

Bharat Hari Singhania & Others v. Commissioner of Wealth Tax (Central) & Others

Writ Petition (Civil) No. 1213 of 1990 and connected appeals/petitions

[1994] 1 SCR 1033 | 1994-02-16

Historical wealth-tax valuation: Rule 1-D's break-up method bound all authorities valuing unquoted equity shares and allowed only its specified adjustments.

Wealth-tax Act, 1957: sections 2(e), 2(m), 3, 7, 16A, 23(3A), 24, 27(3) and 46 | Wealth-tax Rules, 1957: rule 1-D and Explanations I-II | Companies Act, 1956: Schedule VI and related balance-sheet provisions

3-judge bench | S. C. Agrawal, J. | B. P. Jeevan Reddy, J. | A. S. Anand, J.

Historical Rule 1-D

The compulsory break-up formula and its 85% adjustment arose under the then Wealth-tax Rules. Do not present it as a currently operative universal share-valuation rule.

Connected matters and outcomes

The report resolves common questions across many appeals and a writ petition. It directs case-specific disposal under the common opinion rather than narrating every connected record or assessment year.

Later distinction preserved

Trustees of HEH later distinguished the rejection of a seller's hypothetical capital-gains deduction from a liability directly burdening the buyer's remainder interest. That bounded distinction is not an overruling.

01 FACTS OF THE CASE

Rule 1-D prescribed a balance-sheet break-up formula for the market value of unquoted equity shares of companies other than investment and managing-agency companies: adjusted assets less adjusted liabilities, divided across paid-up equity, with 85% of the resulting break-up value generally treated as market value. Across a writ petition and many connected appeals, assessees challenged the rule's validity or compulsory use, its application by valuation officers and where balance-sheet and valuation dates differed, and sought deductions including hypothetical capital-gains tax. Other questions concerned the interaction of advance tax and tax provisions in Explanation II and whether a shareholder could exclude shares merely because the company owned agricultural or tea-estate assets.

Source: [SCR pp. 1040-1045](#) / [PDF pp. 8-13](#)

02 DISCUSSION BY THE HON'BLE COURT

Section 7 made valuation expressly subject to rules, leaving the rule-maker to choose a recognised method. The Court accepted break-up valuation as recognised, administratively workable and reasonably connected to market value; the possibility of another or more assessee-favourable method did not invalidate it. A valid rule using shall was not optional: Wealth Tax Officers, valuation officers and appellate authorities all had to apply a single uniform method. The hypothetical sale basis in section 7 did not create an actual sale or permit deduction of a seller's capital-gains tax, provident fund, gratuity or other items outside the exhaustive rule. Explanation I validly selected the nearest balance sheet when dates differed; practical crudities did not make the formula unconstitutional. Reading Explanation II together, advance tax already paid was removed from assets and could not also remain embedded as a liability, while only the outstanding permitted tax amount counted. Finally, shareholders owned shares, not the company's agricultural property, so company-level agricultural assets did not become excludible assets in their hands.

Source: [SCR pp. 1046-1068 / PDF pp. 14-36](#)

03 JUDICIAL DECISION

The Court upheld Rule 1-D and Explanation I; held the rule binding on valuation officers and all other authorities; refused hypothetical capital-gains and other unlisted deductions; explained the advance-tax/tax-provision adjustment; and rejected exclusion of shares merely because the company owned agricultural land. It dismissed the writ petition. Revenue appeals against refusals to make section 27(3) references were allowed with the questions deemed referred and answered under the common opinion; corresponding assessee appeals were dismissed. Tribunals were directed to pass case-specific orders. No costs were awarded.

Source: [SCR pp. 1068-1069 / PDF pp. 36-37](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue on all six common legal questions. The writ petition and assessee appeals failed; Revenue appeals described in the final direction succeeded. Individual connected files still required tribunal orders consistent with the opinion, but there was no merits remand reopening the six legal holdings.

Source: [SCR pp. 1068-1069 / PDF pp. 36-37](#)

05 AKHB REVIEW POINT

AKHB analysis: for a historical unquoted-share valuation, identify the exact valuation date, applicable rule version, nearest permissible balance sheet and every Explanation II adjustment before debating alternative methods. Avoid double-counting advance tax as both an asset reduction and liability, and distinguish tax borne by a hypothetical seller from an encumbrance affecting the rights acquired by a buyer. Also separate a shareholder's asset from property owned by the company. Any present valuation, wealth-tax or accounting use requires independent review of the governing law and later authorities.

Source: [AKHB analysis based on SCR pp. 1040-1069 / PDF pp. 8-37](#)

SOURCE & VERIFICATION

Supreme Court Reports scan - public eSCR mirror

Full 37-page SCR report read; editorial headnote on PDF pages 1-7 distinguished from the judicial opinion on PDF pages 8-37.

Open cited source rendition

All 37 source pages were read; exact PDF bytes, SHA-256 hash and page count match catalogue asset 1994_1_1033_1069.

The printed report verifies Writ Petition (Civil) No. 1213 of 1990, a three-judge bench and the opinion by B. P. Jeevan Reddy J.; numerous connected matters are not individually listed in the report heading.

One specific connected issue identifies AY 1983-84, but the report does not provide a complete assessment-year list for all matters, so none is inferred in the metadata.

The judicial opinion frames six questions and separately summarises all six answers at SCR p. 1068 before directing disposition of the connected cases.

STATUTORY SCOPE

The decision concerns the historical Wealth-tax Act/Rules framework for unquoted equity shares. It records that the Direct Tax Laws (Amendment) Act, 1989 moved corresponding rules into Schedule III. It does not establish current wealth-tax liability or current valuation/accounting treatment; statutory applicability and later treatment require separate verification.

LATER TREATMENT

Source checked 2026-10-10. The 2003 five-judge decision concerning Trustees of HEH distinguished this case on seller-tax versus encumbrance grounds; it did not overrule it. Comprehensive later treatment and current statutory equivalence have not been checked, so no current-law or citator clearance is represented.

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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