

Commissioner of Income Tax, Assam and Nagaland etc. v. Shri G. Hyatt

Civil Appeal No. 1174 of 1967

[1971] 3 SCR 438 | 1971-01-21

Does exclusion of own-contribution interest from profits in lieu of salary under section 17(3)(ii) exempt it from tax, or is the income assessable under the residuary section 56?

2(24) | 14 (historical six-head classification) | 15 | 16 (deductions contrasted) | 17(1)(iv) | 17(3)(ii) | 56(1)

Three judges | J.C. Shah, C.J. | K.S. Hegde, J. | A.N. Grover, J.

Assessment years: 1963-64

Interest-only ruling and historical statutory limits

This decision taxes Rs. 27,948 of interest on the employee's own contributions to an unrecognised provident fund, not returned principal or all recognised-fund receipts. Section 17's definitional exclusion is not an exemption; the complete section 56 residual-head condition in the judicial body controls over the defective headnote. Emil Webber is related context, not direct treatment. Original PDF unchanged; comprehensive later treatment, current law and 2025 mapping are not verified.

01 FACTS OF THE CASE

Hyatt managed a tea estate under the managing agency of Gillanders Arbuthnot & Co. Ltd. The company operated an unrecognised provident fund for employees. On retiring during financial year 1962-63, he received Rs. 27,948 representing interest on his own contributions to that fund. That interest, rather than the return of the contributions themselves, is the disputed amount for AY 1963-64 (physical 1-2/SCR 438 G-439 A).

The Income-tax Officer assessed the amount as income from other sources; the Appellate Assistant Commissioner confirmed the assessment. The Tribunal thought the receipt was profits in lieu of salary under section 17 and held the assessment under another head unlawful. On the Commissioner's reference, the High Court held that the receipt was not salary but went further and treated section 17(3)(ii) as exempting it. The Commissioner brought the certificate appeal (physical 2/SCR 439 A-E).

The respondent was not otherwise represented before the Supreme Court. T.A. Ramachandran appeared at the Court's request as amicus curiae; his appearance in the counsel list should be read with that express explanation (physical 3/SCR 440 H).

Source: See the proposition-specific paragraph and PDF-page references below.

02 DISCUSSION BY THE HON'BLE COURT

The Court first held that the Rs. 27,948 was income within section 2(24): interest earned on an investment is a gain to the investor. It then treated taxability and the proper head of income as distinct questions. Historical section 14 classified income under six heads; salary was charged under section 15 and residuary income under section 56 (physical 2/SCR 439 E-H).

Section 17(1)(iv) included profits in lieu of salary within salary. But the definition in section 17(3)(ii), as applicable, excluded the employee's own provident-fund contributions and interest on them from that expression. The interest therefore was not salary. This definitional exclusion did not operate as an exemption from income tax: section 17 defined salary, whereas section 16 dealt with deductions from that head. The High Court had mistaken exclusion from a particular head for exclusion from tax (physical 2-3/SCR 439 G-440 E).

The Court expressly confined the case to an unrecognised provident fund and noted that recognised funds were governed by other provisions. Since the interest was income, was not exempt, and did not fall under salary or the other specific heads identified in the judgment, section 56(1) applied. The complete condition in the judicial body is important: income not excluded from total income is chargeable as other-source income only if it is not chargeable under the section 14 heads A to E (physical 3/SCR 440 B-G).

The Court found section 17(3)(ii) plain and unambiguous, so it saw no need for the interpretive rules invoked by the High Court. This was not a ruling that every payment from every provident fund was taxable, or that a return of one's capital became income merely because section 17 did not classify it as salary (physical 3/SCR 440 G).

Source: See the proposition-specific paragraph and PDF-page references below.

03 JUDICIAL DECISION

The Court allowed Civil Appeal No. 1174 of 1967, discharged the High Court's negative answer, and answered the referred question affirmatively for the Department. The Rs. 27,948 interest on Hyatt's own contributions to the unrecognised provident fund was assessable under section 56. There was no order as to costs (physical 4/SCR 441 A-B).

Source: See the proposition-specific paragraph and PDF-page references below.

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue / Department

Commissioner's certificate appeal allowed; reference answered affirmatively; no order as to costs

Substantive classification and taxability of the identified interest receipt decided for AY 1963-64

Own-contribution interest from an unrecognised provident fund only. No adjudication of returned principal, all retirement receipts, recognised-fund exemptions or a later statutory version.

Source: See the proposition-specific paragraph and PDF-page references below.

05 AKHB REVIEW POINT

A receipt's exclusion from the salary definition does not by itself create an exemption. Still, the residual head is available only after establishing income character, checking applicable exemptions, and excluding the other charging heads. Keep the Rs. 27,948 interest distinct from the employee's returned principal and from employer-funded components.

Emil Webber (19 February 1993) provides related later context: on different facts, tax paid on a person's behalf by an entity that was not his employer was income assessable under section 56, no exemption having been claimed (physical 6/SCR 32 A-B). That decision does not cite Hyatt and is not evidence of direct approval, extension or overruling of Hyatt's provident-fund holding.

The selected 2011 statutory compilation still distinguishes the section 17(3)(ii) definition from the section 56(1) residual charge, but also records intervening changes to section 17 and omission of the separate interest-on-securities head from 1 April 1989. Those compiled words cannot simply be substituted for the historical text quoted in this judgment. Only selected statutory pages have been checked; comprehensive later treatment, present-law applicability and 2025 mapping remain unverified (compilation physical 184, 186, 194 and 391).

Source: See the proposition-specific paragraph and PDF-page references below.

DETAILED DISPOSITION AND CONNECTED GROUPS

Proceeding outcomes

1.

Case number: Civil Appeal No. 1174 of 1967

Outcome: Allowed; High Court answer discharged and replaced with an affirmative answer for the Department; no costs order

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, AY, interest-only receipt and reference history

Source url: [Open cited source](#)

Pdf pages: 1; 2

Paragraphs: SCR 438 heading/E-H; 439 A-E

2.

Topic: Income character and historical charging heads

Source url: [Open cited source](#)

Pdf pages: 2

Paragraphs: SCR 439 E-H

3.

Topic: Operative definition-versus-exemption and complete section 56 condition

Source url: [Open cited source](#)

Pdf pages: 3

Paragraphs: SCR 440 A-G

4.

Topic: Amicus clarification, allowance, affirmative answer and no costs

Source url: [Open cited source](#)

Pdf pages: 3; 4

Paragraphs: SCR 440 H-441 B

5.

Topic: Related later section 17/56 context, not direct Hyatt treatment

Source url: [Open cited source](#)

Pdf pages: 6

Paragraphs: SCR 32 A-B

6.

Topic: Selected later compiled statutory definitions, residual head and amendments

Source url: [Open cited source](#)

Pdf pages: 184; 186; 194; 391

Paragraphs: Printed 1.143, 1.145, 1.153 and 1.350

Source role: historical statutory context

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

The assessed item is interest on the assessee's own contributions to an unrecognised provident fund. The case does not assess returned contribution principal, employer contributions or the separate regime for recognised funds.

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

K.S. Hegde, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SPECIFIED LATER DECISION AND LIMITS OF THE CHECK

1.

Title: Emil Webber v. Commissioner of Income Tax, V and M, Nagpur

Asset id: 1993_2_27_33

Decision date: 1993-02-19

Classification: Related section 17/56 context only; no direct Hyatt citation

Source url: [Open cited source](#)

Pdf pages: 6

Pinpoint: SCR 32 A-B

Holding limit: Different third-party tax-payment facts; not direct treatment of the provident-fund ruling.

SOURCE & VERIFICATION

[Hon'ble Supreme Court source PDF \(reported judgment\)](#)

Identified source rendition: 4 PDF pages; SHA-256

8fc582e06921edb2d224baa54bc1f78c7a1ec970c0a8d6de4487a8f5246e19e3. Original bytes preserved.

Headnote physical 1/SCR 438 B-E; docket and counsel SCR 438 E-F. Hegde opinion begins SCR 438 G and ends physical 4/SCR 441 A. One certificate appeal and one opinion; no adjacent judgment or separate opinion.

[Open cited source rendition](#)

full primary text read: True; all primary page images reviewed: True; source integrity verified: True; actual statutory scope verified: True; later treatment comprehensive: not_verified; current law status: not_verified; statutory mapping 2025: not_verified

Date and report citation checked on the primary image. Catalogue identifier 1971INSC25 is not printed or independently authenticated in this rendition.

Headnote at physical 1/SCR 438 E truncates/misstates the section 56 charging condition and gives an inaccurate 439 C-G pinpoint; the judicial body at physical 3/SCR 440 E-G supplies the complete residual-head condition.; The headnote/counsel list is not the judicial body. Ramachandran's appearance is expressly explained at SCR 440 H as amicus assistance at the Court's request.; One appeal is identified, despite the opening phrase these appeal. No additional docket or proceeding is inferred.; Do not conflate G. Hyatt, the retired tea-estate manager, with Hyatt hotel-company permanent-establishment litigation.; Neither returned principal nor recognised-fund taxability was decided. The 2011 compiled section 17 includes later changes and is not authenticated as the complete original-year or current text.

Relevant accounting year was financial year 1962-63.

One certificate appeal from the Assam and Nagaland High Court judgment dated 22 August 1966 in Income-tax Reference No. 3 of 1966. The opening body's plural phrasing does not identify any additional appeal.

STATUTORY SCOPE

No automatic Income-tax Act, 2025 crosswalk. Complete amendments, commencement, savings and case-specific present applicability have not been verified.

LATER TREATMENT

Source checked 2026-10-05. Full related Emil Webber primary text read; it does not cite G. Hyatt. Limited party/citation searches produced leads but no authenticated direct later Supreme Court treatment in this review. That bounded result is not proof of no subsequent treatment. Comprehensive later treatment remains not_verified.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 4](#)

SHA-256: 8fc582e06921edb2d224baa54bc1f78c7a1ec970c0a8d6de4487a8f5246e19e3

[later related judgment bounded - PDF pages: 7](#)

SHA-256: e6661a5741688df5967abc4566c115e2cc62d1ba63290064c443066887c271fc

[official government hosted statutory compilation bounded - PDF pages: 1251](#)

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

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