

# **RANKERS' COMMERCE (KANKARBAGH PATNA)**

call: - 9386035411, 7870266699, 9709443092

## **Income from Other Source**

It is also a heads of income of the assessee under provision of income tax act 1961. Generally the total income shall be chargeable to income tax under the heads of income of other sources .If it is not chargeable to income tax under any of the first four heads

### **Basis of chargeable**

The following condition must be satisfied before an income can be tax under the heads of other sources

1. They are must be an income
2. Such income is not excepted under the provision of this act
3. Such income is not chargeable to tax under any first four heads of income i.e. income from salary, income from house property, profit and gain of business or profession, and income from capital gain

### **Income chargeable to tax under the heads of other sources**

1. Income from Sub letting of house property by a tenant
2. Casual income Like Winning from lotteries, Winning from horse Race, Winning from card Game,gambling,Crossword puzzles etc
3. Insurance commission Income
4. Family Pension (payment received by legal representative of a deceased employee)
5. Income on bank deposit and deposit with company
6. Undisclosed income
7. Remuneration received by member of parliament or member of legislative assembly

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8. Rent received from vacant a piece of plot of land
9. Agriculture income from agriculture land situated outside India
10. Interest received from Government/ Non govt Securities/debentures/bond
11. Dividend income received from foreign companies or Co operative society
12. Income received after Discontinuous of the business
13. Income from racing Establishment
14. Interest paid by government on excess payment of advance tax
15. Directors remuneration received from the company
16. Gift income

## **Computation of Taxable other source income of .....**

**For the assessment year 2020-21**

<b>1. Interest income received from non government securities</b>	<b>****</b>
<b>2. Interest income received from Taxable government Securities</b>	<b>****</b>
<b>3. Dividend income received from Indian companies</b>	<b>Exempt</b>
<b>4. Dividend income received from Mutual fund</b>	<b>Exempt</b>
<b>5. Dividend income received from Foreign companies</b>	<b>****</b>
<b>6. Insurance commission</b>	<b>****</b>
<b>7. Winning from lotteries or other casual income</b>	<b>****</b>
<b>Gross taxable other source income</b>	<b>****</b>
<b>Less: Deduction U/S 57:</b>	
<b>Commission/brokerage paid</b>	<b>****</b>
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Collection charge	****	
Other Expenses	<u>****</u>	<u>(****)</u>
Taxable Other sources income		<u>*****</u>

## **Dividend Income**

Any amount of or Sum of the amount received by shareholder proportionate to his shareholding in a company out of total profit distribution to be called dividend. Generally the amount of dividend is to be taxable or chargeable to tax under the heads of other source under provision of this act

Nature of dividend:- Dividend income are divided in to following categories

1. Final Dividend/Normal Dividend:- Any dividend declared by a company at its annual general meeting (AGM) shall be deemed to be income of the previous year In which it is so declared.
2. Proposed Dividend:- Any Dividend amount is to be Recommend by BOD during the relevant accounting year on the basis of past trend analysis to be called proposed dividend
3. Interim Dividend:- It is one which is declared by the company at any time prior to its annual general meeting for the year to be called interim dividend

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The amount of interim dividend shall be deemed to be income of the previous year in which the amount of such dividend is unconditionally made available by company to the member who is entitled to it

According to income tax act 1961, as per provision there is no any difference between final dividend, interim dividend and proposed dividend because such dividend is to be chargeable to tax under the heads of other source income in the hand the recipients during the relevant previous year

## **Taxable of dividend income**

As per income tax act, dividend is to be chargeable to tax under heads of other sources income in the heads of individual assessee on the basis of place of accrual of such dividend income.

In this case dividend income are divided in to following categories

- A. Dividend income from Indian company / domestic company:-  
Any dividend amount is to be received/ receivable by the share holder assessee from the domestic company during the any relevant previous year then such income is to be exempt (tax free) in the hand of recipients.
- B. Dividend from cooperative society: - Any amount of dividend is to be received / receivable by the share holder ( assessee ) from cooperative society during the relevant previous year the such dividend income is to be taxable under the heads of other source in the hands recipients.
- C. Dividend received from the Indian mutual fund company: - Any dividend amount is to be received/ receivable by share holder from mutual fund

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company during the relevant previous year. Then such dividend income is to be exempt in the hands of recipients.

D. Dividend received from foreign company: - Any dividend income received / receivable from the foreign company during the relevant previous year then such dividend income is to be chargeable to tax under the heads of other source in the hands of recipients.

## **Tax deducted At source ( TDS)**

As per income tax act some entries are necessary to be deducted the tax amount as per prescribe rate on the payment of certain expenditure, and such amount is necessary to be deposited into the income tax authorities during the prescribe time.

According to the provision to this act the rate of TDS is deemed on nature of the payment.

<b>S.NO</b>	<b>Nature of payment</b>	<b>Rate of T.D.S</b>	<b>Exemption Limit</b>
1)	Interest on bank deposit	10%	10,000
2)	Interest on securities	10%	10,000
3)	Insurance commission	10%	10,000
4)	Winning from lottery	30%	10,000
5)	Other casual income	30%	10,000
6)	Rent of land and building		
	And furniture and fittings	10%	180000
7)	Any other interest income	10%	10,000

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$$\text{Gross up income} = \frac{\text{Net income received} \times 100}{100 - \text{rate of tax}}$$

## **Securities**

Any debentures/Bond is to be issued by Government/company/cooperative society or corporation For rising the long term fund during the any previous year to be called securities

Generally the interest income on such securities is to be taxable in the hands of Investor(assessee)

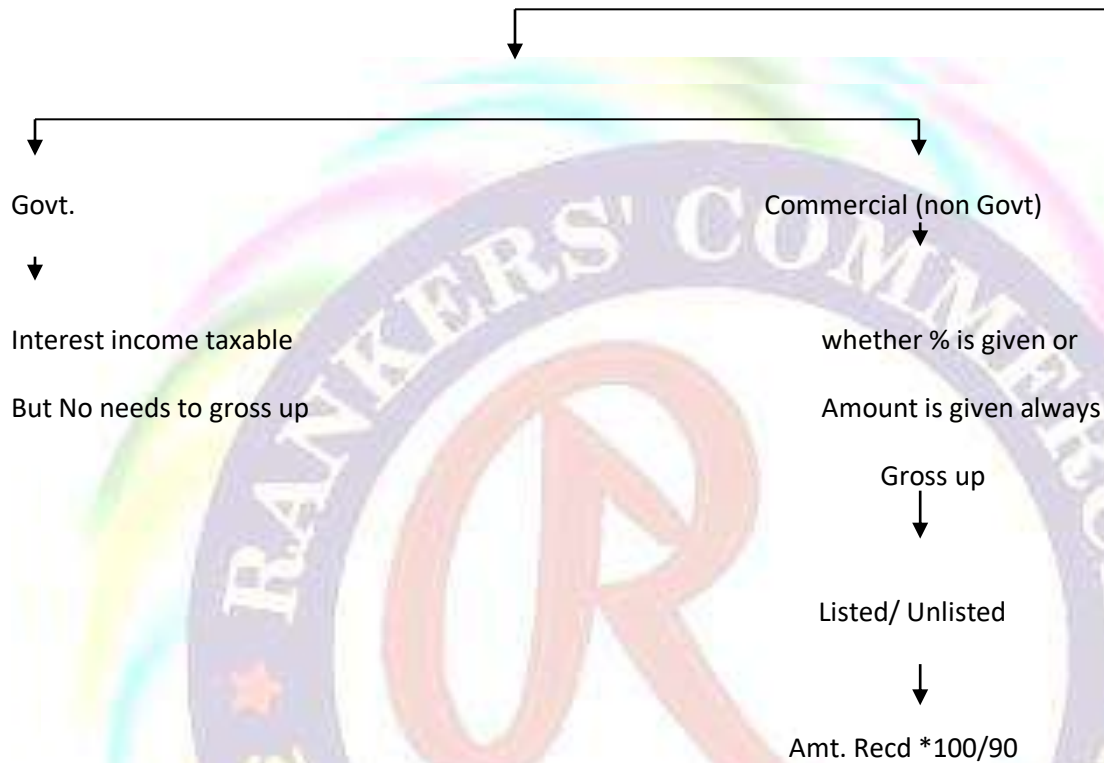
As per income tax act the interest on securities income are divided in to following categories



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## TREATMENT OF GIFTS:

The amendment of Sec 56(2) of the income tax act has intensely changed the scenario of the tax treatment of gifts received by an assessee. The amended provision states that

- A. Where any **sum of money** exceeding Rs.50000 (gift in cash or cheque or draft) in aggregate in any previous year is received by an individual or HUF without any consideration, the sum shall be deemed to be the income of the recipient.
  - B. Any **immovable property** without any consideration is received and the stamp duty value of such property exceeds Rs. 50000, the stamp duty value will be taxable in the hand of the recipient.
- Any **immovable property** is received for a consideration which is less than the stamp duty value of the property by an amount exceeding Rs. 50,000, and then the difference between stamp duty value and consideration is chargeable to tax.
  - Any **movable property** is received without consideration, and the fair market value of which exceeds Rs. 50,000, the whole of the aggregate fair market value of such property.
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- Any movable property is received for a consideration which is less than the aggregate fair market value of the property by an amount exceeding Rs. 50,000, and then the difference between aggregate fair market value and the consideration is chargeable to tax.

In the following situations any sum of money or property received shall be exempt from tax:

- ✓ On the occasion of the marriage of individual
- ✓ Received under a will / Inheritance
- ✓ Contemplation of death of the payer
- ✓ Receipt from Local Authority
- ✓ From any fund, foundation, university, other educational institution, hospital, medical institution, any trust or institution u/s {Sec 10(23C)}.
- ✓ From any charitable institute registered u/s 12AA.

From relatives

	Relatives means	Example – Taxpayer is Mr. A
1	Spouse of the individual	Mrs. A
2	Brothers or sisters of the Individual	Brothers or sisters of A
3	Brother or sister of the spouse of individual	Brothers or sisters of Mrs. A
4	Brother or sister of the parents of the individual	Brothers and sister of father and mother of A
5	Any lineal ascendant or descendant of the Individual	lineal ascendant or descendant of A
6	Any lineal ascendant or descendant of spouse of the Individual	lineal ascendant or descendant of Mrs. A
7	Spouse of the person referred to in pt (ii) to (v)	Spouse of the aforesaid persons.

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## **SECTION 57 : DEDUCTIONS FROM INCOME OF 'OTHER SOURCES'**

The following expenses are allowed to be deducted from the Income chargeable under this chapter:

- 1) The remuneration or commission paid to a banker for realization of dividends and/or interest. However if the dividend is exempt from tax then its expenses are not allowed to be deducted.
- 2) Expenses such as repairs, insurance premium, depreciation etc. are allowed to be reduced from the rental incomes by letting out of plant or machinery.
- 3) In respect of the family pension the **lower** of the following shall be allowed as a deduction: a) ₹ 15,000  
b) 1/3<sup>rd</sup> of such family pension received by the assessee
- 4) Interest received by an assessee on compensation or enhanced compensation shall be deemed to be his Income for the year in which it is received, irrespective of the method of accounting followed by the assessee and such interest income shall be charged to Tax as the Income from Other Sources u/s 56. Further u/s 57, deduction of 50% of such interest shall be allowed and only balance amount shall be taxable.

Expenses other than expenses mentioned as above are still allowed as deduction if all of the following conditions are fulfilled:

- 1) It is not capital expense in nature
- 2) It is expended wholly and exclusively for the purpose of earning Income of Other Sources
- 3) It is not personal expenditure
- 4) Expenditure is incurred during the previous year
- 5) There is a clear relationship between the Income earned and expenditure incurred

## **SECTION 58: DEDUCTIONS NOT ALLOWED**

This Section provides specific amounts, which are not deductible in computing the income chargeable under this head of 'Income'. Disallowances under this Section are listed below:

- 1) Personal expenses
- 2) Any interest which is payable outside India on which no TDS has been done or paid
- 3) Any payment of salary outside India on which no TDS has been done or paid
- 4) Any amount of wealth tax
- 5) While calculating the income from winning of lotteries, races, games etc. no kind of expenses in respect of such incomes shall be allowed to be reduced. This point shall not apply while calculating incomes earned from activity of owning and maintaining of race horses.
- 6) Expenditure in relation to incomes not included in total income is also not deductible.

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