

Builders Supply Corporation v. Union of India represented by the Commissioner of Income-tax, West Bengal and others

Civil Appeal No. 824 of 1963

[1965] 2 SCR 289 | 1964-11-30

Whether income-tax arrears had priority over an unsecured decree-holder's claim to attached money

Constitution of India: Article 372(1) | Indian Income-tax Act, 1922: section 46 | Bengal Public Demands Recovery Act: rule 22

Constitution Bench; judgment delivered by P. B. Gajendragadkar, C.J. | P. B. Gajendragadkar, C.J. | M. Hidayatullah, J. | J. C. Shah, J. | S. M. Sikri, J. | R. S. Bachawat, J.

Historical ruling; verify current law

This judgment applies historical legislation and facts. Do not treat this note as a current-law or citator-status certificate.

01 FACTS OF THE CASE

An unsecured trade creditor obtained a decree and attached Rs.12,275-9-0 from a contractor's government security deposit. The Union claimed the fund toward income-tax arrears exceeding Rs.50,000 after a section 46(2) certificate and public-demand recovery proceedings.

Source: [Primary judgment: facts and procedural setting](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court traced the adopted common-law priority of Crown tax debts and treated it as law in force under Article 372. Its justification rested on sovereign revenue needs. Section 46 and the recovery legislation supplied procedure, not a contrary statutory ranking, so they did not displace the priority.

Source: [Primary judgment: reasoning](#)

03 JUDICIAL DECISION

Income-tax arrears owed to the Union took priority over the appellant's unsecured judgment debt in the attached fund.

Source: [Primary judgment: holdings](#)

04 OUTCOME / IN WHOSE FAVOUR

Creditor appeal dismissed with costs.

Source: [Primary judgment: operative disposition](#)

05 AKHB REVIEW POINT

AKHB analysis: priority analysis is statute- and security-specific. Identify perfected security, insolvency regime and later legislation before relying on this common-law ruling.

Source: [Primary judgment: review-point basis](#)

SOURCE & VERIFICATION

[Supreme Court Reports scan - public eSCR mirror](#)

Complete 21-page SCR report read in page-preserving text and every page image inspected, from the reported opening page through the operative disposition.

[Open cited source rendition](#)

Exact catalogue SHA-256 and 21-page count verified; every page was read and visually inspected.

STATUTORY SCOPE

Historical statutory provisions are described as they appeared in the report. Verify the current enactment, amendments and later judicial treatment before reliance.

LATER TREATMENT

Source checked 2026-10-12. No comprehensive later-treatment or present-law clearance is represented. The note reports the historical statutory text and result in this primary report only.

AI DISCLOSURE

This AKHB research note was prepared with AI assistance from the identified primary report and has not been represented as independently human-reviewed.

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General legal and tax research only; not legal or tax advice. Verify the complete judgment, governing statutory version and subsequent judicial treatment before reliance. The AKHB REVIEW POINT is editorial analysis, not the Court's holding, and no current-law clearance is claimed.