

The Neptune Assurance Co. Ltd. v. The Life Insurance Corporation of India and Another

Civil Appeal No. 386 of 1961

[1963] Supp. 1 SCR 980 | 1962-11-08

When an income-tax refund right accrued and whether the portion attributable to life-insurance assets vested in LIC on nationalisation

Indian Income-tax Act, 1922: sections 16(2), 18, 48 and 49B | Life Insurance Corporation Act, 1956: section 7 | Insurance Act, 1938: sections 10, 11 and 13

Four-judge bench; judgment delivered by A. K. Sarkar, J. | S. K. Das, J. | J. L. Kapur, J. | A. K. Sarkar, J. | Raghubar Dayal, J.

Historical ruling; verify current law

The decision combines the repealed 1922 income-tax provisions with the 1956 nationalisation vesting scheme. Its refund-accrual reasoning does not establish current refund procedure or ownership outside that statutory setting.

01 FACTS OF THE CASE

Neptune Assurance carried on both life and general insurance. Section 7 of the Life Insurance Corporation Act transferred assets and liabilities appertaining to its life business to LIC on 1 September 1956. Assessment orders made after that date for assessment years 1955-56 and 1956-57 showed refunds arising from tax deducted or treated as paid on investment income. LIC claimed the portions attributable to the life department; the Life Insurance Tribunal accepted the claim.

Source: [Primary judgment: facts and procedural setting](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court held that tax liability and the corresponding excess-payment right became determinable when the governing Finance Act and completed previous-year income supplied the rate and base; later assessment only particularised the amount. Insurance accounting law separately identified life-business assets and their income. An excess provisional payment retained the character of the life-business income from which it arose, so the related refund right appertained to that business and passed under section 7.

Source: [Primary judgment: reasoning](#)

03 JUDICIAL DECISION

The refund right existed on the appointed day. For 1956-57 each department received the amount deducted or treated as paid from its own income; for 1955-56 the general department first recovered its whole credited amount because it had made a loss, and the balance belonged to LIC as attributable to the profitable life department.

Source: [Primary judgment: holdings](#)

04 OUTCOME / IN WHOSE FAVOUR

The Court declared LIC entitled to the balance already paid to it on 15 October 1959 under the Court's earlier order. Neptune Assurance's appeal was dismissed with costs.

Source: [Primary judgment: operative disposition](#)

05 AKHB REVIEW POINT

AKHB analysis: separate the existence of a refund right from its later quantification, then trace the economic source of the excess payment before allocating it across businesses or successors. This case turns on the historical Finance Acts, composite-insurer accounting and the LIC Act vesting date; it is not a present-law refund timetable.

Source: [Primary judgment: review-point basis](#)

SOURCE & VERIFICATION

[Supreme Court Reports scan - public eSCR mirror](#)

Complete 13-page SCR report read in page-preserving text and every page image inspected, from the reported opening page through the operative disposition.

[Open cited source rendition](#)

Exact catalogue SHA-256 and 13-page count verified; every page was read and visually inspected.

STATUTORY SCOPE

Historical statutory provisions are described as they appeared in the report. Verify the current enactment, amendments and later judicial treatment before reliance.

LATER TREATMENT

Source checked 2026-10-12. No comprehensive later-treatment or present-law clearance is represented. The note reports the historical statutory text and result in this primary report only.

AI DISCLOSURE

This AKHB research note was prepared with AI assistance from the identified primary report and has not been represented as independently human-reviewed.

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