

Sums on Clubbing of Income

For B.com 4th Semester

Teacher – Pampa Jana

- 1. Mr. X makes a gift of Rs. 1, 30,000 to Mrs. X which is invested by Mrs. X in her business. The following are the information relating to the business of Mrs. X for the year 2019-20:**

Total Capital in the business as on April 1, 2019	Rs. 7, 50,000
(Including Rs. 1, 30,000 gifted by Mr. X)	
Taxable Profit for the Year	Rs. 1, 50,000

Calculate the amount of profit from the said business to be clubbed with the income of Mr. X

SOLUTION:-

Amount of Profit from business of Mrs. X to be clubbed with the income of Mr. X

$$= \text{Profit from Business} \times \frac{\text{Amount of investment out of gift made by Mr. X on April 1, 2019}}{\text{Total Investment on April 1, 2019}}$$

$$= \text{Rs. 1, 50,000} \times \frac{\text{Rs. 1,30,000}}{\text{Rs.7, 50,000}}$$

$$= \text{Rs. 26,000 (Ans.)}$$

- 2. Mr. X makes a gift of Rs. 4, 50,000 to Mrs. X which is contributed by Mrs. X in a firm as Capital. Total Capital Contribution of Mrs. X on April 1, 2019 is Rs. 9, 00,000. Particulars of income of Mrs. X from the firm for the Year 2019-20 are as follows:-**

Share of Profit from the firm	Rs. 1, 30,000
Interest from the firm	Rs. 1, 08,000
Salary from the firm	Rs. 72,000

Calculate the income of Mrs. X from the firm to be clubbed with the income of Mr. X

SOLUTION:-

Only proportionate interest receivable by Mrs. X from the firm will be clubbed with the income of Mr. X. NO portion of the share of profit & salary receivable from the firm by Mrs. X will be clubbed with the income of the transferor. The amount to be clubbed with the income of Mr. X in respect of income of Mrs. X from the firm is computed as under:

$$= \text{Interest from the firm} \times \frac{\text{Capital contribution by Mrs. X out of property gifted by Mr. X on April 1, 2019}}{\text{Total Capital contribution by Mrs. X on April 1, 2019}}$$

$$= \text{Rs. 1, 08,000} \times \frac{\text{Rs. 4,50,000}}{\text{Rs.9, 00,000}}$$

$$= \text{Rs. 54,000 (Ans.)}$$

- 3. R is the minor child of Mr X (aged 45 years) & Mrs. X (aged 38 Years). Mr. X has business income of Rs. 2, 85,000 & Mrs. X has salary income of Rs. 2, 30,000. R earns income of Rs. 64,000 from a dancing programme. R also earns interest of Rs. 15,000 from a fixed deposit with a bank. Compute total income Of Mr. X, Mrs. X & R.**

SOLUTION:-

Computation of total Income of Mr. X, Mrs. X & R for the Assessment Year 2020-21

Particulars	Mr. X	Mrs. X	R
Business Income	2,85,000	----	-----
Income from Salary	-----	2,30,000	-----
Income from dancing Programme	-----	-----	64,000
Interest Income of R from Bank deposit – to be clubbed with the income of Mr. X subject to exemption u/s 10(32)[Rs. 15,000-Rs. 1,500]	13,500	-----	-----
Gross total Income	2,98,500	2,30,000	64,000
Less :- Deduction under Chapter VIA	NIL	NIL	NIL
Total Income	2,98,500	2,30,000	64,000

Notes –

- 1) Income of R from dancing programme is not clubbed with the income of the parent as per the proviso to section 64(1A)
- 2) Interest income of R is clubbed with the income of Mr. X after giving exemption u/s 10(32), as total income of Mr. X is higher than that of Mrs. X

- 4. From the particulars given below, compute the total income of Mr. B (aged 51 Years & resident in India) for the assessment year 2020-21**

- | | |
|--|---------------------|
| i. Income from business | Rs. 1,08,000 |
| ii. Income from minor son (singer by profession) | Rs. 15,000 |
| iii. Winning from lottery (gross) [ticket purchased in The name of Mr. B's minor daughter] | Rs. 8,500 |
| iv. Mr. B's wife is a government servant & her income Computed under the head salaries | Rs. 70,000 |
| v. Interest on Fixed deposit with SBI in the name of minor Daughter | Rs. 22,500 |

SOLUTION:-

Computation of total Income of Mr. B for the Assessment Year 2020-21

Particulars	Rs.	Rs.
Income from business		1,08,000
Winning from lottery purchased in the name of minor daughter	8,500	
Interest on Fixed deposit with SBI in the name of minor Daughter	22,500	
	31,000	
Less:- Exemption u/s 10(32)	1,500	
		29,500
Total Income		1,37,500

Note –

- 1) Minor daughter's income is clubbed with the income of Mr. B as total Income as Total Income of B is greater than that of Mrs. B
- 2) Income of Minor son of Rs. 15,000 is not clubbed with the income of Mr. B as he earned such income using personal skill [proviso to section 64(1A)]