

Prima Realty v. Union of India and Others

Civil Appeal No. 14554 of 1996

[1996] Supp. 8 SCR 665 | 1996-11-18

Whether the Central Government validly tendered the full apparent consideration within section 269UG(1), where a cheque posted on the deadline understated the transferee's individual allocation and named a limited company instead of the actual partnership firm, and what consequences followed under section 269UH.

269UC(1) and (3) | 269UD(1), (1A) and (3) | 269UE(1) | 269UF | 269UG(1) | 269UH(1) and (2)

2-judge bench; one opinion | J.S. Verma, J. | B.N. Kirpal, J.

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

IMPORTANT: HISTORICAL CHAPTER XX-C; PAYEE-IDENTITY HOLDING AND RESTITUTION

Prima Realty concerns the 1995 compulsory-purchase regime. The departmental Finance Act 2002 entry for section 269UP makes Chapter XX-C inapplicable to transfers effected on or after 1 July 2002. The appeal succeeded because the cheque named a different legal entity; the Court rejected the postal-delay and six-lakh allocation objections. Revesting carried a direction to refund Rs. 2,98,84,384 with 12% annual interest from 1 June 1995. The report prints April 24 in the operative passage but April 26 elsewhere for the purchase order. The source is a preserved eSCR public-mirror report, not an independently authenticated signed original. Comprehensive later treatment, present applicability, the complete legislative chain and Income-tax Act 2025 mapping remain NOT VERIFIED.

01 FACTS OF THE CASE

Prima Realty was a partnership firm which agreed on 13 January 1995 to purchase a Chembur, Bombay property from respondents 6-12 and Dr. V.S.J. Rao, eight transferors in all, for Rs. 3,60,00,000. Of that price, Rs. 3,30,00,000 was payable by pay orders or demand drafts in instalments over approximately twenty-four months and Rs. 30,00,000 represented reconstruction of the bungalow occupied by Dr. Rao and his family. The parties filed Form 37-I on 30 January 1995 under section 269UC(1) and (3), read with Rule 48L. The statutory deadline for a purchase order was 30 April 1995. Notices under section 269UD(1A) correctly identified Prima Realty as a partnership. After Dr. Rao died on 13 April, his heirs, respondents 13-16, were also notified (physical 5/SCR 669 B-F).

The factual narrative repeatedly dates the compulsory-purchase order 26 April 1995. The appropriate authority fixed apparent consideration at Rs. 3,58,84,384: the discounted cash component of Rs. 3,28,84,384 plus the Rs. 30,00,000 reconstruction component. Vesting under section 269UE(1) required tender under section 269UG(1) by 31 May 1995. Prima Realty was entitled to Rs. 66,00,000 corresponding to its earnest-money payment; the transferors and Dr. Rao's heirs were entitled to the balance in their respective shares (physical 5-6/SCR 669 F-670 E).

On 31 May the Government issued nine cheques totalling the apparent consideration. Prima Realty's cheque was for Rs. 60,00,000 rather than Rs. 66,00,000 and named a limited company, described in different parts of the report as Prime Realty Ltd. or Prime Reality Ltd., rather than the partnership Prima Realty. It was sent by speed post on 31 May and received on 1 June. Prima Realty returned it on 19 June asserting statutory abrogation and filed W.P. No. 1106 of 1995 on 21 June. A corrected cheque for Rs. 60,00,000 followed on 22 June. The Bombay High Court dismissed the writ petition on 15 December 1995; Civil Appeal No. 14554 of 1996 challenged that judgment (physical 4,6-7/SCR 668 E-H, 670 F-671 D).

The transfer order's exact day contains a source inconsistency: SCR 668-671 repeatedly says 26 April, but the operative passage at SCR 674 H says 24 April. The discrepancy is disclosed rather than silently corrected. Both dates are within April; the Court's stated tender deadline remains 31 May 1995.

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

02 DISCUSSION BY THE HON'BLE COURT

J.S. Verma J. delivered the Court's sole opinion. Section 269UG(1), as described by the Court, required the consideration payable under section 269UF to be tendered to the persons entitled within one month after the end of the month of vesting. Here the property vested in April, so the due date was 31 May. The central question was whether the tender met that requirement so as to avoid the abrogation and revesting consequences in section 269UH. The case did not decide valuation adequacy, a tax assessment, or the constitutional validity of Chapter XX-C (physical 4-7).

The Court first rejected the postal-delay contention. In *CIT v. Patney & Co.*, [1959] Supp. 2 SCR 868, and *Shri Jagdish Mills Ltd. v. CIT*, [1960] 1 SCR 236, express or implied authority to send a cheque by post could make the post office the payee's receiving agent. There was no express stipulation here. Nevertheless, the amount was sufficiently large that payment by Government cheque was the reasonable course, and the Court inferred that it would be posted unless personally collected. The payees had not indicated a mode of payment despite a letter asking them to do so; Prima Realty did not reply and nobody collected the cheque by the deadline. Dispatch on 31 May, when the cheque passed beyond the sender's control, therefore amounted to tender on that date. Receipt on 1 June did not itself make the payment late. This was an inference from the stated circumstances, not a universal rule that every posted cheque is payment immediately on posting (physical 7-9/SCR 671 E-673 A).

The Court separately rejected the six-lakh allocation objection. The entire Rs. 3,58,84,384 had been tendered collectively by cheque to the persons entitled, including the Rs. 60,00,000 nominally sent to the transferee. Adjusting the exact shares among those persons was their internal arrangement; the difference between Prima Realty's Rs. 66,00,000 entitlement and its Rs. 60,00,000 cheque did not, by itself and on these facts, invalidate the tender. This rejected allocation point must not be confused with the separate failure of valid tender of the whole sixty-lakh cheque caused by the incorrect payee (physical 9/SCR 673 B-D).

The payee-identity defect was decisive. A firm name describes the partners collectively, whereas a limited company is itself a distinct legal person. The cheque named a limited company under a different name, rather than the partnership correctly identified in the notice, purchase order and correspondence. The Court applied *Davies v. Elsby Brothers Ltd.*, (1960) 3 All ER 672 at 676, to distinguish a mere misnomer from a description capable of identifying another entity. It was reasonable to assume that a bank would not credit this company-payee cheque to the partnership's account. Prima Realty could legitimately regard the instrument as not payable to it and could not lawfully require the bank to credit it. Valid tender was consequently short by Rs. 60,00,000, producing non-compliance with section 269UG(1), despite timely posting and the aggregate face value of all nine cheques (physical 9-10/SCR 673 E-674 G).

The later corrected cheque could not undo revesting already produced by expiry of the statutory period without valid tender; the report describes it as of no consequence if that statutory result had ensued. The Court held that it had ensued here. That reasoning

02 DISCUSSION BY THE HON'BLE COURT

addresses a cheque identifying a different entity and the expired statutory tender period. It does not declare every spelling error fatal irrespective of whether the intended payee remains identifiable (physical 7/SCR 671 B; physical 10-11/SCR 674 H-675 C).

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

03 JUDICIAL DECISION

Civil Appeal No. 14554 of 1996 was allowed. The compulsory-purchase order stood abrogated and the property reverted in the transferors under section 269UH(1), with the other legal consequences, including those identified in section 269UH(2) and section 269UD(3). The Court did not enumerate every consequence under the Income-tax Act and other applicable laws, but expressly stated that execution of a conveyance in favour of the appellants followed. Because the Rs. 60,00,000 cheque had not been encashed, the remaining Rs. 2,98,84,384 was refundable to the Central Government as of 1 June 1995. The operative direction requires refund by the appellants with interest at 12% per annum from 1 June 1995 until payment. The source uses the plural "appellants" even though the cause title and appeal concern Prima Realty; the note preserves the direction without reallocating the refund obligation among recipients. The Court made no order for costs, stating "No costs" (physical 10-11/SCR 674 H-675 C).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Prima Realty, the transferee-appellant, on the validity of compulsory purchase; Central Government entitled to directed restitution

Appeal allowed; purchase order abrogated; property reverted; consequential conveyance and refund with interest

Final statutory-tender and consequence determination

Postal dispatch was timely on the facts and six-lakh allocation objection failed; success rested on the different-entity payee defect.

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

05 AKHB REVIEW POINT

In a historical Chapter XX-C file, test three matters separately: the time at which a legally effective tender was made, whether the complete consideration was collectively tendered to persons entitled, and whether each instrument was payable to its intended legal recipient. Preserve the actual cheque, payee's legal constitution, statutory form, purchase order, correspondence requesting payment instructions, postal record and any correction. Prima Realty shows why nominal aggregate payment cannot cure an instrument naming a different legal person. It also shows why a correct result cannot be reached simply by treating next-day postal delivery or a share-allocation discrepancy as the successful ground.

Read the remedy with the holding. Revesting was accompanied by restitution of the amount actually received and 12% annual interest from the date specified; it was not a cost-free release from the compulsory purchase. The printed April 24/April 26 discrepancy and inconsistent Realty/Reality spellings should remain visible in source-critical work. The unnumbered SCR pages provide safer pinpoints than invented paragraph numbers.

The official departmental Finance Act 2002 section 100 entry, inspected on 6 October 2026, supplies a material temporal limit: section 269UP excludes Chapter XX-C for transfers effected on or after 1 July 2002. That bounded check does not certify the whole amendment history, the exact statutory version for a later dispute, or transition and savings under the Income-tax Act 2025. No comprehensive later citator review of Prima Realty has been completed.

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

DETAILED DISPOSITION AND CONNECTED GROUPS

Costs: No costs

INDIVIDUAL PROCEEDING OUTCOMES

1.

Case number: Civil Appeal No. 14554 of 1996

Underlying proceeding: Bombay High Court W.P. No. 1106 of 1995; judgment 15 December 1995

Outcome: Allowed; statutory abrogation and revesting recognised; consequential conveyance and restitution directed

Costs: Expressly no costs

Restitution: Rs. 2,98,84,384 refundable to the Central Government with 12% per annum interest from 1 June 1995 until payment

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, agreement, apparent consideration and appeal history

Source url: [Open cited source](#)

Pdf pages: 4; 5; 6; 7

Paragraphs: Unnumbered judicial opinion; SCR 668 E-671 D

Source role: judicial text

2.

Topic: Postal authority and dispatch

Source url: [Open cited source](#)

Pdf pages: 7; 8; 9

Paragraphs: Unnumbered judicial opinion; SCR 671 E-673 A

Source role: judicial text

3.

Topic: Allocation objection and payee-entity question

Source url: [Open cited source](#)

Pdf pages: 9; 10

Paragraphs: Unnumbered judicial opinion; SCR 673 B-674 G

Source role: judicial text

4.

Topic: Abrogation, revesting, conveyance, restitution, interest and costs

Source url: [Open cited source](#)

Pdf pages: 10; 11

Paragraphs: Unnumbered judicial opinion; SCR 674 H-675 C

Source role: judicial text

AMOUNTS AND THEIR DISTINCT REPORTED ROLES

1.

Amount: INR 36000000

Role: Agreed property price, including reconstruction component

2.

Amount: INR 33000000

Role: Undiscounted instalment/pay-order price component

3.

Amount: INR 3000000

Role: Bungalow reconstruction component

4.

Amount: INR 32884384

Role: Discounted cash component adopted in purchase order

5.

Amount: INR 35884384

Role: Total apparent consideration and nominal aggregate of nine cheques

6.

Amount: INR 6600000

Role: Transferee's earnest money and claimed allocation entitlement

7.

Amount: INR 6000000

Role: Unencashed wrong-entity cheque; entire amount lacked valid tender

8.

Amount: INR 600000

Role: Rejected internal allocation objection only

9.

Amount: INR 29884384

Role: Refund directed to Central Government, with 12% annual interest from 1 June 1995 until payment

QUANTIFICATION AND MONETARY LIMITS

The Court directed a specific restitution amount and interest, but no tax assessment, tax deduction or damages computation.

REPORTED SOURCE ANOMALIES AND THEIR LIMITS

The narrative repeatedly prints 26 April 1995 as the purchase-order date, but the operative passage at SCR 674 H prints 24 April 1995. Both are preserved; no silent correction.; The source varies Prime Realty Ltd. and Prime Reality Ltd. for the incorrectly named company. The decisive distinction is company versus partnership, not an asserted preferred spelling.; The editorial headnote incorrectly connects Form 37-I to section 269UG; the judicial narrative at SCR 669 D identifies section 269UC(1) and (3). The note follows the judicial narrative.; The editorial headnote also transposes some tender/revesting section labels. The note follows the judicial analysis and operative section 269UG/269UH distinction.; The operative refund/conveyance direction uses appellants in the plural; the note does not invent separate appealing parties or allocate the refund among transferors.; Frozen 1996INSC1317 is retained as a catalogue anchor, not an independently authenticated neutral citation.

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

Income-tax Rules, 1962, Rule 48L and Form 37-I; Section 269UE(6) is mentioned as the alternative vesting trigger in the statutory tender description; actual vesting here was under section 269UE(1).; Section 269UP is a bounded later statutory check, not part of the 1996 holding.

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

J.S. Verma, J., for the Court

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SPECIFIED STATUTORY CHECKS AND THEIR LIMITS

1.

Source: Income Tax Department, Finance Act 2002 section 100, insertion of section 269UP

Url: [Open cited source](#)

Access date: 2026-10-06

Version: Official departmental page labelled Finance Acts, year 2002, section 100

Pinpoint: Web-derived complete substantive entry at lines 38-67, especially lines 65-67

Result: The departmental Finance Act entry inserts section 269UP with effect from 1 July 2002 and states that Chapter XX-C does not apply to transfers effected on or after that date. This is a bounded official departmental text check; the original Gazette enactment, complete legislative history and present transitional/savings position have not been independently verified.

Status: bounded official departmental statutory text verified

Retained capture: auxiliary/official_finance_act2002_section100_web_capture.json

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 11 PDF pages; SHA-256
987185b37e88030bf4e9e70523c59a8a9d63ba0af420ff19343d00d4c22982fd. Original bytes preserved.
All 11 physical pages, printed SCR 665-675. Editorial headnote occupies physical 1-4 through SCR 668 D; jurisdiction, appeal history and the sole opinion of J.S. Verma J. begin physical 4/SCR 668 E-H. Complete unnumbered judicial opinion continues through physical 11/SCR 675, including relief and no-costs order. No adjacent judgment or separate opinion.

Open cited source rendition

full primary text read: True; all primary page images reviewed: True; material primary page images reviewed: True; source integrity verified: True; actual statutory scope verified: True; all listed proceedings accounted for: True; all authored opinions separately accounted for: True; material later treatment limits prominent: True; comprehensive later treatment verified: False; current law verified: False; mapping 2025 verified: False; independent QA complete: True; parent full prose approval: True
Printed SCR title/date/docket/bench checked in all-page preserved primary read; frozen INSC catalogue anchor is not asserted as an independently authenticated neutral citation.

No assessment-year liability was adjudicated. The dispute concerned a 1995 Chapter XX-C property purchase and timely tender of its consideration.

STATUTORY SCOPE

No Income-tax Act 2025 section-equivalence, commencement, transition, savings or automatic precedent carryover is certified.

LATER TREATMENT

Source checked 2026-10-06. not_verified

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 11](#)

SHA-256: 987185b37e88030bf4e9e70523c59a8a9d63ba0af420ff19343d00d4c22982fd

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