

C.I.T. (Central), Calcutta v. Daulat Ram Rawatmull

Civil Appeal No. 1133 of 1969 — Current Revenue special-leave appeal concerning Rs. 4,50,000 of Biswanath's Rs. 5,00,000 deposit and connected proceedings (full list below)

[1973] 2 SCR 184 | 1972-09-12

A third party's false source explanation and use of his deposit as security did not establish that the deposit was the firm's concealed income; the attribution lacked a direct evidentiary nexus.

1922 Act: 23 | 1922 Act: 34 | 1922 Act: 66(1) | 1922 Act: 66(2)

2 Judges | P. Jaganmohan Reddy | H. R. Khanna

01 FACTS OF THE CASE

The firm obtained a Rs. 10 lakh overdraft secured by fixed deposits in partners' sons' names. These appeals concerned only Biswanath's Rs. 5 lakh deposit, split procedurally into Rs. 4.50 lakh and Rs. 50,000. On reassessment for 1946-47 under the Indian Income-tax Act, 1922, the Tribunal attributed the money to the firm. The Calcutta High Court held that relevant material did not support that attribution. A different deposit belonging in name to Raghunath Prasad, ultimately adjusted against the firm's overdraft, had already been dealt with in separate proceedings and was not the subject of these appeals.

Source: [SCR 185H-190G](#)

02 DISCUSSION BY THE HON'BLE COURT

Khanna J accepted that pure fact findings cannot ordinarily be reweighed on reference and that evidence must be considered cumulatively. But findings resting on irrelevant material, conjecture or an unreasonable inference raise questions of law. Biswanath's explanation of his funds was false, yet that did not establish ownership in the firm. Security and ownership were distinct: a third party could guarantee a firm's borrowing without becoming its nominee, and a partner's son might do so without payment. The Department, asserting that the apparent ownership was unreal, bore the burden of proving the firm's ownership. Neither the source nor destination connected the sum to the firm; positive evidence showed Biswanath received the proceeds in January 1946. The AAC also relied on inaccurate facts about repayment and equal partner-group shares, and on the irrelevant fact that the bank and firm occupied the same building.

Source: [SCR 191B-196F](#)

03 JUDICIAL DECISION

The inference of concealed firm income lacked the necessary direct nexus with proved facts. The High Court was entitled to interfere with the Tribunal's conclusion, and its favourable answers concerning Biswanath's deposit were upheld. The Court did not decide that an unexplained deposit could never be taxed or reconsider the separate Raghunath Prasad outcome.

Source: [SCR 193A-196F](#)

04 OUTCOME / IN WHOSE FAVOUR

Both Revenue appeals were dismissed with costs. The printed report adds “On hearing fee”. The Rs. 5 lakh in Biswanath’s deposit was not sustained as concealed income of the firm on this record.

Source: [SCR 196F](#)

05 AKHB REVIEW POINT

Trace source, beneficial use and ultimate repayment before attributing a third-party asset to the taxpayer. Identify the inferential link missing from the assessment and distinguish evidence about each deposit. This old-Act ownership decision is not a substitute for the text and evidentiary burdens of modern unexplained-credit provisions. Cite the specific taint in a fact finding, rather than inviting a general rehearing of evidence. Compare the specific conditions in sections 68/69 and 2025 sections 102-104 rather than assuming an unchanged burden of proof.

Source: [SCR 189E-H and 193E-196F](#); [editorial deposit-specific and modern-law limits](#); [Whole section 68 with all three provisos, HTML 42-80.](#); [Whole section 69, HTML 38-64.](#); [Whole sections 102\(1\)-\(4\), 103 and 104\(1\)-\(2\), web 6933-6984, physical 169-170. No complete 1961 sections 69A-69D comparison claimed.](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeal No. 1133 of 1969 — Current Revenue special-leave appeal concerning Rs. 4,50,000 of Biswanath’s Rs. 5,00,000 deposit / Civil Appeal No. 1134 of 1969 — Current Revenue special-leave appeal concerning the remaining Rs. 50,000 of Biswanath’s deposit / Income-tax Reference Nos. 53 and 54 of 1961 — Originating Calcutta High Court reference group, judgment dated 1 April 1966; no unprinted number-to-appeal mapping inferred / Civil Appeal No. 1035 of 1967 — Earlier separate assessee appeal concerning Raghunath Prasad’s deposit; reported here as dismissed on 18 January 1971, not decided again in this judgment

SOURCE & VERIFICATION

Original reported Supreme Court judgment

13-page retained public-mirror SCR report. The complete report was read as text and page images. The acquisition URL is preserved provenance; current endpoint availability and authentication as a signed original are not newly verified.

Open cited source rendition

The costs sentence visibly reads “On hearing fee”, apparently a printing defect; the note records it without silently substituting “One”.

Earlier deposit litigation is described in the judgment but is not part of the present disposition; the 1964 appeal has no printed case number.

Scan margins and OCR are degraded in places; all pages were checked visually, including SCR 195, which OCR mislabels as 185.

STATUTORY SCOPE

Indian Income-tax Act, 1922; 23, 34, 66(1), 66(2)

Displayed 2025 sections 68 and 69 contain specific books-credit and unexplained-investment conditions; section 68 adds explanation requirements for specified loans and closely held company capital. This judgment did not construe those provisions and cannot displace their statutory burdens.

Complete 102–104 were read in the Finance Act 2026 compilation. The 68→102 and 69→103 comparisons are not textual identity: the later text uses shall where the displayed earlier text uses may, and 103 includes excess recorded investments. Section 104 expressly requires ownership/belonging; no complete 69A–69D crosswalk is claimed.

Legacy 1922 holding. Exact compared versions and bounded read scopes are recorded in sources; no automatic present-law carryover or exhaustive tax-year/repeal/savings determination.

LATER TREATMENT

Source checked 2026-10-07. No specific later judicial use has been adopted for this note in this bounded review. This is a verification limit, not an assertion that none exists.

Comprehensive subsequent history and present-law applicability are not certified.

IDENTIFIED SOURCE LINKS

[Income-tax Act, 1961: section 68](#)

Official HTML displayed 2025; not verified as a complete 2026 consolidation Whole section 68 with all three provisos, HTML 42–80. New personal bounded read of retained coordinator official web text. No fresh author acquisition, original PDF/HTML hash, page-image inspection or complete current-applicability/savings certification.

[Income-tax Act, 1961: section 69](#)

Official HTML displayed 2025; not verified as a complete 2026 consolidation Whole section 69, HTML 38–64. New personal bounded read of retained coordinator official web text. No fresh author acquisition, original PDF/HTML hash, page-image inspection or complete current-applicability/savings certification.

[Income-tax Act, 2025: sections 102–104](#)

Official 2025 Act as amended by Finance Act 2026; section 34 HTML displays 2026 Whole sections 102(1)–(4), 103 and 104(1)–(2), web 6933–6984, physical 169–170. No complete 1961 sections 69A–69D comparison claimed. New personal bounded read of retained coordinator official web text. No fresh author acquisition, original PDF/HTML hash, page-image inspection or complete current-applicability/savings certification.

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