

Idhaya College for Women Kumbakonam



**PG & Research Department of Commerce
III BCom**

INCOME TAX THEORY LAW & PRACTICE - 16CCCCM14

Unit – IV&V

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UNIT 4 : Income From Business

Meaning :

“Business” simply means any economic activity carried on for earning profits. Sec. 2(3) has defined the term as “any trade, commerce, manufacturing activity or any adventure or concern in the nature of trade, commerce and manufacture”.

Format:

Computation Of Business Income Of.....

PY: 2018- 2019

AY: 2019- 2020

Particulars	Rs	Rs
Balance as per profit and loss A/c	xxx	xxx
Add: Inadmissible Expenses:		
A). Personal expenses relating to the proprietor:		
1).Salary paid to self or any other member of family for casual help. Excess salary paid to relatives.	xxx	xxx
2).Drawings by the proprietor.	xxx	xxx
3).Personal life insurance premium	xxx	xxx
4).Legal expenses on Criminal case or a personal case of employee.	xxx	xxx

5).Rent for Residential portion	XXX	XXX
6).Rent paid to self	XXX	XXX
7).Any amount invested in savings such as NSS,NSC,PPF etc.,	XXX	XXX
8).Loss by theft from residence	XXX	XXX
9).Gifts and presents (Non-advertisement)	XXX	XXX
10).Household and personal expenses	XXX	XXX
11).Pilgrimage expenses	XXX	XXX
B).All provisions and reserves:		
1).Reserve for bad debts	XXX	XXX
2).Reserve for Depreciation	XXX	XXX
3).Reserve for Income tax	XXX	XXX
4).Reserve for Losses	XXX	XXX
5).Reserve for any other expected loss	XXX	XXX
6).Bad debts still recoverable	XXX	XXX
7).Employers' contribution to unrecognised provident fund	XXX	XXX

C). Capital expenses:		
1). All capital expenses except capital expenses on scientific research	XXX	XXX
2).All capital losses	XXX	XXX
3).Interest on capital	XXX	XXX
4).Expenses on acquisition of assets	XXX	XXX
5).Past losses	XXX	XXX
6). Speculation loss	XXX	XXX
7).Cost of patent rights being capital expenditure	XXX	XXX
8).Cost of Technical know-how being capital expenditure.	XXX	XXX
D).Differences due to stock valuation:		
Under valuation of closing stock	XXX	XXX
Over valuation of opening stock	XXX	XXX
Under valuation of stock used by proprietor	XXX	XXX
E).All taxes:		
1).Income tax	XXX	XXX
2).Wealth tax	XXX	XXX
3).Advance income tax	XXX	XXX
4).Gift tax	XXX	XXX

5).Local taxes of residential house	XXX	XXX
F).Other expenses:		
1).All Charities and Donations	XXX	XXX
2).Cultivation expenses	XXX	XXX
3).Excess depreciation	XXX	XXX
4).Salary or interest payable outside India without deduction of tax.	XXX	XXX
5).All types of fine or penalty	XXX	XXX
6).Employee's contribution to URPF	XXX	XXX
7).Difference in Trial balance	XXX	XXX
8).Any other expenditure not incurred according to the provisions of LT Act.	XXX	XXX
9).Expenses on criminal case or a personal case of an employee	XXX	XXX
10).100% of expenses exceeding Rs.20,000 paid other than by account payee cheque or draft.	XXX	XXX

Less: Expenditure allowed but nit debited:		
1).Under charging of depreciation	xxx	xxx
2).Actual bad debts not charged to P&L	xxx	xxx
3).Adjustment on account of stock:	xxx	xxx
Under valuation of opening stock.	xxx	xxx
Over valuation of closing stock.	xxx	xxx
Over valuation of stock used by proprietor.	xxx	xxx
4).Any other expenses incurred according to provision of IT Law but not debited.	xxx	xxx
Less: Income credited to P&L which is either exempt or taxable under other heads:		
a).Exempted income:		
1).Post Office Saving Bank Interest	xxx	xxx
2).Agricultural receipts	xxx	xxx
3).Gifts from relatives	xxx	xxx
4).Bad debts, excise duty recovered but disallowed earlier .	xxx	xxx
5).Income tax refund	xxx	xxx
6).LIC maturity amount	xxx	xxx

7).Any capital receipt	XXX	XXX
8).Withdrawal from PPF	XXX	XXX
9).Bad debts recovered but disallowed earlier	XXX	XXX
b).Income not taxable under this head:		
1).Part-time salary	XXX	XXX
2).Interest on Bank deposits and securities	XXX	XXX
3).Rent from let out property.	XXX	XXX
4).Capital gains	XXX	XXX
5).Dividends from Co-operatives and foreign companies and Indian companies.	XXX	XXX
6).Winning from Lotteries ,race courses , etc.	XXX	XXX
Add: Income earned but not shown in P&L :		
Bad debts, excise duty recovered and allowed earlier.	XXX	XXX
Income from any other business.	XXX	XXX
Chargeable gains from business		XXX

Problem 1: The following is the profit & loss account of Mr. Roy for the year.

Particulars	Rs.	Particulars	Rs.
To Rates and Taxes	450	By Gross profit	14,623
To Establishment (staff)	1,750	By Bank interest on personal deposits	577
To Rent	600		
To Household expenses	1,450		
To Discount	250		
To Advertisement	200		
To Income-tax	480		
To Postage, Stationery	810		
To Fire insurance	150		
To Gifts and presents	160		
To Charity and donations (to approved institution)	1,140		
To Repairs of furniture	50		
To Interest on loan	1,000		
To Life insurance premium	600		
To Reserve for doubtful debts	700		
To Interest on capital	250		
To Net profit	3,660		
	15,200		15,200

Solution:

Computation of Business Income of Mr. Roy For The AY:2018-19

Particulars	Rs.	Rs.
Net profit		3,660
Add: Inadmissible deductions:		
Household expenses	1,450	
Income tax	480	
Gifts and presents	160	
Charity and donations	1,140	
Capital expenditure on purchase of plant & machinery	1,500	
Life insurance premium	600	
Reserve for doubtful debts	700	
Interest on capital	250	6,280
		9,940
Less: Non Business income or income to be shown under other heads:		
Bank Interest		577
Business Income		9,363

Problem 2:

From the following, compute the taxable income under the head income from business, profit before adjusting the following items is Rs. 5,50,000.

	Rs.
Administrative expenses	10,000
Trade expenses	5,000
Household expenses	3,000
Discount allowed	4,000
Income tax	400
Provision for bad debts	2,000
Bad debts	3,000
Donation to P.M. National relief fund	4,000
Legal fee	200

Solution:

Computation of Business Income for the AY:2019-20

Particulars	Rs.	Rs.
Net profit		5,50,000
Less: Admissible expenses:		
Administrative expenses	10,000	
Trade expenses	5,000	
Discount allowed	4,000	
Bad debts	3,000	
Legal fee	200	22,200
Business Income		5.27,800

Income From Profession

Meaning:

“Profession” may be defined as a vocation, or a job requiring some thought, skill and special knowledge like that of C.A., Lawyer, Doctor, Engineer, Architect etc. So profession refers to those activities where the livelihood is earned by the persons through their intellectual or manual skill.

Format:

In case of Chartered Accountant

Computation of income from profession of.....

PY: 2018- 2019

AY: 2019- 2020

Particulars	Rs
Professional income:	
Fees received by Auditing	xxx
Receipts by accounting work	xxx
Fees received from Institute	xxx
Examiner's fees received	xxx
Gifts and presents from clients	xxx
Receipts from consultancy work	xxx
Any other Incidental receipt	xxx
I Total receipts from profession	xxx

Less: Expenditure in connection with profession:	
Administration expenses/Office expenses	XXX
Subscriptions	XXX
Stipend to trainees	XXX
Institute expenses	XXX
Membership fees	XXX
Car expenses incurred relating to Profession	XXX
Depreciation of office equipment and books used for profession	XXX
II Total Professional Expenses	XXX
III Professional Income	XXX
I-II	XXX

In case of Doctor or Medical Practitioner

Particulars	Rs
Professional Income/ Receipts:	
Fees received by consultation	xxx
Fees by conducting Surgery	xxx
Fees received by Visiting	xxx
Sale or Medicines	xxx
Gifts and presents from patients	xxx
Examiner's fees	xxx
Clinic, Nursing home and Hospital receipts	xxx
Other receipts in connection with profession	xxx
Total professional receipts I	xxx
Less : Expenses in connection with profession:	
Clinic, hospital maintenance expenses	xxx
Cost of Medicines sold:	xxx
(Opening stock + Purchases-Closing stock)	xxx
If accounts are maintained on cash basis: Cost of actual medicines purchased during the year.	xxx

Depreciation of equipment	XXX
Depreciation on books used for profession	XXX
Motor vehicles expenses relating to profession	XXX
Any other expenditure in connection with the profession	XXX
Total Professional expenses II	XXX
Income from profession I-II	XXX

In case of a Lawyer or an Advocate

Particulars	Rs
Professional income/ Receipts:	
i).Legal fees	XXX
ii).Law practising fees	XXX
iii).Special commission	XXX
iv).Presents from clients	XXX
v).Examinership remuneration	XXX
vi).Any other professional receipts	XXX
Total Professional Receipts I	XXX

Less: Expenses in connection with profession:	
Staff salary	XXX
Travelling expenses	XXX
Subscription to law journals	XXX
Office expenses	XXX
Depreciation of office equipment and books used for profession	XXX
Court fees	XXX
Cost of stamp paper purchased	XXX
Other expenses in connection with profession	XXX
Total professional Expenses II	XXX
III Professional Income	XXX
I-II	XXX

Problem 1:

From the following Receipt & Payment of Mr. X, a tax consultant, calculate income from Profession.

Receipts	Rs.	Payments	Rs.
To balance	5,00,000	By office & Administrative expenses	50,000
To fees from client: 2019-20	1,50,000	By salary to staff: 2019-20	30,000
2018-19	25,000	2018-19	20,000
To present from client	50,000	By repair	10,000
To wining from lottery	30,000	By Interest on loan for business	10,000
To rent from L/O property	45,000	By Income tax	10,000
		By purchase of car required during December 2018.	2,00,000
		By purchase of typewriter	10,000
		By balance	4,60,000
	8,00,000		8,00,000

Solution:

Computation of Income from Profession of Mr. X for the AY:2019-20

Particulars	Rs.	Rs.
Professional Receipts:		
1). Fees:		
2019-20	1,50,000	
2018-19	25,000	1,75,000
2).Present from client		50,000
		2,25,000
Less: Professional Payments:		
1).Office expenses		50,000
2).Salary to staff:		
2019-20	30,000	
2018-19	20,000	50,000
3).Repairs		10,000
4).Interest on loan for business		10,000
5).Purchase of car (2,00,000* 15/100 *50/100)		15,000
6).Purchase of type writer(10,000* 15/100)		1500
Income from Profession		88,500

Problem 2:

From the following Receipts & Payment account of Mr. Maragatham, a tax consistent. calculate Income from Profession.

Receipts	Rs.	Payments	Rs.
To balance	3,50,000	By office Administration expenses	60,000
To fees from client: 2019-20 2018-19	1,00,000 50,000	By salary to staff: 2019-20 2018-19	40,000 30,000
To present from client	40,000	By repairs	8000
To wining from lottery	28,000	By interest on loan from business	12,000
To rent from L/O property	75,000	By Income tax	6,000
To share of income from firm	12,500	By purchase of car(purchase during January 2019)	1,50,000
		By balance	3,49,500
	6,55,000		6,55,000

Solution:

Computation of Income from Profession of Mr. Maragatham for the AY:2019-20.

Particulars	Rs.	Rs.
Professional Receipts:		
1).Fees:		
2019-20	1,00,000	
2018-19	50,000	1,50,000
2).Present from client		40,000
		1,90,000
Less: Professional Payments:		
1). Office & Administration expenses		60,000
2).Salary to staff:		
2019-20	40,000	
2018-19	30,000	70,000
3).Repairs		8,000
4).Interest on loan for business		12,000
5).Depreciation on car purchase during Jan 2019 (1,50,000*15/100= 22,500*50/100=11,250)		11,250
Income from Profession		28,750

UNIT 5: Capital Gains

Meaning of Capital Gains:

Capital gain is a rise in the value of a capital asset (investment or real estate) that gives it a higher worth than the purchase price. The gain is not realized until the asset is sold. A capital gain may be short-term (one year or less) or long-term (more than one year) and must be claimed on income taxes.

Kinds of Capital gains:

There are two different types of Capital Gains.

- ✓ Short-term Capital gains.
- ✓ Long-term Capital gains.

Short-term Capital Gains:

Short-term Capital gains shall be computed by deducting from the full value of consideration accruing as a result of transfer of the capital asset, the following items:

- i. Expenditure incurred wholly and exclusively in connection with such transfer
- ii. The cost of acquisition of the asset and the cost of any improvement thereto

The result is Short-term capital gain, from which exemptions under section 54B, 54D and 54G are allowed. Balance is the Net short-term capital gain.

Format:

Computation of Short-Term Capital Gain

	Rs.	Rs.
Full sale consideration		xxx
Less: Expenses incidental to transfer		xxx
Net sale consideration		xxx
Less: Cost of acquisition	xxx	
Less: Cost of Improvement	xxx	xxx
Short term capital gain		xxx
Less: Exemption under Secs.54B, 54D, 54G and 54GA	xxx	
Net Short Term Capital Gain		xxx

Long-term Capital Gain:

Long term capital gain is computed by deducting from the full value of consideration arising out of transfer of a long term capital asset the following item:

1. Expenditure in connection with such transfer
2. Indexed cost of acquisition
3. Indexed cost of improvement

The resulting amount is 'long term capital gain' from which exemptions provided by secs. 54, 54B, 54D, 54EC, 54F and 54G are deducted. The balance amount is net long term capital gain.

Format:

Computation of Long Term Capital Gain

	Rs.	Rs.
Full sale consideration		xxx
Less: Expenses incidental to transfer		xxx
Net sale consideration		xxx
Less: Indexed cost of acquisition	xxx	
Less: Indexed cost of improvement	xxx	xxx
Long term capital gain		xxx
Less: Exemption under secs.54, 54B, 54D, 54EC, 54F, 54G, 54GA and 54GB		xxx
Net Long Term Capital Gain		xxx

Problem 1:

Mr. Raman furnishes following details of various transactions.

S. NO	Nature of Asset	Date of Purchase	Date of Sale	Cost of Purchase Rs.	Expenses on Purchase Rs.	Sale value Rs.	Expenses on sale Rs.
1.	Shares of P.S.Co (listed)	1.2.2018	4.10.2018	20,000	200	40,000	500
2.	Unlisted shares of R.M.Co.	1.10.2017	31.12.2018	40,000	300	70,000	600
3.	Debentures of S.N.Co	1.12.2018	5.3.2019	50,000	-	40,000	200
4.	Debentures of L.U.Co	1.6.2018	31.12.2018	60,000	-	80,000	500

Solution:

Computation of Short term Capital Gain of Mr. Raman for the A.Y.2019-20

Particulars	P.Y. 2018-2019		A.Y. 2019-20	
	Shares of P.S.Co Rs.	Shares of R.M.Co Rs.	Debentures of S.N.Co Rs.	Debentures of L.U.Co Rs.
Sale value	40,000	70,000	40,000	80,000
Less: Expenses on sales	500	600	200	500
Net sale consideration	39,500	69,400	39,800	79,500
Less: Cost of acquisition	20,200	40,300	50,000	60,000
Short term Capital Gain	19,300	29,100	(-)10,200	19,500

Total Short Term Capital Gain:	Rs.
Shares of P.S. company	19,300
Shares of R.M. company	29,100
Debentures of S.N. Company	(-)10,200
Debentures of L.U. Company	19,500
Total Short Term Capital Gain	57,700

Problem 2:

Mr. Kannan has furnished the following details : determine his capital gain for A.Y.2019-20.

S. NO	Nature of Capital Assets	Date of Purchase	Date of sale	Cost RS.	Expense on Purchase Rs.	Sale value Rs.	Expenses on sale Rs.
1.	House 'A'	1.1.17	1.8.18	4,00,000	10,000	7,00,000	5,000
2.	House 'B'	31.12.16	15.12.18	3,00,000	2,000	5,00,000	10,000
3.	Building 'C'	1.1.18	1.1.19	5,00,000	5,000	8,00,000	10,000
4.	Urban agricultural land	1.1.18	1.2.19	7,00,000	30,000	15,00,000	4,000
5.	Land(Non-agriculture)	31.1.17	1.6.18	6,00,000	1,000	8,00,000	5,000
6.	Commercial Building 'D'	1.8.16	1.7.18	8,00,000 (W.D.V.)	Nil	6,00,000	2,000

Solution:

Computation of Total short term Capital Gains for the A.Y.
2019-20

Particulars	Rs.
House- A	2,85,000
House-B	1,88,000
Building-C	2,85,000
Urban Agriculture land	7,66,000
Non-Agricultural land	1,94,000
Commercial building	(-)2,02,000
Total Short-term Capital Gain	15,16,000

Problem 3:

Mr. X purchases a house property for Rs.26,000 on 10th May 1962. He gets the 1st floor of the house constructed in 1967-68 by spending Rs.40,000. He dies on 12th September 2003. The property is transferred to Mrs. X by his will. Mrs. X spends Rs.80,000 and Rs.26,700 during 2006-07 & 2008-09 respectively for reconstruction of the property. Mrs. X sells the house property for Rs.95,00,000 on 15th March 2019 (brokerage paid by Mrs. X is Rs.41,500). The fair market value of house on 1st April, 2001 is Rs.4,60,000. CII for 2006-2007 Rs.122, for 2008-09 is 137, for 2017-18 Rs.280, for 2001-02 Rs.100, for 2003-04 is Rs.109.

Solution:

Computation of Capital Gains for the A.Y. 2019-20

Particulars	Rs.	Rs.
Sale consideration		95,00,000
Less: Expenditure on transfer		41,500
Net sale consideration		94,58,500
Indexed cost of acquisition: Cost of acquisition: 26,000 F.M.V on 1.4.2001: 4,60,000 4,60,000*280/100	12,88,000	
Indexed cost of improvement: (2006-07) 80,000* 280/122	1,83,606	
(2008-09) 26,700*280/137	54,569	15,26,175
Long term Capital Gain		79,32,325

Problem 4:

Mr. Paneerselvam owned two motor cars which were mainly used for business purposes. The written down value on April 1, 2018 of these cars is Rs.1,81,000. The block of assets comprising of only these two cars was sold in June 2018 for Rs.1,50,000. In September 2018, he sold 1,000 shares in X Ltd.(unlisted) an Indian company, for Rs.30,00,000. He had purchased the same during March, 2005 for Rs.3,10,000. A house plot purchased in March , 2011 for Rs.3,00,000 was sold by him for Rs.9,35,000 on January 18,2019. (CII 2010-11 : 167, 2004-05 : 113, 2018-19: 280).

Compute the capital gains chargeable to tax in respect of the above transactions for the A.Y. 2019-20.

Solution:

Computation of Capital gains for the A.Y. 2019-20.

Particulars	Rs.	Rs.
i. Short term capital gain / loss:		
Sale consideration of Motor cars	1,50,000	
Less: Cost of acquisition (W.D.V. as on 1.4.2018)		
Short term capital loss	1,81,000	(-) 31,000
ii. Long term capital gain /loss:		
On transfer of Shares: (unlisted)		
Sale consideration	30,00,000	
Less: Indexed cost of acquisition (3,10,000*280/100)	7,68,141	22,31,859
Long term capital gain		
On transfer of house plot:		
sale consideration	9,35,000	
Less: Indexed cost of acquisition (3,00,000*280/167)	5,02,994	4,32,006
Long term capital gain		26,32,865

Problem 5:

Mr. Suresh , a resident Indian ,sold gold for Rs.30,00,000 on May 20,2018, which he acquired on April 16, 1977 at a cost of Rs.1,70,000. The fair market value of gold on April 1, 2001 was Rs.1,50,000. He has invested Rs.4,00,000 in buying a residential house on June 15, 2019. Ascertain the capital gains chargeable to tax during the A.Y. 2019-20 . CII for 2001-02 is 100, for 2018- 19 is 280.

Solution:

Computation Of Capital Gain of Mr. suresh for the A.Y. 2019-20.

Particulars	Rs.
Sale value of gold	30,00,000
Less: Indexed cost:	
Cost before 1.4.81 1,70,000	
F.M.V on 1.4.81 1,50,000 1,70,000* 280/100=	4,76,000
Long term capital gain	25,24,000
Less: Exempted U/S 54F for investment in a residential house before 31.7.2019	
<u>amount invested</u>	
Long term capital gain * Net sale consideration	
= $\frac{4,00,000}{30,00,000} * 25,24,000$	3,36,533
Chargeable long term capital gain	21,87,466

Problem 6: Mr. Nalli sells jewellery on 21.08.2018 for Rs.15,00,000. Cost of the jewellery on 25.6.2001 was Rs.3,00,000. Brokerage & Commission paid for transfer was Rs.10,000. From the earned capital gain of Mr. Nalli purchased a residential house on 12th January 2019 for Rs.3,25,000. calculate taxable capital gain.

(CII 2001-02 =100 ; 2018-19=280).

Solution:

Computation of Long Term Capital Gain of Mr. Nalli for the A.Y. 2019-20

Particulars	Rs.
Sale consideration	15,00,000
Less: expenses on sales	10,000
Net sale consideration	14,90,000
Less: Indexed cost of acquisition (3,00,000 *280/100)	8,40,000
Long term capital gain	6,50,000
Less: Deduction U/S 54: Long term * $\frac{\text{amount invested}}{\text{Net sale consideration}}$	1,41,778
Taxable long term capital gain	5,08,222

Income From Other Sources

Meaning:

Income from other sources is one of the heads of income chargeable to tax under the Income tax Act. All the incomes excluded from salary, capital gains, house property or business & profession are included in Income from other sources , except those which are exempt under the Income tax Act.

Format:

Computation of Income from other sources

PY:2018-19 AY:2019-2020

Particulars	Rs	Rs
A). Dividends Income:		
Dividends from foreign companies	xxx	
Dividends from co-operatives	xxx	
	xxx	
Less collection charges on above dividends	xxx	xxx
B).Casual Income:	xxx	
Lottery winnings $\left[\text{Net amount} \times \frac{100}{100 - \text{Tax rate}} \right]$ or Race winnings	xxx	

Race winnings	XXX	
Crossword Puzzle winnings	XXX	
Gambling bettings	XXX	XXX
C). Interest on securities :		
Interest on Govt. securities	XXX	
Interest on Non govt. securities	XXX	
	XXX	
Less: Collection charges	XXX	
Interest on borrowings for Investment	XXX	XXX
D).Interest on Bank deposits		XXX
E).Family pension received	XXX	
Less: standard deduction @ 1/3 of pension or 15,000, whichever is less	XXX	XXX
F).Income by letting out of furniture, Plant &Machinery along with building	XXX	
Less: Expenses : Depreciation, repairs, Insurance	XXX	XXX
G).Royalty Incomes:	XXX	
Less: Expenses Incurred	XXX	XXX

H).Income by subletting of house property	XXX	
Less: Expenses: Rent paid	XXX	
Repairs	XXX	
Local Taxes	XXX	XXX
I).Income by maintenance of horses	XXX	
Less: Expenses	XXX	XXX
J).Other Incomes:		
Income from agricultural land situated outside India.	XXX	
Salary received by MP, MLA	XXX	
Gifts received in excess of Rs.50,000 from persons other than relatives.	XXX	
Directors fees	XXX	
Examinership remuneration received by teachers.	XXX	
Ground rent received	XXX	
Income received by leasing out of non agricultural land.	XXX	
Deemed incomes		
Income from undisclosed sources		
Interest on compensation or enhanced compensation.		

Advance money received and forfeited during negotiations to sell capital assets.		
Any Income not taxed under other heads	XXX	XXX
Total Income from other sources		XXX

Problem 1:

Calculate Income from other sources for Mr. Kelemwork from the following assuming on commercial securities on unlisted security.

- ❖ Rs. 2,50,000 invested in 12% less tax Government securities.
- ❖ Rs. 2,50,000 invested in 12% less tax commercial securities.
- ❖ Rs. 2,50,000 invested in 12% less tax Government securities.
- ❖ Rs. 8,000 received on interest commercial from less tax commercial securities.

Solution:

Computation of Income from other sources of Mr. Kelemwork for the AY:2019-20

Particulars	Rs.
❖ 12% less tax Government securities ($= 2,50,000 \times 12/100$)	30,000
❖ 12% tax free commercial securities ($= 2,50,000 \times 12/100 = 30,000 \times 100/90$)	33,333
❖ 12% less tax Government securities $= 2,50,000 \times 12/100$	30,000
❖ Rs. 8,000 received as interest from less tax commercial securities $= 8,000 \times 100/90$	8,889
Income from other sources	1,02,222

Problem 2:

Mr. X gives the following particulars in respect of her income under the head income from other sources.

- a) Interim dividend Rs.4,000.
- b) Dividend from a company on equity shares Rs.3,000.
- c) Dividend on preference shares Rs.4,000.
- d) Directors fee Rs.1,800.
- e) Ground rent Rs.3,000.
- f) Income from sub-letting Rs.6,000.
- g) Dividend from foreign company (net)Rs.5000.
- h) Interest on National Defence Gold Bonds 1980 Rs.3000.

Solution:

Computation of Income from other sources of Mr. X for the AY: 2019-20

Particulars	Rs.
Director's fees	1800
Ground rent	300
Income from sub-letting	6000
Dividend from foreign company (net)	5,000
Income from other sources	15,800

Problem 3:

Calculate income from other sources from the following of Mrs. Tupuzdan.

- Income from agricultural land in Pakistan Rs.43,000.
- Income from Royalty Rs.5,000 actual expenditure spend for this Rs.500.
- Salary has member of Parliament Rs.40,000 per month.
- Winning from across word present Rs.10,000.
- Rental income from plant & machinery Rs.40,000 excluding Rs.2,000 for Repairs & Rs.5,000 for depreciation.

Solution:

Calculation of Income from other sources of Mrs. Tupuzdan for the AY: 2019-20.

Particulars	Rs.	Rs.
Income from agricultural land in Pakistan		43,000
Income from royalty	5,000	
Less: Actual expenses	500	4,500
Salary as member of Parliament		48,000
Winning Cross word puzzle		10,000
Income from letting out of plant & machinery	40,000	
Less: Repairs	2,000	
Depreciation	5,000	33,000
Income from other sources		1,38,500