

According to the new proposal of the Union Budget 2009-10, any property received from a non-relative where the value is in excess of Rs 50,000 in a particular year will be considered as income in the hands of the recipient.

Earlier, gifts in the form of cash from non-relatives were exempted up to a limit of Rs 50,000 a year (if sum exceeds Rs 50,000, then entire amount is eligible for being taxed).

While this limit remains unchanged, the key change proposed is aimed at bringing in non-cash gifts into the tax ambit.

Earlier, gifts in non-cash form (like shares and securities, jewellery, archeological collections, paintings and gold), even if they were in excess of Rs 50,000, were exempt from any tax in the hands of the recipient.

In case of immovable property, the value as determined by the stamp duty ready reckoner will be considered for tax purposes. However, an area of concern remains, which is the valuation part.

With this amendment 'fair market value' of a property other than immovable property could become an area of contention—for example, there could be valuation issues in case of a property, like a piece of painting. However, though the CBDT would prescribe the rules for valuation of other properties, there could be disputes on valuation. In case of immovable property, the issue is that it would tantamount to double taxation (Section 50C taxes capital gains in the hands of the seller, while the new proposal would tax the difference between stamp duty value and consideration in the hands of the purchaser)."

In case of transactions involving immovable property but wherein a consideration is involved, the amount eligible for being taxed would be the difference between the stamp duty value and the consideration paid (for other movable property, the 'fair market value' would be considered as against stamp duty).

However, the proposal provides for some exclusion, which includes receipts on occasion of a marriage or by will or inheritance or from certain specified authorities (educational or medical institutions among others).