

Maresh Anantrai Pattani and Another v. The Commissioner of Income-tax, Bombay North, Ahmedabad

Civil Appeal No. 232 of 1960 — Single Supreme Court civil appeal disposed of by the target judgment.

[1961] 2 SCR 742 | 1960-11-29

By a two-to-one majority, the former Dewan's Rs. 5 lakh receipt was a personal gift, not remuneration for past services taxable under the pre-1955 salary provision.

1922 Act: 7(1), Explanation 2 (before Finance Act, 1955) | 1922 Act: 4(3)(vii) (question not referred)

3 Judges | J. L. Kapur | M. Hidayatullah | J. C. Shah

01 FACTS OF THE CASE

After retirement from Bhavnagar service, the former Dewan received a pension of Rs. 2,000 monthly. In June 1950 the former Maharaja paid him Rs. 5 lakh from a personal account. A December accounting direction described loyal services and called the payment a gift; a March 1953 letter described affection and regard for Pattani and his family. For assessment year 1951-52, the authorities taxed the receipt under section 7(1), Explanation 2. The Tribunal preferred the supposedly contemporaneous December document, and the High Court upheld taxation. Pattani's legal representatives appealed.

Source: [SCR 744-746; facts and procedural record](#)

02 DISCUSSION BY THE HON'BLE COURT

Kapur and Shah JJ held that the Tribunal's premise was defective: the December direction followed payment by six months and merely instructed the accountant. The Tribunal had also failed to give due weight to the pension already granted for services, the two-year interval after employment and the use of personal funds. The majority distinguished a personal testimonial from a receipt accruing by virtue of employment. P. Krishna Menon involved gifts causally connected with continuing teaching; the present evidence supported personal esteem. Hidayatullah J dissented. He considered the preference for the earlier, pre-controversy document a legitimate evidentiary finding, read its words as remuneration for past services, and thought the description 'gift' did not change that character.

Source: [SCR 747-759; judicial reasoning; opinion boundaries preserved](#)

03 JUDICIAL DECISION

The majority held that the Rs. 5 lakh was a personal gift for Pattani's personal qualities, outside the salary charge applied in the assessment. It set aside the High Court's order and answered the reference against the Commissioner. Hidayatullah J would have dismissed the appeal, but that view did not govern the result. The separate By Court order implemented the majority judgment.

Source: [SCR 754-759; holding and expressed limits](#)

04 OUTCOME / IN WHOSE FAVOUR

Assessee's appeal allowed by majority. The disputed Rs. 5 lakh was not taxable under the historical provision applied in this assessment. Costs throughout awarded to the appellants.

Source: [SCR 759-759; operative disposition and costs](#)

05 AKHB REVIEW POINT

Keep the competing evidentiary approaches visible. The majority did not make every post-retirement gift exempt: it found a personal receipt on this record after identifying a material error in the Tribunal's reasoning. The dissent warns against using the donor's chosen label as decisive. Later salary definitions and independent statutory charges on gifts require separate examination; this decision applies the pre-1955 text and does not decide those later charges.

Source: [SCR 748-757; editorial analysis based on the indicated reasoning](#)

ORIGINATING PROCEEDINGS

1.

Case numbers: Income Tax Reference No. 10 of 1958

Relationship: Bombay High Court originating reference; judgment 6 October 1958

SOURCE & VERIFICATION

Original reported Supreme Court judgment

18-page retained public-mirror SCR report. The complete report was read as text and page images. The acquisition URL is preserved provenance; current endpoint availability and authentication as a signed original are not newly verified. All 18 pages/SCR742-759; Kapur J for himself and Shah J majority p 2-13; Hidayatullah J dissent starts p 13 and ends p 18; separate By Court order p 18 allows appeal with costs throughout. No neighboring case.

Open cited source rendition

Narrative identifies the pension grant with 15 January 1948, while the quoted order is dated 22 January 1948. No corrected date is chosen.

Hidayatullah J's proposed dismissal at p 18 is the dissent, immediately followed by the contrary operative By Court order.

STATUTORY SCOPE

Indian Income-tax Act, 1922; 7(1), Explanation 2 (before Finance Act, 1955), 4(3)(vii) (question not referred)

The Finance Act 2011 text separately includes employment-termination compensation and, in 17(3)(iii), amounts received before joining or after cessation of employment. Its wording differs from the pre-1955 Explanation 2 applied here; the historical personal-gift result is not an automatic later exemption.

No corresponding 2025 provision was verified for the salary and gift-receipt provisions; no renumbering or present-law equivalence is asserted.

The operative historical law is identified separately. Only the stated later statutory versions and passages were checked; comprehensive subsequent history and applicability to a particular later tax year remain unverified.

LATER TREATMENT

Source checked 2026-10-08. No specific later judicial treatment is adopted except where expressly stated.

No bounded later primary treatment of the majority's factual gift characterization has yet been verified. Neither later salary legislation nor a separate gift charge is treated as resolved by this pre-1955 holding.

Earlier authorities discussed within the target judgment are not treated as later-use evidence.

IDENTIFIED SOURCE LINKS

[Income-tax Act, 1961: Section 17\(3\)](#)

DOR-hosted Taxmann compilation, as amended by Finance Act 2011 Only identified statutory limbs on these pages, plus version page 42. Not a current consolidated text, Gazette-original authentication, whole-Act or image review. Only the named 2011 provisions are compared. Text pages read: 194.

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