

Commissioner of Wealth Tax, Hyderabad v. Trustees of HEH

Civil Appeal No. 4703 of 1999 and connected appeals

[2003] 3 SCR 662 | 2003-04-16

Wealth-tax valuation of a trust remainder: potential estate-duty liability affecting the buyer's interest is relevant, unlike the seller's hypothetical capital-gains liability.

Wealth-tax Act, 1957: sections 3, 7, 21(1) and 21(4); Schedule III, Part G, rule 18 | Estate Duty Act, 1953: section 74(2) | Wealth-tax Rules, 1957: former rule 1-D, distinguished

5-judge bench | V. N. Khare, C.J. | R. C. Lahoti, J. | B. N. Agrawal, J. | S. B. Sinha, J. | Dr. A. R. Lakshmanan, J.

Remainder-interest valuation

The ruling concerns a liability affecting what a buyer would receive from the trust. It does not permit deduction of every hypothetical tax or selling expense from an asset's market value.

Singhania distinguished

The five-judge bench distinguished Bharat Hari Singhania's treatment of the seller's hypothetical capital-gains liability; it did not overrule that decision.

Historical statutory scope

The judgment applies the wealth-tax and estate-duty provisions relevant to the historical assessments; current levy applicability has not been cleared.

01 FACTS OF THE CASE

Beneficiaries of H.E.H. the Nizam Jewellery Trust returned the value of their trust interests using a valuer's report. The Department challenged deductions for estate duty payable on the life tenant's death, the absence of an appreciation adjustment and the interest rate used. The Tribunal accepted the valuation method, and the Andhra Pradesh High Court held that probable estate duty should be taken into account when valuing the remaindermen's interests. A two-judge Supreme Court bench perceived tension between the earlier Nizam's Family Trust decision and Bharat Hari Singhania and referred the issue to a larger bench. The jewellery was not in the remaindermen's possession; their interests depended on the termination of the prior life interests.

Source: [SCR pp. 665-667](#) / [PDF pp. 4-6](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court approached valuation by asking what a willing and informed buyer would offer on the relevant date. A charge or encumbrance limits the rights being sold and may diminish that price. The potential estate-duty liability, secured under section 74(2), therefore mattered to the value of the remainder interest. The trustee-assessment provisions and the relevant assumption that the preceding life interest had ended had to be applied with their necessary consequences. Bharat Hari Singhania concerned a different contention: deduction of a seller's hypothetical capital-gains tax and expenses from an estimated market value, in the setting of rule 1-D share valuation. Such a seller liability did not reduce what the buyer would offer. Here, by contrast, estate duty payable by the trustees on termination of the life interest could reduce the amount ultimately received by a buyer of the remainder interest. The risk directly affected that buyer's acquisition.

Source: [SCR pp. 667-676 / PDF pp. 6-15](#)

03 JUDICIAL DECISION

The five-judge bench held that the risk or hazard of estate-duty liability was a relevant factor in valuing the remainder interest, since it directly affected what its purchaser would ultimately receive. It upheld the High Court's judgment and dismissed Revenue's appeals without costs. It distinguished Bharat Hari Singhania rather than treating that decision as an obstacle to the result.

Source: [SCR pp. 674, 676-677 / PDF pp. 13, 15-16](#)

04 OUTCOME / IN WHOSE FAVOUR

The assessee retained the favourable valuation treatment. The Court recognised the effect of the potential estate-duty encumbrance on the particular interest being valued; it did not prescribe a universal discount percentage, undertake a fresh numerical valuation or authorise deduction of unrelated hypothetical taxes.

Source: [SCR pp. 669, 676-677 / PDF pp. 8, 15-16](#)

05 AKHB REVIEW POINT

AKHB analysis: identify precisely what is being valued-the underlying property or a beneficiary's remainder interest-and trace each claimed liability to the rights a buyer would acquire. Distinguish a charge that reduces the buyer's eventual entitlement from a tax borne only by the seller. Support any valuation adjustment with the trust instrument, governing historical law, valuation date and evidence of the charge's effect. Do not label a market-value adjustment as a universally deductible debt, and independently verify present statutory applicability and later treatment before relying on this historical decision.

Source: [AKHB analysis based on SCR pp. 669-677 / PDF pp. 8-16](#)

SOURCE & VERIFICATION

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

Full 16-page SCR report read; editorial headnote on PDF pages 1-3 distinguished from the judicial text on PDF pages 4-16.

[Open cited source rendition](#)

All 16 pages were read; exact PDF bytes, SHA-256 hash and page count match the source catalogue.

The printed title is Commissioner of Wealth Tax, Hyderabad v. Trustees of HEH; the judgment identifies the beneficiaries of H.E.H. the Nizam Jewellery Trust. It is distinct from existing notes concerning other Nizam trusts and dates.

The report lists Civil Appeal No. 4703 of 1999 and numerous connected appeals; the judicial opinion is delivered by S. B. Sinha J. for a five-judge bench.

The report does not identify a complete set of assessment years, so no years have been inferred.

The source contains no numbered judicial paragraphs; SCR and physical-PDF page pinpoints are used.

STATUTORY SCOPE

The judgment concerns historical wealth-tax valuation and estate-duty provisions applicable to the trust interests before the Court. It does not establish a present estate-duty levy or a general deduction from contemporary asset values; current statutory applicability requires independent verification.

LATER TREATMENT

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

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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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