आयकर अपीलीय अधिकरण, हैदराबाद पीठें, हैदराबाद
INCOME TAX APPELLATE TRIBUNAL
HYDERABAD BENCHES, HYDERABAD
BENCH: B

BEFORE SHRI MANJUNATHA.G, HON'BLE ACCOUNTANT MEMBER &
SHRI RAVISH SOOD, HON'BLE JUDICIAL MEMBER

ITA 2412/HYD/2025 **(निर्धारण वर्ष/Assessment Year: 2020-21)**		
M N S BARIUM SALTS 21/471, PP STREET, KADAPA-516001, ANDHRA PRADESH	v.	ITO, WARD-1 INCOME TAX OFFICER, WARD-1, KADAPA, ANDHRA PRADESH
अपीलार्थी Appellant		प्रत्यर्थी Respondent
Permanent Account Number of Assessee:		AAUFM4044Q
अपीलार्थी द्वारा/Appellant represented by:		Sri S. Rama Rao, Adv.
प्रत्यर्थी द्वारा/Respondent represented by:		Sri K Prasad, SR-AR

सुनवाई की तारीख / Date of conclusion of hearing:	28-Sep-2026
घोषणा की तारीख / Date of pronouncement:	16-Oct-2026

आदेश / ORDER

PER MANJUNATHA.G, AM:

This appeal filed by the assessee is directed against the order of the Learned Commissioner of Income Tax (Appeals), National Faceless Appeal Centre (NFAC), [in short "the Ld.CIT(A)"] Delhi, dated 28.10.2025, and pertains to assessment year 2020-21.

2. The assessee has raised the following grounds of appeal:

www.taxcode.in

1) The order of the learned CIT (A) is erroneous both on facts and in law;

2) The learned CIT (A) ought to have considered that the sale of depreciable assets are to be considered as the Short Term Capital Assets and the loss/gain has to be computed; the appellant produced before the learned CIT (A) that there is a loss on sale of the depreciable assets and such loss should have been accepted as the Short Term Capital Loss;

3) The Assessing Officer and the learned CIT (A) are not justified in mentioning that there is a gain assessable under the head Long Term Capital Gain;

4) The learned CIT (A) ought to have held that there is a loss on sale of depreciable assets and that such loss is to be given set off against the capital gain arising on sale of land;

5) The learned CIT (A) erred in approving the action of the Assessing Officer in applying the sale consideration at Rs.1.77 crores as against Rs.1.52 crores;

6) The learned CIT (A) ought to have considered the fact that the Assessing Officer did not refer the matter to the Valuation Cell before applying the provisions of Sec.50C of the I.T. Act and, therefore, the Assessing Officer is not justified in adopting the market value instead the actual sale consideration;

7) The learned CIT (A) is not justified in rejecting the claim for improvements made by the appellant herein and in dismissing the ground of appeal;

8) The learned CIT (A) ought to have considered the fact that the appellant filed invoices/vouchers representing the expenditure against the improvements and the same should have been allowed as a deduction for the purposes of arriving at the capital gain'

9) Any other ground/grounds that may be urged at the time of hearing;

3. The brief facts of the case are that the assessee, M/s. M.N.S. Barium Salts, is a partnership firm filed its Return of Income for AY 2020-21 on 15.02.2021 declared loss of Rs.4,50,338/-. During the Financial Year relevant to the assessment year under consideration, the assessee has sold land & building, plant & machinery and other assets for a consideration of Rs.1,52,08,476/- and computed Long Term Capital Gains [LTCG] in respect of transfer of land & building and Short Term Capital Loss [STCL] for transfer

of plant & machinery and Furniture & Fixtures. The case was selected for scrutiny and during the course of assessment proceedings, the AO called upon the assessee to file relevant details in respect of computation of LTCG and STCG. In response, the assessee submitted that, it has sold its industrial land & building along with plant & machinery and Furniture & Fixtures for a consideration of Rs.1,52,08,476/- and computed LTCG for transfer of land & building and STCG for depreciable assets like plant & machinery and Furniture & Fixtures, for which, the assessee has furnished relevant copies of Sale Deed along with details of financial statement. The AO after considering relevant evidences including copy of Sale Deed, observed that although, the assessee has computed Capital Loss for depreciable assets but going by the sale consideration of the assets as against the Written Down Value [WDV] of plant & machinery and Furniture & Fixtures, the claim of the assessee is not acceptable in the absence of relevant documentary evidences. Therefore, rejected the explanation of the assessee and computed STCG of Rs.1,27,81,437/- and made addition to the total income. The AO further noted that the assessee has sold land & building along with Furniture & Fixtures for a consideration of Rs.1,52,08,476/- where the Fair Market Value [FMV] of the property as per the stamp duty authority was at Rs.1,77,70,000/-. Since there is a difference between FMV and sale consideration, invoked provisions of Sec.50C of the Income Tax Act, 1961 [in short "the Act"] and recomputed LTCG at Rs.1,58,93,101/- by adopting full value of consideration at Rs.1,77,70,000/- and disallowed cost of improvement and expenditure

incurred for transfer of property in the absence of supporting evidence. Thus, the AO determined total income of Rs.2,82,24,200/- as against loss declared by the assessee for Rs.4,50,338/-.

4. Aggrieved by the assessment order, the assessee preferred an appeal before the Ld.CIT(A). Before the Ld.CIT(A), the assessee has reiterated its arguments and claimed that the assessee has sold industrial land & building along with plant & machinery and Furniture & Fixtures for a consideration of Rs.1,52,08,476/- as reflected in the Sale Deed and supplementary Sale Deed whereas the AO has computed the total income at Rs.2,82,24,200/- by making addition towards STCG of Rs.1,27,81,437/- and LTCG of Rs.1,58,93,101/-. The assessee further submitted that when the AO is not accepting the sale consideration as per the registered Sale Deed, in terms of Section 50C(2) of the Act, the AO ought to have obtained FMV of the property from the District Valuation Officer [DVO]. Therefore, he submitted that the addition made by the AO should be deleted or in the alternative, the matter may be remitted back to the file of the AO with a direction to refer the valuation of property to the DVO.

5. The Ld.CIT(A) after considering relevant submissions of the assessee and also taken various facts partly allowed the appeal filed by the assessee, where the Ld.CIT(A) upheld the reasons given by the AO for computation of LTCG by adopting full value of consideration of Rs.1,77,70,000/- on the ground that, when there is a difference between FMV of the property as per stamp duty authority and the consideration as per Sale Deed, the AO is bound to adopt FMV in terms of Sec.50C of the Act and therefore, the AO

www.taxcode.in

has rightly computed LTCG by adopting full value of consideration as per stamp duty value. The Ld.CIT(A) further rejected the explanation of the assessee in respect of computation of STCG in respect of transfer of depreciable assets like plant & machinery and Furniture & Fixtures by holding that the assessee has failed to file relevant supporting evidences to justify the sale consideration claimed against sale of depreciable assets. However, the Ld.CIT(A) set aside the issue of disallowance of cost of improvement and expenses of transfer to the file of the AO for verification in light of certain evidences filed by the assessee.

6. Aggrieved by the order of the Ld.CIT(A), the assessee is now in appeal before this Tribunal.

7. The Ld. Counsel for the assessee, Sri S. Rama Rao, Advocate, referring to grounds of appeal filed by the assessee submitted that the assessee challenged disallowance of expenses of transfer and cost of improvement by way of Ground Nos.7 & 8 and further, the issue of disallowance of cost of improvement and expenses of transfer has been set aside by the Ld.CIT(A) to the file of the AO and therefore, the assessee doesn't wish to press Ground Nos.7 & 8 and accordingly, Ground Nos.7 & 8 may be dismissed as withdrawn.

8. The Ld.Sr.AR for the Revenue, fairly agreed for withdrawal of Ground Nos.7 & 8 and accordingly, Ground Nos.7 & 8 of the assessee's appeal are treated as withdrawn and dismissed as withdrawn.

www.taxcode.in

9. The next solitary issue that came up for our consideration from Ground Nos.1 to 6 of the assessee's appeal is computation of LTCG in respect of transfer of land & building and STCG in respect of depreciable assets. The Ld. Counsel for the assessee submitted that the AO & the Ld.CIT(A) erred in computing LTCG by adopting full value of consideration as per stamp duty value, even though, the property sold by the assessee with building in a dilapidated condition and doesn't have any monetary value. Further, the assessee has disputed the value adopted for stamp duty purpose and made a request before the Ld.CIT(A) for reference to the DVO. The Ld.CIT(A) rejected the reference only on the ground that such reference was not made before the AO. But, fact remains that since the appellate proceedings is a continuation of assessment proceedings, the Ld.CIT(A) should have referred to the matter for valuation and determine the correct FMV of the property. Therefore, he submitted that since the assessee has disputed the FMV, the matter may be remitted back to the file of the AO with a direction to refer the matter for valuation of property to the file of the DVO and compute the Capital Gains.

10. The Ld. Counsel for the assessee further referring to computation of STCG submitted that the assessee has sold depreciable assets like plant & machinery and Furniture & Fixtures and the sale consideration has been disclosed in the Sale Deed. The assessee has adopted sale consideration of plant & machinery at Rs.1,20,000/- as against this, the assessee has shown WDV on plant & machinery at Rs.97,50,869/-. Since, the WDV of plant &

www.taxcode.in

machinery is more than the sale consideration, the resultant amount will be STCG as per Section 50(2) of the Act. Similarly with the case of sale of Furniture & Fixtures, where the assessee was having WDV of Rs.30,30,568/- as against the assessee received sale consideration of Rs.34,000/- and the difference amount of Rs.30,30,568/-, has been treated as STCG. The AO ignored the above details and assessed deemed STCG of Rs.1,27,81,437/-, without assigning any reason 'as to how' the assessee has earned STCG of Rs.1,27,81,437/-. Therefore, he submitted that the addition made by the AO should be deleted or in the alternative the matter may be remitted back to the file of the AO for verification.

11. The Sr.AR for the Revenue, on the other hand, supporting the order of the Ld.CIT(A) submitted that the assessee didn't seek reference to the DVO before the AO. The Ld.CIT(A) rejected the request of the assessee, because the assessee has not made such request before the AO. Therefore, the request of the assessee for reference to the DVO can't be accepted. Further, as per the Sale Deed, there is a difference between FMV of the property and sale consideration, and the AO has assessed the difference u/s.50C of the Act. Therefore, he submitted that the addition made by the AO towards computation of LTCG should be upheld. In so far as computation of STCG, the assessee has not justified the sale consideration received for sale of plant & machinery and Furniture & Fixtures. Further, going by the WDV shown in the books of accounts, the sale consideration claimed by the assessee is not believable. Therefore, the AO has rightly

www.taxcode.in

rejected the arguments of the assessee and assessed the WDV on plant & machinery and Furniture & Fixtures as deemed Capital Gain. Therefore, he submitted that the order of the AO & the Ld.CIT(A) should be upheld.

12. We have heard both the parties, perused the materials available on record and had gone through orders of the authorities below. There is no dispute with regard to the fact that the assessee has sold land & building, plant & machinery and Furniture & Fixtures vide Sale Deed dated 01.05.2019 for a consideration of Rs.1,52,08,476/- and the FMV as per the stamp duty authorities was at Rs.1,77,70,000/-. The assessee had also entered into a supplementary Sale Deed dated 11.02.2011 and as per the supplementary Sale Deed, the entire property including land & building, plant & machinery and Furniture & Fixtures has been sold for a consideration of Rs.1,52,08,476/- which separately shows and sale value of land & building and plant & machinery. The assessee has computed STCG in respect of sale of depreciable assets and LTCG in respect of transfer of land & building. The assessee has considered sale consideration as per Sale Deed. The AO adopted sale consideration as per stamp duty authority which was at Rs.1,77,70,000/- and computed LTCG separately. The AO has computed LTCG by adopting full value of consideration by taking FMV of the property and after disallowing of cost of improvement and expenses of transfer has computed LTCG of Rs.1,58,93,101/-. Similarly, the AO computed deemed STCG of Rs.1,27,81,437/- as against STCL computed by the assessee for Rs.1,27,81,437/- on the ground that the assessee has

failed to justify the sale value of depreciable assets with documentary evidence.

13. The assessee has challenged the computation of STCG as well as LTCG on multiple grounds. In so far as computation of LTCG, the assessee has agitated adoption of full value of consideration of Rs.1,77,70,000/- as per stamp duty authority in the light of provisions of Sec.50C of the Act and claimed that the property sold by the assessee is an industrial shed and FMV of the property is not as per stamp duty authority and therefore, the AO ought to have referred for valuation to the DVO to arrive at a correct FMV. Admittedly, the assessee has not made a claim before the AO for reference to the DVO. Although the assessee made a claim before the Ld.CIT(A), but the Ld.CIT(A) rejected the claim of the assessee only on the ground that, assessee has not made said claim before the AO. In our considered view, the Ld.CIT(A) completely erred in not referring the matter to the DVO, because, the appellate proceedings is a continuation of assessment proceedings and hence, once the assessee makes a claim for reference to the DVO, it is the duty of the Ld.CIT(A) to refer the matter to the DVO or set aside the matter to the file of the AO with a direction to refer the matter to the DVO for ascertaining the correct FMV of the property. Since both the authorities have not followed the procedure prescribed u/s.50C of the Act, even though, the assessee has made a request to refer to the DVO, in our considered view, the issue needs to be set aside to the file of the AO. Thus, we set aside the order of the Ld.CIT(A) and remit the issue back to the file of the AO for computation of LTCG in respect of transfer

www.taxcode.in

of non-depreciable assets being land & building. The AO is directed to reconsider the issue in light of claim of the assessee and also obtain a report from the DVO to ascertain correct FMV of the property for the purpose of computation of LTCG.

14. Coming back to the STCG. The assessee has computed STCL of Rs.1,27,81,437/- by taking into account sale value of depreciable assets and claimed deduction towards WDV of depreciable assets and arrived at STCL of Rs.1,27,81,437/-. If your go by the computation submitted by the assessee, it is in accordance with provisions of Sec.50(2) of the Act. The AO computed deemed STCG of Rs.1,27,81,437/- on the ground that the assessee has not provided any documentary evidence regarding the sale of depreciable assets. In our considered view, the AO is completely erred in computing deemed STCG, because, there is no concept of deemed CG under the Act. Secondly, if at all the AO is not satisfied with the evidences filed by the assessee to prove the sale value of depreciable assets, then he can ignore the computation of STCG, but he can't make additions towards value of asset as per the books as deemed the sale for the purpose of computation of STCG. In the present case, in so far as sale of plant & machinery, the assessee has received Rs.1,20,000/- as per the Sale Deed. Since the sale value is evidenced by registered Sale Deed, in our considered view, the AO ought to have accepted the claim of the assessee in respect of transfer of plant & machinery and compute STCL/G, if any. In so far as Furniture & Fixtures, the assessee claims to have received Rs.34,000/-, for which, the assessee has not furnished any evidences. The assessee claims that the

www.taxcode.in

Furniture & Fixtures doesn't carry any monetary value and because of which the assessee sold as scrap and received sale consideration of Rs.34,000/-. In our considered view, if the assessee is able to justify the sale consideration of Rs.34,000/- with relevant evidences, the AO is directed to adopt sale consideration as claimed by the assessee and compute STCG/l by taking into account the WDV of the assets as per provisions of Sec.50(2) of the Act. In case, the assessee is not able to prove the sale value and claimed that the asset seized to be exist in the books, the AO is also directed to consider the claim of the assessee and compute STCG/L by taking into account WDV of Furniture & Fixtures as per Section 50(2) of the Act.

15. In the result, appeal filed by the assessee is allowed for statistical purposes.

Order pronounced in the open court on 16th October, 2026

Sd/-	**Sd/-**
RAVISH SOOD	**MANJUNATHA G**
JUDICIAL MEMBER	**ACCOUNTANT MEMBER**

Hyderabad
Dated: 16th October, 2026
TLN
Copy to:

1	M N S BARIUM SALTS, 21/471, PP STREET, KADAPA-516001, ANDHRA PRADESH
2	ITO, WARD-1, INCOME TAX OFFICER, WARD-1, KADAPA, KADAPA-, ANDHRA PRADESH
3	THE PCIT / CIT, KURNOOL
4	THE D.R., ITAT, HYDERABAD BENCH
5	GUARD FILE

www.taxcode.in

TRUE COPY

ASSISTANT REGISTRAR /
SR. PRIVATE SECRETARY
I.T.A.T., HYDERABAD

आयकर अपीलीय अधिकरण
निष्पक्ष सुलभ
सत्वर न्याय ॥
IMPARTIAL, EASY AND
SPEEDY JUSTICE
INCOME TAX APPELLATE TRIBUNAL