

**CA INTER MAY/SEP – 2025**

**Topicwise**

**MCQ's**

**&**

**Case Scenario**

**CA Bhanwar Borana**

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## Multiple Choice Questions and Case Scenarios

### Topic: 1 Basic Concepts

#### Question: 1

Ms. Sowmya has three farm buildings situated in the vicinity of a rural land. In the PY 24-25 she earned ₹ 3 lakh from letting out her farm building 1 for storage of food grains, ₹ 10 lakh from letting out her farm building 2 for storage of dairy products and ₹ 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?

- (a) Nil
- (b) 3,00,000
- (c) 13,00,000
- (d) 18,00,000

#### Question: 2

Which of the following is agriculture income?

- (a) Income from breeding of livestock
- (b) Income from fisheries
- (c) Income derived from saplings or seedlings grown in a nursery
- (d) Income from juice centre

#### Question: 3

Miss Nisha (45 years) is a non-resident individual. For the Assessment Year 2025-26, she has following income:

Long-term capital gain on transfer of equity shares ₹ 1,80,000 (Securities Transaction Tax has been paid on acquisition and transfer of the said shares) – Assume that the transfer took place before 23rd July 2024.

Other income ₹ 2,75,000

Calculate the tax liability of Miss Nisha for Assessment Year 2025-26 under default tax regime.

- (a) Nil
- (b) ₹ 9,620
- (c) ₹ 5,720
- (d) ₹ 8,320

**Question: 4**

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

**Question: 5**

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

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

Choose the correct answer:

- (a) (i) and (iii)
- (b) (ii) and (iii)
- (c) (i) and (iv)
- (d) (i), (ii) and (iv)

**Question: 6**

The rates of income-tax are mentioned in -

- (a) The First Schedule to the Annual Finance Act
- (b) Both Income-tax Act, 1961 and the First Schedule to the Annual Finance Act
- (c) Both Income-tax Act, 1961 and Income-tax Rules, 1962
- (d) The Income-tax Act, 1961 only

**Question: 7**

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

Particulars	₹ in lakhs
Capital Gains u/s 112A	120
Capital Gains u/s 111A	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? Assume that the capital gain transactions took place before 23rd July 2024.

- (a) ₹ 260.06 lakhs
- (b) ₹ 253.53 lakhs
- (c) ₹ 256.52 lakhs
- (d) ₹ 253.56 lakhs

### Question: 8

Mr. Raman, aged 64 years, was not able to provide satisfactory explanation to the Assessing Officer for the investments of ₹ 7 lakhs not recorded in the books of accounts. What shall be the tax payable by him on the value of such investments considered to be deemed income as per section 69?

- (a) ₹ 2,18,400
- (b) ₹ 55,000
- (c) ₹ 5,46,000
- (d) ₹ 54,600

### Question: 9

For A.Y.2025-26, Mr. Rajesh, a resident Indian, earns income of ₹ 12 lakhs from sale of coffee grown and cured in India. His friend, Mr. Ganesh, a resident Indian, earns income of ₹ 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) ₹ 3,00,000 and ₹ 6,25,000, respectively
- (b) ₹ 3,00,000 and ₹ 10,00,000, respectively
- (c) ₹ 4,80,000 and ₹ 10,00,000, respectively
- (d) ₹ 9,00,000 and ₹ 15,00,000, respectively

### Question: 10

Mr. Baba, aged 65 years and a resident in India, has a total income of ₹ 3,20,00,000, comprising long term capital gain taxable u/s 112 of ₹ 57,00,000, long term capital gain taxable u/s 112A of ₹ 65,00,000 and other income of ₹ 1,98,00,000. What would be his tax liability for A.Y. 2025-26 under default taxation regime u/s 115BAC. Assume that capital gain transactions took place before 23rd July 2024.

- (a) ₹ 88,74,320
- (b) ₹ 88,59,370
- (c) ₹ 96,46,000
- (d) ₹ 94,60,880

### Question: 11

For AY 25-26, Mr. BB, a resident Indian, earns income of ₹ 10 lakhs from sale of rubber from latex obtained from rubber plants grown by him in India and ₹ 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) ₹ 3,50,000
- (b) ₹ 4,00,000

- (c) ₹ 8,75,000  
(d) ₹ 18,50,000

### Question: 12

The Gupta HUF in 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

### Answer Keys

Question No.	Answer
1	(b) ₹ 3,00,000
2	(c) Income derived from saplings or seedlings grown in a nursery
3	(d) ₹ 5720
4	(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
5	(c) (i) & (iv)
6	(b) Both Income-tax Act, 1961 and the First Schedule to the Annual Finance Act
7	(b) 253.53 lakhs
8	(c) 5,46,000
9	(b) ₹ 3,00,000 and ₹ 10,00,000, respectively
10	(b) ₹ 88,59,370
11	(d) ₹ 18,50,000
12	(b) Only Mr. Harsh Gupta, Mr. Gautam Gupta, Mr. Deepak Gupta and Miss Preeti Gupta

### Case Scenario

#### Case scenario 1 [Basic Concepts – Agriculture Income]

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

**Activity A:** He grows saplings or seedlings in a nursery spreading over on one acre land, the sale proceeds of which is 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 acres 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?

- (i) Rs. 5,00,000
- (ii) Nil
- (iii) Rs. 3,60,000
- (iv) 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?

- (i) Rs. 1,75,000 as agricultural income
- (ii) Rs. 1,75,000 as business income
- (iii) Rs. 1,75,000 as agricultural income and Rs. 2,62,500 as business income
- (iv) 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?

- (i) Rs. 1,50,000 as agricultural income
- (ii) Rs. 2,62,500 as agricultural income and Rs. 1,50,000 as business income
- (iii) Rs. 3,37,500 as agricultural income and Rs. 1,50,000 as business income
- (iv) 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?

- (i) Whole amount of Rs. 1,80,000 would be agricultural income
- (ii) Whole amount of Rs. 1,80,000 would be business income
- (iii) Rs. 90,000 would be agricultural income and Rs. 63,000 is chargeable to tax as income from house property
- (iv) 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.

- (i) Rs. 2,40,000
- (ii) Rs. 3,30,000
- (iii) Rs. 5,02,500



(iv) Rs. 2,13,000

**Answer Keys**

Question	Answer	Remarks
1	(iii)	$5,00,000 - 1,40,000 = 3,60,000$
2	(i)	Sale of cotton agricultural income $4,00,000 - 2,25,000 = 1,75,000$
3	(ii)	Agricultural income = $6,00,000 - 3,37,500 = 2,62,500$ Business income = $8,50,000 - 1,00,000 - 6,00,000 = 1,50,000$
4	(iv)	50% is agricultural income = $15,000 \times 12 \times 50\% = 90,000$ 50% non-agricultural income taxable as income from Other Sources = $15,000 \times 12 \times 50\% = 90,000$
5	(i)	$1,50,000 + 90,000 = 2,40,000$



## Topic: 2

### Residence Status & Scope of Total Income

#### Question: 1

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

#### Question: 2

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

**Question: 3**

Raman, a citizen of India, was employed in Hindustan Lever Ltd. He resigned on 27.09.2024. He received a salary of ₹ 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 ₹ 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.

**Question: 4**

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 the above

**Question: 5**

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 to 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

**Question: 6**

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 the correct answer

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

**Question: 7**

If Devam, 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

**Question: 8**

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 2017. From Canada, he is managing his retail business of toys in India. For the purpose of his Indian business, he visits India every year from 1st September to 31st January. His business income is ₹ 23.50 lakhs and ₹ 18 lakhs from retail trade business in Canada and in India, respectively for the F.Y. 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 ₹ 18 lakhs and ₹ 23.50 lakhs would be taxable.
- (b) Non-Resident and ₹ 18 lakhs from Indian retail trade business would only be taxable.
- (c) Resident but not ordinarily Resident and ₹ 18 lakhs from Indian retail trade business would only be taxable.
- (d) Deemed resident and ₹ 18 lakhs from Indian retail trade business would only be taxable.

**Question: 9**

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

**Question: 10**

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 ₹ 10 lakhs?

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

**Question: 11**

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

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

If Aashish is a resident but not ordinarily resident in India, then what will be amount of income chargeable to tax in India for A.Y. 2025-26?

- (a) ₹ 7,00,000
- (b) ₹ 10,00,000
- (c) ₹ 6,00,000
- (d) ₹ 1,00,000

**Question: 12**

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.

**Answer Keys**

Question No.	Answer
1	(a) Non-Resident; Rs. 6,25,000 is liable to tax in India
2	(d) Mrs. Sowmya is resident but not ordinarily resident in India and Mr. Rajesh is resident and ordinarily resident in India
3	(b) income received in India and in Dubai.
4	(a) resident and ordinarily resident only
5	(b) Resident but not ordinarily resident
6	(b) Mr. Samrat
7	(b) Resident but not ordinarily resident
8	(c) Resident but not ordinarily Resident and ₹ 18 lakhs from Indian retail trade business would only be taxable.
9	(a) Resident and ordinarily resident
10	(c) Non Resident
11	(a) ₹ 7,00,000
12	(d) Both daily allowance and constituency allowance received as per applicable Rules are exempt.

**Case Scenario****Case scenario 1 [Residential Status]**

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 31st 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 2021. On getting an attractive deal in November 2024, he sold 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.

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. Zukaro for the assessment year 2025-26?

- (i) Resident and ordinarily resident
- (ii) Resident but not ordinarily resident
- (iii) Non-resident
- (iv) 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?

- (i) Yes, since it is deemed to accrue or arise in India through a business connection in India
- (ii) 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
- (iii) Yes, as business is controlled from India
- (iv) No, as income is received outside India

**Question: 3**

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

- (i) Yes, long term capital gain of Rs. 8,22,500 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
- (ii) Yes, long term capital gain of Rs. 8,22,500 is chargeable to tax, since he is resident in India
- (iii) Yes, long term capital gain of Rs. 5,68,569 is chargeable to tax, since he is resident in India
- (iv) Yes, long term capital gain of Rs. 5,68,569 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

**Question: 4**

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

- (i) No, such income is exempt, since it is agricultural income
- (ii) Yes, such income is taxable as income from house property, since land is given on lease
- (iii) Yes, such income is taxable as income from other sources, since land is given on lease
- (iv) Yes, such income is taxable since he is non-resident even though it is an agricultural income

**Question: 5**

What is the tax liability of Mr. Zukaro for A.Y. 2025-26 assuming that he has exercised the option to shift out of the default tax regime and pays tax under normal provisions of the Act?

- (i) Rs. 2,05,240
- (ii) Rs. 3,95,040
- (iii) Rs. 2,87,350
- (iv) Rs. 2,91,530

**Answer Keys**

Question	Answer	Remarks
1	(i)	Since Mr. Zukaro's stay in India during the P.Y. 2024-25 exceeds 60 days i.e., 100 days and in last 4 years exceeds 365 days i.e., 760 days, he is a resident in India. Since he is a resident in P.Y. 2022-23 and P.Y. 2023-24 owing to the same reason and his stay in India during the last 7 years is 760 days, he is a Resident and ordinarily resident in India during P.Y. 2024-25
2	(ii)	Refer (b) of Explanation 1 to section 9(1)(i)
3	(ii)	Full value of consideration = Rs. 26,25,000 Less: Brokerage = 52,500 Net consideration = 25,72,500 Less: Cost of acquisition = 17,50,000 Long term capital gains = 8,22,500 (No index since asset transfer on or after 23/7/2024)
4	(i)	Refer agricultural income notes
5	(iv)	Partial integration Agricultural income = 6,50,000 Total Income = 16,97,500 Total Income with agricultural income = 23,47,500 (A) Tax on (A) = 3,72,813 (C) Agricultural income with basic exemption limit = 9,00,000 (B) Tax on (B) = 92,500 (D) Tax (C) - (D) = 2,80,313 Add: HEC@4% = 11,212 Tax liability = 2,91,525 Tax liability (Rounded off) = 2,91,530

**Case scenario 2 [Residential Status]**

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

S.no	Particulars	Amount (Rs.)
1.	Dividend declared in the month of April, 2024 by X limited, a Singapore company. The same was received by him in Singapore	1,00,000
2.	Agriculture income from land in Nepal 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?

- (i) Resident and ordinarily resident
- (ii) Resident but not ordinarily resident
- (iii) Non-resident
- (iv) Deemed resident

### Question: 2

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

- (i) Rs. 7,10,000
- (ii) Rs. 11,72,000
- (iii) Rs. 5,02,000
- (iv) 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 u/s 115BAC?

- (i) Rs. 5,00,500
- (ii) Rs. 6,00,500
- (iii) Rs. 5,02,000
- (iv) 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 tax liability (rounded off) would be-

- (i) Rs. 13,420
- (ii) Rs. 13,210
- (iii) Rs. 10,500
- (iv) Nil

**Answer Keys**

Question	Answer	Remarks
1	(iii)	Calculate using date entered in continuous discharge certificate
2	(iii)	Description: Rent = $3,60,000 \times 70\% = 2,52,000$ Agricultural income from Nepal = 2,50,000 Total = 5,02,000
3	(i)	Exemption under 10(32) of Rs. 1,500 would be available
4	(iii)	Tax as per section 115BAC will be lower

## **Topic: 3**

### **Income from Salary**

#### **Question: 1**

The HRA paid to an employee residing in Patna is exempt up to the lower of actual HRA, excess of rent paid over 10% of salary and -

- (a) 30% of salary
- (b) 40% of salary
- (c) 50% of salary
- (d) 60% of salary

#### **Question: 2**

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, 1961

#### **Question: 3**

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

- (a) 1st day of the relevant previous year
- (b) Last day of the relevant previous year
- (c) the day the loan is given
- (d) 1st day of the relevant assessment year

#### **Question: 4**

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 u/s 10(13A), if he exercises the option of shifting out of the default regime provided u/s 115BAC(1A), is

- (a) Rs. 48,480
- (b) Rs. 45,600
- (c) Rs. 49,680

(d) Rs. 46,800

### Question: 5

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 unfurnished house for A.Y.2025-26 is

- (a) Rs. 5,000
- (b) Rs. 7,000
- (c) Rs. 10,000
- (d) Rs. 14,000

### Answer Keys

Question No.	Answer
1	(b) 40% of salary
2	(b) Mr. X should not be engaged in any trade or business in India
3	(a) 1st day of the relevant previous year
4	(a) Rs. 48,480
5	(a) Rs. 5,000

### Case Scenario

#### Case scenario 1. [Salary]

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;

- Dearness Allowance - 10% of Basic Pay (considered for retirement purposes)
- Bonus Rs. 98,000
- Medical allowance paid during P.Y. 2024-25 amounting to Rs. 60,000
- He was also reimbursed medical bill of his mother amounting to Rs. 15,000
- He was also transferred a laptop by company for Rs. 15,000 on 31st December, 2024. The laptop was acquired by company on 1st October, 2021 for Rs. 1,00,000. Company was charging depreciation at 31.666% assuming useful life of laptop as 3 years
- He was also reimbursed salary of house servant of Rs. 4,000 per month
- Professional Tax paid by employer amounting to Rs. 2,400
- 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
- Short-term capital gain on sale of shares of listed company on which STT is paid amounting to Rs. 94,000 (transferred on 30th June 2024)

Mr. Rajesh has exercised the option of shifting out of the default tax regime u/s 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?

- (i) Resident but can't determine resident and ordinarily resident or resident but not ordinarily resident from the given information
- (ii) Non-Resident
- (iii) Resident but not ordinarily resident
- (iv) Resident and ordinarily resident

**Question: 2**

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

- (i) Rs. 55,000
- (ii) Rs. 90,400
- (iii) Rs. 1,05,400
- (iv) 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?

- (i) Rs. 9,76,600
- (ii) Rs. 9,79,000
- (iii) Rs. 9,74,200
- (iv) Rs. 10,26,600

**Question: 4**

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

- (i) Rs. 1,26,800
- (ii) Rs. 1,54,630
- (iii) Rs. 1,12,130
- (iv) 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 u/s 115BAC and pays tax under default tax regime u/s 115BAC.

- (i) Rs. 81,590
- (ii) Rs. 73,790
- (iii) Rs. 89,390
- (iv) Rs. 64,230

**Answer Keys**

Question	Answer	Remarks
1	(i)	Resident, check limits for Indian Citizen and period of stay
2	(iii)	Medical bills + House servant salary + professional tax + equity shares

Question	Answer	Remarks
3	(i)	Basic salary + D.A. + Bonus + Medical allowances + taxable Perquisite value computed in MCQ 2 - Standard deduction - Professional tax
4	(i)	Tax liability on total income of Rs. 10,70,600 (Salary of Rs. 9,76,600 and STCG u/s 111A of Rs. 94,000)
5	(iv)	Tax liability as per 115BAC

### Case scenario 2 [Salary + Deduction u/c VI-A]

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. 35,000-3500-65,000. 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 litres 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 u/s 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?

- (i) Rs. 30,380
- (ii) Rs. 44,100
- (iii) Rs. 45,570
- (iv) 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 u/s 115BAC?

- (i) Rs. 30,000
- (ii) Rs. 15,000
- (iii) Rs. 24,000
- (iv) Rs. 25,000

### Question: 3

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

- (i) Rs. 28,800
- (ii) Rs. 21,600
- (iii) Rs. 60,000

(iv) Rs. 1,40,000

### Question: 4

Would you advise Mr. Hardik to exercise the option of shifting out of the default tax regime u/s 115BAC?

- (i) 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 u/s 115BAC
- (ii) 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. 53,100, being lower than the tax liability default tax regime u/s 115BAC
- (iii) 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 lower than the tax liability under normal provisions of the Act
- (iv) 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. 27,850, being lower than the tax liability under normal provisions of the Act

### **Answer Keys**

Question	Answer	Remarks
1	(iv)	Rent free accommodation perquisite value rules [10% of BDBACM or rent paid by ER, whichever is lower]
2	(iii)	Section 80D [1,20,000/5 years]
3	(iv)	Motor car perquisite value rules [10% of cost + Maint. by ER]
4	(iii)	Compare tax liabilities under both regimes



## Topic: 4

### Income from House Property

#### Question: 1

Mr. Vikas took a loan of Rs. 15,00,000 @10% p.a. on 1-4-2022 for the construction of residential house for self-occupation. The construction of the house began in June, 2022 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 u/s 115BAC(1A), is ?

- (a) Rs. 1,50,000
- (b) Rs. 1,80,000
- (c) Rs. 2,00,000
- (d) Rs. 2,10,000

#### Question: 2

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: 3

Vidya received Rs. 90,000 in May, 2024 towards recovery of unrealised rent, which was deducted from actual rent during the P.Y. 2022-23 for determining annual value. Legal expense incurred in relation to unrealized rent is Rs. 20,000. The amount taxable u/s 25A for A.Y. 2025-26 would be –

- (a) Rs. 70,000
- (b) Rs. 63,000
- (c) Rs. 90,000
- (d) Rs. 49,000

#### Answer Keys

Question No.	Answer
1	(c) Rs. 2,00,000
2	(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.

3	(b) Rs. 63,000
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### Case Scenario

#### Case scenario 1 [House Property]

Ananya Gupta, a citizen of India, lives with her family in New York since the year 2000. She visited India from 27th 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 21st March 2025. She had taken a loan of Rs. 16 lakhs @ 10% p.a. from IDBI Bank on 7th 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 u/s 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?

- (i) Resident and ordinarily resident
- (ii) Resident but not ordinarily resident
- (iii) Deemed resident but not ordinarily resident in India
- (iv) Non-resident

#### Question: 2

Ms. Ananya Gupta can claim benefit of "Nil" Annual Value u/s 23(2) in respect of -

- (i) Her Delhi house
- (ii) 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
- (iii) Her Delhi house alone; her New York house will be deemed to be let out and expected rent would be the annual value
- (iv) 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?

- (i) Rs. 15,65,000
- (ii) Rs. 3,09,600
- (iii) Rs. 1,00,000
- (iv) 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?

- (i) Rs. 10,000
- (ii) Rs. 17,85,000
- (iii) Rs. 17,95,000
- (iv) Rs. 18,85,000

**Answer Keys**

Question	Answer	Remarks
1	(iv)	Ananya Gupta, an Indian citizen staying abroad and visiting India and her total income excluding income from foreign source does not exceed Rs. 15 lakhs, staying for less than 182 days in India
2	(i)	House property in New York does not accrue or arise in India and Nil Annual Value for Delhi house
3	(iv)	Arrear of rent = 3,00,000 Less 30% = 90,000 = 2,10,000 Self-occupied property loss = 2,00,000 Income from house property = 10,000
4	(i)	Same as MCQ 3

**Case scenario 2 [House Property]**

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.

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 31.3.2025 [(2) - (3)]	Units let out during P.Y. out of (4) P.Y.2024-25	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.
	<b>140</b>	<b>95</b>	<b>45</b>	<b>15</b>	<b>30</b>	

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:

- Income from house property
- Profits and gains of business or profession
- 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
- 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?

- 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.

- (ii) 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.
- (iii) 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.
- (iv) 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?

- (i) Rs. 1,00,00,000  
(ii) Rs. 1,15,00,000  
(iii) Rs. 1,10,00,000  
(iv) Rs. 99,00,000

**Question: 4**

Assume that Rs. 1 lakh was paid in cash by Mr. Gaurav to Mr. Ram on 1.11.2024 instead of by way of account payee bank draft, what would be the income chargeable u/s 56(2)(x) in the hands of Mr. Gaurav?

- (i) Rs. 15 lakh  
(ii) Rs. 10 lakh  
(iii) Nil, since the stamp duty value is within the permissible deviation limit  
(iv) Nil, since section 56(2)(x) is not applicable in this case

**Answer Keys**

Question	Answer	Remarks
1	(i)	Rent under House property head irrespective of type of property
2	(iii)	Stock in trade
3	(i)	Date of agreement taken
4	(iv)	Not a gift

**Case scenario 3 [House Property]**

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

Particulars	Building at Chennai (Rs.)	Building at Kochi (Rs.)
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	1.4.1996	1.7.2008

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 2026. 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?

- (i) Building at Chennai only
- (ii) Building at Kochi only
- (iii) Both buildings at Chennai and Kochi
- (iv) 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?

- (i) Municipal taxes paid by Mr. Sonu and Mr. Ramu
- (ii) Municipal tax, land revenue, insurance premium, interest on loan borrowed for payment of Municipal tax paid by Mr. Sonu
- (iii) Only municipal tax paid by Mr. Sonu
- (iv) 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?

- (i) Income from house property
- (ii) Profits and gains from business or profession
- (iii) Income from other sources
- (iv) 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?

- (i) Rs. 72,800
- (ii) Rs. 81,200
- (iii) Rs. 1,14,800
- (iv) Rs. 70,700

**Answer Keys**

Question	Answer	Remarks
1	(iii)	Property under construction not included
2	(iii)	Only municipal taxes allowed as deduction from GAV
3	(iii)	IFOS for property under construction
4	(i)	Follow inclusion and exclusion as per above MCQ answers



## **Topic: 5**

### **Profit & Gain from Business & Profession**

#### **Question: 1**

Mr. Raja, a proprietor, commenced operation of the business of a new three star hotel in Mumbai on 1.7.2024. He had made a total investment of Rs. 7.58 crores till 30.6.2024. Out of total investment of Rs. 7.58 crores, Rs. 1.58 crores was used for purchase of land in P.Y.2023-

24. Rs. 4.70 crores was used for constructing Hotel and balance of Rs. 1.30 used for purchasing the furniture in P.Y. 2024-25. He wants to avail the benefit of deduction u/s 35AD as he satisfied with all the conditions prescribed u/s 35AD and has exercised the option of shifting out of the default regime provided u/s 115BAC(1A). His profit and gains from the business for P.Y. 2024-25 is Rs. 50 lakhs before claiming deduction u/s 35AD. He wants to file his income-tax return on 12.12.2025. How much deduction Mr. Raja can claim for A.Y. 2025-26 and the losses which he can carry forward to A.Y. 2026-27?

- (a) He can claim the deduction of Rs. 7.58 crores from his business income but he would not be able to carry forward the business loss of Rs. 7.08 crores
- (b) He can claim the deduction of Rs. 6.00 crores from his business income and can carry forward the business loss of Rs. 5.50
- (c) He can claim the deduction of Rs. 6.00 crores from his business income but cannot carry forward the business loss of Rs. 5.50
- (d) He can claim the deduction of Rs. 7.58 crores from his business income and can carry forward the business loss of Rs. 7.08 crores

#### **Question: 2**

Mr. XX, 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

#### **Question: 3**

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 total 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. 2,00,000
- (b) Rs. 1,46,400

- (c) Rs. 1,27,600  
(d) Rs. 1,50,000

**Question: 4**

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: 5**

The W.D.V. of a block (Plant and Machinery, rate of depreciation 15%) as on 1.4.2024 is Rs. 3,20,000. A second-hand machinery costing Rs. 50,000 was acquired on 1.9.2024 through account payee cheque but put to use on 1.11.2024. 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

**Answer Keys**

Question No.	Answer
1	(c) He can claim the deduction of Rs. 6.00 crores from his business income but cannot carry forward the business loss of Rs. 5.50
2	(b) Rs. 3,000
3	(b) Rs 1,46,400
4	(b) Rs. 20,000
5	(a) Rs. 21,750

**Case Scenario****Case scenario 1 [PGBP]**

"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	30.09.2024	30.12.2024	1,85,00,000

Particulars	Date of purchase	Date of put to use	Amount
constructed on leased land			
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 1.4.2024 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 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?

- (i) Rs. 24,25,938
- (ii) Rs. 23,34,688
- (iii) Rs. 24,94,375
- (iv) Rs. 24,03,125

### Question: 2

What would be the WDV of plant and machinery (Depreciable@15%) as on 1.4.2025?

- (i) Rs. 1,29,86,562
- (ii) Rs. 1,29,18,125
- (iii) Rs. 1,30,77,812
- (iv) Rs. 1,30,09,375

### Question: 3

What would the WDV of Office building superstructure constructed on leased land as on 1.4.2025?

- (i) Rs. 1,85,00,000
- (ii) Rs. 1,66,50,000
- (iii) Rs. 1,75,75,000
- (iv) Rs. 1,57,25,000

### Question: 4

What would be the amount of depreciation allowable on BMW M4 convertible car for the previous year 2024-25?

- (i) Rs. 9,75,492
- (ii) Rs. 8,73,286
- (iii) Rs. 7,42,293
- (iv) Rs. 4,77,991

### Answer Keys

Question	Answer	Remarks
1	(ii)	WDV = 1,45,00,000 Add: 9,12,500

Question	Answer	Remarks
		WDV as on 31.3.2024 = 1,54,12,500 Depreciation @15% × 50% = 68,438 @15% = 21,75,000 Additional depreciation = 20% × 50% × 9,12,500 = 91,250 Total depreciation = 23,34,688
2	(iii)	WDV as on 31.3.2024 = 1,54,12,500 Less: Depreciation = 23,34,688 WDV as on 1.4.2025 = 1,30,77,812
3	(iii)	Actual cost = 1,85,00,000 Less: depreciation @10% × 50% = 9,25,000 WDV as on 1.4.2025 = 1,75,75,000
4	(iv)	Actual cost = 94,80,000 Depreciation for P.Y. 2019-20 @30% = 28,44,000 W.D.V. as on 1.4.2020 = 66,36,000 Depreciation for P.Y. 2020-21 = 19,90,800 WDV as on 1.4.2021 = 46,45,200 Depreciation for P.Y. 2021-22 = 13,93,560 WDV as on 1.4.2022 = 32,51,640 Depreciation for P.Y. 2022-23 = 9,75,492 WDV as on 1.4.2023 = 22,76,148 Depreciation for P.Y. 2023-24 = 6,82,844 WDV as on 1.4.2024 = 15,93,304 Depreciation for P.Y. 2024-25 = 4,77,991

**Case scenario 2 [PGBP]**

Mr. X has set up a manufacturing unit in Chittor, Andhra Pradesh on 1st April 2022.

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 Jul 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 2023-24 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?

- (i) Rs. 61,875
- (ii) Rs. 1,11,875
- (iii) Rs. 69,375
- (iv) 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?

- (i) Rs. 3,77,481
- (ii) Rs. 3,71,856
- (iii) Rs. 5,54,607
- (iv) 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 must be deducted, then what would be the rate and amount of tax to be deducted at source?

- (i) Yes, TDS amounting to Rs. 7,875 @7.5% on Rs. 1,05,000 is to be deducted
- (ii) Yes, TDS amounting to Rs. 1,575@1.5% on Rs. 1,05,000 is to be deducted
- (iii) No, tax is to be deducted, since amount does not exceed the threshold limit
- (iv) Yes, TDS amounting to Rs. 10,500@10% on Rs. 1,05,000 is to be deducted

### Answer Keys

Question	Answer	Remarks
1	(ii)	Actual cost "y" = 5,00,000 Depreciation for P.Y. 2023-24 = 37,500 Additional depreciation = 50,000 WDV as on 1.4.2024 of Plant & Machinery "y" = 4,12,500 Depreciation for P.Y. 2024-25 = 61,875 Additional depreciation = 50,000 Total depreciation = 1,11,875
2	(iv)	Actual cost plant & machinery "X" = 14,75,340 Actual cost plant & machinery "Y" = 5,00,000 Depreciation for P.Y. 2023-24 = 2,21,301 + 37,500 = 2,58,801 Additional depreciation = 2,95,068 + 50,000 = 3,45,068 WDV as on 1.4.2024 = 13,71,471 Actual cost plant & machinery "Z" = 8,00,000

Question	Answer	Remarks
		Depreciation for P.Y. 2024-25 = $2,05,721 \div 1,20,000 = 3,25,721$ Additional depreciation = $1,60,000 + 50,000 = 2,10,000$ Total depreciation on P & M = 5,35,721 Depreciation on furniture for P.Y. 2023-24 = 76,540 Depreciation on furniture for P.Y. 2024-25 = 68,886 Total depreciation = 6,04,607
3	(iv)	194J

**Case scenario 3 [PGBP]**

ABC & Co is a partnership firm engaged in the business of sale of footwear. The partnership firm consist of three partners - A, B & C. A & B are working partners, and C is a sleeping partner. The firm is liable to tax audit u/s 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?

- (i) Rs. 29,040
- (ii) Rs. 22,770
- (iii) Rs. 47,540
- (iv) 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?

- (i) Rs. 1,20,000
- (ii) Nil
- (iii) Rs. 1,08,000
- (iv) 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?

- (i) 31st July 2025 for Mr. C and 30th September 2025 for Mr. A
- (ii) 31st July 2025 for Mr. C and 31st October 2025 for Mr. A
- (iii) 31st October 2025 for both Mr. A and Mr. C
- (iv) 31st October 2025 for Mr. C and 31st July 2025 for Mr. A

**Question: 4**

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

- (i) Rs. 70,690
- (ii) Rs. 1,72,330
- (iii) Rs. 51,920
- (iv) Rs. 1,53,560

**Answer Keys**

Question	Answer	Remarks
1	(iv)	Interest on capital to A & B allowable = $18,500/19.5\% \times 12\% \times 2 = 22,770$ Interest on capital to C allowable = $10,540/17\% \times 12\% = 7,440$ Total interest = 30,210
2	(i)	Book profit = 11,50,000 Maximum remuneration allowable as per section 40(b) = 8,70,000 Remuneration paid to A & B = 7,68,000 (allowed fully) Remuneration not allowable to C = 1,20,000
3	(iii)	Section 139(i)
4	(ii)	Book Profit = 11,50,000 Less: Remuneration to A & B = 7,68,000 Less: Business loss = 2,09,670 PGBP = 1,72,330



## Topic: 6

### Income from Capital Gain

#### Question: 1

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 in F.Y. 2024-25 on 30th June 2024? Cost Inflation Index for F.Y. 2001-02: 100; F.Y. 2024-25: 363

- (a) Rs. 1,16,58,000
- (b) Rs. 1,12,75,200
- (c) Rs. 1,03,00,800
- (d) Rs. 1,03,45,500

#### Question: 2

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 u/s 88E is allowable in respect of securities transaction tax paid.
- (b) Securities transaction tax paid is treated as expenses of transfer and deducted from sale consideration.
- (c) Capital gains without deducting STT paid is taxable at a concessional rate of 10%/12.5% on such capital gains exceeding Rs. 1.25 lakh.
- (d) Capital gains without deducting STT paid is taxable at concessional rate of 15%/20%.

#### **Answer Keys**

Question No.	Answer
1	(d) Rs. 1,03,45,500
2	(c) Capital gains without deducting STT paid is taxable at a concessional rate of 10%/12.5% on such capital gains exceeding Rs. 1.25 lakh

#### **Case Scenario**

##### Case scenario 1 [HP + CG 112A + Total Income]

Mr. Animesh, an Indian citizen, aged 61 years, has set-up his business in Canada and is residing in Canada since 2012. 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 13.10.2022 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:

- Profit from business in Canada Rs. 2,75,000
- Interest on bonds of a Canadian Co. Rs. 6,20,000 out of which 50% was received in India
- Income from Apple Orchid in Nepal given on contract and the yearly contract fee of Rs. 5,00,000 for F.Y. 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 15.06.2024, which he acquired on 05-04-2015 @ 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?

- (i) Resident and ordinarily resident in India
- (ii) Resident but not ordinarily resident in India
- (iii) Non-resident
- (iv) 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?

- (i) Rs. 2,52,200
- (ii) Rs. 1,38,200
- (iii) Rs. 9,78,200
- (iv) 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?

- (i) Rs. 18,00,000
- (ii) Rs. 19,00,000
- (iii) Rs. 20,00,000

(iv) Rs. 38,00,000

**Question: 4**

What would be total income of Mr. Animesh for the A.Y. 2024-25, if he has exercised the option to shift out of the default tax regime and pays tax under normal provisions of the Act?

(i) Rs. 22,82,200

(ii) Rs. 22,68,200

(iii) Rs. 22,48,200

(iv) 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?

(i) Rs. 1,82,950

(ii) Rs. 1,87,110

(iii) Rs. 1,80,350

(iv) Rs. 1,77,750

**Answer Keys**

Question	Answer	Remarks
1	(ii)	Indian citizen comes on a visit in India. Since he stays in India for 120 days or more during the P.Y. 2024-25 and more than 365 days in last 4 years and having income from Indian source exceeding Rs. 15 lakhs, resident during P.Y. 2024-25. Accordingly, he is RNOR.
2	(ii)	Rent received/receivable = $32,500 \times 12 = 3,90,000$ Municipal tax paid = 40,000 NAV = 3,50,000 Less: 30% of NAV = 1,05,000 Less: Interest on housing loan = 3,14,000 Loss = 69,000 Arrear of rent = 2,96,000 Less: 30% = 88,800 Taxable rent = 2,07,200 Income under the head house property = $2,07,200 - 69,000 = 1,38,200$
3	(i)	Full Value of Consideration $10,000 \times 480 = 48,00,000$ Less: Cost of acquisition = 30,00,000 Higher of (i) actual cost of Rs. 10,00,000 and (ii) lower of (a) FMV of Rs. 30 lakhs and (b) FVC of Rs. 48 lakhs Long term capital gains = 18,00,000
4	(iv)	House Property = 1,38,200 Long term Capital gains taxable u/s 112A = 18,00,000

Question	Answer	Remarks
		Other sources (Interest received in India) = 3,10,000 Gross Total Income = 22,48,200 Less: Deduction u/s 80C = 80,000 Total Income = 21,68,200
5	(iv)	Tax as per normal provisions will be lower

### Case scenario 2 [HP + Capital Gain]

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 2004 for Rs. 90 lakhs. Afterwards, interior work done in 2007 of Rs. 15 lakhs. Mr. Ganesha took loan of Rs. 65 lakhs for purchase of this flat in 2002 and settled full loan in 2020.

**Jaipur house:** Purchased in July, 2021 of Rs. 62 lakhs and interior work done in September, 2022 of Rs. 10 lakhs. Loan taken for purchase of this house of Rs. 15 lakhs in June 2021. 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 2022 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 1.8.2022. 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-24)	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 ₹ 90 lakhs and invested ₹ 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 ₹ 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 ₹ 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 ₹ 7,100 and vacant for remaining period from July, 2024 to December, 2024.

Mr. Ganesha would not like to opt concessional tax rates available u/s 115BAC Cost inflation index (CII) for the Financial Year (F.Y.) F.Y. 2021-22: 317; F.Y. 2022-23: 331; 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?

- (i) Thane Nil; Jaipur Rs. 13,210; Ratlam Rs. 95,091
- (ii) Thane Nil; Jaipur Rs. 54,910; Ratlam Rs. 95,091
- (iii) Thane Nil; Jaipur Rs. 21,300; Ratlam Rs. 1,02,000
- (iv) 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?

- (i) Loss of Rs. 1,67,689
- (ii) Loss of Rs. 2,86,236
- (iii) Loss of Rs. 3,20,489
- (iv) 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?

- (i) Rs. 3,63,989
- (ii) Rs. 1,63,989
- (iii) Rs. 2,00,000
- (iv) 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?

- (i) Short-term capital gains of Rs. 18,00,000
- (ii) Long-term capital gains of Rs. 15,34,256 and Long-term capital gain of Rs. 18,00,000 (without indexation)
- (iii) Long-term capital gain of Rs. 8,03,639 (with indexation) and Long-term capital gain of Rs. 18,00,000 (without indexation), whichever is lower is tax liability
- (iv) 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?

- (i) Rs. 24,28,460
- (ii) Rs. 24,69,920
- (iii) Rs. 28,03,989
- (iv) Rs. 38,00,350

**Answer Keys**

Question	Answer	Remarks
1	(i)	Thane property self-occupied = Nil annual value Jaipur property = 21300 since rent received is lower than expected rent due to vacancy Less: Municipal taxes = 8090 NAV = 13210 Ratlam property = 102000 since rent received is higher than expected rent Less: Municipal tax = 6909 NAV = 95091
2	(iv)	Jaipur house NAV = 13210 Less: 30% = 3963 Interest on housing loan = 43500 (34253) Ratlam house NAV = 95091 Less: 30% = 28527 Interest on housing loan = 396300 (329736) Total loss from house property = 363989
3	(ii)	Loss of Rs. 2 lakhs is allowed to be set off. Remaining will be carried forward
4	(iii)	<b>Option 1</b> FVC = 90 lakhs Less: ICOA = $62 \times 363/317 = 70.99$ lakhs ICOI = $10 \times 363/331 = 10.97$ lakhs LTCG = 8.04 lakhs <b>Option 2</b> FVC = 90 lakhs Less: COA = 62 lakhs COI = 10 lakhs LTCG = 18 lakhs Exemption u/s 54EC not allowed since invested after 6 months from the date of transfer Assessee can pay tax as per lower of above 2 option.
5	(iv)	Salary after standard deduction = 22,00,350 Loss from house property = (3,63,989) set off up to Rs. 2 lakhs LTCG = 18,00,000 (always without Index) GTI = 38,00,350 Remember : at the time of payment of tax assessee have option to pay tax @20% with Index or 12.5% without Index but while calculating GTI

		its always without Index.
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## **Topic: 7**

### **Income from Other Sources**

#### **Question: 1**

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

#### **Question: 2**

Mr. Devam 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. Devam?

- (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 for tax
- (d) Only 50% i.e., Rs. 37,500 is chargeable for tax

#### **Question: 3**

Mr. Vikas received a gold ring worth Rs. 60,000 on the occasion of his daughter's 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.

#### **Question: 4**

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

**Answer Keys**

Question No.	Answer
1	(c) Rs. Nil
2	(a) Entire Rs. 75,000 is chargeable to tax
3	(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
4	(b) Rs. 9,60,000

**Case Scenario****Case scenario 1 [IFOS + CG]**

Mr. Sarthak (aged 37 years) a share broker, sold a building to his friend Anay, who is a dealer in automobile spare parts, for Rs. 120 lakhs on 10.11.2024, when the stamp duty value was Rs. 150 lakhs. The agreement was, however, entered on 01.9.2024 when the stamp duty value was Rs. 140 lakhs. Mr. Sarthak had received a down payment of Rs. 15 lakhs by a crossed cheque from Anay on the date of agreement. Mr. Sarthak purchased the building for Rs. 95 lakhs on 10.5.2018. Further, Mr. Sarthak also sold an agricultural land (situated in a village which has a population of 5,800) for Rs. 60 lakhs to Mr. Vivek on 01.03.2025, which he acquired on 15.06.2015 for Rs. 45 lakhs. Stamp duty value of agricultural land as on 01.3.2025 is Rs. 65 lakhs.

CII for F.Y. 2015-16; 254; F.Y. 2018-19: 280; 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 amount of tax to be deducted by Mr. Anay and Mr. Vivek, if any, on consideration paid or payable for transfer of building and agricultural land?

- (i) Rs. 1,20,000 by Mr. Anay and Nil by Mr. Vivek
- (ii) Rs. 1,50,000 by Mr. Anay and Nil by Mr. Vivek
- (iii) Rs. 1,50,000 by Mr. Anay and Rs. 65,000 by Mr. Vivek
- (iv) Rs. 1,20,000 by Mr. Anay and Rs. 60,000 by Mr. Vivek

**Question: 2**

What amount of capital gains are chargeable to tax in the hands of Mr. Sarthak in respect of transfer of building?

- (i) Long-term capital gains of Rs. 26,83,929 (with indexation) and Long-term capital gains of Rs. 55,00,000 (without indexation), whichever is lower
- (ii) Long-term capital gains of Rs. 21,92,857 (with indexation) and Long-term capital gains of Rs. 55,00,000 (without indexation)
- (iii) Long-term capital gains of Rs. 1,92,857
- (iv) Short-term capital gains of Rs. 55,00,000

**Question: 3**

If Mr. Sarthak has other income exceeding basic exemption limit, the tax payable (excluding

surcharge and health and education cess) on transfer of building, would be -

- (i) Rs. 6,87,500
- (ii) Rs. 38,571
- (iii) Rs. 5,36,786
- (iv) Rs. 16,50,000

### Question: 4

What amount of income is chargeable to tax in the hands of Mr. Anay in respect of transfer of building?

- (i) Rs. 20 lakhs
- (ii) Rs. 30 lakhs
- (iii) Rs. 15 lakhs
- (iv) Nil

### Answer Keys

Question	Answer	Remarks
1	(ii)	TDS u/s 194-IA = 1% of Rs. 1,50,00,000 = 1,50,000 by Mr, Anay
2	(i)	<b>Option 1</b> FVC = 1,50,00,000 Less: ICOA = $95,00,000 \times 363/280 = 1,23,16,071$ LTCG = 26,83,929 <b>Option 2</b> FVC = 1,50,00,000 Less: COA = 95,00,000 LTCG = 55,00,000
3	(iii)	Lower of the two: Tax @20% on Rs. 26,83,929 = 5,36,786 Tax @12.5% on Rs. 55,00,000 = 6,87,500
4	(ii)	Section 56(2)(x)

### Case scenario 2 [IFOS]

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 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	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

Gifts received from	Type of Gift	Remarks
		15.5.2024 for Rs. 35,500 each. Fair market value on 15th 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.
Closest 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 15 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?

- Short term capital gains Rs. 10,833
- Short term capital gains Rs. 29,833
- Short term capital gains Rs. 22,117
- No, capital gain is taxable in his hands, since he received the capital assets as gift

### Question: 2

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

- Rs. 8,98,613
- Rs. 3,06,813
- Rs. 9,16,813

(iv) Rs. 7,16,813

### Question: 3

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

(i) Rs. 1,51,000

(ii) Rs. 1,69,200

(iii) Rs. 5,79,200

(iv) 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?

(i) No

(ii) Yes; Rs. 15,284

(iii) Yes; Rs. 19,000

(iv) Yes; Rs. 11,284

### Answer Keys

Question	Answer	Remarks
1	(i)	Gold chain = $42,150 - 37,822 = 4,328$ Gold bracelet = $60,180 - 56,075 = 4,105$ Gold chain = $20,600 - 18,200 = 2,400$
2	(iii)	Gift from Mother = 37,822 Gift from Father = 56,075 Gift from Wife = 1,49,716 Gift from sister = 45,000 Father's brother = 18,200 I car 20 = 4,10,000 Cash gift from wife = 2,00,000 Total not taxable = 9,16,813
3	(i)	Balance
4	(iii)	$(40,250 - 35,500) \times 4 = 19,000$

## **Topic: 8**

### **Income of Other Persons included in Assessee's Total Income**

#### **Question: 1**

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

#### **Question: 2**

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

#### **Question: 3**

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.

**Question: 4**

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

**Question: 5**

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 u/s 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

**Question: 6**

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 2020. 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

**Question: 7**

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.

**Question: 8**

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

**Question: 9**

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

**Answer Keys**

Question No.	Answer
1	(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
2	(b) Rs. 1,68,000 in the hands of Mr. Aarav
3	(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.
4	(b) Rs. 1,00,000
5	(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
6	(b) Rs. 12,132
7	(a) Rs. 3,000 as interest on capital from firm
8	(d) as the income of Mr. A

9	(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
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**Case Scenario****Case scenario 1 [Clubbing of Income]**

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 p.m. towards tuition fees for her daughter Riya studying in St. Thomas School, Mumbai.

Rajesh is working with an MNC on a monthly salary of 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 u/s 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?

- (i) both interest income to be included in the hands of Mr. Rajesh
- (ii) both interest income to be included in the hands of Mrs. Raavi
- (iii) 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
- (iv) 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 2025-26? Assume that capital invested in the business was entirely out of the funds gifted by her husband.

- (i) Both loss from business and capital gains would be included in the hands of Mr. Rajesh
- (ii) Both loss from business and capital gains would be included in the hands of Mrs. Raavi
- (iii) Loss from business included in the hands of Mr. Rajesh and capital gains included in the hands of Mrs. Raavi
- (iv) 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?

- (i) Rs. 6,88,000
- (ii) Rs. 7,80,000
- (iii) Rs. 7,41,500
- (iv) Rs. 7,90,000

**Question: 4**

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

- (i) Rs. 7,26,000
- (ii) Rs. 8,09,500
- (iii) Rs. 8,08,000
- (iv) Rs. 7,98,000

**Answer Keys**

Question	Answer	Remarks
1	(iv)	Refer clubbing provisions
2	(iii)	Refer clubbing provisions
3	(iii)	Salary = $62,000 \times 12 - 50,000 = 6,94,000$ STCG = $66,000 - 30,000 = 36,000$ Interest on FD = 11,500 Total Income = 7,41,500
4	(i)	Salary = $64,000 \times 12 - 50,000 = 7,18,000$ Interest from Karuna = 30,000 Loss from business = (22,000) Total Income = 7,26,000

## Topic: 9

### Aggregation of Income, Set-off and Carry Forward of Losses

#### Question: 1

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 15BAC(1A)?

- (a) Rs. 4,40,000
- (b) Rs. 3,20,000
- (c) Rs. 1,60,000
- (d) Rs. 4,80,000

#### Question: 2

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 any head of income
- (d) indefinitely and set-off against any head of income except salary.

#### Question: 3

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

- (a) Loss from specified business 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

#### Question: 4

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

#### Question: 5

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 assuming that he has exercised the option of shifting out of the default regime provided u/s 115BAC(1A) 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.

#### Question: 6

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 shortterm capital gains and long-term capital gains.
- (c) can be set-off against any head of income.
- (d) not allowed to be set-off.

#### Question: 7

Brought forward loss from house property of Rs. 3,10,000 of A.Y. 2024-25 is allowed to be set-off against income from house property of A.Y. 2025-26 of Rs. 5,00,000 to the extent of-

- (a) Rs. 2,00,000
- (b) Rs. 3,10,000
- (c) Rs. 2,50,000
- (d) Rs. 1,00,000

#### Question: 8

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. 1lakh 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

### Question: 9

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

Particulars	Amt. (in Rs.)
Income from Salary (computed)	4,00,000
Loss from let-out house property	(-) 2,20,000
Brought forward loss from let-out house property for the A.Y. 2024-25	(-) 2,30,000
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 u/s 115BAC?

- Total income Rs. 2,00,000 and loss from house property of Rs. 2,50,000 and business loss of Rs. 20,000 to be carried forward to subsequent assessment year.
- Total income Rs. 1,60,000 and loss from house property of Rs. 2,30,000 to be carried forward to subsequent assessment year.
- Total income Rs. 4,00,000 and business loss of Rs. 20,000 to be carried forward to subsequent assessment year.
- Total income is Nil and loss from house property of Rs. 70,000 to be carried forward to subsequent assessment year.

### Question: 10

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)

- First adjustment for loss of P.Y. 2022-23, then loss for P.Y. 2023-24 and then unabsorbed depreciation.
- First adjustment for loss of P.Y. 2023-24, then loss for P.Y. 2022-23 and then unabsorbed depreciation.
- First adjustment for unabsorbed depreciation, then loss of P.Y. 2023-24 and then loss for P.Y. 2022-23.
- First adjustment for unabsorbed depreciation, then loss of P.Y. 2022-23 and then loss for P.Y. 2023-24.

### Question: 11

During the A.Y.2024-25, Mr. A, exercising the option of shifting out of the default tax regime provided u/s 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.

### **Answer Keys**

Question No.	Answer
1	(a) Rs.4,40,000
2	(d) indefinitely and set-off against any head of income except salary.
3	(c) Loss from house property and unabsorbed depreciation carried forward u/s 32(2)
4	(d) First from (i) and thereafter from (ii); the remaining loss has to be carried forward
5	(d) Total income Nil; loss of Rs. 6,00,000 from house property.
6	(b) can be set-off against both shortterm capital gains and long-term capital gains.
7	(b) Rs. 3,10,000
8	(d) all of the above
9	(c) Total income Rs. 4,00,000 and business loss of Rs. 20,000 to be carried forward to subsequent assessment year.
10	(a) First adjustment for loss of P.Y. 2022-23, then loss for P.Y. 2023-24 and then unabsorbed depreciation.
11	(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.

## **Topic: 10**

### **Deductions from Gross Total Income**

#### **Question: 1**

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 u/s 115BAC?

- (a) Nil
- (b) Rs. 12,65,000
- (c) Rs. 12,50,000
- (d) Rs. 12,55,000

#### **Question: 2**

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 u/s 115BAC(1A), he would be eligible for deduction u/s 80DD of an amount equal to-

- (a) Rs. 15,000
- (b) Rs. 35,000
- (c) Rs. 75,000
- (d) Rs. 1,25,000

#### **Question: 3**

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 u/s 115BAC(1A), the deduction allowable to him u/s 80G for A.Y.2025- 26 would be-

- (a) Rs. 80,000
- (b) Rs. 70,000
- (c) Rs. 60,000
- (d) Rs. 35,000

#### **Question: 4**

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 u/s 80GG of an amount of

- (a) Rs. 60,000



- (b) Rs. 32,000
- (c) Rs. 70,000
- (d) Nil

**Question: 5**

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 u/s 115BAC(1A)?

- (a) Rs. 3,46,280
- (b) Rs. 3,69,400
- (c) Rs. 3,19,400
- (d) Rs. 3,96,280

**Question: 6**

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 u/s 115BAC(1A) for the A.Y. 2025-26?

- (a) Rs. 55,000
- (b) Rs. 10,000
- (c) Rs. 20,000
- (d) Rs. 50,000

**Question: 7**

Mr. Srivastav, 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 u/s 115BAC(1A), he would be entitled to a deduction u/s 80D of a sum of –

- (a) Rs. 30,000
- (b) Rs. 50,000
- (c) Rs. 52,000
- (d) Rs. 56,000

**Question: 8**

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 12.3.2017 and unit in DTA from 15.6.2018. 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 30.9.2025 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 u/s 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

### Question: 9

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 1.4.2019. If he pays tax under default tax regime u/s 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

### Question: 10

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 installment 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 u/s 115BAC(1A)

- (a) Rs. 6,00,000
- (b) Rs. 5,35,000
- (c) Rs. 4,90,000
- (d) Rs. 5,55,000

### Answer Keys

Question No.	Answer
1	(d) Rs. 12,55,000
2	(d) Rs. 1,25,000
3	(c) Rs. 60,000
4	(d) Nil
5	(b) Rs. 3,69,400
6	(c) Rs. 20,000
7	(b) Rs. 50,000
8	(b) Rs. 19,04,762
9	(a) not to be allowed deduction u/s 80c
10	(b) Rs. 5,35,000

### Case Scenario

#### Case scenario 1 [Deduction 10AA SEZ]

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 2017. It began manufacturing in April 2017.

Particulars	(Rs. )
Total sales	85,00,000
Export sales [proceeds received in India by 30.9.2025]	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 per month 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 u/s 10AA for A.Y. 2025-26.

- (i) Rs. 45,00,000 and Rs. 85,00,000, respectively
- (ii) Rs. 40,00,000 and Rs. 80,00,000, respectively
- (iii) Rs. 45,00,000 and Rs. 80,00,000, respectively
- (iv) Rs. 40,00,000 and Rs. 85,00,000, respectively

#### Question: 2

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

- (i) Rs. 10,00,000
- (ii) Rs. 4,70,577
- (iii) Rs. 5,62,500
- (iv) Rs. 5,00,000

#### Question: 3

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

- (i) Rs. 12,14,500
- (ii) Rs. 17,18,000
- (iii) Rs. 17,14,500
- (iv) Rs. 17,28,000

**Answer Keys**

Question	Answer	Remarks
1	(ii)	Export sales = 45,00,000 - 5,00,000 = 40,00,000 Total sales = 85,00,000 - 5,00,000 = 80,00,000
2	(iv)	Deduction u/s 10AA = 20,00,000 $\times$ 40,00,000 / 80,00,000 $\times$ 50% = 5,00,000
3	(iii)	Business income = 20,00,000 Income from house property = 25,000 $\times$ 12 $\times$ 70% = 2,10,000 Interest on saving bank a/c = 12,500 Interest on PO saving a/c = 2,000 GTI = 22,24,500 Deduction u/s 10AA = 5,00,000 Deduction u/s 80TTA = 10,000 TI = 17,14,500

**Case scenario 2 [Deduction + PGBP]**

Mr. Kamal, aged 45 years, commenced operations of the business of a new three-star hotel in Delhi on 1.4.2024. He incurred capital expenditure of Rs. 50 lakhs on land in March 2024 exclusively for the above business, and capitalized the same in his books of account as on 1st April, 2024. Further, during the P.Y. 2024-25, he incurred capital expenditure of Rs. 2 crores (out of which Rs. 50 lakhs were for acquisition of land and Rs. 1.50 crore was for acquisition of building) exclusively for the above business. The payments in respect of the above expenditure were made by account payee cheque. The profits from the business of running this hotel (before claiming deduction u/s 35AD) for the A.Y. 2025-26 is Rs. 85 lakhs.

He has employed 220 new employees during the P.Y. 2024-25, the details of whom are as follows -

	No. of employees	Date of employment	Regular/ Casual	Total monthly emoluments per employee (Rs.)
(i)	40	1.6.2024	Regular	24,000
(ii)	80	1.7.2024	Regular	24,500
(iii)	50	1.7.2024	Casual	25,500
(iv)	30	1.9.2024	Regular	25,000
(v)	20	1.12.2024	Casual	24,000

All regular employees participate in recognized provident fund and their emoluments are paid by account payee cheque.

His gross revenue from the hotel is Rs. 11 crores. Mr. Kamal has opted out of the default tax regime u/s 115BAC. Mr. Kamal also has another existing business of running a four-star hotel in Ahmedabad, which commenced operations twenty years back, the profits from which are Rs. 140 lakhs for the A.Y. 2025-26.

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

### **Answer Keys**

#### **Question: 1**

If Mr. Kamal has fulfilled all the conditions specified for claim of deduction u/s 35AD and has not claimed any deduction under Chapter VIA under the heading "C. - Deductions in respect of certain incomes", what would be the quantum of deduction u/s 35AD, which he is eligible to claim as deduction for A.Y.2025-26?

- (i) Rs. 250 lakhs
- (ii) Rs. 200 lakhs
- (iii) Rs. 100 lakhs
- (iv) Rs. 150 lakhs

#### **Question: 2**

What would be the income chargeable/loss under the head "Profits and gains of business or profession" for the A.Y. 2025-26 in the hands of Mr. Kamal?

- (i) Rs. 75 lakhs
- (ii) Rs. 140 lakhs
- (iii) Rs. 25 lakhs
- (iv) (Rs. 10 lakhs)

#### **Question: 3**

Would Mr. Kamal be eligible for deduction u/s 80JJAA in the A.Y.2025-26? If so, what is the quantum of deduction?

- (i) No, he would not be eligible for deduction u/s 80JJAA
- (ii) Yes; Rs. 75,00,000
- (iii) Yes; Rs. 81,72,000
- (iv) Yes; 99,72,000

### **Answer Keys**

Question	Answer	Remarks
1	(iv)	Deduction u/s 35AD is not available in respect of land.
2	(i)	Profit from new hotel business before deduction u/s 35AD = Rs. 85 lakhs Deduction u/s 35AD = 150 lakhs Loss = 65 lakhs Profit from another specified business = Rs. 140 lakhs Profits and gains from business or profession = Rs. 75 lakhs
3	(i)	As per section 35AD, where deduction u/s 35AD is claimed and allowed in respect of specified business for any A.Y., no deduction u/s 10AA or Chapter VI-A under the heading C is permissible in relation to such business for the same or any other A.Y.

## Topic: 11

### Advance Tax, TDS & TCS

#### Question: 1

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: ₹ 50 Lakh ICICI Bank: ₹ 120 Lakh

What shall be the amount of tax to be deducted at source u/s 194N by HDFC Bank and ICICI Bank, respectively, while making payment in cash to Mr. A assuming Mr. A has filed his return of income for P.Y. 2021-22, P.Y. 2022-23 and P.Y. 2023-24 respectively?

- (a) ₹ 1,00,000 and ₹ 2,40,000
- (b) Nil and ₹ 40,000
- (c) ₹ 60,000 and ₹ 1,00,000
- (d) ₹ 50,000 and ₹ 1,20,000

#### Question: 2

Mr. Prakash is employed with XYZ Ltd. from 05.11.2020. He resigned on 31.03.2025 and wants to withdraw the accumulated balance of employer's contribution in his EPF Account i.e., ₹ 55,000. The tax deducted on such withdrawal would be -

- (a) ₹ 500 u/s 192
- (b) ₹ 5,500 u/s 192
- (c) ₹ 4,125 u/s 192A
- (d) ₹ 5,500 u/s 192A

#### Question: 3

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 ₹ 3,20,000 is required to be deducted
- (b) No, TDS is not required to be deducted as the cash withdrawal does not exceed ₹ 1 crore neither in saving account nor in current account
- (c) TDS of ₹ 3,00,000 is required to be deducted.
- (d) TDS of ₹ 1,20,000 is required to be deducted.

#### Question: 4

Mr. Raj (a non-resident and aged 65 years) is a retired person, earning rental income of ₹ 40,000 per month from a property located in Delhi. He is residing in Canada. Apart from rental income, he does not have any other source of income. Is he liable to pay advance tax in India?

Assume he pay tax under default taxation regime u/s 115BAC

- (a) Yes, he is liable to pay advance tax in India as he is a non- resident and his tax liability in India exceeds ₹ 10,000.
- (b) No, he is not liable to pay advance tax in India as his tax liability in India is less than ₹ 10,000.
- (c) No, he is not liable to pay advance tax in India as he has no income chargeable under the head "Profits and gains of business or profession" and he is of the age of 65 years.
- (d) Both (b) and (c)

#### Question: 5

Mr. X, a resident Indian, wins ₹ 10,000 in a lottery. Which of the statement is true?

- (a) Tax is deductible u/s 194B@30%
- (b) Tax is deductible u/s 194B@30.9%
- (c) No tax is deductible at source
- (d) None of the above

#### Question: 6

The benefit of payment of advance tax in one installment on or before 15th March is available to assessee computing profits on presumptive basis –

- (a) only u/s 44AD
- (b) u/s 44AD and 44ADA
- (c) u/s 44AD and 44AE
- (d) u/s 44AD, 44ADA and 44AE

#### Question: 7

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 ₹ 5 lakhs (computed). During the year, he earned ₹ 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 he pay tax u/s 115BAC.

- (a) ₹ 2,20,000 + Cess ₹ 8,800 = ₹ 2,28,800, being the tax payable on total income of ₹ 12 lakhs
- (b) ₹ 2,10,000 + Cess ₹ 8,400 = ₹ 2,18,400, being the tax payable on lottery income of ₹ 7 lakhs
- (c) ₹ 10,000 + Cess ₹ 8,800 = ₹ 18,800, being the net tax payable on salary income, since tax would have been deducted at source from lottery income.

(d) Nil

### Question: 8

Mr. P is a professional who is responsible for paying a sum of ₹ 2,00,000 as rent for use of building to Mr. Harshit, a resident, for the month of February, 2025. The gross receipts of Mr. P are as under:

From 01.04.2023 to 31.03.2024: ₹ 55,00,000

From 01.04.2024 to 28.02.2025: ₹ 45,00,000

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

- (a) Tax at source is required to be deducted u/s 194-I at the rate of 10%.
- (b) Tax at source is required to be deducted u/s 194-IB at the rate of 5%.
- (c) Tax at source is required to be deducted u/s 194-IB at the rate of 2%.
- (d) No tax is required to be deducted at source.

### Question: 9

Mr. Vyas, aged 80, is a retired government employee. On 1st April 2024, he received the maturity amount of his LIC policy amounting to ₹ 3,50,000. This policy was taken by Mr. Vyas on 1st April 2015 on which the sum assured was ₹ 3,00,000 and the annual premium was ₹ 40,000. His other income comprised of pension amounting to ₹ 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 ₹ 3,500 u/s 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 u/s 194DA since declaration in Form 15H cannot be made for tax deduction u/s 194DA.
- (d) The declaration made by Mr. Vyas is wrong and the insurance company has to deduct tax of ₹ 1,000 u/s 194DA.

### Question: 10

An interior decorator has opted for presumptive taxation scheme u/s 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

### Question: 11

Mr. X, a resident, is due to receive Rs. 6 lakhs on 31.3.2025, towards maturity proceeds of LIC policy taken on 1.4.2022, 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 1.10.2024 towards maturity proceeds of LIC policy taken on 1.10.2016 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

### Question: 12

Mr. X paid fees for professional services of ₹ 40,000 to Mr. Y, who is engaged only in the business of operation of call centre, on 15.7.2024. Tax is to be deducted by Mr. X at the rate of –

- (a) 0.75%
- (b) 1%
- (c) 1.5%
- (d) 2%

### Question: 13

A firm pays salary and interest on capital to its resident partners. The salary and interest paid fall within the limits specified in section 40(b). Which of the following statements is true?

- (a) Tax has to be deducted u/s 192 on salary and u/s 194A on interest
- (b) Tax has to be deducted u/s 192 on salary but no tax needs to be deducted on interest
- (c) No tax has to be deducted on salary but tax has to be deducted u/s 194A on interest
- (d) No tax has to be deducted at source on either salary or interest

### Question: 14

Mr. Ram acquired a house property at Chennai from Mr. Satyam, a resident, for a consideration of ₹ 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 ₹ 50 lakhs and rural agricultural land from Mr. Danish, a resident, for a consideration of ₹ 75 lakhs. Which of the following statements are correct assuming that in the consideration amounts as aforementioned all the charges incidental to transfer of the immovable property are included?

- (a) No tax deduction at source is required in respect of any of the three payments.
- (b) TDS@1% is attracted on all the three payments.
- (c) TDS@1% on ₹ 85 lakhs and ₹ 50 lakhs are attracted. No TDS on payment of ₹ 75 lakhs for acquisition of rural agricultural land.
- (d) TDS@1% on ₹ 85 lakhs is attracted. No TDS on payments of ₹ 50 lakhs and ₹ 75 lakhs.

### Question: 15

Mr. T, an Indian Citizen and resident of India, earned dividend income of ₹ 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 @7.5%.
- (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 ₹ 5,000.



- (d) Such dividend is exempt in the hands of Mr. T. Hence, Indian company is not required to deduct tax at source.

### **Answer Keys**

Question No.	Answer
1	(b) Nil and ₹ 40,000
2	(d) ₹ 5,500 u/s 192A
3	(d) TDS of ₹ 1,20,000 is required to be deducted.
4	(b) No, he is not liable to pay advance tax in India as his tax liability in India is less than ₹ 10,000.
5	(c) No tax is deductible at source
6	(b) u/s 44AD and 44ADA
7	(d) Nil
8	(d) No tax is required to be deducted at source.
9	(b) The claim by Vyas is right and insurance company is not required to deduct tax at source
10	(a) He is liable to pay advance tax on or before 15.3.2025
11	(b) Tax is required to be deducted on income comprised in maturity proceeds payable to Mr. X
12	(d) 2%
13	(d) No tax has to be deducted at source on either salary or interest
14	(c) TDS@1% on ₹ 85 lakhs and ₹ 50 lakhs are attracted. No TDS on payment of ₹ 75 lakhs for acquisition of rural agricultural land.
15	(b) Such dividend is taxable in the hands of Mr. T and Indian company is required to deduct tax at source @10%

## **Topic: 12**

### **Return Filing and Self Assessment**

#### **Question: 1**

Which of the following returns can be revised u/s 139(5)?

- (a) A return of income filed u/s 139(1)
- (b) A belated return of income filed u/s 139(4)
- (c) 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)

#### **Question: 2**

Mr. X is a working partner and Mr. Y is a non-working partner of XYZ partnership firm. XYZ Partnership firm subjected to tax audit u/s 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

#### **Question: 3**

An individual client has consulted you on the matter of PAN. He is carrying on the business of sale & purchase of electronic appliances. His turnover is ₹ 3,00,000 and the profit is ₹ 75,000 for the P.Y. 2024-25. He has asked you to provide him threshold of turnover, if any, exceeding which he has to apply for PAN.

- (a) More than ₹ 2,00,000
- (b) More than ₹ 2,50,000
- (c) More than ₹ 3,00,000
- (d) More than ₹ 5,00,000

#### **Question: 4**

Mr. Kumar, aged 62 years resident and ordinarily resident, is a retired employee with a monthly pension of ₹ 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. He met with an accident and died and thereby leaving the house at London in the name of his father, 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

### Question: 5

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

### Question: 6

Mr. Pawan is engaged in the business of roasting and grinding coffee beans. During F.Y. 2024-25, his total income is ₹ 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) ₹ 5,000
- (b) Not exceeding ₹ 1,000
- (c) ₹ 10,000
- (d) No fees payable as total income is below ₹ 5,00,000

### Question: 7

Arun's gross total income of P.Y. 2024-25 is ₹ 2,45,000. He exercises the option of shifting out of the default regime provided u/s 115BAC(1A). He deposits ₹ 45,000 in PPF. He pays electricity bills aggregating to ₹ 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 u/s 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 ₹ 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 u/s 80C exceeds the basic exemption limit nor his electricity bills exceed ₹ 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 ₹ 1 lakh for the P.Y.2024-25.

### Question: 8

Mr. Z, a salaried individual, has a total income of ₹ 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 ₹ 1,000 u/s 234F
- (b) ₹ 5,000 u/s 234F
- (c) ₹ 10,000 u/s 234F
- (d) Not liable to pay any fee

### Question: 9

Mr. Dinesh, a resident in India, has gross total income of ₹ 2,30,000 comprising of interest on saving A/c and rental income during the previous year 2024-25. He incurred expenditure of ₹ 2,00,000 for his son for a study tour to Europe. Whether he is required to file return of income for the assessment year 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

### Question: 10

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

- I Opening a Basic savings bank deposit account with a bank
- II Applying to a bank for issue of a credit card.
- III Payment of ₹ 40,000 to mutual fund for purchase of its units
- IV Cash deposit with a post office of ₹ 1,00,000 during a day.
- V A fixed deposit of ₹ 30,000 with a NBFC registered with RBI aggregating the total deposits to ₹ 3,50,000 for the F.Y upto to the date of this deposit made.
- VI Sale of shares of an unlisted company for an amount of ₹ 60,000

Choose the correct answer:

- (a) II, IV
- (b) II, III, IV
- (c) I, II, III, V, VI
- (d) II, IV, VI

### **Answer Keys**

Question No.	Answer
1	(d) (i), (ii) and (iii)
2	(b) 31st October, 2025 for both Mr. X and Mr. Y
3	(d) More than ₹ 5,00,000
4	(a) Yes, he is mandatorily required to file his income-tax return as he is a resident

Question No.	Answer
	and ordinarily resident in India and has asset located outside India
5	(c) I or III
6	(b) Not exceeding 1,000
7	(d) Arun is required to file his return of income u/s 139(1) for P.Y. 2024-25, since his electricity bills exceed ₹ 1 lakh for the P.Y.2024-25.
8	(b) ₹ 5,000 u/s 234F
9	(d) No, he is not required to file return of income
10	(a) II, IV

## Topic: 13

### Income Tax Liability, Computation and Optimization

#### Question: 1

Mr. Bandu, aged 37 years, provides the following details for P.Y. 2024-25 as follows:

Particulars	₹ in lakhs
Textile business income	22
Speculative business loss	(4)
Textile business loss b/f from P.Y. 2022-23	(5)
Business income of spouse included in the income of Mr. Bandu as per section 64(1)(iv)	2
Deductions available under Chapter VI-A	3
TDS	1
TCS	0.5
Advance tax paid	1.3

What shall be the net tax payable/(refundable) as per regular provisions of the Income-tax Act, 1961 for A.Y. 2025-26 for Mr. Bandu?

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

#### Question: 2

Mr. Raj, aged 32 years, presents you the following data for A.Y. 2025-26:

Particulars	₹ in lakhs
Gross receipts from business conducted entirely through banking channels (opted for section 44AD)	70
Capital gains u/s 112A	5
Capital gains u/s 111A	3
Winnings from horse races	1

What would be the tax liability as per the regular provisions of the Income-tax Act, 1961 of Mr. Raj for the A.Y.2025-26? Assume that capital gain transactions took place before 23rd July 2024.

- (a) ₹ 1,28,440

- (b) ₹ 1,05,560  
 (c) ₹ 1,25,840  
 (d) ₹ 1,45,080

**Question: 3**

Mr. X, who has opted out of the default tax regime u/s 115BAC and pays tax under the optional tax regime, can carry forward the AMT credit for

- (a) 8 assessment years  
 (b) 10 assessment years  
 (c) 12 assessment years  
 (d) 15 assessment years

**Question: 4**

Mr. Uttam presents you the following data related to his tax liability for A.Y. 2025-26:

Particulars	₹ in lakhs
Tax Liability as per regular provisions of Income-tax Act, 1961	15
Tax Liability as per section 115JC	12
AMT credit brought forward from A.Y. 2024-25	5

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

- (a) ₹ 12 lakhs  
 (b) ₹ 15 lakhs  
 (c) ₹ 10 lakhs  
 (d) ₹ 7 lakhs

**Answer Keys**

Question No.	Answer
1	(a) ₹ 24,200
2	(c) ₹ 1,25,840
3	(d) 15 assessment years
4	(a) ₹ 12 lakhs

**Case Scenario****Case scenario 1 [Total Income]**

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 remitted to India. Mr. Rajan has exercised the option to shift out of the default tax regime u/s 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?

- Resident and ordinarily in India
- Resident but not ordinarily resident in India
- Non-resident in India
- 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?

- (i) Rs. 20,00,000
- (ii) Rs. 19,50,000
- (iii) Rs. 13,50,000
- (iv) Rs. 19,60,000

### Question: 3

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

- (i) Rs. 2,30,000
- (ii) Rs. 1,95,000
- (iii) Rs. 1,60,000
- (iv) Rs. 2,00,000

### Question: 4

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

- (i) Rs. 22,69,810
- (ii) Rs. 22,58,940
- (iii) Rs. 22,56,080
- (iv) 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?

- (i) 31st July 2025
- (ii) 31st October 2025
- (iii) 30th November 2025



(iv) 31st March 2026

**Answer Keys**

Question	Answer	Remarks
1	(iv)	Deemed resident, check limits for Indian Citizen and period of stay
2	(iii)	Tax if taxable at nil rate is not charged elsewhere
3	(iv)	Refer 80C (Tuition fees) & 80TTB (interest)
4	(iii)	Do not compute using 115BAC
5	(ii)	Professional income subject to audit

**Case scenario 2 [Total Income]**

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?

- (i) Resident and ordinarily resident
- (ii) Resident but not ordinarily resident
- (iii) Non-resident
- (iv) 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

- (i) Rs. 22,750
- (ii) Rs. 29,910
- (iii) Rs. 32,510
- (iv) 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?

- (i) No, there is no requirement to deduct tax at source, since Mr. Y is a salaried employee
- (ii) Yes, Mr. Y is required to deduct tax at source of Rs. 16,800
- (iii) Yes, Mr. Y is required to deduct tax at source of Rs. 42,000
- (iv) 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?

- (i) Advance tax liability shall not arise to Mr. X since he is a non-resident
- (ii) 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
- (iii) Advance tax liability shall arise, since he is a non-resident
- (iv) Advance tax liability shall arise, since his tax liability is not less than Rs. 10,000

### Answer Keys

Question	Answer	Remarks
1	(i)	Resident conditions being fulfilled, period of stay as per basic condition
2	(iv)	Tax slab for senior citizen (Tax Liability as per 115BAC is NIL)
3	(ii)	Section 194IB [8,40,000 x 2%]
4	(ii)	Refer advance tax payment exemptions

### Case scenario 3 [Total Income]

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%
19.	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 31.1.2025.

He wants to exercise the option to shift out of the default tax regime u/s 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?

- (i) Resident
- (ii) Resident and ordinary resident
- (iii) Non-resident
- (iv) Deemed resident

### Question: 2

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

- (i) Dividend received from Rainbow Ltd is exempt in the hands of Mr. Narendra. Hence, no tax is required to be deducted at source.
- (ii) 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.
- (iii) Dividend received from Rainbow Ltd is taxable in the hands of Mr. Narendra. Tax of Rs. 525 is required to be deducted at source.

- (iv) 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?

- (i) There is no TDS liability of Mr. Narendra, since he is a salaried individual.
- (ii) Mr. Narendra is liable to deduct TDS u/s 194I of Rs. 6,000 for each month.
- (iii) Mr. Narendra is liable to deduct TDS u/s 194-IB of Rs. 1,200 for each month
- (iv) Mr. Narendra is liable to deduct TDS u/s 194IB of R. 3,600 in the 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?

- (i) Rs. 26,27,202
- (ii) Rs. 26,77,202
- (iii) Rs. 27,08,852
- (iv) Rs. 26,58,852

### Question: 5

What is the amount of short-term capital gain chargeable to tax in the hands of Mr. Narendra on sale of shares for the P.Y. 2024-25:

- (i) Rs. 20,202.20
- (ii) Rs. 21,950
- (iii) Rs. 19,474.25
- (iv) Rs. 19,074.95

### **Answer Keys**

Question	Answer	Remarks
1	(iv)	Refer section 6(1A)
2	(iv)	$\text{TDS u/s 194} = 350 \times 10 \times 200\% \times 10\% = 700$
3	(iv)	$\text{TDS u/s 194-1B} = 60,000 \times 4 \times 2\% = 3,600$ in the month of March 2025
4	(i)	Basic salary = $2,75,675 \times 4 = 11,02,700$ COLA = $1,20,200 \times 4 = 4,80,800$ Other allowances = $1,56,000 \times 4 = 6,24,000$ HRA received = $1,37,838 \times 4 = 5,51,352$ Less: HRA exemption = 81,640 Gross salary = 26,77,202 Less: Standard deduction = 50,000 Net Salary = 26,27,202
5	(iv)	

### **Case scenario 4 [Total Income]**

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 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 P.Y. 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?

- (i) Rs. 7,00,000
- (ii) Rs. 10,46,500
- (iii) Rs. 10,50,000
- (iv) Rs. 13,76,500

### **Question: 2**

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

- (i) Rs. 59,254
- (ii) Rs. 88,400
- (iii) Rs. 69,650
- (iv) 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?

- (i) No, he is not required, since his income does not exceed basic exemption limit
- (ii) Yes, he is required to furnish return of income on or before 31st July, 2025
- (iii) Yes, he is required to furnish return of income on or before 30th September, 2025
- (iv) 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?

- (i) No, he is not required to pay advance tax, since he is a senior citizen

- (ii) Yes, he is required to pay advance tax, since his tax liability exceeds Rs. 10,000
- (iii) 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"
- (iv) Yes, he is required to pay advance tax, since his total income exceeds basic exemption limit of Rs. 5,00,000

### **Answer Keys**

Question	Answer	Remarks
1	(ii)	2 SOP, compute for Nagpur and Mumbai property
2	(i)	Try both regimes, 115BAC is lower
3	(ii)	Refer provisions for mandatory ITR filing
4	(iii)	Senior citizen without PGBP income

### **Case scenario 5 [Total Income]**

Ms. Chanchal, aged 45, provides the following data of her gross receipts for the financial year 2023-24 and 2024-25. She is engaged in agency business along with providing services as tarot card reader. She is generally engaged in cash payments and cash receipts.

F.Y.	Receipts from business (Rs.)	Receipts from profession (Rs.)	Total Gross Receipts (Rs.)
2023-24	1,05,00,000	47,00,000	1,52,00,000
2024-25	98,00,000	49,00,000	1,47,00,000

She paid an amount of Rs. 12,00,000 to a contractor for polishing her old furniture in her self-occupied residential house property on 12.04.2024. Further on 05.06.2024, she has taken services from renowned interior designer for the same residential house property for which she paid Rs. 2,50,000.

The brought forward long-term capital loss from unlisted shares of F.Y. 2023-24 is Rs.5,50,000.

During the year, Ms. Chanchal incurred a loss of Rs. 70,00,000 while trading in the agricultural commodity derivatives (no CTT paid).

Ms. Chanchal has opted out of the default tax regime u/s 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**

Is Ms. Chanchal liable to tax audit under the Income-tax Act, 1961 for the P.Y. 2024-25?

- (i) Yes, as the total gross receipts exceeds Rs. 1,00,00,000
- (ii) No, as the gross receipts from business or profession are below the specified threshold limits
- (iii) Yes, as the gross receipts from business exceeds Rs. 50,00,000
- (iv) Yes, as the gross receipts from profession exceeds Rs. 25,00,000

### **Question: 2**

With respect to payment made to contractor and to the interior designer during the P.Y. 2024-25, Ms. Chanchal consulted various persons and they have the following views -

- She is required to deduct tax at source u/s 194C and 194J, since her turnover from business for the previous year 2023-24 exceeds Rs. 1,00,00,000
- She is required to deduct tax at source u/s 194M on both the payments
- She is not required to deduct tax at source neither u/s 194C nor u/s 194J, since such amounts are paid for personal purposes
- She is not required to deduct tax at source u/s 194M, since payment to each individual does not exceed Rs. 50,00,000

Which views are correct?

- (c) and (d) views are correct
- (a) view is correct
- (b) view is correct
- (a) and (d) views are correct

### Question: 3

What is the amount of losses which can be carried forward to A.Y. 2026-27, assuming that business income is Rs. 45,00,000 and income from profession is Rs. 25,00,000 for the P.Y. 2024-25?

- Rs. 5,50,000 u/s 74
- Rs. 70,00,000 u/s 73
- No loss is required to be carried forward, since brought forward loss and current year loss are set-off against current year's income
- Rs. 5,50,000 u/s 74 and Rs. 70,00,000 u/s 73

### Answer Keys

Question	Answer	Remarks
1	(ii)	Refer audit threshold limits
2	(i)	Refer TDS sections
3	(i)	Refer section 74

### Case scenario 6 [Total Income]

Mr. Abhishek Seth, aged 42 years, is working as a CEO of Soil Limited. He provides you the following information for preparation and filing of his income-tax return for the year ended 31st March 2025:

- Salary, allowances and perquisites from Soil Limited - Rs. 1,35,00,000
- Dividend from ABC Ltd. which was declared in February, 2024 and received in April, 2024 - Rs. 4,55,000
- Dividend from PRQ Ltd. declared and received in July, 2024 - Rs. 5,90,000 (Gross)
- Interest income on saving bank account in SBI - Rs. 24,530
- Long term capital gains on transfer of residential house in Mumbai on 15th June, 2024 - Rs. 1,73,540
- Short term capital gain on transfer of listed equity shares (STT paid both at the time of transfer and acquisition) of Ind Ltd. On 30th June 2024 - Rs. 73,00,000

He also furnished the following details of investment/ payments made by him during the P.Y. 2024-25:

- Three-year post office time deposit - Rs. 25,000



- (b) Contribution to PPF - Rs. 35,000
- (c) Tuition fees of three children in Bharti Sr. Sec. School in Delhi - Rs. 20,000 per annum per children
- (d) Subscription to NHAI redeemable bonds after 5 years on 16th September, 2024 - Rs. 2,00,000.

Further, his son Mr. Dhaval, aged 15 years, has also earned the following income:

- Income from a quiz competition - Rs. 25,000
- Interest on bank fixed deposit - Rs. 9,500

Assuming that the tax has been deducted on time, wherever applicable. Mr. Abhishek has opted out of the default tax regime u/s 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 quantum of income of Mr. Dhaval which is to be clubbed with the income of Mr. Abhishek, if any, assuming that income of Mr. Abhishek is greater than the income of his spouse?

- (i) Rs. 34,500
- (ii) Rs. 8,000
- (iii) Rs. 33,000
- (iv) Rs. 9,500

### Question: 2

What is the gross total income of Mr. Abhishek for A.Y. 2025-26?

- (i) Rs. 2,13,72,530
- (ii) Rs. 2,14,22,530
- (iii) Rs. 2,13,64,530
- (iv) Rs. 2,15,46,070

### Question: 3

What is the amount of deduction allowable u/s 80C to Mr. Abhishek?

- (i) Rs. 1,00,000
- (ii) Rs. 1,20,000
- (iii) Rs. 95,000
- (iv) Rs. 75,000

### Question: 4

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

- (i) Rs. 62,67,350
- (ii) Rs. 61,04,100
- (iii) Rs. 59,60,050
- (iv) Rs. 61,45,610

### Answer Keys

Question	Answer	Remarks
1	(ii)	Income from Quiz Competition won't be clubbed as it is earned by application of skill by Mr. Dhaval. Interest income from bank fixed



		deposit of 9,500 shall be clubbed. Exemption u/s 10(32) of 1,500 shall also be available, and hence $9,500 - 1,500 = 8,000$ shall be clubbed.
2	(i)	Salary 134.5L, CG 73L, IFOS 6.2253L
3	(iv)	PPF 35,000 and Tuition fees 40,000 ( $20,000 \times 2$ )
4	(ii)	80C 75,000 and 80TTA 10,000

**Case scenario 7 [Total Income]**

Mr. A (aged 52 years), is a CEO of XYZ Enterprise Limited. During the previous year 2024-25, he earned salary of Rs. 1,65,00,000 and long-term capital gain on sale of listed equity shares (STT paid) amounting to Rs. 1,06,500 (assume that the transactions took place before 30th June 2024). He earned interest of Rs. 4,82,778 on saving bank account.

Further, he has provided the following other information for filing his return of income:

He does not receive house rent allowance from his employer. Mr. A took a loan from State Bank of India on 27th October 2022 for repairing his house (self-occupied) at Delhi and paid interest on such borrowings of Rs. 80,000 and Rs. 1,50,000 towards principal amount during the previous year 2024-25.

Mr. A has made the following payments towards medical insurance premium for health policies taken for his family members:

Medical premium for his brother: Rs. 13,500 (by cheque)

Medical premium for his parents: Rs. 17,670 (by cheque)

Medical premium for self and his wife: Rs. 21,000 (by cheque).

He also incurred Rs. 6,400 towards preventive health check-up of his wife in cash. He deposited Rs. 1,00,000 towards PPF. He also deposited Rs. 50,000 and Rs. 2,50,000 towards Tier I and Tier II NPS A/c, respectively.

He has paid Rs. 5,30,000 as advance tax. His employer has deducted tax at source of Rs. 51,89,000. He is of the opinion that the balance amount of tax, if any, he will pay on 27th July 2025 (i.e. before the due date for filing of return of income).

Mr. A has opted out of the default tax regime u/s 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 amount of deduction available to Mr. A under Chapter VI-A for the assessment year 2025-26?

- (i) Rs. 2,04,070
- (ii) Rs. 2,42,670
- (iii) Rs. 2,52,670
- (iv) Rs. 2,02,670

**Question: 2**

Assume that, for the purpose of answering this question alone, that Mr. A pays rent of Rs. 65,000 per month for his rented house at Mumbai to Mr. C, a resident individual, is Mr. A liable to deduct TDS on such rent. If so, what would be the rate and amount of TDS?

- (i) Yes, Mr. A is liable to deduct TDS @ 3.75% amounting to Rs. 2,438 every month at the time of payment of such rent
- (ii) Yes, Mr. A is liable to deduct TDS @5% (2% w.e.f. 01.10.2024) from amounting to Rs. 3,250 every month (1,300 w.e.f. 01.10.2024) i.e., at the time of payment of such rent
- (iii) Yes, Mr. A is liable to deduct TDS@2% amounting to Rs. 15,600 in the month of March 2025
- (iv) No, Mr. A is not liable to deduct TDS, since he is a salaried person

**Question: 3**

What would be the amount of net tax payable for the assessment year 2025-26 in the hands of Mr. A?

- (i) 78,230
- (ii) 60,290
- (iii) 49,530
- (iv) 48,750

**Question: 4**

What would be the amount of interest chargeable u/s 234B on account of short payment of advance tax?

- (i) Rs. 1,980
- (ii) Nil
- (iii) Rs. 3,130
- (iv) Rs. 2,410

**Answer Keys**

Question	Answer	Remarks																												
1	(iv)	Section 80C, 80CCD(1B) and 80D																												
2	(iii)	TDS on rent section 194IB																												
3	(iv)	<table><tr><td colspan="2">Compute tax as per normal provisions</td></tr><tr><td>Salary</td><td>16500000</td></tr><tr><td>Standard deduc</td><td>-50000</td></tr><tr><td>Salary Computed</td><td><b>16450000</b></td></tr><tr><td>Loss from HP</td><td>-30000</td></tr><tr><td>CG</td><td>106500</td></tr><tr><td>Interest</td><td>482778</td></tr><tr><td></td><td><b>17009278</b></td></tr><tr><td>Less: VI-A deduc</td><td>202670</td></tr><tr><td><b>Total Income</b></td><td><b>16806608</b></td></tr><tr><td>Tax</td><td></td></tr><tr><td>LTCG</td><td>0</td></tr><tr><td>Balance Income</td><td>4822532.4</td></tr><tr><td>Total</td><td><b>4822532.4</b></td></tr></table>	Compute tax as per normal provisions		Salary	16500000	Standard deduc	-50000	Salary Computed	<b>16450000</b>	Loss from HP	-30000	CG	106500	Interest	482778		<b>17009278</b>	Less: VI-A deduc	202670	<b>Total Income</b>	<b>16806608</b>	Tax		LTCG	0	Balance Income	4822532.4	Total	<b>4822532.4</b>
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		With surcharge @15%	5545912.26
		With cess @4%	<b>5767748.75</b>
		Less: Tax paid	5719000
		Tax Payable	<b>48748.75</b>
4	(ii)	Limits for advance tax	