

UCO Bank, Calcutta v. Commissioner of Income Tax, West Bengal; connected Tamil Nadu Industrial Investment Corporation appeals

Civil Appeal No. 235 of 1996 / Civil Appeal Nos. 9885–9887 of 1996 / Civil Appeal No. 10408 of 1996

[1999] 3 SCR 635 | 1999-05-13

Whether the identified suspense-account interest was excluded under the applicable CBDT circulars, and whether those circulars bound the assessing authorities for the particular bank and public-financial-institution years.

119 | 145 (historical text) | 263 | 256(1)

Three-judge bench | Sujata V. Manohar, J. | D.P. Mohapatra, J. | R.C. Lahoti, J.

Assessment years: 1981-82 (UCO Bank), 1972-73, 1973-74, 1974-75 and 1976-77 (Tamil Nadu Industrial Investment Corporation)

Year-specific circular relief; misleading headnote and separate bank appeal

Relief depends on the applicable circular: the 1984 bank rule excludes qualifying interest from the fourth year after three years without recovery and taxes later actual recoveries; the corporation appeals used the broader 1952 circular for earlier years. The headnote reverses the High Court outcome, and one printed circular date is inconsistent. The counsel-list mention of Civil Appeal No. 11888 of 1995 is not its merits disposal; that stock-valuation appeal was decided separately in September. Later section 43D and substituted section 145 require year-specific checking. Comprehensive later treatment remains unverified.

01 FACTS OF THE CASE

For AY 1981-82, United Commercial Bank/UCO Bank placed Rs 49,15,435 of interest on doubtful loans in a suspense account and excluded it from total income; there had been no recovery of that interest or any part of it in the previous three years. The assessing authority followed the 9 October 1984 CBDT circular. The Commissioner revised the assessment; the Tribunal allowed the bank's appeal, but the High Court answered the reference for Revenue (physical pages 4–5/SCR 638–639).

The connected Tamil Nadu Industrial Investment Corporation matters concerned AYs 1972-73, 1973-74, 1974-75 and 1976-77, when the 6 October 1952 circular operated. The judgment supplies no corresponding interest amounts or detailed borrower histories for those appeals (physical page 14/SCR 648).

Source: See the proposition-specific paragraph and PDF-page references below.

02 DISCUSSION BY THE HON'BLE COURT

For the bank's historical accounting method, doubtful interest went to suspense rather than profit and loss and entered taxable income on actual recovery. The Court regarded that method as consistent with recognised accounting practice and the historical section 145. The 1984 circular supplied a uniform test: interest in an account with no recovery for three consecutive accounting years was excluded from the fourth year onwards, with actual later recoveries taxed in their respective years. Its stated application began with AY 1979-80. The rule was not an exclusion of all unpaid interest immediately upon default (physical pages 5-9 and 13/SCR 639-643 and 647).

The Court held that the beneficial circular validly exercised section 119 power and bound departmental authorities. It stressed proper administration and mitigation of hardship, while recognising that the Board could not pre-empt judicial interpretation or impose a greater statutory burden. State Bank of Travancore had not considered the later circular in the proper perspective; Kerala Financial Corporation was expressly disagreed with on the stated circular issue. This was not an unlimited power to contradict or nullify legislation (physical pages 8-14/SCR 642-648).

For the connected corporation appeals, the wider wording of the 1952 circular covered the public financial institution. That circular addressed interest in suspense because recovery was extremely unlikely and required the assessing officer's satisfaction about the little probability of repayment. The Court did not transplant the banking-company circular's later three-year test into those earlier-year cases (physical page 14/SCR 648).

Source: See the proposition-specific paragraph and PDF-page references below.

03 JUDICIAL DECISION

Civil Appeal No. 235 of 1996 was allowed and its question answered for the bank and against the Department. The separately identified Civil Appeal Nos. 9885-9887 of 1996 and 10408 of 1996 of Tamil Nadu Industrial Investment Corporation were also allowed, with the referred question answered for that assessee. No costs direction, quantified refund, or separate merits order for Civil Appeal No. 11888 of 1995 appears in the operative text (physical page 14/SCR 648).

Source: See the proposition-specific paragraph and PDF-page references below.

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: UCO Bank and Tamil Nadu Industrial Investment Corporation

Bank appeal and the connected corporation appeal group allowed; referred questions answered for the respective assesseees

Final on the applicable historical circulars and identified assessment years

Subject to the relevant circular's recipient class, date and conditions. No universal exemption for doubtful interest, no adjudication of later section 43D or present accounting law, and no valuation disposition for the separately decided Civil Appeal No. 11888 of 1995.

Source: See the proposition-specific paragraph and PDF-page references below.

05 AKHB REVIEW POINT

Start with the assessment year, the lender's category and the exact circular that was operative. Verify the suspense-account treatment, the required recovery history and later actual receipts. The bank's AY 1981-82 rule and the corporation's pre-1979 years have different circular foundations, even though the assesseees succeeded in one reported judgment.

The source's editorial history wrongly says the High Court upheld the Tribunal; the judicial text says the reference was answered for Revenue. The later 29 September 1999 United Commercial Bank judgment, fully read here, expressly discusses this decision while deciding a different valuation question. A bounded reading of the official-hosted 2011 compilation also shows later section 43D and substituted section 145 wording. Those comparisons prevent automatic extension of the historical circular/mixed-accounting analysis; they do not resolve a present-year NPA or accounting claim.

Source: See the proposition-specific paragraph and PDF-page references below.

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity and actual bank facts; headnote/body procedural conflict

Source url: [Open cited source](#)

Pdf pages: 1; 2; 4; 5

Paragraphs: Identified source passage

Source role: reported metadata and judicial text

2.

Topic: Historical accounting method and exact circular conditions

Source url: [Open cited source](#)

Pdf pages: 5; 6; 7; 8; 9

Paragraphs: Unnumbered judicial text

Source role: judicial text

3.

Topic: Section 119 limitations and treatment of prior decisions

Source url: [Open cited source](#)

Pdf pages: 10; 11; 12; 13; 14

Paragraphs: Unnumbered judicial text

Source role: judicial text

4.

Topic: Complete bank and corporation dispositions

Source url: [Open cited source](#)

Pdf pages: 14

Paragraphs: Unnumbered judicial text

Source role: judicial text

5.

Topic: Separate later use in September valuation judgment

Source url: [Open cited source](#)

Pdf pages: 12; 13

Paragraphs: Identified source passage

Source role: bounded later judicial text

6.

Topic: Bounded historical section 43D and section 145 comparison

Source url: [Open cited source](#)

Pdf pages: 326; 327; 718; 719

Paragraphs: Identified source passage

Source role: historical statutory text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

Sujata V. Manohar, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SPECIFIED LATER CHECKS AND THEIR LIMITS

1.

Kind: later judicial comparison

Source url: [Open cited source](#)

Pdf pages: 12; 13

Finding: The distinct 29 September 1999 United Commercial Bank stock-valuation judgment discusses and relies on the May UCO Bank decision's treatment of section 119 circulars and historical section 145; it does not decide the same interest claim again.

Scope limit: The complete 17-page later source was read for its own note. This is one bounded later use, not a subsequent-treatment search.

2.

Kind: statutory text comparison

Source url: [Open cited source](#)

Pdf pages: 326; 327; 718; 719

Finding: The 2011 compilation contains section 43D's separate prescribed-debt/lender regime with profit-and-loss credit or actual receipt, whichever is earlier, and shows the later substituted section 145. Its section 43D footnote records original insertion effective 1 April 1991 and substitution effective 1 April 2000.

Scope limit: Historical 2011 text only; not current eligibility, prescribed debt categories, later amendments or an application of section 43D to the earlier disputed years.

SOURCE & VERIFICATION

[Hon'ble Supreme Court source PDF \(reported judgment\)](#)

Identified source rendition: 14 PDF pages; SHA-256

8f8b72f6fe79aaa2fac76cb161d4a039b60a5f26961d38660a077297c492415d. Original bytes preserved.

Complete unnumbered judicial text from physical page 4/SCR 638 through page 14/SCR 648, including the separate Tamil Nadu Industrial Investment Corporation appeal group; preceding headnote and counsel list distinguished.

[Open cited source rendition](#)

Physical page 2's headnote says the High Court upheld the Tribunal; the judicial paragraph on page 5 says the High Court answered for Revenue. The latter governs the procedural narrative.; Physical page 8 refers once to the circular of 6 October 1984; repeated passages, the quoted circular and the operative discussion identify 9 October 1984. The isolated printed date is not silently made a separate circular.; Physical page 7 describes the 1952–1978 circular period as thirty-six years; that printed duration is not used as a chronology calculation.; The final heading lists Nos. 9885–87 of 1996 and 10408 of 1996, although the prose calls them “two appeals”. The note preserves the numbered group rather than inventing a one-to-one appeal/year allocation.; Civil Appeal No. 11888 of 1995 is mentioned in the counsel list on page 4, but no merits disposition of that valuation appeal appears in this judicial ending; it was decided separately on 29 September 1999.; The report labels Kerala Financial Corporation “overruled” in its editorial summary; the judicial text expressly disagrees with its treatment of the relevant circulars. Do not enlarge that statement into an all-issues rejection of every prior proposition.; The circular texts are reviewed as quoted and discussed in the judgment; separate originals of those circulars were not authenticated. Comprehensive later circular, statutory and judicial treatment remains unverified.

STATUTORY SCOPE

No automatic mapping to the Income-tax Act, 2025 or present-law certification. Apply the statutory text for the relevant year.

LATER TREATMENT

Source checked 2026-10-04. Comprehensive subsequent judicial and statutory treatment has not been verified. Only the separately identified bounded primary-source comparisons were checked; they do not certify current law or any Income-tax Act, 2025 mapping.

IDENTIFIED SOURCE LINKS

[reported judgment - PDF pages: 14](#)

SHA-256: 8f8b72f6fe79aaa2fac76cb161d4a039b60a5f26961d38660a077297c492415d

[official department hosted historical statutory compilation - PDF pages: 1251](#)

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

[reported judgment - PDF pages: 17](#)

SHA-256: 21cd473acdfeaa9aa3ecb31fc9e54c2c2c2826a59ac3887a430994955f23c778

[Related note: United Commercial Bank, Calcutta v. Commissioner of Income Tax, West Bengal-III, Calcutta](#)

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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