

Navnit Lal Sakar Lal v. Commissioner of Income Tax

Civil Appeal No. 1152 of 1978 (lead number supplied by source-package metadata)

[1991] Supp. 1 SCR 585 | 1991-10-29

Whether half the estate income could be assessed directly on a residuary legatee under section 168 when the Tribunal had found that the estate remained under administration and nothing was distributed or applied for the legatees' benefit during the relevant years.

168(1)–(4) and Explanation | 256(1)

Three-judge bench | S. Ranganathan, J. | V. Ramaswami, J. | N.D. Ojha, J.

Assessment years: 1963-64, 1964-65, 1965-66, 1966-67, 1967-68

Fact-bound estate administration; source years and docket need care

The assessee won because the recorded estate-administration and no-distribution findings were unchallenged. An unpaid estate-duty balance does not by itself establish continuing administration, and actual distribution or application under section 168(4) remains relevant. The source opening says AYs 1963-64 to 1967-68, but its Tribunal narrative starts with 1964-65; the lead appeal number is metadata-only and companion numbers are unverified. The headnote's wealth-tax approval label is not the judicial holding, and its citation conflicts with the reasons. Comprehensive later treatment and 2025-Act/current-law mapping remain unverified.

01 FACTS OF THE CASE

Balabhai Damodardas made a will on 6 October 1956 and died on 31 December 1957. His individual property and interests in joint-family property were left to his two grandsons, Navnitlal Sakarlal and his brother, after payment of debts, taxes including estate duty, and specified expenses. No executor was named. His son Sakarlal Balabhai took charge, administered the estate and filed its income-tax and wealth-tax returns as legal representative (physical page 4).

The judicial opening identifies AYs 1963-64 to 1967-68. The Income Tax Officer treated the estate as immediately vested in the two grandsons and added half its income to this assessee's income; the Appellate Assistant Commissioner upheld that approach, with unrelated modifications for AYs 1966-67 and 1967-68. The later narrative describes the Tribunal income-tax appeals as AYs 1964-65 to 1967-68. The Tribunal deleted the estate-income additions. On Revenue's section 256(1) reference, the Gujarat High Court answered against the assessee, who appealed (physical pages 4–5).

The Tribunal found that estate duty of Rs. 1,04,619 had been assessed on 30 December 1961, part remained unpaid at the stated AY 1964-65 cut-off, and the estate was neither distributed nor applied for the two legatees' benefit through the last relevant accounting year. Nothing was distributed until 5 August 1970. Revenue did not challenge that factual finding or raise a no-material question. The administrator's executor status for section 168 was also common ground (physical pages 6–8).

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

02 DISCUSSION BY THE HON'BLE COURT

Section 168 separately taxes estate income in the executor's hands, and subsection (3) addresses the period from death to complete distribution according to the beneficiaries' several interests. The Explanation includes an administrator or other person administering the estate. Subsection (4) separately deals with income actually distributed or applied to the benefit of a specific legatee during the relevant previous year. The unchallenged findings here did not permit administration to be treated as complete in any relevant previous year. The separate wealth-tax decision did not control: section 19A was absent for the wealth-tax years in question, and the statutory settings differed (physical pages 6–8).

Revenue's assertion that administration was a tax-avoidance device was newly advanced and unsupported by the recorded facts. There was no finding of deliberately delayed distribution, estate-duty assessment or payment. A substantial portion of the duty had been paid by October or November 1963. Nor did the record establish that estate duty was the only matter outstanding; the state of other assets and liabilities had not been investigated (physical page 9).

An executor is an accountable person under the Estate Duty Act. Although the ultimate incidence of duty need not fall on him, and duty is not deductible as a debt or encumbrance when valuing the estate, he must make satisfactory arrangements for its payment. The Court expressly contemplated that the whole duty might not be paid before distribution. It rejected the High Court's view that the unpaid balance could simply be ignored when considering completion of administration; it did not hold that any unpaid duty necessarily prolongs administration (physical page 10).

Even apart from estate duty, individual movable and immovable property required division and delivery. The deceased's half-interest in Mangaldas Balabhai & Co. also required arrangements for devolution; admitting the legatees for one-fourth each was an example, not a mandatory partnership-formation rule. Drawing on Raghavalu Naidu, the Court required examination of actual ascertainment and acknowledgement of the residue and express or implied assent. It did not rule out an inference of completion where everything necessary had been done, but the findings in this case did not support it (physical pages 11–14).

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

03 JUDICIAL DECISION

The Supreme Court allowed the appeals and answered the referred question in the affirmative, in favour of the assessee: the Tribunal was right that half the estate income was not taxable in his hands in the circumstances. The High Court should not have interfered with the Tribunal's finding. The assessee was awarded his costs (physical page 14).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee

Appeals allowed; referred question answered affirmatively in favour of the assessee; assessee entitled to costs

Final section 168 merits determination for the assessments before the Court, based on unchallenged Tribunal findings

No remand, no tax computation, no finding that estate duty alone invariably postpones distribution, and no adjudication of post-5 August 1970 assessments. The full companion-appeal docket and the source's differing AY formulations remain unresolved.

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

05 AKHB REVIEW POINT

For estate-income assessment, identify the administrator's actual role, the assets and liabilities still requiring attention, ascertainment of the residue, assent to its disposition and any distribution or application of income. The terms of a simple bequest and theoretical ability to distribute do not displace proved ongoing administration; equally, the mere retention of the executor label or an unpaid balance does not by itself establish indefinite separate taxation.

Keep three questions distinct: ultimate incidence of estate duty, an executor's duty to make satisfactory payment arrangements, and the factual completion of administration. This judgment rejected a contrary inference on this record; it did not create a universal requirement that every rupee of estate duty be discharged before distribution. Section 168(4) must also be checked where income has actually reached or benefited a specific legatee.

The evidentiary posture matters: the no-distribution finding was not challenged through an appropriate reference question, and Revenue could not build a new avoidance case from an incomplete record. Do not describe the separate wealth-tax ruling as governing these income-tax years. Retain the source's AY and docket limitations and check the applicable statutory version and later treatment before applying the decision elsewhere.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, date and bench

Source url: [Open cited source](#)

Pdf pages: 1

Paragraphs: Printed title, date and bench

Source role: reported metadata

2.

Topic: Will, death, administration and opening assessment-year range

Source url: [Open cited source](#)

Pdf pages: 4

Paragraphs: Unnumbered judicial text

Source role: judicial text

3.

Topic: Tribunal-year discrepancy, reference and separate wealth-tax proceedings

Source url: [Open cited source](#)

Pdf pages: 5; 6

Paragraphs: Unnumbered judicial text

Source role: judicial text

4.

Topic: Section 168 text, inclusive executor status and findings of non-distribution

Source url: [Open cited source](#)

Pdf pages: 6; 7; 8

Paragraphs: Unnumbered judicial text

Source role: judicial text

5.

Topic: New and unsupported Revenue avoidance contention

Source url: [Open cited source](#)

Pdf pages: 9

Paragraphs: Unnumbered judicial text

Source role: judicial text

6.

Topic: Estate-duty accountability distinct from ultimate incidence and actual full payment

Source url: [Open cited source](#)

Pdf pages: 10

Paragraphs: Unnumbered judicial text

Source role: judicial text

7.

Topic: Uncompleted asset arrangements and illustrative partnership-share devolution

Source url: [Open cited source](#)

Pdf pages: 11

Paragraphs: Unnumbered judicial text

Source role: judicial text

8.

Topic: Residue, assent and factual inference of completed administration

Source url: [Open cited source](#)

Pdf pages: 12; 13; 14

Paragraphs: Unnumbered judicial text

Source role: judicial text

9.

Topic: Operative allowance, affirmative answer and assessee costs

Source url: [Open cited source](#)

Pdf pages: 14

Paragraphs: Unnumbered judicial text

Source role: judicial text

10.

Topic: Headnote wealth-tax treatment/citation conflicts and incomplete source docket

Source url: [Open cited source](#)

Pdf pages: 3; 5; 6

Paragraphs: Headnote at physical page 3; unnumbered judicial text at pages 5–6

Source role: editorial headnote and judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

S. Ranganathan, J.

OTHER STATUTORY CONTEXT

Section 159, Income-tax Act, 1961, appears in the printed discussion of the administrator's status; that status was common ground, and the operative executor definition is the Explanation to section 168 quoted in the judgment.; Estate Duty Act, 1953, sections 53 and 55: duties and limited accountability of an executor in arranging payment of estate duty.; Wealth-tax Act, 1957, section 19A: contrasted statutory history; not a wealth-tax appeal.; Indian Succession Act, 1925, sections 211(1), 332, 333 and 366: included in the adopted Raghavalu Naidu discussion of administration, assent and residue.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

ASSESSMENT-YEAR CONTEXT AND LIMITS

The judicial opening at physical page 4 expressly identifies AYs 1963-64 through 1967-68. The narrative of the Tribunal income-tax appeals on physical page 5 instead says 1964-65 through 1967-68. Both source statements are retained; no per-appeal AY allocation or silent correction is made. Prior estate assessments for AYs 1958-59 through 1962-63 and separate wealth-tax AYs 1963-64 and 1964-65 are background.

SOURCE & VERIFICATION

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

Identified source rendition: 14 PDF pages; SHA-256

9261908c12cf89437897b12261ae093e5a694a956fe3ddb2a2161ff467eae478. Original bytes preserved.

Judicial reasons begin at physical page 4 / SCR 588 with Ranganathan J. and end at physical page 14 / SCR 598 with the appeals allowed and assessee awarded costs. Physical pages 1–3 are editorial headnote; page 3 ends with printed XXX omissions. No adjacent judgment.

Open cited source rendition

The opening judicial passage states AYs 1963-64 to 1967-68 (physical page 4 / SCR 588-H), while the Tribunal narrative states 1964-65 to 1967-68 (physical page 5 / SCR 589-D/E). The report does not resolve this difference; no year is silently removed or added to an inferred appeal group.; The original report omits the jurisdiction/docket section: page 3 ends with XXX, and page 4 starts the reasons. Civil Appeal No. 1152 of 1978 comes only from source-package metadata. The judgment uses appeals in the plural; companion numbers are not verified.; The editorial headnote calls the earlier wealth-tax ruling approved and prints [1977] 106 ITR 512 (physical page 3); the judicial narrative prints [1977] 105 ITR 512 (physical page 5). The Court says the different wealth-tax regime does not govern the income-tax decision except indirectly (physical page 6). Neither the citation conflict nor the editorial treatment label is silently resolved.; Physical page 6 prints executor within section 159 in recounting an undisputed status issue; page 7 expressly treats section 168 status as common ground and quotes its inclusive Explanation. The note does not turn this source wording into a section 159 definition of executor.; The repeated statement that no executor was named appears twice on physical page 4, including within the layout of the quoted will. It is a source repetition, not evidence of a second instrument.; The suggestion of admitting each legatee for a one-fourth partnership share is explicitly an example in the judicial reasons (physical page 11); the headnote strips out that qualification. No universal compulsory-admission rule is stated.; Physical page 12 contains a local scan blemish in the quoted Raghavalu Naidu passage; the intact surrounding discussion and operative paragraph at page 14 establish the ascertainment/acknowledgement point. Comprehensive later treatment and present-law mapping are not verified.

The scanned report has no jurisdiction/docket line; physical page 3 ends with XXX omissions before the reasons begin on page 4. The judgment repeatedly speaks of appeals. The lead number is metadata-only; the complete companion-appeal group is not verified and is not inferred.

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. Comprehensive later treatment remains unverified. No later judicial or independent current statutory check was undertaken in this source-bounded review.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 14](#)

SHA-256: 9261908c12cf89437897b12261ae093e5a694a956fe3ddb2a2161ff467eae478

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.

PROFESSIONAL DISCLAIMER

General research information only; not legal or tax advice, a certified judgment or a substitute for the full order. Applicability depends on facts, assessment year, statutory version and jurisdiction. Subsequent treatment is unverified unless identified sources are expressly stated. Downloading does not create a professional engagement. Obtain case-specific advice before reliance.