

Preserve Books of Accounts for Six Years

HINDUSTAN TIMES

Tax Matters/ S.P. Babuta

Monday, November 27, 2006

Q1: I am running a trading business in the status of firm . I had taken Key man insurance policy for my employees. One of my key employee met with an accident. Please explain the amount received on his death will be taxable in the employee's widow's hands or in the hands of firm? Also clarify under which head of income will it be taxable?

Charanjeet Singh, Panchkula

Ans: If the amount is received by the firm, it will be taxable in the hands of firm and it will be treated as business income . If it is received by the employee himself it will be taxed in his hands as profit in lieu of salary and in all other cases it will be treated as income from other sources. Thus amount received by the widow of employee will be taxed in her hands as income from other sources.

Q2: Last month I got married . Before and after marriage some other functions related to marriage were held . Please explain the taxability of gifts received on these occasions?

Amandeep, Chandigarh

Ans: Any gift received in the form of sum of money or in kind on the occasion of marriage from relatives or non relatives shall be exempt from tax but that does not exempt the gifts received at the time of other functions related to marriage like engagements or reception. Thus the gifts received in the form of cash on the occasion of other functions related to marriage in excess of Rs. 25000/- received from the persons other than relatives are taxable. Note that gifts in kind and gifts received from relatives are not at all taxable .

Q3: I had received a gift in foreign exchange valuing Rs 300000/- from NRI who is my sister's husband living in Canada . Kindly tell me the amount of tax payable on this receipt? Kindly also explain taxable provisions if I receive this gift in the name of HUF?

Sahil, Mohali

Ans :As per provisions of income tax related to gifts it is stated that If an NRI makes a gift to resident nonrelative then the amount in excess of Rs. 25000/- would be taxed as income of the recipients. In your case you have received a gift from your brother in law who is covered under the definition of Relative. Thus gift received by you is exempt from tax. Gift received even in the name of HUF will be exempt in this case.

Q4 For how many years Books of accounts are required to be preserved?

Yogesh, Mohali

Ans: Books of accounts and other documents are required to be kept for atleast 6 years from the end of relevant assessment years.

Q5: My father was carrying on a business in the name of sole proprietorship. There was some speculation losses in the said business. After the death of my father we brothers carried on the business by forming a partnership firm. Please tell whether the said loss will be allowed to be set off in the hands of the firm?

Dharampal, Chandigarh

Ans: Where sole proprietary incurring speculation losses was carried on by legal heirs by forming partnership firm, the firm could claim carryforward of loss of sole proprietor as there was succession to business of deceased. (Refer case law : CIT vs Madhukant M. Mehta(2001))

Q6: Please tell whether unabsorbed losses of earlier years have to be set off for arriving at gross total income for the purpose of claiming deduction for investment made u/s 80-C?

Savita, Panchkula

Ans: Gross total income as per the income tax act is total income computed in accordance with income tax act, before making any deduction under chapter VI-A. Therefore carried forward losses of earlier years have to be set off before claiming deduction for investment made u/s 80C.