What is Wealth Tax?	Wealth tax is the tax levied on the wealth of the Assessee declared on a particular date.

Applicability of wealth tax

Applicable	Not Applicable
1. Individual 2. HUF 3. Company 4. AOP Chargeable u/s/ 21AA	1. Company Reg. U/s 25 2. Any Co-op Society 3. Any Social Club 4. Any Political Party 5. Any Mutual Fund u/s 10(23D) of Income Tax Act. 6. RBI incorporated under the RBI Act, 1934

A **Social Club** is an **AOP**, but **not assessable** under the Wealth Tax Act.

Scope of Net Wealth

Incidence of Wealth Tax shall be determined on the basis of the following:-
1. In case of Individual, his nationality, residential status and location of the asset.
2. In case of HUF or Company, their residential status and location of the asset.

Citizenship/ Residential Status of the assessee in India	Assets Located		Debts incurred on assets	
	In India	Out-side India	In India	Out-side India
1. Individual who is an Indian national & HUF:				
a. Resident & Ordinarily Resident	T	T	D	D
b. Resident but Not Ordinarily Resident in India.	T	N.T.	D	N.D.
c. Non- Resident	T	N.T.	D	N.D.
2. Individual who is a foreign National	T	N.T.	D	N.D.
3. a. Resident Company	T	T	D	D
b. Non - Resident Company	T	N.T.	D	N.D.

T = Taxable, N.T. = Not Taxable, D= Deductible, N.D. = Not Deductible.

Asset Section 2(ea)

Includes	Excludes
1. Building & Land Appurtenant thereto: House is used for: a. Residential Purpose b. Commercial Purpose c. Guest House d. Farmhouse Situated within 25 Kms from local limits of Municipality	1. Residential house allotted by the Company to its employe/ officer/ executive who is in whole time employment and there gross salary is less than ` 10 Lakh. 2. Residential or Commercial house forming part of Stock in Trade. 3. House occupied by assessee for his own business or profession. 4. Residential House let out for a period of 300 days or more during the previous year. 5. Property in the nature of commercial establishment.
Motor Car	1. Motor Car used in the business of running on Hire. 2. Motor Car held as stock in trade in the course of Business.
Jewellery, Bullion, Furniture, Utensils and any other article made wholly of partly of Gold, Platinum or other Precious Ornaments	1. Such Items held as stock in trade in the course of Business. 2. Gold Deposit Bonds issued under Gold Deposit Scheme, 1999.
Yachts, Boats and Aircraft (including Helicopter)	1. Such Yachts/ Boats/ Aircraft used by the assessee for Commercial purpose. 2. Ships
Urban Land: within the Jurisdiction of a Municipality or Cantonment Board with population not less than 10,000 as per latest published cencus prior to Valuation Date. **or** any area situated within 8 K.M. from the limits of such Municipality or Cantonment Board as notified by the Central Government.	1. Urban Land on which construction of a building is not permissible under any law. 2. Land occupied by any building constructed with the approval of appropriate authority. 3. Land held for industrial purposes for a period of 2 year from the date of acquisition. 4. Land held by the assessee as stock in trade for a period of 10 year from date of acquisition.
Cash in Hand: In case of Industrial or HUF any amount in excess of ` 50,000. For other, amount not recorded in the books of Accounts.	1. For Individual/HUF, any amount less than ` 50,000. 2. For Other Person any amount recorded in Books of Account.

Asset Exempt from Wealth Section 5

Exemption available to	Type of Asset & Conditions
Charitable/ Religious Institutions/ Fund/ Trusts Section 5(i)	Property held under trust for any public purpose of charitable or religious nature in India excluding assets of business carried on by the institution, fund or trust not referred to in Section 10(23B), 10(23C), & 11(4A)(a)/(b) of Income Tax Act subject to section 21A.
Member of HUF Section 5(ii)	Any Interest in HUF property as a coparcener.
Ex - Ruler Section 5(iii) & (iv)	Any one building in the occupation of a Ex-Ruler which was his official residence by virtue of declaration by the Central Government. Where Official palace consist of number of buildings then the exemption is restricted to only those building occupied by him. {Let out building are not entitled for exemption. Mohamed Ail Khan vs CWT 224 ITR 627} Jewellery in possession of Ex-Ruler recognised as heirloom Jewellery subject to certain condition and have been recognised by the CBDT. However, personal Jewellery is not exempt. **(Additional Condition is to be satisfied)*** **1. CONDITIONS:** a. The Assessee should be an Indian citizen or of Indian Origin. b. He returns to India with an intention to permanently reside in India.
NRI returning to India for permanent residence Section 5(v)	**2. Exempt Asset:** Money & Value of Assets brought by him to India or assets acquired out of such money. Asset purchased out of money kept in NRE Account are exempt. **3. Time Limit:** Acquisition Shall be made within one year immediately prior to the date of return or at any time thereafter. **4. Period of exemption:** 7 Successive assessment years commencing from assessment year next following the date on which such person returned to India.
Individual/ HUF Section 5(vi)	1. One House or Part of a house or a plot of land not exceeding 500 sq. mtrs. 2. If the house is owned by the firm, then the partners may claim exemption in proportion of their share in that asset (house) in their individual assessment.

How to Calculate Net Wealth as per Section 2(m) ?

Aggregate Value of all Asset defined u/s 2(ea) as determined in accordance with Valuation Rule 3 to 20

+

Deemed Wealth/ Owner under section 4

−

Aggregate Value of Debts owned by the assessee on the valuation date incurred in relation to all the above Asset.

−

Asset Exempt under Section 5

=

Net Wealth as per Wealth Tax Act Rounded off to Nearest 100 /- as per section 44C.

Valuation As per Valuation Rules given in Schedule III to Wealth Tax Act 1957 as per Section 7(1).

Rule 9 to Rule13 has been deleted

Immovable Property	Business Asset	Interest of Partner/ Member	Life Interest	Jewellery	Residuary
Rules: 3 to 8	Rules: 14	Rules: 15 & 16	Rules: 17	Rules: 18 & 19	Rules: 20

VALUATION OF IMMOVABLE PROPERTY (RULE 3 to 8)

Order of application of this are as under:

Step 1 : Rule 5 - Computation of Gross Maintainable Rent (GMR)
Step 2 : Rule 4 - Computation of Net Maintainable Rent (NMR)
Step 3 : Rule 3 - Capitalisation of Net Maintainable Rent (CNMR)
Step 4 : Rule 6 - Addition of Premium of Un-built area to Substituted Maintainable Rent (SNMR)
Step 5 : Rule 7 - Deduction in respect of Unearned Increase.
Step 6 : Rule 8 - Situation when Rule 3 is not applicable.
= **TAXABLE VALUE OF IMMOVABLE PROPERTY**

Step 1: Rule 5 Computation of Gross Maintainable Rent (GMR)

Let Out Property

1. **Annual Rent Received OR Receivable** computed as below*

Or

2. Annual Value assessed by the local Authority **(Municipal Value)**.

Whichever is **Higher**.

Non Let Out Property

1. Annual Value assessed by the local Authority **(Municipal Value)**.
2. If **no M.V. assessment** is made, then the amount which the assessee can reasonably expect to receive as Annual Rent **(Fair Rent)**. Should Fair Rent should **not exceed Standard Rent (Amolak Ram Khosla V CIT (1981) & Sheila Kaushish (Mrs.) Vs CIT (1981) 131 ITR 435 (SC))**

* **COMPUTATION OF ANNUAL RENT RECEIVED OR RECEIVABLE:**

a. If the Property is let out throughout the previous year then actual rent received or receivable. But if the property was not let out throughout the year then calculate the rent receivable as if Property is let out for entire year.
$\frac{\text{Actual Rent Received / Receivable}}{\text{Period of let out (Months)}} \times 12$

ADD:

b. Taxes **(Municipal Tax)** levied by the Local Authority if borne by the tenant.
c. If the repair expenses are met by tenant, then 1/9[th] of the actual rent **(i.e. 1/9 X a.)**
d. If the refundable deposit is accepted from the tenant for a period exceeding 3 months, then interest calculated on the whole deposit @ 15 % p.a. for the let out period **Less** Actual Interest Paid.
e. If any premium received, then amount of premium distributed over the period of the lease i.e. $\frac{\text{Premium Taken}}{\text{Lease Period}}$

f. Any Benefit or perquisite derived from the tenant as a consideration for lease.

ADD All the Above to arrive at Actual Rent Received / Receivable

Step 2: Rule 4 Computation of Net Maintainable Rent (NMR)

Gross Maintainable Rent As Calculated in step 1 in accordance with Rule 5
Less:
a. Municipal Tax **levied** by the local authority.
b. 15% of GMR

Step 3: Rule 3 Capitalisation of Net Maintainable Rent (CNMR)

Free Hold Property	Leased Period more than 50 Years	Leased Period more than 15 Years but less than 50 years	Leased Period Less than 15 Years
NMR in Step 2 X 12.5	NMR in Step 2 X 10	NMR in Step 2 X 8	Rule 8 & Rule 20

If the Property is acquired/ construction completed **after 01-04-1974**. Proviso to Rule 3
But this **proviso Shall not apply** in the following Case:
a. The property is exclusively used by the assessee for his **own residential purpose** throughout the year **&**
b. The cost of **construction + Improvement** is not more than ` **50 Lakh** in case of Metro. & ` **25 Lakh** in other place.
c. If more than 1 house property is used for residential purpose of the assessee, then the exception shall apply only in respect of 1 such property.

Substituted Net Maintainable Rent **(SNMR)**=
CNMR
or
Cost of Construction + Cost of Improvement Whichever is **Higher**.

Step 4: Rule 6: Premium to SNMR in case of excess Un built Area (UBA)

1. Compute Aggregate Area (AA) = Area on which property is considered + Un built Area (i.e. Total Area).
2. Compute Un built Area (UBA) = Aggregate area of the land on which on building has been erected.

Determine Specified Area (S.A.)= S.A. in Relation to the plot of land to which the property is constructed, refers to the maximum space which can be kept as Un built and for which no premium is added.
S.A. =

Delhi, Kolkata, Chennai, Mumbai	Agra, Ahmedabad, Allahabad, Amritsar, Bangalore, Baroda, Bhopal, Cochin, Hyderabad, Indore, Jabalpore, Jamshedpur, Kanpur, Lucknow, Ludhiana, Madurai, Nagpur, Patna, Pune, Salem, Sholapur, Surat, Trichi, Trivandrum, Varanasi	Delhi, Kolkata, Chennai, Mumbai
60%	65%	70%

Note: If any law for the time being in force requires the minimum area of plot of land to be kept as open for the enjoyment of the property and if that minimum area exceeds the specified area then such Minimum Area will deemed to be the Specified Area.

Calculate Excess Area (EA) = UBA -SA.
Calculate Excess Area Premium Percentage (EAPP) = $\frac{\text{EA} \times 100}{\text{A.A.}}$

Excess Area Premium Percentage Range	Premium Added to the SNMR
a. Less than 5%	Nil
b. More Than 5% but Less than or equal to 10%	20% of SNMR
c. More Than 10% but Less than or equal to 15%	30% of SNMR
d. More Than 15% but Less than or equal to 20%	40% of SNMR

Adjusted Net Maintainable Rent (ANMR) = SNMR + Premium (if EAPP more than 20% then Rule 8 & 20 Applies)

Step 5: Rule 7: Deduction of Unearned Increase (UBA)

What is Unearned Increase?
Difference between the value of such land on the Valuation Date as determined by the Government or such authority for the purpose of Calculating such increase and the premium paid or payable to the Government or such authority for the lease of the Land.

Specified part of Unearned Increase, if any payable to the Government as if the property has been transferred on the valuation date or
50% of SNMR
Whichever is less

Step 6: VALUE OF IMMOVABLE PROPERTY

ANMR LESS Unearned Increase

Important points to Claim deduction of Unearned Increase:

1. The Property should be constructed on a leasehold land and the lease is obtained from the Government or local authority or authority referred in Section 10(20A) of Income Tax Act.
2. The Term of the lease provided/entitles to claim and recover a specified part of the unearned increase in the value of the land at the time of transfer of the Property.

Rule 8: Situation when Rule 3 is Not Applicable.

1. Where, having regards to the facts and circumstances of the Case, the Assessing officer with the previous approval of the Joint Commissioner, is of the opinion that it is not practicable to apply the provisions of the said rule to a particular case.
2. Where the difference between the un built area & the specified area exceeds 20% of the aggregate area.
3. Where the property is constructed on a leasehold land and the lease expires within a period of not exceeding 15 years from the relevant valuation date and the lease is not renewable at the option of the lessee.

In all the above case Rule 20 will Apply.

Valuation of Self Occupied Property Section 7(2)

Property Acquired or Constructed before 01.04.1971

The Value determined in accordance Schedule III as on Valuation date of 31.04.1971 (Valuation date in relation to A.Y. 1971-72.
OR
The Value determined in accordance Schedule III as on Valuation date of relevant Assessment Year
Whichever is Beneficial (less) to the Assessee.

Property Acquired or Constructed after 01.04.1971

The Value determined in accordance Schedule III as on Valuation date following the date of Acquisition or Completion of Construction.
OR
The Value determined in accordance Schedule III as on Valuation date of relevant Assessment Year
Whichever is Beneficial (less) to the Assessee.

Property Acquired or Constructed between 01.04.1971 & 31.04.1974

CNMR on Valuation date after the date of Acquisition.
OR
CNMR on Valuation date of relevant Assessment Year
Whichever is Beneficial (less) to the Assessee.

Property Acquired or Constructed after 01.04.1974

Cost of Property Acquired or Constructed Less than 50/25 Lakh → CNMR (as above)

Cost of Property Acquired or Constructed More than 50/25 Lakh

SNMR on Valuation date after the date of Acquisition.
OR
or Cost of Acquisition w.e. higher on Valuation date of relevant Assessment Year
Whichever is Beneficial (less) to the

RULE 14: VALUATION OF BUSINESS ASSET

Condition: The assessee should maintain books of **accounts of the regularly**.

Step1: Look into the **asset side** of **Balance Sheet** and identify those **assets**, falling within **section 2(ea)**

Assets Not Considered:
1. Advance Tax paid.
2. Bad debts allowed as deduction under IT Act.
3. Assets which is not liable for Wealth Tax.
4. Profit & Loss A/c shown in the asset side of the B/S.
5. Asset Shown in B/S not relating to business.

Liabilities Not Considered:
1. Capital employed other than borrowed money.
2. All Reserves.
3. Provision for Contingent Liability.
4. Liability not pertaining to business.
5. Liabilities in relation to assets which are not liable for wealth tax.

Step 2: Value of Asset is **total** of the following

Nature of Asset	Value of the Asset
Depreciable Asset	**W.D.V.** as on Valuation Date.
Non-Depreciable Asset	**Book Value** of Asset on Valuation Date
Closing Stock	Value adopted for **IT Purpose** for the P.Y.
Value of asset not disclosed in B/s	Determination in accordance with **Schedule III**

Step 3: Value of All Asset above is **compared** with **Schedule III or Rule 20 Value**.

Situation	Value of the Asset
Sch. III Value or Rule 20 Value **<=20% of Step 2**	**Step 2** Value.
Sch. III Value or Rule 20 Value **> 20% of Step 2**	Schedule **III** Value or Rule **20**.

Step 4: Deduction of Liability while **Determining** the Value of Assets:
1. Deduct the liability incurred in relation to above assets
2. When we can't bifurcate the Loan Liability then use:

$$\frac{\text{Total Debt X Value of assets of business liable to Wealth Tax}}{\text{Total Value of Assets}}$$

Step 5: Value of Business Asset = Step 3 (-) Step 4

RULE 15 & 16: VALUATION OF INTEREST OF PARTNER/MEMBER OF FIRM/AOP

Step1: Valuation of Asset of Firm/AOP

Nature of Asset	Value of the Asset
a. Business of AOP/Firm	Apply **Rule 14**
b. Not a Business Asset of AOP/Firm	Schedule **III** Value.
Total Net Wealth of the Firm	**a + b**

No exemption under section 5 shall be allowed to a Firm/AOP, but partners are entitled for proportionate exemption in their Individual Capacity.

Step 2: Allocation of Net Wealth of Firm/AOP to their Partner/Members

Allocation of Net Wealth	Ratio of Allocation
Net Wealth Upto the extent of capital contribution in the firm by the partner	Capital Contribution Ratio
Any amount in Excess of Capital Contribution in the firm	Distribution Agreement Exist: **Ratio** as per that **Agreement** Distribution Agreement do not Exist: **Profit/Loss Sharing Ratio**.

Total of the Above asset shall be the value of Interest of Partner/Member in the Firm/AOP.

Step 3: Allocation of **Asset** in case asset is located **outside India**
1. This Step is Carried out if one of the Partner / Member is a Foreign National or a Resident but not ordinarily resident or non-resident and the firm is holding asset outside India.
2. Calculate **Value of Indian Asset (VAI)** =

$$\frac{\text{Value of Interest of Partner/Member (Referred in Point 1 \& as Calculated in Point 2)} \; X \; \text{Value of Asset Located in India (-) Debt on Such Asset}}{\text{Net Wealth of the Firm}}$$

3. **Interest** in the Asset Situated **Out Side India** = **STEP 2 (-) VAI**

Step 4: Determination of interest in the **Asset exempt u/s 5** included in the Net Wealth of the Firm.

$$\frac{\text{Value of Interest of Partner/Member (Referred in Point 1 \& as Calculated in Point 2)} \; X \; \text{Value of Asset Exempted u/s 5 included in the Net Wealth of the Firm (-) Debt on Such Asset}}{\text{Net Wealth of the Firm}}$$

RULE 17: VALUATION OF LIFE INTEREST

Steps	Procedure
1	Compute the average Gross Total Income for the Last 3 Years upto the Valuation Date.
2	Compute deduction for Average of Expenses incurred on the collection of such income subject to a maximum of 5% of Average of Annual Gross Income.
3	Average Annual Income (AAI) = Step 1 (-) Step 2
4	Value of Life Interest = AAI X C given in the appendix to the rules against the age of the Assessee.

RULE 18 & 19: VALUATION OF JEWELLERY

Value of Jewellery = The Price which it will fetch when it is **sold in Open Market** [Fair Market Value **(F.M.V)**] on **ValuationDate**

F.M.V. Less than or Equal to ` 5 Lakhs → Statement given **by Assessee** Form **O-8A** shall be enclosed **with** the **return** of Wealth Tax

F.M.V. More Than ` 5 Lakhs → A Report **by Registered Valuer** Form **O-8** shall be enclosed **with** the **return** of Wealth Tax

1. When the Valuation of the Jewellery has been done by the Valuation Officer u/s 16A for the assessment year, then such valuation shall be adopted for the subsequent 4 Assessment Year subject to the following adjustment:-
   a. Market Value of the gold or silver or alloy containing them as on Valuation Date shall be substituted.
   b. Adjustment shall be made in respect of any Acquisition of or Sale of the Jewellery during the period.
2. If any or both of the above 2 adjustments are made then with the Registered Valuer's Report, Chart showing the above adjustment should be enclosed in the return of net wealth.

RULE 20: VALUATION OF OTHER ASSETS NOT REFERRED IN RULE 3 TO 19

This rule is applicable to all asset except cash & those covered in Rule 3 to 19.

VALUATION

NATURE OF ASSET	VALUE OF ASSET
Saleable Asset u/s 2(ea)	a. Price it Open Market on Valuation Date. b. If the referred to the Valuation Officer, the Value determined by Valuation Officer
Non Saleable Asset u/s 2(ea) in Open Market	As per the guidelines or principles specified by the Board.

Reference to Valuation Officer (Section 16A)

Purpose: To adopt the **Market Value** of the **Asset** for the purpose of Making an **Assessment**.

Situation when Reference can be made:

Value of the Asset is estimated by a Registered Valuer	Any other Case
The Assessing Officer is of the Opinion that the value of the Asset declared in the return of Wealth is Less than its Fair Market Value (F.M.V.)	1. F.M.V. of the asset exceeds the value of the asset as returned by more than **33 1/3% or ` 50,000/-** 2. Having regards to the nature of the asset and other relevant circumstances it is necessary to do so.

Procedure to File Return of Wealth Tax		
Section as Per WT Act	**Section as Per IT Act**	**Nature of Return/ Time Limit**
14(1)	139(1)	**Voluntary Return:** **30th September** of the Assessment Year in the case of the following assessee: • Company • Non- Corporate Assessee whose Accounts are to be Audited under IT Act or any other law. • Working Partner of a Firm whose Accounts are required to be audited. **31st July** of the Assessment Year - for any other assessee.
15	139(4) & (5)	**Belated or Revised Return:** At any time before completion or the expiry of one year from the end of the relevant assessment year, whichever is earlier. A belated return shall not be revised.