

Mahaveer Kumar Jain v. Commissioner of Income Tax, Jaipur

Civil Appeal No. 4166 of 2006

[2018] 3 SCR 875 | 2018-04-19

Whether a Jaipur resident's 1986 Sikkim lottery prize, already taxed under the then-applicable Sikkim law, was taxable again under the 1961 Act.

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Two-judge bench | R.K. Agrawal, J. | Abhay Manohar Sapre, J.

Assessment years: 1986-87

AY 1986-87 Sikkim transitional ruling only

This result concerns a 1986 Sikkim lottery prize already taxed under Sikkim's preserved law, before application of the 1961 Act there. It is not a present-day lottery or general Sikkim-source exemption, does not decide section 10(26AAA), and does not prohibit expressly legislated double taxation. Section 80TT's gross/net issue was left academic.

01 FACTS OF THE CASE

The Jaipur resident won Rs. 20 lakh in the Sikkim State Lottery draw of 20 February 1986. After Rs. 2 lakh agent commission and Rs. 1,79,088 Sikkim income tax, the Government sent the net prize to Jaipur by demand drafts. In the AY 1986-87 return he disclosed the prize and claimed the historical section 80TT deduction on the gross amount. The officer instead used the net-of-commission amount (paragraph 2).

Before the Tribunal the assessee added the more fundamental objection that the Sikkim-taxed lottery income was outside further taxation under the 1961 Act. The Tribunal rejected that objection, and the High Court answered both referred questions for Revenue. The assessee appealed on taxability and, alternatively, the gross/net deduction base (paragraphs 2-4).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court placed the dispute in Sikkim's transitional constitutional regime. Article 371F(k) continued pre-existing laws until altered or repealed, and clause(n) provided for extension of Indian enactments. The reasons identify AY 1986-87 as a period before the 1961 Act applied in Sikkim, and distinguish it from the later extension with first assessment year 1990-91 (paragraph 7).

The Court did not accept the broad proposition that residence outside Sikkim was irrelevant or that section 5 could never reach income arising where the Act was not locally in force. Paragraphs 8-9 acknowledge the breadth of resident taxation. It then turned to this prize, earned in Sikkim, taxed there under the preserved law and remitted by the Sikkim Government at the winner's request. In that historical setting it held that the same income was not taxable again under the 1961 Act (paragraphs 8-10 and 13-14).

Laxmipat Singhania and Jain Brothers supplied the interpretative principle against taxing the same income twice in the absence of sufficiently clear legislative language. The Court expressly acknowledged that the legislature could enact double taxation; it did not announce a constitutional prohibition. Its conclusion concerning absence of a specific provision was directed to the identified Sikkim lottery income in the 1975-to-1990 transitional period, not to lottery winnings in general (paragraphs 11-13).

Source: [reported judgment / paragraphs 7-14 / PDF pages 6, 7, 8, 9 / judicial text](#)

03 JUDICIAL DECISION

The appeal was allowed. Once the prize had borne Sikkim income tax under the applicable historical law, the same receipt was not further taxable under the 1961 Act in this case. The alternative question whether section 80TT deduction used gross or net winnings became academic and was not decided. No quantified refund direction is recorded (paragraphs 14-15).

Source: [reported judgment / paragraphs 14-15 / PDF pages 9 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee

Appeal allowed; further 1961-Act taxation rejected for the historical prize; section 80TT computation issue left academic

Final taxability determination for AY 1986-87 under the identified Sikkim transitional setting

Not a present-day lottery exemption, an exemption for every non-Sikkim resident's Sikkim-source income, a section 10(26AAA) ruling, or an absolute prohibition of double taxation. No gross-versus-net section 80TT ratio or quantified refund is supplied.

Source: [reported judgment / paragraphs 14-15 / PDF pages 9 / judicial text](#)

05 AKHB REVIEW POINT

Fix the assessment year and legal regimes before applying this decision. Preserve the prize record, the historical Sikkim tax deduction and remittance evidence. The result combines the transitional Article 371F setting with taxation of the same receipt under the then-applicable Sikkim law; a source location or prior tax payment alone does not reproduce it.

Read paragraphs 8–9 and 10–14 together. The Court first recognises section 5's broad resident-income reach and then reaches its case-specific conclusion; neither passage should be detached to create a universal source-based exemption or blanket immunity whenever another levy exists. The Court expressly permits clearly legislated double taxation and leaves the alternative section 80TT calculation unresolved. Later Sikkim legislation, section 10(26AAA), subsequent treatment and present lottery taxation are outside this note's certification.

Source: [reported judgment / paragraphs 7–14; editorial application / PDF pages 6, 7, 8, 9 / judicial text](#)

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

80TT: alternative deduction issue became academic; 256(1): reference route

OTHER GOVERNING STATUTES

Constitution of India, Article 371F(k) and(n); Sikkim State Income Tax Rules, 1948

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

R.K. Agrawal, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SOURCE & VERIFICATION

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

Identified source rendition: 9 PDF pages; SHA-256 cdad3892a327b44e5fda3021cf3ffae3d0c4473d68d1fef3476e5f1fb9a9fca. Original bytes preserved.

Judicial paragraphs 1–15 on physical pages 3–9 (SCR 877–883); editorial headnote/jurisdiction pages 1–2 separated. Party submissions 5–6 distinguished from the Court's reasons 7–14. No adjacent judgment.

[Open cited source rendition](#)

The judicial reasoning records first application for AY 1990-91; counsel's earlier submission refers to 1 April 1989. The note preserves the difference between a submission and the Court's description rather than silently converting them into one effective date.; Paragraphs 8–9 state broad resident taxability, while paragraphs 10–14 state the historical Sikkim outcome. The note identifies this internal progression and confines the operative result to its facts.; The editorial summary that the Act does not provide for lottery income is too broad if detached from the transitional Sikkim issue. The Court's paragraph 13 question expressly identifies that special period and income.; Section 80TT is part of the factual and alternative dispute; paragraph 14 expressly renders it academic. It is not a present deduction instruction.

STATUTORY SCOPE

Historical source review only; applicable statutory versions and Income-tax Act, 2025 mapping require separate verification.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive subsequent-treatment or current-law audit. Authorities are described as quoted/applied in this judgment unless an additional bounded check is expressly identified.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 9](#)

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