

## INCOME OF OTHER PERSONS INCLUDED IN ASSESSEE'S TOTAL INCOME

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### Question 1

How does the Income-tax Act, 1961 deal with conversion of a self-acquired property into the property of a Hindu Undivided Family? (4 Marks) (May 2007)

### Answer

Section 64(2) deals with the case of conversion of self-acquired property into property of a Hindu Undivided Family.

- (i) Where an individual, who is a member of the HUF, converts at any time after 31-12-1969, his individual property into property of the HUF of which he is a member or throws such property into the common stock of the family or otherwise transfers such individual property, directly or indirectly, to the family otherwise than for adequate consideration, the income from such property shall continue to be included in the total income of the individual.
- (ii) Where the converted property has been the subject-matter of a partition (whether partial or total) amongst the members of the family, the income derived from such converted property as is received by the spouse on partition will be deemed to arise to the spouse from assets transferred indirectly by the individual to the spouse and consequently, such income shall also be included in the total income of the individual who effected the conversion of such property.
- (iii) Where income from the converted property is included in the total income of an individual under section 64(2), it will be excluded from the total income of the family or, as the case may be, of the spouse of the individual.

### Question 2

Mr. Ghose has four minor children consisting 2 daughters and 2 sons. The annual income of 2 daughters was Rs. 7,500 and Rs. 5,000 and of sons was Rs. 5,500 and Rs. 1,250 respectively. The daughter who was having income of Rs. 5,000 was suffering from a disability specified under section 80U. Work out the amount of income earned by minor children to be clubbed in the hands of Mr. Ghose. (5 Marks)(Nov 2007)

## Taxation

### Answer

Income earned by minor children to be clubbed with the income of Mr. Ghose

|      |                                                        |       |
|------|--------------------------------------------------------|-------|
| (i)  | Income of two daughters (Rs. 7,500 + Nil)              | 7,500 |
|      | Less: Income exempt u/s 10(32)                         | 1,500 |
|      | Total (A)                                              | 6,000 |
| (ii) | Income of two sons (Rs. 5,500 + Rs. 1,250)             | 6,750 |
|      | Less: Income exempt u/s 10(32) (Rs. 1,500 + Rs. 1,250) | 2,750 |
|      | Total (B)                                              | 4,000 |

Total Income to be clubbed as per section 64(1A) (A+B) 10,000

The income of daughter suffering from disability specified under section 80U is not to be clubbed with the income of Mr. Ghose.

### Question 3

Mr. Vatsan has transferred through a duly registered document the income arising from a godown, to his son, without transferring the godown. In whose hands will the rental income from godown be charged?  
(2 Marks)(May 2008)

### Answer

Section 60 expressly states that where there is transfer of income from an asset without transfer of the asset itself, such income shall be included in the total income of the transferor. Hence, the rental income derived from the godown shall be charged in the hands of Mr. Vatsan.

### Question 4

Mr. Dhaval and his wife Mrs. Hetal furnish the following information:

|                                                                                                        | Rs.      |
|--------------------------------------------------------------------------------------------------------|----------|
| (i) Salary income (computed) of Mrs. Hetal                                                             | 4,60,000 |
| (ii) Income of minor son 'B' who suffers from disability specified in Section 80U                      | 1,08,000 |
| (iii) Income of minor daughter 'C' from singing                                                        | 86,000   |
| (iv) Income from profession of Mr. Dhaval                                                              | 7,50,000 |
| (v) Cash gift received by 'C' on 2.10.2007 from friend of Mrs. Hetal on winning of singing competition | 48,000   |
| (vi) Income of minor married daughter 'A' from company deposit                                         | 30,000   |

Compute the total income of Mr. Dhaval and Mrs. Hetal for the assessment year 2008-09.

(8 Marks)(May 2008)

### Income of other persons included in the Assessee's Total Income

The provisions of the Income-tax Act, 1961 relevant for Assessment Year 2010-11 should be taken into consideration while solving the question. Accordingly, the facts given above may be taken as relating to financial year 2009-10.

Answer

#### Computation of Total Income of Mr. Dhaval and Mrs. Hetal for the A.Y. 2010-11

| Particulars                                                                              | Mr. Dhaval<br>Rs. | Mrs. Hetal<br>Rs. |
|------------------------------------------------------------------------------------------|-------------------|-------------------|
| Salaries                                                                                 |                   | 4,60,000          |
| Profits and gains of business or profession                                              | 7,50,000          |                   |
| Income from other sources                                                                |                   |                   |
| Income by way of interest from company deposit earned by minor daughter A [See Note (d)] | 30,000            |                   |
| Less : Exemption under section 10(32)                                                    | 1,500             | 28,500            |
| Total Income                                                                             | 7,78,500          | 4,60,000          |

Notes:

- (a) The income of a minor child suffering from any disability of the nature specified in section 80U shall not be included in the hands of the parents. Hence, Rs.1,08,000, being the income of minor son 'B' who suffers from disability specified under section 80U, shall not be included in the hands of either of his parents.
- (b) The income derived by the minor from manual work or from any activity involving exercise of his skill, talent or specialised knowledge or experience will not be included in the income of his parent. Hence, in the given case Rs.86,000, being the income of the minor daughter 'C' shall not be clubbed in the hands of the parents.
- (c) Under section 56(2)(vii), cash gifts received from any person/persons exceeding Rs. 50,000 during the year in aggregate is taxable. Since the cash gift in this case does not exceed Rs.50,000, the same is not taxable.
- (d) The clubbing provisions are attracted even in respect of income of minor married daughter. The income of the minor will be included in the income of that parent whose total income is greater. Hence, income of minor married daughter 'A' from company deposit shall be clubbed in the hands of the Mr. Dhaval and exemption under section 10(32) of Rs.1,500 per child shall be allowed in respect of such income.

## Taxation

NOTE

[illegible]