

K.S. Subbiah Pillai v. The Commissioner of Income Tax

Civil Appeal Nos. 877–885 of 1991

[1999] 1 SCR 980 | 1999-03-10

Whether the Karta's remuneration and commission were assessable in the HUF's hands despite the Tribunal's finding that they arose from his personal qualifications and exertions rather than investment of family funds.

Three-judge bench | S.P. Bharucha, J. | S.S. Mohammed Quadri, J. | R.C. Lahoti, J.

Assessment years: 1959-60, 1960-61, 1961-62, 1962-63, 1963-64, 1964-65, 1965-66, 1969-70, 1970-71

Personal-service finding controls; mixed historical Acts and years

The HUF succeeded because the Tribunal found that the Karta earned these receipts through personal qualifications and exertions, rather than family investment. This does not exempt all Karta remuneration from HUF assessment or from tax altogether. The nine appeals include both historical Act periods; the separate Andhra Pradesh years were background only. No numbered section, payment quantum or individual tax computation is supplied, and comprehensive later treatment remains unverified.

01 FACTS OF THE CASE

The assessee was a Hindu undivided family. Its nine appeals concerned AYs 1959-60 to 1965-66, 1969-70 and 1970-71 and the attribution of remuneration and commission received by its Karta, Sri K.S. Subbiah Pillai. The same question had separately been decided for the assessee by the Andhra Pradesh High Court for AYs 1966-67 to 1968-69, and Revenue had not carried that decision further (physical page 2/SCR 981).

The Madras High Court dissented from the Andhra Pradesh view and held against the assessee. However, it had noticed the Tribunal's finding that the receipts were earned from the Karta's personal qualifications and exertions, rather than investment of family funds in the company. The company's identity, the payment amounts, detailed duties and underlying remuneration arrangement are not supplied (physical pages 2–3/SCR 981–982).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court accepted the legal test stated by the High Court: determine whether the remuneration is in substance a return to the family for its investment in the business, or compensation for the individual coparcener's services. The former belongs to the HUF; the latter is the individual's income. The distinction depends on the true source of the receipt rather than the recipient's status as Karta alone (physical page 3/SCR 982 B–C).

The error was applying that test while overlooking the Tribunal's actual finding. The Tribunal was the final fact-finding authority and had found personal qualifications and exertions to be the source of these receipts. The High Court's statement that supporting evidence was absent could not simply displace the finding it had already noticed. Applying the accepted test to that finding, the income could not be treated as the HUF's (physical pages 2–3/SCR 981 H and 982 A–E).

The Court mentioned the unappealed Andhra Pradesh decision as background; its operative reasoning applied the receipt-attribution test and the Tribunal's finding. It did not formulate a universal rule that an unappealed decision for a different year settles every later assessment.

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

03 JUDICIAL DECISION

The nine assessee appeals were allowed and the Madras High Court's judgment and order set aside. The question whether these remuneration and commission receipts were assessable in the HUF's hands was answered in the negative and for the assessee. There was no order as to costs and no remand or quantified tax direction (physical page 3/SCR 982 E–F).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee HUF

Civil Appeal Nos. 877–885 of 1991 allowed; High Court judgment and order set aside; referred question answered against HUF assessment; no order as to costs

Final attribution ruling on the Tribunal's recorded finding

Personal-service remuneration on these findings was excluded from HUF income; the judgment does not exempt the income from tax altogether or decide a quantified individual assessment.

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

05 AKHB REVIEW POINT

Trace the commercial reason for paying the Karta: personal services and qualifications, or the family's invested funds. Keep evidence of functions, appointment terms and the actual relationship between capital and remuneration distinct. Family membership or an HUF investment somewhere in the business does not by itself resolve the attribution.

This is also a reminder to identify the Tribunal's precise factual finding before framing a reference. The Court's reliance on that finding is not a declaration that every factual finding is immune from a properly raised legal challenge. The short report spans both Acts and supplies no section-specific transitional analysis; do not retrofit a numbered statutory holding or treat the separate Andhra Pradesh years as appeals disposed of here.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity and mixed-Act reporter classification

Source url: [Open cited source](#)

Pdf pages: 1

Paragraphs: Unnumbered judicial text

Source role: reported metadata

2.

Topic: Nine appeals, actual assessment years and separate Andhra Pradesh history

Source url: [Open cited source](#)

Pdf pages: 2

Paragraphs: Unnumbered judicial text

Source role: reported metadata and judicial text

3.

Topic: Tribunal finding, attribution test and final negative answer

Source url: [Open cited source](#)

Pdf pages: 2; 3

Paragraphs: Unnumbered judicial text

Source role: judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

S.P. Bharucha, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

ADDITIONAL ACTS AND THEIR HISTORICAL SCOPE

Income-tax Act, 1922 (mixed-period historical source)

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (reported judgment)

Identified source rendition: 3 PDF pages; SHA-256

75e07977c3eddc3b2d4959723da7ad03201339dec3c472798df450f45d15541f. Original bytes preserved.

Complete unnumbered judicial text from the Bharucha J. opening on physical page 2/SCR 981 through the disposition on physical page 3/SCR 982; the preceding editorial summary is separately distinguished.

Open cited source rendition

The source expressly labels both the 1922 and 1961 Acts and the appeals span historical periods; this is not a 1922-only source.; Nine appeals cover the expressly listed years; AYs 1966-67 to 1968-69 are separate Andhra Pradesh proceedings, not three extra appeals decided in this judgment.; No statutory section number, company name, remuneration quantum, specific duties or resulting tax computation is provided.; The personal-qualification/exertion finding, not mere description as Karta or the absence of a prior Revenue appeal, drives the result.

These are the years expressly before the Supreme Court. AYs 1966-67 to 1968-69 belonged to separate Andhra Pradesh reference proceedings and are historical context only.

The judicial text states no numbered statutory provision. The source expressly covers both Income-tax Acts; no section or transitional rule has been inferred.

Substantive tax-attribution decision covering both 1922-era and 1961-era years, including AYs 1962-63 to 1965-66 and 1969-70 to 1970-71. It is not a 1922-only or incidental-reference record; the exact statutory transition for individual assessments is not separately adjudicated in the short judgment.

STATUTORY SCOPE

No automatic mapping to the Income-tax Act, 2025 or present-law certification. Apply the statutory text and Rules for the relevant year.

LATER TREATMENT

Source checked 2026-10-04. Comprehensive subsequent judicial and statutory treatment has not been verified. Only the separately identified bounded statutory-version checks have been performed; no current-law certification.

IDENTIFIED SOURCE LINKS

reported judgment - PDF pages: 3

SHA-256: 75e07977c3eddc3b2d4959723da7ad03201339dec3c472798df450f45d15541f

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