Wealth Tax

If any person owner of any assets then wealth tax is chargeable to that person following are the conditions:-

These must be a person of which means individual Hindu Undivided Family (H.U.F.). Company wealth tax is chargeable any these three person. It is not chargeable to partnership firm. Co-operative society, AOP (Association of person), Body of an individual, Temple, Sanstha, Trust etc.

If total aggregate wealth is more than **Rs. 30, 00,000/-** then wealth tax is chargeable at the rate 1% per annum.

Valuation Date:-

Valuation date means 31st march of assessee year of person owns assets of 31st march then wealth tax is chargeable. It is also required to find out value on valuation date on such market value of assets wealth tax is chargeable.

Valuation date means the last moment of that date if any person owner of the asset up to last moment of that date then wealth tax is chargeable on than wealth.

"Assessment year" (Value date of assessment year):-

"Assessment year means a continuous period of 12 months starting from 1St April after valuation date under assessment year assessee required to file return and pay tax"

Assets U/s 2 {ea} (i) :-

1] Building U/s 2 {ea} (i) :-

"If any person own of any building then it is required to pay wealth tax on the value of such building."

"Building means a structure of walls & roof where as it is also include a value of land appritentant there too"

Following are the rules for changing wealth tax on building:-

1} If any person owner of farm house & such farm house building situated within 25km from municipal limit then such building is taxable.

2} any guest house situated any where is taxable & which guest house is not exempted its taxable under wealth tax.

3} Self occupied property owned by individual or HUF then one self occupied property id exempt & other is taxable.

4} **Building held stock in trade: -** If any person held building as stock in trade then exempt.

5} Building used for business purpose: - All such types of buildings are exempt under Wealth tax.

6} If any company owner of residential house property which is given to their employee who are in full time employee. If annual salary exceeding 5 Lac then such buildings are taxable in the hands of company.

If yearly salary less than 5 Lac then such building not taxable in the hands of company.

7} If any residential building given on rent during the previous year for more than 300 days then all such types of buildings are exempt.

8} If a person own a commercial complex then building or such commercial complex is exempted.

<u>2] Car u/s 2 (ea) {iii} :-</u>

If any person owner of a car then such car is taxable under wealth tax. Car included lower value heavy vehicle. "Heavy vehicle" are not called car.

Exempt: - Truck, Tractor, Bus, are not called car.

Exception: -

1 Car use for hire purpose then such car is not taxable

2 Car held as stock in trade by dealer then it is not chargeable for tax.

3]. Jewelry u/s 2 (ea) {ii}: -

If any person owner of jewelry then it is required to pay wealth tax on the value of Jewelry.

Meaning of Jewelry: -

Anything kind of mainly made up by precious or semi precious metals then it is called 'Jewelry'

Exception: - Jewelry held in stock in trade is exempt from wealth tax

Gold deposited bond 1999 not taxable under wealth tax.

4] Urban Land u/s 2 (ea) {v}:-

If any land situated within **8 km** from municipal limit then such land is taxable under wealth tax. The population of the area must be more than **10000** persons.

Exception: -

If any urban land construction is not permissible then such land is not taxable. Such permission of construction may be restricted under any law then also it is not taxable.

If on any urban land construction is not permissible nut such construction conducted by taking special permission on special authority then also such urban land is not taxable

If any urban land held as stock in trade then it is exempt up to 10 years then after it is taxable.

Any unused individual land is exempted up to 2 years then after it is taxable.

5] Yatch Boat: -

If yatch boat & aircraft own by any person then it is taxable under wealth tax.

Exception: - If yatch boat & aircraft use for commercial purpose then it is exempt.

6] Cash in hand u/s 31.3: -

Individual/HUF Cash in hand- Exempt up to **Rs.50000/-** remaining taxable.

Company- Cash in hand Exempt if shows in books of accounts of Company

Company- Cash in hand Taxable if not shown in books of accounts of Company

If cash in hand held by individual & HUF whether it is shown into books of accounts or not shown in books of accounts. The aggregate total amount of cash in hand is exempt up to **Rs. 50000/-**

If cash in hand held by company & it is shown

Cash at bank is not taxable

Mr. Ganesh owner of following assets: -

Self occupied building at Delhi	40Lac
Self occupied building at Pune	25Lac
Jewelry	15Lac

Jewelry held as stock in trade	8Lac
Urban land purchase in 1999-2000 held as stock in trade	70Lac
Car for use of personal purpose	12Lac
Cash in hand	4Lac
Unused industrial land purchase on 31st July 2008	25Lac
Speed boat use for commercial purpose	12Lac
Factory building used for own business	20Lac
Plant & machinery used in factory	15Lac
Cash & Bank	29Lac
Shares in company held as investment	15Lac

Find out Wealth Tax.

Statement of Wealth Tax

Self occupied building at Delhi	**Nil**
Self occupied building at Delhi	**25,00,000**
Jewelry	**15,00,000**
Jewelry held as stock in trade	**Nil**
Urban land purchase in 1999-2000 held as stock in trade	**70,00,000**
Car for use of personal purpose	**12,00,000**
Cash in hand	**3,50,000**
Unused industrial land purchase on 31st July 2008	**25,00,000**
Speed boat use for commercial purpose	**Nil**
Factory building used for own business	**Nil**
Plant & machinery used in factory	**Nil**
Cash & Bank	**Nil**
Shares in company held as investment	**Nil**
Find out Wealth Tax.	
Gross Wealth	**1,50,50,000**
- Loans (Debts Owned)	**Nil**
Net Wealth	**1,50,50,000**
- Basic Exemption	**30,00,000**
Total Wealth	**1,20,50.000**
Tax @ 1%	**1,20,500**

Deemed Assets u/s (4): -

1.} Asset transfer to spouse (Husband wife relation): -

Assets transfer to spouse means any assets own by husband. It is transfer to wife for otherwise then adequate consideration or any asset own by wife transferred to husband for otherwise then adequate consideration then such reduced into the wealth of transferor.

Conditions: -

1. Assets must be transferred by an individual
2. Assets must be transferred after 31st march 1956
3. Assets must be transferred for otherwise then adequate consideration.
4. Assets must be transferred directly or indirectly
5. There must be held by transferee in the same from or in any other form.
6. Asset may be held by transferee in the same form or any other form.

   In above all situation wealth tax is chargeable to the transferor.

Exceptions: -

If property transfer during the period 1964-65 to 1972-73 under spouse relationship & that time gift tax paid then such property not included into the wealth of transferor.

2.} Assets transfer to person or association of person for the benefit to spouse: -

If property transfer to person or association of person & any direct or any indirectly benefits received by spouse then such property included into the wealth of transferor.

Conditions: -

1. Assets must be transferred by an individual
2. Assets must be transfer to person or association of person.
3. Any direct or indirect benefits must be received by spouse of transferee.
4. Property may be held by transferee in the same form or any other form
5. Assets must be transferred after 31st march 1956

Exceptions: -

If asset transfer after 1964-65 but before 1972-73 gift tax was paid. Then such asset not included into the wealth of transferor.

3} Assets transfer to son's wife (Daughter in law): -

If any assets transfer by father in law or mother in law to their Daughter in law then such asset re-included into the wealth of the transferor if it is transfer otherwise then adequate consideration.

Conditions: -

1. Assets must be transferred by an individual
2. Assets must be transferred after 31st May 1973
3. Assets must be transferred for otherwise then adequate consideration.
4. Assets must be transferred directly or indirectly.
5. Property may be held by transferee in the same form or any other form.

4} Asset transfer to person or association of person for the benefit of son's wife: -

If asset transfer by father in law or mother in law to any person for the benefit of son's wife then such property re-included in the wealth of transferor.

5} Asset held by minor child: -

If any property held by minor child then such property wealth tax is chargeable to parents or guardians while such property including in wealth of the parents. It must be included in to the wealth of those parents whose wealth is higher ones. It is included in to the wealth of the parents. It cannot be changed in future but following assets not included into the wealth of parents.

If any property earned by minor child by his or her talent, skill, manual work then it is not included in to the wealth of parents.

If any minor child permanently handicap then wealth tax is not chargeable.

6} Asset held by partnership firm: -

If any asset held by partnership firm then it is included in to the net wealth of individual partner. It is not taxable in the hands of partnership firm.

It is assumed that on 31st March of every year partnership firm get dissolved & asset of partnership firm distributed between partners & it is taxable in the hands of partner under individual capacity.

7} Revocable transfer (Short note also): -

Property held under revocable transfer then such property is taxable in the hands of transferor.

Revocable transfer means any property temporary transfer to another person but in future such property may retransfer towards transferor following are the conditions for revocable transferee: -

I. Transferors have any charge or rights on the assets to retransfer the property.

II. If any transferred under revocable during transfer which can be revocable during the life time of transferor or beneficially/beneficiary of transferor.

8.} Self acquired property of member of HUF transfer to HUF: -

If any self acquired property of member of HUF transferred to "Karta" of HUF without any consideration then such property re-included into the wealth of member.

a) Before portion of HUF: -

If any self acquired property transferred to HUF transferred to HUF then it is re-included in to the wealth of member taxable in the hands of member only.

b) After portion of HUF: -

If any part of property transfer to the spouse of member or minor child of member then such property also re-included in to the wealth of transferor.

9.} Transferor of asset by only book-entry: -

Transferor of property held by only passing entries in the books of accounts if assessing officer is not satisfied with such adjustment entry then such asset re-included in to the wealth of transferor.

10.} Assets held under co-operative society by the member of co-operative society: -

If any property held & owned by co-operative housing society if it is allotted to member of housing society then it is taxable in the hands of member means it is not taxable in the hands of co-operative society.

11.} Impartial Estate: -

If impartial estate held by different members then share of member taxable in the hands of member.

12.} Property held under part-performance of contract: -

If any property held under part-performance of contract then wealth tax is chargeable to the person who holds the possession of the property.

Problem no.1 Mr. X Owner of the following property

1. Residential self occupied property **Rs. 20,00,000/-**
2. Residential self occupied property **Rs. 15,00,000/-**
3. A building gifted to daughter in law **Rs. 12,00,000/-**
4. Jewelry gifted to **Mrs. X** of **Rs. 10,00,000/-**
5. Building held as stock in trade **Rs. 15,00,000/-**

6. Commercial complex of **Rs. 25,00,000/-**
7. Residential building given on rent for **320 days** during previous year **Rs. 20,00,000/-**
8. Building which can be used for business purpose given on rent **Rs. 12,00,000/- (for 350 Days** during the previous year**)**
9. Gift of building received from Mrs. X **Rs. 15,00,000/-**
10. Factory building **Rs. 10, 00,000/-**, Godown building **Rs. 5, 00,000/-**, Showroom building **Rs. 25, 00,000/-** use in own business.
11. Impartial estate valued Rs. 40,00,000/- in which 1/3 share held by Mr. X
12. Building of Rs. 40, 00,000/- transfer to HUF for otherwise then adequate consideration.
13. Car use for personal purpose Rs. 15,00,000/-
14. Car use for Business purpose Rs. 8,00,000/-
15. Car use for running them hire purpose Rs. 5,00,000/-
16. Car held as stock in trade Rs. 20,00,000/-

<u>Solution: -</u>

Name of assessee : Mr. X
Status : Individual
Assessment year : 2012-13
Valuation date : 31st March 2012

<u>Statement of Wealth: -</u>

Particulars	**Rs.**
1. Residential self occupied property	Nil
2. Residential self occupied property	15,00,000
3. Building gifted to daughter in law	12,00,000
4. Jewelry gifted to Mrs. X	10,00,000
5. Building held as stock in trade	Nil
6. Commercial complex	Nil
7. Residential building given on rent for 320 days	Nil
8. Building used for business purpose given on rent	12,00,000
9. Gift of building from Mrs. X	Nil
10. Building used for own business	Nil
11. Impartial estate held by Mr. X (40Lac*1/3)	13,33,333/-
12. Building transfer to HUF for adequate consideration	40,00,000/-
13. Car use for personal purpose	15,00,000/-
14. Car use for business purpose	8,00,000/-
15. Car use for running on hire purpose	Nil
16. Car held as stock in trade	Nil
Gross Wealth	1,25,33,333/-
(-) Loans	Nil
Net Wealth	1,25,33,333/-
(-)Basic Exemption	30,00,000/-
Net taxable wealth	95,33,333/-
Tax @ 1%	95,333/-

Problem no.2 Mrs. Lalita owner of one building Rs 20, 00,000/- which was received from her husband after death of husband. She also built one another residential house of Rs. 30, 00,000/- & one house situated at Nainital of Rs. 60,00,000/- which is used during summer vacation for only 2 Months. Comment above all situations.

Solution: -

1. Building received from husband after the death of husband is taxable in the hands of Mrs. Lalita as there is no spouse relationship after the death of husband.
2. Second residential house property is Rs. 30, 00,000/- which is constructed by Mrs. Lalita use self residential purpose is also taxable.
3. Property of Nainital used for 2 Months is also self occupied property. It is exempt u/s 5 (VI) as a 1 self occupied property as the value of such building is higher so it is exempt.

Problem no. 3 Mr. X owner of following wealth as on 31st March 2012

1} Urban land Rs. 40, 00,000/- (Construction is not allowed)

2} Agriculture land Rs. 30, 00,000/- situated 20kms from municipal unit.

3} Agriculture land Rs. 20, 00,000/- situated 5kms from Jaipur city.

4} Urban land Rs. 25, 00, 000/- held as stock in trade from 1st July 2006.

5} Urban land held for individual purpose Rs.60, 00,000/- from 1st August 2010 which become unused.

6} Urban land held as Stock in trade of Rs.30, 00,000/- from 1st June 2001.

7} Urban land gifted to Mrs. X before marriage o Mr. X Rs. 30, 00,000/-

8} On the occasion of marriage anniversary of Mr. X gift given Mrs. X urban land Rs. 10,00,000/-, Jewelry 5,00,000/-

9} Urban land of Rs. 10, 00,000/- on which construction can be conducted with the permission of special authority.

10} Urban land situated in location in London of Rs. 20, 00,000/-

Notes: -

1 It is exempt up to the years.

2 On the date of transaction of urban land to Mrs. X spouse relation not exist.

Urban land in 8Kms = Taxable otherwise exempt

Farm house in 25Kms= Taxable otherwise exempt

Solution:-

Name of Assessee: - Mr. X

Status: - Individual

Assessment year: - 2012-13

Valuation date: - 31st March 2012

Statement of Wealth

Particulars	**Rs.**
1. Urban land construction is not allowed	Nil
2. Agriculture land (20Kms from municipal unit)	Nil
3. Agriculture land (5Kms from Jaipur city)	20,00,000
4. Urban land held as stock in trade from 1st July 2006	Nil
5. Urban land held as industrial purpose is become unused	Nil
6. Urban land held as stock in trade from 1st June 2001	30,00,000
7. Urban land held by Mrs. X	Nil
8. Urban land gifted to Mrs. X	10,00,000
9. Jewelry gifted to Mrs. X	5,00,000/-
10. Urban land on which construction can be conducted with special authority	Nil
11. Urban land situated in London	20,00,000/-
Gross Wealth	85,00,000/-
(-) Loans	Nil
Net Wealth	85,00,000/-
(-) Basic Exemption	30,00,000/-
Net Taxable Wealth	55,00,000/-
Tax @ 1%	55,000/-

Problem no. 4 Mr. X owner of one agriculture land which was received as gift from Mrs. X of Rs. 20, 00,000/- Mr. X gifted to these property to son of Mr. X & the same property gifted by son of Mr. X to his Mrs. X at that time market value of land was Rs. 32,00,000/-

Solution: -

Wealth tax is chargeable to Mrs. X on Rs. 32, 00,000/- as a property of mother in law

Transferred to son's wife.

Problem no. 5 Mr. X Gifted Jewelry Rs. 10, 00,000/- to Mrs. X. Mrs. X sold these Jewelry for Rs. 15, 00,000/- and lost the whole amount in Gambling.

Solution: -

As the amount lost by Mrs. X in a gambling so it is not include such property in to the wealth of Mrs. X.

Problem no. 6 X Ltd. Company carries on a business in construction or sale of residential flats

1} Land in rural area (it is begin 5Kms of Ajmer). Land was purchased in 1988 for Rs. 92, 78,600/-
2} Land in urban area (Construction is not permitted) Rs. 23, 00,000/-
3} Land in urban area (held as stock in trade since 2002) Rs. 49, 50,000/-
4} Motor car (one of them is important for Rs.4, 00,000/- none of them is held as stock in trade)
Rs. 11, 30,000/-
5} Jewelry of Rs. 18, 00, 000 (not being held as stock in trade)
6} Aircraft for the purpose of directors and auditors Rs. 1, 58, 00,000/-
7} Bank balance Rs. 3, 10,000/-
8} Cash in hand as per cash book Rs. 1, 78,000/-
9} Guest house situated in rural area Rs. 8, 00,000/-
10} Residential flat constructed & given to the employee for their residential purpose in rural area total number of flats 6 out of which 2 employees have salary income is more than 5,00,000/- Total value of 6 flats Rs. 15,00,000/-
11} Residence provided to Managing Director (salary exceeding Rs. 5, 00,000/-) Rs. 10, 00,000/-
12} Residence provided to part time director (salary Rs.7, 00,000/-) Rs. 17, 00,000/-
13} Three let out residential houses given on rent (Value of each Rs.50, 00,000/-) one of them is let out for only 50 days during the previous years

Company taken loans Rs. 6, 00, 000/- Rs. 7, 00,000/- , Rs. 50,000/-, Rs. 90,000/- for purpose of property No.5, 6, 12, 13.

Solution: -

Name of Assessee: - Mr. X ltd

Status: - Pvt. Ltd. Company

Assessment year: - 2012-13

Valuation date: - 31st March 2012

Statement of Wealth

Particulars		Rs.
1. Land in rural area (5kms from Ajmer)		92,78,600
2. Land in urban area (Construction is not permitted)		Nil
3. Land in urban area (Held as stock in trade)		49,50,000
4. Motor cars		11,30,000
5. Jewelry (not being held as stock in trade)		18,00,000
6. Aircraft for the purpose of directors and auditors (Garware Walves Roofs ltd v/s CIF commissioners of Income Tax)		Nil
7. Bank Balance		Nil
8. Cash in hand as per cash book		Nil
9. Guest house		8,00,000
10. Flats allotted to employees (15,00,000/- *2/6)		5,00,000/-
11. Residential provided to managing director		10,00,000/-
12. Residential provided to part time director		17,00,000/-
13. Flats let out		50,000/-
Gross Wealth		2,61,58,,600/-
(-) Loans(Debts owned)		
Loans for Jewelry	6,00,000/-	
Loans for Aircraft	Nil	
Loans for Part time director	50,000/-	
Loans for Let out property	90,000/-	7,40,000/-
Net Wealth		2,54,18,600/-
(-) Basic Exemption		30,00,000/-
Net Taxable Wealth		2,24,18,600/-
Tax @ 1%		2,24,186/-

- **<u>Exempted Assets: -</u>**

1. **Property held under the trust u/s 5 (i): -**
   If any residential property held under the trust then such property is exempt. If it is held for public charitable purpose, Nonprofit making organization, Religious, purpose. The main object of the trust is for non-profit making and use for charitable purpose then such property is exempt.
2. **Interest(Share) of Member of HUF: -**
   Interest of members (co-passenger) into HUF is exempt is exempt for tax whatever property held by "Karta" on such property. He pays wealth tax under HUF. So it is not chargeable to tax in the hands of members/co-passengers.
   Note: - The member of HUF is called as Co-passenger.
3. **Residential building of former ruler u/s 5 (iii): -**
   If any residential building held by any legal hire of former ruler if such property use for self residence purpose then such property is exempt.
4. **Jewelry of former ruler u/s 5 (iv): -**
   If any jewelry held by legal hire of former ruler then it is required to take recognition for such jewelry. Earlier such recognition given by central govt.(before 9th September 1972) but now a day's such recognition given by C.B.D.T. (Central Board Direct Tax) (After 9th September 1972)

   In the following situation recognition may get cancelled
   1.} Such jewelry must kept in to original shape
   2.} Such jewelry must kept in India. With the permission of central govt. it can be transfer outside the India for Temporary period within prescribed period such jewelry must be re-transfer in to India.
   3} If any assessing authority want to inspect jewelry then all reasonable facilities must be provided for inspection of jewelry
   If any one condition out of above 3 conditions is not fulfill by assessing authority then recognition may cancelled.

- Effect of cancellation of recognition: -
  If recognition of jewelry is cancelled then wealth tax on such jewelry chargeable from 1972 to the current year for every year within period. The maximum tax is chargeable up to 50% of value of jewelry at the market price of the cancellation date. After this the assessee is required to pay the wealth tax every year @ 1%.

5. **Assets belong to the Indian repatriates u/s 5 (5): -**

   If a person who is Indian origin or citizen of India permanently having a residence in foreign to India want to shift such residence permanently from foreign to India then whatever assets transfer to India at the time of shifting residence such asset is exempt up to the 7 years after return to India.

   "A person himself/herself or either his/her parents or any grandparents was born in undivided India then such person is called as 'Indian Origin' "

- **Asset which exempt for Indian Repatriates: -**

  If any asset transferred from foreign to India such asset are exempt up to 7 years.

  Following are the different assets: -
  1} Money brought by him into India
  2} Amount standing to the credit of non-residence (external) account (NRI A/c)
  3} Value of any asset brought by him at the time of transfer of residence
  4} Out of cash balance & NRI a/c bank balance. If any asset purchased one year backward period from the date of return such asset is also exempt up to 7 years

6. One house used for self occupied purpose is exempt from tax u/s 5 (VI): -

   Any one asset out of following 2 assets is exempt wealth tax.
   1} 1 self occupied property.
   2} A plot of land not exceeding 500sq. meter

"According to the choice of the assessee one asset out of above two assets is exempt from wealth tax."

- Valuation of Asset: -

1} Valuation of business assets: -

Valuation of business assets can be declared into balance sheet by assessee Following are the rules for valuation of business assets.

I) If asset is depreciable then written down value of such asset should be considered.
II) If asset if non depreciable then book on value should be considered.
III) If asset held by closing stock then value which is shown for balance sheet purpose on that value wealth tax is chargeable but normally on closing stock wealth tax is not chargeable.

   Whatever value shown in the books of accounts, if there is 20% difference between Market value & Book value then higher value should be considered

Ex. Book value Rs. 5, 00,000/-

Market value Rs. 7, 00,000/-

20%of book value Rs. 1, 00,000/-

The difference between 5, 00,000/- & 7, 00,000/- is more than higher value 7, 00,000/- should be considered.

If any loan taken for purchase of assets then loan amount shown on liability side must be deducted from the value of assets.

2} Valuation of Jewelry: -

If any person owner of the jewelry then it is required to find out market value of the jewelry but if valuation declared is less than market price then following rules applicable for valuation of jewelry.

Conditions	Statements submitted along with return	Refer to the valuation officers
1. If value of jewelry is less than Rs. 5, 00,000/-	A statement in form no. 0-8A	Assessing officer may refer the case to the valuation officer. If difference between market price & actual price is more than 33.3% or Rs. 50,000/-
2. If value of jewelry is more than Rs. 5, 00,000/-	A statement in form no. 0-8A	Assessing officer may refer the case to the valuation officer. If difference between market price & actual price is more than 33.3% or Rs. 50,000/-

3} Debts Owned: - Mortgage=pledge=charge=hypothecation

If any loan taken for purchase of Property (assets) then outstanding amount of loan as a 31st March deductible from value of wealth. Following are the rules: -

1. Debts own means loan outstanding on valuation date.
2. Loan must be taken for purchase of taxable wealth.
3. Loan taken by mortgage of assets will not be deductable from the value of asset which is purchased. Ex. By mortgage of jewelry, building purchased then outstanding loan deductable from the value of jewelry.
4. If on the amount of loan any interest is outstanding then such interest will also be deductible.

Problem no. 7 Find out net worth and tax thereon-

1. Residential building use for self residence Rs. 20, 00,000/-.
2. Former rulers building use for residence purpose Rs. 30,00,000/-
3. Jewelry use for personal purpose Rs. 7,00,000/-
4. Jewelry held as for stock in trade Rs. 5,00,000/-
5. Agricultural land 5kms from city Rs. 10,00,000/-
6. Former rulers jewelry Rs. 20,00,000/-
7. Asset held as a member of trust which is for charitable purpose Rs. 10,00,000/-
8. Interest in partnership firm in which Mr. X is partner Rs. 12,00,000/-

9. Boat purchase for Rs. 11, 00,000/- Market value Rs. 8, 00,000/- use for personal purpose. Loan outstanding on boat Rs. 5,00,000/-
10. By mortgage of jewelry loan taken for purchase of Plant & Machinery, amount of loan Rs. 7,00,000/- & value of plant & machinery Rs. 12,00,000/-
11. Loan taken by mortgage of jewelry for purchasing of land Rs. 10, 00,000/- value of land Rs. 15,00,000/- which is situated 4kms from municipal limit.
12. Building held as stock in trade.
13. Amount of jewelry received as free gift from father-in-law Rs. 30,00,000/-

Solution: -

Name of Assessee: - Mr. X

Status: - Individual

Assessment year: - 2012-13

Valuation date: - 31st March 2012

Statement of Wealth

Particulars		Rs.
1. Residential building use for u/s 5 (vi)		Nil
2. Former rulers building u/s 5 (iii)		Nil
3. Jewelry use for personal purpose		7,00,000
4. Jewelry held as for stock in trade		Nil
5. Agricultural land 5kms from city		10,00,000
6. Former rulers jewelry u/s 5 (iv)		Nil
7. Property held under trust u/s 5 (i)		Nil
8. Interest in partnership firm		12,00,000
9. Boat purchase	8,00,000	
(-) Debts owned	5,00,000	3,00,000
10. Plant & machinery		Nil
11. Land	15,00,000	
(-) Debts owned	10,00,000	5,00,000
12. Building held as stock in trade		Nil
13. Gift received from father-in-law		3,00,000
Gross Wealth		40,00,000/-
(-) Loans(Debts owned)		Nil
Net Wealth		40,00,000/-
(-) Basic Exemption		30,00,000/-
Net Taxable Wealth		10,00,000/-
Tax @ 1%		10,000/-

Problem no. 8 Mr. X owner of a business in which Mr. Y is an employee. Mr. X pays salary Rs.7, 00,000/- P.A. to Mr. Y and also provide a residential building for residential building for residence to Mr. Y valued Rs. 30, 00,000/-. Find out whether on such building tax is chargeable or not?

Solution:-

1 Salary of y is not considered as the property own by individual. Mr. X salary of employee is considered if property own by company.

2 Property held by Mr. X use for own business purpose so it is exempt.

Note: - If any trusts have recognition from chief commissioner of income tax u/s (ATG) is exempt from tax.

Problem no. 9 Property own by a minor child

1 Property received as gift from grandfather Rs. 10, 00,000/-

2 Property earned out of T.V. game show Rs. 20, 00,000/-

3 Bank balance of minor child Rs. 10, 00,000/-. Maintenance of minor child conducted by a charitable trust.

Solution: -

1 Gift received from grandfather Rs. 10, 00,000/- included in to the wealth of trust but it is not taxable as the trust is for charitable purpose.

2 As the property of TV game show earn by minor child his manual work or talent so it is exempt.

3 Bank balance is not a asset.

Problem no. 10 Compute the wealth of Mr. Z for the assessment year 2010-11

1 Cash at bank Rs. 7, 50,000/-

2 Cash in hand Rs. 2, 35,000/-

3 Bullion Rs. 10, 25,000/-

4 Office building Rs. 10, 25,000/-

5 Residential house at Pune Rs. 25, 00,000/-

6 Residential house at Noida Rs. 5, 00,000/-

7 F. D. with banks Rs.5, 00,000/-

8 Plot situated outside the municipal limit of Rs 10, 00,000/-

9 Agricultural land Rs. 32, 00,000/-

10 Loan taken for office Rs. 20, 00,000/-

11 Jewelry Rs. 5, 25,000/-

12 Loan against F.D.'s Rs. 2, 25,000/-

Solution: -

Name of Assessee: - Mr. Z
Status: - Individual
Assessment year: - 2012-13
Valuation date: - 31st March 2012

Statement of Wealth

Particulars		Rs.
1. Cash at bank		Nil
2. Cash in hand	2,35,000	
(-) Exempt	50,000	1,85,000
3. Bullions		1,28,000
4. Office buildings		10,25,000
5. Residential house at Pune		25,00,000
6. Residential house at Noida		Nil
7. F.D. with banks		Nil
8. Plot outside municipal limit		Nil
9. Agriculture land [Assume that it is situated in the municipal limit]		32,10,000
10. Loan taken for office [Office building is not taxable so loan is not deductable]		-
11. Jewelry		5,25,000
12. Loan against F.D. [F.D. which is not taxable so loan is not deductable]		-
Gross Wealth		65,48,000
(-) Loans(Debts owned)		Nil
Net Wealth		65,48,000
(-) Basic Exemption		30,00,000
Net Taxable Wealth		35,48,000
Tax @ 1%		35,480

Problem no. 11 Find out Net taxable wealth of Mr. Om

1. Fixed deposited in bank Rs. 20,00,000/-
2. Motor vehicle Rs. 40,00,000/-
3. Residential house at Mumbai Rs. 50,00,000/-
4. Agricultural land at Solapur Rs. 30,00,000/-
5. Ornaments Rs. 15,00,000/-
6. Shares with company Rs.10,00,000/-
7. Bank balance Rs.18,00,000/-
8. Vehicle loan outstanding Rs. 15,00,000/-
9. Cash in hand Rs.10,00,000/-
10. House in the name of wife Rs. 30,00,000/-

Solution: -

Name of Assessee: - Mr. Z
Status: - Individual

Assessment year: - 2012-13
Valuation date: - 31st March 2012

Statement of Wealth

Particulars		Rs.
1. Fixed deposited in bank		Nil
2. Motor vehicle	40,00,000	
(-) Loan	15,00,000	25,00,000
3. Residential house at Mumbai		Nil
4. Agricultural land at Solapur		30,00,000
5. Ornaments		15,00,000
6. Shares with company		Nil
7. Bank Balance		Nil
8. Cash in hand	10,00,000	
(-) Exempt	50,000	9,50,000
9. House in the name of wife		30,00,000
Gross wealth		1,09,50,000
(-) Debts owned		-
Net wealth		1,09,50,000
(-) Basic exemption		30,00,000
Taxable wealth		79,50,000
Tax @ 1%		79,500

Problem no. 12 Following are the particulars of Mr. A. Find out his net worth

1. Agricultural land-
   A} In Ahmadabad city Rs. 7, 50,000/-
   B} In a village 20kms from Ahmadabad Rs. 40,00,000/-

2. House property-

   A} Residential house in Ahmadabad Rs. 15,00,000/-
   B} Farm house at a distance of 3kms from Ahmadabad Rs. 6,00,000/-

3. Industrial land held for more than 2 years Rs. 5,00,000/-

4. Trees on agricultural land Rs. 60,000/-

5. Growing crops & fruits on trees Rs.80,000/-

6. Motor car Rs. 3,00,000/-

7. Animals & dairy farms Rs. 1,40,000/-

8. Tools & equipments of agriculture Rs. 60,000/-

9. Grains in godown Rs. 3,00,000/-

10. Horses & carts Rs. 60,000/-

11. Ornaments Rs. 9,00,000/-

12. Cash in hand Rs. 74,000/-

13. Life insurance policy Rs. 60,000/-

14. Household goods Rs. 1,20,000/-

15. Units of UTI Rs. 30,000/-

16. Deposited of N.S.S. Rs. 40,000/-

17. Loan from LIC for industrial land Rs. 3,20,000/-

18. Liability of Income Tax Rs. 20,000/-

19. Liability of wealth tax Rs.10,000/-

Solution: -

Name of Assessee: - Mr. A

Status: - Individual

Assessment year: - 2012-13

Valuation date: - 31st March 2012

Statement of Wealth

Particulars		**Rs.**
1. Agricultural land in Ahmadabad city		7,50,000
2. Agricultural land in a village 20kms from Ahmadabad		Nil
3. Residential house property in city		Nil
4. Farm house at a distance of 3kms from Ahmadabad		6,00,000
5. Industrial land held for more than 2 years	5,00,000	
	3,20,000	1,80,000
6. Crops & fruits		Nil
7. Trees on agricultural land		Nil
8. Motor car		3,00,000
9. Animals & dairy farm		Nil
10. Tools & equipments		Nil
11. Grains in godown		Nil
12. Horses & carts		Nil
13. Ornaments		9,00,000
14. Cash in hand	74,000	
(-) Exempt	50,000	24,000
15. LIC		Nil
16.Household goods		Nil
17. UTI funds		Nil
18.Deposite in N.S.S.		Nil
		Nil
Gross Wealth		27,54,000/-
(-) Loans(Debts owned)		Nil
Net Wealth		27,54,000/-
(-) Basic Exemption		30,00,000/-
Net Taxable Wealth		Nil
Tax @ 1%		Nil

Problem no. 13 Mr. S an Indian citizen residence in U.S.A. from several years returns to India on 17th August 2010. Following assets transfer by Mr. S-

1. He brought Rs. 8,00,000/- along with him and purchase a car out of such fund.
2. He sent Rs. 25.00.000/- to India on 1st September 2009. This money was utilize for purchase of gold on 17th September 2009.
3. He sent 17,00,000/- for purchase of a plot on 15th July 2009 out of which plot purchased on 25th July 2009.
4. He sent Rs. 40,00,000/- as on 1st August 2010 and purchase a residential house property on 10th August 2010.
5. He bring Jewelry along with him of Rs. 20,00,000/-, Car Rs. 10,00,000/- balance with NRI bank account Rs. 12,00,000/-
6. He taken a loan of Rs. 20,00,000/- for purchase of boat valued Rs. 30,00,000/- on 1st June 2011.
7. He purchase a plot of land of Rs. 25,00,000/- for which money paid from NRI bank account on 1st October 2011.

Solution: -

Name of Assessee: - Mr. S

Status: - Individual

Assessment year: - 2012-13

Valuation date: - 31st March 2012

Statement of Wealth

Particulars		**Rs.**
1. Car purchase [u/s 5 (V)]		Nil
2. Gold [u/s 5 (V)]		Nil
3. Plot purchase [Prior to the period of one year of come back to India]		17,00,000
4. Residence house purchase		Nil
5. Jewelry & Car		30,00,000
6. NRI Bank a/c		Nil
7. Boat	30,00,000	
(-) Loan	20,00,000	10,00,000
8. Plot purchase out of fund from NRI a/c [Assume that plot purchase out of NRI a/c is less than 500sq.mtr, so it is exempt]		Nil
Gross Wealth		27,00,000/-
(-) Loans(Debts owned)		-
Net Wealth		27,00,000/-
(-) Basic Exemption		30,00,000/-
Net Taxable Wealth		Nil
Tax @ 1%		Nil