

**Income from
other sources**

Income from other sources - Basic

- **Residuary head of income** - Any income which is not taxable under any other head is taxable under this head.
- Without generality of the above provisions section 54 list down certain income which are taxable as income from other sources (IFOS)
 - Dividend – Always taxable as IFOS
 - Winnings from lotteries. – Always taxable as IFOS
 - Employees contribution to provident fund or superannuation fund: If not taxable as PGBP
 - Interest on securities – If not taxable as PGBP.
 - Income from plant or furniture let on hire – If not taxable as PGBP.
 - Composite letting of building and P&M furniture etc. – If not taxable as PGBP.
 - Sum received under keyman insurance policy – If not taxable as PGBP or salary income
 - Money, specified movable property, immovable property received as gift by an individual / HUF
 - Shares of closely held company received as a gift by a closely held Company / Firm
 - Share value received by a closely held company from a resident to the extent it exceeds the FMV of shares.
 - Interest on enhanced compensation

Other examples of IFOS : - Family pension, Interest on bank deposits etc.

How is income from other source computed

Income from other sources are taxed on accrual basis or on cash basis depending upon the accounting system regularly followed by the assessee.

Exception to the above rule:-

- Interest on security
- Interest on enhanced compensation

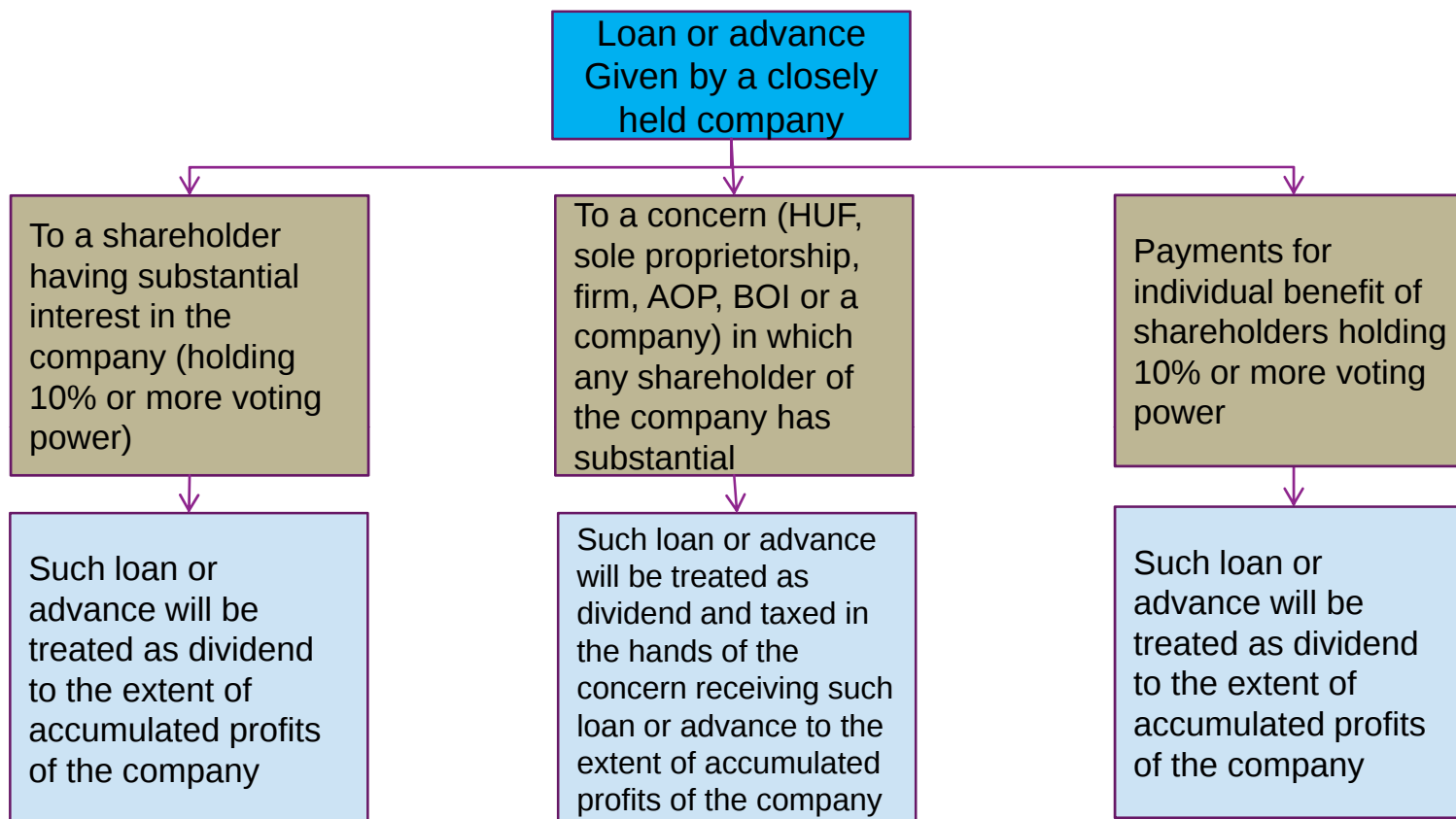
Format for computing IFOS (pls note the format has to be followed for each income):-

Particulars	Amount	Amount
Income	XXX	
Less exemption available if any	(XXX)	XXX
specific deduction		(XXX)
Any expense incurred to earn income (unless specifically disallowed)		(XXX)
Taxable income		XXX

Dividend Income

Sr. No.	Type of Dividend	Received from Domestic Co	Received from a Co. other than Domestic Co.
1	Normal Dividend	Company to pay tax – Exempt in the hands of receiver	Taxable in the hand of the receiver
2	Distribution of Debentures, Debenture stock or deposit certificates or bonus shares to preference shareholders to the extent of accumulated profits		
3	Distribution made by a company in liquidation to its shareholders to the extent of accumulated profits		
4	Distribution made by a company to its shareholders on capital reduction to the extent of accumulated profits		
5	Payments covered by Section 2(22)(e)	Company will not pay tax – Taxable in the hands of receiver	

Deemed Dividend – Sec 2(22)(e)

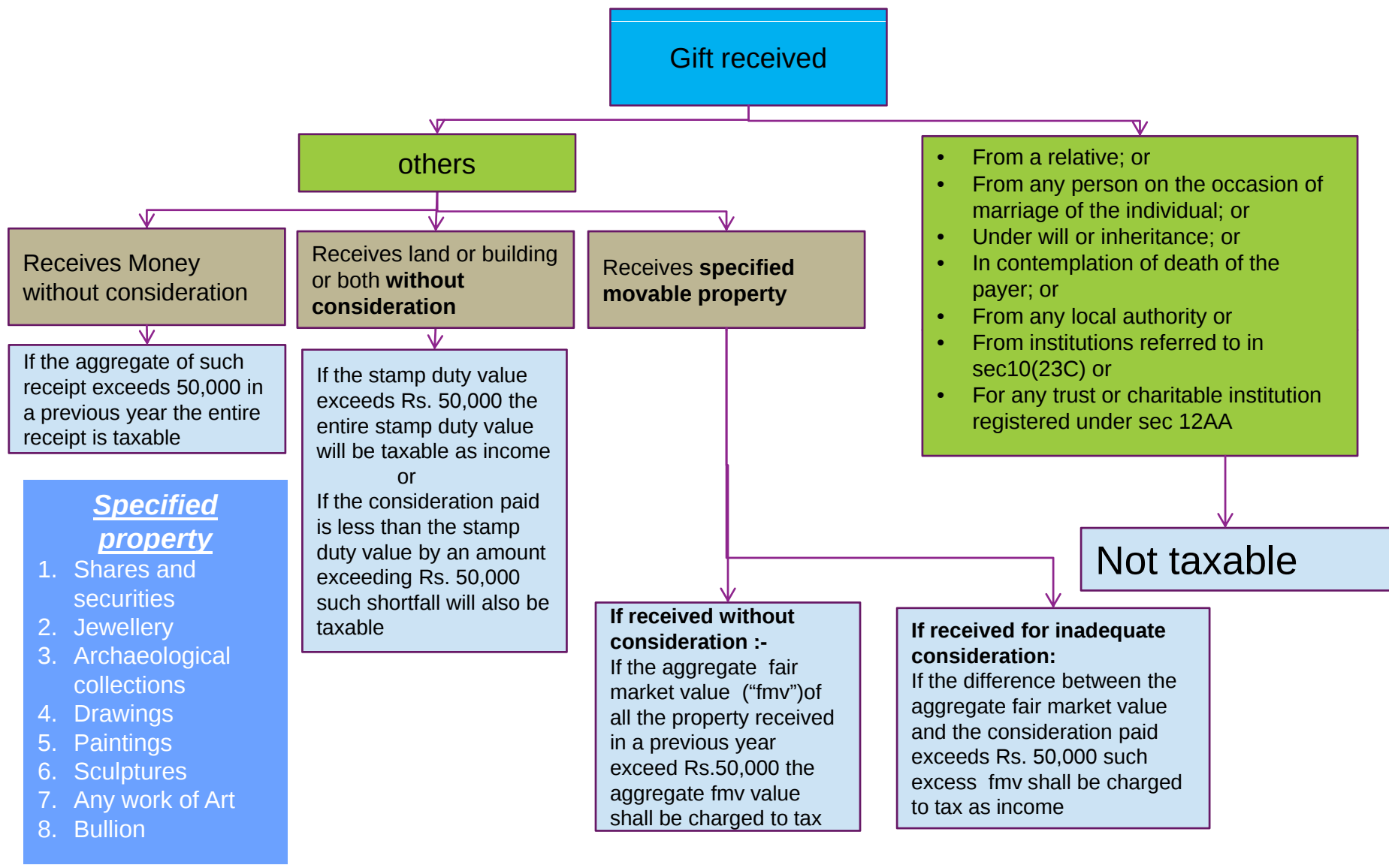


- A person shall be deemed to have substantial interest in a concern if:
 - He beneficially holds 20% of the equity shares in the case of a company
 - he is entitled to 20% of the income in any other case
- **The provisions of deemed dividend are not applicable to a company which has money lending as a substantial part of its business**

Specific deduction from dividend income

- Any commission or remuneration paid to a banker or any other person for realizing dividend is allowed as deduction.
 - However no expense will be allowed as deduction if the dividend earned is exempt - Sec 14A principle

Gift received by an Individual / HUF



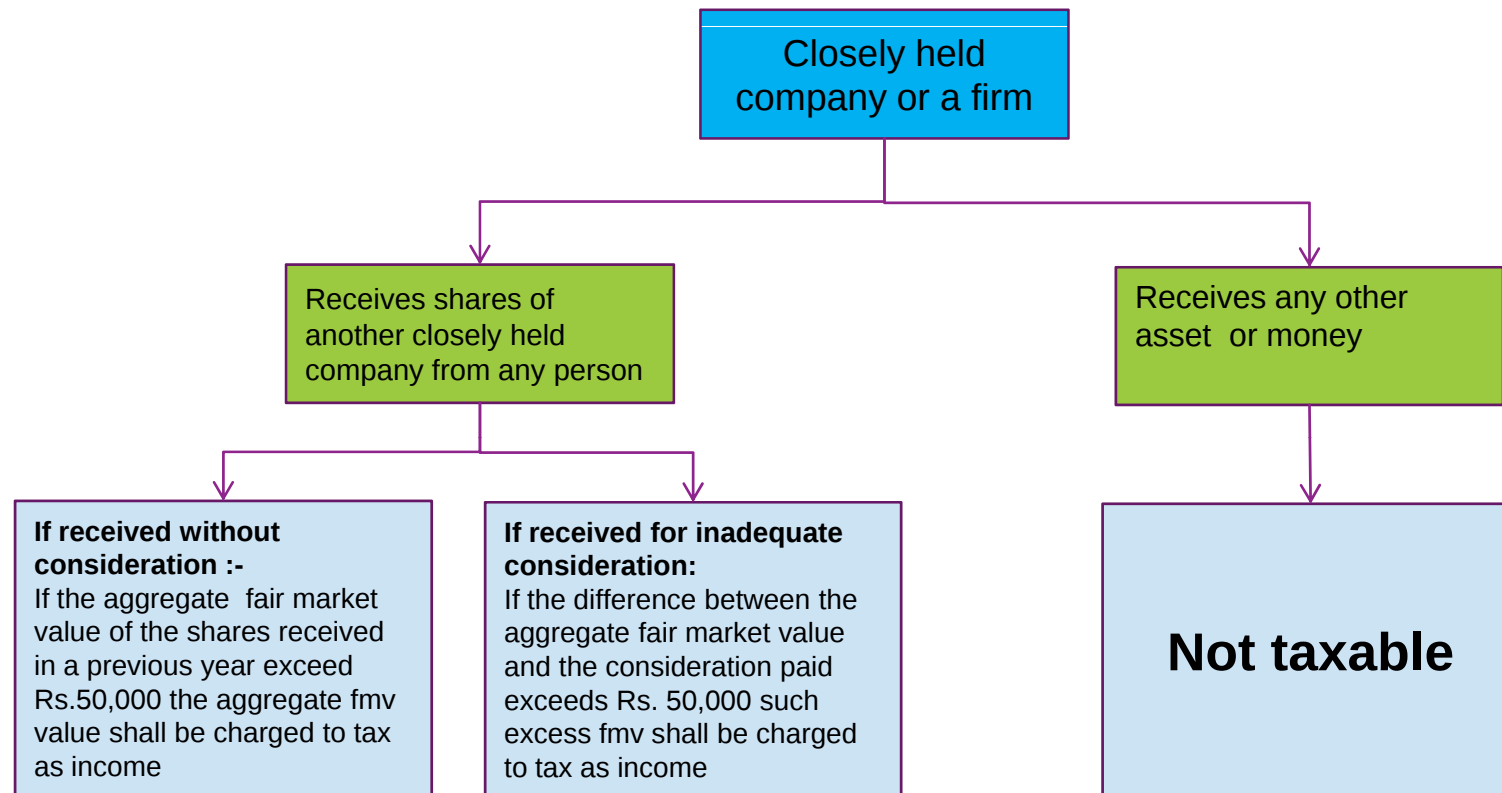
Definition of relative

In the case of a Individual the term relative shall includes the following relationship

Sr. No.	Relative	Persons covered
1	Spouse of the Individual	Husband or Wife
2	Brother or sister of the Individual	Brother and Sister of the person receiving gift
3	Brother or sister of spouse of the Individual	Wife's brother, Wife's Sister, Husband's brother, Husbands sister
4	Brother or sister of either of the parents of the individual	Mother's Brother (Mama) Mother's Sister (Mausi) Father's Brother (Chacha or Tau) Father's Sister (Bua)
5	Any lineal ascendant or descendant of the individual	Son, Daughter, Grand Son ,Grand Daughter , Grand Father (Dada) Grand Mother (Dadi) Great Grand Father (Pardada) Great Grand Mother (Pardadi)
6	Any lineal ascendant or descendant of the spouse of the individual	Wife's Father, Wife's Mother, Husband's Father , Husband's Mother ,Wife's Grand Father , Wife's Grand Mother Husband's Grand Mother, Husband's Grand Father, Wife's Great Grand Father, Husband's Great Grand Mother, Husband's Great Grand Father, Wife's Great Grand Mother.
7	Spouse of the person referred to above	Sister's Husband, Brother's Wife, Wife's brother's wife, Wife Sisters Husband, Mother's Sister Husband, Mother's Brother's Wife, Father's Brother's Wife Father's Sister's Husband Daughter's Husband Son's Wife Brother's Wife Husband's Brother's Wife

In the case of a HUF relative means any member thereof

Taxability of Gift received by a closely held company* or a firm



In case, gift of any capital asset is taxed either in the hands of the individual or HUF or a company or a firm as income from other sources then the cost of acquisition of such asset in the hands of the aforesaid persons shall be the value treated as income

**Close held company means a company in which the public are not substantially interested*

Interest on securities

- Interest on security means:-
 - Interest on any security of the central government or a state government;
 - Interest on debentures or other securities for money issued by or on behalf of a local authority or a company or a corporation established by a Central, State or Provincial Act.
- How is interest on security taxed lets understand it by way of an example:-

Mr. A purchase 10% p.a Tamilnadu Govt. bond on 1 Oct 2013. The interest on the bond is payable on 31 March of each year. Mr. A is the holder of the bond on 31st March 2014. How much interest is taxable in the hands of Mr. A.

Interest on security does not accrue on a daily basis or according to the period of holding but becomes due on due dates specified on securities. Therefore, since Mr. A is holding the security on the due date of payment of interest the entire interest is taxable in his hands. He cannot claim that his income is half of the interest received as he held the security only for six months.

- Bond washing transactions and sale of security cum interest.
- **Specific deductions available with respect to interest on security:-**

Any reasonable sum paid as commission or remuneration for realizing interest of securities paid to a banker or any other person is allowed as deduction.

Other interest

- Any other interest received is also generally taxable as IFOS.
- Example of such interest includes interest of saving bank account, interest on fixed deposit etc.
- Exemption available from interest income:-
 - Interest earned on post office savings bank account upto Rs. 3,500 in case of an individual account and Rs. 7,000 in case of a joint account.
 - Interest received on Non-resident (External) Account (NREA) by an Non-resident individual if he is permitted to maintain such account by the RBI.

Family pension

- Family pension:-
 - Pension received by family members of an employee after his death is taxable as income from other sources.
 - A deduction of Rs. 15,000 per annum or 33.33% of the pension whichever is lower is allowed.
- Exempt family pension

Family pension – Received by family members after the death of employee

Family Pension received by any member of the family of the person awarded Param vir chakra or Maha Vir Chakra or Vir chakra	Exempt under section 18(ii)
Family pension received by widow or children of nominated heirs of a member of armed forces who has died in the course of operational duties	Exempt under section 18(ii)

Income from letting on hiring of P&M / furniture or from composite rent

Composite rent:-

- Income from letting of building along with furniture and P&M belonging to the assessee is treated as composite rent if the lettings are not separable.
- Specific deduction from composite rent
 - Current repairs in respect of building
 - Insurance premium paid for premises
 - Repairs and insurance of machinery plant
 - Depreciation

Income from letting on hire machinery, plant or furniture belonging to the assessee

- Specific deduction available
 - Repairs and insurance of machinery plant
 - Depreciation

Others

- Interest on compensation or enhanced compensation:-
 - Interest on compensation or enhanced compensation is taxable in the year **in which it is received**.
 - Standard deduction of 50% of the amount is allowed as deduction from such income.
 - No other deduction is allowed from such income.
- Deep discount bonds (circular 2/2002):-
 - Bonds to be valued on 31st march of each financial year, difference of value between two successive valuation date treated as interest in case of investors and business income in case bonds are held as trading assets.
 - If the bonds are transferred before maturity, the difference between the full value of consideration and the value as per last valuation date will be treated as capital gains.
 - Where the bonds are redeemed the difference between the redemption price and the value as per the last valuation date will be treated as interest in case of investors and business income in case bonds are held as trading assets.

Others

- Share value received by a closely held company from a resident to the extent it exceeds the FMV of shares – Exemption available to VCF and VCC.
- Winning from lotteries, crossword, puzzles etc.
 - No deduction is allowed from this type of income
 - Taxable at a flat rate of 30%
- Employee contribution to provident fund or superannuation fund
 - Amount deposited within the due date will be allowed as deduction

General deduction and expenses specifically disallowed:-

General deduction

- Any expenditure is deductible from income from other sources if the following conditions are satisfied:
 - Expenditure is incurred wholly for earning the income; and
 - Expenditure is not capital in nature; and
 - Expenditure is not personal expenses of the assessee; and
 - Expenditure pertains to the previous year in which is to be claimed.

Expenses specifically disallowed:-

- Any interest payable outside India on which tax has not been paid or deducted
- Salary payable outside India if tax has not been deducted or paid
- Wealth tax
- Payment to related parties to the extent considered unreasonable – 40A(1)
- Expenditures exceeding Rs. 20,000 in a day the payment of which is made otherwise than by way of account payee cheque or account payee bank draft. – 40A(3) and (3A)
- Provision for gratuity - 40A(7)

Other exemptions:-

- Agricultural income
- Amount received as his share of family income from an HUF
- Partner's share in total income of firm
- Payments made under Bhopal Gas Leak Disaster
- Money received under a life insurance policy
- Daily allowance received by a MP or a MLA
- Constituency allowance received by a MP or a MLA
- Award from Central / State Govt or any other notified awards
- Reward received from Central / State Govt.
- Income received in respect of units of a mutual fund or units of UTI
- Amount received as loan either in lump sum or in installments in transactions of reverse mortgage

The background features a series of overlapping parallelograms in various shades of blue, ranging from light sky blue to deep navy blue. These shapes are arranged in a way that creates a sense of depth and movement, with some shapes appearing to recede into the background while others come forward. The overall composition is modern and minimalist.

Thank You