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FACULTY OF COMMERCE AND MANAGEMENT

COURSE: B.COM III SEM.

SUBJECT: Direct Tax Laws and Practice

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LECTURE-39

WEALTH TAX ACT 1957

Article discusses about Basic provisions, Following entities are not liable to pay wealth-tax, Manner of computation of net wealth, Wealth-tax and residential status, Assets covered/exempt under wealth-tax, Net wealth to include certain assets, Valuation of asset, Some of the significant provisions of Wealth-tax Law

Income-tax is levied on the income of the taxpayer, whereas wealth tax is levied on the wealth of the taxpayer. Wealth tax is governed by Wealth Tax Act, 1957. In this part you can gain knowledge on various provisions of Wealth Tax Act, 1957. Here, it is to be noted that Wealth-tax Act, 1957 is abolished w.e.f. 1-4-2016.

Basic provisions

Following are the basic provisions of Wealth-tax Law which are to be kept in mind: Wealth-tax is levied on following persons only:

- an individual;
- a Hindu undivided family (HUF); and
- a company.

Persons other than individuals, Hindu Undivided Families (HUFs) and companies are not liable to pay wealth tax.

A partnership firm is not liable to wealth tax, but the assets of the partnership firm are charged to tax in the hands of the partners of the firm in the form of "Interest in partnership firm". In other words, a partnership firm is not liable to wealth tax, but the value of the assets held by the firm is to be ascertained and this value will be distributed amongst the partners of the firm and will be charged to tax in the hands of the partners. However, where a minor is admitted to the benefits of partnership in a firm, the value of the interest of such minor in the firm shall be included in the net wealth of the parent of the minor.

Similarly, an association of persons (not being a co-operative housing society) is not liable to wealth tax, but the assets of the association of person are charged to tax in the hands of its members in the form of "Interest in partnership firm".

Wealth tax is levied on the net wealth owned by a person on the valuation date, i.e., 31st March of every year.

Wealth-tax is levied at 1% on the net wealth in excess of Rs. 30,00,000.

Entities which are not liable to wealth-tax

Following entities are not liable to pay wealth-tax:

(a) any company registered under section 25 of the Companies Act;

(b) any co-operative society;

(c) any social club;

(d) any political party;

(e) a Mutual Fund specified under section 10(23D) of the Income-tax Act; and

(f) Reserve Bank of India

Manner of computation of net wealth

Wealth tax is levied on net wealth owned by the taxpayer on the valuation date. Net wealth (i.e., taxable wealth) of every person is computed in following manner:

Particulars	***Amount***
Ascertain value of taxable assets as per valuation rules prescribed in this regard (i)	XXXXX
Add: Assets clubbed with the assets of taxpayer (*i.e.*, deemed assets) (ii)	XXXXX
Less: Exempt asset (iii)	(XXXXX)
Gross value of asset	XXXXX
Less: Debt *i.e.*, loan taken to acquire the asset at (i) and (ii)	(XXXXX)

Taxable wealth	XXXXX
Wealth tax is to be paid at 1% on the net wealth in excess of Rs. 30,00,000. No cess or surcharge is levied on Wealth tax.	