

Administrator, Unit Trust of India v. B. M. Malani and Others

Civil Appeal No. 4792 of 2001 with Civil Appeal Nos. 4793-4799 of 2007

[2007] 10 SCR 1138 | 2007-10-11

Whether a section 226(3) notice permitted UTI to sell locked-in units below par without the assessee's repurchase option or consent

Income-tax Act, 1961: section 226(3), especially clauses (i) and (vi) | Income-tax Act, 1961: historical section 54EA benefit identified in the scheme materials | Constitution of India: Article 12

Two-judge bench; judgment delivered by S. B. Sinha, J. | S. B. Sinha, J. | H. S. Bedi, J.

Historical ruling; verify current law

This ruling depends on the historical UTI Monthly Income Plan, its lock-in and repurchase terms, and section 226(3) as applied to that contract. It is not a general bar on garnishee recovery from deposits or matured investments.

01 FACTS OF THE CASE

The assessee invested Rs.65 lakh in a five-year UTI Monthly Income Plan connected with a capital-gains scheme. Although the plan permitted repurchase after 1 September 2001, he had not exercised that option. On a section 226(3) notice for tax arrears, UTI sold the units at Rs.6.93 and paid Rs.43,69,083.30 to the Department. The assessee had meanwhile paid substantial tax, sought time and offered transfer at face value. The High Court required redemption at Rs.10 per unit; UTI and the assessee filed opposing appeals.

Source: [Primary judgment: facts and procedural setting](#)

02 DISCUSSION BY THE HON'BLE COURT

Section 226(3) applied when money was due or held for the assessee. The contractual repurchase choice belonged to the unit-holder; neither UTI nor the Income-tax Officer could exercise it without his consent. Clause (vi) recognised that an amount not then due was not payable under the notice. UTI, as a statutory authority, had to act fairly and within its contract. The Court distinguished fixed deposits and matured policy proceeds where a debtor-creditor or payable-money relationship existed.

Source: [Primary judgment: reasoning](#)

03 JUDICIAL DECISION

UTI was not authorised to dispose of the units below par merely because it received the recovery notice. On these facts it was not then holding payable money for the assessee within section 226(3), because the contractual option that would create the repurchase entitlement remained unexercised.

Source: [Primary judgment: holding](#)

04 OUTCOME / IN WHOSE FAVOUR

UTI's Civil Appeal No. 4792 of 2001 was dismissed. The assessee's connected appeals were allowed with costs; restitution included entitlement at least to the Rs.65 lakh invested and dividends declared from allotment.

Source: [Primary judgment: operative disposition](#)

05 AKHB REVIEW POINT

AKHB analysis: a garnishee notice must be matched to the underlying asset's payment terms. Identify whether money is presently due, merely may become due, or depends on a contractual option that nobody has exercised; recovery machinery does not itself rewrite the investment contract.

Source: [Primary judgment: review-point basis](#)

SOURCE & VERIFICATION

[Supreme Court Reports scan - public eSCR mirror](#)

Complete 13-page SCR report read in page-preserving text and every page image inspected, from the reported opening page through the operative disposition.

[Open cited source rendition](#)

Exact catalogue SHA-256 and 13-page count verified; every page was read and visually inspected.

STATUTORY SCOPE

Historical statutory provisions are described as they appeared in the report. Verify current enactments, amendments and later judicial treatment before reliance.

LATER TREATMENT

Source checked 2026-10-12. No comprehensive later-treatment or present-law clearance is represented. The note reports the historical statutory text and result in this primary report only.

AI DISCLOSURE

This AKHB research note was prepared with AI assistance from the identified primary report and has not been represented as independently human-reviewed.

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