

CA/CMA INTER MCQ

For May 25/ Sept 25/ Jan 26

By CA VIJAY SARDA

1. Basics + Agriculture Income

Question 1 [Easy]

Which of the following is agriculture income?

- (A) Income from breeding of livestock
- (B) Income from fisheries
- (C) Income from juice centre
- (D) Income derived from saplings or seedlings grown in a nursery

[Hint: Refer explanation 3 to Sec 2(1A)]

Question 2 [Medium]

For A.Y. 2025-26, Mr. Rajesh, a resident Indian, earns income of Rs. 12 lakhs from sale of coffee grown and cured in India. His friend, Mr. Ganesh, a resident Indian, earns income of Rs. 25 lakhs from sale of coffee grown, cured, roasted and grounded by him in India. What would be the business income chargeable to tax in India of Mr. Rajesh and Mr. Ganesh?

- (A) Rs. 3,00,000 and Rs. 6,25,000, respectively
- (B) Rs. 3,00,000 and Rs. 10,00,000, respectively
- (C) Rs. 4,80,000 and Rs. 10,00,000, respectively
- (D) Rs. 9,00,000 and Rs. 15,00,000, respectively

Question 3: [Easy]

The Gupta HUF in Maharashtra comprises of Mr. Harsh Gupta, his wife Mrs. Nidhi Gupta, his son Mr. Deepak Gupta, his daughter-in-law Mrs. Deepti Gupta, his daughter Miss Preeti Gupta and his unmarried brother Mr. Gautam Gupta. Which of the members of the HUF are eligible for coparcenary rights?

- (A) Only Mr. Harsh Gupta, Mr. Gautam Gupta and Mr. Deepak Gupta
- (B) Only Mr. Harsh Gupta, Mr. Gautam Gupta, Mr. Deepak Gupta and Miss Preeti Gupta
- (C) Only Mr. Harsh Gupta, Mr. Gautam Gupta, Mr. Deepak Gupta, Mrs. Nidhi Gupta and Mrs. Deepti Gupta
- (D) All the members are co-parceners

[Hint: Refer Mitashara school of Hindu Law]

Question 4: [Easy]

Ms. Sowmya has three farm buildings situated in the immediate vicinity of a rural agricultural land. In the P.Y.2024-25, she earned Rs. 3 lakh from letting out her farm building 1 for storage of food grains, Rs. 10 lakh from letting out her farm building 2 for storage of dairy products and Rs. 15 lakh from letting out her farm building 3 for residential purposes of Mr. Sumanth, whose food grain produce is stored in farm building 1.

What is the amount of agricultural income exempt from income-tax?

- (A) Nil
- (B) Rs. 3,00,000
- (C) Rs. 13,00,000
- (D) Rs. 18,00,000

[Hint: Refer Sec 2(1A) and 10(1)]

Question 5: [Easy]

The rates of income-tax are mentioned in-

- (A) The Income-tax Act, 1961 only
- (B) The First Schedule to the Annual Finance Act
- (C) Both Income-tax Act, 1961 and the First Schedule to the Annual Finance Act
- (D) Both Income-tax Act, 1961 and Income-tax Rules, 1962

Question 6 [Medium]

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

[Hint: Refer Sec 2(1A)]

Question 7 [Easy]

For A.Y. 2025-26, Mr. Hari, a resident Indian, earns income of Rs. 10 lakhs from sale of rubber manufactured from latex obtained from rubber plants grown by him in India and Rs. 15 lakhs from sale of rubber manufactured from latex obtained from rubber plants grown by him in Malaysia. What would be his business income chargeable to tax in India, assuming he has no other business?

- (A) Rs. 3,50,000
- (B) Rs. 4,00,000
- (C) Rs. 8,75,000
- (D) Rs. 18,50,000

[Hint: Refer Rule 7A]

Question 8 [Difficult]

Mr. Nekinsaan, aged 43 years, provides the following income details for P.Y. 2024-25 as follows:

Particulars	Rs. In lakhs
Capital Gains under section 112A [Date of transfer - 29/09/2024]	120
Capital Gains under section 111A [Date of transfer - 25/11/2024]	110
Other Income	520

What shall be the tax liability of Mr. Nekinsaan under optional tax regime as per normal provisions of the Income-tax Act, 1961 for A.Y. 2025-26?

- (A) Rs. 2,57,08,440
- (B) Rs. 2,44,,42,760
- (C) Rs. 2,60,14,170
- (D) Rs. 2,63,66,240

Question 9 [Medium]

Mr. Raman, aged 64 years, was not able to provide satisfactory explanation to the Assessing Officer for the investments of Rs. 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 Sec 69?

- (A) Rs. 2,18,400
- (B) Rs. 55,000
- (C) Rs. 5,46,000
- (D) Rs. 54,600

[Hint: Refer Sec 115BBE]

Question 10 [Difficult]

Miss Nisha (45 years) is a non resident individual. For the A.Y. 2025-26, she has earned Long-term capital gain on 31-10-2024 from transfer of listed equity shares (STT has been paid on acquisition and transfer of the said shares)- Rs. 1,80,000 and Other income – Rs. 2,75,000 Calculate the tax liability of Miss Nisha for A.Y. 2025-26 under default tax regime.

- (A) Nil
- (B) Rs. 9,620
- (C) Rs. 5,720
- (D) Rs. 7,150

[Hint: Refer Sec 115BAC and 87A]

Question 11 [Medium]

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

- (i) Any income derived from saplings or seedlings grown in a nursery is agricultural income exempt from tax u/s 10(1).
- (ii) 60% of dividend received from shares held in a tea company is agricultural income exempt from tax u/s 10(1).
- (iii) While computing income tax liability of an assessee aged 50 years, agricultural income is required to be added to total income only if net agricultural income for the P.Y. exceeds Rs. 5,000 and the total income (including net agricultural income) exceeds the basic exemption limit.
- (iv) While computing income tax liability of an assessee aged 50 years, agricultural income is required to be added to total income only if net agricultural income for the P.Y. exceeds Rs. 5,000 and the total income (excluding net agricultural income) exceeds the basic exemption limit.

- (A) (i) and (iii)
- (B) (ii) and (iii)
- (C) (i) and (iv)

(D) (i), (ii) and (iv)

[Hint: Refer Sec 2(1A) and partial integration of agricultural income with non-agricultural income]

Question 12 [Difficult]

Mr. Ashutosh, aged 65 years and a resident in India, has a total income of Rs. 3,20,00,000 , comprising long term capital gain on 10/05/2024 taxable under section 112 of Rs. 57,00,000 long term capital gain on 10/08/2024 taxable under section 112A of Rs. 65,00,000 and other income of Rs. 1,98,00,000. What would be his tax liability for A.Y. 2025-26 under default tax regime.

(A) Rs. 90,49,980

(B) Rs. 98,36,940

(C) Rs. 90,53,720

(D) Rs. 85,38,690

Answers

Question No.	Answers
1	(D)
2	(B)
3	(B)
4	(B)
5	(C)
6	(A)
7	(D)
8	(D)
9	(C)
10	(D)
11	(C)
12	(A)

2. Residential Status

Question 1 [Easy]

Determine residential status of Sundaram (HUF) which carries out its transactions in Malaysia. Its affairs are partly controlled from India. The Karta of HUF, Mr. Sundaram who is from Chennai visits India on 01.06.2024 and leaves for Malaysia on 10.02.2025. He has not visited India for the past 11 years.

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

[Hint: Refer Sec 6(2) and 6(6)]

Question 2: [Easy]

Aashish earns the following income during the P.Y. 2024-25:

- Interest on U.K. development bonds (1/4th being received in India): Rs. 4,00,000
- Capital Gain on sale of a building located in India but received in Holland: Rs. 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. 2025-26?

- (A) Rs. 7,00,000
- (B) Rs. 10,00,000
- (C) Rs. 6,00,000
- (D) Rs. 1,00,000

[Hint: Refer Sec 5 and Sec 9(1)]

Question 3 [Medium]

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, 2024. From the following details for the P.Y. 2024-25, what would be the residential status of Mr. Sumit for A.Y. 2025-26, assuming that his stay in India in the last 4 previous years preceding P.Y. 2024-25 is 365 days and last seven previous years preceding P.Y. 2024-25 is 730 days?

- Date entered in the Continuous Discharge Certificate in respect of joining the ship by Mr. Sumit: 25th April, 2024
- Date entered in the Continuous Discharge Certificate in respect of signing off the ship by Mr. Sumit: 24th October, 2024

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

[Hint: Refer illustration 1]

Question 4 [Difficult]

Mr. Sushant is a person of Indian origin, residing in Canada. During P.Y. 2024-25, he visited India on several occasions and his period of stay, in total, amounted to 129 days during P.Y. 2024-25 and his period of stay in India during P.Y. 2023-24, P.Y.2022-23, P.Y.2021-22 and P.Y. 2020-21 was 135 days, 115 days, 95 days and 125 days, respectively. He earned the following incomes during the P.Y. 2024-25:

Source of Income	Amount (Rs.)
Income received or deemed to be received in India	2,50,000
Income accruing or arising or which is deemed to accrue or arise in India	3,75,000
Income accruing or arising and received outside India from business controlled from India	5,50,000
Income accruing or arising and received outside India from business controlled outside India	6,50,000

What is the residential status of Mr. Sushant for A.Y. 2025-26 and his income liable to tax in India during A.Y. 2025-26?

- (A) Non- resident; Rs. 6,25,000 is liable to tax in India
- (B) Resident and ordinary resident; Rs. 18,25,000 is liable to tax in India
- (C) Resident but not ordinarily resident; Rs. 11,75,000 is liable to tax in India
- (D) Non- resident; Rs. 11,75,000 is liable to tax in India

[Hint: Refer Sec 6(1A) and Sec 5]

Question 5 [Easy]

Income from a business in Australia, controlled from Australia is taxable in case of ?

- (A) Resident and ordinarily resident only
- (B) Resident and ordinarily resident and resident but not ordinarily resident
- (C) Non-resident
- (D) All of the above

[Hint: Refer Sec 5]

Question 6 [Medium]

If Anirudh, a citizen of India, has stayed in India in the P.Y. 2024-25 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. 2025-26 would be-

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

[Hint: Refer sections 6(1) and 6(6)]

Question 7 [Medium]

Mr. Rajesh, aged 53 years, and his wife, Mrs. Sowmya, aged 50 years, are citizens of Country X. They are living in Country X since birth. They are not liable to tax in Country X. Both of them have keen interest in Indian Culture. Mr. Rajesh's parents and grandparents were born in Country X. Mrs. Sowmya visits India along with Mr. Rajesh for four months every year to be with her parents, who were born in Delhi and have always lived in Delhi, During their stay in India, they organize Cultural Programme in Delhi-NCR. Income of Mr. Rajesh and Mrs. Sowmya from the Indian sources for the P.Y. 2024-25 is Rs. 18 lakhs and Rs. 16 lakhs, respectively. What is the residential status of Mr. Rajesh and Mrs. Sowmya for A.Y. 2025-26?

- (A) Both are resident and ordinarily resident in India
- (B) Both are non-resident in India
- (C) Mr. Rajesh is resident but not ordinarily resident in India and Mrs. Sowmya is non-resident
- (D) Mrs. Sowmya is resident but not ordinarily resident in India and Mr. Rajesh is resident and ordinarily resident in India

[Hint: Refer sections 6(1) and 6(6)]

Question 8 [Difficult]

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. 2024-25 was 135 days. He is not liable to pay any tax in Dubai. Following is his details of stay in India in the preceding previous years:

Financial Year	Days of stay in India
2023-24	100
2022-23	125
2021-22	106
2020-21	83
2019-20	78
2018-19	37
2017-18	40

What shall be his residential status for the P.Y.2024-25 if his total income (other than income from foreign sources) is Rs. 10 lakhs?

- (A) Resident but not ordinary resident
- (B) Resident and ordinary resident
- (C) Non- resident
- (D) Deemed resident but not ordinarily resident

[Hint: Refer Sec 6(1) and Sec 6(1A)]

Question 9 [Easy]

Raman, a citizen of India, was employed in Hindustan Lever Ltd. He resigned on 27.09.2024. He received a salary of Rs. 40,000 p.m. from 1.4.2024 to 27.9.2024 from Hindustan Lever Ltd. Thereafter he left for Dubai for the first time on 1.10.2024 and got salary of rupee equivalent of Rs. 80,000 p.m. from 1.10.2024 to 31.3.2025 in Dubai. His salary for October to December 2024 was credited in his Dubai bank account and the salary for January to March 2025 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
- [Hint: Refer Sec 5]**

Question 10 [Difficult]

Who among the following will qualify as non-resident for the P.Y. 2024-25?

- Mr. Bob, an Italian dancer, came on visit to India to explore Indian dance on 15.09.2024 and left on 25.12.2024. 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 Rs. 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 01.01.2019 till 01.07.2024.

Choose correct answer:

- (A) Mr. Bob and Mr. Joseph
- (B) Mr. Samrat
- (C) Mr. Bob, Mr. Samrat and Mr. Joseph
- (D) None of these

[Hint: Refer Sec 6(1)]

Question 11 [Medium]

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 Rs. 23.50 lakhs and Rs. 18 lakhs from retail trade business in Canada and in India, respectively for the F.Y. 2024-25. He has no other income during the P.Y. 2024-25. Determine his residential status and income taxable in his hands for the A.Y. 2025-26.

- (A) Resident and ordinarily resident in India and income of Rs. 18 lakhs and Rs. 23.50 lakhs would be taxable.
- (B) Non-Resident and Rs. 18 lakhs from Indian retail trade business would only be taxable
- (C) Resident but not ordinarily Resident and Rs. 18 lakhs from Indian retail trade business would only be taxable
- (D) Deemed resident and Rs. 18 lakhs from Indian retail trade business would only be taxable

[Hint: Refer sections 6(1) and 5]

Answers

Question No.	Answers
1	(B)
2	(A)
3	(A)
4	(A)
5	(A)
6	(B)
7	(D)
8	(C)
9	(B)
10	(B)
11	(C)

3. Heads of Income

Question 1 [Medium]

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.2024-25 is Rs. 130 lakh
- Out of the above:
 - (i) Rs. 25 lakh received by A/c payee cheque during the F.Y. 2024-25;
 - (ii) Rs. 50 lakh received by cash during the F.Y.2024-25;
 - (iii) Rs. 25 lakh received by A/c payee bank draft before the due date of filing of return;
 - (iv) Rs. 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. 2025-26?

- (A) Rs. 10.4 lakh
- (B) Rs. 7.0 lakh
- (C) Rs. 5.5 lakh
- (D) Rs. 9.4 lakh

[Hint: Refer Sec 44AD]

Question 2 [Difficult]

In P.Y. 2024-25, Mr. A has transferred the following assets:

Asset transferred	Full value of consideration (Rs.)	Indexed Cost of Acquisition (Rs.)	Transfer Date
Residential house property	8 crores	6 crores	25.11.2024
Jewellery	3 crores	2 crores	05.01.2025

Mr. A bought a new residential house property on 01.04.2023 for Rs. 1 crore and on 28.02.2025 deposited Rs. 3 crores in a capital gains deposit account scheme. On 01.05.2025, Mr. A has withdrawn Rs. 3 crores from capital gains deposit account and acquired a residential house property worth Rs. 2.5 crore. What would be the capital gains in the hands of Mr. A for A.Y. 2025-26, if the expenses in connection with transfer of jewellery were Rs. 2,00,000?

- (A) Rs. 80,50,000
- (B) Rs. 81,55,705
- (C) Rs. 98,00,000
- (D) Rs. 48,00,000

Question 3 [Medium]

Mr. Virat has house property in Chennai which he let out to Mr. Sumit. For acquisition of this house, Mr. Virat has taken a loan of Rs. 30,00,000 @ 10%p.a. on 01.04.2017. He has further taken a loan of Rs. 5 lakhs @12% p.a. on 01.07.2024 towards repairs of the house. He has not repaid any amount of loan so far. Further, he opts out of default regime u/s 115BAC(1). The amount of interest deduction u/s 24(b) to Mr. Virat for A.Y. 2025-26 is?

- (A) Rs. 2,00,000
- (B) Rs. 2,30,000
- (C) Rs. 3,45,000
- (D) Rs. 3,60,000

[Hint: Refer Sec 24(b)]

Question 4 [Medium]

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

Question 5 [Difficult]

Mr. Vishal and Mr. Guha sold their residential house property in Pune for Rs. 3 crore and Rs. 4 crore, respectively, in April, 2024. The house property was purchased by them 25 months back. The indexed cost of acquisition is Rs. 1 crore and Rs. 1.75 crore, respectively. Mr. Vishal purchased two residential flats, one in Delhi and one in Agra for Rs. 70 lakhs and Rs. 80 lakhs, respectively, in April, 2025. On the same date, Mr. Guha also purchased two residential flats, one in Mumbai and the other in Pune, for Rs. 80 lakhs and Rs. 75 lakhs, respectively. Both of them invested Rs. 30 lakhs in bonds of NHAI and Rs. 30 lakhs in bonds of RECL in June, 2024. What is the income taxable under the head 'Capital Gains' for A.Y.2025-26 in the hands of Mr. Vishal and Mr. Guha?

- (A) Rs. 70 lakhs and Rs. 95 lakhs, respectively
- (B) Rs. 60 lakhs and Rs. 85 lakhs, respectively
- (C) Nil and Rs. 95 lakhs, respectively
- (D) Nil and Rs. 20 lakhs, respectively

Question 6: [Easy]

Mr. X, a foreign national and citizen of USA, working with M Inc., a US based company, came to India during the P.Y. 2024-25 for rendering services on behalf of the employer. He wishes to claim his salary income earned during his stay in India as exempt. Which of the following is not a condition to be fulfilled to claim such remuneration as exempt income under the Income-tax Act, 1961?

- (A) M Inc. should not be engaged in any trade or business in India
- (B) Mr. X should not be engaged in any trade or business in India
- (C) Mr. X's stay in India should not exceed 90 days in aggregate during the P.Y. 2024-25
- (D) Remuneration received by Mr. X should not be liable to be deducted from M Inc.'s income chargeable to tax under the Income-tax Act, 1961

[Hint: Refer Sec 10(6)(vi)]

Question 7 [Medium]

K is a working partner in a firm on behalf of his HUF and the HUF has contributed Rs. 3,00,000 as its capital contribution. Apart from this, K has given a loan of Rs. 50,000 to the firm in his individual capacity. The firm pays interest as per market rate of 15% per annum on capital as well as loan. Compute the amount of interest that shall be allowed to the firm while calculating its business income assuming that the interest is authorized by the partnership deed.

(A) Rs. 42,000 (B) Rs. 51,000 (C) Rs. 52,500 (D) **Rs. 43,500**

[Hint: Refer Sec 40(b)]

Question 8 [Medium]

XYZ Pvt. Ltd. provides a car (below 1.6 ltr cc) along with a driver to Mr. Sanjay, employee of XYZ Pvt. Ltd., partly for personal purpose. The expenses incurred by the company are: Running and maintenance expenses; Rs. 32,000 and driver's salary Rs. 36,000. The taxable value of car facility for A.Y. 2024-25 will be-

- (A) Rs. 21,600
- (B) Rs. 10,800
- (C) Rs. 32,400
- (D) Rs. 39,600

[Hint: Refer perquisite valuation rules on car]

Question 9 [Difficult]

Mr. Ram, an Indian resident, purchased a residential house property at Gwalior on 28.05.1999 for Rs. 28.5 lakhs. The fair market value and the stamp duty value of such house property as on 1.4.2001 was Rs. 33.5 lakhs and Rs. 32.4 lakhs, respectively. On 05.02.2012, Mr. Ram entered into an agreement with Mr. Byomkesh for sale of such property for Rs. 74 lakhs and received an amount of Rs. 3.9 lakhs as advance. However, as Mr. Byomkesh did not pay the balance amount, Mr. Ram forfeited the advance. What would be the indexed cost of acquisition of Mr. Ram if he sells the property on 23.05.2024?

Cost Inflation Index for F.Y 2001-02: 100; F.Y. 2024-25: 363

- (A) Rs. 1,16,58,000
- (B) Rs. 1,07,44,800
- (C) Rs. 89,29,800
- (D) Rs. 1,03,45,500

Question 10 [Difficult]

Mr. Kumar, engaged in wholesale business of clothes and speculative business, discontinued its operations on 19.10.2024 and 30.09.2024, respectively. The cloth business loss upto 19.10.2024 for P.Y. 2024-25 is Rs. 8,000 and speculative business loss upto 30.09.2024 for P.Y. 2024-25 was Rs. 40,000. Out of total bad debts of Rs. 1,00,000 that were claimed by Mr. Kumar in respect of a particular debtor, Rs. 60,000 was allowed by the Assessing Officer in P.Y. 2023-24. On 29.01.2025, Mr. Kumar received a sum of Rs. 68,000 from the debtor in full and final settlement of cloth business. How much amount would be taxable in the hands of Mr. Kumar for A.Y. 2025-26?

- (A) Rs. 28,000
- (B) Rs. 20,000
- (C) Rs. 60,000
- (D) Rs. 68,000

Question 11: [Easy]

Unexhausted basic exemption limit of a resident individual can be adjusted against?

- (A) Only LTCG taxable u/s 112
- (B) Only STCG taxable u/s 111A
- (C) Both (a) and (b)
- (D) Casual income taxable u/s 115BB

[Hint: Refer Sec 112, 111A and Sec 115BB]

Question 12: [Easy]

Mr. X, a retailer, acquired furniture on 10th May 2024 for Rs. 10,000 in cash and on 15th May 2024, for Rs. 15,000 and Rs. 20,000 by a bearer cheque and account payee cheque, respectively. Depreciation allowable for A.Y. 2025-26 would be ?

- (A) Rs. 2,000
- (B) Rs. 3,000
- (C) Rs. 3,500
- (D) Rs. 4,500

[Hint: Refer Sec 43(1) and 32(1)(ii)]

Question 13 [Difficult]

Mr. C aged 35 years is a working partner in M/s BCD, a partnership firm, with equal profit sharing ratio. During the P.Y. 2024-25, the firm has paid remuneration to Mr. B, Mr. C and Mr. D. being the working partners of the firm, of Rs. 2,00,000 each. The firm has paid interest on capital of Rs. 1,20,000 in toto to all the three partners and the same is within the prescribed limit of 12%. The firm had a loss of Rs. 1,12,000 after debiting remuneration and interest on capital.

Note- Remuneration and interest on capital is authorized by the partnership deed.

You, being the CA of Mr. C, are in the process of computing his total income. What would be his taxable remuneration from the firm?

- (A) Rs. 3,00,000
- (B) Rs. 2,00,000
- (C) Rs. 1,46,400
- (D) Rs. 1,50,000

[Hint: Refer Sec 40(b)]

Question 14: [Easy]

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

exercises the option of shifting out of the default regime provided under section 115BAC (1A), is ?

- (A) Rs. 48,480
- (B) Rs. 45,600
- (C) Rs. 49,680
- (D) Rs. 46,800

[Hint: Refer Sec 10(13A)]

Question 15 [Medium]

Mr. X, aged 61 years, earned dividend of Rs. 12,00,000 from ABC Ltd. in P.Y. 2024-25. Interest on loan taken for the purpose of investment in ABC Ltd., is Rs. 3,00,000. Income includible in the hands of Mr. X for P.Y. 2024-25 would be -

- (A) Rs. 12,00,000
- (B) Rs. 9,60,000
- (C) Rs. 9,00,000
- (D) Rs. 2,00,000

[Hint: Refer Sec 57]

Question 16: [Easy]

In case of a member of Parliament-

- (A) Daily allowance is exempt but constituency allowance received as per applicable Rules is taxable
- (B) Constituency allowance received as per applicable Rules is exempt but daily allowance is taxable
- (C) Both daily allowance and constituency allowance received as per applicable Rules are taxable.
- (D) Both daily allowance and constituency allowance received as per applicable Rules are exempt

[Hint: Refer Sec 10(17)]

Question 17 [Medium]

Mr. Vikas transferred 600 unlisted shares of XYZ (P) Ltd. to ABC (P) Ltd. on 15.12.2023 for Rs. 3,50,000 when its fair market value was Rs. 5,15,000. The cost of acquisition of shares for Mr. Vikas was computed at Rs. 4,25,000. Determine the income chargeable to tax in the hands of Mr. Vikas and ABC (P) Ltd. in respect of the above transaction.

- (A) Rs. 90,000 chargeable to tax in the hands of Mr. Vikas as long-term capital gains and nothing is taxable in the hands of ABC (P) Ltd.
- (B) Rs. 75,000 chargeable to tax in the hands of Mr. Vikas as long-term capital gains and nothing is taxable in the hands of ABC (P) Ltd.
- (C) Rs. 90,000 chargeable to tax in the hands of Mr. Vikas as long-term capital gains and Rs. 1,65,000 is taxable under the head Income from other sources in the hands of ABC (P) Ltd.
- (D) Rs. 75,000 chargeable to tax in the hands of Mr. Vikas as long-term capital gains and Rs. 1,65,000 is taxable under the head income from other sources in the hands of ABC (P) Ltd.

[Hint: Refer Sec 56(2)(viib)]

Question 18 [Medium]

Mr. Harry and Mr. Sujoy, resident and Indian citizens, have been appointed as senior officials of County A embassy and County B embassy, respectively, in India in October, 2024. Mr. Harry and Mr. Sujoy are subjects of Country A and Country B, respectively, and are not engaged in any other business or profession in India. The remuneration received by Indian officials working in Indian embassy in County A is exempt but in County B is taxable. The tax treatment of remuneration received by Mr. Harry and Mr. Sujoy from embassies of Country A and Country B, respectively, in India for the P.Y. 2024-25 is-

- (A) Exempt from income-tax under section 10
- (B) Taxable under the Income-tax Act, 1961
- (C) Remuneration received by Mr. Harry is exempt but remuneration received by Mr. Sujoy is taxable
- (D) Remuneration received by Mr. Sujoy is exempt but remuneration received by Mr. Harry is taxable

[Hint: Refer Sec 10(6)(ii)]

Question 19 [Difficult]

Mr. A (aged 45 years) sold an agricultural land for Rs. 52 lakhs on 04.10.2024 acquired at a cost of Rs. 49.25 lakhs on 13.09.2023 situated at 7 kms from the jurisdiction of municipality having population of 4,00,000 and also sold another agricultural land for Rs. 53 lakhs on 12.12.2024 acquired at a cost of Rs. 46 lakhs on 15.02.2023 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 A.Y. 2025-26?

CII for F.Y. 2022-23: 331, 2023-24: 348; 2024-2025: 363

- (A) Short-term capital gain of Rs. 9.75 lakhs
- (B) Short-term capital gain of Rs. 7 lakhs
- (C) Long-term capital gain of Rs. 2,72,212
- (D) Long-term capital gain of Rs. 2,50,158

[Hint: Refer definition of capital asset]

Question 20: [Easy]

Mr. Raghav has three houses for self-occupation. What would be the tax treatment for A.Y. 2025-26 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.

Question 21: [Easy]

Mr. Mayank has received a sum of Rs. 75,000 on 24.10.2024 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 Rs. 75,000 is chargeable to tax
- (B) Entire Rs. 75,000 is exempt from tax
- (C) Only Rs. 25,000 is chargeable to tax
- (D) Only 50% i.e., Rs. 37,500 is chargeable to tax

[Hint: Refer Sec 56(2)(x)]

Question 22: [Easy]

The HRA paid to an employee residing in Patna who opts out of default regime u/s 115BAC(1) is exempt up to the lower of actual HRA, excess of rent paid over 10% of salary and-

- (A) 30% of salary
- (B) 40% of salary
- (C) 50% of salary
- (D) 60% of salary

[Hint: Refer Sec 10(13A)]

Question 23: [Easy]

For the purpose of determining the perquisite value of loan at concessional rate given to the employee, the lending rate of State Bank of India as on _____ is required;

- (A) 1st day of the relevant previous year
- (B) Last day of the relevant previous year
- (C) The day loan is given
- (D) 1st day of the relevant assessment year

[Hint: Refer perquisite valuation rules]

Question 24: [Easy]

Mr. Vikas received a gold ring worth Rs. 60,000 on the occasion of his daughters wedding from his best friend Mr. Vishnu. Mr. Vishnu also gifted a gold chain to Kavya, daughter of Mr. Vikas, worth Rs. 80,000 on the said occasion. Would such gifts be taxable in the hands of Mr. Vikas and Ms. Kavya?

- (A) Yes, the gift of gold ring and gold chain is taxable in the hands of Mr. Vikas and Ms. Kavya, respectively
- (B) Such gifts are not taxable in the hands of Mr. Vikas nor in the hands of Ms. Kavya
- (C) Value of gold ring is taxable in the hands of Mr. Vikas but value of gold chain is not taxable in the hands of Ms. Kavya
- (D) Value of gold chain is taxable in the hands of Ms. Kavya but value of gold ring is not taxable in the hands of Mr. Vikas

[Hint: Refer Sec 56(2)(x)]

Question 25: [Easy]

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 2024-25 on loan (taken for acquisition of property during the year 2004) is Rs. 2,05,000. The amount of allowable deduction in respect of each co-owner, if they have exercised the option of shifting out of the default regime provided under section 115BAC (1A), is;

- (A) Rs. 2,05,000
- (B) Rs. 1,02,500
- (C) Rs. 2,00,000
- (D) Rs. 1,00,000

[Hint: Refer Sec 26]

Question 26: [Easy]

Mr. Kashyap received basic salary of Rs. 20,000 p.m. from his employer. He also received children education allowance of Rs. 3,000 for three children and transport allowance of Rs. 1,800 p.m. Assume he exercises the option of shifting out of the default regime provided under section 115BAC(1A). The amount of salary chargeable to tax for P.Y. 2024-25 is-

- (A) Rs. 2,62,600
- (B) Rs. 2,12,600
- (C) Rs. 2,11,6000
- (D) Rs. 2,12,200

[Hint: Refer illustration 2 of Unit 1]

Question 27: [Easy]

Mr. Hari received voluntary retirement compensation of Rs. 8,00,000 after 30 years 2 months of service. He still has 5 years of service left. At the time of voluntary retirement, he was drawing basic salary Rs. 15,000 p.m.; Dearness allowance (which forms part of pay) Rs. 3,000 p.m. Compute his taxable voluntary retirement compensation, assuming that he does not claim any relief under section 89-

- (A) Rs. 8,00,000
- (B) Rs. 5,00,000
- (C) Rs. 3,00,000
- (D) Nil

[Hint: Refer Sec 10(10C)]

Question 28: [Easy]

Anand is provided with furniture to the value of Rs. 70,000 along with house from 1st April, 2024. The actual hire charges paid by his employer for hire of furniture is Rs. 5,000 p.a. The value of furniture to be included along with value of furnished house for A.Y. 2025-26 is-

- (A) Rs. 5,000
- (B) Rs. 7,000
- (C) Rs. 10,000
- (D) Rs. 14,000

[Hint: Refer perquisite valuation rules on rent free accommodation]

Question 29: [Easy]

Mr. Ramesh, a citizen of India, is employed in the Indian embassy in Australia. He is a non-resident for A.Y. 2025-26. He received salary and allowances in Australia from the Government of India for the year ended 31.03.2025 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.

[Hint: Refer Sec 10(7)]

Question 30: [Easy]

Mr. X acquires an asset in the year 2017-18 for the use for scientific research for Rs. 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.2024-25, 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) Rs. 2,75,000 less notional depreciation under section 32 upto the date of transfer
- (D) Actual cost of the asset i.e., Rs. 2,75,000

[Hint: Refer Sec 43(1)]

Question 31: [Easy]

Mr. Kashyap has acquired a building from his friend on 10.10.2024 for Rs. 15,00,000. The stamp duty value of the building on the date of purchase is Rs. 16,20,000. Income chargeable to tax in the hands of Mr. Kashyap is;

- (A) Rs. 70,000
- (B) Rs. 50,000
- (C) Nil
- (D) Rs. 1,20,000

[Hint: Refer Sec 56(2)(x)]

Question 32: [Easy]

An electricity company charging depreciation on straight line method on each asset separately, sells one of its machinery in April, 2024 at Rs. 1,20,000. The WDV of the machinery at the beginning of the year i.e., on 1st April, 2024 is Rs. 1,35,000. No new machinery was purchased during the year. The shortfall of Rs. 15,000 would be -

- (A) Terminal depreciation
- (B) Normal depreciation
- (C) Always a short-term capital loss

(D) Short-term capital loss or long-term capital loss, depending upon the period of holding.

[Hint: Refer Sec 32(1)(iii)]

Question 33: [Easy]

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 u/s 112A.
- (D) Capital gains without deducting STT paid is taxable u/s 111A.

Question 34 [Medium]

Mr. A purchased equity shares of a listed company on 01.05.2024 through Bombay Stock Exchange. He will sell the said shares after holding them for 18 months on BSE. Mr. A is predicting that he will make a profit of Rs. 1,30,000 by selling the equity shares and further, is of the view that the said profit shall be exempt from income-tax. Determine whether Mr. A's view is correct in the light of the tax implications that shall arise in his hands in the year of transfer of the said equity shares.

- (A) Mr. A's view is correct. The resultant gain would be a long-term capital gain arising from sale of STT paid listed equity shares, which is fully exempt from tax.
- (B) Mr. A's view is incorrect. The resultant gain would be a long-term capital gain, chargeable to tax in his hands at the rate of 20%.
- (C) Mr. A's view is incorrect. The resultant gain would be a short term capital gain, chargeable to tax in his hands at the rate of 20%
- (D) Mr. A's view is partially correct. The resultant gain would be a long term capital gain, exempt to the extent of Rs. 1,25,000. The long-term capital gain in excess of Rs. 1,25,000 would be taxable@12.5%

Question 35 [Medium]

A building was acquired on 01.04.1995 for Rs. 20,00,000 and sold for Rs. 80,00,000 on 01.09.2024. The fair market value of the building on 01.04.2001 was Rs. 25,00,000. Its stamp duty value on the same date was Rs. 22,00,000. Determine the capital gains on sale of such building for the A.Y. 2025-26?

CII for F.Y. 2001-02: 100; F.Y. 2024-25: 363

- (A) Rs. 58,00,000
- (B) Rs. 55,00,000
- (C) Rs. 60,00,000
- (D) Rs. 14,000

Question 36 [Medium]

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. 2024- 25, following transactions were undertaken by Mr. Jagat:

- (i) He attended a seminar on "Perquisite Valuation". Seminar fees of Rs. 12,500 was paid by Bharat Ltd.
- (ii) Tuition fees of Mr. Himanshu (son of Mr. Jagat) paid to private coaching classes (not having any tie-up with Bharat Ltd.) was reimbursed by Bharat Ltd. Amount of fees was Rs. 25,000.
- (iii) Ms. Sapna (daughter of Mr. Jagat) studies in Bharat Public School (owned and maintained by Bharat Ltd.). Tuition fees paid for Ms. Sapna was Rs. 750 per month by Mr. Jagat. Cost of education in similar institution is Rs. 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. 2025-26?

- (A) Rs. 25,000
- (B) Rs. 37,500
- (C) Rs. 66,500
- (D) Rs. 79,000

Question 37 [Medium]

The WDV of block (Plant and Machinery, rate of depreciation 15%) as on 01.04.2024 is Rs. 3,20,000. A second-hand machinery costing Rs. 50,000 was acquired on 01.09.2024 through account payee cheque but put to use on 01.11.2024. During January 2025, part of this block was sold for Rs. 2,00,000. The depreciation for A.Y. 2025-26 would be-

- (A) Rs. 21,750
- (B) Rs. 25,500
- (C) Rs. 21,125
- (D) Rs. 12,750

[Refer Sec 32(1)(ii)]

Question 38 [Medium]

Mr. Vikas took a loan of Rs. 15,00,000 @10% p.a. on 1-4-2021 for the construction of residential house for self-occupation. The construction of the house began in June, 2021 and was completed on 30-6-2024. He has not repaid any amount of loan so far. The amount of interest deduction u/s 24(b) for A.Y. 2025-26, if he has exercised the option of shifting out of the default regime provided under section 115BAC (1A), is;

- (A) Rs. 1,50,000
- (B) Rs. 1,80,000
- (C) Rs. 2,00,000
- (D) Rs. 2,10,000

[Hint: Refer Sec 24(b)]

Question 39 [Difficult]

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

- 12.06.2024: loan repayment of Rs. 27,000 taken for business purpose from his friend Kunal. The repayment also includes interest of Rs. 5,000

- 19.08.2024: Portable dye machinery purchased for Rs. 15,000. The payment was made in cash in three weekly instalments.
- 26.01.2025: Payment of Rs. 10,000 made to electrician due to unforeseen electric circuit at shop.
- 28.02.2025: Purchases made from unregistered dealer for Rs. 13,500

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

- (A) Rs. 18,500
- (B) Rs. 28,500
- (C) Rs. 13,500
- (D) Nil

[Hint: Refer Section 44AD]

Question 40 [Difficult]

Mr. Karan completed his MBA in April 2024 and joined XYZ Ltd from 01.05.2024. His basic salary is Rs. 2,25,000 p.m. He is paid 12% of basic salary as D.A forming part of retirement benefits. He contributed 11% of his pay and D.A. towards recognized provident fund and the company contributes the same amount. Accumulated interest on provident fund as on 31.3.2025 is Rs. 49,325. What would be the income chargeable to tax under the head Salaries of Mr. Karan for the A.Y. 2025-26, if he exercises the option of shifting out of the default regime provided under section 115BAC(1A)?

- (A) Rs. 27,26,442
- (B) Rs. 27,30,884
- (C) Rs. 27,22,000
- (D) Rs. 27,71,325

[Hint: Refer Sec 10(11)]

Answers:

Question No.	Answers	Question No.	Answers
1	(D)	21	(A)
2	(B)	22	(B)
3	(C)	23	(A)
4	(A)	24	(C)
5	(C)	25	(C)
6	(B)	26	(B)
7	(D)	27	(C)
8	(C)	28	(A)
9	(D)	29	(C)
10	(B)	30	(A)
11	(C)	31	(C)
12	(B)	32	(A)
13	(C)	33	(C)
14	(A)	34	(D)
15	(B)	35	(A)
16	(D)	36	(D)
17	(C)	37	(A)
18	(B)	38	(C)
19	(B)	39	(D)
20	(B)	40	(A)

4. Clubbing of Income

Question 1 [Easy]

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

[Hint: Refer question 3 of Test your knowledge]

Question 2 [Difficult]

Mr. Raj makes a gift of Rs. 25,000 to his wife, Mrs. Rama, on 27.03.2024. Mrs. Rama, on 1.4.2024, invests Rs. 75,000 (Rs. 25,000 out of gift and Rs. 50,000 of her own) in a partnership firm as capital which is her total capital contribution in the firm. During the year ended 31.03.2025 she earns an interest of Rs. 12,000 and salary of Rs. 1,20,000 from the firm, both of which are approved by the partnership deed. What amount shall form part of total income of Mr. Raj for the previous year 2024-25?

- (A) Rs. 3,000 as interest on capital from firm
- (B) Rs. 4,000 as interest on capital from firm
- (C) Rs. 3,000 as interest on capital from firm and Rs. 40,000 as salary from firm
- (D) Rs. 4,000 as interest on capital from firm and Rs. 40,000 as salary from firm

[Hint: Refer Illustration 5]

Question 3 [Medium]

Mrs. Shivani, wife of Mr. Anurag, is a partner in a firm. Her capital contribution is Rs. 5 lakhs to the firm as on 1.4.2024 which includes Rs. 3.5 lakhs contributed out of gift received from Anurag. The firm paid interest on capital of Rs. 50,000 and share of profit of Rs. 60,000 during the F.Y.2024-25. 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 Rs. 39,286 is includible in the income of Mr. Anurag and interest of Rs. 10,714 is includible in the income of Mrs. Shivani.
- (C) Share of profit is exempt but interest of Rs. 35,000 is includible in the income of Mr. Anurag and interest of Rs. 15,000 is includible in the income of Mrs. Shivani.
- (D) Share of profit to the extent of Rs. 42,000 and interest on capital to the extent of Rs. 35,000 is includible in the hands of Mr. Anurag.

[Hint: Refer Illustration 5]

Question 4 [Medium]

Mr. Vishal started a proprietary business on 01.04.2023 with a capital of Rs. 5,00,000. He incurred a loss of Rs. 1,00,000 during the year 2023-24. To overcome the financial position, his wife Mrs. Kamini, a Chartered Accountant, gave a gift of Rs. 4,00,000 on 01.04.2024, which was immediately invested in the business by Mr. Vishal. He earned a profit of Rs. 2,00,000 during the year 2024-25. What is the amount to be clubbed in the hands of Mrs. Kamini for the Assessment Year 2025-26?

- (A) Rs. 88,888
- (B) Rs. 1,00,000
- (C) Rs. 2,00,000
- (D) Nil

[Hint: Refer illustration 5]

Question 5 [Medium]

Ram owns 500, 15% debentures of R Industries Ltd. of Rs. 500 each. Annual interest of Rs. 37,500 was payable on these debentures for P.Y. 2024-25. He transfers interest income to his friend Shyam, without transferring the ownership of these debentures. While filing return of income for A.Y. 2025-26, Shyam showed Rs. 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.

[Hint: Refer illustration 1]

Question 6 [Medium]

Mrs. Bhawna, wife of Mr. Sonu, is a partner in a firm. Her capital contribution of Rs. 10 lakhs to the firm as on 31.3.2024 included Rs. 6 lakhs contributed out of gift received from Sonu. On 1.4.2024, she further invested Rs. 2 lakh out of gift received from Sonu. The firm paid interest on capital of Rs. 1,20,000 and share of profit of Rs. 1,00,000 during the F.Y.2024-25. 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. Bhawna
- (B) Share of profit is exempt but interest of Rs. 80,000 is includible in the income of Mr. Sonu and interest of Rs. 40,000 is includible in the income of Mrs. Bhawna
- (C) Share of profit is exempt but interest of Rs. 72,000 is includible in the income of Mr. Sonu and interest of Rs. 48,000 is includible in the income of Mrs. Bhawna
- (D) Share of profit to the extent of Rs. 60,000 and interest on capital to the extent of Rs. 72,000 is includible in the hands of Mr. Sonu

[Hint: Refer Sec 64(1)(iv) and 10(2A)]

Question 7: [Easy]

On 20.10.2024, Pihu (minor child) gets a gift of Rs. 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 Rs. 13,000 was earned during the P.Y. 2024-25. In whose hands the income of Pihu shall be taxable? Also, compute the amount of income that shall be taxable under default regime under section 115BAC

- (A) Income of Rs. 20,11,500 shall be taxable in the hands of Pihu's father
- (B) Income of Rs. 20,13,000 shall be taxable in the hands of Pihu's father
- (C) Income of Rs. 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 Rs. 20,13,000 shall be taxable in the hands of Pihu's father or mother, whose income before this clubbing is higher

[Hint: Refer Sec 64(1A)]

Question 8 [Easy]

Mr. A, a member of his father, Mr. C's HUF, converts his individual property into property of the HUF. If the converted property is subsequently partitioned among the members of the HUF, the income derived from such converted property as is received by Mrs. A will be taxable -

- (A) as the income of Mr. C
- (B) as the income of Mrs. A
- (C) as the income of the HUF
- (D) as the income of Mr. A

[Hint: Refer Sec 64(2)]

Question 9 [Easy]

Mr. Aarav gifted a house property valued at Rs. 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 Rs. 20,000 per month throughout the P.Y.2024-25, Compute income from house property for A.Y.2025- 26. In whose hands is the income from house property chargeable to tax?

- (A) Rs. 2,40,000 in the hands of Mr. Aarav
- (B) Rs. 1,68,000 in the hands of Mr. Aarav
- (C) Rs. 1,68,000 in the hands of Geetha
- (D) Rs. 1,68,000 in the hands of Deepa

[Hint: Refer question 3 of Test your knowledge]

Question 10 [Difficult]

Pankaj gifted an amount of Rs. 3,00,000 to his wife, Pinky and Rs. 2,00,000 to his daughter, Rinky aged 20 years, on 1st April 2021. Both Pinky and Rinky invested the amounts on the same date in Government of India 11% Taxable Bonds. The interest accrues yearly and is reinvested in the same bonds. Determine what will be the amount taxable in hands of Pinky for A.Y. 2025-26.

- (A) Rs. 4,473
(B) Rs. 12,132
(C) Rs. 33,000
(D) Rs. 36,630

[Hint: Refer Sec 64(1A)]

Answers

Question No.	Answers
1	(D)
2	(A)
3	(C)
4	(B)
5	(B)
6	(B)
7	(D)
8	(D)
9	(B)
10	(B)

5. Set off and Carry forward

Question 1: [Easy]

During the A.Y.2024-25, Mr. A, exercising the option of shifting out of the default tax regime provided under section 115BAC(1A), has a loss of Rs. 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.2024-25. Now, while filing return of income for A.Y.2025-26, Mr. A wishes to set off the said loss against income from house property for the P.Y. 2024-25. His income from house property (computed) for the P.Y. 2024-25 is Rs. 5 lakhs and interest on bank fixed deposits is Rs. 1 lakh. Determine whether Mr. A can claim the said set off.

- (A) No, Mr. A cannot claim set off of loss of Rs. 8 lakhs during A.Y. 2025-26 as he failed to file his return of income u/s 139(1) for A.Y. 2024-25.
- (B) Yes, Mr. A can claim set off of loss of Rs. 2 lakhs, out of Rs. 8 lakhs, from his income from house property during A.Y. 2025-26 and the balance loss of Rs. 6 lakhs has to be carried forward to A.Y.2026-27.
- (C) Yes, Mr. A can claim set off of loss of Rs. 2 lakhs, out of Rs. 8 lakhs, from his income from any head during A.Y. 2025-26 and the balance loss of Rs. 6 lakhs has to be carried forward to A.Y.2026-27
- (D) Yes, Mr. A can claim set off of loss of Rs. 5 lakhs during A.Y. 2025-26 from his income of Rs. 5 lakhs from house property and the balance loss of Rs. 3 lakhs has to be carried forward to A.Y.2026-27.

[Hint: Refer Sec 71B]

Question 2 [Difficult]

Mr. Arpan (aged 35 years) submits the following particulars for the purpose of computing his total income:

Particulars	Rs.
Income from Salary (Computed)	4,00,000
Loss from let-out house property	(2,20,000)
Business loss	(1,00,000)
Bank interest (FD) received	80,000

Compute the total income of Mr. Arpan for the A.Y.2025-26 and the amount of loss that can be carried forward for the subsequent assessment year if he pays tax under section 115BAC?

- (A) Total income Rs. 2,00,000 and loss from house property of Rs. 20,000 and business loss of Rs. 20,000 to be carried forward to subsequent assessment year.
- (B) Total income Rs. 1,60,000 and loss from house property of Rs. 20,000 to be carried forward to subsequent assessment year.
- (C) Total income Rs. 4,00,000 and business loss of Rs. 20,000 to be carried forward to subsequent assessment year.
- (D) Total income Rs. 80,000.

Question 3 [Difficult]

The details of income/ loss of Mr. Kumar for P.Y. 2024-25 are as follows:

Particulars	Amt. (in Rs.)
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. 2025-26? Assuming that he has exercised the option of shifting out of the default regime provided u/s 115BAC(1A)?

- (A) Rs. 4,40,000
- (B) Rs. 3,20,000
- (C) Rs. 1,60,000
- (D) Rs. 4,80,000

[Hint:]

Question 4: [Easy]

Mr. Ravi incurred loss of Rs. 4 lakh in the P.Y.2024-25 in leather business. Against which of the following incomes earned during the same year, can he set-off such loss?

- (i) Profit of Rs. 1 lakh from apparel business
- (ii) Long-term capital gains of Rs. 2 lakhs on sale of jewellery
- (iii) Salary income of Rs. 1 lakh

- (A) First from (ii) and thereafter from (i); the remaining loss has to be carried forward
- (B) First from (i) and thereafter from (ii) and (iii)
- (C) First from (i) and thereafter from (iii); the remaining loss has to be carried forward
- (D) First from (i) and thereafter from (ii); the remaining loss has to be carried forward

[Hint: Refer Sec 70]

Question 5: [Easy]

A Ltd. has unabsorbed depreciation of Rs. 4,50,000 for the P.Y. 2024-25. This can be carried forward-

- (A) For a maximum period of 8 years and set-off against business income
- (B) Indefinitely and set-off against business income.
- (C) Indefinitely and set-off against and head of income
- (D) Indefinitely and set-off against any head of income except salary.

[Hint: Refer Sec 32(2)]

Question 6: [Easy]

Virat runs a business of manufacturing of shoes since the P.Y. 2022-23. During the P.Y. 2022-23 and P.Y. 2023-24, Virat had incurred business losses. He also has unabsorbed depreciation. For P.Y. 2024-25, he earned business profit (computed) of Rs. 3 lakhs.

Considering he may/may not have sufficient business income to set off his earlier losses and unabsorbed depreciation, 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. 2022-23, then loss for P.Y. 2023-24 and then unabsorbed depreciation.
- (B) First adjustment for loss of P.Y. 2023-24, then loss for P.Y. 2022-23 and then unabsorbed depreciation.
- (C) First adjustment for unabsorbed depreciation, then loss of P.Y. 2023-24 and then loss for P.Y. 2022-23.
- (D) First adjustment for unabsorbed depreciation, then loss of P.Y. 2022-23 and then loss for P.Y. 2023-24.

[Hint: Refer order off set of losses]

Question 7: [Easy]

Mr. A incurred short-term capital loss of Rs. 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.

[Hint: Refer Sec 70]

Question 8: [Medium]

During the A.Y. 2025-26, Mr. Kabir has a loss of Rs. 6 lakhs under the head 'Income from house property', loss of Rs. 5 lakhs from business of profession and income of Rs. 3 lakhs from long term capital gains. He filed his return of income for the A.Y. 2025-26 on 31.12.2025. Determine the total income of Mr. Kabir for A.Y. 2025-26 and the amount of loss which can be carried forward in a manner most beneficial to him?

- (A) Total income Nil; loss of Rs. 4,00,000 from house property and loss of Rs. 4,00,000 from business or profession.
- (B) Total income Rs. 1,00,000, loss of Rs. 4,00,000 from house property.
- (C) Total income Nil; No loss is allowed to be carried forward.
- (D) Total income Nil, loss of Rs. 6,00,000 from house property.

[Hint: Refer Sec 70 and 80]

Question 9: [Easy]

Mr. Rohan incurred loss of Rs. 3 lakh in the P.Y. 2024-25 in retail trade business. Against which of the following income during the same year, can he set-off such loss?

- (A) Profit of Rs. 1 lakh from wholesale cloth business
- (B) Long-term capital gains of Rs. 1.50 lakhs on sale of land
- (C) Speculative business income of Rs. 40,000
- (D) All of the above

[Hint: Refer Sec 70]

Question 10: [Easy]

Mr. X has Brought forward loss from house property of Rs. 3,10,000 of A.Y. 2024-25. While filing return under normal provision for A.Y. 2025-26, up to what extent he is allowed to set-off such brought forward loss against income from house property of A.Y. 2025-26 of Rs. 5,00,000 ?

- (A) Rs. 2,00,000
- (B) Rs. 3,10,000
- (C) Rs. 2,50,000
- (D) Rs. 1,00,000

[Hint: Refer Sec 71B]

Question 11: [Easy]

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

The exceptions to this are-

- (A) Loss from specified business u/s 73A
- (B) Loss under the head 'Capital Gains' and unabsorbed depreciation carried forward u/s 32(2)
- (C) Loss from house property and unabsorbed depreciation carried forward u/s 32(2)
- (D) Loss from speculation business u/s 73

[Hint: Refer Sec 80]

Answers

Question No.	Answers
1	(D)
2	(C)
3	(A)
4	(D)
5	(D)
6	(A)
7	(B)
8	(C)
9	(D)
10	(B)
11	(C)

6. Deductions

Question 1: [Medium]

Mr. Shiva made a donation of Rs. 50,000 to PM Cares Fund and Rs. 20,000 to Prime Minister's Drought Relief Fund by cheque. He made a cash donation of Rs. 10,000 to a public charitable trust registered u/s 80G. If Mr. Shiva has exercised the option of shifting out of the default regime provided under section 115BAC(1A), the deduction allowable to him under section 80G for A.Y. 2025-26 would be ;

- (A) Rs. 80,000
- (B) Rs. 70,000
- (C) Rs. 60,000
- (D) Rs. 35,000

[Hint: Refer Sec 80G]

Question 2: [Medium]

Mr. Srivatsav, aged 72 years, paid medical insurance premium of Rs. 52,000 by cheque and Rs. 4,000 by cash during May, 2024 under a Medical Insurance Scheme of the General Insurance Corporation. The above sum was paid for insurance of his own health. If he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A), he would be entitled to a deduction under section 80D of a sum of-

- (A) Rs. 30,000
- (B) Rs. 50,000
- (C) Rs. 52,000
- (D) Rs. 56,000

[Hint: Refer Sec 80D]

Question 3 [Difficult]

Mr. Krishna, a resident Indian aged 61 years, maintains a saving account with a co-operative land development bank and he earns Rs. 20,000 as interest on saving account for the Financial year 2024-25. Mr. Krishna also maintains a fixed deposit and recurring deposit account with Mani Finance (A Non- banking Finance Company) and earns Rs. 25,000 and Rs. 10,000 as interest on fixed deposit and recurring deposit, respectively. What would be the deduction allowable to Mr. Krishna under Chapter VI-A if he has exercised the option of shifting out of the default regime provided under section 115BAC(1A) for the A.Y. 2025-26?

- (A) Rs. 55,000
- (B) Rs. 10,000
- (C) Rs. 20,000
- (D) Rs. 50,000

[Hint: Refer Sec 80TTB]

Question 4: [Medium]

Rajan, a resident Indian, has incurred Rs. 15,000 for medical treatment of his dependent brother, who is a person with severe disability and has deposited Rs. 20,000 with LIC for his maintenance. For A.Y. 2025-26, if Mr. Rajan exercises the option of shifting out of the default

regime provided under section 115BAC(1A), he would be eligible for deduction under section 80DD of an amount equal to?

- (A) Rs. 15,000
- (B) Rs. 35,000
- (C) Rs. 75,000
- (D) Rs. 1,25,000

[Hint: Refer Sec 80DD]

Question 5: [Medium]

Mr. X 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 12.03.2016 and unit in DTA from 15.06.2017. Total turnover of Mr. X and Unit in DTA is Rs. 8,50,00,000 and Rs. 3,25,00,000, respectively. Export sales of unit in SEZ and DTA is Rs. 3,50,00,000 and Rs. 1,25,00,000, respectively and net profit of Unit in SEZ and DTA is Rs. 80,00,000 and Rs. 45,00,000, respectively. Proceeds from export sales in SEZ received in convertible foreign exchange by 30.09.2025 is Rs. 2,50,00,000. Assuming that Mr. X would file his return on or before 31.10.2025 exercising the option of shifting out of the default tax regime provided under section 115BAC(1A), he would be eligible for deduction under section 10AA for P.Y. 2024-25 of an amount equal to;

- (A) Rs. 38,09,524
- (B) Rs. 19,04,762
- (C) Rs. 23,52,941
- (D) Rs. 11,76,471

[Hint: Refer Sec 10AA]

Question 6: [Easy]

An individual has paid life insurance premium of Rs. 25,000, during the previous year for a policy of Rs. 1,00,000 taken on 01.04.2019. If he pays tax under default tax regime under section 115BAC, he shall-

- (A) Not be allowed deduction u/s 80C
- (B) Be allowed deduction of Rs. 20,000 u/s 80C
- (C) Be allowed deduction of Rs. 25,000 u/s 80C
- (D) Be allowed deduction of Rs. 10,000 u/s 80C

[Hint: Refer Sec 115BAC]

Question 7: [Medium]

Mr. Suhaan (aged 35 years), a non-resident, earned dividend income of Rs. 12,50,000 from an Indian company which was declared on 30.09.2024 and credited directly to his bank account on 05.10.2024 in France and Rs. 15,000 as interest on savings A/c from State bank of India for the P.Y. 2024-25. Assuming that he has no other income, what will be amount of income chargeable to tax in his hands in India for A.Y. 2025-26 if Mr. Suhaan has exercised the option of shifting out of the default regime provided under section 115BAC?

- (A) Nil
- (B) Rs. 12,65,000

(C) Rs. 12,50,000

(D) Rs. 12,55,000

[Hint: Refer Sec 115BAC]

Question 8: [Medium]

Mr. Ramesh pays a rent of Rs. 5,000 per month. His total income is Rs. 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. If he exercises the option of shifting out of the default tax regime u/s 115BAC, he would be eligible for a deduction under section 80GG of an amount of-

(A) Rs. 60,000

(B) Rs. 32,000

(C) Rs. 70,000

(D) Nil

[Hint: Refer Sec 80GG]

Question 9: [Difficult]

Mr. Arpit, an employee of MNO Ltd. has contributed Rs. 1,61,280 towards NPS and similar amount is contributed by his employer. His basic salary is Rs. 80,000 p.m. and dearness allowance is 40% of basic salary which forms part of retirement benefits. He also paid Rs. 55,000 towards LIC premium for himself and his wife and medical insurance premium of Rs. 35,000 by crossed cheque for his mother, being a senior citizen during the previous year 2024-25. How much deduction is available under chapter VI-A while computing total income of Mr. Arpit for the A.Y. 2025-26 if he exercises the option of shifting out of the default regime provided under section 115BAC(1A)?

(A) Rs. 3,46,280

(B) Rs. 3,69,400

(C) Rs. 3,19,400

(D) Rs. 3,96,280

[Hint: Refer Sec 80C, 80CCD, 80D]

Question 10: [Medium]

Gross total income of Arpita for P.Y. 2024-25 is Rs. 6,00,000. She had taken a loan of Rs. 7,20,000 in the financial year 2021-22 from a bank for her husband who is pursuing MBA course from IIM, Kolkata. On 02.04.2024, she paid the first instalment of loan of Rs. 45,000 and interest of Rs. 65,000. Compute her total income for A.Y. 2025-26, if she has exercised the option of shifting out of the default regime provided under section 115BAC(1A)?

(A) Rs. 6,00,000

(B) Rs. 5,35,000

(C) Rs. 4,90,000

(D) Rs. 5,55,000

[Hint: Refer Sec 80E]

Answers

Question No.	Answers
1	(C)
2	(B)
3	(C)
4	(D)
5	(B)
6	(A)
7	(D)
8	(D)
9	(B)
10	(B)

7. TDS, TCS and Adv. Tax

Question 1: [Medium]

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 statement 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

[Hint: Refer Sec 194A]

Question 2 [Easy]

Mr. X paid fees for professional services of Rs. 40,000 to Mr. Y, who is engaged only in the business of operation of call centre, on 15.07.2024. Tax is to be deducted by Mr. X at the rate of-

- (A) 10%
- (B) 5%
- (C) 2%
- (D) 1%

[Hint: Refer Sec 194J]

Question 3 [Medium]

Mr. X, a resident, is due to receive Rs. 6 lakhs on 31.3.2025, towards maturity proceeds of LIC policy taken on 1.4.2021, for which the sum assured is Rs. 5 lakhs and the annual premium is Rs. 1,50,000. Mr. Z, a resident, is due to receive Rs. 99,000 on 10.10.2024 towards maturity proceeds of LIC policy taken on 11.10.2015 for which the sum assured is Rs. 90,000 and the annual premium is Rs. 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

[Hint: Refer Sec 194DA]

Question 4 [Medium]

Mr. A has two bank accounts maintained with ICICI Bank and HDFC Bank, From 01.04.2024 till 31.03.2025, Mr. A withdrew the following amounts as cash from both the said accounts; HDFC Bank: Rs. 50 lakh on 1.02.2025, ICICI Bank: Rs. 120 lakh on 01.03.2025 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. 2021-22, P.Y. 2022-23 and P.Y. 2023-24?

- (A) Rs. 1,00,000 and Rs. 2,40,000
- (B) Nil and Rs. 40,000
- (C) Rs. 60,000 and Rs. 1,00,000

(D) Rs. 50,000 and Rs. 1,20,000

[Hint: Refer Sec 194N]

Question 5 [Easy]

Mr. Prakash is employed with XYZ Ltd. from 05.11.2019. He resigned on 31.03.2025 and wants to withdraw the accumulated balance of employer's contribution in his EPF Account i.e., Rs. 55,000. The tax deducted on such withdrawal would be

(A) Rs. 500 u/s 192

(B) Rs. 5,500 u/s 192

(C) Rs. 4,125 u/s 192A

(D) Rs. 5,500 u/s 192A

[Hint: Refer Sec 192A]

Question 6 [Medium]

Mr. Vyas, aged 80, is a retired government employee. On 1st April 2024, he received the maturity amount of his LIC policy amounting to Rs. 3,50,000. This policy was taken by Mr. Vyas on 1st April 2016 on which the sum assured was Rs. 3,00,000 and the annual premium was Rs. 40,000. His other income comprised of pension amounting to Rs. 85,000. Mr. Vyas furnishes a declaration in Form 15H for non-deduction of tax at source to the insurance company stating that his net tax liability for the year is NIL. Choose the correct statement from below:

(A) The declaration made by Mr. Vyas is wrong and the insurance company has to deduct tax of Rs. 3,500 under section 194DA

(B) The claim by Vyas is right and insurance company is not required to deduct tax at source

(C) The insurance company has to deduct tax under section 194DA since declaration in Form 15H cannot be made for tax deduction under section 194DA.

(D) The declaration made by Mr. Vyas is wrong and the insurance company has to deduct tax of Rs. 1,000 under section 194DA

[Hint: Refer Sec 197A]

Question 7 [Easy]

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

(A) Only under section 44AD

(B) Under section 44AD and 44ADA

(C) Under Section 44AD and 44AE

(D) Under section 44AD, 44ADA and 44AE

[Hint: Refer Sec 234C]

Question 8 [Easy]

Mr. P is a professional who is responsible for paying a sum of Rs. 2,00,000 as rent for use of building to Mr. Harshit, a resident, for the month of February, 2025. The gross receipts of Mr. P are as under: From 01.04.2023 to 31.03.2024: Rs. 55,00,000 From 01.04.2024 to 28.02.2025: Rs. 45,00,000 Whether Mr. P is responsible for deducting any tax at source from the rent of Rs. 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.

[Hint: Refer Sec 194-I]

Question 9: [Easy]

Mr. X, a resident Indian, wins Rs. 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) Tax is deductible u/s 194BB @30%

[Hint: Refer Section 194B]

Question 10 [Difficult]

Mr. Ram acquired a house property at Chennai from Mr. Satyam, a resident, for a consideration of Rs. 85 lakhs, on 23.8.2024. 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 Rs. 50 lakhs and rural agricultural land from Mr. Danish, a resident, for a consideration of Rs. 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 Rs. 85 lakhs and Rs. 50 lakhs are attracted. No TDS on payment of Rs. 75 lakhs for acquisition of rural agricultural land.
 (D) TDS@1% on Rs. 85 lakhs is attracted. No TDS on payments of Rs. 50 lakhs and Rs. 75 lakhs.

[Hint: Refer Sec 194-IA]

Question 11 [Medium]

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 2024-25 are as follows:

Date of Cash withdrawal	Saving Account	Current Account
05.04.2024	15,00,000	-
10.05.2024	-	22,00,000
25.06.2024	20,00,000	-
17.07.2024	-	5,00,000
28.10.2024	35,00,000	-
10.11.2024	-	38,00,000
12.12.2024	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 2024-25? If yes, what would the amount of tax deducted at source?

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

[Hint: Refer Sec 194N]

Question 12 [Easy]

An interior decorator declares profits from profession under presumptive taxation scheme under section 44ADA for A.Y. 2025-26.-

- (A) He is liable to pay advance tax on or before 15.3.2025
- (B) He is not liable to advance tax
- (C) He is liable to pay advance tax in three instalments i.e., on or before 15.9.2024, 15.12.2024 and 15.3.2025
- (D) He is liable to pay advance tax in four instalments i.e., on or before 15.6.2024, 15.9.2024, 15.12.2024 and 15.3.2025

[Hint: Refer Sec 234C]

Question 13 [Difficult]

Mr. Jha, an employee of FX Ltd, attained 60 years of age on 15.05.2024. He is resident in India during F.Y. 2024-25 and earned salary income of Rs. 5 lakhs (computed). During the year, he earned Rs. 7 lakhs from winning of lotteries. What shall be his advance tax liability for A.Y. 2025-26, if all tax deductible at source has been duly deducted and remitted to the credit of Central Government on time? Assume that he pays tax under the default regime u/s 115BAC.

- (A) Rs. 2,20,000 + Cess Rs. 8,800 Rs. 2,28,800, being the tax payable on total income of Rs. 12 lakhs
- (B) Rs. 2,10,000 + Cess Rs. 8,400 Rs. 2,18,400, being the tax payable on lottery income of Rs. 7 lakhs
- (C) Rs. 10,000+ Cess Rs. 8,800 Rs. 18,800, being the net tax payable on salary income
- (D) Nil

[Hint: Refer Sec 208 and Sec 115BAC. Also note that health and education cess not applicable on TDS in case of resident deductees]

Question 14 [Easy]

Mr. T, an Indian Citizen and resident of India, earned dividend income of Rs. 4,500 from an Indian company, which was declared on 1.10.2024 and paid in cash to Mr. T. What are the tax implications with respect to the dividend in the hands of Mr. T and Indian Company?

- (A) Such dividend is taxable in the hands of Mr. T and Indian company is required to deduct tax at source @5%.
- (B) Such dividend is taxable in the hands of Mr. T and Indian company is required to deduct tax at source @10%.
- (C) Such dividend is taxable in the hands of Mr. T. However, Indian company is not required to deduct tax at source since it does not exceed Rs. 5,000.
- (D) Such dividend is exempt in the hands of Mr. T. Hence, Indian company is not required to deduct tax at source.

[Hint: Refer Sec 194]

Question 15 [Medium]

Mr. Raj (a non-resident and aged 65 years) is a retired person, earning rental income of Rs. 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? Assume that he pays tax under the default regime u/s 115BAC.

- (A) Yes, he is liable to pay advance tax in India as he is a non-resident and is not eligible for rebate under section 87A
- (B) No, he is not liable to pay advance tax in India as his tax liability in India is less than Rs. 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)

[Hint: Refer Sec 208]

Answers

Question No.	Answers
1	(D)
2	(C)
3	(B)
4	(B)
5	(D)
6	(B)
7	(B)
8	(D)
9	(C)
10	(C)
11	(D)
12	(A)
13	(D)
14	(B)
15	(B)

8. Return of Income

Question 1 [Medium]

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 Rs. 40,000 to mutual fund for purchase of its units
- IV. Cash deposit with a post office of Rs. 1,00,000 during a day.
- V. A fixed deposit of Rs. 30,000 with a NBFC registered with RBI aggregating the total deposits to Rs. 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 Rs. 60,000

Choose the correct answer:

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

[Hint: Refer Sec 139A]

Question 2 [Difficult]

Iskon Inc., a foreign company and non-resident in India for A.Y. 2025-26, engaged in the business of trading of tube-lights outside India. The principal officer of the company has approached you to enlighten him regarding the provisions of the Income-tax Act, 1961 pertaining to the person who is required to verify the return of income in case of Iskon Inc. Advise him as to which of the following statements are correct, assuming that the company has a managing director-

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

Choose the correct answer:

- (A) I or II or III
- (B) Only I
- (C) I or III
- (D) Only III

[Hint: Refer Sec 140]

Question 3: [Easy]

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 Rs. 3,00,000 and the profit is Rs. 75,000

for the P.Y. 2024-25. He has asked you to provide him threshold of turnover, if any, exceeding which he has to apply for PAN.

- (A) Rs. 2,00,000
- (B) Rs. 2,50,000
- (C) Rs. 3,00,000
- (D) Rs. 5,00,000

[Hint: Refer Sec 139A]

Question 4: [Easy]

Mr. X is a working partner and Mr. Y is a non-working partner of XYZ partnership firm. XYZ Partnership firm is subject to tax audit under section 44AB for the P.Y. 2024-25. What is the due date for filing return of income for Mr. X and Mr. Y for the A.Y. 2025-26?

- (A) 31st July, 2025 for both Mr. X and Mr. Y
- (B) 31st October, 2025 for both Mr. X and Mr. Y
- (C) 31st July, 2025 for Mr. X and 31st October, 2025 for Mr. Y
- (D) 31st July, 2025 for Mr. Y and 31st October, 2025 for Mr. X

[Hint: Refer Sec 139(1)]

Question 5: [Easy]

Mr. Pawan is engaged in the business of roasting and grinding coffee beans. During F.Y. 2024-25, his total income is Rs. 4.5 lakhs. Mr. Pawan filed his return of income for A.Y. 2025-26 on 3rd December, 2025. What shall be the fee payable for default in furnishing in return of income for A.Y. 2025-26?

- (A) Rs. 5,000
- (B) Not exceeding Rs. 1,000
- (C) No fee is payable as tax on total income is Nil
- (D) No fees payable as total income is below Rs. 5,00,000

[Hint: Refer Sec 234F]

Question 6: [Easy]

Mr. Z, a salaried individual, has a total income of Rs. 8 lakhs for A.Y. 2025-26. He furnishes his return of income for A.Y. 2025-26 on 28th August, 2025. He is liable to pay fee of-

- (A) Upto Rs. 1,000 u/s 234F
- (B) Rs. 5,000 u/s 234F
- (C) Rs. 10,000 u/s 234F
- (D) Not liable to pay any fee

[Hint: Refer Sec 234F]

Question 7: [Easy]

Mr. Dinesh, a resident in India, has gross total income of Rs. 2,30,000 comprising of interest on saving A/c and rental income during the previous year 2024-25. He incurred expenditure of Rs. 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 2025-26? 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

[Hint: Refer Sec 139(1)]

Question 8: [Easy]

Arun's gross total income of P.Y. 2024-25 is Rs. 2,45,000. He exercises the option of shifting out of the default regime provided under section 115BAC(1A). He deposits Rs. 45,000 in PPF. He pays electricity bills aggregating to Rs. 1.20 lakhs in the P.Y.2024-25. Which of the statements is correct?

- (A) Arun is not required to file his return of income u/s 139(1) for P.Y. 2024-25, 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. 2024-25, since his electricity bills do not exceed Rs. 2,00,000 for the P.Y.2024-25.
- (C) Arun is not required to file his return of income u/s 139(1) for P.Y. 2024-25, since neither his total income before giving effect to deduction under section 80C exceeds the basic exemption limit nor his electricity bills exceed Rs. 2 lakh for the P.Y. 2024-25.
- (D) Arun is required to file his return of income u/s 139(1) for P.Y. 2024-25, since his electricity bills exceed Rs. 1 lakh for the P.Y.2024-25.

[Hint: Refer Sec 139(1)]

Question 9: [Easy]

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

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

Choose the correct answer:

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

[Hint: Refer Sec 139(5)]

Question 10 [Easy]

Mr. Kumar, aged 62 years resident and ordinarily resident, is a retired employee with a monthly pension of Rs. 22,000. He has no other source of income. He has a house property in Bhatinda and his only son is living in London and has a house over there. His son met with an accident and died and thereby leaving the house at London in the name of Mr. Kumar. Mr. Kumar seeks your advice, as to whether he is required to file his income-tax return u/s 139?

- (A) Yes, he is mandatorily required to file his income-tax return as he is a resident and ordinarily resident in India and has asset located outside India
- (B) No, he is not required to file return of income as his income is below basic exemption limit

- (C) Yes, he is required to file his return of income as his income exceeds the basic exemption limit
- (D) No, he is not required to file his return of income as he is a senior citizen and retired employee
- [Hint: Refer Sec 139(1)]**

Answers

Question No.	Answers
1	(A)
2	(C)
3	(D)
4	(B)
5	(B)
6	(B)
7	(D)
8	(D)
9	(D)
10	(A)

Case Study 1

Mr. Rajesh Sharma, aged 54 years, an Indian citizen, is working as Assistant Manager in ABC India Ltd. He is getting basic salary of Rs. 58,000 per month. He used to travel frequently out of India for his office work. He left India from Delhi Airport on 5th October, 2024 and returned to India on 2nd April, 2025.

For previous year 2024-25, following information are relevant;

- (a) Dearness Allowance 10% of Basic Pay (considered for retirement purposes)
- (b) Bonus Rs. 98,000
- (c) Medical allowance paid during P.Y. 2024-25 amounting to Rs. 60,000
- (d) He was also reimbursed medical bill of his mother amounting to Rs. 15,000
- (e) He was also transferred a laptop by company for Rs. 15,000 on 31 December, 2024. The laptop was acquired by company on 1 October, 2021 for Rs. 1,00,000. Company was charging depreciation at 31.666% assuming useful life of laptop as 3 years
- (f) He was also reimbursed salary of house servant of Rs. 4,000 per month
- (g) Professional Tax paid by employer amounting to Rs. 2,400
- (h) 400 equity shares allotted by ABC India Ltd. at the rate of Rs. 250 per share against fair market value of share of Rs. 350 on the date of exercise of option
- (i) Short-term capital gain on sale of shares of listed company on which STT is paid amounting to Rs. 94,000
- (j) Mr. Rajesh has exercised the option of shifting out of the default tax regime under section 115BAC

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

Question 1

What is Mr. Rajesh Sharma's residential status for the A.Y. 2025-26?

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

Question 2

What are his taxable perquisites for A.Y. 2025-26?

- (A) Rs. 55,000
- (B) Rs. 90,400
- (C) Rs. 1,05,400
- (D) Rs. 1,03,000

Question 3

What is the income chargeable under the head “Salaries” in the hands of Mr. Rajesh Sharma for A.Y. 2025-26?

- (A) Rs. 9,76,600
- (B) Rs. 9,86,600
- (C) Rs. 9,71,600
- (D) Rs. 9,61,600

Question 4

The total tax liability of Mr. Rajesh Sharma for A.Y. 2025-26 is:

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

Question 5

What would be the total tax liability of Mr. Rajesh Sharma for A.Y.2025-26 if he does not exercise the option of shifting out of the default tax regime under section 115BAC and pays tax under default tax regime under section 115BAC.

- (A) Rs. 81,590
- (B) Rs. 73,790
- (C) Rs. 89,390
- (D) Rs. 61,880

Case Study 2

Mr. Hardik (age 45 years) is appointed as senior executive officer in Sky India Limited, Mumbai on 01.02.2024 in the scale of Rs. 35,000-3,500-65,000. He is paid dearness allowance 40% of basic pay forming part of retirement benefits

He is given rent free unfurnished accommodation from 01.10.2024. The company pays lease rent of Rs. 5,000 p.m.

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

He pays lumpsum premium of Rs. 1,20,000 towards health insurance for self and his wife (age 43 years) for 48 months on 01.10.2024 by account payee cheque. He also contributes Rs. 1,50,000 towards PPF.

Mr. Hardik wants to pay tax under default tax regime under section 115BAC

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

Question 1

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

- (A) Rs. 30,380
- (B) Rs. 29,890
- (C) Rs. 44,100
- (D) Rs. 30,000

Question 2

What amount of health insurance premium paid during the previous year 2024-25 by Mr. Hardik can be claimed as deduction while computing total income, if he exercises the option to shift out of the default tax regime under section 115BAC?

- (A) Rs. 30,000
- (B) Rs. 15,000
- (C) Rs. 24,000
- (D) Rs. 25,000

Question 3

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

- (A) Rs. 28,800
- (B) Rs. 21,600
- (C) Rs. 60,000
- (D) Rs. 1,40,000

Question 4

Would you advise Mr. Hardik to exercise the option of shifting out of the default tax regime under section 115BAC?

- (A) Yes, Mr. Hardik should exercise the option of shifting out of the default tax regime and pays tax under normal provisions of the Act, since in such case his tax liability would be Rs. 53,310, being lower than the tax liability under default tax regime under section 115BAC
- (B) Yes, Mr. Hardik should exercise the option of shifting out of the default tax regime and pays tax under normal provisions of the Act, since in such case his tax liability would be Rs. 22,100, being lower than the tax liability default tax regime under section 115BAC
- (C) No, Mr. Hardik should not exercise the option of shifting out of the default tax regime, since as per default tax regime, his tax liability would be Rs. 18,510, being lower than the tax liability under normal provisions of the Act
- (D) No, Mr. Hardik should not exercise the option of shifting out of the default tax regime, since as per default tax regime, since as per default tax regime, his tax liability would be Nil.

Case Study 3

Mr. Rajan, aged 62 years, an Indian citizen, resides in Delhi. His wife Sheetal and daughter Riya also reside with him. Riya, aged 16 years, is studying in 12th Standard in DAV school at New Delhi. Mr. Rajan left for employment to Dubai on 15th September, 2024 but his family did not accompany him. He returned to India on 25th March 2025. Mr. Rajan had gone outside India for the first time in his life. During April, 2024 to September, 2024, he was working with a multinational company in Delhi. He earned salary of Rs. 14,00,000 from his job in India. He paid Tuition Fee of Rs. 1,80,000 for Riya's education in DAV school

Apart from that, Mr. Rajan also earned professional income of Rs. 60,00,000 (Gross Receipts Rs. 90 lakhs) from India. During the year, he also earned interest from his Indian savings bank account to the tune of Rs. 12,000 and interest from fixed deposits with nationalized banks of Rs. 45,000. Mr. Rajan also earned a salary income equivalent to Rs. 6,00,000 for his job in Dubai, on which no tax is paid or payable in Dubai, which was deposited in his bank account in Dubai and later on remitted to India. Mr. Rajan has exercised the option to shift out of the default tax regime under section 115BAC.

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

Question 1

What is the residential status of Mr. Rajan for the previous year 2024-25?

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

Question 2

What would be the income chargeable to tax under the head "Salaries" in the hands of Mr. Rajan in India for P.Y. 2024-25?

- (A) Rs. 20,00,000
- (B) Rs. 19,50,000
- (C) Rs. 13,50,000
- (D) Rs. 19,60,000

Question 3

How much deduction is available under Chapter VI-A from the Gross Total Income of Mr. Rajan ?

- (A) Rs. 2,30,000
- (B) Rs. 1,95,000
- (C) Rs. 1,60,000
- (D) Rs. 2,00,000

Question 4

What shall be the tax liability of Mr. Rajan for the A.Y. 2025-26?

- (A) Rs. 22,69,810
- (B) Rs. 22,58,940
- (C) Rs. 22,56,080
- (D) Rs. 22,72,670

Question 5

What would be the due date for filing income-tax return of Mr. Rajan for the P.Y. 2024-25?

- (A) 31st July, 2025
- (B) 31st October, 2025
- (C) 30th November, 2025
- (D) 31st March, 2026

Case Study 4

Mr. X wanted to file his return of income for the previous year 2024-25. He required assistance for which he has approached you. He has shared the following details relevant to the P.Y. 2024-25.

Mr. X owned a house property in Mumbai and the same was rented out for Rs. 70,000 p.m. He claims that this was the only income which he earned during the P.Y. 2024-25. However, when you had sought for his bank statement, you observed the following information additionally.

There is a credit for Rs. 23,975 towards income-tax refund which includes Rs. 5,775 towards interest on income-tax refund. On 15th August, 2024, the bank statement showed a credit of Rs. 55,000 which he claimed to have received as a gift from his grandchildren on his 60th birthday. On further assessment you were able to understand that Mr. X and his wife had travelled to Australia during the P.Y. 2024-25 to spend some time with their daughter, who is staying in Australia, since her marriage. On scrutiny of their passport and relevant documents you conclude that they had left India on 27th September, 2024 and returned on 30th March, 2025. During the 4 years preceding previous year 2024-25, both had stayed in India for 320 days. Prior to that, they had been staying only in India.

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

Question 1

What is the residential status of Mr. X for the P.Y. 2024-25?

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

Question 2

Mr. X requests you to compute his tax liability for the A.Y. 2025-26? in a manner such that his tax liability is minimum. Accordingly, his tax liability would be:

- (A) Rs. 22,750
- (B) Rs. 29,910
- (C) Rs. 32,510
- (D) Nil

Question 3

Mr. X had given the house property at Mumbai on rent to Mr. Y, a salaried employee. Is there any requirement to deduct tax at source on such rent by Mr. Y, if yes, what would be the amount of TDS to be deducted ?

- (A) No, there is no requirement to deduct tax at source, since Mr. Y is a salaried employee
- (B) Yes, Mr. Y is required to deduct tax at source of Rs. 42,000
- (C) Yes, Mr. Y is required to deduct tax at source of Rs. 16,800
- (D) No, there is no requirement to deduct tax at source, since Mr. X is a non-resident

Question 4

Which of the following statements is correct with respect to advance tax liability of Mr. X for P.Y. 2024-25?

- (A) Advance tax liability shall not arise to Mr. X since he is a non-resident
- (B) Advance tax liability shall not arise, since Mr. X is a resident senior citizen and he has no income chargeable under the head "Profits and Gains of business or profession"
- (C) Advance tax liability shall arise, since he is a non-resident
- (D) Advance tax liability shall arise, since his tax liability is not less than Rs. 10,000

Case Study 5

Mr. Zukaro, aged 42 years, a Singapore citizen, visits India for business purpose on a regular basis. He was in India for the first time in the year 2020-21 for 270 days, in the year 2021-22 for 190 days, in the year 2022-23 for 145 days and in the year 2023-24 for 155 days. In the current financial year 2024-25, he along with his family had come to India on 10th August, 2024 for a pleasure trip. His family returned to Singapore on 31 August, 2024, however he stayed back to complete some business commitments and then returned to Singapore on 17th November, 2024.

Mr. Zukaro owns a manufacturing unit in Singapore. He basically comes to India for procurement of raw material. He has appointed Mr. Manish, as a dependent agent in Mumbai, who procures raw material from India and then exports it to Singapore to his manufacturing unit and then sells the finished product there. An income of Rs. 8,75,000 was received in Singapore out of this activity in the P.Y. 2024-25 He had purchased a residential property for Rs 17,50,000 in Indore in April 2020 On getting an attractive deal in November, 2024, he said the property for Rs. 26,25,000. He also paid brokerage @2% on sales consideration

Mr. Zukaro had also purchased an agricultural land in India and leased it out to a tenant. The tenant shares a portion of his agricultural income with Mr. Zukaro as a consideration for rent of land every year. The share in the income from the land for the previous year 2024-25 was Rs. 6,50,000.

CII for the FY. 2020-21: 301, F.Y.2024-25: 363

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

Question 1

What is the Residential Status for the assessment year 2025-26?

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

Question 2

Assume for the purpose of answering this question only, that Mr. Zukaro is a non-resident in India for the P.Y. 2024-25, would income of Rs. 8,75,000 earned through activity of procuring raw material for manufacturing unit in Singapore be taxable in India?

- (A) Yes, since it is deemed to accrue or arise in India through a business connection in India
- (B) No, as it is confined to purchase of goods in India for further export and hence not an income deemed to accrue or arise in India
- (C) Yes, as business is controlled from India
- (D) No, as income is received outside India

Question 3

Would income arising from transfer of residential property in Indore be chargeable to tax in India in the hands of Mr. Zukaro? If yes, compute the amount of capital gains chargeable to tax.

- (A) Yes, long term capital gain of Rs. 4,62,035 is chargeable to tax, since income is deemed to accrue or arise in India and hence taxable in his hands though he is non-resident in India.
- (B) Yes, long term capital gain of Rs. 5,14,535 is chargeable to tax, since he is resident in India
- (C) Yes, long term capital gain of Rs. 4,62,035 is chargeable to tax, since he is resident in India
- (D) Yes, long term capital gain of Rs. 8,22,500 is chargeable to tax, since he is resident in India

Question 4

Would income earned from agricultural land given on lease be taxable in the hands of Mr. Zukaro?

- (A) No, such income is exempt, since it is agriculture income
- (B) Yes, such income is taxable as income from house property, since land is given on lease
- (C) Yes, such income is taxable as income from other sources, since land is given on lease
- (D) Yes, such income is taxable since he is non-resident even though it is an agricultural income

Case Study 6

Mr. Animesh, an Indian citizen, aged 61 years, has set-up his business in Canada and is residing in Canada since 2011. He owns a house property in Canada, half of which is used by him for his residence and half is given on rent (converted into INR is Rs. 12,00,000 p.a.).

He purchased a flat in Delhi on 13.10.2021 for Rs. 42,00,000. The stamp duty value of the flat was Rs. 35,00,000. He has taken a loan from Canara Bank in India of Rs. 34,00,000 for purchase of this flat. The interest on such loan for the F.Y. 2024-25 was Rs. 3,14,000 and principal repayment was Rs. 80,000. Mr. Animesh has given this flat on monthly rent of Rs. 32,500 since April, 2024. The annual property tax of Delhi flat is Rs. 40,000 which is paid by Mr. Animesh, whenever he comes to India to meet his parents. Mr. Animesh visited India for 124 days during the previous year 2024-25. Before that he visited India in total for 366 days during the period 1.4.2020 to 31.3.2024.

He had a house in Ranchi which was sold in May 2021. In respect of this house, he received arrears of rent of Rs. 2,96,000 in February 2025 (not taxed earlier).

He also derived some other incomes during the F.Y. 2024-25 which are as follows:

- (i) Profit from business in Canada Rs. 2,75,000
- (ii) Interest on bonds of a Canadian Co. Rs. 6,20,000 out of which 50% was received in India
- (iii) Income from Apple Orchid in Nepal given on contract and the yearly contract fee of Rs. 5,00,000 for FY 2024-25, was received by Animesh in Nepal

Mr. Animesh has sold 10,000 listed shares @ Rs. 480 per share of A Ltd., an Indian company, on 15.05.2024, which he acquired on 05-04-2017 @ Rs. 100 per share. STT was paid both at the time of acquisition as well as at the time of transfer of such shares.

On 31-01-2018, the shares of A Ltd. were traded on a recognized stock exchange as under:

Highest price – Rs. 300 per share

Average price- Rs. 290 per share

Lowest price – Rs. 280 per share

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

Question 1

What would be the residential status of Mr. Animesh for the A.Y. 2025-26?

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

Question 2

What would be amount of income taxable under the head “Income from house property” in the hands of Mr. Animesh for the A.Y. 2025-26?

- (A) Rs. 2,52,200
- (B) Rs. 1,38,200
- (C) Rs. 9,78,200
- (D) Rs. 10,92,200

Question 3

What amount of capital gain would arise in the hands of Mr. Animesh on transfer of shares of A Ltd ?

- (A) Rs. 18,00,000
- (B) Rs. 19,00,000
- (C) Rs. 20,00,000
- (D) Rs. 38,00,000

Question 4

What would be total income of Mr. Animesh for the A.Y. 2025-26, if he has exercised the option to shift out of the default tax regime and pays tax under normal provisions of the Act?

- (A) Rs. 22,82,200
- (B) Rs. 22,68,200
- (C) Rs. 22,48,200
- (D) Rs. 21,68,200

Question 5

What would be the tax liability (computed in the manner so as to minimise his tax liability) of Mr. Animesh for the A.Y. 2025-26?

- (A) Rs. 1,82,950
- (B) Rs. 1,77,750
- (C) Rs. 1,80,350
- (D) Rs. 1,84,510

Case Study 7

Mr. Shashikant, aged 45 years, is an Indian citizen and a member of the crew of a Singapore bound Indian ship engaged in carriage of passengers in international traffic departing from Chennai port on 29th May, 2024.

Particulars	Date
Date entered into the continuous Discharge Certificate in respect of joining the ship by Mr. Shashikant	29 th May, 2024
Date entered into the Continuous Discharge Certificate in respect of signing off the ship by Mr. Shashikant	19 th December, 2024

He stayed in India in the last 4 previous years preceding the P.Y. 2024-25 for 400 days and for a period of 750 days in the last 7 previous years preceding to P.Y. 2024-25. He received salary of Rs. 7,20,000 in his NRE account maintained with State Bank of India, Chennai Branch.

He also furnished details of other income earned by him during the previous year 2024-25:

Sr.No	Particulars	Amount (Rs.)
1.	Dividend declared by X limited, a Singapore company. The same was received by him in Singapore	1,00,000
2.	Agriculture income from land in Pakistan received in India	2,50,000
3.	Rent received from house property in Chennai (Gross)	3,60,000

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

Question 1

What is Mr. Shashikant's residential status for the P.Y. 2024-25?

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

Question 2

What would be the total income of Mr. Shashikant for A.Y. 2025-26?

- (A) Rs. 7,10,000
- (B) Rs. 11,72,000
- (C) Rs. 5,02,000
- (D) Rs. 6,02,000

Question 3

Assume for the purpose of answering this question that Mr. Shashikant has transferred his house property in Chennai to his minor married daughter on 1st April, 2024 and his wife is a housewife and does not have any income. The minor married daughter receives the rent from house property. In such case, what would be his total income for A.Y. 2025-26, if he has shifted out of the default tax regime under section 115BAC?

- (A) Rs. 5,00,500
- (B) Rs. 6,00,500
- (C) Rs. 5,02,000
- (D) Rs. 6,02,000

Question 4

Mr. Shashikant would like to minimize his tax liability and consulted you to compute the amount of same for the P.Y. 2024-25. Accordingly, his taxability (rounded off) would be-

- (A) Rs. 13,420
- (B) Rs. 13,210
- (C) Rs. 10,500
- (D) Rs. Nil

Case Study 8

Mr. Suraj (aged 48 years) furnishes the following particulars for the previous year 2024-25 in respect of an industrial undertaking established in "Special Economic Zone" in March 2018. It began manufacturing in April 2018.

Particulars	Rs.
Total Sales	85,00,000
Export sales [proceeds received in India by 30.09.2025]	45,00,000
Domestic Sales	40,00,000
Profit from the above undertaking	20,00,000

Export sales of F.Y. of 2024-25 include freight and insurance of Rs. 5 lakhs for delivery of goods outside India.

He received rent of Rs. 25,000 p.m. for a commercial property let out to Mr. Sudhir, a salaried individual. He earned interest on savings Bank A/c of Rs. 12,500 and interest on Post Office savings A/c of Rs. 5,500 during the P.Y. 2024-25.

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

Question 1

Compute the amount of export turnover and total turnover for purpose of computing deduction under section 10AA for A.Y. 2025-26.

- (A) Rs. 45,00,000 and Rs. 85,00,000, respectively
- (B) Rs. 40,00,000 and Rs. 80,00,000, respectively
- (C) Rs. 45,00,000 and Rs. 80,00,000, respectively
- (D) Rs. 40,00,000 and Rs. 85,00,000, respectively

Question 2

Compute the amount of deduction available to Mr. Suraj under section 10AA for A.Y. 2025-26, if he has shifted out of the default tax regime under section 115BAC.

- (A) Rs. 10,00,000
- (B) Rs. 4,70,577
- (C) Rs. 5,62,500
- (D) Rs. 5,00,000

Question 3

Assume for the purpose of this question only that Mr. Suraj established SEZ Unit and began manufacturing in April, 2020. Compute the amount of deduction available under section 10AA for A.Y. 2025-26, if he has shifted out of the default tax regime under section 115BAC.

- (A) Rs. 10,00,000
- (B) Rs. 9,41,154
- (C) Rs. 11,25,000
- (D) Nil

Question 4

Compute the total income of Mr. Suraj for the previous year 2024-25, if he has shifted out of the default tax regime under section 115BAC.

- (A) Rs. 12,14,500
- (B) Rs. 17,18,000
- (C) Rs. 17,14,500
- (D) Rs. 17,28,000

Case Study 9

Mr. Kishan is engaged in the following activities on agricultural land situated in India, total area of land is 5 acres.

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

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

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

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

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

Question 1

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

- (A) Rs. 5,00,000
- (B) Nil
- (C) Rs. 3,60,000
- (D) Rs. 1,40,000

Question 2

What amount of income from Activity B with respect to sale of cotton would constitute agricultural income or/ and business income in the hands of Mr. Kishan?

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

Question 3

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

- (A) Rs. 1,50,000 as agricultural income
- (B) Rs. 2,62,500 as agricultural income and Rs. 1,50,000 as business income
- (C) Rs. 3,37,500 as agricultural income and Rs. 1,50,000 as business income³
- (D) Rs. 4,12,500 as business income

Question 4

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

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

Question 5

Compute the gross total income of Mr. Kishan for the P.Y. 2024-25, assuming he has no other source of income.

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

Case Study 10

Ananya Gupta, a citizen of India, lives with her family in New York since the year 2000. She visited India from 21 March, 2024 to 28th September, 2024 to take care of her ailing mother. In the last four years, she has been visiting India for 100 days every year to be with her mother. She owns an apartment at New York, which is used as her residence. The expected rent of the house is \$ 32,000 p.a. The value of one USD (\$) may be taken as Rs. 75. Municipal taxes paid in New York in January, 2025 are \$ 2,000.

She took ownership and possession of her house in New Delhi on 25th March, 2024, for self-occupation, while she is in India. The municipal valuation is Rs. 4,20,000 p.a. and the fair rent is Rs. 4,50,000 p.a. She paid property tax of Rs. 22,000 to Delhi Municipal Corporation on 21 March, 2025. She had taken a loan of Rs. 16 lakhs @ 10% p.a. from IDBI Bank on 1 April, 2020 for constructing this house and the construction got completed on 20th March, 2024. No amount has been paid towards principal repayment so far. The house is vacant for the rest of the year i.e., from October 2024 to March 2025.

She had a house property in Mumbai, which was sold on 28th March, 2024. In respect of this house, she received arrears of rent of Rs. 3,00,000 on 4th February, 2025. This amount has not been charged to tax earlier.

She does not have any income under any other source in India during previous year in 2024-25.

Ananya Gupta wants to exercise the option to shift out of the default tax regime under section 115BAC for A.Y. 2025-26

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

Question 1

What would be the residential status of Ananya Gupta for A.Y. 2025-26?

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

Question 2

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

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

Question 3

What is the income chargeable under the head "Income from house property" of Ananya Gupta for A.Y. 2025-26?

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

Question 4

Assuming that, for the purpose of this question alone, Ananya Gupta has let out her flat in New York during the six months (April to September) when she is in India, for a sum of \$ 6,000 p.m. Such rent was received in a bank account in New York and then remitted to India through approved banking channels. What would be the income from house property chargeable to tax in her hands in India for A.Y. 2025-26?

- (A) Rs. 10,000
- (B) Rs. 17,85,000
- (C) Rs. 17,95,000
- (D) Rs. 18,85,000

Case Study 11

Ram Builders & Developers is the sole proprietorship concern of Mr. Ram. The main business of the concern is construction, development and sale of residential and commercial units, Ram Builders & Developers developed a project named Luxuria Heaven, which has both residential and commercial units with its own funds. It obtained certificate of completion for the said project with effect from 31/03/2024 Ram sold majority of its residential units and commercial units in the F.Y.2024-25. However, around 30 residential units and 15 commercial units were held by him as stock in trade as on 31.3.2025. During this period, there was a slump in the real estate sector, In order to earn some income from these units, Ram incidentally let out some of the units held as stock-in-trade. The details of units constructed, sold and held as stock in trade are given hereunder:

Particulars	Total Units constructed	Units sold	Units held as stock-in-trade as on 31.03.2025 [(2)- (3)]	Units let out during P.Y. 2024-25 out of (4)	Units vacant during the whole of P.Y. 2024-25 [(4) – (5)]	Actual rent per unit per month [in respect of let out units mentioned in (5)]
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Residential Units	100	70	30	10	20	10,000 pm.
Commercial Units	40	25	15	5	10	18,000 pm.
	140	95	45	15	30	

Out of the residential units sold, 5 residential units were sold to his friend, Mr. Gaurav, who is also a real estate developer, on 15.2.2025, for Rs. 20 lakhs each. The stamp duty value on the date of sale was Rs. 23 lakhs each. However, the agreement of sale was entered into on 1.11.2024, on which the date the stamp duty value was Rs. 22. lakhs. Mr. Ram received Rs. 1 lakh by way of account payee bank draft on 1.11.2024 from Mr. Gaurav.

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

Question: 1

While computing the total income of Mr. Ram, the income from residential and commercial units let out during the P.Y.2024-25 will be taxed under head:

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

Question: 2

What would be the tax treatment of vacant residential and commercial units held as stock in trade as on 31.3.2025?

- (A) The vacant residential units would be deemed to be let out and expected rent would be deemed as the annual value chargeable to tax under the head “Income from house property” for A.Y. 2025-26.
- (B) The vacant units, both residential and commercial, would be deemed to be let out and expected rent would be deemed as the annual value chargeable to tax under the head “Income from house property” for A.Y. 2025-26.
- (C) The annual value of both vacant residential and commercial units would be Nil for A.Y.2025-26. Hence, no income is chargeable for such units under the head “Income from house property” for A.Y. 2025-26.
- (D) Vacant units held as stock-in-trade can never be deemed as let out at any point of time

Question: 3

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

- (A) Rs. 1,00,00,000
- (B) Rs. 1,15,00,000
- (C) Rs. 1,10,00,000
- (D) Rs. 99,00,000

Question: 4

Assume that Rs. 1 lakh was paid in cash by Mr. Gaurav to Mr. Ram on 01.11.2024 instead of by way of account payee bank draft, what would be the income chargeable under section 56(2)(x) in the hands of Mr. Gaurav?

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

Case Study 12

For the assessment year 2025-26, Mr. Sonu submits the following information:

Particulars	Building at Chennai (Rs.)	Building at Kochi (Rs.)
Municipal Valuation	35,000	80,000
Standard Rent	36,000	70,000
Fair Rent	31,000	82,000
Rent received	38,000	68,000
Municipal taxes paid by tenant Mr. Ramu for building at Chennai and paid by Mr. Sonu for building at Kochi	3,000	4,000
Repairs paid by tenant Mr. Ramu for Chennai building and Mr. Sonu paid for Kochi building	500	18,000
Land revenue paid	2,000	16,000

Insurance premium paid	500	2,000
Interest on loan borrowed for payment of municipal tax of house property	200	400
Nature of occupation	Let out for residence	Let out for business
Date of completion of construction	01.04.1996	01.07.2008

Mr. Sonu is constructing one more building in Mumbai during the previous year 2024-25, Mr. Raju, a film director, took on rent the building under construction in Mumbai at Rs. 5,000 per month for his film shooting. The construction of the said building would be completed by April 2025 Mr. Sonu is a real estate developer and letting out properties is not the business of Mr. Sonu.

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

Question: 1

Which of the building's income is chargeable to tax under the head "Income from house property" in the hands of Mr. Sonu?

- (A) Building at Chennai only
- (B) Building at Kochi only
- (C) Both buildings at Chennai and Kochi
- (D) All the three buildings at Chennai, Kochi and Mumbai

Question 2

Which of the following payments/expenditure is allowable as deduction while computing income under the head "Income from house property" incurred in respect of the building at Chennai and Kochi?

- (A) Municipal taxes paid by Mr. Sonu and Mr. Ramu
- (B) Municipal tax, land revenue, insurance premium, interest on loan borrowed for payment of Municipal tax paid by Mr. Sonu
- (C) Only municipal tax paid by Mr. Sonu
- (D) Both Municipal tax and repairs paid by Mr. Sonu

Question 3

Under which head of income, the amount received from Mr. Raju would be chargeable to tax?

- (A) Income from house property
- (B) Profits and gains from business or profession
- (C) Income from other sources
- (D) Income from house property or Income from other sources, at the option of Mr. Sonu

Question 4

What is the amount chargeable to tax under the head "Income from house property" in the hands of Mr. Sonu for the P.Y. 2024-25?

- (A) Rs. 72,800
 (B) Rs. 81,200
 (C) Rs. 1,14,800
 (D) Rs. 70,700

Case Study 13

Mr. Ganesha (a salaried person) has three houses. One in Thane (Maharashtra), second in Jaipur (Rajasthan) and third in Ratlam (Madhya Pradesh). Details of the flats/houses are as follows:

- **Thane flat:** 3 BHK flat purchased in April, 2001 for Rs. 90 lakhs. Afterwards, interior work done in 2006 of Rs. 15 lakhs. Mr. Ganesha took loan of Rs. 65 lakhs for purchase of this flat in 2001 and settled full loan in 2021.
- **Jaipur house:** Purchased in July, 2019 of Rs. 62 lakhs and interior work done in September, 2020 of Rs. 10 lakhs, Loan taken for purchase of this house of Rs. 15 lakhs in June, 2019. As per interest certificate, he paid Rs. 12,00,500 and Rs. 43,500 towards principal and interest, respectively, during the P.Y. 2024-25.
- **Ratlam House:** Purchased in December 2021 for Rs. 70 lakhs (stamp duty value of Rs. 65 lakhs) For acquiring this house, he took loan of Rs. 40 lakhs from Canara Bank. Loan was sanctioned on 1.8.2021. He pays EMI of Rs. 38,100 per month. As per interest certificate, for the previous year 2024-25, he paid Rs. 60,900 and Rs. 3,96,300 towards principal and interest, respectively.

Particulars	Thane House	Jaipur House (Apr-24 to Dec-25)	Ratlam House
Municipal taxes paid	18,574	8,090	6,909
Municipal value (per month)	30,500	6,800	7,200
Fair rent (per month)	33,000	7,000	7,500
Standard Rent (per month)	32,000	8,000	7,300

Other details are as follows:

- He has sold Jaipur house on 1st January, 2025 for Rs. 90 lakhs and invested Rs. 15 lakh in RECL bonds issued by the Central Government on 10th August 2025.
- Mr. Ganesha is working in WinDoor Exports Pvt Ltd, Mumbai and self-occupied Thane flat. He earned salary of Rs. 22,50,350 for the previous year 2024-25.
- He has no other income from any source for the P.Y. 2024-25.
- He has given Ratlam house on rent for F.Y. 2024-25 to Mr. Pratap on a monthly rent of Rs. 8,500.
- He has given Jaipur house on rent for the period of April, 2024 to June, 2024 to Mrs. Madhura Mahto on monthly rent of Rs. 7,100 and vacant for remaining period from July, 2024 to December, 2024.

Mr. Ganesha wants to exercise the option to shift out of the default tax regime under section 115BAC.

Cost inflation index (CII) for the Financial Year (EY) 2019-20 is 289; 2020-21, 301, F.Y. 2024-25: 363

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

Question: 1

What would be Net Annual Value of each house for the previous year 2024-25?

- (A) Thane: Nil; Jaipur: Rs. 13,210; Ratlam: Rs. 95,091
- (B) Thane: Nil; Jaipur Rs. 54,910; Ratlam: Rs. 95,091
- (C) Thane: Nil; Jaipur: Rs 21,300; Ratlam: Rs. 1,02,000
- (D) Thane: Nil; Jaipur Rs. 13,210; Ratlam: Rs. 80,691

Question: 2

What would be income/ loss under the head “Income from house property” in the hands of Mr. Ganesha?

- (A) Loss of Rs. 1,67,689
- (B) Loss of Rs. 2,86,236
- (C) Loss of Rs. 3,20,489
- (D) Loss of Rs. 3,63,989

Question: 3

How much amount will be carried forward as loss from house property for the subsequent assessment year 2026-27?

- (A) Rs. 3,63,989
- (B) Rs. 1,63,989
- (C) Rs. 2,00,000
- (D) Rs. 1,50,000

Question 4

What would the amount of capital gains chargeable to tax in the hands of Mr. Ganesha during the previous year 2024-25?

- (A) Short-term capital gains of Rs. 18,00,000
- (B) Long-term capital gains of Rs. 18,00,000
- (C) Long-term capital gain of Rs. 3,00,000
- (D) Long-term capital gain of Nil, since he is eligible for deduction u/s 54EC in respect of amount invested in RECL bonds issued by Central Government.

Question 5

What would be the gross total income of Mr. Ganesha for the A.Y. 2025-26?

- (A) Rs. 24,28,460
- (B) Rs. 24,69,920
- (C) Rs. 23,00,350
- (D) Rs. 38,00,350

Case Study 14

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

Particulars	Date of purchase	Date of put to use	Amount
Office building superstructure constructed on leased land	30.09.2024	30.12.2024	1,85,00,000
BMW M4 convertible Car	23.08.2019	25.08.2019	94,80,000
Machineries used in printing and publishing process	25.09.2024	15.10.2024	9,12,500

Written down value of Plant & Machinery (Depreciable @15%) as on 01.04.2024 is Rs. 1,45,00,000.

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

Question 1

What would be the amount of depreciation allowable on plant and machinery (@15%) for the previous year 2024-25?

- (A) Rs. 24,25,938
- (B) Rs. 23,34,688
- (C) Rs. 24,94,375
- (D) Rs. 24,03,125

Question 2

What would be the WDV of plant and machinery (Depreciable@15%) as on 01.04.2025?

- (A) Rs. 1,29,86,562
- (B) Rs. 1,29,18,125
- (C) Rs. 1,30,77,812
- (D) Rs. 1,30,09,375

Question 3

What would be the WDV of office building superstructure constructed on leased land as on 01.04.2025?

- (A) Rs. 1,85,00,000
- (B) Rs. 1,66,50,000
- (C) Rs. 1,75,75,000
- (D) Rs. 1,57,25,000

Case Study 15

Mr. X has set up a manufacturing unit in Chittor, Andhra Pradesh on 1st April 2023.

During the previous year 2023-24 and 2024-25, Mr. X has purchased following assets:

Date of put to use	Asset	Amount (Rs.)
7 Jun 2023	Plant & Machinery "X"	14,75,340
25 July 2023	Office Furniture	7,65,400
14 Jan 2024	Plant & Machinery "Y"	5,00,000
15 May 2024	Plant & Machinery "Z"	8,00,000

He has paid professional fees of Rs. 35,000 each to Mr. A, Mr. B and Mr. C, respectively on 10th September 2024 credited in the books on the same day, to discuss some legal matter related to business.

The net profit computed in accordance with "Chapter IV-D- Computation of business income" of the Income-tax Act, 1961 for the previous year 2024-25 is Rs. 10.2 crore.

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

Question 1

What would be the amount of depreciation in respect of Plant & Machinery "Y" allowable as deduction while computing income under the head "Profit & Gains from business or profession" for the previous year 2024-25?

- (A) Rs. 61,875
- (B) Rs. 1,11,875
- (C) Rs. 69,375
- (D) Rs. 63,750

Question 2

What shall be the total amount of depreciation for the previous year 2024-25 allowable as deduction while computing profits and gains from business or profession?

- (A) Rs. 3,77,481
- (B) Rs. 3,71,856
- (C) Rs. 5,54,607
- (D) Rs. 6,04,607

Question 3

Mr. X wanted to know from you, whether tax is required to be deducted on professional fees paid to Mr. A, Mr. B and Mr. C respectively. If tax has to be deducted, then what would be the rate and amount of tax to be deducted at source?

- (A) Yes, TDS amounting to Rs. 7,875 @7.5% on Rs. 1,05,000 is to be deducted
- (B) Yes, TDS amounting to Rs. 1,575 @1.5% on Rs. 1,05,000 is to be deducted
- (C) No, tax is to be deducted, since amount does not exceed the threshold limit

(D) Yes, TDS amounting to Rs 10,500 @10% on Rs. 1,05,000 is to be deducted

Case Study 16

ABC & Co. is a partnership firm engaged in the business of sale of footwear. The partnership firm consists of three partners - A, B & C. A & B are working partners and C is a sleeping partner. The firm is liable to tax audit under section 44AB of the Act. It has a book profit of Rs. 11,50,000.

Following payments were made to partners as authorised by the partnership deed;

- Remuneration to A & B Rs. 32,000 p. m. to each partner
- Remuneration to C-Rs. 10,000 p.m.
- Interest on capital @ 19.5% to A & B-Rs. 18,500 p.a. to each partner
- Interest on capital @ 17% to C-Rs. 10,540 p.a.

The firm has following brought forward losses of past years:

A.Y	Business Loss	Unabsorbed Depreciation	Long-term capital loss
2022-23	26,000	17,600	5,300
2023-24	78,000	29,860	-
2024-25	1,05,670	54,180	13,470

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

Question 1

What amount of interest is allowable as deduction in the hands of firm while computing profits and gains from business or profession?

- (A) Rs. 29,040
- (B) Rs. 22,770
- (C) Rs. 47,540
- (D) Rs. 30,210

Question 2

What amount of remuneration not allowable as deduction in the hands of firm while computing profits and gains from business or profession?

- (A) Rs. 1,20,000
- (B) Nil
- (C) Rs. 1,08,000
- (D) Rs. 78,000

Question 3

What is the due date of filing of return of income for Mr. A and Mr. C for the A.Y. 2025-26?

- (A) 31st July 2025 for Mr. C and 30th September 2025 for Mr. A
- (B) 31st July 2025 for Mr. C and 31st October 2025 for Mr. A
- (C) 31st October 2025 for both Mr. A and Mr. C

(D) 31st October 2025 for Mr. C and 31st July 2025 for Mr. A

Question 4

What would be the income under the head “Profit and gains from business and profession” in the hands of ABC & Co. for the A.Y. 2025-26?

- (A) Rs. 70,690
- (B) Rs. 1,72,330
- (C) Rs. 51,920
- (D) Rs. 1,53,560

Case Study 17

Mr. Narendra Sharma, aged 54 years, an Indian citizen, carrying on retail business in Dubai. He frequently visits India for business purpose. Details of his visits in India are as follows:

- 1) Came to India on 03.12.2019 and left India on 26.04.2020
- 2) Again came to India on 09.09 2022 and left India on 10.01.2023
- 3) Again came to India on 27.12.2023 and left India on 20.02.2024

Afterwards he decided to shift permanently in India and closed his business in Dubai. So, he came to India on 27.11 2024 and joined Indian Company "Cosmos Heritage India Limited" at registered office in Mumbai from 01.12.2024. From December 2024, he has taken a flat on rent for Rs. 60,000 per month from Mr. Sarthak, an Indian resident, and Mr. Sarthak has provided his PAN No. to Mr. Narendra Sharma.

Following details of his salary income earned in India:

- Basic Salary Rs. 2,75,675 per month
- COLA (Cost of Living Allowance) (forms part of retirement benefits) - Rs 1,20,200 per month
- HRA Rs. 1,37,838 per month
- Other Allowances Rs. 1,56,000 per month

For the period from April 2024 to November 2024, his business income arising in Dubai is Rs. 26,00,000 and his turnover for the P.Y. 2023-24 is Rs. 95,00,000. He is not liable to pay any tax in Dubai.

He is active in equity share trading after coming to India. Following are the details of his portfolio:

S No.	Sale / Purchase	Company	Date of purchase/ Sale	Qty	Price per share (Rs.)	Brokerage
1.	Purchase	First Smile Ltd.	10.12.2024	250	203	1.5%
2.	Purchase	Rainbow Ltd.	10.12.2024	50	503	1.5%
3.	Purchase	Mega Service Ltd.	12.12.2024	150	82	1.5%
4.	Sale	First Smile Ltd.	18.12.2024	100	325	1.8%
5.	Purchase	Mega Service Ltd.	15.12.2024	110	110	1.5%
6.	Sale	Mega Service Ltd.	26.12.2024	150	100	1.8%
7.	Purchase	Rainbow Ltd.	28.12.2024	200	385	1.5%

8.	Purchase	Rainbow Ltd.	03.01.2025	100	465	1.5%
9.	Sale	First Smile Ltd.	23.03.2025	150	250	1.8%
10.	Sale	Mega Service Ltd.	26.03.2025	110	110	1.8%

Rainbow Limited declared an interim dividend of 200% on 28.02.2025 (face value of each share is Rs. 10). The record date was 31.01.2025

He wants to exercise the option to shift out of the default tax regime under section 115BAC.

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

Question 1

What is the residential status of Mr. Narendra for the previous year 2024-25?

- (A) Resident
- (B) Resident and ordinary resident
- (C) Non-resident
- (D) Deemed resident

Question 2

Which of the following statements is correct, in respect of dividend paid by Rainbow Ltd. to Mr. Narendra?

- (A) Dividend received from Rainbow Ltd is exempt in the hands of Mr. Narendra. Hence, no tax is required to be deducted at source.
- (B) Dividend received from Rainbow Ltd is taxable in the hands of Mr. Narendra but, since the dividend is less than Rs. 10,000, no tax is required to be deducted at source.
- (C) Dividend received from Rainbow Ltd is taxable in the hands of Mr. Narendra. Tax of Rs. 525 is required to be deducted at source.
- (D) Dividend received from Rainbow Ltd is taxable in the hands of Mr. Narendra. Tax of Rs. 700 is required to be deducted at source.

Question 3

What shall be the TDS liability of Mr. Narendra for rent paid to Mr. Sarthak?

- (A) There is no TDS liability of Mr. Narendra, since he is a salaried individual.
- (B) Mr. Narendra is liable to deduct TDS u/s 194I of Rs. 6,000 for each month.
- (C) Mr. Narendra is liable to deduct TDS u/s 194-IB of Rs. 4,800 in the month of March 2025.
- (D) Mr. Narendra is liable to deduct TDS u/s 194-IB of Rs. 12,000 in month of March 2025.

Question 4

What would be income chargeable to tax under the head "Income from Salaries" in the hands of Mr. Narendra for the A.Y. 2025-26?

- (A) Rs. 26,27,202
- (B) Rs. 26,77,202
- (C) Rs. 27,08,852

(D)Rs. 26,58,852

Case Study 18

Mr. Akshaya Biyani celebrated his 26th birthday on 15th May 2024 and arranged a grand party at Radisson Blu hotel. On this occasion, he invited his friends, blood relatives and distant relatives to attend the party. The ceremony was very grand, the feast was also very spectacular. All the arrangements and decorations were absolutely wonderful. At the end of party, Mr. Akshaya was awarded by gifts and flower's bouquet as infra:

Gifts received from	Type of Gift	Remarks
Mother	One 22K Gold Chain	She purchased on the same day for Rs. 37,822
Father	One 22K Gold Bracelet	He purchased on the same day for Rs. 56,075
Wife	4 Gold Rings	She purchased these rings on 15.05.2023 for Rs. 35,500 each. Fair market value on 15 th May 2024 is Rs. 37,429 each.
Sister	Painting	This painting is made by her. Fair market value is Rs. 45,000
Father's brother	One Gold Chain	He purchased it on the same day for Rs. 18,200
Closet cousins (Mother's sister's sons/ daughters)	I-20 Car	Value of Rs. 4,10,000
Friends and other distant relatives	Cash	Rs. 1,51,000

Mr. Akshaya desires to set up a new manufacturing unit with his friend in partnership on 1.12.2024. For making investment in the firm, he sold following jewellery which he has received on his 26th birthday celebration as gifts:

- Mother's gifted Gold Chain for Rs. 42,150
- Father's gifted Gold Bracelet for Rs. 60,180
- Father's brother's gifted Gold Chain for Rs. 20,600

His wife gave him Rs. 1 lakh as a gift so that he could invest sufficient money in the unit.

On 1st December 2024, he invested Rs. 6,00,000 (including the amount received on sale of above gifts and amount received from his wife) and his friend invested Rs. 4,00,000 in the firm

On 1st February 2025, his wife again gave him Rs. 1 lakh as a gift to invest such money in the firm and apart from that he invested Rs. 50,000 more from his individual savings. On this day, his friend also invested Rs. 1,00,000 in the firm.

Since the firm is a manufacturing unit and at initial stage, the firm requires sufficient fund so Mr. Akshaya sold his wife's gifted Gold Rings for Rs. 40,250 each as on 31st March 2025 and he deployed the funds as partner's capital in the firm on 01st April, 2025.

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

Question: 1

What is the amount of capital gain taxable in the hand of Mr. Akshaya for P.Y. 2024-25?

- (A) Short term capital gains Rs. 10,833
- (B) Short term capital gains Rs. 29,833
- (C) Short term capital gains Rs. 22,117
- (D) No, capital gains is taxable in his hands, since he received the capital assets as gift

Question 2

What is the gift amount not considered as income under section 56(2)(x) for P.Y. 2024-25?

- (A) Rs. 8,98,613
- (B) Rs. 3,06,813
- (C) Rs. 9,16,813
- (D) Rs. 7,16,813

Question 3

What is the gift amount taxable in the hands of Mr. Akshaya for P.Y. 2024-25?

- (A) Rs. 1,51,000
- (B) Rs. 1,69,200
- (C) Rs. 5,79,200
- (D) Rs. 5,61,000

Question 4

Is any amount taxable in the hands of Akshaya's wife in respect of sale of jewellery by Mr. Akshaya, if yes, what shall be the taxable amount in her hands for P.Y. 2024-25?

- (A) No
- (B) Yes; Rs. 15,284
- (C) Yes; Rs. 19,000
- (D) Yes; Rs. 11,284

Case Study 19

Mr. Rajesh gifted Rs. 15 lakhs to his wife, Raavi, on her birthday on 23rd February, 2024. Raavi lent ₹ 6,00,000 out of the gifted amount to Karuna on 1st April, 2024 for six months on which she received interest of Rs. 30,000. The said sum of Rs. 30,000 was invested in shares of a listed company on 18th October, 2024, which were sold for Rs. 66,000 on 25th March, 2025. Securities transactions tax was paid on purchase and sale of such shares. The balance amount of gift was invested on 1st April 2024, as capital by Raavi in her new business. She suffered loss of Rs. 22,000 in the business in Financial Year 2024-25. Raavi is working with a Private company as sales executive at a salary of Rs. 62,000 p.m. She paid Rs. 3,500 pm towards tuition fees for her daughter Riya studying in St. Thomas School, Mumbai.

Rajesh is working with an MNC on a monthly salary of Rs. 64,000. He has gifted Rs. 1,25,000 to Riya on her 13th Birthday. This amount is deposited as 2 years term deposits with SBI bank in

her name. On which interest of Rs. 11,500 is earned during the previous year 2024-25. Both Mr. Rajesh and Mrs. Raavi want to pay tax under default tax regime under section 115BAC

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

Question: 1

In whose hands, the interest income received from Karuna and interest on fixed deposits in the name of Riya would be included?

- (A) both interest income to be included in the hands of Mr. Rajesh
- (B) both interest income to be included in the hands of Mrs. Raavi
- (C) interest income from Karuna to be included in the hands of Mrs. Raavi and interest on two years term deposits to be included in the hands of Mr. Rajesh
- (D) interest income from Karuna to be included in the hands of Mr. Rajesh and interest on two years term deposits to be included in the hands of Mrs. Raavi

Question: 2

In whose hand, loss from business and capital gains would be included in Assessment Year 2023-24? Assume that capital invested in the business was entirely out of the funds gifted by her husband.

- (A) Both loss from business and capital gains would be included in the hands of Mr. Rajesh
- (B) Both loss from business and capital gains would be included in the hands of Mrs. Raavi
- (C) Loss from business included in the hands of Mr. Rajesh and capital gains included in the hands of Mrs. Raavi
- (D) Loss from business included in the hands of Mrs. Raavi and capital gains included in the hands of Mr. Rajesh

Question 3

What would be the total income of Mrs. Raavi for the previous year 2024-25?

- (A) Rs. 7,16,500
- (B) Rs. 7,80,000
- (C) Rs. 7,41,500
- (D) Rs. 7,90,000

Question 4

What would be the total income of Mrs. Rajesh for the previous year 2024-25?

- (A) Rs. 7,26,000
- (B) Rs. 8,09,500
- (C) Rs. 8,08,000
- (D) Rs. 7,01,000

Case Study 20

Miss Hetal transferred to his husband, Mr. Hemant, a residential property worth Rs. 45 lakhs located in Nagpur without any consideration. The expected rent of such property is Rs. 5 lakhs. Municipal tax of Rs. 5,000 paid by Miss Hetal for this property during the previous year 2024-25. Miss Hetal has three residential properties in Mumbai. The expected rent from the 3 properties situated in Mumbai is Rs. 10 lakhs, Rs. 11 lakhs and Rs. 12 lakhs respectively. She purchased the properties out of her own funds. Municipal taxes due are Rs 15,000, Rs. 20,000 and Rs. 25,000. The same have, however, not been paid this year in respect of the three properties. The expected rent is lesser than the standard rent in case of all the aforementioned properties. Miss Hetal does not have any income from any other source.

Miss Hetal's father, aged 58 years had capital gains of Rs. 5 crores from sale of house property. He reinvested the proceeds from sale in another residential house of Rs. 4.98 crores and the remaining sale proceeds were deposited in his savings bank account. He has paid Rs. 1,50,000 towards LIC premium. He has no other source of income.

Miss Hetal's grandfather is aged 81 years and has interest income of Rs. 6 lakhs on fixed deposits. He has no other income for the PY. 2024-25. He has to fly to USA for his treatment of cancer on 31st July, 2025 and his return of income is not filed before his flying to USA.

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

Question 1

What is the amount of income liable to be taxed in the hands of Miss Hetal under the head "Income from House Property" for A.Y. 2025-26?

- (A) Rs. 7,00,000
- (B) Rs. 10,46,500
- (C) Rs. 10,50,000
- (D) Rs. 13,76,500

Question 2

What would be tax liability of Miss Hetal for the A.Y. 2025-26? Compute in a manner so that her tax liability is minimum.

- (A) Rs. 66,300
- (B) Rs. 59,250
- (C) Rs. 69,650
- (D) Rs. 1,31,510

Question 3

Is Hetal's father required to furnish his return of income in India for the A.Y. 2025-26?

- (A) No, he is not required, since his income does not exceed Basic exemption Limit
- (B) Yes, he is required to furnish return of income on or before 31st July, 2025
- (C) Yes, he is required to furnish return of income on or before 30th September, 2025
- (D) Yes, he is required to furnish return of income on or before 31st October, 2025

Question 4

Is Miss Hetal's grandfather required to pay advance tax during the previous year 2024-25 if he has shifted out of default tax regime?

- (A) No, he is not required to pay advance tax, since he is a senior citizen
- (B) Yes, he is required to pay advance tax, since his tax liability exceeds Rs. 10,000
- (C) No, he is not required to pay advance tax, since he is a senior citizen and he is not having any income under the head "Profits and gains from business or profession"
- (D) Yes, he is required to pay advance tax, since his total income exceeds basic exemption limit of Rs.5,00,000.

Case Study 1 Answers

Question No.	Answers
1	(A)
2	(C)
3	(A)
4	(A)
5	(D)

Case Study 2 Answers

Question No.	Answers
1	(D)
2	(C)
3	(D)
4	(D)

Case Study 3 Answers

Question No.	Answers
1	(D)
2	(C)
3	(D)
4	(C)
5	(B)

Case Study 4 Answers

Question No.	Answers
1	(A)
2	(D)
3	(C)
4	(B)

Case Study 5 Answers

Question No.	Answers
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1	(A)
2	(B)
3	(D)
4	(A)

Case Study 6 Answers

Question No.	Answers
1	(B)
2	(B)
3	(A)
4	(D)
5	(B)

Case Study 7 Answers

Question No.	Answers
1	(C)
2	(C)
3	(A)
4	(C)

Case Study 8 Answers

Question No.	Answers
1	(B)
2	(D)
3	(D)
4	(C)

Case Study 9 Answers

Question No.	Answers
1	(C)
2	(A)
3	(B)
4	(D)
5	(A)

Case Study 10 Answers

Question No.	Answers
1	(D)
2	(A)
3	(D)
4	(A)

Case Study 11 Answers

Question No.	Answers
1	(A)
2	(C)
3	(A)
4	(D)

Case Study 12 Answers

Question No.	Answers
1	(C)
2	(C)
3	(C)
4	(A)

Case Study 13 Answers

Question No.	Answers
1	(A)
2	(D)
3	(B)
4	(B)
5	(D)

Case Study 14 Answers

Question No.	Answers
1	(B)
2	(C)
3	(C)

Case Study 15 Answers

Question No.	Answers
1	(B)
2	(D)
3	(D)

Case Study 16 Answers

Question No.	Answers
1	(D)
2	(A)
3	(C)
4	(B)

Case Study 17 Answers

Question No.	Answers
1	(D)
2	(D)
3	(C)
4	(A)

Case Study 18 Answers

Question No.	Answers
1	(A)
2	(C)
3	(A)
4	(C)

Case Study 19 Answers

Question No.	Answers
1	(D)
2	(C)
3	(A)
4	(D)

Case Study 20 Answers

Question No.	Answers
1	(B)
2	(B)
3	(B)
4	(C)