

Amrit Banaspati Co. Ltd. v. Commissioner of Wealth-Tax, Ghaziabad

Civil Appeal No. 938 of 2003

[2014] 8 SCR 46 | 2014-06-30

Historical wealth-tax valuation: Rule 8(a) permitted departure from Rule 3 where its application was impracticable, subject to reasoned discretion and statutory safeguards.

Wealth-tax Act, 1957: sections 7 and 16A; Schedule III Rules 3-8 and 20

2-judge bench | Sudhansu Jyoti Mukhopadhaya, J. | Kurian Joseph, J.

Assessment years: 1993-94

Historical wealth-tax valuation

The decision applies Schedule III to AY 1993-94. A difference from market value does not remove the need to satisfy Rule 8(a), obtain the prescribed prior approval and exercise discretion reasonably.

Source amount discrepancy

The report gives different amounts for the 1995 sale agreement in paragraphs 2 and 26(v). This note does not adopt either disputed amount; the Court's reliance on the agreement and its upheld valuation are separately stated.

01 FACTS OF THE CASE

For AY 1993-94 the company valued its residential flat at Worli, Mumbai, used as a guest house and acquired before 1 April 1974, at Rs.1,55,139 under Schedule III Rules 3-7. The Assessing Officer considered that figure disconnected from the value of a comparable Mumbai flat and referred the property for departmental valuation, which produced Rs.2,60,73,000. The officer also considered its prior tenancy, improvement expenditure and a later sale agreement when holding that Rule 3 was not practicable. The CWT(A), Tribunal and Allahabad High Court upheld the assessment. The question was whether the company could insist on Rule 3 or whether Rule 8(a) allowed the valuation route adopted.

Source: [Paragraphs 1-4](#)

02 DISCUSSION BY THE HON'BLE COURT

Section 7 directed valuation through Schedule III, but Rule 3 was expressly subject to Rule 8. Under Rule 8(a), an Assessing Officer who, with the prescribed previous approval, finds Rule 3 impracticable may use Rule 20 and the section 16A valuation machinery. Incorporating the rules in the Act did not make Rule 3 inflexible or eliminate every connection with market value. The Court construed practicability broadly enough to address an absurd or uncorrelated result, while stressing that the officer's discretion must be reasonable, objectively supported, judicially exercised and open to scrutiny. Here the large valuation disparity operated alongside guest-house use, low municipal ratable value, the history of tenancy and improvements, and the later sale agreement; the Court upheld the officer's conclusion on their combined force.

Source: [Rule 8 and reasoning, paragraphs 12-28](#)

03 JUDICIAL DECISION

The Court held that the Assessing Officer was justified in finding Rule 3 impracticable, referring the asset to the Valuation Officer under section 16A and assessing wealth tax on the value so determined. It found no merit in the company's appeal and dismissed it. There was no remand for a fresh valuation.

Source: [Operative decision, paragraph 28](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue: the company's challenge failed and the valuation-based assessment remained in place. The result depended on the circumstances supporting impracticability; it is not an unrestricted permission to replace Rule 3 whenever an officer prefers a higher value.

Source: [Safeguard and outcome, paragraphs 25-28](#)

05 AKHB REVIEW POINT

AKHB analysis: for a historical Schedule III dispute, reconstruct the statutory valuation first, then test the recorded Rule 8(a) reasons, prescribed prior approval and section 16A process. Preserve municipal assessments, tenancy history, improvement costs and valuation-date evidence. An extreme disparity can matter, but the officer must still justify the exception through the statutory framework. Distinguish later transaction evidence from valuation-date value, and resolve material numerical discrepancies against the underlying record before relying on them. This historical decision supplies no current-law clearance.

Source: [Judicial reasoning and safeguards](#)

SOURCE & VERIFICATION

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

Full 23-page SCR report read. Editorial headnotes on PDF pages 1-4 were distinguished from the Court's judgment beginning on PDF page 4, paragraphs 1-28.

[Open cited source rendition](#)

The exact original SHA-256 and 23-page count match catalogue asset 2014_8_46_68; the entire report was read and headnotes were separated from judicial reasoning.

Visual inspection of PDF pages 5 and 23 confirmed that paragraph 2 prints Rs.10,26,000 for the 1995 sale agreement, whereas paragraph 26(v) prints Rs.10,26,00,000. Neither amount is used in the substantive note. The returned flat value of Rs.1,55,139 and DVO value of Rs.2,60,73,000 are separately supported.

STATUTORY SCOPE

The judgment concerns AY 1993-94 under the Wealth-tax Act, 1957 and Schedule III as applicable to that assessment. It does not establish a current wealth-tax liability or automatically govern valuation under another statute.

LATER TREATMENT

Source checked 2026-10-10. Subsequent judicial treatment and current statutory equivalence have not been comprehensively verified. No current-law 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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