(1975) 01 MAD CK 0010

In the Madras High Court

Case No : Writ Petition No. 4221 of 1974

K.M. Mammen APPELLANT

Vs

Wealth-Tax Officer, City Circle-II (1) Madras RESPONDENT

Date of Decision : 08-01-1975

Acts Referred:

Constitution of India, 1950 — Article 226
Income Tax Act, 1961 — Section 7(1)
Wealth Tax Act, 1957 — Section 7

Citation : (1983) 139 ITR 357

Hon'ble Judges : K. Veeraswami, J

Bench : Single Bench

Judgement

K. Veeraswami, C.J.—Though an appeal has been filed against the assessment and it is pending disposal, this petition under art. 226 of the

Constitution is brought up on the ground that r. 1D of the Rules framed under the W.T. Act is not valid, because it is unreasonable or arbitrary.

Section 7 of the W.T. Act provides for the procedure for assessing the value of the assets to be charged to wealth-tax. By an amendment of the

section, the market value should be estimated to be the price which, in the opinion of the WTO, would fetch if sold in the open market on the

valuation date, but this is subject to any rule made in this behalf. The Rule is merely enabling, the governing purpose thereof being to determine the

market value. Rule 1D applies to a case where the equity share is not quoted in the share market and is of a company other than investment

companies or managing agency companies. In such a case, the value of the liability as shown in the balance-sheet of the company shall be

deducted from the value of its assets appearing in the same balance-sheet and the resultant amount multiplied by the paid-up value of equity share shall be the break-up value of each unquoted equity share. The word ""shall"" in the latter part of the Rule is not always mandatory and, in the

context, it can be read as having the effect of ""may"". Where there is no guideline for determining the market value apart from what is indicated in s.

7(1), the wealth basis may well be taken as the criterion for determining the value of unquoted equity shares to the company. That will depend

upon the circumstances of each case. We are, in any case, unable to see any vires of the rule being involved.

2. On that view, the writ is dismissed.

