Officer accepted the assessee's claim of exemption of interest on enhanced compensation without applying the mandatory statutory provisions governing such income. The revisionary proceedings were initiated after due examination of assessment records and after granting proper opportunity of hearing to the assessee. The learned DR submits that sections 145B(1), 56(2)(viii) and 57(iv), inserted by the Finance Act, 2009 with effect from A.Y. 2011-12, constitute a complete code for

taxation of interest received on compensation or enhanced compensation. These provisions mandatorily require such interest to be:

- taxed in the year of receipt,
- assessed under the head "Income from Other Sources", and
- allowed deduction only to the extent of 50%.

The assessment order does not show any consideration or application of these provisions. The omission is apparent on the face of record and renders the assessment order erroneous in law.

28. Further, the learned DR submits that reliance placed by the assessee on decisions such as *Ghanshyam (HUF)* and *Chet Ram (HUF)* is misplaced. These judgments were rendered in the context of section 45(5) and the legal position prevailing prior to A.Y. 2011-12. Post insertion of sections 145B and 56(2)(viii), the legislative intent is explicit and overrides the earlier judicial position. The Ld. DR further submitted that the decision of the Coordinate Benches either of the Delhi or of the Chandigarh Tribunal cannot overrule the binding precedent of the jurisdictional High Court. In view thereof the Assessing Officer failed to appreciate this statutory shift and mechanically accepted the assessee's claim. It was further submitted that section 10(37) grants exemption only in respect of capital gains arising from compulsory acquisition of agricultural land. Interest on enhanced compensation is statutorily classified as "income from other sources" and therefore falls outside the scope of section 10(37). The Assessing Officer erred in not examining this basic legal distinction, resulting in incorrect allowance of exemption.

29. The learned DR submits that this is not a case of inadequate enquiry but a case of complete lack of enquiry. The assessment order is silent on:

- the head under which interest income was assessed,
- the applicability of sections 145B and 56(2)(viii), and

- the statutory deduction u/s 57(iv).

Such non-application of mind squarely attracts Explanation 2(a) to section 263(1), which deems an order erroneous where it is passed without making inquiries or verification which should have been made.

30. The learned DR further submits that the learned PCIT has rightly relied upon decisions of the Hon'ble Punjab & Haryana High Court, including *Manjeet Singh (HUF)* and *Mahender Pal Narang*, which hold that interest received under the Land Acquisition Act is taxable as income from other sources. These decisions are binding on authorities within the jurisdiction and were wrongly ignored by the Assessing Officer. The contention of the assessee that jurisdiction lies with the Delhi High Court due to faceless assessment is misconceived. The faceless Assessing Officer exercises delegated authority only for completing assessment proceedings. Jurisdiction continues to vest with the Jurisdictional Assessing Officer and the PCIT having territorial jurisdiction over the assessee. Therefore, the revision order passed by PCIT, Chandigarh-1 is valid in law.

31. Lastly, the learned DR submits that both the conditions required for invoking section 263 are fully satisfied:

- the assessment order is erroneous as it is contrary to express statutory provisions, and

- the error has caused definite prejudice to the Revenue by non-taxation of substantial income.

The learned PCIT has not substituted his own view but has merely directed the Assessing Officer to make proper enquiries and pass a fresh order in accordance with law.

32. Mr. Sudhir Sehgal, Ld. Counsel for the assessee in ITA No. 233/Chd/2023, ITA No. 328/Chd/2023, ITA No. 575/Chd/2024 and ITA No. 576/Chd/2024, submitted that the view adopted by the Assessing Officer was one of the

possible and plausible views and, therefore, once such a view has been taken, invocation of jurisdiction under section 263 is impermissible. The Ld. AR, while referring extensively to the written submissions and replies placed at pages 22 to 47 of the paper book, drew our attention to paragraphs 4.5 (page 28), 4.7.1 and 4.8 (pages 38 onwards). Relying upon a plethora of judicial pronouncements on the scope and applicability of section 263, it was contended that the assumption of jurisdiction by the Principal Commissioner is unsustainable in law. He relied upon the written submissions filed by him and further sought the liberty to rely upon the written submission to be filed in the lead matter.

33. The Ld. Counsel, Shri Tej Mohan Singh, appearing for the assessee in Ashok Kumar Thukral and Rakesh Kumar in ITA Nos. 455 and 456/Chd/2024 respectively for the assessment year 2015-16, submitted that in the present cases, the reopening of assessment was carried out by the Assessing Officer only after obtaining due approval from the Ld. Principal Commissioner of Income Tax. In support of this contention, he drew our attention to paragraph 2 of the assessment order, wherein the fact of obtaining approval from the Ld. PCIT has been specifically recorded.

34. The Ld. AR further invited our attention to the paper book, wherein the recorded reasons for reopening are placed at pages 17, 19, 20 and 21. It was submitted that while granting approval for reopening, the Ld. PCIT had relied upon the judgment of the jurisdictional High Court in the cases of *Mohinder Singh Narang* and *Manjeet Singh*, and only thereafter accorded approval for issuance of notice under section 148.

35. It was contended that despite such approval and reopening, the Assessing Officer, upon completion of the reassessment proceedings, neither disagreed with the reasons forming the basis of approval nor made any addition in the hands of the assessee and ultimately accepted the returned income as filed. It was therefore submitted that once the returned income

has been accepted by the Assessing Officer after due application of mind, it was not open to the Ld. PCIT to invoke revisionary jurisdiction under section 263 on the very same basis.

36. In respect of ITA No. 456/Chd/2024, the Ld. Counsel further submitted that the assessment order itself is *non est* in the eyes of law, as the Assessing Officer has erroneously recorded therein that no return of income was filed by the assessee. This finding, according to the Ld. ARis factually incorrect. In this regard, reliance was placed on the intimation issued by the Department, available at pages 15 to 20 of the paper book, as well as the notice issued for reopening placed at page 22 of the paper book.

37. It was submitted that, once the return of income had admittedly been filed and processed, the Assessing Officer's observation that no return was filed is patently incorrect, thereby rendering the assessment order void of legal sanctity and liable to be treated as *non est* in the eyes of law.

38. In the written submission it was mentioned as under:

Additional Arguments in the case of Ashok Kumar Thukral in ITA No. 455/Chd/2024

- In continuation of the submissions made in the connected appeals, it is respectfully submitted that the assessment in the present case was reopened by the AO u/s 148 of the Act after obtaining the mandatory approval of the PCIT. The notice issued u/s 148 dtd 31.03.2021 is placed at Page 17 of the paper book of Ashok Kumar Thukral and the approval along with the reasons recorded for reopening are placed at Pages 19 to 22 of the paper book of Ashok Kumar Thukral.

- Pursuant to the reopening, the Ld. AO conducted reassessment proceedings and examined the sole issue for which jurisdiction u/s 148 was assumed, namely the taxability of interest received u/s 28 of the Land Acquisition Act. After considering the replies and material placed on record, the AO accepted the returned income and did not make any addition on the said issue. Consequently, the recorded reasons for reopening stood fully examined and consciously dropped after considering the decision of Mahender Pal Narang duly mentioned and recorded in the reasons at Page 22 of the Paper Book of Ashok Kumar Thukral.

- In these circumstances, the subsequent invocation of revisional jurisdiction under section 263 of the Act by the Principal Commissioner of Income Tax on the very same issue is wholly without jurisdiction. Once the Assessing Officer has

taken a possible and legally sustainable view after due enquiry, the assessment order cannot be treated as erroneous and prejudicial to the interests of the Revenue merely because the Principal Commissioner holds a different opinion. Section 263 does not permit substitution of the Commissioner's view for that of the Assessing Officer, nor can it be used to indirectly reopen an issue which could not be sustained in reassessment proceedings.

- The impugned revision proceedings are thus based on a mere change of opinion and constitute an impermissible exercise of revisional power. The order passed under section 263, therefore, deserves to be quashed as being void ab initio.

- It is, therefore, prayed that the impugned order u/s 263 of the Act may kindly be quashed.

Additional Arguments in the case of Rakesh Kumar in ITA No. 456/Chd/2024

- *In continuation of the submissions made in the connected appeals, it is respectfully submitted that the assessee filed his original return of income on 28.08.2015. Thereafter, a notice u/s 148 of the Act along with the reasons recorded was issued on 30.03.2021. A copy of the notice is placed at Page 22 of the paper book of Rakesh Kumar and the reasons recorded are placed at Pages 38 to 40 of the paper book of Rakesh Kumar.*

- *A reading of paragraphs 4 and 5 of the reasons recorded shows that the Ld. AO proceeded on the footing that the assessee had not filed the return of income. This, however, is factually incorrect. The return had already been filed on 28th August 2015 and this fact was very much available on record. The reopening of the assessment, therefore, started with an incorrect factual assumption. Copy of the ITR is placed at Pages 1-14 of the Paper Book. Reliance is placed on the decisions of the Hon'ble Chandigarh Bench of the ITAT rendered in the following cases for the proposition that if the reasons are incorrect and non-existent, reopening of assessment invalid:*
  - ***M/s Kissan Fats Limited ITA 407/Chandi/2023 reported in 38 NYPTTJ 852,***
  - ***M/s JMD Astrological Consultancy Services Private Limited ITA 849/Chd/2011 and***
  - ***Baba Kartar Singh Dukki reported in 171 TTJ 25(URO)***

- *Reliance is further placed on the decision of the Hon'ble High Court of Delhi reported in 422 ITR 1 rendered in the case of Vinita Sanjeev Anand wherein it has been held that the entire basis for reassessment were vitiated as the reasons were recorded under the head "Where no return is filed by the assessee" but the assessee had filed the return.*

- *This factual error becomes even more apparent from the subsequent proceedings. While invoking the provisions of s. 263, the PCIT has herself acknowledged that the assessee had filed the return of income and had claimed exemption u/s 10(37) of the Act. This admission clearly shows that the assumption made in the reasons recorded for reopening was not in accordance with the record.*

- *Without prejudice to the above, it is submitted that after issuance of the notice u/s 148, reassessment proceedings were carried out in the normal course after obtaining the necessary approval of the PCIT, as noted in the assessment order itself. During the reassessment proceedings, the Ld. AO examined the only issue for which the case had been reopened, namely the taxability of interest*

received u/s 28 of the Land Acquisition Act. After considering the replies and material placed on record, the Assessing Officer accepted the returned income and did not make any addition on this issue. In other words, the issue for which the assessment was reopened was examined and consciously closed at that stage.

- *It is in this background that the subsequent action of the Principal Commissioner of Income Tax in invoking s. 263 requires consideration. The notice issued under section 263 again proceeds on certain factual assumptions, including that tax was deducted at source under section 194A by the Land Acquisition Officer while making payment of interest under section 28 of the Land Acquisition Act. This assumption is also incorrect. No tax was deducted at source by the Land Acquisition Officer while disbursing the interest income to the assessee.*

- *Once an issue has been examined during reassessment proceedings and the Assessing Officer, after due application of mind and with the approval of the higher authorities, has accepted the assessee's explanation, the matter ordinarily reaches finality at that level. Section 263 is not meant to reopen such concluded issues merely because the Principal Commissioner holds a different view.*

- *In the present case, the reopening itself was based on an incorrect factual premise, the reassessment resulted in acceptance of the returned income, and the revision proceedings are again founded on incorrect assumptions. In these circumstances, the invocation of section 263 amounts to nothing more than a re-examination of a concluded issue and is not in accordance with law. The impugned proceedings under section 263 therefore deserve to be quashed.*

- *It is respectfully submitted that where the very assessment order sought to be revised is itself unsustainable in law, the provisions of section 263 cannot be invoked to cure or correct such illegality. Revisional jurisdiction presupposes the existence of a valid and lawful assessment order. If the foundation itself is defective, the superstructure cannot be revised.*

- *In support of this settled proposition, reliance is placed on the recent decision of the Hon'ble Chandigarh Bench of the Income Tax Appellate Tribunal in A B Motors (ITA Nos. 989/CHD/2024 and 175/CHD/2024), wherein it has been held that when the assessment order itself is not legally sustainable, recourse to section 263 is impermissible. Applying the same principle to the facts of the present case, where the reassessment order is vitiated by jurisdictional and factual infirmities, the invocation of section 263 is wholly without authority of law and deserves to be quashed.*

39. Per contra, the Ld. DR in ITA No. 455 & 456/Chd/2024 had submitted that the contentions raised by the assessee are misconceived, legally untenable, and based on an incorrect appreciation of the scope of section 263 of the Income-tax Act, 1961. The mere fact that the reassessment proceedings were initiated after obtaining approval of the Ld. PCIT under

section 151 of the Act does not, in law or on facts, curtail or fetter the independent revisional jurisdiction conferred upon the Ld. PCIT under section 263 of the Act.

40. The approval granted by the Ld. PCIT for issuance of notice under section 148 is only a prima facie administrative satisfaction that the case is fit for reopening and does not amount to a final or conclusive determination of the issue on merits. It is settled law that sanction under section 151 is neither a judicial nor a quasi-judicial order and cannot be equated with a conscious examination of the correctness or otherwise of the eventual assessment order.

41. The Ld. DR submits that reassessment proceedings and revisional proceedings operate in entirely different statutory spheres. While reassessment is initiated on the basis of "reason to believe", the revisional jurisdiction under section 263 is attracted where the order passed by the Assessing Officer is both *erroneous* and *prejudicial to the interests of the Revenue*. Merely because the reassessment was conducted pursuant to approval of the PCIT does not render the reassessment order immune from revision if the statutory conditions of section 263 are otherwise satisfied.

42. The assessee's contention that since the Assessing Officer accepted the returned income, the Ld. PCIT is precluded from invoking section 263, is contrary to settled legal principles. It is well established that an order accepting the returned income can also be revised if it is passed without proper enquiry, inadequate enquiry, or incorrect application of law, resulting in prejudice to the Revenue.

43. In the present case, the Assessing Officer, despite reopening the assessment specifically on the issue of taxability of interest received under section 28 of the Land Acquisition Act, failed to apply the correct statutory provisions governing such income. The AO merely accepted the assessee's claim without examining the applicability of section 145A(b) read with

section 56(2)(viii) and the mandatory deduction mechanism under section 57(iv), as inserted by the Finance (No. 2) Act, 2009. Such non-consideration of binding statutory provisions clearly renders the assessment order erroneous.

44. The Ld. DR submits that the assessment order is completely silent on the detailed statutory framework governing taxation of interest on enhanced compensation. There is no discussion, reasoning, or finding demonstrating that the Assessing Officer examined the issue in the light of the amended provisions of the Act. A bald acceptance of the returned income, without recording reasons or applying the correct law, cannot be equated with taking a "possible view".

45. The assessee's reliance on the decision in the case of *Mahinder Pal Narang* is the reasons to reopen was misplaced. Even assuming that the AO referred to the said decision in the reasons for reopening, the assessment order does not demonstrate how the said decision was examined vis-à-vis the statutory provisions applicable to the assessment year under consideration. Jurisprudence is well settled that failure to distinguish facts or to examine the binding effect of later statutory amendments constitutes an error amenable to revision under section 263.

46. The argument of "change of opinion" raised by the assessee is wholly untenable. For invoking the doctrine of change of opinion, there must be a conscious formation of opinion by the Assessing Officer in the assessment order. In the present case, there is no such opinion discernible from the order. Absence of enquiry or non-application of mind cannot be protected under the guise of change of opinion.

47. The Ld. DR submits that section 263 does not permit substitution of opinion, but it certainly authorises the Ld. PCIT to revise an order which is unsustainable in law. An order passed in ignorance of mandatory statutory provisions is per se erroneous and prejudicial to the interests of the Revenue, warranting valid assumption of revisional jurisdiction.

48. Therefore, the Ld. DR respectfully submits that the Ld. PCIT has rightly exercised his jurisdiction under section 263 after recording due satisfaction that the assessment order was erroneous and prejudicial to the interests of the Revenue. The revisional order neither amounts to review nor re-opening of the reassessment proceedings, but is a lawful correction of a patently unsustainable assessment order

49. In the case of Kartar Singh Vs. Pr. CIT, the Ld. AR, who addressed arguments virtually from Hisar in ITA No. 335/Chd/2023 for A.Y. 2018-19, submitted that Explanation 2(d) to section 263 provides that an order shall be deemed to be erroneous in so far as it is prejudicial to the interests of the Revenue, if it is not in conformity with any decision rendered by the Hon'ble Supreme Court or the jurisdictional High Court.

50. It was contended that the Ld. Principal Commissioner failed to appreciate the binding nature of the decision of the Hon'ble Supreme Court in the case of Ghanshyam Dass (HUF), which squarely governed the issue under consideration. According to the Ld. AR, the Ld. PCIT, by completely overlooking the said binding precedent, proceeded to invoke revisionary jurisdiction mechanically.

51. It was therefore submitted that the order passed by the Ld. PCIT suffers from a fundamental legal infirmity and is not sustainable in the eyes of law.

52. Shri Suraj Bhan, Ld. Counsel appearing in the case of Anil Tuteja vs PCIT in ITA No. 780/Chd/2025 for AY 2018-19 advanced two-fold submissions, apart from generally adopting the arguments of the other learned counsel, to contend that the assumption of jurisdiction under section 263 by the Ld. Principal Commissioner is not sustainable in the eyes of law.

53. Firstly, it was submitted that the revisionary proceedings were initiated solely on the basis of an audit objection, which, by itself, cannot form a valid foundation for invocation of jurisdiction under section 263.

54. Secondly, it was contended that the show cause notice issued by the Ld. PCIT is a verbatim reproduction of the proposal forwarded by the Assessing Officer for initiation of proceedings under section 263, thereby demonstrating complete non-application of mind on the part of the revisionary authority.

55. Apart from the above, it was further submitted that the circulars issued by the CBDT, being in the nature of binding instructions, are mandatory for the Assessing Officers to follow. Since the Assessing Officer is duty-bound to pass or rectify the order in conformity with such binding instructions, the exercise of revisionary jurisdiction under section 263 on this count was argued to be legally untenable. In support of these propositions, reliance was placed on various judicial decisions.

56. In the written submissions the Ld. AR in support of the case of the assessee has filed as under:

> ***The Ld. PCIT has exercised the jurisdiction u/s 263 merely based on audit objection which is not permissible:***
>
> - *It is submitted that in this case, ITO(Audit) Hisar has raised an audit objection on the assessment order for A.Y. 2018-19 (**PB-pages 75-78**) observing that interest u/s 28 of the Land Acquisition Act of Rs. 1,29,14,310/- was chargeable to tax as income from other sources u/s 56(2)(viii) of the Act and also referred to the decisions of Hon'ble High Court of Punjab & Haryana in the cases of (i) Sh. Manjeet Singh HUF vs. Union of India & Others in CWP No. 15506 of 2013; (ii) Sh. Puneet Singh vs. CIT Karnal [2019] 110 taxmann.com 116 (Punjab & Haryana); and (iii) Sh. Mahender Pal Narang vs. CBDT Delhi in CWP No. 17971 of 2019. The office of CIT(Audit), Chandigarh has sent a letter dated 12.01.2023 (PB-Page 83) requesting to convey the outcome of action u/s 263 of the Act to settle the audit objection.*
>
> - *Thereafter, the Ld. PCIT has initiated proceedings u/s 263 of the Act by issuing notice u/s 263 of the Act dated 16.01.2023 (**PB-pages 84-85)** merely based on the audit objection without applying his independent mind and without considering the subsequent decisions of Hon'ble Supreme Court in the cases of (i) CIT Rajkot vs. Govindbhai Mamaiya [2014] 52 taxmann.com 270 (SC); (ii) UOI & Ors. vs. Hari Singh & Ors. [2018] 91 taxmann.com 20 (SC); and (iii) ITO, TDS-2 Rajkot vs. Muktanangiri Maheshgiri in Civil Appeal No. 18475 of 2017 decision dated 10.11.2017, wherein the ratio of the decision of CIT vs. Ghanshyam (HUF) [2009] 181 Taxman 368 (SC) has been affirmed. It has been held in several decisions that where Pr. CIT had exercised his power to invoke the provisions of section 263 of the Act merely based on the audit objection by the Audit Wing of the Department, the order of Pr. CIT was not valid. In this regard, reference is made to the following decisions:*

- ***Ajay Grover vs. Pr. CIT, Faridabad (4113/Del/2016)***
- ***CIT vs. Suhana Woolen Mills (2008) (296 ITR 238) (P & H)***
- ***Surinder Pal Singh vs. Pr. CIT (2022) (94 ITR 458)***
- ***M/s Grasim Industries vs. PCIT, Central-1, Mumbai (1964/Mum/2019) (Mumbai ITAT)***

- *In view of the above, since the Ld. PCIT has initiated revision proceedings u/s 263 of the Act based on audit objection, the order u/s 263 is not valid and, hence, it is prayed that the impugned order u/s 263 of the Act may be quashed.*

➢ ***The initiation of revision proceedings u/s 263 based on proposal of the Assessing Officer in not valid:***

- *It is submitted that in this case the Ld. Assessing Officer has submitted a proposal for initiation of proceedings u/s 263 of the Income Tax Act to the Ld. PCIT through proper channel concluding therein that the assessment order passed by the AO is erroneous and prejudicial to the interest of revenue* ***(PB- Pages 79-81)****. Ld. CIT (OSD), Hisar Range forwarded the proposal to Ld. Pr. CIT, Rohtak to initiate proceedings u/s 263 of the Act along with the assessment records (****PB- Page 82****). The Ld. Pr. CIT initiated revision proceedings u/s 263 by issuing notice dated 16.01.2023 (****PB- Pages 84-85****) merely based on proposal initiated by the Ld. Assessing Officer without application of his independent mind. The said notice u/s 263 dated 16.01.2023 is on the lines of the proposal for initiation of proceedings u/s 263 of the Act sent by the Ld. Assessing Officer.*

- *It would be fruitful to reproduce provisions of section 263(1) of the Act as Under:*

*"****263. Revision of orders prejudicial to revenue***

(1) The Principal Commissioner or Commissioner may call for and examine the record of any proceeding under this Act, and if he considers that any order passed therein by the Assessing Officer is erroneous in so far as it is prejudicial to the interests of the revenue, he may, after giving the assessee an opportunity of being heard and after making or causing to be made such inquiry as he deems necessary, pass such order thereon as the circumstances of the case justify, including an order enhancing or modifying the assessment, or cancelling the assessment and directing a fresh assessment."

- *It is submitted that the above section 263 of the Act provides that the Commissioner may call for and examine the record of any proceeding under the Act* ***and*** *if he considers that any order passed therein by the AO is erroneous in so far as prejudicial to the interest of the revenue, he may after giving opportunity of being heard to the assessee pass orders as prescribed under the Act. Thus, the process of revision u/s 263 of the Act initiates only when the CIT calls for and examines the record of any proceeding under this Act* ***and*** *considers that any order passed by the AO is erroneous and prejudicial to the interests of the revenue. The twin conditions of – (i) the CIT calling for and examining the record; succeeded by (ii) his considering the assessment order as erroneous etc. – are sine qua non for the exercise of power under this section. The use of the word `and' between the expression `call for and examine the record ….'' and the expression `if he considers that any order … is erroneous …'' abundantly demonstrates that both these conditions must be cumulatively fulfilled by the CIT and in the same order, that is, the first followed by the second. In other words, the trigger point for invoking jurisdiction u/s 263 is calling for and examining the record of any proceedings under the Act by the CIT leading him to consider the assessment order erroneous etc. A communication from the AO is not `the record of any proceedings under this Act'. To put it*

simply, the consideration that the assessment order is erroneous and prejudicial to the interests of the revenue should flow from and be the consequence of his examination of the record of proceedings. If such a consideration is not preceded by the examination of record of the proceedings under the Act, the condition for revision does not get magnetized.

- *It is a trite law that a power which vests exclusively in one authority, can't be invoked or cause to be invoked by another, either directly or indirectly. Section 263 of the Act confers power on the CIT to revise an assessment order, subject to certain conditions. In the instant case, the revision was initiated on the basis of the AO sending a proposal to the CIT and not on the CIT suo motu calling for and examining the record of the assessment proceedings and thereafter considering the assessment order erroneous and prejudicial to the interests of the revenue. The AO recommending a revision to the CIT has no statutory sanction and is a course of action unknown to the law. If AO, after passing an assessment order, finds something amiss in it to the detriment of the Revenue, he has ample power to either reassess the earlier assessment in terms of section 147 or carry out rectification u/s 154 of the Act. He can't usurp the power of the CIT and recommend a revision. No overlapping of powers of the authorities under the Act can be permitted. As the revision proceedings in this case have triggered with the AO sending a proposal to the ld. CIT and then the latter passing the order u/s 263 of the Act based on such a proposal, such order is jurisdiction deficit and invalid in law.*

- *Here, it is submitted that the Pr. CIT has not suo moto called for the records and came to prima facie opinion that the assessment order passed by Ld. AO is erroneous in so far as it is prejudicial to the interest of revenue. Rather, the Ld. Pr. CIT has initiated revision proceedings u/s 263 merely based on the proposal of Assessing Officer that the assessment order passed is erroneous and prejudicial to the interest of revenue. The assessment records were forwarded by the Assessing Officer to Pr. CIT along with the proposal to initiate proceedings u/s 263 of the Act and were not called for by Ld. Pr. CIT. Therefore, the very invocation of revisional jurisdiction on the proposal of Assessing Officer itself is bad in law.*

- *In this regard, reliance is placed on the following decisions wherein it has been held that revision proceedings under section 263 must be initiated by the Commissioner of Income Tax only and revision proceedings on basis of proposal from Assessing Officer is not valid:*
- ***Alfa Laval Lund AB vs CIT (1287/PUN/2017) (Pune ITAT)***
- ***Volkswagen India Pvt. Ltd. vs. PCIT (147 & 148/PUN/2019) (Pune ITAT)***
- ***M/s Thalia Akshar Developers vs. Pr. CIT (634/Mum/2022) (Mumbai ITAT)***
- ***Shantai Exim Ltd. v. CIT (2017) (88 taxmann.com 361) (Ahmedabad - Trib.)***
- ***Sinhotia Metals & Minerals Pvt. Ltd. Vs. PCIT (889/Kol/2017) (Kolkata ITAT)***
- ***PCIT Vs. M/S. Sinhotia Metals and Minerals Pvt. Ltd. IA No. GA/1/2019 in ITAT/104/2019 judgment dated 07.01.2022 (High Court of Calcutta)***
- ***M/s. Rupayan Udyog vs. CIT (1073/Kol/2012) (Kolkata ITAT)***
- ***CIT (E) v. Gujarat State Lion Conservation Society (2024) (166 taxmann.com 430) (Gujarat)***

In view of the above, since in this case, the revision proceedings u/s 263 of the Act have been initiated merely based on the proposal of the Ld. Assessing Officer to initiate proceedings u/s 263 on his satisfaction that the assessment order passed by the Ld. AO is erroneous and prejudicial to the interest of

revenue is invalid and hence, liable to be quashed. It is, therefore, prayed that the impugned order u/s 263 of the Act may kindly be quashed.

57. Per contra, the Ld. DR rebutting the submissions in ITA No. 780/Chd/2025 had submitted that the learned PCIT has validly assumed jurisdiction under section 263 of the Act. The assessment order dated 11.12.2020 was found to be erroneous insofar as it is prejudicial to the interest of the Revenue, as the Assessing Officer accepted the assessee's claim of exemption of interest on enhanced compensation without applying the mandatory statutory provisions governing such income. The revisionary proceedings were initiated after due examination of assessment records and after granting proper opportunity of hearing to the assessee.

58. The learned DR further submitted that sections 145B(1), 56(2)(viii) and 57(iv), inserted by the Finance Act, 2009 with effect from A.Y. 2011-12, constitute a complete code for taxation of interest received on compensation or enhanced compensation. These provisions mandatorily require such interest to be:

- taxed in the year of receipt,
- assessed under the head "Income from Other Sources", and
- allowed deduction only to the extent of 50%.

59. The assessment order does not show any consideration or application of these provisions. The omission is apparent on the face of record and renders the assessment order erroneous in law.

60. The learned DR submits that reliance placed by the AR on decisions such as Ghanshyam (HUF) and Chet Ram (HUF) is misplaced. These judgments were rendered in the context of section 45(5) and the legal position prevailing prior to A.Y. 2011-12. Post insertion of sections 145B and 56(2)(viii), the legislative intent is explicit and overrides the earlier judicial

position. The Assessing Officer failed to appreciate this statutory shift and mechanically accepted the assessee's claim.

61. It was further submitted that section 10(37) grants exemption only in respect of capital gains arising from compulsory acquisition of agricultural land. Interest on enhanced compensation is statutorily classified as "income from other sources" and therefore falls outside the scope of section 10(37). The Assessing Officer erred in not examining this basic legal distinction, resulting in incorrect allowance of exemption.

62. The learned DR submits that this is not a case of inadequate enquiry but a case of complete lack of enquiry. The assessment order is silent on: a) the head under which interest income was assessed, b) the applicability of sections 145B and 56(2)(viii), and c) the statutory deduction u/s 57(iv).

63. Such non-application of mind squarely attracts Explanation 2(a) to section 263(1), which deems an order erroneous where it is passed without making inquiries or verification which should have been made.

64. The learned DR further submits that the learned PCIT has rightly relied upon decisions of the Hon'ble Punjab & Haryana High Court, including Manjeet Singh (HUF) and Mahender Pal Narang, which hold that interest received under the Land Acquisition Act is taxable as income from other sources. These decisions are binding on authorities within the jurisdiction and were wrongly ignored by the Assessing Officer.

65. The contention of the assessee that jurisdiction lies with the Delhi High Court due to faceless assessment is misconceived. The faceless Assessing Officer exercises delegated authority only for completing assessment proceedings. Jurisdiction continues to vest with the Jurisdictional Assessing Officer and the PCIT having territorial jurisdiction over the assessee. Therefore, the revision order passed by PCIT, Chandigarh-1 is valid in law. Lastly, the learned DR submits that both the conditions required for invoking section 263 are fully satisfied: the assessment order is erroneous as it is contrary to express

statutory provisions, and the error has caused definite prejudice to the Revenue by non-taxation of substantial income. The learned PCIT has not substituted his own view but has merely directed the Assessing Officer to make proper enquiries and pass a fresh order in accordance with law. The Ld. DR had adopted similar arguments for the remaining appeal as the issues involved are common and peculiar arguments were addressed by the Ld. AR either in the case of Mr. Sudhir Sehgal and in the case of Kartar Singh Vs. Pr. CIT in ITA No. 335/Chd/2023.

66. We have carefully considered the rival submissions, perused the material placed on record and examined the voluminous written submissions filed by the assessee. The controversy before us concerns the validity of the order passed by the Ld. Principal Commissioner of Income-tax under section 263 of the Act, whereby the assessment order dated 11.12.2020, passed under section 143(3), was set aside on the ground that it was erroneous and prejudicial to the interests of the Revenue.

67. The facts, in brief, are that the assessee received enhanced compensation along with interest awarded under section 28 of the Land Acquisition Act, 1894 pursuant to orders of the court. During the course of assessment proceedings, the Assessing Officer issued notice under section 142(1) dated 03.12.2020 seeking details in respect of the enhanced compensation. In response, the assessee furnished a copy of the relevant court order. Thereafter, the Assessing Officer completed the assessment under section 143(3) on 11.12.2020, accepting the returned income and holding the receipt, including interest on enhanced compensation, as not taxable, without any discussion or examination of the statutory provisions governing taxability of such interest.

68. Subsequently, the Ld. PCIT initiated revision proceedings under section 263 by issuing a show-cause notice on the ground that the interest received on enhanced compensation was taxable under section 56(2)(viii) of the Act and that the Assessing Officer had failed to apply the correct legal position.

After considering the reply of the assessee and the material on record, the Ld. PCIT concluded that the assessment order was erroneous and prejudicial to the interests of the Revenue and directed the Assessing Officer to reframe the assessment in accordance with law.

69. At the outset, it is well settled that for invoking jurisdiction under section 263, the twin conditions must be satisfied, namely that the order of the Assessing Officer must be erroneous and that such error must be prejudicial to the interests of the Revenue. An order is erroneous not only when it is passed on an incorrect assumption of facts or incorrect application of law, but also when it is passed without making inquiries or verification which should have been made, or without proper application of mind. Explanation 2 to section 263 further clarifies that an order shall be deemed to be erroneous and prejudicial to the interests of the Revenue where it is passed without making requisite inquiries or not in accordance with decisions rendered by the jurisdictional High Court or the Supreme Court.

70. In the present case, though the Assessing Officer issued a notice under section 142(1) and obtained a copy of the court order, a perusal of the assessment order reveals that there is no discussion whatsoever on the issue of taxability of interest on enhanced compensation. The assessment order does not refer to section 56(2)(viii) or section 57(iv), nor does it examine the effect of the amendments introduced by the Finance (No.2) Act, 2009. The order is also completely silent on the judicial precedents governing the issue. Mere calling for information and placing it on record does not constitute an enquiry under the law. What is required is a conscious examination of the issue, application of the relevant statutory provisions and formation of a reasoned view. The absence of any such exercise clearly shows a lack of proper enquiry and non-application of mind on the part of the Assessing Officer.

71. The Finance (No.2) Act, 2009, with effect from 01.04.2010, inserted section 56(2)(viii) which specifically provides that income by way of interest

received on compensation or enhanced compensation shall be chargeable to tax under the head "Income from other sources", subject to deduction under section 57(iv). The legislative intent behind this amendment is explicit and leaves no scope for ambiguity. Once the statute clearly mandates taxability of such interest, the Assessing Officer was duty-bound to apply the said provision. Failure to do so renders the assessment order erroneous in law.

> *4. STATUTORY SCHEME AFTER FINANCE (NO.2) ACT, 2009*
>
> *The Finance (No.2) Act, 2009 inserted section 56(2)(viii) and section 57(iv) with effect from 01.04.2010. Section 56(2)(viii) expressly provides that:*
>
> *income by way of interest received on compensation or enhanced compensation shall be chargeable to income-tax under the head "Income from other sources".*

72. This amendment was brought in to settle the controversy relating to the taxability of interest on compensation, irrespective of the nomenclature or the provision under which such interest is awarded.

73. Once the statute itself deems such interest to be taxable as "Income from other sources", the Assessing Officer had no discretion to treat it as exempt unless supported by binding authority holding otherwise.

74. Further, the Hon'ble Punjab & Haryana High Court in the cases of Puneet Singh v. CIT and Mahender Pal Narang v. CBDT has categorically held that interest received on enhanced compensation under section 28 of the Land Acquisition Act does not partake the character of compensation and is taxable as income from other sources under section 56(2)(viii). These decisions were binding on the Assessing Officer. Non-consideration of binding jurisdictional High Court judgments squarely attracts Explanation 2(d) to section 263 and renders the assessment order erroneous and prejudicial to the interests of the Revenue.

75. The contention of the assessee that the issue is debatable and therefore outside the scope of section 263 cannot be accepted. The principle that revision cannot be invoked where two views are possible applies only where the Assessing Officer has adopted one of the permissible views after due enquiry and application of mind. In the present case, the assessment order does not disclose adoption of any view based on reasoning or legal analysis. It does not apply where statutory provisions are ignored and binding judicial precedents are not followed. In fact assessment order is a non-speaking order on a crucial issue involving substantial tax implications. Accordingly, the protection available in cases of debatable issues is inapplicable.

76. The argument advanced by the assessee that the Delhi High Court should be treated as the jurisdictional High Court merely because the assessment was framed under the faceless assessment scheme is also without merit. The faceless assessment scheme is a procedural mechanism and does not alter the territorial jurisdiction of High Courts. Jurisdiction continues to be determined with reference to the location of the jurisdictional Assessing Officer. Accordingly, the decisions of the Punjab & Haryana High Court were binding and required to be followed by the Assessing Officer. Furthermore, in the return of income, the assessee has given the details of the Assessing Officer and at page 16 of the paper book it is mentioned as under :-

Designation of Assessing Officer(ward/circle)	WARD-2(3) CHANDIGARH

77. From a perusal of the return of income and the relevant column reproduced hereinabove, it is evident that the assessee himself had declared that the Assessing Officer, Ward 2(3), Chandigarh, had jurisdiction over his case. Therefore, the reliance placed by the assessee on the decision in RKKR Foundation v. NFAC is wholly misconceived. In that case, the Hon'ble Delhi

High Court was concerned only with the exercise of writ jurisdiction in circumstances involving an alleged violation of the principles of natural justice by the Faceless Assessing Officer.

78. Furthermore, it is necessary to briefly notice the statutory framework governing faceless assessments. Under section 144B of the Act, assessment proceedings are conducted through the National Faceless Assessment Centre, which may allocate different functions to specialized units such as the Assessment Unit, Verification Unit, Technical Unit and Review Unit. Where factual verification, examination of records, or legal analysis on specific issues is required, the Assessment Unit is empowered to seek assistance through the faceless mechanism, and the reports so generated form part of the assessment record.

79. In the present case, the issue sought to be revised under section 263 pertains to the taxability of interest on enhanced compensation. On a perusal of the assessment order, we find that there is no discussion whatsoever on the nature of such interest, its taxability under the Act, or the applicability of sections 56(2)(viii), 57(iv), 145A(b) or the judicial position governing interest on enhanced compensation. The assessment order does not record the issuance of any query, consideration of any reply of the assessee, or examination of the legal and factual aspects relevant to the said issue. In a faceless regime, where all enquiries and responses are mandatorily recorded in the electronic record, the absence of discussion clearly indicates that the issue was not verified or examined at the assessment stage.

80. The faceless assessment scheme is designed to ensure that all material issues having a bearing on the computation of income are examined in a transparent and traceable manner. When an issue involving substantial tax effect, such as the taxability of interest on enhanced compensation, is not subjected to any enquiry or application of mind, the assessment order cannot be said to be the result of a conscious and informed decision by the Assessing Officer.

81. We further note that the Assessing Officer, in the course of the same faceless assessment proceedings, had the institutional capability to seek verification or legal inputs through the specialized units provided under section 144B of the Act. The absence of any such exercise in relation to the issue of interest on enhanced compensation, despite its settled statutory treatment and recurring litigation history, supports the conclusion that the assessment was completed without making the requisite enquiry on this aspect.

82. In such circumstances, the contention of the assessee that the Principal Commissioner exceeded his jurisdiction under section 263 cannot be accepted. The revisional authority is empowered to step in where the assessment order is passed without making enquiries or verification which ought to have been made. The exercise of revisional jurisdiction in the present case is thus founded not on a mere difference of opinion, but on a clear case of lack of enquiry on a material issue.

83. The reliance placed by the assessee on decisions of the Hon'ble Delhi High Court is also misplaced. The assessee in the present case does not fall within the territorial jurisdiction of the Hon'ble Delhi High Court and, therefore, the said decisions do not have binding force in the present proceedings. In any event, the revisional action herein is justified on the basis of the statutory framework and the absence of enquiry evident from the assessment record itself.

84. In view of the above discussion, we hold that the assessment order, to the extent it relates to interest on enhanced compensation, was passed without proper enquiry and application of mind, rendering it erroneous insofar as it is prejudicial to the interests of the Revenue. The assumption of jurisdiction by the Ld. Principal Commissioner under section 263 of the Act is therefore upheld.

85. Even otherwise, the decision in RKKR Foundation has itself been doubted by the Hon'ble Delhi High Court in GPL-RKTCPL v. NFAC by order dated 17.11.2022, wherein the matter was referred to a larger Bench with a request to authoritatively determine the issue of territorial jurisdiction of the High Court in cases where the jurisdictional Assessing Officer is situated outside the NCT of Delhi.

86. Moreover, in the present case, the assessee has not challenged the assessment order passed by the NFAC. It is only the Revenue which has expressed doubt regarding the correctness of the said order by invoking proceedings under section 263 of the Act. Significantly, the assessee has not questioned the jurisdiction of the PCIT to invoke section 263 on territorial or jurisdictional grounds. The revision proceedings under section 263 are not for the benefit of the assessee but are a power conferred on the Revenue to correct the order passed by the Assessing Officer in case the same is found to be erroneous and prejudicial to the interest of the Revenue.

87. The plea relating to the jurisdiction of the Hon'ble Delhi High Court has been raised only with a view to contend that, at the time of passing of the assessment order, there was no binding decision of the jurisdictional High Court applicable to the NFAC at Delhi. This contention is clearly an afterthought and does not go to the root of the jurisdiction of the PCIT under section 263 of the Act.

88. The further contention of the assessee that the Assessing Officer had followed the decision of the Hon'ble Gujarat High Court in Movaliya Bhikhubhai Balabhai v. ITO (TDS) is wholly misplaced and deserves outright rejection. A bare perusal of the assessment order itself , which is as under :

> *The case was selected for Complete Scrutiny assessment under the E-assessment Scheme, 2019 on the following issues:-*
>
> | *S. No.* | *Issues* |
> |---|---|
> | *i.* | *Increase in TDS in Revised Return* |

ii. Winnings from Lottery/Crossword Puzzle/Horse Races

iii. Refund Claim

v. Sales Turnover/Receipts

The assessee, Sri Baljinder Singh is an individual filed his original return of income on 21-07-2018 declaring taxable income of Rs.7,62, 120/- and revised return on 19-01-2019 declaring total income of Rs.7,81,321/-. The case was selected for scrutiny on revised return of income to verify (1) Winnings from Lottery/Crossword Puzzle/ Horse Races (ii) Increase in TDS in Revised Return (Refund Claim (iv) Sales Turnover/ Receipts. Accordingly, Notice u/sec. 143(2) was issued on 28-09-2019. Subsequently. Notices u/sec.142(1) were issued on 05-02-2020, 30-07-2020 and 03-12-2020. In response to these notices, the assessee submitted the information called for. On verification of the information submitted the assessment is completed accepting the return of income.

Hence no modification to the returned income has been made.

The sum payable or refund of any amount due on the basis of the assessment is determined as per the notice of demand."

89. The assessment order clearly demonstrates that the Assessing Officer has neither examined nor discussed the issue relating to the taxability of interest on enhanced compensation, nor has he made any reference whatsoever to the aforesaid decision of Movaliya Bhikhubhai Balabhai (supra). Therefore, relying upon the decision of the Hon'ble Supreme Court in the case of Vegetable Product (supra) is of no help to the assessee as there is no formation of opinion by relying upon the decision in the case of Movaliya Bhikhubhai Balabhai (supra) by the Assessing Officer.

90. In our view, what is crucial is that the Punjab & Haryana High Court, whose jurisdiction governs the assessee, has in the cases of Puneet Singh v. CIT and Mahender Pal Narang v. CBDT had categorically held that interest received on enhanced compensation is taxable under section 56(2)(viii) and does not form part of compensation. Once such binding judgments exist, the Assessing Officer is obliged to follow them. Non-consideration or non-application of binding jurisdictional High Court decisions renders the order erroneous within the meaning of section 263 read with Explanation 2(d).

91. The contention of the assessee that certain earlier judgments of the Hon'ble Supreme Court were not considered by the Hon'ble High Court does not advance its case at the stage of proceedings under section 263 of the Act. As noted hereinabove, the Legislature has consciously amended the Income-tax Act by the Finance Act, 2010, whereby interest on enhanced compensation has been specifically brought to tax. In view of this statutory amendment, judicial pronouncements rendered prior to the Finance Act, 2010, cannot be regarded as determinative or binding while examining issues arising in the post-amendment regime. The legal position governing the taxability of interest on enhanced compensation stands altered by legislative mandate, and, therefore, reliance on pre-amendment decisions is misplaced in the context of the present proceedings.

92. The Assessing Officer is not at liberty to disregard the law laid down by the jurisdictional High Court on the premise that an alternative view may ultimately prevail, as judicial discipline mandates strict adherence to binding precedents. The reliance placed by the assessee on decisions of the Delhi Bench and the Chandigarh Bench of the Tribunal, in cases arising within the territorial jurisdiction of the State of Haryana, while simultaneously overlooking the binding judgments of the Hon'ble Punjab and Haryana High Court, is wholly misplaced and does not advance its case. Firstly, no decision has been brought to our notice which deals with the invocation of section 263 of the Act in the specific context of the taxability of interest on enhanced compensation. Secondly, in the hierarchy of precedents, the decisions of the Hon'ble High Court carry binding precedential value, whereas decisions of Coordinate Benches of the Tribunal have only persuasive authority; consequently, where there is a conflict between the law declared by the jurisdictional High Court and the view taken by a Coordinate Bench, the former must necessarily prevail. Any contention that the Tribunal is nonetheless bound to follow a contrary view of a Coordinate Bench, despite the existence of a binding judgment of the jurisdictional High Court, would be

contrary to settled principles of judicial discipline and would undermine the doctrine of precedent, and is impermissible in law.

93. Judicial discipline, certainty, and predictability in the administration of justice mandate that the decisions of the jurisdictional High Court are scrupulously followed by all Tribunals functioning within its territorial jurisdiction under Article 227 of the Constitution of India. Any deviation from, or disregard of, such binding precedent is wholly impermissible within the scheme of law and strikes at the very foundation of judicial propriety.

94. The alternative plea of the assessee that interest on enhanced compensation is exempt under section 10(37) of the Act is wholly untenable. Section 10(37) grants exemption only in respect of income chargeable under the head "Capital gains" arising from the compulsory acquisition of agricultural land.

95. The statutory scheme post insertion of sections 56(2)(viii), 145A(b), and 57(iv) clearly demarcates the tax treatment of interest received on enhanced compensation. Section 56(2)(viii) specifically brings such interest to tax under the head "Income from other sources". Section 145A(b) mandates the year of taxability of such interest on receipt basis, and section 57(iv) provides for a standard deduction of fifty per cent of such income, thereby constituting a complete and self-contained code governing the taxation of interest on enhanced compensation.

96. Once the legislature has consciously classified interest on enhanced compensation as income from other sources through a specific charging provision, such income loses the character of capital gains and, consequently, falls outside the ambit of exemption under section 10(37) of the Act. Permitting the assessee to invoke section 10(37) in such circumstances would render the specific charging and computation provisions otiose, which is impermissible in law.

97. It is a settled principle of statutory interpretation, consistently affirmed by the Hon'ble Supreme Court of India, that where a statute contains both a specific provision and a general provision, the specific provision must prevail. A general exemption provision cannot override an express and specific charging mechanism enacted by Parliament. Therefore, the reliance placed by the assessee on section 10(37), a general exemption provision, in the face of the specific charging framework under sections 56(2)(viii), 145A(b), and 57(iv), is legally unsustainable and deserves to be rejected.

98. The reliance placed by the assessee on CBDT correspondence, dismissal of SLPs in limine and certain decisions of non-jurisdictional courts does not advance its case. It is well settled that dismissal of an SLP in limine does not amount to declaration of law under Article 141 of the Constitution, and administrative instructions cannot override statutory provisions or binding judicial precedents.

99. By accepting the claim of exemption without examining the statutory provisions and binding judicial precedents, the Assessing Officer failed to bring to tax income which was clearly chargeable under the Act, thereby causing definite prejudice to the interests of the Revenue. Both the conditions for invocation of section 263 are thus satisfied in the present case.

100. In view of the foregoing discussion and the totality of facts and circumstances, we hold that the assessment order dated 11.12.2020 passed under section 143(3) was erroneous and prejudicial to the interests of the Revenue and that the Ld. PCIT was fully justified in invoking jurisdiction under section 263 of the Act. Accordingly, the revisionary order passed by the Ld. PCIT is upheld and the appeal filed by the assessee is dismissed.

101. Having dismissed the lead appeal, now we will deal with the individual cases argued by different AR representing different assessee.

102. ITA No. 233/Chd/2023, ITA No. 328/Chd/2023, ITA No. 575/Chd/2024 and ITA No. 576/Chd/2024, have more or less argued on the same line as

mentioned in the lead appeal and therefore we do not feel it appropriate to repeat the submissions of parties and the findings of the Tribunal. We are of the opinion that the findings given in the lead matter would mutis mutandis will apply to ITA No. 233/Chd/2023, ITA No. 328/Chd/2023, ITA No. 575/Chd/2024 and ITA No. 576/Chd/2024 and accordingly, all the appeals are dismissed.

103. In ITA No. 455/Chd/2024 & 456/Chd/2024 Ld. AR had argued the matter and had adopted the argument made in the lead case. We are of the considered opinion that the reasoning given by us in the lead matter would be applicable to these appeals also and accordingly these appeals are required to be dismissed on the common grounds.

104. Besides that the core issue for our consideration in addition to the argument raised in the lead case, the Ld. AR has raised the several technical and legal submission which are delat hereinbelow.

105. With respect to the argument of the assessee that Ld. Pr. CIT had granted the approval under section 151 of the Act and therefore no 263 proceedings can take place is without any basis. We find no merit in the contention of the assessee that once approval under section 151 has been granted by the Ld. PCIT for reopening of assessment, the revisional jurisdiction under section 263 stands impliedly barred.

106. In our view, the scope and object of sections 148/151 and section 263 are distinct and independent statutory fields. Approval for reopening is only a prima facie administrative / quasi judicial exercise to enable assumption of jurisdiction by the Assessing Officer and does not amount to a final or conclusive determination of the issue on merits. We further note that mere acceptance of the returned income by the Assessing Officer does not, by itself, confer immunity from revision under section 263. An assessment order can be revised if it is passed without making proper enquiries or without

applying the correct legal provisions, resulting in prejudice to the interests of the Revenue.

107. In the present case, the assessment order is conspicuously silent on the applicability of sections 145A(b), 56(2)(viii) and 57(iv) of the Act, which specifically govern the taxability of interest on enhanced compensation. There is nothing on record to demonstrate that the Assessing Officer examined the issue in the light of the statutory framework applicable for the assessment year under consideration. A mere reference to judicial decisions in the reasons for reopening, without application of the relevant statutory provisions at the stage of assessment, cannot be regarded as a conscious or reasoned view taken by the Assessing Officer. Similarly, the plea of "change of opinion" raised by the assessee is also devoid of merit. For the doctrine of change of opinion to apply, there must be a conscious formation of opinion by the Assessing Officer after due examination of facts and law. In the absence of any discussion or reasoning in the assessment order, it cannot be said that the Assessing Officer had formed any such opinion. Lack of enquiry or non-application of mind cannot be protected under the guise of a possible view.

108. In view of the above facts and legal position, we are of the considered opinion that the assessment order suffered from a clear error due to non-consideration of mandatory statutory provisions, and such error has resulted in prejudice to the interests of the Revenue. The twin conditions required for invocation of section 263, namely that the order is erroneous and prejudicial to the interests of the Revenue, stand duly satisfied in the present case. Accordingly, we uphold the order passed by the Ld. PCIT under section 263 of the Act. The grounds raised by the assessee in ITA No. 455/Chd/2024 is dismissed.

109. With respect to ITA No. 456/Chd/2024 besides following the decision in the lead case whereby se have dismissed the contention of the assessee we have also considered the rival submissions and perused the material

available on record of the specific issue raised by the assessee in the present appeal. It is a settled position of law that an order passed by the Assessing Officer can be regarded as non est in the eyes of law only when it is so declared either by the Assessing Officer himself or by a competent superior authority in appropriate proceedings. In the absence of any such declaration, the order continues to subsist on record and remains operative for all legal purposes.

110. In the present case, it is not the claim of the assessee that the assessment order has been set aside or declared nonest by any appellate or supervisory authority. It is also not the case of the assessee that the said order has been challenged before any judicial forum seeking a declaration that it is void ab initio. Merely alleging certain errors or infirmities in the order passed by the Assessing Officer does not, ipso facto, render the order non est in the eyes of law. In our view an order, howsoever erroneous it may be, continues to have legal existence unless it is annulled or declared void by a competent authority in accordance with law and within the time period prescribed. Further, the legality or validity of the assessment order cannot be examined in a collateral/ incidental/ revisional proceeding before the Tribunal. Such validity can be tested only when the assessment order itself is directly under challenge before us. Any observation on the assessment order when it is not the subject matter of the proceedings would amount to travelling beyond the scope of the lis and the jurisdiction vested in the Tribunal. Therefore, the contention of the assessee that the assessment order is non est merely on account of alleged defects is devoid of merit and cannot be accepted. Accordingly, the argument advanced by the assessee on this issue stands rejected. In the light of the above, the ITA No. 456/Chd/2024 is dismissed.

111. With respect to ITA No. 335/Chd/2023 besides respectfully following the decision rendered in the case of Baljinder Singh Vs. Pr. CIT in ITA No. 167/Chd/2023 (lead case), we have independently examined the submissions advanced before us. In our considered view, the statutory

expression "prejudicial to the interests of the Revenue" must be understood in its correct legal context. The decision of the Hon'ble Supreme Court in Ghanshyam Dass (HUF), having been rendered prior to the Finance Act, 2010, was, during the relevant assessment year, favourable to the assessee and, therefore, cannot be said to have caused any prejudice to the assessee or to the Revenue at that point of time.

112. On the contrary, the decisions of the Hon'ble jurisdictional High Court in the cases of Mahinder Singh Narang and Manjit Singh, which squarely dealt with the issue of taxability of interest on enhanced compensation, were holding the field and were binding on the Assessing Officer at the time of passing the assessment order. The failure of the Assessing Officer to follow the binding precedents of the jurisdictional High Court, while framing the assessment, renders the order erroneous insofar as it is prejudicial to the interests of the Revenue. Accordingly, the conditions for invocation of jurisdiction under section 263 of the Act stood satisfied. In the result ITA No. 335/Chd/2023 is dismissed.

113. Now we will deal with the ITA No. 780/Chd/2025 besides respectfully following the decision rendered in the case of Baljinder Singh Vs. Pr. CIT in ITA No. 167/Chd/2023 (lead case), we have independently examined the submissions advanced before us and perused the material available on record, and examined the impugned order passed by the Ld. Principal Commissioner under section 263 of the Act. The core issue requiring adjudication is whether the Ld. PCIT validly assumed revisionary jurisdiction under section 263 of the Act in the facts and circumstances of the present case.

114. The primary objections raised by the assessee are twofold: firstly, that the revisionary proceedings were initiated merely on the basis of an audit objection, and secondly, that the show cause notice issued by the Ld. PCIT is a verbatim reproduction of the proposal forwarded by the Assessing Officer, allegedly evidencing non-application of independent mind. Ancillary

arguments were also advanced regarding the binding nature of CBDT circulars and the invalidity of revision proceedings initiated on the proposal of the Assessing Officer.

115. As regards the first limb of the assessee's argument that the assumption of jurisdiction under section 263 is vitiated as it was triggered by an audit objection, we find that mere receipt of an audit objection does not, by itself, invalidate the exercise of revisionary powers. What is relevant for the purposes of section 263 is whether the Ld. PCIT, upon examination of the record, independently arrived at a satisfaction that the assessment order is erroneous insofar as it is prejudicial to the interests of the Revenue. An audit objection may constitute information or a trigger point, but the jurisdiction under section 263 flows from the Commissioner's own satisfaction and not from the audit objection per se.

116. In the present case, the record reveals that the Ld. PCIT issued a detailed show cause notice specifying the precise error in the assessment order, namely, the failure of the Assessing Officer to apply the mandatory statutory provisions governing taxation of interest on enhanced compensation. The impugned order also demonstrates that the Ld. PCIT examined the assessment records and the applicable legal provisions before arriving at his conclusion. Therefore, the contention that the revision was initiated mechanically or solely at the behest of the audit party cannot be accepted.

117. Coming to the second limb of the assessee's objection, namely that the show cause notice issued under section 263 is a verbatim reproduction of the proposal sent by the Assessing Officer, we are unable to persuade ourselves to accept this contention as fatal to the assumption of jurisdiction by the Ld. PCIT. Mere similarity or overlap in reasoning between the proposal of the Assessing Officer and the show cause notice issued by the Ld. PCIT does not, by itself, lead to an inevitable inference of non-application of mind. What is material and determinative is whether the Ld. PCIT has independently

examined the assessment records and formed a prima facie satisfaction that the assessment order is erroneous in so far as it is prejudicial to the interests of the Revenue.

118. On a careful and close scrutiny of both the proposal of the Assessing Officer and the show cause notice issued by the Ld. PCIT, we find a clear and discernible distinction between the two. The allegation of the assessee that the show cause notice is a verbatim reproduction of the proposal is factually incorrect and devoid of merit. Accordingly, the assessee's objection is rejected.

119. Section 263 does not prohibit the Commissioner from acting on information received from the Assessing Officer or any other source. The statutory requirement is that the Commissioner must "call for and examine the record" and thereafter form the requisite satisfaction. In the present case, the assessment records were before the Ld. PCIT, and the impugned order reflects due consideration of the same. Therefore, the mere fact that the proposal originated from the Assessing Officer does not render the proceedings void or jurisdictionally infirm.

120. The reliance placed by the Ld. AR on various decisions holding that revision proceedings cannot be initiated merely on the basis of an audit objection or proposal from the Assessing Officer is distinguishable on facts. In those cases, the courts found a complete absence of independent application of mind by the Commissioner. In the present case, however, the impugned order clearly brings out the reasons for which the Ld. PCIT found the assessment order to be erroneous in law.

121. On merits, we find substantial force in the submissions of the Ld. DR. The assessment order dated 11.12.2020 is conspicuously silent on the applicability of sections 145B(1), 56(2)(viii) and 57(iv) of the Act, which constitute a complete statutory scheme for taxation of interest received on compensation or enhanced compensation with effect from A.Y. 2011-12.

These provisions mandatorily require such interest to be taxed in the year of receipt under the head "Income from Other Sources" with a deduction restricted to 50 percent.

122. The assessment order does not record any enquiry or consideration of these provisions, nor does it indicate the head under which the interest income was assessed or exempted. This omission cannot be characterised as a mere case of inadequate enquiry; rather, it is a case of complete lack of enquiry on a vital and mandatory statutory issue. Such an order squarely falls within the deeming fiction contained in Explanation 2(a) to section 263(1).

123. The reliance placed by the assessee on decisions rendered in the context of section 45(5), including Ghanshyam (HUF), is misplaced in view of the subsequent legislative amendments. Post insertion of sections 145B and 56(2)(viii), the legal position stands materially altered, and the Assessing Officer was duty-bound to apply the amended provisions. Failure to do so renders the assessment order erroneous in law.

124. The contention that interest on enhanced compensation is exempt under section 10(37) is also untenable. Section 10(37) grants exemption only in respect of capital gains arising from compulsory acquisition of agricultural land. Interest on enhanced compensation has been statutorily classified as "Income from Other Sources" and therefore lies outside the scope of the said exemption. The Assessing Officer's failure to appreciate this fundamental distinction has resulted in prejudice to the Revenue.

125. In view of the foregoing discussion, we hold that both the jurisdictional conditions for invoking section 263 are satisfied in the present case. The assessment order is erroneous as it is contrary to express statutory provisions, and the error has caused definite prejudice to the interests of the Revenue. The Ld. PCIT has not substituted his own view but has merely set aside the assessment with a direction to the Assessing Officer to make proper enquiries and pass a fresh order in accordance with law.

126. Accordingly, we find no infirmity in the impugned order passed under section 263 of the Act. The same is upheld and the grounds raised by the assessee are dismissed.

127. The remaining Counsels, who appeared on behalf of the others, merely followed the arguments of the Ld. luminaries and have not made and have not made any other submissions. Therefore our findings given in the lead case shall apply mutatis mutandis in all the other case and therefore all the appeals filed by the respective assessees are dismissed.

128. In the result, all the above appeals filed by the respective assessee's are dismissed.

Order pronounced in the open Court on 11/02/2026

Sd/-	**Sd/-**
कृणवन्त सहाय	**ललित कुमार**
(KRINWANT SAHAY)	**(LALIET KUMAR)**
लेखा सदस्य/ ACCOUNTANT MEMBER	**न्यायिक सदस्य /JUDICIAL MEMBER**

AG

आदेश की प्रतिलिपि अग्रेषित/ Copy of the order forwarded to :

1. अपीलार्थी/ The Appellant
2. प्रत्यर्थी/ The Respondent
3. आयकर आयुक्त/ CIT
4. आयकर आयुक्त (अपील) / The CIT(A)
5. विभागीय प्रतिनिधि, आयकर अपीलीय आधिकरण, चण्डीगढ़/ DR, ITAT, CHANDIGARH
6. गार्ड फाईल/ Guard File

आदेशानुसार/ By order,
सहायक पंजीकार/ Assistant Registrar