

Maharao Bhim Singh of Kota through Maharao Brij Raj Singh, Kota v. Commissioner of Income-Tax, Rajasthan-II, Jaipur

Civil Appeal No. 2812 of 2015

[2016] 11 SCR 193 | 2016-12-05

Whether a qualifying residential palace partly occupied by the Ruler and partly requisitioned or let to the Defence Ministry could be split so that rental income from the occupied portion lost section 10(19A) exemption.

10(19A) | 23(2) | 23(3)

Two-judge bench | Ranjan Gogoi, J. | Abhay Manohar Sapre, J.

Assessment years: 1978-79

One qualifying palace; no requisition relief

This AY 1978-79 holding depends on the specific section 10(19A) and notification conditions and continued residential occupation of the qualifying palace. It does not exempt every royal property or decide the separate Defence Ministry possession dispute. Earlier years and an SLP are contextual only; apparent wording anomalies in the factual requisition recital are not silently corrected. The unchanged reported source has not been newly live-validated, and comprehensive later treatment, present entitlement and any Income-tax Act, 2025 mapping remain unverified.

01 FACTS OF THE CASE

The appeal concerned AY 1978-79 and Umed Bhawan Palace, used by the Ruler of Kota as his residence. He also owned City Palace, but that was not the property in issue. Paragraph 6 records a Central Government notification dated 14 May 1954 under paragraph 15(iii) of the Part B States (Taxation Concessions) Order, 1950 declaring the two palaces official residences. On 20 September 1976 the Defence Ministry requisitioned part of the Umed Bhawan property. The tax question concerned rent from that portion while the Ruler continued to occupy the remaining palace as his residence (paragraphs 1, 3-8).

The Commissioner (Appeals) and Tribunal granted the full section 10(19A) exemption, but the Tribunal referred Revenue's question to the Rajasthan High Court. Conflicting earlier Rajasthan decisions led to a Full Bench reference. The Full Bench held that the let portion was taxable and limited exemption to the personally occupied part. The assessee appealed, relying on the wording palace, the difference from the Wealth-tax Act and ordinary house-property provisions, and earlier favorable assessments. The continued Defence Ministry possession after the stated expiry of requisition was also raised, but was outside the tax appeal (paragraphs 9-20 and 44).

Source: [reported judgment / paragraphs 1-20 / PDF pages 5, 6, 7, 8, 9 / judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court read section 10(19A) together with paragraph 15(iii) of the 1950 Order. It identified the relevant qualifications as ancestral ownership, residential occupation by the Ruler and the required Central Government declaration. The operative question was the extent of exemption once the qualifying palace remained partly in that residential occupation; it was not whether any property called a palace automatically qualified (paragraphs 22-26).

The Court approved the Madhya Pradesh Bharatchandra Banjdeo line and the earlier Rajasthan decision in this assessee's case. Section 10(19A) used palace, whereas the Wealth-tax Act comparator used any one building and section 23(2)/(3) used house or part of a house. Importing the latter formulations would add a split that Parliament had not expressed for the palace exemption. The Court consequently rejected a division between the part occupied by the Ruler and the part occupied by the tenant. Its observation about liberal construction was expressly made after fulfillment of the statutory conditions (paragraphs 27-38).

The Court also relied on consistency in the assessee's earlier litigation. It acknowledged that res judicata does not govern successive income-tax years, but found no valid and convincing reason for Revenue to keep pursuing this same settled issue. The source describes dismissal of an earlier SLP; this note does not convert that account into a general proposition that every SLP dismissal decides merits. The impugned Full Bench reasoning and the contrary Maharawal Laxman Singh view were disapproved. The Defence Ministry requisition/possession grievance was left to appropriate proceedings before a competent forum (paragraphs 39-44).

Source: [reported judgment / paragraphs 21-44 / PDF pages 10, 11, 12, 13, 14, 15, 16, 17 / judicial text](#)

03 JUDICIAL DECISION

The assessee's appeal was allowed and the Full Bench order set aside. The referred question was answered for the assessee: in this qualifying partly occupied residential palace, rent from the Defence Ministry portion did not justify splitting and denying section 10(19A) exemption. The separate requisition/possession challenge was not adjudicated and had to be raised elsewhere. No remand or possession relief was ordered; the operative paragraph makes no separate costs direction (paragraphs 32-45).

Source: [reported judgment / paragraphs 32-45 / PDF pages 14, 15, 16, 17 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee on the income-tax reference; requisition grievance left open to appropriate proceedings

Civil Appeal No. 2812/2015 allowed; impugned Full Bench order set aside; referred tax question answered for the assessee

Final determination of the AY 1978-79 palace-exemption question; no adjudication of land-requisition legality

One historically qualifying palace continuing in the Ruler's residential occupation, though partly let/requisitioned. No exemption for all royal properties, all palaces, ordinary let houses, or a palace wholly outside residential occupation is decided. No ownership, possession or requisition relief is granted.

Source: [reported judgment / paragraphs 43-45 / PDF pages 16, 17 / judicial text](#)

05 AKHB REVIEW POINT

First establish the specific statutory and notification pedigree of the one palace and its continuing residential occupation. Only then ask whether part letting permits splitting. The ruling rests on the distinctive word palace and the absence of house-or-part language in section 10(19A); it cannot be transplanted into ordinary house-property or wealth-tax computation. The discussion of liberal construction after eligibility is established should not be presented as a universal answer to every exemption-interpretation dispute.

For successive-year disputes, identify the same issue, unchanged material circumstances and the earlier adjudications rather than pleading absolute res judicata. Keep the tax remedy distinct from any dispute over requisition or continued possession: the Court expressly declined to determine that grievance here. Present entitlement, succession questions, later statutory changes and comprehensive later judicial treatment have not been certified, and no automatic mapping to the Income-tax Act, 2025 is made.

Source: [reported judgment / paragraphs 22-26, 32-45 / PDF pages 10, 11, 14, 15, 16, 17 / judicial text](#)

DETAILED DISPOSITION AND CONNECTED GROUPS

Issue results

1.

Issue: Splitting the qualifying palace for annual-value/rental-income exemption

Result: The tenant-occupied portion cannot be carved out to deny the palace exemption on these facts

In whose favour: Assessee

Pinpoints

1.

Source url: [Open cited source](#)

PDF pages: 11; 14; 15; 16; 17

Paragraphs: 25-27, 32-38, 43, 45

Source role: judicial text

2.

Issue: Consistency in earlier assessment litigation

Result: Absent valid and convincing reason, Revenue should not pursue the same settled issue again; res judicata itself does not apply

In whose favour: Assessee as an additional supporting ground

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 16

Paragraphs: 39-41

Source role: judicial text

3.

Issue: Legality and continuation of Defence Ministry requisition/possession

Result: Outside this income-tax appeal; must be raised before a competent forum in appropriate proceedings

In whose favour: Not adjudicated

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 16; 17

Paragraphs: 44

Source role: judicial text

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

22; 256(1); 256(2)

OTHER PROVISIONS CONSIDERED

Part B States (Taxation Concessions) Order, 1950, paragraph 15(iii); Wealth-tax Act, 1957, section 5(iii), distinguished; Indian Income-tax Act, 1922, section 60A, historical enabling provision

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Abhay Manohar Sapre, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 17 PDF pages; SHA-256

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Judicial paragraphs 1-45 on physical pages 5-17 (SCR 197-209), fully read, including quoted earlier judgments and the separate requisition-proceeding reservation. Physical pages 1-4 and opening of page 5 are reporter/editorial material, jurisdiction and appearances. No neighboring opinion included.

Open cited source rendition

Paragraph 1 identifies AY 1978-79 as the year in this appeal. AYs 1973-74 through 1977-78 concern earlier litigation invoked for consistency, not additional years disposed of here. The quoted statutory proviso for AY 1972-73 is historical statutory context.

Section 10(19A) governs annual value of the qualifying palace; section 23(2)/(3) and Wealth-tax Act section 5(iii) are textual comparators, not independent relief grants. Sections 256(1)/(2) describe reference procedure and earlier proceedings. The Court did not decide legality of defence requisition or possession.

Only AY 1978-79 and Civil Appeal No. 2812/2015 are disposed of. Earlier years and the earlier SLP are contextual history.; The visible source itself contains apparent wording oddities in paragraph 7 concerning requisition legislation and the direction of rent receipt. The note relies on the clear rental-income issue in paragraphs 8-9, does not silently correct an Act title, and omits an unnecessary disputed amount/acreage recital.; The Court's account of the prior SLP dismissal is reported as such, not independently verified as a general precedential or merger rule.; The broad interpretive observation is kept subject to fulfillment of the specific exemption conditions; no later-law or universal exemption-construction certification is made.

One civil appeal from the Rajasthan High Court Full Bench order dated 26 March 2014 in D.B. Income Tax Reference No. 64/1986. Earlier assessment litigation and SLP(C) No. 3764/2007, dismissed on 25 August 2010 as described in paragraph 39, are historical context and not companion appeals disposed of in this judgment.

STATUTORY SCOPE

Historical Income-tax Act, 1961 provisions and assessment years only. No automatic mapping to the Income-tax Act, 2025.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive later-treatment or present-law audit has been performed. Any source-checked comparison is expressly bounded.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 17](#)

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