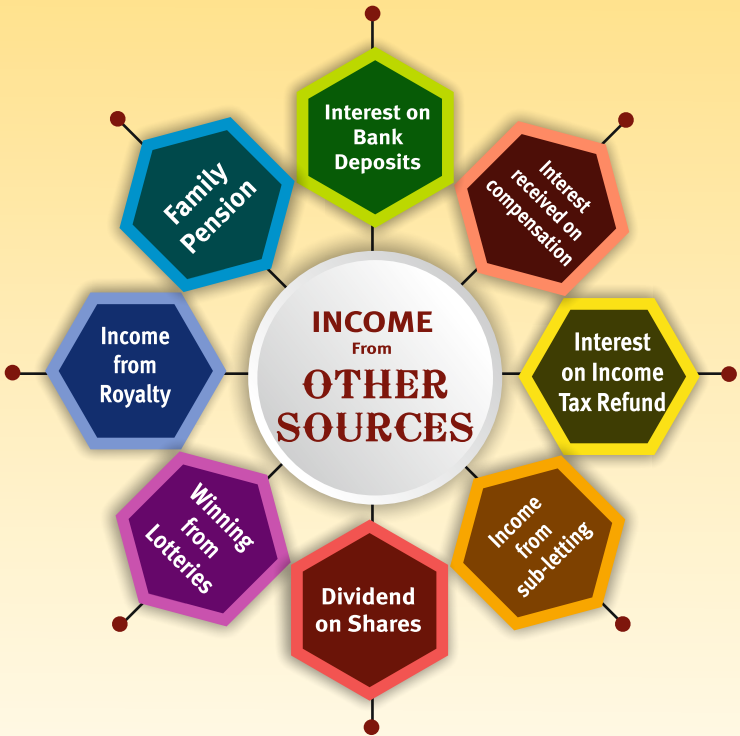


# INCOME FROM OTHER SOURCES



**Income Tax Department**

[www.incometaxindia.gov.in](http://www.incometaxindia.gov.in)

**Income from Other Sources (Section 56 to 59):**

Income which is not chargeable to tax under any of the heads of income specified in the Income Tax Act viz. "Salary", "House Property", "Business or Profession" and "Capital Gain" and which is also not exempt from tax under any section of the Income Tax Act, is chargeable to tax under this head.

**SOME EXAMPLES OF INCOME FROM OTHER SOURCES U/S.56(2):**

The receipts/incomes which are chargeable to tax under the head - Income from Other Sources include the following:-

- (i) Interest on Bank Deposits, Loans or Company Deposits, Securities
- (ii) Income from letting out of Machinery, Plant or Furniture etc. and also land which is inseparable from such machines, plant or furniture (if it is not chargeable as income from business/profession)
- (iii) Any sum received under Key-man Insurance Policy including Bonus, if not charged under the head "Business or Profession" or "Salary".
- (iv) Winning from Lotteries, Crossword Puzzles, Races including Horse Races, Card Games and Other Games of any sort or from Gambling or Betting of any form or nature etc.
- (v) Any sum received by employer from his/her/it's employees as contributions to any provident fund or Superannuation fund or fund under ESI Act or any other fund for the welfare of such employees, but not deposited in the employee's a/c by the due date of deposit.
- (vi) When a closely held company issues its shares at a price which is more than its fair market value, the amount received by the company in excess of fair market value.
- (vii) Income by way of Interest received on compensation or on enhanced compensation.
- (viii) Any sum of money received by the transferor as an advance or otherwise in the course of negotiations for transfer of a capital asset which is not finally transferred and such advance is forfeited due to breach of contract on the part of transferee.
- (ix) Any sum exceeding Rs.50,000/- received by any person without any consideration.
- (x) For transfer of immovable property whose stamp value exceeds Rs. 50,000
  - a) the whole of stamp value, if consideration for transfer is nil; and
  - b) Where the stamps value is less than the consideration paid, the difference between the stamp value and the consideration paid is treated as income of the seller.



- (xi) For transfer of movable property whose fair market value exceeds Rs. 50,000
- the whole of fair market value, if consideration for transfer is nil; and
  - Where the fair market value is less than the consideration paid, the difference between the fair market value and the consideration paid is treated as income of the seller.

**However, the sum of money or any other property received from any relative** [means Spouse/ Brother/ Sister/ Brother or Sister of the Spouse/ Brother or Sister of either of the Parents/Any Lineal Ascendant or Descendant/ Any Lineal Ascendant or Descendant of the Spouse/ of the Individual] or on the occasion of marriage of the individual or under a will or inheritance or in contemplation of death of the payer/donor or from any local authority [as per section 10(20)] or from a fund/foundation/university/other educational institution/hospital/medical institution/any trust, institution referred to in clause(23C) of section 10 or any trust, institution registered u/s.12AA, or from an individual by a trust created or established solely for the benefit of relative of the individual shall not be treated as an income from other sources.

- (xii) Any compensation or other payment, due to or received by any person, by whatever name called, in connection with the termination of his employment or the modification of the terms and conditions relating thereto.
- (xiii) Family Pension (received by legal heirs of an employee).
- (xiv) Income from sub-letting of house property by a tenant.
- (xv) Agricultural income from agricultural land situated outside India.
- (xvi) Interest received from Income Tax department on delayed refunds.
- (xvii) Remuneration received by Members of Parliament
- (xviii) Casual Receipts and Receipts of non-recurring nature.
- (xix) Income from Royalty, Insurance Commission
- (xx) Examiner-ship Fees received by a teacher (not from employer).
- (xxi) Director's Commission for Standing as Guarantor to Bankers.
- (xxii) Dividend on shares (if dividend distribution tax has not been paid.)

#### HOW IS INCOME FROM OTHER SOURCES COMPUTED?

Income from Other Sources is computed after deducting various expenses incurred by a person as mentioned in section 57 of Income Tax Act from income received and disallowing some specified type or nature of expenses as per section 58 of Income Tax Act which are discussed as follows:



**Allowable expenses as per section 57 of I. T. Act, 1961 are -**

- (i) In the case of dividends or interest on securities, any reasonable sum paid by way of commission or remuneration to a banker or any other person for the purpose of realising such dividend or interest on behalf of the person
- (ii) In case of family pension, 1/3rd of family pension or Rs.15,000/- whichever is less.
- (iii) In case of Income by way of Interest received on compensation or on enhanced compensation, a sum equal to fifty per cent of such income, however, no other deduction shall be allowed.
- (iv) In case of any other income, expenditure other than capital expenditure incurred wholly exclusively and necessarily for the purpose of earning such income which is offered for taxation in that previous year.
- (v) Expenditure on rent, rates, insurance and repairs of building, machinery, plant or furniture given on rent.

**Disallowable expenses as per section 58 of Income Tax Act are –**

- (i) Any expenditure or a part of expenditure which is personal in nature.
- (ii) Interest, Salary payable/paid outside India on which TDS is not made
- (iii) Any payment of direct taxes like Income Tax / Wealth Tax, excessive payments to related or relatives
- (iv) Expenditure in respect of Royalty and Technical Fees received by a Foreign Company
- (v) Expenditure in respect of Winning from Lottery, crossword puzzles, races including horse races, card games and other games of any sort or from gambling or betting of any form or nature, whatsoever.

**PROFITS CHARGEABLE TO TAX U/S. 59 OF I.T. ACT, 1961**

If any allowance or deduction has been made while computing income from other sources for any year in respect of any loss, expenditure or trading liability but subsequently or later on due to recovery of any amount in cash or any other manner or some benefit on account of remission or cessation of loss, expenditure or trading liability is derived, then the same shall be chargeable to tax under "Income from Other Sources" as applicable under the head "Profits and Gains of Business or Profession".

**DIRECTORATE OF INCOME TAX**  
(Public Relations, Publications & Publicity)  
6th Floor, Mayur Bhawan, New Delhi

This brochure should not be construed as an exhaustive statement of the law. For details - reference should always be made to the relevant provisions in the Acts and the Rules.

