

Commissioner of Wealth Tax v. Hindustan Motors Limited

Civil Appeals Nos. 894-896 of 1971

[1976] 3 SCR 579 | 1976-03-10

Wealth-tax valuation: income-tax written-down value cannot automatically replace book value.

Wealth-tax Act, 1957: sections 7(1), 7(2)(a), 27(1) and 29(1) | Indian Income-tax Act, 1922: section 10(2)(vi), proviso (b)

2-judge bench | H. R. Khanna, J. | P. K. Goswami, J.

Assessment years: 1957-58, 1958-59, 1959-60

Evidence must support the valuation

The Court permits a lower value, including tax WDV, when reliable material establishes the actual value on the relevant date. It rejects automatic substitution, not all valuation adjustments.

01 FACTS OF THE CASE

For AYs 1957-58, 1958-59 and 1959-60, the company sought to replace balance-sheet values of depreciable fixed assets with their income-tax written-down values. It said inadequate profits had prevented full book depreciation. The Wealth-tax Officer used the balance-sheet figures and the first appellate authority agreed. The Tribunal accepted WDV, and the High Court answered the referred question for the assessee, following its Tungabhadra decision.

Source: [SCR pp. 580-581](#) / [PDF pp. 2-3](#)

02 DISCUSSION BY THE HON'BLE COURT

Under the then section 7(2)(a), the officer could value the business as a whole with reference to its balance sheet and make adjustments required by the circumstances. The aim remained true asset value. Following the Supreme Court's reversal in Tungabhadra, the Court placed the burden on the assessee to produce reliable material establishing that book figures overstated actual value and that WDV represented the proper value on the valuation date. Merely showing low profits or insufficient book depreciation did not discharge that burden. Book values were not conclusive, but neither was income-tax WDV an inflexible valuation rule.

Source: [SCR pp. 581-584](#) / [PDF pp. 3-6](#)

03 JUDICIAL DECISION

The High Court judgment was set aside. The referred question was answered in the negative, against the assessee and for Revenue. The appeals were allowed with one set of costs.

Source: [SCR p. 584 / PDF p. 6](#)

04 OUTCOME / IN WHOSE FAVOUR

Revenue succeeded in resisting automatic replacement of the balance-sheet figures by tax WDV on the evidence in these appeals. The judgment preserves proof-based adjustments to establish true value.

Source: [SCR pp. 582-584 / PDF pp. 4-6](#)

05 AKHB REVIEW POINT

AKHB analysis: a depreciation schedule is not a substitute for valuation evidence. Where a historical valuation dispute turns on this provision, connect the claimed reduction to asset condition, valuation-date evidence and reliable supporting material. Explain any difference between tax WDV, book carrying amount and demonstrated actual value; do not present the ruling as making book value irrebuttable.

Source: [AKHB analysis based on SCR pp. 581-584 / PDF pp. 3-6](#)

SOURCE & VERIFICATION

[Supreme Court Reports scan - public eSCR mirror](#)

Full 6-page SCR report read, separating editorial headnote from judicial reasoning.

[Open cited source rendition](#)

The SCR jurisdiction heading identifies Civil Appeals 894-896 of 1971; the unreviewed catalogue's single appeal number 849/1971 is not followed.

Full six-page report read; exact original bytes match the catalogue SHA-256. Judicial text is unnumbered, so page pinpoints are used.

STATUTORY SCOPE

The ruling applies the then-existing section 7 valuation regime for historical wealth-tax years. It does not determine current valuation rules under any other tax statute or deem book value conclusive.

LATER TREATMENT

Source checked 2026-10-10. Comprehensive subsequent treatment has not been verified; no current citator clearance is represented.

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