

**GOVERNMENT COLLEGE FOR GIRLS
LUDHIANA.**

INCOME TAX P.Y. 2022-23 A.Y.2023-24

INCOME FROM OTHER SOURCES

Chapter 11

The last head in the list of heads, this head **covers all the incomes** which **are not covered** under any other head. This head is also known as **residuary head**.

BASIS OF CHARGE

- A source of income
 - which does not specially fall under any one of the other four heads of income
 - is to be computed under the head "income from other sources"
- In other words, the income which is taxable as per Income Tax Act, but not falling under the first four heads, will be taxable under this head i.e. Income from Other Source.

Specific incomes Section 56(2)

Specific incomes included under "Income from other sources"

1.	Dividends
2.	Winnings from lotteries, crossword puzzles, races, card games, gambling or betting of any form.
3.	Income from letting of machinery , plant or furniture along with building and only machinery, plant or furniture.
4.	Interest on securities
5.	Salary of M.P., M.L.A. & M.L.C.
6.	Agricultural income outside India
7.	Bank Interest on Saving Bank Account, Recurring Deposit and Fixed Deposits
8.	Interest income on Income Tax Refund
9.	Director fees
10.	Interest received by employee on his own contribution towards URPF
11.	Examination fees received by a teacher from a person other than his employer
12.	Royalty income , if it is not income from business or profession.
13.	Gratuities paid to director who is not an employee of the company
14.	Income from undisclosed sources (i.e. unexplained cash credit, unexplained investments, unexplained money, unexplained expenditure)
15.	Any sum received under a Key man insurance policy including bonus (if not taxable under

	the head Salary or Business Income)
16.	Interest on deposit made under capital gain deposit scheme 1988
17.	Clubbing of income
18.	Subletting income
19.	Family Pension
20.	<p>Where any sum of money, the aggregate value of which exceeds 50000 Rs</p> <ul style="list-style-type: none"> • Without consideration by an individual or a HUF • the whole of such sum: <p>Provided that nothing shall be taxable in case gift received—</p> <ul style="list-style-type: none"> a) from any relative; or b) on the occasion of the marriage of the individual; or c) under a <u>will of by way of inheritance or</u> d) in contemplation of death of the payer or e) from <u>any local authority, trust or university</u> or institution referred u/s 10(23C) f) Trust/ Institution registered u/s 12AA. <p>Explanation—For the purposes of this clause, “relative” means—</p> <ul style="list-style-type: none"> i) Spouse of the individual ii) Brother or sister of the individual iii) Brother or sister of the spouse of the individual iv) Brother or sister of <u>either of the parents</u> of the individual v) Any lineal ascendant or descendant of the individual vi) Any lineal ascendant or descendant of the spouse of the individual vii) Spouse of the person referred to in clauses (ii) to (vi).
21.	W.e.f. 1.10.2009 , any sum of money or value of property as defined u/s 56(2)(vii)
22.	Refund of Income Tax is not an income and therefore it will not be taxable .
23.	Daily allowance received by M.P., M.L.A. are fully exempted u/s 10(17)
24.	Amount received from LIC are fully exempted .
25.	Advance forfeited on failed negotiation for transfer of capital Assets .
26.	Premium on issue of shares by closely held company i.e. private company , in certain situations

COMPUTATION OF INCOME FROM OTHER SOURCES

For the Assessment year 2023-24

No	Particulars	Amount
1.	Dividend Income	
2.	Casual Income (winnings from lotteries, crossword puzzles, races including horse races, card games and other games, gambling, betting etc.)	
3.	Consideration received in excess of FMV of Shares of a closely held company, where such shares are issued at a premium	
4.	Interest received on compensation/enhanced compensation deemed to be	

	income in the year of receipt	
5.	Advance forfeited due to failure of negotiations for transfer of a capital asset	
6.	Sum of money or property received by any person	
7.	Compensation or other payment, due to or received by any person, in connection with termination of his employment or the modification of the terms and conditions relating thereto	
8.	The following income, if not chargeable under the head “profits and gains of business or profession” <ul style="list-style-type: none"> • Any sum received by an employer from his employees as contributions to any provident fund, superannuation fund or any other fund for the welfare of the employees • Interest on securities • Income from letting out on hire of machinery, plant or furniture • Where letting out of buildings is inseparable from the letting out of machinery, plant or furniture, the income from such letting. • Any sum received under a keyman insurance policy including bonus on such policy (if not chargeable to tax under the head “Salaries” also) 	
Less	Deductions allowable u/s 57	
1.	In case of dividends or interest on securities --Any reasonable sum paid by way of commission or remuneration to a banker or any other person	
2.	Income consists of recovery from employees as contribution to any PF, superannuation fund etc. --Amount of contribution remitted before the due date under the respective Acts	
3.	Income from letting on hire of machinery, plant and furniture, with or without building --Current repairs to the machinery, plant, furniture or building --Insurance premium --depreciation/unabsorbed depreciation	
4.	Family Pension —33.33% of such income or Rs 15,000, whichever is less.	
5.	Interest on compensation/enhanced compensation received —50% of such interest	
6.	Any other expenditure not in the nature of capital expenditure incurred wholly and exclusively for earning such income	
	Income from other Sources	

DEDUCTIONS NOT ALLOWABLE U/S 58

1.	Any person expenses
2.	Interest paid outside India on which tax has not been deducted at source

3.	Any payment chargeable to tax under the head "Salaries", if it is payable outside India unless tax has been paid thereon or deducted at source therefrom.
4.	30% of sum payable to a resident on which tax is deductible at source, if such tax has not been deducted or after deduction has not been paid on or before the due date of return
5.	Any expenditure in respect of which a payment is made to a related person , to the extent the same is considered excessive or unreasonable by the AO, having regard to the FMV
6.	Any expenditure in respect of which a payment or aggregate payments exceeding Rs 10,000 is made to a person in a day otherwise than by account payee cheque/bank draft or ECS through bank account.

TAX ON INCOME FROM OTHER SOURCES

Income	Tax rate and conditions
Casual Income	<p>@30% of such winning (further increased by surcharge, if applicable) and health and education cess @ 4%</p> <ul style="list-style-type: none"> • No expenditure or allowance can be allowed from such income. • Deduction u/s 80 is not allowable from such income. • Adjustment of unexhausted basic exemption limit is also not permitted against such income. • Set-off of losses is not permissible against such income.
Unexplained cash credits/investments/money, bullion, jewellery etc./ expenditure etc.	<p>@ 60% of such income plus surcharge @ 25% of tax (Effective rate of tax is 78%), including health and education cess @ 4%.</p> <ul style="list-style-type: none"> • No expenditure is allowable in respect of any expenditure or allowance against such income. • Set off losses is not permissible against such income.
Other Income	Normal rates of tax

Taxability of Gifts 56(2)(x)

Question—Discuss the taxability of Gifts received by an assessee.

Answer—

1. Applicability: Individual and HUF

2. Taxability from 1.10.2009: W.e.f. 1.10.2009, the following amounts received by an Individual or HUF from any person(s) is taxable as Income from Other Sources---

Items of Receipt	Taxable Value
a) Any <u>sum of money (gift in cash or by cheque or draft)received</u> without consideration, and <u>aggregate exceeds Rs 50,000</u>	<u>Whole</u> of the aggregate Value

b) Immovable property received without consideration and Stamp Duty Value of the property exceeds Rs 50,000	Stamp Duty Value(consider each transaction separately)
c) Immovable Property received for a consideration less than the Stamp Duty Value	The difference between the stamp duty value and the consideration, if such difference is more than the higher of Rs 50,000 and 10%of consideration.
d) Movable property received without consideration , and Fair Market Value exceeds Rs 50,000 in aggregate (i.e. movable property)	Whole of Aggregate Fair Market Value.
e) Movable property received for inadequate consideration	The difference between the aggregate fair market value and the consideration, if such difference exceeds Rs 50,000

Summary Table

S No.	Nature of asset	Particulars	Taxable Value
1	Money	Without Consideration	The whole amount if the same exceeds Rs 50,000
2	Movable property	Without Consideration	The aggregate fair market value of the property, if it exceeds Rs 50,000
3	Movable property	Inadequate consideration	The difference between the aggregate fair market value and the consideration, if such difference exceeds Rs 50,000.
4	Immovable Property	Without consideration	The Stamp duty value of the property, if it exceeds Rs 50,000.
5	Immovable Property	Inadequate consideration	The difference between the stamp duty value and the consideration, if such difference is more than the higher of Rs 50,000 and 10% of consideration.

3. **Applicability of section 56(2)(x)**—The provisions of this section would apply only to property which is the nature of a capital asset of the recipient and not stock in trade, raw material or consumable stores of any business of the recipient.

4. Meaning of Specific Terms:

Relative	Explain as above
Property means the capital asset of the assessee (i.e. recipient)	a) Immovable Property (Land or Building or both) b) Shares and Securities c) Jewellery d) Archaeological Collections e) Drawings f) Paintings g) Sculptures (monument) h) Any work of Art

	i) Bullion
FMV	Fair Market Value of a property other than an Immovable Property means, the value determined as per the prescribed method.
Stamp Duty Value	Stamp Duty Value means the value adopted or assessable by any authority of the Central/ State Government for the purpose of payment of Stamp Duty in respect of an immovable Property.

Important Note—Section **56(2)(x) would apply only to property** which is in the **nature of a capital asset of the recipient** and **not stock-in-trade**, raw material or consumable stores of any business of the recipient. In short, **only transfer of a capital asset**, without consideration and transfer of a capital asset, **other than immovable property**, for **inadequate consideration would attract the provisions** of section 56(2)(x).

Valuation Rules

Different properties	Valuation of property										
1. Immovable property	Stamp duty value of the property										
2. Jewellery, archaeological collections, drawings, paintings, sculptures or any work of art.	<ul style="list-style-type: none"> • If purchased from registered dealer—If jewellery etc. are received by the way of purchase on the valuation date, from a registered dealer (under sales tax), the invoice value of these properties shall be the FMV. • In any other case—The price which such jewellery etc. would fetch if sold in the open market on the valuation date. 										
3. Quoted shares and securities (received by way of a transaction carried through a recognized stock exchange in India)	The transaction value as recorded in such stock exchange.										
4. Quoted shares and securities (not being received by way of a transaction carried through a recognized stock exchange in India)	The lowest price of such shares and securities quoted on any recognized stock exchange in India on the valuation date . If, however, on the valuation date such shares and securities are not traded on any recognized stock exchange, the lowest price of such shares and securities on a date immediately preceding the valuation date shall be the FMV.										
5. Unquoted equity shares	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Assets</td> <td style="text-align: right;">= xxxx</td> </tr> <tr> <td>Less: Liabilities</td> <td style="text-align: right;">= <u>(xxx)</u></td> </tr> <tr> <td>Net worth</td> <td style="text-align: right;">= <u>xxxx</u></td> </tr> <tr> <td colspan="2">Value of one share == <u>Net worth</u> X <u>paid up value of share</u></td> </tr> <tr> <td colspan="2" style="text-align: right;">Total paid up equity capital</td> </tr> </table>	Assets	= xxxx	Less: Liabilities	= <u>(xxx)</u>	Net worth	= <u>xxxx</u>	Value of one share == <u>Net worth</u> X <u>paid up value of share</u>		Total paid up equity capital	
Assets	= xxxx										
Less: Liabilities	= <u>(xxx)</u>										
Net worth	= <u>xxxx</u>										
Value of one share == <u>Net worth</u> X <u>paid up value of share</u>											
Total paid up equity capital											
6. Other unquoted shares and securities	FMV shall be the estimated price in the open market on the valuation date duly certified by Category I merchant banker or a										

	CA.
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Note—Immovable property received as **capital asset** under gift will cover under this section. If **immovable property received as stock in trade for business purpose under gift**, then such gift immovable property will **not cover under this section**.

Non-applicability of Section 56(2)(x)—This section will not be applicable in the following circumstances:--

1	From any Relative; or
2	On the occasion of marriage of the individual; or
3	Under a will or by way of inheritance; or
4	In contemplation of death of the payer or donor, as the case may be; or
5	From any local authority; or
6	From any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution; or
7	From any trust or institution registered; or

Question1 (M)—Mr. A, **a dealer in shares**, received the following without consideration during the previous year 2022-23 from his friend Mr. B

- 1) **Cash gift of Rs 75,000** on his anniversary, 15.4.2022.
- 2) **Bullion**, the FMV of which was Rs 60,000, on his birthday, **19th June, 2022**
- 3) **A plot of land** at Faridabad on 1st July, 2022, the **stamp value of which is Rs 5,00,000** on that date. Mr. B had purchased the land in April, 2009.
- 4) Mr. **A purchased from his friend C**, who is also a dealer in shares, 1000 shares of X Ltd. @ Rs 400 each on 19th June, 2022, the FMV of which was Rs 600 each on that date. Mr. A sold these shares in the course of his business on 23rd June, 2022.
- 5) Further **on 1.11.2022, Mr. A took possession of property** (building) **booked by him two years back** at Rs20 lakh. The stamp duty value of the property as **on 1.11.2022 was Rs 32 lakh and on the date of booking was Rs 23 lakh**. He had paid Rs 1 lakh by cheque as down payment on the date of booking.

On 1st March, 2023, he sold the plot of land at Faridabad for Rs 7 lakh.

Compute the income of Mr. A chargeable under the head Income from other sources and capital gain for **AY 2023-24**.

Answer— **COMPUTATION OF INCOME FROM OTHER SOURCES OF**
Mr. A for the AY 2023-24

S. No	Particulars	Amount
1)	Cash gift is taxable u/s 56(2)(vii), since it exceeds Rs 50,000	75,000
2)	Since bullion is included in the definition of property, therefore, when bullion is received without consideration, the same is taxable, since the aggregate fair market value exceeds Rs 50,000	60,000
3)	Stamp duty value of plot of land at Faridabad, received without consideration,	5,00,000

4)	is taxable u/s 56(2)(x) Difference of Rs 2 lakh in the value of shares of X Ltd. purchased from Mr. C, a dealer in shares, is not taxable as it represents the stock in trade of Mr. A	NIL
5)	Difference between the stamp duty value of Rs 23 lakh on the date of booking and the actual consideration of Rs 20 lakh paid is taxable u/s 56(2)(x) since the difference exceeds Rs 1,00,000 being the higher of Rs 50,000 and 5% of consideration.	3,00,000
Income from Other Sources		9,35,000

Computation of Capital Gains of Mr A for the AY 2023-24

Sale Consideration	7,00,000
Less: Cost of acquisition (deemed to be the stamp value charged to tax u/s 56(2)(x) as per section 49(4))	(5,00,000)
STCG	2,00,000

Q 2 (114-E1) X receives the following gifts during the previous year 2022-23:

- September 1, 2022 Cash gift of Rs 51000 from a friend on marriage anniversary.
- September 30, 2022 Purchase of a house property from a friend for Rs 10,00,000 (stamp duty value is Rs 40,00,000)
- December 1, 2022 Purchase of a house property from Mrs. X for Rs 15,00,000 (stamp duty value is Rs 80,00,000)
- December 29, 2022 Purchase of a painting from an art gallery (being registered dealer under Maharashtra GST) for a concessional price of Rs 80,000 (invoice value is Rs 80,000, however, this painting can be easily Sold for Rs 2,00,000)
- March 10, 2023 Cash gift of Rs 40,000 from a colleague.
- March 15, 2023 Purchase of a second had car for Rs 2,00,000 (fair market value is Rs 3,50,000)
- March 31, 2023 Cash a gift of Rs 30,000 from a non-resident friend.

Find out the amount chargeable to tax under the head "Income from Other Sources" for the assessment year 2023-24.

Answer—

S. No	Particulars	Amount
Sept 1	Cash gift from a friend on marriage anniversary	51,000
Sept 30	Difference between SDV and Purchase price is more than Rs 50000	30,00,000
Dec 1	Purchased from relative- not taxable	NIL
Dec 29	Purchase from registered dealer—not taxable	NIL
Mar10	Cash gift from a colleague	40,000
Mar 15	Purchase a second hand car—not covered	NA
Mar 31	Cash gift from a non-resident friend	30,000
		31,21,000

Q3(P) Check the taxability of the following gifts received by Mrs Rashmi during the previous year 2019-20 and compute the taxable income from gifts for **the A Y 2023-24**.

- a) On the occasion of her marriage on 14.8.2022, she has received Rs 90,000 as gift out of which Rs 70,000 is from relatives and balance from friends.
- b) On 12.9.2022, she has received gift of Rs 18,000 from cousin of her mother.

- c) A cell phone of Rs 21000 is gifted by her friend on 15.10.2022.
- d) She gets gift of Rs 25,000 from elder brother of her husband's grandmother on 25.10.2022.
- e) She has received gift from her friend of Rs12,000 on 14.4.2022.

Answer-

Situation	Reason	Taxable amount
Relatives and friends	Gift received from relatives or friends on the occasion of marriage of individuals is not taxable.	NIL
Cousin of Rashmi's mother	Cousin of Rashmi's mother is not a relative. Hence, the cash gift is taxable.	18,000
Friend	Cell phone is not included in the definition of property u/s 56(2)(x). Hence it is not taxable.	NIL
Elder brother of husband's grandfather		25,000
Friend	Cash gift received from friend is taxable.	12,000
Total value of gifts		55,000

Q4 (P) Mr. Rahul is employed in a company with Taxable salary income of Rs 5,00,000. He received a cash gift of Rs 1,00,000 from Atma Charitable Trust (registered u/s 12AA) in **December 2022** for meeting his medical expenses. Is the cash gift so received from the Trust chargeable to tax in the hands of Mr. Rahul?

Answer—

COMPUTATION OF TOTAL INCOME OF RAHUL

Particulars	Amount
Salary Income	5,00,000
Cash gifts received from Atma charitable Trust (Registered u/s 12AA) (See Note)	NIL
Total Income	5,00,000

Note—The amount received as gift from any Trust/Institution registered u/s 12AA is exempt u/s 56. So the amount of Rs 1,00,000 is exempt from tax.

Forfeiture of Advance money of capital assets due to failure of negotiations-

If advance money has been forfeited by the seller due to failure of negotiations between buyer and seller of **capital asset**, then such forfeited advance money will be treated as income from other sources. If advance money has been forfeited by the seller before **1.4.2014**, then such forfeited advance money will be **deducted from the cost of capital asset** or written down value while computing capital gain at the time of sale of such capital asset.

It is important to note that such provision is applicable only in that case, when advance money has been forfeited due to failure of negotiations of **CAPITAL ASSET**. If advance money has been forfeited other than capital asset then such provision will not apply.

e.g. X receives Rs 2,00,000 as advance money in the course of negotiations for transfer of rural agricultural land situated in India. Agricultural land is not transferred and advance money is forfeited by X. In this case, section 56(2)(ix) is not applicable as rural agricultural land in India is not a "Capital Asset" u/s 2(14). Therefore, Rs 2,00,000 is not chargeable to tax at all..

Q 5 (SM 6) Discuss the taxability or otherwise in the hands of the recipients, as per the provisions of the Income tax Act, 1961.

- a) Mr. A received an advance of Rs 50,000 on 1.9.2022 against the sale of his house. However, due to non-payment of instalment in time, the contract has cancelled and the amount of the amount of Rs 50,000 was forfeited.
- b) Mr. N, a member of his father's HUF, transferred a house property to the HUF without consideration. The value of the house is Rs 10 lakhs as per the Registrar of Stamp Duty.
- c) Mr. Kumar gifted a car to his sister's son (Sunil) for achieving good marks in CA Final exam. The fair market value of the car is Rs 5,00,000.

Answer—

S No	Taxable/Not Taxable	Reason
a)	Taxable	Advance money forfeited on or after 1.4.2014 will be taxable under the head income from other source.
b)	Not Taxable	U/s 56(2)(x), immovable property received without consideration by a HUF from its relative is not taxable. Mr N is a member of his father's HUF, he is relative of the HUF, he is the relative of the HUF.
c)	Not Taxable	Car is not covered under the definition of property u/s 56(2)(x)

Q 6 (114.1P1) X receives the following gifts during the previous year 2022-23.

- 1. On the occasion of marriage of X, he gets Rs 2,90,000 as gift on 2.4.2022 (out of which Rs 2,00,000 is received from friends of X and Mrs. X and remaining amount is received from close relatives of X and Mrs X).
- 2. On June 22, 2022, he gets a gift of Rs 23,000 from C, who is cousin of his father.
- 3. On August 18,2022, he gets a gift of Rs 15,000 from D, who is elder brother of his grandfather.
- 4. On September 20, 2022, he gets a gift of Rs 7,00,000 from his grandmother.
- 5. A computer received from his employer (it was purchased for Rs 65,000 by the employer on May 1, 2022 and given as gift to X on October 20, 2022).
- 6. On November 2, 2022, X purchases a house property from his friend D for Rs 65,000 (stamp duty value of the property is Rs 10,00,000).

7. On November 30, 2022 X gets a gift of a plot of land from his grandfather (stamp duty value is Rs 15,00,000)
8. On December 30, 2022, X gets by gift a commercial flat from the elder brother of his father-in-law (stamp duty value is Rs 25,00,000).
9. On Jan 6, 2023 he gets a gift of Rs 2,00,000 (cash gift of Rs 25,000 and gift of a work of art whose market value is Rs 1,75,000) from a notified public charitable institution.
10. X receives on Jan 11, 2023 a house property under will of a person known to him. The stamp duty value is Rs 15,40,000.
11. On Jan 20, 2023, he gets a wrist watch by gift (fair market value: Rs 40,000) from his friend B.
12. On Jan 25, 2023, he purchases a work of art for Rs 16,00,000 from an exhibition in New York (the fair market value of the work of art on the date of purchase is Rs 17,00,000).
13. On February 1, 2023, he purchases a commercial property for Rs 16,00,000 (stamp duty value is Rs 16,75,000).
14. On February 5, 2023, he gets a birthday gift of a gold chain (fair market value: Rs 11,000) from his friend.
15. On February 10, 2023, X gets by way of gift a plot of land in Pune from a partnership firm. The partnership firm has only two partners—father of X and Mrs X. The stamp duty value of the plot of land is Rs 19,00,000.
16. On February 16, 2023, X purchases 500 shares in Tata Chemicals from his friend D at Rs 90 per share (outside stock exchange). The lowest market quotation in the Bombay Stock Exchange and the National Stock Exchange on the date of purchase is Rs 300 and Rs 310 respectively.
17. On March 1, 2023, X gets a gift of gold ring from a cousin of his mother-in-law. The fair market value is Rs 20,000.
18. On March 20, 2023, X gets a painting by way of gift from C Ltd. Mrs. X holds 70% shares in C Ltd. The fair market value of painting is Rs 19000.
19. On March 25, 2023, X gets a small plot of land by way of gift from a cousin of Mrs X (Stamp duty value is Rs 44,000)
20. On March 31, 2023, X receives a shop (situated in Jammu) by way of gift from a friend (stamp duty value is Rs 50,000).

Compute the amount chargeable to tax in the hands of X under the head “Income from other Sources” for the assessment year 2023-24.

Answer—

		Cash gift	Gift of immovable property	Gift of movable property	Purchase of movable for inadequate consideration	Purchase of immovable property for inadequate consideration
1	Gift on occasion of marriage of X (not taxable)	Nil	-	-	-	-
2	Cash gift from C	23000				
3	Cash gift from D (elder	15000				

	brother of grandfather is not relative)					
4	Cash gift from grandmother (gift from relative is not taxable)	Nil				
5	Gift from employer (it is taxable under the head salary)	-	-	-	-	-
6	Pur of immovable property for inadequate consideration	--	--	--	--	9,35,000
7	Gift of immovable property from grandfather (gift from relative is not taxable)	-	NIL	--	--	--
8	Gift of commercial property (elder brother of father-in-law is not relative)	--	25,00,000	--	--	--
9	Gift from notified public charitable institute (not taxable)	NIL	--	NIL	--	--
10	Gift under will (not taxable even if received from a non-relative)	-	Nil	-	-	-
11	Gift of a wrist watch (wrist watch is not property for the purpose of section 56(2)(x) and not taxable)	--	--	--	--	--
12	Purchase of a work of art for inadequate consideration	--	--	--	1,00,000	--
13	Pur of immovable property for inadequate consideration (as the difference between purchase price and stamp duty value exceed Rs 50,000 but SDV does not exceed 105% of purchase price, nothing is chargeable to tax)	--	--	--	--	--
14	Gift of a gold chain	--	--	11,000	--	--
15	Gift from a partnership firm (partnership firm is not relative even if relatives of X are partners)	--	19,00,000	--	--	--
16	Pur of shares for inadequate consideration (Rs 300-90=210x500)	--	--	--	1,05,000	--
17	Gift of gold ring (cousin of mother-in-law is not relative)	--	--	20,000	--	--

	of X)					
18	Gift from a company (company is not a "relative" even if Mrs X is a major shareholder)	--	--	19,000	--	--
19	Gift of plot of land (not taxable as SDV does not exceed of Rs 50,000)	--	NIL	--	--	--
20	Gift of shop (not taxable as stamp duty value does not exceed Rs 50,000)	--	NIL	--	--	--
	Total	36,000	44,00,000	50,000	2,05,000	9,35,000

Statement showing Amount of Gift Taxable under the head Income from Other Sources

Cash gift (not taxable as the aggregate amount of cash gift does not exceed Rs 50,000)	Nil
Gift of immovable properties	44,00,000
Gift of movable properties (not taxable as the aggregate amount does not exceed Rs 50,000)	Nil
Purchase of immovable property for inadequate consideration	9,35,000
Purchase of movable property for inadequate consideration	2,05,000
Amount taxable	55,40,000

BASIS OF CHARGE OF DIVIDEND

Any income by way of dividends received from a company, whether domestic or foreign, is taxable in the hands of shareholder at normal rate of tax. However, dividend distributed by a domestic company before 1.4.2020 and received by shareholders on or after 1.4.2020 and on which tax u/s 115-O, if applicable, has been paid would be exempt in the hands of the shareholders.

Family Pension

Question—Discuss the taxability of Family Pension.

Answer—

1. Meaning	Family Pension means pension received by the family members of the deceased employee.
2. Taxability	Family Pension is chargeable to tax under the head " <u>Income from Other Source</u> "
3. Deduction u/s 57	Least of the following is allowed as a deduction--- a) 33.33% of Gross Pension, or b) Rs 15,000
4. Exemptions	Exemption available u/s 10(18) and 10(19)

Q 9 (P)- Mr. Shakti Kapoor, a Government Servant, **died on 11.5.2015** whilst still being in service. In terms of the rules governing his service, his widow Mrs M, is paid a **Family Pension of Rs 2950 p.m.** and **Dearness Allowance of 30% thereof.** For the **Assessment Year 2023-24**, is Mrs. Shakti Kapoor assessable on the receipt and if so, under what head of income?

Answer—Family pension received by Mrs. Shakti is chargeable under the head Income from Other Sources. She can claim the **lower of Rs 15,000 or 1/3rd of her Family Pension**, as deduction u/s 57 in respect of such income.

Particulars	Rs.	Rs.
Family Pension Received (2950x12)		35400
Dearness Allowance (Rs 35400 x 30%)		10620
Total Pension Received		46,020
Less: Deduction u/s 57—Least of the following		
33.33% of Gross Pension (46020 x 33.33%)	15,340	
Maximum Deduction	15,000	(15,000)
Taxable Family Pension		31,020

Winning from lotteries etc.

Winning from lotteries, crossword puzzles, races including horse races, card games, gambling or betting of any sort.

Lottery includes winnings from prizes awarded to any person by draw of lots or by chance or in any other manner under any scheme by whatever name called and includes any game show, entertainment programme on TV or electronic mode in which people compete to win prizes or any other similar game.

Formula for Grossing up==
$$\frac{\text{Net Amount Received} \times 100}{100 - \text{Rate of Tax}}$$

No deduction of any expenditure or exemption is allowed from such income. Also **no deduction under Chapter VI-A (i.e. deduction u/s 80)** shall be allowed.

No Grossing up is required in case of **other races, gambling or betting.**

Unsold Tickets with Agent:- Income accruing to an agent/trader in respect of prizes on unsold / unclaimed lottery tickets in possession of an agent is **income from business** and does **not constitute winnings from lotteries.**

Where an assessee does not maintain any books of account:- Lottery Prize won by him would

accrue in the year in which it is received by the assessee, and not in the year in which the prize is declared.

Q10(KP)– Mr. G Bedi owns horses at Bombay and Bangalore. These horses run for races at the race course. During the year **2022-23** Mr. Bedi submits the following information:

- | | |
|--|----------|
| 1) Expenses on race horses at Bombay | 2,60,000 |
| 2) Expenses on race horses at Bangalore | 4,30,000 |
| 3) Sake money earned by horses at | |
| a) Bombay | 1,20,000 |
| b) Bangalore | 5,00,000 |
| 4) Mr. Bedi received Rs 1,05,000 on 1.7.2022 on betting during horse races at Bombay. Compute his Taxable income under the other sources. | |

Answer—

Activity of maintenance of race horses:		
Income at Bombay		1,20,000
Income at Bangalore		<u>5,00,000</u>
		6,20,000
Less: Expenses at Bombay		(2,60,000)
Expenses at Bangalore		<u>(4,30,000)</u>
Loss from activity of maintenance of race horses to be c/f		<u>70,000</u>
Race Winning		
Amount received	1,05,000	
Gross (1,05,000 X 100/70)	1,50,000	150000
Income from Other Sources		150000

Computation of tax Section 115BB

Tax rate shall be @ **30%** on winning from lotteries or crossword puzzle or card games or other games.

The payer of lottery shall deduct TDS at the rate mentioned above only if the amount of **lottery, cross word puzzles, horse races exceeds Rs 10,000.**

Rate of TDS for interest

1. Securities listed on a recognized stock exchange	--10%
2. Unlisted securities	---10%
However no TDS shall be deducted on any security of central/state govt. Full interest is paid to	

assessee without any deduction of tax.
No TDS has been deducted by Co-operative society and Post Offices .
No Grossing up ---Tax free Govt. Securities, Less Tax Govt. Securities
Tax Free commercial securities are always to be grossed up whether interest rate is given or interest received is given.
Less Tax Commercial securities —If rate of interest is given, then no need of grossing up. If amount of interest received is given then always to be grossed up .
Rate of TDS on Bank FD Interest ---If amount of interest exceeds Rs 10,000 (Rs 50000 if recipient is senior citizen) , then TDS rate is 10%
Rate of TDS on interest other than interest on securities —No TDS will be deducted if the amount of interest does not exceed Rs 5000. If amount of interest exceeds Rs 5000, then rate of TDS will be 10%.

No Deduction of TDS in case of Interest on Debentures—The TDS will not be deducted by the company on debenture interest if the following conditions are satisfied:--

1	Debentures are issued by public limited company .
2	Interest is paid to a Resident debenture holder only (i.e. ROR and NOR).
3	Debentures are listed in a recognized stock exchange. In other words, TDS must be deducted on unlisted debentures .
4	Interest must be paid by the company in account payee cheque or other internet modes like ECS or NEFT etc. In other words, it must not be paid in cash or bearer cheque.
5	Amount of interest must not be exceeding Rs 5000 in a financial year. In other words, if amount of interest exceeds Rs 5000 then TDS must be deducted @ 10%.

.Deduction on Interest received on compensation or enhanced compensation u/s 57(iv)

When interest income is received on compensation or enhanced compensation under compulsory acquisition by Govt., then such interest income shall be taxable in the year of receipt under this head. The assessee can **get the benefit of deduction @ 50%** of such interest. In this case, **no further deduction is allowed** from such interest income

Q11(8.5) – Rohit Ahuja whose property was compulsorily acquired in 2005 received enhanced compensation of Rs 9,00,000 on 15.11.2022 which **includes Rs 2,40,000 as interest** on such enhanced compensation. Discuss the taxability of such compensation.

Answer—Enhanced compensation of Rs 9,00,000—2,40,000 = **6,60,000** shall be taxable under the **head capital gain**. Whereas **interest on enhanced compensation** shall be taxable under the head **income from other sources** as under:

Interest on enhanced compensation received	Rs 2,40,000
Less: Deduction @ 50%	<u>(1,20,000)</u>
Taxable interest	<u>1,20,000</u>

Q 13(SM 7) Interest on enhanced compensation received by Mr. Hitesh during the previous year 2022-23 is Rs 5,00,000. Out of this interest, Rs 1,50,000 relates to the previous year 2019-20, Rs 1,65,000 relates to the previous year 2020-21 and Rs 1,85,000 relates to previous year 2022-23. Calculate interest income for the previous year 2022-23.

Answer—The entire interest of Rs 5,00,000 would be taxable in the year of receipt.

Particulars	Amount
Interest on enhanced compensation	5,00,000
Less: Deduction u/s 57(iv) @ 50%	(2,50,000)
Interest chargeable under the head "Income from Other Sources"	2,50,000

Interest exempt from tax Section 10(15)

Interest on following notified bonds/certificates is exempt:-

1.	National defence gold bonds, 1980
2.	National plan savings scheme (NSS), National Plan Certificates
3.	Special bearer bonds, 1991
4.	P.O. saving bank account (Rs 3500 in case of individual a/c and Rs 7000 in case of joint a/c)
5.	Interest on notified relief bond
6.	Capital investment bonds
7.	Interest on notified bonds/debentures of public sector company or local authority
8.	P.O. Cash certificates (5 Years)
9.	Interest on Public Provident Fund is also exempt section 10(11).
10.	P.O. Cumulative Time Deposit Account (15Years)

No deduction Section 14A

- For computing the total income under the five heads
- no deduction shall be allowed
- in respect of expenditure incurred by the assessee
- in relation to income which is exempt.

Bond Washing Transactions

These are the **illegal transactions made primly to evade the tax liability**. In this case, a person with a **very high income will transfer securities to other person with low income just before the due date** and get back these securities just after the due date. In this way, the person with very high income will not remain the owner of the securities on the due date of interest and hence he will not be liable to pay income tax on such amount of interest. Because income tax will be charged to that person who is the owner of the security on the due date of interest. **If it comes to the notice of income tax officer**, then he will not be permitted such transactions and it will be deemed to the income of the transferor and not the transferee. However, these provisions are not applicable if the owner proves that there has been no avoidance of Income Tax.

In other words, If owner of any security sells it just before due date and again acquires them after due date, he will be able to avoid payment of tax on interest. In such case as per **section 94 interest** would be deemed to be the income of transferor and not transferee.

However it is **not applicable if**

- I. there is **no avoidance of tax** or
- II. avoidance of tax is not systematic i.e. there was no avoidance of income tax by such a transaction in any of the three preceding years.

Q14(PCC M 07) Mrs X, an American national, got married to Mr. Y of India in USA on March 2, 2022 and **came to India for the first time on March 16,2022**. She remained in India up till September 19, 2022 and left for USA on September 20, 2022. She returned to India again on March 27,2023. While in India, she had purchased a show room in Mumbai on April 22,2022, which was **leased out to a company on a rent of Rs 25,000 per month** from May 1,2022. She had taken loan a bank for purchase of this show room on which bank had charged interest of Rs 97,500 upto March 31,2023. She had received the following **gifts from her relatives and friends** during **1.4.2022 to 30.6.2023**

- From parents of husband 51,000
- From married sister of husband 11,000
- From two very close friends of her husband, Rs 151000 and Rs 21,000

Determine her **residential status** and compute the total income chargeable to tax along with the amount of tax payable on such income for the assessment year **2023-24**.

Answer—Mrs X is **non-resident** in India for the assessment year 2023-24 (she is in India for 177 days during the previous year 2022-23 and 16 days during earlier 4 years.)

COMPUTATION OF TOTAL INCOME OF MISS X
For the assessment year 2023-24

<u>Income from House Property</u>		
Gross annual Value	275000	
Less: Municipal taxes paid by landlord	(-----)	
Net annual value		

Less: Deduction u/s 24		
Standard Deduction @ 30% of NAV	(82,500)	
Interest on Loan	(97,500)	
House property income	<u>95,000</u>	95,000
Income from Other Sources		
Gift from parents of husband	NIL	
Gift from married sister of husband	NIL	
Gifts from two very close friends of her husband	<u>1,72,000</u>	1,72,000
Gross Total Income		2,67,000
Less: Deduction u/s 80		(NIL)
Total Income		2,67,000

Note—

Gifts from relatives are fully exempted. In this question gift from parents of husband and sister of husband are covered under the definition of relatives. Therefore, gifts from parents and sister of husband are not taxable in the hands of Mrs. X. But **gift from friends in excess of Rs 50,000** during the previous year as whole, **will be taxable as whole** in the hands of the assessee.

Q Write a short note on amount received from LIC u/s 10(10D)

Answer—

1	Applicability	All Individuals
2	Exemption	Any sum received under life insurance policy, including sum allocated by way of Bonus, is fully exempt except the following— a) Any sum received from policy u/s 80DD(3) or u/s 80DDA(3) b) Any sum received under Keyman Insurance Policy, or c) Any sum received under Insurance policies issued between 1.4.2013 and 31.3.2012 , if premium payable or paid during any of the years during the term of the policy exceeds 20% of the actual capital sum assured, d) Any sum received under an Insurance Policy, issued on or after 1.4.2012 , the premium payable for any of the years during the policy exceeds 10% of the Actual capital sum assured
3	Actual Capital Sum	a) Actual capital sum assured means the minimum amount assured under the policy, on the happening of the insured event, at any time during the term of policy, b) Actual capital sum assured does not take into account— <ul style="list-style-type: none"> • Value of premiums agreed to be returned • Bonus and/ or other benefits over and above the sum actually assured.
4	Special points	a) Exempt in Death cases: -Items (c) and (d) of Point 2 above does not apply to any sum received on the Death of a person. So, any sum

		<p>received under LIC Policy on death of the person is fully exempt.</p> <p>b) Additional Limit:- The limit of 10% shall be taken as 15% for policy issued or an after 1.4.2013, for insurance on life of the following persons—</p> <ul style="list-style-type: none"> • Person with disability/ severe disability as referred in sec 80U • Person suffering from disease or ailment specified in Rules made u/s 80DDB.
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Q 15(8.15P) Determine the taxability of the following sums received by Mr. A from LIC on account of the Life Insurance Policies taken by him—

S. No	Date of issue of policy	Person Insured	Actual Capital sum assured	Annual Insurance Premium	Sum received as Bonus during the PY 2020-21
1	20.10.2010	Minor Son	5,00,000	75,000	60,000
2	10.06.2012	Spouse	2,00,000	30,000	15,000
3	11.04.2014	Handicapped Daughter (Sec 80U disability)	8,00,000	1,00,000	18,000

Answer—

S No	Date of Issue	Bonus during PY 2020-21	Taxability
1	20.10.2010	60,000	Exempt u/s 10(10D) , as the policy is issued on or before 31.3.2012 and the Annual Premium does not exceed 20% of the Actual capital sum assured
2	10.6.2012	15000	Sum received is taxable , as the policy is issued after 1.4.2012, and the annual premium exceeds 10% of the Actual Capital Sum Assured.
3	11.4.2013	18000	Sum received is exempt u/s 10(10D) , as the policy is issued after 1.4.2013 for insuring the life of the handicapped daughter, being a person with sec 80U disability, and the Annual Premium does not exceed 15% of the Actual Capital Sum Assured.

Questions for Practice

Q16(119-EI) X, a resident and ordinarily resident in India, gives the following particulars of his income and expenditure for the previous year ending 31-3-2021:

Rent of a house situated in Delhi Rs 30,000; rent from letting a building (in Bombay) along with plant and machinery (letting out of building cannot be separated from letting out of plant and machinery): Rs 60,000; depreciation of building in Bombay: Rs 3,000; depreciation of

building in Delhi: Rs 2,000; repairs and insurance of building (in Bombay) and plant and machinery: Rs 6000.

Dividend on preference shares from an Indian Company declared on August 3, 2020:Rs 9000.

Loan **from another Indian company which is deemed as dividend u/s 2(22)(e)** is given on April 3, 2020 (amount received Rs 18000)

Royalty income Rs 7000. Winning from camel races on September 25, 2020 (net amount received Rs 13000, tax deducted at source : Nil). **Interest on 6.5 % (tax free) National relief Bonds:** Rs 42,000.

Gift received on January 20,2021 in foreign currency from a school friend: Rs 1,80,000. Gift from another friend on March 31,2021 Rs 20,000.

Determine the income chargeable under the head "income from other sources" for the assessment year **2021-22**.

Answer—

<u>Rental income building in Bombay (composite)</u>			
Composite Rent		60,000	
Less: Depreciation of building in Bombay	3,000		
Repairs and insurance of building	<u>6,000</u>	<u>9,000</u>	51,000
Dividend on preference shares from an Indian company			9000
Deemed dividend (18000)			18000
Royalty Income			7,000
Winning from camel races			13,000
Interest on national relief bonds			Exempt
Gift from friends (1,80,000+20,000)			2,00,000
Income from other sources			298000

Q17 (119-E2) Mrs X (age:42 years) holds the following securities on April 1, 2020:

Rs 20,000 10% (non-listed) debentures of ABC Ltd.(date of payment of interest: June 1 and December 1 every year)

Rs 1,70,000 10%Central Govt. securities (date of payment of interest: February 28 every year)

Rs 1,30,000 11% debentures of PQR Ltd. (dates of payment of interest: March 1 and September 1 every year)

On October 31, 2020, Mrs. X sells Rs 1,30,000 11% debentures of PQR Ltd. Determine the taxable income and tax liability of Mrs. X for the assessment year 2021-22 on the assumption that her salary income is Rs 11,83,860 (after standard deduction) and she contributes Rs 1,32,270 towards unrecognized provident fund. Mrs. X gets a gift of Rs 1.50 lakh from her husband on March 31,2021.Ignore section 115BAC pertaining to alternative tax regime.

Answer--

**Computation of Total Income of Mrs X
For the Assessment year 2021-22**

Particulars	Details	Amount
Salary Income		1183860
Interest on debentures of ABC Ltd.	2000	
Interest on Central Govt Securities	17000	

Interest on debentures of PQR Ltd. (130000 X11%X6/12)	7150	
Gift from husband	26150 exempt	26150
GTI		1210010
Less: Deduction u/s 80		NIL
		12,10,010

Computation of Tax Liability

UptoRs 250000	NIL
Rs 250001 to 500000 @ 5%	12,500
Rs 500001 to 1000000 @ 20%	1,00,000
10,00,000 to 1210010 @ 30%	63,003
	1,75,503
Add: Cess @4% of 1,75,503	7,020
Total Tax liability	1,82,523 or 1,82,520

Q 18(119-P2) X holds the following securities on April 1, 2022

Rs 10,00,000 5% UP Govt. Loan (date of payment of interest: January 1)

Rs 40,000 6% Non-listed debentures of ABC Ltd. (date of payment of interest: June 11 and December 11 every year)

Rs 25,000 8% Debentures of PQR Ltd. (date of payment of interest: June 15 and December 15 every year)

On December 1, 2022, X sells Rs 25000 8% debentures of PQR Ltd. Calculate the taxable income of X for the assessment year 2023-24. His business income is Rs 5,64,000. Post office Saving Bank Interest is Rs 4300. SBI saving bank interest is Rs 9500 and he has received a gift of Rs 1,00,000 in foreign currency from a friend on December 1, 2022 on his marriage anniversary.

Answer—

**Computation of Total Income of Mrs X
For the Assessment year 2023-24**

Particulars	Details	Amount
Business Income		5,64,000
Income from Other Source		
Interest on UP Govt. Loan	50,000	
Interest on Non-listed Debentures	2400	
Interest on Debentures of PQR Ltd	1,000	
Post Office Saving Bank (4300—3500)	800	
SBI Saving bank Interest	9500	
Gift In foreign currency from a friend	1,00,000	1,63,700
GTI		7,27,700
Less: Deduction u/s 80 TTA (i.e. Saving account interest: Post office: Rs 800+SBI Rs 9500, subject to a maximum of Rs 10,000)		10,000
Total Income		7,17,700

Q 19 (119-E3) X, maintaining books of account on the basis of financial year, holds the following securities on April 1, 2022:

Rs 60,000, 7% MP Govt Loan (date of payment of interest: July 15 every year).

Rs 30,000, 11% debentures (non-listed) of ABC Ltd. (date of payment of interest: June 30 every year).

Apart from the aforesaid securities, X invests in UP Govt. Loan, Central Govt. Securities and (listed) debentures of PQR Ltd. and receives on December 1, 2022, Rs 3000, Rs 9000 and Rs 2700 (net of tax deducted-rate of tax 10%), respectively, as interest. His business income is Rs 11,86,000. He pays Rs 200 as commission to his bank for collecting interest on securities. Determine the taxable income of X for the assessment year 2023-24.

Answer—

**Computation of Total Income of Mr X
For the Assessment year 2023-24**

Particulars	Details	Amount
Business Income		11,86,000
Income from Other Sources		
Interest on MP Govt. Loan (60000 X7%)	4200	
Interest on Debentures of ABC Ltd. (30000 X11%)	3300	
Interest on UP Govt. Loan	3000	
Interest on Central Govt. Securities	9000	
Interest on Debentures of PQR Ltd. (2700 X100/90)	3000	
	<u>22500</u>	
Less: Collection Charges	(200)	22300
GTI/TI		12,08,300

Q 20(119 P3) X holds the following securities on April 1, 2022:

Rs 10,000 6.5% Central Govt. Loan (**date of payment of interest: July 10 every year**)

Rs 40,000 8% debentures (non-listed) of PQR Ltd. (date of payment of interest: May 15 and Nov 15 every year).

Rs 10,000 9% Relief Bonds (Tax free)

Apart from the aforesaid securities, X invests in (non-listed) UP Govt. Loan, Bihar Govt. Loan and debentures of ABC Ltd. (non-listed) on June 30,2022 and receives Rs 4000, Rs 8000 and Rs 18,000 respectively, as interest on December 31, 2022. His rental (taxable) income is Rs 11,52,000. He pays 2% commission to bank for collecting interest (net) on securities. Determine the taxable income of X for the assessment year 2023-24.

Answer—

**COMPUTATION OF TOTAL INCOME OF X
FOR THE ASSESSMENT YEAR 2023-24**

	Amt received in cash	Amount Taxable
Securities of the Central Govt (i.e. 10,000 X 6.5%)	650	650
Debentures of PQR Ltd (i.e Rs 40,000 X 8%)	2880	3200
UP Govt. Securities	4000	4000

Bihar Government Loan	8000	8000
Debentures of ABC Ltd. (gross amount =18000 X 100/90)	18000	20000
Total	33530	35850
Less: Bank Charges @ 2% of Rs 33530		671
Income from Other Sources		35179
Business Income		1152000
Gross Total Income		1187179
Less: Deduction		NIL
Total Income		1187180

Note—Interest on (tax-free) National Relief Bonds is exempt from tax u/s 10(15).

Q21 (119 P8) X (32 years) is resident in India. Find out the Total income for the information given below for the assessment year 2023-24:

Winning from races Rs 10,000 (expenditure incurred Rs 200); short term capital gain (securities transaction tax is applicable); Rs 3,65,000, bank interest (fixed deposit) Rs 2,31,000, public provident fund contribution Rs 1,14,000.

Answer— TI 4,92,000

Q22(119 P9) Mrs X (27 years) is resident in India. Find out the net income for the information given below for the assessment year 2023-24:

Winning from lottery: Rs 35,000 (expenditure incurred Rs 500), Long term capital gain (on transfer of gold); Rs 2,25,000, salary income (after standard deduction): Rs 2,90,000, interest on debentures Rs 82,000, public provident fund contribution Rs 1,50,000.

Answer—Total Income Rs 4,82,000: GTI 6,32,000 Net Income Rs 4,82,000

Q23 (KP3) Calculate income from other sources from information given below:

- | | |
|--|-------------|
| a) Winning from Lottery | Rs 1,00,000 |
| b) Amount received from race winnings | Rs 35,000 |
| c) Rs 20,000 as gift from his friend | |
| d) Rs 1,00,000 as gift from his elder brother | |
| e) Rs 1,40,000 as gift on his marriage | |
| f) Rs 25,000 as gift from grand-father. | |
| g) Rs 80,000 as gift from his NRI friend on 1.1.2023 | |
| h) Another gift of Rs 18000 received from his cousin | |

Answer—

**Computation of Income from Other Sources of
For the assessment year 2023-24**

a) Winning from lottery	1,00,000
b) Amount received from race winnings (35,000 X100/70)	50,000
<u>Gifts received</u>	

c) Gift from his friend	20,000	
d) Gift from his elder brother (relative)	Exempted	
e) Gift on his marriage	Exempted	
f) Gift from grandfather	Exempted	
g) Gift from his cousin	18,000	
h) Gift from his NRI friend on 1.1.2023	80,000	1,18,000
Income from Other Sources		2,68,000

Q24 (KPS 47) From the following particulars for the year ended 31.3.2023, compute the income of Surya Bhaskaram, under the head "Income from other Sources".

Dividend from cooperative society	24,000
Dividends from an Indian Company	12,000
Dividend collection charges @ 1%	
Rent from buildings and Machinery	30,000
Depreciation on buildings	4,000
Insurance on buildings	1,600

Answer—60040

Q 25(KPS 48) The following investments are held by Mr. Raon 1.4.2022:

- Rs 40,000 10% UP Govt. Loan
- Rs 35,000 8% Debentures of a Sugar Mill
- Rs 50,000, 12% Debentures of Vazir Trading company.

On 1.9.2022 he sold the sugar mill debentures-cum-interest and purchased Rs 50,000, 14% debentures-cum-interest of Beauty Trading Co. Interest and dividend is received yearly on 1st January. Compute income from other sources for the year ending 31.3.2023. Bank charged commission @ 2% of interest.

Answer—16,660

Q 26 (KP 15) An assessee had the following investments as on 1.4.2022:

- Rs 40,000, 12% Central Govt. Loan.
- Rs 30,000, 10% Govt. Securities.
- Rs 20,000, 9% Preference shares of paper mill company
- Rs 50,000, 11% Bombay Port Trust Bonds;
- Rs 20,000, 15% debentures of a limited Company (unlisted)
- Rs 10,000, 10% securities issued by Govt. of England.
- 10,000, 9% National Relief Bonds
- Rs 20,000, 14% Municipal Debentures;
- Interest accrued on NSC VIII issue purchased on 11.3.2023 Rs 1130.
- Rs 18,000, 10% Tax free Debentures of a limited company (**unlisted**)

On 1st September, 2022 he bought Rs 50,000; 12% Maharashtra Govt. Bonds for Rs 60,000 the interest on which is payable on 30th June and 31st December. For this purpose he took

a loan from his bankers for Rs 40,000 @ 15% p.a. and the balance of Rs 20,000 were financed out of a previous loan taken for the purchase of a motor car @ 9%.

Bank charged 2% of interest and dividend as collection charges and 3% commission on purchase of securities.

Calculate the income from other sources.

Answer—

**Computation of Income from Other Sources of
For the assessment year 2023-24**

<u>Interest on Securities:</u>		
a) Interest on 12% Central Govt. Loan (40,000 X12%)		4,800
b) Interest on 10% Govt. Securities (30,000X10%)		3,000
c) Interest on Bombay Port Trust Bonds (50,000 X11%)		5,500
d) Interest on Debentures of a company (20,000 X15%)		3,000
e) Interest on Municipal Debentures (20,000 X14%)		2,800
f) Int. on Tax free debentures of a company (unlisted) (1800X100/90)		2,000
g) Interest on Maharashtra Govt. Bonds (Half yearly)		3,000
h) Interest accrued on NSC VIII issue		1,130
i) Interest on Securities issued by a Foreign Govt. (10,000X10%)		1,000
<u>Dividend</u>		
Dividend on Preference shares of Paper Mill		1800
		28030
<u>Less: Deductions u/s 57</u>		
Collection charges (28030—1130=26900 x 2%)	538	
Interest on Borrowed Money (40,000 X15% X7/12)	3500	4038
Income from Other Sources		23992

Q 27 (SM Q7) From the following particulars of Krish for the previous year ended 31st March, 2023, compute the income chargeable under the head “Income from Other Sources”.

S No	Particulars	Amount
1	Director fees from the company	10,000
2	Interest on bank deposits	3,000
3	Income from undisclosed sources	12,000
4	Winning from lotteries (Net)	35,000
5.	Royalty on a book written by him	9,000
6.	Lecturers in Seminars	5,000
7.	Interest on loan given to relative	7,000
8.	Interest on debentures of a company (listed in a recognized stock exchange) net of taxes	3,600
9.	Interest on Post office Saving Account	5,00
10.	Interest on Govt. Securities	2,200
11.	Interest on Monthly Income Scheme of Post Office	33,000

He paid Rs 1000 for typing the manuscript of books written by him.

Answer—

COMPUTATION OF INCOME FROM OTHER SOURCES OF Krish

	Particulars	Rs	Rs
1	Director fees from the company		10,000
2	Interest on bank deposits		3,000
3	Income from undisclosed sources(taxable @ 60% plus surcharge @25%)		12,000
4	Winning from lotteries (taxable @30%)(35,000X100/70)		50,000
5	Royalty on a book written by him	9,000	
	Less: Expenses	(1000)	8,000
6	Lecturers in Seminars		5,000
7	Interest on loan given to relative		7,000
8	Interest on debentures of a company (listed in a recognized stock exchange) (3600X100/90)		4,000
9	Interest on Post office Saving Account		exempt
10	Interest on Govt. Securities		2,200
11	Interest on Monthly Income Scheme of Post Office		33,000
	Income from other sources		1,34,200

Q28 (Q 16 KP)—Mr.Shivanand has following investments in the previous year ended **31st March, 2023:**

- Rs 11,000, 10% Karnataka State Govt. Loan.
- Rs 30,000, 13.5% Debentures of Tata Motors Ltd. (**Listed**)
- Rs 35,000, 11% securities of Sugar Mills Company (not listed)
- Rs 36,000, 10% Tax free commercial securities (unlisted)
- Rs 3,580 received as interest on Tamil Naidu Govt. Securities.
- Rs 4,500, received as interest on the debentures of a Paper Mills Company (not listed)
- Rs 4500, received as interest on the debentures of Textiles Company (listed).

During the previous year 2022-23 he purchased Rs 50,000, 7% capital investment bonds in 1st October, 2022. For this purpose he borrowed Rs 30,000 from Bank @ 15% p.a. Interest on all securities is payable on 30th June and 31st December. The bank charged 1.5% commission on Net realization of interest as collection charges.

He was also director in a company from which he received Rs 3000 as director fees. His other incomes are:--

- Winning from Lottery Rs 25,000
- Income from Agriculture in Sri Lanka Rs 10,000.
- Winning from Horse Race Rs 15000.
- Interest on Post Office Saving Bank Account Rs 2000.

Find out his taxable income from other sources for the AY 2023-24

Answer—

<u>Interest Income</u>			
1)	Interest on Karnataka State Govt Loan (11000X10%)	1100	

2) Interest on Debentures of LMT (30000 X 13.5%)	4050	
3) Interest on securities of Sugar Mills Co (35000X11%)	3850	
4) Interest on Tax free commercial securities (3600X100/90)	4000	
5) Interest on Tamil Naidu Govt. securities (Never grossed up)	3580	
6) Int. on debentures of Paper Mills Com (4500X100/90)	5000	
7) Int. on debentures of Textiles co. (no TDS interest is not exceeded Rs 5000)	4500	
8) Interest on capital investment bond	exempted	
	26080	
Less: Bank collection Charges (26080—(NIL+NIL+385+400+500+NIL)= 24795X1.5%)	(372)	25708
Casual Income		
Winning from lotteries	25000	
Winning from Horse Race	15000	40000
Other Income		
Agricultural Income from Sri Lanka	10,000	
Director Fees	3,000	13,000
Income from Other Sources		78708

Q 29 (KP) Shri Nitin Bose furnishes the following particulars of his income for the assessment year 2020-21. He had the following investments as on 1.4.2022

- a) Rs 50,000, 5% Central Govt. Loan
- b) Rs 40,000 6% Govt. Securities
- c) Rs 20,000. 8% Preference Shares of a Paper Mill.
- d) Rs 20,000 Equity shares of a Tea Company whose 60% income is deemed to be agricultural income. Dividend received on 1.5.2022 is Rs 4,000.
- e) Rs 60,000, 15% Debentures of a limited company (Listed).
- f) Rs 10,000, 10% Securities issued by Govt. of Nepal.
- g) Rs 50,000 National Saving Certificates (VIII issue acquired on 1.11.2021). Interest accrued for financial year Rs 4,520.
- h) Rs 18,000, 10% (Tax-free) Debentures of a limited company (unlisted)
- i) Rs 5,000, Debentures of a Cooperative Society. Interest received during the year Rs 450.
- j) Rs 1,40,000 Fixed Deposits in SBI for five years. The interest accrued for the year Rs 14,000. TDS @ 10%.

On 1st September 2022 he bought Rs 50,000; 10% Punjab Govt. Loan interest on which is payable on 31st December. For this purpose he took a loan from his bankers for Rs 40,000 at 10% p.a. and Rs 20,000 were financed out of personal loan taken for the purchase of motor car @ 10% p.a.

Bank collection charges amounted to Rs 800 and a commission of Rs 1800 was paid on purchase of securities.

Compute his income from other sources for the assessment year 2023-24.

Answer—COMPUTATION OF INCOME FROM OTHER SOURCES FOR THE AY 2023-24

	Detail	Amount
Interest on Rs 50,000 5% Central Govt. Loan	2,500	
Interest on Rs 40,000 6% Govt. Securities	2,400	
Interest on Rs 60,000 15% Debentures of a Co.	9,000	
Interest on National Saving Certificates (VIII issue)	4,520	
Interest on Tax free debentures of a unlisted company (1800x100/90)	2,000	
Interest on Rs 50,000, 10% Panjab Govt. Loan	5,000	
Interest on Rs 10,000, 10% Nepal Govt. Bonds	1,000	
Interest on Debentures of Co-operative Society	450	
Interest on SBI Fixed Deposit	14,000	
Gross Interest	40,870	
Less: Expenses		
Collection Charges	(800)	
Interest on Loan (40,000 X 10%X 7/12)	(2,333)	37,737
Dividend		
Dividend on Rs 20,000, 8% preference shares	1600	
Dividend on equity shares	4000	5600
Income from Other Sources		43337

Q30 (SM) Examine under which heads the following incomes are taxable:

- (i) Rental income in case property held as stock in trade for 3 years.
- (ii) Dividend on shares in case of a dealers in shares.
- (iii) Salary received by a partner from his partnership firm.
- (iv) Rental income of Machinery.
- (v) Winning from lotteries by a person having the same as business activity.
- (vi) Salary payable to a Member of Parliament.
- (vii) Receipts without consideration.
- (viii) In case of retirement, interest on employee's contribution if provident fund is unrecognized.
- (ix) Rental income in case of a person engaged in the business of letting out of properties.

Answer—

	Particulars	Head of Income
(i)	Rental income in case property held as stock in trade for 3 years	Income from house property
(ii)	Dividend on shares in case of a dealers in shares.	Income from other sources
(iii)	Salary by partner from his partnership firm	Business Income

(iv)	Rental income of machinery	Income from other sources /Business Income
(v)	Winning from lotteries by a person having the same as business activity	Income from other sources
(vi)	Salary payable to a Member of Parliament	Income from other sources
(vii)	Receipts without consideration	Income from other sources
(viii)	In case of retirement, interest on employee's contribution if provident fund is unrecognized.	Income from other sources
(xi)	Rental income in case of a person engaged in the business of letting out of properties	Business Income

Q 31 (SM) Examine whether the following are chargeable to tax and the amount liable to tax:

- (i) A sum of Rs 1,20,000 was received as gift from non-relatives by Raj on the occasion of the marriage of his son Pravin.
- (ii) Interest on enhanced compensation of Rs 96,000 received on 12.3.2023 for acquisition of urban land, of which 40% relates to the earlier year.

Answer—

S no.	Taxable/Not Taxable	Amt liable to tax	Reason
(i)	Taxable	1,20,000	The exemption from applicability of section 56(2)(x) would be available if gift is received from a relative or gift is received on the occasion of marriage of the individual himself. In this case, since gift is received by Mr. Raj from a non-relative on the occasion of marriage of his son, it would be taxable in his hands u/s 56(2)(x)
(ii)	Taxable	48,000	Interest received by the assessee on enhanced compensation shall be deemed to be the income of the year in which it is received, irrespective of the method of accounting followed by the assessee. Interest of Rs 96,000 on enhanced compensation is chargeable to tax in the year of receipt, i.e. PY 2022-23 after providing deduction of 50% . Therefore, Rs 48,000 is chargeable to tax under the head "Income from other Sources".

Note—Interest will be taxable in the hands of investor who holds the investment at the record date of interest

‘Never underestimate your own strength. You were born for a purpose and are blessed with the power to achieve it.’

Vinod Sir 98720 46144