

CHAPTER : 7

INCOME FROM OTHER SOURCES

There are mainly total 5 heads of INCOME i.e.

1. Income from House Property
2. Income from Salary
3. Income from Capital Gain
4. Income from Business & Profession
5. Income from Other Sources

This is the last and residual head of charge of income. Any source of Income which does not fall under any one of the other four heads of Income viz. "Salaries", "Income from House Property", "Profits and gains of business or profession" or "Capital Gains" is to be included under section 56 under the head "Income from other sources".

Income From Other Sources :

D W R A M₂ U F₂ A K I R₂ G etc.

D = Dividend Income

- From Indian Company – Exempt U/S 10(34)
- From Foreign Company / Co-op-Soc. – Taxable

W = Winnings

For e.g. Races, Lotteries, TV game show, Gambling, Betting, Card games etc.

R = Rental Income

- From Asset [all asset except Building] – Taxable
- From Sub-Letting – Taxable
- From Composite Rent [Building + assets / services] – Taxable

A = Agricultural Income

- Land in India – Exempt U/S 10(1)
- Land outside India – Taxable

M = MP / MLA / MLC

- Salary – Taxable
- Daily Allowance – Exempt

M = Minor Child Income

Income from Minor child XXX
 Less: Exempt U/S 10(32) (XX) = XXX
 (Maximum Rs. 1,500 per child)

U = UTI / Mutual Fund

Income from UTI / MF is Exempt U/S 10(35)

F = Family Pension

- ⇒ Pension received by family member on DEATH of any family member (EMPLOYEE) – Taxable
 1. 1/3rd of actual amount received
 2. Rs. 15,000
 Whichever is LESS is exempted

F = Fees Received

- ⇒ By directors for attending Board Meeting – Taxable

A = Awards

- ⇒ From Employer [(INORE) (Taxable as IFS)]
- ⇒ From government [Exempt U/S 10(17A)]
- ⇒ From others – Taxable

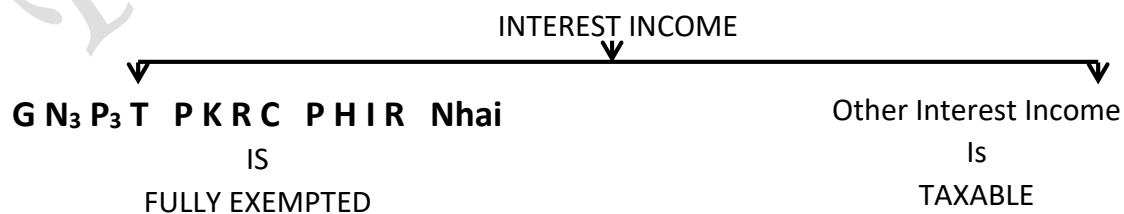
K = Keyman’s Insurance Policy

Amount received on maturity of KIP

- ⇒ If Keyman is EMPLOYEE [(IGNORE) (taxable as IFS)]
- ⇒ If Keyman is NOT EMPLOYEE - TAXABLE

I = Interest Income

Interest received on debenture, loans, deposit etc. – TAXABLE



G = Gold Bonds

N = National Defence Gold Bonds

N = National Saving Annuity Certificate

N = National Plant Certificate

P = Post Office Saving Bank Account

P = Post Office Cumulative Time Deposit Account

P = Post Office Cash Certificate

T = Treasury Saving Deposit Certificate

P = PPF (Public Provident Fund)

K = Konkan Railway Corporation Bonds

R = Relief Bonds

C = Capital Investment Bonds

P = Power Finance Corporation Ltd.

H = Housing Finance Corporation Ltd.

I = Indian Railway Finance Corporation Ltd.

R = RECL Bond (Rural Electricity Corporation Ltd.)

N = NHAI Bond (National Highway Authority Of India)

R = Royalty Income

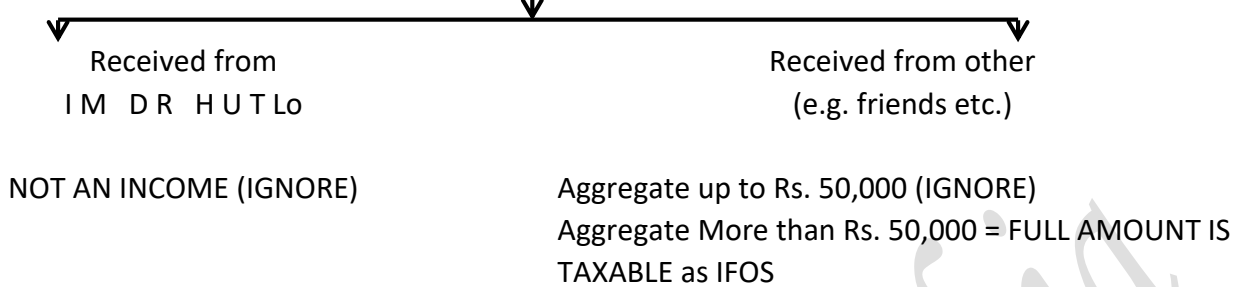
Any type of royalty income is TAXABLE

R = Remuneration

⇒ From non-employer organisation (eg. Paper setting fees received from university etc.)
IS TAXABLE

G = Gift received

Gift may be received by Cash / Cheque / Draft



I = Inheritance / Will

M = Marriage

D = Death (Contemplation Of Death)

R = Relatives

H = Hospital / Medical Institutes

U = University / Educational Institutes

T = Trust / Charitable Institutes

Lo = Local Authority

Illustration – 1

Mr. Sachin submits the following particulars for computation of his income chargeable under the head-income from other sources.

- Dividend from World Cup Ltd a foreign company: Net Rs.10,000. Tax deducted at Source: Rs.2,000. Interest paid on loan taken for the purpose of investment in shares of World Cup Ltd: Rs.1,500. Collection charges debited by bank for realization of the dividend cheque: Rs.100.
- Rent for letting plant and machinery on hire-Rs.60,000. Collection charges in respect of rent-Rs.3,000. Fire Insurance Premium-Rs.4,000. Repairs & Maintenance Rs.2,500. Depreciation as per Income tax rules - Rs. 10,000
- Winnings from Horse Races-Rs.5,000.
- Rent from Bldg and other assets Rs. 20,000. Dep on assets Rs. 3,000 and fire insurance premium paid Rs. 4,000.

Solution:

Statement of Income From Other Sources

Particular		Amount	Amount
1. Dividend from foreign company	NET	10,000	
	TDS	<u>2,000</u>	
		12,000	
Less : deduction U/S 57			
⇒ Interest on loan		(1,500)	
⇒ Collection charges		(100)	10,400
2. Rent for plant & machinery		60,000	
Less: deduction			
a. Collection charges		(3,000)	

b. Fire insurance premium	(4,000)	
c. Repairs	(2,500)	
d. Depreciation	(10,000)	40,500
3. Winnings		5,000
4. Rent from building and assets	20,000	
Less: depreciation	(3,000)	
Less: insurance	(4,000)	13,000
Total taxable income from other sources		68,900

Illustration – 2

Shri Hansie furnishes the following particulars of his incomes for the previous year 2019-2020. Compute income under the head "Income from Other Sources"

- (i) Dividend on equity shares Rs.600
- (ii) Dividend on preference shares Rs.3,200
- (iii) Income from letting on hire of building and Machinery under one composite lease Rs.17,000
- (iv) Interest on Bank Deposits Rs.2,500
- (v) Directors sitting fees received Rs.1,200
- (vi) Ground Rent received Rs.600
- (vii) Income from match-fixing Rs.10,000
- (viii) Winnings from lotteries Rs.10,000

Solution:

Statement of Income From Other Sources

Particular	Amount
(i) Dividend on equity shares	Nil
(ii) Dividend on preference shares	Nil
(iii) Income from letting on hire of building and Machinery under one composite lease	17,000
(iv) Interest on Bank Deposits	2,500
(v) Directors sitting fees received	1,200
(vi) Ground Rent received	600
(vii) Income from match-fixing	10,000
(viii) Winnings from lotteries	10,000
Total taxable income from other sources	41,300

Illustration – 3

Mr. Richards has earned following amounts during the previous year ended 31st March 2020:

1. Income from agricultural land in Sri Lanka Rs. 1,50,000
2. Dividend from Foreign Companies received Rs. 5,000.
3. Dividend from Indian Companies received:

- a. Final dividend from Pace Constructions Ltd. Rs. 15,000
- b. Interim dividend from Glindia Ltd. Rs. 12,400.
4. Winnings from lotteries Rs. 1,00,000
5. As on 1st April, 2019 his investment was as follows:
 - a. 10% Mumbai Municipal Debentures Rs. 50,000 (Tx)(10% of 50,000 = 5,000)
 - b. 15% Debentures in Telco Ltd. of Rs. 1,00,000 (Tx)(15% of 1,00,000 = 15,000)
 - c. 8% Port Trust Bonds of Rs. 30,000(Tx)(8% of 30,000 = 2,400)
 - d. 9% Maharashtra Govt. Loan of Rs. 40,000 (Tx)(9% of 40,000 = 3,600)
6. Interest from PPF Rs. 4,000.
7. Interest on Post office savings bank account Rs. 400.

Compute income from other sources of Mr. Richards for the AY 2020-21

Solution:

Statement of Income From Other Sources

Particular	Amount
1. Income from agricultural land in Sri Lanka	1,50,000
2. Dividend from Foreign Companies received	5,000
3. Dividend from Indian Companies received:	
a. Final dividend from Pace Constructions Ltd.	Nil
b. Interim dividend from Glindia Ltd.	Nil
4. Winnings from lotteries	1,00,000
5. As on 1st April, 2014 his investment was as follows:	
a. 10% Mumbai Municipal Debentures Rs. 50,000	5,000
b. 15% Debentures in Telco Ltd. of Rs. 1,00,000	15,000
c. 8% Port Trust Bonds of Rs. 30,000	2,400
d. 9% Maharashtra Govt. Loan of Rs. 40,000	3,600
6. Interest from PPF	Nil
7. Interest on Post office savings bank account.	Nil
Total taxable income from other sources	2,81,000

Illustration – 4

Calculate income from other sources of Mr. Dilip for F.Y. 19-20.

1. Dividend from Co-op. society Rs.8000. Dividend collection charges Rs. 200
2. Rent from P & M Rs.2000 p.m. depreciation on P & M Rs.3000, Repairs to P & M Rs. 1000.
3. Interest on fixed deposit earned by minor son Rs. 12,000.
4. Minor son earns Rs.1000 from singing competition. (He is a noted singer)
5. Interest incomes earned by Mr. Dilip.
 - X interest on Relief Bonds Rs. 5,000
 - Interest on Kisan Vikas Patra Rs. 3,000
 - Interest on national Plan certificates Rs. 2,000
 - Interest on P.P.F. Rs. 1,000
 - Interest on Debentures of Reliance Ltd. Rs. 5,000
 - Interest on Japan Government Securities Net 9,000 (TDS 10%).

6. Winnings from Camel Race Net 7000 (TDS 30%). Race Tickets were purchased for Rs.1,000. (IGNORE)
7. Agricultural Income from Punjab Rs.1,50,000
8. Family pension received after death of his wife Rs.2,000 p.m.
9. Royalty from writing a book Rs.10,000. Expenses incurred Rs.2,000.
10. Gifts from friend Mr. Anil Rs. 2,00,000
11. Gifts from wife Rs.90,000.
12. Interest on bonds of Power Finance Corporation Rs. 10,000.
13. Interest on Bonds of Rural Electrification Corporation Rs. 2,000.
14. Interest on National Highway Authority of India bonds Rs. 2,300.

Solution:

Statement of Income From Other Sources

Particular	Amount	Amount
1. Dividend received	8,000	
Less: collection charges	<u>(200)</u>	7,800
2. Rent from P & M (2,000 x 12)	24,000	
Less: deduction		
⇒ Depreciation	(3,000)	
⇒ Repairs	<u>(1,000)</u>	20,000
3. Income from minor child	12,000	
Less: deduction	<u>(1,500)</u>	10,500
4. Income earned by minor child from his talent		Exempt
5. Interest income		
- X interest on Relief Bonds		Exempt
- Interest on Kisan Vikas Patra		3,000
- Interest on national Plan certificates		Exempt
- Interest on P.P.F.		Exempt
- Interest on Debentures of Reliance Ltd.		5,000
- Interest on Japan Government Securities (TDS 10%).	90% 10%	
	9,000	
	<u>1,000</u>	10,000
6. Winning	70% 30%	
	7,000	
	<u>3,000</u>	10,000
7. Agricultural Income from Punjab		Exempt
8. Family pension (2000 x 12)	24,000	
Less: deduction		
⇒ 1/3 rd of 24,000 = 8,000	<u>(8,000)</u>	16,000
⇒ Rs. 15,000		
9. Royalty	10,000	
Less: expenses	<u>(2,000)</u>	8,000
10. Gifts from friend		2,00,000
11. Gifts from wife		Exempt
12. Interest on bonds of Power Finance Corporation		Exempt
13. Interest on Bonds of Rural Electrification Corporation		Exempt

14. Interest on National Highway Authority of India bonds		Exempt
Total taxable income from other sources		2,90,300

Illustration – 5

Mr. Sunil gives following details:

1. Received Rs. 35,000 royalty from Deepak Prakashan for writing a book on Hotel Management. He incurred the expenses for preparing manuscripts and purchase of certain books for reference Rs. 12,000. These expenses are bonafide and reasonable. **He also purchased a Computer For Rs. 30,000.** Depreciation rate 60%.
2. Mr. Sunil took Anand Bhavan on rent of Rs. 2,000 p.m. He sub-letted this property to Mr. Sanjay at Rs. 2,500 per month w.e.f. 1st April, 2019.
3. Accrued interest on Indira Vikas Patra amounts to Rs. 15,000.
4. Directorship fees from Impex Associates Pvt. Ltd. received Rs. 12,000
5. Interest on deposits with ACC Ltd. Rs. 12,000.
6. Amount received from Key man insurance policy Rs. 1,00,000.
7. **Amount received on maturity of life insurance policy Rs. 4,00,000.**
8. Winnings from camel Race Rs. 7,000 (net) T.D.S 30%. Expense incurred Rs. 200.
9. Lumpsum from PPF on maturity Rs. 1,00,000.
10. Amount Received from HUF as his share for the current year Rs. 50,000.
11. Agricultural income from Pakistan Rs. 4,000.
12. Interest received on NHAI Bonds. Rs. 2,000.

Calculate his income from other sources for assessment year 2020-21