INCOME FROM OTHER SOURCES

Module – 3

INCOME TAX-II
VI SEM B.Com , AY : 19-20

Module -3

Income from other sources

Meaning u/s **56** (1)	The income of every kind which is not to be excluded from the total Income under this Act shall be chargeable to income-tax under the head "Income from other sources" if it is not chargeable to income-tax under any other heads of income.
Chargeability u/s 56 (2)	a. Dividends, other than exempt b. Income by way of interest on securities c. income from machinery, plant or furniture belonging to the assessee and let on hire, if the income is not chargeable to income-tax under the head "Profits and gains of business or profession d. Gift: where any sum of money, the aggregate value of which exceeds fifty thousand rupees, is received without consideration, by an individual or a Hindu undivided family, on or after 1.10.2009 from other than relatives, under the will of succession, by the local authority or trust or institution registered under 12AA. e. Income by way of winnings from lotteries, crossword puzzles, races including horse race, card games and other games of any sort, gambling, betting, etc. It requires mention here that such winnings are chargeable to tax u/s 115BB at a flat rate of 30% (if the amount exceeds Rs. 10,000 (in the case of games) and Rs. 5,000 in the case of winning the race. f. Any sum received under a Keyman insurance policy including bonus is not chargeable under income from salary g. Interest on bank deposits, loan and OD, h. Agricultural income from outside India i. Income by subletting j. Income by way of royalty k. Director fees l. Examination fees received by a teacher from non-employer m. Commission for an insurance transaction n. Salary payable to MP o. Family pension received by a member of the deceased employee. (Max deduction: Rs.15,000 or 331/3 whichever is low) p. Interest received on own contribution to Unrecognised provident fund (URPF) q. Income from undisclosed sources. r. Stipend to article clerk s. Bank interest if exceeds Rs. 10,000 then 10% TDS shall be charged

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<tr><td></td><td></td></tr>
<tr><td>Deductions allowed under IFOS</td><td>1. Bank charges or commission for releasing dividend or interest on securities.
2. Interest on borrowings (loan must be taken to purchase securities)
3. Repairs/depreciation/ insurance in case of letting assets
4. Expenditure made to earn a Royalty
5. If Horse is owned and expenditure is incurred by the assessee, can be claimed against winning a horse race.</td></tr>
<tr><td>Exempted Incomes</td><td>1 Dividends from a domestic company
2 Interest on PO S/B a/c upto ₹ 3,500.
3 Dearness allowances - MP, MLA etc.
4 Cash /kind gifts received from relatives
5 Gifts received in kind
6 Gifts received on marriage (cash/kind)
7 Cash gift received upto Rs. 50,000 from non-relatives
8 Interest received on specified Government bonds/securities.
10 Interest on mutual funds / Government securities.</td></tr>
<tr><td>Casual income:
Sec 56(2)(iv)</td><td>The tax shall be deducted at source only if winnings from the lottery, crossword puzzles, card game or TV game shows exceed Rs.10,000 (w.e.f 1-7-10) and winnings from horce races exceed.Rs.5,000 (w.e.f 1-7-10)<table><tr><td>Income tax</td><td>30%</td></tr><tr><td>Total TDS</td><td>30%</td></tr><tr><td>Gross amount</td><td>[(net incom) + ((100 − 30)] 100</td></tr></table></td></tr>
<tr><td>Note</td><td>Winning from Casual income always be taken at gross winning, not the net amount (sec 115BB)</td></tr>
<tr><td>Tax-free Government securities: Interest on these securities is fully exempt from tax U/s 10 (15).</td><td>a) 12 year National Savings annuity certificate
b) National defence Gold bonds, 1980
c) Special bearer bonds, 1991
d) Treasury savings deposit certificates (10 years)
e) Post office cash certificates (5 years)
f) National plan certificates (10 years)
g) National plan savings certificates (12 years)
h) Post office national savings certificates (7 years / 12 years)
i) Post office savings bank account
j) The public account of post office savings accounts rules
(k) Post office cumulative time deposit account
l) Fixed deposit of Post office
m) Special deposit scheme 1981
n) Interest on 7%. Capital investment bonds
o) Interest on Relief bonds & savings bond.
p) Notified NRI bonds.</td></tr>
<tr><td>Less Tax-Free Govt. securities</td><td>Securities issued by a state or Central Govt. No tax is deducted at source (TDS 10%) on these securities and hence interests on</td></tr>
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<table>
<tr><td></td><td>these securities are not to be grossed up since interests received on these securities are always gross. (sec10(15))</td></tr>
<tr><td>Tax-free Non-Govt. securities (TDS 10%)</td><td>Securities issued by Non-Govt. organisations like the local authority, company etc. it is called tax free securities since tax due on its interest is payable by the company.
Gross interest = Interest received by the assessee + Tax paid by the company on behalf of the assessee.</td></tr>
<tr><td>Less tax Non-Govt. securities:</td><td>Interest is paid on these securities after deducting tax at source.
Interest payable after TDS = Gross interest as a % of security invested - TDS
Note: if the rate of interest is given, then it is the gross amount and hence does not requires grossing up.
If the net amount of interest received is given then it should be grossed up.</td></tr>
<tr><td>Rules of Grossing up or when to gross-up.</td><td>1. Interest on tax-free Non-Govt. securities are always net interest and hence it is to be grossed up irrespective of whether interest rate or amount is given.
2. Interest on less tax non-Govt. securities are grossed up only when the amount is given.</td></tr>
<tr><td>Grossing for Listed securities</td><td><table><tr><td>Income tax</td><td>10%</td></tr><tr><td>Total</td><td>10%</td></tr><tr><td>Gross amount</td><td>[(net incom) + (100 − 10)]
100</td></tr></table></td></tr>
<tr><td>Grossing for un- Listed securities</td><td><table><tr><td>Income tax</td><td>10%</td></tr><tr><td>Total</td><td>10.%</td></tr><tr><td>Gross amount</td><td>[(net incom) + (100 − 10)]
100</td></tr></table></td></tr>
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The term relative means

a. Spouse of the individual
b. Brother or sister of the individual
c. Brother or sister of Spouse of the individual
d. Brother or sister of either parent of the individual
e. Any lineal ascendant or descendant of the individual
f. Any lineal ascendant or descendant of Spouse of the individual

Set Off and Carry Forward of Losses
(Theory only) [Sec.70-80]

Introduction	A Person may incur a loss from a source in a year. Under the Income-tax Act, the concession is available to such person incurring a loss. There are provisions for set-off of such loss against income from any other source or any other head of income. Further, if the loss cannot be set-off in the same year, it can be carried forward to subsequent years for set-off.

Set Off and Carry forward of Losses:

Intra Head / Within the Head				**Inter Head / With other heads**			
Nature of loss	**Set off Under**	**Carry forward to Subsequent Assessment Year**	**No of Years for which it can be carried forward** **AY**	**Nature of loss**	**Set off Under**	**Carry forward to Subsequent Assessment Year**	**No of Years for which it can be carried forward** **AY**
Speculation Business **Loss**	Only against Speculation Profit.	Only against Speculation Profit.	4	**House Property** Let Out Property	Income from Any Head of Income.	Only against Income from House Property.	8
Long Term Capital Gains	Only against Long term Capital Gains.	Only against Long term Capital Gains.	8	**Self Occupied Property**	Income from Any Head of Income.	Only against Income from House Property.	8
				Any Loss from Business or Profession (other than Speculation Loss)	Any Income except Salary.	Only against Profit or Gains from Business or Profession.	8

Intra Head / Within the Head				**Inter Head / With other heads**			
Nature of loss	**Set off Under**	**Carry forward to Subsequent Assessment Year**	**No of Years for which it can be carried forward**	**Nature of loss**	**Set off Under**	**Carry forward to Subsequent Assessment Year**	**No of Years for which it can be carried forward**
Short Term Capital Gains	Only against Capital Gains (Both Short Term & Long Term).	Only against Capital Gains (Both Short Term & Long Term).	8	Unabsorbed Depreciation	Any Head of Income except Salary and income taxed at special rates.	Any Head of Income except Salary.	No time limit. Shall be carried forward to Subsequent assessment year and shall be deemed to be the Depreciation of that year.
Loss from **owning and maintaining Race Horses**	Only against Income from owning and maintaining Race Horses.	Only against Income from owning and maintaining Race Horses.	4	**Business:** Scientific and Research Expenditure	Any Income	Shall be carried forward to Subsequent assessment year and shall be deemed to be the Scientific Research Expenditure of that year.	No time limit. Shall be carried forward to Subsequent assessment year and shall be deemed to be the Depreciation of that year.