

State of Karnataka v. Selvi J. Jayalalitha & Ors.

Criminal Appeal Nos. 300-303 of 2017, with Criminal Appeal Nos. 304-307, 308-313 and 314-319 of 2017

[2017] 5 S.C.R. 525 | 2017-02-14

Historical tax-record evidence companion: assessment and payment of tax do not establish lawful sources in a disproportionate-assets prosecution.

Income-tax Act, 1961: section 68 (tax-record evidentiary context) | Prevention of Corruption Act, 1988: sections 13(1)(e), 13(2), 5(6), as considered | Indian Penal Code, 1860: sections 109, 120B | Code of Criminal Procedure, 1973: section 452

Two-judge Bench; common disposition with supplementary opinion | Pinaki Chandra Ghose J. | Amitava Roy J.

Criminal-law companion, not an income-tax assessment appeal

Admissibility is not conclusiveness. Appeals against Jayalalitha (A1) abated on her death; restoration of conviction and sentence applied to A2-A4.

01 FACTS OF THE CASE

The State challenged Karnataka High Court acquittals in a disproportionate-assets prosecution concerning the 1 July 1991–30 April 1996 check period. Jayalalitha (A1), Sasikala (A2), Sudhakaran (A3) and Elavarasi (A4) relied on returns, assessment orders and other records to explain income and assets. A1 died after arguments; the appeals concerning her abated. The Court nevertheless had to examine the alleged connected transactions when deciding the charges against A2-A4.

Source: [Nature of appeals and A1's abatement: PDF p.51](#); [Trial and High Court results: PDF pp.103-107](#)

02 DISCUSSION BY THE HON'BLE COURT

Ghose J. distinguished assessment of taxable income from proof that its source was lawful. Even assuming tax returns and orders were admissible, their contents and relevant findings had to be weighed with the other evidence; they did not automatically prove or disprove the criminal charge. The Court noted the timing of the defence returns/orders after the charge-sheet. Its analysis of section 68 and alleged gifts likewise explained that taxing a receipt as undisclosed income does not authenticate a lawful source for section 13(1)(e). These are evidentiary conclusions in the criminal appeal, not fresh assessments or a rule that tax records are always inadmissible.

Source: [Admissibility and weight: PDF pp.230-231](#); [Assessment does not authenticate lawful source: PDF pp.234-235](#); [Section 68 distinguished from lawful source: PDF p.240](#)

03 JUDICIAL DECISION

After examining the income, expenditure, assets and conspiracy evidence, the Court set aside the High Court judgment and restored the trial judgment in full against A2-A4, including conviction, sentence and consequential directions. It restored the confiscation order concerning the six companies. A2-A4 were directed to surrender forthwith and serve the remaining sentences. The appeals relating to A1 remained abated. Roy J.'s eight-paragraph supplementary opinion addressed corruption and purposive adjudication; it did not alter that disposition.

Source: [Confiscation and consequential relief: PDF pp.370-372](#); [Final order and start of supplement: PDF p.374](#); [Roy J.'s supplementary opinion: PDF pp.375-376](#)

04 OUTCOME / IN WHOSE FAVOUR

The operative relief was criminal conviction, sentencing and confiscation, not an income-tax demand, deduction, exemption, refund or tax penalty. The restored convictions applied to A2-A4, not posthumously to A1. The result did not require rejection of every component of the defence accounts: the Court retained the supported additional rental-income allowance. The State's review petitions were subsequently dismissed by the short order of 5 April 2017.

Source: [Rental-income qualification: PDF pp.278-279](#); [Operative result: PDF p.374](#); [Supreme Court review order, 5 April 2017](#)

05 AKHB REVIEW POINT

AKHB analysis: Separate three questions—what a return declares, what an assessment establishes for tax, and what evidence proves a lawful source under the governing criminal statute. Preserve contemporaneous records, the basis and timing of the assessment, and independent transaction evidence; tax payment alone is not criminal-law clearance. Conversely, this judgment does not make every tax record irrelevant or authorise a tax addition without the applicable tax-law tests. Check later treatment and statutory amendments independently.

Source: [Read the Court's evidentiary limits: PDF pp.230-235](#); [Taxability versus lawful source: PDF p.240](#)

SOURCE & VERIFICATION

Supreme Court Reports scan - public eSCR mirror

All 376 report pages read through coordinated, documented review. Headnotes, citations and appearances: SCR 525-574; Ghose J. paragraphs 1-544: SCR 575-898; Roy J. supplementary paragraphs 1-8: SCR 898-900. This is a Prevention of Corruption Act appeal, included only for its substantive treatment of income-tax records as evidence.

Open cited source rendition

Tax returns/orders were assumed admissible for the argument, not categorically excluded: paragraphs 175-176. Their weight depends on the information and findings relevant to the criminal charge.

The property tables in the earlier part reproduce defence submissions, not independent Supreme Court findings.

The separate Sasi Enterprises tax-return prosecution of 30 January 2014 is cited in this report but is not this decision.

STATUTORY SCOPE

Historical criminal appeal under the provisions then considered. Section 68 and tax authorities' orders are discussed to distinguish taxable receipts from proof of lawful sources under the Prevention of Corruption Act, not to determine an assessment, tax penalty or current tax compliance.

LATER TREATMENT

Source checked 2026-10-18. Judgment as delivered on 14 February 2017. A narrowly checked Supreme Court order dated 5 April 2017 dismissed the State's review petitions and rejected personal hearing; this is not comprehensive subsequent-treatment or current-law verification.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 376](#)

SHA-256: 4b18edcbc1d54e9460e2c1cabe3284515fdd400d107c3c2e725c56d6d9d2d668

[Limited subsequent review order: 5 April 2017](#)

AI DISCLOSURE

This AKHB research note was prepared with AI assistance from identified primary reports. Independent human review is not represented.

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