

Commissioner of Wealth Tax, Gujarat v. Vimlaben Vadilal Mehta

Civil Appeal No. 1423 (NT) of 1973

[1984] 1 SCR 480 | 1983-10-21

Net wealth: tax debts quantified by later assessments and rectifications.

Wealth-tax Act, 1957: sections 2(m)(iii) and 35 | Income-tax Act, 1961: section 154

2-judge bench | R. S. Pathak, J. | E. S. Venkataramiah, J.

Assessment years: 1964-65 (wealth-tax assessment), Earlier tax liabilities as detailed in judgment

Deduction principle does not remove statutory exclusions

The Tribunal had directed examination of which liabilities were covered by section 2(m)(iii), and earlier arithmetical verification was also directed. The Supreme Court answered the referred legal questions; it did not quantify a final unconditional deduction.

01 FACTS OF THE CASE

In the wealth-tax assessment for AY 1964-65 the assessee claimed deduction of tax liabilities for several years. The appellate authority accepted entitlement subject to arithmetical verification. Some income-tax and wealth-tax liabilities were quantified by rectification orders made after the original wealth-tax assessment of 23 November 1964; additional claims were permitted in the appeal. The Tribunal rejected the Revenue's timing objections but directed separate examination under section 2(m)(iii). The High Court answered both referred questions for the assessee.

Source: [SCR pp. 481-483](#) / [PDF pp. 2-4](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court followed its same-day Vadilal Lallubhai decision on later quantification of existing tax debts. An assessment appeal continues the assessment proceeding, so subsequent assessments or rectifications could be considered during it. Where the appellate authority permitted the claim, absence of that claim from the original assessment did not bar consideration. Rectification quantified the true liability already crystallised at the relevant historical statutory point; it was treated like original assessment for this deduction issue.

Source: [SCR pp. 483-484](#) / [PDF pp. 4-5](#)

03 JUDICIAL DECISION

Both referred questions were answered in favour of the assessee and against the Revenue. The Revenue appeal was dismissed. Because the assessee was absent, no order as to costs was made. The judgment does not rescind the separately recorded inquiry into section 2(m)(iii) exclusions.

Source: [SCR pp. 482 and 484 / PDF pp. 3 and 5](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee on consideration and quantification of tax-debt deductions notwithstanding later assessment or rectification. That legal success is distinct from establishing the precise arithmetic or clearing each liability against statutory exclusions.

Source: [SCR pp. 482-484 / PDF pp. 3-5](#)

05 AKHB REVIEW POINT

AKHB analysis: keep a liability-wise schedule identifying the crystallisation date, original claim, later assessment or rectification and appellate admission. Reconcile the latest quantified liability and separately test exclusion clauses. Do not treat an appellate entitlement ruling as a final numerical allowance where verification remains necessary.

Source: [AKHB analysis based on SCR pp. 482-484 / PDF pp. 3-5](#)

SOURCE & VERIFICATION

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

Five-page SCR scan; judgment begins on PDF page 2. Date and appeal year visually verified because text extraction is unclear. The Tribunal's section 2(m)(iii) direction is part of the recorded procedural history.

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Full judicial text and operative relief read; original SCR source bytes preserved.

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STATUTORY SCOPE

Apply the historical statutory text governing the decision. Current statutory applicability and Income-tax Act, 2025 equivalence have not been verified.

LATER TREATMENT

Source checked 2026-10-10. Full historical judgment checked. Comprehensive subsequent judicial treatment has not been verified; no current citator clearance is represented.

[Related note: Commissioner of Wealth Tax, Gujarat, Ahmedabad v. Vadilal Lallubhai etc.](#)

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