

Commissioner of Wealth-tax, Madras v. K. S. N. Bhatt

Civil Appeal Nos. 384-387 of 1978

[1984] 1 SCR 490 | 1983-10-21

Whether income-tax, wealth-tax and gift-tax liabilities were debts owed on the wealth-tax valuation date

Wealth-tax Act, 1957: sections 2(m), 2(m)(iii)(a), 3 and 27(3) | Gift-tax Act, 1958: sections 3, 13 and 15

Two-judge bench; judgment delivered by R. S. Pathak, J. | R. S. Pathak, J. | E. S. Venkataramiah, J.

Assessment years: 1964-65, 1965-66, 1966-67, 1967-68

Repealed statutes

The operative deduction question arose under the repealed Wealth-tax Act and included Gift-tax Act liabilities.

01 FACTS OF THE CASE

In four wealth-tax assessments the assessee claimed deductions for income-tax, wealth-tax and gift-tax liabilities. Some demands were raised only after the valuation dates; two liabilities for 1965-66 were later cancelled on appeal. The Tribunal treated the valuation-date position as conclusive and allowed the claims (SCR pp.490-494; PDF pp.1-5).

Source: [Primary judgment: assessment facts](#)

02 DISCUSSION BY THE HON'BLE COURT

A tax liability crystallised under its charging statute even if quantified later, but the amount of the debt followed the ultimate judicial determination. A positive final liability remained deductible as a debt on the valuation date; a liability ultimately reduced to nil was treated as never having produced a debt. Section 2(m)(iii)(a) addressed a subsisting demand under challenge, not a demand finally extinguished (SCR pp.494-496; PDF pp.5-7).

Source: [Primary judgment: debt and final-determination reasoning](#)

03 JUDICIAL DECISION

Revenue's appeals were allowed in part. The cancelled 1965-66 income-tax and gift-tax amounts were not deductible debts, but the remaining finally positive tax liabilities were deductible even though quantified after the valuation dates.

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

Mixed. Revenue prevailed for the liabilities ultimately cancelled; the assessee prevailed for the other crystallised and finally positive liabilities.

Source: [Primary judgment: mixed outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: distinguish the date on which a liability legally crystallises from its later quantification, and update any provision for the final appellate outcome. For present accounting or tax positions, use the current statute and applicable recognition rules; the underlying wealth-tax regime is repealed.

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

SOURCE & VERIFICATION

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

Complete seven-page SCR report read in page-preserving text and every page image inspected.

[Open cited source rendition](#)

Exact catalogue hash and seven-page count verified; every page was read and inspected.

The report verifies all four assessment years and the part-allowance of Revenue's appeals.

STATUTORY SCOPE

The decision applies the since-repealed Wealth-tax and Gift-tax Acts. It is not current wealth-tax advice.

LATER TREATMENT

Source checked 2026-10-12. No comprehensive later-treatment or present-law analogy is claimed.

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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