

Deputy Commissioner of Gift Tax, Central Circle-II v. M/s BPL Limited

Civil Appeal Nos. 3265 and 3272 of 2016

[2022] 14 SCR 938 | 2022-10-13

Gift-tax valuation of promoter shares under lock-in: mandatory unquoted-share method and transfer restrictions.

Gift-tax Act, 1958: sections 4(1)(a), 6(1) and Schedule II | Wealth-tax Act, 1957: Schedule III, Part A rule 2(9) and (11), Part C rules 9 and 11, Part H rule 21

2-judge bench | Sanjiv Khanna, J. | J. K. Maheshwari, J.

Assessment years: Not specified in the judgment; gift made on 2 March 1993

Historic statutory valuation, not a discretionary discount

The Court required the rule 11 method for these locked-in shares and rejected an ad hoc reduction from a rule 9 quoted price. The decision does not prescribe a freely chosen marketability discount under current valuation provisions.

01 FACTS OF THE CASE

BPL gifted 29,46,500 shares of BPL Sanyo Technologies and 69,49,900 shares of BPL Sanyo Utilities and Appliances to Celestial Finance on 2 March 1993. Although the companies were listed, these promoter-quota shares were subject to a lock-in when gifted. The dispute concerned whether the quoted-share method or the statutory unquoted-share method governed their gift-tax valuation. The report expressly leaves an immaterial lock-in expiry-date discrepancy unresolved.

Source: [Paragraph 1 and footnote 1; SCR p. 944 / PDF p. 7](#)

02 DISCUSSION BY THE HON'BLE COURT

The incorporated valuation machinery was mandatory. These locked-in shares were not regularly quoted through current ordinary-course transactions; limited inter-promoter transfer did not make them quoted shares. Rule 11 therefore supplied the required valuation method for the unquoted equity shares of these non-investment companies. The Court rejected a hybrid approach using an ad hoc reduction from the rule 9 quoted price. Rule 21 assumes a hypothetical sale despite transfer restrictions but does not enlarge the rights being valued or erase those restrictions. A stock-exchange certificate concerns trading facts; it does not displace the authority's legal classification of the particular shares.

Source: [Paragraphs 2-15; SCR pp. 944-954 / PDF pp. 7-17](#)

03 JUDICIAL DECISION

The Revenue's appeal was dismissed on the valuation issue. The assessee did not press the ground in its own appeal, which was dismissed as not pressed. There was no order as to costs.

Source: [Paragraph 16; SCR p. 955 / PDF p. 18](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee against the Revenue's quoted-share valuation challenge. Both appeals were nevertheless dismissed: dismissal of the assessee's own appeal as not pressed was not an adjudication allowing its additional challenge. No fresh numerical valuation was fixed by this judgment.

Source: [Paragraphs 7-9 and 16; SCR pp. 949-950 and 955 / PDF pp. 12-13 and 18](#)

05 AKHB REVIEW POINT

AKHB analysis: identify the rights attached to the precise share block on the valuation date, retain lock-in documentation and distinguish company listing from whether those shares satisfy the statutory quoted-share definition. Apply the valuation method mandated by the governing historical provision; do not convert the Court's recognition of restrictions into an unsupported discretionary discount. For a present transaction, separately verify the applicable tax statute, valuation rules and amendments before relying on this decision.

Source: [AKHB analysis based on paragraphs 4-15; SCR pp. 947-954 / PDF pp. 10-17](#)

SOURCE & VERIFICATION

Supreme Court Reports - public eSCR mirror

Complete 18-page SCR report read. Editorial headnote and case references distinguished from the judicial text at SCR pp. 944-955 / PDF pp. 7-18, paragraphs 1-16. No adjacent case included.

Open cited source rendition

The source SHA-256 and 18-page count match the catalogue. Caption, both appeal numbers, bench and operative disposition checked against the report.

Paragraph 1 footnote 1 expressly notes an immaterial discrepancy in the lock-in expiry date. This note retains that uncertainty rather than correcting or certifying the date.

OCR joins superscript footnotes to section numbers as "43" and "64"; the page images and footnote provisions confirm sections 4 and 6, not sections 43 and 64.

STATUTORY SCOPE

The Court applied the Gift-tax Act and incorporated Wealth-tax valuation rules to a gift on 2 March 1993. This note does not certify current gift taxation, present securities valuation rules or any Income-tax Act, 1961 or 2025 crosswalk.

LATER TREATMENT

Source checked 2026-10-10. The complete reported judgment has been checked. Comprehensive later judicial treatment, review proceedings and present 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.

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