

Commissioner of Income Tax v. Smt. Pelleti Sridheramma, Nellore

Civil Appeal No. 1053 of 1977

[1995] Supp.4 SCR 206 | 1995-10-11

Whether a capital gain on sale of a house bought with cash gifted to the assessee's minor son arose from the transferred assets under historical section 64(1)(iv), notwithstanding the period between the gift and sale.

64(1)(iv), historical minor-child provision quoted for the stated AY 1966-67 | 2(24) | 256

Two-judge bench | B.P. Jeevan Reddy, J. | S.B. Majumdar, J.

Assessment years: 1966-67

Historical minor-child clause; unreconciled dates and corrected appeal year

The source expressly states AY 1966-67 but also prints a 5 July 1967 sale, FY 1956-57 gift and an eight-year interval; those details are not silently reconciled. The correct printed appeal is No. 1053 of 1977, not metadata's 1997. The holding applies the quoted historical section 64(1)(iv) and an identifiable substituted asset; time alone did not break that nexus. Comprehensive later treatment, current law and 2025 mapping remain unverified.

01 FACTS OF THE CASE

The assessee carried on mica mining and also had property and money-lending income. The judgment states that in FY 1956-57 she gifted Rs 90,000 to her minor son, Suryanarayana Reddy, who immediately used the money to buy a house at Gudur. The house was used for the assessee's business. On its sale to Tirupati Devasthanam for Rs 1,48,000, while the son was still a minor, the ITO included the Rs 58,000 capital gain in her income (physical page 3 / SCR 208).

The report expressly states AY 1966-67, but the same judicial page prints the sale date as 5 July 1967 and repeatedly describes the interval as eight years. These particulars do not reconcile with each other and the stated FY 1956-57 gift. They are retained as a source inconsistency, without silently correcting the sale year, interval or assessment year (physical pages 3-4 and 8 / SCR 208-209 and 213).

The AAC dismissed the assessee's appeal. The Tribunal and then the Andhra Pradesh High Court ruled for her, relying principally on Prem Bhai Parekh and treating the lapse of time as breaking the required proximity. Revenue appealed. The respondent's counsel subsequently recorded instructions not to oppose the appeal and not to participate; the Supreme Court nevertheless supplied a reasoned merits judgment (physical pages 3 and 8 / SCR 208 and 213).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court applied the historical clause covering income arising directly or indirectly to a minor child, other than a married daughter, from assets transferred directly or indirectly by the individual otherwise than for adequate consideration. It expressly set aside the section 27(i) cross-reference as irrelevant to these facts. Cash immediately exchanged for the house was simply one form of property substituted for another. The capital gain arose from the substituted asset, and section 2(24) included capital gains within income (physical pages 3–4 / SCR 208–209).

Sevantilal Maneklal Sheth supported the proposition that gain on sale can arise from the transferred asset; Mohini Thapar supported the treatment of returns on shares and deposits bought with gifted cash. Those earlier cases concerned the 1922 Act and were discussed as authorities for the nexus reasoning. Their spouses, assessment years, shares, deposits and amounts are not facts of the present appeal (physical pages 4–5 and 7–8 / SCR 209–210 and 212–213).

Prem Bhai Parekh concerned minors' admission to the benefits of a partnership. There the income came from the business and their admission, not proximately from the gifted capital itself; business results could be loss, no profit or exceptional profit rather than returns directly related or proportionate to the contribution. Its proximity requirement concerned the causal relationship between transfer and income, not closeness of dates. The High Court therefore misread that authority in treating the asserted eight-year interval as decisive (physical pages 5–8 / SCR 210–213).

The holding preserves the need for the statutory nexus. It does not say that every receipt connected in some way with a gift is clubbable. Here immediate purchase with the gifted cash, continued ownership by the minor and the gain on sale of that very substituted property provided the connection (physical pages 4 and 8 / SCR 209 and 213).

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

03 JUDICIAL DECISION

Revenue's appeal was allowed, the High Court judgment was set aside, and the section 256 reference was answered affirmatively: the Rs 58,000 capital gain was assessable in the assessee's hands. No costs were ordered (physical page 8 / SCR 213).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

Civil Appeal No. 1053 of 1977 allowed; High Court judgment set aside; reference answered affirmatively for Revenue; no costs

Final reasoned merits decision; respondent's recorded non-opposition did not replace judicial reasons

Historical minor-child transfer clause and the gain from an identifiable substituted asset. The stated AY and event chronology remain inconsistent in the printed source; no current-clubbing-law conclusion is supplied.

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

05 AKHB REVIEW POINT

Trace the transferred value through each substitution and identify the actual source of the disputed receipt. A long interval alone does not break the statutory causal link, but a source such as independently generated partnership business income still requires the distinction explained in Prem Bhai Parekh. Keep proof of the original transfer, purchase funding, asset ownership and the child's relevant status separate from the chronology.

For publication, display the source-date inconsistency beside the holding instead of repairing it by intuition. Use the image-verified Civil Appeal No. 1053 of 1977 rather than ingestion metadata's 1997. The historical section 64(1)(iv) quoted here must be checked against the actual statutory year before using this case in any later-period analysis.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Date, bench, author and image-verified 1977 appeal caption

Source url: [Open cited source](#)

Pdf pages: 1; 2

Paragraphs: Exact physical PDF pages; the note also supplies printed SCR page numbers. Judicial paragraphs are unnumbered.

Source role: reported metadata and judicial text

2.

Topic: Express AY, quoted historical clause, facts and inconsistent sale chronology

Source url: [Open cited source](#)

Pdf pages: 3

Paragraphs: Exact physical PDF pages; the note also supplies printed SCR page numbers. Judicial paragraphs are unnumbered.

Source role: judicial text

3.

Topic: Substitution of gifted cash and capital gain as income

Source url: [Open cited source](#)

Pdf pages: 4

Paragraphs: Exact physical PDF pages; the note also supplies printed SCR page numbers. Judicial paragraphs are unnumbered.

Source role: judicial text

4.

Topic: Separately attributed 1922 Act authorities and causal nexus distinction

Source url: [Open cited source](#)

Pdf pages: 4; 5; 6; 7

Paragraphs: Exact physical PDF pages; the note also supplies printed SCR page numbers. Judicial paragraphs are unnumbered.

Source role: judicial text

5.

Topic: Time-lag error, non-opposition and final Revenue answer without costs

Source url: [Open cited source](#)

Pdf pages: 8

Paragraphs: Exact physical PDF pages; the note also supplies printed SCR page numbers. Judicial paragraphs are unnumbered.

Source role: judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

B.P. Jeevan Reddy, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 8 PDF pages; SHA-256

25a6b90094114cf76421454f93e033a2d86d4f291b73d4cd86b34e8fa210b862. Original bytes preserved.

Complete judicial text physical pages 2–8 / SCR 207–213; editorial headnote physical pages 1–2 separated. Historical minor-child clause, internally inconsistent event chronology, quoted 1922 Act authorities and the reasoned Revenue disposition despite non-opposition are distinguished.

[Open cited source rendition](#)

The caption at physical page 2 prints Civil Appeal No. 1053 of 1977; ingestion metadata incorrectly says 1997.; Physical page 3 expressly states AY 1966-67 and a sale on 5 July 1967. The FY 1956-57 gift/immediate purchase and repeated eight-year interval also do not reconcile with that sale date. No date or assessment year is silently corrected.; The source's historical section 64(1)(iv) concerns a minor child; the note does not map that clause label to a later version.; Section 27(i) is expressly irrelevant to the present facts and is not an operative section tag. Earlier authorities under the 1922 Act remain separately attributed.; The Rs 58,000 is the disputed capital gain, not tax assessed or payable. The source supplies no tax demand.; The respondent instructed counsel not to oppose; the Court nevertheless decided the merits and did not simply record consent.; Comprehensive subsequent treatment, current-law application and 2025 mapping remain unverified.

AY 1966-67 is expressly printed at physical page 3 / SCR 208. The same page prints a 5 July 1967 sale date and describes an eight-year interval after a purchase funded in FY 1956-57. Those dates do not reconcile; the note retains the stated AY with this caution and does not infer a corrected AY or sale date.

The operative section 64(1)(iv) is the historical minor-child clause quoted in this judgment, not a certification of a later clause number or modern clubbing regime. Section 27(i) appears in that quotation but the Court expressly says it has no relevance to these facts. The 1922 Act provisions occur in earlier authorities discussed by the Court; they do not change this appeal into a 1922-Act case.

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 subsequent-treatment search has been completed and no later judicial treatment is asserted in this note.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 8](#)

SHA-256: 25a6b90094114cf76421454f93e033a2d86d4f291b73d4cd86b34e8fa210b862

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