

# TAXBOOK<sup>+</sup>

## Working steps of solutions

### B1 to B10

#### Clubbing of Income

#### Build Your Confidence (BYC)

#### INCOME OF MINOR CHILD

**B1. MINOR CHILD – CA2012(M) (modified) - Mr. Sharma has four children, consisting of two daughters and two sons.....**

*Computation of amount of income earned by minor children to be clubbed in the hands of Mr. Sharma*

Particulars	Rs.
First daughter = 9,000 less 1,500 exempt u/s 10(32)	7,500
Second daughter: Not clubbed since she suffers from disability u/s 80U	-
First son = 6,200 less 1,500 exempt u/s 10(32)	4,700
Second son = 4,300 less 1,500 exempt u/s 10(32)	2,800
<b>Total income to be clubbed u/s 64(1A)</b>	<b>15,000</b>

**B2. MINOR CHILD – Gauri has three minor children – Twin daughters A and B and a son, C. Income of children for....**

*Computation of total income of Gauri for AY 2022-23*

Particulars	Rs.
Own income	60,000
Income of A = 3,000 – 1,500 u/s 10(32)	1,500
Income of B = 2,000 – 1,500 u/s 10(32)	500
Income of C = 1,200 – 1,500 u/s 10(32)	Nil
<b>Total income of Gauri</b>	<b>62,000</b>

**B3. MINOR CHILD – CA2018(M) - Madhav made a gift of Rs. 2,50,000 to his handicapped son, Master Tapan, who was.....**

*Computation of GTI of Madhav for AY 2022-23*

Particulars	Rs.	Rs.	Rs.
Income from profession			3,50,000
Income of minor son Tapan:			
• Interest on fixed deposit: Not clubbed since Tapan is handicapped (assumed that he is suffering from disability u/s 80U)			-
Income of minor son Manan:			
<i>Long term capital gain</i>			
• Full value of consideration on sale of shares	5,00,000		
• Less: Indexed COA = COA of last previous owner × (CII 2021-22/CII 2007-08) = 80,000 × (317/129)	(1,96,589)	3,03,411	
<i>Income from other sources</i>			
• Dividend		5,000	
• Interest on company deposit: 3 lakh × 15% × (5/12) (assuming deposit was made on 1.11.2021)		18,750	
		3,27,161	
<i>Less: Exemption u/s 10(32)</i>		(1,500)	
			3,25,661

<b>Gross total income</b>			<b>6,75,661</b>
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Assumption: Total income of Madhav is greater than that of his wife (before clubbing income of minor children).

*Mistake by students – Clubbed income of Tapan, handicapped minor child.*

**B4. MINOR CHILD – CA2018(N) (modified) - Mr. and Mrs. Vinod Amin have three children – B, C and D aged 12, 16 and.....**

*Computation of income to be clubbed in the hands of Mr. Vinod for AY 2022-23*

Particulars	Rs.	Rs.
Income of minor child B:		
• Gift from friend's father: Taxable u/s 56(2)(x) since it exceeds Rs. 50,000	70,000	
• Prize money in quiz competition: Not clubbed since it is on account of skill and talent	-	
• Interest on debentures: Clubbed	19,000	
	89,000	
Less: Exemption u/s 10(32)	(1,500)	87,500
Income of minor child C:		
• Lottery prize: Grossed up = $1,05,000 \times (100/70)$ . Mr. Vinod can claim TDS credit of 45,000.	1,50,000	
• Less: Exemption u/s 10(32): Not allowed on lottery income <sup>1</sup>	-	1,50,000
Income of major child D: Not clubbed		-
<b>Income to be clubbed</b>		<b>2,37,500</b>

*Mistake by students – Did not gross up lottery income for TDS.*

**B5. MINOR CHILD – CA2019(N) - Mahadev, a noted bhajan singer of Rajasthan and his wife Dariya, furnish the following.....**

*Total income of parents before clubbing:* Mahadev Rs. 5.65 lakh and Dariya Rs. 3.8 lakh (loan not taxable as deemed dividend u/s 2(22)(e) in absence of accumulated profits of the company). Thus, income of minor children to be clubbed with income of Mahadev.

*Computation of GTI of Mahadev for AY 2022-23*

Particulars	Rs.	Rs.
Income from profession		5,65,000
Income of minor son, Golu		
• Income from winning singing reality show: Not clubbed since income from skill and talent	-	
• Cash gift from friend of Mahadev – Not taxable u/s 56(2)(x) since does not exceed Rs. 50,000	-	-
Income of minor married daughter, Gudia		
• Interest from deposit	40,000	
• Less: Exempt u/s 10(32)	(1,500)	38,500
<b>Taxable income</b>		<b>6,03,500</b>

**B6. MINOR CHILD – CA2014(N) – Mr. Mittal has four minor children consisting of three daughters and one son. The.....**

*Computation of income earned by minor children to be clubbed with income of Mr Mittal*

Particulars	Rs.	Rs.
First daughter:		
• Scholarship: Not clubbed assuming it is on account of skill, talent, specialized knowledge or experience. Also, assuming it is granted to meet cost of education, it is exempt u/s 10(16).	-	
• Other income	5,000	
• Less: Exempt u/s 10(32)	(1,500)	3,500
Second daughter:		

<sup>1</sup> Exemption can be provided based on the alternative view. A note should be given in the answer in respect of the view taken.

• Income	8,500	
• Less: Exempt u/s 10(32)	(1,500)	7,000
Third daughter: Income of minor child suffering from disability u/s 80U not clubbed		-
Son:		
• Income (income from business plus other income)	40,000	
• Less: Exempt u/s 10(32)	(1,500)	38,500
<b>Total income to be clubbed in the hands of Mr. Mittal</b>		<b>49,000</b>

**B7. MINOR CHILD – CA2012(N) - Mr. B is the Karta of a HUF, whose members derive income as given below.....**

Parent in whose hands income of minor children is to be clubbed: Income of Mrs. B, since it is greater. Assumed that income of Mr. B and Mrs. B is the total income, before clubbing.

*Computation of total income of Mrs. B for AY 2022-23*

Particulars	Rs.	Rs.
<b>Income from salary</b> (assumed it is computed)		76,000
<b>Income from other sources:</b>		
Income of minor son D:		
• Interest on FD	10,000	
• Lottery (gross)	1,95,000	
	2,05,000	
Less: Exempt u/s 10(32)	(1,500)	2,03,500
Income of minor daughter P from earning from sports: Not clubbed since it is on account of skill and talent		-
<b>Total income</b>		<b>2,79,500</b>

**B7a. MINOR CHILD - CA2021(JULY) – Dharmesh who is 45 years old and his wife Anandi who is 42 years old furnished.....**

*Computation of total income of Dharmesh and Anandi for AY 2022-23*

Particulars		Dharmesh	Anandi
Salary income (computed)			9,60,000
Income from garment trading business		17,50,000	
Total income before clubbing u/s 64(1A) (income of minor child to be clubbed with total income of Dharmesh since his total income before such clubbing is higher)		17,50,000	9,60,000
<b>Income of minor son 'A'</b>			
Not to be clubbed as he suffers from disability specified u/s 80U		-	
<b>Income of minor son 'B'</b>			
Scholarship received from his school: Exempt u/s 10(16)*		-	
Income from fixed deposit with Punjab National Bank: To be clubbed	5,000		
Less: Exempt u/s 10(32)	(1,500)		
		3,500	
<b>Income of minor daughter 'C'</b>			
Income from script writing for television serials: Not to be clubbed as it involves skill, talent or specialized knowledge or experience		-	
Gift from friend of Anandi: Nothing is taxable u/s 56(2)(x) as gift from non-relative does not exceed 50,000.		-	
<b>Total income</b>		<b>17,53,500</b>	<b>9,60,000</b>

\*Assuming it is granted to meet the cost of education. Alternatively, it can be assumed that it is granted by the school on account of skills, talent, specialized knowledge or experience of B and, hence, need not be clubbed u/s 64(1A).

**INCOME OF SPOUSE FROM CONCERN IN WHICH INDIVIDUAL HAS SUBSTANTIAL INTEREST**

**B8. REMUNERATION OF SPOUSE - Mr. Sumer holds 20% equity shares in PQR Ltd. Mrs. Sumer is working as a an.....**

*If Mrs. Sumer is not qualified for the job*

Computation of GTI of Mr. Sumer for AY 2022-23	Rs.	Rs.
Salary received by Mrs. Sumer: Clubbed u/s 64(1)(ii) since spouse receives salary from a concern in	4,80,000	

which he owns $\geq$ 20% equity shares and she is not qualified for the job		
Less: Standard deduction u/s 16(ia)	(50,000)	4,30,000
Other income		5,00,000
Gross total income		9,30,000
<b>Computation of GTI of Mrs. Sumer for AY 2022-23</b>	<b>Rs.</b>	<b>Rs.</b>
Salary : Clubbed with income of Mr. Sumer		-
Other income		3,00,000
Gross total income		3,00,000

*If Mrs. Sumer is qualified for the job*

<b>Computation of GTI of Mr. Sumer for AY 2022-23</b>	<b>Rs.</b>	<b>Rs.</b>
Salary received by Mrs. Sumer: Not clubbed u/s 64(1)(ii) since spouse receives salary from a concern in which he owns $\geq$ 20% equity shares but she is qualified for the job		-
Other income		5,00,000
Gross total income		5,00,000
<b>Computation of GTI of Mrs. Sumer for AY 2022-23</b>	<b>Rs.</b>	<b>Rs.</b>
Salary	4,80,000	
Less: Standard deduction u/s 16(ia)	(50,000)	4,30,000
Other income		3,00,000
Gross total income		7,30,000

**B9. REMUNERATION OF SPOUSE – CA2013(M) - Mr. A is an employee of Larsen Ltd. and has substantial interest in the....**

*Computation of income for AY 2022-23*

Particulars	Mr. A	Mrs. A
<b>Income from Salaries:</b>		
Own salary @ 25,000 p.m.	3,00,000	-
Less: Standard deduction u/s 16(ia)	(50,000)	
	2,50,000	
Salary of Mrs. A: Clubbed with Mr. A u/s 64(1)(ii) since she receives salary from a concern in which he has substantial interest and she is not qualified for the job = 1,20,000 – 50,000 standard deduction u/s 16(ia)	70,000	
<b>Income from house property:</b>		
• Gross annual value (12,000 $\times$ 12 months in absence of any other information)		1,44,000
• Less: Municipal taxes paid		-
• Net annual value		1,44,000
• Less: Standard deduction @ 30% of NAV		(43,200)
		1,00,800
<b>Income from other sources:</b> Income from securities	30,000	
Income before clubbing income of minor children (clubbed with Mr. A since his total income, before such clubbing, is greater; assumed that income of minor children is liable to be clubbed u/s 64(1A))	3,50,000	1,00,800
• Income of first daughter = 2,000 – 1,500 u/s 10(32). Income of each daughter taken as 2,000 p.a.	500	
• Income of second daughter = 2,000 – 1,500 u/s 10(32). Income of each daughter taken as 2,000 p.a.	500	
• Income of son = 1,200 – 1,500 u/s 10(32)	Nil	
<b>Income</b>	<b>3,51,000</b>	<b>1,00,800</b>

**INCOME FROM ASSETS TRANSFERRED TO SPOUSE OR SON'S WIFE**

**B10. ASSET TO SPOUSE OR SON'S WIFE – Determine in whose hands the income would be taxable in the following cases for AY 2022-23.**

#	Case	Clubbing of income u/s 64(1) in hands of transferor	Taxation of gift u/s 56(2)(x) in hands of transferee
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1	Mr. Z gifts bonds of XYZ Ltd. to his wife out of natural love and affection. Interest on bonds received for PY 2021-22 is Rs. 20,000.	Rs. 20,000 clubbed in hands of Mr. Z u/s 64(1)(iv).	No, as Mr. Z is a relative
2	Mr. Z gifts bank deposits to his wife on 1.2.2021. They are later divorced on 30.9.2021. Interest on deposits for PY 2021-22 is Rs. 10,000.	Rs. 5,000 clubbed in hands of Mr. Z u/s 64(1)(iv) and Rs. 5,000 taxable in hands of divorcee (since no relation of spouse after divorce)	No, as Mr. Z is a relative at the time of gift
3	Mr. Z gifts shares to his son, aged 20 years. Dividend received by son during the PY is Rs. 10,000.	Rs. 10,000 taxable in hands of son. Son is major. No clubbing u/s 64(1A).	No, as Mr. Z is a relative
4	Mr. Z gifts a car to his son's wife who sells it, thereby earning capital gain of Rs. 10,000.	Rs. 10,000 clubbed in hands of Mr. Z u/s 64(1)(vi)	No, as Mr. Z is a relative and car is not a specified movable asset
5	Mr. Z gifts Rs. 1 lakh to his wife who purchases bonds from this money, on which she receives Rs. 10,000 interest during PY 2021-22.	Rs. 10,000 clubbed in hands of Mr. Z u/s 64(1)(iv). Asset merely changes identity and it is not a case of accretion.	No, as Mr. Z is a relative
6	Mr. Z gifts Rs. 12 lakh to his wife who earns Rs. 1 lakh by investing it in fixed deposits. She reinvests Rs. 1 lakh in shares and earns dividend of Rs. 5,000.	Rs. 1 lakh clubbed in hands of Mr. Z u/s 64(1)(iv). Rs. 5,000 taxable in hands of wife (no clubbing of second generation income)	No, as Mr. Z is a relative
7	Mr. Z transfers a house property to an AOP without consideration with the condition that 25% of income from the property will be utilized for the benefit of his son's wife.	25% income clubbed in hands of Mr. Z u/s 64(1)(viii)	Yes, as Mr. Z is not a relative
8	Mr. Z gifts a residential house, owned by him, to his wife on 1.4.2021. FMV and SDV on this date are Rs. 15 lakh and Rs. 12 lakh, respectively. Rental income is Rs. 20,000 p.m.	IHP of 1.68 lakh (2.4 lakh – SD @ 30%) taxable in hands of Mr. Z as he is deemed owner u/s 27(i).	No, as Mr. Z is a relative