Narayan Ravi Prakash v. Income Tax Officer, NFAC & Anr.

W.P. No. 8936/2022

2024:KHC:31267 | 2024-08-06

Section 54F: timely residential investment protected despite absence of a capital-gains-account deposit.

54F | 147 | 144B | 156 | 274 | 270A

Karnataka High Court | Single Bench at Bengaluru | S.R. Krishna Kumar

Assessment years: 2017-18

01 FACTS OF THE CASE

Industrial land was sold on 29 August 2016 for Rs.3,05,00,000. Narayan invested Rs.1,86,55,700 in a residential site on 1 June 2017 and used the remaining Rs.1,18,44,300 for a house completed on 26 August 2019, within three years. His AY 2017-18 return filed on 29 September 2017 was accepted on 12 December 2019. A pre-amendment section 148 notice followed on 29 March 2021; the reassessment, demand and penalty notice were dated 28 March 2022.

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02 DISCUSSION BY THE HON'BLE COURT

Revenue argued that non-deposit of the Rs.1,18,44,300 balance in a capital gains account defeated exemption. The Court followed K. Ramachandra Rao, with B.S. Shanthakumari and R. Srinivas reiterating the position: non-deposit did not defeat section 54F relief where the sale consideration was invested in residential construction within the stipulated period. It treated the reassessment and notices as contrary to those decisions.

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03 JUDICIAL DECISION

The petition was allowed. The reassessment order at Annexure E, demand notice at Annexure F and penalty notice at Annexure G, all dated 28 March 2022, were quashed.

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04 OUTCOME / IN WHOSE FAVOUR

The assessee obtained final quashing on the stated section 54F ground, without remand. The penalty instrument quashed was a notice under sections 274/270A, not a separately identified concluded penalty order.

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05 EXPERT COMMENTS

AKHB EXPERT COMMENTS — editorial analysis, distinct from the Court's findings.

Actual timely investment carries the reasoning — The Court relied on full investment in the site and house and completion within three years. This differs from merely intending to build while retaining cash. The investment trail and completion chronology are central to comparison; the decision is not an unrestricted dispensation from deposit requirements.

The cited facts must not replace this petitioner's chronology — The quoted K. Ramachandra Rao facts concern 2001/2003; Narayan's transactions occurred in 2016–2019. The quoted purchase window is one year before or two years after transfer, not a general one-year-after limit inferred from paragraph 4. Separate the quotation from this petitioner's actual dates.

The relief is substantive but confined to the ground decided — Quashing rests on the non-deposit objection failing against accepted timely investment. The Court did not separately decide change of opinion, quantify a refund or grant general penalty immunity. Other section 54F eligibility conditions in the quotation were not independently contested here.

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SOURCE & VERIFICATION

Karnataka High Court original order - verified repository copy

Complete 14-page supplied source; all pages read.

All 14 original pages read and visually inspected; all five panels audited.

Open cited source rendition

All 14 PDF pages reviewed; actual SHA-256: 91eed6558f62016ec8997a376b8e31ffc442157e90669718380c5e857699e821. Original record ID retained; no merger inferred from shared source or connected appeals.

STATUTORY SCOPE

The quoted precedent's 2001/2003 facts are distinct from this case. Paragraph 4's one-year description is not substituted for the purchase window in the quoted section.

LATER TREATMENT

Source checked 2026-10-21. Subsequent treatment has not been independently verified.

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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