AN OVER VIEW OF

VALUATION AS OF IN SCHEDULE III

OF

THE WEALTH TAX ACT, 1957

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SCHEDULE III

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SCHEDULE III, PART B

3. Valuation of Immovable Property

Eg. A house or a property is let out for 6 mnths for Rs 1000 p.m. & 4 mnths for Rs 1200 p.m. & it remained vacant for 2 mnths.
So actual rent received for 10 mnths=6*1000 + 4*1200 = 10800
Thus rent for whole yr = 10800/10*12 = 12960

CALCULATION OF GROSS MAINTAINABLE RENT

Particulars	Amt	Amt
Actual rent recd or receivable for actual period of let out (only bldg not furniture fixture or any other asset)	---	---
Add:		
Taxes borne by tenant*	---	
If repairs are borne by tenant*- 1/9th of actual rent of actual period	---	
Notional interest on deposit made by tenant with the owner (other than those deposits which are in nature of advance of rental for period not exceeding 3 months) @ 15% p.a, **to be reduced** by any interest paid to the tenant	---	
Lease premium, spread over the actual total period of lease	---	
Value of any benefit or perquisite received by landlord or owner form the tenant in consideration of lease	---	
Any other obligation of landlord met by tenant	---	---
TOTAL ACTUAL RENT FOR THE PERIOD		---
ACTUAL RENT ANNUALISED---------------------A		---
VALUATION BY LOCAL AUTHORITIES---------B		---
GROSS MAINTAINABLE RENT (Higher of A or B)		---

*provided if property is in occupation of tenant.

CALCULATION OF NET MAINATINABLE RENT

Particulars	Amt	Amt
Gross Maintainable Rent as Above		---
Less:		
15% of GMR	---	
Taxes levied by local authority (paid or not paid)(only for one year)	---	(---)
NET MAINTAINABLE RENT (NMR)		---

Valuation of Assets of Business [Rule 14 of Part D of Schedule III]

a) Assets disclosed on Balance Sheet date

	Asset	Value to be Taken
1	Depreciable asset	WDV
2	Non depreciable asset excluding stock in trade	Book Value
3	Closing Stock	Value as calculated for IT purpose

b) To the value in column 2 in (a) above add 20% 0f it
c) Find value of individual asset as per schedule III.

if (c) > (b) higher value should be taken
if (c) < (b) value in (a) should be taken

(d) the value of the following **assets** which are disclosed in the balance-sheet shall **not be taken** into account namely: -
(i) any amount paid as advance tax under the Income-tax Act;
(ii) the debt due to the assessee according to the balance-sheet or part thereof which has been allowed as a deduction under clause (vii)

of sub-section (1) of section 36 of the Income-tax Act, for the purposes of assessment for the previous year relevant to the corresponding assessment year under the Act;
(iii) the value of any asset in respect of which wealth-tax is not payable under this Act:
(iv) any amount shown in the balance-sheet including the debit balance in the profit and loss account or profit and loss appropriatior account which does not represent the value of any asset;
(v) any asset shown in the balance-sheet not really pertaining to the business;

e) the following amounts shown as **liabilities** in the balance-sheet shall **not be taken** into account, namely: -
(i) capital employed in the business other than that attributable to borrowed money;
(ii) reserves by whatever name called;
(iii) any provision made for meeting any future or contingent liability;
(iv) "any liability shown in the balance-sheet not really pertaining to the business;
(v) any debt owed by the assessee to the extent to which it has been specifically utilised for acquiring an asset in respect of which wealth-tax is not payable under this Act:
Provided that where it is not possible to calculate the amount of debt so utilised, it shall be taken as the amount which bears the same proportion to the total of the debts owed by the assessee as the value of that asset bears to the total value of the assets of the business.
Explanation. - Provision for any purpose other than taxation shall be treated as a reserve.

SCHEDULE III VALUATIONS

RULE 15. VALUATION OF INTEREST IN FIRM OR AOP

Procedure for valuation of interest of partner (member) in firm or AOP is as:

i) Compete the net wealth of firm / AOP in the valuation date without considering the exemption given u/s 5 (exempt assets).

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→ Upto the amount of capital employed in firm in ratio of capital

→ Residual net wealth in the rate in which partner or members have agreed to distribute assets of firm in the event of dissollution of firm/AOP or in profit sharing ratio in absence of such agreement.

Thus individual partners/members of firm/AOP are liable to pay tax on their wealth as well as on the interst in firm/AOP; however in their individual capacity they can claim exemption u/s 5.

Provided that in determining the net wealth of the, firm or association for the purposes of this rule no account shall be taken of the exemptions in sub-sections (1) and (1A) of section 5.

RULE 17. VALUATION OF LIFE INTEREST

1. Find out average net annual income(ANAI) of assessee derived from life interest during 3 yrs ending on valuation date. While computing ANAI , deduction of expenses incurred for collection of income, can be taken(max 5% of ANAI)
2. Multiply ANAI by table (given in book of Direct Taxes-pg 1315.) in Appendix.
3. Value of the life interest so determined shall, in no case, exceed the value as on the valuation date.

PART G: Jewellery

RULE 18. 1 Valuation of jewellery. -

	Statement to be submitted along with return of wealth	Reference to Valuation Officer
where the value of jewellery <= 5,00,000	Statement in Form O-8A	The Assessing Officer(AO) may refer the valuation to a Valuation Officer, if he is of opinion that the fair market value(FMV) of jewellery exceeds the value of jewellery as declared in the return by more than 33 1/2 % of the retuned value or Rs. 50,000. In such case the value of jwellery shall be FMV as estimated by Valuation Officer (VO).
where the value of jewellery > 5,00,000	A report of a registered valuer in Form O-8	The AO may refer the valuation to a VO if he is opinion that the value of jewellery declared in the return is less than its FMV. In such case value of jewellery shall be the FMV as estimated by the VO.

RULE 19. Adjustment in value of jewellery for subsequent 4 assessment years. -

The value of any jewellery determined in accordance with 1 [sub-rule (3) of] rule 18 for any assessment year (hereinafter referred to as the first assessment shall be the value of such jewellery for the subsequent four assessment years, subject to the following adjustments, namely:

(a) where the jewellery includes gold(or silver or any alloy containing gold or silver),the value of such gold(or silver or such alloy)as on the valuation date relevant to the concerned subsequent assessment year shall be substituted for the value of such gold(or silver or alloy)on the valuation date relevant to the first assessment year;
(b) where any jewellery or part of jewellery is sold or otherwise disposed of by the assessee, or any jewellery or part of jewellery is acquired by him, on or before the valuation date relevant to the concerned subsequent year, the value of the jewellery determined for the first assessment year

shall be reduced or increased, as the case may be, and the value as so reduced or increased shall be the value of the jewellery for such subsequent assessment year.

PART H : RESIDUARY

VALUE OF ASSETS IN OTHER CASES

Value of any asset other than cash shall be estimated by AO by himself or by VO, which would be estimated to be the FMV as on valuation date.
