

Reference to Valuation officer

Introduction

At times in the process of completion of the assessment of a taxpayer or for any other purpose, the tax authorities need to ascertain the value of any capital asset. In such a case, the tax authorities can make a reference to the valuation officer (*) for ascertaining the value of the capital asset. Section 55A contains the provision relating to the power of the tax authorities for making a reference to the valuation officer for ascertaining the value of a capital asset. In this part you can gain knowledge about various provisions of section 55A.

(*) Valuation Officer has the same meaning, as in clause (r) of section 2 of the Wealth-tax Act, 1957. As per section 2(r) of Wealth-tax Act, valuation officer means a person appointed as a Valuation Officer under section 12A of the Wealth-tax Act, 1957, and includes a Regional Valuation Officer, a District Valuation Officer, and an Assistant Valuation Officer. Section 12A of the Wealth-tax Act, 1957 provides for appointment of valuation officers by Central Government.

Basic provisions

Section 55A has provided the circumstances in which and the purposes for which a reference could be made by the tax authorities to a Valuation Officer for valuation of capital asset.

Before getting into detailed provisions in this regard, it is important to understand basic provisions relating to nature of Valuer. There are two types of Valuer (1) Registered Valuer and (2) Valuation Officer. Registered Valuer and valuation officer both perform the same task but registered Valuer work in private capacity and can be termed as Private Valuer.

Registered Valuer i.e. Private Valuer work in private capacity under a license issued by the Board. Valuation done by the Private Valuer is not binding on the tax authorities.

Valuation officer can be termed as Departmental Valuer. They are recognised by the Income-tax Department and are authorized valuer of Income-tax Department. Departmental valuer i.e. valuation officers are the valuation officer approved/ authorised by the Income-tax Department. The tax authorities will take the recourse of the value estimated by these valuers. In other words, if the tax authorities need to ascertain the value of an asset, then they will request the valuation officer to ascertain the value of the capital asset and the value determined by them will be taken into consideration by the tax authorities.

Circumstances in which reference can be made to valuation officer

After understanding the difference between private valuers and valuation officer i.e. departmental valuer, now we shall understand the circumstances in which the Assessing Officer can make a reference to the valuation officer.

As per section 55A, with a view to ascertaining the fair market value of a capital asset, the Assessing Officer may refer the valuation of capital asset to a Valuation Officer. The circumstances in which reference can be made by the Assessing Officer to the valuation officer will be broadly classified as follows:

(1) A case in which the value of the asset as claimed by the taxpayer is in accordance with the estimate made by a registered valuer. In other words, this will be a case in which, the taxpayer has obtained a valuation report of a registered valuer i.e. a private valuer. Such a report is generally obtained by the taxpayer to support the value of the capital asset claimed by him.

If the case is covered under (1) above i.e. a case where the value of the asset as claimed by the taxpayer is in accordance with the estimate made by a registered valuer (i.e. private valuer), then the Assessing Officer can make a reference to the valuation officer (i.e. departmental valuer) if the Assessing Officer is of the opinion that the value of the asset as claimed by the taxpayer is at variance with its fair market value. In other words, in such a case there is no quantum of variation to be established to make a reference to the valuation officer. The only requirement is that the Assessing Office should be of the opinion that the value of the asset claimed by the taxpayer and the fair market value of the asset are in variation i.e. both the values differ. The variation i.e. the difference could be of any amount.

(2) A case other than above

If the case is not covered under (1) above, then the Assessing Officer can make a reference to the valuation officer if he is of the opinion:

- (i) that the fair market value of the asset exceeds the value of the asset as claimed by the taxpayer by more than such percentage of the value of the asset as so claimed or by more than such amount as may be prescribed (*) in this behalf ; or
- (ii) that having regard to the nature of the asset and other relevant circumstances, it is necessary so to do.

(*) Currently the prescribed rate is 15% and prescribed value is Rs. 25,000.

In other words, in a case other than covered by (1) above, the Assessing Officer can make a reference to the valuation officer in any of the following cases:



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- (i) if the value of the asset as claimed by the taxpayer and the fair market value as per the Assessing Officer's opinion differ and the difference is either more than 15% of the value of asset or more than Rs. 25,000, as the case may be; or
- (ii) if having regard to the nature of the asset and other relevant circumstances, it is necessary to do so.

When any reference is made by the Assessing Officer to the valuation officer under section 55A, then the provisions of following sections of Wealth-tax Act, 1957, shall apply with the necessary modifications:

- Provisions of sub-sections (2), (3), (4), (5) and (6) of section 16A of the Wealth-tax Act, 1957. Section 16A of Wealth-tax Act, 1957, is similar to section 55A of Income-tax Act. Section 16A of Wealth-tax Act, 1957, contains the provisions relating to making a reference to the valuation officer for making assessment under the Wealth-tax Act.
- Provisions of clauses (ha) sub-section (1) and sub-sections (3A) and (4) of section 23 of Wealth-tax Act, 1957. Section 23 of Wealth-tax Act, 1957 deals with appeal to Deputy Commissioner (Appeals).
- Provisions of sub-section (5) of section 24 of Wealth-tax Act, 1957. Section 24 of Wealth-tax Act, 1957 deals with appeal to Appellate Tribunal.
- Provisions of section 34AA of Wealth-tax Act, 1957. Section 34AA of Wealth-tax Act, 1957 provides for appearance by registered valuers before the tax authorities on behalf of the taxpayer.
- Provisions of section 35 of Wealth-tax Act, 1957. Section 35 of Wealth-tax Act, 1957 contains provisions relating to rectification of mistake apparent from records in any order of the tax authorities.
- Provisions of section 37 of Wealth-tax Act, 1957. Section 37 of Wealth-tax Act, 1957 contains provisions relating to the power of tax authorities to take evidence on oath, etc.

Apart from the provisions of section 55A, section 142A also empowers the Tax Authorities to make a reference to a Valuation Officer. The provisions of section 142A are as follows:

Under section 142A, the Assessing Officer for the purposes of assessment or reassessment, make a reference to a Valuation Officer to estimate the value, including fair market value, of any asset, property or investment. "Valuation Officer" has the same meaning as in clause (r) of section 2 of the Wealth-tax Act, 1957.

The Assessing Officer may make a reference to the Valuation Officer as above whether or not he is satisfied about the correctness or completeness of the accounts of the taxpayer.





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The Valuation Officer, on a reference made by the Assessing Officer, shall, for the purpose of estimating the value of the asset, property or investment, have all the powers that he has under section 38A of the Wealth-tax Act, 1957.

The Valuation Officer shall, estimate the value of the asset, property or investment after taking into account such evidence as the taxpayer may produce and any other evidence in his possession gathered, after giving an opportunity of being heard to the taxpayer.

The Valuation Officer may estimate the value of the asset, property or investment to the best of his judgment, if the taxpayer does not co-operate or comply with his directions.

The Valuation Officer shall send a copy of the valuation report, to the Assessing Officer and the taxpayer, within a period of six months from the end of the month in which a valuation reference is made.

The Assessing Officer may, on receipt of the report from the Valuation Officer, and after giving the taxpayer an opportunity of being heard, take into account such report in making the assessment or re-assessment.





MCQ on Reference to Valuation officer

Q1. As per section 2(r) of Wealth-tax Act, 1957 valuation officer means a person appointed as a Valuation Officer under section 12A of the Wealth-tax Act, 1957, but does not include a Regional Valuation Officer, a District Valuation Officer, and an Assistant Valuation Officer.

- (a) True (b) False

Correct answer : (b)

Justification of correct answer :

As per section 2(r) of Wealth-tax Act, valuation officer means a person appointed as a Valuation Officer under section 12A of the Wealth-tax Act, 1957, and includes a Regional Valuation Officer, a District Valuation Officer, and an Assistant Valuation Officer. Section 12A of the Wealth-tax Act, 1957 provides for appointment of valuation officer by Central Government.

Thus, the statement given in the question is false and hence, option (b) is the correct option.

Q2. Section _____ has provided the circumstances in which and the purposes for which a reference could be made by the tax authorities to a Valuation Officer for valuation of capital asset.

- (a) 54 (b) 54B
(c) 55 (d) 55A

Correct answer : (d)

Justification of correct answer :

Section 55A has provided the circumstances in which and the purposes for which a reference could be made by the tax authorities to a Valuation Officer for valuation of capital asset.

Thus, option (d) is the correct option.

Q3. Out of the two types of valuers, registered valuer works in private capacity under a license issued by the Board.

- (a) True (b) False

Correct answer : (a)

Justification of correct answer :

Out of the two types of valuers, registered valuer *i.e.* Private Valuer works in private capacity under a license issued by the Board. Valuation done by the Private Valuer is not binding on the tax authorities.

Thus, the statement given in the question is true and hence, option (a) is the correct option.

Q4. If the tax authorities need to ascertain the value of an asset, then they will request the _____ to ascertain the value of the capital asset and the value determined by them will be taken into consideration by the tax authorities.

- (a) Registered valuers (b) Commissioner of Income-tax
(c) Valuation officers (d) Assistant commissioner of Income-tax

Correct answer : (c)

Justification of correct answer :

Valuation officer can be termed as departmental valuer. They are recognised by the Income-tax Department and are authorized valuer of Income-tax Department. Departmental valuers *i.e.* valuation officers are the valuation officer approved/ authorised by the Income-tax Department. The tax authorities will take the recourse of the value estimated by these valuers. In other words, if the tax authorities need to ascertain the value of an asset, then they will request the valuation officer to ascertain the value of the capital asset and the value determined by them will be taken into consideration by the tax authorities.

Thus, option (c) is the correct option.

Q5. If the value of the asset as claimed by the taxpayer is in accordance with the estimate made by a registered valuer (*i.e.* Private Valuer), then in such a case the Assessing Officer cannot make a reference to the Valuation Officer (*i.e.* Departmental Valuer).

- (a) True (b) False

Correct answer : (b)

Justification of correct answer :

If value of the asset as claimed by the taxpayer is in accordance with the estimate made by a registered valuer (*i.e.* Private Valuer), then the Assessing Officer can make a reference to the Valuation Officer (*i.e.* Departmental Valuer) if the Assessing Officer is of the opinion that the value of the asset as claimed by the taxpayer is at variance with its fair market value. In other words, in such a case there is no quantum of variation to be established to make a reference to the Valuation Officer. The only requirement is that the Assessing Office should be of the opinion that the value of the asset claimed by the taxpayer and the fair market value of the asset are in variation *i.e.* both the values differ. The variation *i.e.* the difference could be of any amount.

Thus, the statement given in the question is false and hence, option (b) is the correct option.

Q6. If the value of the asset as claimed by the taxpayer (without obtaining a report from a registered valuer) and the fair market value as per the Assessing Officer's opinion differ and the difference is either of more than _____ or of more than Rs _____, as the case may be, then the Assessing Officer can make reference to the valuation officer.

- (a) 10%, 25,000 (b) 15%, 15,000

(c) 15%, 25,000

(d) 10%, 15,000

Correct answer : (c)

Justification of correct answer :

If the value of the asset as claimed by the taxpayer (without obtaining a report from a registered valuer) and the fair market value as per the Assessing Officer's opinion differ and the difference is either more than 15% or more than Rs. 25,000, as the case may be, then the Assessing Officer can make reference to the valuation officer.

Thus, option (c) is the correct option.

Q7. Apart from few specific circumstances, if having regard to the nature of the asset and other relevant circumstances, it is necessary to do so, the Assessing Officer can make reference to the Valuation Officer.

(a) True

(b) False

Correct answer : (a)

Justification of correct answer :

In a case other than a case where the taxpayer has obtained a valuation report of a registered valuer, the Assessing Officer can make a reference to the valuation officer in any of the following cases:

- i. if the value of the asset as claimed by the taxpayer and the fair market value as per the Assessing Officer's opinion differ and the difference is either more than 15% of value of asset or more than Rs. 25,000, as the case may be; or
- ii. if having regard to the nature of the asset and other relevant circumstances, it is necessary so to do.

Thus, the statement given in the question is true and hence, option (a) is the correct option.

Q8. Apart from the provisions of section 55A, section _____ also empowers the Tax Authorities to make a reference to valuation officer to estimate the value, including fair market value, of any asset, property or investment.

(a) 56

(b) 66

(c) 124

(d) 142A

Correct answer : (d)

Justification of correct answer :

Apart from the provisions of section 55A, section 142A also empowers the Tax Authorities to make a reference to a Valuation Officer. Under section 142A, the Assessing Officer for the purposes of assessment or reassessment, make a reference to a Valuation Officer to estimate the value, including fair market value, of any asset, property or investment.

Thus, option (d) is the correct option.



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Q9. When the Assessing Officer makes reference under section 142A to the valuation officer, a valuation officer shall send a copy of the valuation report, to the Assessing Officer and the taxpayer, within a period of _____ from the end of the month in which a valuation reference is made.

- (a) 2 months (b) 4 months
(c) 6 months (d) 8 months

Correct answer : (c)

Justification of correct answer :

When the Assessing Officer makes reference under section 142A to the valuation officer, a Valuation Officer shall send a copy of the valuation report, to the Assessing Officer and the taxpayer within a period of 6 months from the end of the month in which a valuation reference is made.

Thus, option (c) is the correct option.

Q10. Section 35 of Wealth-tax Act, 1957 provides provisions relating to the power of tax authorities to take evidence on oath, etc.

- (a) True (b) False

Correct answer : (b)

Justification of correct answer :

Section 35 of Wealth-tax Act, 1957 provides provisions relating to rectification of mistake apparent from records in any order of the tax authorities. Moreover, section 37 of Wealth-tax Act, 1957 provides provisions relating to the power of tax authorities to take evidence on oath, etc.

Thus, the statement given in the question is false and hence option (b) is the correct option.

