

Unit 8: INCOME FROM OTHER SOURCES

U/s 56(2) Income chargeable to tax under this head which are specifically stated are: -

- 1) Dividend.
- 2) Any winnings 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.
- 3) Any sum received by assessee from his employees by way of contribution to P.F., Super Annuation fund or any other fund if it cannot be charged under head profits and gains of business profession.
- 4) Income by way of interest on securities if it cannot be charged under the head profits or gains from business or profession.
- 5) Income from machinery, plant or furniture belonging to the assessee and let on hire if such income is not chargeable under head profit or gains from business or profession.
- 6) Where machinery, plant or furniture is let out along with building & letting of building is inseparable from letting of other assets, then income from such assets shall be treated as income from other sources if it is not chargeable under head income from business or profession.
- 7) Any sum received under a Keyman Insurance Policy, if such income is not chargeable to tax under the head 'Profits & Gains of Business or Profession' or 'Salary'.
- 8) Any sum of money exceeding ₹ 50,000 received without consideration by an individual or HUF from any person.

Exception to this clause: -

- 1] Money received from any relative i.e. spouse, brother, sisters, parents, in-laws, brother/sister of parents, any lineal ascendant or descendent of the individual & spouses of above mentioned persons.
- 2] Money received on the occasion of marriage.
- 3] Money received under will or inheritance.
- 4] Money received in contemplation of death of the payer.
- 5] Money received from a local authority.
- 6] Money received from any fund, foundation, university, other educational institution, hospital, medical institution, any trust or institution referred to in section 10(23C).
- 7] Money received from a charitable institute registered under section 12AA.

Apart from these income which cannot be included under any other head is taxed as income from other sources. e.g.

- 1) Income from subletting.
- 2) Interest on bank deposits.
- 3) Income from Royalty if not business income
- 4) Agricultural income from a place outside India.
- 5) Rent of plot of land
- 6) Salary payable to M.P. or M.L.A. etc.

DEDUCTIONS UNDER SECTION 57

- 1) In case of dividend or interest any reasonable sum by way of commission or remuneration to a banker or any other person for purpose of realising such income.
- 2) In case of recovery for funds (provident fund, super annuation fund, etc.) full amount of income will be allowed as deduction if such amount is credited (deposited) to fund by due date.
- 3) In case of letting of machinery, plant, furniture, etc.
 - (a) Rent, rates, taxes, repairs, insurance of assets as discussed u/s 30 and 31.
 - (b) Depreciation on assets, if assessee is the owner.
- 4) In case of family pension – deduction of 33 $\frac{1}{3}$ % of such income or ₹ 15,000 whichever is less.
- 5) Any other expenditure which is not a capital expenditure & spent exclusively for earning such income.

AMOUNTS NOT DEDUCTIBLE—SECTION 58

- 1) Personal expenses of the assessee.
- 2) Any interest paid outside India on which tax is not deducted at source.
- 3) Any salary paid outside India on which tax is not deducted at source.
- 4) Expenses covered by Section 40A of the Income Tax Act.
- 5) Any expenditure in connection with income by way of winning from lotteries, card games, or other games of any sort, or gambling or betting of any form will not be allowed as deduction. However, in case of income from horse races, expenditure incurred to maintain the horses shall be allowed as deduction if assessee is the owner of horses, and horses are maintained for running in horse races.

PROBLEMS

1. Mr. Nilesh is the owner of M/s Nilesh Power Laundry. He provides you the following information for the previous year ended on 31st March, 2017:
 - (a) Income from business ₹ 67,500/-
 - (b) ₹ 13,500/- were recovered from cashier which was allowed as business expenditure being embezzlement of cash in earlier previous year. This was not accounted in the books of M/s Nilesh Power Laundry.
 - (c) Mr. Nilesh took Pushapak Bhavan on rent of ₹ 1,000/- p.m.. He sublet this property to Mr. Sanjay at ₹ 1,500/- p.m. w.e.f. 1st April 2016.
 - (d) Accrued interest on fixed deposit with Saraswat Co-operative Bank Ltd. ₹ 8,500/-
 - (e) Interest on fixed deposits with BWM Toyota Pvt. Ltd. ₹ 7,500/- (Gross) TDS ₹ 750.
 - (f) Directorship fees from Sumangal Chemicals ₹ 3,000/-
 - (g) Interest on debentures amounted to ₹ 6,000/-. He paid ₹ 3,000/- as interest on amount borrowed for purchase of Debentures to Mr. John, a German resident. No tax has been deducted at source nor there is any representative assessee in India.

(h) Winning from lottery Net ₹ 70,000 TDS ₹ 30,000. Cost of purchase of lottery tickets was ₹ 1,000.

Determine the Gross total income of Mr. Nilesh for the assessment year 2017-2018.

2. Mr. Salil provides you the following information for the year ended 31st March 2017.
- (a) Received ₹ 10,000/- as award from Mahatma Phule Krishi Vikas Mandal instituted in public interest by Government of Maharashtra in respect of scientific study on dry farming.
 - (b) Examinership fees received from Banaras University ₹ 12,500/-
 - (c) Salary @ ₹ 14,500/- p.m. from Chattrapati Shikshan Mandal being a lecturer including all allowances and perquisites. He is provided conveyance facilities for the journey from his residence to college. Profession tax deducted at source ₹ 1,440/-
 - (d) Royalty from Vidya Prasarak ₹ 42,000/- for writing a book on "Commercialisation of Agriculture- A need of the day."
 - (e) Received ₹ 5,000/- from H.U.F. as a member of H.U.F. and ₹ 10,000/- as share in profit of the firm M/s Milan Traders. He did not receive any remuneration or interest from the firm.
 - (f) He received an award of appreciation from Thane Municipal Corporation of ₹ 11,000/- as "Best Lecturer" of the city on 15th August, 2016.
 - (g) Honorarium of ₹ 500/- from Dyan Prasarini for a speech on "Health Awareness"
 - (h) He was owning a machine, which was given on hire to Danish Kaneria. He received hiring charges of ₹ 42,000/-. He incurred ₹ 11,800/- expenses on maintenance and depreciation allowable as per income tax rules was ascertained ₹ 12,200/-
- You are required to ascertain the Gross Total Income chargeable to tax for the assessment year 2017-2018.
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3. Mrs. Donald is a Member of Legislative Assembly. During the previous year 2016-2017 she had the following income:
- (a) As M.L.A. she received a salary of ₹ 4,000 p.m. and total daily allowance of ₹ 27,000 for attending various sessions and committee meetings.
 - (b) She held the following investments on which she received interest:
100 13.5% Debentures of ₹ 100 each in Tata Iron & Steel Co. Ltd.
9% fixed deposit of ₹ 10,000 in Central Bank.
 - (c) She also received dividend of ₹ 500 from Unit Trust of India.
 - (d) She won ₹ 6,000 in horse races against which she had spent ₹ 1,000 on travelling, etc.
 - (e) On 1st September, 2012 she purchased a plot of land. She let out the plot at ₹ 500 per month from 1st November 2013.
 - (f) She has let Machinery, Furniture & also Building to Mr. Ajit at a monthly rent of ₹ 3,000. Amount spent in respect of these assets on repairs for the previous year was ₹ 20,000.
 - (g) She received income tax refund of ₹ 3,400 in respect of excess tax paid during P. Y. 2012-13. It included interest of ₹ 200.

Compute the gross total income of Mrs. Donald for the assessment year 2017-2018.

