

CHAPTER 06

IFOS

Basis of Charge [Sec 56]

- ✚ Every Income which is not taxable under any other heads of Income is taxable u/h IFOS.
- ✚ IFOS is Residuary Head of Income.
- ✚ The Income should not be Exempt U/s 10 to 13A (taxable in the hands of assessee).

Relevance of Method of Accounting

- ✚ Income chargeable u/h IFOS must be computed in accordance with Method of Accounting regularly employed by the assessee.
- ✚ Thus, if assessee follows cash system of accounting, income shall be taxed on cash basis.
- ✚ If assessee follows mercantile method of accounting, income shall be taxed on accrual basis.
- ✚ However, Deemed Dividend u/s 2(22)(e) is taxable on Payment Basis u/s 8.

Following Incomes are Taxable U/h 'IFOS'

- ✚ Dividends
- ✚ Interest on Income Tax Refunds.
- ✚ Casual & Non-Recurring Income.
- ✚ Winnings from Lotteries, Puzzles, Horse Races, Card Game etc.
- ✚ Income from Undisclosed Sources (Taxable @78% u/s 115BBE)
- ✚ Rent from vacant piece of Land (Ground Rent)
- ✚ Income from Agricultural Land OUTSIDE India
- ✚ Income from Sub - Letting of House Property
- ✚ Remuneration received by MPs/MLAs
- ✚ Examination Fees received by Teacher from the Non-Employer.
- ✚ Remuneration, Commission, Sitting Fees, etc. received by non-employee directors of Co.
- ✚ Director's Commission from bank for Guarantee
- ✚ Gratuity received by Director (Not as Employee)
- ✚ Director's Commission for Underwriting shares.
- ✚ Interest on Employees Contribution from URPF.
- ✚ Family Pension received by family of Deceased Person. [Check Section 57]
- ✚ Interest received on Compensation for Compulsory Acquisition of Imm. Prop. by Govt.

✚ Sum received from Keyman Insurance Policy (KIP) including Bonus if received by any person other than employer / business owner & employee.

Following Incomes are Taxable U/h 'IFOS' if not Taxable U/H 'PGBP'

✚ Intt. on securities & Intt. on Bank Deposits/Deposits with Companies. [Discussed Later]

✚ EE Contribution to PF/SAF etc. received by Employer [If not remitted before Due Date]

✚ Income from letting out on hire Plant, Machinery, Furniture.

✚ Income from letting out → When letting of buildings is inseparable from letting of P&M/furniture. If any expenditure incurred to earn such income = Allowed.

✚ Insurance Commission.

✚ Income from Royalty.

Dividend [Sec 56(2)(i)]

✚ Dividends are taxable u/h IFOS If shares are held as Investment. [PGBP if held as SIT].

✚ Dividend received from foreign company in the hands of ROR shall always taxable. In case of RNOR & NR, taxable only when received directly in India.

✚ Dividend Income → From 01/04/2020 dividend income is Taxable for Shareholders & Deemed dividend under section 2(22)(a) to 2(22)(e) and income from units of mutual fund shall be taxed as follows -

(1) In hands of shareholders/unit-holder

Taxable: It shall be chargeable to tax

Deduction: No deduction shall be allowed except maximum 20% of the dividend income, or income in respect of such units, included in the total income for that year, without deduction under this section.

Grossing up: Since dividend income/income from units of mutual fund is subject to TDS u/s 194/194K @10%, hence such income is to be grossed up before being included in the total income of assessee.

The net income shall be grossed up as follows: -

Gross dividend = Net Dividend * 100 / {100-(Rate of TDS i.e. 10)} i.e. 90.

(2) In hands of company/mutual fund: The company/mutual fund shall be liable to TDS @ 10% under section 194/194K. However, no such deduction shall be made u/s 194 in the case of a

shareholder, being an individual, if the dividend is paid by the company by any mode other than cash; and Exemption Any Mode upto ₹ 5,000 in a P.Y.

Question 1: - A Ltd., a domestic company, declared dividend of ₹ 170 lacs for PY 2023-24 & distributed on 10.7.2023. Mr. X, holding 10% shares in A Ltd. receives dividend of ₹ 17 lacs in July 2023. Mr. Y, holding 5% shares in A Ltd., receives dividend of ₹ 8.50 lacs.

Discuss tax implications of Mr. X & Mr. Y for AY 2024-25.

Solution: - In the hands of A Ltd: Dividend of ₹ 170 lacs declared & distributed in PY 2023-24 is subject to taxable. In the hands of Mr. X: Dividend received of amt ₹ 17,00,000 would be taxable at slab rate under the head Income from other sources. In the hands of Mr. Y: Entire dividend of ₹ 8.50 lacs received would be taxable at slab rate, under the head IFOS.

Year of Taxability of Dividend [Sec 8]

Nature of Dividend	Year of Taxability
Normal Dividend	Year of Declaration at AGM.
Deemed Dividend	Year of Distribution/Payment.
Interim Dividend	Year in which dividend is unconditionally made available to share holders / received.

✚ Method of Accounting employed by the assessee is irrelevant in case of taxability of Dividends since Section 8 specifically give the basis of charge of Dividend Income.

Note: Dividend declared by Indian Co. outside India → Deemed to accrue/arise in India.

Deemed Dividend [Sec 2(22)]

✚ These Payments are not dividend in reality, but for the purpose of Income tax, they are deemed as dividend to the extent of **ACCUMULATED PROFITS** of the company.

(A) **Distribution of Asset (Cash or Kind)** [Sec 2(22)(a)]

1. There should be distribution from accumulated profits of the company whether capitalised or not & not from capital.
2. Such distribution must result in the release of company's asset (In cash/kind).

Note: In case of Issue of Bonus shares to Equity Shareholders → No Assets are released since it is capitalization of profit & thus it is not deemed as dividend.

Note: If assets distributed in kind, FMV on distribution date has to be taken for dividend.

Question 2

ABC Ltd. has share capital of ₹ 35 lacs. The company has general reserve of ₹ 25 lacs & has distributed dividends. One of the SH Mr. X has received dividend of ₹ 27,000 & is holding 2% of the shares. In this case, entire amount of ₹ 27,000 received by him shall be dividend.

(B) Distribution of Debentures/ Bonus shares etc. [Sec 2(22)(b)]

Any distribution by a company to the extent of company possesses accumulated profits, whether capitalized or not.

✚ **Debentures/Debenture Stock/Deposit Certificate** → to any shareholders; {Equity, Pref.}

✚ **Bonus shares** → to Preference shareholders. [No Dividend if given to Equity Shareholders]

Note: In this clause, Release of asset is not necessary.

Taxable Amount: Bonus shares/Debenture: FMV is taxable in the hands of shareholders.

Question 3

Mr. X is holding 100 preference share in ABC Ltd. The Co. has issued him 100 bonus shares having MV of ₹ 1,200. It will be deemed as dividend to the extent of accumulated profits.

(C) Distribution of asset (Cash / Kind) at the time of liquidation [Sec 2(22)(c)]

✚ Any distribution by the company on liquidation shall be deemed as dividend to the extent of accumulated profit (Capitalized/ or not) **immediately before its liquidation.**

Note: Distribution made out of Profits after Liquidation → Repayment towards capital.

(D) Distribution on reduction of share capital by the company [Sec 2(22)(d)]

✚ Any distribution by the company on Reduction of its share capital to the extent of Accumulated profits (whether capitalized or not) is deemed as Dividend.

✚ Total amt. received reduced by the amt. of deemed dividend u/s 2(22)(c) and balance would be treated as FVOC for capital gain.

Question 4

Mr. X is holding 1000 shares of ABC Ltd. of ₹ 10 each & company has reduced its share capital & has refunded ₹ 5 per share to the shareholders, the amount so received by the shareholders shall be considered to be dividend to the extent of accumulated profit.

(E) Distribution of accumulated profits by way of Loan/Advance [Sec 2(22)(e)]

Any payment by Closely held company (Unlisted Company) by way of Advance/Loan to:

1. **Shareholders** beneficially holding at least 10% Equity shares in the company as on the date of loan.
2. **Any Person** on behalf of such shareholders/for benefit of such shareholder.
3. **Any Concern** in which such shareholder has substantial interest (at least 20% Sh)
4. **Any Concern** in which such shareholder is **Member/Partner**.

Note: - Subsequent repayment of loan by SH to Co. is irrelevant. (Case Law Tarulata Shyam).

Note: - Sec 2(22)(e) N.A in case of trade advance given by a closely held co. to its eligible Equity SH in the ordinary course of business.

Note: - Sec 2(22)(e) is also attracted even if company charge Mkt. rate of interest.

Note: - If loans are given to more than one share holder then accumulated profits shall be adjusted as per FIFO method. { Case Law: - G.Narasimhan }

Question 5

ABC Pvt. Ltd. a closely held company has general reserves of ₹ 7 lacs & current profits of ₹ 2 lacs. The company has given a loan of ₹ 3 lacs to one such shareholder Mr. X. in this case, it will be considered to be dividend in the hands of Mr. X. However, if loan given by the company is ₹ 10,00,000, amount of dividend shall be ₹ 9 lacs.

Exception to section 2(22)(e)

1. Money lending is substantial business of company & loan is given in ordinary course of business.
2. Set-off of Dividend → Where any payment (loan) has been treated as dividend & subsequently company declares dividend & dividend so paid is adjusted (set-off) by the company against the previous borrowing, adjusted amount will not be again treated as a dividend.

(F) Sum paid by domestic company on buy back of its own share. [Sec 2(22)(f)]

W.e.f 01/10/2024, the entire sum paid by domestic company for purchase of its own shares shall be treated as dividend in the hands of shareholders.

Deduction from such dividend not to be allowed (Second Proviso to Sec 57)

Following Payments shall not be treated as Deemed Dividend:

- (a) Payment on Buy-back of shares.
- (b) Dividend does not include any distribution of shares in the scheme of Demerger.
- (c) Trade Advances in the nature of commercial transactions → Not a Deemed Dividend.
- (d) Any distribution made U/s 2(22)(c) & 2(22)(d) for Preference Shares.

Meaning of Accumulated Profits [Only Read Once]

1. It includes all profits upto the date of Distribution/Liquidation (if company is in liquidation).
2. **Accumulated profit includes capital profits (Bonus shares issued) only for clause [a-d] & not for clause 'e'. Thus, Capitalized profit is not considered for Section 2(22)(e).**
3. It includes tax-free Income (Agricultural Income). However capital receipts are included only if they are taxable u/h "Capital Gains" in the hands of recipient company.
4. Does not includes Provision for taxation/dividend, depreciation reserves (provisions for outsiders)
5. If Govt/ Govt company has compulsorily acquired the company → Accumulated profits do not include any profits prior to 3 successive PYs immediately preceding the PY of compulsory acquisition.
6. In case of Amalgamated company → Accumulated Profits of amalgamating company on date of amalgamation shall be included in accumulated profits of amalgamated company.

Casual Incomes (Winning from Lottery Etc.) [Sec 56(2)(ib)]

- ✚ Taxable @ 30% + SC (if any) + 4% HEC on tax u/s 115BB.
- ✚ No deduction for any Expenditure is allowed from such income.
- ✚ Deduction under Chapter VI-A is not allowable from such income.
- ✚ Adjustment of unexhausted BEL is not permitted against casual income.
- ✚ It includes casual income in winning from lotteries, crossword puzzles, horse races, card games & other games of any sort, gambling, betting etc.

GROSSING UP of Winning from Lottery/Interest on securities

If the net amount is given, then it shall be grossed up. Tax will be levied on Gross Income.

Gross amount = Net Amount or Received / (100% - TDS Rate)

Interest Received on Securities [Sec 56(2)(id)]

- ✚ Securities held as Investment → Interest from such securities is taxable u/h IFOS.
 - ✚ Securities held as Stock in Trade → Interest from such securities is taxable u/h PGBP.
- Exceptions: Following Interest Income would be EXEMPT U/S 10(15):
- (a) Interest on Post Office Savings Bank Account is exempt from tax only to the extent of:
 - ₹ 3,500 → Individual A/c.
 - ₹ 7,000 → Joint A/c.
 - (b) Interest on securities held by "Issue Department of Central Bank of Ceylon".
 - (c) Interest payable to any foreign bank on deposit made by it with scheduled bank (with the approval of RBI). Such Foreign bank must be authorized to perform central banking functions.
 - (d) Interest payable by:
 - (i) Public sector companies on bonds/debentures notified by CG in the official gazette. Interest from the following bonds is Exempt: India Infrastructure Company Ltd & tax-free Bonds of Indian Railway Finance Corporation Ltd. (IRFCL), NHAI, RECL, Housing & Urban Development Corporation Ltd. (HUDCL), Power Finance Corporation (PFC), Jawaharlal Nehru Port Trust, Dredging Corporation of India Limited, Ennore Port Limited & Indian Renewable Energy Development Agency Limited.
 - (ii) GOI on deposit made by employee of CG/SG/public sector company in accordance with notified scheme of moneys due to him on account of his retirement.
 - (e) Bhopal Gas Victims: Interest on deposits made for benefit of victims of Bhopal Gas Disaster in account with RBI or any public sector bank notified by CG → Exempt u/s 10(15).
 - (f) Interest on Gold Deposit Bond/Certificates issued u/s Gold Monetization Scheme, 2015.
 - (g) Interest on bonds issued by (a) Local authority; (b) State Pooled Finance Entity notified by CG. Interest from "Tax-Free Pooled Finance Development Bonds" → Exempt u/s 10(15).
 - (h) Interest received by NR/RNOR from deposit in Offshore Banking Unit referred u/s 2(u) of SEZ Act, 2005 made on/after 1.4.2005.
 - (i) Interest receivable by NR from unit located in IFSC i.r.o moneys borrowed by it on/after 1.9.2019.

Ques: Interest from non-SLR Securities of Banks: Whether chargeable u/h PGBP or IFOS?

Ans: Investments made by banking concern are part of business of banking. Thus, income arising from such investments is attributable to business & thus fall u/h PGBP. Therefore, expenses relating to investment in non-SLR securities shall be allowed as deduction u/s 57(i).

Receipt of Money / Property for Inadequate Consideration/Without Consideration by Individual/HUF [Sec 56(2)(x)] → [GIFT]

Applicability of Section 56(2)(x)

✚ Section 56(2)(x) would apply only if Gift (Property) received is a **Capital asset** for recipient.

✚ It would not apply if the property received is SIT/RM/CS of the recipient.

✚ Only T/F of a capital asset for inadequate/without consideration would attract 56(2)(x).

S	Nature of Gift	Taxability in the hands of Recipient
1	Cash/Cheque/ Draft (All Transactions)	If Total Amount of Money received from one or more person during a PY > ₹ 50,000 → Whole Amount of Money received is Taxable
		Note: If Money received is less than or equal to ₹50,000 → Nothing will be taxable.
2	Receipt of Movable Property (All Transactions)	
	Free (Without Consideration) Pure Gift	If Aggregate FMV of all Movable properties received > ₹ 50,000 → Whole Amount of FMV of Movable Properties received is taxable.
	Inadequate Consideration	If Aggregate difference (FMV & Sale Price) on all Movable properties received > ₹ 50,000 → then Total difference received is taxable. Note: - Limit of ₹ 50,000 considered aggregately for all gifts received during the year.
		Note: If Value/Difference received is ≤ ₹50,000 → Nothing will be taxable.
3	Receipt of Immovable Property (Single Transactions)	
	FREE (Pure Gift)	If SDV > ₹ 50,000 → Whole SDV is taxable.

Inadequate Consideration	<p>If Difference between SDV & Purchase Price more than</p> <p>(i) ₹ 50,000 AND</p> <p>(ii) SDV is more than 110% of Consideration → Difference is taxable.</p> <p>In case of immovable property, the amt of gift must be seen transaction wise & not aggregate for the entire year.</p>
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Points to Remember:

- (i) Which Value is to be considered if DOA & DOR are different: Refer Capital Gains.
- (ii) What if SDV of immovable prop. is disputed by the assessee: AO may refer VO to value it. If Value by VO is less than SDV, Value by VO final value of such prop.

(a) "Property" means the following capital asset of the assessee, namely -

- (i) Immovable property being land or building or both;
- (ii) Share and securities
- (iii) Jewellery
- (iv) Archaeological collection (Relating to past / ancient times)
- (v) Drawings
- (vi) Paintings
- (vii) Sculptures
- (viii) Any work of art; or
- (ix) Bullion (Silver / Gold in its purest form)
- (x) **And shall include virtual digital asset. [by Finance Act, 2022 w.e.f. 01/04/2023]**

Note: - Gift of any other assets such as Motor cars, Mobile Phone, Watches, Laptops, Etc. is not taxable in the hands of the recipient.

Note: - The provision of taxation of gift given U/s 56(2)(X) shall not applicable where the recipient receives the gift as stock in trade / business transaction. Gift include all movable / Immovable properties.

Note: - Gift received by employees from employers (Even received on marriage)

1. Gift received in Kind/ Voucher received against which gift can be claimed: - Exempt less than 5,000 & Equal to or more than ₹ 5,000 is taxable U/h salary.

2.	Gift received in cash or convertible into cash (DD, Cheque): - Fully taxable u/h Salary.
#	Note: - <u>Gift received in connection with business / profession:</u> - Taxable U/h PGBP whether such gift is convertible into money or not.
#	Note: - <u>Taxability of Scholarship / Award / Reward (Sec 10) :-</u>
1.	Scholarship: - Sec 10(16): - Any scholarship received by a person for meeting the cost of education is exempt from income tax.
2.	Award / Reward: - 10(17A): - Any award or reward received by a person from CG/SG is exempt from tax in cash or kind. If any private award / reward shall be exempt if the same has been approved by the govt.
#	<u>Followings incomes are exempt U/s 10(15)</u>
1.	Section 10(4)(ii) in the case of an individual, any income by way of interest on money standing to his credit in a Non-Resident (External) Account in any bank in India in accordance with the FEMA 1999, is exempt from tax. Exemption is available only if such individual is a person resident outside India as per FEMA, 1999 or is a person who has been permitted by the RBI to maintain the such account.
2.	Section 10(10BC) - Any amount received / receivable by an individual or legal heir of the individual on account of any disaster from CG; or SG; or LA. Except, to the extent the loss or deduction is allowed under the Income Tax Act for any loss / damage.
3.	Section 10(17) provides exemption to MP / MLA for their daily allowances in entirety.
	Following Gifts are not Taxable Irrespective of their Amount
	While calculating the above limit of ₹ 50,000, following amount shall not be considered.
✚	Gifts from Relatives .
✚	In Contemplation of Death of the payee/donor. (Person start believing that he would die soon due to illness etc.)
✚	On occasion of marriage . (From relative / Non-Relative)
✚	From Approved Local Authority.
✚	Under a Will/ By Inheritance .
✚	From Registered trust referred u/s 12AA / 12AB.
✚	From any hospital or medical institution
✚	From any university or educational institution

✚	Gift received by a trust from Individual. (Trust must be created for benefit of relative of individual)
✚	Gift received by any Hospital, Medical Institution, Trust, University, Edu Institution, Fund referred to sec 10(23C)
✚	Transaction not regarded as transfer u/s 47. (HUF Partition, Amalgamation & Demerger, H to S, S to H)
	Gift Received from following is also exempt [56(2)(x) Not Applicable]
(i)	By an individual, from any person, in respect of any expenditure actually incurred by him on his or any member of his family, for illness related to COVID-19. Condition: - Details of amt. so received must be furnished to the income tax department within 9 months from the end of such financial year.
(ii)	By a member of the family of a deceased person - (a) From the employer of the deceased person without any limit; or (b) From any other person or persons upto ₹ 10 lakh, Where the cause of death of such person is illness related to COVID-19 and the payment is- (i) Received within 12 months from the date of death of such person; and (ii) Death of the individual should be within 6 months from COVID-19.
	Explanation: "family" means - (i) The spouse and children of the individual; and Parents, Brothers, and Sisters of the individual dependent on the individual.
	Meaning of Relatives
	For Individual: -
✚	Spouse/Brother/Sister of the individual.
✚	Brother/Sister of the Spouse of the individual.
✚	Brother/sister of either of the parents of the individual.
✚	Any lineal ascendant or descendant of the individual & spouse of the individual.
✚	Spouse of any of the persons referred to above.

For HUF: -

Any Member of HUF (Gift not taxable because member of HUF is relative for HUF)

Advance Forfeited Due to Failure of Negotiation for Transfer of a Capital Asset [Section 56(2)(ix)]

Advance money forfeited upto 31.3.2014	Reduce from original COA of capital asset.
Advance money forfeited on/after 1.4.2014	Taxable u/h IFOS & such advance would not be reduced from the cost of acquisition for computing capital gains.

Note: Date of forfeiture of advance money is relevant.

~~Issue of Shares at Premium [Sec 56(2)(viib)]~~ Sunset w.e.f from AY 2025-26.

In the hands of closely held company i.e. Private Company

Taxable Amount = Issue Price of Share - FMV of share.

Important Crux: -

1. This section is not applicable to Public Company.
2. This section is not applicable if share issued at Par / Discount.
3. The issue price of share should be more than their FMV.

Question 6

IP - Issue Price; FV - Face Value; FMV - Fair Market Value.

Name	FV	IP	FMV	Applicability of section 56(2)(viib)
A Ltd	100	120	120	IP > FV. Thus shares are issued at premium & thus 56(2)(viib) is attracted. Taxable Amount = IP - FMV = ₹120 - ₹120 = Nil. Note: Even if Sec 56(2)(viib) is attracted, there is no tax since IP = FMV.
B Ltd	100	100	120	IP = FV. Thus shares are NOT issued at premium & thus 56(2)(viib) is NOT attracted. Thus no tax even if shares are issued above FMV.

C Ltd	100	110	90	IP > FV. Thus shares are issued at premium & thus 56(2)(viib) is attracted. Taxable Amount = IP - FMV = ₹110 - ₹90 = ₹20 per share.
D Ltd	100	98	100	IP < FV. Thus shares are NOT issued at premium & thus 56(2)(viib) is NOT attracted. Thus no tax even if shares are issued above FMV.

Compensation on Termination of employment [Sec 56(2)(xi)]

IFOS: - Compensation or any other payment received in connection with termination of his employment or the modification of the terms & conditions of the employment [Sec 56(2)(xi)]

This section is applicable only if compensation is received from a person other than ER but if received from ER then taxable u/s 17(3)(i) U/h Salary.

Interest Received on Compensation / Enhanced Compensation for Compulsory Acquisition of Land & Building [Sec 56(viii)]

Taxable in the PY of Receipt irrespective of the year for which it is paid & irrespective of the method of accounting followed by the assessee [Section 145A].

50% of such interest is allowed as deduction (sec 57).

No deduction is available for any other expenditure whatsoever.

Permissible Deductions from IFOS [Sec 57]

- Commission & Remuneration:** paid to any person to realise dividend & interest if such income is taxable in the hands of recipient. [Ex: Collection charges paid to bank/interest on loan].
- Family Pension** → Deduction = Lower of (a) ₹ 15,000 (₹ 25,000 in case U/s 115BAC) or (b) 1/3rd of Family Pension Received.
- Interest on compensation for Compulsory acquisition** = 50% of amount received during PY.
- In case of income from letting of P&M/furniture on hire with/without building:**
Following items are allowed as deductions in computation of income:
 - Amount paid for current repairs to P&M/furniture.
 - Insurance premium paid against risk of damage/destruction of P&M/furniture.
 - Normal depreciation allowance for P&M/furniture due.

5. **For Dividend Income / Income from mutual funds**
Only Interest expenditure incurred to earn such income, cannot exceed 20% of gross amt. of such dividend or income from MF/UTI.
6. Rental income from letting out of plant & machinery, Furniture & Fixture etc.
a. Only Revenue repairs
b. Any insurance premium paid
c. Normal depreciation allowed in respect of the machinery, plant or furniture.
7. **Employee Contribution remitted before due date by the Employer.**
Employee contribution to PFs is treated as income in the hands of Employer. Such Employee contribution is allowed as deduction to the Employer if remitted before Due Date.
8. **Any other Revenue expenditure** incurred wholly & exclusively for earning such Income.
For Capital expenditure: - Depreciation shall be allowed.

Disallowed Deductions from IFOS [Sec 58]

Personal Expenses	Any personal expense of the assessee
Casual Income	No deduction from any casual income. Note: Activity of owning & maintaining race horses → Expenses incurred shall be allowed. Such loss shall be allowed to be carried forward in accordance with the provisions of section 74A.
Income Tax	Any Income-tax paid/payable
Interest	Payable outside India if No TDS or after TDS, not paid to govt.
Salaries	Payable outside India if No TDS or after TDS, not paid to govt.
Payment to Residents	30% of Sum paid shall be disallowed if ⚡ Tax is NOT deducted or; ⚡ Tax after deduction is NOT paid before DD of filing ROI u/s 139(1).
Payment to Relative	Excessive payment shall be disallowed. [Same as 40A(2)]
Cash Payment	Payments to A Person in A day for one cash expenditure exceeds ₹ 10,000. [Same as 40A(3)]

Taxable Deemed Income

- ✚ The provisions of section 41(1) are made applicable to the computation of income u/h IFOS.
- ✚ Thus, any income u/s 41(1) which comes under the purview of IFOS shall be taxable u/h IFOS.

Taxation of other Income U/h IFOS

- ✚ Gift Taxable U/s 56(2)(X).
- ✚ Income from owning & maintaining of horse race.
- ✚ Interest received from govt. for delayed payment of compensation / enhanced compensation payable on compulsory acquisition of immovable property.
- ✚ Forfeiture of advance money.
- ✚ Any sum received under a general life insurance policy (other than Unit-Linked Insurance policy & KIP) provided exemption U/s 10(10D) is not available.
- ✚ Income from undisclosed sources, receipt without consideration, etc.

Income from owning & maintaining of horse race.

Income from business of owning and maintaining horse race is taxable u/h IFOS.

Income from business of owning and maintaining any other animal race is taxable u/h PGBP.

- Losses from the business of owning and maintaining horse race are allowed to be set off only against the income of any other business of owning and maintaining horse race.
- Unadjusted losses from the business of owning and maintaining horse race are allowed to be carried forward for a period of 4 years. In future years, the losses from the business of owning and maintaining horse race can be set off against the income from business of owning and maintaining horse races.

Note: - If assessee follow default tax regime u/s 115BAC then following benefits not available

- Exemption Sec 10(32) minor income include in parents' income.
- Exemption Sec 10(17) allowances of MP/MLA.

Sec 10(10D): Exemption on maturity of Life Insurance Policy

Any sum received under a LIP, including the bonus is Exempt from Tax.

Following sums are taxable:

- (i) Received under a Keyman insurance policy.
- (ii) Received where premium paid is more than prescribed limit (20%,10%,15%) given u/s 80C. (If it is received on death then its exempt).
- (iii) Received where any LIP, other than ULIP, issued on or after the 1st April, 2023, if the amount of premium payable for any of the PY during the term of policy exceeds ` 5,00,000. Provided, if premium is payable for more than one LIP, other than ULIP, issued on or after 1st April, 2023, the exemption u/s 10(10D) shall apply only with respect to those LIP's, where the aggregate amount of premium does not exceed ` 5,00,000, in any of the PY during the term of any of those policies. [6th & 7th provisos of sec 10(10D) - added by FA, 2023 w.e.f. AY 24-25]

Note: Exemption is available if sum received in point (iii) on the death of person.

Clarification on GST Component: It is also clarified by the CBDT that the premium payable/ aggregate premium payable for a life insurance policy/policies, other than a ULIP, issued on or after 1.4.2023, for any PY, would be exclusive of the amount of GST payable on such premium.

Clarification on premium of Term life insurance policy: It is further clarified by the CBDT that the limit of ` 5,00,000 of amount of premium payable would not be applicable in case of a term life insurance policy i.e. where sum under a life insurance policy is only paid to the nominee in case of the death of the person insured during the term of the policy and no amount is paid to anyone if the insured person survives the policy tenure.

Sec 56(2)(xiii): Income from Life Insurance Policy (Added by FA-2023 w.e.f. AY 2024-2025)

Any sum is received, including bonus, at any time during a PY, under a life insurance policy, other than KIP & ULIP, which is not exempted u/s 10(10D), the sum received as exceeds the aggregate of the premium paid, during the term of such life insurance policy, and not claimed as deduction under any other provision of this Act, computed in such manner as may be prescribed.