



RAMA UNIVERSITY

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FACULTY OF COMMERCE AND MANAGEMENT

COURSE: B.COM III SEM.

SUBJECT: Direct Tax Laws and Practice

SUBJECT CODE: BCH 302

LECTURE: 23

NAME OF FACULTY: DR. PALASH BAIRAGI

LECTURE-23



INCOME FROM OTHER SOURCES cont..

Section 56- Incomes taxable only in Income from Other Sources are

1. Dividend Income;
2. Income earned from winning lotteries, crossword puzzles, races (including horse race), gambling or betting of any kind;
3. Money or movable/immovable property received without consideration or inadequate consideration during previous year;
4. Interest on compensation or enhanced compensation received;
5. Advance money received or money received in negotiation for transfer of a capital asset (only if the money is forfeited and it doesn't result in the transfer of such asset).

Incomes taxable under IFOS, only if not taxable under Profits and Gains of Business or Profession (PGBP):

1. Any sum contributed towards provident funds, ESI, etc. by employee to the employer, only if not deposited in the relevant fund;
2. Interest earned on Securities;
3. Income received from the letting of a plant, machinery or furniture, with or without building.

Incomes taxable under IFOS, only if not taxable under PGBP or Salaries:

1. Keyman Insurance Policy;
2. Salary of MP/MLA.

Income Computation and Disclosure Standards: Section 145 states that Income from Other Sources must be computed on the regular accounting methods followed by the assessee. It can be either cash or mercantile system of accounting. The Central Government has notified Income Computation and Disclosure Standards to be followed while computing the income.

Section 57- Expenditures allowed as deductions

- Expenses incurred for realisation of dividend or interest income;

- Deductions to the extent amount remitted within due date are authorised in respect to contribution towards funds for the welfare of employees;
- Family Pension- deduction is allowed to the extent of 33-1/3% of pension or Rs. 15000 whichever is less;
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- Deductions for current repairs, insurance and depreciation, will be allowed for income earned by way of lease rental;
- A deduction equal to 50% will be allowed for interest received on compensation or enhanced compensation.

Section 58- Sum not allowed as deductions while computing taxable income

- Personal expenditure;
- Interest or salary payable outside India without TDS deduction;
- Wealth tax;
- Expenditure concerning winnings from lotteries, crossword puzzles, races, and gambling, etc.;
- and
- Expenses specified in Section 40A.