

CHAPTER 9

CLUBBING OF INCOMES

MCQs

Q1: Income of a minor child who is suffering from disability of the nature as specified in Section 80U is

- (a) to be assessed in the hands of the minor child
- (b) to be clubbed with the income of that parent whose total income, before including minor's income, is higher
- (c) completely exempt from tax
- (d) to be clubbed with the income of father

Q2: Income arising to a minor married daughter is

- (a) to be assessed in the hands of the minor married daughter
- (b) to be clubbed with the income of that parent whose total income, before including minor's income, is higher
- (c) completely exempt from tax
- (d) to be clubbed with the income of her husband

Q3: Where a member of a HUF has transferred his self-acquired property for inadequate consideration into joint family property, income arising therefrom is

- (a) taxable as the income of the transferor member.
- (b) taxable in the hands of the HUF.
- (c) taxable in the hands of the karta of the HUF.
- (d) exempt from tax.

Q4: If the converted property is subsequently partitioned among the members of the family, the income derived from such converted property as is received by the spouse of the transferor will be taxable -

- (a) as the income of the karta of the HUF
- (b) as the income of the spouse of the transferor
- (c) as the income of the HUF.
- (d) as the income of the transferor-member

Q5: Exemption is available under section 10(32) when a minor's income is clubbed with the income of the parent. The maximum exemption available is

- (a) upto Rs. 1,500 in respect of each minor child
- (b) upto Rs. 1,500 in respect of each minor child subject to maximum of two children
- (c) upto Rs. 2,000 in respect of each minor child

(d) upto Rs. 2000 in respect of each minor child maximum of two children

Q6: MR. V gifts a sum of Rs. 1,00,000 to his brother's wife Mrs. B. Mr. B gifts a sum of Rs. 1,00,000 to Mrs. J. From the sum gifted to her, Mrs. B invests in a fixed deposit, income therefrom is Rs. 10,000. Aforesaid Rs. 10,000 will be included in the total income of

- (a) Mr. A
- (b) Mrs. A
- (c) Mrs. B
- (d) Mr. B

Q7: Scholarship received by a minor child is—

- (a) to be assessed in the hands of the minor child
- (b) to be clubbed with the income of that parent whose total income, before including minor's income, is higher
- (c) completely exempt from tax
- (d) to be clubbed with the income of father

Q8: Income of a minor child from a fixed deposit with a bank, made out of income earned from scholarship is -

- (a) to be assessed in the hands of the minor child
- (b) to be clubbed with the income of that parent whose total income, before including minor's income, is higher
- (c) completely exempt from tax
- (d) to be clubbed with the income of father

Q9: MR. V transfers income of Rs. 51,000 from rent to his major son without transfer of house property. Rent of Rs. 51,000 is -

- (a) taxable in the hands of the transferor-father
- (b) taxable in the hands of the his son
- (c) taxable in the hands of the that parent whose total income is higher
- (d) exempt from tax

Q10: Interest from a fixed deposit received by a minor married daughter is

- (a) to be assessed in the hands of the minor child
- (b) to be clubbed with the income of that parent whose total income, before including minor's income, is higher
- (c) completely exempt from tax
- (d) to be clubbed with the income of her husband

Q11: Master J has earned an interest of Rs. 5,000 on bank fixed deposits. MR. V has let out the house from which he has earned Rs. 2,00,000 as rent and has paid municipal taxes of Rs. 5,000 and Mrs. J is a government employee getting basic salary of Rs. 2,40,000 and the entertainment allowance of Rs. 60,000. Income of Master J will be clubbed in income of

- (a) MR. V
- (b) Mrs. J
- (c) Any one of them at the choice of Master J
- (d) Any one of them at the choice of Assessing Officer

Q12: MR. V and Mrs. J hold 15% and 10% shares in a concern and both are employed by that firm getting the monthly salary of Rs. 20,000 respectively. Their remuneration does not match their technical or professional skills or experience. Apart from the salary Income MR. V has earned Rs. 2,00,000 from cloth business whereas Mrs. J has earned Rs. 2,00,000 as rent of the house property. MR. V has invested Rs. 50,000 in PPF account and another Rs. 50,000 in NSC. While Mrs. J has invested Rs. 1,00,000 in NSC and has donated Rs. 10,000 to PMNRF. Whose total income will be higher for clubbing of remuneration of both of them?

- (a) MR. V
- (b) Mrs. J
- (c) Both have equal income
- (d) NA

Q13: Transfer of income without the transfer of the asset shall be taxable for

- (a) transferor or transferee at their mutual consent
- (b) only for the transferor
- (c) only for the transferee
- (d) neither for the transferee nor for the transferor

Q14: If there is a transfer of asset which is not revocable during the life time of the transferee, income arising from such asset shall be included in the income of:

- (a) transferor
- (b) transferee
- (c) transferee till his death and thereafter in the hands of the transferor
- (d) transferor or transferee at their mutual consent

Q15: For the provisions of clubbing of incomes to calculate substantial interest we consider the holding of:

- (a) the individual only
- (b) the individual & his spouse taken together

- (c) the individual along with his relatives
- (d) the individual & his spouse taken separately

Q16: MR. V transfers the house property to Mrs. J without adequate consideration, then income from such house property shall be subject to the provisions of:

- (a) section 64(1)(iv)
- (b) section 26
- (c) section 27
- (d) section 64(1 A)

Q17: MR. V gifts Rs. 1,00,000 to Mrs. J on 10/4/2017, who invested the same in the business of cloth which is being run by her for last 3 years. Mrs. J earns Rs. 20,000 as profits from such business for the AY 2021-2022 i.e. PY 2020-2021. What amount will be in the income of MR. V:

- (a) Rs. 20,000
- (b) Rs. 10,000
- (c) Rs. 1,20,000
- (d) NIL

Q18: As per section 64(1 A) income of a minor shall be clubbed in the income of:

- (a) a parent whose income before this clubbing is greater
- (b) father
- (c) mother
- (d) father or mother at the option of minor child

Q19: When income of minor child is clubbed in the income of the parent, such parent will be allowed exemption of:

- (a) Rs. 1,500 pm
- (b) Rs. 1,500 pa per minor child
- (c) to the extent of actual income clubbed or Rs. 1,500 pa per minor child, whichever is less.
- (d) No exemption is allowed

Q20: When income of minor child is clubbed in the income of the parent such parent will be allowed exemption of Rs. 1,500 pa per child under section of:

- (a) 10(1)
- (b) 10(2)
- (c) 10(2A)
- (d) 10(32)

Q21: MR. V transfers the house property to his minor child without adequate consideration, then income such house property shall be:

- (a) clubbed in the income of MR. V as per section 27 and exemption of Rs. 1,500 shall be allowed
- (b) clubbed in the income of MR. V as per section 27 but exemption of Rs. 1,500 shall not be allowed
- (c) clubbed in the income of MR. V as per section 64(1 A) but exemption of Rs. 1,500 shall not be allowed
- (d) clubbed in the income of MR. V as per section 64(1 A) and exemption of Rs. 1,500 shall be allowed

Q22: If both of the parents of child have died then his income shall be:

- (a) exempt from tax.
- (b) taxable for the guardian who maintains the child
- (c) shall be taxable for child who has earned it
- (d) taxable for dead parents.

Q23: If the marriage of the parents does not subsist, the income of the minor child shall be clubbed in the income of:

- (a) father or mother who is loved more
- (b) parent who maintains the child
- (c) father or mother whose income is higher
- (d) neither with mother nor with father, but shall be taxable for child itself

Q24: If any income has to be clubbed under section 64, it will be clubbed under the:

- (a) head of income from other sources
- (b) relevant head to which it belongs
- (c) none of these two

Q25: When the income of the individual includes Rs. 20,000 as the income of the minor child in terms of section 64(1 A), taxable income in this respect will be?

- (a) Nil
- (b) Rs. 20,000
- (c) Rs. 18,500
- (d) None of the above

Q26: MR. V receives salary of Rs. 1,00,000 from GGC Ltd., Mrs. J receives salary of Rs. 1,50,000 from GGC Ltd. Both of them have substantial interest in company. Other Income of MR. V and Mrs. J excluding such remuneration is Rs. 10,00,000 and Rs. 12,00,000 respectively. Taxable income of MR. V and Mrs. J shall be

- (a) Rs. 11,50,000, Rs. 13,50,000
- (b) Rs. 11,00,000, Rs. 13,50,000
- (c) Rs. 12,50,000, Rs. 12,00,000
- (d) Rs. 10,00,000, Rs. 13,70,000

Q27: MR. V as on 1/10/2019 transferred shares without consideration to his fiancée, Ms J. They got married on 1/4/2020. For the AY 2021-2022 i.e. PY 2020-2021 Income from share shall be assessed in hands of

- (a) MR. V
- (b) Ms. J
- (c) Any of the above, with their mutual consent
- (d) Neither of the above

Q28: Gold funds were transferred by MR. V to Mrs. J under an agreement to live apart. Income from gold funds shall be assessed in the hands of

- (a) MR. V
- (b) Mrs. J
- (c) Any of the above, with their mutual consent
- (d) Neither of the above

Q29: To apply clubbing provisions under Section 64(1)(iv), the relation of husband and wife must exist at the time of:

- (a) Only at the time of transfer of asset
- (b) only at the time of accrual of income
- (c) Both at the time of transfer of asset and accrual of income
- (d) Shall be at any time of accrual or any time of transfer

Q30: MR. V transferred shares of Indian companies to his wife, Mrs. J. The shares were sold by Mrs. J and Capital Gain was earned. The capital gains so computed shall be clubbed in the hands of MR. V.

- (a) Correct
- (b) Incorrect
- (c) Clubbing not applicable
- (d) None of the above.

Q31: MR. V formed a trust for the benefit of his wife. The income of trust meant for the benefit of Mrs. shall be assessed in the hands of

- (a) Mrs. J
- (b) MR. V

(c) Both for MR. V and Mrs. J

(d) None of MR. V and Mrs. J

Q32: Mrs. J has invested Rs. 5,00,000 in firm. As on 1/4/2018, out of total investment of Rs. 5,00,000, Rs. 3,00,000 is on account of money given by her husband. During the AY 2019-2020 i.e. PY 2018-2019, she earned interest of Rs. 50,000 and profit of NIL from the firm. Out of this amount taxable for MR. V should be

(a) Nil, Rs. 30,000

(b) Rs. 30,000, Nil

(c) Nil, Nil

(d) Rs. 30,000, Rs. 30,000

Q33: 710,00,000 earned by minor child from manual activity is invested in FDR. He earns 7 10,000 as interest from FDR during the AY 2019-2020 i.e. PY 2018-2019. 710,00,000 and 710,000 shall be assessed in the hands of

(a) Minor child, Minor child

(b) Minor child, Parent

(c) Parent, Parent

(d) Parent, Minor child

Q34: An individual has 3 minor children each having income of 72,000. What amount shall be taxable in the hands of individual ?

(a) 76,000

(b) 74,000

(c) 71,500

(d) Nil

Q35: MR. V has 4 minor children: 2 daughters and 2 sons. Annual income of 2 daughters was 77,500 and 75,000 and of sons was 75,500 and Rs. 1,250 respectively. The daughter having income of 75,000 is 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. V

(a) Rs. 13,250

(b) 710,000

(c) 719,250

(d) 79,750

Q36: Income from asset transferred to spouse will be taxable in the hands of transferor if:

(a) Asset has been transferred in pursuance of an agreement to live apart

- (b) Asset was transferred for an adequate consideration
- (c) Asset was transferred before marriage
- (d) Asset was transferred for inadequate consideration

Q37: For the purpose of clubbing of income of the specified person in the income of the individual under section 64, the word 'income' includes ?

- (a) Loss
- (b) Expenses
- (c) Interest .
- (d) All of the above

Q38: In which following situation, income of minor child shall be clubbed in the income of parents

- (a) Income of child suffering from disease mentioned in 80U
- (b) Income earned by child from manual work
- (c) Income of child from interest on FDR
- (d) Income earned from an activity involving skill

Q39: Mrs. J received salary of 74,00,000 from a firm where her husband has 16% profit share. Mrs. J does not have any qualification or experience or skill to match this remuneration. Apart from above amount, the income of Mrs. J is 73,50,000. Income taxable for MR. V and Mrs. J is

- (a) MR. V: 77,50,000, Mrs. J: Nil
- (b) MR. V: Nil, Mrs. J: 77,50,000
- (c) MR. V: 74,00,000, Mrs. J: 73,50,000
- (d) None of the above

Q40: At the time of fixation of marriage of his son, MR. V gifted land to his would be daughter in law. The marriage was held in the month subsequent to the date of transfer. The income accruing on land after marriage shall be taxable in the hands of

- (a) MR. V
- (b) Daughter in law
- (c) Equally in hands of a) and b)
- (d) None of the above

Q41: Shares of ABC Ltd were transferred by MR. V to Mrs. J for 71,00,000, which is the FMV of such shares. Income from shares so transferred shall be taxable in the hands of

- (a) MR. V

- (b) Mrs. J
- (c) Both a) and b)
- (d) None of above

Q42: If there is a transfer of income by a person to another person without the transfer of the asset from which the income arises, such income shall be included in the income of:

- (a) Transferor
- (b) Transferee
- (c) Transferor if transfer is revocable
- (d) Transferee if transfer is irrevocable

Q43: If there is revocable transfer of an asset by any person to another person, any income arising from such asset shall included in the income of:

- (a) Transferor
- (b) Transferee
- (c) Both transferor & transferee
- (d) None of the above

Q44: Where spouse of an individual gets any remuneration from a concern in which such individual has substantial interest, then such remuneration shall be included in the income of individual:

- (a) In all cases
- (b) Only when such remuneration is received by the spouse due to his/her technical or professional qualification
- (c) In all cases except when remuneration is received by the spouse due to his/her technical or professional qualifications
- (d) Clubbing shall not be done in any case

Q45: As per section 64(1)(iv), there shall be included in the income of an individual, any income arising from the gift to the spouse of

- (a) Any capital asset
- (b) Any asset
- (c) Any asset other than house property
- (d) Any asset other than residential property

Q46: Clubbing provisions under section 64(1)(vi) are applicable where the asset is transferred by an individual without an adequate consideration to:

- (a) Daughter's husband

- (b) Daughter in law
- (c) Minor child
- (d) Spouse

Q47: MR. V gifts Rs. 15,00,000 to his wife who invested the same in the partnership business. Mrs. J receives Rs. 3,35,000 as her share of profits from such firm. In this case amount to be clubbed in the income of MR. V shall be:

- (a) Rs. 3,35,000
- (b) Rs. 85,000 after giving maximum exemption of Rs. 2,50,000 to Mrs. J
- (c) No amount is to be clubbed
- (d) Rs. 15,00,000

Q48: Accretion of income will not be clubbed with the income of the assessee who transfers such income to some other person

- (a) True
- (b) False

Q49: Income of a minor will not be clubbed with his/her parent's income if

- (a) Such income is earned by that child by applying his/her physical labour, talent or any specialized knowledge
- (b) Child is illiterate
- (c) Parents are handicapped
- (d) The child does not give her consent

Q50: If both parents are earning then income of a minor child will be clubbed with

- (a) Income of parent having higher income
- (b) Proportionately with both parent's income
- (c) Income of parent having lower income
- (d) Will not be clubbed and will be taxable for child

ANSWERS TO ABOVE QUESTIONS

1	a	2	b	3	a	4	d	5	a	6	d	7	c	8	b	9	a	10	b
11	c	12	a	13	b	14	b	15	c	16	c	17	d	18	a	19	c	20	d
21	b	22	c	23	b	24	b	25	c	26	d	27	b	28	b	29	c	30	a
31	b	32	b	33	b	34	c	35	b	36	d	37	d	38	c	39	c	40	b
41	a	42	a	43	a	44	c	45	c	46	b	47	c	48	a	49	a	50	a