CHAPTER - 1

Wealth Tax Act, 1957

1.1 Synopsis :- Wealth tax Act, 1957

- The Central Government has been empowered by **Entry 86** of the Union List of the **Seventh Schedule** of the Constitution of India to levy taxes on the capital value of the assets except on agricultural land.
- Whenever assets [Sec 2(ea)] are idle, tax is levied on valuation date [Sec 2(q)] on the net wealth [Sec 2(m)] of a person [Sec 3].
- **Section 2(q):** Valuation date is the last day of the financial year. The asset should be available with the assessee as on the relevant valuation date for chargeability to wealth tax and the Act extends to whole of India.
- **Section 2(m):** Net wealth refers to :

(i)	Assets as specified – u/s 2(ea)	XXX
(ii)	Add: Deemed assets – u/s 4	XXX
(iii)	Less: Exempted assets – u/s 5	(XX)
(iv)	Less: Debt incurred (in India or outside India) in relation to asset	(XX)
	Net wealth – u/s 2(m)	XXX

- Wealth tax is chargeable only if the value of net wealth **exceeds ₹ 30 lakhs**, at the rate of **one percent** on the net wealth. Surcharge and Education Cess **are NOT levied** on wealth tax.
- **Section 3:** Wealth tax is **applicable** to **(i)** Individuals **(ii)** Hindu undivided family **(iii)** Company [Sec 2(h)] **(iv)** Section 4(1)(b) Partner/member of a firm/AOP in respect of their interest in the value of the asset held.
- As per General Clause Act, the term "individual" includes "individuals", hence trustees of private trust may be charged to Wealth tax, in respect of trust assets.
- **Section 2(h):** As assigned in the Income Tax Act, 1961, a company incorporated outside India will be liable to wealth tax in respect of assets specified u/s 2(ea), located in India.
- **Section 45:** Wealth tax is **not applicable** with respect to net wealth of:

(i)	Political party
(ii)	Mutual fund specified u/s 10(23D) of Income tax Act, 1961
(iii)	Co-operative society
(iv)	Company registered u/s 25 of the Companies Act, 1956
(v)	Social trust
(vi)	Reserve Bank of India. **{(Retrospective w.e.f. 01.04.1957)(Fin. Act, 2012)}**

- **Section 2(ea):** Only those assets which are specified under this section are chargeable to wealth tax. In the list two assets are immovable properties namely urban land and building. The remaining are movable properties. The specified assets are

Section	Nature of asset	Valuation
2 (ea) (i)	Building	Rule 3 to 8 of Schedule III of WT Act
2 (ea) (ii)	Motor car	Rule 20 of Schedule III of WT Act
2 (ea) (iii)	Jewellery	Rule 18 and 19 of Schedule III of WT Act
2 (ea) (iv)	Yacht, boats, aircraft	Rule 20 of Schedule III of WT Act
2 (ea) (v)	Urban Land	Rule 20 of Schedule III of WT Act
2 (ea) (vi)	Cash in hand	Rule 20 of Schedule III of WT Act

- Rules are given for valuation of asset u/s 2(ea), in Schedule III of wealth tax Act. Specific valuation rules apply for building and Jewellery. Where there is no specific rule for valuation, apply Rule 20, which specifies that value would be **realizable value** if sold in the open market on valuation date.
- The liability to wealth tax arises out of **ownership** of the asset and not by mere possession.

1.2 Section 2(ea)(i): Any building or land appurtenant thereto

- **Building** (completed building and not unfinished building) **used for** residential **(or)** commercial purpose **(or)** maintaining as a **guest house** (regardless of distance) or otherwise **(or)** **a farm house** situated within 25 kilometers from the local limits of any municipality.
- **Exclusion:** The following are not treated as an asset.
  - ✓ **a residential house** exclusively used for residential purpose
  - ✓ **a residential house** owned by the company **(and)** **allotted to** an employee or an officer or a director, who is in **full time** employment **(and)** his gross annual salary should be **less than** ₹ 10 lakhs. **{w.e.f. 01.04.2012}**
  - ✓ **a residential house** let out for a minimum period of 300 days in the previous year.
  - ✓ **any house** used as stock in trade.
  - ✓ any house **other than** residential house used for own business or profession.
  - ✓ **any property** in the nature of **commercial establishment** (or) complex (Ex. Any factory building or godown)
- All commercial properties such as office building, shops, godown, and warehouse are not chargeable to wealth tax.
- The **date of execution of sale deed of house property** is the relevant date.
- A guest house is always chargeable to wealth tax **regardless of distance**. Distance specification is only for farm house.
- Valuation of property under **Rule 3 to 8** of Schedule III of WT Act is to be done as follows.

Step	Description	Amount

1 **Rule 5: Gross Maintainable Rent: (GMR)**

(i)	Annual value of property as per municipal records.	XXX	Whichever is higher is GMR
(ii)	Rent actually received or receivable – whether let out whole year or not.		
	Adjustment for:		
	Add: municipal taxes borne **by the tenant.**		
	Add: $^{1}/_{9}$ of actual rent paid by tenant, if repair expenditure borne **by tenant**.		
	Add: **15% p.a**. on the amount of security deposit outstanding from month to month		
	Add: premium on leasing of the property ($^{\text{total premium}}/_{\text{lease period}}$)		
	Adjusted rent received	XXX	

❖ Where the tenant commits default in payment of rent and makes part payment, the GMR shall be taken as the amount payable as per agreement.

2 **Rule 4: Net Maintainable Rent: (NMR)**

(i)	Gross Maintainable Rent as per rule 5	XXX	
(ii)	**Less:** taxes levied to municipal authority (whoever has paid, consider full value)	(XX)	
(iii)	**Less:** 15% of Gross Maintainable Rent.	(XX)	XXX

3 **Rule 3: Capitalization value of property:**

➔ Property **acquired on or before 31.03.1974**

(i)	Freehold land	NMR x 12.50
(ii)	Leasehold land and lease period is 50 years or more	NMR x 10.00
(iii)	Leasehold land and lease period is less than 50 years	NMR x 08.00

➔ Property **acquired after 31.03.1974**

(i) Capitalisation value as per rule 3 or **(ii)** original cost of acquisition/construction **plus** cost of improvement, **whichever is higher** is considered.

➔ **Exception** for higher value consideration, if **all the following** conditions are satisfied.

(a) **One residential** house exclusively **used by** assessee throughout the period of 12 months.

(b) Original cost of acquisition/construction **plus** cost of improvement **does not exceed** ₹ 25 lakhs. (Consider ₹ 50 lakhs in case house is situated in Mumbai, Calcutta, Chennai, Delhi)

❖ The **benefit of exception** is available for **one house** exclusively used by assessee throughout the period of 12 months. The main focus is on usage and **not an ownership.**

4 **Rule 6: Add adjustment for un-built area.**(no building has been erected)

❖ If un-built area is **greater than** specified area, then rule 6 is applicable

❖ **Specified area** refers to the plot of land on which the property is constructed. **(a)** Mumbai, Calcutta, Chennai, Delhi – 60% of aggregate area **(b)** specified cities(metro cities) – 65% of aggregate area **(c)** other cities – 70% of aggregate area

❖ **Aggregate areas** refer to specified area **plus** un-built area.

S.No.	Default %	Rule 6 addition
(a)	Permissible default up to 5%	NIL
(b)	6% to 10%	20% of capitalization value as per Rule 3
(c)	11% to 15%	30% of capitalization value as per Rule 3
(d)	16% to 20%	40% of capitalization value as per Rule 3
(e)	Above 20%	Apply Rule 8

❖ $$\text{Default \%} = \frac{\text{Un-built area} - \text{specified area}}{\text{aggregate area}} \times 100$$

5 **Rule 7: Deduct unearned increase in the value of land**

❖ Property built on lease hold **land** taken from Government **(and)** Government is entitled to recover specified percentage of unearned increase in value of such land at the time of transfer of property

(i)	Value as determined after adjustment of Rule 6	XXX
(ii)	Less: amount recovered by Govt. authority **(or)** 50% of value as determined after adjustment of Rule 6, whichever is **lower**	(XX)
	Value of immovable property	XXX

6 **Rule 8: Market valuation**

❖ Value it would derive in the open market, if sold on valuation date in the following situation.

(i) Where it is not practicable to apply Rule 3 to 7 having regard to facts and circumstances of case, the assessing officer with **prior approval of Joint Commissioner** may adopt this rule **(or)**

(ii) Unbuilt area **less** Specified area = exceeds 20% of aggregate area **(or)**

(iii) Property constructed on a leasehold land and lease **expires within 15 years** from valuation date and no option of renewal exists.

❖ **Provision Illustration:** Mr. Rajesh has a property in Chennai, which was constructed in 1991 at a cost of ₹ 40 lakhs. The property was vacant for last 3 years and let out from 01.01.2013 onwards for monthly rent of ₹ 30,000 for a period of 3 years. Corporate tax ₹ 30,000 per quarter, security deposit from tenants ₹ 100,000, premium ₹ 120,000. Land 4000 sft. It has three floors each measuring 960 sft.

Rule	Description	Computation	Amount(₹)
5	Gross Maintainable Rent	= {(30,000 x 3) + (120,000/3 x $^3/_{12}$) + (100000 x15%x$^3/_{12}$)} =₹ 103,750 x $^{12}/_3$	415,000
4	Net Maintainable Rent	= 415,000 – {(120,000 + 415,000 x 15%)}	232,750
3	Capitalization value	= 232,750 x 12.50 (or) 40,00,000, whichever is higher	40,00,000
6	un-built area adjustment	= Aggregate area 4000sft, Specified area 4000 x 60%= 2400sft, Build up area 960sft, Unbuilt area 4000 – 960 = 3040 sft. So, excess of un-built area over specified area % = ($^{640}/_{4000}$) x 100 = 16% = ₹ 40 lakhs x 40%	16,00,000
7	unearned increase in land	NIL	NIL
	Value of House Property for wealth tax purpose		**56,00,000**

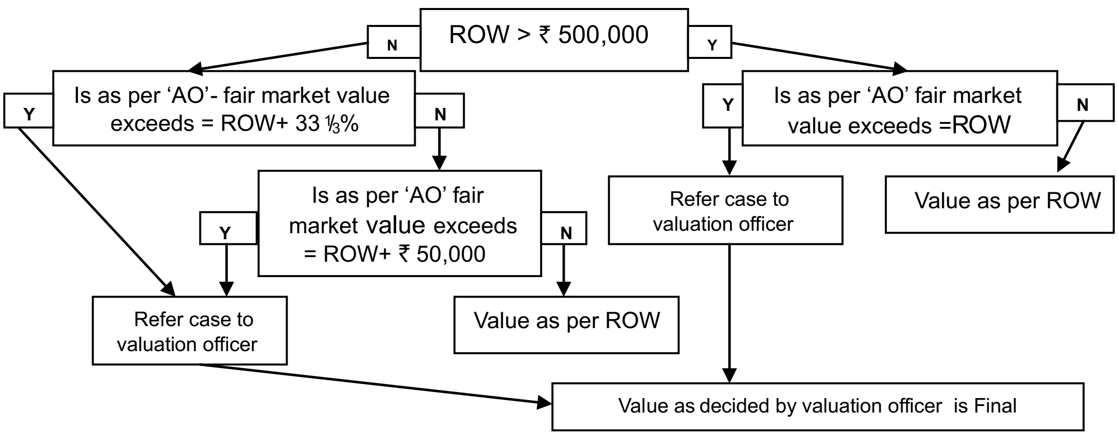
1.3 Section 2(ea)(ii): Motor car

- ❖ **Exclusion:** The following **are not** treated as assets.
  - ✓ Used by the assessee in the business of running them on hire.
  - ✓ Treated as stock in trade.
- ❖ Motor car used in business or profession, personal motor car liable to wealth tax.
- ❖ Motor car covers all motor vehicles **except heavy vehicle**.
- ❖ Main focus of the section is **asset in India**. Car made in India or outside India is irrelevant factor.
- ❖ No specific rule for valuation. Hence **Rule 20 - realizable value** if sold in the open market on valuation date.

1.4 Section 2(ea)(iii): Jewellery, bullion, furniture, utensils of gold, silver etc.

- ❖ **Exclusion:** The following **are not** treated as assets.
  - ✓ Gold deposit bonds issued under Gold deposit scheme, 1999.
  - ✓ Treated as stock in trade.
- ❖ Furniture, utensils and other articles are treated as assets only if they are made wholly or partly of gold, silver or any other precious metal.
- ❖ Valuation of assets under **Rule 18 and 19** of Schedule III of WT Act are as follows:- Realizable value if sold in the open market on valuation date **subject to following conditions**.
  - ➔ Return of net wealth (ROW) along with **a statement**, where value of jewellery does not exceed ₹ 500,000.
  - ➔ Return of net wealth (ROW) along with **a report**, where value of jewellery exceeds ₹ 500,000.

Section 16A: reference to valuation officer in respect of jewellery



- When the value of jewellery has been determined by valuation officer, such value is taken for the **subsequent four assessment year** subject to following two adjustments.
  - ✓ Where the jewellery includes gold or silver or any alloy of these, the value as determined by valuation officer, shall be substituted for that assessment year.
  - ✓ Where addition or deletion is made to the above list, adjustment carried out for value determined by valuation officer.
- **Section 16A: reference to valuation officer in respect of assets other than jewellery.**
  - ✓ If assessing officer is of opinion that the value so returned is less than the **fair market value** **(or)**
  - ✓ If fair market value of the asset exceeds by 33 $^{1}/_{3}$% or ₹ 50,000 over the value of such asset as adopted by assessee **(or)**
  - ✓ having regard to the nature of the asset and the other relevant factors, it is necessary to make a reference **(or)**
  - ✓ If assessee **has not furnished** his return of net wealth even if wealth is in excess of basic exemption limit **(and)** assessing officer proceeds to make best judgment assessment after opportunity of being heard **(and)** market value of asset is to be taken into account in such assessment, he may refer to the valuation officer u/s 16A.
- Schedule III valuation rules are creation of statute. The valuation officer is bound to follow the rules of valuation. **Fair market value** of any asset is to be taken into account in respect of assessment, if assessing officer referred the case to the valuation officer.**{(In re Bharat Hari Singhania)(SC)}**

1.5 Section 2(ea)(iv): Yachts, Boats and aircrafts

- **Exclusion:** The following **are not** treated as assets.
  - ✓ Those assets which are used by the assessee for the commercial purpose.(other than personal purpose)
- Understand treatment of motor car and aircraft. Motor car used in business or profession is liable to wealth tax but yachts, boat and aircraft used for business or profession is not liable to wealth tax. Ex. Aircraft owned by Air India are not liable but aircraft owned by Mr. Dhoni is liable to wealth tax.
- No specific rule for valuation. Hence **Rule 20 - realizable value** if sold in the open market on valuation date.

1.6 Section 2(ea)(v): Urban land

- A land situated within the jurisdiction of a municipality **(and)** population is more than 10,000 as per last census **(or)** within 8 kms from the jurisdiction of a municipality specified by notification in official Gazette.
- **Exclusion:** The following **are not** treated as assets.
  - ✓ Land on which construction of a building is **not permissible** under any law for the time being in force.
  - ✓ The land occupied by any building which has been **constructed with relevant approval**.
  - ✓ any **unused land** held by assessee for industrial purpose for a period of **two years** from the **date of acquisition**.(Note: not the date of approval)
  - ✓ Land treated as **stock in trade** for a period of **ten years** from the date of acquisition.
- Building under construction is neither treated as building nor urban land u/s 2(ea).**{(In re Neena Jain)(2011)(P&H)}**
- No specific rule for valuation. Hence **Rule 20 - realizable value** if sold in the open market on valuation date.

1.7 Section 2(ea)(vi): Cash in hand

- In case of **an individual and HUF**, cash **in excess of** ₹ 50,000.
- For any other person, any amount **not recorded** in books of account.
- Cash at bank and bank balances are not covered under this provision.

1.8 Rule 14: Valuation of assets of business

- This rule is applicable to **all assessees**, who are carrying on business and maintaining accounts regularly.
- Wealth tax is applicable to **(i)** Individuals **(ii)** HUF **(iii)** Company, but Rule 14 is extended to all assessees. To conclude, for other assessees, assets specified u/s 2(ea) is to be taken into account as per Rule 14, if assessee carrying on business and maintaining accounts regularly.

Step	Description

1 **Determine the value of assets disclosed in the balance sheet on the valuation date as follows**

Type of an asset		Valuation
(a)	Depreciable assets	Written down value
(b)	Non depreciable assets	Book Value.
(c)	Closing stock	Value adopted for Income tax purpose.

2 **Determine the value of assets as per valuation rules**

Section	Nature of asset	Valuation
2 (ea) (i)	House	Rule 3 to 8 of Schedule III of WT Act
2 (ea) (ii), (iv) to (v)	Motor car, Yachts, boats, aircraft, Urban Land	Rule 20 of Schedule III of WT Act
2 (ea) (iii)	Jewellery	Rule 18 and 19 of Schedule III of WT Act

3 **Value of an asset**

(a)	100% of step-2 value **exceeds** 120% of step-1 value	Consider step-2 value.
(b)	100% of step-2 value **does not exceed** 120% of step-1 value	Consider step-1 value.
❖	The above exercise is to be carried out for each asset individually.	

4 **Permissible deduction for value derived as per Step-3**

- **Debts incurred** on assets **included in the net wealth** are deductible.
- The liability of wealth tax is **personal liability** of the assessee and not treated as debt.
- Debt incurred in relation to assets **chargeable to wealth tax** is only deductible.
- If debt is incurred on acquiring an asset **as well as** non-asset, and it is not possible to compute the debt utilized for acquiring the asset then, **the amount of debt deductible is computed as follows:**

$$\text{Total debt of the business} \times \frac{\text{Actual cost of asset}}{\text{Actual cost of asset \& non-asset}}$$

1.9 Rule 15, 16: valuation of partner/member interest in a firm or association of persons

- **Step-1:** Find out **net wealth of the firm**/AOP/BOI as per Rule-14. **Do not consider exemption u/s 5.**
- Step-2: Net assets of the firm to the extent of capital are to be allocated in **proportion of capital contribution**.
- **Step-3:** Remaining portion of net wealth of firm **based on** partner's ratio (or) profit sharing ratio.
- **Provision Illustration:** Firm has assets located in India ₹ 35 lakhs and assets located outside India ₹ 15 lakhs. The firm has two partner Mr. P & Mr. Q, with capital contribution of ₹ 7.50 lakhs and ₹ 2.50 lakhs respectively. Their profit sharing ratio is 3:1.
  - ✓ The value of net worth of firm is ₹ 50 lakhs.(₹ 35 lakhs + ₹ 15 lakhs)
  - ✓ The value of interest of partner is determined as Mr. P = ₹ 7.50 lakhs + ₹ 40 lakhs x $^{3}/_{4}$= ₹ 37, 50,000 and for Mr. Q = ₹ 2.50 lakhs + ₹ 40 lakhs x $^{1}/_{4}$ = ₹ 12,50,000

1.10 Rule 17: Valuation of Life Interest

- Life interest valuation arises only if life interest is **held in immovable property** (i.e. residential house and urban land) and such asset is **generating income** to the assessee.
- **Step-1:** Find out **average net annual income** during 3 years ended on valuation date.
- **Step-2**: Find out **average net annual expenses** during 3 years ended on valuation date.
- **Step-3:** **average annual income** = {step-1value **less** (step-2 value **or** 5% of step-1value,whichever is lower)}
- **Step-4:** Life interest = Step-3 **x** life multiplier.(always provided in examination similar to annuity factor)
- The value determined as per step-4 is restricted to value determined as per Schedule-III of the Act.
- **Provision Illustration:** Mr. Pradumna aged 45 years has a property in trust giving whole life interest. The average income from property during 3 years is ₹ 70,000 and related year average expenses are ₹ 3,500 (being 5% of average income). Hence net average annual income is ₹ 66,500. So, value of life interest is worked out as ₹ 66,500 x 9.267 (life factor for 45 years) = ₹ 6,16,255.

1.11 Section 4: Deemed asset

- When assets are transferred to another person **with inadequate consideration**, section 4 is attracted and net wealth of the assessee shall include the value of asset being transferred in the hands of transferor.
- **Section 4(1)(a)(i) : Individual to spouse**
  - ✓ Property transferred directly (or) indirectly without adequate consideration
  - ✓ Relationship of husband and wife should subsist both at the time of transfer and on valuation date
  - ✓ Exception: When transfer takes place in connection with an agreement to live apart.
- **Section 4(1)(a)(ii): Individual to Minor child (including step child and adopted child)**
  - ✓ **Exception:** Assets acquired by a minor child out of income which arises or accrues to him on account of **(a)** any manual work **(b)** any activity involving application of his skill talent or specialized knowledge **(c)** assets held by **minor married daughter (d)** assets held by minor child suffering from any disability u/s 80U of IT Act.
  - ✓ It will be clubbed in the hands of the parent whose net wealth is greater before including minor's asset, in case parent's marriage subsists (or) In the hands of parent who maintains the minor child, in case parent's marriage does not subsist.
- **Section 4(1)(a) and Section 4 (5): Individual to Any person (or) AOP**
  - ✓ The asset is transferred under a revocable (right to reassume power) transfer
  - ✓ In case of irrevocable transfer it shall be included in the net wealth of transferor as and when the power to revoke arises to him.
- **Section 4(1) (a) (v) and (vi) : Individual to Son's wife**
  - ✓ The asset is transferred directly (or) indirectly for inadequate consideration.
  - ✓ Relationship of father in law/mother in law/daughter in law should subsist both at the time of transfer and on valuation date.
- **Section 4(1) (b): Interest of partner/member in assets of firm/Association of persons**
  - ✓ The firm is not liable to wealth tax. Interest is clubbed in hands of partners/member of a firm/an AOP as per Rule- 15, 16.
  - ✓ In case a minor is admitted to the benefits of partnership firm, the value of interest of such minor in the assets of the firm will be included in the net wealth of the parent as per Section 4(1) (a).
- **Section 4 (5A): Transfer is made by way of gift of money, by means of entries in books of account by any person with whom the assessee has business relationship**
  - ✓ If donor (transferor) proves to the satisfaction of the assessing officer that money has actually been delivered to the donee (transferee), clubbing provision is not applicable.
- **Section 4 (1A): Individual member in HUF to HUF**
  - ✓ an asset belonging to an individual and he is a member of HUF.
  - ✓ any share received by spouse of an individual on such partition shall be deemed as indirect transfer of asset by the individual to spouse
  - ✓ such property which is included in the hands of an individual or spouse of HUF shall be excluded in HUF net wealth computation
  - ✓ **Section 20A** clearly specifies that where a partial partition has taken place after 31.12.1978, such family shall continue to be liable to be assessed as if no such partial partition has taken place.

❖ **Section 4 (6): any person to holder of impartible estate**
  ✓ Holder of impartible estate shall be deemed owner in respect of all the properties comprised in the estate.

❖ **Section 4 (7): Property held by member of a housing society**
  ✓ If the assessee is in occupation (self occupied or let-out) of a building , which is allotted or leased under a house building scheme of society, company or association then the assessee is treated as deemed owner.
  ✓ The value of any outstanding instalment will be allowed as a deduction as a debt owned.

❖ **Section 4 (8): any person to any other person**
  ✓ Building is in possession but **not yet** registered
  ✓ Lease (other than annual or monthly lease) for 12 years or more
  ✓ Transferee is deemed owner of such property.

1.12 Section 5: Exempted assets

Section **Description**

5(i) **Any property held by assessee under trust or legal obligation for any public purpose of charitable or religious nature in India (and/or) the business assets used incidentally to the attainment of objects of trust along with maintaining books of accounts.**

✓ The relevant criteria for grant of exemption is **"any public purpose must be in India"**. The situation of property is irrelevant factor.

5(ii) **The interest of assessee in the co-parcenary property of any HUF of which he is a member.**

✓ The wife of karta cannot relinquish her status as a member of HUF by a unilateral declaration while retaining her marital status.**{(In re M.A.R. Rajkumar)(AP)}**

5(iii) **Any one palace building in the occupation of Ruler.**

✓ The relevant criteria for grant of exemption are **"Palace building occupied by the ruler"** and not for the building let out to tenants.

✓ A palace consists of a number of buildings was declared to be the official residence of the ruler. Hence, exemption will be available only in respect of building occupied by the ruler.

5(iv) **Jewellery in possession of any Ruler, which has been recognised as his heirloom by CG.**

✓ The relevant criteria for grant of exemptions are **(a)** Jewellery permanently kept in India and shall not be removed except with approval of CBDT **(b)** Kept in original condition **(c)** CBDT authorised person allowed to inspect the jewellery condition.

✓ If criteria are not satisfied in any year, exemption may be withdrawn with retrospective effect (and)

✓ Fair market value for all the AY's up to date of withdrawal **(or)** 50% of fair market value on the date of withdrawal, **whichever is lower** is considered for valuation purpose.

5(v) **An individual**, who is a person of Indian origin or citizen of India, returned to India from foreign country with the **intention of permanently** residing in India**,** then the following shall not be chargeable to tax for 7 succeeding AY of return to India.

✓ Money or value of assets brought by him into India.

✓ Credit balance in non-resident external account on the date of return to India.

✓ Value of assets acquired out of money brought into India or credit balance of NRE account within one year prior to arrival and at any time thereafter.

5(vi) One house or part of house (or) a plot of land not exceeding 500 sq. meters in area in case of **individual or HUF.** (<u>**Note:**</u> this exemption is not available to company)

- ✓ If the house is **self-occupied** by the assessee **throughout the period of 12 months** immediately preceding the valuation, then the Schedule III value after he **became the owner** of the property or cost of acquisition, whichever is **beneficial** to assessee is considered.
- ✓ If above condition is not fulfilled then, the Schedule III value **on valuation date** or cost of acquisition, whichever is **higher** is considered.

1.13 Section 6: Incidence of tax

- ❖ In respect of **an Individual** – residential status along with Indian citizenship.
- ❖ In respect of **HUF and company** – only by residential status.
- ❖ Residential status is determined as per provisions specified under Income tax Act **on valuation date**.

	Description	Individual			HUF		Company	
		ROI#	ROI##	NR	ROI	NR	ROI	NR
(a)	{Sec 2(ea) + Sec 4 – Sec 5}in India	xxx	xxx	xxx	xxx	xxx	xxx	xxx
(b)	Debts in India or outside India in respect of (a) asset	(xx)	(xx)	(xx)	(xx)	(xx)	(xx)	(xx)
(c)	Total net asset value in India	**xxx**	**xxx**	**xxx**	**xxx**	**xxx**	**xxx**	**xxx**
(d)	{Sec 2(ea) + Sec 4 – Sec 5}outside India	xxx	-	-	xxx	-	xxx	-
(e)	Debts in India or outside India in respect of (d) asset	(xx)	-	-	(xx)	-	(xx)	-
(f)	Total net asset value outside India	xxx	-	xxx	xxx	xxx	xxx	xxx
(g)	Net wealth (c) + (f)	**xxx**	**xxx**	**xxx**	**xxx**	**xxx**	**xxx**	**xxx**

An individual resident in India but not an Indian Citizen. *# Resident and ordinary resident in India*

1.14 Circular No: 3/1957 – Location of an asset and the debts

	Nature of an asset	When located in India
(a)	Ship or aircrafts	Asset situated in India
(b)	Tangible immovable property	Asset situated in India
(c)	Right or interest in/over immovable property	Asset situated in India
(d)	Other assets	Based on nature of assets

1.15 Assessment Procedure – An overview

- ❖ The readers are requested to read this portion **only after completing** assessment procedure, search and seizure, appeals and revision and Settlement Commission under Income Tax Act, 1961 **(Chapter : 3 to 6).**
- ❖ Majority of the provisions relating to assessment procedure, notice of demand, settlement commission, penalty etc are similar to that of Income tax Act, 1961.
- ❖ The provisions under the Wealth tax Act that do not have a similar reference to IT Act **(or)** are different from that contained in the IT Act are explained in this portion.

1.15.1 Section 17: Wealth escape assessment {IT Act section 147}

- ❖ Provisions are suitably modified to suit the requirement.

Service of notice for re-assessment

➔ Escaped assessment is ≤ ₹ 10 lakhs	within **4 years** from the end of the relevant assessment year
➔ Escaped assessment is > ₹ 10 lakhs	within **6 years** from the end of the relevant assessment year
➔ Financial interest located outside India	within **16 years** from the end of the relevant assessment year

❖ In case of assessment of company, the assessing officer is required to serve notice on proper officer. The term proper officer includes the secretary, manager, managing director, any person connected with the management of the affairs of the company upon whom the assessing officer served notice to treat as a proper officer for assessment.

1.15.2 Section 17A: Time limit for completion of wealth assessment {IT Act section 153}

❖ Provisions are suitably modified to suit the requirement.

➔ Passing assessment order u/s 16(3)	within **2 years from the end of the assessment year** in which net wealth was first assessable.
➔ Passing assessment/re-assessment order u/s 17	within 1 year **from the end of the financial year** in which notice u/s 17(1) was served.
➔ Passing assessment order due to the reason that assessment was set aside or cancelled by the Authorities or in review proceedings by the CIT.	within 1 year **from the end of the financial year** in which the order of commissioner (appeals) / tribunal is received or order of the Commissioner is passed.

1.15.3 Section 18(1) : Penalty for concealment {IT Act section 271(1)(c)}

❖ Returned wealth is less than 70% of assessed wealth u/s 16 or 17, deemed to have furnished inaccurate particulars and penalty u/s 18(1)(c) shall be levied, which shall not be less than ₹ 1000 but it may extend to ₹25,000 for each such failure. Opportunity is given before levying penalty.

❖ Penalty proceedings initiated against an assessee cannot be continued on the legal heirs on the demise of the assessee.

❖ **Section 19:** The tax liability of the deceased is payable by the legal representative if **(i)** the assessment has been completed on the deceased but tax is not discharged or **(ii)** the deceased has not furnished return of wealth or furnished return is incorrect or incomplete.