Super 100 MCQs – Income Tax – May/ September 2024/January 2025

Question 1

The tax liability of Mr. Saral, a resident, who attained the age of 60 years on 01.04.2024 and decides to shift out of the default tax regime u/s 115BAC(1A) for the P.Y. 2023-24, 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

Solution

(b)

To calculate the tax liability for Mr. Saral for the financial year 2023-24 (P.Y. 2023-24), we need to consider the tax slabs for senior citizens in India who are aged 60 years and above. Since Mr. Saral turned 60 on 1st April 2024, he qualifies as a senior citizen for the P.Y. 2023-24. Also, as he has opted to shift out of the default tax regime u/s 115BAC(1A), the old tax regime will apply.

Under the old tax regime, the tax slabs for senior citizens for the year 2023-24 are as follows:

- Income up to ₹3,00,000: Nil
- Income from ₹3,00,001 to ₹5,00,000: 5%
- Income from ₹5,00,001 to ₹10,00,000: 20%
- Income above ₹10,00,000: 30%

Given that Mr. Saral's total income is ₹5,60,000, the tax calculation would be:

- No tax for the first ₹3,00,000.
- For the next ₹2,00,000 (i.e., from ₹3,00,001 to ₹5,00,000), the tax rate is 5%. So, tax = 5% of ₹2,00,000 = ₹10,000.
- For the remaining ₹60,000 (i.e., ₹5,60,000 - ₹5,00,000), the tax rate is 20%. So, tax = 20% of ₹60,000 = ₹12,000.

Hence, the total tax liability before cess = ₹10,000 (5% slab) + ₹12,000 (20% slab) = ₹22,000.

Additionally, health and education cess is levied at 4% on the tax amount. So, cess = 4% of ₹22,000 = ₹880.

Therefore, the total tax liability (including cess) = ₹22,000 (tax) + ₹880 (cess) = ₹22,880.

So, the correct option is:

(b) ₹22,880

Question 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. 2023-24 is:

(a) ₹24,000
(b) ₹28,080
(c) NIL
(d) ₹24,960

Solution

(d)

To calculate the tax liability for Nirlep Co-operative Society for the financial year 2023-24 (P.Y. 2023-24), considering that it does not opt to pay tax under section 115BAD, we need to refer to the standard tax rates applicable to co-operative societies in India under the old tax regime.

The tax slabs for co-operative societies for the year 2023-24 under the old tax regime are as follows:

- Income up to ₹10,000: 10%
- Income from ₹10,001 to ₹20,000: 20%
- Income above ₹20,000: 30%

Given that Nirlep Co-operative Society's total income is ₹90,000, the tax calculation would be:

- 10% on the first ₹10,000 of income = 10% of ₹10,000 = ₹1,000.
- 20% on the next ₹10,000 of income (from ₹10,001 to ₹20,000) = 20% of ₹10,000 = ₹2,000.
- 30% on the remaining ₹70,000 (from ₹20,001 to ₹90,000) = 30% of ₹70,000 = ₹21,000.

Hence, the total tax liability before cess = ₹1,000 (10% slab) + ₹2,000 (20% slab) + ₹21,000 (30% slab) = ₹24,000.

Health and education cess is levied at 4% on the tax amount. So, cess = 4% of ₹24,000 = ₹960.

Therefore, the total tax liability (including cess) = ₹24,000 (tax) + ₹960 (cess) = ₹24,960.

So, the correct option is:

(d) ₹24,960

Question 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. 2023-24 (comprising only of business income) whose turnover in P.Y. 2021-22 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

Solution

(b)

Computation of tax liability of Sadvichar Ltd. for A.Y. 2024-25

Particulars	₹
Tax Liability: 30% on ₹10,03,50,000	3,01,05,000
Add: Surcharge @ 12%	36,12,600
	3,37,17,600
Restricted to:	
Tax on ₹10,00,00,000 + (NTI – ₹10,00,00,000)	
₹3,21,00,000 + (₹10,03,50,000 – ₹10,00,00,0000)	3,24,50,000
Lower of the above	3,24,50,000
Add: Health and Education Cess @ 4%	12,98,000
Tax Payable	3,37,48,000
Therefore, Marginal Relief (₹3,37,17,600 – ₹3,24,50,000)	12,67,600

Computation of tax liability of Sadvichar Ltd. on ₹10 crores

Particulars	₹
Tax Liability: 30% on ₹10,00,00,000	3,00,00,000
Add: Surcharge @ 7%	21,00,000
Tax	3,21,00,000

Question 4

The tax payable by Dharma LLP on total income of ₹1,01,00,000 for P.Y. 2023-24 is:

(a) ₹35,29,340
(b) ₹32,24,000
(c) ₹33,21,500
(d) ₹31,51,200

Solution

(b)

Computation of tax liability of Dharma LLP for A.Y. 2024-25

Particulars	₹
Tax Liability: 30% on ₹1,01,00,000	30,30,000
Add: Surcharge @ 12%	3,63,600
	33,93,600
Restricted to:	
Tax on ₹1,00,00,000 + (NTI – ₹1,00,00,000)	
₹30,00,000 + (₹1,01,00,000 – ₹1,00,00,0000)	31,00,000
Lower of the above	31,00,000
Add: Health and Education Cess @ 4%	1,24,000
Tax Payable	32,24,000
Therefore, Marginal Relief (₹33,93,600 – ₹31,00,000)	2,93,600

Computation of tax liability of Dharma LLP on ₹1 crore

Particulars	₹
Tax Liability: 30% on ₹1,00,00,000	30,00,000
Add: Surcharge	-

Tax	30,00,000

Question 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

Solution

(c)

As per Section 69, where in the financial year immediately preceding the assessment year, the assessee has made investments which are not recorded in the books of account and the assessee offers no explanation about the nature and the source of investments or the explanation offered is not satisfactory in the opinion of the Assessing Officer, the value of the investments are taxed as deemed income of the assessee of such financial year.

As per Section 115BBE, the unexplained money, investment, expenditure, etc. deemed as income under section 68 or section 69 or section 69A or section 69B or section 69C or section 69D would be taxed at the rate of 60% plus surcharge @25% of tax. Thus, the effective rate of tax (including surcharge @25% of tax and cess @4% of tax and surcharge) is 78%.

Therefore, tax = 78% × ₹7,00,000 = ₹5,46,000.

Question 6

If Anirudh, a citizen of India, has stayed in India in the P.Y. 2023-24 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. 2024-25 would be:

(a) Resident and ordinarily resident
(b) Resident but not ordinarily resident
(c) Non-resident
(d) Deemed resident but not ordinarily resident

Solution

(b)

The residential status in India is determined based on physical presence (number of days stayed in India) and certain additional conditions.

For A.Y. 2024-25 (relevant to P.Y. 2023-24), the conditions are as follows:

1. Basic Conditions for Being Considered a Resident:

    a. He stayed in India for at least 182 days in the P.Y. 2023-24, or
    b. He stayed in India for at least 60 days during P.Y. 2023-24 and 365 days in the 4 years preceding the P.Y. 2023-24.
2. Additional Conditions for Being Considered 'Ordinarily Resident':
    a. He has been a resident in India in at least 2 out of 10 previous years immediately before the relevant P.Y., and
    b. He has been in India for at least 730 days in the 7 years preceding the P.Y.

Analyzing Anirudh's case:

- He stayed in India for 181 days in P.Y. 2023-24, which does not meet the first basic condition (182 days).
- He is non-resident in 9 out of the 10 years immediately preceding P.Y. 2023-24, which means he does not meet the first part of the 'ordinarily resident' condition.
- He stayed in India for 365 days in the 4 years immediately preceding P.Y. 2023-24, which meets the second part of the first basic condition.
- However, for the second part of the first basic condition to apply, Anirudh should have stayed in India for 60 days in P.Y. 2023-24, which he did (181 days).

Given these points, Anirudh's residential status for A.Y. 2024-25 is as follows:

- He meets the second part of the first basic condition (60 days in P.Y. and 365 days in the 4 years preceding the P.Y.), so he is considered a resident.
- Since he does not meet the conditions to be considered 'ordinarily resident' (not a resident in at least 2 out of the last 10 years), he is a 'Resident but Not Ordinarily Resident'.

Therefore, the correct option is:

(b) Resident but not ordinarily resident.

Question 7

Mr. Mahesh is found to be the owner of two gold chains of 50 gms each (value of which is ₹1,45,000 each) during the financial year ending 31.3.2024 which are not recorded in his books of account and he could not offer satisfactory explanation for the amount spent on acquiring these gold chains. As per section 115BBE, Mr. Mahesh would be liable to pay tax of:

(a) ₹1,80,960
(b) ₹2,26,200
(c) ₹90,480
(d) ₹1,23,958

Solution

(b)

As per Section 115BBE of the Income Tax Act, if any income is referred to in sections 68, 69, 69A, 69B, 69C, or 69D and is included in the total income of an individual, such income shall be taxed at a higher rate. This section applies to income that is deemed as unexplained credit, investments, money, etc., which in the case of Mr. Mahesh would be the unexplained acquisition of gold chains.

For the financial year ending 31.3.2024 (relevant to the Assessment Year 2024-25), incomes covered under Section 115BBE are taxed at the rate of 60% plus surcharge @ 25% of tax. Thus, the effective rate of tax (including surcharge @ 25% of tax and cess @ 4% of tax and surcharge) is 78%.

- Value of the two gold chains = 2 × ₹1,45,000 = ₹2,90,000.
- Tax at 78% = 78% of ₹2,90,000 = ₹2,26,200

So, the correct option is:

(b) ₹2,26,200.

Question 8

Mr. Ajay is a recently qualified doctor. He joined a reputed hospital in Delhi on 01.01.2024. He earned total income of ₹3,40,000 till 31.03.2024. His employer advised him to claim rebate u/s 87A while filing return of income for A.Y. 2024-25. 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? Assume Mr. Ajay has opted to shift out of the default tax regime u/s 115BAC(1A).

1. 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.
2. 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.
3. Maximum rebate allowable under section 87A is ₹5,000.
4. Rebate under section 87A is available in the form of exemption from total income.
5. Maximum rebate allowable under section 87A is ₹12,500.
6. Rebate under section 87A is available in the form of deduction from basic tax liability.

Choose the correct option from the following:

(a) (2), (3), (6)
(b) (1), (5), (6)
(c) (2), (3), (4)
(d) (1), (4), (5)

Solution

(b)

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. Maximum rebate allowable under section 87A is ₹12,500. Rebate under section 87A is available in the form of deduction from basic tax liability.

Question 9

Raman, a citizen of India, was employed in Hindustan Lever Ltd. He resigned on 27.09.2023. He received a salary of ₹40,000 p.m. from 1.4.2023 to 27.9.2023 from Hindustan Lever Ltd. Thereafter he left for Dubai for the first time on 1.10.2023 and got salary of rupee equivalent of ₹80,000 p.m. from 1.10.2023 to 31.3.2024 in Dubai. His salary for October to December 2023 was credited in his Dubai bank account and the salary for January to March 2024 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.

Solution

(b)

1. **Determination of Residential Status of Raman**
    a. Any person who leaves India during the Previous Year for the purpose of employment is considered as Resident only if he has stayed for 182 days or more during the Previous Year.
    b. Raman left for Dubai on 01-10-2023, therefore, he stayed in India for 184 days during the P.Y. 2023-24 (30 Days of April + 31 Days of May + 30 Days of June + 31 Days of July + 31 Days of August + 30 Days of September + 1 Day of October).
    c. Therefore, he is a Resident.
    d. Since the question doesn't mention anything about his stay in India in the preceding Previous Years, it is safe to assume that he has been in India only in the preceding previous years. Therefore, he is a Resident and Ordinarily Resident for the P.Y. 2023-24.
2. **Scope of Total Income**
    a. If a person is a Resident and Ordinarily Resident in India for a Previous Year, his global income is taxable.
    b. Since Raman is a Resident and Ordinarily Resident in India for the P.Y. 2023-24, his global income would be taxable, and hence option (b) is the answer.

Question 10

Mr. Suhaan (aged 35 years), a non-resident, earned dividend income of ₹12,50,000 from an Indian company which was declared on 30.09.2023 and credited directly to his bank account on 05.10.2023 in France and ₹15,000 as interest in saving A/c from State Bank of India for the previous year 2023-24. Assuming that he has no other income, what will be amount of income chargeable to tax in his hands in India for A.Y. 2024-25? Assume he has decided to shift out of the default tax regime u/s 115BAC(1A).

(a) ₹2,55,000
(b) ₹12,65,000
(c) ₹12,50,000
(d) ₹12,55,000

Solution

(d)

For a Non-Resident, only those incomes are chargeable to tax in India which are received/deemed to be received in India or have accrued or arisen or deemed to have accrued or deemed to arise in India. In the present case, dividend is received from Indian Company, so it has accrued in India, and hence will be taxable. Also, the interest is received from an Indian Bank, and hence it has been accrued in India, and therefore, will be taxable in India. Therefore,

Computation of Total Income of Mr. Suhaan

Particulars	**₹**

Dividend Income	12,50,000
Interest on Savings Bank Account	15,000
Gross Total Income	12,65,000
Less: Deduction u/s 80TTA	10,000
Total Income	12,55,000

Question 11

Aashish earns the following income during the P.Y. 2023-24:

- 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. 2024-25?

a. ₹7,00,000
b. ₹10,00,000
c. ₹6,00,000
d. ₹1,00,000

Solution

(a)

Under section 5(1), total income of resident but not ordinarily resident would consist of:

1. income received or deemed to be received in India during the previous year;
2. income which accrues or arises or is deemed to accrue or arise in India during the previous year; and
3. income derived from a business controlled in or profession set up in India, even though it accrues or arises outside India.

Note – All other income accruing or arising outside India which is not received or deemed to be received or deemed to accrue or arise in India would not be included in his total income.

In the given scenario, Aashish's income chargeable to tax in India would be:

Interest on U.K. Development Bonds (1/4th being received in India): ₹1,00,000 (since only the portion received in India is taxable)

Capital gain on sale of a building located in India but received in Holland: ₹6,00,000. Since the land is situated in India, the income is deemed to accrue or arise in India.

Therefore, the total income chargeable to tax in India for Aashish for A.Y. 2023-24 would be ₹7,00,000 (option a).

Question 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 25th April, 2023. From the following details for the P.Y. 2023-24, what would be the residential status of Mr. Sumit for A.Y. 2024-25, assuming

that his stay in India in the last 4 previous years preceding P.Y. 2023-24 is 365 days and last seven previous years preceding P.Y. 2023-24 is 730 days?

- Date entered in the Continuous Discharge Certificate in respect of joining the ship by Mr. Sumit: 25th April, 2023
- Date entered in the Continuous Discharge Certificate in respect of signing off the ship by Mr. Sumit: 24th October, 2023

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

Solution

(a)

An Indian Citizen leaving India as a member of the crew of an Indian bound ship in the previous year is considered to be a Resident only if he stays in India for 182 days or more during the relevant previous year. While calculating the number of days in India, the days starting from the date of commencement as entered in the continuous discharge certificate, and ending on the date of signing off as entered in the continuous discharge certificate are to be excluded from the total number of days in the year.

In the present case, 183 days (6 Days of April + 31 Days of May + 30 Days of June + 31 Days of July + 31 Days of August + 30 Days of September + 24 Days of October) are to be excluded from the total 366 days. Therefore, no. of days in India in P.Y. 2023-24 = 366 – 183 = 183, which is greater than 182. Therefore, Mr. Sumit is a resident in India in the P.Y. 2023-24.

To be an ordinarily resident, both the following conditions must be met:

1. The individual should have been a resident in India in at least 2 out of 10 previous years immediately before the relevant P.Y., and
2. He should have been in India for at least 730 days in the 7 years preceding the P.Y.

From the information given in the question, we can see that both these conditions are met. Therefore, Mr. Sumit is a Resident and Ordinarily Resident.

Question 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. 2023-24 was 135 days. He is not liable to pay any tax in Dubai. Following are his details of stay in India in the preceding previous years:

Financial Year	Days of Stay in India
2022-23	100
2021-22	125
2020-21	106
2019-20	83
2018-19	78
2017-18	37

What shall be his residential status for the P.Y. 2023-24 if his total income (other than income from foreign sources) is ₹10 lakhs?

a. Resident but not ordinary resident
b. Resident and ordinary resident
c. Non-resident
d. Deemed resident but not ordinarily resident

Solution

(c)

An Indian citizen or a person, of Indian origin who being outside India, comes to visit India during the relevant previous year and his total income other than the income from foreign source does not exceed ₹15 lakhs is considered to be a resident in the relevant previous year, if he stays in India for at least 182 days in the relevant previous year. In the present case, since Mr. Square stayed in India for only 135 days, i.e., for less than 182 days, he will be treated as a non-resident for the P.Y. 2022-23.

Question 14

Dividend income from Australian company received in Australia in the year 2022, brought to India during the P.Y. 2023-24 is taxable in the A.Y. 2024-25 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

Solution

(d)

The taxability will be determined based on the residential status in the year of earning/receiving this income, i.e., in the P.Y. 2021-22, or P.Y. 2022-23, depending on when the dividend was received. In the P.Y. 2023-24, this income has been merely brought into India. It won't be taxed again.

Question 15

Mr. Ramesh, a citizen of India, is employed in the Indian embassy in Australia. He is a non-resident for A.Y. 2024-25. He received salary and allowances in Australia from the Government of India for the year ended 31.03.2024 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.

Solution

(c)

- As per Section 9(1), which lays down cases for incomes deemed to accrue or arise in India, it is specifically mentioned that salary payable by the Government to Indian Citizen for services rendered outside India is deemed to accrue or arise in India.
- Also, for non-residents, income which is deemed to accrue or arise in India is taxable in India.
- Therefore, salary shall be taxable in India.
- As per Section 10(7), allowances or perquisites paid or allowed as such outside India by the Government to a citizen of India for services rendered outside India are exempt from tax.
- Therefore, salary received by Mr. Ramesh is taxable in India, but allowances and perquisites are exempt.

Therefore, option (c) is the answer.

Question 16

Mr. Nishant, a resident but not ordinarily resident for the previous year 2022-23 and resident and ordinarily resident for the previous year 2023-24, has received rent from property in Canada amounting to ₹1,00,000 during the P.Y. 2022-23 in a bank in Canada. During the financial year 2023-24, 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 2022-23.
(b) Yes; ₹1,00,000 was taxable in India during the previous year 2022-23.
(c) Yes; ₹70,000 was taxable in India during the previous year 2023-24.
(d) No; such rent is not taxable in India either during the previous year 2022-23 or during the previous year 2023-24.

Solution

(d)

As per Section 5 of the Income Tax Act, 1961, only the following incomes are taxed in India in case of a Resident but not ordinarily resident:

1. Income which is received/ deemed to be received/accrued or arisen/deemed to accrue or arise in India; AND
2. Income which accrues or arises outside India being derived from a business controlled in or profession set up in India.

In the present case, rent has been received from a property in Canada in the P.Y. 2022-23. Therefore, it won't be taxable in India in the P.Y. 2022-23.

In the P.Y. 2023-24, this income has merely been remitted to India, and not earned in India. Therefore, it won't be taxable in the P.Y. 2023-24 as well.

Question 17

Who among the following will qualify as non-resident for the P.Y. 2023-24?

- Mr. Bob, an Italian dancer, came on visit to India to explore Indian dance on 15.09.2023 and left on 25.12.2023. For past four years, he visited India for dance competition and stayed in India for 120 days each year.
- Mr. Samrat born and settled in USA, visits India each year for 100 days to meet his parents and grandparents, born in India in 1946, living in Delhi. His Indian income is ₹15,20,000.
- Mr. Joseph, an American scientist, left India to his home country for fixed employment there. He stayed in India for study and research in medicines from 01.01.2018 till 01.07.2023.

Choose the correct answer:

a. Mr. Bob and Mr. Joseph
b. Mr. Samrat
c. Mr. Bob, Mr. Samrat and Mr. Joseph
d. None of the three

Solution

(b)

Mr. Bob:

- He is an Italian dancer, and so, neither an Indian Citizen, nor a person of Indian origin.
- For him to be a resident, he:
    - Must be in India for at least 182 days during the relevant previous year
      OR
        - Must be in India for at least 60 days during the relevant previous year
          AND
        - 365 days during 4 previous years immediately preceding the relevant previous year
- In the P.Y. 2023-24, he came to India for 101 days (15 days in September + 31 days in October + 30 days in November + 25 days in December).
- Therefore, he did not stay for 182 days or more.
- However, he stayed in India for 60 days or more in the P.Y. 2023-24, and also, he has stayed in India for 120 × 4 = 480 days (i.e., more than 365 days) in the preceding 4 previous years.
- Therefore, he is a resident for the P.Y. 2023-24.

Mr. Samrat:

- He is person of Indian origin as his grandparents were born in undivided India.
- His Indian Income is ₹15,20,000, i.e., his total income (other than income from foreign sources) exceeds ₹15,00,000.
- For him to be a resident, he:
    - Must be in India for at least 182 days during the relevant previous year
      OR
    -
        - Must be in India for 120 days or more and less than 182 days during the relevant previous year
          AND
        - 365 days during 4 previous years immediately preceding the relevant previous year.
- He didn't stay in India for 182 days or more in the P.Y. 2023-24.

- Also, he didn't stay in India for 120 days or more in the P.Y. 2023-24.
- Therefore, he is a non-resident for the P.Y. 2023-24.

Mr. Joseph:

- He is an American scientist, and so, neither an Indian Citizen, nor a person of Indian origin.
- For him to be a resident, he:
    - Must be in India for at least 182 days during the relevant previous year
      OR
        - Must be in India for at least 60 days during the relevant previous year
          AND
        - 365 days during 4 previous years immediately preceding the relevant previous year
- He stayed in India for 92 days (30 days of April + 31 days of May + 30 days of June + 1 day of July) in the P.Y. 2023-24.
- He stayed in India for 60 days or more in the P.Y. 2023-24, and also, he stayed in India for more than 365 days during 4 previous years immediately preceding the P.Y. 2023-24.
- Therefore, he is a resident for the P.Y. 2023-24.

Therefore, the only non-resident is Mr. Samrat, and hence, option (b) is the answer.

Question 18

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

1. Any income derived from saplings or seedlings grown in a nursery is agricultural income exempt from tax u/s 10(1).
2. 60% of dividend received from shares held in a tea company is agricultural income exempt from tax u/s 10(1).
3. 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.
4. 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) (1) and (3)
(b) (2) and (3)
(c) (1) and (4)
(d) (1), (2) and (4)

Solution

(c)

Question 19

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 12.3.2015 and unit in DTA from 15.6.2018. 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. 2023-24 for:

a. ₹38,09,524
b. ₹19,04,762
c. ₹23,52,941
d. ₹11,76,471

Solution

(b)

All the assessees who satisfy the conditions mentioned in section 10AA are allowed the following deductions:

1. For Years 1 to 5 – 100% of Export Profits
2. For Years 6 to 10 – 50% of Export Profits
3. For Years 11 to 15 – 50% of Export Profits, or Amount deposited in Special Economic Zone Re-investment Allowance Reserve, whichever is lower.

In the present case, the unit in SEZ was set up and started manufacturing from 12.3.2015. Therefore, F.Y. 2014-15 was the first year of operation. Hence, F.Y. 2023-24 is the 10^{th} year of operation, and therefore, 50% of Export Profits would be exempted from tax.

Amount of Exemption u/s 10AA = 50% × (Profit of SEZ Unit × Export Turnover of SEZ Unit ÷ Total Turnover of SEZ Unit)

Therefore, amount of exemption =

$$50\% \times ₹80,00,000 \times \frac{₹2,50,00,000}{₹8,50,00,000 - ₹3,25,00,000} = ₹19,04,762$$

Note: Since the total turnover of XYZ Ltd. is ₹8,50,00,000, and the turnover of DTA unit is ₹3,25,00,000, the turnover of SEZ unit would be ₹8,50,00,000 – ₹3,25,00,000.

Question 20

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

Solution

(a)

To determine if the land is considered a capital asset, we need to check if it falls into two categories:

1. Agricultural land within municipality or cantonment board: If the agricultural land is situated within the jurisdiction of a municipality or cantonment board with a population of at least ten thousand, it will be considered a capital asset and may attract capital gains tax upon transfer. This means that if the population is upto 10,000, the land situated is a rural agricultural land.
2. Agricultural land within certain distance from urban limits: If the agricultural land is located at a specific distance from the local limits of a municipality or cantonment board, its capital asset status depends on the population in the surrounding area. The distance and corresponding population figures are given below:
    a. If the distance is less than or equal to 2 kilometers and the population is greater than 10,000, the land is considered a capital asset.
    b. If the distance is greater than 2 kilometers but less than or equal to 6 kilometers, and the population is greater than 1,00,000, the land is considered a capital asset.
    c. If the distance is greater than 6 kilometers but less than or equal to 8 kilometers, and the population is greater than 10,00,000, the land is considered a capital asset.

If the population of a municipality is more than 10,000 upto 1,00,000, the area of 2 kms around the municipality is also considered as an urban area. In option (a), the population is more than 10,000 upto 1,00,000. However, since the land is situated at a distance of 3 kms from the local limits of municipality, the land is not situated at an urban area. Therefore, this is a rural agricultural land, and hence income derived from farm building situated in the immediate vicinity of this land will also be treated as an agricultural income.

Question 21

Anirudh stays in New Delhi. His basic salary is ₹10,000 p.m., D.A. (60% of which forms part of pay) is ₹6,000 p.m., HRA is ₹5,000 p.m. and he is entitled to a commission of 1% on the turnover achieved by him. Anirudh pays a rent of ₹5,500 p.m. The turnover achieved by him during the current year is ₹12 lakhs. The amount of HRA exempt under section 10(13A) is:

a. ₹48,480
b. ₹45,600
c. ₹49,680
d. ₹46,800

Solution

(a)

Computation of Amount of Exempt HRA

Particulars	**₹**
HRA actually received (₹5,000 × 12)	60,000
Rent Paid – 10% of Salary {(₹5,500 × 12) – (10% × ₹1,75,200)} (Note 1)	48,480
50% of Salary (50% × ₹1,75,200) (Since he stays in Delhi)	87,600
Lower of the above is exempt	48,480

Note 1 - Calculation of Salary

Particulars	₹
Basic Salary (₹10,000 × 12)	1,20,000
DA forming part of basic pay (60% × ₹6,000 × 12)	43,200
Commission on Turnover (1% × ₹12,00,000)	12,000
Salary	1,75,200

Question 22

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

(a) ₹7,00,000
(b) ₹5,00,000
(c) ₹2,00,000
(d) Nil

Solution

(c)

Calculation of Taxable VRS Compensation of Mr. Dutta for A.Y. 2024-25

Particulars		₹
Voluntary Retirement Compensation Received		7,00,000
Less: Exemption u/s 10(10C)		
Least of the Following:		
Compensation Actually Received	7,00,000	
Statutory Limit	5,00,000	
3 months' salary × Completed Years of Service {(₹ 20,000 + ₹ 5,000) × 3 × 30}	22,50,000	
Last Drawn Salary × Remaining Months left of service {(₹ 20,000 + ₹ 5,000) × 12 months × 6 years}	18,00,000	5,00,000
Taxable Voluntary Retirement Compensation		2,00,000

Question 23

Anand is provided with furniture to the value of ₹70,000 along with house from February, 2023. 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. 2024-25 is:

a. ₹5,000
b. ₹7,000
c. ₹10,500
d. ₹14,000

Solution

(a)

When any asset is provided to the employee for use, it is taxable as a perquisite. The value of this perquisite depends on whether the asset provided to the employee is owned by the employer or hired by the employer. If the asset provided to the employee is hired by the employer, the value of perquisite is the hire charges paid by the employer. In the present case, hire charges paid by the employer are ₹5,000 p.a., therefore, this will be the value of perquisite in the hands of Anand.

Question 24

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 opting to shift out of default scheme u/s 115BAC(1A). The amount of salary chargeable to tax for P.Y. 2023-24 is:

a. ₹2,62,600
b. ₹2,12,600
c. ₹2,11,600
d. ₹2,12,200

Solution

(b)

Calculation of Taxable Salary of Mr. Kashyap for A.Y. 2024-25

Particulars		**₹**
Basic Salary (₹20,000 × 12)		2,40,000
Children Education Allowance (Assuming ₹1,000 per child)		
Child 1	1,000	
Less: Exempt (₹100 × 12 = ₹1,200, restricted to ₹1,000)	1,000	-
Child 2	1,000	
Less: Exempt (₹100 × 12 = ₹1,200, restricted to ₹1,000)	1,000	-
Child 3	1,000	
Less: Exempt (Note)	-	1,000
Transport Allowance (₹1,800 × 12)		21,600
Gross Salary		2,62,600
Less: Standard Deduction u/s 16(ia)		50,000
Taxable Salary		2,12,600

Note: Exemption for Children Education Allowance is allowed for only two children.

Question 25

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. 2023-24, following transactions were undertaken by Mr. Jagat:

1. He attended a seminar on "Perquisite Valuation". Seminar fees of ₹12,500 was paid by Bharat Ltd.
2. 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.

3. 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. 2024-25?

a. ₹25,000
b. ₹37,500
c. ₹66,500
d. ₹79,000

Solution

(d)

Computation of Amount to be Chargeable Under the Head Salaries

Particulars	**₹**
Seminar fees paid by Bharat Ltd. (Note 1)	-
Tuition fee of son of Mr. Jagat (Note 2)	25,000
Tuition fee of daughter of Mr. Jagat (Note 3)	54,000
Amount chargeable as Salaries	79,000

Notes:

1. In the absence of any information, it is assumed that the seminar was attended for official purposes, and its fees was paid by the employer. Since it was for official purposes, it won't be taxable.
2. Since the employer doesn't have any tie-up with the private coaching, the entire fees paid by the employer shall be chargeable as Salaries.
3. **Calculation of Taxable Perquisite**

Particulars	**₹**
Cost of Education in similar institution per month	5,250
Less: Amount paid by Mr. Jagat per month	750
Value of benefit per month	4,500
Since the value of benefit per month exceeds ₹1,000, the entire benefit shall be chargeable as perquisite.	
Therefore, taxable amount (₹4,500 × 12)	54,000

Question 26

Vidya received ₹90,000 in May, 2023 towards recovery of unrealised rent, which was deducted from actual rent during the P.Y. 2021-22 for determining annual value. Legal expense incurred in relation to unrealized rent is ₹20,000. The amount taxable under section 25A for A.Y. 2024-25 would be:

a. ₹70,000
b. ₹63,000
c. ₹90,000
d. ₹49,000

Solution

(b)

Arrears of Rent are taxed in the year of recovery if they were reduced from the actual rent while calculating the income of the year for which they relate. Legal expense incurred in relation to these arrears are not deducted from the amount recovered. However, standard deduction of 30% is allowed.

Therefore, the amount taxable u/s 25A for the A.Y. 2024-25 is calculated as under:

Particulars	**₹**
Amount Recovered	90,000
Less: Standard Deduction (30% × ₹90,000)	27,000
Amount Taxable	63,000

Question 27

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 2023-24 on loan (taken for acquisition of property during the year 2006) is ₹2,05,000. Both Ganesh and Rajesh have opted to shift out of the default tax regime u/s 115BAC(1A). 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

Solution

(c)

In case of self-occupied property, the maximum deduction allowed for interest on loan is ₹2,00,000. However, when the property is co-owned by one or more individuals, this limit is applicable to each co-owner, i.e., each co-owner can claim a deduction of upto ₹2,00,000.

In this question, we are asked the amount of 'allowable' deduction in respect of each co-owner. Therefore, the answer would be option (c), i.e., ₹2,00,000.

Note: If the question had asked the amount of deduction 'allowed' in respect of each co-owner, then the answer would have been option (b), i.e., ₹1,02,000 (₹2,05,000 ÷ 2).

Question 28

Mr. Raghav has three houses for self-occupation. What would be the tax treatment for A.Y. 2024-25 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.

Solution

(b)

When the assessee owns more than two self-occupied properties, any two of such properties (at the option of the assessee) are treated as self-occupied, and the remaining are treated as deemed to be let out.

Question 29

An electricity company charging depreciation on straight line method on each asset separately, sells one of its machinery in April, 2023 at ₹1,20,000. The WDV of the machinery at the beginning of the year i.e., on 1st April, 2023 is ₹1,35,000. No new machinery was purchased during the year. The shortfall of ₹15,000 is treated as:

a. Terminal depreciation
b. Short-term capital loss
c. Normal depreciation
d. Any of the above, at the option of the assessee

Solution

(a)

In the given scenario, an electricity company sells machinery for ₹1,20,000, while its Written Down Value (WDV) at the beginning of the year is ₹1,35,000. The shortfall of ₹15,000 in this case is referred to as "Terminal Depreciation".

Terminal Depreciation is a concept in accounting and taxation where the sale proceeds of an asset are less than its WDV. It represents the additional depreciation that is claimed when an asset is sold, discarded, demolished, or destroyed and its book value (WDV) is higher than the amount realized from its sale or disposal.

Here are the specifics for this case:

- Sale Price of Machinery: ₹1,20,000.
- WDV of Machinery on 1st April, 2023: ₹1,35,000.
- Shortfall (WDV – Sale Price): ₹1,35,000 – ₹1,20,000 = ₹15,000.

This shortfall of ₹15,000 is not a capital loss, as it is related to the recovery of the cost of a depreciable asset. It is also not normal depreciation, which is calculated annually based on the original cost and the useful life of the asset. Instead, it is terminal depreciation, which is claimed in the year the asset is sold or discarded.

Question 30

Mr. X acquires an asset in the year 2017-18 for the use for scientific research for ₹2,75,000. He claimed deduction under section 35(1)(iv) in the previous year 2017-18. The asset was brought into use for the business of Mr. X in the P.Y. 2023-24, after the research was completed. The actual cost of the asset to be included in the block of assets is:

a. Nil
b. Market value of the asset on the date of transfer to business

c. ₹2,75,000 less notional depreciation under section 32 upto the date of transfer.
d. Actual cost of the asset i.e., ₹2,75,000

Solution

(a)

When an asset which was purchased for scientific research is brought into use for the business, the actual cost to be added in the block of assets is NIL.

Question 31

Mr. X, a retailer, acquired furniture on 10th May 2023 for ₹10,000 in cash and on 15th May 2023, for ₹15,000 and ₹20,000 by a bearer cheque and account payee cheque, respectively. Depreciation allowable for A.Y. 2024-25 would be:

a. ₹2,000
b. ₹3,000
c. ₹3,500
d. ₹4,500

Solution

(b)

To calculate the allowable depreciation for A.Y. 2024-25 on the furniture acquired by Mr. X, we need to consider the Income-tax Act, 1961's rules regarding asset acquisition and modes of payment. The Act disallows certain expenses incurred for assets purchased in cash or bearer cheques above ₹10,000 for the purpose of claiming depreciation.

Let's analyze the acquisitions:

- Furniture acquired on 10th May 2023 for ₹10,000 in cash: This is within the permissible limit for cash payment; hence, it is eligible for depreciation.
- Furniture acquired on 15th May 2023 for ₹15,000 by bearer cheque: As this exceeds the ₹10,000 limit, this amount is not eligible for depreciation.
- Furniture acquired on 15th May 2023 for ₹20,000 by account payee cheque: This is an acceptable mode of payment and is eligible for depreciation.

Thus, the total cost eligible for depreciation is:

₹10,000 (cash purchase) + ₹20,000 (account payee cheque purchase) = ₹30,000.

The rate of depreciation on furniture is 10%. Therefore, the depreciation for A.Y. 2024-25 would be: 10% of ₹30,000 = ₹3,000.

Question 32

The W.D.V. of a block (Plant and Machinery, rate of depreciation 15%) as on 1.4.2023 is ₹3,20,000. A second hand machinery costing ₹50,000 was acquired on 1.9.2023 through account payee cheque but put to use on 1.11.2023. During January 2024, part of this block was sold for ₹2,00,000. The depreciation for A.Y. 2024-25 would be:

a. ₹21,750
b. ₹25,500
c. ₹21,125
d. ₹12,750

Solution

(a)

Calculation of Depreciation

Particulars	**₹**
WDV as on 01-04-2023	3,20,000
Add: Purchases during the year	50,000
	3,70,000
Less: Sales during the year	2,00,000
WDV for Depreciation	1,70,000
Depreciation on New Machine (Put to use for less than 180 days) (50% × 15% × ₹50,000)	3,750
Depreciation on Balance Block {15% × (₹1,70,000 – ₹50,000)}	18,000
Total Depreciation	21,750

Question 33

Mr. A, an eligible assessee, following mercantile system of accounting, carrying on eligible business u/s 44AD provides the following details:

- Total turnover for the F.Y. 2023-24 is ₹130 lakh
- Out of the above:
  ₹25 lakh received by A/c payee cheque during the F.Y. 2023-24;
  ₹50 lakh received by cash during the F.Y. 2023-24;
  ₹25 lakh received by A/c payee bank draft before the due date of filing of return;
  ₹30 lakh not received till due date of filing of return.

What shall be the amount of deemed profits of Mr. A under section 44AD(1) for A.Y. 2024-25?

a. ₹10.4 lakh
b. ₹7.0 lakh
c. ₹5.5 lakh
d. ₹9.4 lakh

Solution

(d)

If a person opts for Section 44AD, 8% of his gross receipts are deemed to be his profits. If the receipts are by way of A/c Payee Cheque, or A/c Payee Bank Draft, or any mode of electronic clearance system, only 6% of those receipts are deemed to be his profits. However, these lesser profits can be claimed only if receipts have been received by the assessee during the relevant previous year, or before the due date of filing the return of income u/s 139(1).

Based on above, deemed profits of Mr. A are computed as below:

Computation of Deemed Profits of Mr. A

Particulars	₹
6% of ₹25 lakh received by A/c Payee Cheque	1,50,000
8% of ₹50 lakh received in cash	4,00,000
6% of ₹25 lakh received by A/c Payee Bank Draft	1,50,000
8% of ₹30 lakh not received yet	2,40,000
Deemed Profits	9,40,000

Question 34

Mr. Shahid, a wholesale supplier of dyes, provides you with the details of the following cash payments made throughout the year:

- 12.06.2023: loan repayment of ₹27,000 taken for business purpose from his friend Kunal. The repayment also includes interest of ₹5,000.
- 19.08.2023: Portable dye machinery purchased for ₹15,000. The payment was made in cash in three weekly instalments.
- 26.01.2024: Payment of ₹10,000 made to electrician due to unforeseen electric circuit at shop.
- 28.02.2024: Purchases made from unregistered dealer for ₹13,500.

What will be disallowance under 40A(3), if any, if Mr. Shahid opts to declare his income as per the provisions of section 44AD?

a. ₹18,500
b. ₹28,500
c. ₹13,500
d. Nil

Solution

(d)

No expenses are allowed as deduction when the assessee opts for Section 44AD. Since, nothing is allowed, the question of disallowance doesn't arise. Hence, the answer is option (d).

Question 35

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%.

Solution

(c)

Securities Transaction Tax paid at the time of purchasing the shares is not considered as a part of cost for the purpose of calculation of Capital Gains. Also, Securities Transaction Tax paid at the time of sale of shares is not allowed as a deduction from the Selling Price for the purpose of calculation of Capital Gains. Therefore, no benefit of Securities Transaction Tax is available to the assessee. Further, since the period of holding exceeds 12 months, it is a long term capital gain. Long Term Capital Gains on sale of listed equity shares on which STT is paid are taxable at a concessional rate of 10% on the gain exceeding ₹1 lakh.

Question 36

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.

Solution

(a)

Deduction u/s 54EC is available only if the investment is bonds of NHAI, RECL, IRFCL, or PFCL is made within 6 months from the date of the transfer of the capital asset.

Question 37

Mr. A (aged 45 years) sold an agricultural land for ₹52 lakhs on 04.10.2023 acquired at a cost of ₹49.25 lakhs on 13.09.2022 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 12.12.2023 acquired at a cost of ₹46 lakhs on 15.02.2022 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 2024-25? Cost inflation index for F.Y. 2021-22: 317; 2022-23: 331; 2023-24: 348.

a. Short-term capital gain of ₹9.75 lakhs
b. Short-term capital gain of ₹7 lakhs
c. Long-term capital gain of ₹2,54,325
d. Long-term capital gain of ₹2,67,531

Solution

(b)

Agricultural land located within 6 kilometers of a municipality with a population greater than 1,00,000 but less than or equal to 10,00,000 is classified as an Urban Agricultural Land and, therefore, is considered a capital asset for tax purposes. In this scenario, the first agricultural land, being 7 kilometers away from a municipality with a population of 4,00,000, falls outside this range. Consequently, it does not qualify as Urban Agricultural Land. It is treated as a Rural Agricultural Land,

which is not regarded as a capital asset. Therefore, the transfer of this land would not result in capital gains.

On the other hand, if agricultural land is situated within 2 kilometers of a municipality with a population greater than 10,000 but less than or equal to 1,00,000, it is categorized as Urban Agricultural Land and is recognized as a capital asset. In this instance, the second agricultural land is located 1.5 kilometers away from a municipality with a population of 12,000. Being within the 2-kilometer limit, it qualifies as Urban Agricultural Land. As a result, it is a capital asset, and the transfer of this land would give rise to capital gains. Further, since the land is sold within 24 months of the date of acquisition, it would be treated as a short-term capital asset.

Therefore, Capital Gains = Full Value of Consideration – Cost of Acquisition

Capital Gains = ₹53,00,000 – ₹46,00,000 = ₹7,00,000.

Question 38

Mr. Kashyap has acquired a building from his friend on 10.10.2023 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

Solution

(c)

As per Section 56(2)(x), when a person acquires an immovable property for a consideration less than the SDV, the difference between the SDV and consideration is taxable if both the following conditions are satisfied:

1. The difference is greater than ₹50,000; AND
2. SDV > 110% of the Consideration.

In the present case, consideration is ₹15,00,000, and SDV is ₹16,20,000.

1. Difference between SDV and Consideration = ₹16,20,000 – ₹15,00,000 = ₹1,20,000
2. 110% of Consideration = 110% × ₹15,00,000 = ₹16,50,000.

Even though the difference between SDV and consideration exceeds ₹50,000; however, the difference of ₹1,20,000 won't be taxed u/s 56(2)(x) in the hands of Mr. Kashyap since the SDV is not greater than 110% of the consideration.

Question 39

Mr. X, aged 61 years, earned dividend of ₹12,00,000 from ABC Ltd. in P.Y. 2023-24. Interest on loan taken for the purpose of investment in ABC Ltd., is ₹3,00,000. Income includible in the hands of Mr. X for P.Y. 2023-24 would be:

a. ₹12,00,000
b. ₹9,60,000
c. ₹9,00,000
d. ₹2,00,000

Solution

(b)

When a shareholder earns dividend, it is taxable as per the normal slab rates under the head Income from Other Sources. Interest expense incurred in earning the income by way of dividend is allowed as deduction. Amount of deduction is allowed is the actual expenditure incurred, or 20% of grossed-up value, whichever is lower. In the present case, the dividend earned is ₹12,00,000. 20% × ₹12,00,000 = ₹2,40,000. Therefore, deduction of ₹2,40,000 shall be allowed as it is lower than the actual expenditure incurred. Therefore, taxable dividends = ₹12,00,000 – ₹2,40,000 = ₹9,60,000.

Question 40

Mr. Mayank has received a sum of ₹75,000 on 24.10.2023 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

Solution

(a)

Under Section 56(2)(x) of the Income Tax Act, any sum of money received by an individual exceeding ₹50,000 in a financial year is taxable under the head 'Income from Other Sources.' It's important to note that if the total sum received over the year crosses this threshold, the entire amount becomes taxable, not just the excess over ₹50,000. However, there are exceptions to this rule. Notably, sums received during an individual's marriage are exempt from taxation under this section.

In the present case, the sum of money in question was received on the occasion of a marriage anniversary, not during the marriage itself. This distinction is crucial because sums received for marriage anniversaries do not qualify for the exemption. Consequently, since the received amount is above the ₹50,000 limit, the full sum is subject to taxation under Section 56(2)(x).

Question 41

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

Solution

(d)

As per Section 64(2) of the Income Tax Act, if converted property is subsequently partitioned among family members, the income derived from such converted property, as received by the spouse of the transferor, is deemed to arise from assets indirectly transferred by the individual. Thus, this income is included in the total income of the individual who effected the conversion of the property.

Applying this law to the question, the income derived from the converted property, which is received by the spouse of the transferor after the property's partition, will be taxable as the income of the individual who initially converted the property. Therefore, the correct answer is option (d) as the income of the transferor-member.

Question 42

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. 2023-24. Compute income from house property for A.Y. 2024-25. 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

Solution

(b)

As per the provisions in Section 27(i) and Section 64(1)(vi) of the Income Tax Act, 1961, when Mr. Aarav gifted a house property to his wife Geetha, and she subsequently gifted it to her daughter-in-law Deepa, the income from this house property is still considered to arise to Mr. Aarav. This is because, under Section 27(i), an individual who transfers a house property to his spouse without adequate consideration is deemed to be the owner of the house property so transferred. Additionally, under Section 64(1)(vi), income arising to the son's wife (in this case, Deepa) from assets transferred directly or indirectly to her by her father-in-law (Mr. Aarav) without adequate consideration is included in the total income of the father-in-law.

Therefore, the income from the house property, which is let out at ₹25,000 per month for the entire P.Y. 2023-24, totaling ₹3,00,000 (₹25,000 × 12 months), will be taxable in the hands of Mr. Aarav. However, after considering the standard deduction of 30% under Section 24 of the Income Tax Act, the taxable income from the house property would be ₹2,10,000 (70% of ₹3,00,000).

Question 43

Ram owns 500, 15% debentures of R Industries Ltd. of ₹500 each. Annual interest of ₹37,500 was payable on these debentures for P.Y. 2023-24. He transfers interest income to his friend Shyam, without transferring the ownership of these debentures. While filing return of income for A.Y. 2024-25, 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. It would be included in the hands of Ram.
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.

Solution

(b)

According to Section 60 of the Income Tax Act, 1961, if a person transfers income from an asset without transferring the asset itself, such income must be included in the total income of the transferor. This applies regardless of whether the transfer is revocable or irrevocable. In the case of Ram and Shyam, Ram transferred the interest income from his debentures to Shyam without transferring the ownership of the debentures. This situation is directly covered under Section 60, as the income from the asset (debentures) is being transferred without transferring the asset itself.

Therefore, the correct tax treatment should be that the interest income from the debentures should be included in the total income of Ram, the original owner of the debentures, and not in the income of Shyam. Shyam should not have shown ₹37,500 as his income from the debentures in his tax return.

The correct answer is (b) No, since Ram has not transferred debentures to Shyam, interest income on the debentures is not taxable income of Shyam. It would be included in the hands of Ram.

Question 44

Mrs. Shivani, wife of Mr. Anurag, is a partner in a firm. Her capital contribution is ₹5 lakhs to the firm as on 1.4.2023 which includes ₹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. 2023-24. 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.

Solution

(c)

According to Section 64(1) of the Income Tax Act, 1961, income arising from assets transferred directly or indirectly to a spouse without adequate consideration is included in the total income of the transferor. In the case of Mrs. Shivani, who received a gift of ₹3.5 lakhs from her husband Mr. Anurag

and used it as part of her capital contribution in a firm, the interest income attributable to this gift would be clubbed in the income of Mr. Anurag.

The firm paid interest on capital of ₹50,000 to Mrs. Shivani during the financial year 2023-24. To determine the amount of interest income to be clubbed in Mr. Anurag's income, we need to calculate the proportion of the interest income attributable to the capital contributed by Mrs. Shivani from the gift received from her husband. Mrs. Shivani's total capital contribution in the firm is ₹5 lakhs, of which ₹3.5 lakhs is from the gift. Therefore, the proportion of the interest income to be clubbed in Mr. Anurag's income is (₹3.5 lakhs ÷ ₹5 lakhs) × ₹50,000 = ₹35,000.

As for the share of profit received by Mrs. Shivani (₹60,000), it is exempt from tax under Section 10(2) of the Income Tax Act, as the share of profit from a firm is not taxable in the hands of the partners.

Therefore, the correct statement is:

(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.

Question 45

Mr. Arvind gifted a house property to his wife, Mrs. Meena and a flat to his daughter-in-law, Mrs. 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 Mrs. Meena and Mrs. Seetha.
d. Mr. Arvind is the deemed owner of property gifted to Mrs. Meena. Income from property gifted to Mrs. Seetha would be included in his hands by virtue of section 64.

Solution

(d)

As per Section 27(i), if an individual transfers any house property to their spouse without adequate consideration, the transferor is considered the deemed owner of the property. Therefore, Mr. Arvind is the deemed owner of the property gifted to Mrs. Meena.

Section 64(1)(vi) states that income arising to the son's wife from assets transferred without adequate consideration by the father-in-law or mother-in-law is to be included in the total income of the transferor. Therefore, income from property gifted to Mrs. Seetha would be included in the hands of Mr. Arvind by virtue of Section 64.

Question 46

On 20.10.2023, 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. 2023-24. 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.

Solution

(c)

As per Section 64(1A) of the Income Tax Act, 1961, the income of a minor child is clubbed with the income of the parent whose total income (excluding the minor's income) is higher. This is applicable unless the income is earned by the minor from their own skills, talent, or manual work.

In the case of Pihu, a minor, who received a gift of ₹20,00,000 from her father's friend and earned interest of ₹13,000 on it during the financial year 2023-24, the total income of ₹20,13,000 (₹20,00,000 + ₹13,000) is subject to clubbing. Since the income is not generated from Pihu's skills or manual work, it falls under the provisions of Section 64(1A).

However, Section 10(32) of the Act provides an exemption in respect of such clubbed income. This exemption is limited to ₹1,500 per minor child.

Therefore, income to be clubbed = ₹20,13,000 – ₹1,500 = ₹20,11500.

Question 47

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.

Solution

(b)

Under Section 74(1) of the Income Tax Act, 1961, a short-term capital loss, such as the one incurred by Mr. A on the sale of shares through the National Stock Exchange, can be set off against both short-term and long-term capital gains. This provision allows for the set-off of short-term capital losses against any capital gains, irrespective of whether they are short-term or long-term.

In Mr. A's case, the short-term capital loss of ₹10,000 can be set off against any capital gains he might have, either short-term or long-term, in the same financial year. If the loss cannot be fully set off in the same year, it can be carried forward for up to eight subsequent assessment years to be set off against future capital gains.

Question 48

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

Solution

(c)

As per section 80,

- business loss under section 72(1),
- speculation business loss under section 73(2),
- loss from specified business under section 73A(2),
- loss under the head "Capital Gains" under section 74(1) and
- loss from activity of owning and maintaining race horses under section 74A(3),

which has not been determined in pursuance of a return filed under section 139(3) cannot be carried forward and set-off. Thus, the assessee must have filed a return of loss under section 139(3) in order to carry forward and set off of such losses.

Such a return of loss should be filed within the time allowed under section 139(1). However, this condition does not apply to a loss from house property carried forward under section 71B and unabsorbed depreciation carried forward under section 32(2).

Question 49

Brought forward loss from house property of ₹3,10,000 of A.Y. 2023-24 is allowed to be set-off against income from house property of A.Y. 2024-25 of ₹5,00,000 to the extent of:

a. ₹2,00,000
b. ₹3,10,000
c. ₹2,50,000
d. ₹1,00,000

Solution

(b)

As per Section 71B of the Income Tax Act, 1961, any loss under the head "Income from house property" that is not set off against income from any other head in the same assessment year is allowed to be carried forward to subsequent assessment years. This carried forward loss can then be set off only against income from house property in those years.

In the case of Mr. A, who has a brought forward loss from house property of ₹3,10,000 for the Assessment Year (AY) 2023-24, and an income from house property of ₹5,00,000 for the AY 2024-25, the set-off would work as follows:

- The brought forward loss from house property of ₹3,10,000 can be set off against the income from house property of ₹5,00,000 for the AY 2024-25.
- However, it is important to note that the maximum limit for set-off of loss from house property against income from any other head is ₹2,00,000 in any assessment year. This limit is not applicable when setting off the loss against income from house property itself.

Therefore, in this case, the entire brought forward loss of ₹3,10,000 can be set off against the house property income of ₹5,00,000 for the AY 2024-25.

Question 50

Mr. Rohan incurred loss of ₹3 lakh in the P.Y. 2023-24 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

Solution

(d)

According to the provisions in the Income Tax Act, 1961, a loss incurred from a business can be set off against profits from other business activities. This is outlined in Section 70 of the Act, which allows for the set-off of losses from one source against income from another source under the same head of income. Additionally, Section 71 of the Act allows for the set-off of loss under one head of income against income from another head, with certain exceptions.

For Mr. Rohan, who incurred a loss of ₹3 lakh in retail trade business during the P.Y. 2023-24, the options for set-off are as follows:

1. **Profit of ₹1 lakh from wholesale cloth business:** This falls under the same head of income ('Profits and gains of business or profession'). Thus, the business loss can be set off against this profit.
2. **Long-term capital gains of ₹1.50 lakhs on sale of land:** Business losses can be set off against capital gains. The Act allows for the set-off of non-speculative business losses against any other head of income, except salary income.
3. **Speculative business income of ₹40,000:** A loss from a non-speculative business can be set off against speculative business income. Therefore, Mr. Rohan can set off his non-speculative business loss against this speculative income.

Given these considerations, the correct answer is (d) All of the above.

Question 51

Virat runs a business of manufacturing of shoes since the P.Y. 2021-22. During the P.Y. 2021-22 and P.Y. 2022-23, Virat had incurred business losses. For P.Y. 2023-24, 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. 2021-22, then loss for P.Y. 2022-23 and then unabsorbed depreciation, if any.
b. First adjustment for loss of P.Y. 2022-23, then loss for P.Y. 2021-22 and then unabsorbed depreciation, if any.
c. First adjustment for unabsorbed depreciation, then loss of P.Y. 2022-23 and then loss for P.Y. 2021-22, if any.
d. First adjustment for unabsorbed depreciation, then loss of P.Y. 2021-22 and then loss for P.Y. 2022-23, if any.

Solution

(a)

As per the provisions of section 72(2), brought forward business loss is to be set-off before setting off unabsorbed depreciation. Therefore, the order in which setoff will be effected is as follows:

1. Current year depreciation [Section 32(1)];
2. Current year capital expenditure on scientific research and current year expenditure on family planning, to the extent allowed.
3. Brought forward loss from business/profession [Section 72(1)];
4. Unabsorbed depreciation [Section 32(2)];
5. Unabsorbed capital expenditure on scientific research [Section 35(4)];
6. Unabsorbed expenditure on family planning [Section 36(1)(ix)].

Therefore, the correct answer is option (a) First adjustment for loss of P.Y. 2021-22, then loss for P.Y. 2022-23 and then unabsorbed depreciation, if any.

Question 52

Mr. Ravi incurred loss of ₹4 lakh in the P.Y. 2023-24 in leather business. Against which of the following incomes earned during the same year, can he set-off such loss?

1. Profit of ₹1 lakh from apparel business
2. Long-term capital gains of ₹2 lakhs on sale of jewellery
3. Salary income of ₹1 lakh

Choose the correct answer:

a. First from (2) and thereafter from (1); the remaining loss has to be carried forward.
b. First from (1) and thereafter from (2) and (3)
c. First from (1) and thereafter from (3); the remaining loss has to be carried forward
d. First from (1) and thereafter from (2); the remaining loss has to be carried forward

Solution

(d)

According to the provisions of the Income Tax Act, 1961, Mr. Ravi's business loss can be set off in the following manner:

1. **Profit of ₹1 lakh from apparel business:** This is a profit from another business. According to Section 70, Mr. Ravi can set off his loss from the leather business against profits from the apparel business.
2. **Long-term capital gains of ₹2 lakhs on sale of jewellery:** As per the provisions outlined in Section 70 and 71, a business loss can be set off against income from other heads, including capital gains. Thus, Mr. Ravi can set off his business loss against the long-term capital gains from the sale of jewellery.
3. **Salary income of ₹1 lakh:** However, a business loss cannot be set off against salary income as specified under Section 71.

Given these provisions, the correct set-off sequence for Mr. Ravi's business loss of ₹4 lakh would be:

1. First, set off ₹1 lakh against the profit from the apparel business.
2. Then, set off the remaining loss against the long-term capital gains of ₹2 lakhs from the sale of jewellery.
3. The remaining loss, if any, after these set-offs, must be carried forward.

Therefore, the correct answer is option (d) First from (1) and thereafter from (2); the remaining loss has to be carried forward.

Question 53

During the A.Y. 2023-24, 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. 2023-24. Now, while filing return of income for A.Y. 2024-25, Mr. A wishes to set off the said loss against income from house property for the P.Y. 2023-24. 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. 2024-25 as he failed to file his return of income u/s 139(1) for A.Y. 2023-24.
b. Yes, Mr. A can claim set off of loss of ₹2 lakhs, out of ₹8 lakhs, from his income from house property during A.Y. 2024-25, if any, and the balance has to be carried forward to A.Y. 2025-26.
c. Yes, Mr. A can claim set off of loss of ₹2 lakhs, out of ₹8 lakhs, from his income from any head during A.Y. 2024-25 and the balance has to be carried forward to A.Y. 2025-26.
d. Yes, Mr. A can claim set off of loss of ₹8 lakhs during A.Y. 2024-25 from his income from house property, if any, and the balance has to be carried forward to A.Y. 2025-26.

Solution

(d)

As per Section 71B of the Income Tax Act, 1961, Mr. A can carry forward the loss from house property even if the return of loss was not filed within the due date specified under Section 139(1). This exception allows for the carry forward of loss from house property to be set off against income from house property in subsequent assessment years.

Regarding the set-off of loss from house property against income from the same head in the subsequent year, there is no specified limit for the amount that can be set off. Therefore, for the Assessment Year (AY) 2024-25, Mr. A can set off the entire loss of ₹8 lakhs against his income from

house property for the Previous Year (PY) 2023-24, provided he has sufficient income from house property to absorb this loss.

Question 54

The details of income/loss of Mr. Kumar for P.Y. 2023-24 are as follows:

Particulars	Amount (₹)
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. 2024-25?

a. ₹4,40,000
b. ₹3,20,000
c. ₹1,60,000
d. ₹4,80,000

Solution

(a)

Computation of Gross Total Income of Mr. Kumar for A.Y. 2024-25

Particulars	₹
Income from Salaries	
Income from Salaries	5,20,000
Less: Set off-of Income from House Property to the extent of ₹2,00,000	2,00,000
Income from Salaries (A)	3,20,000
Income from House Property	
Income from Self Occupied House Property	(95,000)
Income from Let Out House Property	(2,25,000)
Total Income from House Property	(3,20,000)
Less: Set off against Salaries to the extent of ₹2,00,000 and balance carried forward	3,20,000
Income from House Property (B)	-
Profits and Gains from Business or Profession	
Loss from Specified Business to be carried forward, as it can only be set off against profits of specified business.	
Loss from Medical Business	(1,20,000)
Less: Set off against long term capital gains	1,20,000
Profits and Gains from Business or Profession (C)	-
Capital Gains	
Long Term Capital Gains	1,60,000
Less: Set-off of loss from medical business	1,20,000
Taxable Long Term Capital Gains (D)	40,000

Income from Other Sources	
Income from Other Sources	80,000
Income from Other Sources (E)	80,000
Gross Total Income (A) + (B) + (C) + (D) + (E)	4,40,000

Question 55

Mr. Srivastav, aged 72 years, paid medical insurance premium of ₹52,000 by cheque and ₹4,000 by cash during May, 2023 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

Solution

(b)

Under Section 80D of the Income Tax Act, 1961, a deduction is allowed for premiums paid on health insurance. For senior citizens, the limit for this deduction is higher. Mr. Srivastav, being 72 years old, qualifies as a senior citizen.

The provisions under Section 80D specify the following:

1. For Senior Citizens: The maximum deduction limit is ₹50,000 for health insurance premiums paid for self or family.
2. Mode of Payment: It is important to note that for claiming a deduction under Section 80D, the payment must be made by any mode other than cash. Payments made for preventive health check-ups can be in cash.

In Mr. Srivastav's case:

1. He paid a total of ₹52,000 by cheque and ₹4,000 by cash for medical insurance.
2. The cash payment of ₹4,000 does not qualify for deduction under Section 80D because it is not made for preventive health check-ups and is paid in cash.
3. The amount paid by cheque, ₹52,000, will be allowed to the extent of ₹50,000 only, which is the limit set for senior citizens.

Therefore, Mr. Srivastav is entitled to a deduction under Section 80D of ₹50,000, which is the maximum limit for senior citizens under this section.

Question 56

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

Solution

(d)

Deduction u/s 80GG is provided only if the individual is not in receipt of HRA. In the preset case, since Mr. Ramesh is in receipt of HRA, he'll be able to claim exemption u/s 10(13A) from the head "Income from Salaries". Therefore, no deduction will be allowed u/s 80GG to Mr. Ramesh.

Question 57

An individual has paid life insurance premium of ₹25,000 during the previous year for a policy of ₹1,00,000 taken on 1.4.2018. 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 u/s 80C
d. be allowed deduction of ₹10,000 u/s 80C

Solution

(d)

Under Section 80C of the Income Tax Act, 1961, deductions are available for life insurance premiums paid. However, there are limits based on the date the policy was issued and the sum assured.

For policies issued on or after April 1, 2012, the premium paid for life insurance policies is eligible for deduction under Section 80C to the extent of 10% of the actual capital sum assured.

In the case of the individual who has paid a life insurance premium of ₹25,000 during the previous year for a policy of ₹1,00,000 taken on 1.4.2018, the deduction limit would be 10% of the sum assured. Thus, 10% of ₹1,00,000 is ₹10,000.

Since the premium paid (₹25,000) is more than 10% of the sum assured (₹10,000), the deduction under Section 80C that the individual can claim would be limited to ₹10,000.

Question 58

In respect of loan of ₹40 lakhs sanctioned by SBI in April, 2021 for purchase of residential house intended for self-occupation, compute the interest deduction allowable under the provisions of the Act for A.Y. 2024-25, assuming that the disbursement was made on 1st June, 2021, 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 ₹1,20,000 u/s 80EEA
b. ₹1,50,000 u/s 80EEA and ₹1,70,000 u/s 24
c. ₹2,00,000 u/s 24 and ₹50,000 u/s 80EEA
d. ₹2,00,000 u/s 24

Solution

(d)

Under the provisions of the Income Tax Act, 1961, the deduction for interest on housing loans is covered under Section 24 and Section 80EEA.

1. **Section 24(b):** This section allows for the deduction of interest on borrowed capital for the acquisition or construction of a house property. The maximum limit for deduction under this section is ₹2,00,000 for self-occupied properties.
2. **Section 80EEA:** Introduced to provide additional benefits for affordable housing, this section allows for an additional deduction on interest paid on housing loans. However, there are specific conditions for claiming this deduction:
    a. The stamp duty value of the house should be up to ₹45 lakhs.
    b. The loan must have been sanctioned between April 1, 2019, and March 31, 2022.

In the case of Mr. A, the loan of ₹40 lakhs sanctioned by SBI in April 2021 for the purchase of a residential house was 80% of the stamp duty value of the property. Therefore, the stamp duty value of the property can be calculated as ₹40,00,000 ÷ 80% = ₹50,00,000. Since the stamp duty value exceeds ₹45,00,000, the deduction under Section 80EEA is not applicable.

Given these details, Mr. A's interest deduction eligibility would be computed solely under Section 24(b). Taking the rate of interest is 8% per annum, the total interest for the year would be ₹40,00,000 × 8% = ₹3,20,000. However, the deduction under Section 24(b) is capped at ₹2,00,000. Therefore, Mr. A can claim a maximum deduction of ₹2,00,000 for the Assessment Year (AY) 2024-25 under Section 24(b) for the interest paid on the housing loan.

Question 59

The maximum amount which can be donated in cash for claiming deduction under section 80G for the P.Y. 2023-24 is:

a. ₹5,000
b. ₹10,000
c. ₹1,000
d. ₹2,000

Solution

(d)

As per Section 80G, the maximum amount which can be donated in cash for claiming deduction is ₹2,000.

Question 60

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. 2024-25, 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

Solution

(d)

As per Section 80DD of the Income Tax Act, for the Assessment Year 2024-25, an individual who is a resident of India is entitled to a deduction for expenses incurred on the medical treatment, training, and rehabilitation of a dependent person with a disability, or for amounts deposited under a scheme for the maintenance of such a dependent.

The deduction amount under Section 80DD is ₹75,000. However, if the expenditure is on a dependent with severe disability, the allowable deduction increases to ₹1,25,000, irrespective of the actual amount spent or deposited. This means that even if the total amount spent or deposited is less than ₹1,25,000, the full deduction can still be claimed. Since Rajan's dependent brother is a person with severe disability, he is eligible for a deduction of ₹1,25,000, which encompasses both the medical expenses of ₹15,000 and the LIC deposit of ₹20,000 for his brother's maintenance.

Question 61

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 registered under section 80G. The deduction allowable to him under section 80G for A.Y. 2024-25 is:

a. ₹80,000
b. ₹70,000
c. ₹60,000
d. ₹35,000

Solution

(c)

- 100% deduction is allowed without any qualifying limit u/s 80G when donation is made to PM Cares Fund, therefore, the entire donation of ₹50,000 would be allowed as deduction.
- 50% deduction is allowed without any qualifying limit u/s 80G when donation is made to Rajiv Gandhi Foundation, therefore, 50% × ₹20,000 = ₹10,000 would be allowed as deduction.
- 50% deduction is allowed subject to qualifying limit u/s 80G when donation is made to Public Charitable Trust. However, since the donation was made in cash, no deduction shall be allowed. This is because when any donation exceeding ₹2,000 is made, it's deduction is allowed only if it made in any mode other than cash.
- Therefore, total deduction allowed u/s 80G = ₹50,000 + ₹10,000 = ₹60,000.

Question 62

Mr. Ritvik has purchased his first house in Gwalior for self-occupation on 1.4.2022 for ₹45 lakhs (stamp duty value being the same) with bank loan sanctioned on 30.3.2022 and disbursed on 1.4.2022. He paid interest of ₹3.8 lakhs during the P.Y. 2023-24. 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

Solution

(c)

As per Section 24(b), interest on loan taken for the purchase or construction of house property is exempt up to ₹2,00,000, if the following three conditions are satisfied:

1. Loan is taken on or after 01-04-1999
2. Loan is taken for the purpose of purchase or construction of house property
3. The construction of the house is complete within 5 years from the year of taking the loan.

Since all the above conditions are satisfied, interest paid on loan shall be allowed as deduction u/s 24(b) upto ₹2,00,000.

As per Section 80EEA, an individual who has taken a loan for acquisition of residential house property from any financial institution can claim deduction of upto ₹1,50,000 over and above the interest claimed u/s 24(b), if the following conditions are satisfied:

1. Loan should be sanctioned by a FI during the period between 1st April 2019 to 31st March 2022.
2. Stamp Duty Value of house should not exceed ₹45 lakhs
3. The individual should not own any residential house on the date of sanction of loan.
4. The individual should not be eligible to claim deduction u/s 80EE.

Since all the above conditions are satisfied, deduction of ₹1,50,000 shall be allowed u/s 80EEA.

Question 63

Mr. Anuj is a businessman whose total income (after allowing deduction under Chapter VI-A except under section 80GG) for A.Y. 2024-25 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. 2024-25 is:

a. ₹48,500
b. ₹1,48,750
c. ₹60,000
d. ₹1,08,000

Solution

(a)

As per Section 80GG of the Income Tax Act, the deduction for rent paid by individuals who do not receive a House Rent Allowance (HRA) is calculated based on specific criteria. For Mr. Anuj, a businessman with a total income of ₹5,95,000 for the Assessment Year 2024-25, staying in a rented accommodation in Patna at ₹9,000 per month, the deduction under section 80GG is calculated as the least of the following three amounts:

- 25% of the total income,

- Rent paid minus 10% of the total income,
- ₹5,000 per month.

Calculating each of these:

- 25% of total income (₹5,95,000) = ₹1,48,750.
- Actual rent paid (₹9,000 × 12 months = ₹1,08,000) minus 10% of total income (₹59,500) = ₹48,500.
- ₹5,000 per month for 12 months = ₹60,000.

Since the deduction under section 80GG is the least of the above three amounts, the correct deduction for Mr. Anuj for A.Y. 2024-25 is ₹48,500.

Question 64

If Mr. Y's total income for A.Y. 2024-25 is ₹52 Lakhs, surcharge is payable at the rate of:

a. 15%
b. 12%
c. 10%
d. 2%

Solution

(c)

For the Assessment Year 2024-25, if Mr. Y's total income is ₹52 Lakhs, the rate of surcharge on his income tax will be determined based on the specific income slabs set for the surcharge calculation. According to the provided document, the surcharge rates applicable for different income ranges are as follows:

- Where the total income is more than ₹50 lakhs but less than or equal to ₹1 crore, the surcharge rate is 10%.
- Where the total income is more than ₹1 crore but less than or equal to ₹2 crores, the surcharge rate is 15%.
- Where the total income is more than ₹2 crores but less than or equal to ₹5 crores, the surcharge rate is 25%.

Since Mr. Y's total income of ₹52 Lakhs falls within the range of more than ₹50 lakhs but less than or equal to ₹1 crore, the applicable surcharge rate on his income tax for A.Y. 2024-25 would be 10%.

Question 65

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

Solution

(c)

In the case of a resident individual, the unexhausted basic exemption limit can be adjusted against both Long-Term Capital Gains (LTCG) taxable at 20% under Section 112 and Short-Term Capital Gains (STCG) taxable at 15% under Section 111A. This means that if the basic exemption limit is not fully utilized by other income, it can be used to reduce the taxable amount of these specific types of capital gains.

However, unexhausted basic exemption limit cannot be adjusted against casual income taxable @30% u/s 115BB.

Question 66

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)

Solution

(d)

For non-resident individuals, the unexhausted basic exemption limit cannot be adjusted against either Long-Term Capital Gains (LTCG) taxable at 20% under Section 112 or Short-Term Capital Gains (STCG) taxable at 15% under Section 111A. The benefit of adjusting the unexhausted basic exemption limit is available only to resident individuals and Hindu Undivided Families (HUFs), but not to non-residents.

Question 67

During the P.Y. 2023-24, 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.

Solution

(b)

In the context of income tax surcharge calculations, the law stipulates that a 25% surcharge is applicable when total income exceeds ₹2 crore. However, this rate is adjusted in specific cases where the excess over ₹2 crore is primarily due to capital gains under sections 111A and 112A. In such scenarios, the

surcharge rate is uniformly capped at 15% for the entire income. This cap is applied because the increase in income beyond ₹2 crore is solely attributed to capital gains, which, as per law, are subject to a maximum surcharge of 15%.

Conversely, in situations where the non-capital gains portion of the income (i.e., income excluding capital gains under sections 111A and 112A) itself exceeds ₹2 crore, a differentiated surcharge regime is applied. Here, the non-capital gains income is subject to a 25% surcharge, while the capital gains portion remains capped at a 15% surcharge. This distinction ensures that the surcharge is proportionately applied based on the composition of the total income.

Applying these rules to Mr. Ranjit's case for the P.Y. 2023-24, we observe that his total income amounts to ₹2.95 crore. This total comprises ₹95 lakhs from short-term capital gains (STCG) taxable under section 111A, ₹110 lakhs from long-term capital gains (LTCG) taxable under section 112A, and ₹90 lakhs as business income. To determine the appropriate surcharge rate, an analysis of the income composition is necessary.

In Mr. Ranjit's situation, the total income goes beyond the ₹2 crore mark primarily because of the capital gains taxable under sections 111A and 112A. His other income (business income) does not, by itself, exceed ₹2 crore. Therefore, the entire income, including the business income, is subject to a surcharge rate of 15%.

Question 68

Which of the following statements is not true with respect to A.Y. 2024-25?

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

Solution

(b)

Statement a: As per Section 80TTB, senior citizens (residents aged 60 years or more) are allowed a deduction of up to ₹50,000 on interest income from deposits with banks, co-operative societies engaged in the business of banking, or post offices. This is applicable provided the individual exercises the option of shifting out of the default tax regime under Section 115BAC(1A).

Statement b: Income a partner earns from a firm's profit is tax-exempt under Section 10(2A). It doesn't matter whether the firm is eligible for exemption u/s 10AA or not.

Statement c: For long-term capital gains (LTCG) on listed equity shares with STT paid, there is an exemption under Section 112A for gains up to ₹1 lakh. Therefore, LTCG of ₹90,000 would indeed be exempt from tax under this section.

Statement d: Exemption under Section 10(32) for income of a minor child is limited to two children. This exemption is applicable up to a maximum of ₹1,500 per child for a maximum of two children.

Therefore, option (b) is not true.

Question 69

Gross total income of Arpita for P.Y. 2023-24 is ₹6,00,000. She had taken a loan of ₹7,20,000 in the financial year 2020-21 from a bank for her husband who is pursuing MBA course from IIM, Kolkata. On 02.04.2023, she paid the first installment of loan of ₹45,000 and interest of ₹65,000. Compute her total income for A.Y. 2024-25. Assume she has opted out of the default tax regime u/s 115BAC(1A).

a. ₹6,00,000
b. ₹5,35,000
c. ₹4,90,000
d. ₹5,55,000

Solution

(b)

Arpita's computation of total income for the Assessment Year (A.Y.) 2024-25 can be determined as follows:

1. Gross Total Income: ₹6,00,000
2. Deduction for Interest on Education Loan (Section 80E): As per Section 80E, an individual is allowed to claim a deduction for the interest paid on a loan taken for higher education. This includes loans taken for the education of the individual's spouse. In Arpita's case, she has paid ₹65,000 as interest on the education loan for her husband's MBA course. This amount is deductible from her gross total income.
3. Computation of Total Income:
    a. Gross Total Income = ₹6,00,000
    b. Deduction under Section 80E = ₹65,000
    c. Total Income = Gross Total Income - Deduction under Section 80E
    d. Total Income = ₹6,00,000 - ₹65,000 = ₹5,35,000

Therefore, Arpita's total income for A.Y. 2024-25 is ₹5,35,000.

Question 70

Mr. Uttam presents you the following data related to his tax liability for A.Y. 2024-25:

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. 2023-24	5

What shall be the tax liability of Mr. Uttam for A.Y. 2024-25?

a. ₹12 lakhs
b. ₹15 lakhs
c. ₹10 lakhs
d. ₹7 lakhs

Solution

(a)

To determine Mr. Uttam's tax liability for A.Y. 2024-25, we need to consider his tax liabilities under both the regular provisions of the Income-tax Act, 1961, and under section 115JC (AMT), along with his AMT credit brought forward.

- Tax Liability as per regular provisions: ₹15 lakhs
- Tax Liability as per section 115JC (AMT): ₹12 lakhs
- AMT credit brought forward from A.Y. 2023-24: ₹5 lakhs

According to Section 115JD of the Income-tax Act, the AMT credit is the excess of AMT paid over the regular income-tax payable for the year. This tax credit can be carried forward and set off against income-tax payable in subsequent years to the extent of the excess of regular income-tax payable over the AMT payable in those years.

In Mr. Uttam's case, the tax liability under the regular provisions (₹15 lakhs) is higher than the AMT (₹12 lakhs). However, when considering the AMT credit brought forward (₹5 lakhs), this credit can be utilized to reduce the tax liability, but only to the extent that the final tax payable does not fall below the AMT. Therefore, the tax liability cannot be reduced below ₹12 lakhs, which is the AMT liability.

Considering this, the AMT credit of only ₹3 lakhs will be adjusted against the income tax liability, and remaining credit of ₹2 lakhs will be carried forward. Mr. Uttam's final tax liability for A.Y. 2024-25 would be ₹12 lakhs.

Question 71

Mr. Nekinsaan, aged 43 years, provides the following income details for P.Y. 2023-24 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. 2024-25?

a. ₹260.06 lakhs
b. ₹253.68 lakhs
c. ₹256.52 lakhs
d. ₹253.56 lakhs

Solution

(d)

Calculation of Tax Liability

Particulars		**₹**
Tax on Capital Gains taxable u/s 111A @ 15% (15% × ₹1,10,00,000)		16,50,000
Tax on Capital Gains taxable u/s 112A @ 10% on amount exceeding ₹1 lakh {10% × (₹1,20,00,000 – ₹1,00,000)}		11,90,000
Tax on Other Income:		
First ₹2,50,000	-	
From ₹2,50,000 to ₹5,00,000 (5% × ₹2,50,000)	12,500	

From ₹5,50,000 to ₹10,00,000 (20% × ₹5,00,000)	1,00,000	
From ₹10,00,000 to ₹5,20,00,000 (30% × ₹5,10,00,000)	1,53,00,000	1,54,12,500
		1,82,52,500
Add: Surcharge		
On Tax on Capital Gains @ 15% {15% × (₹16,50,000 + ₹11,90,000)}		4,26,000
On Tax on Other Income @ 37% (37% × ₹1,54,12,500)		57,02,625
		2,43,81,125
Add: Health and Education Cess @ 4%		9,75,245
Tax Liability		2,53,56,370

Therefore, tax liability = ₹2,53,56,370 ÷ ₹1,00,000 = ₹253.5637 lakhs ≈ ₹253.56 lakhs

Question 72

Continuing Q. 71, what shall be tax liability of Mr. Nekinsaan as per regular provisions of the Income-tax Act, 1961 for A.Y. 2024-25, if the Other Income is ₹480 lakhs?

a. ₹218.20 lakhs
b. ₹221.03 lakhs
c. ₹218.73 lakhs
d. ₹242.25 lakhs

Solution

(c)

Calculation of Tax Liability

Particulars		**₹**
Tax on Capital Gains taxable u/s 111A @ 15% (15% × ₹1,10,00,000)		16,50,000
Tax on Capital Gains taxable u/s 112A @ 10% on amount exceeding ₹1 lakh {10% × (₹1,20,00,000 – ₹1,00,000)}		11,90,000
Tax on Other Income:		
First ₹2,50,000	-	
From ₹2,50,000 to ₹5,00,000 (5% × ₹2,50,000)	12,500	
From ₹5,50,000 to ₹10,00,000 (20% × ₹5,00,000)	1,00,000	
From ₹10,00,000 to ₹4,80,00,000 (30% × ₹4,70,00,000)	1,41,00,000	1,42,12,500
		1,70,52,500
Add: Surcharge		
On Tax on Capital Gains @ 15% {15% × (₹16,50,000 + ₹11,90,000)}		4,26,000
On Tax on Other Income @ 25% (25% × ₹1,42,12,500)		35,53,125
		2,10,31,625
Add: Health and Education Cess @ 4%		8,41,265
Tax Liability		2,18,72,890

Therefore, tax liability = ₹2,18,72,890 ÷ ₹1,00,000 = ₹218.7289 lakhs ≈ ₹218.73 lakhs

Question 73

Mr. Bandu, aged 37 years, provides the following details for P.Y. 2023-24:

Particulars	**₹ in lakhs**
Textile business income	22

Speculative business loss	(4)
Textile business loss b/f from P.Y. 2020-21	(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. 2024-25 for Mr. Bandu? Ignore interest.

a. ₹24,200
b. (₹1,00,600)
c. ₹2,11,400
d. ₹12,500

Solution

(a)

Computation of Total Income

Particulars	**₹**
Profits and Gains from Business or Profession	
Textile Business Income	22,00,000
Less: Brought Forward Loss	5,00,000
	17,00,000
Loss from Speculative business to be carried forward	
Business income of spouse clubbed	2,00,000
Gross Total Income	19,00,000
Less: Deductions under Chapter VI-A	3,00,000
Taxable Income	16,00,000

Computation of Tax Payable/(Refundable)

Particulars		**₹**
First ₹2,50,000		-
From ₹2,50,000 to ₹5,00,000 (5% × ₹2,50,000)		12,500
From ₹5,00,000 to ₹10,00,000 (20% × ₹5,00,000)		1,00,000
From ₹10,00,000 to ₹16,00,000 (30% × ₹6,00,000)		1,80,000
		2,92,500
Add: Health and Education Cess @ 4%		11,700
Total Tax Liability		3,04,200
Less: TDS	1,00,000	
TCS	50,000	
Advance Tax	1,30,000	2,80,000
Tax Payable		24,200

Question 74

Mr. Raj, aged 32 years, presents you the following data for A.Y. 2024-25:

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 Act, 1961 of Mr. Raj for the A.Y. 2024-25?

a. ₹1,28,440
b. ₹1,05,560
c. ₹1,38,840
d. ₹1,45,080

Solution

(a)

Calculation of Tax Liability

Particulars		**₹**
Capital gains under section 112A {10% × (₹5,00,000 – ₹1,00,000)}		40,000
Capital gains under section 111A (15% × ₹3,00,000)		45,000
Winnings from horse races (30% × ₹1,00,000)		30,000
Other Income of ₹4,20,000 (6% × ₹70,00,000)		
First ₹2,50,000	-	
From ₹2,50,000 to ₹4,20,000 {5% × (₹4,20,000 – ₹2,50,000)}	8,500	8,500
		1,23,500
Add: Health and Education Cess @ 4%		4,940
Tax Liability		1,28,440

Question 75

Mr. A, whose total sales is ₹201 lakhs, declares profit of ₹10 lakhs for the F.Y. 2023-24. He is liable to pay advance tax:

a. in one instalment
b. in two instalments
c. in three instalments
d. in four instalments

Solution

(d)

Every person who is liable to pay advance tax is supposed to pay it in four instalments.

Question 76

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)

Solution

(b)

As per Section 208, a person is obligated to pay advance tax only if the advance tax payable is ₹10,000 or more.

Resident senior citizens who are 60 years or older and have only passive income like rent or interest, and no income from business or profession, may find it difficult to comply with this requirement. To make it easier for them, the government has given an exemption to senior citizens from paying advance tax. Instead, they can pay their tax liability (excluding TDS) by self-assessment tax at the end of the financial year.

In the present case, Mr. Raj is a non-resident, and therefore, the clause of him being 60 years older and having only passive income won't apply.

His total income taxable in India is calculated as follows:

Computation of Total Income

Particulars	**₹**
Income from House Property	
Net Annual Value (₹40,000 × 12)	4,80,000
Less: Deduction u/s 24(a) (30% × ₹4,80,000)	1,44,000
Total Income	3,36,000

Computation of Tax Liability

Particulars	**₹**
First ₹2,50,000 (Since he is a non-resident, he is not eligible for higher basic exemption limit)	-
From ₹2,50,000 to ₹3,36,000 {5% × (₹3,36,000 – ₹2,50,000)}	4,300
Total Tax Liability	4,300

Since his tax liability is less than ₹10,000, he won't be required to pay advance tax. Hence, option (b) is the answer.

Question 77

Mr. X, a resident, is due to receive ₹4.50 lakhs on 31.3.2024, towards maturity proceeds of LIC policy taken on 1.4.2019, 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 1.10.2023 towards maturity proceeds of LIC policy taken on 1.10.2013 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

Solution

(b)

As per Section 10(10D) of the Income Tax Act, the maturity proceeds of life insurance policies are exempt from tax if certain conditions are met. For policies issued after April 1, 2012, this exemption applies only if the premium paid does not exceed 10% of the sum assured.

In Mr. X's case, the annual premium paid (₹1,25,000) exceeds 10% of the sum assured (₹4,00,000). Hence, the maturity proceeds of ₹4.50 lakhs due on 31.3.2024 are not exempt under Section 10(10D). Therefore, tax is required to be deducted at 5% under Section 194DA on the income portion of the maturity proceeds, which is ₹75,000 (₹4,50,000 maturity proceeds - ₹3,75,000 aggregate premium paid).

For Mr. Z, the annual premium (₹10,000) is less than 10% of the sum assured (₹90,000). However, the maturity proceeds of ₹95,000 due on 1.10.2023 are not subject to tax deduction under Section 194DA since the maturity proceeds are less than ₹1 lakh.

Question 78

An amount of ₹40,000 was paid to Mr. X on 1.7.2023 towards fees for professional services without deduction of tax at source. Subsequently, another payment of ₹50,000 was due to Mr. X on 28.02.2024, from which tax @10% (amounting to ₹9,000) 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 ₹9,000 was deposited only on 22.6.2024. The interest chargeable under section 201(1A) would be:

a. ₹320
b. ₹860
c. ₹1,620
d. ₹540

Solution

(b)

Interest under section 201(1A) would be computed as follows:

1. **Interest for Tax Deductible but Not Deducted:** This is for the first payment of ₹40,000 made to Mr. X on 1.7.2023. Since the tax was not deducted at the time of this payment, we calculate interest on the tax amount that should have been deducted (10% of ₹40,000 = ₹4,000). The interest rate is 1% per month. The period of delay is from 1.7.2023 to 28.2.2024, which is 8 months.
   Calculation: ₹4,000 (tax amount) × 1% × 8 months = ₹320
2. **Interest for Tax Deducted but Not Deposited:** This pertains to the entire tax amount of ₹9,000, which was deducted on 28.02.2024 but deposited late on 22.06.2024. The interest rate for tax deducted but not deposited on time is 1.5% per month. The period of delay is from 28.02.2024 to 22.06.2024, which is 4 months.
   Calculation: ₹9,000 (tax amount) × 1.5% × 4 months = ₹540

The total interest chargeable under Section 201(1A) would be the sum of these two calculations: ₹320 + ₹540 = ₹860.

Question 79

The benefit of payment of advance tax in one installment on or before 15th March is available to assessees 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

Solution

(b)

The benefit of paying advance tax in one installment on or before 15th March is available to assessees who are computing profits on a presumptive basis under both Section 44AD and Section 44ADA of the Income Tax Act.

Question 80

Mr. Ramesh, Mr. Mahesh and Mr. Suresh, jointly owned a flat in Mathura, which was let out to Dr. Rajesh from 01.04.2023. 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 2022-23 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

Solution

(c)

Under Section 194-I of the Indian Income Tax Act, the provisions for tax deduction at source (TDS) on rental income are specified. This section applies to any person, other than an individual or Hindu Undivided Family (HUF), responsible for paying to a resident any income by way of rent. However, it includes an individual or HUF whose total sales, gross receipts, or turnover from business or profession exceed ₹1 crore in the case of business and ₹50 lakhs in case of profession during the financial year immediately preceding the financial year in which such rent was credited or paid.

The critical point to consider here is the threshold limit for TDS under Section 194-I. TDS is required to be deducted if the amount of rent exceeds ₹2,40,000 per annum. In the described scenario, where the annual rent paid by Dr. Rajesh is ₹5,40,000, this condition is met, and the threshold for TDS under Section 194-I is crossed.

However, for joint property owners like Mr. Ramesh, Mr. Mahesh, and Mr. Suresh, the income from rent would be divided among them. Since each of them receives ₹1,80,000 annually (which is below the threshold of ₹2,40,000), the provision for TDS under Section 194-I would not apply individually to each co-owner.

Therefore, in conclusion, no tax is required to be deducted at source under Section 194-I for each co-owner, since the rent credited to each co-owner is less than the threshold limit of ₹2,40,000. Hence, the correct answer is option (c) No tax is required to be deducted at source since the rent credited to each co-owner is less than ₹2,40,000.

Question 81

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 2023-24 are as follows:

Date of Cash Withdrawal	Savings Account	Current Account
05-04-2023	15,00,000	–
10-05-2023	–	22,00,000
25-06-2023	20,00,000	–
17-07-2023	–	5,00,000
28-10-2023	35,00,000	–
10-11-2023	–	38,00,000
12-12-2023	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 2023-24? If yes, what would the amount of tax deducted at source?

a. TDS of ₹3,20,000 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.

Solution

(d)

As per Section 194N, Tax is required to be deducted by the bank, if the account holder withdraws more than ₹1,00,00,000 in the relevant previous year. Rate of TDS applicable is 2%. TDS is attracted only on the portion exceeding ₹1 crore.

In the present case, total withdrawal from the Savings Account and the Current Account is ₹1,60,00,000. Therefore TDS shall be attracted @ 2% on ₹60,00,000. Therefore, TDS = 2% × ₹60,00,000 = ₹1,20,000.

Question 82

Mr. Jha, an employee of FX Ltd, attained 60 years of age on 15.05.2023. He is resident in India during F.Y. 2023-24 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. 2024-25, if all tax deductible at source has been duly deducted and remitted to the credit of Central Government on time? Assume that he has opted to shift out of the default tax regime u/s 115BAC(1A).

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 ₹8,800 = ₹18,800, being the net tax payable on salary income, since tax would have been deducted at source from lottery income.
d. Nil

Solution

(d)

Mr. Jha has two sources of Income – Income from Salaries, and Income from winning of lotteries. Since all the tax deductible at source has been duly deducted and remitted to the credit of Central Government, no tax has to be paid in advance on winnings of lotteries.

Computation of Tax Liability on Salaries

Particulars	**₹**
First ₹3,00,000	-
Next ₹2,00,000 (5% × ₹2,00,000)	10,000
Tax Liability	10,000

Since the advance tax liability does not exceed ₹10,000, there's no need to pay any advance tax.

Question 83

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, 2024. The gross receipts of Mr. P are as under:

From 01.04.2022 to 31.03.2023: ₹55,00,000

From 01.04.2023 to 28.02.2024: ₹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 10%.
b. Tax at source is required to be deducted u/s 194-IB at the rate of 5%.
c. Tax at source is required to be deducted u/s 194-IB at the rate of 10%.
d. No tax is required to be deducted at source.

Solution

(d)

Under Section 194-I of the Indian Income Tax Act, tax deduction at source (TDS) on rental income is mandated for individuals or Hindu Undivided Families (HUFs) whose total sales, gross receipts, or

turnover from business or profession exceed ₹50 lakhs in the case of a profession during the financial year immediately preceding the financial year in which such rent is credited or paid.

In the scenario of Mr. P, his gross receipts for the financial year from 01.04.2022 to 31.03.2023 were ₹55,00,000, which exceeds the ₹50 lakhs threshold for professionals. Therefore, he falls under the purview of Section 194-I for TDS on rental payments.

However, Section 194-I also stipulates a threshold for the applicability of TDS on rent. TDS under this section is required only if the amount of rent exceeds ₹2,40,000 per annum. In Mr. P's case, he is responsible for paying a rent of ₹2,00,000 to Mr. Harshit for the use of a building for the month of February 2024. This amount is below the annual threshold of ₹2,40,000.

Therefore, even though Mr. P's gross receipts exceed ₹50 lakhs, placing him within the ambit of Section 194-I, the amount of rent he is paying does not meet the minimum threshold for TDS under this section. Consequently, no tax is required to be deducted at source for this particular rental payment.

Question 84

Mr. A has two bank accounts maintained with ICICI Bank and HDFC Bank. From 01.04.2023 till 31.03.2024, 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. 2020-21, P.Y. 2021-22 and P.Y. 2022-23 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

Solution

(b)

As per Section 194N of the Indian Income Tax Act, tax deduction at source (TDS) is applicable on cash withdrawals exceeding a certain threshold from a banking company, co-operative society engaged in carrying on the business of banking, or a post office. The rates of TDS under this section vary based on the amount withdrawn and the compliance status of the individual with respect to filing income tax returns.

In the case of Mr. A, who has withdrawn ₹50 Lakh from HDFC Bank and ₹120 Lakh from ICICI Bank from 01.04.2023 to 31.03.2024, and has filed his income tax returns for the previous three years (P.Y. 2020-21, 2021-22, and 2022-23), the applicable rates for TDS under Section 194N are as follows:

1. For cash withdrawals exceeding ₹1 crore during the financial year, the tax shall be deducted at the rate of 2% on the sum exceeding ₹1 crore.
2. For cash withdrawals up to ₹1 crore, there is no TDS if the individual has filed income tax returns for the last three years.

Applying these provisions to Mr. A's withdrawals:

1. From HDFC Bank, Mr. A withdrew ₹50 Lakh, which is below the threshold of ₹1 crore. Therefore, there will be no TDS by HDFC Bank.
2. From ICICI Bank, Mr. A withdrew ₹120 Lakh. The amount over ₹1 crore is ₹20 Lakh (₹120 Lakh – ₹100 Lakh). The TDS will be 2% of ₹20 Lakh, which amounts to ₹40,000.

Therefore, the correct answer is option (b): Nil and ₹40,000.

HDFC Bank will deduct no TDS, while ICICI Bank will deduct ₹40,000 as TDS under Section 194N while making the payment in cash to Mr. A.

Question 85

Mr. Ram acquired a house property at Chennai from Mr. Satyam, a resident, for a consideration of ₹85 lakhs, on 23.8.2023. 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 and there is no difference between the stamp duty value and actual consideration?

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.

Solution

(c)

As per Section 194-IA, every transferee responsible for paying any sum as consideration for transfer of immovable property (land, other than agricultural land, or building or part of building) to a resident transferor shall deduct tax, at the rate of 1% of such sum or the stamp duty value of such property, whichever is higher.

Tax is not required to be deducted at source where the total amount of consideration for the transfer of immovable property and the stamp duty value of such property, are both, less than ₹50 lakhs.

Therefore, in case of residential house property at Chennai, and urban plot at Gwalior, TDS shall be attracted @ 1% on ₹85,00,000 and ₹50,00,000. However, no TDS shall be attracted on purchase of rural agricultural land.

Question 86

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?

1. Amount of Interest payable or paid
2. Rate of interest payable or paid
3. Name of the lender
4. Address of the lender
5. PAN or Aadhaar number as the case may be, of the lender
6. TAN of the lender

Choose the correct answer:

a. (1), (3), (5)
b. (1), (3), (4), (5)
c. (2), (4), (5), (6)
d. (1), (2)

Solution

(b)

For the purpose of tax deduction at source (TDS) under Section 192, when an employer is estimating the total income of an employee, specific details and evidences are required to be furnished by the employee in respect of the deduction of interest under the head "Income from house property". According to the provisions of the Income Tax Act, 1961, the required details to be furnished in Form No. 12BB include:

1. Name of the lender
2. Address of the lender
3. Permanent Account Number (PAN) or Aadhaar number, as the case may be, of the lender

These details are necessary for the employer to accurately estimate the income of the employee and compute the amount of tax to be deducted at source. The amount of interest payable or paid, and the rate of interest payable or paid, while relevant to the calculation of the deduction, are not specifically listed as required details for the employer under the provision.

Therefore, the correct answer is option (b): (1), (3), (4), (5), which corresponds to the amount of interest payable or paid, the name of the lender, the address of the lender, and the PAN or Aadhaar number of the lender.

Question 87

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 15.7.2023. Tax is to be deducted by Mr. X at the rate of:

a. 0.75%
b. 1%
c. 1.5%
d. 2%

Solution

(d)

Under Section 194J of the Indian Income Tax Act, tax deduction at source (TDS) is applicable on payments made for professional services. The general rate of TDS under this section is 10%. However,

there is a specific provision for a reduced rate of TDS for payees engaged only in the business of operation of a call centre.

For such payees, the tax is to be deducted at source at a rate of 2%. In the scenario described, where Mr. X paid fees for professional services of ₹40,000 to Mr. Y, who is engaged only in the business of operation of a call centre, the applicable rate of TDS for Mr. X to deduct is 2%.

Question 88

An interior decorator has opted for presumptive taxation scheme under section 44ADA for A.Y. 2024-25.

a. He is liable to pay advance tax on or before 15.3.2024
b. He is not liable to advance tax
c. He is liable to pay advance tax in three instalments i.e., on or before 15.9.2023, 15.12.2023 and 15.3.2024
d. He is liable to pay advance tax in four instalments i.e., on or before 15.6.2023, 15.9.2023, 15.12.2023 and 15.3.2024

Solution

(a)

Under Section 44ADA of the Indian Income Tax Act, which covers the presumptive taxation scheme, there is a specific provision for the payment of advance tax. An eligible assessee, who is computing profits or gains of profession on a presumptive basis under Section 44ADA, is required to pay advance tax in one installment on or before the 15th of March of the financial year.

Question 89

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

Solution

(d)

As per the provisions of the Indian Income Tax Act, specifically in the context of a firm paying salary and interest on capital to its resident partners, the following points are relevant:

1. Section 192 of the Act mandates the deduction of tax at source from salary payments. However, this section primarily applies to employers and employees in a traditional sense. In the case of a partnership firm, the partners are not considered employees of the firm. Therefore, the provision of Section 192 for TDS on salary does not typically apply to the remuneration or salary paid to partners of a firm.

2. Regarding the interest on capital paid to partners, Section 194A, which pertains to the deduction of tax at source on interest other than "interest on securities", generally applies to interest payments made to external parties and not to payments made to partners of a firm.

Given these points, for a firm paying salary and interest on capital to its resident partners within the limits specified in Section 40(b), the correct statement is (d) No tax has to be deducted at source on either salary or interest.

Question 90

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

Solution

(c)

Under Section 194B of the Indian Income Tax Act, the provision for tax deduction at source (TDS) is applicable to lottery winnings. This section mandates that tax should be deducted by the payer at the time of payout if the amount of such winnings exceeds ₹10,000. The specified rate for TDS on lottery winnings is 30%.

In the scenario of Mr. X, a resident Indian, who has won ₹10,000 in a lottery, the following is applicable:

- The winnings amount of ₹10,000 is exactly at the threshold limit for TDS under Section 194B.
- As per the provisions of Section 194B, TDS is applicable only if the winnings exceed ₹10,000. Since Mr. X's winnings are exactly ₹10,000, which does not exceed the threshold, there is no requirement for the deduction of tax at source.

Question 91

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

Solution

(a)

Quoting of PAN is compulsory, inter alia, in the case of following transactions:

Nature of Transaction	Value of Transaction
1. Opening an account [other than a time deposit (as specified) and a Basic Savings Bank Deposit Account] with a banking company or a cooperative bank to which the Banking Regulation Act, 1949 applies (including any bank or banking institution referred to in section 51 of that Act)	All such transactions
2. Making an application to any banking company or a co-operative bank to which the Banking Regulation Act, 1949, applies (including any bank or banking institution referred to in section 51 of that Act) or to any other company or institution, for issue of a credit or debit card.	All such transactions
3. Payment to a Mutual Fund for purchase of its units	Amount exceeding ₹50,000
4. Deposit with a banking company or a co-operative bank to which the Banking Regulation Act, 1949, applies (including any bank or banking institution referred to in section 51 of that Act); or post office	Cash deposits exceeding ₹50,000 during any one day
5. A time deposit with, a. a banking company or a cooperative bank to which the Banking Regulation Act, 1949 applies (including any bank or banking institution referred to in section 51 of that Act); b. a Post Office; c. a Nidhi referred to in section 406 of the Companies Act, 2013; or d. a non-banking financial company which holds a certificate of registration under section 45-IA of the Reserve Bank of India Act, 1934, to hold or accept deposit from public	Amount exceeding ₹50,000 or aggregating to more than ₹5 lakh during a financial year.
6. Sale or purchase, by any person, of shares of a company not listed in a recognised stock exchange.	Amount exceeding ₹1 lakh per transaction.

Question 92

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. 2023-24. 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

Solution

(d)

Every person carrying on any business or profession is required to apply for PAN if their total sales, turnover, or gross receipts are likely to exceed ₹5 lakhs in any previous year.

Question 93

Mr. Z, a salaried individual, has a total income of ₹8 lakhs for A.Y. 2024-25. He furnishes his return of income for A.Y. 2024-25 on 28th August, 2024. 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

Solution

(b)

As per Section 234F of the Income Tax Act, if a person who is required to furnish a return of income under section 139 fails to do so within the prescribed time limit under section 139(1), they shall pay a fee. The fee amount is ₹5,000. However, if the total income of the person does not exceed ₹5 lakhs, the fee payable shall not exceed ₹1,000.

In the scenario of Mr. Z, a salaried individual with a total income of ₹8 lakhs for the Assessment Year (A.Y.) 2024-25, and who has furnished his return of income for A.Y. 2024-25 on 28th August 2024, the applicable provision would be a fee of ₹5,000 under Section 234F. This is because his total income exceeds ₹5 lakhs.

Question 94

Arun's gross total income of P.Y. 2023-24 is ₹2,45,000. He deposits ₹45,000 in PPF. He pays electricity bills aggregating to ₹1.20 lakhs in the P.Y. 2023-24. Which of the statements is correct?

a. Arun is not required to file his return of income u/s 139(1) for P.Y. 2023-24, 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. 2023-24, since his electricity bills do not exceed ₹2,00,000 for the P.Y. 2023-24.
c. Arun is not required to file his return of income u/s 139(1) for P.Y. 2023-24, 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. 2023-24.
d. Arun is required to file his return of income u/s 139(1) for P.Y. 2023-24, since his electricity bills exceed ₹1 lakh for the P.Y. 2023-24.

Solution

(d)

Any person other than a company or a firm, who is not required to furnish a return under section 139(1), is required to file income-tax return in the prescribed form and manner on or before the due date if, during the previous year, such person, inter alia, has incurred expenditure of an amount or aggregate of the amounts exceeding ₹1 lakh towards consumption of electricity.

Question 95

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

1. A return of income filed u/s 139(1)
2. A belated return of income filed u/s 139(4)
3. A return of loss filed u/s 139(3)

Choose the correct answer:

a. Only (1)
b. Only (1) and (2)
c. Only (1) and (3)
d. (1), (2) and (3)

Solution

(d)

As per Section 139(5) of the Income-tax Act, 1961, certain types of returns can be revised. The relevant provisions state that:

1. A belated return filed under Section 139(4) can be revised. This means if a return of income is filed after the due date specified under Section 139(1), it still has the provision to be revised under Section 139(5).
2. A return that has been revised earlier can be revised again. This implies that the first revised return effectively replaces the original return, and if there is any omission or wrong statement in this revised return, it can be further revised within the prescribed time.
3. A return of loss filed under Section 139(3) is considered as a return filed under Section 139(1) and therefore can be revised under Section 139(5). This means returns filed to declare a loss are also eligible for revision.

Based on these provisions, all the types of returns listed in the question - a return of income filed under Section 139(1), a belated return of income filed under Section 139(4), and a return of loss filed under Section 139(3) - can be revised under Section 139(5). Therefore, the correct answer to the question is option (d): (1), (2), and (3).

Question 96

Iskon Inc., a foreign company and non-resident in India for A.Y. 2024-25, 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

1. The return of income in case of Iskon Inc. can be verified by the managing director.

2. 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.
3. 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. 1 or 2 or 3
b. Only 1
c. 1 or 3
d. Only 3

Solution

(c)

Under Section 140 of the Income-tax Act, 1961, regarding the verification of the return of income for a foreign company like Iskon Inc., the following provisions apply:

1. If the company has a managing director, the return of income can be verified by the managing director. If the managing director is unable to verify the return, then it can be verified by any other director of the company.
2. In cases where the company does not have a managing director or the managing director is not able to verify the return, and the company is not resident in India, the return of income can be verified by a person holding a valid power of attorney from the company.

Given these provisions, the correct answer to the question is option (c): 1 or 3.

Question 97

Mr. Pawan is engaged in the business of roasting and grinding coffee beans. During F.Y. 2023-24, his total income is ₹4.5 lakhs. Mr. Pawan filed his return of income for A.Y. 2024-25 on 3rd December, 2024. What shall be the fee payable for default in furnishing in return of income for A.Y. 2024-25?

a. ₹5,000
b. Not exceeding ₹1,000
c. ₹10,000
d. No fees payable as total income is below ₹5,00,000

Solution

(b)

As per Section 234F of the Income-tax Act, 1961, the fee for default in furnishing the return of income is as follows:

1. A person who is required to furnish a return of income under section 139 but fails to do so within the prescribed time limit under section 139(1) is liable to pay a fee of ₹5,000.
2. However, if the total income of the person does not exceed ₹5 lakhs, the fee payable shall not exceed ₹1,000.

In the case of Mr. Pawan, who has a total income of ₹4.5 lakhs and filed his return of income for A.Y. 2024-25 on 3rd December 2024, the fee payable for default in furnishing the return of income would be "Not exceeding ₹1,000," as his total income is below ₹5 lakhs.

Question 98

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. 2024-25 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.

Solution

(b)

In the context of the Income-tax Act, 1961, for the Assessment Year (A.Y.) 2024-25 and considering Ms. Sakshi's status as a non-resident, the following explanations apply to each of the benefits listed in your query:

1. **Deduction of 30% of gross annual value while computing her income from house property in Bangalore:** As per Section 5(2) of the Income-tax Act, 1961, a non-resident is chargeable to tax in India only in respect of income received or deemed to be received in India, and income accruing or arising or deemed to accrue or arise in India. Therefore, Ms. Sakshi can claim a deduction of 30% of the gross annual value of her property in Bangalore, as this income is considered to be accruing in India.
2. **Tax rebate of ₹9,500 from tax payable on her total income of ₹4,40,000:** Tax rebate under section 87A is not available to non-residents, even if their total income does not exceed ₹5 lakhs. Consequently, Ms. Sakshi, being a non-resident, is not eligible for the tax rebate of ₹9,500 on her total income.
3. **Deduction for donation made by her to Prime Minister's National Relief Fund:** Non-residents are eligible for deductions under Section 80G for donations made to specified funds and charitable institutions, including the Prime Minister's National Relief Fund. Hence, Ms. Sakshi can claim a deduction for her donation to this fund.
4. **Deduction for interest earned by her on NRO savings account permitted to be maintained by RBI:** Interest income from Non-Resident Ordinary (NRO) accounts is taxable for non-residents. However, there is no specific provision that allows a deduction for such interest income for non-residents. Thus, Ms. Sakshi cannot claim a deduction for the interest earned on her NRO savings account.

In summary, the benefit that is not allowable to Ms. Sakshi while computing her total income and tax liability for A.Y. 2024-25 is the tax rebate of ₹9,500 from tax payable on her total income of ₹4,40,000.

Question 99

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 2023-24. 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 2024-25? If yes, what is the due date?

a. Yes, 31st July of A.Y
b. Yes, 30th September of A.Y
c. Yes, 31st October of A.Y
d. No, he is not required to file return of income

Solution

(d)

Any person other than a company or a firm, who is not required to furnish a return under section 139(1), is required to file income-tax return in the prescribed form and manner on or before the due date if, during the previous year, such person, inter alia, has incurred expenditure of an amount or aggregate of the amounts exceeding ₹2 lakh for himself or any other person for travel to a foreign country.

In the present case, the amount spent on foreign travel does not exceed ₹2 lakh. Hence, Mr. Dinesh doesn't require to file his return of income at all.

Question 100

Mr. Tejas, an Indian Citizen, left India permanently with his wife and two children, for extending his retail trade business of toys in Canada in the year 2016. From Canada, he is managing his retail business of toys in India. For the purpose of his Indian business, he visits India every year from 1st September to 31st January. His business income is ₹23.50 lakhs and ₹18 lakhs from retail trade business in Canada and in India, respectively for the F.Y. 2023-24. He has no other income during the P.Y. 2023-24. Determine his residential status and income taxable in his hands for the A.Y. 2024-25.

a. Resident and ordinarily resident in India and income of ₹18 lakhs and ₹23.50 lakhs would be taxable.
b. Non-Resident and ₹18 lakhs from Indian retail trade business would only be taxable.
c. Resident but not ordinarily Resident and ₹18 lakhs from Indian retail trade business would only be taxable.
d. Deemed resident and ₹18 lakhs from Indian retail trade business would only be taxable.

Solution

(c)

Mr. Tejas is an Indian citizen who left India in 2016 for Canada and visits India every year from 1st September to 31st January to manage his Indian retail business. For the financial year (F.Y.) 2023-24, this amounts to a stay of approximately 153 days in India. According to Section 6(1) of the Income-tax Act, 1961, an individual is considered a resident in India for any previous year if he is in India for a total period of 182 days or more during that year. Since Mr. Tejas does not meet this condition, he would not be considered a resident based on this criterion alone.

However, under Section 6(1A), an Indian citizen whose total income, excluding income from foreign sources, exceeds ₹15 lakh during the previous year and who is not liable to tax in any other country by

reason of his domicile, residence, or any other criteria, would be deemed to be a resident but not ordinarily resident (RNOR) in India. In Mr. Tejas's case, his income from the Indian retail trade business is ₹18 lakhs, which exceeds ₹15 lakh. Given that he is managing his business in India and spending a significant part of the year in India, it is likely that he would be considered a resident but not ordinarily resident in India for A.Y. 2024-25.

Regarding the income taxable in India, for a resident but not ordinarily resident, income earned and received in India, as well as income that accrues or arises in India, is taxable. Therefore, the ₹18 lakhs earned from the Indian retail trade business would be taxable in India. The income from his retail trade business in Canada would not be taxable in India for an RNOR.