

Shiela Kaushish v. Commissioner of Income-tax, Delhi

Civil Appeal Nos. 2110 and 2111 of 1978 / Civil Appeal Nos. 1184 and 1185 of 1981

[1982] 1 SCR 309 | 1981-08-18

For AYs 1969-70 and 1970-71, whether the annual value of a rent-controlled Delhi warehouse followed actual rent or standard rent determinable under the Rent Act, and how the separate portions' first-letting periods affected that determination.

22 (charge on annual value of house property) | 23(1) (historical reasonable-letting-value text applicable to the two years) | 256(1) and (2) (reference applications in procedural history)

2-judge bench | P.N. Bhagwati, J. | Baharul Islam, J.

Assessment years: 1969-70, 1970-71

Historical annual-value text and portion-specific rent calculation

This decision concerns AYs 1969-70 and 1970-71 under the old section 23(1) and the applicable Delhi rent-control formula, including separate five-year first-letting periods. It does not impose a universal standard-rent ceiling on current property taxation. The judgment itself distinguishes the later actual-rent provision; the Court did not fix one annual value for the whole warehouse. Comprehensive later treatment, current-law status and 2025 mapping are not verified.

01 FACTS OF THE CASE

The assessee constructed a Delhi warehouse in 1961 at a stated cost of Rs.4,13,000. Different portions were first let to the American Embassy on different dates: the first floor on 19 March 1962 at Rs.5,810 per month; the northern ground-floor portion with mezzanine on 1 April 1964 at Rs.6,907 per month; and the southern ground-floor portion on 7 December 1964 at Rs.6,640 per month, as identified in the Court's concluding application. A new lease executed on 17 July 1967 operated from 1 April 1968 for the entire warehouse at Rs.34,797 per month (physical pages 3 and 10–11).

For AYs 1969-70 and 1970-71, the Income-tax Officer, Appellate Assistant Commissioner and Tribunal used actual rent as annual value. The Tribunal treated the contractual rent as the appropriate measure in the absence of a standard-rent fixation, relying on M.M. Chawla. A subsequent tenant obtained a Rent Controller order on 13 March 1973 fixing annual standard rent at Rs.34,848, but the Supreme Court did not simply substitute that later figure for the disputed years. The assessee's section 256 applications failed before the Tribunal and Delhi High Court. Two appeals challenged the High Court's refusal to call for a reference; two further appeals directly challenged the Tribunal's order so that the substantive questions could be finally decided without another reference cycle (physical pages 4–6).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court applied the text of section 23(1) then governing the two assessment years: annual value turned on the amount for which the property might reasonably be expected to let from year to year. It applied *Dewan Daulat Rai Kapoor* because the municipal annual-value definitions considered there and the relevant income-tax definition used materially identical language. For property governed by the Rent Act, a hypothetical landlord could not reasonably expect more than standard rent determinable under that Act merely because standard rent had not been formally fixed or the tenant's time to apply had expired. The assessing authority had to determine the relevant standard-rent measure under the statutory principles; the actual contractual receipt alone did not settle the old annual-value question (physical pages 6–9/SCR 314–317).

The judgment itself marks a crucial temporal boundary. It discusses section 6 of the Taxation Laws (Amendment) Act, 1975, introducing section 23(1)(b), under which higher annual rent received or receivable could itself become annual value. That later text was used to support the interpretation of the earlier reasonable-letting-value formula, not applied retrospectively to these two years (physical page 9/SCR 317 A–D).

The non-residential warehouse required a portion-by-portion and period-by-period calculation. Under section 6(1)(B)(2)(b) of the Delhi Rent Control Act, the relevant cost-and-land-value formula was $7\frac{1}{2}$ per cent annually, with the stated proviso substituting $8\frac{5}{8}$ per cent where the calculated rent exceeded Rs.1,200 annually. But section 6(2)(b), for the qualifying post-19 June 1955 construction, deemed the first agreed rent to be standard rent for five years from first letting. For the first floor that period ended on 18 March 1967, so the formula governed both disputed previous years. For the northern ground-floor portion and mezzanine, Rs.6,907 monthly governed through 31 March 1969 and the formula thereafter. For the southern portion, Rs.6,640 monthly governed through 6 December 1969 and the formula applied from 7 December 1969 through the remainder of that previous year. The new whole-building lease did not reset these first-letting periods (physical pages 9–11/SCR 317 E–319 C).

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

03 JUDICIAL DECISION

The Court answered the first question in the assessee's favour: the standard rent of the different portions determinable as specified in the judgment, rather than actual rent received from the Embassy, supplied annual value under the historical section 23(1). The second question, concerning evidence of reasonable rent and neighbouring lettings, was not pressed and was not answered. All the assessee's appeals were allowed to that limited extent, with the Revenue directed to pay the assessee's appeal costs (physical page 11/SCR 319 D–E).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee, to the expressly limited extent

Four appeals allowed to the extent of the first question; second question not pressed and left unanswered;
Revenue to pay appeal costs

Final statutory interpretation and directions for the component-period standard-rent calculation; no single numerical annual value fixed by the Court

Historical section 23(1) applied to AYs 1969-70 and 1970-71 and this rent-controlled non-residential property. The ruling is not a universal standard-rent cap on current income tax or municipal property taxation.

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

05 AKHB REVIEW POINT

Identify the assessment year, the precise annual-value wording, the applicable rent-control law and each unit's first-letting date before using this decision. Its practical result depends on the temporary first-rent rule and the later cost-based formula; simply replacing the entire building's rent with the 1973 Controller figure would miss the Court's actual calculation directions.

The Court's own discussion of the 1975 amendment prevents a timeless claim that actual receipts never matter. A bounded comparison with the Department of Revenue-hosted 2011 compilation, physical pages 195–197, separately confirms a later section 23 structure containing reasonable rent, higher actual rent and vacancy provisions. The compilation's amendment-history footnote is editorial material. It is not current-law certification or a 2025 statutory crosswalk.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, actual date and all four appeals

Source url: [Open cited source](#)

Pdf pages: 1; 2; 3

Paragraphs: SCR 309 heading; 310 G–311 C

Source role: reported metadata and judicial text

2.

Topic: Warehouse, two years, assessment and reference history

Source url: [Open cited source](#)

Pdf pages: 3; 4; 5; 6

Paragraphs: SCR 311 D–314 F

Source role: judicial text

3.

Topic: Rent-control comparison and standard rent not yet fixed

Source url: [Open cited source](#)

Pdf pages: 6; 7; 8; 9

Paragraphs: SCR 314 G–317 D

Source role: judicial text

4.

Topic: 1975 amendment expressly recognised

Source url: [Open cited source](#)

Pdf pages: 9

Paragraphs: SCR 317 A–D

Source role: judicial text

5.

Topic: Precise portions, five-year rules and subsequent formula

Source url: [Open cited source](#)

Pdf pages: 9; 10; 11

Paragraphs: SCR 317 E–319 C

Source role: judicial text

6.

Topic: Limited relief, unanswered second question and costs

Source url: [Open cited source](#)

Pdf pages: 11

Paragraphs: SCR 319 D–E

Source role: judicial text

7.

Topic: Later statutory annual-value comparison

Source url: [Open cited source](#)

Pdf pages: 195; 196; 197

Paragraphs: Section 23(1)(a)–(c); separately identified editorial footnote 45

Source role: bounded later statutory comparison

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

P.N. Bhagwati, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961: sections 22 and 23(1), as applicable to AYs 1969-70 and 1970-71

OTHER STATUTORY PROVISIONS AND THEIR SEPARATE SCOPE

Delhi Rent Control Act, 1958: sections 2(k), 6(1)(B)(2)(b), its proviso, 6(2)(b), and sections 7, 9 and 12 as discussed; Taxation Laws (Amendment) Act, 1975: section 6 adding section 23(1)(b), expressly distinguished in the judgment; Delhi Municipal Corporation Act, 1957: section 116; Punjab Municipal Act, 1911: section 3(1)(b), in comparison with Dewan Daulat Rai Kapoor

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 11 PDF pages; SHA-256

00f17aa5d0cf4c13d20d24d3553db9f025235e1c55cb9947d5704defb747e3f4. Original bytes preserved.

Unnumbered judicial body begins physical page 3/SCR 311 C and ends physical page 11/SCR 319 E. Pages 1–2 are editorial headnotes, followed by appellate metadata continuing on page 3. No neighbouring judgment.

Open cited source rendition

Original heading dates the decision 18 August 1981, despite the 1982 SCR volume and asset identifier.; Physical page 3 repeats “northern” for the 7 December 1964 letting. The Court’s explicit concluding application at pages 10–11 identifies this as the southern portion; this internal source inconsistency is disclosed rather than silently treated as a separate northern tenancy.; The 1973 Controller order for Rs.34,848 per annum is a later fact, not the Supreme Court’s fixed annual-value award for both assessment years.; Both High Court-refusal appeals and direct Tribunal appeals are preserved. The second question was not pressed, not decided against the assessee.; The comparison with municipal statutes rests on the definitions there considered; no universal rule for all property taxes or rent-control exemptions is inferred.

The two previous years were 1 April 1968–31 March 1969 and 1 April 1969–31 March 1970. Decision date is 18 August 1981; the 1982 report/asset year is not the decision 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 comparison only: Department of Revenue-hosted 2011 compilation, physical pages 195–197, section 23(1)(a)–(c), with editorial history separately identified. No later judicial disposition of this holding was authenticated in this review, and no comprehensive citation history or present-law validation is claimed.

IDENTIFIED SOURCE LINKS

reported judgment - PDF pages: 11

SHA-256: 00f17aa5d0cf4c13d20d24d3553db9f025235e1c55cb9947d5704defb747e3f4

official hosted statutory compilation - PDF pages: 1251

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

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