

UDHNA COLLEGE
MCOM SEM 2
FINANCIAL & MANAGEMENT A/C-6
Income from other sources

The fifth and last of the five heads of income mentioned in the Income Tax Act is Income from other sources. The provisions related to it are given in sections 56 to 59 of the Income Tax Act.

As per section 56(1), taxable income, profit, or gain which is not included under the heads mentioned in the Income Tax Act (income from salary, income from house property, capital gain, profit or gain from business or profession) is included under this head.

Under the head of income, any amount is taxable under the head of income from other sources if it satisfies the following three conditions:

- (1) That amount must be income.
- (2) It must not be exempt from tax under any provision of this Act.
- (3) It must not be taxable under the four heads of income mentioned above.

As per section 56(2), the following incomes are specifically included under this head.

- (1) Dividends
- (2) Income from lotteries, strategic contests, horse racing, card games, or other types of games such as gambling, betting, etc.
- (3) Amount collected from employees' contributions to the Employees' Welfare Fund Account
- (4) Interest on securities
- (5) Rental income if machinery, plant, or furniture owned by the taxpayer is let out on hire. (Only if this income is not included in the profits or gains of business or profession)
- (6) Rental income if the taxpayer lets out a house along with machinery, plant, or furniture owned by him, and if the house cannot be let out separately from the machinery, plant, or furniture. (Only if this income is not included under the profit or benefit of business or profession)
- (7) Keyman Insurance Policy, including death benefits 275
- (8) Bonus

(9) Interest on the amount of compensation or additional compensation

(10) Amount received as an advance in respect of the proposed transaction of exchange of any capital property.

(11) Compensation received on change in terms of employment or termination thereof, Interest on securities.

Chargeability of Interest on Securities

As per section 2(28B) interest on securities means

1. Interest on any security of the Central or State Government
2. Interest on debentures or other securities issued by local self-government bodies, companies, or corporations established under any law of the Central or State Government

Such securities may be classified as follows:

1. Interest on any security of the Central or State Government
2. Interest on debentures or other securities issued by any local self-government body, such as a municipality.
3. Interest on debentures or other securities issued by joint stock companies
4. Interest on debentures or other securities issued by corporations established under any law of the Central or State Government.

Types of securities

1. Government Securities

Tax-free Government Securities: - All government securities mentioned in section 10(15) of the Income Tax Act are tax-free government securities. The interest on such securities is completely tax-free.

Taxable Government Securities: - All government securities other than those mentioned in section 10(15) of the Income Tax Act are taxable government securities. The interest on such securities is taxable.

2. Commercial Securities

Tax-free Commercial Securities: -

The company or institution issuing the securities guarantees the investor that the total amount owed on the securities, at the interest rate set by the company or institution, will be paid to the investor and that no income tax will be deducted from this amount. In this case, too, the company or institution issuing the security deposits the income tax amount payable on behalf of the assessee into the income tax account and provides a certificate of this to the investor.

→ When the security amount and interest rate are given in the example = Grossing up.

→ Interest amount is given = Grossing up.

Commercial Securities After Tax

Generally, in the absence of information, all securities are called tax-free securities. Interest is paid after deducting the income tax amount by the paying party at the time of payment of interest on such securities. And it is deposited in the income tax account in the name of the security holder.

→ When the security amount and interest rate are given in the example = No grossing up

→ Interest amount is given = Grossing up.

Grossing up of Interest

Tax is also to be deducted at source on interest on securities at the prescribed rates of tax. For Income-tax purposes, what is to be charged to tax is the gross amount of interest. Therefore, if net interest is given, it has to be grossed up to arrive at the taxable amount.

In the case of government securities other than 8%/7.75%/floating rate Saving (Taxable) Bonds, grossing up is not required as there is no deduction of tax at source. However, grossing up is required in the case of the following securities: -

(i) 8%/7.75%/floating rate Saving (Taxable) Bonds if the amount of interest payable exceeds ₹10,000;

(ii) securities issued by a statutory corporation or a local authority or by any company.

Net Interest can be grossed up as under:
$$\frac{\text{Net Interest} \times 100}{1 - \text{rate of TDS}}$$

The rates of T.D.S. are as follows:

(a) In the case of 8%/7.75%/floating rate taxable saving bonds

(b) Non-government securities, whether or not listed or recognized stock exchange - 10%.

Interest-bearing securities are fully exempted from tax as per section 10(15)

(1) Securities, bonds, annuity certificates, savings certificates, and other certificates issued by the Central Government for these purposes and interest income, premium received on payment or other amounts on deposits declared by the Central Government for these purposes.

1. National Savings Annuity Certificates (12 years)
2. National Plan Certificates (10 years)
3. National Plan Savings Certificates (12 years)
4. National Defense Gold Bonds, 1980
5. Gold Deposit Bonds, 1999
6. Special Bearer Bonds, 1991
7. Special Deposit Scheme, 1981
8. Treasury Savings Deposit Certificates (10 years)
9. Post Office National Savings Certificates
10. Post Office Cash Certificates (5 years)
11. Post Office Savings Account (Interest up to Rs. 3500 in case of account in single name and up to Rs. 7000 in case of account in joint name is tax-free.)
12. Post Office Cumulative Time Deposit Scheme, 1981

(2) Interest on 7% Capital Investment Bonds

(3) Interest on 10% National Relief Bonds

(4) Interest on NRI Bonds issued by SBI

(5) Interest on Nordic Investment Bank

(6) Interest on European Investment Bank

(7) Interest on securities issued by the Issue Department of the Central Bank of Ceylon (now Sri Lanka)

(8) Interest on deposits made by any foreign bank (acting as a central bank outside India) in any scheduled Indian bank

(9) Interest on securities issued by the Government or local self-government bodies (for which money has been borrowed from outside India before 1st June 2001)

Gift

1. Cash / Cheque / Draft received as a gift
2. Movable property received as a gift
3. Immovable property received as a gift

1. Cash / Cheque / Draft received as a gift

→Without consideration

If during the previous year, cash, cheque, or draft was received as a gift from one or more persons without consideration.

- the total amount of all such transactions
- if more than Rs. 50,000
- then the entire amount will be considered taxable.

2. Movable property received as a gift

→Movable property includes the following capital assets: (NOTE 2)

- (1) Shares and securities
- (2) Jewellery
- (3) Archaeological collections
- (4) Drawings
- (5) Paintings
- (6) Sculptures
- (7) Any artistic objects
- (8) Bullion
- (9) Virtual Digital Currency

→Without consideration

If, during the previous year, any movable property has been received as a gift from one or more persons without consideration

- Then the total amount of all such transactions
- exceeds Rs. 50,000

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-Then the entire amount shall be deemed to be taxable.

→Received for insufficient consideration

If, during the previous year, movable property has been received as a gift from one or more persons for insufficient consideration

-the difference between the consideration value and the fair market value of all these transactions

- if more than Rs. 50,000

- then the entire amount of the difference will be considered taxable.

3. Immovable property received as a gift

→Immovable property includes land or building or both

→Without consideration

If the immovable property was received as a gift from any person without consideration during the previous year

- If the amount determined for the stamp duty of the immovable property.
- is more than Rs. 50,000
- Then the entire amount determined for the purpose of stamp duty will be considered taxable.

→Received with insufficient consideration

If the immovable property was received as a gift from any person with insufficient consideration during the previous year

If both the conditions mentioned below are met, the difference between the consideration value and the amount determined for the purpose of stamp duty will be considered taxable.

Condition 1. Amount determined for the purpose of stamp duty > 110% of the consideration value

Condition 2. The difference between the consideration value and the amount determined for the purpose of stamp duty is more than Rs. 50,000.

Exception (NOTE 1)

Amount received as gift/immovable property/movable property in the following circumstances will be considered completely tax-free.

1. Received on the occasion of the marriage of a person

2. Received from "relatives."

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3. Received under a will or inheritance

4. Received on the death of the payer

5. Received from any fund, foundation, university, any educational institution, hospital, any medical institution, or trust

6. Received from a local self-government body

Who is included in the “relatives”:

(1) Spouse (husband and wife)

(2) Brother/sister-in-law and sister/brother-in-law

(3) Sister-in-law / brother-in-law and sister-in-law / brother-in-law

(4) Nanand / Nanandoi, Jeth / Jethani and Diar / Derani

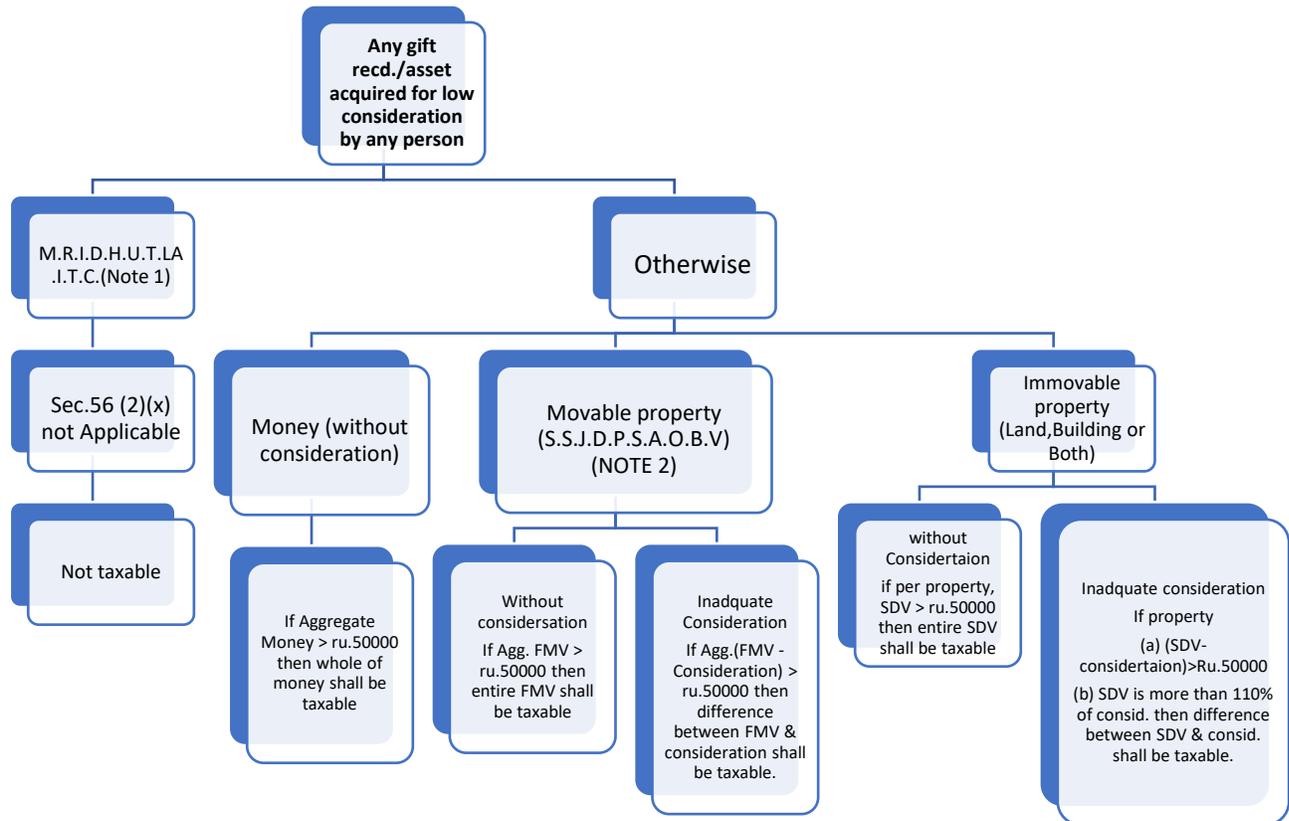
(5) Uncle / Aunt, Uncle / Mami, Masa / Masi, and Foi / Phua

(6) Mother / Father, Grandfather / Grandma, and Nana / Nani

(7) Mother / Father-in-law and Vadsasu / Vadsasra

(8) Son / Daughter-in-law, Daughter / Son-in-law, Grandson / Granddaughter-in-law and Great-grandson / Great-granddaughter-in-law

SUMMARY TABLE FOR GIFT



Additional income under this head

- (1) Income from subletting of the house
- (2) Income from letting of open land
- (3) Royalty income
- (4) Land rent
- (5) Mine rent and royalty
- (6) Agricultural income from land outside India
- (7) Interest income such as interest on savings account, interest on fixed deposit, interest on small loan
- (8) Fees, commissions etc. received by a person who is not in the employer-employee relationship e.g. fees, commissions received by a company manager, examination fee paid to a teacher
- (9) Remuneration received by professional persons for other work e.g. Paper examination fees etc.
- (10) Undisclosed cash, investments

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- (11) Interest income on foreign securities
- (12) Commission received by an agent from an insurance company
- (13) Annuity payable under a will, contract or trust deed
- (14) Salary received by a Member of Parliament or a Member of the Legislative Assembly
- (15) Interest on an employee's contribution to an invalid provident fund
- (16) Amount received by race organisers
- (17) Family pension received by the family of a deceased employee

Amounts received as deductions

- (1) Interest on securities

Interest on loans taken for investment in securities shall be deducted as deductions and reasonable commission or remuneration paid for receiving interest shall be deducted as deductions.

- (2) Dividend income

Interest on loans taken for investment in shares shall be deducted as deductions but the amount of deduction shall not exceed 20% of the dividend income.

- (3) Income from lottery, strategy contest, horse racing, card games or other types of games like gambling, betting etc.

No expenses of any kind are allowed (not deductible as deduction)

- (4) If machinery, plant or furniture owned by the taxpayer is let out on rent, the following expenses are allowed as deduction:

- (1) Repair expenses
- (2) Insurance
- (3) Depreciation
- (4) Amount carried forward of depreciation not included
- (5) Family pension

Rs. 15,000 or 33 1/3% of the family pension, whichever is less, is allowed as deduction.

- (6) Interest on the amount of compensation or additional compensation
50% of the interest amount is deductible (deductible as a deduction)

(7) Any reasonable expenditure incurred in earning any income is deductible. But capital expenditure or personal expenditure is not deductible.

PRACTICAL QUESTIONS

Q-1	From the following information, determine the taxable income under the head "IFOS" of Shri Saburi for the AY-2025-26.	Amt. (₹.)
1.	Interest received on deposit with co. op. Bank	2,000
2.	Dividends received from a foreign company	8,000
3.	Income from Units Trust of India	4,000
4.	7% capital investment bonds	80,000
5.	Winnings from the lottery (Gross) (rate TDS 30.60%)	21,000
6.	Expenses for buying lottery tickets	1,000

Q-2	From the following information of Anant, determine the taxable income under the head "IFOS" for the AY-2025-26.
1.	He received ₹ 3,80,000 as the total amount, including interest on the unrecognized Provident fund, in which the contribution from the employer and employee was 2:5. The employee's contribution was ₹ 1,38,000.
2.	He received ₹ 8,000 as rent for his own plant and machinery per month. On 1-4-24, the written-down value of P and M was ₹ 6,00,000. The approved rate of depreciation is 15%.
3.	Received ₹ 84,000 yearly as house rent from subtenant. He paid ₹ 5,000 rent per month to the owner of the house.
4.	₹ 3,80,000 as agricultural income in Canada, to get it, paid ₹ 1,10,000 as expenses.
5.	A gift of ₹ 3,39,910 received from the real brother of the grandfather.
6.	Winning from Motor-Race ₹ 1,50,000 (Net). According to the prevailing Income Tax Act, the rate of TDS on casual income is 30.90%.

Q-3	From the following information of Ajay, determine the taxable income under the head "IFOS" for the AY-2025-26.
1.	He received ₹ 2,80,000 as the total amount with interest on the unrecognized provident fund, in which the contribution of the employer and employee is 3:2. The contribution of the employer is ₹ 1,47,000.
2.	Winning the lottery grossed ₹ 1,96,000.
3.	Winning the car race net ₹ 2,20,000.
4.	A gift of ₹ 2,15,809 from the real brother of Grandmother.
5.	He received ₹ 15,000 as rent of his own plant and machinery per month. On 1-4-24, the written-down value of P and M was 5,00,000. The approved rate of depreciation is 20%.
6.	Received ₹ 8,000 per month as house rent from subtenant. He paid ₹ 12,000 yearly as house rent to the owner of the house. According to Income Tax, the rate of TDS on casual income is 30.90%.

Q-4	X (42 years) gives the following information for the previous year 2024-25.
1.	On 1.12.2024, he gets a gift of House A from his friend B (stamp duty value is determined at ₹ 6,00,000).
2.	On 3.12.2024, he gets a gift of House B from C (who is the father-in-law of his elder brother) (stamp duty value is ₹40,000; however, the current market value is ₹65,000).
3.	On 7.12.2024, X purchases a second-hand car for ₹ 70,000 from D (market value is, however, ₹3,00,000).
4.	On 14.12.2024, X purchases a work of art for ₹5,00,000 from E (fair market value is ₹5,30,000).
5.	On 20.12.2024, X purchases Jewellery for ₹7,00,000 from F (fair market value is ₹7,25,000). F is not a registered dealer.
6.	On 21.12.2024, X purchases a painting for ₹4,00,000 from G (who is the brother of Mrs. X) (fair market value is ₹7,00,000).
7.	On 24.12.2024, X purchase a commercial property for ₹75,00,000 from H (fair market value is ₹ 90,00,000).
8.	On 25.12.2024, X gets a gift of 100 preference shares in A Ltd. from J (on 25.12.2024, stock exchanges are closed, the lowest quotation on the immediate preceding working day in the National Stock Exchange is ₹45).
9.	On 25.1.2025, X gets a gift cheque of ₹1,00,000 from his friend L on his birthday.
10.	On 28.1.2025, the minor son of X gets the gift of ₹55,000 from the elder brother of X's grandfather.
11.	X contributes 10,000 in the public provident fund account of his dependent mother.
	Determine the amount of net income of X for the assessment year 2025-26.

Q-5	Compute the IFOS from the following information:
1.	10% Bonds of the Industrial Development Bank of India, ₹3,20,000.
2.	10% debentures of ABC Ltd. Listed on Ahmedabad Stock Exchange purchased at ₹96 (FV ₹100), ₹ 1,34,400.
3.	Interest Received from debentures issued by X Ltd. listed on the stock Exchange ₹ 29,700
4.	Interest Received from debentures issued by a Ltd. company not listed on the stock Exchange ₹ 21,600.
5.	Dividend received from A Ltd. On 25-5-2024 ₹ 2400.
6.	Dividend declared by the company on 5-7-2024 on shares of B Ltd.@ 50% on 1,000 shares Of ₹ 10 each, which were purchased at ₹ 60 per share.
7.	10% Dividend on preference shares of ₹ 10 each amounting to ₹ 2,25,000 paid on 31-3-2025.

Q-6	Calculate the income from other sources of Mr. Shinu from the information given below for AY 2025-26 . (April-2025)
1.	Winnings from the lottery Rs. 1,00,000
2.	Amount received from race winnings: Rs. 35,000.
3.	Gifts received:

	I. Received Rs. 20,000 as a gift from his friend.
	II. Received Rs. 1,00,000 as a gift from his elder brother.
	III. Received Rs. 1,40,000 as a gift on his marriage.
	IV. Received Rs. 80,000 as a gift from his NRI friend.
	V. Gift of Rs. 18,000 received from another friend.

Q-7 Dr. Shrivalli is a professor of accountancy and is a resident of India. She submits before you the following incomes for computing his taxable income under the head "Income from other sources" for the assessment year 2024-25. (April-2025)

1. She is the author of a textbook for schools, which fetched him a gross royalty of Rs. 45,000. She claims the following deductions from this amount:

- a. Salary to a clerk who collects for him the necessary data and goes through the final proofreading, Rs. 24,000
- b. Telephone expenses of Rs. 1,200 attributed to the publication and sale of his book and other matters in connection with the printing of the new edition of the book.

2. Income from articles which were published in the Economic Times and Eastern Economist, Rs. 3,000.

3. She lives in a rented house, paying rent of Rs. 3,000 per month. The house is too big for her family. Hence, she has sublet one-third of the house on a rent of Rs. 1,500 per month. Dr. Shrivalli has undertaken the liability of paying municipal taxes of Rs. 1,500 on the whole house and also the current repairs of the whole house amounting to Rs. 6000.

4. Dr. Shrivalli received Rs.250 per lecture delivered at the Amar Institute. During the previous year, she delivered 24 lectures.

5. She is an examiner for several universities. These sources gave him a remuneration of Rs.7,000.

6. Her other incomes were:

- i. Winnings from card games and betting Rs. 6,500
- ii. Winnings from chess Rs. 1,000
- iii. Received interest on Government of England Bonds Rs. 500

7. Received Rs. 2,000 as dividend from a company in which the public are substantially interested by an account payee cheque.

8. Income from agricultural land situated at Ujjain Rs. 7,000.

9. Received Rs.800 per month scholarship for research work from U.G.C.

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10. Profit Rs. 10,000 transfers from of an asset Rs. 10,000.
11. She received dividend of Rs. 500 from a Co-operative Society.
12. Income from undisclosed sources Rs. 10,000.

Q-8 Mr. Konda Reddy has received the following income during the previous year 2023-24.

1. Salary as an accountant in the State Bank of Indore is Rs. 20,000 per month. Bonus equal to one month's salary. Overtime allowance Rs. 10,800 annually.
2. Dividend received on shares of Reliance Industries Ltd. Rs. 4,475. Bank Commission for collection of dividend Rs. 50.
3. Interest on government securities Rs. 800 and Bank F.D.R Interest Rs. 3,050 (Gross)
4. He took a house at Rs. 1,000 monthly rent and Spent Rs. 2,000 (annual) for repairs and maintenance of the house. He let out half of the house to his friend at Rs. 800 per month. He is the owner of a house which is let out for Rs. 600 per month, and repairs expenses were Rs. 800.
5. Article remuneration Rs. 400 from the monthly magazine Amar in whole year.
6. Card game income Rs. 8,000 and race loss Rs. 7,000.
7. Profit from the transfer of an asset, Rs. 6,000.
8. Interest on Rs. 54,000, 10% tax- free debentures issued by Gujarat Financial Corporation.
9. Interest on Rs. 25,000, 5% Gujarat government loan.
10. Income from agricultural land in Pakistan, Rs. 5,000.
11. Ground rent for land in Pathankot Rs. 10,000.
12. Interest on Postal Savings Bank Account Rs. 100.
13. Interest on Rs. 20,000, 7% Capital Investment bonds of the Government of India.

Compute 'Income from other sources' for the assessment year 2024-25.

Q-9 From the following information, compute taxable income under the head ' Income from Other Sources' for the assessment year 2022-23 of Shree Babita.

- (1) Interest of Rs. 27,000 received on 12% less tax debentures of 'A' limited (listed in the stock exchange)
- (2) Rs. 5,00,000 , 13% less tax debentures of 'B' Limited, (not listed on stock exchange)

(3) Interest of Rs. 16,000 received on 14% tax free debentures of 'C' Limited. (not listed on stock exchange)

(4) Rs. 6,00,000, 9%, tax free debenture of 'D' Limited. (listed on stock exchange)

(5) Rs. 2,00,000, 8% capital investment bonds.

(6) Received gift from a friend from Paris Rs. 25,000

(7) Received gift of Rs. 51,000 from his brother from America.

(8) On 1-4-2021, she transferred Rs. 1,50,000, 12% less tax debentures of 'P' Limited to his own joint undivided family (HUF) without consideration, (debenture is not listed on stock exchange)

(9) Factory (including machinery and furniture) was let out from 1-7-2021 at Rs. 25,000 per month rental. The written down of factory (including machinery and furniture) is Rs. 22,50,000 as on 1-4-2020. approved rate of depreciation is at 10%.

(10) Rs. 25,000, 12% Maharashtra Government Loan. Debentures of 'B' Limited purchase on 1-7-2021, while debentures of 'D' Limited purchased on 1-6 2021. Interest received for all debentures on 30th June and 31st December every year. Interest received on Maharashtra government loan on 31st December every year.

On 1st October, 2021, sold 12% Maharashtra government loan at Rs. 110, brokerage paid at 1 % and on the same day, 14% tax free debentures of Mumbai Limited was purchase (listed on stock exchange) the required balance of Rs. 12,775 for such purchase has borrowed at 12% interest p.a. from the bank.

Rs. 8,000 interest paid for loan taken for purchase of investments except debenture of Mumbai Limited, in which Rs. 3,000 interest paid outside India, on which no tax deducted at source. Collection charge Rs. 1,500 for taxable interest and paid life insurance premium Rs. 5,000.

(11) Interest credited to public provident fund account Rs. 6,000

Q-10 From the following information, compute taxable income under the head 'Income from Other Sources' for the assessment year 2022-23 of Shri Aiyar.

(1) An iPhone received from his employer. It has been purchased for Rs. 78,000 by the employer in the month of July and given as gift in August.

(2) Income tax refund (including 6% interest) Rs. 5,300.

(3) Rs. 18,000 interest received on compensation from the motor accident claim tribunal.

(4) Received a gift of a diamond ring worth Rs. 65,000 on his birthday from a friend.

(5) Rs. 2,00,000 fixed deposits in HDFC for five years. The interest accrued for the year is Rs.28,800 net. He has not submitted a PAN number to the bank.

(6) Interest on a loan given to a relative of Rs. 10,000.

(7) Interest on public provident fund due Rs. 7,000.

(8) During the previous year 2021-22, he purchased Rs. 1,00,000, 8% capital investment bonds on 1st October, 2021. For this purpose, he borrowed Rs. 50,000 from the bank at 10% p.a. Interest.

(9) In respect of land of him acquired by the Metro Rail Project in the year 2018, he received the following amount on 15-12-2021 as interest on enhanced compensation on the order of the court relating to the previous year.

Year: 2019-20 Rs. 1,75,000

Year: 2020-21 Rs. 2,10,000

Year: 2021-22 Rs. 1,50,000

(10) He received an advance of Rs. 51,000 on 17-09-2021 against the sales of his house. However, due to non-payment of the installment in time, the contract has canceled, and the advance amount has forfeited.

(11) He gifted a car worth Rs. 7,75,000 to his brother's son for achieving good marks in the MBBS exam.

(12) Rs. 56,000, 9% tax free debentures of Adani Ltd.

(13) He transferred Rs. 5,00,000 to his wife without consideration. She started a business by investing the gift money on 1-4-2021. Her total investment in business is Rs. 20,00,000, and the profit of the previous year ending on 31-3-2022 is Rs. 4,50,000.

Income of Other Person Included in Assessee's Total Income (Sections 60 to 65) Clubbing of Income

Under the Income-tax Act, 1961, Sections 60 to 65 deal with situations where income of another person is included in the assessee's total income. These provisions are commonly called "Clubbing of Income" provisions.

- ◆ Section 60 – Transfer of Income without Transfer of Asset
 - If a person transfers only the income but retains ownership of the asset,
 - The income is taxable in the hands of the transferor.

Example:

Mr. A owns a house and transfers only rental income to Mr. B.

→ Rent will be taxable in Mr. A's hands.

◆ Section 61 – Revocable Transfer of Assets

- If an asset is transferred under a revocable agreement,
- Income from such asset is taxable in the hands of the transferor.

◆ Section 62 – Exception to Revocable Transfer

Income is NOT clubbed if:

- Transfer is irrevocable, and
- Transfer is:
 - For the lifetime of the beneficiary, or
 - For a fixed period where transferor gets no benefit.

◆ Section 63 – Meaning of Revocable Transfer

A transfer is considered revocable if:

- It can be cancelled or
- Transferor can reassume control over the asset or income.

◆ Section 64 – Income of Spouse / Minor Child

This is the most important clubbing section.

(a) Income of Spouse

Income is clubbed if:

- Asset is transferred to spouse without adequate consideration, or
- Income arises from concern in which spouse has substantial interest.

Exceptions:

- Transfer under agreement to live apart
- Income from personal skill or technical qualification

(b) Income of Minor Child

- Minor's income is clubbed with parent's income.
- Included in income of parent with higher income.

Not clubbed:

- Income from manual work
- Income from skill, talent or specialized knowledge
- Income of minor suffering from disability (Section 80U)

Exemption: ₹1,500 per child per year (Section 10(32))

◆ Section 65 – Transfer to Son's Wife / Daughter-in-law

- Income from assets transferred to son's wife without adequate consideration
- Clubbing applies in hands of transferor.

Summary Table

Section	Particulars
60	Transfer of income only
61	Revocable transfer

Section	Particulars
62	Exception to Sec. 61
63	Definition of revocable transfer
64	Income of spouse & minor child
65	Transfer to son's wife

Example -1

Mr. Raj owns a house property which earns rent of ₹2,40,000 per annum. He transfers the right to receive rent to his friend Mr. Amit but ownership of the house remains with Mr. Raj.

Further, Mr. Raj transfers a fixed deposit of ₹5,00,000 to his brother under a revocable agreement. Interest earned during the year is ₹40,000.

Compute Mr. Raj's taxable income from these transactions.

Solution:

Total Income Included in Mr. Raj's Income

Particulars	Amount (₹)
House rent income	2,40,000
Interest on FD	40,000
Total Clubbed Income	2,80,000

(1) Transfer of income without transfer of asset – Section 60

- Ownership of house remains with Mr. Raj
- Only income is transferred

✓ Rent of ₹2,40,000 is taxable in Mr. Raj's hands

(2) Revocable transfer – Section 61

- Transfer can be revoked
- Income is clubbed with transferor

✓ Interest of ₹40,000 is taxable in Mr. Raj's hands

Example 2

Mr. Arjun gifted ₹6,00,000 to his wife Mrs. Arti without consideration.

Mrs. Arti invested the amount in:

- Fixed Deposit earning interest of ₹48,000
- She also earned salary of ₹1,20,000 from a company where she works using her professional skills.

Compute the income taxable in the hands of Mr. Arjun.

Solution:

Income Clubbed with Mr. Arjun

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Particulars	Amount (₹)
Interest income	48,000
Total Clubbed Income	48,000

(1) Interest income from gifted amount

- Gift to spouse without consideration
- Income arises from a transferred asset

✓ Interest of ₹48,000 is clubbed with Mr. Arjun's income
(Section 64)

(2) Salary income of wife

- Earned due to professional skill
- Not connected with gifted asset

Salary of ₹1,20,000 is NOT clubbed

Example 3 – Section 64 (Minor Child)

Problem

Mr. Suresh has two minor children:

- Minor son earned ₹30,000 from acting in advertisements.
- Minor daughter earned interest of ₹25,000 from fixed deposit gifted by Mr. Suresh

Mr. Suresh's income is ₹6,00,000 and Mrs. Suresh's income is ₹4,80,000.

Compute the income to be clubbed and exemption available.

Solution

(1) Income of minor son

- Earned from talent (acting)

Not clubbed (Exception under Section 64)

(2) Income of minor daughter

- Interest income from gifted asset
- ✓ Clubbed with income of parent having higher income

→ Higher income parent: Mr. Suresh

(3) Exemption under Section 10(32)

- ₹1,500 per minor child (maximum)
- Available for clubbed income

Computation

Particulars	Amount (₹)
Minor daughter's interest income	25,000
Less: Exemption u/s 10(32)	(1,500)

Particulars	Amount (₹)
Income clubbed with Mr. Suresh	23,500

Example 4 – Section 65 (Transfer to Son's Wife)

Problem

Mr. Mahesh transferred ₹4,00,000 to his son's wife without consideration.

She invested the amount in a business and earned profit of ₹60,000 during the year.

Determine the taxability of the profit.

Solution

- Transfer made to son's wife
- Without adequate consideration
- Income arises from transferred asset

✓ Profit of ₹60,000 is clubbed with Mr. Mahesh's income (Section 65)

Income Clubbed

Particulars	Amount (₹)
Business profit	60,000
Taxable in hands of Mr. Mahesh	60,000

Example 5 – Combined Comprehensive Question

Problem

Mr. Anand provides the following information:

1. Gifted ₹3,00,000 to wife → Interest earned ₹24,000
2. Minor child earned interest ₹18,000
3. Minor child earned ₹25,000 from singing competitions
4. Transferred FD to brother under revocable agreement → Interest ₹20,000

Compute income taxable in the hands of Mr. Anand.

Solution

Particulars	Amount (₹)
Interest from wife's investment	24,000
Minor child interest income	18,000
Less: Exemption u/s 10(32)	(1,500)
Revocable FD interest	20,000
Total Clubbed Income	60,500
Singing income of minor child not clubbed	

Q-11 From the following information, calculate the gross total income for the assessment year 2022-23 of Shri Jethalal. (5 Marks)

(1) His salary income is Rs. 9,50,000.

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- (2) Other income of his wife for the previous year is Rs. 3,75,000.
- (3) Minor daughter, Tapudi has owns a business. For the previous year ending 31-3-2022, her loss from business is Rs. 40000.
- (4) His son Tapu, whose date of birth is 31st July 2003, has a Rs. 9,00,000 fixed deposit in Bank of Baroda. (Rate of interest 6.5%)
- (5) On November 23, 2017, he gifted Rs. 6,00,000 to his wife. Including this amount, Rs. 15,00,000 was invested in the commencement of a new business by his wife. For the year ending 31-3-2022, the income of the business is Rs. 4,75,000.
- (6) His son Tapu has got the remuneration of Rs. 50,000 for working in the TV show 'Tarak Mehta.'

Q-12 From the following information, calculate the total gross income of Mr. Amitabh Bachchan for the AY 2025-26.

1. Income from the profession of Mr. Bachchan is Rs. 2, 40,000.
2. Mr. Bachchan has sold 2,500, 12 % debentures of Rs.100 each to his wife, Mrs. Jaya Bachchan, for Rs. 2, 00,000. The market value of the debentures on the date of transfer was Rs. 5,00,000.
3. Income from other sources of Mrs. Bachchan is Rs. 1,50,000.
4. Mr. Bachchan and Mrs Bachchan hold 30 % and 40 % equity shares in Aishwariya Ltd., respectively. They are also employee of the company. They are getting a monthly salary of Rs. 20,000 and Rs 25,000 respectively. Both have no professional qualifications for that.
5. Mr. Bachchan gifted a certain amount to his son, Abhishek (17 years old), on September 30, 2022. Abhishek has invested the amount for which interest of Rs. 9,600 was received on 31-03-2023.