

INCOME FROM OTHER SOURCES

Income from other sources covered under section 56 to 59.

56 - Chargeability

57 - Deduction allowed under this head

58 – Amount not deductible under this head

59 – Deemed income

CHARGEABILITY

The incomes which are chargeable under this head is covered under sections 56(1) & 56(2)

Section 56(1) : Inclusive one

- There must be income
- Such income is not exempt under this Act
- Such income is not chargeable to tax under any of first four head of income as per sec. 14.

All such incomes are taxable under this head

As per this section, this head is residuary one

S. No	EXAMPLES OF INCOME u/s.56(1)
1	Income from subletting
2	Income from insurance commission
3	Family Pension($33\frac{1}{3}$ % of Rs.15000 w.e.l. is exempt)
4	Directors sitting fees
5	Interest on bank/company deposits, loans
6	Remuneration received by MP, MLAs
7	Examiners fees received by a teacher
8	Rent from vacant piece of land
9	Interest on income tax refund
10	Royalty income

11	Directors commission for giving guarantee
12	Directors commission for underwriting shares
13	Income from grant of grazing rights
14	Service charges received from tenants apart from rent
15	Gratuity /perquisites received by a director who is not an Employee of the company
16	Agri. income from land situated outside India
17	Interest on employee contribution to URPF
18	Income from rights of ferry or moorings
19	Income from granting of mining rights
20	Income from racing establishment

SECTION 56(2)

This section enlist the following incomes which are exclusively taxable under the head income from other sources. They are

S. No	Income
1	Dividend income
2	Winning from lotteries, card game, etc
3	Any sum received from employees as contribution to PF, Welfare fund
4	Interest on securities

5	Income from letting of machinery, plant on hire
6	Income from letting of machinery, plant, etc and building which are inseparable
7	Any sum Keyman insurance policy including bonus.
8	Gifts in excess of Rs.50000/-
9	Valuation of unquoted equity shares
10	Interest received on compensation or enhanced compensation
11	Forfeiture of advance received for transfer of a capital asset from the Ass. Year 2015-16

DIVIDEND INCOME

Dividend is the distribution of current years profit or accumulated profits of past years to the shareholders in proportion to their holdings

As per section 10(34), any payment of dividend (interim /final) by domestic company after 01/04/2003 including deemed dividend except as mentioned in section 2(22) (e) is exempt from tax as the company might have paid dividend distribution tax @15% as per section 115O. However, dividend or deemed dividend from foreign company is taxable under this head.

FINANCE ACT 2016

In the union Budget for 2016-2017 , a new section 115BBDA was inserted. According, a tax at the rate of 10% on dividends received by Individuals, HUF and firm where dividend income exceeds Rs.10 lakh in any year.

Such dividend will also be included in the total income.

Dividend include deemed dividend except section 2(22)(e).

DEEMED DIVIDEND

Section	Deemed Dividend	Taxability
2(22)(a)	Distribution of all or any part of the assets of the company to the extent of accumulated profits to its shareholders deemed to be dividend	Exempt
2(22)(b)	Distribution of debentures, deposit certificates and bonus shares with or without interest to the extent of accumulated profit by a company to its shareholders deemed to be dividend	Exempt
2(22)(c)	Distribution at the time of liquidation of the company to the extent of accumulated profit is deemed to be dividend	Exempt
2(22)(d)	Distribution by the company on its reduction of capital to the extent of accumulated profit deemed to dividend	Exempt

2(22)(e)	Distribution of loans and advance by a company (Other than co. in which public are substantially interested) to certain shareholders to the extent of AP deemed to be dividend	Taxable
<p>The loan or advance may be given to :</p> <ol style="list-style-type: none"> 1. Equity shareholders holding not less than 10% of the voting power 2. Any concern in which such shareholder (>10%) is a member or a partner and holds substantial interest. 3. any person on behalf or for the benefit of shareholders holding not less than 10% of the voting power. <p>Substantial interest means entitled for 20% profit or holds atleast 20% of the shares in case of company.</p>		
<p>ACCUMULATED PROFIT(AP): It means the commercial profits and not assessed income and includes credit balance in the profit and loss account, general reserves, investment allowance upto the date of distribution or liquidation but not does not include capital receipts and specific provisions.</p>		
<p>When it is exempted?</p> <p>Any advance or loan to a shareholder and money lending is the major business of the concern.</p>		

DEDUCTION FROM DIVIDEND INCOME

As per section 57 of the Act, the following expenses can be deducted from dividend income.

- collection charges
- Interest on loan
- Any other expenditure not being capital exp.

However, if dividend is exempted as per section 10(34) nothing is deductible.

WINNING FROM LOTTERIES, CROSSWORD PUZZLES, etc.

This includes any winning from:-

- A] lotteries
 - B] crossword puzzles
 - C] Races including horse races
 - D] Card games and other games of any sort
 - E] Gambling or betting of any form or nature
- and are chargeable to tax as income from other sources

Tax rate	These incomes are taxed at a flat rate of 30% plus cess
Grossing up Section 115BB	These income will be given to the winners only after deducting tax, therefore, while showing it as income under the head Income from other sources, it should be grossed up.
Deduction	As per section 58(4), nothing is deductible from these kind of income
Set off	No loss can be set off/adjusted against these income CIT Vs. MAM Ramasamy
Income of lottery agent	Income to an agent by means of prizes on unsold/unclaimed lottery tickets in his possession is PGBP (Director of state lotteries Vs CIT) Other sources (CIT Vs. Manjoo and co)

Contribution from Employees towards PF or Welfare fund

Employers normally deduct employees share of contribution towards PF or other welfare fund from their salaries.

Such sum, included as income of the employer at the first instance- Section 56(2)(ic).

If the employers deposited such amount before the due date of such deposit, then that can be claimed as deduction from their income – Section 57(ia) .

INTEREST ON SECURITIES

As per section 2(28B) IOS means

Interest on securities issued central/state Govt.

Interest on debentures/bonds issued by LA

Interest on debentures/bonds issued by Companies

Interest on debentures/bonds issued by companies established by Central/state Govt.

Bond washing transactions – section 94(1)

Sales cum interest – section 94(2)

Bonus Stripping – section 94(8) Record date

INTEREST ON SECURITIES

Exemption: Section 10(15)

Post office SB Interest – Exempted Rs.3500/-

National Defence Gold Bonds

Special Bearer Bonds

National Savings Certificate (NSC)

SB Interest on Bank/Co-op Society deposit – taxed but deduction under section 80TTA – subject to maximum of Rs.10000/-

If any TDS was made on Interest, it should be grossed up.

Deduction from Interest – Sec 57(i) & (ii)

collection charges, interest on loan & any other revenue expenditure

GIFT or RECEIPT WITHOUT CONSIDERATION – SEC.56(2)

Sec. 56(2)(vi) – Gift in cash

from 01/04/2006 to 01/10/2009

If Individual or HUF receives from any person

any sum of money the aggregate of which > Rs.50000/-

The entire sum taxed as Income from other sources

Sec. 56(2)(vi) – Gift received in kind (i.e. properties)

from 01/04/2006 to 01/10/2009

If Individual or HUF receives from any person

Exempted as it is not covered under Sec 56(2)(vi)

GIFT or RECEIPT WITHOUT CONSIDERATION – SEC.56(2)

Sec. 56(2)(vii)(a) – Gift of money

with effect from 01/10/2009

If Individual or HUF receives from any person

any sum of money the aggregate of which > Rs.50000/-

The entire sum taxed as Income from other sources

Sec. 56(2)(vii)(b) (i) – Gift immovable property

with effect from 01/10/2009

If Individual or HUF receives from any person

immovable property without consideration or for inadequate consideration > Rs.50000/- (stamp duty value taxed in recipient hand)

GIFT or RECEIPT WITHOUT CONSIDERATION – SEC.56(2)

Sec. 56(2)(vii)(b) (i) – Gift movable property

with effect from 01/10/2009

If Individual or HUF receives from any person

immovable property without consideration or for inadequate consideration > Rs.50000/- (FMV taxed in recipient hand)

Immoveable property : Land or building or both

Moveable property: Shares & Debentures, Jewellery, Bullion, Drawings painting, sculptures, any work of art and archaeological collection.

GIFT or RECEIPT WITHOUT CONSIDERATION – SEC.56(2)

Exemption:

Money or property received from relatives

M or P received on the occasion of marriage of the individual

M or P received by will or inheritance

M or P received in contemplation of death

M or P received from local authority

M or P received charitable institute registered u/s 12AA

M or P received any fund, foundation, university or other educational institution, hospital, medical institution, any trust or institution u/s 10(23C)

GIFT or RECEIPT WITHOUT CONSIDERATION – SEC.56(2)

Relatives:

- 1] Spouse of the individual
- 2] Brother or sister of the individual
- 3] Brother or sister of the spouse of the individual
- 4] Bro. or Sis of either of the parents of the individual
- 5] Any lineal ascendant or descendant of the Individual
- 6] Any lineal ascendant or descendant of the spouse of the Ind.

Spouse of the person referred in 2 to 6

Received from group of relatives also exempted

Interest on compensation or enhanced compensation

Section 145 A(b)

Income by way of interest received on compensation or on enhanced compensation taxable as IOS

Section 57(iv) 50% of such income allowed as deduction

Forfeiture of advance money: Sec 56(2)(x)

From A Y 2015-16

Advance money received forfeited

Negotiation not result in transfer of capital assets

Not adjustable on the cost of acquisition.

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Amount not Deductible – Sec 58

**The following expenses are not deductible under
Income from other sources**

Personal expenses

Interest paid outside India without TDS

Salary paid outside India without TDS

Wealth tax paid

Royalty and technical fees paid to Foreign companies

Expenditure in the case of winning from lotteries

No deduction under chapter VIA for casual income

No deduction under section 57 for casual income

No set off of loss against casual income