Problems in Wealth Tax

Problem No 1

Kerala Jewelers Ltd., (KJL) are engaged in the business of jewellery business – both domestic sales and export sales. They furnish the following information as at 31.3.2008:

Factory Building	Rs. 43,00,000
Bank Balance	12,20,000
Unaccounted cash balance	6,50,000
Silver ware	94,00,000
Gold ornaments	96,00,000
Motor cars	15,00,000
Guest house in Muscat	8,00,000

The Company has taken a loan of Rs. 6,00,000 by mortgaging its guest house and built the factory premises. From the above information compute the net wealth and the wealth tax liability of KJL as at 31.3.2008.

Problem No 2

New Era Construction Ltd. furnishes the following particulars of its wealth for the valuation date of 31st March 2008. Compute its net wealth and the wealth tax payable by it for the Assessment Year 2008-09:

Land in rural area (within 5 kms of Aligarh – purchased in 1992, construction on which is permissible) Rs. (Rs.90 lakhs)

Land in urban area (for construction of Mall)- 20,00,000

Land in urban area (held as stock-in-trade since 1992)- 50,00,000

Motor car (including one imported car worth Rs.6 lakhs)- 11,00,000

Jewellery (held as stock-in-trade) -18,00,000

Aircraft for use of directors and auditors- 1,58,00,000

Bank balance 5,00,000

Cash in hand as per cashbook -2,70,000

Guest house and land appurtenant thereto in rural area- 8,00,000

Residential flats of identical size provided to six employees for their use near factory in rural areas (salaries of two such employees exceed Rs.5,00,000 p.a.) Rs. 15,00,000
Residence provided to managing director (salary exceedsRs.5,00,000 p.a.) Rs. 10,00,000
Flats constructed remaining unsold (not held as stock) 30,00,000
Residence provided to whole time director (salary Rs.15,000 pm) Rs. 17,00,000
The company has taken the following loans :
(a) for purchase of jewellery 6,00,000

(b) For purchase of aircraft 7,00,000
(c) For flats constructed remaining unsold 2,00,000
(d) for residence provided to whole time director 90,000

Problem No 3

(a) X Limited 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:

(i) Land in urban area (Construction is not permitted as per Municipal Laws in force) Rs.35,00,000

(ii) Motor-cars (used on hire by the company) Rs.7,00,000

(iii) Jewellery (Investment) Rs.15,00,000. Loan taken for purchasing the same Rs.10,00,000

(iv) Cash Balance (as per books) Rs.1,75,000

(v)Bank Balances Rs.2,50,000

(vi) Guest House (situated in a place which is 30 kms away from the local limits of the municipality) Rs.6,00,000

(vii) Residential flats occupied by the Managing Director Rs.10,00,000. The managing director is on whole time appointment and is drawing remuneration of Rs.2,00,000 per month.

(viii) Residential house let out on hire for 200 days Rs.8,00,000

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

Problem No 4

Sterling Constructions Ltd. furnishes the following particulars of its wealth for the valuation date 31st March 2008. Compute its net wealth on valuation date.

	Particulars	Rs. lakhs
(i)	Land in urban area (held as stock-in-trade since 1994)	52
(ii)	Flats constructed remaining unsold (not held as stock)	47
(iii)	Motor car (including one imported car worth Rs.8 lakhs)	17
(iv)	Jewellery	6
(v)	Aircrafts	125
(vi)	Ships	107
(vii)	Cash in hand as per cash book	6.2
(viii)	Bank balance	37.7
(ix)	Guest house in rural area	13
(x)	Residential flats of uniform area provided to 5 employees (salary of 2 employees exceed Rs.5 lakhs p.a.)	25
(xi)	Residential house provided to a whole-time director (whose salary is Rs.4 lakhs p.a.)	9

The company has taken the following loans

(a) For purchase of land in urban area 20

(b) For purchase of jewellery 4

(c) For purchase of guest house in rural area 10

(d) For purchase of ships 80

Problem No 5

Mr. Gurpreet, a person of Indian origin, had been residing in Kenya since 1987 and returned to India for permanent settlement in May, 2006, when he remitted money into India. As on the valuation date March 31, 2008, the following particulars of his assets and liabilities are furnished.

	Rs.
(a) Self-occupied house at Kolkata	10,00,000
(b) Residential house at Madras let out for the whole year at Rs.20,000 per month-market value	13,00,000
(c) Land at Delhi (no restriction for construction)	7,00,000
(d) 2 motor cars (market value) –	
(i) purchased at Rs. 5,00,000 on 1.4.2007 out of moneys remitted from Kenya	4,50,000

(ii) old car for personal use (purchased on 2.5.2004 for Rs. 4,25,000)	2,00,000
(e) Jewellery, including Rs. 3,00,000 acquired in July, 2007 out of remittance from Kenya	7,00,000
(f) House plot of area 525 square metres in urban area, transferred to minor son on 1.8.2007	6,00,000
(g) Shares in listed companies	1,00,000
(h) Loan for purchase of land transferred to minor son	4,00,000
(i) Cash at Bank	70,000
(j) Cash lying at house	90,000
(k) Race horse	2,00,000
(l) Income-tax dues	20,000

You are required to compute the net wealth of Mr. Gurpreet as on 31.3.2008 and the wealth-tax payable for the assessment year 2008-09.

Problem No 6

Mukund, an Indian Citizen, was ordinarily residing in Dubai. He comes to India once every year in the month of October for 3 weeks. He returns to India permanently on 7-8-2007
He owns the following assets:

(i)A residential house at New Delhi gifted by his father-in-law valued at Rs.24,00,000.
(ii) A house at Mumbai purchased out money remitted from Canada on 1-7-2003.
(iii) A house at Bangalore purchased on 11-9-2006 out of money remitted from Canada on 7-6-2002.
(iv)Two kilograms of gold brought from Canada to India at the time of transfer on leaving that country on 7-8-2007.

Examine whether Mukund liable for wealth-tax on above for the assessment year 2008-09.

Problem 7

Rakshit and Co., a partnership firm, is engaged in the business of textile trading at Pune. Their minor son, Vivek has been admitted to the benefits of partnership. The abridged balance sheet of the firm as on 31st March, 2008 is as under :

Capital and Liabilities	*Rs.*	*Assets*	*Rs.*
Capitals :		Fixed assets	5,20,000
Rakshit	5,00,000	Housing complex	10,30,000
Mrs. Rakshit	4,00,000	Jewellery	2,00,000
Vivek	3,00,000	Stock-in-trade	1,50,000
ICICI loan	2,20,000	Receivables	1,30,000
Loan creditors	6,00,000	Cash in hand	60,000
Trade creditors	1,25,000	Cash at bank	90,000
Income-tax payable	35,000		
	21,80,000		21,80,000

The following further information is made available:

(i) The sharing ratio of partners is 60:40 among Rakshit and his wife in the event of loss, and profit is shared among partners in the ratio of 40:30:30 respectively.

(ii) Fixed assets include one urban plot of 350 square metres, the market value of which being Rs.8,000 per square metre and an agricultural land of 1,000 square metres located beyond 8 kms. to Pune municipal limits.

(iii) Housing complex consists of three flats, one flat being used by firm for its business, one flat is on the lease since 1st January, 2007 and other flat is also on lease with effect from 10th June, 2007. The net maintainable rent of flats under lease stood at Rs.1,03,750 and Rs.60,000 respectively. The capitalization factor may be assumed at 12.5.

(i) The market value of jewellery is Rs.7,35,000.

(v) ICICI loan relate to acquisition of urban land (Rs.1,85,000) and agricultural land (Rs.35,000).

(vi) Loan creditors of Rs.6,00,000 relate to the housing complex.

On the basis of above information, find out the interest of all partners in the firm as on 31st March, 2008 for the purpose of computation of net wealth in their respective hands. In whose hands the net wealth of minor son will be assessed?

Problem 8

Compute taxable wealth and wealth-tax liability of Ronnie (who is doing business) for the assessment year 2008-09 Ronnie owns the following assets and liabilities as on 31st March, 2008 :

Land situated in rural area, the book value of which is Rs.8 lakh.
Unused land situated in urban area, purchased on 7th November, 1986 for construction of factory. Its book value is Rs.19 lakh and value as per Part- D of Schedule III to the Wealth-tax Act, 1957 is Rs.25 lakh.

Motor car: written down value Rs.4 lakh. Value as per Schedule III to the Wealth-tax Act, 1957 is Rs.3.5 lakh.

Dumper (machine used for business) : written down value Rs.18 lakh, value as per Schedule III to the Wealth-tax Act, 1957 is Rs.12 lakh.

Residential house: written down value Rs.3.5 lakh, value as per Schedule III to the Wealth-tax Act, 1957 is Rs.4.25 lakh (partly used for residence and party for business).

Gold and silver: book value Rs.6 lakh, value as per Schedule III to the Wealth-tax Act, 1957 is Rs.55 lakh. However, a loan of Rs.5 lakh was taken for purchase of gold/silver and still outstanding for payment as on 31st March, 2008.

Shares in companies: book value Rs.11 lakh. Quoted value Rs.9,20,000. Loan of Rs.5 lakh was taken from State Bank of Hyderabad against the shares.

Cash in hand: Rs.65,000. Cash at bank: Rs.5, 25,000.

Problem No 9

Compute the net wealth of UMV Ltd. (carrying on the business of running cars in hire and also dealing in jewellery) which furnishes the following particulars of its assets and liabilities as on 31.3.2008:

Assets		(Rs. in crores) Book value	(Rs. in crores) If valued as per Schedule III
(i)	Fixed Assets:		
	Plant & Machinery	10	15
	Factory Building	25	10

	Urban land (450 sq. meters) Motor Cars	40 5	100 10
(ii)	Investments:		
	Jewellery Plot of land in Mumbai (480 sq. meters) Equity shares in subsidiary companies	15 10 20	30 50 25
(iii)	Current assets:		
	Inventories (Jewellery) Sundry Debtors Cash and Bank Balance (includes cash balance or Rs. 1,00,000)	150 10 5	150 10 5
Liabilities			
(i)	Current Liabilities	40	40
(ii)	Loans secured on Fixed Assets (Urban land)	30	30

Problem 10

Zahir owns a house property which is situated at Pune. While annual value of the property as per the municipal records is Rs.1,20,000, rent received from the tenant is Rs.1,05,000. Municipal taxes are paid partly by Zahir Rs.3,000, and partly paid by the tenant Rs.5,250. Repair expenses, however, are borne by the tenant Rs.3,900. The tenant has deposited Rs.75,000 with Zahir as refundable security. It does not carry any interest. The difference between 'unbuilt area' and 'specified area' does not exceed 5%. Determine the value of the property on 31st March, 2008, being the valuation date for the assessment year 2008-09 on the assumption that the house is built on free-hold land. The property was acquired on 10th May, 1990 for Rs.18,75,000.

Problem No. 11

(a) R is the owner of a house, which is constructed on leasehold land acquired from D.D.A. He has let out this house to G Rs.15,000 p.m. The other terms are as under:
  (i) G will pay 60% of the municipal taxes and bear the cost of repairs.
  (ii) G will give interest free advance of Rs.1,25,000. This amount will be refunded at the time of vacating the house.
  (iii) G will also pay Rs.62, 500 as premium for leasing the property for five years.

The annual value assessed by the local authority is Rs.1,25,000 and taxes levied are Rs.18,750 G spent Rs.18,750 on the repairs of the house.

The difference between the unbuilt area and specified area is 11% of the aggregate area. Find out the value of the house for Wealth Tax purposes, if the cost of the building (including land) in 1984 was Rs.12,50,000.

R had paid Rs.1,00,000 for the acquisition of the land to D.D.A but now the value of the land is Rs.5,00,000. D.D.A. charges 50% of the unearned increase on the transfer of a house. The unexpired period of lease is 64 years. Compute the value of the house property for the purpose of wealth-tax.

Problem No 12

Meenakshi owns a house property which is situated at Delhi and is used for residential purposes throughout the year. The annual value of the property as per the municipal records is Rs. 100,0000 whereas the rent received from the tenant is Rs. 800000. The municipal taxes are paid partly by Meenakshi (Rs.30000) and partly by the tenant (Rs. 50000). The tenant bears the entire repair expenses of Rs. 50000. He also deposited with the landlady a sum of Rs. 250000 as refundable security which, however, does not carry any interest. The difference between 'unbuilt area' and 'specified area' does not exceed 5%. What will be the value of the house property on 31st March, 2008, if — (i) the house is built on freehold and; (ii) it was acquired after 1st April, 1974 for Rs. 10000000; and (iii) the cost of improvement is Rs.200000

Problem No 13

Bharat has the following assets and liabilities on the valuation date:

Assets	Rs in lakhs
Residential house	40
A farm house, 15 km. away from local limits of Kolkata	10
Car for personal use	6
Jewellery	14
Aircraft for personal use	150
Urban land (construction is not permitted under the law)	10
Cash in hand	1.5
Shops given on rent	20
Gold deposit bonds	10
Loan taken for purchase of aircraft	50

Compute the net wealth of Bharat and find out wealth-tax payable.

Problem No 14

A child artist, acting in films, amassed a wealth of Rs. 20 lakhs over a few years which were held in form of shares by his father and guardian. The share was sold in 2007-08, resulting in a capital gain of Rs. 15 lakhs, which was invested in a plot of land. The W.T.O. proposes to include the value of the plot of land in the net wealth of the father u/s 4(1). Is this in order?

Problem No 15

Mr. Hari furnishes the following particulars for compiling his wealth-tax return for A.Y.2008-09
Gift of jewellery made to Mrs. Hari – Rs.1,15,000 Market value as on valuation date 31.3.2007 3,25,000
Residential house purchased under installment payment system in August 1983
used for self-occupation (Installment remaining unpaid Rs.40,000)
Value as per Schedule III as on valuation date 31.3.74- Rs.15,00000 Market value as on 31.3.2006 Rs. 20,00,000
Vacant urban land transferred to minor handicapped child. Value as on 31.3.2008 Rs. 1,50,000

Problem 16

Arun furnishes the following details as on 31st March 2008

	Rs.
Commercial complex	21,60,000
Units of UTI	7,50,000
Silver utensils (market value Rs.1,75,000)	75,000
Farm house (21 kms. away from municipal limit)	21,00,000
Urban land (construction not permitted under the law)	42,01,000
Loan taken to purchase units of UTI	3,00,000
Cash in hand	11,00,000

Wealth-tax paid for assessment year 2007-08	21,250

Compute the net wealth and the wealth-tax for the assessment year 2008-09.

Problem No 17

Niagara Ltd., a widely held company, owns the following assets as on March 31, 2008:

(a) Land at Bangalore purchased in 2002, on which a residential complex consisting of 24 flats, to be sold on ownership basis, is under construction for last 18 months;

(b) Two office flats at Calcutta purchased for resale in the year 2007;

(c) Shares of group companies, break-up value of which is Rs.6,40,000;

(d) Cash at construction site Rs.3,20,000;

(e) Residential flat in occupation of the company's whole time director drawing a salary of Rs.1,80,000 per annum.

Which of the above assets will be liable to wealth tax? Give reasons in brief.

Problem No 18.

Alpha Ltd. is a company engaged in the construction and sale of buildings. It has the following assets as on 31.3.08.
Compute the net wealth of Alpha Ltd as on 31.3.08

	Particulars of assets	**Rs. in lakhs**
(i)	Residential flats ready for sale	275
(ii)	Commercial house properties ready for sale	375
(iii)	Guest house situated 45 kms away from Chennai	32
(iv)	Residential house occupied by	
	(a) officer having an annual salary of Rs.4.5 lakhs	8
	(b) officer having an annual salary of Rs.5.8 lakhs	12
(v)	Residential house let out for 150 days in a financial year	10
(vi)	3 Cars used for company's business	12
(vii)	Cash in hand (recorded in the books of account)	7

Problem No 19

Indicate the tax implications of the following transactions in the computation of net wealth as on 31st March, 2008:

(i) Ramnath obtained a loan of Rs.6 lakh from his friend by mortgaging his residential flat and the said loan was utilised by him for purchase of shares and securities. As on 31st March, 2008, the loan outstanding stood at Rs.2.40 lakh.

(ii) Mrs. Padmaja acquired jewellery in the year 2000 out of the cash gift of Rs.8 lakh received from her husband. The fair market value of said jewellery as on 31st March, 2008 stood at Rs.16 lakh.

Problem No 20

D, an individual, has the following assets and liabilities as on 31.3.2008

Assets	Rs. in lakhs
Plot of land at Bhopal comprising an area of 1,200 square metres on which building has been constructed without the approval of the appropriate authority	20
Building constructed on land at Bhopal without the approval of the appropriate authority and used for his business purposes.	10
Motor cars held as stock-in-trade	60
Gold Jewellery brought into India from Singapore, where he was residing, on his return to India on 1.11.2004 for permanently residing in India.	6
Jewellery made of Platinum.	9
Interest in the coparcener property of the Hindu undivided family of which he is a member	15
Cash in hand recorded in the books of account	5
Fixed deposits in a co-operative bank	10
Liabilities	
Loan borrowed for marriage of daughter	6
Loan borrowed for construction of building at Bhopal	7

The minor married daughter of D holds a plot of land at Indore valued at Rs.20 lakhs.
The amounts stated against the assets, except cash in hand, are the values determined as per section 7 of the Wealth-tax Act, 1957 read with Schedule III thereto.
Compute the net wealth of D for the assessment year 2008-09.
State the reasons for inclusion or exclusion of the various items

Problem No 21

Jolly have the following assets and liabilities on the valuation date i.e., 31st March, 2008:

Particulars	in lakhs
(i) Residential house	60.0
(ii) A farm house - 15 kms away from the local limit of Calcutta	30.0
(iii) Car for personal use	16.0
(iv) Jewellery	24.0
(v) Air craft for personal use	180.0
(vi) Urban land (construction is not permitted under the law)	40.0
(vii) Cash in hand	11.0
(viii) Loan taken to purchase the air-craft	80.0

Compute the net-wealth of Jolly for the assessment year 2008-09.

Problem No 22

Compute the net wealth of Kuber for the assessment year 2008-09 from the following

House property let out for residential purposes for 290 days during the previous year	17,00,000
Gold ornaments for personal use	18,00,000
Commercial complex in New Delhi	40,00,000
Furniture made of costly wood	2,00,000
Urban land situated 2 kms. away from municipal limits of Delhi	72,50,000
Residential house allotted to a full-time finance manager	18,40,000
House property which is used by Kuber for his business purposes	19,26,000
Farm house situated within 13 kms. from the municipal limits of Vadodara	17,60,000
Coparcenaries interest in his HUF properties	1,80,000
Share of net wealth of a partnership firm in which he s one of	17,65,000
Jewellery gifted by him to his married daughter	1,60,000

Problem No 23

S gifted Rs. 2,00,000 to his wife on 10.4.2007. His wife bought gold jewellery on 31.1.2008 out of the said sum of Rs. 2,00,000. The fair market value of the gold jewellery as on 31.3.2008 was Rs. 2,50,000. S claims that since his wife has not held on 31.3.2008 the sum of Rs. 2,00,000 which he gifted to her, no amount is includible in his net wealth for the assessment year 2008–09. Examine the claim of S.

Problem No 24

Discuss whether the following are taxable assets under Wealth Tax Act for Assessment year 2008-2009.

(a) Guest house for entertaining personal guests.

(b) Office building given on rent.

(c) Residential house owned by an individual and allotted to one of his officers whose salary is Rs. 40,000 p.m.

(d) Residential house owned by an company and allotted to one of its whole-time directors, whose salary is Rs. 40,000 p.m.

(e) Motor car used by a person as a Tourist Taxi.

(f) Aircraft held by Jet Airways.

(g) Urban unused land held by an individual for industrial purposes and which was acquired on 31st March, 2005.

(h) Anand the assessee, gifts 500 gms. of gold in 1999 to his wife, who sells it for Rs. 12,50,000 in March, 2006 and purchases a house. Value of the house on March 31, 2008 is Rs. 18 lakhs. In whose wealth the value of the house will be included on 31st March, 2008 and at what value?

(i) Balu gifts a house to a trust for the benefit of his wife in 2006. Who is assessable thereon?

(j) Chandru sells a house worth Rs. 10 lakhs to his daughter-in-law for Rs. 6 lakhs in June, 2004. The value of the house on 31st March 2008 is Rs. 12 lakhs. Who is assessable thereon?

Problem No 25

Discuss whether the following are taxable assets under Wealth Tax Act for Assessment year 2008-2009.

(a) Guest house for entertaining personal guests.

(b) Office building given on rent.

(c) Residential house owned by an individual and allotted to one of his officers whose salary is Rs. 40,000 p.m.

(d) Residential house owned by an company and allotted to one of its whole-time directors, whose salary is Rs. 40,000 p.m.

(e) Motor car used by a person as a Tourist Taxi.

(f) Aircraft held by Jet Airways.

(g) Urban unused land held by an individual for industrial purposes and which was acquired on 31st March, 2005.

(h) Anand the assessee, gifts 500 gms. of gold in 1999 to his wife, who sells it for Rs. 12,50,000 in March, 2006 and purchases a house. Value of the house on March 31, 2008 is Rs. 18 lakhs. In whose wealth the value of the house will be included on 31st March, 2008 and at what value?

(i) Balu gifts a house to a trust for the benefit of his wife in 2006. Who is assessable thereon?

(j) Chandru sells a house worth Rs. 10 lakhs to his daughter-in-law for Rs. 6 lakhs in June, 2004. The value of the house on 31st March 2008 is Rs. 12 lakhs. Who is assessable thereon?

Problem No 26

M/s. Alpha Beta Co. Ltd. has the following assets and liabilities as on 31st March, 2005. Compute the Net Wealth as on 31.3.2008 (stating whether each item is taxable or not).

		Rs.
(i)	Land in urban area (Construction not allowed as per Municipal bye laws)	36,00,000
(ii)	Land in rural area	38,00,000
(iii)	Land in urban area (bought 12 years ago, but construction of factory yet to start)	50,60,000
(iv)	Residential Quarters for workers	34,80,000
(v)	Residential Quarters for officers-six units (2 of them are occupied by officers drawing monthly salary of Rs. 46,700 each)	48,00,000
(vi)	Guest House and land appurtenant thereto	10,00,000
(vii)	Air craft	2,80,00,000
(viii)	Motor cars for use of officers	20,50,000
(ix)	Loan from LIC for acquiring aircraft	90,00,000

(x) Residential house provided to a whole-time director (salary Rs. 7,20,000 p.a., the director owns 25% equity) 27,00,000

Problem No 27

X furnishes the following particulars for the compilation of his wealth-tax return for assessment year 2008-09:

1. Gifts of jewellery made to wife from time to time aggregating Rs. 60,000 (market value on valuation date) Rs. 2,00,000
2. Flat purchased under instalment payment scheme in 1972 for Rs. 7,50,000, used for purposes of his residence and market value as on March 31, 2008 (installments remaining unpaid Rs. 50,000) Rs. 10,00,000
3. Urban land transferred to minor handicapped child value on March 31, 2008. Rs. 5,00,000

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

Problem No 28

X furnishes the following particulars for the compilation of his wealth-tax return for assessment year 2008-09:

1. Gifts of jewellery made to wife from time to time aggregating Rs. 60,000 (market value on valuation date) Rs. 2,00,000
2. Flat purchased under instalment payment scheme in 1972 for Rs. 7,50,000, used for purposes of his residence and market value as on March 31, 2008 (installments remaining unpaid Rs. 50,000) Rs. 10,00,000
3. Urban land transferred to minor handicapped child value on March 31, 2008. Rs. 5,00,000

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

Problem No 29

Vision Ltd. made a cash gift of Rs.5 lakh to Mrs. Rosy, a director in the company in 2003. Mrs. Rosy bought jewellery with that money. The value of that jewellery as on 31st March, 2008 was Rs.18,75,000. What would be the implication of this in the net wealth computation of Vision Ltd. for the assessment year 2008-09?

Problem No 30

Manus a person of Indian origin, was working in Canada from 1989. He returned to India for permanent settlement in April 2006 when he remitted the money into India. He furnished the following particulars of his wealth as on 31.3.2008. You are required to arrive at his net wealth in respect of Assessment Year 2008-09:

Particulars	Rs.
Freehold Residential House in New Delhi (let out for residence throughout the year) net maintainable rent Rs.22,400 per annum Market Value	6,00,000
Share in building owned by a firm in which Manus is a partner-- used for business	9,00,000
Jewellery purchased in May, 2007, out of money remitted to India from New York	3,00,000
Shares in companies (quoted)	3,00,000

Car purchased out of amounts remitted from New York (purchased in March, 2004)	6,00,000
Vacant land 500 sq. mts. (purchased in November, 2003)	17,00,000
Amount standing to the credit of NRE Account	5,00,000
Cash in hand (out of sale proceeds of agricultural income)	1,60,000

Problem No 31

Compute the net wealth of Madhavan for the assessment year 2008 -2009 on the basis of following information:

Rs.

(i) Urban land gifted by father -in –law 40,00,000
(ii) Residential house let -out for 220 days 70,00,000
(iii) Motor car for personal use 3200000
(iv) Jewellery held by minor — married daughter 3700000
(v) Jewellery held by minor — handicapped son 4100000
(vi) Shares in some companies 2700000
(vii) Bank balance 500000
(viii) Cash in hand 700000
(ix) Urban land gifted by wife without any consideration 2900000
(x) Household appliances 5200000

Problem No 32

Discuss whether the wealth-tax is attracted in the following cases:

(i) Value of assets and debts located outside India.
(ii) Land in urban area where construction is not allowed.
(iii) Residential quarters allotted by the firm to its employees.
(iv) Aircraft used for business purposes.
(v) Guest house and land appurtenant thereto.
(vi) Motor cars for use by officers for official purposes only.
(vii) Shares, debentures, fixed deposits in banks — Rs.20 lakh.
(viii) Cash in hand in the books of a sole-proprietor amounting to Rs.70,000.

Problem No 33

Mr. Gurpreet owns the following assets as on 31.03.2008: 8

	Rs. (Lakhs)
(i) Guest house located beyond 30kms. from municipal limits of Patna	20
(ii) Let-Out house (vacant for 3 months) at Udaipur	30
(iii) Building used for running own business	18
(iv) Cars used exclusively for business use	5
(v) Aircraft	100
(vi) Commercial building at Bangalore	90

The assessee entered into an agreement for sale Udaipur house in February, 2008, and received an advance of Rs. 15 lacs. The registration of the house was effected 10.4.08. Mr. Gupreet had gifted cash of Rs.2 lacs on 10.4.05 to his wife. She bought jewellery using the cash. The market value of such jewellery as on 31.3.08 i s3 lacs. Determine the net wealth and wealth-tax payable by Mr. Gupreet.

Problem No 34

The net wealth of a firm consisting of three partners Aditya, Archit and Mandar having equal shares and a capital contribution of Rs.7,00,000/-; Rs.3,00,000/-; Rs.2,00,000/- respectively is as under:

(i) value of assets located outside India — Rs. 20,00,000,

(ii) Value of assets located in India —Rs.50,00,000,

(iii) Debts incurred in relation to assets in India — Rs.10,00,000.

Determine the value of the partners in the firm under the Wealth-tax Act, 1957.

Problem No 35

A, B and C are partners in a firm engaged in the business of running a small scale manufacturing unit in the Municipal town of Ghaziabad having a population of more than 10,000 located in the state of Uttar Pradesh. The assets and liabilities of the firm as at 31 March 2006 were as under: Rs in lakhs

Partner's Capital	90	Urban land	30
Working Capital loan	20	Urban land (Construction not allowed)	7
Loan for payment of taxes	5	Factory land	20
Term Loan	105	Residential house	30
Creditors	60	Plant (WDV)	120
Provision for contingent liability	10	Factory shed	
		Lorry (WDV)	10
		Stocks	30
		Gold and silver	8
		Preliminary expenses	3
		Advance tax	2
Total	300	Total	300

Capital accounts of partners A- 20 B- 30 C- 40

Term loan for purchase of:

(a) Plant and machinery 100

(b) The residential house 5

Partner 'A', who looks after the production process, occupies the residential house. Partner B is a non-resident. The partners share the profits in the ratio of 1:2:3 but on dissolution, share the personal assets in the ratio of their capital. Rs in lakhs
The personal assets of the three partners are as under:

	A	B	C
Equity shares	04	0	0
Debentures	–	10	0
Cash in hand	–	–	0·81

Problem No 36

. Steel, Oil and Coal are partners in a firm engaged in the business of running a manufacturing unit in the municipal town of Siliguri having a population of more than 10,000 located in the State of West Bengal. Given below is the Balance Sheet of the firm as on 31st March, 2008 : 10

(Rs. in lakhs)

Partner's Capital :			Urban Land	300
Steal	300		Urban Land (Construction not allowed)	700
Oil	400			
Coal	200	900	Factory Land	200
Cash credit from bank (Secured by hypothecation of stock and debtors)		200		
Term loan taken from bank (Secured by charge on gold and silver)		1,200		

			(Rs. in lakhs)
Creditors	1,000	Residential House	300
Other liabilities	600	Plant (WDV)	120
		Factory shed	400
		Lorry (WDV)	100
		Stocks	300
		Gold and Silver	800
		Sundry Debtors	180
		Advance Tax	200
		Cash at Banks	300
Total	3,900		3,900

Two urban lands are valued by independent Valuer at Rs. 550 and Rs. 50 lakhs respectively. The market value of gold and silver on the balance sheet Rs. 1,100 lakhs. The value of residential house as per Rule 3 of schedule III is Rs. 350 lakhs.

Term loan was taken for purchase of:

(a) plant and machinery Rs. 300 lakhs;

(b) Lands the plots are of equal size Rs. 700 lakhs.

The residential house is occupied by partner Steel, who looks after the production activity of the firm.

Partner oil is a non-resident for Income-tax purposes.

The partners share the profits in the ratio of 2 : 2 : 1.

Details of personal assets of the partners as on 31st March, 2008 are as follows:

(Rs. in thousands)

Particulars	Steel	Oil	Coal
Shares of companies	40	Nil	Nil
Cash in hand (in India)	Nil	0.75	Nil

Fixed deposit and other deposits with banks	35	33	40
Loan taken for making investment in the firm	30	Nil	Nil
Residential House in Nairobi, Kenya	Nil	400	Nil

You are required to determine the assessable wealth of each partner as at 31st March, 2008 stating clearly the reason for inclusion or exclusion of each item.

Problem No 37

The following is the summarized Balance Sheet of RS Pvt. Ltd. as on 31.03.2008; 16

Capital and Liabilities	Rs.	Assets	Rs.	Value As per Sch III
Paid up Capital	90,00,000	Plant & Machinery	12,00,000	(10,00,000)
Reserves	20,00,000	Motor Car	2,00,000	(1,50,000)
Sundry Creditors	20,10,000	Helicopters for business Purposes	68,00,000	50,00,000)
Secured & Unsecured Loans	16,00,000	Factory Plot (purchased 2.1.2004)	14,00,000	(20,00,000)
		House property— Used for Directors-1's residence	12,00,000	(6,00,000)
		Used for Debtor-2's residence	18,00,000	(28,00,000)
		Jewellery	8,00,000	(14,00,000)
		Shares in other companies	10,00,000	(15,00,000)
		Cash in hand	60,000	(60,000)
		Cash at Bank	1,50,000	(1,50,000)
	1,46,10,000		1,46,10,000	1,46,10,000

Additional Information:

(1) Gross annual salaries of Directors 1 and 2 are Rs. 4,80,000 and Rs. 6,00,000 respectively.

(2) Loans of Rs. 16,00,000 represent Rs. 2 lakh for machinery, Rs. 4 lakh for factors plot and Rs. 10 lakh for helicopters.

(3) The factors plot is within municipal limits.

Compute the net wealth of the company as on 31.03.2008 and the wealth tax payable.

Problem No 38

Mr. Suresh, 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 31.03.2008 is indicated below. You are requested to compute the taxable wealth of Mr. Suresh giving justification for the inclusion or exclusion of each item. The valuation date as indicated above is 31st March, 2008:

(i)Motor cars of foreign make held as Fixed Assets Rs. 10,00,000

(ii)Gold bonds under Gold Deposit Scheme, 2000- Rs. 20,00,000

(iii)Residential House Property at Nagpur let out w.e.f. 8th April, 2007- Rs. 10,00,000

(iv)Jewellery held Rs. 5,00,000

(v) Lands purchased for industrial purpose: On 21st Feb, 2002 4,00,000 and On 20th June, 2007 Rs- 8,00,000

(vi)Loan against the purchase of lands: On 21st Feb, 2002 3,00,000 On 20th June, 2007- Rs. 5,00,000

(vii)Wealth-tax liability 15,000

(viii)Cash on hand 60,000

(ix)Cash at bank 2,00,000

(x)Fixed Assets located in London 30,00,000

(xi)Value of Assets held by Mrs. Suresh acquired out of the gifts received from her husband: Shares and Securities 3,00,000 Residential House Property at Pune 15,00,000

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