

TEST 11 (OTHER SOURCES)

Time : 30 minutes Total Marks : 20
(5 marks EACH)

Question 1 : Ms.J received following amounts during the previous year 2023-24.

(1) Received loan of ₹5,00,000 year from the ABC Private Limited, a closely held company engaged in textile business. She is holding 10% of the equity share capital in the said company. The accumulated profit of the company was ₹2,00,000 on the date of the loan.

(2) Received Interest on enhanced compensation of ₹5,00,000 during p/y 23-24. Out of this interest, ₹1,50,000 relates to the previous year 2020-21, ₹1,90,000 relates to previous year 2021-22 and ₹1,60,000 relates to previous year 2022-23. She paid 1 lakh to her advocate for his efforts in the matter.

Discuss the tax implications, if any, arising from these transactions in her hand with reference to Assessment Year 2024-25.

Question 2 : Y Investments (P) Ltd. was incorporated during P.Y. 2021-22 having a paid up capital of ₹ 10 Lakhs. In order to increase its capital, the company further issues, 1,00,000 shares (having face value of ₹100 each) during the year at par as on 01-08-2023. The FMV of such share as on 01-08-2023 was ₹ 85.

(i) Determine the tax implications of the above transaction in the hands of company, assuming it is the only transaction made during the year.

(ii) Will your answer change, if shares were issued at ₹105 each?

(iii) What will be your answer, if shares were issued at ₹105 and FMV of the share was ₹120 as on 01-08-2023 ?

Question 3 : Mr. M, a noted bhajan singer of Rajasthan and his wife Mrs. D furnish the following information relating to the Assessment Year 2024-25.

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1 Income of Mr. M- professional bhajan singer (computed)	5,65,000
2 Income under the head salary of Mrs. D (computed)	3,80,000
3 Loan received by Mrs. D from Ramu & Jay (Pvt) Ltd. (Mrs. D holds 35% shares of the Co. has incurred losses since its inception 2 years back)	2,50,000
4 Income of their minor son Golu winning signing reality show on T.V.	2,50,000
5 Cash gift received by Golu from friend of Mr. M on winning the show	21,000
6 Interest income received by minor married daughter Gudia from deposit with Ramu & Jay Pvt Ltd.	40,000

Compute total taxable income of Mr. M & Mrs. D for the Assessment Year 2024-25.

Question 4 : Mr. Y reports the following transactions to you:

(i) Received cash gifts on the occasion of his marriage on 15.06.2023 of ₹ 1,08,000. It includes gift of ₹28,000 received from non-relatives.

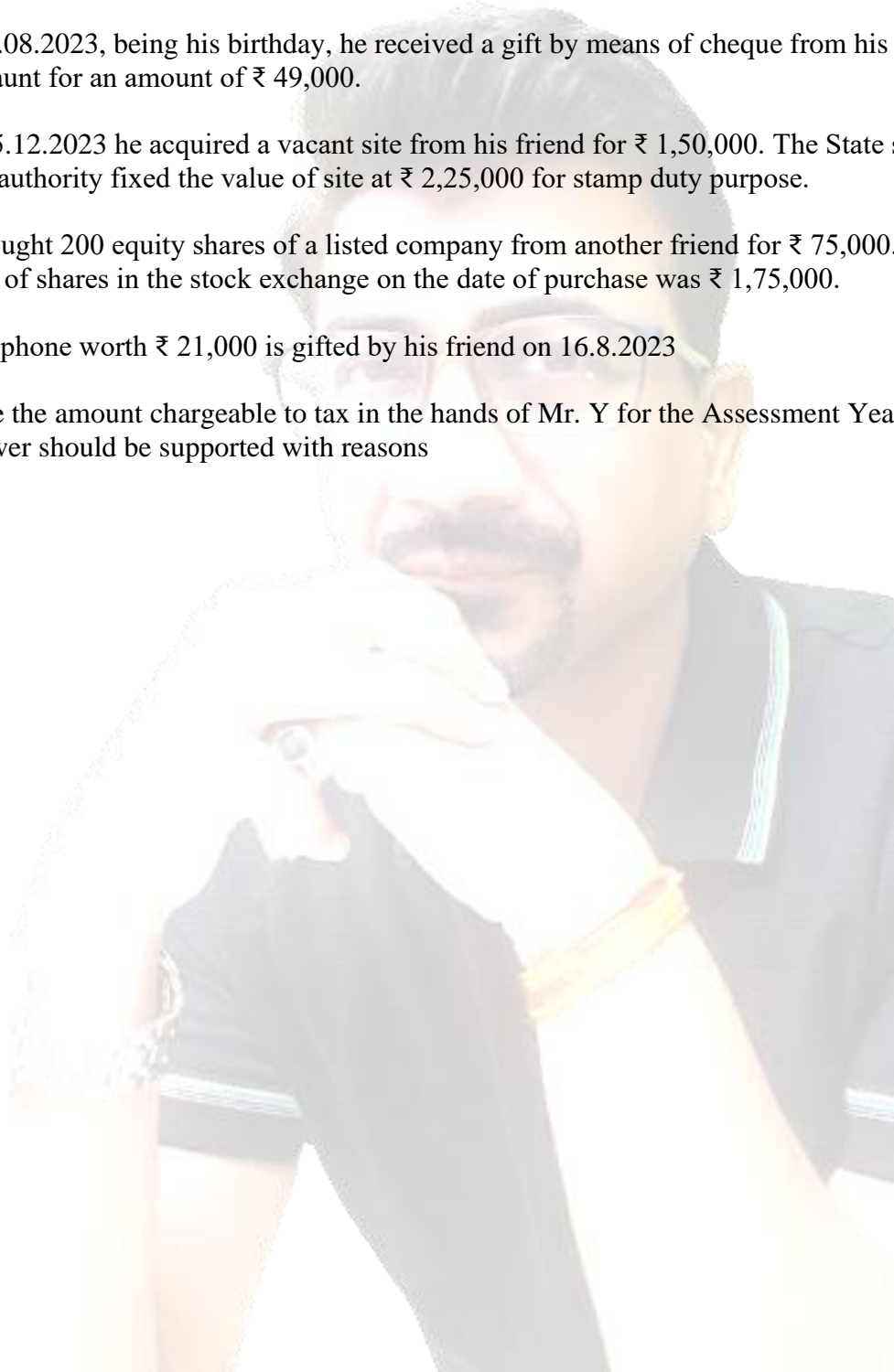
(ii) On 15.08.2023, being his birthday, he received a gift by means of cheque from his mother's maternal aunt for an amount of ₹ 49,000.

(iii) On 25.12.2023 he acquired a vacant site from his friend for ₹ 1,50,000. The State stamp valuation authority fixed the value of site at ₹ 2,25,000 for stamp duty purpose.

(iv) He bought 200 equity shares of a listed company from another friend for ₹ 75,000. The value of shares in the stock exchange on the date of purchase was ₹ 1,75,000.

(v) A cell phone worth ₹ 21,000 is gifted by his friend on 16.8.2023

Determine the amount chargeable to tax in the hands of Mr. Y for the Assessment Year 2024-25. Your answer should be supported with reasons



TEST 11 SOLUTION

Solution 1:

(1) As per section 2(22)(e), If any closely held company (also called company in which public are not substantially interested) has given any loan or advance to an equity shareholder who is holding not less than 10% of the voting power of the company, in such cases such loan or advance shall be considered to be dividend in the hands of such shareholder but only to the extent of accumulated profits excluding capitalized profits.

In the given case, She is holding 10% and company is a closely held company, hence amount received to the extent of accumulated profits i.e. 2,00,000 shall be considered to be deemed dividend u/s 2(22)(e).

(2) **As per section 145B, interest received for late payment of compensation** from the Government or other similar agency in connection with compulsory acquisition of land or building shall be taxable in the year in which it has been received and it will be taxable under the head other sources however, **as per section 57 deduction shall be allowed @ 50% of such interest.**

Interest on enhanced compensation 5,00,000
 Less: Deduction @ 50% u/s 57 2,50,000
 Income under the head other sources 2,50,000

Solution 2 :

As per section 56(2), where a company, not being a company in which public are substantially interested, receives in any previous year, from any resident person, any consideration for issue of shares that exceeds the face value of the shares, aggregate consideration received for such shares as exceeds the Fair market value of the shares shall be taxable under the head other sources.

(i) In the given case, shares are issued at face value and does not issue in price exceeding face value of the shares. Hence no amount is taxable.

(ii) In the given case, shares are issued exceeding face value hence taxable amount shall be
 (Issue price – FMV of the share) x No. of shares
 = (105-85) x 1,00,000 = 20,00,000

(iii) In the given case, shares are issued exceeding face value but shares are issued lower than FMV, hence no amount shall be taxable.

Solution 3: Computation of Taxable income of Mr. M for the A.Y. 2024-25**Income under the head business profession**

Professional income (computed)	5,65,000
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Income under the head other sources

Interest income of daughter Gudia	40,000
Less: exemption u/s 10(32)	(1,500)
Income under the head other sources	38,500

Gross Total Income	6,03,500
Less: Deduction u/s 80C to 80U	Nil
Total Income	6,03,500

Computation of Taxable income of Mrs. D for the A.Y. 2024-25

Income under the head salary (computed)	3,80,000
Gross Total Income	3,80,000
Less: Deduction u/s 80C to 80U	Nil
Total Income	3,80,000

Notes:

1. Income of Minor shall be clubbed in the income of parents who have higher income before clubbing the income of minor. In the given case income of father is greater than mother's income hence amount shall be clubbed in the income of Father.
2. Loan amount would not be considered as deemed dividend u/s 2(22)(e) as company does not have accumulated profits.
3. Income from skill and talent shall not be clubbed in the income of the parents and shall be taxable in the hands of children itself.
4. As per section 56(2), Gift shall be taxable if amount received during the year exceed 50,000 but in the given case, cash gift received is less than 50,000 hence nothing shall be clubbed in the hands of the parent.

Solution 4: Computation of amount chargeable to tax in hands of Mr. Y for A.Y. 2024-25**Particulars**

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|---|-----|
| | ₹ |
| (i) Cash gift of ₹1,08,000 received on the occasion of his marriage is not taxable since gifts received by an individual on the occasion of marriage are excluded under section 56, even if the same are from non-relatives. | Nil |
| (ii) Even though mother's maternal aunt does not fall within the definition of "relative" under aggregate sum of money received by Mr. Y without consideration from non-relatives (other than on the occasion of marriage) during the previous year 2023-24 does not exceed ₹ 50,000. | Nil |

(iii) Purchase of land for inadequate consideration on 25.12.2023 would attract the provisions of section 56. Where any immovable property is received for a consideration which is less than the stamp duty value of the property by an amount exceeding ₹50,000, the difference between the stamp duty value and consideration is chargeable to tax in the hands of the individual. Therefore, in the given case ₹75,000 is taxable in the hands of Mr. Y. (Difference amount is more than ₹50,000 and more than 10% of the consideration)	75,000
(iv) Since shares are included in the definition of “property” and difference between the purchase price and fair market value of shares is ₹ 1,00,000 (₹ 1,75,000 – ₹ 75,000) i.e. it exceeds ₹ 50,000, the difference would be taxable under section 56.	1,00,000
(v) Cell phone is not included in the definition of “property” as per section 56. Hence, it is not taxable.	Nil
Amount chargeable to tax	1,75,000