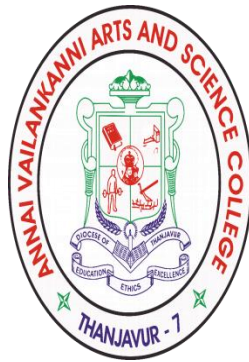


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**INCOME TAX THEORY LAW AND PRACTICE
SUBJECT CODE: 16CCCM14**

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Unit-V

Introduction:

Income chargeable under income tax Act , which does not specifically fall for assessment under any of the heads discussed earlier must be charged to tax as “ Income from Other sources”.

Income chargeable to income tax under the heads of “income from other sources”

1. Dividend from co-operative societies and foreign companies.
2. Interest on securities if not charged to tax under the head.
3. Winning from lottery, crossword puzzles, other game of any sort or from gambling or betting of any from or nature of whatsoever.
4. Income from machinery, plant or furniture let on hire if is not taxable under the head.
5. Income from letting of plant, machinery or furniture along with the building .
6. Any sum received by the assessee from his employees as contribution to any staff welfare scheme.

The following are “income from other sources” U/S 56(1)

1. Fees or collection
2. Annuity
3. Other interest
4. Direct tax
5. Remuneration for examination work
6. Rent of land
7. Agricultural income
8. Royalty income
9. Interest on own contribution to unorganized provident fund
10. Remuneration received for writing
11. Interest from co-operative society
12. Family pension
13. NSS Deposit withdrawn
14. Director commission
15. Gratuity received by a director
16. Receipts of cricketers
17. Salary payable to a mp

Dividends sec 2 (22):

Meaning of dividend :

The term dividend refers to the sum received by a shareholder of a company distributed out of the profit, whether distributed out of taxable income or tax free income.

Definition of Dividend:

As per sec 2(22) the following payments or distribution by a company to its shareholders are deemed as dividend to the extent of accumulated profits of the company

Interest on securities sec 56(2)

Interest on securities shall be chargeable to tax under the head income from other sources , if securities are held as investment and it is taxable under the head 'Business or profession ' if securities are held as Stock in trade .

Meaning of security: the word security has not been defined in the income tax Act. However , in common parlance, the term security means a documents acknowledging the debt taken by the government or some other authority from general public.

Meaning of Interest:

Interest is the return which a person received from another person for bearing the risk of parting with the money. In other words, interest means the return received by a creditor who has given his money as debt.

- A) Interest on any securities of the central or state governments
- B) Interest on debentures or other securities issued by a local authorities
- C) Interest on debentures or other securities issued by a statutory corporation.

Basic of charges:

Interest on securities basis of accounting methods followed by the assessee:

- 1) Cash methods of accounting
- 2) Mercantile system.
- 3) No method of accounting.

Kinds of securities:

- 1) Government securities
- 2) Non- Government securities

Interest on the following securities is exempted from tax u/s 10(15)

- a) Plan certificates
- b) Post office savings
- c) Fixed deposits
- d) Other securities

Dividend income :

Mr. ganeshan furnishes following particulars of his income for the PY-2018-19. Compute his income from other sources for the AY- 2019-20.

Particulars	Rs
Dividend (gross) from ashok Leyland Ltd	25,000
Dividend from a co operative society	5,000
Dividend from a foreign company	26,000
Interim Dividend from Rane (madrass) Ltd	6,000
Dividend from U.T.I	3,000

Particulars	Rs
Dividend from a co operative society	5,000
Dividend from a foreign company	26,000
Income from other sources	31,000

Mr.Basu received the following incomes during the year 2018-19. Compute taxable income under the heads 'income from other sources' separately for each case.

A) Winning received from Sikkim lottery	70,000
Winning from horse race	2,000
Winning from crossword puzzles	4,000
Winning from lottery	2,000
Winning received from horse races	56,000

Computation of income from other sources of Mr.Basu for PY-2018-19

A) Winning received from Sikkim lottery	100,000
Gross : $70,000 \times 100 / 100 - 30$	
Winning from horse Races	2,000
(less than Rs 5,000, No T D S)	
Winning from crossword puzzle	4,000
(less than Rs 10,000, No T D S)	
B) Income from other sources.	1,06,000
Winning from lottery	2,000
Winning received from horse Races	
Cross $56,000 \times 100 / 100 - 30$	80,000
Income from other sources.	82,000.

CAPITAL GAINS

Introduction:

As per section 45 any profit or gain arising from transfer of a capital asset effected in the previous year shall, save as otherwise provided in specified sections, be chargeable to income-tax under the head 'Capital Gains' and shall be deemed to be the income of the previous year in which the transfer took place.

BASIS OF CHARGES:

- a. Capital asset: Assessee should have a capital asset.
- b. Transfer of Capital asset: The capital asset held by the assessee should have been transferred.
- c. Transfer during the year : The transfer of capital asset should have taken place during the financial year.
- d. Profit or Gains on Transfer: The asset transfer should have resulted in the gain or profit.

- e. Exemption under specified sections: Such capital gains arising are not exempted under sections 54,54B,54D,54EC,54F,54Gand 54GA.

MEANING OF CAPITAL ASSET:

‘Capital Asset’ is defined to include property of any kind, whether fixed or circulating, movable Or immovable tangible or intangible. Except a few specified items, all other properties are capital assets.

KINDS OF CAPITAL ASSETS:

For ascertaining capital gains capital assets are classified into two categories, viz.,

1.Short-term capital assets and 2.Long term capital assets.

1. Short-term capital assets:

A Non financial Capital Asset held by an assessee for not more than 36 month immediately preceding the date of transfer is a short term capital assets. Is called Short-term capital assets

2. Long term capital assets.

An asset other than short term capital assets is considered as long –term capital assets. Any A Non financial Capital Assets held by an assessee for not more than 36 month immediately preceding the date of transfer is a short term capital assets. Is called Long term capital assets.

FINANCIAL ASSETS:

The following financial assets , are also short-term capital assets if they are not held for more than 12 months.

- a) Listed shares held in a company
- b) Listed debentures held in a company
- c) Units of unit trust of India
- d) Units of a Equity oriented mutual funds
- e) Any other securities listed in a stock exchange like government securities, bonds, derivatives .
- f) Zero coupon bonds

Transfer of Capital Assets : (sec ,2(47))

Transfer of Capital Assets, includes

- a) Sale , exchange or relinquishment of assets
- b) The extinguishment of any rights therein
- c) The compulsory acquisition thereof under any law
- d) Any transaction which has the effect of transferring ,or enabling the enjoyment of , any immovable property .

Different kinds of transfer of capital assets:

- a) Sale of capital assets
- b) Transfer to includes exchange
- c) Transfer includes relinquishment
- d) Redemption of preference share is treated as transfer
- e) Reduction of share capital being transfer
- f) Compulsory acquisition of an assets
- g) Assets brought in by partner as capital contribution
- h) Distribution of capital assets on dissolution
- i) Conversion of capital assets into stock in trade

PROCEDURE FOR COMPUTING CAPITAL GAINS:

Particular	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 and 54G,54GA	xxx	
Net short term capital gain		xxx