



# RAMA UNIVERSITY

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**FACULTY OF COMMERCE AND MANAGEMENT**

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## LECTURE-22



## **INCOME FROM OTHER SOURCES**

Income from other sources, which is the last among the five heads of income sketched out in the Income Tax Act, is essentially a head of income that includes all receipts that cannot otherwise be classified under any of the other heads of income.

According to section 56 of the Income Tax Act, the following three conditions need to be satisfied for a receipt to be categorized as income from other sources.

1. There is an income.
2. Such income is not exempted under any other provisions of the Income Tax Act.
3. Such income cannot be charged as salary, income from house property, profits and gains from business or profession, or capital gains.

### **What does this head of income include?**

Here's a list of the receipts that fall under the category of income from other sources.

1. **Dividends:** Dividends are taxable as income from other sources depending on the residential status of the company that paid them out.
  - **Dividend from an Indian company:** If the company has paid Dividend Distribution Tax on this receipt, the dividend is exempted from tax. However, under section 115BBDA of the income tax act, if a resident individual/HUF/firm received dividends in excess of ₹ 10 lakhs from Indian companies, then the amount exceeding ₹ 10 lakhs is taxable at 10%.
  - **Dividend from a foreign company:** Dividend received from foreign companies is subject to tax as income from other sources.
2. **One-time income:** One-time incomes like winnings from lotteries, crossword puzzles, horse races, card games and other games of any sort, or gambling or betting of any form or nature are covered under income from other sources.
3. **Interest on compensation:** Interest received by an assessee (tax payer) on the amount of compensation or reimbursement given in situations like compulsory acquisition is taxable under this head of income.

4. **Gifts:** Gifts such as any sum of money and movable or immovable property that's received without consideration are also taxable.

The following receipts are classified as income from other sources only if they're not chargeable as "profits and gains of business or profession."

1. Employees' contribution to welfare schemes
2. Interest on securities like government bonds or debentures
3. Rental income from letting out plant, machinery, or furniture owned by the assessee
4. Rental income from letting out plant, machinery, or furniture, along with a building, where these two cases of letting out are inseparable
5. Receipts under Keyman Insurance Policy

#### **Examples of other receipts chargeable as income from other sources**

Here are some examples of other receipts that automatically fall under this category.

1. Income from subletting of a house property by a tenant
2. Casual income
3. Insurance commissions received by the assessee
4. Family pension payments received by the legal heirs of dead employees
5. Interest on bank deposits and deposits with companies
6. Interest on loans given
7. Remuneration received by Members of Parliament
8. Rent earned from a vacant plot of land
9. Agricultural income from agricultural land situated outside India
10. Interest paid by the Government on excess payment of advance tax