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Wealth Tax

Chargeability:

- Wealth tax is charged for every assessment year
  - in respect of net wealth
  - as on the corresponding valuation date of every individual, HUF and company, at the rate of 1% on the amount by which the net wealth exceeds Rs. 30,00,000/-.
- Education Cess of 3% is **not leviable** on the amount of Wealth Tax.
- Applicability of wealth tax covers
  - Individual
  - HUF
  - Company

Inapplicability:

Wealth tax is **not applicable** in respect of the following Assessees:

- Section 25 Company
- Co-operative society
- Social club
- Political party
- Mutual Fund specified u/s. 10(23D) of the I.T. Act.

Definitions:

Assets specified in Sec. 2(ea)

House:

Any building or land appurtenant thereto,

- whether used for residential or commercial purposes or
- for the purpose of maintaining a guest house or
- a farm house in an urban area or within 25 km of local limits of any municipality

But does not include i.e. Exceptions

- Residential house which is allotted by a company to an employee or an officer or a director who is in whole time employment, having a gross annual salary of less than Rs. 10 lakhs.
  - As per the amendment, wealth tax shall not be payable by an employer in respect of residential houses which are allotted to an employee or an officer or a whole time director whose gross salary is less than Rs. 10 lakhs per annum. This amendment shall be effective from 1st April, 2012.
- any house which forms part of stock in trade
- any house which is occupied by the assessee for the purposes of any business or profession carried on by him; e.g. Building owned by partners but used in firms business is deemed to be used by the assessee for his own business or profession
- any residential property which is let out for a minimum period of 300 days in the previous year;
- any property in the nature of commercial establishments or complexes.

Motor cars

- ✓ **Except** those used in the business of letting the cars on hire or as stock-in-trade.
- ✓ Motor Cars covers all motor vehicle other than heavy vehicles.

Jewellery

- ✓ Jewellery, bullion, furniture, utensils or any other article made wholly or partly of gold, silver, platinum or any other precious metal or any alloy containing one or more of such precious metals;
- ✓ But exclude: Provided that where any of the said assets is used by the assessee as stock in trade

Yachts, boats and aircraft —

- ✓ Yachts, boats and aircrafts **other than those** used by the assessee for commercial purposes;

Urban land —

- Any land situated in urban area orUrban land situated in specified area
- 'Specified area' definition given u/s.2 (1A) of Income tax Act applies.
- **Urban land does not include or Exceptions**
  - Land on which construction of a building is not permissible under any law.
  - Land occupied by any building which has been constructed with the approval of the appropriate authority.
  - Unused land held for industrial purposes up to 2 years.
  - Land held as stock-in-trade up to 10 years.

Cash in hand

- For individuals and HUFs, in excess of Rs. 50,000/- and
- In the case of any other person, any amount not recorded in the books of account.

Net Wealth:

✓ The difference between aggregate value of assets and the value of all the debts owed by the assessee on the valuation date which have been incurred in relation to the said assets.

Computation of Net wealth:

Particulars	**Amount Rs.**
Assets specified in Sec. 2(ea) chargeable in the hands of assessee	✓
Add: Deemed asset in the assessee's hands u/s 4	✓
Less: Aggregate value of all the debts owed by the assessee on the valuation date incurred in relation to the above said assets	✓
Less: Assets exempt u/s 5	✓
NET WEALTH AS PER WEALTH TAX ACT	✓

✓ Valuation date means the last day of the previous year.

U/s 4 : CLUBBING OF ASSETS: Some relevant Points:

- Assets transferred by the assessee to the spouse **otherwise than** for adequate consideration (i.e. Assets transferred in consideration or in connection with agreement to live apart is excluded)
- Assets held by minor child **other than** minor married daughter or child suffering from disability specified u/s. 80U of the Income Tax Act
- Assets transferred to a person or an AOP for the immediate or deferred benefit of the transferor, his or her spouse otherwise than for adequate consideration.
- Assets transferred under revocable transfers.
- Assets transferred to son's wife for inadequate consideration.
- Partner of a firm or a member of an AOP: Value of interest in the assets of the firm or AOP computed in the manner laid down in Schedule III.

U/s 5: EXEMPTIONS IN RESPECT OF ASSETS

- Property held under trust for public purpose of a charitable or religious nature in India.
- Interest in the Coparcenary property of an HUF of which he is a member.
- Any one building occupied by a Ruler.
- Jewellery in the possession of a Ruler, recognized as his heirloom.
- Assets acquired out of the moneys brought in by a non-resident Indian, who has returned to India with an intention to permanently reside in India. The exemption is for 7 successive assessment years.
- One house or
  - part of a house or
  - a plot of land
  - Not exceeding 500 sq. mtrs.
  - belonging to an individual or a Hindu undivided family

VALUATION OF ASSETS

Value of assets other than Cash shall be as determined in the manner laid down in Schedule III.