

TAXBOOK⁺

Working steps of solutions

B1 to B10

Income From Other Sources

Build Your Confidence (BYC)

B1. Dividend u/s 2(22)(e) – Determine whether the following payments are to be treated as dividend for the AY 2022-23:

#	Particulars	Dividend?	Remarks
1	Jayant holds 15% equity shares in BCD Pvt. Ltd. The company advanced Rs. 10 lakh to Jayant on 15.5.2021 at 12% p.a. rate of interest (market rate is 12% p.a.). Jayant repaid the loan on 1.3.2022. Accumulated profits of BCD Pvt. Ltd. are Rs. 15 lakh as on 15.5.2021.	10 lakh	Advance to specified shareholder
2	Jayant holds 10% equity shares in JKL Pvt. Ltd. The company advanced Rs. 20 lakh to the HUF of which Jayant is a member entitled to 25% income, on 15.5.2021. Accumulated profits of the company on 15.5.2021 were Rs. 15 lakh.	15 lakh	Advance to concern in which specified shareholder has SI
3	Jayant holds 25% equity shares in PQR Ltd., a company in which the public are not substantially interested. The company gave loan on 1.5.2021 of Rs. 15 lakh to Suyash who is not a shareholder in the company. Suyash gave loan of Rs. 15 lakh to Jayant on 15.5.2021. Accumulated profits of the company on 1.5.2021 were Rs. 75 lakh.	15 lakh	Payment on behalf or for individual benefit of specified shareholder
4	Jayant holds 15% equity shares in DEF Pvt. Ltd. The company is primarily engaged in the business of money lending. DEF Pvt. Ltd. advanced a loan of Rs. 30 lakh to Jayant in the ordinary course of its business at market rate of 15%.	No	Loan in ordinary course of money lending business
5	Jayant holds 20% equity shares in Z Pvt. Ltd. The company gave a loan of Rs. 1 lakh to Jayant on 1.1.2021 which is outstanding. The company paid normal dividend to its shareholders on 1.6.2021. Jayant was entitled to dividend of Rs. 1.5 lakh. The company paid Rs. 50,000 to Jayant after setting off the loan amount.	50,000	Dividend set-off against earlier 2(22)(e) payment, not again treated as dividend
6	JKL Pvt. Ltd., in which Jayant holds 12% equity shares, advanced Rs. 5 lakh to him in connection with a job work. This amount was adjusted against the bill raised by Jayant on completion of job work.	No	Trade advance not dividend
7	UVX Pvt. Ltd., in which Jayant holds 15% equity shares, awarded a works contract to him in connection with an export order that the company had won. To complete the work, he was required to purchase and install a machine. The company advanced him Rs. 10 lakh for this purpose.	No	Trade advance not dividend
8	JJ Pvt. Ltd., in which Jayant holds 5% equity shares, advanced a loan of Rs. 5 lakh to a partnership firm in which he was a partner entitled to 25% profit share.	No	Not a specified shareholder
9	Yam Jam Ltd., a listed company, granted a loan of Rs. 10 lakh to Sham Jam Ltd on 1.9.2021. Jayant held 20% equity shares in both the companies. The loan was outstanding till the end of the year. Yam Jam Ltd. had Rs. 8 lakh of accumulated profits as on 1.9.2021.	No	Payer is not a closely held company

B1a. CA2021(JULY) – Mr. Mani, holding 20% of the equity share capital in XY Ltd, a manufacturing company in which.....

Since XY Ltd. is a company in which the public are substantially interested, i.e., it is not a closely held company, section 2(22)(e) will not apply. Nothing will be taxable as deemed dividend in the hands of Mr. Mani.

Mistake by students – Not aware of provisions.

B2. Dividend – CA2016(N) - Rakesh has 15% shareholding in RSL (P) Ltd. and also has 50% share in Rakesh & Sons.....

Taxable as deemed dividend u/s 2(22)(e) in the hands of Rakesh to the extent of Rs. 20 lakh (accumulated profits; assuming this is the figure at the time of loan) as Rakesh beneficially holds $\geq 10\%$ equity shares in the payer company, which is a closely held company, and loan is given to a concern in which Rakesh holds substantial interest, i.e., beneficially entitled to $\geq 20\%$ income.

B3. Dividend – CA2020(N) – Julie received following amount during PY 2021-22. Received loan of Rs. 5,00,000 from.....

Taxable as deemed dividend u/s 2(22)(e) in the hands of Julie to the extent of Rs. 2,00,000 (accumulated profits on the date of loan) as loan is received from a closely held company in which she holds $\geq 10\%$ equity shares.

B4. Dividend – Compute the income taxable under the head IFOS in the hands of Mr. Swindle for the AY 2022-23.....

Computation of income taxable under the head IFOS in the hands of Mr. Swindle for the AY 2022-23

Particulars	ROR	RNOR	NR
Dividend received in India from J Ltd., a domestic company, on 1.10.2021, after paying remuneration of Rs. 5,000 to the bank for realizing the dividend (gross amount taxable; remuneration to bank not deductible)	1,00,000	1,00,000	1,00,000
Dividend received outside India from B Ltd., an Indian company, on 15.5.2021 (deemed to accrue or arise in India u/s 9(1)(iv))	1,00,000	1,00,000	1,00,000
Dividend received in India from C Ltd., a foreign company, on 15.5.2021 (taxable as received in India)	1,20,000	1,20,000	1,20,000
Dividend received outside India from D Ltd., a foreign company, on 15.5.2021, and later remitted to India	80,000	-	-
Dividend received outside India from Z Ltd., a foreign company, on 15.6.2021.	50,000	-	-
Income from other sources	4,50,000	3,20,000	3,20,000

Money or property received without or for inadequate consideration

B5. 56(2)(x) – Determine whether the following will be taxable in the hands of recipient u/s 56(2)(x).

#	Particulars	Taxability	Amount taxable	Reason
1	Jay HUF received Rs. 1,35,000 as gift in cash from Meena. Meena is the younger daughter of the friend of Jay. Jay is the Karta of the HUF.	Taxable	1,35,000	Meena is not a member of HUF, hence, not relative.
2	Prakash HUF received a house property as gift from Rini, the daughter of Prakash. Rini is the member of Prakash HUF of which Prakash is the Karta. SDV of the house is Rs. 15 lakh.	Not taxable	Nil	Rini is member of HUF, hence, relative. However, income from house will be clubbed with her income u/s 64(2) (refer para 184 for details)
3	Shashwat received the following gifts on his 50 th birthday: 1,500 shares of Z Ltd. from his best friend (FMV Rs. 20 per share) and diamond jewellery from elder son of his brother (FMV Rs. 60,000).	Taxable	90,000	Friend and nephew are not relatives. Birthday is not an exempted event. Aggregate FMV of 90,000 exceeds 50,000.
4	Rajan HUF gifted a motor cycle (FMV 50,000) to Rajan's son, Raghu, for winning the college sports competition. Rajan is the Karta of HUF.	Not taxable	Nil	Motor cycle is not covered as movable property u/s 56(2)(x).
5	CA2016(M) - Mr. Kumar gifted a car to his sister's son, Sunil, for achieving good marks in CA Final exam. The FMV of the car is Rs. 5 lakh.	Not taxable	Nil	Car is not covered as movable property u/s 56(2)(x)
6	Rs. 60,000 was received by Rajesh from three of his colleagues on the occasion of marriage of his son. Each person gifted Rs. 20,000.	Taxable	60,000	Marriage is not of recipient. Aggregate > 50,000.
7	Sanjay received Rs. 51,000 as gift from his fiancée living in the US.	Taxable	51,000	Fiancée is not a relative. Aggregate > 50,000.
8	Sanjay, a director employee of a car manufacturing company, received a Honda City car as gift from a car distributor.	Not taxable	Nil	Car is not covered as movable property u/s 56(2)(x). Also, not received from employer (so as to be taxable as salary income) or as benefit from business (so as to be taxable as

B6. 56(2)(x) – CA2018(M) – Discuss the taxability of the following receipts in the hands of Sanjay Kamboj for.....

1. Sister is relative. Gift not taxable u/s 56(2)(x).
2. Car is not a movable property specified u/s 56(2)(x). Hence, not taxable.

Mistake by students – Not aware that car does fall under the definition of 'property' u/s 56(2)(x).

B7. 56(2)(x) – CA2011(M) - The following details have been furnished by Hemali pertaining to the year ended 31.3.2022. Compute the income, if any, assessable as IFOS.

#	Particulars	Taxability	Amount taxable	Reason
1	Cash gift of Rs. 51,000 received from her friend on the occasion of her 'Shastiapha Poorthi', a wedding function celebrated on her husband completing 60 years of age. This was also her 25 th wedding anniversary.	Taxable	51,000	Occasion not marriage. Friend not relative.
2	On the above occasion, a diamond necklace worth Rs. 2 lakh was presented by her sister living in Dubai.	Not taxable	Nil	Sister is relative
3	When she celebrated her daughter's wedding on 21.2.2022, her friend assigned in Hemali's favour, a fixed deposit held by the said friend in a scheduled bank; the value of fixed deposit and the accrued interest on the said date was Rs. 51,000.	Taxable	51,000	Occasion not marriage of Hemali. Friend not relative. FD is sum of money.*
Income from other sources			1,02,000	

**'Sum of money' is not defined u/s 56(2)(x). Two views are possible – FD represents sum of money or FD does not fall within this meaning. The first view is adopted in the answer. Students can also take the alternative view. A note should be given in the answer in either case.*

B8. 56(2)(x) – From the following transactions relating to Shikha, determine the amount chargeable to tax in her hands for AY 2022-23. Your answer should be supported by reasons.

#	Particulars	Gift of money	Movable property for inadequate consideration	Immovable property for inadequate consideration	Reason
1	On 1.1.2022, being her birthday, she received a gift of Rs. 40,000 by means of cheque from her father's maternal uncle.	40,000	-	-	Father's maternal uncle not relative and birthday not an excluded occasion.
2	On 12.2.2022, she acquired a vacant site from her friend for Rs. 1,32,000. Stamp duty authority fixed the value of site at Rs. 2,00,000 for stamp duty purposes.	-	-	68,000	68,000 excess (SDV – Consideration) > 50,000 and SDV > 110% of consideration. Excess is taxable
3	Received a cash gift of Rs. 2,25,000 from ABC Charitable Trust (registered u/s 12AB) on 12.10.2021 for meeting medical expenses.	Nil	-	-	Received from a trust registered under the Act
4	She bought 50 equity shares of a private company from a friend for Rs. 75,000. FMV of such shares on date of purchase was Rs. 1,33,000.	-	58,000	-	58,000 excess (FMV – Consideration) > 50,000. Excess is taxable.
		40,000	58,000	68,000	

Computation of income under the head IFOS

Particulars	Rs.
Sum of money received without consideration: Aggregate of Rs. 40,000 does not exceed Rs. 50,000	Nil
Movable property received for inadequate consideration: Aggregate FMV – Consideration = 1,33,000 – 75,000 = 58,000. This exceeds Rs. 50,000. Excess is taxable.	58,000
Immovable property (land or building) received for inadequate consideration (per property)	68,000
Income from other sources	1,26,000

B9. 56(2)(x) – CA2019(N) - Miss Bansuri, a Chinese national, got married to Mr. Keshav of India in Beijing on 3.2.2021.....

Computation of total income and tax payable for AY 2022-23

Particulars	A: Returned on 20.2.2022	B: Returned on 20.1.2022
Determination of residential status for AY 2022-23		
Stay in India in PY 2021-22	1.4.21 to 11.8.21 (133) + 20.2.21 to 31.3.22 (40) = 173 days	1.4.21 to 11.8.21 (133) + 20.1.21 to 31.3.22 (71) = 204 days
Stay in India in preceding 4 PYs	PY 2017-18 to 2020-21 (14.2.21 to 31.3.21) = 46 days.	Not relevant
Case A: Stay in India in PY 2021-22 < 182 days. Further, stay in PY 2021-22 ≥ 60 day but < 365 days in preceding 4 PYs	Status is non-resident	-
Case B: Stay in India in PY 2021-22 ≥ 182 days. Hence, she is resident. But she is non-resident in 9 out of 10 preceding PYs and stay in India is ≤ 729 days in preceding 7 PYs.	-	Status is RNOR
Computation of total income and tax liability for AY 2022-23		
Income under the head IFOS	-	-
• Gift from parents of husband received in India: Not taxable u/s 56(2)(x) since lineal ascendant of spouse is a relative	-	-
• Gift from married sister of husband received in India: Not taxable u/s 56(2)(x) since sister of spouse is a relative	-	-
• Gift from close friends: Taxable u/s 56(2)(x) since friend of husband is not a relative. FMV > 50,000.	2,62,000	2,62,000
Total income	2,62,000	2,62,000
Tax on total income	600	600
Less: Rebate u/s 87A (not available to non-resident)	-	(600)
	600	Nil
Add: HEC @ 4%	24	Nil
Tax liability	624	Nil
Tax liability (rounded off)	620	Nil

B9A. CA2021(JAN) - Prabhu Dayal Prem Narain HUF purchased a house property in the year 1946 for Rs. 30,000. On.....

In the hands of HUF – No capital gain in the hands of HUF on distribution of capital asset on partition in view of section 47(i) [see para 136].

In the hands of Prem Narain – No income u/s 56(2)(x) since house property received on partition of HUF.

B10. 56(2)(x) – Rocky is engaged in the business of trading in shares. Following particulars are furnished for PY 2021-22.....

Computation of IFOS in the hands of Rocky for AY 2022-23

#	Particulars	Rs.
1	Cash gift is taxable u/s 56(2)(x) since it exceeds Rs. 50,000. Friend is not a relative.	1,25,000
2	Bullion, received without consideration, is taxable u/s 56(2)(x) since FMV exceeds Rs. 50,000	55,000
3	SDV of flat gifted by brother's father-in-law, received without consideration, is taxable u/s 56(2)(x), since SDV exceeds Rs. 50,000. Brother's father-in-law is not a relative.	4,50,000
4	Receipt of shares is not covered u/s 56(2)(x) as it is stock-in-trade for Rocky. Profit on subsequent sale of shares is taxable under the head PGBP for AY 2023-24.	-
5	House: Excess, i.e., difference between SDV of Rs. 15 lakh and Rs. 10 lakh, i.e., Rs. 5 lakh > 50,000 and SDV of	5,00,000

15 lakh > 110% of 10 lakh. Thus, excess is taxable u/s 56(2)(x). SDV on date of agreement is taken since part of consideration is received by specified mode on date of agreement.	
Income from other source	11,30,000

Computation of capital gain in the hands of Rocky for AY 2022-23 on sale of flat

Particulars	Rs.
Sale consideration u/s 50C = SDV, as it is > 110% of 10 lakh	12,00,000
Less: Cost of acquisition: Deemed to be the SDV taken into account u/s 56(2)(x), by virtue of section 49(4)	(4,50,000)
Short term capital gain (period of holding of Rocky does not exceed 24 months)	7,50,000