

¹[*SCHEDULE III*

[*See section 7(1)*]

RULES FOR DETERMINING THE VALUE OF ASSETS

PART A

GENERAL

1. Value of assets how to be determined.—The value of any asset, other than cash, for the purposes of this Act, shall be determined in the manner laid down in these rules.

2. Definitions.—In this Schedule, unless the context otherwise requires,—

(1) “accounting year” in relation to a company means a period in respect of which any profit and loss account of the company laid before it in the annual general meeting is made up;

(2) “debenture” includes debenture stock, bonds and any other securities of a company, whether constituting a charge on the assets of the company or not;

(3) “equity share” means any share in the share capital of a company other than a preference share;

(4) “gold” means gold, including its alloy, whether virgin, melted, remelted, wrought or unwrought, in any shape or form of a purity of not less than nine carats and includes any gold coin (whether legal tender or not), any gold ornament and other article of gold;

(5) “gold ornament” means any article in a finished form, meant for personal adornment or for the adornment of any idol, deity or any other object of religious worship made of, or manufactured from, gold, whether or not set with stones or gems, real or artificial, or with pearls, real, cultured or imitation, or with all or any of them and includes parts, pendants or broken pieces of gold ornaments ;

(6) “investment company” means a company whose gross total income consists mainly of income which is chargeable to income-tax under the heads “Income from house property”, “Capital gains” and “Income from other sources”.

Explanation.—In this clause, the expression “gross total income” shall have the meaning assigned to it in section 80B of the Income-tax Act;

(7) “jewellery” includes—

(a) ornaments made of gold, silver, platinum or any other precious metal or any alloy containing one or more of such precious metals, whether or not containing any precious or semi-precious stones, and whether or not worked or sewn into any wearing apparel;

(b) precious or semi-precious stones, whether or not set in any furniture, utensils or other article or worked or sewn into any apparel;

(8) “preference share” has the meaning assigned to it in section 85 of the Companies Act, 1956 (1 of 1956);

(9) “quoted share” or “quoted debenture”, in relation to an equity share or a preference share or, as the case may be, a debenture, means a share or debenture quoted on any recognised stock exchange with regularity from time to time, where the quotations of such shares or debentures are based on current transactions made in the ordinary course of business.

Explanation.—Where any question arises whether a share or debenture is a “quoted share” or a “quoted debenture” within the meaning of this clause, a certificate to that effect furnished by the concerned stock exchange in the prescribed form shall be accepted as conclusive;

1. Ins. by Act 3 of 1989, s. 78 (w.e.f. 1-4-1989).

(10) “recognised stock exchange” has the meaning assigned to it in clause (f) of section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956);

(11) “unquoted share” or “unquoted debenture”, in relation to an equity share or a preference share or, as the case may be, a debenture, means a share or debenture which is not a quoted share or a quoted debenture.

PART B

IMMOVABLE PROPERTY

3. Valuation of immovable property.—Subject to the provisions of rules 4, 5, 6, 7 and 8, for the purposes of sub-section (1) of section 7, the value of any immovable property, being a building or land appurtenant thereto, or part thereof, shall be the amount arrived at by multiplying the net maintainable rent by the figure 12.5 :

Provided that in relation to any such property which is constructed on leasehold land, this rule shall have effect as if for the figure 12.5,—

(a) where the unexpired period of the lease of such land is fifty years or more, the figure 10.0 had been substituted ; and

(b) where the unexpired period of the lease of such land is less than fifty years, the figure 8.0 had been substituted:

Provided further that where such property is acquired or construction of which is completed after the 31st day of March, 1974, if the value so arrived at is lower than the cost of acquisition or the cost of construction, as increased, in either case, by the cost of any improvement to the property, the cost of acquisition or, as the case may be, the cost of construction, as so increased, shall be taken to be the value of the property under this rule:

Provided also that the provisions of the second proviso shall not apply for determining the value of one house belonging to the assessee, where such house is acquired or the construction whereof is completed after the 31st day of March, 1974, and the house is exclusively used by the assessee for his own residential purposes throughout the period of twelve months immediately preceding the valuation date and the cost of acquisition or, as the case may be, the cost of construction, as increased, in either case, by the cost of any improvement to the house, does not exceed,—

(a) if the house is situate at Bombay, Calcutta, Delhi or Madras, fifty lakh rupees;

(b) if the house is situate at any other place, twenty-five lakh rupees:

Provided also that where more than one house belonging to the assessee is exclusively used by him for residential purposes, the provisions of the third proviso shall apply only in respect of one of such houses which the assessee may, at his option, specify in this behalf.

4. Net maintainable rent how to be computed.—For the purposes of rule 3, "net maintainable rent" in relation to an immovable property referred to in that rule, shall be the amount of gross maintainable rent as reduced by—

(i) the amount of taxes levied by any local authority in respect of the property ; and

(ii) a sum equal to fifteen per cent of the gross maintainable rent.

5. Gross maintainable rent how to be computed.—For the purposes of rule 4, “gross maintainable rent”, in relation to any immovable property referred to in rule 3, means—

(i) where the property is let, the amount received or receivable by the owner as annual rent or the annual value assessed by the local authority in whose area the property is situated for the purposes of levy of property tax or any other tax on the basis of such assessment, whichever is higher;

(ii) where the property is not let, the amount of annual rent assessed by the local authority in whose area the property is situated for the purpose of levy of property tax or any other tax on the basis of such assessment, or, if there is no such assessment or the property is situated outside the area of any local authority the amount which the owner can reasonably be expected to receive as annual rent had such property been let.

Explanation.—In this rule,—

(1) “annual rent” means,—

(a) where the property is let throughout the year ending on the valuation date (hereinafter referred to as “previous year”), the actual rent received or receivable by the owner in respect of such year;

(b) where the property is let for only a part of the previous year, the amount which bears the same proportion to the amount of actual rent received or receivable by the owner for the period for which the property is let as the period of twelve months bears to the number of months (including part of a month) during which the property is let during the previous year:

Provided that in the following cases, such actual rent under sub-clauses (a) and (b) shall be increased in the manner specified below:—

(i) where the property is in the occupation of a tenant and taxes levied by any local authority in respect of the property are borne wholly or partly by the tenant, by the amount of the taxes so borne by the tenant;

(ii) where the property is in the occupation of a tenant and expenditure on repairs in respect of the property is borne by the tenant, by one-ninth of the actual rent;

(iii) where the owner has accepted any amount as deposit (not being advance payment towards rent for a period of three months or less), by the amount calculated at the rate of 15 per cent per annum on the amount of deposit outstanding from month to month, for the number of months (excluding part of a month) during which such deposit was held by the owner in the previous year, and if the owner is liable to pay interest on such deposit, the increase to be made under this clause shall be limited to the sum by which the amount calculated as aforesaid exceeds the interest actually paid;

(iv) where the owner has received any amount by way of premium or otherwise as consideration for leasing of the property or any modification of the terms of the lease, by the amount obtained by dividing the premium or other amount by the number of years of the period of the lease;

(v) where the owner derives any benefit or perquisite, whether convertible into money or not, as consideration for leasing of the property or any modification of the terms of the lease by the value of such benefit or perquisite;

(2) “rent received or receivable” shall include all payments for the use of the property, by whatever name called, the value of all benefits or perquisites whether convertible into money or not, obtained from a tenant or occupier of the property and any sum paid by a tenant or occupier of the property in respect of any obligation which, but for such payment, would have been payable by the owner.

6. Adjustments to value arrived at under rule 3, for unbuilt area of plot of land. —Where the unbuilt area of the plot of land on which the property referred to in rule 3 is constructed exceeds the specified area, the value arrived at in accordance with the provisions of rule 3 shall be increased by an amount calculated in the following manner, namely:—

(a) where the difference between the unbuilt area and the specified area exceeds five per cent. but does not exceed ten per cent. of the aggregate area, by an amount equal to twenty per cent of such value;

(b) where the difference between the unbuilt area and the specified area exceeds ten per cent but does not exceed fifteen per cent of the aggregate area, by an amount equal to thirty per cent of such value;

(c) where the difference between the unbuilt area and the specified area exceeds fifteen per cent but does not exceed twenty per cent of the aggregate area, by an amount equal to forty per cent of such value.

Explanation.—For the purposes of this rule and rule 6,—

(a) “aggregate area”, in relation to the plot of land on which the property is constructed, means the aggregate of the area on which the property is constructed and the unbuilt area;

(b) “specified area”, in relation to the plot of land on which the property is constructed, means—

(i) where the property is situate at Bombay, Calcutta, Delhi or Madras, sixty per cent of the aggregate area;

(ii) where the property is situate at Agra, Ahmedabad, Allahabad, Amritsar, Bangalore, Bhopal, Cochin, Hyderabad, Indore, Jabalpur, Jamshedpur, Kanpur, Lucknow, Ludhiana, Madurai, Nagpur, Patna, Pune, Salem, Sholapur, Srinagar, Surat, Tiruchirapalli, Trivandrum, Vadodara (Baroda) or Varanasi (Benaras), sixty-five per cent. of the aggregate area; and

(iii) where the property is situate at any other place, seventy per cent. of the aggregate area:

Provided that where, under any law for the time being in force, the minimum area of the plot of land required to be kept as open space for the enjoyment of the property exceeds the specified area, such minimum area shall be deemed to be the specified area;

(c) “unbuilt area”, in relation to the aggregate area of the plot of land on which the property is constructed, means that part of such aggregate area on which no building has been erected.

7. Adjustment for unearned increase in the value of the land.—Where the property is constructed on land obtained on lease from the Government, a local authority or any authority referred to in clause (20A) of section 10 of the Income-tax Act, and the Government or any such authority is, under the terms of the lease, entitled to claim and recover a specified part of the unearned increase in the value of the land at the time of the transfer of the property, the value of such property as determined under rule 3 shall be reduced by the amount so liable to be claimed and recovered or by an amount equal to fifty per cent. of the value of the property as so determined, whichever is less, as if the property had been transferred on the valuation date.

Explanation.—For the purpose of this rule, “unearned increase” means the difference between the value of such land on the valuation date as determined by the Government or such authority for the purpose of calculating such increase and the amount of the premium paid or payable to the Government or such authority for the lease of the land.

8. Rule 3 not to apply in certain cases.—Nothing contained in rule 3 shall apply,—

(a) where, having regard to the facts and circumstances of the case, the Assessing Officer, with the previous approval of the Deputy Commissioner, is of opinion that it is not practicable to apply the provisions of the said rule to such a case; or

(b) where the difference between the unbuilt area and the specified area exceeds twenty per cent of the aggregate area; or

(c) where the property is constructed on leasehold land and the lease expires within a period not exceeding fifteen years from the relevant valuation date and the deed of lease does not give an option to the lessee for the renewal of the lease,

and in any case referred to in clause (a) or clause (b) or clause (c), the value of the property shall be determined in the manner laid down in rule 20.

PART D

ASSETS OF BUSINESS

14. Global valuation of assets of business.—(1) Where the assessee is carrying on a business for which accounts are maintained by him regularly, the net value of the assets of the business as a whole, having regard to the balance-sheet of such business on the valuation date after adjustments specified in sub-rule (2) shall be taken as the value of such assets for the purposes of this Act.

(2) For the purposes of sub-rule (1)—

(a) the value of any asset as disclosed in the balance-sheet shall be taken to be,—

(i) in the case of an asset on which depreciation is admissible, its written-down value;

(ii) in the case of an asset on which no depreciation is admissible, its book value;

(iii) in the case of closing stock its value adopted for the purposes of assessment under the Income-tax Act for the previous year relevant to the corresponding assessment year;

(b) where the value of any of the assets referred to in clause (a), determined in accordance with the provisions of this Schedule as applicable to that particular asset or if there are no such provisions, determined in accordance with rule 20, exceeds the value arrived at in accordance with clause (a) by more than 20 per cent, then the higher value shall be taken to be the value of that asset;

(c) the value of an asset not disclosed in the balance-sheet, shall be taken to be the value determined in accordance with the provisions of this Schedule as applicable to that asset;

(d) the value of the following assets which are disclosed in the balance sheet shall not be taken into account, namely:—

(i) any amount paid as advance tax under the Income-tax Act;

(ii) the debt due to the assessee according to the balance-sheet or part thereof which has been allowed as a deduction under clause (vii) of sub-section (1) of section 36 of the Income-tax Act, for the purposes of assessment for the previous year relevant to the corresponding assessment year under that Act;

(iii) the value of any asset in respect of which wealth-tax is not payable under this Act;

(iv) any amount shown in the balance-sheet including the debit balance in the profit and loss account or profit and loss appropriation account which does not represent the value of any asset;

(v) any asset shown in the balance-sheet not really pertaining to the business;

(e) the following amounts shown as liabilities in the balance-sheet shall not be taken into account, namely:—

(i) capital employed in the business other than that attributable to borrowed money;

(ii) reserves by whatever name called;

(iii) any provision made for meeting any future or contingent liability;

(iv) any liability shown in the balance-sheet not really pertaining to the business;

1. Part C omitted by Act 18 of 1992, s. 100 (w.e.f. 1-4-1993).

(v) any debt owed by the assessee to the extent to which it has been specifically utilised for acquiring an asset in respect of which wealth-tax is not payable under this Act:

Provided that where it is not possible to calculate the amount of debt so utilised, it shall be taken as the amount which bears the same proportion to the total of the debts owed by the assessee as the value of that asset bears to the total value of the assets of the business.

Explanation.—Provision for any purpose other than taxation shall be treated as a reserve.

PART E

INTEREST IN FIRM OR ASSOCIATION OF PERSONS

15. Valuation of interest in firm or association of persons.—The value of the interest of a person in a firm of which he is a partner or in an association of persons of which he is a member shall be determined in the manner provided in rule 16.

16. Computation of net wealth of the firm or association and its allocation amongst the partners or members.—The net wealth of the firm or association of persons on the valuation date shall first be determined as if it were the assessee and, thereafter,—

(i) that portion of the net wealth of the firm or association as is equal to the amount of its capital shall be allocated among the partners or members in the proportion in which capital has been contributed by them;

(ii) the residue of the net wealth of the firm or association shall be allocated amongst the partners or members in accordance with the agreement of partnership or association for the distribution of assets in the event of dissolution of the firm or association or, in the absence of such agreement, in the proportion in which the partners or members are entitled to share the profits,

and the sum total of amounts so allocated to a partner or member under clause (i) and clause (ii) shall be treated as the value of the interest of that partner or member in the firm or association:

Provided that in determining the net wealth of the firm or association for the purposes of this rule, no account shall be taken of the exemptions in sub-sections (I) and (IA) of section 5.

Explanation.—For the purposes of this rule,—

(a) where the net wealth of the firm or association computed in accordance with this rule includes the value of any assets located outside India, the value of the interest of any partner or member in the assets located in India shall be determined having regard to the proportion which the value of assets located in India diminished by the debts relating to those assets bears to the net wealth of the firm or association;

(b) where the net wealth of the firm or association computed in accordance with this rule includes the value of any assets which are exempt from inclusion in the net wealth under sub-sections (I) and (IA) of section 5, the value of the interest of a partner or member shall be deemed to include the value of his proportionate share in the said assets and, the provisions of sub-sections (I) and (IA) of section 5 shall apply to him accordingly;

(c) where the net wealth of the firm or association computed in accordance with this rule includes the value of any assets referred to in sub-section (2) of section 5, the value of the interest of a partner or member shall be deemed to include the value of his proportionate share in the said assets, and the provisions of sub-section (2) of section 5 shall apply to him accordingly.

PART F

LIFE INTEREST

17. Valuation of life interest.—(1) For the purposes of sub-section (1) of section 7, the value of the life interest of an assessee shall be arrived at by multiplying the average annual income that accrued to the assessee from the life interest by the fraction $\frac{1}{p + d}$ minus 1, where 'P' represents the annual premium

$$p + d$$

for a whole life insurance without profits on the life of the life tenant for unit sum assured as specified in the Appendix to these rules, and 'd' is equal to $\frac{i}{1+i}$ "i" being the rate of interest.

$$1+i$$

Explanation.—In this rule,—

(a) "life tenant" means a person for the duration of whose life the life interest is to subsist;

(b) "average annual income" means the average of the gross income derived by the assessee from the life interest during each year of the period ending on the valuation date, reduced by the average of the expenses incurred on the collection of such income in each of those years:

Provided that the amount of the reduction for such expenses shall, in no case, exceed five per cent of the average of the annual gross income:

Provided further that in case the income so derived is for a period exceeding three years, only that income derived during the three years ending on the valuation date shall be taken into account;

(c) the rate of interest shall be 6½ per cent. per annum.

(2) Notwithstanding anything contained in sub-rule (1),—

(a) the Assessing Officer may, if he is of the opinion that in the case of the life tenant, a life insurance company would not take the risk of insuring his life at the normal premium rates in force but would demand a higher premium, vary the valuation suitably;

(b) the value of the life interest so determined shall, in no case, exceed the value as on the valuation date as determined under this Schedule, of the corpus of the trust from which the life interest is derived.

PART G

JEWELLERY

¹[**18. Valuation of jewellery.**—(1) The value of the jewellery shall be estimated to be the price which it would fetch if sold in the open market on the valuation date (hereafter in this rule referred to as fair market value).

(2) The return of net wealth furnished by the assessee shall be supported by,—

(i) a statement in the prescribed form, where the value of the jewellery on the valuation date does not exceed rupees five lakhs;

(ii) a report of a registered valuer in the prescribed form, where the value of the jewellery on the valuation date exceeds rupees five lakhs.

(3) Notwithstanding anything mentioned in sub-rule (2), the Assessing Officer may, if he is of opinion, that the value of the jewellery declared in the return,—

(a) is less than its fair market value by such percentage or such amount as is prescribed under sub-clause (i) of clause (b) of sub-section (1) of section 16A;

1. Subs. by Act 12 of 1990, s. 58, for rule 18 (w.e.f. 1-4-1990).

(b) is less than its fair market value as referred to in clause (a) of sub-section (1) of section 16A, he may refer the valuation of such jewellery to a Valuation Officer under sub-section (1) of the said section and the value of such jewellery shall be the fair market value as estimated by the Valuation Officer.]

19. Adjustment in value of jewellery for subsequent assessment years.—The value of any jewellery determined in accordance with ¹[sub-rule (3) of] rule 18 for any assessment year (hereinafter referred to as the first assessment year), shall be taken to be the value of such jewellery for the subsequent four assessment years, subject to the following adjustments, namely :—

(a) where the jewellery includes gold or silver or any alloy containing gold or silver, the value of such gold or silver or such alloy as on the valuation date relevant to the concerned subsequent assessment year shall be substituted for the value of such gold or silver or alloy on the valuation date relevant to the first assessment year;

(b) where any jewellery or part of jewellery is sold or otherwise disposed of by the assessee, or any jewellery or part of jewellery is acquired by him, on or before the valuation date relevant to the concerned subsequent year, the value of the jewellery determined for the first assessment year shall be reduced or increased, as the case may be, and the value as so reduced or increased shall be the value of the jewellery for such subsequent assessment year.

PART H

RESIDUARY

20. Valuation of assets in other cases.—(1) The value of any asset, other than cash, being an asset which is not covered by rules 3 to 19, for the purposes of this Act, shall be estimated to be the price which, in the opinion of the Assessing Officer, it would fetch if sold in the open market on the valuation date.

(2) Notwithstanding anything contained in sub-rule (1), where the valuation of any asset referred to in that sub-rule is referred by the Assessing Officer to the Valuation Officer under section 16A, the value of such asset shall be estimated to be the price which, in the opinion of the Valuation Officer, it would fetch if sold in the open market on the valuation date.

(3) Where the value of any asset cannot be estimated under this rule because it is not saleable in the open market, the value shall be determined in accordance with such guidelines or principles as may be specified by the Board from time to time by general or special order.

21. Restrictive covenants to be ignored in determining market value.—For the removal of doubts, it is hereby declared that the price or other consideration for which any property may be acquired by or transferred to any person under the terms of a deed of trust or through or under any restrictive covenant in any instrument of transfer shall be ignored for the purposes of determining under any provision of this Schedule, the price such property would fetch if sold in the open market on the valuation date.

1. Subs. by Act 12 of 1990, s. 58, for “clause (b) of” (w.e.f. 1-4-1990).

APPENDIX

[See rule 17]

Table of $(\frac{1}{P+d} - 1)$

<i>Age nearer birthday</i>	<i>Premium for unit sum assured</i>	$(\frac{1}{P+d} - 1)$
<i>Value of life interest of rupee 1 per annum at 6½% rate of interest</i>		
<i>1</i>	<i>2</i>	<i>3</i>
0.	0.02906	10.100
1.	0.01590	11.999
2.	0.01295	12.517
3.	0.01162	12.765
4.	0.01095	12.893
5.	0.01065	12.951
6.	0.01058	12.965
7.	0.01063	12.955
8.	0.01076	12.930
9.	0.01095	12.893
10.	0.01117	12.850
11.	0.01142	12.803
12.	0.01169	12.751
13.	0.01197	12.699
14.	0.01226	12.644
15.	0.01257	12.587
16.	0.01286	12.534
17.	0.01319	12.473

<i>1</i>	<i>2</i>	<i>3</i>
18.	0.01350	12.417
19.	0.01387	12.351
20.	0.01431	12.273
21.	0.01469	12.207
22.	0.01512	12.132
23.	0.01556	12.057
24.	0.01606	11.972
25.	0.01656	11.888
26.	0.01706	11.806
27.	0.01762	11.715
28.	0.01825	11.614
29.	0.01894	11.505
30.	0.01962	11.399
31.	0.02037	11.285
32.	0.02112	11.173
33.	0.02194	11.053
34.	0.02281	10.927
35.	0.02369	10.804
36.	0.02462	10.675
37.	0.02562	10.541
38.	0.02669	10.400
39.	0.02787	10.249
40.	0.02912	10.093
41.	0.03044	9.932
42.	0.03181	9.771

<i>1</i>	<i>2</i>	<i>3</i>
43.	0.03325	9.607
44.	0.03475	9.441
45.	0.03637	9.267
46.	0.03806	9.092
47.	0.03987	8.911
48.	0.04181	8.724
49.	0.04387	8.533
50.	0.04612	8.333
51.	0.04850	8.130
52.	0.05100	7.926
53.	0.05362	7.722
54.	0.05637	7.518
55.	0.05931	7.310
56.	0.06244	7.099
57.	0.06575	6.888
58.	0.06925	6.676
59.	0.07294	6.464
60.	0.07681	6.255
61.	0.08167	6.008
62.	0.08589	5.806
63.	0.09025	5.610
64.	0.09475	5.419
65.	0.09938	5.234
66.	0.10415	5.054
67.	0.10907	4.879

<i>1</i>	<i>2</i>	<i>3</i>
68.	0.11414	4.709
69.	0.11938	4.543
70.	0.12483	4.380
71.	0.13054	4.220
72.	0.13652	4.062
73.	0.14278	3.907
74.	0.14936	3.753
75.	0.15627	3.602
76.	0.16356	3.453
77.	0.17125	3.305
78.	0.17937	3.160
79.	0.18796	3.016
80.	0.19706	2.875]
