

Commissioner of Income-tax, Faridabad v. Ghanshyam (HUF)

Civil Appeal No. 4401 of 2009 / Civil Appeal Nos. 4402-4420 of 2009 / Civil Appeal Nos. 4422-4426 of 2009

[2009] 10 SCR 1025 | 2009-07-16

Whether enhanced land-acquisition compensation and associated interest received while the State challenged the award in appeal were taxable in the year of receipt under the pre-1 April 2004 section 45(5) regime, and which statutory additions formed part of compensation.

2(47) | 45(1) | 45(5) | 45(5)(a) | 45(5)(b) | 45(5)(c) | 155(16)

Two-judge bench | S. H. Kapadia, J. | Aftab Alam, J.

Assessment years: 1991-92, 1992-93, 1999-2000

Historical receipt rule; later interest and interim-order amendments

Although all 25 Revenue appeals were allowed, paragraph 36 expressly bars recomputation in this old batch. This judgment interprets the historical section 45(5) regime and must not be presented as a universal present-day receipt-year rule. CBDT Circular 5/2010, paragraphs 46.2-46.4, explains the Finance (No.2) Act, 2009 changes to section 145A(b) and insertion of section 56(2)(viii), applicable from AY 2010-11, concerning receipt-year taxation of interest on compensation under income from other sources. Separately, CBDT Circular 1/2015, paragraphs 17.3-17.4, explains the amendment providing final-order-year treatment for compensation received pursuant to an interim court/Tribunal/authority order, applicable from AY 2015-16. These bounded checks do not resolve the later section 28/section 34 case law, all subsequent statutory changes, exemptions, or current treatment in any particular case.

[paragraphs 46.1-46.4 / PDF pages 49 / official explanatory circular](#); [paragraphs 17.1-17.4 / PDF pages 29 / official explanatory circular](#)

01 FACTS OF THE CASE

For AY 1999-2000, the HUF received enhanced compensation after acquisition of its land by Haryana Urban Development Authority, together with interest. It did not offer those receipts to tax because the State had appealed against the Reference Court award and the High Court allowed withdrawal only against security. The Assessing Officer taxed Rs. 87,13,517 as enhanced compensation and Rs. 1,47,575 as interest in the receipt year. The Commissioner (Appeals), Tribunal and High Court accepted the non-accrual position, relying on Hindustan Housing and Land Development Trust. Revenue appealed in this lead matter and the connected batch (paragraphs 3-8).

Source: [reported judgment / paragraphs 3-8 / PDF pages 9, 10, 11 / judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

Section 45(5) supplied an overriding scheme for compensation enhanced in successive stages, replacing repeated revision of the original capital-gains assessment with taxation of enhanced amounts when received. The Court distinguished Hindustan Housing, which concerned AY 1956-57 under the 1922 Act before the special section 45(5) regime. The statutory quotation and the operative explanation in paragraphs 18 and 29 also identify first receipt as the relevant year for original compensation under the amended section 45(5)(a) (paragraphs 9-18 and 27-31).

The statutory character of each land-acquisition component mattered. The additional amount under section 23(1A) and solatium under section 23(2) were parts of compensation. Interest awarded under section 28 on excess compensation was an accretion to the value of the acquired land and was included in enhanced compensation for section 45(5)(b). Interest under section 34 compensated delay in payment and was not part of the enhanced value. The two types could not be treated alike merely because both were called interest (paragraphs 19-26 and 32-33).

Under the historical regime before the Court, receipt of enhanced compensation, including section 28 interest, triggered capital-gains taxation even where an appeal remained pending and withdrawal was against security. The later insertion of section 45(5)(c) and section 155(16), effective 1 April 2004, supported this reading by providing adjustment after a subsequent reduction; it did not first create receipt-year taxation. However, because these cases were already very old and completed acquisition proceedings or tax payments might have intervened, the Court expressly directed that recomputation on the basis of this judgment would not be undertaken in this batch (paragraphs 33-36).

Source: [reported judgment / paragraphs 9-18; historical statutory quotations and scheme / PDF pages 12, 13, 14, 15, 16, 17, 18, 19, 20 / judicial text; reported judgment / paragraphs 19-33; Land Acquisition Act components, Hindustan Housing and operative receipt-year treatment / PDF pages 20, 21, 22, 23, 24, 25, 26, 27, 28, 29 / judicial text; reported judgment / paragraphs 34-36 / PDF pages 30, 31 / judicial text](#)

03 JUDICIAL DECISION

The receipt-year legal question was answered for Revenue under the historical section 45(5) scheme, with section 28 interest included in enhanced compensation and section 34 interest distinguished. The lead Civil Appeal No. 4401 of 2009 and all 24 listed companion appeals, Nos. 4402-4420 and 4422-4426 of 2009, were allowed without costs, expressly subject to the earlier directions, including paragraph 36 barring recomputation in this batch (paragraphs 35-38).

Source: [reported judgment / paragraphs 35-38 / PDF pages 30, 31, 32 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on the legal rule, subject to the express no-recomputation protection for this batch

All 25 listed Revenue civil appeals allowed without costs, subject to paragraph 36; no recomputation on the basis of this judgment in these old matters

Final interpretation of the historical enhanced-compensation receipt-year rule and component classification; financial implementation expressly qualified

Not an unqualified restoration/recalculation direction. Section 34 interest is outside the enhanced-compensation classification; this judgment is not a general tax exemption for that interest. Subsequent amendments are separately flagged and current-law status remains unverified.

Source: [reported judgment / paragraphs 36-38 / PDF pages 31, 32 / judicial text](#)

05 AKHB REVIEW POINT

Start with the acquisition award, the statutory basis of each payment and the applicable assessment-year text. Do not group section 28 and section 34 interest together or read the disposal as an instruction to recompute these assessments: paragraph 36 is an express limitation on the relief. The judgment determines neither a blanket exemption for all acquisition proceeds nor the tax treatment of every receipt labelled interest.

This judgment interprets the historical section 45(5) regime and must not be presented as a universal present-day receipt-year rule. CBDT Circular 5/2010, paragraphs 46.2-46.4, explains the Finance (No.2) Act, 2009 changes to section 145A(b) and insertion of section 56(2)(viii), applicable from AY 2010-11, concerning receipt-year taxation of interest on compensation under income from other sources. Separately, CBDT Circular 1/2015, paragraphs 17.3-17.4, explains the amendment providing final-order-year treatment for compensation received pursuant to an interim court/Tribunal/authority order, applicable from AY 2015-16. These bounded checks do not resolve the later section 28/section 34 case law, all subsequent statutory changes, exemptions, or current treatment in any particular case.

Source: [reported judgment / paragraphs 23-26 and 33 / PDF pages 24, 25, 29 / judicial text](#); [reported judgment / paragraphs 36-38 / PDF pages 31, 32 / judicial text](#); [official CBDT explanatory circular / paragraphs 46.1-46.4 / PDF pages 49 / official explanatory circular](#); [official CBDT explanatory circular / paragraphs 17.1-17.4 / PDF pages 29 / official explanatory circular](#)

DETAILED DISPOSITION AND CONNECTED GROUPS

Issue results

1.

Issue: Receipt while an award remains under appeal, including withdrawal against security

Result: Taxable under historical section 45(5)(b) in the year received; Hindustan Housing distinguished

In whose favour: Revenue

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 26; 27

Paragraphs: 27-28

Source role: judicial text

2.

Source url: [Open cited source](#)

Pdf pages: 30; 31

Paragraphs: 35

Source role: judicial text

2.

Issue: Land Acquisition Act interest and statutory additions

Result: Section 28 interest, section 23(1A) additional amount and section 23(2) solatium form part of enhanced compensation; section 34 delay interest does not

In whose favour: Issue-specific statutory classification

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 24; 25

Paragraphs: 23-26

Source role: judicial text

2.

Source url: [Open cited source](#)

Pdf pages: 28; 29

Paragraphs: 32-33

Source role: judicial text

3.

Issue: Recomputation in this batch

Result: Expressly directed not to be done, despite Revenue appeals being allowed

In whose favour: Assessees protected from recomputation under this judgment

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 31; 32

Paragraphs: 36-38

Source role: judicial text

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

48; 54F; 54H; 154; 155(7A); 260A

OTHER GOVERNING STATUTES

1.

Act: Land Acquisition Act, 1894

Sections: 4; 18; 23(1); 23(1A); 23(2); 28; 34

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

S. H. Kapadia, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SPECIFIED LATER STATUTORY DEVELOPMENTS AND THEIR LIMITS

1.

Development: Finance (No.2) Act, 2009 interest amendments

Effective from: 2010-04-01

Assessment year from: 2010-11

Verified scope: CBDT explanation of section 145A(b) receipt-year rule and section 56(2)(viii) income-from-other-sources insertion

Evidence

1.

Source url: [Open cited source](#)

Pdf pages: 49

Paragraphs: 46.1-46.4

Source role: official explanatory circular

Limit: Not a resolution of later section 28 versus section 34 treatment or complete current-law audit

2.

Development: Finance (No.2) Act, 2014 interim-order compensation amendment

Effective from: 2015-04-01

Assessment year from: 2015-16

Verified scope: CBDT explanation that compensation received pursuant to an interim court/Tribunal/authority order is chargeable in the previous year of the final order

Evidence

1.

Source url: [Open cited source](#)

Pdf pages: 29

Paragraphs: 17.1-17.4

Source role: official explanatory circular

Limit: Bounded historical statutory qualification; all relevant subsequent law must still be checked

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 32 PDF pages; SHA-256

e89f5bd324883e8840b518fef13c3d444f4a6bd758149bfbf110a7ae39702d4f. Original bytes preserved.

Complete judgment, paragraphs 1-38, physical pages 9-32 (SCR 1033-1056). Physical pages 1-8 are editorial headnote, case-reference and identity material; page 9 also contains the companion-appeal list and appearances. Physical page 15 lacks extractable text and was read directly from its rendered image.

Open cited source rendition

AY 1999-2000 is the lead Ghanshyam (HUF) assessment in paragraphs 4-6. Paragraph 36 says the wider batch relates back to AYs 1991-92 and 1992-93; individual years for every companion appeal are not supplied and those years must not replace the lead year.

The controversy is expressly about section 45(5) as it stood before 1 April 2004. The 2004 reduction/recomputation provisions are considered as reinforcement. Land Acquisition Act, 1894 sections 23(1A), 23(2), 28 and 34 are separate enactment provisions, not sections of the Income-tax Act. Later sections 145A(b) and 56(2)(viii) are discussed only in the separately sourced currentness warning.

The preserved eSCR reported rendition is the primary judgment source; no separately retrieved signed-original judgment or original-PDF hash is claimed.; The complete judicial text, paragraphs 1-38, was read. Editorial headnote and reported case-reference descriptions were not used as substitutes for reasons.; Physical page 15 (SCR 1039) has no extractable text. Its continuation of quoted section 45(5), Explanation and start of section 155(16) was read visually; separate single-page OCR is only a reading aid. The source PDF remains unchanged.; Paragraphs 16-17 contain historical transfer-year language for original compensation, but the quoted amended section 45(5)(a) and paragraphs 18 and 29 state first-receipt treatment. The note does not turn the historical wording into an operative contrary rule.; Paragraph 33 contains an apparent Act-name slip referring to section 23(2) of the 1961 Act. The preceding analysis identifies the additional amount and solatium provisions as Land Acquisition Act, 1894 provisions.; The headnote shorthand Appeals allowed must be read with judicial paragraphs 36-38. No appeal numbered 4421 of 2009 is listed in this source, and it is not silently added.; The lead year 1999-2000 and older batch years 1991-92 and 1992-93 are retained distinctly. The judgment does not classify the Rs. 1,47,575 receipt through a fresh factual recomputation.; Two official CBDT circular extracts support only bounded subsequent-amendment warnings. They do not verify all subsequent cases, later renumbering, exemptions, or the current tax treatment of section 28 interest.

STATUTORY SCOPE

Historical section 45(5) regime. Bounded official CBDT explanations of the 2009 interest and 2014 interim-order amendments are separately identified. Later treatment and current law remain unverified; no automatic Income-tax Act, 2025 mapping.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive later-treatment search or present-law audit has been performed. Authorities discussed within the judgment are reported only as the Court uses them, not separately certified.

IDENTIFIED SOURCE LINKS

reported judgment - PDF pages: 32

SHA-256: e89f5bd324883e8840b518fef13c3d444f4a6bd758149bfbf110a7ae39702d4f

official CBDT explanatory circular - PDF pages: 63

SHA-256: ff5bec3a925019cd8bbcc09d7578e6cdcd202b8b3877852b156d6be76bcea9

official CBDT explanatory circular - PDF pages: 59

SHA-256: 9a25f5d5e2de567434ad43676c620e6047c6a72d6655ac9a3776e59782e3ccf3

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