1. **Tax treatment of Gifts received in the hands of Individual or HUF w.e.f. 1-10-2009 {Section 2(24) (xiv)} and {Section 56(2) (vii)}**

Types of Gift(s)

(A)

Gift of Money

Monetary gift)

(B)

Gift of property

B-I

Gift of Immovable property

B-II

Gift of property (specified) other than immovable property

(A) GIFT OF MONEY (MONETARY GIFT)

W.e.f. 1-10-2009, where any sum of money exceeding Rs. 50,000 in aggregate in any previous year is received by an individual or HUF without consideration from any person or persons, the whole of such sum of money shall be treated as income under the lead 'Other Sources' of the recipient.

Taxable Income = The whole of such sum of money

(B) GIFT OF PROPERTY

B-I (a) GIFT OF IMMOVABLE PROPERTY RECEIVED WITHOUT CONSIDERATION

W.e.f. 1-10-2009, where any immovable property is received by and individual or HUF from any person without consideration having stamp duty value exceeding Rs. 50,000, the stamp duty value of such movable property shall be an income under the head 'Other Sources'.

Taxable Income = The stamp duty value of such immovable property

B-I (b) GIFT OF IMMOVABLE PROPERTY RECEIVED FOR INADEQUATE CONSIDERATION BY AN INDIVIDUAL OR HUF {SECTION 56(vii) (w.e.f. A.Y. 2014-15)

Where any immovable property is received for consideration which is less than the stamp duty value of the property by an amount exceeding Rs. 50,000, the stamp duty value of such property as exceeds such consideration, would be charged to tax in the hands of individual or HUF as income from other sources.

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Taxable Income = Stamp duty value — Actual consideration

Important points: 1

1. immovable property refers to land or building or both (Extracts from the meaning of property).
2. Such immovable property does not constitute a capital asset in the hands of recipient individual or HUF, it would not be taxable in such a case, whether such receipt is without adequate consideration or for in adequate consideration.
3. The stamp duty value limit of Rs. 50,000 is applicable for each immovable property received.
4. Stamp duty value means the value adopted or assessed or assessable by any authority of the Central Government or a state government for the purpose of payment of stamp duty in respect of an immovable property.
5. If the assesse disputes the valuation made by the stamp duty authority, the Assessing Officer may refer the valuation to a valuation officer.

(B-11) GIFT OF PROPERTY (SPECIFIED) OTHER THAN IMMOVABLE PROPERTY

CASE I: WITHOUT CONSIDERATION.

Where any property or properties (specified) other than immovable property is received by an individual or HUF from any person without consideration, the aggregate fair market value of which exceeds Rs. 50,000, the whole of the aggregate fair market value of such property shall be taxable as income under the head 'Other Sources'.

Taxable Income = The whole of the aggregate F.M.V. of such property

CASE II: FOR INADEQUATE CONSIDERATION.

Where any property or properties (specified) other than immovable property is received by an individual or HUF from any person for a consideration which is less than the aggregate fair market value of such property by an amount exceeding Rs. 50,000, the excess of aggregate fair market value of such property over such consideration shall be taxable as income under the head other sources.

Taxable Income = The aggregate FMV of property — Actual consideration

Important points:

1. Property other than immovable property includes:

a. Shares and securities;
b. Jewellery;

c. Archaeological collections;
d. Drawings;
e. Paintings; Extracts from the meaning of property
f. Sculptures;
g. Any work of art, o
h. Bullion (w.e.f. 1-06-2010).
   Thus, movable property does not include motor car, furniture, household equipments, clothes etc.

2. Such property must be a capital asset (as defined in Section 2(14) in the hands of recipient. Thus, if the property does not constitute a capital asset in the hands of recipient individual or HUF, it would not be taxable in such a case, whether such receipt of property is without consideration or for inadequate consideration.

3. The aggregate amount of gift of above specified property/properties from one or more persons shall be considered.

4. The fair market value of property other than immovable property shall be determined as per rule 11 UA in the light of certain terms explained in Rule 1 1U.

Non —applicability of section 56(2)(vii) i.e., cases in which gift of money or of property (immovable or other specified property) shall not be taxable.

Any sum of money or property received:

a. From any relative; or
b. On the occasion of marriage of the individual; or c.
c. Under a will or by way of inheritance; or
d. In contemplation of death of the payer; or
e. From any local authority; or
f. From any fund or foundation, a university or other educational institutions or hospital or other medical institutions or any trust or institution in section 10(23C); or
g. From any trust or institution registered u/s 12AA.
h. By an H.U.F. from its members.

Members or Relatives: Relative means:

1. Spouse of the individual;
2. Brother or sister of the spouse of the individual;

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3. Brother or sister of either of the parents of the individuals;
4. Brother or sister of the individual;
5. Any lineal ascendant or descendant of the spouse of the individual;
6. Any lineal ascendant or descendant of the individual;
7. Spouse of the person referred to in clauses (2) to (6).

INCOME FALLING UNDER SECTION 56(2) (SPECIFIC INCOMES) — EXPLANATION

1. **DIVIDEND**
   Incomes from all dividends is specifically included in this head. The shares may be held as stock-in-trade but any dividend received during the period when they are held by the assese shall be exempted.

a. **Sub-clause (a) — Any distribution by a company of accumulated profit entailing release of company's assets.** This provisions relates to bonus shares. The two conditions which must be fulfilled for including a particular distribution of profits by a company as dividend are: (i) it must be out of accumulated profits, and (ii) it must entail the release of the assets of the company.
   The issue of bonus shares out of capitalised accumulated profits does not entail the release of any asset and as such the bonus shares are not dividend when they are issued to holders of equity or ordinary shares. But the position will be entirely different if the company, instead of issuing its own shares, purchases the shares of another company out of its accumulated profits and then issues them to its shareholders. In this case it will amount to release of assets, i.e., shares of another company, and as such the shareholders receiving such shares will have to pay tax on the value of such shares.
   Sometimes company offers two options — either to take bonus share or their cash value. If the shareholders opt for bonus shares they will not be liable to tax but if they opt for cash, the amount will be treated as dividend.
   When the redeemable preference shares are issued as bonus shares out of accumulated profits and they are paid off, the amount so received by an assesse will be treated as dividend under section 2(22), sub-clause (a).

b. **Sub —clause (b) — Any distribution, by a company of debentures, stock, deposit certificates and bonus shares to preference shareholders.** Under the provisions of this section, dividend includes any distribution by a company of debentures, or stock or deposit certificates to the extent to which the company possesses accumulated profit, whether capitalised or not. Any bonus shares distributed among the preference shareholders will amount to dividend but bonus shares issued to ordinary shareholders are not treated as dividend.

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c. **Sub- clause © - Any distribution made to the shareholders on the liquidation of the company.** Any distribution made by a company to its shareholders on its liquidation to the extent the company possessed accumulated profits before its liquidation shall amount to dividend. It is immaterial whether such accumulated profits are capitalised or not.

d. **Sub-clause (d) -Distribution on reduction of capital.** If, at any time it is felt that company is over capitalised and has accumulated profits, if the capital of such company is reduced by way of paying its share capital in excess of its needs.

   In such cases, any distribution made by a company to its shareholders on reduction of capital to the extent it possesses accumulated profits will amount of dividend and shall be treated under this head. It is not necessary to capitalize such accumulated profits.

e. **Sub- clause (e) - Any payment by a company to its shareholders**. If a company in which public are not substantially interested makes a payment of any the three kinds mentioned below, to a person who is the beneficial owner of shares (not being the shares entitled to fixed rate of dividend whether with or without a right to participate in profits) holding not less than 10% of the voting power or to a concern in which such shareholder is a member or a partner holding a substantial interest such a payment shall be considered as dividend.

WINNINGS FROM LOTTERIES, CROSSWORD PUXXLES, RACES INCLUDING HORSE RACES, ACRDS GAMES AND GAMES OF OTHER SORTS, OR FROM GAMBLING OR BETTING OF NAY FORM OR NATURE (SECTION 56(2) (IV)).

This point can be split up in following parts:

a. Winning from lotteries.
b. Winning from cross word puzzles.
c. Winning from races including horse races.
d. Winning from card games.
e. Winning from games of other sorts such as game shows or entertainment programmes on TV or other electronic media in which people compete to win prizes.
f. Winning from gambling and betting. No expenditure is allowed to be deducted out of these incomes.

Tax is deducted at source at prescribed rates out of following incomes:

a.	Winning from lotteries	If prizes exceeds Rs. 1 0,000
b.	Winning from crossword puzzles	If prizes exceeds Rs. 10,000

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c. Winning from card games — If prizes exceeds Rs. 10,000
d. Winning from T.V. game shows — If prizes exceeds Rs. 10,000
e. Winnings from horse races — If prizes exceeds Rs. 5,000
In case if winnings from other races, gambling, betting etc. — No TDS

Prescribed rates of TDS Rate of income tax 30%

Rate of income4 tax 30%

TAX FREE SECURITIES

A. **Tax free Commercial (Non-Govt.) Securities.** These securities are those are issued by a local authority, Statutory corporation or a company in the form of debentures or Bonds. The amount of interest actually received by holder is the net interest, i.e., after deduction of tax at source. Grossing up = Net Interest received x 1 00/(100-Rate of tax)

Gross up of interest

Gross interest = Net x 100/100 Rate of TDS.

DEDUCTIONS (SECTION 57)

1) **In case of Dividends and Interest on Securities.**

2) **Standard Deduction out of Family Pension {section 57 (iia)}**. In case if income in the nature of family pension, a deduction of a sum equal to 33 1/3% of such pension or Rs. 15,000 whichever is less, shall be allowed. Family pension means a regular monthly amount payable by employer to the legal heirs of deceased employee.

3) **Deduction regarding interest on compensation or enhanced** compensation. In case assesse has received any income of this type, a deduction of a sum equal to 50% of such income shall be allowed and no deduction shall be allowed under other clause of this section.

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