14. Interest Received.

Interest

- Interest rec'd from
  - a) Gold Bonds 1999
  - b) Deposit certificate issued under Gold monetisation scheme 2015
  - c) Public Provident Fund (PPF)
    ↓
    Fully exempt
  - d) Interest on post office saving Acc
    ↓
    Exempt upto 3500 pa
    [In case of Joint A/c 7000 pa]
- Interest on late compensation of compulsory Acq. of Property
  ↓
  Taxable Amt = Interest Rec'd × 50%
  [50% std dedn u/s 57]
- Other Interest
  ↓
  Taxable

15. Advance money forfeited on or after 1/4/2014
→ Taxable under IFOS

16. Compensation Rec'd on Termination or modification of employment from Non Employer organisation
→ Taxable under IFOS

Sec 57 :- Allowability of Expenses

	Income	Expenses
(i)	Taxable	Allowed
(ii)	Exempt	Ignore
(iii)	Winnings	Ignore
(iv)	Interest on late compensation	Ignore (50% std dedn allowed)
(v)	Dividend / Income from UTI / MF	Only Interest Expense allowed if loan is taken for Investment into shares / MF that too 20% of Dividend / Income from UTI / MF

Sec 58 :- following expenditure are not allowed.

1) Personal Expenditure
2) Any expenditure related to casual Income (winning)
3) Payment made to Relative to the extent of unreasonable
4) Cash Expenditure more than 10000 in a single day to a single person.
5) Interest or salary paid outside India on which TDS not deducted or deducted but NOt paid to government.
6) Any expenditure paid to Resident and if TDS not deducted or deducted but NOt paid to Government then 30% of such expenditure shall be disallowed.

— following Incomes are Exempt :-

Sec 10(2) :- Share of Income rec'd by member from HUF

Sec 10(2A) :- Share of Income rec'd by Partner from Partnership firm.

Sec 10(10BB) :- Any compensation rec'd by Bhopal Gas victim

Sec 10(10BC) :- Any compensation rec'd on Amount of disaster from central govt, state govt or local authority

Sec 10(11A) :- Any Amt rec'd under sukanya samriddhi Account Scheme (including Interest) sec 10(16) :- Educational scholarship

sec 10(18) :- Any Pension recd by Individual who was awarded with veer chakra, Mahaveer chakra, Paramveer chakra or other gallentry Award.

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Computation of Income from other sources

Particulars	₹	₹
Directors fees from company		10000
Interest on Bank Deposit		3000
Income from undisclosed sources		12000
Winnings from lotteries 100 ?		50000
Net 70 35000		
Royalty on Bonus	9000	
(-) Typing manuscript charges	(1000)	8000
Lectures in seminars		5000
Interest on loan to Relative		7000
Interest on Debenture		3600
Interest on P.O. Saving Bank A/c	500	
Less:- Exempt upto 3500	(500)	-
Interest on Govt securities		2200
Interest on monthly Income scheme of Post Office		33000
IFOS		133800

* Taxation in case of liquidation *

Katora Pvt Ltd

B/S as on sale of liquidation on 15/12/24

share capital [A:B:C:D:Z]	500000		
Res & surplus	1500000	Asset	2200000
liability	200000		
	2200000		2200000

Shares of company held by 5 shareholders ie A.B.C.D & Z and acquired on 19/7/2020 for 100000 per shareholder

On 15/12/2024, company goes into liquidation and Distributes Assets to shareholders on 15/7/25

cash	250000
Assets (FMV)	450000
	700000 each shareholder

Total Distribution :- 700000 x 5 shareholders
= 3500000

In hands of company

If company distributes Asset on liquidation to shareholders then it is not treated as Transfer and CG Not Applicable in Hands of company.

In hands of shareholders

(I) When company distributes Asset to shareholder on liquidation then it is treated as Deemed Dividend U/s 2(22)(c) in the year of distribution to the extent Accumulated Profit of company (capitalised or Not). In the present case company distributes total Asset of ₹ 3500000 to the shareholders and accumulated profit on the date of liquidation is ₹ 1500000, so ₹ 1500000 is treated as Deemed Div. U/s 2(22)(c). In this case ₹ 300000 (1500000/5) is treated as Deemed Div and taxable under IFOS in hands of each shareholder in PY 25-26.

(II) Capital gain in Hands of each shareholder i.e. Mr. A — PY 25-26 AY 26-27

		₹
FVOC		
Cash (Money)	250000	
Assets	450000	700000
(-) Deemed Dividend U/s 2(22)(c)		(300000)
	FVOC	400000
(-) COA [POH : 1/7/20 till 18/12/24]		(100000)
	LTCG	300000

In case of liquidation POH of share shall be considered only till the date when company goes under liquidation

Taxation of BuyBack by Domestic company

Mr BB acquired 10000 shares of BBVPL @ 70 per share (FV ₹10) on 10/12/2022. On 10/10/2025 company buyback 4000 shares from Mr BB @ 300 p. share On 15/4/26 Mr BB sold 6000 shares to Mr AK for ₹ 450 per share. Discuss tax treatment

Taxability in case of BuyBack on or after 1/10/24

- In Hands of company
  - No Tax treatment
- In hands of shareholders
  - Total BuyBack Price
    - Treated as Deemed Dividend u/s 2(22)(F)
      - Taxable under IFOS in the year of BuyBack
  - Capital Gain

FVOC	Always Nil
(-) COA	(xxx)
STCL / LTCL	(xxx)

— In hands of BB

A) As per sec 2(22)(f) BuyBack Price is treated as deemed dividend. 4000 shares × 300 per share i.e 1200000 is treated as deemed Dividend and it is taxable under IFOS in PY 25-26 (AY 26-27)

B) Computation of capital Gain on BuyBack

(PY 25-26 AY 26-27)

	₹
FVOC	Always NIL
(−) COA (4000×70)	(280000)
LTCL	280000

LTCL can be set off only against LTCG & it can be c/f for Next 8 AY's

C) Computation of CG on sale of shares to Mr AK

PY 26-27, AY 27-28

FVOC (6000×450)	2700000
(−) COA (6000×70)	(420000)
LTCG	2280000
(−) set off last year (PY 25-26)	(280000)
LTCG	2000000

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— Amalgamation and Demerger

Sec 12(1B) : Meaning of Amalgamation

Merger of one or more company with another company or merger of two or more companies to form one company.

condition :-

1) All Asset and liability of Amalgamating company should be transfered to Amalgamated company.

2) Shareholder holding minimum 75% equity shares in A'ing co. should become shareholder of A'ed co.

— Taxation in hands of Amalgamating company

As per sec 47, Amalgamation is not treated as transfer so CG Not applicable

— Taxation in hands of Amalgamated company (New company)

a) COA of Asset = COA of Amalgamating company i.e. previous owner.

b) POH of Asset held by Amalgamating and amalgamated company both considered.

Taxation in hands of shareholder

a) As per sec 47 when shareholder received shares of A'ed company in the scheme of Amalgamation then it is not treated as transfer an CG not applicable

b) COA of shares in A'ed company := COA of shares in A'ing company

c) POH of shares held in A'ed co. and A'ing co. both considered.

Eg:- Mr Bablu purchased shares of Idea ltd, 1000 shares @ 100 each in 2002. Idea ltd A'ed with VI ltd in 2022 and Bablu received 1200 shares of VI. Bablu transfer all the shares of VI on 10/12/2024 @ 300 per share. Calculate capital gain.

a) When Bablu rec'd shares of VI in exchange of shares of Idea, it is not treated as Transfer so CG is Not applicable.

b) Computation of CG on sale of shares of VI

		PY 24-25 AY 25-26
RVOC (1200 x 300)		360000
(-) COA (1000 x 100)		(100000)
	LTCG	260000

Note : Assume sec 112A Not applicable