

Kapil Mohan v. The Commissioner of Income Tax, Delhi

Civil Appeal No. 5264 of 1990

[1998] Supp. 3 SCR 647 | 1998-12-18

Whether the Rs 12,013 annuity-deposit instalment received by the deceased depositor's son and executor was taxable in his hands under section 2(24)(viii) read with historical section 280D, or under section 159.

2(24)(viii) (historical annuity inclusion) | 159 | 256(1) | 280B(4) and (6) (historical) | 280C (historical) | 280D (historical) | 280W (historical)

Two-judge bench | S.P. Bharucha, J. | D.P. Mohapatra, J.

Assessment years: 1970-71

Historical annuity fiction; legal-representative capacity and source defects matter

The Rs 12,013 instalment was not taxable in the son/executor's hands under the statutory provisions considered. This does not exempt all inheritance-related receipts or income accrued to the deceased while alive. The checked historical compilation records Chapter XXII-A's omission from 1 April 1988. The headnote reverses the Tribunal history, and the reporter's 1984/1997 reference chronology conflicts. Comprehensive later treatment, present law and 2025 Act mapping remain unverified.

01 FACTS OF THE CASE

The father had deposited Rs 1,57,250 under the statutory Annuity Deposit Scheme, repayable in ten equated annual instalments of principal and interest. He died on 15 July 1969. His son and executor received an instalment of Rs 12,013, which the ITO assessed as income for AY 1970-71 (physical page 4/SCR 650).

The Appellate Assistant Commissioner held the receipt non-taxable. The judicial text says that the Tribunal reversed that decision and referred the assessee's question under section 256(1). The Delhi High Court answered for Revenue, following its earlier view. The contrary statement in the headnote about the Tribunal is not adopted (physical pages 1 and 4).

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

02 DISCUSSION BY THE HON'BLE COURT

The statutory fiction included an annuity due or its commuted value paid under section 280D. Reading the definitions, that section and the Scheme together, the Court held that section 280D addressed repayment to the original depositor. Even assuming the Scheme could direct payment to another person, that was payment under the Scheme, rather than a payment to that recipient under section 280D. The fiction therefore did not extend to the legal representative merely because the repayment arrived in annuity form (physical pages 5 and 10–11).

On the depositor's death, the unpaid balance formed part of his estate. Recovery by his legal representative was repayment of capital unless an express statutory provision deemed it income in that representative's hands. Section 159 did not supply the missing charge: the Court distinguished income accrued to the deceased while alive from this receipt. Equity could not create liability merely because the original deposit had reduced the depositor's taxable income. The estate-duty observations and the discussed High Court cases were supporting historical comparisons, not a separate estate-duty assessment in this appeal (physical pages 8–12).

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

03 JUDICIAL DECISION

The assessee's appeal was allowed. The High Court judgment and order were set aside and the referred question answered in the negative, in favour of the assessee. The Rs 12,013 instalment was not assessable in the executor's hands on the grounds advanced. There was no order as to costs (physical page 12/SCR 658).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee, as son and executor

Appeal allowed; High Court set aside; referred question answered for assessee; no order as to costs

Final historical annuity-receipt ruling for AY 1970-71

Limited to the statutory annuity-deposit fiction and the identified post-death receipt; no general exemption for every sum received by an heir or for income accrued to a deceased person while alive.

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

05 AKHB REVIEW POINT

Identify who the charging fiction names, in what capacity the recipient receives the money, and when the relevant income accrued. A payment mechanism under a scheme does not by itself enlarge a narrowly worded statutory income fiction. Keep the return of an estate asset distinct from ordinary income later earned from that asset; this decision does not answer every interest or succession question.

This is a historical scheme decision. The bounded Department-hosted compilation check on physical page 986 records that Chapter XXII-A, including sections 280A–280X, was omitted by the Finance Act, 1988 from 1 April 1988. That entry explains the historical setting but is not a present-law certificate or a fresh review of section 159. No comprehensive later treatment or 2025 Act mapping has been verified.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, chronology defect and conflicting headnote

Source url: [Open cited source](#)

Pdf pages: 1; 3; 4

Paragraphs: Unnumbered judicial text

Source role: reported metadata and judicial comparison

2.

Topic: Actual facts, referred question and annuity provisions

Source url: [Open cited source](#)

Pdf pages: 4; 5

Paragraphs: Unnumbered judicial text

Source role: judicial text

3.

Topic: Discussed High Court approaches, distinct estate context and statutory fiction

Source url: [Open cited source](#)

Pdf pages: 6; 7; 8; 9; 10

Paragraphs: Unnumbered judicial text

Source role: judicial text

4.

Topic: Section 159, statutory construction and executor's capital receipt

Source url: [Open cited source](#)

Pdf pages: 10; 11

Paragraphs: Unnumbered judicial text

Source role: judicial text

5.

Topic: Equity argument and operative allowance

Source url: [Open cited source](#)

Pdf pages: 11; 12

Paragraphs: Unnumbered judicial text

Source role: judicial text

6.

Topic: Historical omission of Chapter XXII-A

Source url: [Open cited source](#)

Pdf pages: 986

Paragraphs: Chapter XXII-A omission entry, printed 1.945

Source role: bounded historical statutory compilation entry

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

S.P. Bharucha, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 12 PDF pages; SHA-256

cc42d2e3c60fa1dc066569e210e75d74d1325074c595ee3d587fa2b78fca5df6. Original bytes preserved.

Complete unnumbered judicial text physical pages 4–12/SCR 650–658; all 12 source pages read. Editorial pages 1–3, embedded High Court extracts and cited-case facts distinguished.

[Open cited source rendition](#)

The headnote on physical page 1 says the AAC reversal was subsequently upheld by the Tribunal; the actual judicial narrative on page 4 says the Tribunal reversed the AAC. The judicial narrative controls.; Physical page 3 prints a Delhi High Court judgment date of 22 May 1984 together with ITR No. 33 of 1997. This apparent chronology conflict is retained as a source defect; no corrected reference year is invented.; The referred question calls the father Padam Shree N.N. Mohan; the factual paragraph says N. Mohan. The note refers to the father without silently reconciling the name variants.; The Scheme extract says sub-paragraph 4(a) refers to a nomination under paragraph 11, while the narrative then describes paragraph 9 as dealing with nominations. The original Scheme was not separately checked, and no corrected paragraph number is asserted.; The Rs 1,57,250 deposit and Rs 12,013 disputed instalment are distinct. Estate-duty valuation and HUF-partition facts in discussed precedents are not this assessee's facts.; Editorial labels such as impliedly overruled for the cited High Court decisions are not substituted for the Supreme Court's actual reasoning or treated as a comprehensive subsequent-treatment search.

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 subsequent judicial and statutory treatment has not been verified. Only the expressly identified bounded comparisons have been checked. No current-law or Income-tax Act, 2025 mapping is certified.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 12](#)

SHA-256: cc42d2e3c60fa1dc066569e210e75d74d1325074c595ee3d587fa2b78fca5df6

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

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

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AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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