Book Profit 1034000

First 600000		Balance
BP x 90%	540000	434000 x 60%
or	300000	
300000	5400000 → 800400 ←	260400

Remuneration taxable in hands of partner

Anand $\left(800400 \times \frac{5}{9}\right)$ 444667

Bheem $\left(800400 \times \frac{4}{9}\right)$ 355733

Note :- Book Profit means Profit calculated as per section 28 to 43C. So current year depn, unabsorbed depn covered by sec 32, scientific research related exp are covered by sec 35. So it is reduced while calculating Book Profit.
Brought forward Business loss is covered by sec 72 so it is not reduced.

[4 to 5 marks]

CLUBBING OF INCOME

Income of other person included in Total Income of Assessee

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

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

- Exemption —

In the following cases, minors income is taxable in hands of minor only.

i) Income due to manual work.
ii) Income due to skill and talent
iii) Minor child suffering from disability

Notes :-

1) If minor child's income club in hands of parent then exemption u/s 10(32) of ₹ 1500 p.a per child is available to parent. (Not applicable when Assessee opted default tax Regime u/s 115BAC)

2) Once minor child is clubbed with one parent it will continue to be clubbed with that parent only in subsequent years. AO may club minor's income with other parent after giving an opportunity of being heard

3) When the marriage of parent not exists, income of minor will be included in the income of that parent who maintains the minor child in relevant PY.

4) Clubbing provision are attracted even in respect of Income of minor married daughter.

5) Child includes step child and legally adopted child of Individual.

Sec 64 (1)(iv) :- Asset transfered to spouse

If any individual transfer any Asset to his or her spouse without consideration or inadequate consideration then income from such is received by spouse but tax on such income is paid by transferer (Assessee)

Notes :-

1) The above provision is applicable only if relationship of Husband and Wife exists at the time of transfer of Asset as well as at the time of generating the income

2) This provision is not applicable if Asset is transferred in connection with agreement to live apart.

3) If a HP is transferred by Individual to his spouse or minor child (not being a minor married daughter) for without / inadequate consideration then such individual is treated as deemed owner as per sec 27 and section 64 shall not apply.

— Sec 64(1)(vi) :- Asset transferred to son's wife.

If any Individual transfer any Asset to his/her son's wife without/inadequate consideration then income from such asset is rec'd by son's wife, tax on such income is paid by transferer

Note :- This provision is applicable only if Relationship of mother/father in law and Daughter in law excist at the time of transfer of Asset as well as at the time of generating the income

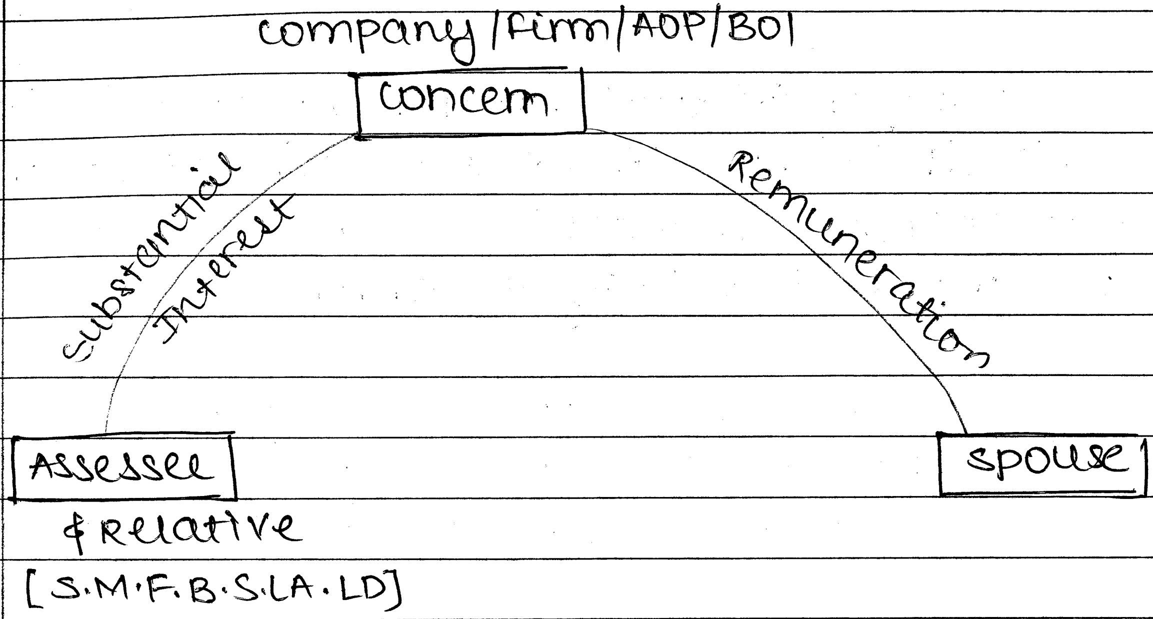
— Sec 64(1)(vii)/(viii) :- Asset transferred to Any person for Benefit of spouse or son's wife (indirect transfer)

If an Individual transfer any Asset to any person without consideration or for inadequate consideration for the benefit of spouse or son's wife then Income from such Asset is rec'd by any other person (transferee) but tax on such income is paid by transferer

— Sec 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.

i) Income should be in the nature of salary, commission, Bonus (Remuneration)
ii) Such Rem. should be received from concern where Assessee is having substantial interest



substantial Interest

company → 20% or more equity shareholding

firm/AOP/BOI → 20% or more PSR

Exception –
If Rem is rec'd by spouse due to technical or professional qualification and such Rem is attributable to such qualification then above provision not applicable.

Note:–
where both Husband and wife have substantial Interest and both rec'd Remuneration and both are not having any professional or technical qualification then Rem

shall be clubbed in hands of that spouse whose total income other then Rem. is higher.

In this case in subsequent year also Rem clubbed in that person's hand only however AO may change it.

— Sec 60 :- Income transfer without transfer of Asset.

If an Individual transfer income without transfer of Asset then such Income taxable in hands of transferer

— Sec 61 :- Revocable Transfer

In case of Revocable Transfer, income is rec'd by transferee but taxes paid by transferrer.

Exception.

— If transfer is revoked after death of transferee or benefiiery then above provision is not applicable

— Sec 64(2) :- Asset transferred to HUF

If any individual transfer Asset to his HUF without consideration or for low consideration then income from such Asset is rec'd by HUF but tax on such income is paid by transferer.

Note :- After partition of HUF, income from such Asset rec'd by spouse is taxable in hands of Individual (member).

Note :-

1) Income include loss also so if there is a loss then also clubbing provisions are applicable

2) Where an Asset transferred is converted into other form, Income derived from such converted Asset shall be clubbed.

3) Natural love and affection may be a good consideration but it is not a adequate consideration

4) If the Asset transferred is sold by transferee then capital gain is treated as Income and shall be clubbed

5) All the clubbing provisions are not applicable to second generation income i.e income from accretion of Income on transferred Asset

$\boxed{\text{Mr BB}} \xrightarrow[\text{Gift 1/4/25}]{1000000} \boxed{\text{Mrs BB}} \rightarrow$ HDFC Bank FD@9%

Rec'd

Taxable in hands of Mr BB

PY 25-26
Income
= 90000

Next Year PY 26-27

HDFC

FD = 1090000

Mr BB

Interest : @10%

109000

Taxable in hands of Mr BB

$\boxed{100000}$ 9000

Taxable in hands of Mrs BB

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Computation of Total Income

PY 25-26 AY 26-27

	Mr A	Mrs B	Minor son
→ Income from salary			
Pension (10000 x 12 m)	120000		
Salary (20000 x 12 m)		240000	—
Gross salary	120000	240000	
(-) Standard dedn u/s 16	50000	50000	
Net salary	70000	190000	—
→ Income from House Property			
Income from gifted flat (Note 1)	52000	—	—
→ Income from other sources			
Interest on FD (500000 x 9%) (N2)	45000	—	—
Commission to Mrs (Note 3)	25000		
	192000	190000	—
Add: Income of minor child from investment (20000 - 1500) (Note 4)	18500	—	—
	210500	190000	—
Income of minor due to skill and talent	—	—	20000
Total Income	210500	190000	20000

Notes:-

1) As per sec 27 if any HP is transferred by individual to his/her spouse for without consideration or low consideration then such individual is treated as deemed owner. In the present Qn, Mr A gifted a flat to Mrs A, so Mr A is treated as deemed owner and income is taxable in hands of Mr A.

2) As per sec 60, Any income is transferred without trf. of Asset such income is taxable in hands of transferer In present case Interest on Bank FD is taxable in hands of A

3) Any rem. rec'd by spouse from a concern where individual is having substantial Interest and spouse is not having any professional or technical qualification. such Rem. is taxable in hands of Assessee. In present case, commission of ₹25000 rec'd by Mrs A is taxable in hands of Mr A

4) As per sec 64(1A), Any income rec'd by minor shall be taxable in hands of parents whose income is more. In the present case since income of Mr A is more the minor child's income of ₹20000 clubbed with income of Mr A Exemption u/s 10(32) available to Mr A of ₹1500 p.a so only ₹18500 shall be taxable.
Any Income of minor child due to skill and talent shall be taxable in hands of minor only. So in the present case ₹20000 rec'd due to skill is taxable in hands of minor's only.

→ where any Asset is transferred by an Individual to his spouse / son's wife and such amt. is invested in business by transferee then proportionate profit of such business shall be clubbed as per following formula.

$$\text{Income from Business} \times \frac{\text{Gifted by Assessee}}{\text{Capital of Business as on 1st day of PY (opening cap.)}}$$

Note:- clubbing shall be applicable only if gifted money is included in opening capital.

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	Opening capital of Mrs Rani on 1/4/24	300000
	Add:- Gifted by Husband on 10/4/24	200000
		500000
	Add:- Profit of PY 24-25*	150000
	Capital on 1/4/25	650000

Profit of PY 25-26 : 390000

Taxable in Hands of Husband

$$\text{Profit} \times \frac{\text{Gifted Amount}}{\text{opening capital}}$$

$$390000 \times \frac{200000}{650000}$$

$= 120000$

Taxable in hands of Rani

(390000 − 120000)

= 270000

Teacher's Signature:..................