

Tax on Income from Other Sources

As per Section 56(1) any income/receipt shall be taxable under this head if it is not taxable under any other heads of income be it salary, profit and gains from business and profession, house property or capital gains.

Income from other sources includes the following:

DIVIDENDS

Dividends are covered under the head Income from other sources. TDS is deducted on dividends which are over Rs. 10,00,000.

CASUAL INCOME

Incomes which are generated from lotteries, crossword puzzles, races, gambling, betting, card games, entertainment shows (eg Indian Idol, Dance India Dance), game show (eg KBC), are all completely taxable.

Let us assume that a person buys a lottery ticket for Rs 1,000 and wins lottery of Rs 1,00,000 on it. Now the taxable income will be the complete winning amount, i.e., Rs. 1,00,000 and not Rs 99,000.

Taxes on casual income is calculated as 30% on the winning amount plus surcharge and cess.

However, the winning from motor car rally cannot be taxed as casual income as it is a return for skills and Effort. In cases where the winning is because of skills and effort, it is not calculated as Casual Income.

Lottery held as stock in trade shall be taxed under PGBP and not other income, because a person who holds the lottery as stock is doing it as a part of his business.

GIFTS

Any receipt which is more than Rs 50,000 is fully taxable under the head income from other sources.

However, gift received from the following are not taxable under this head:

- Gifts from relatives (spouse, brother or their spouse, sister or their spouse, brother/sister of either of parents or their spouse , any lineal ascendant/descendant of the individual or of their spouse.
- Gifts on occasion of marriage
- Gifts received under will or by inheritance
- Gifts received in contemplation of death or prayer
- Gifts received from local authorities/registered trust

INCOME BY WAY OF INTEREST RECEIVED ON COMPENSATION IF IT IS NOT CHARGED UNDER PGBP

Whatever income is received by way of interest on compensation, if they are not charged under PGBP then they are charged under Income from other Sources.

INCOME FROM SECURITY

INCOME FROM LETTING OUT OF MACHINERY /PLANT/FURNITURE

INCOME FROM SUB-LETTING OF HOUSE PROPERTY

If it is normal tenancy, i.e., the owner lets out the house, then it is under Income from House Property. However, if it is sub tenancy, then the income will be under other sources

INCOME FROM INTEREST ON BANK DEPOSITS

INCOME FROM REMUNERATION RECEIVED FROM A PERSON OTHER THAN HIS EMPLOYER FOR EVALUATION OF SALARY IF NOT TAXABLE UNDER SALARY

INSURANCE COMMISSION

If the income received is by insurance agents or those who are into the business of insurance, then in such cases the income is calculated under PGBP. However, for other people it is calculated under Income from other Sources. TDS is deducted if the amount exceeds Rs. 20,000.

INCOME FROM UNDISCLOSED SOURCES

Even business incomes, if they are from undisclosed sources then they cannot be considered to be under PGBP and falls under Income from other sources.

INCOME FROM PRIVATE TUITION

INCOME TAX REFUND

Income Tax refunds are considered to be an income and they are taxable under the head income from other sources

FAMILY PENSION RECEIVED BY THE FAMILY MEMBERS OF THE DECEASED

The pension received by the person himself falls under the head Income from Salary. But the pension received by the person's family after his death, comes under income from other sources.

DIRECTOR'S SITTING FEE FOR ATTENDING BOARD MEETINGS

INCOME FROM THE ACTIVITY OF OWNING AND MAINTAINING RACE HORSES

STIPEND TO THE TRAINEE

RENT CHARGES FOR GRANTING SPACE FOR HOARDINGS ETC

If the space for hoarding is given at the top or from of a house property, then it is not taxable under the head Income from House Property but under PGBP or other source.

In case the person does not want to take it under PGBP, then he can claim under the head Income from other sources.

Source : TaxGuru