

Minor child turns major: Do this to avoid mutual fund account being frozen

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Income tax implications of conversion of minor's mutual fund status from minor to major

Any gains made from investments made in the name of the minor while the child is a minor are clubbed with the income of the higher-earning parent.

"However, once a child becomes major, and sells investments that were initially made in their name when they were a minor, the said incomes won't be clubbed with the highest earning parent. As the adult child is now considered a separate taxpayer, they are required to file their income tax returns," says Neeraj Agarwala, partner, Nangia Andersen India, a tax and business consulting group.

It is the responsibility of the adult child to pay their taxes on time even if the gains are from investments made by their parents when the child was a minor.

"Parents, in such cases, are generally not held accountable for the tax affairs of their adult children," says Agarwala.