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IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 10.03.2026

CORAM:

THE HONOURABLE DR. JUSTICE **G.JAYACHANDRAN**
and
THE HONOURABLE MR. JUSTICE **R.SAKTHIVEL**

T.C.A.No.202 of 2013
and
M.P.No.1 of 2013

Pavithra Natarajan .. Appellant

Vs.

Income Tax Officer,
Business Ward II(2),
Ayakar Bhavan, Mahatma Gandhi Road,
Nungambakkam,
Chennai-600 034. .. Respondent

PRAYER: Tax Case (Appeal) is filed under Section 260A of the Income-Tax Act, 1961, against the order of the Income Tax Appellate Tribunal, “D” Bench, Chennai dated 22.02.2013 in ITA No.559/Mds/2012.

For Appellant : Mrs.J.Sree Vidya

For Respondent : Mr.J.Narayanaswamy
Special Standing Counsel

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JUDGMENT

[Order of the Court was made by Dr.G.JAYACHANDRAN., J.]

This appeal is filed by the assessee, who is aggrieved by the concurrent findings of the Income Tax Appellate Tribunal (ITAT) and the order of the CIT (Appeals).

2. The short point involved in this case is that, a flat, which had devolved upon the assessee and her uncle, Mr.Krishnan, from the assessee's aunt (the uncle's sister), was sold for a consideration of Rs.38,25,000/-. Considering the guideline value, the registration department fixed stamp duty valuation for the property at Rs.1,22,20,750/-. In the said circumstances, for computing the capital gains, when the assessee has disclosed her income in respect of her share in the total sale consideration as shown in the sale deed, the Assessing Authority invoked Section 50C and referred the matter to the Departmental Valuation Officer (DVO). The DVO estimated the fair market value of the property at Rs.1,22,36,000/-, but the Assessing Officer adopted the Stamp Authority's valuation of Rs.1,22,20,750/- for the calculation. Consequently, the assessee's

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proportionate 50% share was determined to be Rs. 61,10,375/- and she was directed to pay capital gains tax.

3. This assessment was subjected to appeal before the CIT (Appeals), who, in fact, considering the grounds, dismissed the appeal in favour of the Department. Challenging the same, the assessee approached the ITAT, which also declined to entertain the plea of the assessee.

4. When the matter was taken up for admission, this Court framed the following substantial questions of law:

> *"1.Whether on the facts and circumstances of the case, the Tribunal was right in holding that the Valuation Officer need not take into account the market value fixed by the Collector, under the Tamil Nadu Court Fees and Suits Valuation Act and the Indian Stamp Act, 1899 for probate proceedings, before High Court for calculation of capital gains under Section 50C of the Income Tax Act?*
>
> *2.Whether on the facts and circumstances of the case the Tribunal was right in not applying the cost indexation method to nearest sale instances in the same building which took place in the earlier two years to arrive at the fair market value of the property sold?"*

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5. The learned counsel appearing for the appellant/assessee submitted that the subject property was initially owned by her grandmother ,Mrs.Lakshmi Ammal. By a *Will* dated 27.06.1995, she bequeathed the property to the appellant and her uncle, Krishnan. After the demise of Lakshmi Ammal, both of them became the owners of the property and subsequently sold it for a consideration of Rs.38,25,000/- after obtaining probate from the Hon'ble High Court.

6. While the District Collector in the probate proceedings had valid the property at Rs.29,68,114/- on 21.01.2008, the Sub Registrar taking into consideration the guideline value of the property, fixed the value at Rs.1,22,20,750/- for the purpose of calculating stamp duty. However, the Assessing Officer erroneously taking the guideline value as fixed by the Sub Registrar and the valuation report given by the Departmental Valuation Officer under Section 50C of the Income Tax Act, demanded Rs.61,10,375/- as capital gains from the assessee. The said assessment been challenged independently by the appellant herein as well as the co-owner, Krishnan.

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7. The Income Tax Appellate Tribunal, Chennai vide order dated 28.06.2017 in the appeal filed by Krishnan in ITA No.809/Mds/2017, upheld the contention of the assessee and allowed the appeal, pointed out the correct legal position for fixing capital gains and the effect of valuation report of the Departmental Valuation Officer received in exercise of power under Section 50C of the IT Act. Therefore, the learned counsel submitted that the orders passed by the authorities as well as the ITAT are liable to be set aside and the guideline value of the property as on 03.10.2006 should be taken into account for fixing the capital gains.

8. This Court, on perusing the order passed by the ITAT in the case of co-owner and the reasons stated therein, is of the view that the finding of the ITAT in the similar case arising out of the co-owner's assessment represents the correct legal position. The order of the ITAT is also in consonance with the judgment of this Court rendered in ***CIT Vs. Vummidi Amarendran reported in [2020] 120 tax,ann.com 171 (Madras)***. Hence, following the dictum laid down in the said decision, we allow this appeal. Accordingly, the order of the authorities below are set aside. The Assessing Officer is directed to adopt the guideline value as on 03.10.2006

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and thereafter, recompute the capital gains after providing reasonable opportunity to the appellant / assessee.

9. As a result, this Tax Case Appeal stands disposed of. Consequently, the connected Miscellaneous Petition is closed. No costs.

[Dr.G.J., J.] & [R.S.V., J.]
10.03.2026

Index : Yes/No
Neutral Citation: Yest/No
Speaking or Non-speaking order
rpl

To

The Income Tax Officer,
Business Ward II(2),
Ayakar Bhavan, Mahatma Gandhi Road,
Nungambakkam,
Chennai-600 034.

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