Addendum

This addendum set out changes to be made in the Statement of Additional Information (SAI) of Tata Mutual Fund.

Date of Enactment of Finance Bill 2015: 14th May 2015

Section VI. TAX & LEGAL & GENERAL INFORMATION-Taxation on investing in Mutual Fund has been updated as per Finance Act 2015 as given below:

VI. TAX & LEGAL & GENERAL INFORMATION

A. Taxation on Investing in Mutual Funds

A. TAX TREATMENT OF INVESTMENTS IN EQUITY ORIENTED FUNDS

Certain tax benefits as described below are available, under present taxation laws to the Unitholders holding Units of Equity Oriented Mutual Funds as an investment. The information set out below is included for general information purposes only and does not constitute legal or tax advice. In view of the individual nature of the tax consequences, each investor is advised to consult his or her own tax consultant with respect to specific tax implications arising out of their participation in the Scheme. Income Tax benefits to the mutual fund and to the unitholder is in accordance with the prevailing tax a law as certified by the mutual funds tax consultant. For this purpose, an equity oriented mutual fund is defined in Section 10(38) of the Income-tax Act to mean a SEBI registered fund where more than 65% of the investible funds are invested in equity shares of domestic companies. The percentage of equity shareholding of the fund shall be computed with reference to the annual average of the monthly averages of the opening and closing figures.

i. TAX BENEFITS TO THE MUTUAL FUND

Tata Mutual Fund is a Mutual Fund registered with the Securities and Exchange Board of India and hence the entire income of the Fund will be exempt from income-tax in accordance with the provisions of Section 10(23D) of the Income-tax Act, 1961 (the Act). The Fund is entitled to receive all income without any deduction of tax at source under the provisions of Section 196(iv), of the Act.

The equity oriented Fund is not required to pay any Dividend Distribution Tax u/s 115R of the Act in respect of the income, if any, distributed by it to its unitholders.

ii.TAX BENEFITS TO THE UNITHOLDERS

Income Tax

As per Section 10(35) of the Act, any income other than capital gain received in respect of units of a mutual fund specified under Section 10(23D) will be exempt from income-tax in the hands of the unitholders.

Capital Gains Tax

Long Term Capital Gains On Transfer of Units

Under Section 10(38), long term capital gains arising on transfer of units of equity oriented funds are exempt from income tax in the hands of Unit holders, provided Securities Transaction Tax (STT) is charged by the Mutual Fund on the said redemption/buy back of the units.

Short Term Capital Gains On Transfer Of Units

Section 111A provides that short-term capital gains arising on transfer of units of equity oriented funds are chargeable to income tax at a concessional rate of 15% plus applicable surcharge, education cess and secondary and higher education cess as applicable, provided STT is charged by the Mutual Fund on the said redemption/buy back of the units. Further, Section 48 provides that no deduction shall be allowed in respect of STT paid for the purpose of computing Capital Gains.

Capital Losses

Losses under the head "Capital Gains" cannot be set-off against income under any head other than capital gains. Further within the head "Capital Gains", losses arising from the transfer of long-term capital assets cannot be adjusted against gains arising from the transfer of a short-term capital asset. However, losses arising from the transfer of short-term capital assets can be adjusted against gains arising from the transfer of either a long-term or a short-term capital asset.

Under Section 10(38) of the Act, long-term capital gains arising on sale of units of an equity oriented fund are exempt from Income Tax provided certain conditions are fulfilled. Conversely, losses arising from such type of transaction of sale of units of Equity Oriented Fund would not be eligible for set-off against taxable capital gains.

Unabsorbed loss under the head capital gains can be carried forward and set-off against the income under the head Capital Gains in subsequent eight assessment years, except that loss arising from transfer of long term capital assets cannot be set-off against gain arising from transfer of short term capital assets.

As per Section 94(7) of the Act, if any person buys or acquires units within a period of three months prior to the record date fixed for declaration of dividend or distribution of income and sells or transfers the same within a period of nine months from such record date, then losses arising from such sale to the extent of income received or receivable on such units, which are exempt under the Act, will be ignored for the purpose of computing his income chargeable to tax.

Further, Sub-section (8) of Section 94 provides that, where bonus Units have been issued to any person on the basis of existing units held by such person then the loss on sale of original units shall be ignored for the purpose of computing income chargeable to tax, if the original units were acquired within three months prior to the record date fixed for receipt of bonus units and sold within nine months from such record date. However, the loss so ignored shall be considered as cost of acquisition of such bonus units held on the date of sale by such person.

TAX DEDUCTION AT SOURCE

For Income In Respect Of Units:

As per the proviso to Section 196A(1) of the Act, no tax shall be deducted at source from any income credited or paid to non-resident unitholders in respect of units of a mutual fund specified under Section 10(23D) of the Act. Similarly as per the provisions of Section 194K of the Act, no tax should be withheld or deducted at source where any income is credited or paid by a mutual fund to a resident unitholders.

For Capital Gain

(a) In respect of Resident Unit holders :

No tax is required to be deducted at source on capital gains arising to any resident Unit holder (under section 194K) vide circular no. 715 dated August 8, 1995 issued by the Central Board of Direct Taxes (CBDT).

(b) In respect of Non- Resident Unit holders:

As per the provisions of Section 195 of the Act, tax is required to be deducted at source from the redemption proceeds paid to investors; this withholding is in addition to the securities transaction tax payable, if any, by the investor. Under Section 195 of the Act r.w.s 196D of the Act, tax shall be deducted at source in respect of capital gains as under:

Category of Investor	Rate at which tax is payable on short term capital gains (see notes below)	Rate at which tax is payable on long term capital gains
Foreign Companies	15%	NIL
FIIs/ QFIs / FPI	NIL	NIL
Other non-residents	15%	NIL

Note:

In case of foreign companies if income exceeds Rs.1 crore but does not exceed Rs 10 crores, then the tax payable would be increased by a surcharge of 2% and if income exceeds Rs 10 crores then surcharge of 5% would be levied. In all cases, the tax payable (as increased by surcharge in case of foreign companies referred to above) would be further increased by Education Cess (2%) and Secondary & Higher Education Cess (1%).

As per circular no. 728 dated October 1995 by CBDT, in the case of a remittance to a country with which a Double Taxation Avoidance Agreement ('DTAA') is in force, the tax should be deducted at the rate provided in the Finance Act of the relevant year or at the rate provided in DTAA whichever is more beneficial to the assessee. As per the Finance Act 2013, in order to claim the benefits under the DTAA, the assessee would have to provide a "certificate of his being resident" (commonly known as 'Tax Residency Certificate') from the government of the country in which he is a resident. In addition to the said certificate, the concerned non resident is also required to provide certain information in Form 10F such as status, nationality, Tax Identification Number, period for which the assessee is a resident in the concerned country, address and a declaration that the certificate of him being a resident is obtained..

Further where the non resident unit holder does not furnish his / its Permanent Account Number to the mutual fund, then tax will be withheld at the higher rate of 20% even if the relevant DTAA or the Act provide for a lower rate. However, if the capital gain itself is not taxable under the relevant DTAA then higher withholding tax rate of 20% will not apply (e.g. DTAA with Singapore and Mauritius etc) even if PAN is not available.

Securities Transaction Tax

Securities Transaction Tax ("STT") is applicable on transactions of purchase or sale of units of an equity oriented fund entered into on a recognized stock exchange or on sale of units of an equity oriented fund to the Fund. The STT rates as applicable are given in the following table:

Taxable securities transaction	**Payable by**	**Rate (as a % of value of the transaction)**
Purchase/ Sale of an equity share in a company where a) the transaction of such purchase is entered into in a recognized stock exchange; and b) the contract for the purchase of such share is settled by the actual delivery or transfer of such share	Purchaser/ Seller	0.1%
Sale of a unit of an equity oriented fund, where a) the transaction of such purchase is entered into in a recognized stock exchange; and b) the contract for the purchase of such unit is settled by the actual delivery or transfer of such unit	Seller	0.001%
Sale of an equity share in a company or a unit of an equity oriented funds on non delivery basis	Seller	0.025%
Sale of option in securities	Seller	0.017%
Sale of an option securities, where option is exercised	Purchaser	0.125%
Sale in a futures in securities	Seller	0.01%
Sale of unit of an equity oriented fund to the Mutual Fund itself	Seller	0.001%

The Fund is responsible for collecting the STT from every person who sells the Unit to it at the rate mentioned above. The STT collected by the Fund during any month will have to be deposited with the Central Government by the seventh day of the month immediately following the said month.

Investments by Charitable and Religious Trusts

Units of a Fund Scheme referred to in clause 23D of section 10 of the Income Tax Act, 1961, constitute an eligible avenue for investment by charitable or religious trusts per rule 17C of the Income Tax Rules, 1962, read with clause (xii) of sub-section (5) of Section 11 of the Income Tax Act, 1961.

Wealth Tax

Finance Act, 2015 has abolished the applicability of wealth tax with effect from 1st April 2015. Hence, the same will not be applicable.

Gift Tax

The Gift-tax Act, 1958, has ceased to apply to gifts made on or after 1st October 1998. Gifts of Units, purchased under the Schemes, would therefore, be exempt from gift-tax. At the same time, with effect from 1st October, 2009, gift of units of mutual fund received by an Individual or an HUF from a person other than a relative as defined in Section 56 of the Act in excess of Rs. 50,000 per year will be considered as income in the hands of the recipient and the value of the gift would be added to the taxable income of the said person.

Deduction under section 80C [Applicable only for ELSS schemes currently (Tata Tax Saving Fund, Tata Tax Advantage Fund– 1 and Tata Infrastructure Tax Saving Fund)]

As per Section 80C of the Act,, subject to the certain conditions, an individual/HUF is entitled to a deduction from Gross Total Income up to Rs. 1,50,000/- (along with other prescribed investments) for amounts invested in any units of a mutual fund notified under section 10(23D) of the Act, under any plan formulated in accordance with such scheme as the Central Government may notify.

B. TAX TREATMENT OF INVESTMENTS IN DEBT FUNDS

Certain tax benefits as described below are available, under present taxation laws to the Unitholders holding Unit of Debt Funds as an investment. The information set out below is included for general information purposes only and does not constitute legal or tax advice. In view of the individual nature of the tax consequences, each investor is advised to consult his or her own tax consultant with respect to specific tax implications arising out of their participation in the Scheme. Income Tax benefits to the mutual fund and to the Unitholder is in accordance with the prevailing tax a law as certified by the mutual funds tax consultant.

i. TAX BENEFITS TO THE MUTUAL FUND

Tata Mutual Fund is a Mutual Fund registered with the Securities and Exchange Board of India and hence the entire income of the Fund will be exempt from income-tax in accordance with the provisions of Section 10(23D) of the Act. As per Section 196(iv) of the Act, the Fund is entitled to receive all income without any deduction of tax at source under the provisions of Section 196(iv), of the Act.

On income distribution, if any, made by the Fund to its Unitholders, income distribution tax will be payable under Section 115R of the Act at the following rates:

• At 25 percent (plus applicable surcharge and an additional surcharge by way of Education Cess of 2 percent and Secondary and Higher Education Cess of 1 percent on the amount of tax) on income distributed to Individuals or a HUFs by a Money Market Mutual Fund or a Liquid Fund.

• At 30 percent (plus applicable surcharge and an additional surcharge by way of Education Cess of 2 percent and Secondary and Higher Education Cess of 1 percent on the amount of tax plus surcharge) on income distributed to any other person by a Money Market Mutual Fund or a Liquid Fund.

• At 5 percent on the income distributed by mutual fund to a non resident or to a foreign company under an infrastructure debt scheme.

• At 25 percent (plus applicable surcharge and an additional surcharge by way of Education Cess of 2 percent and Secondary and Higher Education Cess of 1 percent on the amount of tax) on income distributed to individuals and HUFs by a fund other than a money market mutual fund or a liquid fund.

At 30 percent (plus applicable surcharge and an additional surcharge by way of Education Cess of 2 percent and Secondary and Higher Education Cess of 1 percent on the amount of tax plus surcharge) on income distributed by other funds to persons other than individuals and HUFs, for instance, corporates.

An equity oriented fund is not required to pay any Income Distribution Tax u/s 115R of the Act.

With effect from 1st October, 2014, as per the amendments proposed in the Finance (No. 2) Bill, 2014, the amount on which the above tax rates apply needs to be grossed up.

ii. TAX BENEFITS TO THE UNITHOLDERS

Income Tax

As per Section 10(35) of the Income Tax Act, any income other than capital gain received in respect of units of a mutual fund specified under Section 10(23D) will be exempt from income-tax in the hands of the unitholders.

A. Tax on Long Term Capital Gains Tax on Transfer of Units of Other than Equity Oriented Fund:

Long-term capital gains on sale of units of Mutual Funds other than equity oriented funds are not exempt from income tax under Section 10(38) of the Act in the hands of unit holders. While computing the gains, in some cases, the benefit of indexation of cost of acquisition is available. Long-term Capital Gains in respect of unlisted securities and units of non equity oriented Mutual Funds held for a period of more than 36 months will be chargeable under section 112 of the Act at the rate of 20% plus surcharge, as applicable and cess.

The provisions for taxation of long-term capital gains for different categories of assessee are explained hereunder:

Category of Investor	**Rate at which tax is payable (see note 1, 2 & 3 below)**	**Whether benefit of indexation of cost is available?**
Resident unit holders	20% (see note 4)	Yes
Foreign Companies	20%	(See note 5 below)
Non-resident Indians (section 115E)	20% (for unspecified asset) 10% (for specified asset)	(See note 6 below)
Overseas Financial Organisations (Section 115AB), Foreign Institutional Investors, Qualified Foreign Investors & Foreign Portfolio Investors (115AD)	10%	No (See note 7 below)
Other Non-residents	20%	(See note 4 below)

Notes:

1. In case of companies, if income exceeds Rs. 1 crore but does not exceed Rs 10 crores, then the tax payable would be increased by a surcharge (@ 7 % in case of domestic companies and @ 2% in case of foreign companies) & if income exceeds Rs 10 crore then surcharge @ 12 % in case of domestic companies & @ 5% in case of foreign companies would be applicable. In all cases, the tax payable (as increased by surcharge in case of companies referred to above) would be further increased by Education Cess (2%) & Secondary & Higher Education Cess (1%).

2. In the case of Individuals, where taxable income of the individual exceeds Rs 1 crore, surcharge @ 12% would be applicable. The tax payable (as increased by surcharge would be further increased by Education Cess (2%) and Secondary & Higher Education Cess (1%).

3. In the case of Partnership Firms where taxable income exceeds Rs 1 crore, surcharge @ 12% would be applicable. The tax payable (as increased by surcharge would be further increased by Education Cess (2%) and Secondary & Higher Education Cess (1%).

4. In the case of Resident Individuals and HUFs, where taxable income as reduced by long term capital gains is below the exemption limit, the long term capital gains will be reduced to the extent of the shortfall and only the balance long term capital gains will be charged at the flat rate of 20% and Education Cess and Secondary and Higher Education Cess.

5. It may be possible for foreign companies to opt for computation of long term capital gains as per Section 112, which provides for 10% tax on long term capital gains computed without indexation of cost. However, this issue is not free from doubt as there have been several judicial and appellate decisions where it has been held that a non resident is not entitled to the benefit of paying tax at 10% on unindexed gains.

6. For non-resident Indians, under Section 115D of the Act, long-term capital gains would be calculated without indexation of cost of acquisition. However, such units should have been acquired or purchased with or subscribed to in convertible foreign exchange. It may be possible for non-resident Indians to opt for computation of long term capital gains as per Section 112, which provides for 10% tax on long term capital gains computed without indexation of cost. In such case, the non-resident Indian would have to forego all the benefits of concessional rate of tax available to non-resident Indians under Chapter XII-A of the Act. However, this issue is not free from doubt as there have been several judicial and appellate decisions where it has been held that a non resident is not entitled to the benefit of paying tax at 10% on unindexed gains.

7. In the case of non resident investors, the above rates would be subject to relief under the applicable Double Tax Avoidance Agreement / Treaty (DTAA). As per circular no. 728 dated October 1995 by CBDT, in the case of a remittance to a country with which a DTAA is in force, the tax should be deducted at the rate provided in the Finance Act of the relevant year or at the rate provided in DTAA whichever is more beneficial to the assessee. As per the Finance Act 2013, in order to claim the benefits under the DTAA, the assessee would have to provide a "certificate of his being resident" (commonly known as Tax Residency Certificate) from the government of the country in which he is a resident. In addition to the said certificate, the concerned non resident is also required to provide certain information in Form 10F such as status, nationality, Tax Identification Number, period for which the assessee is a resident in the concerned country, address and a declaration that the certificate of him being a resident is obtained. If any information in Form 10F is already provided on the "certificate of residency, then the same need not be provided again in the form.

8. With effect from 1st April, 2014, units held by all FIIs/QFIs/FPIs would be classified as capital assets and accordingly, the gains/losses from the disposal of the said units would constitute capital gains/loss in their hands. These investors would not be considered to have business income as far as transactions in units are concerned.

A. Exemption from Long Term capital gain:

Under Section 54EC (1) of the Act as amended by the Finance (No. 2) Bill 2014, taxable capital gains, arising on transfer of a long term capital asset, shall not be chargeable to tax to the extent such capital gains are invested in notified bonds within six months from the date of the transfer of the said capital asset subject to an upper limit of Rs. 50 lakhs whether the said investment is made in the same year (of transfer) or the succeeding year..

Under Section 54F (1) of the Act amended by the Finance (No. 2) Bill 2014, subject to the conditions specified therein, in the case of an individual or a HUF, capital gains (subject to the exemption of long-term capital gains provided for in section 10(38) of the Act, discussed elsewhere in this Statement) arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in one residential house in India. To avail this deduction, the investor should not own more than one residential house in addition to the proposed new residential house for which deduction is sought to be claimed. If part of such net consideration is invested within the prescribed period in one residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

B. SHORT TERM CAPITAL GAINS ON TRANSFER OF UNITS:

Short term capital gains in respect of non equity oriented units held for a period of not more than 36 months is added to the total income. Total income including short-term capital gains is chargeable to tax as per the relevant slab rates for resident and non resident individuals. However, in case of Foreign Institutional Investors, Foreign Portfolio Investors (FPI) and domestic companies, short term capital gain will be chargeable to tax at the rate of 30% plus applicable surcharge and education cess and secondary and higher education cess. In case of foreign companies, the tax rate would be 40% plus applicable surcharge and education cess. The tax rates provided above are subject to relief available under the double taxation avoidance agreement entered into between the Government of India and country of residence of the foreign companies, non residend Indians, FPIs, QFIs and FIIS.

On above, the applicable surcharge would be as under:-

- **Individual -** 12% in case the total income exceeds Rs. 1 crore.
- **Domestic companies -** 7% in case the income exceeds Rs.1 crore but does not exceed Rs. 10 crores and 12% in case income exceeds Rs. 10 crores.
- **Partnership Firms:** 12% in case the total income exceeds Rs. 1 crore.
- **Foreign companies / Foreign Institutional Investors -** 2% in case the income exceeds Rs.1 crore but does not exceed Rs. 10 crores and 5% in case income exceeds Rs. 10 crores.

In all the cases mentioned above, the tax payable shall be increased by Education Cess (2%) and Secondary & Higher Education Cess (1%).

C. CAPITAL LOSSES

Losses under the head "Capital Gains" cannot be setoff against income under any head other than Capital Gains. Further within the head "Capital Gains", losses arising from the transfer of long-term capital assets cannot be adjusted against gains arising from the transfer of a short-term capital asset. However, losses arising from the transfer of short-term capital assets can be adjusted against gains arising from the transfer of either a long-term or a short-term capital asset.

Unabsorbed short-term capital loss can be carried forward and set off against the income under the head Capital Gains in subsequent eight assessment years, except that loss arising from transfer of long term capital assets cannot be set-off against gain arising from transfer of short term capital assets. As per Section 139(3) of the Act, the capital losses of any year will be allowed to be carried forward to subsequent years only if the return of income for that year is filed within the time prescribed under the said section.

According to Section 94(7) of the Income Tax Act, if any person buys or acquires units within a period of three months prior to the record date fixed for declaration of dividend or distribution of income and sells or transfers the same within a period of nine months from such record date, then losses arising from such sale to the extent of income received or receivable on such units, which are exempt under the Income Tax Act, will be ignored for the purpose of computing his income chargeable to tax.

Further, Sub-section (8) of Section 94 of the Act provides that, where additional Units have been issued to any person without any payment, on the basis of existing units held by such person then the loss on sale of original units shall be ignored for the purpose of computing income chargeable to tax, if the original units were acquired within three months prior to the record date fixed for receipt of additional units and sold within nine months from such record date. However, the loss so ignored shall be considered as cost of acquisition of such additional units held on the date of sale by such person.

Tax Deduction at Source

For Income in Respect of Units:

As per the proviso to Section 196A(1) of the Act, no tax shall be deducted at source from any income credited or paid to non-resident unitholders in respect of units of a mutual fund specified under Section 10(23D) of the Act. Similarly as per the provisions of Section 194K of the Act no tax should be withheld or deducted at source where any income is credited or paid by a mutual fund to a resident unitholders.

For Capital Gain

(a) In respect of Resident Unit holders:

No tax is required to be deducted at source on capital gains arising to any resident Unit holder (under section 194K) vide circular no. 715 dated August 8, 1995 issued by the Central Board for Direct Taxes (CBDT).

(b) In respect of Non- Resident Unit holders:

As per the provisions of Section 195 of the Act, tax is required to be deducted at source from the redemption proceeds paid to investors; this withholding is in addition to the securities transaction tax payable, if any, by the investor. Under Section 195 of the Act r.w.s 196D of the Act, tax shall be deducted at source in respect of capital gains as under:

Category of Investor	Rate at which tax is payable on short term capital gains (see note below)	Rate at which tax is payable on long term capital gains (see note below)
Foreign companies	40%	20%
FIIs, QFIs and FPIs	NIL	NIL
Overseas Financial Organisation	30%	10%
Other non-residents	30%	20%

Note:
In case of foreign companies if income exceeds Rs.1 crore but does not exceed Rs 10 crore, then the tax payable would be increased by a surcharge of 2% and if income exceeds Rs 10 crore then surcharge of 5% would be levied. In all cases, the tax payable (as increased by surcharge in case of foreign companies referred to above) would be further increased by Education Cess (2%) and secondary & Higher Education Cess (1%).

In the case of non resident investors, the above rates would be subject to relief under the applicable Double Tax Avoidance Agreement / Treaty (DTAA). As per circular no. 728 dated October 1995 by CBDT, in the case of a remittance to a country with which a DTAA is in force, the tax should be deducted at the rate provided in the Finance Act of the relevant year or at the rate provided in DTAA whichever is more beneficial to the assessee. As per the Finance Act 2013, in order to claim the benefits under the DTAA, the assessee would have to provide a “certificate of his being resident” (commonly known as Tax Residency Certificate) from the government of the country in which he is a resident. In addition to the said certificate, the concerned non resident is also required to provide certain information in Form 10F such as status, nationality, Tax Identification Number, period for which the assessee is a resident in the concerned country, address and a declaration that the certificate of him being a resident is obtained. If any information in Form 10F is already provided on the “certificate of residency, then the same need not be provided again in the form.

With effect from 1st April, 2014, units held by all FIIs/QFIs/FPIs would be classified as capital assets and accordingly, the gains/losses from the disposal of the said units would constitute capital gains/loss in their hands. These investors would not be considered to have business income as far as transactions in units are concerned.

Further, where the non resident unit holder does not furnish its Permanent Account Number to the mutual fund or does not obtain a Permanent Account Number and does not furnish the same, then tax will be withheld at the rate of 20% even if the relevant DTAA or the Act provides for a lower rate.

Investments by Charitable and Religious Trusts

Units of a Fund Scheme referred to in clause 23D of section 10 of the Act, constitute an eligible avenue for investment by charitable or religious trusts per rule 17C of the Income Tax Rules, 1962, read with clause (xii) of sub-section (5) of Section 11 of the Act.

Wealth Tax

Finance Act, 2015 has abolished the applicability of wealth tax with effect from 1st April 2015. Hence, the same will not be applicable.

Gift Tax

The Gift-tax Act, 1958, has ceased to apply to gifts made on or after 1 October 1998. Gifts of Units, purchased under the Schemes, would therefore, be exempt from gift-tax. At the same time, with effect from 1st October, 2009, gift of units of mutual fund received by an Individual or an HUF from a person other than a relative as defined in Section 56 of the Act in excess of Rs. 50,000 per year will be considered as income in the hands of the recipient and the value of the gift would be added to the taxable income of the said person.