

CA
Intermediate

DIRECT TAXATION

CA BHANWAR BORANA

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Basic Concepts & General Tax Rates

Question 1

Mr. X has a total income of ₹ 12,00,000 comprising of his salary income and interest on fixed deposit. Compute his tax liability.

Question 2

Compute the tax liability of Mr. A (aged 42), having total income of ₹ 51 lakhs for the Assessment Year 2020-21. Assume that his total income comprises of "Salary income",

"Income under the head house property" and "Interest from Saving Bank Account".

Question 3

- (a) Compute the tax liability of Mr. A (aged 42), having total income of ₹ 1,01,00,000 for the Assessment Year 2020-21. Assume that his total income comprises of "Salary income", "Income under the head house property" and "Interest from fixed deposit Account".
- (b) Suppose Total income of Mr. A is ₹ 2,07,20,000 Compute tax liability.
- (c) Suppose Total income of Mr. A is ₹ 5,14,00,000 Compute tax liability.

Question 4

Compute the marginal relief available to X Ltd., a domestic company, assuming that the total income of X Ltd. is ₹ 1,01,00,000 for A.Y. 2020-21 and the total income does not include any income in the nature of capital gains.

[Note - The gross receipts of X Ltd. for the P.Y.2017-18 is ₹ 470 crore]

Question 5

Compute the marginal relief available to Y Ltd., a domestic company, assuming that the total income of Y Ltd. for A.Y. 2020-21 is ₹ 10,01,00,000 and the total income does not include any income in the nature of capital gains.

[Note - The gross receipts of Y Ltd. for the P.Y.2017-18 is ₹ 490 crore]

Question 6

Mr. Raghav aged 26 years, has a total income of ₹ 3,40,000, comprising his salary income and interest on bank fixed deposit. Compute his tax liability for A.Y. 2020-21.

Question 7

State any four instances where the income of the previous year is assessable in the previous year itself instead of the assessment year.

Solution

The income of an assessee for a previous year is charged to income-tax in the assessment year following the previous year. However, in a few cases, the income is taxed in the previous year in which it is earned. These exceptions have been made to protect the interests of revenue. The exceptions are as follows:

- (i) Where a ship, belonging to or chartered by a non-resident, carries passengers, livestock, mail or goods shipped at a port in India, the ship is allowed to leave the port only when the tax has been paid or satisfactory arrangement has been made for payment thereof. 7.5% of the freight paid or payable to the owner or the charterer or to any person on his behalf, whether in India or outside India on account of such carriage is deemed to be his income which is charged to tax in the same year in which it is earned.
- (ii) Where it appears to the Assessing Officer that any individual may leave India during the current assessment year or shortly after its expiry and he has no present intention of returning to India, the total income of such individual for the period from the expiry of the respective previous year up to the probable date of his departure from India is chargeable to tax in that assessment year.
- (iii) If an AOP/BOI etc. is formed or established for a particular event or purpose and the Assessing Officer apprehends that the AOP/BOI is likely to be dissolved in the same year or in the next year, he can make assessment of the income up to the date of dissolution as income of the relevant assessment year.
- (iv) During the current assessment year, if it appears to the Assessing Officer that a person is likely to charge, sell, transfer, dispose of or otherwise part with any of his assets to avoid payment of any liability under this Act, the total income of such person for the period from the expiry of the previous year to the date, when the Assessing Officer commences proceedings under this section is chargeable to tax in that assessment year.
- (v) Where any business or profession is discontinued in any assessment year, the income of the period from the expiry of the previous year up to the date of such discontinuance may, at the discretion of the Assessing Officer, be charged to tax in that assessment year.

Question on Computation of Total Income**Question 8**

Miss Charlie, an American national, got married to Mr. Radhey of India in USA on 2.03.2019 and came to India for the first time on 16.03.2019. She left for USA on 19.9.2019. She returned to India again on 27.03.2020. While in India, she had purchased a show room in Mumbai on 22.04.2019, which was leased out to a company on a rent of ₹ 25,000 p.m. from 1.05.2019. She had taken loan from a bank for purchase of this show room on which bank had charged interest of ₹ 97,500 upto 31.03.2020. She had received the following gifts from her relatives and friends during 1.4.2019 to 31.3.2020:

- From parents of husband ₹ 51,000
- From married sister of husband ₹ 11,000
- From two very close friends of her husband, ₹ 1,51,000 and ₹ 21,000 ₹ 1,72,000

Determine her residential status and compute the total income chargeable to tax along with the amount of tax payable on such income for the Assessment Year 2020-21.

Question 9

Dr. Niranjana, a resident individual, aged 60 years is running a clinic. Her Income and Expenditure Account for the year ending March 31st, 2020 is as under:

Expenditure	₹	Income	₹
To Medicine consumed	35,38,400	By Consultation and medical charges	58,85,850
To Staff salary	13,80,000	By Income-tax refund (principal ₹ 5,000, interest ₹ 450)	5,450
To Clinic consumables	1,10,000	By Dividend from units of UTI	10,500
To Rent paid	90,000	By Winning from game show on T.V. (net of TDS of ₹ 15,000)	35,000
To Administrative expenses	2,55,000	By Rent	27,000
To Amount paid to scientific research association approved under section 35	1,50,000		
To Net profit	4,40,400		
	59,63,800		59,63,800

- (i) Rent paid includes ₹ 30,000 paid by cheque towards rent for her residential house in Surat.
- (ii) Clinic equipments are:

1.4.2019	Opening W.D.V.	- ₹ 5,00,000
7.12.2019	Acquired (cost) by cheque	- ₹ 2,00,000
- (iii) Rent received relates to property situated at Surat. Gross Annual Value ₹ 27,000. The municipal tax of ₹ 2,000, paid in December, 2019, has been included in "administrative expenses".
- (iv) She received salary of ₹ 7,500 p.m. from "Full Cure Hospital" which has not been included in the "consultation and medical charges".
- (v) Dr. Niranjana availed a loan of ₹ 5,50,000 from a bank for higher education of her daughter. She repaid principal of ₹ 1,00,000, and interest thereon ₹ 55,000 during the year 2019-20.
- (vi) She paid ₹ 1,00,000 as tuition fee (not in the nature of development fees/donation) to the university for full time education of her daughter.
- (vii) An amount of ₹ 28,000 has also been paid by cheque on 27th March, 2020 for her medical insurance premium.

From the above, compute the total income of Dr. Smt. Niranjana for the A.Y. 2020-21.

Question 10

Ms. Purvi, aged 55 years, is a Chartered Accountant in practice. She maintains her accounts on cash basis. Her Income and Expenditure account for the year ended March 31, 2020 reads as follows:

Expenditure	(₹)	Income	(₹)	(₹)
Salary to staff	15,50,000	Fees earned:		
Stipend to articled assistants	1,37,000	Audit	27,88,000	
Incentive to articled assistants	13,000	Taxation services	15,40,300	
		Consultancy	12,70,000	55,98,300
		Dividend on shares of Indian companies (Gross)		10,524
Office rent	12,24,000	Income from UTI		7,600
Printing and stationery	12,22,000	Honorarium received from various institutions for valuation of answer papers		15,800
Meeting, seminar and Conference	31,600	Rent received from residential flat let out		85,600
Purchase of car	80,000			
Repair, maintenance and petrol of car	4,000			
Travelling expenses	5,25,000			
Municipal tax paid in respect of house property	3,000			
Net Profit	9,28,224			
	57,17,824			57,17,824

Other Information:

- Allowable rate of depreciation on motor car is 15%.
- Value of benefits received from clients during the course of profession is ₹ 10,500.
- Incentives to articled assistants represent amount paid to two articled assistants for passing IPCC Examination at first attempt.
- Repairs and maintenance of car include ₹ 2,000 for the period from 1-10-2019 to 30-09-2020.
- Salary include ₹ 30,000 to a computer specialist in cash for assisting Ms. Purvi in one professional assignment.

- (vi) The travelling expenses include expenditure incurred on foreign tour of ₹ 32,000 which was within the RBI norms.
- (vii) Medical Insurance Premium on the health of dependent brother and major son dependent on her amounts to ₹ 5,000 and ₹ 10,000, respectively, paid in cash.
- (viii) She invested an amount of ₹ 10,000 in National Saving Certificate.

Compute the total income and tax payable of Ms. Purvi for the assessment year 2020-21.

Question 11

Mr. Y carries on his own business. An analysis of his trading and profit & loss for the year ended 31-3-2020 revealed the following information:

- (1) The net profit was ₹ 11,20,000.
- (2) The following incomes were credited in the profit and loss account:
 - (a) Dividend from UTI ₹ 22,000.
 - (b) Interest on debentures ₹ 17,500.
 - (c) Winnings from races ₹ 15,000.
- (3) It was found that some stocks were omitted to be included in both the opening and closing stocks, the value of which were:
 - Opening stock ₹ 8,000.
 - Closing stock ₹ 12,000.
- (4) ₹ 1,00,000 was debited in the profit and loss account, being contribution to a University approved and notified under section 35(1)(ii).
- (5) Salary includes ₹ 20,000 paid to his brother which is unreasonable to the extent of ₹ 2,500.
- (6) Advertisement expenses include 15 gift packets of dry fruits costing ₹ 1,000 per packet presented to important customers.
- (7) Total expenses on car was ₹ 78,000. The car was used both for business and personal purposes. $\frac{3}{4}$ th is for business purposes.
- (8) Miscellaneous expenses included ₹ 30,000 paid to A & Co., a goods transport operator in cash on 31-1-2020 for distribution of the company's product to the warehouses.
- (9) Depreciation debited in the books was ₹ 55,000. Depreciation allowed as per Income-tax Rules, 1962 was ₹ 50,000.
- (10) Drawings ₹ 10,000.
- (11) Investment in NSC ₹ 15,000.

Compute the total income of Mr. Y for the assessment year 2020-21.

Question 12

Mr. Rajiv, aged 50 years, a resident individual and practicing Chartered Accountant, furnishes you the receipts and payments account for the financial year 2019-20.

Receipts and Payments Account

Receipts	₹	Payments	₹
Opening balance (1.4.2019)	12,000	Staff salary, bonus and stipend to articled clerks	21,50,000
Cash on hand and at Bank			
Fee from professional services	59,38,000	Other administrative expenses	11,48,000
Rent	50,000	Office rent	30,000
Motor car loan from Canara Bank (@ 9% p.a.)	2,50,000	Housing loan repaid to SBI (includes interest of ₹ 88,000)	1,88,000
		Life insurance premium	24,000
		Motor car (acquired in Jan. 2020 by A/c payee cheque)	4,25,000
		Medical insurance premium (for self and wife)	18,000
		Books bought on 1.07.2019 (annual publications by A/c payee cheque)	20,000
		Computer acquired on 1.11.2019 by A/c payee cheque (for professional use)	30,000
		Domestic drawings	2,72,000
		Public provident fund subscription	20,000
		Motor car maintenance	10,000
		Closing balance (31.3.2020)	19,15,000
		Cash on hand and at Bank	
	62,50,000		62,50,000

Following further information is given to you:

- (1) He occupies 50% of the building for own residence and let out the balance for residential use at a monthly rent of ₹ 5,000. The building was constructed during the year 1997-98, when the housing loan was taken.
- (2) Motor car was put to use both for official and personal purpose. One-fifth of the motor car use is for personal purpose. No car loan interest was paid during the year.
- (3) The written down value of assets as on 1-4-2019 are given below:

Furniture & Fittings	₹ 60,000
Plant & Machinery	₹ 80,000
(Air-conditioners, Photocopiers, etc.)	
Computers	₹ 50,000

Note: Mr. Rajiv follows regularly the cash system of accounting.

Compute the total income of Mr. Rajiv for the assessment year 2020-21.

Question 13

From the following details, compute the total income of Siddhant of Delhi and tax payable for the A.Y.2020-21:

Particulars	₹
Salary including dearness allowance	3,35,000
Bonus	11,000
Salary of servant provided by the employer	12,000
Rent paid by Siddhant for his accommodation	49,600
Bills paid by the employer for gas, electricity and water provided free of cost at the above flat	11,000

Siddhant purchased a flat in a co-operative housing society in Delhi for ₹ 4,75,000 in April, 2013, which was financed by a loan from Life Insurance Corporation of India of ₹ 1,60,000 @ 15% interest, his own savings of ₹ 65,000 and a deposit from a nationalized bank for ₹ 2,50,000 to whom this flat was given on lease for ten years. The rent payable by the bank was ₹ 3,500 per month. The following particulars are relevant:

- (a) Municipal taxes paid by Mr. Siddhant ₹ 4,300 (per annum)
- (b) House Insurance ₹ 860
- (c) He earned ₹ 2,700 in share speculation business and lost ₹ 4,200 in cotton speculation business.
- (d) In the year 2014-15, he had gifted ₹ 30,000 to his wife and ₹ 20,000 to his son who was aged 11. The gifted amounts were advanced to Mr. Rajesh, who was paying interest @ 19% per annum.
- (e) Siddhant received a gift of ₹ 25,000 each from four friends.
- (f) He contributed ₹ 50,000 to Public Provident Fund.

Question 14

Ramdin working as Manager (Sales) with Frozen Foods Ltd., provides the following information for the year ended 31.03.2020:

- Basic Salary ₹ 15,000 p.m.
- DA (50% of it is meant for retirement benefits) ₹ 12,000 p.m.
- Commission as a percentage of turnover of the Company 0.5 %
- Turnover of the Company ₹ 50 lacs
- Bonus ₹ 50,000
- Gratuity ₹ 30,000
- Own Contribution to R.P.F. ₹ 30,000
- Employer's contribution to R.P.F. 20% of basic salary
- Interest credited in the R.P.F. account @ 15% p.a. ₹ 15,000

- Gold Ring worth ₹ 10,000 was given by employer on his 25th wedding anniversary.
- Music System purchased on 01.04.2019 by the company for ₹ 85,000 and was given to him for personal use.
- Two old light goods vehicles owned by him were leased to a transport company against the fixed charges of ₹ 6,500 p.m. Books of account are not maintained.
- Received interest of ₹ 5,860 on bank FDRs, dividend of ₹ 1,260 from shares of Indian Companies and interest of ₹ 6,786 (Net) from the debentures of Indian Companies.
- Made payment by cheques of ₹ 15,370 towards premium on Life Insurance policies and ₹ 22,500 for Mediclaim Insurance policy for self and spouse.
- Invested in NSC ₹ 30,000 and in FDR of SBI for 5 years ₹ 50,000.
- Donations of ₹ 11,000 to an institution approved u/s 80G and of ₹ 5,100 to Prime Minister's National Relief Fund were given during the year by way of cheque.

Compute the total income and tax payable thereon for the A.Y. 2020-21.

Question 15

From the following particulars furnished by Mr. X for the year ended 31.3.2020, you are requested to compute his total income and tax payable for the assessment year 2020-21.

- (a) Mr. X retired on 31.12.2019 at the age of 58, after putting in 25 years and 9 months of service, from a private company at Mumbai.
- (b) He was paid a salary of ₹ 25,000 p.m. and house rent allowance of ₹ 6,000 p.m. He paid rent of ₹ 6,500 p.m. during his tenure of service.
- (c) On retirement, he was paid a gratuity of ₹ 3,50,000. He was covered by the payment of Gratuity Act. Mr. X had not received any other gratuity at any point of time earlier, other than this gratuity.
- (d) He had accumulated leave of 15 days per annum during the period of his service; this was encashed by Mr. X at the time of his retirement. A sum of ₹ 3,15,000 was received by him in this regard. His average salary may be taken as ₹ 24,500. Employer allowed 30 days leave per annum.
- (e) After retirement, he ventured into textile business and incurred a loss of ₹ 80,000 for the period upto 31.3.2020.
- (f) Mr. X has deposited ₹ 1,00,000 in public provident fund.

Question 16

From the following particulars of Shri Jagdish (Aged 59 years) for the Assessment Year 2020 – 21, you are required to find out his taxable income and net tax liability:

1. Basic Salary @ ₹ 51,000 per month, Dearness allowance @ ₹ 10,000 per month (Part of salary for retirement benefits), House rent allowance ₹ 4,000 per month and rent paid for house in Mumbai is ₹ 7,000 per month.
2. He owns a commercial building at New Delhi, which is let out on 1/7/2019 at a monthly rent of ₹ 46,000. He paid for municipal taxes of ₹ 27,000 and ₹ 25,000 for the financial year 2018 – 19 and 2019- 20 on 31-3-2020 and 20-4-2020 respectively.
3. He deals in shares, During financial year 2019-20 he earned ₹ 1,70,000 from his share business and paid ₹ 30,000 as security transaction tax.

4. He purchased 4000 unlisted shares of Shyam Limited on 16-1-2008 for ₹ 80,000. Company declared bonus in the ratio of 1 : 1 on 1st February, 2008. Shri jagdish sold 3000 Bonus Shares on 28-12-2019 for ₹ 2,00,000 to his friend Mr. Mehul through unrecognised stock exchange.
5. He received dividend of ₹ 13,00,000 as dividend income from listed domestic company (on which dividend distribution tax is paid), Interest from saving bank account deposit with IDBI Bank ₹ 15,000 and lottery winnings (Net of TDS @ 30%) is ₹ 21,000.
6. He paid the following amount out of his taxable income :
 - (a) Deposits in Public Provident Fund ₹ 2,00,000
 - (b) Medical insurance premium paid for health of his wife ₹ 19,000 and for health of dependent son ₹ 12,000 through cheque.

Question 17

Mr. Madhvan is a finance manager in Star Private Limited. He gets a salary of ₹ 30,000 per month. He owns two houses, one of which has been let out to his employer and which is in-turn provided to him as rent free accommodation. Following details (annual) are furnished in respect of two house properties for the Financial Year 2019 –20.

	<u>House 1</u>	<u>House 2</u>
Fair rent	75,000	1,95,000
Actual rent	65,000	2,85,000
Municipal Valuation	74,000	1,90,000
Municipal taxes paid	18,000	70,000
Repairs	15,000	35,000
Insurance premium on building	2,000	17,000
Ground rent	7,000	9,000
Nature of occupation	Let – out to	Let – out to
	Star Private Limited	Mr. Puja

₹ 17,000 were paid as Interest on loan taken by mortgaging House 1 for construction of House 2.

During the previous year 2019-20, Mr. Madhvan purchased a rural agricultural land for ₹ 2,50,000.

Stamp valuation of such property is ₹ 3,00,000.

Determine the taxable income of Mr. Madhvan for the assessment year 2020–21. All workings should form part of your answer.

Question 18

Miss Sakshitha, a resident individual, aged 32 years, furnishes the following particulars relating to the year ended 31-3-2020:

(a) Analysis of her bank account in her ledger reveals the under-mentioned data:

- | | |
|---|----------|
| (i) Winnings from a TV Game show (Net) | 70,000 |
| (ii) Gift received from mother's father | 80,000 |
| (iii) Gift received from Ramya, her close friend | 60,000 |
| (iv) Interest on capital received from Vidyut & Co., a partnership firm in 3,00,000 which she is a partner (@15% p.a.) | |
| (v) Rent received for a vacant plot of land | 2,00,000 |
| (vi) Amount received from Sharks Pvt. Ltd., for a house at Salem for which 1,50,000 she had been in negotiation for enhanced rent three years back. This has not been taxed in any earlier year. The house was, however, sold off in March, 2019. | |
| (vii) Amount received under Keyman Insurance Policy | 2,20,000 |
| (viii) Amount forfeited by a buyer of her vacant plot, since the buyer could 3,10,000 not finalize the deal as per agreement. | |
| (b) Donation given in cash to a charitable trust registered u/s 12AA | 12,000 |
| (c) She owns agricultural lands at Colombo, Sri Lanka. She has derived 1,80,000 agricultural income therefrom | |
| (d) (i) Public Provident Fund paid in the name of her minor daughter | 75,000 |
| (ii) Interest credited in the said PPF account during the year | 8,900 |
| (e) Share of profits received from Vidyut & Co., | 1,90,000 |

You are required to compute the total income of the assessee and the tax payable for the assessment year 2020-21.

Computation should be made under proper heads of income.

MCQ's

1. Income under the Income-tax Act, 1961, is to be computed under –
 - (a) Five heads
 - (b) Six heads
 - (c) Four heads
 - (d) Seven heads
2. What is the basic exemption limit for a woman assessee for A.Y. 2020-21, who turned 60 years on 2.4.2020 ?
 - (a) ₹ 2,00,000
 - (b) ₹ 3,00,000
 - (c) ₹ 2,50,000
 - (d) ₹ 5,00,000
3. What is the rate of surcharge applicable to individuals having total income exceeding ₹ 1 crore?
 - (a) 15%
 - (b) 12%
 - (c) 10%
 - (d) 2%
4. What is the basic exemption limit for Mrs. X, a resident individual who is of the age of 80 years as on 30.3.2020?
 - (a) ₹ 5,00,000
 - (b) ₹ 2,40,000
 - (c) ₹ 3,00,000
 - (d) ₹ 2,50,000
5. Share of profit of Mr. P, who is a partner in M/s PQR, a firm resident in India, is –
 - (a) Exempt from tax
 - (b) Taxable as his business income
 - (c) Taxable as his salary
 - (d) Taxable as other sources
6. What is the basic exemption limit for Mr. X, a resident individual who is of the age of 60 years as on 1.4.2020?
 - (a) ₹ 5,00,000
 - (b) ₹ 2,40,000
 - (c) ₹ 3,00,000
 - (d) ₹ 2,50,000

7. The maximum amount of rebate allowable under section 87A for A.Y. 2020-21 is -
 - (a) ₹ 2,000, if the total income does not exceed ₹ 5 lakh
 - (b) ₹ 5,000, if the total income does not exceed ₹ 5 lakh
 - (c) ₹ 12,500, if the total income does not exceed ₹ 5 lakh
 - (d) ₹ 5,000, if the total income does not exceed ₹ 3.5 lakh
8. If Mr. Y's total income for A.Y. 2020-21 is ₹ 52 Lakhs, surcharge is payable at the rate of -
 - (a) 15%
 - (b) 12%
 - (c) 10%
 - (d) 2%
9. Unexhausted basic exemption limit of a resident individual can be adjusted against -
 - (a) Only LTCG taxable @20% u/s 112
 - (b) Only STCG taxable @15% u/s 111A
 - (c) Both (a) and (b)
 - (d) Casual income taxable @30% u/s 115BB
10. Unexhausted basic exemption limit of a non-resident individual can be adjusted against -
 - (a) Only LTCG taxable @20% u/s 112
 - (b) Only STCG taxable @15% u/s 111A
 - (c) Both (a) and (b)
 - (d) Neither (a) nor (b)
11. The basic source of income-tax law is -
 - (a) Income-tax Act, 1961
 - (b) Income-tax Rules, 1962
 - (c) Circulars/Notifications issued by CBDT
 - (d) Judgments of Courts
12. A domestic company means -
 - (a) Only an Indian company
 - (b) Both Indian company and a foreign company having a branch in India
 - (c) Both Indian company and a foreign company having business connection in India
 - (d) Both Indian company and a foreign company which has made the prescribed arrangement for declaration and payment of dividends in India out of the income chargeable to tax in India
13. The rates of income-tax are mentioned in -
 - (a) The Income-tax Act, 1961 only
 - (b) Both Income-tax Act, 1961 and Income-tax Rules, 1962
 - (c) The First Schedule to the Annual Finance Act
 - (d) Both Income-tax Act, 1961 and the First Schedule to the Annual Finance Act

14. The surcharge applicable in the case of an individual is -
- (a) 10% of tax payable if total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore
 - (b) 10% of tax payable if total income exceeds ₹ 1 crore
 - (c) 15% of tax payable if total income exceeds ₹ 1 crore
 - (d) Both (a) and (c), as the case may be.
15. In respect of a non-resident assessee, who is of the age of 60 years or more but less than 80 years at any time during the previous year 2019-20, -
- (a) Basic exemption of ₹ 2,50,000 is available
 - (b) Basic exemption of ₹ 3,00,000 is available
 - (c) Basic exemption of ₹ 5,00,000 is available
 - (d) No basic exemption limit would be available
16. In case of a domestic company whose gross receipts for the P.Y. 2017-18 is ₹ 151 crores, the rate of tax applicable is -
- (a) 29%
 - (b) 25%
 - (c) 30%
 - (d) None of the above
17. The surcharge applicable to a domestic company for A.Y. 2020-21 is -
- (a) 5%, if total income exceeds ₹ 1 crore.
 - (b) 10%, if the total income exceeds ₹ 1 crore
 - (c) 7%, if the total income exceeds ₹ 1 crore but does not exceed ₹ 10 crore, and 15%, if the total income exceeds ₹ 10 crore.
 - (d) 7%, if the total income exceeds ₹ 1 crore but does not exceed ₹ 10 crore, and 12%, if the total income exceeds ₹ 10 crore.
18. The surcharge applicable to a foreign company for A.Y. 2020-21 is -
- (a) 5%, if the total income exceeds ₹ 1 crore.
 - (b) 10%, if the total income exceeds ₹ 1 crore.
 - (c) 2%, if the total income exceeds ₹ 1 crore but does not exceed ₹ 10 crore and 5% if the total income exceeds ₹ 10 crore.
 - (d) 2%, if the total income exceeds ₹ 10 crore.
19. The rate of tax applicable to a firm for A.Y. 2020-21 is -
- (a) 25%
 - (b) 30%
 - (c) 35%
 - (d) 40%
20. Where the total income of an artificial juridical person is ₹ 3,10,000, the income-tax payable is ₹ and surcharge payable is ₹
- (a) ₹ 3,000; surcharge – nil.
 - (b) ₹ 6,000; surcharge – nil.
 - (c) ₹ 500; surcharge – nil
 - (d) ₹ 93, 000; surcharge – ₹ 4650

21. Circulars are binding on-

- (a) Department
- (b) Assessee
- (c) Both (a) and (b)
- (d) None of the above

22. The term 'person' in Income Tax Act, 1961 include which of the following-

- (a) Individual
- (b) Artificial Juridical Person
- (c) AOP/BOI
- (d) Local authority
- (e) All of the above

23. Which of the following is a deemed income-

- (a) Unexplained cash credit
- (b) Unexplained investments
- (c) Unexplained money
- (d) Unexplained expenditure
- (e) All of the above

24. What are the exceptions to the rule that income of Previous Year will be assessed in the Assessment Year-

- (a) Shipping business of non-resident
- (b) Persons leaving India
- (c) AOP/BOI formed for a particular event or purpose
- (d) Persons likely to transfer property to avoid tax
- (e) All of the above

25. Mr. A, NR aged 69 years will get exemption up to ____ for his total income-

- (a) 2,50,000
- (b) 3,00,000
- (c) 3,50,000
- (d) 4,00,000

26. State whether true or false.

"A resident individual whose 60th birthday falls on 01/04/20 would be treated as having attained the age of 60 years in Previous Year 19-20."

- (a) True
- (b) False

27. A company which is not a domestic company will pay income tax at the rate of-

- (a) 25%
- (b) 30%
- (c) 40%
- (d) 20%

28. An amount of ₹45,000 was credited in the books of Mr. Ram for which Mr. Ram did not provide any explanation to the satisfaction of Assessing Officer. Therefore, ₹45,000 was considered as income by Assessing Officer. Rate of tax payable on ₹45,000 will be-
- 40%
 - 50%
 - 60%
 - 70%
29. Surcharge leviable on unexplained money is-
- 25%
 - 30%
 - 15%
 - 10%
30. Marginal Relief is to be deducted-
- After adding surcharge and cess to normal tax
 - After adding surcharge to normal tax
 - Before adding surcharge and cess i.e. on normal tax
 - Not to be deducted only

Solutions							
1	A	2	C	3	A	4	A
5	A	6	C	7	C	8	C
9	C	10	D	11	A	12	D
13	D	14	D	15	A	16	B
17	D	18	C	19	B	20	A
21	A	22	E	23	E	24	E
25	A	26	A	27	C	28	C
29	A	30	B				

Residence & Scope of Total Income

Question 1

Brett Lee, an Australian cricket player visits India for 100 days in every financial year. This has been his practice for the past 10 financial years. Find out his residential status for the assessment year 2020-21. What will be your answer if he stays in India for 90 days or 110 days every year.

Question 2

Mr. B, a Canadian citizen, comes to India for the first time during the P.Y. 2015-16. During the financial years 2015-16, 2016-17, 2017-18, 2018-19 and 2020-21, he was in India for 55 days, 60 days, 90 days, 150 days and 70 days, respectively. Determine his residential status for the A.Y. 2020-21.

Question 3

The business of a HUF is transacted from Australia and all the policy decisions are taken there. Mr. E, the Karta of the HUF, who was born in Kolkata, visits India during the P.Y. 2019-20 after 15 years. He comes to India on 1.4.2019 and leaves for Australia on 1.12.2019. Determine the residential status of Mr. E and the HUF for A.Y. 2020-21.

Question 4

Mr. Anand is an Indian citizen and a member of the crew of a Singapore bound Indian ship engaged in carriage of passengers in international traffic departing from Chennai port on 6th June, 2019. From the following details for the P.Y. 2019-20, determine the residential status of Mr. Anand for A.Y. 2020-21, assuming that his stay in India in the last 4 previous years (preceding P.Y. 2019-20) is 400 days and last seven previous years (preceding P.Y. 2019-20) is 750 days:

Particulars	Date
Date entered into the Continuous Discharge Certificate in respect of joining the ship by Mr. Anand	6 th June, 2019
Date entered into the Continuous Discharge Certificate in respect of signing off the ship by Mr. Anand	9 th December, 2019

Question 5

Mr. David, a Government employee serving in the Ministry of External Affairs, left India for the first time on 31.03.2019 due to his transfer to High Commission of Canada. He did not visit India any time during the previous year 2019-20. He has received the following income for the Financial Year 2019-20:

S. No.	Particulars	₹
(i)	Salary	5,00,000
(ii)	Foreign Allowance	4,00,000

S. No.	Particulars	₹
(iii)	Interest on fixed deposit from bank in India	1,00,000
(iv)	Income from agriculture in Pakistan	2,00,000
(v)	Income from house property in Pakistan	2,50,000

Compute his Gross Total Income for Assessment Year 2020-21.

Question 6

Miss Vivitha paid a sum of 5000 USD to Mr. Kulasekhara, a management consultant practising in Colombo, specializing in project financing. The payment was made in Colombo. Mr. Kulasekhara is a non-resident. The consultancy is related to a project in India with possible Ceylonese collaboration. Is this payment chargeable to tax in India in the hands of Mr. Kulasekhara, since the services were used in India?

Solution

A non-resident is chargeable to tax in respect of income received outside India only if such income accrues or arises or is deemed to accrue or arise to him in India.

The income deemed to accrue or arise in India under section 9 comprises, inter alia, income by way of fees for technical services, which includes any consideration for rendering of any managerial, technical or consultancy services. Therefore, payment to a management consultant relating to project financing is covered within the scope of “fees for technical services”.

The Explanation below section 9(2) clarifies that income by way of, inter alia, fees for technical services, from services utilized in India would be deemed to accrue or arise in India in case of a non-resident and be included in his total income, whether or not such services were rendered in India or whether or not the nonresident has a residence or place of business or business connection in India.

In the instant case, since the services were utilized in India, the payment received by Mr. Kulasekhara, a non-resident, in Colombo is chargeable to tax in his hands in India, as it is deemed to accrue or arise in India.

Question 7

Compute the total income in the hands of an individual, being a resident and ordinarily resident, resident but not ordinarily resident, and non-resident for the A.Y. 2020-21—

Particulars	Amount (₹)
Interest on UK Development Bonds, 50% of interest received in India	10,000
Income from a business in Chennai (50% is received in India)	20,000
Short term capital gains on sale of shares of an Indian company received in London	20,000
Dividend from British company received in London	5,000
Long term capital gains on sale of plant at Germany, 50% of profits are received in India	40,000
Income earned from business in Germany which is controlled from Delhi (₹ 40,000 is received in India)	70,000

Particulars	Amount (₹)
Profits from a business in Delhi but managed entirely from London	15,000
Income from house property in London deposited in a Bank at London, brought to India (Computed)	50,000
Interest on debentures in an Indian company received in London	12,000
Fees for technical services rendered in India but received in London	8,000
Profits from a business in Mumbai managed from London	26,000
Pension for services rendered in India but received in Burma	4,000
Income from property situated in Pakistan received there	16,000
Past foreign untaxed income brought to India during the previous year	5,000
Income from agricultural land in Nepal received there and then brought to India	18,000
Income from profession in Kenya which was set up in India, received there but spent in India	5,000
Gift received on the occasion of his wedding	20,000
Interest on savings bank deposit in State Bank of India	12,000
Income from a business in Russia, controlled from Russia	20,000
Dividend from Reliance Petroleum Limited, an Indian Company	5,000
Agricultural income from a land in Rajasthan	15,000

Question 8

Mr. Dey, a non-resident, residing in US since 1990, came back to India on 1.4.2018 for permanent settlement. What will be his residential status for assessment years 2019-20 and 2020-21?

Question 9

Mr. Ramesh & Mr. Suresh are brothers and they earned the following incomes during the financial year 2019-20. Mr. Ramesh settled in Canada in the year 1995 and Mr. Suresh settled in Delhi. Compute the total income for the A.Y. 2020-21.

Sr. No.	Particulars	Mr. Ramesh (₹)	Mr. Suresh (₹)
1.	Interest on Canada Development Bonds (only 50% of interest received in India)	35,000	40,000
2.	Dividend from British company received in London	28,000	20,000
3.	Profits from a business in Nagpur, but managed directly from London	1,00,000	1,40,000

Sr. No.	Particulars	Mr. Ramesh (₹)	Mr. Suresh (₹)
4.	Short term capital gain on sale of shares of an Indian company received in India	60,000	90,000
5.	Income from a business in Chennai	80,000	70,000
6.	Fees for technical services rendered in India, but received in Canada	1,00,000	----
7.	Interest on savings bank deposit in UCO Bank, Delhi	7,000	12,000
8.	Agricultural income from a land situated in Andhra Pradesh	55,000	45,000
9.	Rent received in respect of house property at Bhopal	1,00,000	60,000
10.	Life insurance premium paid	---	30,000

Question 10

Examine the correctness or otherwise of the statement - "Income deemed to accrue or arise in India to a non-resident by way of interest, royalty and fees for technical services is to be taxed irrespective of territorial nexus".

Solution

This statement is **correct**.

As per Explanation to section 9, income by way of interest, royalty or fees for technical services which is deemed to accrue or arise in India by virtue of clauses (v), (vi) and (vii) of section 9(1), shall be included in the total income of the non-resident, whether or not -

- (i) non-resident has a residence or place of business or business connection in India; or
- (ii) the non-resident has rendered services in India.

In effect, the income by way of fees for technical services, interest or royalty from services utilised in India would be deemed to accrue or arise in India in case of a non-resident and be included in his total income, whether or not such services were rendered in India and irrespective of whether the non-resident has a residence or place of business or business connection in India.

Question 11

Examine with reasons whether the following transactions attract income-tax in

India in the hands of recipients:

- (i) Salary paid by Central Government to Mr. John, a citizen of India ₹ 7,00,000 for the services rendered outside India.
- (ii) Interest on moneys borrowed from outside India ₹ 5,00,000 by a non-resident for the purpose of business within India say, at Mumbai.
- (iii) Post office savings bank interest of ₹ 19,000 received by a resident assessee, Mr. Ram.
- (iv) Royalty paid by a resident to a non-resident in respect of a business carried on outside India.
- (v) Legal charges of ₹ 5,00,000 paid to a lawyer of United Kingdom who visited India to represent a case at the Delhi High Court.

Question 12

Determine the taxability of income of US based company Heli Ltd., in India on entering following transactions during the financial year 2019-20:

- (i) ₹ 5 lacs received from an Indian domestic company for providing technical knowhow in India.
- (ii) ₹ 6 lacs from an Indian firm for conducting the feasibility study for the new project in Finland. The payment for the same was made in Finland.
- (iii) ₹ 4 lacs from a non-resident for use of patent for a business in India.
- (iv) ₹ 8 lacs from a non-resident Indian for use of know how for a business in Singapore. Such amount was received in U.S.
- (v) ₹ 10 lacs for supply of manuals and designs for the business to be established in Singapore. No payment for the same was made in India.

MCQ's

1. If Anirudh has stayed in India in the P.Y. 2019-20 for 181 days, and he is non-resident in 9 out of 10 years immediately preceding the current previous year and he has stayed in India for 365 days in all in the 4 years immediately preceding the current previous year and 420 days in all in the 7 years immediately preceding the current previous year, his residential status for the A.Y. 2020-21 would be -
 - (a) Resident and ordinarily resident
 - (b) Resident but not ordinarily resident
 - (c) Non-resident
 - (d) Cannot be ascertained with the given information
2. Raman was employed in Hindustan Lever Ltd. He received a salary of ₹ 40,000 p.m. from 1.4.2019 to 27.9.2019. He resigned and left for Dubai for the first time on 1.10.2019 and got salary of rupee equivalent of ₹ 80,000 p.m. from 1.10.2019 to 31.3.2020. His salary for October to December 2019 was credited in his Dubai bank account and the salary for January to March 2020 was credited in his Bombay account directly. He is liable to tax in respect of -
 - (a) Income received in India from Hindustan Lever Ltd;
 - (b) Income received in India and in Dubai;
 - (c) Income received in India from Hindustan Lever Ltd. and income directly credited in India;
 - (d) Income received in Dubai
3. A company would be a resident in India for the P.Y. 2019-20, if
 - (a) It is an Indian company
 - (b) During the year, majority of its directors are resident in India
 - (c) During the year, its Place of Effective Management is in India
 - (d) Both (a) and (c)
4. Income accruing in London and received there is taxable in India in the case of-
 - (a) Resident and ordinarily resident only
 - (b) Both resident and ordinarily resident and resident but not ordinarily resident
 - (c) Both resident and non-resident
 - (d) Non-Resident
5. Incomes which accrue or arise outside India but received directly in India are taxable in case of-
 - (a) Resident and ordinarily resident only
 - (b) Both resident and ordinarily resident and resident but not ordinarily resident
 - (c) Non-Resident
 - (d) All the above
6. Income earned from a contract negotiated by an agent in India in the name of a non-resident but approved by such non-resident shall:
 - (a) Be taxable in India as such income is deemed to accrue or arise in India
 - (b) Not be taxable in India as there is no business connection in India
 - (c) Be taxable in India only if it is received in India
 - (d) Be taxable in India as such income accrues or arises in India

7. Fees for technical services paid by the Central Government will be taxable in case of –
 - (a) Resident and ordinarily resident only
 - (b) Both resident and ordinarily resident and resident but not ordinarily resident
 - (c) Non-Resident
 - (d) All the above
8. Short term capital gains on sale of shares of an Indian company received in Australia is taxable in case of –
 - (a) Resident and ordinarily resident only
 - (b) Both resident and ordinarily resident and resident but not ordinarily resident
 - (c) Non-Resident only
 - (d) All the above
9. Income from a business in Canada, controlled from Canada is taxable in case of –
 - (a) Resident and ordinarily resident only
 - (b) Both resident and ordinarily resident and resident but not ordinarily resident
 - (c) Non-Resident
 - (d) All the above
10. Dividend Income from Australian company received in Australia in the year 2017, brought to India during the previous year 2019-20 is taxable in case of –
 - (a) Resident and ordinarily resident only
 - (b) Resident but not ordinarily resident
 - (c) Non-Resident
 - (d) None of the above
11. Residential status of an assessee must be ascertained-
 - (a) Every year
 - (b) Only once
 - (c) Every 2 years
 - (d) Every 5 years
12. Under Sec. 6(1) which of the following is one of the conditions which needs to be fulfilled to be called a resident in India?
 - (a) Stay in India during PY for 182 days or more
 - (b) Stay in India during PY for 365 days or more
 - (c) Stay in India during PY for 180 days or more
 - (d) Stay in India during PY for 490 days or more
13. Mr. Ashish Agarwal stayed in territorial waters of India in ship for month of April, June, July, Oct, Nov, Dec, March of FY 19-20. He is –
 - (a) Resident in India
 - (b) Not resident
 - (c) Cannot be determined as he stayed in territorial waters
 - (d) None of above

14. To become resident, following condition needs to be satisfied-

(i) Stay in India for 182 days or more

(ii) Stay in India for 365 days or more during 4 years immediately preceding the PY

(iii) Stay in India for 60 days or more

(a) And, or

(b) Or, and

(c) And, and

(d) Or, or

15. Miss Deepika Agarwal is a citizen of Canada. She came to India after 10 years on 05/06/2019 and left India on 03/12/2019. She is _____ for FY 19-20.

(a) Resident and ordinarily resident

(b) Non resident

(c) Resident but not ordinarily resident

(d) Cannot be determined

16. Mr. Saket Jain, an Indian citizen left India on 27/06/2019 as a member of crew of Indian ship. He has been in India from 01/04/2016 to 27/06/2019. He is _____ for FY 19-20

(a) Resident

(b) Non – Resident

(c) Cannot be determined

(d) Resident from 01/04/19 to 27/06/19 and non-resident from 28/06/19 to 31/03/20

17. Condition of ordinarily and not ordinarily should be checked for –

(a) Individual / HUF

(b) All persons except company

(c) All persons

(d) Firm / AOP / BOI / Company

18. One of the condition to be satisfied for resident and ordinarily resident is

(a) Stay in India for last 7 years preceding the relevant PY is 740 days or more

(b) Stay in India for last 7 years preceding the relevant PY is 730 days or more

(c) Stay in India for last 7 years preceding the relevant PY is 750 days or more

(d) Stay in India for last 7 years preceding the relevant PY is 760 days or more

19. HUF would be resident in India if –

(a) Only Karta stays in India

(b) Karta and members both stay in India

(c) Control and management of its affairs is situated wholly outside India

(d) Control and management of its affairs situated wholly or partly in India.

20. For HUF to be ordinarily resident in India, additional conditions have to be satisfied by-
- Karta
 - HUF
 - Elder most member
 - Not applicable
21. Mr. Amol Mande, a non-resident received dividend of ₹2,80,000 from Indian company, commission of Rs. 3,00,000 from Bhaskar and LLP (Indian firm) and salary received in Singapore of ₹9,00,000 for services rendered in India, total income of Mr. Amol Mande-
- 14,80,000
 - 12,00,000
 - 11,80,000
 - 5,80,000
22. Mr. Nipun Kasliwal, a Non-Resident sold his house property situated in Bhopal to Mr. Yash Porwal, a Non-Resident. Capital gain from this transaction is ₹4,50,000. Mr. Nipun also provided technical services to Mahek Singhvi (Resident) Ltd which will be utilized for the purpose of his business in Malaysia. For these services, Nipun charged ₹10,00,000. Income of Nipun for FY 19-20 is-
- 14,50,000
 - 4,50,000
 - 10,00,000
 - 12,00,000

Solutions							
1	B	2	B	3	D	4	A
5	D	6	A	7	D	8	D
9	A	10	D	11	A	12	A
13	A	14	B	15	C	16	B
17	A	18	B	19	D	20	A
21	B	22	B				

3

Income which do not form part of Total Income

Question 1

Mr. B grows sugarcane and uses the same for the purpose of manufacturing sugar in his factory. 30% of sugarcane produce is sold for ₹ 10 lacs, and the cost of cultivation of such sugarcane is ₹ 5 lacs. The cost of cultivation of the balance sugarcane (70%) is ₹ 14 lacs and the market value of the same is ₹ 22 lacs. After incurring ₹ 1.5 lacs in the manufacturing process on the balance sugarcane, the sugar was sold for ₹ 25 lacs. Compute B's business income and agricultural income.

Question 2

Mr. X, a resident, has provided the following particulars of his income for the P.Y. 2018-19.

- | | |
|--|--------------|
| (i) Income from salary (computed) | - ₹ 1,80,000 |
| (ii) Income from house property (computed) | - ₹ 2,00,000 |
| (iii) Agricultural income from a land in Jaipur | - ₹ 2,80,000 |
| (iv) Expenses incurred for earning agricultural income | - ₹ 1,70,000 |

Compute his tax liability assuming his age is -

- (a) 45 years
- (b) 70 years

Question 3

Y Ltd. furnishes you the following information for the year ended 31.3.2019:

Particulars	₹ (in lacs)
Total turnover of Unit A located in Special Economic Zone	100
Profit of the business of Unit A	30
Export turnover of Unit A	50
Total turnover of Unit B located in Domestic Tariff Area (DTA)	200
Profit of the business of Unit B	20

Compute deduction under section 10AA for the A.Y. 2019-20.

Question 4

Examine whether the following are chargeable to tax, and if so, compute the amount liable to tax:

- (i) Arvind received ₹ 20,000 as his share from the income of the HUF.
- (ii) Mr. Xavier, a 'Param Vir Chakra' awardee, who was formerly in the service of the Central Government, received a pension of ₹ 2,20,000 during the financial year 2018-19.
- (iii) Agricultural income of ₹ 1,27,000 earned by a resident of India from a land situated in Malaysia.
- (iv) Rent of ₹ 72,000 received for letting out agricultural land for a movie shooting.

Question 5

Rudra Ltd. has one unit at Special Economic Zone (SEZ) and other unit at Domestic Tariff Area (DTA). The company provides the following details for the previous year 2018-19.

Particulars	Rudra Ltd. (₹)	Unit in DTA (₹)
Total Sales	6,00,00,000	2,00,00,000
Export Sales	4,60,00,000	1,60,00,000
Net Profit	80,00,000	20,00,000

Calculate the eligible deduction under section 10AA of the Income-tax Act, 1961, for the Assessment Year 2019-20, in the following situations:

- (i) If both the units were set up and start manufacturing from 22-05-2011.
- (ii) If both the units were set up and start manufacturing from 14-05-2015.

Question 6

Mr. Asim, a 60 year old individual, engaged in the business of roasting and grounding of coffee, derives income of ₹ 10 lacs during the financial year 2018-19. Compute the tax payable by him assuming he has not earned any other income during the financial year 2018-19. What would be your answer if Mr. Asim is also engaged in the business of growing and curing coffee?

Question 7

Miss Sarika, a resident and ordinarily resident in India, has derived the following income from various operations (relating to plantations and estates owned by her) during the year ended 31-3-2019:

Particulars	₹
(1) Income from sale of centrifuged latex processed from rubber plants grown in Darjeeling.	3,00,000
(2) Income from sale of coffee grown and cured in Yercaud, Tamil Nadu.	1,00,000
(3) Income from sale of coffee grown, cured, roasted and grounded, in Colombo. Sale consideration was received at Chennai.	2,50,000
(4) Income from sale of tea grown and manufactured in Shimla.	4,00,000
(5) Income from sapling and seedling grown in a nursery at Cochin. Basic operations were not carried out by her on land.	80,000

You are required to compute the business income and agricultural income of Miss Sarika for the assessment year 2019-20.

Question 8

Mr. Tony had estates in Rubber, Tea and Coffee. He derives income from them. He has also a nursery wherein he grows and sells plants. For the previous year ending 31.3.2015, he furnishes the following particulars of his sources of income from estates and sale of plants. You are requested to compute the taxable income for the Assessment year 2015-2016:

Particulars	Amt. (₹)
(1) Manufacture of rubber	5,00,000
(2) Manufacture of Coffee grown and cured	3,50,000
(3) Manufacture of Tea	7,00,000
(4) Sale of plant from Nursery	1,00,000

Question 9

Mr. Charan grows paddy and uses the same for the purpose of manufacturing of rice in his own Rice Mill. He furnished the following details for the financial year 2019-20:

- Cost of cultivation of 40% of paddy produce is ₹ 9,00,000 which is sold for ₹ 18,50,000.
- Cost of cultivation of balance 60% of paddy is ₹ 14,40,000 and the market value of such paddy is ₹ 28,60,000.
- Incurred ₹ 3,60,000 in the manufacturing process of rice on the balance (60%) paddy. The rice was sold for ₹ 38,00,000.

Compute the Business income and Agricultural Income of Mr. Charan for A.Y. 2020-21.

Question 10

BB LLP, a limited liability partnership in India is engaged in development of software and providing IT enabled services through two units, one of which is located in a notified Special Economic Zone (SEZ) in Chennai (commenced from 01.04.2016). The particulars relating to previous year 2019-20 furnished by the Assessee are as follows:

Total Turnover: SEZ unit ₹ 120 Lakhs and the other unit ₹ 100 Lakhs

Export Turnover: SEZ unit ₹ 100 Lakhs and other unit ₹ 60 Lakhs

Profit: SEZ unit ₹ 48 Lakhs and the other unit ₹ 42 Lakhs

The Assessee has no other income during the year. Compute tax payable by BB LLP for A.Y. 2020-21

Question 11

PQR LLP, a limited liability partnership set up a unit in Special Economic Zone (SEZ) in the financial year 2015-16 for production of washing machines. The unit fulfils all the conditions of section 10AA of the Income-tax Act, 1961. During the financial year 2018-19, it has also set up a warehousing facility in a district of Tamil Nadu for storage of agricultural produce. It fulfils all the conditions of section 35AD. Capital expenditure in respect of warehouse amounted to ₹ 75 Lakhs (including cost of land ₹ 10 lakhs). The warehouse became operational with effect from 1st April, 2019 and the expenditure of ₹ 75 Lakhs was capitalized in the book on that date.

Relevant details for the financial year 2019-20 are as follows:

Particulars	Amt. (₹)
Profit of unit located in SEZ	40,00,000
Export sales of above unit	80,00,000
Domestic sales of above unit	20,00,000
Profit from operating of warehousing facility (before considering deduction under Section 35AD)	1,05,00,000

Compute income tax (including AMT under Section 115JC) payable by PQR LLP for Assessment Year 2020-21.

The logo consists of the text "MCQ's" in a bold, black, sans-serif font, enclosed within a rectangular border with a double-line effect.

1. The concept of partial integration of agricultural income with non-agricultural income is applicable to -
 - (a) only individuals & HUF
 - (b) only firms and companies
 - (c) Individuals, HUF, AOPs/BOIs & Artificial juridical persons
 - (d) All persons
2. Which of the following would be agricultural income -
 - (a) Income from breeding of livestock
 - (b) Income from poultry farming
 - (c) Rent received from land used for movie shooting
 - (d) Rent received from land used for grazing of cattle required for agricultural activities
3. Which of the following income would be exempt in the hands of a Sikkimese Individual?
 - (a) only income from any source in the State of Sikkim
 - (b) only income by way of dividend
 - (c) only income from interest on securities
 - (d) All the above
4. The proportion of agricultural and business income in case of income derived from the sale of coffee grown and cured by the assessee in India is -
 - (a) 65% and 35%, respectively
 - (b) 75% and 25%, respectively
 - (c) 60% and 40%, respectively
 - (d) 70% and 30%, respectively
5. The proportion of agricultural and business income in case of income derived by the assessee from growing of tea leaves in India and manufacturing of tea is -
 - (a) 65% and 35%, respectively
 - (b) 75% and 25%, respectively
 - (c) 60% and 40%, respectively
 - (d) 70% and 30%, respectively
6. In case of an individual aged 61 years, partial integration of agricultural income is not required if his -
 - (a) Net agricultural income does not exceed ₹ 5,000.
 - (b) Non-agricultural income does not exceed ₹ 2,50,000.
 - (c) Non-agricultural income does not exceed ₹ 3,00,000.
 - (d) Either (a) or (c) above.

7. In case of a Member of Parliament –
- (a) Daily allowance is exempt but constituency allowance received as per applicable Rules is taxable.
 - (b) Constituency allowance received as per applicable Rules is exempt but daily allowance is taxable.
 - (c) Both daily allowance and constituency allowance received as per applicable Rules are taxable.
 - (d) Both daily allowance and constituency allowance received as per applicable Rules are exempt.
8. The quantum of deduction available under section 10AA in respect of profits and gains derived by a SEZ unit from export of articles is –
- (a) 100% of export profits for first 10 consecutive AYs and 50% for next 5 consecutive AYs
 - (b) 100% of export profits for first 5 consecutive AYs and 50% for next 10 consecutive AYs
 - (c) 100% of export profits for first 15 consecutive AYs
 - (d) 100% of export profits for first 5 consecutive AYs, 50% for export profits for next 5 consecutive AYs and upto 50% of export profits for next 5 consecutive AYs, as is credited to Special Reserve Account
9. Which of the following income is not exempt under section 10?
- (a) Share income of a member from a HUF
 - (b) Share income of a partner from a firm
 - (c) Salary received by a partner from a firm
 - (d) Both (b) and (c)
10. Mr. A has rented out his agriculture land to Mr. B, which is used by Mr. B for agricultural purposes. Mr. A received ₹3,10,000 as rent from Mr. B. This 3,10,000 is taxable under which head-
- (a) Other sources
 - (b) Salary
 - (c) Exempt
 - (d) House property
11. State whether true or false
- “Income derived from saplings or seedlings grown in a nursery is not an agricultural income.”
- (a) True
 - (b) False
12. Chaipatti Ltd. is a company engaged in tea business. Nisha, one of the shareholders of Chaipatti Ltd. received dividend of ₹90,000 from such company. Out of this 90,000, how much is agricultural income-
- (a) Full 90,000
 - (b) 54,000 agricultural income and 36,000 business income
 - (c) Not an agricultural income
 - (d) 67,500 agricultural income and 22,500 business income

13. Whether income from fisheries is an agricultural income-

- (a) Yes
- (b) No
- (c) Partly agricultural
- (d) None of the above

14. Which of the following income is exempt from tax-

- (a) Payment to Bhopal Gas Victim
- (b) Agricultural income
- (c) Amounts received by a member from income of HUF
- (d) Compensation received on account of disaster
- (e) All of the above

15. State whether true or false

“Any income of news agency set up in India solely for collection and distribution of news as specified by Central Government is exempt from tax.”

- (a) True
- (b) False

16. Income received by any university existing solely for educational purposes and not for profit is exempt, if its aggregate annual receipts do not exceed-

- (a) 25,00,000
- (b) 50,00,000
- (c) 1,00,00,000
- (d) 2,00,00,000

17. Which of the following head of income is exempt for trade unions-

- (a) Income from house property
- (b) Income from other sources
- (c) Income from capital gain
- (d) Both (a) and (b)
- (e) All of the above

18. Units established in SEZ are eligible for exemption u/s 10AA of ____ profits for first 5 years and ____ of such profits and gains for further 5 Assessment Years-

- (a) 100%, 100%
- (b) 100%, 50%
- (c) 50%, 25%
- (d) 100%, 25%

19. Mr. Alexder, born and brought up in Sikkim, had a net profit of ₹2,00,000 from business located in Sikkim and interest of ₹55,000 on securities/bonds issued by government of Rajasthan. Discuss taxability of the same-

- (a) Exempt
- (b) 2,00,000 taxable; 55,000 exempt
- (c) 55,000 taxable; 2,00,000 exempt
- (d) 2,00,000 as well as 55,000 taxable

Solutions							
1	C	2	D	3	D	4	B
5	C	6	D	7	D	8	D
9	C	10	C	11	B	12	C
13	B	14	E	15	A	16	C
17	D	18	B	19	A		

Income from Salary

Question 1

Mr. Ravi retired on 15.6.2019 after completion of 26 years 8 months of service and received gratuity of ₹ 6,00,000. At the time of retirement, his salary was:

Basic Salary	: ₹ 5,000 p.m.
Dearness Allowance	: ₹ 3,000 p.m. (60% of which is for retirement benefits)
Commission	: 1% of turnover (turnover in the last 12 months was ₹ 12,00,000)
Bonus	: ₹ 12,000 p.a.

Compute his taxable gratuity assuming:

- (a) He is private sector employee and covered by the Payment of Gratuity Act 1972.
- (b) He is private sector employee and not covered by Payment of Gratuity Act 1972.
- (c) He is a Government employee.

Question 2

Mr. Sagar retired on 1.10.2019 receiving ₹ 5,000 p.m. as pension. On 1.2.2020, he commuted 60% of his pension and received ₹ 3,00,000 as commuted pension. You are required to compute his taxable pension assuming:

- (a) He is a government employee.
- (b) He is a private sector employee, receiving gratuity of ₹ 5,00,000 at the time of retirement.
- (c) He is a private sector employee and is not in receipt of gratuity at the time of retirement.

Question 3

Mr. Gupta retired on 1.12.2019 after 20 years 10 months of service, receiving leave salary of ₹ 5,00,000. Other details of his salary income are:

Basic Salary	: ₹ 5,000 p.m. (₹ 1,000 was increased w.e.f. 1.4.2019)
Dearness Allowance	: ₹ 3,000 p.m. (60% of which is for retirement benefits)
Commission	: ₹ 500 p.m.
Bonus	: ₹ 1,000 p.m.

Leave availed during service : 480 days

He was entitled to 30 days leave every year.

You are required to compute his taxable leave salary assuming:

- (a) He is a government employee.
- (b) He is a non government employee.

Question 4

Mr. A retires from service on December 31, 2019, after 25 years of service. Following are the particulars of his income/investments for the previous year 2019-20:

Particulars	₹
Basic pay @ ₹ 16,000 per month for 9 months	1,44,000
Dearness pay (50% forms part of the retirement benefits) ₹ 8,000 per month for 9 months	72,000
Lumpsum payment received from the Unrecognized Provident Fund	6,00,000
Deposits in the PPF account	40,000

Out of the amount received from the unrecognised provident fund, the employer's contribution was ₹ 2,20,000 and the interest thereon ₹ 50,000. The employee's contribution was ₹ 2,70,000 and the interest thereon ₹ 60,000. What is the taxable portion of the amount received from the unrecognized provident fund in the hands of Mr. A for the assessment year 2020-21?

Will your answer be any different if the fund mentioned above was a recognised provident fund?

Question 5

Mr. B is working in XYZ Ltd. and has given the details of his income for the P.Y. 2019-20. You are required to compute his gross salary from the details given below:

Basic Salary	₹ 10,000 p.m.
D.A. (50% is for retirement benefits)	₹ 8,000 p.m.
Commission as a percentage of turnover	0.1%
Turnover during the year	₹ 50,00,000
Bonus	₹ 40,000
Gratuity	₹ 25,000
His own contribution in the RPF	₹ 20,000
Employer's contribution to RPF	20% of his basic salary
Interest accrued in the RPF @ 13% p.a.	₹ 13,000

Question 6

Mr. Dutta received voluntary retirement compensation of ₹ 7,00,000 after 30 years 4 months of service. He still has 6 years of service left. At the time of voluntary retirement, he was drawing basic salary ₹ 20,000 p.m.; Dearness allowance (which forms part of pay) ₹ 5,000 p.m. Compute his taxable voluntary retirement compensation, assuming that he does not claim any relief under section 89.

Question 7

Mr. Garg received retrenchment compensation of ₹ 10,00,000 after 30 years 4 months of service. At the time of retrenchment, he was drawing basic salary ₹ 20,000 p.m.; dearness allowance ₹ 5,000 p.m. Compute his taxable retrenchment compensation.

Question 8

Mr. D went on a holiday on 25.12.2019 to Delhi with his wife and three children (one son – age 5 years; twin daughters – age 2 years). They went by flight (economy class) and the total cost of tickets reimbursed by his employer was ₹ 60,000 (₹ 45,000 for adults and ₹ 15,000 for the three minor children). Compute the amount of LTC exempt.

In the above illustration, will there be any difference if among his three children the twins were 5 years old and the son 3 years old? Discuss.

Question 9

Compute the taxable value of the perquisite in respect of medical facilities received by Mr. G from his employer during the P.Y. 2019-20:

Medical premium paid for insuring health of Mr. G	₹ 7,000
Treatment of Mr. G by his family doctor	₹ 5,000
Treatment of Mrs. G in a Government hospital	₹ 25,000
Treatment of Mr. G's grandfather in a private clinic	₹ 12,000
Treatment of Mr. G's mother (68 years and dependant) by family doctor	₹ 8,000
Treatment of Mr. G's sister (dependant) in a nursing home	₹ 3,000
Treatment of Mr. G's brother (independent)	₹ 6,000
Treatment of Mr. G's father (75 years and dependent) abroad	₹ 50,000
Expenses of staying abroad of the patient and	₹ 30,000
Limit specified by RBI	₹ 75,000

Question 10

Mr. Raj Kumar has the following receipts from his employer:

(1) Basic pay	₹ 3,000 p.m.
(2) Dearness allowance (D.A.)	₹ 600 p.m.
(3) Commission	₹ 6,000 p.a.
(4) Motor car for personal use (expenditure met by the employer)	₹ 500 p.m.
(5) House rent allowance	₹ 900 p.m.

Find out the amount of HRA eligible for exemption to Mr. Raj Kumar assuming that he paid a rent of ₹ 1,000 p.m. for his accommodation at Kanpur. DA forms part of salary for retirement benefits.

Question 11

Mr. Srikant has two sons. He is in receipt of children education allowance of ₹ 150 p.m. for his elder son and ₹ 70 p.m. for his younger son. Both his sons are going to school. He also receives the following allowances:

Transport allowance	₹ 1,000 p.m. (amount spent ₹ 600 p.m.)
Tribal area allowance	₹ 500 p.m.

Compute his taxable allowances.

Question 12

Mr. C is a Finance Manager in ABC Ltd. The company has provided him with rent-free unfurnished accommodation in Mumbai. He gives you the following particulars:

Basic salary	₹ 6,000 p.m.
Dearness Allowance	₹ 2,000 p.m. (30% is for retirement benefits)
Bonus	₹ 1,500 p.m.

Even though the company allotted the house to him on 1.4.2019, he occupied the same only from 1.11.2019. Calculate the taxable value of the perquisite for A.Y.2020-21.

- Calculate the taxable value of the perquisite for A.Y. 2020-21.
- Compute the value of the perquisite if Mr. C is required to pay a rent of ₹ 1,000 p.m. to the company, for the use of this accommodation.
- Compute the value of the perquisite if ABC Ltd. has taken this accommodation on a lease rent of ₹ 1,200 p.m. and Mr. C is required to pay a rent of ₹ 1,000 p.m. to the company, for the use of this accommodation.
- Compute the value of the perquisite if ABC Ltd. Has provided a television (WDV ₹ 10,000; Cost ₹ 25,000) and two air conditioners. The rent paid by the company for the air conditioners is ₹ 400 p.m. each. The television was provided on 1.1.2020. However, Mr. C is required to pay a rent of ₹ 1,000 p.m. to the company, for the use of this furnished accommodation.
- Compute the value of the perquisite if Mr. C is a government employee. The licence fees determined by the Government for this accommodation was ₹ 700 p.m.

Question 13

Mr. X retired from the services of M/s Y Ltd. on 31.01.2020, after completing service of 30 years and one month. He had joined the company on 1.1.1989 at the age of 30 years and received the following on his retirement:

- Gratuity ₹ 6,00,000. He was covered under the Payment of Gratuity Act, 1972.
- Leave encashment of ₹ 3,30,000 for 330 days leave balance in his account. He was credited 30 days leave for each completed year of service.
- As per the scheme of the company, he was offered a car which was purchased on 30.01.2017 by the company for ₹ 5,00,000. Company has recovered ₹ 2,00,000 from him for the car. Company depreciates the vehicles at the rate of 15% on Straight Line Method.
- An amount of ₹ 3,00,000 as commutation of pension for 2/3 of his pension commutation.
- Company presented him a gift voucher worth ₹ 6,000 on his retirement.
- His colleagues also gifted him a Television (LCD) worth ₹ 50,000 from their own contribution.

Following are the other particulars:

- He has drawn a basic salary of ₹ 20,000 and 50% dearness allowance per month for the period from 01.04.2019 to 31.01.2020.
- Received pension of ₹ 5,000 per month for the period 01.02.2020 to 31.03.2020 after commutation of pension.

Compute his gross total income from the above for Assessment Year 2020-21.

Question 14

Mr. X is employed with AB Ltd. on a monthly salary of ₹ 25,000 per month and an entertainment allowance and commission of ₹ 1,000 p.m. each. The company provides him with the following benefits:

- (1) A company owned accommodation is provided to him in Delhi. Furniture costing ₹ 2,40,000 was provided on 1.8.2019.
- (2) A personal loan of ₹ 5,00,000 on 1.7.2019 on which it charges interest @ 6.75% p.a. The entire loan is still outstanding. (Assume SBI rate of interest to be 12.75% p.a.)
- (3) His son is allowed to use a motor cycle belonging to the company. The company had purchased this motor cycle for ₹ 60,000 on 1.5.2015. The motor cycle was finally sold to him on 1.8.2019 for ₹ 30,000.
- (4) Professional tax paid by Mr. X is ₹ 2,000.

Compute the income from salary of Mr. X for the A.Y. 2020-21.

Question 15

Shri Bala employed in ABC Co. Ltd. as Finance Manager gives you the list of perquisites provided by the company to him for the entire financial year 2019-20:

- (i) Domestic servant was provided at the residence of Bala. Salary of domestic servant is ₹ 1,500 per month. The servant was engaged by him and the salary is reimbursed by the company (employer).

In case the company has employed the domestic servant, what is the value of perquisite?

- (ii) Free education was provided to his two children Arthy and Ashok in a school maintained and owned by the company. The cost of such education for Arthy is computed at ₹ 900 per month and for Ashok at ₹ 1,200 per month. No amount was recovered by the company for such education facility from Bala.
- (iii) The employer has provided movable assets such as television, refrigerator and air-conditioner at the residence of Bala. The actual cost of such assets provided to the employee is ₹ 1,10,000.
- (iv) A gift voucher worth ₹ 10,000 was given on the occasion of his marriage anniversary. It is given by the company to all employees above certain grade.
- (v) Telephone provided at the residence of Shri Bala and the bill aggregating to ₹ 25,000 paid by the employer.
- (vi) Housing loan @ 6% per annum. Amount outstanding on 1.4.2019 is ₹ 6,00,000. Shri Bala pays ₹ 12,000 per month towards principal, on 5th of each month.

Compute the chargeable perquisite in the hands of Mr. Bala for the A.Y. 2020-21.

The lending rate of State Bank of India as on 1.4.2019 for housing loan may be taken as 10%.

Question 16

AB Co. Ltd. allotted 1000 sweat equity shares to Sri Chand in June 2019. The shares were allotted at ₹ 200 per share as against the fair market value of ₹ 300 per share on the date of exercise of option by the allottee viz. Sri Chand. The fair market value was computed in accordance with the method prescribed under the Act.

- (a) What is the perquisite value of sweat equity shares allotted to Sri Chand ?
- (b) In the case of subsequent sale of those shares by Sri Chand, what would be the cost of acquisition of those sweat equity shares ?

Question 17

X Ltd. provided the following perquisites to its employee Mr. Y for the P.Y.2019-20 –

- (1) Accommodation taken on lease by X Ltd. for ₹ 15,000 p.m. ₹ 5,000 p.m. is recovered from the salary of Mr. Y.
- (2) Furniture, for which the hire charges paid by X Ltd. is ₹ 3,000 p.m. No amount is recovered from the employee in respect of the same.
- (3) A Santro Car which is owned by X Ltd. and given to Mr. Y to be used both for official and personal purposes. All running and maintenance expenses are fully met by the employer. He is also provided with a chauffeur.
- (4) A gift voucher of ₹ 10,000 on his birthday.

Compute the value of perquisites chargeable to tax for the A.Y.2020-21, assuming his salary for perquisite valuation to be ₹ 10 lacs.

Question 18

In the case of Mr. Hari, who turned 66 years on 28.3.2020, you are informed that the salary for the previous year 2019-20 is ₹ 10,20,000 and arrears of salary received is ₹ 3,45,000. Further, you are given the following details relating to the earlier years to which the arrears of salary received is attributable to:

Previous year	Taxable Salary (₹)	Arrears now received (₹)
2010 – 2011	7,10,000	1,03,000
2011 – 2012	8,25,000	1,17,000
2012 – 2013	9,50,000	1,25,000

Compute the relief available under section 89 and the tax payable for the A.Y. 2020-21.

Note: Rates of Taxes:

Assessment Year	Slab rates of income-tax			
	For resident individuals of the age of 60 years or more at any time during the previous year		For other resident individuals	
	Slabs	Rate	Slabs	Rate
2011-12	Upto ₹ 2,40,000	Nil	Upto ₹ 1,60,000	Nil
	₹ 2,40,001 - ₹ 5,00,000	10%	₹ 1,60,001 - ₹ 5,00,000	10%
	₹ 5,00,001 - ₹ 8,00,000	20%	₹ 5,00,001 - ₹ 8,00,000	20%
	Above ₹ 8,00,000	30%	Above ₹ 8,00,000	30%
2012-13	Upto ₹ 2,50,000	Nil	Upto ₹ 1,80,000	Nil
	₹ 2,50,001 - ₹ 5,00,000	10%	₹ 1,80,001 - ₹ 5,00,000	10%
	₹ 5,00,001 - ₹ 8,00,000	20%	₹ 5,00,001 - ₹ 8,00,000	20%
	Above ₹ 8,00,000	30%	Above ₹ 8,00,000	30%

	Slabs	Rate	Slabs	Rate
2013-14	Upto ₹ 2,50,000	Nil	Upto ₹ 2,00,000	Nil
	₹ 2,50,001 - ₹ 5,00,000	10%	₹ 2,00,001 - ₹ 5,00,000	10%
	₹ 5,00,001 - ₹ 10,00,000	20%	₹ 5,00,001 - ₹ 10,00,000	20%
	Above ₹ 10,00,000	30%	Above ₹ 10,00,000	30%

Note – Education cess@2% and secondary and higher education cess@1% was attracted on the income-tax for all above preceding years.

Question 19

Mr. Mohit is employed with XY Ltd. on a basic salary of ₹ 10,000 p.m. He is also entitled to dearness allowance @100% of basic salary, 50% of which is included in salary as per terms of employment. The company gives him house rent allowance of ₹ 6,000 p.m. which was increased to ₹ 7,000 p.m. with effect from 01.01.2020. He also got an increment of ₹ 1,000 p.m. in his basic salary with effect from 01.02.2019. Rent paid by him during the previous year 2019-20 is as under:

April and May, 2019 - Nil, as he stayed with his parents

June to October, 2019 - ₹ 6,000 p.m. for an accommodation in Ghaziabad

November, 2019 to March, 2020 - ₹ 8,000 p.m. for an accommodation in Delhi

Compute his gross salary for assessment year 2020-21.

Question 20

Mr. Balaji, employed as Production Manager in Beta Ltd., furnishes you the following information for the year ended 31.03.2020:

- (1) Basic salary upto 31.10.2019 ₹ 50,000 p.m.
Basic salary from 01.11.2019 ₹ 60,000 p.m.
- (2) Dearness allowance @ 40% of basic salary.
- (3) Bonus equal to one month salary. Paid in October 2019 on basic salary plus dearness allowance applicable for that month.
- (4) Contribution of employer to recognized provident fund account of the employee@16% of basic salary.
- (5) Profession tax paid ₹ 3,000 of which ₹ 2,000 was paid by the employer.
- (6) Facility of laptop and computer was provided to Balaji for both official and personal use. Cost of laptop ₹ 45,000 and computer ₹ 35,000 were acquired by the company on 01.12.2019.
- (7) Motor car owned by the employer (cubic capacity of engine exceeds 1.60 litres) provided to the employee from 01.11.2019 meant for both official and personal use. Repair and running expenses of ₹ 45,000 from 01.11.2019 to 31.03.2020, were fully met by the employer. The motor car was self-driven by the employee.
- (8) Leave travel concession given to employee, his wife and three children (one daughter aged 7 and twin sons aged 3). Cost of air tickets (economy class) reimbursed by the employer ₹ 30,000 for adults and ₹ 45,000 for three children. Balaji is eligible for availing exemption this year to the extent it is permissible in law.

Compute the salary income chargeable to tax in the hands of Mr. Balaji for the assessment year 2020-21.

Question 21

Mr. Shah, an Accounts Manager, has retired from BB Ltd. on 15.1.2020 after rendering services for 30 years 7 months. His salary is ₹ 25,000 p.m. upto 30.09.2019 and ₹ 27,000 thereafter. He also gets ₹ 2,000 p.m. as dearness allowance (55% of it is a part of salary for computing retirement benefits). He is not covered by the Payment of Gratuity Act, 1972. He has received ₹ 8 Lacs as gratuity from the employer company. Compute the gratuity taxable in the hands of Mr. Shah. [Ans.: ₹ 3,99,500]

Question 22

From the following details, find out the salary chargeable to tax for the A.Y.2020-21 -

Mr. X is a regular employee of Rama & Co., in Gurgaon. He was appointed on 1.1.2019 in the scale of ₹ 20,000 - ₹ 1,000 - ₹ 30,000. He is paid 10% D.A. & Bonus equivalent to one month pay based on salary of March every year. He contributes 15% of his pay and D.A. towards his recognized provident fund and the company contributes the same amount.

He is provided free housing facility which has been taken on rent by the company at ₹ 10,000 per month. He is also provided with following facilities:

- (i) Facility of laptop costing ₹ 50,000.
- (ii) Company reimbursed the medical treatment bill of his brother of ₹ 25,000, who is dependent on him.
- (iii) The monthly salary of ₹ 1,000 of a house keeper is reimbursed by the company.
- (iv) A gift voucher of ₹ 10,000 on the occasion of his marriage anniversary.
- (v) Conveyance allowance of ₹ 1,000 per month is given by the company towards actual reimbursement.
- (vi) He is provided personal accident policy for which premium of ₹ 5,000 is paid by the company.
- (vii) He is getting telephone allowance @ ₹ 500 per month.

Question 23

Mr. Tushar Kapoor, Finance Manager of KLM Ltd., Mumbai, furnishes the following particulars for the financial year 2019-20:

- (a) Salary ₹ 46,000 per month
- (b) Value of medical facility in a hospital maintained by the company ₹ 7,000
- (c) Rent free accommodation owned by the company
- (d) Housing loan of ₹ 6,00,000 given on 01.04.2019 at the interest rate of 6% p.a. (No repayment made during the year). The rate of interest charged by State Bank of India (SBI) as on 01.04.2019 in respect of housing loan is 10%.
- (e) Gifts in kind made by the company on the occasion of wedding anniversary of Mr. Tushar Kapoor ₹ 4,750.
- (f) A wooden table and 4 chairs were provided to Mr. Tushar Kapoor at his residence (dining table). This was purchased on 1.5.2016 for ₹ 60,000 and sold to Mr. Tushar Kapoor on 1.8.2019 for ₹ 30,000.
- (g) Personal purchases through credit card provided by the company amounting to ₹ 10,000 was paid by the company. No part of the amount was recovered from Mr. Tushar Kapoor.
- (h) An ambassador car which was purchased by the company on 16.7.2016 for ₹ 2,50,000 was sold to the assessee on 14.7.2019 for ₹ 80,000.

Compute the income from salary of Mr. Tushar Kapoor for the Assessment year 2020-21.

Question 24

Mr. Honey is working with a domestic company having a production unit in the U.S.A. for last 15 years. He has been regularly visiting India for export promotion of company's product. He has been staying in India for atleast 184 days every year.

He submits the following information:

Salary received outside India (For 6 months) ₹ 50,000 P.M

Salary received in India (For 6 months) ₹ 50,000 P.M.

He has been given rent free accommodation in U.S.A. for which company pays ₹ 15,000 per month as rent, but when he comes to India, he stays in the guest house of the company. During this period he is given free lunch facility.

During the previous year, company incurred an expenditure of ₹ 48,000 on this facility.

He has been provided a car of 2000 cc capacity in U.S.A. which is used by him for both office and private purposes. The actual cost of the car is ₹ 8,00,000. But when he is in India, the car is used by him and the members of his family only for personal purpose. The monthly expenditure of car is ₹ 5,000. His elder son is studying in India for which his employer spends ₹ 12,000 per year whereas his younger son is studying in U.S.A. and stays in a hostel for which Mr. Honey gets ₹ 3,000 per month as combined allowance.

The company has taken an accident insurance policy and a life insurance policy. During the previous year, the company paid premium of ₹ 5,000 and ₹ 10,000, respectively.

Compute Mr. Honey's taxable income from salary for the Assessment Year 2020-21.

MCQ's

1. The maximum ceiling limit for exemption under section 10(10) in respect of gratuity for employees covered by the Payment of Gratuity Act, 1972 is -
 - (a) ₹ 10,00,000
 - (b) ₹ 5,00,000
 - (c) ₹ 3,50,000
 - (d) ₹ 20,00,000
2. The maximum ceiling limit for exemption under section 10(10C) with respect to compensation received on voluntary retirement is -
 - (a) ₹ 2,50,000
 - (b) ₹ 3,00,000
 - (c) ₹ 3,50,000
 - (d) ₹ 5,00,000
3. The HRA paid to an employee residing in Patna is exempt up to the lower of actual HRA, excess of rent paid over 10% of salary and -
 - (a) 30% of salary
 - (b) 40% of salary
 - (c) 50% of salary
 - (d) 60% of salary
4. Anirudh stays in New Delhi. His basic salary is ₹ 10,000 p.m., D.A. (60% of which forms part of pay) is ₹ 6,000 p.m., HRA is ₹ 5,000 p.m. and he is entitled to a commission of 1% on the turnover achieved by him. Anirudh pays a rent of ₹ 5,500 p.m. The turnover achieved by him during the current year is ₹ 12 lakhs. The amount of HRA exempt under section 10(13A) is -
 - (a) ₹ 48,480
 - (b) ₹ 45,600
 - (c) ₹ 49,680
 - (d) ₹ 46,800
5. Where there is a decision to increase the D.A. in March, 2020 with retrospective effect from 1.4.2018, and the increased D.A. is received in April, 2020, the increase is taxable -
 - (a) In the previous year 2018-19
 - (b) In the previous year 2019-20
 - (c) In the previous year 2020-21
 - (d) In the respective years to which they relate
6. Rajesh is provided with a rent free unfurnished accommodation, which is owned by his employer, XY Pvt. Ltd., in New Delhi. The value of perquisite in the hands of Rajesh is -
 - (a) 20% of salary
 - (b) 15% of salary
 - (c) 10% of salary
 - (d) 7.5% of salary

7. Anand is provided with furniture to the value of ₹ 70,000 along with house from February, 2018. The actual hire charges paid by his employer for hire of furniture is ₹ 5,000 p.a.. The value of furniture to be included along with value of unfurnished house for A.Y.2020-21 is-
- (a) ₹ 5,000
 - (b) ₹ 7,000
 - (c) ₹ 10,500
 - (d) ₹ 14,000
8. For the purpose of determining the perquisite value of loan at concessional rate given to the employee, the lending rate of State Bank of India as on _____ is required;
- (a) 1st day of the relevant previous year
 - (b) Last day of the relevant previous year
 - (c) The day the loan is given
 - (d) 1st day of the relevant assessment year
9. Mr. Kashyap received basic salary of ₹ 20,000 p.m. from his employer. He also received children education allowance of ₹ 3,000 for three children and transport allowance of ₹ 1,800 p.m. The amount of salary chargeable to tax for P.Y. 2019-20 is -
- (a) ₹ 2,62,600
 - (b) ₹ 2,22,600
 - (c) ₹ 2,22,200
 - (d) ₹ 2,07,800
10. The entertainment allowance received by a Government employee is exempt up to the lower of the actual entertainment allowance received, 1/5th of basic salary and-
- (a) ₹ 4,000
 - (b) ₹ 6,000
 - (c) ₹ 5,000
 - (d) ₹ 10,000.
11. Alia Bhatt, an actress is employed in Chopra films where she is paid monthly remuneration of ₹2,00,000. She acts in various films produced by various producers. Remuneration for acting in such films is directly paid to Chopra films by different producers. ₹2,00,000 will be taxable under which head-
- (a) Salary
 - (b) Other sources
 - (c) Income from profession
 - (d) Not taxable
12. Mr. Jagdish, an employee instructs his employer that he is not interested in receiving the salary for April 2019 and same might be donated to charitable institution. Taxability of such amount in hands of Mr. Jagdish will be-
- (a) Not taxable
 - (b) Taxable under the head salary
 - (c) Taxable under the head PGBP
 - (d) Taxable under the head capital gain

13. Income tax paid by the employer on non-monetary perquisite on behalf of employer is ____ in the hands of employee
- (a) Exempt
 - (b) Taxable
 - (c) Partly exempt, partly taxable
 - (d) Not applicable
14. Salary is taxable on-
- (a) Due basis
 - (b) Receipt basis
 - (c) Due basis or receipt basis whichever is earlier
 - (d) Not taxable
15. Servant Allowance provided by employer to employee is-
- (a) Fully taxable
 - (b) Fully exempt
 - (c) Partly taxable, partly exempt
 - (d) None of the above
16. Transport allowance granted to an employee to meet his expenditure for commuting between place of residence and place of his duty is-
- (a) Fully taxable
 - (b) Fully exempt
 - (c) Partly taxable, partly exempt
 - (d) None of the above
17. Children Education Allowance is exempt to what extent-
- (a) ₹100 per month per child
 - (b) ₹50 per month per child
 - (c) ₹20 per month per child
 - (d) ₹300 per month per child
18. Any allowance granted for encouraging the academic research and training pursuits in educational and research institutions provided by employer to employee is-
- (a) Fully taxable
 - (b) Fully exempt
 - (c) Partly taxable, partly exempt
 - (d) None of the above
19. Which of the following allowances are fully exempt-
- (a) Allowances paid by the government to citizen of India outside India
 - (b) Allowances to High Court judges
 - (c) Allowances paid by UNO to its employees
 - (d) All of the above

20. State whether true or false.

“When gratuity is received from 2 or more employers in the same year then the aggregate amount of gratuity exempt from tax cannot exceed ₹20,00,000 in case covered by payment of Gratuity Act, 1972.”

(a) True

(b) False

21. Exemption amount in the case of leave salary received at the time of retirement to non-government employees is the least of-

(i) ₹3,00,000

(ii) Leave salary actually received

(iii) _____ average salary

(iv) Cash equivalent of leave to the credit of employee at the time of retirement or death

(a) 8 months

(b) 2 months

(c) 10 months

(d) 12 months

22. A fund constituted under Employee Provident Fund and Miscellaneous Provisions Act, 1952 will also be a –

(a) Recognized Provident Fund

(b) Unrecognized Provident Fund

(c) Specified Provident Fund

(d) Public Provident Fund

23. Interest is credited to the account of employee of Statutory Provident Fund. What will be the taxability of interest earned-?

(a) Fully exempt

(b) Fully taxable

(c) Amount in excess of 9.5% p.a. is taxable

(d) Amount in excess of 12% p.a. is taxable

24. On retirement, receipt of accumulated balance of Recognized Provident Fund will be exempt only if employee has rendered continuous service of ____ years

(a) 3

(b) 5

(c) 8

(d) 10

25. Compensation on account of termination of employment and compensation on account of modification in the terms and conditions of employment would be-

(a) Taxable

(b) Exempt

(c) Partly exempt, partly taxable

(d) None

26. Amount of contribution to an approved superannuation fund by the employer with respect to assessee is exempt to the extent of-
- (a) 90,000
 - (b) 1,00,000
 - (c) 1,50,000
 - (d) 2,00,000
27. Contribution to which of the following fund by employees is not eligible for deduction u/s 80C
- (a) Recognized Provident Fund
 - (b) Specified Provident Fund
 - (c) Unrecognized Provident Fund
 - (d) Approved superannuation
28. Miss Aarti is an employee of Infosys Ltd. She gets subsidized lunch at ₹25 per plate. Market value of the same is ₹50. Perquisite taxable in the hands of Miss Aarti is-
- (a) 25
 - (b) 50
 - (c) Exempt
 - (d) None of the above
29. Medical facilities provided by employee to employer is fully taxable except-
- (a) Treatment done in hospital maintained by employer
 - (b) Treatment done in hospital maintained by government
 - (c) Both (a) and (b)
 - (d) Treatment done in private hospitals
30. Interest free loan will not be regarded as perquisite given by employer to employee if loan given is up to-
- (a) 10,000
 - (b) 5,000
 - (c) 20,000
 - (d) 15,000
31. As per FA 2019, standard deduction of ____ will be provided to all the employees from their salary
- (a) 30,000
 - (b) 40,000
 - (c) 50,000
 - (d) 60,000
32. Deduction of Entertainment Allowance is available only to-
- (a) All employees
 - (b) Government employees
 - (c) Non-government employees
 - (d) Private company's employees

Solutions							
1	D	2	D	3	B	4	A
5	B	6	B	7	A	8	A
9	B	10	C	11	A	12	B
13	A	14	C	15	A	16	A
17	A	18	B	19	D	20	A
21	C	22	A	23	A	24	B
25	A	26	C	27	C	28	C
29	C	30	C	31	C	32	B

5

Income from House Property

Question 1

SRK owns five houses in Mumbai, all of which are let-out. Compute the GAV of each house from the information given below:

(₹)

Particulars	House I	House II	House III	House IV	House V
Municipal Value	80,000	55,000	65,000	24,000	75,000
Fair Rent	90,000	60,000	65,000	25,000	80,000
Standard Rent	N.A.	75,000	58,000	N.A.	78,000
Actual Rent received / receivable	72,000	72,000	60,000	30,000	72,000

Question 2

Mr. Nandan own five houses at Delhi. Compute the NAV of each house from the information given below:

(₹)

Particulars	House I	House II	House III	House IV	House V
Municipal Value	1,20,000	2,40,000	1,10,000	90,000	75,000
Fair Rent	1,50,000	2,40,000	1,14,000	84,000	80,000
Standard Rent	1,08,000	N.A.	1,40,000	N.A.	78,000
Actual Rent received / receivable	1,80,000	2,10,000	1,20,000	1,08,000	72,000
Municipal Taxes	10%	12%	15%	8%	12%

Question 3

Mr. Sam, a British national, is a resident and ordinarily resident in India during the P.Y. 2019-20. He owns a house in London, which he has let out at £ 11,000 p.m. The municipal taxes paid to the Municipal Corporation of London is £ 9,500 during the P.Y. 2019-20. The value of one £ in Indian rupee to be taken at ₹ 86.50. Compute Sam's taxable income for the A.Y. 2020-21.

Question 4

Sneha had taken a loan of ₹ 7,00,000 for construction of property on 1.10.2018. Interest was payable @ 12% p.a. The construction was completed on 30.6.2019. No principal repayment has been made up to 31.3.2020. Compute the interest allowable as deduction under Section 24 for the A.Y.2020-21.

Question 5

Loan taken for construction of House ₹ 10,00,000 on 01/06/14 @12% p.a. Loan repaid on 1/04/2016 ₹ 4,00,000. Construction completed on 1/3/2018. Compute interest on loan deduction for A.Y. 2020-21.

Question 6

Borana has a property whose municipal valuation is ₹ 1,30,000 p.a. The fair rent is ₹ 1,10,000 p.a. and the standard rent fixed by the Rent Control Act is ₹ 1,20,000 p.a. The property was let out for a rent of ₹ 11,000 p.m. throughout the previous year. Unrealised rent was ₹ 11,000 and all conditions prescribed by Rule 4 are satisfied. He paid municipal taxes @ 10% of municipal valuation. Interest on borrowed capital was ₹ 40,000 for the year. Compute the income from house property of Borana for A.Y. 2020-21.

Question 7

Ruchi has a property whose municipal valuation is ₹ 2,50,000 p.a. The fair rent is ₹ 2,00,000 p.a. and the standard rent fixed by the Rent Control Act is ₹ 2,10,000 p.a. The property was let out for a rent of ₹ 20,000 p.m. However, the tenant vacated the property on 31.1.2020. Unrealised rent was ₹ 20,000 and all conditions prescribed by Rule 4 are satisfied. She paid municipal taxes @ 8% of municipal valuation. Interest on borrowed capital was ₹ 65,000 for the year. Compute the income from house property of Ruchi for A.Y.2020-21.

Question 8

Pooja has one house property at Indira Nagar in Mumbai. She stays with her family in the house. The rent of similar property in the neighbourhood is ₹ 25,000 p.m. The municipal valuation is ₹ 23,000 p.m. Municipal taxes paid is ₹ 8,000. The house was constructed in the year 2015 with a loan of ₹ 20,00,000 taken from SBI Housing Finance Ltd. The construction was completed on 30.11.2015. The accumulated interest up to 31.3.2015 is ₹ 1,50,000. During the previous year 2019-20, Pooja paid ₹ 2,08,000 which included ₹ 1,74,000 as interest. Compute Pooja's income from house property for A.Y. 2020-21.

Question 9

Prem owns a house in Madras. During the previous year 2019-20, ½ rd portion of the house was self-occupied and ½ rd portion was let out for residential purposes at a rent of ₹ 8,000 p.m. Municipal value of the property is ₹ 3,00,000 p.a., fair rent is ₹ 2,70,000 p.a. and standard rent is ₹ 3,30,000. He paid municipal taxes @ 10% of municipal value during the year. A loan of ₹ 25,00,000 was taken by him during the year 2015 for acquiring the property. Interest on loan paid during the previous year 2019-20 was ₹ 1,20,000. Compute Prem's income from house property for the A.Y. 2020-21.

Question 10

Mr. Ram and Lakhan constructed their houses on a piece of land purchased by them at New Delhi. The built-up area of each house was 1,000 sq. ft. ground floor and an equal area in the first floor. Ram started construction on 1-04-2018 and completed on 1-04-2019. Lakhan started the construction on 1-04-2018 and completed the construction on 30-06-2019. Ram occupied the entire house on 01-04-2019. Lakhan occupied the ground floor on 01-07-2019 and let out the first floor for a rent of ₹ 15,000 per month. However, the tenant vacated the house on 31-12-2019 and Lakhan occupied the entire house during the period 01-01-2020 to 31-03-2020. Following are the other information:

- | | |
|---|---------------------|
| (1) Fair rental value of each unit (ground floor/first floor) | ₹ 1,00,000 per year |
| (2) Municipal value of each unit (ground floor/first floor) | ₹ 72,000 per year |

(3) Municipal taxes paid by	Ram	₹ 8,000
	Lakhan	₹ 8,000
(4) Repair and maintenance charges paid by	Ram	₹ 28,000
	Lakhan	₹ 30,000

Ram has availed a housing loan of ₹ 20 lakhs @ 12% p.a. on 01-04-2018. Lakhan has availed a housing loan of ₹ 12 lakhs @ 10% p.a. on 01-07-2018. No repayment was made by either of them till 31-03-2020. Compute income from house property for Ram and Lakhan for the previous year 2019-20 (A.Y. 2020-21).

Question 11

Mr. Kapil owns one residential house in Mumbai. The house is having two identical units. First unit of the house is self-occupied by Mr. Kapil and another unit is rented for ₹ 8,200 p.m. The rented unit was vacant for 2 months during the year. The particulars of the house for the previous year 2019-20 are as under:

Standard rent	₹ 1,62,000 p.a.
Municipal valuation	₹ 1,90,000 p.a.
Fair rent	₹ 1,85,000 p.a.
Municipal tax (paid by Mr. Kapil)	15% of municipal value
Light and water charges	₹ 500 p.m.
Interest on borrowed capital	₹ 1,500 p.m.
Lease money	₹ 1,200 p.m.
Insurance charges	₹ 3,000 p.m.
Repairs	₹ 12,000 p.m.

Compute income from house property of Mr. Kapil for the A.Y. 2020-21.

Question 12

Smt. Rajalakshmi owns a house property at Adyar in Chennai. The municipal value of the property is ₹ 5,00,000, fair rent is ₹ 4,20,000 and standard rent is ₹ 4,80,000. The property was let-out for ₹ 50,000 p.m. up to December 2019. Thereafter, the tenant vacated the property and Smt. Rajalakshmi used the house for self-occupation. Rent for the months of November and December, 2019 could not be realised in spite of the owner's efforts. All the conditions prescribed under Rule 4 are satisfied. She paid municipal taxes @ 12% during the year. She had paid interest of ₹ 39,000 during the year for amount borrowed for repairs for the house property. Compute her income from house property for the A.Y. 2019-20.

Question 13

Ganesh has three houses, all of which are self-occupied. The particulars of the houses for the P.Y. 2019-20 are as under:

Particulars	House I	House II	House III
Municipal Value p.a.	1,00,000	1,50,000	2,50,000
Fair Rent p.a.	75,000	1,75,000	2,25,000
Standard Rent	90,000	1,60,000	2,30,000
Date of completion	31.03.1999	31.03.2010	16.7.2015
Municipal taxes paid during the year	12%	8%	10%
Interest on money borrowed for <i>repair</i> of property during the current year	-	55,000	40,000

Compute Ganesh's income from house property for A.Y.2020-21 and suggest which house should be opted by Ganesh to be assessed as self-occupied so that his tax liability is minimum.

Question 14

Mr. Raman is a co-owner of a house property alongwith his brother holding equal share in the property.

Particulars	₹
Municipal value of the property	1,60,000
Fair rent	1,50,000
Standard rent under the Rent Control Act	1,70,000
Rent received	15,000 p.m.

The loan for the construction of this property is jointly taken and the interest charged by the bank is ₹ 25,000, out of which ₹ 21,000 has been paid. Interest on the unpaid interest is ₹ 450. To repay this loan, Raman and his brother have taken a fresh loan and interest charged on this loan is ₹ 5,000. The municipal taxes of ₹ 5,100 have been paid by the tenant.

Compute the income from this property chargeable in the hands of Mr. Raman for the A.Y. 2020-21.

Question 15

Two brothers Arun and Bimal are co-owners of a house property with equal share. The property was constructed during the financial year 1998-1999. The property consists of eight identical units and is situated at Cochin.

During the financial year 2019-20, each co-owner occupied one unit for residence and the balance of six units were let out at a rent of ₹ 15,000 per month per unit. The municipal value of the house property is ₹ 10,00,000 and the municipal taxes are 20% of municipal value, which were paid during the year. The other expenses were as follows:

	₹
Repairs	40,000
Insurance Premium (paid)	15,000
Interest payable on loan taken for construction house	3,60,000

One of the let-out units remained vacant for four months during the year.

Arun could not occupy his unit for six months as he was transferred to Chennai. He does not own any other house.

Compute the income under the head 'Income from House Property' of two brothers for the assessment year 2020-21.

Question 16

Mr. Anand sold his residential house property in March, 2019.

In June, 2019, he recovered rent of ₹ 10,000 from Mr. Gaurav, to whom he had let out his house for two years from April 2013 to March 2015. He could not realise two months rent of ₹ 20,000 from him and to that extent his actual rent was reduced while computing income from house property for A.Y.2015-16.

Further, he had let out his property from April, 2015 to February, 2019 to Mr. Satish. In April, 2017, he had increased the rent from ₹ 12,000 to ₹ 15,000 per month and the same was a subject matter of dispute. In September, 2019, the matter was finally settled and Mr. Anand received ₹ 69,000 as arrears of rent for the period April 2017 to February, 2019.

Would the recovery of unrealised rent and arrears of rent be taxable in the hands of Mr. Anand, and if so in which year?

The logo consists of the text "MCQ's" in a bold, black, sans-serif font, enclosed within a rectangular border with a double-line effect.

1. Vacant site lease rent is taxable as
 - (a) Income from house property
 - (b) Business income or income from house property, as the case may be
 - (c) Income from other sources or business income, as the case may be
 - (d) Income from other sources or income from house property, as the case may be
2. Treatment of unrealized rent for determining income from house property
 - (a) To be deducted from expected rent
 - (b) To be deducted from actual rent
 - (c) To be deducted under section 24 from annual value
 - (d) To be deducted from both expected rent and actual rent
3. Municipal taxes to be deducted from GAV should be
 - (a) Paid by the tenant during the previous year
 - (b) Paid by the owner during the previous year
 - (c) Accrued during the previous year
 - (d) Paid during the previous year either by tenant or owner
4. Deduction under section 24(a) is
 - (a) 1/3rd of NAV
 - (b) Repairs actually incurred by the owner
 - (c) 30% of NAV
 - (d) Interest on borrowed capital
5. Interest on borrowed capital accrued up to the end of the previous year prior to the year of completion of construction is
 - (a) Allowed as a deduction in the year of completion of construction
 - (b) Allowed in 5 equal annual installments from the year of completion of construction
 - (c) Allowed in the respective year in which the interest accrues
 - (d) Not allowed
6. The ceiling limit of deduction under section 24(b) in respect of interest on loan taken on 1.4.2019 for repairs of a self-occupied house is
 - (a) ₹ 30,000 p.a.
 - (b) ₹ 1,50,000 p.a.
 - (c) ₹ 2,00,000 p.a.
 - (d) No limit

7. Where an assessee has two house properties for self-occupation, the benefit of nil annual value will be available in respect of -
- (a) Both the properties
 - (b) The property which has been acquired/constructed first
 - (c) Any one of the properties, at the option of the assessee
 - (d) Any one of the properties and once option is exercised cannot be changed in subsequent years
8. Leena received ₹ 30,000 as arrears of rent during the P.Y. 2019-20. The amount taxable under section 25A would be -
- (a) ₹ 30,000
 - (b) ₹ 21,000
 - (c) ₹ 20,000
 - (d) ₹ 15,000
9. Vidya received ₹ 90,000 in May, 2019 towards recovery of unrealised rent, which was deducted from actual rent during the P.Y. 2017-18 for determining annual value. Legal expense incurred in relation to unrealised rent is ₹ 20,000. The amount taxable under section 25A for A.Y. 2020-21 would be -
- (a) ₹ 70,000
 - (b) ₹ 63,000
 - (c) ₹ 60,000
 - (d) ₹ 49,000
10. Ganesh and Rajesh are co-owners of a self-occupied property. They own 50% share each. The interest paid by each co-owner during the previous year on loan (taken for acquisition of property during the year 2004) is ₹ 2,05,000. The amount of allowable deduction in respect of each co-owner is -
- (a) ₹ 2,05,000
 - (b) ₹ 1,02,500
 - (c) ₹ 2,00,000
 - (d) ₹ 1,00,000
11. Brahma and Company, a partnership firm, according to its partnership deed, is engaged in the business of letting out of properties. Rental income received from letting out of property will be chargeable under the head-
- (a) PGBP
 - (b) Other sources
 - (c) Income from House Property
 - (d) Capital gain
12. Mr. Shiva, a salaried individual has a vacant land which is given on rent by him. Rental income received by Mr. Shiva is taxable under the head-
- (a) PGBP
 - (b) Other sources
 - (c) Income from House Property
 - (d) Capital gain

13. Mr. Nikhilesh Mishra has let out his property to Rovina which is used by Rovina for her commercial purpose. Rovina paid ₹10,00,000 as rent to Mr. Nikhilesh. Now, ₹10,00,000 is taxable under which of the following head-
- (a) PGBP
 - (b) House property
 - (c) Other sources
 - (d) Capital Gain
14. Annual value of property being held as stock-in-trade would be treated as NIL for the period of ____ from the end of the FY in which Completion Certificate of construction of property is obtained from competent authority-
- (a) 6 months
 - (b) 1 year
 - (c) 2 years
 - (d) Nil
15. Mr. A received composite rent for building and furniture from Mr. B. Mr. B does not accept letting out of buildings without other assets. Total rent received is ₹9,60,000. Now, ₹9,60,000 will be taxable in the hands of Mr. A under which head-
- (a) Income from House Property
 - (b) PGBP
 - (c) IFOS
 - (d) Capital Gain
16. For computation of Income from House Property, Gross Annual Value is-
- (a) Higher of Expected rent and Actual rent
 - (b) Lower of Expected rent and Actual rent
 - (c) Higher of Standard rent and Actual rent
 - (d) Lower of Standard rent and Actual rent
17. For calculating expected rent, ____ should be taken-
- (a) Higher of Fair Rent and Municipal value, but restricted to Standard Rent
 - (b) Lower of Fair Rent and Municipal value, but restricted to Standard Rent
 - (c) Higher of Municipal value and Standard Rent, but restricted to Fair Value
 - (d) Lower of Municipal value and Standard Rent, but restricted to Fair Value
18. If a single unit of property is self occupied for part of the year and let out for rest of the year, the Expected Rent for ____ shall be taken into account-
- (a) Let out period
 - (b) Whole year
 - (c) Self occupied period
 - (d) 2 months

19. Miss Pallavi has let out her own house property from 01/04/19 to 30/11/19 and received rent of ₹72,000. From 01/12/19 to 31/03/20, she occupied the property herself. Other information from 01/04/19 – 31/03/20 is-
- | | |
|-------------------|--------|
| Municipal Value : | 80,000 |
| Fair Rent : | 90,000 |
| Standard Rent : | 75,000 |
| Municipal taxes : | 7,950 |
- Calculate the Gross Annual Value
- (a) 75,000
(b) 72,000
(c) 67,050
(d) 64,050
(e) 69,700
20. For computation of GAV, fair value, municipal value and standard rent has to be apportioned-
- (a) When property let out for some part of the year
(b) When portion of property is let out
(c) Both (a) and (b)
(d) Fair Value, Municipal Value and Standard Rent should never be apportioned
21. Unrealized rent should not be taken into consideration for calculating actual rent. Which of the following condition is required to be fulfilled for the same-
- (a) Tenancy is bonafide
(b) Defaulting tenant has vacated the property
(c) Defaulting tenant is not in occupation of any other property of assessee
(d) Assessee has taken all the reasonable steps to institute legal proceedings
(e) All of the above
22. Municipal taxes will be deducted from GAV only when-
- (a) It is incurred during Previous Year
(b) It is paid by the owner during Previous Year
(c) It is paid by the tenant during Previous Year
(d) It is paid by the tenant or the owner during Previous Year
23. Amount of deduction u/s 24 from annual value is-
- (a) $\frac{1}{2}$ of Annual Value
(b) $\frac{1}{3}$ of Annual Value
(c) $\frac{3}{10}$ of Annual Value
(d) $\frac{7}{10}$ of Annual Value

24. Deduction of which of the following is allowed as deduction while computing income from house property-
- (a) Repairs to building
 - (b) Maintenance of building
 - (c) Construction of building
 - (d) Municipal taxes paid
 - (e) All of the above
25. Pre-construction period interest can be claimed as deduction over a period of ___ in equal annual installments commencing from the year of acquisition or completion of construction-
- (a) 2
 - (b) 3
 - (c) 4
 - (d) 5
26. When loan is taken for repair, renewal or reconstruction of house property in case of self occupied property, maximum interest allowable is-
- (a) 30,000
 - (b) 60,000
 - (c) 1,00,000
 - (d) 2,00,000
27. Mr. Bunty let out his house property and received ₹1,32,000 as rent. Municipal value = 1,30,000 p.a.; Fair rent = 1,10,000; Standard rent = 1,20,000 p.a. Mr. Bunty took a loan for acquisition of this property from Singapore and paid interest of ₹40,000 without deduction of TDS. Compute income from house property (Municipal taxes accrued = 13,000 but paid during the year is ₹10,000)-
- (a) 45,400
 - (b) 83,300
 - (c) 85,400
 - (d) 43,300
28. Mr. Nazish received unrealized rent of ₹49,000 on 05/06/19. In this year, he was not the owner of house property. This 49,000 will be taxable under which head and how much will be taxable-
- (a) Income from house property, ₹49,000
 - (b) Income from other sources, ₹49,000
 - (c) Income from house property, ₹34,300
 - (d) Income from other sources, ₹34,300
29. State whether true or false-
- “Where house property is co-owned by two owners and self occupied, overall aggregate of ₹2,00,000 interest deduction will be available”-
- (a) True
 - (b) False

30. Mr. Ramnath transferred his house property to his wife in an agreement to live apart without consideration. Who will be the owner of house property-
- Ramnath
 - Ramnath's wife
 - Both of them proportionately
 - no one
31. A person who acquires any rights in or with respect to any building or part thereof i.e. transfer by way of lease for not less than ___ years, shall be deemed to be the owner of the building.
- 9
 - 8
 - 12
 - 11
32. Which of the following house property income is exempt from tax-
- Income from any farm house forming part of agricultural income
 - Income from house property of local authority
 - Income from house property of an approved scientific research association
 - Income from house property of political party
 - All of the above

Solutions							
1	C	2	B	3	B	4	C
5	B	6	A	7	C	8	B
9	B	10	C	11	A	12	B
13	B	14	C	15	C	16	A
17	A	18	B	19	A	20	B
21	E	22	B	23	C	24	D
25	D	26	A	27	C	28	C
29	B	30	B	31	C	32	E

6

Profit and Gain from Business or Profession

Question 1

Mr. X, a proprietor engaged in manufacturing business, furnishes the following particulars:

	Particulars	₹
(1)	Opening WDV of plant and machinery as on 1.4.2019	30,00,000
(2)	New plant and machinery purchased and put to use on 08.06.2019	20,00,000
(3)	New plant and machinery acquired and put to use on 15.12.2019	8,00,000
(4)	Computer acquired and installed in the office premises on 2.1.2020	3,00,000

Compute the amount of depreciation and additional depreciation as per the Income tax Act, 1961 for the A.Y. 2020-21. Assume that all the assets were purchased by way of account payee cheque.

Question 2

A newly qualified Chartered Accountant Ms Heena, commenced practice and has acquired the following assets in his office during F.Y. 2019-20 at the cost shown against each item. Calculate the amount of depreciation that can be claimed from his professional income for A.Y. 2020-21:

Description	Date of acquisition	Date when put to use	Amt. (₹)
(1) Computer	27 Sept., 19	1 Oct., 19	35,000
(2) Computer software	2 Oct., 19	4 Oct., 19	8,500
(3) Computer printer	2 Oct., 19	2 Oct., 19	12,500
(4) Books (of which books being annual publication are of ₹ 12,000)	1 Apr., 19	1 Apr., 19	13,000
(5) Office furniture (Acquired from practicing C.A.)	1 Apr., 19	1 Apr., 19	3,00,000
(6) Laptop	26 Sept. 19	4 Oct., 19	43,000

Question 3

M/s. Borana Ltd., a manufacturing concern, furnishes the following particulars:

Particulars	Amt. (₹)
(1) Opening writing down value under Income-tax of block plant and machinery	5,00,000
(2) Purchase of plant and machinery (put to use before 01.10.2019)	2,00,000
(3) Sale proceeds of plant and machinery which became obsolete- the plant and machinery was purchased on 01-04-2016 for ₹ 5,00,000.	5,000

Further, out of purchase of plant and machinery:

(a) Plant and machinery of ₹ 20,000 has been installed in office.

(b) Plant and machinery of ₹ 20,000 was used previously for the purpose of business by the seller.

Compute depreciation and additional depreciation as per Income-tax Act, 1961 for the Assessment Year 2020-21.

Question 4

Mr. Gopi carrying on business as proprietor converted the same into a limited company by name Gopi Pipes (P) Ltd. from 01-07-2019. The details of the assets are given below:

	₹
Block - I WDV of plant & machinery (rate of depreciation @ 15%) on 01.04.2019	12,00,000
Block - II WDV of building (rate of depreciation @ 10%) on 01.04.2019	25,00,000

The company Gopi Pipes (P) Ltd. acquired plant and machinery in December 2019 for ₹ 10,00,000. It has been doing the business from 01-07-2019.

Compute the quantum of depreciation to be claimed by Mr. Gopi and successor Gopi Pipes (P) Ltd. for the assessment year 2020-21. Assume that plant and machinery were purchased by way of account payee cheque.

Note: Ignore additional depreciation.

Question 5

Sai Ltd. has a block of assets carrying 15% rate of depreciation, whose written down value on 01.04.2019 was ₹ 40 lacs. It purchased another asset (second-hand plant and machinery) of the same block on 01.11.2019 for ₹ 14.40 lacs and put to use on the same day. Sai Ltd. was amalgamated with Shirdi Ltd. with effect from 01.01.2020.

You are required to compute the depreciation allowable to Sai Ltd. & Shirdi Ltd. for the previous year ended on 31.03.2020 assuming that the assets were transferred to Shirdi Ltd. at ₹ 60 lacs. Also assume that the plant and machinery were purchased by way of account payee cheque.

Question 6

A car purchased by Dr. Soman on 10.08.2015 for ₹ 5,25,000 for personal use is brought into professional use on 1.07.2019 by him, when its market value was ₹ 2,50,000.

Compute the actual cost of the car and the amount of depreciation for the assessment year 2020-21 assuming the rate of depreciation to be 15%.

Question 7

Mr. Gamma, a proprietor started a business of manufacture of tyres and tubes for motor vehicles on 1.1.2019. The manufacturing unit was set up on 1.5.2019. He commenced his manufacturing operations on 1.6.2019. The total cost of the plant and machinery installed in the unit is ₹ 120 crore. The said plant and machinery included second hand plant and machinery bought for ₹ 20 crore and new plant and machinery for scientific research relating to the business of the assessee acquired at a cost of ₹ 15 crore.

Compute the amount of depreciation allowable under section 32 of the Income-tax Act, 1961 in respect of the assessment year 2020-21. Assume that all the assets were purchased by way of account payee cheque.

Question 8

Mr. X, set up a manufacturing unit in Warangal in the state of Telangana on 01.06.2019. It invested ₹ 30 crore in new plant and machinery on 1.6.2019. Further, he invested ₹ 25 crore in the plant and machinery on 01.11.2019, out of which ₹ 5 crore was second hand plant and machinery. Compute the depreciation allowable under section 32. Is Mr. X entitled for any other benefit in respect of such investment? If so, what is the benefit available?

Question 9

Mr. Praveen Kumar has furnished the following particulars relating to payments made towards scientific research for the year ended 31.3.2020:

Particulars	₹ (in lacs)
(1) Payments made to K Research Ltd.	20
(2) Payments made to LMN College	15
(3) Payments made to OPQ College	10
Note: K Research Ltd. and LMN College are approved research institutions and these payments are to be used for the purpose of scientific research.	
(4) Payments made to National Laboratory	8
(5) Machinery purchased for in-house scientific research	25
(6) Salaries to research staff engaged in in-house scientific research	12

Compute the amount of deduction available under section 35 of the Income-tax Act, 1961 while arriving at the business income of the assessee.

Question 10

A Ltd. furnishes the following particulars for the P.Y. 2019-20. Compute the deduction allowable under Section 35 for A.Y. 2020-21, while computing its income under the head "Profits and gains of business or profession". Assessee engaged in manufacturing business.

Particulars	Amt. (₹)
(1) Amount paid to Indian Institute of Science, Bangalore, for scientific research	1,00,000
(2) Amount paid to IIT, Delhi for an approved scientific research programme	2,50,000
(3) Amount paid to X Ltd., a company registered in India which has as its main object scientific research and development, as is approved by the prescribed authority	4,00,000

Particulars	Amt. (₹)
(4) Expenditure incurred on in-house research and development facility as approved by the prescribed authority	
(a) Revenue expenditure on scientific research	3,00,000
(b) Capital expenditure (including cost of acquisition of land ₹ 5,00,000) on scientific research	7,50,000

Question 11

Mr. A commenced operations of the businesses of setting up a warehousing facility for storage of food grains, sugar and edible oil on 1.4.2019. He incurred capital expenditure of ₹ 80 lakh, ₹ 60 lakh and ₹ 50 lakh, respectively, on purchase of land and building during the period January, 2019 to March, 2019 exclusively for the above businesses, and capitalized the same in its books of account as on 1st April, 2019. The cost of land included in the above figures is ₹ 50 lakh, ₹ 40 lakh and ₹ 30 lakh, respectively. Further, during the P.Y.2019-20, he incurred capital expenditure of ₹ 20 lakh, ₹ 15 lakh & ₹ 10 lakh, respectively, for extension/ reconstruction of the building purchased and used exclusively for the above businesses.

Compute the income under the head “Profits and gains of business or profession” for the A.Y.2020-21 and the loss to be carried forward, assuming that Mr. A has fulfilled all the conditions specified for claim of deduction under section 35AD and has not claimed any deduction under Chapter VI-A under the heading “C – Deductions in respect of certain incomes”.

The profits from the business of setting up a warehousing facility for storage of food grains, sugar and edible oil (before claiming deduction under section 35AD and section 32) for the A.Y. 2020-21 is ₹ 16 lakhs, ₹ 14 lakhs and ₹ 31 lakhs, respectively. Also, assume in respect of expenditure incurred, the payments are made by account payee cheque or use of ECS through bank account.

Question 12

Mr. Arnav is a proprietor having two units – Unit A carries on specified business of setting up and operating a warehousing facility for storage of sugar; Unit B carries on non-specified business of operating a warehousing facility for storage of edible oil.

Unit A commenced operations on 1.4.2018 and it claimed deduction of ₹ 100 lacs incurred on purchase of two buildings for ₹ 50 lacs each (for operating a warehousing facility for storage of sugar) under section 35AD for A.Y.2019-20. However, in February, 2020, Unit A transferred one of its buildings to Unit B.

Examine the tax implications of such transfer in the hands of Mr. Arnav.

Question 13

First Flight Ltd. is an existing Indian Company, which sets up a new industrial unit. It incurs the following expenditure in connection with the new unit:

Preparation of project report	4,00,000
Market survey	3,00,000
Legal and other charges for issue of additional capital required for the new unit	2,00,000
Total	9,00,000

The following further data is given:

Cost of project	30,00,000
Capital employed in the new unit	35,00,000

What is the deduction admissible to the company under section 35D for Assessment Year 2020-21?

Question 14

Karan limited is a company engaged in the business of manufacturing. The net profit of the company for the financial year ended 31.03.2020 is ₹ 15,25,890 after debiting the following items:

Particulars	Amt. (₹)
(1) Purchase price of raw material used for the purpose of in-house research and development	1,80,000
(2) Purchase price of asset used for in-house research and development wrongly debited to profit and loss account:	
(a) Land	5,00,000
(b) Building	3,00,000
(3) Expenditure incurred on notified agricultural extension project	1,50,000
(4) Expenditure on notified skill development project:	
(a) Purchase of land	2,00,000
(b) Expenditure on training for skill development	2,50,000
(5) Expenditure incurred on advertisement in the souvenir published by a political party	75,000

Compute the income under the head “Profits and gains of business or profession” for the A.Y. 2020-21 of Karan Ltd.

Question 15

Rao & Jain, a partnership firm consisting of two partners, reports a net profit of ₹ 7,00,000 before deduction of the following items:

- (1) Salary of ₹ 20,000 each per month payable to two working partners of the firm (as authorized by the deed of partnership).
- (2) Depreciation on plant and machinery under Section 32 (computed) ₹ 1,50,000.
- (3) Interest on capital at 15% per annum (as per the deed of partnership). The amount of capital eligible for interest ₹ 5,00,000.

Compute:

- (a) Book-profit of the firm under Section 40(b) of the Income-tax Act, 1961.
- (b) Allowable working partner salary for the assessment year 2020-21 as per Section 40(b) of the Income-tax Act, 1961.

Question 16

A firm comprising of four partners A, B, C and D carrying on business in partnership, sharing profits/losses equally shows a profit of ₹ 2,00,000 in its books after deduction of the following amounts for the year :

Particulars	Amt.
(a) Remuneration to partner 'A' who is not actively engaged in business	60,000
(b) Remuneration to partners 'B' & 'C' actively engaged in business	
Partner 'B'	80,000
Partner 'C'	90,000
(c) Interest to partner 'D' on loan of 1,50,000	36,000

The deed of partnership provides for the payment of above remuneration and interest to partners. You are required to work out the taxable income of the firm as well as partners for assessment year 2020-21.

Question 17

Hari, an individual, carried on the business of purchase and sale of agricultural commodities like paddy, wheat, etc. He borrowed loans from Andhra Pradesh State Financial Corporation (APSFC) and Indian Bank and has not paid interest as detailed hereunder:

		₹
(i)	Andhra Pradesh State Financial Corporation (P.Y. 2018-19 & 2019-20)	15,00,000
(ii)	Indian Bank (P.Y. 2019-20)	30,00,000
		45,00,000

Both APSFC and Indian Bank, while restructuring the loan facilities of Hari during the year 2019-20, converted the above interest payable by Hari to them as a loan repayable in 60 equal installments. During the year ended 31.3.2020, Hari paid 5 installments to APSFC and 3 installments to Indian Bank.

Hari claimed the entire interest of ₹ 45,00,000 as an expenditure while computing the income from business of purchase and sale of agricultural commodities. Discuss whether his claim is valid and if not what is the amount of interest, if any, allowable.

Question 18

Mr. Praveen engaged in retail trade, reports a turnover of ₹ 1,98,50,000 for the financial year 2019-20. His income from the said business as per books of account is ₹ 13,20,000 computed as per the provisions of Chapter IV-D "Profits and gains from business or Profession" of the Income-tax Act, 1961. Retail trade is the only source of income for Mr. Praveen. A.Y. 2019-20 was the first year for which he declared his business income in accordance with the provisions of presumptive taxation under section 44AD.

- Is Mr. Praveen also eligible to opt for presumptive determination of his income chargeable to tax for the assessment year 2020-21?
- If so, determine his income from retail trade as per the applicable presumptive provision assuming that whole of the turnover represents cash receipts.
- In case Mr. Praveen does not opt for presumptive taxation of income from retail trade, what are his obligations under the Income-tax Act, 1961?
- What is the due date for filing his return of income under both the options?

Question 19

Mr. X commenced the business of operating goods vehicles on 1.4.2019. He purchased the following vehicles during the P.Y.2019-20. Compute his income under section 44AE for A.Y.2020-21.

	Gross Vehicle Weight (in kilograms)	Number	Date of purchase
(1)	7,000	2	10.04.2019
(2)	6,500	1	15.03.2020
(3)	10,000	3	16.07.2019
(4)	11,000	1	02.01.2020
(5)	15,000	2	29.08.2019
(6)	15,000	1	23.02.2020

Would your answer change if the goods vehicles purchased in April, 2019 were put to use only in July, 2019?

Question 20

Mr. Abhimanyu is engaged in the business of generation and distribution of electric power. He always opts to claim depreciation on written down value for income-tax purposes. From the following details, compute the depreciation allowable as per the provisions of the Income-tax Act, 1961 for the assessment year 2020-21:

	(₹ in lacs)
(i) Opening WDV of block (15% rate)	42
(ii) New machinery purchased on 12-10-2019	10
(iii) Machinery imported from Colombo on 12-4-2019.	9
This machine had been used only in Colombo earlier and the assessee is the first user in India.	
(iv) New computer installed in generation wing unit on 15-7-2019	2
All assets were purchased by A/c payee cheque.	

Question 21

Examine with reasons, the allowability of the following expenses incurred by Mr. Manav, a wholesale dealer of commodities, under the Income-tax Act, 1961 while computing profit and gains from business or profession for the Assessment Year 2020-21.

- Construction of school building in compliance with CSR activities amounting to ₹ 5,60,000.
- Purchase of building for the purpose of specified business of setting up and operating a warehousing facility for storage of food grains amounting to ₹ 4,50,000.
- Interest on loan paid to Mr. X (a resident) ₹ 50,000 on which tax has not been deducted. The sales for the previous year 2018-19 was ₹ 202 lakhs.
- Commodities transaction tax paid ₹ 20,000 on sale of bullion.

Question 22

Mr. Sivam, a retail trader of Cochin gives the following Trading and Profit and Loss Account for the year ended 31st March, 2020:

Trading and Profit and Loss Account for the year ended 31.03.2020

Particulars	₹	Particulars	₹
To Opening stock	90,000	By Sales	1,12,11,500
To Purchases	1,10,04,000	By Closing stock	1,86,100
To Gross Profit	3,03,600		-
	1,13,97,600		1,13,97,600
To Salary	60,000	By Gross profit b/d	3,03,600
To Rent and rates	36,000	By Income from UTI	2,400
To Interest on loan	15,000		
To Depreciation	1,05,000		
To Printing & stationery	23,200		
To Postage & telegram	1,640		
To Loss on sale of shares (Short term)	8,100		
To Other general expenses	7,060		
To Net Profit	50,000		
	3,06,000		3,06,000

Additional Information:

- (i) It was found that some stocks were omitted to be included in both the Opening and Closing Stock, the values of which were:

Opening stock ₹ 9,000

Closing stock ₹ 18,000

- (ii) Salary includes ₹ 10,000 paid to his brother, which is unreasonable to the extent of ₹ 2,000.

- (iii) The whole amount of printing and stationery was paid in cash by way of one time payment.

- (iv) The depreciation provided in the Profit and Loss Account ₹ 1,05,000 was based on the following information:

The written down value of plant and machinery is ₹ 4,20,000 as on 01.04.2019. A new plant falling under the same block of depreciation was bought on 1.7.2019 for ₹ 70,000. Two old plants were sold on 1.10.2019 for ₹ 50,000.

- (v) Rent and rates includes GST liability of ₹ 3,400 paid on 7.4.2020.

- (vi) Other general expenses include ₹ 2,000 paid as donation to a Public Charitable Trust.

You are required to compute the profits and gains of Mr. Sivam under presumptive taxation under section 44AD and profits and gains as per normal provisions of the Act. Assume that the whole of the amount of turnover received by account payee cheque or use of electronic clearing system through bank account during the previous year.

Question 23

Mr. Sukhvinder is engaged in the business of plying goods carriages. On 1st April, 2019, he owns 10 trucks (out of which 6 are heavy goods vehicles, the gross vehicle weight of such goods vehicle is 15,000 kg each). On 2nd May, 2019, he sold one of the heavy goods vehicles and purchased a light goods vehicle on 6th May, 2019. This new vehicle could however be put to use only on 15th June, 2019.

Compute the total income of Mr. Sukhvinder for the assessment year 2020-21, taking note of the following data:

Particulars	₹	₹
Freight charges collected		12,70,000
Less : Operational expenses	6,25,000	
Depreciation as per section 32	1,85,000	
Other office expenses	15,000	8,25,000
Net Profit		4,45,000
Other business and non- business income		70,000

Question 24

Mr. Raju, a manufacturer at Chennai, gives the following Manufacturing, Trading and Profit & Loss Account for the year ended 31.03.2020:

Manufacturing, Trading and Profit & Loss Account for the year ended 31.03.2020

Particulars	₹	Particulars	₹
To Opening Stock	71,000	By Sales	2,32,00,000
To Purchase of Raw Materials	2,16,99,000	By Closing stock	2,00,000
To Manufacturing Wages & Expenses	5,70,000		
To Gross Profit	10,60,000		
	2,34,00,000		2,34,00,000
To Administrative charges	3,26,000	By Gross Profit	10,60,000
To GST penalty	5,000	By Dividend from domestic companies	15,000
To GST paid	1,10,000	By Income from agriculture (net)	1,80,000
To General Expenses	54,000		
To Interest to Bank (On machinery term loan)	60,000		
To Depreciation	2,00,000		
To Net Profit	5,00,000		
	12,55,000		12,55,000

Following are the further information relating to the financial year 2019-20:

- (i) Administrative charges include ₹ 46,000 paid as commission to brother of the assessee. The commission amount at the market rate is ₹ 36,000.
- (ii) The assessee paid ₹ 33,000 in cash to a transport carrier on 29.12.2019. This amount is included in manufacturing expenses. (Assume that the provisions relating to TDS are not applicable to this payment)
- (iii) A sum of ₹ 4,000 per month was paid as salary to a staff throughout the year and this has not been recorded in the books of account.
- (iv) Bank term loan interest actually paid upto 31.03.2020 was ₹ 20,000 and the balance was paid in October 2020.
- (v) Housing loan principal repaid during the year was ₹ 50,000 and it relates to residential property occupied by him. Interest on housing loan was ₹ 23,000. Housing loan was taken from Canara Bank. These amounts were not dealt with in the profit and loss account given above.
- (vi) Depreciation allowable under the Act is to be computed on the basis of following information:

Plant & Machinery (Depreciation rate @ 15%)	₹
Opening WDV (as on 01.04.2019)	12,00,000
Additions during the year (used for more than 180 days)	2,00,000
Total additions during the year	4,00,000
Note: Ignore additional depreciation under section 32(1)(ia)	

Compute the total income of Mr. Raju for the assessment year 2020-21.

Note: Ignore application of section 14A for disallowance of expenditures in respect of any exempt income.

Question 25

Mr. Tenzingh is engaged in composite business of growing and curing (further processing) coffee in Coorg, Karnataka. The whole of coffee grown in his plantation is cured. Relevant information pertaining to the year ended 31.3.2020 are given below:

Particulars	₹
WDV of car as on 1.4.2019	3,00,000
WDV of machinery as on 1.4.2019 (15% rate)	15,00,000
Expenses incurred for growing coffee	3,10,000
Expenditure for curing coffee	3,00,000
Sale value of cured coffee	22,00,000

Besides being used for agricultural operations, the car is also used for personal use; disallowance for personal use may be taken at 20%. The expenses incurred for car running and maintenance are ₹ 50,000. The machines were used in coffee curing business operations.

Compute the income arising from the above activities for the assessment year 2020-21. Show the WDV of the assets as on 1.4.2020.

Question 26

Examine with reasons, for the following sub-divisions, whether the following statements are true or false having regard to the provisions of the Income-tax Act, 1961:

- (i) For a dealer in shares and securities, securities transaction tax paid in a recognized stock exchange is permissible business expenditure.
- (ii) Where a person follows mercantile system of accounting, an expenditure of ₹ 25,000 has been allowed on accrual basis and in a later year, in respect of the said expenditure, assessee makes the payment of ₹ 25,000 through a cheque crossed as "& Co., ₹ 25,000 can be the profits and gains of business under section 40A(3A) in the year of payment.
- (iii) It is mandatory to provide for depreciation under section 32 of the Income-tax Act, 1961, while computing income under the head "Profits and Gains from Business and Profession".
- (iv) The mediclaim premium paid to GIC by Mr. Lomesh for his employees, by a draft, on 27.12.2019 is a deductible expenditure under section 36.
- (v) Under section 35DDA, amortization of expenditure incurred under eligible Voluntary Retirement Scheme at the time of retirement alone, can be done.
- (vi) An existing assessee engaged in trading activities, can claim additional depreciation under section 32(1)(iia) in respect of new plant acquired and installed in the trading concern, where the increase in value of such plant as compared to the approved base year is more than 10%.

Solution

- (i) **True:** Section 36(1)(xv) allows a deduction of the amount of securities transaction tax paid by the assessee in respect of taxable securities transactions entered into in the course of business during the previous year as deduction from the business income of a dealer in shares and securities.
- (ii) **True:** As per section 40A(3A), in the case of an assessee following mercantile system of accounting, if an expenditure has been allowed as deduction in any previous year on due basis, and payment exceeding ₹ 10,000 has been made in the subsequent year otherwise than by an account payee cheque or an account payee bank draft or use of ECS through a bank account, then the payment so made shall be deemed to be the income of the subsequent year in which such payment has been made.
- (iii) **True:** According to the Explanation 5 to section 32(1), allowance of depreciation is mandatory. Therefore, depreciation has to be provided mandatorily while calculating income from business/ profession whether or not the assessee has claimed the same while computing his total income.
- (iv) **True:** Section 36(1)(ib) provides deduction in respect of premium paid by an employer to keep in force an insurance on the health of his employees under a scheme framed in this behalf by GIC or any other insurer. The medical insurance premium can be paid by any mode other than cash, to be eligible for deduction under section 36(1)(ib).
- (v) **False:** Expenditure incurred in making payment to the employee in connection with his voluntary retirement either in the year of retirement or in any subsequent year, will be entitled to deduction in 5 equal annual installments beginning from the year in which each payment is made to the employee.
- (vi) **False:** Additional depreciation can be claimed only in respect of eligible plant and machinery acquired and installed by an assessee engaged in the business of manufacture or production of any article or thing or in the business of generation or transmission or distribution of power.

In this case, the assessee is engaged in trading activities and the new plant has been acquired and installed in a trading concern. Hence, the assessee will not be entitled to claim additional depreciation under section 32(1)(iia).

Question 27

Examine, with reasons, the allowability of the following expenses under the Income tax Act, 1961 while computing income from business or profession for the Assessment Year 2020-21:

- (i) Provision made on the basis of actuarial valuation for payment of gratuity ₹ 5,00,000. However, no payment on account of gratuity was made before due date of filing return.
- (ii) Purchase of oil seeds of ₹ 50,000 in cash from a farmer on a banking day.
- (iii) Tax on non-monetary perquisite provided to an employee ₹ 20,000.
- (iv) Payment of ₹ 50,000 by using credit card for fire insurance.
- (v) Salary payment of ₹ 2,00,000 outside India by a company without deduction of tax.
- (vi) Payment made in cash ₹ 30,000 to a transporter in a day for carriage of goods

Solution

- (i) Not allowable as deduction:** As per section 40A(7), no deduction is allowed in computing business income in respect of any provision made by the assessee in his books of account for the payment of gratuity to his employees except in the following two cases:

- (i) where any provision is made for the purpose of payment of sum by way of contribution towards an approved gratuity fund or;
- (ii) where any provision is made for the purpose of making any payment on account of gratuity that has become payable during the previous year.

Therefore, in the present case, the provision made on the basis of actuarial valuation for payment of gratuity has to be disallowed under section 40A(7), since, no payment has been actually made on account of gratuity.

Note: It is assumed that such provision is not for the purpose of contribution towards an approved gratuity fund.

- (ii) Allowable as deduction:** As per Rule 6DD, in case the payment is made for purchase of agricultural produce directly to the cultivator, grower or producer of such agricultural produce, no disallowance under section 40A(3) is attracted even though the cash payment for the expense exceeds ₹ 10,000.

Therefore, in the given case, disallowance under section 40A(3) is not attracted since, cash payment for purchase of oil seeds is made directly to the farmer.

- (iii) Not allowable as deduction:** Income-tax of ₹ 20,000 paid by the employer in respect of non-monetary perquisites provided to its employees is exempt in the hands of the employee under section 10(10CC).

As per section 40(a)(v), such income-tax paid by the employer is not deductible while computing business income.

- (iv) Allowable as deduction:** Payment for fire insurance is allowable as deduction under section 36(1). Since payment by credit card is covered under Rule 6DD, which contains the exceptions to section 40A(3), disallowance under section 40A(3) is not attracted in this case.

- (v) Not allowable as deduction:** Disallowance under section 40(a)(iii) is attracted in respect of salary payment of ₹ 2,00,000 outside India by a company without deduction of tax at source.

- (vi) Allowable as deduction:** The limit for attracting disallowance under section 40A(3) for payment otherwise than by way of account payee cheque or account payee bank draft or use of ECS through a bank account is ₹ 35,000 in case of payment made for plying, hiring or leasing goods carriage. Therefore, in the present case, disallowance under section 40A(3) is not attracted for payment of ₹ 30,000 made in cash to a transporter for carriage of goods.

Question 28

Examine with reasons, whether the following statements are true or false, with regard to the provisions of the Income-tax Act, 1961:

- (a) Payment made in respect of a business expenditure incurred on 16th February, 2020 for ₹ 25,000 through a cheque duly crossed as "& Co." is hit by the provisions of section 40A(3).
- (b) (i) It is a condition precedent to write off in the books of account, the amount due from debtor to claim deduction for bad debt.
(ii) Failure to deduct tax at source in accordance with the provisions of Chapter XVII-B, inter alia, from the amounts payable to a resident as rent or royalty, will result in disallowance while computing the business income where the resident payee has not paid the tax due on such income.

Solution

- (a) **True:** In order to escape the disallowance specified in section 40A(3), payment in respect of the business expenditure ought to have been made through an account payee cheque. Payment through a cheque crossed as "& Co." will attract disallowance under section 40A(3).
- (b) (i) **True:** It is mandatory to write off the amount due from a debtor as not receivable in the books of account, in order to claim the same as bad debt under section 36(1)(vii). However, where the debt has been taken into account in computing the income of the assessee on the basis of ICDSs notified under section 145(2), without recording the same in the accounts, then, such debt shall be allowed in the previous year in which such debt becomes irrecoverable and it shall be deemed that such debt or part thereof has been written off as irrecoverable in the accounts for the said purpose.
(ii) **Partly True:** Section 40(a)(ia) provides that failure to deduct tax at source from rent or royalty payable to a resident, in accordance with the provisions of Chapter XVII-B, will result in **disallowance of only 30% of such expenditure**, where the resident payee has not paid the tax due on such income.

MCQ's

1. An assessee uses plant and machinery for the purpose of carrying on his business. Under section 31, he shall be eligible for deduction on account of-
 - (a) Both capital and revenue expenditure on repairs
 - (b) Current repairs
 - (c) Current repairs plus 1/5th of capital expenditure on repairs.
 - (d) Both (a) & (b)
2. An electricity company charging depreciation on straight line method on each asset separately, sells one of its machinery in April, 2019 at ₹ 1,20,000. The WDV of the machinery at the beginning of the year i.e. on 1st April, 2019 is ₹ 1,35,000. No new machinery was purchased during the year. The shortfall of ₹ 15,000 is treated as -
 - (a) Terminal depreciation
 - (b) Short-term capital loss
 - (c) Normal depreciation.
 - (d) Any of the above, at the option of the assessee
3. Mr. X, acquires an asset which was previously used for scientific research for ₹ 2,75,000. Deduction under section 35(1)(iv) was claimed in the previous year 2015-16. The asset was brought into use for the business of Mr. X, after the research was completed. The actual cost of the asset to be included in the block of assets is -
 - (a) Nil
 - (b) Market value of the asset on the date of transfer to business
 - (c) ₹ 2,75,000 less notional depreciation under section 32 upto the date of transfer.
 - (d) Actual cost of the asset i.e., ₹ 2,75,000
4. A Ltd. has unabsorbed depreciation of ₹ 4,50,000 for the P.Y.2019-20. This can be carried forward -
 - (a) for a maximum period of 8 years and set-off against business income.
 - (b) Indefinitely and set-off against business income.
 - (c) Indefinitely and set-off against any head of income
 - (d) Indefinitely and set-off against any head of income except salary.
5. Mr. X, a retailer acquired furniture on 10th May 2019 for ₹ 10,000 in cash and on 15th May 2019, for ₹ 15,000 and ₹ 20,000 by a bearer cheque and account payee cheque, respectively. Depreciation allowable for A.Y. 2020-21 would be -
 - (a) ₹ 2,000
 - (b) ₹ 3,000
 - (c) ₹ 3,500
 - (d) ₹ 4,500
6. XYZ Ltd. incurred capital expenditure of ₹ 1,50,000 on 1.4.2019 for acquisition of patents and copyrights. Such expenditure is -
 - (a) Eligible for deduction in 14 years from A.Y.2020-21
 - (b) Eligible for deduction in 5 years from A.Y.2020-21
 - (c) Subject to depreciation @ 25% under section 32
 - (d) Subject to depreciation @ 15% under section 32

7. Under section 44AE, presumptive taxation is applicable at a particular rate provided the assessee is the owner of a maximum of certain number of goods carriages. The rate per month or part of the month relevant for A.Y.2020-21 and the maximum number specified under the section are -
- (a) ₹ 7,500 for each goods carriage in the case of an assessee owning not more than 10 goods carriages at any time during the year
 - (b) ₹ 7,500 for each goods carriage in the case of an assessee owning less than 10 goods carriages at any time during the year
 - (c) ₹ 1,000 per ton of gross vehicle weight for per month or part of a month for a goods carriage for an assessee owning not more than 10 goods carriages at the end of the previous year
 - (d) ₹ 1,000 per ton of gross vehicle weight or unladen weight, as the case may be, for per month or part of a month for a heavy goods carriage and ₹ 7,500 per month or part of a month for other goods carriages in the case of an assessee owning not more than 10 goods carriages at any time during the previous year
8. Where the total turnover of an assessee, eligible for presumptive taxation u/s 44AD, is received entirely by account payee cheque during the previous year 2019-20, the specified rate of presumptive business income is -
- (a) 5% of total turnover
 - (b) 6% of total turnover
 - (c) 7% of total turnover
 - (d) 8% of total turnover
9. The W.D.V. of a block (Plant and Machinery, rate of depreciation 15%) as on 1.4.2019 is ₹ 3,20,000. A second hand 'machinery costing ₹ 50,000 was acquired on 1.9.2019 but put to use on 1.11.2019. During Jan 2020, part of this block was sold for ₹ 2,00,000. The depreciation for A.Y.2020-21 would be -
- (a) ₹ 21,750
 - (b) ₹ 25,500
 - (c) ₹ 21,125
 - (d) ₹ 12,750
10. Employer's contribution to provident fund/superannuation fund/gratuity fund is allowed as deduction in computing income under the head "Profits and gains of business or profession", provided it has been paid -
- (a) Before the end of the previous year
 - (b) On or before the due date by which the employer is required to credit an employee's contribution to the employee's account in the relevant fund.
 - (c) On or before the due date for filing the return of income under section 139(1).
 - (d) Before the end of the relevant assessment year
11. Priyanka Bhati opened Umbrella shop during rainy season for 3 months. It was not a continuous venture. During these 3 months she earned ₹ 5,00,000 and incurred expenses of ₹1,00,000. This income will be taxable under
- (a) Other sources
 - (b) House property
 - (c) PGBP
 - (d) Capital gain

12. Method of accounting to be employed for computing income under other sources are
- (a) Cash
 - (b) Mercantile
 - (c) Any of above, at option of assessee
 - (d) 6 months – cash accounting, 6 months – mercantile
13. Pragya, proprietor of “Sakhi” business entered into a contract with Neshma to deliver the goods within 3 months. Neshma modified the terms and stated that she will deliver the goods within 9 months and not within 3 months. Due to this modification, Pragya received ₹50,000 as compensation from Neshma. This amount of ₹50000 shall be taxable under which head?
- (a) PGBP
 - (b) Other sources
 - (c) Salary
 - (d) Exempt
14. Which of the following is not taxable under PGBP?
- (a) Profit on sale of import entitlements
 - (b) Custom duty drawback
 - (c) Salary received by MP/MLA
 - (d) Income derived by trade association from specific services rendered by them to their members
15. Interest received by partner of firm from firm will be deemed to be income from _____
- (a) Business
 - (b) Other sources
 - (c) Salary
 - (d) Exempt
16. In Manikchand partnership firm, Popatlal is one of the partners whose capital is ₹1,00,000 in firm. Firm gave interest on capital @30% to all partners i.e. Popatlal received ₹30,000. Taxability of ₹30,000 in hands of Popatlal is _____
- (a) 12000 business income, 18000 exempts
 - (b) Whole 30000 business income
 - (c) 12000 exempt, 18000 business income
 - (d) Whole 30000 exempt
17. Any sum received on account of transfer of right to carry on any business or profession, is chargeable under which head?
- (a) Capital gain
 - (b) PGBP
 - (c) House property
 - (d) Salary

18. When inventory is converted into capital asset, _____ of inventory on date of its conversion would be charged as business income
- (a) FMV
 - (b) Realizable value
 - (c) Cost of inventory
 - (d) Replacement cost
19. Which of the following is a speculation business?
- (a) Hedging contract with respect to stocks and shares
 - (b) Forward contract
 - (c) Purchase or sale of shares without actual delivery of assets
 - (d) Trading in derivatives
20. Shaktiman incurred a loss of ₹50,000 while trading in agricultural commodities derivatives for which no CTT (Commodity Transaction Tax) paid. This loss is _____
- (a) Speculation loss
 - (b) Normal business loss
 - (c) Specified business loss
 - (d) None of the above
21. If assessee is the owner of premises and occupies them for business purpose then
- (a) No notional rent would be allowed under section 30
 - (b) Notional rent would be allowed under section 30
 - (c) Notional rent will be capitalized in cost of land
 - (d) None of the above
22. Which of the following is not allowed as deduction under section 30?
- (a) Cess, taxes levied by foreign government with respect to premises
 - (b) Rent paid to owner
 - (c) Capital repairs to building taken on rent
 - (d) Insurance paid with respect to building
23. In order to claim deduction under section 31 for repairs of plant, usage of plant means
- (a) Only active use
 - (b) Only passive use
 - (c) Active or passive use
 - (d) Not used
24. In a business, plant is used only 3 months for business purpose in FY 19-20. Total expense on repairs made during the year for plant is ₹12000. Deduction allowed under section 31 will be
- (a) 12000
 - (b) 3000
 - (c) 9000
 - (d) 6000

25. AB Ltd earned a profit of ₹12,00,000 before Depreciation as he does not want to deduct it from profit. Depreciation for the whole year is ₹80,000. Total taxable income will be
- (a) 12,00,000
 - (b) 11,20,000
 - (c) 12,80,000
 - (d) 11,40,000
26. For which of the following asset, Depreciation is not allowed
- (a) Buildings
 - (b) Business or commercial rights
 - (c) Furniture
 - (d) Land
27. Depreciation is allowed on plant. Definition of plant under section 43(3) does not include
- (a) Books
 - (b) Surgical equipments
 - (c) Engine of vehicle
 - (d) Animal
28. Depreciation is allowed on plant. Definition of plant under section 43(3) includes
- (a) Animal
 - (b) Human body
 - (c) Stock in trade
 - (d) Vehicle
29. Taarak Ltd has following assets –
- Bridges
 - Trademarks
 - Animals
 - Vehicle
 - Books
- Depreciation will not be available on
- (a) Bridges
 - (b) Animal
 - (c) Trademarks
 - (d) Vehicle
30. Where any asset is acquired and is put to use for a period of less than _____ days, Depreciation shall be allowed at 50% of allowable Depreciation
- (a) 180 days
 - (b) 179 days
 - (c) 182 days
 - (d) 181 days

31. Cabbage Pvt Ltd has acquired a new machinery for ₹8,00,000 on 18/10/18 which was not put to use in FY 18-19. In FY 19-20, on 17/10/19, it was put to use. Depreciation in FY 19-20 will be
- (a) 120000
 - (b) 60000
 - (c) 80000
 - (d) 40000
32. Megha Pvt Ltd owned an asset which it provided on lease to Aakriti Ltd. Who will take the Depreciation?
- (a) Megha Pvt Ltd
 - (b) Aakriti Ltd
 - (c) Both of them
 - (d) None of them
33. Standby equipment, fire extinguishers and machinery spares can be capitalized once it is
- (a) Ready to use
 - (b) Put to use
 - (c) Any of the above, at the option of the assessee
 - (d) Cannot be capitalized
34. Which of the following undertaking has an option to either use SLM or WDV option
- (a) Power generation unit
 - (b) Food industry
 - (c) IT industry
 - (d) Medical industry
35. Additional Depreciation under section 32(iia) is available on
- (a) Second hand
 - (b) Ships
 - (c) Aircrafts
 - (d) New machinery
36. APJ and Co. Purchased AC and installed in office on 5/12/19. Additional Depreciation will be available @
- (a) 10%
 - (b) 20%
 - (c) 15%
 - (d) None of the above
37. Rate of additional Depreciation will be _____ u/s 32(iia)
- (a) 10%
 - (b) 20%
 - (c) 15%
 - (d) 30%

38. Modi LLP purchased machine for ₹9,60,000 on 9/07/19. This machine was used outside India by previous owner. Whether additional Depreciation is allowable?
- (a) Yes
 - (b) No
 - (c) Only 50% allowable
 - (d) In next year of installation
39. ABC Ltd engaged in printing business. It purchased a new machinery on 4/10/19 for ₹15,00,000. Total Depreciation allowable under section 32 will be
- (a) 262500
 - (b) 525000
 - (c) 225000
 - (d) 112500
40. Rate of Depreciation as per rule 5(1) for temporary wooden structures
- (a) 5%
 - (b) 10%
 - (c) 15%
 - (d) 40%
41. Rate of Depreciation as per Rule 5(1) for motor buses used in business of running them on hire
- (a) 10%
 - (b) 15%
 - (c) 30%
 - (d) 40%
42. Rate of Depreciation as per Rule 5(1) for aero plane is
- (a) 15%
 - (b) 30%
 - (c) 40%
 - (d) 60%
43. Rate of Depreciation for windmills installed after 1/4/14 is
- (a) 15%
 - (b) 30%
 - (c) 40%
 - (d) 60%
44. Depreciation in case of succession of firm/sole proprietary concern by a company shall be apportioned between the two entities in the ratio of
- (a) 2:1
 - (b) Number of days for which assets were used by them
 - (c) Number of days before and after amalgamation
 - (d) Not to be apportioned, fully allowed to successor

45. Anjali, lessor gave asset on hire to Mr. Rahul wherein Rahul will pay ₹10,000 p.m. to Anjali as installment. Agreement says that lessor has right to sue for installments but not right to recover asset. Depreciation in such case will be available to
- (a) Anjali
 - (b) Rahul
 - (c) Both of them proportionately
 - (d) Any of above by mutual consent
46. Eureka purchase machinery of ₹35000 from Miss Mini and the asset was put to use on 15/09/19. Eureka paid ₹12,000 in cash on 04/07/19 to Miss Mini and rest paid by account payee cheque on 16/08/2019. Depreciation for FY 19-20 available to Eureka
- (a) 5250
 - (b) 3450
 - (c) 1800
 - (d) 1725
47. Cost for the purpose of Depreciation means
- (a) Deemed cost of asset to assessee
 - (b) Actual cost of asset to assessee
 - (c) Actual + deemed cost
 - (d) None of the above
48. Mr. Ravi Shankar Prasad, a retailer acquired furniture on 10/05/2019 for ₹10,000 in cash and on 15/05/19 for ₹15,000 and ₹20,000 by a bearer cheque and A/c payee cheque respectively, Depreciation allowable for AY 20-21 could be
- (a) 2000
 - (b) 3000
 - (c) 3500
 - (d) 4500
49. Mr. X acquires an asset which was previously used for scientific research for ₹275000. Deduction u/s 35(1)(iv) was claimed in PY 15-16. Asset was brought into use for the business of Mr. X after the completion of research. Actual cost of asset to be included in block of assets is
- (a) Nil
 - (b) Market value of asset on date of transfer
 - (c) 275000 less Notional Depreciation u/s 32 up to date of transfer
 - (d) Actual cost of asset i.e. 275000
50. Mr. A acquired asset and WDV of this asset as on 31/3/19 is ₹1,20,000. This asset was transferred on 5/8/19 for ₹5,00,000 and again reacquired by him for ₹4,50,000 on 8/8/19. Depreciation will be calculated on
- (a) 120000
 - (b) 500000
 - (c) 450000
 - (d) 480000

51. Miss Pav Bhaji owns an asset and WDV as on 31/3/19 is ₹4,30,000. Miss Pav Bhaji transferred the asset to Mr. Chole Bhature for ₹5,00,000. Pav Bhaji acquired the same asset back from Chole Bhature on lease, hire or otherwise. Chole Bhature being the new owner will be entitled to Depreciation on
- (a) 430000
 - (b) 500000
 - (c) 470000
 - (d) 70000
52. Building which was previously property of assessee is brought into use for business or profession, its actual cost to the assessee
- (a) Nil
 - (b) Acquisition cost
 - (c) FMV on date of bringing asset into business
 - (d) Cost less notional depreciation at current rate
53. If any capital asset is transferred by amalgamating company to amalgamated Indian company, actual cost of transferred capital asset to the amalgamated company for the purpose of Depreciation will be
- (a) Nil
 - (b) Acquisition cost of amalgamating company
 - (c) FMV on date of transfer
 - (d) WDV of amalgamating company
54. In which of the following situation, Depreciation will not be available
- (i) Where cost includes payment made by cash in excess of ₹10000
 - (ii) Where interest paid in relation to asset after asset put to use is capitalized.
 - (iii) Where capital asset transferred by amalgamating company to amalgamated company
 - (iv) Where building previously used for personal purpose now brought into business
- (a) (i) (ii)
 - (b) (i) (iii)
 - (c) (i) (iv)
 - (d) (ii) (iii)
55. Holding company transferred its asset to wholly owned subsidiary on 5/4/19. Holding company has taken deduction of 35AD with respect to such asset. Cost of acquisition for subsidiary company will be
- (a) Nil
 - (b) FMV
 - (c) Cost of holding company
 - (d) Cost less notional Depreciation

56. Mr. Franky purchased asset of ₹5,00,000 on 09/03/2019 for specified business and claimed deduction under section 35AD. On 05/06/2019, Mr. Franky brought the asset to normal use from specified business use. Actual cost for Mr. Franky for the purpose of Depreciation will be
- (a) Nil
 - (b) Actual cost less notional Depreciation
 - (c) FMV on date of bringing the asset into business
 - (d) Deduction taken under section 35AD
57. Closing WDV will be
- (a) Opening WDV + purchase – money receivable after sale of assets – Depreciation
 - (b) Opening WDV + purchase – Depreciation – money receivable after sale of assets
 - (c) Opening WDV – Sold – Depreciation + purchase
 - (d) Purchase – sold – Depreciation + opening WDV
58. Where any asset is not exclusively used for the purpose of business or profession, deduction on account of expenses with respect to such asset will be _____
- (a) Fully allowed
 - (b) Proportionately allowed
 - (c) Not allowed
 - (d) None of the above
59. Miss Panipuri is an assessee engaged in generation of power. She opted SLM for charging Depreciation. On 6/5/17, she purchased furniture of ₹1,00,000. Depreciation @10% is charged. WDV as on 31/3/19 is ₹80,000. On 16/8/19, furniture was sold for ₹1,17,000. How much amount will be taxable under PGBP as balancing charge and how much amount will be taxable under capital gain
- (a) 20,000 as balancing charge under section 41(2) and 17,000 as STCG
 - (b) 17,000 as balancing charge under section 41(2) and 20,000 as STCG
 - (c) 37,000 as balancing charge under section 41(2) and Nil as STCG
 - (d) Nil as balancing charge under section 41(2) and 37,000 as STCG
60. Section 32AD provides for a deduction to 15% of actual cost of new plant and machinery which is set up in notified backward areas of states. Which among the following is not a notified backward area state?
- (a) Bihar
 - (b) Arunachal Pradesh
 - (c) Andhra Pradesh
 - (d) West Bengal
61. Section 32AD allows deduction at the rate _____ for new machinery setup in notified backward areas
- (a) 10%
 - (b) 20%
 - (c) 15%
 - (d) 30%

62. Arjuna Ltd set up manufacturing unit on 6/9/17 in Chittoor of Andhra Pradesh. It purchased new computer for office purpose for ₹45,000 on 12/7/19. Deduction available under section 32AD for Arjuna Ltd will be
- (a) Nil
 - (b) 4,500
 - (c) 6,750
 - (d) 3,375
63. Bhima Ltd set up manufacturing unit on 6/9/17 in Jalpaiguri of West Bengal. It purchased new machinery for ₹45,000 on 12/7/19. Deduction available under section 32AD for Bhima Ltd will be
- (a) Nil
 - (b) 4,500
 - (c) 6,750
 - (d) 3,375
64. Once deduction under section 32AD is taken i.e. 15% on purchase of new plant and machinery in notified backward areas, such plant and machinery cannot be transferred within _____ years from date of installation
- (a) 3
 - (b) 4
 - (c) 5
 - (d) 8
65. Deduction under section 32AD for investment in new plant and machinery will be available when asset is
- (a) Ready to use
 - (b) Put to use
 - (c) Acquired and installed
 - (d) Next year of installation
66. For a unit set up in notified backward area, additional Depreciation @ ____% is allowed
- (a) 20
 - (b) 15
 - (c) 35
 - (d) 30
67. Haldi and Co., is a manufacturing unit set up in notified backward area of West Bengal. It purchased new plant and machinery of ₹1,60,000 on 5/1/20. Additional Depreciation under section 32(1)(ia) for Haldi and Co will be
- (a) 28000
 - (b) 16000
 - (c) 56000
 - (d) 32000

68. If scientific research is done before commencement of business, deduction will be allowed for expenditures incurred within ____ years immediately preceding the date of commencement of business
- (a) 1
 - (b) 2
 - (c) 3
 - (d) 4
69. Which of the following expenditure is allowed as deduction for scientific research made before commencement of business
- (a) Salary given to employees
 - (b) Purchase of material
 - (c) Both of the above
 - (d) Capital expenditure other than land
 - (e) All of the above
70. Binani Ltd. engaged in manufacturing of cement, purchased a new machinery of ₹1,50,000 for use in approved scientific research on 5/12/19. Effect on P/L will be
- (a) 1,50,000 expenditure and 11250 Depreciation allowed on P/L debit side
 - (b) 2,25,000 will be allowed in P/L Debit side and no allowance for Depreciation
 - (c) 2,25,000 expenditure and 11250 Depreciation allowed on P/L debit side
 - (d) 2,25,000 expenditure and 16875 Depreciation allowed in P/L debit side
71. Miss Trupti gave asset of ₹1,50,000 to notified Mumbai University for Scientific research. Amount of deduction under section 35(1)(ii) will be
- (a) 1,50,000
 - (b) 2,25,000
 - (c) 3,00,000
 - (d) Nil
72. Maximum deduction @____ would be allowed for sum paid to college for scientific research u/s 35(1)(ii).
- (a) 100%
 - (b) 150%
 - (c) 75%
 - (d) 200%
73. Maximum deduction @____ available for payment made to approved Indian Co and has its main object of scientific research as per sec 35(1)(ia)
- (a) 100%
 - (b) 150%
 - (c) 75%
 - (d) 200%

74. Assessee engaged in business of biotechnology incurred ₹15,00,000 on purchase of land. Deduction under section 35 will be
- (a) 15,00,000
 - (b) 22,50,000
 - (c) 10,00,000
 - (d) Nil
75. ABC and Co, a partnership firm contributed ₹19,00,000 to approved Aryabhata Research Institute of Observational Sciences (ARIES), Uttarakhand for scientific research. Eligible deduction under section 35 will be
- (a) 19,00,000
 - (b) 9,50,000
 - (c) 28,50,000
 - (d) 38,00,000
76. Which of the following is not a specified business under section 35AD
- (a) Setting up and operating cold chain facilities
 - (b) Production of fertilizer in India
 - (c) Developing or maintaining and operating or developing, maintaining and operating a new infrastructure facility
 - (d) Setting up and operating warehousing facilities for storing motor vehicle
77. Capital expenditure @__ is allowed under section 35AD incurred for specified business
- (a) 100%
 - (b) 150%
 - (c) 50%
 - (d) Nil
78. Capital expenditure on deduction under section 35AD excludes which of the following capital expenditure?
- (a) Land
 - (b) Goodwill
 - (c) Financial instruments
 - (d) All of the above
79. Janu Pvt Ltd is engaged in specified business specified in section 35AD. It incurred expenditure for FY 19-20 for purchase of goodwill of ₹5,00,000, purchase of furniture for ₹60,000 in which ₹20,000 is paid by cash on 8/7/19 and ₹40,000 paid by bearer cheque on 9/7/19. Total amount of deduction under section 35AD will be
- (a) 5,60,000
 - (b) 40,000
 - (c) 60,000
 - (d) Nil

80. State whether the following statement is true or false.

“Expenditure incurred prior to commencement of operation for the purpose of specified business would not be allowed as deduction “

- (a) True
- (b) False

81. Sakshi Ltd purchased a Machinery from David Cameron for ₹7,00,000 which was previously used by David Cameron in England. This Machinery is used in specified business by Sakshi Ltd. Amount of deduction available under section 35AD will be

- (a) Nil
- (b) 7,00,000
- (c) 3,50,000
- (d) 10,50,000

82. Loss of specified business can be set off against

- (a) Any head of income
- (b) Only those specified business which are eligible for set off under section 35AD
- (c) Specified business income irrespective whether that business is eligible for deduction or not
- (d) Only against salary

83. Mr. Chotu built a 4-star hotel on 1/4/13. He transferred the operation of hotel to Miss Shahnaz on 1/4/19. Whether deduction under section 35AD available in FY 19-20. If yes then who will claim the deduction

- (a) No
- (b) Yes, Chotu
- (c) Yes, Shahnaz
- (d) Yes partly by Chotu and partly by Shahnaz

84. Section 35AD(7A) provides that any asset in respect of which a deduction is claimed and allowed under section 35AD shall be used only for the specified business for a period of ____ years from the year of acquisition

- (a) 5
- (b) 4
- (c) 6
- (d) 8

85. If asset is used for any purpose other than specified business during 8 years then which amount will be taxable under head PGBP?

- (a) Cost of asset
- (b) FMV of asset
- (c) Cost – notional Depreciation
- (d) Nil

86. Section 35CCC provides a deduction of a sum equal to _____ of expenditure incurred by an assessee on agriculture extension project
- (a) 100%
 - (b) 150%
 - (c) 50%
 - (d) Nil
87. Section 35CCC deduction i.e. Expenditure on agriculture extension project is available to
- (a) All assessee
 - (b) Individual/ HUF
 - (c) Firm
 - (d) Company
88. Section 35CCD i.e. Deduction with respect to expenditure incurred on notified skill development project is available to
- (a) Individual / HUF
 - (b) Company
 - (c) All assessee
 - (d) Firm / AOP/ BO
89. Rate of deduction available with respect to deduction of expenditure incurred on notified skill development project under section 35CCD is
- (a) 50%
 - (b) 100%
 - (c) 150%
 - (d) Nil
90. BEF and Co, a partnership firm incurred ₹2,00,000 on notified skill development project. Deduction under section 35CCD will be
- (a) Nil
 - (b) 2,00,000
 - (c) 3,00,000
 - (d) 4,00,000
91. Section 35D deduction i.e. Deduction with respect to amortization of preliminary expenses is available to
- (a) Corporate tax payers
 - (b) Individual / HUF
 - (c) Firm / AOP/ BOI
 - (d) Corporate as well as non-corporate tax payers

92. A Ltd incurred expenditure of ₹1,00,000 on 4/9/18 for conducting market survey and for preparing feasibility report. It commenced its business on 5/5/19. Deduction under section 35D will be for PY 19-20
- (a) 1,00,000
 - (b) Nil
 - (c) 50,000
 - (d) 20,000
93. Bade Ltd incurred preliminary expenses of ₹2,60,000. It started its operations on 1/4/19. On 31/3/20, its cost of project was ₹50,00,000 and share capital ₹20,00,000, debentures ₹25,00,000 and reserves and surplus ₹10,00,000. What will be the amount of deduction under section 35D in FY 19-20 ?
- (a) 2,60,000
 - (b) 2,25,000
 - (c) 2,50,000
 - (d) 2,75,000
94. If there is demerger, remaining Unamortized preliminary expenses deduction will be taken by
- (a) Demerged company
 - (b) Resulting company
 - (c) Partly by Demerged company and partly by resulting company
 - (d) None of the above
95. Section 35DDA i.e. amortization of expenditure incurred under voluntary retirement scheme is available to _____
- (a) All assessee
 - (b) Individual / HUF
 - (c) All assessee except company
 - (d) Firm / AOP / BOI
96. Which of the following premium is allowed as deduction under section 36 under PGBP
- (a) Insurance premium paid for health of employees
 - (b) Insurance premium paid for proprietor
 - (c) Insurance premium paid for children
 - (d) Insurance premium paid for personal care
97. Map Steel and Co has taken insurance on health of employees and paid ₹5,000 as premium in cash. Deduction under section 36 admissible to Map Steel and Co
- (a) Nil
 - (b) 5000
 - (c) 2500
 - (d) 1000

98. Which of the following deduction is not allowed to employer as per section 36?
- (a) Contribution to RPF
 - (b) Contribution to unapproved gratuity fund
 - (c) Contribution to approved superannuation fund
 - (d) Contribution to pension scheme referred to in section 80CCD
99. Deduction of _____ under section 36 is available to employer's contribution to account of employee under pension scheme referred to in section 80CCD
- (a) 5% of salary
 - (b) 10% of salary
 - (c) 15% of salary
 - (d) 20% of salary
100. Maggi Ltd contributes 20% of basic salary to the account of each employee under a pension scheme referred to in section 80CCD. DA is 40% of basic salary and it forms part of pay of employees. Compute the amount of deduction not allowable under section 36(1)(iva), if basic salary of employees aggregate to ₹10,00,000
- (a) 60,000
 - (b) 1,00,000
 - (c) 2,00,000
 - (d) Nil
101. Deduction in respect of any sum received by the taxpayer as contribution from his employees towards any welfare fund will be allowed only if such sum _____
- (a) Deposited before due date of return filing of assessee
 - (b) Deposited before due date of respective fund
 - (c) Deposited before due date of return filing of employees
 - (d) Till end of relevant AY
102. Allowance for capital expenditure made on animals will be received
- (a) Full capital expenditure allowed in the year in which animals were purchased
 - (b) In the form of Depreciation
 - (c) When animals died or became permanently useless
 - (d) No allowance will be received in case of animals
103. Assessee has a business of manufacturing steel. It lent ₹5,00,000 to his friend for his daughter's marriage. Friend is not going to pay ₹2,00,000 which is written off as bad debts. Treatment will be
- (a) 2,00,000 will be allowed
 - (b) 2,00,000 not allowed as deduction
 - (c) 2,00,000 + 1,00,000 will be allowed as deduction
 - (d) Deduction will be allowed next year
104. State whether true or false.
- "Assessee has to establish that the debt has in fact become irrecoverable, only then deduction is allowed."
- (a) True
 - (b) False

105. Income has been recognised as per ICDS but not recognised in books as per AS. Now some amount is irrecoverable of this income. Whether bad debts can be taken as deduction of income if not booked in BOA.
- (a) Yes
 - (b) No
106. A and Co., a sole proprietor concern was allowed a deduction of ₹50,000 in the FY 16-17 as deduction of bad debts. Business was closed in FY 18-19. Subsequently in FY ₹25,000 recovered which was taken as deduction. ₹25,000 will be taxable under which head?
- (a) Other sources
 - (b) PGBP
 - (c) HP income
 - (d) Capital gain
107. Deduction under section 36(1)(ix) for expenditure incurred on family planning of employee is available to
- (a) Company
 - (b) All assessee
 - (c) Individual / HUF
 - (d) Firm
108. A Ltd incurred ₹2,50,000 as revenue expense and ₹5,50,000 as capital expenditure for promotion of family planning among employees. Deduction allowable under section 36(1)(ix) will be
- (a) 8,00,000
 - (b) 2,50,000
 - (c) 5,50,000
 - (d) 3,60,000
109. What are the conditions to be fulfilled for getting deduction under section 37?
- (a) Expenditure should not be in nature of any personal expenses of assessee
 - (b) It should have been laid out or expended wholly and exclusively for the purpose of such business
 - (c) It should be in respect of business carried on by assessee
 - (d) It should not be in nature of Capital expenditure
 - (e) All of the above
110. Aloo Matar Chandni partnership firm, paid keyman insurance premium of ₹6,00,000 for its partners on 5/7/19. Whether the above expenditure is eligible for deduction?
- (a) Yes
 - (b) No
111. Whether expenditure incurred in providing freebies to medical practitioners will be allowed as deduction?
- (a) Yes
 - (b) No

112. Which of the following expenditure will not be allowed as deduction?

- (a) Expenditure incurred on Keyman Insurance Policy
- (b) Bad debts
- (c) Expenditure incurred on CSR
- (d) Discount on zero coupon bonds

113. Hardik Ltd incurred following expenditure

Marked to market losses as per ICDS	₹30,000
CSR expenditure	₹60,000
Interest on capital borrowed	₹90,000
Keyman Insurance Policy	₹64,000
Advertisement in souvenir of political party	₹1,00,000
Total amount of deduction admissible will be	

- (a) 1,84,000
- (b) 1,54,000
- (c) 2,44,000
- (d) 3,44,000

114. Mr. A paid interest of ₹70,000 to NR and no TDS deducted in PY 18-19. TDS deducted in PY 19-20 and paid to Central Government. Treatment of ₹70,000 in PY 19-20 will be

- (a) No treatment
- (b) Take as deduction in PY 19-20
- (c) Taxable under PGBP
- (d) Revise return of FY 18-19 and claim deduction

115. Section 40(a)(ia) provides that _____ of any sum payable to a resident on which tax is deductible at source shall be disallowed if such tax is not deducted or deducted but not paid on or before due date.

- (a) 20%
- (b) 30%
- (c) 50%
- (d) 100%

116. Royalty paid to Mr. Priyank Ranka, a resident, deducted TDS of ₹5,00,000 on 6/5/19 and deposited to government on 15/10/20. Deduction with respect to royalty available in FY 19-20 and FY 20-21 will be

(Assume: due date of return filing of assessee is 30/9/20)

- (a) 5,00,000, Nil
- (b) Nil, 5,00,000
- (c) 3,50,000, 1,50,000
- (d) 1,50,000, 3,50,000

117. Section 201 provides that payer who fails to deduct the whole or any part of tax on the amount credited or payment made to resident payee shall not be deemed to be assessee in default if payee
- Has furnished his return of income u/s 139
 - Has taken into account such sum for computing income in his return of income
 - Has paid the tax due on income declared by him in his return of income
 - All of the above
118. Employer paid ₹4,00,000 as salary and ₹30,000 as perquisites. Employer paid ₹2,000 as tax on non-monetary perquisites on behalf of employee. Amount of deduction available in P/L to employer will be
- 4,30,000
 - 4,32,000
 - 32,000
 - 4,02,000
119. Harshita partnership firm, paid the following amounts
- Remuneration to non-working partner ₹2,00,000
 - Remuneration to working partner from 1/4/19 to 31/3/20 ₹5,40,000
 - Remuneration to working partner from 1/4/18 to 31/3/19 ₹2,50,000
 - Interest to partner @15% (authorized from starting) ₹ 3,50,000
- Partnership deed was executed on 1/8/19, authorizing payment of remuneration.
Book profit ₹9,00,000
Deduction under PGBP will be
- 10,70,000
 - 8,40,000
 - 6,40,000
 - 8,20,000
120. A firm has paid ₹7,50,000 as Remuneration to its partners for PY 19-20 in accordance with its partnership deed, and it has a book profit of ₹10,00,000. What is the Remuneration allowable as deduction under section 40(b)?
- 6,90,000
 - 7,50,000
 - 60,000
 - Nil
121. Where an individual is a partner in a firm otherwise than in a representative capacity, interest paid to him by the firm shall _____ if he received the same on behalf of another person.
- Be allowed fully
 - Not be allowed fully
 - Be allowed up to 12%
 - Be allowed @50% of total interest

122. Essel World AOP paid interest of ₹5,00,000 to its members and ₹2,50,000 as bonus to its members. Allowable deduction for Essel World AOP under PGBP will be
- (a) 7,50,000
 - (b) 5,00,000
 - (c) 2,50,000
 - (d) Nil
123. State whether true or false
- “Sec 40A(2) provides that where assessee incurs any expenditure in respect of which a payment has been or is to be made to a specified person, so much of expenditure as is considered to be excessive or unreasonable shall be disallowed by AO.”
- (a) True
 - (b) False
124. According to section 40A(3), where assessee incurs any expenditure in respect of which payment made to a person in a day otherwise than by an account payee cheque drawn on bank or account payee bank draft or use of ECS through bank exceeds _____, such expenditure shall not be allowed as deduction.
- (a) 10,000
 - (b) 15,000
 - (c) 20,000
 - (d) 25,000
125. Mr. A, a practicing CA paid ₹20,000 in cash for stationery expenditure on 20/7/19. Deduction allowable under the head PGBP will be
- (a) 10,000
 - (b) 20,000
 - (c) 15,000
 - (d) Nil
126. Mr. Franky aged 41 years incurred expenditure of ₹15,000 in FY 18-19 for stationery. In FY 19-20 this expenditure of ₹15,000 was paid by Mr. Franky in cash. What will be the treatment of ₹15,000 in FY 19-20.
- (a) No effect
 - (b) Allowed as deduction
 - (c) Add it to the income
 - (d) None of the above
127. Payment or aggregate of payments up to _____ in a day can be made to transport operator otherwise than by way of account payee cheque or account payee bank draft or use of ECS through bank account.
- (a) 10,000
 - (b) 25,000
 - (c) 30,000
 - (d) 35,000

128. Mr. Neil Mukesh paid bank interest of ₹20,000 in cash on single day to SBI. Expenditure allowable under PGBP will be
- (a) 20,000
 - (b) Nil
 - (c) 10,000
 - (d) 30,000
129. Miss Dosa made following payments in cash in a single day. Calculate expenditure allowable under the head PGBP
- | | |
|---|---------|
| • Payment made to stationery shopkeeper | ₹35,000 |
| • GST paid to government | ₹78,000 |
| • Purchased agricultural produce | ₹36,000 |
| • Payment to Ramkishan supplier for supply of steel | ₹98,000 |
- (a) 2,12,000
 - (b) 2,47,000
 - (c) 1,69,000
 - (d) 1,14,000
130. Mr. Bansi made the following payments in cash. Whether expenses are allowed under the head PGBP
- Payment made to Dhairya residing in village of ₹25,000 where there is no bank
 - Office expense of ₹9,000 paid to Shastri
 - Paid salary of ₹40,000 to Neeraj posted for a temporary period for 25 days at any other place
 - Paid ₹12,000 as factory expenses
- (a) 86,000
 - (b) 74,000
 - (c) 46,000
 - (d) 65,000
131. Ashwin and Co. paid ₹45,000 in cash on a single day to employee as retrenchment compensation. Treatment of ₹45,000 in P/L will be
- (a) Allowed as deduction
 - (b) Disallowed
 - (c) Disallowed to the extent of ₹10,000 and rest allowed
 - (d) Allowed to the extent of ₹30,000 rest disallowed
132. Provision for gratuity is _____ expense.
- (a) Allowable
 - (b) Disallowable
 - (c) Partly allowed and partly disallowed
 - (d) Any of above at option of assessee

133. Mr. A took a loan for his business on 1/4/17 for 5 years. He debited P/L with ₹36,000 as interest for FY 17-18 and FY 18-19 each. As on 31/3/18, Mr. A closed his business. Subsequently in FY 19-20, interest paid was received back by Mr. A. What will be the treatment of interest received back by Mr. A?
- (a) Ignore
 - (b) 72,000 taxable under PGBP in FY 19-20
 - (c) Revise return of previous two years by eliminating the entry of interest paid
 - (d) 72,000 taxable under IFOS in FY 19-20
134. Certain deductions are allowed only if payment is made. Which of the following are covered under such payments ?
- (a) Tax, duty and cess
 - (b) Contribution of employer towards PF
 - (c) Bonus or commission
 - (d) All of the above
135. Mr. Hari engaged in steel trading business. It has outstanding interest of ₹45,000 to be paid for FY 18-19. On 30/6/19, it converted interest on advance in 45 instalments. It repaid 5 instalments on 29/7/19. Deduction of interest allowable under PGBP will be in PY 19-20
- (a) 45,000
 - (b) 5000
 - (c) 40,000
 - (d) Nil
136. State whether true or false.
- “Any sum payable by assessee to Indian Railways for use of Railway assets is allowable only when actual payment is made on or before the due date of return filing under section 139(1).”
- (a) True
 - (b) False
137. Mr. Morry (resident), a builder sold a plot of land (SIT) on 9/1/20 for ₹ 5 crores. SDV of such land is ₹ 5.1 crore. This land was purchased on 5/1/18 for ₹4.75 crore. Profit from sale of land will be
- (a) 25,00,000
 - (b) 35,00,000
 - (c) 21,00,000
 - (d) 12,00,000
138. Mr. Mitch (resident) is a builder who sold a plot of land (SIT) on 9/1/20 for ₹ 5 crores. SDV of such land is ₹ 6 crores. This land was purchased on 5/5/18 for ₹4.75 crores. Profit from sale of such land will be
- (a) 25,00,000
 - (b) 1,25,00,000
 - (c) 1,12,00,000
 - (d) 12,00,000

139. Where date of an agreement fixing the value of consideration for transfer of asset and date of registration of transfer of asset are not same, stamp duty value may be taken as on the date of agreement for transfer, provided at least a part of the consideration has been received through.....upto date of agreement.
- (a) Account payee cheque
 - (b) Account payee bank draft
 - (c) Use of ECS
 - (d) All of the above
140. When the valuation of asset is referred to the valuation officer and value so ascertained by valuation officer exceeds the value adopted or assessed by stamp valuation authority. Which of the following will be taken as FVOC?
- (a) Value adopted by AO
 - (b) Value adopted by stamp valuation authority
 - (c) Actual consideration received
 - (d) Any of the above at the option of the assessee
141. Mr. Nandlal transferred land for ₹100 lakhs on 1/5/19. Date of agreement was 1/9/18 on which ₹10 lakhs was received in cash. Stamp duty value on the date of agreement is ₹120 lakhs and on the date of registration i.e. on 1/5/19 is ₹210 lakhs. What will be the FVOC?
- (a) ₹120 lakhs
 - (b) ₹100 lakhs
 - (c) ₹210 lakhs
 - (d) ₹200 lakhs
142. In case where income of assessee (other than individual and HUF) from business exceeds ₹1,20,000 or sales turnover in business exceeds ₹10,00,000 in any of three years immediately preceding previous year, such assessee is required to maintain its books of accounts as per section 44AA
- State true or false
- (a) True
 - (b) False
143. As per Rule 6F, every person carrying on notified profession shall keep and maintain books of accounts and other documents if his gross receipts exceed _____ in all three years immediately preceding the PY
- (a) 1,20,000
 - (b) 1,50,000
 - (c) 1,00,000
 - (d) 2,50,000
144. Mr. Ramunajam, a cameraman's gross receipts for the following PY are as follows
- PY 16-17: 1,60,000
- PY 17-18: 1,50,000
- PY 18-19: 1,75,000
- Whether Ramunajam is required to maintain specified books of accounts as per section 44AA?
- (a) Yes
 - (b) No

145. Books of accounts and documents prescribed under section 44AA shall be kept and maintained for a minimum of ____ years from the end of relevant AY.
- (a) 5
 - (b) 6
 - (c) 7
 - (d) 8
146. Assessee is required to get his accounts audited if total sales turnover in business exceeds ____ in any PY.
- (a) 50,00,000
 - (b) 1,00,00,000
 - (c) 1,50,00,000
 - (d) 1,20,00,000
147. Assessee is required to get his accounts audited if receipts in profession exceed ____ in PY
- (a) 50,00,000
 - (b) 1,00,00,000
 - (c) 1,50,00,000
 - (d) 1,20,00,000
148. In which of the following cases, audit is required to be done
- (a) Assessee engaged in Business & Turnover of assessee is ₹ 2,90,00,000
 - (b) Assessee engaged in notified profession and his gross receipts is ₹ 75,00,000
 - (c) Assessee declares profit lower than profits and gains computed on a presumptive basis under section 44AD & Total income more than basic exemption
 - (d) All of the above
149. Presumptive taxation scheme under section 44AD covers all small businesses with total turnover up to _____
- (a) 50,00,000
 - (b) 25,00,000
 - (c) 1,00,00,000
 - (d) 2,00,00,000
150. Parvati LLP has total turnover of ₹160 lakhs in FY 19-20. Out of 160 lakhs, 120 lakhs received by A/c payee cheque and 40 lakhs received by cash. Income taxable as per presumptive scheme under section 44AD will be
- (a) Section 44AD Not applicable
 - (b) 12.8 lakhs
 - (c) 10.4 lakhs
 - (d) 9.6 lakhs
151. Section 44AD is not applicable to which of the following
- (a) Resident individuals
 - (b) Company
 - (c) Partnership firm
 - (d) HUF

152. Rate of presumptive taxation under section 44AD will be _____ in case of cash receipts and _____ in case of digital receipts.
- (a) 6, 8
 - (b) 8, 8
 - (c) 6, 6
 - (d) 8, 6
153. State whether true or false.
- “Depreciation has to be calculated with respect to asset even if assessee opts for presumptive scheme.”
- (a) True
 - (b) False
154. Which of the following person are excluded from applicability of section 44AD
- (a) Person carrying on profession referred to in section 44AA
 - (b) Person earning income in nature of commission or brokerage
 - (c) Person carrying on any agency business
 - (d) All of the above
155. Where assessee declares profit as per section 44AD and then does not declare profit as per section 44A for any of 5 consecutive years he shall not be eligible to claim benefit of section 44AD for ____ AYs subsequent to AY in which profit not declared as per section 44AD.
- (a) 2
 - (b) 5
 - (c) 8
 - (d) 10
156. Section 44ADA is applicable to assessee whose total gross receipts do not exceed _____ in PY
- (a) 50,00,000
 - (b) 1,00,00,000
 - (c) 2,00,00,000
 - (d) 25,00,000
157. Presumptive rate under section 44ADA would be sum equal to ____ of total gross receipts
- (a) 8%
 - (b) 6%
 - (c) 50%
 - (d) 25%
158. Section 44ADA is applicable to which of the following
- (a) Resident assessee
 - (b) Only Individual & HUF
 - (c) Non-Resident
 - (d) Only resident FIRM

159. State whether true or false

“Eligible assessee opting for presumptive taxation scheme will not be required to maintain its books of accounts under section 44AA and get accounts audited under section 44AB in respect of such income.”

(a) True

(b) False

160. In FY 18-19 Hari opted for presumptive taxation scheme u/s 44ADA. In FY 19-20 he claimed that his profits are lower than profit deemed to be his income under section 44ADA. Total income chargeable to tax in FY 19-20 is ₹ 2,10,000. Whether audit under section 44AB is required?

(a) Yes

(b) No

161. Presumptive taxation scheme is available to which of the following person

(a) Person whose total turnover is up to 200 lakhs

(b) Person who is engaged in notified profession and whose gross receipts is up to 50,00,000

(c) Owner of goods carriage earning income from plying, hire or leasing

(d) All of the above

162. Section 44AE presumptive scheme is applicable to person owning not more than ____ goods vehicle at any time during PY.

(a) 8

(b) 9

(c) 10

(d) 5

163. Presumptive income to be calculated as per section 44AE for heavy goods vehicle is @rate _____

(a) 7500 p.m.

(b) 1000 per ton for every month or part of the month

(c) 500 per ton for every month or part of the month

(d) 7500 per ton for every month or part of the month

164. Heavy goods vehicle for the purpose of section 44AE means any goods carriage, the gross vehicle weight of which exceeds _____ kgs

(a) 10,000 kgs

(b) 12,000 kgs

(c) 15,000 kgs

(d) 20,000 kgs

Solutions							
1	B	2	A	3	A	4	D
5	B	6	C	7	D	8	B
9	A	10	C	11	C	12	C
13	A	14	C	15	A	16	A
17	A	18	A	19	C	20	B
21	A	22	C	23	C	24	A
25	B	26	D	27	D	28	D
29	B	30	A	31	A	32	A
33	A	34	A	35	D	36	D
37	B	38	B	39	A	40	D
41	C	42	C	43	C	44	B
45	B	46	B	47	B	48	B
49	A	50	A	51	A	52	D
53	D	54	A	55	A	56	B
57	A	58	B	59	A	60	B
61	C	62	A	63	C	64	C
65	C	66	C	67	A	68	C
69	E	70	B	71	B	72	B
73	A	74	D	75	C	76	D
77	A	78	D	79	D	80	B
81	B	82	C	83	B	84	D
85	C	86	B	87	A	88	B
89	C	90	A	91	D	92	D
93	C	94	B	95	A	96	A
97	A	98	B	99	B	100	A
101	B	102	C	103	B	104	B

105	A	106	B	107	A	108	D
109	E	110	A	111	B	112	C
113	A	114	B	115	B	116	C
117	D	118	A	119	C	120	A
121	A	122	D	123	A	124	A
125	D	126	C	127	D	128	A
129	D	130	B	131	A	132	B
133	B	134	D	135	B	136	A
137	A	138	B	139	D	140	B
141	C	142	A	143	B	144	B
145	B	146	B	147	A	148	D
149	D	150	A	151	B	152	D
153	A	154	D	155	B	156	A
157	C	158	A	159	A	160	B
161	D	162	C	163	B	164	B

Income from Capital Gain

Question 1

Mr. A purchased a property during 03-04 for ₹ 3,50,000. He spent ₹ 2,00,000 on Improvement during 2004-05. The property was sold by for ₹ 37 lacs during PY 2019-20 (Brokerage 2%). Compute Capital Gains.

Question 2

Mr. C purchases a house property for ₹ 1,06,000 on May 15, 1984. The following expenses are incurred by him for making addition/alternation to the house property:

Particulars	₹
(a) Cost of construction of first floor in 1992-93	1,35,000
(b) Cost of construction of the second floor in 2003-04	3,10,000
(c) Reconstruction of the property in 2009-10	2,50,000

Fair market value of the property on April 1, 2001 is ₹ 4,50,000. The house property is sold by Mr. C on August 10, 2019 for ₹ 72,00,000 (expenses incurred on transfer: ₹ 60,000). Compute the capital gain for the assessment year 2020-21.

Question 3

X converts his capital asset (acquired on June 10, 2007 for ₹ 60,000) into stock-in-trade in March 10, 2017. The fair market value on the date of the above conversion was ₹ 3,00,000. He subsequently sells the stock-in-trade so converted for ₹ 4,00,000 on June 10, 2019. Discuss the tax implication.

Question 4

Preeti purchased a Land at a cost of ₹ 10 Lakhs in the Financial Year 1982-83 and held the same as her Capital Asset till 31st March, 2010. Preeti started her real estate business on 01st April, 2010 and converted the said land into Stock-in-Trade of her business on the said date, when the fair market value of the land was ₹ 150 Lakhs. FMV of land as on 1/4/2001 is 9.3 lacs.

She constructed 20 Flats of equal size, quality and dimension. Cost of construction of each flat is ₹ 8 Lakhs. Construction was completed in December 2019. She sold 15 Flats at ₹ 20 Lakhs per Flat between January, 2020 and March 2020. The remaining 5 flats were held in stock as on 31st March, 2020.

Compute the amount of chargeable Capital Gain and Business Income in the hands of Preeti arising from the transactions for A.Y. 2020-21 indicating clearly the reasons for treatment for each item.

Question 5

X converts his capital asset (acquired on June 10, 2002 for ₹ 60,000) into stock-in-trade on March 10, 2019. The fair market value on the date of the above conversion was ₹ 5,50,000. He subsequently sells the stock-in-trade so converted for ₹ 6,00,000 on June 10, 2019. Discuss the year of chargeability of capital gain.

Question 6

A is the owner of a car. On 1-4-2019, he starts a business of purchase and sale of motor cars. He treats the above car as part of the stock-in-trade of his new business. He sells the same on 31-3-2020 and gets a profit of ₹ 1 lakh. Discuss the tax implication in his hands under the head "Capital gains".

Question 7

Ms. Usha purchases 1,000 equity shares in X Ltd., an unlisted company, at a cost of ₹ 30 per share (brokerage 1%) in January 1996. She gets 100 bonus shares in August 2000. She again gets 1100 bonus shares by virtue of her holding on February 2006. Fair market value of the shares of X Ltd. on April 1, 2001 is ₹ 80. On 1st January 2020, she transfers all her shares @ ₹ 200 per share (brokerage 2%). Compute the capital gains taxable in the hands of Ms. Usha for the A.Y.2020-21

Question 8

On January 31, 2020, Mr. A has transferred self-generated goodwill of his profession for a sale consideration of ₹ 70,000 and incurred expenses of ₹ 5,000 for such transfer. You are required to compute the capital gains chargeable to tax in the hands of Mr. A for the A.Y. 2020-21.

Solution

The transfer of self-generated goodwill of profession is not chargeable to tax. It is based upon the Supreme Court's ruling in *CIT vs. B.C. Srinivasa Shetty*.

Question 9

Mr. R holds 1000 shares in Star Minus Ltd., an unlisted company, acquired in the year 2001-02 at a cost of ₹ 75,000. He has been offered right shares by the company in the month of August, 2019 at ₹ 160 per share, in the ratio of 2 for every 5 held. He retains 50% of the rights and renounces the balance right shares in favour of Mr. Q for ₹ 30 per share in September 2019. All the shares are sold by Mr. R for ₹ 300 per share in January 2020 and Mr. Q sells his shares in December 2019 at ₹ 280 per share.

What are the capital gains taxable in the hands of Mr. R and Mr. Q?

Question 10

X & sons, HUF, purchased a land for ₹ 1,20,000 in the P.Y. 2002-03. In the P.Y. 2006-07, a partition takes place when Mr. A, a coparcener, is allotted this plot valued at ₹ 1,50,000. In P.Y. 2007-08, he had incurred expenses of ₹ 2,35,000 towards fencing of the plot. Mr. A sells this plot of land for ₹ 15,00,000 in P.Y. 2019-20 after incurring expenses to the extent of ₹ 20,000. You are required to compute the capital gain for the A.Y.2020-21.

Question 11

Mr. B purchased convertible debentures for ₹ 5,00,000 during August 2002. The debentures were converted into equity shares in September 2012. These shares were sold for ₹ 15,00,000 in August, 2019. The brokerage expenses are ₹ 50,000. You are required to compute the capital gains in case of Mr. B for the assessment year 2020-21.

Question 12

Saif and Kareena form a partnership firm. Soon after formation of the Firm Kareena brings on July 10, 2019, the following assets as her capital contribution:

Particulars	Gold (₹)	Silver (₹)
FMV as on date of transfer by Kareena to Firm	5,40,000	72,000
Amount Recorded in books of Accounts	7,00,000	1,00,000
Actual Cost	30,000	12,000
Year of acquisition	2007-08	2016-17

Compute Capital Gain for A.Y. 2020-21.

Question 13

A firm consists of 3 partners X, Y & Z. Z retires from the firm on 15.10.2019. His capital balance and the profits till the date of retirement stood at ₹ 16 lacs. The firm transferred its land to Z in settlement of his account. The market value of the land as on that date was ₹ 30 lacs. The land was acquired by the firm on 1.5.2004 for ₹ 4 lacs. Compute the capital gains in the hands of the firm.

Question 14

The house property of Navin is compulsory acquired by the Govt. on March 10, 2010. The Govt. award ₹ 14,00,000 in the first instance (out of which 10,000 is received on April 12, 2019 and the balance ₹ 13,90,000 is received on May 10, 2020). Navin purchased the house in 2001-02 for ₹ 2,00,000. On the appeal of Navin the high court increase the compensation to ₹ 16,50,000 (Expenditure in court's proceedings ₹ 6,000). The additional compensation of ₹ 2,50,000 is received on May 6, 2021. Find out the capital gain chargeable to tax.

Question 15

Borana, a non-resident, remits US \$ 80,00,000 to India on 16th Sep., 2009. The amount is partly utilized on 3rd Oct., 2009 for purchasing 10,000 shares in Salian Ltd. A Indian company, at the rate of ₹ 12 each. These shares are sold for ₹ 58.40 per share on 14th Feb, 2020. Compute the capital gain chargeable to tax on the assumption that TTBR & TTSR of US \$ adopted by SBI is as follows:

	Buy a US \$ (₹)	Sell a US \$ (₹)
16th Sep., 2009	28	30
3rd Oct., 2009	29	31
14th Feb., 2020	54	56
Calculation of capital Gain.		

Question 16

R has been living in a rented accommodation since August 2003, and he is paying a rent of ₹ 4000 per month. The landlord got the house vacated from R on 16.7.2019 and paid a sum of ₹ 5 lacs for vacating the house.

Compute Capital Gains, if any, in the hands of R.

Question 17

Singhania & Co., a sole proprietorship own six machines, put in use for business in March, 2019. The depreciation on these machines is charged @ 15%. The written down value of these machines as on 1st April, 2019 was ₹ 8,50,000. Three of the old machines were sold on 10th June, 2018 for ₹ 11,00,000. A second hand plant was bought for ₹ 8,50,000 on 30th November, 2019.

You are required to:

- (i) Determine the claim of depreciation for Assessment Year 2020-21.
- (ii) Compute the capital gains liable to tax for Assessment Year 2020-21.

If Singhania & Co. had sold the three machines in June, 2019 for ₹ 21,00,000, will there be any difference in your above workings? Explain.

Question 18

Mr. A is a proprietor of Akash Enterprises having 2 units. He transferred on 1.4.2019 his Unit 1 by way of slump sale for a total consideration of ₹ 25 lacs. Unit 1 was started in the year 2004-05. The expenses incurred for this transfer were ₹ 28,000.

His Balance Sheet as on 31.3.2019 is as under:

Liabilities	Total (₹)	Assets	Unit 1 (₹)	Unit 2 (₹)	Total (₹)
Own Capital	15,00,000	Building	12,00,000	2,00,000	14,00,000
Revaluation Reserve (for building of unit 1)	3,00,000	Machinery	3,00,000	1,00,000	4,00,000
Bank loan (70% for unit 1)	2,00,000	Debtors	1,00,000	40,000	1,40,000
Trade creditors (25% for unit 1)	1,50,000	Other assets	1,50,000	60,000	2,10,000
Total	21,50,000	Total	17,50,000	4,00,000	21,50,000

Other information:

- (i) Revaluation reserve is created by revising upward the value of the building of Unit 1.
- (ii) No individual value of any asset is considered in the transfer deed.
- (iii) Other assets of Unit 1 include patents acquired on 1.7.2017 for ₹ 50,000 on which no depreciation has been charged.

Compute the capital gain for the assessment year 2020-21.

Question 19

Mr. Dinesh received a vacant site as gift from his friend in November 2005. The site was acquired by his friend for ₹ 7,00,000 in April 2002. Dinesh constructed a residential building during the year 2010-11 in the said site for ₹ 15,00,000. He carried out some further extension of the construction in the year 2012-13 for ₹ 5,00,000.

Dinesh sold the residential building for ₹ 55,00,000 in January 2020 but the State stamp valuation authority adopted ₹ 65,00,000 as value for the purpose of stamp duty.

Compute his long-term capital gain, for the assessment year 2020-21 based on the above information.

Question 20

Mr. Kay purchases a house property on April 10, 1992 for ₹ 65,000. The fair market value of the house property on April 1, 2001 was ₹ 2,70,000. On August 31, 2003, Mr. Kay enters into an agreement with Mr. Jay for sale of such property for ₹ 3,70,000 and received an amount of ₹ 60,000 as advance. However, as Mr. Jay did not pay the balance amount, Mr. Kay forfeited the advance. In May 2008, Mr. Kay constructed the first floor by incurring a cost of ₹ 2,35,000. Subsequently, in January 2009, Mr. Kay gifted the house to his friend Mr. Dee. On February 10, 2020, Mr. Dee sold the house for ₹ 12,00,000.

Compute the capital gains in the hands of Mr. Dee for A.Y.2020-21.

Question 21

Mr. X purchases a house property in December 1993 for ₹ 5,25,000 and an amount of ₹ 1,75,000 was spent on the improvement and repairs of the property in March, 1997. The property was proposed to be sold to Mr. Z in the month of May, 2006 and an advance of ₹ 40,000 was taken from him. As the entire money was not paid in time, Mr. X forfeited the advance and subsequently sold the property to Mr. Y in the month of March, 2020 for ₹ 52,00,000. The fair value of the property on April 1, 2001 was ₹ 11,90,000. What is the capital gain chargeable in the hands of Mr. X for the A.Y. 2020-21?

Question 22

Mr. Kumar has purchased an agricultural land costing ₹ 6 lakh in Lucknow on 1.4.2002 and has been using it for agricultural purposes since its purchased till 1.8.2011 when the Government took over compulsory acquisition of this land. A compensation of ₹ 12 lakh was settled. The compensation was received by Mr. Kumar on 1.7.2019.

- (i) Compute the amount of capital gains taxable in the hands of Mr. Kumar.
- (ii) Will your answer be any different if Mr. Kumar had by his own will sold this land to his friend Mr. Sharma? Explain.
- (iii) Will your answer be different if Mr. Kumar had not used this land for agricultural activities? Explain and compute the amount of capital gains taxable in the hands of Mr. Kumar, if any.
- (iv) Will your answer be different if the land belonged to ABC Ltd. and not Mr. Kumar and compensation on compulsory acquisition was received by the company? Explain

Question 23

Mr. Cee purchased a residential house on July 20, 2016 for ₹ 10,00,000 and made some additions to the house incurring ₹ 2,00,000 in August 2016. He sold the house property in April 2019 for ₹ 20,00,000. Out of the sale proceeds, he spent ₹ 5,00,000 to purchase another house property in September 2019.

What is the amount of capital gains taxable in the hands of Mr. Cee for the A.Y. 2020-21?

Question 24

Ravi owns a residential house which was purchased by him in 1975 for ₹ 80,000. The FMV as on 1.4.01 was ₹ 2,00,000. This house is sold by him on 16.7.2019 for a consideration of ₹ 27,00,000. The brokerage and expenses on transfer was ₹ 15,000. Compute capital gains for the assessment year 2020-21. If he invests ₹ 5,00,000 for purchase of a new house on 15.3.2020. If the HP so purchased in 15.3.2020 is again sold in 21.10.20 for ₹ 9 lacs, what will be the tax liability?

Question 25

On 16th January 2020, Suman sold agricultural land for ₹22 lacs. He incurred selling expenses for ₹50,000. Compute capital gains : If the land sold, was purchased on 1st February 2006 for ₹ 2 lacs, and the land was used for agricultural purposes by his mother. He again purchased agricultural land of ₹ 8 lacs on 25th January 2020. Amount deposited in a scheduled bank under "Capital Gains Deposit Scheme. ₹ 4 lacs on 6th April 2020.

Question 26

From the following particulars, compute the taxable capital gains of Mr. D for A.Y.2020-21

Cost of jewellery [Purchased in F.Y.2004-05]	₹ 4,52,000
Sale price of jewellery sold in January 2020	₹ 11,50,000
Expenses on transfer	₹ 7,000
Residential house purchased in March 2020	₹ 5,00,000

Question 27

Bipasha purchased jewellery worth ₹ 2,00,000 during 2002-03. During the year 2005-06, she further purchased jewellery worth ₹ 3,50,000. All the jewellery was sold by her on 15.6.19. The jewellery purchased in 2002-03 was sold for ₹ 20 lacs and that purchased in 2005-06 was sold for ₹ 32 lacs. On 26.6.20 she deposited ₹50 lacs in Capital Gains Scheme account. On 21.10.20 withdrawing from the Deposit Account, she utilised ₹ 50 lacs for purchase of a residential house property in Kolkata. On the date of transfer, she owns only one residential house.

Question 28

Mr. Selvan, acquired a residential house in January, 2002 for ₹ 10,00,000 and made some improvements by way of additional construction to the house, incurring expenditure of ₹ 2,00,000 in October, 2005. He sold the house property in October, 2019 for ₹ 75,00,000. The value of property was adopted as ₹ 80,00,000 by the State stamp valuation authority for registration purpose. He acquired a residential house in January, 2019 for ₹ 25,00,000. He deposited ₹ 20,00,000 in capital gains bonds issued by National Highways Authority of India (NHAI) in June, 2020. Compute the capital gain chargeable to tax for the assessment year 2020-21.

What would be the tax consequence and in which assessment year it would be taxable, if the house property acquired in January, 2019 is sold for ₹ 40,00,000 in March, 2021?

Question 29

Mr. Rahul transferred a vacant site on 28.10.2019 for ₹ 100 lakhs. The site was acquired for ₹ 9,99,300 on 30.6.2001. He invested ₹ 50 lakhs in eligible bonds issued by Rural Electrification Corporation Ltd. (RECL) on 20.3.2020. Again, he invested ₹ 20 lakhs in eligible bonds issued by National Highways Authority of India (NHAI) on 16.4.2020.

Compute the chargeable capital gain in the hands of Rahul for the A.Y. 2020-21.

Question 30

Calculate the income-tax liability for the assessment year 2020-21 in the following cases:

	Mr. A (age 45)	Mrs. B (age 62)	Mr. C (age 81)	Mr. D (age 82)
Status	Resident	Non- resident	Resident	Non- resident
Total income other than long term capital gain	2,40,000	2,80,000	5,90,000	4,80,000
Long-term capital gain	15,000 from sale of vacant site	10,000 from sale of listed equity shares (STT paid on sale and purchase of shares)	60,000 from sale of agricultural land in rural area	Nil

Question 31

Mr. Mithun purchased 100 equity shares of M/s Goodmoney Co. Ltd. on 01-04-2005 at rate of ₹ 1,000 per share in public issue of the company by paying securities transaction tax.

Company allotted bonus shares in the ratio of 1:1 on 01.12.2017. He has also received dividend of ₹ 10 per share on 01.05.2018.

He has sold all the shares on 01.10.2019 at the rate of ₹ 4,000 per share through a recognized stock exchange and paid brokerage of 1% and securities transaction tax of 0.02% to celebrate his 75th birthday.

Compute his total income and tax liability for Assessment Year 2020-21, assuming that he is having no income other than given above. Fair market value of shares of M/s Goodmoney Co. Ltd. on 31.1.2018 is ₹ 2,000.

Question 32

Mr. Roy, aged 55 years owned a Residential House in Ghaziabad. It was acquired by Mr. Roy on 10-10-2007 for ₹ 24,00,000. He sold it for ₹ 65,00,000 on 4-11-2019. The stamp valuation authority of the State fixed value of the property at ₹ 72,00,000. The assessee paid 2% of the sale consideration as brokerage on the sale of the said property.

Mr. Roy acquired a residential house property at Kolkata on 10-12-2019 for ₹ 7,00,000 and deposited ₹ 3,00,000 on 10-4-2020 and ₹ 5,00,000 on 15-6-2020 in the capital gains bonds of Rural Electrification Corporation Ltd. He deposited ₹ 4,00,000 on 6-7-2020 and ₹ 9,00,000 on 1-11-2020 in the capital gain deposit scheme in a Nationalized Bank for construction of an additional floor on the residential house property in Kolkata.

Compute the Capital Gain chargeable to tax for the Assessment Year 2020-21 and income-tax chargeable thereon assuming Mr. Roy has no other income.

Question 33

Mr. Malik owns a factory building on which he had been claiming depreciation for the past few years. It is the only asset in the block. The factory building and land appurtenant thereto were sold during the year. The following details are available:

Particulars	₹
Building completed in September, 2009 for	10,00,000
Land appurtenant thereto purchased in April, 2002 for	12,00,000
Advance received from a prospective buyer for land in May, 2003, forfeited in favour of assessee, as negotiations failed	50,000
WDV of the building block as on 1.4.2019	8,74,800
Sale value of factory building in November, 2019	8,00,000
Sale value of appurtenant land in November, 2019	40,00,000

The assessee is ready to invest in long-term specified assets under section 54EC, within specified time.

Compute the amount of taxable capital gain for the assessment year 2020-21 and the amount to be invested under section 54EC for availing the maximum exemption.

Question 34

Mr. 'X' furnishes the following data for the previous year ending 31.3.2020:

- (a) Unlisted Equity Shares of AB Ltd., 10,000 in number were sold on 31.5.2019, at ₹ 500 for each share.
- (b) The above shares of 10,000 were acquired by 'X' in the following manner:
 - (i) Received as gift from his father on 1.6.2000 (5,000 shares) the fair market value on 1.4.2001 ₹ 200 per share.
 - (ii) Bonus shares received from AB Ltd. on 21.7.2008 (2,000 shares).
 - (iii) Purchased on 1.2.2011 at the price of ₹ 350 per share (3,000 shares).
- (c) Purchased one residential house at ₹ 25 lakhs, on 1.5.2020 from the sale proceeds of shares.
- (d) 'X' is already owning a residential house, even before the purchase of above house.

You are required to compute the taxable capital gain. He has no other source of income chargeable to tax.

Question 35

Mrs. Harshita purchased a land at a cost of ₹ 35 lakhs in the financial year 2003-04 and held the same as her capital asset till 31st March, 2011. She started her real estate business on 1st April, 2011 and converted the said land into stock-in-trade of her business on the said date, when the fair market value of the land was ₹ 210 lakhs.

She constructed 15 flats of equal size, quality and dimension. Cost of construction of each flat is ₹ 10 lakhs. Construction was completed in February, 2020. She sold 10 flats at ₹ 30 lakhs per flat in March, 2020. The remaining 5 flats were held in stock as on 31st March, 2020.

She invested ₹ 50 lakhs in bonds issued by National Highways Authority of India on 31st March, 2020 and another ₹ 50 lakhs in bonds of Rural Electrification Corporation Ltd. in April, 2020.

Compute the amount of chargeable capital gain and business income in the hands of Mrs. Harshita arising from the above transactions for Assessment Year 2020-21 indicating clearly the reasons for treatment for each item.

Question 36

Mr. Martin, a resident individual, sold his residential house property on 08-06-2019 for ₹ 70 lakhs which was purchased by him for ₹ 20,50,000 on 05-05-2006.

He paid ₹ 1 lakh as brokerage for the sale of said property. The stamp duty valuation assessed by sub registrar was ₹ 100 lakhs.

He bought another house property on 25-12-2019 for ₹ 15 lakhs.

He deposited ₹ 5 lakhs on 10-11-2019 in the capital gain bond of National Highway Authority of India (NHAI).

He deposited another ₹ 10 lakhs on 10-07-2020 in the capital gain deposit scheme with SBI for construction of additional floor of house property.

Compute income under the head "Capital Gains" for A.Y.2020-21 as per Income-tax Act, 1961 and also income-tax payable on the assumption that he has no other income chargeable to tax.

Question 37

Mr. A is an individual carrying on business. His stock and machinery were damaged and destroyed in a fire accident in PY 19-20

The value of stock lost (total damaged) was ₹ 6,50,000. Certain portion of the machinery could be salvaged. The opening WDV of the block as on 1-4-2019 was ₹ 10,80,000.

During the process of safeguarding machinery and in the fire fighting operations, Mr.

A lost his gold chain and a diamond ring, which he had purchased in April, 2004 for ₹ 1,20,000. The market value of these two items as on the date of fire accident was ₹ 1,80,000.

Mr. A received the following amounts from the insurance company:

- | | |
|---|------------|
| (i) Towards loss of stock | ₹ 4,80,000 |
| (ii) Towards damage of machinery | ₹ 6,00,000 |
| (iii) Towards gold chain and diamond ring | ₹ 1,80,000 |

You are requested to briefly comment on the tax treatment of the above three items under the provisions of the Income-tax Act, 1961.

Question 38

Mr. Rakesh purchased a house property on 14th April, 1999 for ₹ 1,05,000. He entered into an agreement with Mr. B for the sale of house on 15th September, 2002 and received an advance of ₹ 25,000. However, since Mr. B did not remit the balance amount, Mr. Rakesh forfeited the advance. Later on, he gifted the house property to his friend Mr. A on 15th June, 2006.

Following renovations were carried out by Mr. Rakesh and Mr. A to the house property:

	₹
By Mr. Rakesh during FY 2000-01	10,000
By Mr. Rakesh during FY 2003-04	50,000
By Mr. A during FY 2013-14	1,90,000

The fair market value of the property as on 1.4.2001 is ₹ 1,50,000.

Mr. A entered into an agreement with Mr. C for sale of the house on 1st June, 2019 and received an advance of ₹ 80,000. The said amount was forfeited by Mr. A, since Mr. C could not fulfil the terms of the agreement. Finally, the house was sold by Mr. A to Mr. Sanjay on 2nd January, 2020 for a consideration of ₹ 25,00,000. Compute the capital gains chargeable to tax in the hands of Mr. A for the assessment year 2020-21.

Question 39

X (29 years) purchases 20,000 shares in MS Ltd. on August 6, 2017 at the rate of ₹ 80 per share (securities transaction tax paid). Fair market value on January 31, 2018 is ₹ 320 per share (being highest quotation on January 31, 2018 in Bombay Stock Exchange / National Stock Exchange). He transfers 18,000 share on March 3, 2020 at the rate of ₹ 470 per share. Securities transaction tax is paid at the time of transfer. Income of X from other sources is ₹ 30,000 for the previous year 2019-20. X invests ₹ 10,00,000 in REC bond on March 10, 2020 and deposits ₹ 35,00,000 in capital gains deposit account scheme on April 30, 2020 for availing exemption under section 54F (he does not own a house property).

Question 40

X (61 years) acquires 10,000 equity shares in B Ltd. on March 16, 2006. He gets 8,000 bonus shares on March 11, 2013. X transfers original shares in the previous year 2014-15. He transfers 5,000 bonus shares on November 2, 2019 at the rate of ₹ 900 per share. Fair market value of shares in B Ltd. as per Bombay Stock Exchange quotation is ₹ 300 on January 31, 2018. Income of X for the previous year 2019-20 from other sources is ₹ 26,40,000. He has a brought forward short-term capital loss of ₹ 2,90,000 pertaining to the assessment year 2015-16.

Question 41

Mr. Roy owned a residential house in Noida. It was acquired on 09.09.2009 for ₹ 30,00,000. He sold it for ₹ 1,57,00,000 on 07.01.2017.

Mr. Roy utilized the sale proceeds of the above property to acquire a residential house in Panchkula for ₹ 2,05,00,000 on 20.07.2017. The said house property was sold on 31.10.2019 and he purchased another residential house at Delhi for ₹ 2,57,00,000 on 02.03.20. The property at Panchkula was sold for ₹ 3,25,00,000.

Calculate capital gains chargeable to tax for the assessment year 2017-18 and 2020-21. All working should form part of your answer.

Question 42

Mr. Arjun bought a vacant land for ₹ 80 lakhs in March 2006. Registration and other expenses were 10% of the cost of land. He constructed a residential building on the said land for ₹ 100 lakhs during the financial year 2007-08.

He entered into an agreement for sale of the above said residential house with Mr. Jerry (not a relative) on 9th April 2019 and received ₹ 20 lakhs as advance in cash on that date. The stamp duty value on that date was ₹ 740 lakhs. The actual sale consideration was, however, fixed at ₹ 700 lakhs.

The sale deed was executed and registered on 10-6-2019 for the agreed consideration. However, the State stamp valuation authority had revised the values, hence, the value of property for stamp duty purposes was ₹ 770 lakhs. Mr. Arjun paid 1% as brokerage on sale consideration received.

Subsequent to sale, Mr. Arjun made following investments:

- (i) Acquired a residential house at Mumbai for ₹ 110 lakhs.
- (ii) Acquired a residential house at London for ₹ 150 lakhs.
- (iii) Subscribed to NHAI bond: ₹ 45 lakhs on 29-8-2019 and ₹ 50 lakhs on 12-10-2019.

Compute the income chargeable under the head "Capital Gains" for A.Y. 2020-21.

The choice of exemption must be in the manner most beneficial to the assessee.

MCQ's

1. Which of the following would be regarded as transfer -
 - (a) Transfer of a capital asset in a scheme of reverse mortgage
 - (b) Transfer of a capital asset under a gift or will or an irrevocable trust
 - (c) Transfer by way of conversion of equity shares from preference shares
 - (d) Redemption of Zero coupon bond
2. Short-term capital gains arising on transfer of listed shares on which STT is paid at the time of transfer, would be chargeable to tax -
 - (a) At the rate of 10%
 - (b) At the rate of 20%
 - (c) At the rate of 15%
 - (d) At the rate of 5%
3. Distribution of assets at the time of liquidation of a company -
 - (a) Is not a transfer in the hands of the company or the shareholders
 - (b) Is not a transfer in the hands of the company but capital gains is chargeable to tax on such distribution in the hands of the shareholders
 - (c) Is not a transfer in the hands of the shareholders but capital gains is chargeable to tax on such distribution in the hands of the company
 - (d) Is a transfer both in the hands of shareholders and company
4. Land or building would be long term capital asset only if it is
 - (a) Held for more than 12 months immediately preceding the date of transfer
 - (b) Held for more than 24 months immediately preceding the date of transfer
 - (c) Held for more than 30 months immediately preceding the date of transfer
 - (d) Held for more than 36 months immediately preceding the date of transfer
5. Capital gain on transfer of depreciable asset would be-
 - (a) Long term capital gain, if held for more than 36 months
 - (b) Long term capital gain, if held for more than 24 months
 - (c) Long term capital gain, if held for more than 12 months
 - (d) Short term capital gain, irrespective of the period of holding
6. For an assessee, who is a salaried employee who invests in equity shares, what is the benefit available in respect of securities transaction tax paid by him on sale and acquisition of 100 listed shares of X Ltd. which has been held by him for 14 months before sale?
 - (a) Rebate under section 88E is allowable in respect of securities transaction tax paid
 - (b) Securities transaction tax paid is treated as expenses of transfer and deducted from sale consideration.
 - (c) Capital gains is taxable at a concessional rate of 10% on such capital gains exceeding ₹ 1 lakh
 - (d) Capital gains is taxable at concessional rate of 15%.

7. Under section 50C, the guideline value for stamp duty is taken as the full value of consideration only if -
- (a) The asset transferred is building and the actual consideration is less than the guideline value
 - (b) The asset transferred is either land or building or both and guideline value exceeds the actual consideration
 - (c) The asset transferred is either land or building or both and the guideline value exceeds 105% of the actual consideration.
 - (d) The asset transferred is land and the actual consideration is less than the guideline value
8. Where there is a transfer of a capital asset by a partner to the firm by way of capital contribution or otherwise, the consideration would be taken as -
- (a) The market value of the capital asset on the date of transfer
 - (b) The cost less notional depreciation of the capital asset
 - (c) The value of the asset recorded in the books of the firm.
 - (d) Any of the above, at the option of the assessee
9. Under section 54F, capital gains are exempted if
- (a) Long-term capital gain arising on transfer of residential house is invested in acquisition of one residential house situated in or outside India
 - (b) Long-term capital gain arising on transfer of a capital asset other than a residential house is invested in acquisition of one residential house situated in or outside India
 - (c) Net sale consideration on transfer of a capital asset other than a residential house is invested in acquisition of one residential house situated in India
 - (d) Short term or long-term capital gain arising on transfer of a capital asset other than a residential house is invested in acquisition of one residential house situated in India
10. Under section 54EC, capital gains on transfer of land or building or both are exempted if invested in the bonds issued by NHAI & RECL or other notified bond-
- (a) Within a period of 6 months from the date of transfer of the asset
 - (b) Within a period of 6 months from the end of the relevant previous year
 - (c) Within a period of 6 months from the end of the previous year or the due date for filing the return of income under section 139(1), whichever is earlier
 - (d) At any time before the end of the relevant previous year.
11. State whether true or false.
- “Securities held as stock-in-trade by foreign institutional investor is treated as capital asset.”
- (a) True
 - (b) False
12. For treating unlisted Zero Coupon Bond as long-term capital asset it should be held -
- (a) For more than 12 months immediately preceding the date of its transfer
 - (b) For more than 24 months immediately preceding the date of its transfer
 - (c) For more than 36 months immediately preceding the date of its transfer
 - (d) For more than 48 months immediately preceding the date of its transfer

13. Land and building will be treated as Long Term capital asset if it is held for more than ____ months immediately preceding the date of its transfer?
- (a) 12 months
 - (b) 24 months
 - (c) 36 months
 - (d) Not a capital asset
14. Jai Lokwani purchased deposit certificates from Sitare Ltd. on 05/02/2015. On 07/09/2018 Deposit certificates were converted into debentures of Sitare Ltd. These debentures were subsequently sold by Jai on 15/12/19. What will be the period of holding for sale of debentures among the following?
- (a) 07/09/18 to 15/12/19
 - (b) 05/02/15 to 07/09/18
 - (c) 05/02/15 to 15/12/19
 - (d) 01/04/19 to 15/12/19
15. Which of the following does not constitute transfer?
- (a) Extinguishment of any rights
 - (b) Maturity or redemption of a zero-coupon bond
 - (c) Compulsory acquisition thereof under any law
 - (d) Sale of stock in trade
16. On 26/07/2016, due to severe flood, assets of Neha Dhupia were distracted which has a book value (WDV) of ₹ 5,00,000 as on 26/07/2016. On 05/08/2019, Neha Dhupia received ₹ 6,00,000 from insurance company for the assets which were acquired by her on 09/05/2014. What will be the period of holding and amount of capital gain?
- (a) 09/05/14 – 26/07/16, ₹ 100000
 - (b) 09/05/14 – 05/08/19, ₹ 100000
 - (c) 26/07/16 – 05/08/19 ₹ 100000
 - (d) 09/05/14 – 26/07/16 ₹ 600000
17. Mr. Tarun Agrawal converted his capital asset into stock in trade on 10/03/19 which was acquired by him on 07/07/04. He subsequently sells the stock in trade on 19/05/19. Which years among the following will be considered for indexation?
- (a) PY 04-05 to PY 18-19
 - (b) PY 04-05 to PY 19-20
 - (c) PY 18-19 to PY 19-20
 - (d) PY 03-04 to PY 18-19
18. For securities which are sold by depository but the income of which is chargeable in hands of beneficial owner, cost of acquisition and Period of Holding shall be determined on the basis of which method?
- (a) FIFO
 - (b) LIFO
 - (c) Weight Average
 - (d) Cost Method

19. Full value of consideration for partner when he transfers his capital asset to partnership firm will be
- (a) Fair market value
 - (b) Cost of acquisition of partner less notional depreciation
 - (c) Book value in books of partnership firm
 - (d) Any of the above at option of assessee
20. Full value of consideration for AOP when it transfers its capital asset to members will be
- (a) FMV
 - (b) Cost of acquisition of AOP
 - (c) Book value in books of AOP
 - (d) NIL
21. If compensation is received due to interim order, when will it be taxable?
- (a) When compensation is received
 - (b) When interim order is passed
 - (c) When final order is passed
 - (d) When land is compulsory acquired by Central Government
22. COA in case of enhanced compensation will be
- (a) Nil
 - (b) 50% of cost which is considered in compensation
 - (c) Cost incurred when asset is acquired
 - (d) None of above
23. Sec 45(5A) i.e. taxability of Capital Gain in case of capital gain in case of specified agreement is applicable to
- (a) All persons
 - (b) Only company
 - (c) Individual and HUF
 - (d) Firms / LLP / Individual / HUF
24. Capital Gain arising from transfer of land or building under specified agreement for development of project to developer will be taxable in the year _____
- (a) In which asset is taken over by developer
 - (b) In PY when share in land or building or cash received
 - (c) In PY when share in land or building received is subsequently sold
 - (d) In PY when Completion Certificate (CC) for the whole or part of project is issued by competent authority
25. What will be the FVOC among the following in case land is transferred under specified agreement to developer to develop real estate project?
- (a) FMV on date of transfer
 - (b) FMV on date of CC
 - (c) SDV of share in land or building on date of issuing CC plus cash, if any
 - (d) SDV of share in land or building on date when land was taken over by developer

26. Capital assets distributed by co. to shareholders on its liquidation, Capital Gain will arise to
- (a) Both shareholder and company
 - (b) Only company
 - (c) Only shareholder
 - (d) Neither company nor shareholder
27. FVOC in case of assets received under liquidation by shareholder will be
- (a) FMV on date of distribution
 - (b) SDV on date of distribution
 - (c) FMV on date of liquidation
 - (d) SDV on date of liquidation
28. In case of buyback of listed shares by company, tax will be payable by
- (a) Shareholder
 - (b) Company
 - (c) Both shareholder and co.
 - (d) Neither co. nor shareholder
29. In case of buyback of shares of domestic company, tax is payable by co. at which of the following tax rate?
- (a) 15% + 12% + 3%
 - (b) 30% + 15% + 4%
 - (c) 20% + 12% + 4%
 - (d) 10% + 12% + 4%
30. Which of the following is not a transfer?
- (a) Conversion of capital asset into stock-in-trade
 - (b) Compulsory acquisition by Central Government
 - (c) Transfer of capital asset by holding company to its wholly owned subsidiary
 - (d) Receipt of insurance claim on damage of assets due to natural or manmade disaster
31. Capital asset transferred to member by HUF due to partial partition of HUF. What will be the FVOC to be considered by HUF?
- (a) FMV on date of transfer
 - (b) Not Applicable
 - (c) Book Value on date of transfer
 - (d) SDV on date of transfer
32. Mr. Shriniwas Gorane acquired sovereign gold bonds for ₹ 65000 on 07/04/2017. These bonds were redeemed on 07/08/2019 by Mr. Shriniwas for ₹ 95700. Income chargeable under capital gain
- (a) Exempt
 - (b) 30700
 - (c) 26760
 - (d) 30000

33. Painting, which is of national importance is transferred to National Art Gallery. State whether it is transfer for capital gain?
- (a) Yes
 - (b) No
34. Mr. Abhishek, a senior citizen mortgaged his residential house with a bank, under a notified reverse mortgage scheme and received ₹ 6000 as monthly payment from bank. What will be the FVOC for transfer of house property to bank in hands of senior citizen?
- (a) 72000
 - (b) Nil
 - (c) FMV on date of mortgage
 - (d) SDV on date of mortgage
35. What among the following will not be deducted from FVOC?
- (a) Cost of acquisition
 - (b) Cost of repairs
 - (c) STT
 - (d) Cost of improvement
36. Benefit of Indexation is not available to
- (a) Shares
 - (b) Sovereign Gold bond issued by RBI
 - (c) Debentures of company
 - (d) Land and building
37. What will be the FVOC for shares, debentures issued under ESOP in case of transfer under a gift?
- (a) Nil
 - (b) Face value of shares
 - (c) Exercise price of shares
 - (d) Market value of shares
38. Foreign currency rate which is to be used for converting cost of acquisition in case of 1st proviso of sec 48 is
- (a) TTBR on date of acquisition
 - (b) TTSR on date of acquisition
 - (c) Average of TTBR and TTSR on date of transfer
 - (d) Avg. of TTBR and TTSR on date of acquisition
39. Rate of tax for NR in case of long-term capital gain on transfer of unlisted shares is-
- (i) 20% (without indexation)
 - (ii) 10% (without indexation)
 - (iii) 10% (with indexation)
 - (iv) 20% (with indexation)
- (a) (ii)
 - (b) (i)
 - (c) (iv)
 - (d) Both (ii) or (iv)

40. Mr. Rohan, an employer of CSR Ltd. received sweat equity shares under ESOP which was subsequently sold by Mr. Rohan. What will be the COA for Rohan among the following in such a case?
- (a) FMV as computed in accordance of Rule 3(8)
 - (b) Exercise price paid by Mr. Rohan
 - (c) BV of shares in books of CSR Ltd.
 - (d) Any of above, at option of Rohan
41. Miss Janvi Chheda received shares of resulting company due to demerger. Other information is as under:
- Cost of Acquisition of shares of demerged company 40,000
FMV on date of demerger of shares 50,000
BV of asset transferred by demerged company 5,00,000
Net worth of demerged co 12,00,000
What will be the COA of shares of resulting co for Janvi?
- (a) 40000
 - (b) 50000
 - (c) 16667
 - (d) 20833
42. State whether true or false
- “Conversion of stock in trade into capital asset and subsequently capital asset is sold. COA for such capital asset will be cost at which inventory is acquired.”
- (a) True
 - (b) False
43. Mr. Aakash purchased rights of subscribing to shares from Aayushi Agrawal at ₹ 15 per share for 10 shares. Mr. Aakash purchased the shares for ₹ 50 per share. He subsequently sold the share for ₹ 55 per share. What will be the amount of Capital gain?
- (a) 50
 - (b) (10)
 - (c) 55
 - (d) None of above
44. For which among the following capital asset, COA will be NIL?
- (a) Right shares received from the company
 - (b) Shares received under demutualisation or corporatization scheme
 - (c) Trading or clearing rights
 - (d) Shares received from amalgamated co. under amalgamation
45. Rate of tax for NR if he has long-term capital gain from sale of land in India is-
- (a) 10% (without indexation)
 - (b) 20% (with indexation)
 - (c) Any of above at option of assessee
 - (d) 15%

46. COA is case of unit of equity oriented funds on which STT paid at the time of transfer u/s 112A is:

- | | | |
|-----|---|---|
| (a) | i. COA and | ↑ |
| | ii. Lower of FMV on 31.1.2018 and FVOC | ↓ |
| (b) | i. COA and | ↓ |
| | ii. Lower of FMV on 31.1.2018 and FVOC | ↑ |
| (c) | i. COA and | ↑ |
| | ii. Higher of FMV on 31.1.2018 and FVOC | ↓ |
| (d) | i. COA and | ↓ |
| | ii. Higher of FMV on 31.1.2018 and FVOC | ↑ |

47. On 01/05/2019, Mr. Yam transferred self-generated goodwill of his profession for 50000, what will be the capital gain Amount?

- (a) Nil
- (b) 50,000
- (c) 20,000
- (d) 25,000

48. Cost of Improvement done before 01/04/2001 should be _____ while computing capital gain?

- (a) Ignored
- (b) Taken into consideration
- (c) 30% should be ignored
- (d) 30% should be taken into consideration

49. Mr. Manan Shah (proprietor of DAGA and Co.) transferred a depreciable asset for ₹ 2,50,000 which was acquired by him on 20/12/2009 for ₹ 60,000. WDV of block to which this asset belonged was ₹ 2,00,000 as on 01/04/19. What will be the Amount of capital gain and type of capital gain?

- (a) Nil, NA
- (b) 50000, Short Term Capital Gain
- (c) 50000, Long Term Capital Gain
- (d) 190000, Short Term Capital Gain

50. Indexation benefit is available to which of the following assets?

- (a) Sovereign gold bond
- (b) Treasury bonds
- (c) Slump sale assets
- (d) Units of equity-oriented fund on which STT is paid

51. "Revaluation of asset should be ignored while calculating net worth of undertaking in case of slump sale." State whether the following statement is true or false.

- (a) True
- (b) False

52. Miss Bhavna Maniar entered into an agreement for sale of her house property for ₹ 45,00,000 and received cross cheque of ₹ 5,00,000. SDV on date of agreement was ₹ 46,00,000. SDV on date of registration was 46,90,000. What will be FVOC for purpose of computing capital gain in hands of Miss Bhavna?
- (a) 45,00,000
 - (b) 46,00,000
 - (c) 46,90,000
 - (d) 40,00,000
53. Mr. Sahil Jain has an agricultural land costing ₹ 5,00,000 in Lonavala on 01/04/2003 and is using it for agricultural purpose when Government compulsorily acquired this land. ₹ 15 lakhs given as compensation on 01/06/18. What will the Amount of capital gain?
- (a) 1,66,667
 - (b) 6,23,804
 - (c) 10,00,000
 - (d) Nil
54. If cost of new residential house < Long Term Capital Gain, Long Term Capital Gain to the extent of _____ is exempt u/s 54.
- (a) Entire Long-Term Capital Gain
 - (b) Proportionate Amount of Capital Gain
 - (c) Entire cost of new residential house
 - (d) Proportionate cost of new residential house
55. For exemption under Sec. 54B, once urban agricultural land is transferred, new agricultural land should be purchased within –
- (i) 1 yr before date of transfer
 - (ii) 2 years after date of transfer
 - (iii) 3 years after date of transfer
 - (iv) Constructed within 3 years after date of transfer
- (a) (i), (ii), (iv)
 - (b) (i), (ii)
 - (c) (ii)
 - (d) (i), (ii), (iii)
56. Exemption under Sec 54D i.e. capital gain on transfer by way of compulsory acquisition of land and building of an industrial undertaking is available to –
- (a) Any assessee
 - (b) Individual, HUF
 - (c) Company
 - (d) All assessee except Individual and HUF

57. For claiming Sec. 54D exemption, with respect to industrial undertaking, asset transferred should be of –
- (a) Only long term capital asset
 - (b) Only short term capital asset
 - (c) Any above, at option of assessee
 - (d) None
58. Sec. 54EC exemption is available by transfer of
- (a) All long term capital assets
 - (b) All long term capital assets except land and building
 - (c) Land or building or both
 - (d) All long term capital asset except shares
59. For claiming Sec 54EC exemption, long term specified bonds should be purchased which is redeemable after ____ years within 6 months
- (a) 2 years
 - (b) 3 years
 - (c) 5 years
 - (d) 7 years
60. Mr. Harsh S (50% shareholder) received assets which has a FMV of ₹ 650000 and cash of ₹ 100000 from the company which went into liquidation in FY 18-19 in lieu of its shareholding which he acquired on 10-09-2007 for ₹ 200000. Company DDT on deemed dividend u/s 2(22)(b) of ₹ 3,00,000. Mr. Harsh invested ₹ 50,000 within 6 months in NHAI bonds. What will be the Amount of capital gain? CII for years 07-08: 129, 18-19: 280.
- (a) 1,65,891
 - (b) 1,15,891
 - (c) 3,15,891
 - (d) 3,65,891
61. If asset transferred within 3 years for which exemption has been claimed then under which of the following sections, exemption amount will not be deducted from cost of asset but will be taxable in the year in which it is transferred
- (a) Sec. 54G
 - (b) Sec. 54F
 - (c) Sec. 54D
 - (d) Sec. 54
62. Mr. Tomato transferred the asset and deposited the amount in CAGS scheme as per Sec. 54F and claimed exemption of ₹ 58000. Within stipulated period of investment, he died. What will be the amount of capital gain chargeable in hands of legal heir?
- (a) 50000
 - (b) 25000
 - (c) Nil
 - (d) None of above

63. Mr. Jikku, a NR has income from other sources of ₹ 70,000 and Short-Term Capital Gain of ₹ 30,000 from sale of equity-oriented MF. What will be amount of tax for Mr. Jikku?
- (a) Nil
 - (b) 4500
 - (c) 4680
 - (d) 4635
64. Concessional rate of 10% on transfer of long – term unlisted securities or shares is available to –
- (a) Resident person
 - (b) Non – resident person
 - (c) Both (a) and (b)
 - (d) None
65. Mr. Tukaram transferred unit of business trust for ₹ 2,50,000 on 07/08/2019 which was acquired by him for ₹ 60,000 on 06/06/2010. What will be Amount of capital gain to Mr. Tukaram? FMV as on 31/01/2018 – 1,30,000
- (a) 1,20,000
 - (b) 2,40,000
 - (c) 29,880
 - (d) 2,000
66. Once sec 112A is exercised, which of following benefit is not available against LTCG
- (i) Chapter VI-A deduction
 - (ii) Transfer expenses deduction
 - (iii) Relate u/s 87A deduction
 - (iv) Unexhausted basic exemption in case of resident
- (a) (i), (ii), (iii)
 - (b) (i), (iii)
 - (c) (i), (iii), (iv)
 - (d) (i), (ii)
67. Long term capital loss incurred due to Sec. 112A i.e. concessional rate of 10% for transfer of listed equity shares, unit of equity-oriented MF or unit of business trust
- (a) Cannot be set off
 - (b) Cannot be C/F
 - (c) Can be set off against any other gain and C/F to 8 subsequent years
 - (d) Can be set off only against other Long-Term Capital Gain and can be C/F to 8 subsequent years
68. Mr. Sabudana inherited land from his father which was mortgaged by his father. Sabudana paid the outstanding money to bank which released the mortgage due. What will be the COA for Mr. Sabudana?
- (a) Cost to his father (previous owner)
 - (b) Cost paid to bank for release of property
 - (c) Cost to previous owner + cost paid to bank for release of property
 - (d) Any of above, at option of the assessee

Solutions							
1	D	2	C	3	B	4	B
5	D	6	C	7	C	8	C
9	C	10	A	11	A	12	A
13	B	14	C	15	D	16	A
17	A	18	A	19	C	20	A
21	C	22	A	23	C	24	D
25	C	26	C	27	A	28	A
29	C	30	C	31	B	32	A
33	B	34	B	35	C	36	C
37	D	38	D	39	A	40	A
41	C	42	B	43	B	44	C
45	B	46	A	47	A	48	A
49	B	50	A	51	A	52	A
53	D	54	C	55	C	56	A
57	C	58	C	59	C	60	A
61	B	62	C	63	C	64	B
65	A	66	B	67	D	68	C

Income from other sources

Question 1

Examine under which heads the following incomes are taxable:

- (i) Rental income in case property held as stock-in-trade for 3 years
- (ii) Dividend on shares in case of a dealer in shares
- (iii) Salary received by a partner from his partnership firm
- (iv) Rental income of machinery
- (v) Winnings from lotteries by a person having the same as business activity
- (vi) Salaries payable to a Member of Parliament
- (vii) Receipts without consideration
- (viii) In case of retirement, interest on employee's contribution if provident fund is unrecognized.
- (ix) Rental income in case of a person engaged in the business of letting out of properties.

Question 2

On 10.10.2019, Mr. Govind (a bank employee) received ₹ 5,00,000 towards interest on enhanced compensation from State Government in respect of compulsory acquisition of his land effected during the financial year 2011-12.

Out of this interest, ₹ 1,50,000 relates to the financial year 2013-14; ₹ 1,65,000 to the financial year 2014-15; and ₹ 1,85,000 to the financial year 2015-16. He incurred ₹ 50,000 by way of legal expenses to receive the interest on such enhanced compensation.

How much of interest on enhanced compensation would be chargeable to tax for the assessment year 2020-21?

Question 3

The following details have been furnished by Mrs. Hemali pertaining to the year ended 31.3.2020:

- (i) Cash gift of ₹ 51,000 received from her friend on the occasion of her "Shastiaptha Poorthi", a wedding function celebrated on her husband completing 60 years of age. This was also her 25th wedding anniversary.
- (ii) On the above occasion, a diamond necklace worth ₹ 2 lacs was presented by her sister living in Dubai.
- (iii) When she celebrated her daughter's wedding on 21.2.2020, her friend assigned in Mrs. Hemali's favour, a fixed deposit held by the said friend in a scheduled bank; the value of the fixed deposit and the accrued interest on the said date was ₹ 51,000.

Compute the income, if any, assessable as income from other sources.

Question 4

Examine the following transactions in the context of Income-tax Act, 1961:

- (i) Mr. B transferred 500 shares of R (P) Ltd. to M/s. B Co. (P) Ltd. on 10.10.2019 for ₹ 3,00,000 when the market price was ₹ 5,00,000. The indexed cost of acquisition of shares for Mr. B was computed at ₹ 4,45,000. The transfer was not subjected to securities transaction tax.

Determine the income chargeable to tax in the hands of Mr. B and M/s. B Co. (P) Ltd. because of the above said transaction.

- (ii) Mr. Chezian is employed in a company with taxable salary income of ₹ 5,00,000. He received a cash gift of ₹ 1,00,000 from Atma Charitable Trust (registered under section 12AA) in December 2019 for meeting his medical expenses. Is the cash gift so received from the trust chargeable to tax in the hands of Mr. Chezian?

Question 5

From the following particulars of Gani Bhai for the previous year ended 31st March, 2020, compute the income chargeable under the head "Income from other sources":

Particulars	₹
(a) Directors fees from a company	10,000
(b) Interest on bank deposits	3,000
(c) Income from undisclosed sources	12,000
(d) Winnings from lotteries (Net)	35,000
(e) Royalty on book written by him	9,000
(f) Lectures in seminars	5,000
(g) Interest on loan given to a relative	7,000
(h) Interest on debenture of a company	3,600
(i) Interest on post office Saving Bank Account	500
(j) Interest on government securities	2,200
(k) Interest on monthly income scheme of Post Office	33,000

He paid ₹ 1,000 for typing the manuscript of book written by him.

Question 6

Check the taxability of the following gifts received by Mrs. Rashmi during the previous year 2019-20 and compute the taxable income from gifts for Assessment Year 2020-21:

- (1) On the occasion of her marriage on 14.8.2019, she has received ₹ 90,000 as gift out of which ₹ 70,000 are from relatives and balance from friends.
- (2) On 12.9.2019, she has received gift of ₹ 18,000 from cousin of her mother.
- (3) A cell phone worth ₹ 21,000 is gifted by her friend on 15.8.2019.
- (4) She gets a cash gift of ₹ 25,000 from the elder brother of her husband's grandfather on 25.10.2019.
- (5) She has received a cash gift of ₹ 12,000 from her friend on 14.4.2019.

Question 7

Rahul holding 28% of equity shares in a company, took a loan of ₹ 5,00,000 from the same company. On the date of granting the loan, the company had accumulated profit of ₹ 4,00,000. The company is engaged in some manufacturing activity.

- (i) Is the amount of loan taxable as deemed dividend, if the company is a company in which the public are substantially interested?
- (ii) What would be your answer, if the lending company is a private limited company (i.e. a company in which the public are not substantially interested)?

Question 8

A Ltd., a domestic company, declared dividend of ₹ 170 lakh for the year F.Y. 2018-19 and distributed the same on 10.7.2019. Mr. X, holding 10% shares in A Ltd., receives dividend of ₹ 17 lakh in July, 2019. Mr. Y, holding 5% shares in A Ltd., receives dividend of ₹ 8.50 lakh. Discuss the tax implications in the hands of Mr. X and Mr. Y, assuming that Mr. X and Mr. Y have not received dividend from any other domestic company during the year.

Question 9

Mr. A, a dealer in shares, received the following without consideration during the P.Y. 2019-20 from his friend Mr. B, -

- (1) Cash gift of ₹ 75,000 on his anniversary, 15th April, 2019.
- (2) Bullion, the fair market value of which was ₹ 60,000, on his birthday, 19th June, 2019.
- (3) A plot of land at Faridabad on 1st July, 2019, the stamp value of which is ₹ 5 lakh on that date. Mr. B had purchased the land in April, 2009.

Mr. A purchased from his friend Mr. C, who is also a dealer in shares, 1000 shares of X Ltd. @ ₹ 400 each on 19th June, 2019, the fair market value of which was ₹ 600 each on that date. Mr. A sold these shares in the course of his business on 23rd June, 2019.

Further, on 1st November, 2019, Mr. A took possession of property (building) booked by him two years back at ₹ 20 lakh. The stamp duty value of the property as on 1st November, 2019 was ₹ 32 lakh and on the date of booking was ₹ 23 lakh. He had paid ₹ 1 lakh by account payee cheque as down payment on the date of booking.

On 1st March, 2020, he sold the plot of land at Faridabad for ₹ 7 lakh.

Compute the income of Mr. A chargeable under the head "Income from other sources" and "Capital Gains" for A.Y. 2020-21.

Question 10

Discuss the taxability or otherwise of the following in the hands of the recipient under section 56(2)(x) the Income-tax Act, 1961 -

- (i) Akhil HUF received ₹ 75,000 in cash from niece of Akhil (i.e., daughter of Akhil's sister). Akhil is the Karta of the HUF.
- (ii) Nitisha, a member of her father's HUF, transferred a house property to the HUF without consideration. The stamp duty value of the house property is ₹ 9,00,000.
- (iii) Mr. Akshat received 100 shares of A Ltd. from his friend as a gift on occasion of his 25th marriage anniversary. The fair market value on that date was ₹ 100 per share. He also received jewellery worth ₹ 45,000 (FMV) from his nephew on the same day.
- (iv) Kishan HUF gifted a car to son of Karta for achieving good marks in XII board examination. The fair market value of the car is ₹ 5,25,000.

Question 11

Mr. Hari, a property dealer, sold a building in the course of his business to his friend Rajesh, who is a dealer in automobile spare parts, for ₹ 90 lakh on 1.1.2020, when the stamp duty value was ₹ 150 lakh. The agreement was, however, entered into on 1.9.2019 when the stamp duty value was ₹ 140 lakh. Mr. Hari had received a down payment of ₹ 15 lakh by a crossed cheque from Rajesh on the date of agreement.

Discuss the tax implications in the hands of Hari and Rajesh, assuming that Mr. Hari has purchased the building for ₹ 75 lakh on 12th July, 2018.

Would your answer be different if Hari was a share broker instead of a property dealer?

Question 12

In July 2019, Mr. Pervez employed as Marketing Manager in a Pharma Company, received a Maruti Car as Gift from a distributor of the Company. The value of the Gifted Car is estimated at ₹ 2,60,000/-. Is the value of car taxable as Income? If so under what head?

Question 13

Mrs. Harini Rao who draws salary of ₹ 12,000 p.m. received the following gifts during the Previous Year 2019-20.

- (i) Gift of ₹ 1,50,000/- on 15.05.2019 from her close friend.
- (ii) Gift of jewellery worth ₹ 3,00,000/- on 01.08.2019 from her fiancée.
- (iii) Gift of ₹ 51,000/- each received from her two friends on the occasion of her marriage on 30.10.2019
- (iv) Gift of ₹ 51,000/- on 01.12.2019 from her father's sister
- (v) Gift of ₹ 21,000/- from her husband's friend on 01.01.2020
- (vi) Gift of ₹ 25,000/- on 12.01.2020 from her family friend
- (vii) Gift of ₹ 11,000/- on 12.02.2020 from her brother's mother-in-law
- (viii) Gift of ₹ 75,000/- from her sister-in-law

Compute her Gross Total Income for A.Y. 2020-21

Question 14

Mr. Ganesh received the following gifts during P.Y. 2019-20 from his friend Mr. Sundar

- (i) Cash Gift of ₹ 51,000/- on his birthday, 19th June, 2019
- (ii) 50 Shares of Beta Ltd, the FMV of which was ₹ 60,000 on his birthday, 19th June, 2019
- (iii) 100 shares of Alpha Ltd, FMV Ltd of which was ₹ 70,000 on the date of transfer. The gift was received on the occasion of Diwali. Mr. Sundar had originally purchased the shares on 10.08.2019 at a cost of ₹ 50,000/-

Further on 20th November, 2019, Mr. Ganesh purchased land from his sister's mother-in-law for ₹ 5,00,000/-. The stamp value of land was ₹ 7,00,000/-.

On 15th February, 2020, he sold 100 shares of Alpha Ltd for ₹ 1,00,000/-.

Compute the Income of Mr. Ganesh chargeable under the head "Income from Other Sources" and "Capital Gains" for A.Y. 2020-21

Question 15

Karan's bank account shows the following deposits during the financial year 2019-20. Compute Karan's (aged 45 years) total income for the A.Y. 2020-21, assuming that his income from house property (computed) is ₹ 62,000.

(i) Gift from his sister in Amsterdam	₹ 2,30,000
(ii) Gift from his friend on his birthday	₹ 10,000
(iii) Dividend from shares of various Indian companies	₹ 12,600
(iv) Gift from his mother's friend on his engagement	₹ 25,000
(v) Gift from his fiancée	₹ 75,000
(vi) Interest on bank deposits (Fixed Deposit)(Gross)	₹ 25,000

Question 16

X acquires a commercial flat from Y on June 16, 2019. Cost of acquisition and stamp duty value are as follows –

	Case 1	Case 2	Case 3	Case 4	Case 5
Consideration	8,00,000	8,00,000	8,00,000	12,00,000	12,00,000
SDV	8,39,000	8,46,000	8,70,000	12,59,000	12,80,000

Discuss tax implication in hands of X & Y.

Question 17

X acquires an immovable property from Y during April 2019. Relevant data is given below –

	Case 1	Case 2	Case 3	Case 4	Case 5
SDV on the date of agreement	8,00,000	8,00,000	9,00,000	9,00,000	10,00,000
SDV on the date of registration	8,70,000	8,70,000	9,80,000	9,80,000	10,70,500
Consideration for acquiring property from Y	7,62,000	7,62,000	8,55,000	8,55,000	10,20,000
Whether advance is paid by A/c payee cheque/DD/ECS upto date of agreement	Yes	NO	Yes	NO	NO

Discuss tax implication in hands of X & Y.

Question 18

Discuss the applicability of the provisions of Section 56(2)(viib) in respect of the shares issued by the following closely held companies to resident Indians –

Company	Issue Price	FMV	Face Value	No of Shares
Win P Ltd	370	350	300	1,00,000
Gain P Ltd	330	350	300	2,00,000
Profit P Ltd	290	280	300	3,00,000
Top P Ltd	310	275	300	4,00,000

MCQ's

1. Income from letting of machinery, plant and furniture is -
 - (a) Always chargeable to tax under the head "Profits and gains of business and profession"
 - (b) Always chargeable to tax under the head "Income from other sources"
 - (c) Chargeable under the head "Income from other sources" only if not chargeable under the head "Profits and gains of business and profession"
 - (d) Chargeable to tax under the head "Income from house property"
2. In respect of winnings from lottery, crossword puzzle or race including horse race or card game etc.
 - (a) No deduction under Chapter VI-A is allowed and basic exemption limit cannot be exhausted
 - (b) No deduction under Chapter VI-A is allowed but unexhausted basic exemption can be exhausted
 - (c) Both deduction under Chapter VI-A and basic exemption are allowed
 - (d) Deduction under Chapter VI-A is allowed but basic exemption limit cannot be exhausted
3. The deduction allowable in respect of family pension taxable under "Income from other sources" is
 - (a) 33-1/3% of the pension
 - (b) 30% of the pension or ₹ 15,000, whichever is less
 - (c) 33-1/3% of the pension or ₹ 15,000, whichever is less
 - (d) 30% of the pension
4. Mr. Kashyap has acquired a building from his friend on 10.10.2019 for ₹ 15,00,000. The stamp duty value of the building on the date of purchase is ₹ 15,70,000. Income chargeable to tax in the hands of Mr. Kashyap is
 - (a) ₹ 70,000
 - (b) ₹ 50,000
 - (c) Nil
 - (d) ₹ 20,000
5. Ganesh received ₹ 60,000 from his friend on the occasion of his birthday
 - (a) The entire amount of ₹60,000 is taxable
 - (b) ₹ 50,000 is taxable
 - (c) The entire amount is exempt
 - (d) ₹ 10,000 is taxable
6. Mr. X aged, 61 years, received dividend of ₹12,00,000 from a domestic company in P.Y. 2019-20. Tax chargeable under section 115BBDA is @10% on
 - (a) The entire amount of ₹12,00,000
 - (b) ₹ 2,00,000
 - (c) Nil
 - (d) ₹ 9,00,000

7. In respect of dividend received from domestic companies in excess of ₹ 10,00,000 by an individual-
- (a) no deduction under Chapter VI-A is allowed but loss under other heads can be set-off against such income
 - (b) no deduction under Chapter VI-A is allowed and no loss can be set-off against such income
 - (c) both deduction under Chapter VI-A and set-off of losses against such income are allowed
 - (d) deduction under Chapter VI-A is allowed but set-off of losses under other heads against such income is not allowed
8. Mr. Y has received a sum of ₹ 51,000 on 24.10.2019 from relatives on the occasion of his marriage.
- (a) Entire ₹ 51,000 is chargeable to tax.
 - (b) Only ₹ 1,000 is chargeable to tax
 - (c) Entire ₹ 51,000 is exempt from tax
 - (d) Only 50% i.e., ₹ 25,500 is chargeable to tax
9. Mr. Mayank has received a sum of ₹ 75,000 on 24.10.2019 from his friend on the occasion of his marriage anniversary.
- (a) Entire ₹ 75,000 is chargeable to tax.
 - (b) Entire ₹ 75,000 is exempt from tax
 - (c) Only ₹ 25,000 is chargeable to tax
 - (d) Only 50% i.e., ₹ 37,500 is chargeable to tax
10. The deduction in respect of interest on enhanced compensation of ₹ 1,50,000 received during the previous year 2019-20, would be -
- (a) ₹ 1,50,000, being 100% of ₹ 1,50,000
 - (b) ₹ 75,000, being 50% of ₹ 1,50,000
 - (c) ₹ 45,000, being 30% of ₹ 1,50,000
 - (d) Nil
11. "Deemed Dividend under sec. 2(22)(a) to sec 2(22)(d) to the extent accumulated profit: -
- (a) Capitalised
 - (b) Not Capitalised
 - (c) Whether capitalised or Not
 - (d) None of above
12. What among the following is treated as deemed dividend under sec 2(22)(b)?
- (a) Distribution of debentures, deposit certificates to equity shareholders and preference shareholders and bonus shares to preference shareholders
 - (b) Distribution of debentures, deposit certificates and bonus shares to both equity and preference shareholders
 - (c) Distribution of debentures, deposit certificates to preference shareholders and bonus shares to equity shareholders
 - (d) Distribution of debentures, deposit certificates to equity shareholders and bonus shares to Preference shareholders

13. Distribution of dividend to the extent of accumulated profits by closely held co. in which public are not substantially interested is taxable under which section?
- (a) Sec. 2(22)(a)
 - (b) Sec 2(22)(d)
 - (c) Sec 2(22)(b)
 - (d) Sec 2(22)(e)
14. Under sec 2(22)(e), how much percentage of shareholding should shareholder hold in closely held company for taxability of dividend?
- (a) More than 10%
 - (b) 10% or more
 - (c) More than 12%
 - (d) Between 10% and 12%
15. Santa Ltd. is a company in which public is not substantially interested. Banta is a shareholder holding 15% of equity shares. Accumulated profits as on 31.3.20=10,00,000. Company lent 12,50,000 to Banta. How much dividend will be taxable under sec 2(22)(e)?
- (a) 10,00,000
 - (b) 12,50,000
 - (c) 2,50,000
 - (d) 1,87,500
16. Under sec 115-O, dividend is payable by _____ at the rate of _____ [excluding 2(22)(e)]
- (a) Shareholder, slab rate
 - (b) Company (domestic), 30%
 - (c) Shareholder, 15%
 - (d) Company, 15%
17. Under Sec 115-O tax is payable by company under Sec 2(22)(e) at rate of _____
- (a) 15%
 - (b) 30%
 - (c) 20%
 - (d) 10%
18. Tara(P) Ltd. is a company in which public is not substantially interested. It advanced loan of ₹ 13,00,000 to shareholder Chanda who holds 12% of voting power. Tara (P) ltd. paid corporate dividend tax @ 30%. Whether Chanda is liable to pay tax under Sec 115BBDA if yes, how much?
- (a) 1,30,000
 - (b) 30,000
 - (c) 31,200
 - (d) No

19. Mr. Jaher a non-resident person received dividend from Reliance Industries Ltd. amounting to ₹ 7,00,000, from TCS Ltd. of ₹ 8,00,000 and from BPCL amounting to ₹ 3,00,000. How much tax is payable under Sec. 115BBDA?
- (a) None
 - (b) 1,80,000
 - (c) 1,87,200
 - (d) 83,200
20. Under Section 56(2)(viib), shares are issued at premium by closely held Co. in which public is not substantially interested, tax is payable by co. at which amount among the following?
- (a) FMV – Face value
 - (b) Issue price – FMV
 - (c) Issue price – Face value
 - (d) Face value – Premium
21. Mrs. Lilavati has acquired jewellery worth ₹ 6,00,000 on 05/06/2019 and FMV on 05/06/2019 is ₹ 6,75,000. Income chargeable under IFOS in hands of Mrs. Lilavati is ₹
- (a) 75,000
 - (b) 50,000
 - (c) Nil
 - (d) 6,00,000
22. Mr. Gangadhar Chaudhary has acquired building of ₹ 40,00,000 on 20/07/2019 and SDV is ₹ 41,75,000. Income charged in hands of Gangadhar is ₹?
- (a) 1,75,000
 - (b) Nil
 - (c) 2,00,000
 - (d) 50,000
23. In respect of dividend received from domestic companies in excess of ₹ 10,00,000 by an individual
- (a) No deduction under Chap VI-A is allowed but loss under other heads can be set off against such income
 - (b) No Deduction under Chap VI-A is allowed and No loss can be set off against such income
 - (c) Both, deduction under chap VI-A and set off of losses against such income are allowed
 - (d) Deduction under Chap VI-A is allowed but set-off of losses under other heads against such income is not allowed
24. Section 56(2)(x) is applicable to
- (a) Individual / HUF
 - (b) Company
 - (c) Any person
 - (d) Partnership firm

25. Mr. Sumit Khemka received cash gift of ₹ 75,000 from his friend Sagar Dedhia on the occasion of marriage. How much amount will be taxable under sec 56(2)(x) in hands of Mr. Sumit Khemka?
- (a) 75,000
 - (b) 50,000
 - (c) 25,000
 - (d) Nil
26. Sumera (a dealer in jewellery) received jewellery worth ₹ 16,00,000 from Priyal Shah on 09/08/2019. FMV of this jewellery on that date is ₹ 18,50,000. How much income is taxable under Sec. 56(2)(x) in hands of Sumera?
- (a) Nil
 - (b) 2,50,000
 - (c) 16,00,000
 - (d) 2,00,000
27. Mr. Yash Porwal received cash gift of ₹ 3,00,000 from his wife's sister on occasion of his birthday. Amount taxable under sec. 56(2)(x) in hands of Yash Porwal-
- (a) 3,00,000
 - (b) 2,50,000
 - (c) 50,000
 - (d) Nil
28. Mr. Yash Bhandari received land without consideration from his best friend Pratik Baldawa. SDV on receipt of land is ₹ 60,00,000. Discuss taxability under Sec. 56(2)(x) in hands of Mr. Yash Bhandari?
- (a) 60,00,000
 - (b) Nil
 - (c) 59,50,000
 - (d) 3,00,000
29. Mr Harsh Thakkar employed at TCS Ltd. Compensation received by Harsh Thakkar from Megha in connection with termination of his employment. Such receipt of compensation is taxable under which head?
- (a) Income from capital gain
 - (b) Income from other sources
 - (c) Income from salary
 - (d) Income from house property
30. Under section 10(15), limit of exemption for interest received from post office savings bank account is
- (a) 1,500 (3,500 in case of joint A/c)
 - (b) 3,500 (7,000 in case of joint A/c)
 - (c) 3,000
 - (d) 2,500 (5,000 in case of joint A/c)

31. Government employee Shubham Gandhi received interest of ₹ 8,500 from the money deposited by him in the scheme for retirement as notified by Government. taxability of interest is hands of Shubham is-
- (a) Fully exempt
 - (b) Exempt up to ₹ 3,500
 - (c) Fully taxable
 - (d) Exempt up to ₹ 1500
32. Salary received from government by Shri Narendra Modi is taxable under
- (a) Income from salary head
 - (b) Exempt under ITA, 1961
 - (c) Income from PGBP head
 - (d) Income from other sources head
33. Dividend stripping is applicable when a person acquires unit within a period of 3 months prior to record date and sells such unit
- (a) Within a period of 3 months after such date
 - (b) Within a period of 6 months after such date
 - (c) Within a period of 9 months after such date
 - (d) Within a period of 12 months after such date
34. Miss Akshara is a resident individual who won ₹ 2,10,000 from lottery. Tax payable by Akshara will be
- (a) 63,000
 - (b) Nil
 - (c) 65,520
 - (d) 64,890
35. Mr. Kunal Mandowara earned rent from letting on hire his machinery of ₹ 56,000 in FY 19-20. He paid ₹ 10,000 on repairs of machinery, 5,000 on insurance premium, ₹ 8,400 is depreciation. Income taxable is FY 19-20 is hands of Mr. Kunal is
- (a) 56,000
 - (b) 32,600
 - (c) 41,000
 - (d) 46,000
36. Income in nature of family pension is exempt to the extent of
- (a) Lower of 1/3 of such income or 15,000
 - (b) Higher of 1/3 of such income or 15,000
 - (c) Lower of 1/2 of such income or 15000
 - (d) Higher of 1/2 of such income or 15000
37. Widow of Major Sandeep Unnikrishnan received family pension of ₹ 18,000 p.m. i.e. 2,16,000. Exemption with respect to family pension will be:
- (a) Higher of 1/3 of 2,16,000 or 15,000
 - (b) Fully exempt
 - (c) Lower of 1/3 of 2,16,000 or 15,000
 - (d) Higher of 1/2 of 2,16,000 or 15,000

38. Mrs. Iyer received interest on enhanced compensation of ₹ 5,00,000. She incurred expenditure of legal fees of ₹ 50,000. Income chargeable under other source in hands of Mrs. Iyer will be
- 4,50,000
 - 5,00,000
 - 2,50,000
 - Fully exempt
39. Mr. Pawan Kumawat borrowed money from his sister and the same money is lent to his friend Parth. Pawan received interest of ₹ 50,000 and paid ₹ 65,000 to his sister. ₹ 35,000 was considered as unreasonable by the Assessing Officer. How much income will be taxable in hands of Pawan under IFOS?
- 50,000
 - Nil
 - 15,000
 - 20,000
40. Miss Akruti Agrawal received car without consideration from her friend Sudha Singh. FMV on date of transfer is ₹ 35,00,000. How much is taxable under IFOS?
- Nil
 - 35,00,000
 - 34,50,000
 - 30,00,000

Solutions							
1	C	2	A	3	C	4	C
5	A	6	B	7	B	8	C
9	A	10	B	11	C	12	A
13	D	14	B	15	A	16	D
17	B	18	D	19	A	20	B
21	A	22	B	23	B	24	C
25	D	26	A	27	D	28	A
29	B	30	B	31	A	32	D
33	C	34	C	35	B	36	A
37	B	38	C	39	D	40	A

Income of other persons included in Assessee's Total Income (Clubbing of Income)

Question 1

Mr. A holds shares carrying 25% voting power in X Ltd. Mrs. A is working as a computer software programmer in X Ltd. at a salary of ₹ 30,000 p.m. She is, however, not qualified for the job. The other income of Mr. A & Mrs. A are ₹ 7,00,000 & ₹ 4,00,000, respectively. Compute the gross total income of Mr. A and Mrs. A for the A.Y.2020-21. Will your answer be different if Mrs. A was qualified for the job?

Question 2

Mr. B holds shares carrying 30% voting power in Y Ltd. Mrs. B is working as accountant in Y Ltd. getting income from salary (computed) of ₹ 3,44,000 without any qualification in accountancy. Mr. B also receives ₹ 30,000 as interest on securities. Mrs. B owns a house property which she has let out. Rent received from tenants is ₹ 6,000 p.m. Compute the gross total income of Mr. B and Mrs. B for the A.Y. 2020-21

Question 3

Mr. Vaibhav started a proprietary business on 01.04.2018 with a capital of ₹ 5,00,000. He incurred a loss of ₹ 2,00,000 during the year 2018-19. To overcome the financial position, his wife Mrs. Vaishaly, a software Engineer, gave a gift of ₹ 5,00,000 on 01.04.2019, which was immediately invested in the business by Mr. Vaibhav. He earned a profit of ₹ 4,00,000 during the year 2019-20. Compute the amount to be clubbed in the hands of Mrs. Vaishaly for the Assessment Year 2020-21. If Mrs. Vaishaly gave the said amount as loan, what would be the amount to be clubbed?

Question 4

Mrs. Kasturi transferred her immovable property to ABC Co. Ltd. subject to a condition that out of the rental income, a sum of ₹ 36,000 per annum shall be utilized for the benefit of her son's wife.

Mrs. Kasturi claims that the amount of ₹ 36,000 (utilized by her son's wife) should not be included in her total income as she no longer owned the property.

Examine with reasons whether the contention of Mrs. Kasturi is valid in law.

Question 5

Mr. A has three minor children – two twin daughters and one son. Income of the twin daughters is ₹ 2,000 p.a. each and that of the son is ₹ 1,200 p.a. Compute the income, in respect of minor children, to be clubbed in the hands of Mr. A.

Question 6

Mr. Sharma has four children consisting 2 daughters and 2 sons. The annual income of 2 daughters were ₹ 9,000 and ₹ 4,500 and of sons were ₹ 6,200 and ₹ 4,300, respectively. The daughter who has income of ₹ 4,500 was suffering from a disability specified under section 80U.

Compute the amount of income earned by minor children to be clubbed in hands of Mr. Sharma.

Question 7

Compute the gross total income of Mr. & Mrs. A from the following information:

	Particulars	₹
(a)	Salary income (computed) of Mrs. A	2,30,000
(b)	Income from profession of Mr. A	3,90,000
(c)	Income of minor son B from company deposit	15,000
(d)	Income of minor daughter C from special talent	32,000
(e)	Interest from bank received by C on deposit made out of her special talent	3,000
(f)	Gift received by C on 30.09.2018 from friend of Mrs. A	2,500

Brief working is sufficient. Detailed computation under various heads of income is not required.

Question 8

Mr. Vasudevan gifted a sum of ₹ 6 lakhs to his brother's wife on 14-6-2019. On 12-7-2019, his brother gifted a sum of ₹ 5 lakhs to Mr. Vasudevan's wife. The gifted amounts were invested as fixed deposits in banks by Mrs. Vasudevan and wife of Mr. Vasudevan's brother on 01-8-2019 at 9% interest. Examine the consequences of the above under the provisions of the Income-tax Act, 1961 in the hands of Mr. Vasudevan and his brother.

Question 9

During the previous year 2019-20, the following transactions occurred in respect of Mr. A.

- (a) Mr. A had a fixed deposit of ₹ 5,00,000 in Bank of India. He instructed the bank to credit the interest on the deposit @ 9% from 1-4-2019 to 31-3-2020 to the savings bank account of Mr. B, son of his brother, to help him in his education.
- (b) Mr. A holds 75% share in a partnership firm. Mrs. A received a commission of ₹25,000 from the firm for promoting the sales of the firm. Mrs. A possesses no technical or professional qualification.
- (c) Mr. A gifted a flat to Mrs. A on April 1, 2019. During the previous year 2019-20, Mrs. A's "Income from house property" (computed) was ₹ 52,000.
- (d) Mr. A gifted ₹ 2,00,000 to his minor son who invested the same in a business and he derived income of ₹ 20,000 from the investment.
- (e) Mr. A's minor son derived an income of ₹ 20,000 through a business activity involving application of his skill and talent.

During the year, Mr. A got a monthly pension of ₹ 10,000. He had no other income. Mrs. A received salary of ₹ 20,000 per month from a part time job.

Examine the tax implications of each transaction and compute the total income of Mr. A, Mrs. A and their minor child.

Question 10

A proprietary business was started by Smt. Rani in the year 2017. As on 1.4.2018 her capital in business was ₹ 3,00,000. Her husband gifted ₹ 2,00,000 on 10.4.2018, which amount Smt. Rani invested in her business on the same date. Smt. Rani earned profits from her proprietary business for the Financial year 2018-19, ₹ 1,50,000 and Financial year 2019-20 ₹ 3,90,000. Compute the income, to be clubbed in the hands of Rani's husband for the Assessment year 2020-21 with reasons.

MCQ's

1. Income of a minor child suffering from any disability of the nature 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
2. 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
3. Where a member of a HUF has converted or 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.
4. 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
5. Exemption of a certain amount (not exceeding the income clubbed) is available under section 10(32), where a minor's income is clubbed with the income of the parent. The maximum exemption available is -
 - (a) Upto ₹1,500 in respect of each minor child
 - (b) Upto ₹ 1,500 in respect of each minor child maximum of two children
 - (c) Upto ₹ 2,000 in respect of each minor child
 - (d) Upto ₹2000 in respect of each minor child maximum of two children
6. Mr. A gifts a sum of ₹ 1,00,000 to his brother's wife Mrs. B. Mr. B gifts a sum of ₹ 1,00,000 to Mrs. A. From the sum gifted to her, Mrs. B invests in a fixed deposit, income therefrom is ₹ 10,000. Aforesaid ₹ 10,000 will be included in the total income of
 - (a) Mr. A
 - (b) Mrs. A
 - (c) Mrs. B
 - (d) Mr. B

7. 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
8. 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
9. Mr. X transfers income of ₹ 51,000 from rent to his major son without transfer of house property. Rent of ₹ 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
10. 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
11. Which among the following is the reason for including other person's income in assessee's total income?
 - (a) So that Government can get more taxes.
 - (b) To prevent diversion of income from higher slab individuals to lower slab individuals
 - (c) To keep other person out of the tax regime.
 - (d) To create burden on one individual
12. Under Sec. 60, for taxability of income in hands of transferor, income should be transferred without transfer of assets to
 - (a) Spouse
 - (b) Spouse of son's wife
 - (c) Minor child
 - (d) Any person

13. Mr. Ajay Gupta confers the right to receive rent with respect to his house property on his wife, Mrs. Ajay Gupta without transferring the house. This right is revocable after 2 years. In whose hands rent of house property is taxable?
- (a) Mr. Ajay
 - (b) Mrs. Ajay
 - (c) Both of them proportionally
 - (d) Exempt
14. Mrs. Jagruti transferred her asset to her friend Miss Leelavati which was revocable after her death. Income arising from asset will be taxable in hands of _____ u/s 62 and 63
- (a) Mrs. Jagruti
 - (b) Miss Leelavati
 - (c) Nobody
 - (d) Both proportionally
15. Mrs. Papad, wife Mr. Papad received commission of ₹ 30,000 from ABC Ltd where Mr. Papad holds 25% of voting power. ₹ 30000 is taxable in hands of? Mrs. Papad doesn't have professional or technical qualification.
- (a) Mr. Papad
 - (b) Mrs. Papad
 - (c) Exempt
 - (d) 15000 in hands of Mr. Papad and 15000 in hands of Mrs. Papad
16. Under Sec. 64(1)(ii), where both husband and wife have substantial interest in a concern and both are in receipt of income by way of salary from said concern such income will be included in hands of –
- (a) Husband
 - (b) Wife
 - (c) That spouse whose total income, excluding such income is higher
 - (d) Proportionately in hands of husband and wife respectively
17. Mr. Ravi Gupta transferred his house property to his wife without adequate consideration, at end of FY 19-20, his wife received rent of total ₹ 300000, this 300000 will be taxable in hands of?
- (a) Mr. Ravi Gupta
 - (b) Mrs. Ravi Gupta
 - (c) Exempt
 - (d) Rs. 150000 in hands of Mr. Ravi Gupta and 150000 in hands of Mrs. Ravi Gupta
18. Mr. Tarak Mehta gifted shares worth ₹ 60,000 to his wife without consideration on 04/04/19. On 31/12/19 Mrs. Tarak Mehta received dividend of ₹ 7000 from such share. This ₹ 7000 was deposited by her in the bank and received interest of ₹ 500 from the bank. Both ₹ 7000 and ₹ 500 will be taxable in hands of –
- (a) Mr. Tarak Mehta, Mr. Tarak Mehta
 - (b) Mrs. Tarak Mehta, Mrs. Tarak Mehta
 - (c) Mr. Tarak Mehta, Mrs. Tarak Mehta
 - (d) Mrs. Tarak Mehta, Mr. Tarak Mehta

19. Mrs. Somit Goyal gave a loan of ₹ 5,00,000 @ 12% on 01/04/19 to Mr. Somit Goyal which he is supposed to repay after 5 years. Mr. Somit Goyal invested this amount in his business. Capital of his business as on 31/03/19 was ₹ 3,00,000. He earned a profit of ₹ 2,80,000 for FY 19-20. ₹ 2,80,000 will be taxable in hands of –
- (a) Mr. Somit Goyal
 - (b) Mrs. Somit Goyal
 - (c) Exempt
 - (d) 1,05,000 in hands of Mr. Somit Goyal and 1,75,000 in hands of Mrs. Somit Goyal
20. Miss. Khushi (minor) received ₹ 5000 cash prize for winning in quiz competition ₹ 5000 will be assessed in hands of –
- (a) Miss Khushi
 - (b) Khushi's father
 - (c) Completely exempt from tax
 - (d) Parent of minor child whose total income before including minor's income is higher
21. Where marriage of parents does not subsist, income of minor will be assessed –
- (a) In hands of minor
 - (b) In hands of parents, whose total income before such minor's income is higher
 - (c) In hands of that parent who maintains minor child in relevant PY
 - (d) Wholly exempt
22. Under which of the following situation, income will be assessed in hands of parent of minor child
- (a) Where income earned by minor is due to talent
 - (b) Where minor child is suffering from any disability specified in Sec. 80U
 - (c) Where income earned by minor is due to manual labour
 - (d) None of above
23. Mr. Prajapati has taken FD of ₹ 50000 in the name of his minor married daughter. Daughter received 5000 as interest in FY 19-20 ₹ 5000 will be assessed in hands of –
- (a) Daughter
 - (b) Daughter's husband if major
 - (c) Parent of daughter whose total income is higher
 - (d) Parents in law whose total income is higher
24. Provisions of clubbing of income of child is applicable to
- (a) Minor child
 - (b) Minor step child
 - (c) Minor married daughter
 - (d) Minor adopted child
 - (e) All of the above
25. While including income of minor child, exemption of ₹ _____ will be received by parent
- (a) 1000
 - (b) 1500
 - (c) 2000
 - (d) 3000

26. In which of the following situation, clubbing provision will not be attracted?

- (a) Asset transferred to spouse without consideration
- (b) Assessee transferred asset to brothers' wife and in turn brother transferred to assessee's wife
- (c) Asset transfer to friend which is revocable anytime
- (d) Income earned by minor child due to his professional skill

27. Miss. Aayushi transferred money of ₹ 6,00,000 to her friend Nupur's spouse and Nupur transferred ₹ 6,00,000 to her friend Aayushi's daughter in law. This amount was invested in bank by Aayushi's spouse and daughter in law @ 10%. ₹ 60000 be taxable in hands of –

- (a) Miss Aayushi and Nupur respectively
- (b) Aayushi's spouse and Nupur's daughter in law
- (c) Miss Aayushi and Nupur's daughter in law
- (d) Miss Nupur and Aayushi's spouse

28. Miss Inna, a member of HUF transferred her house property to HUF. After partition of HUF, this asset was transferred to Inna's spouse. Inna's spouse received ₹ 65000 as rent from house property. ₹ 65000 will be taxable in hands of –

- (a) Inna
- (b) Inna's spouse
- (c) HUF
- (d) Exempt

29. Mr. Rishi Agarwal transferred his plot of land to his wife Mrs. Swati Agarwal out of love and affection on 07/08/14 which was acquired by Mr. Rishi on 27/12/2008 for ₹ 50,00,000/-. Mrs. Agarwal sold the asset on 16/02/19 for ₹ 89,00,000/-. What will be the amount of capital gain and it will be assessed in hands of –

CII for 14-15 : 240 ; CII for 08-09 : 137 ; CII for 18-19 : 280

- (a) (1318978), Rishi
- (b) (1318978), Mrs. Rishi (Swati)
- (c) 3900000, Rishi
- (d) 3900000, Mrs. Rishi

30. Mr. Kejriwal gifted his house property to his married daughter (not minor). Income received from such house property will be taxable in hands of –

- (a) Mr. Kejriwal
- (b) Mr. Kejriwal's daughter
- (c) Mr. Kejriwal's son in law
- (d) Exempt

31. Income of minor child form a FD with a bank made out of income earned from scholarship is –

- (a) To be assessed in hands of 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 income of father.

Solutions							
1	A	2	B	3	A	4	D
5	A	6	D	7	A	8	B
9	A	10	B	11	B	12	D
13	A	14	B	15	A	16	C
17	A	18	C	19	A	20	A
21	C	22	D	23	C	24	E
25	B	26	D	27	A	28	A
29	A	30	B	31	B		

Set-off & Carry forward of Losses

Question 1

Mr. A (aged 35 years) submits the following particulars pertaining to the A.Y. 2020-21:

Particulars	₹
Income from salary (computed)	4,00,000
Loss from self-occupied property	(-) 70,000
Loss from let-out property	(-) 1,50,000
Business loss	(-) 1,00,000
Bank interest (FD) received	80,000

Compute the total income of Mr. A for the A.Y.2020-21.

Question 2

Mr. B, a resident individual, furnishes the following particulars for the P.Y. 2019-20:

Particulars	₹
Income from salary (computed)	45,000
Income from house property	(24,000)
Income from business – non-speculative	(22,000)
Income from speculative business	(4,000)
Short-term capital losses	(25,000)
Long-term capital gains	19,000

What is the total income chargeable to tax for the A.Y.2020-21?

Question 3

During the P.Y. 2019-20, Mr. C has the following income and the brought forward losses:

Particulars	₹
Short term capital gains on sale of shares	1,50,000
Long term capital loss of A.Y.2018-19	(96,000)
Short term capital loss of A.Y.2019-20	(37,000)
Long term capital gain	75,000

What is the capital gain taxable in the hands of Mr. C for the A.Y.2020-21?

Question 4

Mr. D has the following income for the P.Y. 2019-20:

Particulars	₹
Income from the activity of owning and maintaining the race horses	75,000
Income from textile business	85,000
Brought forward textile business loss	50,000
Brought forward loss from the activity of owning and maintaining the race horses (relating to A.Y. 2017-18)	96,000

What is the total income in the hands of Mr. D for the A.Y. 2020-21?

Question 5

Mr. E has furnished his details for the A.Y.2020-21 as under:

Particulars	₹
Income from salaries (computed)	1,50,000
Income from speculation business	60,000
Loss from non-speculation business	(40,000)
Short term capital gain	80,000
Long term capital loss of A.Y. 2017-18	(30,000)
Winning from lotteries	20,000

What is the taxable income of Mr. E for the A.Y.2020-21?

Question 6

Compute the gross total income of Mr. F for the A.Y. 2020-21 from the information given below –

Particulars	₹
Income from house property (computed)	1,25,000
Income from business (before providing for depreciation)	1,35,000
Short term capital gains on sale of shares	56,000
Long term capital loss from sale of property (brought forward from A.Y. 2019-20)	(90,000)
Income from tea business	1,20,000
Dividends from Indian companies carrying on agricultural operations	80,000
Current year depreciation	26,000
Brought forward business loss (loss incurred six years ago)	(45,000)

Question 7

Mr. Soohan submits the following details of his income for the assessment year 2020-21:

Particulars	₹
Income from salary	3,00,000
Loss from let out house property	(-) 40,000
Income from sugar business	50,000
Loss from iron ore business b/f (discontinued in P.Y. 2014-15)	(-) 1,20,000
Short term capital loss	(-) 60,000
Long term capital gain	40,000
Dividend	5,000
Income received from lottery winning (Gross)	50,000
Winnings from card games (Gross)	6,000
Agricultural income	20,000
Long-term capital gain from equity shares (STT paid at the time of both acquisition and sale)	10,000
Short-term capital loss under section 111A	(-) 10,000
Bank interest on Fixed deposit	5,000

Calculate gross total income and losses to be carried forward.

Question 8

Mr. Batra furnishes the following details for year ended 31.03.2020:

Particulars	₹
Short term capital gain	1,40,000
Loss from speculative business	60,000
Long term capital gain on sale of land	30,000
Long term capital loss on sale of unlisted shares	1,00,000
Income from business of textile (after allowing current year depreciation)	50,000
Income from activity of owning and maintaining race horses	15,000
Income from salary (computed)	1,00,000
Loss from house property	40,000

Following are the brought forward losses:

(i) Losses from activity of owning and maintaining race horses-pertaining to A.Y.2017-18 ₹ 25,000.

(ii) Brought forward loss from business of textile ₹ 60,000 - Loss pertains to A.Y. 2012-13.

Compute gross total income of Mr. Batra for the Assessment Year 2020-21. Also determine the losses eligible for carry forward to the Assessment Year 2021-22.

Question 9

Mr. A furnishes you the following information for the year ended 31.03.2020:

		(₹)
(i)	Income from plying of vehicles (computed as per books) (He owned 5 light goods vehicle throughout the year)	3,20,000
(ii)	Income from retail trade of garments (Computed as per books) (Sales turnover ₹ 1,21,70,000) Mr. A had declared income on presumptive basis under section 44AD for the first time in A.Y. 2019-20.	7,50,000
(iii)	He has brought forward depreciation relating to A.Y. 2018-19	1,00,000

Compute taxable income of Mr. A and his tax liability for the assessment year 2020-21 with reasons for your computation.

Question 10

Mr. Aditya furnishes the following details for the year ended 31-03-2020:

Particulars	Amount (₹)
Loss from speculative business A	25,000
Income from speculative business B	5,000
Loss from specified business covered under section 35AD	20,000
Income from salary (computed)	3,00,000
Loss from house property	2,50,000
Income from trading business	45,000
Long-term capital gain from sale of urban land	2,00,000
Long-term capital loss on sale of shares (STT not paid)	75,000
Long-term capital loss on sale of listed shares in recognized stock exchange (STT paid at the time of acquisition and sale of shares)	1,02,000

Following are the brought forward losses:

- (1) Losses from owning and maintaining of race horses pertaining to A.Y. 2018-19 ₹ 2,000.
- (2) Brought forward loss from trading business ₹ 5,000 relating to A.Y. 2015-16.

Compute the total income of Mr. Aditya and show the items eligible for carry forward.

Question 11

Mr. Garg, a resident individual, furnishes the following particulars of his income and other details for the previous year 2019-20.

	Particulars	₹
(1)	Income from Salary (computed)	15,000
(2)	Income from business	66,000
(3)	Long term capital gain on sale of land	10,800
(4)	Loss on maintenance of race horses	15,000
(5)	Loss from gambling	9,100

The other details of unabsorbed depreciation and brought forward losses pertaining to Assessment Year 2018-19 are as follows:

	Particulars	₹
(1)	Unabsorbed depreciation	11,000
(2)	Loss from Speculative business	22,000
(3)	Short term capital loss	9,800

Compute the Gross total income of Mr. Garg for the Assessment Year 2020-21 and the amount of loss, if any that can be carried forward or not.

Question 12

The following are the details relating to Mr. Srivatsan, a resident Indian, aged 57, relating to the year ended 31.3.2020:

Particulars	₹
Income from salaries (computed)	2,20,000
Loss from house property	1,90,000
Loss from cloth business	2,40,000
Income from speculation business	30,000
Loss from specified business covered by section 35AD	20,000
Long-term capital gains from sale of urban land	2,50,000
Loss from card games	32,000
Income from betting (Gross)	45,000
Life Insurance Premium paid (10% of the capital sum assured)	45,000

Compute the total income and show the items eligible for carry forward.

Question 13

Mr. Rajat submits the following information for the financial year ending 31st March, 2020. He desires that you should:

- Compute the total income and
- Ascertain the amount of losses that can be carried forward.

	Particulars	₹
(i)	He has two houses:	
	(a) House No. I – Income after all statutory deductions	72,000
	(b) House No. II – Current year loss	(30,000)
(ii)	He has three proprietary businesses:	
	(a) Textile Business:	
	(i) Discontinued from 31 st October, 2019 – Current year loss	40,000
	(ii) Brought forward business loss of A.Y.2015-16	95,000
	(b) Chemical Business:	
	(i) Discontinued from 1 st March, 2017 – hence no profit/loss	Nil
	(ii) Bad debts allowed in earlier years recovered during this year	35,000
	(iii) Brought forward business loss of A.Y. 2017-18	50,000

	Particulars		₹
	(c)	Leather Business: Profit for the current year	1,00,000
	(d)	Share of profit in a firm in which he is partner since 2006	16,550
(iii)	(a)	Short-term capital gain	60,000
	(b)	Long-term capital loss	35,000
(iv)		Contribution to LIC towards premium	10,000

Question 14

Ms. Geeta, a resident individual, provides the following details of her income/losses for the year ended 31.3.2020:

- (i) Salary received as a partner from a partnership firm ₹ 7,50,000. The same was allowed to the firm.
- (ii) Loss on sale of shares listed in BSE ₹ 3,00,000. Shares were held for 15 months and STT paid on sale and acquisition.
- (iii) Long-term capital gain on sale of land ₹ 5,00,000.
- (iv) ₹ 51,000 received in cash from friends in party.
- (v) ₹ 55,000, received towards dividend on listed equity shares of domestic companies.
- (vi) Brought forward business loss of assessment year 2018-19 ₹ 12,50,000.

Compute gross total income of Ms. Geeta for the Assessment Year 2020-21 and ascertain the amount of loss that can be carried forward.

MCQ's

1. According to section 80, no loss which has not been determined in pursuance of a return filed in accordance with the provisions of section 139(3), shall be carried forward. The exceptions to this are -
 - (a) Loss from specified business under section 73A
 - (b) Loss under the head "Capital Gains" and unabsorbed depreciation carried forward under section 32(2)
 - (c) Loss from house property and unabsorbed depreciation carried forward under section 32(2)
 - (d) Loss from speculation business under section 73
2. Section 70 enables set off of losses under one source of income against income from any other source under the same head. The exceptions to this section are -
 - (a) Loss under the head "Capital Gains", Loss from speculative business, Loss from house property and loss from the activity of owning and maintaining race horses
 - (b) Long-term capital loss, Loss from speculative business, Loss from specified business and loss from the activity of owning and maintaining race horses
 - (c) Short-term capital loss and loss from speculative business
 - (d) Loss from specified business and short-term capital loss
3. Mr. X incurred long-term capital loss from sale of listed shares in recognized stock exchange and STT is paid at the time of acquisition and sale of such shares. Such loss -
 - (a) Can be set-off only against long-term capital gains
 - (b) Can be set-off against both short-term capital gains and long-term capital gains
 - (c) Can be set-off against any head of income.
 - (d) Is not allowed to be set-off
4. The maximum period for which speculation loss can be carried forward is -
 - (a) 4 years
 - (b) 8 years
 - (c) Indefinitely
 - (d) Not allowed to be carry forward
5. Mr. A incurred short-term capital loss of ₹ 10,000 on sale of shares through the National Stock Exchange. Such loss -
 - (a) Can be set-off only against short-term capital gains
 - (b) Can be set-off against both short-term capital gains and long-term capital gains
 - (c) Can be set-off against any head of income.
 - (d) Not allowed to be set-off
6. The maximum period for which loss from specified business can be carried forward is -
 - (a) 4 years
 - (b) 8 years
 - (c) Indefinitely
 - (d) Not allowed to be carry forward

7. Loss from house property of ₹ 3,10,000 of A.Y. 2018-19 is allowed to be set-off against income from house property of A.Y. 2020-21 of ₹ 5,00,000 to the extent of –
- (a) ₹ 2,00,000
 - (b) Fully allowed i.e., ₹ 3,10,000
 - (c) ₹ 2,50,000
 - (d) ₹ 1,00,000
8. Any loss from the specified business referred to in section 35AD can be set off against –
- (a) Only profit and gains of same specified business of the assessee
 - (b) Profits and gains of any business of the assessee
 - (c) Profit and gains of any other specified business of the assessee
 - (d) Income from any other head
9. Business loss of the current year cannot be set-off against –
- (a) Any income other than business income
 - (b) Long-term capital gain
 - (c) Either long-term capital gain or short-term capital gain
 - (d) Salary income
10. Brought forward loss from house property can be set-off –
- (a) Against any head of income to the extent of ₹ 2,00,000
 - (b) Against income from house property to the extent of ₹ 2,00,000
 - (c) Against income from house property without any limit
 - (d) Against any head of income without any limit
11. There was a loss from textiles in FY 18-19 of ₹1,50,000. In FY 19-20, textile business was closed and printing business was started. Loss of ₹1,50,000-
- (a) Can be set off from profit of printing
 - (b) Will lapse
 - (c) Cannot be set off in FY 19-20 but will be carried forward
 - (d) Only 50% can be set off and rest will lapse
12. Darjeeling Ltd has LTCL of ₹(10,000), STCG ₹50,000, PGBP income ₹20,000, HP loss ₹(50,000). Total Income of Darjeeling Ltd is-
- (a) 20,000
 - (b) 10,000
 - (c) 70,000
 - (d) Nil
13. Loss in speculation business can be set off against-
- (a) Any business income
 - (b) Any head of income
 - (c) Speculation business income
 - (d) Dead loss i.e. cannot be set off

14. BB Ltd is engaged into production of fertilizers business (35AD) and earned a profit of ₹10,00,000. Simultaneously, it also runs tea business in which it incurred loss of ₹5,00,000. Total income of BB Ltd-
- (a) 5,00,000
 - (b) 10,00,000
 - (c) 7,00,000
 - (d) 3,00,000
15. PGBP loss (1,00,000), HP income 70,000, Salary income 90,000, total income-
- (a) 60,000
 - (b) 90,000
 - (c) 80,000
 - (d) 30,000
16. Loss from HP can be set off against income from any other head upto-
- (a) 2,00,000
 - (b) 4,00,000
 - (c) Unlimited
 - (d) No set off
17. In FY 19-20, Priyakant earned PGBP 2,50,000, CG 1,50,000, HP loss (3,50,000). Losses to be carried forward in next FY will be-
- (a) 1,50,000
 - (b) Nil
 - (c) 3,50,000
 - (d) 2,00,000
18. Loss under HP can be carried forward up to –
- (a) 8 Assessment Years immediately succeeding the Assessment Year in which loss computed
 - (b) 4 Assessment Years immediately succeeding the Assessment Year in which loss computed
 - (c) 8 Assessment Years starting from year in which loss computed
 - (d) 4 Assessment Years starting from year in which loss computed
19. Loss in derivative business treated as-
- (a) Speculation business loss
 - (b) Specified business loss
 - (c) Normal PGBP loss
 - (d) None
20. Short term or Long-term capital loss shall be carried forward up to maximum of –
- (a) 8 Assessment Years immediately succeeding the Assessment Year for which loss was computed
 - (b) 4 Assessment Years immediately succeeding the Assessment Year for which loss was computed
 - (c) 8 Assessment Years starting from Assessment Year in which loss is computed
 - (d) 4 Assessment Years starting from Assessment Year in which loss is computed

21. Order of set off of losses-

- (a) Current year depreciation, unabsorbed depreciation, unabsorbed expenditure on family planning, b/f business loss, unabsorbed capital expenditure on scientific research.
- (b) B/f business loss, unabsorbed depreciation, unabsorbed capital expenditure on scientific research, unabsorbed expenditure on family planning, current year depreciation.
- (c) Unabsorbed depreciation, b/f business loss, current year depreciation, unabsorbed capital expenditure on scientific research, unabsorbed expenditure on family planning.
- (d) Current year depreciation, b/f business loss, unabsorbed depreciation, unabsorbed capital expenditure on scientific research, unabsorbed expenditure on family planning.

22. What will be the loss to be carried forward by Meera Desai for Assessment Year 20-21

Income from business (before providing depreciation)	₹1,00,000
Income from Growing & Manuf. rubber business	₹1,20,000
Current year depreciation	₹1,26,000
B/f business loss (loss incurred 5 years ago)	₹(45,000)

- (a) Nil
- (b) (29,000)
- (c) (26,000)
- (d) (45,000)

23. Maher Ltd as on 31/03/18 has following losses to be carried forward in FY 19-20 HP loss- ₹(1,50,000); Business loss- ₹(2,00,000); Unabsorbed depreciation- ₹60,000 Return of FY 18-19 not filed within due date u/s 139(1). Loss which can be carried forward and set off in FY 19-20-

- (a) HP 1,50,000, business loss- Nil, unabsorbed depreciation- 60,000
- (b) HP Nil, business loss- 2,00,000, unabsorbed depreciation- 60,000
- (c) HP 1,50,000, business loss- 2,00,000, unabsorbed depreciation- Nil
- (d) HP Nil, business loss- Nil, unabsorbed depreciation- 60,000

Solutions							
1	C	2	B	3	A	4	A
5	B	6	C	7	B	8	C
9	D	10	C	11	A	12	A
13	C	14	A	15	B	16	A
17	A	18	A	19	C	20	A
21	D	22	B	23	A		

Deductions from Gross Total Income (Deduction u/c VI-A)

Question 1

Compute the eligible deduction under section 80C for A.Y. 2020-21 in respect of life insurance premium paid by Mr. Ganesh during the P.Y. 2019-20, the details of which are given hereunder -

	Date of issue of policy	Person insured	Actual capital sum assured (₹)	Insurance premium paid during 2019-20 (₹)
(i)	1/4/2011	Self	5,00,000	40,000
(ii)	1/5/2014	Spouse	1,50,000	20,000
(iii)	1/6/2016	Handicapped Son (section 80U disability)	4,00,000	80,000

Question 2

The basic salary of Mr. A is ₹ 1,00,000 p.m. He is entitled to dearness allowance, which is 40% of basic salary. 50% of dearness allowance forms part of pay for retirement benefits. Both Mr. A and his employer contribute 15% of basic salary to the pension scheme referred to in section 80CCD. Explain the tax treatment in respect of such contribution in the hands of Mr. A.

Question 3

The gross total income of Mr. X for the A.Y. 2020-21 is ₹ 5,00,000. He has made the following investments/payments during the F.Y. 2019-20 -

	Particulars	₹
(1)	Contribution to PPF	1,10,000
(2)	Payment of tuition fees to Apeejay School, New Delhi, for education of his son studying in Class XI	45,000
(3)	Repayment of housing loan taken from Standard Chartered Bank	25,000
(4)	Contribution to approved pension fund of LIC	1,05,000

Compute the eligible deduction under Chapter VI-A for the A.Y. 2020-21.

Question 4

Mr. A, aged 40 years, paid medical insurance premium of ₹ 20,000 during the P.Y. 2019-20 to insure his health as well as the health of his spouse. He also paid medical insurance premium of ₹ 47,000 during the year to insure the health of his father, aged 63 years, who is not dependent on him. He contributed ₹ 3,600 to Central Government Health Scheme during the year. He has incurred ₹ 3,000 in cash on preventive health check-up of himself and his spouse and ₹ 4,000 by cheque on preventive health check-up of his father. Compute the deduction allowable under section 80D for the A.Y. 2020-21.

Question 5

Mr. Y, aged 40 years, paid medical insurance premium of ₹ 22,000 during the P.Y. 2019-20 to insure his health as well as the health of his spouse and dependent children. He also paid medical insurance premium of ₹ 33,000 during the year to insure the health of his mother, aged 67 years, who is not dependent on him. He incurred medical expenditure of ₹ 20,000 on his father, aged 71 years, who is not covered under mediclaim policy. His father is also not dependent upon him. He contributed ₹ 6,000 to Central Government Health Scheme during the year. Compute the deduction allowable under section 80D for the A.Y. 2020-21.

Question 6

Mr. X is a resident individual. He deposits a sum of ₹ 50,000 with Life Insurance Corporation every year for the maintenance of his handicapped grandfather who is wholly dependent upon him. The disability is one which comes under the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995. A copy of the certificate from the medical authority is submitted. Compute the amount of deduction available under section 80DD for the A.Y. 2020-21.

What will be the deduction if Mr. X had made this deposit for his dependant father?

Question 7

Mr. B has taken three education loans on April 1, 2019, the details of which are given below:

	Loan 1	Loan 2	Loan 3
For whose education loan was taken	B	Son of B	Daughter of B
Purpose of loan	MBA	B. Sc.	B.A.
Amount of loan (₹)	5,00,000	2,00,000	4,00,000
Annual repayment of loan (₹)	1,00,000	40,000	80,000
Annual repayment of interest (₹)	20,000	10,000	18,000

Compute the amount deductible under section 80E for the A.Y. 2020-21.

Question 8

Mr. Shiva aged 58 years, has gross total income of ₹ 7,75,000 comprising of income from salary and house property. He has made the following payments and investments:

- Premium paid to insure the life of her major daughter (policy taken on 1.4.2016) (Assured value ₹ 1,80,000) – ₹ 20,000.
- Medical Insurance premium for self – ₹ 12,000; Spouse – ₹ 14,000.
- Donation to a public charitable institution registered under 80G ₹ 50,000 by way of cheque.
- LIC Pension Fund – ₹ 60,000.
- Donation to National Children's Fund - ₹ 25,000 by way of cheque

- (vi) Donation to Jawaharlal Nehru Memorial Fund - ₹ 25,000 by way of cheque
- (vii) Donation to approved institution for promotion of family planning - ₹ 40,000 by way of cheque
- (viii) Deposit in PPF - ₹ 1,00,000

Compute the total income of Mr. Shiva for A.Y. 2020-21.

Question 9

Mr. Ganesh, a businessman, whose total income (before allowing deduction under section 80GG) for A.Y. 2020-21 is ₹ 4,60,000, paid house rent at ₹ 12,000 p.m. in respect of residential accommodation occupied by him at Mumbai. Compute the deduction allowable to him under section 80GG for A.Y. 2020-21.

Question 10

During the P.Y. 2019-20, ABC Ltd., an Indian company,

- (1) contributed a sum of ₹ 2 lakh to an electoral trust; and
- (2) incurred expenditure of ₹ 25,000 on advertisement in a brochure of a political party.

Is the company eligible for deduction in respect of such contribution/expenditure, assuming that the contribution was made by cheque? If so, what is the quantum of deduction?

Question 11

Mr. A has commenced the business of manufacture of computers on 1.4.2019. He employed 350 new employees during the P.Y. 2019-20, the details of whom are as follows -

	No. of employees	Date of employment	Regular/Casual	Total monthly emoluments per employee (₹)
(i)	75	1.4.2019	Regular	24,000
(ii)	125	1.5.2019	Regular	26,000
(iii)	50	1.8.2019	Casual	25,500
(iv)	100	1.9.2019	Regular	24,000

The regular employees participate in recognized provident fund while the casual employees do not. Compute the deduction, if any, available to Mr. A for A.Y. 2020-21, if the profits and gains derived from manufacture of computers that year is ₹ 75 lakhs and his total turnover is 2.16 crores. What would be your answer if Mr. A has commenced the business of manufacture of footwear on 1.4.2019?

Question 12

Mr. A, a resident individual aged about 61 years, has earned business income (computed) of ₹ 1,35,000, lottery income of ₹ 1,20,000 (gross) during the P.Y. 2019-20. He also has interest on Fixed Deposit of ₹ 30,000 with banks. He invested an amount of ₹ 1,50,000 in Public Provident Fund account. What is the total income of Mr. A for the A.Y. 2020-21?

Question 13

Mr. Gurnam, aged 42 years, has salary income (computed) of ₹ 5,50,000 for the previous year ended 31.03.2020. He has earned interest of ₹ 14,500 on the saving bank account with State Bank of India during the year. Compute the total income of Mr. Gurnam for the assessment year 2020-21 from the following particulars:

- (i) Life insurance premium paid to Birla Sunlife Insurance in cash amounting to ₹ 25,000 for insurance of life of his dependent parents. The insurance policy was taken on 15.07.2015 and the sum assured on life of his dependent parents is ₹ 2,00,000.

- (ii) Life insurance premium of ₹ 25,000 paid for the insurance of life of his major son who is not dependent on him. The sum assured on life of his son is ₹ 2,75,000 and the life insurance policy was taken on 30.3.2012.
- (iii) Life insurance premium paid by cheque of ₹ 22,500 for insurance of his life. The insurance policy was taken on 08.09.2015 and the sum assured is ₹ 2,00,000.
- (iv) Premium of ₹ 26,000 paid by cheque for health insurance of self and his wife.
- (v) ₹ 1,500 paid in cash for his health check-up and ₹ 4,500 paid in cheque for preventive health check-up for his parents, who are senior citizens.
- (vi) Paid interest of ₹ 6,500 on loan taken from bank for MBA course pursued by his daughter.
- (vii) A sum of ₹ 15,000 donated in cash to an institution approved for purpose of section 80G for promoting family planning.

Question 14

Examine the following statements with regard to the provisions of the Income-tax Act, 1961:

- (i) During the financial year 2019-20, Mr. Amit paid interest on loan availed by him for his son's higher education. His son is already employed in a firm. Mr. Amit will get the deduction under section 80E.
- (ii) Subscription to notified bonds of NABARD would qualify for deduction under section 80C.
- (iii) In order to be eligible to claim deduction under section 80C, investment/contribution/subscription etc. in eligible or approved modes, should be made from out of income chargeable to tax.
- (iv) Where an individual repays a sum of ₹ 30,000 towards principal and ₹ 14,000 as interest in respect of loan taken from a bank for pursuing eligible higher studies, the deduction allowable under section 80E is ₹ 44,000.
- (v) Mrs. Sheela, widow of Mr. Satish (who was an employee of M/s. XYZ Ltd.), received ₹ 7 lakhs on 1.5.2019, being amount standing to the credit of Mr. Satish in his NPS Account, in respect of which deduction has been allowed under section 80CCD to Mr. Satish in the earlier previous years. Such amount received by her as a nominee on closure of the account is deemed to be her income for A.Y. 2020-21.

Question 15

Examine the allowability of the following:

- (i) Rajan has to pay to a hospital for treatment ₹ 62,000 and spent nothing for life insurance or for maintenance of handicapped dependent.
- (ii) Raja, a resident Indian, has spent nothing for treatment in the previous year and deposited ₹ 25,000 with LIC for maintenance of handicapped dependant.
- (iii) Rajan has incurred ₹ 20,000 for treatment and ₹ 25,000 was deposited with LIC for maintenance of handicapped dependant.
- (iv) Payment of ₹ 50,000 by cheque to an electoral trust by an Indian company.

Solution

- (i) The deduction of ₹ 75,000 under section 80DD is allowed in full, irrespective of the amount of expenditure incurred or paid by the assessee. If the expenditure is incurred in respect of a dependant with severe disability, the deduction allowable is ₹ 1,25,000.
- (ii) The assessee Rajan has deposited ₹ 25,000 for maintenance of handicapped dependent. The assessee is, however, eligible to claim ₹ 75,000 since the deduction of ₹ 75,000 is allowed in full, irrespective of the amount deposited with LIC. In the case of dependant with severe disability, the deduction allowable is ₹ 1,25,000.

- (iii) Section 80DD allows a deduction of ₹ 75,000 irrespective of the actual amount spent on maintenance of handicapped dependent and/or actual amount deposited with LIC. Therefore, the deduction will be ₹ 75,000 even though the total amount incurred/deposited is only ₹ 45,000. If the dependant is a person with severe disability the quantum of deduction is ₹ 1,25,000.
- (iv) Amount paid by an Indian Company to an electoral trust is eligible for deduction under section 80GGB from gross total income, since such payment is made otherwise than by way of cash.

Question 16

For the Assessment year 2020-21, the Gross Total Income of Mr. Chaturvedi, a resident in India, was ₹ 8,18,240 which includes long-term capital gain of ₹ 2,45,000 taxable under section 112 and Short-term capital gain of ₹ 58,000. The Gross Total Income also includes interest income of ₹ 12,000 from savings bank deposits with banks and ₹ 40,000 interest on fixed deposits with banks. Mr. Chaturvedi has invested in PPF ₹ 1,20,000 and also paid a medical insurance premium ₹ 51,000. Mr. Chaturvedi also contributed ₹ 50,000 to Public Charitable Trust eligible for deduction under section 80G by way of an account payee cheque. Compute the total income and tax thereon of Mr. Chaturvedi, who is 70 years old as on 31.3.2020.

Question 17

Mr. Rajmohan whose gross total income was ₹ 6,40,000 for the financial year 2019-20 furnishes you the following information:

- (i) Stamp duty paid on acquisition of residential house (self-occupied) - ₹ 50,000.
- (ii) Five year post office time deposit - ₹ 20,000.
- (iii) Donation to a recognized charitable trust ₹ 25,000 which is eligible for deduction under section 80G at the applicable rate.
- (iv) Interest on loan taken for higher education of spouse paid during the year ₹ 10,000.

Compute the total income of Mr. Rajmohan for the Assessment year 2020-21.

Question 18

Compute the eligible deduction under Chapter VI-A for the Assessment year 2020-21 of Ms. Roma, who has a gross total income of ₹ 15,00,000 for the assessment year 2020-21 and provides the following information about her investments/ payments during the year 2019-20:

Sl. No.	Particulars	Amount (₹)
1.	Life Insurance premium paid (Policy taken on 01-01-2012 and sum assured is ₹ 3,00,000)	35,000
2.	Public Provident Fund contribution	1,50,000
3.	Repayment of housing loan to Bhartiya Mahila Bank, Bangalore	20,000
4.	Payment to L.I.C. Pension Fund	1,40,000
5.	Mediclaime Policy taken for self, wife and dependent children, premium paid by cheque	30,000
6.	Medical Insurance premium paid by cheque for parents (Senior Citizen)	52,000

MCQ's

1. Mr. Srivastav, aged 72 years, paid medical insurance premium of ₹ 52,000 by cheque and ₹ 4,000 by cash during May, 2019 under a Medical Insurance Scheme of the General Insurance Corporation. The above sum was paid for insurance of his own health. He would be entitled to a deduction under section 80D of a sum of -
 - (a) ₹ 30,000
 - (b) ₹ 50,000
 - (c) ₹ 52,000
 - (d) ₹ 56,000
2. Mr. Ramesh pays a rent of ₹ 5,000 per month. His total income is ₹ 2,80,000 (i.e. Gross Total Income as reduced by deductions under Chapter VI-A except section 80GG). He is also in receipt of HRA. He would be eligible for a deduction under section 80GG of an amount of -
 - (a) ₹ 60,000
 - (b) ₹ 32,000
 - (c) ₹ 70,000
 - (d) Nil
3. The deduction under section 80QQB in respect of royalty income of authors of certain books is subject to a maximum limit of -
 - (a) ₹ 1,00,000
 - (b) ₹ 3,00,000
 - (c) ₹ 5,00,000
 - (d) ₹ 2,00,000
4. Under section 80GGB, deduction is allowable in respect of contribution to political parties by -
 - (a) Any person other than local authority and every artificial juridical person wholly or partly funded by the Government
 - (b) Local authority and every artificial juridical person wholly or partly funded by the Government
 - (c) An Indian company
 - (d) Any assessee
5. As per section 80CCE, ₹ 1.5 lakh is the maximum qualifying limit for deduction under -
 - (a) Section 80C and 80CCD.
 - (b) Sections 80CCC and 80CCD
 - (c) Sections 80C, 80CCC and 80CCD(1)
 - (d) Sections 80C, 80CCC and 80CCD
6. Deduction u/s 80C in respect of LIP, Contribution to provident fund, etc. is allowed to:
 - (a) Any assessee
 - (b) An individual
 - (c) An individual or HUF
 - (d) An individual or HUF who is resident in India

7. An assessee has paid life insurance premium of ₹ 25,000 during the previous year for a policy of ₹ 1,00,000 taken on 1.4.2015. He shall:
- (a) Not be allowed deduction u/s 80C
 - (b) Be allowed deduction of ₹ 20,000 u/s 80C
 - (c) Be allowed deduction of ₹ 25,000 under section 80C
 - (d) Be allowed deduction of ₹ 10,000 u/s 80C
8. The payment for Insurance premium under section 80D should be paid:
- (a) In cash
 - (b) By any mode other than cash
 - (c) By cheque
 - (d) Through account payee cheque/ account payee bank draft
9. The maximum deduction allowable under section 80EE for A.Y. 2020-21 is –
- (a) ₹ 50,000
 - (b) ₹ 2,50,000
 - (c) ₹ 1,00,000
 - (d) ₹ 1,50,000
10. The maximum amount which can be donated in cash for claiming deduction under section 80G is –
- (a) ₹ 5,000
 - (b) ₹ 10,000
 - (c) ₹ 1,000
 - (d) ₹ 2,000
11. Mr. Naksh has GTI of ₹1,20,000 for FY 19-20 and has deduction under Chapter VI-A of ₹1,50,000. Loss to be carried forward by Mr. Naksh for FY 19-20 is-
- (a) Nil
 - (b) 30,000
 - (c) 1,50,000
 - (d) 20,000
12. State whether True or False.
- “Once deduction u/s 80G is taken by AOP, no deduction under the same section shall be made in computing total income of a member of AOP in relation to share of such member.”
- (a) True
 - (b) False
13. Deductions under Chapter VI-A are deducted from income __ adjusting and setting off brought forward losses-
- (a) Before
 - (b) After
 - (c) Not
 - (d) Any of the above, at the option of the assessee

14. Sec 80 C deduction is available to-

- (a) Individual/HUF
- (b) Firm/AOP/BOI
- (c) All persons except company
- (d) Company

15. Maximum permissible deduction u/s 80 C is-

- (a) 1,00,000
- (b) 2,00,000
- (c) 1,50,000
- (d) 2,50,000

16. Life insurance premium of ₹1,60,000 was paid by Mr. Manu for his major son Daksh. Deduction u/s 80 C available to Mr. Manu is-

- (a) Nil
- (b) 1,60,000
- (c) 1,50,000
- (d) 80,000

17. Mr. Jugnoo has taken a life insurance policy on 01/01/2013 and the capital sum assured was ₹2,00,000. It paid a premium of ₹32,000 during FY 19-20. Amount of deduction u/s 80C will be-

- (a) 28,000
- (b) 20,000
- (c) Nil
- (d) 30,000

18. Mr. Jaggajasoos has taken a LIC policy on 06/08/14 for capital sum assured of ₹2,50,000. Premium paid by Mr. Jagga Jasoos is as follows-

14-15 :	20,000
15-16 :	20,000
16-17 :	12,000
17-18 :	17,000
18-19 :	18,000
19-20 :	22,000

Mr. Jagga Jasoos received ₹2,70,000 on 29/03/20 from this policy. Amount taxable in the hands of Jagga Jasoos-

- (a) 2,70,000 wholly taxable
- (b) Exempt
- (c) Partly taxable
- (d) None of the above

19. Sum received by a keyman under keyman insurance policy is ____ under sec 10(10D)-
- (a) Exempt
 - (b) Not exempt
 - (c) 20% exempt
 - (d) 25% exempt
20. Which of the following is not eligible for 80C deduction-?
- (a) Subscription to NSC (National Savings Certificate)
 - (b) Subscription to KVP (Kishan Vikas Patra)
 - (c) Sum deposited in Sukanya Samridhi Account
 - (d) Contribution to approved superannuation fund
21. Which of the following is not included in donation qualifying for 100% deduction without any qualifying limit-
- (a) Clean Ganga Fund
 - (b) Indira Gandhi Memorial trust
 - (c) PM National Relief Fund
 - (d) National Children Fund
22. Contribution given by LLP for renovation of temple u/s 80G will be eligible for deduction u/s 80G @-
- (a) 50% deduction subject to qualifying limit
 - (b) 100% deduction subject to qualifying limit
 - (c) 100% deduction without any qualifying limit
 - (d) 50% deduction without any qualifying limit
23. Maximum permissible deduction u/s 80G donation subject to qualifying limit is restricted to-
- (a) 5% of GTI
 - (b) 10% of GTI
 - (c) 10% of adjusted total income
 - (d) 5% of adjusted total income
24. For computing adjusted total income for the purpose of sec 80G, what should be reduced from GTI-
- (a) STCG u/s 111A
 - (b) LTCCG u/s 112 and 112A
 - (c) Deduction under Chapter VI-A except sec 80G
 - (d) All of the above
25. Mr. A, a proprietor, gave an asset of ₹2,50,000 to an institution established for charitable purpose. Deduction u/s 80G admissible will be-
- (a) 2,50,000
 - (b) 1,25,000
 - (c) Nil
 - (d) 1,00,000

26. Deduction u/s 80G will not be available if donation in cash is more than-
- (a) 1,000
 - (b) 2,000
 - (c) 2,500
 - (d) 3,000
27. Mr. Shiva aged 39 years, has GTI of ₹7,00,000. Income after deduction under Chapter VI-A but excluding 80 G deduction is ₹6,00,000. Following donations were made. State the amount of deduction u/s 80G-
- | | |
|---|--------|
| (i) National sports Fund | 26,000 |
| (ii) Rajiv Gandhi Foundation | 50,000 |
| (iii) Approved association for promotion of family planning | 40,000 |
| (iv) Public charitable trust | 50,000 |
- (a) 1,01,000
 - (b) 1,11,000
 - (c) 1,41,000
 - (d) 1,16,000
28. Which of the conditions is required to be fulfilled u/s 80GG for getting deduction of rent paid-
- (a) Accommodation should be occupied by the assessee for the purpose of his residence
 - (b) Assessee should not be receiving any HRA
 - (c) Assessee or his spouse or his minor child does not own any accommodation at place where he ordinarily resides
 - (d) All of the above
29. Mr. Ganesh, a businessman whose total income (before allowing deduction u/s 80GG) for Assessment Year 20-21 is ₹4,60,000 paid house rent @ ₹12,000 p.m. in respect of residential accommodation occupied by him at Mumbai. Compute the deduction allowable to him under sec 80GG for Assessment Year 20-21.
- (a) 60,000
 - (b) 1,15,000
 - (c) 98,000
 - (d) 46,000
30. Deduction in respect of donations for scientific research or rural development u/s 80GGA is available to-
- (a) Company
 - (b) All assessee
 - (c) Firm
 - (d) Individual/Firm
31. Mr. A paid ₹3,50,000 to Stanford university, California for the education of his child. Maximum deduction allowable u/s 80C-
- (a) 3,50,000
 - (b) 2,50,000
 - (c) 1,50,000
 - (d) Nil

32. For the purchase of house property, Sheela took a loan from LIC of ₹10,00,000. She repaid ₹2,00,000 which includes ₹50,000 as interest amount to LIC. Maximum allowable deduction u/s 80C will be-
- (a) Nil
 - (b) 2,00,000
 - (c) 50,000
 - (d) 1,50,000
33. Mr. Raghu made the following investments-
- | | |
|--|--------|
| (a) Subscription to NSC | 40,000 |
| (b) Contribution to National housing Bank | 20,000 |
| (c) Subscription to notified bonds of NABARD | 30,000 |
| (d) Deposit in senior citizen saving scheme | 40,000 |
| (e) Investment in 5 years PO time deposit | 20,000 |
- What will be the maximum allowable deduction u/s 80C
- (a) 1,50,000
 - (b) 1,30,000
 - (c) 1,10,000
 - (d) 90,000
34. Mr. A, aged 40 years has earned a lottery income of ₹1,20,000 (gross) during the Previous Year 19-20. He also received interest on FD of ₹30,000. He invested an amount of ₹10,000 in PPF and ₹24,000 in NSC. What is the amount of deduction available u/s 80C to Mr. A-
- (a) 34,000
 - (b) 10,000
 - (c) 24,000
 - (d) 30,000
35. Puru Jalan HUF made contribution of ₹10,000 for annuity plan of LIC. Deduction admissible u/s 80CCC to HUF will be-
- (a) 10,000
 - (b) 1,50,000
 - (c) Nil
 - (d) 5,000
36. Contribution to Atal Pension Yojana by private employee is available as deduction u/s 80CCD. But it is restricted to-
- (a) 10% of salary
 - (b) 15% of salary
 - (c) 20% of salary
 - (d) 20% of GTI

37. Employer contributed ₹25,000 and employee contributed ₹30,000 to Recognized Provident Fund. Deduction u/s 80C will be-
- (a) 95,000
 - (b) 30,000
 - (c) 25,000
 - (d) 8,000
38. Contribution made by employee is ₹50,000 to Atal Pension Yojana for FY 19-20 and contribution made by employer to Atal Pension Yojana is ₹40,000. Salary of employee is ₹8,00,000. Deduction u/s 80CCD will be-
- (a) 90,000
 - (b) 40,000
 - (c) 50,000
 - (d) 10,000
39. Mr. Rajveer, an employee of Hindustan Unilever Ltd received ₹50,000 from NPS Trust on account of closure of his accounts. Exemption amount will be-
- (a) Nil
 - (b) 20,000
 - (c) 50,000
 - (d) 30,000
40. Any payment from NPS Trust to an employee under the pension scheme referred to in Sec 80CCD on partial withdrawal made shall be exempt from tax to the extent it does not exceed ____ of the amount of contribution made by him-
- (a) 25%
 - (b) 40%
 - (c) 60%
 - (d) 30%
41. Deduction u/s 80D for senior citizen aged 60 years or more is available up to-
- (a) ₹25,000
 - (b) ₹30,000
 - (c) ₹50,000
 - (d) ₹70,000
42. Mr. Nilesh made a payment of medical insurance premium of ₹30,000 for self in cash. Deduction u/s 80D will be-
- (a) Nil
 - (b) 25,000
 - (c) 30,000
 - (d) 50,000

43. Medical insurance premium of ₹70,000 was paid by Mr. Himanshu Nayak aged 65 years. Deduction u/s 80D will be-
- (a) 70,000
 - (b) 30,000
 - (c) 25,000
 - (d) 50,000
44. HUF incurred medical expense of ₹35,000 on a member, resident aged 65 years. Deduction admissible u/s 80D to HUF will be-
- (a) 25,000
 - (b) 30,000
 - (c) Nil
 - (d) 35,000
45. Mr. Nitin Gadkari incurred ₹50,000 as medical expense for his parents (Non-Resident) aged 66 years. Deduction admissible u/s 80D will be-
- (a) Nil
 - (b) 25,000
 - (c) 30,000
 - (d) 50,000
46. Mr. Narendra Modi aged 32 years paid ₹60,000 as medical insurance premium for himself on 01/04/19 for 2 years. Deduction admissible in FY 19-20 and FY 20-21 u/s 80D will be-
- (a) ₹25,000; ₹25,000
 - (b) ₹25,000; Nil
 - (c) ₹30,000; ₹20,000
 - (d) ₹60,000; Nil
47. Mr. Krishna paid ₹55,000 as medical insurance premium for father aged 65 years and ₹30,000 for mother aged 62 years. Deduction allowable u/s 80D will be-
- (a) 85,000
 - (b) 55,000
 - (c) 80,000
 - (d) 50,000
48. Quantum of deduction u/s 80DD is ₹___ and ___ in case of severe disability, the deduction shall be-
- (a) ₹50,000; ₹75,000
 - (b) ₹75,000; ₹1,25,000
 - (c) ₹1,25,000; ₹1,25,000
 - (d) ₹30,000; ₹50,000
49. Mr. X, aged 40 years took a loan from bank for paying his daughter B's school fees for MBA in USA on 01/04/17. Interest paid for FY 19-20 is ₹90,000. Whether any deduction is available under Chapter VI-A-
- (a) Nil
 - (b) 90,000 u/s 80E
 - (c) 45,000 u/s 80E
 - (d) 20,000 u/s 80E

50. Mr. Sumit Rathi has taken education loan for himself on 01/04/19-

Amount of loan 5,00,000

Annual repayment of loan 1,00,000

Annual repayment of interest 20,000

Amount deductible u/s 80E for FY 19-20 will be-

(a) Nil

(b) 20,000

(c) 5,00,000

(d) 1,00,000

51. During Previous Year 19-20 ABC Ltd, an Indian Company, contributed a sum of ₹2,00,000 to electoral trust and incurred expenditure of ₹25,000 on advertisement in a brochure of political party. What will be the amount of deduction u/s 80GGB.

(a) 2,25,000

(b) 2,80,000

(c) 2,00,000

(d) Nil

52. Mr. Aarosh contributed ₹10,000 by way of cash to a political party and ₹5,000 to electoral trust by cheque. Deduction available u/s 80GGC will be:

(a) 15,000

(b) Nil

(c) 5,000

(d) 10,000

53. As per 80JJAA where GTI of an assessee to whom Sec 44AB applies, includes any profits and gains derived from business, deduction of an amount equal to ____ of additional employee cost will be available-

(a) 10%

(b) 15%

(c) 20%

(d) 30%

54. Which of the following are the conditions for applicability of Sec 80JJAA

(a) Business should not be formed by splitting up or reconstruction of existing business

(b) Assessee to whom Sec 44AB will be applicable

(c) Report of accountant, giving prescribed particulars has to be furnished along with ROI

(d) All of the above

55. Additional employee u/s 80JJAA excludes which of the following from its definition-

(a) Employee whose total emoluments are more than ₹25,000 p.m.

(b) Employee employed for less than 240 (150 days in case of manufacturing of apparel **or footwear or leather products**) days during Previous Year

(c) Employee who does not participate in the Recognized Provident Fund

(d) All of the above

56. Miss Megha, a resident author got royalty of ₹5,60,000 for her book on scientific topic. Total income of Miss Megha for FY 19-20 will be-
- (a) 2,60,000
 - (b) 5,60,000
 - (c) 3,60,000
 - (d) 4,60,000
57. Sec 80TTA i.e. deduction with respect to interest on deposits in savings accounts is applicable to-
- (a) Individual/HUF
 - (b) All assessees
 - (c) All assesses except Company
 - (d) Individual only
58. Quantum of deduction with respect to Sec 80TTA i.e. deduction with respect to interest on deposits in savings accounts is-
- (a) 5,000
 - (b) 10,000
 - (c) 15,000
 - (d) 20,000
59. Deduction u/s 80TTA is allowed only when savings account is maintained with-
- (a) Banking Company
 - (b) Co-operative society engaged in business of banking
 - (c) Post office
 - (d) All of the above
60. Mr. Harsh Shah aged 65 years earned following interest-
- | | |
|--------------------------------------|--------|
| (i) Interest on savings bank account | 12,000 |
| (ii) Interest on FD | 15,000 |
| (iii) Interest on time deposits | 10,000 |
- Deduction available u/s 80TTB to Mr. Harsh will be-
- (a) 37,000
 - (b) 10,000
 - (c) 50,000
 - (d) 15,000
61. Sec 80U i.e. deduction in case of person with disability is applicable to-
- (a) Resident individual
 - (b) Resident as well as Non-Resident individual
 - (c) All assesses
 - (d) Company

62. Quantum of deduction u/s 80U i.e. deduction in case of person with disability is-

- (a) 10% of ATI
- (b) 75,000
- (c) 8.5% of actual amount invested
- (d) 25,000

Solutions							
1	B	2	D	3	B	4	C
5	C	6	C	7	D	8	b
9	A	10	D	11	A	12	A
13	B	14	A	15	C	16	C
17	B	18	B	19	B	20	B
21	B	22	A	23	C	24	D
25	C	26	B	27	A	28	D
29	A	30	B	31	D	32	D
33	A	34	D	35	C	36	A
37	B	38	A	39	B	40	A
41	C	42	A	43	D	44	D
45	A	46	A	47	D	48	B
49	B	50	B	51	A	52	C
53	D	54	D	55	D	56	A
57	A	58	B	59	D	60	A
61	A	62	B				

Advance Tax, Tax Deducted at Source (TDS) & Tax Collection at Source

Question 1

Examine the TDS implications under section 194A in the cases mentioned hereunder–

- (i) On 1.10.2019, Mr. Harish made a six-month fixed deposit of ₹ 10 lakh @9% p.a. with ABC Co-operative Bank. The fixed deposit matures on 31.3.2020.
- (ii) On 1.6.2019, Mr. Ganesh made three nine month fixed deposits of ₹ 2 lakh each carrying interest@9% with Dwarka Branch, Janakpuri Branch and Rohini Branch of XYZ Bank, a bank which has adopted CBS. The fixed deposits mature on 28.2.2019.
- (iii) On 1.4.2019, Mr. Rajesh started a 1 year recurring deposit of ₹ 80,000 per month@8% p.a. with PQR Bank. The recurring deposit matures on 31.3.2020.

Question 2

ABC Ltd. makes the following payments to Mr. X, a contractor, for contract work during the P.Y.2019-20–

₹ 20,000 on 1.5.2019

₹ 25,000 on 1.8.2019

₹ 28,000 on 1.12.2019

On 1.3.2020, a payment of ₹ 30,000 is due to Mr. X on account of a contract work.

Discuss whether ABC Ltd. is liable to deduct tax at source under section 194C from payments made to Mr. X.

Question 3

Examine the applicability of the provisions for tax deduction at source under section 194DA in the following cases -

- (i) Mr. X, a resident, is due to receive ₹ 4.50 lakhs on 31.3.2020, towards maturity proceeds of LIC policy taken on 1.4.2016, for which the sum assured is ₹ 4 lakhs and the annual premium is ₹ 85,000. (Total Premium Paid 3,40,000)
- (ii) Mr. Y, a resident, is due to receive ₹ 3.25 lakhs on 31.3.2020 on LIC policy taken on 31.3.2012, for which the sum assured is ₹ 3 lakhs and the annual premium is ₹ 35,000. (Premium Paid 280000)
- (iii) Mr. Z, a resident, is due to receive ₹ 95,000 on 1.10.2019 towards maturity proceeds of LIC policy taken on 1.10.2014 for which the sum assured is ₹ 90,000 and the annual premium was ₹ 15,000. (Total Premium Paid 3,40,000)

Question 4

Mr. X sold his house property in Bangalore as well as his rural agricultural land for a consideration of ₹ 60 lakh and ₹ 15 lakh, respectively, to Mr. Y on 1.8.2019. He has purchased the house property and the land in the year 2018 for ₹ 40 lakh and ₹ 10 lakh, respectively. The stamp duty value on the date of transfer, i.e., 1.8.2019, is ₹ 85 lakh and ₹ 20 lakh for the house property and rural agricultural land, respectively. Examine the tax implications in the hands of Mr. X and Mr. Y and the TDS implications, if any, in the hands of Mr. Y, assuming that both Mr. X and Mr. Y are resident Indians.

Question 5

Mr. X, a salaried individual, pays rent of ₹ 55,000 per month to Mr. Y from June, 2019. Is he required to deduct tax at source? If so, when is he required to deduct tax? Also, compute the amount of tax to be deducted at source.

Would your answer change if Mr. X vacated the premises on 31st December, 2019?

Also, what would be your answer if Mr. Y does not provide his PAN to Mr. X?

Question 6

XYZ Ltd. makes a payment of ₹ 28,000 to Mr. Ganesh on 2.8.2019 towards fees for professional services and another payment of ₹ 25,000 to him on the same date towards fees for technical services. Discuss whether TDS provisions under section 194J are attracted.

Solution

TDS provisions under section 194J would not get attracted, since the limit of ₹ 30,000 is applicable for fees for professional services and fees for technical services, separately. It is assumed that there is no other payment to Mr. Ganesh towards fees for professional services and fees for technical services during the P.Y.2019-20.

Question 7

An amount of ₹ 40,000 was paid to Mr. X on 1.7.2019 towards fees for professional services without deduction of tax at source. Subsequently, another payment of ₹ 50,000 was due to Mr. X on 28.2.2020, from which tax@10% (amounting to ₹ 9,000) on the entire amount of ₹ 90,000 was deducted. However, this tax of ₹ 9,000 was deposited only on 22.6.2020. Compute the interest chargeable under section 201(1A).

Question 8

Ashwin doing manufacture and wholesale trade furnishes you the following information:

Total turnover for the financial year

Particulars	₹
2018-19	2,05,00,000
2019-20	95,00,000

Examine whether tax deduction at source provisions are attracted for the below said expenses incurred during the financial year 2019-20:

Particulars	₹
Interest paid to UCO Bank	41,000
Contract payment to Raj (2 contracts of ₹ 12,000 each)	24,000
Shop rent paid (one payee)	1,90,000
Commission paid to Balu	7,000

Question 9

Compute the amount of tax deduction at source on the following payments made by M/s. S Ltd. during the financial year 2019-20 as per the provisions of the Income-tax Act, 1961.

Sr. No.	Date	Nature of Payment
(i)	1-10-2019	Payment of ₹ 2,00,000 to Mr. "R" a transporter who owns 8 goods carriages throughout the previous year and furnishes a declaration to this effect alongwith his PAN.
(ii)	1-11-2019	Payment of fee for technical services of ₹ 25,000 and Royalty of ₹ 20,000 to Mr. Shyam who is having PAN.
(iii)	30-06-2019	Payment of ₹ 25,000 to M/s X Ltd. for repair of building.
(iv)	01-01-2020	Payment of ₹ 2,00,000 made to Mr. A for purchase of diaries made according to specifications of M/s S Ltd. However, no material was supplied for such diaries to Mr. A by M/s S Ltd.
(v)	01-01-2020	Payment made ₹ 1,80,000 to Mr. Bharat for compulsory acquisition of his house as per law of the State Government.
(vi)	01-02-2020	Payment of commission of ₹ 14,000 to Mr. Y.

Question 10

Examine the applicability of TDS provisions and TDS amount in the following cases:

- Rent paid for hire of machinery by B Ltd. to Mr. Raman ₹ 2,10,000.
- Fee paid to Dr. Srivatsan by Sundar (HUF) ₹ 35,000 for surgery performed on a member of the family.
- ABC and Co. Ltd. paid ₹ 19,000 to one of its Directors as sitting fees on 1-01-2020.

Question 11

Examine the applicability of tax deduction at source provisions, the rate and amount of tax deduction in the following cases for the financial year 2019-10:

- Payment of ₹ 27,000 made to Jacques Kallis, a South African cricketer, by an Indian newspaper agency on 02-07-2019 for contribution of articles in relation to the sport of cricket.
- Payment made by a company to sub-contractor ₹ 3,00,000 with outstanding balance of ₹ 1,20,000 shown in the books as on 31-03-2020.
- Winning from horse race ₹ 1,50,000.
- ₹ 2,00,000 paid to Mr. A, a resident individual, on 22-02-2020 by the State of Uttar Pradesh on compulsory acquisition of his urban land.

Solution

- Section 194E provides that the person responsible for payment of any amount to a non-resident sportsman for contribution of articles relating to any game or sport in India in a newspaper has to deduct tax at source @ 20%. Further, since Jacques Kallis, a South African cricketer, is a non-resident, Health and education cess @4% on TDS should also be added.

Therefore, tax to be deducted = ₹ 27,000 x 20.80% = ₹ 5,616.

- (2) Provisions of tax deduction at source under section 194C are attracted in respect of payment by a company to a sub-contractor. Under section 194C, tax is deductible at the time of credit or payment, whichever is earlier @ 1% if the payment is made to an individual or HUF and 2% for others.

Assuming that sub-contractor to whom payment has been made is an individual and the aggregate amount credited during the year is ₹ 4,20,000, tax is deductible @ 1% on ₹ 4,20,000.

Tax to be deducted = ₹ 4,20,000 × 1% = ₹ 4,200

- (3) Under section 194BB, tax is to be deducted at source, if the winnings from horse races exceed ₹ 10,000. The **rate of deduction of tax at source is 30%**. Assuming that winnings are paid to the residents. Thus, health and education cess@4% has not been added to the tax rate of 30%.

9.79 Hence, tax to be deducted = ₹ 1,50,000 × 30% = ₹ 45,000.

- (4) As per section 194LA, any person responsible for payment to a resident, any sum in the nature of compensation or consideration on account of compulsory acquisition under any law, of any immovable property, is required to deduct tax at source @ 10%, if such payment or the aggregate amount of such payments to the resident during the financial year exceeds ₹ 2,50,000.

In the given case, there is no liability to deduct tax at source as the payment made to Mr. A does not exceed ₹ 2,50,000.

Question 12

Briefly discuss the provisions relating to payment of advance tax on income arising from capital gains and casual income.

Solution

The proviso to section 234C contains the provisions for payment of advance tax in case of capital gains and casual income.

Advance tax is payable by an assessee on his/its total income, which includes capital gains and casual income like income from lotteries, crossword puzzles, etc.

Since it is not possible for the assessee to estimate his capital gains, or income from lotteries etc., it has been provided that if any such income arises after the due date for any instalment, then, the entire amount of the tax payable (after considering tax deducted at source) on such capital gains or casual income should be paid in the remaining instalments of advance tax, which are due.

Where no such instalment is due, the entire tax should be paid by 31st March of the relevant financial year.

No interest liability on late payment would arise if the entire tax liability is so paid.

Main differences between TDS and TCS

	TDS	TCS
(1)	TDS is tax deduction at source	TCS is tax collection at source.
(2)	Person responsible for paying is required to deduct tax at source at the prescribed rate.	Seller of certain goods is responsible for collecting tax at source at the prescribed rate from the buyer. Person who grants licence or lease (in respect of any parking lot, toll plaza, mine or quarry) is responsible for collecting tax at source at the prescribed rate from the licensee or lessee, as the case may be.

	TDS	TCS
(3)	Generally, tax is required to be deducted at the time of credit to the account of the payee or at the time of payment, whichever is earlier. However, in case of payment of salary, payment in respect of life insurance policy etc. tax is required to be deducted at the time of payment.	Generally, tax is required to be collected at source at the time of debiting of the amount payable by the buyer of certain goods to the account of the buyer or at the time of receipt of such amount from the said buyer, whichever is earlier. However, in case of sale of motor vehicle of the value exceeding ₹ 10 lakhs, tax collection at source is required at the time of receipt of sale consideration.

MCQ's

1. Any person responsible for paying to a resident any sum exceeding ₹ 2.5 lakh towards compensation for compulsory acquisition of his urban industrial land under any law has to deduct income-tax at the rate of -
 - (a) 10%
 - (b) 15%
 - (c) 20%
 - (d) 2%
2. The rate of TDS on rental payments of plant, machinery or equipment is -
 - (a) 2%
 - (b) 5%
 - (c) 10%
 - (d) 1%
3. Advance tax will not be paid if tax payable after TDS is not more than or equal to -
 - (a) ₹ 10,000
 - (b) ₹ 15,000
 - (c) ₹ 20,000
 - (d) ₹ 25,000
4. For non-payment or short payment of advance tax -
 - (a) Interest is payable under section 234A
 - (b) Interest is payable under section 234B
 - (c) Interest is payable under section 234C
 - (d) Interest is payable under all the three sections 234A, 234B and 234C
5. For deferment of advance tax -
 - (a) Interest is payable under section 234A
 - (b) Interest is payable under section 234B
 - (c) Interest is payable under section 234C
 - (d) Interest is payable under all the three sections 234A, 234B and 234C
6. Mr. X, a resident Indian, wins ₹ 10,000 in a lottery. Which of the statement is true?
 - (a) Tax is deductible u/s 194B@30%
 - (b) Tax is deductible u/s 194B@30.9%
 - (c) No tax is deductible at source
 - (d) None of the above

7. Mr. X paid fees for professional services of ₹ 40,000 to Mr. Y, who is engaged only in the business of operation of call centre, on 15.7.2020. Tax is to be deducted by Mr. X at the rate of –
- (a) 1%
 - (b) 2%
 - (c) 10%
 - (d) 20%
8. An interior decorator has opted for presumptive taxation scheme under section 44ADA for A.Y. 2020-21. He is liable to pay advance tax –
- (a) In one instalment
 - (b) In two instalments
 - (c) In three instalments
 - (d) In four instalments
9. Mr. A, a salaried individual, pays rent of ₹ 51,000 per month to Mr. B from June, 2019. Which of the statement is true?
- (a) No tax is deductible at source since Mr. A is not liable to tax audit u/s 44AB.
 - (b) Tax is deductible at source every month@10% on rent paid to Mr. B.
 - (c) Tax is deductible at source every month@5% on rent paid to Mr. B.
 - (d) Tax is deductible at source @5% on annual rent from the rent paid for March 2019.
10. Mr. A, whose total sales is ₹ 201 lakhs, declare profit of ₹ 10 lakhs for the F.Y. 2019-20. He is liable to pay advance tax –
- (a) In one instalment
 - (b) In two instalments
 - (c) In three instalments
 - (d) In four instalments
11. 194D casts responsibility on any person to deduct TDS on insurance commission @ –
- (a) 1%
 - (b) 2%
 - (c) 5%
 - (d) 10%
12. James Watt, a Non-Resident paid ₹21,000 to Neelima a resident as commission for purpose of soliciting insurance business for him. TDS will be deducted under which Sec and rate of deduction–
- (a) 194H, 5%
 - (b) 194C, 1%
 - (c) 194D, 5%
 - (d) 194J, 10%
13. Tax under Sec 194D has to be deducted at source only if amount of such insurance commission paid during the FY to the account of payee exceeds–
- (a) 5,000
 - (b) 10,000
 - (c) 15,000
 - (d) 30,000

14. Sec 194DA requires deduction of TDS for-
- (a) Payment of commission
 - (b) Payment of insurance commission
 - (c) Payment of LIC maturity proceeds is not exempt u/s 10(10D)
 - (d) Payment for purchase of immovable property
15. Rate of deduction of TDS for payment of LIC maturity proceeds-
- (a) 1%
 - (b) 5%
 - (c) 2%
 - (d) 10%
16. Mr. Bahubali, a resident is due to receive ₹3,25,000 on 31/03/20 on LIC policy taken on 31/03/12 for which sum assured is ₹3,00,000 and annual premium is ₹55,000. How much TDS is required to be deducted-?
- (a) 3,250
 - (b) NIL
 - (c) 16,250
 - (d) 32,500
17. Mr. Justin Bieber came for a concert in India organized by White Fox and he was paid ₹90,00,000 on 06/07/19. How much TDS is required to be deducted on payment made to Mr. Justin Bieber and under which section-
- (a) Sec 194J, 10%
 - (b) Sec 194C, 1%
 - (c) Sec 194E, 20.8%
 - (d) Sec 194H, 5%
18. RM and Company is not required to get his accounts audited in Previous Year 18-19. He made a payment of ₹6,00,000 to Ricky Pointing (an Australian cricketer). TDS rate u/s 194E will be-
- (a) 0%
 - (b) 5%
 - (c) 10%
 - (d) 20.8%
19. Threshold limit of deduction of TDS of Non-Resident sportsperson u/s 194E by a resident payer is-
- (a) No limit
 - (b) Exceeding ₹ 30,000
 - (c) Exceeding ₹1,80,000
 - (d) Exceeding ₹1,50,000
20. Who is required to deduct TDS on payment of commission u/s 194H
- (a) Partnership firm
 - (b) Company
 - (c) Individual/HUF who is required to get his accounts audited in Last PY
 - (d) All of the above

21. No deduction u/s 194H i.e. TDS on commission is required if the amount of such income does not exceed ____ during FY
- (a) 10,000
 - (b) 5,000
 - (c) 15,000
 - (d) 20,000
22. TDS @ ____ is attracted on payments made by television channels to the advertising agency for booking or procuring of or canvassing for advertisements u/s 194H
- (a) No TDS
 - (b) 10%
 - (c) 5%
 - (d) 20%
23. Rate of tax to be deducted u/s 194A i.e. TDS on payment of interest is-
- (a) 1%
 - (b) 5%
 - (c) 10%
 - (d) 20%
24. Bharti Ltd., bank paid ₹7,000 interest on time deposits to Mr. Sanjay. TDS to be deducted by bank u/s 194A is-
- (a) 700
 - (b) 70
 - (c) No TDS
 - (d) 350
25. Bharti Ltd., bank paid ₹45,000 interest on time deposits to Mr. Sanjay, aged 65 years. TDS to be deducted by bank u/s 194A is-
- (a) 3,500
 - (b) 350
 - (c) No TDS
 - (d) 1,750
26. Banks paid ₹55,000 as savings bank interest to Mr. Neil aged 35 years. TDS required to be deducted by bank u/s 194A is-
- (a) 1,500
 - (b) 1,000
 - (c) No TDS
 - (d) 750
27. ABC Partnership Firm gave interest of ₹25,000 to each of its partners A, B and C. TDS required to be deposited by ABC Partnership Firm u/s 194A will be-
- (a) 7,500
 - (b) 2,500
 - (c) No TDS
 - (d) 3,750

28. Interest on income tax refund received by BB Resident of ₹12,000 from Central Government. TDS required to be deducted by CG will be-
- (a) 1,200
 - (b) 700
 - (c) No TDS
 - (d) 600
29. Mr. Jhunjhunwala has taken a loan on LIC policy from LIC of ₹1,50,000 on 29/03/19. Mr. Jhunjhunwala paid ₹15,000 as interest to LIC on 31/03/19. Mr. Jhunjhunwala is required to get his books audited in Previous Year 18-19. TDS to be deducted by him u/s 194A will be-
- (a) 1,500
 - (b) 750
 - (c) No TDS
 - (d) 1,000
30. Sec 194B i.e. TDS on winnings from lotteries, crossword puzzles and horse races will be applicable when payer is _____ and payee is _____
- (a) Any person, resident
 - (b) Resident, any person
 - (c) Resident, resident
 - (d) Any person, any person
31. Mr. Akshay Kumar (Resident), won ₹10,000 from KBC. TDS required to be deducted from Mr. Akshay Kumar u/s 194B will be _____
- (a) 1,000
 - (b) 500
 - (c) No TDS
 - (d) 600
32. Sec 194C i.e. TDS on payment to contractors and sub contractors shall be applicable when payer is _____ and payee is _____
- (a) Any person, resident
 - (b) Resident, resident
 - (c) Any person, any person
 - (d) Resident, any person
33. Individual will deduct TDS only if its accounts are audited in the preceding Previous Year (T/o > 1 Crore or GR > 50 Lakhs). This criterion is applicable for deduction of TDS under which section?
- (a) 194A
 - (b) 194C
 - (c) 194H
 - (d) All of the above.

34. In which of the following situation, TDS is not required to be deducted on payment to contractors under sec 194C
- (a) Payment made by individuals/ HUF to a contractor exclusively for personal purpose
 - (b) If single payment is up to ₹30,000
 - (c) If aggregate payment is up to ₹1,00,000
 - (d) All of the above
35. Rate of TDS u/s 194C on payment to contractors would be ____% where the payee is an individual/ HUF and ____% in respect of other payees.
- (a) 2, 1
 - (b) 1, 1
 - (c) 1, 2
 - (d) 2, 2
36. No deduction is required to be made u/s 194-I where the amount of such income paid during the FY to the account of the payee does not exceed ____
- (a) 2,00,000
 - (b) 2,40,000
 - (c) 1,90,000
 - (d) 2,50,000
37. Sec 194-IA i.e. TDS on payment for immovable property is not applicable to ____
- (a) Residential flat
 - (b) Rural Agricultural land
 - (c) Industrial building
 - (d) Vacant land
38. U/s 194-IA i.e. TDS on payment for transfer of certain immovable property other than agricultural land, transferor should be ____ and transferee should be ____
- (a) Any person, any person
 - (b) Resident, any person
 - (c) Resident, resident
 - (d) Any person, resident
39. Rate of TDS u/s 194-IA is ____
- (a) 1%
 - (b) 2%
 - (c) 10%
 - (d) 20%
40. Due dates of advance tax for non-corporate assesseees are-
- (a) 15th June, 15th September, 15th December, 15th March
 - (b) 15th September, 15th December, 15th March
 - (c) 30th June, 30th September, 31st December, 31st March
 - (d) 30th September, 31st December, 31st March

41. How much % of advance tax needs to be paid for each installment-
- (a) 15, 45, 75, 100
 - (b) 15, 30, 60, 100
 - (c) 30, 45, 75, 100
 - (d) 30, 60, 90, 100
42. Under Sec 234C, interest will not be leviable if second installment is paid up to ____ % of assessed tax
- (a) 15%
 - (b) 36%
 - (c) 45%
 - (d) 75%
43. If third installment of advance tax is not paid within specified period, interest will be calculated for ____ months
- (a) 1
 - (b) 2
 - (c) 3
 - (d) 4
44. If fourth installment of advance tax is not paid within the specified time period, interest will be calculated for ____ months
- (a) 1
 - (b) 2
 - (c) 3
 - (d) 4
45. Advance tax installment date for assessee declaring income as per Sec 44AD is-
- (a) 15th March
 - (b) 31st March
 - (c) 15th December, 15th March
 - (d) 31st December, 31st March
46. Mr. A whose total income in FY 19-20 is ₹4,95,000 is required to file return for FY 19-20 but filed the return on 02/02/21. Late fees payable by him u/s 234F will be-
- (a) 1,000
 - (b) 5,000
 - (c) 10,000
 - (d) 7,000
47. In case of clubbing, refund can be claimed by-
- (a) Person whose income is included in another person's account
 - (b) Person in whose income another person's income is included
 - (c) Any of the above
 - (d) Both of them

48. For deducting TDS u/s 192, employer will consider which of the following -

- (a) Salary income
- (b) Particulars of other income
- (c) Particulars of loss under the head income from house property
- (d) All of the above

49. If employee makes withdrawal before continuous service of ____ years from Recognised Provident Fund, withdrawal will be subject to taxation and employee will not enjoy the benefit of exemption-

- (a) 9
- (b) 7
- (c) 12
- (d) 5

50. Mr. Pizza is an employee of Dominos Company Ltd. since 05/06/16. He resigned on 31/03/20 and withdrew ₹45,000 being balance in his EPF account. Calculate the amount of TDS required to be deducted by trustee of EPF account u/s 192A-

- (a) Nil
- (b) 4,500
- (c) 2,250
- (d) 5,000

51. U/s 192A i.e. deduction of TDS on premature taxable withdrawal from EPF, TDS @ ____ is deducted when employee does not furnish PAN-

- (a) 10%
- (b) 20%
- (c) Maximum marginal rate
- (d) Slab rate

52. Mr. Roti purchased 7.75% Savings (taxable) Bonds, 2018 on 01/04/19 and received interest of ₹8,000 on these bonds. TDS of Mr. Roti required to be deducted for FY 19-20 u/s 193 is-

- (a) Nil
- (b) 800
- (c) 400
- (d) 200

53. Mr. Paschim Bangal is engaged in the business of hiring goods carriage and owned 6 carriages during FY 19-20. He received ₹45,000 from Narmada Pvt Ltd for hiring of goods carriage. He furnished his declaration along with his PAN to Narmada Pvt. Ltd. TDS required to be deducted u/s 194C will be-

- (a) Nil
- (b) 450
- (c) 900
- (d) 4,500

54. Broadcaster had made payment for acquisition of broadcasting/telecasting rights of content already produced by production house. Whether Sec 194C is applicable i.e. whether broadcaster is required to deduct TDS u/s 194C i.e. TDS on contractor of production house-
- (a) Yes
 - (b) No
 - (c) Partly yes, partly no
 - (d) None of the above
55. Sec 194-IB i.e. TDS on payment of rent casts responsibility on ____ to deduct TDS on payment of rent to ____
- (a) Any person, any person
 - (b) Individual/HUF, resident person
 - (c) Resident Individual/HUF, resident person
 - (d) Individual/HUF, any person
56. Rate of TDS u/s 194-IB i.e. TDS on payment of rent will be @-
- (a) 5%
 - (b) 10%
 - (c) Slab rate
 - (d) 20%
57. U/S 194IB i.e. TDS on payment of rent by Individual/HUF who is not required to get its accounts audited, tax has to be deducted at source only if the amount of such rent exceeds ₹ ____ for month or part of the month-
- (a) 10,000
 - (b) 5,000
 - (c) 25,000
 - (d) 50,000
58. Mr. Sunil Agarwal paid rent of ₹7,20,000 i.e. ₹60,000 per month for the FY 19-20. Mr. Sunil is not required to get his accounts audited u/s 44AB in Previous Year 18-19. Is Mr. Sunil required to deduct TDS? If yes, state the amount-
- (a) No
 - (b) Yes, ₹72,000
 - (c) Yes, ₹36,000
 - (d) Yes, ₹14,400
59. Sec 194IB requires deduction of TDS on payment of rent for-
- (a) Land/building
 - (b) Furniture
 - (c) Machinery
 - (d) All of the above
60. Sec 194IC casts responsibility on any person responsible for paying to a resident, any sum by way of consideration under specified agreement u/s 45(5A) to deduct income tax at the rate of-
- (a) 5%
 - (b) 10%
 - (c) Slab rate 20%

61. U/S 194J i.e. TDS on payment of professional services or technical services, if the payee is engaged in the business of operation of call centre, the tax shall be deducted @-
- (a) 1%
 - (b) 2%
 - (c) 5%
 - (d) 10%
62. Sec 194J is applicable for deduction of TDS on payment of-
- (a) Fees for professional services
 - (b) Fees for technical services
 - (c) Royalty
 - (d) Both (a) and (b)
 - (e) All of the above
63. XYZ Ltd. makes a payment of ₹28,000 to Mr. Ganesh on 02/08/19 towards fees for professional service and another payment of ₹25,000 to him on the same date towards fees for technical services. TDS u/s 194J will be-
- (a) Nil
 - (b) 5,300
 - (c) 1,060
 - (d) 2,650
64. In which of the following conditions, TDS u/s 194J will not be applicable-
- (a) If payment is made by Individual/HUF by way of fees for professional services for personal purposes
 - (b) If payment is made by Individual/HUF whose turnover in Previous Year 17-18 is ₹90,00,000
 - (c) If payment doesn't exceed ₹30,000
 - (d) All of the above
65. Rate of TDS u/s 194LA i.e. TDS on payment of compensation on acquisition of certain immovable property is @____
- (a) 5%
 - (b) 10%
 - (c) Slab rate
 - (d) Rates in force
66. Sec 194LA requires deduction of TDS on payment of compensation on acquisition of-
- (a) Furniture
 - (b) Movable property
 - (c) Immovable property
 - (d) All of the above
67. Central Government compulsorily acquired immovable property of Mr. Notes and paid ₹1,70,000 to him. TDs required to be deducted u/s 194LA is _____
- (a) Nil
 - (b) 17,000
 - (c) 8,500
 - (d) 1,700

68. Partnership firm paid a rent of ₹2,70,000 to Miss Goenka for Building taken on rent. Miss Goenka furnishes declaration in writing in duplicate to partnership firm that tax on her estimated total income of Previous Year in which such income is to be included in computing her total income is Nil because after deduction under chapter VI-A Total income is 2,40,000. TDS required to be deducted u/s 194-I by partnership firm will be
- (a) Nil
 - (b) 4,400
 - (c) 27,000
 - (d) 2,200
69. Due date of payment of TDS is
- (a) 6th of next month
 - (b) 7th of next month
 - (c) 8th of next month
 - (d) 9th of next month
70. Due date of payment of TDS for the month of March is
- (a) 7th April
 - (b) 10th April
 - (c) 15th April
 - (d) 30th April
71. Due date for filing TDS returns for the quarter ending 31st December is
- (a) 7th Jan
 - (b) 15th Jan
 - (c) 31st Jan
 - (d) 15th Feb
72. Due date for filing TDS returns for the quarter ending 31st March is
- (a) 15th April
 - (b) 30th April
 - (c) 15th May
 - (d) 31st May
73. Interest @__ is leviable per month or part of the month when TDS is deducted but not paid i.e. from the date on which tax was deducted to the date on which such tax is actually paid
- (a) 0.5%
 - (b) 1%
 - (c) 1.5%
 - (d) 2%
74. Non-furnishing of PAN by deductee in case of income by way of winnings from lottery, card games etc. would result in tax being deducted @____
- (a) 20%
 - (b) 30%
 - (c) Rates in force
 - (d) 40%

Solutions							
1	A	2	A	3	A	4	B
5	C	6	C	7	B	8	A
9	D	10	D	11	C	12	C
13	C	14	C	15	A	16	B
17	C	18	D	19	A	20	D
21	C	22	A	23	C	24	C
25	C	26	C	27	C	28	C
29	C	30	D	31	C	32	A
33	D	34	D	35	C	36	B
37	B	38	B	39	A	40	A
41	A	42	B	43	C	44	A
45	A	46	A	47	B	48	D
49	D	50	A	51	C	52	A
53	A	54	B	55	B	56	A
57	D	58	C	59	A	60	B
61	B	62	E	63	A	64	D
65	B	66	C	67	A	68	C
69	B	70	D	71	C	72	D
73	C	74	B				

Provision of Return Filing & Self-Assessment

Question 1

Explain with brief reasons whether the return of income can be revised under section 139(5) of the Income-tax Act, 1961 in the following cases:

- (i) Belated return filed under section 139(4).
- (ii) Return already revised once under section 139(5).
- (iii) Return of loss filed under section 139(3).

Solution

Any person who has furnished a return under section 139(1) or 139(4) can file a revised return at any time before the end of the relevant assessment year or before the completion of assessment, whichever is earlier, if he discovers any omission or any wrong statement in the return filed earlier. Accordingly,

- (i) A belated return filed under section 139(4) can be revised.
- (ii) A return revised earlier can be revised again as the first revised return replaces the original return. Therefore, if the assessee discovers any omission or wrong statement in such a revised return, he can furnish a second revised return within the prescribed time i.e. within the end of the relevant assessment year or before the completion of assessment, whichever is earlier.
- (iii) A return of loss filed under section 139(3) is deemed to be return filed under section 139(1), and therefore, can be revised under section 139(5).

Question 2

Mrs. Hetal, an individual engaged in the business of Beauty Parlour, has got her books of account for the Financial year ended on 31st March, 2020 audited under section 44AB. Her total income for the assessment year 2020-21 is ₹ 3,35,000. She wants to furnish her return of income for assessment year 2020-21 through a tax return preparer. Can she do so?

Solution

Section 139B provides a scheme for submission of return of income for any assessment year through a tax return preparer. However, it is not applicable to persons whose books of account are required to be audited under section 44AB. Therefore, Mrs. Hetal cannot furnish her return of income for A.Y.2019-20 through a tax return preparer.

Question 3

State with reasons whether you agree or disagree with the following statements:

- (a) Return of income of Limited Liability Partnership (LLP) could be verified by any partner.
- (b) Time limit for filing return under section 139(1) in the case of Mr. A having total turnover of ₹ 160 lakhs for the year ended 31.03.2020, whether or not opting to offer presumptive income under section 44AD, is 30th September 2020.

Question 4

Mr. Vineet submits his return of income on 12-09-2020 for A.Y 2020-21 consisting of income under the head salaries, "Income from house property" and bank interest. On 21-01-2021, he realized that he had not claimed deduction under section 80TTA in respect of his interest income on the Savings Bank Account. He wants to revise his return of income. Can he do so? Examine. Would your answer be different if he discovered this omission on 21-04-2021?

Question 5

Explain the term "return of loss" under the Income-tax Act, 1961. Can any loss be carried forward even if return of loss has not been filed as required?

MCQ's

1. Akash, who is 32 years old, has long-term capital gains on transfer of equity shares of ₹ 25,000 which is exempt under section 112A and deduction of ₹ 80,000 under section 80C. He has to file a return of income for A.Y.2020-21, only if his total income exceeds -
 - (a) ₹ 1,70,000
 - (b) ₹ 1,45,000
 - (c) ₹ 1,50,000
 - (d) ₹ 2,50,000
2. The due date for filing of a return of income for a company for Assessment Year 2020-21 is -
 - (a) 31st July, 2020
 - (b) 30th September, 2020
 - (c) 31st October, 2020
 - (d) 31st August, 2020
3. For filing returns of income in respect of various entities, the Income-tax Act, 1961 has prescribed -
 - (a) One due date
 - (b) Two due dates
 - (c) Three due dates
 - (d) Four due dates
4. The return of a company has to be verified by -
 - (a) The Managing Director or Director
 - (b) The General Manager
 - (c) The Secretary
 - (d) The Manager
5. An assessee can file a revised return of income at any time before the completion of assessment or before expiry of the following period, whichever is earlier -
 - (a) one year from the end of the relevant assessment year
 - (b) two years from the end of the relevant assessment year
 - (c) six months from the end of the relevant assessment year
 - (d) end of the relevant assessment year
6. As per section 139(1), filing of returns is compulsory irrespective of whether profit is earned or loss is incurred, in case of -
 - (a) Companies only
 - (b) Firms only
 - (c) Both companies and firms
 - (d) All assesses

7. Mr. X has a total income of ₹ 7 lakhs for A.Y. 2020-21. He files his return of income for A.Y. 2020-21 on 13th January, 2021. He is liable to pay fee of–
- (a) ₹ 1,000 under section 234F
 - (b) ₹ 5,000 under section 234F
 - (c) ₹ 10,000 under section 234F
 - (d) Not liable to pay any fee
8. Mr. Y has a total income of ₹ 4,50,000 for A.Y. 2020-21. He furnishes his return of income for A.Y. 2020-21 on 2nd December, 2020. He is liable to pay fee of–
- (a) ₹ 1,000 under section 234F
 - (b) ₹ 5,000 under section 234F
 - (c) ₹ 10,000 under section 234F
 - (d) Not liable to pay any fee
9. Mr. Z, a salaried individual, has a total income of ₹ 8 lakhs for A.Y. 2020-21. He furnishes his return of income for A.Y. 2020-21 on 28th August, 2020. He is liable to pay fee of–
- (a) ₹ 1,000 under section 234F
 - (b) ₹ 5,000 under section 234F
 - (c) ₹ 10,000 under section 234F
 - (d) Not liable to pay any fee
10. The due date of filing of return for a company with a business loss of ₹ 1,30,000 for A.Y. 2020-21 is–
- (a) 31st July, 2020
 - (b) 30th September, 2020
 - (c) 31st October, 2020
 - (d) 31st August, 2020
11. Who is compulsorily required to file returns?
- (a) Individual whose total income is ₹3,50,000
 - (b) Company
 - (c) Partnership firm
 - (d) All of the above
12. Mr. A aged 26 years is a working partner in a partnership firm which is liable for tax audit. His gross total income is ₹2,45,000. Partnership firm has a bank account in Switzerland for which Mr. A has signing authority. When is Mr. A required to file his return of income?
- (a) Not required to file
 - (b) 31st July
 - (c) 30th September
 - (d) 30th November

13. Miss Alia Bhatt is confused whether she is supposed to file her return of income or not. She asks you as a CA to tell her what needs to be considered by her for determining eligibility of filing of return of income.
- (a) Her age
 - (b) Her Gross Total Income
 - (c) Her Net total income
 - (d) Nothing
14. Every person carrying on any business or profession whose total sales, turnover exceeds ₹_____ is required to have PAN
- (a) 2,00,000
 - (b) 5,00,000
 - (c) 10,00,000
 - (d) 15,00,000
15. Quoting of PAN is mandatory in which of the following cases?
- (a) Sale or purchase of motor vehicle (except 2 wheeler)
 - (b) Opening an account with a banking company
 - (c) Opening a Demat account
 - (d) All of the above
16. When a payment is made to a mutual fund exceeding ₹_____ in cash, quoting of PAN is required
- (a) 20,000
 - (b) 30,000
 - (c) 45,000
 - (d) 50,000
17. When a payment is made for sale or purchase of any immovable property of an amount exceeding ₹_____, quoting of PAN is mandatory
- (a) 5,00,000
 - (b) 10,00,000
 - (c) 15,00,000
 - (d) 20,00,000
18. Every person is required to mandatorily quote Aadhar Card in _____
- (a) PAN application
 - (b) Return of income
 - (c) Both (a) and (b)
 - (d) None of the above
19. Quoting of Aadhar Number would not apply to which of the following individuals-
- (a) Individual residing in the State of Assam
 - (b) Individual is a non-resident
 - (c) Individual aged 80 years or more at any time during the PY
 - (d) Individual not being a citizen of India
 - (e) All of the above

20. Can a Chartered Accountant be a Tax Return Preparer?

(a) Yes

(b) No

21. Who among the following will verify the return of the company?

(a) Founder of the company

(b) Managing director

(c) Senior most employee

(d) Company itself

Solutions							
1	A	2	B	3	C	4	A
5	D	6	C	7	C	8	A
9	B	10	B	11	D	12	C
13	B	14	B	15	D	16	D
17	B	18	C	19	E	20	B
21	B						

**MCQ's issued by
ICAI**

Paper 4A: Income-tax Law (New Course)

Part 1

1. Mr. Karan filed his return of income for A.Y.2020-21 showing total income of ₹7 lakhs on 1.1.2021. The fee payable by him under section 234F is –
 - (a) Nil
 - (b) ₹1,000
 - (c) ₹5,000
 - (d) ₹10,000
2. Mr. Arjun, aged 53 years, has a total income of ₹51 lakhs for A.Y.2020-21. His total income comprises of salary, income from house property and interest on savings bank account. His tax liability for A.Y.2020-21 would be –
 - (a) ₹13,96,200
 - (b) ₹14,82,000
 - (c) ₹15,35,820
 - (d) ₹14,69,000
3. Mr. Aarav gifted a house property valued at ₹50 lakhs to his wife, Geetha, who in turn has gifted the same to her daughter-in-law Deepa. The house was let out at ₹25,000 per month throughout the P.Y.2019-20. Compute income from house property for A.Y.2020-21. In whose hands is the income from house property chargeable to tax?
 - (a) ₹3,00,000 in the hands of Mr. Aarav
 - (b) ₹2,10,000 in the hands of Mr. Aarav
 - (c) ₹2,10,000 in the hands of Geetha
 - (d) ₹2,10,000 in the hands of Deepa
4. Rajan, a resident Indian, has incurred ₹15,000 for medical treatment his dependent brother, who is a person with severe disability and has deposited ₹20,000 with LIC for his maintenance. For A.Y.2020-21, Rajan would be eligible for deduction under section 80DD of an amount equal to –
 - (a) ₹15,000
 - (b) ₹35,000
 - (c) ₹75,000
 - (d) ₹1,25,000
5. Mr. Harini earned income of ₹4,00,000 from sale of tea grown and manufactured in Shimla. Income from sapling and seedling grown in nursery at Cochin is ₹80,000. The basic operations were not carried out by her on land. Her agricultural income is
 - (a) ₹4,80,000
 - (b) ₹4,00,000
 - (c) ₹2,40,000
 - (d) ₹3,20,000

6. ₹2 lakh is paid to Mr. Vallish, a resident individual on 15.3.2020 by the State of Haryana on compulsory acquisition of his urban agricultural land.
- (a) No tax is deductible at source
 - (b) Tax is deductible@ 1%
 - (c) Tax is deductible@ 5%
 - (d) Tax is deductible@ 10%
7. Which of the following statements is not true with respect to the A.Y. 2020-21:
- (a) No exemption under section 80TTA would be available to resident senior citizens
 - (b) Share of profit will not be exempt in the hands of partner, if firm claims exemption of income under section 10AA
 - (c) Exemption will be available in respect of STT paid long term capital gains of ₹90,000 on listed equity shares
 - (d) Exemption under section 10(32) on income of minor child is allowed for more than two children also
8. Mr. Prem earned income of ₹22 lakhs from manufacture and sale of coffee grown, cured, roasted and grounded by him in India. The business income chargeable to tax in his hands would be –
- (a) ₹8,80,000
 - (b) ₹5,50,000
 - (c) ₹13,20,000
 - (d) ₹16,50,000
9. Mr. Ramanan, a resident aged 40 years, has a total income of ₹3,25,000 for A.Y.2020-21, comprising of his salary income and income from house property. His tax liability for A.Y.2020-21 would be –
- (a) ₹3,900
 - (b) ₹1,300
 - (c) ₹2,600
 - (d) Nil
10. Mr. Shaleen, a businessman, whose total income (before allowing deduction under section 80GG) for A.Y.2020-21 is ₹4,60,000, paid house rent at ₹12,000 p.m. in respect of residential accommodation occupied by him at Chennai. The deduction allowable to him under section 80GG for A.Y.2020-21 is
- (a) ₹98,000
 - (b) ₹1,15,000
 - (c) ₹60,000
 - (d) ₹24,000
11. Mr. Shiva made a donation of ₹50,000 to National Children's Fund and ₹20,000 to Rajiv Gandhi Foundation by cheque. He made a cash donation of ₹10,000 to a public charitable trust. The deduction allowable to him under section 80G for A.Y.2020-21 is
- (a) ₹80,000
 - (b) ₹70,000
 - (c) ₹60,000
 - (d) ₹35,000

12. Who can verify the return of income of a non-resident company?
- (a) Managing Director of the company
 - (b) Any director of the company
 - (c) Both (a) and (b)
 - (d) A person who holds a valid power of attorney from such company to do so
13. Which of the following returns can be revised under section 139(5)?
- (a) Only a return of income filed u/s 139(1)
 - (b) A return of income filed u/s 139(1) or a belated return filed u/s 139(4)
 - (c) A return of income filed u/s 139(1) or a return of loss filed u/s 139(3)
 - (d) A return filed u/s 139(1) or u/s 139(3) or u/s 139(4)
14. A registered firm pays salary and interest on capital to its resident partners. The salary and interest paid fall within the limits specified in section 40(b). Which of the following statements is true?
- (a) Tax has to be deducted u/s 192 on salary and u/s 194A on interest
 - (b) Tax has to be deducted u/s 192 on salary but no tax needs to be deducted on interest
 - (c) No tax has to be deducted on salary but tax has to be deducted u/s 194A on interest
 - (d) No tax has to be deducted at source on either salary or interest
15. ABC Ltd. wants 400 customized backpacks which will be distributed by the company to its employees on the annual event. ABC Ltd. hires a local vendor for this task and ABC Ltd. informs the local vendor about its specifications for the backpacks. The local vendor procures its own raw material and supplies the required backpacks to the Company. He charges ₹1,00,000 for the backpacks from ABC Ltd. While making payment to the vendor, at what rate ABC Ltd. is required to deduct tax at source?
- (a) 1%
 - (b) 2%
 - (c) 10%
 - (d) No tax is required to be deducted at source.
16. For the purposes of computing exemption under section 10(10), in case of Mr. Anand, an employee of ABC Ltd., who is covered by the Payment of Gratuity Act, 1972, "salary" includes –
- (a) only basic pay
 - (b) basic pay and dearness allowance, if provided in the terms of employment
 - (c) basic pay and dearness allowance
 - (d) basic pay, dearness allowance and commission as a fixed percentage of turnover
17. Provision of rent free accommodation and motor car owned by Beta Ltd. to its employee Mr. Anand, where motor car is allowed to be used by Mr. Anand both for official and personal purposes, is a –
- (a) perquisite taxable in case of all employees
 - (b) perquisite taxable only in case of specified employees
 - (c) perquisite of rent free accommodation is taxable in case of all employees whereas perquisite of motor car is taxable only in case of specified employees
 - (d) perquisite of rent free accommodation is taxable only in case of specified employees whereas perquisite of motor car is taxable in case of all employees

18. In respect of loss from house property, which of the following statements are correct?
- (a) While computing income from any house property, the maximum interest deduction allowable under section 24 is ₹2 lakhs
 - (b) Loss from house property relating to a particular year can be set-off against income under any other head during that year only to the extent of ₹2 lakhs
 - (c) The loss in excess of ₹2 lakh, which is not set-off during the year, can be carried forward for set-off against any head of income in the succeeding year(s)
 - (d) All of the above
19. Mr. Ravi incurred loss of ₹4 lakh in the P.Y.2019-20 in retail trade business. Against which of the following incomes earned during the same year, can he set-off such loss?
- (a) Profit of ₹1 lakh from wholesale cloth business
 - (b) long-term capital gains of ₹1.50 lakhs on sale of land
 - (c) speculative business income of ₹40,000
 - (d) All of the above
20. Mr. Harish, aged 40 years, earned income of ₹15,000 during P.Y. 2019-20 from post office savings bank account. What portion of such income would be ultimately included in his total income?
- (a) ₹15,000
 - (b) ₹5,000
 - (c) ₹1,500
 - (d) Nil
21. A member of parliament is entitled to salary, constituency allowance and daily allowance when the Parliament is in session. Which of the following statements are correct?
- (a) His entire income is taxable under the head "Salaries"
 - (b) Only his salary component is taxable under the head "Salaries". Constituency allowance and daily allowance are exempt.
 - (c) Only his salary component is taxable under the head "Income from other sources". Constituency allowance and daily allowance are exempt
 - (d) His salary component and constituency allowance is taxable under the head "Income from other sources". Daily allowance is exempt.
22. Mr. Devansh has agricultural income of ₹2,30,000 and business income of ₹2,45,000. Which of the following statements are correct?
- (a) Agricultural income has to be aggregated with business income for tax rate purposes.
 - (b) No aggregation is required since agricultural income is less than basic exemption limit.
 - (c) No aggregation is required since business income is less than basic exemption limit.
 - (d) Agricultural income is exempt under section 10(1) but the same has to be aggregated with business income, since it exceeds ₹5,000.

23. Mr. Arvind gifted a house property to his wife, Ms. Meena and a flat to his daughter-in law, Ms. Seetha. Both of the properties were let out. Which of the following statements are correct?
- (a) Income from both properties is to be included in the hands of Mr. Arvind by virtue of section 64.
 - (b) Income from property gifted to wife alone is to be included in Mr. Arvind's hands by virtue of section 64.
 - (c) Mr. Arvind is the deemed owner of house property gifted to Ms. Meena and Ms. Seetha.
 - (d) Mr. Arvind is the deemed owner of property gifted to Ms. Meena. Income from property gifted to Ms. Seetha would be included in his hands by virtue of section 64.
24. The benefit of payment of advance tax in one installment on or before 15th March is available to assessee computing profits on presumptive basis –
- (a) under section 44AD
 - (b) under section 44AD and 44ADA
 - (c) under section 44AD and 44AE
 - (d) under section 44AD, 44ADA and 44AE
25. M/S Mohan & Sons paid ₹35,000 to Mr. Goel on 01.05.2019 towards fee for legal advisory services without deduction of tax at source. Another payment of ₹47,000 was due to Mr. Goel on 31.07.2019 and TDS on entire amount (i.e. ₹35,000 plus ₹47,000) was deducted and then the net amount was paid. However, the total tax deducted was deposited on 15.11.2019. The interest chargeable under section 201(1A) will be:
- (a) ₹650
 - (b) ₹433
 - (c) ₹486
 - (d) ₹597
26. Jenny has invested in debt securities of Haryali Pvt. Ltd., a company deriving its main source of income from business of growing and processing organic vegetables and fruits. Thus, the company has 80% of income exempt as agricultural income and 20% is taxable as business income. During the P.Y. 2019-20, Jenny derived ₹5,000 as interest income from the above investments. Which of the following statements are correct on taxability:
- (a) Interest will be exempt from tax to the extent of 80% , since Haryali Pvt. Ltd has 80% exempted income.
 - (b) Interest will be exempt from tax to the extent of 20% , since Haryali Pvt. Ltd has claimed 80% of income as exempt.
 - (c) Interest will be fully taxable
 - (d) Interest will be fully exempt
27. Virat, runs a business of manufacturing of shoes in P.Y. 2017-18. During the P.Y. 2017-18 and P.Y. 2018-19, Virat had incurred business losses. For P.Y. 2019-20, he earned business profit (computed) of ₹3 lakhs. Considering he may/may not has sufficient business income to set off his earlier losses, which of the following order of set off shall be considered:
- (He does not income from any other source)
- (a) First adjustment for loss of P.Y. 2017-18, then loss for P.Y. 2018-19 and then unabsorbed depreciation, if any, income is available for adjustment.
 - (b) First adjustment for loss of P.Y. 2018-19, then loss for P.Y. 2017-18 and then unabsorbed depreciation, if any, income is available for adjustment.

- (c) First adjustment for unabsorbed depreciation, then loss of P.Y. 2018-19 and then loss for P.Y. 2017-18, if any, income is available for adjustment
 - (d) First adjustment for unabsorbed depreciation, then loss of P.Y. 2017-18 and then loss for P.Y. 2018-19, if any, income is available for adjustment
28. Mr. Kishore celebrated his 50th marriage anniversary. On this occasion, his wife received a diamond necklace worth ₹5,00,000 from Kishore's brother. Kishore's son gifted him a luxurious car worth ₹15,00,000, His grandchildren gifted them a new furniture set worth ₹3,00,000. Also, he received cash gifts from his friends amounting collectively to ₹80,000. Which of them the following statements stand true on taxability.
- (a) Neither Mr. Kishore nor Mrs. Kishore will be liable for tax for any gifts since they have been received on occasion of marriage anniversary
 - (b) Mr. Kishore & Mrs. Kishore will jointly share the tax liability on all the gifts
 - (c) Mrs. Kishore will be liable to pay tax on diamond set and Mr. Kishore will bear tax for the cash gifts received
 - (d) Mr. Kishore will be liable for tax on cash gifts only.
29. Mr. Joe, a foreign national, working with Mint Inc., a USA company, came India during the P.Y. 2019-20 for rendering services on behalf of the employer. He wishes to claim his salary income earned during his stay in India as exempt. Which of the following conditions are NOT necessary to be fulfilled to claim such remuneration as exempt income
- (a) Mint Inc. Is not engaged in a business activity in India.
 - (b) Mr. Joe should be an overseas citizen of India
 - (c) Mr. Joe stay in India should not exceed 90 days during the P.Y. 2018-19
 - (d) Remuneration received by Mr. Joe is not liable to be deducted from Mint Inc.'s income chargeable to tax under the Act
30. Mr. Anuj, a businessman, whose total income (after allowing deduction under chapter VI-A except under section 80GG) for AY 2020-21 is ₹5,95,000. He does not own any house property and is staying in a rented accommodation in Patna for a monthly rent of ₹9,000. Deduction allowance under section 80GG for A.Y. 2020-21 is:
- (a) ₹48,500
 - (b) ₹1,48,750
 - (c) ₹60,000
 - (d) ₹1,08,000
31. Sujata, aged 16 years, received scholarship of ₹50,000 during the previous year 2018-19. Which of the following statements are true regarding taxability of such income:
- (a) Such income shall be assessed in hands of Sujata
 - (b) Such income to be included with the income of parent whose income before such clubbing is higher
 - (c) Such income is completely exempt from tax
 - (d) Such income to be clubbed with father's income

32. M/S Thakural & Sons, paid ₹11,00,000 as remuneration to its partner. The same was in accordance with partnership deed. Partners are also entitled to interest on capital @ 11% as per partnership deed. Total interest paid during the year is ₹1,30,000. The book profit before interest on capital and remuneration is ₹37,00,000. The salary allowable as deduction to M/S Thakural & Sons is:
- ₹22,62,000
 - ₹11,00,000
 - ₹23,10,000
 - ₹22,32,000
33. Mr. Warner, an Indian citizen and a Government employee, left India for the first time on 31.01.2019 on account of his transfer to High Commission in United Kingdom. During P.Y. 2019-20, he visited India only for a week on occasion of his brother marriage. During F.Y. 2019-20, his income composition includes salary, foreign allowances, rent from property in Singapore and interest earned from fixed deposits maintained with SBI. His taxable income for P.Y. 2019-20 will include:
- All of them, since Mr. Warner is a resident in India, hence his global income will be taxable
 - Only interest earned from fixed deposits maintained in India
 - No income shall be taxable since Mr. Warner is a non-resident in India for P.Y. 2019-20
 - Salary and interest income of fixed deposits with SBI
34. Ashok took possession of property on 31st August 2019 booked by him three years back at ₹25 lakhs, The Stamp Duty Value (SDV) of the property as on 31st August 2019 was ₹31 lakh and on date of booking it was ₹29 lakh. He had paid ₹2 lakh by A/c payee cheque as down payment on date of booking. Which of the following will be considered as income, if any, and in which previous year
- ₹4 lakhs in P.Y. 2019-20
 - ₹4 lakhs in P.Y. 2016-17
 - ₹6 lakhs in P.Y. 2019-20
 - No income shall be taxable, since down payment was paid by A/c cheque while booking the property

Solution							
1	(d)	11	(c)	21	(c)	31	(c)
2	(d)	12	(d)	22	(c)	32	(b)
3	(b)	13	(d)	23	(d)	33	(d)
4	(d)	14	(d)	24	(b)	34	(a)
5	(d)	15	(d)	25	(d)		
6	(a)	16	(c)	26	(c)		
7	(b)	17	(c)	27	(a)		
8	(a)	18	(b)	28	(d)		
9	(d)	19	(d)	29	(b)		
10	(c)	20	(c)	30	(a)		

Paper 4A: Income-tax Law (New Course)

Part 2

1. Which of the following benefits are not allowable to Ms. Sakshi, a non-resident, while computing her total income and tax liability for A.Y. 2020-21 under the Income-tax Act, 1961?
 - (a) Deduction of 30% of gross annual value while computing her income from house property in Bangalore
 - (b) Tax rebate of ₹2,500 from tax payable on her total income of ₹3,40,000
 - (c) Deduction for donation made by her to Prime Minister's National Relief Fund
 - (d) Deduction for interest earned by her on NRO savings account.
2. Unexhausted basic exemption limit, if any, of a non-resident for A.Y. 2020-21 can be adjusted against –
 - (a) Only LTCG taxable @20%
 - (b) Only STCG taxable @15%
 - (c) Both (a) and (b)
 - (d) Neither (a) nor (b)
3. Under the provisions of the Income-tax Act, 1961, the term "Person" would not include:
 - (a) A body corporate incorporated in a country outside India
 - (b) A Limited Liability Partnership (LLP)
 - (c) Indian branch of a foreign company
 - (d) A co-operative society
4. Which of the following incomes is not deemed to accrue or arise in India under section 9(1)(i) of the Income-tax Act, 1961?
 - (a) Income from any business connection in India
 - (b) Income through or from any property in India
 - (c) Income arising from transfer of a capital asset situate in India
 - (d) Income relating to operations which are confined to purchase of goods in India for the purpose of export
5. During the P.Y. 2019-20, Mr. Samar, a non-resident, received ₹75,00,000 on account of sale of agricultural land in Mauritius. The money was first received in Mauritius and then remitted to his Indian bank account. Is the sum taxable in India?
 - (a) No, as agricultural income is exempt u/s 10(1).
 - (b) No, as the income has accrued and arisen outside India and is also received outside India.
 - (c) Yes, since it is remitted to India in the same year.
 - (d) Yes, as agricultural income earned outside India is not exempted in India in the hands of a nonresident.

6. Gross total income of Arpita for P.Y. 2019-20 is ₹6,00,000. She had taken a loan of ₹7,20,000 in the financial year 2016-17 from a bank for her husband who is pursuing MBA course from IIM, Kolkata. On 02.04.2019, she paid the first installment of loan of ₹45,000 and interest of ₹65,000. Compute her total income for A.Y. 2020-21.
- (a) ₹6,00,000
 - (b) ₹5,35,000
 - (c) ₹4,90,000
 - (d) ₹5,55,000
7. Soumil, aged 47 years, paid medical insurance premium of ₹15,000 and ₹20,000 to insure health of himself and his spouse, respectively. He also paid medical insurance premium of ₹43,000 to insure health of his father, aged 69 years, not dependant on him. He had also incurred ₹4,000 in cash on preventive health check up of his father. Total deduction admissible under section 80D to Mr. Soumil is:
- (a) ₹55,000
 - (b) ₹29,000
 - (c) ₹68,000
 - (d) ₹72,000
8. Mr. X, a resident employee of Hindustan Company established in India, received a scholarship of ₹5,00,000 from his employer to meet the cost of education of his children. X actually spent an amount of ₹4,50,000 on education of his children. What will be the amount of income exempt in the hands of X?
- (a) Nil
 - (b) ₹4,50,000
 - (c) ₹50,000
 - (d) ₹5,00,000
9. Mr. Pulkit, aged 45 years, paid health insurance premium in lump sum of ₹90,000 for three years on 01-05-2019. Compute the amount of deduction allowable to him for A.Y. 2020-21.
- (a) ₹90,000
 - (b) ₹30,000
 - (c) ₹25,000
 - (d) Nil
10. Mr. Agarwal moved to Mumbai. He took a property on rent for his residential purpose. However, the property was not fully occupied by him. He let out the property to his friend at ₹15,000 p.m. from 01.04.2019 to 31.03.2020. Mr. Agarwal is of the view that income from subletting of property is taxable as Income from House Property. As tax advisor of Mr. Agarwal, find out whether his view is correct?
- (a) Correct, as any income from a house property is taxable under the head Income from House Property.
 - (b) Incorrect, as Mr. Agarwal is not the owner of the property let out by him. The income from subletting shall be taxable under the head Profits and Gains of Business or Profession.
 - (c) Incorrect, as Mr. Agarwal is not the owner of the property let out by him. The income from subletting shall be taxable under the head Income from other sources.
 - (d) Correct, as income from subletting of a property is directly attributable to the property itself and hence, chargeable to tax as income from house property.

11. Mr. Happy, a US citizen, came to India for an assignment from 11.01.2016 to 09.10.2016 and went back to his home country on completion of the same. He thereafter, visited India on 05.07.2018 again for an assignment, which ended on 26.05.2019. What is the latest date by which Mr. Happy should depart from India after completing the assignment so as to qualify as non-resident for P.Y. 2019-20? (Assume that he shall not be visiting India again during the year)

(a) 29-05-2019
(b) 30-05-2019
(c) 31-05-2019
(d) 28-09-2019

12. M/s PQR & Co., a firm carrying on business, furnishes the following particulars for the P.Y. 2019-20.

Particulars	₹
Book profits (before setting of unabsorbed depreciation and brought forward business loss)	2,70,000
Unabsorbed depreciation of P.Y.2013-14	1,20,000
Brought forward business loss of P.Y.2018-19	2,00,000

Compute the amount of remuneration allowable under section 40(b) from the book profit.

(a) ₹ 2,43,000
(b) ₹1,80,000
(c) ₹1,50,000
(d) Nil

13. Mr. B acquires 1000 equity shares on 01.01.2017 at ₹200. The Fair Market Value of the said shares on 31.01.2018 is ₹500. Mr. B sells the said shares on 30.04.2019 at ₹400. Calculate the amount of capital gain in the hands of Mr. B, assuming that securities transaction tax has been paid by Mr. B on acquisition and transfer of the said equity shares.

(a) Nil
(b) (-) ₹ 1,00,000
(c) ₹ 2,00,000
(d) ₹ 3,00,000

14. Mr. Dinesh owns 7 goods vehicle and declares profit on presumptive basis under section 44AE for A.Y.2020-21. He is –

(a) liable to pay advance tax in four instalments in June, September, December and March
(b) liable to pay advance tax in three instalments in September, December and March
(c) liable to pay advance tax in one instalment in March
(d) not liable to pay advance tax since he is declaring profit on presumptive basis.

15. Mr. Ravi incurred loss of ₹4 lakh in the P.Y.2019-20 in leather business. Against which of the following incomes earned during the same year, can he set-off such loss?

(i) Profit of ₹1 lakh from apparel business
(ii) Long-term capital gains of ₹2 lakhs on sale of jewellery
(iii) Salary income of ₹1 lakh Choose the correct answer.

(a) Only (i)
(b) Only (ii)
(c) Only (iii)
(d) Both (i) and (ii)

Solution					
1	(b)	6	(b)	11	(a)
2	(d)	7	(d)	12	(b)
3	(c)	8	(d)	13	(a)
4	(d)	9	(c)	14	(a)
5	(b)	10	(c)	15	(d)

Paper 4A: Income-tax Law (New Course)

Part 3

1. During the A.Y. 2019-20, Mr. A has a loss of ₹8 lakhs under the head "Income from house property" which could not be set off from any other head of income as per the provisions of section 71. The due date for filing return of income u/s 139(1) in case of Mr. A has already expired and Mr. A forgot to file his return of income within the said due date. However, Mr. A filed his belated return of income for A.Y. 2019-20. Now, while filing return of income for A.Y. 2020-21, Mr. A wishes to set off the said loss during P.Y. 2019-20. Determine whether Mr. A can claim the said set off?
 - (a) No, Mr. A cannot claim set off of loss of ₹8 lakhs during A.Y. 2020-21 as he failed to file his return of income u/s 139(1) for A.Y. 2019-20.
 - (b) Yes, Mr. A can claim set off of loss of ₹2 lakhs, out of ₹8 lakhs, from its income from house property during A.Y. 2020-21, if any, and the balance has to be carried forward to A.Y.2021-22.
 - (c) Yes, Mr. A can claim set off of loss of ₹2 lakhs, out of ₹8 lakhs, from its income from any head during A.Y. 2010-21 and the balance, if any, has to be carried forward to A.Y.2021-22.
 - (d) Yes, Mr. A can claim set off of loss of ₹8 lakhs during A.Y. 2020-21 from its income from house property, if any, and the balance has to be carried forward to A.Y.2021-22.
2. Mr. P has a house property in Delhi whose Municipal value is ₹1,00,000 and the Fair Rental Value is ₹1,20,000. The standard rent is fixed at ₹1,08,000. It was self-occupied by Mr. P from 01.04.2019 to 31.07.2019. With effect from 01.08.2019, it was let out at ₹ 10,000 per month. Compute the net annual value of the house property for A.Y. 2020-21 if the municipal taxes paid by him during the year were ₹ 20,000.
 - (a) ₹1,00,000
 - (b) ₹ 88,000
 - (c) ₹ 60,000
 - (d) ₹1,08,000
3. An assessee purchases furniture worth ₹ 80,000 on 05.09.2019 and makes the payment of ₹ 45,000 by account payee cheque and ₹ 20,000 in cash on the same date. The balance of ₹ 15,000 is paid by the assessee by bearer cheque on 06.09.2019 when the furniture is delivered in his office. Compute the amount of actual cost of furniture to the assessee.
 - (a) ₹ 45,000
 - (b) ₹ 80,000
 - (c) ₹ 60,000
 - (d) ₹ 65,000
4. Maya had bought 3,000 STT paid listed shares of a company on 25.02.2019 at ₹300 per share. The company announces and allots bonus shares in the ratio of 3:1 on 01.07.2019. After the allotment of bonus shares, the shares were sold by Maya on 10.03.2020 at ₹400 per share and STT was paid on it. Compute the amount of capital gain/loss in her hands for A.Y. 2020-21.
 - (a) Long term capital gain of ₹7,00,000.
 - (b) Long term capital gain on sale of original shares of ₹3,00,000. Short term capital gain on sale of bonus shares of ₹4,00,000.

- (c) Long term capital of ₹6,73,529.
- (d) Long term capital gain on sale of original shares of ₹2,73,529. Short term capital gain on sale of bonus shares of ₹4,00,000.
5. XYZ & Co., a partnership firm, owns a house property which is utilized by the partners for their residence. On 31.10.2019, the firm sells the property at a long-term capital gain of ₹3,50,000. Can the firm or partners claim exemption under section 54?
- (a) Yes, the firm can claim exemption u/s 54 as the firm has earned long term capital gains from the transfer of a residential house.
- (b) Yes, the partners can claim exemption u/s 54 as the property was used by them for residential purpose and the said property has been indirectly transferred by the partners only in the capacity of a firm.
- (c) Neither the firm nor the partners can claim deduction u/s 54 as the said deduction is allowed only in case of a commercial property.
- (d) The firm cannot claim deduction u/s 54 as deduction under the said section is allowed only to an individual or HUF. Further, the partners cannot claim deduction u/s 54 as the transferor in the instant case is the firm.
6. X Ltd. credits a sum of ₹45,000 as commission to Y Ltd., an Indian company on 25.06.2019 without deducting tax at source. Y Ltd. paid its entire tax liability on its income by way of advance payment of tax during P.Y. 2019-20 and filed its return of income for A.Y. 2020-21 on 15.07.2020. X Ltd. also has a certificate in Form No. 26A from a chartered accountant. Compute the amount of deduction that shall be allowed to X Ltd. in respect of the commission credited to Y Ltd. assuming that X Ltd. follows mercantile system of accounting.
- (a) ₹ 45,000
- (b) Nil
- (c) ₹ 13,500
- (d) ₹ 31,500
7. On 20.10.2019, Pihu (minor child) gets a gift of ₹20,00,000 from her father's friend. On the same day, the amount is deposited in Pihu's bank account. On the said deposit, interest of ₹13,000 was earned during the P.Y. 2019-20. In whose hands the income of Pihu shall be taxable? Also, compute the amount of income that shall be taxable.
- (a) Income of ₹20,11,500 shall be taxable in the hands of Pihu's father.
- (b) Income of ₹20,13,000 shall be taxable in the hands of Pihu's father.
- (c) Income of ₹20,11,500 shall be taxable in the hands of Pihu's father or mother, whose income before this clubbing is higher.
- (d) Income of ₹20,13,000 shall be taxable in the hands of Pihu's father or mother, whose income before this clubbing is higher.
8. A Ltd. is 100% holding company of B Ltd. A Ltd. transfers a capital asset (acquired in 2002 for ₹ 50,000) on 16.06.2019 for ₹3,70,000 to B Ltd. B Ltd. is an Indian company, while A Ltd. is a foreign company. The capital asset is transferred as stock-in-trade to B Ltd. Determine whether any capital gains shall be chargeable to tax in the instant case?
- (a) Any transfer between a holding company and 100% subsidiary company is not treated as a transfer at all. Hence, no capital gains tax liability shall arise.
- (b) Any transfer between a holding company and 100% subsidiary company is not treated as a transfer if the transferee company is an Indian company. Hence, no capital gains tax liability shall arise.

- (c) A transfer between a holding company and 100% subsidiary company is treated as a "transfer" as there is no specific exclusion in this regard. Hence, capital gains tax liability shall arise.
- (d) Any transfer between a holding company and 100% subsidiary company is not treated as a transfer if the transferee company is an Indian company. However, this rule is not applicable if the capital asset is transferred as stock-in-trade. Hence, capital gains tax liability shall arise.
9. Mr. Raj (a non-resident and aged 65 years) is a retired person, earning rental income of ₹ 40,000 per month from a property located in Delhi. He is residing in Canada. Apart from rental income, he does not have any other source of income. Is he liable to pay advance tax in India?
- (a) Yes, he is liable to pay advance tax in India as he is a non-resident and his tax liability in India exceeds ₹ 10,000.
- (b) No, he is not liable to pay advance tax in India as his tax liability in India is less than ₹ 10,000.
- (c) No, he is not liable to pay advance tax in India as he has no income chargeable under the head "Profits and gains of business or profession".
- (d) Both (b) and (c)
10. Mr. Vaibhav sold his old residential house in April, 2018 for ₹28,00,000. Long-term capital gain arising on transfer of old house amounted to ₹8,40,000. In December, 2018 he purchased another residential house worth ₹5,00,000. The new house was however, sold in April, 2019 for ₹14,00,000 (stamp duty value of the new house was ₹12,00,000). What will be amount of taxable capital gains in the hands of Mr. Vaibhav for the A.Y. 2019-20 and 2020-21?
- (a) Long term capital gain of ₹3,40,000 in A.Y. 2019-20 and short-term capital gain of ₹14,00,000 in A.Y. 2020-21
- (b) Long term capital gain of ₹3,40,000 in A.Y. 2019-20 and long term capital gain of ₹5,00,000 and short-term capital gain of ₹14,00,000 in A.Y. 2020-21
- (c) Long term capital gain of ₹3,40,000 in A.Y. 2019-20 and long term capital gain of ₹5,00,000 and short-term capital gain of ₹9,00,000 in A.Y. 2020-21
- (d) Long term capital gain of ₹3,40,000 in A.Y. 2019-20 and long term capital gain of ₹5,00,000 and short-term capital gain of ₹7,00,000 in A.Y. 2020-21
11. Which of the following persons is/are liable to pay advance tax as per the provisions of Income-tax Act, 1961?
- I. A resident individual aged 62 years having only income from capital gains of ₹20,00,000 (estimated) during P.Y. 2019-20.
- II. A resident individual aged 58 years having only income from other sources of ₹2,00,000 (estimated) during P.Y. 2019-20.
- III. A private company having estimated total income of ₹1,00,000 during P.Y. 2019-20.
- IV. A partnership firm which has estimated its total income to be Nil for P.Y. 2019-20.
- V. A HUF having estimated total income of ₹6,00,000 during P.Y. 2019-20.
- (a) I, III, V
- (b) I, II, III, IV, V
- (c) III, V
- (d) III, IV, V

12. Mr. Sujal and his brother jointly own a bungalow. They had taken a housing loan to purchase the bungalow. The loan is sanctioned in the name of Mr. Sujal and his brother in the year 2016. Interest on housing loan for the P.Y. 2019-20 amounted to ₹5,00,000 which is paid by Mr. Sujal (₹2,50,000) and his brother (₹2,50,000). The bungalow is used by them for their residence. In this case, what will be the amount of deduction available under section 24(b) to Mr. Sujal and his brother?
- ₹30,000 each
 - ₹2,00,000 each
 - ₹2,50,000 each
 - ₹5,00,000 each
13. Sumit acquired a building for ₹15 lakh in June, 2017 in addition to the cost of ₹3 lakh in respect of the land on which the building is situated. It was used for personal purposes until he commenced business in June, 2019 and since then it was used for business purposes. The amount of depreciation eligible in his case for the A.Y. 2020-21 would be:
- ₹1,50,000
 - ₹1,45,800
 - ₹1,80,000
 - ₹1,21,500
14. M/s Unnati Group, a proprietorship firm following cash system of accounting incurred the following expenditure during the P.Y. 2019-20:
- Customs duty of A.Y. 2020-21: ₹75,000 paid on 15.5.2020
 - Income tax paid for A.Y. 2019-20: ₹84,000 paid on 16.6.2019
- Calculate the amount of expenditure allowable to Unnati Group while computing its business income for A.Y. 2020-21.
- ₹1,59,000
 - ₹75,000
 - Nil
 - ₹84,000
15. ABC a partnership firm was dissolved on 1-5-2019. A machine acquired on 1-5-2017 for ₹3,50,000 was distributed amongst the partners on dissolution for ₹3,00,000. The value of machinery as per books of account and Fair Market Value on 1-5-2019 was ₹2,50,000 and ₹4,00,000, respectively. What will be the full value of consideration of this machine?
- ₹3,00,000
 - ₹4,00,000
 - ₹3,50,000
 - ₹2,50,000
16. Mr. Kapoor is a partner in Sai baba Enterprises. The turnover of the firm for the financial year 2019-20 amounted to ₹1,96,00,000. The firm has declared income @8% on presumptive basis under section 44AD of the Act. Apart from remuneration, interest and share of profit from the firm of ₹30 lakh, Mr. Kapoor is not having any other source of income. What will be the due date of filing of return of income by the partnership firm and by Mr. Kapoor for the P.Y. 2019-20?
- Due date of filing return of income by the partnership firm shall be 30.09.2020 and due date of filing return of income by Mr. Kapoor shall be 30.09.2020.
 - Due date of filing return of income by the partnership firm shall be 30.09.2020 and due date of filing return of income by Mr. Kapoor shall be 31.07.2020.

- (c) Due date of filing return of income by the partnership firm shall be 31.07.2020 and due date of filing return of income by Mr. Kapoor shall be 31.07.2020.
- (d) Due date of filing return of income by the partnership firm shall be 31.07.2020 and due date of filing return of income by Mr. Kapoor shall be 30.09.2020.
17. Iskon Pvt. Ltd., a foreign company and non-resident in India for A.Y. 2020-21, engaged in the business of trading of tube-lights outside India. The principal officer of the company has approached you to enlighten him regarding the provisions of the Income-tax Act, 1961 pertaining to the person who is required to verify the return of income in case of Iskon Pvt. Ltd. Advise him.
- The return of income in case of Iskon Pvt. Ltd. can be verified by the managing director.
 - The return of income in case of Iskon Pvt. Ltd. can be verified by any director.
 - The return of income in case of Iskon Pvt. Ltd. may be verified by a person who holds a valid power of attorney from such company to do so.
- (a) I or II or III
 (b) Only I
 (c) I or II depending upon the availability of the managing director
 (d) Only III
18. In which of the following transactions, quoting of PAN is mandatory by the person entering into the said transaction?
- Opening a Basic savings bank deposit account with a bank.
 - Applying to a bank for issue of a credit card.
 - Payment of ₹40,000 to mutual fund for purchase of its units.
 - Cash deposit with a post office of ₹1,00,000 during a day.
 - A fixed deposit of ₹30,000 with a NBFC registered with RBI.
 - Sale of shares of an unlisted company for an amount of ₹60,000.
- (a) II, IV
 (b) II, III, IV
 (c) I, II, III, V, VI
 (d) II, IV, VI

Solution					
1	(d)	7	(c)	13	(d)
2	(b)	8	(d)	14	(c)
3	(a)	9	(b)	15	(b)
4	(b)	10	(a)	16	(c)
5	(d)	11	(c)	17	(d)
6	(a)	12	(b)	18	(a)