

# CHAPTER 3E: INCOME UNDER HEAD OTHER SOURCES

## BASIS OF CHARGE [SECTION 56]

1. Any income which is **not charged** under any **other head** is charged under this head.
2. Following incomes are **always charged** under this head.
  - a) Gifts;
  - b) Dividend;
  - c) Lottery, Betting, Gambling or any other casual income;
  - d) Rent of Plant;
  - e) Income from owning and maintaining racehorses.
  - f) Family pension less (1/3rd or ₹ 15,000/₹25,000 - whichever is lower).
  - g) Maturity proceeds of **keyman insurance policy** Received by Legal Hier.
  - h) Interest On Securities / Bank Deposits
 

Security Held As SIT	Income Under The head <b>PGBP</b>
Security Held As Investment	Income Under The head <b>Other Sources</b>

Interest on Post Office Savings Bank A/c **up to Rs. 3,500** in case of Individual A/c; & **Up to Rs. 7,000** in case of Joint A/c is exempt

    - i) Director's Fee
    - j) MP's/MLA's salary
    - k) Rent from vacant land
    - l) Income from sub letting
    - m) Royalty
    - n) Examinership remuneration
    - o) Insurance commission
    - p) Agricultural income from **agricultural land** situated outside India
    - q) Interest on **delayed refund** of income tax

## CASUAL INCOMES

- Taxable @ 30% + SC (if any) + 4% HEC on tax u/s 115BB
- No deduction for any Expenditure incurred **shall be allowed**.
- **No Deduction** under chapter VI-A Shall be **allowed** and also no loss is allowed to be adjusted with this income.
- Rebate u/s 87A is **allowed** from Tax on casual Income
- Adjustment of **unexhausted BEL** is also **NOT ALLOWED**
- **GROSSING UP** of Winning from Lottery/Interest on securities: If Net Amount is given, it shall be **grossed up**. Tax will be levied on Gross Income.  

$$\text{Gross Amount} = \text{Net Amount} \div [1 - \text{Tax Rate}]$$

## INTEREST ON ENHANCED COMPENSATION

- Taxable in PY of **Receipt**;
- **50% of Receipt** is Deductible u/s 57.
- Hence only **50% amount** shall be chargeable to tax.

## TAXABILITY OF GIFT

- Any gift or benefit arising from B/P shall be **taxable** u/h PGBP
- Any gift received by EE from ER shall be **taxable** under **head Salaries**.
- Other Gifts are taxable as follows:

### A. Money Gift

Aggregate Money Gift Received <b>Exceeds Rs. 50,000</b>	
Yes	No
Entire Gift Is Taxable	Not Taxable

### B. Gift Of Movable Property

#### i. Without Consideration

Aggregate FMV Exceeds Rs. 50,000	
Yes	No



Entire Gift Is Taxable	Not Taxable
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### ii. Inadequate Consideration

Aggregate of (FMV – Consideration Paid) Exceeds Rs. 50,000	
Yes	No
Aggregate (FMV – Consideration Paid) is taxable	Not Taxable

### Movable Property Includes

Shares & Securities	Jewellery including Bullion	Archaeological collection	Sculptures
Painting	Virtual Digital Asset	Any Work of Art	Drawing

**Note:** If asset gifted is not a **capital asset**, then it shall not be taxable in the hands of recipient

**Example:** Gift or Rural agricultural land shall not be taxable as it is not a capital asset.

### C. Gift Of Immovable Property

#### i. Without Consideration

SDV Exceeds Rs. 50,000	
Yes	No
Entire Gift Is Taxable	Not Taxable

#### ii. Inadequate Consideration

SDV Exceeds 110% Of Consideration Paid & (SDV – Consideration Paid) Exceeds Rs. 50,000	
Yes	No
(SDV – Consideration Paid) is taxable	Not Taxable

**Note:** amount of gift taxable is included in COA of asset **received** in Gift.

### Exceptions

1. Received under a **will** or **inheritance**.

2. Received on the **marriage** of individual.
3. Received from any relative
4. Received in **contemplation** of death of the payer.
5. Received from **registered charitable institute** reg u/s 12ab, hospital, medical institutions, university or educational institution reg u/s 10(23C).
6. Received from any **local authority** u/s 10(20).

### Meaning Of Relatives

#### A. For Individual

- i. Spouse of the Individual
- ii. Brother/sister of the Individual
- iii. Brother/sister of Spouse of Individual
- iv. Brother/sister of either of Parents of the Individual
- v. Lineal Ascendant/Descendant of the Individual.
- vi. Lineal Ascendant/Descendant of Spouse of the Individual
- vii. Spouse of any of the persons referred earlier

#### B. For HUF – Members of HUF are Relatives.

### FAMILY PENSION

After the death of employee, employer may pay some pension to family member of the employee which is called '**Family Pension**'.

It is taxable under the head other sources but as per section 57 deduction is allowed equal to  $\frac{1}{3}$ <sup>rd</sup> of such pension but maximum ₹15,000 [25,000 in default regime]

### Exemption in Respect of Family Pension

1. Family Pension received by widow or children or nominated heirs, of a member of armed forces (**including para-military forces**) of the union, where **death** of such member has occurred in the course of operational duties is **exempt**
2. Family pension received by any **member of family** or individual who have been in the service of central or state govt. and have been awarded any **notified gallantry awards** is exempt.



## DIVIDEND

1. Received from **domestic company** – Fully Taxable
2. Received from **Foreign Company** – Fully Taxable.
3. Dividend Includes **Deemed dividend** u/s 2(22) (a) to (f)  
Note: Expenses Incurred for earning dividend shall not be allowed except Interest on loan subject to **maximum 20% of dividend Income**.

### Section 2(22)(a)

Distribution by Company to Shareholder which Releases Company's Asset shall be deemed dividend to the **extent of accumulated profits** including capitalized Profits.

### Section 2(22)(b)

If any company has distributed **Debentures / Deposit certificates** to shareholders or bonus shares to preference shareholders it will be considered to be dividend but only **to the extent of accumulated profits** including capitalized profits

### Section 2(22)(c)

If any company has **distributed** any amount to its shareholders in connection with its **liquidation**, it will be considered to be dividend but only to the extent of accumulated profits and any excess over it shall be considered to be **full value of consideration** as per section 68 and capital gains shall be computed accordingly.

### Section 2(22)(d)

Any distribution to its shareholders by a **company** on the **reduction** of its capital, to the **extent** to which the company possesses accumulated profits

### Section 2(22)(e)

Distribution of Accumulated Profits by **Closely Held company** by way of **ADVANCE/LOAN** to

- (i) Shareholders beneficially holding **at least 10% equity shares** in the company;
- (ii) Any person on behalf of such shareholders/for benefit of such shareholder;
- (iii) Any **CONCERN** in which such shareholder has **substantial interest**;
- (iv) Any **CONCERN** in which such shareholder is **member/partner**.  
**Exception:** Money lending is substantial business of co. & loan is given in ordinary course

### Section 2(22)(f)

Any amount received by shareholder on **buyback** will be treated as **Deemed Dividend** regardless of quantum of accumulated profits of the company [w.e.f. 01/10/2024]

## BUY BACK OF SHARES

- a) **By Other Than Domestic Company** - Shall be Taxable in the hands of **Shareholder** Under the head **capital gains** in the year in Which shares were purchased by the company
- b) **By Domestic company** –
  - ✓ **Before 1/10/2024** - Company is liable to pay **additional tax @ 20%** plus surcharge @ 12% & HEC @ 4%. Income arising to shareholder on such **buy back** shall be **exempt**.
  - ✓ **On or After 1/10/2024**
    - Treatment 1**  
Such buy back shall be treated as **deemed dividend** u/s 2(22)(f) in the hands of shareholder irrespective of **accumulated profits**.
    - Treatment 2**  
**FVC of shares** shall be considered as **nil** and hence capital loss shall arise to shareholder under the head **capital gain** shall be allowed to set-off as per rules of set off.



## LIFE INSURANCE POLICIES MATURITY PROCEEDS [SECTION 10(10D)]

- a) **Maturity Amount Received at the time of Death**  
Fully exempt in the hands of recipient as per Section 10(10D)
- b) **Otherwise**
  - i. **For Policies issued before 01/04/2023**  
Maturity amount received by assessee shall be exempt as per Section 10(10D) if premium paid is **up to 10%** of the capital sum assured
  - ii. **For Policies issued on or after 01/04/2023**  
Maturity amount received by assessee shall be **exempt** if both of following conditions are satisfied:
    - a) Premium paid is up to 10% of the **capital sum assured** and
    - b) aggregate premium for all the policies taken after 1/4/2023 for the year is upto ₹5,00,000.  
However, if **aggregate premium exceeds** ₹5,00,000, then assessee can claim the exemption for those policies whose aggregate premium is upto ₹5,00,000.

## TRANSFER OF UNLISTED SHARES FOR INADEQUATE CONSIDERATION [SECTION 50CA]

If unlisted shares transfer at a price **lower than FMV**, then FVC shall be considered as FMV of shares in hands of **transferor** in accordance with section 50CA. Also, **provisions of gift** are applicable in the hands of transferee.

## INADMISSIBLE DEDUCTIONS [SECTION 58]

- a) **Personal Expenses**
- b) **Excessive Payment to Relative**
- c) **Cash Payment > Rs. 10,000** others than through **specified mode**.
- d) Payment on which TDS provisions applicable but **TDS not deducted** on time or deducted but **not deposited** on time.

