

# MCQs on Basic Concept of Income Tax, Residential Status & Exempt Income

- Q1.** Income Tax is imposed by \_\_\_\_\_.  
 (a) State Government (b) Central Government  
 (c) Both of the above (d) Constitution of India
- Q2.** Parliament has the power to levy tax on incomes other than \_\_\_\_\_.  
 (a) Exempt Incomes (b) Income of poor people  
 (c) Agricultural Income (d) All incomes are taxable
- Q3.** Which Entry of Union List gives the power to Parliament to levy tax on incomes?  
 (a) Entry 81 of List I to Seventh schedule  
 (b) Entry 81 of List II to Seventh schedule  
 (c) Entry 82 of List I to Seventh schedule  
 (d) Entry 82 of List II to Seventh schedule
- Q4.** Highest Administrative Authority for Income Tax in India is \_\_\_\_\_.  
 (a) Finance Minister (b) CBDT  
 (c) President of India (d) Director of Income Tax
- Q5.** Income-tax Act, 1961 applies to \_\_\_\_\_.  
 (a) Whole of India (b) Whole of India excluding J&K  
 (c) Maharashtra (d) All of the above
- Q6.** The basic source of income-tax law is \_\_\_\_\_.  
 (a) Income-tax Act, 1961 (b) Income-tax Rules, 1962  
 (c) Circulars/Notifications (d) Judgments of Courts
- Q7.** Income Tax Act came into force on \_\_\_\_\_.  
 (a) 1.4.1961 (b) 1.4.1962 (c) 1.4.1956 (d) 1.4.1965
- Q8.** Income Tax Act contains \_\_\_\_\_ sections  
 (a) XIV (b) 297 (c) XV (d) 298
- Q9.** Income Tax Act contains \_\_\_\_\_ schedules.  
 (a) XIV (b) 297 (c) XV (d) 298
- Q10.** Proviso gives \_\_\_\_\_ to the main provision.  
 (a) Clarification (b) Exceptions  
 (c) Proper Administration (d) None of these
- Q11.** Explanation gives \_\_\_\_\_ to the main provision.  
 (a) Clarification (b) Exceptions  
 (c) Proper Administration (d) None of these
- Q12.** Part 1 of schedule I of the Finance Act, 2018 gives rate of income tax for AY \_\_\_\_\_.  
 (a) 2018-19 (b) 2019-20 (c) 2017-18 (d) 2016-17
- Q13.** Finance Bill becomes the Finance Act when it is passed by \_\_\_\_\_.  
 (a) Lok Sabha (b) Both Lok Sabha & Rajya Sabha  
 (c) Both House of Parliament & signed by President.  
 (d) Both House of Parliament & signed by Prime Minister.
- Q14.** Part 2 of schedule of I of the Finance Act, 2018 gives rate of tax deductible of source for the PY \_\_\_\_\_.  
 (a) 2018-19 (b) 2019-20 (c) 2017-18 (d) 2016-17
- Q15.** Part 3 of schedule I of The Finance Act, 2018 gives rate of advance tax payable for the AY \_\_\_\_\_.  
 (a) 2018-19 (b) 2019-20 (c) 2017-18 (d) 2016-17
- Q16.** Notifications issued by CBDT are binding on \_\_\_\_\_.  
 (a) Assessee (b) Income Tax Authority  
 (c) Both of above (d) None of the above
- Q17.** Circulars issued by CBDT are binding on \_\_\_\_\_.  
 (a) Assessee (b) Income Tax Authority  
 (c) Both of above (d) None of the above
- Q18.** Circulars are issued by the CBDT to \_\_\_\_\_ the scope & meaning of the provisions of Law.  
 (a) Clarify the doubts (b) Exceptions  
 (c) Proper Administration (d) None of these
- Q19.** As per Section 2(7), "Assesses" means \_\_\_\_\_ a person  
 (a) By whom any tax or other sum of money is payable  
 (b) Against whom proceeding has been taken under the act  
 (c) A person deemed to be assessee in default  
 (d) All of the above
- Q20.** A person includes \_\_\_\_\_.  
 (a) Individual & HUF (b) Firm & Company  
 (c) AOP/BOI, LA, Every AJP (d) All of the above.
- Q21.** Every assessee is a person, & every person is \_\_\_\_\_.  
 (a) Also an assessee (b) Need not be an assessee
- Q22.** The term "Person" includes \_\_\_\_\_.  
 (a) Registered Firm (b) Unregistered Firm  
 (c) Both of (a) & (b) (d) None of (a) or (b)
- Q23.** Association of persons consists of \_\_\_\_\_.  
 (a) Individuals (only) (b) Company  
 (c) Any Person other than (a) (d) Any kind of person
- Q24.** Body of Individuals consists of \_\_\_\_\_.  
 (a) Individuals (only) (b) Company  
 (c) Any Person other than (a) (d) Any kind of person
- Q25.** As per Section 2(31), the following is not included in the definition of 'person'.  
 (a) 2018-19 (b) 2019-20 (c) 2017-18 (d) 2016-17  
 (a) Individual (b) HUF (c) Company (d) Minor
- Q26.** A municipal corporation legally entitled to manage & control a municipal fund is taxable in the status of:  
 (a) Individual (b) AOP (c) LA (d) AJP
- Q27.** A & B are legal heirs of C. After death of C, A & B carry on his business without entering into a partnership. What is their Status?  
 (a) Company (b) LLP (c) AOP (d) Firm
- Q28.** As per sec. 2(24) definition of 'income' is:  
 (a) Inclusive (b) Exhaustive (c) Exclusive (d) Descriptive

1: d	2: c	3: c	4: b	5: a	6: a	7: b	8: d	9: a	10: b	11: a	12: b	13: c	14: a
15: b	16: c	17: b	18: a	19: d	20: d	21: b	22: c	23: d	24: a	25: d	26: c	27: c	28: a

**Q29.** A domestic company means .

- (a) Indian company only
- (b) Both Indian company & foreign company
- (c) Both Indian company & a foreign company having business connection in India
- (d) Both Indian company & a foreign company which has made the prescribed arrangement for declaration & payment of dividends in India out of the income chargeable to tax in India.

**Q30.** 'Income' includes the following types \_\_\_\_\_.

- (a) Legal
- (b) Illegal
- (c) Both
- (d) None

**Q31.** 'Income' u/s 2(24) includes \_\_\_\_\_.

- (i) Profits of any business carried on by a person.
- (ii) Any advance money forfeited in the course of negotiations for transfer of capital asset.

Choose the correct option:

- (a) Both (i) & (ii)
- (b) Only (i)
- (c) Only (ii)
- (d) Neither (i) nor (ii).

**Q32.** Which of the following income is not included in the term 'income' ?

- (a) Profit & gains
- (b) Dividend
- (c) Profit in lieu of salary
- (d) Reimbursement of travelling expenses

**Q33.** Cash gift received from a non-relative is regarded as income. But Exempt amount is \_\_\_\_\_ p.a.

- (a) Rs. 25,000
- (b) Rs. 75,000
- (c) Rs. 50,000
- (d) Rs. 25,000

**\*Q34.** What is not included in taxable Income ?

- (a) Income from smuggling activity
- (b) Casual income
- (c) Capital Receipt, except gains on transfer of capital asset
- (d) Income received in kind.

**\*Q35.** A & Co. received Rs. 2 lacs as compensation from B & Co. for premature termination of contract of agency. Amount so received is .

- (a) Capital receipt & taxable
- (b) Capital receipt & not taxable
- (c) Revenue receipt & taxable
- (d) Revenue receipt & not taxable

**\*Q36.** Mr. P has taken a loan of Rs. 5,00,000 from HDFC bank for purchasing a car. His rental income is Rs. 50,000 pm out of which Rs. 5,000 pm directly goes to the bank as an instalment of loan. Discuss the tax treatment.

- (a) Rs. 5,000 p.m is treated as diversion of Income.
- (b) Rs. 5,000 p.m is an application of income.
- (c) Rs. 5,000 p.m is not treated as his income.
- (d) None of the above.

**Q37.** Year in which income is taxable is known as . & year in which income is earned is known as .

- (a) PY, AY
- (b) AY, PY
- (c) AY, AY
- (d) PY, PY

**Q38.** Pick-the correct one.

- (a) AY & PY are same concepts.
- (b) AY is the year next to the PY.
- (c) PY is the year next to the AY.
- (d) None of the above

**Q39.** Assessment Year is the period of 12 month commencing on 1<sup>st</sup> day of .

- (a) April every year
- (b) December every year
- (c) July every year
- (d) January every year

**\*Q40.** Previous Year can be a period of \_\_\_\_\_.

- (a) > 12 months or < 12 months
- (b) only 12 months
- (c) 12 months or < 12 months
- (d) ≥ 12 months.

**Q41.** Assessment year can be a period of \_\_\_\_\_.

- (a) > 12 months or < 12 months
- (b) only 12 months
- (c) 12 months or < 12 months
- (d) ≥ 12 months.

**Q42.** Mr. P sets up a new business on 15.7.2018 & he commenced his business from 1.2.2019. First PY shall be:

- (a) 15.7.2018 to 31.3.2019
- (b) PY 2018-19
- (c) 1.2.2018 to 31.3.2019
- (d) PY 2019-20

**\*Q43.** First previous year in case of a business or profession newly set up on 31.3.2019 would be \_\_\_\_\_.

- (a) Start from 1.4.2018 & end on 31.03.2019
- (b) Start from 31.3.2019 & will end on 31.3.2019
- (c) Start from 1.1.2019 & end on 31.12.2019
- (d) Start from 1.1.2019 & end on 31.3.2019

**Q44.** All Assessee are required to follow:

- (a) Uniform PY which must be calendar year only
- (b) Uniform PY which must be FY only
- (c) Any period of 12 months as previous year
- (d) Period starting from 1<sup>st</sup> July to 30<sup>th</sup> June as PY

**Q45.** A person follows Calendar year for accounting purpose. For taxation, he has to follow \_\_\_\_\_

- (a) Calendar year only - 1 Jan to 31 December
- (b) FY only - 1 April to 31 March
- (c) Any Calendar or FY as per his choice
- (d) He will follow extended year from 1<sup>st</sup> January to next 31<sup>st</sup> March (a period of 15 months)

**Q46.** Mr. P. maintains his accounts on the basis of calendar year. For PY 2018-19, his AY shall be.

- (a) 2018-19
- (b) 2018
- (c) 2019-20
- (d) 2019

**Q47.** In which of the following cases, income of PY is assessable in the previous year itself.

- (a) A persons leaving India
- (b) Salaried Employee
- (c) Illegal business
- (d) Charitable institution

**\*Q48.** If the master of the ship belonging to a NR could not file return of income before the departure of ship from India then it can be filed after the ship has left India but within \_\_\_\_\_ days.

- (a) 30
- (b) 45
- (c) 60
- (d) 90

**\*Q49.** In case of shipping business of NR, Income =

- (a) 10% of the fare & freight collected by the ship.
- (b) 20% of the fare & freight collected by the ship.
- (c) 25% of the fare & freight collected by the ship.
- (d) 7.5% of the fare & freight collected by the ship.

**Q50.** Income of NR from shipping business in India is taxed

- (a) 30% + SC + HEC
- (b) 40% + SC + HEC
- (c) 50% + SC + HEC
- (d) 60% + SC + HE

29: d	30: c	31: a	32: d	33: c	34: c	35: a	36: b	37: b	38: b	39: a
40: c	41: b	42: a	43: b	44: b	45: b	46: c	47: a	48: a	49: d	50: b

**Q1.** HUF of Mr. P consisting of himself, his wife & 2 sons is assessed to tax. Residential status of HUF = NR when.

- (a) Its management & control is wholly in India
- (b) Its management & control is wholly o/s India
- (c) The status of Karta is non-resident for that year
- (d) When majority of the members are NR.

**Q2.** If Karta is ROR in India but control & management of HUF is situated partly outside India in PY, HUF is:

- (a) ROR
- (b) RNOR
- (c) NR
- (d) None

**Q3.** Mr. P is Karta of HUF doing business at Pune. Mr. P is residing in Dubai for past 10 years & visited India for 20 days every year for filing Income tax return of HUF. His 2 major sons take care of the day to day affairs of business in India. Residential status of HUF for AY 2019-20 is:

- (a) ROR
- (b) RNOR
- (c) NR
- (d) None

**\*Q4.** Residential status of company is determined (a) u/s 6(4) (b) u/s 6(1) (c) u/s 6(6) (d) u/s 6(3)

**Q5.** A company is considered to be resident if:

- (a) It is an Indian Company
- (b) During PY, foreign company's POEM is situated in India
- (c) Both (a) & (b)
- (d) Any of the above

**Q6.** Indian company would be Resident in India if its \_\_\_\_\_.

- (a) POEM is in India
- (b) POEM is outside India
- (c) All shareholders are ROR
- (d) All directors are ROR

**Q7.** A company incorporated outside India having its place of effective management fully situated in India in the previous year will be treated as \_\_\_\_\_.

- (a) NR
- (b) ROR
- (c) RNOR
- (d) Resident

**Q8.** PC Ltd. is registered in Australia & has head office in Australia. POEM of its business affairs is situated in India. PC Ltd. shall be:

- (a) Resident
- (b) ROR
- (c) NR
- (d) None

**Q9.** PC Ltd. is registered in India but it has POEM in Nepal. D Ltd. is registered in Nepal but it has POEM in India.

- (a) PC Ltd. – Resident; D Ltd. – NR
- (b) Both are NR
- (c) Both D & PC Ltd. are resident of India.
- (d) PC Ltd. is a NR but D Ltd. is resident of India

**Q10.** PC Ltd. is an Indian company. It carries its business in Delhi & London. The POEM of the company is situated in London. More than 85% of its business income is from the business in England. If so, its residential status will be-

- (a) NR
- (b) ROR
- (c) RNOR
- (d) Resident

**Q11.** Income deemed to be received in India is given u/s

- (a) 10
- (b) 7
- (c) 12
- (d) 5

**Q12.** Indian Income means \_\_\_\_\_.

- (a) Income accrued.deemed to be accrued in India
- (b) Income received.deemed to be received in India
- (c) Both (a) & (b)
- (d) None of the above.

**Q13.** Foreign Income means \_\_\_\_\_.

- (a) Income accrued.deemed to be accrued in India
- (b) Income received.deemed to be received in India
- (c) Both (a) & (b)
- (d) None of the above.

**Q14.** Income received in India during the previous year is taxable in the case of \_\_\_\_\_.

- (a) ROR
- (b) RNOR
- (c) NR
- (d) All

**Q15.** Foreign income received in India during the previous year is taxable in the case of \_\_\_\_\_.

- (a) ROR
- (b) RNOR
- (c) NR
- (d) All

**Q16.** Incomes which accrues in India but received outside India are taxable in case of \_\_\_\_\_.

- (a) ROR
- (b) RNOR
- (c) NR
- (d) All

**Q17.** Income which accrue or arise outside India & also received outside India is taxable in case of \_\_\_\_\_.

- (a) ROR
- (b) RNOR
- (c) NR
- (d) ROR & RNOR

**Q18.** Income accruing in London & received there is taxable in India in the case of \_\_\_\_\_.

- (a) ROR
- (b) RNOR
- (c) NR
- (d) ROR & RNOR

**Q19.** Income accruing from agriculture in a foreign country is taxable in India in case of an assessee who is:

- (a) ROR
- (b) RNOR
- (c) NR
- (d) ROR & RNOR

**Q20.** Which Income is taxable in India to ROR Individual?

- (a) Any Income accrued or Received in India
- (b) Any Income accrued outside India
- (c) Any Income received outside India
- (d) All Incomes are Taxable

**Q21.** Which Income is taxable in India to RNOR Individual?

- (a) Business income accruing outside India
- (b) Property income accruing outside India
- (c) Interest income accruing outside India
- (d) Income accruing outside India if it is derived from a business controlled in India.

**\*Q22.** Income which accrue outside India from business controlled from India is not taxable in India in case of:

- (a) ROR
- (b) RNOR
- (c) NR
- (d) All

**Q23.** Which Income is taxable in India to NR Individual?

- (a) Any Income accrued or Received in India
- (b) Any Income accrued outside India
- (c) Any Income received outside India
- (d) No Income is Taxable in India in the hands of NR.

**\*Q24.** Income earned & received outside India but later on remitted to India, is taxable to:

- (a) ROR
- (b) RNOR
- (c) NR
- (d) None

**Q25.** Past untaxed profit of PY 2017-18 brought to India in PY 2018-19 is taxable in AY 2019-20 to

- (a) All the assesses
- (b) ROR
- (c) Non-resident in India
- (d) None of the above

**\*Q26.** Profits of Rs. 1,00,000 for PY 2017-18 of a business in Australia remitted to India during PY 2018-2019 (not taxed earlier) would be.

- (a) Taxable in India for ROR only
- (b) Not taxable in India for all (ROR, NOR & NR)
- (c) Taxable in India for all (ROR, NOR & NR)
- (d) Taxable only for NOR & NR

1: b	2: a	3: b	4: c	5: c	6: b	7: d	8: a	9: c	10: d	11: b	12: c	13: d
14: d	15: d	16: d	17: a	18: a	19: a	20: d	21: d	22: c	23: a	24: d	48: d	49: b

**1.** Incomes which are not included in total income of the assessee are called \_\_\_\_.

- (a) Exempt Incomes  
(b) Incomes deductible u/c VI-A.  
(c) Taxable Incomes  
(d) None of the above

**Q2.** Gross Total Income means Aggregate of Incomes under all heads of Income \_\_\_\_.

- (a) After claiming deduction u/c VI-A  
(b) Before claiming deduction u/c VI-A.  
(c) Income for which no deduction u/c VI-A.  
(d) None of the above.

**Q3.** Total (taxable) Income means Aggregate of Incomes under all heads of Income \_\_\_\_.

- (a) After claiming deduction u/c VI-A  
(b) Before claiming deduction u/c VI-A.  
(c) Income for which no deduction u/c VI-A.  
(d) None of the above.

**Q4.** Any Expenditure incurred to earn Exempt Income shall be allowed as \_\_\_\_ while computing income under any head.

- (a) Deduction  
(b) not allowed as deduction  
(c) Exemption.  
(d) None of the above

**Q5.** Any sum received by an Individual as a member of HUF from the income of HUF shall be \_\_\_\_.

- (a) Fully taxable  
(b) Fully exempt u/s 10(2)  
(c) Fully taxable u/h "Salary"  
(d) Taxable @ 15%.

**Q6.** Share of the profits from the firm by the partner is:

- (a) Fully taxable  
(b) Fully Exempt u/s 10(2A)  
(c) Fully taxable u/h "Salary"  
(d) Exempt upto Rs. 2.5 lacs

**Q7.** Interest on any money standing to any Individual's credit in Non-Resident External A/c in any bank in India is:

- (a) Taxable to person in whose name A/c is being operated  
(b) Exempt to person in whose name A/c is being operated  
(c) Taxable to person who withdraws Amt from such A/c  
(d) Exempt to person who withdraws Amt from such A/c

**Q8.** Exemption is available on Interest received by NR on money standing in NRE A/c only if to maintain such A/c.

- (a) such NR person is permitted by AO

**Q11.** \_\_\_\_ Paid by Government of India to a Citizen of India for rendering services outside India is Exempt u/s 10(7).

- (a) Salary  
(b) Allowance & perquisites  
(c) Both (a) & (b)  
(d) None of the above.

**Q12.** Government of India paid salary of Rs. 5 lacs & Allowances/perquisites of Rs. 2.20 lacs to a person who is citizen of India for services rendered by him outside India. His taxable income will be \_\_\_\_.

- (a) 7.2 Lacs  
(b) 5 Lacs  
(c) 6.1 Lacs  
(d) Nil

**Q13.** Any compensation received or receivable by a victim of Bhopal Gas leak disaster is \_\_\_\_.

- (a) Taxable  
(b) Fully exempt  
(c) Exempt upto Rs. 10 lacs.  
(d) Exempt except to the extent of amount received or receivable which has been allowed as deduction for any loss/damage caused by such disaster.

**Q14.** Any amount received from CG.SG.LA by Individual or his legal heir as compensation for any disaster is \_\_\_\_.

- (a) Taxable  
(b) Fully exempt  
(c) Exempt upto Rs. 10 lacs.  
(d) Exempt except to the extent of amount received or receivable which has been allowed as deduction for any loss/damage caused by such disaster.

**Q15.** Tax paid by the employer on non-monetary perquisites provided to the employee is exempt u/s \_\_\_\_.

- (a) 17(2)  
(b) 10(14)  
(c) 10(10CC)  
(d) None

**Q16.** Amount received from recognized provident fund after 5 years of continuous service is -

- (a) Exempt u/s 10(12)  
(b) Fully taxable

**Q17.** Which of the following payment received from Sukanya Samriddhi scheme is/are Exempt?

- (a) Interest  
(b) Maturity amount (withdrawals)  
(c) Both (a) & (b)  
(d) None of the above.

**Q18.** Amount payable at the time of closure or opting out of National Pension Scheme referred to in section 80CCD shall be exempt to the extent of \_\_\_\_ total amount payable.

- (a) 30%  
(b) 100%  
(c) 40%  
(d) 25%

**Q19.** Amount payable at the time of partial withdrawal out of National Pension Scheme referred to in section 80CCD shall be exempt to the extent of \_\_\_\_ total amount

- (b) such NR person is permitted by RBI
- (c) such NR person is permitted by CG.SG
- (d) No such permission is required

**Q9.** Which of the following incomes are exempt u/s 10(6) in the hands of an Individual who is not a citizen of India ?

- (a) Remuneration of Foreign Diplomats & Employees of a Foreign Enterprise for services rendered in India
- (b) Salary received by NR Non-citizen of India as a crew Member of Foreign Ship
- (c) Remuneration received by Foreign Government Employees from foreign government for specified training in India.
- (d) All of the above

**\*Q10.** Royalty.FTS received by non-corporate NR & foreign companies for services rendered in or o/s India to National Technical Research Organisation (NTRO) is -

- (a) Exempt.
- (b) Taxable

- payable. (a) 30%
- (b) 100%
- (c) 40%
- (d) 25%

**Q20.** Amount received by the nominee at the time of closure.opting out of NPS referred to in sec 80CCD due to death of Assessee is exempt upto \_\_\_\_\_ total amount payable (a) 30% (b) 40% (c) 100% (d) 25%

**Q21.** Interest on Gold Deposit Bonds & bonds issued by LA:

- (a) Exempt
- (b) Taxable
- (c) Partly Exempt

**Q22.** Mr. P traced a missing person & was awarded a sum of Rs. 1 lac but there was no agreement. Such sum is

- (a) Casual income & fully taxable without BEL
- (b) Casual income & exempt up to Rs. 2,50,000
- (c) Fully exempt 2,50,000
- (d) Exempt up to

1: a	2: b	3: a	4: b	5: b	6: b	7: b	8: b	9: d	10: a	11: b
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