

Commissioner of Wealth Tax (Central), Calcutta v. M/s. Standard Vacuum Oil Co. Ltd.

Civil Appeals Nos. 627 to 628 of 1964

[1966] 2 SCR 317 | 1965-10-25

Historical wealth-tax computation: advance tax demanded under section 18A was a debt owed on the valuation date until the assessee substituted its own estimate.

Wealth Tax Act, 1957: sections 2(m), 2(q), 3, 6 and 27 | Indian Income-tax Act, 1922: section 18A(1), (2), (5), (10) and (11)

3-judge bench | K. Subba Rao, J. | J. C. Shah, J. | S. M. Sikri, J.

Assessment years: See the source-scope notes; no year inferred.

Historical wealth-tax deduction

The holding concerns the repealed general wealth-tax framework and the 1922 Act's advance-tax machinery, not a present wealth-tax deduction.

Demand remained unaltered

The assessee had not submitted a revised section 18A(2) estimate by the valuation dates. The Court treated the notified amount as ascertained until such substitution.

Tribunal's time condition preserved

The Tribunal directed deduction only if the demand had been outstanding for less than one year; the Supreme Court decided debt character, not a broader time-bar question.

01 FACTS OF THE CASE

The Income-tax Officer issued section 18A demands dated 28 May 1956 and 31 May 1957 for the two years ending 31 December 1956 and 31 December 1957. On each relevant wealth-tax valuation date, the final advance-tax instalment of Rs.47,69,653 remained outstanding. Standard Vacuum claimed the amount as a debt owed deductible in computing net wealth under section 2(m). The Tribunal accepted debt character but directed deduction only if the Wealth Tax Officer found the demand outstanding for less than one year. The Calcutta High Court answered the referred question for the assessee, and Revenue appealed.

Source: [Question, demands and procedural history: SCR pp.317-318 / PDF pp.1-2](#)

02 DISCUSSION BY THE HON'BLE COURT

Net wealth under section 2(m) deducted debts owed on the valuation date, subject to the statutory exclusions. Revenue argued that section 18A advance tax remained unascertained because the assessee could submit a lower estimate and that Government might ultimately owe interest. The Court relied on section 18A(10), under which non-payment made the assessee an assessee in default, and section 18A(11), which credited payment toward the year's tax. It found no substantial difference for debt character between demanded advance tax and tax due after assessment. Until the assessee used section 18A(2) to substitute a new estimate, the demand was ascertained and the statutory liability existed. A later condition capable of reducing or extinguishing liability did not make it contingent from inception.

Source: [Debt-owed analysis under sections 2\(m\) and 18A: SCR pp.319-321 / PDF pp.3-5](#)

03 JUDICIAL DECISION

Because the assessee had not acted under section 18A(2) on the valuation dates, the amounts in the demand notices were debts owed within section 2(m). The Supreme Court agreed with the High Court and dismissed both Revenue appeals with costs, one hearing fee.

Source: [Holding and dismissal: SCR p.321 / PDF p.5](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee on debt character. The advance-tax demands qualified as debts owed on the valuation dates while unchanged; the Tribunal's separate direction to check whether each had been outstanding for less than one year remained part of the case's computational setting.

Source: [Outcome and statutory limit: SCR p.321 / PDF p.5](#)

05 AKHB REVIEW POINT

AKHB analysis: for a valuation-date liability, identify the operative demand, whether a statutory duty to pay had attached, and whether the assessee had exercised any mechanism that actually substituted the amount by that date. A future power to revise or a later reconciliation does not necessarily make an existing demand contingent. Use the current statute and valuation rules; this historical wealth-tax classification is not present-law clearance.

Source: [AKHB analysis based on the ascertained-liability reasoning](#)

SOURCE & VERIFICATION

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

Full 5-page SCR report read; the editorial headnote on PDF page 1 was distinguished from Sikri J.'s judicial opinion beginning on PDF page 1 and continuing through page 5.

[Open cited source rendition](#)

Exact 164,147-byte source, SHA-256 and 5-page count match catalogue asset 1966_2_317_321.

The report verifies Civil Appeals Nos. 627 to 628 of 1964, decision date 25 October 1965, the three-judge bench and opinion by S. M. Sikri J.

The report gives calendar years ending 31 December 1956 and 31 December 1957 and respective valuation dates, but does not print corresponding wealth-tax assessment-year labels; none are inferred.

STATUTORY SCOPE

The decision interprets the Wealth Tax Act, 1957 and section 18A of the Income-tax Act, 1922. It does not establish current treatment under the repealed general wealth-tax charge or present advance-tax provisions.

LATER TREATMENT

Source checked 2026-10-10. Comprehensive later treatment and any current statutory analogue have not been verified; no current-law or citator clearance is represented.

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