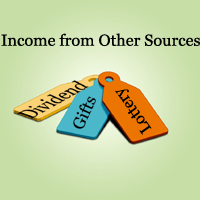
**OVERVIEW OF OTHER INCOME IN INCOME TAX ACT**

Income from other sources is the last among the five heads of income sketched under the Income Tax Act. It is essentially a head of income that includes all receipts which cannot be classified under any of the other heads of income.



Income from Other Sources include,

**1. Dividends**

Dividends are taxable based on the residential status of the source company that paid out the dividend.

**2. Dividend from an Indian company**

If any company has paid Dividend Distribution Tax (DDT) on this receipt of income, the dividend is exempted from tax.

**3. Dividend from a foreign company**

Dividend received from any foreign company is subjected to taxation under ‘Income from Other Sources.’

**4. One-time income**

One-time incomes as lotteries, horse races, gambling or betting of any form comes under ‘Income from Other Sources.’

**5. Interest on compensation**

Interest received by you on the amount of compensation paid out in situations such as compulsory acquisition falls under ‘Income from Other Sources’ head.

**6. Gifts**

Gifts received in the form of money, movable or immovable property, is also claimed to be taxable.

* Income received from leasing a house property by a tenant
* Insurance commissions received by assessee (person)
* Casual income
* Family pension payments received by lawful heirs of dead employees
* Interest earned on deposits with companies and bank deposits
* Interest on loans
* Salary received by the Members of Parliament (MP)
* Rental income earned from a vacant plot of land
* Agricultural income received from land situated outside of India
* Interest paid by Government on excess payment of advance tax

##### **TAX IN INDIA**

The [Income Tax Act 1961](https://www.canarahsbclife.com/tax-university/articles/a-quick-guide-to-income-tax-act-1961-of-india.html" \t "https://www.canarahsbclife.com/faqs/tax-saving/_blank) lists ‘Income from Other Sources’ as one of the five heads of incomes, subjected to taxation. Income From Other Sources covers all receipts of earnings that otherwise cannot be classified under any remaining heads of income.

Under Section 56 of the Act, the following three conditions must be satisfied for a receipt of earning to come under the ‘income from other sources’ head –

1. You have an income

2. Such income is not tax-exempt under any other Sections of the Income Tax Act 1961

3. Such income cannot be categorized as salary, profits, and gains from business or profession, income from house property, or capital gains.

**WHY SHOULD ONE NOT NEGLECT THIS HEAD OF INCOME:**

The income tax department has been more observant on any mistakes while filing income tax return (ITR) that can in turn fetch the assessee, a tax notice. The situation becomes critical if the department finds the person guilty of tax evasion. Heavy penalties are charged if under-report or misreport of income occurs.

### ****MISREPORTING****

Any wrong information is classified as misrepresentation when there is suppression of facts. For example, there may be a failure to record investments or any receipt in the books of account. Or, there can be any expenditure that has been claimed as deduction which is not supported by any document or false entry. These acts are collectively combined under misrepresentation as there is a breach of trust in such transactions.

### **UNDER - REPORTING**

Under-reporting can happen due to ignorance. For example, many people may forget to include interest income or capital gains in their ITR. But any deliberate attempt to give wrong information can possibly lead to imprisonment and penalty under Section 277 of the income tax Act. But if the mistake is realized, then it can always be rectified. If one does not file the revised ITR form, then the department issues penalty as per the relevant Income Tax Rules. For under-reporting, there is a 50% penalty.

It is mandatory to pay attention to all possible sources of income earned during a year so that there is no chaos arisen. Even an honest mistake can cost a heavy damage.

BY,

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