Heads of Income: Income from Other Sources

The Residuary Head of Income

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The Residuary Head (Sec. 56)

- This head of income is a catch-all category.
- Any income that is not specifically taxable under the other four heads (Salary, House Property, Business/Profession, Capital Gains) is taxed under this head.
- Examples include:
- - Interest from bank deposits, loans, or securities.
- - Winning from lotteries, crossword puzzles, card games, or gambling.
- - Director's fees.
- - Gifts received.
- - Family pension.

Specific Incomes Taxable under 'Other Sources'

- Dividends (Sec. 2(22)):
- - Dividends from domestic companies are taxable in the hands of the shareholder.
- - Deduction for interest expenses up to 20% of the dividend income is allowed.

- Winnings from Lotteries, etc. (Sec. 115BB):
- - Income from lotteries, card games, betting, etc., is a casual income.
- - Taxed at a flat rate of 30% without any deduction.

- Interest on Securities:
- - Taxable under this head unless it is part of a business income.
- - Expenses incurred to earn the interest (e.g., collection charges) are deductible.

Taxation of Gifts (Sec. 56(2)(x))

- Gifts received by an individual or HUF are taxable if they exceed a certain limit, unless received from a specific list of relatives or on certain occasions.

- What is a 'Gift'?
- - Money: Any sum of money.
- - Movable Property: Jewellery, archaeological collections, paintings, sculptures, shares/securities.
- - Immovable Property: Land or building.

Taxation of Gifts (Contd.)

- Taxable Scenario:
- - If the aggregate value of money received from a non-relative during the Previous Year exceeds ₹ 50,000, the entire amount is taxable.
- - If movable property is received for no consideration and its Fair Market Value (FMV) exceeds ₹ 50,000, the entire FMV is taxable.
- - If immovable property is received for no consideration and its Stamp Duty Value (SDV) exceeds ₹ 50,000, the entire SDV is taxable.

- Exemptions:
- - Gifts are fully exempt if received from a relative or on specific occasions like:
- * On the occasion of the marriage of the individual.
- * Under a will or by way of inheritance.
- * In contemplation of death.

- Definition of a 'Relative':
- - Spouse of the individual.
- - Brother or sister of the individual.
- - Brother or sister of the spouse.
- - Brother or sister of either of the parents.
- - Any lineal ascendant or descendant of the individual or the spouse.

Family Pension

- Family pension is received by the legal heirs of a deceased employee.
- It is taxable under the head 'Income from Other Sources'.
- A deduction is allowed under Section 57. The deduction is the least of the following:
- - ₹ 15,000.
- - One-third of the family pension received.
- Note: The deduction is limited to ₹ 15,000, not ₹ 25,000.

Deductions from Other Sources (Sec. 57)

- General deductions are allowed if the expenditure is incurred wholly and exclusively for the purpose of earning such income.

- Examples:
- - Commission or collection charges on interest income.
- - Repair and insurance charges for machinery/plant that is let on hire.
- - Deduction for family pension as mentioned above.

Example of Other Sources Calculation

• Mr. Q provides the following income details for the PY 2024-25:

• - Interest from Fixed Deposit: ₹ 80,000
• - Winnings from a lottery (net of TDS): ₹ 70,000 (TDS deducted at 30%)
• - Gift of cash from a friend: ₹ 60,000
• - Family pension received after his father's demise: ₹ 3,00,000

• Computation:
• - Interest from FD: ₹ 80,000 (Taxable at slab rates)
• - Winnings from Lottery:
•   * Gross winnings = (₹ 70,000 / 70) * 100 = ₹ 1,00,000
•   * Taxable at a flat 30%: ₹ 1,00,000 (No deduction allowed)
• - Gift from a friend: Entire ₹ 60,000 is taxable (exceeds ₹ 50,000 from non-relative).
• - Family Pension:
•   * Gross Pension: ₹ 3,00,000
•   * Less: Deduction u/s 57 = ₹ 15,000
•   * Taxable Pension: ₹ 2,85,000

Summary of Key Concepts

- - Income from Other Sources is the residual head for any income not falling under the other four heads.
- - It includes diverse incomes like interest, dividends, and winnings from games.
- - Casual incomes, such as lottery winnings, are taxed at a flat rate of 30% without any deductions.
- - Gifts are generally taxable if received from a non-relative and the value exceeds ₹ 50,000.
- - A specific deduction is allowed for family pension.