

R.K. Deo v. Commissioner of Wealth-tax, Orissa

Civil Appeal Nos. 788-791 (NT) of 1977

[1992] 3 SCR 203 | 1992-05-12

Historical net-wealth computation: an assessed income-tax debt that remained unpaid for more than twelve months on the valuation dates was excluded from deduction under section 2(m)(iii)(b).

Wealth-tax Act, 1957: section 2(m), particularly section 2(m)(iii)(a) and (b); section 27(1) | Indian Income-tax Act, 1922: sections 29, 66(5), 66(7) and 66A(4)

2-judge bench | R.M. Sahai, J. | A.S. Anand, J.

Assessment years: 1962-63, 1963-64, 1964-65, 1965-66

Historical tax-debt exclusion

The twelve-month rule analysed here is the quoted historical section 2(m)(iii)(b) rule. Do not use it as a current filing or recovery rule without checking the legislation applicable to the relevant year.

01 FACTS OF THE CASE

The appellant, the former Raja of Jeypore, had been assessed to income tax of Rs. 6,69,766 on forest income for assessment years 1942-43 to 1946-47. The Orissa High Court had treated that income as agricultural, but on 14 October 1958 the Supreme Court restored taxability. The Tribunal made its conforming order after 30 June 1964, the Income-tax Officer issued a fresh demand notice on 4 October 1964, and payment was made on 25 March 1965. For wealth-tax assessment years 1962-63 to 1965-66, whose valuation dates were 30 June 1961, 1962, 1963 and 1964, the assessee sought deduction of the amount as a debt. The Wealth-tax Officer denied it because the tax had remained outstanding for more than twelve months. The first appellate authority allowed the claim, but the Tribunal restored the disallowance and the High Court answered the reference for Revenue.

Source: [SCR pp. 205-206 and 208](#) / [PDF pp. 4-5 and 7](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court accepted that income-tax liability is a debt for section 2(m), but the deduction remained subject to the exclusions in section 2(m)(iii). On clause (a), the valuation dates did not have a pending appeal, revision or other proceeding in which the assessee claimed non-payability; the Court said the Tribunal and High Court were not well founded to that extent and found it unnecessary to resolve the broader character of the reference proceedings. Clause (b), however, independently barred the deduction. The original tax had been quantified and demanded, and the Supreme Court's 1958 decision meant that the liability existed from the original demand rather than arising only from the fresh 1964 notice. The High Court's advisory answer did not erase the demand because no conforming order had been made before the Supreme Court restored liability. Section 66(7) also required payment according to the assessment despite the reference, leaving refund to follow if the assessee ultimately succeeded. The amount therefore remained outstanding by operation of law throughout the reference and appeal and for more than twelve months on each valuation date.

Source: [SCR pp. 206-212 / PDF pp. 5-10](#)

03 JUDICIAL DECISION

The Supreme Court held that section 2(m)(iii)(b) excluded the Rs. 6,69,766 liability from deduction because it had remained outstanding for more than twelve months on the relevant valuation dates. The period could not be counted only from the October 1964 fresh notice. It upheld the High Court and dismissed all four appeals with costs.

Source: [SCR pp. 211-212 / PDF pp. 9-10](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue. The assessee lost the claimed wealth-tax deductions for all four years and the appeals were dismissed with costs. The Court's reservations about clause (a) did not alter the result because clause (b) squarely applied.

Source: [SCR pp. 208-212 / PDF pp. 7-10](#)

05 AKHB REVIEW POINT

AKHB analysis: for an historical net-wealth deduction of a tax debt, separate three questions: when the liability was quantified and demanded, whether non-payability was being contested on the valuation date, and how long the amount had remained unpaid. A later conforming order or fresh demand does not necessarily restart the statutory clock where the original quantified demand survived and the governing reference provision required payment pending adjudication. Preserve the Court's distinction between the doubtful clause (a) theory and the decisive clause (b) bar, and verify the applicable statutory version before applying this reasoning elsewhere.

Source: [AKHB analysis based on SCR pp. 207-212 / PDF pp. 6-10](#)

SOURCE & VERIFICATION

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Full 10-page SCR report read; editorial headnote on PDF pages 1-3 distinguished from the judicial text beginning on PDF page 4 and continuing through PDF page 10.

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The SCR cover and judicial caption verify the title, 12 May 1992 date, two-member bench and Civil Appeal Nos. 788-791 (NT) of 1977; Sahai J. delivered the opinion.

The editorial headnote was distinguished from the seven-page judicial text, which was read in full.

STATUTORY SCOPE

The decision applies the historical wording of section 2(m)(iii) of the Wealth-tax Act, 1957 and section 66 of the Indian Income-tax Act, 1922. It does not state a current deduction rule or present appellate-payment regime.

LATER TREATMENT

Source checked 2026-10-10. Later amendments, repeal or discontinuance of the relevant regimes, subsequent judicial treatment and current applicability have not been comprehensively checked. No current-law clearance is asserted.

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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