

Sri S.N. Wadiyar (Dead) through LR v. Commissioner of Wealth Tax, Karnataka

Civil Appeal Nos. 6873-6881 of 2005 with Civil Appeal Nos. 6882 of 2005, 1338 of 2006, 7251 of 2015 and 7377-7378 of 2005

[2015] 9 SCR 1059 | 2015-09-21

Historical wealth-tax valuation of ceiling-affected vacant land: the Rs. 2 lakh compensation ceiling applied to excess land, with market value of the retained land added separately.

Wealth-tax Act, 1957: sections 2(e), 2(m), 2(q), 3 and historical section 7(1) | Urban Land (Ceiling and Regulation) Act, 1976: sections 3-6, 8-11 and related acquisition provisions | Urban Land (Ceiling and Regulation) Repeal Act, 1999: section 4 (historical background)

2-judge bench | A. K. Sikri, J. | R. F. Nariman, J.

Rs. 2 lakh applied only to excess land

The Supreme Court expressly required addition of the market value of land that would remain with the assessee. The entire vacant holding, palace and other structures were not all valued at Rs. 2 lakh.

Historical valuation dates

The ruling addresses the restrictions and compensation ceiling relevant to the old wealth-tax assessments. It is not a present-day property valuation or current-law clearance.

01 FACTS OF THE CASE

The dispute concerned valuation of vacant land attached to Bangalore Palace for historical wealth-tax assessments, described in the judgment as covering 1977-78 to 1986-87. Valuation of residential and non-residential structures and their appurtenant land was accepted. The palace property came within the Urban Land (Ceiling and Regulation) Act, 1976; the assessee filed the required statement, and the competent authority determined excess land subject to a maximum compensation of Rs. 2 lakh. No acquisition notification under section 10(1) was issued. The ceiling proceedings were challenged and later abated on repeal, leaving the land with the assessee. The Tribunal had valued the vacant land at Rs. 2 lakh, but the High Court held that although ceiling restrictions depressed value, the statutory compensation figure did not necessarily set the wealth-tax valuation.

Source: [Paras 2-19; SCR pp. 1063-1073](#)

02 DISCUSSION BY THE HON'BLE COURT

Under historical section 7(1), the officer had to estimate the price a willing purchaser would pay in a hypothetical open market on the relevant valuation date. The hypothetical sale did not remove real statutory restrictions affecting the asset. The Court examined the ceiling statute's prohibition on holding excess land, restrictions on transfer, statement and objection procedure, acquisition mechanism and compensation provisions. Although vesting had not occurred, the process had begun and the competent authority had fixed the maximum compensation at Rs. 2 lakh. Valuing the property as though the ceiling law imposed no constraints was therefore wrong. An ordinary reasonable buyer awaiting government takeover would not pay more than the capped compensation for the excess land; speculative purchasers gambling on a favourable litigation result were not the proper benchmark. However, the Court corrected an omission in the orders favourable to the assessee: the compensation ceiling concerned only excess land. Land that the assessee could retain required its own market value to be added.

Source: [Paras 22-31; SCR pp. 1074-1083](#)

03 JUDICIAL DECISION

The Court answered the valuation question by fixing the value of the ceiling-affected excess land at Rs. 2 lakh and requiring the market value of the remaining land to be added for wealth-tax purposes. It allowed the appeals with no order as to costs. It did not value the entire palace property or all vacant land together at Rs. 2 lakh.

Source: [Paras 31-32; SCR pp. 1082-1083](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee on the treatment of the excess land, subject to a significant retained-land qualification. Revenue could not sustain an unrestricted market valuation of the excess land, but the remaining land still contributed its market value to the wealth-tax computation. The judgment states that the appeals were allowed; it does not expressly order a remand.

Source: [Paras 31-32; SCR p. 1083](#)

05 AKHB REVIEW POINT

AKHB analysis: prepare separate schedules for excess land, retainable land and accepted buildings, supported by the ceiling authority's orders and the valuation-date position. A hypothetical sale assumption is not a licence to ignore legal constraints, but a compensation cap affecting one component cannot be extended to the whole holding. Distinguish actual transfer restrictions and quantified compensation from merely speculative litigation risks. Before applying the reasoning elsewhere, establish the applicable statutory version, asset category and date; this historical result supplies neither a current valuation nor verification of later judicial treatment.

Source: [AKHB analysis based on paras 22-31](#)

SOURCE & VERIFICATION

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

Full 25-page SCR report read; editorial headnote and case-law references on PDF pages 1-4 were distinguished from the judicial text beginning on PDF page 4 (SCR p. 1062), paragraphs 1-32.

Open cited source rendition

Exact source SHA-256 and parsed 25-page count match catalogue asset 2015_9_1059_1083. All pages were read and reporter headnotes were distinguished from the Court's reasons.

The report's headnote and paragraph 2 call the ceiling legislation '1962', but paragraph 3 expressly identifies the Urban Land (Ceiling and Regulation) Act, 1976 and its 17 February 1976 commencement. This note follows the identified 1976 enactment rather than reproducing that internal shorthand/error.

Paragraphs 3 and 13 refer to assessment years 1977-78 through 1986-87, while paragraphs 10-11 describe the Tribunal/reference group through 1985-86; both are preserved as aspects of the connected-appeal history rather than presented as a reconciled year-by-year assessment table.

STATUTORY SCOPE

This judgment concerns historical wealth-tax valuation dates during the operation of the Urban Land (Ceiling and Regulation) Act, 1976. The later repeal and retention of possession did not justify ignoring the constraints applicable to the valuation inquiry. The decision does not set current land values or current tax liabilities.

LATER TREATMENT

Source checked 2026-10-10. Comprehensive subsequent treatment, later valuation proceedings and present statutory applicability have not been verified; no current 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.

PROFESSIONAL DISCLAIMER

General research information only; not legal or tax advice, a certified judgment or a substitute for the full order. Applicability depends on facts, assessment year, statutory version and jurisdiction. Subsequent treatment is unverified unless identified sources are expressly stated. Downloading does not create a professional engagement. Obtain case-specific advice before reliance.