

Sec. 50C won't apply on compulsory acquisition of land by NHAI as stamp duty isn't payable on such transfer: HC

Facts of the case : PCIT v. Durgapur Projects Ltd - [2023] (Calcutta)

Assessee, a company, transferred land under compulsory acquisition to the National Highways Authority of India (NHAI). During the assessment proceedings, the Assessing Officer (AO) computed the capital gains on such land by considering the provisions under section 50C i.e., considering the stamp duty value of such land.

On appeal, CIT(A) deleted the additions made by AO which was further ratified by the Tribunal. The matter then reached the Calcutta High Court.

Decision of the case :

- The Court held that Section 50 of the Act was designed to control the transaction where the correct market value is not mentioned and there is suppression of the correct value by the parties to the transactions.
- In the instant case, the land was acquired by the Government by way of compulsory acquisition. The transfer of land was not a result of an agreement between the parties but on account of compulsory acquisition. Thus, there is no room to suspect the correct valuation and the apparent consideration reflected in the sale documents.
- It is a widely known fact that the compensation for compulsory acquisition is much lesser than the fair market value of the property as the value is determined by taking into various factors. This is the reason that the Act provides for appellate and other remedies if the owner is offered inadequate compensation.
- Therefore, the question of suppression of the value and invoking Section 50C of the Act does not arise.