

Commissioner of Income Tax v. P. Mohanakala

Civil Appeal No. 2540 of 2007 and connected proceedings (full list below)

[2007] 6 SCR 680 | 2007-05-15

Whether the allegedly gifted foreign-bank credits were satisfactorily explained under section 68, and whether the High Court could replace the concurrent evidentiary findings under section 260A.

68 | 260A | 255(4) (Tribunal procedure) | 69 (quoted comparison)

Two-judge bench | S.H. Kapadia, J. | B. Sudershan Reddy, J.

Assessment years: 1995-96, 1996-97

Evidence-based gift rejection; no automatic rule for every credit

The Court upheld these section 68 findings after objective consideration of the record. Bank transfers alone did not establish the claimed gifts, but the decision does not tax every foreign gift or make every rejected explanation conclusive. Eight appeals were allowed without costs. The source's wider gift-year table, party-initial and High Court-date discrepancies are preserved; no new tax allocation, penalty or criminal finding is supplied. Current law and comprehensive later treatment remain unverified.

01 FACTS OF THE CASE

The assessees received foreign-bank instruments, negotiated through Indian banks, and described the credits as gifts from a common donor operating under different names. The report gives a wider gift-table aggregate of Rs 1,79,27,703. During inquiry the aliases were explained in stages; statements differed, the donor's financial capacity was unsupported beyond his own account, and correspondence suggested an expectation of compensation. The AO rejected the gift explanation and made section 68 additions (paragraphs 2-7).

CIT(A) agreed. The Tribunal members differed, but the third-member process resulted in concurrence with the adverse findings. The High Court reappreciated the material and accepted the assessees' position that the findings were based on suspicion. Revenue brought eight appeals (paragraphs 8-13).

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

02 DISCUSSION BY THE HON'BLE COURT

Section 68 operates when credits in the books for the relevant year are unexplained or the explanation is unsatisfactory. The AO's opinion must be objective, formed after applying the mind to the evidence and surrounding circumstances. The Court did not approve rejection by assertion alone. It used Sumati Dayal to explain how the un rebutted receipt and unsatisfactory explanation can support an income inference (paragraphs 14–17).

The Court accepted the relevance of the discretionary approach discussed under section 69 in Noorjahan, while holding that these assesseees had not advanced a supported alternative case showing why the receipts could not be income even if the gift account failed. Other precedents turned on their own evidence and Tribunal findings; none required the AO to invent an absent rebuttal or disregard the actual record here (paragraphs 18–23).

On these facts the adverse conclusion rested on material, including the shifting identity account, inconsistencies, financial-capacity gap and letters. Payment through banking channels established movement of money but did not by itself make the claimed gifts genuine. The High Court had substituted a different factual appreciation without a substantial question of law warranting intervention (paragraphs 24–26).

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

03 JUDICIAL DECISION

All eight Revenue appeals were allowed without costs. The High Court's interference with the adverse section 68 findings was rejected. The Court made no separate criminal finding, penalty determination, present donor-status finding or new computation allocating the table's aggregate among individual appeals (paragraphs 27–29).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Revenue

Eight Revenue appeals allowed; no costs

Final on the challenged section 68 additions and the High Court's impermissible factual interference

Banking-channel transmission alone did not prove these gifts, but it is not worthless evidence in every case. Objective consideration, applicable burdens and the actual rebuttal remain necessary; no universal rule that all foreign gifts or rejected explanations are automatically taxable.

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

05 AKHB REVIEW POINT

Keep evidence of the transfer separate from evidence of its claimed character and source. Bank instruments do not answer every question about donor identity, capacity, the parties' relationship or contradictory correspondence. Equally, the AO's conclusion must be supported objectively; the case is not authority to substitute suspicion for inquiry.

If advancing an alternative contention that a rejected source explanation still does not justify treating the receipt as income, make the factual basis and rebuttal explicit. The judgment addresses that point rather than treating the word may as an automatic command. Distinguish section 260A legal-error scrutiny from a routine second fact appeal. Later statutory source-of-source rules, gift charging provisions and penalty consequences require separate checks.

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

APPEAL AND PROCEEDING NUMBERS

Civil Appeal No. 2540 of 2007 / Civil Appeal No. 2541 of 2007 / Civil Appeal No. 2542 of 2007 / Civil Appeal No. 2543 of 2007 / Civil Appeal No. 2544 of 2007 / Civil Appeal No. 2545 of 2007 / Civil Appeal No. 2546 of 2007 / Civil Appeal No. 2547 of 2007

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, eight appeals and year/date discrepancies

Source url: [Open cited source](#)

Pdf pages: 1; 3; 4

Paragraphs: Cover; jurisdiction; 1–2

Source role: reported metadata and judicial text

2.

Topic: Gift table and assessment evidence

Source url: [Open cited source](#)

Pdf pages: 4; 5; 6

Paragraphs: 2–7

Source role: judicial text

3.

Topic: Tribunal procedure, High Court intervention and statutory text

Source url: [Open cited source](#)

Pdf pages: 7; 8

Paragraphs: 8–15

Source role: judicial text

4.

Topic: Objective opinion, burden, discretion and rebuttal

Source url: [Open cited source](#)

Pdf pages: 9; 10; 11; 12

Paragraphs: 15–23

Source role: judicial text

5.

Topic: Concurrent findings, bank-channel limitation and disposition

Source url: [Open cited source](#)

Pdf pages: 12; 13

Paragraphs: 24–29

Source role: judicial text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

B. Sudershan Reddy, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 13 PDF pages; SHA-256

a240d077996d05d06eed32b64e8abf790da75d6f4385f1ae012b5fb4b84a5836. Original bytes preserved.

Complete judicial paragraphs 1–29 on physical pages 4–13/SCR 683–692, including the source gift table and embedded earlier-case discussion. Earlier headnote excluded; no adjacent judgment.

[Open cited source rendition](#)

Paragraph 2 states that the appeals relate to AYs 1995-96 and 1996-97, then narrates and tables gifts across AYs 1993-94 to 1996-97. Those wider gift years are background, not silently allocated to all eight appeals.

Paragraph 2 states that the appeals relate to AYs 1995-96 and 1996-97, then narrates and tables gifts across AYs 1993-94 to 1996-97. Those wider gift years are background, not silently allocated to all eight appeals.; The cover names P. Mohanakala while the gift table labels one entry R. Mohanakala. No corrected initial or assumption that every table row is the lead appellant is supplied.; The jurisdiction line gives the High Court order as 20 March 2006, while the judicial opening prints 29 March 2006. Both are retained as a source discrepancy; the Supreme Court date is clearly 15 May 2007.; The first judicial page has visible markings but the issue, stated appeal years and opening gift narrative remain readable; key identity and findings were cross-checked against the source image.; The table's Rs 15,62,500 appears in more than one assessee row and in a variable illustrative question; it is not the common penalty or tax demand for all appeals.; Statements that compensation may have been received are attributed findings/inferences in the assessment record; the Supreme Court upheld the evidentiary conclusion about these claimed gifts, without a separate criminal conviction or quantified compensatory-payment finding.; The record recounts a third-member resolution after Tribunal disagreement, not an initially unanimous two-member order.

STATUTORY SCOPE

Current statutory equivalence and 2025 Act applicability have not been verified.

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: 13](#)

SHA-256: a240d077996d05d06eed32b64e8abf790da75d6f4385f1ae012b5fb4b84a5836

AI DISCLOSURE

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.

PROFESSIONAL DISCLAIMER

General research information only; not legal or tax advice, a certified judgment or a substitute for the full order. Applicability depends on facts, assessment year, statutory version and jurisdiction. Subsequent treatment is unverified unless identified sources are expressly stated. Downloading does not create a professional engagement. Obtain case-specific advice before reliance.