CLUBBING OF INCOME

Sr. No	Section	Head & IPTR	Condition	Illustrations
1	**60**	**Transfer of Income without transfer of assets** **TAXABLE IN THE HANDS OF THE TRANSFEROR**	The taxpayer holds the asset Only income accruing from the asset is transferred The transfer maybe made under trust, settlement, covenant, agreement, etc. The transfer maybe **REVOCABLE OR IRREVOCABLE** **The transferor is taxable**	X owns 4000 debentures of A Ltd. He transfers interest accruing on it to his friend Y. **The interest income shall be taxable in the hands of X.**
2	**61**	**Revocable transfer of assets** **TAXABLE IN THE HANDS OF THE TRANSFEROR**	The asset is transferred by virtue of revocable transfer **The transferor is taxable** Revocable transfer means any provision of re- transfer of the income or assets back to the transfereor or it gives a right to the transferor to resume ownership of the transferred after some time limit.	X transfers HP to Y, his friend. Under the agreement, he can revoke the transfer anytime after 10 years. **The income accruing from such an asset (say, rental income) shall be taxable in the hands of X.**
3	**62**	**Irrevocable transfer** **TAXABLE IN THE HANDS OF THE TRANSFEREE**	The transfer is an irrevocable transfer OR The transfer is not revocable in the lifetime of the beneficiary OR **The transfer is made prior to 01.04.1961 and is not revocable for a minimum of 6 years** **The transferee is taxable** As and when the right to revoke arises the income shall be taxable in the hands of the transferor **even if s/he does not exercise the right.**	X assigns to the trustees her right to receive royalty in respect of certain songs recorded by her on 1.4.60. The deed is revocable after 10 years. **The income (royalty) shall be taxable in the hands of the trustees and not X.**
4	**64 (1) (ii)**	**When Individual is assessable in respect of remuneration of spouse** **TAXABLE IN THE HANDS OF THE TRANSFEROR** **It should be noted that only remuneration is clubbed. Thus, if any interest or other income is received then the same is nt clubbed**	The individual has substantial interest in a concern Spouse of an individual gets remuneration **without any technical or professional knowledge experience or skills** Substantial interest means i. In case of company 20% or more voting power is held by the indiviual personally or along with his relatives ii. In case of concern other than company, 20% or more share of profit is enjoyed by the individual either personally or along with his relatives	X has substantial interest in A Ltd. Mrs. X is employed by A Ltd. Without any technical proficiency. **The income (salary) of Mrs. X, shall be taxable in the hands of X.**

			Where both the spouses hold substantial interest in the concern and if both of them earn remuneration without any technical or professional knowledge then the income shall be clubbed in the hands of that spouse whose income is more before including the clubbed income.	Abhi & Ash (Spouses)both hold substantial share in ABCL Ltd. Ash's earns Rs. 10,000 salary & Abhi earns Rs. 20,000 salary from ABCL Ltd without any technical knowledge. Abhi's other total income is Rs. 5,000 and Ash's other total income is Rs. 6,000. **Thus, the income (Rs. 20,000 salary) of Abhi shall be taxable in the hands of Ash.**
5	**64 (1) (iv)**	**When Individual is assessable in respect of income from assets transferred to spouse (other than HP)** **TAXABLE IN THE HANDS OF THE TRANSFEROR** **PHILIP JOHN PLASKET THOMAS v. CIT (SC)------->**	The transfer has been made: Otherwise than for adequate consideration Otherwise than for an agreement to live apart The relationship of spouse should exist at the time of transfer of asset and also at the time of accrual of income Transfer maybe direct or indirect	Shoaib gifted Sania, his GF, debentures of Shoania Ltd. on 10.04.2010, out of mutual love and affection. They married each other on 17.04.2010. **The income (interest) shall be taxable in the hands of Shoaib.**
6	**64 (1) (vi)**	**When Individual is assessable in respect of income from assets transferred to son's wife ie daughter in law (including than HP)** **TAXABLE IN THE HANDS OF THE TRANSFEROR**	The transfer has been made: Otherwise than for adequate consideration The relationship of daughter in law should exist at the time of transfer of asset and also at the time of accrual of income Transfer maybe direct or indirect	In the above example if Shoaib's father had gifted Sania a HP after their marriage, **the income (rent) shall be taxable in the hands of Shoaib's father.**
7	**64 (1) (vii)**	**When Individual is assessable in respect of income from assets transferred to a person or an AOP for the benefit of spouse** **TAXABLE IN THE HANDS OF THE TRANSFEROR**	The transfer has been made: Otherwise than for adequate consideration The relationship of spouse should exist at the time of transfer of asset and also at the time of accrual of income Transfer maybe direct or indirect The transfer maybe for an immediate or deferred benefit	Sachin transfers govt. bonds otherwise than for adequate consideration to an AOP subject to the condition that the interest income on the bonds shall be utilized for the benefit of Anjali (His wife). **The income(interest) shall be taxable in the hands of Sachin.**
8	**64 (1) (viii)**	**When Individual is assessable in respect of income from assets transferred to a person or an AOP for the benefit of son's wife ie daughter in law** **TAXABLE IN THE HANDS OF THE TRANSFEROR**	The transfer has been made: Otherwise than for adequate consideration The relationship of daughter in law should exist at the time of transfer of asset and also at the time of accrual of income Transfer maybe direct or indirect The transfer maybe for an immediate or deferred benefit	In the above condition if Sachin's mother had gifted HP to Anjali, **the income (rent) shall be be taxable in the hands of Sachin's mother.**

9	**64 (1A)**	**When Individual is assessable in respect of income of his/ her minor child**	Clubbed in the hands of father or mother whoever earns higher income Exemption of Rs. 1,500 or income earned whichever is higher under Sec 10 (32) If minor is person with disability under Sec 80U then this clubbing provision shall not apply If the parents of minor divorce then the income shall be clubbed in the income of the parent in whose custody the minor is If the minor's income is due to any manual work or any skill, talent or special knowledge then clubbing provisions are not attracted. If minor has no parents then clubbing provisions are not attracted The minor maybe a **MINOR MARRIED GIRL.**	
10	**64 (2)**	**Income of HUF**	Where a member of HUF has transferred his personal property in the common hotch - pot of HUF, the income derived from this property shall be taxable in the hands of the transferor	X transfers self - acquired property yielding an annual income of Rs. 1,00,000 to his HUF of himself, wife, major son, minor daughter. **The income of Rs. 1,00,000 is entirely taxable in the hands of X.**
		TAXABLE IN THE HANDS OF THE TRANSFEROR	If the converted property is subsequently partitioned then only proportionate share will be included.	If in the above case the property is partitioned then X shall be taxable for 1/4th shar for himself, 1/4th share of wife and 1/4th share - Rs.1,500 of his minor daughter
OTHER IMPORTANT POINTS				
1		Loss can also be clubbed.	**<----- CIT v. J.M. Gotla**	
2		Income from accretions to assets cannot be clubbed		
3		Pin money given to wife cannot be clubbed		
4		If any assets is transferred to spouse or son's wife and it has been used by the transferee as capital in business then the proportiionate income should be included	***Gift amount invested in business on first day of PY x Computed*** ***Income of Business excluding exempted income*** ***Total investment in business on first day of PY***	