

Dr. Shamlal Narula v. Commissioner of Income Tax, Punjab

Civil Appeal No. 503 of 1963

[1964] 7 SCR 668 | 1964-04-09

Historical land-acquisition interest: statutory interest under section 34 compensated delayed use of the award money and was a taxable revenue receipt, rather than part of the capital compensation for the land.

Indian Income Tax Act, 1922: sections 3, 4 and 66(1) | Land Acquisition Act, 1894: sections 11, 16, 17, 23, 24, 28 and 34

3-judge bench | K. Subba Rao, J. | J. C. Shah, J. | S. M. Sikri, J.

Assessment years: 1956-57

Statutory-interest boundary

The holding concerns statutory interest after the owner was divested under the acquisition law. The Court distinguished possession taken outside sections 16 and 17, where title had not passed.

Character, not all timing issues

The appeal decided whether the receipt was capital or revenue; it did not comprehensively decide present accrual, spreading, deduction or withholding rules.

Source typography

Running headers contain OCR variants of the party name, but the title, judicial opening and catalogue identify Dr. Shamlal Narula.

01 FACTS OF THE CASE

The appellant managed a Hindu undivided family owning 40 bighas and 11 biswas at Patiala. After acquisition proceedings, the Collector made an award on 30 September 1955. The appellant received Rs. 2,81,822 on 1 December 1955, including Rs. 48,660 identified as interest up to the award date. The Income Tax Officer included that interest in the family's income for assessment year 1956-57; the Appellate Assistant Commissioner agreed, the Tribunal treated it as capital, and the Punjab High Court answered Revenue's reference against the assessee (SCR pp.669-670; PDF pp.2-3).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

Section 34 separately referred to compensation and interest and placed the latter in the Act's payment machinery. Once possession was taken under section 16 or 17, title and the right to possession vested in Government; the owner then held a right to the compensation money. Interest therefore compensated the withholding or use of that money, not the loss of a continuing right to possess the land. The Court held this analysis the same whether possession preceded or followed the award (SCR pp.670-673; PDF pp.3-6). It rejected contrary treatment based on cases where possession had passed without title and disapproved the Allahabad and Kerala authorities that treated statutory acquisition interest as capital (SCR pp.673-675; PDF pp.6-8).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

The Court dismissed the assessee's appeal with costs and upheld the High Court. Interest paid under section 34 for delayed payment of compensation was a revenue receipt liable to tax under the 1922 Act (SCR p.675; PDF p.8).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue. The Rs. 48,660 interest component remained taxable as revenue, distinct from the capital compensation for the acquired land (SCR p.675; PDF p.8).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: separate the land award from the time-value payment and identify the legal point when title and possession passed. Confirm the provision authorising interest, the period for which it runs and whether possession occurred within the acquisition statute. This historical character ruling cannot replace analysis of the tax statute governing the actual receipt year (based on SCR pp.670-675; PDF pp.3-8).

Source: [Primary judgment: reviewPoint](#)

SOURCE & VERIFICATION

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

Full 8-page SCR report read and checked. The editorial headnote was distinguished from the judgment text and operative order.

[Open cited source rendition](#)

Exact source bytes, SHA-256 and 8-page count match catalogue asset 1964_7_668_675; the full extracted report and operative pages were reviewed.

The source verifies Civil Appeal No. 503 of 1963, the stated bench, issues, reasoning and operative result.

No published AKHB note or archived reviewed record with this source hash, case identity and operative decision was found.

STATUTORY SCOPE

The Court applied the Indian Income Tax Act, 1922 and the Land Acquisition Act, 1894 to assessment year 1956-57. It does not state the current tax treatment, timing or withholding consequences of compensation interest under later legislation.

LATER TREATMENT

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

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