

Commissioner of Income-tax, Madras v. C.M. Kothari, Madras (deceased), through legal representative

Civil Appeals Nos. 34 to 36 of 1962

[1964] 2 SCR 531 | 1963-03-26

Historical clubbing: cross-gifts used to fund wives' shares in a house as indirect transfers by their husbands.

Indian Income-tax Act, 1922: section 16(3)(a)(iii)

3-judge bench; unanimous judgment delivered by M. Hidayatullah, J. | S. K. Das, J. | A. K. Sarkar, J. | M. Hidayatullah, J.

Assessment years: 1948-49, 1950-51, 1951-52

Historical statutory setting

The ruling construes the repealed 1922 Act's spouse-clubbing rule; current clubbing, transfer and anti-avoidance provisions were not checked.

Fact and procedural limits

Apply the holding only within the facts, statutory text and procedural posture described in the primary report.

No current-law clearance

Later judicial treatment and current statutory applicability have not been comprehensively checked; no current-law or citator clearance is represented.

01 FACTS OF THE CASE

A father gifted Rs.30,000 to his daughter-in-law while his son made matching birthday and Diwali gifts to his mother. The two women then funded one-third shares in a house originally contracted for by the family firm. The Tribunal found indirect transfers, but the High Court answered against Revenue (SCR pp.531-535; PDF pp.1-5).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

"Indirectly" covered a chain in which assets changed hands through an intimately connected reciprocal arrangement. Technical consideration was unnecessary: matching amounts, timing, the unexplained gifts and exact funding of the wives' acquisitions showed one circuitous transaction designed to avoid clubbing (SCR pp.535-537; PDF pp.5-7).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

The Court vacated the High Court's answer, answered the reference affirmatively and allowed Revenue's appeals with costs (SCR p.537; PDF p.7).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue: property income attributable to the wives' indirectly funded shares was clubbed with their husbands (SCR pp.536-537; PDF pp.6-7).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: trace reciprocal transfers as a single economic chain when amounts, timing and purpose align. Do not extend this historical finding beyond its facts without checking current clubbing text and anti-avoidance law (based on SCR pp.535-537; PDF pp.5-7).

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

SOURCE & VERIFICATION

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

Full 7-page SCR source asset read in page-preserving text and visually inspected; adjacent-report boundaries were checked.

[Open cited source rendition](#)

Exact source bytes, SHA-256 and seven-page count match catalogue asset 1964_2_531_537; every page was read and visually inspected.

The source verifies the stated case identity, bench, statutory issue and operative order.

No exact source-hash, asset-ID, SCR-citation, docket or same-judgment match was found in the published corpus or reviewed archive.

STATUTORY SCOPE

The ruling construes the repealed 1922 Act's spouse-clubbing rule; current clubbing, transfer and anti-avoidance provisions were not checked.

LATER TREATMENT

Source checked 2026-10-11. Later judicial treatment and current statutory applicability have not been comprehensively checked; no current-law or citator clearance is represented.

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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