

Rayala Corporation Pvt. Ltd. v. Assistant Commissioner of Income Tax

Civil Appeal Nos. 6437-6441 of 2016

(2016) 15 SCC 201, as cited in Raj Dadarkar | 2016-08-11

Whether rent from the company's admitted sole business of leasing its property was business income.

22 | 28

Two-judge bench | Anil R. Dave, J. | L. Nageswara Rao, J.

Assessment years: See the source-scope notes; no year inferred.

Later residential-letting provision needs separate application

Finance (No.2) Act, 2024 inserted section 28 Explanation 3 with effect from 1 April 2025 for income from an owner letting a residential house or part of it. The historical business-letting cases are not a blanket current rule for that category. Check the property type, applicable year and later legislation; this limited amendment check does not alter the historical disposition or classify every commercial letting.

[paragraphs Section28, Explanation3 and its printed Finance \(No.2\) Act2024 effective-date notation / PDF pages 2](#)

01 FACTS OF THE CASE

The private company had ceased its other business activities and earned rent by leasing its property. That leasing was its only business was accepted in the proceedings. The Madras High Court had treated the receipts as house-property income; the company appealed in five connected matters (paragraphs 1-2 and 5-8).

Source: [official signed judgment / paragraphs 1-8 / PDF pages 1, 2, 3, 4, 5 / judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court applied Chennai Properties as stating the correct legal position and found the facts squarely covered. The critical point was not simply that rent was received or that real estate appeared in the memorandum. The company's only business was admittedly leasing its own property and earning rent, answering Revenue's contention about the main business and purpose (paragraphs 9-11).

The resulting business classification was expressly tied to those facts. The Court did not create a general election between income heads or hold that all ownership-based rental receipts are business income (paragraphs 10-12).

Source: [official signed judgment / paragraphs 9-12 / PDF pages 5, 6 / judicial text](#)

03 JUDICIAL DECISION

The High Court judgments were set aside and all appeals allowed without costs. The Court directed taxation under the head profits and gains of business or profession (paragraph 13).

Source: [official signed judgment / paragraphs 13 / PDF pages 6 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee company

All five appeals allowed; High Court judgments set aside; business-income treatment directed; no costs

Final fact-specific income-head classification following Chennai Properties

Admitted sole-leasing business; no automatic business treatment for every landlord or company, and no year-wise amount computed.

Source: [official signed judgment / paragraphs 11-13 / PDF pages 6 / judicial text](#)

05 AKHB REVIEW POINT

Document the admitted or proved nature of the operation, not merely the label placed on rent. Rayala is strong authority where leasing is in fact the company's only business; it cannot replace factual proof in a different record.

The later Raj Dadarkar judgment distinguished this factual position and retained house-property treatment where a business operation was not established. The cases should be read together; the later distinction is not an overruling.

For later residential letting by an owner, separately check section 28 Explanation 3, inserted with effect from 1 April 2025. The bounded official-source check concerns that specified category and does not convert the historical commercial-letting analysis into a current-law certificate.

Source: [official signed judgment / paragraphs 6 and 9-13 / PDF pages 4, 5, 6 / judicial text](#); [official signed judgment / paragraphs 18-21 / PDF pages 17, 18, 19, 20 / judicial text](#)

PROVISION-SPECIFIC SCOPE

1.

Section: 22; 28

Role: Editorial statutory-head cross-reference, not a claim of express numbered citation in this judgment

Support

Source url: [Open cited source](#)

Pdf pages: 10; 11

Paragraphs: 13-14

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Anil R. Dave, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SPECIFIED LATER STATUTORY CHANGE AND LIMITS OF THE CHECK

Status: specific 2024 amendment verified

Summary: The official section 28 excerpt records Finance (No.2) Act, 2024 Explanation 3, effective 1 April 2025, placing owner income from letting a residential house or part under house-property income rather than business income. This is a narrow later-law check, not a certificate of all present law or a ruling changing the historical case result.

Source url: [Open cited source](#)

Pdf pages: 2

Paragraphs: Section28, Explanation3 and its printed Finance (No.2) Act2024 effective-date notation

VERIFIED RELATIONSHIPS BETWEEN SPECIFIED JUDGMENTS

1.

Earlier case id: sc-2015-04-09-chennai-properties

Later case id: sc-2016-08-11-rayala-corporation

Relationship: followed on admitted sole leasing business facts

Evidence

1.

Source url: [Open cited source](#)

Pdf pages: 5; 6

Paragraphs: 9-13

Source role: judicial text

2.

Earlier case ids: sc-2015-04-09-chennai-properties; sc-2016-08-11-rayala-corporation

Later case id: sc-2017-05-09-raj-dadarkar

Relationship: distinguished on facts not overruled

Evidence

1.

Source url: [Open cited source](#)

Pdf pages: 13; 14

Paragraphs: 19-20

Source role: judicial text

INCOME HEADS CONSIDERED

Income from house property; Profits and gains of business or profession

SOURCE & VERIFICATION

Hon'ble Supreme Court source PDF (official signed judgment)

Identified source rendition: 6 PDF pages; SHA-256

933e954e29d218fbccf0b15b182d8c0c0d84f8d4519ef1805ffc365f7a0c5039. Original bytes preserved.

One non-reportable common judgment, paragraphs 1-13 on physical pages 1-6.

Open cited source rendition

The Court states that the appeals concern different years but does not enumerate them; no years are inferred.

Editorial head-of-income cross-reference: sections 22 and 28 correspond to the two heads expressly decided. The current judgment itself does not print those numbers; the statutory-head explanation is independently identified in the related Raj Dadarkar judgment, paragraphs 13-14.

The signed source is expressly non-reportable and labels its jurisdiction Civil Original despite civil-appeal numbers. Those source features are preserved; it is a reasoned civil-appeal judgment; The exact legacy response bytes, including their four-byte PDF prefix, are retained without alteration.; The SCC citation is verified from Raj Dadarkar's citation, not printed on Rayala's original cover.

STATUTORY SCOPE

Historical income-head classification; no automatic 2025 Act mapping.

LATER TREATMENT

Source checked 2026-10-04. Only the relationship among these three fully read judgments is specifically checked. No comprehensive later-treatment or current-law audit.

IDENTIFIED SOURCE LINKS

official signed judgment - PDF pages: 6

SHA-256: 933e954e29d218fbccf0b15b182d8c0c0d84f8d4519ef1805ffc365f7a0c5039

reported judgment - PDF pages: 8

SHA-256: a96801e8a9f0f27b9efa10a946a8568d0ecc0cfb1594af19d862ffb4c1dd6961

official signed judgment - PDF pages: 21

SHA-256: 7e662f83d1e6a8846154d7e7abba396db766959830c93c20423d71326112eb25

reported judgment - PDF pages: 14

SHA-256: bf24cb87a687ae43363c0b9451b260b230ab0215c544975b6485f4e3c6fa6cdc

official statutory excerpt bounded review - PDF pages: 2

SHA-256: ed49386b6f2f7edfc49bb9c8207f7d1442602944d4193d007eece0e1ac20919

Related note: Chennai Properties & Investments Ltd., Chennai v. Commissioner of Income Tax, Central III, Tamil Nadu

Related note: Raj Dadarkar & Associates v. ACIT-CC-46

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.

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