



Subject Code: IMT-114

Subject Name : WEALTH TAX

Notes:

- a. Write answers in your own words as far as possible and refrain from copying from the text books/handouts.
 - b. Answers of Ist Set (Part-A), IInd Set (Part-B), IIIrd Set (Part – C) and Set-IV (Case Study) must be sent together.
 - c. Mail the answer sheets alongwith the copy of assignments for evaluation & return.
 - d. Only hand written assignments shall be accepted.
- A. First Set of Assignments: 5 Questions, each question carries 1.5marks.
 - B. Second Set of Assignments: 5 Questions, each question carries 1.5 marks.
 - C. Third Set of Assignments: 5 Questions, each question carries 1.5marks. Confine your answers to 150 to 200 Words.
 - D. Forth Set of Assignments: Two Case Studies : 7.5 Marks. Each case study carries 3.75 marks.

ASSIGNMENTS

**FIRST SET OF ASSIGNMENTS
Marks**

Assignment-I = 5

PART– A

1. Write short notes on the following:
 - a. Valuation date
 - b. Gross main table rent
2. Discuss with reasons whether the following will be considered as asset under Wealth Tax Act:
 - a. Vacant urban land (on which construction is permissible) owned by a person since 1960
 - b. A multi storey office complex given on rent
 - c. Aircraft held by Air India
 - d. Silver utensils held by a company (not as stock in trade)
3. Explain the incidence of Wealth Tax under Sec. 6 of the Wealth Tax Act.
4. Y Ltd. has let out a premises with effect from October 1,2007 on monthly rent of Rs 1 lakh. The lease is valid for 10 years and the tenant has made a deposit equivalent to 3 months rent. The tenant has undertaken to pay the municipal taxes of the premises amounting to Rs 1 lakh. What will be the value of the property under Schedule III of Wealth Tax Act for assessment of wealth tax for the assessment year 2011-12?
5. How can the arrear demand of wealth tax can be recovered by the department where the assesses dies prior to making the payment thereof?

PART- B

1. Discuss the mode of valuation of the following assets appearing in the Balance Sheet of XYZ Ltd. As on 31/3/11
 - a. Gold(not held as stock in trade)
 - b. Book Value: Rs 20 lakhs
 - c. Market Value: Rs 25 lakhs
 - d. Cars:
 - e. Written down value: Rs 20 lakhs
 - f. Market value: Rs 23.5 lakhs
2. Explain any seven deemed assets under Wealth Tax Act.
3. Discuss the chargeability of wealth tax.
4. A company has the following liabilities as on 31/3/2011
 - a. Income Tax: Rs 5,00,000
 - b. Wealth Tax: Rs 60,000
 - c. Loan: Rs 2,00,000 (for purchase of a car)
 - d. Overdraft: Rs 1,50,000 (for financing working capital)
 - e. Loan: Rs 20,000 (taken to invest in shares of other companies)
 - f. Outstanding wages: Rs 6000 (pertaining to accounting year 2004-05)
 - g. Specify debts deductible while computing net wealth.
5. Ganesh furnishes the following particulars for the compilation of wealth tax return for the assessment year 2011-12
 - a. Gifts of Jewellery made to wife time to time aggregating to Rs 50000. Market value on valuation date Rs 150000.
 - b. Flat purchased under instalment payment scheme in February 1985 for Rs 2500000 used for the purpose of his own residence. Market Value as on valuation date Rs 3200000 (instalment remaining unpaid Rs 120000)
 - c. Urban land transferred to minor handicapped child valuing Rs 1000000
 - d. Explain how will you deal with these items, make suitable assumptions if necessary.

PART- C

1. The recognition of the heirloom jewellery granted to a former ruler by the Central Government in March, 1957 was withdrawn by the board on 11.08.2010 with retrospective effect from 1.4.1970. The fair market value of this jewellery on 11.08.2010 was Rs 100 lacs and on 31.03.2011 was Rs 110 lacs. Explain the implications of it on the Wealth Tax liability of the former ruler.
2. Explain the provisions of return of wealth and assessment under Wealth Tax Act.
3. Discuss the cases where rules of valuation of buildings as given in Part B of Schedule III are not applicable.
4. Ajay an India citizen , was ordinarily residing in USA. He visits India every year during September for two weeks. He came to India permanently on 10 August 2010. Comment on the chargeability of the following assets owned by him under the Wealth Tax Act:
 - a. A residential house (not being let out) at Delhi gifted by his father in law
 - b. A self occupied house at Kolkata purchased out of money remitted from USA in April 2009
 - c. A house at Mumbai purchased out of money remitted from USA in august 2009
 - d. One kg of gold bought at the time of transfer of residence in August 2010

- e. Out of money brought into India at the time of return and out of his non resident (external account), he acquires the following assets during August- October 2010: 2 cars worth Rs 10,00,000, air conditioners and shares in company.
5. 'Urban land is an asset chargeable to wealth tax'. Is this statement correct? Discuss explaining the meaning of urban land. Also, state whether there are any exclusions from the definition of urban land.

CASE STUDY - I

X has a house property in Delhi, which was lying vacant for last three years. He constructed the property in 1990 at a cost of Rs 40 lakh. He has let out the same at a monthly rent of Rs 30000 for a period of 3 years with effect from January 1, 2011. The quarterly corporation tax is Rs 30,000. He took a premium of Rs 1, 20,000 from the tenant and also the security deposit of Rs 1, 00,000. The house was constructed on a land measuring 4000 sq. feet. It has three floors each measuring 960 sq. feet. Compute the value of the house property for wealth tax purpose as at valuation date March 31, 2011.

CASE STUDY-II

X, Y and Z 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 31/3/2011:

| | | | Rs in lakhs |
|---|------|---------------------------------------|-------------|
| Partners Capital: | | Urban land | 300 |
| X | 300 | Urban land (construction not allowed) | 700 |
| Y | 400 | Factory land | 200 |
| Z | 300 | Residential house | 300 |
| Cash credit (secured by hypothecation of stock & debtors) | 100 | Plant (WDV) | 120 |
| Term loan (secured by charge on gold and silver) | 1200 | Factory shed | 400 |
| Creditors | 1000 | Lorry(WDV) | 100 |
| Other liabilities | 600 | Stocks | 300 |
| | | Gold & Silver | 800 |
| | | Sundry debtors | 180 |
| | | Advance Tax | 200 |
| | | Cash at bank | 300 |
| | 3900 | | 3900 |

Two urban lands are valued by independent valuer at Rs 550 lakh and Rs 50 lakh respectively. The market value of the gold & silver on the balance sheet is Rs 1100 lakh. The value of residential house as per rule 3 of Schedule III is Rs 350 lakh. Term loan was taken for purchase of :

- Plant & machinery Rs 300 lakh
- Lands the plots are of equal size Rs 700 lakh

The residential house is occupied by partner X, who looks after the production activity of the firm. Partner Y is a non resident for income tax purposes. The partner shares the profits in the ratio of 2:2:1. Details of personal assets of the partners as on 31/3/2011 is as follows:

| Rs in thousands | | | |
|--|-----|------|-----|
| | X | Y | Z |
| Shares of companies | 40 | NIL | NIL |
| Cash in hand (in India) | NIL | 0.75 | NIL |
| Fixed deposit and other deposits with banks | 35 | 32 | 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 2011 stating clearly the reasons for inclusion or exclusion of each item.