**(1998) 02 MAD CK 0164**

**In the Madras High Court**

**Case No :** Tax Case No. 748 of 1985

Commissioner of Wealth-tax APPELLANT

Vs

N. Damodaran RESPONDENT

**Date of Decision :** 19-02-1998

**Acts Referred:**
Wealth Tax Rules, 1957 — Rule 1D

**Citation :** (1999) 239 ITR 360

**Hon'ble Judges :** R. Jayasimha Babu, J;N.V. Balasubramanian, J

**Bench :** Division Bench

**Advocate :** C.V. Rajan, for the Appellant; Philip George, for the Respondent

## Judgement

R. Jayasimha Babu, J.—At the instance of the Revenue, the question that has been referred to us is as to whether on the facts and in the

circumstances of the case and having regard to Rule 1D of the Wealth-tax Rules, 1957, the Appellate Tribunal was right in holding that the value of

the shares held by the assessee in Premier Cotton Spinning Mills Limited, should be adopted at Rs. 140 per share for the assessment year 1976-

77.

2. The order of the Tribunal discloses that these shares were unquoted during the relevant assessment year and that the Wealth-tax Officer had

applied Rule 1D to estimate the value of the shares. The Tribunal has allowed the assessee''s appeal against the order of the Wealth-tax Officer

and has held that the shares are to be valued at the figure of Rs. 140 per share as there had been some transactions during that assessment year.

The Tribunal also relied on ils earlier order in the case of Sabitha Chandran-W. T. A. Nos. 659 and 660 of 1977-78. That order of the Tribunal in the ease of Sabitha Chandran was considered by this court in the case of Commissioner of Wealth Tax, Coimbatore Vs. Sabita Chandran, . This

court dismissed the petition filed by the Commissioner for directing the Tribunal to make a reference, by holding that even though the shares of the

company were not quoted on the stock exchange prior to March, 1977, there had been transactions in the shares as registered in the books of the

company at values which were considerably less than the market value.

3. Counsel for the Revenue submitted that the value of the shares was required to be determined in accordance with Rule 1D for the purpose of

valuation under the Wealth-tax Act as the shares were unquoted.

4. The decision of this court in Commissioner of Wealth Tax, Coimbatore Vs. Sabita Chandran, , can no longer regarded as good law, in the light

of the subsequent decision of the Supreme Court in the case of Bharat Hari Singhania and others Vs. Commissioner of Wealth Tax (Central) and

others, , wherein the court upheld the validity of Rule 1D and held that Rule 1D has to be followed in each and every case of unquoted equity

shares of a company (other than an investment company or a managing agency), and that it is not a matter of choice or option. The court further

held that where there is a rule prescribing the manner in which a particular property has to be valued, the authorities under the Act have to follow it,

and cannot devise their own ways and means for valuing the assets.

5. The Tribunal, therefore, was clearly in error in holding that Rule 1D was not required to be applied, even though the shares of the company

were not quoted on the stock exchange in the previous year relevant to the assessment year 1976-77.

6. The question referred to us is, therefore, answered in the negative, in favour of the Revenue and against the assessee.