



Law Commission Submits Report No.-265

Posted On: 20 MAR 2017 5:48PM by PIB Delhi

The Punjab and Haryana High Court, while dealing with the case Payal Meehta v. Sanjay Sarin, 2016 by its judgment and order dated 27.01.2016 referred the matter to the Law Commission of India for consideration as to whether the provisions of Section 64(1A) of the Income Tax Act, 1961 require an amendment to provide for exemption from clubbing of minor's income accruing by way of interest on the amount deposited by one of the parents of the minor child as maintenance, at the hands of parent/guardian under an order of the court. The plea taken in this case is that the interest on the amount of maintenance deposited in the name of minor child should not be subjected to tax.

In view of the above, the Commission examined the various provisions of the Income Tax Act, 1961 including legislative history of Section 64(1A), Report of the Dr Raja J Chelliah Committee and case laws on the subject and submitted its **Report No. 265** titled **Prospects of Exempting Income arising out of Maintenance Money of 'Minor'**, to the Government on 20.03.2017.

In para 11 of the Report, the Law Commission has recommended that income earned by way of interest on the amount of maintenance deposited in favour of the child does not require to be exempted from being clubbed with the income of the parent/guardian; as such exemption, if granted, would open flood gates of tax evasion and would defeat the very object of inserting the provisions of Section 64(1A) of the Income Tax Act, 1961.

NNK/MD

(Release ID: 1485000) Visitor Counter : 213

