

Commissioner of Income-tax, Kerala v. South Indian Bank Ltd., Trichur

Civil Appeal No. 842 of 1964

[1966] 2 SCR 674 | 1965-11-23

Specified tax-free securities: notification protects gross interest receivable.

Indian Income-tax Act, 1922: sections 8, 16 and 60A | Central Government notification concerning specified tax-free Travancore and Cochin loans

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

Assessment years: 1956-57

Notification-specific; section 8 dispute not decided

The result turns on a self-contained notification with territorial conditions. The Court expressly declined to decide the parties' competing interpretations of section 8.

01 FACTS OF THE CASE

For AY 1956-57 the bank received Rs. 44,720 interest on tax-free Cochin and Travancore securities and claimed relief on the whole amount. Revenue reduced the interest base by expenditure and borrowing interest. The Tribunal and High Court held that the notification protected gross interest; Revenue appealed.

Source: [SCR p. 675 / PDF p. 2](#)

02 DISCUSSION BY THE HON'BLE COURT

The notification had to be interpreted on its own terms, rather than restricted by section 8. It applied to interest on listed loans received within Travancore-Cochin and not brought into another part of the taxable territories; the interest remained included for section 16 purposes. Interest receivable meant the contractual security interest, without subtracting collection expense. Applicability of the notification to the securities was common ground.

Source: [SCR pp. 676-677 / PDF pp. 3-4](#)

03 JUDICIAL DECISION

The Court held that no income-tax was payable on the entire Rs. 44,720 of interest from the specified securities. Revenue's appeal was dismissed with costs.

Source: [SCR p. 677 / PDF p. 4](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the bank under the particular notification and its accepted conditions. This is not a general exemption for all bank securities interest or a decision of the unresolved section 8 interpretation.

Source: [SCR pp. 676-677 / PDF pp. 3-4](#)

05 AKHB REVIEW POINT

AKHB analysis: obtain the operative notification, verify the instrument is listed and prove each territorial condition before computing relief. Do not import deductions from another provision into a self-contained exemption without examining its language. Keep this 1965 decision distinct from the bank's 2021 litigation and from modern interest-deduction disputes.

Source: [AKHB analysis based on SCR pp. 676-677 / PDF pp. 3-4](#)

SOURCE & VERIFICATION

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STATUTORY SCOPE

This decision applies the Indian Income-tax Act, 1922 to the stated historical assessment years. Current statutory applicability and any Income-tax Act, 1961 or 2025 crosswalk are not determined.

LATER TREATMENT

Source checked 2026-10-10. Comprehensive subsequent treatment has not been verified; no current citator clearance is represented.

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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