

Chandroji Rao v. Commissioner of Income-tax, M.P., Nagpur

Civil Appeal Nos. 505-508 of 1967

[1971] 1 SCR 422 | 1970-04-28

Interest for delayed jagir compensation: revenue receipt distinct from compensation.

Indian Income-tax Act, 1922: capital/revenue characterization | Madhya Bharat Abolition of Jagir Act, 1951: sections 8, 12-15 and Schedule I

3-judge bench | J. C. Shah, J. | K. S. Hegde, J. | A. N. Grover, J.

Assessment years: 1956-57, 1957-58, 1958-59, 1961-62

Specific historical interest provision

The ruling concerns interest under section 8(2) of the Madhya Bharat Jagir statute. It does not classify every compulsory-acquisition enhancement or interest component under a different statute.

01 FACTS OF THE CASE

Following abolition of jagirs from 4 December 1952, the assessee became entitled to statutory compensation. Section 8 made compensation due from resumption and provided simple interest while payment was made in annual instalments over up to ten years. The assessee claimed the interest was part of capital compensation. The officer and first appellate authority rejected that claim, the Tribunal accepted it, and the High Court answered the reference against the assessee for the four assessment years.

Source: [SCR pp. 423-424](#) / [PDF pp. 2-3](#)

02 DISCUSSION BY THE HON'BLE COURT

The compensation was determined under Schedule I, independently of interest. Section 8(2) compensated the recipient for being kept out of money already due while payment was deferred. The legislature distinguished compensation principal from interest in clear terms; the marginal heading referring to compensation could not displace that text. Applying Sham Lal Narula's distinction, the Court treated the payment as interest in its ordinary sense rather than part of the capital amount.

Source: [SCR pp. 424-425](#) / [PDF pp. 3-4](#)

03 JUDICIAL DECISION

The appeals were dismissed with costs and one hearing fee. The High Court's conclusion that the statutory interest was not a capital receipt stood; the interest was taxable as revenue. The judgment gives no separate computation of tax or quantified interest receipts for each year.

Source: [SCR p. 425 / PDF p. 4](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue on the character of the specified statutory interest. The decision does not convert the compensation principal into revenue or determine unrelated compensation schemes.

Source: [SCR p. 425 / PDF p. 4](#)

05 AKHB REVIEW POINT

AKHB analysis: separate principal compensation from payment for the period during which the recipient is kept out of money. Read the actual charging and compensation statute, rather than relying on a heading or a combined payment description. Before using this historical result for a modern acquisition award, identify the exact statutory interest provision and independently verify later treatment and amendments.

Source: [SCR pp. 424-425 / PDF pp. 3-4](#)

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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.

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