IN THE HIGH COURT OF JUDICATURE AT MADRAS

RESERVED ON : 14.07.2026
DELIVERED ON : 23.07.2026

CORAM :

THE HONOURABLE MR. SUSHRUT ARVIND DHARMADHIKARI,
CHIEF JUSTICE
AND
THE HONOURABLE MR.JUSTICE G.ARUL MURUGAN

W.A.Nos.1551, 2017 and 2019 of 2026
and CMP Nos.14522, 17528, 17533 and 17525 of 2026

1. The State of Tamil Nadu
   Rep by its secretary to Government,
   Highways Department, Fort St. George,
   Chennai-600 009.

2. The Principal Secretary/
   Commissioner of Land Administration,
   Land Administration Department,
   Chepauk, Chennai-600 005.

3. The Sepcial Deputy Collector, (Land Acquisition)
   Tamil Nadu Urban Development Project-III,
   Alandur, Chennai-600 016.

4. The Special District Revenue Officer
   Land Acquisition, Highways Department,
   Alandur, Chennai-600 016.

Appellant(s)

Vs

M.Manickam
S/o.Mahalingam,
No.134/137,St.Marys Road,
Alwarpet, Chennai-600018

Respondent(s)
in W.A.No.1551/2026

M. Balasubramaniam
S/o.N.Mahalingam,
No.134/137, St.Marys Road,
Alwarpet, Chennai-600018

Respondent(s)
in W.A.No.2017/2026

Karunambal Vanavarayar
W/o.Krishnaraj Vanavarayar,
D/o.Dr.N.Mahalingam,
No.134/137, St. Marys Road,
Alwarpet, Chennai-600018.

Respondent(s)
in W.A.No.2019/2026

PRAYER: Appeals filed under Clause 15 of the Letters Patent to set aside the common order dated 30.07.2025 passed by the learned Single Judge in made in WP Nos.16342, 16343 and 16345 of 2021.

For Appellant(s) in all appeals: Mr.T.Gowthaman
Additional Advocate General
Assisted by Mr.R.Veeramani
Government Pleader

For Respondent(s): Mr.AR.L.Sundaresan
Senior Counsel
for Mr. AR.Karthik Lakshmanan
for Respondent in W.A.No.1551/2026

Mrs.A.L.Ganthimathi
Senior Counsel
for Ms.R.Priyadharshini
for Respondent in W.A.No.2017/2026

Mr.Srinath Sridevan
Senior Counsel
assisted by Mr.L.Palanimuthu
for Respondent in W.A.No.2019/2026

COMMON JUDGMENT

THE CHIEF JUSTICE

These three interconnected writ appeals are directed against the common order dated 30.7.2025 passed by the learned Single Judge in W.P.Nos.16342, 16343 and 16345 of 2021. The learned Single Judge had quashed Award No.1 of 2020, dated 23.11.2020, to the limited extent that the appellants had applied a blanket 33.33% deduction towards "development charges" from the market value determined for the lands of the respondents.

2. The lands in question measuring 5,450 sq.m (S.No.406/80B), 6,500 sq.m (S.No. 406/79B), and 5,700 sq.m (S.No.406/78B) situated at Okkiyam - Thorapakkam Village, Sholinganallur Taluk, were acquired under the Tamil Nadu Highways Act, 2001 [the Act], for the specific public project of forming a link road and constructing a bridge across the Buckingham Canal to connect Rajiv Gandhi Salai (OMR) at Neelankarai.

3. Learned Additional Advocate General vehemently

challenged the Single Judge's order on the following grounds:

(a) While zero deduction is the rule for previously approved or fully developed layouts, the lands in question are unapproved and, therefore, development charges are liable to be deducted.

(b) The appellants acted in compliance with the guidelines issued by the Commissioner of Land Administration dated 23.5.2020, 16.10.2020 and 6.1.2021. Since these administrative circulars were never challenged by the writ petitioners, the statutory deduction remains valid.

(c) The Act provides an explicit statutory mechanism for references to a Civil Court. Aggrieved individuals seeking higher compensation must invoke this reference pathway rather than approaching the Writ Court.

(d) A linear acquisition is strictly confined to the simple widening or expansion of an existing roadway. The present project involves building a new link road and bridge and, therefore, the standard "linear acquisition exception" does not apply.

4. Learned Senior Counsel appearing on behalf of the respondents, in unison, countered the aforesaid submissions with the following points:

(a) The impugned order explicitly records in paragraph (5) that the position of law regarding linear projects was not seriously resisted by the learned Special Government Pleader, who appeared on behalf of the appellants at the writ stage.

(b) There is no specific provision within the statutory framework authorizing the government to deduct one-third of a property's market value under the guise of development charges.

(c) By definition, "linear acquisition" simply denotes acquiring land along a continuous path or straight line for infrastructural projects like railways, roads, or canals. It stands in contrast to spatial acquisitions for factory layouts or housing colonies.

(d) The affidavits filed by the respondents herein before the learned Single Judge establish that these parcels of land were taken along an existing colony road alignment and the said fact is not disputed in the counter-affidavit filed in the writ petitions by the appellants herein.

(e) Reliance was heavily placed on a decision of the Supreme Court in *Madhya Pradesh Road Development Corporation v. Vincent Daniel and Others*[1], alongside another decision in *Nelson Fernandes and others v. Special Land Acquisition Officer*[2], to argue that applying the theory of deduction to infrastructural amenities is illegal.

5. We have carefully examined the records and considered the competing submissions.

6. The pivotal question presented for adjudication is whether the State is legally justified in enforcing 33.33% deduction towards development charges from the compensation determined for lands

[1] *(2025) 7 SCC 798*
[2] *(2007) 9 SCC 447*

acquired specifically for a linear road and bridge project.

7. To resolve this, we must look at the judicial evolution governing land valuation. The "theory of deduction" originally took shape under Section 23 of the Land Acquisition Act, 1894. It arose out of the necessity that if the State acquires a massive agricultural plot to build a housing colony or an industrial zone, it cannot pay the retail price of a small, ready-to-build urban plot. The State must sacrifice significant acreage for civic spaces such as internal roads, parks, sewage treatment plants and electric grids. Thus, a value deduction (often ranging from 20% to 50%) is applied to balance the scale between the land value and finished plot value.

8. However, the Supreme Court has repeatedly drawn a bright line separating spatial developments (like housing estates) from linear infrastructure developments (like railways and highways). In *Nelson Fernandes v. Special Land Acquisition Officer*, the Apex Court held:

> *"30. We are not, however, oblivious of the fact that normally 1/3rd deduction of further amount of*

compensation has been directed in some cases. ***However, the purpose for which the land is acquired must also be taken into consideration. In the instant case, the land was acquired for the construction of new BG line for the Konkan Railways****. This Court in Hasanali Khanbhai & Sons v. State of Gujarat [(1995) 5 SCC 422] and Land Acquisition Officer v. Nookala Rajamallu [(2003) 12 SCC 334] had noticed that where lands are acquired for specific purposes, deduction by way of development charges is permissible.* ***In the instant case, acquisition is for laying a railway line. Therefore, the question of development thereof would not arise****. Therefore, the order passed by the High Court is liable to be set aside and in view of the availability of basic civic amenities such as school, bank, police station, water supply, electricity, highway, transport, post, petrol pump, industry, telecommunication and other businesses, the claim of compensation should reasonably be fixed @ Rs 250 per sq m with the deduction of 20%. The appellant shall be entitled to all other statutory benefits such as solatium, interest, etc. etc. The appellants also will be entitled to compensation for the trees standing on the said land in a sum of Rs 59,192 as fixed. IA No. 1 of 2006 for substitution is ordered as prayed for."*

[emphasis supplied]

9. The aforesaid principle was extended to road construction in *C.R.Nagaraja Shetty (2) v. Land Acquisition Officer and Estate Officer*[3], wherein it was held thus:

> *"15. The learned counsel appearing on behalf of the respondents was also unable to point out any such evidence regarding the proposed development.* ***We cannot ignore the fact that the land is acquired only for the widening of the national highway. There would, therefore, be no question of any such development or any costs therefor****.*
>
> *...*
>
> *18.* ***The situation is no different in the present case. All that the acquiring body has to achieve is to widen the national highway. There is no further question of any development. We again, even at the cost of repetition, reiterate that no evidence was shown before us in support of the plea of the proposed development****. We, therefore, hold that the High Court has erred in directing the deduction on account of the developmental charges at the rate of Rs 25 per square foot out of the ordered compensation at the rate of Rs 75 per square foot. We set aside the*

[3] *(2009) 11 SCC 75*

judgment to that extent."

10. When the State takes a strip of land to build or widen a road, it uses every square meter of that acquired land for the road itself. The State does not carve out plots to sell to the public, nor does it set aside land for community parks. The road is the development. Consequently, deducting money from amount awarded to fund the construction of the public project itself amounts to an impermissible double tax on the land loser.

11. The attempt sought to be made by the appellants to narrow this exception by claiming it applies only to the "widening" of existing roads, but not to the "formation of a new link road", cuts no ice. Whether widening a lane or laying down a brand-new link road over a canal, the nature of the project remains structurally linear. The entire acquired path is consumed by the public infrastructure.

12. This legal reality is further underscored by the Supreme Court in *Madhya Pradesh Road Development Corporation (supra)*.

The Supreme Court analyzed the modern statutory landscape, noting that while valuation adjustments require evidence, public authorities cannot arbitrarily impose deductions. It was observed that circle and guideline rates are fixed by the State's own expert bodies to reflect prevailing market rates. If the ordinary citizen must pay stamp duty based on those baseline rates, the State cannot claim those very same rates are too high or require a one-third deduction when it is time to pay compensation. The relevant observations made by the Supreme Court are quoted hereunder:

> *"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 Tribeni Devi v. Collector of Ranchi, (1972) 1 SCC 480, which was decided in 1971. Recently, in a 2017 decision in Jag Mahender v. State of Haryana, (2024) 16 SCC 700, 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 lands are often heuristically grouped in localities at the same rate due to a lack of specific data.*

...

42. 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.*

43. In view of the abovestated 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."*

[emphasis supplied]

13. Furthermore, the learned Single Judge correctly relied upon the administrative communication dated 6.1.2021, issued by the Principal Secretary/Commissioner of Land Administration. This internal directive explicitly clarifies:

"... ***this deduction shall not apply in case of***

> ***Linear Acquisitions such as the one undertaken in State Highways Roads where lands to be acquired are abutting the existing State Highways Roads***."
>
> *[emphasis supplied]*

14. The argument advanced by learned Additional Advocate General that the landowners ought to have been directed to challenge the award invoking the provisions of the Act fails to impress us. The availability of an alternative remedy does not strip this court of its writ jurisdiction under Article 226 of the Constitution, particularly where the State authority has committed a patent error of law by making an unauthorized statutory deduction. There is no dispute regarding the baseline market value of the property. The only dispute is pertains to the unauthorized 33.33% deduction. Relegating the respondents at this stage to a reference court would be a miscarriage of justice.

15. While the public interest requires the building of roads and bridges to connect our communities, constitutional equity demands that private citizens who surrender their properties receive full,

undiminished and fair compensation. The order passed by the learned Single Judge warrants no intervention. The deduction of one-third towards development charges for a linear road and bridge project is wholly unsustainable in law.

Resultantly, Writ Appeal Nos. 1551, 2017, and 2019 of 2026 are dismissed. The order passed by the learned Single Judge is affirmed. The appellants are directed to pay 33.33% of the compensation that was deducted, if not already paid, to the respective respondents within a period of four weeks from the date of receipt of a copy of this judgment.

There shall be no order as to costs. Consequently, connected interim applications are closed.

(SUSHRUT ARVIND DHARMADHIKARI, CJ) (G.ARUL MURUGAN,J)

23.07.2026

Index : Yes
Neutral Citation : Yes
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THE HON'BLE CHIEF JUSTICE
AND
G.ARUL MURUGAN,J.

(sasi)

W.A.Nos.1551, 2017 and 2019 of 2026

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