

## Income Tax Act— Clubbing of Income: Spouse/ Daughter-in-law/ Minor

1. Spouse – (a) As per section 64(1)(iv), if an individual transfers (directly or indirectly) his/her asset (other than house property) to his or her spouse otherwise than for adequate consideration, then income from such asset will be clubbed with the income of the transferor.

(b) Income from transfer of house property without adequate consideration will also attract clubbing provisions, however, in such a case clubbing will be done as per section 27 and not under section 64(1)(iv).

(c) The clubbing provisions will apply even if the form of asset is changed by the transferee-spouse.

(d) The clubbing provisions are not applicable in the following situations: (i) If the transfer of asset is for adequate consideration; (ii) If the transfer of asset is in connection with an agreement to live apart; (iii) If the asset is transferred before marriage, no income will be clubbed even after marriage, since the relation of husband and wife should exist both at the time of transfer of asset and at the time of accrual of income;

(e) Salary, Commission, Fees or remuneration paid to Spouse, from a concern / firm in which you have a substantial interest (20% or more). The spouse of the individual is employed without any technical or professional knowledge or experience and Clubbing of income is not attracted in case your Spouse possesses technical or professional qualification and remuneration is received in exercise of that knowledge and qualification

2. Daughter-in-law – (a) As per section 64(1)(vi), if an individual transfers (directly or indirectly) his/her asset to his/ her son's wife otherwise than for adequate consideration, then income from such asset will be clubbed with the income of the transferor being father-in-law/mother-in-law.

(b) The provisions of clubbing will apply even if the form of asset is changed by the transferee- (daughter-in-law.)

(c) If the asset is transferred before marriage of son, no income will be clubbed even after marriage, since the relation of father-in-law/mother-in-law and daughter-in-law should exist both at the time of transfer of asset and at the time of accrual of income. If on the date of accrual of income, the relation of father-in-law/mother-in-law and daughter-in-law does not exist, then the provisions of clubbing will not apply.

3. Minor Child – (a) Any income earned by a minor child is clubbed in the hands of either of his/her parents, whose income (excluding minor child income) is greater.

(b) However, as per Income Tax provisions there are certain situations in which the clubbing of income provisions will not apply. These are: (i) When minor child is suffering from any disability as mentioned in Sec 80U, or (ii) When income is earned by minor child through manual work, or (ii) Income earned by minor child through his skill, talent, knowledge etc. For e.g. minor child wins money on TV shows like Indian Idol etc.

(c) Moreover, an exemption of Rs 1500 is provided u/s 10 (32) on income earned by each minor child to the parent under which the minor's income is being clubbed.