

K.T.S.P.Mandal's

**SAHEBRAOJI BUTTEPATIL
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Department of Commerce

T.Y.B.COM

SEM-VI

**Subject
Income Tax**

**Chapter 2
Computation of Taxable income under the
different heads of Income
(Income from Other Sources)**

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Computation of Taxable income under the different heads of Income (Income from Other Sources)

Basis of charge (sec 56)

This is the residual head of charge of income. where a source of income does not Specifically fall under any one of the other head incomes viz. salaries, income from house property, profit and gains of business or profession and capital gains, such income is to be brought to charge under sec. 56 under the head 'Income from other source.

Under the income tax act, income of every kind which is not to be exclude from the total income shall be chargeable to income tax under head Income from other source if it is not chargeable to income tax under any of the other head of income.

Chargeable Income [sec. 56] (2)

As per sec. 56 (2), the following incomes are expressly to chargeable to tax under the head 'Income from other source':

1) Dividend Sec. 10(34): which provides an exemption to the shareholders in respect of dividend income, is withdrawn from Assessment Year 2021-20. Thus, dividend received during the financial year 2020-21 and onwards shall now be fully taxable in the hands of the shareholders or unit holder. But deduction for expenses u/s 57 shall be allowed max 20% of such income except interest expenses w.e.f. 1-4-2021. The domestic company shall not be liable to pay additional income tax on the amount declared way of dividend. If Dividend received from non-domestic company also fully taxable.

2) Any winning from lotteries, crossword puzzles, races including horse races, card game and other games of any sort or form, gambling or betting of any form or nature whatsoever [sec. 56 (2) (ib)]-30% Special Tax

3) Any sum received by assessee from his employees as contribution to any provident fund or superannuation fund or any fund set up under the provision of the employees, 'state insurance Act ,1948 or any other fund for the welfare of the employees, if such income is not chargeable under the head "profit and gains of the business of profession" [sec .56 (2)(ii)]

4) Income by way of interest on securities, if it is not chargeable as profit and gains of business i.e. where securities are held as investment [sec. 56(2)]

5) Income from machinery, plant or furniture belonging of the assessee let on hire, if the income is not chargeable to income tax under the head "profit and gains of business or profession" [sec. 56(2) (ii)].

6) Where an assessee lets on hire machinery, plant and furniture belonging to him and also building, and the letting of the building is inseparable from the letting of the said machinery, plant or furniture, the income from such letting, if it is not chargeable to income tax under the head "profit and gains of business or profession" [sec. 56 (2)(iii)]

7) Any sum received under "Key man insurance policy" including bonus, if not charge under the head "profit and gains business or profession" [sec .56 (2)(iv)]

8) **Gifts aggregating to more than Rs. 50,000** in a year on or after 1st day of April, 2006 [sec.56 (2)(iii)].

Apart from the above the following incomes are also shall be chargeable under this head Income from Other Source:

- 1) Income from subletting
- 2) Interest on bank deposits and loans and securities.
- 3) Agricultural income from a place outside India.
- 4) Rent of plot of land.
- 5) Mining rent and royalty.
- 6) Casual income under a will, contract trust deed.
- 7) Salary payable to a member of parliament.
- 8) Income from undisclosed source.
- 9) Gratuity paid to a director who is not employee of a company.
- 10) Any casual income exceeding Rs 5000/-
- 11) Income from market, ferries and fisheries etc.
- 12) Income from lease hold property
- 13) Remuneration received for writing articles in journals.
- 14) Salary of M.P. / M.L.A. member of legislative assembly or council.
- 15) Interest received on securities of cooperative society
- 16) Family pension received by the widow and heirs of deceased employees
- 17) Amount withdrawn from deposit in national saving scheme 1987 on which deduction (u/s 80 CCA) has been allowed including interest thereon.
- 18) Direction commission for giving guarantee to bank.
- 19) Directors commission for underwriting shares of a new company.
- 20) Insurance commission not chargeable under the head business or profession.
- 21) Gratuity received by a director who is not an employee of the company.
- 22) Tips received by a waiter or taxi driver not being given by his employer.

Tax Treatment of other source income:

Types of Allowances:

A. Fully taxable:

1. Dividend received from SBI OR any Indian / Domestic Company:
(Fully Taxable w.e.f. A.Y. 2021-22)
2. Income from U.T.I. – (Fully Taxable w.e.f. A.Y. 2021-22)
3. Income of Mutual Fund – (Fully Taxable w.e.f. A.Y. 2021-22)
4. Interest on Security of Central OR State Govt.
5. Interest on National Saving Certificate (N.S.C.)
6. Interest on Debentures, Bond issued by Statutory Corporation / Co-Operative Society, Public Sector Company.
7. Income from subletting
8. Agricultural Income if received from outside India.
9. Interest on Deposited under National Scheme.

10. Dividend received from foreign company/ Credit co-operative society.
11. Interest on Deposit Reliance / Any Co.
12. Royalty from Books Examiner ship Remuneration.
13. Interest on Bank Deposit/Foreign Bank.
14. Winning from Crossword Puzzles
15. Income from Subletting
16. Interest on own contribution U.R.P.F. A/c
17. Income of Local Authority – Not Taxable U/s 10(20) Under Income from Other Sources
18. Royalty from Pakistan govt. for use of its patents.
19. Royalty from an Indian Company on trading of Technical know.
20. Gift from friend.
17. Amount withdraw from NSS 87
18. Examination remuneration from university
19. Royalty from books of artistic nature.
20. Income from card games.
21. Examiners fees.

B. Partly Exempt

1. Family Pension: U/S 57(ia):

1/3rd (33.33%) of Family Pension Amount or Rs. 15,000 whichever is Lower is Exempt from tax.

Note: This Exemption is not applicable/ Fully Taxable in case of option of new taxation regime [u/s 115 BAC] exercised w. e. f. A. Y. 2021-22

2. Clubbed income of a minor child Rs. 1500/- U/s 10(32)

Note: This Exemption is not applicable/ Fully Taxable in case of option of new taxation regime [u/s 115 BAC] exercised w. e. f. A. Y. 2021-22

3. Interest on Deposited under Post-Office OR Time Deposited –

Exempted up to Rs. 3,500 &Rs. 7,000 for joint account [The current interest rates for Post Office savings deposits is 3.5% per annum. The minimum investment limit in this scheme is Rs 50 while the maximum limit is Rs one lakh for an individual account and Rs 2 lakh in case of a joint account.]

MCQ for Study

1. Which is the charging section for income chargeable under the head Income from other sources?
A. Section 25
B. Section 23
C. Section 56
D. Section 65
2. Ramesh, engaged in fertiliser trade received rent by sub-letting a building. This will be taxable under the head _____ -
A. Income from house property
B. Income from other sources
C. Income from capital gains
D. Income from profits & gains of business & profession
3. Which of the following incomes are chargeable under the head 'Income from other sources'?
A. Dividends
C. Winnings from lotteries
B. Betting
D. All of these
4. Agriculture income received from outside India will be -
A. Taxable under the head Salary
B. Taxable under the head Income from other sources
C. Exempt from tax
D. Not Taxable
5. Salary paid to a member of parliament will be _____
A. Taxable under the head Profit and Gains of Business or Profession
B. Taxable under the head Income from other sources
C. Fully Exempt
D. Taxable under the head
6. Rakesh received Rs. 15,000 as director's fee from a company. This amount will be taxable under the head _____
A. Profit and Gains of Business or Profession
B. Income from other sources
C. Exempt
D. House Property
7. Income from letting on hire of plant, machinery or furniture is chargeable under the head _____
A. Income from other sources.
B. Profits and gains of Business or Profession.
C. Salary
D. Either (a) or (b)
8. Dividend received from foreign by an individual shareholder shall be charged to tax at .
(a) 30%
(b) 25%
(c) 20%
(d) Slab Rate
9. Income from sub-letting is taxable under the head
(a) House property
(b) Profits and gains of business or profession
(c) Income from other sources
(d) None of the above
10. What is the maximum amount of deduction from family pension is _____ if opted existing tax regime?
a. 20,000
b. 15,000
c. 25,000
d. 33,000

11. If I win from crossword puzzles, horse races, card games and lotteries. Then rate of TDS _____?

- a.20%
- b.10%
- c.30%**
- d.05%

12. The amount of dividend received from cooperative society is....

- a. Partly taxable
- b. Taxable**
- c. Exempted
- d. Fully Exempted

13. Gift received from wife is _____

- a. Partly Exempt
- b. Partly taxable
- c. Taxable
- d. Exempted**

14. Income from others sources is known as

- a. films head of income
- b. Residuary head of income**
- c. marriage heads of income
- d. Movie heads of income

15. Casual income is taxable u/s

- (a) 115BB**
- (b) 115AC
- (c) 115AA
- (d) 115CA

References:-

- 1) Income Tax by Meera Govindraj, Nirali Prakashan, 2022
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- 3) Income Tax by Dr. Dinesh D. Bhakkad, Dr. Gautam M. More, Prashant Publications, 2020
- 4) Income Tax by Prof.Dr.Sudhir Borate and Others, Kshitija Publication, 2021