

Unit 1 services-classification-recent trends in services

Meaning of service: service is a type of economic activity that is intangible, is not stored and does not result in ownership. A service is consumed at the point of sale. Eg, transport, hotels, banking, insurances, education, transport, services of a doctor etc,

Service is a performance offered by one person to another. It is a type of economic activity that is intangible, is not stored and does not result in ownership. The service is consumed at the *point of sale*.

Definition: “there is no such thing as service industries. There are only industries where service components are greater or less than those of these industries”. By Levitt

A service is an activity or benefit that one party can offer to another which is essentially intangible and does not result in the ownership of any things. Its production may or may not be tied to a physical product”. By kotler m armstrig

Service management

Meaning : service here mean the invisible, perishable, intangible activity without which people cannot manage. “Management here indicates the process involved in service activities . it involves the application of management principles such as planning, organizing, staffing, and controlling are all applicable to any service activity”.

Service is a transaction in which the *non-physical goods* are transferred from the seller to the buyer. When we talk about service, people often refer to the processes and not physical products.

Service is an intangible part of the economy. It only exists while the provider is delivering it, and the customer is consuming it. There is no transfer the ownership when a company provides a service to clients. Also, it cannot transport or store service either. For example, watching a play at the theater is a service. You cannot carry or save this kind of service later.

The service has **five** essential characteristics as follows.

- **Intangibility:** people cannot touch or handle them. Service neither can be transported, manufactured.
- **No Inventory:** it is not possible to store the service for further use. Once the provider delivers the service, it vanishes irreversibly.
- **Inseparability:** there is no gap time between production and consumption of service. The provider provides the service at the time of use.
- **Inconsistency:** each delivery of a particular service is not the same as the previous or future one. Each one is unique, even if the same customer requests the same service.

- **Customer Involvement:** some kinds of service need both the consumer and provider of service to participate in. For example, it needs to have the presence of the customer and the hairdresser during a haircut.

What is the difference between service and goods?

The **principal difference** between goods and services is that goods are tangible, while service is mostly intangible.

Goods are objects or products which can be manufactured, stored, and transported. On the other hand, service is the output of an individual or collective action.

For example, a barber is delivering individual service. Airlines are giving the traveling service by airplane is a collective service, which is required the participation of many people and also the aircraft.

Besides the principal difference, we have other factors that can help differentiate between goods and services.

Not transfer of the ownership

When someone buys a service, it does not mean that the property is transferred to the end customer. For example, if you purchase an air ticket, you will receive the traveling service, and it will end when you arrive at the final destination. The airplane is not yours.

It is not the same as the characteristic of goods. When you buy a car, then the vehicle is yours. You can use it whenever you want.

Involvement of customer

It requires more participation of customers in service than in the product. If there is no customer's involvement, the service cannot be delivered.

For example, if in the automatic washing store, customers need to choose the machine or the Pizza self vending machine, customers need to decide the ingredients they want to put in.

Evaluation of the quality of services is tougher

As quality varies from time to time, the assessment of different services becomes tougher. Mass manufacturing of the product is conventional. It means that the product has uniformity. We have the standard evaluation criteria to assess the quality of products. However, services get a lot of manual labor involvement so that **the quality may vary each time**.

It also depends on the feeling of each customer. For example, you are satisfied with the hair cut of this barber, but it doesn't mean that they have an excellent service in your friend's eyes.

Inventories are absent

We cannot keep the service as inventory as the production and consumption happens at the same time. The production does not begin until there is a customer to consume the service. However, it does not mean the raw material is not present to provide the service.

For instance, in the restaurant, after ordering a dish, the raw material and the chef need to be available to prepare it. You will be served when they finish cooking.

No gap time between production and consumption

There is no gap time between the production and use of a service. You neither can store nor transfer services.

Time is a significant difference between goods and services. There should be no delay in providing the service. The food should be prepared as fast as possible, and the trains should run on time. The airplane needs to take off on time because time is essential.

How to classify service?How to classify service?

There are many types of factors that we can classify the service.

Classification based on the involvement of customers

Service for people

It requires to have customers be present at the place of delivery in order to experience the service. In this type of service, we can also separate into two kinds like the service is delivered by people to people such as health care, restaurants, and salons. Besides, some types of services are given by people for objects or goods like transportation.

Possession processing

The customer presence is not required, but his physical possession or property needs to be deposited for service. For example, if the customer has a mobile phone that needs to be repaired. They go to the store and leave it there and will come back to take it in some days. They do not need to be present during the repair.

Information processing

This type of service means that service processing occurs where information is being processed, and there is no other processing involved.

If a customer wants to deposit cash in someone else's account, after instructions are given, the process involves necessary information processing to ensure the transfer of money correctly. Only information is required.

Examples of information-processing services include insurance, banking, and consulting, programming, web development. With the rise of the internet nowadays, information processing is becoming big business.

Classification based on intangibility

Service directed at people's mind

This kind of service influences directly Services sold through influencing the creativity of humans are classified at people's minds. It can be education, theatres, and information service.

Service directed at customers' intangibility products

Insurance, legal assistance, and banking are some of the services which affect the intangibility assets of customers.

Classification based on tangibility

Tangible goods accompany with service

The offering consists of a physical product accompanied by one or more services. For example, besides selling a car, the store also offers repairs, maintenance, warranty fulfillment, and other services along with its cars.

Pure service

In this type of service, employers or employees provide service to contact directly with clients, such as in health care facilities or establishments and offer personalized services or bank service.

Classification based on skills of service providers

Professional services which require a high level of training and qualification like doctors, lawyers.

Non-professional services that do not require specialized training or skills such as a barber who does a haircut do not need to have a high level of training.

Classification based on the functionality of service

Depending on the functionality of service, we can separate into different types as follows:

- Business services
- Communication services
- Construction and related engineering
- Distribution
- Education

- Environment
- Financial services
- Health-related and social services
- Tourism and travel-related services
- Recreational, cultural and support services
- Transportation
- Other services

Why do we need Service Management?

- Organisations exist to serve their customers
- Organisations rely on information technology, increasingly
- Technology is getting more complicated and more of it is required to stay competitive
- Greater impact, greater visibility of failure
- Complex requirements result in complex systems / services which makes for complicated relationships between the business and IT



Service Management

3

refers to the entirety of activities – directed by policies, organized and structured in processes and supporting procedures – that are performed by an organization to plan, design, deliver, operate and control **services** offered to customers.

Growth in service sector

- Robust demand: India is the export hub for software services. The India IT outsourcing service market is expected to witness 6-8% growth b/w 2021-2024
- India's IT and business market projected to reach US \$ 19.93 billion by 2025

- Competitive-advantage :Services are technologically dynamic and can be traded internationally
- Policy support: the government is promoting necessary services and will charge zero tax for education and health services under GST regime
- In october 2021 the government announced a new helicopter policy to build dedicated hubs and corridors, the policy will boost helicopter service in the country
- Increasing investments- the indian services sector was the largest recipient of FCI inflows worth \$ 92.41 billion in dec 2021
- Private equity investments in india stood with us \$ 5.43 billion in 2021

Unit-2 SERVICES MARKETING

Meaning- differences b/w products and services- importance of services marketing- marketing mix for services 7ps in detail. managing demand and supply in service industry. Service delivery process: Role of customer in service delivery process- quality issues in services- GAP model, managing moments of truth.

Service marketing meaning

The promotion of economic activities offered by a business to its clients. Service marketing might include the process of selling telecommunications, health treatment, financial, hospitality, car rental, air travel, and professional services.

Service Marketing Definition

Marketing has been considered to be an integral business aspect for long. Service marketing is the endorsement of economic activities offered by a company to its consumers, it is considered to be a special sub set of marketing because it focuses on how rendering of services can affect both the customer attitude and the marketing strategy. Service marketing includes building public relations, advancing customer loyalty, developing quality of service, handling relationships and complaint management.

Difference b/w products and services

Customers do not obtain ownership: customer derive value without obtaining the ownership of any tangible elements except for goods the customer derive value from an activity or act eg hotel, health care etc.

Service products are not inventorable: the service products are perishable it depends on the demand if there is no demand then its unused capacity if the demand is more than capacity the customers are disappointed eg ,. Full rooms, non availability of air tickets etc.

Intangible elements dominate value creation: services include both tangible and intangible elements here intangible elements dominate more value so the marketers concentrate on the benefits from the services

Customers may be involve in the production process: in many service customers involve in service process eg cash withdrawal from ATM involves self services, some of the hotels have self services

Variability in operational inputs and output of services: in the production of products since the customer is present we can check the quality of the products but in service we since it's a direct contact of the customers we cannot check the quality immediate with the presence of customers.

Many services are difficult for customers to evaluate: in products the customers can evaluate the performance of the product but in some of the services like hospital, because of poor knowledge of the techniques used hence difficult to evaluate

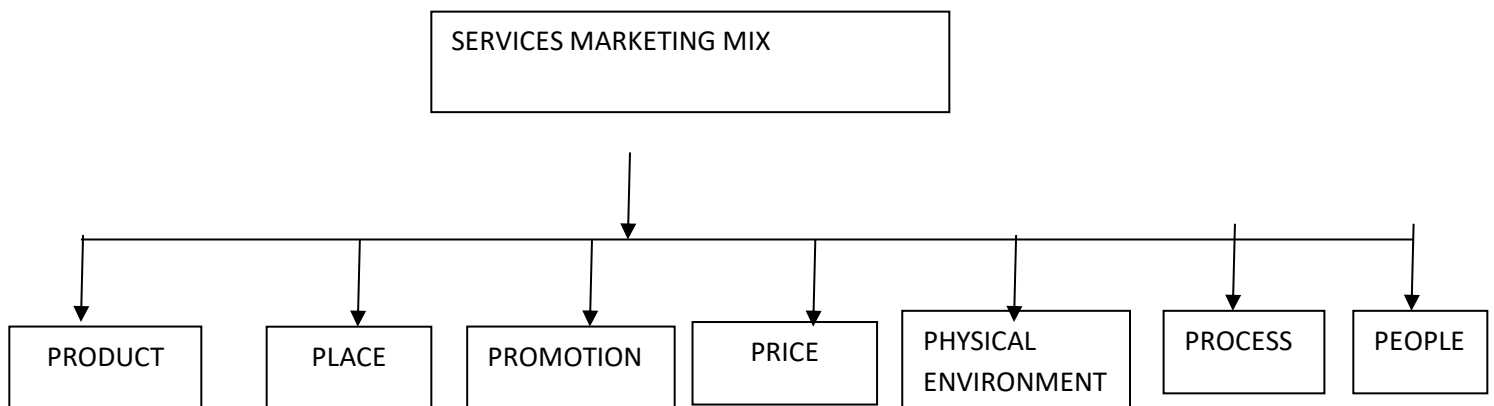
Time factor is relatively more important in services: service should be provided on time products can be bought at the time convenient but service should happen on time its important to attract new customers by providing good services

Service require different distribution channels: services require many distribution channels for providing the service some times a service firm may offer customer a choice of distribution channels ranging from visiting the bank in person to conducting home banking on the internet

Differences exist among services: standardization of services and maintaining quality of the service in terms of its price, speed and time is a difficult task for service marketers.

Information processing: the customer involvement in product will influence the appearance and features of both exterior and interior service facilities and service factory, moreover the service manager has to develop strategy to balance b/w the demand and supply.

SERVICE MARKETING MIX



- 1) **PRODUCT:** a service product is a mixture of both intangibles and tangibles offered by a marketer at a price.; the product decisions of a product may include the following three levels.
 - Core product that delivers the functional benefit
 - Supplementary product
 - Brand name and other distinctive features

The service providers sometimes need to explain and educate the consumers about the concept, the benefits and the operational aspects of buying the service. For example, Courier service was doubtful of delivering the service initially there was a lot of distrust as to whether they would deliver the documents at the destination.

- 2) **PLACE:** delivering service to the customers involves decisions on the place and time of delivery as well as on the methods and channels used. Delivery may involve physical activity,

many experts believe that location is the key to successful marketing of services. A customer is often pat the same place where the service is manufactured and delivered for eg: beauty saloo, hotel, or restaurant

3) **PROMOTION:** promotion of service marketing plays 3 roles

- Providing needed information and advice
- Persuading target customers of the merits of a specific product
- Encouraging them to take action at specific times.

Communication can be delivered by individuals like sales person or through the media like radio, TV and web sites. promotion is vital for any business more so for service providers. HAVE U OPENED YOUR ICICI BANK ACCOUNT is an example of this kind of advertising, the service provider should must keep his promotion plan in line with the positioning strategy to achieve his promotional objective.

4) **PRICE:** price of marketing is very crucial since it determines the revenue that a company's service will earn. Pricing has several components, and usually there are 3 major criteria COST, COMPETITION AND OBJECTIVES-STRATEGIC OR TACTICAL. Price component requires that wherever feasible, marketer should seek to minimize other outlays that customers are likely to incur in purchasing and using a service. Pricing is used differently in service , interest rate in banks, fees in education, consultancy, premium in insurance rent in property deals, fare for air or bus travel. In service industry price based segmentation is common like the cinema theatres, practice this with different price based segmentation.

5) **PHYSICAL ENVIRONMENT:**the appearanece of buildings landscaping, vehicles, interior furnishing , equipmens, social and technical staff etc are aall tangible evidence of a firm service quality. So the environment needs to be managed carefully. The physical environment includes both from the point of view of customers and employees . well desinged service scapes can attract customers, induce positive feelings in them, enhance credibility perceptions and generally increase satisfaction with the service experience.

6) **PROCESS:** a process method and sequence of actions in the service performance. Creating and delivering product to customers require the design and implementation of effective

processes badly designed or badly delivered product creates dissatisfaction in the customers poorly identified and sequenced actions will result in low productivity and product failure. For eg: if you go to a bank the process is enter the bank, collect the application form, submit at counter 2, wait till the application is processed, collect draft when called.

- 7) **PEOPLE:** many services depend on direct interaction b/w customers and a firm's employees the nature of these interactions such as getting a haircut, talking to a call center staff strongly influences the customer's perception of service quality. The most services are depending on people while making recruitments for service sector jobs special skills like, the ability to get along well with people, the ability to work in a team and the willingness to take responsibility beyond the call of duty when necessary becomes important. It is more important for a service employee to have a good attitude and a cheerful disposition than in other jobs because customer interactions in service industry are very high.

MANAGING DEMAND AND CAPACITY

Managing demand and capacity is a challenge

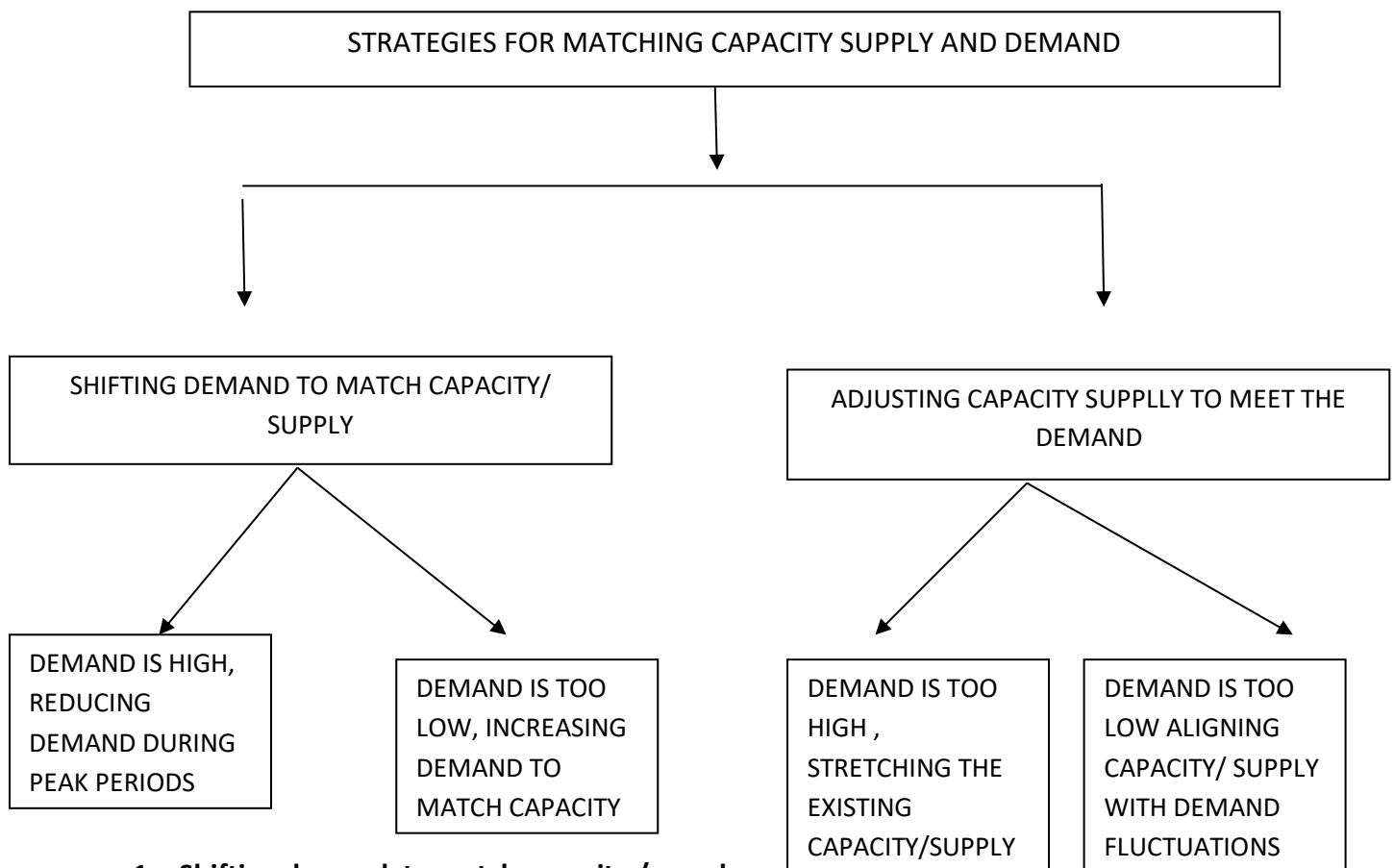
No buffer for service from demand can be created

Demand is volatile in nature which keeps on fluctuating during peak seasons, off seasons, weekends, and week days and also during the different times of the day itself. The goal of service firms is to ensure that supply and demand are balanced at optimum capacity and if demand is above capacity then quality may suffer

The fluctuations in demand could be due to various reasons, predictable or unpredictable like demand during the festive season, vacations, wedding seasons, sporting events, increase or decreasing in the level of tourism. The outcomes of fluctuating demand are:

- Excess demand: the demand exceeds the capacity making the customer switch to other services
- Excess capacity: low demand no customers and the firm's resources are being under-utilized. This leads to negative image of the firm

- Demand exceeding optimum capacity: optimum capacity means the firm is operating at 100 percent this is the maximum level it can operate at without having to turn the customer away. Here all the customers are served, but due to excess pressure on the resources there is overcrowding.
- Demand and supply are balanced at the level of optimum capacity. Here the supply is optimum which represents a balance between supply and demand. The firm is operating at a level where it enhances the customer's experience and at the same time is able to use the available resources effectively and efficiently for most of the firms.



1. Shifting demand to match capacity / supply

- a. Decreasing demand during peak demand periods the following strategies to be used
 - Communicating with the customers

- Offering incentives to customers for using the services during nonpeak times eg; fitness centre
 - Taking care of loyal or regular customers first
 - Advertising peak usage times and benefits of non peak hours to the customers through aggressive advertising with a wider reach and encouraging them to come and enjoy during non peak hours
- b. Stimulating demand during low demand periods
- Using sales and advertising aggressively to increase business from current market segments to newer markets by adopting a market penetration strategy
 - Modifying the service offering to appeal to new markets segments is another strategy where by the firms can customize their services to suit the taste and preferences of local place or culture.
 - Offering attractive discounts or price reductions to entice the price conscious customer
 - Modifying the hours of operation of the services to suit the time pressed working executives
 - Bringing the service to the customer door steps to save his time efforts and energy can be beneficial.

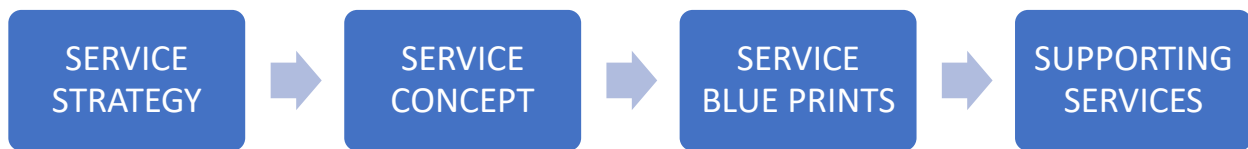
2. Adjusting to demand to meet supply :Strategies for adjusting capacity/ supply to match demand

- The firm can resort to stretching the existing capacity to meet the ever increasing demand.
- By aligning capacity/supply with demand fluctuation

SERVICE DESIGN

MEANING: service design is the activity of planning and organising people, infrastructure. Communication and material components of service in order to improve its quality and the interaction between service provider and customer

SERVICE DELIVERY SYSTEM: the service delivery system involves several activities as shown below.



1. **SERVICE STRATEGY:** the first step in designing a successful delivery process is to develop a specific service strategy by identifying and understanding the specific needs of the customer. Through thoughtful market research, the target market can be identified and its needs understood next the company should find out what the customers expect
2. **SERVICE CONCEPT:** the concept describes in detail exactly what the customers requirements are in terms of how they perceive value and how they are to be satisfied, identifying the specific needs of the target customers the company has to focus on how the service is delivered, know the customer direct experience with the service, the benefits that the customers perceive from receiving the service
3. **SERVICE BLUE PRINT:** a service blue print is an operational planning tool that provides guidance on how a service will be provided. Specifying the physical evidence, staff actions and support system / infrastructure needed to deliver the service across its different channels. It is the detail description of people, process and system involved in delivering a service. It is a picture or map that accurately portrays the service system.
4. **SERVICE PROCESS:** the service process includes all different elements in the service delivery system like technology, human resource, equipment facilities, marketing to become successful.

CUSTOMER'S ROLE IN SERVICE DELIVERY

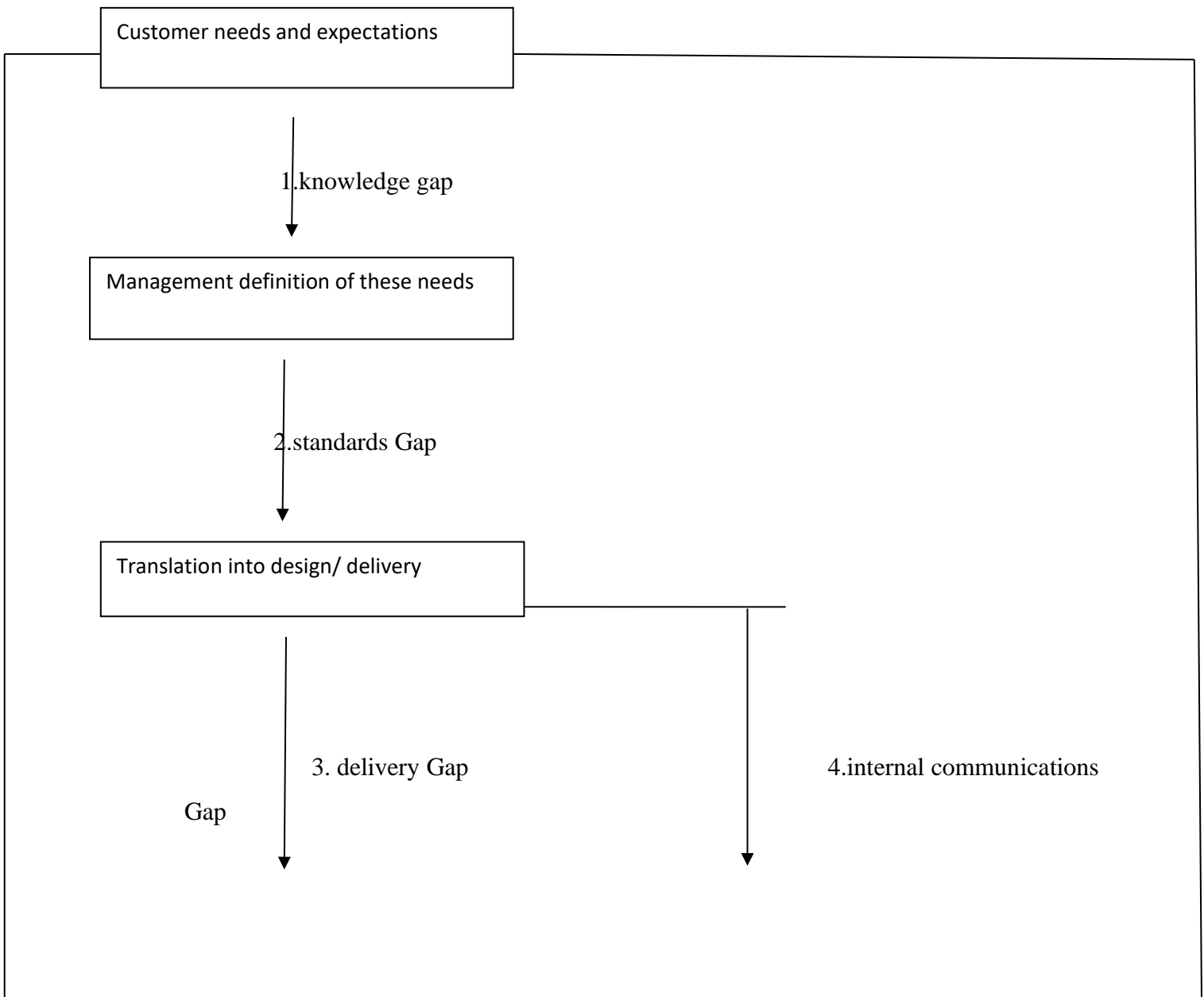
- Customers as productive resource

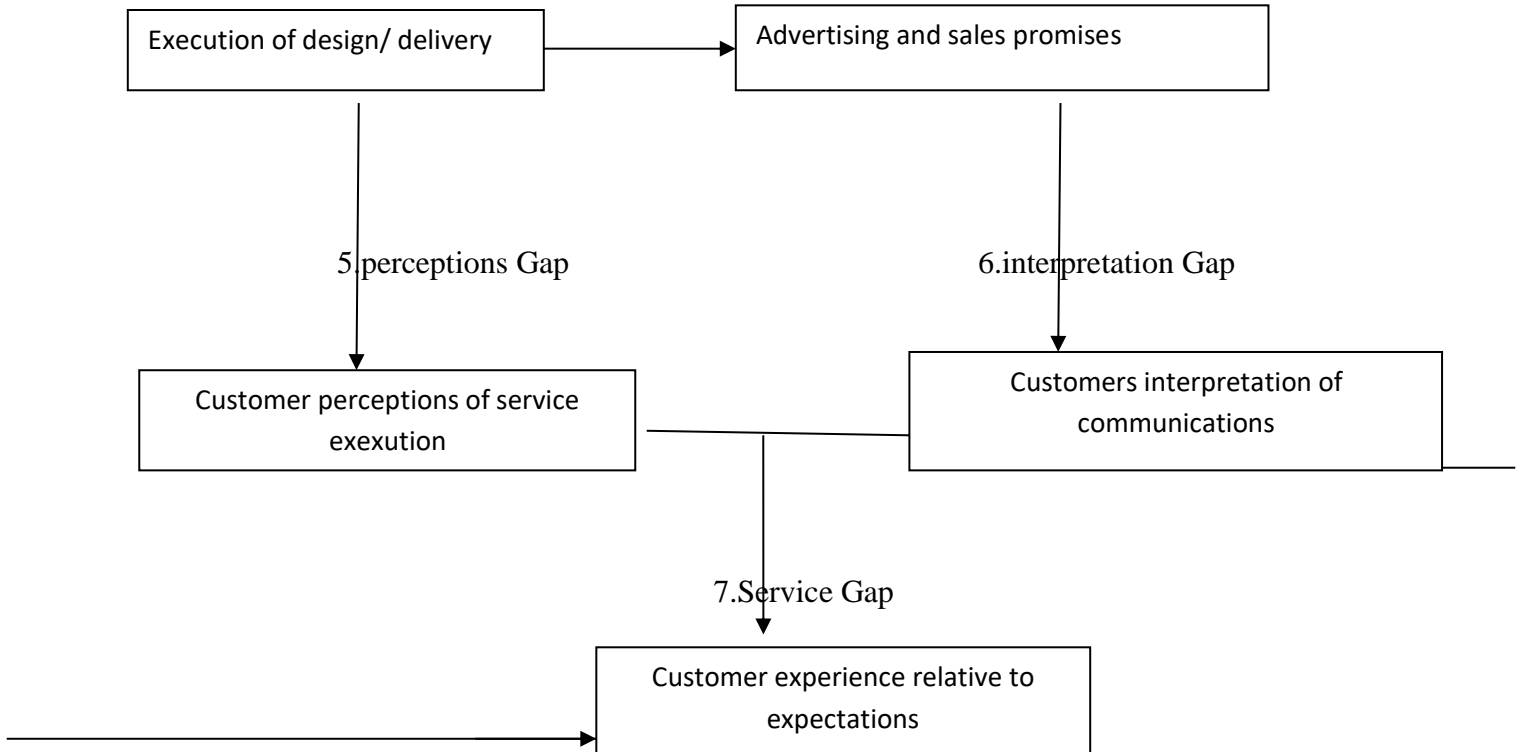
- Customers as quality resource
 - Customers as competitors
1. Customer as productive resource: customers are contributing their time, energy, expertise and exposure to better services or other resources to the service production processs they should be considered as a part of the organisation, the firm should be able to find the requirment, of the customers. Eg, beauty parlour services
 2. Customer as quality resource: customers plany an important role in deriving sattisfaction from the service delivery. They contribute to their own satisfaction and the ultimate quality of the service received through active participation and commitment only. The customers are worried about the productivity but on quality
 3. Customers as competitors: if the customer does all his work by themselves then he becomes the competitors for the organisation eg. Self cooking, self saloon and etc. If the customer has time he will not outsource or look for others to give service.

SERVICE QUALITY: service quality encompasses the following components like transcendent through personal approach, its product based, user based, manufacturing based such as, performance, features, conformance, durability, serviceability, esthetics, perceived quality, reliability,and service based like tangibles, reliability, responsiveness, assurance, empathy.

THE GAP MODEL A CONCEPTUAL TOOL TO IDENTIFY THE SERVICE QUALITY ISSUES BY THE CUSOMERS

THE GAP MODEL





1. **the knowledge gap:** its important to know for the firm to learn and identify what your customers expect from them the marketers shoul undertand customer expectation, improve communication b/w frontline staff and mangement. Turn information and insights into action

2. **the Standard gap:** again the firm needs to specify the service quality standards that reflect customers expectations, the company should set communicate and reinforce customer oriented serv ice, measure performance and provide regular feed back and reward the managers and employees.

3. **The Delivery Gap:** the firm needs to ensure that the service performance meets the standards set by the customer they should clarify employee roles, train employees priority setting and time management, eliminate role conflict among employees and develop good reward system

4. **The internal communication:** the firm needs to ensure that the internal communications promises are realistic, they should seek comments from frontline employees and operations personnel about proposed advertising campaigns, get sales staff to involve operations staff in meetings with customers. Ensure that communications sets realistic customer expectations.
5. **The perception Gap:** Again the firm has to educate the customers to see reality of service quality delivered, for this they should keep customers informed during service delivery and debrief after delivery, provide physical evidence as and when required.
6. **The interpretation Gap:** the firm should pretest communication or advertisements to make sure that the message intended to be conveyed is clear and unambiguous to the customers, they should present communication materials to a sample of customers in advance of publication

The service gap: finally to close the Gaps b/w gap 1 and Gap 6 to meet customer expectation consistently in order to survive in competitive demands and expectations of the customers.

INCOME TAX II

Illustration - 35 (TI from Profession, Lawyer) (BBM, Nov. -2003, 2012) (modified)

Following is the Receipts and Payments Account of Mr. Birol Shaha (resident) a lawyer: for the year ended 31-3-22.

Receipts	Amount	Payments	Amount
To Balance b/d	10,000	By Staff salaries	56,000
To Arbitration fees	2,40,000	By Professional books	18,000
To Legal counselling fees	30,000	By Subscription to Journals	2,000
To Loan from bank	25,000	By Refreshment charges	4,000
To Rent from property	45,000	By Rent of office	15,000
To Interest on bank FD	21,000	By Telephone charges	18,000
To Dividend from Tata Ltd.	8,000	By Printing charges	3,000
To Share of Income from HUF	1,00,000	By Electric charges	6,000
		By Purchase of car	2,50,000
		By Computer purchased	50,000
		By Car expenses	7,000
		By Contribution to PPF	10,000
		By NSC purchased	14,000
		By BAR association fees	2,000
		By Balance c/d	24,000
	4,79,000		4,79,000

Illustration - 36 (Taxable Income from Profession) (B.Com, May - 2018) (modified)

Shri Yativarya is a leading advocate at Bangalore. He keeps his books on cash basis and his summarized receipts and payments account for the year ended 31-3-2022 was given below:

Receipts and Payment Account for the year ended 31-3-2022

Receipts	₹	Payment	₹
To Balance b/d	8,000	By Car expenses	1,500
To Legal fee:		By Office expenses	20,000
2020-21	1,05,000	By Salary to attender	9,000
2021-22	20,000	By Subscription to law journal	500
2022-23	6,000	By Purchase of law books	12,000

To Free from consultancy work	18,000	By Donation to an approved Clg.	4,000
To Special commission fees	1,500	By Rent of chamber	
To Salary as part time lecturer in law	16,000	2022-23	2,000
To Examiner's fees from law university	600	2021-22	24,000
To Sales proceeds of furniture used in the profession	6,000	2020-21	3,000
To Director's fee form the company	200	By Electric lighting	2,500
To Dividend from Indian Co.	64,000	By LIC premium	1,000
To Remuneration from an article published in law journal	400	By Car purchased	74,000
To Maturity amount from LIC	48,000	By House hold expenses	5,000
To Gifts from clients	5,000	By Income appeal expenses	1,300
		By Purchase of land for office	1,30,000
		By Balance c/d	8,900
Total	2,98,700	Total	2,98,700

Notes:

- Rent and electric lighting were in respect of the building used for profession.
- 30% of the car expenses are in respect of office use.
- Car was purchased on 24-10-2021 and rate of depreciation is 15% p.a.
- Depreciation on law books is @ 40% p.a.

Calculate the taxable income from profession for the assessment year 2022-23. (Ignore Alternative Tax Regime under Section 115BAC)

Illustration - 37 (Taxable Income from Profession - Chartered Accountant) (B.Com, Nov. - 2003) (modified)

Mr. Chandan is a chartered accountant in Bengaluru. He has submitted the following income and expenditure account for the year.

Compute his income from profession. (Ignore Alternative Tax Regime)

Particulars	₹	Particulars	₹
Drawings	48,000	Audit fees	2,24,000
Office rent	42,000	Financial consultancy service	98,000
Telephone installation		Dividends from an	
Charges under OYT scheme	15,000	Indian Co. (gross)	3,000
Electricity bill	4,200	Dividend on units of UTI	4,000
Salary of staff	60,000	Accountancy works	24,000
Professional tax	6,000	Family pension	3,000
Charities	1,200		
Gifts given to relatives	9,600		
Car expenses	21,000		
Subscription for journals	2,500		
Institute fee	1,200		
Stipends to trainees	12,000		
Net income	1,33,300		
	3,56,000		3,56,000

- Notes:
- Depreciation of car during the year amounts ₹ 5,000.
 - 30% of the car is used for personal purposes.

INCOME TAX II

Illustration - 38 (Taxable Income from Profession-Chartered Accountant) (BBM, Dec. - 2010) (modified)

Mr. Rama Rao is a Chartered Accountant in Mysore. His Receipts and Payment Account for the P.Y. ending 31.03.22 is as follows:

Receipts	₹	Payments	₹
To Balance B/d	56,000	By Salary	1,00,000
To Dividend	64,000	By Rent	60,000
To Professional income	5,60,000	By Telephone charges	24,000
To House Rent	90,000	By Professional expenses	20,000
To Race course income (net)	24,000	By Motor Car expenses	48,000
To Lottery prize (net)	1,20,000	By Misc. expenses	30,000
		By Purchase of car (31.09.21)	1,80,000
		By Advance income tax	1,00,000
		By Personal expenses	1,80,000
		By Purchase of professional books	8,000
		By Electricity	4,000
		By LIC premium	16,000
		By Balance c/d	1,44,000
	9,14,000		9,14,000

Additional information:

- 1/3 of car expenses relates to personal use.
- Depreciation of motor car allowed is 15%.
- Rent includes ₹ 30,000 paid for residential accommodation.
- Misc. expenses include donation paid to a notified Temple ₹ 20,000.

Compute his professional income for the A.Y. 2022-23. (Ignore Alternative Tax Regime under Section 115BAC)

Illustration - 39 (Taxable Income from Profession-CA) (B.Com, May - 2016) (modified)

The following is the Receipt and Payment Account of Mr. Ramki a Chartered Accountant for the P.Y. ended on 31-3-2022.

	₹		₹
To Balance b/d	1,50,000	By Staff salary	3,00,000
To Audit fees	2,00,000	By Stipend to Audit Clerks	1,00,000
To Tax consultancy fees	2,50,000	By Office rent	90,000
To Project report fees	2,00,000	By Software development expenses	10,000
To Stipend to articled clerks	50,000	By Office expenses	1,25,000
To Accounting software charges	50,000	By Books: Annual	30,000
To Guest lectures in CA Institute	25,000	By Books: Non Annual	30,000
To Bank interest	20,000	By Car expenses	65,000
To Remuneration as member tax reforms commission	20,000	By CA institute membership fee	5,000
To Bonus and Commission from firm	5,000	By Contribution to PPF	50,000
		By Balance c/d	1,65,000
	9,70,000		9,70,000

Other Information:

- 1/4 car usage is personal use,
 - Depreciation on car ₹ 10,000,
 - Depreciation on office furniture ₹ 7,000.
- Compute income from profession taxable for the A.Y. 2022-23. (Ignore Alternative Tax Regime under Section 115BAC)

Illustration - 40 (Taxable Income from Profession and Gross Income-Doctor)

Dr. Vaikunta is a leading doctor who maintains his book of account on cash basis furnishes the following receipts and payments A/c for the financial year 2021-22. (Ignore Alternative Tax Regime)

Receipts and Payments Account for the year ending 31st March 2022

Receipts	₹	Payments	₹
Balance b/d	10,000	Salaries, General expenses	25,000
Professional fees	1,00,000	Magazine Subscription	3,000
Dividend from an Indian Co.,	9,000	Motor Car expense	20,000
Share from HUF	11,000	Purchase of scanning machine	50,000
Share of Profits from partnership firm	15,000	Income tax	5,000
		Professional tax	2,000
		House property expenses:	
		Taxes 6,000	
		Repairs 3,000	
		Interest on loan 9,000	18,000
		Balance c/d	22,000
	1,45,000		1,45,000

Compute his gross total income for the relevant assessment year 2022-23 after taking into account the following information:

- 30% of the car expenses are in respect of personal use.
- Depreciate scanning machine @ 15% it was purchased on 10th Dec. 2021.
- He stays in his house; One-third of the house is used as his clinic. The gross annual value of the whole house is ₹ 24,000.

Illustration - 41 (Taxable Income from Profession-Doctor) (B.Com, April-2004) (modified)

Mr. Sick is a registered medical practitioner. He keeps his book on cash basis and his summarized cash account for the year ended 31st March 2022 is as follows:

Particulars	₹	Particulars	₹
Balance b/d	5,850	Cost of medicines	12,000
Loan from Bank	10,000	General expenses	450
Sale of medicines	26,500	Motor car expenses	6,000
Consultation fees	16,000	Salaries	1,200
Visiting fees	3,000	Rent of dispensary	2,400
Interest on Govt. securities	3,600	Telephone expenses	500
Rent from house property	8,000	Personal expenses	1,600
Gift from father-in-law	5,000	Life insurance premium	2,500
Gift from patients	2,000	Interest on loan from Bank	200
		Insurance premium:	
		Car 700	
		House property 500	1200
		Local taxes	800
		Travelling expenses (personal)	1,000
		Charity	100
		Balance c/d	50,000
	79,950		79,950

Other information:

- Half of the motor car expenses, are in respect of his personal use.
- Consultation fees include a receipt of ₹ 6,000 as advance for attending a medical camp in April 2021.
- The written down value of Motor Car on 1-4-2021 was ₹ 12,720. Rate of depreciation 15%.
- Loan from Bank @ 2% interest. Compute taxable income from profession for the assessment year 2022-23. (Ignore Alternative Tax Regime under Section 115BAC)

INCOME TAX II

Illustration - 42 (Taxable Income from Profession-Doctor) (BBM, Nov. - 2007, 2011) (B.Com, May - 2015) (modified)

The following is the Receipts and Payments Account of a Medical practitioner Dr. Hariprasad for the year ended 31-3-2022.

Receipts and Payments Account for the year ended 31-3-2022

Receipts	₹	Payments	₹
To Balance b/d	1,20,000	By Clinic rent	25,000
To Visiting fees	80,000	By Staff salaries	80,000
To Consultation fees	65,000	By Rent and taxes	25,000
To Sale of medicine	45,000	By Electricity & water charges	14,000
To Operation theatre rent	25,000	By Purchase of medical books (annual publication)	14,000
To Interest	25,000	By Purchases of surgical equipments	40,000
		By Motor car expenses	10,000
		By Medical association members fees	5,000
		By Audit fees	20,000
		By Staff welfare expenses	12,000
		By Diwali expenses	6,000
		By Entertainment expenses	12,000
		By Medicines purchased	30,000
		By Balance c/d	67,000
	3,60,000		3,60,000

Additional Information:

- Gift from patient ₹ 4,000 was given to him by a patient not included in the account.
- 1/4 of Motor car expenses relate to personal use.
- The rate of depreciation on surgical equipments is 15%.
- Interest received is on Bank deposits.
- Audit fee include income tax appeal expenses of ₹ 10,000. Compute his taxable income from profession for the assessment year 2022-23. (Ignore Alternative Tax Regime)

Illustration - 43 (Taxable Income from Profession) (B.Com, June - 2010) (modified)

Dr. Punitha submits the following particulars, calculate the income from professional for the Assessment Year 2022-23. (Ignore Alternative Tax Regime under Section 115BAC)

Particulars	₹	Particulars	₹
To Opening balance b/d	25,000	By Salary to staff	36,000
To Consultation fees	75,000	By Purchase of medicines	18,000
To Visiting fees	62,500	By Professional books	10,000
To Agricultural income	40,000	By Purchase of car	2,40,000
To Interest on Bank deposits	10,000	By Car expenses	20,000
To Gift from patients	15,000	By Computer purchased	50,000
To Rent from house property	48,000	By Personal expenses	45,000
To Loan from Bank for profession	1,50,000	By Income tax	15,000
To Operation charges	90,000	By LIC premium	10,000
To Sale of medicines	32,500	By Repayment of loan	35,000
		By Municipal tax on house property	5,000
		By Interest on loan	7,500
		By Closing balance (c/d)	56,500
	5,48,000		5,48,000

Additional Information:

- 25% of car expenses relate to personal use.
- Rate of depreciation on professional books 40%, car 15% and computer 40%.
- A cash gift of ₹ 2,500 received from a patient was not recorded in the books.

Illustration - 44 (BBM, Nov. - 2009) (B.Com, Sep. - 2020) (modified)

Dr. Sharma is a renowned medical practitioner. He furnishes his receipts and payments account for the financial year 2021-22. (Ignore Alternative Tax Regime under Section 115BAC)

Receipts and Payments Account

To Balance b/d	35,000	By Rent of Clinic	
To Consultation fee		2020-21	16,000
2020-21	50,000	2021-22	14,800
2021-22	70,000	2022-23	16,600
2022-23	12,000	By Electricity & Water	12,000
To Visiting fees	30,000	By Purchase of Professional Books	18,000
To Loan from bank for professional purposes	1,75,000	By Household expenses	17,800
To Sale of medicines	70,000	By Municipal taxes paid on property	2,000
To GST on medicine	3,000	By Sales tax on medicine	2,800
To Gift from patient	50,000	By Purchase of motor car	1,45,000
To Remuneration from articles published in professional magazine	16,000	By Fire Insurance on property	2,000
To Rent from house property	11,000	By Surgical equipment	37,000
To Interest on post office National Savings Certificate	7,000	By Advance Income tax	13,000
		By Salary to nurse	12,000
		By Entertainment expenses	6,000
		By Purchase X-ray machine	94,500
		By Expenses of income tax proceedings	15,000
		By Life Insurance premium	15,000
		By Gift to wife	5,000
		By Interest on loan	2,000
		By Loan a/c - instalment paid	15,000
		By Donation to political party	500
		By Car expenses	15,000
		By Purchases of medicines	35,000
		By Balance c/d	17,000
	5,29,000		5,29,000

Compute Dr. Sharma professional income for the assessment year 2022-23 with the help of the following additional information. a) One third of car expenses is for personal use. b) Depn. on motor car received for setting the QP.

Illustration - 45 (Taxable Income from Profession - Doctor) (B.Com, June - 2008) (modified)

From the following Income and Expenditure Account and additional information of Dr. Darshanik Patel, who maintains books of accounts under mercantile system of accounting. (Ignore Alternative Tax Regime under Section 115BAC)

Compute taxable income from profession for the Assessment Year 2022-23.

Expenditure	₹	Income	₹
Rent of clinic		Consultation fee:	
2020-21	1,000	2020-21	5,500
2021-22	20,000	2021-22	85,000

INCOME TAX II

2. Ms. Devaki is a Chartered Accountant in Bangalore. Her income and Expenditure A/c for the year 2021-22 is as follows. Compute Income from profession for the A.Y. 2022-23.

Expenditure	₹	Income	₹
To Office rent	30,000	By Audit fees	3,00,000
To Staff salaries	55,000	By Financial consultancy service	60,000
To Charities	5,000	By Interest on deposits in a Bank	22,000
To Gift to relatives	6,000	By Dividends from UTI	6,000
To Drawings	16,000		
To Car expenses (1/2 personal)	24,000		
To Net Income	2,52,000		
	3,88,000		3,88,000

3. Mr. Vakil has the following receipts and payments for the year ended 31-03-2021. Compute his Professional Income:

Receipts	₹	Payments	₹
Consultation fee	2,00,000	Office rent	1,20,000
Drafting charges	1,50,000	Salary to juniors and staff	84,000
Dividend received	60,000	Car expenses (25% personal)	40,000
Lectures in law institutes as guest faculty	20,000	Books (annual)	10,000
Gift from clients	30,000	Contribution to PPF	15,000

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Income Tax - II

11. Mrs. Rao, a physician and resident of Chennai submits the following receipts and payments account for the year ending 31-3-2021.

Receipts	₹	Payments	₹
To Balance b/d	70,000	By Rent of clinic 2019-19	80,000
To Consultation fees 2019-19	25,000	2020-20	1,20,000
2020-20	2,50,000	By Surgical Equipments	1,00,000
2021-21	30,000	By Computers	50,000
To Visiting fees	80,000	By Interest on loan (profession)	12,000
To Winning from lottery (gross)	50,000	By Professional books Purchased (annual publication)	15,000
To Interest on post-office saving A/c	30,000	By Purchase of Car	1,50,000
		By House hold Expenses	20,000
To Gift from patients	40,000	By Income tax	5,000
To Share from HUF	20,000	By Life Insurance premium	18,000
To Sale of Medicine	90,000	By Gift to mother	12,000
To Loan from Bank	1,50,000	By Car Expenses	30,000
		By Lottery ticket	25,000
		By Staff salary	1,20,000
		By Balance C/d	78,000
	8,35,000		8,35,000

Additional Information:

- 1) WDV of car on 31-3-2021 was ₹ 1,00,000. On which 15% depreciation to be charged. Car is 60% for profession and 40% for private purpose.
- 2) Visiting fee due but not received for 2021-22 is ₹ 18,000.
- 3) Consultation fees due but not received for 2021-22 is ₹ 8,000.
- 4) Surgical equipments and computers were purchased and put to use on 10-9-20.

Determine Taxable Income from profession for Assessment year 2022-23.

8. The following is the Receipt and Payment Account of Mr. Ramki a Chartered Accountant for the P.Y. ended on 31-3-2021.

	₹		₹
To Balance b/d	1,50,000	By Staff salary	3,00,000
To Audit fee	2,00,000	By Stipend to Audit Clerks	1,00,000
To Tax consultancy fee	2,50,000	By Office rent	90,000
To Project report fee	2,50,000	By Software development expenses	10,000
To Accounting software charges	50,000	By Office expenses	1,25,000
To Guest lectures in CA Institute	25,000	By Books: Annual	30,000
To Bank interest	25,000	Non Annual	30,000
To Remuneration as member tax reforms commission	20,000	By Car expenses	65,000
		By CA institute membership fee	5,000
		By Contribution to PPF	50,000
		By Balance c/d	1,65,000
	9,70,000		9,70,000

Other Information:

- a) ¼ car usage is personal.
- b) Depn. On car ₹ 10,000
- c) Depn. On office furniture ₹ 7,000

Compute income from profession taxable for the A.Y. 2022-23.

INCOME TAX II

8. Dr. Rekha is a registered medical practitioner. She provides her receipts and Payments Account for the year ended 31st March 2021.

	₹		₹
To Balance b/d	1,30,000	By Salaries	66,000
To Visiting fees	1,40,000	By Clinic rent	96,000
To Consultation fees	4,76,000	By Motor car expenses	70,000
To Spl. Medical camp remuneration	50,000	By Driver's salary	60,000
To Rent from H.P.	1,20,000	By Medical books	30,000
To Gifts	60,000	By Motor car purchased	5,00,000
To Dividend from Sun pharma Ltd.	11,600	By House hold expenses	92,000
To Interest on debentures of Tata power Ltd.	18,800	By Telephone	29,000
		By Travelling	20,000
		By Surgical equipment	33,000
		By Balance c/d	10,400
	10,06,400		10,06,400

Additional information:

- 1) Remuneration received for special medical cam was donated to an orphanage.
- 2) 30% of motor car usage, 20% of travelling exps. and 25% of telephone bills relate to personal use.
- 3) Allow depn. As per IT rules.
- 4) 50% of gifts are from patients.
- 5) Medical books.

Compute taxable professional income for the A.Y. 2022-23.

Income from Other Sources

It is the last head of income where in any income which is chargeable to tax but does not find place under the first four heads of income will be assessed to tax under the head income from other sources

The following are the incomes taxable under this head under section 56

1. Dividend
2. Interest on securities
3. Bank interest on fixed deposits
4. Casual income
5. Income from family pension
6. Composite rent
7. Income from subletting
8. Rental income from machinery plant or furniture
9. Gifts
10. Insurance commission
11. Deemed income
12. Mining rent royalties ground rent
13. Withdrawal from National savings scheme
14. Agriculture Income from a place outside India
15. Directors fees or commission
16. Salaries received by member of parliament MLA MLC
17. Rent from land
18. Examination fees received by a teacher (not from the employer)
19. Remuneration received for writing short stories or poems
20. Honorarium for checking answer booklets
21. Interest on employee's contribution to URPF
22. Income from undisclosed source
23. Tips received by taxi drivers
24. All types of casual income
25. Dividend from cooperative society or foreign company
26. Any sum received under keyman insurance policy
27. Gift exceeding 50,000

Allowable deductions under section 57

- In case of dividend and interest on securities any bank charges collection charges commission to a banker for realising such dividend and interest
- Interest on loan taken for the purpose of purchasing the shares and securities
- Depreciation, repairs, insurance on building machinery plant furniture etc.
- Family Pension: Rs.15000/- or 1/3 of Actual Amount received, whichever is less, is exempt.

1. Dividend

The following dividend received are exempted from tax

- Dividend are interior of dividend received from domestic or Indian company
- Dividend received from UTI or any mutual fund units of India

The following Dividend received are taxable

- Deemed dividend under section 2 (22) (e) from Indian company
- Dividend from a foreign company
- Dividend received from a cooperative society.

2. Agriculture Income

Agriculture Income is exempted from tax under section 10(34) if the land is situated in India on the other hand Agriculture Income from a place outside India is taxable

3. Gift received

Gift received is taxable except in the below mentioned

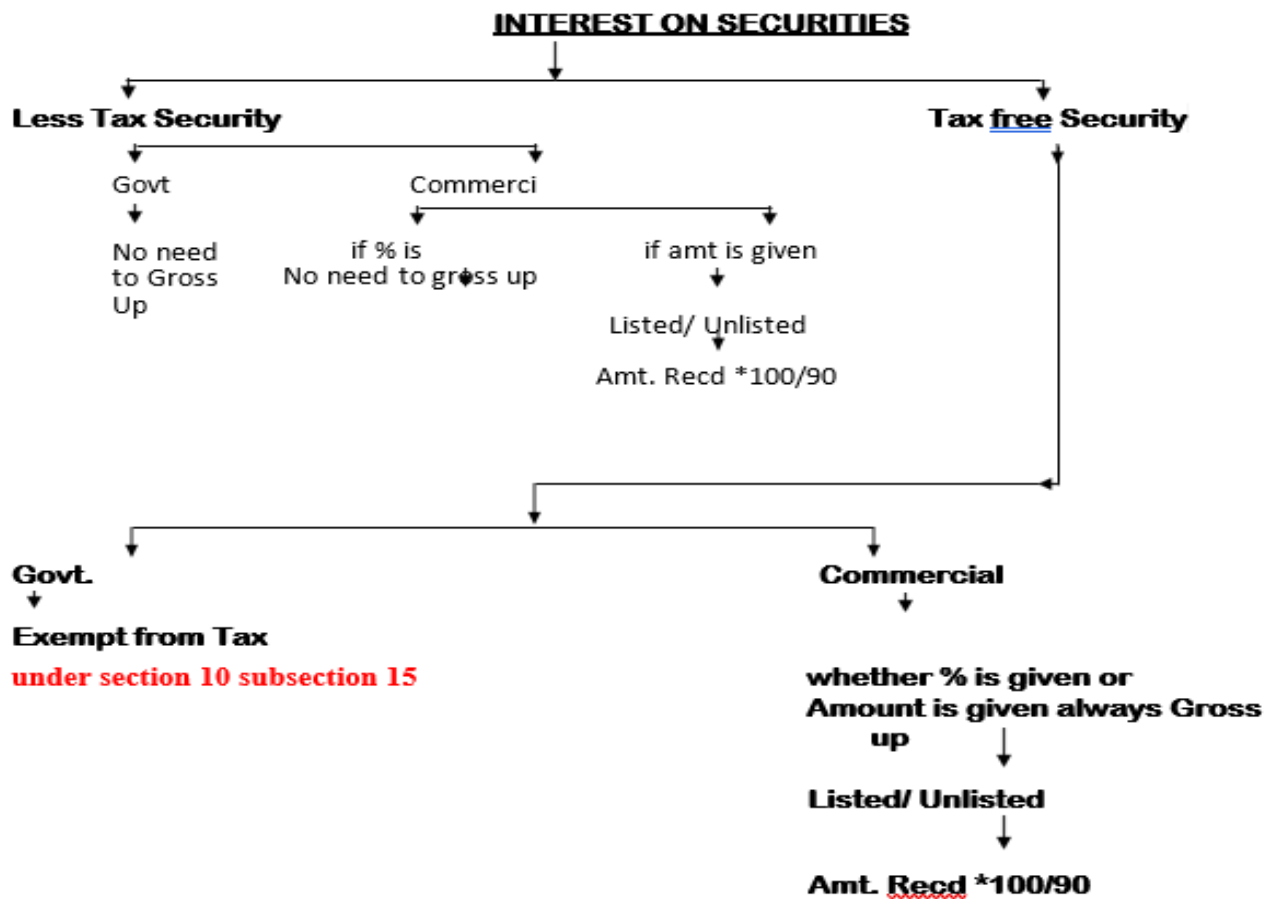
- a. If it is less than 50000
- b. Received by relative
- c. At the time of marriage
- d. By will

4. Casual income

- a. If Winning from lottery, crossword puzzles, TV game shows is less than **Rs.10,000/-** then there will be no TDS. Hence no need to gross up

- b. If Income from Horse Race is less than Rs.5,000/- then there will be no TDS Hence no need to gross up.
- c. Further in case of winning from other races gambling and betting Card games etc., tax is not deducted at source.
- d. No expenditure is allowed to be deducted out of these incomes.

5. Interest on Securities



Interest on government securities exempted from tax under section 10 subsection 15

1. 12 years National Saving Annuity Certificates
2. National defence gold bonds 1980
3. Special bearer bonds 1991
4. Treasury savings deposit certificate 12 years
5. post office National Savings Certificates 12 years or 7 years
6. Post office CTD
7. Special deposit schemes 1981

8. post office saving bank interest is exempted only to the extent of rupees **3000** in case of an individual account and rupees **7000** in case of joint account
9. Interest on 7 percentage capital investment bonds
10. Interest on notified relief bonds
11. Interest on notified bonds or debentures of a public sector company
12. Interest on gold deposit bonds issued under gold deposit scheme 1999
13. Interest on notified bonds issued by local authority or state pooled finance entity
14. Interest on Gold monetisation scheme

No TDS is made for the following

1. Interest on less tax government securities
2. 4.25 percentage of National defence bonds
3. National development bonds
4. 8th issue National savings certificates
5. Debentures issued by the cooperative society
6. 6.5 % gold bonds, 1977 or 7 % gold bonds, 1980
7. Interest paid to an individual in account payee cheque for an amount not exceeding rupees 5,000 by listed companies in which public are substantially interested
8. Interest on foreign government securities is not grossed up has no tax is deducted at source in India on such income
9. Post office monthly income accounts
10. Post office time deposits
11. Post office recurring deposits
12. Indira Vikas Patra and Kisan Vikas Patra

Problem 01:

01. Mr. Suryaputra has the following investments for the year ending 31st March 2019

- Rupees 20,000 units of UTI (income received rupees 4,000)
- Rupees 80,000 in post office saving bank account which earns interest at 5 % per annum
- Rupees 72000, 10% **tax free** debentures of Mysore municipal corporation
- 14 % Karnataka State electricity board bonds rupees 30,000
- Rupees 50,000 fixed deposits with Canara Bank Mysore @ 8 % per annum

Compute the income from other source of Sri Suryaputra from the investments for the assessment year 2019-20 (May 2018)

Solution**Computation of Income from Other sources**

Particulars	Amount
01 Income from Units of UTI (Dividend received from UTI or any mutual fund units of India is Exempted)	Exempted
02 Interest on post office saving bank account (80,000X5%= Rs 4,000) Exempted U/S 10(15) up to 3,500	5,00
04 Interest on tax free debenture of Mysore municipal corporation (72,000X10%)	
05 7,200X100/90 (Int Chart)	8,000
Interest on Karnataka State electricity board bonds (30,000 X 14%) (Int Chart)	4,200
Rupees 50,000 fixed deposits with Canara Bank Mysore @ 8 % per annum (50,000 X 8%) (Int Chart)	4,000
Taxable Income from other source	16,700

Problem 02:

From the following receipts and payments of Mr X (resident) compute his taxable income under the head income from other source

1. Winnings from Madhya Pradesh State lottery rupees 28000
2. Winning from horse race rupees 1000
3. Winning from Rajasthan state lottery rupees 3000
4. Winning from horse race 49000
5. Winnings from crossword puzzle rupees 2500

6. Gift received from a friend in London rupees 100000
7. Winning from card games rupees 2500
8. Purchase of lottery tickets rupees 3000 and payment for betting's in horse race rupees 6000
9. Winning from camel race rupees 30000

Solution

Computation of Income from Other Source

Particulars	Amount
1. Winnings from Madhya Pradesh State lottery rupees 28000 (28,000/70X100)	40,000
2. Winning from horse race rupees 1000 (less than 5,000 so no grossing up)	1,000
3. Winning from Rajasthan state lottery rupees 3000 (less than 10,000 so no grossing up)	3,000
4. Winning from horse race 49000 (49.000X100/70)	70,000
5. Winnings from crossword puzzle rupees 2500 (less than 10,000 so no grossing up)	2,500
6. Gift received from a friend in London rupees 1,00,000	1,00,000
7. Winning from card games rupees 2500 (not subject to TDS so no grossing)	2,500
8. Winning from camel race rupees 30,000 (not subject to TDS so no grossing)	30,000
Income from other sources	2,49,000

Problem 03:

Following income are received by Mr X resident during the previous year 2018-19. **Compute taxable income from the head other source. (May 2017)**

- Directors fees rupees 10,000
- Interest from post office saving bank account rupees 500
- Dividend received from cooperative society rupees 9,000
- Interest on securities rupees 10,000
- Royalty from books written rupees 25,000 {expenses incurred for this purpose rupees 2,500}

Solution**Computation of Income from Other sources**

Particulars	Amount
01 Directors fees rupees 10,000	10,000
02 Interest from post office saving bank account rupees 500 Exempted U/S 10(15) up to 3,500	Exempted
03 Dividend received from cooperative society rupees 9,000	9,000
04 Interest on securities rupees 10,000 (10,000X90/100)	11,111
05 Royalty from books written rupees 25,000 {expenses incurred for this purpose rupees 2,500} (25,000-2500)	22,500
Taxable Income from other source	52,611

Problem 04:

Mr Prashant is a **MLA** he was given the following particulars of his income for the financial year 2018-19.

- Salary from Government of Karnataka rupees 55,000 per month
- Daily allowances for attending session rupees 70,000
- Interest on fixed deposits with Canara Bank of India (gross) rupees 77,000
- Rent from house property in Bangalore rupees 20,000 per month
- Dividend from Maruti Suzuki Ltd. rupees 6,000
- Income from letting on hire plant and machinery rupees 24,000 per month
- Dividend from Sirsi cooperative society rupees 4,800.

Compute income from other source

Solution**Computation of Income from Other sources**

Particulars	Amount
01 Salary from Government of Karnataka rupees 55,000 per month (55,000X12= 6,60,000)	6,60,000
02 Daily allowances for attending session rupees 70,000 (only salary)	Not taxed
03 Interest on fixed deposits with Canara Bank of India (gross) rupees 77,000	77,000
04 Rent from house property in Bangalore rupees 20,000 per month (taxed in HP)	Not taxed
05 Dividend from Maruti Suzuki Ltd. rupees 6,000 (exempted)	Exempted
06 Income from letting on hire plant and machinery rupees 24,000 per month (24,000X12= 2,88,000)	2,88,000
07 Dividend from Sirsi cooperative society e rupees 4,800.	4,800
Taxable Income from other source	10,29,800

Problem 05:

From the following information **compute income from other source** of Smt. Kavya for the assessment year 2019-20

- Winnings from lottery (net) 1,40,000
- Interest on fixed deposits rupees 14,500
- Interest on securities of X limited (net) rupees 27,000
- Interim dividend from TT company limited rupees 10,000
- Income from agriculture land in Sri Lanka rupees 15,000
- Winning from horse race (net) rupees 70,000
- Received from royalty rupees 50,000.

Solution**Computation of Income from Other sources**

Particulars	Amount
01 Winnings from lottery (net) 1,40,000 = $1,40,000 \times 100/70 = 2,00,000$	2,00,000
02 Interest on fixed deposits rupees 14,500	14,500
03 Interest on securities of X limited (net) rupees 27,000 = $27,000 \times 100/90 = 30,000$	30,000
04 Interim dividend from TT company limited rupees 10,000	Exempted
05 Income from agriculture land in Sri Lanka rupees 15,000 (land is outside India)	15,000
06 Winning from horse race (net) rupees 70,000 = $70,000 \times 100/70 = 1,00,000$	1,00,000
07 Received from royalty rupees 50,000 = 50,000	50,000
Taxable Income from other source	4,09,500

Problem 06:

From the following information of Mr Pranesh **compute income from other sources for the assessment year 2019-20**

- Royalty from textbooks rupees 3,20,000 (expenses incurred in earning royalty income rupees 20,000)
- Director sitting fees received from x company rupees 35,000
- He is residing in a rented house on a rent of rupees 40,000 per month he sublets 40 percentage of House to a sub tenant on rent of rupees 30,000 per month. He has incurred the following expenses on the entire property
 - Municipal tax rupees 12000

- insurance rupees 10000
- repeats rupees 15000
- Rent from letting of building along with machinery rupees 60000 per month he claims the following expenses depreciation rupees 45000 repairs rupees 32500
- Income from agriculture in Rajasthan rupees 3,50,000
- Insurance commission received rupees 90,000 (net) and expenses incurred in earning insurance commission rupees 15,500
- Winners from Karnataka State lottery rupees 4,00,000 (gross)
- Interest on Bank deposit received rupees 90,000 (net)
- Share from HUF RS 1,50,000

Solution

Computation of Income from Other Source

Assessee: Mr Pranesh Status: Resident	Previous Year:2018-19 Assessment Year:2019-20	
Particulars	Amount	Amount
Royalty from textbooks	3,20,000	
Less: Expenses	20,000	3,00,000
Director sitting fees		35,000
Income from sub letting the house		
Rent from subletting (30,000X12)		
Less: Expenses on House Property for 40%	3,60,000	
Municipal Tax (12,000X40)	4,800	
Insurance (10,000X40%)	4,000	
Repairs (15,000X40%)	6,000	
Rent Paid to owner (40,000X12X40%)	1,92,000	
	2,06,800	1,53,200
Rent from letting of building along with machinery (60,000X12)		
Less: Expenses	7,20,000	
Depreciation & Repairs (45,000+32,500)	77,500	6,42,500
Income from agriculture in Rajasthan rupees 3,50,000		Exempted
Insurance commission received rupees (90,000X100/90)	1,00,000	
Less: Expenses	15,500	84,500
Winners from Karnataka State lottery		4,00,000
Interest on Bank deposit (90,000X100/90)		1,00,000
Share from HUF		Exempted
Income from other source		17,15,200

Problem 07:

Mr X has held the following investments and incomes during the financial year 2018-19

1. Rupees 2,00,000, 8 percentage state government securities
2. Rupees 5,00,000, 10 % tax free commercial securities
3. 4 lacs 12 % commercial securities
4. Rupees 10,000 (gross) received as interest on public limited companies' securities
5. Rupees 7,200 interest received on debentures of ABC limited listed
6. Rupees 9,000 interest received on securities of XYZ limited unlisted
7. Rupees 5000 dividend received from Indian company
8. Rupees 4000 interest received from the units of UTI
9. Rupees 2,10,000 (net) lottery income from Kerala state lottery

Bank charged rupees 5000 as a collection charge. **Compute his income from other source for the assessment year 2019-20**

Solution**Computation of Income from Other Source**

Assessee: Mr X Status: Resident	Previous Year:2018-19 Assessment Year:2019-20
Particulars	Amount
1. Rupees 2,00,000, 8 percentage state government securities $(2,00,000 \times 8\%)$	16,000
2. Rupees 5,00,000, 10 % tax free commercial securities $5,00,000 \times 10\% = 50,000 \times 100/90$	55,556
3. 4,00,000, 12 % commercial securities $(4,00,000 \times 12\%)$	48,000
4. Rupees 10,000 (gross) received as interest on public limited companies' securities	10,000
5. Rupees 7,200 interest received on debentures of ABC limited listed $(7,200 \times 100/90)$	8,000
6. Rupees 9,000 interest received on securities of XYZ limited unlisted $(9,000 \times 100/90)$	10,000
7. Rupees 5000 dividend received from Indian company	Exempted
8. Rupees 4000 interest received from the units of UTI	Exempted
9. Rupees 2,10,000 (net) lottery income from Kerala state lottery $(2,10,000 \times 100/70)$	3,00,000
	4,42,556
Less: Bank charges	5,000
Taxable Income from other sour sources	4,37,556

Problem 08

Following are the income details of MRS Roshini Gupta, a resident. **Compute her income from other source for the assessment year 2019-20**

1. She gave management consultancy Service to entrepreneurs during the year and received rupees 55,000 from client she that claims she spent rupees 5,000 on related travelling
2. Income from agriculture in Sri Lanka rupees 20,000
3. Dividend from UTI rupees 5,000
4. Interest on post office saving bank account rupees 1000
5. **She holds the following investments**
 - a. Rupees 1,00,000, 9 percentage tax free commercial securities (non listed)
 - b. Rs. 30,000, 7 percentage debentures of Canara Mills limited
 - c. Rupees 72000, 10 % tax free debentures of LIC of India unlisted
6. She lives in a rented house and pays rent of rupees 6000 per month. She has sub-let one third portion of the house on rent of rupees 3,000 per month taken up the responsibility of paying municipal taxes of rupees 2500 on the whole house and also repeats of the whole house amounting to rupees 6000

Solution

Computation of Income from Other Source

Assessee: Mr X Status: Resident	Previous Year:2018-19 Assessment Year:2019-20	
Particulars	Amount	Amount
1. Management consultancy Service	55,000	
Less: Travelling Expenses	5,000	50,000
2. Income from agriculture in Sri Lanka		20,000
3. Dividend from UTI		Exempted
4. Interest on post office saving bank account		Exempted
5. Interest on tax free commercial securities (non listed) (1,00,000X9%) 9,000X100/90		10,000
6. 7 percentage debentures of Canara Mills limited (30,000X7%)		2,100
7. 10 % tax free debentures of LIC of India unlisted (72,000X10%) 7,200X100/90		8,000
8. Income from sub letting the house (3,000X12)	36,000	
Less: Municipal Tax (1500X1/3)	500	
Less: Repairs (6,000X1/3)	2,000	
Less: Rent paid (6,000X12) 72,000X1/3	24,000	26,500
		9,500
Taxable Income from other sour sources		99,600

Problem 09

Information about the assessee

1. Composite rent of building along with machinery rupees 2,50,000. The following are the expenses on machinery Depreciation rupees 8000 & Repeats rupees 4000.
2. He earned a royalty of rupees 40,000 and the expenses to earn this income rupees 3,000
3. Salary as MP rupees 35,000
4. Income from Bank fixed deposits rupees 45,000 (Gross)
5. He earned dividend from foreign companies grossing rupees 65,000 of which 15000 was deducted as a TDS in the country and the balance was received in India
6. Winnings from horse race rupees 210000 net
7. Remuneration as examiner from University rupees 48000 and incidental expenses rupees 6000 of which 50 percentage of expenses were reimbursed by the University
8. Unexplained income rupees 10,000
9. He has taken a house on rent for rupees 21000 per month he has sub let out one third of the ho use at rupees 15000 per month and the expenses relating to the entire house incurred by him municipal tax 15,000 repeats 6000

Compute the income from other source for the assessment year 2019-20

Solution**Computation of Income from Other Source**

Assessee:	Previous Year:2018-19	
Status: Resident	Assessment Year:2019-20	
Particulars	Amount	Amount
1. Composite rent of building along with machinery	2,50,000	
Less: Expenses Depreciation rupees 8000 & Repeats rupees 4000	12,000	2,38,000
2. Royalty	40,000	
Less Expenses	3,000	37,000
3. Salary as MP		35,000
4. Income from Bank fixed deposits rupees		45,000
5. dividend from foreign companies	65,000	
TDS in the foreign country	15,000	80,000

6. Winnings from horse race (2,10,000X100/70)			3,00,000
7. Remuneration as examiner from University		48,000	
Less: Expenses 50% of 6000		3,000	45,000
8. Unexplained income			10,000
9. Income from subletting rent received (15,000X12)		1,80,000	
Less Expenses municipal tax 15,000X1/3	5,000		
repeats 6000X1/3	2,000		
rent paid 21,000X12X1/3	84,000	91,000	89,000
Taxable Income from other sour sources			8,49,000

Problem 10

Mr. Rama narayana submit the following particulars of his income from other source for the year ending 31st March 2019

- Royalty from books written rupees 40,000. (expenses incurred for this purpose Rs.4,000)
- Interest on fixed deposits in a bank rupees 30000 (gross)
- Family pension from Government of Karnataka annually rupees 48000
- Winnings from horse race rupees 70000 (net)
- Rent from subletting of house rupees 3000 per month, rent paid to owner rupees 2,000 per month and repair expenses Rs 400.
- Cash worth rupees 90000 was found in his private locker. The source of which could not be explained by him
- Winning from lottery (net) rupees 140000 (purchase of lottery rupees 150)
- Remuneration from articles published in a magazine rupees 4000

Compute his income from other source for Assessment year 2019-20.

Solution**Computation of Income from Other Source**

Assessee: Mr. Rama narayana	Previous Year:2018-19	
Status: Resident	Assessment Year:2019-20	
Particulars	Amount	Amount
1. Royalty from books written	40,000	
Less Expenses	4,000	36,000

2. Interest on fixed deposits in a bank			30,000
3. Family pension from Government of Karnataka		48,000	
Less: Rs.15,000 or (1/3 of 48,000=16,000) Which ever is less		15,000	33,000
4. Winnings from horse race (70,000X100/70)			1,00,000
5. Rent from subletting (3,000X12= 36,000)		36,000	
Less: Repair	400		
Rent paid to owner (2,000X12)	24,000	24,400	11,600
6. Income from undisclosed source			90,000
7. Winning from lottery (1,40,000X100/70)			2,00,000
8. Remuneration from articles published in a magazine			4,000
Taxable Income from other sour sources			5,04,600

Note no 1: No expenditure is allowed to be deducted in casual incomes

Note No 2: Family Pension: Rs.15000/- or 1/3 of Actual Amount received, whichever is less, is exempt.

Problem 11

Mr. Pushkaram (age 46 years) a resident of Bangalore provides the following information for the year ending 31st March 2019

- He holds the following investments
 - Rupees 2,00,000, 9 % tax free commercial securities
 - Rupees 1,00,000, 8 percentage listed debentures of SRM limited
 - Rupees 81,000 10 percentage tax free debentures of NRM limited
 - Rupees 40,000 10 percentage BESCO bonds
- He lived in a rented house for which he pays rupees 12,000 per month he has sub-let one third portion of the House on a monthly rent of rupees 6,000 he incurred Rs. 7,200 for repairs and rupees 6,000 for municipal tax of this house
- Received dividend on TCS limited (gross) rupees 30,000
- Received interest on post office saving bank account rupees 12,000
- Received dividend from UTI rupees 8,000
- Income from letting out plot of land in Mysore for rupees 36,000
- Winning from Karnataka state lottery net rupees 70000

8. Income from letting out plant and machinery under lease rupees 1,20,000, the allowable depreciation is rupees 12,000, repairs 7,000 & fire insurance premium rupees 1000

Compute taxable income from other source for the assessment year 2019-20

Solution

Computation of Income from Other Source

Assessee: Mr. Pushkaram Status: Resident		Previous Year:2018-19 Assessment Year:2019-20	
Particulars		Amount	Amount
1. He Holds the following investments			
• Rupees 2,00,000, 9 % tax free commercial securities (2,00,000X9% X100/90)			20,000
• Rupees 1,00,000, 8 percentage listed debentures of SRM limited (1,00,000X8%)			8,000
• Rupees 81,000 10 percentage tax free debentures of NRM limited (81,000X10% X100/90)			9,000
• Rupees 40,000 10 percentage BESCOM bonds (40,000X10%)			4,000
		72,000	
2. Rent from subletting (6,000X12)			
Less: Repairs (6,000X1/3)	2,000		
Municipal Tax (7,200X1/3)	2,400	52,400	
Rent paid (12,000X12X1/3)	48,000		19,600
3. Received dividend on TCS limited			Exempted
4. Received interest on post office saving bank account (12,000-3,500)			8,500
5. Received dividend from UTI			Exempted
6. Income from letting out plot of land in Mysore			36,000
7. Winning from Karnataka state lottery (70,000X100/70)		1,20,000	1,00,000
8. Income from letting out plant and machinery		20,000	
Less: Expenses (12,000+7,000+1,000)			1,00,000
Taxable Income from other sour sources			3,05,100

Problem 12

Compute income from other source of Dr. Gokak who held the following investments in the previous year 2018-19

1. Rupees 1,10,000, 10 percentage Central Government securities
2. Rupees 4,00,000, 10 percentage commercial securities
3. Rupees 8,000 (gross) received as interest on public limited company securities (listed)
4. Rupees 7,200 received as interest on Karnataka government securities
5. Rupees 3,600 received as interest on debentures of XYZ limited (listed)
6. Rupees 3,00,000, 13.5 percentage securities of X company limited (unlisted)
7. Rupees 3,50,000, 11 % securities of a paper mill company (listed)
8. Interest on post office saving bank account rupees 6,500
9. Dividend received from corona limited (gross) 32,000

For purchasing securities of X company limited he took a loan of rupees 2,50,000 at 12 percentage per annum. This loan was taken from his friend in UK the interest has been paid in UK but no TDS is made. Bank charges rupees 2,000 as a collection charge.

During the year he also got a prize in Karnataka state lottery the net amount received by him was rupees 2,80,000. Interest on all the securities is payable on 1st July and 1st January every year.

Solution**Computation of Income from Other Source**

Assessee: Dr. Gokak	Previous Year:2018-19	
Status: Resident	Assessment Year:2019-20	
Particulars	Amount	Amount
1. 10 percentage Central Government securities (1,10,000X10/100)		11,000
2. 10 percentage commercial securities (4,00,000X10/100)		40,000
3. Interest on public limited company securities (Gross)		8,000
4. Interest on Karnataka government securities		7,200

5. Interest on debentures of XYZ limited (3,600X100/90)		4,000
6. Interest on securities of X company limited (3,00,000X13.5%)		40,500
7. 11 % securities of a paper mill company (3,50,000X11%)		38,500
8. Interest on post office saving bank account (6,500-3500)		3,000
9. Dividend received from corona limited		Exempted
10. Prize in Karnataka state lottery (2,80,000X100/70)		4,00,000
Gross Receipts 1		5,52,200
Less: Deductions		
• Bank Collection charges	2,000	2,000
• Interest on loan at 12%	Not Allowed	
Taxable Income from other sour sources		5,50,200

Note: Interest on loan borrowed for purchasing securities is fully deductible. However, interest on loan payable outside India without TDS is not allowed

Problem 13

From the following information of Mr. Bhahubali compute income from other source for the assessment year 2019-20

1. Dividend on equity shares from domestic company gross 12,00,000
2. Income from undisclosed source 7,000
3. Income from letting on hire of building and machinery under lease 30,000, Depreciation allowed on building and machinery 2000 & Fire insurance on building and on plant and machinery rupees 250
4. Interest on Bank deposits 3,200
5. Income received from ground rent 6,000
6. Director sitting fees received rupees 4,000
7. Gift received rupees 80,000 from his friend Mr Keshav
8. Received rupees 1,00,000 as gift from his elder brother

9. Received rupees 1,40,000 as a gift on his marriage
10. Received a gift from his grandmother rupees 40,00,000
11. Dividend from a foreign company rupees 26,000
12. Interest on postal savings bank account rupees 2,000
13. Income from agriculture land in Bangladesh rupees 20,000
14. Interest on deposit under gold monetisation scheme, 2015 rupees 15,000
15. Dividend received from cooperative society 7,000
16. Family pension received 30,000 per annum
17. Dividend received on preference shares rupees 10,000 per annum
18. Insurance commission received rupees 23,500 expenses incurred in earning insurance commission rupees 2500
19. Rs.30,000 8 percentage Post office trust bonds
20. 12,000, 5% debentures of Delhi development authority
21. Interest on 8.5 % relief bonds rupees 8,500
22. Received rupees 4,000 as the remuneration for acting as a chief examiner
23. He won rupees 10,000 in crossword puzzle
24. Interim dividend received on 1.5. 2018 rupees 3000
25. Rupees 5,000, 7 years post office National savings certificates
26. Rupees 10,000, 7 % National plan certificates
27. SBI saving bank interest rupees 19,500
28. Directors fees 10,000
29. Winnings from Card games rupees 20,000
30. Dividend from UTI rupees 4,000
31. He is a member of parliament and received a salary of rupees 15,000 per month daily allowances of rupees 60,000 for attending various sessions he claims an amount of rupees 15,000 as expenditure for maintenance of the office
32. He lives in a rented house paying rent of rupees 6,000 per month the house is too big for her family hence he has sublet one third portion of the house on rent of rupees 3,000 per month to a tenant he has undertaken liability of paying municipal taxes of rupees 6,000 of the whole house and also repairs of the whole house amount into rupees 3,000

Solution

Computation of Income from Other Source

Particulars	Previous Year:2018-19 Assessment Year:2019-20	
	Amount	Amount
1. Dividend on equity shares from domestic company		Exempted
2. Income from undisclosed source		7,000
3. Income from letting on hire of building and machinery under lease	30,000	
Less: Expenses (2,000+250)	2,250	27,750
4. Interest on Bank deposits		3,200
5. Income received from ground rent		6,000
6. Director sitting fees		4,000
7. Gift received rupees 80,000 from his friend		80,000
8. Received rupees 1,00,000 as gift from his elder brother		Tax free
9. Received rupees 1,40,000 as a gift on his marriage		Tax free
10. Received a gift from his grandmother rupees 40,00,000		Tax free
11. Dividend from a foreign company		26,000
12. Interest on postal savings bank account		Exempted
13. Income from agriculture land in Bangladesh		20,000
14. Interest on deposit under gold monetisation scheme, 2015		Tax Free
15. Dividend received from cooperative society		7,000
16. Family pension received	30,000	
Less:1/3 of 30,000 or 15,000 WEL	10,000	20,000
17. Dividend received on preference shares		Exempted
18. Insurance commission received	23,500	
Less Expenses	2,500	21,000
19. 8 percentage Port trust bonds (30,000X8/100)		2,400
20. 5% debentures of Delhi development authority (12,000X5%)		6,00
21. Interest on 8.5 % relief bonds		Tax free
22. Remuneration for acting as a chief examiner		4,000
23. He won rupees 10,000 in crossword puzzle		10,000
24. Interim dividend received on 1.5. 2018		Exempted
25. 7 years post office National savings certificates		Exempted
26. 7 % National plan certificates		Exempted

27. SBI saving bank interest		19,500
28. Directors fees		10,000
29. Winnings from Card games		20,000
30. Dividend from UTI		Exempted
31. Salary as MP (15,000X12)	1,80,000	
Less: Exp on Office maintains	15,000	1,65,000
32. Rent from Sub let (3,000X12)	36,000	
Less: Rent paid (6,000X1/3X12)	24,000	
Municipal tax (6,000X1/3)	2,000	
Repairs (3,000X1/3)	1,000	9,000
	27,000	
Taxable Income from other sour sources		4,62,450

3

UNIT

Income from Other Sources

(Sec. 56 to 59)

Chargeability

An income is chargeable under this head, if the following conditions are satisfied:

1. The income must not be an exempted income.
2. The income must not be chargeable under any other head of income.

Further, incomes are chargeable under this head based on the system of maintaining the books of accounts. For instance, under mercantile system, the incomes are taxable on accrual basis. On the other hand, if the books accounts are maintained under cash system, the incomes are taxable on receipt basis.

Existing Tax Regime

Format For Computing Taxable Income From Other Sources:

		Previous Year :		Assessment Year :
Assessee :				
Residential Status :				
1. Dividends				xxx
2. Interest on securities				xxx
3. Bank interest on fixed deposits				xxx
4. Casual income				xxx
5. Income from Family pension				xxx
6. Composite rent				xxx
7. Income from subletting				xxx
8. Rental income from machinery, plant or furniture				xxx
9. Gifts				xxx
10. Insurance commission				xxx
11. Deemed incomes				xxx
12. Mining rent/Royalties/Ground rent				Fully taxable
13. Withdrawal from National savings scheme				Fully taxable
14. Agriculture income from a place outside India				Fully taxable
15. Directors fees or commission				Fully taxable
16. Salaries received by a member of parliament or MLA or MLC (Daily allowance received by MP/MLA)				Fully taxable
17. Rent from land/ground rent				Fully taxable
18. Examination fees received by a teacher (not from the employer)				Fully taxable
19. Remuneration received for writing short stories/poems				Fully taxable
20. Honorarium for checking answer books				Fully taxable
21. Other incomes (Advance money received and forfeited during the PY 14-15)				Fully taxable
Less: Exemptions U/S 57				
1. Any expenditure incurred wholly for the purpose of earning the income is deductible provided such expenditure is neither of capital nature nor of personal nature				xxx
Taxable Income from Other Sources				xxx

Note 1: Income from each source can be computed separately.

Note 2: Honorarium for giving lectures at seminars is taxable under the head income from profession.

Note 3: Any expenses incurred to earn tax free income is not deductible.

Alternative Tax Regime:

Under Alternative Tax Regime, Allowance of MP/MLA and standard deduction of family pension is **Blocked**

Tax Treatment

1. Dividends:

1. Dividend from an Indian company is taxable, if it is received on or after 1 April, 2020.
2. The rate of TDS is 7.5% on dividend income paid in excess of 5,000 from a company or mutual fund this rate will be increased to 20% in the absence of PAN submission by the recipient of dividend income. Interest on loan taken in purchase of share is deductible. But it is limited to 20% of gross dividend income received. However, other expenses incurred to earn dividend are not allowed.
2. Net Dividends from a foreign company are taxable in the hands of shareholders. (If assessee claims double taxation relief, the gross dividend shall be taxable).
3. Deemed dividends from an Indian company are taxable.

2. Interest on Securities:

While computing taxable income from securities, the following points may be taken into account:

Types of Securities					
Less tax securities			Tax free securities		
Government Securities	Commercial Securities		Government Securities	Commercial Securities	
	Listed	Unlisted		Listed	Unlisted
(No TDS)	(TDS)	(TDS)	exempt	(TDS)	(TDS)

Securities like Less tax or Tax free may be issued by the government or statutory bodies or local authorities. Further, Less tax security implies that tax should be deducted at source and the net amount should be paid to the security holder. On the other hand, Tax free security implies that no tax has been deducted at source. The security holder will be paid gross interest. The important fact to be noted at this point is that only government has the right to issue Tax free securities. If company issues tax free securities, it will have to pay income tax to the government on the amount of gross interest paid to the security holder. The amount of income tax paid by the company is deemed to be the income of the assessee. Therefore, it should be always grossed up.

Rules for Grossing up of Interest

It is Gross interest, which will be included in the total income of the assessee. If interest is paid to the assessee after TDS, such interest should be grossed up because, the amount of TDS is considered to be a part of the income of the assessee. The following points can be considered in this connection:

1. In case of less tax government securities tax is not deducted at source. Therefore, interest from such securities should not be grossed up.
2. In case of Less tax commercial securities, if the amount of interest is given in the problem, such interest shall assumed to be net interest. Therefore, such interest should be grossed up. On the other hand, if the amount of investment and rate of interest is given in the problem, gross interest can be calculated straightaway.
3. In case of Tax free commercial securities, the interest should be always grossed up, irrespective of the fact, whether the amount of interest or amount of investment and rate of interest is given in the problem.
4. The formula for Grossing up of Interest:
$$\text{Gross interest} = \frac{\text{Net Interest} \times 100}{100 - \text{Tax rate}}$$

Note: For tax rates, refer to rates of TDS table.

Interest on the following securities is fully exempt from tax

1. National defence gold bonds, 1980.
2. National plan certificates (10 years).

3. National plan savings certificates.
4. 12 years National savings annuity certificates.
5. Treasury savings deposit certificates.
6. Fixed deposit scheme governed by the Govt. savings certificates fixed deposit rules, 1968.
7. Post office cash certificates (5 years).
8. Post office National savings certificates.
9. Post office savings bank account to the extent of ₹ 3,500 in case of individual accounts, ₹ 7,000 in case of Joint accounts.
10. Post office cumulative time deposit account.
11. Public account in post office (up to ₹ 5,000).
12. Fixed deposit scheme governed by the post office fixed deposit rules, 1968.
13. Deposits made by a retired government employee out of his retirement benefits for the lock in period of three years.
14. Special bearer bonds, 1991.
15. Special deposit scheme, 1981.
16. Capital investment bonds.
17. Relief bonds.
18. NRI bonds issued by RBI.
19. Non resident rupee deposit scheme.
20. Interest on tax-free Govt. securities.
21. Interest on Gold monetisation scheme.

No TDS is made for the following:

1. Interest on less tax government securities.
2. 4¼% of national defence bonds.
3. National development bonds.
4. 8th issue national savings certificates.
5. Debentures issued by the co-operative society.
6. 6½% gold bonds, 1977 or 7% gold bonds, 1980.
7. Interest paid to an individual in account payee cheque for an amount not exceeding ₹ 5,000 by listed companies in which public are substantially interested.
8. Interest on foreign government securities is not grossed up, as no tax is deducted at source in India on such income.
9. Post office monthly income accounts.
10. Post office time deposits.
11. Post office recurring deposits.
12. Indira Vikas Patra and Kissan Vikas Patra.

Avoidance of Tax [Sec. 94]

Interest on securities accrues on certain fixed dates. If, on the eve of due date of payment of interest, a person transfers securities to another person and reacquires the same or similar securities after interest has been received by the transferee, the transferor would be able to evade tax in respect of such interest. To prevent this malpractice, section 94 provides certain checks under sub-sections (1) and (2).

Bond Washing Transactions [Sec. 94(1)]

A bond washing transaction is narrated as a transaction which consists of selling securities to a friend or relative some time before the due date and acquiring back the same securities after the due date of interest is over. This practice generally adopted by high-income class assesses to evade the tax.

To prevent the avoidance of tax in this manner, Section 94(1) provides that where a security owner transfers the securities on the eve of due date of interest and reacquires them, the interest received by the transferee will be deemed as income of the transferor and, accordingly, it will be included in the total income of the transferor and not of the transferee.

Deductions U/S 57

1. Commission paid to the bank or remuneration payable to any person for realizing the interest on behalf of the assessee is deductible. If the assessee himself collects the interest, he cannot charge for his own labor.
2. Interest on loan borrowed for purchasing securities is fully deductible. However, interest on loan payable outside India without TDS is not deductible.

3. Bank Interest on fixed deposits

It is fully taxable. The Bank/Co-operative society/Post-office should deduct TDS, if the following conditions are satisfied:

- (i) There should a fixed deposit.
- (ii) The interest should be credited annually.
- (iii) The interest exceeds ₹ 10,000.

If net interest is given in the problem, it shall be grossed up. The formula for grossing up of interest:
$$\text{Gross interest} = \frac{\text{Net Interest} \times 100}{100 - \text{Tax rate}}$$

Note: For tax rates, refer to rates of TDS table.

4. Casual Income

Winnings from lottery, crossword puzzles, TV game shows. Tax at source is deducted, if such winnings exceed ₹ 10,000. Even in case of winnings from horse race, tax is deducted at source, if the amount of winning exceeds ₹ 10,000. Further, in case of winnings from other races, gambling and betting, card games etc., Tax is not deducted at source. No expenditure is allowed to be deducted out of these incomes.

If net winnings are given in the problem, it shall be grossed up. The formula for grossing up of winnings:
$$\text{Gross winnings} = \frac{\text{Net Winnings} \times 100}{100 - \text{Tax rate}}$$

Note: For tax rates, refer to rates of TDS table.

Income from maintenance of race horses is taxable under the head income from other sources. If there is any loss (i.e. if stake money is less than expenses) from activity of maintenance of race horses, such loss can be set off from income of same activity and not from any other income.

5. Income from Family Pension

Taxable income from Family pension payable by the employer to heir of deceased employee shall be computed after allowing standard deduction. Such deduction is to be allowed either at 33.33% of family pension or maximum limit ₹ 15,000, WEL. ((**under Alternative Tax Regime this standard deduction is Blocked**)).

6. Composite Rent

If the assessee receives composite rent from his tenant, the portion of the rent attributable to the building should be assessed as income from house property and the remaining portion attributable to the amenities/services must be assessed as income from other sources. On the other hand, if the composite rent is inseparable, then the entire rent should be assessed as income from other sources or income from business.

7. Income from Subletting

Rental Income from sublet portion of the house shall be assessed as income from other sources. The taxable amount of such rent is to be computed as follows:

Particulars	Amount
Rent from sublet portion	xxx
Less: expenditure on sublet portion	xxx
Taxable Income	xxx

8. Rental income from machinery, plant or furniture

Rental income derived from letting out of machinery, plant or furniture without building, is to be computed after making the following deductions:

1. The amount incurred by the assessee on account of current repairs of the assets hired out.
2. The amount of insurance premium paid by assessee against damage of the assets hired out.
3. Depreciation in respect of assets hired out.

9. Gifts

If aggregate amount of gifts, received from non relatives exceeds ₹ 50,000 in the previous year, it is fully taxable in the hands of the recipient of such gifts. This rule is however not applicable, if gifts are received from a relative or at the time of marriage or by will. (The term relative means assessee (X), spouse (Mrs. X), brothers and sisters of assessee (X)/spouse (Mrs. X), brothers/sisters of father/mother of assessee (X), Lineal ascendant or descendant of Assessee (X)/spouse (Mrs. X), but not cousin and brother/sister of grand father/mother of Mr. (X) and Mrs. (X) elder brother of father in law.

Money/Property is received on or after October 1, 2009

Different categories	For the ceiling of ₹ 50,000 whether a single transaction would be examined or all transactions of the previous year will be considered
<p>Category 1: Any sum of money (gift in cash or by cheque or draft).</p> <p>Tax Treatment: If aggregate amount of sum of money received by an individual/HUF without any consideration from one or more persons during a previous year exceeds ₹50,000, the Whole of such aggregate value will be chargeable to tax.</p>	All transactions
<p>Category 2: Immovable property without consideration</p> <p>Tax Treatment: If any immovable property (without any consideration) is received and the stamp duty value of which exceeds ₹ 50,000 stamp value will be chargeable to tax.</p>	Single transaction
<p>Category 3: Immovable property for a consideration which is less than the stamp duty value.</p> <p>Tax Treatment: If any immovable property in received for a consideration which is less than the stamp duty value of the property by an amount exceeding ₹ 50,000, then the difference between stamp duty value and consideration is chargeable to tax.</p>	Single transaction
<p>Category 4: Movable property without consideration</p> <p>Tax Treatment: If aggregate fair market value of movable properties received without consideration during a previous year exceeds ₹ 50,000, the whole of aggregate fair market value of movable property or properties will be chargeable to tax.</p>	All transactions
<p>Category 5: Movable property for a consideration which is less than fair market value.</p>	

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Tax Treatment: If moveable property or properties is received for a consideration which is less than the aggregate fair market value of the property or properties by an amount exceeding ₹ 50,000, then the difference between aggregate fair market value and the consideration is chargeable to tax.

All transactions

10. Insurance Commission

If resident individual receives insurance commission in the previous year, such commission is taxable under the head income from other sources. Further, if the amount of such commission is more than ₹ 20,000, tax is deducted at source. If net insurance commission is given in the problem, it shall be grossed up. The formula for grossing up of insurance commission:

$$\text{Gross insurance commission} = \frac{\text{Net Amount} \times 100}{100 - \text{Tax rate}}$$

Note: For tax rates, refer to rates of TDS table.

11. Interest on Compensation or enhanced Compensation

Income by way of interest received on compensation or enhanced compensation shall be assessed under the head Income from other source, in the year in which it is received. However, 50% of such interest is deductible u/s 57. Consequently 50% of such interest is taxable. Actual expenses shall be fully ignored.

Deduction U/S 57: Any expenditure incurred wholly for the purpose of earning the income is deductible provided such expenditure is neither of capital nature nor of personal nature.

Rate of TDS

Income	%
1. Interest on security issued by statutory bodies or local authority	10
2. Listed Securities	10
3. Unlisted Securities	10
4. Bank Interest	10
5. Casual Income	30
6. Insurance Commission	5
7. Commission on sale of lottery tickets	5
8. Rent of Plant and Machinery	2
9. Rent of land/building/furniture/fittings	10

11. Deemed Incomes

Deemed incomes are not incomes, but as per the IT Act, they are regarded as incomes and included in the taxable income from other source/business. The following are considered to be deemed incomes: cash credit, unexplained expenditure, unexplained investment, unexplained money etc.

(Other incomes mentioned in the format from point No 12 to 23 are fully taxable. Any expenditure incurred wholly for the purpose of earning such income is deductible provided such expenditure is neither of capital nature nor of personal nature).

Illustration – 1 (B.Com, Dec. - 2008, Nov - 2011) (modified)

From the following receipts and payments of Mr. Devesh (resident), compute his taxable income under the head income from other sources: (**Ignore Alternative Tax Regime under Section 115BAC**)

- Winnings from Madhya Pradesh State Lottery ₹ 28,000,
- Winnings from horse race ₹ 1,000,
- Winnings from Rajasthan State Lottery ₹ 3,000,
- Winnings from horse race ₹ 49,000,
- Winnings from cross word puzzle ₹ 2,500,
- Gift received from a friend in London ₹ 1,00,000,
- Winnings from card games ₹ 2,500,

Purchase of lottery tickets ₹ 3,000 and payments for betting's in horse race ₹ 6,000,
Winnings from camel race ₹ 30,000.

Illustration – 2 (B.Com, May - 2018, Sep. 2020) (modified)

Sri Suryaputhra has the following investments for the year ended 31-3-2021:

- i) Dividend from Indian company ₹ 4,000
- ii) ₹ 80,000 in post office savings Bank account which earns the interest @ 5% p.a.
- iii) ₹ 90,000 10 % tax free debentures of Mysore Municipal corporation.
- iv) 14% Karnataka State Electricity Board Bonds ₹ 30,000.
- v) ₹ 50,000 fixed deposits with Canara Bank Mysore at 8% p.a.

Compute the income from sources of Sri Suryaputhra from the above investment for the assessment year 2022-23. **(Ignore Alternative Tax Regime under Section 115BAC)**

Illustration – 3

Mr. Ranjit (resident) gives the following information of his income for the previous year 2021- Compute his Gross Total Income. **(Ignore Alternative Tax Regime under Section 115BAC)**

- i) Dividend on preference shares (Gross) ₹ 2,00,000.
- ii) Income from undisclosed sources ₹ 7,000.
- iii) Income from letting on hire of building and machinery under lease ₹ 30,000.
- iv) Interest on bank deposits ₹ 3,200.
- v) Income received from ground rent ₹ 6,000.
- vi) Directors sitting fee received ₹ 4,000.

- vii) Winning from lotteries (Net) received ₹ 7,000.
- viii) Gifts received:
 - a) Received ₹ 80,000 as gift from his friend Mr. Keshav.
 - b) Received ₹ 1,00,000 as gift from his elder brother.
 - c) Received ₹ 1,40,000 as gift on his marriage.
 - d) Received a gift from his grand mother ₹ 40,00,000.
 Following are the deductions which are claimed by him.
 - a) Depreciation allowed on building and machinery ₹ 2,000.
 - b) Fire insurance on building and on plant and machinery ₹ 250.

Solution:**Illustration – 4 (B.Com, Sep. 2020) (modified)**

Mr. Subash a resident in India earned the incomes during the financial year 2021-22. **(Ignore Alternative Tax Regime under Section 115BAC)**

- i) Interest on securities ₹ 6,000
- ii) Winning from horse races ₹ 12,500.
- iii) Income earned from sub-letting of house ₹ 10,500.
- iv) Dividend from a foreign company ₹ 26,000.
- v) Interest on Postal Savings Bank account ₹ 2,000.
- vi) Ground rent for land in Patna ₹ 5,000.
- vii) Expenses incurred on sub-letting ₹ 500.
- viii) Income from agricultural land in Bangladesh ₹ 20,000.
- ix) Directors fee ₹ 1,800.
- x) He received a gift from his cousin a wrist watch ₹ 5,000 on 1.6.2020.
- xi) ₹ 700 received by an account payee cheque as interest on debentures (listed) of a company in which public are substantially interested.
- xii) Interest on deposit under Gold Monetisation Scheme, 2015 ₹ 15,000
- xiii) He gets a gift of a house property from friend Mr. Basu on 10.4.2021. Stamp duty value of the property on the date of gift is ₹ 45,000.

Illustration - 5

Following Incomes are received by Mr. Ajay (resident) in the previous year 2021-22. Compute his taxable income from the head other sources. (*under Existing Tax Regime and Alternative Tax Regime*).

- a) Directors fees ₹ 10,000
- b) Interest from Saving Bank Account ₹ 500.
- c) Dividend received from Co-operative Society ₹ 7,000.
- d) Winning from Andhra Pradesh State Lottery ₹ 28,000 (Net).
- e) Family pension received ₹ 30,000 p.a.
- f) Dividend received on preference shares ₹ 10,000 p.a.
- g) Insurance commission received ₹ 23,500 (expenses incurred in earning insurance commission ₹ 2,500)
- h) Mr. Ajay received a gold chain from his friend as gift. Its fair market value is ₹32,000 and painting from another friend as gift. Its fair market value is ₹18,000.

Solution:

Illustration - 6

Mr. Jai furnishes the following particulars of his income for the P.Y. ended 31-3-2022. (*Ignore Alternative Tax Regime under Section 115BAC*)

- i) ₹ 36,000 - 10% Tax-free debentures of a company listed on a recognised stock exchange in India.
- ii) Interest on SB Account ₹ 2,000.
- iii) ₹ 12,000 - 12% Tax-free commercial securities. (unlisted)
- iv) Dividend ₹ 10,000 (Gross) from a Tea Co., 60% of the income of the company is agricultural income.
- v) ₹ 30,000 - 8% port Trust Bonds.
- vi) Dividend from a foreign company ₹ 4,000. The company deducted tax at source ₹ 1,000.
- vii) ₹ 15,000 - 9% Municipal debentures.
- viii) Winnings from lottery, net amount received ₹ 21,000.
- ix) ₹ 2,00,000 - 10% debentures of a public limited co. (Not listed)
- x) 12,000, 5% debentures of Delhi Development Authority.

Solution:

Income from Other Sources

- iii) Examinership remuneration from the university ₹ 8,000.
- iv) Royalty from books and articles ₹ 20,000.
- v) Winnings from card games in a club ₹ 9,000.
- vi) Winning from Karnataka State lotteries ₹ 50,000 (Gross).
- vii) Expenditure on purchase of lottery tickets ₹ 6,000.
- viii) Interest on 8.5% relief bonds ₹ 8,500.
- ix) Cash gift from the cousin of his father ₹ 30,000.
- x) Cash gift from the elder brother of his grandfather ₹ 30,000.

Solution:

Illustration - 8

Ms. Naina (resident) a lecturer of a college in Delhi, gives you the following particulars of her income relating to the financial year 2021-22. Compute her income from other sources for the Assessment year 2022-23. (*Ignore Alternative Tax Regime under Section 115BAC*)

- i) She received ₹ 50,000 as Royalty from a publisher for publishing her book.
- ii) Received ₹ 4,000 as remuneration for acting as chief examiner.
- iii) She won ₹ 10,000 in crossword puzzles.
- iv) Received dividend 20% on preference shares of the face value of ₹ 50,000.
- v) Received interest on FD with Canara Bank @ 8% on ₹ 50,000.
- vi) Received interest on Government securities ₹ 3,000.

She claims the following deductions:

- a) Salary paid to clerk for proof reading ₹ 1,000.
- b) Purchased books worth ₹ 1,000 with regard to revision of the book.
- c) Bank charged 1% commission for collection of dividend.

Illustration - 7

Dr. Ahmed (resident), a lecturer in a college furnished the following particulars on the basis of which compute his total income for Assessment Year 2022-23. (*Ignore Alternative Tax Regime*)

- i) Salary @ ₹ 6,000 p.m.
- ii) Wardenship allowance ₹ 1,000 p.m.

Illustration – 9 (B.Com, Nov - 2003) (modified)

Mr. Manu (resident) has the following incomes during the year ending 31-3-2022.

- i) Dividend declared by M company on 31-3-22 ₹ 6,000
- ii) Dividend declared by Z company on 31-3-22 ₹ 9,000
- iii) Interim dividend received on 1-5-21 ₹ 3,000
- iv) He won gold worth ₹ 10,00,000 from Punjab State lottery.
- v) During March 2022, he earned ₹ 1,00,000 as prize money on horse races. These horses are owned by him and expenditure incurred on maintenance of these horses amounted to ₹ 1,60,000.
- vi) Gift of building from elder brother of his father in law Stamp duty value ₹ 25,00,000.

Compute his income from other sources for the A.Y. 2022-23.

Illustration – 10 (BBM, Nov. - 2002) (modified)

Mr. Rahul investments during the year ended 31-3-2022 consisted of the following:

- a) ₹ 25,000 9% Govt. securities.
- b) ₹ 20,000, 11% Delhi Corporation Bonds.
- c) ₹ 30,000, 12% Bombay Port Trust Bonds.
- d) ₹ 5,000, 7 year PO National Savings Certificates.
- e) ₹ 10,000, 7% National Plan Certificates.
- f) ₹ 15,000, 8% Govt. of England bonds.
- g) He paid ₹ 150 as commission for collecting the interest income.
- h) SBI savings bank interest in ₹ 19,500.

Compute his taxable income from other sources. **(Ignore Alternative Tax Regime)**

Solution:

Illustration – 11 (BBM, April - 2003) (modified)

From the following incomes of Mr. Lingaraj (resident) for the year ended 31-3-22, compute his income from other sources. **(Ignore Alternative Tax Regime under Section 115BAC)**

1) Director's fees	10,000
2) Interest on bank deposits	3,000
3) Income from undisclosed sources	12,000
4) Winning from Lotteries (Net)	28,000
5) Royalty on book written	8,000
6) Income from lectures delivered	5,000
7) Interest on loan given to relative	7,000
8) Interest on tax free debentures of a company (Net)	3,600
9) Dividend from Co-operative Society	8,000
10) Interest on SBI SB A/c	500
11) Interest on Central Govt. Securities	2,200

He paid ₹ 1,000 for typing of the manuscript of the book.

Solution:

Illustration – 12 (B.Com, April - 2004) (modified)

Following are the particulars of income of Mrs. Seetha for the previous year 2021-22. **(under Existing Tax Regime and Alternative Tax Regime).**

- i) Dividend received from an Indian company ₹ 11,000.
- ii) Winning from lottery-amount received ₹ 68,500 and tax deducted at source ₹ 31,500
- iii) Winning from card games ₹ 20,000
- vi) Interest received on govt. securities held as investments ₹ 10,000
- v) Family pension received ₹ 48,000

She incurred the following expenses:

- a) Interest paid on amount borrowed for purchasing shares ₹ 1,000
- b) Collection charges in respect of interest on Government securities at 2% on amount collected.
- c) Purchased lottery tickets of ₹ 100
- vi) Gift of gold chain from her friend ₹ 40,000
- vii) Gift of watch from cousin ₹ 20,000

Compute her income from other sources for the A.Y. 2022-23.

Illustration – 13 (BBM, April - 2005) (modified)

From the following information of Prof. Ramani (resident) compute her income from other sources for the Assessment Year 2022-23. **(under Existing Tax Regime and Alternative Tax Regime).**

1. She gave management consultancy service to a member of entrepreneurs during the year and received ₹ 45,000 from the clients. She claims that she has spent ₹ 5,000 on related travelling.
2. She is a member of parliament and received a salary of ₹ 15,000 p.m. and daily allowance of ₹ 60,000 for attending various sessions. She claims an amount of ₹ 15,000 as expenditure for maintenance of the office.
3. She is an author of a text book, which fetched her a gross royalty of ₹ 45,000. She claims ₹ 24,000 salary of a clerk who collects necessary data, ₹ 4,000 purchase of books in connection with the revision of the book and ₹ 1,200 telephone expenses in connection with printing, publishing etc.
4. She lives in a rented house paying rent of ₹ 6,000 p.m. The house is too big for her family. Hence she has sub-let one-third portion of the house on a rent of ₹ 3,000 p.m. to a tenant. She has undertaken the liability of paying municipal taxes of ₹ 6,000 of the whole house and also current repairs of the whole house amounting to ₹ 3,000.
5. During the year she won ₹ 35,000 in lotteries.

Solution:

Illustration – 14 (B.Com, April - 2005) (modified)

Suresh submits the following details of his income for the year ending 31st March 2022.

- a) He lives in a rented house. He pays a rent of ₹ 6,000 p.m. He has sub-let one-third portion of the house on a rent of ₹ 3,000 p.m. He has undertaken the liability of paying municipal taxes of ₹ 1,500 on the whole house and also repairs of the whole house amounting to ₹ 6,000.
- b) Income from agricultural land in Bangladesh ₹ 20,000.
- c) Dividend from Indian company ₹ 4,000.

- d) He holds the following investments:
 - i) ₹ 1,00,000, 9% tax-free commercial securities (not listed)
 - ii) ₹ 30,000, 7% debentures of JCT Mills Ltd.
 - iii) ₹ 72,000, 10% tax free debentures of Life Insurance Corporation of India. (listed)
 - iv) 10% UP State Electricity Board Bonds ₹ 10,000.
 - e) Interest on Saving Bank Account ₹ 1,000.
 - f) Honorarium received for writing articles in magazines ₹ 1,000.
 - g) He is an examiner of a number of Universities. He received ₹ 10,000 as remuneration.
- Compute his income from other sources for the Assessment Year 2022-23. **(Ignore Alternative Tax Regime under Section 115BAC)**

Solution:

Illustration – 15 (BBM, April - 2004) (modified)

Dr. Ashok (resident) is a professor of Economics. He submits the following information and wants you to compute his income from other sources for the A.Y. 2022-23. **(Ignore Alternative Tax Regime under Section 115BAC)**

- a) He is an author of a text book and received royalty of ₹ 45,000. He claims the following deductions from this amount: (i) Salary to clerk for gathering information for him to write the book ₹ 5,000 (ii) Cost of books purchased ₹ 1,000 for reference work in order to write his book. (iii) Telephone expenses of ₹ 800 in connection with printing and publication of the book

Illustration – 16 (B.Com, June - 2010) (BBM, Nov - 2011) (modified)

Mrs. Narayan submits the following particulars of income from other sources for the year ended 31-3-2022.

1. Family pension from Govt. of Karnataka yearly ₹ 42,000.
2. Royalty from books written ₹ 20,000 (expenses incurred for this purpose ₹ 2,500).
3. Remuneration from articles published in a magazine ₹ 2,000.
4. Cash worth ₹ 1,00,000 was found in her private locker. The source of which could not be explained by her.
5. Interest on fixed deposit in a bank ₹ 15,000 (Gross).
6. Rent from subletting a house ₹ 1,500 p.m. (rent paid to the owner ₹ 1,000 p.m. and repair expenses ₹ 200).
7. Winning from lottery net ₹ 70,000 (purchase of lottery ₹ 100).
8. Winning from horse race ₹ 35,000 (Net).

Compute her taxable income from other sources for the A.Y. 2022-23. **(Ignore Alternative Tax Regime under Section 115BAC)**

Illustration – 17 (B.Com, May - 2012) (modified)

Compute income from other sources of Dr. Gokak who held the following investments in P.Y. 2021-22.

(Ignore Alternative Tax Regime under Section 115BAC)

- a) ₹ 1,10,000, 10% Central Government Securities.
- b) ₹ 4,00,000, 10% commercial securities.
- c) ₹ 8,000 (gross) received as interest on public Ltd. Co. securities. (listed).
- d) ₹ 7,200 received as interest on Karnataka Govt. securities.
- e) ₹ 3,600 received as interest on debentures XYZ Ltd. (listed).
- f) ₹ 3,00,000, 13.5% securities of X Co.Ltd. (Unlisted).
- g) ₹ 3,50,000, 11% securities of a Paper Mill Co. (listed).
- h) Interest on post office savings Bank A/c ₹ 6,500.
- i) Dividend received from Carona Ltd. (Gross) ₹ 32,000

For purchasing securities of X Co. Ltd., he took a loan of ₹ 2,50,000 at 12% P.A. This loan was taken from his friend in UK. The interest has been paid in UK but no TDS is made. Bank charged ₹ 2,000 as collection charges.

During the year he also got a prize in Karnataka State Lottery. The net amount received by him was ₹ 2,80,000. Interest on all securities is payable on 1st July and 1st January, every year.

Solution:

Illustration – 18

Mr. Suplab Singh has the following investments in the previous year ended 31.3.2021

- (i) ₹ 11,000, 10% Karnataka State Govt. Loan.
- (ii) ₹ 30,000, 13.5% Debentures LMT Ltd. (listed).
- (iii) ₹ 35,000, 11% Securities of Sugar Mill Co. (not listed).
- (iv) ₹ 32,000, 10% Tax-free commercial securities (listed).
- (v) ₹ 3,580, received as interest on Tamil Nadu Govt. securities.
- (vi) ₹ 3,600, received as interest on the securities of a Paper Mill Company (not listed).
- (vii) ₹ 4,500 received as interest on securities of Textile Company (listed).

Interest on all securities is payable on 30th June and 31st December. The bank charged 1 ½% commission on Net realization of interest as collection charges. He was also a director in a company from which he received ₹ 3,000 as directors' fees.

His other incomes are -

- (i) Winning from lottery ₹ 25,000.
- (ii) Income from agriculture in Sri Lanka ₹ 10,000.
- (iii) Winning from Horse race ₹ 15,000.
- (iv) Interest on Post Office Saving Bank Account ₹ 8,500.

Find out his taxable income from other sources for the assessment year 2022-23. **(Ignore**

Alternative Tax Regime under Section 115BAC)

Solution:

Illustration – 19 (B.Com, may - 2016) (modified)

Information about assessee

- a) Composite rent of building along with machinery ₹ 2,50,000
The following are the expenses on machinery: Depreciation ₹ 8,000 and Repairs ₹ 4,000
- b) He earned a Royalty of ₹ 40,000 from stone quarry and the expenses to earn this income ₹ 3,000
- c) Salary as M.P. ₹ 35,000
- d) Income from bank fixed deposits ₹ 45,000
- e) He earned a dividend from foreign companies grossing ₹ 65,000 of which ₹ 15,000 was deducted as T.D.S. in that country and the balance was received in India.
- f) Winnings from Horse Race ₹ 2,10,000 (Net).
- g) Remuneration as examiner from a university ₹ 48,000 and incidental expenses ₹ 6,000 of which 50% expenses were reimbursed by university.
- h) Unexplained expenditure ₹ 10,000
- i) He has taken a house on rent for 21,000 p.m. he has sub-letout 1/3 of the houses @ ₹ 15,000 p.m. and the expenses relating to the entire house incurred by him: Municipal Tax: 15,000, Repairs: 6,000, Compute the income from other sources for the A.Y. 2022-23. **(Ignore Alternative Tax Regime under Section 115BAC)**

Illustration – 20

Mrs. Sheela (resident) receives the following gifts during the P.Y. 2021-22.

1. Mrs. Sheela gets by gift a commercial flat from the elders brother of her father in law (stamp duty value is ₹ 1,50,000).
2. She receives a house property under will from a non relative. The stamp duty value is ₹ 5,00,000.
3. She gets by way of gift a land (stamp duty is ₹ 1,80,000) from a partnership firm. The firm has only 2 partners - father of Sheela and brother of Sunder (Sunder is Sheela's husband).
4. She gets a land by way of gift from a cousin of Sunder. Stamp duty value is ₹ 45,000
5. She receives a shop by way of gift from a friend stamp value is ₹ 40,000)
6. Cash gift ₹ 6,000 from the elder brother of her grand-father.

Find out the amount chargeable to tax under the head income from other source for the A.Y. 2022-23.

(Ignore Alternative Tax Regime under Section 115BAC)

Solution:

Illustration – 21

Mr. Saha receives the following gifts during the P. Y. 2021-22.

1. On the occasion of marriage he gets ₹ 1,00,000 as gift. (out of which ₹ 60,000 is received from friends of Mrs. Saha and the balance amount is received from the relatives of Mrs. Saha).
2. Mr. Saha get a cash gift of ₹ 50,000 from the cousin of his father.
3. Mr. Saha gets a cash gift of ₹ 60,000 from the elder brother of his grand-mother.
4. He gets a cash gift of ₹ 80,000 from his grand-mother.
5. He gets a cash gift of ₹ 1,50,000 from his grand-father.

Find out the amount chargeable to tax under the head income from other sources for the A. Y. 2022-23. **(Ignore Alternative Tax Regime under Section 115BAC)**

Illustration – 22 (B.Com, May - 2017) (modified)

Following are the Income details of Mrs. Roshini Gupta, a resident. Compute her Income from other sources for A.Y. 2022-23. **(Ignore Alternative Tax Regime under Section 115BAC)**

- 1) She gave management consultancy service to entrepreneurs during the year and received ₹ 55,000 from clients. She claims that she spent ₹ 5,000 on related travelling.
- 2) Income from agriculture in Sri Lanka ₹ 20,000.
- 3) Dividend from Indian company ₹ 5,000.
- 4) Interest on post-office savings bank ₹ 1,000
- 5) She holds the following investments
 - a) ₹ 1,00,000, 9% tax free commercial securities (not listed)
 - b) ₹ 30,000, 7% debentures of Canara Mills Ltd.
 - c) ₹ 72,000, 10% tax free debentures of LIC of India (listed).
- 6) She lives in a rented house and pays rent of ₹ 6,000 p.m. She has sub-let 1/3 portion of the house on a rent of ₹ 3,000 p.m. She has taken up the responsibility of paying municipal taxes of ₹ 1,500 on the whole house and also repairs of the whole house amounting to ₹ 6,000.

Illustration – 23 (B.Com, May - 2018) (modified)

Mr. Intravert has held the following investments and incomes during the financial year 2021-22:

- i) ₹ 2,00,000, 8% State Govt. securities.
 - ii) ₹ 5,00,000, 10% tax free commercial securities.
 - iii) ₹ 4,00,000, 12% commercial securities.
 - iv) ₹ 10,000 (gross) received as interest on Public Ltd. Company's securities.
 - v) ₹ 7,400 interest received on debentures of ABC Ltd. (listed).
 - vi) ₹ 9,250 interest received on securities of XYZ Ltd. (unlisted).
 - vii) ₹ 5,000 dividend received from Indian company.
 - viii) ₹ 4,000 interest received from the units of UTI.
 - ix) ₹ 2,10,000 (net) lottery income from Kerala State Lottery.
- Bank charged ₹ 5,000 as collection charges compute his income from other sources for A.Y. 2022-23.

Solution:

Mr. Ramesh has the following investments for the Financial Year 2017-18 :

- (a) ₹ 10,00,000 5% UP Government Security
- (b) ₹ 4,00,000 6% Debentures of ABC Ltd.
- (c) ₹ 3,60,000 10% Tax free Debentures of PQR Ltd.
- (d) ₹ 1,50,000 5% HDFC Bonds
- (e) ₹ 3,50,000 6.25% ICICI Bonds
- (f) ₹ 2,50,000 8% IDBI Bonds

On 1.12.2017 he sells Debentures of ABC Ltd on which date of interest is June 15 and December 15 every year.

Calculate his income from other sources for the A.Y. 2018-19.

6. Sri Suryaputhra has the following investments for the year ended 31-3-2017 :
 - i) ₹ 20,000 units of UTI (income received ₹ 4,000)
 - ii) ₹ 80,000 in post office savings Bank account which earns the interest @ 5% p.a.
 - iii) ₹ 72,000 10% tax free debentures of Mysore Municipal corporation.
 - iv) 14% Karnataka State Electricity Board Bonds ₹ 30,000.
 - v) ₹ 50,000 fixed deposits with Canara Bank Mysore at 8% p.a.

Compute the income from other sources of Sri Suryaputhra from the above investment for the assessment year 2017-18.

11. Mr. Intravert has held the following investments and incomes during the financial year 2016-17 :

- i) ₹ 2,00,000, 8% State Govt. securities.
- ii) ₹ 5,00,000, 10% tax free commercial securities.
- iii) ₹ 4,00,000, 12% commercial securities.
- iv) ₹ 10,000 (gross) received as interest on Public Ltd. company's securities.
- v) ₹ 7,200 interest received on debentures of ABC Ltd. (listed).
- vi) ₹ 9,000 interest received on securities of XYZ Ltd. (unlisted).
- vii) ₹ 5,000 dividend received from Indian company.
- viii) ₹ 4,000 interest received from the units of UTI.
- ix) ₹ 2,10,000 (net) lottery income from Kerala State Lottery.

Bank charged ₹ 5,000 as collection charges compute his income from other sources for A.Y. 2017-18.

4. Following Incomes are received by Mrs. Radha, a resident during the previous year 2015 – 16. Compute taxable income from the head other sources.

- 1) Directors fees ₹ 10,000.
- 2) Interest from post office savings bank A/c ₹ 500
- 3) Dividend received from co-operative society ₹ 9,000.
- 4) Interest on securities ₹ 10,000.
- 5) Royalty from books written ₹ 25,000 (Expenses Incurred for this purpose ₹ 2,500).

9. Following are the Income details of Mrs. Roshini, a resident. Compute her Income from other sources for A.Y. 2016 – 17.

- 1) She gave management consultancy service to entrepreneurs during the year and received ₹ 55,000 from clients. She claims she spent ₹ 5,000 on related travelling.
- 2) Income from agriculture in Sri Lanka ₹ 20,000.
- 3) Dividend from UTI ₹ 5,000.
- 4) Interest on post-office savings bank ₹ 1,000
- 5) She holds the following investments
 - a) ₹ 1,00,000, 9 % tax free commercial securities (not listed)
 - b) ₹ 30,000, 7 % debentures of Canara Mills Ltd.
 - c) ₹ 72,000, 10 % tax free debentures of LIC of India (listed).
- 6) She lives in a rented house and pays rent of ₹ 6,000 p.m. She has sub-let 1/3 portion of the house on a rent of ₹ 3,000 p.m. She has taken up the responsibility of paying municipal taxes of ₹ 1,500 on the whole house and also repairs of the whole house amounting to ₹ 6,000.

3. Mr. Prashanth is a member of Legislative Assembly. He has given the following particulars of his income for the F.Y. 2013 – 14.

- a) Salary from Govt. of Karnataka Rs. 55,000 per month.
- b) Daily allowance for attending sessions Rs. 70,000.
- c) Interest on F.D. with Central Bank of India (gross) Rs. 77,000.
- d) Rent from house property in Bangalore Rs. 20,000 per month.
- e) Dividend from Maruthi Suzuki Ltd. Rs. 6,000.
- f) Income from letting on hire Plant and Machinery Rs. 24,000 per month.
- g) Dividend from Sirsi Co-op. Society Rs. 4,800. Compute income from other sources.

7. Information about assessee

- a) Composite rent of building along with machinery Rs. 2,50,000/-.

The following are the expenses on machinery : Depn : Rs. 8,000/-

Repairs Rs. 4,000/-

- b) He earned a Royalty of Rs. 40,000/- from stone quarry and the expenses to earn this income Rs. 3,000/-.

- c) Salary as M.P. Rs. 35,000/-.

- d) Income from bank fixed deposits Rs. 45,000/-

- e) He earned a dividend from foreign companies grossing Rs. 65,000/- of which Rs. 15,000/- was deducted as T.D.S. in that country and the balance was received in India.

- f) Winnings from Horse Race Rs. 2,10,000/- (Net).

- g) Remuneration as examiner from a University Rs. 48,000 and incidental expenses Rs. 6,000 of which 50% expenses were reimbursed by University.

- h) Unexplained expenditure Rs. 10,000/-

- i) He has taken a house on rent for 21,000/- p.m. He has sub-letout $\frac{1}{3}$ of the house @ Rs. 15,000 p.m. and the expenses relating to the entire house incurred by him : Municipal Tax : 15,000/-

Repairs : 6,000/-

Compute the income from other sources for the A.Y. 2015 – 16.

10. Mr. Rama Narayana submits the following particulars of his income from other sources for the year ended 31-3-2014.

- 1) Royalty from books written Rs. 40,000 (expenses incurred for this purpose Rs. 4,000)
- 2) Interest on fixed deposits in a Bank Rs. 30,000 (gross).
- 3) Family pension from Govt. of Karnataka annually Rs. 48,000.
- 4) Winning from horse race Rs. 70,000 (Net).
- 5) Rent from subletting of house Rs. 3,000 per month (Rent paid to owner Rs. 2,000 and repair expenses Rs. 400).
- 6) Cash worth Rs. 90,000 was found in his private locker. The source of which could not be explained by him.
- 7) Winning from lottery net Rs. 1,40,000 (purchase of lottery Rs. 150)
- 8) Remuneration from articles published in a magazine Rs. 4,000.

Compute his taxable income from other sources for the A.Y. 2014-15.

5. Mr. Pawan has the following incomes during the year ending 31-3-13.

- i) Dividend declared by Tata Company Rs. 12,000.
- ii) Interim dividend received Rs. 5,000.
- iii) He won gold worth Rs. 2,50,000 from Rajasthan State lottery.
- iv) Interest received on Govt. securities held as investment Rs. 20,000.
- v) He earned Rs. 10,000 as prize money on horse races.

Compute his Income from other sources for the A. Y. 2013-14.

INCOME-TAX II

10. Mr. Raghu submit the following particulars of income from other sources for the year ended 31-3-2013 :

- i) Family pensions from Govt. of Karnataka Rs. 1,20,000
- ii) Interest on Post Office S.B. A/c. Rs. 3,000
- iii) Interest on 90,000, 10% debentures (listed) of T.M. Ltd. Co.
- iv) Winning from lottery (net) Rs. 2,80,000
- v) He lives in a rented house paying a rent of Rs. 6,000 p.m. He has sub-let $\frac{1}{2}$ of the portion for a rent of Rs. 4,500 p.m. of this house.
- vi) Dividend from Tata Co. Ltd. Rs. 9,100 (net) and paid Rs. 250 for collecting dividend.
- vii) Royalty from books writtens Rs. 58,000 and he incurred Rs. 1,800 towards stationary and others
- viii) Interest on loan given to friends Rs. 9,000
- ix) Remunerations from article published in a Journal Rs. 2,800
- x) Cash worth Rs. 10,00,000 was found in a bank locker and sources of which are not known
- xi) Interest on fixed deposits in a bank Rs. 22,000 (gross).

13. Mrs. Latha submits the following particulars of her Income from other sources for the year ended 31-3-13.

- 1) Royalty from books written Rs. 20,000 (expenses incurred for this purpose Rs. 2,000)
- 2) Remuneration from articles published in a magazine Rs. 2,000.
- 3) Cash worth Rs. 1,00,000 was found in her private locker. The source of which could not be explained by her.
- 4) Interest on F.D. in a bank Rs. 15,000.
- 5) Rent from subletting a house Rs. 500 p.m.
- 6) Winning from lottery net Rs. 69,100.
- 7) Winning from horse race Rs. 34,550 (net).

Compute her Taxable Income from other sources for the A.Y. 2013-14.

4. From the following information compute income from other sources of Smt. Kavya for the A.Y. 2013-2014.

	Rs.
a) Winning from lottery (net)	1,40,000
b) Interest on fixed deposits	14,500
c) Interest on securities of X Ltd. (net)	27,000
d) Interim dividend from T.T.Co. Ltd.	10,000
e) Income from agricultural land in Sri Lanka	15,000
f) Winning from Horse Race (net)	70,000
g) Received from royalty	50,000

From the following receipts & payments of Mr Bahubali:
 Compute his taxable income under the head of
 income from other sources.

- * 20,000 units of UTI (income received ₹ 4000)
- * Royalty from Books written ₹ 25000 [Expenses incurred for this purpose ₹ 2500]
- * Salary from Govt. of Karnataka ₹ 55000 per month
- * Daily allowance for attending sessions ₹ 70,000
- * Rent from house property in Bangalore ₹ 30,000 per month
- * Income from letting on hire plant & Machinery ₹ 24000 per month

- * He lives in a rented house paying a rent of 6000 p.m. He has sub-let $\frac{1}{2}$ of the portion for a rent of ₹ 4500 p.m. of this house.
- * Dividend from Tata So. Ltd ₹ 9000 (net) & paid ₹ 250 for collecting dividend.
- * Interest on loan given to friends ₹ 9000
- * He owns a quarry in Bellary, which he has let out on royalty of ₹ 60 per ton of stone raised. During the previous year 9000 tons of stone were raised. He spent ₹ 900 for collecting royalty.

