

TAXBOOK⁺

Working steps of solutions

B11 to B20

Income From Other Sources

Build Your Confidence (BYC)

B11. 56(2)(x) - Yogi is a real estate dealer. On 15.10.2021, he sold a flat (being his stock-in-trade) to Jogi, his friend.....

Tax implications arising in the hands of Yogi and Jogi for AY 2022-23

Business income in the hands of Yogi	Rs.
Full value of consideration u/s 43CA = SDV of 80 lakh, as it is > 110% of consideration. SDV on date of agreement not taken since part consideration is paid by bearer cheque on that date.	80,00,000
Less: Cost of flat	(40,00,000)
Profits and gains of business or profession	40,00,000
IFOS in the hands of Jogi u/s 56(2)(x)	Rs.
Excess (SDV 80 lakh – Consideration 50 lakh) > 50,000 and SDV > 110% of consideration. Income u/s 56(2)(x) = Excess. Flat is a capital asset in the hands of Jogi even if it is stock-in-trade in the hands of Yogi.	30,00,000
Capital gain in the hands of Jogi	Rs.
Full value of consideration u/s 50C = Actual consideration as SDV ≤ 110% of consideration. SDV on date of agreement taken since part consideration is paid by account payee cheque on that date.	1,00,00,000
Less: Cost of acquisition u/s 49(4) is value taken into account u/s 56(2)(x)	(80,00,000)
Short term capital gain (since POH does not exceed 24 months)	20,00,000

If Yogi is not a real estate dealer, the flat will be a capital asset in his hands and capital gain will arise on sale of flat to Jogi, instead of business income. Short term capital gain will arise as POH does not exceed 24 months in the hands of Yogi. Computation will remain the same as above and short term capital gain will be Rs. 40,00,000. There will no change in taxability in the hands of Jogi.

B12. 56(2)(x) – CA2015(M) - Mohini transferred a house to her friend, Ragini, for Rs. 35,00,000 on 1.10.2021. The.....

Computation of total income of Mohini and Ragini for AY 2022-23

Particulars	Rs.	Rs.
Computation of total income of Mohini		
Long term capital gain:		
Full value of consideration u/s 50C = SDV, since it exceeds 110% of consideration. DRO value taken as it is ≤ SDV.	41,00,000	
Less: ICOA = COA × (CII of 2021-22/CII of 2014-15) = 26.50 lakh × (317/240)	(35,00,208)	5,99,792
Other income		2,80,000
Total income		8,79,792
Computation of total income of Ragini		
Income from other sources: Excess (SDV 41 lakh – Consideration 35 lakh) being 6 lakh > 50,000 and SDV of 41 lakh exceeds 110% of 35 lakh. Thus, excess of 6 lakh is taxable u/s 56(2)(x).		6,00,000
Other income		3,45,000
Total income		9,45,000

B13. 56(2)(x) – CA2010(M) – Raj Kumar sold a house to his friend Dhruv on 1.9.2021 for a consideration of Rs. 25,00,000.....

Computation of capital gain in the hands of Raj Kumar for AY 2022-23

Particulars	Rs.	Rs.
Long term capital gain on sale of land (since POH exceeds 24 months):		
Full value of consideration u/s 50C = Value fixed by Revenue Divisional Officer	22,00,000	
Less: ICOA = COA × (CII of 2021-22/CII of 2015-16) = 5,19,000 × (317/254)	(6,47,728)	
		15,52,272
Short term capital gain on sale of building (since POH does not exceed 24 months)		
Full value of consideration u/s 50C = Value fixed by Revenue Divisional Officer	10,00,000	
Less: COA	(14,00,000)	
		(4,00,000)
Capital gains (long-term): Short term capital loss can be set off against long term capital gain u/s 70 (see para 189 for details)		11,52,272

Income from Other Sources in the hands of Dhruv for AY 2022-23

Income from other sources: Excess (SDV 32 lakh – Consideration 25 lakh) being 7 lakh > 50,000 and SDV of 32 lakh exceeds 110% of 25 lakh. Thus, excess of 7 lakh is taxable u/s 56(2)(x).

B14. 56(2)(x) – CA2018(N) – Subramani sold a house plot to Vimala for Rs. 45 lakh on 12.5.2021. The valuation.....

In the hands of Subramani

Capital gain will arise in the hands of Subramani. SDV of Rs. 53 lakh will be deemed to be the full value of consideration u/s 50C as SDV > 110% of consideration of Rs. 45 lakh.

In the hands of Vimala

Income from other sources upon receipt of house plot: Excess (SDV 53 lakh – Consideration 45 lakh) being 8 lakh > 50,000 and SDV of 53 lakh exceeds 110% of 45 lakh. Thus, excess of 8 lakh is taxable u/s 56(2)(x).

Short term capital gain on sale of house plot to Padmaja (since POH does not exceed 24 months):

Particulars		
Full value of consideration u/s 50C = Actual consideration since SDV ≤ 110% of actual consideration		55,00,000
Less: Cost of acquisition u/s 49(4) = Value of property taken into account u/s 56(2)(x)		(53,00,000)
Short term capital gain		2,00,000

INTEREST

B15. Interest – Determine the income taxable under the head IFOS in the hands of Swamy, a resident and ordinarily.....

Computation of income taxable under the head IFOS for AY 2022-23

Particulars	Rs.
Interest on tax-free 8% GOI bonds (exempt)	Nil
Interest on 9% debentures of XYZ Ltd (net of TDS @ 10%) = 18,000 × (100/90) = 20,000. Less commission of Rs. 4,000 (assuming it is reasonable)	16,000
Interest on Relief Bonds (exempt u/s 10(15))	Nil
Interest on 7% Capital Investment Bonds (exempt u/s 10(15))	Nil
Interest on loan given to a business colleague	6,000
Interest on fixed deposits with Kotak Mahindra Bank	15,000
Interest on PPF (exempt u/s 10(11))	Nil
Interest on Post Office Savings Bank Account (individual account) (exempt up to 3,500)	2,500
Interest on loan given to Mrs. Zed, a non-resident for her business carried on in India (deemed to accrue or arise in India u/s 9(1)(v) as interest payable by non-resident for loan used for business carried on in India; even otherwise taxable on global basis as Swamy is a ROR; also taxable on receipt basis assuming it is received in India)	10,000
Income under the head IFOS	49,500

B16. Interest on compensation – CA2011(N) - On 10.10.2021, Govind (a bank employee) received Rs. 5,00,000 towards.....

Particulars	Rs.
Interest on enhanced compensation taxable u/s 56(2)(viii) in the year of receipt	5,00,000
Less: Deduction u/s 57(iv) of 50%	(2,50,000)
Taxable interest on enhanced compensation	2,50,000

B17. Interest on compensation – CA2020(N) - Julie received following amount during PY 2021-22. Received interest.....

Interest received of Rs. 5,00,000 less deduction of 50%, i.e., Rs. 2,50,000 will be taxable in the year of receipt, i.e, PY 2021-22. Any specific expenditure is not deductible.

SHARE PREMIUM

B18. Share premium – CA2019(N) - MLX Investments (P) Ltd. was incorporated during PY 2019-20 having a paid up.....

1: Section 56(2)(viib) will not apply as issue price does not exceed face value.

2: Section 56(2)(viib) will apply as issue price exceeds face value. IFOS will be 20 lakh @ 20 per share (105 – 85).

3: Section 56(2)(viib) will apply as issue price exceeds face value. IFOS will be nil since issue price does not exceed FMV.

It is assumed that consideration is received from resident.

B19. Share premium – CA2016(M) – ABC Pvt. Ltd., a closely held company, issued 10,000 shares at Rs. 130 per share.....

Section 56(2)(viib) will apply as issue price exceeds face value. IFOS will be @ 10 per share (130 – 120), i.e., Rs. 1,00,000.

COMPUTATION OF TAX LIABILITY

B20. Tax liability – Compute the tax liability for AY 2022-23 in the following cases for Shikha. She has not opted for.....

Computation of tax liability for AY 2022-23

Particulars	Case I	Case II	Case III
Income from other sources			
• Dividend	3,50,000	3,50,000	3,50,000
• Winning from gambling u/s 115BB	60,000	60,000	60,000
Capital gain			
• LTCG u/s 112	-	30,000	30,000
• LTCG u/s 112A	-	1,50,000	1,50,000
Gross total income	4,10,000	5,90,000	5,90,000
Less: Deduction u/s 80C (deposit in PPF) (not allowed from income taxable at special rates, i.e., winning u/s 115BB, 112, 112A)	(1,50,000)	(1,50,000)	(1,50,000)
Total income	2,60,000	4,40,000	4,40,000
Incomes included in total income			
Winning u/s 115BB	60,000	60,000	60,000
LTCG u/s 112	-	30,000	30,000
LTCG u/s 112A	-	1,50,000	1,50,000
Other income	2,00,000	2,00,000	2,00,000
Computation of tax liability:			
On winning u/s 115BB @ 30% (benefit of unexhausted BEL not available from winnings)	18,000	18,000	18,000
On LTCG u/s 112 @ 20%: Unexhausted BEL = 50,000 (2,50,000 – 2,00,000). 30,000 adjusted against LTCG u/s 112.	-	Nil	-
On LTCG u/s 112 @ 20%: Benefit of unexhausted BEL not available to non-resident	-	-	6,000
On LTCG u/s 112A @ 10% in excess of 1 lakh: Balance unexhausted BEL of 20,000 adjusted. Taxable LTCG = 1,50,000 – 20,000 UBEL – 1,00,000 exemption = 30,000. Tax @ 10%.	-	3,000	-

On LTCG u/s 112A @ 10% in excess of 1 lakh: Benefit of unexhausted BEL not available to non-resident.	-	-	5,000
On other income at normal rates	Nil	Nil	Nil
Tax on total income	18,000	21,000	29,000
Less: Rebate u/s 87A (not available from tax u/s 112A or to a non-resident)	(12,500)	(12,500)	-
	5,500	8,500	29,000
Add: Surcharge	-	-	-
	5,500	8,500	29,000
Add: HEC@ 4%	220	340	1,160
Tax liability	5,720	8,840	30,160