

Maharaja Chintamani Saran Nath Sah Deo v. The Commissioner of Income-tax, Bihar & Orissa

Civil Appeal No. 424 of 1957 — Single Supreme Court civil appeal disposed of by the target judgment.

[1961] 2 SCR 790 | 1960-11-30

Premiums for bauxite prospecting licences were capital receipts because the grants conveyed a right to take part of the mineral capital, rather than merely use it.

Indian Income-tax Act, 1922 (historical attribution from assessment years and section 66 reference; Act year not expressly printed in this target report) | 1922 Act: 66(1)

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

01 FACTS OF THE CASE

The zamindar granted four prospecting licences during 1945, for six months or one year, and received payments assessed across three years. The licensees could enter the land, explore and work it, and remove reasonable samples of bauxite up to 100 tons. They also had an option, on notice and further payment, to obtain a thirty-year mining lease. The Income-tax Officer treated the receipts as revenue. The first appellate authority disagreed, but the Tribunal restored taxation and the Patna High Court answered the section 66(1) reference against the assessee.

Source: [SCR 791-793; facts and procedural record](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court determined the character of the receipts from the rights conveyed by the licences. Their short duration did not establish revenue character: a capital right could be transferred for a limited term. Nor was the Tribunal's description of the licence as creating no interest in land decisive. The grants authorized the licensees to remove and appropriate minerals, thereby obtaining a right to part of the capital asset. The Court compared the payments with salami for entry into possession and distinguished recurring royalties, advance rent and compensation for temporary use of land. It treated the difference between using capital and realizing part of it as helpful only after examining the actual covenants, rather than as a label answering the case.

Source: [SCR 793-797; judicial reasoning; opinion boundaries preserved](#)

03 JUDICIAL DECISION

The transaction was a realization of part of the licensor's capital. The payments were accordingly capital receipts and were not assessable as income in the referred proceedings. The Court rejected the Revenue's attempt to treat the right to remove minerals as merely incidental use of the owner's assets, and held that the High Court should have answered in the assessee's favour.

Source: [SCR 796-798; holding and expressed limits](#)

04 OUTCOME / IN WHOSE FAVOUR

Assessee's appeal allowed; High Court judgment and order set aside. The referred question was answered for the assessee for the three assessments. Assessee awarded costs in the Supreme Court and High Court.

Source: [SCR 798-798; operative disposition and costs](#)

05 AKHB REVIEW POINT

Identify the consideration's contractual object, including extraction rights, quantity limits and any option for a later lease. A short term or a single payment cannot alone settle the capital/revenue question. The holding concerns these receipts and the historical income charge; it does not establish that every mining premium is exempt, or resolve a separate capital-gains charge under a later statutory version.

Source: [SCR 792-797; editorial analysis based on the indicated reasoning](#)

ORIGINATING PROCEEDINGS

1.

Case numbers: Misc. Judicial Case No. 621 of 1953

Relationship: Patna High Court originating reference; judgment 25 January 1955

SOURCE & VERIFICATION

Original reported Supreme Court judgment

9-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 nine physical pages/SCR790-798. Target caption on p 1; Kapur J opinion p 2-9 ending after appeal allowed above dividing rule. Delhi Stock Exchange caption/headnote below p 9 rule excluded. p 2 first amount differs between table and referred question; no silent reconciliation.

Open cited source rendition

The first receipt is printed Rs. 15,290 in the table on p 2 but Rs. 15,209 in the referred question. No corrected figure is selected.

The target report does not expressly print the Income-tax Act year; attribution to the 1922 regime is contextual, not a quotation from the neighboring case.

Delhi Stock Exchange begins below the dividing rule on p 9 and is excluded.

STATUTORY SCOPE

Indian Income-tax Act, 1922 (historical attribution from assessment years and section 66 reference; Act year not expressly printed in this target report); 66(1)

No provision-level 1961 comparison is adopted for this particular issue in the bounded review. The historical holding is not treated as deciding a later charge or procedure.

No corresponding 2025 provision was verified for the charging treatment of prospecting-rights receipts or capital gains; 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.

A later primary ruling applying or limiting this precise prospecting-licence holding was not verified. The note does not extend the receipt characterization to a later capital-gains regime.

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

AI DISCLOSURE

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