

## **Agricultural land converted into residential plot prior to sale - No. Sec 54B relief**

**Summary – The Jaipur ITAT in a recent case of Sheetal Kataria, (the Assessee) held that in a case where Agricultural land was converted into residential plot prior to sale, Sec 54B relief would not be allowed**

### **Facts**

- The assessee purchased agricultural land and later on sold the same and the AO exempted the gain under section 54B.
- The Principal Commissioner revised the order of Assessing Officer and held that the ultimate motive of the assessee was to derive more profit by selling the land by making small plots which established that the intention of the assessee was not to resale the agricultural land but to divide that single piece of land to multiple pieces of land being plots, develop them and sold them to make profits. He denied exemption to the assessee.
- On appeal to the Tribunal:

### **Held**

- The ITAT held that in the scrutiny assessment under section 143(3), the assessment order is completely silent about any enquiry or any finding of the Assessing Officer on the issue of allowability of deduction under section 54B.
- The deduction under section 54B on the capital gain on transfer of agricultural land used for agricultural purposes is allowed if the assessee has within the period of two years from the date of sale, purchased another land being used for agricultural purposes.
- Once the land was converted into residential colony, it was no more an agricultural land in terms of section 54B. Therefore, there is no reason to interfere with the impugned order of the Principal Commissioner.