

**Cwt Vs. B.R. theatres and Industrial Concerns (P) Ltd.**

**Cwt Vs. B.R. theatres and Industrial Concerns (P) Ltd.**

**SooperKanoon Citation :** [sooperkanoon.com/833362](http://sooperkanoon.com/833362)

**Court :** Chennai

**Decided On :** Dec-01-2003

**Reported in :** [2004]135TAXMAN371(Mad)

**Appeal No. :** Tax Case Nos. 130, 179 & 184 to 186 of 2000 1 December 2003

**Appellant :** Cwt

**Respondent :** B.R. theatres and Industrial Concerns (P) Ltd.

**Advocate for Pet/Ap. :** T. Ravikumar, *for the Revenue* Philip George and P. Senthil Kumar, *for the Assessee*

**Judgement :**

ORDER

**R. Jayasimha Babu, J.**

The question referred is,

'Whether on the facts and in the circumstances of the case, the Appellate Tribunal is right in law in holding that the immovable properties held as business assets cannot form part of the subject-matter of wealth-tax

The assessment years are 1984-85 to 1988-89.

2. The assets referred to in the question are admittedly assets which fall within the scope of section 40(3) of the Finance Act, 1983. The ground on which the assessee contend that the value of the assets should not be taken into account for determining the assessee's liability is that these assets are held by the assessee as stock-in-trade. The assets are land and buildings.

3. This court in the case of CWT v. Varadharaja Theatres (P) Ltd. : [2001]250ITR523(Mad) held that the exemption granted to cinema houses with effect from 1-4-1989 by the Finance Act, 1988 while computing the wealth of the closely held companies, which are subject to wealth-tax, was not retrospective and that it would take effect only from 1-4-1989. This court in that case dissented from the view to the contrary that had been taken by the Karnataka High Court in the case of CWT v. Prakash Talkies (P) Ltd. : [1993]202ITR121(KAR) .

4. Subsequently, this court in the case of CWT v. Vummidi Bangaru Chetty (P) Ltd. : [2002]254ITR332(Mad) , held that the value of filigree silver and silverware, held by the assessee therein as stock-in-trade were assessable to wealth-tax for the assessment years 1984-85 to 1988-89. More recently, this court in the case of CWT v. Reliance Motor Co. Ltd. : [2003]260ITR571(Mad) , held that for the assessment year 1984-85 the value of the motor cars which form part of the stock-in-trade of the assessee was not exempt from wealth-tax.

5. The view taken in all the aforementioned cases is that the amendment effected to section 40 of the Finance Act, 1983 by the Finance Act of 1988 is only prospective and not retrospective.

6. Learned counsel for the assessee here, despite those decisions, sought to contend that the value of the stock-in-trade was not includible in the net wealth, by placing reliance on a decision of Rajasthan High Court in the case of CIT v. Jodhan Real Estate Development Co. (P) Ltd. . That judgment, inter alia, placed reliance on) the decision of the Karnataka High Court, which has been dissented from by his court in the case of Varadharaja Theatres (P) Ltd. (supra).

7. With respect, we are unable to subscribe to the view taken in that case of Jodhan Real Estate Development Co. (P) Ltd. (supra) wherein it was held that the

value of the cinema house could not be included in the net wealth of the assessee even prior to 1-4-1989, even though cinema house was specifically included in the exempted class of building only after the amendment effected by the Finance Act, 1988.

8. The test to be applied for deciding as to whether a later amendment should be given retrospective effect, despite a legislative declaration specifying a prospective date as the date from which the amendment is to come into force is as to whether without the aid of the subsequent amendment the unamended provision is capable of being so construed as to take within its ambit the subsequent amendment.

9. Applying that test it is not possible for us to hold that stock-in-trade which is not excluded from wealth-tax in section 40 of the Finance Act, 1983, is nevertheless to be regarded as having been excluded. No part of that section is capable of being given such a construction.

10. The decision of the Supreme Court in the case of Allied Motors (P) Ltd. v. CIT : [1997]224ITR677(SC) , on which also the assessee's counsel placed reliance does not support the view that in all cases of unintended hardship the later amendment should be regarded as forming part of the originally enacted law. In that case the court while considering section 43B of the Act and the amendment effected thereto by the Finance Act, 1987, which inter alia inserted a new proviso as also an Explanation held that as the Explanation was given retrospective effect, the proviso was also required to be given that effect, in order to place a reasonable construction on the section as amended.

11. The court in that case held that, 'a proviso which is inserted to remedy the unintended consequence to make the provision workable, a proviso which supplies an obvious omission in the section to give the section a reasonable interpretation, requires to be treated as retrospective in operation, so that a reasonable interpretation can be given to the section as a whole'.

12. The non-exclusion of stock-in-trade from the ambit of levy of wealth-tax cannot per se be regarded as an obvious omission, nor is giving it immunity from levy of wealth-tax necessary for reasonably interpreting the unamended provision.

13. We do not therefore see any good reason to depart from the view taken by this court in the earlier decision that the Finance Act, 1988 which amended portions of the Finance Act, 1983, and extended the exemption from wealth-tax, inter alia, to the value of cinema house and the value of stock-in-trade, is not retrospective.

14. The question is answered in favour of the revenue and against the assessee.

**SooperKanoon - India's Premier Online Legal Search - [sooperkanoon.com](http://sooperkanoon.com)**