

Mahavir Prasad Jaipuria and Another Vs The Wealth Tax Officer and Another

Court: Delhi High Court

Date of Decision: Jan. 31, 2002

Acts Referred: Wealth Tax Act, 1957 " Section 16A(5), 2, 46, 7, 7(1)
Wealth Tax Rules, 1957 " Rule 1BB

Citation: (2002) 62 DRJ 514

Hon'ble Judges: S.B. Sinha, C.J; A.K. Sikri, J

Bench: Division Bench

Advocate: Anoop Sharma, R.K. Raghwan and M. Husain, for the Appellant; Sanjeev Khanna and Prem Lata Bansal, for the Respondent

Judgement

S.B. Sinha, C.J.

In this petition, the petitioner has questioned the valuation and final estimates, made by the second respondent herein

purported to be in terms of Section 16A(5) of the Wealth Tax Act dated 24.3.1979, of the fair market value of the property of the petitioner.

2. The petitioner No. 1 is a Hindu Undivided Family owning several properties including one at 8, Prithviraj Road, New Delhi. The said property is

covered under one lease deed dated 11th June, 1923. One third share of the undivided portion of the property was settled upon petitioner No. 1

by virtue of the Trust Deed dated 11th November, 1974. The said undivided share in the said property was physically divided and partitioned on

21st December, 1975 as per the Memorandum dated 22nd December, 1975. The relevant assessment years are 1971-72 to 1977-78, the

respective accounting years being ending Diwali 1970 to Diwali 1976. The Valuation Officer estimated the fair marked value of the property of the

petitioners situated at 8, Prithviraj Road, New Delhi at Rs. 10,53,200/- for the assessment year 1971-72; Rs. 10,98,000/- for 1972-73; Rs.

12,22,800/- for 1973-74; Rs. 12,76,000/- for 1974-75; Rs. 8,68,800/- for 1975-76; Rs. 9,01,000/- for 1976-77 and Rs. 9,96,800/- for 1977-

78.

3. Having regard to the contentions advanced by the parties, it may not be necessary to delve deep into the matter.

4. Wealth Tax Act was enacted by the Parliament providing for the levy of wealth tax. Section 2(m) defines the expression ""Net Wealth"". The

valuation of the assets is to be determined in terms of Section 7.

5. Rules have been made by the Central Board of Direct Taxes in terms of Section 46 of the Act. Rule 1BB prescribes the manner in which the

market value of the property is to be determined.

6. Rule 1BB reads thus:

1BB.(1) For the purpose of Sub-section (1) of Section 7, the value of a house which is wholly or mainly used for residential purpose shall be the

aggregate of the following amounts, namely:-

(a) The amount arrived at by the multiplying the net maintainable rent in respect of part of the house used for residential purposes by the fraction

100/8; and

(b) The amount arrived at by multiplying the net maintainable rent in respect of the remaining part of the house, if any, by the fraction 100/9:

Provided that in relation to a house which is built on leasehold land, this sub-rule shall have effect as if for the fraction 100/8 in Clause (a) or, as the

case may, the fraction of 100/9 in Clause (b), the fractions 100/9 and 100/10 respectively, had been substituted.

7. The question as to whether the said rules will have prospective or retrospective effect came up for consideration before the Apex Court in

Bharat Hari Singhania v. Commissioner of Wealth Tax reported in 1994 (207) ITR 129. The Apex Court held that the Valuation Officer would

be bound by the said rules.

8. Yet again in Commissioner of Wealth Tax, Meerut Vs. Sharvan Kumar Swarup and Sons, , Rule 1BB aforementioned was held to be

procedural in nature. It was held:

Procedural law, generally speaking, is applicable to pending cases. No suitor can be said to have a vested right in procedure. It must, however,

be noted that a provision can be partly substantive and partly procedural.

9. It was further held:

We may now turn to the scope and content of Rule 1BB. The said rule merely provides a choice amongst well-known and well-settled modes of

valuation. Even in the absence of Rule 1BB it would not have been objectionable, nor would there be any legal impediment, to adopt the mode of

valuation embodied in Rule 1BB, namely, the method of capitalization of income on a number of years' purchase value. The rule was intended to

impart uniformity in valuations and to avoid vagaries and disparities resulting from application of different modes of valuation in different cases

where the nature of the property is similar.

Rule 1BB thus partakes of the character of a rule of evidence. It deems the market value to be the one arrived at on the application of a particular

method of valuation which is also one of the recognised and accepted methods. Even if a law rises a presumption and renders the presumption

irrebuttable it is yet in the domain of the law of evidence.

10. Mr. Khanna, learned counsel appearing on behalf of the respondents, on the other hand, would submit that the question involved in this writ

petition is governed by a Division Bench decision of this Court in UDAY KAUSHISH (MINOR BY HIS MOTHER AND NATURAL

GUARDIAN, MRS. SHEILA KAUSHISH) Vs. COMMISSIONER OF WEALTH-TAX, DELHI-I, AND OTHERS., wherein Ranganathan,

J., as his Lordship then was, held:

But we are not concerned with all these proceedings here nor are we concerned with the correctness or otherwise of the conclusions of the WTO

or Commissioner. All we are concerned with is the short question whether the WTO had some material before him to form an opinion that the

value returned by the assessed, though supported by the report of a registered valuer, did not reflect the market value of the property. In our view,

it is difficult to contend that there was no such material. We, Therefore, reject this contention of the learned counsel for the petitioner.

11. However, in the instant case, the question which arises for consideration is as to whether Rule 1BB incorporated in the Wealth Tax Rules being

procedural in nature or being a rule of evidence was to be taken into consideration by the Valuation Officer.

12. Having regard to the decision of the Apex Court in Sharvan Kumar Swarup (Supra), there cannot be any doubt that the Assessment Officer

must act in terms of the aforementioned rules.

13. We may notice that such valuation report can also be subject matter of appeal in terms of Rule 23(3)(a) of the Wealth Tax Rules.

14. For the reasons aforementioned, the writ petition is disposed of directing the respondents to make proper valuation having regard to Rule 1BB.

There shall be no order as to costs.