IN THE HIGH COURT OF JUDICATURE AT MADRAS
DATED : 24.06.2025
Coram
The Honourable **Mr.Justice Krishnan Ramasamy**

W.P.No.12165 of 2025
and
W.M.P.No.13727 of 2025

Bysani Kodandaraman Nalini Jayanthi
64 /147 Nalini Nilayam Luz Church Road
Mylapore Chennai-600 004. ..Petitioner

Vs.

1. ASSESSMENT UNIT
INCOME TAX DEPARTMENT
MINISTRY OF FINANCE
GOVERNMENT OF INDIA

2 Chennai Metro Rail Limited
Represented by its Chairman
No. 327 Anna Salai,
Nandanam Chennai- 600 035. ...Respondents

Prayer

Writ Petition filed under Article 226 of the Constitution of India praying for the issuance of a Writ of Certiorarified Mandamus to call for records of the 1st Respondent contained in its notice issued under Section 143(2) of the Income Tax Act 1961 bearing DIN. ITBA/AST/S/143(2)/ 2024-25/1065802181.(1) dated 19.06.2024 and all proceedings in consequence thereto, including but not limited to the assessment order passed by the 1st Respondent under Section 143(3) read with section 144B of the Income Tax Act 1961 bearing DIN. ITBA/AST /S/ 143(3) / 2024-25 / 1074601749(1) dated 17.03.2025 the notice of demand issued by the 1st Respondent under Section 156 of the Income Tax Act 1961. bearing DIN and Notice No. ITBA / AST /S/156/2024-25/1074601775(1) dated 17.03.2025 and the notice of penalty issued by the 1st Respondent under Section 274 read with 270 A of the Income Tax Act, 1961 bearing DIN & Notice No.ITBA/PNL/S/270A/2024-25/1074601784(1) dated 17.03.2025 for assessment year AY 2023-24 for PAN : AAQPN2396G and to quash the same.

For Petitioner : Mr.Suhrith Parthasarathy
For Respondent-1 : Dr.B.Ramaswamy,
Senior Standing Counsel
For Respondent-2 : Mr.B.Vijay

Order

The challenge in this Writ Petition is to the notice issued by the first respondent under Section 143(2) of the Income Tax Act 1961 dated 19.06.2024 and all proceedings in consequence thereto, including but not limited to the assessment order passed by the first respondent under Section 143(3) read with section 144B of the Act dated 17.03.2025; the notice of demand issued by the 1st Respondent under Section 156 of the Act dated

17.03.2025 and the notice of penalty issued by the 1st Respondent under Section 274 read with 270 A of the Act dated 17.03.2025 for assessment year AY 2023-24 and to quash the same.

2. Mr.Suhrith Parthasarathy, learned counsel appearing for the petitioner would submit that the petitioner's land was acquired by the second respondent, for which, a compensation was paid under Section 96 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (hereinafter, referred to as 'the RFCTLARR Act'); that in terms of said provision, though the said consideration was exempt from taxation, the second respondent deducted 1% of the consideration, i.e. Rs.98,18,490/- towards TDS; that therefore, the petitioner filed return of income for AY 2023-24 on 31.07.2023 claiming the said sum of Rs.98,18,490/- as refund; that the said ROI was processed under Section 143 (1) and the said sum along with applicable interest was also determined as refund payable to the petitioner, subsequently, the first respondent issued a notice under Section 143 (2) of the Act for scrutiny followed by Section 142 (1) notice on 25.06.2024 seeking certain details of the property transaction and capital gain calculations, which were submitted by the petitioner vide reply dated 25.07.2024; that thereafter, the first respondent issued further notices seeking for acquisition notification, which was also furnished by the petitioner on 27.11.2024, however, the petitioner was issued a show cause notice by the first respondent dated 11.02.2025, wherein, it is proposed to make addition of Rs.94,18,19,945/- as long term capital gain for the AY 2023-24; that though the petitioner filed a reply along with relevant documents, nevertheless, the first respondent passed the impugned orders/notice incorrectly, asserting that the sale fell under the Tamil Nadu Acquisition of Land For Industrial Purposes Act, rather than under Section 96 of the RFCTLARR Act and aggrieved by the said assessment order, the petitioner has filed the present Writ Petition.

2.1 The learned counsel for the petitioner assailed the impugned order by firstly contending that though the acquisition proceedings were initiated under Section 1997 of the Act, however, Tamil Nadu Land Acquisition Laws (Revival of Operation, Amendment and Validation) Act 2019 (in short, called as 'Revival Act') ensured that the compensation was determined as per the RFCTLARR Act; that secondly, it is contended that the Government of Tamil Nadu through the Commissioner of Land Administration vide letter dated 07.01.2021, made it clear that by virtue of the Revival Act, for any acquisition made under Section 1997 of the Act, the compensation is determined in accordance with the provisions of the RFCTLARR Act and therefore, any amount paid under any award or agreement under 1997 Act shall be exempt from levy of income tax in terms of Section 96 of the RFCTLARR Act; that thirdly, it is the contention of the learned counsel for the petitioner that the Special District Revenue Officer, Land Acquisition performing the function of Collector has given a certificate to the effect that the compensation amount for the land acquired are paid following the provisions of RFCTLARR Act and therefore, income tax is not required to be levied as per the provisions of Section 96 of RFCTLARR Act; that finally, it is contended that CBDT'S Circular dated 25.10.2016 also makes it clear that the compensation received in respect of awad or agreement, which has been exempted from levy of income tax vide Section 96 of the RFCTLARR Acts shall not be taxable under the provisions of Income Tax Act. Thus, it is finally contended by the learned counsel for the petitioner that impugned assessment order passed by the first respondent reflects non-application of mind, misinterpretation of Section 96 of the RFCTLARR Act and therefore, prays for quashment of the same.

3. Dr.B.Ramaswamy, the learned Senior Standing Counsel for respondent raised strong objection to the contentions of the petitioner by contending that though the acquisition proceedings was initiated under the State Act, process of acquisition was completed under the Central Act, therefore, the petitioner is not entitled to claim exemption from payment of tax and therefore, submissions/reply filed by the petitioner was rightly rejected and the impugned order came to be passed and the same requires no interference.

4. Mr.B.Vijay, learned counsel for the second respondent would submit that though acquisition proceedings was initiated under the State Act, i.e. Act 1997, compensation was paid to the petitioner/landowner in terms of Section 6 (3) of the RFCTLARR Act, and hence, the petitioner is entitled to seek exemption from payment of tax.

5. Heard the learned counsel appearing for the petitioner and learned Senior Standing Counsel for respondent No.1 and the learned counsel for the second respondent and perused the materials placed on record.

6. The petitioner is the absolute owner of the property, measuring to an extent of 2116 sq.mtrs, situated at Luz Corner, Mylapore, Chennai. The petitioner sold the said property to the second respondent, viz., Chennai Metro Rail Ltd., vide a Sale Deed dated 04.05.2022 for a consideration of Rs.98,18,48,951/- Thereafter, the petitioner filed income tax return for AY 2023-24 on 31.07.2023 claiming refund. Though the said claim for refund was initially accepted under Section 143 (1) of the Act, and the refund was determined along with applicable interest, however, subsequently, the first respondent issued various notices seeking certain details, such as property transaction and capital gain calculations, acquisition notification and despite all those details were furnished by the petitioner, the first respondent issued a show cause notice dated 11.02.2025, proposing addition of Rs.94,18,19,945/- as long-term capital gains, incorrectly, asserting that the sale fell under the Tamil Nadu Acquisition of Land For Industrial Purposes

Act, 1997 rather Section 96 of the RFCTLARR Act, to which, the petitioner filed reply dated 24.02.2025 stating that the though the acquisition proceedings were initiated under the provisions of 1997 Act, however, by way of enactment of the Revival Act, the provisions relating to compensation under RFCTLARR Act have been made applicable to acquisition under 1997 Act, however, the first respondent passed the impugned assessment order by holding that land acquisition was proposed and initiated under 1997 Act and not under RFCTLARR Act, and therefore, the benefits available in respect of tax exemption in RFCTLARR Act 2013 will not be available for land acquisition proceedings initiated under 1997 Act.

7. The issue that falls for consideration in the present Writ Petition is as to whether the petitioner is entitled to seek exemption from payment of tax in respect of a consideration received as compensation in terms of Section 96 of the RFCTLARR Act, 2013 towards the acquisition proceedings initiated by the the second respondent under the TNALIP Act, 1997?

8. Before deciding the aforesaid issue, it would be beneficial to refer to **(A)** Section 96 of the RFCTLARR Act, **(B)** Section 6 (1) and **(C)** 6 (3) of the Tamil Nadu Acquisition of Land for Industrial Purposes Act, 1997 (Act 1997), which are extracted hereinbelow:-

"**(A)**

96 of RFCTLARR Act : Exemption from income tax, stamp duty and fees:

No income tax or stamp duty shall be levied on any award or agreement made under this Act, except, under Section 46 and no person claiming under any such award or agreement shall be liable to pay any fee for a copy of the same."

(B)

Section 6 (1) of Act 1997

All the provisions of the Tamil Nadu Acquisition of Land for Industrial Purposes Act, 1997 (hereinafter, referred to as, the 1999 Act) except the provisions relating to the determination of compensation, shall stand revived with effect on and from 26th day of September, 2013."

(C)

Section 6 (3) of Act 1997

The provisions relating to the determination of compensation as specified in the first schedule, rehabilitation and resettlement as specified in the second schedule and infrastructure amenities as specified in the third schedule to the Right to Fair Compensation and Transparency in Land Acquisition Rehabilitation and Resettlement Act, 2013 shall apply to the land acquisition proceedings under the 1999 Act."

9. Thus, a reading of Section 6 (1) of TNALIP Act, 1999 shows that Act, 1997 has to be read as Act 1999 and makes it clear that all the provisions of TNALIP, except, the provisions relating to the determination of compensation, was revived w.e.f. 26.09.2013. Similarly, Section 6 (3) of TNALIP makes it clear that the provisions relating to the determination of compensation as specified in the first, second and third schedule to the Right to Fair Compensation and Transaction in Land Acquisition, Rehabilitation and Resettlement Act, shall apply to the land acquisition proceedings under the 1999 Act, which means, Act 1997 also.

10. Thus, a reading of the above provisions makes it clear that whether acquisition of land is made under the State Act or Central Act, compensation has to be determined in terms of the Central Act.

11. In the present case, the acquisition proceedings was made under the State Act, the determination of compensation was made under the Central Act and accordingly,, the second respondent has paid compensation in terms of 96 of the RFCTLARR Act, and in terms of Section 96 of the Central Act, ie. RFCTLARR Act, no income tax or stamp duty shall be levied on any award or agreement made under this Act. Though all these aspects were brought to the notice of the first respondent by the petitioner in their reply along with supportive documents, (morefully described in para No.2.1 of this order) as rightly pointed out by the learned counsel for the petitioner, the first respondent in a non-application of mind, completely disregarded the same and misinterpreted the law, which resulted in the impugned order of assessment. Therefore, this Court is of the view that the impugned orders and all other consequential proceedings are unsustainable in law and has to be quashed. Accordingly, this Court is inclined to pass the following orders/directions:-

i) The impugned notice issued by the first respondent under Section 143(2) of the Income Tax Act 1961 dated 19.06.2024 and all proceedings in consequence thereto, the assessment order passed by the first respondent under Section 143(3) read with section 144B of the Act dated 17.03.2025; the notice of demand issued by the 1st Respondent under Section 156 of the Act dated 17.03.2025 and the notice of penalty issued by the 1st Respondent under Section 274 read with 270 A of the Act dated 17.03.2025 for assessment year AY 2023-24 stand quashed.

12. In the result, the Writ Petition is allowed. No costs. Consequently, connected miscellaneous petition is closed.

24.06.2025

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Index : yes/no
Neutral Citation : yes/no

To

1. ASSESSMENT UNIT
   INCOME TAX DEPARTMENT
   MINISTRY OF FINANCE
   GOVERNMENT OF INDIA

2 Chennai Metro Rail Limited
  Represented by its Chairman
  No. 327 Anna Salai,
  Nandanam Chennai- 600 035.

Krishnan Ramasamy,J.,

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W.P.No.12165 of 2025

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