INCOME FROM OTHER SOURCES ~ I

⊗ Basis of charge [Section 56 (1)]

An income shall be chargeable to income-tax under the head "IOS" if :

(a) such income is not exempt under the provisions of Income Tax Act, 1961 ***and***

(b) such income is not chargeable to tax under any first four head viz., "Income from salaries", "IHP", "PGBP" and "Capital Gains".

"IOS" is, therefore, a ***residuary*** head of income.

⊗ Method of accounting for "IOS" [Section 145]

According to Section 145 Income chargeable under the head "IOS" shall be computed in accordance with the method of accounting regularly employed by the assessee. In other words :

- If Mercantile System is regularly employed by the assessee, the income is taxable on "accrual" basis.
- If Cash System is regularly employed by the assessee, income is taxable on "receipt" basis.
- If Assessing Officer is not satisfied about the correctness or completeness of the accounts of the assessee, or where the method of accounting (whether mercantile system or cash system) have not been regularly followed by the assessee, the A.O. may make Best Judgment Assessment after giving an opportunity of being heard to the assessee.

Notes :

1. In case of dividends, the method of accounting has no significance as dividends are taxed on certain specified basis under Section 8.

2. In case of interest on securities, income is taxable on "accrual basis", if method of accounting is not regularly employed by the assessee.

⊗ Basis of charge of dividend income [Section 8]

✡ **Normal Dividend** : Normal Dividend declared at Annual General Meeting (AGM) is treated as income of the P.Y. in which it is declared. For example, A Ltd. declares dividend at AGM on October 31, 2010. Mr. X is entitled to receive dividend of ₹ 5,000. ₹ 5,000 will be taxable in the hands of Mr. X in P.Y. 2010-11 even though he receives it after 31.03.2011.

✡ **Deemed Dividend** : Deemed Dividend u/s 2(22) is treated as income of the P.Y. in which it is distributed or paid. For example B Ltd. declares dividend in specie, i.e., shares. It will be taxable only in the year in which shares were transferred to the shareholders by execution of instrument of transfer and not in the year in which it was declared.

✡ **Interim Dividend** : Interim Dividend is treated as income of the P.Y. in which it is unconditionally made available by the company to a shareholder. For example C Ltd. announces interim dividend on 31st January, 2011. On March 1, 2011, the company declares March 30, 2011 as the date of payment of interim dividend; and payment of dividend is actually made on April 18, 2011 by posting dividend warrants. In this case, dividend will be taxable in the P.Y. 2011-12.

⊗ Specific incomes chargeable under the head "IOS" [Section 56 (2)]

As per Section 56 (2), the following incomes are always chargeable under the head "IOS". These are :

1. Dividend except dividend received from domestic companies (***even if shares are held as stock-in-trade***);

2. Winning from lotteries, crossword puzzles, races including horse races, card games and other games of any sort or gambling or betting of any form or nature whatsoever (***even if derived as a regular business activity***);

3. Any sum received by the assessee from his employees as contribution to any P.F., superannuation fund, or any other fund for the welfare of the employees (provided it is not taxable under the head "PGBP").

   Note : As per the meaning of income, contribution of the employee deducted by the employer is treated as income of the employer, but if the employer deposits such amount on or before due date, he will be allowed a deduction on account of the same. Law, therefore, treats this contribution of the employee as the income of the employer in the first instance.

4. Income from interest on securities (provided it is not taxable under the head "PGBP").

5. Income from letting out of machinery, plant or furniture (provided it is not taxable under the head "PGBP").

6. Income from letting out of machinery, plant or furniture alongwith building and letting of building is ***inseparable*** from letting of machinery, plant or furniture (provided it is not taxable under the head "PGBP").

7. Any sum received under a Keyman Insurance Policy including the sum allocated by way of bonus on such policy (provided it is not taxable under the head "Salaries" or "PGBP").

8. Receipt of any sum of ***money*** (without consideration), receipt of any ***immovable property*** (without consideration), receipt of any ***movable*** property (without consideration or for an inadequate consideration) – **Refer IOS – II.**

9. Receipt of ***shares*** of a company (without consideration or for an inadequate consideration), if the recipient is a firm or a company – **Refer IOS – II.**

⊗ Deduction of expenses from Dividend Income & Interest on Securities [Section 57]

The following expenses can be claimed as deductions from Dividend Income (except dividend received from domestic companies) & Interest on Securities :

a) Any reasonable sum paid by way of commission or remuneration to a banker or any other person for the purpose of realising the dividend/interest (i.e. collection charges).

b) Interest on moneys borrowed for purchasing the shares/securities.

c) Any other expenditure, not being expenditure of a capital nature, expended wholly and exclusively for the purpose of earning dividend/interest. For example, legal and travelling expenses incurred for protecting dividend income and to ensure prospective dividend-earning capacity.

Notes :

1. Interest on securities does not accrue every day or according to the period of holding. Generally interest becomes due on due dates specified on securities. For example if Mr. R purchases ₹ 25,000, 7% securities (Specified due dates : March 1 and September 1) on February 25, 2011 and sells the same on March 3, 2011, he will become entitled for interest of 6 months (i.e. ₹ 25,000 x 7% x ½ = ₹ 875), irrespective of the fact that he holds the securities only for 6 days. Since interest has become due to Mr. R on March 1, 2011, he will be liable to tax on the whole interest of ₹ 875 in the P.Y. 2010-11 if he regularly employs " Mercantile system of accounting" or no system of accounting is regularly employed by him. However, if he regularly employs "Cash System", then ₹ 875 is taxable in the P.Y. in which it is received.

2. **Grossing up of interest on securities :**

$$\text{Gross interest} = \text{Net interest} \times \frac{100}{100 - Rate of TDS}$$

⊗ Deduction of expenses from income from letting out of machinery, plant or furniture [Section 57]

The following deductions are available :

a) Repairs of the ***building***

b) Insurance premium of the ***building***

c) Repairs of machinery, plant or furniture

d) Insurance of machinery, plant or furniture

e) Depreciation based upon block of assets in the same manner as allowed under Section 32 in the case of "PGBP".

f) Any other expenditure, not being expenditure of a capital nature, expended wholly and exclusively for the purpose of earning such income.

⊗ Deduction from family pension received by the legal heirs of a deceased employee [Section 57]

"Family Pension" means a regular monthly amount payable by the employer to the legal heir of deceased employee. After the death of the employee, if there is any ***"Family Pension"*** received by the legal heirs of the deceased, it will be deemed to be the income of the legal heir and will be taxable under the head "IOS". On such pension a standard deduction shall be allowed to the legal heir @ 1/3 rd of such pension, or ₹ 15,000, whichever is less.

⊗ Basic conditions for allowability of any other expenditure under the head "IOS" [Section 57]

a) The expenditure should be incurred wholly and exclusively for the purpose of earning such income;

b) It should not be of the nature of capital expenditure;

c) It should not be of the nature of personal expenditure;

d) It should be incurred in the relevant P.Y. and not in any prior or subsequent P.Ys.

⊗ Amount not deductible in computing the income under the head "IOS" [Section 58]

The following payments shall not be deductible in computing the income chargeable under the head "IOS" :

a) Personal expenses of the assessee;

b) Interest paid outside India on which tax has not been deducted at source;

c) Salaries paid outside India on which tax has not been deducted at source;

d) Any expenditure referred to in Section 40A [like excessive payments to relatives - Section 40A (2) and cash payment exceeding ₹ 20,000 - Section 40A (3)];

e) Income tax/wealth tax paid;

f) Any expenditure or allowance in connection with Winning from lotteries, crossword puzzles, races including horse races, card games and other games of any sort or form, gambling or betting of any form or nature whatsoever. However, expenses relating to the activity of ***owning and maintaining*** race horses are allowable.

Padmavati Jaikrishna Vs. Additional CIT (Supreme Court, 1987) :

Interest paid on amounts borrowed for meeting tax liabilities is not deductible, since the liability to pay income tax and wealth tax is a personal one.

⊗ Deemed income chargeable to tax under the head "IOS" [Section 59]

Section 59 is similar to Section 41 (1) of the "PGBP". Accordingly, where an allowance or deduction has been made in the assessment for any year under the head "IOS", in respect of loss, expenditure or trading liability incurred by the assessee and subsequently during the relevant P.Y. he has obtained, whether in cash or any other manner, any amount or a remission of any such liability, the amount obtained or the value of benefit, shall be deemed to be the income under the head "IOS" of the P.Y. in which the amount or the benefit so received.

⊗ Special rate of income-tax in case of Winning from lotteries, crossword puzzles, races including horse races, card games and other games of any sort or gambling or betting of any form or nature whatsoever [Section 115BB]

Such income is taxable at a special rate of 30% (plus Surcharge, if applicable plus EC @ 2% & SHEC @ 1%, if applicable).

Notes :

1. No expenditure or allowance is deductible from such income as per Section 58 and entire income is taxable @ 30% (plus Surcharge, if applicable plus EC @ 2% & SHEC @ 1%, if applicable). However, expenses relating to the activity of ***owning and maintaining*** race horses are allowable.

2. When an assessee ***does not maintain any books of account***, lottery prizes won by him would accrue in the year in which it is received by the assessee and not in year in which prize is declared.

3. Income accruing to an agent/trader in respect of prizes on unsold/unclaimed lottery tickets in possession of the agent/trader is income from business and does not constitute winning of lotteries [***Director of State Lotteries Vs. CIT (Gauhati)***].

4. The tax is to be levied on the entire gross winnings. However if a certain percentage has to be foregone either in favour of Government or as bonus or commission to lottery agent or agency conducting lotteries, then such amount will not be taxed in the hands of the recipient.

5. Deductions under Sections 80C to 80U are not allowed from these incomes.

6. "Card game and other game of any sort" includes any game show, an entertainment programme on television or electronic mode, in which people compete to win prizes or any other similar game.

7. **Section 194B :**

   Any person responsible for paying to any person any income by way of winnings from :
   - any lottery or
   - crossword puzzle or
   - card game and other game of any sort

   in an amount exceeding ₹ 5,000/- **(₹ 10,000 w.e.f. July 1, 2010)** shall, at the time of payment thereof, deduct income tax @ 30% (plus SC, if applicable plus EC @ 2% & SHEC @ 1%, if applicable) ***on the full amount*** of winning.

8. **Section 194BB :**

   Any person responsible for paying to any person any income by way of winning from any ***horse race*** in an amount exceeding ₹ 2,500 **(₹ 5,000 w.e.f. July 1, 2010)** shall, at the time of payment thereof, deduct income tax @ 30% (plus SC, if applicable plus EC @ 2% & SHEC @ 1%, if applicable) ***on the full amount*** of winning.

9. **Applicability of SC, EC & SHEC for the purposes of Effective rate of TDS :**

   SC is applicable for TDS purposes only when the recipient is a ***foreign company*** and payment/credit subject to TDS exceeds ₹ 1 Crore. In no other case, SC is applicable at the time of deduction of tax at source.

   EC & SHEC are applicable for TDS purposes in the case of tax deduction from payment of ***salary*** to a R/NR. EC & SHEC are also applicable in the case of payment or credit of ***any other sum*** to a NR or a foreign company. In no other case, EC & SHEC are applicable for TDS purposes.

Payments/Credits	Category of Person	R/S	SC	EC	SHEC
Salary	Individual	R/NR	Nil	2%	1%
Others	Individual	R	Nil	Nil	Nil
		NR	Nil	2%	1%
	Foreign Co. : Payment ≤ 1 Crore	R/NR	Nil	2%	1%
	: Payment > 1 Crore	R/NR	2.5%	2%	1%
	Others (including domestic company)	R	Nil	Nil	Nil
		NR	Nil	2%	1%

10. **Grossing up of net winning from lotteries, crossword puzzles, card games and other games of any sort or horse races :**

    As in the case of some other incomes, there is also a provision for tax to be deducted at source from income from winning of lotteries, crossword puzzles, card games and other games of any sort or horse races. The rate of TDS in the case of such incomes is 30% (plus SC, if applicable plus EC @ 2% & SHEC @ 1%, if applicable) if the income exceeds ₹ 5,000 (or ₹ 2,500 in case of horse races). In this case, such net income will have to be grossed up as illustrated below :

If a ***NR person (but not a foreign company)*** wins a lottery of ₹ 1,10,00,000, tax must have been deducted @ 30.9% (i.e. Income Tax @ 30% + Surcharge = Nil + EC @ 2% + SHEC @ 1%) and net amount received by the assessee would be ₹ 76,01,000 (₹ 1,10,00,000 – ₹ 33,99,000).
Grossing up would be done as under :

$$\text{Gross Winning} = \text{Net Winning} \times \frac{100}{100 - \text{Rate of TDS}}$$

$$\text{Gross Winning} = ₹\ 76{,}01{,}000 \times \frac{100}{100 - 30.9} = ₹\ 1{,}10{,}00{,}000/-$$

In the above example if the lottery had been won by a ***Resident person (but not a foreign company)***, the tax must have been deducted at the rate of 30% only (i.e. Income-tax @ 30% + SC = Nil + EC = Nil + SHEC = Nil) and the grossing up will be done accordingly.

Similarly, in the above example if the lottery had been won by a ***foreign company***, the tax must have been deducted at effective rate of 31.6725% (i.e. Income-tax @ 30% + SC @ 2.5% + EC @ 2% + SHEC @ 1% and the grossing up will be done accordingly. However, if the prize money is upto ₹ 1,00,00,000, the effective rate of TDS shall be 30.9% (i.e. Income Tax @ 30% + Surcharge = Nil + EC @ 2% + SHEC @ 1%).

11. Since no tax is required to be deducted at source from winning of lotteries, crossword puzzles, card games and other games of any sort if income does not exceeds ₹ 5,000/10,000 (₹ 2,500/5,000 in case of a horse race) no grossing up of income shall be done in that case.

12. In case of winning from ***other races***, gambling or betting no tax is required to be deducted by the person responsible for payment and therefore grossing up not required in these cases.

⊗ Whether refund of income-tax an income?

Refund of income-tax is not an income as income-tax is not deductible as expenditure. However, ***interest on income-tax refund*** will be treated as income under the head "IOS".

⊗ Income generally taxable under Section 56(1)

1. Income from sub-letting of house property by a tenant;
2. Interest on bank deposits;
3. Interest on loans;
4. Rent from a vacant piece of plot of land;
5. Income from royalty, if not PGBP;
6. Director's sitting fee for attending board meetings;
7. Director's commission for underwriting shares of a new company;
8. Agricultural income from land situated outside India;
9. Remuneration received by a person from a person other than his employer, e.g., examination fee received by a teacher;
10. Insurance commission;
11. Income from undisclosed sources;
12. Interest received on delayed refund of income-tax.

Bond-Washing Transactions [Section 94(1)]

A bond-washing transaction is defined as a transaction which consists of selling securities (to a friend or relative) some time before the due date of interest and acquiring back the same (or similar) securities after the due date is over. The practice is generally adopted by the high-income group assessee to evade tax by transferring securities to low income-group assessee on the occasion of due date of payment of interest. Section 94(1) provides that where a security owner transfers the securities on the occasion of the due date of interest and re-acquires them and the interest is received by the transferee (i.e. the friend or relative to whom securities are transferred), the income from such securities will be deemed as income of the transferor and, accordingly, it will be included in the Total Income of the transferor, and not of the transferee.

Domestic Company [Section 2(22A)]

"Domestic company" means :

- an ***Indian company, or***
- ***any other company*** which,
- in respect of its income liable to tax under this Act,
- has made the prescribed arrangements for the declaration and payment, **within India**, of the dividends (including dividends on preference shares) payable out of such income.

Prescribed arrangements for declaration and payment of dividends within India :

The arrangements to be made by a company for the declaration and payment of dividends (including dividends on preference shares) within India shall be as follows :

1. The share-register of the company for all shareholders shall be regularly maintained at its principal place of business within India.
2. The general meeting for passing the accounts of the previous year relevant to the assessment year and for declaring any dividends in respect thereof shall be held only at a place within India.
3. The dividends declared, if any, shall be payable only within India to all shareholders

Foreign Company [Section 2 (23A)]

"Foreign company" means a company which is not a domestic company.

Rate of TDS for interest on securities

Section 193 : Any person responsible for paying any interest on securities to a ***resident*** shall at the time of payment thereof deduct income tax as follows :

Securities issued by	Interest payable on	Rate of TDS
Central or State Government	8% Savings (Taxable) Bonds, 2003	10%*
	Other securities	Nil
Other persons	Securities listed in DEMAT form	Nil
	Other securities	10%*

* ***Plus*** Surcharge, if applicable ***Plus*** EC @ 2% & SHEC @ 1%, if applicable.

Few important exemptions under Section 10

Exemption u/s 10(1) :

- Agricultural income from land situated in India

Exemption u/s 10(15) :

- Interest on 7% Capital Investment Bonds
- Interest on 6% relief bonds
- Interest on 6% tax-free bonds issued by notified Public Sector Company
- Interest on 6% Tax-free Relief Bonds of Reserve Bank of India
- Interest on 6% Tax-free Railway's Bonds

Exemption u/s 10(17) :

- Receipt of Daily allowance by a Member of Parliament

Exemption u/s 10(34) :

- Dividend on preference shares/equity shares received from a domestic company.

Exemption u/s 10(35) :

- Interest from US 64 Bonds

INCOME FROM OTHER SOURCES ~ I

PRACTICAL PROBLEMS

Question No. 1 :

K. Sharma, a lecturer of a college, submits the following details for the previous year 2010-11. Compute his income chargeable under the head 'Income from other sources'.

A. Income : Salary and allowance ₹ 72,000; Examiner's remuneration ₹ 3,200; Remuneration for setting question papers in different examinations ₹ 1,600; Royalty for publication of books ₹ 25,000; Winnings from lottery (net after tax @ 30%) ₹ 7,000; dividend from an Indian company ₹ 3,200; Rent from sub-letting the entire building ₹ 4,800.

B. Expenses : Expenses incurred for publication of books ₹ 3,500; Expenses incurred in relation to lottery income ₹ 500; Travelling expenses incurred for receiving and depositing the answer scripts ₹ 150; Commission charged by the bank for collecting dividend ₹ 50; Rent paid to the landlord of the building ₹ 1,800; Repairing expenses of the building ₹ 500.

Question No. 2 :

P submits the following particulars of his incomes and outgoings for the year 2010-11 :

(a) Dividend received from X Co. Ltd., an Indian company, ₹4,160; interest paid on capital borrowed for the purpose of investment in such shares Rs 500;

(b) Interest on American Government Bond ₹ 15,700;

(c) Winnings from horse races ₹ 13,200; expenses incurred for the same ₹ 2,000;

(d) Income by way of owning and maintaining race horses ₹ 8,900; expenses incurred for maintaining such horses ₹ 1,200;

(e) Winning from KBC (net after deduction of tax @ 30%) ₹ 8,75,000;

(f) Rent by way of letting plant and machinery along with a building (rent of building is not separable) ₹ 18,000; rent collection charge ₹ 250; insurance premium ₹ 1,200; depreciation of buildings, plant and machinery ₹ 4,500.

Compute his income from other sources for the relevant assessment year.

Question No. 3 :

(a) Mr. M, a Government servant, died on May 11, 2009 while still being in service. In terms of the rules governing his service, his widow S is paid a family pension of ₹ 2,950 per month and dearness allowance of 30% thereof. For the assessment year 2011-12 is S assessable on the receipt and if so, under what head of income? Is she entitled to any relief or deduction on the above sum? Discuss.

(b) K, an individual, holds 8% Government of India Loan, 1997 of the face value of ₹ 2,50,000. Interest on this holding is paid on May 1 and November 1 of every year. He spends ₹ 1,000 every year by way of bank charges and commission for realizing the interest. For the assessment year 2011-12, indicate what will be the amount of interest that would be brought to tax under the Income- tax Act and under what head?

Question No. 4 :

From the following information submitted by X for the previous year 2010-11, compute his IOS :

(a) Securities held on April 1, 2010 :

	₹
▸▸ 10% tax- free Government Securities (Interest payable on 1st April each year)	80,000
▸▸ Shares in an Indian company (Purchased on August 2, 2007)	50,000

(b) During the year he received dividend from shares amounting to ₹ 7,500.

(c) He received interest from US 64 Bonds ₹ 5,200 during this year.

Question No. 5 :

From the following particulars submitted by R, compute his income from other sources for the A.Y. 2011-12 :

	₹
Director's meeting fees received from Y Ltd.	3,000
Agricultural income from land situated in India	10,000
Agricultural income from Nepal	15,000
Interest :	
a) from bank on FDR (Net after TDS @ 10%)	10,800
b) on Government securities	1,200
c) on PPF A/c	4,000
d) on NSC (VIII Issue)	3,000
Dividend from A Ltd. declared on 25-8-2010	8,000
Lottery prize received after TDS	28,000
Rent from sub-letting of a flat (rent paid to landlord for the flat is ₹ 6,000)	12,000

R spent ₹ 600 for realizing the rent. He also spent ₹ 10,000 for the purchase of lottery tickets and won the prize on only one ticket.

INCOME FROM OTHER SOURCES ~ I

Solution to Question No. 1 :

Computation of Income from other sources

Name of Assessee : K. Sharma
P.Y. : 2010-11
A.Y. : 2011-12

	₹	₹
Examiner's remuneration	3,200	
Less : Travelling expenses	150	3,050
Remuneration for acting as a paper settler		1,600
Royalty for publication of books	25,000	
Less : Expenses incurred	3,500	21,500
Winning from lottery (Gross) [7,000 x 100/100-30)		10,000
Dividend from Indian Co. [Exempt u/s 10 (34)]		--------
Rent from sub-letting of building	4,800	
Less : Rent paid to landlord & Repairing expenses (1,800 + 500)	2,300	2,500
Income from other sources		**38,650**

Solution to Question No. 2 :

Computation of Income from other sources

Name of Assessee : P
P.Y. : 2010-11
A.Y. : 2011-12

	₹	₹
Dividend from X Co. Ltd. [Exempt /s 10 (34)]		---------
Interest on American Government Bond		15,700
Winning from horse races (No deduction for expenses as per Section 58)		13,200
Income by way of owning and maintaining race horses	8,900	
Less : Expenses incurred	1,200	7,700
Winning from KBC (Gross) [8,75,000 x 100/100-30]		12,50,000
Rent from letting of building, plant and machinery	18,000	
Less : Expenses (₹ 250 + ₹ 1,200 + ₹ 4,500)	5,950	12,050
Income from other sources		**12,98,650**

Solution to Question No. 3(a) :

Computation of Income from other sources

Name of Assessee : S
P.Y. : 2010-11
A.Y. : 2011-12

Family pension received by S on the death of her husband is chargeable to tax in her hands under he head IOS.

She is entitled to deduction u/s 57 of a sum equal to @ 1/3 rd of such pension, or ₹ 15,000, whichever is less.

	₹
Pension (₹ 2,950 x 12)	35,400
D. A. (30% of ₹ 35,400)	10,620
	46,020
Less : Deduction u/s 57 (1/3rd of ₹ 46,020 or ₹ 15,000 whichever is less)	15,000
Income from other sources	**31,020**

Solution to Question No. 3(b) :

Computation of Income from other sources

Name of Assessee : K
P.Y. : 2010-11
A.Y. : 2011-12

	₹
Interest on Government of India Loan (8% of 2,50,000)	20,000
Less : Bank charges and commission	1,000
Income from other sources	**19,000**

Solution to Question No. 4 :

Computation of Income from other sources

Name of Assessee : X
P.Y. : 2010-11
A.Y. : 2011-12

	₹
Interest from 10% tax-free Govt. securities (₹ 80,000 x 10%)	8,000
Dividend from shares [exempt u/s 10 (34)]	-------
Interest from US 64 Bonds [exempt u/s 10 (35)]	-------
Income from other sources	**8,000**

Solution to Question No. 5 :

Computation of Income from other sources

Name of Assessee : R
P.Y. : 2010-11
A.Y. : 2011-12

	₹	₹
Director's meeting fees received from Y Ltd.		3,000
Agricultural income from land situated in India [Exempt u/s 10 (1)]		-------
Agricultural income from Nepal		15,000
Interest :		
a) from bank on FDR (Gross) [₹ 10,800 x 100/100-10]		12,000
b) on Government securities		1,200
c) on PPF A/c (Fully exempt)		-------
d) on NSC (VIII Issue)		3,000
Dividend from A Ltd. declared on 25-8-2009		
(Exempt u/s 10 (34) assuming A Ltd. is an Indian company)		-------
Lottery prize received after TDS (Gross) [28,000 x 100/100-30]		40,000
Rent from sub-letting	12,000	
Less : rent paid to landlord and realization expenses (6,000+600)	6,600	5,400
Income from other sources		**79,600**

INCOME FROM OTHER SOURCES ~ II

Income to include transfer of money *and or property* [Section 56(2)(vii)]

If an individual or a HUF receives, on or after 1st day of October, 2009, in any previous year, from any person or persons, a sum of money or #***property***(s), which falls under any of the five categories mentioned below, it is chargeable to income-tax under the head "income from other sources" :

Nature of gift	Condition for taxability	Whether single or all receipts are considered for limit of ₹ 50,000	Value chargeable to tax
Any sum of money	If aggregate value exceeds ₹ 50,000	All receipts	Whole of such aggregate value
Any immovable property without consideration	If stamp duty value exceeds ₹ 50,000	Single receipt	Stamp duty value
**~~Any immovable property for a consideration which is less than stamp duty value~~	~~If stamp duty value exceeds ₹ 50,000~~	~~Single receipt~~	~~Stamp duty value *Less* consideration~~
Any movable property without consideration	If FMV exceeds ₹ 50,000	All receipts	Whole of such aggregate FMV
Any movable property for a consideration which is less than FMV	If FMV exceeds ₹ 50,000	All receipts	Whole of such aggregate FMV ***Less*** consideration

In case of certain* ***immovable property *transactions like builders' contracts, where there is a time gap of few years between the booking of property and its actual registration, the price of the property generally appreciates over these intermittent years. Consequently, there may be considerable difference between the price at which the property was initially booked and the value of property at the time of possession. The provisions of Section 56(2)(vii) were attracted in respect of such transactions also. This resulted in undue hardship even in genuine cases of transfer of immovable property. In order to mitigate this hardship, transfer of immovable property for* ***inadequate consideration*** *has been removed from the scope of applicability of Section 56(2)(vii), from the date of introduction of this provision i.e., from 1st October, 2009.*

#***"property"*** means the following capital asset@ of the assessee, namely :

(i) immovable property being land or building or both;

(ii) shares and securities;

(iii) jewellery;

(iv) archaeological collections;

(v) drawings;

(vi) paintings;

(vii) sculptures;

(viii) any work of art;

(ix) ***bullion (included w.e.f. 1st June, 2010).***

@Section 56(2)(vii) 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.

Circumstances when such of money or property (s) shall not be treated as IOS :

Where any sum of money or property (s) is received :

(a) from any ***relative***; or

(b) on the occasion of the marriage of the individual; or

(c) under a will or by way of inheritance; or

(d) in contemplation of death of the payer; or

(e) from any local authority as defined in the Explanation to clause (20) of section 10; or

(f) from any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to in clause (23C) of section 10; or

(g) from any trust or institution registered under section 12AA.

the amount so received shall not be chargeable as IOS.

"relative" means :

(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 either of the parents of the individual,

(v) any lineally ascendant or descendant of the individual,

(vi) any lineally ascendant or descendant of the spouse of the individual, and

(vii) spouse of a person referred to in item (ii) to (vi) mentioned above.

Income to include transfer of *shares* in case of recipient firms and companies [Section 56(2)(viia)]

- Where a firm or a company (not being a company in which the public are substantially Interested), receives, in any previous year, from any person or persons, on or after the ***1st day of June, 2010***, any ***shares*** of a company (not being a company in which the public are substantially interested :
  - without consideration, the aggregate FMV of which exceeds ₹ 50,000, the whole of the aggregate FMV of such property;
  - for a consideration which is less than the aggregate FMV of the property by an amount exceeding fifty thousand rupees, the aggregate FMV of such property as exceeds such consideration
- **Shall be** chargeable to income-tax under the head "income from other sources"
- **Provided** that this clause shall not apply to any such property received by way of a transaction not regarded as transfer under clause (via) or clause (vic) or clause (vicb) or clause (vid) or clause (vii) of Section 47.

Notes :

1. Transfer of shares of a company without consideration or for inadequate consideration would attract the provisions of Section 56(2)(viia), if the recipient is a firm or a company. The purpose is to prevent the practice of transferring unlisted shares at prices much below their fair market value.

2. If such shares are received ***without consideration***, the aggregate fair market value on the date of transfer would be taxed as the income of the recipient firm or company, if it exceeds ₹ 50,000.

3. If such shares are received for ***inadequate consideration***, the difference between the aggregate fair market value and the consideration would be taxed as the income of the recipient firm or company, if such difference exceeds ₹ 50,000.

4. The provisions of section 56(2)(viia) would not apply in the case of transfer of shares :
   - of a company in which the public are substantially interested; or
   - to a company in which the public are substantially interested.

5. Certain transactions are exempted from the application of the provisions of this clause, namely, transactions covered under the following sections :
   - **Section 47(via)** : Transfer of shares held in an Indian company, in a scheme of amalgamation, by the amalgamating foreign company to an amalgamated foreign company.
   - **Section 47(vic)** : Transfer of shares held in an Indian company, in a scheme of demerger, by the demerged foreign company to a resulting foreign company.
   - **Section 47(vicb)** : Transfer by a shareholder, in a business reorganization, of shares held in the predecessor co-operative bank, in consideration of the allotment of shares in the successor co-operative bank.
   - **Section 47(vid)** : Transfer or issue of shares by the resulting company, in a scheme of demerger, to the shareholders of the demerged company if the transfer or issue is made in consideration of demerger of the undertaking.
   - **Section 47(vii)** : Transfer by a shareholder, in a scheme of amalgamation, of shares in the amalgamating company in consideration of allotment to him of shares in the amalgamated Indian company.

INCOME FROM OTHER SOURCES ~ II

PRACTICAL PROBLEMS

Question No. 1 :

Ms. R received the following :

(a) Gift of ₹ 5,000 on 16-5-2010 from a friend.

(b) Gift of ₹ 51,000 each received from her 4 friends on the occasion of her marriage on 21-08-2010.

(c) Gift of ₹ 1,00,000 on 22-08-2010 from her mother's sister.

(d) Gift of ₹ 60,000 on 25-08-2010 from her father's brother.

(e) Gift of ₹ 5,000 from her husband's friend on 1-09-2010.

(f) Gift of ₹ 20,000 on 15-09-2010 from her mother's friend.

(g) Gift of ₹ 20,000 on 25-09-2010 from her brother's father in law.

(h) Gift of ₹ 1,21,000 on 26-09-2010 from her husband's brother.

(i) Scholarship of ₹ 1,20,000 from a charitable institution registered under Section 12AA.

Compute IOS in the hands of Ms. R. what would be your answer if amount received in (a) above would have been ₹ 5,001 instead of ₹ 5,000.

Question No. 2 :

Discuss the tax treatment of following transactions for A.Y. 2011-12 :

A. Radha receives the following house properties from her friends without any consideration :

Date of gift	Name of friend	Location of property	Stamp duty value
01-10-2010	Nidhika	Kolkata	₹ 50,000
15-03-2011	Niharika	Mumbai	₹ 2,50,000

B. Harsh purchases a house property from Mayur for ₹ 4,00,000 on 01-10-2010. He again purchases a plot of land from Ayush for ₹ 3,00,000 on 02-10-2010. Registrar has valued house property at ₹ 4,50,000 and plot of land at ₹ 4,30,000 for stamp duty purposes.

C. Naina receives the following movable properties from her friends without any consideration :

Date of gift	Name of friend	Name of property	FMV
01-10-2010	Anjali	Painting	₹ 50,000
15-03-2011	Ankita	Shares	₹ 2,50,000

D. Noddy purchases Jewellery from Tuktuk for ₹ 4,00,000 on 01-10-2010. He again purchases a Painting from Sinchan for ₹ 3,00,000 on 02-10-2010. FMV of the Jewellery and Painting are ₹ 4,50,000 and ₹ 4,30,000 respectively.

Question No. 3 :

Mr. A, a dealer in shares, received the following without consideration during the P.Y. 2010-11 from his friend Mr. B :

1) Cash gift of ₹ 75,000 on his anniversary, 15th April, 2010.

2) Bullion, the fair market value of which was ₹ 60,000, on his birthday, 19th June, 2010.

3) A plot of land at Faridabad on 1st July, 2010, the stamp duty value of which is ₹ 5 lakh on that date. Mr. B had purchased the land in April, 2005.

Mr. A purchased from his friend C, who is also a dealer in shares, 1000 shares of X Ltd. @ ₹ 400 each on 19th June, 2010, the fair market value of which was ₹ 600 each on that date. Mr. A sold these shares in the course of his business on 23rd June, 2010.

Further, on 1st November, 2010, Mr. A took possession of property (building) booked by him two years back at ₹ 20 lakh. The stamp duty value of the property as on 1st November, 2010 is ₹ 32 lakh.

Compute the income of Mr. A chargeable under the head "Income from other sources" for A.Y. 2011-12.

Question No. 4 :

X Co. is a Partnership Firm (or is a company in which the public are not substantially interested). It gets following assets during the previous year 2010-11 :

Sl. No.	Nature of asset	Consideration paid by X Co.	FMV	Date of Transfer
1.	Fixed deposit receipts	Nil	10,00,000	July 1, 2010
2.	Shares in A Limited [a listed public company]	Nil	20,00,000	July 4, 2010
3.	Shares in B Limited [a listed public company]	10,000	5,00,000	July 6, 2010
4.	Shares in H Limited [received in case covered under Section 47(vid)]	N.A.	8,00,000	Dec 1, 2010
5.	Shares in C Limited [a closely held company]	Nil	6,00,000	May 31, 2010
6.	Shares in D Limited [a closely held company]	Nil	15,000	June 1, 2010
7.	Shares in E Limited [a closely held company]	Nil	35,000	Sept 1, 2010
8.	Shares in F Limited [a closely held company]	60,000	1,00,000	Oct 1, 2010
9.	Shares in G Limited [a closely held company]	8,000	18,000	Nov 1, 2010

Discuss the tax implication in the hands of X Co.

INCOME FROM OTHER SOURCES ~ I I

Solution to Question No. 1 :

Computation of Income from other sources

Name of Assessee : Ms. R
P. Y. : 2010-11
A. Y. : 2011-12

Particulars	₹
(a) Gift of ₹ 5,000 on 16-5-2010 from a friend (to be included)	5,000
(b) Gift of ₹ 51,000 each received from her 4 friends on the occasion of her marriage on 21-08-2010 (not taxable as received on the occasion of marriage)	--------
(c) Gift of ₹ 1,00,000 on 22-08-2010 from her mother's sister (not taxable as the donor is covered in the definition of relative)	--------
(d) Gift of ₹ 60,000 on 25-08-2010 from her father's brother (not taxable as the donor is covered in the definition of relative)	--------
(e) Gift of ₹ 5,000 from her husband's friend on 1-09-2010 (to be included)	5,000
(f) Gift of ₹ 20,000 on 15-09-2010 from her mother's friend (to be included)	20,000
(g) Gift of ₹ 20,000 on 25-09-2010 from her brother's father in law (to be included)	20,000
(h) Gift of ₹ 1,21,000 on 26-09-2010 from her husband's brother (not taxable as the donor is covered in the definition of relative)	--------
(i) Scholarship of ₹ 1,20,000 from a charitable institution registered under Section 12AA (not taxable)	--------
Income from other sources (not taxable as it exceeds ₹ 50,000)	**50,000**

If amount received in (a) above would have been ₹ 5,001 instead of ₹ 5,000 then aggregate value will become ₹ 50,001 which exceeds ₹ 50,000 and consequently Ms. R would be liable to pay tax on entire ₹ 50,001 under the head "IOS".

Solution to Question No. 2 :

A. Gift of immovable property is treated as income under Section 56(2)(vii). However if stamp duty value of an immovable property does not exceed ₹ 50,000, it is not taxable. Hence gift of house property received on 01-10-2010 is not taxable.

   Gift of immovable property received on 15-03-2011 is taxable under section 56(2)(vii) as stamp duty value of the property exceeds ₹ 50,000. ₹ 2,50,000 is fully taxable in the hands of Radha.

B. Transfer of immovable property for **inadequate consideration** has been removed from the scope of applicability of Section 56(2)(vii), from the date of introduction of this provision i.e., from 1st October, 2009. Now, Section 56(2)(vii) is applicable in case of transfer of immovable property received **without consideration.** Hence nothing is taxable in the hands of Harsh.

C. In case of movable properties the aggregate FMV of all properties received during the previous year is taken into consideration. Since aggregate FMV is ₹ 3,00,000 (₹ 50,000 + ₹ 2,50,000), entire amount of ₹ 3,00,000 is taxable in the hands of Naina.

D. Aggregate FMV is ₹ 8,80,000 (₹ 4,50,000 + ₹ 4,30,000) and aggregate consideration is ₹ 7,00,000 (₹ 4,00,000 + ₹ 3,00,000). Difference between the two is ₹ 1,80,000 which is more than ₹ 50,000. Therefore entire amount of ₹ 1,80,000 shall be taxable in the hands of the Noddy.

Solution to Question No. 3 :

Computation of "Income from other sources" of Mr. A for the A.Y.2011-12

Particulars	₹
Cash gift is taxable under Section 56(2)(vii), since it exceeds ₹ 50,000	75,000
Bullion has been included in the definition of property w.e.f. 1.6.2010. Therefore, when bullion is received without consideration after 1.6.2010, the same is taxable, since the aggregate fair market value exceeds ₹ 50,000	60,000
Stamp duty value of plot of land at Faridabad, received without consideration, is taxable under Section 56(2)(vii), since stamp duty value exceeds ₹ 50,000	5,00,000
Difference of ₹ 2 lakh [(₹ 600 - 400) x 1,000] 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. Since Mr. A is a dealer in shares and it has been mentioned that the shares were subsequently sold in the course of his business, such shares represent the stock-in-trade of Mr. A.	-------
Appreciation in the value of immovable property between the time of its booking and its actual registration is outside the scope of Section 56(2)(vii).	-------
Income from Other Sources	**6,35,000**

Solution to Question No. 4 :

Serial No. 1, 2, 3 & 4 are not covered by Section 56(2)(viia). Consequently, in these cases nothing is taxable in the hands of X Co.

Shares are received in **Serial No. 5** before June 1, 2010. Section 56(2)(viia) is not applicable.

Shares are received ***without consideration*** in case of **Serial No. 6 & 7**. Since the aggregate FMV (i.e. ₹ 15,000 + ₹ 15,000) does not exceed ₹ 50,000, nothing is taxable.

Shares are received for ***inadequate consideration*** in **Serial No. 8 & 9**. The aggregate difference between FMV and consideration paid is not more than ₹ 50,000 (i.e. (₹ 1,00,000 – ₹ 60,000) + (₹ 18,000 – ₹ 8,000)], consequently nothing would be taxable.

INCOME FROM OTHER SOURCES

Do yourself

PRACTICAL PROBLEMS

Problem No. 1 :

Mr. X has the following investments as on 1st April, 2010 :

- ₹ 24,000 7½ % Government of India Loan, 2002.
- ₹ 36,000 9% (tax-free) Debentures of Birla Jute Mills Limited (listed).
- ₹ 10,000 12% Debentures of G Limited.
- Interest on National Savings Certificate (VIII issue) due ₹ 3,860.
- ₹ 25,000 7% Rajasthan Government Loan.
- ₹ 10,000 7% Capital Investment Bonds.

The due dates of interest of all the above securities are 1st May and 1st November.

Calculate income from other sources for the assessment year 2011-12.

Problem No. 2 :

During the previous year 2010-11 Shri Gurucharan Singh had following securities :

- ₹ 54,000 10% tax-free debentures of Malwa Textile.
- ₹ 36,000 10% tax-free debentures of S Ltd. (listed on stock exchange).
- ₹ 22,000 6% relief bonds.
- ₹ 22,500 6% tax-free bonds issued by notified Public Sector Company.

The interest is paid on 31st December annually. He paid 2% commission to his bank for collection of interest.

Calculate his taxable income for the assessment year 2011-12.

Problem No. 3 :

R, a resident individual, submits the following particulars of his income for the year ended 31-3-2011 :

- Royalty from a coal mine : ₹ 20,000.
- Agricultural income in Pakistan : ₹ 15,000.
- Salary as a Member of Parliament : ₹ 36,000.
- Daily allowance as a Member of Parliament : ₹ 5,000.
- His residential house has been taken on a rent of ₹ 10,000 p.a. half of which he has sublet at ₹ 1,200 p.m.
- Dividend received from a co-operative society : ₹ 5,000.

He has incurred the following expenses :

- Paid collection charges ₹ 100 for collection of dividend.
- ₹ 3,000 spent for earning and collecting royalty income.

Compute R's income from other sources for the assessment year 2011-12.

Problem No. 4 :

R (Resident in India) received the following income as interest during the previous year 2010-11 :

- ₹ 4,000 as interest on Government Securities.
- ₹ 3,600 as interest on debentures issued by local authority.
- ₹ 8,100 as interest on debentures of Meghdoot Ltd. (not listed at any recognised stock exchange).

- ₹ 10,800 as interest on debentures of X Ltd. (listed on Delhi stock exchange).
- ₹ 4,050 as interest on tax-free debentures of Gunjan Ltd. (not listed).

Determine the income from other sources for the assessment year 2011-12 assuming that bank charges 2% on account collected.

Problem No. 5 :

Compute income under the head other sources from the following particulars furnished by Mr. R :

- 6% Tax-free Relief Bonds of Reserve Bank of India of ₹ 3,00,000.
- 6% Tax-free Railway's Bonds of ₹ 2,60,000.
- 9% Bonds of Industrial Development Bank of India of ₹ 3,50,000.
- 12% Debentures of ABC Ltd. listed on Ahmedabad Stock Exchange purchased at ₹ 96 (face value ₹ 100) ₹ 1,92,000.
- Interest received from debentures issued by X Ltd. listed on Stock Exchange ₹ 59,400.
- Interest received from debentures issued by Y Ltd. not listed on Stock Exchange ₹ 10,800.
- Dividend received from A Limited on 27-6-2010, ₹ 17,900.
- Dividend received on 5-8-2010 on shares of B Ltd. @ 50% on 1000 shares of ₹ 10 each, which were purchased at ₹ 40 per share.
- 10% dividend on preference shares of ₹ 10 each amounting to ₹ 1,50,000 paid on 31-3-2011.

Problem No. 6 :

X, resident in India, holds the following securities on April 1, 2010 :

- ₹ 86,000 7% securities of Gujarat Govt. (date of payment of interest : December 15 every year).
- ₹ 92,000 9% securities of MP Government (date of payment of interest : March 31 every year).
- ₹ 80,000 6% debentures of ABC Ltd. (date of payment of interest : July 15 every year).

On August 3, 2010 he sells ₹ 30,000 6% debentures of ABC Ltd. and invests the sale proceeds in listed debentures of PQR Ltd. During the previous year 2010-11, he receives ₹ 5,400 (net) as interest on listed debentures of PQR Ltd.

Interest on 9% MP Government securities, which has accrued on March 31, 2011, is received by X on April 15, 2011.

Calculate the taxable income of X for the assessment year 2011-12, assuming that his income from salary is ₹ 87,000. X maintains books of account on the basis of mercantile system of accounting.

Problem No. 7 :

Compute income from other sources of X from the following :

- On April 10, 2010, he gets a gift of ₹ 25,000 from his friend A.
- On May1, 2010, he gets another gift of ₹ 500 from his friend A.
- On June 1, 2010, he gets a gift of ₹ 26,000 from C, who is cousin of his father.
- On July 18, 2010, he gets a gift of ₹ 5,000 from D, who is elder brother of his grandfather.
- On July 20, 2010, he gets a gift of ₹ 41,000 from his grandmother.
- On the occasion of marriage of X, he gets ₹ 1,90,000 as gift on July 31, 2010 (out of which ₹ 1,00,000 is received from different relatives of X and M₹ X and remaining amount is received from friends of X and M₹ X).
- A computer received from his employer (it was purchased for ₹ 40,000 by the employer on May 1, 2010 and given as gift on September 20, 2010).
- On October 1, 2010, he gets ₹ 80,000 from a notified public charitable institution.
- X receives ₹ 5,40,000 on October 5, 2010 under will of a person known to him.
- On November 1, 2010, X purchases a house property from his friend for ₹ 35,000 (Stamp duty value of the property is ₹ 6 lakh).

INCOME FROM OTHER SOURCES

Do yourself

SOLUTIONS

Solution to Problem No. 1 :

Computation of income from other sources

Name of assessee : Mr. X
P.Y. : 2010-11
A.Y. : 2011-12

	₹
Interest on ₹ 24,000 7½% Government of India Loan, 2002 (₹ 24,000 x 7½%)	1,800
Interest on ₹ 36,000 9% (tax-free) Debentures of Birla Jute Mills Limited ***(Refer Note)***	3,600
Interest on ₹ 10,000 12% Debentures of G Limited (₹ 10,000 x 12%)	1,200
Interest on National Savings Certificate (VIII issue) due ₹ 3,860	3,860
Interest on ₹ 25,000 7% Rajasthan Government Loan (₹ 25,000 x 7%)	1,750
Interest on ₹ 10,000 7% Capital Investment Bonds [Exempt u/s 10 (15)]	------
Income from other sources	**12,210**

Note :

In case of ***tax-free securities***, person issuing securities agree to pay TDS on interest income itself and therefore cannot deduct any tax (i.e. TDS) from interest income given to the recipient. Therefore, Birla Jute Mills Limited shall have to pay TDS itself calculated as under :

Gross interest = Net interest x 100/(100-Rate of TDS) = (₹ 36,000 x 9%) x 100/(100-10) = ₹ 3,240 x 100/90 = ₹ 3,600/-

Therefore, the tax to be deducted by Birla Jute Mills Limited = ₹ 3,600 x 10% = ₹ 360/-

Now, Birla Jute Mills Limited shall deposit ₹ 360 as tax itself.

The gross income of Mr. X shall be ₹ 3,600/- because company will issue a TDS certificate of ₹ 360/- to him and on the basis of TDS certificate Mr. X will get credit of the same.

Solution to Problem No. 2 :

Computation of income from other sources

Name of assessee : Shri Gurucharan Singh
P.Y. : 2010-11
A.Y. : 2011-12

	₹
Interest on ₹ 56,000 10% tax-free debentures of Malwa Textile (₹ 54,000 x 10% x 100/90)	6,000
Interest on ₹ 36,000 10% tax-free debentures of S Ltd. (listed on stock exchange) (₹ 36,000 x 10% x 100/90)	4,000
Interest on ₹ 22,000 6% relief bonds [Exempt u/s 10 (15)]	------
Interest on ₹ 22,500 6% tax-free bonds issued by notified Public Sector Company [Exempt u/s 10 (15)]	------
	10,000
Less : Commission to bank @ 2% on net interest collection [2% of ₹ (54,000 x 10%) + (₹ 36,000 x 10%)]	180
Income from other sources	**9,820**

Note :

Since interest on 6% relief bonds and 6% tax-free bonds issued by Public Sector Company is fully exempt u/s 10(15), commission paid to the bank is not to be allowed as expenditure.

Solution to Problem No. 3 :

Computation of income from other sources

Name of assessee : R
P.Y. : 2010-11
A.Y. : 2011-12

		₹
Royalty from a coal mine	20,000	
Less : Expenses	3,000	17,000
Agricultural income in Pakistan		15,000
Salary as a Member of Parliament		36,000
Daily allowance as a Member of Parliament [Exempt u/s 10 (17)]		-------
Rent from sub-letting (₹ 1,200 x 12)	14,400	
Less : Rent paid to landlord (₹ 10,000 x 50%)	5,000	9,400
Dividend received from a co-operative society	5,000	
Less : Expenses	100	4,900
Income from other sources		**82,300**

Solution to Problem No. 4 :

Computation of income from other sources

Name of assessee : R
P.Y. : 2010-11
A.Y. : 2011-12

	₹
Interest on Government Securities	4,000
Interest on debentures issued by local authority (₹ 3,600 x 100/90)	4,000
Interest on debentures of Meghdoot Ltd (unlisted) (₹ 8,100 x 100/90)	9,000
Interest on debentures of X Ltd. (listed on Delhi stock exchange) (₹ 10,800 x 100/90)	12,000
Interest on tax-free debentures of Gunjan Ltd. (not listed) (₹ 4,050 x 100/90)	4,500
	33,500
Less : Collection charges [2% of ₹ (4,000 + 3,600 + 8,100 + 10,800 + 4,050)]	611
Income from other sources	**32,889**

Solution to Problem No. 5 :

Computation of income from other sources

Name of assessee : R
P.Y. : 2010-11
A.Y. : 2011-12

	₹
Interest on 6% Tax-free Relief Bonds of Reserve Bank of India [Exempt u/s 10 (15)]	-------
Interest on 6% Tax-free Railway's Bonds [Exempt u/s 10 (15)]	-------
Interest on 9% Bonds of Industrial Development Bank of India (₹ 3,50,000 x 9%)	31,500
Interest on 12% Debentures of ABC Ltd. (₹ 1,92,000/96 x ₹ 100 x 12%)	24,000
Interest received from debentures issued by X Ltd. (₹ 59,400 x 100/90)	66,000
Interest received from debentures issued by Y Ltd. (₹ 10,800 x 100/90)	12,000
Dividend received from A Limited [Exempt u/s 10 (34)]	-------
Dividend received on shares of B Ltd. [Exempt u/s 10 (34)]	-------
10% dividend on preference shares [Exempt u/s 10 (34)]	-------
Income from other sources	**1,33,500**

Solution to Problem No. 6 :

Computation of taxable income

Name of assessee : X
P.Y. : 2010-11
A.Y. : 2011-12

		₹
A. Income from Salaries		87,000
B. Income from other sources :		
Interest on 7% securities of Gujarat Government (₹ 86,000 x 7%)	6,020	
Accrued Interest on 9% securities of MP Government (₹ 92,000 x 9%)	8,280	
Interest on 6% debentures of ABC Ltd. (₹ 80,000 x 6%)	4,800	
Interest on listed debentures on PQR Ltd. (₹ 5,400 x 100/90)	6,000	25,100
Gross total income		1,12,100
Less : Deductions u/s 80C to 80U		Nil
Taxable income		1,12,100

Solution to Problem No. 7 :

Computation of income from other sources

Name of assessee : X
P.Y. : 2010-11
A.Y. : 2011-12

	₹
Gift of ₹ 25,000 from friend A	25,000
Gift of ₹ 500 from friend A	500
Gift of ₹ 26,000 from C	26,000
Gift of ₹ 5,000 from D	5,000
Gift of ₹ 41,000 from grandmother	------
Gift of ₹ 1,90,000 on the occasion of marriage	------
Gift of computer from employer (Taxable under the head "Salaries")	------
Gift of ₹ 80,000 from a notified public charitable institution	------
Gift of ₹ 5,40,000 under will	------
Purchase of house property for inadequate consideration	------
Income from other sources	**56,500**