

Commissioner of Income-tax, Madras v. Rn. Ar. Ar. Veerappa Chettiar

Civil Appeal No. 2315 of 1966

[1970] 3 SCR 307 | 1969-12-04

Interest included in a joint-family partition share: pre-severance capital in the member's hands.

Indian Income-tax Act, 1922: sections 4(3)(vii) (procedural history), 66(1) | Hindu joint-family property and partition principles

2-judge bench | J. C. Shah, J. | K. S. Hegde, J.

Assessment years: Not specified in the reviewed judgment

Limited appealed issue and inconsistent printed settlement date

The Court upheld capital treatment only for interest accruing before 17 February 1947. It expressly declined to rule on the High Court's treatment of later interest. SCR p. 308 prints settlement date 17 February 1949, while pp. 309-310 repeatedly use 17 February 1947 for severance and the operative distinction; no corrected chronology is invented.

01 FACTS OF THE CASE

Following deaths of two male members, family property in Ceylon remained with three widows, who challenged estate-duty levies. The duty was refunded with interest in 1957 after the Privy Council set aside the levy. A partition settlement gave the assessee, an adopted son, a 5/24 share. The reference asked whether Rs. 1,20,830 or any part was taxable. The High Court treated interest attributable to the period before 17 February 1947 as capital in his hands and later interest as taxable. Revenue alone appealed; the assessee did not challenge the later-interest result. The source's settlement-date inconsistency is disclosed above.

Source: [SCR pp. 308-309](#) / [PDF pp. 2-3](#)

02 DISCUSSION BY THE HON'BLE COURT

A Hindu joint family could continue with its widows after the sole male members died while family property remained undivided. The interest belonged to the family; when included in the member's partition share, the pre-severance amount had the character of family capital received by that member. The earlier Ramanathan Chettiar decision concerning another adopted son was distinguished because only the casual-and-non-recurring exemption had been properly raised there; the capital-share argument had not arisen from the Tribunal's order and reference.

Source: [SCR pp. 309-310](#) / [PDF pp. 3-4](#)

03 JUDICIAL DECISION

Revenue's appeal was dismissed with costs. The Court upheld the conclusion that the member's share of family property, including interest accruing before 17 February 1947, was not revenue in his hands. It expressly gave no opinion on the correctness of taxing interest accruing after that date. No fresh split computation was ordered or supplied.

Source: [SCR p. 310 / PDF p. 4](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee on the issue appealed by Revenue. The unappealed later-interest treatment was not endorsed on its merits by the Supreme Court. The result does not mean that interest ceases to be income merely because any recipient transfers or distributes it.

Source: [SCR pp. 309-310 / PDF pp. 3-4](#)

05 AKHB REVIEW POINT

AKHB analysis: identify the person to whom income accrued, the character of the property in a later recipient's hands and the precise period covered by a partition. Preserve the distinction between a merits ruling and an unappealed issue expressly left open. Obtain the underlying settlement and orders to resolve the source's 1949/1947 discrepancy before relying on exact historical chronology; do not extrapolate this family-capital conclusion to every interest distribution or current partition rule.

Source: [SCR pp. 308-310 / PDF pp. 2-4](#)

SOURCE & VERIFICATION

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

Four-page SCR scan. Full judicial body and disposition reviewed; editorial headnote distinguished from reasoning. Unnumbered judicial text; SCR/PDF page pinpoints supplied.

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Full source judicial text read; exact original bytes match consolidated index SHA-256. Public mirror scan, not certified court copy.

Source chronology discrepancy retained: settlement date 1949 on SCR 308 versus severance/operative 1947 on SCR 309-310. The outcome follows the Court's repeatedly stated 1947 cutoff, not a silently corrected historical event.

STATUTORY SCOPE

Historical statutory regime and assessment facts control. No automatic Income-tax Act, 2025 crosswalk or present-law certification.

LATER TREATMENT

Source checked 2026-10-10. Comprehensive subsequent judicial treatment and current-law applicability remain unverified; no current-law assurance or citator clearance.

AI DISCLOSURE

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