



Landmark Judgement

“No Tax on Compensation Received from Compulsory Acquisition of Land...”

In a very recent judgement, the Federal Court has ruled that the compensation received from compulsory acquisition of land should not be subject to income tax.

In light of the above, there is a need to re-examine the impact of the above ruling on taxpayers who had paid income tax on such compensation in the past, as stipulated under Section 4C of the Income Tax Act 1967 (“ITA”).

Section 4C of the ITA states –

For the purpose of paragraph 4(a) of the Act, gains or profits from a business shall include an amount receivable arising from stock in trade parted with by any element of compulsion including on requisition or compulsory acquisition or in a similar manner.

continued...

In this recent judgement, the Federal Court has ruled that the above Section 4C of the ITA is unconstitutional as it contravenes Article 13(2) of the Federal Constitution and that the imposition of income tax would reduce the amount of compensation the landowner was entitled to receive. Prior to the year 2014, i.e. before the introduction of Section 4C of the ITA, compensation received from compulsory acquisition was not subject to income tax and was the subject of several tax disputes.

The above ruling by the Federal Court would be a matter of interest to taxpayers, particularly property developers and landowners, who had their land compulsorily acquired by the relevant Government authorities and were subjected to income tax on such compensation received.

If your company has been impacted in the past as a result of taxation on such compensation received, do contact our Mr Anand Chelliah or Mr Marcus Tan. We would be more than pleased to assist and advise on how we can take your case forward and what remedies may be available on past assessments raised.



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