

clubbing of Income

Section 60:-

Transfer of income without transferring the Assets :- Transferor.

Section 61:-

Revocable transfer of Assets:- Transferor

Section 62:-

Exception:- If transfer revoked after the death of Beneficiary or Transferee.

e.g:- Ruj $\xrightarrow[\text{(Ruj can revoke after death of Anil)}]{\text{through revocable Agreement}}$ Anil (Friend) (Transferee)
If Rental income any Amt Benefic to Ruj then full Amt clubbed to Ruj.

∴ Rental income on H.P Taxable hand of Anil, if before death of Anil revocable then taxable in hand of Ruj.

e.g:- Ruj $\xrightarrow[\text{(Ruj can revoke after death of his mother (Beneficiary))}]{\text{through revocable Agreement}}$ Anil (of Trust) \rightarrow H.P Rent income transfer to Ruj mother (Beneficiary)

∴ Rental income on H.P Taxable hand of his mother, if before death of his mother revocable then taxable in hand of Ruj.

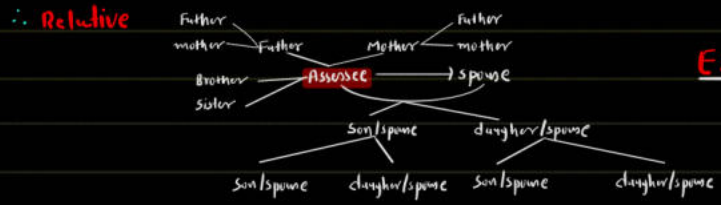
Section 64(1)(ii):-

Income from spouse from a concern where assessee has substantial Interest.

Taxable in hand of Assessee \Rightarrow Income (Remuneration) in nature of Salary, Commission, Bonus etc. + Remuneration should be received from a concern where Assessee has substantial interest.

Assessee + Relative $\xrightarrow[\text{(S.M.F, B.S, I.R, L.D)}]{\text{substantial interest}}$ Concern $\xrightarrow{\text{Remuneration}}$ Spouse

∴ Substantial Interest $\left\{ \begin{array}{l} \text{Company} \rightarrow 20\% \text{ or more shareholding (ownership)} \\ \text{AOP / Firm / BOI} \rightarrow 20\% \text{ or more Profit sharing Ratio} \end{array} \right.$



Exception:- Remuneration Received by Spouse due to technical & professional qualification.

\rightarrow where both husband & wife (No technical & professional qualification) Substantial interest in a concern & both received remuneration \rightarrow income will be include in the hand of that spouse whose other income is higher & if no other income clubbed will Apply to such Assessee whose income higher. once include in total income of spouse, succeeding year shall continue clubbing that spouse, unless the A.O. is satisfied.

Section 64(1)(iv):-

Assets transferred to spouse:- (other than H.P)

Transfer any + without OR Inadequate + income from such Assets \rightarrow Taxable in hand of Transferor.

(Some provision Assets transfer to Son's wife.)

\rightarrow without consideration :- Full Amt clubbed Transferor.

\rightarrow Inadequate consideration:- Proportional Amt clubbed Transferor.

E.g:- Husband $\xrightarrow[\text{Deb. FMV 6L}]{\text{Sale deb. 4L}}$ wife
 × int Received 60,000.
 clubbed = $\frac{60000}{600000} \times 2,000,000 = 20,000$ Int.

\rightarrow Provision is Applicable only if relationship of Husband & wife should exist at the time of transfer as well as at the time of generating the income.

\rightarrow Provision is not Applicable:- if the assets transferred under a agreement to live apart.

\rightarrow If individual transfer of H.P to the spouse w/o & include consideration then transferor shall be deemed to be the owner, clubbing not Apply.

\rightarrow Income on income taxable in hand of spouse (Transferee).

Amt to be = Profit × Amt invested by spouse as on 1st day of P.Y

clubbed capital employed in the business as on 1st day of P.Y.

(Capital Contribution in Spouse's Business:-

\rightarrow If any Assets + spouse has in some + as a Capital contribution Partnership Firm $\left\{ \begin{array}{l} \rightarrow \text{Int. received from partnership firm} = \text{clubbing} \\ \rightarrow \text{Any salary received from firm} = \text{Not clubbed} \\ \rightarrow \text{Profit received from firm} = \text{Exempt.} \end{array} \right.$

→ Loan to spouse → income earned by spouse by investing loan amt then clubbing provision not apply

Transfer of Asset for Benefit of Spouse/Son's wife

Transfer any Assets to Any person without OR Inadequate consideration + For the benefit of spouse / son's wife + then income received from such Assets + by Any Person → Taxable in hand of Transferor.

Example: - Mr. Amit transfer shares to his friend Sanjaya. The dividend income given to Mr. Amit wife/son's wife. in whose hand will the dividend income be taxable: - Mr. Amit

Section 64(1A):-

Income of 4 minor child: (include minor married daughter)

Income taxable in hand of Parents → whose income is more before clubbing.

- Exception:** -
- ① Income is due to manual work.
 - ② Income is due to skill & talent.
 - ③ Minor child suffering from disability. X
- Income on income taxable in hand of Parents.

- once include in total income of parents, succeeding year shall continue clubbing that parents, unless the A.O. is satisfied.
- Parents marriage not subsist → income clubbed maintain child P.Y.
- Exemption of ₹1500 p.a per child is allow (No child limit) → 115BAC not apply
- If individual transfer 4 H.P to the minor child w/o include consideration then transferor shall be deemed to be the owner, clubbing not apply.
 minor married daughter not include

Section 64(2):-

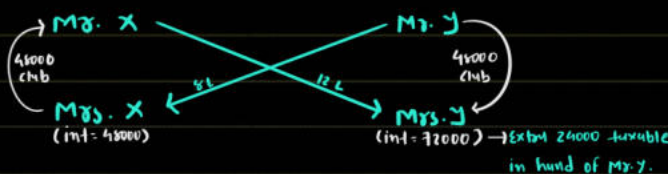
Assets transfer to HUF:

Transfer any Assets to HUF without OR Inadequate consideration + then income from such Assets received by HUF → Taxable in hand of Transferor. (Member)



Cross transfer:

e.g. - Mr. X gifted ₹12 Lakh to his brother wife (Mrs. Y) & his brother (Mr. Y) gifted ₹ 8 L to Mrs. X (Mr. X wife) gifted amt deposited in Bank 11% @ 9%.



→ Clubbing provision will be applicable only to the extent of income on the matching amount. in this example 8L matching amount.

Other point:

- Income include loss, then loss also clubbing provision applicable.
- where an asset transferred is converted into other form such converted assets shall be clubbed.
- Natural love & affection → it's not adequate consideration.
- If the assets transferred is sold by the transferee then it is treated as a income & shall be clubbed.