

THE WEALTH TAX ACT, 1957

COMPUTATION OF NET WEALTH

Particulars	Rs.
Assets specified in Section 2(ea) chargeable in the hands of assessee on the basis of location of the assets and the assessee's nationality and residential status	xxx
Less: Aggregate value of all the debts owed by the assessee on the valuation date incurred in relation to the above said assets	(xxx)
Less: Assets exempt u/s 5	(xxx)
Add: Deemed asset in the assessee's hands u/s 4	xxx
Net Wealth as per Wealth Tax Act	xxx

Rounding off Net Wealth [Section 44C]: The net wealth computed above shall be rounded off to the nearest multiple of one hundred rupees.

1. ALtd is engaged in the construction of residential flats. For the valuation date 31.3.2008, it furnishes the following data and requests you to compute the taxable wealth -

- (a) Land in urban area (Construction is not permitted as per Municipal Laws in force) Rs.55,00,000
- (b) Motor-cars (used on hire by the company) Rs.10,00,000
- (c) Jewellery (Investment) Rs. 25,00,000. Loan taken for purchasing the same Rs. 20,00,000
- (d) Cash Balance (as per books) Rs.2,75,000
- (e) Bank Balances Rs.5,50,000
- (f) Guest House (situated in a place which is 30 Kms away from the local limits of the municipality) Rs.10,00,000
- (g) Residential flats occupied by the Managing Director Rs.15,00,000. The Managing Director is on whole time appointment and is drawing remuneration of Rs.2,00,000 per month.
- (h) Residential house were let out on hire for 200 days Rs.10,00,000

The computation should be supported with proper reasoning for inclusion or exclusion.

Valuation Date: 31.03.2008 Computation of Taxable Wealth

Nature of asset	Rs.	Reason
Land in Urban Area	NIL	Land in which construction is not permitted as per municipal law is not an asset u/s 2(ea)
Motor Cars	NIL	Motor cars used in business of hire is not an asset u/s 2(ea)
Jewellery	25,00,000	Not held as stock in trade
Cash Balance	NIL	Cash as per books - Not an asset U/s 2(ea)
Bank Balance	NIL	Not an asset u/s 2(ea)
Guest House	10,00,000	Asset u/s 2(ea)
Residential Flat occupied by MD	15,00,000	Asset u/s 2(ea) since Annual Gross Salary is greater than Rs.5,00,000.
Residential House Let-out	10,00,000	Asset U/s 2(ea) as it is not let-out for a period >300 days.
Total Assets	60,00,000	
Less: Debt incurred in relation to an asset: Loan for Jewellery	(20,00,000)	
Taxable Net Wealth	40,00,000	

2. Samir furnishes the following particulars for the compilation of his Wealth Tax return for Assessment Year 2008-09 -

- Gifts of jewellery made to wife from time to time aggregating Rs.80,000. Market value on valuation date Rs.3,00,000
- Flat purchased under installment payment scheme in 1978 for Rs.9,50,000. Used for purposes of his residence and market value as on 31.3.2008. (Installment remaining unpaid Rs. 80,000) Rs.10,00,000
- Urban land transferred to minor handicapped child valued on 31.3.2008 Rs.5,00,000.

Explain how you will deal with these items. Make suitable assumptions if required.

Particulars	Taxable	Reasons
Gift of Jewellery made to wife	Rs.3,00,000	Deemed asset u/s 4. Fair Market Value of the Jewellery is taxable.
Flat used for residence	NIL	Taxable as an asset u/s 2(ea) but the assessee can claim exemption u/s 5(vi). So full value of the asset is exempt from tax.
Urban Plot in the hands of the minor	NIL	Asset held by the minor who is handicapped u/s 80U, clubbing provisions does not apply.

3. Compute the net wealth of Nivedita, a resident individual as on 31.3.2008 from the following particulars furnished -

- She has a house property at Delhi, valued at Rs. 20,00,000 which is occupied by a firm in which she is a partner for its business purposes. Another house at Mumbai, valued at Rs.8,00,000 is being used for his own business.
- Vehicles for personal use - (i) Motor Car Rs.10,00,000 (ii) Motor Van - Rs.3,00,000 (iii) Jeep - Rs.5,00,000.
- Cash on hand - Rs.3,10,000
- Jewellery - Rs.10,00,000
- Nivedita has gifted to a Trust a residential property situated at Kolkata purchased 5 years back for Rs.20,00,000 for the benefit of the smaller HUF consisting of herself and her spouse and let-out for 8 months. Schedule-III, Rule 3 value as on 31.3.2008 is Rs. 14 Lakhs.
- She had transferred an urban house plot in February 1997 in favour of her niece which was not revocable during her life time. This niece died on 14.3.2007. Nivedita could get the title to the plot retransferred to her name only on 15.4.2007 despite sincere and honest efforts. The market value of the house as on 31.3.2008 is Rs. 10,00,000.
- Nivedita is the holder of an impartible estate in which urban agricultural lands of the value of Rs. 4,30,000 as on 31.3.2008 are comprised.

Assessee: Ms. Nivedita Valuation Date: 31.3.2008 Assessment Year: 2008-09

Computation of Net Wealth

Nature of Asset	Amount Taxable	Reasons
House Property at Delhi used for business by a firm in which he is a partner	NIL	Property used for business purpose is not an asset u/s 2(ea) (Refer Note)
House Property at Mumbai used for his own business	NIL	Property used for business purpose is not an asset u/s 2(ea)
Vehicles for Personal Use 1. Motor-car 2. Motor-van 3. Jeep	10,00,00 3,00,000 5,00,000	Vehicles used for personal purposes are asset u/s 2(ea)
Cash on Hand	2,60,000	For an Individual, cash in excess of Rs. 50,000 shall be chargeable to Wealth Tax u/s 2(ea) (Rs.3,10,000 - Rs.50,000)
Jewellery	10,00,000	Jewellery other than those held as stock-in-trade are asset u/s 2(ea)

Property at Kolkata transferred to a Trust 20,00,000 Less: Exemption u/s 5(vi) 20,00,000	NIL	Taxable u/s 4(1A). Value = Higher of Value as on Valuation Date Rs.14 Lakhs or Cost of Acquisition Rs. 20 Lakhs
Urban House Plot transferred to Niece	10,00,000	Taxable u/s 4(5) as the title to the property stands vested in Nivedita's hands immediately on niece's demise
Urban Agricultural Land	4,30,000	Holder of an impartible estate is deemed to be the owner of all properties comprised therein u/s 4(6)
NET WEALTH	44,90,000	

4. SIPRA Constructions Ltd. is engaged in the construction of residential flats. For the valuation date 31.3.2008, furnishes the following data and requests you to compute the taxable wealth:

- Land in urban area (construction is not permitted as per Municipal laws in force) Rs.50 lakhs
- Motor-cars (in the use of company) Rs.10lakhs
- Jewellery (Investment) Rs.10 lakhs
- Cash balance (As per books) Rs.3 lakhs
- Bank Balance (As per books) Rs.6 lakhs
- Guest House (Situated in rural area) Rs.8 lakhs
- Residential flat occupied by Managing Director (Annual remuneration of whom is Rs.8 Lakhs excluding perquisites) Rs.10 lakhs
- Residential house let-out for 100 days in the financial year Rs.5 lakhs
- Loan obtained for:
 - Purchase of Motor Car Rs. 3 lakhs
 - Purchase of Jewellery Rs.2 lakhs

Assessee: SIPRA Constructions Ltd. Valuation Date: 31.3.2008

Assessment Year: 2008-09

Nature of Asset	Amt. taxable (Rs. Lakhs)	Reasons
Land in Urban Area	NIL	Land in which construction is not permitted as per municipal laws is not an asset u/s 2(ea)
Motor-cars	10	Motor-car other than those used in the business of hire or held as stock-in-trade is an asset u/s 2(ea)
Jewellery	10	Not held as stock-in-trade - asset u/s 2(ea)
Cash Balance	NIL	Cash as per books - not an asset u/s 2(ea)
Bank Balance	NIL	Not an asset u/s 2(ea)
Guest House	8	Asset u/s 2(ea)
Residential Flat Occupied by MD	10	Asset u/s 2(ea) - since Gross Annual Salary of Managing Director is greater than Rs. 5 Lakhs
Let-out Residential House Property	5	Asset u/s 2(ea) - since not let-out for a period exceeding 300 days
TOTAL ASSETS	43	
Less: Debt incurred in relation to Assets		
1. Purchase of Motor-car	(3)	
2. Purchase of Jewellery	(2)	
NET WEALTH	38	

5. Sunrise Promoters & Developers Ltd. a widely held company owns the following assets as on 31.3.2008 -

- Land at Rajarhat (West Bengal) purchased in 2000 on which a residential complex consisting of 24 flats, to be sold on ownership basis, is under construction for last 18 months
- Two office flats at Noida purchased for resale in the year 2001
- Shares of Group Companies, break-up value of which is Rs.19,00,000
- Cash at construction site Rs.8,00,000
- Residential flat in occupation of company's whole-time director drawing a salary of Rs.4,50,000 per annum.

Which of the above assets will be liable for wealth? Give reasons in brief

Assessee: Sunrise Promoters & Developers Ltd. Valuation Date: 31.3.2008 Assessment Year: 2008-09

Nature of Asset	Amount Taxable	Reasons
Land at Rajarhat purchased in 2004	NIL	Urban Land held as stock-in-trade for a period less than 10 Years - not an asset u/s 2(ea)
Residential Flats at Noida purchased in 2003 for resale	NIL	House Property held as stock-in-trade - not an asset u/s 2(ea)
Shares of Group Companies	NIL	Not an asset u/s 2(ea)
Cash at construction site	NIL	Any amount recorded in the books of account is not an asset u/s 2(ea)
Residential House Property for Whole-Time Director	NIL	Since Gross Annual Salary of Whole Time Director is less than Rs. 5 Lakhs - not an asset u/s 2(ea)

6. Hassan, a person of Indian origin was working in Australia since 1985. He returned to India for permanent settlement in June 2002 when he remitted the moneys into India. He furnished the following particulars of his wealth as on 31.3.2008. You are required to arrive at his wealth in respect of Assessment Year 2008-09-

- Market Value of Residential house in Jharkhand (let-out for residence) Rs.10,00,000 with Net Maintainable Rent p.a. of Rs.1,20,000.
- Share in building owned by a firm in which Hassan is a Partner - used for business Rs.5,00,000
- Motor-car purchased in April 2007, out of moneys remitted to India from Australia Rs.4,00,000
- Value of interest in Firm excluding item (b) above Rs.5,00,000
- Shares in companies (quoted) Rs.2,00,000
- Assets purchased out of amount remitted from Australia:
 - Jewellery purchased in March 2000 Rs.5,50,000
 - Vacant land purchased in October 1999 Rs.10,00,000
- Amount standing to the credit of NRE Account Rs.15,00,000
- Cash on hand (out of sale proceeds of agricultural income) Rs.65,000

Assessee: Hassan Valuation Date: 31.3.2008 Computation of Net Wealth

Nature of Asset	Amount	Reasons
Residential House in Jharkhand	NIL	Not an Asset u/s 2(ea) - Let-out for whole year - Hence, not taxable
Share in the building owned by the firm	NIL	Not an asset u/s 2(ea), used for its own business - not chargeable to tax
Motor-car 4,00,000 Less: Exempt u/s 5(v) - acquired out of money brought into India (4,00,000)	NIL	Asset u/s 2(ea). But, exemption available u/s 5(v), since acquisition out of money brought into India.
Value of Interest in a Firm	5,00,000	Assumed as deemed asset u/s 4(1)(b)
Shares in Companies	NIL	Not an asset u/s 2(ea)
Value of Jewellery	5,50,000	Asset u/s 2(ea) - Not entitled for exemption
Vacant Land	10,00,000	Asset u/s 2(ea) - Purchased in October 1999
Money in NRE A/c	NIL	Not an asset u/s 2(ea)
Cash in Hand in excess of Rs.50,000	15,000	Asset u/s 2(ea), being an Individual
NET WEALTH	20,65,000	

7. Romit Roy, a Not Ordinarily Resident in India seeks your advice with regard to the furnishing of his Wealth Tax Return. The value of assets held on 31.3.2008 is indicated below. You are requested to compute the Taxable Wealth.

- Motor cars of foreign make held as Fixed Assets Rs.26 lakhs
- Gold bonds under Gold Deposit Scheme, 1999 Rs.25 lakhs
- Residential House Property at Kolkata let out w.e.f.10.2.2007 Rs.30 lakhs
- Jewellery held Rs.20 lakhs
- Lands purchased for industrial purpose: (a) on 1.1.2002 Rs. 7 lakhs (b)on 24.2.2007 Rs.10 lakhs
- Loans against the purchase of land : (a) on 1.1.2002 Rs. 4 lakhs (b) on 24.2.2007 Rs.5 lakhs
- Fixed Assets located in Abu Dhabi Rs.80 lakhs
- Cash at Bank Rs.4 lakhs
- Cash in Hand Rs.80,000
- Mrs. Roy acquired out of gifts received from her husband:
 - (a) Shares and securities Rs.3,00,000
 - (b) Residential House property at Bangalore Rs.20,00,000

Assessee: Romit Roy Valuation Date:31.3.2008

Assessment Year:2008-09

Computation of Net Wealth

Nature of Asset	Rs.	Reasons
Motor-cars	26,00,000	Motor-car other than those used in the business of or held as stock-in-trade is an asset u/s 2(ea)
Gold Bonds, 1999	Nil	Not an asset under WT Act.
Residential House Property	Nil	Any residential house property let-out for 300 days or more is not an asset
Jewellery	20,00,000	Jewellery other than those held as stock-in-trade is an asset
Land purchased on 1.1.02 for Industrial Purpose	7,00,000	Land held beyond two years from the acquisition for industrial purposes is an asset
Land purchased 24.2.2007	Nil	Land held for first two years from the date acquisition for industrial purposes is not an asset
Cash-on-Hand	30,000	Cash held beyond Rs. 50,000 is an asset
Cash-at-Bank	Nil	Not an asset under WT Act.
Fixed Asset located in Abu Dhabi	Nil	Not chargeable to tax for Not Ordinary Resident
Deemed Assets acquired and held by Mrs.Roy		
(a) Shares and Securities	Nil	Not an asset u/s 2(ea)
(b) Res.House Property at Bangalore 20,00,000		Asset u/s 2(ea).
Less: Exemption u/s 5(vi) (20,00,000)	Nil	One house or part of the house exempt u/s 5(vi)

Total Assets	53,30,000	Wealth Tax Liability and Debts incurred in exempted assets are not deductible
Less: Debts incurred on Taxable Assets		
On Land acquired on 1.1.2002	(4,00,000)	
Net Wealth	49,30,000	
Less: Basic Exemption	15,00,000	
Taxable Net Wealth	34,30,000	
Tax Payable @ 1%	34,300	

VALUATION OF IMMOVABLE PROPERTY

8. Abhishek, a person of Indian origin was working in Austria since 1990. He returned to India for permanent settlement in May 2007 when he remitted money into India. For the valuation date 31.3.2008, the following particulars were furnished. You are required to compute the taxable wealth. The reason for inclusion or exclusion should be stated –

- Building owned and let-out for 270 days for residence. Net maintainable rent (Rs.1,00,000) and the Market Value (Excess of Unbuilt Area over Specified Area is 20% of the Aggregate Area) Rs. 30 lakhs
- Jewellery: (a) Purchased in April 2007 out of money remitted to India from Austria Rs.12,00,000
(b) Purchased in May 2007 out of sale proceeds of motor-car brought from abroad and sold for Rs.40 lakhs.
- Value of interest in urban land held by a firm in which he is a partner Rs.10 lakhs
- Bonds held in companies Rs.10 lakhs
- Motor car used for own business Rs.25 lakhs
- Vacant house plot of 480 sq.mts. (purchased in December 2000) market value of Rs.20,00,000
- Cash in hand Rs.45,000
- Urban land purchased in the year 2005 out of withdrawals of NRE Account Rs.15,00,000

Assessee: Abhishek Valuation Date: 31.3.2008 Assessment Year: 2008-09

Computation of Net Wealth

	Rs	Rs	Reasons
Value of the House	18,50,000	18,50,000	Asset u/s 2(ea). Working Note 1
Jewellery: Purchased in April 2007	12,00,000	Nil	Asset u/s 2(ea) Purchased out of money brought into India
Less: Exempt u/s 5(v) Jewellery	(12,00,000)		
Jewellery: Purchased in May 2007	40,00,000	Nil	Asset u/s 2(ea) Purchased out of sale proceeds of assets brought into India
Less: Exempt u/s 5(v)	(40,00,000)		
Interest in Urban Land held by firm	10,00,000	10,00,000	Deemed Asset u/s 4(1)(b)
Bonds held in companies	-----	Nil	Not an asset u/s 2(ea)
Motor car		25,00,000	Asset u/s 2(ea). Not held as stock-in-trade
Vacant House Plot (480 sq. mts.)	20,00,000	Nil	Asset u/s 2(ea) House/part of house/plot less than 500 sq.mts.
Less: Exempt u/s 5(vi)	(20,00,000)		
Cash in hand		Nil	Since not exceeding Rs.50,000
Urban Land Purchased	15,00,000	Nil	Purchased out of money brought into India
Less: Exempt u/s 5(v)	(15,00,000)		
NET WEALTH		53,50,000	

(1)Working Notes: Valuation of Building:

Net Maintainable Rent(NMR) = Rs.1,00,000
Capitalized Value of NMR = NMR x 12.5 (Owner of the land) = Rs. 1,00,000 x 12.5 = Rs.12,50,000
Add: Premium for excess of unbuilt area (20%) over specified area = 40% of CNMR = Rs. 5,00,000

VALUE OF THE HOUSE

Rs.18,50,000

9. Mr. Kushal Sengupta owns a house at Jharkhand, which is let-out at Rs.1,35,000 per annum. The annual value of the property as per municipal records also is Rs.1,00,000. Municipal taxes are partly borne by the owner (Rs.5,000) and partly by the tenant (Rs.6,000). Repair expenses are borne by tenant (Rs.10,000) the difference between the un-built area and specified area does not exceed 5%. The property was acquired on 10.5.1997 for Rs. 15,00,000.

Determine for purposes of Wealth Tax Act, the value of the property as on 31.3.2008 on the following situations -

- The house is built on a freehold land.
- It is built on a leasehold land, the unexpired period of lease of the land is more than 50 years.
- If the area of the plot on which the house is built is 800 sq. meters. FSI, permissible is 1.4 and FSI utilised is 1088 Sq. metres. (136 Sq. metres x 8 Storeys)
- The tenant had made interest free deposit of Rs. 1,00,000 with the landlord.

Assessee: Mr. Kushal Sengupta Valuation Date: 31.3.2008 Assessment Year: 2008-09

Computation of Value of House Property

For Situations (a) & (b):

Computation of Gross Maintainable Rent (Amount in Rs.)

Particulars	No Rental Deposit	Rental Deposit excess of 3 Mths
Actual Annual Rent	1,35,000	1,35,000
Add: Municipal Taxes borne by the tenant	6,000	6,000
1/9 th of Actual Rent Receivable since repair expenses are borne by the tenant (Rs.1,35,000/ 9)	15,000	15,000
Rental Deposits - 15% Interest on Rs. 1,00,000	Nil	15,000
GROSS MAINTAINABLE RENT	1,56,000	1,71,000
Less: Municipal Taxes Paid	11,000	11,000
Less: 15% of Gross Maintainable Rent	23,400	25,650
Net Maintainable Rent	1,90,400	2,07,650
Case (a) Capitalization of Net Maintainable Rent		
-Freehold Land NMR x 12.5	23,80,000	25,95,625
Case (b) Capitalization of Net Maintainable Rent		
-Leasehold Land - Unexpired Lease 50 Years = NMR x 10	19,04,000	20,07,650
Property Acquired after 31.3.1974 i.e. 10.5.1997	15,00,000	15,00,000
Therefore, Value of the Property (whether on Lease-hold Land or on Freehold Land)	15,00,000	15,00,000

For Situation (c) : In case of excess unbuilt area:

Unbuilt Area = (Actual Area of the Land **less** Built up Area) = (800 sq. mt **less** 136 sq. mt). = 664 sq. mt.

Excess Unbuilt Area = (Unbuilt Area **less** Specified Area) = 664 sq. mt. **less** 70% of 800 sq. mt.
= 664 Less 560 = 104 sq. mt

% of Excess Unbuilt Area = **Excess Unbuilt Area x 100 / Aggregate Area** = 104 x 100 / 800 = 13%

Therefore, Value of the Property = Substituted Net Maintainable Rent i.e. Rs.15,00,000 + 30% of SNMR = Rs. 19,50,000

10. From the following dated furnished by Mr.Soumitra, determine the value of house property built on leasehold land as at the valuation date 31.3.2008:

Particulars	Rs.
Annual Value as per Municipal valuation	1,40,000
Rent received from tenant (Property vacant for 3 months during the year)	1,08,000
Municipal tax paid by tenant	10,000
Repairs on property borne by tenant	8,000
Refundable deposit collected from tenant as security deposit which does not carry any interest	50,000
The difference between unbuilt area and specified area over aggregate area is 10.5%.	

Assessee: Mr. Soumitra Valuation Date: 31.3.2008 Assessment Year: 2008-09

Computation of Value of House Property

Step I: Computation of Gross Maintainable Rent(GMR)

Particulars	Rs.	Rs.
Actual Annual Rent- Rs. 1,08,000 x 12 Months / 9 Months		1,44,000
Add: Municipal tax paid by the Tenant	10,000	
1/9 th of Actual Rent Receivable as repair expenses are borne by the tenant - Rs. 1,44,000/9	16,000	
Interest on Refundable Security Deposit- Rs. 50,000 x 15% x 9/12	6,000	32,000
GROSS MAINTAINABLE RENT (GMR)		1,76,000

Step II: Computation of Net Maintainable Rent (NMR)

Particulars	RS.	Rs.
Gross Maintainable Rent (GMR)		1,76,000
Less: Municipal Taxes levied by the local authority	10,000	
15% of Gross Maintainable Rent - Rs.1,76,000 x 15%	26,400	(36,400)
NET MAINTAINABLE RENT (NMR)		1,39,600

Step III: Capitalisation of the Net Maintainable Rent (CNMR) (Assumed that unexpired lease period is more than 50 Years)

NMR x Multiple Factor for an Unexpired Lease Period - Rs. 1,39,600 x 10 = Rs. 13,96,000

Step IV: Addition of Premium to SNMR in case of excess inbuilt area:

Particulars	Rs.
Capitalisation of the Net Maintainable Asset	13,96,000
Add: Premium for excess of 10.5% unbuilt area over specified area -30% of CNMR	4,18,800
Value of House Property as per Wealth Tax Act	18,14,800

11. Property Company Ltd. has let-out a premise with effect from 1.10.2006 on monthly rent of Rs.1.5 lakh. The lease is valid for 10 years and the tenant has made a deposit equivalent to 3 months rent. The tenant has undertaken to pay the municipal taxes of the premises amounting to Rs. 2 lakh. What will be the value of the property under Schedule III of the Wealth Tax Act for assessment to wealth tax?

Assessee: Property Company Ltd. Valuation Date: 31.3.2008 Assessment Year: 2008-09

Computation of Value of Let-out Property

Actual Annual Rent Receivable - Rs. 1,50,000 x 12 Months		18,00,000
Add: Municipal Taxes borne by the Tenant		<u>2,00,000</u>
GROSS MAINTAINABLE RENT		20,00,000
Less: Municipal Taxes levied by the Municipal Authority		2,00,000
Less: 15% of Gross Maintainable Rent (Rs. 20,00,000 x 15%)		<u>3,00,000</u>
NET MAINTAINABLE RENT		<u>15,00,000</u>

Value of the Property = Capitalized Value of NMR

NMR x 8 (unexpired period of lease is less than 50 years) = Rs. 15,00,000 x 8= Rs. **1,20,00,000**

Valuation of Partner's Interest in Firm

12. Net wealth of firm consisting of three partners Bidyut, Kingshuk and Deepak in 2:2:1 and a capital contribution of Rs.17 Lakhs, Rs.13 Lakhs, and Rs.12 Lakhs respectively is as under -

- | | |
|---|---------------|
| (a) Value of assets located outside India | Rs.30,00,000 |
| (b) Value of assets located in India | Rs.80,00,000 |
| (c) Debts incurred in relation to assets in India | Rs. 40,00,000 |

Determine the value of interest of the partners in the firm under the Wealth Tax Act, 1957.

Assesses: Bidyut, Kingshuk & Deepak Valuation Date: 31.3.2008 Assessment Year: 2008-09

Computation of net wealth of the Firm

Particulars	Rs.	Rs.
Value of Assets located in India	80,00,000	
Less: Liability in relation to assets in India	<u>40,00,000</u>	40,00,000
Value of Assets located outside India		30,00,000
Net Wealth of the Firm		70,00,000

Computation of Interest of the Partner in the net wealth of the Firm (Amount in Rs.)

Particulars	Bidyut	Kingshuk	Deepak
To the extent of Capital Contribution	17,00,000	13,00,000	12,00,000
Balance (Net Wealth - Capital Contribution) in Profit sharing ratio since dissolution ratio is not given	11,20,000	11,20,000	5,60,000
Interest of the Partner in the Net Wealth of the Firm	28,20,000	24,20,000	17,60,000

Computation of the Interest of the Partner in the net wealth of the Firm on the basis of location of assets: (Interest of the Partner in the Firm apportioned in the ratio of 4:3)

Particulars	Balu	Kausik	Deepu
Assets Located Inside India	16,11,429	13,82,857	10,05,714
Assets Located Outside India	12,08,571	10,37,143	7,54,286
Interest of the Partner in the Net Wealth of the Firm	28,20,000	24,20,000	17,60,000

Valuation of Life Interest

13. Satender is aged 35 years. His father settled a property in trust giving whole life interest therein to Satender. The income from the property for the years 2004-05 to 2007-08 was Rs.70,000, Rs.84,000, Rs.90,000, Rs.108,000, respectively. The expenses incurred each year were Rs.2,000, Rs.4,000, Rs.5,000 and Rs.6,000 respectively. Calculate the value of life interest of Mr.Jogi in the property so settled on the valuation date 31.3.2008, with the help of the factor of 9.267.

Step	Procedure
1	Average Income for last three years = (Rs.84,000 + Rs.90,000 + Rs.1,08,000) / 3 = Rs.94,000.
2	Average Expenses for the last three years = (Rs.4,000 + Rs.5,000 + Rs.6,000) / 3 = Rs.5,000.
3	Maximum Permissible Expenses = Average Expenses or 5% of Average Income, whichever is less = 5% of Rs.70,000 = Rs.3,500
4	Average Annual Income = Rs.94,000 Less Rs.3,500 = Rs.90,500.
5	Life Interest = Average Annual Income x Life Interest Factor = Rs.90,500 x 9.267 = Rs.8,38,664.

14. 'X' received a vacant site under his father's will. The value of the site on 31.3.2008 is Rs.15 Lakhs. As per terms of the 'Will' in the event 'X' wants to sell the site he should offer it to his brother for sale at Rs.10 Lakhs. 'X', therefore, claims that the value of the site should be taken at Rs.10 Lakhs as at 31.3.2008. Is the claim correct?

Answer:

- As per Rule 21 of Schedule III to the Act, the **price or other consideration for which** any property may be **acquired by or transferred to any person under the terms of a deed of trust** or through or under any restrictive agreement in any instrument of transfer **shall be ignored** for the purpose of determining the value under the provisions of the Schedule.
- In view of the above, the value of the site should be taken as Rs. 15 Lakhs and not as Rs. 10 Lakhs.
- Therefore, **claim of X is incorrect.**