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Cit Vs. T.A.S. Chellayya

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Court : Chennai

Decided On : Dec-10-2002

Reported in : [2003]260ITR211(Mad)

Appeal No. : Tax Case (Reference) No. 294 of 1999 December 10 2002.

Appellant : Cit

Respondent : T.A.S. Chellayya

Advocate for Pet/Ap. : T. Ravikumar, *for the Commissioner* None appeared, *for the Assessee*.

Judgement :

N. V. Balasubramanian J.

In pursuance of the directions of this court, the Income Tax Appellate Tribunal has stated a case and referred the following question of law for our consideration :

'1. Whether, on the facts and in the circumstances of the case, the Appellate Tribunal is right in law and had valid materials to hold that the interest amount received by the assessee in respect of additional compensation awarded by court, should be assessed on accrual basis only, and, accordingly, the interest due for the year alone should be assessed for the assessment year 1982-83 ?'

The assessee is an individual. Certain lands belonging to the assessee as coowner along with his brothers were acquired by the Government of Tamil Nadu in 1966. The assessee received additional compensation in the year 1981 and also the interest on the compensation. The Income Tax Officer was of the view that the entire interest received in the previous year relevant to the assessment year 1982-83 must be assessed and, accordingly, assessed the entire interest amount of Rs. 1,08,755 in the assessment year 1982-83.

The Commissioner (Appeals) did not agree with the views of the Income Tax Officer and directed the Income Tax Officer to compute the income attributable to the previous year only and restricted the amount of interest taxable for that assessment year. As against the order of the Commissioner of the Income-tax (Appeals), the revenue carried the matter in appeal before the Tribunal.

The Tribunal, following a decision of the Supreme Court in the case of CIT v. T.N. K. Govindrajulu Chetty : [1987]165ITR231(SC) , has held that the interest awarded by the land acquisition court should be assessed on accrual basis only and the interest due for the assessment year 1982-83 can only be assessed for the assessment year 1982-83. The revenue filed the reference application, which was dismissed by the Tribunal and on the basis of the directions of this court, the question of law stated earlier has been referred to us by the Tribunal.

Notice was ordered and it was served on the respondent. Mr. T. Ravi Kumar, learned junior standing counsel appearing for the revenue, fairly submits that the issue raised in the question is covered against the revenue by the decisions of the Supreme Court in Rama Bai v. CIT : [1990]181ITR400(SC) and K. S. Krishna Rao v. CIT : [1990]181ITR408(SC) , wherein the Supreme Court following its earlier ruling in CIT v. T. N. K. Govindrajulu Chetty : [1987]165ITR231(SC) held that where the compensation awarded under the Land Acquisition Act was enhanced by the order of the court on a reference under section 18 of the Act or on further appeals, the interest on enhanced compensation cannot be taxed all in a lump sum as having accrued on the date on which the court passed the order for enhanced compensation. The Supreme Court held that the interest received has to be spread over on an accrual basis right from the date of delivery of possession till the date of the order of the court on a time basis. Learned counsel for the revenue submits that the above two decisions as well as the decision of the Supreme Court in CIT v. T.N.K. Govindrajulu Chetty : [1987]165ITR231(SC) will squarely apply. No other point has been urged by learned counsel for the revenue. Following the said decisions of the Supreme Court in the cases of Rama Bai v. CIT : [1990]181ITR400(SC) and K. S. Krishna Rao v. CIT : [1990]181ITR408(SC) cited supra, we answer the question of law referred to us in the affirmative in favour of the assessee and against the revenue. In the circumstances of the case, there will be no order as to costs.

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