

CHAPTER V

INCENTIVES UNDER WEALTH TAX ACT, 1957

INCENTIVE UNDER THE WEALTH - TAX ACT.

Under the wealth-tax act, 1957 there are a few provisions which also provides incentives to entrepreneur.

These are stated below :-

- 1) EXEMPTION IN RESPECT OF RESIDENTIAL HOUSES FOR LOW PAID EMPLOYEES.

SECTION - 5(1) (xxxa)

With a view to encourage construction of residential houses for the low-paid employees, employed in any plantation or industrial undertakings owned by an assessee entrepreneur, Finance Act of 1976 inserted sub-clauses (xxxa) under section 5(1) of the Wealth-tax Act, 1957 (effective from 1.4.1976 assessment year 1976-77). This sub clause provides for exemption from Wealth tax in respect of value of any such buildings. The conditions to be satisfied are that the building is used solvely for residential purposes of employees in a plantation or industrial undertaking, and it should be for the employees who are drawing salary of Rs. 10,000/- or less per annum. The above exemption is available to an assessee entrepreneur event if the said conditions are satisfied just on the relevant valuation date.

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2) EXEMPTION IN RESPECT OF VALUE OF ASSETS OF INDUSTRIAL
UNDERTAKINGS OWNED BY AN ENTREPRENEUR

SECTION : 5(1) (xxxii) (xxxiii)

Finance Act 1972, inserted sub-section (xxxii) and (xxxiii) under clause (1) of section 5 of the Wealth-tax Act effective from assessment year 1973-74. Under these provisions, the value of assets forming part of an industrial undertaking belonging to an assessee, entrepreneur has been made exempt.

The following requirements should be satisfied so as to obtain the benefit of the exemption.

- i) The assets must form part of an industrial undertaking belonging to the assessee entrepreneur.
- ii) The industrial undertaking must be engaged in the business of
 - a) generation or distribution of electricity, or
 - b) any other form of power, or
 - c) in the construction of ships or
 - d) in the manufacture of goods or
 - e) in the processing of goods, or
 - f) in mining.

The value of assets forming part of an industrial

undertaking is to be computed under rule 2H of the Wealth Tax Rules. Rule 21 of the Wealth Tax Rules lays down the manner in which interest of a partner (or entrepreneur) in assets of industrial undertaking belonging to a firm or AOP is to be computed.

3) EXEMPTION IN RESPECT OF EQUITY SHARES AS WELL AS NEW ACTIVITIES OF CERTAIN INDUSTRIAL COMPANIES

SECTION : 5(1) (xx) (xxa) (xxi) (xxxiii) (xxxiv) and 45(d)

The object of exemption under the above mentioned clauses is to attract capital for investment in industrial undertakings, engaged in the manufacture, production or processing of goods or articles or in mining or in the generation or distribution of electricity or any other form of power. While the exemption in clause (xx) and (xxa) is in respect of share held in an industrial undertaking clause (xxi) grants exemptions in respect of new and fresh activities of the said industrial undertaking. The purpose of clause (xxxiii) and (xxxiv) is to encourage non-resident Indians to invest in certain types of industries in India. Where as exemption under clause (xxxiii) is available for a period of seven successive years to persons of Indian. Origin who bring any assets or money into India, the exemption under clause (xxxiv) is available to non-resident Indians if their

investments are in the equity shares of companies which are engaged in the manufacture or production of articles or things specified in schedule II of the Wealth Tax Act.

The concession under clause (xxxiv) is also available in respect of investment in equity shares of those companies which are certified by the prescribed authority to have ~~xx~~ undertaken to export the required percentage of of their total production.

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