

Commissioner of Wealth-tax, Orissa, Bhubaneswar v. Vysyaraju Badreenarayana Moorthy Raju, Berhampur (Ganjam)

Tax Reference Cases Nos. 3 to 5 of 1975

[1985] 3 SCR 306 | 1985-03-13

Historical wealth-tax: accrued but unrealised interest was an asset despite cash-basis accounting.

Wealth-tax Act, 1957: sections 2(e), 2(m), 2(q), 3, 7(1) and 27(1) | Income-tax Act, 1961: section 3 referred to only for the historical valuation-date definition; section 257 appears in the report's jurisdiction heading

3-judge bench | R. S. Pathak, J. | A. P. Sen, J. | E. S. Venkataramiah, J.

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

Historical wealth-tax rule

The holding concerns the Wealth-tax Act, 1957 and the stated 1960s assessment years. It does not establish current income-recognition or present taxability rules.

01 FACTS OF THE CASE

The assessee HUF carried on a money-lending business and maintained cash-basis accounts. For AYs 1965-66, 1966-67 and 1967-68, the Wealth-tax Officer added Rs.1,50,000 in each assessment as estimated accrued interest on outstanding investments. The Appellate Assistant Commissioner deleted the additions by following the Orissa High Court, and the Tribunal treated that decision as binding. Because High Courts differed, the Commissioner obtained references asking whether accrued but unrealised interest could be included in net wealth despite cash-basis accounting.

Source: [Facts and reference question: SCR pp. 308-309 / PDF pp. 3-4](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court treated wealth tax as a snapshot of the assessee's assets and debts on the valuation date. The historical net-wealth definition required all assets, except statutory exclusions, to be counted. Cash, mercantile or hybrid accounting did not determine whether a proprietary right existed. An asset other than cash was valued under section 7 by its estimated open-market value, and property value meant the value of the rights comprising the property. Accordingly, a right to accrued interest was itself an asset even before collection. The Court approved the Andhra Pradesh and Calcutta views and rejected the contrary Orissa and Karnataka views identified in the report.

Source: [Reasoning on valuation date, accounting method and accrued rights: SCR pp. 309-311 / PDF pp. 4-6](#)

03 JUDICIAL DECISION

The Court answered the referred question in the affirmative: interest due on accrual basis on the money-lending outstandings was liable to inclusion in net wealth even though it had not been realised and the assessee maintained cash-basis accounts. No order as to costs was made.

Source: [Holding and answer: SCR pp. 310-311 / PDF pp. 5-6](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue. The legal question was answered against the assessee; the accrued-interest asset remained includible under the historical Wealth-tax Act. The decision concerned inclusion in net wealth, not present income recognition or present tax liability.

Source: [Operative answer: SCR p. 311 / PDF p. 6](#)

05 AKHB REVIEW POINT

AKHB analysis: for an archival wealth-tax file, identify rights enforceable on the valuation date separately from their later collection and from the accounting method used in the books. Preserve evidence supporting accrual, recoverability and valuation. Do not transplant this historical wealth-tax holding into current income-recognition, financial-reporting or limitation questions without checking the governing statute and later authorities.

Source: [AKHB analysis based on the valuation-date reasoning: SCR pp. 309-311 / PDF pp. 4-6](#)

SOURCE & VERIFICATION

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

Full 6-page SCR report read. Editorial headnote on PDF pp. 1-2 was distinguished from the judicial text beginning on PDF p. 3; the judgment has no numbered paragraphs.

[Open cited source rendition](#)

Exact source bytes and the 6-page count match catalogue asset 1985_3_306_311.

The report identifies Tax Reference Cases Nos. 3 to 5 of 1975, although the catalogue metadata states the case number in the singular.

The report's jurisdiction heading refers to section 257 of the Income-tax Act, 1961, while the judicial opening states that the references were made under section 27(1) of the Wealth-tax Act. The note does not silently harmonise that source discrepancy.

The catalogue's retrospective 1985INSC55 identifier is not printed in the report and is not independently certified here.

STATUTORY SCOPE

This decision applies the historical Wealth-tax Act, 1957 to AYs 1965-66 to 1967-68. Wealth tax and the cited valuation rules must not be assumed to be currently operative; no current-law treatment is certified.

LATER TREATMENT

Source checked 2026-10-10. Comprehensive subsequent judicial treatment and current statutory applicability have not been checked. No current citator or current-law clearance is represented.

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