

V. Income from Other Sources

Any income which is not chargeable to tax under any other heads of income and which is not to be excluded from the total income shall be chargeable to tax as residuary income under the head "Income from Other Sources".

1 Basis of Charge [Sec. 56]:

Income chargeable to tax under the head "Income from other sources" shall include following:

S. No.	Nature of income taxable as residuary income
1.	Dividends
2.	Income by way of winnings from lotteries, crossword puzzles, races including horse races, card games, gambling or betting of any form or nature whatsoever
3.	Any sum received by an employer from his employees as contribution towards PF/ESI/ Superannuation Fund etc., if same is not deposited in the relevant fund and it is not taxable under the head 'Profits and Gains from Business or Profession'.
4.	Interest on securities, if not taxable under the head 'Profits and Gains of Business or Profession'
5.	Income from machinery, plant or furniture belonging to taxpayer and let on hire, if income is not chargeable to tax under the head 'Profits and Gains of Business or Profession'
6.	Composite rental income from letting of plant, machinery or furniture with buildings, where such letting is inseparable and such income is not taxable under the head 'Profits and Gains of Business or Profession'
7.	Any sum received under Keyman Insurance Policy (including bonus), if not taxable under the head 'Profits and Gains of Business or Profession' or under the head 'Salaries'
8.	<p>In the following cases, any sum of money or property received by a person from any person (except from relatives or member of HUF or in given circumstances, <i>see note 1</i>) shall be taxable under the head 'Income from other sources':</p> <p>a) If any sum is received without consideration in excess of Rs. 50,000 during the previous year, the whole amount shall be chargeable to tax;</p> <p>Though the provisions relating to gift applies in case of every person, but it has been reported that gifts by a resident person to a non-resident are claimed to be non-taxable in India as the income does not accrue or arise in India. To ensure that such gifts made by residents to a non-resident person are subjected to tax in India, the Finance (No. 2) Act, 2019 has inserted a new clause (viii) under Section 9 of the Income-tax Act to provide that any income arising outside India, being money paid without consideration on or after 05-07-2019, by a person resident in India to a non-resident or a foreign company shall be deemed to accrue or arise in India.</p> <p>b) If an immovable property is received without consideration and the stamp duty value</p>

	<p>exceeds Rs. 50,000, the stamp duty value of such property shall be chargeable to tax;</p> <p>c) If immovable property is received for consideration which is less than the stamp duty value of property by higher of following amount the difference is chargeable to tax:</p> <p>(i) the amount of Rs. 50,000</p> <p>(ii) the amount equal to 10% of consideration.</p> <p>d) If movable properties* is received without consideration and the aggregate fair market value of such properties exceeds Rs. 50,000, the whole of aggregate fair market value of such properties shall be chargeable to tax</p> <p>e) If movable properties is received for consideration which is less than the aggregate fair market value of properties by an amount exceeding Rs. 50,000, the difference between the aggregate fair market value and the consideration is chargeable to tax.</p> <p>Note:</p> <p>1. Any sum of money received by an individual, from any person, in respect of any expenditure actually incurred by him on his medical treatment or treatment of any member of his family in respect of any illness related to COVID-19, shall not be considered as income of such person. (subject to certain conditions)</p> <p>2. Any sum of money received by family member of a person who died due to COVID-19, the money so received shall not be considered as income of the family member where such money is received from the employer of deceased person. Where the money is received from any other person or persons, the exemption amount shall be limited to Rs. 10 lakh in aggregate. (subject to certain conditions)</p>
9.	<p>If shares in a closely held company are received by a firm or another closely held company from any person without consideration or for inadequate consideration, the aggregate fair market value of such shares as reduced by the consideration paid, if any, shall be chargeable to tax.</p> <p><i>Note:</i> Nothing would be chargeable to tax if taxable amount doesn't exceed Rs. 50,000.</p>
10.	<p>If a closely held public company receives any consideration for issue of shares which exceed the fair market value of such shares, the aggregate consideration received for such shares as reduced by its fair market value shall be chargeable to tax.</p> <p><i>Note:</i> This provision is not applicable in the following cases:</p> <p>a) Where the consideration for issue of shares is received by a venture capital undertaking from a venture capital company or venture capital fund or a specified fund.</p> <p>“Specified fund” means a fund established or incorporated in India in the form of a trust or a company or a LLP or a body corporate which has been granted a certificate of registration by SEBI as a Category I or Category II Alternative Investment Fund (AIF).</p> <p>b) Where the consideration for issue of shares is received by company from class or classes of person as notified by the Government.</p> <p>In this regard, the Government has provided that section 56(2)(viib) shall not apply where consideration is received by a start-up company in respect of shares issued to a resident person. However, a start-up company shall fulfil the condition mentioned in the Notification No. 127(E), dated 19-02-2019 issued by the Department for Promotion of Industry and Internal Trade (DPIIT).</p> <p>With a view to ensure compliance to the conditions specified in the said notification, the Finance (No. 2) Act, 2019 reiterates that in case of failure to comply with the conditions</p>

	specified in the notification, the consideration received from issue of shares as exceeding the fair market value of such shares, shall be deemed to be income of the company chargeable to tax for the previous year in which such failure takes place. Further, it shall be deemed that the company has misreported the said income and, consequently, a penalty of an amount equal to 200% of tax payable on the underreported income (i.e., difference between issue price and fair market value of shares) shall be levied as per section 270A.
10 A.	Any compensation received by a person in connection with the termination of his employment or modification of terms and conditions relating thereto.
11.	Interest received on compensation or enhanced compensation
12.	Any sum of money received as an advance or otherwise in the course of negotiations for transfer of a capital asset shall be charged to tax under this head, if: <ul style="list-style-type: none"> a) Such sum is forfeited; and b) The negotiations do not result in transfer of such capital asset.

* 'Movable property' shall include shares, securities, jewellery, archaeological collection, drawings, paintings, sculptures, any work of art or bullion etc.

1.1 Gifts not chargeable to tax [Sec. 56(2)(x)]

Any sum of money or property received by any person in the following circumstances shall not be chargeable to tax:

- a) Gifts received from relatives**;
- b) Gifts received by an individual on occasion of his/her marriage;
- c) Gifts received by way of Inheritance/will;;
- d) Gifts received in contemplation of death of the payer;
- e) Gifts received from any local authority;
- f) Gifts received from any fund, foundation, university, educational institution, hospital, medical institution, any trust or institution referred to in Section 10(23C); [w.e.f. AY 2023-24, this exemption is not available if a sum of money is received by a specified person referred to in section 13(3)].
- g) Gifts received from any trust or institution registered under sections 12A/12AA/12AB [w.e.f. AY 2023-24, this exemption is not available if a sum of money is received by a specified person referred to in section 13(3)].
- h) Share received as a consequences of demerger or amalgamation of a company under clause (vid) or clause (vii) of section 47, respectively.
- i) Share received as a consequences of business reorganization of a co-operative bank under section 47(vicb)
- j) From any person, in respect of any expenditure actually incurred by individual on his medical treatment or treatment of any member of his family, for any illness related to COVID-19 (subject to such conditions as prescribed by Govt.).
- k) By a member of the family*** of a deceased person, if cause of death is illness related to COVID-19,;
 - From the employer of the deceased person; or
 - From any other person or persons to the extent that such sum doesn't exceed Rs. 10 lakh.

Note: The member must receive the payment within 12 months from the date of death of such person and satisfy such other conditions which may the Central Government may notify in this behalf

1) from such class of persons and subject to such conditions as may be prescribed

** 'Relative' shall mean:

1. Spouse of the individual
2. Brother or sister of the individual
3. Brother or sister of the spouse of the individual
4. Brother or sister of either of the parents of the individual
5. Any lineal ascendant or descendant of the individual
6. Any lineal ascendant or descendant of spouse of the individual
7. Spouse of the person referred in point 2-6 above

*** 'Family', in relation to an individual, means:

1. The spouse and children of the individual; and
2. The parents, brothers, and sisters of the individual or any of them, wholly or mainly dependent on the individual.

2 Deductions [Sec. 57]:

The following expenditures are allowed as deductions from income chargeable to tax under the head 'Income from Other Sources':

S. N.	Section	Nature of Income	Deductions allowed
1.	57(i)	Dividend or Interest on securities	Any reasonable sum paid by way of commission or remuneration to banker or any other person for purpose of realizing dividend or interest on securities
2.	57(ia)	Employee's contribution towards Provident Fund, Superannuation Fund, ESI Fund or any other fund setup for the welfare of such employees	If employees' contribution is credited to their account in relevant fund on or before the due date
3.	57(ii)	Rental income letting of plant, machinery, furniture or building	Rent, rates, taxes, repairs, insurance and depreciation etc.
4.	57(ia)	Family Pension	1/3 rd of family pension subject to maximum of Rs. 15,000.
5.	57(iii)	Any other income	Any other expenditure (not being capital expenditure) expended wholly and exclusively for earning such

			income
6.	57 (iv)	Interest on compensation or enhanced compensation	50% of such interest (subject to certain conditions)
7.	58(4) Proviso	Income from activity of owning and maintaining race horses.	All expenditure relating to such activity.

3 Expenses not deductible [Section 58]:

S. N.	Section	Nature of Income
1.	58(1)(a)(i)	Personal expenses
2.	58(1)(a)(ii)	Interest chargeable to tax which is payable outside India on which tax has not been paid or deducted at source
3.	58(1)(a)(iii)	'Salaries' payable outside India on which no tax is paid or deducted at source
4.	58(1A)	Wealth-tax
5.	58(2)	Expenditure of the nature specified in section 40A
6.	58(4)	Expenditure in connection with winnings from lotteries, crossword puzzles, races, games, gambling or betting

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