

LEC # 11 DATE: 16/03/2015.

## INCOME FROM OTHER SOURCES.

Income of every kind, not exempt from Income-Tax Act and does not fall under any other head, is taxed under this.

### Dividends:

Final - tax declared

Interim - made available irrevocably.

Deemed - Time of payment.

- Final dividend taxable when declared.
- Interim is taxable when made available irrevocably [Decision cannot be reversed, revoked or nullify]
- Deemed dividend taxable when paid [Deemed are certain kind of loan].

### Exempt u/s 10(34)

- 1) Domestic Companies.
- 2) UTI
- 3) Mutual Funds

### Taxable.

- 1) Foreign companies.
- 2) Deemed dividends

2) Winning from Lotteries etc.

Taxable Amount → 30% + SC + CESS.

Eg:- 10,000 → Lottery.

Less: 3,000 → TDS.

7,000 → Net.

No deduction for expense.

Cost of lottery ticket cannot be exempt for deduction.

3) Interest on Securities - Debentures, Bonds, F.D.'s, P.O. etc.

4) Rent on Building [ You are not the owner and getting rent from that property ]

5) Rent on Plant, Machinery and Furniture [ if not in business and given on rent ]

5) Gifts [ Important ]

Total gifts exceeding 50,000 will be taxable in entire F.Y.

Relative : Spouse, Brother/Sister, Brother/Sister of spouse, brother/sister of either of parents, any lineal ascendant or descendant of the individual or of spouse

Immovable property as gift :- Stamp duty value.

Movable property : Specified movable property, Specified share/securities, Jewellery, Drawings & Paintings, works of art, archeological collections etc.

FIR of Jewellery →	1,00,000	1,00,000
Payment	25000	75,000
Gift	75000	75,000
	Taxable	N/A

Shares of closely held companies.

Eg:-  $100 + 20 = 120$

1000 shares.

$\therefore 1,20,000$

$1,00,000 \rightarrow \text{FMV}$

20,000

$\therefore$  Not Taxable.

120000

50000

70,000

Fully Taxable.

6) Interest on Compensation/Enhanced Compensation:

$\rightarrow$  House with Garden, municipality wants the garden for construction of road, and they pay compensation. Interest on compensation will be taxed under this head, and compensation amount goes in income from House Property.

Less: Deduction 50% of Interest.

Q. 1)

Particulars	Cash	Specified movable	Specified movable [Inadequate consideration]	Immovable [gift]	Immovable [Inadequate consideration]
-------------	------	-------------------	--	------------------	--------------------------------------

a. [Exempt occasion of marriage]

b. 23,000  
[Cousin of father not a relative]



c.	15,000				
	[Brother of Grandfather not a Relative]				
d.	-				
	[Exempt → Relative]				
e.					
	[Exempt → not a specified movable asset]				
f.					9,35,000
g.	-				
	[Exempt → Relative]				
h.				2,50,000	
	[Brother of father - in law not a Relative]				
i.					
	[Exempt → charitable institute]				
j.					
	[Exempt → Will]				
k.					
	[Exempt → not a specified movable asset]				
l.				10,000	
m.					
	[Paid more than Stamp Duty Value; consideration is more than SDV ∴ Not Taxable]				

n.		11,000		
o.	[Any gift from partnership firm - Taxable; Don't look at Relative]			1,90,000
p.	[ $210 \times 500$ - 360-90]		1,05,000	
q.	[Cousin of mother-in-law not a Relative]	20,000		
r.		19,000		
s.	[Exempt - immovable not exceeding 50,000] [Each item - 50,000]			
t.	[Exempt $\rightarrow$ same as s]			
Total	<u>38,000</u>	<u>50,000</u>	<u>2,05,000</u>	<u>4,40,000</u> 9,31
Limits	50,000	50,000	50,000	at each sta



Notes:

1. Cash gift not taxable as total of cash doesn't exceed 50,000.
2. Movable gift not taxable since total doesn't exceed 50,000
3. Entire amount of 2,05,000/- taxable since it exceeds 50,000
4. Since, individual immovable consideration gift received for no consideration exceeds Rs. 50,000 for each item hence entire 4,40,000 [190000 + 250000] is taxable.
5. For inadequate consideration, the item with amount greater than 50,000 is taxable. Hence, check at each stage.

LECTURE # 12

DATE: 22/09/2015.

<u>Q.2)</u> Income from Other Sources.	Amount	Amount.
Director's Fees		10,000
Interest on Bank Deposits		3000
Income from undisclosed source		12000
Winning from Lotteries [Gross]		50,000
Royalty on Book	9000	
Less: Expenses for typing manuscript	1000	8000
Lectures in Seminars		5000
Interest on loan given to relative		7000
Interest on Debentures		4000
Interest on Post Office S.B. A/c	500	
Less: Exempt u/s 10(15)	500	-

Interest on Govt. Securities	2200
Interest on Monthly Income scheme of Po	33000
	<u>13420</u>

Working Notes:

Winning from lotteries (Net) = 35,000  
 $\therefore 35,000 = 70\%$        $\therefore 35000 \times 100 / 70$   
 $50,000 = 100\%$   
 $\therefore$  Winning from lotteries (Gross) = 50,000/-

Note:

Interest on Post office Saving Bank a/c	= 20,000
Less: Exemption u/s 10(15)	<u>3500</u>
	16,500
Less: Deductions under chapter VIA Sec. 80TTA	<u>10,000</u>
	<u>6500</u>

Post office Saving Bank A/c

Exempt:  
 for single holder  $\rightarrow$  3500  
 for Joint A/c  $\rightarrow$  7000

Exempt not applicable for any other post office a/c.



Q.3)

- 1) Cash Gift → 51,000
- 2) Exempt → Gift from Relative.
- 3) Exempt → NOT a specified movable asset.

∴ Total Income from Other sources → 51,000

Note: Cash gift total exceeds Rs. 50,000 and  
∴ 51,000 is taxable.

Q.4)

Interest Received	5,00,000
Less: Deduction @ 50%	<u>2,50,000</u>
	<u>2,50,000</u>

Note :-

Interest approved is not taxable, only received in financial year is taxable in that financial year

On Interest, only 50% deduction is allowed. No other deduction is allowed. ∴ Legal expenses to receive interest is not considered for deduction.

Q.5)

Dividends - Exempt U/s 10(34)		-
Interest on FD with Bank		2000
Winning from <del>lotteries</del> Horse Race		10,000
Family Pension Recd.	48000	
Less: Deduction (WN-1)	<u>15000</u>	<u>33000</u>
Total		<u>45000</u>



Working Notes:

- 1) Deduction for Family Pension.  
 a)  $\frac{1}{3}$  of amount received = 16,000  
 b) Standard amount = 15,000  
 whichever is lower.

Q. 67

	Amount	Amo.
Income from Salaries.		1440
Income from Other Sources [IOS]		
Honorarium	8400	
Less: Expenses @ 20%	1680	6720
Dividends - Exempt u/s 10(34)	-	
Dividends - UTI - Exempt u/s 10(35)	-	
Interest on Saving Bank A/c	100	
" " Fixed Deposit	420	
Tuition Fees	30,000	
Less: Conveyance	6000	31240
Gross Total Income		17524
Less:		
Deductions under Chapter VI A.		
Sec. 80TTA		100
		<u>17514</u>

## Working Notes :

Bank collection charges not allowable as a deduction as Dividends are not taxable.

\* Note:-

Interest from Bank

Saving A/c → 100

FD → 420

520.

∴ Interest on Saving Bank A/c (Rs. 100/-) is allowed as a deduction under Chapter VIA Sec. 80TTA.

## Exemptions:-

Sec. 10(1) - Agricultural Income.

In India

a) Rented / Renting agricultural land.

b) Cultivation.

c) Nurseries.

d) Farm Building [Rent / layout]

Sec. 10(2) - Share of HUF Income.

Total Income of HUF → 5,00,000

Tax 1,75,000 - HUF

325000

Income of A

1,62,500

Income of B

1,62,500

∴ No Tax for A & B as HUF already pays tax.

Sec. 10 (2A) - Share of profit from partnership & [Same as HUF].

Sec. 10 (10D) - Life Insurance Policies.

Any amount received after maturity or prem.  
Exception :-

- Keyman Insurance.
- Policy taken for handicapped dependant predecease assessee
- Insurance premium for any year
  - 10% of sum assured.
  - 15% for handicapped.

Sum Assured → 2,00,000

Premium

1	10,000	x
2	15,000	x
3	16,000	x
4	20,000	✓

So entire amount is fully taxable.

If premium till year 3 then not taxable means all premium must be less than 20,000.

Sec. 10 (11) - Provident Fund.

Fully exempt.

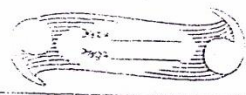
Sec. 10 (16) - Scholarships.

To pursue Education → Fully exempt.

Sec. 10 (17) - Allowance to MPs

- Fully Exempt.





Sec. 10(32) - Income of Minor.

Exempt - Earning by minor's manual work. (work & ec)

Eg :: Painter

Actor

Exemption (For parent) Rs. 1500 per child

[No restriction on no. of children]

	Dividends	Capital Gains
Shares	10(34)	10(38) - STI Paid
Mutual Funds	10(35)	10(38) - EoMF
UTI	10(35)	10(33)

Sec. 10(15) - Interest.

Interest on Post office Saving Bank A/c.

For Single holder → 3500/-

For Joint A/c holder → 7000/-