

TEST 8: INCOME FROM OTHER SOURCES

Illustration 1

X is a dealer in paintings. From the information given below, determine the income of X for the assessment year 2022 - 2023:

1. On April 30, 2020, he purchases 10 paintings of Raja Verma for Rs.9,00,000 (fair market value is, however, Rs.35,00,000). These paintings are purchased from an advocate (who is not a registered dealer under sales tax or VAT or GST). Up to March 31, 2022, these paintings are not sold. Apart from this transaction, his business of dealing in paintings has generated income of Rs.60,00,000 during the previous year ending March 31, 2022.
2. On June 30, 2021, he purchases jewellery from a person (other than registered dealer) for Rs.8,00,000 (fair market value is Rs.9,10,000). In December 2, 2021, the jewellery is transferred for Rs.9,50,00.
3. Minor son of X gets a gift of Rs.75,000 from his maternal uncle on his 9th birthday.
4. Minor daughter of X gets gift of Rs.60,000 from friends of X and Mrs. X on her 5th birthday.

Illustration 2

X is an advocate by profession. From the information given below, determine the income of X for the assessment year 2022 - 2023:

1. On April 30, 2021, he purchases 10 paintings of Raja Ravi Verma for Rs.9,00,000 (fair market value is, however, Rs.35,00,000). These paintings are purchased from an advocate (who is not a registered dealer under sales tax or VAT or GST). Up to March 31, 2022, these paintings are not sold.
2. Income of X from legal profession is Rs.60,00,000 during the previous year ending March 31, 2022.
3. On June 30, 2021, he purchases jewellery from a person (other than registered dealer) for Rs.8,00,000 (fair market value is Rs.9,10,000). In December 2, 2021, the jewellery from a person (other than registered dealer) for Rs.8,00,000 (fair market value is Rs.9,10,000). In December 2, 2021, the jewellery is transferred for Rs.9,50,000.
4. Minor son of X gets a gift of Rs.75,000 from his maternal uncle on his 9th birthday.
5. Minor daughter of X gets gift of Rs.60,000 from friends of X and Mrs. X on her 5th birthday.
6. On December 10, 2021, X purchases a Tagore painting from Jain Art Gallery, Cochin. Jain Art Gallery is a registered dealer under VAT or GST. The painting is purchased under invoice number 485 issued by Jain Art Gallery and the invoice price / purchase price is Rs.5,00,000. However, the same painting will not be available for less than Rs.7,50,000 from any other gallery.

7. On December 15, 2021, X purchases jewellery from Tanishq (a registered dealer under VAT or GST). Invoice price / purchase price is Rs.3,70,000. However, the same jewellery will not be available for less than Rs.4,40,000 from any other jewellery shop.

Illustration 3

X, a resident and ordinarily resident in India, gives the following particulars of his income and expenditure for the previous year ending March 31, 2022:

Rent of a house situated in Delhi Rs.4,00,000, rent from letting a building (in Bombay) along with plant and machinery (letting out of building cannot be separated from letting out of plant and machinery) Rs.9,00,000, depreciation of building in Bombay Rs.16,000, depreciation of building in Delhi Rs.9,000, repairs and insurance of building (in Bombay) and plant and machinery Rs.7,500.

Dividends on preference shares from an Indian company declared on August 3, 2021 Rs.40,000.

Loan from another Indian company which is deemed as dividend under section 2(22)(e) is given on April 3, 2021 (amount received Rs.10,80,000, tax deducted at source: Nil).

Royalty income Rs.8,20,000.

Winnings from camel races on September 25, 2021 (net amount received Rs.74,000, tax deducted at source Nil)

Interest on 6.5 per cent (Tax free) National Relief Bond Rs.1,70,000

Gift received on January 20, 2022 in foreign currency from a school friend Rs.50,000. Gift from another friend on March 31, 2022:

Rs.6,000.

Determine the income chargeable under the head "Income from other sources" for the assessment year 2022 - 2023.

Illustration 4

X, maintaining books of account on the basis of financial year, holds the following securities on April 1, 2021:

Rs.4,30,000 7% MP Government loan (date of payment of interest: July 15 every year)

Rs.3,80,000 11% debentures (non listed) of ABC Ltd. (date of payment of interest: June 30 every year)

Apart from the aforesaid securities, X invests in UP Government Loan, Central Government securities and (listed) debentures of PQR Ltd. and receives on December 1, 2021, Rs.36,000, Rs.90,000 and Rs.1,08,000 (net of tax deducted - rate of tax 10%), respectively, as interest. His business income is Rs.24,32,000. He pays Rs.6,000 as commission to his bank for collecting interest on securities. Determine the taxable income of X for the A.Y. 22-23.

Illustration 5

X holds the following securities on April 1, 2021:

Rs.8,00,000 8% non-listed debentures of ABC Ltd.; and
Rs.6,00,000 15% securities of the Punjab Government

Interest on both the cases is payable on October 31 every year. On September 1, 2021, X borrows Rs.7,00,000 at 9 per cent per annum and invests in purchasing Rs.7,00,000, 9.25 per cent securities of the UP Government (due dates of interest January 15 and July 15 every year). Interest which becomes due on January 15, 2022 is actually received by March 31, 2021. However, interest on borrowing for the period ending March 31, 2022 is still unpaid. His business income is Rs.29,64,000. Determine the taxable income of X for the assessment year 2022 - 2023 on the assumption that (a) he maintains books of account on mercantile basis, or (b) books of account are maintained on cash basis.