

K. George Thomas v. Commissioner of Income-tax, Kerala

Civil Appeal Nos. 2916–2919 of 1977 (the formal jurisdiction line prints only 2916; the report headnote identifies the connected numbers)

[1986] 2 SCR 874 | 1986-04-30

Whether remittances credited to a Mission-named account were the individual assessee's taxable business-related receipts, and whether the historical section 10(3) exclusion applied on the established facts.

10(3) (historical casual-and-non-recurring receipt exclusion; business/profession/occupation condition)

Two-judge bench | R.S. Pathak, J. | Sabyasachi Mukharji, J.

Assessment years: 1962-63, 1963-64, 1964-65

Fact-bound Mission-account receipts; separate penalty reasoning absent

Taxability rested on evidence that the individual treated both accounts as personal funds, used the remittances for business and personal purposes, and failed to substantiate loans. The result is not a blanket rule for foreign donations or religious institutions. Connected penalty relief was refused without separate submissions; the source gives an unreconciled return-filing description and no penalty section or amount. Comprehensive later treatment, current-law status and 2025 mapping are not verified.

01 FACTS OF THE CASE

The assessee was assessed as an individual and owned the Kerala Dwani printing press and Malayalam daily. For AY 1962-63 he returned a loss of Rs.3,37,183. Remittances from the United States, ostensibly received as Vice-President of the India Gospel Mission, produced a credit of Rs.5,85,637 in a bank account in the Mission's name; a separate account stood in his own name (physical page 3).

The Income-tax Officer found that most of the Mission-account funds supported the newspaper, while substantial withdrawals met household, property and family purposes. The assessee operated the funds at his discretion, with no stipulated directions; no interest was charged on the alleged loans. Annual statutory newspaper declarations continued to identify him personally as owner, and the officer rejected the claimed Mission takeover. The officer treated the funds as business-related receipts of the individual (physical pages 3–4).

The Appellate Assistant Commissioner referred to repayable loans without a definite finding on that claim or the income issue, and relied principally on the Tribunal's favourable treatment of similar earlier-year remittances. The Tribunal followed that earlier approach. The High Court rejected it and held the amount taxable and outside the claimed section 10(3) exclusion. Connected proceedings involved similar income questions for AYs 1963-64 and 1964-65 and a penalty concerning non-submission of a return for AY 1962-63 (physical pages 5–7).

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

02 DISCUSSION BY THE HON'BLE COURT

The Tribunal's premise had been displaced: the earlier decision for AYs 1960-61 and 1961-62 was reversed by the High Court, whose result the Supreme Court had upheld in the separate judgment reported at [1985] 156 ITR 412. The present Court adopted the reasons of that earlier judgment on corresponding facts; it did not treat the earlier Tribunal view as surviving authority (physical pages 6-7).

The assessee tried to distinguish the current year because remittances now appeared in the Mission's account rather than his personal account. The Court rejected the distinction on the overwhelming evidence of actual treatment: both accounts functioned as his personal funds, substantial drawings served his own objectives, and the asserted loans lacked evidentiary support. The Court's conclusion therefore depended on dominion, use, business connection and the rejected alternative explanation, not merely on the foreign origin of payments or his Mission office (physical page 6).

On those facts, Rs.5,85,637 was the assessee's income for AY 1962-63. The receipts did not qualify as casual and non-recurring receipts unconnected with business, profession or occupation under the applicable section 10(3). The Court also referred to P. Krishna Menon in support. It did not rule that every religious contribution, personal gift, reimbursement, genuine loan or receipt in a representative capacity is taxable to the account operator (physical pages 6-7).

No separate submissions were made on the remaining appeals, including the penalty appeal, and they failed as well. That disposal must be reported, but it supplies no separately reasoned test of penalty liability, and the source gives neither the penalty provision nor its amount (physical page 7).

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

03 JUDICIAL DECISION

The Court upheld taxation of Rs.5,85,637 as the individual's income for AY 1962-63 and rejected the historical section 10(3) claim. The connected income appeals for AYs 1963-64 and 1964-65 and the AY 1962-63 penalty appeal also failed because no separate submissions were made. All appeals were dismissed with costs; no remand or penalty cancellation was ordered (physical pages 6-7/SCR 879 D-H and 880 A-C).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

All four assessee appeals dismissed with costs; income result upheld; connected penalty appeal also dismissed without separate submissions

Reasoned merits ruling on character and exemption of receipts in the principal appeal; connected appeals disposed of without separate submissions

Fact-specific personal treatment and business connection under historical section 10(3); no blanket rule for foreign donations or Mission receipts, and no independent penalty ratio.

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

05 AKHB REVIEW POINT

Begin with the recipient's legal capacity and the evidence of how the money was controlled and applied. An institutional account name cannot by itself displace strong findings that the funds belong to, and are used by, the individual's business and personal sphere. Equally, this result does not dispense with examining a genuine trust obligation, agency restriction, gift explanation or enforceable loan in another case.

Keep three questions distinct: who received the income, why the payment has an income character, and whether a year-specific exemption applies. Preserve the business/profession/occupation condition in the historical casual-receipts provision rather than treating occasional receipt alone as decisive. Also separate the fully reasoned income holding from the unargued connected penalty appeal. The later statutory fate of section 10(3), comprehensive subsequent treatment and any 2025 mapping are not certified here.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity and full reported appeal grouping

Source url: [Open cited source](#)

Pdf pages: 1; 2; 3

Paragraphs: SCR 874 A-B; 875 B-C; 876 A-C

Source role: reported metadata and judicial text

2.

Topic: Receipt amount, individual capacity and actual fund use

Source url: [Open cited source](#)

Pdf pages: 3; 4

Paragraphs: SCR 876 D-H; 877 A-G

Source role: judicial text

3.

Topic: Appellate findings and referred section 10(3) questions

Source url: [Open cited source](#)

Pdf pages: 5

Paragraphs: SCR 878 A–H

Source role: judicial text

4.

Topic: Rejected account-name distinction, unsupported loans and taxable income

Source url: [Open cited source](#)

Pdf pages: 6

Paragraphs: SCR 879 A–H

Source role: judicial text

5.

Topic: Adoption of earlier reasons, connected appeals and costs

Source url: [Open cited source](#)

Pdf pages: 7

Paragraphs: SCR 880 A–C

Source role: judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

R.S. Pathak, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

OTHER STATUTORY PROVISIONS AND THEIR SEPARATE SCOPE

Indian Income-tax Act, 1922, section 4(3)(vii) (headnote and earlier-assessment background; not the independently governing provision for the present AYs); Penalty for failure to submit a return for AY 1962-63 (source does not specify the charging section or quantum)

SOURCE & VERIFICATION

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

Identified source rendition: 7 PDF pages; SHA-256

4432e8a9123c56bd05f41dbfe21d432b639adaa1567bed0c62285f18167c04e3. Original bytes preserved.

Complete unnumbered judicial body begins physical page 3/SCR 876 C and ends physical page 7/SCR 880 C. Headnotes on pages 1–2 and report metadata on page 3 distinguished. Physical page 4 has damaged closing substantive lines, with material propositions independently confirmed on pages 3 and 5–7; no neighbouring judgment.

[Open cited source rendition](#)

The formal jurisdiction heading prints only Civil Appeal 2916 of 1977, while the report headnote identifies 2917, 2918 and 2919. The judicial conclusion confirms the connected penalty and later-year income appeals; the note identifies the different source roles.; The body says an AY 1962-63 loss return was filed, yet its connected-appeal paragraph describes a penalty for not submitting a return for that year. Preserve both statements without inventing filing dates, delay findings, a penalty section or reconciliation.; The last substantive lines of physical page 4/SCR 877 are visibly damaged or missing in this rendition. The Rs.5,85,637 receipt, its assessment and the outcome are independently clear on pages 3 and 5-7; no missing words have been reconstructed.; The earlier High Court citation differs between headnote and body. The body cites [1974] 97 ITR 111 and the earlier Supreme Court judgment [1985] 156 ITR 412. The earlier cases are reported as this Court's adopted reasoning, not as independently fully reviewed additional sources.; The Mission-account title and office of Vice-President did not control because of the established personal treatment and business connection. No universal denial of religious-purpose receipts, loans, gifts or representative capacity is inferred.

AY 1962-63 is the fully discussed income appeal and also the separate penalty appeal. AYs 1963-64 and 1964-65 are connected income appeals with no separate submissions. AYs 1960-61 and 1961-62 belong to earlier litigation adopted by reference, not the present appeals.

STATUTORY SCOPE

No automatic mapping to the Income-tax Act, 2025 or present-law certification. Apply the statutory text for the relevant year.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive later-treatment search is certified. Any bounded later primary-source comparison actually checked is expressly identified.

IDENTIFIED SOURCE LINKS

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

SHA-256: 4432e8a9123c56bd05f41dbfe21d432b639adaa1567bed0c62285f18167c04e3

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