



CA INTER DIRECT TAX  
**CASE BASED  
MCQs**

**FOR  
MAY/NOV  
2021**

**covering  
400+ MCQs**

**BY  
CA CS VIJAY SARDA**



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# STUDENT REVIEWS – CA FINAL

Hello sir !! First of all a very big thank you for your fastrack lectures !! Really really helped a lot in last days before exam .  
It is a very big initiative by Vsmart usually no faculties have this kind of thinking!! Your teaching is supeeerrrrrrrrrr !! Huge respeeect ( in your language 😊) for all the faculties!!  
I wish I could have done live regular batch with you !! Even while watching on YouTube it doesn't feel bore , you are too entertaining which every faculty should be !!!! Once again thank you sir soo much !!  
😊😊😊❤❤❤❤

So lucky to have chosen you to study my most favourite subject sir 😊😊

Your teaching style your notes and most importantly your hard work behind that is beyond any appreciation that I could write in words

Sir thank you so so so much to you n all the vsmart faculties for your continuous love n support ❤  
Koi or kr hi nhi skta apke jitna ...jo apne n vsmart ne krna hai sare students ke liye....  
Thank you is not much for your hard work that u did for us...  
Fast track lectures ne itna help Kiya hai sir ...self study se bhi jyada...  
U covered all the things ...bcoz of u we don't have to take tnsn about all the things ...  
Thank u so much big brother...👉  
Thank you to Vishal sir n darshan sir also ❤...u all helped us ,support us at every time...  
Aap sabhi ne jo padhaya hai na ek no. 👉 koi comparison nhi h apka...  
Thanku so much sir 😊

such a great experience to be learn from you face to face. You are excellent teacher as well as great mentor. Thank You so much sir for coming to our city and sharing such a great time with all of us 😊. Apart from the subject, you are excellent comedian too..😊  
😊😊😊 100 100 100 ❤❤❤❤ Thanks Sir..😊😊😊

Couldn't stay without saying these words Sir your classes are just awesome n got module - 3 can say one of the best book of India 🇮🇳

Thank You Sir

Best Ca Final DT Faculty in all over India.

Sir Thanks a lot ur lectures of CA Final are awesome 🙌🙌🙌

May God Bless You for your kind support to students  
Thanks again

Also liked the approach that u have covered topics in Fast Track which a teacher normally skips even in regular batch.

Good Afternoon Sir,  
My name is Mohit Jain  
CA final student,  
Attempt due in May 2019.

First of all Thank You so much, for sharing the revision marathon on Youtube, The lecture (specially the notes) were awesome. I was searching these style of notes for case laws basically... And then got the notification from vsmart academy.. Thank you so much sir...

Afternoon sir ... your fastrack lectures r jst amazing n fabulous .. ! I can't describe it in the words how much it help me ... Thank uh sooo much sir 😊😊 Respacct sir ... because of some issues I have started my study before 10 days n I don't have enough time now ... but I have completed DT n I m jst trying to take exemption n ur lectures help me a lot

Sir ur the best teacher of the world

i recently watched ur marathon ca final classes on youtube...i hv never attnded any classes before of DT...apki classes dekhne k bad lga ki marathon hi kaafi h DT ko pdhne k liye..mtlb revision lecture bhi itna detailed mei pdha diya apne...truely a magician ...THANK YOU SO MUCH SIR....😊

Sir, Ur Fastrack dt classes on YouTube are awsm just awsm sir..it's d best classes...I just loved d way u taught, notes, concepts nd entertainment.. everything was much more den perfect...I don't know where I would have lied in my concepts of dt if I wouldn't have found Ur classes..I thought it is impbl to remember so much provisions of each heads of income at a time bt u made it so so so easy...

Nd d best part I wanna say is..even if I attend Ur lectures whole day ..I don't feel bore or doesn't need refreshment..or wen I study some other subject nd feels to take refreshment I do Ur class..which not only saves my tym dat would have been wasted on any other refreshment options bt also boosts up nd refreshes my mind back to 100%...

Really sir very lucky to have got an opportunity to attend Ur Fastrack dt class....!!

Thank u soooooooooo mch sir...!! 🙏🙏

Sir besides possessing fantastic teaching skills you are a good motivator n entertainer too..u have made the subject so interesting and easy..I m sure I could have never get such best DT classes from anywhere..the best thing I found in u is u work so hard for your students u give ur 100%to make them remember things so nicely..and sir last but not the least u deserve every bit of respect n success..(and the natural life u live with a pure heart makes everything more best)!!

Sir I was present for your lecture today

And it was really too good sir!! I didn't get opportunity to come pune and learn but my wish for learning from expert faculty was fulfilled today

Thankyou sir for jokes and masti and that hand was joke was just 😊😊😊

Thanks vijay sir for boosting our morale Keep teaching sir

## THANK YOU BACHOOOOOO...



# STUDENT REVIEWS – CA INTER

Sir i just finished watching your IPCC DT fast track videos and would like to say a big thankyou to you and your team 🙏 Sir Respect Sir Respect 🙏 Sir aap zabardast padhate ho aapka humour 🙏🙏 Thankyou for everything and zyada nhi kahunga bs 2 line sir apke liye "जो बनाये हमें ईसान, और दे सही गलत की पहचान, देश के उन निर्माताओं को, हम करते हैं शत-शत प्रणाम।"

16:04

Thank You very much sir for today's lecture. I cannot express the joy and contentment I'm feeling since then.

It was my first live experience which included memorable life as well as academic lessons. You have no idea how your true and honest sayings have impacted or are impacting me. Your words brings out house warming vibes. I won't hesitate to call you a family member. You might be receiving such appreciation texts from thousands of students but I'll prove myself I'm not one of them.

I'm giving you my word, it's my 3rd attempt and I'll score an exemption. Make myself be an example for others and show you how your great thoughts have influenced me. Thank you again 😊

23:51

Hello Sir, I am from Ludhiana. I have completed your Inter DT Fast Track just now. I know I'm late but I came to know about your classes in mid of April and then I started for preparing Dt with you through Fastrack. It was very helpful for me to revise DT with amendments and problems. Its my Second attempt now. Thanks to you that I have revised whole DT syllabus so well that I am confident now. I have also shared these classes with my cousin. He also liked them and attended the classes. Thank you so much sir... 🙏😊

09:14

Sir mera ye 4attempt hai lpcc hai... M har bar Tax m rhe rahi thi... Esa darr lgta tha tax ke naam se.. Pr mene jab aapka revision batch pura Dekha aap jese jese board pr likhte gye mene pura separate copy m likha.. Aapne jitne question kr vae uske sath sath hi mene pm sm krli....

Sir aaj m bol sakti hu aapke lectures dekhne ke baad ki dt meko almost sab section yaad hai ..m sare question solve kr saktii hu... Aur aapke lecture ke meko itna confident hai ki m exemption la sakti hu dt m...

Thankuuuuuuu thankuuu thankuuuuu soooo much sir aapke lecture Bhut helpful hai.. Bhut hi jaada... Mtlb ki meko tax m kuch bhi ni aata tha aaj meko sirf voh revision lecture se sab aata hai..mene marathon lecture bhi dekhliye Aur amendment bhi 2bar dekhe... Sir m aapko jitna thankuu bolu u km hai... Ab tax krne ki hi iccha hoti rehti... And very much confident in tax...

Thankuu sir once again

13:57

Sir aaj tax ka paper bht hii aacha gya aur iska pura credit aapke aur vsmart ke fast track lecture ke initiative ko jata hai last attempt mai tax mai 40 bhi nhi aaye the par is baar exemption aa jayegi

19:26

Maine jis faculty se tax pada tha unhone hume bht sare topic nhi karwaye the aur total income bhi skip karwa diya tha mai fail hone par bht demotivate ho gya tha lekin aapke fast track lecture ne kamal kr diya

19:28

Samajh nhi aa rha aapka sukriya kесе karu 🙏🙏

19:28

Once again thank you so much 😊😊😊

19:29

Final mai tax aapse hi padana hai 🙏🙏

19:30

Hello Sir, i took ur FT batch videos for DT for may19 i didnt took any class of any faculty before but after watching ur lecture i found myself confident. U are superb sir specially noone can provide the max amount of study pattern of DT ie, vast subject for without any return. U gave a lot of amount of students to get cleared in thiss attempt this is ur kind act for us to make u a true teacher THANK U SO MUCH SIR BY DEEP OF HEART. not for free provided tqsm for provided in a manner like my papa teach me whenever , felt like that. SUN MERE BHAI..... 😊 TQ TQ AGAIN a lot .... i wish to meet u one day ....U GOT VICTORY ON OUR HEARTS BTW U already "VIJAY SIR" love you sir

Pradesh.Due to time constraint and lack of planning I didnt took regular DT classes and the exams are approaching there is small worry in me how to excel in subject.But god in your form came to my rescue and I'm thankful to you from bottom of my heart.Conceptual clarity and ease of teaching its speechless experience watching your classes and the content is really worth a lot money but your humility make us bow down to you sir.I can tell like this without any limit ).We love your work and God bless you sir.

You people's are done a grt works for us . The students can't afford the price for classes and all.these peoples are thankful to you for lifetime.. these videos come to me too late but it's increase my confidence level towards may attempt thank you very much sir your teaching is too too too great sir... In your words Huge huge respect to you.. not expressed in words Thank you so much ....!!

Hello sir, I am vivek (aspiring chartered accountant) giving ca inter this may 19, I watched you amendment and all fastrack videos from you tube... It was really very very helpful, Really great respect for you sir, I wish all prosperity and happiness to you, you have made my direct tax experience really wonderful... I started watching this you since May only.. Aapne latakte latakte bacha liya sir.. I'll give my best to have 50+in DT itself ❤️❤️❤️❤️❤️❤️❤️ Thank you sir for all the motivation and so much of efforts

20:48

# THANK YOU BACHOOOOOO...

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# CA FINAL DT & INT. TAX NOV 20

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# LET'S CONNECT



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**BASICS OF INCOME TAX****Case Based MCQ 1:**

Berger Paints India Ltd., is an Indian multinational paint company headquartered in Mumbai, Maharashtra. The company is engaged in the business of manufacturing, selling and distribution of paints, coatings, products related to home decor, bath fittings and providing of related services. On a survey in India, on average 6 house out of 10 uses Berger paints. As of 2015, it has the largest market share with 54.1% in the Indian paint industry. The company posted a net profit of ₹2,211.91 crore for 2018-19, in light of following details solve the following for the AY 21-22:

1. A domestic company means

- A. Only an Indian company
- B. Both Indian & Foreign Co having branch in India
- C. Both Indian company and a foreign company having business connection in India
- D. Both Indian & Foreign Co which has made the prescribed arrangement for declaration & payment of dividends in India out of the income chargeable to tax in India

2. 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

3. The Surcharge applicable in the case of Berger Paints India Ltd. is:

- A. 7% of tax payable if total income exceeds ₹50L but does not exceed ₹1 crore
- B. 2% of tax payable if total income exceeds ₹1 crore
- C. 7% of tax payable if total income exceeds ₹1 crore upto ₹10 crore & 12% if total income exceeds ₹10 crores.
- D. Both (a) and (c), as the case may be

4. In respect of Non-Resident Assessee shareholder, who is of the age of 60 years or more, but less than 80 years at any time during the PY 20-21:

- 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



5. In case of Above Co whose Turnover in PY 18-19 is ₹5511 cr., the rate of tax applicable will be

- A. 29%      B. 25%      C. 30%      D. None of above

Solution:

1. D	2. D	3. C	4. A	5. C
------	------	------	------	------

### Case Based MCQ 2:

Dr. Kabir Singh is an Indian investor trader based out of Mumbai. Singh and his company - Singh Securities Pvt. Ltd., are the largest shareholder (after the promoter) in several listed companies. Singh was a keynote speaker at IIM Ahmedabad & IIM Bangalore. In 2016, Kabir Singh was conferred with a Doctorate degree for Excellence in The Field of Management. Singh strictly adheres to SMILE as a principle in investing; which translates into Small in size, Medium in experience, Large in aspiration and Extra-large in market potential. He ask you for the following:

1. A newly set up business coming into existence, the first PY will commence from:

- A. Date of set up of business      B. 1<sup>st</sup> April of PY  
 C. Any date after set up of Business      D. One day before date of set up of business

2. Rebate under section 87A is allowed to:

- A. resident individual      B. any individual (resident or non-resident)  
 C. resident individual and HUF      D. all assessee

3. All assessee are required to follow:

- A. Uniform previous year which must be calendar year only  
 B. Uniform previous year which must be financial year only  
 C. Any period of 12 months

4. A person follows Calendar year for accounting. For taxation, he has to follow:

- A. Calendar year only - 1st January to 31st December  
 B. Financial year only - 1st April to 31st March  
 C. Any of the Calendar year or Financial year as per his choice  
 D. He will have to follow extended year from 1st January to next 31st March (period of 15 months)

5. Calculate the amount of rebate u/s 87A in case of non-resident individual having total income of ₹ 3,00,000

- A. ₹3,000      B. ₹1,500      C. ₹2,500      D. nil

Solution:

1. A	2. A	3. B	4. B
5. D			

## Other general MCQs:

1. Education Cess of 4% is payable on:
  - A. Income Tax
  - B. Income Tax + Surcharge, if any
  - C. Surcharge
  - D. Not payable by any assessee
  
2. The circulars issued by CBDT are binding on
  - A. Assessee
  - B. Income Tax authorities i.e., Assessing Officers
  - C. Both of the above
  - D. None of the above
  
3. Decision passed by Supreme Court is binding on
  - A. All courts & tribunal
  - B. Income Tax Authorities
  - C. Assessee
  - D. All of the above
  
4. The amount of HEC to be collected along with income tax for the AY 21-22 is
  - A. 2%
  - B. 1%
  - C. 4%
  - D. Nil
  
5. The rate of tax for Limited Liability Partnership is-
  - A. Normal slab rates
  - B. 25%
  - C. 40%
  - D. 30%
  
6. The FA'20 amendments have the following objectives-
  - A. Preventing tax abuse
  - B. Tax incentives
  - C. To provide tax certainty
  - D. All of the above
  
7. Rebate u/s 87A is allowed only on fulfillment of which condition
  - i) Assessee should be resident individual
  - ii) The income of assessee is upto ₹. 5,00,000
  - iii) All assessee
  - A. (i) and (ii)
  - B. only (ii)
  - C. (ii) and (iii)
  - D. (iii)
  
8. Income Tax Act Applies to
  - A. Whole of India & Foreign
  - B. Whole of India except J&K
  - C. Whole of India
  - D. None
  
9. Income Tax is covered under entry no.\_\_\_\_ to Union List
  - A. 83
  - B. 84
  - C. 82
  - D. 85
  
10. Agriculture Income can also be Taxed under entry no.82 to union list
  - A. True
  - B. False
  - C. None
  
11. Power to levy tax on agriculture income rest with
  - A. CG
  - B. SG
  - C. Both
  - D. None

12. Power to levy Tax on agriculture Income is given in entry no\_\_ of state list

- A. 46 B. 47 C. 48 D. 49

13. CBDT stands for \_\_\_\_\_.

14. Finance bill becomes the Finance Act when it is passed by:

- A. The Lok Sabha  
B. Both the Lok Sabha and Rajya Sabha  
C. Both the houses of the Parliament and given the assent of the President  
D. Both the houses of the Parliament and given the assent of the Prime Minister /Finance Minister.

15. Part I of schedule I of the Finance Act ,2020 has given rates of income tax for the assessment year

- A. 2021-22 B. 2020-21 C. 2019-20

16. A.O.P should consist of

- A. individuals only  
B. person other than individuals only  
C. both the above

17. B.O.I. should consist of

- A. individuals only  
B. person other than individuals only  
C. both the above

Solutions:

1. B	2. B	3. D	4. C	5. D
6. D	7. A	8. C	9. C	10. B
11. B	12. A	13. Central Board of Direct Taxes	14. C	15. A
16. C	17. A			

## RESIDENTIAL STATUS

**Case Based MCQs I:**

Taylor Swift, an American singer visits India for 100 days in every financial year. This has been his practice for the past 10 financial years. He appoints you as his Chartered Accountant to determine his Residential Status for AY 2021-22. Advise him by answering the following questions:

1. Does he satisfy the basic condition of Sec 6(1) for AY 21-22?

- A. Yes B. No

2. In the given case, Taylor Swift is:

- A. ROR B. RNOR  
C. NR

3. Assuming Taylor Swift is an Indian Citizen who is outside India comes on a visit to India in PY shall be treated as resident if they stay in India for 182 days only if:

- A. his total income is 10 lakhs B. his total income, other than income from foreign sources, is 10 lakh or more  
C. his total income, other than income from foreign sources, exceeds basic exemption D. his total income, other than income from foreign sources, exceeds 15 lakhs

4. In question 3, the total income considered for Residential status of Taylor Swift includes his income from foreign sources as well. Is the statement:

- A. True B. False  
C. Partly true

5. Income which accrues or arises outside India but received directly in India are taxable in case of-

- A. Resident and ordinarily resident  
B. Both resident and ordinarily resident and resident but not ordinarily resident  
C. Non-resident  
D. All of above

**Solutions:**

1. A	2. B	3. D	4. B	5. D
------	------	------	------	------

### Case based MCQs II:

From the following particulars of income furnished by Mr. Potato pertaining to the year ended 31.03.2021.

Particulars	₹
(a) Short term capital gain on sale of shares in Indian Company received in Germany	15,000
(b) Dividend from a Japanese Company received in Japan	10,000
(c) Rent from property in London deposited in a bank in London, later on remitted to India through approved banking channels	75,000
(d) Dividend from RP Ltd., an Indian Company	6,000
(e) Agricultural income from lands in Gujarat	25,000

1. What shall be total income of Mr. Potato if he is a Resident & ordinarily Resident in AY 21-22?

- A. 83,500  
B. 21,000  
C. 82,500  
D. Nil

2. What shall be total income of Mr. Potato if he is a Resident but not ordinarily Resident in AY 21-22?

- A. 83,500  
B. 21,000  
C. 82,500  
D. Nil

3. What shall be total income of Mr. Potato if he is a Non-Resident in AY 21-22?

- A. 83,500  
B. 21,000  
C. 82,500  
D. Nil

4. In case of rent received from property in London deposited in a bank in London?

- A. 75,000  
B. 52,500  
C. Nil

#### Solutions:

1. A	2. B	3. B	4. B
------	------	------	------

### Case Based MCQs III:

Mr. Rajnikanth is living in Dubai since 1985. He comes to India to meet his parents on 1.6.2020 and leaves India for Dubai on 30.09.2020.

Details of his income for the FY 2020-21 are as follows:

Particulars	Situation I (₹)	Situation II (₹)
i) Incomes arising in India	6,00,000	6,00,000
ii) Incomes received abroad but deemed to accrue or arise in India as per Sec 9	7,00,000	7,00,000
iii) Incomes arising in Dubai and not deemed to accrue or arise in India	40,00,000	40,00,000

iv) Income arising in Dubai from a business controlled from India	10,00,000	Nil
-------------------------------------------------------------------	-----------	-----

Comment on the residential status of Mr. Rajnikanth by answering the following questions:

1. What will be the residential status of Mr. Rajnikanth in Situation I?

- A. RNOR  
B. ROR  
C. NR

2. What will be the total taxable income in India of Mr. Rajnikanth in Situation I?

- A. 16,00,000  
B. 17,00,000  
C. 23,00,000

3. What will be the residential status of Mr. Rajnikanth in Situation II?

- A. RNOR  
B. ROR  
C. NR

4. What will be the total taxable income in India of Mr. Rajnikanth in Situation II?

- A. 16,00,000  
B. 7,00,000  
C. 6,00,000  
D. 13,00,000

5. If Mr. Rajnikanth leaves India for Dubai on 30.11.2020, what shall be his residential status?

- A. RNOR  
B. ROR  
C. NR

Solutions:

1. A	2. C	3. C	4. D	5. A
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### Other general MCQs:

1. A company would be a resident in India for the P.Y. 2020-21, 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)

2. Income accruing in London and received there is taxable in India in the case of-

- A. Resident and ordinarily resident  
B. both resident and ordinarily resident and resident but not ordinarily resident  
C. both resident and non-resident  
D. non-resident

3. Fees for technical services paid by Central Govt will be taxable in case of -

- A. Resident and ordinarily resident

- B. both resident and ordinarily resident and resident but not ordinarily resident
- C. non-resident
- D. All of above

4. 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
- B. both resident and ordinarily resident and resident but not ordinarily resident
- C. non-resident
- D. All of above

5. Total income is based on / Total income varies according to

- A. Residential status of assessee
- B. Citizenship of assessee
- C. Both A and B
- D. None of the above

6. .... is determined for each category of persons separately

- A. Residential status
- B. Citizenship
- C. Origin ship
- D. All of the above

7. A person may be resident in..... in any previous year

- A. More than one country
- B. Only one Country
- C. Only two countries
- D. None of the above

8. A person may be a ..... but may not be a.....

- A. Citizen of India, resident
- B. Person of Indian origin, citizen of India
- C. Indian Resident, person of Indian origin
- D. None of the above

9. HUF will become Non-resident if:

- A. control and management is partly in India
- B. control and management is partly in India and partly outside India
- C. control and management is wholly situated outside India
- D. None of above

10. Indian company is said to be resident of India if:

- A. POEM wholly or partly in India
- B. Always resident
- C. POEM wholly India
- D. POEM wholly outside India

11. If the POEM of an Indian Company is wholly outside India, then company will become:

- A. Resident in India
- B. Non-resident in India
- C. RNOR in India
- D. None of above

12. An individual who is resident in India, shall be resident and ordinary resident in India if he satisfies

- A. Any one basic condition
- B. both additional conditions
- C. Both basic conditions
- D. Any one additional condition

13. In 2nd additional condition, assessee should have stayed in India for

- A. more than 730 days during 7 immediately preceding previous year
- B. 730 days or more during 7 immediately preceding previous year
- C. 365 days or more during 4 immediately preceding previous year
- D. 182 days or during relevant immediately preceding previous year

14. HUF which is resident in India shall be ROR if:

- A. Karta of the HUF satisfies both the basic conditions
- B. Karta of the HUF satisfies any one basic condition
- C. Karta of the HUF satisfies both additional conditions
- D. Karta of the HUF satisfies any one additional condition

15. A person Mr. X has been non-resident in 9 out of 10 preceding previous years; his residential status is:

- A. Resident in India
- B. Non-resident in India
- C. ROR in India
- D. RNOR in India

16. Income accruing from agriculture activity in foreign country is taxable in case of an assessee who is:

- A. Resident /Resident & ordinarily resident
- B. ROR
- C. Non-Resident
- D. None of Above

17. Foreign income received in India during the previous year is taxable case of which assessee:

- A. Resident
- B. Not Ordinarily Resident
- C. Non-Resident
- D. All of Above

18. The registered office of Serum Pharmaceutical Company Ltd. is situated at Mumbai. The board meetings are held in Bali Indonesia. The predominant activities are carried out through the registered head office situated at Mumbai. Determine the residential status of company.

- A. Resident
- B. Need to know the passive income, assets, total no. of employees, total payroll expense to determine POEM
- C. Non-Resident
- D. None of the above

19. Residential status and citizenship are same.

- A. False
- B. True
- C. None of Above



20. Miss Kareena is a citizen of Canada. She came to India after 10 years on 5<sup>th</sup> June, 2020 and left India on 3<sup>rd</sup> December 2020. She is \_\_\_ for FY 20-21.

- A. Resident and ordinarily resident  
 B. Non-resident  
 C. Resident but not ordinarily resident  
 D. None of the above

21. Condition of ordinary and not ordinary should be checked for-

- A. Individual/HUF  
 B. All persons except Company  
 C. All persons  
 D. Firm/AOP/BOI/Company

22. A person shall be ROR if he satisfies the additional condition given in Sec

- A. 6(1)      B. 6(3)      C. 6(5)      D. 6(6)

23. Foreign Income received in India during the PY is taxable in case of

- A. Resident  
 B. Not ordinarily resident  
 C. Non-Resident  
 D. All of above

24. Once a person is resident for a source of income in a particular previous year, he shall be deemed to be resident of all other sources of income in the same previous year.

- A. True  
 B. False  
 C. Partly true Partly False  
 D. None of Above

**Solutions:**

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

**INCOME FROM HOUSE PROPERTY****Case Based MCQs I:**

Ms. Alia owns a house property covered under the Rent Control Act. Such house property is situated at Delhi. She is not aware of the provisions of Income Tax Act, 1961 to be complied with in respect of income from house property. Further, she also has the option to self-occupy such property or let it out. She wants to know about the exemptions available to her for income from such house property. She does not want to sell such house property as she is willing to keep it in her family. In light of the given case, help Ms. Alia to understand the provision of income from House Property by answering the following questions:

1. Municipal value ₹ 30,000, actual rent ₹ 25,000, fair rent ₹ 36,000 and standard rent is ₹ 28,000. The gross annual value of the house property will be –  
A. ₹ 30,000  
B. ₹ 25,000  
C. ₹ 36,000  
D. ₹ 28,000
2. Assuming she wants to give on rent. She seeks your help to determine the reasonable expected rent when monthly municipal value is ₹ 20,000, fair rent ₹ 25,000 and standard rent ₹ 22,000. The reasonable expected rent will be computed with reference to following amount per month –  
A. ₹ 22,000  
B. ₹ 20,000  
C. ₹ 25,000  
D. None of the above
3. If it has been let out at a monthly rent of ₹ 25,000. The fair rent of the house is ₹ 29,000 and standard rent is ₹ 26,000. The municipal value of house is ₹ 28,000 and municipal taxes are levied @ 10% of municipal value. The entire amount of municipal taxes are outstanding for the year ended 31-03-2021. The amount of municipal taxes to be allowed as deduction for computing the annual value will be:  
A. ₹ 30,000  
B. ₹ 29,000  
C. ₹ 28,000  
D. Nil
4. If the house property is self-occupied upto 31-5-2020 and w.e.f. 1-6-2020, the property is let to Ranbir at ₹ 40,000 p.m. Determine the Gross Annual Value of the house if the municipal value is ₹ 4,15,000; Fair Rent ₹ 4,20,000 and standard rent is ₹ 4,10,000.  
A. ₹ 4,00,000  
B. ₹ 4,20,000  
C. ₹ 4,10,000  
D. ₹ 4,15,000

5. The ceiling limit of deduction under section 24(b) in respect of interest on loan taken on 1.4.2020 for the self-occupied house is

- A. ₹ 30,000 p.a.    B. ₹ 1,50,000 p.a.    C. ₹ 2,00,000 p.a.    D. No limit

**Solutions:**

1. D	2. A	3. D	4. C	5. C
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### Case Based MCQs II:

Mr. Ajay wishes to construct a house of his dreams. He takes a loan from Axis Bank for the purpose of constructing such house property. After he has taken the loan, he runs into a friend, Mr. Amit, who is aware of the existence of various provisions of Income from House Property under Income Tax Act, 1961. Mr. Amit recommends him to visit a CA who can help him with claiming various deductions available under the Act. You being a CA are required to help him by answering the given questions:

- Which of the following deduction are to be made from income house property?  
A. Standard deduction  
B. Interest on borrowed loan  
C. Both (a) and (b)  
D. Option (a) but not (b)
- The construction of the house was completed on 31<sup>st</sup> January, 2021. He took a loan of ₹ 20,00,000 @ p.a. On 1<sup>st</sup> May, 2020. In this case the deduction allowable for the previous year 2020-21 towards interest on borrowings is –  
A. ₹ 22,000  
B. ₹ 24,000  
C. ₹ 1,10,000  
D. None of the above
- When does pre-acquisition or pre-construction period commences –  
A. On the 1<sup>st</sup> year when loan is borrowed  
B. On the date of borrowing  
C. On the 1<sup>st</sup> April of the year when construction is completed  
D. On the 31<sup>st</sup> March of the year when loan is borrowed
- When does pre-acquisition or pre-construction period ends?  
A. 31<sup>st</sup> march immediately prior to date of acquisition of property.  
B. Date of repayment of loan completion of construction  
C. (a) or (b) whichever is earlier  
D. Any of these
- Which of the following amount is not allowed for deduction from income from house property?  
A. Interest on loan borrowed for construction of house property.  
B. Interest on fresh loan taken to repay original loan.  
C. Interest on unpaid interest.  
D. Interest on unpaid purchase price.

Solutions:

1. C	2. C	3. B	4. C	5. C
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Other General MCQs:

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. 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
  
4. 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
  
5. 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
  
6. In case the property is owned by co-owners and it is let, income from such property shall be computed:
  - A. Separately for each co-owner
  - B. It will be first computed ignoring the co-ownership and then distributed amongst co-owners
  
7. In case of Let out property interest on borrowed capital allowed is:
  - A. Unlimited
  - B. Limited

8. Annual Value of the house property let is negative then tick the deduction which shall be allowed u/s 24:

- A. 22      B. 23      C. 24      D. 25

9. A house property whose fair rent is ₹ 1, 20,000 is neither let out nor did self-occupy throughout the previous year. Its annual value shall be:

- A. ₹ 1,20,000                      B. Nil

10. Unrealized rent is a deduction from:

- A. Gross Annual Value              B. Net Annual Value              C. Actual rent

11. An assessee has borrowed money for purchase of a house & interest is payable outside India. Such interest shall -

- A. be allowed as deduction  
B. not be allowed on deduction  
C. be allowed as deduction if the tax is deducted at source

STATE WHETHER TRUE OR FALSE:

12. R gifted the house property to his wife in 2019. Mrs. R let out the house property @ ₹7,000 p.m. Income from such house property shall be taxable in the hands of Mrs. R

13. R transferred his house property to his wife with an agreement to live apart. Income from such house property shall be taxable in the hands of Mrs. R

14. A has two house properties. Both are self-occupied. The annual value of both houses shall be Nil

15. Municipal taxes is a deduction from Net Annual Value

16. An assessee was allowed deduction of unrealized rent to the extent of ₹ 40,000 in the past although the total unrealized rent was ₹60,000. He is able to recover from the tenant ₹ 45,000 during the previous year on account of such unrealized rent . He shall be liable to tax to the extent of ₹ 45,000.

FILL IN THE BLANKS:

17. R gifted the house property which was let out @ ₹ 9,000 p.m. to his minor daughter Income from such house property shall be taxable in the hands of \_\_\_\_\_

18. Municipal valuation of the house is ₹ 2,40,000, fair rent is ₹ 2,90,000, standard rent is ₹ 2,50,000 whereas annual rent received ₹ 2,40,000 : municipal taxes paid are 40,000. The annual value in this case shall be \_\_\_\_\_

19. Fair rent value of house is ₹ 1,50,000, standard rent ₹ 1,20,000, Annual rent ₹ 1,30,000. Municipal taxes paid for 6 years in advance ₹ 1,50,000. The annual value shall be \_\_
20. In case the property is owned by co-owners and it is self-occupied by all co-owners. The annual value of such house property shall be \_\_
21. Co-owners Income of Hp is taxable as per sec. \_\_
22. In case of deemed let out property, tick the deduction which shall be allowed under section 24:
- Repairs and collection charges
  - Insurance premium
  - Ground rent / lease rent
  - Annual charges
  - interest on money borrowed
  - vacancy allowance
  - standard deduction of 30%
23. Tick the cases where the income from house property can be negative due to deduction u/s 24:
- Let out property
  - Self-occupied property
  - Deemed let out property
  - Partly let out property self-occupied
  - One property which could not be occupied due to employment elsewhere
24. R is owner of superstructure although the land was taken by him on lease. The income from such house property shall be taxable under the head:
- A. IFOS                      B. Income from house property
25. R has taken a house on rent and sublet the same to G. Income from such house property shall be taxable under the head:
- A. Income from House Property                      B. IFOS

**Solutions:**

1. C	2. B	3. B	4. A	5. A
6. B	7. A	8. A	9. A	10. C
11. C	12. False	13. True	14. True	15. False
16. False	17. R	18. 2,10,000	19. (20,000)	20. Nil
21. 26	22. E, G	23. A, B, C, D, E	24. B	25. B

## INCOME FROM SALARY

### CASE BASED MCQ I:

Raj is a resident individual aged 30 years employed at VJ Pvt. Ltd. as the head of Marketing Department. 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. The turnover achieved by him during the current year is ₹12 lakhs. In light of the above details, answer the following for AY 21-22:

1. Raj stays in New Delhi. Raj pays a rent of ₹ 5,500 p.m. The amount of HRA exempt under section 10(13A) is :  
 A. ₹48,480      B. ₹45,600      C. ₹49,680      D. ₹46,800
  
2. Where there is a decision to increase the D.A. in March, 21 with retrospective effect from 1.4.2019, and the increased D.A. is received in April, 21, the increase is taxable in the  
 A. in the previous year 2019-20      B. in the previous year 2020-21  
 C. in the previous year 2021-22      D. in respective years to which they relate
  
3. In the previous year, he received entertainment allowance ₹12,000. He spent ₹6,000 on entertainment. Under section 16(ii), he is entitled to deduction of  
 A. ₹12,000      B. ₹6000      C. ₹5000      D. NIL
  
4. He obtained interest-free loan of ₹ 20,000 from VJ Pvt. Ltd. for purchasing a two-wheeler. The market rate of interest on such loan is 20% per annum. The lending rate of State Bank of India is 15.5% and that of the private sector banks is 16%. The taxable amount of this perquisite will be computed at the rate of -  
 A. 20%      B. 16%      C. 15.5%      D. Nil Rate
  
5. The maximum exemption in respect of transport allowance granted to an employee to meet his expenditure for the purpose of commuting between the place of his residence and the place of his duty shall be -  
 A. ₹ 600 per month      B. ₹ 700 per month  
 C. Nil      D. ₹ 900 per month

**Solution:**

1. B	2. B	3. D	4. D	5. C
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## CASE BASED MCQ II:

Virat is an employee of R Ltd. who works as a Manager. He is entitled to a salary of ₹10,000 p.m. He was working with another company and joined the present employer w.e.f. 1.5.2020. His salary becomes due on 1<sup>st</sup> of the next month. In light of the above details, answer the following for AY 21-22:

- Virat shall be chargeable to tax for such amount under the head:
  - Income from salary
  - Profit and gain from business and Profession
  - Income from other sources
- Virat took an advance of ₹ 40,000 against the salary in the month of March, 2021. The gross salary of Virat for assessment year 2021-22 shall be:
  - ₹ 1,60,000
  - ₹ 1,20,220
  - None of these two
- Virat took advance salary from his employer for the month of April and May 2021 along with salary of March 2021 on 31-3-2021. The gross salary of Virat for assessment year 2021-22 shall be:
  - ₹ 1,20,000
  - ₹ 1,40,000
  - None of these two
- Virat who was working with another company. He was also entitled to a pension of ₹ 4000 p.m. from his former employer as he retired on 31-3-2020. His pension is taxable on due basis. His gross salary for assessment year 2021-22 shall be:
  - ₹ 1,10,000
  - ₹ 1,58,000
  - 1,48,000
- As R Ltd. was in a financial crisis, it paid the salary of January, 2020 to March, 2020 to Virat only in July, 2020. The gross salary of Virat for AY 21-22 shall be:
  - ₹ 1,20,000
  - ₹ 90,000
  - None of these two

Solution:

1. A	2. A	3. B	4. B	5. A
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## Other general MCQs:

- Gratuity shall be fully exempt in case of :
  - Central & State Govt employees
  - Central & State Govt & local authority EE
  - Central and State Government employees and employees of local authority and employee of statutory corporation.

An EE is neither Govt EE nor covered under Payment of Gratuity Act 1972(Q 2-4)

- Salary for purpose of calculating half month shall be taken as:
  - last drawn salary
  - average salary of 10 month.
  - average salary of 12 month.



3. Salary for the above purpose shall:
- A. include D.A & fixed percentage of commission on turnover      B. not include D.A.  
 C. include D.A to extent terms of employment & fixed percentage of commission on turnover  
 D. shall include D.A to the extent the terms of employment
4. If the employee has completed 16 years and 8 months of service, the number of completed years shall be taken as:
- A. 17 years      B. 16 years      C. 16 years & 8 months
5. The maximum exemption of gratuity uncovered shall be:
- A. ₹ 3,00,000      B. ₹ 10,00,000      C. ₹ 20,00,000      D. 20 months' salary
6. R worked with a previous employer for 3 years but was not entitled to any gratuity. He worked with the present employer for 8 years and 7 months. The completed years of services for calculating exemption of gratuity (Covered in Gratuity Act) shall be taken as:
- A. 11 years      B. 8 years      C. 9 years      D. 12 years
7. For purpose of calculating exemption of gratuity, salary shall include:
- A. fixed commission      B. commission if it is fixed percentage on turnover  
 C. none of these two
8. Commuted pension received shall be fully exempt in case of :
- A. Government employee      B. Govt employee or an employee of local authority  
 C. Govt employee or an employee of local authority or an employee of statutory corporation.
9. An employee was also entitled to gratuity. He got 60% of his pension commuted and received a sum of ₹ 12,00,000 as commuted pension. The exemption in his case shall be:
- A. 12,00,000      B. 4,00,000      C. 6,66,667      D. 8,00,000      E. 10,00,000
10. Deduction from salary is covered u/s
- A. 15      B. 16      C. 17
11. Encashment of leave salary at the time of retirement is fully exempt in the case of:
- A. Central Government employee      B. State Government employee  
 C. both Central & State govt employee      D. Govt EE & employee of local authority
12. During the previous year the employee was reimbursed ₹ 24,000 as medical expenses incurred by him which includes ₹ 7,000 spent in Government hospital. The taxable allowance in this shall be:
- A. ₹ 9,000      B. NIL      C. ₹ 2,000      D. ₹ 24,000

13. Professional Tax Paid is allowed

- A. Actual Amount Paid      B. ₹2000      C. ₹2,500      D. None of the above

14. Rent Free Accommodation in case of Government Employee shall be:

- A. ₹20,000      B. License fee determined by the Government  
C. ₹50,000      D. ₹1,30,000

15. Rent Free Accommodation in case of any other employee:

- A. Taxable      B. Not Taxable

16. An employer has provided a motor car of 1.5-liter capacity to his employee which the employee is allowed to use for official purpose and for traveling from office to residence and back. The expenses of running and maintenance of Motor Car are met by the employer. The value of this perquisite shall be:

- A. ₹1800pm      B. ₹600 pm      C. NIL      D. ₹1400pm

17. An employer provides free facility of Gas, electricity etc. to his employee which he uses for partly official and partly for personal purpose. The actual amount spent by employees is ₹ 10,000 and the salary and the employer is ₹ 2,00,000 the valuation of this perquisite shall be:

- A. ₹10,000      B. ₹6,000      C. Proportionate amount for personal use

18. The Gardner, Sweeper and the watchman are employed by the employee but their salary of ₹ 500 p.m. per person is paid by the employer. The valuation of this perquisite shall be:

- A. ₹4320      B. ₹18,000      C. ₹1960      D. ₹6000

19. Interest credited to statutory provident fund shall be :

- A. Fully exempt      B. Exempt upto 9.5 % of salary      C. Fully Taxable  
D. Exempt upto 8.5 % p.a. if credited on or after 1-9-2010 and 9.5% If credited prior to 1-9-2010.

20. Employers contributions to unrecognized provident fund shall be :

- A. Fully taxable      B. Fully Exempt      C. Exempt upto 12 % of salary  
D. Neither exempt nor taxable in the year of contribution

21. ESOP is a Taxable perquisite on basis of FMV

- A. True      B. False

22. Tea and Snacks are provided by X Ltd. to employees in the office during the office hours. The value of this perquisite shall be:

- A. NIL      B. NIL, if it is upto ₹ 50 per meal  
C. Actual amount spent by the employer

23. An employer has provided free meal worth ₹ 110 per meal for 300 days in the office, during the office hours, to his employees. Such facility provided to the employees shall:

- A. Be a perquisite in the hands of employee and taxable @60 per day for 300 days
- B. Be a tax free perquisite in the hands of the employees.
- C. Be a tax free perquisite in the hands of the employees but liable to FBT in the hands of the employer
- D. Neither be a perquisite nor liable to FBT in the hands of employer

24. The employer has given a laptop computer for the personal use of the employee. The value of this perquisite shall be:

- A. NIL
- B. 10% p.a. of the cost of the assets
- C. 10% p.a. of the W.D.V of the assets

Solution:

1. B	2. B	3. C	4. B	5. C	6. C
7. B	8. B	9. E	10. B	11. D	12. D
13. A	14. B	15. A	16. C	17. A	18. D
19. A	20. D	21. A	22. A	23. A	24. A

**Case Based MCQs I:**

Mr. Swastik is a resident individual. Mr. Swastik owns a plot of land at Mumbai. He is a businessman and runs a business of hotels. He is fond of buying new plots of land and houses and further sells them whenever he finds a better property to purchase. He sold a plot of land to Mr. Uday in PY 20-21. He wants to know about the tax implications on such transfer and various other transfers under the head Capital Gains under Income Tax Act, 1961. You are required to advise him by answering the following questions:

- The transfer of plot of land is made on 7.7.2020 and Mr. Swastik derives LTCG of ₹1.5 crore. Net consideration is ₹ 2.5 crore. He purchased 2 residential houses, one at Pune on 10.12.2020 and another at Delhi on 15.12.2020 of ₹ 1.5 crore each. He does not own any house on the date of transfer of plot of land. He can claim exemption:
 

A. For both houses since LTCG is upto 2 crore	B. Only one house
C. Exemption not available	D. None of the above
- If he transfers a house at Lucknow on 7.7.2020 to Ms. Laila derives LTCG of ₹1.5 crore. And further he purchases 2 residential houses, one at Jaipur on 10.12.2020 and another at Bangalore on 15.12.2020 of ₹ 50 lakhs each. He owns five houses on the date of transfer of Lucknow house. He can claim exemption of:
 

A. For both houses since LTCG is up to 2 crore	B. Only one house
C. Exemption not available	D. None of the above
- If he is 61 years old and his capital gain u/s 112A is ₹25,00,000, STCG u/s 111A is ₹20,00,000 & PGBP income is ₹70,00,000 for AY 21-22. Then his tax liability is:
 

A. 29,30,200	B. 28,50,100
C. 29,33,190	D. 26,99,650
- If Mr. Swastik purchased 300 shares in Sanju Textiles Ltd. on 12-1-2017 at a cost of ₹ 2500 per share. The fair market value (FMV) of the share as on 31-1-2018 is ₹ 1800. He sold all the shares of Sanju Textiles Ltd. on 15-7-2020 for ₹ 3200. His sister, Ms. Ishika, purchased 600 shares in Welcome Ltd. on 25-1-2017 at a cost of ₹ 1900 per share. The FMV of the share as on 31-1-2018 is ₹ 2400. She further sold all the shares of Welcome Ltd. on 31-1-2021 for ₹ 1700 per share. What is the chargeable capital gains on sale of shares of Sanju Textiles Ltd. and Welcome Ltd. in the hands of Mr. Swastik and Ms. Ishika, respectively, for AY 21-22?
 

A. LTCG of Mr. Swastik ₹ 2,10,000; LTCG of Ms. Ishika ₹ 4,20,000
B. LTCG of Mr. Swastik ₹ 4,20,000; LTCG of Ms. Ishika ₹ 4,20,000

C. LTCG of Mr. Majnu ₹ 4,20,000; LTCG of Ms. Ishika ₹ 1,20,000

D. LTCG of Mr. Majnu ₹ 2,10,000; Long term capital Loss of Ms. Ishika ₹ 1,20,000

5. 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 assets except shares

Solutions:

1. A	2. C	3. A	4. D	5. C
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### Other General MCQs:

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

A. Capital index bond

B. Treasury bonds

C. Slump sale assets

D. Units of equity-oriented fund on which STT is paid

2. Agriculture land situated within 2 kilometers from the municipality or cantonment board having population of 90,000

A. is capital asset

B. is not a capital asset

C. may be a capital asset

D. None of above

3. Agriculture land situated within 5 kilometers from the municipality or cantonment board having population of 1,20,000

A. is capital asset

B. is not a capital asset

C. may be a capital asset

D. None of above

4. Which of the following is not transfer

A. Sale of asset

B. extinguishment of right in an asset

C. Exchange of asset

D. None of above

5. As per section 48, capital gain shall be computed as:

A. Sale consideration – cost of acquisition – cost of improvement + expense on transfer

B. Sale consideration + cost of acquisition – cost of improvement

C. Sale consideration – cost of acquisition + cost of improvement – expense on transfer

D. Sale consideration – cost of acquisition – cost of improvement – expense on transfer

6. As per first proviso to section 48, capital gain on transfer of specified asset shall be computed by converting

A. Cost of Acquisition

B. expenses on transfer

C. Sale Consideration

D. All of above

7. The capital gains so computed in the foreign currency shall be reconverted into:

A. Indian Currency

B. foreign currency as was initially used in purchase

C. Any of above

D. None of above

8. Second proviso to section 48 is applicable while computing

- A. Only on short term capital gain  
B. Only on LTCG  
C. Both short term and long-term capital gain  
D. None of above

9. In computation of CG as per first proviso to sec 48, expenses on transfer shall be converted at..... as on date of .....

- A. the rate being average of telegraphic transfer buying & selling rate , date of sale  
B. the telegraphic transfer buying, date of acquisition  
C. the rate being average of telegraphic transfer buying and selling rate, date of acquisition  
D. the telegraphic transfer selling date of acquisition

10. No capital gain in case of Goodwill of profession. This statement is:

- A. False  
B. True

11. Mr. Kanan Gill (proprietor of Gill & Co.) transferred a depreciable asset for ₹ 2,50,000 which was acquired by him on 20-12-2008 for ₹ 60,000. WDV of block to which this asset belongs was ₹2,00,000 as on 1-4-2020. What will be the amount of capital gain and type of capital gain?

- A. Nil, NA  
B. 50,000, STCG  
C. 50,000, LTCG  
D. 1,90,000, STCG

12. Mr. Nihal and Mr. Vijay sold their residential house property in Pune for ₹3 crores and ₹4 crores, respectively in Jan 2021. The house property was purchased by them 25 months back. The indexed COA is ₹1 crore and ₹1.75 crores, respectively. Mr. Nihal purchased 2 residential flats, one in Delhi and one in Agra for ₹70 lakhs & ₹80 lakhs, respectively, in April 2021. On the same date, Mr Vijay also purchased 2 residential flats, one in Mumbai & the other in Pune, for ₹80 lakhs and ₹75 lakhs, respectively. Both of them invested ₹30 lakhs each in bonds of NHAI in March 2021 and bonds of RECL in April 2021. What is the income taxable under the head Capital Gains for AY 21-22 in the hands of Mr. Nihal and Mr. Vijay?

- A. 70 lakhs and 90 lakhs, respectively  
B. 60 lakhs and 85 lakhs respectively  
C. Nil and 10 lakhs, respectively  
D. Nil and 20 lakhs respectively

13. Ms Ginger transferred the asset and deposited the amount in CGAS scheme as per Sec 54F and claimed exemption of ₹ 58,000. Within stipulated time of investment, he died. What will be the amount of capital gain chargeable in the hands of legal heir?

- A. 50,000  
B. 25,000  
C. Nil  
D. None of the above

14. Once sec 112A is exercised, which of the following benefit is not available against LTCG:

- i) Chapter VI A Deduction  
ii) Transfer expenses deduction  
iii) Rebate u/s 87A deduction  
iv) Unexhausted basic exemption limit in case of resident



**INCOME FROM OTHER SOURCES****Case Based MCQs I:**

Mrs. Preeti is an individual resident in India. She is of 36 years age. Mrs. Preeti is fond of buying lottery tickets and betting on horse races too. She has also won a contest recently where she was awarded a sum of ₹ 10 lakhs. She has earned income from such different sources and is unaware as to under which head such income shall be classified. Further, she also earned interest on fixed deposit kept with Bank of India. She recently received various gifts on different occasions. You are required to assist her regarding the provisions of Income from Other Sources under Income Tax Act, 1961 by answering the following questions:

1. Mrs. Preeti received ₹ 60,000 from her friend on the occasion of her birthday
  - A. entire amount of ₹60,000 is taxable
  - B. ₹ 50,000 is taxable
  - C. The entire amount is exempt
  - D. ₹ 10,000 is taxable
  
2. She has received a sum of ₹ 51,000 on 24.10.2020 from relatives on the occasion of her 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
  
3. She has received a sum of ₹ 75,000 on 24.10.2020 from her 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
  
4. Preeti reports the following transactions to you:
  - a) Received cash gifts on the occasion of her marriage on 18-7-2020 of ₹ 1,20,000. It includes gift of ₹ 20,000 received from non-relatives.
  - b) On 1-8-2020, being her birthday, she received a gift by means of cheque from her mother's maternal uncle, the amount being ₹ 40,000.
  - c) On 1-12-2020 she acquired a vacant site from her friend for ₹ 1,05,000. The State stamp valuation authority fixed the value of site at ₹ 1,80,000 for stamp duty purpose.
  - d) She bought 100 equity shares of a listed company from another friend for ₹ 60,000. The value of share in the stock exchange on the date of purchase was ₹ 1,15,000.



Determine the amounts chargeable to tax in the hands of Mrs. Preeti for the A.Y. 2021-22.

5. Any income from game involving gambling, betting is known as ..... & taxable @

- A. normal income, slab rate                                      B. normal income, 30%  
 C. casual income, 30%                                              D. Other income

**Solution:**

1. A	2. C	3. A	4. 1,30,000	5. C
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**Case Based MCQs II:**

Majnu Ltd. is an Indian Company engaged in the manufacturing of steel. It is one of the leading manufacturers of steel in India with a turnover of ₹100 crores in PY 2020-21 and has a large shareholder base. It also engages in further processing of such steel into utensils which are sold at affordable rates to poor households in India. It is known for its charitable activities as well and therefore holds a good reputation in the market. It holds 27% in Tom & Jerry Ltd. (foreign company). Majnu Ltd. is a wholly owned subsidiary of PQR Ltd. Majnu Ltd. has appointed you as the financial advisor and therefore seeks for your advice on the following regarding the provisions of IFOS under Income Tax Act, 1961:

- Majnu Ltd. received dividend of ₹49,000 from Tom & Jerry Ltd. and incurred ₹10,000 as interest paid for investment in shares. Dividend income taxable is \_\_\_\_
 

A. ₹ 49,000                                                                      B. ₹ 39,200  
 C. ₹ 13,230                                                                      D. ₹ 10,530
- Majnu Ltd. received shares of VJ Ltd. from PQR Ltd. without consideration. FMV of shares on date of transfer is ₹5,00,000. How much income is taxable u/s 56(2)(x)?
 

A. ₹ 4,50,000                                                                      B. Nil  
 C. ₹ 5,00,000                                                                      D. ₹ 3,00,000
- What among the following will be treated as deemed dividend u/s 2(22)(b)?
 

A. Distribution of debentures, deposit certificate to equity shareholders and preference shareholders and bonus shares to preference shareholders.  
 B. Distribution of debentures, deposit certificate and bonus shares to both equity and preference shareholders.  
 C. Distribution of debentures, deposit certificate to preference shareholders and bonus shares to equity shareholders.  
 D. Distribution of debentures, deposit certificate to equity shareholders and bonus shares to preference shareholders.
- If Majnu Ltd. were to distribute dividend on or after 1.4.2020. Is it liable to pay Dividend Distribution Tax u/s 115D on such dividend declared?
 

A. Will be liable                                                                      B. Not liable

5. If Majnu Ltd. distributes dividend to its shareholders and on the other hand receives dividend from VJ Ltd., a domestic company, then can ABC Ltd. claim deduction of such dividend income received and upto what extent?

A. No deduction available

B. Yes, upto the extent of dividend received by ABC Ltd.

C. Yes, upto the extent of dividend distributed by ABC Ltd.

**Solutions:**

1. B	2. B	3. A	4. B	5. C
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**Other General MCQs:**

1. Where a specified movable property is acquired during the previous year and its market value exceeds the purchase price by more than ₹ 50,000 such excess amount shall be taxable in the hands of:

A. All assessee

B. All assessee other than company

C. Individual or HUF only

2. Gift, whether in cash or kind, received by an individual on the occasion of his/ her marriage shall be:

A. Fully exempt even if it exceeds ₹ 50,000

B. Fully taxable if it exceeds ₹ 50,000

C. Exempt upto ₹ 50,000 and balance taxable

3. Gift exceeds ₹ 50,000 received by HUF from his relative of the member of HUF shall be:

A. Fully exempt

B. Fully taxable

C. Taxable to the extent it exceeds ₹ 50,000

4. Gift exceeding ₹ 50,000 received by an individual from his relative R shall be:

A. Fully exempt

B. Fully taxable

C. Taxable to the extent it exceeds ₹ 50,000

5. Gift of immovable property or specified movable property received by an individual from unrelated person or HUF shall be:

A. Fully exempt whether the value of such gift is less than or more than ₹ 50,000

B. Fully taxable

C. Fully taxable if the value of such gift exceeds ₹ 50,000

6. Mr. Yash has received following three gifts from his three friends. His income shall be

a) ₹ 55,000 in cash

b) Land with Stamp duty Value ₹ 4L, without consideration

c) Jewellery with market value ₹ 3,00,000

A. 7,55,000      B. 7,00,000      C. 4,55,000      D. 3,55,000

7. Mr. Kashyap has acquired a building from his friend on 10.10.2020 for ₹ 15,00,000. The stamp duty value of the building on the date of purchase is ₹16,90,000. Income chargeable to tax in the hands of Mr. Kashyap is:

A. ₹70,000      B. ₹50,000      C. ₹1,90,000      D. ₹20,000

8. Mrs. Deepika receives the following gifts during PY 2020-21:

- On occasion of marriage of Deepika, she gets ₹2,90,000 as gift on 02.04.2020
- On 20.09.2020, she gets a gift of ₹7,00,000 from her grandmother
- On 30.12.2020, she gets by way of gift a commercial flat from the elder brother of her father-in-law (Stamp duty value ₹25,00,000)
- On 20.1.2021, she gets wrist watch by gift from her friend, Mrs Alia (FMV ₹1,00,000)
- On 10.2.2021, she gets by way of gift a plot of land in Pune from a partnership firm. The firm has only 2 partners father of Mrs. Deepika and Mr. Ranveer. The stamp duty value of the plot is ₹19,00,000.

Compute the amount chargeable to tax in the hands of Mrs. Deepika under the head Income from other sources for AY 21-22:

A. ₹ 44,00,000      B. ₹ 45,00,000  
C. ₹ 52,00,000      D. ₹ 54,90,000

9. Mr. Gujral is employed at Infosys Ltd. Compensation received in connection with termination of his employment paid by TCS. Such receipt is taxable under which head?

A. Capital Gain      B. Income from other source  
C. Salary      D. Income from house property

10. Mrs. Y received interest on enhanced compensation of ₹ 5,00,000. She incurred expenditure of legal fees of 50,000. Income chargeable in hands of Mrs. Y will be:

A. 4,50,000      B. 5,00,000  
C. 2,50,000      D. Fully exempt

11. Ms. Meena, an employee of hotel company received tips distributed by employer as received from customers. These tips are taxable in the hands of Ms. Meena under which of the following heads:

A. Exempt income      B. Income from other source  
C. Salary      D. PGBP

STATE WHETHER TRUE OR FALSE :

12. Family pension is taxable as income from other sources.

13. Income by way of winnings from lotteries in the hands of a dealer as a regular business activity is not chargeable to tax under the head 'profits and gains of business or profession.

14. Income from vacant plot of land is taxable under the head 'income from other sources'.

15. Gift from an unrelated person is tax-free upto ₹ 50,000.

16. Marriage gift from a non-relative is not chargeable to tax.

**SOLUTION:**

1. C	2. A	3. A	4. A	5. C
6. A	7. C	8. A	9. B	
10. C	11. B	12. True	13. False	14. True
15. True	16. True			

## PROFITS & GAINS FROM BUSINESS & PROFESSION

### Case Based MCQs I:

Mahindra and Mahindra Limited is an Indian multinational automotive manufacturing company headquartered in Mumbai, Maharashtra, India. It is a part of Mahindra Group, an Indian conglomerate. Its products include passenger cars, trucks, vans, coaches, buses, sports cars, construction equipment and military vehicles. Mahindra and Mahindra vehicles offer global styling, enhanced driving comfort and fuel efficiency. Their design units in Coventry (UK), Turin (Italy), and Pune (India) ensure our vehicles are both trendy and trustworthy. It has acquired various assets for the purpose of business and requires you to assist in claiming depreciation on such assets and understanding other provisions of PGBP under the Income Tax Act, 1961. Answer the following in regard to the above case.

- It purchased computers of the value of ₹ 10 lakhs in November, 2020 and installed the same in its office. The depreciation allowable u/s 32 for AY 2021-22 in respect of the same is:
  - ₹6 lakhs
  - ₹3 lakhs
  - ₹4 lakhs
  - ₹2 lakhs
- It has unabsorbed depreciation of ₹ 4,50,000 for the P.Y.2019-20. This can be carried forward
  - for a maximum period of 8 years and set-off against business income
  - Indefinitely and set-off against business income
  - Indefinitely and set-off against any head of income
  - Indefinitely and set-off against any head of income except winnings from lotteries, crossword puzzles, etc.
- Mahindra and Mahindra has started expanding its business operations and commenced a new business on 1<sup>st</sup> April, 2020. It acquired plant and machinery (second hand), factory building and furniture at a cost of ₹62 lakhs, ₹37 lakhs and ₹8 lakhs, respectively, in the PY 2020-21 by way of ECS through bank account. Assuming that all the assets were put to use for more than 180 days during the PY 20-21, compute the written down value of each block as on 1<sup>st</sup> April, 2021:
 

A. ₹52.70 lakhs, ₹33.30 lakhs & ₹7.20 lakhs	B. ₹58.75 lakhs, ₹35.71 lakhs & ₹7.72 lakhs
C. ₹58.28 lakhs, ₹35.52 lakhs & ₹7.68 lakhs	D. ₹59.675 lakhs, ₹36.075 lakhs & ₹7.8 lakhs
- Depreciation allowance is charged @ \_\_\_\_\_ percentage of written down value on intangible assets e.g., Know-how, patents, copyrights, etc.

- A. 15%
- C. 20%

- B. 25%
- D. 30%

**Solutions:**

1. D	2. D	3. A	4. B
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**Case based MCQs II:**

“DOVE Enterprise” a proprietorship firm of Mr. Lucifer Morningstar, a resident individual, in Maharashtra engaged in business of printing and publishing. The following details pertain to the assets of the business:

Particulars	Date of purchase	Date of put to use	Amount
Office building superstructure constructed on leased land	30.09.2020	30.12.2020	1,85,00,000
BMW M4 convertible car	13.08.2019	25.08.2019	94,80,000
Machineries used in printing and publishing process	25.09.2020	15.10.2020	9,12,500

- Car is also used for personal purposes; disallowance for personal use may be taken at 20%.
- Written down value of Plant & Machinery (Depreciable @15%) as on 1.4.2020 is ₹ 1,45,00,000.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions, assuming all the aforementioned assets are purchased through account payee cheque:

- What would be the amount of depreciation allowable on plant and machinery (@15%) for the previous year 2020-21?
  - A. ₹ 24,25,938
  - B. ₹ 23,34,688
  - C. ₹ 24,94,376
  - D. ₹ 24,03,126
- What would be the WDV of plant and machinery (Depreciable@15%) as on 1.4.2021?
  - A. ₹ 1,29,86,562
  - B. ₹ 1,29,18,124
  - C. ₹ 1,30,77,812
  - D. ₹ 1,21,65,312
- What would the WDV of Office building superstructure constructed on leased land as on 1.4.2021?
  - A. ₹ 1,85,00,000
  - B. ₹ 1,66,50,000
  - C. ₹ 1,75,75,000
  - D. ₹ 1,57,25,000

- What would be the amount of depreciation allowable on BMW M4 convertible car for the

previous year 2020-21?

A. ₹ 22,75,200

B. ₹ 11,37,600

C. ₹ 10,01,088

D. ₹ 17,29,152

Solutions:

1. B	2. C	3. C	4. D
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### Other General MCQs:

- An electricity company charging depreciation on straight line method on each asset separately, sells one of its machinery in April, 2020 at ₹ 1,20,000. The WDV of the machinery at the beginning of the year i.e., on 1<sup>st</sup> April, 2020 is ₹ 1,35,000. No new machinery was purchased during the year. The shortfall of ₹ 15,000 is treated as –
  - Terminal depreciation
  - Short-term capital loss
  - Normal depreciation
  - Any of the above, at the option of the assessee
- Mr. X acquires an asset in the year 2015-16 for the use for scientific research for ₹ 2,75,000. He claimed deduction under section 35(1)(iv) in the previous year 2015-16. The asset was brought into use for the business of Mr. X in the P.Y.2020-21, after the research was completed. The actual cost of the asset to be included in the block of assets is –
  - Nil
  - Market value of the asset on the date of transfer to business
  - ₹ 2,75,000 less notional depreciation u/s 32 upto the date of transfer
  - Actual cost of the asset i.e., ₹ 2,75,000
- Mr. X, a retailer acquired furniture on 10th May 2020 for ₹ 10,000 in cash and on 15th May 2020, for ₹ 15,000 and ₹ 20,000 by a bearer cheque and account payee cheque, respectively. Depreciation allowable for A.Y. 2021-22 would be ₹
  - 2,000
  - 3,000
  - 3,500
  - 4,500
- The W.D.V. of a block (Plant and Machinery, rate of depreciation 15%) as on 1.4.2020 is ₹3,20,000. A second hand 'machinery costing ₹ 50,000 was acquired on 1.9.2020 through account payee cheque but put to use on 1.11.2020. During Jan 2021, part of this block was sold for ₹ 2,00,000. The depreciation for A.Y.2021-22 would be ₹ –
  - 21,750
  - 25,500
  - 21,125
  - 12,750
- M/s ABC, an eligible assessee, following mercantile system of accounting, carrying on eligible business under section 44AD provides the following details:
  - Total turnover for the financial year 2020-21 is ₹ 130 lakh





9. Under the Income-tax Act, 1961, depreciation on machinery is charged on
- A. Purchase price of the machinery      B. Market price of the machinery  
C. Written down value of the machinery      D. All of above
10. Depreciation allowance is charged @\_\_\_\_\_ percent of written down value on intangible assets e.g. Know-how, patents, copyrights etc -
- A. 15%      B. 25%      C. 20%      D. 30%
11. Which of the following income is chargeable to tax under the head PGBP
- A. Cash compensatory support & Duty Drawback  
B. Sum received under a Keyman Insurance Policy  
C. Both of the above  
D. None of above
12. Any profit on the transfer of Duty Free Replenishment Certificate is taxable under the head-
- A. Salary      B. Other Sources      C. PGBP      D. None of above
13. Any sum received under an agreement for not carrying any activity in relation to any business is taxable under the head -
- A. PGBP (provided not taxable as CG)      B. Other Sources  
C. Any of above      D. None of above
14. Any compensation received for not producing CFC and HCFC from Government of India under multilateral fund of Montreal Protocol
- A. is taxable under the head Other Sources  
B. is taxable under head PGBP  
C. is not taxable under the head PGBP  
D. None of the above
15. Where assessee is owner of building and incurred capital expenditure on building, the expenditure
- A. shall not be allowed as deduction  
B. should be added to the cost of building and depreciation shall be allowed on same  
C. shall be allowed wholly in the year in which it is incurred  
D. None of the above
16. Which of the following deduction is allowed to assessee in respect of Plant and Machinery and furniture used for the purpose of business and profession?
- A. Rent and Revenue expenses on repairs  
B. Rent and Revenue expenses on repairs, insurance premium  
C. Rent and Insurance premium  
D. None of the above

17. Where assessee incurred expenditure on replacement of old machinery by new machinery, the expenditure
- A. is not allowed at all
  - B. is allowable as revenue expenditure
  - C. is not allowable as revenue expenditure and depreciation shall be allowed
  - D. None of the above
18. When is depreciation allowed as deduction?
- A. When the asset is used for the purpose of the business or profession
  - B. It is owned wholly or partly by the assessee
  - C. All of above
  - D. None of above
19. Goodwill purchased is -
- A. Intangible asset
  - B. Tangible Asset
  - C. either a/b
  - D. None of above
20. A lessee, in respect of leased asset
- A. can claim depreciation under head PGBP
  - B. cannot claim depreciation under head PGBP
  - C. is allowed to claim depreciation
  - D. None of the above
21. Depreciation is allowed on -
- A. Actual Cost
  - B. Book value of asset
  - C. either a/b
  - D. None of above
22. What does Plant include?
- A. ships, vehicles, books
  - B. ships, vehicles, books, scientific apparatus, and surgical equipment
  - C. ships, vehicles, books, scientific apparatus
  - D. None of the above
23. When shall depreciation be restricted to 50% of depreciation allowed?
- A. If asset is put to use for less than 180 days in any year
  - B. if asset is put to use for less than 180 days in year of acquisition
  - C. if asset is put to use for less than 200 days in year of acquisition
  - D. None of the above
24. An assessee purchased an asset on 21st September 2019 on which rate of depreciation is 20% and put to use on 10th October 2019. How much depreciation shall be allowed to assessee on such asset during the period ending 31st March 2020-
- A. Nil
  - B. 20%
  - C. 10%
  - D. Any
25. Additional depreciation is allowed at the rate of -
- A. 10%
  - B. 15% / 35%
  - C. 20/35%
  - D. 5%

26. Additional Depreciation shall be allowed in which of the following case?
- engaged in the business of manufacture or production of any article or thing
  - if assessee is engaged in the business of generation or generation or distribution of power
  - Any of above
  - None of above
27. An assessee purchased an imported second-hand machinery and contends that additional depreciation shall be allowed on same. Is the contention of assessee correct?
- Valid
  - Invalid, no additional depreciation shall be allowed
  - partly valid
  - None of above
28. An assessee purchased office appliances and contends that additional depreciation shall be allowed on same. Is the contention of assessee correct?
- Valid
  - Invalid, no additional depreciation shall be allowed
  - partly valid
  - None of above
29. Additional Depreciation is not allowed on
- When assessee is not engaged in business of manufacturing
  - When assessee purchases a second hand machinery
  - When whole of cost of plant is allowed as deduction
  - All of the above
30. When is additional depreciation allowed?
- First year in which the asset is installed and ready to use
  - any year in which the asset is installed and put to use
  - first year in which the asset is installed and put to use
  - Any of the above
31. When an asset is put to use for less than 180 days in the year in which it is acquired, what rate of additional depreciation shall be allowed -
- 20%
  - 5%
  - 10%
  - Nil
32. When an asset on which depreciation is allowed is transferred and block does not cease to exist, how should it be treated?
- Cost of asset shall be reduced from the block of asset
  - Sale proceeds of asset shall be reduced from block of asset
  - Profit shall be computed as per section 50 and chargeable under head capital gain
  - None of the above

**Solutions:**

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

<i>20. B</i>	<i>21. C</i>	<i>22. B</i>	<i>23. A</i>	<i>24. C</i>
<i>25. C</i>	<i>26. C</i>	<i>27. B</i>	<i>28. B</i>	<i>29. D</i>
<i>30. C</i>	<i>31. C</i>	<i>32. B</i>		

**Case Based MCQs I:**

Mr. Simba is a resident individual aged 40 years. His wife Mrs. Nala is 38 years old. They have 2 children, one major son named Sanju and one minor daughter named Sanjana. He has a total income of ₹ 10 crores in PY 2020-21. Mr. Simba gifts a sum of ₹ 1,00,000 to his brother's wife Mrs. Kapoor. Mr. Kapoor gifts ₹ 1,00,000 to Mrs. Nala. From the sum gifted to Mrs. Imran, she invests in a fixed deposit. Sanjana receives a scholarship and she earns income from a fixed deposit made out of scholarship. Mr. Simba transfers income of ₹ 51,000 from rent to Sanju without transfer of house property. Mr. Simba transferred shares of Indian companies to his wife. The shares were sold by his wife and earned Capital Gains. In light of the given case, answer the following questions:

1. From the sum gifted to Mrs. Nala, which she invests in a fixed deposit, the income of ₹ 10,000 earned therefrom will be included in the total income of:  
A. Mr. Simba      B. Mrs. Nala      C. Mrs. Kapoor      D. Mr. Kapoor
  
2. 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
  
3. Income of Sanjana 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
  
4. Rent of ₹ 51,000 is:  
A. taxable in the hands of the transferor-father  
B. taxable in the hands of his son  
C. taxable in the hands of the that parent whose total income is higher  
D. exempt from tax

5. The capital gains earned by Mrs. Nala shall be clubbed in the hands of Mr. Simba. Is it correct?

- A. Correct B. Incorrect C. Clubbing not applicable D. None of them

Solutions:

1. A	2. A	3. B	4. A	5. A
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Other General MCQs:

1. 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

2. 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

3. 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

4. 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

5. Mr. Mittal has four minor children consisting of three daughters and one son. The annual income of all the children for AY 2021-22 were as follows

Particulars	₹
First daughter (Including Scholarship received ₹ 5,000)	10,000
Second Daughter	8,500



10. A transfer of asset made to a person, transfer is not revocable during the lifetime of the beneficiary but the income of asset is derived by the transferor. Income from asset shall be assessed in the hands of

- A. Transferor  
B. Transferee  
C. Transferor or transferee, whose income is higher  
D. none of above

11. An individual has substantial interest in a concern. The spouse of individual derives salary from such concern. Amount of salary income shall be clubbed in hands of:

- A. Individual  
B. Spouse  
C. equally in hands of both  
D. None of them

12. Mrs. X receives salary from ABC Ltd. Mr. X has substantial interest in ABC Ltd. Mrs. X possess professional qualification to be eligible for job. Salary so received by Mrs. X shall be assessed in hands of :

- A. Mrs X  
B. Mr X  
C. Both of them  
D. Any of them

13. When the income of the individual include ₹ 20,000 as the income of the minor child in terms of section 64(1A), taxable income in this respect will be?

- A. Nil  
B. 20,000  
C. 18,500  
D. None of them

14. Mrs. R receives salary of ₹. 1,00,000 from PQ Ltd., Mr. R receives salary of ₹. 1,50,000 from PQ Ltd. Both of them have substantial interest in company. Other Income of Mr. A and Mrs. A excluding such remuneration is ₹. 10,00,000 and ₹. 12,00,000 respectively. Taxable income of Mr. A and Mrs. A shall be

- A. 11,50,000; 13,50,000  
B. 11,00,000; 13,50,000  
C. 15,50,000; 12,00,000  
D. 10,00,000; 14,50,000

15. Mr. Amit as on 1.10.2020 transferred shares without consideration to his fiancée, Ritika. They got married on 1.4.2021. Income from share for year the end shall be assessed in hands of

- A. Amit  
B. Ritika  
C. Any of above  
D. None of them

16. Gold funds were transferred by Mr. Rahul to Mrs. Rahul under an agreement to live apart. Income from gold funds shall be assessed in the hands of

- A. Mr Rahul  
B. Mrs Rahul  
C. Any of above  
D. None of them

17. When marriage of parents subsist, Income of minor child shall be included in the income of:

- A. Father  
B. Mother  
C. Parent, whose income (excluding such income) is higher  
D. Parent, whose income (including such income) is higher



18. ₹. 1,00,000 earned by minor child from manual activity is invested in FDR. He earns ₹. 10,000 as interest from FDR during the previous year. ₹. 1,00,000 and ₹. 10,000 shall be assessed in the hands of

- A. Minor, minor B. Minor, Parents C. Parents, Parents D. Parents, minor

Solutions:

1. B	2. A	3. D	4. A	5. ₹ 49,000
6. ₹ 3,53,500	7. Dhaval ₹ 7,78,500; Hetal ₹ 4,60,000	8. A	9. A	10. A
11. A	12. A	13. C	14. D	15. B
16. B	17. C	18. B		

**SET OFF & CARRY FORWARD****Case Based MCQs I:**

Mr. Tommy has is a businessman running a chain of restaurants across India. He is an individual resident in India. Due to the pandemic and certain other reasons such as loss of customers, he incurred few losses in PY 20-21. He incurred a business loss of ₹ 100 lakhs and long-term capital loss from sale of listed shares in recognized stock exchange where STT is paid at the time of acquisition and sale of such shares. He also incurred a short-term capital loss of ₹ 10,000 on sale of shares through the National Stock Exchange. He wants to know whether such losses can be set off as per the provisions of Income Tax Act, 1961. He seeks for your advice regarding the provisions of set off. Advise Mr. Tommy on the following by answering the questions given below:

1. The long-term capital loss incurred in the given case:

- 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

2. The short-term capital loss in the given case:

- 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. is not allowed to be set-off

3. Business loss of current year cannot be set-off against:

- A. Any income other than business income
- B. LTCG
- C. Either long-term capital gain or short-term capital gain
- D. Salary income

4. 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

5. Short-term capital loss can be set-off from:

- A. STCG
- B. LTCG
- C. Both
- D. None

Solutions:

1. A	2. B	3. D	4. B	5. C
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Case Based MCQs II:

Ms. Deepika is running a business of women's apparels under the brand name Lifestyle. She has been running this business for 10 years now with a turnover of ₹50 Crores in PY 2020-21. Her motive is to make a significant contribution to the fashion industry by upgrading her designs every year and making them available to women at affordable rates. Her brand is known for its quality and huge variety of designs. She has been incurring a few losses for several years now due to the fall in number of customers and increasing competition with foreign brands. She also wants to know if she is required to file her return of income to carry forward such losses. She seeks your advice regarding the provisions of carry forward under the Income Tax Act, 1961 which can help her carry forward the losses which she was not able to set-off this year. In light of the given case, answer the following questions:

1. During the P.Y. 2020-21, Ms. Deepika has following income and brought forward losses

Short term capital gains on sale of shares ₹1,50,000

Long term capital loss of A.Y. 2019-20 ₹(96,000)

Short term capital loss of A.Y. 2020-21 ₹(37,000)

What is the capital gain taxable in the hands of Ms. Deepika and how much loss can be carried forward for the A.Y. 2021-22?

A. 1,13,000; Nil    B. 17,000; Nil    C. 1,13,000; 96,000    D. 54,000; 37,000

2. During the P.Y. 2020-21, Ms. Deepika has following income and brought forward losses

Long term capital gain ₹1,75,000

Long term capital loss of A.Y. 2019-20 ₹(96,000)

Short term capital loss of A.Y. 2019-20 ₹(37,000)

What is the capital gain taxable in the hands of Ms. Deepika and how much loss can be carried forward for the A.Y. 2021-22?

A. 79,000; 37,000    B. 1,38,000; 96,000    C. 42,000; nil    D. nil; nil

3. No loss can be carried forward unless the return of loss is furnished on or before the due date mention under section 139 (1)

A. True

B. False

4. According to section 80, no loss which has not been determined in pursuance of a return filed in accordance with provisions of section 139(3), shall be carried forward. The exceptions are

A. Only loss under the head "Capital Gains" under section 74

B. Loss under the head "Capital Gains" and unabsorbed depreciation carried forward under section 32(2)

C. Loss from house property & unabsorbed depreciation carried forward u/s 32(2)

D. None of the above

Solutions:

1. C	2. C	3. A	4. C
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Other general MCQs:

1. Long term capital loss can be set off in the same assessment year only from \_\_\_\_
2. Where any unabsorbed depreciation is to be carried forward to claim it set off in the subsequent AY, effect shall first be given to brought forward \_\_\_\_\_
3. Speculation loss can be carried forward for a maximum of \_\_\_\_ AYs
4. A short -term capital loss can be set off from any other head of income in the same assessment  
A. True B. False
5. If an assessee has incurred any loss under any head of income in a particular assessment year it can be set off from any other head of income in the same assessment year  
A. True B. False
6. Brought forward house property loss can only be set off from income under the head house property in the subsequent year  
A. True B. False
7. Loss can be set off only by assessee who has incurred the loss  
A. True B. False
8. Akshay Pvt. Ltd. is a closely held Indian company. It is a subsidiary of a foreign company Apple Inc. which had already issued 5,00,000 shares to its shareholders. During PY 19-20, it incurred a loss of ₹10 crores which couldn't be set off and hence, was carried forward. Further, there was also unabsorbed depreciation of ₹1 crore. During PY 20-21, Apple Inc. amalgamated with Zed Inc. and persons holding 2,45,000 shares of Apple Inc. became thr shareholders of Zed Inc. Determine whether the brought forward loss of ₹10 crores and unabsorbed depreciation of ₹ 1 crore can be set off by Akshay Pvt. Ltd. during PY 2020-21:  
A. Loss cannot be set off but unabsorbed depreciation can be set off B. Loss can be set off but unabsorbed depreciation cannot be set off  
C. Both loss and unabsorbed depreciation can be set off D. Both loss and unabsorbed depreciation cannot be set off

9. In FY 2020-21, Anushka 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
10. If there is a loss in business which is discontinued due to flood and such business is re-established by assessee within \_\_\_\_ years, then loss attributable shall be allowed to set off against profits and gains:  
 A. 2 B. 3 C. 4 D. 5
11. Loss under head Salary can be set off from income under head  
 A. Capital Gain B. PGBP C. House Property D. Loss not possible under salary
12. Loss under head House property can be set off from income under head  
 A. PGBP B. HP C. Capital gains D. Any head
13. Loss under head House property can be c/f for next ..... assessment year  
 A. 8 B. 4 C. Indefinite D. 0
14. Loss from owning and maintenance of race horses can be c/f for next ..... assessment year  
 A. 8 B. 4 C. Indefinite D. 0
15. Long term Capital Loss can be carried forward and set off from income from  
 A. LTCG B. STCG C. LTCG/STCG D. Any head
16. Long term Capital Loss can be carried forward for  
 A. Next 8 AY B. next 4 AY C. Indefinite D. can't c/f
17. Short term Capital Loss can be set off from income from  
 A. LTCG B. STCG C. LTCG/STCG D. Any head
18. Short term Capital Loss can be carried forward for  
 A. Next 8 AY B. next 4 AY C. Indefinite D. can't c/f
19. Loss from other sources can be carried forward for  
 A. Next 8 AY B. next 4 AY C. Indefinite D. can't c/f

**Solutions:**

1. LTCG	2. Business loss	3. 4	4. False	5. False	6. True
7. False	8. A	9. A	10. B	11. D	
12. D	13. A	14. B	15. A	16. A	
17. C	18. A	19. A			

**Case Based MCQs I:**

Mr. Snoopy, aged 30 years old, is a resident individual. He is married to Mrs. Funny, aged 27 years old and has two children. Mr. Snoopy has earned income in the AY 2021-22. He has made certain contributions to a political party. Further he paid life insurance premium of ₹25,000 during the previous year for a policy of ₹ 1,00,000 taken on 1.4.2016. He wants to understand the various deductions available to him under Chapter VI-A of Income Tax Act, 1961. He appoints you as his Chartered Accountant to advise him on the provisions of deductions applicable to him. In light of the given case, answer the following questions:

1. 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
  
2. An assessee has paid life insurance premium of ₹ 25,000 during the previous year for a policy of ₹ 1,00,000 taken on 1.4.2016. 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
  
3. For the purpose of full-time education, only tuition fees of upto \_\_\_\_ children are allowed as deduction under section 80C.
  
4. For claiming deduction u/s 80C in respect of life insurance, premium can be paid by assessee for
  - A. himself only
  - B. himself or spouse
  - C. himself, spouse and minor children
  - D. himself, spouse and independent children
  - E. himself, spouse and any child
  
5. Deduction under section 80D is allowed if the premium is paid to:
  - A. Life Insurance Corp
  - B. Medical insurance
  - C. Life Insurance & General Insurance Corp

**Solutions:**

1. C	2. D	3. 2	4. E	5. B
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## Case based MCQs II:

Ms. Laila, aged 42 years, is in need of a qualified Chartered Accountant to understand the deductions available to her under Sec 80CCD and 80G. She has earned income from various sources and has further made a few donations. Assuming she appoints you as her CA, advise her by answering the following questions:

1. Deduction under section 80CCD is allowed to extent of

- A. Central Govt Employees only
- B. Central & State Govt employee
- C. Any employee
- D. any employee or self-employed individual

2. As per section 80CCE, deduction u/s 80C, 80CCC and 80CCD cannot exceed:

- A. ₹ 1,00,000 including employers' contribution to notified pension scheme referred in section 80CCD
- B. ₹ 1,50,000 exclusive of employers' contribution to notified pension scheme referred in section 80CCD
- C. ₹ 1,20,000

3. Deduction under section 80G on account of donation is allowed to

- A. Business Assessee only
- B. Any Assessee
- C. Individual/HUF

4. Sec.80G specify the deduction for

- A. Donation
- B. Rent paid
- C. Investment in PPF
- D. None

### Solutions:

1. D	2. B	3. B	4. A
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## Other general MCQs:

1. Deduction in respect of rent paid u/s 80 GG shall be allowed to:

- A. an individual
- B. an individual or HUF
- C. any assessee

2. The maximum deduction u/s 80GG shall be limited to

- A. ₹ 1,000 p.m.
- B. ₹ 5,000 p.m.
- C. ₹ 3,000 p.m.

3. Deduction u/s 80 GGA in respect of certain donation for scientific research or rural development is allowed to

- A. Any assessee
- B. non corporate business assessee
- C. an assessee whose gross total income does not include income chargeable U/H Business and Profession

4. Deduction u/s 80GGA shall be allowed to the extent

- A. 100 % of the donation so made
- B. 1 ¼ times of the donation so made
- C. 1 ½ times of the donation so made

5. Deduction u/s 80JJA in respect of profits and gains from business of collecting and processing of bio degradable work is allowed to the extent of

- A. 100 % of the profits derived from such business or ₹ 5,00,000 whichever is less
- B. 100 % of the profits for a period of 10 years
- C. 100 % of the profits for a period of first 5 consecutive assessment years

6. Deduction u/s 80JJAA in respect of employment of new worker be allowed to

- A. any assessee
- B. an Indian company
- C. an Assessee liable to Tax Audit

7. Deduction u/s 80JJAA shall be allowed to a new Industrial undertaking owed by a company assessee in respect of employment of regular workmen exceeding

- A. 80 workmen
- B. any workmen
- C. 150 workmen

8. Deduction u/s 80 JJAA not available to workmen worked for less than 240 days

- A. False
- B. True
- C. Partly True

9. Deduction u/s 80 JJAA to existing industrial undertaking shall be allowed for the

- A. additional wages paid to new workmen employed during the year
- B. 30% additional wages paid to new workmen
- C. additional wages paid to new workmen employed during the year in excess of 100 workmen

10. Deduction under section 80 QQB is allowed in respect of royalty income to

- A. an individual who is an author of a book
- B. an individual who is a resident of India and who is an author of a book
- C. an individual who is a resident of India who is either an author of a book or a joint author of the book

11. Deduction u/s 80QQB is allowed to an author of a book of literacy or artistic or scientific nature who is resident in India to the extent of

- A. Literature Nature
- B. Scientific Nature
- C. Artistic Nature
- D. literary or artistic nature
- E. scientific or artistic nature
- F. literary, artistic or scientific nature

12. Deduction u/s 80QQB is allowed to an author of a book of literary or artistic or scientific nature who is resident of India to the extent of:

- A. 100 % of royalty income ₹ 5,00,000 whichever less
- B. 100 % of royalty income ₹ 3,00,000 whichever less
- C. 50 % of royalty income ₹ 5,00,000 whichever less
- D. 50% of royalty income ₹ 3,00,000 whichever less



13. Deduction u/s 80RRB in respect of royalty on patents shall be allowed to:
- A. any Individual  
B. Individual being resident  
C. an individual who is resident of India and is a patentee or co-patentee
14. Deduction under section 80 RRB is allowed to the extent of:
- A. 50 % of royalty or ₹ 3,00,000 whichever less  
B. 100% of royalty or ₹ 3,00,000 whichever less  
C. 100% of royalty or ₹ 2,00,000 whichever less  
D. 100% of royalty or ₹ 5,00,000 whichever less
15. Deduction u/s 80U in case of person with disability is allowed to
- A. an individual who is citizen of India  
B. an individual who is resident of India  
C. any individual assessee
16. The quantum of deduction allowed u/s 80U is
- A. ₹ 40,000  
B. ₹ 75000/125000  
C. ₹ 50,000 in case of individual resident of India who is a person with severe disability  
D. ₹ 60,000
17. Where the return on income is filed after the due date specified u/s 139 (1)
- A. all deductions under chapter VI i.e., 80C to 80 U will be allowable  
B. all deductions under chapter VI i.e., 80C to 80 U will not be allowable  
C. all deductions under chapter VI i.e., 80C to 80 U excepting 80-IA, 80-IAB, 80-IB, 80-ID, 80 -IE will be allowable
18. Deduction u/s 80U for a person with severe disability shall be
- A. ₹ 50,000  
B. ₹ 1,25,000  
C. ₹ 75,000  
D. No limit
19. Deduction allowed u/s 80DDB [age 40years] shall be:
- A. lower of ₹. 40,000/amount incurred  
B. lower of ₹. 60,000/amount incurred  
C. higher of ₹. 40,000/amount incurred  
D. higher of ₹60,000/amount incurred
20. Deduction allowed u/s 80DDB shall be if the amount has been incurred on the treatment of senior citizen:
- A. lower of ₹. 40,000/amount incurred  
B. lower of ₹100,000/amount incurred  
C. higher of ₹. 40,000/amount incurred  
D. higher of ₹60,000/amount incurred

**Solutions:**

1. A	2. B	3. C	4. A	5. C
6. C	7. B	8. B	9. B	10. C
11. F	12. B	13. C	14. B	15. B

16. B	17. C	18. B	19. A	20. B
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**EXEMPTION****Case Based MCQs I:**

Mrs. Tina is an individual with a total income of ₹ 80,00,000 for PY 2020-21. She is a wife of deceased member of armed forces. Further, she also earns some agricultural income. She has been a recipient of Param Vir Chakra i.e., a gallantry award this year. She further receives the accumulated balance of RPF. Her daughter has received an educational scholarship to meet the cost of her education. She seeks for your advice regarding the exemptions available to her under the Income Tax Act, 1961. In light of the above case, answer the following:

1. Which of the following income is an agriculture income:
  - A. Income from brick making
  - B. income from agriculture land situated in Pakistan
  - C. Prize from government on account of higher crop yield
  - D. Compensation received from insurance company on account of loss of crop
  
2. Casual income received by the assessee is:
  - A. Fully Exempt
  - B. Exempt upto ₹5,000
  - C. Fully taxable
  
3. Any pension received by an individual or family pension received by any member of her family where such individual is in the service of Central or state government and was awarded Parmvir Chakra or Vir chakra or and other notified gallantry award shall be
  - A. Exempt
  - B. Taxable
  
4. Scholarship received by a student to meet the cost of education is:
  - A. Casual Income
  - B. Fully Exempt
  - C. Fully taxable
  
5. Pension received by member of armed forces:
  - A. Casual Income
  - B. Fully Exempt
  - C. Fully taxable
  
6. Income of Infrastructure Debt fund notified is \_\_\_\_

**Solution:**

1. D	2. C	3. A
4. B	5. B	6. Exempt

**Other General MCQs:**

1. 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
2. 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
3. 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
4. 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
5. 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
6. 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

7. 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) & (c)

8. Which of the following is an agricultural land assuming that crops are being cultivated on such land and such land is situated in:

- A. an area within 3 kms from the local limits of a municipality and has a population of 80,000 as per last census
- B. an area within 1.5 kms from the local limits of a municipality and has a population of 12,000 as per last census
- C. an area within 2 kms from the local limits of a municipality and has a population of 11,00,000 as per last census
- D. an area within 8 kms from the local limits of a municipality and has a population of 10,50,000 as per last census

9. Which of the following income is agricultural income:

- A. Rent received from agricultural land
- B. Income from dairy farm
- C. Income from poultry farm
- D. Dividend from a company engaged in agriculture

10. Income accruing from agriculture in a foreign country is taxable in the case of an assessee who is:

- A. Resident
- B. RNOR
- C. Non-Resident
- D. None of above

11. Any sum received by an individual as a member of HUF from the income of HUF shall be:

- A. Fully Taxable
- B. Fully Exempt
- C. Included in TI of member for rates purpose

12. In case of a partner, the share of the profits from the firm which is separately assessed shall be:

- A. Fully Taxable
- B. Fully Exempt
- C. Included in TI of member for rates purpose

13. R traced a missing person and was awarded a sum of ₹ 1, 00,000 although there was no stipulation to that effect. Such receipt shall be:

- A. Casual income and fully taxable
- B. Casual income and exempt upto ₹ 5000
- C. Fully exempt

14. In case of an individual any income by way of interest on any money standing to his credit in a Non-resident (External) account in any bank in India shall be

- A. Exempt
- B. Taxable
- C. Exempt upto ₹13,000

15. Family pension received by the legal heir of a army personnel who died during operational duties shall be:

- A. Exempt      B. Taxable

16. Capital gain arising from compulsory acquisition of urban agricultural land be

- A. Taxable      B. Exempt      C. Exempt u/s 10(37) if certain conditions are satisfied

17. Any capital gain whether short term or long term shall be exempt if:

- A. it is from the transfer of urban agricultural land  
B. it is from the compulsory acquisition by law of urban agricultural land and certain condition are satisfied

**STATE WHETHER TRUE OR FALSE:**

18. Overseas allowances or overseas perquisite paid or allowances by the Government to a citizen of India for rendering service outside India are exempt

19. Salary received by a member of parliament is exempt

20. Any compensation received from Central Government or a State Government or a local authority on account of any disaster is exempt

21. Casual income received by the assessee is fully exempt

**Solutions:**

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

## ADVANCE TAX, TDS & TCS

### Case Based MCQs I:

Pay as you earn- Generally income of PY is taxable in AY, yet an assessee is required to pay Tax during the PY itself by way of Advance tax, TDS and TCS. Payment of Advance tax is a matter of self-discipline. In reference to the given paragraph, answer the following:

1. 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
  
2. 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
  
3. 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
  
4. Advance tax is payable in \_\_\_\_\_ instalments by a non-corporate assessee –
  - A. 3
  - B. 2
  - C. 4
  - D. 1
  
5. Advance tax is payable in \_\_\_\_\_ instalments by a corporate assessee –
  - A. 3
  - B. 2
  - C. 4
  - D. 1

### Solutions:

1. A	2. B	3. C	4. C	5. C
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### Case based MCQs II:

- a. An Indian company pays dividends on preference shares to a shareholder of the amount of ₹10,000 on September 30, 2020.
- b. A foreign enterprise enters into a contract for the fabrication and supply of components for machinery with X & Co., a firm in India on April 1, 2020 X & Co, in turn sub-contracts the work to Y & Co., and pays it ₹20 lakh on May 2, 2020.
- c. A company pays to a doctor a monthly retainership of ₹ 2,000 for attending an outpatient clinic at its factory premises.





C. Nil; Nil

3. State Bank of India pays ₹ 50,000 per month as rent to the Central Government for a building in which one of its branch is situated. Whether State Bank of India is liable to deduct tax while paying rent to the Central Government and what amount of TDS?

A. 30%; ₹ 3,00,000

B. 10%; ₹ 1,00,000

C. Nil; Nil

4. A television company pays ₹ 50,000 to a cameraman for shooting of a documentary film. What shall be the amount of tax to be deducted and at what rate?

A. ₹ 1,000; 2%

B. ₹ 3,000; 6%

C. Nil; Nil

D. ₹ 5000; 10%

5. A State Government pays ₹ 40,000 as commission to one of its agents on sale of lottery tickets. What shall be the amount of tax to be deducted and at what rate?

A. ₹ 4,000; 2%

B. Nil; Nil

C. ₹ 2000; 5%

D. ₹ 4000; 10%

6. A turf club awards a jackpot of ₹ 5 lakh to the winner of one of its races. What shall be the amount of tax to be deducted and at what rate?

A. ₹ 1,000; 2%

B. Nil; Nil

C. ₹ 1,50,000; 30%

D. ₹ 50,000; 10%

7. East Bengal Club, a renowned football club has engaged A, a resident in India as its coach at a remuneration of ₹ 6 lakh annually. The club wants to know from you whether it is liable to deduct tax at source from such remuneration. What shall be the rate of tax to be deducted?

A. 2%/3%

B. Nil

C. 10%

D. 10% or 7.5% as applicable

8. Indigo Ltd. has paid amount of ₹ 50 lakhs during the year ended 31.3.2021 to Airport Authority of India towards the landing and parking charges.

A. No tax is deductible at source from such payments

B. Tax is deductible at source @ 2% u/s 194C

C. Tax is deductible at source @ 2% u/s 194I

D. Tax is deductible at source @ 10% u/s 194I

9. Arpit Ltd. credited ₹ 28,000 towards fees for professional service and 27,000 towards fees for technical services to the account of Laxman in its books of accounts on 12.11.2020. The total sum of 55,000 was paid by cheque to Laxman on the same date.

A. No tax is deductible at source from such payments

B. Tax is deductible at source @ 10%/7.5% u/s 194J on entire payment of ₹55,000

C. Tax is deductible at source @ 10%/7.5% u/s 194J on entire payment of ₹25,000

D. Tax is deductible at source @ 2%/1.5% u/s 194J on entire payment of ₹25,000

10. Axis Bank Ltd. paid following interest to Mr. Rahul, resident individual aged 72 years.

i) Interest on savings bank A/c ₹ 15,000

ii) Interest on Bank FD ₹ 43,000

TDS required to be deducted u/s 194A is:

A. 4300

B. 5800

C. No TDS

D. 4680

11. VJ Ltd. paid rent of building to Ms. Ana of 2,82,000 p.a. TDS required to be deducted u/s 194I is:

A. 28,200

B. No TDS

C. 5200

D. 5840

12. Mr. Arjun, a salaried individual, pays rent of ₹ 55,000 per month to Mr. Ram from June, 2020. Which of the following statement is correct?

A. No tax is required to be deducted for FY 2020-21 since Mr. Arjun is not subject to tax audit u/s 44AB

B. Mr. Arjun has to deduct tax @ 5% from rent paid every month

C. Mr. Arjun has to deduct tax @ 5% on entire rent paid for FY 2020-21 from the rent payable for March, 2021

D. Mr. Arjun has to deduct tax of 55,000 from rent payable for March, 2021

13. Advance tax shall not be payable by an individual resident having income like interest, rent, etc. in India, who

A. does not have any income chargeable u/h Profits and gains of business or profession

B. is of the age of sixty years or more at any time during the previous year

C. Both of them

D. Advance tax shall be payable

14. How shall advance tax be computed

A. Tax on total income + Tax deducted at source

B. Tax on total income – Tax deducted at source

C. Tax on total income \* Tax deducted at source

D. Tax on total income / Tax deducted at source

15. On 1.4.2020, Mr. Raju, aged 35 years, started a 1year recurring deposit of ₹ 5000 per month @ 8% p.a. with ABC bank. The recurring deposit matures on 31.3.2021. Amount of TDS required to be deducted u/s 194A-

A. 4160

B. 5600

C. 8000

D. No TDS

16. Mr. A, a resident is due to receive ₹ 80,000 on 31.3.2021 towards maturity proceeds of LIC policy taken on 1-4-2018, for which sum assured is ₹ 1,00,000 and annual premium is ₹ 11,000. Amount of TDS u/s 194DA:

A. No TDS

B. 5% TDS on ₹ 1,20,000

C. 1% TDS on ₹ 4,50,000

D. 10% TDS on ₹ 4,50,000

17. Mr. A, a resident, is due to receive ₹ 95,000 on 1.8.2019 towards maturity proceeds of LIC policy taken on 1.8.2013 for which the sum assured is ₹ 90,000 and the annual premium is ₹12,000. TDS required to be deducted u/s 194DA:

A. No TDS

B. 5% TDS on 90,000

C. 1% TDS on 90,000

D. 5% TDS on 18,000

Solutions:

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

## ALTERNATE MINIMUM TAX

**Case Based MCQs I:**

M/s VJ, an AOP, is engaged in the business of manufacture of chemical goods (value of plant and machinery owned by the assessee is ₹ 55 lakhs). One member of AOP has income exceeding ₹ 5,00,000. The following information for the financial year 2020-21 is given:

PROFIT AND LOSS ACCOUNT	₹
Sale proceeds of goods (domestic sale)	32,23,900
Sale proceeds of goods (export sale)	7,76,100
Total	40,00,000
Less: Expenses	
- Salary & wages	2,10,000
- Depreciation	7,16,000
- Entertainment expenditure	12,500
- Donations to political party	2,500
- Travelling expenditure	36,000
- Income-tax	3,50,000
- Penalty	8,000
- Outstanding custom duty	17,500
- Provision for unascertained liabilities	70,000
- Paid to Mafia Don	90,000
- Consultation fees paid to a tax expert	21,000
- Manufacturing expenses	1,80,000
Net Profit	22,86,500

For tax purposes, the assessee wants to claim the following:

1. Deduction under section 80-IB (25% of ₹ 22,86,500).
2. Excise duty pertaining 2003-04 paid during previous year 2020-21 (amount actually paid is ₹75,500).
3. Depreciation under section 32 (₹ 5,36,000).
4. Customs duty of ₹ 17,500 has been paid after due date of filing of ROI of Assessment Year 2021-22.
5. Depreciation of ₹ 7,16,000 includes depreciation of ₹ 3,00,000 on account of revaluation of assets.
6. The assessee wants to set off the following losses/ allowances:

Particulars	₹
Brought forward loss of 2014-15	11,80,000
Unabsorbed depreciation	NIL

You are given that assessee has AMT credit of ₹8,00,000 carried forward from Assessment Year 2020-21. Answer the following questions in reference to the data given:

1. Which of the following items shall not be added back to net profit to compute taxable income?

- (i) Salaries and wages
- (ii) Depreciation as per books
- (iii) Entertainment expenditure
- (iv) Donations to political party
- (v) Travelling expenditure
- (vi) Income-tax
- (vii) Penalty
- (viii) Outstanding custom duty
- (ix) Provision for unascertained liability
- (x) Paid to Mafia Don
- (xi) Consultation fees paid to a tax expert
- (xii) Manufacturing expenses

- A. (i), (iii), (v), (xi), (xii)                      B. (i), (ii), (iii), (v), (vi)  
C. (iii), (iv), (vi), (vii)                      D. None of the above

2. What will be the amounts of deduction available u/s 80IB & 80GGB respectively?

- A. 17,49,000 & 2500                      B. Nil & 2500  
C. 4,37,250 & 2500                      D. Nil & Nil

3. What shall be the net taxable income?

- A. 17,46,500                      B. 13,09,250  
C. 17,49,000                      D. 13,11,750

4. What shall be the tax on net income computed above?

- A. 5,59,000                      B. 5,59,630  
C. 5,49,000                      D. Nil

5. What is the adjusted total income in the given case?

- A. 17,46,000                      B. 13,09,250  
C. 17,46,500                      D. 13,11,750

6. AMT is not applicable since the Adjusted Total Income does not exceed ₹ 20,00,000. The statement is:

- A. False                      B. True

7. What is the amount of AMT credit available for set-off?

- A. Nil                      B. 8,00,000  
C. 3,36,027                      D. 2,23,599

Solutions:

1. A	2. C	3. B	4. B	5. C
6. B	7. D			

Other general MCQs:

1. The provisions of AMT would however not be applicable to an individual, HUF, AOPs and BOIs whether incorporated or not or artificial judicial person, if ATI of such person does not exceed:

- A. 10,00,000  
B. 20,00,000  
C. 15,00,000  
D. 2,50,000

2. MSD, a LLP engaged in manufacturing of semiconductor wafer fabrication has total income of ₹78,00,000 after giving effect to Sec. 35AD deduction i.e. deduction taken on following assets-

- Purchase of new machinery on 5/06/2020 ₹ 10,00,000  
Purchase of new building on 18/10/2020 ₹ 12,50,000

Calculate the Adjusted Total Income.

- A. 96,37,500  
B. 1,00,50,000  
C. 69,50,000  
D. 78,00,000

Solutions:

1. B	2. A
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## RETURN OF INCOME

**Case Based MCQs I:**

Anurag, an individual resident in India, who is 32 years old, has earned income from various sources. He is an engineer by profession. As he belongs to a non-commerce background, he is unaware of the various provisions of Income Tax Act, 1961, applicable to him w.r.t. filing of return of income and the benefits available to him on such filing. Assuming you are a Chartered Accountant, he seeks for your advice regarding the same. Answer the following questions to help Anurag understand the provisions of Sec 139.

1. Anurag 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.2021-22, only if his total income exceeds -

- A. ₹ 2,50,000    B. ₹ 1,45,000    C. ₹ 1,50,000    D. ₹ 1,70,000

2. The assessee could not file his return of income for previous year 2020-21 within the time allowed as per section 139(1). No assessment has so far been made. The assessee in this case can file his return of income till:

- A. 31.3.2021                      B. 31.3.2022                      C. 31.3.2023

3. Anurag finds some mistake in the return of income submitted by him on 5.6.2021 for assessment year 2021-22. He wishes to revise such return. No assessment has been done in this case. Anurag can revise such return till:

- A. 31.3.2021                      B. 31.3.2022                      C. 31.3.2023

4. Belated return can be filed before the end of the relevant assessment year.

- A. True                                      B. False

**Solutions:**

1. A	2. B	3. B	4. A
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**Case Based MCQs II:**

Bharti Airtel Limited is a leading global telecommunications company with operations in 18 countries across Asia and Africa. Headquartered in New Delhi, India, the company ranks amongst the top 3 mobile service providers globally in terms of subscribers. In India, the company's product offerings include 2G, 3G and 4G wireless services, mobile commerce, fixed line services, high speed home broadband, DTH, enterprise services including national & international long-distance services to carriers. In the rest of the geographies, it offers 2G, 3G, 4G wireless services and mobile

commerce. It has earned income from various sources in AY 2021-22 and also wants to carry forward losses. It wants to understand the provisions regarding the due date of filing of return and certain other provisions w.r.t. return of income under the Income Tax Act, 1961. In light of the above case, answer the following:

1. Every person being a company

- A. shall not file return                      B. may not file return  
C. shall file return                              D. may file return

2. A company not liable to TP report u/s 92E shall file its return of income by

- A. 31<sup>st</sup> October of assessment year              B. 30th November of assessment year  
C. 30th November of previous year              D. 30th November of previous year

3. As per section 139(1), a company shall have to file return of income :

- A. when its total income exceeds ₹ 1,80,000  
B. when its total income exceeds the maximum amount which is not chargeable to income tax  
C. in all cases irrespective of any income or loss earned by it

4. A return of NR company shall be signed by

- A. person holding valid power of attorney from such company                      B. MD  
C. All of the above                                                                                              D. None

**Solutions:**

1. C	2. A	3. C	4. A
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**Other general MCQs:**

1. Mr. X has a total income of ₹ 7 lakhs for A.Y. 2021-22. He files his return of income for A.Y. 2021-22 on 13th January, 2022. 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

2. Mr. Y has a total income of ₹ 4,50,000 for A.Y. 2021-22. He furnishes his return of income for A.Y. 2021-22 on 2nd December, 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

3. Mr. Z, a salaried individual, has a total income of ₹ 8 lakhs for A.Y. 2021-22. He furnishes his return of income for A.Y. 2021-22 on 28th August, 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



4. A woman who is a non-resident in India and less than 65 years of age shall have to file the return of income if her total income exceeds:

- A. ₹ 1,90,000 before allowing deduction under section 80 C to 80 U and section 10A, 10B, and 10BA
- B. ₹ 2,50,000 before allowing deduction under section 80C to 80 U and section 10 A, 10B, 10BA

5. As per section 139 (1), a person other than a company or a firm shall have to file a return of income if:

- A. his total income exceeds ₹ 1,80,000
- B. his total income exceeds the maximum amount which is not chargeable to tax
- C. his total income inclusive of deduction under Chapter VI and section 10A, 10B and 10BA exceeds the maximum amount which is not chargeable income tax
- D. in all cases irrespective of any income or loss

6. A dies on 15.11.2020 and his total income till 15.11.2020 was ₹ 1,90,000. Thereafter the business of A was inherited by his son R and his total income from such business was ₹ 1,75,000.

The son does not have any income. In this case the son:

- A. has to file a consolidated return of income amounting to ₹ 3,65,000
- B. has to file two return of income, one on behalf of his father for ₹ 1,90,000 & other in his own capacity for ₹ 1,75,000.
- C. has to file one return of income on behalf of his father for ₹ 3,65,000
- D. has to file only one return of income on behalf of his father for ₹ 1,90,000

7. For the previous year assessee has suffered a business loss of ₹ 2,50,000. His income from other sources is ₹ 1,80,000. His due date of return was 31.7.2021 but he submitted the return on 9.9.2021, the assessee in this case:

- A. shall be allowed to carry forward the loss of ₹ 70,000
- B. shall not allowed to carry forward any loss
- C. shall be allowed to set off current year business loss to the extent of ₹ 1,80,000 but shall not be allowed to carry forward the balance loss of ₹ 70,000
- D. shall not allowed to set off the business loss to the extent of ₹ 1,80,000 & would be liable to tax on ₹ 1,80,000

8. For the previous year, the assessee incurred loss under the head, income from house property amounting to ₹ 1,20,000. His other income for the same previous year is ₹ 50,000. His due date of return was 31.7.2021 but he submitted the return on 9.9.2021. In this case the assessee:

- A. shall be allowed to carry forward the loss of ₹ 70,000
- B. shall not be allowed to carry forward the loss of ₹ 70,000

9. For the previous year, the business income of the assessee. before providing current year depreciation of ₹ 3,00,000, was ₹ 2,40,000. His due date for furnishing the return of income was 30.10.2021 but he submitted the return on 15.12.2020. In this case, the assessee shall:

- A. be allowed to carry forward unabsorbed depreciation of ₹ 60,000
- B. not be allowed to carry forward unabsorbed depreciation of ₹ 60,000

10. The assessee in response to a notice u/s 142(1) submitted a return of loss of ₹ 1,10,000 within the time allowed in the said notice. In this case the assessee:

- A. Shall be allowed to carry forward such loss as the return is filed within the time allowed
- B. shall not be allowed to carry forward such loss

11. Where the Assessing Officer, as per section 142(2A), has asked the assessee to get his account audited, the audit report should be submitted within maximum period (including extent time of):

- A. 120 days from the date of direction of audit by the Assessing Officer
- B. 180 days from the date of direction of audit by the Assessing Officer
- C. 180 days from the date of which the direction for the audit were received by the assessee

12. The notice under section 143(2) must be served within:

- A. 12 months from the date of filling of return
- B. 12 months from the date of filling of return u/s 139(1) or from the date of filling or return of income
- C. 6 months from the end of the financial year in which the return was furnished
- D. 6 months from the end of the month in which the return was furnished

13. Intimation u/s 143(1) cannot be sent after the expiry of :

- A. 4 years from the end of the month in which return of time was furnished
- B. 2 years from the end of the month in which return of time was furnished
- C. 2 years from the end of the assessment year in which the income was so assessable
- D. 1 year from the end of financial year in which the return is made

14. VJ Ltd. filed its return of income for AY 2019-20 on 30<sup>th</sup> September, 2019. The return is selected for regular assessment under section 143(3). The time limit for service of notice u/s 143(2) in this case is:

- A. 31.3.2020
- B. 30.6.2020
- C. 30.9.2020
- D. 31.3.2021

**Solutions:**

1. C	2. A	3. B	4. B	5. C
6. D	7. C	8. A	9. A	10. B
11. C	12. C	13. D	14. C	

## MISCELLANEOUS

1. The tax liability of Mr. Saral, who attained the age of 60 years on 01.04.2021 and does not opt for the provisions of section 115BAC for the P.Y. 2020-21, on the total income of ₹5,60,000, comprising of salary income and interest on fixed deposits, would be -
- A. ₹ 9,880  
B. ₹ 22,880  
C. ₹ 25,480  
D. Nil
2. The tax liability of Nirlep Co-operative Society (does not opt to pay tax under section 115BAD) on the total income of ₹ 90,000 for P.Y. 2020- 21, is -
- A. ₹ 24,000  
B. ₹ 28,080  
C. Nil  
D. ₹ 24,960
3. What is the amount of marginal relief available to Sadvichar Ltd., a domestic company on the total income of ₹ 10,03,50,000 for P.Y. 2020- 21 (comprising only of business income) whose turnover in P.Y. 2018- 19 is ₹ 450 crore, paying tax as per regular provisions of Income-tax Act? Assume that the company does not exercise option under section 115BAA.
- A. ₹ 9,98,000  
B. ₹ 12,67,600  
C. ₹ 3,50,000  
D. ₹ 13,32,304
4. The tax payable by Dharma LLP on total income of ₹1,01,00,000 for P.Y. 2020-21, is -
- A. ₹ 35,29,340  
B. ₹ 32,24,000  
C. ₹ 33,21,500  
D. ₹ 31,51,200
5. Mr. Raman, aged 64 years, was not able to provide satisfactory explanation to the Assessing Officer for the investments of ₹7 lakhs not recorded in the books of accounts. What shall be the tax payable by him on the value of such investments considered to be deemed income as per section 69?
- A. ₹ 2,18,400  
B. ₹ 55,000  
C. ₹ 5,46,000  
D. ₹ 54,600
6. If Anirudh, a citizen of India, has stayed in India in the P.Y. 2020-21 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. 2021-22 would be -
- A. Resident and ordinarily resident  
B. Resident but not ordinarily resident  
C. Non-resident

D. Deemed resident but not ordinarily resident

7. Mr. Ajay is found to be the owner of two gold chains of 50 gms each (market value of which is ₹ 1,45,000 each) during the financial year ending 31.3.2021 but he could offer satisfactory explanation to the Assessing Officer for ₹ 50,000 spent on acquiring these gold chains. As per section 115BBE, Mr. Ajay would be liable to pay tax of –

- A. ₹ 1,87,200
- B. ₹ 2,26,200
- C. ₹ 1,49,760
- D. ₹ 1,80,960

8. Mr. Ajay is a recently qualified doctor. He joined a reputed hospital in Delhi on 01.01.2021. He earned total income of ₹ 3,40,000 till 31.03.2021. His employer advised him to claim rebate u/s 87A while filing return of income for A.Y. 2021-22. He approached his father, a tax professional, to enquire regarding what is rebate u/s 87A of the Act. What would have his father told him?

- (i) An individual who is resident in India and whose total income does not exceed ₹ 5,00,000 is entitled to claim rebate under section 87A.
- (ii) An individual who is resident in India and whose total income does not exceed ₹ 3,50,000 is entitled to claim rebate under section 87A.
- (iii) Maximum rebate allowable under section 87A is ₹ 5,000.
- (iv) Rebate under section 87A is available in the form of exemption from total income.
- (v) Maximum rebate allowable under section 87A is ₹12,500.
- (vi) Rebate under section 87A is available in the form of deduction from basic tax liability.

Choose the correct option from the following:

- A. (ii), (iii), (vi)
- B. (i), (v), (vi)
- C. (ii), (iii), (iv)
- D. (i), (iv), (v)

9. Raman, a citizen of India, was employed in Hindustan Lever Ltd. He resigned on 27.09.2020. He received a salary of ₹ 40,000 p.m. from 1.4.2020 to 27.9.2020 from Hindustan Lever Ltd. Thereafter he left for Dubai for the first time on 1.10.2020 and got salary of rupee equivalent of ₹ 80,000 p.m. from 1.10.2020 to 31.3.2021 in Dubai. His salary for October to December 2020 was credited in his Dubai bank account and the salary for January to March 2021 was credited in his Mumbai 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

10. Mr. Suhaan (aged 35 years), a non-resident earned dividend income of ₹ 12,50,000 from an Indian Company which was declared on 30.09.2020 and credited directly to its bank account

on 05.10.2020 in France and ₹ 15,000 as interest in Saving A/c from State Bank of India for the previous year 2020-21. Assuming that he has no other income, what will be amount of income chargeable to tax in his hands in India for A.Y. 2021-22?

- A. ₹ 2,55,000
- B. ₹ 12,65,000
- C. ₹ 12,50,000
- D. ₹ 12,55,000

11. Aashish earns the following income during the P.Y. 2020-21:

- Interest on U.K. Development Bonds (1/4th being received in India): ₹ 4,00,000
- Capital gain on sale of a building located in India but received in Holland: ₹ 6,00,000

If Aashish is a resident but not ordinarily resident in India, then what will be amount of income chargeable to tax in India for A.Y. 2021-22?

- A. ₹ 7,00,000
- B. ₹ 10,00,000
- C. ₹ 6,00,000
- D. ₹ 1,00,000

12. Mr. Sumit is an Indian citizen and a member of the crew of an America bound Indian ship engaged in carriage of freight in international traffic departing from Chennai on 25<sup>th</sup> April, 2020. From the following details for the P.Y. 2020-21, What would be the residential status of Mr. Sumit for A.Y. 2021-22, assuming that his stay in India in the last 4 previous years preceding P.Y. 2020-21 is 365 days and last seven previous years preceding P.Y. 2020-21 is 730 days?

- Date entered in the Continuous Discharge Certificate in respect of joining the ship by Mr. Sumit: 25<sup>th</sup> April, 2020
- Date entered in the Continuous Discharge Certificate in respect of signing off the ship by Mr. Sumit: 24<sup>th</sup> October, 2020

Mr. Sumit has been filing his income tax return in India as a Resident for the preceding 2 previous years.

- A. Resident and ordinarily resident
- B. Resident but not-ordinarily resident
- C. Non-resident
- D. Deemed resident but not-ordinarily resident

13. Mr. Square, an Indian citizen, currently resides in Dubai. He came to India on a visit and his total stay in India during the F.Y. 2020-21 was 135 days. He is not liable to pay any tax in Dubai. Following is his details of stay in India in the preceding previous years:

Financial Year	Days of Stay in India
2019-20	100
2018-19	125
2017-18	106

2016-17	83
2015-16	78
2014-15	37
2013-14	40

What shall be his residential status for the P.Y. 2020-21 if his income (other than income from foreign sources) is ₹ 10 lakhs?

- A. Resident but Not Ordinary Resident (RNOR)
- B. Resident and Ordinary Resident
- C. Non-resident
- D. Deemed Resident but not ordinarily resident

14. Dividend income from Australian company received in Australia in the year 2019, brought to India during the previous year 2020-21 is taxable in the A.Y. 2021-22 in the case of -

- A. resident and ordinarily resident only
- B. both resident and ordinarily resident and resident but not ordinarily resident
- C. non-resident
- D. None of the above

15. Mr. Ramesh, a citizen of India, is employed in the Indian embassy in Australia. He is a non-resident for A.Y. 2021-22. He received salary and allowances in the Australia from the Government of India for the year ended 31.03.2021 for services rendered by him in Australia. In addition, he was allowed perquisites by the Government. Which of the following statements are correct?

- A. Salary, allowances and perquisites received outside India are not taxable in the hands of Mr. Ramesh, since he is non-resident
- B. Salary, allowances and perquisites received outside India by Mr. Ramesh are taxable in India since they are deemed to accrue or arise in India
- C. Salary received by Mr. Ramesh is taxable in India but allowances and perquisites are exempt
- D. Salary received by Mr. Ramesh is exempt in India but allowances and perquisites are taxable

16. Mr. Nishant, a resident but not ordinarily resident for the previous year 2019-20 and resident and ordinarily resident for the previous year 2020-21 has received rent from property in Canada amounting to ₹ 1,00,000 during the P.Y. 2019-20 in a bank in Canada. During the financial year 2020-21, he remitted this amount to India through approved banking channels. Is such rent taxable in India, and if so, how much and in which year?

- A. Yes; ₹ 70,000 was taxable in India during the previous year 2019-20
- B. Yes; ₹ 1,00,000 was taxable in India during the previous year 2019-20
- C. Yes; ₹ 70,000 was taxable in India during the previous year 2020-21
- D. No; such rent is not taxable in India either during the previous year 2019-20 or during the previous year 2020-21

17. Who among the following will qualify as non-resident for the previous year 2020-21?

- Mr. Joey, an Italian designer came on visit to India to explore Indian handloom on 03.09.2020 and left on 15.12.2020. For past four years, he visited India for fashion shows and stayed in India for 100 days each year.

- Mr. Sanjay born and settled in Canada, visits India each year for three months to meet his parents and grandparents, born in India in 1946, living in Mumbai. His Indian income is ₹ 15,20,000.

- Mr. Chang, a Korean scientist left India to his home country for fixed employment there. He stayed in India for study and research in medicines from 01.01.2016 till 01.07.2020.

Choose the correct answer:

- A. Mr. Joey and Mr. Chang  
B. Mr. Sanjay  
C. Mr. Sanjay and Mr. Chang  
D. Mr. Chang

18. 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

19. Which of the following statements is/are true in respect of taxability of agricultural income under the Income-tax Act, 1961?

(i) Any income derived from saplings or seedlings grown in a nursery is agricultural income exempt from tax u/s 10(1).

(ii) 60% of dividend received from shares held in a tea company is agricultural income exempt from tax u/s 10(1).

(iii) While computing income tax liability of an assessee aged 50 years, agricultural income is required to be added to total income only if net agricultural income for the P.Y. exceeds ₹ 5,000 and the total income (including net agricultural income) exceeds ₹ 2,50,000.

(iv) While computing income tax liability of an assessee aged 50 years, agricultural income is required to be added to total income only if net agricultural income for the P.Y. exceeds ₹ 5,000 and the total income (excluding net agricultural income) exceeds ₹ 2,50,000.

Choose the correct answer:

- A. (i) and (iii)  
B. (ii) and (iii)  
C. (i) and (iv)  
D. (i), (ii) and (iv)

20. XYZ Ltd. has two units, one unit at Special Economic Zone (SEZ) and other unit at Domestic Tariff Area (DTA). The unit in SEZ was set up and started manufacturing from 12.3.2012 and unit in DTA from 15.6.2015. Total turnover of XYZ Ltd. and Unit in DTA is ₹ 8,50,00,000 and ₹ 3,25,00,000, respectively. Export sales of unit in SEZ and DTA is ₹ 2,50,00,000 and ₹ 1,25,00,000, respectively and net profit of Unit in SEZ and DTA is ₹ 80,00,000 and ₹ 45,00,000, respectively. XYZ Ltd. would be eligible for deduction under section 10AA for P.Y. 2020-21 for-

- A. ₹ 38,09,524

- B. ₹ 19,04,762
- C. ₹ 23,52,941
- D. ₹ 11,76,471

21. Income derived from farm building situated in the immediate vicinity of an agricultural land (not assessed to land revenue) would be treated as agricultural income if such land is situated in –

- A. an area at a distance of 3 kms from the local limits of a municipality and has a population of 80,000 as per last census
- B. an area within 1.5 kms from the local limits of a municipality and has a population of 12,000 as per last census
- C. an area within 2 kms from the local limits of a municipality and has a population of 11,00,000 as per last census
- D. an area within 8 kms from the local limits of a municipality and has a population of 10,50,000 as per last census

22. 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 U/S 10(13A) is –

- A. ₹ 48,480
- B. ₹ 45,600
- C. ₹ 49,680
- D. ₹ 46,800

23. Where there is a decision to increase the D.A. in March, 2021 with retrospective effect from 1.4.2019, and the increased D.A. is received in April, 2021, the increase is taxable –

- A. in the previous year 2019-20
- B. in the previous year 2019-20
- C. in the previous year 2021-22
- D. in the respective years to which they relate

24. Anand is provided with furniture to the value of ₹ 70,000 along with house from February, 2020. 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.2021-22 is-

- A. ₹ 5,000
- B. ₹ 7,000
- C. ₹ 10,500
- D. ₹ 14,000

25. 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. Assume he is not opting to pay tax under section 115BAC. The amount of salary chargeable to tax for P.Y. 2020-21 is –

- A. ₹ 2,62,600
- B. ₹ 2,12,600
- C. ₹ 2,11,600
- D. ₹ 2,12,200

26. Mr. Jagat is an employee in accounts department of Bharat Ltd., a cellular company



operating in the regions of eastern India. It is engaged in manufacturing of cellular devices. During F.Y. 2020-21, following transactions were undertaken by Mr. Jagat:

- (i) He attended a seminar on "Perquisite Valuation". Seminar fees of ₹12,500 was paid by Bharat Ltd.
- (ii) Tuition fees of Mr. Himanshu (son of Mr. Jagat) paid to private coaching classes (not having any tie-up with Bharat Ltd.) was reimbursed by Bharat Ltd. Amount of fees was ₹25,000.
- (iii) Ms. Sapna (daughter of Mr. Jagat) studies in DPS Public School (owned and maintained by Bharat Ltd.). Tuition fees paid for Ms. Sapna was ₹750 per month by Mr. Jagat. Cost of education in similar institution is ₹5,250 per month.

What shall be the amount which is chargeable to tax under the head "Salaries" in hands of Mr. Jagat for A.Y. 2021-22?

- A. ₹ 25,000
- B. ₹ 37,500
- C. ₹ 66,500
- D. ₹ 79,000

27. Vidya received ₹ 90,000 in May, 2020 towards recovery of unrealised rent, which was deducted from actual rent during the P.Y. 2018-19 for determining annual value. Legal expense incurred in relation to unrealized rent is ₹ 20,000. The amount taxable under section 25A for

A.Y. 2021-22 would be –

- A. ₹ 70,000
- B. ₹ 63,000
- C. ₹ 90,000
- D. ₹ 49,000

28. 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

29. Mr. Raghav has three houses for self-occupation. What would be the tax treatment for A.Y. 2021-22 in respect of income from house property?

- A. One house, at the option of Mr. Raghav, would be treated as self-occupied. The other two houses would be deemed to be let out
- B. Two houses, at the option of Mr. Raghav, would be treated as self-occupied. The other house would be deemed to be let out.
- C. One house, at the option of Assessing Officer, would be treated as self-occupied. The other two houses would be deemed to be let out
- D. Two houses, at the option of Assessing Officer, would be treated as self-occupied. The other house would be deemed to be let out.

30. 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 without deducting STT paid is taxable at a concessional rate of 10% on such capital gains exceeding ₹ 1 lakh
- D. Capital gains without deducting STT paid is taxable at concessional rate of 15%.

31. 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 after the date of such transfer
- 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

32. Mr. A (aged 45 years) sold an agricultural land for ₹ 52 lakhs on 04.10.2020 acquired at a cost of ₹ 49.25 lakhs on 13.09.2019 situated at 7 kms from the jurisdiction of municipality having population of 4,00,000 and also sold another agricultural land for ₹ 53 lakhs on 12.12.2020 acquired at a cost of ₹ 46 lakhs on 15.02.2019 situated at 1.5 kms from the jurisdiction of municipality having population of 12,000. What would be the amount of capital gain chargeable to tax in the hands of Mr. A for the assessment year 2021-22? Cost inflation index for F.Y. 2018-19: 280; 2019-20:289; 2020-21: 301.

- A. Short-term capital gain of ₹ 9.75 lakhs
- B. Short-term capital gain of ₹ 7 lakhs
- C. Long-term capital gain of ₹ 4,12,500
- D. Long-term capital gain of ₹ 5,29,196

33. Mr. Kashyap has acquired a building from his friend on 10.10.2020 for ₹ 15,00,000. The stamp duty value of the building on the date of purchase is ₹ 16,20,000. Income chargeable to tax in the hands of Mr. Kashyap is:

- A. ₹ 70,000
- B. ₹ 50,000
- C. Nil
- D. ₹ 1, 20,000

34. Mr. X aged, 61 years, received dividend of ₹ 12,00,000 from ABC Ltd. in P.Y. 2020-21. Interest on loan taken for the purpose of investment in ABC Ltd., is ₹ 3,00,000. Income included in the hands of Mr. X for P.Y. 2020-21 would be -

- A. ₹ 12,00,000
- B. ₹ 9,60,000
- C. ₹ 9,00,000
- D. ₹ 2,00,000

35. Mr. Mayank has received a sum of ₹75,000 on 24.10.2020 from his friend on the occasion

of his marriage anniversary. What would be the taxability of the said sum in the hands of Mr. Mayank?

- 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

36. 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

37. 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.2020-21. Compute income from house property for A.Y.2021-22. 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

38. Ram owns 500, 15% debentures of Reliance Industries Ltd. of ₹ 500 each. Annual interest of ₹ 37,500 was declared on these debentures for P.Y. 2020-21. He transfers interest income to his friend Shyam, without transferring the ownership of these debentures. While filing return of income for A.Y. 2021-22, Shyam showed ₹ 37,500 as his income from debentures. As tax advisor of Shyam, do you agree with the tax treatment done by Shyam in his return of income?

- A. Yes, since interest income was transferred to Shyam therefore, after transfer it becomes his income
- B. No, since Ram has not transferred debentures to Shyam, interest income on the debentures is not taxable income of Shyam
- C. Yes, if debentures are not transferred, interest income on debentures can be declared by anyone, Ram or Shyam, as taxable income depending upon their discretion
- D. No, since Shyam should have shown the income as interest income received from Mr. Ram and not as interest income earned on debentures

39. Mrs. Shivani, wife of Mr. Anurag, is a partner in a firm. Her capital contribution of ₹ 5 lakhs to the firm as on 1.4.2020 included ₹ 3.5 lakhs contributed out of gift received from Anurag. The firm paid interest on capital of ₹ 50,000 and share of profit of ₹ 60,000 during the F.Y.2020-21. The entire interest has been allowed as deduction in the hands of the firm.

Which of the following statements is correct?

- A. Share of profit is exempt but interest on capital is taxable in the hands of Mrs. Shivani
- B. Share of profit is exempt but interest of ₹ 39,286 is includible in the income of Mr. Anurag and interest of ₹ 10,714 is includible in the income of Mrs. Shivani
- C. Share of profit is exempt but interest of ₹ 35,000 is includible in the income of Mr. Anurag and interest of ₹ 15,000 is includible in the income of Mrs. Shivani
- D. Share of profit to the extent of ₹ 42,000 and interest on capital to the extent of ₹ 35,000 is includible in the hands of Mr. Anurag

40. Mr. Arvind gifted a house property to his wife, Ms. Meena and a flat to his daughter-in law, Ms. Seetha. Both the properties were let out. Which of the following statements is 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

41. On 20.10.2020, Pihu (minor child) gets a gift of ₹ 20,00,000 from her father's friend. On the same day, the amount is deposited as fixed deposit in Pihu's bank account. On the said deposit, interest of ₹ 13,000 was earned during the P.Y. 2020-21. 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

42. 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

43. 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

44. Brought forward loss from house property of ₹ 3,10,000 of A.Y. 2020-21 is allowed to be set-off against income from house property of A.Y. 2021-22 of ₹ 5,00,000 to the extent of –

A. ₹ 2,00,000

B. ₹ 3,10,000

C. ₹ 2,50,000

D. ₹ 1,00,000

45. Mr. Rohan incurred loss of ₹3 lakh in the P.Y. 2020-21 in retail trade business. Against which of the following income 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

46. Virat runs a business of manufacturing of shoes since the P.Y. 2018-19. During the P.Y. 2018-19 and P.Y. 2019-20, Virat had incurred business losses. For P.Y. 2020-21, he earned business profit (computed) of ₹ 3 lakhs. Considering he may/may not have sufficient business income to set off his earlier losses, which of the following order of set off shall be considered: (He does not have income from any other source)

A. First adjustment for loss of P.Y. 2018-19, then loss for P.Y. 2019-20 and then unabsorbed depreciation, if any

B. First adjustment for loss of P.Y. 2019-20, then loss for P.Y. 2018-19 and then unabsorbed depreciation, if any

C. First adjustment for unabsorbed depreciation, then loss of P.Y. 2019-20 and then loss for P.Y. 2018-19, if any

D. First adjustment for unabsorbed depreciation, then loss of P.Y. 2018-19 and then loss for P.Y. 2019-20, if any.

47. Mr. Ravi incurred loss of ₹ 4 lakh in the P.Y. 2020-21 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. First from (ii) and thereafter from (i); the remaining loss has to be carried forward

B. First from (i) and thereafter from (ii) and (iii)

C. First from (i) and thereafter from (iii); the remaining loss has to be carried forward

D. First from (i) and thereafter from (ii); the remaining loss has to be carried forward

48. During the A.Y.2020-21, Mr. A has a loss of ₹ 8 lakhs under the head "Income from house property" which could not be set off against 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.2020-21. Now, while filing return of income for A.Y.2021-22, Mr. A wishes to set off the said loss against income from house property for the P.Y. 2020-21. 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. 2021-22 as he failed to file his return of income u/s 139(1) for A.Y. 2020-21

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. 2021-22, if any, and the balance has to be carried forward to A.Y.2022-23

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. 2021-22 and the balance, if any, has to be carried forward to A.Y.2022-23

D. Yes, Mr. A can claim set off of loss of ₹8 lakhs during A.Y. 2021- 22 from its income from house property, if any, and the balance has to be carried forward to A.Y.2022-23

49. The details of income/loss of Mr. Kumar for A.Y. 2021-22 are as follows:

Particulars	Amt. (in ₹)
Income from Salary (Computed)	5,20,000
Loss from self-occupied house property	95,000
Loss from let-out house property	2,25,000
Loss from specified business u/s 35AD	2,80,000
Loss from medical business	1,20,000
Long term capital gain	1,60,000
Income from other sources	80,000

What shall be the gross total income of Mr. Kumar for A.Y. 2021-22?

A. ₹ 4,40,000

B. ₹ 3,20,000

C. ₹ 1,60,000

D. ₹ 4,80,000

50. Mr. Srivastav, aged 72 years, paid medical insurance premium of ₹ 52,000 by cheque and ₹ 4,000 by cash during May, 2020 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

51. 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

52. An individual has paid life insurance premium of ₹ 25,000 during the previous year for a policy of ₹ 1,00,000 taken on 1.4.2017. 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

53. In respect of loan of ₹ 40 lakhs sanctioned by SBI in April, 2020 for purchase of residential house intended for self-occupation, compute the interest deduction allowable under the provisions of the Act for A.Y.2021-22, assuming that the disbursement was made on 1<sup>st</sup> June, 2020, the rate of interest is 8% p.a. and the loan sanctioned was 80% of the stamp duty value of the property.

- A. ₹ 2,00,000 u/s 24 and ₹ 66,667 u/s 80EEA  
B. ₹ 1,50,000 u/s 80EEA and ₹ 1,16,667 u/s 24  
C. ₹ 2,00,000 u/s 24 and ₹ 50,000 u/s 80EEA  
D. ₹ 2,00,000 u/s 24

54. The maximum amount which can be donated in cash for claiming deduction under section 80G for the P.Y. 2020-21 is –

- A. ₹ 5,000  
B. ₹ 10,000  
C. ₹ 1,000  
D. ₹ 2,000

55. Rajan, a resident Indian, has incurred ₹ 15,000 for medical treatment of his dependent brother, who is a person with severe disability and has deposited ₹ 20,000 with LIC for his maintenance. For A.Y.2021-22, 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

56. Mr. Shiva made a donation of ₹ 50,000 to PM Cares 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.2021-22 is –

- A. ₹ 80,000  
B. ₹ 70,000  
C. ₹ 60,000  
D. ₹ 35,000

57. Mr. Ritvik has purchased his first house in Gwalior for self-occupation on 5.4.2020 for ₹ 45 lakhs (stamp duty value being the same) with bank loan sanctioned on 30.3.2020 and disbursed on 3.4.2020. He paid interest of ₹ 3.8 lakhs during the P.Y.2020-21. What is the tax

treatment of interest paid by him?

- A. Interest of ₹ 2 lakhs allowable u/s 24
- B. Interest of ₹ 2 lakhs allowable u/s 24 and ₹ 1.8 lakhs allowable u/s 80EEA
- C. Interest of ₹ 2 lakhs allowable u/s 24 and ₹ 1.5 lakhs allowable u/s 80EEA
- D. Interest of ₹ 1.5 lakhs allowable u/s 24 and ₹ 1.5 lakhs allowable u/s 80EEA

58. Mr. Anuj is a businessman whose total income (after allowing deduction under Chapter VI-A except under section 80GG) for A.Y. 2021-22 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 under section 80GG for A.Y. 2021-22 is -

- A. ₹ 48,500
- B. ₹ 1,48,750
- C. ₹ 60,000
- D. ₹ 1,08,000

59. If Mr. Y's total income for A.Y. 2021-22 is ₹ 52 Lakhs, surcharge is payable at the rate of -

- A. 15%
- B. 12%
- C. 10%
- D. 2%

60. 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

61. 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)

62. During the P.Y.2020-21, Mr. Ranjit has short-term capital gains of ₹ 95 lakhs taxable under section 111A, long-term capital gains of ₹ 110 lakhs taxable under section 112A and business income of ₹ 90 lakhs. Which of the following statements is correct?

- A. Surcharge @25% is leviable on income-tax computed on total income of ₹ 2.95 crore, since total income exceeds ₹ 2 crore
- B. Surcharge @15% is leviable on income-tax computed on total income of ₹ 2.95 crore
- C. Surcharge @15% is leviable in respect of income-tax computed on capital gains of ₹ 2.05 crore; in respect of business income, surcharge is leviable@25% on income-tax, since total income exceeds ₹ 2 crore
- D. Surcharge@15% is leviable in respect of income-tax computed on capital gains of ₹ 2.05 crore; surcharge@10% is leviable on income-tax computed on business income, since the same exceeds ₹ 50 lakhs but is less than ₹ 1 crore



63. Which of the following statements is not true with respect to A.Y. 2021- 22?

- 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. Long term capital gains of ₹ 90,000 on STT paid listed equity shares would not be subject to income-tax under section 112A
- D. Exemption under section 10(32) on income of minor child is allowed for more than two children also

64. Gross total income of Arpita for P.Y. 2020-21 is ₹ 6,00,000. She had taken a loan of ₹ 7,20,000 in the financial year 2017-18 from a bank for her husband who is pursuing MBA course from IIM, Kolkata. On 02.04.2020, she paid the first instalment of loan of ₹ 45,000 and interest of ₹ 65,000. Compute her total income for A.Y. 2021-22.

- A. ₹ 6,00,000
- B. ₹ 5,35,000
- C. ₹ 4,90,000
- D. ₹ 5,55,000

65. Mr. Uttam presents you following data related to his tax liability for A.Y. 2021-22:

Particulars	₹ in lakhs
Tax Liability as per regular provisions of Income-tax Act, 1961	15
Tax Liability as per section 115JC	12
AMT credit brought forward from A.Y. 2020-21	5

What shall be the tax liability of Mr. Uttam for A.Y. 2021-22?

- A. ₹ 12 lakhs
- B. ₹ 15 lakhs
- C. ₹ 10 lakhs
- D. ₹ 7 lakhs

66. Mr. Nekinsaan, aged 43 years, provides following income details for P.Y. 2020-21 as follows:

Particulars	₹ in lakhs
Capital Gains under section 112A	120
Capital Gains under section 111A	110
Other Income	520

What shall be the tax liability of Mr. Nekinsaan as per regular provisions of the Income-tax Act, 1961 for A.Y. 2021-22?

- A. ₹ 260.06 lakhs
- B. ₹ 253.68 lakhs
- C. ₹ 256.52 lakhs
- D. ₹ 253.56 lakhs

67. Continuing Q. 72, what shall be tax liability of Mr. Nekinsaan as per regular provisions of the Income-tax Act, 1961 for A.Y. 2021-22, if the Other Income is ₹ 480 lakhs?

- A. ₹ 218.20 lakhs
- B. ₹ 221.03 lakhs
- C. ₹ 218.73 lakhs
- D. ₹ 242.25 lakhs

68. Mr. Bandu, aged 37 years, provides following details for P.Y. 2020-21 as follows:

Particulars	₹ in lakhs
Textile Business Income	22
Speculative Business Income	(4)
Textile Business Loss b/f from P.Y. 2018-19	(5)
Business income of spouse included in the income of Mr. Bandu as per section 64(1)(iv)	2
Deductions available under Chapter VI-A	3
TDS	1
TCS	0.5
Advance tax paid	1.3

What shall be the net tax payable/(refundable) as per regular provisions of the Income-tax Act, 1961 for A.Y. 2021-22 for Mr. Bandu?

- A. ₹ 24,200  
 B. ₹ (1,00,600)  
 C. ₹ 2,11,400  
 D. ₹ 12,500

69. Mr. Raj, aged 32 years, presents you the following data for A.Y. 2021- 22:

Particulars	₹ in lakhs
Gross Receipts from Business conducted entirely through banking channels (opted for section 44AD)	70
Capital Gains under section 112A	5
Capital Gains under section 111A	3
Winnings from horse races	1

What would be the tax liability as per the regular provisions of the Income-tax of Mr. Raj for the A.Y. 2021-22?

- A. ₹ 1,28,440  
 B. ₹ 1,05,560  
 C. ₹ 1,38,840  
 D. ₹ 1,45,080

70. Mr. A, whose total sales is ₹ 201 lakhs, declares profit of ₹ 10 lakhs for the F.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

71. 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" and he is of the age of 65 years

D. Both (b) and (c)

72. Mr. X, a resident, is due to receive ₹ 4.50 lakhs on 31.3.2021, towards maturity proceeds of LIC policy taken on 1.4.2018, for which the sum assured is ₹ 4 lakhs and the annual premium is ₹ 1,25,000. Mr. Z, a resident, is due to receive ₹ 95,000 on 1.10.2020 towards maturity proceeds of LIC policy taken on 1.10.2012 for which the sum assured is ₹ 90,000 and the annual premium is ₹ 10,000.

A. Tax is required to be deducted on income comprised in maturity proceeds payable to Mr. X and Mr. Z

B. Tax is required to be deducted on income comprised in maturity proceeds payable to Mr. X

C. Tax is required to be deducted on income comprised in maturity proceeds payable to Mr. Z

D. No tax is required to be deducted on income comprised in maturity proceeds payable to either Mr. X or Mr. Z

73. An amount of ₹ 40,000 was paid to Mr. X on 1.7.2020 towards fees for professional services without deduction of tax at source. Subsequently, another payment of ₹ 50,000 was due to Mr. X on 01.03.2021, from which tax @ 7.5% (amounting to ₹ 6,750) on the entire amount of

₹ 90,000 was deducted and the net amount was paid on the same day to Mr. X. However, this tax of ₹ 6,750 was deposited only on 22.6.2021. The interest chargeable under section 201(1A) would be:

A. ₹ 585

B. ₹ 645

C. ₹ 1,215

D. ₹ 390

74. The benefit of payment of advance tax in one instalment on or before 15th March is available to assesses computing profits on presumptive basis –

A. only under section 44AD

B. under section 44AD and 44ADA

C. under section 44AD and 44AE

D. under section 44AD, 44ADA and 44AE

75. Mr. Ramesh, Mr. Mahesh and Mr. Suresh, jointly owned a flat in Mathura, which was let out to Dr. Rajesh from 01.04.2020. The annual rent paid by Dr. Rajesh for the flat was ₹ 5,40,000, credited equally to each of their account. Mr. Rajesh approached his tax consultant to seek clarity in relation to deduction of tax on payment of the rent. He informed his consultant that he occupied such flat for his personal accommodation and his receipts from his profession during the previous year 2019-20 was ₹ 58 lakhs. As tax consultant, choose the correct answer –

- A. No tax at source is required to be deducted since the rental payments are towards flat occupied for personal purpose
- B. Tax is required to be deducted at source since the rent payment exceeds ₹ 2,40,000 and Dr. Rajesh is an individual having gross receipts from profession exceeding ₹ 50 lakh in the preceding financial year
- C. No tax is required to be deducted at source since the rent credited to each co-owner is less than ₹ 2,40,000
- D. No tax is required to be deducted at source since Dr. Rajesh's gross receipts during the preceding financial year were less than ₹ 1 crore

76. Mr. Nihar maintains a Savings A/c and a Current A/c in Mera Bank Ltd. The details of withdrawals on various dates during the previous year 2020-21 are as follows:

Date of Cash withdrawal	Saving Account	Current Account
05.04.2020	15,00,000	-
10.05.2020	-	22,00,000
25.06.2020	20,00,000	-
17.07.2020	-	5,00,000
28.10.2020	35,00,000	-
10.11.2020	-	38,00,000
12.12.2020	25,00,000	-

Mr. Nihar regularly files his return of income. Is Mera Bank Limited required to deduct tax at source on the withdrawals made by Mr. Nihar during the previous year 2020-21? If yes, what would the amount of tax deducted at source?

- A. TDS of ₹ 4,60,000 is required to be deducted
- B. No, TDS is not required to be deducted as the cash withdrawal does not exceed ₹ 1 crore neither in saving account nor in current account
- C. TDS of ₹ 3,00,000 is required to be deducted
- D. TDS of ₹ 1,20,000 is required to be deducted

77. Mr. Jha, an employee of FX Ltd, attained 60 years of age on 15.05.2020. He is resident in India during F.Y. 2020-21 and earned salary income of ₹ 5 lakhs (computed). During the year, he earned ₹ 7 lakhs from winning of lotteries. What shall be his advance tax liability for A.Y. 2021- 22? Assume he does not opt to pay tax under section 115BAC.

- A. ₹ 2,20,000 + Cess ₹ 8,800 = ₹ 2,28,800, being the tax payable on total income of ₹ 12 lakhs
- B. ₹ 2,10,000 + Cess ₹ 8,400 = ₹ 2,18,400, being the tax payable on lottery income of ₹ 7 lakhs
- C. ₹ 10,000 + Cess ₹ 400 = ₹ 10,400, being the net tax payable on salary income, since tax would have been deducted at source from lottery income
- D. Nil

78. Mr. P is a professional who is responsible for paying a sum of ₹ 2,00,000 as rent for use of

building to Mr. Harshit, a resident, for the month of February, 2021. The gross receipts of Mr. P are as under:

From 01.04.2019 to 31.03.2020: ₹ 55,00,000

From 01.04.2020 to 28.02.2021: ₹ 45,00,000

Whether Mr. P is responsible for deducting any tax at source from the rent of ₹ 2,00,000 payable to Mr. Harshit?

- A. Tax at source is required to be deducted u/s 194-I at the rate of 7.5%
- B. Tax at source is required to be deducted u/s 194-IB at the rate of 3.75%
- C. Tax at source is required to be deducted u/s 194-IB at the rate of 7.5%
- D. No tax is required to be deducted at source

79. Mr. A has two bank accounts maintained with ICICI Bank and HDFC Bank. From 01.09.2020 till 31.03.2021, Mr. A withdrew the following amounts as cash from both the said accounts;

HDFC Bank: ₹ 50 Lakh ICICI Bank: ₹ 120 Lakh

What shall be the amount of tax to be deducted at source u/s 194N by HDFC Bank and ICICI Bank, respectively, while making payment in cash to Mr. A assuming Mr. A has filed his return of income for P.Y. 2017-18, P.Y. 2018-19 and P.Y. 2019-20 respectively?

- A. ₹ 1,00,000 and ₹ 2,40,000
- B. Nil and ₹ 40,000
- C. ₹ 60,000 and ₹ 1,00,000
- D. ₹ 50,000 and ₹ 1,20,000

80. Mr. Ram acquired a house property at Chennai from Mr. Satyam, a resident, for a consideration of ₹ 85 lakhs, on 23.8.2020. On the same day, Mr. Ram made two separate transactions, thereby acquiring an urban plot in Gwalior from Mr. Vipun, a resident, for a sum of ₹ 50 lakhs and rural agricultural land from Mr. Danish, a resident, for a consideration of ₹ 75 lakhs. Which of the following statements are correct assuming that in the consideration amounts as aforementioned all the charges incidental to transfer of the immovable property are included?

- A. No tax deduction at source is required in respect of any of the three payments
- B. TDS@1% is attracted on all the three payments
- C. TDS@1% on ₹ 85 lakhs and ₹ 50 lakhs are attracted. No TDS on payment of ₹ 75 lakhs for acquisition of rural agricultural land
- D. TDS@1% on ₹ 85 lakhs is attracted. No TDS on payments of ₹ 50 lakhs and ₹ 75 lakhs

81. Which of the following details/evidences are required to be furnished by an employee to his/her employer in respect of deduction of interest under the head "Income from house property", when the employer is estimating the total income of the employee for the purpose of tax deduction at source u/s 192?

- (i) Amount of Interest payable or paid
- (ii) Rate of interest payable or paid

- (iii) Name of the lender
- (iv) Address of the lender
- (v) PAN or Aadhaar number as the case may be, of the lender
- (vi) TAN of the lender

Choose the correct answer:

- A. (i), (iii), (v)
- B. (i), (iii), (iv), (v)
- C. (ii), (iv), (v), (vi)
- D. (i), (ii)

82. 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. 0.75%
- B. 1%
- C. 1.5%
- D. 2%

83. An interior decorator has opted for presumptive taxation scheme under section 44ADA for A.Y. 2021-22. –

- A. He is liable to pay advance tax on or before 15.3.2021
- B. He is not liable to advance tax
- C. He is liable to pay advance tax in three instalments i.e., on or before 15.9.2020, 15.12.2020 and 15.3.2021
- D. He is liable to pay advance tax in four instalments i.e., on or before 15.6.2020, 15.9.2020, 15.12.2020 and 15.3.2021

84. A 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

85. 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

86. In which of the following transactions, quoting of PAN is mandatory by the person entering into the said transaction?

- I Opening a Basic savings bank deposit account with a bank
- II Applying to a bank for issue of a credit card.
- III Payment of ₹ 40,000 to mutual fund for purchase of its units

- IV Cash deposit with a post office of ₹ 1,00,000 during a day.
- V A fixed deposit of ₹ 30,000 with a NBFC registered with RBI aggregating the total deposits to ₹ 3,50,000 for the F.Y upto to the date of this deposit made.
- VI Sale of shares of an unlisted company for an amount of ₹ 60,000

Choose the correct answer:

- A. II, IV
- B. II, III, IV
- C. I, II, III, V, VI
- D. II, IV, VI

87. An individual client has consulted you on the matter of PAN. He is carrying on the business of sale & purchase of electronic appliances. His turnover is ₹ 3,00,000 and the profit is ₹ 75,000 for the P.Y. 2020-21. He has asked you to provide him threshold of turnover, if any, exceeding which he has to apply for PAN.

- A. More than ₹ 2,00,000
- B. More than ₹ 2,50,000
- C. More than ₹ 3,00,000
- D. More than ₹ 5,00,000

88. Mr. Z, a salaried individual, has a total income of ₹ 8 lakhs for A.Y. 2021-22. He furnishes his return of income for A.Y. 2021-22 on 28th August, 2021. He is liable to pay fee of-

- A. upto ₹ 1,000 under section 234F
- B. ₹ 5,000 under section 234F
- C. ₹ 10,000 under section 234F
- D. Not liable to pay any fee

89. Arun's gross total income of P.Y. 2020-21 is ₹ 2,45,000. He deposits ₹ 45,000 in PPF. He pays electricity bills aggregating to ₹ 1.20 lakhs in the P.Y. 2020-21. Which of the statements is correct?

- A. Arun is not required to file his return of income u/s 139(1) for P.Y. 2020-21, since his total income before giving effect to deduction under section 80C does not exceed the basic exemption limit
- B. Arun is not required to file his return of income u/s 139(1) for P.Y. 2020-21, since his electricity bills do not exceed ₹ 2,00,000 for the P.Y. 2020-21
- C. Arun is not required to file his return of income u/s 139(1) for P.Y. 2020-21, since neither his total income before giving effect to deduction under section 80C exceeds the basic exemption limit nor his electricity bills exceed ₹ 2 lakh for the P.Y. 2020-21
- D. Arun is required to file his return of income u/s 139(1) for P.Y. 2020-21, since his electricity bills exceed ₹ 1 lakh for the P.Y. 2020-21

90. Which of the following returns can be revised under section 139(5)?

- i) A return of income filed u/s 139(1)
- ii) A belated return of income filed u/s 139(4)
- iii) A return of loss filed u/s 139(3)

Choose the correct answer:

- A. Only (i)
- B. Only (i) and (ii)
- C. Only (i) and (iii)
- D. (i), (ii) and (iii)

91. Iskon Inc., a foreign company and non-resident in India for A.Y. 2021- 22, 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 Inc. Advise him as to which of the following statements are correct, assuming that the company has a managing director-

- I) The return of income in case of Iskon Inc. can be verified by the managing director.
- II) The return of income in case of Iskon Inc. can be verified by any director, irrespective of the availability or otherwise of the managing director.
- III) The return of income in case of Iskon Inc. may be verified by a person who holds a valid power of attorney from such company to do so, irrespective of the availability or otherwise of the managing director.

Choose the correct answer:

- A. I or II or III
- B. Only I
- C. I or III
- D. Only III

92. Mr. Pawan is engaged in the business of roasting and grinding coffee beans. During F.Y. 2020-21, his total income is ₹ 4.5 lakhs. Mr. Pawan filed his return of income for A.Y. 2021-22 on 3<sup>rd</sup> March, 2022. What shall be the fee payable for default in furnishing in return of income for A.Y. 2021-22?

- A. ₹ 5,000
- B. Not exceeding ₹ 1,000
- C. ₹ 10,000
- D. No fees payable as total income is below ₹ 5,00,000

93. 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. 2021-22 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 ₹ 9,500 from tax payable on her total income of ₹ 4,40,000
- 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 permitted to be maintained by RBI

94. Mr. Dinesh, a resident in India, has gross total income of ₹ 2,30,000 comprising of interest on saving A/c and rental income during the previous year 2020-21. He incurred expenditure of ₹ 2,00,000 for his son for a study tour to Europe. Whether he is required to file return of income for the assessment year 2021-22? If yes, what is the due date?

- A. Yes, 31<sup>st</sup> July of A.Y.
- B. Yes, 30<sup>th</sup> September of A.Y.
- C. Yes, 31<sup>st</sup> October of A.Y.
- D. No, he is not required to file return of income



Solutions:

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

**CASE STUDIES:**

1 Mr. Shashikant, aged 35 years, 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 29<sup>th</sup> May, 2020.

Particulars	Date
Date entered into the Continuous Discharge Certificate in respect of joining the ship by Mr. Shashikant	29 <sup>th</sup> May, 2020
Date entered into the Continuous Discharge Certificate in respect of signing off the ship by Mr. Shashikant	19 <sup>th</sup> December, 2020

He stayed in India in the last 4 previous years preceding the P.Y. 2020- 21 for 400 days and for a period of 750 days in the last 7 previous years preceding to P.Y. 2020-21. He received salary of ₹ 7,20,000 in his NRE account maintained with State Bank of India, Chennai Branch. He also furnished details of other income earned during the previous year 2020-21:

S.no	Particulars	Amount (₹)
1.	Dividend declared and received in the month of April, 2020 from X limited, an Indian company	90,000
2.	Agriculture income from land in Pakistan received in India	2,50,000
3.	Rental income from house property in Chennai	3,60,000

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

1.1 What is Mr. Shashikant's residential status for the P.Y 2020-21?

- A. Resident and ordinarily resident
- B. Resident but not ordinarily resident

- C. Non-resident  
D. Deemed resident but not ordinarily resident

1.2 What would be the total income of Mr. Shashikant for A.Y. 2021-22 assume that he does not opt to pay tax under section 115BAC?

- A. ₹ 6,70,000  
B. ₹ 12,72,000  
C. ₹ 6,02,000  
D. ₹ 5,92,000

1.3 Assume for the purpose of answering this question that Mr. Shashikant has transferred his house property in Chennai to his minor son on 1<sup>st</sup> April, 2020 and his wife is a housewife and does not have any income. In such case, his total income would be –

- A. ₹ 6,00,500  
B. ₹ 5,90,500  
C. ₹ 6,02,000  
D. ₹ 6,70,000

1.4 Mr. Shashikant would like to minimize his tax liability and consulted you to compute the amount of same for the P.Y. 2020-21. Accordingly, his tax liability would be –

- A. ₹ 13,610  
B. ₹ 23,610  
C. ₹ 22,570  
D. ₹ 12,570

Solutions:

1.1 C	1.2 C	1.3 A	1.4 B
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2. Mr. Suraj (aged 48 years) furnishes the following particulars for the previous year 2020-21 in respect of an industrial undertaking established in "Special Economic Zone" in March 2015. It began manufacturing in April 2015.

Particulars	(₹)
Total sales	85,00,000
Export sales [proceeds received in India]	45,00,000
Domestic sales	40,00,000
Profit from the above undertaking	20,00,000

Export Sales of F.Y. of 2020-21 include freight and insurance of ₹ 5 lacs for delivery of goods outside India.

He received rent of ₹ 25,000 per month for a commercial property let out to Mr. Sudhir, a salaried individual. He earned interest on Savings Bank A/c of ₹ 12,500 and interest on Post Office Savings A/c of ₹ 5,500 during the P.Y. 2020-21.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

2.1 Compute the amount of export turnover and total turnover for purpose of computing deduction under section 10AA for A.Y. 2021-22.

- A. ₹ 45,00,000 and ₹ 85,00,000, respectively  
B. ₹ 40,00,000 and ₹ 80,00,000, respectively  
C. ₹ 45,00,000 and ₹ 80,00,000, respectively

D. ₹ 40,00,000 and ₹ 85,00,000, respectively

2.2 Compute the amount of deduction available under section 10AA to Mr. Suraj under section 10AA for A.Y. 2021-22.

A. ₹ 10,00,000

B. ₹ 4,70,577

C. ₹ 5,62,500

D. ₹ 5,00,000

2.3. Assume for the purpose of this question only that Mr. Suraj established SEZ Unit and began manufacturing in April, 2017. Compute the amount of deduction available under section 10AA for A.Y. 2021-22.

A. ₹ 10,00,000

B. ₹ 9,41,154

C. ₹ 11,25,000

D. ₹ 5,00,000

2.4 Compute the total income of Mr. Suraj for the previous year 2020-21, assuming that he does not opt to pay tax under section 115BAC.

A. ₹ 12,14,500

B. ₹ 17,18,000

C. ₹ 17,14,500

D. ₹ 17,28,000

**Solutions:**

2.1 B	2.2 D	2.3 A	2.4 C
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3. Mr. Kishan is engaged in the following activities on agricultural land situated in India, total area of land is 5 acres.

**Activity A:** He grows saplings or seedlings in a nursery spreading over on one acre land, the sale proceeds of which is ₹ 5,00,000. Cost of plantation is ₹ 1,40,000. Basic operations are not performed for growing saplings or seedlings.

**Activity B:** He grows cotton on 3 acres land. 40% of cotton produce is sold for ₹ 4,00,000, the cost of cultivation of which is ₹ 2,25,000. The cost of cultivation of balance 60% cotton is ₹ 3,37,500 and the market value of the same is ₹ 6,00,000, which is used for the purpose of manufacturing yarn. After incurring manufacturing expenses of ₹ 1,00,000, yarn is sold for ₹ 8,50,000

**Activity C:** Land measuring 1 acres is let out to Mr. Ramesh on monthly rental of ₹ 15,000 which is used by Mr. Ramesh as follows:

- 50% of land is used for agricultural purpose
- 50% of land is used for non-agricultural purpose.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

3.1 What amount of income arising from activity A would constitute agricultural income in the hands of Mr. Kishan?

A. ₹ 5,00,000

B. Nil

C. ₹ 3,60,000

D. ₹ 1,40,000

3.2 What amount of income from activity B with respect to sale of cotton would constitute

agricultural income or/and business income in the hands of Mr. Kishan?

- A. ₹ 1,75,000 as agricultural income
- B. ₹ 1,75,000 as business income
- C. ₹ 1,75,000 as agricultural income and ₹ 2,62,500 as business income
- D. ₹ 4,00,000 as agricultural income

3.3 What amount of the income from activity B with respect to sale of yarn constitute agricultural income or/and business income in the hands of Mr. Kishan?

- A. ₹ 1,50,000 as agricultural income
- B. ₹ 2,62,500 as agricultural income and ₹ 1,50,000 as business income
- C. ₹ 3,37,500 as agricultural income and ₹ 1,50,000 as business income
- D. ₹ 4,12,500 as business income

3.4 What amount of income arising from activity C constitute agricultural income or otherwise in the hands of Mr. Kishan?

- A. Whole amount of ₹ 1,80,000 would be agricultural income
- B. Whole amount of ₹ 1,80,000 would be business income
- C. ₹ 90,000 would be agricultural income and ₹ 63,000 is chargeable to tax as income from house property
- D. ₹ 90,000 would be agricultural income and ₹ 90,000 is chargeable to tax under the head "Income from Other Sources"

3.5 Compute the gross total income of Mr. Kishan for the P.Y. 2020- 21, assuming he has no other source of income.

- A. ₹ 2,40,000
- B. ₹ 3,30,000
- C. ₹ 5,02,500
- D. ₹ 2,13,000

Solutions:

3.1 C	3.2 A	3.3 B	3.4 D	3.5 A
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4. Mr. Rajesh Sharma, aged 54 years, an Indian citizen, is working as Assistant Manager in ABC India Ltd. He is getting basic salary of ₹ 58,000 per month. He used to travel frequently out of India for his office work. He left India from Delhi Airport on 5<sup>th</sup> October, 2020 and returned to India on 2<sup>nd</sup> April, 2021.

For previous year 2020-21, following information's are relevant;

- (a) Dearness Allowance - 10% of Basic Pay (considered for retirement purposes)
- (b) Bonus - ₹ 98,000
- (c) Medical allowance paid during P.Y. 2020-21 amounting to ₹ 60,000
- (d) He was also reimbursed medical bill of his mother amounting to ₹ 15,000.
- (e) He was also transferred a laptop by company for ₹ 15,000 on 31<sup>st</sup> December, 2020. The laptop was acquired by company on 1<sup>st</sup> October, 2017 for ₹ 1,00,000. Company was charging depreciation at 31.666% assuming useful life of laptop as 3 years.

- (f) He was also reimbursed salary of house servant of ₹ 4,000 per month.
- (g) Professional Tax paid by employer amounting to ₹ 2,400.
- (h) 400 equity shares allotted by ABC India Ltd. at the rate of ₹ 250 per share against fair market value of share of ₹ 350 on the date of exercise of option.
- (i) Short-term capital gain on sale of shares of listed company on which STT is paid amounting to ₹ 94,000.
- (j) Mr. Rajesh does not opt to pay tax under section 115BAC.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

4.1 What is Mr. Rajesh Sharma's residential status for the A.Y. 2021- 22?

- A. Resident but can't determine resident and ordinarily resident or resident but not ordinarily resident, from the given information
- B. Non-Resident
- C. Resident but not ordinarily resident
- D. Resident and ordinarily resident

4.2 What are his taxable perquisites for A.Y. 2021-22?

- A. ₹ 55,000
- B. ₹ 90,400
- C. ₹ 1,05,400
- D. ₹ 1,03,000

4.3 What is the income chargeable under the head "Salaries" in the hands of Mr. Rajesh Sharma for A.Y. 2021-22?

- A. ₹ 9,76,600
- B. ₹ 9,86,600
- C. ₹ 9,71,600
- D. ₹ 9,61,600

4.4 The total tax liability of Mr. Rajesh Sharma for A.Y. 2021-22 is:

- A. ₹ 1,26,800
- B. ₹ 1,40,710
- C. ₹ 1,12,130
- D. ₹ 1,39,960

4.5 Assume for the purpose of this question only, that Mr. Rajesh was found owner of ₹5 lakh worth jewellery acquired in F.Y. 2020-21, of which he could not provide any satisfactory explanation about source of income. What would be the tax liability (without considering surcharge and Health and education cess, if any) of Mr. Rajesh Sharma towards such unexplained expenditure:

- A. ₹ 1,00,000
- B. ₹ 1,50,000
- C. ₹ 3,00,000
- D. ₹ 3,90,000

Solutions:

4.1 A	4.2 C	4.3 A	4.4 A	4.5 C
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5. Mr. Hardik (age 45 years) is appointed as senior executive officer in Sky India Limited, Mumbai on 01.02.2020 in the scale of ₹ 35,000-3500- 65,000. He is paid dearness allowance @ 40% of salary forming part of retirement benefits.

He is given rent free unfurnished accommodation on 01.5.2020 which he occupied only from 01.10.2020. The company pays lease rent of ₹ 5,000 p.m.

He has been provided a car of above 1.6 liters capacity which is used by him for private purposes only. The actual cost of the car is ₹ 8,00,000. The monthly expenditure of car is ₹ 5,000, which is fully met by the employer. Car is owned by his employer.

He pays lumpsum premium of ₹ 1,20,000 towards health insurance for self and his wife (age 43 years) for 48 months on 01.10.2020 by account payee cheque. He also contributes ₹ 1,50,000 towards PPF.

Mr. Hardik is interested to opt for concessional tax regime available under section 115BAC.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

5.1 What would be the value of rent-free accommodation chargeable to tax in the hands of Mr. Hardik?

- A. ₹ 44,835  
B. ₹ 44,100  
C. ₹ 45,570  
D. ₹ 30,000

5.2 What amount of health insurance premium paid during the previous year 2020-21 by Mr. Hardik can be claimed as deduction while computing total income, if he does not opt to pay tax under section 115BAC?

- A. ₹ 30,000  
B. ₹ 15,000  
C. ₹ 24,000  
D. ₹ 25,000

5.3 What would be perquisite value of car chargeable to tax in the hands of Mr. Hardik?

- A. ₹ 28,800  
B. ₹ 21,600  
C. ₹ 60,000  
D. ₹ 1,40,000

5.4 What would you advise to Mr. Hardik to opt to pay tax under section 115BAC?

- A. Yes, Mr. Hardik can opt for section 115BAC, since in such case his tax liability would be ₹ 22,760, being lower than the tax liability under normal provisions of the Act
- B. Yes, Mr. Hardik can opt for concessional tax regime, since in such case his tax liability would be ₹ 17,560 being lower than the tax liability under normal provisions of the Act
- C. No, Mr. Hardik should not opt, since as per normal provisions of the Act, his tax liability would be ₹ 32,510, being lower than the tax liability under section 115BAC
- D. No, Mr. Hardik should not opt, since as per normal provisions of the Act, his tax liability would be ₹ 22,110, being lower than the tax liability under section 115BAC

**Solutions:**

5.1 D	5.2 C	5.3 D	5.4 C
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6. Ananya Gupta, a citizen of India, lives with her family in New York since the year 2000. She visited India from 21<sup>st</sup> March, 2020 to 28<sup>th</sup> September, 2020 to take care of her ailing mother.

In the last four years, she has been visiting India for 100 days every year to be with her mother. She owns an apartment at New York, which is used as her residence. The expected rent of the house is \$ 32,000 p.a. The value of one USD (\$) may be taken as ₹ 75. Municipal taxes paid in New York in January, 2020 are \$ 2,000.

She took ownership and possession of her house in New Delhi on 25<sup>th</sup> March, 2020, for self-occupation, while she is in India. The municipal valuation is 4,20,000 p.a. and the fair rent is ₹ 4,50,000 p.a. She paid property tax of ₹ 22,000 to Delhi Municipal Corporation on 21<sup>st</sup> March, 2021. She had taken a loan of ₹ 16 lakhs @ 10% p.a. from IDBI Bank on 1<sup>st</sup> April, 2016 for constructing this house and the construction got completed on 20<sup>th</sup> March, 2020. No amount has been paid towards principal repayment so far. The house is vacant for the rest of the year i.e., from October 2020 to March 2021.

She had a house property in Mumbai, which was sold on 28<sup>th</sup> March, 2020. In respect of this house, she received arrears of rent of ₹ 3,00,000 on 4<sup>th</sup> February, 2021. This amount has not been charged to tax earlier.

She does not have any income under any other source in India during previous year in 2020-21. Ananya Gupta does not want to opt for the new tax regime under section 115BAC for A.Y. 2021-22. Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

6.1 What would be the residential status of Ananya Gupta for A.Y. 2021-22?

- A. Resident and ordinarily resident
- B. Resident but not ordinarily resident
- C. Deemed resident but not ordinarily resident in India
- D. Non-resident

6.2 Ms. Ananya Gupta can claim benefit of "Nil" Annual Value under section 23(2) in respect of-

- A. Her Delhi house
- B. Her New York house, since it is more beneficial; her Delhi house will be deemed to be let out and expected rent would be the annual value
- C. Her Delhi house alone; her New York house will be deemed to be let out and expected rent would be the annual value
- D. Both her Delhi house and New York house, since benefit of Nil Annual value u/s 23(2) is available in respect of two house properties

6.3 What is the income chargeable under the head "Income from house property" of Ananya Gupta for A.Y. 2021-22?

- A. ₹ 15,65,000
- B. ₹ 3,09,600
- C. ₹ 1,00,000
- D. ₹ 10,000

6.4 Assuming that, for the purpose of this question alone, Ananya Gupta has let out her flat in New York during the six months (April to September) when she is in India, for a sum of \$ 6,000

p.m. Such rent was received in a bank account in New York and then remitted to India through

approved banking channels. What would be the income from house property chargeable to tax in her hands in India for A.Y. 2021-22?

A. ₹ 10,000

B. ₹ 17,85,000

C. ₹ 17,95,000

D. ₹ 18,85,000

**Solutions:**

6.1 D	6.2 A	6.3 D	6.4 A
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7. Ram Builders & Developers is the sole-proprietorship concern of Mr. Ram. The main business of the concern is the construction, development and sale of residential and commercial units. Ram Builders & Developers developed a project named Luxuria Heaven, which has both residential and commercial units with its own funds. It obtained certificate of completion for the said project with effect from 31/03/2020. Ram sold majority of its residential units and commercial units in the F.Y.2020-21. However, around 30 residential units and 15 commercial units were held by him as stock in trade as on 31.3.2021. During this period, there was a slump in the real estate sector. In order to earn some income from these units, Ram incidentally lets out some of the units held as stock-in-trade. The details of units constructed, sold and held as stock-in-trade are given hereunder:

Particulars	Total Units constructed	Units sold	Units held as stock-in-trade as on 31.3.2021 [(2) - (3)]	Units let out during P.Y.2020-21 out of (4)	Units vacant during the whole of P.Y.2020-21 [(4) - (5)]	Actual rent per unit per month [in respect of let out units mentioned in (5)]
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Residential Units	100	70	30	10	20	10,000 pm.
Commercial Units	40	25	15	5	10	18,000 pm.
	140	95	45	15	30	

Out of the residential units sold, 5 residential units were sold to his friend, Mr. Gaurav, who is also a real estate developer, on 15.2.2021, for ₹ 20 lakhs each. The stamp duty value on the date of sale was ₹ 23 lakhs each. However, the agreement of sale was entered into on 1.11.2020, on which the date the stamp duty value was 22 lakhs. Mr. Ram received ₹ 1 lakh by way of account payee bank draft on 1.11.2020 from Mr. Gaurav.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

7.1 While computing the total income of Mr. Ram, the income from residential and commercial units let out during the P.Y.2020-21 will be taxed under head:

A. Income from house property



- B. Profits and gains of business or profession
- C. Income from let out residential units will be taxed under the head "Income from house property" and income from let out commercial units will be taxed under the head "Profits and gains of business or profession"
- D. Income from other source

7.2 What would be the tax treatment of vacant residential and commercial units held as stock in trade as on 31.3.2021?

- A. The vacant residential units would be deemed to be let out and expected rent would be deemed as the annual value chargeable to tax under the head "Income from house property" for A.Y. 2021-22.
- B. The vacant units, both residential and commercial, would be deemed to be let out and expected rent would be deemed as the annual value chargeable to tax under the head "Income from house property" for A.Y. 2021-22
- C. The annual value of both vacant residential and commercial units would be Nil for A.Y.2021-22. Hence, no income is chargeable for such units under the head "Income from house property" for A.Y. 2021-22
- D. Vacant units held as stock-in-trade can never be deemed as let out at any point of time

7.3 What would be the full value of consideration in respect of sale of units to Mr. Gaurav for the purpose of computing profits and gains from transfer of units?

- A. ₹1,00,00,000
- B. ₹1,15,00,000
- C. ₹1,10,00,000
- D. ₹99,00,000

7.4 Assume that ₹ 1 lakh was paid in cash by Mr. Gaurav to Mr. Ram on 1.11.2020 instead of by way of account payee bank draft, what would be the income chargeable under section 56(2)(x) in the hands of Mr. Gaurav?

- A. 15 lakh
- B. 10 lakh
- C. Nil, since the stamp duty value is within the permissible deviation limit
- D. Nil, since section 56(2)(x) is not applicable in this case

Solutions:

7.1 A	7.2 C	7.3 A	7.4 D
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8. For the assessment year 2021-22, Mr. Sonu submits the following information:

Particulars	Building at Chennai (₹)	Building at Kochi (₹)
Municipal valuation	35,000	80,000

Standard Rent	36,000	70,000
Fair Rent	31,000	82,000
Rent received	38,000	68,000
Municipal taxes paid by tenant Mr. Ramu for building at Chennai and paid by Mr. Sonu for Building at Kochi.	3,000	4,000
Repairs paid by tenant Mr. Ramu for Chennai building and Mr. Sonu paid for Kochi buildings	500	18,000
Land revenue paid	2,000	16,000
Insurance premium paid	500	2,000
Interest on loan borrowed for payment of municipal tax of house property	200	400
Nature of occupation	Let out for residence	Let out for business
Date of completion of construction	1.4.1996	1.7.2008

Mr. Sonu is constructing one more building in Mumbai during the previous year. Mr. Raju, a film director, took on rent the building under construction in Mumbai at ₹ 5,000 per month for his film shooting. The construction of the said building would be completed by April 2021. Mr. Sonu is a real estate developer and letting out properties is not the business of Mr. Sonu. Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

8.1 Which of the building's income is chargeable to tax under the head "Income from house property" in the hands of Mr. Sonu?

- A. Building at Chennai only
- B. Building at Kochi only
- C. Both buildings at Chennai and Kochi
- D. All the three buildings at Chennai, Kochi and Mumbai

8.2 Which of the following payments/expenditure is allowable as deduction while computing income under the head "Income from house property" incurred in respect of the building at Chennai and Kochi?

- A. Municipal taxes paid by Mr. Sonu and Mr. Ramu
- B. Municipal tax, land revenue, insurance premium, interest on loan borrowed for payment of Municipal tax paid by Mr. Sonu
- C. Only municipal tax paid by Mr. Sonu
- D. Both Municipal tax and repairs paid by Mr. Sonu

8.3 Under which head of income, the amount received from Mr. Raju would be chargeable to tax?

- A. Income from house property

- B. Profits and gains from business or profession
- C. Income from other sources
- D. Income from house property or Income from other sources, at the option of Mr. Sonu

8.4 What is the amount chargeable to tax under the Income from house property in the hands of Mr. Sonu for the P.Y. 2020-21?

- A. ₹ 72,800
- B. ₹ 81,200
- C. ₹ 1,14,800
- D. ₹ 70,700

Solutions:

8.1 C	8.2 C	8.3 C	8.4 A
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9. Mr. Ganesha (a salaried person) has three houses. One in Thane (Maharashtra), second in Jaipur (Rajasthan) and third in Ratlam (Madhya Pradesh). Details of the flats/houses are as follows:

- Thane flat: 3 BHK flat purchased in April, 2002 for ₹ 90 lakhs. Afterwards, interior work done in 2005 of ₹ 15 lakhs. Mr. Ganesha took loan of ₹ 65 Lakhs for purchase of this flat in 2001 and settled full loan in 2018.
- Jaipur house: Purchased in July, 2018 of ₹ 62 Lakhs and interior work done in September, 2019 of ₹ 15 Lakhs. Loan taken for purchase of this house of ₹ 15 Lakhs in June, 2018. As per interest certificate, he paid ₹ 12,00,500 and ₹ 43,500 towards principal and interest, respectively.
- Ratlam House: Purchased in December 2019 for ₹ 70 lakhs (stamp duty value of ₹ 65 lakhs). For acquiring this house, he took loan of ₹ 40 Lakhs from Canara Bank. Loan was sanctioned on 1.8.2019. He pays EMI of ₹ 38,100 per month. As per interest certificate, for the previous year 2020-21, he paid ₹ 60,900 and ₹ 3,96,300 towards principal and interest, respectively.

Particulars	Thane House	Jaipur House (Apr-20 to Dec- 20)	Ratlam House
Municipal Taxes paid	18,574	8,090	6,909
Municipal value (per month)	30,500	6,800	7,200
Fair Rent (per month)	33,000	7,000	7,500
Standard Rent (per month)	32,000	8,000	7,300

Other details are as follows:

- He has sold Jaipur house on 5<sup>th</sup> January 2021 for ₹ 90 Lakhs and invested ₹ 15 Lakh in RECL bonds issued by the Central Government on 10<sup>th</sup> August 2021.
- Mr. Ganesha is working in WinDoor Exports Pvt Ltd, Mumbai and self-occupied Thane flat. He earned salary of ₹ 22,50,350 for the previous year 2020-21.
- He has no other income from any source for the P.Y. 2020-21.

- He has given Ratlam house on rent for F.Y. 2020-21 to Mr. Pratap on a monthly rent of ₹8,500.

- He has given Jaipur house on rent for the period of April,2020 to June, 2020 to Mrs. Madhura Mahto on monthly rent of ₹ 7,100 and vacant for remaining period from July, 2020 to December,2020.

Mr. Ganesha would not like to opt concessional tax rates available under section 115BAC.

Cost inflation index (CII) for the Financial Year (F.Y.) 2018-19 is 280; 2019-20: 289; F.Y. 2020-21: 301.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

9.1 What would be Net Annual Value of each house for the previous year 2020-21?

- A. Thane - Nil; Jaipur - ₹ 13,210; Ratlam - ₹ 95,091
- B. Thane - Nil; Jaipur - ₹ 54,910; Ratlam - ₹ 95,091
- C. Thane - Nil; Jaipur - ₹ 21,300; Ratlam - ₹ 1,02,000
- D. Thane - Nil; Jaipur - ₹ 13,210; Ratlam - ₹ 80,691

9.2 What would be income/loss under the head "Income from house property" in the hands of Mr. Ganesha?

- A. Loss of ₹ 1,67,689
- B. Loss of ₹ 2,86,236
- C. Loss of ₹ 3,20,489
- D. Loss of ₹ 3,63,989

9.3 How much amount will be carried forward as loss from house property for the subsequent assessment year 2022-23?

- A. ₹ 3,63,989
- B. ₹ 1,63,989
- C. ₹ 2,00,000
- D. ₹ 1,50,000

9.4 What would the amount of capital gains chargeable to tax in the hands of Mr. Ganesha during the previous year 2020-21?

- A. Short-term capital gains of ₹ 15,00,000
- B. Long-term capital gains of ₹ 23,35,000
- C. Long-term capital gain of ₹ 7,72,716
- D. Long-term capital gain of Nil, since he is eligible for deduction u/s 54EC in respect of amount invested in RECL bonds issued by Central Government

9.5 What would be the gross total income of Mr. Ganesh for the A.Y. 2021-22?

- A. ₹ 28,23,070
- B. ₹ 26,23,070
- C. ₹ 27,73,070
- D. ₹ 43,85,350

**Solutions:**

9.1 A	9.2 D	9.3 B	9.4 C	9.5 C
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10. Mr. X has set up a manufacturing unit in Chittor, Andhra Pradesh on 1 April 2019. Chittor, Andhra Pradesh is notified backward area and eligible to claim deduction under section 32AD.

During the previous year 2019-20 and 2020-21, Mr. X has purchased following assets:

Date of put to use	Asset	Amount (₹)
7 Jun 2019	Plant & machinery "X"	14,75,340
25 Jul 2019	Office Furniture	7,65,400
14 Jan 2020	Plant & machinery "Y"	5,00,000
15 May 2020	Plant & machinery "Z"	8,00,000

He has paid professional fees of ₹35,000 each to Mr. A, Mr. B and Mr. C respectively on 10<sup>th</sup> September 2020 credited in the books on the same day, to discuss some legal matter related to business. The net profit computed in accordance with "Chapter IV-D - Computation of business income" of the Income-tax Act, 1961 for the previous year 2020-21 is ₹ 1.2 crore.

Mr. X has 2,000 equity shares of MNO Pvt. Ltd. On 21 October 2020, MNO Pvt. Ltd has bought back 50% shares from its shareholders amounting to ₹ 13,50,000 which were issued for ₹ 5,70,000 which include ₹ 1,15,000 towards premium.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

10.1 What would be the amount of depreciation in respect of Plant & Machinery "Y" allowable as deduction while computing income under the head "Profit & Gains from business or profession" for the previous year 2020-21?

- A. ₹ 56,250  
 B. ₹ 1,11,875  
 C. ₹ 1,43,750  
 D. ₹ 1,06,250

10.2 What shall be the total amount of depreciation for the previous year 2020-21 allowable as deduction while computing profits and gains from business or profession?

- A. ₹ 4,43,287  
 B. ₹ 5,65,787  
 C. ₹ 5,15,787  
 D. ₹ 6,03,287

10.3 Mr. X wanted to know from you, whether tax is required to be deducted on professional fees paid to Mr. A, Mr. B and Mr C respectively. If tax has to be deducted, then what would be the rate and amount of tax to be deducted at source?

- A. Yes, TDS amounting to ₹ 7,875 @7.5% on ₹ 1,05,000 is to be deducted  
 B. Yes, TDS amounting to ₹ 1,575 @1.5% on ₹ 1,05,000 is to be deducted  
 C. No, tax is to be deducted, since amount does not exceed the threshold limit  
 D. Yes, TDS amounting to ₹ 10,500 @10% on ₹ 1,05,000 is to be deducted

10.4 What shall be the amount of tax payable by MNO Private Limited on buy-back of its shares?

A. ₹ 2,08,500

B. ₹ 1,81,710

C. ₹ 3,14,496

D. ₹ 1,62,240

Solutions:

10.1 C	10.2 D	10.3 A	10.4 B
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11. ABC & Co. is a partnership firm engaged in the business of sale of footwear. The partnership firm consist of three partners – A, B & C. A & B are working partners and C is a sleeping partner. The firm is liable to tax audit under section 44AB of the Act. It has a book profit of ₹ 11,50,000.

Following payments were made to partners as authorised by the partnership deed:

- Remuneration to A & B – ₹ 32,000 p. m. to each partner
- Remuneration to C – ₹ 10,000 p. m.
- Interest on capital @ 19.5% to A & B – ₹ 18,500 p. a. to each partner
- Interest on capital @ 17% to C – ₹ 10,540 p. a.

The firm has following brought forward losses of past years:

A.Y.	Business loss	Unabsorbed depreciation	Long-term capital loss
2018-19	26,000	17,600	5,300
2019-20	78,000	29,860	-
2020-21	1,05,670	54,180	13,470

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

11.1 What amount of interest is allowable as deduction in the hands of firm while computing profits and gains from business or profession?

A. ₹ 29,040

B. ₹ 22,769

C. ₹ 47,540

D. ₹ 30,209

11.2 What amount of remuneration not allowable as deduction in the hands of firm while computing profits and gains from business or profession?

A. ₹ 1,20,000

B. Nil

C. ₹ 1,08,000

D. ₹ 78,000

11.3 What is the due date of filing of return of income for Mr. A and Mr. C for the A.Y. 2021-22?

A. 31<sup>st</sup> July 2021 for Mr. C and 30<sup>th</sup> September 2021 for Mr. A

B. 31<sup>st</sup> July 2021 for Mr. C and 31<sup>st</sup> October 2021 for Mr. A

C. 31<sup>st</sup> October 2021 for both Mr. A and Mr. C

D. 31<sup>st</sup> October 2021 for Mr. C and 31<sup>st</sup> July 2021 for Mr. A

11.4 What would be the income under the head “Profits and gains from business or profession” in the hands of ABC & Co. for the A.Y. 2021-22?

- A. ₹ 70,690  
 B. ₹ 1,72,330  
 C. ₹ 51,920  
 D. ₹ 1,53,560

Solutions:

11.1 D	11.2 A	11.3 C	11.4 B
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12. Mr. Sarthak (age 37 years) a share broker, sold a building to his friend Anay, who is a dealer in automobile spare parts, for ₹ 120 lakh on 10.11.2020, when the stamp duty value was ₹150 lakh. The agreement was, however, entered into on 1.9.2020 when the stamp duty value was ₹ 140 lakh. Mr. Sarthak had received a down payment of ₹ 15 lakh by a crossed cheque from Anay on the date of agreement. Mr. Sarthak purchased the building for ₹ 95 lakh on 10.5.2017. Further, Mr. Sarthak also sold an agricultural land (situated in a village which has a population of 5,800) for ₹ 60 lakhs to Mr. Vivek on 01.03.2021, which he acquired on 15.06.2014 for ₹ 45 lakhs. Stamp duty value of agricultural land as on 1.3.2021 is ₹ 65 lakhs CII for F.Y. 2014-15; 240; F.Y. 2017-18: 272; F.Y. 2020-21: 301.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

12.1 Is there any requirement to deduct tax at source on consideration paid or payable for transfer of building and agricultural land?

- A. Yes; Mr. Anay and Mr. Vivek both required to deduct tax at source under section 194-IA  
 B. Yes; Mr. Anay is required to deduct tax at source under section 194-IA  
 C. Yes; Mr. Vivek is required to deduct tax at source under section 194-IA  
 D. Yes; Mr. Sarthak is required to deduct tax at source under section 194-IA

12.2 What amount of capital gains are chargeable to tax in the hands of Mr. Sarthak in respect of transfer of building?

- A. long-term capital gains of ₹ 44,87,132  
 B. long-term capital gains of ₹ 34,87,132  
 C. long-term capital gains of ₹ 14,87,132  
 D. short-term capital gains of ₹ 55,00,000

12.3 Assuming that Mr. Sarthak has other income exceeding basic exemption limit, the tax payable (excluding surcharge and health and education cess) on transfer of building and agricultural land, would be –

- A. ₹ 6,97,430  
 B. ₹ 2,97,430  
 C. ₹ 8,97,430  
 D. ₹ 11,01,470

12.4 What amount of income is chargeable to tax in the hands of Mr. Anay in respect of transfer of building?

- A. ₹ 20 lakh  
C. ₹ 15 lakhs

- B. ₹ 30 lakhs  
D. Nil

Solutions:

12.1 B	12.2 A	12.3 C	12.4 B
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13. Mr. Narendra Sharma, aged 54 years, an Indian citizen, carrying on retail business in Dubai. He frequently visits India for business purpose. Details of his visits in India are as follows:

- 1) Came to India on 03.12.2015 and left India on 26.04.2016
- 2) Again came to India on 09.09.2018 and left India on 10.01.2019
- 3) Again came to India on 27.12.2019 and left India on 20.02.2020

Afterwards he decided to shift permanently in India and closed his business in Dubai. So, he came to India on 27.11.2020 and joined Indian Company "Cosmos Heritage India Limited" at registered office in Mumbai from 01.12.2020. From December 2020, he has taken a flat on rent for ₹60,000 per month from Mr. Sarthak, an Indian resident, and Mr. Sarthak has provided his PAN No. to Mr. Narendra Sharma.

Following details of his salary income earned in India:

- Basic Salary – ₹ 2,75,675 per month
- COLA (Cost of Living Allowance) (forms part of retirement benefits) – ₹1,20,200 per month
- HRA – ₹ 1,37,838 per month
- Other Allowances – ₹ 1,56,000 per month

For the period from April 2020 to November 2020, his business income arising in Dubai is ₹ 26,00,000. He is not liable to pay any tax in Dubai. Such business is controlled from Dubai.

He is active in equity share trading after coming to India. Following are the details of his portfolio:

S. No.	Sale/ Purchase	Company	Date of Purchase/ Sale	Qty	Price per Share (₹)	Brokerage
1.	Purchase	First Smile Ltd	10.12.2020	250	203	1.5%
2	Purchase	Rainbow Ltd	10.12.2020	50	503	1.5%
3.	Purchase	Mega Service Ltd	12.12.2020	150	82	1.5%
4.	Sale	First Smile Ltd	18.12.2020	100	325	1.8%
5.	Purchase	Mega Service Ltd	15.12.2020	110	110	1.5%
6.	Sale	Mega Service Ltd	26.12.2020	150	100	1.8%



7.	Purchase	Rainbow Ltd	28.12.2020	200	385	1.5%
8.	Purchase	Rainbow Ltd	03.01.2021	100	465	1.5%
9.	Sale	First Smile Ltd	23.03.2021	200	150	1.8%
10.	Sale	Mega Service Ltd	26.03.2021	110	110	1.8%

Following additional details is also given by Mr. Narendra:

- First Smile Limited issued bonus shares 1:1 on 01.02.2021 and credited the shares in his account on 10.02.2021.

- Rainbow Limited declared an interim dividend of 200% on 28.02.2021 (face value of each share is ₹ 10). The record date was 31.1.2021.

He does not opt to pay tax as per section 115BAC.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

13.1 What is the residential status of Mr. Narendra for the previous year 2020-21?

- A. Resident
- B. Resident but not ordinary resident
- C. Non-resident
- D. Deemed resident but not ordinarily resident in India

13.2 Which of the following statement is correct, in respect of dividend paid by Rainbow Ltd. to Mr. Narendra?

- A. Dividend received from Rainbow Ltd is exempt in the hands of Mr. Narendra. Hence, no tax is required to be deducted at source
- B. Dividend received from Rainbow Ltd is taxable in the hands of Mr. Narendra but, since the dividend is less than ₹ 10,000, no tax is required to be deducted at source
- C. Dividend received from Rainbow Ltd is taxable in the hands of Mr. Narendra. Tax of ₹ 525 is required to be deducted at source
- D. Dividend received from Rainbow Ltd is taxable in the hands of Mr. Narendra. Tax of ₹ 700 is required to be deducted at source

13.3 What shall be the TDS liability of Mr. Narendra for rent paid to Mr. Sarthak?

- A. There is no TDS liability of Mr. Narendra, since he is a salaried individual
- B. Mr. Narendra is liable to deduct TDS u/s 194-I of ₹ 6,000 for each month
- C. Mr. Narendra is liable to deduct TDS u/s 194IB of ₹ 3,000 for each month
- D. Mr. Narendra is liable to deduct TDS u/s 194IB of ₹ 9,000 in the month of March 2021

13.4 What would be income chargeable to tax under the head "Income from Salaries" in the

hands of Mr. Narendra for the A.Y. 2021-22:

A. ₹ 26,27,202

B. ₹ 26,77,202

C. ₹ 27,08,852

D. ₹ 26,58,852

13.5 What is the amount of short-term capital gain chargeable to tax in the hands of Mr. Narendra on sale of shares for the P.Y. 2020-21:

A. ₹ 21,860

B. ₹ 13,556

C. ₹ 8,018

D. ₹ 11,708

Solutions:

13.1 D	13.2 C	13.3 C	13.4 A	13.5 D
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14. Mr. Akshaya Biyani celebrated his 26<sup>th</sup> birthday on 15<sup>th</sup> May 2020 and arranged a grand party at Radisson Blu hotel. On this occasion, he invited his friends, blood relatives and distant relatives to attend the party. The ceremony was very grand, the feast was also very spectacular. All the arrangements and decorations were absolutely wonderful. At the end of party, Mr. Akshaya was awarded by gifts and flower's bouquet as infra:

Gifts received From	Type of Gift	Remarks
Mother	One 22K Gold Chain	She purchased on the same day for ₹ 37,822
Father	One 22K Gold Bracelet	He purchased on the same day for ₹ 56,075
Wife	4 Gold Rings	She purchased these rings on 15.5.2019 for ₹ 35,500 each. Fair market value on 15 <sup>th</sup> May 2020 is ₹ 37,429 each.
Sister	Painting	This painting is made by her. Fair market value is ₹ 45,000.
Cousin brother (Father's brother's son)	One Gold chain	He purchased it on the same day for ₹ 18,200.
Closest cousins (mother's sister's sons/daughters)	1-20 Car	Value of ₹ 4,10,000
Friends and other distant Relatives	Cash	₹ 1,51,000

Mr. Akshaya desires to set up a new manufacturing unit with his friend in partnership on 1.12.2020. For making investment in the firm, he sold following jewellery which he has received

on his 26<sup>th</sup> birthday celebration as gifts:

- Mother's gifted Gold Chain for ₹ 42,150
- Father's gifted Gold Bracelet for ₹ 60,180
- Cousin brother's gifted Gold Chain for ₹ 20,600

His wife gave him ₹ 1 lakh as a gift so that he could invest sufficient money in the unit.

On 1<sup>st</sup> December 2020, he invested ₹ 6,00,000 (including the amount received on sale of above gifts and amount received from his wife) and his friend invested ₹ 4,00,000 in the firm.

On 1<sup>st</sup> February 2021, his wife again gave him ₹ 1 lakh as a gift to invest such money in the firm and apart from that he invested ₹ 50,000 more from his individual savings. On this day, his friend also invested ₹ 1,00,000 in the firm.

Since the firm is a manufacturing unit and at initial stage, the firm requires sufficient fund so Mr. Akshaya sold his wife's gifted Gold Rings for ₹ 40,250 each as on 31<sup>st</sup> March 2021 and he deployed the funds as partner's capital in the firm on 01<sup>st</sup> April, 2021.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

14.1 What is the amount of capital gain taxable in the hand of Mr. Akshaya for P.Y. 2020-21?

- A. Short term capital gains ₹ 10,833
- B. Short term capital gains ₹ 29,833
- C. Short term capital gains ₹ 22,117
- D. No, capital gains is taxable in his hands, since he received the capital assets as gift

14.2 What is the gift amount not considered as income under section 56(2)(x) for P.Y. 2020-21?

- A. ₹ 8,98,613
- B. ₹ 3,06,813
- C. ₹ 9,16,813
- D. ₹ 7,16,813

14.3 What is the gift amount taxable in the hands of Mr. Akshaya for P.Y. 2020-21?

- A. ₹ 1,51,000
- B. ₹ 1,69,200
- C. ₹ 5,79,200
- D. ₹ 5,61,000

14.4 Is any amount taxable in the hands of Akshaya's wife in respect of sale of jewellery by Mr. Akshaya, if yes, what shall be the taxable amount in her hands for P.Y. 2020-21?

- A. No
- B. Yes; ₹ 15,284
- C. Yes; ₹ 19,000
- D. Yes; ₹ 11,284

Solutions:

14.1 A	14.2 C	14.3 A	14.4 C
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15. Mr. Rajesh gifted ₹ 15 lakhs to his wife, Raavi on her birthday on, 23<sup>rd</sup> February, 2020. Raavi lent ₹ 6,00,000 out of the gifted amount to Karuna on 1<sup>st</sup> April, 2020 for six months on which she received interest of ₹ 30,000. The said sum of ₹ 30,000 was invested in shares of a listed company on 18<sup>th</sup> October, 2020, which were sold for ₹ 66,000 on 25<sup>th</sup> March, 2021.

Securities transactions tax was paid on purchase and sale of such shares. The balance amount of gift was invested on 1st April 2020, as capital by Raavi in her new business. She suffered loss of ₹ 22,000 in the business in Financial Year 2020-21. Raavi is working with a Private company as sales executive at a salary of ₹ 62,000 p.m. She paid ₹ 3,500 p.m towards tuition fees for her daughter Riya studying in St. Thomas School, Mumbai.

Rajesh is working with an MNC on a monthly salary of ₹ 64,000. He has gifted ₹ 1,25,000 to Riya on her 13<sup>th</sup> Birthday. This amount is deposited as 2 years term deposits with SBI bank in her name. On which interest of ₹ 11,500 is earned during the previous year 2020-21. Both Mr. Rajesh and Mrs. Raavi opt to pay tax under section 115BAC.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

15.1 In whose hands, the interest income received from Karuna and interest on fixed deposits in the name of Riya would be included?

- A. both interest income to be included in the hands of Mr. Rajesh
- B. both interest income to be included in the hands of Mrs. Raavi
- C. interest income from Karuna to be included in the hands of Mrs. Raavi and interest on two years terms deposits to be included in the hands of Mr. Rajesh
- D. interest income from Karuna to be included in the hands of Mr. Rajesh and interest on two years terms deposits to be included in the hands of Mrs. Raavi

15.2 In whose hand's loss from business and capital gains would be included in Assessment Year 2021-22? Assume that capital invested in the business was entirely out of the funds gifted by her husband.

- A. Both loss from business and capital gains would be included in the hands of Mr. Rajesh
- B. Both loss from business and capital gains would be included in the hands of Mrs. Raavi
- C. Loss from business included in the hands of Mr. Rajesh and capital gains included in the hands of Mrs. Raavi
- D. Loss from business included in the hands of Mrs. Raavi and capital gains included in the hands of Mr. Rajesh

15.3 What would be the total income of Mrs. Raavi for the previous year 2020-21?

- A. ₹ 6,88,000
- B. ₹ 7,80,000
- C. ₹ 7,91,500
- D. ₹ 7,90,000

15.4 What would be total income of Mr. Rajesh for the previous year 2020-21?

- A. ₹ 7,76,000
- B. ₹ 8,09,500
- C. ₹ 8,08,000
- D. ₹ 7,98,000

Solutions:

15.1 D	15.2 C	15.3 C	15.4 A
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16. Miss Hetal transferred to his husband Mr. Hemant, a residential property worth ₹ 45 lakhs located in Nagpur without any consideration. The expected rent of such property is ₹ 5 lakhs. Municipal tax of ₹ 5,000 paid for this property during the previous year 2020-21. Miss Hetal has three residential properties in Mumbai. The expected rent from the 3 properties situated in Mumbai is ₹ 10 lakhs, ₹ 11 lakhs and ₹ 12 lakhs respectively. She purchased the properties out of her own funds. Municipal taxes due are ₹ 15,000, ₹ 20,000 and ₹ 25,000. The same have, however, not been paid this year in respect of the three properties. The expected rent is lesser than the standard rent in case of all the aforementioned properties. Miss Hetal does not have any income from any other source.

Miss Hetal's father, aged 58 years had capital gains of ₹ 5 crores from sale of house property. He reinvested the proceeds from sale in another residential house of ₹ 4.98 crores and the remaining sale proceeds were deposited in his savings bank account. He has paid ₹ 1,50,000 towards LIC premium. He has no other source of income.

Miss Hetal's grandfather is aged 81 years and has interest income on fixed deposits of ₹ 6 lakhs. He has to fly to USA for his treatment of cancer on 31<sup>st</sup> July, 2021 and his return of income is not filed before his flying to USA.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

16.1 What is the amount of income liable to be taxed in the hands of Miss Hetal under the head "Income from House Property" for A.Y.2021-22?

- A. ₹ 7,00,000  
 B. ₹ 10,46,500  
 C. ₹ 10,50,000  
 D. ₹ 13,76,500

16.2 What would be tax liability of Miss Hetal for the assessment year 2021-22? Compute in a manner so that her tax liability is minimum.

- A. ₹ 66,300  
 B. ₹ 88,400  
 C. ₹ 87,670  
 D. ₹ 1,31,510

16.3 Is Hetal's father required to furnish return of income in India for the A.Y.2021-22?

- A. No, he is not required, since his income does not exceed basic exemption limit  
 B. Yes, he is required to furnish return of income on or before 31<sup>st</sup> July, 2021  
 C. Yes, he is required to furnish return of income on or before 30<sup>th</sup> September, 2021  
 D. Yes, he is required to furnish return of income on or before 31<sup>st</sup> October, 2021

16.4 Is Miss Hetal's grandfather required to pay advance tax during the previous year 2020-21?

- A. No, he is not required to pay advance tax, since he is a senior citizen  
 B. Yes, he is required to pay advance tax, since his tax liability exceeds ₹ 10,000  
 C. No, he is not required to pay advance tax, since he is a senior citizen and he is not having any income under the head "Profits and gains from business or

profession”

- D. Yes, he is required to pay advance tax, since his total income exceeds basic exemption limit of ₹ 5,00,000

**Solutions:**

16.1 B	16.2 C	16.3 B	16.4 C
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17. Ms. Chanchal, aged 45, provides the following data of her gross receipts for the financial year 2019-20 and 2020-21. She is engaged in agency business along with providing services as tarot card reader.

F.Y.	Receipts from business (₹)	Receipts from profession (₹)	Total Gross Receipts (₹)
2019-20	1,05,00,000	47,00,000	1,52,00,000
2020-21	98,00,000	49,00,000	1,47,00,000

She paid an amount of ₹ 12,00,000 to a contractor for polishing her old furniture in her self-occupied residential house property on 12.04.2020. Further on 05.06.2020, she has taken services from renowned interior designer for the same residential house property for which she paid ₹ 2,50,000.

Further, on 28.05.2020 she sold one commercial property for ₹ 50,00,000. The stamp duty value on the date of registration is ₹58,00,000. The value adopted for stamp duty was ₹54,00,000 on the date of agreement (part payment by account payee cheque was received on the date of agreement). It was purchased for ₹ 40,00,000 on 28.06.2018. (Cost Inflation Index for F.Y. 2020-21: 301, F.Y. 2018-19: 280).

The brought forward long-term capital loss from unlisted shares of F.Y. 2019-20 is ₹ 5,50,000. During the year, Ms. Chanchal incurred a loss of ₹ 70,00,000 while trading in the agricultural commodity derivatives (no CTT paid).

Ms. Chanchal does not want to opt for the new tax regime available under section 115BAC for A.Y. 2021-22. Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions: -

17.1 Is Ms. Chanchal liable to tax audit under the Income-tax Act, 1961 for the P.Y. 2020-21?

- A. Yes, as the total gross receipts exceeds ₹ 1,00,00,000
- B. No, as the gross receipts from business or profession are below the specified threshold limits
- C. Yes, as the gross receipts from business exceeds ₹ 50,00,000
- D. Yes, as the gross receipts from profession exceeds ₹ 25,00,000

17.2 With respect to payment made to contractor and to the interior designer during the P.Y. 2020-21, Ms. Chanchal consulted various persons and they have the following views -

- (i) She is required to deduct tax at source under section 194C and 194J, since her turnover from business for the previous year 2019-20 exceeds ₹1,00,00,000
- (ii) She is required to deduct tax at source under section 194M on both the payments

(iii) She is not required to deduct tax at source neither under section 194C nor under section 194J, since such amounts are paid for personal purposes

(iv) She is not required to deduct tax at source under section 194M, since payment to each individual does not exceed ₹ 50,00,000

Which views are correct?

- A. (iii) and (iv) views are correct
- B. (i) view is correct
- C. (ii) view is correct
- D. (i) and (iv) views are correct

17.3 What is the amount and nature of Capital gain chargeable to tax in the hands of Ms. Chanchal?

- A. ₹ 14,00,000 and Short-term capital gain
- B. ₹ 10,00,000 and Short-term capital gain.
- C. ₹ 11,00,000 and Long-term capital gain
- D. ₹ 7,00,000 and Long-term capital gain

17.4 What is the amount of losses which can be carried forward to A.Y. 2022-23, assuming that business income is ₹ 45,00,000 and income from profession is ₹ 25,00,000 for the P.Y. 2020-21?

- A. ₹ 5,50,000 under section 74
- B. ₹ 70,00,000 under section 73
- C. No loss is required to be carried forward, since brought forward loss and current year loss are set-off against current years income
- D. ₹ 5,50,000 under section 74 and ₹ 70,00,000 under section 73

Solutions:

17.1 B	17.2 A	17.3 B	17.4 A
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18. Mr. Abhishek Seth, aged 42 years, is working as a CEO of Soil Limited. He provides you the following information for preparation and filing of his income-tax return for the year ended 31 March 2021:

- Salary, allowances and perquisites from Soil Limited - ₹ 1,35,00,000
- Dividend from ABC Ltd. which was declared in February, 2020 and received in April, 2020 - ₹ 4,55,000
- Dividend from PRQ Ltd. declared and received in July, 2020 - ₹ 5,90,000 (Gross)
- Interest income on saving bank account in SBI - ₹ 24,530
- Long term capital gains on transfer of residential house in Mumbai on 15<sup>th</sup> December, 2020 - ₹ 1,73,540
- Short term capital gain on transfer of listed equity shares (STT paid both at the time of transfer and acquisition) of Ind Ltd. - ₹ 73,00,000

He also furnished the following details of investment/ payments made by him during the P.Y. 2020-21:

- (a) Three-year post office time deposit - ₹ 25,000
- (b) Contribution to PPF - ₹ 35,000
- (c) Tuition fees of three children in Bharti Sr. Sec. School in Delhi - ₹ 20,000 per annum per children
- (d) Subscription to NHA1 redeemable bonds after 5 years on 16th March, 2021- ₹ 2,00,000.

Further, his son Mr. Dhaval, aged 15 years, has also earned the following income:

- (a) Income from a quiz competition - ₹ 25,000
- (b) Interest on bank fixed deposit - ₹ 9,500

Mr. Abhishek does not want to opt for the provision of section 115BAC.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:-

18.1 What is the quantum of income of Mr. Dhaval which is to be clubbed with income of Mr. Abhishek, if any, assuming that income of Mr. Abhishek is greater than the income of his spouse?

- A. ₹ 34,500
- B. ₹ 8,000
- C. ₹ 33,000
- D. ₹ 9,500

18.2 What is the gross total income of Mr. Abhishek for A.Y. 2021-22?

- A. ₹ 2,13,72,530
- B. ₹ 2,14,22,530
- C. ₹ 2,13,64,530
- D. ₹ 2,15,46,070

18.3 What is the amount of deduction allowable under section 80C to Mr. Abhishek?

- A. ₹ 1,00,000
- B. ₹ 1,20,000
- C. ₹ 95,000
- D. ₹ 75,000

18.4 What shall be the tax liability of Mr. Abhishek for A.Y. 2021-22?

- A. ₹ 62,67,350
- B. ₹ 61,04,100
- C. ₹ 59,60,050
- D. ₹ 61,45,610

Solutions:

18.1 B	18.2 A	18.3 D	18.4 B
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19. M/s Abhinav & sons, a sole proprietorship is engaged in the business of manufacturing pharmaceutical products and it had started its business on 20th June 2016. Tax head of M/s Abhinav & sons furnishes you the following particulars for the year ended 31 March 2021:

- Income under the head PGBP - ₹5,75,22,750
- Interest on fixed deposits credited and received on 30<sup>th</sup> April, 2020 (Gross) - ₹12,50,000
- Donation to PM Cares Fund - ₹2,50,000

M/s Abhinav & sons does not want to opt for the provisions of section 115BAC. It has employed total 150 employees during the P.Y. 2019-20 with an annual increment of 10% in their monthly emoluments. Details of the same are as under:



Date of joining	No. of employees	Employee category	Monthly emoluments per employee (₹)	Participate in recognised provident fund
1.5.2019	50	Regular	26,500	Yes
1.6.2019	65	Casual	23,000	No
1.7.2019	35	Regular	22,500	Yes

It has employed further 50 employees during the P.Y. 2020-21. Details of the same are as under:

Date of joining	No. of employees	Employee category	Monthly emoluments per employee	Participate in recognised provident fund
1.4.2020	20	Regular	21,000	Yes
1.8.2020	30	Regular	26,000	Yes

Emoluments to all the employees are being paid by way of account payee cheque only. No employees have left the job during P.Y. 2019-20 as well as during P.Y. 2020-21.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

19.1 What is the due date of filing of return of income of M/s Abhinav & sons for A.Y. 2021-22?

- A. 31<sup>st</sup> July, 2021  
 B. 30<sup>th</sup> November, 2021  
 C. 30<sup>th</sup> September, 2021  
 D. 31<sup>st</sup> October, 2021

19.2 What shall be the amount of deduction available to M/s Abhinav & sons under section 80JJAA for A.Y. 2021-22?

- A. ₹ 36,38,250  
 B. ₹ 15,12,000  
 C. ₹ 46,30,500  
 D. ₹ 33,84,000

19.3 What would be the total income of M/s Abhinav & sons for the A.Y. 2021-22?

- A. ₹ 5,70,10,750  
 B. ₹ 5,48,84,500  
 C. ₹ 5,57,60,750  
 D. ₹ 5,52,64,250

19.4 What would be the tax payable of M/s Abhinav & sons for the A.Y. 2021-22?

- A. ₹ 2,47,47,810  
 B. ₹ 1,94,68,310  
 C. ₹ 2,31,92,680  
 D. ₹ 2,30,67,680

**Solutions:**

19.1 D	19.2 A	19.3 B	19.4 D
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20. Mr. X wanted to file his return of income for the previous year 2020-21. He required assistance for which he has approached you. He has shared the following details relevant to the P.Y. 2020-21. Mr. X, owned a house property in Mumbai and the same was rented out for ₹ 70,000 p.m. He claims that this was the only income which he earned during the P.Y. 2020-21.

However, when you had sought for his bank statement, you observed the following information additionally.

There is a credit for ₹ 23,975/- towards income-tax refund which included ₹ 5,775 towards interest on income-tax refund. On 15<sup>th</sup> August, 2020, the bank statement showed a credit of ₹ 55,000 which he claimed to have received as a gift from his grandchildren on his 60<sup>th</sup> birthday. On further assessment you were able to understand that Mr. X and his wife had travelled to Australia during the P.Y. 2020-21 to spend some time with their daughter, who is staying in Australia, since her marriage. On scrutiny of their passport and relevant documents you conclude that they had left India on 27<sup>th</sup> September, 2020 and returned on 30<sup>th</sup> March, 2021. During the 4 years preceding previous year 2020-21, both had stayed in India for 320 days. Prior to that, they had been staying only in India.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

20.1 What is the residential status of Mr. X for the P.Y. 2020-21?

- A. Resident and ordinarily resident
- B. Resident but not ordinarily resident
- C. Non-resident
- D. Deemed resident but not ordinarily resident

20.2 Mr. X requests you to compute his tax liability for the A.Y. 2021-22 in a manner such that his tax liability is minimum. Accordingly, his tax liability would be

- A. ₹ 22,750
- B. ₹ 29,910
- C. ₹ 32,510
- D. ₹ 20,150

20.3 In continuation to question 21.2, what would be tax liability of Mr. X for the A.Y. 2021-22, if he had paid ₹ 1,00,000 towards life insurance premium for self?

- A. ₹ 20,150
- B. ₹ 29,910
- C. ₹ 10,400
- D. Nil

20.4 Mr. X had given the house property at Mumbai on rent to Mr. Y, a salaried employee. Is there any requirement to deduct tax at source on such rent by Mr. Y, if yes, what would be the amount of TDS to be deducted?

- A. No, there is no requirement to deduct tax at source, since Mr. Y is a salaried employee
- B. Yes, Mr. Y is required to deduct tax at source of ₹ 42,000
- C. Yes, Mr. Y is required to deduct tax at source of ₹ 31,500
- D. No, there is no requirement to deduct tax at source, since Mr. X is a non-resident

20.5 Which of the following statements is correct with respect to advance tax liability of Mr. X for P.Y. 2020-21?

- A. Advance tax liability shall not arise to Mr. X since he is a non-resident
- B. Advance tax liability shall not arise, since Mr. X is a resident senior citizen and he has no income chargeable under the head "Profits and gains of business or profession"
- C. Advance tax liability shall arise, since he is a non-resident
- D. Advance tax liability shall arise, since his tax liability is not less than ₹10,000

Solutions:

20.1 A	20.2 A	20.3 D	20.4 C	20.5 B
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21. Mrs. Seetha is a retired Government employee. She was born on 20.04.1943 in India. She is residing in Bangalore. She has stayed with her elder daughter Mrs. Sakhshi from 4<sup>th</sup> April, 2020 to 18<sup>th</sup> December, 2020, who is residing in Singapore. She stayed in India for 360 days during the 4 previous years preceding the previous year 2020-21. During the previous year 2020-21, pension of ₹ 8,14,592 (Net of TDS) is credited in her account with State Bank of India, Town Hall Branch, Bangalore after deducting tax at source of ₹ 16,031. She received interest of ₹ 5,945 on her Saving A/c with SBI during the previous year 2020-21. She also received interest of ₹ 58,500 on Fixed Deposits in the month of April, 2020. She has purchased two life insurance policies for her son Mr. Sohan and married daughter Mrs. Shobha, the details of which are as follows:

Person insured	Policy purchased on	Date of payment of premium	Sum Assured	Premium paid
Mr. Sohan (39 years old)	23.10.2020	23.10.2020	₹ 9,64,655	₹ 1,05,388
Mrs. Shobha (41 years old)	17.10.2020	17.10.2020	₹ 2,00,000	₹ 20,000

She has taken a medical insurance for herself for which she paid an amount of ₹ 12,000 towards health insurance premium by A/c payee cheque. She incurred ₹ 6,500 towards preventive health check-up of herself and her husband in cash. She also incurred medical expenditure of ₹18,000 in cash in the month of January 2021 for her husband. In the month of March 2021, she incurred medical expenditure of ₹5,500 for herself, which is paid by account payee cheque. She has given a wristwatch of ₹6,000 on her husband's 80<sup>th</sup> birthday. Her husband is resident in India for the P.Y. 2020-21. Mrs. Seetha does not opt to pay tax under section 115BAC.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

21.1 What would be amount of deduction Chapter VI-A available to Mrs. Seetha for the A.Y. 2021-22?

- A. ₹1,39,410  
B. ₹1,43,465  
C. ₹1,48,333  
D. ₹1,88,333

21.2 What would be Gross total income of Mrs. Seetha for the assessment year 2021-22?

- A. ₹ 9,01,570  
B. ₹ 8,51,570  
C. ₹ 8,45,070  
D. ₹ 8,35,540

21.3 What is amount of net tax payable/refundable of Mrs. Seetha for the A.Y. 2021-22?

- A. ₹ 50,630  
B. ₹ 57,130

C. ₹ 34,600

D. ₹ 33,760

21.4 What would be total income of Mrs. Seetha for the assessment year 2021-22, if she opts to pay tax under section 115BAC?

A. ₹ 9,01,570

B. ₹ 8,51,570

C. ₹ 8,95,070

D. ₹ 8,45,540

21.5 What is amount of net tax payable/refundable of Mrs. Seetha for the A.Y. 2021-22, if she opts to pay tax under section 115BAC?

A. ₹ 62,650

B. ₹ 46,610

C. ₹ 12,530

D. ₹ 40,110

Solutions:

21.1 A	21.2 B	21.3 C	21.4 A	21.5 D
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22. Mr. Zukaro, aged 42 years, a Singapore citizen, visits India for business purpose on a regular basis. He was in India for the first time in the year 2016-17 for 270 days, in the year 2017-18 for 190 days, in the year 2018-19 for 145 days and in the year 2019-20 for 155 days. In the current financial year 2020-21, he along with his family had come to India on 10<sup>th</sup> August, 2020 for a pleasure trip. His family returned to Singapore on 31<sup>st</sup> August, 2020, however he stayed back to complete some business commitments and then returned to Singapore on 17<sup>th</sup> November, 2020.

Mr. Zukaro owns a manufacturing unit in Singapore. He basically comes to India for procurement of raw material. He has appointed Mr. Manish, as a dependent agent in Mumbai, who procures raw material from India and then exports it to Singapore to its manufacturing unit and then sells the finished product there. An income of ₹8,75,000 was received in Singapore out of this activity in the P.Y. 2020-21. He had purchased a residential property for ₹17,50,000 in Indore in April 2017. On getting an attractive deal in November, 2020, he sold the property for ₹26,25,000. He also paid brokerage @2% on sales consideration.

Mr. Zukaro had also purchased an agricultural land in India and leased it out to a tenant. The tenant shares a portion of his agricultural income with Mr. Zukaro as a consideration for rent of land every year. The share in the income from the land for the previous year 2020-21 was ₹6,50,000.

Cost inflation index (CII) for the Financial Year (F.Y.) 2017-18 is 272; F.Y. 2020-21: 301

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:-

22.1 What is the Residential Status of Mr. Zukaro for the assessment year 2021-22?

A. Resident and ordinarily resident

B. Resident but not ordinarily resident

C. Non-resident

D. Deemed resident but not ordinarily resident

22.2 Assume for the purpose of answering this question only, that Mr. Zukaro is a non-resident in India for the P.Y. 2020-21, would income of ₹8,75,000 earned through activity of procuring raw material for manufacturing unit in Singapore be taxable in India?

- A. Yes, since it is deemed to accrue or arise in India through a business connection in India
- B. No, as it is confined to purchase of goods in India for further export and hence not an income deemed to accrue or arise in India
- C. Yes, as business is controlled from India
- D. No, as income is received outside India

22.3 Would income arising from transfer of residential property in Indore is chargeable to tax in India in the hands of Mr. Zukaro? If yes, compute the amount of capital gains chargeable to tax.

- A. Yes, long term capital gain of ₹6,35,919 is chargeable to tax, since income is deemed to accrue or arise in India and hence taxable in his hands though he is non-resident in India
- B. Yes, long term capital gain of ₹6,88,419 is chargeable to tax, since he is resident in India
- C. Yes, long term capital gain of ₹6,35,919 is chargeable to tax, since he is resident in India
- D. Yes, long term capital gain of ₹6,88,419 is chargeable to tax, since income is deemed to accrue or arise in India and hence taxable in his hands though he is non-resident in India

22.4 Would income earned from agricultural land given on lease is taxable in the hands of Mr. Zukaro?

- A. No, such income is exempt, since it is agricultural income
- B. Yes, such income is taxable as income from house property, since land is given on lease
- C. Yes, such income is taxable as income from other sources, since land is given on lease
- D. Yes, such income is taxable since he is non-resident even though it is an agricultural income

22.5 What is the tax liability of Mr. Zukaro for A.Y. 2021-22 assuming he does not opt to pay tax under section 115BAC?

- A. ₹ 2,14,680
- B. ₹ 2,23,270
- C. ₹ 3,04,680
- D. ₹ 3,16,870

**Solutions:**

22.1 A	22.2 B	22.3 C	22.4 A	22.5 D
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23. Mr. Rajan, aged 62 years, an Indian citizen resides in Delhi. His wife Sheetal and daughter Riya also reside with him. Riya, aged 16 years, is studying in 12th Standard in DAV school at New Delhi. Mr. Rajan left for employment to the United States of America on 15<sup>th</sup> September, 2020 but his family did not accompany him. He returned to India on 25<sup>th</sup> March 2021. Mr. Rajan had gone outside India for the first time in his life. During April, 2020 to September, 2020, he was working with a multinational company in Delhi. He earned salary of ₹14,00,000 from his job in India. He paid Tuition Fee of ₹1,80,000 for Riya's education in DAV school.

Apart from that, Mr. Rajan also earned professional income of ₹60,00,000 (Gross Receipts – ₹90 lakhs) from India. During the year, he also earned interest from his Indian savings bank account to the tune of ₹12,000 and interest from Fixed deposits with nationalized banks of

₹ 45,000. Mr. Rajan also earned a salary income equivalent to ₹6,00,000 from USA for his job, on which no tax is paid or payable in USA, which was deposited in his bank account in USA and later on remitted to India. Mr. Rajan decides not to opt to pay tax under section 115BAC. Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:-

23.1 What is the residential status of Mr. Rajan for the previous year 2020-21?

- A. Resident and ordinarily in India
- B. Resident but not ordinarily resident in India
- C. Non-resident in India
- D. Deemed resident but not ordinarily resident in India

23.2 What would be the income chargeable to tax under the head "Salaries" in the hands of Mr. Rajan in India for F.Y. 2020-21?

- A. ₹ 20,00,000
- B. ₹ 19,50,000
- C. ₹ 13,50,000
- D. ₹ 19,60,000

23.3 How much deduction is available under Chapter VI-A from the Gross Total Income of Mr. Rajan?

- A. ₹ 2,30,000
- B. ₹ 1,95,000
- C. ₹ 1,60,000
- D. ₹ 2,00,000

23.4 What shall be the tax liability of Mr. Rajan for the A.Y. 2021-22?

- A. ₹ 22,69,810
- B. ₹ 22,58,940
- C. ₹ 22,56,010
- D. ₹ 22,72,670

23.5 What would be the due date for filing income-tax return of Mr. Rajan for the P.Y. 2020-21?

- A. 31<sup>st</sup> July, 2021
- B. 31<sup>st</sup> October, 2021
- C. 30<sup>th</sup> November, 2021
- D. 31<sup>st</sup> March, 2022

**Solutions:**

23.1 D	23.2 C	23.3 D	23.4 C	23.5 B
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24. Mr. A (aged 52 years), is a CEO of XYZ Enterprise Limited. During the previous year 2020-21, he earned salary of ₹1,65,00,000 and long-term capital gain on sale of listed equity shares amounting to ₹1,06,500. He earned interest of ₹4,82,778 on saving bank account.

Further, he has provided the following other information for filing his return of income:

He does not receive house rent allowance from his employer. Mr. A took a loan from State Bank of India on 27<sup>th</sup> October 2018 for repairing his house (self-occupied) at Delhi and paid interest on such borrowings of ₹80,000 and ₹1,50,000 towards principal amount during the previous year 2020-21.

Mr. A has made the following payments towards medical insurance premium for health policies taken for his family members:

Medical premium for his brother: ₹13,500 (by cheque) Medical premium for his parents: ₹17,670 (by cheque) Medical premium for self and his wife: ₹21,000 (by cheque).

He also incurred ₹6,400 towards preventive health check-up of his wife in cash. He deposited ₹1,00,000 towards PPF. He also deposited ₹50,000 and ₹2,50,000 towards Tier I and Tier II NPS A/c, respectively.

He has paid ₹5,30,000 as advance tax. His employer has deducted tax at source of ₹51,89,000. He is of the opinion the balance amount of tax, if any he will pay on 27<sup>th</sup> July 2021 (i.e., before the due date for filing of return of income). Mr. A does not want to opt for section 115BAC.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:-

24.1 What would be the amount of deduction available to Mr. A under Chapter VI-A for the assessment year 2021-22?

A. ₹ 2,04,070

B. ₹ 2,42,670

C. ₹ 2,52,670

D. ₹ 2,02,670

24.2 Assume that, for the purpose of answering this question alone, that Mr. A pays rent of ₹65,000 per month for his rented house at Mumbai to Mr. C, a resident individual, is Mr. A liable to deduct TDS on such rent. If so, what would be the rate and amount of TDS?

A. Yes, Mr. A is liable to deduct TDS @ 3.75% amounting to ₹2,438 every month i.e., at the time of payment of such rent

B. Yes, Mr. A is liable to deduct TDS @5% amounting to ₹3,250 every month i.e., at the time of payment of such rent

C. Yes, Mr. A is liable to deduct TDS @3.75% amounting to ₹29,250 in the month of March 2021

D. No, Mr. A is not liable to deduct TDS, since he is a salaried person

24.3 What would be the amount of net tax payable for the assessment year 2021-22 in the hands of Mr. A?

A. ₹ 78,230

B. ₹ 60,290

C. ₹ 49,530

D. ₹ 67,470

24.4 What would be the amount of interest chargeable under section 234B on account of short payment of advance tax?

A. ₹ 1,980

B. Nil

C. ₹ 3,130

D. ₹ 2,410

Solutions:

24.1 D	24.2 C	24.3 C	24.4 B
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