`Introduction to Wealth Tax Act 1957
Wealth Tax Rules 1957

- Wealth tax is a **Direct Tax**.
- It is levied by Central Government on **few Persons**.
- Power to Levy Wealth Tax is derived by **Constitution of India**.
- It means **Taxes on Wealth**.

Wealth Tax recognizes **5 types** of wealth

1. Wealth from House		XXX
2. Wealth from Motor Cars		XXX
3. Wealth from Jewellery		XXX
4. Wealth from Air/Water Vehicles	XXX	
5. Wealth from Land		XXX .
Total Wealth	YYYYYYYYYYY	

In Wealth Tax, Tax is always levied for 1 **complete Financial Year**(1/April to 31/March). This Financial Year is known as **PREVIOUS YEAR**.
Year next to Previous Year is known as **ASSESSMENT YEAR**.

Person on whom Wealth Tax is levied is known as an **ASSESSEE**.

Wealth Tax Chapter

Reason to levy wealth tax

To tax ------ Unproductive assets & bring about equality in society.

Persons liable to pay Wealth Tax

Wealth Tax shall be charged for value of ASSETS on Valuation Date to:

1. Individual
2. HUF
3. Company

Persons not liable to pay Wealth Tax

Wealth Tax shall not be charged to:

1. Company registered under section25 of companies Act 1956.
2. Co-operative society
3. Social Club
4. Political Party
5. Mutual Fund specified under section 10(23D) of Income Tax Act, 1961

Rate of Wealth Tax

Rate of Wealth Tax shall be 1% for wealth in excess of Rs.30 Lacs.

Valuation date

Means the last day of the previous year. i.e. 31^{st} march.

All calculations of wealth shall be made at the midnight of 31^{st} march.

Computation of Wealth Tax

Value of assets belonging to assessee	=	XXX
Less: Exemption of assets under Section 5	=	(XXX)
Gross Wealth	=	XXX
Less: Debts under Section 2(m)	=	(XXX)
Net Wealth	=	XXX
Less: 15 Lacs	=	(XXX)
Wealth Chargeable to Tax	=	XXX

Definition of Assets

Section 2(ea)

Assets, means

i. House

Any building or land appurtenant thereto,
Whether used for

- residential purposes or
- commercial purposes or
- for the purpose of maintaining a guest house or
- otherwise

It includes a farm house situated within 25 kilometers from local limits of any municipality or a Cantonment Board.

But does not include:

- A house meant exclusively for *residential* purposes and which is allotted by a *company* to an employee or an officer or a director who is in whole-time employment, having a *gross annual salary* of **less** than Rs. 5 Lacs. ;
- Any house for residential or commercial purposes which forms part of *stock-in-trade* ;
- Any house which the assessee may occupy for the *purposes of any business or profession* carried on by him;
- Any residential property that has been let-out for a minimum period of 300 days in the previous year;
- Any property in the nature of commercial establishments or complexes;

ii. Motor cars

But does not include:

- Cars used by the assessee in the business of running them on hire.
- Cars used by the assessee as stock-in-trade ;

iii. Jewellery

Jewellery, bullion, furniture, utensils or any other article made wholly or partly of gold, silver, platinum or any other precious metal or any alloy containing one or more of such precious metals :
But does not include:

- Jewellery used by the assessee as stock-in-trade ;

iv. Air/ Water Transport Vehicles

Yachts, boats and aircrafts
But does not include:

- Those held as stock-in-trade
- Those used by the assessee for commercial purposes)

v. urban land ;

Means land situated

(i) in any area which is comprised within the jurisdiction of a municipality or a cantonment board and which has a population of not less than 10000 according to the last preceding census of which the relevant figures have been published before the valuation date ; or
(ii) in any area within such distance, not being more than 8 kilometers from the local limits of any municipality or cantonment board referred to in sub-clause (i), as the Central Government may, having regard to the extent of, and scope for, urbanization of that area and other relevant considerations, specify in this behalf by notification in the Official Gazette,

But does not include:

- Land on which construction of building is not permissible under any law for the time being in force in which such land is situated.
- Land occupied by any building which has been constructed with the approval appropriate authority
- Any unused land held by assessee for industrial purposes for a period of 2 years from the date of its acquisition by him.
- Any land held by assessee as Stock-in-trade for a period of 10 Years from the date of its acquisition by him.

Example 1

Mr. A purchased a plot of land on 1.2.2004 for industrial purposes. This land was not used by him.
Test whether this is taxable under wealth tax act 1957 on 31/march/2007.

Solution

1.2.2004 - 1.2.2005 - 1.2.2006

Valuation Date	Remarks
31.3.2003	Not an asset – As assessee did not have it
31.3.2004	Not an asset – As it was purchased for industrial purposes.
31.3.2005	Not an asset – As it was purchased for industrial purposes.
31.3.2006	It is an asset – As it 2 years passed and it was still unused
31.3.2007	It is an asset – As it 2 years passed and it was still unused

vi. Cash-in-hand

Means
In case of Individual and HUF - cash in excess of Rs. 50000
In the case of other persons - any amount not recorded in the books of account.

Example 2

X Ltd. is engaged in construction of residential flats:

a. Land in urban area (construction is not permissible as per municipal laws in force) Rs.35 Lacs
b. Motor-Cars (used in business of running them on hire) Rs.700000
c. Jewellery Rs. 3500000. Loan taken for purchasing this Rs. 1000000
d. Cash balance (as recorded in books) Rs.225000
e. Bank Balance Rs.350000
f. Guest house Rs.600000
g. Residential flats occupied by the Managing Director Rs. 1000000. The managing director is on a whole time appointment and is drawing a salary of Rs. 3 Lacs per month.
h. Residential house were let out on hire for 200 Days of Rs. 800000

Compute Taxable Wealth on 31st march.

Solution

I. Land in urban area		Not an asset
II. Motor-Cars		Not an asset
III. Jewellery		3500000
IV. Cash balance		Not an asset
V. Bank Balance		Not an asset
VI. Guest house		600000
VII. Residential flats		1000000
VIII. Residential house	(assume it not to be SIT)	800000
Total		5900000
Less: Debt		(1000000)
Net Wealth		4900000
Taxable wealth		1900000
Wealth Tax @1%		19000

Example 3

*Mr. X an individu*al is engaged in construction of residential flats:

a. Land in urban area (construction is not permissible as per municipal laws in force) Rs.35 Lacs
b. Motor-Cars (used in business of running them on hire) Rs.700000
c. Jewellery Rs. 1500000. Loan taken for purchasing this Rs. 1000000
d. Cash balance (as recorded in books) Rs.225000
e. Bank Balance Rs.350000
f. Guest house Rs.600000

g. Residential flats occupied by the manager Rs. 1000000. The manager is on a whole time appointment and is drawing a salary of Rs. 3 Lacs per annum.
h. Residential house were let out on hire for 200 Days of Rs. 800000

Compute Taxable Wealth on 31st march.
Assume no exemption is considered by Mr.X

Solution

I. Land in urban area		Not an asset
II. Motor-Cars		Not an asset
III. Jewellery		3000000
IV. Cash balance		175000
V. Bank Balance		Not an asset
VI. Guest house		600000
VII. Residential flats		1000000
VIII. Residential house	(assume it not to be SIT)	800000
Total		5575000
Less: Debt		(1000000)
Net Wealth		4575000
Taxable wealth		1575000
Wealth Tax @1%		15750

Example 4

X Ltd. is engaged in business of retail Jewellery:

a. Land (construction is not permissible as per municipal laws in force) Rs.45 Lacs
b. Motor-Cars (used in business) Rs.700000, Loan taken for purchasing this Rs. 300000
c. Jewellery Rs. 1500000.
d. Cash balance (as not recorded in books) Rs.445000
e. Bank Balance (as not recorded in books) Rs.350000
f. Residential house were let out on hire for 350 Days of Rs. 800000
g. Yatch held for personal uses Rs. 100 Lacs

Compute Taxable Wealth on 31st march.

Solution

a. Land in urban area	Not an asset
b. Motor-Cars	700000
c. Jewellery (held as SIT)	Not an asset
d. Cash balance	445000
e. Bank Balance	Not an asset
f. Residential house	Not an asset
g. Yatch	10000000
Total	11145000

Less: Debt	(300000)
Net Wealth	10845000

Exemptions

TRUST

Section 5(i)

Any property held under trust or other legal obligation for any public purpose of a charitable or religious nature in India shall be exempt from tax.

Co-Parcerners

Exemption under section 5(ii)

Share of a co-parcerner in HUF property is exempt, as tax on whole property is paid by Karta.

Ruler-Building

Exemption under section 5(iii)

Any building declared as official residence of a ruler by Central government shall be exempt from tax.

Ruler-Jewellery

Exemption under section 5(iv)

Jewellery in possession of any ruler, not being his personal property, which has been recognised as his heirloom by central government shall be exempt from tax.

Recognition is granted by Central government on following terms:

I. Jewellery shall be permanently kept in India and shall not be removed outside India except for a purpose and period approved by CBDT.
II. Reasonable steps shall be taken for keeping the Jewellery substantially in original shape.
III. Reasonable facilities shall be allowed to government officer (authorized by CBDT) to examine the Jewellery as and when it deems fit.

Exemption under section 5(v)

- Person of Indian origin or Citizen of India who ordinarily residing in foreign country and
- who leaving such country has returned to India
- with the intention of permanently residing in India,
    - THEN
- Money and assets brought by him into India and the value of assets acquired by him out of such moneys within 1 year immediately preceding the date of his return and at any time thereafter,

- **Shall be exempt from tax for a period of 7 successive years.**

Exemption under section 5(vi)
Individual or HUF having one house or part of house or plot of land upto 500 sq. meters shall be exempt from tax.

DEBTS
Section 2(m)
Debts owned by assessee on the valuation date are deductible if these debts are incurred on the assets *included in the wealth*.

Example 5
Mr. Wasim Akram has gold of Rs. 10 lacs &Silver biscuits of RS. 23 Lacs. & house of Rs. 50 Lacs.
Gold was purchased by him, by taking a loan of Rs. 2 Lacs.
Compute Taxable Wealth on 31st march.

Solution

Gold	=	1000000
Silver Biscuits	=	2300000
House	=	Exempt section 5(vi)
Gross Wealth	=	3300000
Less Debts	=	(200000)
Net Wealth	=	3100000

Example 6
Mr. Wasim Akram has gold of Rs. 20 Lacs &Silver biscuits of RS.32 Lacs. & Plot of land (of 530 meters) for Rs. 150 Lacs. Shares of RIL Rs. 300000
Gold was purchased by him, by taking a loan of Rs. 11 Lacs on security of shares.
Compute Taxable Wealth on 31st march.

Solution

Gold	=	2000000
Silver Biscuits	=	3200000
Plot of land (of 530 meters)	=	15000000
Shares	=	Not an asset
Gross Wealth	=	20200000
Less Debts	=	(1100000)
Net Wealth	=	19100000

Example 7

Mr. Wasim Akram has 2 houses of

	Value	Loan taken on this house
House in Bombay- House I	2000000	1400000
House in Delhi- House II	5000000	4900000

Gold was purchased by him, by taking a loan of Rs. 11 Lacs on security of shares.
Compute Taxable Wealth on 31st march.

Solution
Computation of wealth
Option 1 is better so we shall opt this.
Option 1
House I = Exempt
House II = 5000000
Gross Wealth = 5000000
Less Debts = (4900000)
Net Wealth = 100000
Option 2
House I = 2000000
House II = Exempt
Gross Wealth = 2000000
Less Debts = (1400000)
Net Wealth = 600000

VALUATION of ASSETS

I. Valuation of immovable property
Schedule III

Step 1: Determination of Gross Maintainable Rent
Actual Rent received/ receivable for the year = XXX
ADD:
1/9 of Actual Rent received/ receivable for the year- if repairs are borne by tenant = XXX
Taxes in respect of the property agreed to be borne by tenant = XXX
15% of Interest on deposit received from tenant – interest recovered = XXX

Lease premium or non-refundable deposit received = XXX

No. of years of lease

Any other obligation of owner met by tenant = XXX

ANNUAL RENT = xxx

Gross Maintainable Rent shall be **higher** of:

- Annual rent
- Annual value assessed by Local Authority

Example 8

A house property is rented by owner for a rent of Rs. 20000 p.m for all 12 months. Details are as follows:

1. Repairs for Rs. 12000 were borne by tenant.
2. Municipal Taxes are Rs. 120000, 50% of which are borne by tenant and rest by owner.
3. Tenant has given an advance of Rs. 10 Lacs owner. Owner is paying an interest of 6% on deposit.
4. Tenant has given him other benefits of Rs. 3000 monthly.
5. Tenant has also given him a deposit of Rs. 500000, which is non-refundable. Lease term is 5 Years.

Compute Gross Maintainable Rent on 31st march.

Solution

Annual Rent	=	240000
Repairs [240000/9]	=	26667
Municipal taxes borne by tenant	=	60000
Security deposit [1000000 X (15-6)%]	=	90000
other benefit [3000 x 12]	=	36000
Non-refundable deposit [500000/5]	=	100000
Annual rent	=	552667

Example 9

A house property is rented by owner for a rent of Rs. 20000 p.m for 9 months till 31 December.

Details are as follows:

1. Repairs for Rs. 12000 were borne by tenant./

2. Municipal Taxes are Rs. 120000, 50% of which are borne by tenant and rest by owner.
3. Tenant has given an advance of Rs. 10 Lacs owner. Owner is paying an interest of 6% on deposit.
4. Tenant has given him other benefits of Rs. 3000 monthly.
5. Tenant has also given him a deposit of Rs. 500000, which is non-refundable. Lease term is 5 Years.

Compute Gross Maintainable Rent on 31st march.

Solution

All things shall be computed for a year.

Actual Rent = 240000
Repairs = 26667
[240000/9]
Municipal taxes borne by tenant = 60000
Security deposit = 90000
[100000 X (15-6)%]
other benefit = 36000
[3000 x 12]
Non-refundable deposit = 100000
[500000/5]
Annual rent = 552667

Example 10

Compute GMR in above question if annual rent is Rs. 552667 & annual value assessed by local authority is Rs. 400000. Compute Gross Maintainable Rent on 31st march.

Solution

GMR = 552667

Example 11

Compute GMR in above question if annual rent is Rs. 552667 & annual value assessed by local authority is Rs. 800000. Compute Gross Maintainable Rent on 31st march.

Solution

GMR = 800000

Example 12

A house property is rented by owner for a rent of Rs. 240000 p.a.

Details are as follows:

1. Repairs for Rs. 42000 were borne by tenant.
2. Municipal Taxes are Rs. 120000, 30% of which are borne by tenant and rest by

owner.

3. Tenant has given an advance of Rs. 10 Lacs owner. Owner is paying an interest of 2% on such deposit.
4. Tenant has given him other benefits of Rs. 48000 yearly.
5. Tenant has also given him a deposit of Rs. 1200000, which is non-refundable. Lease term is 3 Years.

If annual value assessed by local authority is Rs. 800000, Compute Gross Maintainable Rent on 31st march.

Step 2: Determination of Net Maintainable Rent

GMR = XXX
Less: 15% of GMR = (xxx)
Less: Municipal taxes on accrual basis (whether paid by owner or tenant) = (xxx)
Net Maintainable Rent = XXX

Example 13

GMR = 360000
Municipal taxes = 30000
50% of municipal taxes are paid by tenant, rent are still unpaid.
Compute Net Maintainable Rent on 31st march.

Solution

GMR = 360000
Less: 15% of GMR = (54000)
Less: Municipal taxes on accrual basis (whether paid by owner or tenant) = (30000)
Net Maintainable Rent = 276000

Example 14

Annual Rent of property = 200000
Annual value as per local authority = 220000
Municipal taxes = 3000
50% of municipal taxes are paid by tenant, rent are still unpaid.
Compute Net Maintainable Rent on 31st march.

Solution

GMR shall be higher of

- 200000

- 220000

GMR = 220000
Less: 15% of GMR =
(33000)
Less: Municipal taxes on accrual basis (whether paid by owner or tenant) =
(3000)
Net Maintainable Rent = 184000

Example 15
A house property is rented by owner for a rent of Rs. 30000 p.m for 9 months till 31 December.
Details are as follows:
1. Repairs for Rs. 12000 were borne by tenant.
2. Municipal Taxes are Rs. 20000, 50% of which are borne by tenant and rest by owner.

Annual value assessed by local authority is Rs.500000
Compute Net Maintainable Rent on 31st march.

Solution
All things shall be computed for a year.
Rent = 360000
Repairs = 40000
[360000/9]
Municipal taxes borne by tenant = 10000
Annual rent = 410000
Annual value assessed by local authority is Rs.500000
GMR = 500000
Less: 15% of GMR =
(75000)
Less: Municipal taxes on accrual basis (whether paid by owner or tenant) =
(20000)
Net Maintainable Rent = 405000

Step 3: Determination Value as per Rule 3, 4 & 5 of Schedule III
Value as per Rule 3, 4 & 5 of Schedule III shall be higher of following:
1. NMR X ***Capitalisation factor*** (12.5/10/8)
2. Cost of Construction + Cost of Improvement

Provided Value as per Rule 3, 4 & 5 of Schedule III shall be NMR X Capitalisation factor (12.5/10/8), if all the following conditions are fulfilled:

- One house
- Exclusively used by assessee for own residential purposes
- House at Delhi/Bombay/Calcutta/Madras --- Cost of Construction + Cost of Improvement does not exceed 50 Lacs
- House at any other place --- Cost of Construction + Cost of Improvement does not exceed 25 Lacs

Capitalisation factor (12.5/10/ 8)

Property	Capitalisation Factor
Property is constructed on Freehold Land	12.5
Property is constructed on Leasehold Land, unexpired period of lease on valuation date > = 50 Yrs	10
Property is constructed on Leasehold Land, unexpired period of lease on valuation date < 50 Yrs	8

Example 16

Annual Rent of property = 200000
Annual value as per local authority = 220000
Municipal taxes = 3000
50% of municipal taxes are paid by tenant, rent are still unpaid.
Property is built on a freehold land, for a total cost of Rs.75 Lacs
Compute Value as per Rule 3, 4 & 5

Solution

GMR shall be higher of

- 200000
- 220000

GMR = 220000
Less: 15% of GMR = (33000)
Less: Municipal taxes on accrual basis (whether paid by owner or tenant) = (3000)
Net Maintainable Rent = 184000

Value as per Rule 3, 4 & 5 of Schedule III shall be higher of following: = 7500000

- 184000 X 12.5 = 2300000
- 7500000

Step 4: Adjustment for un-built area as per Rule 6

Value as per Rule 3, 4 & 5 of Schedule III = XXX
Add: Adjustment for un-built area = XXX
Value after Rule 6 = xxx

Rule 6 shall be applicable only where:::: Un-built area > Specified area

Percentage of Default	Addition in value
Upto 5%	NIL
Above 5% Upto 10%	20% of value as per rule 3, 4 & 5
Above 10% Upto 15%	30% of value as per rule 3, 4 & 5
Above 15% Upto 20%	40% of value as per rule 3, 4 & 5
Above 20%	Value shall be FMV for property

$$\text{Percentage of Default} = \frac{\text{Un-built area} - \text{Specified area}}{\text{Aggregate area}} \times 100$$

Specified area in general terms mean permissible un-built area.
Specified area is :

1. Property is at Delhi/Bombay/Calcutta/Madras – 60% aggregate area.
2. Property is at specified cities – 65% aggregate area.
3. Property is at other cities – 70% aggregate area.

Step 5: Adjustment for unearned increase in value of land as per Rule 7

Value as per Rule 3, 4, 5 & 6 = xxx
Less: Lower of following: =
(xxx)

- Amount of unearned increase to be claimed by government
- 50% of Value as per Rule 3, 4, 5 & 6

Value for Immovable property = XXXX

'Unearned increase' means the difference between value of Land on valuation date as determined by government and the amount of premium paid or payable to government for the lease of land.

Example 17
Mr. X is an owner of commercial house built on a plot of 1000 sq. yards at Delhi. The plot has been taken on a lease from government. He has built up in 1975, 240sq.

yards at a cost of Rs. 170000. House has been let for commercial purposes to tenant @ 1000 p.m.
The tenant has agreed to bear cost of all repairs and has given a refundable deposit of Rs.20000. Municipal taxes levied are Rs.1080.
Municipal valuation by local authority Rs.9000
DDA has notified Rs.300000 as unearned increase out of which 40% is payable to government.
Unexpired period of lease is 79 Years.
Compute value of house property.

Solution

Actual Rent = 12000
Repairs = 1333
[12000/9]
Security deposit = 3000
[20000 X 15%]
Annual rent = 16333
Annual value assessed by local authority is Rs.9000
GMR = 16333
Less: 15% of GMR = (2450)
Less: Municipal taxes on accrual basis (whether paid by owner or tenant) = (1080)
Net Maintainable Rent = 12803

Value as per Rule 3, 4 & 5 of Schedule III shall be higher of following: = 170000

- 12803 X 10 = 128030
- 170000

Add: Adjustment of un-built are = 68000
[40% x 170000]
Workings
Unbuilt area= 1000-240 = 760

$$\text{Percentage of Default} = \frac{\text{Un-built area} - \text{Specified area}}{\text{Aggregate area}} \times 100$$

$$= \frac{(760 - 60\%1000)}{1000} \times 100 = 16\%$$

Total = 238000
Less: unearned increase = (119000)
Workings

Least of the following shall be deductible

- 40% x 300000 = 120000
- 50% x 238000 = 119000

Value of House = 119000

Example 18

Mr. X is an owner of commercial house built on a plot of 1000 sq. yards at Bombay. The plot has been taken on a lease from government. He has built up in 1999, 240sq. yards at a cost of Rs. 180000. House has been let for commercial purposes to tenant @ 2000 p.m.

The tenant has agreed to bear cost of all repairs and has given a refundable deposit of Rs.50000. Municipal taxes levied are Rs.5000, 50% borne by tenant.

Municipal valuation by local authority Rs.40000

DDA has notified Rs.300000 as unearned increase out of which 30% is payable to government.

Unexpired period of lease is 29 Years.

Compute value of house property.

Solution

Actual Rent = 24000

Repairs = 2666

[24000/9]

Municipal taxes borne by tenant = 2500

Security deposit = 7500

[50000 X 15%]

Annual rent = 36666

Annual value assessed by local authority is Rs.40000

GMR = 40000

Less: 15% of GMR = (6000)

Less: Municipal taxes on accrual basis (whether paid by owner or tenant) = (5000)

Net Maintainable Rent = 29000

Value as per Rule 3, 4 & 5 of Schedule III shall be higher of following: = 180000

- 29000 X 8 = 232000
- 180000

Add: Adjustment of un-built are = 72000

[40% x 180000]

Workings

Unbuilt area= 1000-240 = 760

Percentage of Default $= \dfrac{\text{Un-built area – Specified area}}{\text{Aggregate area}} \times 100$

$= \dfrac{(760 - 60\% \times 1000)}{1000} \times 100 = 16\%$

Total	=	252000
Less: unearned increase	=	(90000)

Workings

Least of the following shall be deductible

- 30% x 300000 = 90000
- 50% x 252000 = 126000

Value of House	=	162000

Example 19

Mr. X is an owner of commercial house built on a plot of 900 sq. yards at Bombay. The plot has been taken on a lease from government. He has built up in 1999, 250sq. yards at a cost of Rs. 200000. House has been let for commercial purposes to tenant @ 4000 p.m.

The tenant has agreed to bear cost of all repairs and has given a refundable deposit of Rs.150000. Municipal taxes levied are Rs.15000, 40% borne by tenant.

Municipal valuation by local authority Rs.40000

DDA has notified Rs.500000 as unearned increase out of which 70% is payable to government.

Unexpired period of lease is 89 Years.

Compute value of house property.

Example 20

X is the owner of a house which is constructed on leasehold land acquired from DDA.

He has let out this house for a rent of Rs.12000 p.m.

60% of municipal taxes shall be paid by tenant

Cost of repairs shall be borne by tenant

Rs. 100000 of advance shall be given by tenant, this shall be refundable deposit.

Premium of Rs. 50000 shall be paid for leasing the property for 5 years.

Annual value assessed by the local authority is Rs.100000 and taxes levied shall be Rs.15000.

Percentage of default shall be 12.33%.

Cost of building (including land) in 1980 was Rs. 10 Lacs

X paid Rs.80000 for acquisition of land but now DDA's value of land is RS. 4Lacs for the purposes of computing unearned increase. 50% of which shall be paid to government.

Unexpired period of lease shall be 85 years.

Compute value of house property.

Solution
Actual Rent = 144000
Repairs = 16000
[144000/9]
Municipal taxes borne by tenant = 9000
Lease premium = 10000
[50000/5]
Security deposit = 15000
[100000 X 15%]
Annual rent = 194000
Annual value assessed by local authority is Rs.100000
GMR = 194000
Less: 15% of GMR = (29100)
Less: Municipal taxes on accrual basis (whether paid by owner or tenant) = (15000)
Net Maintainable Rent = 149900

Value as per Rule 3, 4 & 5 of Schedule III shall be higher of following: = 1499000

- 149900 X 10 = 1499000
- 1000000

Add: Adjustment of un-built are = 449700
[30% x 1499000]
Total = 1948700
Less: unearned increase = (160000)
Workings
Least of the following shall be deductible

- 50% x (400000-80000) = 160000
- 50% x 252000 = 974350

Value of House = 1788700

II. Valuation of all other property
Schedule III
Shall be Fair market value of property

CHART for illustrations	

Commercial flats lying vacant	Asset
Commercial flats on rent to a Company	Asset
Factory Building in which production is carried on	Not an Asset
Commercial building in which assessee has an office	Not an Asset
Commercial building held as Stock-in Trade	Not an Asset
Residential House given to employee of a company	Not an Asset, if his salary is less than 5 lacs
Residential House given to employee of a firm	Asset
Guest house for use of company's guests	Asset
Residential house let out for 280 Days	Asset
Residential house let out for 340 Days	Not an Asset
Commercial flat let out for 340 Days	Asset
Commercial complex	Not an Asset
Motor cars used for transport of the employees	Asset
Motor cars held for hire	Not an Asset
Motor cars held for vehicle dealer	Not an Asset
Jewellery held by Jeweler	Not an Asset
Gold held by a person	Asset
Silver furniture held by a person	Asset
Loose Diamonds	
Aircraft held by company for its employees	Asset
Helicopter held by company for its employees	Asset
Cash of Rs. 100000 held by an individual	Rs.50000 is asset
Cash of Rs. 100000 held by an Company, unrecorded	Asset
Cash of Rs. 100000 held by an Company, recorded in books	Not an Asset
Land held as stock-in-trade	Not an Asset

THEORY CONCEPTs

Deemed Assets

Section 4

In computing the net wealth of an individual, there shall be included following assets, as belonging to that INDIVIDUAL, the value of assets which on the valuation date are held –

1. By the SPOUSE of such individual to whom such assets have been transferred by the individual, **directly or indirectly, otherwise than for adequate consideration**.

Provided assets transferred under agreement to live apart this provision shall not apply.

2. By a MINOR CHILD,

Exceptions

- minor child suffering from any disability of the nature specified in section 80U of the Income-tax Act,
- minor married daughter, of such individual,

3. By an AOP to whom such assets have been transferred by the individual directly or indirectly, otherwise than for adequate consideration for benefit of the INDIVIDUAL, his or her SPOUSE.

4. By an AOP to whom such assets have been transferred by the individual under a REVOCABLE transfer, (i.e. a transfer which is not for the life or under which transferor has certain right. JHOOTA transfer)

5. By the SON'S WIFE, of such individual, to whom such assets have been transferred by the individual, directly or indirectly, otherwise than for adequate consideration,

6. By an AOP to whom such assets have been transferred by the individual, directly or indirectly, otherwise than for adequate consideration for the benefit of SON'S WIFE.

7. Where, in the case of an individual being a member of a Hindu undivided family, any property having been the separate property of the individual has, been converted by the individual into property belonging to the family through the act of impressing such separate property with the character of property belonging to the family or throwing it into the common stock of the family, directly or indirectly, to the family otherwise than for adequate consideration then the converted property shall be deemed to be assets belonging to the individual and not to the family;

8. Holder of Impartible state (KARTA)

9. <u>Property allotted to Members</u>

Whenever property is allotted or leased by a co-operative society, company or other association of persons to its members under a house building scheme then such member shall be Deemed Owner.

10. <u>Possession transferred</u>

If the purchaser has paid the consideration to seller & has taken the possession as per Section 53A of the Transfer of Property Act, 1882, then Purchaser shall be the Deemed owner