

INCOME TAX

INCOME FROM OTHER SOURCES

- 1) The following incomes are always taxable as income from other sources:
 - (a) Dividend income from foreign company.
 - (b) Casual income such as winning from lottery, crossword puzzles, gambling, card games, winning from horse races etc.
 - (c) Contribution of PF received by the employee and not deposited with the PF.
 - (d) Interest on securities.
 - (e) Rent from letting of plant and machinery along with building.
 - (f) Sum received by keyman from keyman insurance policy if employer and employee relation is absent.
 - (g) Income from subletting of house property.
 - (h) Gifts in cash received exceeding Rs. 50000 from non relatives. But gifts on the occasion of marriage are not taxable. Similarly gifts given in anticipation of death shall not be taxable.
- 2) **Section 145:** Income under the head of other sources shall be calculated on the cash basis or accrual basis of accounting whichever is followed by the assessee.
- 3) Following are some of the incomes which are taxable under the head of other sources:
 - a) Director's fee.
 - b) Agriculture income from outside India.
 - c) Rent of open plot of land.
 - d) Salary payable to members of parliament.
 - e) Family pension received by family members of deceased employee is taxable as income from other sources. But an exemption of 15000 or 1/3 of such income shall be allowed as per section 57.
 - f) Interest on employee's own contribution in URPF when he gets retired.
 - g) Any income from undisclosed sources.
 - h) Any other casual income.
 - i) Income from royalty.
 - j) Ground rent.
 - k) Examination fees received by a teacher from a person other than his employer.
- 4) Dividends received by shareholders from a domestic company other than those covered by section 2(22)(e) is exempt from tax u/s. 10(34) for shareholder since company has to pay CDT. Corporate Dividend Tax
- 5) Income from Other Sources is a residuary head of income, which includes all income which is not covered by other heads of income and which are not exempt from tax.
- 6) While income from building property and land appurtenant thereto is taxable under the head 'Income from house property', if vacant land is let out, the rent is assessable under the head 'Income from other sources'.
- 7) Income from agricultural activities is exempt from tax u/s 10(1), if agriculture land is situated in India but if land is outside India then income shall not be exempt but it will be taxable as the income from other sources.
- 8) Apart from the specific deductions permissible u/s. 57, any expenditure wholly and exclusively incurred for the purpose of earning any income assessable under this head is also allowable as a deduction.
- 9) If the assessee receives pension after retirement, the same is assessable under the head 'Salaries'. Whereas, if family pension is received by the legal heir of the deceased employee, it is taxable under this head subject to 1/3 of family pension or Rs. 15,000 whichever is less.
- 10) Winnings from lottery, crossword puzzles, races, etc. shall be taxed at the rate of 30% (plus surcharge and education cess) u/s. 115BB.
- 11) From the casual incomes no kind of expenses are allowed to be deducted and gross amount is taxable.

Deductions u/s 57

Following major deductions are available from income chargeable to tax under the head “Income from other sources” :

- (a) Commission or remuneration for realising dividends (if not covered under section 115-O which is exempt) or interest on securities [*Section 57(i)*].
- (b) Any sum received by an employer from employees as contribution towards any welfare fund of such employees is first included as income of the employee, and if the employer credits such sum to the employee’s account under the relevant fund on or before the due date (of such fund), then such amount (i.e., employee’s contribution) is deductible from the income of the employer [*Section 57(ia)*].
- (c) Current (not capital) repairs, insurance premium and depreciation in respect of plant, machinery, furniture and buildings are deductible from rent income earned by letting out of plant, machinery, furniture and building, which are chargeable to tax under section 56(2)(ii)/(iii).
- (d) A deduction of lower of Rs. 15,000 or 33 1/3% of such income is available in case of income in the nature of family pension (i.e., regular monthly amount payable by the employer to the family members of the deceased employee) [*Section 57(ia)*].
- (e) Under *section 57(iii)*, deduction is available in respect of any other expenditure (not being in the nature of capital expenditure) laid out or expended wholly and exclusively for the purpose of making or earning such income during the relevant previous year.

Expenses not allowed as deductions while computing income chargeable to tax under the head “Income from other sources”

Under section 58, following expenditures are not deductible while computing income chargeable to tax under the head “Income from other sources”:

- Personal expenditure [*Section 58(1)(a)(i)*].
- Any interest chargeable under the Act which is payable outside India on which tax has not been paid or deducted at source [*Section 58(1)(a)(ii)*].
- Any amount paid which is taxable under the head “Salaries” and payable outside India on which tax has not been paid or deducted at source [*Section 58(1)(a)(iii)*].
- Sum paid on account of wealth-tax is not deductible under section 58(1A).
- Amount specified under section 40A is not deductible [*Section 58(2)*].