

The Commissioner of Income Tax v. Sardar Arjun Singh Ahluwalia (Dead) through LRs. etc.

Civil Appeal Nos. 1206–1207 of 1982 (Revenue) / Civil Appeal Nos. 1508–1509 of 1982 (assessee)

[1999] Supp. 4 SCR 135 | 1999-10-26

Whether salary due for the earlier periods but not previously charged to income tax was taxable under section 15(c) when received in the previous years relevant to AYs 1966-67 and 1967-68.

15(a) | 15(c) | 256(1)

Three-judge bench | S.P. Bharucha, J. | M. Jagannadha Rao, J. | V.N. Khare, J.

Assessment years: 1966-67, 1967-68

Previously uncharged salary only; distinguish the two appeal outcomes

Salary character was undisputed. The identified arrears were taxed under section 15(c) in AYs 1966-67 and 1967-68 because they had not been charged earlier, including on the Court's answer to the Holkar State argument. Question 2 was not answered. Contrary to the headnote, Revenue's appeals were merely disposed of; the assessee's appeals were dismissed, with no costs order. No other relief or current-law conclusion is certified; later treatment is unverified.

01 FACTS OF THE CASE

In January 1946, Arjun Singh Ahluwalia entered an arrangement in the name of Ahluwalia & Sons with Kalyanmal Mills Ltd., Indore, concerning sale of the mill's waste cotton. Disputes led to termination in November 1948 and a suit for unpaid amounts. After accounts were taken, a final decree was passed on 14 December 1965. The assessee received Rs 10,000 in the period associated with AY 1966-67 and Rs 65,532 in that associated with AY 1967-68; those receipts were assessed in those years (physical pages 3–4/SCR 137–138).

The authorities and Tribunal treated the relationship as master and servant and the receipts as salary. Those characterisations were expressly undisputed in the Supreme Court. The High Court reference produced differing answers on receipt-year taxability and earlier accrual, followed by cross-appeals. Both sides accepted that only the first question required an answer, the second being consequential (physical pages 3–4).

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

02 DISCUSSION BY THE HON'BLE COURT

Reading section 15 harmoniously, the Court held that sums due for an earlier period but unpaid were arrears of salary. Clause (c) applied because the amounts had admittedly not been charged to income tax in any earlier previous year. The earlier due date did not displace the receipt-year charge on these previously uncharged arrears (physical page 5/SCR 139).

The assessee also argued that income tax had not extended to the erstwhile Holkar State where the remuneration was earned, so the earlier salary could not have been charged. The Court rejected the proposed limitation of clause (c) to amounts that could previously have been charged: its wording covered cases where the earlier charge could or could not have been imposed. That answer concerns the wording and historical circumstances before the Court, not a fresh determination of employment status or all forms of delayed receipts (physical pages 4–5).

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

03 JUDICIAL DECISION

Question 1 was answered in the affirmative and for Revenue; question 2 was left unanswered as unnecessary. The assessee's Civil Appeal Nos. 1508–1509 of 1982 were dismissed. Revenue's Civil Appeal Nos. 1206–1207 of 1982 concerned only question 2 and were disposed of without consideration. There was no order as to costs (physical pages 5–6/SCR 139–140).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue on the substantive receipt-year taxability question

Assessee appeals dismissed; Revenue appeals disposed of as requiring no consideration; no order as to costs

Final on section 15(c) taxability of the identified historical salary arrears; no separate answer on the second referred question

Salary character and employment relationship were common ground. The Court did not award a separate remedy on Revenue's appeals or determine relief under a different provision.

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

05 AKHB REVIEW POINT

For a salary-arrears issue, first establish the salary character, relevant due period, actual receipt period and whether the amount was previously charged to tax. Keep that inquiry separate from a challenge to the existence of employment or a claim for relief under another section, neither of which was decided here.

Do not copy the reporter's statement that Revenue's appeal was allowed. The substantive answer favoured Revenue, but the operative order dismissed the assessee's appeals and merely disposed of Revenue's appeals. The earlier-period jurisdiction argument was expressly rejected on section 15(c)'s wording; it does not justify a general rule that every previously untaxed historical receipt is salary or taxable on receipt.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity and misleading editorial disposition

Source url: [Open cited source](#)

Pdf pages: 1; 2

Paragraphs: No numbered paragraphs; physical PDF pages and source role identify the bounded passage

Source role: reported metadata and editorial text

2.

Topic: Referred questions, cross-appeals, salary facts, receipts and quoted section 15

Source url: [Open cited source](#)

Pdf pages: 3; 4

Paragraphs: No numbered paragraphs; physical PDF pages and source role identify the bounded passage

Source role: judicial text

3.

Topic: Harmonious reading, arrears and previously uncharged amounts, including Holkar State argument

Source url: [Open cited source](#)

Pdf pages: 5

Paragraphs: No numbered paragraphs; physical PDF pages and source role identify the bounded passage

Source role: judicial text

4.

Topic: Answer to question 1; question 2 left unanswered; both groups of appeals and costs

Source url: [Open cited source](#)

Pdf pages: 5; 6

Paragraphs: No numbered paragraphs; physical PDF pages and source role identify the bounded passage

Source role: judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

S.P. Bharucha, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

INDIVIDUAL APPEAL DISPOSITIONS AND SOURCE PAGES

1.

Case numbers: Civil Appeal Nos. 1508–1509 of 1982

Party: Assessee

Result: Dismissed

Source pdf pages: 5; 6

2.

Case numbers: Civil Appeal Nos. 1206–1207 of 1982

Party: Revenue

Result: Disposed of without consideration because question 2 required no answer

Source pdf pages: 6

SOURCE & VERIFICATION

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

Identified source rendition: 6 PDF pages; SHA-256

391d93533733c6a0bae66283c257c07baf563f5a148a8129a6f07b30ee83df37. Original bytes preserved.

Complete judicial text from physical page 3/SCR 137 to physical page 6/SCR 140. Physical pages 1–2 are editorial/reporting material; their disposition summary does not control.

Complete judicial decision on the specified historical 1961 Act issues; no subsequent-treatment or independent current-statute review.

[Open cited source rendition](#)

Physical page 2's editorial statement that Revenue's appeal was allowed conflicts with the judicial ending on pages 5–6. The operative judicial dispositions are retained.; The earlier-year charge discussion and Holkar State submission must be read together. The decision does not require a finding that the amounts actually were chargeable in AYs 1946-47 and 1947-48; its stated basis is that they had not been charged.; The receipt amounts are Rs 10,000 and Rs 65,532. No interest component, tax computation, section 89 relief or later-year adjustment is identified or decided.; The source prints calendar-period wording including "30th March, 1966" and "31th March, 1967" on page 4. This note preserves the express assessment-year linkage and does not silently reconstruct the accounting dates.

The amounts related to earlier periods associated in the judgment with AYs 1946-47 and 1947-48; the impugned receipt-year assessments were AYs 1966-67 and 1967-68.

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. No subsequent judicial-treatment or later statutory-source check was performed for this note.

Comprehensive later treatment remains unverified; no present-law certification or Income-tax Act, 2025 mapping is supplied.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 6](#)

SHA-256: 391d93533733c6a0bae66283c257c07baf563f5a148a8129a6f07b30ee83df37

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