

Bimal Kishore Paliwal & Ors. v. Commissioner of Wealth Tax

Civil Appeal No. 3836 of 2011 with Civil Appeal Nos. 3837, 3839, 3838, 3840 and 3841 of 2011
[2017] 14 SCR 597 | 2017-10-13

Historical wealth-tax valuation of cinema property: business-asset valuation under section 7(2)(a) was discretionary; the land-and-building method was upheld on the facts.

Wealth-tax Act, 1957: sections 7(1), 7(2)(a), 7(3) and 16A, as applicable to the relevant assessments

2-judge bench | A. K. Sikri, J. | Ashok Bhushan, J.

Assessment years: 1970-71, 1971-72, 1972-73, 1973-74, 1974-75

Historical, fact-specific valuation ruling

Section 7(2)(a) was enabling, not mandatory. The Court upheld land-and-building valuation for this owner-occupied cinema on the evidence; it did not reject income capitalisation for every case.

01 FACTS OF THE CASE

The appellants were partners of G.D. & Sons, which owned and operated Alpana Cinema in Model Town, New Delhi. For wealth-tax assessments covering 1970-71 to 1974-75, the officer referred the cinema property to the Departmental Valuation Officer and adopted land-and-building valuation when assessing each partner's interest. The assessee relied on an approved valuer's income-capitalisation approach. The first appellate authority upheld the assessments, but the Tribunal preferred income capitalisation because the building was used for film exhibition. The Allahabad High Court answered the references for Revenue. The Supreme Court considered whether section 7(2)(a) compelled business-wide valuation, whether the High Court could disturb the Tribunal's choice, and whether the method yielding the lower value had to be accepted.

Source: [Paras 1-7; SCR pp. 600-603](#)

02 DISCUSSION BY THE HON'BLE COURT

The normal rule under section 7(1) was the price the asset would fetch in the open market on the valuation date. Section 7(2)(a), despite its non-obstante opening, enabled the officer to value a regularly accounted business as a whole by reference to its balance sheet; it did not compel that method in every running business. Relying on *Tungabhadra Industries and Juggilal Kamlapat Bankers*, the Court held that the officer retained discretion, and the conscious reference to the departmental valuer represented a choice not to use section 7(2)(a). The general rent-capitalisation observations in the land-acquisition decision *P.P. Hassan Koya* did not control this statutory inquiry. On the facts, the cinema was owner-occupied and unencumbered; its permitted cinema use did not itself diminish marketability, while capitalising business losses could produce an unrealistic negative property value. The rule favouring an assessee where a taxing provision admits two reasonable constructions could not be converted into a right to whichever of two valuation methods gave a lower figure: section 7 was not ambiguous here.

Source: [Paras 9-29; SCR pp. 603-613](#)

03 JUDICIAL DECISION

The Court found no error in the officer's adoption of the departmental land-and-building valuation after the assessee's objections had been considered and rejected by the appellate authority. It upheld the High Court's interference with the Tribunal and dismissed all six appeals.

Source: [Paras 30-31; SCR p. 613](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of Revenue. The assessee obtained neither mandatory income-capitalisation valuation nor restoration of the Tribunal's order. This was a final dismissal of the appeals, not a remand.

Source: [Paras 30-31; SCR p. 613](#)

05 AKHB REVIEW POINT

AKHB analysis: in a legacy wealth-tax valuation dispute, identify the precise statutory version and the officer's selected method before comparing valuation figures. Assemble evidence of occupancy, transferable rights, encumbrances, permitted use, comparable prices and the effect of operating losses. Challenge the method or its application through that evidence rather than assuming a business must be valued only by income capitalisation, or that the lower valuation is legally compulsory. The decision's treatment of an unencumbered cinema does not determine the valuation of a differently restricted property, and current-law applicability requires separate verification.

Source: [AKHB analysis based on paras 14-29](#)

SOURCE & VERIFICATION

Supreme Court Reports scan - public eSCR mirror

Full 17-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. 600), paragraphs 1-31.

Open cited source rendition

Exact source SHA-256 and the parsed 17-page count match catalogue asset 2017_14_597_613. All pages were read, with the reporter's headnote separated from the Court's reasons.

The SCR title page and judicial text establish the parties, decision date and bench; SCR p. 600 lists all six civil appeals. The verified printed SCR citation is used rather than relying on an unverified neutral-citation mapping.

The report dates the departmental valuation report 26 April 1977 in paragraph 2 and 26 July 1977 in paragraph 30. The note does not choose between those inconsistent report dates; the judgment date and disposition are unambiguous.

STATUTORY SCOPE

The Court applies the historical version of sections 7 and 16A governing these wealth-tax assessments. It does not establish a universal valuation method for every property or a rule under current tax legislation.

LATER TREATMENT

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

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