

(3A) and (4) of section 23, sub-section (5) of section 24, section 34AA, section 35 and section 37 of the Wealth-tax Act, 1957 (27 of 1957), shall with the necessary modifications, apply in relation to such reference as they apply in relation to a reference made by the <sup>64</sup>[Assessing] Officer under sub-section (1) of section 16A of that Act.

*Explanation.*—In this section, “Valuation Officer” has the same meaning, as in clause (r) of section 2 of the Wealth-tax Act, 1957 (27 of 1957).]

*F.—Income from other sources*

**Income from other sources.**

<sup>65</sup>56. (1) Income of every kind which is not to be excluded from the total income under this Act shall be chargeable to income-tax under the head “Income from other sources”, if it is not chargeable to income-tax under any of the heads specified in section 14, items A to E.

(2) In particular, and without prejudice to the generality of the provisions of sub-section (1), the following incomes, shall be chargeable to income-tax under the head “Income from other sources”, namely :—

(i) dividends ;

<sup>66</sup>[(ia) income referred to in sub-clause (viii) of clause (24) of section 2 ;]

<sup>67</sup>[(ib) income referred to in sub-clause (ix) of clause (24) of section 2 ;]

<sup>68</sup>[(ic) income referred to in sub-clause (x) of clause (24) of section 2, if such income is not chargeable to income-tax under the head “Profits and gains of business or profession” ;]

<sup>69</sup>[(id) income by way of interest on securities, if the income is not chargeable to income-tax under the head “Profits and gains of business or profession” ;]

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(Contd. from p. 1.305)

(v) Mines and quarries Form O-5

(vi) Stocks, shares, debentures, securities, shares in partnership firms and business assets including goodwill but excluding those referred to in any other item in this Table Form O-6

(vii) Machinery and plant Form O-7

(viii) Jewellery Form O-8

(ix) Work of art Form O-9

(x) Life interest, reversions and interest in expectancy Form O-10

64. Substituted for “Wealth-tax” by the Direct Tax Laws (Amendment) Act, 1987, w.e.f. 1-4-1988.

65. See also Letter [F.No. 40/29/67-IT (A-I)], dated 22-5-1967, Circular No. 371, dated 31-11-1983, Circular No. 409, dated 12-2-1985 and Circular No. 3-D(XXXI-20), dated 30-3-1967. For details, see Taxmann’s Master Guide to Income-tax Act.

For relevant case laws, see Taxmann’s Master Guide to Income-tax Act.

66. Inserted by the Finance Act, 1965, w.e.f. 1-4-1965.

67. Inserted by the Finance Act, 1972, w.e.f. 1-4-1972.

68. Inserted by the Finance Act, 1987, w.e.f. 1-4-1988.

69. Inserted by the Finance Act, 1988, w.e.f. 1-4-1989.

- (ii) income from machinery, plant or furniture belonging to the assessee and let on hire, if the income is not chargeable to income-tax under the head “Profits and gains of business or profession”;
- (iii) where an assessee lets on hire machinery, plant or furniture belonging to him and also buildings, and the letting of the buildings is inseparable from the letting of the said machinery, plant or furniture, the income from such letting, if it is not chargeable to income-tax under the head “Profits and gains of business or profession”;
- <sup>70</sup>[(iv) income referred to in sub-clause (xi) of clause (24) of section 2, if such income is not chargeable to income-tax under the head “Profits and gains of business or profession” or under the head “Salaries”.]

### Deductions.

<sup>71</sup>57. The income chargeable under the head “Income from other sources” shall be computed after making the following deductions, namely :—

- (i) in the case of dividends, <sup>72</sup>[or interest on securities], any reasonable sum paid by way of commission or remuneration to a banker or any other person for the purpose of realising such dividend <sup>73</sup>[or interest] on behalf of the assessee ;
- <sup>74</sup>[(ia) in the case of income of the nature referred to in sub-clause (x) of clause (24) of section 2 which is chargeable to income-tax under the head “Income from other sources”, deductions, so far as may be, in accordance with the provisions of clause (va) of sub-section (1) of section 36 ;]
- (ii) in the case of income of the nature referred to in clauses (ii) and (iii) of sub-section (2) of section 56, deductions, so far as may be, in accordance with the provisions of sub-clause (ii) of clause (a) and clause (c) of section 30, section 31 and <sup>75</sup>[sub-sections (1) <sup>76</sup>[\*\*\*] and (2)] of section 32 and subject to the provisions of <sup>77</sup>[section 38] ;

70. Inserted by the Finance (No. 2) Act, 1996, w.e.f. 1-10-1996.

71. See also Circular No. 156, dated 23-12-1974, Circular No. 594, dated 27-2-1991, Circular No. 648, dated 30-3-1993 and Circular No. 677, dated 28-1-1994. For details, see Taxmann’s Master Guide to Income-tax Act.

For relevant case laws, see Taxmann’s Master Guide to Income-tax Act.

72. Inserted by the Finance Act, 1988, w.e.f. 1-4-1989.

73. Inserted, *ibid*.

74. Inserted by the Finance Act, 1987, w.e.f. 1-4-1988.

75. Substituted for “sub-sections (1) and (2)” by the Taxation Laws (Amendment) Act, 1970, w.e.f. 1-4-1971.

76. “, (1A)” omitted by the Taxation Laws (Amendment & Miscellaneous Provisions) Act, 1986, w.e.f. 1-4-1988.

77. Substituted for “sections 34 and 38”, *ibid*.

<sup>78</sup>[(*ii*a)] in the case of income in the nature of family pension, a deduction of a sum equal to thirty-three and one-third per cent of such income or <sup>79</sup>[fifteen] thousand rupees, whichever is less.

*Explanation.*—For the purposes of this clause, “family pension” means a regular monthly amount payable by the employer to a person belonging to the family of an employee in the event of his death ;]

(*iii*) any other expenditure (not being in the nature of capital expenditure) laid out or expended wholly and exclusively for the purpose of making or earning such income :

<sup>80</sup>[\*\*\*]

<sup>81</sup>*Explanation.*—[Omitted by the Finance Act, 1988, w.e.f. 1-4-1989].

### Amounts not deductible.

<sup>82</sup>58. <sup>83</sup>[(1)] Notwithstanding anything to the contrary contained in section 57, the following amounts shall not be deductible in computing the income chargeable under the head “Income from other sources”, namely :—

(*a*) in the case of any assessee,—

(*i*) any personal expenses of the assessee ;

<sup>84</sup>[(*ia*) any expenditure of the nature referred to in sub-section (12)<sup>85</sup> of section 40A ;]

(*ii*) any interest chargeable under this Act which is payable outside India (not being interest on a loan issued for public subscription before the 1st day of April, 1938) on which tax has not been paid or deducted under Chapter XVII-B <sup>86</sup>[\*\*\*] ;

(*iii*) any payment which is chargeable under the head “Salaries”, if it is payable outside India, unless tax has been paid thereon or deducted therefrom under Chapter XVII-B ;

78. Inserted by the Finance Act, 1989, w.e.f. 1-4-1990.

79. Substituted for “twelve” by the Finance Act, 1997, w.e.f. 1-4-1998.

80. Proviso omitted by the Finance Act, 1994, w.e.f. 1-4-1995. Prior to omission proviso, as inserted by the Finance Act, 1976, w.e.f. 1-6-1976 and later on substituted by the Finance (No. 2) Act, 1991, w.r.e.f. 1-4-1989, read as under :

“**Provided** that nothing contained in clause (*i*) or clause (*iii*) shall apply in computing the income referred to in clause (*a*) or clause (*aa*) or clause (*ab*) of sub-section (1) of section 115A in the case of an assessee, being a foreign company.”

81. Prior to its omission, the *Explanation* stood as under :

*Explanation.*—For the purposes of this section and section 58, “foreign company” shall have the same meaning as in section 80B.’

82. For relevant case laws, see Taxmann’s Master Guide to Income-tax Act.

83. Inserted by the Finance Act, 1968, w.e.f. 1-4-1968 and is deemed always to have been there *vide* section 3 of the Income-tax (Amendment) Act, 1972.

84. Inserted by the Finance Act, 1985, w.e.f. 1-4-1986.

85. Sub-section (12) of section 40A has now been omitted by the Finance Act, 1992, w.e.f. 1-4-1993.

86. “and in respect of which there is no person in India who may be treated as an agent under section 163” omitted by the Finance Act, 1988, w.e.f. 1-4-1989.

(iv) <sup>87</sup>[\*\*\*]

(b) <sup>88</sup>[\*\*\*]

<sup>89</sup>[(1A)The provisions of sub-clause (iia) of clause (a) of section 40 shall, so far as may be, apply in computing the income chargeable under the head “Income from other sources” as they apply in computing the income chargeable under the head “Profits and gains of business or profession”.]

<sup>90</sup>[(2) The provisions of section 40A shall, so far as may be, apply in computing the income chargeable under the head “Income from other sources” as they apply in computing the income chargeable under the head “Profits and gains of business or profession”.]

<sup>91</sup>[(3) In the case of an assessee, being a foreign company, the provisions of section 44D shall, so far as may be, apply in computing the income chargeable under the head “Income from other sources” as they apply in computing the income chargeable under the head “Profits and gains of business or profession”.]

<sup>92</sup>[(4) In the case of an assessee having income chargeable under the head “Income from other sources”, no deduction in respect of any expenditure or allowance in connection with such income shall be allowed under any provision of this Act in computing the income by way of any winnings from lotteries, crossword puzzles, races including horse races, card games and other games of any sort or from gambling or betting of any form or nature, whatsoever :

**Provided** that nothing contained in this sub-section shall apply in computing the income of an assessee, being the owner of horses maintained by him for running in horse races, from the activity of owning and maintaining such horses.

*Explanation.*—For the purposes of this sub-section, “horse race” means a horse race upon which wagering or betting may be lawfully made.]

### **Profits chargeable to tax.**

**59.** (1) The provisions of sub-section (1) of section 41 shall apply, so far as may be, in computing the income of an assessee under section 56, as they apply in computing the income of an assessee under the head “Profits and gains of business or profession”.

87. Omitted by the Finance (No. 2) Act, 1971, w.e.f. 1-4-1972. Original sub-clause was inserted by the Finance Act, 1968, w.e.f. 1-4-1969.

88. Omitted by the Finance Act, 1988, w.e.f. 1-4-1989. Prior to its omission, clause (b), as amended by the Finance Act, 1963, w.e.f. 1-4-1963 and Finance Act, 1968, w.e.f. 1-4-1969, stood as under:

“(b) in the case of a company, any expenditure or allowance of the nature referred to in clause (c) of section 40, notwithstanding that the amount thereof is included in the total income of any person referred to in sub-clause (i) of clause (c) of section 40.”

89. Inserted by the Income-tax (Amendment) Act, 1972, w.r.e.f. 1-4-1962 subject to savings prescribed by section 5 of the Amendment Act regarding certain cases decided by the Supreme Court.

90. Inserted by the Finance Act, 1968, w.e.f. 1-4-1968.

91. Inserted by the Finance Act, 1976, w.e.f. 1-6-1976.

92. Inserted by the Finance Act, 1986, w.e.f. 1-4-1987.

(2) <sup>93</sup>[\*\*\*]

(3) <sup>94</sup>[\*\*\*]

<sup>95</sup>[\* \* \*]

## **CHAPTER V**

### **INCOME OF OTHER PERSONS, INCLUDED IN ASSESSEE'S TOTAL INCOME**

#### **Transfer of income where there is no transfer of assets.**

<sup>96</sup>60. All income arising to any person by virtue of a transfer whether revocable or not and whether effected before or after the commencement of this Act shall, where there is no transfer of the assets from which the income arises, be chargeable to income-tax as the income of the transferor and shall be included in his total income.

#### **Revocable transfer of assets.**

61. All income arising to any person by virtue of a revocable transfer of assets shall be chargeable to income-tax as the income of the transferor and shall be included in his total income.

#### **Transfer irrevocable for a specified period.**

<sup>96</sup>62. (1) The provisions of section 61 shall not apply to any income arising to any person by virtue of a transfer—

- (i) by way of trust which is not revocable during the lifetime of the beneficiary, and, in the case of any other transfer, which is not revocable during the lifetime of the transferee ; or

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93. Omitted by the Taxation Laws (Amendment & Miscellaneous Provisions) Act, 1986, w.e.f. 1-4-1988. Prior to its omission, sub-section (2) stood as under :

‘(2) When any building, machinery, plant or furniture to which clauses (ii) and (iii) of sub-section (2) of section 56 apply are sold, discarded, demolished or destroyed, the provisions of sub-section (2) of section 41 shall apply, so far as may be, in computing the income of an assessee under section 56 as they apply in computing the income of an assessee under the head “Profits and gains of business or profession”.’

94. Omitted by the Taxation Laws (Amendment & Miscellaneous Provisions) Act, 1986, w.e.f. 1-4-1988. Prior to its omission, sub-section (3) as inserted by the Taxation Laws (Amendment) Act, 1970, w.e.f. 1-4-1971, stood as under :

‘(3) Where any structure or work referred to in sub-section (1A) of section 32 in or in relation to a building to which clause (iii) of sub-section (2) of section 56 applies is sold, discarded, demolished or destroyed or is surrendered as a result of the determination of the lease or other right of occupancy in respect of the building, the provisions of sub-section (2A) of section 41 shall apply, so far as may be, in computing the income of an assessee under section 56 as they apply in computing the income of an assessee under the head “Profits and gains of business or profession”.’

95. Omitted by the Taxation Laws (Amendment & Miscellaneous Provisions) Act, 1986, w.e.f. 1-4-1988. Prior to its omission, the *Explanation* stood as under :

‘*Explanation.* —For the purpose of this section, the expression “sold” shall have the same meaning as in sub-section (1) of section 32.’

96. For relevant case laws, see Taxmann’s Master Guide to Income-tax Act.