

SHEW KISSEN BHATTAR v. THE COMMISSIONER OF INCOME TAX, CALCUTTA

Civil Appeals Nos. 1500 to 1502 of 1970 — Supreme Court appeal or expressly printed appeal group decided in this judgment and connected proceedings (full list below)

[1973] 3 SCR 567 | 1973-03-05

Interest on overdue interest was not interest on the original capital charge deductible under 1922 section 9(1)(iv), even though the contract added arrears to principal.

1922 Act: 9(1)(iv)

3-judge bench | K. S. Hegde, J. | P. Jaganmohan Reddy, J. | H. R. Khanna, J.

01 FACTS OF THE CASE

A trustee of house property claimed deduction of compound interest for assessment years 1956-57 to 1958-59 under section 9(1)(iv) of the Indian Income-tax Act, 1922. A consent decree in an earlier title suit required payment of a settlement sum, with yearly compounding of interest on unpaid amounts. Defaults caused interest to accumulate and attract further interest. The officer allowed only simple interest on the outstanding original liability. The Appellate Assistant Commissioner, Tribunal and High Court upheld that restriction, and the assessee appealed.

Source: [SCR568D-569D](#)

02 DISCUSSION BY THE HON'BLE COURT

The Supreme Court examined the statutory connection between the interest and the qualifying mortgage, capital charge or borrowed capital. Contractual capitalisation did not transform unpaid interest into the original capital charge contemplated by the provision. The assessee could deduct interest on that charge, but the further sum arose because interest had not been paid when due. It was interest on interest. The phrase "any interest" did not remove the requirement that the payment relate to qualifying capital. The Court also rejected a construction enabling a debtor to leave interest unpaid, use the money elsewhere and increase the deduction through that default. Its reasoning addressed the particular property-income allowance rather than a general prohibition on compound-interest agreements.

Source: [SCR569E-570G](#)

03 JUDICIAL DECISION

Only the interest attributable to the original capital charge was deductible under section 9(1)(iv); the additional compound component was not. The High Court's interpretation was affirmed. The validity or enforceability of the consent decree's compounding term was not the question decided: the issue was the tax allowance available against property income.

Source: [SCR570B-H](#)

04 OUTCOME / IN WHOSE FAVOUR

The assessee's three appeals were dismissed with costs and one hearing fee. The restriction to simple interest on the original liability remained in place for the stated assessment years.

Source: [SCR570H](#)

05 AKHB REVIEW POINT

Break the lender's demand into original capital, ordinary interest, and interest arising on arrears. Accounting or contractual treatment as principal does not itself establish that every component meets a statutory deduction. Keep the income head and exact provision visible; a decision under this 1922 property allowance cannot, without further analysis, settle a deduction claimed under a different business-income provision. Checked later property provisions are section 24(b) and 2025 section 22(1)(b), both tied to qualifying borrowed capital.

Source: [SCR570B-G](#); [Identity/version and section 24 opening, clause \(b\) and first three proviso/explanation passages: returned web lines 38-73. Comparison adopts clause \(b\) only.; Section 22\(1\)-\(6\), physical 53-54, web lines 2111-2145.; Title and section 1\(3\), physical1/web0-13; section536\(1\),\(2\)\(a\)-\(c\), physical584-585/web24385-24399; subsections\(3\)-\(4\), physical589/web24597-24601. No full-section536 reading claimed.; Identity physical1/web1-11 and discussion physical11-12/web435-464, especially459-464.](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeals Nos. 1500 to 1502 of 1970 — Supreme Court appeal or expressly printed appeal group decided in this judgment / Income-tax Ref. No. 202 of 1963; Income-tax Ref. No. 76 of 1968 — Originating High Court appeal/reference docket; not an additional Supreme Court appeal

SOURCE & VERIFICATION

Original reported Supreme Court judgment

4-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 printed interest rate is 6¾%; OCR fraction characters are unreliable. No rate or disputed amount is material to this note's ratio.

STATUTORY SCOPE

Indian Income-tax Act, 1922; 9(1)(iv), Consent decree dated19April1928

The official 2025-labelled section 24(b) allows interest on borrowed capital used for specified acquisition, construction or other property purposes. Its basis is borrowed capital; it is not the old section 9(1)(iv) allowance for any mortgage/capital charge. The debt must independently satisfy that language.

Section 22(1)(b), Finance Act 2026 edition, also ties the allowance to borrowed capital for the listed property purposes. Subsections (1)(c)-(6) impose separate timing, limit, certificate and overseas-interest rules. Contractual capitalisation alone does not answer those statutory requirements.

The checked section 1(3) generally commences the 2025 Act on 1 April 2026. Section 536 preserves previous operation and accrued rights and keeps specified pre-commencement-year proceedings under the 1961 Act, subject to its savings. None of these comparisons retrospectively replaces the operative law of the judgment.

LATER TREATMENT

Source checked 2026-10-07. Central Bank v. Ravindra, 18 October 2001, cites Shew Kissen for the mechanics of contractual interest capitalisation in a banking/CPC interest discussion. This is later judicial use outside tax deductibility; it does not reverse or expand the property-income deduction holding.

Subsequent-history status remains unverified beyond any specific use recorded below.

IDENTIFIED SOURCE LINKS

[Income-tax Act, 1961: section 24, official Year 2025 rendition](#)

Identity/version and section 24 opening, clause (b) and first three proviso/explanation passages: returned web lines 38–73. Comparison adopts clause (b) only. Selected web-extracted statutory passages personally read; no raw-PDF, rendered-page or full-enactment read claimed. The stated version and bounds control this comparison.

[Income-tax Act, 2025, as amended by Finance Act 2026](#)

Section 22(1)–(6), physical 53–54, web lines 2111–2145. Selected web-extracted statutory passages personally read; no raw-PDF, rendered-page or full-enactment read claimed. The stated version and bounds control this comparison.

[Income-tax Act, 2025, as amended by Finance Act 2026](#)

Title and section 1(3), physical1/web0–13; section536(1),(2)(a)–(c), physical584–585/web24385–24399; subsections(3)–(4), physical589/web24597–24601. No full-section536 reading claimed. Selected web-extracted statutory passages personally read; no raw-PDF, rendered-page or full-enactment read claimed. The stated version and bounds control this comparison.

[Central Bank of India v. Ravindra \(2001-10-18\)](#)

Identity physical1/web1–11 and discussion physical11–12/web435–464, especially459–464. Judicial Academy Jharkhand-hosted Indian Kanoon PDF rendition, bounded web-extracted text; official-hosted reproduction is not a court-original PDF validation.

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