2025 INSC 408

REPORTABLE

IN THE SUPREME COURT OF INDIA

CIVIL APPELLATE JURISDICTION

CIVIL APPEAL NO. 3998 OF 2024

MADHYA PRADESH ROAD DEVELOPMENT CORPORATION ..... APPELLANT

VERSUS

VINCENT DANIEL AND OTHERS ..... RESPONDENTS

W I T H

CIVIL APPEAL NO. 3999 OF 2024

CIVIL APPEAL NO. 4004 OF 2024

CIVIL APPEAL NO. 4005 OF 2024

CIVIL APPEAL NO. 4012 OF 2024

CIVIL APPEAL NO. 4002 OF 2024

CIVIL APPEAL NO. 4013 OF 2024

CIVIL APPEAL NO. 4006 OF 2024

CIVIL APPEAL NO. 4001 OF 2024

CIVIL APPEAL NO. 4000 OF 2024

CIVIL APPEAL NO. 4014 OF 2024

A N D

CIVIL APPEAL No.4003 OF 2024

J U D G M E N T

SANJIV KHANNA, CJI.

The issue raised in the present batch of appeals filed by the appellant, Madhya Pradesh Road Development Corporation, relates to the applicability of the "theory of deduction" for determining the compensation payable under The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013.[1]

2. Before examining the legal position, it would be appropriate to set out the facts in brief:

- By a Gazette Notification dated 12.09.2014, the Central Government declared its intention of acquiring the stretch of land falling within 3.4 km to 22.8 km of the Jabalpur-Mandla-Chilpi

[1] Hereinafter, "Acquisition Act, 2013".

section, in the district of Jabalpur, State of Madhya Pradesh. The purpose of the acquisition was stated to be widening, four-laning, maintenance, management and operation of National Highway No.12-A. On 30.10.2014, the notification was also published in two newspapers.

- By a Gazette Notification dated 02.02.2015, the land was declared to have been acquired.
- On 31.08.2015, the Competent Authority and Land Acquisition Officer, Collectorate, Jabalpur passed an award determining the compensation payable for the land acquired. The award relies on the mandate of Section 105(3) of the Acquisition Act, 2013 (as amended).[2] It accordingly holds that for the acquisition in question, provisions relating to the determination of compensation shall apply in accordance with the First Schedule of the Acquisition Act, 2013. Further, provisions for rehabilitation and resettlement would apply as per the Second Schedule, and those relating to

[2] **Section 105 (3) –** The provisions of this Act relating to the determination of compensation in accordance with the First Schedule, rehabilitation and resettlement in accordance with the Second Schedule and infrastructure amenities in accordance with the Third Schedule shall apply to the enactments relating to land acquisition specified in the Fourth Schedule with effect from 1st January, 2015.

infrastructural amenities shall apply as per the Third Schedule of the Acquisition Act, 2013.

- The First Schedule of the Acquisition Act, 2013 states that the market value of the land has to be determined in accordance with Section 26 of the Acquisition Act, 2013. Clause (a) to Section 26(1) adopts the market value as specified under the Indian Stamp Act, 1899[3]. Based on the date of the Gazette Notification published as per Section 11 of the Acquisition Act, 2013, i.e., on 12.09.2014, the Competent Authority deemed it appropriate to compute the market value according to the Collector's Guidelines for the year 2014-2015[4]. These guidelines have been formulated in the exercise of the powers conferred under the Stamp Act. The Collector's Guidelines have been annexed as 'Annexure P-1' to the present appeal.
- Paragraph 4.1 of the Collector's Guidelines deals with municipal corporation areas of Jabalpur amongst other districts. It provides for the valuation of two kinds of land – converted agricultural land and non-converted agricultural land. These are further divided into

[3] Hereinafter, "Stamp Act".
[4] Hereinafter, "Collector's Guidelines".

Categories (A) and (B). Category (A) applies when the area of land is less than or equal to 1000 square meters, while Category (B) applies when the area of land exceeds 1000 square meters.

- The Competent Authority determined the concerned area to be non-converted land of more than 1000 square meters, which would fall under Category (B). According to the method prescribed under Category (B), the first 1000 square meters are to be valued in accordance with Category (A). This corresponds to the rate applicable to residential plots set out in Form-1 of the Collector's Guidelines. The remaining area is to be valued at the rate for agricultural land as specified in Form-3 of the Collector's Guidelines. In the present case, the Competent Authority applied the rate for Village Katiyaghat, which is specified as Rs.1,50,00,000 per hectare under Form-3. The Competent Authority determined the value of the land to be Rs. 97,50,000. Over this amount, the Competent Authority also factored in assets attached to the land and the solatium payable.
- By following the aforesaid procedure, the total compensation payable for the acquisition of the land belonging to Respondent No. 1, Vincent Daniel, was calculated to be Rs. 2,05,42,164/-.

- Dissatisfied with the compensation, Respondent No. 1, Vincent Daniel, as the other landowners, appealed to the Commissioner against the decision of the Competent Authority. One of the grounds raised in the appeal was that the rate at which the compensation was awarded was significantly lower than the market rate.
- The appellant, Madhya Pradesh Road Development Corporation, filed its reply raising several contentions. They submitted that for an undeveloped piece of land, the compensation was disproportionately high. A portion of the land would have to be foregone to develop roads, drainage, electricity poles, etc., which would come at a significant expense. Therefore, it was argued that the principles of compensation for developed lands would not apply in the present case.
- The Commissioner in his arbitral award held that the Collector's Guidelines were binding. However, the Competent Authority had made an error in applying the same. For 0.650 hectares of land situated inside the Katiyaghat road, at Khasra No. 53 of village/mauja Katiyaghat, Jabalpur, the rate of Rs. 12,000 per square meter should have been applied for the first 1000 square

meters, while applying the rate of Rs. 1,50,00,000 per hectare for the balance land. After adding 100% solatium and interest, an additional amount of Rs. 2,21,11,562/- was found to be payable.

- Against the Commissioner's award, the appellant, Madhya Pradesh Road Development Corporation, preferred objections before the District Court under Section 34(3) of the Arbitration and Conciliation Act, 1996[5]. One of the contentions raised was that the compensation should not have been awarded by solely relying upon the Collector's Guidelines, as the land was undeveloped.
- The objections were dismissed by the District Judge. It was observed that the land in question was situated within the municipal areas on which the Collector's Guidelines were applicable. It was noted that the compensation was enhanced in compliance with the Collector's Guidelines. Form-1 of the Collector's Guidelines prescribes the rate of Rs. 20,000 per square meter for residential plots and Rs. 40,000 per square meter for commercial ones on the Katiyaghat road. However, for the residential areas inside the Katiyaghat road, the rate is Rs. 12,000 per square meter, which was rightly applied by the Commissioner.

[5] Hereinafter, "Arbitration Act".

It was also observed that the award passed was not in violation of public policy and, therefore, Clause (b)(ii) to Section 34(2) of the Arbitration Act would not be applicable.

- Consequently, the appellant, Madhya Pradesh Road Development Corporation, preferred appeals under Section 37 of the Arbitration Act before the High Court, which were dismissed by the impugned judgment dated 13.04.2022.
- The impugned judgment dated 13.04.2022 passed by the High Court of Madhya Pradesh, *inter alia*, distinguishes between the provisions of the Land Acquisition Act, 1894[6] and the Acquisition Act, 2013. It holds that according to Section 26(1) of the Acquisition Act, 2013, if the market value as determined under the Stamp Act is the highest of the other computed values, it will be binding. The theory of deduction as applied by the courts in determining the market value under the Acquisition Act, 1894, will not apply when determining compensation under Section 26(1) of the Acquisition Act, 2013. Thus, the judgments applying the theory of deduction under the Acquisition Act, 1894 do not have any precedential value under the Acquisition Act, 2013. The impugned

[6] Hereinafter, "Acquisition Act,1894".

judgment also refers to the Madhya Pradesh Preparation and Revision of Market Value Guideline Rules, 2018[7] for the procedure of calculating of the market value of land under the Stamp Act. Lastly, the High Court states that it has limited power and jurisdiction under Section 37 read with Section 34 of the Arbitration Act to interfere with the award passed by the Commissioner.

3. In order to answer the issue before us, we would first refer to the theory of deduction and the reasons for its application by this Court under the Acquisition Act, 1894.

4. To compute compensation under the Acquisition Act, 1894, the general threshold applied by the courts is to ascertain the market value of the acquired land. This also includes its potential value with reference to the conditions prevailing at the time of making a declaration under Section 4(1) of the Acquisition Act, 1894.[8] The International Valuation

[7] Hereinafter, "2018 Rules".

[8] **4. Publication of preliminary notification and powers of officers thereupon.**—(1) Whenever it appears to the appropriate Government that land in any locality is needed or is likely to be needed for any public purpose or for a company a notification to that effect shall be published in the Official Gazette and in two daily newspapers circulating in that locality of which at least one shall be in the regional language and the Collector shall cause public notice of the substance of such notification to be given at convenient places in the said locality (the last of the dates of such publication and the giving of such public notice, being hereinafter referred to as the date of publication of the notification).

Standards Council states that the market value of the land represents the estimated amount that a willing buyer would pay prudently to a willing seller in an arm's length transaction, without compulsion, on a particular valuation date.[9] This estimate includes characteristics unique to the land that would inflate or deflate its price but excludes special concessions or considerations granted by anyone associated with the sale. The buyer here refers to one who is motivated but is neither over-eager nor determined to buy irrespective of the price quoted. Similarly, the seller here is neither over-eager nor forced. Both parties are assumed to be conducting the transaction in keeping with market realities, rather than terms that are hypothetical or cannot be anticipated to exist. The factual circumstances of the parties are not part of this consideration.

5. In ***Smt. Tribeni Devi and Others*** v. ***Collector of Ranchi and Vice Versa***,[10] this Court acknowledged several methods for ascertaining the market value of land, such as – (i) the opinion of experts; (ii) the price paid in *bona fide* transactions for the purchase of adjacent lands

[9] International Valuation Standards Council, International Valuation Standards 2025, effective 31 January 2025.
[10] (1972) 1 SCC 480.

possessing similar advantages and disadvantages; and (iii) capitalization of the actual and immediate prospective annual profits from the land. However, this exercise must take into consideration subjective features and special circumstances. Land values vary based on their qualitative and quantitative attributes, location, proximity to developed land, potential, etc. The lack of reliable local sale data, coupled with variable land conditions, undermines accurate assessment. Nevertheless, framing objective standards can help arrive at an empirical value that most closely reflects the true market price.

6. The theory of deduction, though not statutorily prescribed, has been applied by courts to compute the compensation payable under the Acquisition Act, 1894 primarily for two reasons. First, consideration of the potential value of the land can result in arriving at an enhanced or increased value, especially for undeveloped lands. Secondly, in acquisitions of large underdeveloped lands, a significant portion of the land would have to be utilised for making minimum amenities like roads, drains, sewers, water and electrical lines available. Thus, making the land usable would involve a substantial expense for the buyer in the form of development charges.

7. The theory of deduction was applied in the case of ***Tribeni Devi*** (supra), which was decided in 1971. Recently, in a 2017 decision in ***Jag Mahender and Another*** v. ***State of Haryana and Others***[11] as well, the theory of deduction was applied to arrive at a fair and reasonable market value. This judgment also states that the prospective prices of smaller developed plots cannot be adopted to determine the value of underdeveloped tracts of land. Further, the peculiarities of the land – whether the same is plain or uneven, the soil is soft or hard, whether the land is situated on a hill or is low-lying, etc. are all relevant factors. A given parcel of land has multiple dimensions – social, economic, territorial, and environmental. Accordingly, the market value must be computed through a valuation model based on attribute pricing rather than fixed prices. In some cases, sale deeds for adjoining lands can be an 'exemplar', i.e., lands that are similarly placed and have comparable attributes. However, computation of the market value may require calibration, taking into consideration the advantages and disadvantages of the acquired land relative to the exemplars. The exemplars must be carefully chosen, especially as

[11] (2017) SCC Online SC 2160.

lands are often heuristically grouped in localities at the same rate due to a lack of specific data.

8. On the question of the quantum of deduction, in ***Jag Mahender*** (supra), this Court held that the computed value can be reduced by one-third to account for development charges, though in certain cases deduction up to 50% has also been allowed while applying the theory of deduction.[12] In ***Tribeni Devi*** (supra) this Court had deducted 33.3% towards the cost of development.

9. In ***Lal Chand*** v. ***Union of India and Another***,[13] this Court stated that 'fair deduction' for development has two components. First, the area required to be utilised for development, and second, the cost of such development. For instance, the Delhi Development Authority is required to utilise as much as 40% of the area in the layout for roads, drains, parks, playgrounds, civic amenities, community facilities, etc. The cost of developing an underdeveloped land into a developed layout is substantial and, in some cases, can be as much as 75% of

[12] *Haryana State Agricultural Market Board* v. *Krishan Kumar*, (2011) 15 SCC 297; *Dy. Director, Land Acquisition* v. *Malla Atchinaidu and Others*, (2006) 12 SCC 87; *Mummidi Apparao (DEAD) THROUGH LRS.* v. *Nagarjuna Fertilizers and Chemicals Limited and Another*, AIR 2009 SC 1506 and *Lal Chand* v. *Union of India*, (2009) 15 SCC 769.
[13] (2009) 15 SCC 769.

the cost of the developed plot. At the same time, it was observed that if the acquired land is in a semi-developed urban area and not in an underdeveloped rural area, the deduction for development would be minimal. Thus, the theory of deduction is fact and situation-specific.

10. This Court has also applied other principles, such as the "principle of belting", to arrive at an accurate market value. In ***Bijender and Others*** v. ***State of Haryana and Another***,[14] this Court observed that the principle of belting is a judicially accepted method for determining the market value of the acquired land fairly. It is applied when different parcels of land with different survey numbers, having different locations, are acquired and put together to form a large chunk of land. This large chunk cannot be taken as a compact block. The acquired land is usually divided into two or three belts depending upon the facts of each case. The market value of the front road abutting the main road is taken to fetch the maximum value whereas the second belt fetches lesser value and the third belt, if carved out, would command a value lower still.

[14] (2018) 11 SCC 180.

11. The decision in ***Lal Chand*** (supra) is relevant for another reason. It analyses whether the circle rates or guideline values fixed under the Stamp Act can be relied upon for computing the market value, which forms the basis for determining the compensation payable. It refers to a series of judgments, including ***Jawajee Nagnatham*** v. ***Revenue Divisional Officer, Adilabad, A.P. and Others***[15] and ***Krishi Utpadan Mandi Samiti. Sahaswan, District Badaun*** v. ***Bipin Kumar and Another***[16], which, *inter alia*, hold that the market value under Section 23 of the Land Acquisition Act, 1894 cannot be fixed solely on the basis of the rates mentioned in the basic valuation registers. These registers are maintained to curb the under-valuation of land, a practice adopted to evade the payment of proper stamp duty. ***Jawajee Nagnatham*** (supra) observes that the basic valuation register is maintained to ensure the collection of stamp duty under Section 47A of the Stamp Act, as amended in Andhra Pradesh. Section 47A confers no express power on the Government to determine the market value of land.

12. In its ratio, ***Lal Chand*** (supra) observes that the circle rate or guideline value rate can only be considered a *prima facie* basis for ascertaining

[15] (1994) 4 SCC 595.
[16] (2004) 2 SCC 283.

the market value. The purpose of determination of circle rates through the relevant guidelines is to protect the State's revenue collection. The judgment in ***Lal Chand*** (supra) also refers to ***R. Sai Bharathi*** v. ***J. Jayalalitha and Others***,[17] a case pertaining to the Prevention of Corruption Act, 1988, wherein this Court observes that circle or guideline rates fixed by the authorities under the Stamp Act are merely *prima facie* rates prevailing in the area and are not final and determinative. Thus, the guideline or circle rate fixed by the Collector does not take away the right of a person to show that the property in question is correctly valued. It is open, both to the registering authority as well as the person seeking registration, to prove the actual market value of the land/property before the authorities.

13. ***Lal Chand*** (supra) also draws a distinction between guideline values prescribed by non-statutory valuation registers, and circle rates determined by expert committees constituted under the Stamp Act. State legislations can lay down a detailed procedure, assigning the task of valuation to expert committees. The expert committees comprise valuation specialists and officers from the Departments of

[17] (2004) 2 SCC 9.

Revenue, Survey and Settlement, Public Works, etc. They must follow a scientific process for the assessment of market values of different types of lands. The valuation framework must prescribe distinct methods for valuing land, plots, houses, and buildings, accounting for variable factors. For agricultural land, such variables would include the nature of the soil, location, nature of the crop, the yield for specified years, proximity to roads, markets, etc. The valuation committees are required to invite objections and suggestions from the public both before the initial fixation of rates and during their periodic revision. Circle rates computed through a detailed and scientific exercise would be a relevant piece of evidence for determining the market value, being equivalent to expert evidence.

14. As observed above, to account for the unique factors affecting a piece of land, methods such as the comparative sale/exemplar method, belting method and expert opinion method have been evolved through judicial pronouncements to arrive at the accurate market value. The computation of circle rates and market values is a complex exercise that involves detailed research, data collection, and the use of scientific methods. International standards reflect this complexity, noting that the concept of market value takes on different colours depending on the

subject to which it is applied.[18] For example, the valuation of land involves entirely different considerations from the valuation of financial instruments. These standards also recognise the wide range of variables that influence land valuation specifically, and the need for distinct approaches to determine accurate market value. Authorities and institutions must be cognizant of these aspects while forming policies, as well as when giving meaning to legislation and interpreting the law.

15. We now turn our attention to the statutory provisions of the Acquisition Act, 1894 and the Acquisition Act, 2013. At the outset, we must observe that the impugned judgment primarily refers to Section 23 of the Acquisition Act, 1894 and Section 26 of the Acquisition Act, 2013 and draws a distinction between the language of the two sections. However, to address the issue before us, we must refer to a few other provisions as well. We would like to refer to Sections 11, 15, 24 and 25 in addition to Section 23 of the Acquisition Act, 1894. For the Acquisition Act, 2013, we would like to refer to Sections 23, 27 and 28 in addition to Section 26. However, for clarity, we have juxtaposed

[18] *Supra* note 10.

Section 28 of the Acquisition Act, 2013 with Section 23 of the Acquisition Act, 1894 as they are similar, and Section 27 of the Acquisition Act, 2013 with Section 25 of the Acquisition Act, 1894.

1894 Act	**2013 Act**
11. Enquiry and award by Collector.— (1) On the day so fixed, or on any other day to which the enquiry has been adjourned, the Collector shall proceed to enquire into the objection (if any) which any person interested has stated pursuant to a notice given under section 9 to the measurements made under section 8, and into the value of the land at the date of the publication of the notification under section 4, sub-section (1), and into the respective interests of the persons claiming the compensation and shall make an award under his hand of- (i) the true area of the land; (ii) the compensation which in his opinion should be allowed for the land; and (iii) the apportionment of the said compensation among all the persons known or believed to be interested in the land, or whom, or of whose claims, he has information, whether or not they have respectively appeared before him: Provided that no award shall be made by the Collector under this sub-section without the previous approval of the appropriate Government or of such officer as the appropriate	**23. Enquiry and land acquisition award by Collector**.— On the day so fixed, or on any other day to which the enquiry has been adjourned, the Collector shall proceed to enquire into the objections (if any) which any person interested has stated pursuant to a notice given under Section 21, to the measurements made under Section 20, and into the value of the land at the date of the publication of the notification, and into the respective interests of the persons claiming the compensation and rehabilitation and resettlement, shall make an award under his hand of— (a) the true area of the land; (b) the compensation as determined under Section 27 along with Rehabilitation and Resettlement award as determined under Section 31 and which in his opinion should be allowed for the land; and (c) the apportionment of the said compensation among all the persons known or believed to be interested in the land, or whom, or of whose claims, he has information, whether or not they have respectively appeared before him.

Government may authorize in this behalf: Provided further that it shall be competent for the appropriate Government to direct that the Collector may make such award without such approval in such class of cases as the appropriate Government may specify in this behalf. (2) Notwithstanding anything contained in sub-section (1), if at any stage of the proceedings, the Collector is satisfied that all the persons interested in the land who appeared before him have agreed in writing on the matters to be included in the award of the Collector in the form prescribed by rules made by the appropriate Government, he may, without making further enquiry, make an award according to the terms of such agreement. (3) The determination of compensation for any land under sub-section (2) shall not in any way affect the determination of compensation in respect of other lands in the same locality or elsewhere in accordance with the other provisions of this Act. (4) Notwithstanding anything contained in the Registration Act, 1908 (16 of 1908), no agreement made under subsection (2) shall be liable to registration under that Act.	
15. Matters to be considered and neglected.— In determining the amount of compensation, the collector shall be guided by the provisions contained in section 23 and 24.	**26. Determination of market value of land by Collector**.— (1) The Collector shall adopt the following criteria in assessing and determining the market value of the land, namely:—

	(a) the market value, if any, specified in the Indian Stamp Act, 1899 (2 of 1899) for the registration of sale deeds or agreements to sell, as the case may be, in the area, where the land is situated; or (b) the average sale price for similar type of land situated in the nearest village or nearest vicinity area; or (c) consented amount of compensation as agreed upon under sub-section (2) of Section 2 in case of acquisition of lands for private companies or for public private partnership projects, whichever is higher: Provided that the date for determination of market value shall be the date on which the notification has been issued under Section 11. *Explanation* 1.—The average sale price referred to in clause (*b*) shall be determined taking into account the sale deeds or the agreements to sell registered for similar type of area in the near village or near vicinity area during immediately preceding three years of the year in which such acquisition of land is proposed to be made. *Explanation* 2.—For determining the average sale price referred to in Explanation 1, one-half of the total number of sale deeds or the agreements to sell in which the highest sale price has been mentioned shall be taken into account. *Explanation* 3.—While determining the market value under this section and the average sale price referred to in Explanation 1 or Explanation 2, any price paid as compensation for land

	acquired under the provisions of this Act on an earlier occasion in the district shall not be taken into consideration. *Explanation* 4.—While determining the market value under this section and the average sale price referred to in Explanation 1 or Explanation 2, any price paid, which in the opinion of the Collector is not indicative of actual prevailing market value may be discounted for the purposes of calculating market value. (2) The market value calculated as per sub-section (1) shall be multiplied by a factor to be specified in the First Schedule. (3) Where the market value under sub-section (1) or sub-section (2) cannot be determined for the reason that— (a) the land is situated in such area where the transactions in land are restricted by or under any other law for the time being in force in that area; or (b) the registered sale deeds or agreements to sell as mentioned in clause (*a*) of sub-section (1) for similar land are not available for the immediately preceding three years; or (c) the market value has not been specified under the Indian Stamp Act, 1899 (2 of 1899) by the appropriate authority, the State Government concerned shall specify the floor price or minimum price per unit area of the said land based on the price calculated in the manner specified in sub-section (1) in respect of similar types of land situated in the immediate adjoining areas:

	Provided that in a case where the Requiring Body offers its shares to the owners of the lands (whose lands have been acquired) as a part compensation, for acquisition of land, such shares in no case shall exceed twenty-five per cent of the value so calculated under sub-section (1) or sub-section (2) or sub-section (3) as the case may be: Provided further that the Requiring Body shall in no case compel any owner of the land (whose land has been acquired) to take its shares, the value of which is deductible in the value of the land calculated under sub-section (1): Provided also that the Collector shall, before initiation of any land acquisition proceedings in any area, take all necessary steps to revise and update the market value of the land on the basis of the prevalent market rate in that area: Provided also that the appropriate Government shall ensure that the market value determined for acquisition of any land or property of an educational institution established and administered by a religious or linguistic minority shall be such as would not restrict or abrogate the right to establish and administer educational institutions of their choice.
23. Matters to be considered on determining compensation.— (1) In determining the amount of compensation to be awarded for land acquired under this Act, the Court shall take into consideration first, the market-value of the land at the date of the publication of the	**28. Parameters to be considered by Collector in determination of award**.— In determining the amount of compensation to be awarded for land acquired under this Act, the Collector shall take into consideration— *firstly*, the market value as determined under Section 26 and the award

[notification under section 4, sub-section (1)];	amount in accordance with the First and Second Schedules;
secondly, the damage sustained by the person interested, by reason of the taking of any standing crops trees which may be on the land at the time of the Collector's taking possession thereof;	*secondly*, the damage sustained by the person interested, by reason of the taking of any standing crops and trees which may be on the land at the time of the Collector's taking possession thereof;
thirdly, the damage (if any) sustained by the person interested, at the time of the Collector's taking possession of the land, by reason of serving such land from his other land;	*thirdly*, the damage (if any) sustained by the person interested, at the time of the Collector's taking possession of the land, by reason of severing such land from his other land;
fourthly, the damage (if any) sustained by the person interested, at the time of the Collector's taking possession of the land, by reason of the acquisition injuriously affecting his other property, movable or immovable, in any other manner, or his earnings;	*fourthly*, the damage (if any) sustained by the person interested, at the time of the Collector's taking possession of the land, by reason of the acquisition injuriously affecting his other property, movable or immovable, in any other manner, or his earnings;
fifthly, in consequence of the acquisition of the land by the Collector, the person interested is compelled to change his residence or place of business, the reasonable expenses (if any) incidental to such change, and	*fifthly*, in consequence of the acquisition of the land by the Collector, the person interested is compelled to change his residence or place of business, the reasonable expenses (if any) incidental to such change;
sixthly, the damage (if any) bona fide resulting from diminution of the profits of the land between the time of the publication of the declaration under section 6 and the time of the Collector's taking possession of the land.	*sixthly*, the damage (if any) bona fide resulting from diminution of the profits of the land between the time of the publication of the declaration under Section 19 and the time of the Collector's taking possession of the land; and
(1A) In addition to the market value of the land, as above provided, the Court shall in every case award an amount calculated at the rate of twelve per centum per annum on such market	*seventhly*, any other ground which may be in the interest of equity, justice and beneficial to the affected families

value for the period commencing on and from the date of the publication of the notification under section 4, sub-section (1), in respect of such land to the date of the award of the Collector or the date of taking possession of the land, whichever is earlier. *Explanation*. - In computing the period referred to in this sub-section, any period or periods during which the proceedings for the acquisition of the land were held up on account of any stay or injunction by the order of any Court shall be excluded. (2) In addition to the market value of the land as above provided, the Court shall in every case award a sum of [thirty per centum] on such market value, in consideration of the compulsory nature of the acquisition.	
24. Matters to be neglected in determining compensation. - But the Court shall not take into consideration— first, the degree of urgency which has led to the acquisition; secondly, any disinclination of the person interested to part with the land acquired; thirdly, any damage sustained by him which, if caused by a private person, would not render such person liable to a suit; fourthly, any damage which is likely to be caused to the land acquired, after the date of the publication of the declaration under section 6, by or in consequence of the use to which it will be put;	

fifthly, any increase to the value of the land acquired likely to accrue from the use to which it will be put when acquired; sixthly, any increase to the value of the other land of the person interested likely to accrue from the use to which the land acquired will be put; seventhly, any outlay or improvements on, or disposal of the land acquired, commenced, made or effected without the sanction of the Collector after the date of the publication of the [notification under section 4, sub-section (1); or eighthly, any increase to the value of the land on account of its being put to any use, which is forbidden by law or opposed to public policy.	
25. Amount of compensation awarded by Court not to be lower than the amount awarded by the Collector.— The amount of compensation awarded by the Court shall not be less than the amount awarded by the Collector under section 11.	**27. Determination of amount of compensation**.—The Collector having determined the market value of the land to be acquired shall calculate the total amount of compensation to be paid to the land owner (whose land has been acquired) by including all assets attached to the land.

16. Under the Land Acquisition Act, 1894, Section 11 deals with enquiry and the award of the Collector. The award should state (i) the true area of the land; (ii) the compensation which in the Collector's opinion should be allowed for the land; and (iii) the apportionment of the compensation among interested persons. Section 15 states that in

determining the amount of compensation, the Collector shall be guided by the factors stated in Sections 23 and 24. Section 23 sets out the factors that must be considered while determining the amount of compensation. The first factor specified is the market value of the land, which must be determined as on the date of publication of the notification under Section 4(1) of the Acquisition Act, 1894. For the present decision, we need not refer to the other clauses, except noting that they deal with relevant aspects for determining compensation, such as the damage sustained by the owner, payment of solatium for compulsory acquisitions, etc. Section 24 lists the factors to be ignored while calculating the compensation. These include urgency, unwillingness to part with the land, or any such damage that would not be actionable if caused by a private person. It also excludes any outlay, improvements, or sale made without the Collector's approval after publication of the notification under Section 4(1). Increases in value due to unlawful use of the land are also to be ignored. Section 25 states that the amount of compensation awarded by the court cannot be less than the compensation awarded by the Collector under Section 11.

17. Under the Acquisition Act, 2013, Section 23 states that after conducting an enquiry into the objections raised by interested persons, the

Collector shall make an award as to (i) the true area of the land; (ii) the compensation determined under Section 27, along with the Rehabilitation and Resettlement Award as per Section 31 of the Acquisition Act, 2013, and which in the Collector's opinion should be allowed for the land; and (iii) the apportionment of the said compensation among interested persons. In particular, the appellant, Madhya Pradesh Road Development Corporation, relies upon the expression "which in his (Collector's) opinion should be allowed for the land" under Section 23(b), referring to the compensation under Section 27 and Section 31 of the Acquisition Act, 2013. We will elaborate on this submission subsequently.

18. Section 26 deals with the determination of the market value of the land by the Collector. Sub-section (1) to Section 26 consists of three Clauses, (a), (b) and (c), each prescribing a criterion or standard for assessing the market value. Clause (a) prescribes the consideration of the market value specified in the Stamp Act for the registration of agreements/sale deeds in the area where the concerned land is situated.

19. Clause (b) to Section 26(1) requires the Collector to consider the average sale price for similar types of land situated in the nearest village or the nearest vicinity. This test of average sale price is similar to the exemplar test which is adopted and applied in cases of acquisition under the Land Acquisition Act, 1894, but with modifications in terms of Explanations 1 to 4. Computation under Clause (b) is in relative terms. Therefore, while drawing a comparison with the average price of the other lands under Clause (b), the Collector must consider all such factors that have been held to be relevant for accurate valuation by this Court. These include the theory of deduction, the principle of belting, and accounting for other advantages or disadvantages of the acquired land, in comparison to the lands existing in the same vicinity.

20. Clause (c) to Section 26(1) of the Acquisition Act, 2013 requires the Collector to take into consideration the amount of compensation agreed upon by the parties under Section 2(2) of the Acquisition Act, 2013 in cases involving the acquisition of land for private companies or public-private partnership projects. These agreements are entered

into voluntarily, based upon consent terms, and reflect the market value as settled *inter se* the parties.

21. It is important to note that the values computed in terms of Clauses (a), (b) and (c) of Section 26(1) of the Acquisition Act, 2013 are not to be averaged. The highest of the values as determined by Clauses (a), (b) and (c), is to be treated as the market value under Section 26(1) of the Acquisition Act, 2013.

22. There are four Explanations to Section 26(1) of the Acquisition Act, 2013. Explanations can form part of the main provision and, when so, can be as central as the provision itself. This Court in ***The Bengal Immunity Co. Ltd.*** v. ***State of Bihar and Others***[19] stated that an explanation appended to a Section or Clause gets incorporated into it, becomes an integral part of it, and has no independent existence apart from it. There is, in the eye of law, only one enactment, of which both the Section and the Explanation are two inseparable parts. They move in a body if they move at all. Similarly, in ***Coromandel Fertilizers Ltd.*** v. ***Union of India and Others***,[20] this Court, in the context of an

[19] AIR 1955 SC 661.
[20] 1984 Supp SCC 457.

Explanation attached to a notification, observed that the notification/provision has to be read as a whole and should not be construed in terms that are contrary to the main provision. Explanations to Section 26(1) are equally important as the main provision. Apart from clarifying the procedure under Clauses (a), (b) and (c), the Explanations also confer and refer to the discretion which the Collector may exercise in determining the market value of the acquired land. Thus, while the statutory language makes the procedure under Clauses (a), (b) and (c) mandatory, the value as computed according to the Explanations can be increased, decreased or even discarded.

23. Explanation 1 states that the determination of the average sale price under Clause (b) must be based on sale deeds or agreements to sell registered for similar type of lands in the same vicinity, during the immediately preceding three years from the year in which acquisition was proposed. Thus, transactions older than three years would be excluded. Explanation 2 states that to determine the average sale price under Explanation 1, one-half of the total sale deeds or agreements to sell in which the highest sale price is mentioned, shall be taken into account. This also implies that there should be multiple deeds available

for reference. Singular deals may not supply adequate and reliable data. Explanation 3 states that while determining the market value under Section 26 and the average sale price referred to in Explanation 1 or 2, the price paid as compensation for land acquired under the provisions of this Act on an earlier occasion in the district, shall not be taken into consideration. Thus, referring to compensation paid for an earlier acquisition in the concerned district is expressly barred.

24. Explanation 4 requires specific attention, as it brings the element of discretion while computing the market value under Section 26(1) to the forefront. Explanation 4 is divided into two parts. The first part refers to sub-section (1) to Section 26 – the higher value determined as per Clauses (a), (b) and (c) of Section 26(1) of the Acquisition Act, 2013. The second part is specific to the average sale price referred to in Clause (b) to Section 26(1) read with Explanations 1 and 2. In either case, where the Collector is of the opinion that the value/price computed by applying these provisions is not indicative of the actual prevailing market value, they may discount or enhance it to arrive at the accurate market value.

25. Explanation 4 uses the word “and” in conjoining the values referred to in the two parts of the Explanation. This is done to expand the scope of application of the Collector’s discretion to the entire provision, as is also evident from the phrase “while determining the market value under this section”. The discretion should not be interpreted as restricting the discretion to only the average sale price under Explanations 1 and 2. The two parts must be given a disjunctive reading, attracting the application of Explanation 4 when either of the values does not reflect the actual market value. Thus, though the word “and” is used to connect the two parts, it should be read as “or” to effectuate the legislative intent.[21]

26. This interpretation is also supported by the use of the same phrase in both Explanations 3 and 4. The first part of Explanation 3, which refers to determining the market value under this Section, will apply with equal vigour to both Clauses (b) and (c) of Section 26(1) of the Acquisition Act, 2013. The latter part of Explanation 3 – as in the case

[21] *Maharishi Mahesh Yogi Vedic Vishwavidyalaya* v. *State of Madhya Pradesh and Others*, (2013) 15 SCC 677. See also, Justice G. P. Singh, Principles of Statutory Interpretation, 14th Edition., 530-534.

of Explanation 4, which refers to Explanations 1 and 2 – will specifically apply to Clause (b).

27. Under Explanation 4, the formation of the Collector's opinion and any discounting or enhancing of the value must be supported by recorded reasons. At this stage, if the Collector chooses to make adjustments to the market value under Explanation 4, the theory of deduction, the principle of belting and other material factors will also be taken into account. The reason for this is two-fold. First, because the calculation of accurate market value is not an exact science, and therefore the Collector must be mindful of the unique factors which affect the valuation of a piece of land. Secondly, apart from Clause (b) to Section 26(1), the mandatory procedure of computation under the other two Clauses, (a) and (c), does not take into account these theories and factors, which may result in inaccuracy. Though not determinative in the facts of the present case, a contrary interpretation may cause injustice to the landowners in many situations.

28. Sub-section (2) to Section 26 provides that the market value computed under sub-section (1), including any adjustment under Explanation 4,

shall be multiplied by the factors set out in the First Schedule of the Acquisition Act, 2013.

29. Sub-section (3) to Section 26 applies when the market value cannot be determined under sub-sections (1) and (2) for the three reasons stated in Clauses (a), (b) and (c) to Section 26(3) – (a) when land transactions in the area are restricted by or under any law for the time being in force; (b) if registered sale deeds and agreements to sell for similar lands are not available for the preceding three years as required by Clause (b) to sub-section (1); and (c) when the market value has not been specified under the Stamp Act by the appropriate authority. In the statutory language of Clause (b) to Section 26(3), reference to Clause (a) to Section 26(1) appears to be in error. The consideration of sale deeds or agreements to sell from the preceding three years, as required by Explanation 1 to Section 26(1) is for calculating the average sale price under Clause (b) to Section 26(1) and not Clause (a) to Section 26(1).

30. If any of the three situations stated in Clauses (a) to (c) to Section 26(3) are attracted, the State Government is required to specify the floor price per unit area for the land. This floor price must be based on the

price of similar types of land situated in the immediately adjoining areas, calculated according to the procedure under Section 26(1). We are not concerned and need not interpret the first proviso or the second proviso. The third proviso states that the Collector, before initiating a land acquisition process in any area, shall take all necessary steps to revise and update the market value on the basis of the prevalent market rate in that area.

31. Section 27 relates to the determination of the amount of compensation. The Collector having determined the market value of the land under Section 26, has to calculate the amount of compensation to be paid to the land owner, as mandated in terms of Section 23 of the Acquisition Act, 2013. While Section 26(1) of the Acquisition Act, 2013 uses the word “criteria” for computing the highest value under Clauses (a) to (c), and mandates that the exercise is undertaken applying the four Explanations, the final determination vests with the Collector under Section 27 of the Acquisition Act, 2013. This is also evident from the language of Section 26(1) as well as Section 23(b), which use the expression “which in his (Collector’s) opinion should be allowed for the land.”

32. Section 28 sets out the parameters to be considered by the Collector in determining the award. It refers to seven factors for computing the amount payable as compensation. The very first factor is the market value as determined under Section 26, and the award amount computed in accordance with the First and the Second Schedules to the Acquisition Act, 2013. Other clauses cover damage sustained due to factors such as loss of standing crops or trees, severance of land, adverse effects on other property, loss of income, and costs or losses from change in residence or place of business. Losses, if any, *bona fide* resulting from the diminution of the profits are also to be accounted for. The seventh ground is particularly important. It states that the Collector can take into consideration any other ground which may be in the interest of equity, justice and beneficial to the affected families. This clause will not apply to reduce the market value of land determined under Section 26, but the Collector can apply it to enhance the market value in the interest of equity and justice if it is beneficial to the affected families.

33. During the course of the hearing before us, our attention was drawn to the process of fixing circle rates in the State of Madhya Pradesh. The State of Madhya Pradesh formulated the Madhya Pradesh Preparation

and Revision of Market Value Guideline Rules, 2000, in accordance with the powers conferred by the Stamp Act, which now stand revised as the 2018 Rules. The Collector's Guidelines dated 03.03.2014, formed under these rules, have been relied upon by the competent authority to determine the market value.

34. The impugned judgment refers to the revised 2018 Rules applicable to the State of Madhya Pradesh and has quoted Rule 6, which reads as under:

> "***Procedure to prepare Market Value Guideline***– While working out the values of immovable property, the committees shall take into account the following facts:-
>
> (1) *The case of lands*:-
>
> (a) classification of land as unirrigated or irrigated, diverted or non-diverted and the like;
> (b) classification under various categories in the settlements register;
> (c) the rate of revenue assessments for each classification;
> (d) other factors which influence the valuation of the land in question;
> (e) points, if any, mentioned by the parties to the instrument or any other person which required special consideration;
> (f) value of adjacent land or lands in vicinity;
> (g) average yield from the land, proximity to road and market, distance from village site, level of land transport facilities, facilities available for irrigation in any form;

(h) the nature of Crops raised on the land;
(i) Use of land as residential, commercial or industrial;
(j) the relative position of urban area and investment area or development of the town.

(2) *In case of house sites*:-

(a) The general value of house sites in locality;
(b) Proximity to roads, railway stations, bus routes;
(c) Proximity to market, shop and the like;
(d) Amenities available in the place like, Public Offices, Hospitals and Educational Institutes;
(e) Development activities, industrial improvements in the vicinity;
(f) Any special feature having a special bearing on the valuation of the site; and
(g) Commercialization of home location and affiliation of these with reserved area by master plan or town and country planning.

(3) *In case of buildings*:-

(a) type and structure,
(b) locality in which constructed,
(c) plinth area,
(d) year of construction,
(e) kind of material used,
(f) rate of depreciation,
(g) fluctuation in rates,
(h) any special feature having a special bearing on the valuation of the site;
(i) the purpose for which the building is being used, and the income, if any, by way of rent per annum secured on the building; and
(j) relative position and reputation of the area where the building is located.

(4) *Other factors which the Committee considers necessary*."

The factors noted above are relevant for computation and fixing the circle rates.

35. In the last few decades, the Union of India and the State Governments have laid emphasis on enhancing the ease of living and doing business. Fixing fair and accurate circle rates has a direct impact on each citizen. An inflated rate results in an unfair financial burden on purchasers. Conversely, an undervalued rate leads to inadequate stamp duty collection, adversely affecting the State's revenue. Circle rates which reflect the market price ensure proper revenue collection for the State by preventing under-valuation of properties.

36. Sections 43CA, 45, 49, 50C, and 55 of the Income Tax Act, 1961[22] refer to circle rates, incorporating the stamp duty value of assets. We need not, for the purpose of the present decision, interpret the aforesaid sections. However, we have referred to these provisions to point out the significance and importance of circle rates for the direct tax administration as well. The Central Government had to amend the Income Tax Act when it was noticed that the circle rates at times in

[22] Hereinafter, "Income Tax Act".

certain localities were higher than the prevailing market value. Accordingly, the safe harbour rule under the Income Tax Act was amended and the limit was enhanced to 10% from 5%.[23] Circle rates often become a politically and economically contentious issue. This is reflected in the frequent litigations across various jurisdictions, which discuss the circle rates applicable to properties.[24]

37. Circle rates, when determined while accounting for factors that cause variations in the market price of land, can facilitate predictability in transactions and curtail litigation. The standardized circle rates should be fixed at the floor or baseline price, as it would be grossly unfair to ask the public to pay stamp duty on over-valued circle rates.

38. It would be advisable that the circle rates be fixed by expert committees, which not only have officers from the government but also other specialists who understand the market conditions. Methodically and scientifically fixed circle rates can contribute to strengthening the economy and boosting tax collections. While serving the interests of

[23] See Section 43CA of the Income Tax Act.
[24] See also *Govt of NCT of Delhi Collectors of Stamps* v. *CTA Apparels Pvt. Ltd.*, LPA 278/2019 (High Court of Delhi); *Sameer Vasudev Morajkar and Another* v. *State of Goa*, 2024 SCC OnLine Bom 303 (High Court of Bombay); *Narendra Kumar Berlia and Others* v. *Om Prakash Berlia and Others*, 2021 SCC OnLine Cal 2667 (Calcutta High Court); *K. Natarajan* v. *District Collector and Another*, 2019 SCC OnLine Mad 26166 (Madras High Court).

honest taxpayers, accurate circle rates would simultaneously deter non-compliant taxpayers by preventing under-valuation. Rational and fair circle rates reflect and are a prerequisite for good governance.[25] Given the financial implications of fixation of circle rates on each member of the society, the data and details for computation of circle rates should be made public.[26] Regrettably, proper fixation of circle rates has not received adequate attention from public authorities.

39. The 2018 Rules framed by the State of Madhya Pradesh attempt to comprehensively address the variable factors that influence the price of land, and, therefore, lay the foundation for a more accurate valuation of land prices. In our opinion, other State Governments would also be well advised in formulating guidelines that can act as a ready reference for determining and revising circle rates regularly, in order for them to reflect market realities.

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[25] Germany, like India, uses reference values to compute the market value of a property. This task is undertaken by expert committees in the relevant area, and they are required to update the values every two years. These expert committees are neutral and independent from the public authorities. Reference values for various localities are also published online for public access. Regular revisions and transparency have facilitated the reduction of market volatility in Germany. Public knowledge of the variables affecting property value has increased predictability and created a more stable land market.

[26] We wish to clarify that our reasons should not be read as a bar or prohibition on the Central Government/local authorities from changing the circle rates as fixed by the State Government, when they are not in accord with the market rate of the acquired land.

40. We now proceed to apply the above analysis to the facts of the present case, which is an acquisition under the Acquisition Act, 2013. To determine the compensation, the market value of the land must first be computed under Section 26 of the Acquisition Act, 2013. This requires the application of Clauses (a), (b), and (c) of Section 26(1). Clause (b) would have no application in the present case as there are no exemplars in the vicinity to draw a comparison and arrive at the average sale price in terms of Explanations 1 and 2 to Section 26(1). Further, as this acquisition does not involve private companies or public-private partnerships, Clause (c) would also not apply. Therefore, the highest value would be the one determined under Clause (a), i.e., the market value specified under the Stamp Act. In the present case, this value would be the circle rate fixed for the year 2014-2015 under the Collector's Guidelines framed under the Stamp Act. The Commissioner has applied the Collector's Guidelines by using the rate provided for non-converted agricultural land. The Commissioner has further supplemented this amount by accounting for the assets attached to the land and adding the solatium payable.

41. In view of the above-stated reasons, we hold that the compensation has been calculated in accordance with the mandate of the Acquisition

Act, 2013. Thus, no reduction in the amount can be granted by applying the theory of deduction. It has been left to the Collector's discretion to make adjustments to the market value determined through Section 26(1), if deemed necessary in the opinion of the Collector. In the facts of the present case, there was no such formation of opinion by the Competent Authority or the Commissioner.

42. In the absence of any material to support the same, we cannot accept the argument advanced by the appellant, Madhya Pradesh Road Development Corporation, that this circle rate is not the baseline or floor rate, and is too high. Concerned authorities should fix circle rates scientifically and in accordance with the law. It is their responsibility to ensure that circle rates are neither inflated nor disproportionately low. When the citizens are required to pay stamp duty on the notified circle rate, the public authorities, including state development corporations acquiring land from private individuals, must adhere to the same. We do not appreciate the appellant, Madhya Pradesh Road Development Corporation complaining about the circle rate fixed by the State Government. If the circle rate is inflated or does not reflect the true market value, it is incumbent upon the State Government to take corrective steps. The State Government or the development

corporation under the State Government cannot complain that they have been compelled to acquire land at the circle rate fixed by the State.

43. Thus, while we disagree with the ratio and the reasoning of the High Court, albeit for the reasons and findings recorded above, we uphold the computation in the award passed by the Commissioner directing payment of compensation on the basis of the circle rate. The appeals filed by the appellant, Madhya Pradesh Road Development Corporation, are accordingly, dismissed. There will be no order as to costs.

.....CJI.
(SANJIV KHANNA)

.....J.
(SANJAY KUMAR)

NEW DELHI;
MARCH 27, 2025.