

CORRECTION IN INCOME TAX VOLUME -2

CORRECTION IN INCOME TAX VOLUME 2 (47th Edition) PAGE NO. 267

(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)

(vii) Receipts without consideration

(viii) In case of retirement, interest on employee's contribution if provident fund is unrecognized.

Solution:

Particulars	Head of Income
(i) Rental income in case of dealer in property	Income from house property
(ii) Dividend on shares in case of a dealer in shares	Income from other sources
(iii) Salary by partner from his partnership firm	Profit and gains of business or profession
(iv) Rental income of machinery (See Note below)	Income from other sources/ Profits and gains of business or profession
(v) Winnings from lotteries by a person having the same as business activity	Income from other sources
(vi) Salaries payable to a Member of Parliament	Income from other sources
(vii) Receipts without consideration	Income from other sources
(viii) In case of retirement, interest on employee's contribution if provident fund is unrecognized	Income from other sources

Note – As per section 56, rental income of machinery would be chargeable to tax under the head “Income from Other Sources”, if the same is not chargeable to income-tax under the head “Profits and gains of business or profession”.

Question 2

(12 Marks)

Mr. X, a manufacturer at Chennai, gives the following Manufacturing, Trading and Profit & Loss Account for the year ended 31.03.2022.

	₹		₹
To Opening Stock	71,000	By Sales	32,00,000
To Purchase of Raw materials	16,99,000	By Closing Stock	2,00,000
To Manufacturing Wages & Expenses	5,70,000		
To Gross profit	10,60,000		
	34,00,000		34,00,000
To Administrative charges	3,26,000	By Gross profit	10,60,000
To GST penalty paid	5,000	By Dividend from domestic companies	15,000
To General Expenses	1,64,000	By Income from agriculture (net)	1,80,000
To Interest to Bank (On machinery term loan)	60,000		
To Depreciation	2,00,000		
To Net Profit	5,00,000		
	12,55,000		12,55,000

Following are the further information relating to the financial year 2021-22:

- Administrative charges include ₹46,000 paid as commission to brother of the assessee. The commission amount at the market rate is ₹36,000.
- The assessee paid ₹33,000 in cash to a transport carrier on 29.12.2021. This amount is included in manufacturing expenses. (Assume that the provisions relating to TDS are not applicable to this payment.)
- A sum of ₹4,000 per month was paid as salary to a staff throughout the year and this has not been debited in the books of account.
- Bank term loan interest actually paid upto 31.03.2022 was ₹20,000 and the balance was paid in **November** 2022.
- Housing loan principal repaid during the year was ₹50,000 and it relates to residential property