* Clubbing of Income * [4 to 6 marks]

(Income of other person included in total Income of Assessee).

Sec 64(1A):- Income of Minor child

Income of minor child is taxable in hands of parents whose income is more before clubbing Minor's income.

Exception:- In the following cases income of minor taxable in hands of minor's only :-

(i) Income due to Manual income.
(ii) Income due to skill & talent.
(iii) Minor suffering from disability.

Note: ① If minor income included in hands of Parents then exemption u/s 10(32) of Rs 1500 per annum per child is allowed to parents.

Notes

* If Assessee opted 115BAC then this exemption not available.

② In case of divorce income of minor is taxable in hands of Parents who maintained the minor child.

(3) Once minor income is clubbed in hands of one parent then in subsequent year also income will be clubbed in hands of same parent, However AO may change.

(4) Child include step-child and legally adoped child.

(5) Clubbing provision is applicable in case of minor married daughter also.

Sec 64(1)(ix): Asset transfer to spouse

If any individual transfer any asset to his or her spouse without consideration or for low consideration then income from such asset is received by spouse but tax on such income is paid by transforor.

Note:- (1) Above provision is applicable only if relationship of husband & wife should be exist at the time of transfer of asset & as well as at the time of generating the income.

(2) Above provision not applicable if asset transfer in connection of sepreapart.

(3) If any House property is transferred to spouse then transforor is treated as

deemed owner and Section 27 is applicable.

Sec. 64(1)(vi): Asset transfer to son's wife

If any individual transfer asset to son's wife without consideration or for low consideration then income from such asset is received by son's wife but tax is paid by transferor (father-in-law / mother in law).

Note:- ① The above provision is applicable only if Relationship of mother/father in law and daughter in law exist at the time of transfer of asset as well as at the time of generating the income.

Section 64(1)(vii)/(viii) Asset transfer to any Person for the Benefit of Spouse or sons wife.

If any individual transfer any asset to any person without consideration or for low consideration for the ~~benefit~~ benifit of spouse or son's wife. Then income from such asset is received by other person but tax on such income is paid by transferor.

Section 64(1)(ii) Income of spouse from concern where Assessee has substantial Interest

Income of spouse is taxable in hands of Assessee if following conditions are satisfied:-

(1) Income should be in the nature of salary, commission, Bonus [Remuneration]. Such Remuneration should be received from assessee having substantial interest.

Assessee & Relative

(S.M.F.B.S.LA.LD.)

Concern

Co/AOP/BOI/Firm

Remuneration

Spouse

Substantial Interest

Company

20% or more

Equity shareholding

Firm/LLP/AOP/BOI

20% or more

PSR

Exception :- If remuneration is recd. by spouse due to technical or professional qualification and such remuneration is attributable to such qualification than above provision not applicable.

Note:- Where Both husBand & wife have substantial Interest & Both Both are received Remuneration and Both are not having any professional or technical Qualification, then remuneration shall be club in the hands of that spouse whose total income other than remuneration is higher.

In this case in subsequent year also remuneration ~~Colour~~ clubbed in that persons hands only however AO may change.

Sec 60 :- Income Transfer without transfer of Asset

If an individual transfer income without transfer of asset then such income is taxable in hands of transferor.

Sec. 61 :- Revocable Transfer.

In case of Revocable Transfer income is Received by Transferee but tax is paid by Transferor.

Except:- If Transfer is revoced after the death of transferee or beneficiary then above provision not applicable.

Sec. 64(2) :- Asset Transfer to HUF

If any individual transfer any asset to his HUF without consideration or for law consideration and then income from such asset is received by HUF by tax on such income is paid by Transferor.

Note: After partition of HUF income from Asset received by spouse shall be clubbed in hands of Individual [Member].

Important Notes:

① Clubbing provision is applicable in case of gift or low consideration. Natural love & affection may be a good consideration but it is not a adequate consideration.

② Income include loss. So, if there is any loss then also clubbing provision is applicable.

③ Where the asset is transformed is converted into other form, income derived from such converted Asset shall be clubbed.

④ If an asset transfer is sold by transferee then capital gain is treated as income and it shall be clubbed.

⑤ Clubbing provision is not applicable to second generation income to income from accretion of transferred Asset.

Mr. BB → 10,00,000 Gift 1/4/2023 → Mrs BB → HDFC Bank FD @ 9%

↓

Income → 90,000

Taxable in hands of Mr. BB

Next year Mr. BB.

Mr. BB. FD. 10,90,000

↓

Interest @ 10%

1,09,000 → 1,00,000 / 9000

1,00,000: Taxable in hands of Mr. BB

9000 ↓ Taxable in hands of Mrs. BB

Q. 9 P.g. no. 113

PY - 2~~4~~-25 AY - 25-26

Computation of Total Income.

	Mr. A	Mrs. A.	Minor Son.
Income from Salary			
Pension (10,000 × 12 months)	1,20,000	—	—
Salary (20,000 × 12 months)	—	2,40,000	—
Gross Salary	1,20,000	2,40,000	—
Less: Standard ded^n u/s 16	(50,000)	(50,000)	—
Net Salary	70,000	1,90,000	—
Income from House Property			
Income from Gifted Plot (Note 1)	52,000	—	—

Income from other sources.			
Interest on FD (500,000 × 9%) Note 2	45,000	—	—
Commission to Mrs. A (Note 3)	25,000	—	—
	1,92,000	190,000	—
Add:- Income of minor child from investment (20,000 − 1500) (Note 4)	18,500	—	—
Income of minor due to skill & talent			20,000
Total Income	2,10,500	1,90,000	20,000

Notes:- ① As per section 27 if any house property is transfered by individual to his/her spouse for without consideration or low consideration then such individual is treated as deemed owner.

In present case Mr. A gifted Flat to Mrs. A. So Mr. A is treated as deemed owner and income is taxable in hands of Mr. A.

(2) As per section 60 any income transfer without transfer of asset then such income is taxable in hands of transferor. In present case interest on Bank F.D. shall be taxable in hands of Mr. A.

(3) Any remuneration is received by spouse from a concern where individual is having substantial interest and spouse is not having any professional or technical qualification then such remuneration is taxable in hands of Assessee.
In the present case commission of Rs. 25000 ~~[illegible]~~. received by Mrs. A is taxable in hands of Mr. A.

(4) As per sec ~~64(1A)~~ Sec 64(1A) Any Income received by minor child shall be taxable in hands of Parents whose income is more.
In the present question income of minor child is ₹ 20,000 shall be taxable in hands of Mr. A because his income is higher as compared to Mrs. A.

Exemption u/s 10(32) : available to Mr. A of ₹1500, so only 18,500 is taxable in hands of Mr. A.

Note: Any income of minor child due to skill and tailent is taxable in hands of minor child only.
In the present Question ₹20,000 Received due to skill & tailent taxable in hands of minor child only.

Q. (11) Page no (114)

₹

Opening capital of Mrs. Rani on 1/4/2023 3,00,000
Add:- Gifted by Husband on 10/4/2023 2,00,000
5,00,000

Add:- Profit of PY 23-24 1,50,000
Capital as on 1/4/24 6,50,000

Profit of P.Y. 24-25 = 3,90,000

Taxable in Hands of Husband

Profit × $\frac{\text{Gifted Money/Asset}}{\text{Opening Capital}}$

$390,000 \times \frac{2,00,000}{6,50,000}$

= 1,20,000

Taxable in Hands of Rani

[3,90,000 − 1,20,000]

= 2,70,000

*. Profits of P.Y. 23-24 Not clubbed in hands of Husband because gifted money not included in opening capital.

Notes

Note:- We have assumed that profit of P.Y. 23-24 of ₹ 1,50,000 is not withdrawn by Rani from business. If it is withdrawn then capital as on 1/4/24 shall be taken as Rs. 5,00,000

Q (3) P.g.no. (109)

	₹
Capital as on 1/4/2023	5,00,000
- loss of PY- 23-24	(2,00,000)
	3,00,000
Add: Amt. gifted by Vaishaly on 1/4/24	5,00,000
Capital as on 1/4/24	8,00,000

Profit for PY - 24-25 = 4,00,000

Income taxable in hands of Vaishaly

$$\text{Income} \times \frac{\text{Gifted Asset}}{\text{Opening capital}}$$

$$4,00,000 \times \frac{5,00,000}{8,00,000}$$

$$= \underline{\underline{2,50,000}}$$

Income taxable in hands of Mr. Vaibhav

(4,00,000 - 2,50,000)

$\underline{\underline{1,50,000}}$

Notes

Note:- If Vaishaly gave amount as ~~gain~~ loan then clubbing is not applicable because clubbing provision is applicable only in case of gift or low consideration.

Important
Notes
Address
2024

* Cross Gift *

If there are two transactions and they are interconnected. and part of ~~the~~ same transaction, people are doing this transaction to avoid clubbing provision. so in this case clubbing provision is applicable.

In cross gift clubbing provision is applicable only to the extent of income ~~from~~ matching amount of cross gift. In the current example ₹5,00,000 is the matching amount.

Mr. Param — **Mr. Chetan** (Brother)

5,00,000 gifted 1/7/24

7,00,000 gifted 1/4/24

45000 clubbed in hand of Param

$\frac{63000}{7 \text{ lakh}} \times 5 \text{ lakh}$

37500 taxable in hands of Chetan (clubbed)

Mrs. Sundari. (wife of Param)

7,00,000 × 9% interest = 63,000

18,000 taxable in hands of Sundari

Mrs. Chetna. (wife of Chetan)

$500000 \times 10\% \times 9/12 = 37{,}500$