



# भारतीय राष्ट्रीय राजमार्ग प्राधिकरण

(पोत परिवहन, सड़क परिवहन और राजमार्ग मंत्रालय)

## National Highways Authority of India

(Ministry of Shipping, Road Transport and Highways)

जी-5 एवं 6, सेक्टर-10, द्वारका, नई दिल्ली-110 075

G-5 & 6, Sector-10, Dwarka, New Delhi-110075

दूरभाष / Phone: 91-11-25074100/25074200

फैक्स / Fax: 91-11-25093507 / 25093514

एक्स. / Extn.: 2223 / 2318 / 2468 / 2553

### CIRCULAR

NHAI/13/LA/Policy/2006

04 May 2010

#### **Subject: Income Tax on compensation for land.**

1. A number of ROs/PIUs have sought clarifications whether Income Tax is deductible at source on compensation for assets/structures on agricultural land.
2. Payment of Income Tax on compensation for acquisition of land is governed by Section 194LA of the Income Tax Act, 1961:  
*'Any person responsible for paying.....compensation or the enhanced compensation.....on account of compulsory acquisition..... of any immovable property (other than agricultural land), shall .....deduct an amount equal to ten per cent.....as income-tax thereon: Provided that no deduction shall be made.....where the amount.....or.....aggregate amount of such payments .....during the financial year does not exceed one hundred thousand rupees'.*
3. As per Explanation (ii) of Section 194LA: *'For the purposes of this section,....."immovable property" means any land (other than agricultural land) or any building or part of a building.'* The definition of the term *'land'* contained in the National Highways Act, 1956, includes buildings constructed on the land, inter-alia. (Application of the definition of *'land'* contained in the NH Act to deduction of Income Tax on compensation for land, would exempt compensation for buildings standing on agricultural land from deduction of Income Tax). The Income Tax Act, 1961, however contains its own definition of *'immovable property'* (which includes buildings or parts thereof). The definition of the term *'land'* contained in the NH Act therefore shall not apply to deduction of Income Tax on compensation for land.
4. Aforementioned provisions contained in the IT Act yield the following guidelines to be followed with regard to deduction of Income Tax from compensation for land:-
  - (a) Income Tax is not deductible from compensation for agricultural land.
  - (b) Since the definition of *'immovable property'* in the Income Tax Act, 1961, includes buildings or parts thereof; Income Tax is deductible on compensation for buildings standing on agricultural land.
  - (c) Since the definition of *'immovable property'* in the Income Tax Act, 1961 does not include trees/bore-wells/ponds etc; Income Tax shall not be deductible on compensation for such trees/bore-wells/ponds etc.
5. ROs/PIUs may accordingly have Income Tax on compensation for land deducted as mentioned in para 04 above.
6. This issues with approval of the Competent Authority in NHAI.

4  
04/05  
(VK Sharma)  
CGM(LA)

To:

1. All ROs
2. All PIUs
3. All CGMs/GMs at HQ

Copy to:

1. PS to Chairman
2. PS to Members