IN THE HIGH COURT OF JUDICATURE AT MADRAS
DATED : 07.08.2025
Coram
The Honourable **Mr.Justice Krishnan Ramasamy**
W.P.No.24898 of 2025
and
W.M.P.No.28069 of 2025

S P VELAYUTHAM
S/o Sabapathy No.5 Sabari salai
Madipakkam Chennai-600091.

Petitioner

Vs.

THE ASSESSING OFFICER
Corporate Ward 6(2) Income Tax Department
Warnapathy Block No.121 Mahatma Gandhi Road
Nungambakkam Chennai-600 034. ...Respondent

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 on the file of the Respondent relating to the grievance resolution letter for PAN No. AAGPV0872P dated 02.12.2024 in ITBA/ADM/S/26/2024-2025/1070817477 (1) and to quash the same and consequently, direct the respondent to consider the representation dated 31.12.2024 of the petitioner in PAN No. AAGPV0872P and to process the refund of the amount due to the petitioner within such time frame as may be fixed by this Honble Court

For Petitioner : Mr.T.Sai Krishnan
For Respondent : Dr.B.Ramaswamy
Senior Standing Counsel

Order

The challenge in this Writ Petition is to the order passed by the respondent dated 02.12.2024 and to quash the same and consequently, to direct the respondent to consider the representation dated 31.12.2024 of the petitioner and to process the refund of the amount due to the petitioner within a time frame as may be fixed by this Court

2. Mr.T.Sai Krishnan, learned counsel appearing for the petitioner would submit that the petitioner's property was acquired for Bangaluru Metro Project; that since the payment of compensation for such acquisition was delayed, the petitioner filed a Land Acquisition Case, in LAC.No.51 of 2014 before the Civil Court and the Civil Court vide a judgement and decree dated 04.09.2021, declared that the petitioner is entitled to the compensation towards the land that was acquired; that the said judgment of the Civil Court was confirmed by the High Court of Karnataka in MFA.No.7038 of 2021 on 22.05.2023 and the same was also affirmed by the Hon'ble Supreme Court in S.L.P.(c) No.16746 of 2023 dated 13.10.2023; that the issue has attained finality on 13.10.2023, thereafter, compensation for a sum of Rs.17,32,63,902/- was disbursed on 27.11.2023 along with interest for a sum of Rs.18,32,85,548/- and a sum of Rs.3,46,52,780/- was deducted towards the tax deducted at source (TDS) and was remitted in the petitioner's tax account by the Karnataka Industrial Development Board, in the year 2014, at which point of time, no actual payment of compensation was made; that since the remittance of compensation amount was made during the year 2023, the petitioner has not claimed any deduction in the Income Tax Returns (ITR's) filed prior to the AY 2024-25 and hence, the petitioner filed revised ITR for AY 2024-25 on 09.08.2024 and claimed refund for a sum of Rs.3,47,13,560/- in respect of the original return filed on 30.07.2024, however, the respondent passed the impugned order dated 02.12.2024 holding that the property has been transferred in the year AY 2014-15 and therefore, TDS cannot be given credit to, in the AY 2024-25.

2.1 The learned counsel for the petitioner would submit that the respondent failed to take into consideration of the fact that the compensation amount for the land acquisition was actually paid and received by the petitioner only during the FY 2023-24, as such, TDS amount can be given credit to only in the FY 2023-24, enabling the petitioner to have the said TDS amount being credited only in the FY 2023-24, therefore, setting out the set facts, the petitioner made a representation dated 12.05.2025 followed by reminder dated 19.05.2025, however, no orders have been passed, hence, the present Writ Petition is filed seeking for the aforesaid relief.

3. Dr.B.Ramaswamy, learned Senior Standing Counsel for the respondent would submit that since the petitioner is following the mercantile system of accounts, and that the subject property was transferred in the FY 2014-15, entire compensation has been treated as income for the FY 2014-15. However, he fairly submitted that since the petitioner has made representation enclosing all the documents and requested to grant refund of the TDS amount credited in the petitioner's account during the FY 2023-24, let, the same may be ordered to be disposed of by the respondent in a time bound manner.

4. Heard Mr.T.Sai Krishnan, learned counsel appearing for the petitioner and Dr.B.Ramaswamy, learned Senior Standing Counsel for the respondent and perused the materials available on record.

5. Admittedly, the petitioner's land was acquired for the purpose of Bengaluru Metro Project. Initially, a preliminary notification was issued on 21.12.2011, which was later followed by final notification on 30.04.2013. Since payment of compensation for the said acquisition was delayed, the petitioner filed a Petition in Land Acquisition Case No.51 of 2014 before the Civil Court and the Civil Court vide judgment and decree dated 04.09.2021, declared that the petitioner is entitled to compensation for such acquisition, and the said judgment also attained finality by virtue of the order passed by the Hon'ble Supreme Court in SLP (C) No.16746 of 2023 on 13.10.2023. Thereafter, the compensation amount of Rs.17,32,63,902/- along with interest was paid to the petitioner during the FY 2023-24 for a sum of Rs.18,32,85,548/- by depositing the same in the bank account of the petitioner and a sum of Rs.3,46,52,780/- was deducted towards the TDS. The remittance of compensation amount was made only during the month of

November, 2023, and according to the case of the petitioner, they have not claimed the said deduction in any of the income tax returns prior to the AY 2024-25.

6. Therefore, as rightly pointed out by the learned counsel for the petitioner, based on the receipt of compensation, which was actually disbursed in the year 2023, the petitioner has treated the said amount of compensation as income for the FY 2023-24 and also maintained their account on the receipt of the said income and the petitioner also filed a revised income tax returns for the AY 2024-25 on 09.08.2024, treating the said compensation as income for the AY 2024-25 and claimed refund of Rs.3,47,13,560/- in respect of the original return filed on 30.07.2024.

7. Under these circumstances, the respondent is supposed to consider the petitioner's request and pass orders accordingly by treating the compensation received by the petitioner during the year 2023 as income for the FY 2023-24, whereas, the respondent has passed an impugned order by wrongly holding that since the petitioner is following the mercantile system

of accounting and that the subject property was transferred in the AY 2014-15, entire compensation has been treated as income for the FY 2014-15 and TDS cannot be given credit to for the AY 2024-25.

8. Therefore, treating the receipt of compensation for acquisition of land as business income of the petitioner based on the system of accounts maintained by the petitioner cannot be acceptable, for the simple reason that, it is not the business income for the petitioner so as to treat the same as income of the year when it was arose since the petitioner was maintaining mercantile system of accounting . Therefore, it is held that the receipt of compensation based on the acquisition of land cannot be treated as business income of the petitioner and the said receipt of compensation can be treated only as income for the AY 2023-24 based on the land acquisition proceedings.

9. Hence, this Court is of the view that the impugned order is liable to be set aside. Further, taking into consideration of the fact that the petitioner has made representation setting out all the aforesaid aspects and along with relevant documents and requested the respondent to grant refund of the TDS amount credited in the petitioner's account during the FY 2023-24, by treating the compensation that was paid to the petitioner as income for the FY 2023-24, this Court is of the view it would be appropriate to direct the first respondent to dispose of the said representation in accordance with law in a time bound manner.

10. Accordingly, the impugned order dated 02.12.2024 is set aside. While setting aside the impugned order, the first respondent is directed to dispose of the representation made by the petitioner dated 31.12.2024, which has been followed by a reminder dated 19.05.2025 and pass a revised assessment order based on the ITR filed by the petitioner on 30.07.2024 and revised returns filed on 09.08.2024 and treat the compensation that was disbursed to the petitioner during the year 2023, as income for the FY 2023-24 within a period of eight weeks from the date of receipt of a copy of this order.

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

12. Post this matter for compliance on 09.10.2025.

07.08.2025

sd
Index : yes/no
Neutral Citation : yes/no

To

THE ASSESSING OFFICER
Corporate Ward 6(2) Income Tax Department
Warnapathy Block No.121 Mahatma Gandhi Road
Nungambakkam Chennai-600 034.

Krishnan Ramasamy,J.,

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