

Income-tax Officer, Madras v. Budha Pictures, Madras

Civil Appeal No. 401 of 1966

[1967] 3 SCR 425 | 1967-04-05

Tax recovery by garnishee notice: section 46(5A)'s future-money language required an existing relationship capable of producing a debt or holding, not a speculative future engagement.

Indian Income-tax Act, 1922: section 46(5A) | Constitution of India: Article 226

3-judge bench | J. C. Shah, J. | S. M. Sikri, J. | V. Ramaswami, J.

Assessment years: See the source-scope notes; no year inferred.

Existing relationship required

The first notice could not attach payments under a film contract formed months later because no relationship existed when notice was served. The decision does not protect money arising from an existing employment, banking, debt, annuity or comparable relationship.

01 FACTS OF THE CASE

The Department sought recovery of T.S. Balaiah's income-tax and penalty arrears from Budha Pictures. A notice dated 18 June 1959 asserted that the company had engaged him and directed payment of amounts due or later becoming due. The company replied that it had no engagement or contract. On 28 March 1960 it later contracted with him for Rs.20,000 and paid that remuneration in three instalments, the last on 18 March 1961. A second notice arrived on 22 March 1961, after those payments. The officer treated the three payments as violating the 1959 notice and demanded Rs.20,000 from the company. The Madras High Court allowed the company's Article 226 petition.

Source: [Notices, later contract, payments and writ: SCR pp.426-427](#)

02 DISCUSSION BY THE HON'BLE COURT

The phrases 'may become due' and 'may subsequently hold money' were read in their statutory context. Section 46(5A) contemplated an existing relationship known to the officer and reasonably capable of yielding recovery, analogous to a garnishee relationship such as employer, banker, debtor or annuity payer. The final paragraph of the provision strengthened that construction because the recipient could object that nothing was due or held, without having to deny every possible future dealing. Revenue's broader reading would permit circular notices to all possible future employers or traders and impose an unreasonable burden. Since Budha Pictures had no relationship with the actor when the 1959 notice issued, that notice did not attach remuneration under the contract formed in 1960.

Source: [Section 46\(5A\) text and subsisting-relationship construction: SCR pp.427-429](#)

03 JUDICIAL DECISION

The Court agreed with the High Court that section 46(5A) required a subsisting relationship when notice was served. Recovery of the Rs.20,000 paid under the later contract was not justified. Revenue's appeal was dismissed with costs.

Source: [Holding and dismissal: SCR p.429](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Budha Pictures. The first notice did not reach payments under a relationship created only later, and the Department could not recover Rs.20,000 from the company on that basis. Revenue's appeal failed with costs.

Source: [Operative result: SCR p.429](#)

05 AKHB REVIEW POINT

AKHB analysis: for a garnishee or third-party recovery notice, capture the service date, the legal relationship then existing, amounts already due or prospectively due under that relationship, later contracts, payment dates and any timely objection. Do not treat the word 'future' as attaching every possible transaction with a stranger. Equally, do not extend this repealed-provision ruling to current recovery text without checking whether the modern statute uses materially different language or deeming rules.

Source: [AKHB analysis based on notice timing and the subsisting-relationship rule](#)

SOURCE & VERIFICATION

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

Full five-page SCR report read. The editorial headnote on PDF page 1 was separated from Sikri J.'s judgment on PDF pages 2-5 / SCR pp.426-429.

[Open cited source rendition](#)

Exact source bytes match catalogue asset 1967_3_425_429: SHA-256
dac81951449de478dc5cde92487736e50bbb6a348aa4a6e3b50ee189d32b6dcf; the PDF has five pages.

Title, 5 April 1967 date, three-member bench and Civil Appeal No.401 of 1966 are verified from SCR pp.425-426. Catalogue identifier 1967INSC89 is not printed in the report and is not independently certified here.

The report has no numbered judicial paragraphs; SCR and physical PDF page pinpoints are used.

No assessment year for the actor's arrears is identified in the report; none is inferred.

STATUTORY SCOPE

The decision interprets section 46(5A) of the repealed 1922 Act. It does not certify the reach of current garnishee, attachment or recovery provisions under later tax statutes.

LATER TREATMENT

Source checked 2026-10-10. Comprehensive later treatment and correspondence with current recovery provisions have not been checked; no current citator clearance is represented.

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