## 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. Society  Income from other sources | 40,000  3,000  43,000 |

**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 society Dividend from a Foreign company (Net)  Income from other sources | 10,000  52,000  62,000 |

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 amount  Gross: 49,000 × 100  100-30  Winning from card games  Income from other sources | 70,000  16,000  86,000 |

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 Sources   1. 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  4,000  1,56,000   2,000  80,000  82,000 |

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 race  Winning from lottery tickets  Income from other sources | 10,000  50,000  60,000 |

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 horse  Loss 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 Bombay Stake money by horses @ Bangalore  Less: Expenses: At Bombay 2,60,000  @ Bangalore 4,30,000  Loss 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  5,00,000  6,20,000  -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 @ Hyderabad Stake money earned by horses @ Bangalore  Less: Expenses: @ Hyderabad 4,00,000  @ Bangalore 2,50,000  Loss from maintance of horses C/F for 4years  Betting horse races @ Hyderabad – Received    2,20,000 × 100  100-30  Won a lottery  Income under speculation business    Taxable Income | 2,40,000  1,80,000  4,20,000  -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 × 12 Less: Deduction:  Standard Deduction:  1/3rd of pension 24,000 × 1/3 8,000  OR OR  Limit Rs. 15,000  Whichever 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 books  Less: Expenses for books  Interest on Post office Saving Bank – Exempted upto Rs. 3,500  Cross 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 Fees  Income from Bank  Income from undisclosed sources  Ground rent  Income from other sources | 20,000  6,000  24,000  600  50,600 |

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 company University remuneration for working as an examiner  Royalty for writing books  Less: Expenses on writing books Family Pension  Less: Standard deduction  1/3rd 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  100-30  Winning from card games  Interest received on Govt. securities  Family Person  Less: 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 & Machine  Less: Insurance premium in Plant & Machine  Depreciation  Repairs 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: Depreciation  Insurance on building  Depreciation on Plant & Machine  Insurance on Plant & Machine  Repairs on building & plant  Office Expenses to building  Income from other sources | 3,00,000  4,000  1,600  5,000  500  2,500  1,500 -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  100-10  Income from other sources | 5,100  5,100 |

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  100 100-10  Tax 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  100 100-10  Gross Interest - Taxable | 20,000  20,000 |

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  100 100-10  12% 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 | 1,750  1,200  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 × 10/100  2) 15% Debentures of a Ltd. Company  [Held for both interest due dates] 2,00,000 × 15/100  3) 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 × 6/12  4) 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 | 10,000  30,000  9,000  12,500  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 × 6.5/100  8% debentures (non-listed) of PQR Ltd.  [Held for both the dates of interest] 40,000 × 8/100  U.P Gov. Loan – Interest received  Bihar Gov. Loan – Interest received  Interest Received on debenture of ABC Ltd 15,880 × 100/90  Less: 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 Fess  b) Interest on Co-operative Bank  c) Dividend from Foreign company  d) Winning from lottery – Received [27,760 × 100/70]  e) Income from agriculture in England  f) Honorarium for delivering lectures  g) 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  40,000  1,79,857 |

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 Lanka  ii)Interest on POSB a/c [Exempt upto Rs. 3,500]  iii) Interest on deposit  iv) Income from sub-letting  v) Dividend from foreign company  vi) Horse race income (net) 53,500 × 100/70  Income from other sources | 20,000  -Nil-  9,000  1,500  15,000  76,428  1,21,928 |

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 – Burma  ii) Income from agricultural Kerala  iii) Interest on Fixed deposit Indian Bank  iv) Interest on Post office S.B A/c 13,500  Less: Exempt upto Rs. 3,500 -3,500  v) Dividend from co-operative society  vi) Director’s fee  vii) Net winning from Manipur Cotton  4,20,000 × 100/70  viii) Advance money forfeited during  negotiation to sell a capital asset  Income from other sources | 3,60,000  Exempt  16,200  1,500  10,000  12,000  54,000  6,00,000  60,000  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 & Machinery  Less: Expenditure:  Depreciation on building  Insurance on Machinery  Interest on Bank deposit  Director’s fees  Ground rent  Undisclosed income  Lottery income  Advance money received & Forfeited during negotiation 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 Lanka  Daily allowance as M.P.  Salary as a M.P.  Royalty from Coalmine  Less: Collecting charges  Sub-let rent received(1200 × 12)  Less: (-) rent paid (sub-let portion)  (1000 × 12) × ½)  Dividends from co-operative society  Less: (-) Collecting charges  Income from other sources | 15,000  Exempt  36,000  20,000  -3,000  17,000  14,400    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 allowance  10% Fixed deposit on Indian bank 10,000 × 10/100  Dividend from Co-operative society  Won in cross-ward puzzles & horse races  Let 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  8,000  60,000  -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 fees  Ground Rent  Income from undisclosed source  Income from lottery (gross)  Income from agricultural  -land in India  -land in USA  Interest on Bank deposits with UCO Bank  Gift 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 – Exempt  Madurai 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  29,000  56,000 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  Depreciation  Interest & Dividend income:  Interest on Gov. Securities – received  Interest received from debentures of local authority  4,000 × 100  90  Interest received from debentures of Abi ltd. (non – listed) 3,000 × 100  90  Dividend from Indian company  Interest 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.