

Karnani Properties Ltd. v. Commissioner of Income Tax, West Bengal

Civil Appeals Nos. 1874 and 1875 of 1968

[1972] 1 SCR 457 | 1971-08-27

Organised tenant services as business income; limits of a tax reference.

Indian Income-tax Act, 1922: sections 9, 10, 12 and 66

2-judge bench | K. S. Hegde, J. | A. N. Grover, J.

Assessment years: 1956-57, 1957-58

Fact-bound classification

The ruling accepted the Tribunal's unchallenged findings and expressly refused a universal rule for splitting consolidated rent. Subsequent statutory and case-law treatment is not verified.

01 FACTS OF THE CASE

Karnani Mansion contained residential flats and shops. The company supplied electricity through its own power house, hot and cold water, lifts and other amenities using permanent staff. The Income-tax Officer divided receipts between property rent and other-source income. Only classification of the service component remained disputed on appeal. The Tribunal treated it as business income; the High Court reappraised the evidence and treated it as property income.

Source: [SCR pp. 459-460](#) / [PDF pp. 3-4](#)

02 DISCUSSION BY THE HON'BLE COURT

The correctness of the Tribunal's factual findings had not been challenged through the referred question. The High Court therefore had to apply law to those findings, not replace them. On the accepted facts, continuous, organised and profit-oriented services constituted business activity. The Court expressly avoided a general rule requiring every consolidated rent to be split, or separately taxing the several activities of a single business. It also left factual reconsideration in future assessments open.

Source: [SCR pp. 461-464](#) / [PDF pp. 5-8](#)

03 JUDICIAL DECISION

Both appeals succeeded. The High Court's answer was discharged and the referred question was answered affirmatively in favour of the assessee. Costs were awarded with one hearing fee.

Source: [SCR p. 464 / PDF p. 8](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee on the disputed service income, based on binding unchallenged facts. The already assessed property-rent component was not the subject of the dispute; the Court did not declare every composite letting to yield separate business income.

Source: [SCR pp. 460-464 / PDF pp. 4-8](#)

05 AKHB REVIEW POINT

AKHB analysis: distinguish the agreed property-rent treatment from the contested service component. Preserve lease terms, service accounts, staffing and operating arrangements, and frame any challenge to factual findings through the appropriate procedural question. Avoid turning this fact-bound reference decision into a universal rental-income classification rule.

Source: [AKHB analysis based on SCR pp. 460-464 / PDF pp. 4-8](#)

SOURCE & VERIFICATION

Supreme Court Reports scan - public eSCR mirror

Full 8-page SCR report read, separating editorial headnote from judicial reasoning; no neighbouring case text used.

Open cited source rendition

Full source read; page pinpoints used because judgment paragraphs are unnumbered. Exact original bytes match the catalogue SHA-256.

SCR p.459 first identifies calendar years 1955 and 1956, but later labels receipt figures as accounting years 1956 and 1957. The assessment years are consistently 1956-57 and 1957-58. The inconsistent receipt-year labels are not silently corrected or relied on.

STATUTORY SCOPE

This decision applies the Indian Income-tax Act, 1922 to the stated historical assessment years. Current statutory applicability and any Income-tax Act, 1961 or 2025 crosswalk are not determined.

LATER TREATMENT

Source checked 2026-10-10. Comprehensive subsequent treatment has not been verified; no current citator clearance is represented.

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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