Wealth Tax applicability : > 30 Lakhs @ 1% (no surcharge and no cess)

| Individual | HUF | Company |
|---|---|---|

| Meaning of assessment year | Valuation Date |
|---|---|
| Period of 12 months commencing from first day of April every year | March 31 immediately preceding A.Y. |

Assets

| 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|
| Guest house, residential house or commercial building farm house within 25 kilometers from local limit | Motor car | Jewellery, bullion, utensil of gold, silver, platinum | Yatch, boat and aircraft | Urban land | Cash in hand<br>1. For Co. – any amount not recorded in books<br>2. For Ind. And HUF – > 50,000 on valuation date |

Not an asset

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|
| A residential house exclusively for residential purpose and allotted by company to an employee who is whole time in employment having salary of < 10 Lakhs | A house held as stock in trade | A house used for own business or profession | A let out property which is let out for minimum 300 days in a year | Commercial complex | Jewellery as stock in trade | Gold deposit bonds |

Urban land (3 to 6 = Urban land is not an asset)

| 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|
| Land situated within municipality limit | Land situated outside municipality but within notified area of 8 km. | Land on which construction is not permissible under any law | Land occupied by any building which is constructed with previous approval of authority | Any unused land held by assessee for industrial purpose for a period of 2 years from date of acquisition | Any land held by assessee as stock in trade for a period of 10 years from the date of acquisition |

Conditions

| | |
|---|---|
| Asset must belong to assessee | Property must locate in India |

Deemed Assets

| | | | | | |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| Asset transferred by one spouse to another | Assets held by minor child | Assets transferred to a person or AOP | Assets transferred under revocable transfer | Assets transferred to son's wife | Assets transferred for the benefit of son's wife |
| 7 | 8 | 9 | 10 | 11 | 12 |
| Interest of partner and minor admitted for benefit of firm | Conversion by an individual of his self-occupied property into HUF | Gift by book entries | Impartible asset | Property held by a member of housing society | Property held by a person in part performance of a contract |

Asset exempt from tax

| | | | | | |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| Property held under trust | Coparcenary interest in HUF | Residential building of a former ruler | Former ruler's Jewellery | Asset belongs to Indian repatriates | One house or part of a house |

Conditions for asset being exempt

| Former ruler's Jewellery | Asset belongs to Indian repatriates | One house or part of a house |
|---|---|---|
| 1. Jewellery shall be in India and not be removed outside India except for a purpose and period approved by board. | 1. Exemption is available to Indian origin or citizen of India. | 1. A house or part of house |
| 2. Reasonable steps shall be taken for keeping Jewellery in its original shape. | 2. Such person was ordinarily residing in a foreign country. | 2. A plot of land not exceeding 500 sq. meters in area |
| 3. Reasonable facilities shall be allowed to any officer of the Govt., or board to examine Jewellery as and when necessary. | 3. On leaving such country, such person is returned to India with intention of permanently residing in India. | -------------------- |

Effect of withdrawal of recognition by CG in case of Former ruler's Jewellery

| 1 | 2 | 3 |
|---|---|---|
| Wealth tax shall be payable by former rulers for all A.Y. commencing from A.Y. relevant for valuation date falling after 9-9-1972 for which Jewellery was exempt on account of such recognition. | Fair market value of Jewellery on such successive valuation date relevant for A.Y. is considered. | The aggregate amount in any case can not exceed 50% of its fair market value on valuation date relevant for A.Y. |

Conditions for assets belonging to repatriate

| 1 | 2 | 3 | 4 |
|---|---|---|---|
| Money brought by him to India. | Value or asset bought by him into India. | Money standing to credit of such person in NRE account in any bank in India on date of his return to India. | Value of assets acquired by him out of money (1 and 3 supra) within 1 year prior to date of his return and any time thereafter. |

Exemption: If above conditions are satisfied then nothing is chargeable to tax for 7 successive assessment years commencing from A.Y. next following date on which such person returned to India.

Debts owned

| 1 | 2 |
|---|---|
| Only debt owned by assessee on valuation date is deductible | Debts should have been incurred in relation to assets which are included in net wealth. |

Return of wealth and assessment

| 1 | 2 | 3 | 4 |
|---|---|---|---|
| Return in response to notice within 30 days from service of notice. | Return showing wealth below taxable limit shall be deemed never to be furnished. | Revised return within 1 year from end of assessment year or before completing of assessment whichever is earlier. | Self assessment - Assessee has to pay tax before filing of return and such return is accompanied by proof of such payment. |

Interest

| 1 | 2 |
|---|---|
| Failure to submit return within due date – 1% per month or part of month | Failure to pay amount specified in notice of demand within 30 days – 1% per month or part of month |

Valuation of self – occupied property (Option 3 or 4)

| 1 | 2 | 3 | 4 |
|---|---|---|---|
| Own a house | House is used for residential purpose for 12 months ending on valuation date | He can take the value of house on valuation date | Or he can take the value of house on first valuation date next following date on which he became owner or valuation relevant for A.Y. 1971-72 whichever is later |

Valuation of assets of business

| Asset | Value |
|---|---|
| Depreciable asset | Written down value |
| Non-Depreciable assets (other than stock in trade) | Book value |
| Closing stock | Value adopted for purpose of income tax |

**Example**

| Asset | Balance sheet amount | 20% of (2) | Individual asset value as per schedule III | Value for wealth tax |
|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** |
| Building I | 30 | 36 | 29 | 30 |
| Building II | 40 | 48 | 48 | 40 |
| Car | 5 | 6 | 4 | 5 |
| Building III | 50 | 60 | 61 | 61 |
| Gold | 100 | 120 | 147 | 147 |
| Urban land | 90 | 108 | 106 | 90 |

Value of asset not considered

| | | | | |
|---|---|---|---|---|
| Any amount paid as advance tax | Debt allowed as deduction under section 36 (1) (vii) of Income Tax | Value of asset in respect of which wealth tax is not payable | Debit balance of P & L or P & L appropriation account | Asset shown in balance sheet not really pertaining to business |

Liabilities not considered (WT=Wealth tax)

| | | | | |
|---|---|---|---|---|
| Capital employed in business other than attributable to borrowed money | Reserve | Any provision made for meeting any future or contingent liability | Any liability shown in balance sheet not really pertaining to business | Any debt owned by assess to the extent specifically utilized for acquiring an asset – no WT |

Value of interest in the firm or association of persons

| | | |
|---|---|---|
| Portion of net worth is equal o amount of capital of firm | If net worth of firm includes value of any assets located outside India, the value of interest of any partner shall be determined having regard to proportion which value of assets located in India | If net wealth of firm or AOP includes value of any asset which is exempt from inclusion in net wealth, value of interest of partner will be deemed to include value of his proportionate share in assets |

Value of life interest

| Average net annual value | Multiplier | Different value in some cases | Value of life interest in an asset can not exceed value of asset |
|---|---|---|---|
| Find out average net annual income (maximum 5%) of assessee during 3 years ending on valuation date. | Average net annual income shall be multiplied by table. | AO would demand higher premium vary valuation suitably. | The value of life interest so determined shall in no case exceed value as on valuation date as determined under schedule III of corpus of turst. |

Valuation of Jewellery

| Particulars | Statement to be submitted along with return of wealth | Reference to valuation officer (VO) |
|---|---|---|
| Where value < 5 Lakhs | A statement in form no. O-8A | AO may refer the valuation to a VO if he is opinion that fair market value > value of Jewellery declared by more than 33.33% or Rs. 50,000. In such case, value of Jewellery shall be fair market value as estimated by VO |
| Where value >5 Lakhs | A report of registered Valuer in form no. O-8 | AO may refer valuation to a VO if he is opinion that value of Jewellery declared in return is less than its fair market value. In such case, the value of Jewellery shall be fair market value as estimated by VO. |

Adjustment in value of Jewellery for subsequent 4 A.Y.

| | |
|---|---|
| Where Jewellery included gold, the market value of such gold on valuation date relevant to concerned subsequent assessment year will be taken in place of market value of such gold on valuation date relevant to 1st A.Y. | Where Jewellery is sold by assessee or any Jewellery is acquired by him on or before the valuation date relevant to concerned subsequent year, the value of Jewellery determined for the 1st A.Y. shall be reduced or increased as the case may be and value so reduced or increased shall be the value of Jewellery for such subsequent A.Y. |

Valuation of a building

| 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|
| Find out gross maintainable rent | Find out net maintainable rent | Capitalize net maintainable rent | Add premium | Deduct unearned increment | Cases where different rules of valuation are applicable |

Increase of actual rent

| | | | | |
|---|---|---|---|---|
| Amount of tax borne by tenant | 1/9 of actual rent when repairs or expenditure is borne by tenant | 15% of deposit when owner has accepted deposit (exclude part of month) | The amount obtained by dividing premium / no of years of period of lease | Value of benefit or perquisite if any received by owner |

Steps of capitalization of net maintainable rent (NMR)

| | |
|---|---|
| Find out value of house | Find out original cost of construction + cost of improvement of property |

Note: Higher of above is taken as capitalized value of NMR

Conditions for NMR

| 1 | 2 | 3 | 4 |
|---|---|---|---|
| The exception is applicable in respect of one house property | The house property given is acquired or constructed after 31-3-1974. | The assessee use house property for whole year for residential purpose | The cost does not exceed 50 Lakhs if in Mumbai, Delhi, Madras and Calcutta (BCDM) and 25 Lakhs for other cities |

Add premium

| | | |
|---|---|---|
| 60 % of aggregate area if property is situated at (BCDM) | 65% of aggregate area if property is situated at B-1 Cities | 70% of aggregate area in other cities |

The amount of premium to be added to capitalized value as below

| The excess of un-built area over specified area | Premium |
|---|---|
| < 5 % of aggregate area | Nil |
| > 5 % and < 10% | 20% |
| > 10 % and < 15% | 30% |
| > 15 % and < 20% | 40% |
| > 20% | Rules given in part B of schedule III are not applicable |

Cases where different rules of valuation (Above rule is not applicable)

| | |
|---|---|
| Where un-built area exceeds the specified area by more than 20% of aggregate area | Where property is built on leasehold land and lease expires within a period of < 15 years from relevant valuation date and lease does not give an option to lessee for renewal of lease |

Capitalized value

| Freehold land | Leasehold land |
|---|---|
| NMR * 12.5 | NMR * 10 |

Penalties (Rs.)

| Failure to pay tax or interest | Failure to comply with notice | Concealment of wealth | Failure to answer questions | Failure to furnish in due time information | Committing default in payment of tax |
|---|---|---|---|---|---|
| Not exceeding 100% of tax in arrears | Minimum – 1,000 Maximum – 25,000 | Minimum – 100% of tax Maximum – 500% of tax | Minimum 500 Maximum – 10,000 | Minimum – 100 per day Maximum – 200 per day | Not exceeding 100% of tax in arrears |