

Adair Dutta and Co. India Pvt. Ltd. v. The Appropriate Authority, Income Tax Department

Civil Appeal No. 1109 of 1995

[1996] Supp 6 SCR 775 | 1996-09-25

How a Chapter XX-C purchase affects a tenant where the sale agreement stipulates an encumbrance-free sale, and whether the High Court could reject the tenant's asserted protection under the Tamil Nadu rent-control statute without reconsidering that statute's application to Central Government buildings.

269-UD(1), historical Chapter XX-C pre-emptive purchase | 269-UE(1), (2) and (5), historical vesting, possession and preserved liabilities | 269-UA, interested-person concept in the quoted Gautam discussion

Two-judge bench | Kuldeep Singh, J. | K.T. Thomas, J.

Assessment years: See the source-scope notes; no year inferred.

Remand on tenancy protection; materially defective quoted condition

This judgment sets aside the High Court decision for fresh consideration of the Tamil Nadu rent-control issue; it does not finally order eviction or confirm a protected tenancy. The source's page 7 Gautam quotation omits "not": the original earlier judgment says "does not provide" for vacant possession. The source's 1983 Gautam citation year is also inconsistent with the preserved 1992 report. Contractual encumbrance-free vesting and the unresolved rent-law issue must remain separate. No express costs direction appears; later treatment and current-law mapping are unverified.

01 FACTS OF THE CASE

The appellant company occupied the ground floor of a building on Mount Road/Anna Salai, Madras. The owner agreed on 30 March 1989 to sell the building for Rs 26 lakh. The Appropriate Authority ordered purchase by the Central Government at the same consideration under section 269-UD(1). It informed the company that the property had vested free from encumbrances with effect from 22 June 1989 and required it to surrender possession (physical page 3/SCR 777).

The tenant challenged the communication and ensuing demand in W.P. No. 9946 of 1989. It relied on C.B. Gautam's removal of the statutory words providing automatic encumbrance-free vesting, and separately claimed protection under the Tamil Nadu Buildings (Lease and Rent Control) Act, 1960. The Madras High Court's 20 January 1994 judgment rejected both grounds: the sale agreement stipulated an encumbrance-free transfer, and the High Court considered Central Government buildings outside the rent-control protection. This single appeal challenged that judgment (physical pages 3–5). No assessment year or appeal group is stated.

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

02 DISCUSSION BY THE HON'BLE COURT

The Court applied the distinction drawn in *C.B. Gautam*. Striking the automatic encumbrance-free formula from section 269-UE(1) did not erase an agreement's own stipulation that the property would be sold free of specified encumbrances or leasehold interests. The agreement here undisputedly stipulated a sale free of all encumbrances. Under the cited reasoning, affected holders could claim the value of their interests out of the purchase price, while section 269-UE(5) preserved the relevant liability of the transferor or another person other than the Central Government. This was not a compensation award to this appellant (physical pages 5–7).

The Court rejected the contrary approach in *Tata Consulting Engineers and Another v. Union of India and Others*, (1994) 206 ITR 237, which had read a vacant-possession stipulation down in the circumstances of a sitting monthly tenant. It held that approach inconsistent with *Gautam*'s reasoning (physical page 6). The source's quotation of *Gautam* concerning continuing monthly tenancies contains a material omitted negation: physical page 7 says "does provide", whereas the original *Gautam* report at physical page 39/SCR 50 says "does not provide". The surviving-tenancy proposition must not be reversed by reproducing the defective quotation. This comparison is a bounded earlier-source check, not later treatment of *Adair* (*Gautam* physical pages 38–40).

The tenant also argued that the Tamil Nadu statute's government-building exclusion applied only to State Government property because of that statute's definition of government. The Court accepted that *Gautam* had not considered the situation where a monthly tenancy remained protected by rent-control legislation. It therefore required the High Court to reconsider the Tamil Nadu Act's applicability to Central Government buildings. It did not decide that the statute actually protected this tenant or that this tenancy could finally be terminated (physical pages 7–8).

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

03 JUDICIAL DECISION

The Court set aside the challenged High Court judgment and remitted the writ petition for fresh disposal in light of its observations, specifically requiring reconsideration of the Tamil Nadu Act's application to buildings owned by the Central Government. The report ends "Appeal disposed of". The judicial order contains no express costs direction (physical page 8/SCR 782).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Tenant-appellant obtained a remand; no final determination of its rent-control protection or right to retain possession

High Court judgment set aside; writ petition remitted for fresh disposal; no express costs direction in the source

Historical Chapter XX-C reasoning stated, but ultimate statutory-tenancy issue remanded

The decision does not finally order eviction, confer protected-tenancy status, award compensation, or determine tax liability. Its remand cannot be reported as an unqualified Government or tenant merits victory.

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

05 AKHB REVIEW POINT

Separate the contract-defined subject of the Government's pre-emptive purchase from the unresolved protection claimed under the particular rent-control law. Adair applies Gautam's encumbrance distinction and rejects the cited Karnataka approach, yet its operative relief remains a remand. A user who needs to know whether possession could be recovered must inspect the relevant sale terms, tenancy facts, applicable rent statute and proceedings after remand rather than treating this order as the final possession decree.

The report itself illustrates why quotations need source checks: omission of "not" in the monthly-tenancy passage reverses its condition, and the cited 1983 Gautam year is inconsistent with the preserved 1992 source. Use the verified earlier passage with the discrepancy disclosed. This historical Chapter XX-C note is not a certification of present acquisition powers or a mapping to the Income-tax Act, 2025.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, dates, single appeal, purchase and possession facts

Source url: [Open cited source](#)

Pdf pages: 1; 3; 4

Paragraphs: Cover; appeal-origin line; opening judicial text

Source role: reported metadata and judicial text

2.

Topic: Gautam distinction, encumbrance-free contractual sale and purchase-price remedy

Source url: [Open cited source](#)

Pdf pages: 5; 6; 7

Paragraphs: Unnumbered judicial text

Source role: judicial text

3.

Topic: Rejection of the cited Tata Consulting Engineers approach

Source url: [Open cited source](#)

Pdf pages: 6

Paragraphs: Unnumbered judicial text

Source role: judicial text

4.

Topic: Material quotation defect and unresolved Tamil Nadu protection

Source url: [Open cited source](#)

Pdf pages: 7; 8

Paragraphs: Unnumbered judicial text

Source role: judicial text

5.

Topic: Set-aside, remand and operative ending

Source url: [Open cited source](#)

Pdf pages: 8

Paragraphs: Final unnumbered judicial paragraph

Source role: judicial text

6.

Topic: Earlier primary-source comparison: correct monthly-tenancy condition and compensation context

Source url: [Open cited source](#)

Pdf pages: 38; 39; 40

Paragraphs: Bounded earlier precedent passage; SCR 49–51

Source role: earlier precedent quotation verification

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

K.T. Thomas, 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

0fc7d77a436dfad3d1d5d9c4964999cfb86f5891984ebf2924fcbd3af7b7e952. Original bytes preserved.

Complete judicial text physical pages 3–8/SCR 777–782, from Thomas J.'s opening through the final remand; headnote physical pages 1–3 separately identified.

[Open cited source rendition](#)

The cover uses Adair Dutta, while running titles shorten the name to Adair Dutt. The publication title follows the frozen source cover and retains the repository identity.; The source cites C.B. Gautam as [1983] 1 SCC 78 at physical pages 2 and 4. The frozen Gautam report is [1992] Supp 3 SCR 12 and its cover bears 17 November/27 November 1992. The 1983 year is not silently repeated as verified; a corrected SCC parallel citation is not independently certified here.; At physical page 7/SCR 781, the Gautam quotation says the agreement “does provide” for vacant possession before describing continuing monthly tenancies. The original frozen Gautam PDF at physical page 39/SCR 50 says “does not provide”. Both images were checked. The missing negation materially changes the meaning and must remain prominently disclosed.; The Tamil Nadu Act’s government definition and resulting protection were arguments requiring High Court reconsideration, not Supreme Court findings that the tenant was protected or that Central Government premises were excluded.; The compensation discussion quotes/applies Gautam’s explanation of the purchase-price remedy. No compensation sum is fixed or paid to this appellant by this order.; No assessment year is stated because this is a property-purchase and possession dispute. The source contains one Civil Appeal; no connected appeal group is inferred.; The final order contains no express costs direction. Silence on costs is not restated as an affirmative no-costs order.; The historical statutory passage at physical page 4 includes the encumbrance-free words whose removal is discussed immediately afterward. It is not to be reproduced as an unqualified surviving rule.

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. not_verified. No comprehensive later treatment or outcome of the remanded writ petition has been verified. The Gautam check concerns an earlier cited precedent only.

IDENTIFIED SOURCE LINKS

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

SHA-256: 0fc7d77a436dfad3d1d5d9c4964999cfb86f5891984ebf2924fcbd3af7b7e952

[cited precedent bounded source check - PDF pages: 44](#)

SHA-256: a0086d310dbbccbb4505bf15d6297694fc08d759d7ac80217daa7dc8505bdda

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