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Income from other Sources

**Income
From
Other
Sources**



GENERAL INCOMES



INCOME SOURCES

This section operates only when a particular income cannot be included in any other head. Under section 56(1) every kind of income which is included in the total income under this Act and which is not chargeable to tax under any of the first four heads specified in section 14 is chargeable to income-tax under the head "Income from Other Sources". The onus will be on the assessee to prove that the particular income does not fall under any of the preceding four heads.

Instances of Incomes falling under Section 56(1) (General Incomes)



Section 56 of Income Tax Act

- i) Income derived by a coal mine owner from rent and royalties are included in this head.
- (ii) Income earned by an assessee from licences granted to brick-makers, to erect brickkilns upon his land and to take away the brick-earth and use it for making bricks.
- (iii) Remuneration received merely for being a director and not as employees, is not salary but income from other sources.
- (iv) Income received by an assessee from a person other than his employer. e.g. university remuneration.
- (v) Interest on loans, securities, deposits and current account also come under this head. (Interest on co-operative debentures).

Definition of interest u/s (28 A). 'Interest' means interest payable in any manner in respect of any money borrowed or debt incurred (including a deposit, claim or other similar right or obligation) and includes any service fee or other charge in respect of the moneys borrowed or debt incurred or in respect of any credit facility which has not been utilised.

Instances of Incomes falling under Section 56(1) (General Incomes)



Section 56 of Income Tax Act

(vi) Income received by a professional man as a university examiner.

(vii) Income received on sub-letting of the house.


(viii) Tips received by a waiter or taxi driver, not being given by his employer.

(ix) Family pension received by legal heirs of employee.

(x) Income from undisclosed sources (i.e., deemed incomes covered under sections 68, 69, 69A, 69B, 69C and 69D).

Note: With effect from Assessment Year 2013-14, income from undisclosed sources covered under sections 68 to 69D is taxable at a flat rate of 30%, without allowing any deduction.

Instances of Incomes falling under Section 56(1) (General Incomes)



Section 56 of Income Tax Act

- (xi) Income of other persons to be included in the income of Individual.
- (xii) Income from writing articles by a non-journalist.
- (xiii) Any withdrawal from National Saving Scheme upto an amount on which deduction u/s 80 CCA has been claimed.
- (xiv) Income from agricultural land situated outside India.
- (xv) Remuneration for lectures delivered outside India.

Instances of Incomes falling under Section 56(1) (General Incomes)



Section 56 of Income Tax Act

(xvi) Agency commission received by an agent of life insurance corporation, postal savings, Unit Trust of India or other mutual funds if it is not his regular business.

(xvii) Commission received by a director for standing as guarantor.

(xviii) Commission received by a director for underwriting the shares of a new company.

(xix) Gratuity received by a non-employee director.

(xx) Any annuity or pension received from LIC or other insurer u/s 80CCC.

Expenses Deductible (Section 57)

Section 57 of Income Tax Act

Although explained under the earlier provisions, a summary of deductions that can be claimed under Section 57 is provided below:

1. In respect of 'Family Pension'

One-third of 'taxable family pension' or Rs 15,000 whichever is less.

2. In respect of 'Income from Sub-letting'

Amount of expenditure incurred by the assessee on 'sub-let portion'.

3. In respect of Plant and Machinery let out by the assessee (with or without building)

Amount of expenditure incurred by the assessee on the plant, machinery and building let out, during the period of letting out, like, repairs, maintenance, insurance, depreciation etc.

4. In respect of 'Royalty Income'

Amount of expenditure incurred by the assessee towards earning royalty income

Expenses Deductible (Section 57)

Section 57 of Income Tax Act

5. In respect of 'Interest on Compensation or Enhanced Compensation'

Fifty per cent of the 'taxable amount of interest received on compensation or enhanced compensation

6. In respect of "Taxable Dividend Income"

A. Bank collection charges

B. Interest on loan borrowed for investing in shares

7. In respect of "Taxable Interest on Securities"

A. Bank collection charges

B. Interest on loan borrowed for investing in securities

8. In respect of other incomes taxable under the head 'Other Sources'

Amount of expenditure incurred wholly and exclusively for earning such income which is chargeable under this head.

AMOUNTS NOT DEDUCTIBLE (Sec. 58)



TAX DEDUCTIONS

The following amounts shall not be deductible in computing income under the head 'Other Sources':

- (1) Any personal expenses of the assessee.
- (2) Any interest chargeable under this Act, which is payable outside India and has been paid without deduction of tax at source or without paying tax thereon.
- (3) Any sum paid on account of Wealth tax.
- (4) Cash payments exceeding Rs 10,000/ 35,000. Sec. 40A(3) provides for the disallowance of 100% expenditure in respect of which payment is made in a sum exceeding 10,000/ 35,000 otherwise than by an account payee cheque on a bank or by an account payee bank draft or use of electronic clearing system through a bank account.
- (5) Expenses or losses in connection with income from lottery, crossword puzzles, races including horse races, card games, gambling or betting of any nature, shall not be deductible in computing the said income. However, this prohibition will not apply in respect of the income of an assessee, being the owner of horses maintained by him for running in horse races, from the activity of owning and maintaining such horses.
- (6) Expenses incurred in relation to exempted income, is not deductible.

SPECIFIC INCOMES CHARGEABLE UNDER THIS HEAD OF INCOME [Sec. 56(2)]

Interest on Securities

[Section 56(2)(id)]



The following incomes shall be chargeable to income tax under the head 'Income from Other Sources':

- (1) Dividends.
- (2) Income from winnings from lotteries, crossword puzzles, races including horse races, card games and other games of any sort or from gambling or betting of any form or nature whatsoever.
- (3) Any sum received by the assessee from his employees as contributions to any provident fund or superannuation fund or any fund set-up under Employees' State Insurance Act, 1948.
- (4) Income by way of interest on securities.
- (5) Income from machinery, plant or furniture let on hire if the income is not chargeable to income tax under the head 'Profits and Gains of Business or Profession'.
- (6) Income from letting on hire machinery, plant or furniture and also buildings, and the letting of the buildings is inseparable from the letting of the said machinery, plant or furniture, if it is not chargeable to income tax under the head 'Profits and Gains of Business or Profession'.
- (7) Income received under a Keyman insurance policy including bonus on such policy, if such income is not chargeable to income tax under the head 'Profits and Gains of Business or Profession' or under the head 'Salaries'.

(8) Any person receives, in any Previous Year from any person or person:

Assets	Amount to be included in income
(a) Any sum of money, without consideration, the aggregate value of which exceeds Rs 50,000	The whole of the aggregate value of such sum.
(b) Any immovable property:	The stamp duty value of such property.
(i) Without consideration, the stamp duty value of which exceeds Rs 50,000;	
(ii) For a consideration which is less than the stamp duty value of property by an amount exceeding Rs 50,000.	The stamp duty value (on the date of agreement) of such property as exceeds amount exceeding Rs 50,000.
(c) Any property other than immovable property :	
(i) without consideration, the aggregate fair market value of which exceeds Rs 50,000;	The whole of the aggregate fair market value of such property.
(ii) For a consideration which is less than the aggregate fair market value of the property by an amount exceeding Rs 50,000.	The aggregate fair market value of such property as exceeds such consideration.

(9) Interest received on compensation or on enhanced compensation shall be deemed the income of the previous year in which it is received.

(10) Where a closely held company issues shares to a resident person for a consideration exceeding the face value of such shares, the deemed income shall be consideration received – fair market value of the shares.

However, this provision shall not apply where the consideration for issue of shares is received (i) by a venture capital undertaking from a venture capital company or a venture capital fund; or (ii) by a company from a class or classes of persons as may be notified by the Central Government.

[illegible]

(i) As determined in accordance with prescribed method; or

(11) Any sum of money received as an advance in the course of negotiations for transfer of a capital asset and such negotiation fails, the amount so forfeited.

Amendments w.e.f. A.Y. 2019-20



(1) Where any immovable property is received for a consideration and the stamp duty value exceeds such consideration, if the excess is more than Rs 50,000 or the amount equal to 5% of the consideration, whichever is higher, shall be charged to tax.

(2) Any compensation or other payment due to or received by any person in connection with the termination of his employment or the modification of the terms and conditions relating thereto shall be chargeable to income-tax under the head "Income from other sources".



(12) Interest received by an employee on his own contributions to an unrecognized provident fund.

(13) Salary of a Member of Parliament, Member of Legislative Assembly or Council.

(14) Insurance Commission not chargeable under the head 'business or profession.

(15) Rent of trademark.

(16) Director's Commission for giving guarantee to bank.

(17) Director's Commission for underwriting shares of a new company.

(18) Gratuity received by a director who is not an employee of the company.

(19) Family pension received by the widow and heirs of deceased employees. However, the following family pensions are exempt:

(i) Pension received by the widow of an employee of the U.N.O.

(ii) Family pension received by any member of the family of gallantry awardee. (Sec. 10(18)]

(iii) Family pension received by the widow or children or nominated person of a member of the armed forces (including para-military forces) of the union, where the death of such member occurred in the course of operational duties shall be exempt provided the prescribed conditions are satisfied. [Sec. 10(19)]



(20) Amount withdrawn from deposit in National Savings Scheme, 1987 on which deduction u/s 80CCA has been allowed including interest thereon.

(21) *Receipts by Cricketers selected to play for India:*

(a) Test Matches in India. Amount actually received by the player from the Cricket Control Board is taxable after allowing a deduction of an amount equal to 75% of such receipt in respect of reasonable expenses incurred to earn such income.

(b) Other Matches in India. Generally, the entire receipts by the player (from the Board) will be deemed to have been spent for earning such income and hence not taxable.

(c) Matches outside India. A player will be allowed a deduction of 50% of the amount received for playing in foreign countries and the balance will be taxable.

(22) Tips received by a waiter or taxi-driver, not being given by his employer.

Income from Undisclosed Sources (Deemed Incomes)

DEEMED

INCOME

Where assessee is found to have an income, the source of which is not disclosed by the assessee, such income is deemed to be income of the assessee and chargeable to tax. In case, the income is not chargeable under any other head, it is taxable under the head 'Income from Other Sources'.

Deemed incomes include the following:

- A. Unexplained cash credit (Section 68]
- B. Unrecorded and unexplained investments [Section 69]

Income from Undisclosed Sources (Deemed Incomes)

DEEMED

INCOME

C. Unrecorded and unexplained money, bullion, jewellery or any other valuable articles [Section 69A]

D. Partly recorded investments, money, bullion, jewellery or any other valuable article (Section 69B)

E. Unexplained expenditure (Section 69C)

F. Amount borrowed or repaid on Hundi [Section 69D]