

(1981) 07 MP CK 0003

Madhya Pradesh High Court (Indore Bench)**Case No:** Miscellaneous Civil Case No. 228 of 1979

Commissioner of Income Tax

APPELLANT

Vs

Ratanlal

RESPONDENT

Date of Decision: July 3, 1981**Acts Referred:**

- Hindu Succession Act, 1956 - Section 8

Citation: (1982) 138 ITR 680**Hon'ble Judges:** K.N. Shukla, J; K.K. Dube, J**Bench:** Division Bench**Advocate:** Bagadia, for the Appellant; Ko-chatta, for the Respondent

Judgement

Shukla, J.

This is a reference u/s 256(1) of the I.T. Act, 1961, by the Income Tax Appellate Tribunal, Indore Bench, stating the case and referring the following question for decision ;

" Whether, on the facts and in the circumstances of the case, the Appellate Tribunal was right in holding that the sum of Rs. 34,355 being the credit balance of the assessee's deceased father did not constitute the assessee's separate and individual property and consequently in directing the ITO to accept the partition ? "

2. Facts as stated by the Tribunal are as under Assessee, Ratanlal, and his father, Nathulal, constituted an HUF. On November 12, 1966, there was a partition of the joint family by which Nathulal and assessee, Ratanlal, separated and they constituted a partnership firm. The capital received on partition was invested by both of them in a firm in the name of M/s. Onkarji Nathuji. On November 15, 1972, Nathulal expired. The capital standing to his credit on the date of his death amounting to Rs. 34,355 was transferred to the account of the assessee, Ratanlal. The closing balance on November 15, 1972, as per the capital account of Shri Ratanlal stood at Rs. 41,129 which sum included the capital standing to the credit of

late Nathulal. This amount of Rs. 41,129 was divided among Shri Ratanlal, his wife and his sons and the assessee sought partial partition in respect of this capital u/s 171 of the I.T. Act.

3. The ITO rejected the claim on the ground that Nathulal's separate property devolved on his son, Ratanlal, under the provisions of Section 8 of the Hindu Succession Act, 1956, in his individual capacity and not as a karta of his joint family. He, therefore, held that the sum of Rs. 34,355 did not constitute an asset of the HUF of Ratanlal and his sons and, therefore, a division of this amount among Ratanlal, his wife and his sons was not permissible.

4. Learned AAC dismissed the appeal against the order passed by the ITO u/s 171 of the I.T. Act, rejecting the assessee's claim for partial partition.

5. In second appeal, the Income Tax Appellate Tribunal, Indore, reversed the orders of the ITO and the AAC and held that property inherited by a male Hindu from his paternal ancestor is ancestral in his hands. Accordingly, the Tribunal directed the ITO to recognise the partition as claimed.

6. The question whether a devolution of the property of a Hindu dying intestate will be governed by the Hindu law as it stood before the coming into force of the Hindu Succession Act, 1956, or there is a change in the law as a result of Section 8 of the Succession Act has been elaborately considered by us in M.C.C. No. 131 of 1979, *Shrivallabhdas Modani v. CIT*, decided today: (see p.673 supra). We have held in that case that the property of a Hindu dying intestate after the coming into force of the Hindu Succession Act will devolve on his heirs in accordance with Section 8 of the Act and the successors will inherit the property in their individual capacity and not as representing their own HUF. Following that decision we answer the question in the negative and in favour of the department. Our answer is that on the facts and in the circumstances of the case, the Appellate Tribunal was not right in holding that the sum of Rs. 34,355, being the credit balance of the assessee's deceased father, did not constitute the assessee's separate and individual property and consequently in directing the ITO to accept the partition. There will be no order as to costs.