

Juggi Lal Kamlapat Bankers & Another v. Wealth-tax Officer, Special Circle C-Ward, Kanpur & Others

Civil Appeal No. 816 of 1978

[1984] 2 SCR 35 | 1983-12-15

Historical wealth-tax: an HUF's partnership interest was taxable, and low book values did not prevent valuation-officer reference for firm properties.

Wealth-tax Act, 1957: sections 2(e), 2(m), 3, 4(1)(b), 7(1), 7(2)(a), 7(3), 16A and 38A(1)(b) | Wealth-tax Rules, 1957: Rules 2, 2A and 2B | Indian Partnership Act, 1932: section 29 discussed

3-judge bench | V. D. Tulzapurkar, J. | V. Balakrishna Eradi, J. | D. P. Madon, J.

Assessment years: 1967-68, 1968-69, 1969-70, 1970-71, 1971-72, 1972-73

Historical valuation regime

The holding rests on the then Wealth-tax Act and Rules, including the report's Rule 2B twenty-percent adjustment threshold. It does not establish a current valuation procedure.

01 FACTS OF THE CASE

Padampat Singhanian was a partner in Juggi Lal Kamlapat Bankers as karta of an HUF and filed HUF wealth-tax returns for AYs 1967-68 to 1972-73. In valuing the family's partnership interest, the returns used the firm's book values for Kanpur buildings. Believing market value to be substantially higher, the Wealth-tax Officer referred the buildings to Valuation Officers under section 16A. The Valuation Officers issued inspection and production notices under section 38A(1)(b). The firm and karta challenged the reference and notices, contending principally that the HUF partnership interest was not taxable and that the balance-sheet book values controlled.

Source: [Facts and challenge: SCR pp. 38-41 / PDF pp. 4-7](#)

02 DISCUSSION BY THE HON'BLE COURT

Reading sections 3, 2(m) and 2(e) together, the Court held that a partner's interest was property and therefore an asset, whether held individually or as karta of an HUF. Section 4(1)(b)'s deeming operation concerned quantification; it did not create the underlying taxability or leave a gap for HUF-held interests. Rule 2 required the firm's net wealth first to be determined and then allocated among partners. Section 7(1) supplied the primary market-value method, while section 7(2) was an optional enabling method for valuing a business as a whole by reference to the balance sheet. Even under that method, having regard to the balance sheet did not make it conclusive. Under the then Rule 2B, market value displaced book or written-down value where the excess exceeded twenty percent. The substantial alleged undervaluation therefore justified a section 16A reference.

Source: [Taxability and valuation reasoning: SCR pp. 43-49 / PDF pp. 9-15](#)

03 JUDICIAL DECISION

The Court upheld the taxability of the HUF's partnership interest and the Wealth-tax Officer's authority to refer the firm properties for valuation. It held the resulting Valuation Officer notices valid and dismissed the appeal with costs.

Source: [Holdings and operative dismissal: SCR pp. 44-49 / PDF pp. 10-15](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue. The firm and karta obtained no relief; the valuation reference and notices stood, and the appeal was dismissed with costs. The Court did not itself determine the buildings' final market values.

Source: [Operative outcome: SCR p. 49 / PDF p. 15](#)

05 AKHB REVIEW POINT

AKHB analysis: in an archival partnership-wealth valuation, separate three questions: whether the partnership interest is an asset, how the firm's net wealth is computed, and how that amount is allocated to the partner or HUF. Do not treat a balance-sheet figure as automatically conclusive where the governing historical rule required a market-value adjustment. Preserve the valuation-date records and the statutory version, and independently check present valuation and HUF rules before relying on the case.

Source: [AKHB analysis based on the asset and valuation framework: SCR pp. 43-49 / PDF pp. 9-15](#)

SOURCE & VERIFICATION

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

Full 15-page SCR report read. Editorial headnote on PDF pp. 1-3 was distinguished from the judicial text beginning on PDF p. 4; the judgment contains no numbered paragraphs.

[Open cited source rendition](#)

Exact source bytes and the 15-page count match catalogue asset 1984_2_35_49.

The report identifies Civil Appeal No. 816 of 1978 and a decision date of 15 December 1983; its reporter volume is [1984] 2 SCR.

The source has no numbered judicial paragraphs, so SCR and physical PDF page references are used.

The catalogue's retrospective 1983INSC198 identifier is not printed in the report and is not independently certified here.

STATUTORY SCOPE

This decision concerns the historical Wealth-tax Act, 1957 and Wealth-tax Rules applicable to AYs 1967-68 to 1972-73. Its valuation mechanics and the stated twenty-percent Rule 2B threshold are not represented as current law.

LATER TREATMENT

Source checked 2026-10-10. Comprehensive subsequent treatment and present statutory applicability have not been checked; no current citator clearance is represented.

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