

Rm. Ar. Ar. Rm. Ar. Ramanathan Chettiar v. Commissioner of Income-Tax, Madras

Civil Appeal No. 728 of 1965

[1967] 1 SCR 965 | 1966-10-27

Interest awarded on refund of Ceylon estate duty was taxable income, not capital damages, and was neither casual nor non-recurring under the former exemption.

Indian Income-tax Act, 1922: sections 4(3)(vii) and 66 | Ceylon Civil Procedure Code, Ordinance II of 1889: section 192

3-judge bench | J. C. Shah, J. | V. Ramaswami, J. | V. Bhargava, J.

Assessment years: 1958-59

Repealed exemption and foreign procedural setting

The decision applies section 4(3)(vii) of the 1922 Act to interest ordered under the former Ceylon Civil Procedure Code; current treatment requires a fresh statutory analysis.

Unreferred capital-share argument not decided

The Court refused to decide whether the assessee received the amount as a capital share of the estate because that issue did not arise from the Tribunal's order or the reference.

01 FACTS OF THE CASE

After deaths in a family owning properties in India and Ceylon, receivers appointed in an estate-partition suit paid Ceylon estate duty under protest and challenged the levies. The Supreme Court of Ceylon ordered refund with legal interest, and the Judicial Committee dismissed the Crown's appeals. The family litigation ended in a compromise dividing the estate into three shares. Ramanathan Chettiar's branch received one-third. For assessment year 1958-59, Rs.1,93,328 received as that branch's share of the interest was included in its Hindu-undivided-family income. The departmental authorities, Tribunal and Madras High Court rejected the contentions that the amount was capital damages or exempt as casual and non-recurring.

Source: [Estate litigation, family division, assessment and referred questions: SCR pp.966-968 / PDF pp.2-4](#)

02 DISCUSSION BY THE HON'BLE COURT

The Ceylon decree expressly awarded legal interest under section 192 on the refunded principal. The Court gave 'interest' its natural meaning and rejected the attempt to recharacterise it as capital damages for wrongful retention. Drawing on Westminster Bank and Dr. Shamlal Narula, it treated compensation for delayed use of money as income: the interest was not part of the refunded estate-duty principal. Nor was the lump-sum receipt casual or non-recurring. It accrued day by day from institution of the Ceylon action, giving it the quality of recurrence, and an interest award following successful refund litigation was foreseeable rather than accidental. The Court refused a distinct argument that the assessee received the amount as a capital share of the estate: that issue had not arisen from the Tribunal's order or been referred, and section 66 confined the High Court's advisory jurisdiction to referred questions.

Source: [Decree language and income character of interest: SCR pp.968-971 / PDF pp.4-7; Recurrence, non-casual character and reference limits: SCR pp.971-973 / PDF pp.7-9](#)

03 JUDICIAL DECISION

The Court held that the decree interest was taxable income and not exempt as a casual and non-recurring receipt. It declined to entertain the separate capital-share argument because it lay outside the Tribunal's order and the reference. The appeal was dismissed with costs.

Source: [Taxability, rejection of exemption, reference scope and dismissal: SCR pp.971-973 / PDF pp.7-9](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the Revenue. The assessee's appeal was dismissed and the interest inclusion survived. The Court made no merits ruling on the un-referred contention that the amount formed part of the assessee's capital share in the estate.

Source: [Reference limit and operative dismissal: SCR pp.972-973 / PDF pp.8-9](#)

05 AKHB REVIEW POINT

AKHB analysis: classify a court-awarded receipt by the legal character of what it compensates for, not merely by a label such as damages or by lump-sum payment. Separate principal/refund from compensation for the time value of money, identify the accrual period and enabling provision, and confirm whether every intended contention arose from the tribunal order and framed question. Re-test each conclusion under the current statute, foreign-income rules and subsequent case law before advising.

Source: [AKHB analysis based on character of interest, recurrence and reference jurisdiction](#)

SOURCE & VERIFICATION

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

Full 9-page SCR source file read. PDF pp.1-2 contain the editorial headnote and the start of the report; the judicial text begins on PDF p.2 and runs to the dismissal on PDF p.9. No neighbouring judgment appears in the file.

Open cited source rendition

Exact source bytes, SHA-256 and nine-page count match catalogue asset 1967_1_965_973; every page was read.

The judicial text verifies Civil Appeal No. 728 of 1965, decision date 27 October 1966 and the three-member bench.

The similarly named published Ramanathan Chettiar decisions from 1970 and 1972 concern different parties/issues; no duplicate of this 1966 decree-interest case was found in content/supreme-court-cases.json.

STATUTORY SCOPE

The exemption analysed was section 4(3)(vii) of the repealed Indian Income-tax Act, 1922, and the interest arose under former Ceylon procedure. Current Indian charging, exemption, foreign-income and credit provisions have not been checked.

LATER TREATMENT

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

AI DISCLOSURE

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

PROFESSIONAL DISCLAIMER

AI-assisted legal research note for general information and professional research. It is not legal or tax advice. Verify the original judgment, applicable statutory version and subsequent judicial treatment before relying on it. The AKHB Review Point is editorial analysis, not part of the Court's judgment.