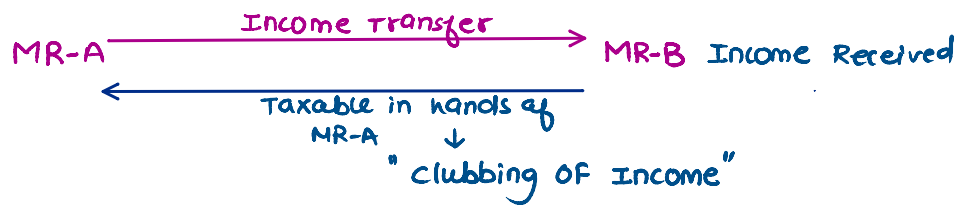


# Clubbing of Income

## Clubbing of Income



Ex MR-P

Salary Income = 500000  
(computed)

H.P. Income = 500000  
(computed)

Total Income	<del>10,00,000</del>
	5,00,000
H.P. Income	5,00,000
<b>Total Income</b>	<b>10,00,000</b>

Transfer wife  
HP Income = 500000

*Clubbing of Income*

Rule :

1. Clubbing Provision is mandatory.
2. Clubbing shall be made in same head in which person has earned Income / loss
3. In Clubbing of Income  $\rightarrow$  loss is also clubbed.
4. Net of Income [Taxable Income] shall be Clubbed.

U/S 64 (IA) : Clubbing of minor's Income.

Income of minor's child is taxable in hands of Parents whose Income is more Before clubbing of minor's Income

Exception : [i.e. No clubbing Provision Apply]

1. IF Income earned by minor child due to manual work
2. IF Income earned by minor child due to skill & talent
3. IF minor child suffering from disability [U/s 80U]

NOTE: IF minor child Income clubbed in the hands of parents then Exemption U/s 10(B2) of 1500 P.a Per child [Any no. of child] Allowed to parents.

Ex. Minor Income

₹ 500000 due to skill & talent

$\downarrow$   
No clubbing

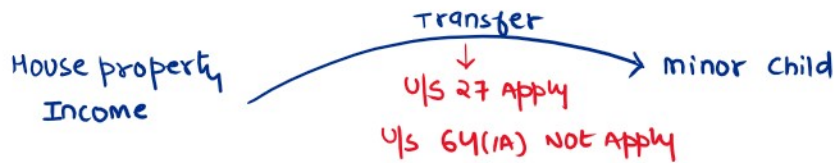
Bank-Deposit

Interest-  
 $\downarrow$   
clubbing provision Apply.

NO CLUBBING → BANK-Deposit

clubbing provision Apply.

Note:



Ex: MR-A Income = 10 Lakh  
 MRS-A Income = 3 Lakh

MRS-A Transfer HP Income to minor child ₹ 15000.  
 Find out G.T.I of MR-A | MRS-A

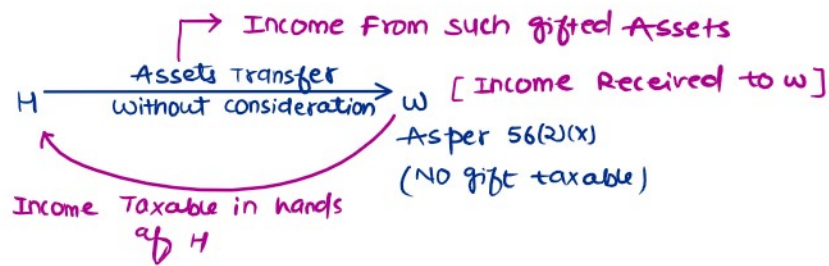
So

As per u/s 27

MR-A	=	10,00,000	
MRS-A	=	300000	
+ Minor Income	=	15000	
		<u>315000</u>	
(-) u/s 10 (3)		-	→ NOT available
		<u>315000</u>	

### Assets Transfer to spouse : 64(i)(iv)

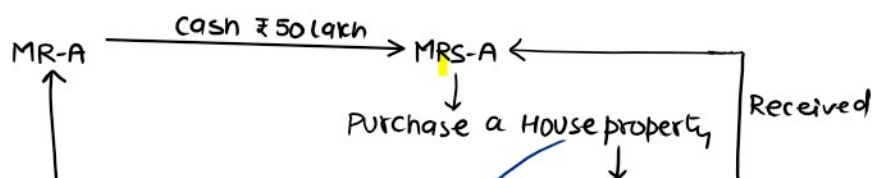
IF any Individual transfer any assets to his or her spouse for without or inadequate consideration then income from such Assets is received by spouse but taxable on in hands of transferor.

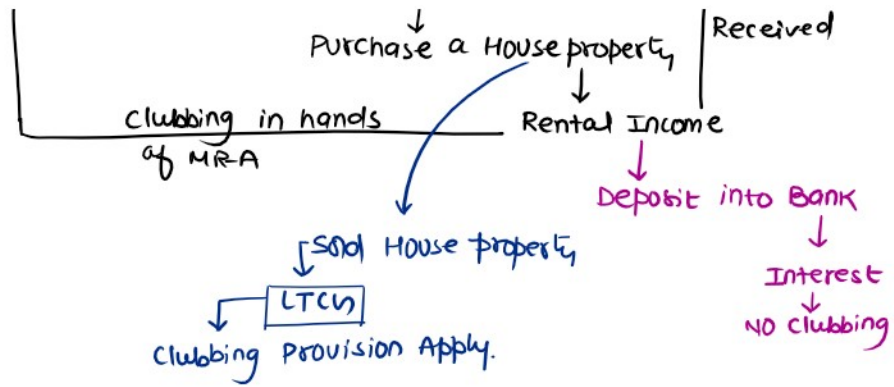


### Exception : NO clubbing Provision in following case

1. IF Assets is transfer for adequate consideration OR in connection with an agreement to live part.
2. IF Relation of husband and wife does not subsist either at time of transfer or at time of accrual of Income.

Extra Note :





Note: Clubbing Provision not Apply if Assets purchase by spouse out of PIN money.

→ **Assets Transferred Invested in Business :**

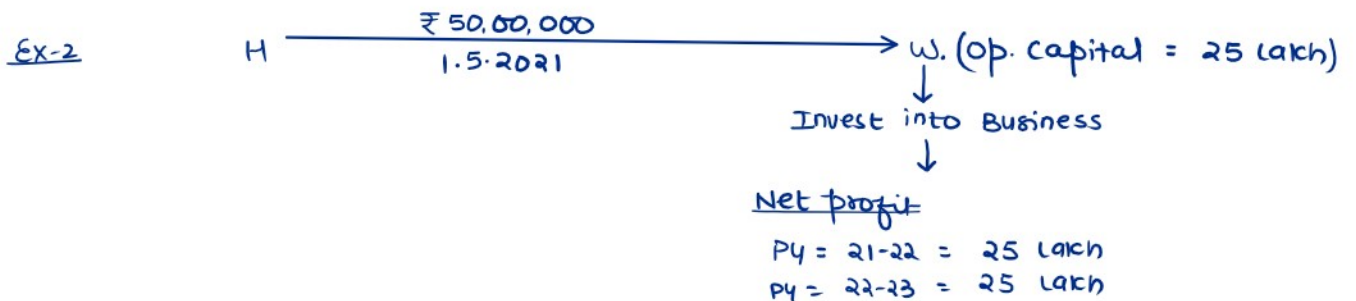
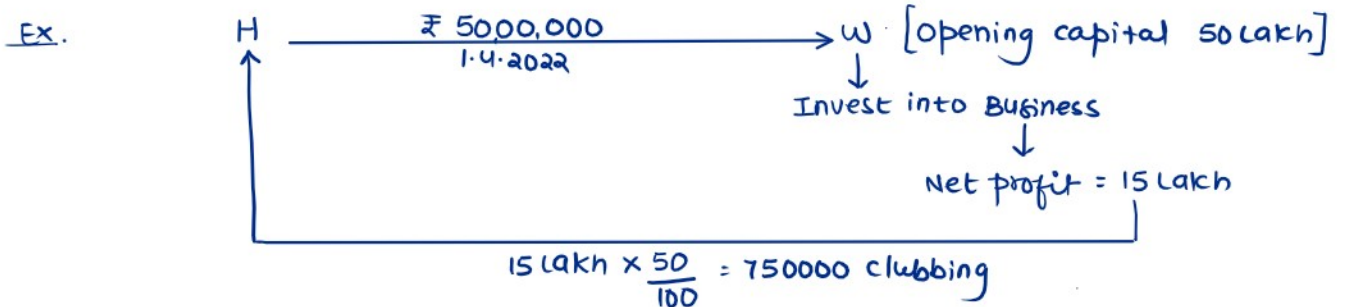
Rule: Proportinate profit of such business shall be Clubbed.

Formula

$$\text{Income from Business (i.e. Net profit)} \times \frac{\text{Gift money by Assets}}{\text{Opening capital}} = \frac{\text{XXX}}{\downarrow}$$

Such Amount Clubbed into Assessee Income

Applicable only if gift money is Included into opening capital.



sol. PY 21-22

Net profit = 25,00,000

Capital Ratio [Op. Capital 1.4.2021]

H	W
0	25 Lakh

NO clubbing provision Apply.

NO clubbing provision Apply.

PY 22-23

Net profit = 25,00,000

Capital Ratio [Op capital 1:4:22]

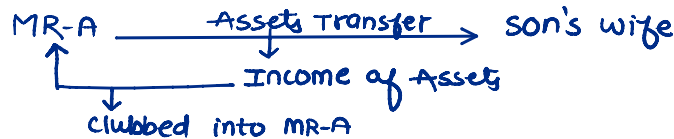
H	W
= 50Lakh	25L + 25L ↓ [NP PY 21-22]
= 50Lakh	: 50 Lakh

<u>N.P.</u>	$25L \times \frac{50}{100}$	$25 \times \frac{50}{100}$
	= 12.5L	12.5L

↓  
clubbing i.e. MR-H Pay tax on such Income

# U/s 64(1)(vi): Assets transfer to son's wife

Income of any Individual shall be Included income from Assets transfer to son's wife by such Individual

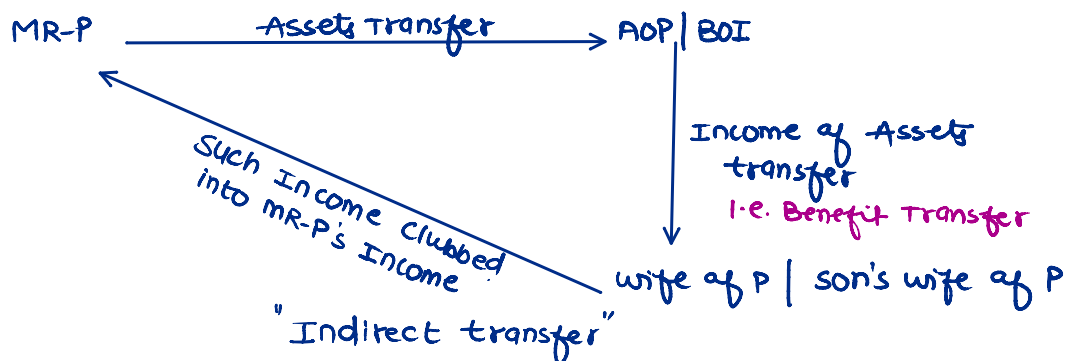


Exceptions:

- (i) IF Assets transfer for adequate consideration
- (ii) Relationship of mother / father in law should not exist at time of transfer of property / Assets and generating of Income.

U/s 64(1)(viii): Indirect transfer

Assets transfer to any person for the benefit of spouse / son's wife.



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U/s 64(1)(viii): Income of Individual to Include Salary Income of

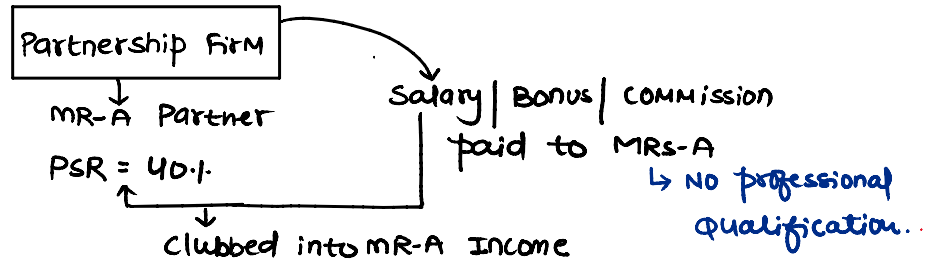


Income transfer

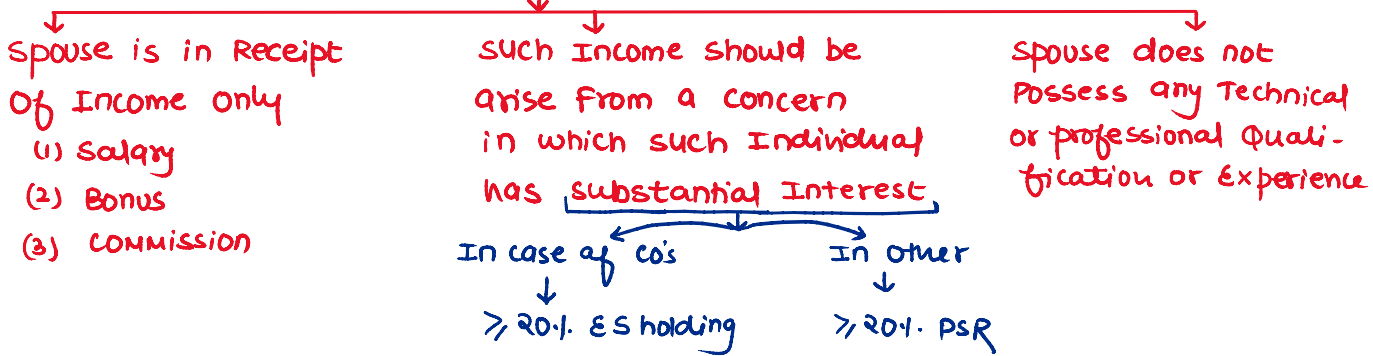
Ex-Ex

U/s 64(vii) : Income of Individual to Include salary Income of spouse.

Ex-

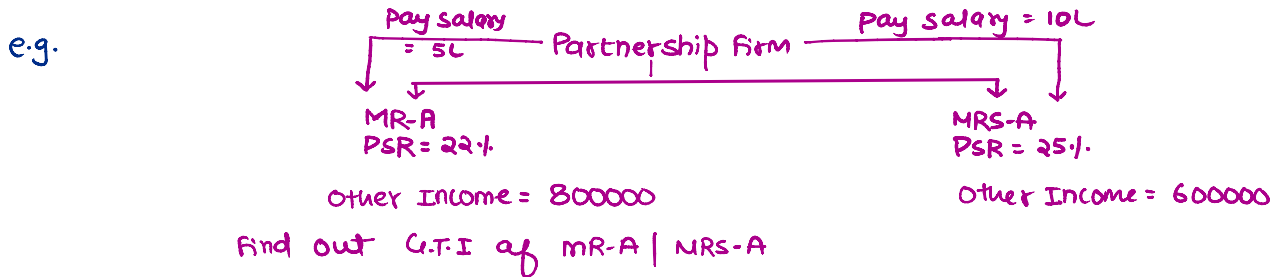


Condition



Note: where both husband and wife are in receipt of Remuneration and Both have substantial Interest.

↳ Individual whose total income [excluding this Income] is greater, to Include income of his/her spouse.

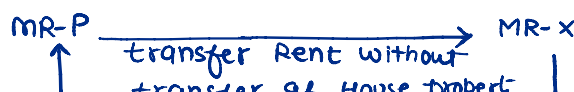


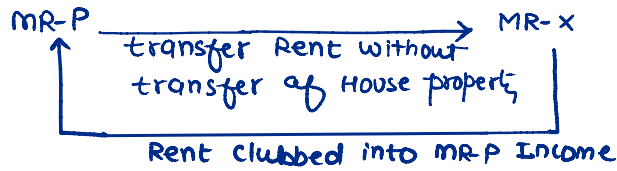
So

	MR-A	MRS-A
Other Income	800000	600000
Salary MR-A	500000	
Salary MRS-A	100000	-
G.T.I →	23,00,000	600000

U/s 60: Income transfer without transfer of Assets

Income transfer without transfer of Assets clubbed into transferor.





**U/s 61: Revocable transfer**

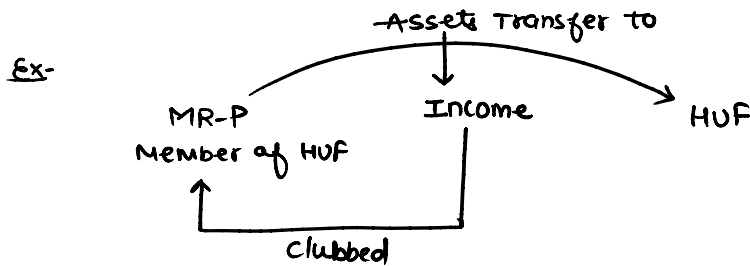
Revocable transfer:

- (i) Power to Re-transfer of whole or any part of the income or Assets to the transferor.
- (ii) Right to re-assume power the whole or part of Assets.

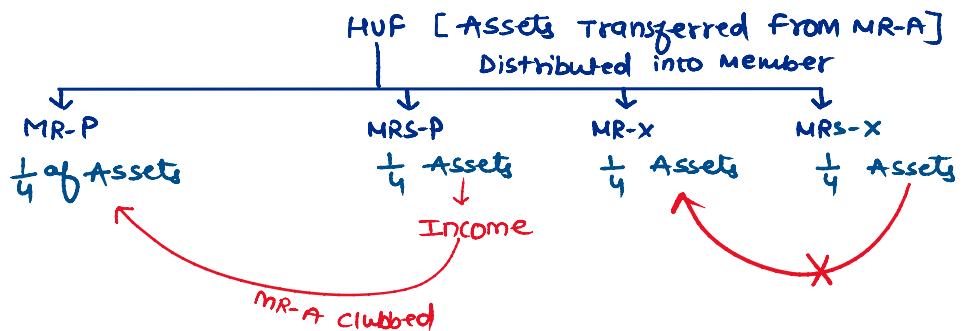
**Exception!** i.e. Transfer is irrevocable transfer (Actual transfer NO clubbing provision apply)

Transfer which is revocable after the life time of Beneficiary or transferee.

**U/s 64(2): Assets transfer to HUF**



Partition of HUF

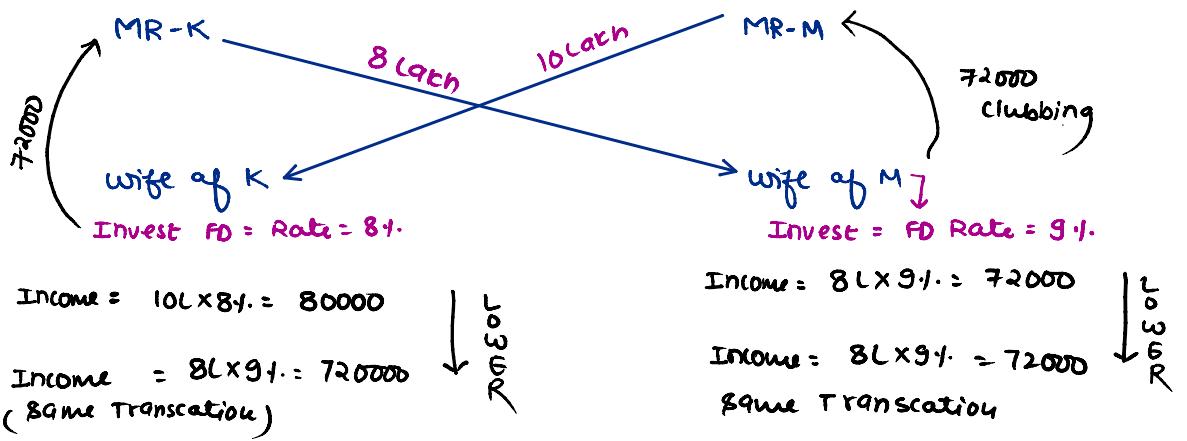


**CROSS TRANSFER**

Based on Keshavji murarji 1967 [sc] case law.

If there are two transaction and they are inter-connected and part of same transaction, it shall be considered to be a device for evasion of tax and therefore clubbing provision apply

Ex



- Rate = Highest = 9%
- Part of same transaction = 8L