

Chapter

9

Income from Other Sources [Section 56 to 59]

9.1 Chargeability [Section 56(1)]

According to Section 56(1) any income which is

- not tax free income; ~
- not taxable under any of the first four heads specified in section 14, in that case, the income is taxable under the head "Income from Other Sources".

9.2 Incomes which are chargeable under this head [Section 56(2)]

Under this head 10 incomes are always taxable.

1. Dividend [Sec.56(2)(i)]

- Dividend [Interim or otherwise] declared, distributed or paid by a domestic company [Section 115-O] whether declared out of current or accumulated profits shall be included in computing total income of previous year of any person and therefore dividend received from any domestic company shall be taxable in the hands of shareholders / recipients.
- Dividend received from a foreign company is taxable under the head "Income from other sources".
- Income from UTI or Mutual Fund is taxable under the head "Income from other sources".

2. Any winning from lotteries, crossword puzzles, races including horse races, card games, gambling or betting of any form or nature etc. [Sec.56(2)(ib)]

Income from these sources is treated as casual incomes.

- These types of income are taxable at a special rate of Income-tax @30% as per section 115BB.
- On winning of more than ₹10,000 from lotteries, crossword puzzles, card games, gambling or betting of any form or nature (₹5,000 in case horse races), tax is deducted at source @30% before giving to the recipient.

	<ul style="list-style-type: none"> ● Grossing up of lottery, crossword puzzle and horse race incomes: If net amount received by the assessee is given, then in that case with that net income, the tax deducted at source @30% is to be added back to find out the total income. So, if the net income from lottery, crossword puzzle, horse race and TDS rate is given then such net income will have to be grossed up as under [See Illustration 1] : $\frac{\text{Net amount}}{[1-(0.30)]}$
<p>3. Employee's contribution to staff welfare schemes</p>	<ul style="list-style-type: none"> ● If the assessee (employer) receives any contribution from the employee for the welfare fund of workers then that contribution is taxable under the head 'Income from other sources'
<p>4. Interest on securities [Section 56(2)(id)]</p>	<ul style="list-style-type: none"> ● Interest on securities like security of the central and state government, debentures or other securities for money issued by, or on behalf of a local authority or a company etc., is taxable under the head "Income from other sources"; if it is not taxable under the head "Profits and gains of business or profession". ❖ Grossing up of Interest: Total interest (i.e. net interest + tax deducted at source) is taxable. So if net interest is given, then it has to be grossed up to arrive at the taxable amount. Net interest can be grossed up as under $\frac{\text{Net Interest}}{100 - \text{Rate of TDS}} \times 100$ ● Grossing up is required in case of the following securities: (i) 8% Saving (Taxable) Bonds if the amount of interest payable exceeds ₹10,000. (ii) securities issued by a statutory corporation or a local authority or by any company.
<p>5. Income from letting out machinery, plant or furniture [Section 56(2)(ii)]</p>	<p>Income from machinery, plant or furniture, belonging to the assessee and let on hire, is chargeable under the head "Income from other sources"; if it is not taxable under the head "Profits and gains of business or profession".</p>

<p>6. Income from composite letting of machinery, plant or furniture and buildings [Section 56(2)(iii)]</p>	<p>The income from such letting is known as <i>composite rent</i>, as letting of buildings is inseparable from the letting of said machinery, plant or furniture. The income from such letting is taxable under the head "Income from other sources", if it is not taxable under the head "Profits and gains of business or profession".</p>
<p>7. Money received from Keyman Insurance policy</p>	<p>If the assessee received any money from Keyman Insurance Policy (with bonus) then it shall be taxable under the head "Income from other sources", if it is not taxable under the head "Salaries".</p>
<p>8. Gift [Section 56]</p>	<p>When an individual or a Hindu Undivided Family receive during the previous year a sum of money which exceeds ₹50,000 without consideration or with inadequate consideration, the whole of such amount is taxable in the hands of the recipient as "Income from other sources".</p>
<p>9. Interest on compensation or enhanced compensation [Section 56(2)(viii)]</p>	<p>If the assessee received any interest on compensation or enhanced compensation as per section 145B(1), then it shall be taxable under the head "Income from other sources" in the previous year in which it is received. In the case of above interest 50% is taxable and 50% is deductible as per section 57(iv).</p>
<p>10. Advance money received during negotiation of transfer of a capital asset</p>	<p>Due to agreement for transfer of a capital asset when any advance money is received or during the negotiations for transfer of a capital asset when any advance sum of money is received and which is forfeited due to failure of the negotiation, then this advance money is treated as income under the head "Income from other sources".</p>

9.3 Other incomes which are chargeable under this head

The other incomes (besides the 10 incomes mentioned above) which are normally chargeable to tax under the head "Income from other sources" are as follows:

- (i) Income from sub-letting of a house property;
- (ii) Interest on bank deposit/deposits with companies;
- (iii) Interest on loans;
- (iv) Casual income;

- (v) Income from undisclosed sources;
- (vi) Examination fees received by a teacher from a person other than his employer;
- (vii) Director's sitting fee for attending board meetings;
- (viii) Income from undisclosed sources;
- (ix) Remuneration received by Member of Parliament;
- (x) Insurance commission;
- (xi) Director's fee;
- (xii) Agricultural income from agricultural land situated outside India;
- (xiii) Rent from a vacant piece of plot of land;
- (xiv) Director's commission for standing as a guarantor to bankers;
- (xv) Income received after discontinuance of business;
- (xvi) Director's commission for underwriting shares of a new company;
- (xvii) Income from grant of grazing rights;
- (xviii) Income from granting of mining rights;
- (xix) Family pension (payment received by legal heirs of a deceased employee);
- (xx) Interest received on delayed refund of income-tax;
- (xxi) Income from royalty, if it is not income from business or profession;
- (xxii) Total interest till date on employee's contribution to an unrecognized provident fund at the time when the payment of lump sum amount from the unrecognized provident fund is due;
- (xxiii) Income from markets, fisheries, rights of ferry or moorings;
- (xxiv) Interest on securities of foreign governments;
- (xxv) annuity payable under a will, contract, trust deed;
- (xxvi) Gratuity paid to a director who is not an employee of the company;
- (xxvii) Compensation received for use of business assets.

9.4 Expenses which are not deductible [Section 58]

The following payment shall not be deductible in computing the income chargeable under the head "Income from other sources":

- a) Personal expenses of the assessee;
- b) Interest paid outside India on which tax is not deducted at source;
- c) Salaries paid outside India on which tax has not been deducted at source;
- d) Income tax/wealth-tax paid;
- e) Any expenditure incurred in connection with winning of lottery, cross word puzzle, horse race etc.
- f) Any expenditure referred in section 40A like excessive or unreasonable payment to certain specified persons [Section 40A(2)] and payment exceeding ₹20,000 otherwise than by way of account payee cheque [Section 40A(3)];
- g) 30% of any sum payable to a resident on which tax is deductible at source under section 192 to section 194LA.

Illustration 1:

Mr. Sanjay earned the following income during the previous year 2023-24.

Tax deducted at source @30% on winning from lottery

₹ 5,40,000

Net amount received by Mr. Sanjay

₹ 12,60,000

Calculate the gross amount received from winning from lottery.

Solution :

Here the net amount received by Mr. Sanjay is given = ₹ 12,60,000.

∴ The net amount is to be converted into gross amount as follows :

$$\frac{\text{Net amount}}{[1 - (0.30)]} = \frac{₹12,60,000}{0.7} = ₹ 18,00,000.$$

9.5 Tax treatment of dividend in the hands of Shareholders

Dividend from domestic company	Fully taxable in the hands of shareholders April 1, 2020 and after that. On this dividend 10% TdS is charged if the amount of dividend in a single year is more than 25,000.
Non-domestic company	This is taxable in the hands of shareholders if this is received in India.

**Solver Problems of
University Examinations**
Illustration 2:

Sri Somnath Manna furnishes the following particulars of his income for the previous year 2023-24. You are required to calculate 'Income from Other Sources' of Sri Somnath Manna for the Assessment Year 2024-25.

- (i) Director's fees received from ITC Company ₹ 15,000.
- (ii) Dividend from foreign company ₹ 18,000 (Expenses for the collection of dividend ₹ 500).
- (iii) Family pension received ₹ 1,20,000.
- (iv) Gift received from a friend on occasion of marriage ₹ 60,000.

[C.U. B.Com. (Hons.), 2018]

Solution:

**Income from Other Sources of Sri Somnath Manna
for the Assessment Year 2024-25 (Does not opt to be taxed u/s 115BAC)**

	Amount (₹)	Amount (₹)
(i) Director's fees received from ITC company		15,000
(ii) Dividend from foreign company: ₹ (18,000 - 500)		17,500
(iii) Family Pension received	1,20,000	
Less: Deduction u/s 57, least of the following two alternatives	<u>15,000</u>	<u>1,05,000</u>
(i) $1/3 \times ₹ 1,20,000$		
(ii) Fixed amount ₹ 15,000		
(iv) Gift received from a friend on occasion of marriage ₹ 60,000		—
		1,37,500

Illustration 3:

From the following information, compute Income from Other Sources of Ms. Sumana Das for the Assessment Year 2024-25, assume she does not opt to be taxed under New Tax Regime i.e. u/s 115BAC.

- (i) Dividend received from foreign company ₹ 6,000.
- (ii) Family pension received @ ₹ 12,000 per month.
- (iii) Interest received on Fixed Deposit from SBI ₹ 8,000.
- (iv) Interest on Post Office savings account ₹ 3,000.

[C.U. B.Com.(Gen.), 2017]

Solution :

**Income from Other Sources of Ms. Sumana Das
for the Assessment year 2024-25 (Does not opt to be taxed u/s 115BAC)**

	Amount(₹)	Amount(₹)
(i) Dividend from foreign company		6,000
(ii) Family pension (₹ 12,000 × 12)	1,44,000	
Less : Deduction u/s 57, least of the following two alternatives		
(i) 1/3 × ₹ 1,44,000	48,000	
(ii) Fixed amount of ₹ 15,000	15,000	
(iii) Interest received on Fixed Deposit from SBI	8,000	1,29,000
(iv) Interest on P.O. Savings A/c [Exempt u/s 10(15)]		Nil
Taxable Income from Other Sources		1,43,000

Illustration 4 :

From the following information, compute Income from Other Sources of Mr. S. Das for the Assessment Year 2024-25, assume she does not opt to be taxed under New Tax Regime i.e. u/s 115BAC.

- (i) Dividend received from Indian Company ₹10,200.
- (ii) Dividend received from Foreign Company ₹ 5,800.
- (iii) Family pension received @ ₹ 9,500 p.m.
- (iv) Income from agricultural land in Bangladesh ₹ 15,000.

[C.U. B.Com.(Gen.), 2018]

Solution:

**Computation of Income from Other Sources of
Mr. S. Das for the Assessment Year 2024-25**

	Amount (₹)	Amount (₹)
Dividend from Indian company		10,200
Dividend from Foreign company	1,14,000	5,800
Family pension (₹ 9,500 × 12)		

<i>Less : Deduction u/s 57, least of the following two alternatives</i>			
(i) $1/3 \times ₹ 1,14,000$	38,000		
(ii) Fixed amount of ₹ 15,000	15,000	<u>15,000</u>	99,000
Income from agricultural land in Bangladesh			15,000
			<u>1,30,000</u>

Illustration 5 :

Mr. Mithun Mukherjee furnished the following information for the financial year 2023-24.

Director's fees ₹22,000; Interest on Post Office Savings Bank deposit ₹ 700; Rent received from sub-letting a house ₹ 33,250; rent payable by Mukherjee for the above house ₹ 19,000; other expenses incurred in connection with the house amounted to ₹ 8,000; Dividend from a foreign company ₹ 2,500.

You are required to calculate 'Income from Other Sources' of Mr. Mukherjee for the Assessment Year 2024-25, assume he does not opt to be taxed under New Tax Regime i.e. u/s 115BAC. [C.U. B.Com.(Hons.), 2015]

Solution :

Computation of Income from Other Sources of Mithun Mukherjee for the Assessment Year 2024-25 (Does not opt to be taxed u/s 115BAC)

	Amount (₹)	Amount (₹)
(i) Director's fees		22,000
(ii) Interest on Post Office Savings Bank deposit ₹ 700 [exempt u/s 10(15) from tax]		Nil
(iii) Rent from sub-letting a house	33,250	
<i>Less:</i> Rent payable by the assessee for the house	19,000	
Other expenses for the house	<u>8,000</u>	6,250
(iv) Dividend from foreign company		<u>2,500</u>
		<u>30,750</u>

Illustration : 6

From the following information, compute income from other sources for the A.Y. 2024-25 :

1. Winning of ₹3,00,000 (gross) from West Bengal State Lottery.
2. Interest from Saving Bank Account with State Bank of India ₹12,000.
3. Dividend of ₹22,000 received from an Indian Company.
4. Income from subletting a house at ₹5,000 p.m. which was actually taken at a rent of ₹3,000
5. Income from the activity of owning and maintaining race horses ₹10,000.

[C.U. B.Com,2008]

Solution :

Computation of Income from Other Source of for the A.Y. 2024-25

	Amount(₹)	Amount(₹)
Winning from West Bengal State Lottery		3,00,000
Interest from Savings Bank Account		12,000
Dividend from an Indian Company		22,000
Income from subletting (₹5,000×12)	60,000	
Less : Expenses incurred (₹3,000×12)	36,000	24,000
Winning from horse race		10,000
Income from other sources		3,68,000

Illustration : 7

Mr Titu furnishes the following particulars of his income for the financial year ending on 31.03.2024.

1. Dividend received from an Indian Company ₹10,000.
2. Dividend received from a foreign Company ₹20,000.
3. Income from agricultural land in Bangladesh ₹15,000.
4. Income from agricultural land in Kerala ₹50,000.
5. Winning from Lottery (Net after deduction of tax @ 30%) ₹7,000

[C.U. B.Com,(General), 2016]

Compute his income from other sources.

Computation of Income from Other Sources of Mr Titu for the A.Y. 2024-25.

	Amount(₹)	Amount(₹)
Dividend from Indian Company		10,000
Dividend from foreign Company		20,000
Income from agricultural land in Bangladesh		15,000
Income from agricultural land in Kerala [Exempt u/s10(1)]		Nil
Winning from Lottery [$\frac{7,000}{(100-30)\%}$]		10,000
		55,000

Illustration : 8

Compute income from other sources of Mr. Sarkar for the A.Y. 2024-25 .

1. He subscribed for 100 13% Debenture of ₹100 each (issued at premium of ₹10 each) of XYZ Ltd. Company pays interest on 30th June and 31st December every year.
2. During the year, he subscribes ₹80,000 to deep discount bond (Maturity value ₹4,00,000) issued by RBI. Reserve Bank of India declares its value in 31.03.2024 ₹1,00,000.
3. Income from agricultural land in Islamabad ₹20,000
4. Director's fees (gross) received in September, 2023 ₹40,000

Solution :

Computation of Income from Other Sources of Mr. Sarkar for the A.Y. 2024-25

	Amount(₹)
Interest on debenture of XYZ Ltd (Interest due and received by the assessee from XYZ Ltd. shall be charged to tax. Interest for 6 months i.e. from 1st October to 31st March only shall be taxable, as the assessee is the subscriber of such security. Moreover interest shall not be grossed up because on such interest no TDS is deductible as the amount of interest does not exceed threshold limit)	600
$100 \times ₹100 \times 12\% \times \frac{1}{2}$	
Interest on Deep Discount Bond (In case of Deep Discount bond issued after 15.02.2002, any change in the market value of such bond from the end of one financial year to another shall be treated as interest income of the assessee) [₹1,00,000 - ₹80,000]	20,000
Income from agricultural land in Islamabad (Land is located outside India)	20,000
Director's fees	40,000
Income from other sources	80,600

Exercise

Short Answer Type Questions :

1. Discuss the incomes taxable under the head 'Income from other sources'.
2. Which expenses are not deductible under the head 'Income from other sources'.
3. Discuss the rules regarding determination of income from lottery, horse races and gambling or betting.

Practical Problems

Problem 1 :

State the heads of income under which the following incomes are to be assessed :

- (a) Family pension received by the widow of an ex-government employee.
- (b) Fees received by a director of company for attending board meeting.
- (c) Salary received by a partner from a partnership firm.
- (d) Income from sub-letting.
- (e) Property let-out to employees of assessee's business.

[C.U. B.Com.(Hons.), 2004]

[Hint:(a) Income from Other Sources]

- (b) Income from Other Sources.
 (c) Profits & Gains of Business or Profession.
 (d) Income from Other Sources.
 (e) Profit & Gains of Business or Profession.]

Problem 2 :

From the following information, compute Income from Other Sources for the Assessment Year 2024-25.

- (a) Interest from Savings Bank Account with State Bank of India ₹ 6,000.
 (b) Winning of ₹ 3,00,000 (gross) from West Bengal State Lottery.
 (c) Income from sub-letting a house at ₹ 5,000 p.m. which was actually taken at a rent of ₹ 3,000 p.m.
 (d) Dividend of ₹ 11,000 received from an Indian Company.
 (e) Income from the activity of owning and maintaining race horses ₹ 10,000.

[C.U. B.Com.(Hons.), 2008]

[Ans. : Income from Other Sources ₹ 3,40,000.]

Problem 3 :

Pallavi submits the following particulars of his income and outgoings for the previous year 2023-24, assume she does not opt to be taxed under New Tax Regime i.e. u/s 115BAC :

- (i) Dividend received from X Co. Ltd. an Indian company ₹ 4,160; interest paid on capital borrowed for the purpose of investment in such shares ₹ 500.
 (ii) Interest on American Government bond ₹ 15,700.
 (iii) Winning from horse races ₹ 13,200; expenses incurred for the same ₹ 2,000.
 (iv) Income by way of owning and maintaining race horses ₹ 8,900; expenses incurred for maintaining such horses ₹ 1,200.
 (v) Winning from lottery (Net after deduction of tax @30%) ₹ 8,400.

Compute his income from other sources for the assessment year 2024-25, assume she does not opt to be taxed under New Tax Regime i.e. u/s 115BAC.

[C.U. B.Com.(Hons.), 2006]

[Ans. : Income from Other Sources ₹ 48,600]

[Hint.]

1. Winning from lottery	$\frac{₹ 8,400}{(100-30)\%} = ₹ 12,000$	₹
2. Income from owning and maintaining race horse		8,900
Less : Expenses incurred		<u>1,200</u>
		<u>7,700</u>

Problem 4 :

From the following information relating to the previous year 2023-24, compute income under the head "Income from Other Sources".

- (a) Family Pension received @ ₹ 3,500 p.m.
- (b) Dividend from an Indian Company ₹5,000.
- (c) Remuneration as an examiner ₹5,000.
- (d) Accrued Interest on N.S.C. (VIII Issue) ₹ 2,000.

[C.U. B.Com.(Hons.), 2010]

[Ans. : Income from Other Sources ₹33,000.]

Problem 5 :

From the following information, compute Income from Other Sources of Mr. Biswas for the A.Y. 2024-25, assume she does not opt to be taxed under New Tax Regime i.e. u/s 115BAC.

- (i) Family pension @ ₹4,500 p.m.
- (ii) Dividend received from an Indian company ₹ 7,000 and from a foreign company ₹5,000.
- (iii) Sub-letting of house @ ₹ 6,000 per month. Rent paid to landlord ₹ 4,500 per month. municipal tax paid ₹ 2,000.

[C.U. B.Com.(Hons.), 2012]

[Ans. : Income from Other Sources ₹ 60,000.]

Problem 6 :

Chayan submits the following particulars of the incomes and outgoings for the previous year 2023-24.

- (i) Income from lottery (Net after deduction of tax @30%) ₹ 14,000.
- (ii) Dividend from BU Ltd., an Indian Company ₹ 4,000.
- (iii) Rent from sub-letting of house ₹ 18,000; rent collection charge ₹ 300; Insurance premium ₹800.
- (iv) Dividend from A. K. Ltd., a Foreign Company ₹ 12,000.

Compute his Income from Other Sources for the assessment year 2024-25, assume he does not opt to be taxed under New Tax Regime i.e. u/s 115BAC.

[C.U. B.Com.(Gen.), 2012]

[Ans. : Income from Other Sources ₹ 48,900.]

Problem 7 :

Shri Ajoy Ghosh furnished the following particulars of his incomes for the previous year 2023-24:

- (a) Dividend received from ABC Ltd. a Foreign company ₹ 15,500.
- (b) Dividend from HCL Ltd., an Indian company ₹17,000.
- (c) Interest received on fixed deposit from SBI ₹ 11,000.
- (d) Interest on Post Office Savings Account ₹ 2,000.
- (e) Directors fees for attending company meetings ₹ 22,000.

Compute Income from Other Sources for the assessment year 2024-25 of Mr. Ghosh, assume he does not opt to be taxed under New Tax Regime i.e. u/s 115BAC.

[C.U. B.Com. (Gen.), 2013]

[Ans. : Income from Other Sources ₹48,500.]

Problem 8 :

Amir furnishes the following particulars of his incomes for the previous year 2023-24 :

- (i) Income from sub-letting ₹ 16,000.
- (ii) Winnings from lottery (Net after deduction of tax @30%) ₹ 70,000.
- (iii) Dividends from an Indian company ₹ 18,000.
- (iv) Remuneration for setting question paper ₹ 1,200.
- (v) Interest on Government bonds ₹ 5,000.

Compute his Income from Other Sources for the assessment year 2024-25, assume he does not opt to be taxed under New Tax Regime i.e. u/s 115BAC.

[C.U. B.Com.(Gen.), 2014]

[Ans.: Income from Other Sources : ₹ 1,22,200.]