

Shri Chatrasinghji Kesari Singhji Thakore v. Commissioner of Income-tax, Bombay

Civil Appeals Nos. 148 and 149 of 1964

[1966] 2 SCR 440 | 1965-10-28

Mining lease receipts: contractual payments exceeding the lessor's actual local-fund-cess liability were taxable income, not governmental collections or casual receipts.

Indian Income-tax Act, 1922: sections 2(6C), 3(vii) and 66 | Bombay Land Revenue Code, 1879: sections 3(13), 3(14) and 45 | Bombay Local Boards Act, 1923: sections 93 and 96 | Bombay Taluqdari Tenure Abolition Act, 1949

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

Assessment years: 1952-53, 1953-54

Historical tax and local-cess statutes

The holding turns on the 1922 income-tax statute, the contemporary Bombay levy provisions and the particular mining lease. Verify the current charging statute, State levy law, contract and later authorities before applying it now.

01 FACTS OF THE CASE

The assessee leased manganese mines at Shivrajpur and Bhat to Shivrajpur Syndicate Ltd. Besides rent and royalty, the lease required the Syndicate to discharge public demands relating to the mines, except land revenue. The Syndicate paid the assessee Rs.16,309 and Rs.39,515 for the two relevant years as 'Local Fund Cess', calculating three annas per rupee of rent and royalty. The applicable levy was instead measured by land revenue; the Tribunal found only Rs.270.45 payable as cess. The Income-tax Officer taxed the receipts for AYs 1952-53 and 1953-54. Although the first appellate authority excluded them, the Tribunal and Bombay High Court held the excess taxable.

Source: [Lease, receipts, assessment history and statutory cess measure: SCR pp.441-445 / PDF pp.2-6](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court held that payments contractually linked to rent and royalty had a closely similar quality and were income unless specially exempted. The Syndicate paid the amounts to discharge what it believed was its lease obligation; the assessee received and appropriated them as his own. He was the landholder liable for land revenue and local-fund cess, not a government collection agent, and the Syndicate was not shown to be an inferior holder liable for the levy. The assessing authority could determine the actual cess quantum for assessment purposes even if that determination did not bind another body or the Syndicate. Executive revenue-accounting instructions could not alter the statutory measure. A pending civil refund claim did not remove the receipts' income character in the year received, and mistaken overpayment did not make them casual or non-recurring.

Source: [Income character of contract-linked excess and absence of government agency: SCR pp.445-446 / PDF pp.6-7](#); [Executive instructions, refund suit and casual-receipt arguments: SCR pp.447-448 / PDF pp.8-9](#)

03 JUDICIAL DECISION

The Court held the excess of the contractual receipts over the assessee's actual cess-reimbursement entitlement to be taxable income. Neither a possible refund claim by the Syndicate nor an assumed mistake in payment altered that character, and the receipts were not casual and non-recurring. Both appeals were dismissed with costs, with one hearing fee.

Source: [Final rejection of casual-receipt argument and dismissal: SCR p.448 / PDF p.9](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the Revenue. The assessee's appeals failed and the excess amounts remained assessable as income for the two years; the Court did not adjudicate the merits of the Syndicate's separate civil refund claim.

Source: [Refund claim left open and appeals dismissed: SCR pp.447-448 / PDF pp.8-9](#)

05 AKHB REVIEW POINT

AKHB analysis: when a payer labels a contractual reimbursement as a statutory levy, test the governing statute and contract separately: identify the person legally liable, the correct levy base, whether the recipient acts as a collection agent, and what happened to any excess. A repayment dispute does not by itself reverse the tax character of an amount already received and appropriated. For current advice, separately verify the present receipt rules, any overriding-obligation or refund principles, the current levy legislation and later case law.

Source: [AKHB analysis based on the statutory-liability, agency and receipt-character reasoning](#)

SOURCE & VERIFICATION

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

Full 9-page SCR report read. The editorial headnote on PDF pp.1-2 was distinguished from Shah J.'s unnumbered judgment beginning on PDF p.2; the lease terms, statutory extracts, receipt analysis and operative dismissal through PDF p.9 were reviewed.

Open cited source rendition

Exact source bytes, SHA-256 and 9-page count match catalogue asset 1966_2_440_448; every PDF page was read and visually checked.

The judicial text verifies Civil Appeals Nos. 148 and 149 of 1964, decision on 28 October 1965, the three-member bench and AYs 1952-53 and 1953-54.

No record with the Chatrasinghji/Thakore party identity, the [1966] 2 SCR 440 citation or this decision was found in content/supreme-court-cases.json or the archived reviewed releases.

STATUTORY SCOPE

This decision construes the repealed Indian Income-tax Act, 1922 and historical Bombay land-revenue, local-board and taluqdari legislation. It does not establish the treatment of analogous receipts under the current Income-tax Act, 1961 or current State levy law.

LATER TREATMENT

Source checked 2026-10-10. Later treatment of the receipt-characterisation analysis and any present-law analogue has not been comprehensively checked; no citator or current-law clearance is represented.

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AI-assisted research. The AKHB Review Point is editorial analysis, not part of the Court's judgment.

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