

The Commissioner of Wealth Tax, Gujarat, Ahmedabad v. Kantilal Manilal and Others

Civil Appeal Nos. 1311-1312 of 1973

[1985] 3 SCR 297 | 1985-03-13

Net-wealth computation: the section 2(m)(iii)(a) bar required tax to be outstanding on the valuation date, which in turn required service of the demand notice.

Wealth-tax Act, 1957: sections 2(m)(iii)(a), 14-17A and 30 | Indian Income-tax Act, 1922: section 29, discussed by analogy | Income-tax Act, 1961: demand scheme, discussed by analogy

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

Assessment years: 1961-62, 1962-63

Two cumulative statutory conditions

The Revenue failed because no demand was outstanding on the valuation dates. The Court separately held that an appeal filed after the valuation date could still satisfy the second condition; that point must not be omitted.

01 FACTS OF THE CASE

For wealth-tax AYs 1961-62 and 1962-63, with valuation dates of 31 March 1961 and 31 March 1962, the assessee claimed deductions for estimated income-tax and wealth-tax liabilities. The disputed wealth-tax liabilities related to earlier assessment years. Although their assessment orders were made on 24 March 1961 and 23 March 1962, the associated notices of demand were served only on 11 April 1961 and 11 April 1962, after the respective valuation dates. The assessee's statutory appeals were filed on 9 May 1961 and 9 May 1962, also after those dates. The Tribunal and Gujarat High Court held that section 2(m)(iii)(a) did not bar the relevant deductions because the tax had not become payable on the valuation dates.

Source: [Assessment history, valuation dates and demand notices: SCR pp.299-303](#)

02 DISCUSSION BY THE HON'BLE COURT

Section 2(m)(iii)(a) excluded from deductible debts an amount of tax payable under a tax order that was both outstanding on the valuation date and challenged by the assessee as not payable. An amount is outstanding only when payable and unpaid. Under the demand scheme, liability may arise and later be quantified by assessment, but the debt becomes presently payable to Revenue when the demand notice is served. The Wealth-tax Act's assessment and demand provisions were materially analogous to the income-tax scheme. Because each demand notice arrived after the valuation date, the first cumulative condition failed. On the second condition, however, the Court rejected the assessee's narrower submission: a statutory challenge filed after the valuation date could still activate that limb. Parliament intended to bar deduction when the assessee challenged an outstanding tax amount, whether that challenge was already pending on the valuation date or began later.

Source: [Cumulative conditions and demand analysis: SCR pp.302-304](#); [Effect of a later-filed appeal: SCR pp.304-305](#)

03 JUDICIAL DECISION

The Revenue could not invoke section 2(m)(iii)(a) because the relevant tax demands were not outstanding on the valuation dates. The later appeals would have satisfied the separate challenge condition, but both statutory requirements had to coexist. The Court therefore dismissed both Revenue appeals.

Source: [Holding and dismissal: SCR pp.304-305](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee. The deduction bar failed because service of the demand notices post-dated the valuation dates, even though the subsequent statutory appeals would have met the provision's second limb.

Source: [Final result: SCR p.305](#)

05 AKHB REVIEW POINT

AKHB analysis: build a valuation-date chronology with separate entries for accrual of liability, assessment order, service of demand, due date, non-payment and commencement of appeal or revision. The historical provision required two cumulative facts; success on the demand-date point does not erase the Court's holding that a later-filed challenge could satisfy the other limb. Verify the governing statutory text and current recovery or accounting rules before applying this historical decision outside its Wealth-tax Act setting.

Source: [AKHB analysis based on the two cumulative conditions](#)

SOURCE & VERIFICATION

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

Full 9-page SCR report read. Editorial headnotes on PDF pages 1-3 were separated from Pathak J.'s judgment, which begins on SCR p.299 / PDF p.3.

[Open cited source rendition](#)

Exact source bytes match catalogue asset 1985_3_297_305: SHA-256
6b91c9492a3225563762ffc2018bfd8a604fc0cb87a886bfa4132359a1adda7f; the PDF has 9 pages.

The date, bench and Civil Appeal Nos.1311-1312 of 1973 appear on SCR pp.297 and 299. The catalogue identifier 1985INSC56 is not printed in the report and is not independently certified here.

The report has no numbered judicial paragraphs; SCR and physical PDF page pinpoints are used.

The judicial facts print the second disputed wealth-tax amount as Rs.39,696 once on SCR p.300, while the headnote and other passages state Rs.39,692. The note avoids making the discrepancy material to the legal rule.

STATUTORY SCOPE

This decision construes the historical section 2(m)(iii)(a) wealth-tax debt restriction for 1961 and 1962 valuation dates. It does not determine the current treatment of disputed tax liabilities under another statute or accounting framework.

LATER TREATMENT

Source checked 2026-10-10. Comprehensive subsequent treatment and present statutory applicability have not been checked; no current citator clearance is represented.

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