

Sh. Sanjeev Lal Etc. Etc. v. Commissioner of Income Tax, Chandigarh & Anr.

Civil Appeal Nos. 5899-5900 of 2014

[2014] 8 SCR 795 | 2014-07-01

Whether, in the particular circumstances of an agreement to sell followed by a court-imposed restraint delaying the sale deed, the agreement date could be recognised for section 54 relief when the replacement house was bought more than one year before the eventual registered sale.

54(1) | 2(47)(ii)

Two-judge bench | Anil R. Dave, J. | Shiva Kirti Singh, J.

Assessment years: 2005-06

Agreement date conflict and fact-specific relief

Paragraph 18 prints September once but repeatedly states December 2002 elsewhere; paragraph 24 expressly uses 27 December 2002. This note follows the December date and preserves the source. Section 54 relief was based on the particular judicial restraint and completed transaction, subject to other conditions.

01 FACTS OF THE CASE

The two assessee appealed against the Punjab and Haryana High Court's judgments dated 29 January 2013 in ITA Nos. 153 and 154 of 2012. A residential house had devolved under a will following the life tenant's death. The appellants agreed to sell it on 27 December 2002 for Rs. 1.32 crore and received Rs. 15 lakh as earnest money. They bought another residential house on 30 April 2003 (paragraphs 1-4).

A civil suit challenged the will, and an interim order restrained the appellants from dealing with the original house. The Court records that this prevented execution of the sale deed until the suit was dismissed and the restraint lifted in May 2004. The deed was registered on 24 September 2004. Believing section 54 sheltered the gain because it had been used to buy the new house, the assessee did not disclose that long-term capital gain in their returns for assessment year 2005-06 (paragraphs 4-7 and 18).

The Assessing Officer treated the September 2004 sale as the relevant transfer and denied relief because the April 2003 purchase preceded it by more than one year. The Commissioner (Appeals), Tribunal and High Court upheld that result. The assessee argued that rights had already been transferred or extinguished under the December 2002 agreement, whereas the Revenue argued that an agreement by itself had not effected the sale (paragraphs 8-15).

Source: [reported judgment](#) / [paragraphs 1-15](#) / [PDF pages 8, 9, 10, 11, 12, 13](#) / [judgment](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court began with the historical section 54 purchase window: one year before or two years after the transfer. The reproduced subsection also dealt with construction within three years, but these appeals concerned purchase. If the relevant transfer were recognised at the December 2002 agreement stage, the April 2003 purchase would be within the statutory period; measured only from the September 2004 registered sale, it was too early (paragraphs 8-9 and 17-19).

The judgment expressly acknowledged that an agreement to sell does not normally mean the entire property has already been sold. It nevertheless creates a right in personam in the proposed purchaser, enforceable through specific performance, which restricts the vendor's freedom to sell to another. The Court considered that consequence through section 2(47)(ii), which includes extinguishment of rights in a capital asset within transfer (paragraph 20).

On these facts, the agreement, earnest-money payment and subsequently completed conveyance established the relevant creation and extinguishment of rights. Delay in the deed followed a judicial restraint beyond the assessee's control; they could not be expected to violate a court order. The Court also expressly recognised that parties might surrender or neutralise contractual rights by a later contract or conduct, resulting in no transfer to the proposed purchaser, but said that had not occurred here (paragraph 21).

The Court read section 54 and the transfer definition together in light of the relief provision's purpose. It referred to Oxford University Press on purposive and harmonious construction. That reasoning operated alongside the particular rights and chronology before the Court: its final conclusion expressly relied on the peculiar facts of the case. The judgment did not formulate an unconditional rule that every agreement is a completed transfer, or dispense with section 54's remaining requirements (paragraphs 22-26).

Source: [reported judgment / paragraphs 8-9; 17-26 / PDF pages 10, 11, 13, 14, 15, 16, 17, 18 / judgment](#)

03 JUDICIAL DECISION

The appeals were allowed with no order as to costs. The impugned judgments were quashed and set aside. The authorities were directed to reassess the appellants' income for assessment year 2005-06 recognising entitlement to section 54 relief, subject to fulfilment of the other conditions. The Court did not quantify the final exemption, tax or refund (paragraphs 24-26).

Source: [reported judgment / paragraphs 24-26 / PDF pages 18 / judgment](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee-appellants on section 54 entitlement in the stated circumstances

Appeals allowed; impugned judgments quashed; reassessment directed for assessment year 2005-06; no order as to costs

Section 54 entitlement decided, with implementation subject to fulfilment of other conditions

Fact-specific treatment of rights under the 27 December 2002 agreement and court-imposed delay. No universal rule that every agreement to sell transfers the whole property; no quantified exemption or refund.

Source: [reported judgment / paragraphs 25-26 / PDF pages 18 / judgment](#)

05 AKHB REVIEW POINT

Build the analysis from the actual agreement, earnest payment, rights created, judicial restraint, completed conveyance and replacement-house purchase. The favourable result rests on their combined legal effect. A bare agreement date, an abandoned bargain or a voluntary delay should not be assumed to reproduce this holding. The Court's explicit distinction between an agreement and sale of the whole property, and its recognition that contractual rights may later be neutralised, are important limits.

The remand is also conditional: section 54 relief was to be recognised in reassessment subject to fulfilment of the other conditions. Do not describe the case as a quantified tax cancellation or an exemption from all statutory requirements. Apply the precise section 54 version and transfer provision relevant to the transaction under review; no comprehensive later-treatment or current-law certification is supplied.

For source accuracy, the end of paragraph 18 prints 27 September 2002, although its opening and paragraphs 4, 11-13, 19-21 and 24 consistently use 27 December 2002. This note follows the repeated December date, especially the express finding in paragraph 24, while retaining and disclosing the printed conflict.

Source: [reported judgment / paragraphs 18-26 / PDF pages 14, 15, 16, 17, 18 / judgment](#)

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

45; 54(2); 260A

PROVISION-SPECIFIC SCOPE

1.

Act: Income-tax Act, 1961

Section: 54(1); 2(47)(ii)

Role: principal exemption and transfer definition

Basis: Purchase timing and extinguishment of rights in the particular agreement and litigation circumstances.

2.

Act: Income-tax Act, 1961

Section: 45

Role: charging context

Basis: Underlying capital-gains assessment and reproduced section 54 consequences.

3.

Act: Income-tax Act, 1961

Section: 54(2); 260A

Role: context only

Basis: Subsection (2) is referenced in the reproduced exemption; section 260A identifies the High Court route. No separate deposit-scheme or appellate-jurisdiction controversy decided.

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Anil R. Dave, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 18 PDF pages; SHA-256

864fb9e4b1fc79daf42f40ea1f3215207a678218fd682989673cdd120f5e056a. Original bytes preserved.

Numbered judicial text paragraphs 1-26 on physical PDF pages 8-18 (printed SCR pages 802-812), beginning with the judgment delivered by Anil R. Dave, J. on page 8. Pages 1-7 are reported metadata, editorial headnotes and case-law reference. No adjacent judgment within these boundaries.

Open cited source rendition

Paragraph 18 on physical page 14 prints both 27 December 2002 and, in its final sentence, 27 September 2002. The note uses December, supported repeatedly elsewhere and by paragraph 24; the original PDF is unchanged.

Cached extraction of physical page 10 renders the Act year as 1991 in paragraph 6. Visual inspection confirms that the printed page reads 1961. This is an OCR error, not an amendment or a printed source conflict.

Paragraph 7 on physical page 10 says more than one year prior to the purchase of the new asset while describing the denial. Paragraph 9 and the stated dates make clear that the new purchase preceded the original house transfer by more than one year; the note states that chronology without silently altering the source.

Paragraph 15 abbreviates the interval as one year before, whereas the stated dates and paragraph 9 establish more than one year. The exact dates govern the note.

The cached text at the top of physical page 9 is degraded by scan marks. Visual review confirms the ownership passage; no unsupported alternative date, beneficiary or title conclusion is inferred.

The report gives a conditional reassessment direction, not a quantified final tax computation or automatic transfer rule.

SCR citation verified on the reported rendition. No neutral citation inferred from catalogue metadata.

Assessment year 2005-2006 appears expressly in the facts and reassessment direction, paragraphs 6-7 and 26.

STATUTORY SCOPE

Historical section 54(1) reproduced for assessment year 2005-06, read with the expressly quoted section 2(47)(ii). The reference to section 54(2) is part of the reproduced opening condition, not a separate deposit-scheme holding.

No automatic Income-tax Act, 2025 crosswalk or comprehensive later-law/current compliance certification.

LATER TREATMENT

Source checked 2026-10-04. Subsequent appeals, reviews, stays, reversals and later judicial treatment have not been comprehensively checked. Any separately identified bounded statutory check is not a citator or current-law certificate.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 18](#)

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