

Surinder Nath Kapoor v. Union of India and Others

Civil Miscellaneous Petition No. 2340 of 1988 in Special Leave Petition (Civil) No. 9946 of 1987
[1988] Supp. 2 SCR 211 | 1988-08-03

Validity of a section 226(3) garnishee recovery and auction sale for an amount exceeding the sum specified in the notice

Income-tax Act, 1961: sections 222 to 226, especially section 226(3)(x) | Income-tax Act, 1961: Second Schedule, rules 61 and 86

Two-judge bench; order delivered for the Court. | Ranganath Misra, J. | Murari Mohon Dutt, J.

Historical ruling; verify current law

The case involved an extraordinary nullity and compensation order, plus misrepresentation by the taxpayer side. Do not treat every recovery defect as void or ignore current recovery remedies and third-party protections.

01 FACTS OF THE CASE

A notice under section 226(3) specified Rs.2,86,450 as due from Krishna Kapoor & Co. to an assessee concern. The IAC nevertheless made a garnishee order for Rs.8,56,377.55 and the Tax Recovery Officer sold property to Raja Properties for Rs.37,81,000. Later proceedings and a representation about tax payment led the Supreme Court to set aside the sale.

Source: [Primary judgment: facts and procedural setting](#)

02 DISCUSSION BY THE HON'BLE COURT

Section 226(3)(x) deemed the garnishee in default only for the amount specified in the notice. The larger figure lacked a notice and hearing foundation, so the order was a nullity and every enforcement step based on it was likewise void. Confirmation could not cure absence of the foundational order. Revenue and the firm shared responsibility for compensating the innocent purchaser.

Source: [Primary judgment: reasoning](#)

03 JUDICIAL DECISION

The Rs.8,56,377.55 garnishee order and auction sale were null and void. The earlier sale-setting-aside order was not recalled despite misrepresentation; instead the Court allocated compensation responsibility.

Source: [Primary judgment: holdings](#)

04 OUTCOME / IN WHOSE FAVOUR

Petition disposed of without costs. The purchaser could withdraw Rs.37,81,000 and received Rs.14,17,875 interest compensation: Rs.11,17,875 from Revenue and Rs.3 lakh from the firm or Surinder Nath Kapoor.

Source: [Primary judgment: operative disposition](#)

05 AKHB REVIEW POINT

AKHB analysis: match a garnishee default and every recovery step to the exact amount and notice that create jurisdiction. A confirmed sale may still collapse where the foundational recovery order is a nullity, but compensation and third-party consequences require separate treatment.

Source: [Primary judgment: review-point basis](#)

SOURCE & VERIFICATION

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

Complete 12-page SCR report read in page-preserving text and every page image inspected, from the reported opening page through the operative disposition.

[Open cited source rendition](#)

Exact catalogue SHA-256 and 12-page count verified; every page was read and visually inspected.

STATUTORY SCOPE

Historical statutory provisions are described as they appeared in the report. Verify the current enactment, amendments and later judicial treatment before reliance.

LATER TREATMENT

Source checked 2026-10-12. No comprehensive later-treatment or present-law clearance is represented. The note reports the historical statutory text and result in this primary report only.

AI DISCLOSURE

This AKHB research note was prepared with AI assistance from the identified primary report and has not been represented as independently human-reviewed.

PROFESSIONAL DISCLAIMER

General legal and tax research only; not legal or tax advice. Verify the complete judgment, governing statutory version and subsequent judicial treatment before reliance. The AKHB REVIEW POINT is editorial analysis, not the Court's holding, and no current-law clearance is claimed.