## Exercises explaining Income tax provision: Provisions relating to income from other sources:

**Tax treatment of Dividends:**

1. **Dividends delared or distributed by an Indian Company or by a mutual fund on its units or units of UTI are fully exempted.**
2. **Dividends from a foreign company & co-operative society are taxable.**
3. **Collection charges on exempted on exempted dividends & interest on loan borrowed for investment in share (Whose dividends are exempted) are not deductible.**

***Exercise:1***

Solution:

Computation of Income from other sources of Mr. Sreenivas P.Y.2018-19; AY: 2019-20.

|  |  |
| --- | --- |
| Particulars | Rs |
| Dividend Income:Dividend from X Ltd. a Foreign Company Dividend from Co-op. SocietyIncome from other sources | 40,000 3,00043,000 |

**Note:**1.**D**ividends received from an Indian company are exempted.

 2.Dividends received from a Foreign company and Co-operative society are taxable.

***Exercise: 2***

Computation of Income from other sources of Mr. Murugan for the P.Y.2018-19; AY: 2019-20.

|  |  |
| --- | --- |
| Particulars | Rs |
| Dividend Income:Dividend from a co-operative societyDividend from a Foreign company (Net)Income from other sources | 10,000 52,00062,000 |

Note:

1. Dividend from Indian companies & UIT are exempted.
2. Dividend from foreign companies & Dividend from a co-operative society are only taxable.
3. Dividend received from a foreign company is to be include ‘Net’ in the income as there is no provision in the act under which the deduction of foreign tax is deemed to be income received.

**II – Casual Incomes**

**Casual Income:**

1. Lottery winnings & winnings from cross word puzzle & card games are subject to TDS at 30% if the income exceeds Rs. 10,000
2. Race winnings are subject to TDS @ 30% if the income exceeds Rs. 5,000
3. No TDS on other race winnings, gambling & bettings.
4. Casual income is grossed up if net income or income received is given. Grossing up is not required if gross amount or amount won is given.
5. Gross amount is = Net amount × 100
 100 – Tax rate

***Exercise 3:***

Solution:

***Exercise 3:***

Computation of Income from Other sources of Shri. Venumadhav for the P.Y.2018-19; AY: 2019-20.

|  |  |
| --- | --- |
| Particulars | Rs |
| Winning from Lottery; Net amountGross: 49,000 × 100 100-30 Winning from card games Income from other sources  | 70,00016,00086,000 |

Note: (1) Grossing up is = Net Amount × 100
 100-30

1. Net Winning from lottery exceeding Rs. 10,000 race winnings exceeding Rs. 5,000 are to be grossed up @ 30%.

***Exercise 4:***

Solution:

 Computation of income from other sources of Mr. K for the previous year P.Y.2018-19; AY: 2019-20.

|  |  |
| --- | --- |
| Particulars | Rs |
| 1. Items in A:
2. Winnings from Sikkim lottery received

 1,05,000 × 100 100-30 1. Winning from horse race (Amount Won)
2. Winning from crossed puzzle

Income from other Sources1. Items in B:

(a) Winning from Lottery (Amount Won)(b) Winnings from horse race received  56,000 × 100 100-30 Income from other sources | 1,50,000 2,000 4,0001,56,000 2,00080,00082,000 |

Note: (1) Since the word “Received” is given grossing up is done.

 (2) No ‘TDS’ if lottery income does not exceed Rs. 10,000 & race winnings does not exceed Rs. 50,000.

***Exercise 5:***

Solution:

Computation of Income from other sources of P.Y.2018-19; AY: 2019-20.

|  |  |
| --- | --- |
| Particulars | Rs |
| Winning from horse raceWinning from lottery ticketsIncome from other sources | 10,00050,00060,000 |

Note: (1) Dividend from Indian companies is exempted.

 Dividend received is assumed to be from Indian companies.

 (2) Amount spends on lottery a ticket is to be ignored.

***Exercise 6:***

Solution: Computation of Income other sources of Mr. A for the P.Y.2018-19; AY: 2019-20.

|  |  |
| --- | --- |
| Particulars | Rs |
| Won Gold from Punjab State Lottery Prize money on horse races(-) Expenditure incurred on maintenance of their horseLoss on maintenance of horse (C/F)Income from other sources  |  10,00,000 1,00,000-1,60,000-60,000 -NIL- 60,000  |

Note: (1) Dividends from Indian companies are exempt.

 (2) Gold won from Punjab State Lottery is casual Income

 (3) Expenses on maintance of horse can be set off against stake only & not against other income.

***Exercise 7:***

Solution: Computation of Income from other sources of Mr. G Bedi for the P.Y.2018-19; AY: 2019-20.

|  |  |
| --- | --- |
| Particulars |  Rs |
| Stake money earned by horses at BombayStake money by horses @ BangaloreLess: Expenses: At Bombay 2,60,000 @ Bangalore 4,30,000Loss from maintance of horse C/F for 4years Betting horse races @ Bomaby - Received 56,000 × 100 100-30  Income from other sources | 1,20,000 5,00,0006,20,000-6,90,000 70,000 -Nil- 1,48,071 1,48,071 |

 Note: 1) Income on betting on races received is to be grossed up at 30%.

 Amount received is not after tax deduction hence grossing up is done.

 2) Expenses on race horse can be set off against stake money only.

***Exercise 8:***

Solution: Computation of income from other sources of Mr. John for the AY: 2018-19: PY: 2019-20

|  |  |
| --- | --- |
| Particulars |  Rs |
| Stake money earned by horses @ HyderabadStake money earned by horses @ BangaloreLess: Expenses: @ Hyderabad 4,00,000 @ Bangalore 2,50,000Loss from maintance of horses C/F for 4yearsBetting horse races @ Hyderabad – Received  2,20,000 × 100 100-30 Won a lottery Income under speculation business  Taxable Income | 2,40,0001,80,0004,20,000-6,50,000 -2,30,000 - Nil- 3,14,286 50,000 40,000  4,04,286 |

Note: 1) Since betting income is given as received it is net amount after TDS hence being grossed up @ 30%

 2) Expenses on race horses can be set off against stake money only & not against other income.

***Exercise 9:***

Solution: Computation of Mrs. Paul’s Family Pension – Taxable AY: 2018-19: PY: 2019-20

|  |  |
| --- | --- |
| Particulars |  Rs |
| Family Pension 2,000 × 12Less: Deduction:Standard Deduction:1/3rd of pension 24,000 × 1/3 8,000 OR OR  Limit Rs. 15,000Whichever is less Taxable Family Pension  | 24,000 8,000 16,000 16,000 |

Note: 1) Pension received by the spouse after the death of the other spouse is called as Family Pension & it is taxed under the head other sources.

 2) Family Pension is subject to standard deduction as least of Rs. 15,000 (or) 1/3 of the pension.

***Exercise 10:***

Solution: Computation of Taxable Income of Miss. C for the AY: 2018-19: PY: 2019-20

|  |  |
| --- | --- |
| Particulars |  Rs |
| Royalty on booksLess: Expenses for booksInterest on Post office Saving Bank – Exempted upto Rs. 3,500Cross word Puzzle prizes Taxable Income of Miss. c |  30,000 -5,000 25,000 -NIL- 2,500 27,500 |

Note: 1) Expenses on winning books is deducted from royalty income.

 2) Interest on Post office saving bank is exempted from tax upto Rs. 3,500.

***Exercise 11:***

Solution: Computation of Income from other sources of Mr. Tirumathi Rajamani for the AY: 2018-19: PY: 2019-20

|  |  |
| --- | --- |
| Particulars |  Rs |
| Director’s FeesIncome from BankIncome from undisclosed sourcesGround rent Income from other sources | 20,0006,00024,00060050,600 |

Note: 1) Dividend on shares from Indian company is exempted.

 2) It is assumed that dividend is from Indian companies.

***Exercise 12:***

Solution: Computation of Income from other sources of Mr. Arumgam for the AY: 2018-19: PY: 2019-20

|  |  |
| --- | --- |
| Particulars |  Rs |
| Interest on investment with a companyUniversity remuneration for working as an examinerRoyalty for writing booksLess: Expenses on writing booksFamily PensionLess: Standard deduction1/3rd of pension 48,000 × 1/3 = 16,000 Or Or Limit Whichever is Less 15,000 Income from other sources |  10,000 8,000  80,000-20,000 60,000  48,000 (-) 15,000 33,000 1,11,000 |

Note: 1) Dividend from domestic companies are exempted.

 2) Family Pension is subjected to standard deduction being least of Rs. 15,000 (or) 1/3 of pension.

III. Income from letting on Hire of Machinery, Furniture along with building Income from leasing out of Plant & Machinery along with Building & Furniture.

Rent received from leasing of Plant & Machinery along with Building

Less: Expenses \*\*\*

1. Depreciation of Building \*\*\*

 Depreciation of plant \*\*\*

2. Repairs of Building \*\*\*

 Repairs of Plant \*\*\*

3. Insurance of Building \*\*\*

 Insurance of Plan \*\*\*

4. Office expenses ------- \*\*\*

Income from leasing of Plant & Building \*\*\*

***Exercise 13:***

Solution: Computation of Income from other sources of Mr. Ragavan for the AY: 2018-19: PY: 2019-20

|  |  |
| --- | --- |
| Particulars |  Rs |
| Winning from lottery received 68,500 × 100 100-30Winning from card gamesInterest received on Govt. securitiesFamily PersonLess: Standard Deduction 1/3rd of Pension [24,600 × 1/3] 8,200 Or Limit Rs. 15,000  Whichever is less  Income from other sources |   97,857  25,000 14,000 24,600  -8,200  16,400 1,53,257  |

Note: 1) Dividend from Indian companies – Exempted from Tax.

 2) Winning from lottery received is not amount. Hence it is to be grossed up @

30% [68,500 × 100 / 100-30]

 3) Family Pension is subjected to standard Deduction as least of Rs. 15,000 or 1/3 of amount received.

***Exercise 14:***

Solution: Computation of Income from other sources for Mr. Sekar’s for the AY: 2018-19: PY: 2019-20

|  |  |
| --- | --- |
| Particulars |  Rs |
| Receipts from letting of Plant & MachineLess: Insurance premium in Plant & Machine DepreciationRepairs to Plant & Machinery Income from other sources | 10,000 -500 -1,000 -300 8,200 8,200 |

Note: 1) Dividend income is assumed to be Indian companies – not taxable.

 2) Expenses relating to tax free dividend are to be ignored.

***Exercise 15:***

Solution: Computation of Income from other sources for the AY: 2018-19: PY: 2019-20

|  |  |
| --- | --- |
| Particulars |  Rs |
| Rent from letting out of building with plant & Machinery 2500 × 12.Less: DepreciationInsurance on buildingDepreciation on Plant & MachineInsurance on Plant & MachineRepairs on building & plantOffice Expenses to buildingIncome from other sources |  3,00,000 4,0001,6005,000 5002,5001,500 -15,100  2,84,900  |

Note: 1) All the expenses are incidental to the income & are deductible from the income.

IV. Interest on Securities:

a) Interest on Gov. Securities is gross income (Grossing up is not required)

b) Interest on non Gov. Securities is of following types.

1. Tax free commercial securities: Income on these securities is always to be grossed up.
2. Other non Gov. Securities: Grossing up of interest on these securities is required if net interest or interest received is given.
3. Rate of Tax is 10% on listed securities & on unlisted securities.
4. Gross amount of interest is equal to = Net Amount × 100

 100- Tax rate.

***Exercise 16:***

Solution: Computation of Grossed up amount on Interest (Mr. Y) on Debentures – AY: 2018-19: PY: 2019-20

|  |  |
| --- | --- |
| Particulars |  Rs |
| Receipts Interest on debentures (listed) from X ltd. 4,590 × 100 100-10Income from other sources | 5,1005,100 |

Notes: 1) Net interest on debentures is to be grossed up at 10% Tax rate.

 2) Since Interest received is after TDS, it is grossed up.

***Exercise 17:***

Solution: Computation of Income from Other Sources.

|  |  |
| --- | --- |
| Particulars |  Rs |
| 10% tax free Commercial Securities  31,840 × 10 = 3,184 × 100 100 100-10Tax Free Public Ltd company (listed) – received Income from other sources |  3,537 6,286 × 100 6,984 100-10 10,521 |

Note: 1) Interest on Tax Free Commercial Securities & tax free Public Ltd Company Security is always grossed up.

***Exercise 18:***

Solution: Computation of Gross Amount.

|  |  |
| --- | --- |
| Particulars |  Rs |
| 9% tax free Commercial Securities (Unlisted) 2,00,000 × 9 = 18,000× 100 100 100-10Gross Interest - Taxable |  20,00020,000 |

Note: Interest on Tax free non-gov. securities (both listed & unlisted) is always grossed up at 10% rate of tax.

***Exercise 19:***

Solution: Computation of Mr. Ram’s Income from Interest for the AY: 2018-19: PY: 2019-20

|  |  |
| --- | --- |
| Particulars |  Rs |
| 10% Tax free debentures of a listed company 89,800 × 10 8,980 × 100 100 100-1012% Punjab Govt. Loan 1,00,000 × 12 100 Taxable Interest  |  -9,978 12,000 21,978 |

Note: 1) Interest on tax free debentures is always grossed up.

 2) Interest on Gov. Securities is always not grossed up.

***Exercise 20:***

Solution: Computation of Income from other sources of Mr. Kumar’s for the AY: 2018-19: PY: 2019-20

|  |  |
| --- | --- |
| Particulars |  Rs |
| 7% Gov. Securities [25,000 × 7/100]8% Agra Municipal Bonds [15,000 × 8/100]9% Foreign Gov. Securities [10,000 × 6/100]Income from other sources | 1,7501,200 600 3,550 |

Note: Interest on Post Office saving certificates is exempted from tax.

***Exercise 24:***

Solution: Computation of Income from other sources of Shri Rajan for the AY: 2018-19: PY: 2019-20

|  |  |
| --- | --- |
| Particulars |  Rs |
| 1) 10% Central Gov. Securities (Held from 1-4-2016 throughout the year) Full year interest 1,00,000 × 10/1002) 15% Debentures of a Ltd. Company [Held for both interest due dates] 2,00,000 × 15/1003) Interest on securities of a Paper Mill Co. (For Interest due on 31.7.2016, sold before 31.1.2017, the due date of interest, No interest on 31.1.2017) 1,50,00 × 12/100 × 6/124) 10% Securities of Z Ltd. (For interest due on 31.7.2016 – Received & sold before 31.1.2017, the due date of interest, No interest on 31.1.2017) 2,50,000 × 10/100 × 6/12 5) 10% Securities of XYZ Ltd. (For interest due on 31.7.2016 – not received because purchased on 1.12.2016, the due date of interest 31.1.2017 – Received 1, 25,000 × 10/100 × 6/12. Income from other sources | 10,00030,000 9,00012,500 6,250 67,750 |

Note: 1) It securities are held on both 31st July & 31st January, interest is taken for full year.

 2) If there are held on only one of these dates, interest is taken only for half year.

 3) If they are not held on any of the dates, interest is ‘Nil’.

***Exercise 26:***

Solution: Computation of Taxable Income of Mr. J for the AY: 2018-19: PY: 2019-20

|  |  |
| --- | --- |
| Particulars |  Rs |
| 6.5% Central Gov. Loan [Held for full Year, Full Interest] 10,000 × 6.5/1008% debentures (non-listed) of PQR Ltd. [Held for both the dates of interest] 40,000 × 8/100U.P Gov. Loan – Interest receivedBihar Gov. Loan – Interest receivedInterest Received on debenture of ABC Ltd 15,880 × 100/90Less: 2% Commission to bank for collection of interest [650× 2,880(3,200 – 10% tax) + 4,000 + 8,000 + 15,880] =31,410 × 2/100 Income from other sources |  650 3,200 4,000 8,000 17,644 33,494 -628 32,866 |

Note: 1) Interest on relief bonds is exempt from tax.

 2) There is no TDS on interest on Gov. Securities.

 3) Collection charges reduced @ 2% on net interest received Rs. 628: (31,410 × 2/100) = (650+2,880(3,200-10% on 3,200) + 4,000+8,000+15,800)

 4) For the purpose of collection charges the net amount in respect of interest on PQR Ltd. Securities is Rs. 2,880 (3,200-3,200 ×10/100) & ABC Ltd. Securities net interest received is Rs. 15,880.

 5) Rate of tax deduction in the case of PQR Ltd., & any ABC Securities is 10%.

***Exercise 27:***

Solution: Computation of Income from other sources of Mr. Srinivas for the AY: 2018-19: PY: 2019-20

|  |  |
| --- | --- |
| Particulars |  Rs |
| a) Director’s Fessb) Interest on Co-operative Bankc) Dividend from Foreign companyd) Winning from lottery – Received [27,760 × 100/70]e) Income from agriculture in Englandf) Honorarium for delivering lecturesg) Received compensation from Gov. for acquired his house property 80,000 (-)Less: 50% is deductible from Compensation 80,000 × 50/100 -40,000 Income from other sources | 13,000 2,000 6,000 39,657 78,000 1,200 40,0001,79,857 |

Note: 1) 50% is deductible from compensation received

 2) Dividends from foreign companies is taxable.

 3) Income from agricultural land outside India is taxable.

 4) Since the word winning received is given, it is taken as net amount.

Hence grossed up @ 30%.

***Exercise 28:***

Solution: Computation of Income from other sources of Mr. Chowdhary for the AY: 2018-19: PY: 2019-20

|  |  |
| --- | --- |
| Particulars |  Rs |
| i) Agricultural income from Sri Lankaii)Interest on POSB a/c [Exempt upto Rs. 3,500]iii) Interest on depositiv) Income from sub-lettingv) Dividend from foreign companyvi) Horse race income (net) 53,500 × 100/70 Income from other sources | 20,000 -Nil- 9,000 1,50015,00076,4281,21,928 |

Note: 1) Agricultural income from land situated outside India is taxable.

 2) Interest on POSB a/c is exempt upto Rs. 3,500

 3) Dividend from Foreign company is taxable.

 4) Net horse race income received is to be grossed up @ 30% tax rate.

***Exercise 29:***

Solution: Computation of Income from other sources of Thiu. Guna for the AY: 2018-19: PY: 2019-20

|  |  |
| --- | --- |
| Particulars |  Rs |
| i) Income from agricultural land – Burmaii) Income from agricultural Keralaiii) Interest on Fixed deposit Indian Bankiv) Interest on Post office S.B A/c 13,500Less: Exempt upto Rs. 3,500 -3,500v) Dividend from co-operative societyvi) Director’s feevii) Net winning from Manipur Cotton 4,20,000 × 100/70viii) Advance money forfeited duringnegotiation to sell a capital assetIncome from other sources | 3,60,000Exempt16,200 1,50010,00012,00054,0006,00,00060,000 11,12,200 |

Note: 1) Income from agricultural land outside India is taxable.

 2) Income from agricultural land within India is exempted.

 3) Interest on Post office saving bank is exempt upto Rs. 3,500.

 4) Dividends from co-operative societies is taxable.

 5) Net winnings from lottery is to be grossed up @ 30% tax rate.

***Exercise 30:***

Solution: Computation of Income from other sources of Mr. Mugundan for the AY: 2018-19: PY: 2019-20

|  |  |
| --- | --- |
| Particulars |  Rs |
| Income from letting of Building & MachineryLess: Expenditure: Depreciation on building Insurance on MachineryInterest on Bank depositDirector’s feesGround rentUndisclosed incomeLottery incomeAdvance money received & Forfeited duringnegotiation to sell Income from other sources | 17,000-4,000 -100 12,900 2,500 1,200 600 10,000  10,000 70,000  1,07,200 |

Note: 1) Dividend from Indian companies is exempted.

 2) Depreciation of building & insurance on Machinery is deducted from income received form letting of building & machinery.

 3) Undisclosed income is income from other sources.

***Exercise 32:***

Solution:

Computation of Income from other sources of Mr. Smith (as M.P) for AY: 2018-19: PY: 2019-20

|  |  |
| --- | --- |
| Particulars |  Rs |
| Agricultural income from land in Sri LankaDaily allowance as M.P.Salary as a M.P.Royalty from CoalmineLess: Collecting chargesSub-let rent received(1200 × 12)Less: (-) rent paid (sub-let portion)(1000 × 12) × ½)Dividends from co-operative societyLess: (-) Collecting chargesIncome from other sources |  15,000 Exempt 36,00020,000 -3,000 17,00014,400  6,000 8,400 5,000 -100 4,900 81,300  |

Note: 1) Salary received as M.P is income from other sources

 2) Salary received from a firm is income under the head salaries.

 3) Income from sub-letting of a house is income from other sources.

 4) Dividends from co-operative society is taxable

 5) Agricultural income from outside India is taxable

 6) Allowance received as an M.P. is exempted.

***Exercise 33:***

Solution: Computation of Income from other sources of Mr. Raman for the AY: 2018-19: PY: 2019-20

|  |  |
| --- | --- |
| Particulars |  Rs |
| Salary received as M.P.(500 × 12)Daily allowance10% Fixed deposit on Indian bank 10,000 × 10/100Dividend from Co-operative societyWon in cross-ward puzzles & horse racesLet out Machinery & Furniture & Building (5,000 × 12)Less: (-) Repairs of Machinery building.(-)Depreciation on Machinery building  Income from other sources |  6,000 Exempted  1,000  500 8,00060,000 -1,500-10,000 48,500 64,000 |

Note: 1) Allowances received by MP are exempted.

 2) Salary income of MP is Income from other sources.

 3) Dividends on Indian company shares are not taxable.

 4) Collection charges on dividend (exempted) are not allowed as deduction.

***Exercise 34:***

Solution: Computation of Income from other sources of Sri. Mukunda for the AY: 2018-19: PY: 2019-20

|  |  |
| --- | --- |
| Particulars |  Rs |
| Interest on deposit with SBI (Gross)Director’s feesGround RentIncome from undisclosed sourceIncome from lottery (gross)Income from agricultural -land in India -land in USAInterest on Bank deposits with UCO BankGift received from friend On 16.8.2016 On 30.1.2017[Exceeding In aggregate valve of Rs. 50,000]Chennai House property with stamp duty not exceeding Rs. 50,000 – ExemptMadurai house property stamp duty exceeding Rs. 50,000 – [without consideration] – is taxable  Income from other sources |  60,000  1,200 800 10,000 10,000 Exempt 1,00,000 5,000 27,000 29,00056,000 56,000 Exempt 5,00,000   7,43,000 |

Note: 1) Agricultural income from land situated in India – Exempted income.

 2) Gifts from relative are not taxable.

 3) Gifts from friends received are taxable if the amount exceeds Rs. 50,000 in aggregate.

 4) Dividends from Indian companies are exempted. Hence, collection charges on dividends & interest on capital are ignored.

 5) Immovable property received without consideration is taxable if the stamp duty valve exceeds Rs. 50,000.

 6) House property @ Chennai is not taxable as the value does not exceed Rs. 50,000, whereas Madurai property valve exceeds Rs. 50,000, taxable as income from other sources.

***Exercise 35:***

Solution: Computation of Income from other sources for the AY: 2018-19: PY: 2019-20

|  |  |
| --- | --- |
| Particulars |  Rs |
| Income from letting: Building & Furniture(-)Less: Expenses: Repairs DepreciationInterest & Dividend income: Interest on Gov. Securities – received Interest received from debentures of local authority 4,000 × 100 90Interest received from debentures of Abi ltd. (non – listed) 3,000 × 100 90Dividend from Indian companyInterest on 7yrs Post office NSC @ 7%Casual Income:Winning from lotteries (Net) 21,000 × 100/70 Income from other sources  | 12,500 -500 -1,000 11,000 5,000 4,444 3,333 Exempted Exempted 30,000  53,777 |

Note: 1) Dividend from Indian companies is exempt from tax.

 2) Interest received from Gov. Securities is not be grossed up.

 3) Interest received from debentures of local authority & Abi Ltd. is grossed up @10% Tax rate.

 4) Net winning from lottery is grossed up @ 30% tax rate.

 5) Interest on Post office NSC is example from Tax.