19 Income From head of Other Sources

19.1 Income from other sources :

If income is not taxable under any head as house property, salary, business or profession, capital gain, then normally it is considered under income from other sources as per section 56. This nearly includes mainly the following:

a. After Sep.1, 2004 gifts of more than Rs. 50,000 (w.e.f. Dec 5, 2000) from non-relatives will be taxable for the receiver

b. Investment made in bank / post office / other institution in the form of recurring / fixed deposit, NSC, Kisanvikaspatra, NSS or Infrastructure Bond. Interest received or due on these schemes and interest received on refund of income tax

c. Income in the form of rent received on machinery, plant, commercial/industrial building.

d. Under family pension scheme, pension amount received by the dependent of expired employee (excluding employee of armed forces)

e. Income received from horse racing, lottery, crossword, TV game etc.

f. Rent received from empty land, salary received by MP & MLAS royalty income, income of cricket players, wages of examiner, & invigilator, amount received as rent on furniture etc.

g. Commission earned by agents of post offices, LIC, UTI, mutual fund etc.

19.2 Deduction allowed on above mentioned income u/s 57

a Amount spent for receiving interest or dividend or any other income and interest due on borrowed capital for investment

b Amount spent for repairs & depreciation insurance of machinery, plant, industrial/ commercial building

c Under family pension scheme 1/3 part of received yearly pension or Rs.15, 000 whichever is less

19.3 Dividend:

Dividend received from noted mutual fund or UTI u/s 10(35) and dividend received from Indian domestic companies u/s10 (34) will be totally tax free for investors.

19.4 Interest:

As per section 56(2) if account system is opted on receipt basis then the income tax on interest will be due only after actual receipts otherwise on due basis

Provisions of Income Tax on Gifts

Any person (HUF, Individual) receiving more than Rs. 50,000 (after Jul 4, 2006) in a year (This limit was Rs. 25,000 (for a period between Sep 1, 2004 to Jul 4, 2006), from non relatives, without any consideration then the amount of gift will be added to taxable income.

Relatives means :

(i) Life partner
(i) Brother/sister of self
(ii) Brother/sister of life partner
(iii) Brother/sister of parents of self and life partner
(iv) Linear Ascendant or Descendant of self & life partner
(v) Life partners of above mentioned (i), (ii), & (iii)

Excluding following gifts :

(1) Gift received in marriage
  (i) Gift received through will or ancestral reasons
  (ii) Gift received on death of assessee

Provisions regarding Taxation of certain transactions without consideration or with an inadequate consideration as income from other sources (section 56 of the Income-tax Act) is amended to provide that the value of any property received this way will also be included in the computation of total income of the recipient. such properties will include immovable property like land or building or both, shares and securities, jewellery, archaeological collections, drawings, paintings, sculptures or any work of art.

1. In a case where an *immovable* property is:

   (i) Received without consideration and the stamp duty value of such property exceeds Rs. 50,000, the whole of the stamp duty value of such property shall be taxed as the income of the recipient.

   (ii) Received for a consideration which is less than the stamp duty value of the property and the difference between the two exceeds Rs. 50,000 (inadequate consideration), then the difference between the stamp duty value of such property and such consideration shall be taxed as the income of the recipient. *This provision is withdrawn from date of effect.*

2. In a case where *movable* property is:

   (i) Received without consideration and the aggregate fair market value of such property exceeds Rs. 50,000, the whole of the aggregate fair market value (as on the date of receipt) of such property shall be taxed as the income of the recipient.

   (ii) Received for a consideration which is less than the aggregate fair market value (as on the date of receipt) of the property and the difference between the two exceeds Rs. 50,000 then the difference between the fair market value of such property and such consideration shall be taxed as the income of the recipient.

The above amendment is effective from Oct 1, 2009 and will accordingly apply for transactions undertaken on or after such date.