

# ***UDESHEREGULAR***

## **FOR GROUP-1, MAY 2024**

- Subject- Income Tax
- Chapter- Heads Of Income – Other Sources
- Lecture No.- 3

# Recap of Previous Lecture



## Topic

Family Pension  
Int on EIT comp.  
Dividend  
Casual Income

# Topics to be Covered



Topic

Other Sources Income

PHYSICS  
WALLAH

# Topic: Dividend



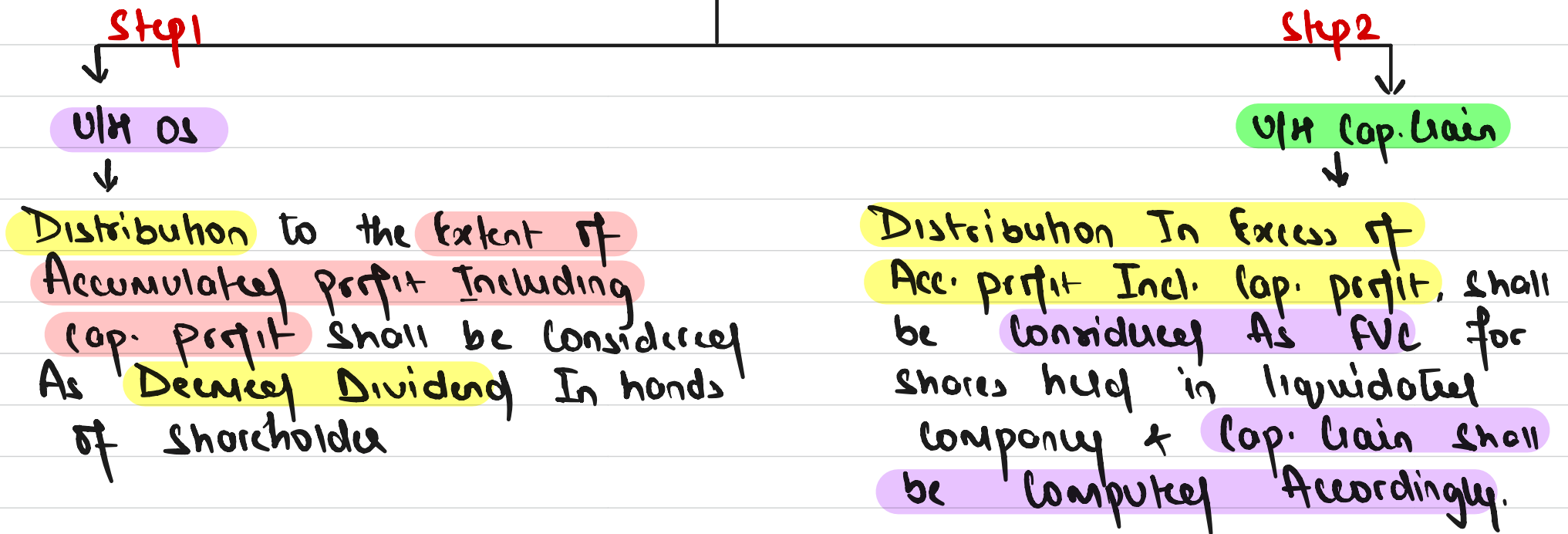
Dividend Incl.  $\Rightarrow$  Deney Dividend  
2(22) (a) / (b) / (d)

2(22)(a)  $\Rightarrow$  Distribution (cash/Kind)  $\Rightarrow$  DD = Acc. Profit + Cap. Profit

2(22)(b)  $\Rightarrow$  Div/Dep (uhf.  $\rightarrow$  SH (E/P) | DD = Acc. p. + Cap. Profit  
Bonus  $\rightarrow$  PSH

2(22)(d)  $\Rightarrow$  Red. of sc  $\Rightarrow$  Distribute  $\Rightarrow$  DD = Acc. pr. + Cap. Profit

## 2(22)(c) Distribution @ time of liquidation



- 9
- Arjun purchased 1000 shares of XYZ for ₹100/eqn on 1/10/15
  - XYZ of shares = 10,000 shares.
  - On 1/10/23 XYZ went into liquidation.
  - Accumulated profits as on date of liquidation = ₹500,000
  - Company distribute bond to Arjun (FMV = ₹1,90,000)

Show Tax Implication In hands of Arjun.

## Step 1 Deemed Dividend u/H OS.

- Distribution to Arjun = ₹190000
- Accumulated profit share = ₹50,000  
(  $50000 \times \frac{1000sh}{1000sh}$  )

Deemed dividend to extent of Acc. profit is ₹50,000

## Step 2 Capital Gain.

Arjun  $\Rightarrow$  sh. of X Ltd  $\rightarrow$  Extinguishment

FVC (Distribution - Deemed dividend)  
(1,90,000 - 50,000)

140000

(-1 ICA (1000sh x 100) x  $\frac{IF\ 23-24\ ie\ 348}{IF\ 15-16\ ie\ 254}$

137008

LTCL

2,992

u/s 112

NOTE No CG Implication will arise in hands of company being liquidated.

Now suppose Arjun sold land on 1/12/23 for ₹ 2,50,000. Tax Implication In hands of Arjun shall be:-

P.O.M 1/10/23 - 1/12/23

		₹
FVC		250000
(-) T. Exp		-
	MC	2,50,000
(-) <b>LOA</b> (FMV of Asset received @ time of liquidation)		1,90,000
	STCG	60,000

land distribute 1,90,000

- 50,000 DD v/m os
- 140,000 FVC v/m CG

Example

Distribution  $6L \times 10000/100000 = 6,00,000.$   
 Acc profit  $2L \times 10,000/100000 = 2,00,000$

DD to extent of Acc. profit is 2,00,000.

Excess dist. shall be FVC for shares i.e.  $6L - 2L = 4L$

V/M U

7.0.14 (15m)

FVC

(→) 10A

₹

4,00,000

1,10,000

STU → 2,90,000

U Q12 Pg 195

$$\text{Distribution} = 8L \times 100sh / 100000sh = 800$$

$$\text{Acc. profits} = 3.5L \times 100sh / 100000sh = 350$$

- DD to the ext of Acc profit = ₹ 350
- Excess distribution = FVC of shares held i.e.  $800 - 350 = 450$

V/M U

FVC

(→) 10A  $(100 \times 12) \times 348 / 100$

₹

450

4176

LTU → (3726)



	BIS			
S/c	2.00L	FA	}	8L
R/s	3.50L	CA		
Other liab.	2.50L			
	8L			8L



Bus. Int  $\Rightarrow$  10% or more kw. / VP / PS

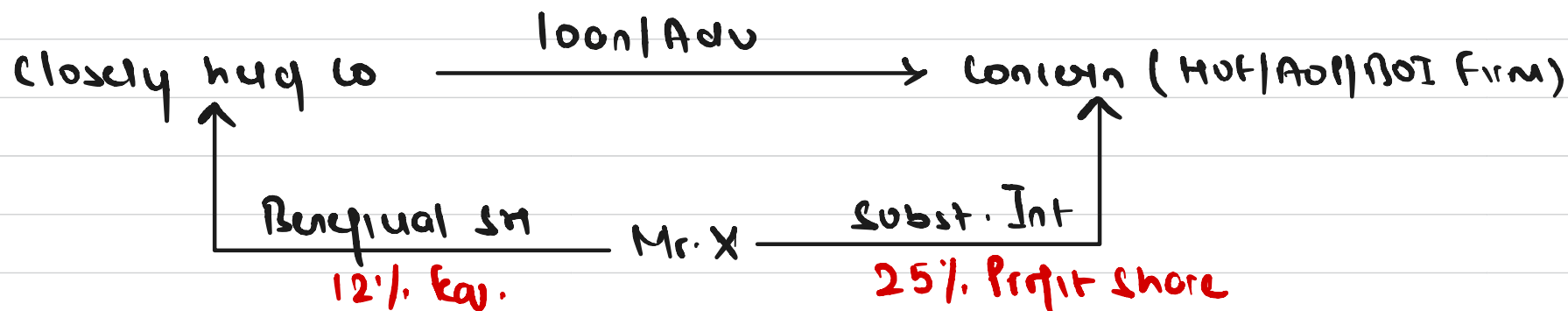
Sub. Int  $\Rightarrow$  20% or more kw. / VP / PS

2(22)(c) loan/Adv. by closely held co.

Co1

Closely held co.  $\xrightarrow{\text{Loan/Adv.}}$  Beneficial shareholder

Co2



Co3

C1. held company  $\xrightarrow{\text{loan/Adv}}$  Any Person  $\xrightarrow{\text{loan/Adv}}$  Benef. SH

Such loan/Advances shall be considered as deemed dividend in hands of Beneficial SH to extent of Acc profit excluding Capitalised profit i.e. Cap. profit shall be **IGNORED** for this section.

Atty (Cl. held Co.) → 1000 of TL → Mr. X (own 15% Eq in Atty)

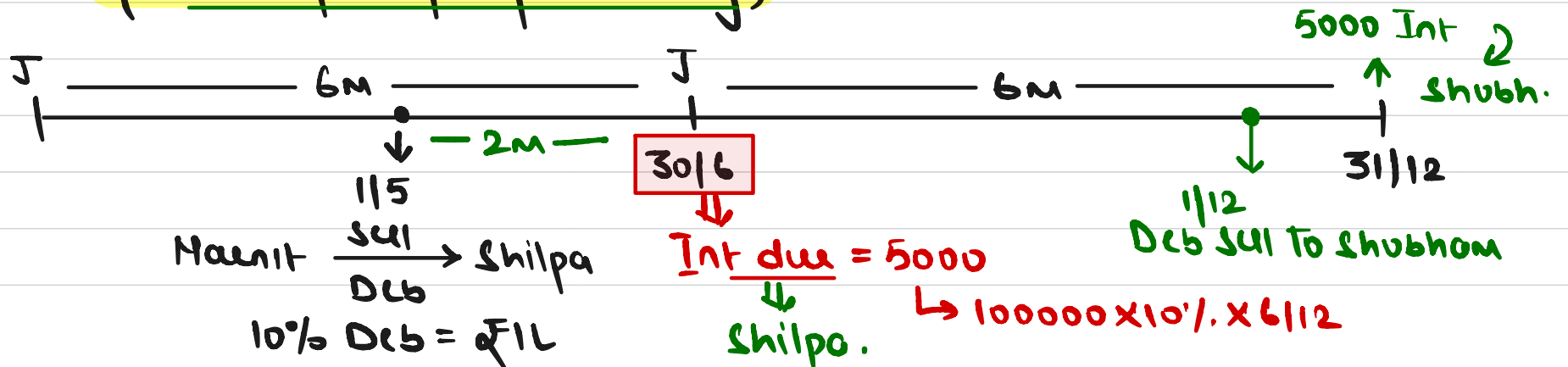
	Accumulated Profits	Dividend
(a)	10L	7L
(b)	<u>7L</u>	7L
(c)	<u>4L</u>	4L

Beneficial SH

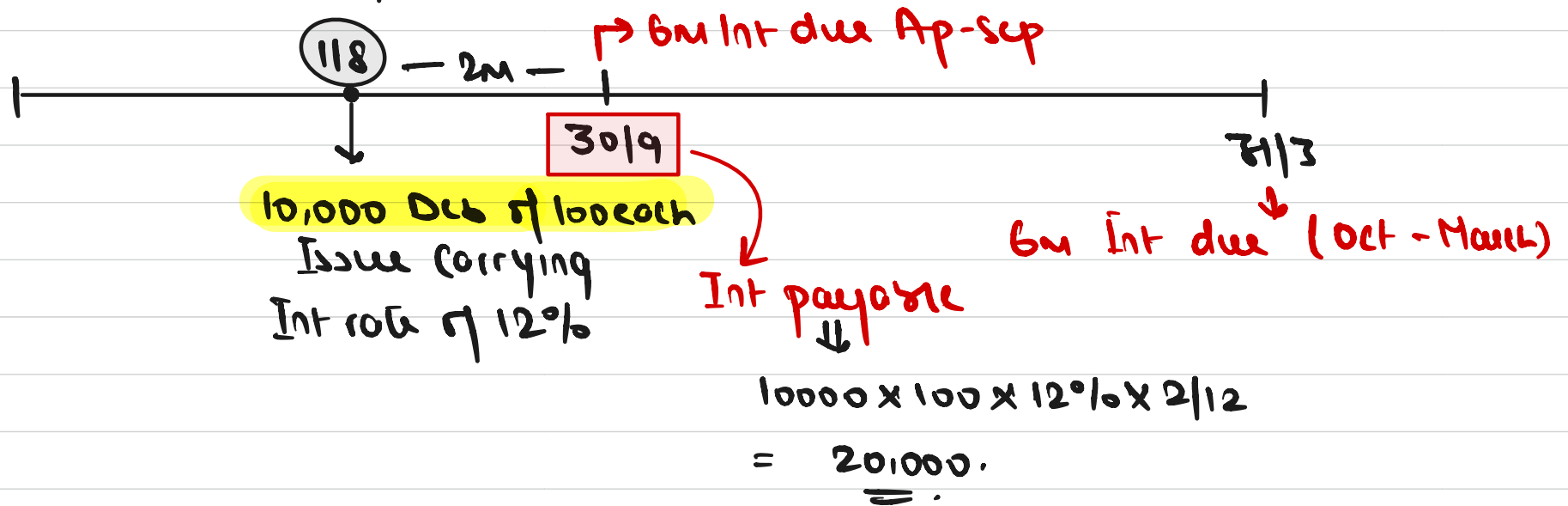
Note:- Cl. held Co → Main object → loan/Advances Grant ⇒ S. 2(22)(c) Not Apply

### \* Int on Securities (Deb/Bonds)

- Int Taxable on due basis
- Int due on Record date (Date on which Int gets due) shall be Taxable in the hands of security holder (irrespective of his period of holding)



- If securities are purchased for first time directly from co. then for calculation of Int period of holding shall be considered



- Int on Securities  $\Rightarrow$  T.D's @ 10%
- Net Amount of Int Given  $\rightarrow$  Gross up.

$$\text{Int Req} = 13500 \rightarrow \text{Gross Int} = \frac{13500}{100 - 10} \times 100$$

$\hookrightarrow$  Net

$$= 15000 \text{ (Income v/H 05)}$$

$$\text{Int Income} = 13500 - \text{Inc. v/H 05}$$

$\hookrightarrow$  Gross

§ 10(15)

P.O. Savings A/c

Individual A/c = upto 3500 exempt

Joint A/c = upto 7000 exempt

P.O. Savings A/c  $\Rightarrow$  ₹ 15000  
(Ind. A/c)

$\rightarrow$  (-) 3500 exempt  $\Rightarrow$  ₹ 11500

$\downarrow$

Joint A/c  $\Rightarrow$  ₹ 15000 - 7000 exempt  
 $=$  ₹ 8000

$\downarrow$   
v/h ds.

Issue of share @ Premium by closely held co.

- 1 • Share are issued @ Prem. by closely held co.
- 2 • Issue price exceeds fair value as well as FMV

$\downarrow$

if Above 2 conditions are satisfied then IP In Excess of FMV shall be considered As Income of Company v/h ds.

No. of Sh. Issued = 10,000

eg

FV	FMV	IP
100	150	170
100	150	120
100	75	85

Income v/n os  
 $(170 - 150) \times 10000 \text{ sh} = 2,00,000$

As shares are issued @ premium but IP doesn't exceed FMV, hence there will be No Income v/n os.

As share are issued @ discount, there will be no Income v/n os.

### BOND WASHING TRANSACTION



F5L Int  $\Rightarrow$  Taxable In hands of Haash.

Exception

Hash Power → More low-incidence ie It is not a regular practice

5L ⇒ Taxable ⇒ MM

or

Hash Power → There is No Tax Evasion In such Transaction.

5L ⇒ Taxable ⇒ MM



***Thank You***

