Advance learning on income from other sources 
(Theoretical)

Incomes which are charged to tax under the head “Income from other sources”

“Income from other sources” is the residual head of income. Hence, any income which is not specifically taxed under any other head of income will be taxed under this head.

Further, there are certain incomes which are always taxed under this head. These incomes are as follows:

- As per section 56(2)(i), dividends are always taxed under this head. However, dividends from domestic company other than those covered by section 2(22)(e) are exempt from tax under section 10(34).

- Winnings from lotteries, crossword puzzles, races including horse races, card game and other game of any sort, gambling or betting of any form whatsoever, are always taxed under this head.

- Income by way of interest received on compensation or on enhanced compensation shall be chargeable to tax under the head “Income from other sources”, and such income shall be deemed to be the income of the year in which it is received, irrespective of the method of accounting followed by the assessee. However, a deduction of a sum equal to 50% of such income shall be allowed from such income. Apart from this, no other deduction shall be allowed from such an income.

- Gifts received by an individual or HUF (which are chargeable to tax) are also taxed under this head.

- In addition to above, following incomes are charged to tax under this head, if not taxed under the head “Profits and gains of business or profession”.

  (a) Any contribution to a fund for welfare of employees received by the employer. [Section 56(2)(ic)].

  (b) Income by way of interest on securities. [Section 56(2)(id)].

  (c) Income from letting out or hiring of plant, machinery or furniture. [Section 56(2)(ii)].

  (d) Income from letting out of plant, machinery or furniture along with building; both the lettings are inseparable. [Section 56(2)(iii)].

  (e) Any sum received under a Keyman Insurance Policy including bonus. [Section 56(2)(iv)].
Relevance of method of accounting

Income chargeable to tax under the head “Income from other sources” is to be computed in accordance with the method of accounting regularly employed by the assessee. Hence, if the assessee follows mercantile system, then income will be computed on accrual basis. If assessee follows cash system, then income will be computed on cash basis. However, method of accounting does not affect the basis of charge in case of dividend income and income by way of interest received on compensation or on enhanced compensation.

Illustration

Ascertained the head of taxability of the incomes given below:

- Dividend of Rs. 84,000 received by Mr. Kapoor from an Indian company.
- Dividend of Rs. 1,84,000 received by Mr. Sunil from a foreign company.
- Rs. 25,200 won by Mr. Soham from a game show.
- Rs. 84,000 received by Mr. Kumar from his friend on his birthday.
- Rent of a plot of land of Rs. 20,000 received by Mr. Jagdish.
- Rent of a shop amounting to Rs. 1,00,000 per month received by Mr. Sohil.
- Interest of Rs. 50,000 from bank fixed deposits received by a salaried employee.

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<table>
<thead>
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<th>Nature of income</th>
<th>Head of taxability</th>
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<td>Dividend of Rs. 84,000 received by Mr. Kapoor from an Indian company.</td>
<td>Dividend is always charged to tax under the head “Income from other sources”. However, dividends from domestic company except dividends covered by section 2(22)(e) are exempt from tax under section 10(34).</td>
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<td>Dividend of Rs. 1,84,000 received by Mr. Sunil from a foreign company.</td>
<td>Dividend is always charged to tax under the head “Income from other sources”. Dividends from foreign company do not qualify for exemption under section 10(34) and, hence, will be fully charged to tax.</td>
</tr>
<tr>
<td>Rs. 25,200 won by Mr. Soham from a game show.</td>
<td>Income by way of winnings from lotteries, crossword puzzles, races including horse races, card game and other game of any sort, gambling or betting of any form whatsoever, are</td>
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<th>Rs. 84,000 received by Mr. Kumar from his friend on his birthday.</th>
<th>Gifts received by an individual or HUF (which are charged to tax) are taxed under the head “Income from other sources”. In this case, gift is received from a friend and it exceeds Rs. 50,000. Hence, entire amount will be charged to tax under the head “Income from other sources”.</th>
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<td>Rent of a plot of land of Rs. 20,000 received by Mr. Jagdish.</td>
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</tr>
<tr>
<td>Rent of a shop amounting to Rs. 1,00,000 per month received by Mr. Sohil.</td>
<td>Rent of shop (being building) is charged to tax under the head “Income from house property”.</td>
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<td>Interest of Rs. 50,000 from bank fixed deposits received by a salaried employee.</td>
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**Taxation of sum of money or property received without consideration or without adequate consideration**

From the taxation angle, sum of money or property received by an individual or HUF without consideration or without adequate consideration can be classified in following different categories:

- Sum of money received without consideration (commonly known as monetary gift).
- Specified movable property received without consideration (commonly known as non-monetary gift).
- Specified movable property received without adequate consideration.
- Immovable property received without consideration.
- Immovable property received without adequate consideration.
Sum of money received without consideration (commonly known as monetary gift) by an individual or HUF

The provisions relating to taxability of monetary gift received by an individual or HUF are as follows:

On satisfaction of following conditions any sum of money (i.e., generally known as monetary gift) received by an individual/HUF without consideration will be charged to tax:

(i) The sum of money is received by an individual or HUF on or after 1-10-2009.
(ii) Such sum of money is received without consideration.
(iii) The aggregate value of such sum received during the previous year exceeds Rs. 50,000.

The aforesaid provisions will not apply in the following cases:

- Money received from relatives (see note 1 below).
- Money received by a HUF from its members.
- Money received on occasion of the marriage of the individual.
- Money received under Will/ by way of inheritance.
- Money received in contemplation of death of the payer or donor.
- Money received from a local authority.
- Money received from any fund, foundation, university, other educational institution, hospital or other medical institution, any trust or institution referred to in section 10(23C).
- Money received from a trust or institution registered under section 12AA.

Note 1: Relative for this purpose means:

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<td>Spouse of the person referred to in (b) to (f) above</td>
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Illustration

During the year 2012-13, Mr. Kumar received following gifts. Ascertain the total amount of gift charged to tax.

- Gift of Rs. 84,000 from his father.
Gift of Rs. 25,200 received from his friend on his birthday.

Rs. 2,52,000 received on account of will of his grandfather.

Rs. 30,000 received from his friends on the occasion of marriage anniversary.

Gift received in following situations will not be charged to tax.

- Money received from relatives (meaning of relative is already discussed above).
- Money received by a HUF from its members.
- Money received on occasion of the marriage of the individual.
- Money received under Will / by way of inheritance.
- Money received in contemplation of death of the payer or donor.
- Money received from a local authority.
- Money received from any fund, foundation, university, other educational institution, hospital or other medical institution, any trust or institution referred to in section 10(23C).
- Money received from a trust or institution registered under section 12AA.

Considering above, the tax treatment of various items in the hands of Mr. Kumar will be as follows:

- Gift received from father will not be charged to tax (since father is covered in the definition of relative), hence, Rs. 84,000 will not be charged to tax.
- Gift received from the friends is not covered in any of the above discussed exemptions and, hence, Rs. 25,200 received from his friend on his birthday will be charged to tax.
- Money received on account of Will is covered in the above discussed exemptions and, hence, nothing will be charged to tax on account of Rs. 2,52,000 received on account of Will of his grandfather.
- Money received on account of marriage of an individual is covered in above discussed exemptions. However, the benefit is not available in respect of money received on marriage anniversary. Hence, Rs. 30,000 received from his friends on account of marriage anniversary will be charged to tax.

Considering above discussion, the total amount of gift not covered in any of the specified exemptions will come to Rs. 55,200 (i.e., Rs. 25,200 + Rs. 30,000). If the gift not covered in specified exemptions exceeds Rs. 50,000 then the entire amount of such gift is charged to tax. Hence, taxable amount of gift will come to Rs. 55,200.
Specified movable property received without consideration (commonly known as non-monetary gift) by an individual or HUF

Any specified movable property received without consideration (i.e., received by way of a gift) by an individual/HUF is charged to tax, if the following conditions are satisfied:

(i) Any specified movable property is received by an individual or HUF on or after 1-10-2009.

(ii) Such property is received without consideration.

(iii) The aggregate fair market value of such properties received by the assessee during the previous year exceeds Rs. 50,000.

Specified movable property means shares/securities, jewellery, archaeological collections, drawings, paintings, sculptures or any work of art and with effect from 1-6-2010 bullion, being capital asset of the assessee.

In above case, the fair market value of the specified movable property will be treated as income of the receiver.

The aforesaid provisions will not apply in the following cases:

- Property received from relatives (see note 1).
- Property received by a HUF from its members.
- Property received on occasion of the marriage of the individual.
- Property received under Will/ by way of inheritance.
- Property received in contemplation of death of the payer or donor.
- Property received from a local authority.
- Property received from any fund, foundation, university, other educational institution, hospital or other medical institution, any trust or institution referred to in section 10(23C).
- Property received from a trust or institution registered under section 12AA.

Note 1: Relative for this purpose means:

| (a) Spouse of the individual; | (c) Brother or sister of the spouse of the individual; |
| (b) Brother or sister of the individual; | (d) Brother or sister of either of the parents of the individual; |
| (e) Any lineal ascendant or descendent of the individual; | (f) Any lineal ascendant or descendent of the spouse of the individual; |
| (g) Spouse of the person referred to in (b) to (f) |
Illustration

From the following information provided by Mr. Kapoor, ascertain the tax treatment of various items.

- Gift of gold received from his mother. The value of gold amounted to Rs. 1,84,000.
- Shares valuing Rs. 40,000 received by way of gift from his brother.
- Gift of diamond jewellery amounting to Rs. 2,50,000 received from his friends on the occasion of his marriage.
- Gift of diamond jewellery amounting to Rs. 30,000 received from his friends on the occasion of his friend’s marriage.

Gift received in following situations will not be charged to tax in the hands of an individual or HUF:

- Property received from relatives (meaning of relative is already discussed above).
- Property received by a HUF from its members.
- Property received on occasion of the marriage of the individual.
- Property received under Will/ by way of inheritance.
- Property received in contemplation of death of the payer or donor.
- Property received from a local authority.
- Property received from any fund, foundation, university, other educational institution, hospital or other medical institution, any trust or institution referred to in section 10(23C).
- Property received from a trust or institution registered under section 12AA.

Considering the above provisions, the tax treatment of various items in the hands of Mr. Kapoor will be as follows:

- Gift received from mother will not be charged to tax (since mother is covered in the definition of relatives). Hence, gift of gold amounting to Rs. 1,84,000 received from his mother will not be charged to tax.
- Gift received from brother will not be charged to tax (since brother is covered in the definition of relatives). Hence, gift of shares amounting to Rs. 40,000 received from his brother will not be charged to tax.
- Gift received on account of marriage of an individual is covered in above discussed exemptions. Hence gift of diamond jewellery amounting to Rs. 2,50,000 received from his friends on the occasion of his marriage will not be charged to tax.
Gift received on account of marriage of an individual is not charged to tax. In this case the gift is received on the occasion of marriage of the friend (not the marriage of Mr. Kapoor). Hence, gift of diamond jewellery amounting to Rs. 30,000 received from his friends on the occasion of his friend’s marriage will not be covered in the exemptions prescribed above.

Considering above discussion, the total amount of gift not covered in any of the specified exemptions will come to Rs. 30,000. If the gift not covered in specified exemptions does not exceed Rs. 50,000 then nothing is charged to tax. In this case, the amount of gift not covered in the exemptions comes to Rs. 30,000 (which is less than Rs. 50,000), hence, nothing will be charged to tax.

**Specified movable property received without adequate consideration by an individual or HUF**

Any specified movable property acquired for less than its fair market value by an individual/HUF is charged to tax if the following conditions are satisfied:

(i) Any specified movable property is received by an individual or HUF on or after 1-10-2009.

(ii) Such property is received for a consideration, but aggregate fair market value of such properties received by the assessee during the previous year exceeds the consideration of these properties by Rs. 50,000. In other words, the aggregate fair market value of all such properties is higher than the consideration and the aggregate gap is more than Rs. 50,000.

Specified movable property means shares/securities, jewellery, archaeological collections, drawings, paintings, sculptures or any work of art and with effect from 1-6-2010 bullion, being capital asset of the assessee.

In above case, aggregate fair market value in excess of aggregate consideration of such properties will be charged to tax.

The aforesaid provisions will not apply in the following cases:

- Property received from relatives (see note 1).
- Property received by a HUF from its members.
- Property received on occasion of the marriage of the individual.
- Property received under Will/ by way of inheritance.
- Property received in contemplation of death of the payer or donor.
- Property received from a local authority.
- Property received from any fund, foundation, university, other educational institution, hospital or other medical institution, any trust or institution referred to in section 10(23C).
- Property received from a trust or institution registered under section 12AA.
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Illustration

During the year 2012-13, Mr. Kamal a salaried employee purchased the following items:

- Gold jewellery purchased for Rs. 84,000; the fair market value of gold jewellery is Rs. 1,84,000.
- Bullion purchased for Rs. 6,00,000; the fair market value of the bullion is Rs. 5,50,000.
- A car television purchased for Rs. 25,000, the fair market value of television is Rs. 1,00,000.

What will be the tax treatment of above items in the hands of Mr. Kamal?

Any prescribed movable property acquired for less than its fair market value by an individual/HUF is charged to tax in the hands of an individual or HUF. However, in following cases nothing will be charged to tax:

- Property received from relatives (meaning already discussed above).
- Property received by a HUF from its members.
- Property received on occasion of the marriage of the individual.
- Property received under Will/by way of inheritance.
- Property received in contemplation of death of the payer or donor.
- Property received from a local authority.
- Property received from any fund, foundation, university, other educational institution, hospital or other medical institution, any trust or institution referred to in section 10(23C).
- Property received from a trust or institution registered under section 12AA.
Considering above provisions, the tax treatment of various items received by Mr. Kamal will be as follows:

- **The fair market value of gold jewellery is Rs. 1,84,000 and the purchase price is Rs. 84,000.** The excess of fair market value over the purchase price will amount to Rs. 1,00,000 (i.e., Rs. 1,84,000 – Rs. 84,000). Hence, Rs. 1,00,000 will be charged to tax in respect of purchase of gold jewellery.

- The fair market value of bullion is Rs. 5,50,000. However, the same is purchased for Rs. 6,00,000 which is more than the fair market value. In other words, in this case the purchase price is more than the fair market value and, hence, nothing will be charged to tax.

- **Television does not come under the definition of specified movable property,** hence, nothing will be taxed in respect of purchase of television.

**Immovable property received without consideration by an individual or HUF**

Any immovable property received without consideration (i.e., received by way of a gift) by an individual/HUF is charged to tax, if the following conditions are satisfied:

1. **Any immovable property is received by an individual or HUF on or after 1-10-2009.**
2. **Such property is received without consideration.**
3. **The stamp duty value of such property exceeds Rs. 50,000.**

In above case, the stamp duty value of the property adopted by the Stamp Valuation Authority for charging stamp duty will be treated as income of the receiver.

Nothing contained in aforesaid provisions will apply in the following cases:

- Property received from relatives (see note 1).
- Property received by a HUF from its members.
- Property received on occasion of the marriage of the individual.
- Property received under Will/ by way of inheritance.
- Property received in contemplation of death of the payer or donor.
- Property received from a local authority.
- Property received from any fund, foundation, university, other educational institution, hospital or other medical institution, any trust or institution referred to in section 10(23C).
- Property received from a trust or institution registered under section 12AA.
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Illustration:

On 25-2-2013, Mr. Kaushal gifted his personal building to his friend Mr. Lala. The market value of the building was Rs. 18,40,000 and the value of the building adopted by the Stamp Valuation Authority for charging stamp duty was Rs. 19,00,000. What will be the tax implications of the above items in the hands of Mr. Kaushal?

**

There is no question of taxing the value of building in the hands of Mr. Kaushal since he has gifted the same to his friend. In other words, the question of taxability of gift arises when gift is received by an individual/HUF and not when the gift is given by the individual/HUF. However, in this case the taxability will arise in the hands of the receiver, i.e., his friend and Rs. 19,00,000 (i.e., the value adopted to charge stamp duty) will be taxed in the hands of his friend since he has received the building without any consideration.

Immovable property received by an individual or HUF for a consideration which is less than its fair market value

Where in case of an individual or HUF, if any immovable property is received without adequate consideration (i.e. a case where the property is received for a consideration which is less than the stamp duty value of the property by an amount exceeding Rs. 50,000), then, the stamp duty value of the property as exceeds such consideration will be treated as income of such individual or HUF.

Nothing contained in aforesaid provisions will apply in the following cases:

- Property received from relatives (see note 1).
- Property received by a HUF from its members.
- Property received on occasion of the marriage of the individual.
- Property received under Will/ by way of inheritance.
- Property received in contemplation of death of the payer or donor.
Property received from a local authority.

Property received from any fund, foundation, university, other educational institution, hospital or other medical institution, any trust or institution referred to in section 10(23C).

Property received from a trust or institution registered under section 12AA.

**Note 1:** Relative for this purpose means:

| (a) Spouse of the individual; | (c) Brother or sister of the spouse of the individual; | (e) Any lineal ascendant or descendent of the individual; |
| (b) Brother or sister of the individual; | (d) Brother or sister of either of the parents of the individual; | (f) Any lineal ascendant or descendent of the spouse of the individual; |
| (g) Spouse of the person referred to in (b) to (f) |

**Illustration:**

On 25-2-2014, Mr. Kaushal purchased a building from his friend for Rs. 8,40,000. The value of the building adopted by the Stamp Valuation Authority for charging stamp duty is Rs. 18,40,000. What will be the tax implications of the above transition in the hands of Mr. Kaushal?

**In this case the property is acquired by Mr. Kaushal for inadequate consideration and stamp duty value of the property exceeds the purchase price by an amount exceeding Rs. 50,000 (by Rs. 10,00,000 i.e. Rs. 18,40,000 – Rs. 8,40,000), hence, Rs. 10,00,000 will be charged to tax in the hands of Mr. Kaushal as income from other sources.**

**Tax treatment of amount received from life insurance policy**

Any amount received under a life insurance policy, including bonus is exempt from tax under section 10(10D). However, following points should be noted in this regard:

- Exemption is available only in respect of amount received from life insurance policy.
- Exemption under section 10(10D) is unconditionally available in respect of sum received for a policy which is issued on or before March 31st, 2003, however, in respect of policies issued on or after April 1st, 2003, the exemption is available only if the amount of premium paid on such policy in any financial year does not exceed 20% (10% in respect of policy taken on or after April 1st, 2012) of the actual capital sum assured. It should be noted that amount received on death of the person will continue to be exempt without any condition.
• Value of premium agreed to be returned or of any benefit by way of bonus (or otherwise), over and above the sum actually assured, which is received under the policy by any person, shall not be taken into account while calculating the actual capital sum assured.

Illustration

Mr. Kumar had taken following life insurance policies.
• Policy 1 : It was taken on 2-10-1984; sum assured is Rs. 1,00,000 and annual premium is Rs. 18,400. The policy will mature in 2014. Maturity value will be Rs. 90,000.
• Policy 2: It was taken on 2-3-2004, sum assured is Rs. 10,00,000 and annual premium is Rs. 35,000. The policy will mature in 2015. Maturity value will be Rs. 8,00,000.
• Policy 3: It was taken on 10-12-2013, sum assured is Rs. 50,00,000 and annual premium was Rs. 84,000. The policy will mature in 2025. Maturity value will be Rs. 10,00,000.

Advice him regarding the tax treatment of amount to be received from above policies.

**
• Policy 1 was taken before 1-4-2003 and, hence, no conditions/limitations will apply in respect of this policy. The amount received from such policy in any case, i.e., on account of death of Mr. Kumar or on account of pre-maturity of the policy or on account of maturity will be exempt from tax.

• Policy 2 was taken after 1-4-2003 and, hence, tax treatment will be as follows :
  o Nothing will be charged to tax in respect of amount received on death of Mr. Kumar.
  o In any other case, the amount received from policy will be exempt, if the annual premium of any financial year does not exceed 20% of the capital sum assured. The capital sum assured in case of policy 2 is Rs. 10,00,000. 20% of Rs 10,00,000 works out to be Rs. 2,00,000. The annual premium of the policy is only Rs. 35,000, hence, nothing will be taxed on account of amount received otherwise than on death.

• Policy 3 is taken after 1-4-2012 and, hence, tax treatment will be as follows :
  o Nothing will be charged to tax in respect of amount received on death of Mr. Kumar.
  o In any other case, the amount received from policy will be exempt, if the annual premium of any financial year does not exceed 10% of the capital sum assured. The capital sum assured in case of policy 3 is Rs.
50,00,000. 10% of 50,00,000 works out to be Rs. 5,00,000. The annual premium of the policy is only Rs. 84,000, hence, nothing will be taxed on account of amount received otherwise than on death.

**Expenses allowed as deductions while computing income chargeable to tax under the head “Income from other sources”**

Following major deductions are available from income chargeable to tax under the head “Income from other sources”:

(a) Commission or remuneration for realising dividends (if not covered under section 115-O which is exempt) or interest on securities [Section 57(i)].

(b) Any sum received by an employer from employees as contribution towards any welfare fund of such employees is first included as income of the employee, and if the employer credits such sum to the employee’s account under the relevant fund on or before the due date (of such fund), then such amount (i.e., employee’s contribution) is deductible from the income of the employer [Section 57(ia)].

(c) Current (not capital) repairs, insurance premium and depreciation in respect of plant, machinery, furniture and buildings are deductible from rent income earned by letting out of plant, machinery, furniture and building, which are chargeable to tax under section 56(2)(ii)/(iii).

(d) A deduction of lower of Rs. 15,000 or 33 1/3% of such income is available in case of income in the nature of family pension (i.e., regular monthly amount payable by the employer to the family members of the deceased employee) [Section 57(iiia)].

(e) Under section 57(iii), deduction is available in respect of any other expenditure (not being in the nature of capital expenditure) laid out or expended wholly and exclusively for the purpose of making or earning such income during the relevant previous year.

**Expenses not allowed as deductions while computing income chargeable to tax under the head “Income from other sources”**

Under section 58, following expenditures are not deductible while computing income chargeable to tax under the head “Income from other sources”:

- Personal expenditure [Section 58(1)(a)(i)].

- Any interest chargeable under the Act which is payable outside India on which tax has not been paid or deducted at source [Section 58(1)(a)(ii)].

- Any amount paid which is taxable under the head “Salaries” and payable outside India on which tax has not been paid or deducted at source [Section 58(1)(a)(iii)].

- Sum paid on account of wealth-tax is not deductible under section 58(1A).

- Amount specified under section 40A is not deductible [Section 58(2)].
FAQs

1. What incomes are charged to tax under the head “Income from other sources”?

“Income from other sources” is the residual head of income. Hence, any income which is not specifically taxed under any other head of income will be taxed under this head. Further, there are certain incomes which are always taxed under this head. These incomes are as follows:

- As per section 56(2)(i), dividends are always taxed under this head. However, dividends from domestic company other than those covered by section 2(22)(e) are exempt from tax under section 10(34).
- Winnings from lotteries, crossword puzzles, races including horse races, card game and other game of any sort, gambling or betting of any form whatsoever, are always taxed under this head.
- Income by way of interest received on compensation or on enhanced compensation shall be chargeable to tax under the head “Income from other sources”, and such income shall be deemed to be the income of the year in which it is received, irrespective of the method of accounting followed by the assessee. However, a deduction of a sum equal to 50% of such income shall be allowed from such income. Apart from this, no other deduction shall be allowed from such an income.
- Gifts received by an individual or HUF (which are chargeable to tax) are also taxed under this head.
- In addition to above, following incomes are charged to tax under this head, if not taxed under the head “Profits and gains of business or profession”:
  - **(a)** Any contribution to a fund for welfare of employees received by the employer. [Section 56(2)(ic)].
  - **(b)** Income by way of interest on securities. [Section 56(2)(id)].
  - **(c)** Income from letting out or hiring of plant, machinery or furniture. [Section 56(2)(ii)].
  - **(d)** Income from letting out of plant, machinery or furniture along with building; both the lettings are inseparable. [Section 56(2)(iii)].
  - **(e)** Any sum received under a Keyman Insurance Policy including bonus. [Section 56(2)(iv)].

2. Whether the method of accounting followed by the assessee has any relevance while computing income chargeable to tax under the head “Income from other sources”?

Income chargeable to tax under the head “Income from other sources” is to be computed in accordance with the method of accounting regularly employed by the assessee. Hence, if the assessee follows mercantile system, then income will be computed on accrual basis. If assessee follows cash system, then income will be computed on cash basis. However, method of accounting does not affect the basis of charge in case of dividend income and income by way of interest received on compensation or on enhanced compensation.
**Illustration**

Ascertain the head of taxability of the incomes given below:

- Dividend of Rs. 84,000 received by Mr. Kapoor from an Indian company.
- Dividend of Rs. 1,84,000 received by Mr. Sunil from a foreign company.
- Rs. 25,200 won by Mr. Soham from a game show.
- Rs. 84,000 received by Mr. Kumar from his friend on his birthday.
- Rent of a plot of land of Rs. 20,000 received by Mr. Jagdish.
- Rent of a shop amounting to Rs. 1,00,000 per month received by Mr. Sohil.
- Interest of Rs. 50,000 from bank fixed deposits received by a salaried employee.

<table>
<thead>
<tr>
<th>Nature of income</th>
<th>Head of taxability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend of Rs. 84,000 received by Mr. Kapoor from an Indian company.</td>
<td>Dividend is always charged to tax under the head “Income from other sources”. However, dividends from domestic company except dividends covered by section 2(22)(e) are exempt from tax under section 10(34).</td>
</tr>
<tr>
<td>Dividend of Rs. 1,84,000 received by Mr. Sunil from a foreign company.</td>
<td>Dividend is always charged to tax under the head “Income from other sources”. Dividends from foreign company do not qualify for exemption under section 10(34) and, hence will be fully charged to tax.</td>
</tr>
<tr>
<td>Rs. 25,200 won by Mr. Soham from a game show.</td>
<td>Income by way of winnings from lotteries, crossword puzzles, races including horse races, card game and other game of any sort, gambling or betting of any form whatsoever, are always charged to tax under the head “Income from other sources”. Hence, Rs. 25,200 won from a game show will be charged to tax under the head “Income from other sources”.</td>
</tr>
<tr>
<td>Rs. 84,000 received by Mr. Kumar from his friend on his birthday.</td>
<td>Gifts received by an individual or HUF (which are charged to tax) are taxed under the head “Income from other sources”. In this case, gift is received from a friend and it exceeds Rs. 50,000. Hence, entire amount will be charged to tax under the head “Income from other sources”.</td>
</tr>
<tr>
<td>Rent of a plot of land of Rs. 20,000</td>
<td>Rent from plot of land will be charged to</td>
</tr>
</tbody>
</table>
received by Mr. Jagdish. tax under the head “Income from other sources”. Rent of plot of land is not charged to tax under the head “Income from house property”

Rent of a shop amounting to Rs. 1,00,000 per month received by Mr. Sohil. Rent of shop (being building) is charged to tax under the head “Income from house property”.

Interest of Rs. 50,000 from bank fixed deposits received by a salaried employee. Interest on bank fixed deposits is charged to tax under the head “Income from other sources”.

3. What are the provisions relating to taxability of any sum of money received without consideration by an individual or HUF (commonly known as monetary gift)?

The provisions relating to taxability of monetary gift received by an individual or HUF are as follows:

On satisfaction of following conditions any sum of money (i.e., generally known as monetary gift) received by an individual/HUF without adequate consideration will be charged to tax:

(i) The sum of money is received by an individual or HUF on or after 1-10-2009.
(ii) Such sum of money is received without consideration.
(iii) The aggregate value of such sum received during the previous year exceeds Rs. 50,000.

The aforesaid provisions will not apply in the following cases:
- Money received from relatives (see note 1 below).
- Money received by a HUF from its members.
- Money received on occasion of the marriage of the individual.
- Money received under Will/ by way of inheritance.
- Money received in contemplation of death of the payer or donor.
- Money received from a local authority.
- Money received from any fund, foundation, university, other educational institution, hospital or other medical institution, any trust or institution referred to in section 10(23C).
- Money received from a trust or institution registered under section 12AA.

Note 1: Relative for this purpose means:

- (a) Spouse of the individual;
- (b) Brother or sister of the individual;
- (c) Brother or sister of the spouse of the individual;
- (d) Brother or sister of (c);
- (e) Any lineal ascendant or descendant of the individual;
- (f) Any lineal ascendant or descendant of (e).
the individual; either of the parents of the individual; descendental of the spouse of the individual;
(g) Spouse of the person referred to in (b) to (f) above

Illustration

During the year 2012-13, Mr. Kumar received following gifts. Ascertain the total amount of gift charged to tax.

- Gift of Rs. 84,000 from his father.
- Gift of Rs. 25,200 received from his friend on his birthday.
- Rs. 2,52,000 received on account of will of his grandfather.
- Rs. 30,000 received from his friends on the occasion of marriage anniversary.

Gift received in following situations will not be charged to tax.

- Money received from relatives (meaning of relative is already discussed above).
- Money received by a HUF from its members.
- Money received on occasion of the marriage of the individual.
- Money received under Will/ by way of inheritance.
- Money received in contemplation of death of the payer or donor.
- Money received from a local authority.
- Money received from any fund, foundation, university, other educational institution, hospital or other medical institution, any trust or institution referred to in section 10(23C).
- Money received from a trust or institution registered under section 12AA.

Considering above, the tax treatment of various items in the hands of Mr. Kumar will be as follows:

- Gift received from father will not be charged to tax (since father is covered in the definition of relative), hence, Rs. 84,000 will not be charged to tax.
- Gift received from the friends is not covered in any of the above discussed exemptions and, hence, Rs. 25,200 received from his friend on his birthday will be charged to tax.
- Money received on account of Will is covered in the above discussed exemptions and, hence, nothing will be charged to tax on account of Rs. 2,52,000 received on account of Will of his grandfather.
- Money received on account of marriage of an individual is covered in above discussed exemptions. However, the benefit is not available in respect of money received on marriage anniversary. Hence, Rs. 30,000 received from his friends on account of marriage anniversary will be charged to tax.
Considering above discussion, the total amount of gift not covered in any of the specified exemptions will come to Rs. 55,200 (i.e., Rs. 25,200 + Rs. 30,000). If the gift not covered in specified exemptions exceeds Rs. 50,000 then the entire amount of such gift is charged to tax. Hence, taxable amount of gift will come to Rs. 55,200.

4. What are the provisions relating to taxability of specified movable property received without consideration by an individual or HUF (commonly known as non-monetary gift)?

Any prescribed movable property received without consideration (i.e., received by way of a gift) by an individual/HUF is charged to tax, if the following conditions are satisfied:

(i) Any specified movable property is received by an individual or HUF on or after 1-10-2009.

(ii) Such property is received without consideration.

(iii) The aggregate fair market value of such properties received by the assessee during the previous year exceeds Rs. 50,000.

Specified movable property means shares/securities, jewellery, archaeological collections, drawings, paintings, sculptures or any work of art and with effect from 1-6-2010 bullion, being capital asset of the assessee.

In above case, the fair market value of the specified movable property will be treated as income of the receiver.

The aforesaid provisions will not apply in the following cases:

- Property received from relatives (see note 1).
- Property received by a HUF from its members.
- Property received on occasion of the marriage of the individual.
- Property received under Will/ by way of inheritance.
- Property received in contemplation of death of the payer or donor.
- Property received from a local authority.
- Property received from any fund, foundation, university, other educational institution, hospital or other medical institution, any trust or institution referred to in section 10(23C).
- Property received from a trust or institution registered under section 12AA.

**Note 1**: Relative for this purpose means:

<table>
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<th>(a) Spouse of the individual;</th>
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<td>(b) Brother or sister of the individual;</td>
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<td>(g) Spouse of the person referred to in (b) to (f)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Illustration

From the following information provided by Mr. Kapoor, ascertain the tax treatment of various items.

- Gift of gold received from his mother. The value of gold amounted to Rs. 1,84,000.
- Shares valuing Rs. 40,000 received by way of gift from his brother.
- Gift of diamond jewellery amounting to Rs. 2,50,000 received from his friends on the occasion of his marriage.
- Gift of diamond jewellery amounting to Rs. 30,000 received from his friends on the occasion of his friend’s marriage.

**

Gift received in following situations will not be charged to tax in the hands of an individual or HUF:

- Property received from relatives (meaning of relative is already discussed above).
- Property received by a HUF from its members.
- Property received on occasion of the marriage of the individual.
- Property received under Will/ by way of inheritance.
- Property received in contemplation of death of the payer or donor.
- Property received from a local authority.
- Property received from any fund, foundation, university, other educational institution, hospital or other medical institution, any trust or institution referred to in section 10(23C).
- Property received from a trust or institution registered under section 12AA.

Considering the above provisions, the tax treatment of various items in the hands of Mr. Kapoor will be as follows:

- Gift received from mother will not be charged to tax (since mother is covered in the definition of relatives). Hence, gift of gold amounting to Rs. 1,84,000 received from his mother will not be charged to tax.
- Gift received from brother will not be charged to tax (since brother is covered in the definition of relatives). Hence, gift of shares amounting to Rs. 40,000 received from his brother will not be charged to tax.
- Gift received on account of marriage of an individual is covered in above discussed exemptions. Hence gift of diamond jewellery amounting to Rs. 2,50,000 received from his friends on the occasion of his marriage will not be charged to tax.
- Gift received on account of marriage of an individual is not charged to tax, in this case the gift is received on the occasion of marriage of the friend (not the marriage of Mr. Kapoor), hence, gift of diamond jewellery amounting to Rs. 30,000 received from his friends on the occasion of his friend’s marriage will not be covered in the exemptions prescribed above.
Considering above discussion, the total amount of gift not covered in any of the specified exemptions will come to Rs. 30,000. If the gift not covered in specified exemptions does not exceed Rs. 50,000 then nothing is charged to tax. In this case, the amount of gift not covered in the exemptions comes to Rs. 30,000 (which is less than Rs. 50,000). Hence nothing will be charged to tax.

5. What are the provisions relating to taxability of specified movable property received without adequate consideration by an individual or HUF?

Any specified movable property acquired for less than its fair market value by an individual/HUF is charged to tax if the following conditions are satisfied:

(i) Any specified movable property is received by an individual or HUF on or after 1-10-2009.

(ii) Such property is received for a consideration, but aggregate fair market value of such properties received by the assessee during the previous year exceeds the consideration of these properties by Rs. 50,000. In other words, the aggregate fair market value of all such properties is higher than the consideration and the aggregate gap is more than Rs. 50,000.

specified movable property means shares/securities, jewellery, archaeological collections, drawings, paintings, sculptures or any work of art and with effect from 1-6-2010 bullion, being capital asset of the assessee.

In above case, aggregate fair market value in excess of aggregate consideration of such properties will be charged to tax.

The aforesaid provisions will not apply in the following cases:

- Property received from relatives (see note 1).
- Property received by a HUF from its members.
- Property received on occasion of the marriage of the individual.
- Property received under Will/ by way of inheritance.
- Property received in contemplation of death of the payer or donor.
- Property received from a local authority.
- Property received from any fund, foundation, university, other educational institution, hospital or other medical institution, any trust or institution referred to in section 10(23C).
- Property received from a trust or institution registered under section 12AA.

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| (e) | Any lineal ascendant or descendent of the individual; |
| (f) | Any lineal ascendant or descendent of the spouse of the individual; |
| (g) | Spouse of the person referred to in (b) to (f) |
Illustration

During the year 2012-13, Mr. Kamal a salaried employee purchased the following items:

- Gold jewellery purchased for Rs. 84,000; the fair market value of gold jewellery is Rs. 1,84,000.
- Bullion purchased for Rs. 6,00,000; the fair market value of the bullion is Rs. 5,50,000.
- A car television purchased for Rs. 25,000, the fair market value of television is Rs. 1,00,000.

What will be the tax treatment of above items in the hands of Mr. Kamal?

Any prescribed movable property acquired for less than its fair market value by an individual/HUF is charged to tax in the hands of an individual or HUF. However, in following cases nothing will be charged to tax.

- Property received from relatives (meaning already discussed above).
- Property received by a HUF from its members.
- Property received on occasion of the marriage of the individual.
- Property received under Will/ by way of inheritance.
- Property received in contemplation of death of the payer or donor.
- Property received from a local authority.
- Property received from any fund, foundation, university, other educational institution, hospital or other medical institution, any trust or institution referred to in section 10(23C).
- Property received from a trust or institution registered under section 12AA.

Considering above provisions, the tax treatment of various items received by Mr. Kamal will be as follows:

- The fair market value of gold jewellery is Rs. 1,84,000 and the purchase price is Rs. 84,000. The excess of fair market value over the purchase price will amount to Rs. 1,00,000 (i.e., Rs. 1,84,000 – Rs. 84,000). Hence, Rs. 1,00,000 will be charged to tax in respect of purchase of gold jewellery.

- The fair market value of bullion is Rs. 5,50,000. However, the same is purchased for Rs. 6,00,000 which is more than the fair market value. In other words, in this case the purchase price is more than the fair market value and, hence, nothing will be charged to tax.

- Television does not come under the definition of specified movable property, hence, nothing will be taxed in respect of purchase of television.

6. What are the provisions relating to taxability of immovable property received without consideration by an individual or HUF?

Any immovable property received without consideration (i.e., received by way of a gift) by an individual/HUF is charged to tax, if the following conditions are satisfied:
(i) Any immovable property is received by an individual or HUF on or after 1-10-2009.

(ii) Such property is received without consideration.

(iii) The stamp duty value of such property exceeds Rs. 50,000.

In above case, the stamp duty value of the property adopted by the Stamp Valuation Authority for charging stamp duty will be treated as income of the receiver.

Nothing contained in aforesaid provisions will apply in the following cases:

- Property received from relatives (see note 1).
- Property received by a HUF from its members.
- Property received on occasion of the marriage of the individual.
- Property received under Will/ by way of inheritance.
- Property received in contemplation of death of the payer or donor.
- Property received from a local authority.
- Property received from any fund, foundation, university, other educational institution, hospital or other medical institution, any trust or institution referred to in section 10(23C).
- Property received from a trust or institution registered under section 12AA.

**Note 1**: Relative for this purpose means:

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<td></td>
</tr>
</tbody>
</table>

**Illustration**:

On 25-2-2013, Mr. Kaushal gifted his personal building to his friend Mr. Lala. The market value of the building was Rs. 18,40,000 and the value of the building adopted by the Stamp Valuation Authority for charging stamp duty was Rs. 19,00,000. What will be the tax implications of the above items in the hands of Mr. Kaushal?

**

There is no question of taxing the value of building in the hands of Mr. Kaushal since he has gifted the same to his friend. In other words, the question of taxability of gift arises when gift is received by an individual/HUF and not when the gift is given by the individual/HUF. However, in this case the taxability will arise in the hands of the receiver, *i.e.*, his friend and Rs. 19,00,000 (*i.e.* the value adopted to charge stamp duty) will be taxed in the hands of his friend since he has received the building without any consideration.
7. What are the provisions relating to taxability of immovable property received by an individual or HUF for a consideration which is less than its fair market value?

Where in case of an individual or HUF, if any immovable property is received without adequate consideration (i.e. a case where the property is received for a consideration which is less than the stamp duty value of the property by an amount exceeding Rs. 50,000), then, the stamp duty value of the property as exceeds such consideration will be treated as income of such individual or HUF.

Nothing contained in aforesaid provisions will apply in the following cases:

- Property received from relatives (see note 1).
- Property received by a HUF from its members.
- Property received on occasion of the marriage of the individual.
- Property received under Will/ by way of inheritance.
- Property received in contemplation of death of the payer or donor.
- Property received from a local authority.
- Property received from any fund, foundation, university, other educational institution, hospital or other medical institution, any trust or institution referred to in section 10(23C).
- Property received from a trust or institution registered under section 12AA.

Note 1: Relative for this purpose means:

| (a) Spouse of the individual; | (c) Brother or sister of the spouse of the individual; | (e) Any lineal ascendant or descendent of the individual; |
| (b) Brother or sister of the individual; | (d) Brother or sister of either of the parents of the individual; | (f) Any lineal ascendant or descendent of the spouse of the individual; |
| (g) Spouse of the person referred to in (b) to (f) |

Illustration:

On 25-2-2014, Mr. Kaushal purchased a building from his friend for Rs. 8,40,000. The value of the building adopted by the Stamp Valuation Authority for charging stamp duty is Rs. 18,40,000. What will be the tax implications of the above transition in the hands of Mr. Kaushal?

**

In this case the property is acquired by Mr. Kaushal for inadequate consideration and stamp duty value of the property exceeds the purchase price by an amount exceeding Rs. 50,000 (exceeds by Rs. 10,00,000 i.e. Rs. 18,40,000 – Rs. 8,40,000), hence, Rs. 10,00,000 will be charged to tax in the hands of Mr. Kaushal as income from other sources.
8. What is the tax treatment of amount received from a life insurance policy?

Any amount received under a life insurance policy, including bonus is exempt from tax under section 10(10D). However, following points should be noted in this regard:

- Exemption is available only in respect of amount received from life insurance policy.
- Exemption under section 10(10D) is unconditionally available in respect of sum received for a policy which is issued on or before March 31st, 2003, however, in respect of policies issued on or after April 1st, 2003, the exemption is available only if the amount of premium paid on such policy in any financial year does not exceed 20% (10% in respect of policy taken on or after April 1st, 2012) of the actual capital sum assured. It should be noted that amount received on death of the person will continue to be exempt without any condition.
- Value of premium agreed to be returned or of any benefit by way of bonus (or otherwise), over and above the sum actually assured, which is received under the policy by any person, shall not be taken into account while calculating the actual capital sum assured.

**Illustration**

Mr. Kumar had taken following life insurance policies.

- Policy 1: It was taken on 2-10-1984; sum assured is Rs. 1,00,000 and annual premium is Rs. 18,400. The policy will mature in 2014. Maturity value will be Rs. 90,000.
- Policy 2: It was taken on 2-3-2004, sum assured is Rs. 10,00,000 and annual premium is Rs. 35,000. The policy will mature in 2015. Maturity value will be Rs. 8,00,000.
- Policy 3: It was taken on 10-12-2013, sum assured is Rs. 50,00,000 and annual premium was Rs. 84,000. The policy will mature in 2025. Maturity value will be Rs. 10,00,000.

Advice him regarding the tax treatment of amount to be received from above policies.

**

- Policy 1 was taken before 1-4-2003 and, hence, no conditions/limitations will apply in respect of this policy. The amount received from such policy in any case, i.e., on account of death of Mr. Kumar or on account of pre-maturity of the policy or on account of maturity will be exempt from tax.
- Policy 2 was taken after 1-4-2003 and, hence, tax treatment will be as follows :
  - Nothing will be charged to tax in respect of amount received on death of Mr. Kumar.
  - In any other case, the amount received from policy will be exempt, if the annual premium of any financial year does not exceed 20% of the capital sum assured. The capital sum assured in case of policy 2 is Rs. 10,00,000. 20% of Rs 10,00,000 works out to be Rs. 2,00,000. The annual premium of the policy is only Rs. 35,000, hence, nothing will be taxed on account of amount received otherwise than on death.
- Policy 3 is taken after 1-4-2012 and, hence, tax treatment will be as follows :
Nothing will be charged to tax in respect of amount received on death of Mr. Kumar.

In any other case, the amount received from policy will be exempt, if the annual premium of any financial year does not exceed 10% of the capital sum assured. The capital sum assured in case of policy 3 is Rs. 50,00,000. 10% of 50,00,000 works out to be Rs. 5,00,000. The annual premium of the policy is only Rs. 84,000, hence, nothing will be taxed on account of amount received otherwise than on death.

9. What are the expenses which are allowed as deductions while computing income chargeable to tax under the head “Income from other sources”?

Following major deductions are available from income chargeable to tax under the head “Income from other sources”:

(a) Commission or remuneration for realising dividends (if not covered under section 115-O which is exempt) or interest on securities [Section 57(i)].

(b) Any sum received by an employer from employees as contribution towards any welfare fund of such employee is first included as income of the employee, and if the employer credits such sum to the employee’s account under the relevant fund on or before the due date (of such fund), then such amount (i.e., employee’s contribution) is deductible from the income of the employer [Section 57(ia)].

(c) Current (not capital) repairs, insurance premium and depreciation in respect of plant, machinery, furniture and buildings are deductible from rent income earned by letting out of plant, machinery, furniture and building, which are chargeable to tax under section 56(2)(ii)/(iii).

(d) A deduction of lower of Rs. 15,000 or 33 1/3% of such income is available in case of income in the nature of family pension (i.e., regular monthly amount payable by the employer to the family members of the deceased employee) [Section 57(iia)].

(e) Under section 57(iii), deduction is available in respect of any other expenditure (not being in the nature of capital expenditure) laid out or expended wholly and exclusively for the purpose of making or earning such income during the relevant previous year.

10. What are the expenses which are not allowed as deductions while computing income chargeable to tax under the head “Income from other sources”?

Under section 58, following expenditures are not deductible while computing income chargeable to tax under the head “Income from other sources”:

- Personal expenditure [Section 58(1)(a)(i)].
- Any interest chargeable under the Act which is payable outside India on which tax has not been paid or deducted at source [Section 58(1)(a)(ii)].
- Any amount paid which is taxable under the head “Salaries” and payable outside India on which tax has not been paid or deducted at source [Section 58(1)(a)(iii)].
- Sum paid on account of wealth-tax is not deductible under section 58(1A).
- Amount specified under section 40A is not deductible [Section 58(2)].
MCQ

Q1. Dividends are charged to tax under which head?
(a) Profits and gains from business or profession
(b) Income from other sources
(c) Capital gains
(d) Salaries
Correct answer : (b)
Justification of correct answer
Dividends are charged to tax under the head “Income from other sources”. However, dividends other than those covered by section 2(22)(e) are exempt from tax under section 10(34). Thus, option (b) is the correct option.

Comment on incorrect answer : Option (b) is the correct option since it gives the correct head of taxability of dividend income. All the other options, viz., options (a), (c) and (d) giving incorrect heads of taxability are not correct.

Q2. Winnings from lotteries, crossword puzzles are charged to tax under which head?
(a) Profits and gains from business or profession
(b) Income from other sources
(c) Capital gains
(d) Salaries
Correct answer : (b)
Justification of correct answer
Winnings from lotteries, crossword puzzles are charged to tax under the head “Income from other sources”. Thus, option (b) is the correct option.

Comment on incorrect answer : Option (b) is the correct option since it gives the correct head of taxability of winnings from lotteries, crossword puzzles. All the other options, viz., options (a), (c) and (d) giving incorrect heads of taxability are not correct.

Q3. Winnings from card game and other game of any sort are charged to tax under which head?
(a) Profits and gains from business or profession
(b) Income from other sources
(c) Capital gains
(d) Salaries
Correct answer : (b)
Justification of correct answer
Winnings from card game and other game of any sort are charged to tax under the head “Income from other sources”. Thus, option (b) is the correct option.

**Comment on incorrect answer:** Option (b) is the correct option since it gives the correct head of taxability of winnings from card game and other game of any sort. All the other options, viz., options (a), (c) and (d) giving incorrect heads of taxability are not correct.

**Q4. Winnings from gambling or betting of any form are charged to tax under which head?**

(a) Profits and gains from business or profession  
(b) Income from other sources  
(c) Capital gains  
(d) Salaries  

**Correct answer:** (b)

**Justification of correct answer**

Winnings from gambling or betting of any form are charged to tax under the head “Income from other sources”. Thus, option (b) is the correct option.

**Comment on incorrect answer:** Option (b) is the correct option since it gives the correct head of taxability of winnings from gambling or betting of any form. All the other options, viz., options (a), (c) and (d) giving incorrect heads of taxability are not correct.

**Q5. Following incomes if not taxed under the head “Profits and gains of business or profession” will be charged to tax under the head “Income from other sources” :**

- Any contribution to a fund for welfare of employees received by the employer. [Section 56(2)(ic)].  
- Income by way of interest on securities. [Section 56(2)(id)].  
- Income from letting out or hiring of plant, machinery or furniture. [Section 56(2)(ii)].  
- Income from letting out of plant, machinery or furniture along with building and both the lettings are inseparable. [Section 56(2)(iii)].  
- Any sum received under a Keyman Insurance Policy including bonus. [Section 56(2)(iv)].

(a) True (b) False

**Correct answer:** (a)

**Justification of correct answer**

Following incomes are charged to tax under the head “Income from other sources” if not taxed under the head “Profits and gains of business or profession”.

(a) Any contribution made to a fund for welfare of employees received by the employer. [Section 56(2)(ic)].

(b) Income by way of interest on securities. [Section 56(2)(id)].
(c) Income from letting out or hiring of plant, machinery or furniture. \([\text{Section 56}(2)(\text{ii})]\).

(d) Income from letting out of plant, machinery or furniture along with building and both the lettings are inseparable. \([\text{Section 56}(2)(\text{iii})]\).

(e) Any sum received under a Keyman Insurance Policy including bonus. \([\text{Section 56}(2)(\text{iv})]\).

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.

Q6. Income chargeable to tax under the head “Income from other sources” is to be computed in accordance with the method of accounting regularly employed by the assessee.

(a) True           (b) False

Correct answer: (a)

Justification of correct answer:

Income chargeable to tax under the head “Income from other sources” is to be computed in accordance with the method of accounting regularly employed by the assessee.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.

Q7. Income chargeable to tax under the head “Income from other sources” is to be computed in accordance with the method of accounting regularly employed by the assessee. However, method of accounting does not affect the basis of charge in case of dividend income.

(a) True           (b) False

Correct answer: (a)

Justification of correct answer:

Income chargeable to tax under the head “Income from other sources” is to be computed in accordance with the method of accounting regularly employed by the assessee. Hence, if the assessee follows mercantile system, then income will be computed on accrual basis and if assessee follows cash system, then income will be computed on cash basis. However, method of accounting does not affect the basis of charge in case of dividend income.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.
Q8. Dividend of Rs. 84,000 received by Mr. Kapoor from a foreign company will not be charged to tax since dividend income is exempt from tax.

(a) True  (b) False

Correct answer: (b)

Justification of correct answer:
Dividend is always charged to tax under the head “Income from other sources”, however, dividends from domestic company (other than dividends which are covered by section 2(22)(e)) are exempt from tax under section 10(34). Dividends from foreign company do not qualify for exemption under section 10(34) and, hence, will be fully charged to tax. Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false, hence, option (a) is not correct.

Q9. Monetary Gift received by an individual/HUF is charged to tax, if the aggregate amount of gift for the year exceeds ________.

(a) Rs. 1,00,000  (b) Rs. 50,000
(c) Rs. 25,000  (d) Rs. 5,000

Correct answer: (b)

Justification of correct answer
Gift of money received by an assessee is charged to tax, if the aggregate amount of gift for the year exceeds Rs. 50,000.

Thus, option (b) is the correct option.

Comment on incorrect answer: Option (b) is the correct option since it gives the correct limit above which monetary gift will be charged to tax. All the other options, viz., options (a), (c) and (d) giving incorrect limits are not correct.

Q10. Gift of money received by an individual on occasion of the marriage of the individual is not charged to tax.

(a) True  (b) False

Correct answer: (a)

Justification of correct answer:
Gift of money received by an individual on occasion of the marriage of the individual is not charged to tax. Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.

Q11. Money received by an individual under Will/ by way of inheritance is not charged to tax.

(a) True  (b) False

Correct answer: (a)
Justification of correct answer:
Money received by an individual under Will/by way of inheritance is not charged to tax. Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.

Q12. Money received by an individual in contemplation of death of the payer or donor is not charged to tax.
(a) True  (b) False

Correct answer: (a)

Justification of correct answer:
Money received by an individual in contemplation of death of the payer or donor is not charged to tax. Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.

Q13. Money received by an individual from a local authority and gift of money received from any fund, foundation, university, other educational institution, hospital or other medical institution, any trust or institution referred to in section 10(23C) is not charged to tax.
(a) True  (b) False

Correct answer: (a)

Justification of correct answer:
Money received by an individual from a local authority and gift of money received from any fund, foundation, university, other educational institution, hospital or other medical institution, any trust or institution referred to in section 10(23C) is not charged to tax. Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.

Q14. Money received by an HUF from its members is not charged to tax.
(a) True  (b) False

Correct answer: (a)

Justification of correct answer:
Money received by an HUF from its members is not charged to tax. Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.
Q15. Money received by an individual from a local authority is not charged to tax.
(a) True     (b) False
Correct answer : (a)
Justification of correct answer :
Money received by an individual from a local authority is not charged to tax. Thus, the statement given in the question is true and, hence, option (a) is the correct option.
Comment on incorrect answer : The statement given in the question is true, hence, option (b) is not correct.

Q16. Money received by an individual from a trust or institution registered under section 12AA is not charged to tax.
(a) True     (b) False
Correct answer : (a)
Justification of correct answer :
Money received by an individual from a trust or institution registered under section 12AA is not charged to tax. Thus, the statement given in the question is true and, hence, option (a) is the correct option.
Comment on incorrect answer : The statement given in the question is true, hence, option (b) is not correct.

Q17. Money received by an individual from his relatives is not charged to tax. The term relative in this context will not cover spouse of the individual and brother or sister of the individual.
(a) True     (b) False
Correct answer : (b)
Justification of correct answer :
Money received by an individual from his relatives is not charged to tax. The term relative in this context will cover:

| (a) Spouse of the individual; |
| (b) Brother or sister of the individual; |
| (c) Brother or sister of the spouse of the individual; |
| (d) Brother or sister of either of the parents of the individual; |
| (e) Any lineal ascendant or descendent of the individual; |
| (f) Any lineal ascendant or descendent of the spouse of the individual; |
| (g) Spouse of the person referred to in (b) to (f) |

Thus, the statement given in the question is false and, hence, option (b) is the correct option.
Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.
Q18. Money received by an individual from his relatives is not charged to tax. The term relative in this context will not cover brother or sister of the spouse of the individual and brother or sister of either of the parents of the individual.

(a) True (b) False

Correct answer: (b)

Justification of correct answer:

Money received by an individual from his relatives is not charged to tax. The term relative in this context will cover:

| (a) Spouse of the individual; | (c) Brother or sister of the spouse of the individual; | (e) Any lineal ascendant or descendent of the individual; |
| (b) Brother or sister of the individual; | (d) Brother or sister of either of the parents of the individual; | (f) Any lineal ascendant or descendent of the spouse of the individual; |
| (g) Spouse of the person referred to in (b) to (f) |

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false, hence, option (a) is not correct.

Q19. Money received by an individual from his relatives is not charged to tax. The term relative in this context will not cover any lineal ascendant or descendent of the individual.

(a) True (b) False

Correct answer: (b)

Justification of correct answer:

Money received by an individual from his relatives is not charged to tax. The term relative in this context will cover:

| (a) Spouse of the individual; | (c) Brother or sister of the spouse of the individual; | (e) Any lineal ascendant or descendent of the individual; |
| (b) Brother or sister of the individual; | (d) Brother or sister of either of the parents of the individual; | (f) Any lineal ascendant or descendent of the spouse of the individual; |
| (g) Spouse of the person referred to in (b) to (f) |

Thus, the statement given in the question is false and, hence, option (b) is the correct option.
Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

Q20. Money received by an individual from his relatives is not charged to tax. The term relative in this context will not cover any lineal ascendant or descendent of the spouse of the individual.

(a) True  
(b) False

Correct answer : (b)

Justification of correct answer :

Money received by an individual from his relatives is not charged to tax. The term relative in this context will cover:

- (a) Spouse of the individual;
- (b) Brother or sister of the individual;
- (c) Brother or sister of the spouse of the individual;
- (d) Brother or sister of either of the parents of the individual;
- (e) Any lineal ascendant or descendent of the individual;
- (f) Any lineal ascendant or descendent of the spouse of the individual;
- (g) Spouse of the person referred to in (b) to (f)

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

Q21. Money received by an individual from his friend is not charged to tax if the same is received on the occasion of the marriage of the friend.

(a) True  
(b) False

Correct answer : (b)

Justification of correct answer :

Money received by an individual on the occasion of his marriage (not marriage of the friend) is not charged to tax. Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

Q22. Money received by an individual on the occasion of his marriage anniversary is not charged to tax.

(a) True  
(b) False

Correct answer : (b)

Justification of correct answer :

Money received by an individual on the occasion of his marriage (not marriage anniversary) is not charged to tax. Thus, the statement given in the question is false and, hence, option (b) is the correct option.
Comment on incorrect answer: The statement given in the question is false, hence, option (a) is not correct.

Q23. During the year 2012-13, Mr. Raja received gift money of Rs. 51,000 from his friends on the occasion of his friend’s birthday. In this case what will be the amount of gift liable to tax?

(a) Rs. 51,000  
(b) Rs. 50,000  
(c) Rs. 1,000  
(d) Nil

Correct answer: (a)

Justification of correct answer

Once the amount of gift exceeds Rs. 50,000, then entire amount of gift is charged to tax and hence, Rs. 51,000 will be liable to tax in the hands of Mr. Raja. Thus, option (a) is the correct option.

Comment on incorrect answer: Option (a) is the correct option since it gives the correct amount liable to tax, all the other options, viz., options (b), (c) and (d) giving incorrect amounts are not correct.

Q24. Mr. Sunil received gift of Rs. 1,84,000 from his father. What will be the amount of gift chargeable to tax under the head “Income from other sources”?

(a) Rs. 84,000  
(b) Rs. 25,200  
(c) Rs. 2,52,000  
(d) Nil

Correct answer: (d)

Justification of correct answer

Gift received from father will not be charged to tax (since father is covered in the definition of relatives), hence, Rs. 1,84,000 will not be charged to tax. Thus, option (d) is the correct option.

Comment on incorrect answer: Option (d) is the correct option since it gives the correct amount of taxable gift, all the other options, viz., options (a), (b) and (c) giving incorrect amount of taxable gifts are not correct.

Q25. Mr. Soham received gift of Rs. 84,000 from his friend on the occasion of his birthday. What will be the amount of gift chargeable to tax under the head “Income from other sources”?

(a) Rs. 84,000  
(b) Rs. 25,200  
(c) Rs. 2,52,000  
(d) Nil

Correct answer: (a)

Justification of correct answer

Gift received from the friends is not covered in any of the prescribed exemptions and, hence, Rs. 84,000 received from his friend on his birthday will be charged to tax. Thus, option (a) is the correct option.
Comment on incorrect answer: Option (a) is the correct option since it gives the correct amount of taxable gift, all the other options, viz., options (b), (c) and (d) giving incorrect amounts of taxable gift are not correct.

Q26. Mr. Soham received Rs. 2,52,000 on account of Will of his grandfather. What will be the amount chargeable to tax under the head “Income from other sources”?
(a) Rs. 84,000  
(b) Rs. 25,200  
(c) Rs. 2,52,000   
(d) Nil  
Correct answer: (d)  
Justification of correct answer  
Money received on account of Will is covered in the prescribed exemptions and, hence, nothing will be charged to tax on account of Rs. 2,52,000 received on account of will of his grandfather. Thus, option (d) is the correct option.

Comment on incorrect answer: Option (d) is the correct option since it gives the correct amount of taxable gift, all the other options, viz., options (a), (b) and (c) giving incorrect amounts of taxable gift are not correct.

Q27. Mr. Mahesh received Rs. 2,52,000 from his friends on the occasion of marriage anniversary. What will be the amount chargeable to tax under the head “Income from other sources”?
(a) Rs. 84,000  
(b) Rs. 25,200  
(c) Rs. 2,52,000   
(d) Nil  
Correct answer: (c)  
Justification of correct answer  
Money received on account of marriage of an individual is covered in the prescribed exemptions; the benefit is not available in respect of money received on marriage anniversary, hence, entire amount of Rs. 2,52,000 will be charged to tax. Thus, option (c) is the correct option.

Comment on incorrect answer: Option (c) is the correct option since it gives the correct amount of taxable gift. All the other options, viz., options (a), (b) and (d) giving incorrect amounts of taxable gift are not correct.

Q28. Mr. Soham received Rs. 2,52,000 on account of death of his grandmother. What will be the amount chargeable to tax under the head “Income from other sources”?
(a) Rs. 84,000  
(b) Rs. 25,200  
(c) Rs. 2,52,000   
(d) Nil  
Correct answer: (d)  
Justification of correct answer  
Money received on account of contemplation of death of the payer or donor is covered in the prescribed exemptions and, hence, nothing will be charged to tax on account of Rs. 2,52,000 received on account of contemplation of death of his grandmother. Thus, option (d) is the correct option.
Comment on incorrect answer: Option (d) is the correct option since it gives the correct amount of taxable gift. All the other options, viz., options (a), (b) and (c) giving incorrect amounts of taxable gift are not correct.

Q29. Mr. Raghu received Rs. 2,52,000 from a local authority. What will be the amount chargeable to tax under the head “Income from other sources”?
(a) Rs. 84,000  (b) Rs. 25,200  
(c) Rs. 2,52,000  (d) Nil  
Correct answer: (d)  
Justification of correct answer  
Money received from a local authority is covered in the prescribed exemptions and, hence, nothing will be charged to tax on account of Rs. 2,52,000 received from a local authority. Thus, option (d) is the correct option.

Comment on incorrect answer: Option (d) is the correct option since it gives the correct amount of taxable gift. All the other options, viz., options (a), (b) and (c) giving incorrect amounts of taxable gift are not correct.

Q30. Mr. Raghunath received Rs. 2,52,000 from a trust registered under section 12AA. What will be the amount chargeable to tax under the head “Income from other sources”?
(a) Rs. 84,000  (b) Rs. 25,200  
(c) Rs. 2,52,000  (d) Nil  
Correct answer: (d)  
Justification of correct answer  
Money received from a trust registered under section 12AA is covered in the prescribed exemptions and, hence, nothing will be charged to tax on account of Rs. 2,52,000 received from a trust registered under section 12AA. Thus, option (d) is the correct option.

Comment on incorrect answer: Option (d) is the correct option since it gives the correct amount of taxable gift. All the other options, viz., options (a), (b) and (c) giving incorrect amounts of taxable gift are not correct.

Q31. Any specified movable property received without consideration (i.e., received by way of a gift) by an individual/HUF is charged to tax, if the following conditions are satisfied and the case does not fall under the prescribed exemptions:

(i) Any specified movable property is received by an individual or HUF on or after 1-10-2009.  
(ii) Such property is received without consideration.  
(iii) The aggregate fair market value of such properties received by the assessee during the previous year exceeds Rs. 50,000.
(a) True  (b) False  
Correct answer: (a)
Justification of correct answer:
Any specified movable property received without consideration (i.e., received by way of a gift) by an individual/HUF is charged to tax, if the conditions given in the question are satisfied and the case does not fall under the prescribed exemptions.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.

Q32. Any specified movable property received without consideration (i.e., received by way of a gift) by an individual/HUF is charged to tax, if the conditions specified in this behalf are satisfied. In this context shares/securities are covered in the meaning of specified movable property.

(a) True     (b) False

Correct answer: (a)

Justification of correct answer:
For the purpose discussed in the question, specified movable property means shares/securities, jewellery, archaeological collections, drawings, paintings, sculptures or any work of art. Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.

Q33. Any specified movable property received without consideration (i.e., received by way of a gift) by an individual/HUF is charged to tax, if the conditions specified in this behalf are satisfied. In this context jewellery is covered in the meaning of specified movable property.

(a) True     (b) False

Correct answer: (a)

Justification of correct answer:
For the purpose discussed in the question specified movable property means shares/securities, jewellery, archaeological collections, drawings, paintings, sculptures or any work of art. Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.

Q34. Any specified movable property received without consideration (i.e., received by way of a gift) by an individual/HUF is charged to tax, if the conditions specified in this behalf are satisfied. In this context, archaeological collections are covered in the meaning of specified movable property.

(a) True     (b) False

Correct answer: (a)
Justification of correct answer:
For the purpose discussed in the question prescribed movable property means shares/securities, jewellery, archaeological collections, drawings, paintings, sculptures or any work of art. Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer:
The statement given in the question is true, hence, option (b) is not correct.

Q35. Any specified movable property received without consideration (i.e., received by way of a gift) by an individual/HUF is charged to tax, if the conditions specified in this behalf are satisfied. In this context drawings/paintings are covered in the meaning of specified movable property.
(a) True     (b) False
Correct answer: (a)

Justification of correct answer:
For the purpose discussed in the question specified movable property means shares/securities, jewellery, archaeological collections, drawings, paintings, sculptures or any work of art. Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer:
The statement given in the question is true, hence, option (b) is not correct.

Q36. Any specified movable property received without consideration (i.e., received by way of a gift) by an individual/HUF is charged to tax, if the conditions specified in this behalf are satisfied. In this context, sculptures or any work of art is covered in the meaning of prescribed movable property.
(a) True     (b) False
Correct answer: (a)

Justification of correct answer:
For the purpose discussed in the question specified movable property means shares/securities, jewellery, archaeological collections, drawings, paintings, sculptures or any work of art. Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer:
The statement given in the question is true hence, option (b) is not correct.

Q37. Any specified movable property received without consideration (i.e., received by way of a gift) by an individual/HUF is charged to tax, if the conditions specified in this behalf are satisfied. In this case, the fair market value of the prescribed movable property will be treated as income of the receiver.
(a) True     (b) False
Correct answer: (a)

Justification of correct answer:
Any specified movable property received without consideration (i.e., received by way of a gift) by an individual/HUF is charged to tax, if the following conditions are satisfied:

(i) Any prescribed movable property is received by an individual or HUF on or after 1-10-2009.

(ii) Such property is received without consideration.

(iii) The aggregate fair market value of such properties received by the assessee during the previous year exceeds Rs. 50,000.

Specified movable property means shares/securities, jewellery, archaeological collections, drawings, paintings, sculptures or any work of art and with effect from 1-6-2010 bullion, being capital asset of the assessee.

In above case the fair market value of the prescribed movable property will be treated as income of the receiver.

Thus, the statement given in the question is true and hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.

Q38. Mr. Raghunath received gift of gold valuing Rs. 1,84,000 from his mother. What will be the amount of gift chargeable to tax under the head “Income from other sources”?

(a) Rs. 1,84,000  
(b) Rs. 25,200  
(c) Rs. 2,52,000  
(d) Nil

Correct answer : (d)

Justification of correct answer

Specified movable property received on account of gift from a relative (as covered in the definition of a relative) is not charged to tax. Mother is covered in the definition of the relative and, hence, nothing will be charged to tax on account of gold received from mother. Thus, option (d) is the correct option.

Comment on incorrect answer: Option (d) is the correct option since it gives the correct amount of taxable gift. All the other options, viz., options (a), (b) and (c) giving incorrect amounts of taxable gift are not correct.

Q39. Kumar HUF received gift of gold valuing Rs. 2,84,000 from one of its members. What will be the amount of gift chargeable to tax under the head “Income from other sources”?

(a) Rs. 2,84,000  
(b) Rs. 25,200  
(c) Rs. 2,52,000  
(d) Nil

Correct answer : (d)

Justification of correct answer

Specified movable property received by a HUF from its members is not charged to tax. Hence, nothing will be charged to tax on account of gold received from the member of HUF. Thus, option (d) is the correct option.
Comment on incorrect answer : Option (d) is the correct option since it gives the correct amount of taxable gift. All the other options, viz., options (a), (b) and (c) giving incorrect amounts of taxable gift are not correct.

Q40. Mr. Kumar received gift of gold valuing Rs. 2,52,000 from his friends on the occasion of his marriage. What will be the amount of gift chargeable to tax under the head “Income from other sources”?

(a) Rs. 4,84,000   (b) Rs. 25,200
(c) Rs. 2,52,000   (d) Nil

Correct answer : (d)

Justification of correct answer
Specified movable property received on the occasion of marriage of the individual is not charged to tax, and, hence, nothing will be charged to tax on account of gold received on the occasion of the marriage. Thus, option (d) is the correct option.

Comment on incorrect answer : Option (d) is the correct option since it gives the correct amount of taxable gift. All the other options, viz., options (a), (b) and (c) giving incorrect amounts of taxable gift are not correct.

Q41. Mr. Kapoor received diamond jewellery valuing Rs. 4,84,000 on account of Will of his father. What will be the amount chargeable to tax under the head “Income from other sources”?

(a) Rs. 4,84,000   (b) Rs. 25,200
(c) Rs. 2,52,000   (d) Nil

Correct answer : (d)

Justification of correct answer
Specified movable property received on account of Will is not charged to tax, and, hence, nothing will be charged to tax on account of jewellery received on account of will. Thus, option (d) is the correct option.

Comment on incorrect answer : Option (d) is the correct option since it gives the correct amount of taxable gift. All the other options, viz., options (a), (b) and (c) giving incorrect amounts of taxable gift are not correct.

Q42. Mr. Kumar received bullion valuing Rs. 2,52,000 on account of death of his grandmother. What will be the amount chargeable to tax under the head “Income from other sources”?

(a) Rs. 4,84,000   (b) Rs. 25,200
(c) Rs. 2,52,000   (d) Nil

Correct answer : (d)

Justification of correct answer
Specified movable property received on contemplation of the death of the payer is not charged to tax, and, hence, nothing will be charged to tax on account of bullion received on account of death of his grandmother. Thus, option (d) is the correct option.
Comment on incorrect answer: Option (d) is the correct option since it gives the correct amount of taxable gift. All the other options, viz., options (a), (b) and (c) giving incorrect amounts of taxable gift are not correct.

Q43. Mr. Kumar received gift of a television valuing Rs. 1,84,000 from his friend. What will be the amount chargeable to tax under the head “Income from other sources”?

(a) Rs. 4,84,000  
(b) Rs. 1,84,000  
(c) Rs. 2,52,000  
(d) Nil

Correct answer: (d)

Justification of correct answer

Specified movable property received by an individual is charged to tax if the conditions specified in this behalf are satisfied. Specified movable property in this context means shares/securities, jewellery, archaeological collections, drawings, paintings, sculptures or any work of art and with effect from 1-6-2010 bullion, being capital asset of the assessee.

Television is not covered in the definition of prescribed movable property and, hence, nothing will be charged to tax in respect of television received as gift. Thus, option (d) is the correct option.

Comment on incorrect answer: Option (d) is the correct option since it gives the correct amount of taxable gift. All the other options, viz., options (a), (b) and (c) giving incorrect amounts of taxable gift are not correct.

Q44. From the following information provided by Mr. Kapoor ascertain the amount taxable in the hands of Mr. Kapoor in respect of following items:

- Gift of gold received from his mother. The value of gold amounted to Rs. 1,84,000.
- Shares valuing Rs. 40,000 received by way of gift from his brother.
- Gift of diamond jewellery amounting to Rs. 2,50,000 received from his friends on the occasion of his marriage.
- Gift of diamond jewellery amounting to Rs. 30,000 received from his friends on the occasion of his friend’s marriage.

(a) Rs. 1,84,000  
(b) Rs. 2,50,000  
(c) Rs. 30,000  
(d) Nil

Correct answer: (d)

Justification of correct answer

The tax treatment of various items in the hands of Mr. Kapoor will be as follows:

- Gift received from mother will not be charged to tax (since mother is covered in the definition of relatives), hence, gift of gold amounting to Rs. 1,84,000 received from his mother will not be charged to tax.
- Gift received from brother will not be charged to tax (since brother is covered in the definition of relatives), hence, gift of shares amounting to Rs. 40,000 received from his brother will not be charged to tax.
• Gift received on account of marriage of an individual is not covered in the prescribed exemptions. Hence, gift of diamond jewellery amounting to Rs. 2,50,000 received from his friends on the occasion of his marriage will not be charged to tax.

• Gift received on account of marriage of an individual is not charged to tax, in this case the gift is received on the occasion of marriage of the friend (not the marriage of Mr. Kapoor). Hence, gift of diamond jewellery amounting to Rs. 30,000 received from his friends on the occasion of his friend’s marriage will not be covered in the exemptions prescribed above.

Considering above discussion, the total amount of gift not covered in any of the specified exemptions will come to Rs. 30,000. If the gift not covered in specified exemptions does not exceed Rs. 50,000 then nothing is charged to tax. In this case the amount of gift not covered in the exemptions comes to Rs. 30,000 (which is less than Rs. 50,000) and, hence, nothing will be charged to tax. Thus, option (d) is the correct option.

Comment on incorrect answer: Option (d) is the correct option since it gives the correct amount of taxable gift. All the other options, viz., options (a), (b) and (c) giving incorrect amounts of taxable gift are not correct.

Q45. On satisfaction of which of the following conditions any immovable property received without consideration (i.e., received by way of a gift) by an individual/HUF is charged to tax?

(a) Any immovable property received by an individual or HUF on or after 1-10-2009.
(b) Such property received without consideration.
(c) The stamp duty value of such property exceeds Rs. 50,000.
(d) All of the above

Correct answer: (d)

Justification of correct answer

On satisfaction of all the conditions given in (a) to (c), any immovable property received without consideration (i.e., received by way of a gift) by an individual/HUF is charged to tax.

Thus, option (d) is the correct option.

Comment on incorrect answer: Option (d) is the correct option since it covers all the conditions given in (a) to (c). All the other options, viz., options (a), (b) and (c) giving individual conditions are not correct.

Q46. During the year 2012-13, Mr. Raja received a building by way of a gift from his father. The value of the building adopted by the Stamp Valuation Authority for charging stamp duty was Rs. 9,84,000. In this case what will be the amount liable to tax in the hands of Mr. Raja?

(a) Rs. 9,84,000       (b) Rs. 7,84,000
(c) Rs. 17,68,000      (d) Nil

Correct answer: (d)

Justification of correct answer
Gift of building in the form of building received from father will not be charged to tax since father is covered in the definition of relatives. Thus, option (d) is the correct option.

**Comment on incorrect answer:** Option (d) is the correct option since it gives the correct amount liable to tax. All the other options, viz., options (a), (b) and (c) giving incorrect amounts are not correct.

**Q47.** During the year 2012-13, Mr. Rahul received gift of a motor car from his friend. The fair market value of the car is Rs. 8,84,000. In this case what will be the amount liable to tax in the hands of Mr. Rahul?

(a) Rs. 9,84,000  
(b) Rs. 7,84,000  
(c) Rs. 17,68,000  
(d) Nil

**Correct answer:** (d)

**Justification of correct answer**
In respect of motor car nothing will be charged to tax, since motor car is not covered in the definition of prescribed movable assets. Thus, option (d) is the correct option.

**Comment on incorrect answer:** Option (d) is the correct option since it gives the correct amount liable to tax. All the other options, viz., options (a), (b) and (c) giving incorrect amounts are not correct.

**Q48.** During the year 2012-13, Mr. Raja received gift of agricultural land situated in rural area. The fair market value of the land was Rs. 2,52,000. In this case what will be the amount liable to tax in the hands of Mr. Raja?

(a) Rs. 8,84,000  
(b) Rs. 2,52,000  
(c) Rs. 11,36,000  
(d) Nil

**Correct answer:** (d)

**Justification of correct answer**
Nothing is charged to tax in respect of gift of rural agricultural land. Thus, option (d) is the correct option.

**Comment on incorrect answer:** Option (d) is the correct option since nothing will be charged to tax in respect of gift received by Mr. Raja. All the other options, viz., options (a), (b) and (c) giving various amounts are not correct.

**Q49.** Mr. Lal has taken a life insurance policy on 2-10-1980. Sum assured is Rs. 8,40,000 and annual premium is Rs. 18,400. The policy will mature in 2015. In this case amount received on maturity of policy will be exempt from tax without any restriction or conditions.

(a) True  
(b) False

**Correct answer:** (a)

**Justification of correct answer**
Policy is taken before 1-4-2003 and, hence, no conditions/limitations will apply in respect of this policy. Thus, amount received from such policy in any case, i.e., on account of death of Mr. Lal or on account of pre-maturity of the policy or on account of maturity will be exempt from tax. Thus, the statement given in the question is true and, hence, option (a) is the correct option.
Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.

Q50. Mr. Lalkamal has taken a life insurance policy on 2-10-1982. Sum assured is Rs. 18,40,000 and annual premium is Rs. 18,400. The policy will mature in 2015. In this case amount received on account of the death of Mr. Lalkamal will be exempt from tax without any restriction or conditions.
(a) True
(b) False
Correct answer: (a)
Justification of correct answer:
Receipts from insurance policy on account of death of policy holder will be exempt from tax in any case without any restrictions or conditions. Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.

Q51. Mr. Rajat has taken a life insurance policy on 2-10-2005. In this case amount received on account of the death of Mr. Rajat will be exempt from tax if the annual premium does not exceed 20% of the capital sum assured.
(a) True
(b) False
Correct answer: (b)
Justification of correct answer:
Receipts from insurance policy on account of death of policy holder will be exempt from tax in any case without any restrictions or conditions. Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false, hence, option (a) is not correct.

Q52. Mr. Ranmal has taken a life insurance policy on 2-10-2005. In this case amount received on account of the death of Mr. Ranmal will be exempt from tax if the annual premium does not exceed 10% of the capital sum assured.
(a) True
(b) False
Correct answer: (b)
Justification of correct answer:
Receipts from insurance policy on account of death of policy holder will be exempt from tax in any case without any restrictions or conditions. Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false, hence, option (a) is not correct.

Q53. Mr. Rohan has taken a life insurance policy on 2-10-2005. In this case amount received on account of the death of Mr. Rohan will be exempt from tax if the annual premium does not exceed 5% of the capital sum assured.
(a) True
(b) False
Correct answer : (b)

Justification of correct answer :
Receipts from insurance policy on account of death of policy holder will be exempt from tax in any case without any restrictions or conditions. Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

Q54. Mr. Rajat has taken a life insurance policy on 2-10-2012. In this case amount received on account of the death of Mr. Rajat will be exempt from tax if the annual premium does not exceed 20% of the capital sum assured.
(a) True (b) False

Correct answer : (b)

Justification of correct answer :
Receipts from insurance policy on account of death of policy holder will be exempt from tax in any case without any restrictions or conditions. Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

Q55. Mr. Ranmal has taken a life insurance policy on 2-10-2012. In this case amount received on account of the death of Mr. Ranmal will be exempt from tax if the annual premium does not exceed 10% of the capital sum assured.
(a) True (b) False

Correct answer : (b)

Justification of correct answer :
Receipts from insurance policy on account of death of policy holder will be exempt from tax in any case without any restrictions or conditions. Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

Q56. Mr. Rohan has taken a life insurance policy on 2-10-2012. In this case amount received on account of the death of Mr. Rohan will be exempt from tax if the annual premium does not exceed 5% of the capital sum assured.
(a) True (b) False

Correct answer : (b)

Justification of correct answer :
Receipts from insurance policy on account of death of policy holder will be exempt from tax in any case without any restrictions or conditions. Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.
Q57. Mr. Rajat has taken a life insurance policy on 2-10-2002. In this case amount received on maturity of policy (i.e., otherwise than death of the policy holder) will be exempt from tax if the annual premium does not exceed 20% of the capital sum assured.

(a) True  
(b) False

Correct answer : (b)

Justification of correct answer :
In respect of life insurance policy taken before 1-4-2003, amount received from such policy in any case, i.e., on account of death of the policy holder or on account of pre-maturity of the policy or on account of maturity will be exempt from tax.
Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

Q58. Mr. Kapoor has taken a life insurance policy on 2-10-2002. In this case amount received on maturity of policy (i.e., otherwise than death of the policy holder) will be exempt from tax if the annual premium does not exceed 10% of the capital sum assured.

(a) True  
(b) False

Correct answer : (b)

Justification of correct answer :
In respect of life insurance policy taken before 1-4-2003, amount received from such policy in any case, i.e., on account of death of the policy holder or on account of pre-maturity of the policy or on account of maturity will be exempt from tax.
Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

Q59. Mr. Kumar has taken a life insurance policy on 2-10-2005. In this case, amount received on maturity of policy (i.e., otherwise than death of the policy holder) will be exempt from tax if the annual premium does not exceed 20% of the capital sum assured.

(a) True  
(b) False

Correct answer : (a)

Justification of correct answer :
In respect of life insurance policy taken on or after 1-4-2003, amount received on account of maturity of policy (i.e., otherwise than death of the policy holder) will be exempt from tax if the annual premium of any financial year does not exceed 20% of the capital sum assured. Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer : The statement given in the question is true, hence, option (b) is not correct.
Q60. Mr. Lalit has taken a life insurance policy on 2-10-2005. In this case amount received on maturity of policy (i.e., otherwise than death of the policy holder) will be exempt from tax if the annual premium does not exceed 10% of the capital sum assured.

(a) True     (b) False

Correct answer : (b)

Justification of correct answer :
In respect of life insurance policy taken on or after 1-4-2003, amount received on account of maturity of policy (i.e., otherwise than death of the policy holder) will be exempt from tax if the annual premium of any financial year does not exceed 20% (and not 10%) of the capital sum assured. Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

Q61. Mr. Lal has taken a life insurance policy on 2-10-2005. In this case amount received on maturity of policy (i.e., otherwise than death of the policy holder) will be exempt from tax if the annual premium does not exceed 5% of the capital sum assured.

(a) True     (b) False

Correct answer : (b)

Justification of correct answer :
In respect of life insurance policy taken on or after 1-4-2003 but before 1-4-2012, amount received on account of maturity of policy (i.e., otherwise than death of the policy holder) will be exempt from tax if the annual premium of any financial year does not exceed 20% (and not 5%) of the capital sum assured. Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

Q62. Mr. Rajat has taken a life insurance policy on 2-10-2012. In this case, amount received on maturity of policy (i.e., otherwise than death of the policy holder) will be exempt from tax if the annual premium does not exceed 10% of the capital sum assured.

(a) True     (b) False

Correct answer : (a)

Justification of correct answer :
In respect of life insurance policy taken on or after 1-4-2012, amount received on account of maturity of policy (i.e., otherwise than death of the policy holder) will be exempt from tax if the annual premium of any financial year does not exceed 10% of the capital sum assured. Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer : The statement given in the question is true, hence, option (b) is not correct.
Q63. Mr. Lalit has taken a life insurance policy on 2-10-2012. In this case amount received on maturity of policy (i.e., otherwise than death of the policy holder) will be exempt from tax if the annual premium does not exceed 20% of the capital sum assured.

(a) True     (b) False

Correct answer : (b)

Justification of correct answer :
In respect of life insurance policy taken on or after 1-4-2012, amount received on account of maturity of policy (i.e., otherwise than death of the policy holder) will be exempt from tax if the annual premium of any financial year does not exceed 10% (and not 20%) of the capital sum assured. Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

Q64. Mr. Lal has taken a life insurance policy on 2-10-2012. In this case amount received on maturity of policy (i.e., otherwise than death of the policy holder) will be exempt from tax if the annual premium does not exceed 5% of the capital sum assured.

(a) True     (b) False

Correct answer : (b)

Justification of correct answer :
In respect of life insurance policy taken on or after 1-4-2012, amount received on account of maturity of policy (i.e., otherwise than death of the policy holder) will be exempt from tax if the annual premium of any financial year does not exceed 10% (and not 5%) of the capital sum assured. Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

Q65. In respect of interest income chargeable to tax under the head “Income from other sources”, deduction will be available on account of commission or remuneration incurred to earn such income.

(a) True     (b) False

Correct answer : (a)

Justification of correct answer :
Deduction is available in respect of commission or remuneration incurred on account of earning interest income which is chargeable to tax under the head “Income from other sources”. Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer : The statement given in the question is true, hence, option (b) is not correct.
Q66. In respect of rental income earned by letting out of plant, machinery, furniture and building chargeable to tax under the head “Income from other sources”, deduction will be available on account of current repairs of the property from which rent is earned.

(a) True     (b) False

Correct answer : (a)

Justification of correct answer :
Deduction is available in respect of current (not capital) repairs, insurance premium and depreciation in respect of plant, machinery, furniture and buildings from rental income earned by letting out of plant, machinery, furniture and building, which are chargeable to tax under the head “Income from other sources”. Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer : The statement given in the question is true, hence, option (b) is not correct.

Q67. In respect of rental income earned by letting out of plant, machinery, furniture and building chargeable to tax under the head “Income from other sources”, deduction will be available on account of capital repairs of the property from which rent is earned.

(a) True     (b) False

Correct answer : (b)

Justification of correct answer :
Deduction is available in respect of current (not capital) repairs, insurance premium and depreciation in respect of plant, machinery, furniture and buildings from rental income earned by letting out of plant, machinery, furniture and building, which are chargeable to tax under the head “Income from other sources”. No deduction is available in respect of capital repairs. Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

Q68. In respect of rental income earned by letting out of plant, machinery, furniture and building chargeable to tax under the head “Income from other sources”, deduction will be available on account of insurance premium of the property from which rent is earned.

(a) True     (b) False

Correct answer : (a)

Justification of correct answer :
Deduction is available in respect of current (not capital) repairs, insurance premium and depreciation in respect of plant, machinery, furniture and buildings from rental income earned by letting out of plant, machinery, furniture and building, which are chargeable to tax under the head “Income from other sources”. Thus, the statement given in the question is true and, hence, option (a) is the correct option.
Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.

Q69. In respect of rental income earned by letting out of plant, machinery, furniture and building chargeable to tax under the head “Income from other sources”, deduction will be available on account of insurance premium paid on life of the person who is the owner of the property from which rent is earned.
(a) True       (b) False

Correct answer: (b)

Justification of correct answer:
Deduction is available in respect of current (not capital) repairs, insurance premium and depreciation in respect of plant, machinery, furniture and buildings from rent income earned by letting out of plant, machinery, furniture and building, which are chargeable to tax under the head “Income from other sources”. Deduction is available only in respect of insurance premium paid on policy taken for damage, destruction, etc., to the property from which the rental income is earned. No deduction is available on account of the life insurance policy of the owner of such property. Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false, hence, option (a) is not correct.

Q70. In respect of rental income earned by letting out of plant, machinery, furniture and building chargeable to tax under the head “Income from other sources”, deduction will be available on account of depreciation of the property from which rent is earned.
(a) True       (b) False

Correct answer: (a)

Justification of correct answer:
Deduction is available in respect of current (not capital) repairs, insurance premium and depreciation in respect of plant, machinery, furniture and buildings from rent income earned by letting out of plant, machinery, furniture and building, which are chargeable to tax under the head “Income from other sources”. Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.

Q71. A deduction of lower of Rs. 15,000 or 33 1/3% of such income is available in case of income in the nature of family pension.
(a) True       (b) False

Correct answer: (a)

Justification of correct answer:
A deduction of lower of Rs. 15,000 or 33 1/3% of such income is available in case of income in the nature of family pension (i.e., regular monthly amount payable by the employer to the family members of the deceased employee) (Section 57(iia)).
Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer : The statement given in the question is true, hence, option (b) is not correct.

Q72. In respect of income chargeable to tax under the head “Income from other sources”, deduction will be available on account of any other expenditure (not being in the nature of capital expenditure) laid out or expended wholly and exclusively for the purpose of making or earning such income.

(a) True               (b) False

Correct answer : (a)

Justification of correct answer :
As per section 57(iii), deduction is available in respect of any other expenditure (not being in the nature of capital expenditure) laid out or expended wholly and exclusively for the purpose of making or earning income chargeable to tax under the head “Income from other sources”.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer : The statement given in the question is true, hence, option (b) is not correct.

Q73. In respect of income chargeable to tax under the head “Income from other sources”, no deduction will be available on account of personal expenditure.

(a) True               (b) False

Correct answer : (a)

Justification of correct answer :
As per section 58(1)(a)(i), personal expenditures are not deductible while computing income chargeable to tax under the head “Income from other sources”.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer : The statement given in the question is true, hence, option (b) is not correct.

Q74. In respect of income chargeable to tax under the head “Income from other sources”, no deduction will be available on account of any interest chargeable under the Act which is payable outside India on which tax has not been paid or deducted at source.

(a) True               (b) False

Correct answer : (a)

Justification of correct answer :
As per section 58(1)(a)(ii), any interest chargeable under the Act which is payable outside India on which tax has not been paid or deducted at source is not deductible while computing income chargeable to tax under the head “Income from other sources”.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.
Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.

Q75. In respect of income chargeable to tax under the head “Income from other sources”, no deduction will be available on account of any amount paid which is taxable under the head “Salaries” and payable outside India on which tax has not been paid or deducted at source.
(a) True (b) False
Correct answer: (a)

Justification of correct answer:
As per section 58(1)(a)(iii), any amount paid which is taxable under the head “Salaries” and payable outside India on which tax has not been paid or deducted at source is not deductible while computing income chargeable to tax under the head “Income from other sources”.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.

Q76. In respect of income chargeable to tax under the head “Income from other sources”, no deduction will be available on account of any sum paid on account of wealth-tax.
(a) True (b) False
Correct answer: (a)

Justification of correct answer:
As per section 58(1A), sum paid on account of wealth-tax is not deductible while computing income chargeable to tax under the head “Income from other sources”.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.

Q77. In respect of income chargeable to tax under the head “Income from other sources”, no deduction will be available on account of amount specified under section 40A.
(a) True (b) False
Correct answer: (a)

Justification of correct answer:
As per section 58(2), amount specified under section 40A is not deductible while computing income chargeable to tax under the head “Income from other sources”.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true, hence, option (b) is not correct.