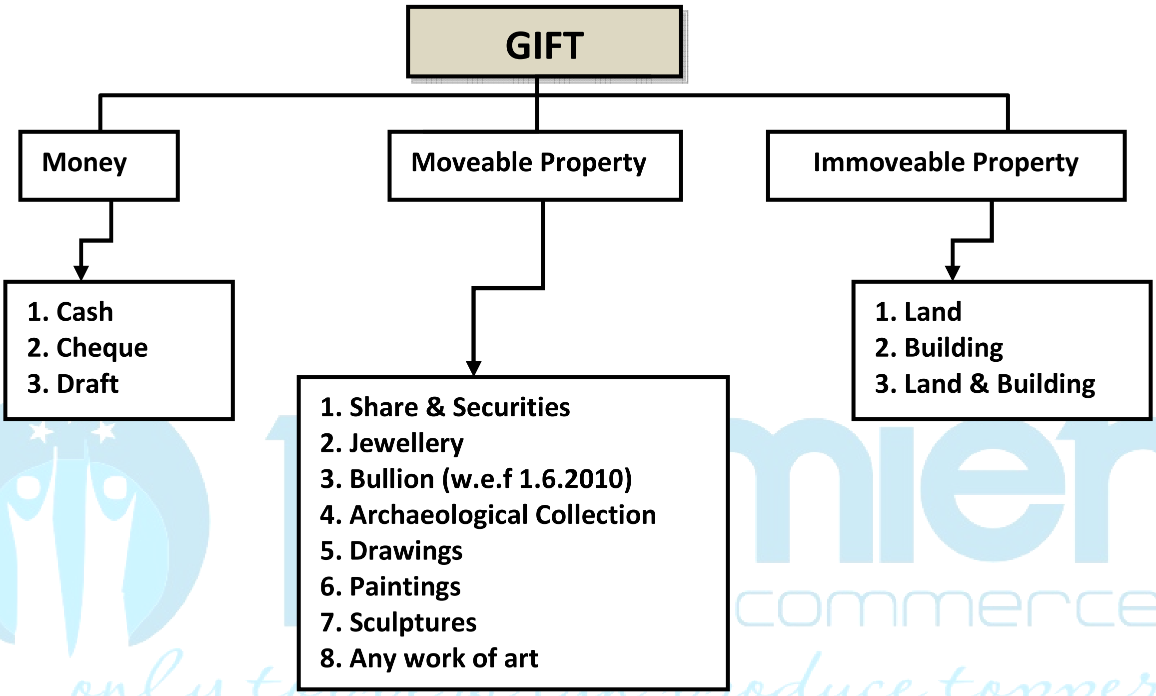
Taxation of Gift

Receipts without consideration to be treated as income [Sec. 56(2)(vii)]

A receipt of sum money or property without consideration is chargeable to tax under section 56(2)(vii) if it satisfies the following conditions-

1. It is received by an individual or a HUF.
2. It is received on or after October 1, 2009.
3. It does not fall in the exempted category.



Category 1 – Any sum of money (gift in cash or by cheque or draft).

If aggregate amount of sum of money received by a individual/ HUF without any consideration from one or more persons during a previous year exceeds ` 50,000, the whole of such aggregate value will be chargeable to tax.

Category 2 – Movable property without consideration

If aggregate fair market value of movable properties received without consideration during a previous year (but on or after Octomber 1, 2009) exceeds ` 50,000, the whole of aggregate fair market value of movable property or properties will be chargeable to tax.

Category 3 – Movable property for a consideration which is less than fair market value

If movable property is received for a consideration which is less than the aggregate fair market value of the property by an amount exceeding ` 50,000, then the difference between aggregate fair market value and the the consideration is chargeable to tax.

Category 4 – Immovable property without consideration

If any immovable property (without any consideration) is received and the stamp duty value of which exceeds ` 50,000, stamp duty value will be chargeable to tax.

The immovable property for inadequate consideration has been removed from gift taxability.

Exempted Categories

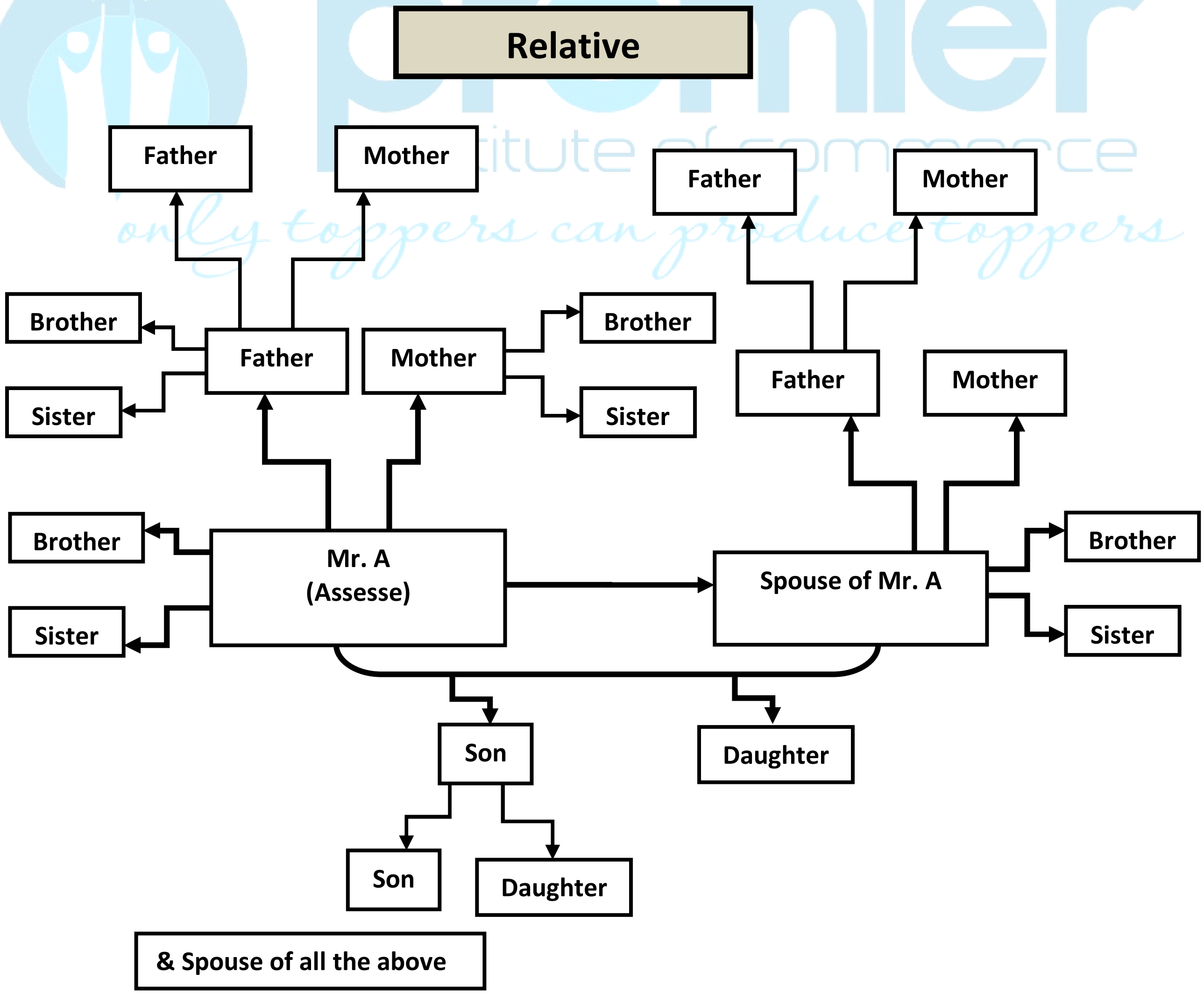
While calculating the above monetary limit of ` 50,000 in any of the categories, any sum of money or property received from the following shall not be considered.

1. Money/ property received from a relative.
2. Money/ propery received on the occasion of the marriage of the individual.
3. Money/ property received by way of will/ inheritance.
4. Money/ property received in contemplation of death of the payer.
5. Money/ property received from a local authority.
6. Money/ property received from any fund, foundation, university, other educational institution, hospital, medical institution, any trust or institution referred to in section 10(23C).
7. Money received from a charitable institute registered under section 12AA.

Other Relevant Points

The following points should be noted

1. The value of movable property shall be the fair market value as on the date of receipt in accordance with the method prescribed. In the case of immovable property, the value of the property shall be the stamp duty value of the property.
2. For the aforesaid purpose, the term "relative" means



New Gift Taxability (w.e.f 1.6.2010)

Where a firm or a closely held company, receives, any shares of a closely held company:

- without consideration, the aggregate fair market value of such shares will be treated as income of the assessee.
- for inadequate consideration when compared to fair market value, the difference would be treated as income of the assessee

Conditions:

- The amount of such income exceeds ` 50,000
- The clause shall not apply to any such property received by way of a transaction not regarded as transfer.