during the previous year.

3. The amount in excess of 10 Lakh shall be taxed at the rate of 10% (plus surcharge and cess).

4. No deduction in respect of any expenditure or allowance or set off of losses shall be allowed to assessee under any provision of the Act in computing the Income by way of dividends.

5. Dividend shall include deemed dividend except u/s 2(22)(e).

6. It may be noted that company shall also pay CDT u/s 115-O on the dividends which is getting taxed u/s 115BBDA in the hands of shareholders.

Example

Mr. X invested in shares and received during the year at various dates as under :-

Date of receipt	Scrip	Nature of Dividend	Amount of Dividend
27-06-2018	GAIL	Final	1,75,000
25-08-2018	TCS	Final	82,000
12-09-2018	ONGC	Final	34,000
15-09-2018	BHEL	Final	9[illegible],000
27-11-2018	CIPLA	Interim	2,73,000
2-2-2019	NTPC	Interim	1,69,000

To earn the dividend income Mr. X spend 67,000 during the year. Mr. X also earned the following incomes :

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- Rent received from House located in South Delhi 600000
- Income from business (computed) - 360000

Compute total tax payable by him for the A.Y 2019-20.

Computation of Income & Tax Liability of Mr. X
Assessment Year 2019-20

	Particulars	Amount	Amount
	Income under the head		
	House Property		
	Rent received	600000	
Less:	30% u/s 24(a)	180000	420000
	Profit and Gains of Business and Profession		360000
	Income from other Sources		
	Income from dividends		31000
	TOTAL INCOME		
	Tax on dividend @ 10% (1031000 - 1000000)		
	Tax on other income		
	Total Tax		
Add:	H&EC @ 4%		
	TAX PAYABLE		

Example - [illegible] Global shares and securities Pvt. Ltd, a resident, earned a dividend of ₹ 56,000 during the year ended 31-3-19 from various securities in which the company was trading. Discuss the tax

~~implication on dividend Income.~~

Answer ~~Since the dividend is received by the company, therefore section 115BBDA is not applicable, total dividend earned by company shall be exempt from tax u/s 10(34).~~

- Section 115BBD Tax on certain dividends received from foreign companies

Section 115BBD has introduction to provide that where total income of an Indian company includes any income by way of dividends received from foreign subsidiary company, then such dividends shall be taxable @ 15% (plus surcharge and cess) on gross amount of dividend. No expenditure in respect of such dividends shall be allowed under the Act.

Foreign subsidiary company means a foreign company in which Indian company holds 26% or more equity share capital.

- Section 2(22) Deemed Dividend

Dividend include to the extent of accumulated Profits whether capitalized or not.

a. Any distribution by a company, if such distribution reduces companys assets.

b. Distribution of Debentures deposit certificates to S.H and bonus share to preference shareholders

c. Distribution of accumulated profits on its liquidation immediately before the date of liquidation except PSH.

d. Distribution of accumulated profits on reduction of share capital except to PSH.
Dividend include to the extent of accumulated profits only.

e. Any advance / loan by a Private Company to
i.) Equity shareholders holding not less than 10% VP
OR
ii.) any concern in which such member is having not less than 20% profit sharing.

• Section 56(2)(x) Gifts received by ~~Individual / HUF~~ ANY PERSON

Any sum of money or value of property received without consideration / inadequate consideration shall be taxable in hands of the recipient, being an individual or HUF.

Nature of Asset	For ceiling of ₹50000 no. of transactions to be looked at	Taxable Value
Money - Without consideration	All transactions of money	If aggregate sum exceeds ₹ 50,000
Immovable Property - Without Consideration	Single Transaction	Stamp duty Value of the property, if it exceeds ₹ 50000

Immovable Property Inadequate consideration	Single Transaction	The diff. between the stamp duty value of the property and the consideration, if exceeds ₹50,000 and SDV > 110 % of ASP.
Movable Property Without Consideration	All transactions	The aggregate fair market value of the property, if it exceeds ₹50000
Movable Property Inadequate Consideration	All transactions	The diff. between aggregate fair market value & consideration, if it exceeds ₹50000

FOCUS AREA

If date of agreement and date of registration is not same then the SDV on date of agreement shall be taken as sale consideration if consideration or part thereof has been received on or before the date of agreement by way of A/c payee, cheque, A/c Payee Draft, ECS. In all other cases, SDV as on date of registration shall be deemed as Sales Price.

The property so transferred shall be capital asset in the hands of the receiver.

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Section 49(4): When section 56(2)(vii) is attracted in the hands of receiver, then FMV of property or SDV of property shall be deemed as cost of acquisition

"**Property**" means (only in nature of capital asset.

a.) Immovable property being land or building or both,
b.) Shares and securities
c.) Archaeological Collections
d.) Jewellery
e.) Drawings
f.) Paintings
g.) Sculptures
h.) any work of art or bullion.

Provided that nothing shall be taxable if gift has been received.

- From any **Relative**; or
- On occasion of the **marriage** of individual; or
- In **contemplation of death** of payer; or
- Under a **will** or by way of inheritance; or
- **From any local authority**, university, educational institute or institute registered u/s 12AA or 10(23C)
- Any **shares received by an individual or HUF** as a consequence of demerger or amalgamation of a company or business reorganization of a cooperative bank shall not be subject to tax by virtue of the provisions contained in section 56(2)(~~x~~i)

NOTE-1 Children of brother and sister of the individual are not covered under the definition of relative.

NOTE-2 Limit of ₹ 50,000 shall be applicable seperately for money, movable property and immovable Property.

Section 56(2)(x): Taxation of GIFT

*any **immovable property**,—*

*(A) **without consideration**, the stamp duty value of which exceeds fifty thousand rupees, the stamp duty value of such property;*

*(B) **for a consideration**, the stamp duty value of such property as exceeds such consideration, if the amount of such excess is more than the higher of the following amounts, **namely:—***

(i) the amount of fifty thousand rupees; and

*(ii) the amount equal to **TEN** [~~five~~] per cent of the consideration*

***Note:** Consequently, even section 43CA and section 50C, are amended on a similar basis, and provides for a ten percent tolerance limit.*

Analysis & Example: [We will Discuss in Amendment Class]

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- **Section:56(2)(x)**

Transfer of shares without consideration / inadequate consideration attracting 56(2) for firms and companies.

- **Section:56(2)(viib)**

Consideration received in excess of FMV of shares (issued at premium) by closely held company.

- **Section: 56(2)(xi): Compensation on termination of Employement.**

Any compensation or other payment, due or received by any person in connection with termination of his employement (or modification of terms of employement) is treated as income u/s 56(2)(xi) (applicable from AY 2019-20). This section is applicable only if compensation is received from a person other than employer. However, if it is received from employer, then it is taxable as profits in lieu of salary under section 17(3)(i) under the head "Salaries".

Assignment

CHAPTER-9
CLUBBING OF INCOME
Section 60-65

- Section-60: Transfer of Income without transfer of Asset.

- If any person transfers the Income (whether revocable or not) from any asset.
- Without transferring the asset itself.
- Such income is to be included in the total income of the transferor.

Example: P owns 5000 15% debentures of C Ltd. of 100 each (annual interest being 75000.). On April 1, 2018 he transfers interest income to S, his friend, without transferring the ownership of these debentures. Interest received in hands of S is taxable in the hands of P, as he has transferred income without transfer of asset.

Example: V transfers income from house property to his friend Mr. S without transferring the house property to him. Here the income from house property will be clubbed with the income of Mr. V.

- Section-61: Revocable Transfer of Assets.

- All income arising to any person by virtue of a revocable transfer of assets.

Remarks

- Shall be chargeable to Income tax as the income of the transferor and
- Is to be included in the total income of the transferor

• Section 63: Revocable Transfer

a.) It contains any provision for retransfer, directly or indirectly, of the whole or any part of the income or assets to the transferor, or

b.) It gives, in any way to the transferor, a right to reassume power, directly or indirectly, over the whole or any part of the income of the assets.

Example : Mr. VG transfers house property to his friend Mr. Y for seven years. Here the transfer is revocable after seven years and therefore, the income from house property will be clubbed with the income of Mr. VG.

• Section 62: Exceptions where clubbing provisions are not attracted even in case of revocable transfer (i.e. Irrevocable transfer)

Transfer not revocable during the lifetime of the beneficiary or the transferee.

- If there is a transfer of asset which is not revocable
- During the life time of the transferee.
- The income from the transferred asset is not includible in the total income of the transferor