Shanta Lal Chopra v. Commissioner of Income Tax, Patiala

ITR 18/1994; RA 149/1993 and RA 172/1993

No neutral citation stated in source | 2007-06-15

Unexplained property advances and FDR interest decided for Revenue; separate loan credit upheld for taxpayer.

68 | 256

High Court of Himachal Pradesh | Division Bench | Deepak Gupta | Surinder Singh

Assessment years: 1989-90

01 FACTS OF THE CASE

For AY 1989-90, the real-estate developer claimed Rs.65,000 from Anil Kapur and Rs.1,90,000 from Shanta Kapur as property-sale advances. The authorities added the Rs.2,55,000 as unexplained income. Separate questions concerned FDR interest stated as Rs.2,41,395, adjusted against Rs.6,49,500 loan interest, and a Rs.30,000 loan from Gulam/Gulab Mohd. Dar. The Tribunal had accepted the FDR business-income treatment and the separate loan.

Source: PDF p.2

02 DISCUSSION BY THE HON'BLE COURT

The property explanation failed on cumulative evidence: a shop in the payer's statement versus a flat in the receipt, no sale agreement or allotment scheme, no evidence of construction or delivery, and unexplained payer funds. Identification and confirmation did not cure an explanation found false. In contrast, the Dar loan was supported by accounts and repayment receipts; its genuineness was factual. Applying Dr. V.P. Gopinathan, the Court rejected FDR-interest netting/classification as business income and found no material establishing the necessary direct nexus.

Source: PDF p.6

03 JUDICIAL DECISION

Both assessee questions concerning Rs.2,55,000 were answered for Revenue. Revenue's FDR-interest question was also answered in its favour: the receipts were income from other sources. Revenue's challenge to the Rs.30,000 loan finding was answered against it. The reference was disposed of accordingly and a copy directed to the Tribunal.

Source: PDF p.15

04 OUTCOME / IN WHOSE FAVOUR

Mixed result. The unexplained property-advance addition and Revenue's FDR-interest position prevailed; the taxpayer retained the favourable finding on the separate Rs.30,000 loan. The judgment is not a complete victory for either side.

Source: PDF p.15

05 EXPERT COMMENTS

AKHB EXPERT COMMENTS — editorial analysis, distinct from the Court's findings.

The rejected explanation is central to the cash-credit result — The Court acknowledged burden-shifting principles but applied them to a transaction it found falsely described. The practical distinction is between identifying a payer and substantiating what that payer actually funded. Here, matching agreements, property identification and delivery evidence were absent and the payer's account contradicted the receipt. This reasoning should not be reduced to an automatic addition whenever a third party fails to explain funds.

The separate loan shows why each credit needs its own evidentiary record — The Rs.30,000 credit survived on books, confirmation and repayment receipts examined by the Tribunal. Each credit therefore requires its own evidence; the unsupported property advances did not invalidate this separate loan. The judgment does not make repayment alone a universal test of genuineness.

Collateral security did not establish the claimed interest treatment — The Tribunal's business nexus view was not the High Court's conclusion. The Court applied Dr. V.P. Gopinathan and found no material proving a direct nexus between interest earned and paid. Pledging an FDR for a business loan therefore did not, on this record, justify the claimed netting or business-income classification. The ruling should not be expanded into a decision on every separately available business-interest deduction.

Source: PDF p.4

SOURCE & VERIFICATION

20070615_HPHC010004381994.pdf

Complete source PDF reviewed: 15 physical pages.

All 15 original pages read and visually inspected; all five panels audited.

Open cited source rendition

All 15 pages read and visually inspected. Source anomalies: p.4 interest components total one rupee less than the stated Rs.2,41,395; p.1 misdescribes the reference applicants, clarified by pp.3–4 and 15; Dar's first name varies.

STATUTORY SCOPE

Section 256 reference; section 68 cash-credit principles discussed. FDR interest classified as income from other sources on this record.

LATER TREATMENT

Source checked 2026-10-21. Subsequent treatment has not been independently verified.

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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