

Commissioner of Income Tax, Kanpur v. Dr. R. S. Gupta

Civil Appeal No. 1713 (NT) of 1973

[1987] 2 SCR 121 | 1987-02-03

Wealth tax and book-entry gifts: accounting transfers require available funds or effective banking arrangements, not merely acceptance and ledger entries.

Wealth-tax Act, 1957: sections 27(1) and 29(1) | Transfer of Property Act, 1882: sections 122 and 123 | Sale of Goods Act, 1930: section 33, discussed

2-judge bench | Sabyasachi Mukharji, J. | S. Natarajan, J.

Book entries are not invariably ineffective

The Court recognised that a genuine gift can be effected through accounts in appropriate circumstances. The decisive deficiency here was the absence of funds or banking facilities supporting the claimed delivery.

Limited available funds

The Court noted that only Rs. 4,000 was available with Tika Ram and Sons and qualified its conclusion by reference to the extent earlier indicated. It did not compute a separate partial tax adjustment.

Historical wealth-tax dispute

Although the case title names the Commissioner of Income Tax, this appeal concerns AY 1957-58 wealth tax and the legal effectiveness of alleged gifts.

01 FACTS OF THE CASE

For AY 1957-58, Dr. R. S. Gupta sought exclusion of two alleged gifts from his net wealth as at 31 March 1957. On 1 January 1957 he directed Tika Ram and Sons Pvt. Ltd. to debit Rs. 1,50,000 from his credit account and credit specified sums to his sons and grandsons. The company made the entries; acceptance letters followed and the donees later made withdrawals. But the company was not proved to conduct banking business, had only Rs. 4,000 cash and had no bank overdraft facility. A second alleged gift of Rs. 67,560/12/- was recorded in Pearls and Beads on oral instructions on 30 March 1957; there was no evidence that the necessary amount was available. The Tribunal rejected the gifts, while the Allahabad High Court answered the material reference questions against Revenue.

Source: [SCR pp. 124-126](#) / [PDF pp. 4-6](#)

02 DISCUSSION BY THE HON'BLE COURT

Sections 122 and 123 of the Transfer of Property Act require existing property and an effective transfer; a gift of movable property may be completed by the prescribed registered instrument or by delivery. The Court accepted that instructions to debit a donor's account and credit a donee's account can effect a gift in appropriate circumstances. Mere ledger entries, however, do not establish delivery when the relevant company, firm or family lacks the necessary funds and has no effective overdraft facility. Banking arrangements and the actual ability to honour the instructions matter. Reviewing authorities with differing facts, the Court emphasised an individual factual assessment. Acceptance alone cannot cure the absence of available funds. Estate-duty decisions concerning a donor's continued enjoyment of property addressed a different issue and did not resolve this question of effective gift at inception.

Source: [SCR pp. 125-132 / PDF pp. 5-12](#)

03 JUDICIAL DECISION

The Court concluded that, except to the extent it had already indicated, the entries could not effectuate the gifts. It had specifically noted that only Rs. 4,000 could have been taken from Tika Ram and Sons and that there was no overdraft facility. It allowed Revenue's appeal, set aside the High Court's judgment and answered all referred questions in Revenue's favour. There was no order as to costs because the respondent did not appear.

Source: [SCR pp. 128 D, 131 D-E and 132 D-E / PDF pp. 8, 11-12](#)

04 OUTCOME / IN WHOSE FAVOUR

Revenue succeeded against the High Court's favourable treatment of the alleged gifts and the associated net-wealth exclusions. The judgment does not prohibit every gift by book entry. Its express qualification about the limited funds available must be retained; the Court did not separately calculate a partial exclusion or revised assessment amount.

Source: [SCR pp. 126-128, 131-132 / PDF pp. 6-8, 11-12](#)

05 AKHB REVIEW POINT

AKHB analysis: for a claimed gift through accounts, preserve the donor's instructions, acceptance, credit balance, bank and cash records, available overdraft and proof that the recipient could actually obtain the amount on the relevant date. Distinguish an accounting label from an effective transfer, and assess the legal character of the entity holding the funds. Later withdrawals do not, without further analysis, establish completion on the earlier date. Apply the judgment's factual qualifications and examine present statutory consequences independently.

Source: [AKHB analysis based on SCR pp. 124-132 / PDF pp. 4-12](#)

SOURCE & VERIFICATION

[Supreme Court Reports scan - public eSCR mirror](#)

Full 12-page SCR report read; editorial headnote on PDF pages 1-3 distinguished from the judicial text beginning on PDF page 4.

[Open cited source rendition](#)

All 12 pages were read; exact PDF bytes, hash and page count match the source catalogue.

The judicial text at SCR p. 126 says there was no evidence that the Pearls and Beads amount was available. This controls over the contrary-looking sentence in the editorial headnote at SCR p. 121.

The original amount Rs. 67,560/12/- uses rupee-anna notation; the note preserves it without converting the historical units.

The same-day published British India Corporation judgment has different parties, appeal number and SCR pages; it is not this decision.

The source contains no numbered judicial paragraphs; SCR and physical-PDF page pinpoints are used.

STATUTORY SCOPE

The appeal concerns historical net-wealth inclusion for AY 1957-58, with a valuation date of 31 March 1957. It applies gift and delivery principles in that factual setting; it is not a determination of current wealth-tax or income-tax liability.

LATER TREATMENT

Source checked 2026-10-10. Comprehensive subsequent treatment and current-law applicability have not been verified; no current citator clearance is represented.

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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