

## THE WEALTH TAX ACT, 1957

### COMPUTATION OF NET WEALTH

| Particulars                                                                                                                                                        | Rs.   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| Assets specified in Section 2(ea) chargeable in the hands of assessee on the basis of location of the assets and the assessee's nationality and residential status | xxx   |
| Less: Aggregate value of all the debts owed by the assessee on the valuation date incurred in relation to the above said assets                                    | (xxx) |
| Less: Assets exempt u/s 5                                                                                                                                          | (xxx) |
| Add: Deemed asset in the assessee's hands u/s 4                                                                                                                    | xxx   |
| Net Wealth as per Wealth Tax Act                                                                                                                                   | xxx   |

**Rounding off Net Wealth [Section 44C]:** The net wealth computed above shall be rounded off to the nearest multiple of one hundred rupees.

**1.** ALtd is engaged in the construction of residential flats. For the valuation date 31.3.2009, it furnishes the following data and requests you to compute the taxable wealth -

- (a) Land in urban area (Construction is not permitted as per Municipal Laws in force) Rs.55,00,000
- (b) Motor-cars (used on hire by the company) Rs.10,00,000
- (c) Jewellery (Investment) Rs. 25,00,000. Loan taken for purchasing the same Rs. 20,00,000
- (d) Cash Balance (as per books) Rs.2,75,000
- (e) Bank Balances Rs.5,50,000
- (f) Guest House (situated in a place which is 30 Kms away from the local limits of the municipality) Rs.10,00,000
- (g) Residential flats occupied by the Managing Director Rs.15,00,000. The Managing Director is on whole time appointment and is drawing remuneration of Rs.2,00,000 per month.
- (h) Residential house were let out on hire for 200 days Rs.10,00,000

The computation should be supported with proper reasoning for inclusion or exclusion.

#### Valuation Date: 31.03.2009 Computation of Taxable Wealth

| Nature of asset                                                 | Rs.                             | Reason                                                                                     |
|-----------------------------------------------------------------|---------------------------------|--------------------------------------------------------------------------------------------|
| Land in Urban Area                                              | NIL                             | Land in which construction is not permitted as per municipal law is not an asset u/s 2(ea) |
| Motor Cars                                                      | NIL                             | Motor cars used in business of hire is not an asset u/s 2(ea)                              |
| Jewellery                                                       | 25,00,000                       | Not held as stock in trade                                                                 |
| Cash Balance                                                    | NIL                             | Cash as per books - Not an asset U/s 2(ea)                                                 |
| Bank Balance                                                    | NIL                             | Not an asset u/s 2(ea)                                                                     |
| Guest House                                                     | 10,00,000                       | Asset u/s 2(ea)                                                                            |
| Residential Flat occupied by MD                                 | 15,00,000                       | Asset u/s 2(ea) since Annual Gross Salary is greater than Rs.5,00,000.                     |
| Residential House Let-out                                       | 10,00,000                       | Asset U/s 2(ea) as it is not let-out for a period >300 days.                               |
| <b>Total Assets</b>                                             |                                 |                                                                                            |
| Less: Debt incurred in relation to an asset: Loan for Jewellery | <b>60,00,000</b><br>(20,00,000) |                                                                                            |
| <b>Taxable Net Wealth</b>                                       | <b>40,00,000</b>                |                                                                                            |

**2.** Samir furnishes the following particulars for the compilation of his Wealth Tax return for Assessment Year 2009-10.

- (a) Gifts of jewellery made to wife from time to time aggregating Rs.80,000. Market value on valuation date Rs.3,00,000
- (b) Flat purchased under installment payment scheme in 1978 for Rs.9,50,000. Used for purposes of his residence and market value as on 31.3.2009. (Installment remaining unpaid Rs. 80,000) Rs.10,00,000
- (c) Urban land transferred to minor handicapped child valued on 31.3.2009 Rs.5,00,000.

Explain how you will deal with these items. Make suitable assumptions if required.

| Particulars                          | Taxable     | Reasons                                                                                                                      |
|--------------------------------------|-------------|------------------------------------------------------------------------------------------------------------------------------|
| Gift of Jewellery made to wife       | Rs.3,00,000 | Deemed asset u/s 4. Fair Market Value of the Jewellery is taxable.                                                           |
| Flat used for residence              | NIL         | Taxable as an asset u/s 2(ea) but the assessee can claim exemption u/s 5(vi). So full value of the asset is exempt from tax. |
| Urban Plot in the hands of the minor | NIL         | Asset held by the minor who is handicapped u/s 80U, clubbing provisions does not apply.                                      |

**3.** Compute the net wealth of Nivedita, a resident individual as on 31.3.2009 from the following particulars furnished —

- (a) She has a house property at Delhi, valued at Rs. 20,00,000 which is occupied by a firm in which she is a partner for its business purposes. Another house at Mumbai, valued at Rs.8,00,000 is being used for his own business.
- (b) Vehicles for personal use - (i) Motor Car Rs.10,00,000 (ii) Motor Van — Rs.3,00,000 (iii) Jeep — Rs.5,00,000.
- (c) Cash on hand - Rs.3,10,000
- (d) Jewellery - Rs.10,00,000
- (e) Nivedita has gifted to a Trust a residential property situated at Kolkata purchased 5 years back for Rs.20,00,000 for the benefit of the smaller HUF consisting of herself and her spouse and let-out for 8 months. Schedule-III, Rule 3 value as on 31.3.2009 is Rs. 14 Lakhs.
- (f) She had transferred an urban house plot in February 1998 in favour of her niece which was not revocable during her life time. This niece died on 14.3.2008. Nivedita could get the title to the plot retransferred to her name only on 15.4.2008 despite sincere and honest efforts. The market value of the house as on 31.3.2009 is Rs. 10,00,000.
- (g) Nivedita is the holder of an impartible estate in which urban agricultural lands of the value of Rs. 4,30,000 as on 31.3.2009 are comprised.

**Assessee: Ms. Nivedita      Valuation Date: 31.3.2009      Assessment Year: 2009-10**  
**Computation of Net Wealth**

| Nature of Asset                                                              | Amount Taxable | Reasons                                                                   |
|------------------------------------------------------------------------------|----------------|---------------------------------------------------------------------------|
| House Property at Delhi used for business by a firm in which he is a partner | NIL            | Property used for business purpose is not an asset u/s 2(ea) (Refer Note) |
| House Property at Mumbai used for his own business                           | NIL            | Property used for business purpose is not an asset u/s 2(ea)              |
| Vehicles for Personal Use                                                    |                |                                                                           |

|                                                                                             |                                   |                                                                                                                      |
|---------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------------------------------------------------------------------------------------------|
| 1. Motor-car<br>2. Motor-van<br>3. Jeep                                                     | 10,00,000<br>3,00,000<br>5,00,000 | Vehicles used for personal purposes are asset u/s 2(ea)                                                              |
| Cash on Hand                                                                                | 2,60,000                          | For an Individual, cash in excess of Rs. 50,000 shall be chargeable to Wealth Tax u/s 2(ea) (Rs.3,10,000 -Rs.50,000) |
| Jewellery                                                                                   | 10,00,000                         | Jewellery other than those held as stock-in-trade are asset u/s 2(ea)                                                |
| Property at Kolkata transferred to a Trust 20,00,000<br>Less: Exemption u/s 5(vi) 20,00,000 | NIL                               | Taxable u/s 4(1A). Value = Higher of Value as on Valuation Date Rs.14 Lakhs or Cost of Acquisition Rs. 20 Lakhs      |
| Urban House Plot transferred to Niece                                                       | 10,00,000                         | Taxable u/s 4(5) as the title to the property stands vested in Nivedita's hands immediately on niece's demise        |
| Urban Agricultural Land                                                                     | 4,30,000                          | Holder of an impartible estate is deemed to be the owner of all properties comprised therein u/s 4(6)                |
| <b>NET WEALTH</b>                                                                           | <b>44,90,000</b>                  |                                                                                                                      |

**4.** SIPRA Constructions Ltd. is engaged in the construction of residential flats. For the valuation date 31.3.2009, furnishes the following data and requests you to compute the taxable wealth:

- Land in urban area (construction is not permitted as per Municipal laws in force) Rs.50 lakhs
- Motor-cars (in the use of company) Rs.10lakhs
- Jewellery (Investment) Rs.10 lakhs
- Cash balance (As per books) Rs.3 lakhs
- Bank Balance (As per books) Rs.6 lakhs
- Guest House (Situated in rural area) Rs.8 lakhs
- Residential flat occupied by Managing Director (Annual remuneration of whom is Rs.8 Lakhs excluding perquisites) Rs.10 lakhs
- Residential house let-out for 100 days in the financial year Rs.5 lakhs
- Loan obtained for:
  - Purchase of Motor Car Rs. 3 lakhs
  - Purchase of Jewellery Rs.2 lakhs

**Assessee: SIPRA Constructions Ltd. Valuation Date: 31.3.2009 Assessment Year: 2009-10**

| Nature of Asset    | Amount taxable (Rs. Lakhs) | Reasons                                                                                                 |
|--------------------|----------------------------|---------------------------------------------------------------------------------------------------------|
| Land in Urban Area | NIL                        | Land in which construction is not permitted as per municipal laws is not an asset u/s 2(ea)             |
| Motor-cars         | 10                         | Motor-car other than those used in the business of hire or held as stock-in-trade is an asset u/s 2(ea) |
| Jewellery          | 10                         | Not held as stock-in-trade - asset u/s 2(ea)                                                            |
| Cash Balance       | NIL                        | Cash as per books - not an asset u/s 2(ea)                                                              |
| Bank Balance       | NIL                        | Not an asset u/s 2(ea)                                                                                  |
| Guest House        | 8                          | Asset u/s 2(ea)                                                                                         |

|                                           |           |                                                                                              |
|-------------------------------------------|-----------|----------------------------------------------------------------------------------------------|
| Residential Flat Occupied by MD           | 10        | Asset u/s 2(ea) - since Gross Annual Salary of Managing Director is greater than Rs. 5 Lakhs |
| Let-out Residential House Property        | 5         | Asset u/s 2(ea) - since not let-out for a period exceeding 300 days                          |
| <b>TOTAL ASSETS</b>                       | <b>43</b> |                                                                                              |
| Less: Debt incurred in relation to Assets |           |                                                                                              |
| 1. Purchase of Motor-car                  | (3)       |                                                                                              |
| 2. Purchase of Jewellery                  | (2)       |                                                                                              |
| <b>NET WEALTH</b>                         | <b>38</b> |                                                                                              |

**5.** Sunrise Promoters & Developers Ltd. a widely held company owns the following assets as on 31.3.2010 -

- Land at Rajarhat (West Bengal) purchased in 2001 on which a residential complex consisting of 24 flats, to be sold on ownership basis, is under construction for last 18 months
- Two office flats at Noida purchased for resale in the year 2002
- Shares of Group Companies, break-up value of which is Rs.19,00,000
- Cash at construction site Rs.8,00,000
- Residential flat in occupation of company's whole-time director drawing a salary of Rs.4,50,000 per annum.

Which of the above assets will be liable for wealth? Give reasons in brief

**Assessee: Sunrise Promoters & Developers Ltd. Valuation Date: 31.3.2009**  
**Assessment Year: 2009-10**

| Nature of Asset                                         | Amount Taxable | Reasons                                                                                            |
|---------------------------------------------------------|----------------|----------------------------------------------------------------------------------------------------|
| Land at Rajarhat purchased in 2004                      | NIL            | Urban Land held as stock-in-trade for a period less than 10 Years -not an asset u/s 2(ea)          |
| Residential Flats at Noida purchased in 2003 for resale | NIL            | House Property held as stock-in-trade - not an asset u/s 2(ea)                                     |
| Shares of Group Companies                               | NIL            | Not an asset u/s 2(ea)                                                                             |
| Cash at construction site                               | NIL            | Any amount recorded in the books of account is not an asset u/s 2(ea)                              |
| Residential House Property for Whole-Time Director      | NIL            | Since Gross Annual Salary of Whole Time Director is less than Rs. 5 Lakhs - not an asset u/s 2(ea) |

**6.** Hassan, a person of Indian origin was working in Australia since 1985. He returned to India for permanent settlement in June 2003 when he remitted the moneys into India. He furnished the following particulars of his wealth as on 31.3.2009. You are required to arrive at his wealth in respect of Assessment Year 2009-10-

- Market Value of Residential house in Jharkhand (let-out for residence) Rs.10,00,000 with Net Maintainable Rent p.a. of Rs.1,20,000.
- Share in building owned by a firm in which Hassan is a Partner - used for business Rs.5,00,000
- Motor-car purchased in April 2008, out of moneys remitted to India from Australia Rs.4,00,000
- Value of interest in Firm excluding item (b) above Rs.5,00,000
- Shares in companies (quoted) Rs.2,00,000

- (f) Assets purchased out of amount remitted from Australia:
- Jewellery purchased in March 2001 Rs.5,50,000
  - Vacant land purchased in October 2000 Rs.10,00,000
- (g) Amount standing to the credit of NRE Account Rs.15,00,000
- (h) Cash on hand (out of sale proceeds of agricultural income) Rs.65,000

**Assessee: Hassan Valuation Date: 31.3.2009 Computation of Net Wealth**

| Nature of Asset                                                           | Amount Taxable   | Reasons                                                                                                |
|---------------------------------------------------------------------------|------------------|--------------------------------------------------------------------------------------------------------|
| Residential House in Jharkhand                                            | NIL              | Not an Asset u/s 2(ea) - Let-out for whole year - Hence, not taxable                                   |
| Share in the building owned by the firm                                   | NIL              | Not an asset u/s 2(ea), used for its own business - not chargeable to tax                              |
| Motor-car 4,00,000                                                        |                  |                                                                                                        |
| Less: Exempt u/s 5(v)-acquired out of money brought into India (4,00,000) | NIL              | Asset u/s 2(ea). But, exemption available u/s 5(v), since acquisition out of money brought into India. |
| Value of Interest in a Firm                                               | 5,00,000         | Assumed as deemed asset u/s 4(1)(b)                                                                    |
| Shares in Companies                                                       | NIL              | Not an asset u/s 2(ea)                                                                                 |
| Value of Jewellery                                                        | 5,50,000         | Asset u/s 2(ea) - Not entitled for exemption                                                           |
| Vacant Land                                                               | 10,00,000        | Asset u/s 2(ea) - Purchased in October 1999                                                            |
| Money in NRE A/c                                                          | NIL              | Not an asset u/s 2(ea)                                                                                 |
| Cash in Hand in excess of Rs.50,000                                       | 15,000           | Asset u/s 2(ea), being an Individual                                                                   |
| <b>NET WEALTH</b>                                                         | <b>20,65,000</b> |                                                                                                        |

**7.** Romit Roy, a Not Ordinarily Resident in India seeks your advice with regard to the furnishing of his Wealth Tax Return. The value of assets held on 31.3.2009 is indicated below. You are requested to compute the Taxable Wealth.

- Motor cars of foreign make held as Fixed Assets Rs.26 lakhs
- Gold bonds under Gold Deposit Scheme, 2000 Rs.25 lakhs
- Residential House Property at Kolkata let out w.e.f.10.2.2008 Rs.30 lakhs
- Jewellery held Rs.20 lakhs
- Lands purchased for industrial purpose: (a) on 1.1.2003 Rs. 7 lakhs (b) on 24.2.2008 Rs.10 lakhs
- Loans against the purchase of land : (a) on 1.1.2003 Rs. 4 lakhs (b) on 24.2.2008 Rs.5 lakhs
- Fixed Assets located in Abu Dhabi Rs.80 lakhs
- Cash at Bank Rs.4 lakhs
- Cash in Hand Rs.80,000
- Mrs. Roy acquired out of gifts received from her husband:

(a) Shares and securities Rs.3,00,000

(b) Residential House property at Bangalore Rs.20,00,000

**Assessee: Romit Roy****Valuation Date: 31.3.2009****Assessment Year:2009-10****Computation of Net Wealth**

| Nature of Asset                                 | Rs.              | Reasons                                                                                                 |
|-------------------------------------------------|------------------|---------------------------------------------------------------------------------------------------------|
| Motor-cars                                      | 26,00,000        | Motor-car other than those used in the business of hire or held as stock-in-trade is an asset u/s 2(ea) |
| Gold Bonds, 1999                                | Nil              | Not an asset under WT Act.                                                                              |
| Residential House Property                      | Nil              | Any residential house property let-out for 300 days or more is not an asset                             |
| Jewellery                                       | 20,00,000        | Jewellery other than those held as stock-in-trade is an asset                                           |
| Land purchased on 1.1.02 for Industrial Purpose | 7,00,000         | Land held beyond two years from the date of acquisition for industrial purposes is an asset             |
| Land purchased 24.2.2008                        | Nil              | Land held for first two years from the date of acquisition for industrial purposes is not an asset      |
| Cash-on-Hand                                    | 30,000           | Cash held beyond Rs. 50,000 is an asset                                                                 |
| Cash-at-Bank                                    | Nil              | Not an asset under WT Act.                                                                              |
| Fixed Asset located in Abu Dhabi                | Nil              | Not chargeable to tax for Not Ordinary Resident                                                         |
| Deemed Assets acquired and held by Mrs.Roy      |                  |                                                                                                         |
| (a) Shares and Securities                       | Nil              | Not an asset u/s 2(ea)                                                                                  |
| (b) Res.House Property at Bangalore             | 20,00,000        | Asset u/s 2(ea).                                                                                        |
| <b>Less:</b> Exemption u/s 5(vi) (20,00,000)    | Nil              | One house or part of the house exempt u/s 5(vi)                                                         |
| <b>Total Assets</b>                             | <b>53,30,000</b> |                                                                                                         |
| <b>Less:</b> Debts incurred on Taxable Assets   |                  | Wealth Tax Liability and Debts incurred in relation to exempted assets are not deductible               |
| On Land acquired on 1.1.2003                    | (4,00,000)       |                                                                                                         |
| <b>Net Wealth</b>                               | <b>49,30,000</b> |                                                                                                         |
| <b>Less:</b> Basic Exemption                    | <b>15,00,000</b> |                                                                                                         |
| <b>Taxable Net Wealth</b>                       | <b>34,30,000</b> |                                                                                                         |
| <b>Tax Payable @ 1%</b>                         | <b>34,300</b>    |                                                                                                         |

**VALUATION OF IMMOVABLE PROPERTY**

**8.** Abhishek, a person of Indian origin was working in Austria since 1990. He returned to India for permanent settlement in May 2008 when he remitted money into India. For the valuation date 31.3.2009, the following particulars were furnished. You are required to compute the taxable wealth. The reason for inclusion or exclusion should be stated –

- Building owned and let-out for 270 days for residence. Net maintainable rent (Rs.1,00,000) and the Market Value (Excess of Unbuilt Area over Specified Area is 20% of the Aggregate Area) Rs. 30 lakhs

- Jewellery: (a) Purchased in April 2008 out of money remitted to India from Austria Rs.12,00,000  
(b) Purchased in May 2008 out of sale proceeds of motor-car brought from abroad and sold for Rs.40 lakhs.
- Value of interest in urban land held by a firm in which he is a partner Rs.10 lakhs
- Bonds held in companies Rs.10 lakhs
- Motor car used for own business Rs.25 lakhs
- Vacant house plot of 480 sq.mts. (purchased in December 2001) market value of Rs.20,00,000
- Cash in hand Rs.45,000
- Urban land purchased in the year 2006 out of withdrawals of NRE Account Rs.15,00,000

**Assessee: Abhishek Valuation Date: 31.3.2009 Assessment Year: 2009-10**

**Computation of Net Wealth**

| ature of the Asset                  | Rs          | Rs               | Reasons                                                     |
|-------------------------------------|-------------|------------------|-------------------------------------------------------------|
| Value of the House                  | 18,50,000   | <b>18,50,000</b> | Asset u/s 2(ea).<br>Working Note 1                          |
| Jewellery: Purchased in April 2008  | 12,00,000   | <b>Nil</b>       | Asset u/s 2(ea).                                            |
| Less: Exempt u/s 5(v)<br>Jewellery  | (12,00,000) |                  | Purchased out of money brought into India                   |
| Jewellery: Purchased in May 2008    | 40,00,000   | <b>Nil</b>       | Asset u/s 2(ea).                                            |
| Less: Exempt u/s 5(v)               | (40,00,000) |                  | Purchased out of sale proceeds of assets brought into India |
| Interest in Urban Land held by firm | 10,00,000   | <b>10,00,000</b> | Deemed Asset u/s 4(1)(b)                                    |
| Bonds held in companies             | —           | <b>Nil</b>       | Not an asset u/s 2(ea)                                      |
| Motor car                           |             | <b>25,00,000</b> | Asset u/s 2(ea). Not held as stock-in-trade                 |
| Vacant House Plot (480 sq. mts.)    | 20,00,000   | <b>Nil</b>       | Asset u/s 2 (ea)                                            |
| Less: Exempt u/s 5(vi)              | (20,00,000) |                  | House/part of house/plot less than 500 sq.mts.              |
| Cash in hand                        |             | <b>Nil</b>       | Since not exceeding Rs.50,000                               |
| Urban Land Purchased                | 15,00,000   | <b>Nil</b>       | Purchased out of money brought into India                   |
| Less: Exempt u/s 5(v)               | (15,00,000) |                  |                                                             |
| <b>NET WEALTH</b>                   |             | <b>53,50,000</b> |                                                             |

**(1) Working Notes: Valuation of Building:**

Net Maintainable Rent(NMR) = Rs.1,00,000

Capitalized Value of NMR=NMR×12.5 (Owner of the land)=Rs. 1,00,000×12.5 = Rs.12,50,000

Add: Premium for excess of unbuilt area (20%) over specified area=40% of CNMR = Rs. 5,00,000

**VALUE OF THE HOUSE**

**Rs.18,50,000**

**9.** Mr. Kushal Sengupta owns a house at Jharkhand, which is let-out at Rs.1,35,000 per annum. The annual value of the property as per municipal records also is Rs.1,00,000. Municipal taxes are partly borne by the owner (Rs.5,000) and partly by the tenant (Rs.6,000). Repair expenses are borne by tenant (Rs.10,000) the difference between the un-built area and specified area does not exceed 5%. The property was acquired on 10.5.1998 for Rs. 15,00,000.

Determine for purposes of Wealth Tax Act, the value of the property as on 31.3.2009 on the following situations —

- (a) The house is built on a freehold land.
- (b) It is built on a leasehold land, the unexpired period of lease of the land is more than 50 years.
- (c) If the area of the plot on which the house is built is 800 sq. meters. FSI, permissible is 1.4 and FSI utilised is 1088 Sq. metres. (136 Sq. metres x 8 Storeys)
- (d) The tenant had made interest free deposit of Rs. 1,00,000 with the landlord.

**Assessee: Mr. Kushal Sengupta Valuation Date: 31.3.2009 Assessment Year: 2009-10**

**Computation of Value of House Property**

**For Situations (a) & (b):**

**Computation of Gross Maintainable Rent (Amount in Rs.)**

| Particulars                                                                                                | No Rental Deposit | Rental Deposit excess of 3 Mths |
|------------------------------------------------------------------------------------------------------------|-------------------|---------------------------------|
| Actual Annual Rent                                                                                         | 1,35,000          | 1,35,000                        |
| Add: Municipal Taxes borne by the tenant                                                                   | 6,000             | 6,000                           |
| 1/9 <sup>th</sup> of Actual Rent Receivable since repair expenses are borne by the tenant (Rs.1,35,000/ 9) | 15,000            | 15,000                          |
| Rental Deposits - 15% Interest on Rs. 1,00,000                                                             | Nil               | 15,000                          |
| <b>GROSS MAINTAINABLE RENT</b>                                                                             | <b>1,56,000</b>   | <b>1,71,000</b>                 |
| Less: Municipal Taxes Paid                                                                                 | 11,000            | 11,000                          |
| Less: 15% of Gross Maintainable Rent                                                                       | 23,400            | 25,650                          |
| <b>Net Maintainable Rent</b>                                                                               | <b>1,90,400</b>   | <b>2,07,650</b>                 |
| <b>Case (a) Capitalization of Net Maintainable Rent</b>                                                    |                   |                                 |
| -Freehold Land NMR x 12.5                                                                                  | <b>23,80,000</b>  | <b>25,56,625</b>                |
| <b>Case (b) Capitalization of Net Maintainable Rent</b>                                                    |                   |                                 |
| -Leasehold Land - Unexpired Lease 50 Years = NMR×10                                                        | <b>19,04,000</b>  | <b>20,07,650</b>                |
| <b>Property Acquired after 31.3.1974 i.e. 10.5.1997</b>                                                    | <b>15,00,000</b>  | <b>15,00,000</b>                |
| <b>Therefore, Value of the Property (whether on Lease-hold Land or on Freehold Land)</b>                   | <b>15,00,000</b>  | <b>15,00,000</b>                |

**For Situation (c) : In case of excess unbuilt area:**

**Unbuilt Area** = (Actual Area of the Land **less** Built up Area) = (800 sq. mt **less** 136 sq. mt). = 664 sq. mt.

**Excess Unbuilt Area** = (Unbuilt Area **less** Specified Area) = 664 sq. mt. **less** 70% of 800 sq. mt.  
= 664 Less 560 = 104 sq. mt

**% of Excess Unbuilt Area** = **Excess Unbuilt Area** × **100/Aggregate Area** = 104 × 100/800 = 13%



Therefore, Value of the Property = Substituted Net Maintainable Rent i.e. Rs.15,00,000 + 30% of SNMR = Rs. 19,50,000

**10.** From the following dated furnished by Mr.Soumitra, determine the value of house property built on leasehold land as at the valuation date 31.3.2009:

| Particulars                                                                                    | Rs.      |
|------------------------------------------------------------------------------------------------|----------|
| Annual Value as per Municipal valuation                                                        | 1,40,000 |
| Rent received from tenant (Property vacant for 3 months during the year)                       | 1,08,000 |
| Municipal tax paid by tenant                                                                   | 10,000   |
| Repairs on property borne by tenant                                                            | 8,000    |
| Refundable deposit collected from tenant as security deposit which does not carry any interest | 50,000   |
| The difference between unbuilt area and specified area over aggregate area is 10.5%.           |          |

**Assessee: Mr. Soumitra Valuation Date: 31.3.2009 Assessment Year: 2009-10**

#### **Computation of Value of House Property**

##### **Step I: Computation of Gross Maintainable Rent(GMR)**

| Particulars                                                                                             | Rs.    | Rs.             |
|---------------------------------------------------------------------------------------------------------|--------|-----------------|
| Actual Annual Rent- Rs. 1,08,000 x 12 Months/9 Months                                                   |        | 1,44,000        |
| Add: Municipal tax paid by the Tenant                                                                   | 10,000 |                 |
| 1/9 <sup>th</sup> of Actual Rent Receivable as repair expenses are borne by the tenant - Rs. 1,44,000/9 | 16,000 |                 |
| Interest on Refundable Security Deposit- Rs. 50,000 x 15% x 9/12                                        | 6,000  | 32,000          |
| <b>GROSS MAINTAINABLE RENT (GMR)</b>                                                                    |        | <b>1,76,000</b> |

##### **Step II: Computation of Net Maintainable Rent (NMR)**

| Particulars                                         | Rs.    | Rs.             |
|-----------------------------------------------------|--------|-----------------|
| Gross Maintainable Rent (GMR)                       |        | 1,76,000        |
| Less: Municipal Taxes levied by the local authority | 10,000 |                 |
| 15% of Gross Maintainable Rent - Rs.1,76,000 x 15%  | 26,400 | (36,400)        |
| <b>NET MAINTAINABLE RENT (NMR)</b>                  |        | <b>1,39,600</b> |

**Step III: Capitalisation of the Net Maintainable Rent (CNMR)** (Assumed that unexpired lease period is more than 50 Years)

NMR x Multiple Factor for an Unexpired Lease Period - Rs. 1,39,600×10 = Rs. 13,96,000

##### **Step IV: Addition of Premium to SNMR in case of excess inbuilt area:**

| Particulars                                                              | Rs.              |
|--------------------------------------------------------------------------|------------------|
| Add: Capitalisation of the Net Maintainable Asset                        | 13,96,000        |
| Premium for excess of 10.5% unbuilt area over specified area-30% of CNMR | 4,18,800         |
| <b>Value of House Property as per Wealth Tax Act</b>                     | <b>18,14,800</b> |

**11.** Property Company Ltd. has let-out a premise with effect from 1.10.2007 on monthly rent of Rs.1.5 lakh. The lease is valid for 10 years and the tenant has made a deposit equivalent to 3 months rent. The tenant has undertaken to pay the municipal taxes of the premises amounting to Rs. 2 lakh. What will be the value of the property under Schedule III of the Wealth Tax Act for assessment to wealth tax?

**Assessee: Property Company Ltd. Valuation Date: 31.3.2009 Assessment Year: 2009-10**

**Computation of Value of Let-out Property**

|                                                            |                  |
|------------------------------------------------------------|------------------|
| Actual Annual Rent Receivable - Rs. 1,50,000 x 12 Months   | 18,00,000        |
| Add: Municipal Taxes borne by the Tenant                   | 2,00,000         |
|                                                            | <u>20,00,000</u> |
| GROSS MAINTAINABLE RENT                                    |                  |
| Less: Municipal Taxes levied by the Municipal Authority    | 2,00,000         |
| Less: 15% of Gross Maintainable Rent (Rs. 20,00,000 x 15%) | 3,00,000         |
| NET MAINTAINABLE RENT                                      | <u>15,00,000</u> |

**Value of the Property = Capitalized Value of NMR**

NMR × 8 (unexpired period of lease is less than 50 years) = Rs. 15,00,000 × 8 = Rs. **1,20,00,000**

**Valuation of Partner's Interest in Firm**

**12.** Net wealth of firm consisting of three partners Bidyut, Kingshuk and Deepak in 2:2:1 and a capital contribution of Rs.17 Lakhs, Rs.13 Lakhs, and Rs.12 Lakhs respectively is as under -

|                                                   |               |
|---------------------------------------------------|---------------|
| (a) Value of assets located outside India         | Rs.30,00,000  |
| (b) Value of assets located in India              | Rs.80,00,000  |
| (c) Debts incurred in relation to assets in India | Rs. 40,00,000 |

Determine the value of interest of the partners in the firm under the Wealth Tax Act, 1958.

**Assesses: Bidyut, Kingshuk & Deepak Valuation Date: 31.3.2009**

**Assessment Year: 2009-10**

**Computation of net wealth of the Firm**

| Particulars                                           | Rs.              | Rs.              |
|-------------------------------------------------------|------------------|------------------|
| Value of Assets located in India                      | 80,00,000        |                  |
| <b>Less:</b> Liability in relation to assets in India | <u>40,00,000</u> | 40,00,000        |
| Value of Assets located outside India                 |                  | 30,00,000        |
| <b>Net Wealth of the Firm</b>                         |                  | <b>70,00,000</b> |

**Computation of Interest of the Partner in the net wealth of the Firm (Amount in Rs.)**

| Particulars                                                                                            | Bidyut           | Kingshuk         | Deepak           |
|--------------------------------------------------------------------------------------------------------|------------------|------------------|------------------|
| To the extent of Capital Contribution                                                                  | 17,00,000        | 13,00,000        | 12,00,000        |
| Balance (Net Wealth-Capital Contribution) in Profit sharing ratio since dissolution ratio is not given | 11,20,000        | 11,20,000        | 5,60,000         |
| <b>Interest of the Partner in the Net Wealth of the Firm</b>                                           | <b>28,20,000</b> | <b>24,20,000</b> | <b>17,60,000</b> |

**Computation of the Interest of the Partner in the net wealth of the Firm on the basis of location of assets:** (Interest of the Partner in the Firm **apportioned** in the ratio of **4:3**)

| Particulars                                           | Balu      | Kausik    | Deepu     |
|-------------------------------------------------------|-----------|-----------|-----------|
| Assets Located Inside India                           | 16,11,429 | 13,82,857 | 10,05,714 |
| Assets Located Outside India                          | 12,08,571 | 10,37,143 | 7,54,286  |
| Interest of the Partner in the Net Wealth of the Firm | 28,20,000 | 24,20,000 | 17,60,000 |

### Valuation of Life Interest

**13.** Satender is aged 35 years. His father settled a property in trust giving whole life interest therein to Satender. The income from the property for the years 2005-06 to 2008-09 was Rs.70,000, Rs.84,000, Rs.90,000, Rs.108,000, respectively. The expenses incurred each year were Rs.2,000, Rs.4,000, Rs.5,000 and Rs.6,000 respectively. Calculate the value of life interest of Mr. Jogi in the property so settled on the valuation date 31.3.2009, with the help of the factor of 9.267.

| Step | Procedure                                                                                                                      |
|------|--------------------------------------------------------------------------------------------------------------------------------|
| 1    | Average Income for last three years = (Rs.84,000 + Rs.90,000 + Rs.1,08,000) / 3 = Rs.94,000.                                   |
| 2    | Average Expenses for the last three years = (Rs.4,000 + Rs.5,000 + Rs.6,000) / 3 = Rs.5,000.                                   |
| 3    | Maximum Permissible Expenses = Average Expenses <b>or</b> 5% of Average Income, whichever is less = 5% of Rs.70,000 = Rs.3,500 |
| 4    | Average Annual Income = Rs.94,000 Less Rs.3,500 = Rs.90,500.                                                                   |
| 5    | Life Interest = Average Annual Income × Life Interest Factor = Rs.90,500 × 9.267 = Rs.8,38,664.                                |

**14.** 'X' received a vacant site under his father's will. The value of the site on 31.3.2009 is Rs.15 Lakhs. As per terms of the 'Will' in the event 'X' wants to sell the site he should offer it to his brother for sale at Rs.10 Lakhs. 'X', therefore, claims that the value of the site should be taken at Rs.10 Lakhs as at 31.3.2009. Is the claim correct?

### Answer:

- As per Rule 21 of Schedule III to the Act, the **price or other consideration for which** any property may be **acquired by or transferred to any person under the terms of a deed of trust** or through or under any restrictive agreement in any instrument of transfer **shall be ignored** for the purpose of determining the value under the provisions of the Schedule.
- In view of the above, the value of the site should be taken as Rs. 15 Lakhs and not as Rs. 10 Lakhs.
- Therefore, **claim of X is incorrect.**