

Commissioner of Income-tax, Madras v. T. S. Pl. P. Chidambaram Chettiar (Dead) through Legal Representatives

Civil Appeal Nos. 365 and 671 of 1967

[1971] 3 SCR 428 | 1971-01-21

Whether section 34(1)(a) reassessment was valid and whether a secretly received mortgage-debt payment was taxable interest or presumed principal repayment

Indian Income-tax Act, 1922: sections 23(3), 34(1)(a) and 66(1)

Three-judge bench; judgment delivered by K. S. Hegde, J. | J. C. Shah, C.J. | K. S. Hegde, J. | A. N. Grover, J.

Historical reassessment and fact-specific appropriation

The ruling concerns former section 34(1)(a), a concealed 1943-44 payment and the 1922 Act. It does not state current reassessment law or a universal payment-appropriation rule.

01 FACTS OF THE CASE

The assessee's father lent money to a landholder and took a July 1932 mortgage for Rs.2,76,000. A 1940 suit claiming about Rs.5.50 lakh ended in a 1943 compromise decree for Rs.3,50,500. During the assessee-HUF's AY 1944-45 assessment, the officer received only vague information that the mortgagor had secretly paid an additional Rs.1,50,000. The assessee denied receipt, so the original assessment proceeded while further inquiry continued. After corroboration, the officer issued a 9 March 1953 section 34(1)(a) notice, included the concealed receipt, and—after the first appellate authority required cross-examination—made a fresh assessment upheld by the appellate authorities.

Source: [Primary judgment: debt, concealed receipt and reassessment history](#)

02 DISCUSSION BY THE HON'BLE COURT

For former section 34(1)(a), the officer needed reason to believe both that income was underassessed and that underassessment resulted from non-disclosure of material facts. Those conditions were satisfied once investigation supported the concealed payment; the earlier vague lead and decision not to hold up the original assessment were not a final adjudication. Because the first appellate order set aside the assessment only to cure denial of a proper hearing, no fresh reopening notice was required before the reassessment. On appropriation, Kameshwar Singh did not create a fixed rule that every unallocated receipt goes first to principal. The inference depends on the transaction and circumstances.

Source: [Primary judgment: reopening conditions and payment appropriation](#)

03 JUDICIAL DECISION

The secret receipt and failure to disclose it justified the historical reopening. The omitted Rs.1,50,000 could not be treated as principal merely because the assessee kept accounts under the Chetty system: it was not entered in those accounts at all, and concealment supported the conclusion that it represented taxable interest.

Source: [Primary judgment: jurisdiction and taxable-interest findings](#)

04 OUTCOME / IN WHOSE FAVOUR

Civil Appeal No.365 of 1967 was allowed and the third reference question answered for Revenue: the Rs.1,50,000 receipt was taxable income of the accounting year. Civil Appeal No.671 of 1967 was dismissed. The assessee was ordered to pay costs with one hearing fee.

Source: [Primary judgment: operative disposition](#)

05 AKHB REVIEW POINT

AKHB analysis: preserve the two historical section 34(1)(a) jurisdiction elements—underassessment and causal non-disclosure—and distinguish an unverified lead from later material supporting belief. For mixed principal-and-interest debts, do not assume a universal appropriation order; examine directions, settlement terms, bookkeeping and concealment evidence. Re-do the analysis under the current statutory text before present reliance.

Source: [Primary judgment: review-point basis](#)

SOURCE & VERIFICATION

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

Complete ten-page SCR report read in page-preserving text and every page image inspected; exact source bytes match the catalogue SHA-256.

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Exact catalogue SHA-256 and ten-page count verified; all pages were read and visually inspected.

The first-page caption contains an OCR/print distortion in Income-tax; the body and appeal description establish the case identity.

The Court rejected a universal presumption that an unappropriated debtor payment is always applied to principal; the inference depended on the concealed receipt and surrounding facts.

Civil Appeal No.365 of 1967 was Revenue's appeal and was allowed; Civil Appeal No.671 of 1967 was the assessee's appeal and was dismissed.

STATUTORY SCOPE

Indian Income-tax Act, 1922, sections 23(3), 34(1)(a) and 66(1). The Court's jurisdiction analysis and appropriation result are confined to the historical provisions and proved concealment facts.

LATER TREATMENT

Source checked 2026-10-12. No comprehensive later-treatment or present-law clearance is represented. The judgment applies former section 34(1)(a) of the 1922 Act to assessment year 1944-45 and does not certify the result under current reassessment provisions.

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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