WEALTH TAX

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ASSETS [SECTION 2(ea)]

1. **Building: Includes** – Residential Property, Commercial Property, Guest house, Farm House (≤ 25 Km)/ **Excludes** – Residential House allotted to Company Employee (Gross Salary < 5 lakhs p.a.), Stock in trade, Let out property (≥ 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 ≥ 10,000/ **Excludes:** Construction prohibited/ Construction permitted/ Industrial purpose ≤ 2 years/ Stock in trade ≤ 10 years.
5. **Boat, Yatch and Aircraft:** Excludes – Commercial purpose (own business or office)/ Ship.
6. **Cash:** Taxable – Individual and HUF > 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 Charitable Trust – All asset exempt, except business asset/ Exemption withdrawn u/s 13(1)(c)/(d)/ not for 85% application.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)/ Heir loom Jewellary 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 ≤ 500 Sq. Mts.
10. **Exemption available:** Share in Firm house/ Leased building/ Godown/ Works shop. Cinema hall – not available.

11. NW = (Asset [2(ea)] + Deemed Asset u/s 4) – (Exemption u/s 5 + 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) + 1/9th AR(Repair) + 15% Interest (for let out period only) + Premium + Benefit

GMR = FR vs MR = H vs. SR = L vs. AR = H

NMR = GMR – (MT + 15% GMR)

CNMR = FHL(NMR x 12.5)/ LHL ≥ 50 years (NMR x 10)/ LHL ≤ 50 years (NMR x 8)

SNMR = CNMR vs. (CA + CI) = H/ Exceptions SOP (W) ≤ 50 lakhs or 25 lakhs.

Add: Premium = [AA – (BA +SA)/AA] x 100 = %

Nil	20%	30%	40%	Rule 8
≤ 5%	> 5% ≤ 10%	> 10% ≤ 15%	> 15% ≤ 20%	> 20%

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

Rule 8: >UBA>20%/ LHC≤ 15 years/ AO with JCIT permissible

Valuation of Business

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

BV/ Schedule III or MV

Schedule III/ MV > [BV + 20%] then, Schedule III/ MV else BV/ Less: Liabilities [(TI ÷ TUA) x VA(WT)]

Valuation of Firm

NWF = Value of Business + OA u/s 2(ea) – Liabilities

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

Interest on basis of location: IP(F) x (AI : AOI)

Interest in Asset Home 5(vi) IP(F) x (Value of building / NWF)

Valuation Officer

1. AO → VO, 2. VO $\xrightarrow{\text{Notice}}$ 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 appeallable/ CA – values GR ≥ 50,000 (10 years expenditure)/ VO bound by Schedule III/ VO report valid reason for reopening assessment.

Valuation of Jewellery

FMV> Rs.5 Lakhs – Valuer report form O8/ FMV ≤ 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 jewellary 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.