

Commissioner of Income Tax, Amritsar v. M/s. Shiv Prakash Janak Raj and Co. Pvt. Ltd.

Civil Appeal Nos. 1906–1918 of 1979

[1996] Supp. 7 SCR 81 | 1996-09-30

Whether post-accounting-year waivers could erase accrued interest on an established interest-bearing loan where mercantile accounts were used and no commercial basis for the waiver was found.

5(1)(b) | 145 | 256(1)

Two-judge bench | B.P. Jeevan Reddy, J. | Suhas C. Sen, J.

Assessment years: 1968-69, 1969-70, 1970-71, 1971-72

Contested accrual years versus an unpressed appeal

Post-year-end waivers did not undo accrued interest on these interest-bearing loans with no commercial waiver basis. AY 1968-69 was dismissed only as not pressed, and supplies no merits rule for all earlier waivers. The judgment's cited banking discussion needs the separately checked UCO Bank circular qualification; no direct overruling of Shiv Prakash is claimed. Current-law treatment and comprehensive later verification remain open.

01 FACTS OF THE CASE

The company lent money to a firm whose partners were also its shareholders or directors. Interest had been charged in the preceding two years. It followed mercantile accounts with a 31 October year-end. For AY 1968-69 it resolved on 9 October 1967 not to charge interest. For AYs 1969-70, 1970-71 and 1971-72, the respective resolutions were passed on 26 February 1969, 16 March 1970 and 24 November 1970, after the relevant accounting years had ended (physical pages 3–5).

The ITO made interest additions at 15 per cent, which the Appellate Assistant Commissioner reduced to 9 per cent. The Tribunal found no commercial basis for the relinquishment and held that absence of entries in either party's books did not undo accrual. The High Court answered the reference for the assessee. Revenue appealed this and connected matters (physical pages 3–5).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court treated four established features as decisive for the three later years: the loan was interest-bearing, mercantile accounting applied, the waivers followed the accounting-year end, and the Tribunal had found no commercial considerations. The interest had accrued before it was given up; omitting an entry did not prevent that result (physical page 5).

Morvi Industries supported the distinction between accrual and a later unilateral surrender. Birla Gwalior was distinguishable because the commission had not yet become due when it was relinquished. Shoorji Vallabhdas involved an agreement during the relevant period that changed what actually accrued. The Court therefore did not reject the real-income concept altogether; it held that the concept must operate within the statute and could not negate income that had accrued on these facts (physical pages 6–13).

For AY 1968-69, Revenue did not press its challenge. Although that resolution preceded year-end, the Court gave no merits ruling that every pre-year-end waiver succeeds, and did not reverse the Tribunal's stated lack-of-commercial-consideration finding as a new factual matter (physical pages 5–6 and 14).

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

03 JUDICIAL DECISION

Revenue's appeals for the lead assessee's AYs 1969-70, 1970-71 and 1971-72 were allowed, and the referred questions answered for Revenue. Its appeal for AY 1968-69 was dismissed as not pressed. The other appeals were allowed for the same reasons. The High Court judgments were set aside except for the unpressed lead year. There was no order as to costs and no new rupee computation (physical pages 13–14).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on the contested later years and companion appeals; assessee retains the unpressed AY 1968-69 result

Appeals allowed except the lead AY 1968-69 appeal, dismissed as not pressed; no costs

Final accrued-interest ruling on the contested facts; no merits adjudication of the withdrawn year

No blanket taxation of all unpaid interest or automatic exemption for a waiver passed before year-end. Companion parties and years are not invented.

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

05 AKHB REVIEW POINT

Establish when the right to interest arose and what the parties actually agreed before that point. A subsequent resolution and missing book entries cannot alone undo an accrued right. Conversely, the Court's distinctions preserve the need to examine genuine changes that determine what income arose in the first place. Separate accrual, commercial-expediency deduction and bad-debt questions rather than treating them as interchangeable.

The decision quotes State Bank of Travancore at length. A bounded check of UCO Bank's later judgment shows that its banking circular analysis qualified the use of State Bank of Travancore concerning sticky-interest treatment. UCO Bank does not name or overrule this Shiv Prakash decision in the checked passage; the comparison prevents turning a non-commercial post-year-end waiver into a universal modern bank-interest rule.

The nine-per-cent assessment rate is case history, not a statutory rate set for all loans. Later statutory recognition rules, lender-specific provisions and present-year deductions require independent verification.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, full appeal group, lead facts, resolutions and assessment history

Source url: [Open cited source](#)

Pdf pages: 1; 3; 4; 5

Paragraphs: Unnumbered judicial text

Source role: reported metadata and judicial text

2.

Topic: Accrual facts and express non-pursuit of the earlier year

Source url: [Open cited source](#)

Pdf pages: 5; 6

Paragraphs: Unnumbered judicial text

Source role: judicial text

3.

Topic: Morvi and Birla Gwalior distinction

Source url: [Open cited source](#)

Pdf pages: 6; 7; 8

Paragraphs: Unnumbered judicial text

Source role: judicial text

4.

Topic: Real-income limits and Shoorji distinction

Source url: [Open cited source](#)

PDF pages: 9; 10; 11; 12; 13

Paragraphs: Unnumbered judicial text

Source role: judicial text

5.

Topic: Different operative outcomes and costs

Source url: [Open cited source](#)

PDF pages: 13; 14

Paragraphs: Unnumbered judicial text

Source role: judicial text

6.

Topic: Later banking-circular qualification of the cited State Bank decision

Source url: [Open cited source](#)

PDF pages: 10; 11; 12; 13; 14

Paragraphs: Unnumbered judicial text

Source role: bounded later comparison

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

B.P. Jeevan Reddy, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

ASSESSMENT-YEAR SCOPE AND LIMITS OF THE OPERATIVE DIRECTION

The four specified years belong to the lead assessee. The other appeals in the thirteen-number group are not individually mapped to parties or years.

SOURCE & VERIFICATION

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

Identified source rendition: 14 PDF pages; SHA-256

b942127c31e79f309eb7ba399a96687d0aac2bde187003a8af250291c74c4c8f. Original bytes preserved.

Complete judicial text physical pages 3–14/SCR 83–94, with the lead four-year case and other unnamed companion appeals distinguished.

[Open cited source rendition](#)

The thirteen-number appeal group is wider than the four-year lead case used for the facts. The judgment allows the other appeals without individual party/year mapping.; AY 1968-69 was dismissed as not pressed, not decided in favour of a general proposition that a pre-year-end waiver defeats tax.; The discussion of State Bank of Travancore on physical page 9 prints section 32(3) alongside the bad-debt provision. It is preserved as a source slip and is not adopted as a governing statutory citation.; The ITO's collusion allegation is part of the assessment history. This note relies on the Court's stated accrual facts and the Tribunal's non-commercial-waiver finding, and adds no independent fraud conclusion.; The earlier Rs 25,048 and Rs 25,843 interest amounts concern AYs 1966-67 and 1967-68, not the sums added for the four disputed years. No disputed-year total is inferred.; The long quoted earlier cases have their own dates, amounts and agreements. Their facts are not attributed to this taxpayer.

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. UCO Bank pages 10–14 were checked only to qualify the cited State Bank of Travancore banking/circular discussion; they do not directly overrule Shiv Prakash. Other cited originals were not reread here.

IDENTIFIED SOURCE LINKS

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

SHA-256: b942127c31e79f309eb7ba399a96687d0aac2bde187003a8af250291c74c4c8f

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

SHA-256: 8f8b72f6fe79aaa2fac76cb161d4a039b60a5f26961d38660a077297c492415d

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