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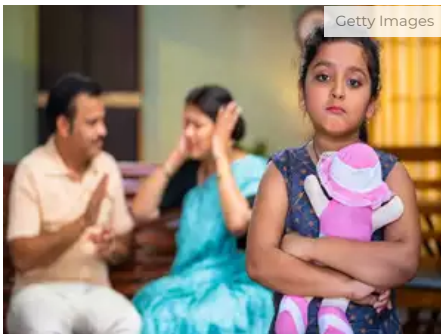
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Which parent will pay the income tax on gains made from selling investment in minor child's name after divorce?

Synopsis

When parents are married, it is the responsibility of the highest earning parent to pay income tax on gains or returns received on investments made in the name of the minor. However the situation changes when the parents are divorced, nonetheless income tax must be paid still. Read here to know which parent has to pay income tax on behalf of minor after the divorce.



Got divorce after investment in minor child's name, which parent will pay the income tax on returns?

Any income accrued or received on **investments** made in the name of a **minor child** is clubbed with the income of the parent as the case be. However, what happens when parents are separated or get divorced, which parent will have to take care of **tax liabilities** related to the minor child?

Most of the parents going through such a phase of life are not aware of this taxation aspect of their divorce. In case of divorce, minor's incomes are clubbed, i.e. included with the total income of the parent who maintains the minor child after divorce.

"In case the marriage of the parents does not subsists (such as divorce), the income/gains shall be clubbed with the income of the parent who has maintained the child during the year. Usually when the parents are married, any income on investments and capital gains arising on sale of investments made by the parents in their minor child's name shall be included in the gross

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total income of the higher-earning parent," says Dr Suresh Surana, Founder, RSM India, a tax and business consulting group.

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How will minor child's income get clubbed with the divorced parent?

While the law makes it clear that the parent who maintains the child has to pay the **income tax** liability of the minor child, arguments could arise when the child is being jointly maintained by both parents. It may happen that both the father and mother are earning an income and they both equally contribute to the maintenance of their child, even after a divorce. Hence, both parents might argue about who gets the responsibility to pay income tax on their minor child's investment income.

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"It can be asserted that the parent responsible (as per the Divorce's terms) for

SECTIONS

Which parent will pay the income tax on gains made from selling investment in minor child's name after divorce?

the child i.e. one who has custody. Accordingly, the minor child's income will be clubbed with that parent's income," says Rahul Singh, senior manager, advisory and research, Taxmann.

Tax experts say that the responsibility of paying income tax on behalf of the minor child cannot be split between the **divorced parents**. Either one of the parents has to bear the full responsibility for paying income tax on the gains of



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the minor. "Parents will not get any excuse from not paying tax on behalf of a minor's income. If there is a gain made on investment in the name of minor then as per the Income-tax act, demand of tax if any, will be recovered from the divorced parent by the Income Tax Department. It is not possible to split the income tax implications of gains made from minor child's investments in equal or any other ratio," says chartered accountant Abhishek Jain, partner, Kailash Chand Jain & Co.

So divorced parents must have a clear demarcation and communication regarding the tax liability related to the minor child.

Situations which can lead to problems in divorce cases

Sometimes divorces are amicably settled, while sometimes it is a long-contested fight in court. In the event of a contested divorce, multiple contestations, allegations, interpretations can lead to problems. One such case is maintenance expenses of the minor child and responsibility for paying income tax on the minor's behalf. It could happen that none of the parents would want to take up the responsibility for paying income tax on behalf of their minor child.

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According to Surana, "In case of divorce, the parent who maintains the minor child would be mandatorily required to pay tax on their minor child's income owing to the [clubbing provisions](#). In case such parent as designated to pay taxes denies bearing the income tax, they may be subjected to interest and penal consequences for non-payment and/or under reporting of income. They may be liable for penalty under section 270A up to 50% of the tax for under-reporting of income in the tax return."

Experts say that even if the parents argue about the minor's income tax responsibility because one of the parents majorly bore the minor's maintenance expenses, it is not a valid excuse for not paying tax. In the absence of the final settlement during divorce proceedings if one parent paid the tax that does not mean the same parent has to bear it after the divorce. The parent who is maintaining the minor child after divorce has to pay the income tax on behalf of the minor, irrespective of the fact that before the divorce which parent contributed how much money for the child's wellbeing.

"The provisions of the Income-tax act do not provide for such exclusion to

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allow parents to excuse themselves from paying taxes on their minor child's income solely because he or she bore the maintenance expenses of the child before the divorce. Therefore, the parent maintaining the child after the divorce would be mandatorily subjected to clubbing provisions and needs to pay the necessary tax on the minor child's income," says Surana.

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Tax planning made simple: Here's how health insurance can save your money

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Synopsis

Maximize tax savings with health insurance under Section 80D. Choose a plan with comprehensive coverage, include senior citizen parents, pay premiums on time, and maintain records.



ET Spotlight

As the financial year draws to a close on March 31, many of us find ourselves in the familiar scramble to maximise our tax savings. We look for ways to invest our hard-earned money wisely while also ensuring that we can provide for our family's future. One often overlooked but incredibly valuable avenue for both financial security and

tax savings is health insurance. It not only protects our health but also offers a unique opportunity to save on taxes through deductions under Section 80D of the Income-tax Act.

Understanding Section 80D

The premium amount paid for health insurance is tax-deductible under Section 80D of the Income-tax Act. This section allows individuals to claim deductions of up to Rs. 1 lakh per year for premiums paid towards health insurance policies for themselves, their spouse, children, and parents. Here's how the deduction works:

- 1. For self, spouse, and dependent children:** You can claim a deduction of up to Rs. 25,000 per year for the health insurance premiums paid for yourself, your spouse, and dependent children. If you or your spouse is a senior citizen (aged 60 years or above), the maximum deduction allowed is Rs. 50,000 per year.
- 2. For parents:** You can claim an additional deduction of up to Rs. 25,000 per year for the health insurance premiums paid for your parents. If either of your parents is a senior citizen, the maximum deduction allowed is Rs. 50,000 per year.
- 3. Aggregate limit:** The total deduction available under Section 80D, including premiums paid for self, family, and parents, cannot exceed Rs. 1 lakh per year. If you and your parents are senior citizens, the maximum deduction limit increases to Rs. 1.5 lakh per year.

It's important to note that to claim this deduction, the premium must be paid from your taxable income. The deduction is available regardless of whether the policy is purchased for yourself, your spouse, children, or parents. By

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investing in health insurance, you not only secure your family's health but also enjoy tax benefits*, making it a valuable financial planning tool.

Making the most of your tax savings

To make the most of your tax savings through health insurance, let's consider the following:

- 1. Choosing a comprehensive plan:** Select a health insurance plan that provides comprehensive coverage for your family's healthcare needs. Ensure that the premium amount falls within the limits specified under Section 80D to avail of the tax benefits*.
- 2. Including senior citizens in the plan:** If you have senior citizen parents, including them in your health insurance plan can help you claim a higher deduction under Section 80D.
- 3. Timely payment of premiums:** Paying your health insurance premiums on time is crucial to avail of the tax benefits*. Late payments may lead to the loss of tax deductions.
- 4. Maintaining records:** Keeping records of all your health insurance premiums and payments is essential. These records will be required when filing your tax returns.

Reliance General Insurance's health insurance portfolio for maximum tax* and health benefits

Reliance General Insurance hosts a wide portfolio of health insurance policies that are tailored to meet the diverse needs of individuals and families while allowing you to maximise your tax benefits*. Let's explore how some of the popular health insurance, such as Reliance Health Global, Reliance Health Infinity Insurance, Reliance Health Gain Policy, and Reliance Health Super Top Up, can support you in various ways:

- 1. Reliance Health Global Insurance:** Reliance Health Global is a comprehensive international health insurance policy that offers extensive coverage globally, including in the US and Canada. With a Sum Insured of up to USD 1 million, it covers planned treatments like heart surgeries, joint replacements, and neurosurgery. What sets it apart is its unique feature of covering emergency and planned treatments within India with an unlimited Sum Insured^, making it a standout among international health insurance policies. Additionally, it provides access to a vast network of medical specialists and covers travel, accommodation, and visa assistance, ensuring you can focus on your treatment without worrying about financial or logistical burdens.

Whether undergoing major surgery or seeking specialised treatment abroad, this policy ensures you receive the best care without the burden of hefty

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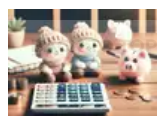
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medical bills or logistical hassles.

2. Reliance Health Infinity Insurance: [Reliance Health Infinity Insurance](#) is a comprehensive health insurance plan that offers extensive coverage without being financially burdensome. With coverage up to Rs.5 crore, extended pre and post-hospitalisation coverage, and additional benefits like unlimited restore benefit, OPD cover, and maternity cover, it provides ample protection at attractive discounts.

Be it a major illness, need for regular medical check-ups, or assistance with maternity planning, this plan provides comprehensive support without straining your finances.

3. Reliance Health Gain Policy: [Reliance Health Gain Policy](#) is a comprehensive health insurance plan that offers flexibility and customisation to suit your needs. With coverage up to ₹1 crore, unlimited restoration of your sum insured, and no limits on room rent, it provides extensive coverage for medical emergencies. It ensures that you receive quality treatment without the financial burden, allowing you to prioritise your health and well-being. With Reliance Health Gain Policy, you can customise your policy to fit your needs and enjoy peace of mind knowing you're protected.

This plan offers a reassuring safety net in times of medical need, ensuring you and your loved ones receive quality care without worrying about the financial burden.

4. Reliance Health Super Top-Up: Reliance Health Super Top-Up is your ultimate backup plan for unexpected medical emergencies. Imagine a scenario where your hospital bill exceeds your current health insurance limit – leaving you with a hefty out-of-pocket expense. This policy steps in to provide additional coverage, offering a sum insured between Rs 5 lakh and Rs 1.30 crore. With benefits like worldwide emergency coverage, maternity cover, and discounts up to 35%**, it ensures you can focus on your health without worrying about the costs. It's the safety net you can rely on, giving you peace of mind in any medical emergency situation.

Reliance Health Super Top Up offers peace of mind by providing additional coverage when your medical expenses exceed your existing health insurance limit, ensuring financial security during unforeseen emergencies.

In a nutshell

Health insurance is not just a financial product; it's a crucial tool for ensuring your well-being and financial security. With medical costs rising and healthcare becoming increasingly complex, having the right health insurance policy can provide you with the peace of mind you need. Whether it's covering unexpected medical expenses, ensuring access to quality healthcare, or offering tax benefits, health insurance plays a vital role in safeguarding you

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and your family.

As the end of the financial year approaches, you might want to consider investing in [health insurance](#) to secure your family's health and maximise your tax savings side by side.

Disclaimers:

^Unlimited is not available under the Floater plan for Reliance Health Global's India Cover

**Tax benefits are subject to conditions under Section 80D of the Act and amendments thereof. The tax laws are subject to amendments/changes from time to time. Please consult your tax advisor for details.*

***Maximum discount applicable per policy is 35%.*

(This article is generated and published by ET Spotlight team. You can get in touch with them on etspotlight@timesinternet.in)

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