CHAPTER THREE

DIRECT TAXATION IN THE INDIAN TAX STRUCTURE

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3.1 INTRODUCTION:

3.1.1 THE INCOME-TAX:

Taxation of income has been the most important type of direct taxation everywhere. Income is generally regarded as the best measure of the ability, in the sense of economic wellbeing. The tax could be so adjested as to exempt the lowest income groups from the operation of the tax and make the richer groups bear the burden of the tax acording to their respective incomes.

Objects and Reasons of Income-tax Act, 1961:

The following statement of the Objects and Reasons opens the Income-tax Bill, 1961, which was introduced in the Lok Sabha.

"The Income-tax Act, 1922, has been subjected to the innumerable amendments since the passing thereof. It was considerably revised in 1939 by Act-VII of 1939 and between the passing of Act of 1939 and 1956 the Act had been amended not less than twentynine times and each of these amendments had been of considerable importence. The result of all these amendments was that the Act required revision with a view to simplification and the government, therefore decided in 1956 to refer the Act to the Law Commission with a view to its simplification the basic struture of the Act remaining unchanged. The report of the Law Commission was received by the Government in September 1958, but in the meanwhile, a Committee called the Direct Taxes Administration Enquiry Committee had been appointed by the Government to consider measures designed to minimize inconveniences to the assessee and to prevent evasion of Income-tax. The report of the Committee was received in 1959 ... As a matter of principle, however, the basic provisions of the Income-tax should not be subjected to such frequent changes and only the rate-structure of the tax may be altered from year to year by Annual Finance Acts. ... The income-tax is levied on the net income of individuals. Hindu undivided families, unregistered firms and other associations of persons. Agricultural incomes are not taxed, though they are now included along with non-agricultural incomes for purposes of calculating the rate of income tax. The tax is assessed on the net income of the taxpayer. The net taxable income is arrived at by making certain deductions from the total income. The deductions are in respect of costs involved in the earning of income. Further deductions and exemptions are allowed, a part of such payments is deducted from the total income of the assessee at the time of assessment of income for tax purposes and only the remaing amount assessed to Income-tax ... " [1].

3.1.2 THE WEALTH-TAX:

Wealth tax was levied in India for the first time in 1957 on the recommendations of Prof.Nicholas Kaldor. The Wealth-tax Act extends to the whole of India and it came into force on 1st April 1957. However, the Jammu & Kashmir High Court has held that the Wealth-tax Act, 1957, insofar as it purports tp be applicable to the State of J&K is ultra vires the Constitution of India as applied to the state.

Subject to other provisions of the Wealth-tax Act, 1957, the wealth-tax is charged for every assessment year commencing from 1st

April 1957 in respect of the net Wealth on the corresponding valuation date of every individual and HUF at the rates specified in Schedule-I(Sec.3) and a closely held a company at the rate of 2 percent.

It is a recurring tax and as such, its rates have been kept low. It is also known as a 'Tax-on-Capital' or 'Property Taxation'. Prof. Kaldor's Report "Indian Tax Reforms" indicates that he was requested by the Government of India to review the Indian tax structure, primarily with reference to the personal and business taxation and with regard to "the larger dimension assumed by the problems of resources for the plan". The aspects relating to the equity of wealth, therefore, was not at all a factor when Prof..Kaldor undertook this task but his objective was primarily confined to the angmentation of the government revenue for proper financing of the Plan. Prof. Kaldor has observed;

> "It (the Indian tax structure) is inequitable because the present base of taxation of 'income' as statutorily defined, is defectively biased as a measure of taxable capacity and is capable of being manipulated by certain classes of taxpayers. It is inefficient because of the limited character of the information furnished by the taxpayers and the absence of any comprehensive reporting system onn property transactions and property income makes largescale evasion through concealment and understatment of profits and propertly income relatively easy."

Objects and Reasons of the Wealth-tax Act:

The preamble to the Wealth-tax Act, 1957, explains its objects and reasons as follows:

"The object of this Bill is to impose an annual tax on the net wealth of individuals, HUFs and Companies. The proposed tax is an important constituent of an intergrated tax structure, which the Government has been aiming at for some time with income-tax, estate-duty and a tax on capital gains already in existence and with the addition of wealth-tax and a tax on large personal expenditure, the direct taxes will form a composite system made up of complimentary elements. Apart from the fact that a composite tax system of this type helps to specify the criterion of the ability-to-pay, it is consistent with the avowed goal of the affainment of Socialistic pattern of society."

The Bill finally received the President's assent on 12th September, 1957 and the Act became operative retrospectively from the 1st day of April, 1957 [2].

3.1.3 THE GIFT-TAX:

Gift-tax and death-duties have a significant role to play in the economies of the underdeveloped countries. Gift-tax may be used as a supplement to death-duties, Generally, people pass on their property as a gift, in order to avoid payment of the estate-duty. A gift-tax can introduce equity in the tax structure, check capital dissipation by reducing wastetuce capital expenditure on a large number of occasions when the gifts are made.

Prof.Kaldor had put forth a proposal for a single intergrated tax on gifts of all kinds. The general gift tax proposed by Prof.Kaldor included the present taxes on bequests and inheritance as well as a charge on all gratuitous transfers of property as gifts which may not be taxable. Prof.Kaldor advocated a single integrated general gift-tax "on the ground of equity, expediency and administrative efficiency", and further proposed that taxes should be levied on all gratuitous transfers of property, irrespective of the mode of transfers.

Another reason for an integrated system of gift taxation would be to eliminate all chances of ecasion and avoidance. Towards this end, Prof.Kalder suggested that the temptation to dissipate one's capital can be considerably reduced if a rich person is allowed to spread his estate on a large number of beneficiaries and at different times, through gifts '<u>inter-vivos</u>'.

Object and Reasons of the Gift-tax Act:

The Objects and Reasons of the Bill introduced in the Lok Sabha in 1958 were as under:

> "The object of this Bill is to levy a tax on gifts made by individuals, HUF, companies and associations of persons. Gift from one person to another provides a convenient tool of avoiding or redusing liabilities to estate dutyy, income-tax, wealth-tax, expenditure-tax. The only objective method of checking such attempts at evasionn or reduction of tax liability is by levying a tax on gifts. With the introduction of this tax, the intergrated tax structure which the Government has been aiming at will be completed."

The Gift-tax Act passed in the Lok Sabha in 1958, is framed on the basis of the New Zealand's Gift-duties Act, 1955. Gift-tax legislations are in vogue in the United States, Canada, Australia, New Zealand, Sri Lanka and some other countries [3].

3.2 THE TAX STRUCTURE:

In order to examine the role of direct taxation in the Indian tax structure, it is necessary study the direct tax trends both in the Pre-Plan Period as well as during the Plan period.

3.2.1 Direct Tax Trends in Pre-Plan Period:

For studying the direct tax trends in the pre-Plan period, the year 1938-39 is the optimal starting point, since significant changes took place in the direct and indirect tax structures only after that year. Moreover, the effect of the WW-II on the Indian tax structure can be appreciated fully if we view it against the background of the tax structure obtaining in 1938-39. Before the War, the Central Government depended mostly on commodity taxation for the bulk of its revenue. In the year 1938-39, out of Rs.70.90 crores, Rs 40.51 crores were contributed by custom-duties, Rs. 8.66 crores by Central-excise, Rs.15.78 crores by Taxes on Income (including corporation tax) and Rs 8.12 crores by duties on salt. In percentage terms, customs represented 54.8 of the total tax revenue, excise duties 11.7, taxes on income 21.4 and on salt 11.01.

The WW-II, however, brought about a fundamental change in the tax-structure of India and the emphasis shifted from being on commodity taxation to direct taxation. Table 3.1 shows the main change in the tax structure as a result of the war-time economic exigencies.

Table 3.1
Percentage-wise difference of
India's total tax-revenue

	1938-39	1944-45
Customs	54.8	15.7
Taxes on Income	21.4	64.2
Excise Duties	11.7	15.0
Salt	11.0	3.7

It is seen that the percentage of commodity taxes to total tax revenue stood at 77.5 in 1938-39 but fell heavily to 34.3 in 1944-45; on the other hand, direct taxes which constituted 21% of the total tax revenue in 1938-39 gained in importance and the percentage went as high as 64.9 in 1944.45. During this period the heaviest fall was recorded in customs revenue, while the excise duties showed some improvement. In the Central and State Government revenues, direct taxes formed 12% of total tax receipts in 1938-39, which increased to over 45% during the War period, i.e.1939-45.

On the whole, the tax system tended to be more progressive under the exigencies of War and direct taxes dominated the tax structure. This tendency, however, could not continue in the post-War period. From 1948 onwards, attempts were made to reduce the rigours of income taxation by reducing the rates of such taxes as well as by abolishing the new taxes on income. In doing so, the emphasis once again shifted from direct taxation to commodity taxation. Table 3.2 shows the shares of direct and indirect taxes in the total tax revenue in the immediate post-War period.

Table 3.2
Percentage of Direct and Indirect Taxes in
in the total tax revenue

Years	Percentage of Direct taxes	Percentage of Indirect-taxes
1946-47	59.9	40.2
1948-49	50.2	49.8
1949-50	45.1	54.9
1950-51	43.7	56.3

Table 3.2 depicts the declining importance of direct taxes and the growing importance of indirect taxes in the post-War period or the period immediatlely preceding the commencement of Planning in India. The relative change in the importance of income and commodity taxation in pre-Plan period is shown in Table 3.3

Table 3.3
Percentage of total tax revenue

Particulars	1938-39	1944-45	1950-51
Commodity taxes	77.5	34.3	56.3
Income taxes (including Corporation tax)	21.4	64.9	43.7

Thus, it is clear that commodity taxation was more importent than income taxation in the tax structure in 1938-39, but the War brought about a transformation and the emphasis shifted from being on commodity to on income taxation during the War period (1939-45). However, this tendency reversed in the post-War period when commodity taxes once again gradually gained importance and direct taxes lost their prominent place which they had occupied in the Indian tax structure during the war period. The percentage of direct tax revenue to total tax revenue of the

Central Government declined from 64.9% in 1944-45 to 43.7% in 1950-51, the year preceding the commencement of the First Five Year Plan.

3.1.2 Direct tax Trands during the plan period:

The tendency of declining share of direct taxes has also continued in the subsequent period. If we look at the percentage of direct and indirect taxes to total tax revenue during the Plan Period, it will be clear that direct taxes are not as significant as indirect ones in the tax structure. This has been shown in Table 3.4. The Table also shows that the share of direct taxes has been declining in the recent years.

Table 3.4
Tax Revenue of the Government of India

Year	Total Tax Revenue	Direct tax Revenue	Indirect tax Revenue	% of (2) to (1)	% of (3) to (1)
	1.	2.	3.	4.	5.
1950-51	404.52	177.03	227.49	43.7	56.3
1955-56	485.06	172.80	312.26	35.6	64.4
1960-61	909.31	295.74	613.74	32.5	67.5
1965-66	2060.32	603.33	1456.99	29.2	70.8
1970-71	4752.00	1009.00	3743.00	21.23	78.77
1975-76	6009.80	1479.80	4530.00	24.62	75.38
1980-81	19844.00	3268.00	16576.00	16.47	83.53
1985-86	43267.00	6252.00	37015.00	14.45	85.55
1990-91	89303.00	13397.00	75906.00	15.00	85.00

Source: HNPS Suman: "Direct Taxation & Economic Growth in India" p.37
Government of India: "Economic Survey 1991-92".

In 1950-51, direct taxes comprised 43.7% of the total tax revenue but the percentage dropped to 32.5 in 1960-61. In the following two years (1962-63 and 1963-64), there was slight revival when the percentage of direct taxes to total tax revenue stood at 33.2 and 33.9, respectively. Thereafter, the percentage again fell to 21.23 in 1970-71. The percentage increased to 24.62 in 1975-76. In 1980-81 and in 1985-86, it again fell to 16.47 and 14.45, respectively; but in 1990-91, increased to 15.00. Thus, the percentage of direct taxes to total tax revenue has been showing a nagative rate of growth as compared to the percentage of indirect taxes to total tax revenue which has indicated a positive rate of growth. It is obvious that direct taxes have gradually lost their importance in the Indian tax struture in recent years. If the percentage of direct tax revenue to the total central and state revenue are taken into consideration, the same trend is visible in recent years. Table 3.5 shows direct taxes as a proportion of total Central and State revenue from 1951-52 to 1990-91.

Table 3.5
Direct Taxes as a proportion of
Total Centre and State Revenue

Year	Direct taxes as a Proportion of total revenue (Percent)
1951-52	41.0
Total 1st Plan Period	38.4
Total 2nd Plan Period	34.8
1961-62	32.3
1963-64	33.0
1964-65	32.2
1965-66	27.5
Total 3rd Plan Period	30.7
1967-68	24.1
1970-71	21.23
1975-76	24.62
1980-81	16.47
1985-86	14.45
1990-91	15.00

Table 3.5 indicates the direct tax ratio as diminishing; in other words, indirect tax revenue has grown more rapidly than the direct tax revenue.

3.2.3 Direct, Indirect and Total Tax Revenue as a Percentage of National Income:

The percentage of direct taxes to national income in India had not shown an encouraging trend as is evident from Table 3.6, presenting the percentages of direct tax, indirect tax and total tax revenue of the Central Government to the national income at current prices.

Table 3.6
Direct, Indirect and Total Tax Revenue
as Percentage of National Income

Year	National Income at current Prices (Rs.in crores)	Direct Tax Revenue as % of National Income	Indirect Tax Revenue as % of National Income	Total Tax Revenue as % of National Income
1950-51	9530	1.9	2.4	4.3
1955-56	9980	1.7	3.1	4.8
1960-61	14440	2.0	4.2	6.2
1965-66	21064	2.9	6.9	9.8
1966-67	24157	2.7	6.8	9.5

The percentage of direct tax revenue to national income at current prices was 1.9 in 1950-51 but fell to 1.7 in 1955-56. Thereafter, the percentage rose from 2.0 in 1960-61 to 2.9 in 1965-66 but there was a slight fall in 1966-67 when the percentage stood at 2.7. Thus, the percentage of direct tax revenue to national income has generally shown a rising trend. The details regarding tax budgeting and collections during the years 1980-81 to 1988-89 through some direct taxes like Income-tax, Wealth-tax, Gift-tax, Estate-duty and Corporation-tax are shown in Table 3.7 [4].

Table 3.7
Tax-budgetting and Collections : Some Direct Taxes
(Rs.in crores)

Year	Corporation tax	Income-tax	Wealth-tax	Gift-tax	Estate-duty
1980-81					
- Budgetted	1,515	1,426	65	6	13
- Collected	1,377	1,440	67	6	16
1981-82					
- Budgetted	1,690	1,444	66	6	15
- Collected	1,997	1,476	78	8	20
1982-83					
- Budgetted	2,382	1,563	80	7	17
- Collected	2,184	1,570	90	8	20
1983-84					
- Budgetted	2,362	1,700	90	8	19
- Collected	2,493	1,699	93	9	24
1984-85					
- Budgetted	2,568	1,746	97	8	20
- Collected	2,556	1,978	108	10	24
1985-86					
- Budgetted	3,052	1,764	104	10	23
- Collected	2,584	2,796	153	12	22
1986-87					
- Budgetted	3,123	2,588	100	11	15
- Collected	3,160	1,847	174	9	13
1987-88					
- Budgetted	3,650	3,350	120	10	9
- Collected	3,433	3,187	101	8	8
1988-89					
- Budgetted	4,270	3,660	120	10	3
- Collected	4,314	4,206	115	6	6

Source: 'INDIA - Economic Information Yearbook - 1991-92'.

EXEMPTIONS AT-A-GLANCE:

An analysis of the the total tax collection and their percentages inter-se shows that there is a decline in direct collections. There also is a tendency all over the world to reduce tax rates and to increase the tax threshold. Consequently, there is a growing tendency among the taxpayers to seek various exemptions. The government also desires to fulfil its economic and social objectives. Reduction of tax rates, increase in tax threshold and exemptions, all these affect tax collection. In case of exemptions, the following chart will show the exemptions under the income-tax, wealth-tax and gift-tax laws.

The Income-tax Act, 1961:

10(1)	Agricultural Income,
10(2)	Receipts by a member of a Hindu Undivided Family (HUF),
10(2A)	Share of profit from a partnership firm,
10(3)	Casual and non-recurring receipts,
10(4)	Interest to non-residents,
10(4B)	Interest income of a citizen of India or a person of Indian origin who is non-resident,
10(5)	Leave travel concession to an Indian citizen,
10(5A)	Remuneration in respect of shooting of any cinematograph film in India,
10(5B)	Any individual who renders services as a technician in the employment,
10(6)(i)	Value of concessional passage to a foreign national,
10(6)(ii)	Remuneration received by a foreign diplomat and other foreign nationals,
10(6)(via)	Remuneration paid to employees of a philanthropic institution,
10(6)(viiia)	Remuneration of a technician in India,
10(6)(viii)	Salary received by a ship's crew,
10(6)(ix)	Salary of a foreign national as a professor or teacher,
10(6)(x)	Sum received by a foreign research scholar,
10(6)(xi)	Remuneration of a foreign trainee,
10(6A)	Exemption from tax paid on behalf of foreign companies in respect of certain payments,
10(6B)	Tax paid on behalf of a non-resident,
10(6C)	Technical fees received by a notified foreign company,
10(7)	Foreign allowance,
10(8)	Income of a foreign Government employee under cooperative technical assistance programme,
10(8A)(8B)	Remuneration or fees received by non-resident consultants and their foreign employers,
10(9)	Income of family members of an employee serving under a cooperative technical assistance programme,
10(10)	Gratuity,
10AA	Pension and Leave Salary,
10(10B)	Retrenchment compensation,
10(10BB)	Compensation received by victims of Bhopal Gas Leak Disaster,
10(10C)	Payment from an approved public sector company at the time of voluntary retirement,
10(10D)	Amount paid on Life Insurance Policies,
10(11)(12)	Payment from Provident Fund,
10(13)	Payment from an approved Superannuation Fund,

10(13A)	House rent allowance,
10(14)	Special Allowance,
10(14A)	Income received as exchange-risk premium,
10(15)	Interest on securities,
10(15A)	Aircraft lease rent payable to a foreing government,
10(16)	Educational scholarships,
10(17)	Daily allowance of Members of Parliament,
10(17A)	Awards,
10(18A)(19A)	Former Rulers of Indian States,
10(20)	Income of a local authority,
10(20A)	Income of a housing authority,
10(21)	Income of a scientific research association,
10(22)	Income of an educational institution,
10(22A)	Income of hospitals,
10(23)	Income of a games association,
10(23A)	Income of a professional institution,
10(23AA)	Income received on behalf of a Regimental Fund,
10(23B)	Income from Khadi or village industries,
10(23BB)	Income of statutory bodies for the administration of public charitable trust,
10(23BBB)	Income of European Economic Community,
10(23C)	Income of certain National Funds,
10(23D)	Income of Mutual Funds,
10(23E)	Income of Exchange-risk Administration Fund,
10(24)	Income of Trade Unions,
10(25)	Income of Provident Funds,
10(26)	Income of a member of Scheduled Tribe,
10(26A)	Income of a resident of Ladakh,
10(26AA)	Income from Sikkim Lottery,
10(26B)	Income of a body for promoting interest of scheduled caste/tribes,
10(27)	Income of cooperative societies promoting the interest of members of scheduled caste/tribes,
10(28)	Tax credit certificates,
10(29)	Income of a marketing authority,
10(30)	Subsidy from the Tea Board,
10(31)	Subsidy received by planters,
10(32)	Income of a minor,
10A	Special provisions in respect of a newly established industrial undertaking in a free trade zone,
10B	Special provisions in respect of a newly established hundred percent export-oriented undertaking,
11	Income from property held for charitable or religious purposes,
12	Income of trust or institutions from contributions,
12A	Conditions as to registration of trust, etc.
13	Section 11 not to apply in certain cases,
13A	Special provision relating to income of political parties.

DEDUCTIONS AT-A-GLANCE:

Incentive Aspect of Deductions:

Deduction may be viewed as a way of providing an incentive to use income in a 'meritorious' form or to encourage expenditure on items, which generate external benefits. Deductions are allowed as a means of encouraging or channelling certain payments or contributions and investments in certain directions, say, for example, investment in backward areas, investment in public debt, securities issued by the government, insurance policies, UTI units, etc.

Following are the related Sections of the Income-tax Act, 1961, pertaining to the nature of deductions available:

Sec.16(i)&(ii) provides deductions against salary income,

Sec.23(i) and 24(i)-(x) provide various deductions against income from house property;

Sec.28 to 43-B provide a number of deductions against business income;

Sec.48(i)&(ii) gives deductions against capital gains to all assesses;

Sec.57(i)-(iii) provides deductions against 'income from other sources';

Sec.80CCA-GGA provide deductions against certain payments;

Sec.80HH-80U provide deductions for certain incomes.

Deductions in respect of certain payments:

80CC	Deduction in respect of investment in certain new shares,
80CCA	Deduction in respect of deposits under National Saving Scheme or payment to a Deferred Annuity Plan,
80CCB	Deduction in respect of investment made under Equity-linked Saving Scheme,
80D	Deduction in respect of medical insurance premia,
80DD	Deduction in respect of medical treatment, etc., of handicapped dependents,
80G	Deduction in respect of donations to certain funds, charitable institutions, etc.
80GG	Deduction in respect of rents paid,
80GGA	Deduction in respect of certain donations for scientific research or rural development

Deductions in respect of certain incomes:

80HH	Deduction in respect of profits and gains from newly established industrial undertakings or hotel business in backward areas,
80HHA	Deduction in respect of profits and gainst from newly established small-scale industrial undertakings in certain areas,
80HHB	Deduction in respect of profits and gains from projects outside India,
80HHC	Deduction in respect of profit retained for export business,
80HHD	Deduction in respect of earnings in convertible foreign exchange,
80HHE	Deduction in respect of profit from export of computer software, etc.
80-I	Deduction in respect of profits and gains from industrial undertakings after a certain date, etc.
80-IA	Deduction in respect of profits and gains from industrial undertakings, etc., in certain cases,
80-J	Deduction in respect of profits and gains from newly established industrial undertakings or ships or hotel business in certain areas,
80-JJ	Deduction in respect of profits and gains from business of poultry-farming,
80-L	Deduction in respect of interest on certain securities, dividends, etc.
80-M	Deduction in respect of certain inter-corporate dividends,
80-O	Deduction in respect of royalties, etc., from certain foreign enterprises,
80-P	Deduction in respect of income of cooperative societies,
80-Q	Deduction in respect of profits and gains from the business of publication of books,
80-QQA	Deduction in respect of professional income of authors of textbooks in Indian language,
80-R	Deduction in respect of remuneration from certain foreign sources in the case of professors, teachers,
80-RR	Deduction in respect of professional income from foreign sources in certain cases,
80-RRA	Deduction in respect of remuneration received from the services rendered outside India,
80-U	Deduction in the case of permanent physically disability (including blindness),
30	Rent, rates, taxes, repairs and insurance for building,
31	Repairs and insurance of machinery, plant and furniture,
32	Depreciation,
32A	Investment allowance,
32AB	Investment Deposit Account,
33	Development Rebate,
33A	Development Allowance,
33AB	Tea Development Account,
33AC	Reserves for Shipping Business,
33B	Rehabilitation Allowance,

34	Conditions for Depreciation Allowance & Development Rebate,
34A	Restriction on unabsorbed depreciation and unabsorbed investment allowance for limited period in case of certain domestic companies,
35	Expenditure on scientific research,
35A	Expenditure on acquisition of patent rights or copy rights,
35AB	Expenditure on knowhow,
35AC	Expenditure on eligible projects or schemes,
35CCA	Expenditure by way of payment to associations and institutions for carrying out rural development
35CCB	Expenditure by way of payment to associations and institutions for carrying our programmes of conservation of natural resources,
35D	Amortization of certain preliminary expenses,
35E	Deduction for expenditure on prospecting, etc., for certain minerals,
36	Other deductions [5].

EXEMPTIONS AT-A-GLANCE:

Exemptions under the Wealth-tax Act:

A large number of assets have been exempted from the payment of wealth-tax. Some of these assets are wholly exempt. Such assets are disregarded entirely in the determination of the net wealth. Some other assets are partially exempt; a ceiling is prescribed and the value of the assets in excess of the ceiling is included in the net wealth. There is one more category of assets which are exempt from wealth-tax but the value thereof is included in the net wealth for rate purposes.

The list of exemptions underwent major changes from time to time. There are, in all, fortyseven classes of assets falling in one or the other of the aforesaid types of exemptions. The exemptions are mainly based on the nature of property. Few exemptions are also based on the character of assessee. The exempted assets have been given below under the two broad classifications, that is, 'assets wholly exempt' and 'assets partially exempt' [6].

The following assets are wholly-exempt:

Section	Description of Assets:
5(1)(i)	Property held under Trust,
5(1)(ii)	Interest in coparcenary property,
5(1)(iii)	One building in the occupation of a Ruler,
5(1)(ivc)	Dwelling units and the land appurtenant thereto,
5(1)(v)	Patent or copyright,
5(1)(via)	Annuity payable under sec.280D of the Income-tax Act,
5(1)(vii)	Pension or Life Annuity,
5(1)(viii)	Articles for personal or household use,
5(1)(ix)	Agricultural tools and implements,
5(1)(xa)	Fees due,
5(1)(xi)	Instruments for scientific research,
5(1)(xii)	Work of Art, etc.
5(1)(xiii)	Drawings, etc.
5(1)(xiv)	Jewellery in possesion of a Ruler,
5(1A)	Deposits under the Post-office Savings Bank
5(1)(xvib)	Special Bearer Bonds,
5(1)(xvic)	Foreign Exchange Assets,
5(1)(xvica)	Foreign Exchange Assets in case of resident in India,
5(1)(xvid)	Capital Investment Bonds,
5(1)(xvia)	Debentures of Public Sector Company sold before 1.6.1988,
5(1)(xvif)	Relief Bonds,
5(1)(xvig)	Bonds purchased in foreign exchange,
5(1)(xvii)	Deposit in Provident Fund,
5(1)(xviia)	Deposit in Public Provident Fund,
5(1)(xviib)	Property held by the Trustees,
5(1)(xviii)	Gallantry Award,
5(1)(xviiia)	Medal, Trophy or any other Award in kind,
5(1)(xxa)	Equity shares of Industrial Undertakings,
5(1)(xxvb)	Deposits under National Savings Scheme,
5(1)(xxvc)	Annuity Plan of LIC of India,
5(1)(xxx)	Deposit with a Cooperative Housing Society,
5(1)(xxxa)	Residential House for Staff,
5(1)(xxxiii)	Money and Assets brought to India,
5(1)(xxxiv)	Equity shares held by non-resident Indians,
5(1)	Units of Unit Trust of India,
5(1)	Deposit under Own-Your-Telephone (OYT) Scheme.

Assets exempt from Wealth-tax, subject to Section 5(1A):

Exemption in respect of certain assets have been subjected to certain restrictions and monetary ceilings. In respect of some of these assets, there are individual limitations. Exemption in respect of some other assets has been subjected to individual limitations as well as to a combined ceiling. In such cases, subject to individual limitations, the value of such an asset is aggregated and the excess over the aggregate ceiling is included in the net wealth of the assessee. The assets which fall in the aforesaid categories are given below;

Section	Description of Asset:
5(1)(iv)	One house or part of a house belonging to the assessee,
5(1)(xv)	Deposits under any scheme framed by the Central Government and notified by it in the Official Gazette, to the extent to which the amounts of such deposits do not exceed the maximum amount permitted to be deposited therein,
5(1)(xvi)	Deposits and certificates to the extent the maximum amount permitted invested or deposited therein,
5(1)(xvie)	Debentures of a public sector company sold after 31.5.88,
5(1)(xxii)	Any security of the Central Government or a State Government, other than referred to in Clause
5(1)(xxiii)	Any shares in an Indian Company,
5(1)(xxiva)	Units of a Mutual Fund specified in Sec.10(23D) of the Income-tax Act
5(1)(xxv)	Units in Unit Trust of India,
5(1)(xxva)	Deposits under the National Deposits Scheme,
5(1)(xxvii)	Deposits with (i) Financial Corporation, (ii) Public Company formed and registered in India,
5(1)(xxviia)	Any deposits with Industrial Development Bank of India,
5(1)(xxviib)	Any deposits with any authority constituted in India,
5(1)(xxviid)	Any deposits made with the National Housing Bank established under sec.3 of National Housing Bank Act, 1987,
5(1)(xxix)	Any shares in any cooperative society,
5(1)(xxxi)	Any deposit with a cooperative society by a member of the society, but this deposit does not include the deposits under clause (xxvi) or clause (xxx),
5(1)(xxxii)	The value of the interest of the assessee in the assets forming part of an industrial undertaking belonging to a firm or an association of persons,

EXEMPTIONS UNDER GIFT-TAX ACT:

Section	Description of Gift:
5(1)(i)	Gift of immovable property situated outside India or in the State of Jammu & Kashmir,
5(1)(ii)	Gift of movable property situated outside the taxable territories,
5(1)(iia)	Gift of a Foreign Currency,
5(1)(iib)	Gift out of a Non-resident (External) Account,
5(1)(iic)	Gift of a Foreign Currency,
5(1)(iid)	Gift out of Foreign Exchange Assets,
5(1)(iii)	Gift of Saving Certificates,
5(1)(iiib)	Special Bearer Bonds,
5(1)(iiic)	Capital Investment Bonds,

5(1)(iiid)	Relief Bonds,
5(1)(iiie)	Gift of Bonds purchased in Foreign Exchange,
5(1)(iv)	Gift to Government or Statutory authorities,
5(1)(v)	Gift to Institution or Fund,
5(1)(va)	Gift to a place of Public Worship,
5(1)(vii)	Marriage Gifts,
5(1)(x)	Gifts under a Will,
5(1)(xi)	Gifts in Contemplation of Death or Gift mortis causa,
5(1)(xii)	Gifts for the Education of Donor's Children,
5(1)(xiii)	Gifts to an employee or to dependents of a deceased employee [7].

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