

United Commercial Bank, Calcutta v. Commissioner of Income Tax, West Bengal-III, Calcutta

Civil Appeal No. 11888 of 1995

[1999] Supp. 3 SCR 254 | 1999-09-29

Whether a bank consistently valuing investment stock-in-trade at cost in its prescribed balance sheet could nevertheless use cost or market value, whichever was lower, for the identified income-tax assessment, and whether the contrary section 263 revision could stand.

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

Two-judge bench | D.P. Wadhwa, J. | M.B. Shah, J.

Assessment years: 1982-83

Stock-in-trade valuation in a historical banking setting; distinct from sticky interest

This 29 September 1999 judgment concerns AY 1982-83 investment stock-in-trade and a consistently used lower-of-cost-or-market tax valuation despite statutory cost presentation. It is distinct from the 13 May 1999 UCO Bank sticky-interest judgment. The Court retained the proper-income safeguard: consistency does not validate an incorrect computation. It did not decide all investment provisions, capital losses or MAT. Section 145 later changed; comprehensive later treatment remains unverified.

01 FACTS OF THE CASE

For AY 1982-83, the nationalised bank claimed Rs 7,45,35,029 as a closing-stock valuation loss on securities. The assessing authority accepted the claim; the Commissioner revised the assessment under section 263 because the bank had not incorporated that loss in its final accounts. The Tribunal cancelled the revision, but the High Court answered both referred questions for Revenue (physical pages 4–5/SCR 257–258).

The bank used mercantile accounting and had, for more than 30 years, shown investment stock-in-trade at cost in its statutory balance sheet while using cost or market value, whichever was lower, for tax. The prescribed banking balance-sheet form and a 12 May 1982 exemption from specified market-value disclosure were material. The Court treated the consistent practice and its prior acceptance as undisputed facts (physical pages 6–8/SCR 259–261).

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

02 DISCUSSION BY THE HON'BLE COURT

The Court explained the commercial basis for valuing closing stock at cost or lower market value, distinguishing anticipated trading-stock loss from bringing unrealised appreciation into profit. Entries in a balance sheet required in a statutory form were not decisive of real taxable income. The actual method must nevertheless disclose the proper income, and historical section 145 permitted a different computation where income could not properly be deducted from the method employed (physical pages 8–10 and 14–15/SCR 261–263 and 267–268).

State Bank of Travancore concerned interest on sticky advances; it did not establish that every tax item absent from a prescribed balance sheet must be ignored. The Court also discussed the separate May 1999 UCO Bank interest judgment. British Paints did not assist Revenue because it stressed correct income computation rather than compulsory adoption of statutory book presentation. On this bank's facts, the Court found no justification for rejecting its consistently used tax valuation merely because the banking balance sheet recorded cost (physical pages 10–17/SCR 263–270).

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

03 JUDICIAL DECISION

Civil Appeal No. 11888 of 1995 was allowed. The High Court's order was set aside and both referred questions were answered for the assessee and against Revenue, sustaining the Tribunal's cancellation of the section 263 revision and its acceptance of the valuation claim. There was no order as to costs (physical page 17/SCR 270).

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

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee bank

Appeal allowed; High Court order set aside; both referred questions answered for assessee; no order as to costs

Final determination of the historical investment stock-in-trade valuation/revision dispute

The investments were treated as stock-in-trade on this record. The result does not classify every bank investment as trading stock, allow every provision or capital-asset decline, or decide a MAT book-profit adjustment.

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

05 AKHB REVIEW POINT

Keep the asset's tax character, the actual year-end valuation method and the statutory presentation requirement separate. Obtain the consistent tax computations and the closing-stock evidence; past acceptance alone does not validate a method that fails to disclose proper income. The bank's stock-in-trade status and the mandated balance-sheet setting are essential to using this authority.

Do not merge this 29 September 1999 valuation judgment with the 13 May 1999 UCO Bank sticky-interest judgment. The phrase "book profits" in the referred question does not make this a section 115J/115JA/115JB decision. The bounded 2011 statutory comparison confirms that section 145 was subsequently replaced; it is a warning to check the applicable year's accounting provisions, not a certification of later valuation standards or current law.

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

PROPOSITION-SPECIFIC SOURCE PARAGRAPHS AND PDF PAGES

1.

Topic: Identity, questions, amount and revision history

Source url: [Open cited source](#)

Pdf pages: 1; 3; 4; 5

Paragraphs: Identified source passage

Source role: reported metadata and judicial text

2.

Topic: Banking form, notification and undisputed long-standing method

Source url: [Open cited source](#)

Pdf pages: 6; 7; 8

Paragraphs: Unnumbered judicial text

Source role: judicial text

3.

Topic: Stock valuation, State Bank of Travancore and May 1999 UCO distinction

Source url: [Open cited source](#)

Pdf pages: 8; 9; 10; 11; 12; 13

Paragraphs: Unnumbered judicial text

Source role: judicial text

4.

Topic: Income-computation safeguards and operative result

Source url: [Open cited source](#)

Pdf pages: 14; 15; 16; 17

Paragraphs: Unnumbered judicial text

Source role: judicial text

5.

Topic: Bounded 2011 comparison: substituted section 145

Source url: [Open cited source](#)

Pdf pages: 718; 719

Paragraphs: Identified source passage

Source role: historical statutory text

JUDICIAL AUTHORSHIP AND SEPARATE OPINIONS

M.B. Shah, J.

ACT IDENTIFIED IN THE REVIEWED SOURCE

Income-tax Act, 1961

SPECIFIED LATER CHECKS AND THEIR LIMITS

1.

Kind: statutory text comparison

Source url: [Open cited source](#)

Pdf pages: 718; 719

Finding: The 2011 compilation prints a substituted section 145 requiring either cash or mercantile accounting and shows its replacement effective 1 April 1997; the historical judgment's section 145 wording is not assumed unchanged.

Scope limit: Only these historical compilation passages checked; no comprehensive later statutory or judicial treatment.

SOURCE & VERIFICATION

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

Identified source rendition: 17 PDF pages; SHA-256

21cd473acdfeaa9aa3ecb31fc9e54c2c2826a59ac3887a430994955f23c778. Original bytes preserved.

Complete unnumbered judicial text physical pages 4–17/SCR 257–270; editorial pages 1–3 separately read and distinguished.

[Open cited source rendition](#)

The caption says United Commercial Bank while the judicial opening calls the appellant UCO Bank. This is the 29 September 1999 stock-valuation judgment in Civil Appeal No. 11888 of 1995, not the distinct 13 May 1999 sticky-interest judgment.; The May judgment's counsel list also mentions Civil Appeal No. 11888 of 1995, but that listing is not an operative merits disposition of this valuation appeal.; The older cited State Bank of Travancore report is variously printed as 158 ITR 192 in the editorial headnote and 158 ITR 102 in the judicial discussion; this note does not treat the headnote citation variant as another case.; The RBI circular described as dated 20 June 1992 is part of the historical discussion, not independently authenticated present regulatory guidance.; No current ICDS, investment classification, provisioning rule, MAT adjustment, or Income-tax Act, 2025 mapping was verified.

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: 17](#)

SHA-256: 21cd473acdfeaa9aa3ecb31fc9e54c2c2826a59ac3887a430994955f23c778

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

SHA-256: 1ec6e4c38dc1d524d1d40b1fd35d13ac1336c8fc549cef2af1bf723a999c822b

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