

Weddings and tax implications of cash gifts

Neeraj Agarwala

I want to give a cash gift of more than ₹50,000 to my daughter at her wedding. Will it be taxed in her hands? What is the exemption limit for cash gifts that she can accept from her parents? Besides, she will also receive cash gifts from my sister, maternal uncles, grandmother and other relatives and friends. Can a sudden deposit of several lakhs in her bank account raise scrutiny from the income tax department?

—Name withheld on request

As per Section 56 of the Income Tax Act, any monetary gift received by an individual is taxable if the aggregate sum of money received during the year exceeds ₹50,000. However, there are specific exceptions to this rule, including gifts received on the occasion of marriage and gifts received from relatives.

For the purpose of the Income Tax Act, “relative” includes:

Spouse of the individual; brother or sister of the individual; brother or sister of the spouse of the individual; brother or sister of either of



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the parents of the individual; any lineal ascendant or descendant of the individual; any lineal ascendant or descendant of the spouse of the individual; and spouse of the persons mentioned above in all instances, except the first one..

Thus, in the case of your daughter, any gifts received on the occasion of her marriage from you and relatives will fall within the exempt category and hence will not be taxable.

While the act of receiving

gifts itself is not a taxable event, the income tax department may scrutinize large deposits in a bank account. To mitigate any potential concerns, it is advisable to maintain proper documentation for the gifts received, including a record of the names and relationships of the gift-givers, to establish the legitimacy of the transactions.

While it may not be feasible to document every gift received, it is advisable to maintain records for high-value gifts whenever possible.

Furthermore, it would be prudent to declare such income in the income tax

return (ITR). Although ITR 1 and ITR 2 forms do not have specific schedules for declaring non-taxable gifts, you may make the declaration in the schedule for exempt income in ITR 2. This practice ensures that the amount credited to your daughter's account aligns with the income tax return filed.

Neeraj Agarwala is partner, Nangia Andersen India.

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