

S. Rm. Ct. Pl. Palani Appa Chettiar v. Commissioner of Income-tax, Madras

Civil Appeal No. 1055 of 1966

[1968] 2 SCR 55 | 1967-10-26

Hindu undivided family attribution: a karta's managing-director remuneration, commission and sitting fees were personal income where the family share investment did not procure the office and no family asset suffered detriment in earning the remuneration.

Indian Income-tax Act, 1922: HUF income attribution in the assessment and reference framework | Hindu law: accretion to joint-family property and detriment-to-family-assets principles

5-judge bench; unanimous judgment delivered by V. Ramaswami, J. | K. N. Wanchoo, C.J. | R. S. Bachawat, J. | V. Ramaswami, J. | G. K. Mitter, J. | K. S. Hegde, J.

Assessment years: 1959-60

Use of family funds alone was insufficient

The HUF's purchase of shares did not by itself make the karta's remuneration family income. The decisive findings were absence of a real connection between the investment and appointment and absence of detriment to family assets.

Fact-specific contrast with Kalu Babu Lal Chand

There the family financed and promoted the undertaking and the managing directorship formed part of the same inseparable scheme. Here the shares were acquired eight years before appointment in the ordinary course of investment.

Earlier assessment treatment was only background

The report recounts different status and remuneration treatment across earlier years. The operative dispute concerned assessment year 1959-60 and the three identified receipts totaling Rs.18,683.

No broad rule for every karta's remuneration

Attribution still depends on the factual nexus between family property, acquisition of the office, services performed and any detriment or risk borne by the family.

01 FACTS OF THE CASE

The appellant HUF, comprising a father and four adult sons, bought 90 of 300 shares in Trichy-Srirangam Transport Company Ltd. with family funds in 1934. Its karta became a director in 1941 and managing director in 1942 after vacancies arose. For the previous year ending 13 April 1959, relevant to assessment year 1959-60, the family excluded Rs.9,000 remuneration, Rs.8,133 commission and Rs.1,550 sitting fees received by the karta. The officer assessed the Rs.18,683 total as HUF income; the Tribunal ruled for the assessee, but the Madras High Court answered the reference for Revenue by applying Kalu Babu Lal Chand (SCR pp.56-57; PDF pp.2-3).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

Kalu Babu Lal Chand turned on an inseparable scheme: the HUF financed and promoted the acquired business and company, and the managing directorship was obtained as part of that use and detriment of family property. The remuneration therefore belonged to the family on those findings (SCR pp.58-59; PDF pp.4-5). Here the HUF held only 90 of 300 shares; it bought them in the ordinary course of investment eight years before the karta's appointment, not to qualify him for office. There was no real connection between the family investment and the managing directorship and no family-property detriment in earning the remuneration. The case instead resembled Piyare Lal Adishwar Lal. The Court also clarified that Sankaralinga Iyer had not been impliedly overruled; its actual result was consistent with the no-detriment principle (SCR pp.59-60; PDF pp.5-6).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

The Court held that the Rs.9,000 remuneration, Rs.8,133 commission and Rs.1,550 sitting fees were not assessable as income of the HUF of which Palaniappa Chettiar was karta. It allowed the appeal, set aside the High Court judgment, answered the reference for the assessee and awarded costs in both courts (SCR p.61; PDF p.7).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee/appellant HUF. The karta's Rs.18,683 aggregate managing-director receipts were not HUF income on the proved absence of appointment nexus and family-asset detriment (SCR pp.60-61; PDF pp.6-7).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: build a nexus chronology before attributing an office-holder's remuneration to an HUF—when and why family funds acquired the interest, whether that interest procured the office, who rendered the services, and what family property was exposed, spent or diminished. Family-funded qualifying shares can be relevant but are not automatically decisive. Apply current tax, company and Hindu-law rules independently; this historical decision is confined to its findings and statutory setting (based on SCR pp.58-61; PDF pp.4-7).

Source: [Primary judgment: reviewPoint](#)

SOURCE & VERIFICATION

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

Full 7-page SCR report read and checked. The editorial headnote and adjacent-report boundary text were distinguished from the judicial opinion and operative order.

[Open cited source rendition](#)

Exact source bytes, SHA-256 and 7-page count match catalogue asset 1968_2_55_61; every page was reviewed.

The source verifies Civil Appeal No. 1055 of 1966, the stated bench, issues, reasoning and operative result.

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

STATUTORY SCOPE

The ruling applies Hindu-law attribution principles in a 1922 Act assessment for 1959-60. It does not provide current-law clearance on HUF remuneration, company-law office, section 40(b), section 64, salary characterisation or any later statutory regime. No later-treatment review was undertaken.

LATER TREATMENT

Source checked 2026-10-11. Later judicial treatment and current statutory applicability have not been comprehensively checked; no current-law or citator clearance is represented.

AI DISCLOSURE

This AKHB research note was prepared with AI assistance from the identified primary report and has not been represented as independently human-reviewed.

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