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CA SACHIN GUPTA

**Triple
Dhamaka
Session - 4**

**OTHER
SOURCES**

All India Rank Holder & Winner of Best Tax Faculty Award

ABOUT CA SACHIN GUPTA

1. He is a **Fellow Member of ICAI** having teaching experience of more 15 years.
2. He is also a **Rank Holder** in CA exams.
3. He is **Visiting faculty** of **Various Professional Institutes** like ICAI&ICSI
4. He has Taught over 30,000 students all across India.
5. He is Winner of **Best Tax Faculty Award**.
6. He is Engaged with various **Professional Institutes** for **content/study material generation**.
7. He had been engaged with **Income Tax Department** for Training of Income Tax personnel.
8. His Students have scored **All India Merit Ranks** & have been amongst **All India Toppers**.
9. He has **Contributed various Articles** for Professional Journals and **delivered lectures** at various forums.



CA SACHIN GUPTA
Tax Helpline : 9354-11-78-01
Website : www.taxbysg.com
Email : taxbysg@gmail.com

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CHAPTER - 7
INCOME UNDER THE
HEAD OTHER SOURCES

Sections covered in this chapter

Sec 56(1)	General Charging Section
Sec 56(2)	Specific Charging Section
Sec 145	Method of accounting
Sec 2(22)	Deemed dividend
Sec 115R	Dividend Tax by Mutual funds
Sec 115BB	Rate of Tax on lottery Incomes
Sec 194B	TDS on Lottery ,etc
Sec 115BB	TDS on horse races
Sec 2(22B)	Interest on security
Sec 193	TDS on interest on Security
Sec 194A	TDS on interest other than interest on Security
Sec 10(15)	Interest exempt from Tax
Sec 57	Deductible expenses from I/O/S
Sec 58	Non Deductible expenses from I/O/S

Sec. 56(1) : GENERAL SECTION

- ❖ Income **Not Excluded** from Total Income & **Not chargeable** to tax under **other 4 heads**
- ❖ chargeable under **I/O/S**

Sec. 56(2): SPECIFIC CHARGING SECTION**Following Incomes SHALL BE chargeable under I/O/S**

1. **Dividend** Income
2. Winnings from **Lotteries**, cross word puzzles , card games etc(**casual incomes**).
3. Interest on **Securities** ,*if not under P/G/B/P*
4. **letting of P&M/Furniture**, *if not under P/G/B/P*
5. Composite **letting of BUILDING** with P&M/Furniture, which is inseparable,*if not under P/G/B/P*
6. Sum under **Keyman Insurance Policy**, *if not chargeable under salary or P/G/B/P*
7. **Gifts** received by **Any Person**
8. **Interest received on compensation** or on enhanced compensation
9. **Advance money forfeited on capital asset w.e.f 1/4/2014**
10. **Share premium in excess of fair market value received by Closely Held Company.**
11. **Compensation/other payment**, due/received for termination of employment /modification of terms & conditions relating thereto.

Method of Accounting : Sec. 145 : Profits is calculated on Cash or Mercantile basis regularly employed

Taxation of Dividend Received in hands of company

As per Sec 1150 ,Domestic company was liable to pay CDT on dividend Actual or Deemed.

However this section is not applicable wef 1/4/2021 [FA,2020]

Taxability of dividend in hand of shareholder

Dividend from domestic company will now will be taxable in hands of shareholder.

Domestic company Sec 2(22A):

Indian company or foreign company made arrangement for distribution of dividend in India

Special Points :

1. Dividend includes actual dividend & deemed dividend u/s. 2(22) (a), (b), (c), (d) & (e)
2. Dividend includes both **Interim** & **final** dividend.
3. **Sec 57 : Deduction of** Commission/remuneration for realising taxable dividend.

Sec. 2(22): Dividend Includes

Distribution by a Company to shareholders				
Sec. 2(22)(a)	Sec. 2(22)(b)		Sec.2(22)(c)	Sec. 2(22)(d)
All or part of its Assets	Debentures, deposit certificate	Bonus shares	money/ asset on liquidation	Money / Asset on Reduction of capital

Sec. 2(22)(e) : Taxable in hands of receiver

Closely held Company Gives loan or Advance TO

- ❖ Specified Shareholder (atleast 10% equity shares)
- ❖ CONCERN in which specified shareholder is partner/member & has SI
- ❖ Any person on behalf of specified shareholder

Special Points: Substantial Interest means: at least 20% income/ equity shares (any time)

Sec 2(18) : Company in which the public are substantially interested (Widely held company)

A company is said to be a company in which the public are substantially interested if

- a. owned by Government or RBI or
- b. Its atleast 40% shares are held by Government or RBI or
- c. company registered u/s 25 of Companies Act or
- d. company whose principal business is to accept deposits from its members or
- e. company in which atleast 50% equity shares were throughout P/Y held by co-operative societies

A company not covered under above categories is a closely held company

Taxation of Dividend received from Mutual funds including UTI:

As per Sec 115R ,Domestic mutual funds were liable to pay Distribution Tax on Income distributed to unitholders. However this section is not applicable wef 1/4/2021 [FA,2020]

Therefore Income received by unit holders on Mutual fund units will now will be taxable in hands of unitholders.

Sec 57 : No deduction shall be allowed from dividend income, or income of units of Mutual Fund other than deduction on account of interest expense, and

Such deduction shall not exceed 20% of dividend income, or income from units.

115QA : Tax payable by company on Buy back

Domestic company shall pay tax on distributed income on buy-back of shares (not being shares listed on a recognised stock exchange)

Special point :

(i) Buy-Back means purchase by company of its own shares

(ii) Distributed income" means consideration paid by company on buy-back of shares less amount received by company for issue of such shares.

(iii) Sec 10(34A) : Any income arising to shareholder due to buy back of shares by company u/s 115QA is exempt

(B) : Winning from Lottery,Crossword Puzzle, Races incl horse race,Card game/othergame,Gambling/betting**Sec. 115BB: Tax on above @ 30%**

	TDS	Sec 194B	Sec 194BB
1.	Payment	Lottery, Crossword Puzzle, Card /Other game	Horse Races
2.	Rate of TDS	30% (Sec 115BB)	30% (Sec 115BB)
3.	Limit	Aggregate > ₹10,000 in P/Y	Aggregate > ₹10,000 in P/Y

Special Points :

(a) Deduction u/s 80C to 80 U will not be available from such Incomes.

(b) Sec. 58: No deduction for any Expenditure or Allowance from such incomes

Amount to be included in Total Income is Gross amount and not Net amount received after TDS

$$\text{Gross Amount to be included in Total Income} = \frac{\text{Net Amount Received after TDS} \times 100}{100 - \text{TDS rate}}$$

(C) Interest on Securities : Interest on Securities is covered Under I/O/S if not under PGBP**Sec. 10(15) : Interest Exempt from Tax**

1. Post office Saving Bank account upto 3500/upto 7000 in joint account
2. Post office Time deposit
3. Special Bearer Bonds
4. Notified Capital Investment Bond
5. Notified Relief Bonds, 2003.
6. Notified Bond/Debenture of **Public Sector Companies**.
7. Bonds of **Local Authority**, i.e. Municipal Bonds.
8. Interest on **Gold Deposit Bonds** issued under Gold Deposit scheme 1999.
9. **Interest to non-resident by unit located in International Financial Services Centre in respect of monies lent by it**

Sec. 193: TDS on Interest on Securities

1.	Type of Payment	Interest on Securities
2.	Rate of TDS	10%
3.	No TDS in following cases	1. securities of Central or State Government 2. Listed securities in Demat form 3. Interest payable to Resident Individual/HUF on debenture of company in which the public are substantially interested, if (a) Aggregate interest during P/Y is upto 5,000 (b) Interest is paid by account payee cheque

Special Point :**1. Amount to be included in Total Income is Gross amount & not Net amount received after TDS**

$$\text{Gross Amount} = \frac{\text{Net Amount Received after TDS} \times 100}{100 - \text{TDS rate}}$$

Bond Washing Transactions : Sec 94(1)

- ✓ If **owner of security** (Transferor)
- ✓ **Sells** security before record date &
- ✓ **Acquires** the same after record date
- ✓ Interest received by transferee
- ✓ **Deemed** as Income of transferor

However Deeming provisions of sec 94(1) is not applicable if

1. If there is **no avoidance** of Income tax or
2. Avoidance of tax was **exceptional & not systematic** & no avoidance during last **three preceding P/Y**

Sec. 194A: TDS on Interest other than "Interest on Securities"

1.	Type of Payment	Interest other than Interest on Securities
2.	Rate of TDS	10%
3.	No TDS in following cases	1. Interest by firm to a partner 2. Interest by coop. society (Other than coop bank) to member 3. Interest by bank on saving account/recurring account
4.	Exemption Limit	Payer Bank/Post office : Interest upto ₹40,000 in P/Y Other Payer : Aggregate upto ₹ 5,000 in P/Y For Deposit of senior citizen : Limit is Rs.50,000

(D) Income from letting of machinery, plant or furniture belonging to assessee

If P&M etc. is **NOT** let out as part of business than income from such hire will be taxable I/O/S
If letting is as part of his business activity than under P/G/B/P

(E) Income from composite letting of machinery, plant furniture and buildings

If letting of building is **inseparable** from letting of P&M etc. & letting is **NOT** a part of business activity, than income arising from such letting will be taxable I/O/S
If letting is as part of his business activity than under P/G/B/P

Deduction from Composite letting of building or Plant or Machinery / Furniture (Sec 57)

- ❖ Revenue Repair & Insurance to premises, machinery, plant or furniture.
- ❖ Depreciation on such building ,machinery, Plant or furniture
- ❖ Other revenue expenditure

(F) Sum received under Keyman insurance policy including Bonus

is taxable as I/O/S provided not chargeable under head salary or P/G/B/P

(G) Sum/Property received by any person as Gifts**A. Taxation of Monetary Gifts**

- ☐ In excess of ₹50,000 in P/Y **other than special circumstances**
- ☐ **100%** of such sum
- ☐ Shall be included in **income of receiver** under head I/O/S

B. Taxation of Property as Gift /Inadequate consideration other than special circumstances

Property means : Immovable property , Shares and securities , Jewellery, Bullion, Archaeological collections ,Drawings , Paintings , Sculptures , Any work of art

TAX BY SG

SMART NOTES OF INCOME TAX

Transfer	Immovable property	IOS of receiver	Movable property	IOS of receiver
Gift	<i>SDV upto 50,000</i>	Exempt	<i>FMV upto 50,000</i>	Exempt
	<i>SDV > 50,000</i>	SDV	<i>FMV > 50,000</i>	FMV
For Consideration	<i>Consideration < SDV And difference is higher of 50,000 or 10 % of consideration</i>	SDV - Consideration	<i>Consideration < SDV And difference is more than 50,000</i>	FMV - Consideration

Sec 49(4) : If Kind gift taxable in hands of receiver, Stamp value/FMV deemed as Cost of Acquisition

SPECIAL CIRCUMSTANCES

1. Sum of Money/Property received from following will not be included in Income

1. From **RELATIVE**
2. On **Marriage** of Individual.
3. Under **will** or **inheritance**.
4. Received in **contemplation of death** of payer/donor
5. From registered **Trust , Local authority**
6. From any university /educational institution/hospital/trust/institution u/s 10(23C)
7. From such class of persons and subject to such conditions, as may be prescribed.

2. RELATIVE means

- Members in case of HUF

- In case of individual as follows

- (a) Spouse , Brother or Sister
- (b) Brother or sister of spouse
- (c) Brother or sister of either of the parents
- (d) Any lineal ascendant or descendant of Individual or spouse
- (e) Spouse of the above persons
- (f) Members of HUF

(H) : Interest received on Compensation or Enhanced Compensation due to compulsory acquisition of capital asset shall be deemed to be the income of the previous year in which it is received.

Sec 57 : Deduction of 50% from such Interest shall be allowed.

(i) : Advance money forfeited on capital asset on or after 1/4/2014 is taxable under I/O/S

(J) : Share premium in excess of fair market value to be treated as income of Closely Held Company

- *Where a company, not being a company in which the public are substantially interested,*
- *Receives, From a resident*
- *Any consideration for issue of shares that exceeds*
- *Face value of such shares*
- *Excess of aggregate consideration received for such shares over FMV of shares*
- *Shall be treated as income*

Sec 57 : Other Deductions available from I/O/S

Sec 57 : Deduction against family pension

33.33 % of Pension **OR** ₹. 15,000/- whichever is less

If assessee is covered u/s 115BAC then deduction of family pension shall not be allowed. [FA,2020]

However following pension are exempt from tax

10(18)	Pension received by Individual or Family Pension by family member <i>if</i> Individual has been in service of C/S Govt. & awarded Vir Chakra /Mahavir Chakra /Param Vir Chakra/other notified gallantry awards.
10(19)	Family pension received by widow /children/ heir on death of member of armed forces during duty

Sec 57 : Any other Revenue expenditure exclusively for purpose of earning such income.

Misl provisions :

Sec 115BBF : Tax on income from Patent

- (1) Royalty income from patent developed & registered in India : Tax rate @ 10%.
- (2) **No deduction of any expenditure or allowance** shall be allowed
- (3) The eligible assessee (RESIDENT + FIRST TIEM INVENTOR + NAME UNDER PATENT ACT) **may exercise option for taxation** u/s 115BBF upto DDR for relevant P/Y.
- (4) Where eligible assessee opts for this section for any p/y & offers income for taxation for any of 5 subsequent p/y succeeding p/y not u/s 115BBF, then, assessee shall not be eligible to claim benefit of of this section for 5 p/y subsequent to p/y which such income has not been offered to tax in accordance with above provisions

Sec 115 BBG. : Transfer of Carbon Credit

(1) Income by way of transfer of carbon credits : Tax Rate @ 10%

(2) **No deduction** of any expenditure or allowance shall be allowed.

Special point : Carbon credit in respect of one unit shall mean reduction of one tonne of carbon dioxide emissions or emissions of its equivalent gases which is **validated by UN Framework on Climate Change and which can be traded in market at its prevailing market price.**

MULTIPLE CHOICE QUESTIONS

- (1) Income of every kind, which is not to be excluded from the total income under this Act and not charged to income-tax under any of the other four heads, shall be chargeable to income-tax under the head _____ -
- (a) Income from salaries (b) Income from House Property
(c) Profits and gains from business and profession (d) Income from Other Sources
- (2) Which is the charging section for income chargeable under the head Income from other sources?
- (a) Section 15 (b) Section 28
(c) Section 22 (d) Section 56
- (3) John, engaged in fertiliser trade received rent by sub-letting a building. This will be taxable under the head -
- (a) Income from house property (b) Income from capital gains
(c) Income from profits & gains of business & profession (d) Income from other sources.
- (4) Under the Income-tax Act, 1961, dividend derived from the shares held as stock-in-trade are taxable under head -
- (a) Income from other sources (b) PGBP
(c) Capital gains (d) Either capital gains or PGBP.
- (5) Which of the following incomes are chargeable under the head 'Income from other sources'?
- (a) Dividends (b) Winnings from lotteries
(c) Betting (d) All of these
- (6) Agriculture income received from outside India will be -
- (a) Taxable under the head Profit and Gains of Business or Profession (b) Taxable under the head Income from othersources
(c) Exempt from tax (d) None of these
- (7) Ram was dealing in the business of lotteries. He himself won a lottery. Income earned from such lottery will be
- (a) Taxable under the head Profit and Gains of Business or Profession (b) Taxable under the head Income from other sources
(c) Exempt (d) None of these
- (8) Salary paid to a member of parliament will be –
- (a) Taxable under the head Profit and Gains of Business or Profession (b) Taxable under the head Income from other sources
(c) Exempt (d) None of these
- (9) Any sum of money received as an advance or otherwise in the course of negotiations for transfer of a capital asset is forfeited and the negotiations do not result in transfer of such capital asset will be taxable under the head -
- (a) Profit and Gains of Business or Profession (b) Income from other sources
(c) Capital gains (d) Income from house property
- (10) Arun entered into an agreement with Brij for sale of a building for ₹ 20 lakh in June; 2020. Arun received advance of ₹ 2 lakh. Subsequently, the agreement was cancelled and Arun forfeited the advance money. The advance money is -
- (a) To be reduced from the cost of acquisition (b) To be reduced from indexed cost of acquisition
(c) Taxable as capital gains (d) Taxable as income under the head 'income from other sources
- (11) Ram received ₹ 7lakh by way of enhanced compensation in March, 2021. A further sum of ₹ 2lakh decreed by the court is due but not received till 31st March, 2021. The amount of income chargeable to tax for A/Y 2021-22 would be -----
- (a) ₹ 3,50,000 (b) ₹ 7,00,000
(c) ₹ 9,00,000 (d) ₹ 4,50,000

TAX BY SG**MCQ OTHER SOURCE**

- (12) Shashi received ₹10,000 as directors fee from a company. This amount will be taxable under the head _____
- (a) Profit and Gains of Business or Profession (b) Income from other sources
(c) Exempt (d) None of these
- (13) An assessee earned interest on post office savings bank account : ₹6,000. Such sum shall be taxable under the head:
- (a) Salaries (b) Profit & Gains of Business & Profession
(c) Capital Gains (d) Income from Other Sources
- (14) Ram owned a machinery. He let it on hire to Raghav for ₹2,40,000 p.a. Such amount shall be taxable under head:
- (a) Income from other sources (b) Income from house property
(c) Income from Business and profession (d) Any of the above
- (15) Income from letting on hire of plant, machinery or furniture is chargeable under the head -
- (a) Income from other sources. (b) Profits and gains of Business or Profession.
(c) Capital Gains. (d) Either (a) or (b)
- (16) Under which head income from letting on hire of machinery etc. will be taxed if the same is not chargeable under the head 'Profits and gains of Business and Profession'
- (a) Income from Other Sources. (b) Salaries
(c) Capital Gains (d) Income from House Property
- (17) Income earned by an assessee from letting on hire machinery, plant or furniture belonging to him and also buildings, and where letting of buildings is inseparable from the letting of the said machinery, plant or furniture shall be taxable under the head:
- (a) Income from other sources (b) Income from house property
(c) Income from Business and profession (d) Any of the above
- (18) Any sum received by employer from employees as contribution to certain funds is taxable under the head:
- (a) Salaries (b) Profit & Gains of Business & Profession
(c) Capital Gains (d) Income from Other Sources

DIVIDEND, DEEMED DIVIDEND AND ITS TAXABILITY

- (19) Amount paid to or received by a shareholder in proportion to its shareholding in a company out of the total sum so distributed is known as:
- (a) Share (b) Dividend
(c) Bonus (d) Profit
- (20) The date fixed by a company for entitlement of dividend or by a mutual fund administration/ specified company for entitlement of dividend or bonus units is known as :
- (a) Due date (b) Record date
(c) Expiry date (d) None of these
- (21) Rashmi held 1,000, 12% Preference shares of ₹100 each in Rose Ltd. Dividend was received by her on 25th March, 2021. Calculate the amount chargeable to tax.
- (a) Exempt (b) ₹12,000
(c) ₹120 (d) None of the above
- (22) Deemed dividends as given in Section 2(22), which provides" dividend" includes _
- (a) Distribution of accumulated profits, entailing release of assets by the company to its shareholders. (b) Distribution of debentures/ deposit-certificates to shareholders or bonus shares to preference shareholders to an extent to which the company possesses accumulated profits.

- (c) Distribution to shareholders on liquidation to the extent to which the distribution is attributable to the accumulated profits of the company immediately before its liquidation. (d) All of the above.
- (23) Which of the following distributions by a company to its shareholders are not considered as deemed dividends?
 (a) Debentures (b) Debenture Stock
 (c) Shares issued for full cash consideration (d) Bonus shares
- (24) A private limited company engaged in manufacturing activity had general reserve of ₹ 20 lakh. It granted a loan of ₹ 5 lakh to a director who held 13% shareholding cum voting rights in the company. The said loan was re-paid by him before the end of the year. The amount of deemed dividend arising out of the above transaction is -
 (a) ₹ 2,60,000 (b) ₹ 2,40,000
 (c) ₹ 5,00,000 (d) Nil.
- (25) Mr. X resident individual 45 years of age gives the following information pertaining to the assessment year 2021-22 :
- | Particulars | ₹ |
|--|-----------|
| Dividend from shares of Indian company | 12,50,000 |
| Expenses incurred on collecting such dividends | 12,500 |
- Determine the amount of Total Income and tax liability for the assessment year 2021-22 assuming not covered u/s 115BAC
- (a) ₹ 1,95,000 (b) ₹ Nil
 (c) ₹ 26,000 (d) ₹ 1,30,000
- (26) X Ltd. reduced its share capital and for that distributed to its shareholders an amount of ₹ 55,00,000. The company possessed accumulated profits of ₹ 35,00,000 as on the date of distribution. What shall be the amount to be assessed as deemed dividend?
 (a) ₹ 55,00,000 (b) ₹ 35,00,000
 (c) ₹ 20,00,000 (d) NIL
- (27) ABC Pvt. Ltd. gave a loan of ₹ 5,00,000 to its shareholder. The shareholder was the beneficial owner of equity shares of the company as he held 14% of the voting power of the Company. The company possessed accumulated profits of ₹ 3,00,000 as on the date of advancement of loan. What shall be the amount to be assessed as deemed dividend?
 (a) ₹ 5,00,000 (b) ₹ 3,00,000
 (c) ₹ 2,00,000 (d) Nil
- (28) ABC Ltd. gave a loan of ₹ 9,00,000 to its shareholder. The shareholder was the beneficial owner of equity shares of the company as he held 12% of the voting power of the Company. The company possessed accumulated profits of ₹ 1,00,000 as on the date of advancement of loan. What shall be the amount to be assessed as deemed dividend?
 (a) ₹ 9,00,000 (b) ₹ 1,00,000
 (c) ₹ 8,00,000 (d) NIL
- (29) As per section 2(22)(e), loan/ advances given by a closely held company to a concern in which its shareholder has substantial interest, then to the extent of accumulated profits held by the private company (capitalised accumulated profits not included), it shall be considered as deemed dividend . A person is deemed to have a substantial interest:
 (a) If he holds 20% of voting power (equity shares) in the company; (b) If he is beneficially entitled to 20% or more of the income of such concern.
 (c) Either (a) or (b) (d) None of these.
- (30) ABC Pvt. Ltd. gave a loan of ₹ 9,00,000 to PQR & Co. 'C', a shareholder of ABC Pvt. Ltd. was holding 20% of the voting power (equity shares) in the concern PQR & Co. The company possessed accumulated profits of ₹ 5,20,000 as on the date of advancement of loan to the PQR & Co. What shall be the amount to be assessed as deemed dividend ?

- (a) ₹ 3,80,000 (b) ₹ 9,00,000
(c) ₹ 5,20,000 (d) Nil
- (31) ABC Pvt. Ltd. gave a loan of ₹ 9,00,000 to PQR & Co. The company possess nil accumulated profits as on the date of advancement of loan to PQR & Co., then what shall be the amount to be assesseed as deemed dividend ?
- (a) ₹ 3,80,000 (b) ₹ 9,00,000
(c) ₹ 5,20,000 (d) Nil
- (32) ABC Pvt. Ltd. gave a loan of ₹ 9,00,000 to PQR & Co. The company possess accumulated profits of ₹ 11,00,000 as on the date of advancement of loan to PQR & Co., then what shall be the amount to be assesseed as deemed dividend?
- (a) ₹ 3,80,000 (b) ₹ 9,00,000
(c) ₹ 5,20,000 (d) Nil
- (33) Dividend received from a foreign company (net) ₹ 8,000. Nothing has been paid to the Government of India out of tax deducted at source. Calculate the amount to be included while computing income under the head 'Income from Other Sources'.
- (a) Nil (b) ₹ 8,000
(c) ₹ 11,428 (d) ₹ 2,400
- (34) The maximum limit of exemption is case of lotteries or crossword puzzles or card game is :
- (a) ₹ 2,500 (b) ₹ 50,000
(c) ₹ 10,000 (d) ₹ 5,000
- (35) The maximum limit of exemption in case of horse races is:
- (a) ₹ 2,500 (b) ₹ 10,000
(c) ₹ 5,000 (d) ₹ 1,000
- (36) Winnings from lotteries, crossword puzzles, races including horse races, card games and other games of any sort or from gambling or betting of any form or nature, taxable under the head 'Income from other sources' after grossing up is taxed without allowing basic exemption limit at flat rate of :
- (a) 30% (b) 20%
(c) 10% (d) 15%
- (37) Winnings from lotteries (gross) ₹ 90,000. Calculate the amount to be included while computing income under the head 'Income from Other Sources'.
- (a) ₹ 90,000 (b) ₹ 1,20,000
(c) ₹ 27,000 (d) ₹ 1,17,000
- (38) Winnings from horse race (net) ₹ 35,000. Calculate the amount to be included while computing income under the head 'Income from Other Sources'.
- (a) ₹ 35,000 (b) ₹ 50,000
(c) ₹ 10,500 (d) ₹ 60,500
- (39) Miss. Z received an amount of ₹ 35,000 on 1-12-2020 in connection with winning from camel races. Cost of race tickets purchased was ₹ 2,000. Calculate amount to be included under the head 'Income from Other Sources':
- (a) ₹ 35,000 (b) ₹ 50,000
(c) Nil (d) ₹ 10,000
- (40) ₹ 30,000, 11% securities (unlisted) of a textile company. What shall be the amount of interest income earned from securities to be taxable under the head of Income from Other Sources?
- (a) ₹ 30,000 (b) ₹ 3,300
(c) ₹ 26,700 (d) Not taxable

TAX BY SG**MCQ OTHER SOURCE**

- (41) An assessee received an income of ₹ 9,000 as interest on securities of a listed paper manufacturing company. What shall be the amount of interest income earned from securities to be taxable under head Income from Other Sources?
- (a) ₹ 9,000 (b) ₹ 10,000
(c) ₹ 8,100 (d) Not taxable
- (42) Rashmi received rent of ₹ 60,000 from letting a residential building (in Mumbai) along with plant and machinery (letting out building is inseparable from letting of plant and machinery). She expended ₹ 6,000 for repairs and insurance of the buildings and plant and machinery. The WDV of building was ₹ 2,00,000 as on 1-4-2020 and the plant and machinery was purchased on 9th May 2020 for ₹ 20,000. Amount taxable is :
- (a) ₹ 54,000 (b) ₹ 41,000
(c) ₹ 60,000 (d) ₹ 44,000
- (43) If interest on securities is received after deduction of tax at source then the amount to be included in the total income is:
- (a) Gross interest (b) Net interest
(c) No amount to be included (d) None of these
- (44) Sum received under a Keyman insurance policy including bonus received by Keyman who is not an employee shall be taxable under the head:
- (a) Income from other sources (b) Income from house property
(c) Income from Business and profession (d) Any of the above

TAXABILITY OF GIFTS

- (45) Akash received a gift of ₹ 35,000 each on 22th May, 2020 from his three friends. The amount chargeable to tax in this case would be _
- (a) ₹ 50,000 (b) ₹ 1,05,000
(c) Nil (d) ₹ 55,000
- (46) Cash gifts exceeding ____ shall be chargeable under the head income from other sources:
- (a) ₹ 5,000 (b) ₹ 20,000
(c) ₹ 50,000 (d) ₹ 25,000
- (47) The taxability of gift shall not apply if this gift is received from:
- (a) Relative (b) Local authority
(c) By way of inheritance (d) All of these
- (48) Mrs. X received the following gifts during the year. Which gifts shall be included in computing the income from other sources?
- (a) Gift of ₹ 26,000 from her employer. (b) Gift of ₹ 21,000 on 1st December from her mother's friend.
(c) Gift of ₹ 1,21,000 from her husband's brother. (d) Gift of ₹ 60,000 on 25th November from her father's brother.
- (49) Mrs. X received the following gifts during the year. Which gifts shall not be included in computing the income from other sources?
- (a) Scholarship of ₹ 1,20,000 from a charitable institution registered under section 12AA. (b) Gifts of ₹ 51,000 each received from her four friends on the occasion of her marriage on 21st October.
(c) Gift of ₹ 1,41,000 from her husband's brother. (d) All of the above.
- (50) Which of the following income will be taxable as income from other sources -
- (a) Purchase of house from husband for inadequate consideration (b) Purchase of painting from registered dealer at invoice value less than fair market value
(c) Cash gift from a non-resident friend on marriage anniversary (d) All of the above.

- (51) Riya received gift of jewellery, fair market value of which is ₹ 3,00,000 on 17th October from her fiancée. What will be the taxable amount?
- (a) Nil (b) ₹ 3,00,000
(c) ₹ 2,50,000 (d) ₹ 50,000
- (52) Mahesh received a watch worth ₹ 60,000 from his cousin grandfather (brother of his grandfather). What will be the taxable amount?
- (a) Nil (b) ₹ 60,000
(c) ₹ 10,000 (d) ₹ 50,000
- (53) If A receives ₹ 31,000 from B and ₹ 20,000 from C, then, what will be the taxable amount?
- (a) Nil (b) ₹ 1,000
(c) ₹ 51,000 (d) ₹ 50,000
- (54) Suresh received a share of ₹ 60,000 from his cousin grandfather (brother of his grandfather). What will be the taxable amount?
- (a) Nil (b) ₹ 60,000
(c) ₹ 10,000 (d) ₹ 50,000
- (55) Nita received a gift from his sister in Netherlands of ₹ 2,50,000. What will be the taxable amount?
- (a) Exempt (b) ₹ 2,50,000
(c) ₹ 2,00,000 (d) ₹ 50,000
- (56) Ram received ₹ 70,000 from his friend on the occasion of his birthday.
- (a) The entire amount of ₹ 70,000 is taxable (b) ₹ 20,000 is taxable
(c) The entire amount is exempt (d) None of the above.
- (57) Hema received a cash gift of ₹ 80,000 from her friend on her 25th wedding anniversary. Amount taxable is :
- (a) Exempt (b) ₹ 80,000
(c) ₹ 30,000 (d) ₹ 50,000
- (58) Gift of ₹ 5,00,000 received on 10th July, 2020 through account payee cheque from a non-relative regularly assessed to income-tax, is -
- (a) A capital receipt not chargeable to tax (b) Chargeable to tax as income from other sources
(c) Chargeable to tax as business income (d) Exempt upto ₹ 50,000 and balance chargeable to tax as income from other sources.
- (59) Mr. A received cash gift worth ₹ 55,000 from his grandfather's brother, on the occasion of the marriage of his son. What will be the taxable amount -
- (a) ₹ 55,000 (b) Nil
(c) ₹ 50,000 (d) ₹ 5,000
- (60) Mr. X received a Watch worth ₹ 55,000 from his employer on the occasion of his birthday. What will be the tax consequences?
- (a) ₹ 55,000 taxable in the hand of X, as income from salaries (b) ₹ 55,000 taxable in the hands of X, as Business Income
(c) ₹ 55,000 taxable, as income from other sources (d) None of these
- (61) On 5th February, 2021 Raj gets a gift of motor car from a relative Mahesh. Fair market value of the car is ₹ 3,60,000. The amount taxable in the hands of Raj under section 56 is -
- (a) ₹ 3,60,000 (b) ₹ 3,10,000
(c) Nil (d) ₹ 50,000

TAX BY SG**MCQ OTHER SOURCE**

- (62) X & Co. received a gift of 900 shares of ABC Pvt. Ltd. at a consideration of ₹ 1,60,000. The aggregate fair market value of shares is ₹ 2,30,000. What will be the taxable amount under the head Income from Other Sources?
- (a) Nil (b) ₹ 50,000
(c) ₹ 70,000 (d) ₹ 1,60,000
- (63) XYZ Pvt. Ltd. issued 1,00,000 shares. The face value of shares is ₹ 200, Fair Market value ₹ 190 and issue price ₹ 210. Calculate the amount to be considered as income in hands of XYZ Pvt. Ltd. as per section 56(2).
- (a) Nil (b) ₹ 20,00,000
(c) ₹ 10,00,000 (d) ₹ 5,00,000
- (64) If in the above case, face value of shares is ₹ 200, Fair Market value ₹ 190 and issue price ₹ 198. Calculate the amount to be considered as income in hands of XYZ Pvt. Ltd. as per section 56.
- (a) Nil (b) ₹ 20,00,000
(c) ₹ 10,00,000 (d) ₹ 5,00,000
- (65) ABC Pvt. Ltd. issued 1,00,000 shares. The face value of shares is ₹ 200, Fair Market value ₹ 220 and issue price ₹ 230. Calculate the amount to be considered as income in hands of ABC Pvt. Ltd. as per section 56.
- (a) Nil (b) ₹ 20,00,000
(c) ₹ 10,00,000 (d) ₹ 5,00,000
- (66) XYZ Pvt. Ltd. issued shares. Mr. R, resident of India, purchased the shares at a consideration of ₹ 5,00,000. The fair market value of such shares was of ₹ 4,50,000. What will be the taxable amount under the head Income from Other Sources?
- (a) Nil (b) ₹ 50,000
(c) ₹ 4,50,000 (d) ₹ 5,00,000
- (67) Sandep received the following income during financial year 2020-21 : Director's fees ₹ 5,000, income from agricultural land in Pakistan ₹ 15,000, rent from let-out of land in Jaipur ₹ 20,000, Interest on deposit with HDFC Bank ₹ 1,000 and dividend from Indian company ₹ 5,000. His income from other sources is -
- (a) ₹ 41,000 (b) ₹ 46,000
(c) ₹ 31,000 (d) ₹ 26,000
- (68) Rishi received the following gifts during the previous year:
- (i) ₹ 50,000 from his employer
(ii) ₹ 1,00,000 from mother's sister
(iii) ₹ 10,000 from his friend on the occasion of his marriage
(iv) ₹ 60,000 in the form of scholarship from a registered charitable trust. The amount of taxable gift under the head 'income from other sources' is _____
- (a) Nil (b) ₹ 50,000
(c) ₹ 1,50,000 (d) ₹ 2,10,000
- (69) Easy(Pvt.) Ltd. issued 10,000 equity shares to Paresh at ₹ 18 per share when the fair market value of each share was determined at ₹ 11 per share. The tax implication of the transaction is -
- (a) ₹ 70,000 taxable as income for Easy (Pvt.) Ltd (b) ₹ 20,000 taxable as income Paresh
(c) ₹ 10,000 taxable as income for Paresh (d) Nil

DEDUCTIONS IN COMPUTING INCOME FROM OTHER SOURCES

- (70) Interest on compensation/ enhanced compensation shall _
- (a) be taxable in the year of receipt. (b) be taxable in the year of accrual.
(c) be taxable receipt/ accrual, whichever is earlier. (d) not be taxable.

TAX BY SG**MCQ OTHER SOURCE**

- (71) Sarthank has received a sum of ₹ 3,40,000 as interest on enhanced compensation for compulsory acquisition of land by State Government in May, 2020, of this, only ₹ 12,000 pertains to the current year and the rest pertains to earlier years. The amount chargeable to tax for the assessment year 2021-22 would be -
- (a) ₹ 12,000 (b) ₹ 6,000
(c) ₹ 3,40,000 (d) ₹ 1,70,000
- (72) Fixed deduction available in respect of income of interest on compensation/ enhanced compensation shall be:
- (a) 50% (b) 30%
(c) Nil (d) 100%
- (73) Assessee received interest on enhanced compensation of ₹ 50,000 as per court decree in December 2020. Out of the said amount a sum of ₹ 35,000 relates to preceding financial years. The taxable income is:
- (a) ₹ 25,000 (b) ₹ 15,000
(c) ₹ 17,500 (d) ₹ 35,000
- (74) Incomes taxable under the head of Income from Other Sources are:
- (a) Interest on bank deposits and loans. (b) Interest on foreign Government securities.
(c) Agricultural income received from outside India (d) All of the above.
- (75) Which of the following income is not taxable under the head income from other sources?
- (a) Income from letting of Building. (b) Income from sub letting.
(c) Director's fees. (d) Commission received by the director on giving bank guarantee for the company.
- (76) Royalty received from a publisher by Nisha was of ₹ 42,700. She spent ₹ 2,700 on books, stationery, typing, etc. Calculate the amount of income chargeable to tax under head Income from other sources?
- (a) Exempt (b) ₹ 42,700
(c) ₹ 40,000 (d) ₹ 2,700
- (77) Mr. Ram was earning income from sub-letting of motor car to his friend. Such income shall be taxable under which head of income?
- (a) Income from other sources (b) Income from house property
(c) Income from Business and profession (d) Any of the above
- (78) The amount deductible from family pension is upto _____
- (a) ₹ 15,000 or 1/3rd of family pension whichever is less (b) ₹ 15,000 or 1/2 of family pension whichever is less
(c) ₹ 10,000 or 1/3rd of family pension whichever is less (d) No deduction.
- (79) Ms. Sushila is in receipt for family pension of ₹ 15,000 p.m. during 2020-21. Income chargeable to tax for assessment year 2021-22 of Ms. Sushila is _____. Assume covered u/s 115BAC
- (a) ₹ 1,80,000 (b) ₹ 1,20,000
(c) ₹ 1,65,000 (d) Nil.
- (80) X took a house on lease for 10 years and let it further to a tenant for his residence at a monthly rent of ₹ 2,400. He incurred following expenses during year: Lease rent: ₹ 1000 p.m., Salary of Watchman : ₹ 200 p.m. and Interest on loan taken to pay for acquisition of lease : ₹ 200 p.m. Compute income chargeable under head Income from other sources?
- (a) ₹ 12,000 (b) ₹ 28,800
(c) ₹ 16,800 (d) Nil

- (81) What is the taxability of dividend income under section 2(22)(a) to 2(22)(e) in hands of shareholders?
- (a) Dividend tax @ 12.5% (b) Exempt u/s 10(34) upto ₹ 10,00,000.
(c) Dividend tax @ 12.5% + Surcharge + Health & Education Cess (d) Taxable
- (82) What is the taxability of dividend income under section 2(22)(a) to 2(22)(e) in hands of company?
- (a) Dividend distribution tax @ 15% (b) No Dividend distribution tax
(c) Dividend distribution tax @ 15% on the gross amount of dividends + 12% Surcharge + 4% HEC (d) None of these
- (83) Company is not liable to pay dividend distribution tax under section 115-0 wef
- (a) 1/4/21 (b) 1/4/22
(c) 1/4/20 (d) 1/4/23
- (84) Foreign dividend income is taxable in hands of ?
- (a) ROR (b) NR
(c) RNOR (d) Exempt
- (85) What is the taxability of dividend from units of Mutual fund?
- (a) Exempt u/ s 10(34) (b) Not Taxable
(c) Taxable (d) None of these
- (86) Interim Dividend declared by a company is accrued in which of the following year?
- (a) Previous year in which it is declared. (b) Previous year in which it is given.
(c) Financial year in which it is actually given. (d) None of these.
- (87) In which year dividend declared by a company or distributed or paid by it u/ s 2(22) is deemed to be the income?
- (a) Previous year in which it is declared. (b) Previous year in which it is given.
(c) Previous year, in which it is so declared, distributed or paid, as the case may be. (d) None of these.
- (88) "Specified foreign company" means:
- (a) Foreign company in which Indian company holds 26% or more in nominal value of the equity share capital of the company. (b) Foreign company in which Indian company holds 51% or more in nominal value of the equity share capital of the company.
(c) Company which is registered in India. (d) None of these.
- (89) Dividend received by an Indian company from specified foreign companies shall be taxable at :
- (a) 15% + Surcharge 12% +HEC @ 4 %. No deduction allowed in respect of any expenditure or allowance under any provision. (b) 15% + Surcharge 12% + HEC @ 4%. Deduction allowed in respect of any expenditure or allowance under any provision.
(c) 10% +Surcharge 12% + HEC@ 4%. No deduction allowed in respect of any expenditure or allowance under any provision. (d) 10% + Surcharge 12% + HEC @ 4%. Deduction allowed in respect of any expenditure or allowance under any provision.
- (90) In order to be entitled to concessional rate of tax for dividend received from a foreign company, the Indian company should have the following minimum shareholding in such foreign company -
- (a) 10% (b) 25%
(c) 26% (d) 51 %
- (91) An assessee earned income of interest on securities amounting to ₹ 65,000. He paid a reasonable sum of ₹ 32,000 as commission to a banker for realising such interest on behalf of the assessee. Such amount of expenditure shall be:

- (a) Allowed (b) Disallowed
(c) Partly allowed and partly disallowed (d) Any of the above

(92) The deduction for family pension under section 57 is _____ for assessee covered u/s 115BAC

- (a) One third of the family pension (b) ₹ 15,000
(c) One third of the family pension or ₹ 15,000, less (d) Not allowed

(93) Family pension received by a widow of a member of the armed forces where the death of the member has occurred in the course of the operational duties in the circumstances and subject of prescribed conditions, is -

- (a) Exempt upto ₹ 3,00,000 (b) Exempt upto ₹ 3,50,000
(c) Totally exempt under section 10(19) (d) Totally chargeable to tax

(94) Family pension received by Mr. Ram from the Government of Madhya Pradesh was of ₹ 15,000. Calculate the amount of income chargeable to tax under the head of income from other sources?

- (a) ₹ 15,000 (b) ₹ 10,000
(c) ₹ 5,000 (d) Nil

(95) X, a defence personnel, died in a war. His wife received the family pension of ₹ 7,500 per month during the year 2020-21. Calculate the amount of income chargeable to tax under the head of income from other sources?

- (a) ₹ 90,000 (b) ₹ 75,000
(c) ₹ 15,000 (d) Nil

(96) If in the above case, B did not die in a war then calculate the amount of income chargeable to tax?

- (a) ₹ 90,000 (b) ₹ 75,000
(c) ₹ 15,000 (d) Nil

(97) Sanjay died on 23rd July, 2020 while being in Central Government service. In terms of rules governing his service, his widow Mrs. Sunder is paid a family pension of ₹ 10,000 per month and dearness allowance of 40% thereof. Compute taxable income for the assessment year 2021-22. Assume not covered u/s 115BAC

- (a) ₹ 1,68,000 (b) ₹ 1,20,000
(c) ₹ 1,53,000 (d) ₹ 1,05,000

(98) Amounts that are not deductible while computing Income from Other Sources:

- (a) Personal expenses of the assessee; Wealth tax paid by assessee. (b) All disallowances under section 40A.
(c) Interest/ Salaries payable outside India on which tax has not been paid or deducted. (d) All of the above.

(99) Which of the following amount is not deductible while computing income from other sources?

- (a) Any sum paid on account of Income tax. (b) Any personal expenses of the assessee.
(c) Any sum paid on account of wealth tax. (d) All of the above

(100) An assessee earned an income of ₹ 65,000 from lottery. Expenditure incurred by him in regard to earn this income was of ₹ 18,000. Deduction of such amount of expenditure shall be:

- (a) Allowed (b) Disallowed
(c) Partly allowed and partly disallowed (d) Any of the above

(101) The transaction whereby owner of securities transfers his securities to another person and such that the income of such security becomes due to such other person and the owner avoids tax thereon is known as :

- (a) Bond Washing (b) Bonus stripping
(c) Dividend stripping (d) All of these

- (102) Where any person buys/acquires any securities or unit within 3 months prior to record date, and sells/transfers the same within 3 months (9 months in case of unit) after record date and the dividend income thereon is exempt, then, while computing his income chargeable to tax, the loss, if any, arising to him on account of such purchase and sale shall be ignored to the extent of dividend or income from securities/unit. Such transaction made to avoid tax is known as:
- (a) Bond Washing (b) Bonus stripping
(c) Dividend stripping (d) All of these
- (103) Chander purchased units of UTI worth ₹ 15,46,000 on 1-5-2020. He received dividend of ₹ 2,00,000 on such units on 1-6-2020 (Record date: 31-5-2020). He sold the units on 31-11-2020 for ₹ 12,00,000. His other income under the head 'Capital Gains' is ₹ 10,00,000. Compute his total income for the assessment year 2021-22.
- (a) ₹ 8,54,000 (b) ₹ 10,00,000
(c) ₹ 13,46,000 (d) Nil
- (104) Where any person buys/ acquires any units within 3 months prior to record date; he is allotted bonus units thereon and he sells any of the original units within a period of 9 months after record date, while continuing to hold any of the bonus units, then, the loss, if any, arising to him on account of purchase and sale of original units shall be ignored in computing his total income and the loss so ignored shall be deemed to be the cost of purchase or acquisition of such bonus units as are held by him on the date of such sale. Such transaction made to avoid tax is known as :
- (a) Bond Washing (b) Bonus stripping
(c) Dividend stripping (d) All of these
- (105) X received a royalty of ₹ 1,00,000 from a book of stories written by him. He claimed ₹ 12,000 as expenditure on stationery and typing. He let-out of his buildings along with plant, machinery and furniture for ₹ 50,000 per month. He claimed the following expenses as deduction for this building - Insurance : ₹ 10,000; repairs : ₹ 15,000; depreciation: ₹ 40,000. Interest credited to his recurring deposit account and cumulative time deposit account in post office were ₹ 32,000 and ₹ 48,000 respectively. Compute the income taxable.
- (a) ₹ 6,55,000 (b) ₹ 7,03,000
(c) ₹ 7,80,000 (d) Nil
- (106) Compute income taxable under head income from other sources:
- | | |
|--|----------|
| Interest on bank saving deposits | ₹ 3,000 |
| Winnings from lotteries (net) | ₹ 35,000 |
| Interest on Post office savings bank account | ₹ 5,000 |
- (a) ₹ 54,500 (b) ₹ 43,000
(c) ₹ 35,000 (d) ₹ Nil
- (107) Compute income taxable under head income from other sources:
- | | |
|--|----------|
| Dividend from shares of Indian company | ₹ 3,000 |
| Winnings from lotteries (net) | ₹ 70,000 |
| Rental Income of Plant and machinery | ₹ 51,000 |
- (a) ₹ 1,51,000 (b) ₹ 1,21,000
(c) ₹ 1,54,000 (d) ₹ 1,24,000
- (108) Compute income taxable under head income from other sources received by Mr. X :
- | | |
|---|----------|
| Cash gift received from his brother on occasion of his marriage anniversary | ₹ 75,000 |
| Winnings from lotteries (net) | ₹ 70,000 |
| Forfeited advance money received on occasion of transfer of capital asset | ₹ 51,000 |
- (a) ₹ 1,96,000 (b) ₹ 1,51,000
(c) ₹ 1,75,000 (d) ₹ 1,00,000

TAX BY SG**MCQ OTHER SOURCE**

(109) Mrs. Lalita, 70 years old, received ₹ 30,000 every month from SBI under reverse mortgage scheme by mortgaging her residential house property. She also received monthly family pension of ₹ 15,000. Her total income for the assessment year 2021-22 is -----

(a) ₹ 5,40,000

(b) ₹ 1,80,000

(c) ₹ 1,65,000

(d) ₹ 3,60,000

(110) The dividend received by an individual from a company is _____

(a) Taxable @ slab rates

(b) Taxable at special rate of 10%

(c) Exempt

(d) None of the above

ANSWER KEY

1.D	2.D	3.D	4.A	5.D	6.B	7.B	8.B	9.B	10.D
11.A	12.B	13.D	14.A	15.D	16.A	17.A	18.D	19.B	20.B
21.B	22.D	23.C	24.C	25.A	26.B	27.B	28.D	29.C	30.C
31.D	32.B	33.B	34.C	35.B	36.A	37.A	38.B	39.A	40.B
41.A	42.B	43.A	44.A	45.B	46.C	47.D	48.B	49.D	50.B&C
51.B	52.A	53.C	54.B	55.A	56.A	57.B	58.B	59.A	60.A
61.C	62. C	63. B	64. A	65. C	66. B	67. A	68. A	69. A	70. A
71. D	72. A	73. A	74. D	75. A	76. C	77. A	78. A	79. D	80. A
81. D	82. B	83. C	84. A	85. C	86. A	87. C	88. A	89. A	90. C
91. A	92. D	93. C	94. B	95. D	96. B	97. C	98. D	99. D	100. B
101. A	102. C	103. A	104. B	105. A	106. A	107. A	108. B	109. C	110. A

QUESTIONS FOR PRACTICE

QUESTION 1 : Mr. Sanjay Anand has taken a loan of ₹1,00,000 @ 10%. The amount was invested by him in the securities of one company. During the year he has received gross interest of ₹18,000 and has paid collection charges to the bank ₹500. He has paid interest ₹10,000 on the loan taken by him for investment and has long term capital gain of ₹2,00,000.

Compute his tax liability for assessment year 2021-22.

Solution:

	₹
Gross Interest	18,000
Less:	
(i) Bank Charges u/s 57	500
(ii) Interest paid for borrowing the amount u/s 57	10,000
Income under the head Other Sources	7,500
Income under the head Capital Gains (LTCG)	2,00,000
Total Income	2,07,500

Computation of Tax Liability

Tax on ₹7,500 (₹2,00,000 -2,00,000) @ 20% u/s 112	Nil
Tax on ₹7,500 at slab rate	Nil

QUESTION 2 : Mrs.Goel is getting family pension of ₹7,000 p.m. and has incurred ₹50 p.m. as bank collection charges. She also has dividend income from domestic company of ₹7,00,000 and bank collection charges are ₹1,000. She has long term capital gain of ₹3,89,000. He is not covered u/s 115BAC

Compute her tax liability for assessment year 2021-22.

Solution:

	₹	₹
Family Pension	84,000	
(7,000 x 12)		
Less: Deduction u/s 57	15,000	69,000
1/3 of ₹84,000 or ₹15,000 whichever is less		
Dividend income		<u>7,00,000</u>
Income under the head other sources		7,69,000
Income under the head Capital Gains		
Long term capital gain		<u>3,89,000</u>
Gross Total Income		11,58,000
Less: Deduction u/s 80C to 80U		Nil
Total Income		<u>11,58,000</u>

Computation of Tax Liability

Tax on ₹3,89,000 @ 20% u/s 112	77,800
Tax on ₹7,69,000 at slab rate	<u>66,300</u>
	1,44,100
Add: HEC @ 4%	<u>5,764</u>
Tax Liability	1,49,864
Rounded off u/s 288B	1,49,860

QUESTION 3 : Mr. Naresh Goyal has one factory building along with machines and furniture in Mumbai which has been let out @ ₹50,000 p.m. Repair charges of the building is ₹7,000 and that of furniture fixtures are ₹4,000, insurance premium paid ₹3,000 and depreciation is ₹27,000.

Compute his income under the head other sources.

Solution:

	₹
Gross Rent (50,000 x 12)	6,00,000
Less: Repair of building	7,000
Less: Repair of Furniture and fixtures	4,000
Less: Insurance premium	3,000
Less: Depreciation	27,000
Income under the head Other Sources	5,59,000

QUESTION 4 : Mr. Nitin Kumar has one factory building with machines and furniture, which has been let out @ ₹50,000 p.m. and repair charges of the building are ₹10,000, insurance premium ₹ 7,000 and repair charges of plant & machinery is ₹3,000. Insurance premium ₹1,000 and depreciation with regard to building plant & machinery etc. is ₹12,000.

Compute his income under the head other sources.

Solution:

	₹
Gross Rent (50,000 x 12)	6,00,000
Less: Repair of building	10,000
Less: Insurance premium	7,000
Less: Repair of plant and machinery	3,000
Less: Insurance premium	1,000
Less: Depreciation	12,000
Income under the head other sources	5,67,000

QUESTION 5 : Mrs.Parul has received incomes as given below during the previous year 2020-21:

1. Interest on savings bank account with State Bank ₹ 15,500 (gross).
2. Interest from Government securities ₹1,000 on 01.01.2019 (collection charge paid to bank @ 1.5%).
3. Interest from ABC Ltd on non listed debentures ₹4,000 (gross) on 01.03.2020 (collection charge paid to the bank ₹30).
4. Interest credited to post office savings bank account during the year ₹ 230.
5. Interest credited to public provident fund during the year ₹ 12,000.
6. Interest received from XYZ Ltd on listed debentures ₹ 5,000 (gross).
(Collection charge ₹30) The amount was invested by taking a loan of ₹1,00,000 @ 7% p.a.

Mrs. Parul has income from house property ₹2,30,000.

Compute her tax liability for the assessment year 2021-22. Assuming covered u/s 115BAC

Solution :**Income under the head other sources**

Gross interest from State Bank of India	₹ 15,500.00
Interest from Government securities { ₹1,000 – ₹15 }	985.00
Interest from ABC Ltd { ₹4,000 – ₹30 }	3,970.00
Interest on P.O.S.B (exempt u/s 10(15))	Nil
Interest on PPF	Nil
Interest from XYZ Ltd. { Gross interest = ₹5,000 Less: Collection charges = ₹30 Less: Interest paid on loan = ₹7,000 }	(2,030.00)
Income under the head Other Sources	18,425.00
Income under the head House Property	2,30,000.00
Gross Total Income	2,48,425.00
Less: Deduction u/s 80TTA (₹15,500 or ₹10,000 whichever is less)	10,000.00
Total Income (rounded off u/s 288A)	2,38,430.00

Computation of tax liability

Tax on ₹2,38,430 at slab rate	NIL
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QUESTION 6 : Mr. Prakash Garg has income from business of owning and maintaining race camels ₹60,000, loss from owning and maintaining race horses ₹7,000 and income from horse races ₹7,000. He has brought forward business loss of ₹8,000 of the assessment year 2010-11 and brought forward business loss of ₹7,000 of the assessment year 2018-19.

Compute his tax liability for the assessment year 2021-22. Assume not covered u/s 115BAC

Solution :

Income under the head Business/Profession	₹ 60,000
Less: Brought forward business loss	7,000
Income under the head Business/Profession	53,000
Income under the head Other Sources (horse races)	7,000
Gross Total Income	60,000
Less: Deductions u/s 80C to 80U	Nil
Total Income	60,000

Computation of tax liability

Tax on ₹7,000 @ 30%	2,100
Tax on ₹53,000 at slab rate	Nil
Less: Rebate u/s 87A	2,100
Tax after rebate	NIL

QUESTION 7 : Mr. Rohit Kumar has income from owning and maintaining of race horses ₹ 6 lakhs and loss from horse races ₹ 10 lakhs.

Determine his tax liability for the assessment year 2021-22.

Assume covered u/s 115BAC

Solution

	₹
Income under the head Other Sources	6,00,000
Gross Total Income	6,00,000
Less: Deductions u/s 80C to 80U	Nil
Total Income	6,00,000
Tax on ₹6,00,000 at slab rate	22,500
Add: HEC @ 4%	900
Tax Liability	23,400

Note: Loss from casual income has no tax treatment and hence it is dead loss.

QUESTION 8 : Mr. Arun Goel has loss from owning and maintaining of race horses ₹ 6 lakhs and income from owning and maintaining of race camels ₹ 6 lakhs.

Determine his tax liability for the assessment year 2021-22.

Assume not covered u/s 115BAC

Solution :

	₹
Income under the head Business/Profession	6,00,000
Gross Total Income	6,00,000
Less: Deductions u/s 80C to 80U	Nil
Total Income	6,00,000
Tax on ₹6,00,000 at slab rate	32,500
Add: HEC @ 4%	1,300
Tax Liability	33,800
Carry forward loss from owning and maintaining race horses	6,00,000

QUESTION 9 : Find the tax liability of Mrs. Gupta (age 40 years), a resident individual, for the assessment year 2021-22. From the following particulars of her incomes and spending for P/Y ending March 31st, 2021.

	₹
Income from house property (Computed)	1,20,000
Dividend from UTI	35,000
Pension (gross)	90,000
Interest on bank FD (gross)	14,000
Dividend from foreign company	36,000
Gift received from her sister	26,000
Winnings from lotteries (gross)	70,000
Long-term capital gain	1,20,000
Payment for purchase of National Savings Certificates (VIII issue).	35,000
Assume covered u/s 115BAC	

Solution :

	₹
Income from House Property	<u>1,20,000</u>
Computation of income under the head Other Sources	
Dividend from UTI	35,000
Pension (no deduction as covered u/s 115BAC)	90,000
Interest on bank FD	14,000
Dividend from foreign company	36,000
Winning from lottery	70,000
Income under the head Other Sources	<u>2,45,000</u>
Income under the head Capital Gains (LTCG)	<u>1,20,000</u>
Gross Total Income	<u>4,85,000</u>
Less: Deduction u/s 80C	35,000
Total Income	<u>4,50,000</u>

Computation of Tax Liability

Tax on Long term capital gain ₹1,20,000 @ 20% u/s 112	24,000
Tax on casual income ₹70,000 @ 30% u/s 115BB	21,000
Tax on ₹2,60,000 at slab rate	<u>500</u>
Tax before Rebate u/s 87A	45,500
Less : Rebate u/s 87A	<u>12,500</u>
Tax before HEC	33,000
HEC @ 4%	<u>1,320</u>
Tax Liability	<u>34,320</u>

QUESTION 10 : ABC Ltd. a closely-held company has bonus share capital of ₹10 lakhs, General Reserves of ₹6 lakhs and current profits of ₹2 lakhs. The company has given a loan of ₹9 lakhs to one of the shareholders, who is beneficial owner of equity shares holding 10% of the voting power.

Compute amount of dividend in the hands of shareholder.

Solution : In this case dividend under section 2(22)(e) shall be ₹8 lakhs i.e. to the extent of the accumulated profits of the company excluding capitalized profits. It shall be taxable in hands of shareholder under IOS.

QUESTION 11 : Mr. Rohit Aggarwal is beneficial owner of equity shares holding 10% of the voting power in ABC Ltd, a closely held company. He is partner in a partnership firm XY and has 20% share in the firm. The company has given a loan of ₹5 lakhs to the firm and company's accumulated profits are ₹6 lakhs.

Compute amount of dividend in the hands of shareholder and the firm.

Solution : In this case deemed dividend is ₹5 lakhs as per section 2(22)(e). It shall be taxable in hands of receiver under IOS.

QUESTION 12 : Mr. Kapoor is holding 10% equity shares in ABC Ltd, a closely-held company and he has taken a loan of ₹3 lakhs on 01.10.2020. The loan was repaid after ten days. The company has accumulated profits of ₹10 lakhs.

Compute amount of dividends in the hands of Mr. Kapoor.

Solution : In this case deemed dividend shall be ₹3 lakhs. Because if any loan is taken it is dividend, even if it is repaid in the same year or at any other time. It shall be taxable in hands of shareholder under IOS.

QUESTION 13 : ABC Ltd. is a company in which public are not substantially interested. The company has Bonus share capital of ₹5 lakh and General Reserve of ₹7 lakh and the company has given a loan of ₹8 lakh to one of the shareholders who is holding 10% of the voting power.

Compute amount of dividend taxable in the hands of shareholder.

Solution : In this case there will be deemed dividend of ₹7 lakhs. It shall be taxable in hands of shareholder under IOS.

QUESTION 14 : There is a partnership firm XY. Mr. Suresh Kumar is holding 10% of the voting power of the closely held company and he has 20% share in profits of the firm. A loan of ₹3 lakh has been given to this partnership firm by the company having General Reserve of ₹10 lakhs.

Compute amount of dividend and discuss its taxability.

Solution : In this case, deemed dividend shall be ₹3 lakhs and It shall be taxable in hands of shareholder under IOS.

Question 15: Mrs. X who draws a salary of ₹20,000 p.m. received the following gifts during P/Y 2020-21:

- Gifts of ₹5,00,000 from a friend.
 - Gifts of jewellery worth ₹3,00,000 from her father
 - Gifts of ₹51,000 each received from her 4 friends on the occasion of her marriage.
 - Gifts of ₹1,00,000 from her mother's sister.
 - Gifts of ₹60,00 from her father's brother.
 - Gifts of ₹50,000 from her husband's friend
 - Gifts of ₹21,000 from her mother's friend.
 - Gifts of ₹26,000 from her brother's father in law.
 - Gifts of ₹1,21,000 from her husband's brother.
 - Gifts of ₹26,000 from her employer.
 - Scholarship of ₹1,20,000 from a charitable institution registered under section 12AA.
- Compute total income for the assessment year 2021-22. Assume not covered u/s 115BAC

Solution

Income under the head salary

Salary 20,000 X 12	₹ 2,40,000
Add: Cash gift from employer	26,000
	2,66,000
Less: deduction	50,000
	2,16,000

Income from other sources

(i) Gift from a friend is included	5,00,000
(ii) Gift of jewellery exempt as from relative	--
(iii) Gifts received from her 4 friends are exempt as they have been received on the occasion of her marriage	--
(iv) Gift from her mother's sister is exempt as the donor is covered in the definition of relative	--
(v) Gift from her father's brother is exempt as the donor is Covered in the definition of the relative	--
(vi) Gift of ₹50,000 from her husband's friend is taxable	50,000
(vii) Gift of ₹21,000 from her mother's friend is includable	21,000
(viii) Gift from her brother's father in law is taxable as the donor is not covered in the definition of relative	26,000
(ix) Gift from her husband's brother is exempt as the donor is not covered in the definition of the relatives	--
(x) Gift from her employer is taxable as income from salary	--
(xi) Gift in the form of scholarship from charitable institution registered u/s 12AA	Exempt
	5,97,000
Total income	8,13,000

Question 16 : Shri Arun is a businessmen dealing in chemicals. On 1-4-2019 the position of his investments was as under.

- ₹24,000 7 1/2% Government of India Loan, 2002.
- ₹36,000 9% (Tax free) Debentures of Birla Jute Mills Ltd. (listed).
- ₹10,000 12% debentures of G ltd.
- Interest on National Saving Certificate (VIII issue) due ₹3,860
- ₹25,000 10% Rajasthan Government Loan
- ₹10,000 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 2021-22.

[Ans : (1,800+3,600+1,200+3,860+2,500=12,972)]

Question 17: Shri Manish furnishes the following particulars of his incomes for the previous year 20-21
Compute income under the head “income from Other Sources.”

	₹
(i) Dividend on equity shares	600
(ii) Dividend on preference shares (gross)	3,200
(iii) Income from letting on hire of building and machinery under one composite lease	17,000
(iv) Interest on Bank Deposits	2,500
(v) Directors sitting fees received	1,200
(vi) Ground rent received	600
(vii) Income from undisclosed sources	10,000
(viii) Winnings from lotteries (gross)	10,000
The following deductions are claimed by him	
(a) Collection charges of preference dividend	200
(b) Allowable depreciation on Building and Machinery	4,000
(c) Fire Insurance on Building and Machinery	100

[Ans : 41,000]

Question 18 : Shri Karan furnishes the following particulars of his income for F/Y ending 31-3-2021.

- (i) Dividends from UTI : ₹2,000
- (ii) Dividends received from Assam Tea Co. Ltd : ₹3,000 (60% of income of the company is agricultural income)
- (iii) Amount received in connection with winning from a horse race : ₹5,600.
- (iv) Amount received in connection with winning from lottery : ₹28,000.
Cost of lottery tickets purchased : ₹2,000.
- (v) Directors fees received: ₹20,000.
- (vi) He has rented a residence of ₹2500 per month. Half portion of this house was sub-let on a monthly rent of ₹2500 p.m.

Compute his taxable income for the assessment year 2021-22.

[Ans : 88,000]

Question 19 : From the following particulars submitted by Abhishek, compute his income from other sources for the assessment year 2021-22.

	₹
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	12,000
(b) on post office saving account	600
(c) on government securities	1,200
(d) on Public Provident Fund a/c	4,000
(e) On National Saving Certificate VIII issue	3,000
Dividend from A Limited declared on 25-8-2020	8,000
Lottery prize received after T.D.S	28,000
Rent from sub-letting of a flat	12,000
(Rent paid to landlord for the flat is ₹6,000)	

Abhishek spent ₹600 for realizing the rent. He had also spent ₹10,000 for the purpose of lottery ticket.

[Ans : 87,600]