

T. S. Krishna v. Commissioner of Income-tax, Madras

Civil Appeal No. 1671 of 1969

[1973] 2 SCR 533 | 1972-10-03

Whether wealth-tax paid in respect of shares could be deducted from dividend and interest income under section 57(iii), notwithstanding the 1972 amendments, on the theory that the statutory exception for a tax on a particular business asset also covered Indian wealth-tax.

57(iii) | 58(1A), as inserted by the Income-tax (Amendment) Act, 1972 | 40(a)(iia) and its Explanation, as incorporated by section 58(1A) | 256(1) (reference route)

Three-judge bench | P. Jaganmohan Reddy, J. | I.D. Dua, J. | H.R. Khanna, J.

Assessment years: See the source-scope notes; no year inferred.

Historical wealth-tax exclusion and a narrow saving

Krishna rejects the deduction under both historical section 58(1A) and section 57(iii). The report states accounting period 1962-63, not an assessment year, and contains repeated excess-profits-tax descriptions of earlier wealth-tax cases. The 1972 amendment's particular-asset exception concerns foreign taxes; section 5 protects only the specified assessee and year with a qualifying Supreme Court decision before 15 July 1972. Indian Aluminium's separate concurrence is not a dissent, and its 1922-Act relief is not a general exemption. Original PDF unchanged; comprehensive later treatment, current law and 2025 mapping remain unverified.

01 FACTS OF THE CASE

During the accounting period 1962-63, T. S. Krishna paid Rs. 21,963 in wealth-tax in respect of shares held by him. He claimed that sum as expenditure deductible from dividend income and interest under section 57(iii). The Income-tax Officer rejected the claim for want of a direct or immediate connection with earning the dividend income. The Appellate Assistant Commissioner and Tribunal affirmed, and the Madras High Court answered the reference against the assessee (physical pages 1-2/SCR 533 G-H; 534 A-D).

The assessee argued that paying wealth-tax preserved the assets which automatically produced income: default could endanger ownership and thereby destroy the income source. The High Court considered that connection too remote. During the Supreme Court proceedings the 1972 Ordinance and Amendment Act intervened, introducing an express wealth-tax disallowance. The assessee then relied on the Explanation's particular-asset exception to contend that the deduction remained available (physical pages 2-4/SCR 534 E-536 F). The source gives an accounting period, not an express assessment year.

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

02 DISCUSSION BY THE HON'BLE COURT

The Court first addressed the distinction between a business-expense deduction and a claim against income from other sources. It described Indian Aluminium's modification of Travancore Titanium: an owner-cum-trader's expenditure genuinely incidental to business may be trading expenditure. That business context did not decide Krishna's other-sources claim. Indian Aluminium's own report confirms that its two appeals concerned wealth-tax under the 1922 Act; it contains Sikri C.J.'s opinion for four judges and Beg J.'s separate concurrence, with a unanimous result. Krishna's report repeatedly calls the earlier levies excess-profits tax; that printed wording is a source anomaly, not a basis for recharacterising the tax at issue (physical pages 3-4/SCR 535 B-536 E; Indian Aluminium, physical pages 4-5 and 16-25/SCR 18-19 and 30-39).

Sections 2 and 3 of the 1972 Amendment Act inserted section 40(a)(iia) and section 58(1A) with deemed-always-inserted language. Section 40(a)(iia) barred a sum paid on account of wealth-tax. Its Explanation covered Indian wealth-tax under the 1957 Act, foreign taxes of a similar character, and foreign taxes measured by business or professional assets or capital, whether or not debts were deductible in calculating the tax base. The exception concerned a tax measured by a particular business or professional asset. Section 58(1A) imported that rule, so far as applicable, into the other-sources computation. Section 58 operated notwithstanding the deductions permitted by section 57 (physical pages 4-5/SCR 536 E-537 H).

The judgment also reproduced the amendment's exact old-Act reach and saving. Section 4 denied authority under the 1922 Act to deduct wealth-tax from business, profession or vocation income, or other-sources income, for the assessment year beginning 1 April 1957 or a later year. Section 5 preserved an assessment of the particular assessee for the particular year where, before 15 July 1972, the Supreme Court had held on appeal that the wealth-tax paid was deductible. The Court explained that Indian Aluminium's actual relief was left untouched. That was not a general survival of its deduction rule for every taxpayer, every year or every pending case. Krishna received no benefit from the saving (physical pages 5-6/SCR 537 H-538 F).

The assessee's attempt to use the particular-asset exception failed. The Court read those words as relating to taxes under foreign law in the Explanation, not as exempting domestic wealth-tax from the disallowance. Indian wealth-tax was a charge on net wealth under sections 2(m) and 3 of the Wealth-tax Act: aggregate includible assets less the permitted debts. Separate valuation of each asset under section 7 did not turn the aggregate net-wealth levy into a tax on that particular asset. Nor could "any particular asset" be read as the aggregate of all assets without abandoning the statutory scheme. Section 58(1A) therefore barred the claimed deduction (physical pages 6-8/SCR 538 G-540 E).

Independently of the amendment, the Court held that payment of the wealth-tax did not bear a direct or incidental relationship to earning the dividend income. It was therefore not expenditure laid out wholly and exclusively for making or earning that income under section

02 DISCUSSION BY THE HON'BLE COURT

57(iii). The concluding reference to old section 10(2)(xv) does not erase the different statutory setting of Indian Aluminium or supply an additional old-Act assessment in this appeal (physical page 8/SCR 540 F-G).

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

03 JUDICIAL DECISION

The Supreme Court dismissed the assessee's sole appeal with costs. It upheld the High Court's adverse answer: the wealth-tax claim failed both under the express retrospective section 58(1A) exclusion and on the independent section 57(iii) nexus ground. There was no remand or partial allowance (physical page 8/SCR 540 E-G).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

Assessee's appeal dismissed with costs; High Court answer upheld

Final reasoned rejection of the deduction on two independent grounds

The actual payment was Indian wealth-tax linked to shares. The judgment does not allow or disallow every tax on a particular foreign asset, create a general exemption for pending appeals, decide the constitutional validity of the retrospective amendment, or identify the unstated assessment year.

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

05 AKHB REVIEW POINT

Keep three inquiries separate: the income head and its deduction test; the true subject of the levy; and any express statutory exclusion or saving. Merely attributing part of Indian net-wealth tax to income-producing shares does not convert it into a particular-asset tax. Likewise, a general desire to preserve an investment does not by itself establish the section 57(iii) connection. Indian Aluminium's business-expense reasoning and Krishna's other-sources reasoning operate in different settings.

In *Virmati Ramkrishna v. CIT*, [1981] 131 ITR 659 (Guj), paragraphs 11 and 31 directly use Krishna's independent section 57(iii) holding. Paragraph 11 contrasts it with Indian Aluminium to explain the different deduction settings. Paragraphs 28 and 37 also show why Krishna should not be enlarged into a universal rule against expenditure preserving an income source: a genuine, non-remote income connection may still qualify. This is later supporting and contextual treatment, not an overruling of Krishna.

The government-hosted 2011 compilation, physical page 297/printed 1.256 and footnote 29, corroborates the historical section 40(a)(iia) text and insertion retrospectively from 1 April 1962, subject to sections 4 and 5 of the 1972 Act. Those sections were read in Krishna's quotation; no standalone Gazette version was authenticated. All section numbers and the saving discussed here are historical. No automatic mapping to the Income-tax Act, 2025 is supplied.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, date, bench, appeal and High Court reference

Source url: [Open cited source](#)

Pdf pages: 1

Paragraphs: SCR 533 A and G-H

2.

Topic: Section 256(1), accounting period, amount and procedural history

Source url: [Open cited source](#)

Pdf pages: 2

Paragraphs: SCR 534 A-H

3.

Topic: Earlier business-deduction authorities and printed excess-profits-tax descriptions

Source url: [Open cited source](#)

Pdf pages: 3; 4

Paragraphs: SCR 535 B-536 E

4.

Topic: 1972 amendments, complete section 40 definition and section 58(1A) incorporation

Source url: [Open cited source](#)

Pdf pages: 4; 5

Paragraphs: SCR 536 E-537 H

5.

Topic: Old-Act reach from assessment year 1957-58 and narrow section 5 saving

Source url: [Open cited source](#)

Pdf pages: 5; 6

Paragraphs: SCR 537 H-538 F

6.

Topic: Foreign particular-asset exception and Indian net-wealth scheme

Source url: [Open cited source](#)

Pdf pages: 6; 7; 8

Paragraphs: SCR 538 G-540 E

7.

Topic: Independent section 57(iii) nexus ground and dismissal with costs

Source url: [Open cited source](#)

Pdf pages: 8

Paragraphs: SCR 540 F-G

8.

Topic: Earlier case: actual wealth-tax issue, both appeals and stated assessment year

Source url: [Open cited source](#)

Pdf pages: 4; 5

Paragraphs: SCR 18 D-19 D

Source role: earlier judgment context

9.

Topic: Earlier case: unanimous relief, costs and separate concurrence

Source url: [Open cited source](#)

Pdf pages: 16; 25

Paragraphs: SCR 30 A-F; 39 A-B

Source role: earlier judgment context

10.

Topic: Later direct use of Krishna and contextual limits on section 57(iii)

Source url: [Open cited source](#)

Paragraphs: 11, 28, 31, 37

Source role: later judicial treatment

11.

Topic: Historical definition and retrospective insertion footnote

Source url: [Open cited source](#)

Pdf pages: 297

Paragraphs: Printed 1.256, section 40(a)(iia) and footnote 29

Source role: bounded statutory compilation

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

The actual claim is a 1961 Act section 57(iii) deduction in a section 256(1) reference. The Court directly applies the 1972 retrospective section 58(1A) exclusion, interprets the incorporated section 40(a)(iia) Explanation, and gives an independent section 57(iii) ground. Earlier section 10(2)(xv) business decisions do not turn this into a 1922 Act appeal.

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

P. Jaganmohan Reddy, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

OTHER STATUTORY PROVISIONS AND THEIR SEPARATE SCOPE

Income-tax (Amendment) Act, 1972 (41 of 1972), sections 2-5; Income-tax (Amendment) Ordinance, 1972, effective 15 July 1972; Wealth-tax Act, 1957, sections 2(m), 3, 4, 5, 6 and 7; Indian Income-tax Act, 1922, section 10(2)(xv), as discussed in earlier business-expense decisions

BOUNDED NON-PDF SOURCES AND READING LIMITS

1.

Kind: later judgment primary text reproduction

Title: Virmati Ramkrishna v. Commissioner of Income-tax, Gujarat-III

Court: Gujarat High Court

Decision date as hosted: 1976-02-02

Citation: [1981] 131 ITR 659 (Guj)

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Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 8 PDF pages; SHA-256

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Headnote on physical page 1/SCR 533; appeal metadata begins SCR 533 G. Jaganmohan Reddy's single judgment runs from physical page 2/SCR 534 A to physical page 8/SCR 540 G, followed by reporter disposition. No neighbouring 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; separate concurrence preserved: True; later treatment comprehensive: not_verified; current law status: not_verified; statutory mapping 2025: not_verified

Date and SCR citation verified against the scan. The frozen catalogue identifier 1972INSC247 is not printed in, or independently authenticated by, this source.

The primary describes 1962-63 as the accounting period. The assessment year is not stated and is not inferred.; The report repeatedly uses excess-profits-tax language in discussing earlier wealth-tax litigation (SCR 535-536 and 538). Indian Aluminium's own primary text concerns wealth-tax. The source PDF is preserved without silent alteration.; At SCR 540 F the Court calls old section 10(2)(xv) corresponding to the section 57(iii) discussion. The note preserves the actual 1961 other-sources issue and does not treat the old business provision as textually identical.; The statutory section 4 quotation begins the old-Act bar at the assessment year commencing 1 April 1957. The nearby narrative about pre-1962-63 years is not substituted for that exact quoted reach.; Section 5 is assessee- and year-specific and turns on a Supreme Court appellate determination before 15 July 1972. No wider pending-case saving or constitutional ruling is inferred.; The particular-asset exception is interpreted in relation to foreign taxes; it is not an Indian wealth-tax exemption obtained by separately valuing shares.; Indian Aluminium has two appeals and a separate concurrence but no dissent. It remains a 1922-only contextual authority in this note.; Virmati is a third-party judicial-text reproduction. The 2011 compilation is historical corroboration only; neither source certifies current law.

The primary states the relevant accounting period as 1962-63. It does not expressly identify an assessment year; no following assessment year is inferred.

Appeal by certificate from the Madras High Court judgment dated 27 September 1967 in T.C. No. 219 of 1965. One appeal; the High Court had considered other similar matters, which are not additional appeals disposed of here.

STATUTORY SCOPE

No present-law certification or Income-tax Act, 2025 crosswalk; historical exclusions, numbering and savings require independent version-specific analysis.

LATER TREATMENT

Source checked 2026-10-05. Not verified comprehensively. Bounded title, citation, overruling and distinguishing searches on 5 October 2026 located Virmati Ramkrishna, whose complete reproduced judicial body was read. It supports and contextualises Krishna, rather than overruling it. No adverse treatment was established within this bounded search; that is not a no-adverse-treatment certificate. Other search leads were not adopted as verified authorities.

IDENTIFIED SOURCE LINKS

reported judgment - PDF pages: 8

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[earlier judgment context - PDF pages: 25](#)

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[Virmati Ramkrishna v. Commissioner of Income-tax, Gujarat-III](#)

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

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