

Anantharam Veerasingaiah & Co. v. Commissioner of Income Tax, A.P.

Civil Appeal No. 2592 of 1972

[1980] 3 SCR 618 | 1980-04-15

Whether a prior intangible addition automatically explained later cash deficits and deposits for concealment-penalty purposes, and whether the High Court on reference could itself decide the underlying facts.

271(1)(c) (text at the relevant time expressly including deliberate inaccurate particulars) | 260(1) (Tribunal's duty on the reference judgment)

Three-judge bench | N.L. Untwalia, J. | R.S. Pathak, J. | E.S. Venkataramiah, J.

Assessment years: 1959-60

Historical penalty burden; earlier additions give no automatic immunity

The quoted section 271(1)(c) and burden are historical. An earlier intangible addition may supply funds but does not automatically explain later deficits or credits. The Court required consideration of all evidence and sent the matter back to the Tribunal; it did not finally decide concealment or penalty. A bounded later Explanation-based comparison shows why the burden language cannot be treated as timeless. Comprehensive later treatment, current-law status and 2025 mapping are not verified.

01 FACTS OF THE CASE

The assessee, an Abkari contractor, returned turnover of Rs.10,92,132 and income of Rs.7,704 for AY 1959-60. The Officer rejected its books and explanations for cash deficits and deposits, estimating income at Rs.5,00,018. In the assessment appeals the figure was reduced to Rs.1,30,000 in addition to book profits. The Inspecting Assistant Commissioner then imposed a Rs.75,000 penalty under section 271(1)(c), treating the disputed items as concealed income associated with suppressed yield and low recorded selling prices (physical pages 3-4/SCR 620 E-621 C).

The Tribunal found no positive material establishing that the deposits were concealed income. For the deficits, it relied on an addition of Rs.2,00,000 to profits for AY 1957-58 and considered Rs.90,000 from the earlier concealed fund available for use in the later year. It cancelled the penalty. On the Revenue's reference, the Andhra Pradesh High Court held that the Tribunal was not justified in holding that no penalty was leviable. The assessee appealed by special leave from the judgment of 9 November 1971 in Case Referred No.4 of 1970 (physical pages 3-4).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court expressly quoted section 271(1)(c) as it stood at the relevant time, including the word deliberately in the inaccurate-particulars limb. Applying the historical Anwar Ali and Khoday Eswarsa approach, it required the Revenue to establish both that the disputed amount was income and conscious concealment or deliberate inaccurate particulars. An assessment finding was good evidence, but was not conclusive in the penalty proceeding. The authority had to assess the material afresh under the applicable penalty burden. Mere falsity of the explanation, without additional cogent evidence or material, did not suffice (physical pages 4–5/SCR 621 G–622 G). These propositions concern the version actually adjudicated, not every subsequent statutory penalty regime.

An intangible addition represents real undisclosed income and can form a fund available for later expenditure or credits. But the existence of such a fund does not necessarily make it the source of every subsequent unexplained item, or rule out further concealed earnings. The authority must examine all the particular facts and circumstances to decide whether the deficits or credits reasonably relate to the earlier fund or instead to undisclosed income of the year under examination. The Revenue may rely on circumstances excluding the earlier-fund explanation, while carrying the burden applicable in this case (physical pages 5–7/SCR 622 H–624 B).

The Tribunal erred by confining itself to the existence and supposed continued availability of the earlier addition. The High Court was right to reject that legal approach, but exceeded its reference function by deciding for itself that the assessee had earned and concealed the relevant income. Fact-finding was for the Tribunal; the High Court should answer the legal question and leave redetermination to it (physical page 7/SCR 624 B–F).

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

03 JUDICIAL DECISION

The Court endorsed a negative answer to the reference question because the Tribunal's no-penalty conclusion rested on an erroneous legal basis. It vacated the High Court's factual findings without expressing any view on their correctness and left the Tribunal, under section 260(1), to take up and redetermine the appeal in conformity with the judgment. The appeal was disposed of accordingly, with no order as to costs (physical page 7/SCR 624 F–H).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Mixed; penalty liability remains for Tribunal redetermination

Negative reference answer endorsed; High Court factual findings vacated without opinion on correctness; Tribunal to redetermine; no order as to costs

Final legal principles declared, but ultimate factual penalty liability not determined by the Supreme Court

No automatic immunity or telescoping from a prior intangible addition; no final finding that this assessee did or did not conceal income; historical penalty text and burden only.

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

05 AKHB REVIEW POINT

The case requires a two-stage analysis: identify the applicable penalty provision and burden, then test the earlier-fund explanation against the whole evidentiary record. A prior estimated addition is capable of representing usable money, but does not prove how each later credit or expenditure was funded. Nor does a failed explanation alone establish liability under the historical scheme considered here. Keep the assessment finding's evidentiary relevance separate from its non-conclusive effect in that penalty inquiry.

A bounded comparison with K.P. Madhusudhanan (21 August 2001), physical pages 4–6, shows why the historical burden language must not be generalized: that judgment treats the statutory Explanation as part of section 271 and addresses the resulting deemed-concealment consequences. It is a later statutory-regime comparison, not a direct overruling or citation treatment of Anantharam. No present-day burden, amendment chronology or post-remand result is certified.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, date, bench and appeal

Source url: [Open cited source](#)

Pdf pages: 1; 3

Paragraphs: SCR 618 heading; 620 C–D

Source role: reported metadata and judicial text

2.

Topic: Assessment, penalty, earlier fund and reference

Source url: [Open cited source](#)

Pdf pages: 3; 4

Paragraphs: SCR 620 E–621 G

Source role: judicial text

3.

Topic: Exact historical penalty text and evidence standard

Source url: [Open cited source](#)

Pdf pages: 4; 5

Paragraphs: SCR 621 G–622 G

Source role: judicial text

4.

Topic: Real earlier fund but no necessary source attribution

Source url: [Open cited source](#)

Pdf pages: 5; 6; 7

Paragraphs: SCR 622 H–624 B

Source role: judicial text

5.

Topic: Reference jurisdiction, reserved facts, Tribunal redetermination and costs

Source url: [Open cited source](#)

Pdf pages: 7

Paragraphs: SCR 624 B–H

Source role: judicial text

6.

Topic: Later statutory-Explanation comparison only

Source url: [Open cited source](#)

Pdf pages: 4; 5; 6

Paragraphs: SCR 4 A–6 E

Source role: bounded later statutory regime comparison

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

R.S. Pathak, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961 (historical provisions adjudicated in this judgment)

OTHER STATUTORY PROVISIONS AND THEIR SEPARATE SCOPE

Anwar Ali and Khoday Eswarsa are judicial precedents used for the historical penalty/evidence rule; no independent review of their original sources is claimed here

SOURCE & VERIFICATION

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

Identified source rendition: 7 PDF pages; SHA-256

f3b7699124f10f16ea2f21cc30a0ce15fcf308dc82f6197362c2a2f7c8d0deab. Original bytes preserved.

Unnumbered judicial body begins physical page 3/SCR 620 D and ends page 7/SCR 624 H. Pages 1–2 and top of page 3 are reporter material; appellate metadata appears on page 3. No neighbouring judgment.

Open cited source rendition

The judicial text at physical pages 4–7 applies sections 271(1)(c) and 260(1) of the Income-tax Act, 1961 despite the earlier AY 1959-60. The judgment does not decide a section 297 transition issue, and it should not be described as exclusively applying the 1922 Act.; AY 1957-58 is prior-fund context, not a separately adjudicated penalty year.; The judicial body on page 3 prints the first cash deficit as Rs.17,720, while the reporter summary on page 1 prints Rs.17,726. No holding depends on choosing between those figures; the public facts avoid that nonessential conflicting amount.; The historical text contains deliberately and the judgment's stated burden must not be carried into later Explanation-based regimes without checking the governing version.; The Supreme Court did not affirm a final penalty or restore final cancellation; it expressly left facts and redetermination to the Tribunal without endorsing the High Court's factual correctness.; The later K.P. Madhusudhanan comparison is not a direct treatment or an amendment-Gazette chronology; no automatic application of its particular Explanation to this older year is made.

AY 1959-60 is the penalty dispute. AY 1957-58 supplies the earlier Rs.2,00,000 addition relied on as a possible fund, not a second appeal. The judicial body expressly applies the then section 271(1)(c) of the 1961 Act and directs reconsideration under section 260(1); no unexpressed transition ruling is inferred from the early year.

STATUTORY SCOPE

No automatic mapping to the Income-tax Act, 2025 and no present-law certification. Identify the applicable statutory version and procedural route separately.

LATER TREATMENT

Source checked 2026-10-04. not_verified. Bounded later statutory-regime comparison only: K.P. Madhusudhanan, cover date and judicial pages 4–6, with page 3 text for context. It does not directly treat Anantharam. No comprehensive subsequent-treatment search, current-law certification, complete amendment chain or 2025 mapping.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 7](#)

SHA-256: f3b7699124f10f16ea2f21cc30a0ce15fcf308dc82f6197362c2a2f7c8d0deab

[later judgment statutory comparison - PDF pages: 6](#)

SHA-256: 28948f0b4423d7f86a9a09ea53b0997114058f5e7cbe4175a3d905b50b9a2286

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