

INCOME UNDER THE HEAD OTHER SOURCES

Section 56 Basis OF Charge (Incomes Covered u/s 56)

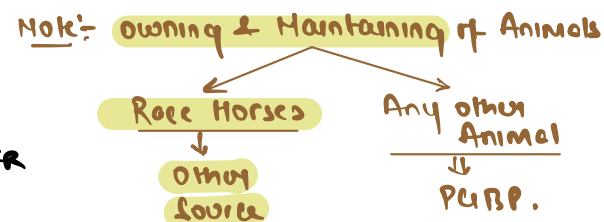
- Any income which is not charged under any other head is charged under this head.
- Following incomes are always charged under this head.

- Gifts; → From Unrelated person.
- Dividend; → (CRYPTO CURRENCY (VIRTUAL DIGITAL Asset)
- Lottery, Betting, Gambling or any other casual income;
- Rent of Plant; | Furniture & fittings → PURP or other source
- Income from owning and maintaining race horses. → STUDD FARM
- Family pension less (1/3rd or ₹ 15,000/25,000 - whichever is lower).
- Maturity proceeds of keyman insurance policy Received by Legal Hier.
- Interest On Securities / Bank Deposits

Deb/bonds ← Security Held As SIT	Income Under The head PGBP
Security Held As Investment	Income Under The head Other Sources

Interest on Post Office Savings Bank A/c Upto Rs. 3,500 in case of Individual A/c; & Upto Rs. 7,000 in case of Joint A/c is exempt as per section 10(15).

- Director's Fee
- MP's/MLA's salary;
- Rent from vacant land;
- Income from subletting;
- Royalty → IPR → RIGHT TO USE TRSR
- Examinership remuneration
- Insurance commission → AGENT OF Ins. Co.
- Agricultural income from agricultural land situated outside India
- Interest on delayed refund of income tax | Govt | ANY TAX



Not EE of Govt

∴ No EE-EE Relation

Salary X OS

IPR → Intellectual Property Right

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. → Ded. u/s 80C-80D
- Adjustment of unexhausted Basic Exemption Limit 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.

lottery purch 10,000 X.
→ win = 1L - 30%.

only Casual Income
↓
BEL. X.

Gross Amount = Net Amount ÷ [1 - Tax Rate]

* Rebate 87A → Allowance from Tax on Casual Income

Illustration 1

Mr. X purchased one lottery ticket of ₹10,000 and there was a winning of ₹ 12,00,000. He

Tax on 12L @ 30% 3,60,000
+ 4% 14,400
Tax. liability → 3,74,400

has no other income. Calculate his tax liability

Interest On Enhanced Compensation

→ Cap. Gain.

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

Illustration 2

Interest on enhanced compensation received by Mr. X during the previous year 2024-25 is 5,00,000. Out of this interest, 1,50,000 relates to the previous year 2017-18, 1,65,000 relates to previous year 2017-18 and 1,85,000 relates to previous year 2019-20. Discuss the tax implication, if any, of such interest income for A.Y. 2025-26

Taxability Of Gift

- Any gift or benefit arising from business or profession shall be taxable under head PGBP → Sec. 28 Apply Gift from client/customer → Business Purp.
- Any gift received by EE from ER shall be taxable under head Salaries.
- Other Gifts are taxable as follows:

A. Money Gift (ASHI cheque / Draft / Dr. Card / Cr. Card / Net banking)

Aggregate Money Gift Received Exceeds Rs. 50,000	
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

ii. Inadequate Consideration → Consid. Paid lower than FMV. (Discount)

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

Movable Property Includes

- | | |
|--------------------------------|--|
| a) Shares & Securities | e) Painting |
| b) Jewellery including Bullion | f) Drawing |
| c) Archaeological collection | g) Any Work Of Art |
| d) Sculptures | h) Virtual Digital Asset (cryptocurrency)
eg. bitcoin |

Note: Asset Gift → Not a Capital Asset → then Gift Not Taxable in hands of Recipient eg. Gift of Rural Agriculture land → Not a Capital Asset
∴ Gift of RA → Not Taxable.

C. Gift Of Immovable Property → L/B

SDV = Stamp duty Value (Not declared Value for L/B)

i. Without Consideration

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

Note:- Here Individual Gift Is Assessed Separately i.e. Aggregated Concept Not apply to L/B Gift

ii. Inadequate Consideration Amt Paid lower than SDV.

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 Recd In Gift

Exceptions

1. Received under a will or inheritance.
2. Received on the marriage of individual.
3. Received from any relative → ON ANY OCCASION / Any Amt → Always Not Taxable
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). AID / GRANT
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.

Example 1

Compute the Gift Taxable

Property	FMV	Consideration Paid	Gift
Jewellery	1,50,000	1,28,000	22,000
Drawings	75,000	70,000	5,000
Sculpture	95,000	1,00,000	-
Car	5,70,000	5,10,000	-
Shares	95,000	70,000	25,000
Agg. gift			52,000 ↓ Taxable

Example 2

Vaibhav received following Gifts from his Mitra & Mahila Mitra on his birthday :-

- Diamond Ring from Mahila Mitra (Mov. prop.) = ₹ 95,600 (FMV) → Tax.
 - Cash from his friend Jaggu (Money Gift) = ₹ 15,000
 - Land and Building from his friend Mangu (Imm Prop) = ₹ 51,000 (SDV) → Tax.
 - Vaibhav also purchase painting for ₹ 61,000 (FMV = 90,000) to provide as return Gift to Mahila Mitra. Mov. prop. Gift for IIA (onid) = FMV - onid.
90K - 61K = 29,000 - Not Tax.
- Show tax implication in hands of Vaibhav.

Example 3

Roman purchase land from Jaqat on 15/07/24 for ₹7,00,000 having SDV of ₹10,00,000
Jagat purchased this land on 01/01/24 for ₹6,00,000.
Show Tax implication in hands of Jagat & Roman.

Example 4

Mihir purchase 1000, 10% debenture of A Ltd. from Karan on 15/7/24.
Company pays interest for 6Month each on 30/9 & 31/3 every year.
Calculate interest taxable in hands of Mihir.

Example 5

Suppose in above example, Mihir purchased debenture directly from company on 15/7/24.

Illustration 3 HW 19/11

→ Shores (SIT) → PURP

Mr. X, a dealer in shares, received the following without consideration during the P.Y.2024-25 from his friend Mr. Y

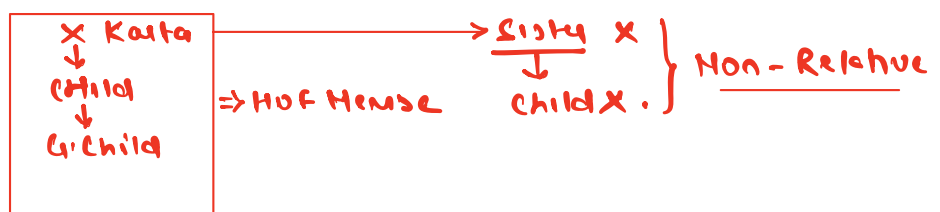
1. Cash gift of 75,000 on his anniversary, 15th April, 2024.
2. Bullion, the fair market value of which was 60,000, on his birthday, 19th June, 2024.
3. A plot of land at Faridabad on 1st July, 2024, the stamp value of which is 5 lakh on that date. Mr. Y had purchased the land in April, 2016.
4. Mr. X purchased from his friend Z, who is also a dealer in shares, 1000 shares of X Ltd. @ 400 each on 19th June, 2024, the fair market value of which was 600 each on that date. Mr. X sold these shares in the course of his business on 23rd June, 2024.
5. On 1st November, 2024, Mr. X took possession of property (building) booked by him two years back at 20 lakh. The stamp duty value of the property as on 1st November, 2024 was 32 lakh and on the date of booking was 23 lakh. He had paid 1 lakh by cheque as down payment on the date of booking.

Compute the income of Mr. X chargeable under the head "Income from other sources" for A.Y.2025-26.

Illustration 4 → HW 20/11

Discuss the taxability or otherwise of the following in the hands of the recipient under section 56(2)(x) the Income-tax Act, 1961

1. X HUF received 75,000 in cash from niece of Mr. X (i.e., daughter of Mr. X's sister). Mr. X is the Karta of the HUF.



Gold = NT

2. Miss. X, a member of her father's HUF, transferred a house property to the HUF without consideration. The stamp duty value of the house property is 9,00,000.
3. Mr. X received 100 shares of A Ltd. from his friend as a gift on occasion of his 25th marriage anniversary. The fair market value on that date was 100 per share. He also received jewellery worth 45,000 (FMV) from his nephew on the same day.
4. X HUF gifted a car to son of Karta for achieving good marks in XII board examination. The fair market value of the car is 5,25,000.

MP-X

Illustration 5 Hw 19/11 → Every Trans. Is Independent

Compute the Amount charged under the head "Income from Other Sources"

1. Mr. X gifts immovable property to Mr Y. Its stamp duty value is 15,00,000. Market price 20,00,000.
2. Mr. X sells his immovable property to Mr Y for 25,00,000. Its stamp duty value is 30,00,000.
3. Mr. Y has received gift of agricultural land having stamp duty value of 45,000 from Mr. A and also a residential house from Mr. B having a stamp duty value of 2,00,000.
4. Mr. Y has received gift of industrial land having stamp duty value of 6,00,000 from his grandson.
5. Mr. X gifts immovable property to D Ltd. Its stamp duty value is 35,00,000. Market price 60,00,000.
6. X purchases building for 5,00,000 having stamp duty value of 5,50,000.
7. X purchases building for 12,00,000 having stamp duty value of 12,60,000.
8. Stamp duty value on the (a) date of agreement 8,00,000 (b) date of registration 8,70,000. Consideration for acquisition of property 7,62,000. Advance paid by cheque.
9. Stamp duty value on the (a) date of agreement ₹ 8,00,000 (b) date of registration ₹ 8,70,000. Consideration for acquisition of property 7,62,000. Advance not paid.

Illustration 6 — Hw 20/11 → Every Point Is Independent

Compute the Amount charged under the head "Income from Other Sources"

1. Mr. X gifts shares to Mr Y. Prescribed FMV is 4,00,000.
2. Mr. X sells his Jewellery to Mr Y for 8,00,000. Prescribed FMV is 9,00,000.
3. Mr. X sells his M. F. Hussain paintings to Mr Y for 7,00,000. Prescribed FMV is 7,30,000.
4. Mr. Y has received gift of Jewellery having prescribed FMV of 30,000 from Mr. A and also shares whose prescribed FMV 40,000 from Mr. B.
5. Mr. Y has received gift of M. F. Husain paintings having prescribed FMV of 80,000 from his father.
6. Mr. X received 50,000 by cheque from Mr. A. Immovable property of 30,000 from Mr. B. Jewellery of 35,000 from Mr. C.
7. Mr. X gifted Jewellery worth 2,00,000 to his friend's daughter on the occasion of her marriage. After 2 years, he gifted diamond of 50,000 on the birth of their first child.
8. Mr. X gifts Rolls Royce car to Mr Y. Prescribed FMV is 3.5 Cr.
9. Mr. Y has received gift of Jewellery having prescribed FMV of ₹ 50,000. Mr. Y has purchased shares of 2,00,000 whose prescribed Fair Market Value is ₹ 2,50,000.

M.P. Gift w/o consid = Agg. 50,000 NT

M.P. Gift I/A consid = FMV - consid

2.5L - 2L = 50,000 NT

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 $\frac{1}{3}^{\text{rd}}$ 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.

Illustration 7

Mrs. X is getting family pension of 7,000 p.m. She also has dividend income from domestic company of 7,00,000. She has long term capital gain of 3,89,000. Compute her tax liability.

→ After 23/7/24

Default

Dividend (Most Imp)

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 (e)

→ In hands of SH

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)

Prq / Ex.

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

Reserves & Surplus

Example 6

A Ltd. Distributed silver coins Gift of 15,00,000 on occasion of Diwali To SH. Compute deemed dividend if Accumulated profits (a) 25,00,000 (b) 12,00,000

→ Incl. Cop. profit (bonus share)

Deem. div.

Dist.	15L	15L
Acc.P	25L	12L
Lower	15L	12L

Example 7

ABC Ltd. has share capital of 35 lakhs. The company has general reserve of 25 lakhs and has distributed Silver coins to shareholders on the occasion of Diwali. Determine Amount of dividend u/s 2(22)(a) if FMV of silver coins are:

- 20 Lakh –
- 25 Lakh –
- 30 Lakh –

	(a)	(b)	(c)
Dist	20L	25L	30L
Acc.p.	25L	25L	25L
D/D-Lower	20L	25L	25L

Section 2(22)(b)

①

Prq/Ex.

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

②

Section 2(22)(c) → Cap. Gain Implication also Arise Ex./Prq.

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 46 and capital gains shall be computed accordingly.

Example 8

A Ltd went into liquidation on 15/7/24 on which Accumulated Profits was ₹ 15,00,000 and Capitalized profits was ₹ 5,00,000.

Mr. J Hold 5000 shares in A Ltd which is equivalent to 10% ownership in A Ltd.

Mr. J purchased 5000 share on 15/9/23 for ₹ 50/share.

On 12/12/24 After paying off all the liabilities, A Ltd. distributed ₹ 5,00,000 to Mr. J

Show tax implication.

Example 9 (w.)

For SH

ABC Ltd. has 1,00,000 equity shares of 10 each and the company goes into liquidation on 31.07.2024 and company has net distributable Amount of 60 lakhs after discharging all the liabilities including income tax and additional income tax and it includes accumulated profits of 20 lakhs and the entire Amount was distributed among the shareholders and Mr. X is holding 10,000 equity shares which were purchased by him on 01.03.2024 for 1,10,000. Show tax implication. → 10% holder.

Section 2(22)(d)

Prq/Ex.

→ Face Value = ₹10 → Reduce → ₹7/sh

Any distribution to its shareholders by a company on the reduction of its capital, to the extent to which the company possesses accumulated profits including cap. profit → ₹3 distributed to SH

Section 2(22)(e) → Important

→ In which public Not Interested i.e. Pvt Co.

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: → 2(22)(e) Not Applicable

Money lending is substantial business of company & loan is given in ordinary course

Following Payments shall not be treated as Deemed Dividend:

- (a) Trade Advances like commercial transactions
- (b) Payment on Buy-back of shares;
- (c) Distribution of shares in the scheme

Example 10 → H/W.

Mr. X holding 28% of equity shares in a company took a loan of 5,00,000 from the same company. On the date of granting the loan, the company had accumulated profit of 4,00,000. The company is engaged in some manufacturing activity.

- Is the Amount of loan taxable as deemed dividend in the hands of Mr. X, if the company is a company in which the public are substantially interested?
- What would be your answer, if the lending company is a private limited company i.e. a company in which the public are not substantially interested?

Life Insurance Policies Maturity Proceeds (Sec. 10(10D)) — IMP**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 1/4/2023**

Maturity amount received by assessee shall be exempt u/s 10(10D) if premium paid is upto 10% of the capital sum assured.

ii. For Policies issued before 1/4/2023 ON OR AFTER 1/4/23

Maturity amount received by assessee shall be exempt if both of following conditions are satisfied:

- Premium paid is upto 10% of the capital sum assured and
- 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.

Example 14

Capital Sum Assured =	50,00,000	Ex. u/s 10(10D) As premium upto 10% of CSA & doesn't exceed ₹5L
Premium paid p.a. =	3,00,000	
Show Tax treatment		

Example 15

Capital Sum Assured =	50,00,000	Taxable, As Prem. paid exceed 10% of CSA. ∴ Sol → Taxable u/n 02.
Premium paid p.a. =	6,00,000	
Amount received on maturity =	50,00,000	
Show Tax treatment		

Example 16

Capital Sum Assured =	50,00,000	Ex. u/s 10(10D) → Maturity Proceeds Recd @ time of death of Insured.
Premium paid p.a. =	6,00,000	
Maturity proceeds of 50,00,000 received to legal heir on death of insured.		
Show Tax treatment		

Example 17

Particulars	Policy A	Policy B	Policy C	Policy D	Term insurance
Issue date	1/4/23	1/4/24	1/4/24	1/7/24	1/9/24
Capital sum assured	25L	20L	22L	25L	50L
Premium paid	2L	2L	1.90L	2L	1L

Determine which policy eligible for exemption so that assessee have maximum benefit.

Example 18

Following Policies issued on 1/7/24

Show Tax treatment

Policy	C.S.A.	Premium paid (p.a.)
Policy 1	15,00,000	1,20,000
Policy 2	10,00,000	90,000
Policy 3	25,00,000	2,60,000
Policy 4	15,00,000	1,50,000

Inadmissible Deductions Section 58

- Personal Expenses
- Excessive Payment to Relative → Excess Paym. disallow.
- Cash Payment > Rs. 10,000 other than through specified mode. → Entire Paym. disall.
- Payment on which TDS provisions applicable but TDS not deducted on time or deducted but not deposited on time. → Res. → 30% disallow NR/OP/India → 100% disallow.

Note:- If Unlisted Shares (Unquoted Shares) Transfer @ a price lower than FMV, then FVC shall be considered As FMV of Share In hands of Transferor. → S. 50(A)
Also prov. of Gift is applicable In hands of Transferee.

- eg. • Mr. X sold share of ABC (1000 sh. @ ₹50/sh) on 1/10/24.
• Mr. X purch. share @ ₹26/share on 1/1/23.
• Mr. X sold shares to Mr. Y
• FMV of sh. on 1/10/24 = ₹120/sh. Show Tax Implication. In hands of X & Y.

X = Transferor Y = Transferee

X - Cap. Gain Implication

P.O.H 1/1/23 - 30/9/24 (ST)	₹
FVC (120 × 1000)	120000
(-) COA (26 × 1000)	26000
STCG	94000

Y - Gift prov. Apply

Y purch. sh. for Inadequate consid.
Gift Taxable = FMV - consid. paid
= 120000 - 50,000
= 70,000

If consid. paid = 75,000

Gift Taxable? - Not Taxable

$$(120000 - 75,000) = \underline{45,000}$$

Not Exceed:
50,000.

when Gift Is Taxable In hands of Y

COA of shares to Y $\Rightarrow$ consid. paid + Gift Taxable
 $\Rightarrow 50,000 + 70,000 \rightarrow 1,20,000$

when Gift Not Taxable

COA of sh. to Y $\Rightarrow$ consid. paid + Gift Tax.
 $\Rightarrow 75,000 + 0 = \underline{75,000}$.