Income from other sources

Income from other sources is residual head of income .In order to find out the taxable income from other sources we have to prepare a statement from other sources.

D	Dividend on shares Indian Company (Exempt u/s 10 (34) Foreign Company/Cooperative Society	XX
W	Winnings (Gambling, horse races, card games ,TV Games)	XX
R	Rent Income -Rent of assets other than building -Composite Rent -Rent from subletting	XX
A	Agriculture Income Land in India exempt u/s 10(1) Foreign Land	XX
M	Income as MP ,MLA,MLC -Salary -Daily allowance/consistency allowance exempt u/s 10(17)	XX
M	Income of Minor Child Exempt u/s 10(32) up to Rs. 1500 p.a per minor child	XX
U	Income from units of UTI & Mutual Funds exempt u/s 10(35)	XX
F	Fees received by director for attending board meeting	XX
F	Family pension received by family members of a deceased employee(notes)	XX
A	Award received from government in public interest exempt u/s 10(17 A)	XX
K	Amount received from Kenymans Insurance Policy(Amt recd from life insurance policy will be exempt u/s 10 (10 D)	XX

I	Interest Income(notes)	XX
R	Royalty Income	XX
R	Remuneration from non employer	XX

Interest on Debenture

Held as stock → Income from Business

Held as investment → Income from other source

Deduction u/s 57

Winning → 30% tax rate on gross amount

Exempt Income → Expenses ignored

Family Pension → standard deduction → 1/3 Family pension Max Rs 15000

Others → Related expenses

Interest Incomes

GNPT PK RC → DSP SCC

G	Gold Deposits Bonds/Shares
N	National
	D-Defence Gold Bonds
	S-Saving Ammunity Certificate
	P-Plan Certificate
P	Post Office
	S-Saving Bank A/C
	C- Cumulative Time Deposit A/C
	C-Cash Certificate
T	Treasury Saving Deposit
P	Public Provident Fund
K	Konkan Railway Cooperation Bonds
R	Relief Bonds(National/State/RBI)
C	Capital Investment Bonds

Interim Dividend:-It is treated as income of that year in which it is unconditionally made available to shareholder

Final Dividend: - It is treated as income of the year in which it is declared.

Less Tax securities: - It means any securities which is subject to TDS

Tax Free Securities:- It means that TDS will be paid by payer of Interest.

Section 2(22) Deemed Dividend

Section2 (22 a)

Any Distribution made to the shareholder of the company on company assets, to the extent of accumulated profits of the company.

Section 2(22 b)

Any Distribution made to the shareholder of the company on debentures, deposit certificates & bonus shares to preference shares, to the extent of accumulated profits of the company.

Section 2(22c)

Any Distribution made to the shareholder of the company on liquidation of company, to the extent of accumulated profits of the company.

Section 2(22 d)

Any Distribution made to the shareholder of the company on reduction of capital, to the extent of accumulated profits of the co

Section 2 (22 e)

Advance or loans by closely held company to its shareholder-

1. Shareholders holding at least 10% or more equity share capital
2. To a third party for the benefit of such shareholder .
3. To a concern in which shareholder has 20%or more profit entitlement or voting power.

In the 2 & 3 cases the loan/advance is taxable in the hands of shareholder.

& In the 1st case the loan/advance is taxable in the hands of a concern.

Notes :- Normally surcharge is payable by the company only if its income exceeds Rs 1 crores but in case ,if it pays dividend it has to pay surcharge irrespective of its income

Tax Treatment of Dividend

Indian Co.		Foreign Co.
Sec 2(22)(e)	others	co. Exempt
Shareholder taxable	Shareholder exempt u/s 10(34)	Shareholder taxable
Co. exempt	Co. Taxable	No TDS (taxable as
	DDT @15%+SC 5%+EC 3%=16.2225%	per slab rate

This is subject to TDS @10% u/s194

<u>Accumulated Profits.</u>

1. It should be based on commercial profits not on assessed income.
2. Current year profit should be included in accumulated profit.
3. Agriculture Income should be included in accumulated profit.
4. Any concealed income should be included.

5. Balancing charge u/s 41(2) of the act should not be included in accumulated profit because it is not a commercial profit but only a withdrawal of deprecation's

Accumulated

Normally

All profit up to date of

Distribution

Company liquidation

Acquired by govt co

Profit prior 3 years ignored

otherwise

All profit up to

date of liquidation

Cash Gifts

IMDRHUTLO

Not taxable

Aggregate up to 50000

Not taxable

Aggregate more than Rs 50000

Taxable

I	Inheritance/Will
M	Marriage
D	Death Contemplation
R	Relative
H	Hospital/Medical Institution
U	University/Educational Institution
T	Trust/Charitable
L O	Local Authority

Immovable Property

consideration

Not Taxable

Without Consideration

Stamp Duty value

Exceed RS 50000

TAXABLE

stamp duty value does not exceed

RS 50000

NOT TAXABLE

Movable Property

Consideration

Difference Between FMV

& consideration

exceeds Rs 50000

Taxable

Without consideration

aggregate FMV exceeds Rs 50000

Not Taxable

Movable Property means :-

1. Land and building
2. Shares and securities
3. Jewellery
4. Archaeological collection, drawings , sculptures ,or any work of art
5. Bullion

Shares of Closely held company shares(IMP) SEC 56(2)

Without consideration

FMV exceeds RS 50000 → Taxable

FMV does not exceed RS 50000 → Not Taxable

with consideration

Difference between FMV And Consideration does not exceeds RS 50000 → NOT TAXABLE

difference between FMV & Consideration exceeds Rs 50000 → Taxable