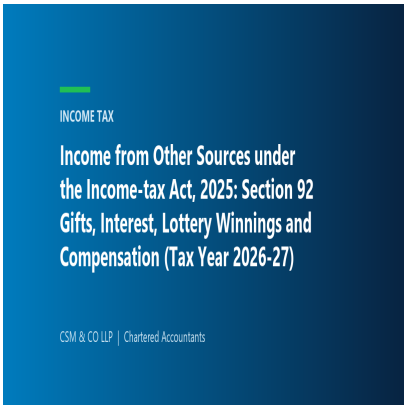

Income from Other Sources under the Income-tax Act, 2025: Section 92 Gifts, Interest, Lottery Winnings and Compensation (Tax Year 2026-27)

Description

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Quick summary

- Section 92 of the Income-tax Act, 2025 (old section 56) taxes every kind of income that does not fit another head, and lists specific items: dividend, lottery and game winnings, interest on securities, forfeited advance, employment termination compensation, insurance maturity above premiums, interest on enhanced compensation, and gifts above ?50,000 in a year.
- Gifts of money, land, building, shares, jewellery and other listed property above ?50,000 are taxed unless they come from a relative, at marriage, by will or inheritance, in contemplation of death, or fall in the other exceptions of section 92(3); a property bought below stamp duty value is taxed only if the gap exceeds the higher of ?50,000 or 10% of the price.
- Lottery, game show, card game, gambling and race winnings are taxed at a flat 30% with no deduction (sections 194(1) and 94(4)); net online game winnings are also at 30%.
- Interest on enhanced compensation is taxed in the year of receipt, with 50% deducted (sections 278(1) and 93(1)(f)); family pension gets the lower of one-third or ?25,000 (?15,000 in the old regime) (section 93(1)(d)).

“Income from other sources” is the last of the five heads of income. Under the Income-tax Act, 2025, which applies from 01/04/2026, **section 92** says income of every kind that is not exempt and does not fall under salary, house property, business or profession, or capital gains is taxed here (section 92(1)). Section 92(2) then lists specific items. Section 93 allows deductions, section 94 bars some deductions, and section 95 applies the business-profits rules in section 38(1) to (4) to computations under section 92.

This replaces sections 56 to 59 of the 1961 Act. One item in the old section 56 is gone: the tax on a closely held company’s share issue above fair value (56(2)(viib), “angel tax”) does not appear in the 2025 Act’s list.

What section 92(2) lists

Item	Clause	Notes

Dividend	(a)	Taxed here; no deduction against it (section 93(2))
Winnings from lottery, crossword puzzle, races, card games, other games, gambling, betting	(b)	30% flat (section 194(1))
Employees' contributions to PF, superannuation, ESI or other welfare funds received by the employer	(c)	If not taxed as business income (late deposit)
Keyman insurance receipts, including bonus	(d)	If not taxed as business income or salary
Interest on securities	(e)	If not taxed as business income
Income from hiring out machinery, plant or furniture	(f), (g)	Also buildings if letting is inseparable
Advance received in negotiations for transfer of a capital asset, forfeited when the deal fails	(h)	
Interest on compensation or enhanced compensation (section 278(1))	(i)	50% deduction
Compensation on termination of employment or change in its terms	(j)	
Specified sum received by a unit holder from a business trust	(k)	Formula A less B less C
Life insurance receipts above premiums not claimed as deduction (not ULIP, not keyman)	(l)	If not exempt under Schedule II, Sl. No. 2
Sums or property received without or for inadequate consideration	(m)	Gifts, see below

Interest on savings accounts, fixed deposits, recurring deposits and bonds and rent that is not business or property income are taxed under section 92(1) or (2)(e), as before.

Gifts above ?50,000 (section 92(2)(m))

A person who receives, from any person or persons in the tax year:

1. **Money without consideration** totalling more than ?50,000: the whole sum is taxed.
2. **Immovable property without consideration** whose stamp duty value exceeds ?50,000: the stamp duty value is taxed.
3. **Immovable property for a consideration**: the stamp duty value that exceeds the consideration is taxed if that excess is more than the higher of ?50,000 and 10% of the consideration.
4. **Other property without consideration** (shares and securities, jewellery, archaeological collections,

drawings, paintings, sculptures, works of art, bullion, virtual digital assets) whose aggregate fair market value exceeds ?50,000: the whole fair market value is taxed.
5. **Other property for a consideration** that is less than its fair market value by more than ?50,000: the excess of fair market value over the consideration is taxed.

Example. A buys a flat for ?50,00,000. If the stamp duty value is ?54,00,000, the excess of ?4,00,000 is less than 10% of the price (?5,00,000), so nothing is taxed. If the stamp duty value is ?60,00,000, the excess of ?10,00,000 is more than ?5,00,000, so **?10,00,000 is taxed** as income from other sources.

If the agreement date and the registration date differ, the stamp duty value on the date of the agreement can be used, provided the consideration was paid in whole or in part by a specified banking or online mode on or before the date of the agreement (section 92(4)(a)). If the stamp duty value is disputed, the Assessing Officer can refer it to a Valuation Officer (section 92(4)(b)).

When a gift is not taxed (section 92(3))

- From any **relative** (definition above and in section 92(5)(g)).
- On the **occasion of the marriage** of the individual.
- Under a **will** or by **inheritance**.
- In **contemplation of death** of the payer or donor.
- From a **local authority**.
- From or by a **registered non-profit organisation**, except when received by a “related person” of it (section 355(h)).
- In a transaction that is **not regarded as a transfer** under section 70(1) (the exact clauses of section 70(1) are listed in section 92(3)(g)).
- From an individual by a **trust created solely for the benefit of the individual’s relative**.
- From a class of persons prescribed by the Rules.

Remember clubbing: income that later arises from a gift to a spouse or a daughter-in-law is taxed in the donor’s hands (section 99), even though the gift itself is exempt as a gift from a relative.

Winnings from lotteries, games and betting

- **Tax rate:** 30% flat on winnings from a lottery, crossword puzzle, race (including horse races, but not the business of owning and maintaining race horses), card game or any other game, gambling or betting (section 194(1), Table Sl. No. 1). Net winnings from an **online game** (computed as prescribed) are also at 30% (Table Sl. No. 5).
- **No deduction:** no expenditure or allowance can be set against these winnings (section 94(4)). The exception is a race horse owner’s own business income (section 94(5)).
- **Meaning:** “lottery” includes prizes by draw of lots, by chance or otherwise under any scheme; “card game and other game of any sort” includes a game show or entertainment programme on television or electronic mode where people compete to win prizes (section 92(5)(b) and (e)).
- **TDS:** the payer deducts tax at the rates in force when the winnings in a single transaction exceed ?10,000 (section 393(1), Table Sl. Nos. 1 and 3). A person who stocks, sells or distributes lottery tickets suffers 2% TDS on commission or prize above ?20,000 (Table Sl. No. 4).
- **Computation:** the 30% is charged on the winnings alone, and the tax on the rest of the income is worked out as if the winnings were not part of the total income (section 194(1)(a) and (b)).

Interest on compensation (section 92(2)(i) and 278(1))

Interest on compensation or enhanced compensation (for example, on land acquisition) is taxed in the tax year

in which it is **received**, whatever the year to which it relates (section 278(1)). Half of it is deducted and no other deduction is allowed (section 93(1)(f)). The enhanced compensation itself is dealt with under the capital gains provisions (section 67).

Deductions allowed (section 93) and not allowed (section 94)

- Commission or remuneration to a banker or other person for collecting **interest on securities** (section 93(1)(a), as substituted by Finance Act 2026, which dropped the reference to dividend).
- For employees' contributions: the deduction allowed for them under the business rules (section 93(1)(b)).
- For hire of machinery, plant, furniture (and buildings): depreciation and expenses as for business (section 93(1)(c)).
- **Family pension:** one-third of the pension or **?25,000**, whichever is less, where the tax is computed under section 202(1) (the new regime); one-third or **?15,000**, whichever is less, otherwise (section 93(1)(d)).
- **Interest on enhanced compensation:** 50% of the income (section 93(1)(f)).
- Commutation of pension from a specified fund, and gratuity on the death of an employee: the whole amount (section 93(1)(g) and (h)).
- Any other expense that is not capital and is laid out wholly and exclusively for making the income (section 93(1)(e)).
- **Not allowed:** personal expenses, interest payable outside India on which tax has not been paid or deducted, and salary payable outside India unless tax was paid or deducted (section 94(1)). **No deduction at all** is allowed against dividend income or against income from units of specified mutual funds and UTI units (section 93(2)).

How CSM & Co LLP can help

We help with gift documentation, valuation questions on property purchases, reporting winnings and compensation interest, and replies to notices about unexplained receipts. Please reach out to our team and we will be happy to assist.

Frequently asked questions

Which section of the 2025 Act replaces section 56?

Section 92 (what is taxed), section 93 (deductions), section 94 (amounts not deductible) and section 95 (profits chargeable) of the Income-tax Act, 2025.

Is a gift of more than ?50,000 taxable?

Yes, if it is money (total above ?50,000 in the tax year, then the whole sum), or immovable or other property given free of cost, whose stamp duty value or fair market value exceeds ?50,000 (section 92(2)(m)). It is not taxed if it comes from a relative, on the occasion of the individual's marriage, under a will or inheritance, in contemplation of death, from a local authority, from a registered non-profit organisation in the cases listed, in a transaction that is not a transfer under section 70(1), or from an individual to a trust for the benefit of the individual's relative (section 92(3)).

Who is a relative for the gift rules?

For an individual: spouse; brother or sister; brother or sister of the spouse; brother or sister of either parent; any lineal ascendant or descendant; any lineal ascendant or descendant of the spouse; and the spouse of any of those persons listed from brother or sister onwards. For a HUF, any member (section 92(5)(g)).

How is lottery or game show income taxed?

At a flat 30% on the winnings (section 194(1), Table Sl. No. 1), with no deduction for expenditure or allowance (section 94(4)). A game show or an entertainment programme where people compete to win prizes counts as a card game or other game (section 92(5)(b)). TDS applies where a single payment exceeds ?10,000 (section 393(1), Table Sl. No. 1).

Is interest on enhanced compensation taxable in the year it is awarded?

No. It is taxed in the tax year in which it is received (section 278(1)), under section 92(2)(i), after a deduction of 50% of the income (section 93(1)(f)), and no other deduction is allowed against it.

Can I deduct expenses against dividend income?

No. From 01/04/2026 section 93(2), as substituted by Finance Act 2026, allows no deduction against dividend income or income from specified mutual fund and UTI units. The earlier limit of interest expense up to 20% of the dividend no longer applies.

Official sources

- Income Tax Department: Income-tax Act, 2025 (sections 92 to 94, 194, 278, 393(1))

Related reading

- Gratuity: Rules, Formula and Income Tax Exemption (Tax Year 2026-27)
- What is Income Tax? Meaning, Rules, Tax Slabs, Types and Tax Guide for Tax Year 2026-27
- Section 80C of Income Tax Act: 80C Deduction List, Limit and Examples

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Date
08/10/2026
Date Created
25/07/2026
Author

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