



# SHRI GURU KRIPA LEARNING CENTRE

No.27, Akbarabad Second Street, Kodambakkam, Chennai – 600 024.

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## WEALTH TAX

### ASSETS [SECTION 2(ea)]

1. **Building: Includes** – Residential Property, Commercial Property, Guest house, Farm House ( $\leq 25$  Km)/ **Excludes** – Residential House allotted to Company Employee (Gross Salary  $< 5$  lakhs p.a.), Stock in trade, Let out property ( $\geq 300$  days), own business and Commercial establishment or Commercial Complex.
2. **Motor Car: Excludes** – Stock in trade, running on hire, buses, cars, trucks/ **Includes** – Jeep, Sports utility vehicle, multi utility vehicle.
3. **Jewellery: Excludes** – Stock in trade/ Gold Bonds
4. **Urban Land:** Situated within 8 Kms/ Population  $\geq 10,000$ / **Excludes:** Construction prohibited/ Construction permitted/ Industrial purpose  $\leq 2$  years/ Stock in trade  $\leq 10$  years.
5. **Boat, Yacht and Aircraft:** Excludes – Commercial purpose (own business or office)/ Ship.
6. **Cash:** Taxable – Individual and HUF  $> \text{Rs. } 50,000$ / others – not recorded in books  
Building owned by Partner/ used in Firm's business/ no benefit/ not taxable.

### APPLICABILITY OF WEALTH TAX

1. **Applicable:** Individual/ HUF/ Company/ AOP share not defined 21 AA/ Trust 21A
2. **Not applicable:** Sec.25 Companies, Co-operative Society/ Club/ Political Party/ Mutual Fund.  
Individual includes – Legal Heir/ Holder/ Deities/ Trade Unions.  
Individual / Indian Company/ IO (OR)/ HUF (ROR)/ Company (R) Global Assets/ Liabilities.  
Individual / Indian Company/ IO (NOR/ NR)/ Individual (FC) (ROR/NOR/NR)/ HUF(NOR/NR)/ Company (NR)  
Indian Assets/ Liabilities.
3. Clubbing on what basis on what form asset kept on valuation date apply.
4. Firm Asset/ AOP Asset/ chargeable in partner or member hands 4(1)(b)/ Part performance of contract – Transferee deemed owner.
5. Member of Co-operative Society – allotted house property/ share taxable/ installment deductible.
6. Minor married daughter – no clubbing/ Meher payment – no clubbing.
7. Charitable Trust – All asset exempt, except business asset/ Exemption withdrawn u/s 13(1)(c)/(d)/ not for 85% application.
8. Share in member HUF/ One notified Residential building of EX-ruler not let out 5(iii)/ Heirloom Jewellery not personal 5(iv).
9. NR(IC/IO) asset or money brought/ purchased in India within 1 year or subsequently / For 7 years.  
Individual / HUF – one house (or) Part of house (or) Plot of land  $\leq 500$  Sq. Mts.
10. **Exemption available:** Share in Firm house/ Leased building/ Godown/ Works shop. Cinema hall – not available.

11.  $NW = (\text{Asset [2(ea)]} + \text{Deemed Asset u/s 4}) - (\text{Exemption u/s 5} + \text{liabilities for acquiring or improving the assets})$ .
12. Liabilities exclude WT/ Basic exemption = Rs. 15 lakhs/ WT rate 1%/ Rounding off – tax, interest, penalty – Re.1; Net wealth – Rs.100)

## VALUATION

$AR (WY) + MT (T) + 1/9^{\text{th}} AR(\text{Repair}) + 15\% \text{ Interest (for let out period only)} + \text{Premium} + \text{Benefit}$

$GMR = FR \text{ vs } MR = H \text{ vs. } SR = L \text{ vs. } AR = H$

$NMR = GMR - (MT + 15\% GMR)$

$CNMR = FHL(NMR \times 12.5) / LHL \geq 50 \text{ years } (NMR \times 10) / LHL \leq 50 \text{ years } (NMR \times 8)$

$SNMR = CNMR \text{ vs. } (CA + CI) = H / \text{Exceptions SOP (W)} \leq 50 \text{ lakhs or } 25 \text{ lakhs.}$

Add: Premium =  $[AA - (BA + SA) / AA] \times 100 = \%$

|            |                   |                    |                    |          |
|------------|-------------------|--------------------|--------------------|----------|
| Nil        | 20%               | 30%                | 40%                | Rule 8   |
| $\leq 5\%$ | $> 5\% \leq 10\%$ | $> 10\% \leq 15\%$ | $> 15\% \leq 20\%$ | $> 20\%$ |

Deduction: UEI = Least of Actual liability(UEI)/ 50% SNMR

Rule 8:  $>UBA > 20\%$ /  $LHC \leq 15 \text{ years}$ / AO with JCIT permissible

### Valuation of Business

$BV \text{ of [2(ea) Asset]} = \text{Depreciation (WDV)} + \text{Other Assets (BV)} + \text{Stock in Trade (C/MP)}$

BV/ Schedule III or MV

Schedule III/ MV  $> [BV + 20\%]$  then, Schedule III/ MV else BV/ Less: Liabilities  $[(TI \div TUA) \times VA(WT)]$

### Valuation of Firm

$NWF = \text{Value of Business} + \text{OA u/s 2(ea)} - \text{Liabilities}$

Interest of partner (WF) = CC + Surplus in (CCR/ PL rates)

Interest on basis of location:  $IP(F) \times (AI : AOI)$

Interest in Asset Home 5(vi)  $IP(F) \times (\text{Value of building} / NWF)$

### Valuation Officer

1. AO  $\xrightarrow{\text{Notice}}$  VO, 2. VO  $\xrightarrow{\text{Proof}}$  Assessee, 3. Assessee  $\xrightarrow{\text{Proof}}$  AO.

AO not satisfied/ valued/ Notice to Assessee/ Value notified to AO and Assessee/ VO binding on AO.

VO: Pending assessment includes Reassessment/ VO order appealable/ CA – values GR  $\geq 50,000$  (10 years expenditure)/ VO bound by Schedule III/ VO report valid reason for reopening assessment.

### Valuation of Jewellery

$FMV > \text{Rs.5 Lakhs}$  – Valuer report form O8/  $FMV \leq \text{Rs.5 Lakhs}$  – Assessee statement Form – O8A

Value by VO u/s 16A – 4 years same value – adjust for Gold/ silver/ acquisition/ sale.

**Valuation of Life interest:**

(Average Annual GI of 3 years up to VD (–) Least of 5% of AAGI Avg. Annual Expenses for 3 years upto VD) x Multiple Factor.

## LEGAL REPRESENTATIVES

**Legal Representative** – VD prior to death/ Will Executor/ Admin/ Revision by CIT / Liable for pending liability/ Liability for return/ S.14,15 and 17 apply.

LR – not liable for penalty/ IT Act penalty apply.

19A (Executor)/ VD subsequent to death)/ will executed/ Residential status – same as deceased)/ Two separate Assets (Individual/ Representative)/ till all assets distributed.

## CONCEALMENT OF WEALTH

**Wealth concealed Particulars**

Fails to offer explanation/ false explanation/ not able to substantiate explanations/ prove explanations/ all facts not disclosed/ fails to furnish return/ Returned wealth < 75% of Assessed wealth/ Undisclosed jewellery found in search./ Penalty – Min 100% of WT. Max 500% of WT.

## AGENT

S.22 agent/ Deemed Assessee/ recovered from Agent/ Notice to Assessee and heard/ Right to recover tax/ right to retain amount/ Certificate from AO/ Right to retain/ Certificate (warranty)/ Restricted to certified amount/ Additional amount due out of additional assets.