

Chhathu Ram and Ors. etc. v. Commissioner of Income Tax, Bihar, Patna and Ors.

Civil Appeal Nos. 1453-1454 of 1980 with 3928-3929 of 1991

[1993] 2 SCR 179 | 1993-03-03

Settlement finality and withdrawal of an excess-profits-tax deduction.

Indian Income-tax Act, 1922: sections 34(1A), 34(1B), 34(1D), 35(6) and 66(1) | Excess Profits Tax Act: section 12(1) | Income-tax Act, 1961: sections 155(3), 256(1) and 297 (procedural history)

2-judge bench | B. P. Jeevan Reddy, J. | N. Venkatachala, J.

Assessment years: 1942-43 (principal appeals), 1940-41 to 1947-48 (settlement notices), Connected appeal assessment years not specified

Settlement scope controls; procedural issues left open

The Court upheld rectification because the withdrawn excess-profits-tax deduction was outside the settlement. It did not decide the separate questions concerning appealability of section 35(6) orders or condonation of delay under section 66(1).

01 FACTS OF THE CASE

Chhathu Ram and Darshan Ram were individually assessed for AY 1942-43, with cash credits included in their income. Excess profits tax was separately assessed and deducted in computing taxable income. Following notices for AYs 1940-41 to 1947-48, settlement orders were made on 20 August 1960. Their excess-profits-tax appeals were later allowed, ultimately leaving no such liability. The Income-tax Officer consequently withdrew the earlier deduction by rectification. The assessees relied on settlement finality and challenged the rectification through appellate and writ proceedings.

Source: [SCR pp. 181-184](#) / [PDF pp. 3-6](#)

02 DISCUSSION BY THE HON'BLE COURT

Section 34(1D) made settlement conclusive only as to matters stated in it. The Court read the notice and settlement provisions as one scheme, and found that the deduction for excess profits tax was neither part of the notice nor of the settlement. The basis for withdrawing the deduction arose later, when the excess-profits-tax appeals succeeded. Section 35(6) specifically treated the resulting recomputation after modification of that tax liability as rectification.

Source: [SCR pp. 183-186](#) / [PDF pp. 5-8](#)

03 JUDICIAL DECISION

Civil Appeal Nos. 1453-1454 of 1980 were dismissed without costs. On counsel's agreement that the same judgment governed the otherwise identical connected matters, Civil Appeal Nos. 3928-3929 of 1991 were also dismissed without costs. The Court found it unnecessary to decide other questions after sustaining rectification on the settlement issue.

Source: [SCR p. 186 / PDF p. 8](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the Revenue: settlement did not prevent withdrawal of the excess-profits-tax deduction in these circumstances. The outcome does not authorise reopening matters actually covered by a settlement, and is not a Supreme Court ruling on the procedural issues it expressly left undecided.

Source: [SCR pp. 184 and 186 / PDF pp. 6 and 8](#)

05 AKHB REVIEW POINT

AKHB analysis: compare the notice, settlement application and final settlement terms issue by issue before asserting finality. Trace whether a later adjustment concerns the settled income or a separate consequential deduction. Keep statutory appealability and limitation arguments distinct; a lower-court proposition recounted in a judgment is not automatically a Supreme Court holding.

Source: [AKHB analysis based on SCR pp. 183-186 / PDF pp. 5-8](#)

SOURCE & VERIFICATION

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

Eight-page SCR scan, pp. 179-186; judgment begins on PDF page 3. Both the principal and connected appeal dispositions on PDF page 8 are included.

[Open cited source rendition](#)

Full source read and operative relief checked; source bytes match the SHA-256 in the supplied consolidated index.

Page references are used because the judgment body in this SCR scan has no numbered paragraphs. The source is a public mirror of an original SCR scan, not a certified court copy.

STATUTORY SCOPE

Apply the historical statutory provisions and assessment years stated in this note. Present statutory applicability and any Income-tax Act, 2025 crosswalk have not been determined.

LATER TREATMENT

Source checked 2026-10-09. Full historical judgment checked. Comprehensive subsequent treatment has 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.

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.