

**IN THE INCOME TAX APPELLATE TRIBUNAL  
"NAGPUR" BENCH, NAGPUR  
BEFORE SHRI PAWAN SINGH, JUDICIAL MEMBER &  
SHRI KHETTRA MOHAN ROY, ACCOUNTANT MEMBER  
ITA No. 481/NAG/2025 (AY: 2023-24)  
(Physical hearing)**

Yash Travels and Tours Pvt. Ltd. F-5, Shrdha House, Kingsway, Nagpur-4440001. [PAN: AAACY3931D]	Vs	ITO, Ward-2(2), Nagpur Aayakar Bhawan, Civil Lines, Nagpur-440001.
Appellant / Assessee		Respondent / Revenue

Assessee by	Shri Manoj G Moryni, Advocate
Revenue by	Shri Pankaj Kumar, CIT-DR
Date of hearing	25.02.2026
Date of pronouncement	26.03.2026

**Order under section 254(1) of Income Tax Act**

**PER PAWAN SINGH, JUDICIAL MEMBER:**

1. This appeal by the assessee is directed against the order of National Faceless Appeal Centre, Delhi (NFAC)/learned Commissioner of Income Tax (Appeals) [in short, the Id. CIT(A)] dated 18/06/2025 for the Assessment Year (AY) 2023-24.

The assessee has raised the following grounds of appeal.

*"1. The Ex-parte order passed by the Commissioner of Income Tax Appeal, National Faceless Appeal Centre (CIT(A) NFAC) is illegal, invalid and bad in law;*

*2. On the facts and circumstances the learned CIT(A) NFAC erred in confirming addition of Rs. 13,08,04,359/- made by the assessing officer is unjustified, unwarranted and excessive.*

*3. On the facts and circumstances the learned CIT(A) NFAC erred in not considering the notices issued by the CIT(A) NFAC have not been received by the assessee and assessee is having no knowledge of income tax PORTAL, therefore order passed is illegal, invalid and bad in law;*

*4. On the facts and circumstances the learned CIT(A) NFAC ought to have considered the amount of Rs. 13,08,04,359/- was received by the assessee from Director of National Highway Authority of India towards acquisition of agriculture*

*land for National Highway Authority of India were exempt U/s. 10(37) of the Act, therefore addition confirmed is unjustified, unwarranted and excessive;*

*5. On the facts and circumstances the learned CIT(A) NFAC erred in making addition of Rs. 13,08,04,359/- as the National Highway Authority of India has also not deducted the TDS on full compensation amount as the income is exempt, therefore addition confirmed is unjustified, unwarranted and excessive;*

*6. On the facts and circumstances the learned CIT(A) NFAC ought to have accepted that the assessee has received compensation towards acquisition of agriculture land and the same is exempt as per provision of section 10(37) of the Income Tax Act, therefore addition made is illegal. invalid and bad in law;*

*7. The assessee is denied the liability of interest charges U/s. 234A, 234B and 234C of the Income Tax Act, the same may kindly be deleted.*

*8. The appellant craves leave to amend, add or take a new ground or grounds at the time of hearing."*

2. Rival submissions of both the parties have been heard and record perused. The learned authorised representative (Id AR) of the assessee submits that the assessee company received compensation of Rs. 26.22 Crore, on compulsory acquisition of their land for the purpose of making National High Way No.7 from Nagpur to Hyderabad. Copy of award passed by Additional Commissioner Nagpur, is placed on record. The total amount of Rs. 26.22 Crore consists of Rs. 13,08,04,359/- on account of compensation and Rs. 13,14,58,381/- as statutory interest on such compensation. The copy of payment voucher specifying the amount of interest of Rs. 13.14 Crore and interest component on such compensation of Rs. 13.08 Crore is filed at page No. 27 of paper Book. Though, the entire amount of Rs. 26.22 Crore is exempt from tax, still the Land Acquisition Officer and Project Director of NHAI, while making payment deducted TDS of Rs.1,35,79,651/- on the interest component only. The lower authorities have allowed the exemption on interest component of Rs.

13.14Crore and treated the compensation of Rs. 13.08 crore as income from other sources. The amount of compensation received on compulsory acquisition is exempt under section 10(37) of Income Tax Act (Act). The assessee by mistake in the return of income claimed the entire amount as exempt as agriculture income. However, on realising mistake such facts were brought in the notice of assessing officer (AO). TDS on interest is duly reflected in Form-26AS. The AO treated such interest income as income from 'other sources'. The Id AR of the assessee submits that CBDT in its Circular no. 36 of 2016 has also clarified that compensation received on compulsory acquisition of land under Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (RFCTLAAR Act) is exempt from levy of tax. Section 96 of RFCTLAAR Act is wider in scope than the tax exemption provided under existing Income Tax Act. Copy of CBDT Circular is already placed on record. The Id. AR of the assessee further submits that once, the lower authority have allowed interest component as exempt and thus, committed error in treating the compensation as income from 'other sources'. The Id AR of the assessee submits that entire amount of Rs. 26.22 crore is exempt from tax. To support his submissions, the Id AR of the assessee relied on the following case laws;

- ❖ Shivajirao and Ors. Vs. State of Maharashtra in WP No. 5402 of 2013,
- ❖ CIT vs. Ghanshyam (2009) 8 SCC 412 (SC),
- ❖ Harry Township Ltd. vs. ACIT (2025) 39 NYPTTJ 504 (Del-Trib),
- ❖ Kusum Jayram Thakur vs. ITO (2024) 38 NYPTTJ 601 (Pune-Trib),
- ❖ Sumesh Kumar vs. ITO in ITA No. 5207/Del/2017 dated 05.03.2020.

3. The assessee has filed following documents on record.

- Copy of award passed by Additional Commissioner, Nagpur Division, Nagpur dated 09.10.2013 in Arbitration Case No. 59/ARB/2011-12,
  - Copy of payment voucher of compensation with detail of compensation and working of interest on such compensation paid on 01.06.2011,
  - Copy of return of income with computation of income, copy of audit report with balance-sheet and all relevant financial statements,
  - Copy of Form AS26 (details of TDS),
  - Copy of bank statement of assessee,
  - Copy of various show cause notices issued by lower authorities and reply thereof by assessee.
4. On the other hand, the Id CIT-DR for the revenue supported the order of lower authorities. The Ld. CIT-DR for revenue submits that assessee in the return of income claimed agriculture income. The assessing officer allowed the interest of Rs. 13.14 Crore on which TDS was made. And remaining amount was treated as income from other sources. The assessee wrongly claimed agriculture income. As per contents of order of CIT(A), the assessee failed to furnish complete details and thus, in absence of detail, the Ld. CIT(A) confirmed the order of assessing officer.
5. In short rejoinder submission, the Ld. AR of the assessee submit that before assessing officer, the assessee furnished complete details and explain the fact that exact income claimed by the assessee is in fact amount of compensation received on compulsory acquisition of land along with statutory interest allowed by land acquisition authorities. The lower authorities failed to appreciate the fact in proper perspective.

6. We have considered the rival submissions of both the parties and have gone through the orders of lower authorities carefully. We have also deliberated on various case laws and the documents filed by assessee. We find that while filing return of income the assessee wrongly claimed compensation and interest thereon as exempted agricultural income. However, during assessment, the assessee furnished sufficient evidence to substantiate the fact that in fact the assessee has received compensation on compulsory acquisition of their land with interest. We find that the land of assessee was acquired for extension of National Highway No. 7 from Nagpur to Hyderabad. Copy of award passed by Additional Commissioner, Nagpur is on record. We find that along with the amount of award, the assessee received statutory interest. As per operative part of award dated 09.10.2013, the assessee-company was awarded Rs. 12,78,58,500/- for acquisition of 1.23 Hectare of their lands. Out of which the assessee was already received Rs. 98,39,991/-. The assessee was also allowed 10% additional amount of total compensation i.e. is Rs.1,27,85,850/- as per Section 3-G(2) of National Highway Act-1956. The assessee was further allowed interest @ 9.00% per annum on the enhanced compensation w.e.f. from date of notification under section 3-D of National Highway Act i.e. from 01.06.2011. As per working of interest up to 31.07.2022, which is available at page No. 27, the interest on compensation is Rs. 13,14,58,380/-. Thus, the assessee received total amount of Rs. 26.22 Crore as per payment voucher, copy of which is

available at page No. 27 of paper Book. The lower authorities allowed interest amount of Rs. 13.14 Crore as exempt, on which TDS was made by Disbursing Authority. Such amount of interest on which TDS is made, is clearly discernible at page No. 56 of PB (copy of Form-26 AS). However, the amount of original compensation of Rs. 13.08 Crore was treated as income from 'other sources'. The treatment of such amount of compensation as income from 'other sources' is erroneous. We find that CBDT in its Circular No.36 of 2016 directed that that compensation received on compulsory acquisition of land under RFCTLAAR Act is exempt from levy of tax. It was also directed that section 96 of RFCTLAAR Act is wider in scope than the tax exemption provided under existing Income Tax Act.

7. The Hon'ble Chhattisgarh High Court in Sanjay Kumar Baid vs ITO (supra) held that where assessee received certain amount as compensation on account of compulsory acquisition of his agricultural land from NHAI under National Highways Act, 1956, since section 96 of RFCTLARR Act providing for exemption from income tax, stamp duty and fees would also be applicable to land acquired under Act of 1956, assessee would not be liable to pay income tax on amount of compensation paid to him. We also find that Hon'ble High Court in para -16 of its order referred the decision of Supreme Court in NHAI Vs P. Nagaraju's alias Cheluvaiah & Others (2022) 15 SCC-1, wherein it has been clearly held that the benefits available to the landowners under the RFCTLARR Act are to be also available to similarly placed landowners whose

lands are acquired under the 13 enactments specified in the Fourth Schedule including the Act of 1956 and further held that all aspects contained in Sections 26 to 28 of the RFCTLARR Act for determination of compensation will also be applicable notwithstanding Sections 3-J and 3-G(7)(a) of the Act of 1956 (NHAI Act).

8. We further find that recently the coordinate bench of Delhi Tribunal in *Mange Ram Vs PCIT (2026) 183 taxmann.com 424 (Delhi-Trib)* also held that where interest received under section 28 of Land Acquisition Act on enhanced compensation formed part of enhanced value of land and retained its capital character, it was not taxable as income from other sources notwithstanding amendments introduced by Finance (No. 2) Act, 2009. Thus, in view of the aforesaid factual and legal discussion, we direct the assessing officer to allow exemption of entire amount of compensation of Rs. 13.08 Crore. In the result, the grounds of appeal raised by the assessee are allowed.

9. In the result, this appeal of assessee is allowed.

Order announced in on 26<sup>th</sup> March, 2026 as per Rule 34 of Income Tax (Appellate Tribunal) Rules-1963.

Sd/-

**KHETTRA MOHAN ROY**  
**ACCOUNTANT MEMBER**

Mumbai: Dated: 26/03/2026  
Biswajit

Sd/-

**PAWAN SINGH**  
**JUDICIAL MEMBER**

Copy of the order forwarded to:

- (1) The Assessee;
- (2) The Revenue;
- (3) The PCIT / CIT (Judicial);
- (4) The DR, ITAT, Nagpur; and
- (5) Guard file.

By order

Assistant Registrar  
ITAT, Nagpur