

GIFTS ABOVE Rs.50,000 TAXABLE BUT NOT FROM RELATIVES OR ON MARRIAGE OR UNDER A WILL OR INHERITANCE

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PRESS RELEASE

The Income Tax Act 1961 (the Act) has been amended with effect from 1st October 2009 to provide that any gift-in-kind, being an immovable property or any other property, the value of which exceeds Rs.50,000 (rupees fifty thousand), will become taxable in the hands of the donee, being an individual or a Hindu Undivided Family (HUF), as income from other sources under clause (vii) of sub-section 2 of section 56 of the Act. Therefore, any such person who receives a gift of any such property on or after 1st October 2009 must pay the income tax due on the value of the gift and disclose the taxable value of such property in the return of income for assessment year 2010-11 and subsequent years.

The following types of gifts will, however, not be subject to tax, i.e. gifts (a) from a person who is a relative; (b) on the occasion of marriage of the individual; (c) under a will or by way of inheritance; (d) in contemplation of death of the donor; (e) from any local authority as defined in the Explanation to section 10(20) of the Act; (f) from any fund or trust established under section 10(23C) of the Act; (g) from any trust or institution registered under section 12AA of the Act.

Relative is defined in the Act as (i) spouse; (ii) brother or sister; (iii) brother or sister of the spouse; (iv) brother or sister of either of the parents; (v) any lineal ascendant or descendant; (vi) spouse of any of the relative at clauses (ii) to (v); of the individual. Gifts received from these relatives will not be subject to tax.

Earlier cash gifts exceeding Rs.25,000 were subject to tax with effect from 1st April 2004. Later the Act was amended with effect from 1st April 2006 to tax all cash gifts having aggregate value exceeding Rs.50,000. Cash gifts also enjoy exemptions as is available for gifts-in-kind.