

Travancore Titanium Products Ltd. v. Commissioner of Income-tax, Kerala

Civil Appeal No. 235 of 1963

[1966] 3 SCR 321 | 1966-01-17

Business expenditure: wealth-tax on net assets was not deductible under section 10(2)(xv) merely because those assets were used in the business.

Indian Income-tax Act, 1922: sections 8, 9, 10, 10(2)(xv) and 12 | Wealth Tax Act, 1957: sections 2(m) and 3, and Second Schedule

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

Assessment years: 1960-61

Source contains two claim amounts

The judicial narrative records a disallowed Rs.80,255 liability for calendar years 1957 and 1958, while the quoted referred question concerns Rs.12,873 paid in the account year ended 29 February 1960 for AY 1960-61. The report does not reconcile them.

Later law and treatment not cleared

This historical holding under the 1922 Act and Wealth Tax Act should not be used as current deductibility advice without checking later Supreme Court treatment and statutory amendments.

01 FACTS OF THE CASE

Travancore Titanium used taxable assets in its business and claimed that wealth-tax paid on them was expenditure laid out wholly and exclusively for that business. The report first records that the officer disallowed Rs.80,255 relating to wealth-tax liabilities for calendar years 1957 and 1958. The referred question, however, asks whether Rs.12,873 paid during the account year ended 29 February 1960 was deductible against business profits for AY 1960-61. The officer, first appellate authority, Tribunal and Kerala High Court rejected the claim, and the company appealed by special leave.

Source: [Two source amounts, referred question and company's claim: SCR pp.322-323 / PDF pp.2-3](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court characterised wealth-tax as a levy on net wealth and ownership of assets, not on the taxpayer's business or trading activity. Profit-linked relief in the Wealth Tax Act's schedule could affect quantum without changing the levy's character. Under section 10(2)(xv), expenditure had to be incurred for the business, not capital or personal, and wholly and exclusively for the business. Drawing on commercial practice and prior cases, the Court said a claimed outgoing must be incidental to the business, justified by commercial expediency and directly and intimately connected with the taxpayer's character as trader. Mere connection with business property was insufficient. Wealth-tax attached because the assets were owned, whether or not they formed part of a trading organisation; the Court therefore treated payment as incurred in the company's capacity as owner rather than trader.

Source: [Character of wealth-tax as a net-wealth levy: SCR pp.322-323 / PDF pp.2-3; Section 10\(2\)\(xv\) and business-purpose test: SCR pp.323-326 / PDF pp.3-6; Direct and intimate connection and owner/trader distinction: SCR pp.326-327 / PDF pp.6-7](#)

03 JUDICIAL DECISION

The Court held that wealth-tax on the company's net assets was not a permissible section 10(2)(xv) deduction. In its analysis the levy arose from ownership, not commercial activity, and remained the same whether the assets were used in trade or merely held. The company's appeal was dismissed with costs.

Source: [Holding and dismissal: SCR pp.326-327 / PDF pp.6-7](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue. The company could not deduct the wealth-tax payment under section 10(2)(xv), and the negative answer to the referred question stood. The decision is confined to the historical statutory setting and does not represent current-law clearance.

Source: [Final dismissal with costs: SCR p.327 / PDF p.7](#)

05 AKHB REVIEW POINT

AKHB analysis: for a historical business-expense claim, identify the legal trigger of the outgoing and the taxpayer capacity in which it was incurred, then test the direct commercial nexus rather than relying only on use of the underlying asset in business. Keep the source's two monetary figures visible in the file. Before advising on any present deduction, review the current statute, later Supreme Court treatment and any express disallowance independently.

Source: [AKHB analysis based on the direct-nexus and owner/trader reasoning](#)

SOURCE & VERIFICATION

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

Full 7-page SCR report read and visually checked. The editorial headnote on PDF p.1 was distinguished from Shah J.'s unnumbered judgment beginning on PDF p.2 and continuing through PDF p.7. The report's Rs.80,255 narrative figure and Rs.12,873 referred-question figure were preserved rather than silently reconciled.

Open cited source rendition

Exact source bytes, SHA-256 and 7-page count match catalogue asset 1966_3_321_327; every page was read as extracted text and inspected as a rendered image.

The judicial text verifies Civil Appeal No. 235 of 1963, the three-member bench, decision date, AY 1960-61 and dismissal with costs.

No published AKHB record with this 1963 appeal, decision date or source asset was found. A 2000 Travancore Titanium surtax-reserve note concerns a different case and issue; later notes citing this precedent are not duplicate publications.

STATUTORY SCOPE

This decision applies section 10(2)(xv) of the repealed Indian Income-tax Act, 1922 and the historical Wealth Tax Act, 1957. Subsequent statutory changes and later treatment of its owner-versus-trader reasoning require independent verification; this note does not state current deductibility law.

LATER TREATMENT

Source checked 2026-10-10. Later authorities and statutory amendments concerning wealth-tax deductions have not been comprehensively checked in this review. The original source's owner-versus-trader formulation must not be presented as current-law clearance.

AI DISCLOSURE

AI-assisted research. The AKHB Review Point is editorial analysis, not part of the Court's judgment.

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