

## CHAPTER 1

# Introduction

Income from other sources is a residuary head of income i.e. income not chargeable under any other head, and which is not excluded from the total income under the Act, is chargeable to tax under this head. All incomes other than income from salary, house property, business and profession or capital gains are covered under “Income from other sources”.

As back as in the year 1966, the Apex Court in the case of *Nanikant Ambalal Mody v. S.A.L. Narayan Roy CIT (1966) 61 ITR 428 1967 : AIR 1966 (SC) 193 : (1966) SCR 295 (SC)* had an occasion to deal with an interesting proposition that when an item of income was not taxable under a particular head, can it be brought to the tax within the clutches of the residuary Section 12 of the then prevailing 1922 Act. The Apex Court in a majority judgement held that it cannot be, though there was a dissenting opinion too.

In *Nanikant Ambalal Mody’s* case, the majority judgment was delivered by Sarkar C.J., speaking for himself and Mudholkar J., and a dissenting judgment was delivered by Bachawat J. The facts of that case were that the assessee was practicing as an advocate till March 1, 1957, on which date he was elevated to the Bench of the Bombay High Court. Since his elevation to the Bench, he ceased to carry on the profession. As an advocate, he had adopted the calendar year as the accounting year and had kept his accounts on a cash basis. In the years 1958 and 1959, during no part of which he carried on any profession, he received certain moneys on account of fees outstanding for professional work done by him. The question that arose for decision was whether he was liable to pay income-tax on these receipts recovered by him during the accounting year when he was not practicing as an advocate. The court held that the receipts were not chargeable to tax at all, since the receipts were the outstanding dues of professional activity, and as such, they would fall under the fourth head, viz., “Profits and gains of business, profession or vocation” and were not chargeable to tax because under the computing section 10, an income received by an assessee who kept his accounts on the cash basis in an accounting year in which the profession had not been carried on at all was not chargeable to tax, nor could such income be brought to tax under section 12 under the residuary head “Income from other sources”.

Under section 12 of the old Act (1922), income which would not be included under any of the heads mentioned in section 6(i) to 6(iv) and 6(vi) of the old Act would be included under the head 'Income from other sources', section (v) of the said Act. If an income falls into any of the category or class of income enumerated in section 6(i) to section 6(iv) and section 6(vi) such income could not be included under the residuary head mentioned in section 6(v) of the old Act.

If an income cannot be charged to income-tax under any of the heads mentioned in clauses A to E of section 14 of the new Act the same shall be chargeable to income-tax under the head 'Income from other sources' mentioned in clause F of the said sub-section (2)(ii), under the express provision of section 56(1) of the Act.

Thus under the new Act, money received by a person on account of profits or gains of a profession which had been discontinued by him even prior to the year previous to that when he received the same would be chargeable to tax under the provisions of the new Act mentioned above.

Sections 56 to 59 of the Income-tax Act, 1961 (hereinafter referred to as 'the Act') is covered under the heading 'F'—Income from Other Sources in the 'Chapter IV—Computation of Total Income' of the Income Tax Act, 1961. The said section is a residuary section which deals with the incomes which are generally not taxable under the other heads of the Income. In other words, income from other sources is one of the five heads of income that the Act, broadly classifies under the heads of income. This category includes earnings which cannot be accounted for under any of the other heads of income viz. Income from Salary, Income from House Property, Profits and Gains from Business or Profession and Income from Capital Gains.

### **Sections dealing with taxation of Income from Other Sources**

In order to have an overview on Income from Other Sources taxation, we will see the sections of Income Tax Act, 1961 dealing with Income from Other Sources taxation. The sections are as given below:—

<i>S.No.</i>	<i>Section</i>	<i>Contents</i>
1.	<b>56(1)</b>	<b>Chargeability of Income from other sources under the Income-tax Act, 1961</b>
2.	56(2)(i)	Dividends
3.	56(2)(ib)	Winnings from lotteries, crossword puzzles, races, card games, etc.
4.	56(2)(ic)	Employee's contribution towards provident fund, superannuation fund or Employees' State Insurance Fund
5.	56(2)(id)	Income from interest on securities
6.	56(2)(ii)	Income from machinery

<i>S.No.</i>	<i>Section</i>	<i>Contents</i>
7.	56(2)(iii)	Income from composite letting of plant, machinery or furniture and building
8.	56(2)(iv)	Any sum received under a Keyman Insurance Policy including bonus
9.	56(2)(v)	Where money exceeding Rs. 25,000 received without consideration between 01.09.2004 and 31.03.2006
10.	56(2)(vi)	Income to include gift of money from unrelated persons—Where money exceeding Rs. 50,000 received without consideration between 01.04.2006 and 30.09.2009
11.	56(2)(vii)	Income to include transfer of money and/or property received between 01.10.2009 and 31.03.2017
12.	56(2)(viiia)	Taxability of shares received by firm or company for inadequate or without consideration between 01.06.2010 and 31.03.2017
13.	56(2)(viiib)	Share premium in excess of fair market value to be taxed as income
14.	56(2)(viii)	Income by way of interest received on compensation or on enhanced compensation referred to in section 145A(b)
15.	56(2)(ix)	Any sum of money, received as an advance or otherwise in the course of negotiations for transfer of a capital asset
16.	56(2)(x)	Money/property received without consideration or inadequate consideration on or after 01.04.2017
17.	56(2)(xi)	Taxability of compensation in connection to employment
18.	<b>57</b>	<b>Deductions</b>
19.	57(i)	Dividend or Interest on securities
20.	57(ia)	Employee's contribution towards Provident Fund, Superannuation Fund, ESI Fund or any other fund setup for the welfare of such employees
21.	57(ii)	Rental income letting of plant, machinery, furniture or building
22.	57(iaa)	Family pension
23.	57(iii)	Any other expenditure, not being an expenditure of a capital nature, laid out or expended wholly and exclusively for the purpose of making or earning such income can be claimed as a deduction
24.	57(iv)	Deduction from interest on compensation or enhanced compensation

<i>S.No.</i>	<i>Section</i>	<i>Contents</i>
25.	58(1)	Provision in respect to amount not deductible from Income from other sources
26.	58(1A)	Any sum paid on account of income-tax/wealth-tax is not deductible
27.	58(2)	Any amount specified by section 40A is not deductible while calculating income under the head "Income from other sources"
28.	58(3)	In respect of foreign companies expenditure in respect of royalties and technical service fees as specified by section 44D is not deductible
29.	58(4)	Expenditure in connection with winnings from lotteries, crossword puzzles, races, games, gambling or betting is not deductible
30.	<b>59(1)</b>	<b>Profits chargeable to tax</b>
31.	<b>Income exempt from tax</b>	
32.	10(10BC)	Compensation received or receivable by an individual of his legal heir on account of any disaster
33.	10(10D)	Any sum received under a life insurance policy
34.	10(15)	Interest on securities which is wholly excluded from total income
35.	10(19)	Family pension received by family members of armed forces including para military forces
36.	10(34)	Any income by way of dividends referred to in section 115-O
37.	Other provisions relating to Taxation of Income from other sources	
38.	180	Provision related to Royalties or copyright fee, etc. for literary or artistic work (Rule 9(2))
	180A	Provision related to consideration for know-how
39.	<b>Deemed Incomes : With effect from 01.04.2013</b>	
40.	68	Cash credits
41.	69	Unexplained investments
42.	69A	Unexplained money
43.	69B	Amount of investments
44.	69C	Unexplained expenditure
45.	69D	Amount borrowed or repaid on hundi

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**Income-tax Rules dealing with taxation of Income from Other Sources**

1.	11UA	Determination of fair market value
2.	11UAC	Prescribed class of persons for the purpose of clause (xi) of the proviso to clause (x) of sub-section (2) section 56