

Sumati Dayal v. Commissioner of Income Tax, Bangalore

Civil Appeal Nos. 1344–1345 of 1977

[1995] 2 SCR 1173 | 1995-03-28

Whether racing-club certificates and crossed-cheque receipts established genuine race winnings despite the adverse circumstances supporting the Settlement Commission majority's section 68 conclusion.

68 | 2(24), historical race-winnings discussion | 245M(2), historical withdrawal route | 245E, earlier-year request described

Three-judge bench | S.C. Agrawal, J. | B.L. Hansaria, J. | Sujata V. Manohar, J.

Assessment years: 1971-72, 1972-73

Evidence-based inference, not automatic disbelief

The Court upheld the section 68 inference on the particular combined circumstances, while requiring reasonable evaluation of the explanation. Club payments were real; the asserted manner of earning them was rejected. The historical race-exemption chronology remains unresolved. This is not a current betting-tax guide; comprehensive later treatment remains unverified.

01 FACTS OF THE CASE

The appellant, an art-and-antiques dealer in Bangalore, credited her capital account with claimed jackpot/treble race receipts of Rs 3,11,831 for AY 1971-72 and Rs 93,500 for AY 1972-73. She returned income of Rs 27,829 and Rs 3,827 respectively. The ITO treated the claimed winnings as undisclosed income under other sources, and the AAC confirmed the additions. She withdrew the Tribunal appeals under the historical section 245M(2) route and applied to the Settlement Commission on 6 August 1976 (physical pages 4–5).

By its order of 24 February 1977, two members of the Commission upheld the assessments; its Chairman dissented. The majority also refused the Revenue's request to reopen AY 1970-71 under section 245E because that year was not sufficiently connected with the pending case. These Supreme Court appeals concerned the two later assessment years, not a fresh decision taxing the earlier-year receipt (physical pages 5–6).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court recognised the Department's general burden to establish a taxable receipt, but explained the effect of section 68 where a book credit has no satisfactory explanation of its nature and source. Receipt of money supplies prima facie evidence capable of supporting the inference if unrebutted. The authority must nevertheless assess the explanation reasonably; the provision does not sanction arbitrary disbelief (physical page 6).

The racing clubs' actual payments on winning tickets were undisputed. The question was whether these were the appellant's genuine winnings. The Court held that outward documents could be tested against surrounding circumstances and human probabilities. It considered her limited racing knowledge, the extraordinary series of jackpot and treble wins, missing records of ticket-purchase funds and expenses, absence of debits for losses, and cessation of racing after 1971. It did not formulate a numerical probability threshold or declare that every unusual winning sequence is false (physical pages 7–9).

The Chairman's reliance on club certificates and crossed cheques did not answer the competing inference that winning tickets had been purchased after the events. Such certificates would also exist in that situation. The Court held that the majority's inference was reasonably supported by the sworn statement and the record; direct evidence of a secret post-event purchase was not indispensable in those circumstances (physical pages 9–10).

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

03 JUDICIAL DECISION

The Court declined to interfere with the Settlement Commission's majority order. Both appeals were dismissed with costs; no amount of costs was specified. The additions for the two assessment years therefore stood (physical page 10).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

Both assessee appeals dismissed with costs, amount unspecified

Final rejection of the genuineness explanation on this evidentiary record

The earlier-year reopening request was part of the history; the judgment does not decide a criminal charge, a general betting-tax rate, or an automatic rule against every documented unusual receipt.

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

05 AKHB REVIEW POINT

For a disputed book credit, distinguish proof that an institution paid money from proof that the taxpayer earned it in the claimed manner. Banking documents and certificates are relevant, but their evidential force depends on whether they also fit the competing explanation. A defensible section 68 analysis should identify concrete circumstances, the explanation offered and why it is reasonably rejected; the human-probabilities approach is not permission to substitute mere suspicion for evidence.

Keep this historical source's race-tax chronology separate from current law. The report says section 2(24) changed from 1 April 1972 but also describes an exemption as available for both disputed assessment years. The checked historical compilation confirms the insertion date of section 2(24)(ix), and records later changes and the eventual omission of former section 10(3); it does not resolve every transition issue in the report. This note therefore makes no independent ruling on the historical exemption's precise last year or any current gambling-tax consequence. No 2025 Act mapping or comprehensive later-treatment clearance is certified.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, Commission order date and two assessments

Source url: [Open cited source](#)

Pdf pages: 1; 3; 4; 5

Paragraphs: Unnumbered judicial text

Source role: reported metadata and judicial text

2.

Topic: Earlier-year amount discrepancy between editorial and judicial text

Source url: [Open cited source](#)

Pdf pages: 2; 5

Paragraphs: Editorial text on physical page 2 and unnumbered judicial text on physical page 5

Source role: editorial and judicial text comparison

3.

Topic: Section 68 burden and reasonableness

Source url: [Open cited source](#)

Pdf pages: 6

Paragraphs: Unnumbered judicial text

Source role: judicial text

4.

Topic: Circumstances, club payments and alternative inference

Source url: [Open cited source](#)

Pdf pages: 7; 8; 9; 10

Paragraphs: Unnumbered judicial text

Source role: judicial text

5.

Topic: Final dismissal and costs

Source url: [Open cited source](#)

Pdf pages: 10

Paragraphs: Unnumbered judicial text

Source role: judicial text

6.

Topic: Historical race-winnings provisions and unresolved chronology

Source url: [Open cited source](#)

Pdf pages: 59; 82

Paragraphs: Section 2(24)(ix), footnote 30; former section 10(3), footnote 94

Source role: bounded historical statutory text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

S.C. Agrawal, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 10 PDF pages; SHA-256

cf24fb223dcd18b2e17dec3d4dd9b9bdd5e178b44cf5380bc498de823d375256. Original bytes preserved.

Complete judicial text physical pages 4–10/SCR 1176–1182; pages 1–3 contain editorial/cause-title material. No adjoining judgment.

[Open cited source rendition](#)

The earlier AY 1970-71 receipt is printed as Rs 76,681 in the editorial material but Rs 74,681 in the judicial history. That earlier-year amount is not part of the two affirmed additions or a new Supreme Court assessment; The report's race-exemption chronology has not been silently harmonised. The checked 2011 compilation supports the stated 1972 insertion date but does not certify the report's exemption statement for both years; The Commission's Chairman dissented; the Supreme Court judgment is a three-judge Court judgment and does not contain a separate Supreme Court dissent; The 16-occasion description in the Revenue submission includes a wider historical sequence; it must not be presented as 16 wins solely within the two disputed years.

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 actually checked later judgment or statute is expressly identified in this note.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 10](#)

SHA-256: cf24fb223dcd18b2e17dec3d4dd9b9bdd5e178b44cf5380bc498de823d375256

[official department hosted historical statutory compilation - PDF pages: 1251](#)

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

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