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The scheme of the Income Tax Act, 1961 levies tax on income received from salaries, house property, profits and gains from the business or profession, capital gains and income from other sources. In the rapidly advancing Indian economy, development continues to be witnessed in all sectors leading to the simultaneous increase in possibility of tax levy and collection. Redevelopment activities associated with the construction sector is one such promising area where significant development is extant. During the process of redevelopment, in order to compensate the respective owners from the hardships and difficulties faced, monetary sum in the form of hardship compensation is given. The Income Tax Department continues to make additions against Assesseees on the hardship compensation amount received by them during redevelopment of their residential premises even though few judgments on the issue have already settled the position. Therefore, this article is aimed at analysing the Income Ta.....