(1976) 12 CAL CK 0013

In the Calcutta High Court

Case No : Matter No. 254 of 1970

Commissioner of Wealth Tax APPELLANT

Vs

Smt. Chandrakala Lal RESPONDENT

Date of Decision : 07-12-1976

Acts Referred:
Wealth Tax Act, 1957 — Section 7(1)

Citation : (1978) 111 ITR 185

Hon'ble Judges : Sankar Prasad Mitra, C.J;S.C. Deb, J

Bench : Division Bench

Advocate : B.L. Pal and B.K. Bagchi, for the Appellant;None, for the Respondent

Judgement

Deb, J.—The following question is involved in this reference u/s 27(1) of the Wealth-tax Act, 1957 ;

"Whether, on the facts and in the circumstances of the case, the conclusion of the Tribunal that the break-up value of the shares of Messrs. Lal Holdings (P.) Ltd. should be determined on the basis of its balance-sheet figures was in accordance with law ?"

2. The reference relates to the wealth-tax assessment years 1963-64 and 1964-65, for which the respective valuation dates are March 31, 1963, and March 31, 1964. The assessee held certain shares in two private limited companies, namely, M/s. S. Lal & Co. (P.) Ltd. and M/s. Lal Holdings (P.) Ltd. Messrs. Lal Holdings (P.) Ltd. held certain shares in Messrs. S. Lal & Co. (P.) Ltd. The shares held by the assessee in these two companies were valued by the Wealth-tax Officer by adopting the break-up method of valuation of assets and not on the basis of book value of those shares. The appellate authorities had set aside the said valuation by holding that though the break-up method of valuation was permissible in the case of these two companies, it was not applicable in the case of an assessee- shareholder and the shares held by Messrs. S. Lal & Co. (P.) Ltd. in Messrs. Lal Holdings (P.) Ltd. should be valued on the basis of their book

value as shown in the balance-sheet of the former company without any such adjustment and dismissed the appeals filed by the department. ''

3. Mr. B. L. Pal, learned counsel for the revenue, has questioned the validity of the above reasonings and has urged that the break-up method of valuation of assets has been accepted by the Tribunal and, therefore, if it is held that this method is not applicable in the case of the assessee, it would lead to an anomalous position.

4. It has been held by the Supreme Court in the case of Commissioner of Wealth Tax Vs. Mahadeo Jalan and Mahabir Prasad Jalan and Others etc., , that the shares can be valued in the hands of a shareholder-assessee by adopting the recognised methods of valuation of shares and their application will depend on the facts and circumstances of each case. In the case of Commissioner of Wealth Tax (Central) Vs. Mohan Lal Nopany, , a Division Bench of this court has held that u/s 7(1) of the Wealth-tax Act when the wealth-tax authorities are considering the market value of the shares by following the break-up method of the assets of the company it is not possible to lay down the precise factor which would operate in the minds of the prospective buyers in the imaginary market. All that one can do is to consider what are the factors which reasonably a prospective buyer might consider and then decide how these factors affect the value of the shares. This decision has been noted by the Supreme Court in the case of Commissioner of Wealth-tax v. Hindustan Motors Ltd. [1976] 104 ITR 530.

5. In our opinion, the market value of the shares cannot vary from person to person or from assessee to assessee. Therefore, in the facts and circum stances of the case, it must be held that the market value of these shares determined by the Wealth-tax Officer u/s 7(1) of the Act is correct and, accordingly, we return our answer in the negative and in favour of the revenue.

6. There will be no order as to costs.

Sankar Prasad Mitra, C.J.

7. I agree.

