
(1997) 11 P&H CK 0112
In the Punjab And Haryana At Chandigarh
Case No : WT Ref. No's. 27 and 28 of 1988

COMMISSIONER OF Income Tax

APPELLANT

Vs

SMT. INDIRA DEVI.

RESPONDENT

Date of Decision : 06-11-1997

Acts Referred:

Citation : (1998) 144 CTR 553

Hon'ble Judges : N. K. Agrawal, J

Bench : Division Bench

Judgement

N. K. AGRAWAL, J. :

The following question arising from the assessee's wealth-tax case for the asst. yrs. 1978-79 and 1979-80 has been referred by the Tribunal at the instance of the Department under s. 27(1) of the WT Act, 1957 (for short, "the Act") :

"Whether, on the facts and in the circumstances of the case, the Tribunal was right in law in holding that the exemption under s. 5(1)(iv) of the WT Act, 1957 was admissible to the assessee in respect of his share in land and building owned by the firm M/s Raj Woollen Industries, Panipat in which assessee is a partner ?"

2. The assessee was a partner in a partnership firm. She claimed exemption for her share in the property of the firm under s. 5(1)(iv) of the Act. The WTO declined to allow exemption, holding that the property belonged to the partnership firm whereas the exemption was available to a house or part of a house belonging to the assessee.

Tribunal took the view that exemption was to be allowed to the assessee in respect of her share in the property held by the firm and the value of her share was not to be included in her taxable wealth.

3. A Division Bench of this Court had an occasion to examine a similar question in Commissioner of Wealth-tax Vs. Vipin Kumar, .

After examining the question whether the assessee was entitled to the exemption in respect of the property belonging to the firm in which he was a partner, it was observed at page 945 (of ITR) as under :

"According to the principles of English jurisprudence which we have adopted in India for the purpose of determining legal rights, there is no such thing as a firm known to the law. In *Addanki Narayanappa and Another Vs. Bhaskara Krishtappa and Others*, , it was clearly held by their Lordships of the Supreme Court that since a firm has no legal existence, the partnership property will vest in all the partners and in that sense every partner has an interest in the property of the partnership. In *Juggi Lal Kamlapat Bankers and Another Vs. Wealth Tax Officer, Special Circle C-Ward, Kanpur and Others*, , the apex Court held that the interest of a partner in a partnership firm belonged to him and would be includible in his "assets" and will have to be taken into account while computing his net wealth. In this view of the matter, the assessees in the present case could be said to be having specific interest in the factory land and the building belonging to the firm and, as such, were entitled to the exemption granted to them by the Tribunal. Moreover, r. 2 of the WT Rules providing for the detailed method of determining the value of the interest of a person in a firm of which he is a partner is a pointer to the fact that in the context of wealth-tax, a partner can claim to have a specific interest in its assets exclusively apart from his interest as a partner in the firm. We have already observed that the property of the firm is, in fact, the property of its partners and, consequently, we cannot accept the contention of the Revenue that since the factory land and the building in the present case belong to the firm, the two assessees who were partners therein were not entitled to claim any deduction under s. 5(1)(iv) of the Act. The view that we have taken finds support from *Commissioner of Wealth Tax Vs. Vasantha*, , *Commissioner of Wealth-Tax, Karnataka-I Vs. Christine Cardoza*, , *Commissioner of Wealth Tax Vs. Mira Mehta*, and *Commissioner of Wealth-tax Vs. Tarachand Agarwalla*, ".

Taking the same view as taken in the aforesaid case by this Court, the question is answered in the affirmative and in favour of the assessee.