

Madhav Prasad Jatia v. Commissioner of Income Tax, U.P., Lucknow

Civil Appeals Nos. 1831-1833 of 1972 — Three special-leave appeals by the original assessee's substituted legal heir from the common judgment in two income-tax references.

[1979] 3 SCR 745 | 1979-04-17

Interest on an overdraft drawn to satisfy a personal charitable promise was not deductible as business expenditure. Interest credited on the undelivered balance of the promised donation also failed because no completed gift or trust of that balance was established in the relevant years (SCR 755-759).

Indian Income-tax Act, 1922 | 1922 Act: 10(2)(iii) | 1922 Act: 10(2)(xv) | 1922 Act: 12(2) | 1922 Act: 66(1) | 1922 Act: 66(2)

2-judge bench | P.N. Bhagwati, J. | V.D. Tulzapurkar, J.

01 FACTS OF THE CASE

Smt. Indermani Jatia promised Rs.10 lakh for an engineering college commemorating her husband. She paid Rs.5.5 lakh from a bank overdraft in January 1956, while retaining Rs.4.5 lakh and crediting interest to the college in her common books. She claimed bank-interest deductions for assessment years 1957-58 to 1959-60 and deductions for interest on the retained balance for 1958-59 and 1959-60. After her death, Madhav Prasad Jatia was substituted. The Tribunal and Allahabad High Court rejected both claims; the references were Nos.775 of 1970 and 342 of 1964 (SCR 748-752).

Source: [SCR 745-759; physical PDF pages 1-15](#)

02 DISCUSSION BY THE HON'BLE COURT

Tulzapurkar J., for two judges, distinguished the wider business-purpose test in sections 10(2)(iii) and 10(2)(xv) from section 12(2)'s income-earning test, but confirmed that the authorities had addressed the proper provisions. Business purpose remained essential. The particular borrowing discharged a personal donation obligation and was directly transferred to the college; using an existing overdraft and common books could not change its character. The asserted motive of preserving income-yielding assets did not establish the necessary nexus. Cases involving admittedly business-used borrowing or banking deposits were distinguishable. As to the retained Rs.4.5 lakh, book entries and the District Magistrate's certificate did not establish delivery, acceptance, or a trust; the money remained within the assessee's disposition (SCR 754-758).

Source: [SCR 745-759; physical PDF pages 1-15](#)

03 JUDICIAL DECISION

Neither category of interest was deductible. The completed Rs.5.5 lakh gift remained personal in purpose. The Rs.4.5 lakh balance had not become trust property on the material before the Court, and the credited interest continued to belong to the assessee (SCR 756-759).

Source: [SCR 745-759; physical PDF pages 1-15](#)

04 OUTCOME / IN WHOSE FAVOUR

Revenue All appeals were dismissed with costs. The Court found no evidence of prejudicial reliance supporting promissory estoppel in the relevant years, but expressly left open a different position in subsequent years if supporting material were produced. It ordered no remand (SCR 758-759). Historical income-tax questions decided within the issue limits stated in this note No current-law or comprehensive later-treatment certification.

Source: [SCR 745-759; physical PDF pages 1-15](#)

05 AKHB REVIEW POINT

This 17 April 1979 decision concerns Madhav Prasad Jatia as substituted legal heir. Its historical 1922 Act nexus and incomplete-gift findings should not become a blanket rule against all charitable business expenditure. Subsequent treatment and current 1961/2025 mapping are unverified.

Source: [SCR 745-759; physical PDF pages 1-15](#)

ASSESSMENT YEARS AND LIMITS

Years: 1957-58; 1958-59; 1959-60

Qualification: Only years material to the issues described are listed; different claims may cover different years as stated in the facts.

REPORTED CITATION

Supplied SCR report citation; no machine-generated neutral citation substituted.

SOURCE & VERIFICATION

Original reported Supreme Court judgment

Unchanged supplied SCR report; catalog identifies a CC-BY-4.0 public eSCR mirror. Not represented as a separately fetched official signed PDF. Headnote SCR 745-747; jurisdiction/counsel and sole Tulzapurkar J. judgment SCR 748-759. No adjacent judgment included.

Open cited source rendition

The caption names Madhav Prasad Jatia; SCR 750 explains his substitution as legal heir of the original assessee Smt. Indermani Jatia.

SCR 751 prints Rs.4.4 lakh once while discussing the Rs.5.5 lakh borrowing; the note follows the consistently identified disputed borrowing without silently altering the source.

Closing overdraft appears as Rs.9,55,660 at SCR 749 and Rs.9,56,660 at SCR 756.

The first headnote includes an erroneous pinpoint to SCR 743; this note cites the actual judicial pages.

STATUTORY SCOPE

Indian Income-tax Act, 1922. The historical operative enactment is identified. Other enactment references are source context only unless expressly identified as operative; no 2025 mapping is asserted.

LATER TREATMENT

Source checked 2026-10-09. Subsequent appeals, review proceedings, stays, reversals and later treatment have not been comprehensively checked. This is not a citator status certificate.

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