

Deputy Commissioner of Income Tax, Chennai v. T. Jayachandran

Civil Appeal No. 4341 of 2018

[2018] 5 SCR 619 | 2018-04-24

Whether the Rs. 14,73,91,000 received for additional interest payable to public-sector undertakings was the broker's own income or money held on behalf of Indian Bank under the proved arrangement.

Two-judge bench | R. K. Agrawal, J. | Navin Sinha, J.

Assessment years: 1991-92, 1992-93, 1993-94

Fact-specific representative receipt and evidence

The exclusion concerns the identified sum proved to have been held for Indian Bank and handed over to it under the prior arrangement. Brokerage income and all agency receipts are not exempted, and criminal findings are not made binding on tax authorities. Later treatment and any Income-tax Act, 2025 mapping remain unverified.

01 FACTS OF THE CASE

The assessee, proprietor of Chandrakala and Company and a registered stockbroker, acted for Indian Bank in securities transactions during assessment years 1991-92, 1992-93 and 1993-94. According to the Revenue's case recounted in the judgment, the Bank attracted PSU fixed deposits by offering interest above the RBI-approved rate. The securities price paid through the arrangement covered market cost, the broker's commission or incidental charges, and the additional interest. The assessee acted on the Bank's instructions to obtain demand drafts for the differential interest. Three of eight PSUs confirmed receipt; the Revenue relied on the remaining five's denials (paragraphs 3(a)-(c), 5).

For assessment year 1991-92, the Assessing Officer treated Rs. 14,73,91,000 as the assessee's income, reasoning that he traded independently and that the payments represented application of income without an overriding title. The Commissioner (Appeals) reversed the addition, the Tribunal restored it, and the Madras High Court again relieved the assessee. Meanwhile, the CBI court had acquitted him and recorded evidence concerning the Bank's principal-agent relationship with him. The High Court considered that evidence; the Revenue argued that the separate nature of tax proceedings precluded the reliance (paragraphs 3(d)-(h), 5-6).

Source: [reported judgment](#) / [paragraphs 3-6](#) / [PDF pages 4, 5, 6](#) / [judicial text](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court asked in what capacity the assessee held the disputed sum and whether it was income that actually accrued to him. It noted irregularities in the way these transactions departed from the normal government-securities brokerage process, but those irregularities alone did not establish that the whole sum was his taxable income (paragraph 10). An agreement did not have to be written: an oral understanding could be inferred from the parties' conduct (paragraph 11).

The Court did not treat the criminal court's findings as binding on the Revenue. It upheld consideration of the duly proved evidence underlying them, in the absence of anything shown to the contrary. The Bank's Executive Director described the specific brokerage engagement and inclusion of interest money in the consideration for obtaining demand drafts. Other officials described Bank-fixed prices, market purchases and instructions to use the differential for those drafts. The Bank's letter of 25 March 1994 acknowledged receipt of the drafts. Together, this evidence established the representative capacity in which the assessee received and handled the money (paragraph 12).

On those findings, the assessee could claim no ownership of Rs. 14,73,91,000. He had received it to obtain demand drafts and had actually handed the money over to the Bank. It was held in trust for payment to the PSUs on the Bank's behalf pursuant to the prior understanding. The Court therefore distinguished the physical receipt from income accruing in reality and held that the identified sum was not the assessee's income (paragraph 13).

Source: [reported judgment / paragraphs 10-13 / PDF pages 7, 8, 9 / judicial text](#)

03 JUDICIAL DECISION

The Revenue's lead appeal was dismissed without an order as to costs, leaving the High Court's decision undisturbed. All connected appeals were disposed of accordingly. The disputed Rs. 14,73,91,000 could not be treated as the assessee's income (paragraphs 13-14).

Source: [reported judgment / paragraphs 13-14 / PDF pages 9 / judicial text](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee

Revenue's lead appeal dismissed; High Court decision left undisturbed; connected appeals disposed of accordingly; no order as to costs

Final merits determination that the identified representative receipt was not the assessee's income; no remand

The result depends on the proved bank instructions, prior understanding, representative capacity and handing over of the money. It does not exempt brokerage income, make every receipt by an agent non-taxable, or make an acquittal binding in tax proceedings.

Source: [reported judgment / paragraphs 12-14 / PDF pages 8, 9 / judicial text](#)

05 AKHB REVIEW POINT

Trace the receipt, entitlement and onward movement of the particular sum. The Court relied on the Bank's instructions, officials' evidence, acknowledgment of drafts and the actual handing over of money, not merely the label broker or the fact of acquittal. An oral or conduct-based arrangement must still be proved. Preserve the distinction between using evidence developed in another proceeding and treating that proceeding's result as binding.

Do not describe this decision as approving the irregular banking arrangement or exempting the assessee's commission. It decides whether the particular additional-interest fund accrued to him as income. The three confirmations and five denials were part of the Revenue's objection; the judgment does not separately find that all eight PSUs received payment. Its express operative finding is that the assessee held the money for the Bank and had handed it over to the Bank.

Source: [reported judgment / paragraphs 5, 10-13 / PDF pages 6, 7, 8, 9 / judicial text](#)

DETAILED DISPOSITION AND CONNECTED GROUPS

Issue results

1.

Issue: Character of Rs. 14,73,91,000 held for the Bank's differential-interest payments

Result: Not the assessee's property or income on the proved arrangement and actual handing over to the Bank

In whose favour: Assessee

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 7; 8; 9

Paragraphs: 10-13

Source role: judicial text

2.

Issue: Use of criminal-proceeding evidence to establish the relationship

Result: The underlying duly proved evidence could be considered; criminal findings were not treated as binding on the Revenue

In whose favour: Assessee on the Revenue's evidentiary objection

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 8; 9

Paragraphs: 12

Source role: judicial text

3.

Issue: Lead and connected appeals

Result: Lead appeal dismissed without costs; connected appeals disposed of accordingly

In whose favour: Assessee in the lead appeal

Pinpoints

1.

Source url: [Open cited source](#)

Pdf pages: 9

Paragraphs: 14

Source role: judicial text

ADDITIONAL STATUTORY CONTEXT, NOT SEPARATE HOLDINGS

143(3)

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

R. K. Agrawal, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

CONNECTED CASE NUMBERS AS REPORTED

Civil Appeal Nos. 4342-4243, 4349-4350, 4344, 4346-4348, 4351, 4352, 4353, 4354, 4355, 4345, 4350 and 4357 of 2018.

SOURCE & VERIFICATION

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

Identified source rendition: 9 PDF pages; SHA-256

0934922bebe326b3d83ecadfd0ec8a903ac2349a1cde7761d5d83809ec5ec9d7. Original bytes preserved.

Judicial paragraphs 1-14 occupy physical PDF pages 4-9 (SCR 622-627). Physical pages 1-3 contain the cover, editorial headnote, jurisdiction, printed companion-appeal list and appearances. No adjacent judgment is included.

[Open cited source rendition](#)

Paragraph 3(a) expressly identifies these three assessment years. The detailed return and assessment history and Rs.

14,73,91,000 issue are described through assessment year 1991-92; no equal amount is assigned separately to each year or connected appeal.

The lead appeal number is verified on the cover and jurisdiction page. The printed companion list is retained separately because it contains a reversed range and repeated number; no corrected complete docket or appeal count is certified.

Section 143(3) appears in the assessment history in paragraph 3(d). The judicial reasons decide ownership, representative receipt and real accrual on the evidence without identifying a numbered charging provision; sections 2(24), 4 or 5 are not inferred as separately interpreted provisions.

The frozen source-index title erroneously combines CHENNAI with T. JAYACHANDRAN. The verified PDF cover controls the clean case title used here. The frozen repository source is not edited.; The companion list on physical PDF page 3 visibly prints 4342-4243 and repeats 4350; these are defects in the rendered report, not extraction artefacts. Only lead Civil Appeal No. 4341 of 2018 is certified as a clean docket field. The full reported string is preserved separately without inferred corrections.; The preserved SCR rendition is the source reviewed; no separately retrieved signed original or original-PDF hash is claimed.; Paragraph 3(d) uses demand terminology for Rs. 14,73,91,000; paragraphs 10 and 13 identify it as the disputed receipt. The note does not present that whole amount as quantified tax liability.; The judgment distinguishes evidence from the criminal trial from a binding criminal determination. No general tax consequence of an acquittal is asserted.; The connected appeals are disposed of accordingly, rather than separately described as dismissed on individual facts. No corrected complete connected-appeal count is inferred from the defective printed list.

STATUTORY SCOPE

The note addresses the historical statutory and factual setting decided by the Court. No automatic mapping to the Income-tax Act, 2025 or certification of current procedure is made.

LATER TREATMENT

Source checked 2026-10-04. No comprehensive subsequent judicial-treatment or present-law audit has been performed. References to authorities in this judgment are not independent treatment checks of those authorities.

IDENTIFIED SOURCE LINKS

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

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