



INCOME TAX

Basic Concepts

MULTIPLE CHOICE QUESTIONS

- The Assessing Officer followed a view stated by the CBDT and added ₹1 lakh to the income of the assessee. Assessee claimed that the view was contrary to the provisions of the Act and appealed against the order in the Court. The Court upheld the view of the assessee and deleted the addition. Whose word will be final?

(a) Assessee	(b) Assessing Officer
(c) CBDT	(d) Court
- Section 2(24)(ix) of the Act provides that winnings from lotteries will be included within the scope of 'income'. Explanation to section 2(24)(ix) states that 'lottery' includes winnings from prizes awarded to any person by draw of lots or by chance or in any other manner. What is the purpose of the Explanation?

(a) Explain or clarify the provision	(b) Provide exception or exclusion
(c) Define meaning of a term	(d) Prescribe a procedure
- A person has derived income of ₹10 lakh from retail business, ₹20 lakh from agriculture and ₹1 lakh from interest on deposits. His gross receipts are ₹15 lakh from retail business and ₹35 lakh from agriculture. Parliament can levy income tax on:

(a) ₹31 lakh	(b) ₹15 lakh
(c) ₹11 lakh	(d) ₹10 lakh

ASSESSMENT YEAR AND PREVIOUS YEAR

- Mr. Y has filed his return of income for the assessment year 2026-27. Income for which year has been disclosed in the return of income?

(a) Financial year 2025-26	(b) Financial year 2026-27
(c) Calendar year 2025	(d) Calendar year 2026
- Section 80GG of the Act allows deduction in respect of rent paid by the assessee in respect of accommodation occupied by him for his residence. The proviso to this section provides that the deduction will not be available where the accommodation is owned by the assessee or a family member in certain cases. What is the purpose of the proviso?

(a) Explain or clarify the provision	(b) Provide exception or exclusion
(c) Define meaning of a term	(d) Prescribe a procedure

6. On the basis of information received, the AO wants to cases. Which of the following actions is valid?
- Mr. Run may leave for Finland after 3 months for a 6 month assignment after which he will return.
 - Three firms have joined together to conduct a mega entertainment event to be held after 2 months, post which the association will dissolve.
 - Mr. Sincere, estimating a huge tax demand, is going to sell one of his many properties, in the ordinary course of business.
 - Mr. Busy has discontinued his Business A but continues with Business B
7. Mr. Z decided to start his manufacturing business. He acquired plant and machinery on 5.3.2025 which were installed on 10.3.2025. The business was set up on 15.4.2025 and was finally commenced on 15.5.2025. What would be the first previous year for this business?
- 15.4.2025 to 31.3.2026
 - 15.5.2025 to 31.3.2026
 - 10.3.2025 to 31.3.2026
 - 1.4.2025 to 31.3.2026
8. Mr. X, employed with Z Ltd., resigned on 31.12.2025. He earned salary for the period of service. He has no other source of income. Assessment Year for the income earned during this period will commence on:
- 1.1.2026
 - 1.4.2026
 - 1.4.2025
 - At the discretion of Mr. X
9. When can accelerated assessment be made u/s 176?
- Where any person commences a business during AY
 - Where any business or profession is discontinued during AY
 - Where any profession is suspended during AY
 - Where any business is temporarily halted during AY the usual AY in case of:
10. Mr. V invested ₹50 lakh in shares of UB Pvt. Ltd. This amount was not recorded in the books of account. He could provide satisfactory explanation to the Assessing Officer in respect of ₹20 lakh. How much amount can be taxed as income of Mr. V?
- ₹50 lakh
 - ₹30 lakh
 - ₹20 lakh
 - Nil
11. U/s 174A, income of which entity can be taxed in the current year itself and for the period up to which date?
- Company; up to the 31 March of the FY
 - Company; up to the date of dissolution
 - AOP/BOI/AJP; up to the date of dissolution
 - AOP/BOI; up to the date of event for which it is formed
12. Mr. Busy is running grocery business since 2009. What would be the PY for AY 2026-27?
- 2026-27
 - Calendar year 2026
 - 2025-26
 - Accounting year from July 2025 to June 2026

13. AO has discretion to either charge income in the PY itself or in
- Person leaving India with no intention to return
 - BOI formed for an event and likely to be dissolved shortly thereafter
 - Person likely to transfer property to avoid tax
 - Business or profession which is discontinued
14. Mr. US, a citizen of US, is residing in India since the last 10 years. During the assessment proceedings for the PY 2025-26, the AO comes to know on 1 January 2026 that Mr. US would permanently leave India on 15 May 2026. Which of the following assessments can the AO make?
- Regular assessment for PY 2025-26 in AY 2026-27
 - Regular assessment for PY 2025-26 and accelerated assessments for the periods 1 April 2026 to 31 March 2026 in AY 2026-27
 - Regular assessment for PY 2025-26 and accelerated assessments for the periods 1 April 2026 to 31 March 2027 and 1 April 2027 to 15 May 2027 in AY 2027-28
 - Regular assessment for PY 2025-26 and accelerated assessments for the periods 1 April 2026 to 31 March 2027 to 15 May 2027 in AY 2026-27
15. During a search, Mr. C, carrying on a business, was found to be the owner of jewellery whose market value was ₹75 lakh. He had not recorded the jewellery in the books of account. During the assessment, he offered detailed explanation about its nature and source of acquisition with which the Assessing Officer was satisfied. How much amount can be taxed as income of Mr. C?
- ₹75 lakh
 - ₹150 lakh
 - Nil
 - At the discretion of AO
16. U/s 175, income of which person can be taxed in the current
- Company; up to the date of payment of tax
 - AOP/BOI/AJP; up to the date of filing of return
 - Any person; up to the date of commencement of proceeding by AO
 - Any person; up to 31 March of the FY
17. During the FY 2025-26, Mr. K incurred ₹1 crore as expenditure on marriage ceremony of his son. Upon inquiry regarding the source of such expenditure, Mr. K could provide satisfactory explanation in respect of ₹60 lakh. How much amount can be taxed as income of Mr. K?
- ₹1 crore
 - ₹60 lakh
 - ₹40 lakh
 - Nil

PERSON AND ASSESSEE

18. Which of the following persons is not an assessee?

- (a) Mr. Z, in whose income, the income of P, his minor daughter, has been clubbed under the provisions of the Act
- (b) Mr. K, the agent of Mr. X (a non-resident), who is assessed as a representative assessee of Mr. X and is, thus, deemed to be an assessee under the Act
- (c) Mr. Y, who has not deducted tax at source as required under the Act and is, thus, deemed to be an assessee in default
- (d) Master V, a student aged 10 years, who does not have any source of income and is not required to comply with any obligation under the Act

19. Which of the following assessments is valid?

- (a) Assessment of JK Pvt. Ltd. can be made on Mr. C, its majority shareholder
- (b) Assessment of Ramesh HUF can be made on Ramesh, Suresh and Kanti who are its members, by apportioning its income amongst the members
- (c) Assessment of BM LLP can be made on A, B, C, D and E, who are its members, by apportioning its income amongst the members
- (d) Assessment of Rajat, 10 years, can be made on Mr. Bhagat, his guardian

20. Which of the following persons is not an assessee?

- (a) Mr. Exempt is not required to pay tax. However, he fails to deduct tax on salary paid to his employee
- (b) Flop Ltd. has incurred huge losses. It files return of income to claim carry forward of the losses
- (c) Mr. Senior is not liable to tax but files return of income to claim refund of TDS
- (d) Income of Mr. Poor is below the tax threshold and he does not file his return of income

INCOME

21. Rahul computed income of ₹50,000 under each of the five heads of income, after allowing exemption of ₹10,000 under the provisions of each head. From the gross total income so arrived of ₹2,50,000, he allowed deduction of ₹50,000 and arrived at the total income of ₹2,00,000. On what amount will he need to compute income-tax?

- (a) On ₹2,00,000
- (b) On ₹2,50,000
- (c) On ₹50,000 for each head of income
- (d) On ₹3,00,000

22. Which of the following cannot be characterized as income on grounds of mutuality?

- (a) Surplus funds of ₹3 lakh of XYZ club which is taking moly fee of ₹1,000 from its members and incurring expenses on running the club
- (b) Monthly maintenance charges taken by Resident Welfare Association of a Housing Society from its resident members for providing common facilities and services to the members

- (c) Goods transferred by V-Mart Ltd. from Head Office (Delhi) to Branch Office (Kanpur) after adding margin
- (d) All the above
- 23.** For computing the total income of PY 2025-26, Rahul had to classify his incomes into various heads of income, club income of his minor child with his own income, provide permissible deductions from his gross his total income and determine his residential status. Which of the following steps would he apply as the last step?
- (a) Classification into heads of income (b) Determining the residential status
- (c) Deductions from Gross Total Income (d) Clubbing of income
- 24.** Which of the following is income?
- (a) Mr. C incurred taxi expenses for official travel which were reimbursed to him by his employer
- (b) Mrs. Keshav received ₹1,000 p.m. from Mr. Keshav as pin money for meeting household expenses
- (c) Rotary Club received ₹500 p.m. as membership fee from its members which it used to provide various services to the members
- (d) Mr. Rony received ₹10,000 as fee for providing consultancy services, which was accounted as loan in the books of account
- 25.** Rohit earned ₹20,000 as interest on his savings bank account with State Bank of India. Under which head of income would this income fall?
- (a) Income from house property (b) Capital gains
- (c) Profits and gains of business or profession (d) Income from other sources
- 26.** Roma, aged 35 years, has a total income of ₹6.5 crore which includes dividend income and income u/s 111A and 112A of ₹1 crore. She wants to know the rate of surcharge that will be levied for AY 2026-27 under optional tax regime. Please advise her.
- (a) 15% on tax on total income
- (b) 37% on tax on total income
- (c) 15% on tax on dividend/111A/112A income; 37% on tax on the other income
- (d) Nil on tax on dividend/111A/112A income; 37% on tax on other income
- 27.** Mrs. Sharma is a resident in India of age 80 years. She wants to know the maximum total income she can have to keep her tax liability Nil under the optional tax regime.
- (a) ₹3,00,000 (b) ₹5,00,000
- (c) ₹2,50,000 (d) Nil
- 28.** Compute the tax liability under optional tax regime of Mr. Y, a resident of age 65 years, having a total income of ₹2,08,00,000 for PY 2025-26 comprising incomes from salary and house property.
- (a) ₹77,80,760 (b) ₹72,35,800
- (c) ₹69,21,200 (d) ₹78,65,000

29. Ruma, an individual of age 40 years having total income of ₹3 lakh, wants to know the highest tax rate slab applicable to her total income for AY 2026-27 under the default tax regime. Please advise her.
- (a) Nil (b) 5%
(c) 20% (d) 30%
30. Mr. Swindle is found to be the owner of two gold chains of 30 gms each (market value of both ₹2,90,000) during the financial year 2025-26. However, he could not offer satisfactory explanation in respect of ₹50,000 spent on acquiring these chains. What is the amount of tax he would be liable to pay as per section 115BBE?
- (a) ₹1,87,200 (b) ₹2,26,200
(c) ₹1,49,760 (d) ₹1,80,960
31. Mr. Jain is an elderly individual resident in India. He wants to know whether, based on his date of birth, he would be eligible to avail the basic exemption limit of ₹3,00,000 or above for PY 2025-26 under the optional tax regime. Please advise him on the date of birth.
- (a) 1.4.1966 or before (b) 2.4.1966 or before
(c) 31.3.1966 or before (d) 1.4.1946 or before
32. Romit is a resident in India of age 60 years. He wants to know the maximum total income he can have to keep his tax liability Nil under the optional tax regime. Advise Romit.
- (a) ₹3,00,000 (b) ₹5,00,000
(c) ₹2,50,000 (d) Nil
33. Mr. John is a non-resident individual of age 70 years as on 31.3.2026. He wants to know the maximum total income he can have in India to keep his tax liability Nil under the optional tax regime.
- (a) ₹2,50,000 (b) ₹3,00,000
(c) ₹5,00,000 (d) No basic exemption
34. Rishi, aged 50 years, has a total income of 5 crore, comprising business income, for the PY 2025-26. Compute his tax liability under the default tax regime.
- (a) ₹2,11,04,850 (b) ₹1,92,56,250
(c) ₹2,09,44,560 (d) ₹1,89,54,000
35. Mr. Q, a resident of age 55 years, has total income for AY 2026-27 comprising short term capital gain u/s 111A of ₹6 crore and income from house property of ₹10 lakh. Compute his tax liability under the optional tax regime.
- (a) ₹1,44,86,550 (b) ₹91,12,500
(c) ₹1,24,84,125 (d) ₹1,13,90,625
36. Kapil, resident of age 55 years, has a total income of ₹55 lakh for PY 2025-26. Compute the amount of HEC that he will need to pay under the optional tax regime?
- (a) ₹58,500 (b) ₹64,350
(c) ₹5,850 (d) ₹2,20,000

37. Total income of an artificial juridical person is ₹4,10,000 for PY 2025-26. Income-tax, rebate u/s 87A and surcharge for AY 2026-27 under the default tax regime would be:
- (a) ₹5,500; nil; nil (b) ₹16,000; ₹8,000; nil
(c) Nil; nil; nil (d) ₹8,000; ₹8,000; nil
38. Compute the tax liability under default tax regime of Mrs. Z, a resident of age 55 years, having a total income of ₹102 lakh for PY 2025-26 comprising profits and gains of business or profession.
- (a) ₹34,25,500 (b) ₹31,10,640
(c) ₹34,45,650 (d) ₹34,65,500
39. Compute the amount of marginal relief from surcharge available under the optional tax regime to Mr. Q, a resident of age 85 years, having a total income of ₹5,30,00,000 for PY 2025-26 comprising incomes from house property and short term capital gain from sale of plots of land.
- (a) ₹9,000 (b) ₹10,000
(c) ₹8,000 (d) Nil
40. Rashmi, aged 40 years, has total income of ₹50 lakh for PY 2025-26. Her tax liability under optional tax regime will be:
- (a) ₹13,12,500 (b) ₹14,43,750
(c) ₹15,01,500 (d) ₹13,65,000
41. Compute the amount of marginal relief from surcharge under the default tax regime available to Mr. T, a resident of age 45 years, having a total income of ₹52,50,000 for PY 2025-26 comprising incomes from salary and house property.
- (a) ₹7,500 (b) ₹8,000
(c) Nil (d) ₹24,850
42. Delhi Municipal Corporation, BNP & Co. partnership firm and Vadodara co-operative society are your clients. They want to ascertain the rate at which surcharge will be levied on tax computed on their total income of ₹11 crore.
- (a) 10% (b) 12%
(c) 7% (d) 15%
43. Mr. Jagan is a resident individual of age 80 years having total income of ₹10 lakh for the PY 2025-26. He wants to know the maximum rate of tax at which he will be chargeable under the default tax regime. Please advise.
- (a) Nil (b) 5%
(c) 10% (d) 30%
44. Mr. Y, a resident of age 75 years, won a lottery prize of ₹60 lakh on 15.9.2025. He has no other source of income. Compute his tax liability for AY 2026-27. Mr. Y has decided to move out of the default tax regime.
- (a) ₹19,80,000 (b) ₹18,41,840
(c) ₹20,59,200 (d) ₹18,72,000

45. Rocky is a non-resident individual of age 60 years having total income of ₹3 lakh for the PY 2025-26. What will be the highest tax rate slab applicable to his income under the optional tax regime?

- (a) Nil (b) 5%
(c) 20% (d) 30%

Answer Key

1. (d)	2. (a)	3. (c)	4. (a)	5. (b)	6. (b)	7. (a)	8. (b)	9. (b)	10. (b)
11. (c)	12. (c)	13. (d)	14. (d)	15. (c)	16. (c)	17. (c)	18. (d)	19. (d)	20. (d)
21. (a)	22. (d)	23. (c)	24. (d)	25. (d)	26. (c)	27. (b)	28. (d)	29. (a)	30. (a)
31. (a)	32. (b)	33. (a)	34. (d)	35. (a)	36. (b)	37. (a)	38. (b)	39. (a)	40. (d)
41. (c)	42. (b)	43. (c)	44. (c)	45. (b)					



Residence and Scope of Total Income

MULTIPLE CHOICE QUESTIONS

1. If Anirudh has stayed in India in the P.Y. 2025-26 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. 2026-27 would be:
 - (a) Resident and ordinarily resident
 - (b) Resident but not ordinarily resident
 - (c) Non-resident
 - (d) Cannot be ascertained with the given information
2. Raman was employed in Hindustan Lever Ltd. He received a salary of ₹40,000 p.m. from 1.4.2025 to 27.9.2025. He resigned and left for Dubai for the first time on 1.10.2025 and got salary of rupee equivalent of ₹80,000 p.m. from 1.10.2025 to 31.3.2026. His salary for October to December 2025 was credited in his Dubai bank account and the salary for January to March 2026 was credited in his Bombay 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
3. A company would be a resident in India for the P.Y. 2025-26, if
 - (a) it is an Indian company
 - (b) during the year, majority of its directors are resident in India
 - (c) during the year, its Place of Effective Management is in India
 - (d) both (a) and (c)
4. Income accruing in London and received there is taxable in India in the case of:
 - (a) resident and ordinarily resident only
 - (b) both resident and ordinarily resident and resident but not ordinarily resident
 - (c) both resident and non-resident
 - (d) non-resident

5. Incomes which accrue or arise outside India but received directly in India are taxable in case of:
 - (a) resident and ordinarily resident only
 - (b) both resident and ordinarily resident and resident but not ordinarily resident
 - (c) non-resident
 - (d) All the above
6. Income earned from a contract negotiated by an agent in India in the name of a non-resident and approved by such non-resident shall:
 - (a) be taxable in India as such income is deemed to accrue or arise in India
 - (b) not be taxable in India as there is no business connection in India
 - (c) be taxable in India only if it is received in India
 - (d) not taxable in India as such income accrues or arises outside India
7. Fees for technical services paid by the Central Government will be taxable in case of:
 - (a) resident and ordinarily resident only
 - (b) both resident and ordinarily resident and resident but not ordinarily resident
 - (c) non-resident
 - (d) All the above
8. Short term capital gains on sale of shares of an Indian company received in Australia is taxable in case of:
 - (a) resident and ordinarily resident only
 - (b) both resident and ordinarily resident and resident but not ordinarily resident
 - (c) non-resident only
 - (d) All the above
9. Income from a business in Canada, controlled from Canada is taxable in case of:
 - (a) resident and ordinarily resident only
 - (b) both resident and ordinarily resident and resident but not ordinarily resident
 - (c) non-resident
 - (d) All the above
10. Income from Australian company received in Australia in the year 2024, brought to India during the previous year 2025-26 is taxable in case of:

(a) resident and ordinarily resident only	(b) resident but not ordinarily resident
(c) non-resident	(d) None of the above
11. If Mr. Akash has stayed in India in the P.Y. 2025-26 for 100 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 730 days in all in the 7 years immediately preceding the current previous year, his residential status for the A.Y. 2026-27 would be:

- (a) Resident and ordinarily resident
(b) Resident but not ordinarily resident
(c) Non-resident
(d) Cannot be ascertained with the given information.
12. If Mr. A has stayed in India in the P.Y. 2025-26 for 100 days, and he is non-resident in 8 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 710 days in all in the 7 years immediately preceding the current previous year, his residential status for the A.Y. 2026-27 would be:
(a) Resident and ordinarily resident
(b) Resident but not ordinarily resident
(c) Non-resident
(d) Cannot be ascertained with the given information
13. Mr. A, a Canadian citizen, comes to India for the first time during the P.Y. 2021-22. He was in India during 2021-22 – 55 days, 2022-23 – 60 days, 2023-24 – 90 days, 2024-25 – 150 days, 2025-26 – 70 days. Residential status for the previous year 2025-26 shall be:
(a) Resident and ordinarily resident
(b) Resident but not ordinarily resident
(c) Non-resident
(d) Cannot be ascertained with the given information
14. Karta of one HUF comes to India every year for minimum 10 days and maximum 104 days, residential status of HUF shall be
(a) Resident and ordinarily resident
(b) Resident but not ordinarily resident
(c) Non-resident
(d) Cannot be ascertained with the given information
15. ABC Ltd. an Indian company has most of its business outside India and also control and management outside India. Residential status of company shall be
(a) Resident (b) Resident but not ordinarily resident
(c) Non-resident (d) None of the above
16. A Korean company received ₹20 lakhs from a non-resident for use of patent for a business in India is _____.
(a) taxable in India (b) not taxable in India
(c) None of the above (d) Partially Taxable
17. A non-resident received ₹15 lakhs from a Foreign Company outside India, it is _____.
(a) taxable in India (b) not taxable in India
(c) partly taxable in India (d) None of the above

18. John is a foreign citizen born in USA. His father was born in Delhi in 1961 and his grand-father was born in Lahore in 1936 but his mother was born in UK in 1964. John came to India for the first time on 1st June, 2025 and stayed in India for 183 days and then left for USA. His residential status for the A.Y. 2026-27 shall be:
- (a) Resident and ordinarily resident (b) Resident but not ordinarily resident
(c) Non-resident (d) Foreign National
19. The following income of Ms. Nargis who is a non-resident shall be included in her total income:
- (i) Salary for 2 months received in Delhi ₹40,000.
(ii) Interest on Savings Bank Account in Mumbai ₹2,100.
(iii) Agricultural income in Bangladesh and Invested in shares in Bangladesh.
(iv) Amount brought into India out of past non-taxed profits earned in USA.
- (a) (i), (iii) and (iv) (b) (i) and (ii)
(c) (i), (ii) and (iv) (d) All the four above
20. The income earned during the previous year is subject to tax under the Act on the basis of residential status of an assessee. However, the residential status of an assessee _____ every year.
- (a) will not change (b) will certainly change
(c) may change (d) None of the above
21. Mr. Rajiv, born and brought up in India left for employment in Belgium on 15-10-2025. He has never gone out of India, previously. What is his residential status for the assessment year 2026-27?
- (a) Non-resident
(b) Not ordinarily resident
(c) Resident and ordinarily resident in India
(d) Indian citizen
22. Mr. Ramji (age 55) is Karta of HUF doing textile business at Nagur. Mr. Ramji is residing in Dubai for the past 10 years and visited India for 20 days every year for filing the income tax return of HUF. His two major sons take care of the day to day affairs of the business in India. The residential status of HUF for the assessment year 2026-27 is:
- (a) Non-resident (b) Resident and ordinarily resident in India
(c) Not ordinarily resident (d) None of the above
23. Past untaxed profit of the previous year 2010-21 brought to India in 2025-26 is chargeable to tax in the assessment year 2026-27 in the hands of
- (a) All the assesseees (b) Resident and ordinarily resident in India
(c) Non-resident in India (d) None of the above
24. Total income of a person is determined on the basis of his
- (a) Residential status in India (b) Citizenship in India
(c) Both (a) and (b) above (d) None of the above

25. Alpha Ltd. is an Indian company. It carries its business in Delhi and London. Total control and management of the company is situated in London. More than 85% of its business income is from the business in England. If so, its residential status will be:

- (a) Resident (b) Non-resident
(c) Not ordinarily resident (d) Foreign company

26. Mr. Garry, a US citizen, came to India for an assignment from 11.01.2022 to 09.10.2022 and went back to his home country on completion of the same. He thereafter, visited India on 05.07.2024 again for an assignment, which ended on 26.05.2025. What is the latest date by which Mr. Garry should depart from India after completing the assignment so as to qualify as non-resident for P.Y. 2025-26? (Assume that he shall not be visiting India again during the year)

- (a) 29-05-2025 (b) 30-05-2025
(c) 31-05-2025 (d) 28-09-2025

27. Mr. Garry 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 Kochi on 25th April, 2025. From the following details for the P.Y. 2025-26, determine the residential status of Mr. Garry for A.Y. 2026-27, assuming that his stay in India in the last 4 previous years preceding P.Y. 2025-26 is 365 days and last seven previous years preceding P.Y. 2025-26 is 730 days:

Date entered in the Continuous Discharge Certificate in respect of joining the ship	25 th April, 2025
Date entered in the Continuous Discharge Certificate in respect of signing off the ship	24 th October, 2025

Mr. Garry has been filing his income tax return in India as a Resident for previous 2 years. What is his residential status for A.Y. 2026-27?

- (a) Resident and ordinarily resident
(b) Resident but not-ordinarily resident
(c) Non-resident
(d) Non-resident till 24.10.2025 and resident till 31.03.2026

28. On 31.08.2025, Mr. Kashyap moved to Japan for employment. His family accompanied him, owing to long term nature of employment. Mrs. Kashyap is also planning to start a fashion boutique in Japan soon, once she gets settled. Both Mr. & Mrs Kashyap are Indian citizens and have been working in India for more than a decade now. Comment on their residential status for A.Y. 2026-27, assuming they did not visit India after August 2025.

- (a) Mr. & Mrs Kashyap will qualify to be non-resident
(b) Mr. Kashyap will qualify to be non-resident and Mrs Kashyap will be resident but not ordinarily resident
(c) Mr. Kashyap will qualify to be non-resident and Mrs Kashyap will be resident and ordinarily resident
(d) Mr. & Mrs Kashyap will qualify to be resident but not ordinarily resident

29. In which of the following case, royalty paid outside India will be taxable in India?

- (i) Income by way of royalty payable by a person who is a resident where the royalty is payable in respect of any right, property or information used or services utilized for the purposes of a business carried on by such person outside India
- (ii) Income by way of royalty payable by a person who is a non-resident, where the royalty is payable in respect of any right, property or information used or services utilized for the purposes of a business carried on by such person in India
- (iii) Income by way of royalty payable by the government.

Select the correct answer from the options given below:

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

30. Mr. J is person of Indian origin visited India for 30 days during current financial year. His total income excluding income from foreign sources is ₹15,60,000. He is not paying tax in any country due to his domicile. Determine his residential status for current year.

- (a) Non-Resident
- (b) Resident & Ordinarily Resident
- (c) Resident But Not Ordinarily Resident
- (d) Either (b) or (c)

31. Mr. Nipun, a Non-Resident sold his house property situated in Bhopal to Mr. Yash Porwal, a Non-Resident. Capital gain from this transaction is ₹4,50,000. Mr. Nipun also provided technical services to Mahek Singhvi (Resident) Ltd which will be utilized for the purpose of his business in Malaysia. For these services, Nipun charged ₹10,00,000. Income of Nipun for FY 2025-26 is:

- (a) ₹14,50,000
- (b) ₹4,50,000
- (c) ₹10,00,000
- (d) ₹12,00,000

32. 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. 2025-26 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
2024-25	100
2023-24	125
2022-23	106
2021-22	83
2020-21	78
2019-20	37
2018-19	40

What shall be his residential status for the P.Y. 2025-26 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

33. Aashish earns the following income during the P.Y. 2025-26:

- 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. 2026-27?

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

34. 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. 2025-26 is ₹18 lakhs and ₹16 lakhs, respectively.

What is the residential status of Mr. Rajesh and Mrs. Sowmya for A.Y. 2026-27?

- (a) Both are resident and ordinarily resident in India
- (b) Both are non-resident in India
- (c) Mr. Rajesh is resident and 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.

35. Who among the following will qualify as non-resident for the P.Y. 2025-26?

- Mr. Bob, an Italian dancer, came on visit to India to explore Indian dance on 15.09.2025 and left on 25.12.2025. 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 1947, living in Delhi. His Indian income is ₹15,20,000.
- Mr. Joseph, an American scientist, left India to his home country for fixed employment there. He stayed in India for study and research in medicines from 01.01.2020 till 01.07.2025.

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

36. Mr. Sushant is a person of Indian origin, residing in Canada. During P.Y. 2025-26, he visited India on several occasions and his period of stay, in total, amounted to 129 days during P.Y. 2025-26 and his period of stay in India during P.Y. 2024-25, P.Y. 2023-24, P.Y.2022-23, P.Y. 2021-22 was 135 days, 115 days, 95 days and 125 days, respectively. He earned the following incomes during the P.Y. 2025-26:

Particulars	Amount
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 P.Y. 2025-26 and his income liable to tax in India during P.Y. 2025-26?

- (a) Non-Resident; ₹6,25,000 is liable to tax in India
- (b) Resident and ordinary resident; ₹18,25,000 is liable to tax in India
- (c) Resident but not ordinarily resident; ₹11,75,000 is liable to tax in India
- (d) Non-Resident; ₹11,75,000 is liable to tax in India.

37. Mr. Ramesh, a citizen of India, is employed in the Indian embassy in Australia. He is a non-resident for A.Y. 2026-27. He received salary and allowances in Australia from the Government of India for the year ended 31.03.2026 for services rendered by him in Australia. In addition, he was allowed perquisites by the Government. Which of the following statements are correct?

- (a) Salary, allowances and perquisites received outside India are not taxable in the hands of Mr. Ramesh, since he is non-resident.
- (b) Salary, allowances and perquisites received outside India by Mr. Ramesh are taxable in India since they are deemed to accrue or arise in India.
- (c) Salary received by Mr. Ramesh is taxable in India but allowances and perquisites are exempt.
- (d) Salary received by Mr. Ramesh is exempt in India but allowances and perquisites are taxable.

Answer Key

1. (b)	2. (b)	3. (d)	4. (a)	5. (d)	6. (a)	7. (d)	8. (d)	9. (a)	10. (d)
11. (b)	12. (b)	13. (c)	14. (b)	15. (a)	16. (a)	17. (b)	18. (b)	19. (b)	20. (c)
21. (c)	22. (c)	23. (d)	24. (a)	25. (a)	26. (a)	27. (a)	28. (c)	29. (b)	30. (a)
31. (b)	32. (c)	33. (a)	34. (c)	35. (b)	36. (a)	37. (c)			

Salaries

MULTIPLE CHOICE QUESTIONS

BASIC CONCEPTS

1. Rohit, a non-resident, has the following particulars of income for the PY 2025-26: Salary from a German company of ₹10 lakh received in Germany for services rendered in Germany. Salary from PQR Pvt. Ltd., an Indian company, of ₹15 lakh received in Germany for services rendered in Delhi. Salary of ₹3 lakh received from ABC & Co, a partnership firm, in which he is a partner. He instructed PQR Pvt. Ltd. to directly donate 10% of his salary to a charitable trust without paying him the amount. Rohit took an advance of ₹50,000 from PQR Pvt. Ltd. on 15.7.2025 to meet a personal exigency which was later adjusted against payment of salary during October 2025. Compute his gross taxable salary for AY 2026-27.
 (a) ₹15,00,000 (b) ₹25,00,000
 (c) ₹28,50,000 (d) ₹23,50,000
2. During the PY 2025-26, Harsh, employed w.e.f. 1.3.2024 in the scale of ₹50,000 - ₹10,000 - ₹80,000, received the following salary for the period April 2025 to March 2026, arrears of salary pertaining to PY 2022-23 not taxed then of ₹30,000 and salary of April 2026 received in March 2026. Salary becomes due on the last day of every month and is received on 5th of next month. Salary of April 2025 was paid in March 2025. Salary of January 2025, which could not be paid on 5.2.2025, was paid on 15.6.2025. Compute the gross salary income of Harsh for the AY 2026-27.
 (a) ₹7,60,000 (b) ₹7,10,000
 (c) ₹7,70,000 (d) ₹8,30,000
3. Rajesh, covered under the optional tax regime, received the following emoluments during the PY 2025-26: Dearness allowance of ₹5,000 p.m. Overtime allowance of ₹3,000 p.m. underground mine allowance of ₹1,000 p.m. and tribal area allowance of ₹1,000 p.m. in the State of Madhya Pradesh. How much amount is taxable as salary?
 (a) ₹96,000 (b) ₹1,20,000
 (c) ₹1,08,000 (d) ₹1,00,000

RETIREMENT BENEFITS

4. Raghav retired on 31.1.2026 after being employed for 10 years, 7 months and 10 days and received ₹5,00,000 as gratuity. During the PY, he drew ₹50,000 as basic salary, dearness allowance @ 80% of basic salary (50% of which was part of salary as per terms of employment), commission of ₹5,000 p.m. and taxable HRA of ₹20,000. Raghav had claimed exemption u/s 10(10) of ₹10 lakh at the time of receipt of gratuity from his previous employer. He had also received ₹2 lakh of gratuity on 1.1.2025. Compute his gross salary income. Raghav was not covered under the Payment of Gratuity Act, 1972
- (a) ₹11,00,000 (b) ₹10,80,000
(c) ₹11,20,000 (d) ₹11,50,000
5. Rishabh joined BCD Ltd. as its finance manager, being his first employment, with effect from 1.4.2025 on a basic salary of ₹2,25,000 p.m. He received dearness allowance @ 12% of basic salary which formed part of retirement benefits. Rishabh contributed 11% of his basic salary and dearness allowance to the RPF account with BCD Ltd. making a matching contribution. Interest for the FY 2025-26 accumulated in the fund was ₹53,250. Rate of interest does not exceed 9.5%. Compute the amount of taxable interest for the AY 2026-27.
- (a) ₹13,582 (b) ₹16,849
(c) ₹6,615 (d) Nil
6. Juhi retired from URL Ltd. on 31.1.2026 after serving for 7 years, 5 months and 5 days. At the time of retirement, she was drawing basic salary of ₹1,00,000 p.m., dearness allowance of ₹40,000 p.m. (70% of which was part of salary as per terms of employment), commission of ₹4,000 p.m. and fixed medical allowance of ₹3,000 p.m. She was also entitled to 1% commission on turnover which was ₹20 lakh for the period April 2025 to January 2026. She received leave encashment of ₹3,00,000 on retirement. She was entitled to 32 days of leave every year. She availed 120 days of leave during the service period while 20 days lapsed as per leave rules. She encashed 10 days of leave for ₹50,000 on 1.6.2025. Compute her gross salary income for AY 2026-27.
- (a) ₹15,30,000 (b) ₹15,80,000
(c) ₹15,40,000 (d) ₹14,90,000
7. On termination of service on 1.5.2025, after serving for 4 years, due to closure of employer's business, Zeeshan received his own contribution of ₹9 lakh (@ 13% of salary) and interest thereon of ₹1 lakh (@ 10%) along with employer's contribution of ₹9 lakh (@ 13% of salary) and interest thereon of ₹1 lakh (@ 10%) from recognized PF. Zeeshan's contribution did not exceed ₹2.5 lakh in any year. What amount, out of these receipts, is taxable as salary?
- (a) ₹11 lakh (b) ₹2 lakh
(c) ₹10 lakh (d) Nothing
8. Rishabh, working with BCG Pvt. Ltd., retired from employment on 31.12.2025 and started receiving pension of ₹20,000 p.m. thereafter. He also received ₹10 lakh as gratuity, whole of which was exempt u/s 10(10). He commuted 50% of pension for ₹5 lakh on 1.2.2026. He earned taxable salary of ₹6 lakh from April 2025 to December 2025. Compute gross salary for AY 2026-27.

- (a) ₹8,26,667 (b) ₹8,90,000
(c) ₹9,10,000 (d) ₹8,06,667

9. Rajesh draws the following emoluments during the PY 2025-26: Basic salary of ₹60,000 p.m., dearness allowance of ₹40,000 p.m. (90% is part of salary for retirement benefits), commission of ₹5,000 p.m., taxable perquisites of ₹50,000, overtime allowance of ₹2,000 p.m. He and his employer, each contribute ₹15,000 p.m. towards recognized provident fund. Interest of ₹1,80,000 was credited for the PY 2025-26 in the RPF account @ 10%. Compute the gross salary income for AY 2026-27.

- (a) ₹13,75,760 (b) ₹13,79,000
(c) ₹13,84,760 (d) ₹13,70,000

10. Rohan opted for retirement under the voluntary retirement scheme of PQR Ltd. which was framed in accordance with Rule 2B. He retired on 30.9.2025 after completing 10 years and 2 months of service and received ₹25 lakh as VRS compensation. During the PY he earned basic salary of ₹70,000 p.m., dearness allowance of ₹50,000 p.m. (40% was part of salary for retirement benefits), bonus of ₹1,00,000 and commission of ₹4,000 p.m. He still had 30 months of service left. Compute his gross salary income for AY 2026-27.

- (a) ₹28,44,000 (b) ₹8,44,000
(c) ₹20,50,000 (d) ₹10,44,000

11. Raghav retired on 31.12.2025 after being employed for 10 years, 7 months and 10 days and received ₹5,00,000 as gratuity. During the PY, he drew ₹50,000 as basic salary, dearness allowance @ 80% of basic salary (50% of which was part of salary as per terms of employment), commission of ₹5,000 p.m. and taxable HRA of ₹20,000. Raghav had claimed exemption u/s 10(10) of ₹5 lakh at the time of receipt of gratuity from his previous employer. Compute his gross salary income. Raghav was covered under the Payment of Gratuity Act, 1972.

- (a) ₹8,75,000 (b) ₹8,00,000
(c) ₹9,00,000 (d) ₹8,50,000

12. During the PY 2025-26, employer of Raj contributed 10% of basic salary and DA to the approved superannuation fund (ASF). Raj contributed an equal amount. The fund gained accretion of ₹1,00,000 @7% on the total fund value. Compute the amount to be included in taxable salary income for AY 2026-27 on account of ASF. Raj drew ₹2,00,000 p.m. and ₹1,00,000 p.m. as basic salary and DA, respectively. 60% of DA was part of salary for computing retirement benefits. No contribution was made towards RPF and NPS.

- (a) ₹4,60,000 (b) ₹3,60,000
(c) ₹3,12,000 (d) Nil

HEALTH AND LIFE

13. Suresh is employed with JK Pvt. Ltd. During the PY 2025-26, he had to get his daughter treated for a disease in a hospital located in the USA. He incurred ₹3 lakh on travel, ₹2 lakh on stay and ₹4 lakh on medical treatment. He accompanied his daughter. He obtained RBI permission in respect of ₹4 lakh for treatment and stay. He was drawing annual salary of ₹12 lakh p.a. and had no other income during the PY. JK Pvt. Ltd. reimbursed the entire amount spent by Suresh abroad. What is the taxable value of medical benefits?
- (a) Nil (b) ₹3,00,000
(c) ₹2,00,000 (d) ₹5,00,000
14. Rakul received the following benefits from her employer during the PY 2025-26: Fixed medical allowance of ₹2,500 p.m.; health insurance premium of ₹5,000 for Rakul's brother (not dependent on her); medical treatment of her son for ₹20,000 in hospital owned by employer; treatment of her father (not dependent on her) in a Government hospital for ₹30,000; treatment of her spouse in a private local clinic for ₹10,000; her treatment in an approved nursing home for a disease prescribed in Income Tax Rules for ₹50,000. Compute the taxable value of these benefits.
- (a) ₹70,000 (b) ₹45,000
(c) ₹75,000 (d) ₹65,000

HOUSING

15. Ruhi, a State Government employee, stayed in a house provided by the employer in Chennai (population 70 lakh). Furniture costing ₹5 lakh was also provided which was purchased by the employer in the PY 2021-22. During the PY 2025-26, she drew a basic salary of ₹90,000 p.m., DA (forming part of salary) of ₹50,000, HRA of ₹30,000 p.m. and taxable medical perquisites of ₹50,000. License fee of the house was determined at ₹20,000 p.m. Compute the gross salary of Ruhi for AY 2026-27.
- (a) ₹24,46,000 (b) ₹23,80,000
(c) ₹23,30,000 (d) ₹25,70,000
16. Vasu is employed with BDM Pvt. Ltd. During the PY 2025-26, he was in receipt of basic salary of ₹40,000 p.m., DA of ₹20,000 p.m. (forming part of salary for retirement benefits), conveyance allowance of ₹5,000 p.m. for commuting between residence and office and HRA of ₹20,000 p.m. He was posted in Rajnagar from February to June 2025 where he stayed in his own house but he used the HRA to pay rent of ₹10,000 p.m. for his wife who was posted in Ludhiana. From July onwards, he was posted in Hyderabad where he stayed at his friend's house from July to September and, thereafter, in a rented house from October onwards for which he paid rent of ₹15,000 p.m. Compute his gross salary for AY 2026-27 under the optional tax regime.
- (a) ₹9,69,000 (b) ₹9,66,000
(c) ₹9,12,000 (d) ₹10,12,000

17. Ramesh is provided with furniture of value ₹70,000 along with the house from February 2025, by his employer. Actual hire charges paid by employer for furniture is ₹5,000 p.a. Value of furniture to be included with value of unfurnished house for AY 2026-27 is:
- (a) ₹5,000 (b) ₹7,000
(c) ₹10,500 (d) ₹14,000
18. Juhi, employed with Zen Ltd., is provided with a house owned by the employer in Faridabad (population 15 lakh), with effect from 1.4.2025, for which she pays ₹10,000 p.m. The company has also provided air conditioners which it has hired at ₹5,000 p.m. During the PY 2025-26, she drew a basic salary of ₹90,000 p.m., DA (50% forming part of salary) of ₹50,000, HRA of ₹30,000 p.m., commission of ₹10,000 p.m. and taxable perquisites (other than house) of ₹50,000. Market rent of the house is ₹50,000 p.m. Compute the gross salary of Juhi for AY 2026-27.
- (a) ₹23,41,000 (b) ₹24,29,000
(c) ₹23,36,000 (d) ₹22,43,000

TRAVEL AND CONVEYANCE

19. Bhaskar was provided with a motor car by his employer of engine cubic capacity 2,000, on 1.10.2025, which he uses for official as well as personal purposes for the rest of the PY. The car is also used by his spouse and children. While the driver is provided by employer (who bears his salary of ₹4,000 p.m.), running and maintenance to the tune of ₹6,000 p.m. are borne by Bhaskar. He claims that he uses the car for official purposes to the extent of 60%. Compute the value of perquisite.
- (a) ₹10,800 (b) ₹9,000
(c) ₹45,600 (d) ₹24,000
20. Ram, working in a transport system in Mumbai, receives allowance of ₹12,000 p.m. granted to meet his personal expenditure while on duty. Amount of allowance taxable, under the optional tax regime, is:
- (a) ₹43,200 (b) ₹1,44,000
(c) Nil (d) ₹1,20,000
21. Yash, working in a transport system, received an allowance of ₹18,000 p.m. to meet his personal expenditure while on duty. Compute the taxable value of this receipt under the optional tax regime if he is not in receipt of any daily allowance from his employer.
- (a) Nil (b) ₹64,800
(c) ₹2,16,000 (d) ₹96,000
22. Ganesh is employed with BK Ltd. in Delhi. His emoluments for PY 2025-26 comprised of basic salary of ₹50,000 p.m. and leave travel concession of ₹1,00,000. During June 2025, he proceeded to travel to Bangalore along with his spouse (working and independent), mother (working and independent) and three children (major twins and minor daughter; all born after 1.10.1998). Earlier to the PY 2025-26, he had availed LTC exemption during 2022 and 2023. He decided to

travel via Nagpur by Indigo and spent ₹15,000 per person. Air India economy class fare for direct route was ₹10,000 per person. He spent ₹50,000 towards food & accommodation. Compute his gross salary for AY 2026-27 under the optional tax regime,

- (a) ₹7,00,000 (b) ₹6,60,000
(c) ₹6,40,000 (d) ₹6,50,000

23. What will be the value of perquisite per month, where Resham is provided a car throughout the year by his employer purely for personal use, which was purchased by the employer 3 years back for ₹6 lakh, running and maintenance expenses of ₹60,000 are borne equally by Resham and employer, driver is provided by employer which pays salary of ₹10,000 p.m., car is used by spouse of Resham and employer recovers ₹5,000 p.m. from Resham for this facility?

- (a) ₹12,500 (b) ₹10,000
(c) ₹15,000 (d) Nil

24. Jagat owns a car of 1500 cc which he uses for personal as well as official purposes. His employer incurs expenses of ₹10,000 p.m. on running and maintenance and on driver. 80% expenses relate to official use of car which is substantiated by employer's log book and certificate issued to Jagat in this regard. Value of perquisite per month will be:

- (a) ₹7,300 (b) ₹2,000
(c) ₹10,000 (d) ₹7,700

25. Rahul works with Shubh Pvt. Ltd. He draws the following emoluments during the PY 2025-26: Basic salary of ₹40,000 p.m.; conveyance allowance to visit client locations ₹10,000 p.m. (₹80,000 spent on official travel); transport allowance to commute between residence and place of work ₹5,000 p.m., project allowance ₹20,000. During June 2024, he was sent on a 10 day official tour to Gujarat and was given ₹30,000 as travelling allowance and ₹2,000 per day as daily allowance. He spent ₹20,000 on travel and ₹15,000 on ordinary daily charges while on tour. Balance was spent on personal purposes. Compute his gross salary for AY 2026-27.

- (a) ₹6,15,000 (b) ₹5,55,000
(c) ₹5,65,000 (d) ₹5,75,000

26. Bhanu owns a motor cycle which he uses for personal as well as official purposes. His employer incurs running and maintenance expense of ₹3,000 p.m. 60% expenses relate to official use but employer does not maintain any record of official trips. Value of perquisite per month will be:

- (a) ₹3,000 (b) ₹1,200
(c) ₹2,100 (d) ₹2,500

EDUCATION

27. Shyam has three children. During the PY 2025-26, he received the following benefits from his employer: Education allowance of ₹500 p.m. and hostel allowance of ₹600 p.m. for his elder son, aged 17 years, studying in Mexico, for whom he spent ₹1,00,000 and ₹1,25,000 on education and hostel expenditure, respectively. Education of his younger son in RK School, Delhi, with which his employer has a tie up - Shyam paid ₹500 p.m. in this regard as against a similar school in the same

locality which charged ₹3,000 p.m. Reimbursement of tuition fee of ₹4,000 p.m. for education of his daughter in JK School, Noida. Shyam also received reimbursement of ₹10,000 towards an online training program that he undertook to improve his management skills. Compute the taxable value of these benefits for AY 2026-27 under the optional tax regime.

- (a) ₹86,400 (b) ₹1,01,200
(c) ₹91,200 (d) ₹43,200

28. Manav receives allowance of ₹1,000 p.m. per child for meeting education of his 3 children and allowance of ₹2,000 p.m. per child for meeting their hostel expenditure. He spends ₹3,000 p.m. on education and ₹5,000 p.m. on hostel. Taxable perquisite for the PY 2025-26, under optional tax regime, will be:

- (a) ₹33,600 and ₹64,800 (b) Fully exempt
(c) ₹36,000 and ₹72,000 (d) ₹12,000 and ₹24,000

29. Suyash is employed as an engineer with BCD Pvt. Ltd. Following particulars are available for PY 2025-26: The employer paid fees of ₹12,500 for attending a seminar on the subject of engineering. His son studied in a school for which the tuition fee of ₹25,000 was reimbursed by the employer. The employer also owned and maintained a school in which his daughter studied for which he paid a tuition fee of ₹750 per month. Cost of education in a similar education in nearby locality was ₹5,250 p.m. Compute the taxable value of the aforesaid benefits for AY 2026-27.

- (a) ₹25,000 (b) ₹66,500
(c) ₹37,500 (d) ₹79,000

ASSETS

30. Bhanu is sold a laptop for ₹10,000 by his employer which was purchased during the current PY itself for ₹50,000. Perquisite value will be:

- (a) ₹10,000 (b) ₹50,000
(c) ₹40,000 (d) ₹15,000

31. Raju was provided with a microwave oven at his residence by his employer on 1.9.2025. It was purchased by the employer for ₹40,000 on 15.3.2022. Raju paid ₹100 p.m. on this count. He later purchased it for ₹1,000 on 1.3.2026. Compute the taxable value of these benefits for AY 2026-27.

- (a) ₹11,240 (b) ₹30,400
(c) ₹24,400 (d) ₹28,400

32. Bhanu is given a motor cycle owned by his employer which he uses for personal as well as official purposes. His employer incurs running and maintenance expense of ₹3,000 p.m. 60% expense relates to official use. Motor cycle was purchased 2 years back for ₹50,000. Value of perquisite will be:

- (a) ₹5,000 (b) ₹36,000
(c) ₹14,400 (d) Exempt

33. Bhanu is sold a motor cycle on 1.1.2026 for ₹10,000 which was purchased on 1.6.2024 by his employer for ₹50,000. Perquisite value will be:
- | | |
|-------------|-------------|
| (a) ₹15,000 | (b) ₹50,000 |
| (c) ₹10,000 | (d) ₹35,000 |
34. Bhanu is given a laptop for use by his employer who purchased it during the year for ₹50,000. Laptop is used both for official purpose (50%) and by his family members for entertainment purposes (50%). Perquisite value will be:
- | | |
|------------|-------------|
| (a) ₹5,000 | (b) ₹25,000 |
| (c) ₹2,500 | (d) Nil |

OFFICE SUPPORT

35. Bhanu is provided uniform allowance of ₹10,000 out of which he spends ₹4,000 for purchasing office uniform and ₹3,000 for purchasing school uniform of his children. Taxable value of perquisite, under the optional tax regime, will be:
- | | |
|-------------|------------|
| (a) ₹10,000 | (b) ₹7,000 |
| (c) ₹6,000 | (d) ₹3,000 |
36. Bhanu is provided helper allowance of ₹2,000 p.m. which he uses to pay salary to a helper engaged at home for personal purposes. Taxable value of perquisite, under the optional tax regime, will be:
- | | |
|-------------|------------|
| (a) ₹24,000 | (b) Exempt |
| (c) ₹12,000 | (d) ₹6,000 |

FINANCIAL INCENTIVES

37. Rakesh is given a personal loan of ₹1 lakh by his employer on 1.4.2025 at 4% p.a. interest. Entire loan is outstanding as on 31.3.2026. SBI rate for personal rate is 10% p.a. as on 1 April 2025 and 12% p.a. as on 31 March 2026. Value of taxable perquisite is:
- | | |
|-------------|------------|
| (a) ₹8,000 | (b) ₹4,000 |
| (c) ₹10,000 | (d) ₹6,000 |
38. Rakesh is allotted 100 shares pursuant to the ESOP scheme of the employer for ₹10 per share. FMV of shares is ₹50 per share on date of exercise of option and ₹60 on date of allotment. Taxable value of perquisite is:
- | | |
|------------|------------|
| (a) ₹4,000 | (b) ₹5,000 |
| (c) ₹1,000 | (d) Exempt |
39. Suman obtains a housing loan of ₹20 lakh from her employer @ 5% p.a. interest on 1.12.2025 and starts repaying ₹1 lakh on 1st of every month, starting January 2026. SBI housing loan rate is 10% as on 1.4.2025 and 12% on 1.12.2025. Compute the taxable value of perquisite for AY 2026-27.

- (a) ₹30,833
(c) ₹43,167

- (b) ₹29,166
(d) ₹27,366

DEDUCTIONS U/S 16

40. Standard deduction to be provided to an employee, under the default tax regime, having gross salary income of ₹45,000 will be:

- (a) ₹50,000
(c) Nil

- (b) ₹45,000
(d) None of the above

41. Roshni, employed with JK Pvt. Ltd., has the following particulars of salary income for PY 2025-26: Basic salary of ₹3,00,000, taxable HRA of ₹1,00,000 and entertainment allowance ₹12,000. JK Pvt. Ltd. has paid professional tax on her behalf of ₹2,500. Compute the taxable salary for AY 2026-27 under the optional tax regime.

- (a) ₹3,59,500
(b) ₹3,62,000
(c) ₹3,64,500
(d) ₹3,57,000

42. Shambhu, employed with Central Government, on basic salary of ₹4,000 per month, is provided entertainment allowance of ₹1,000 per month. Amount of deduction from the gross salary income in this respect, under the optional tax regime, will be:

- (a) ₹9,600
(c) ₹5,000

- (b) ₹12,000
(d) Nil

Answer Key

1. (a)	2. (c)	3. (c)	4. (c)	5. (c)	6. (b)	7. (d)	8. (d)	9. (c)	10. (a)
11. (a)	12. (d)	13. (d)	14. (c)	15. (b)	16. (b)	17. (a)	18. (d)	19. (a)	20. (a)
21. (d)	22. (b)	23. (a)	24. (b)	25. (a)	26. (c)	27. (c)	28. (a)	29. (d)	30. (c)
31. (d)	32. (a)	33. (d)	34. (d)	35. (c)	36. (a)	37. (d)	38. (a)	39. (a)	40. (b)
41. (b)	42. (c)								

Income from House Property

MULTIPLE CHOICE QUESTIONS

1. Vacant site lease rent is taxable as
 - (a) Income from house property
 - (b) Business income or income from house property, as the case may be
 - (c) Income from other sources or business income, as the case may be
 - (d) Income from other sources or income from house property, as the case may be
2. Treatment of unrealized rent for determining income from house property
 - (a) To be deducted from expected rent
 - (b) To be deducted from actual rent
 - (c) To be deducted under section 24 from annual value
 - (d) To be deducted from both expected rent and actual rent
3. Municipal taxes to be deducted from GAV should be
 - (a) Paid by the tenant during the previous year
 - (b) Paid by the owner during the previous year
 - (c) Accrued during the previous year
 - (d) Paid during the previous year either by tenant or owner
4. Deduction under section 24(a) is

(a) $1/3^{\text{rd}}$ of NAV	(b) repairs actually incurred by the owner
(c) 30% of NAV	(d) Interest on borrowed capital
5. Interest on borrowed capital accrued up to the end of the previous year prior to the year of completion of construction is
 - (a) allowed as a deduction in the year of completion of construction
 - (b) allowed in 5 equal annual installments from the year of completion of construction
 - (c) allowed in the respective year in which the interest accrues
 - (d) not allowed
6. Leena received ₹30,000 as arrears of rent during the P.Y. 2025-26. The amount taxable under section 25A would be:

(a) ₹30,000	(b) ₹21,000
(c) ₹20,000	(d) ₹15,000

7. Vidya received ₹90,000 in May, 2025 towards recovery of unrealised rent, which was deducted from actual rent during the P.Y. 2023-24 for determining annual value. Legal expense incurred in relation to unrealized rent is ₹20,000. The amount taxable under section 25A for A.Y. 2026-27 would be:
- (a) ₹70,000 (b) ₹60,000
(c) ₹63,000 (d) ₹49,000
8. Ganesh and Rajesh are co-owners of a self-occupied property. They own 50% share each. The interest paid by each co-owner during the previous year on loan (taken for acquisition of property during the year 2004) is ₹2,05,000. The amount of allowable deduction in respect of each co-owner is:
- (a) ₹2,05,000 (b) ₹1,02,500
(c) ₹1,00,000 (d) ₹2,00,000
9. Mr. Zen owns a flat in Mumbai which was let out by him in the previous year 2025-26 on a rent of ₹20,000 p.m. upto December, 2025 and for ₹30,000 p.m. thereafter. The annual municipal value is of ₹3,00,000, Fair Rent is ₹2,50,000 and Standard Rent is ₹2,90,000. The Gross Annual Value of the flat shall be taken as:
- (a) ₹2,70,000 (b) ₹3,00,000
(c) ₹2,50,000 (d) ₹2,90,000
10. A borrowed ₹5,00,000 @ 12% p.a. on 1-4-2021 for construction of house property which was completed on 15-3-2025. The amount is still unpaid. The deduction of interest for previous year 2025-26 shall be:
- (a) ₹60,000 (b) ₹96,000
(c) ₹1,80,000 (d) ₹2,40,000
11. Ms. Padmaja let out a property for ₹20,000 per month during the year 2025-26. The municipal tax on the let-out property was enhanced retrospectively. Hence, she paid ₹60,000 as municipal tax which included arrears of municipal tax of ₹45,000. Her income from house property is:
- (a) ₹1,80,000 (b) ₹1,57,500
(c) ₹1,26,000 (d) ₹1,36,500
12. The construction of a house was completed on 31st January, 2026. The owner of the house took a loan of ₹20,00,000 @ 6% p.a. on 1st May, 2025. In this case the deduction allowable for the previous year 2025-26 towards interest on borrowings is:
- (a) ₹22,000 (b) ₹24,000
(c) ₹1,10,000 (d) None of the above.
13. Standard Deduction u/s 24(a) shall be
- (a) 25% of NAV (b) 30% of NAV
(c) 25% of GAV (d) 30% of GAV

- 14.** GAV shall be
- Higher of expected rent and rent received/receivable
 - Lower of expected rent and rent received/receivable
 - Higher of municipal value and fair rent
 - NAV minus municipal taxes
- 15.** Expected rent shall be
- Higher of municipal value and fair rent but restricted to Standard rent
 - Lower of municipal value and fair rent but maximum to Standard rent
 - Higher of municipal value and fair rent
 - Lower of municipal value and fair rent
- 16.** Prior Period Interest shall be allowed in
- 5 annual equal installments
 - 4 annual equal installments
 - 3 annual equal installments
 - 2 annual equal installments
- 17.** The Ceiling limit of deduction u/s 24(b) in respect of interest on loan taken for let out property shall be
- ₹30,000 p.a.
 - ₹1,50,000 p.a.
 - ₹2,00,000 p.a.
 - No limit
- 18.** Recovery of unrealized rent shall be taxable under the head
- House Property
 - Business/Profession
 - Other sources
 - None of the above
- 19.** If any person is engaged in the business of letting out of house property, income shall be taxable under the head
- Business/profession
 - House property
 - Other sources
 - Capital gains
 - None of these
- 20.** If loan has been taken on 01.04.2024 and house was completed on 31.03.2025, in this case
- no prior period installment in p.y. 2025-26
 - there is prior period installment in p.y. 2025-26
- 21.** Mr. J has a house property in Delhi whose Municipal value is ₹1,00,000 and the Fair Rental Value is ₹1,20,000. The standard rent is fixed at ₹1,08,000. It was self-occupied by Mr. J from 01.04.2025 to 31.07.2025. With effect from 01.08.2025, it was let out at ₹10,000 per month. Compute the net annual value of the house property for A.Y. 2026-27 if the municipal taxes paid by him during the year were ₹20,000.
- ₹1,00,000
 - ₹60,000
 - ₹1,08,000
 - ₹88,000

22. Mr. Agarwal moved to Mumbai. He took a property on rent for his residential purpose. However, the property was not fully occupied by him. He let out the property to his friend at ₹15,000 p.m. from 01.04.2025 to 31.03.2026. Mr. Agarwal is of the view that income from subletting of property is taxable as Income from House Property. As tax advisor of Mr. Agarwal, find out whether his view is correct.
- Correct, as any income from a house property is taxable under the head Income from House Property.
 - Incorrect, as Mr. Agarwal is not the owner of the property let out by him. The income from subletting shall be taxable under the head Profits and Gains of Business or Profession.
 - Incorrect, as Mr. Agarwal is not the owner of the property let out by him. The income from subletting shall be taxable under the head Income from other sources.
 - Correct, as income from subletting of a property is directly attributable to the property itself and hence, chargeable to tax as income from house property
23. During the current previous year income from house property of Kapil was ₹1,44,000 before considering the following data:
- Kapil recovered unrealized rent of ₹16,000 out of total unrealized rent of ₹22,000.
 - In past he was allowed deduction of ₹10,000 on account of unrealized rent.
 - He also received arrear of rent from another house property amounting to ₹55,450.
- What is Kapil's income from house property?
- ₹71,450
 - ₹1,94,015
 - ₹1,85,615
 - ₹1,89,815
24. **Statement 1:** If a newly constructed house building, being held as stock in trade, is vacant, annual value of such building would be treated as Nil for a period of one year from the end of the financial year in which completion certificate is obtained from competent authority.
- Statement 2:** Assessee having more than Two house which are self-occupied (deemed to be let out property)
- Statement 1 only is correct
 - Both Statements are correct
 - None of the Statement is correct
 - Statement 2 only is correct
25. Karan owns a house in Delhi. The house has two identical units. First unit is self-occupied by the Karan while other is rented at ₹12,000 p.m. The rented unit remained vacant for 3 months. The standard rent, municipal value and fair rent was ₹2,20,000 2,44,000 and 2,35,000 p.a. respectively for the entire house. Karan paid municipal taxes which was 12% of municipal value. Interest on borrowed capital was ₹2,000 p.m. Compute income from house property.
- ₹41,352
 - ₹50,452
 - ₹42,652
 - ₹53,352
26. Mr. Virat has a house property in Chennai which he let out to Mr. Sumit. For acquisition of this house, Mr. Virat has taken a loan of ₹30,00,000 @10% p.a. on 1-4-2018. He has further taken a loan of ₹5 lakhs @12% p.a. on 1.7.2025 towards repairs of the house. He has not repaid any amount of loan so far. The amount of interest deduction u/s 24(b) to Mr. Virat for P.Y. 2025-26 if he opted for the provisions of section 115BAC is:

- (a) ₹2,00,000 (b) ₹2,30,000
(c) ₹3,45,000 (d) ₹3,60,000
27. Mr. Kapoor has rented a flat at a monthly rent of ₹85,000. The flat is purchased by him from a bank loan. Interest on bank loan for the current year amounted to ₹1,85,000. Out of ₹1,85,000, ₹85,000 is paid in current year and balance of ₹1,00,000 is paid in subsequent year. In this case, Mr. Kapoor can claim deduction under section 24(b) of _____ in the current year.
(a) ₹1,85,000 (b) ₹1,00,000
(c) ₹85,000 (d) Nil
28. Mr. JS took loan from a bank for ₹1,00,000 on 1.1.2021 @ 12% p.a for the construction of the house which is self-occupied. Construction of the house got completed on 1.1.2026 and loan was repaid on 31.12.2024. Compute deduction u/s 24(b) for AY 2026-27.
(a) ₹19,400 (b) ₹9,600
(c) ₹12,000 (d) ₹49,000
29. Mr. Ram took a loan of ₹10,00,000 @ 12% p.a on 1/4/2016 for construction of house property. Construction of house completed on 1.1.21. Ram paid Entire loan on 1.12.2024. Calculate Deduction u/s 24(b) for the PY 2025-26.
(a) ₹96,000 (b) ₹1,20,000
(c) ₹2,16,000 (d) NIL
30. Mr. Bunty let out his house property and received ₹1,32,000 as rent.
Municipal value = ₹1,30,000 p.a.; Fair rent = ₹1,10,000; Standard rent = ₹1,20,000 p.a. Mr. Bunty took a loan for acquisition of this property from Singapore and paid interest of ₹40,000 without deduction of TDS. Compute income from house property (Municipal taxes accrued = ₹13,000 but paid during the year is ₹10,000):
(a) ₹45,400 (b) ₹83,300
(c) ₹85,400 (d) ₹43,300
31. Miss Pallavi has let out her own house property from 01.04.25 to 30.11.25 and received rent of ₹72,000. From 01.12.25 to 31-03-26, she occupied the property herself.
Other information from 01.04.25–31.03.26 is
Municipal Value : ₹80,000
Fair Rent : ₹90,000
Standard Rent : ₹75,000
Municipal taxes : ₹7,950
Calculate the Gross Annual Value
(a) ₹75,000 (b) ₹72,000
(c) ₹67,050 (d) ₹64,050
(e) ₹69,700
32. Which of the following can have negative annual value?
1. Let out property
2. One self-occupied property.

3. Deemed let out property.
4. One property which could not be occupied due to employment elsewhere.
5. Property which is part of the year let out and part of the year self-occupied.

Select the correct answer from the options given below:

- (a) 5, 3, 1 (b) 2, 4, 1
(c) 2 & 5 (d) All of the above

33. From the following data calculate the GAV:

- Annual fair rental value (FRV) = ₹4,80,000
Annual municipal value (MV) = ₹4,56,000
Annual standard rent (SR) = ₹4,68,000
Actual Rent = ₹41,000 p.m.
Period of vacancy = 2 months
Unrealized rent = 1 Month
Municipal taxes = ₹55,700
- (a) ₹3,90,000 (b) ₹4,51,000
(c) ₹4,68,000 (d) ₹3,95,300

34. Sumit owns a house, half of which is let out at a monthly of ₹10,000. However, this half portion remained vacant for 3 months. 25% portion of the house was use by Sumit for residence and 25% for professional purpose. Other details:

- Municipal taxes : ₹20,000
Repairs : ₹16,000
interest on loan taken for construction : ₹10,000
Fire insurance premium : ₹6,000
Income from house property =?
- (a) ₹51,000 (b) ₹48,500
(c) ₹50,500 (d) ₹55,000

Answer Key

1. (c)	2. (b)	3. (b)	4. (c)	5. (b)	6. (b)	7. (c)	8. (d)	9. (d)	10. (b)
11. (c)	12. (c)	13. (b)	14. (a)	15. (a)	16. (a)	17. (d)	18. (a)	19. (b)	20. (a)
21. (d)	22. (c)	23. (c)	24. (d)	25. (d)	26. (c)	27. (a)	28. (b)	29. (a)	30. (c)
31. (a)	32. (a)	33. (c)	34. (b)						

Profits and Gains of Business or Profession

MULTIPLE CHOICE QUESTIONS

DEDUCTIONS FOR ASSETS

- Jagan started his business on 1.10.2025 by acquiring the following assets: Land for ₹30 lakh, building constructed on the land at a cost of ₹50 lakh, license and know-how purchased for ₹20 lakh, machines worth ₹20 lakh taken on operating lease at ₹2 lakh p.a., books purchased for ₹30,000 and furniture acquired on rent of ₹60,000 p.a. What is the total cost of assets on which Jagan can claim depreciation u/s 32?
 (a) ₹1,12,90,000 (b) ₹80,30,000
 (c) ₹90,30,000 (d) ₹70,30,000
- Radhey carries out manufacturing operations in a rented factory premises. During the PY 2025-26, he incurred expenditure of ₹10,000 on local taxes, ₹3,00,000 on rent, ₹10,000 as insurance premium, ₹20,000 on routine repairs and ₹1 lakh on constructing a store room within the premises. He also sublet part of the premises to another person and earned ₹50,000 as rent. All payments were made within the PY 2025-26. The amount of net deduction available to Radhey in computing business income, apart from depreciation, will be:
 (a) ₹4,40,000 (b) ₹3,40,000
 (c) ₹2,90,000 (d) ₹3,90,000
- Jagan purchased 10 equipments of ₹50,000 each on 14.6.2025 for his production business, entitled to 15% rate of depreciation. Five equipments were put to use immediately. Two could be put to use only from 10.5.2026. One equipment, was installed at his residence for personal use. One equipment was put to use on 1.12.2025. One equipment was not unboxed since it was purchased in excess of requirements. There were no assets in the relevant block as on 1.4.2025. Depreciation allowable for PY 2025-26 will be:
 (a) ₹75,000 (b) ₹41,250
 (c) ₹45,000 (d) ₹60,000
- Rohit carries out manufacturing operations using plant and machinery taken on hire for ₹1,20,000 for PY 2025-26. In addition, he has to pay ₹10,000 as insurance premium and periodical repair expenses of ₹20,000 for these assets. 25% of the assets are used by Rohit's brother for his business for which Rohit does not charge anything. The amount of deduction available to Rohit in computing his business income will be:
 (a) ₹1,50,000 (b) ₹1,12,500
 (c) ₹1,20,000 (d) ₹1,40,000

5. BSL Ltd., a power undertaking, following SLM method of depreciation, purchased a machine for ₹1 lakh on 10.6.2021, entitled to 25% rate of depreciation. Depreciation for PY 2025-26 on the machine will be:
- (a) ₹25,000 (b) ₹12,500
(c) Nil (d) ₹7,910
6. Raju acquired two machines for ₹60,000 each on 1.2.2025. The first machine was put to use immediately while the second machine was put to use from 10.4.2025. The first machine was sold for ₹40,000 on 15.12.2025. These machines are the only assets in the block entitled to 15% rate of depreciation. Calculate the depreciation for PY 2025-26.
- (a) ₹9,300 (b) ₹10,650
(c) ₹11,150 (d) ₹11,325
7. Mr. Z, a retailer, acquired furniture on 10.5.2025 for ₹10,000 in cash and on 15.5.2025 for ₹15,000 and ₹20,000 by a bearer cheque and account payee cheque, respectively. Depreciation allowable for AY 2026-27 would be:
- (a) ₹2,000 (b) ₹3,000
(c) ₹3,500 (d) ₹4,500
8. The WDV of a block of assets (plant and machinery, rate of depreciation 15%) as on 1.4.2025 is ₹3,20,000. A second hand machinery costing ₹50,000 was acquired on 1.9.2025 through account payee cheque but put to use on 1.11.2025. During January 2026, part of this block was sold for ₹2,00,000. Depreciation for AY 2026-27 would be:
- (a) ₹21,750 (b) ₹25,500
(c) ₹21,125 (d) ₹12,750
9. Rahul commenced his business on 12.7.2025 by acquiring the following assets on the said date: Office building for ₹30 lakh, furniture for ₹10 lakh, computers for ₹2 lakh, computer software for ₹50,000, books for ₹20,000 and patents and copyrights for ₹5 lakh. Depreciation allowable for PY 2025-26 will be:
- (a) ₹6,33,000 (b) ₹4,83,000
(c) ₹5,65,500 (d) ₹6,65,000
10. Sumit acquired lifesaving medical equipment priced at ₹10 lakh during the PY 2025-26. It was ordered on 15.4.2025, delivered on 15.9.2025 and put to use on 15.11.2025. Interest on loan taken to purchase the equipment, payable till 15.11.2024 was ₹20,000. Sumit spent ₹10,000 in cash on freight, carriage and unloading of the equipment. Besides, he had to incur installation charges of ₹15,000 which were paid in cash on the date of installation to the vendor. GST was payable @ 12% which was claimed as input tax credit. Sumit received 50% of purchase price as subsidy from the State Government. ₹1 lakh towards the price of equipment was paid by bearer cheque while the balance was paid through ECS facility of his bank. Calculate the depreciation allowed u/s 32 for PY 2025-26 assuming that this is the only asset in the block,
- (a) ₹1,72,000 (b) ₹1,09,000
(c) ₹86,000 (d) ₹2,09,000

11. A machine acquired during the PY and entitled to additional depreciation, is allowed such depreciation @ 10% (i.e., at 50% rate) since it was put to use on 15 March of that PY. How much additional depreciation will be allowed in the subsequent year?

(a) 20% again	(b) Nil
(c) Balance 10%	(d) None of these
12. An assessee purchases a machine worth ₹80,000 on 5.9.2025 and makes the payment of ₹45,000 by account payee cheque and ₹20,000 in cash on the same date. The balance of ₹15,000 is paid by bearer cheque on 6.9.2025 when the machine is delivered. Compute the actual cost.

(a) ₹45,000	(b) ₹80,000
(c) ₹60,000	(d) ₹65,000
13. Mr. Shine, engaged in manufacture of computers, purchased machinery A, B and C on 5.9.2025 for ₹1 lakh each, entitled to 15% depreciation. Second hand Machine A was imported from France which was not used any time before in India. Machine B was installed in the office. Machine C was installed in the factory. Compute the normal depreciation and additional depreciation allowable for AY 2026-27 as per the optional tax regime.

(a) ₹45,000 and ₹20,000	(b) ₹30,000 and ₹20,000
(c) ₹45,000 and ₹60,000	(d) ₹45,000 and ₹40,000
14. Madhav, a retail trader in electronic items, acquired and installed a machine costing ₹1 lakh in his showroom on 15.4.2025. Compute the additional depreciation for AY 2026-27 in this respect. Madhav is covered under optional tax regime,

(a) Nil	(b) ₹20,000
(c) ₹10,000	(d) ₹15,000
15. Rambo imported machinery on 1.8.2024 for USD 10,000 from the USA. The machinery was first put to use on 1.8.2024 and the purchase price was paid on the same date. Calculate depreciation for AY 2026-27 if rate of depreciation is 15% and the machinery is the only asset in the block. Exchange rate for 1 USD was ₹75 on 1.8.2024, ₹70 on 31.3.2025 and ₹73 on 31.7.2025.

(a) ₹99,819	(b) ₹85,120
(c) ₹86,456	(d) ₹95,625
16. Spark Ltd, a power company, following WDV method of depreciation, acquired Machine A on 5.3.2025 and Machine B on 5.4.2025 for ₹1 lakh each, entitled to 40% depreciation on the block of assets. It further acquired furniture on 5.5.2025 for ₹1 lakh and patent on 5.6.2025 for ₹2 lakh. All these assets were used in the manufacturing facility of the company. Calculate the additional depreciation for AY 2026-27 as per the regular provisions of the Act.

(a) ₹40,000	(b) ₹20,000
(c) Nil	(d) ₹30,000
17. Rambo imported machinery on 1.8.2024 for USD 10,000 from the USA by paying 25% of the price upfront with the balance payable on 31.7.2025. Calculate depreciation for AY 2026-27 if rate of depreciation is 15% and the machinery is the only asset in the block. Exchange rate for 1 USD was ₹75 on 1.8.2024, ₹70 on 31.3.2025 and ₹73 on 31.7.2025.

- (a) ₹93,375 (b) ₹95,625
(c) ₹97,875 (d) ₹92,625

18. Sumit acquired a building for ₹15 lakh in June 2023, in addition to the cost of ₹3 lakh that he paid in respect of the land on which the building was situated. It was used for his personal purposes until he commenced business in June 2025 and since then it was used for his business purposes. Building is the only asset in the relevant block of assets. The amount of depreciation eligible in his case for AY 2026-27 is:

- (a) ₹1,50,000 (b) ₹1,45,800
(c) ₹1,80,000 (d) ₹1,21,500

19. Sunil purchased a laptop on 10.4.2023 for ₹30,000, sold it to Sahil on 10.4.2025 for ₹5,000 and purchased it back from him on 10.5.2025 for ₹30,000. Calculate the depreciation available to Sunil for AY 2026-27.

- (a) ₹12,000 (b) ₹2,000
(c) ₹4,320 (d) Nil

20. Gupta ji commenced business of fertilizer production in India on 20.4.2025. He had acquired plot of land for ₹30 lakh on 1.11.2024 on which he constructed factory at a cost of ₹40 lakh (completed on 15.3.2025, cost capitalized in books as on 20.4.2025). He also imported a second-hand machinery for ₹5 lakh on 20.5.2025 (15% rate of depreciation) which was not used any time before in India and depreciation was never claimed under the Act in respect of such machinery. He purchased new furniture of ₹25,000 on 30.6.2025 by making payment in cash. He has opted to claim benefit of section 35AD. Calculate the amount of deduction available to him for AY 2026-27 u/s 35AD and u/s 32 as per the optional tax regime,

- (a) ₹45 lakh; Nil
(b) ₹45.25 lakh; ₹75,000
(c) ₹75 lakh; ₹2,500
(d) ₹75.25 lakh; Nil

21. Mr. Z is engaged in retail business. He acquired motor car A for ₹4 lakh on 25.7.2024 which was put to use on 15.9.2025. He further acquired motor car B for ₹3 lakh on 12.1.2025 which was put to use on 4.10.2025. He subsequently acquired motor car C for ₹5 lakh on 20.5.2025 which was put to use on 30.6.2025. He took a vehicle loan of ₹5 lakh on 1.4.2025 at the interest rate of 10% p.a. to acquire motor car C. He sold motor car C on 25.6.2026 for ₹5.5 lakh and re-acquired it back on 25.7.2026 for ₹6 lakh. Above mentioned assets are the only assets in the block of assets. Compute the amount of total depreciation u/s 32 for PY 2026-27.

- (a) ₹1,66,594 (b) ₹1,60,500
(c) ₹1,37,438 (d) ₹1,62,094

22. Mr. King earned composite agricultural income from tea business. He purchased his first machinery for ₹1 lakh on 15.6.2024 entitled to 15% rate of depreciation. Calculate depreciation allowable to him for AY 2026-27 in computing composite income, i.e., before apportionment of income into taxable and exempt income.

- (a) ₹15,000 (b) ₹14,100
(c) ₹12,750 (d) ₹7,500

23. Sharma ji carries on business of operating a one-star hotel in Delhi which was commenced in the PY 2024-25. During the PY 2025-26 he incurred capital expenditure on purchase of second-hand local-made furniture on 15.3.2026 worth ₹5 lakh. What is the deduction available to him for AY 2026-27 in this respect? Sharma ji has opted out of default tax regime.
- (a) ₹5 lakh u/s 35AD (b) ₹5 lakh u/s 35AD and ₹25,000 u/s 32
(c) ₹50,000 u/s 32 (d) ₹25,000 u/s 32
24. Jaguar Pvt. Ltd., engaged in warehousing business for sugar, sold a building for ₹50 lakh during the PY 2025-26 which was acquired two years back for ₹40 lakh. 100% of this amount was deducted u/s 35AD in the year of acquisition. Amount taxable for AY 2026-27 will be:
- (a) ₹50 lakh (b) ₹10 lakh
(c) Nil (d) ₹40 lakh
25. Jay gifted his laptop to Viru on 10.4.2025. This was purchased by Jay on 15.4.2023 for ₹30,000. Calculate the depreciation available to Viru for AY 2026-27. Laptop is the only asset in the block of assets in the case of Viru as well as Jay.
- (a) ₹4,320 (b) ₹12,000
(c) ₹7,200 (d) Nil
26. Jaguar Pvt. Ltd, engaged in warehousing business of agricultural produce, transferred a building to its retail business on 15.9.2025. Building was purchased for warehousing business for ₹50 lakh on 15.9.2024 and deduction was allowed u/s 35AD. Compute tax implications of this transaction for AY 2026-27. Building is the only asset in the relevant block of assets.
- (a) ₹45 lakh taxable income; ₹4.5 lakh depreciation
(b) ₹50 lakh taxable income; ₹5 lakh depreciation
(c) Nil taxable income; Nil depreciation
(d) Nil taxable income; ₹5 lakh depreciation

AMORTIZATION

27. Seva Ltd. launched a voluntary retirement scheme for its employees during PY 2020-21. Total compensation under the scheme amounted to ₹30 lakh. Deduction available for PY 2025-26 in this respect is:
- (a) Nil (b) ₹6 lakh
(c) ₹4 lakh (d) ₹2 lakh
28. Mr. Rajput, a resident, set up a new manufacturing unit during PY 2025-26 for which he incurred ₹5 lakh for conducting market survey by self and ₹3 lakh on preparation of feasibility report by an agency during PY 2024-25. Prescribed statement was submitted for expenditure on market survey. AO has disallowed ₹8 lakh stating that these have been incurred before commencement of business of the new unit. Cost of project as per books as on 31.3.2026 is ₹80 lakh. What is the correct tax treatment?
- (a) ₹8 lakh deductible for PY 2024-25 (b) ₹8 lakh deductible for PY 2025-26
(c) ₹3 lakh deductible for PY 2025-26 (d) ₹80,000 deductible for PY 2025-26

EXPENDITURE FOR SPECIAL PURPOSES

29. Mr. X acquired an asset for use in scientific research for ₹2,75,000 and claimed deduction u/s 35(l)(iv) in this respect during the PY 2021-22. The asset was brought into use for the business of Mr. X after the research was completed. The actual cost of asset to be included in the block of assets will be:
- (a) Nil
 - (b) Market value on the date of transfer to business
 - (c) ₹2.75 lakh - Notional depreciation up to the date
 - (d) Actual cost, i.e., ₹2.75 lakh of transfer
30. Rain Pvt. Ltd. made the following donations during the PY 2025-26: ₹20,000 to Gyan University (notified) for statistical research (approval was withdrawn subsequent to making the payment), ₹30,000 to Sudha college (not notified) for social science research, ₹10,000 to a German company for scientific R&D, ₹15,000 to NT, Kanpur for scientific research under an approved program (which was withdrawn subsequent to making the payment). It has claimed deduction of the entire amount in computing income under the head PGBP for AY 2026-27. What is the amount of deduction available to Rain Pvt. Ltd. u/s 35 as per the regular provisions of the Act?
- | | |
|-------------|-------------|
| (a) ₹75,000 | (b) ₹35,000 |
| (c) Nil | (d) ₹45,000 |
31. Mr. Y purchased a machine for ₹3 lakh on 10.4.2023 on which full deduction was allowed u/s 35 during the PY 2023-24. Upon completion of scientific research, the machine was sold for ₹1 lakh during the PY 2025-26. The amount taxable as business income during PY 2025-26 will be:
- | | |
|-------------|-------------|
| (a) Nil | (b) ₹1 lakh |
| (c) ₹3 lakh | (d) ₹2 lakh |
32. M/s Science & Co. commenced its business of medicines on 1.4.2025. From 1.4.2023 to 31.3.2025, it spent ₹5 lakh on salary of employees and purchase of materials for scientific research on medicines (out of which only 40% was certified by the prescribed authority). It spent ₹6 lakh for the same purpose during PY 2025-26 (which was not certified). It also purchased land for ₹30 lakh and equipment to be used in research for ₹10 lakh during PY 2025-26. How much deduction is available for PY 2025-26 in respect of all this expenditure?
- (a) ₹2 lakh deduction; depreciation on ₹10 lakh
 - (b) ₹11 lakh deduction; depreciation on ₹10 lakh
 - (c) ₹18 lakh deduction; no depreciation
 - (d) ₹42 lakh deduction; no depreciation

INTEREST

33. Danny took loan of ₹1 crore from a NBFC for business purposes, in respect of which interest of ₹10 lakh for the PY 2025-26 was paid during the PY 2025-26 to the extent of 60% and between the period 1.4.2026 to 30.6.2026 to the extent of 40%. He incurred a loss in the business for the PY 2025-26. AO disallowed the interest on the ground that deployment of loan amount did not generate any income. Is the action of AO correct? If no, how much interest should he allow for AY 2026-27
- (a) Yes; Nil (b) No; ₹10 lakh
(c) No; ₹6 lakh (d) Yes; in his discretion
34. Raju paid interest on loan taken from Bank of India to purchase a machine which was put to use on 10.8.2025 (interest for the PY 2025-26 was ₹50,000 out of which ₹20,000 was for the period till 10.8.2025). Interest of March 2026 of ₹4,000 was paid after the due date to file return for the AY 2026-27. How much deduction is available to Raju for AY 2026-27?
- (a) ₹50,000 (b) ₹46,000
(c) ₹30,000 (d) ₹26,000
35. Raj Dhan Bank, a scheduled bank, issued 20,000 notified zero coupon bonds on 10.10.2025 at issue price of ₹150. The face value as well as the amount payable on maturity after 3 years (i.e., on 9.10.2028) is ₹200. Compute the deduction available to Raj Dhan Bank for AY 2026-27 in respect of discount on such bonds.
- (a) ₹1,66,668 (b) ₹1,62,162
(c) ₹3,24,324 (d) ₹3,33,333
36. Rajnish took a business loan from a firm (in which his wife held 50% profit share) @ 20% p.a. interest (market rate was 15% p.a.) on which interest of ₹60,000 for the PY 2025-26 remained unpaid till the due date to file return for such PY. Interest of ₹30,000 also arose on outstanding payments to trade creditors, 75% of which was paid till 31.3.2026 and the rest was paid after the due date to file return for the PY. He also took a loan from SBI to buy a car for personal use on which interest of ₹20,000 was duly paid on time during the PY. The deduction available in computing income under the head PGBP for PY 2025-26 is:
- (a) ₹90,000 (b) ₹22,500
(c) ₹75,000 (d) ₹82,500

EMPLOYEE WELFARE

37. Zydus Ltd. incurred the following employee welfare cost during PY 2025-26: Group health insurance premium of ₹1 lakh paid by account payee cheque; Commission of ₹3 lakh paid to a senior employee shareholder which would otherwise have been payable as dividend (paid on 31.3.2026); EPF contribution of Zydus Ltd. of ₹2 lakh and of employees of ₹2 lakh paid on 15.7.2026 (after 15 day time prescribed under EPF Scheme). Due date to file return for Zydus Ltd. is 31.10.2026. The amount deductible for AY 2026-27 in computing business income will be:

- (a) ₹8 lakh
(c) ₹3 lakh

- (b) ₹5 lakh
(d) ₹6 lakh

TAXES

38. For the PY 2025-26, Jacky, a dealer in commodities, paid CTT of ₹10,000. He further paid STT of ₹3,000 on sale of shares held as investment. STT and CTT were charged by the exchanges at the time of transactions. He paid ₹30,000 as income tax while filing his return before the due date, along with interest on delayed payment of advance tax of ₹2,000 as well as penalty of ₹5,000 for failure to deduct TDS. He was also asked to pay GST of ₹10,000 which he paid after the due date to file return for the PY. During the year, he had to pay penalty under excise law of ₹10,000 on 12.2.2026 (out of which ₹4,000 was compensatory in nature). Deduction allowed to him for AY 2026-27 in respect of these payments will be:

- (a) ₹72,000
(c) ₹35,000

- (b) ₹25,000
(d) ₹14,000

SPECIAL DEDUCTIONS

39. Green Ltd. sold goods to Mr. Z for ₹1 lakh during PY 2023-24. It wrote off ₹30,000 during PY 2024-25 as irrecoverable and claimed deduction. It ultimately recovered ₹20,000 during PY 2025-26. Tax implications for AY 2026-27 will be:

- (a) ₹50,000 is deductible
(c) ₹20,000 is taxable

- (b) Nothing is deductible
(d) ₹80,000 is deductible

40. JK & Co, a partnership firm, paid ₹1,50,000 each as remuneration to its working partners, A, B and C. It also paid interest @ 12% p.a. to its partners amounting to ₹4,00,000. Net business loss of the firm (after deducting remuneration and interest paid) was computed at ₹80,000. Compute the remuneration from the firm taxable in the hands of B.

- (a) ₹94,000
(c) Nil

- (b) ₹1,11,000
(d) ₹1,50,000

41. Gaurav, a money lender, advanced loan of ₹10 lakh to Saurav on 15.5.2023 to help him meet a personal exigency. Saurav became insolvent and could not repay any portion of principal or interest. Gaurav wrote off ₹10 lakh along with accumulated interest of ₹2 lakh on 1.4.2025. Amount deductible in the hands of Gaurav for AY 2026-27 will be:

- (a) ₹10 lakh
(c) ₹12 lakh

- (b) ₹2 lakh
(d) Nil

42. Red Ltd. manufactured and sold medical equipment to Mr. K for ₹1 lakh during PY 2023-24. It wrote off ₹30,000 during PY 2024-25 as irrecoverable and claimed deduction. It discontinued its manufacturing business on 31.3.2025 while continuing its other retail business. It ultimately recovered ₹90,000 during PY 2025-26. Tax implications for AY 2026-27 will be:

- (a) ₹90,000 is taxable
 (b) ₹20,000 is taxable
 (c) ₹50,000 is taxable
 (d) Nothing is taxable since business is discontinued
43. Sharma & Sons, paid ₹1 lakh to each of the 3 partners as remuneration for PY 2025-26 in terms of partnership deed. Book profit of the firm for PY 2025-26 was ₹5 lakh. Remuneration deductible in the hands of the firm will be:
 (a) ₹3 lakh (b) ₹2 lakh
 (c) ₹3.9 lakh (d) ₹1 lakh
44. M/s Ram & Shyam paid ₹1.5 lakh each to both its partners as remuneration. Further, it paid ₹25,000 as interest on capital to Ram @ 10%. Income under the head PGBP, computed under the Act after deducting these payments, amounted to ₹1 lakh. The firm earned capital gains of ₹1 lakh and income from house property of ₹50,000 during the PY. Amount taxable in the hands of the firm under the head 'PGBP' for AY 2026-27 will be:
 (a) ₹1.25 lakh (b) ₹2.5 lakh
 (c) ₹1 lakh (d) ₹2.75 lakh
45. Gaurav, a manufacturer, advanced ₹1 lakh to Saurav on 15.3.2025 towards purchase of plant and machinery for use in manufacturing process. Saurav became insolvent and could not deliver the products as well as repay the advance. Gaurav wrote off ₹1 lakh on 15.4.2025. Amount deductible in the hands of Gaurav for AY 2026-27 will be:
 (a) ₹1 lakh (b) ₹2 lakh
 (c) ₹50,000 (d) Nil
46. M/s Krishan & Co. paid salary of ₹3 lakh each to its two partners, Krishna and Balaram. It also paid interest @ 15% on capital contribution of ₹10 lakh made by Balaram. Book profit of the firm, as computed u/s 40(b), is ₹5 lakh. Both partners got ₹50,000 each as share in the profits of the firm. Income taxable in the hands of Krishna and Balaram for AY 2026-27 will be:
 (a) 2.45 L (Krishna); 3.65 L (Balaram) (b) 1.05 L (Krishna); 1.35 L (Balaram)
 (c) 1.95 L (Krishna); 1.35 L (Balaram) (d) 2.25 L (Krishna); 3.45 L (Balaram)
47. Rohit sold goods to Mohit in PY 2024-25 for ₹3 lakh out of which he wrote off ₹1 lakh during the PY 2025-26 as irrecoverable, without exhausting all legal remedies. He had also paid advance of ₹50,000 to Shobhit for supply of raw materials which Shobhit forfeited on 10.11.2025 due to breach of terms. He had extended a loan of ₹1 lakh to his friend to help him start a new business but his friend became insolvent. Rohit wrote off the loan on 10.2.2026. The amount of deduction allowed in computing business income for AY 2026-27 will be:
 (a) ₹1,00,000 (b) ₹1,50,000
 (c) ₹2,50,000 (d) ₹50,000
48. M/s Thakur & Sons paid ₹11 lakh as remuneration to its partners. The same was in accordance with partnership deed. Partners are also entitled to interest on capital @ 11% as per partnership deed. Total interest paid during the year is ₹1,30,000. The book profit before interest on capital and remuneration is ₹37 lakh. The salary allowable as deduction to the firm is:

- (a) ₹22,62,000 (b) ₹11,00,000
(c) ₹23,10,000 (d) ₹22,32,000

49. Rohit is a partner in a firm on behalf of his HUF. The HUF has contributed ₹10 lakh as capital in the firm. Rohit has also extended a loan of ₹6 lakh to the firm in his individual capacity. The firm has paid interest on capital as well as loan @ 15% p.a. interest which is similar to the rate prevailing in the market. Compute the amount of interest deductible in the hands of the firm for the PY. Payment of interest is authorized by the partnership deed.

- (a) Nil (b) ₹2,10,000
(c) ₹2,40,000 (d) ₹1,92,000

GENERAL DEDUCTION

50. Play Pvt. Ltd. spent ₹1.5 lakh during the PY 2025-26 on CSR expenses required under the Company Law. It lost ₹1 lakh on account of embezzlement of money by one of its employee. During the year, it donated ₹2 lakh to the National Laboratory for undertaking scientific research on a program (not approved till the date of payment). ₹50,000 had to be paid as interest on delayed payment to creditors for purchase of stock. Determine the amount allowed as deduction to Play Pvt. Ltd. for AY 2026-27 in computing business income as per the regular provisions of the Act.

- (a) ₹1,50,000 (b) ₹3,50,000
(c) ₹3,00,000 (d) ₹5,00,000

51. During the PY 2025-26, Roma availed loan of ₹20 lakh from SBI to purchase raw material and paid interest of ₹2 lakh thereon (50% was paid after the due date to furnish return of PY 2025-26). She spent ₹20,000 as brokerage and bank charges for arranging the loan. She also paid ₹10,000 during the year for publishing of advertisement in a pamphlet published by a political party. Two computers were purchased on 1.5.2025 for ₹50,000 each for use in office and these were the only assets in the relevant block of assets. Compute the amount of deduction allowable to Roma for AY 2026-27 in computing business income.

- (a) ₹1,20,000 (b) ₹1,60,000
(c) ₹2,60,000 (d) ₹1,30,000

52. Mr. Roy, carrying on agency business and maintaining books of account on mercantile basis, incurred expenditure of ₹20,000 during the PY 2025-26 towards advertisement and publicity. He also spent ₹10,000 on celebration in office on the occasion of New Year and Diwali. He spent ₹20,000 as fee for a training program attended by him and his employees to gain contemporary business skills. He had to pay ₹2,500 as professional tax levied by the State Government. He filed his return of income on 15.9.2026 after paying ₹45,000 as income-tax. Office expenditure of ₹50,000 incurred last year but missed to be booked, was debited in the accounts for PY 2025-26. Deduction allowed to Mr. Roy for AY 2026-27 in computing his business income will be:

- (a) ₹92,500 (b) ₹50,000
(c) ₹1,00,000 (d) ₹52,500

53. Shine Pvt. Ltd. incurred the following expenditure on its employees for the PY 2025-26: Salary of ₹50 lakh; group health insurance premium of ₹1 lakh (paid by cheque); Employee's contribution to EPF of ₹1 lakh (paid before the EPF due date) and own contribution to EPF of ₹1 lakh (paid after the due date to furnish return for PY 2025-26); gratuity paid ₹3 lakh (out of approved gratuity fund), tax of ₹2 lakh deducted u/s 192 from above stated salary of ₹50 lakh and deposited within due date. Deduction available to Shine Pvt. Ltd. for AY 2026-27 will be:
- | | |
|----------------|----------------|
| (a) ₹57,00,000 | (b) ₹58,00,000 |
| (c) ₹52,00,000 | (d) ₹58,20,000 |

EXPENSES NOT DEDUCTIBLE IN CERTAIN CIRCUMSTANCES

54. Shubham pays office rent of ₹3 lakh to M/s Shekhar & Co., owner of the building. Shekhar, the brother of Shubham, is a partner in this firm with 10% profit share. Market rent for a similar property is ₹2 lakh. Amount deductible as rent for AY 2026-27 will be:
- | | |
|-------------|-----------------------------|
| (a) ₹3 lakh | (b) ₹2 lakh |
| (c) ₹1 lakh | (d) As the AO may determine |
55. Gita pays rent of ₹1 lakh to Rohan, a resident, on 5.1.2026 (tax is deductible u/s 194-1) without deduction of tax. She deducts tax on 5.4.2026 and deposits it with the Government on 10.4.2026. In which year will rent be allowed as deduction?
- | |
|--|
| (a) ₹70,000 in PY 2025-26; 30,000 in PY 2026-27 |
| (b) ₹1,00,000 in PY 2025-26 |
| (c) ₹1,00,000 in PY 2026-27 |
| (d) ₹70,000 in PY 2026-27; ₹30,000 in PY 2027-28 |
56. Mr. Dhiman booked expenditure of ₹30,000 towards purchase cost of raw material on 15.12.2024 and claimed deduction during that PY on due basis. Payment of this amount was made on 15.12.2025 to the extent of 40% in cash and the rest by Bank ECS. What will be the tax implication of this transaction for AY 2026-27?
- | | |
|------------------------|------------------------|
| (a) No implication | (b) ₹30,000 is taxable |
| (c) ₹12,000 is taxable | (d) ₹18,000 is taxable |
57. JP Ltd. credits a sum of ₹45,000 as commission to Z Ltd., an Indian company, on 25.6.2025 without deducting tax at source. Z Ltd. paid its entire tax liability on its income by way of advance payment of tax during PY 2025-26 and filed its return of income for AY 2026-27 on 15.10.2026. JP Ltd. has obtained certificate in Form No. 26A from a CA to this effect. Compute the amount of deduction that shall be allowed to JP Ltd. for AY 2026-27 in respect of commission credited to Z Ltd. assuming that JP Ltd. follows mercantile system of accounting.
- | | |
|-------------|-------------|
| (a) ₹45,000 | (b) Nil |
| (c) ₹13,500 | (d) ₹31,500 |
58. Shyamal pays interest of ₹5 lakh for PY 2025-26 on business loan taken from a deposit-taking NBFC in which his wife is a director holding 30% equity shares. Reasonable interest as per market conditions is ₹2 lakh. Interest is paid by Shyamal on 1.12.2026, i.e., after due date to furnish return of income for the PY 2025-26. Amount deductible will be:

- (a) ₹5 lakh for PY 2026-27
(b) ₹2 lakh for PY 2025-26
(c) ₹2 lakh for PY 2026-27
(d) ₹5 lakh for PY 2025-26
59. M/s Jagriti Group, a proprietorship firm following cash system of accounting, incurred the following expenditure during the PY 2025-26: (A) Customs duty of AY 2026-27 ₹75,000 - paid on 15.5.2026. (B) Income tax paid for AY 2025-26 ₹84,000- paid on 16.6.2025. Amount of expenditure allowed for AY 2026-27 is:
- (a) ₹1,59,000
(b) ₹75,000
(c) Nil
(d) ₹84,000
60. Shaily makes various payments during PY 2025-26. Which of these is not allowed as deduction for AY 2026-27?
- (a) ₹30,000 paid in cash to Mr. X for purchase of inventory, paid in three equal instalments on successive days
(b) ₹10,001 paid by uncrossed cheque to Mr. Z on 10.6.2025 as interest on business loan
(c) ₹25,000 paid by crossed cheque to Mr. G on 4.5.2025 for transporting goods from factory to customers
(d) ₹9,000 each, paid by bearer cheque to Mr. P and Mr. Q on 1.4.2025 for purchase of raw material
61. Manas has paid interest of ₹30,000 on a business loan taken from Flight Ltd. in which his sister holds 25% equity shares. Interest payable as per market rate comes to ₹10,000. Amount deductible as interest for AY 2026-27 will be:
- (a) ₹30,000
(b) ₹10,000
(c) ₹20,000
(d) Nil
62. Which of the following payments made by Gautam during PY 2025-26 is allowable as deduction in entirety?
- (a) ₹1 lakh paid by NEFT on 10.6.2025 for purchase of plant and machinery
(b) Loan of ₹30,000 given in cash to a colleague on 15.4.2025
(c) Personal loan of ₹50,000 taken from a friend, repaid on 5.5.2025 along with interest of ₹11,000, in cash.
(d) ₹30,000 payable to Mr. G for supply of office stationery adjusted in accounts against ₹50,000 receivable from him.
63. Sita incurs expenditure of ₹1 lakh as fees for technical services and makes the payment to Mita (a resident) on 4.2.2026 after deducting tax at source u/s 194J. She deposits the tax on 27.12.2026. In which year will the expenditure be allowed as deduction? Due date to furnish return for Sita is 31.10.2026.
- (a) ₹1 lakh in PY 2025-26
(b) ₹1 lakh in PY 2026-27
(c) ₹30,000 in PY 2025-26; ₹70,000 in PY 2026-27
(d) ₹70,000 In PY 2025-26; ₹30,000 in PY 2026-27
64. Mr. Garg made the following payments during the course of PY 2025-26, each on a particular day to one party: ₹20,000 paid in cash to Railways for transportation of goods, ₹15,000 paid in cash to a farmer for purchase of grains, ₹20,000 paid by uncrossed cheque to a wholesale trader for

purchase of wheat, ₹40,000 paid by bearer cheque as gratuity to a retiring employee. What is the amount of deduction available to Mr. Garg for AY 2026-27?

- | | |
|-------------|-------------|
| (a) ₹75,000 | (b) ₹95,000 |
| (c) ₹60,000 | (d) ₹55,000 |

65. Jagriti Pvt. Ltd. took a term loan from Bank of Baroda in respect of which the outstanding interest of ₹10 lakh was converted into a Funded Interest Term Loan (FITL) to be paid in five equal annual instalments starting from 20.12.2025. The company paid all the instalments on time. Interest deductible for PY 2025-26 is:

- | | |
|-------------|--------------|
| (a) ₹2 lakh | (b) ₹4 lakh |
| (c) Nil | (d) ₹10 lakh |

66. Mr. Sweet credited interest of ₹1 lakh to the account of Ms. Sweety (a resident) on 15.3.2026 without deducting tax at source since TDS provisions did not apply to this payment. Ms. Sweety paid tax on her total income on 10.9.2026 but filed her return of income on 15.12.2026 (including said interest income). Interest will be deductible in the hands of Mr. Sweet in which PY?

- (a) ₹70,000 in PY 2025-26; 30,000 in PY 2026-27
 (b) ₹1,00,000 in PY 2025-26
 (c) ₹1,00,000 in PY 2026-27
 (d) ₹70,000 in PY 2025-26; ₹30,000 in PY 2026-27

SPECIAL PROVISIONS

67. DLF builders sold a plot of land on 15.9.2025 for ₹50 lakh. AO substituted the value of consideration with the SDV being ₹75 lakh. DLF claimed that the SDV was much more than the fair market value of ₹60 lakh. The case was referred to DVO who determined the value of the plot at ₹65 lakh. What value of consideration will be taken for computing profit from the sale of plot?

- | | |
|--------------|--------------|
| (a) ₹50 lakh | (b) ₹75 lakh |
| (c) ₹60 lakh | (d) ₹65 lakh |

68. Mr. R purchased raw material from Mr. S during PY 2023-24 for ₹1 lakh but did not make any payment because of a dispute around the terms of the contract, though he claimed the amount as deduction in computing business income of that year. Seeing no resolution to the dispute, Mr. R unilaterally wrote off ₹70,000 in the books of account and paid the balance on 10.1.2026, though Mr. S continued to contest the dispute. What will be the tax implications for AY 2026-27.

- (a) ₹70,000 is taxable
 (b) ₹30,000 is taxable
 (c) ₹30,000 is deductible
 (d) Nothing is taxable since amount is still disputed

69. Housing Pvt. Ltd., a real estate developer, sold a building on 16.9.2025 for ₹50 lakh costing ₹20 lakh. Stamp duty value on the date of agreement to sell (1.4.2025) was ₹54 lakh while it was ₹60 lakh on 16.9.2025 when the transfer was registered. ₹5 lakh was received from the buyer on 15.3.2025 through a bearer cheque. What will be the profit chargeable to tax for AY 2026-27?

- (a) ₹30 lakh
(c) ₹34 lakh

- (b) ₹40 lakh
(d) ₹25 lakh

COMPLIANCE

70. A business is required to get its accounts audited u/s 44AB if sales, turnover or gross receipts in business:
- Exceed ₹1 crore for all the three preceding PYs irrespective of the quantum of transactions in cash mode or non-cash
 - Exceed ₹1 crore for the current PY irrespective of transactions in cash mode or non-cash mode
 - Exceed ₹1 crore for the current PY if receipts and payments in cash or by non-A/c payee cheque/bank- draft do not exceed 5% of the respective totals
 - Exceed ₹10 crore for the current PY if receipts and payments in cash or by non-A/c payee cheque/bank- draft do not exceed 5% of the respective totals.
71. If due date to furnish return of income u/s 139(1) for the PY 2025-26 is 31 October, 2026, due date to get accounts audited and furnish the tax audit report u/s 44AB for the said PY is:
- 1 October 2026
 - 30 September 2026
 - 31 October 2026
 - After 31 October 2026
72. Who is required to keep and maintain books prescribed
- Ms. X, a doctor having gross receipts of ₹1.2 lakh and income from profession of ₹1 lakh in all the three preceding PYs
 - Mr. Y, an engineer having gross receipts of ₹2 lakh and income from profession of ₹1.5 lakh in all the three preceding PYs
 - Ms. Z, a retailer having gross receipts of ₹3 lakh and income from business of ₹2 lakh in all the three preceding PYs
 - Mr. U, a gym trainer having gross receipts of ₹5 lakh and income from profession of ₹1 lakh in all the three preceding PYs
73. A person carrying on a profession is required to get his accounts audited u/s 44AB if his gross receipts:
- Exceed ₹1 crore during the current PY
 - Exceed ₹50 lakh in all the three preceding PYs
 - Exceed ₹50 lakh during the current PY
 - Exceeds ₹1 crore in the current PY if cash transactions are not more than 5%

PRESUMPTIVE INCOME FOR SMALL ENTERPRISES

74. Raj is a resident and ordinarily resident for PY 2024-25 and resident but not ordinarily resident for PY 2025-26. He carries on the business of trading in food grains and has clocked turnover of ₹1 crore during the PY 2025-26, 10% of which is received in cash and the balance through banking channels within the PY itself. What would be taken to be the profits and gains for the AY 2026-27 u/s 44AD?

- (a) ₹6,00,000
 (b) Computed by deducting expenses from receipts
 (c) ₹8,00,000
 (d) ₹6,20,000

75. Roxy & Co. is a transporter owning 8 goods carriages as on 1.4.2025 having gross vehicle weight of 10 ton each. On 10.6.2025, he sold one goods carriage. He purchased one goods carriage of 10 ton on 20.7.2025. He has also taken 2 goods carriages on hire purchase, used by him throughout the PY and having gross vehicle weight of 10 ton. His income u/s 44AE for PY 2025-26 would be:

- (a) ₹6,30,000 (b) ₹7,20,000
 (c) ₹12,00,000 (d) ₹9,00,000

76. M/s PQR, an eligible assessee following mercantile system of accounting and carrying on eligible business u/s 44AD, provides the following details: Total turnover for FY 2025-26 is ₹130 lakh. Out of this, ₹25 lakh is received by A/c payee cheque during FY 2025-26; ₹50 lakh is received by cash during FY 2025-26; ₹25 lakh is received by A/c payee bank draft before due date of filing return and ₹30 lakh is not received till due date of filing of return. Compute the amount of deemed profits of M/s PQR u/s 44AD(1) for AY 2026-27.

- (a) ₹10.4 lakh (b) ₹7 lakh
 (c) ₹5.5 lakh (d) ₹9.4 lakh

Answer Key

1. (d)	2. (c)	3. (b)	4. (b)	5. (c)	6. (d)	7. (b)	8. (a)	9. (a)	10. (c)
11. (c)	12. (a)	13. (a)	14. (a)	15. (d)	16. (d)	17. (a)	18. (d)	19. (c)	20. (a)
21. (c)	22. (c)	23. (d)	24. (a)	25. (a)	26. (a)	27. (a)	28. (d)	29. (a)	30. (b)
31. (b)	32. (c)	33. (b)	34. (d)	35. (a)	36. (c)	37. (c)	38. (d)	39. (a)	40. (b)
41. (c)	42. (b)	43. (a)	44. (c)	45. (d)	46. (d)	47. (b)	48. (b)	49. (b)	50. (a)
51. (b)	52. (d)	53. (c)	54. (a)	55. (a)	56. (c)	57. (d)	58. (c)	59. (c)	60. (b)
61. (b)	62. (d)	63. (d)	64. (a)	65. (a)	66. (b)	67. (d)	68. (a)	69. (b)	70. (d)
71. (b)	72. (b)	73. (c)	74. (d)	75. (d)	76. (d)				

Capital Gains

MULTIPLE CHOICE QUESTIONS

CHARGEABILITY

- Ram undertook certain transactions during the PY 2025-26. He seeks your advise as to which of the following transactions would not be liable to capital gain in his hands for AY 2026-27?
 - Transferred his membership in Super housing cooperative society to Ramesh on 1.6.2025
 - Executed a written agreement with Rohit to sell his house and handed over possession on 1.3.2026. Rohit has paid 50% consideration and promised to pay the balance but the sale deed has not yet been executed
 - Received ₹10 lakh as advance money for sale of his plot of land in Delhi to be executed on 15.4.2026
 - Sold equity shares of Tata Sons Ltd. on 1.1.2026 which were held as investment since last 10 years.
- Yuvi acquired a residential flat in Chennai for ₹50 lakh on 1.1.2001. FMV of the flat on 1.4.2001 was ₹60 lakh while SDV on that date was ₹55.5 lakh. He sold the flat on 15.1.2026 for ₹2 crore. He incurred 1% brokerage on purchase as well as sale. He had to spend ₹20,000 on painting and routine repairs on 10.4.2015. Compute long term capital gain for AY 2026-27.
 Note: Assessee has opted to pay tax without Indexation.

(a) ₹19,29,500	(b) ₹13,29,500
(c) ₹23,29,500	(d) ₹17,81,250
- Heera, maintaining books of account on cash basis, sold his shop to Meera on 15.6.2025. Meera discharged the consideration by paying ₹10 lakh on 15.3.2025, ₹5 lakh on 15.6.2025 and handing over the possession of her gold jewellery (worth ₹15 lakh on 1.4.2025 and ₹18 lakh on 15.6.2025). The shop was gifted to Heera by his father on 1.1.2025 who purchased it from Zehra for ₹12 lakh on 1.7.2023. Capital gain in the hands of Heera for AY 2026-27 will be:

(a) STCG of ₹21,00,000	(b) STCG of ₹11,00,000
(c) LTCG of ₹20,10,000	(d) LTCG of ₹2,10,000
- Shivam, aged 35 years, sold an agricultural land for ₹43 lakh on 14.8.2025 acquired at a cost of ₹41 lakh on 10.12.2024 situated 8.4 kms from the local limits of municipality having population of 5,00,000 and also sold another agricultural land for ₹53 lakh on 2.11.2025 acquired at a cost

of ₹46 lakh on 25.2.2024 situated 1.2 kms from the jurisdiction of municipality having population of 22,000. What would be the amount of capital gain chargeable to tax in the hands of Shivam for AY 2026-27?

- | | |
|-----------------------|-----------------------|
| (a) STCG of ₹9,75,000 | (b) STCG of ₹7,00,000 |
| (c) LTCG of ₹2,54,325 | (d) LTCG of ₹17,940 |

5. Juhi, stuck in a criminal litigation, handed over some precious stones which she owned, to Jasbir, her lawyer, on 15.12.2025, for defending her case in the Court of law. She had bought these stones for ₹2 lakh on 15.6.2023. These stones were worth Rs 5 lakh in the market on 15.12.2025. Find out capital gain chargeable to tax in hands of Juhi for AY 2026-27.

- | | |
|-----------------------|------------------------------|
| (a) Nil | (b) STCG (loss) of ₹2,00,000 |
| (c) LTCG of ₹2,80,623 | (d) STCG of ₹3,00,000 |

6. Rajan acquired a shop in a commercial complex in Mumbai for ₹10 lakh on 1.2.1995. FMV and SDV on 1.4.2001 were ₹15 lakh and ₹16 lakh, respectively. Rajan unsuccessfully tried to sell the shop to Sajan during the PY 2005-06 and he had to forfeit ₹2 lakh received as advance in terms of the agreement to sell. Later, he gifted the shop to Raju, his grandson on 15.11.2010. Raju negotiated to sell the shop to Somil during January 2011 but was unsuccessful and he had to forfeit advance of ₹1 lakh in terms of the agreement. Raju later struck a deal with Monu to sell the shop during June 2019 but due to failed negotiations, he had to forfeit the advance of ₹2 lakh. He was able to finally sell the shop to Sonu during January 2026 for ₹80 lakh. Compute the capital gain in the hands of Raju for AY 2026-27.

- | | |
|---------------------|---------------------|
| (a) LTCG ₹27,04,000 | (b) LTCG ₹66,00,000 |
| (c) LTCG ₹39,23,400 | (d) LTCG ₹35,62,000 |

7. Sawan purchased a residential house from Sohan during the PY 2025-26 for ₹50 lakh. Sohan had purchased the house during PY 2024-25 for ₹30 lakh. Sawan paid brokerage of 0.5% to the property dealer and incurred stamp duty charges of ₹1 lakh towards registration of the property in his name. Sohan paid 1% to the property dealer both at the time of purchase and sale. Additionally, he incurred ₹50,000 as legal charges for drafting the sale contract. Capital gain in the hands of Sohan for AY 2026-27 will be:

Note : Assessee has opted to pay tax without Indexation

- | | |
|-----------------------|-----------------------|
| (a) STCG of 20,00,000 | (b) STCG of 12,70,000 |
| (c) STCG of 18,70,000 | (d) LTCG of 18,70,000 |

8. Shaivi acquired a building in Goa for ₹20 lakh on 1.1.2010. FMV and SDV on this date were ₹22 lakh and ₹25 lakh, respectively. She spent ₹25,000 on 15.6.2017 on current repairs. She constructed a room for ₹5 lakh on 15.8.2021. She sold the building for ₹50 lakh on 1.1.2026. Compute the capital gain for AY 2026-27.

Note : Assessee has opted to pay tax without Indexation

- | | |
|------------------------|---------------------------|
| (a) LTCG of ₹25,876 | (b) LTCG (loss) of ₹4,945 |
| (c) LTCG of ₹25,00,000 | (d) LTCG of ₹6,085 |

14. What is the tax treatment for AY 2026-27 of ₹30,000, being interest on compensation received on 30.9.2025 for the period 1.4.2024 to 30.9.2025?
- (a) ₹10,000 is taxable under the head IFOS (b) ₹5,000 is taxable under the head IFOS
(c) ₹15,000 is taxable under the head IFOS (d) ₹30,000 is taxable under the head IFOS
15. Johnny, engaged in manufacturing of goods, owned a residential house which was destroyed in a cyclone that occurred on 1.1.2025. He had purchased the house on 1.5.2020 for ₹10 lakh. The cyclone also destroyed his personal car which he had purchased for ₹5 lakh on 1.4.2022 and some stock-in-trade of his business worth ₹1 lakh which was kept in his house at that time. He had paid ₹10,000 as insurance premium for the house and car on 1.9.2024. On 17.8.2025, he received insurance compensation of ₹10 lakh for the house, ₹50,000 for the car and ₹65,000 for the stock-in-trade. Amount chargeable as capital gain for AY 2026-27 will be:
- Note : Assessee has opted to pay tax without Indexation
- (a) NIL Taxable
(b) Long term capital loss of ₹85,000
(c) Long term capital loss of ₹75,000
(d) Long term capital loss of ₹75,000; short term capital loss of ₹4,50,000
16. Rashmi started a jewellery business on 1.2.2022 and brought her personal jewellery that she used to wear, into the business on 1.9.2022 as inventory (worth ₹5,00,000 on this date). She had purchased the jewellery on 15.6.2012 for ₹1,00,000. She sold 50% of this jewellery to various customers for ₹4,00,000 on 1.8.2025. Compute the capital gain and business income arising from these transactions.
- (a) PGBP of ₹1,50,000 for AY 2026-27; no capital gain
(b) LTCG of ₹1,59,880 for AY 2023-24 and PGBP of ₹1,50,000 for AY 2026-27
(c) PGBP of ₹3,50,000 for AY 2026-27; no capital gain
(d) LTCG of ₹2,00,000 and PGBP of ₹1,50,000 for AY 2026-27
17. Government of Delhi acquired a plot of land owned by Gyan on 1.6.2024 for constructing Delhi Metro. It paid 70% compensation on 1.1.2025 and balance on 1.5.2025. On appeal by Gyan, the Delhi High Court passed an interim order on 1.11.2025 pursuant to which Gyan received interim compensation on 1.12.2025. The Court passed the final order on 14.4.2026 confirming the interim compensation and further enhancing the compensation, the pending amount of which was finally paid to Gyan on 15.6.2026. Which amounts will be taxable in the hands of Gyan for AY 2026-27?
- (a) 30% initial compensation; interim compensation
(b) Entire compensation
(c) No compensation
(d) Interim compensation
18. Government of Maharashtra acquired a house owned by Yaman on 10.12.2024, which he had acquired as gift from his father on 10.12.2023 who, in turn, had purchased it on 10.12.2018 for ₹20 lakh. Fie received ₹30 lakh as compensation on 25.7.2025. On appeal, the Delhi Court awarded an interim additional compensation of ₹5 lakh, which he received on 10.8.2025. The Court passed

the final order on 10.9.2025 confirming the enhancement. Yaman had to pay ₹50,000 to his lawyer for this purpose. Capital gain arising for AY 2026-27 will be

Note : Assessee has opted to pay tax without Indexation

- | | |
|------------------------|------------------------|
| (a) LTCG of ₹14,50,000 | (b) LTCG of ₹11,69,697 |
| (c) STCG of ₹4,50,000 | (d) Nil |

19. If Rashmi treats the stock-in-trade of her jewellery business (acquired on 17.8.2019) as a capital asset on 17.8.2023 and later sells the capital asset on 10.8.2025, what will be the tax treatment?

- (a) PGBP will not arise; LTCG will arise for AY 2026-27 (cost to acquire stock-in-trade will be the cost of acquisition)
- (b) PGBP will arise for AY 2024-25; STCG will arise for AY 2026-27 (FMV on date of conversion will be taken as PGBP income and also the cost to compute STCG)
- (c) PGBP and STCG will arise for AY 2026-27 (FMV on (d) date of conversion will be taken as PGBP and also the cost to compute STCG)
- (d) PGBP will arise for AY 2026-27 (FMV on date of conversion will be taken as PGBP); capital gain will not arise

SPECIAL PROVISIONS TO PREVENT TAX AVOIDANCE

20. Shekhar, a shareholder of 100 unlisted equity shares in Shikhar Pvt. Ltd., sold his entire shareholding on 15.2.2026 at ₹5,000 per share, whereas the fair market value of a share, determined as per Rule 11UAA, was ₹6,000 on 1.4.2025, ₹5,500 on 15.2.2026 and ₹5,000 on 31.3.2026. The shares were acquired by Shekhar on 15.3.2024 at ₹3,000 per share. Capital gain in respect of this transaction for AY 2026-27 will be:

- | | |
|-----------------------|-----------------------|
| (a) LTCG of ₹2,20,935 | (b) LTCG of ₹1,70,935 |
| (c) STCG of ₹2,50,000 | (d) STCG of ₹2,00,000 |

21. Zubin sold a vacant plot of land to Rubin for ₹30 lakh on 14.8.2025 on which date its SDV was ₹50 lakh and FMV was ₹35 lakh. He had received 5% down payment by account payee cheque on 14.6.2025, being the date of agreement, when the SDV was ₹45 lakh. Zubin contested the SDV in the Court which finalized the value of land at ₹32 lakh. What value of consideration will be considered in computing capital gain?

- | | |
|--------------|--------------|
| (a) ₹30 lakh | (b) ₹45 lakh |
| (c) ₹35 lakh | (d) ₹32 lakh |

22. Zulu sold his house to Zola on 15.12.2025 for ₹50 lakh. Zola paid ₹1 lakh by a bearer cheque as token amount on the date of agreement being 15.10.2025. SDV of the house was ₹56 lakh on 15.10.2025 and ₹55 lakh on 15.12.2025. The house was purchased by Zulu on 15.12.2024 for ₹30 lakh. Capital gain for AY 2026-27 will be:

Note : Assessee has opted to pay tax without Indexation

- | | |
|----------------------|----------------------|
| (a) STCG of ₹26 lakh | (b) STCG of ₹25 lakh |
| (c) STCG of ₹20 lakh | (d) STCG of ₹19 lakh |

FINANCIAL ASSETS

23. Quant Ltd. allotted 1,000 equity shares to Rashid on 1.3.2025 on payment of ₹200 per share under its employee stock option plan. Rashid had exercised the option to purchase shares on 15.2.2025. FMV of shares on 15.2.2025 and 1.3.2025 was ₹1,000 and ₹1,200, respectively. Rashid sold all the shares on 20.2.2026 @ ₹1,500 per share. Capital gain for AY 2026-27 will be:
- (a) STCG of ₹3,00,000 (b) LTCG of ₹4,46,844
(c) STCG of ₹5,00,000 (d) LTCG of ₹12,89,369
24. Rana was offered 100 right shares of PQR Ltd. @ ₹400 per share on 20.5.2024 which he renounced in favor of Sana @ ₹200 per share on 25.5.2024, who subsequently subscribed to the shares and was allotted the shares on 10.6.2024. Sana sold all the shares @ ₹1,000 per share on 30.5.2025. Shares are not listed and STT is not applicable. Capital gain arising to Rana for AY 2025-26 and Sana for AY 2026-27 will be:
- (a) STCG of ₹20,000; LTCG of ₹36,811 (b) Nil; STCG of ₹60,000
(c) STCG of ₹20,000; STCG of ₹40,000 (d) STCG of ₹40,000; LTCG of ₹78,937
25. Cee purchased 100 shares of Gems Ltd. @ ₹50 per share on 20.2.1998. FMV on 1.4.2001 was ₹100 per share. Upon the death of Cee, Dee obtained these shares under his will on 20.2.2005. Gems Ltd. offered rights shares in the ratio of 1 : 2 @ ₹200 per share to which Dee subscribed and was allotted shares on 20.2.2017. The company allotted bonus shares on 20.3.2025 in the ratio of 1 : 3. Dee sold all the shares on 20.1.2026 @ ₹1,000 per share. STT was not paid on these transactions. Compute the capital gain for AY 2026-27.
- (a) LTCG ₹1,40,442; STCG ₹50,000 (b) LTCG ₹1,04,362; STCG Nil
(c) LTCG ₹38,598; STCG ₹50,000 (d) LTCG ₹1,30,000; STCG ₹50,000
26. Ruma purchased 1,000 shares of D Ltd. on 1.7.2024 @ 200 per share, 2,000 shares of C Ltd. on 1.12.2024 @ 400 per share and 500 shares of D Ltd. on 12.12.2024 @ 300 per share. Ruma sold 1,200 shares of D Ltd. on 1.5.2025 @ ₹500 per share. Shares were sold in the order they were first acquired. Capital gain for AY 2026-27 will be:
- (a) STCG of ₹3,20,000 (b) STCG of ₹3,40,000
(c) STCG of ₹3,10,000 (d) STCG of ₹3,00,000
27. Shine Ltd., an Indian company, purchased 10,000 of its equity shares of face value of ₹10 for ₹50 from its shareholders on 15.6.2025. These shares were issued during June 2020 at a premium of ₹5. Out of these shares, Sheryl owned 200 shares which she had purchased on 15.11.2024 @ ₹40 per share. Tax implications for AY 2026-27 will be:
- (a) STCG of ₹2,000 for Sheryl; no implication for Shine Ltd.
(b) No implication for Sheryl and Shine Ltd.
(c) No implication for Sheryl; Buyback tax payable by Shine Ltd @ 20% (+ SC & HEC) on ₹3.5 lakh
(d) No implication for Sheryl; Buyback tax payable by Shine Ltd @ 20% (+ SC & HEC) on ₹5 lakh
28. Roland Ltd. split its equity shares of face value of ₹10 each into five equity shares of ₹2 each, on 1.1.2025. Roli held 1,000 shares in the company on 1.3.2026. She had purchased shares in Roland

Ltd. on 1.9.2021 @ ₹100 each. She sold all these shares on 1.3.2026 @ ₹50 per share. FMV of shares on 1.1.2025 is ₹40 per share. Shares are not covered u/s 112A. Capital gain for AY 2026-27 will be:

- | | |
|-------------------------|-------------------------|
| (a) LTCG of (–) ₹59,688 | (b) STCG of (–) ₹50,000 |
| (c) STCG of ₹10,000 | (d) LTCG of ₹30,000 |

29. Maya had bought 3,000 listed shares of a company on 25.2.2025 at ₹300 per share. The company announced and allotted bonus shares in the ratio of 1 : 3 on 1.7.2025. After the allotment of bonus shares, the shares were sold by Maya on 10.3.2026 at ₹400 per share. Compute capital gain for AY 2026-27. Ignore the provisions of section 112A.

- | | |
|------------------------------------|------------------------------------|
| (a) STCG ₹7,00,000 | (b) LTCG ₹3,00,000; STCG ₹4,00,000 |
| (c) LTCG ₹2,60,252; STCG ₹1,00,000 | (d) LTCG ₹3,00,000; STCG ₹4,00,000 |

30. Zara acquired 100 debentures in Z Ltd. on 1.7.2017 for ₹500 each. 50% of the debentures were converted into 50 equity shares on 1.1.2022 on which date the FMV of shares was ₹1,000 per share. Zara sold all the debentures @ ₹600 each and all the shares @ ₹1,200 each on 15.3.2024. STT is not applicable. Capital gain for AY 2026-27 will be:

- | | |
|-------------------------------|------------------|
| (a) LTCG ₹40,000 | (b) LTCG ₹32,598 |
| (c) STCG ₹10,000; LTCG ₹5,000 | (d) LTCG ₹10,156 |

31. Zen subscribed to 1,000 convertible preference shares of MR Ltd. on 1.11.2009 @ ₹500 per share. These shares were converted on 1.4.2019 into equity shares of MR Ltd. in the ratio of 2 : 1 (FMV of equity shares on this date: ₹400 per share). Zen sold his entire holding in MR Ltd. on 1.1.2026 @ ₹600 per share. STT was not paid. Capital gain for AY 2026-27 will be:

- | | |
|-----------------------|-----------------------|
| (a) Nil | (b) STCG of ₹4,00,000 |
| (c) LTCG of ₹7,00,000 | (d) STCG of ₹7,00,000 |

INTANGIBLE ASSETS

32. Mr. Bee purchased the license to run his profession from Mr. Cee on 15.2.2023 for ₹10 lakh. He also created and used a trademark for his profession which he got registered on 15.8.2023. He sold both these capital assets to Mr. Dee on 15.1.2026 for ₹20 lakh and ₹10 lakh, respectively. Capital gain for AY 2025-26 will be:

- | | |
|------------------------|------------------------|
| (a) STCG of ₹30,00,000 | (b) LTCG of ₹18,67,858 |
| (c) STCG of ₹20,00,000 | (d) LTCG of ₹8,67,858 |

33. Gopal, a transporter, acquired stage carriage permit on 12.12.2018 for ₹1,00,000 from another transporter. He gifted the permit to Govind on 12.12.2020. Govind sold the permit to Mohan on 12.11.2025 for ₹2,00,000. Calculate the capital gain in the hands of Govind for AY 2026-27.

- | | |
|-----------------------|-----------------------|
| (a) Nil | (b) STCG of ₹1,00,000 |
| (c) LTCG of ₹2,00,000 | (d) LTCG of ₹1,00,000 |

34. Rishabh, selling products under the brand name 'Super Duper Foods' since 1.5.2000, transferred the brand name to Zed Pvt. Ltd. for ₹50 lakh on 1.8.2025. He estimated the FMV of the brand name on 1.4.2001 to be ₹5 lakh. Expenses in preparing legal documentation for transfer amounted to ₹10,000. Capital gain for AY 2026-27 will be:

- (a) LTCG of ₹44,90,000
(c) LTCG of ₹34,05,000

- (b) LTCG of ₹50,00,000
(d) LTCG of ₹49,90,000

BUSINESS REORGANIZATION

35. KLM Ltd. transferred its manufacturing unit to BCD Ltd. for a lump sum consideration of ₹27 crore on 15.6.2025 (FMV of unit on this date was determined in the prescribed manner at ₹30 crore). The undertaking was set up on 15.1.2020. Tax WDV of depreciable assets is ₹10 crore (₹15 crore as per books). Land, purchased for ₹5 crore, is stated at a revalued figure of ₹15 crore. Book value of all other assets is ₹10 crore. Value of liabilities as per books stands at ₹5 crore. Capital gain on slump sale will be:

- (a) LTCG of ₹5.04 crore
(c) LTCG of ₹10 crore
- (b) Nil
(d) LTCG of ₹7 crore

36. Shaunak, a shareholder in Mart Ltd., received 5,000 shares in D-Mart Ltd. on 1.6.2025 pursuant to amalgamation of Mart Ltd. with D-Mart Ltd., an Indian company. FMV of share on 1.6.2025 was ₹300. Shaunak sold all these shares on 1.12.2025 @ ₹400. Shares in D-Mart Ltd. were allotted to Shaunak based on 1,000 shares that he held in Mart Ltd. which he had acquired on 12.4.2021 @ ₹1,000 per share. Shares are not covered u/s 112A. Capital gain in the hands of Shaunak for AY 2026-27 will be:

- (a) LTCG ₹4,03,114; STCG ₹5,00,000
(c) LTCG ₹5,00,000
- (b) STCG ₹5,00,000
(d) LTCG ₹10,00,000

CERTAIN OTHER TRANSFERS NOT LIABLE TO CAPITAL GAIN

37. Raj sold his shop on 1.3.2026 resulting in long term capital gain of ₹65 lakh. From out of the capital gain, he invested ₹30 lakh in bonds of NHAI on 31.3.2026 and ₹15 lakh in bonds of RECL on 1.8.2026. He sold the bonds of RECL on 1.5.2027 for ₹20 lakh. Determine the capital gain arising from these transactions.

- (a) LTCG of ₹35 lakh for AY 2026-27; LTCG of ₹5 lakh for AY 2027-28
(b) LTCG of ₹20 lakh for AY 2026-27; LTCG of ₹5 lakh for AY 2028-29
(c) LTCG of ₹20 lakh for AY 2026-27; STCG of ₹15 lakh for AY 2027-28
(d) LTCG of ₹20 lakh for AY 2026-27; LTCG of ₹15 lakh for AY 2028-29

38. JJ Hussain, a renowned painter, donated his famous paintings to the National Art Gallery on 20.2.2026. He estimated ₹1 lakh as cost of creating those paintings and ₹30 lakh as the market value on 20.2.2026. All the paintings were created during the PY 2023-24. Capital gain in his hands for AY 2026-27 will be:

- (a) Nil
(c) LTCG of ₹28,90,311
- (b) STCG of ₹29,00,000
(d) STCG of (–) ₹1,00,000

39. Dhoni sold a residential house on 1.8.2025 on which long term capital gain was computed at ₹25 lakh. He purchased two houses of ₹10 lakh each on 1.5.2026. He sold one of these houses on 1.8.2027 for ₹12 lakh (SDV on this date was ₹15 lakh). Dhoni had not claimed any capital gain exemption before. Compute the capital gain chargeable to tax on these transactions.

- (a) LTCG of ₹15 lakh for AY 2026-27; STCG of ₹15 lakh for AY 2028-29
 (b) LTCG of ₹5 lakh for AY 2026-27; STCG of ₹15 lakh for AY 2028-29
 (c) LTCG of ₹5 lakh for AY 2026-27; STCG of ₹15 lakh for AY 2028-29
 (d) LTCG of ₹15 lakh for AY 2026-27; STCG of ₹5 lakh for AY 2028-29
- 40.** Mr. Shankar, aged 70 years, purchased a residential house on 1.4.2024 for ₹50 lakh and mortgaged it to SBI on 1.4.2025 under the reverse mortgage scheme of the bank. He started receiving the loan sanctioned of ₹30 lakh in instalments of ₹10,000 per month. He had no other income or investments during the PY 2025-26. His total income for AY 2026-27 will be:
 Note : Assessee has opted to pay tax without Indexation
 (a) ₹1,20,000 (b) Loss of ₹20,00,000
 (c) Nil (d) Loss of ₹18,80,000
- 41.** Harini is a resident of India staying in Jaipur. During FY 2014-15, she purchased an agricultural land for ₹15 lakh. This land was situated in an area having aerial distance of 6.5 km from local limits of municipality of Modinagar. Total population of this area was 1,30,000 as per the last preceding census. During FY 2025-26, she sold this land to Heera for ₹35 lakh on 29.1.2026. Harini invested ₹4 lakh in bonds of NHAI on 31.7.2026. What is the amount of capital gain taxable in her hands for AY 2027-28?
 (a) ₹5,15,761 (b) ₹9,15,761
 (c) ₹16,00,000 (d) None of the above
- 42.** In which of the following cases can the assessee claim exemption u/s 54EC?
 (a) Sale of urban agricultural land (acquired on 1.4.2020) on 1.4.2025 and purchase of corporate bonds from the stock exchange on 1.9.2025
 (b) Sale of commercial building in Delhi (acquired on 1.7.2023) on 1.4.2025 and purchase of NHAI bonds on 1.9.2025
 (c) Sale of residential house in Delhi (acquired on 1.7.2021) on 1.4.2025 and purchase of RECL bonds on 1.11.2025
 (d) Sale of vacant plot of land in Delhi (acquired on 1.7.2021) on 1.4.2025 and purchase of RECL bonds on 1.9.2025
- 43.** Raja sold his house on 15.3.2026 resulting in long term capital gain of ₹60 lakh. He invested ₹30 lakh in bonds of NHAI on 20.3.2026 and another ₹20 lakh on 15.8.2026. He took a loan of ₹20 lakh from a bank on 15.8.2028 against security of these bonds of the same value. Determine the capital gain arising from these transactions.
 Note : Assessee has opted to pay tax without Indexation
 (a) LTCG of ₹10 lakh for AY 2026-27; LTCG of ₹20 lakh for AY 2029-30
 (b) LTCG Nil for AY 2026-27; LTCG of ₹20 lakh for AY 2029-30
 (c) LTCG of ₹10 lakh for AY 2026-27; LTCG of ₹50 lakh for AY 2029-30
 (d) LTCG Nil for AY 2026-27; LTCG of ₹50 lakh for AY 2029-30
- 44.** Rosy sold a plot of land on 1.3.2026 attracting LTCG of ₹50 lakh. It was acquired 4 years back. She used the sale proceeds to invest ₹30 lakh in bonds of RECL on 15.5.2026 and additional amount

of ₹10 lakh on 15.10.2026. She used the balance to purchase diamond jewellery for ₹10 lakh on 1.9.2026 which was sold for ₹12 lakh on 1.3.2027. The bonds purchased on 15.10.2026 were sold on 15.3.2027 for ₹15 lakh. Determine the capital gain arising from these transaction.

- (a) LTCG ₹10 lakh for AY 2026-27 STGC ₹7 lakh for AY 2027-28
- (b) LTCG ₹10 lakh for AY 2026-27 LTCG ₹10 lakh for AY 2027-28
- (c) LTCG ₹20 lakh for AY 2026-27 STGC ₹10 lakh for AY 2027-28
- (d) LTCG ₹20 lakh for AY 2026-27 STGC ₹7 lakh for AY 2027-28

45. In which of the following situations, can exemption granted 1.4.2025, be forfeited?

- (a) Already owning a house on 1.4.2025, he purchased a house in Surat on 1.12.2025 (for which he claimed exemption u/s 54F) and a house in Chandigarh on 1.5.2027
- (b) Staying in a rented house on 1.4.2025, he purchased a house in Surat on 1.12.2025 (for which he claimed exemption u/s 54F) and a house in Chandigarh on 1.5.2027
- (c) Already owning a house on 1.4.2025, he purchased a house in Surat on 1.12.2025 (for which he claimed exemption u/s 54F) and a house in Chandigarh on 1.3.2027
- (d) Already owning a house on 1.4.2025 and having purchased a house in Surat on 1.1.2025 (for which he claimed exemption u/s 54F), he constructed a house in Chandigarh (completed on 1.6.2028)

46. DLF builders converted a commercial building, held as capital asset, into stock-in-trade on 1.1.2023 (FMV on this date ₹40 lakh). The building was acquired for ₹20 lakh on 1.4.2019. It was sold on 1.8.2025 for ₹45 lakh (SDV on this date ₹50 lakh). It invested ₹10 lakh in RECL bonds on 1.9.2025. Determine the tax implications arising from these transactions.

- (a) LTCG of ₹17,86,765 and PGBP of ₹5,00,000 for AY 2026-27
- (b) LTCG of ₹17,86,765 and PGBP of ₹10,00,000 for AY 2026-27
- (c) LTCG of ₹10,00,000 and PGBP of ₹10,00,000 for AY 2026-27
- (d) LTCG of ₹20,00,000 and PGBP of ₹5,00,000 for AY 2026-27

47. In which of the following situations, can Raje claim exemption u/s 54F?

- (a) Raje, staying in her self-owned house in Rajnagar and owning another residential house in the same city, sold gold jewellery (acquired in 2020) on 1.4.2025 and purchased a residential house in Jhansi on 1.6.2024
- (b) Raje, staying in her only self-owned flat in Raj Nagar and owning another running a business from a self-owned office building, sold the office building (acquired in 2020) on 1.4.2025 and purchased a residential house in Jhansi on 1.3.2027
- (c) Raje, staying in a rented house, sold a plot of land (acquired in 2024) on 1.4.2025 and constructed a residential house in Jhansi (construction completed on 1.6.2027)
- (d) Raje, staying in her only self-owned house in Raj Nagar and running a business from a self-owned shop, sold gold jewellery (acquired in 2020) on 1.4.2025 and purchased a residential house in Lahore on 1.6.2026

48. Swara sold a residential house acquired three years before, on 1.2.2026 resulting in long term capital gain of ₹75 lakh. She utilized the entire sale consideration to invest equally in NHAI bonds on 1.7.2026, RECL bonds on 1.9.2026 and deposit in CGAS account on 1.10.2026. She filed her

return of income on 31.10.2026, being the due date u/s 139(1). She utilized the deposit to purchase a residential house in Kathmandu on 1.10.2027 for ₹10 lakh and a residential house in Patna on 1.10.2028 for ₹15 lakh. Determine the tax implications arising out of these transactions.

Note : Assessee has opted to pay tax without Indexation

- (a) LTCG ₹25 lakh for AY 2026-27; LTCG ₹25 lakh for AY 2029-30
- (b) LTCG Nil for AY 2026-27; LTCG ₹25 lakh for AY 2029-30
- (c) LTCG ₹25 lakh for AY 2026-27; LTCG ₹10 lakh for AY 2029-30
- (d) LTCG Nil for AY 2026-27; LTCG ₹10 lakh for AY 2029-30

49. Jaya sold a commercial building, acquired in 2013, on 1.9.2024 for ₹50 lakh (SDV on this date: ₹54 lakh). This resulted in long term capital gain of ₹35 lakh. She deposited ₹30 lakh in the CGAS account on 1.12.2025 and used the remaining amount to renovate her house. She withdrew ₹30 lakh from the CGAS account to purchase a residential house in Jodhpur on 1.1.2027. She took a loan from bank and purchased another residential house at Ranchi for ₹30 lakh on 1.7.2027. All throughout, she stayed in her self-owned house which was the only house she owned on 1.9.2025. Determine the capital gain arising from these transactions.

- (a) LTCG ₹5 lakh for AY 2026-27; LTCG ₹21 lakh for AY 2028-29
- (b) LTCG ₹14 lakh for AY 2026-27; LTCG ₹30 lakh for AY 2028-29
- (c) LTCG ₹14 lakh for AY 2026-27; LTCG ₹21 lakh for AY 2028-29
- (d) LTCG ₹5 lakh for AY 2026-27; LTCG ₹30 lakh for AY 2028-29

TAX ON CAPITAL GAIN

50. For computing FMV of unit of equity oriented fund (referred u/s 112A) on 31.1.2018 for the purpose of determining cost of acquisition, its NAV on 31.1.2018 is taken in which of the following cases?

- (a) Unit is listed on 31.1.2018
- (b) Unit is not listed on 31.1.2018
- (c) Unit is listed on 31.1.2018 but not traded on this date
- (d) None of the above

51. Income-tax on short term and long term capital gain on sale of equity shares (STT paid on purchase and sale), where total income exceeds ₹50 lakh, is to be increased by:

- (a) SC of 25% and HEC of 4%
- (b) SC of 10% and Nil HEC
- (c) SC (cannot exceed 15%) and HEC of 4%
- (d) Nil SC and HEC of 4%

52. Gain arising till 31.1.2018 can be grandfathered in computing capital gain on transfer of which of the following capital assets on 1.4.2025?

- (a) Unlisted equity shares acquired on 1.1.2017
- (b) Units of mutual fund (which invests 60% proceeds in listed equity shares of domestic companies) acquired on 1.1.2016
- (c) Equity shares acquired on 1.1.2000 (STT paid only on sale)
- (d) Equity shares acquired on 1.1.2019 (STT paid on purchase and sale)

53. Mr. Raja, a resident but not ordinarily resident, turned 60 years of age on 31.3.2026. Taxable income for AY 2026-27 comprised the following: Pension ₹1,00,000 (computed), short term capital gain on sale of equity shares (STT paid on sale) ₹50,000 and on sale of gold ₹1,00,000, long term capital gain on sale of equity shares (STT paid on purchase and sale) ₹2,20,000 and on sale of a painting ₹1,20,000. He deposited ₹1,50,000 in his PPF account during the year. Mr. Raja has opted out of the default tax regime. Compute his tax liability.
- (a) ₹9,650 (b) ₹5,440
(c) ₹1,950 (d) Nil
54. Cost of acquisition of equity shares or units of EOF, referred u/s 112A and acquired before 1.2.2018 is taken as:
- (a) Higher of (a) cost of acquisition and (b) higher of FMV on 1.4.2001 or consideration
(b) Higher of (a) cost of acquisition and (b) FMV on 31.1.2018 or consideration
(c) Higher of (a) cost of acquisition and (b) lower of FMV on 31.1.2018 or consideration
(d) Higher of (a) cost of acquisition and (b) higher of FMV on 31.1.2018 or consideration
55. Bhaskar acquires 100 equity shares on 1.1.2017 at ₹200. FMV of shares on 31.1.2018 is ₹500. He sells these shares on 30.7.2025 at ₹400. Calculate the capital gain. STT was paid by Bhaskar on acquisition and transfer.
- (a) Nil (b) (-) ₹1,00,000
(c) ₹2,00,000 (d) ₹3,00,000
56. Bony purchased 100 equity shares of Zydus Ltd. on 1.4.1999 @ ₹100 per share. FMV on 1.4.2001 was ₹150 per share. He gifted the shares to his daughter, Sony, on 1.4.2005. Sony sold all the shares on 1.4.2025 @ ₹1,000 per share after paying STT. The highest, average and lowest price quoted on the stock exchange on 31.1.2018 was ₹800, ₹750 and ₹720. Calculate the capital gain from sale of shares for AY 2026-27 in the hands of Sony.
- (a) LTCG of ₹52,450 (b) LTCG of ₹6,765
(c) LTCG of ₹20,000 (d) LTCG of ₹25,000
57. Zee, resident of age 65 years, has the following taxable income during the AY 2026-27: business income 1.50 crore, short term capital gain taxable u/s 111A ₹30 lakh and long term capital gain taxable u/s 112A ₹40 lakh. Compute his tax liability. Zee is covered under the default tax regime.
- (a) ₹61,76,590 (b) ₹61,59,400
(c) ₹56,59,400 (d) ₹60,59,400
58. Vinay purchased 100 equity shares of Reliable Ltd. on 1.4.2016 @ ₹500 per share (STT paid). He was allotted bonus shares in the ratio of 1 : 2 on 1.10.2024. Vinay sold all the shares on 1.4.2025 @ 475 per share (STT paid). Shares were not traded on stock exchange on 31.1.2018 although quoted at ₹400 on this date (last traded on 25.1.2018 at highest quoted price of ₹450 and thereafter on 3.2.2018 at the highest quoted price of ₹430). Calculate capital gain for AY 2026-27.
- (a) LTCG of ₹2,500; STCG of ₹23,750 (b) LTCG of (-) ₹2,500; STCG of ₹23,750
(c) LTCG of (-) ₹12,538; STCG of ₹23,750 (d) LTCG of (-) ₹4,945; STCG of ₹23,750

59. Jagan purchased 1,000 units of HDFC equity oriented fund on 1.4.2017 @ ₹50 per unit. He sold all the units on 1.4.2025 @ ₹100 per unit (STT paid). While the units were not listed on a stock exchange, the NAV on 31.1.2020 was ₹75 per unit. Compute the capital gain for AY 2026-27.
- (a) LTCG of ₹12,592 (b) LTCG of ₹41,728
(c) LTCG of ₹25,000 (d) LTCG of ₹50,000
60. For computing FMV of equity share (referred u/s 112A) on 31.1.2018 for the purpose determining the cost of acquisition, its highest price quoted on 31.1.2018 is taken in which of the following cases?
- (a) Listed but not traded on 31.1.2018
(b) Listed on 31.1.2018 but last traded on 30.1.2018
(c) Listed and traded on 31.1.2018
(d) Not listed on 31.1.2018 but traded on this date
61. Taxable income of Ramu, a resident aged 35 years, for the AY 2026-27 comprises the following: Business income ₹1,00,000, short term capital gain on sale of equity shares (STT paid on sale) ₹50,000, long term capital gain on sale of units of equity oriented mutual fund (STT paid on sale) ₹1,50,000 and short term capital gain on sale of gold ₹1,80,000. He deposited ₹30,000 in his PPF account during the year. Compute his tax liability. Ramu has opted out of default tax regime,
- (a) ₹5,000 (b) ₹10,200
(c) ₹4,000 (d) ₹2,600
62. Mr. Fancy, a non-resident aged 85 years, has the following taxable income for AY 2026-27: Pension ₹1 lakh (computed), short term capital gain on sale of units of equity oriented fund ₹1 lakh, long term capital on sale of units of equity oriented fund ₹2 lakh and units of debt oriented fund (40% exposure to equity) ₹1 lakh. He deposited ₹1.5 lakh in his PPF account during the year. STT has been paid as applicable. He is covered under the default tax regime. Compute his tax liability.
- (a) Nil (b) ₹41,600
(c) ₹14,500 (d) ₹20,800
63. During the PY 2025-26, Ranveer has STCG of ₹95 lakh taxable u/s 111A, LTCG of ₹110 lakh taxable u/s 112A and business income of ₹90 lakh. Which of the following statements is correct in respect of surcharge (SC)?
- (a) SC @ 25% is leviable on tax computed on total income of ₹2.95 crore
(b) SC @ 15% is leviable on tax computed on total income of ₹2.95 crore
(c) SC @ 25% is leviable on tax computed on business income and @ 15% on the remaining of total income
(d) SC @ 15% is leviable on tax computed on capital gain of ₹2.05 crore and @ 10% on tax computed on business income
64. Zee, resident of age 40 years, has the following taxable income during the AY 2026-27: business income 3 crore, short term capital gain taxable u/s 111A ₹30 lakh and long term capital gain taxable u/s 112 ₹40 lakh. Compute his tax liability. Zee has opted out of the default tax regime.
- (a) ₹56,34,450 (b) ₹81,34,450
(c) ₹91,34,450 (d) ₹1,27,71,850

Answer Key

1. (c)	2. (d)	3. (a)	4. (b)	5. (d)	6. (b)	7. (c)	8. (c)	9. (c)	10. (c)
11. (b)	12. (b)	13. (c)	14. (c)	15. (a)	16. (d)	17. (c)	18. (a)	19. (b)	20. (c)
21. (a)	22. (b)	23. (c)	24. (c)	25. (d)	26. (b)	27. (c)	28. (d)	29. (b)	30. (a)
31. (c)	32. (c)	33. (d)	34. (d)	35. (c)	36. (d)	37. (d)	38. (a)	39. (b)	40. (c)
41. (d)	42. (d)	43. (a)	44. (d)	45. (c)	46. (c)	47. (a)	48. (a)	49. (c)	50. (b)
51. (c)	52. (c)	53. (c)	54. (c)	55. (a)	56. (c)	57. (a)	58. (b)	59. (c)	60. (c)
61. (d)	62. (b)	63. (b)	64. (d)						



Income from Other Sources

MULTIPLE CHOICE QUESTIONS

DIVIDEND

- Charmis Pvt. Ltd., having reserves of ₹10 lakh and capitalized profits of ₹5 lakh (on account of issue of bonus shares) on 1.7.2025, distributed deposit certificates (carrying interest) of ₹18 lakh on this date to its equity shareholders. Market value of certificates on this date was ₹20 lakh. Amount treated as dividend in the hands of Raju, holding 10% equity shares, would be:

(a) ₹1,00,000	(b) ₹50,000
(c) ₹1,50,000	(d) ₹2,50,000
- Ranbir, a resident of age 36 years, has the following incomes for AY 2026-27: Dividend of ₹20 lakh, short-term capital gain from sale of building ₹90 lakh, long term capital gain from sale of equity shares (STT paid on purchase and sale) ₹31 lakh. Ranbir has opted out of the default tax regime. Tax payable will be:

(a) ₹39,03,900	(b) ₹40,93,310
(c) ₹44,36,250	(d) ₹41,67,310
- TexMax Ltd. distributed deposit certificates (without interest) to its equity and preference shareholders on 15.12.2025. Accumulated profits as on this date was ₹50 lakh. Mr. J, holding 10% equity shares, received deposit certificates of the value of ₹10 lakh. Amount of dividend taxable in the hands of Mr J would be:

(a) ₹5 lakh	(b) ₹10 lakh
(c) Exempt	(d) 5 lakh is taxable but deductible from GTI
- Zara Pvt. Ltd, extended a loan of ₹10 lakh on 12.12.2025 to B&C, a partnership firm, in which B is entitled to a 20% profit share. On the same date, it also advanced ₹2 lakh to B for completing a job work for the company which was billed to the company on completion of the work. B holds 15% equity shares and 5% preference shares in Zara Pvt. Ltd. Zara Pvt. Ltd. is mainly engaged in software business but 5% of its income also comes from money lending business. Accumulated profits of the company on 1.4.2025 and 12.12.2025 were ₹7 lakh and ₹9 lakh, respectively. Amount of dividend taxable in the hands of B for AY 2026-27 would be:

(a) ₹9,00,000	(b) ₹10,00,000
(c) ₹12,00,000	(d) ₹7,00,000

5. Shure Ltd., an Indian company, paid ₹500 per share on buy back of its shares on 1.9.2025 and deposited buy back tax u/s 115QA with the Government. Amount treated as dividend in the hands of Surjit, holding 1,000 shares (acquired 5 months back @ ₹300 per share), would be:
- (a) Nil (b) ₹5,00,000
(c) ₹5,00,000 less buyback tax (d) ₹2,00,000
6. Sara (P) Ltd gave loan of ₹5 lakh to C on 1.1.2025 at 12% rate of interest. C holds 40% equity shares in the company. C repaid ₹2 lakh on 15.3.2025. Sara (P) Ltd. declared dividend on 15.6.2024 and paid ₹1 lakh to C, after adjusting the outstanding loan of ₹3 lakh. Amount taxable as dividend in the hands of C for AY 2026-27 would be:
- (a) ₹1 lakh (b) ₹4 lakh
(c) ₹3 lakh (d) ₹5 lakh
7. Priyansh, a non-resident, received the following dividend during the PY 2025-26: ₹50,000 from Facebook Inc on 1.6.2025 (credited in his bank account in India), ₹30,000 from Daisy (P) Ltd., an Indian company, on 1.1.2026 (credited in his bank account in US), ₹40,000 from Lazy Ltd, a foreign company, on 5.4.2025 (credited in his bank account in France). Amount taxable in his hands for AY 2026-27 is:
- (a) ₹90,000 (b) ₹1,20,000
(c) ₹50,000 (d) ₹80,000
8. Mr. D, a lawyer aged 50 years, has the following particulars of income and expenses for PY 2025-26: Gross receipts from profession of ₹30,00,000; interest on fixed deposits with Canara Bank of ₹30,000, dividend from various companies of ₹1,00,000; professional expenses of ₹18,00,000 and interest on loan taken to acquire shares in companies (from which dividend income is earned) of ₹25,000. Mr. D is not willing to comply with tax audit provisions u/s 44AB. Compute his total income for AY 2026-27.
- (a) ₹13,10,000 (b) ₹16,30,000
(c) ₹16,10,000 (d) ₹16,05,000
9. For AY 2026-27, dividend is taxable in the hands of the shareholder, at what rate?
- (a) 30% tax rate + Up to 15% SC + 4% HEC
(b) Regular tax rate + 15% SC + 4% HEC
(c) Regular tax rate + Up to 15% SC + 4% HEC
(d) Regular tax rate + Up to 15% SC
10. Ranbir, a resident of age 66 years, has the following incomes for AY 2026-27: Dividend of ₹20 lakh, short-term capital gain from sale of building ₹300 lakh, long term capital gain from sale of equity shares (STT paid on purchase and sale) ₹31 lakh. Ranbir is covered under the default tax regime. Surcharge payable will be:
- (a) 25% (b) 15% on dividend and LTCG; 25% on STCG
(c) 15% (d) 15% on dividend, 25% on LTCG and STCG

11. Joy (P) Ltd. goes into liquidation on 1.5.2025 on which date its accumulated profits are ₹10 lakh. It distributes assets of ₹35 lakh to its shareholders (market value ₹40 lakh) and cash of ₹5 lakh. Tax implications in the hands of Reyansh, holding 20% shares in the company (purchased 3 months back for ₹5 lakh), would be:
- | | |
|---|--|
| (a) Dividend of ₹2 lakh; STCG 1 lakh | (b) Dividend of ₹2 lakh; STCG of ₹2 lakh |
| (c) Dividend of ₹2 lakh; STCG of 4 lakh | (d) Dividend Nil; STCG of 4 lakh |

MONEY OR PROPERTY RECEIVED WITHOUT OR FOR INADEQUATE CONSIDERATION

12. Raghav received the following during PY 2025-26: Gift of ₹50,000 from a neighbor, gift of a watch of market value ₹50,000 from fiancée and jewellery for ₹5,000 (market value ₹55,000) from a friend. Amount taxable in his hands will be:
- | | |
|---------------|---------------|
| (a) Nil | (b) ₹50,000 |
| (c) ₹1,00,000 | (d) ₹1,50,000 |
13. Mr. Kishore celebrated his 50th marriage anniversary. On this occasion, his wife received a diamond necklace worth ₹5,00,000 from Kishore's brother. Kishore's son gifted him a luxurious car worth ₹15,00,000. His grandchildren gifted them a new furniture set worth ₹3,00,000. Also, he received cash gifts from his friends amounting collectively to ₹80,000. Which of the following statements is correct?
- | |
|--|
| (a) Neither of them will be liable to pay tax for any gift |
| (b) Both will jointly share the tax liability on all the gifts |
| (c) Mrs. Kishore will be taxable on diamond set and Mr. Kishore will be taxable on cash gift |
| (d) Mr. Kishore will be taxable on cash gift only |
14. DLG (P) Ltd., a real estate dealer, sold a flat to D, its director, on 15.4.2025 for ₹10 lakh when its SDV was ₹30 lakh. Cost of construction of flat was ₹20 lakh. D sold the flat to G for ₹35 lakh on 15.9.2025 when its SDV was ₹45 lakh. Upon reference to the valuation officer on a claim made by D, value of flat was determined at ₹40 lakh. Amount taxable in the hands of the company and D for AY 2026-27 would be:
- | |
|--|
| (a) Company: PGBP of (–) ₹10 lakh; D: IFOS of ₹20 lakh, STCG of ₹10 lakh |
| (b) Company: PGBP of ₹10 lakh; D: IFOS of ₹20 lakh, STCG of ₹9 lakh |
| (c) Company: PGBP of ₹10 lakh; D: IFOS of ₹20 lakh, STCG of ₹30 lakh |
| (d) Company: PGBP of ₹10 lakh; D: IFOS of ₹20 lakh, STCG of ₹10 lakh |
15. Ryan HUF, comprising Ryan, his wife and his son as members, received the following during the PY 2025-26: Gift of ₹60,000 from Ryan's wife, gold coins of market value ₹1,00,000 for ₹40,000 from an unregistered trust, gift of motor car of market value ₹60,000 from friend of Ryan's wife and gift of plot of land of market value ₹5 lakh (SDV ₹4 lakh) from Ryan's brother. Amount taxable in the hands of HUF will be:
- | | |
|---------------|---------------|
| (a) ₹5,20,000 | (b) ₹5,80,000 |
| (c) ₹5,00,000 | (d) ₹4,60,000 |

16. Shaily received the following during the PY 2025-26: Gift of plot of land from erstwhile business customer on occasion of her son's marriage (market value ₹10 lakh, SDV ₹7 lakh); gift of house from a firm, in which she is a partner, on her wedding anniversary (market value ₹15 lakh, SDV ₹20 lakh); gift of shop from her HUF on its partition (market value ₹20 lakh, SDV ₹15 lakh); flat through the will of her friend (market value ₹25 lakh, SDV ₹30 lakh). Amount taxable in her hands would be:
- (a) ₹42 lakh (b) ₹25 lakh
(c) ₹57 lakh (d) ₹27 lakh
17. Zeeshan purchased a residential house from a private company, in which he was a shareholder, for ₹10 lakh on 15.10.2025 when its market value was ₹30 lakh and SDV was ₹35 lakh. The agreement to sell was entered into one month before on which date Zeeshan had paid 5% consideration by bearer cheque and the SDV then was ₹32 lakh. Zeeshan later sold this flat on 20.3.2026 for ₹50 lakh. Amount taxable in the hands of Zeeshan for AY 2026-27 will be:
- (a) IFOS ₹22 lakh; STCG ₹18 lakh (b) IFOS ₹25 lakh; STCG ₹15 lakh
(c) IFOS ₹25 lakh; STCG ₹25 lakh (d) IFOS ₹20 lakh; STCG ₹30 lakh
18. Samar received the following during the PY 2025-26: Gift on birthday of ₹20,000 from father, ₹20,000 from elder brother and ₹20,000 from office colleagues; loose diamonds for ₹10,000 (market value ₹40,000) from elder sister's son; painting for ₹20,000 (market value ₹50,000) from HUF of which Samar is a member; purchase of raw material for ₹50,000 (market value ₹1,00,000) for his business; furniture (market value ₹60,000) gifted by girlfriend. Amount taxable in his hands would be:
- (a) ₹1,20,000 (b) ₹1,10,000
(c) ₹60,000 (d) ₹1,80,000
19. Mr. B sold 1,000 shares of PQR Pvt. Ltd. to JKL Pvt. Ltd. for ₹2,00,000 on 15.12.2025 (FMV on this date ₹3,00,000). The shares were purchased by Mr. B on 1.6.2022 and the indexed cost of acquisition is computed at ₹1,00,000. Compute the income taxable in the hands of Mr. B and JKL Pvt. Ltd. arising from this transaction.
- (a) ₹2 lakh LTCG for Mr. B; Nil for JKL Pvt. Ltd.
(b) ₹2 lakh LTCG for Mr. B; ₹1 lakh IFOS for JKL Pvt. Ltd.
(c) ₹1 lakh LTCG for Mr. B; Nil for JKL Pvt. Ltd.
(d) ₹1 lakh LTCG for Mr. B; ₹1 lakh IFOS for JKL Pvt. Ltd.
20. Mr. B, a member of his father's HUF, transferred a house property to the HUF without consideration. The value of house is ₹20 lakh as per the registrar of stamp duty. Amount taxable as IFOS would be:
- (a) ₹20 lakh in the hands of Mr. B (b) ₹20 lakh in the hands of HUF
(c) Nil in the hands of Mr. B (d) Nil in the hands of HUF

21. Jeev received a plot of vacant land from his grandfather as gift on his birthday on 15.6.2025 when its FMV was ₹50 lakh and SDV was ₹55 lakh. He sold the land on 1.3.2026 for ₹65 lakh (when SDV was ₹63 lakh). His grandfather had purchased the land on 1.5.2024 for ₹30 lakh. Amount taxable in the hands of Jeev for AY 2026-27 will be:
- (a) IFOS ₹55 lakh; STCG ₹10 lakh (b) IFOS Nil; STCG ₹10 lakh
(c) IFOS Nil; STCG ₹35 lakh (d) IFOS ₹50 lakh; STCG ₹35 lakh
22. Vihaan sold 1,000 equity shares of J (P) Ltd. to his friend Suhaan on the occasion of marriage of Suhaan, for ₹100 each on 1.7.2025 when its market value was ₹500 per share. Suhaan sold these shares to Zubin for ₹200 each on 1.1.2026 when the market value was ₹600 per share. Amount taxable in the hands of Suhaan for AY 2026-27 would be:
- (a) ₹5 lakh STCG (b) ₹4 lakh IFOS; ₹1 lakh STCG
(c) ₹4 lakh IFOS; ₹5 lakh STCG (d) ₹1 lakh IFOS; ₹4 lakh STCG
23. Divyansh acquired a house from his friend as gift on the occasion of Deepawali on 10.11.2025 when its SDV was ₹60 lakh and FMV was ₹65 lakh. His friend had purchased the house for ₹40 lakh on 10.11.2022. Divyansh sold the house on 12.2.2026 for ₹70 lakh (SDV on this date was ₹75 lakh). Amount taxable in the hands of Divyansh for AY 2026-27 would be:
- (a) IFOS ₹60 lakh; STCG ₹10 lakh (b) IFOS ₹60 lakh; LTCG ₹25.74 lakh
(c) IFOS ₹60 lakh; LTCG ₹30.74 lakh (d) IFOS ₹65 lakh; STCG ₹10 lakh

INTEREST

24. Divya received interest on compensation of ₹3,00,000 on 1.7.2025 for compulsory acquisition of a plot of land by the State Government on 1.6.2022. Out of this 80% interest pertained to the FY 2024-25. She incurred ₹50,000 as litigation expenses and ₹5,000 as administrative charges towards realizing the interest. Amount taxable in her hands for AY 2026-27 would be:
- (a) ₹1,50,000 (b) ₹30,000
(c) ₹2,45,000 (d) ₹5,000
25. Suyash received the following interest during the PY 2025-26: Interest on PPF of ₹1,00,000, interest on GOI Bonds of ₹25,000, interest on bank fixed deposits of ₹30,000, interest on delayed compensation for compulsory acquisition of house property by the Government of ₹2,00,000 (25% pertained to FY 2025-26). Interest taxable for AY 2026-27 is:
- (a) ₹3,70,000 (b) ₹1,05,000
(c) ₹2,55,000 (d) ₹1,55,000
26. Darshit earned the following interest during the PY 2025-26: Interest on debentures ₹45,000 (net of TDS @ 10%), interest on loan given to friend ₹10,000, interest on individual saving account with Post Office ₹5,000, interest on saving bank account with ICICI Bank ₹5,000 and interest on Gold Deposit Bonds issued under the Gold Deposit Scheme, 1999 ₹7,500. He incurred ₹1,000 as commission for realizing the interest from friend. Interest taxable under the head IFOS for the PY 2025-26 would be:
- (a) ₹60,500 (b) ₹69,000
(c) ₹65,500 (d) ₹73,000

OTHER INCOMES TAXABLE AS IFOS

27. Mehul received compensation of ₹50 lakh on 12.3.2025 on account of compulsory acquisition of his house by the State Government on 12.5.2024. He received interest on compensation to the tune of ₹2,00,000 on 12.5.2025. In a major earthquake, his properties got destroyed for which he received compensation of ₹5,00,000 from the Central Government on 12.12.2025. The event was covered as disaster under the Disaster Management Act. Since the death of his father two years back, he was getting ₹5,000 p.m. as family pension from his father's employer. His own business income was computed at ₹3,00,000 for the previous year. His total income for the AY 2026-27 would be:
- | | |
|---------------|---------------|
| (a) ₹5,45,000 | (b) ₹9,45,000 |
| (c) ₹4,40,000 | (d) ₹4,45,000 |
28. Danish, a resident and ordinarily resident, earned the following during PY 2025-26: Dividend of ₹10,000 from Hope Ltd, a foreign company; income from units of Mutual Fund ₹20,000; gift of wrist watch from Flower (P) Ltd where he was employed on salary (FMV ₹50,000); winning from horse race ₹35,000 (net of TDS @ 30%; expenses incurred ₹10,000); sum received under Keyman insurance policy assigned to him by Flower (P) Ltd. ₹2,00,000. Determine income taxable under the head IFOS for AY 2026-27:
- | | |
|---------------|---------------|
| (a) ₹1,30,000 | (b) ₹55,000 |
| (c) ₹80,000 | (d) ₹2,80,000 |
29. Raunak, a software engineer, earned salary income (computed) of ₹3,00,000 during the PY 2025-26. He received the Best Engineer award of ₹50,000 from the Indian association of software engineers for his exceptional contribution in this field of work. He owned a vacant plot of land in Rampur which he had rented out at ₹10,000 p.m. to a dairy farmer. He incurred expenses of ₹30,000 towards upkeep of the land. He was also a director in a public limited company which paid him ₹1,20,000 as fee for performing his duties as director. In a search conducted by the tax authorities during the year, he was found to be in possession of gold bars valued at ₹10,00,000. However, he could not explain the source of this investment. He deposited ₹1,00,000 in his PPF Account on 15.3.2026. He has opted out of the default tax regime. His total income for AY 2026-27 would be:
- | | |
|----------------|----------------|
| (a) ₹14,60,000 | (b) ₹4,60,000 |
| (c) ₹15,60,000 | (d) ₹14,90,000 |
30. Champion, a resident of age 29 years, earned the following during PY 2025-26: Salary (computed) ₹1,00,000 (gross of TDS); dividend ₹20,000; winning from a game show ₹70,000 (net of TDS @ 30%; related expenditure was ₹20,000). He deposited ₹1,50,000 in his PPF Account. He has opted out of default tax regime. His tax liability for AY 2026-27 would be:
- | | |
|-------------|-------------|
| (a) ₹31,200 | (b) ₹21,840 |
| (c) Nil | (d) ₹18,200 |

31. Jayant, staying in a flat at a rent of ₹10,000 p.m., sub-let the flat at ₹15,000 p.m. He owned a printing machine which he rented out at ₹2,000 p.m. w.e.f. 1.10.2025 after incurring repair expenses of ₹5,000 in cash. He purchased a motor car for ₹4 lakh on 1.6.2024 which he let out to a car driving school for ₹10,000 p.m. from the same date. He paid ₹7,000 as insurance premium of the car on 1.6.2025 and also claimed depreciation under the Income Tax Act @ 15%. He had no other income during the year. His total income for AY 2026-27 would be:
- (a) ₹2,49,000 (b) ₹1,29,000
(c) ₹1,20,000 (d) ₹1,59,000
32. If, in the hands of Mrs. C, a resident aged 70 years, interest on securities for the PY 2025-26 is ₹45,000 (net of TDS @ 10%), pension from employer (computed) is ₹2 lakh, undisclosed income u/s 69C is ₹1 lakh and investment in PPF Account is ₹1 lakh, what will be the total tax liability for AY 2026-27, if Mrs. C has opted out of the default tax regime?
- (a) Nil (b) ₹61,750
(c) ₹62,400 (d) ₹78,000

Answer Key

1. (c)	2. (d)	3. (a)	4. (a)	5. (a)	6. (a)	7. (d)	8. (c)	9. (c)	10. (b)
11. (b)	12. (a)	13. (d)	14. (d)	15. (d)	16. (d)	17. (b)	18. (c)	19. (b)	20. (d)
21. (c)	22. (a)	23. (a)	24. (a)	25. (d)	26. (c)	27. (d)	28. (c)	29. (a)	30. (d)
31. (b)	32. (b)								

Income of Other Persons included in Assessee's Total Income

MULTIPLE CHOICE QUESTIONS

INCOME OF MINOR CHILD

1. Megha (16 years) received gift of ₹10 lakh from her grandfather on her birthday on 1.6.2024. She utilized ₹3 lakh to purchase shares of BCD Ltd. on 1.9.2024 which she sold on 1.6.2025 for ₹4 lakh. BCD Ltd. declared dividend on 10.4.2025 and she received ₹5,000 in this respect. She purchased debentures of JKL Pvt. Ltd. on 1.4.2025 by utilizing ₹5 lakh on which she received interest of ₹40,000 during the PY. She lent the amount of ₹40,000, earned as interest, to her friend who paid her interest of ₹5,000. She utilized the balance ₹2 lakh to purchase shares of JJ Ltd. JJ Ltd. issued 1,000 bonus shares to her on 1.5.2025 which she sold for ₹200 per share on 1.7.2025. Compute the amount of income to be clubbed with the income of her parent u/s 64(1A) for AY 2026-27 if the parent is covered under the default tax regime.

(a) ₹43,500	(b) ₹1,43,500
(c) ₹2,00,000	(d) ₹3,50,000

2. Ruhi, aged 17 years, was adopted by her parents and got married on 1.10.2025. During the PY 2025-26, she got dividend from shares of a foreign company of ₹1,400 and won a prize of ₹20,000 from a general knowledge competition. Her father and mother have total income of ₹3 lakh each, without including her income. This is the first year when Ruhi earned any income. How will the income be assessed to tax under the optional tax regime?

(a) ₹21,400 is assessed in the hands of Ruhi	(b) ₹20,000 is assessed in the hands of Ruhi and no income is clubbed with the income of any parent
(c) ₹20,000 is assessed in the hands of Ruhi and 1,400 can be clubbed with the income of either parent	(d) ₹21,400 can be clubbed with the income of either parent

3. Raja is the minor son of Rocky. During PY 2025-26, he earned following incomes: Interest of ₹10,000 from Post Office Time Deposit made out of ₹2 lakh gifted by the spouse of Rocky's brother on 15.5.2025; dividend of ₹15,000 from shares purchased in DEF Ltd. out of ₹3 lakh gifted by close friend of Rocky's spouse on 15.4.2025. Amount assessed for PY 2025-26, under the default tax regime, will be:

(a) ₹25,000 clubbed with the income of Rocky	(b) ₹5,25,000 clubbed with the income of Rocky
(c) ₹3,25,000 clubbed with the income of Rocky	(d) ₹3,23,500 clubbed with the income of Rocky

4. On 20.10.2025, Sweety (minor child) gets a gift of ₹20 lakh from her father's friend. On the same day, the amount is deposited in her bank account. On the said deposit, interest of ₹12,000 was earned during the PY 2025-26. In whose hands is income of Sweety taxable? Also, compute the amount of income taxable as per the optional tax regime.
 - (a) ₹20,10,500 is taxable in the hands of father
 - (b) ₹20,12,000 is taxable in the hands of father
 - (c) ₹20,10,500 is taxable in the hands of mother or father, whose income, before such clubbing, is greater
 - (d) ₹20,12,000 is taxable in the hands of mother or father, whose income, before such clubbing, is greater

5. Mr. Zero, directed his bank to transfer interest of ₹30,000 on fixed deposits held by him, to the account of his son Mr. Hero (21 years). How will this income be taxable?
 - (a) ₹30,000 in the hands of Mr. Hero
 - (b) ₹28,500 in the hands of Mr. Hero
 - (c) ₹28,500 in the hands of Mr. Zero
 - (d) ₹30,000 in the hands of Mr. Zero

6. Divyansh (14 years) won the first prize of ₹1 lakh in National Talent Search on 1.4.2025. He invested this money in the business of his friend from which he received profit share of ₹50,000 on 1.10.2025. He deposited this profit share in bonds of a closely held company which generated interest income of ₹3,000 for the previous year. His father and mother earned salary income of ₹2 lakh and ₹3 lakh during the year, respectively (computed). Divyansh's father gifted ₹15 lakh to Divyansh's mother on 10.4.2025 which she lent to a colleague who paid ₹1.5 lakh as interest for the year. Compute taxable income of Divyansh and his parents for AY 2026-27 as per the optional tax regime.
 - (a) Divyansh ₹1,00,000; Father ₹4,01,500; Mother ₹3,00,000
 - (b) Divyansh ₹1,53,000; Father ₹3,48,500; Mother ₹3,00,000
 - (c) Divyansh ₹1,03,000; Father ₹3,98,500; Mother ₹3,00,000
 - (d) Divyansh ₹1,03,000; Father ₹2,00,000; Mother ₹4,98,500

INCOME OF SPOUSE FROM CONCERN IN WHICH INDIVIDUAL HAS SUBSTANTIAL INTEREST

7. During the year 2025-26, Sweety (spouse of Veer) received commission of 1% on turnover achieved by CD Pvt. Ltd. of ₹10 crore on account of marketing and sales strategic support provided by her. Sweety is an MBA in marketing. Veer held 25% equity shares in the company as on 1.4.2025. He transferred 10% holding to his major son and another 10% to his friend, on 1.6.2025. Determine tax ability of commission for AY 2026-27.
 - (a) ₹10 lakh assessed in hands of Veer
 - (b) ₹10 lakh assessed in hands of son
 - (c) ₹10 lakh assessed in hands of Sweety
 - (d) ₹10 lakh assessed in hands of son and friend, equally

8. During the PY 2025-26, the spouse of Charu received salary of ₹50,000 per month, as legal manager, from a law firm in which Charu held 10% profit share. Her spouse is a qualified dentist and runs his own clinic. On 1.3.2026, Charu's brother was admitted as a partner with the firm with 10% profit share. Determine tax ability of salary income for AY 2026-27.

- (a) ₹5,50,000 assessed in the hands of spouse
- (b) ₹5,50,000 clubbed with the income of Charu's brother
- (c) ₹5,50,000 clubbed with the income of Charu
- (d) ₹6,00,000 assessed in the hands of spouse

9. Raja and Rani, spouses, were employed with BCD (P) Ltd on annual salary income of ₹2 lakh each (computed), on the post of tax manager. Raja and Rani were doctors and operated their clinic from which they earned professional income of ₹3 lakh and ₹4 lakh, respectively (computed). Both of them had individually acquired 15% equity shares in the company on 1.6.2024. However, while Raja transferred 10% of his holding to his minor son on 1.1.2025, Rani transferred 10% of her holding to her friend on 1.3.2025. Taxable income of Raja and Rani for AY 2026-27 is:

- (a) Raja ₹5 lakh; Rani ₹6 lakh
- (b) Raja ₹7 lakh; Rani ₹4 lakh
- (c) Raja ₹8 lakh; Rani ₹3 lakh
- (d) Raja ₹3 lakh; Rani ₹8 lakh

10. Romil, a doctor, gifted ₹10 lakh to his spouse, Damini, on 1.4.2025 from which she purchased 15% equity shares in BCD Pvt. Ltd. Romil got financial advisory consulting contracts from BCD Pvt. Ltd. for which he was paid remuneration of ₹3 lakh on 1.10.2025. Romil used a portion of this money to acquire 10% equity shares of BCD Pvt. Ltd. on 15.3.2026. Determine taxability of these amounts for AY 2026-27.

- (a) ₹3 lakh taxable in the hands of Damini
- (b) ₹13 lakh taxable in the hands of Damini
- (c) ₹3 lakh taxable in the hands of Romil
- (d) ₹2.5 lakh taxable in the hands of Damini

INCOME FROM ASSETS TRANSFERRED TO SPOUSE OR SON'S WIFE

11. Yuvraj, gifted ₹50 lakh to his spouse on 1.4.2025. Out of this money, she invested ₹30 lakh in fixed deposits with Canara Bank from which she earned interest of ₹3 lakh for the previous year. She further invested the balance of ₹20 lakh to purchase shares of CDF Ltd. on 1.10.2025. She received ₹20,000 as dividend on 1.1.2026. She was allotted 100 bonus shares in the company on 1.2.2026 which she sold for ₹1 lakh on 15.3.2026. Compute the amount to be included in the income of Yuvraj and his spouse for AY 2026-27.

- (a) Yuvraj ₹4,20,000; Spouse Nil
- (b) Yuvraj Nil; Spouse ₹4,20,000
- (c) Yuvraj ₹3,20,000; Spouse ₹1,00,000
- (d) Yuvraj ₹1,00,000; Spouse ₹3,20,000

12. Mr. Z gifted ₹5 lakh each to Mrs. Z, his spouse, and Master Z, his son aged 25 years, on 1.4.2023. They invested this amount on 1.4.2023 in 10% debentures of BCD Ltd. The interest accrues annually and is reinvested. Compute the amount taxable in the hands of Mrs. Z for AY 2026-27.

- (a) ₹50,000
- (b) ₹60,500
- (c) ₹10,500
- (d) Nil

13. During the PY 2025-26, Sona acquired jewellery from her friend for ₹1 lakh (market value ₹5 lakh). Being a law graduate, she worked as a lawyer with a law firm from which she earned salary of ₹50,000 per month. Her spouse was a partner in this firm with 30% profit share. On 1.6.2025, her spouse gifted her ₹20 lakh which she used to purchase a flat for self-residence. During the year, she took a loan from bank for undertaking certain repairs to the flat for which interest till 31.3.2026 came to ₹25,000. Compute the amount to be included in the income of Sona and her spouse for AY 2026-27.
- (a) Sona ₹4,50,000; spouse ₹5,25,000
 (b) Sona ₹9,25,000; spouse Nil
 (c) Sona ₹5,50,000; spouse (-) ₹25,000
 (d) Sona ₹9,50,000; spouse (-) ₹25,000
14. Rajshri commenced her business on 1.9.2025 with ₹10 lakh (out of which ₹5 lakh was loan taken from bank). Her spouse gifted her ₹5 lakh on 1.10.2025 which she invested in the business on the same day. The business generated a profit of ₹90,000 for the PY 2025-26. Compute the amount to be included in the income of Rajshri and her spouse for AY 2026-27.
- (a) Rajshri Nil, spouse ₹90,000
 (b) Rajshri ₹45,000, spouse ₹45,000
 (c) Rajshri ₹60,000, spouse ₹30,000
 (d) Rajshri ₹90,000, spouse Nil
15. Badal gifted a house property valued at ₹50 lakh to his wife, Rani, who in turn gifted the same to her daughter-in-law Shamili shortly after. The house was let out at ₹25,000 per month throughout the PY 2025-26. Compute income from house property for AY 2026-27. In whose hands will this income be taxable?
- (a) ₹3 lakh in the hands of Badal
 (b) ₹2.1 lakh in the hands of Badal
 (c) ₹2.1 lakh in the hands of Rani
 (d) ₹2.1 lakh in the hands of Shamili
16. Rhea received gift of ₹10 lakh from her spouse on 15.4.2025. She invested this money, along with her own savings of ₹20 lakh to start a business on 1.6.2025. She incurred a loss of ₹1,20,000 in the business for PY 2025-26. She wrote a book during the year from which royalty income of ₹3,00,000 was earned. Compute the amount to be included in the income of Rhea and her spouse for AY 2026-27.
- (a) Rhea ₹1,80,000; spouse Nil
 (b) Rhea ₹2,20,000; spouse (-) ₹40,000
 (c) Rhea Nil; spouse ₹1,80,000
 (d) Rhea (-) ₹1,20,000; spouse ₹3,00,000
17. Mr. B is a partner in PQR & Co., a partnership firm, having his capital contribution of ₹10,00,000. Mrs. B gifted ₹6,00,000 to Mr. B on 31.3.2025. Mr. B invested ₹5,00,000 from this amount as his additional capital contribution in PQR & Co. on 10.4.2025. He further infused ₹3,00,000 as his capital contribution (₹1,00,000 gifted again by Mrs. B and ₹1,00,000 out of his own funds) on 15.6.2025. During the year, Mr. B received interest on capital of ₹1,50,000, salary of ₹2,40,000 and share of profit of ₹1,20,000 from the firm. Determine the amount includible in the income of Mrs. B for the AY 2026-27.
- (a) ₹1,00,000
 (b) ₹2,60,000
 (c) Nil
 (d) ₹3,40,000

18. On 1.3.2025, Shobhit became a partner in R&S partnership firm, with 50% profit share, by bringing in ₹10 lakh as his capital contribution. This money was gifted by his spouse on 1.2.2025. For the PY 2025-26, he received interest on capital of ₹1 lakh and his share in profit of ₹2 lakh. Compute the amount to be included in the income of Shobhit and his spouse for AY 2026-27.
- (a) Shobhit ₹2 lakh; spouse ₹1 lakh (b) Shobhit ₹50,000; spouse ₹50,000
(c) Shobhit Nil; spouse ₹1 lakh (d) Shobhit ₹1 lakh; spouse ₹2 lakh
19. Manjari gifted a property to her daughter-in-law on 1.4.2025. Income from property for the year (accruing evenly) was ₹1,00,000. Her daughter-in-law was divorced on 30.9.2025 and she sold the property on 31.3.2026 on which capital gain was computed at ₹30,000. Compute the amount to be included in the income of Manjari and her daughter-in-law for AY 2026-27.
- (a) Manjari ₹50,000; daughter-in-law ₹80,000 (b) Manjari ₹1,00,000; daughter-in-law ₹30,000
(c) Manjari ₹1,30,000; daughter-in-law Nil (d) Manjari Nil; daughter-in-law ₹1,30,000
20. Sakshi is a partner in ABC & Co, partnership firm. Her capital contribution in the firm is ₹8 lakh which includes ₹2 lakh gifted by her spouse on 1.1.2025. She made additional capital contribution of ₹4 lakh on 1.4.2025 out of gift made by her spouse. The firm paid her interest on capital of ₹20,000 for the PY 2025-26. This amount was fully allowed as deduction in the hands of the firm. She also received her share of profit in the firm of ₹2,50,000. Determine the amount to be included in the income of Sakshi and her spouse for the AY 2026-27.
- (a) ₹60,000 for Sakshi; ₹60,000 for spouse (b) ₹3,10,000 for Sakshi; ₹60,000 for spouse
(c) ₹55,000 for Sakshi; ₹1,55,000 for spouse (d) ₹1,55,000 for Sakshi; nil for spouse

CONVERSION OF SELF-ACQUIRED PROPERTY INTO PROPERTY OF HUF

21. On 1.7.2025, Saira transferred gold jewellery of market value ₹10 lakh to the HUF for a consideration of ₹10 lakh (capital gain computed ₹1 lakh). HUF comprised herself, her spouse and her minor son as member. On 1.10.2025, the HUF sold the jewellery for ₹15 lakh and invested the proceeds in fixed deposits with ICICI Bank. Interest from fixed deposits for the PY 2025-26 was ₹1 lakh. Compute the amount to be included in the income of these persons for AY 2026-27.
- (a) Saira ₹1,50,000; HUF ₹5,00,000; Spouse ₹25,000
(b) Saira ₹1,00,000; HUF ₹6,00,000
(c) Saira ₹1,48,500; HUF ₹5,00,000 lakh; Spouse ₹25,000
(d) Saira ₹2,98,500; Spouse ₹2,00,000
22. On 1.4.2025, Shan (Karta of his HUF comprising of his spouse and minor daughter), gifted ₹15 lakh to the HUF. The HUF purchased a property from this amount on which income for PY 2025-26 (accruing evenly across the year) was ₹1,20,000. The HUF was partitioned on 30.9.2025 and all assets were distributed equally. Shan's spouse has no other income during the year. Compute the amount to be included in the income of these persons for AY 2026-27 in respect of income from such property considering the provisions of the optional tax regime.
- (a) Shan ₹1,18,500
(b) Shan ₹98,500; spouse ₹20,000
(c) Shan ₹80,000; spouse ₹20,000, daughter ₹20,000
(d) Shan ₹1,00,000; daughter ₹20,000

CROSS TRANSFERS

23. On 1.4.2025, Mr. B gifted ₹1.5 lakh to Mrs. C (spouse of Mr. C, his brother). Mr. C, in turn, gifted ₹1 lakh to Master B (minor child of Mr. B). On the same day, both recipients invested the money in instruments generating interest of 10% p.a. Income of Mr. B is higher than Mrs. B (without considering interest income). Determine the income taxable in the hands of these persons for AY 2026-27 considering the provisions of the default tax regime.

- (a) Mr. B ₹8,500; Mr. C ₹15,000 (b) Mr. B ₹15,000; Mr. C ₹10,000
(c) Mr. B ₹10,000; Mr. C ₹10,000; Mrs. C ₹5,000 (d) Mr. B ₹8,500; Mr. C ₹10,000; Mrs. C ₹5,000

GENERAL PROVISIONS OF CLUBBING

24. Sana's spouse (61 years and resident in India) gifted ₹60 lakh to Sana (59 years and resident in India) who earned interest of ₹4,50,000 during the PY 2025-26 by investing such amount in corporate deposits. The intent for the gift was to reduce tax liability by availing rebate of section 87A in the hands of Sana. Sana's spouse has income from pension of ₹6,00,000 (computed). Sana does not have any other income. Both have decided to opt out of default tax regime. Tax liability for AY 2026-27 will be:

- (a) Sana ₹44,200; Spouse ₹31,200 (b) Sana Nil; Spouse ₹1,30,000
(c) Sana Nil; Spouse ₹31,200 (d) Sana ₹19,99,140; Spouse ₹31,200

25. Sehar transferred certain plant and machinery, owned by him, to his friend with a stipulation that he would reacquire the assets as and when he needs. The transfer was termed as irrevocable by Sehar in the agreement. Rental income earned by his friend from the assets for PY 2025-26 was ₹1 lakh. The assets were not reacquired by Sehar during the previous year. Determine the amount included in the income of Sehar and his friend for AY 2026-27.

- (a) Friend ₹1 lakh
(b) Sehar ₹50,000; friend ₹50,000
(c) Sehar ₹1 lakh
(d) Sehar ₹1 lakh or friend 1 lakh as per their discretion

Answer Key

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

Aggregation of Income, Set Off and Carry Forward of Loss

MULTIPLE CHOICE QUESTIONS

INTER SOURCE ADJUSTMENT

1. Sona, the minor child of Sonu, earned interest of ₹1 lakh on fixed deposit with a bank. Sonu has incurred loss of ₹1 lakh on sale of his book. Sonu's spouse is not alive. His net income under the head IFOS would be:

(a) Nil	(b) Loss of ₹1,500
(c) Income of ₹1 lakh	(d) Loss of ₹1 lakh
2. Reema has loss from speculation business of ₹50,000, income from a specified business referred u/s 35AD of ₹75,000 and loss from garment business of ₹75,000. Her income taxable under the head PGBP would be:

(a) ₹75,000	(b) ₹25,000
(c) Nil	(d) ₹50,000
3. Veer has income from house A of ₹1,00,000 and loss from house B of ₹1,00,000. He also has short term capital gain of ₹50,000. His income after adjustment of losses would be:

(a) (₹50,000)	(b) Nil
(c) (₹1,00,000)	(d) ₹50,000
4. Yogi has long term capital gain from sale of land ₹5,00,000, short term capital gain from sale of gold ₹1,00,000, short term capital loss from sale of paintings ₹2,00,000 and long term capital loss from sale of shares ₹2,00,000. His income under the head Capital Gain would be:

(a) ₹3 lakh	(b) ₹2 lakh
(c) ₹1 lakh	(d) ₹4 lakh
5. Roma has loss from speculation business of ₹50,000, income from speculation business of ₹25,000 and income from garment business of ₹50,000. Her income taxable under the head PGBP would be:

(a) Nil	(b) ₹50,000
(c) (₹25,000)	(d) ₹25,000

6. Rohan has long term capital gain from sale of gold of ₹1,00,000, long term capital loss from sale of shares u/s 112A of ₹1,20,000, short term capital gain on sale of shares u/s 111A of ₹1,00,000 and short term capital loss on sale of units of mutual fund of ₹70,000. Her income under the head Capital Gain would be:

(a) ₹10,000 (b) ₹1,10,000
(c) (₹20,000) (d) ₹30,000

7. Sonu has loss from the activity of owning and maintaining race horses of ₹1 lakh, winning from lottery of ₹1 lakh and loss from sub-letting of house of ₹1 lakh. His income under the head IFOS would be:

(a) Loss of ₹1 lakh (b) Nil
(c) Income of ₹1 lakh (d) Loss of ₹2 lakh

INTER HEAD ADJUSTMENT

8. Sana has loss from grocery business of ₹1 lakh, income from hospital business referred u/s 35AD of ₹3 lakh, loss from speculative day trading in shares of ₹2 lakh, loss from let out house property of ₹2.5 lakh, long term capital gain u/s 112A of ₹4 lakh, short term capital loss of ₹3.5 lakh, loss from card games of ₹50,000 and winning from betting of ₹1.5 lakh. Her total income, under the optional tax regime, would be:

(a) Income of ₹2 lakh (b) Income of ₹3 lakh
(c) Income of ₹1.5 lakh (d) Income of ₹1 lakh

9. Suhail has long term capital loss of ₹1 lakh, short term capital loss of ₹1 lakh, salary income of ₹1 lakh, income from house property of ₹2 lakh and loss from profession of ₹3 lakh. His total income under default tax regime would be:

(a) Income of ₹1 lakh (b) Nil
(c) Loss of ₹2 lakh (d) Loss of ₹1 lakh

10. Salman has winning from card games of ₹50,000, undisclosed income of ₹40,000, loss from owning and maintaining race horses of ₹30,000 and short term capital loss of ₹60,000. His total income would be:

(a) Income of ₹30,000 (b) Nil
(c) Loss of ₹50,000 (d) Income of ₹90,000

11. Suraj has loss from let out property ₹2 lakh, loss from self-occupied property ₹1 lakh, salary income ₹1 lakh, winning from lottery ₹2 lakh and long term capital gain ₹1 lakh. His total income, under optional tax regime, would be:

(a) Nil (b) Income of ₹1 lakh
(c) Loss of ₹1 lakh (d) Income of ₹2 lakh

CARRY FORWARD AND SET OFF

12. Shaan has income from consulting business of ₹10 lakh for AY 2026-27. Unabsorbed business loss of AY 2024-25 is ₹2 lakh and of AY 2025-26 is ₹3 lakh. Unabsorbed depreciation for AY 2025-26 is ₹1 lakh. Which order of set off would be most beneficial for Shaan to follow?
- Loss of AY 2025-26; loss of AY 2024-25; Unabsorbed depreciation of AY 2025-26
 - Loss of AY 2024-25; loss of AY 2025-26; Unabsorbed depreciation of AY 2025-26
 - Unabsorbed depreciation of AY 2025-26; loss of AY 2023-24; loss of AY 2025-26
 - Unabsorbed depreciation of AY 2025-26; loss of AY 2025-26; loss of AY 2024-25
13. Sunny incurred loss of ₹1,50,000 from let out house property in AY 2022-23. He filed the return of loss for that year after the due date. For PY 2025-26, he has income from house property of ₹1,00,000 and interest on bank deposits of ₹1,50,000. Total income for AY 2026-27 and losses to be carried forward will be:
- Total income ₹1.5 lakh
 - Total income ₹1.5 lakh; Carry forward loss from house property ₹50,000
 - Total income ₹2.5 lakh
 - Total income Nil; Carry forward loss from house property ₹50,000
14. Mr. J was engaged in retail business of garments and speculation business of trading in shares. He discontinued both these businesses on 15.10.2025. Loss in the aforesaid businesses for the PY 2025-26 up to the date of discontinuance was ₹10,000 and ₹30,000, respectively. Mr. J had claimed deduction of ₹1,00,000 on account of bad debts out of which ₹60,000 was allowed in the PY 2024-25. Mr. J recovered ₹70,000 from the debtor on 22.3.2026 in full and final settlement. Mr. J is covered under the default tax regime. The amount taxable in the hands of Mr. J for AY 2026-27 would be:
- ₹20,000
 - Nil
 - ₹70,000
 - ₹30,000
15. Raunak incurred loss from let out house property of ₹5 lakh for AY 2025-26 for which he filed return of income after the due date. For AY 2026-27, he has income from house property of ₹4 lakh. For AY 2026-27:
- He cannot set off loss of ₹5 lakh; income from house property will be ₹4 lakh
 - He can set off loss of ₹2 lakh against income of ₹4 lakh and carry forward loss of ₹3 lakh to AY 2027-28
 - He can set off loss of ₹4 lakh against income of ₹4 lakh and carry forward loss of ₹1 lakh to AY 2027-28
 - He can set off loss of ₹2 lakh against income of ₹4 lakh but cannot carry forward loss of ₹3 lakh to AY 2027-28

- 16.** For AY 2026-27, Mohit had income from cold chain business referred u/s 35AD of ₹2,00,000, income from F&B business of ₹3,00,000 and short term capital loss u/s 111A of ₹1,00,000. Loss of ₹2,50,000 from the cold chain business, for AY 2017-18, was brought forward. Mohit filed return of income for AY 2026-27 after the due date. Total income and loss to be carried forward, as per the optional tax regime, would be:
- Total income ₹3 lakh; Carry forward loss ₹1,50,000
 - Total income ₹5 lakh; Carry forward loss Nil
 - Total income ₹4 lakh; Carry forward loss Nil
 - Total income ₹3 lakh; Carry forward loss ₹50,000
- 17.** Roshni has the following particulars of income for AY 2026-27: income from salary ₹5,00,000; loss from self-occupied house ₹1,00,000; loss from let out house ₹2,00,000; loss from hotel business referred u/s 35AD ₹3,00,000; loss from legal profession ₹1,50,000; long term capital gain from sale of gold ₹1,80,000; interest from bank FD ₹70,000. Compute total income. Roshni has opted out of the default tax regime.
- ₹5 lakh
 - ₹3 lakh
 - ₹2 lakh
 - ₹4 lakh
- 18.** For AY 2026-27, Gunjan has income from food business of ₹2,00,000 (before depreciation), current year depreciation of ₹50,000, unabsorbed depreciation of AY 2025-26 of ₹80,000, brought forward business loss from AY 2023-24 of ₹1,00,000, long term capital gain of ₹20,000 and salary income of ₹60,000. Determine total income for AY 2026-27 and loss to be carried forward:
- Total income ₹80,000; carry forward business loss of ₹30,000
 - Total income ₹80,000 carry forward unabsorbed depreciation of ₹30,000
 - Total income ₹60,000; carry forward unabsorbed depreciation of ₹10,000
 - Total income ₹50,000; carry forward loss of Nil
- 19.** For PY 2025-26, Faizal has income from jewellery business of ₹3,00,000 (before depreciation), current year depreciation of ₹1,00,000, unabsorbed depreciation of AY 2025-26 of ₹1,70,000, brought forward business loss from AY 2023-24 of ₹4,00,000, income from other sources of ₹70,000 and salary income of ₹50,000. Total income for AY 2026-27 and loss to be carried forward would be:
- Total income ₹1.2 lakh; Carry forward business loss ₹2 lakh and unabsorbed depreciation ₹1.7 lakh
 - Total income ₹50,000; Carry forward business loss ₹2 lakh and unabsorbed depreciation ₹1.7 lakh
 - Total income ₹1.2 lakh; Carry forward business loss ₹2 lakh and unabsorbed depreciation ₹1 lakh
 - Total income ₹50,000; Carry forward business loss ₹2 lakh and unabsorbed depreciation ₹1 lakh

20. For AY 2026-27, Jasmine earned income from speculation business of ₹70,000. Speculation business loss of AY 2020-21 of ₹50,000 and of AY 2024-25 of ₹60,000 were brought forward. Compute total income and loss to be carried forward for AY 2025-26.
- Total income Nil; Carry forward loss ₹10,000
 - Total income Nil; Carry forward loss ₹40,000
 - Total income ₹10,000; Carry forward loss Nil
 - Total income ₹40,000; Carry forward Nil
21. Johnny has the following particulars of income for AY 2026-27: Income from transport business ₹1,00,000; loss from speculative business of AY 2021-22 ₹50,000; short term capital gain u/s 111A 1,75,000; short term capital loss from sale of rural agricultural land ₹3,50,000; long term capital loss u/s 112A brought forward from AY 2023-24 ₹1,25,000; short term capital loss on sale of unlisted shares brought forward from AY 2018-19 ₹2,25,000. Total income for AY 2026-27 and loss to be carried forward, under default tax regime, would be:
- Total income ₹1 lakh; Carry forward loss ₹1.25 lakh
 - Total income ₹1 lakh; Carry forward loss ₹2.25 lakh
 - Total income ₹1 lakh; Carry forward loss ₹1.75 lakh
 - Total income ₹50,000; Carry forward loss ₹1.25 lakh
22. For PY 2025-26, Sohan has the following particulars of income: Income from owning and maintaining race horses of ₹1,50,000; winning from gambling of ₹40,000; loss in betting ₹50,000; unexplained investment u/s 69 ₹70,000; loss in gambling brought forward from AY 2025-26 ₹30,000; loss from owning and maintaining race horses brought forward from AY 2022-23 ₹2,50,000. Total income for AY 2026-27 and loss to be carried forward would be:
- Total income ₹1,10,000; Carry forward loss ₹1,00,000
 - Total income ₹70,000; Carry forward loss Nil
 - Total income ₹1,00,000; Carry forward Nil
 - Total income ₹1,10,000; Carry forward loss Nil
23. Mr. Y has the following particulars for AY 2026-27: Loss from retail business ₹4 lakh; long term capital gain on sale of flat ₹3 lakh and loss from house property ₹5 lakh. He filed his return of income after the due date of 31.10.2026. Total income for AY 2026-27 and loss to be carried forward, as per the optional tax regime, would be:
- Total income Nil; Carry forward business loss of ₹1 lakh
 - Total income Nil; Carry forward house property loss of ₹5 lakh
 - Total income Nil; Carry forward business loss of ₹4 lakh and house property loss of ₹2 lakh
 - Total income ₹3 lakh; Carry forward house property loss of ₹5 lakh
24. For PY 2025-26, Mr. T has the following particulars of income and loss: Income from salary (computed) ₹3,50,000; loss from house property (let out) ₹2,50,000; brought forward loss from house property (let out) of AY 2025-26 ₹3,00,000; loss from transport business ₹2,40,000; interest on fixed deposits with bank ₹50,000. Total income for AY 2026-27 and loss to be carried forward, as per the optional tax regime, would be:

Aggregation of Income, Set Off and Carry Forward of Loss

- (a) Total income ₹1,50,000; Carry forward loss ₹5,40,000
- (b) Total income Nil; Carry forward loss ₹3,90,000
- (c) Total income ₹50,000; Carry forward loss ₹5,40,000
- (d) Total income ₹1,50,000; Carry forward loss ₹3,90,000

Answer Key

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



Deductions from Gross Total Income

MULTIPLE CHOICE QUESTIONS

1. Chetan, aged 40 years, has the following particulars for AY 2026-27: Income from salary (computed) ₹1,00,000; long term capital gain on sale of personal car ₹50,000; short term capital gain on sale of equity shares (STT paid) ₹2,00,000; interest on bank fixed deposit in the name of spouse made out of money gifted by Chetan ₹30,000; deposit in PPF account ₹1,50,000. Compute his total income. Chetan has opted out of the default tax regime.
- | | |
|---------------|---------------|
| (a) ₹1,80,000 | (b) ₹2,00,000 |
| (c) ₹2,30,000 | (d) ₹2,80,000 |

DEDUCTION FOR INVESTMENTS (80C, 80CCC, 80CCD)

2. Ramya made the following investments during the PY 2025-26: Her contribution to statutory provident fund ₹20,000; ₹30,000 in National Housing Bank (Tax Saving) Term Deposit, ₹50,000 in 3-year fixed deposit of SBI; ₹30,000 in 5-year tax saver fixed deposit of HDFC Bank; ₹10,000 in notified bonds of NABARD; ₹30,000 in Post Office Savings Bank Account; ₹20,000 in Post Office Time Deposit for 5 years; ₹10,000 in Senior Citizens Savings Scheme; ₹40,000 life insurance premium for self (premium due on 25.3.2026; paid on 1.4.2026; policy issued on 1.4.2024 for sum assured of ₹5 lakh). Compute deduction u/s 80C as per the optional tax regime.
- | | |
|---------------|---------------|
| (a) ₹1,30,000 | (b) ₹1,20,000 |
| (c) ₹1,50,000 | (d) ₹1,40,000 |
3. Gopal, a businessman having gross total income of ₹5,00,000, contributed ₹1,00,000 each to notified bonds of NABARD, approved pension fund of an insurer and his NPS account. Compute the deduction allowable under Chapter VIA. Gopal has opted out of the default tax regime.
- | | |
|---------------|---------------|
| (a) ₹1,50,000 | (b) ₹2,00,000 |
| (c) ₹3,00,000 | (d) ₹2,50,000 |
4. During the PY 2025-26, Yaksh made the following payments of life insurance premium: ₹15,000 for self (policy issued on 31.3.2012 with sum assured ₹1,00,000); ₹20,000 for spouse (not dependent; policy issued on 1.4.2012 with sum assured ₹1,50,000); ₹25,000 for child (20 years age; suffering from a disease specified u/s 80DDB; policy issued on 1.6.2017 with sum assured ₹2,00,000); ₹20,000 for married daughter (policy issued on 1.6.2020 for sum assured ₹1,50,000); ₹18,000 for father (dependent; policy issued on 1.4.2011 with sum assured ₹3,00,000). Compute the deduction allowable u/s 80C under the optional tax regime.
- | | |
|-------------|-------------|
| (a) ₹70,000 | (b) ₹50,000 |
| (c) ₹73,000 | (d) ₹40,000 |

5. Saina is a Central Government employee earning basic salary of ₹1,00,000 per month and dearness allowance @ 80% of basic salary (forming part of retirement benefits). During the PY 2025-26, she contributed 15% of her total salary to the NPS account with her employer making a matching contribution. Compute deduction u/s 80CCD under optional tax regime.
- (a) ₹5,68,400 (b) ₹5,02,400
(c) ₹4,16,000 (d) ₹4,82,000
6. Srishti's income for PY 2025-26 comprised income from house property of ₹2,00,000. She invested ₹50,000 in NSC Certificates (IX issue) on 31.3.2026. Accrued interest for the year on certificates held by her amounted to ₹20,000. Her total income, as per the optional tax regime, would be:
- (a) ₹1,30,000 (b) ₹1,50,000
(c) ₹2,00,000 (d) ₹1,80,000
7. The private sector employer of Raman, who draws basic salary of ₹1,50,000 per month, contributed ₹30,000 per month to his NPS account during the PY 2025-26. How much deduction can Raman claim on this account?
- (a) ₹3,60,000 (b) ₹2,52,000
(c) ₹1,80,000 (d) ₹1,50,000
8. Rajesh is a businessman having gross total income of ₹6,00,000. During the PY 2025-26, he deposited ₹2,00,000 in his NPS account. Compute his total income. Rajesh has opted out of the default tax regime.
- (a) ₹4,80,000 (b) ₹4,50,000
(c) ₹5,50,000 (d) ₹4,30,000
9. During the PY 2025-26, Rashi, earning salary of ₹1,00,000 per month from JKL Pvt Ltd. (₹60,000 basic salary and balance as dearness allowance of which 50% formed part of the terms of employment), contributed ₹1,20,000 to her NPS account with her employer making an equal contribution. She also deposited 1,00,000 in her PPF account. Compute the deduction available under Chapter VIA. Rashi has opted out of the default tax regime.
- (a) ₹2,96,000 (b) ₹3,16,000
(c) ₹1,50,000 (d) ₹2,00,000
10. During the PY 2025-26, Reena incurred the following expenses on education: School fee of ₹1 lakh paid for daughter (25% donation, 75% tuition fee), college fee paid for major son for pursuing MBA in Canada ₹2 lakh (75% tuition fee; 25% development fee), fee for part time course in software development for major son ₹50,000. Deduction u/s 80C, under the optional tax regime, would be:
- (a) ₹1,50,000 (b) ₹1,25,000
(c) ₹75,000 (d) ₹1,00,000

11. During the PY 2025-26, Jagan deposited ₹2,50,000 in his NPS account (his employer, MMT Ltd, making a matching contribution). He earned basic salary of ₹50,000 per month, dearness allowance of ₹30,000 per month (60% forming part of terms of employment) and fixed medical allowance of ₹10,000 per month. Compute his total income for AY 2026-27. Jagan has opted out of the default tax regime.
- (a) ₹8,16,800 (b) ₹7,88,000
(c) ₹10,66,800 (d) ₹8,38,000
12. Shiny, drawing basic salary of ₹1,00,000 per month, contributed ₹1,00,000 each to approved superannuation fund, pension fund of LIC and NPS. Her employer, Zed Ltd., made a matching contribution to NPS. Compute the deduction allowable under Chapter VIA. Shiny has opted out of the default tax regime.
- (a) ₹1,50,000 (b) ₹4,50,000
(c) ₹3,00,000 (d) ₹2,50,000
13. During the PY 2025-26, Drishti contributed ₹60,000 to recognized provident fund (her employer made a matching contribution), ₹20,000 each to the PPF account of self, married son and mother, ₹10,000 to the Sukanya Samriddhi Account for her girl child and ₹30,000 to unrecognized superannuation fund. Compute the deduction u/s 80C as per the optional tax regime.
- (a) ₹1,50,000 (b) ₹1,40,000
(c) ₹1,10,000 (d) ₹1,30,000

DEDUCTION FOR HEALTH & WELLNESS (80D, 80DD, 80DDB, 80U)

14. Chetan, resident aged 55 years, incurred the following expenditure during the year: Health insurance premium for spouse (not dependent) ₹30,000; preventive health checkup of his father (resident of age 80 years) ₹10,000; rehabilitation expenses for dependent father-in-law (suffering from severe disability certified u/s 80U) ₹1,00,000; medical treatment of dependent elder brother (non-resident of age 61 years) for a life threatening disease specified u/s 80DDB ₹1,70,000 (₹25,000 reimbursed by insurer). Compute the amount of deduction available to Chetan from his gross total income as per the optional tax regime.
- (a) ₹50,000 (b) ₹1,65,000
(c) ₹70,000 (d) ₹45,000
15. Mr. A, a Central Government employee, made the following payments during the year (all by cheque): Contribution to Central Government Health Scheme ₹10,000; mediclaim premium for married son (dependent) ₹5,000; mediclaim premium of younger brother (dependent) ₹10,000; preventive health check-up for spouse (not dependent) ₹7,000. Compute deduction u/s 80D under the optional tax regime.
- (a) ₹22,000 (b) ₹15,000
(c) ₹20,000 (d) ₹25,000

16. Shubham, resident aged 45 years, spent ₹10,000 on medical treatment of his elder brother, being a person with severe disability certified u/s 80U and mainly dependent on him. He also deposited ₹15,000 in an approved scheme of LIC for maintenance of his brother. His brother does not have any source of income. Shubham would be entitled to a deduction u/s 80DD, under the optional tax regime, of:
- | | |
|-------------|---------------|
| (a) ₹10,000 | (b) ₹25,000 |
| (c) ₹75,000 | (d) ₹1,25,000 |
17. Mr. B, age 35 years, made the following payments during the year (all by cheque): Health insurance premium for working wife ₹23,000, preventive health check-up for minor daughter (dependent) ₹4,000; mediclaim premium for father (non-resident of age 62 years) ₹30,000; mediclaim premium for mother (resident of age 60 years) 18,000; medical expenditure on mother ₹50,000. Compute deduction u/s 80D. Mr. B has opted out of the default tax regime.
- | | |
|-------------|-------------|
| (a) ₹70,000 | (b) ₹73,000 |
| (c) ₹75,000 | (d) ₹68,000 |
18. Raghav, resident aged 40 years, incurred expenditure of ₹10,000 each for medical treatment of his younger brother and elder sister, both wholly dependent on him. Younger brother was certified with disability u/s 80U to the extent of 60% and elder sister was certified with disability u/s 80U to the extent of 90%. Brother earned taxable income and claimed deduction u/s 80U. Deduction available to Raghav from his gross total income, under the optional tax regime, would be:
- | | |
|---------------|-------------|
| (a) ₹1,25,000 | (b) ₹75,000 |
| (c) ₹2,00,000 | (d) ₹20,000 |
19. Mr. C, age 33 years, made the following payments during the year: Mediclaim premium of minor son (dependent) ₹20,000 paid by cash; preventive health check for self ₹10,000 paid by cash; mediclaim premium for father (resident of age 61 years) ₹40,000 paid by cheque; mediclaim premium for mother (resident of age 58 years) ₹20,000 paid by cheque. Compute deduction u/s 80D. Mr. C has opted out of the default tax regime.
- | | |
|-------------|-------------|
| (a) ₹65,000 | (b) ₹60,000 |
| (c) ₹55,000 | (d) ₹30,000 |

DEDUCTION FOR INTEREST ON LOAN (80E, 80EE, 80EEA, 80EEB)

20. Raju purchased his first residential house in Chennai on 1.4.2023. He applied for a home loan from IDFC Bank on 15.3.2023 which got sanctioned on 25.3.2023. Stamp duty value of the house was ₹45 lakh. Interest on the loan amounted to ₹3,90,000 for the FY 2025-26 out of which Raju could pay only ₹3,10,000. Further, during the FY 2025-26, he repaid principal amounting to ₹1,00,000. Compute the total interest deduction that Raju can claim for the AY 2026-27 under the optional tax regime.
- | | |
|---------------|---------------|
| (a) Nil | (b) ₹3,10,000 |
| (c) ₹3,50,000 | (d) ₹4,50,000 |

21. Rekha took a loan of ₹10,00,000 from a bank for meeting expenditure on education of her husband pursuing MBA course. The loan was disbursed on 1.9.2015. She paid the first instalment of principal repayment along with interest on 1.6.2018. During PY 2025-26, she paid ₹70,000 towards principal and ₹50,000 towards interest. Her gross total income was ₹3,00,000. Her total income, as per the optional tax regime, would be:

(a) ₹2,50,000 (b) ₹3,00,000
(c) ₹1,80,000 (d) ₹2,30,000

22. Jacky purchased his first house for ₹50 lakh (FMV was ₹51 lakh and SDV was ₹44 lakh), using a loan of ₹48 lakh taken from a housing finance company. Loan was sanctioned on 1.10.2021. The house was self-occupied. Jacky paid ₹4 lakh of interest on loan which was due during the PY 2025-26. His income from salary (computed) was ₹3,50,000. Compute his total income. Jacky has opted out of the default tax regime.

Deductions from Gross Total Income (377)

(a) ₹1,50,000 (b) ₹2,00,000
(c) ₹1,00,000 (d) Nil

23. Roshan, a resident but not ordinarily resident, took a loan from Dena Bank of ₹20 lakh to purchase an electric vehicle costing ₹25 lakh, for personal use of his family. He applied for the loan on 1.3.2019 and it was sanctioned and disbursed on 5.4.2019. Interest due for PY 2025-26 was ₹1,60,000. His gross total income comprised income from house property of ₹1,25,000 and winning from lottery of ₹50,000. Compute his total income. Roshan has opted out of the default tax regime,

(a) ₹1,75,000 (b) ₹25,000
(c) ₹50,000 (d) ₹15,000

24. Riya took an education loan from a notified financial institution for her spouse (not dependent on her) pursuing M. Tech course from USA. Loan was sanctioned on 1.3.2018 and disbursed on 15.4.2018. The course began on 1.9.2018 and Riya started paying interest from 1.3.2019. During the PY 2025-26, she paid interest of ₹3 lakh and repaid principal of ₹2 lakh. Her gross total income is ₹6 lakh. Compute her total income. Riya has opted out of the default tax regime.

(a) ₹6 lakh (b) Nil
(c) ₹3 lakh (d) ₹1 lakh

DEDUCTION FOR DONATIONS (80G, 80GGA, 80GGB, 80GGGC)

25. During the PY 2025-26, JCB Ltd., an Indian company, contributed ₹10,000 in cash to BJP, a political party, ₹20,000 by cheque to Congress, a political party, and spent ₹30,000 by cheque on advertisement in souvenir of a local political party. Determine the deduction allowable, from gross total income, in respect of such payments. JCB Ltd. has not opted for section 115BAA or 115BAB.

(a) ₹50,000 (b) ₹20,000
(c) ₹30,000 (d) ₹60,000

26. Rohit donated ₹50,000 to National Cultural Fund and ₹60,000 to Prime Minister's Drought Relief Fund by cheque. He also donated ₹20,000 to a public charitable trust in cash. Deduction u/s 80G, under the optional tax regime, would be:
- (a) ₹1,30,000 (b) ₹1,10,000
(c) ₹80,000 (d) ₹90,000
27. During the PY 2025-26, Ramit donated ₹50,000 to a research association (approved u/s 35) for carrying out scientific research, ₹40,000 to a college (not approved u/s 35) for statistical research, ₹30,000 to Rural Development Fund (notified u/s 35CCA), ₹60,000 to National Urban Poverty Eradication Fund (notified u/s 35CCA) and ₹2,000 to an association for rural development (approved u/s 35CCA). All payments were by cheque, except to scientific research association and rural development association which were in cash. Ramit is a salaried employee and does not carry on any business. Deduction allowable to him in respect of such payments, under the optional tax regime, would be:
- (a) ₹92,000 (b) ₹90,000
(c) ₹1,30,000 (d) ₹1,40,000
28. During the PY 2025-26, Raunaq contributed the following amounts to political parties: ₹1,500 by cash, ₹8,000 by cheque, ₹5,000 by cash and ₹6,000 by cheque for advertisement in brochure of the party. Compute the deduction from gross total income available in respect of such payments. Raunaq has opted out of the default tax regime.
- (a) ₹9,500 (b) ₹14,000
(c) ₹15,500 (d) ₹8,000
29. Kavya made the following donations during the PY 2025-26: Lieutenant Governor's Relief Fund ₹30,000 (paid by cheque); Prime Minister's Drought Relief Fund ₹50,000 (paid by cheque); approved association for promoting family planning ₹30,000 (paid by cheque); Indian Olympic Association ₹60,000 (paid by cheque); charitable institution approved u/s 80G ₹40,000 (paid by cheque); 1,000 kg rice to a notified mosque worth ₹40,000. Her gross total income comprises income from house property ₹6,00,000 and long term capital gain ₹1,00,000. She deposited ₹1,00,000 in her PPF account. Compute her total income. Kavya has opted out of the default tax regime.
- (a) ₹4,45,000 (b) ₹4,05,000
(c) ₹4,95,000 (d) ₹5,05,000

DEDUCTION FOR RENT [80GG]

30. Shruti, a salaried employee, pays rent of ₹10,000 per month to stay in a house in Delhi. Her employer does not pay HRA. She or her family members do not own any house. Her income from salary is computed at ₹11,00,000. She has earned long term capital gain of ₹1 lakh from sale of gold and has deposited ₹1 lakh in the LIC pension fund. Compute her total income under the optional tax regime.
- (a) ₹9,80,000 (b) ₹12,80,000
(c) ₹10,80,000 (d) ₹11,80,000

DEDUCTIONS FOR INTEREST INCOME [80TTA, 80TTB]

31. During the PY 2025-26, Mr. Z, a resident aged 65 years, has earned interest of ₹15,000 from savings bank account in Bank of India, interest of ₹10,000 from Morcha Co-operative Bank and ₹30,000 from JK Finance, an NBFC. What is the deduction available to him in computing gross total income for AY 2026-27? Mr. Z has opted out of the default tax regime.
- (a) ₹10,000 (b) ₹25,000
(c) ₹50,000 (d) ₹55,000
32. During the PY 2025-26, Raja, a non-resident aged 61 years, deposited ₹1,00,000 in 5-year Post Office Time Deposit on 31.3.2026. He also earned the following interest incomes during the year: Interest on Post Office Saving Account (individual) ₹7,000; interest on savings bank account with SBI ₹6,000 and interest on fixed deposits with Dhanalakshmi cooperative bank ₹20,000. His gross total income is ₹3,00,000. Compute his total income. Raja has opted out of default tax regime.
- (a) ₹2,90,000 (b) ₹1,90,500
(c) ₹2,90,500 (d) ₹1,90,000
33. Soumil, aged 50 years, earned ₹20,000 as interest on Post Office Savings Bank Account (individual). He has no other interest income. Amount of interest included in his total income, under the optional tax regime, would be:
- (a) ₹10,000 (b) Nil
(c) ₹16,500 (d) ₹6,500
34. During the PY 2025-26, Virat, a resident aged 62 years, earned the following incomes: Income from house property ₹3,00,000; interest on fixed deposit with ICICI bank ₹20,000; interest on savings bank account with co-operative bank ₹10,000; interest on PPF ₹50,000; interest on recurring deposit account with Punjab National Bank ₹25,000 and interest on savings account with Post Office (individual account) ₹13,500. Compute his total income. Virat has opted out of the default tax regime.
- (a) ₹3,15,000 (b) ₹3,55,000
(c) ₹3,18,500 (d) ₹3,22,500

DEDUCTIONS FOR CERTAIN OTHER INCOMES [80JJAA, 80QQB, 80RRB]

35. Ramkumar, a resident of age 55 years and a scientist, received royalty of ₹1.5 lakh each from a foreign company, in respect of three patents registered in his name. He could repatriate 60% of royalty by 30.9.2026. Compute deduction u/s 80RRB for the PY 2025-26. Ramkumar has opted out of the default tax regime.
- (a) ₹3,00,000 (b) ₹2,70,000
(c) ₹4,50,000 (d) Nil

36. Janak started a new transport business on 1.4.2025. Turnover of business for PY 2025-26 was ₹1.5 crore and 20% transactions of receipts and payments, each, were in cash. He employed 5 people on 1.5.2025 out of which one person drew salary of ₹30,000 p.m. (all others were paid emoluments of ₹25,000 p.m.), one person resigned on 1.9.2025, one person did not participate in the recognized provident fund and one person took emoluments in cash. Determine the deduction available u/s 80JJAA for AY 2026-27.
- (a) Nil (b) ₹2,47,500
(c) ₹1,65,000 (d) ₹3,30,000
37. Sarthak, a resident individual, is a professional author of artistic books. During the PY 2025-26, he earned royalty @ 20% of books sold of value ₹20 lakh by a foreign publisher. He could repatriate 80% of royalty to India by 30.9.2026. Compute the deduction u/s 80QQB. Sarthak has opted out of the default tax regime.
- (a) ₹3,00,000 (b) ₹3,50,000
(c) ₹2,50,000 (d) ₹2,00,000
38. Josh carried on business of footwear manufacturing having 20 employees as on 31.3.2025. The business was liable to tax audit u/s 44AB. During the PY 2025-26, two existing employees resigned on 1.5.2025. He employed 5 people on 1.6.2025 on salary of ₹20,000 per month. A new employee was later appointed on 1.10.2025 on salary of ₹26,000 per month. Determine the deduction available u/s 80JJAA for AY 2026-27.
- (a) ₹2,26,800 (b) ₹1,80,000
(c) ₹3,33,333 (d) Nil
39. Rukmi, a resident of age 35 years, wrote a book on ancient art and received a lump sum payment of ₹4,00,000 in lieu of all rights in the book. Compute the deduction u/s 80QQB. Rukmi has opted out of the default tax regime.
- (a) ₹3,00,000 (b) ₹3,50,000
(c) ₹4,00,000 (d) Nil

Answer Key

1. (b)	2. (b)	3. (b)	4. (a)	5. (b)	6. (b)	7. (c)	8. (d)	9. (a)	10. (c)
11. (c)	12. (c)	13. (c)	14. (d)	15. (c)	16. (d)	17. (d)	18. (a)	19. (c)	20. (c)
21. (a)	22. (d)	23. (c)	24. (c)	25. (a)	26. (c)	27. (a)	28. (d)	29. (d)	30. (c)
31. (b)	32. (b)	33. (d)	34. (a)	35. (b)	36. (c)	37. (a)	38. (b)	39. (a)	

TDS, TCS and Advance Tax

MULTIPLE CHOICE QUESTIONS

TAX DEDUCTION AT SOURCE (TDS)

SALARY PAYMENTS

1. Krish, a resident of age 45 years, is employed with Z Ltd. on an annual salary of ₹4,50,000 p.m. This includes nonmonetary perquisites of ₹50,000 p.m. provided by Z Ltd. Tax on such non-monetary perquisites is borne by Z Ltd. Determine the amount of TDS that would be deducted from the salary during the FY 2025-26. Krish has intimated Z Ltd. of his intention to be covered by the default tax regime. He has deposited ₹1,50,000 in his PPF account.
 (a) ₹1,72,553 (b) ₹15,52,980
 (c) ₹14,84,340 (d) ₹11,95,425
2. Raghav, aged 37 years, is employed with Bright Ltd on a monthly salary of ₹60,000 per month. He has furnished particulars to his employer regarding loss from a let out house property of ₹3,00,000, short term capital loss of ₹30,000 and details regarding other income of ₹1,00,000. He does not want to go with the default tax regime. Compute the amount of TDS per month that Bright Ltd. will deduct during FY 2025-26.
 (a) ₹1,777 (b) Nil
 (c) ₹2,666 (d) ₹2,297

INTEREST, DIVIDEND AND INVESTMENT INCOME

3. During the FY 2025-26, Mr. C, a resident of age 60 years, received interest on fixed deposits from SBI, PNB and HDFC Banks of ₹35,000, ₹45,000 and ₹55,000, respectively. He also received interest on recurring deposit from three branches of Seema Gramin Bank of ₹25,000 each (bank has not adopted core banking solutions). In addition, he received interest from corporate deposits made in two private limited companies of ₹4,000 and ₹8,000, respectively. Compute the amount on which TDS will be deducted.
 (a) Nil (b) ₹1,38,000
 (c) ₹67,000 (d) ₹1,08,000

4. Mr. Jain, a resident, was issued a life insurance policy by Safe Insurance Company on 20.6.2020 for a sum assured of ₹5 lakh at an annual premium of ₹1 lakh. Upon maturity of policy on 20.6.2025, he received a sum of ₹5,37,500. He also got a life insurance policy from Suraksha Insurance Company on 12.2.2012 for sum assured of ₹10 lakh at annual premium of ₹1 lakh. He received ₹12 lakh from this policy on 12.2.2026. Compute amount of TDS deductible on such sum.
- (a) ₹20,625 (b) ₹750
(c) ₹40,625 (d) ₹9,375
5. Rashmi, a resident and a partner in R&R partnership firm, received interest from the firm of ₹40,000 on 12.9.2025. She also received ₹10,000 as interest on income tax refund on 12.12.2025 and ₹15,000 as interest on savings bank account in Punjab Bank on 31.3.2026. She had given a loan to her friend on which she received interest of ₹20,000 on 1.3.2026. Her friend was a professional having gross receipts of ₹40 lakh for FY 2024-25 and ₹60 lakh for FY 2025-26. Compute the TDS deductible on these amounts.
- (a) Nil (b) ₹1,500
(c) ₹4,500 (d) ₹2,625
6. Reliable Pvt. Ltd. paid dividend to its shareholders on 15.8.2025 through account payee cheques. Five shareholders received ₹4,000 each, three shareholders received ₹7,500 each and two shareholders received ₹12,000 each. All shareholders were residents. Two shareholders receiving ₹10,000 had not furnished their PAN number to the company. Compute the amount of tax that the company will need to deduct at source?
- (a) ₹5,250 (b) ₹7,750
(c) ₹4,800 (d) ₹8,750
7. Bharat, a resident, received income from HDFC Mutual Fund of ₹2,250 each on 1.6.2025, 1.9.2025 and 1.3.2026 and income from JM Mutual Fund of ₹2,000 each on 1.11.2025 and 1.2.2026. Further, he sold 2,000 units of Bharat Mutual Fund on 11.11.2025 for ₹50,000 on which he computed short term capital gain of ₹20,000. Compute the amount of TDS that would be deducted from these incomes.
- (a) Nil (b) ₹675
(c) ₹975 (d) ₹2,175
8. Mahesh, a resident, received bonus shares from CD Pvt. Ltd. (in which he was a preference shareholder) on 12.11.2025 having market value of ₹75,000 (accumulated profits of the company as on this date were ₹2,00,000). He also held 15% equity shares in this company which gave him a loan of ₹37,500 on 1.1.2026. He repaid the loan on 31.3.2026. He also received dividend of ₹3,000 from ZZ Ltd. on 12.12.2025 and of ₹6,000 from QQ Ltd. on 15.4.2025 and these amounts were credited directly in his bank account. All companies are Indian companies. He furnished his PAN number to all the companies, except QQ Ltd. Compute the amount of TDS deductible from these sums.
- (a) ₹1,200 (b) ₹4,950
(c) ₹11,700 (d) ₹11,250

9. Mrs. Sharma, a resident, received ₹10 lakh on 20.11.2025 upon the death of her spouse. The policy was taken on 15.4.2023 for sum assured of ₹10 lakh with an annual premium of ₹1,10,000. She had also taken another policy on her life for a sum assured of ₹15 lakh with an annual premium of ₹2,25,000. The policy was issued to her on 15.4.2020. The policy matured on 15.4.2025 and she received ₹20 lakh. Compute the amount of TDS that will be deducted on the amounts received by her.

- | | |
|-------------|---------------|
| (a) ₹32,813 | (b) ₹1,00,000 |
| (c) ₹77,250 | (d) ₹17,500 |

CASUAL INCOME

10. During the PY 2025-26, Mr. Gamble earned the following incomes: Lottery prize of ₹30,000 (₹7,500 received on 16.9.2025 and the balance on 5.10.2025) from HP State Lottery; winning in a card game (not online) of ₹5,000 on 15.8.2025 from a local casino; Jackpot prize of a car worth ₹5 lakh along with cash prize of ₹2.5 lakh in a TV game show on 15.12.2025; first prize in horse race of ₹50,000 from the Delhi Horse Club on 15.2.2026. He did not furnish his PAN number to the Delhi Horse Club. What is the total cash amount that he would finally get in hand after TDS, if any?

- | | |
|-------------|---------------|
| (a) ₹89,500 | (b) ₹5,86,000 |
| (c) ₹86,000 | (d) ₹83,750 |

COMMISSION

11. Sukesh, a resident, is a commission agent for Green Wind Pvt. Ltd. During the PY 2025-26, he received commission of ₹10,000, ₹25,000 and ₹40,000 during July, September and October 2025, respectively. He also runs a mobile shop for which he purchased mobile phones worth ₹5 lakh at a discount of 30%, i.e., ₹1,50,000, from a distributor. Calculate the amount of TDS deductible.

- | | |
|------------|------------|
| (a) ₹9,375 | (b) ₹3,375 |
| (c) ₹9,000 | (d) ₹1,500 |

12. Rajesh, a resident, is an insurance agent of JKL General Insurance company and PQM Life Insurance company. During the PY 2025-26, he received commission of ₹10,000 for issuance of new policies and ₹22,500 for renewal of existing policies, from these companies, respectively, during January 2026. Calculate the amount of TDS deductible.

- | | |
|------------|------------|
| (a) ₹1,125 | (b) ₹1,500 |
| (c) ₹3,000 | (d) ₹4,000 |

13. Mukesh, a resident and a travel agent, received commission of ₹15,000, ₹25,000 and ₹22,000 from three tour operator companies during March 2026. He did not furnish his PAN number to the first tour operator. All the companies had business turnover of less than ₹1 crore during FY 2024-25. Calculate the amount of TDS deductible.

- | | |
|------------|------------|
| (a) ₹4,875 | (b) ₹940 |
| (c) ₹5,345 | (d) ₹2,438 |

14. Ramesh, a resident, has been appointed the stockist of Assam State Lottery. He is also the distributor of Goa State Lottery. During the PY 2025-26, he was paid commission of ₹1,20,000 by Assam State Lottery in October 2025 and commission of ₹10,000 by Goa State Lottery in January 2026. Calculate the amount of TDS deductible.
- | | |
|------------|------------|
| (a) ₹4,125 | (b) ₹3,750 |
| (c) ₹2,400 | (d) ₹5,500 |

WORK AND SERVICES

15. Mr. Raja, carries on a business having turnover of ₹3 crore for FY 2024-25. During the FY 2025-26, he made the following payments: ₹37,500 to Shine Pvt. Ltd., an advertising agency, for running an advertisement campaign for his newly launched product under an advertisement contract; ₹60,000 to Indian Railways for transportation of goods; ₹2,50,000 to Food & Co caterers for arranging catering during his marriage anniversary celebrations; ₹1,00,000 to Dinesh Pvt. Ltd. for supplying anniversary invitation cards as per his specifications (he supplied the material for this purpose); ₹1,80,000 to Mr. Rohit for manufacturing furniture for his office (material was supplied by King Pvt. Ltd. in which Mr. Raja held 15% equity shares). All the payments were made during the period June to December 2025 and all payees are residents. Compute the amount of TDS deductible by Mr. Raja.
- | | |
|------------|------------|
| (a) ₹3,750 | (b) ₹2,550 |
| (c) ₹750 | (d) ₹2,250 |
16. Mr. Bonny, having business turnover of ₹5 crore for FY 2024-25 and ₹4 crore for FY 2025-26, made payment to Decor Pvt. Ltd., an Indian company providing services as interior decorators, of ₹60 lakh in five equal instalments during the FY 2025-26 for renovating the interiors of his residence. Compute the amount of TDS that he needs to deduct.
- | | |
|---------------|---------------|
| (a) Nil | (b) ₹1,20,000 |
| (c) ₹1,20,000 | (d) ₹6,00,000 |
17. Raman HUF made payment of ₹90,000 to Shah & Co, partnership firm resident in India and a goods carriage transporter owning 7 goods carriages, for transport of goods from factory to godown. Payment of ₹45,000 each was made on two occasions during the period September to October 2025. Shah & Co did not furnish any declaration to Raman HUF. Raman HUF clocked turnover of ₹1.15 crore during FY 2024-25. Compute the amount of TDS deductible by Raman HUF.
- | | |
|----------|------------|
| (a) Nil | (b) ₹1,800 |
| (c) ₹900 | (d) ₹2,400 |
18. Jolly, a Chartered Accountant, having gross receipts in profession of ₹65 lakh for FY 2024-25 and ₹45 lakh for FY 2025-26 made the following payments during the month of February 2026: ₹25,000 and ₹20,000, paid on two occasions, to his lawyer for defending a case in the Delhi High Court relating to a professional dispute; ₹1,20,000 as royalty to Sharp Pvt. Ltd. for using a financial model developed by the company; ₹1,00,000 to Ramola, an interior decorator, for furnishing the

interiors of his residence; ₹60,000 for acquisition of financial software from Webtel Pvt. Ltd, an Indian company (he has obtained declaration from the company that it deducted TDS u/s 194J when it acquired the software and it did not modify it further). All payees are residents and no other payment was made to them during FY 2025-26. Compute the amount of TDS that Jolly will need to deduct.

- | | |
|------------|-------------|
| (a) ₹4,500 | (b) ₹13,500 |
| (c) ₹9,000 | (d) Nil |

19. Ramandeep Publishers Pvt. Ltd. made payment of ₹90,000 on 15.4.2025 to Mr. Rohit, a resident, carrying on business of offset printing, for printing of books as per its specifications and using material supplied by it. Mr. Rohit raised the invoice separately showing the value of material of ₹60,000. Compute the amount of TDS deductible.

- | | |
|----------|------------|
| (a) ₹600 | (b) ₹300 |
| (c) ₹900 | (d) ₹1,800 |

20. Johny is a financial consultant, having gross receipts from profession of ₹45 lakh for FY 2024-25 and ₹55 lakh for FY 2025-26. He made the following payments during the FY 2025-26 to persons being residents in India: ₹60 lakh to a building contractor for reconstruction of his residential house; commission of ₹1 lakh to FinEx, an agency, for procuring customers; ₹30 lakh to a lawyer for defending criminal proceedings against him in the Supreme Court (not connected to his profession). Compute the amount of TDS that he needs to deduct.

- | | |
|---------------|---------------|
| (a) ₹3,65,000 | (b) Nil |
| (c) ₹1,20,000 | (d) ₹4,55,000 |

21. Ruhi, a professional having gross receipts of ₹40 lakh for FY 2023-24 and ₹60 lakh for FY 2024-25 made the following payments during the FY 2025-26. Commission of ₹15,000 on 12.2.2026, charges of ₹5,00,000 on 15.3.2026 to a gift shop for supplying gift items based on her specifications (she did not supply the raw material) and charges of ₹50,000 on 12.12.2025 to a doctor for performing surgery on her child. All payees are residents. Determine the amount of TDS that Ruhi would need to deduct on such payments.

- | | |
|-------------|-------------|
| (a) ₹10,750 | (b) ₹28,250 |
| (c) Nil | (d) ₹42,500 |

22. Jacob, a resident, received the following during the period June 2025 to March 2026: Tts. 57,500 for developing a website for Mantle Pvt. Ltd.; ₹52,500 as fees for technical services (not being professional services) from Roman HUF carrying on business having turnover of ₹2 crore for FY 2024-25; ₹15,000 as directors' remuneration from Axis Pvt. Ltd. (TDS is not deductible u/s 192); ₹75,000 as royalty from Shine & Co, partnership firm, in respect of patent developed by him; ₹1,50,000 as non-compete fee from Bright Ltd. for not carrying out profession in a specialized line of technology. Compute the amount of TDS deducted on these amounts.

- | | |
|-------------|-------------|
| (a) ₹33,000 | (b) ₹30,800 |
| (c) ₹25,400 | (d) ₹27,300 |

HIRE OR TRANSFER OF PROPERTY

23. Keshav, engaged in manufacturing business and having turnover of ₹2 crore for FY 2024-25, made the following payments during the PY 2025-26: Charges for hire of plant and machinery of ₹2 lakh and ₹2.5 lakh paid to Bull Pvt. Ltd. and Bear Pvt. Ltd., respectively; rent for office of ₹3 lakh (includes refundable deposit of ₹1 lakh) paid to Trade Smart Ltd.; rent of factory building of ₹3.75 lakh paid to Leaseman Ltd (the company had sub-let the building to Keshav). All payees are residents. Compute the amount of TDS deductible from these sums.

- | | |
|-------------|-------------|
| (a) ₹45,000 | (b) ₹64,500 |
| (c) Nil | (d) ₹4,500 |

24. The Maharashtra State Government compulsorily acquired a plot of urban agricultural land and a building belonging to Mr. Jain, a resident, and paid compensation in respect of land of ₹15 lakh and in respect of building of ₹11.25 lakh in five instalments of ₹5.25 lakh each during the period January to March 2026. Compute the amount of TDS that will be deducted.

- | | |
|---------------|---------------|
| (a) ₹2,62,500 | (b) ₹3,00,000 |
| (c) ₹1,12,500 | (d) Nil |

25. B&C partnership firm, having turnover of ₹40 lakh from business for FY 2024-25, paid office rent of ₹4 lakh to Mr. Sharma HUF, a resident. Rent included ₹50,000 as arrears of rent pertaining to FY 2024-25 and advance rent of ₹30,000 pertaining to FY 2026-27. It also included ₹1 lakh of non-refundable deposit. TDS is deductible from arrears of rent. Compute the amount on which TDS will be deductible.

- | | |
|---------------|---------------|
| (a) ₹3,00,000 | (b) Nil |
| (c) ₹3,20,000 | (d) ₹4,00,000 |

26. Krishna, a salaried employee, visited Chennai on deputation for the period July 2025 to March 2026 where he stayed in a house on rent of ₹60,000 per month. However, he did not furnish his PAN to the landlord, a resident. What is the total amount he will pay to the landlord, net of TDS, during the PY 2025-26?

- | | |
|---------------|---------------|
| (a) ₹4,32,000 | (b) ₹5,19,750 |
| (c) ₹4,80,000 | (d) ₹4,54,000 |

27. Raghu, a resident of age 20 years, purchased a flat in a housing society on 15.10.2025 from Bhrigu, a resident, for a consideration of ₹60 lakh (SDV ₹70 lakh). How much tax will Raghu need to pay to the Government, for himself as well as on behalf of Bhrigu, on account of TDS if Raghu has no source of income for the PY 2025-26 and he has opted out of default tax regime.

- | | |
|-------------|---------------|
| (a) ₹60,000 | (b) ₹1,77,000 |
| (c) Nil | (d) ₹1,87,000 |

TRADE AND COMMERCE

28. PQR Ltd. sponsored a trip to Hong Kong for Mr. C, a resident, and his family upon achieving the annual sales target of the company. Mr. C is the distributor of PQR Ltd. Turnover in business for Mr. C was ₹75 crore for FY 2024-25 and ₹95 crore for FY 2025-26. The trip was undertaken in the month of October 2025 and it cost ₹10 lakh to the company. Compute the amount of TDS that needs to be deducted or paid in this respect, if any.

- | | |
|---------------|---------------|
| (a) Nil | (b) ₹1,00,000 |
| (c) ₹2,00,000 | (d) ₹50,000 |

29. During the FY 2025-26, QR Ltd., an Indian company, having turnover from business of ₹8 crore for FY 2024-25 and ₹10.2 crore for FY 2025-26, sold computers for ₹80 lakh to Mr. C, a dealer in computers having turnover from business of ₹12 crore for FY 2024-25 and ₹9 crore for FY 2025-26. The computers were sold in two lots of ₹30 lakh on 1.5.2025 and ₹50 lakh on 1.9.2025 and payment was made immediately. Compute the amount of TDS that will need to be deducted by Mr. C.

- | | |
|------------|------------|
| (a) Nil | (b) ₹3,000 |
| (c) ₹8,000 | (d) ₹5,000 |

SPECIAL CASES

30. During the PY 2025-26, Mr. Krishna withdrew ₹1.5 crore in cash in the aggregate from five accounts maintained with Bihar Co-operative Bank, during the month of March 2026. He also withdrew ₹30 lakh in cash from the Saving Bank Account maintained in the Post Office during February 2026 and ₹10 lakh in cash from current account maintained with Bank of India during December 2025. He has not filed his return for the last 10 years. Determine the amount of TDS that will be deducted.

- | | |
|---------------|---------------|
| (a) ₹8,10,000 | (b) ₹6,00,000 |
| (c) ₹3,60,000 | (d) ₹4,30,000 |

31. Mr. Mohan, a transporter, withdrew the following amounts in cash from his accounts during the PY 2025-26: ₹20 lakh from savings account in Delhi branch of HDFC Bank on 1.9.2025; ₹50 lakh from current account in Mumbai branch of HDFC Bank on 1.10.2025; ₹70 lakh from current account in Delhi branch of ICICI Bank on 1.11.2025; ₹40 lakh from saving account in Mumbai branch of ICICI Bank on 1.12.2025 and ₹60 lakh from Post Office Saving Account maintained in Bangalore. He has been duly filing his return since the last ten years. Compute the amount of TDS that will be deducted.

- | | |
|-------------|---------------|
| (a) Nil | (b) ₹2,20,000 |
| (c) ₹20,000 | (d) ₹4,20,000 |

GENERAL POINTS AND PROCEDURE

32. Mr. Z deducted TDS of ₹3 lakh u/s 194M on 1.3.2026 in respect of payment of fees for professional services paid on 15.3.2026 which was credited to the account of the payee on 1.3.2026. It deposited the TDS deducted on 15.5.2026. Compute the interest payable u/s 201(1A).

- | | |
|-------------|------------|
| (a) ₹4,500 | (b) ₹9,000 |
| (c) ₹13,500 | (d) ₹1,125 |

33. Vivek & Co, a Chartered Accountant firm, raised invoice of ₹1,18,000 (showing ₹1,00,000 plus 18% IGST), towards fee for professional services rendered to JKG Pvt. Ltd. What is the amount of TDS that will be deducted by JKG Pvt. Ltd.?
- (a) ₹11,800 (b) ₹1,800
(c) ₹10,000 (d) Nil
34. Zoyo Pvt. Ltd. deducted TDS of ₹20,000 u/s 193 on 15.9.2025 while making payment of interest income which was credited to the account of the payee on 1.9.2025. It deposited the TDS deducted on 7.10.2025. Compute the interest payable u/s 201(1A).
- (a) ₹200 (b) ₹17
(c) ₹100 (d) Nil

COLLECTION OF TAX AT SOURCE (TCS)

35. Dash Cars Ltd., a car manufacturer, having a turnover of ₹15 crore for FY 2024-25, sold 5 cars of ₹15 lakh each to a transport company in retail sale on 15.2.2026 and 5 cars of ₹12 lakh each to a car distributor on 15.11.2025. Amounts were received within the FY 2025-26. Business turnover of transport company and car distributor is ₹15 crore and ₹5 crore, respectively, for FY 2024-25. What is the amount of TCS that Dash Cars Ltd. will collect?
- (a) Nil (b) ₹8,500
(c) ₹75,000 (d) ₹81,000
36. Mr. C is a distributor of alcoholic liquor for human consumption produced by JJ Liquor Ltd. Turnover from his business during the PY 2024-25 was ₹3 crore. During the PY 2025-26, he sold liquor to M/s High & Co, a liquor shop for ₹10 lakh. M/s High & Co did not furnish its PAN to Mr. C. Calculate the amount of TCS that Mr. C would collect from the buyer.
- (a) ₹37,500 (b) ₹10,000
(c) ₹50,000 (d) Nil
37. Forex & Co, authorized dealers, received ₹7 lakh from Mr. Y, each on 1.2.2026 and 1.3.2026, for remittance outside India under the LRS scheme of the RBI for the purpose of medical expenditure. At what rate will Forex & Co collect TCS from Mr. Y? This is the only remittance that Mr. Y made during the FY.
- (a) 0.5% on ₹10 lakh (b) 5% of ₹4 lakh
(c) 3.75% of ₹3 lakh (d) 10% of ₹5 lakh
38. A mining lease was awarded to BCD Pvt. Ltd. for the period June 2025 to March 2026 for ₹37,500 per month. Compute the amount of TCS that would be collected by the lessor in this respect?
- (a) Nil (b) ₹10,000
(c) ₹25,000 (d) ₹7,500

ADVANCE TAX

39. Mr. J, a lawyer and a resident aged 42 years, has estimated gross receipts from profession for FY 2025-26 at ₹50 lakh and income chargeable under the head IFOS at ₹15 lakh. He has opted for presumptive income determination u/s 44ADA. Tax deducted at source during the year is ₹2,50,000. He paid advance tax of ₹5,00,000 on 15.3.2026 and filed return of income on 25.7.2026. Compute the interest u/s 234B and 234C that he will be liable to pay upon self-assessment at the time of filing return of income. Mr. J has opted out of the default tax regime.
- (a) ₹15,150 (b) ₹47,667
(c) ₹23,467 (d) Nil
40. Mr. K, a resident of age 45 years, has estimated his tax liability for PY 2025-26 at ₹20,000. How much advance tax will he need to pay by 15.9.2025 if he paid ₹2,000 on 15.6.2025 as the first instalment of advance tax?
- (a) ₹9,000 (b) ₹6,000
(c) ₹7,000 (d) ₹15,000
41. Mr. T, aged 55 years, computed his tax liability for PY 2025-26 at ₹86,500. He paid ₹78,000 as advance tax during the FY 2025-26. Compute the interest chargeable u/s 234B payable on self-assessment at the time of filing return of income on 15.9.2026.
- (a) ₹850 (b) ₹510
(c) ₹5,190 (d) Nil
42. Mr. T is a businessman claiming profits and gains from business u/s 44AD. He has estimated his tax liability for PY 2025-26 of ₹1,00,000. What advance tax instalments does he need to pay?
- (a) ₹1,00,000 by 15.3.2026
(b) ₹50,000 by 15.9.2025 and ₹50,000 by 15.3.2026
(c) ₹1,00,000 by 31.3.2026
(d) ₹15,000 by 15.6.2025, ₹30,000 by 15.9.2025, ₹30,000 by 15.12.2025 and ₹25,000 by 15.3.2026
43. Mr. B, a resident aged 39 years, has estimated particulars of his income for PY 2025-26 as under: Business income of ₹6 lakh, loss from house property of ₹2 lakh, long term capital gain on sale of equity shares u/s 112A of ₹2 lakh and investment in PPF of ₹1.5 lakh. Tax of ₹10,000 is deducted at source out of the total tax deductible at source of ₹15,000. Compute the advance tax payable by Mr. B for FY 2025-26. Mr. B wishes to opt out of default tax regime.
- (a) ₹400 (b) ₹10,400
(c) ₹20,800 (d) Nil
44. Mr. M, aged 40 years, computed his tax liability for PY 2025-26 at ₹98,780. He paid ₹65,430 as advance tax during the FY 2025-26. Tax deducted at source is ₹10,000. Compute the interest chargeable u/s 234B payable on self-assessment at the time of filing return of income on 25.7.2026.
- (a) ₹1,334 (b) ₹934
(c) ₹1,541 (d) ₹932

45. Mr. Z estimated his tax liability for FY 2025-26 at ₹50,000 but filed his return of income on 20.7.2026 showing tax of ₹60,000 on the returned income. He did not pay advance tax. Upon assessment, the AO determined the tax of ₹65,000. Compute the interest that he will need to pay u/s 234C.
- (a) ₹2,340 (b) ₹3,030
(c) ₹5,410 (d) ₹3,480
46. Mr. J has estimated his tax liability for PY 2025-26 at ₹50,000. How much advance tax will he need to pay for the instalment due on 15.12.2025 if he paid ₹10,000 on 15.6.2025 and ₹30,000 on 15.9.2025?
- (a) ₹15,000 (b) ₹10,000
(c) ₹20,000 (d) Nil
47. Mr. Z, a resident, celebrated his 60th birthday on 1.12.2025. He earned salary income of ₹6 lakh (computed) during the year. He also won a lottery prize for ₹7 lakh during the year. Compute his advance tax liability for FY 2025-26 assuming that he intends to opt out of default tax regime.
- (a) ₹2,08,000 (b) ₹31,200
(c) ₹2,18,400 (d) Nil

Answer Key

1. (d)	2. (d)	3. (a)	4. (b)	5. (a)	6. (c)	7. (a)	8. (d)	9. (d)	10. (c)
11. (d)	12. (a)	13. (b)	14. (c)	15. (c)	16. (b)	17. (b)	18. (d)	19. (b)	20. (c)
21. (c)	22. (b)	23. (c)	24. (c)	25. (b)	26. (c)	27. (d)	28. (b)	29. (b)	30. (d)
31. (c)	32. (c)	33. (c)	34. (a)	35. (c)	36. (c)	37. (b)	38. (d)	39. (a)	40. (c)
41. (d)	42. (a)	43. (d)	44. (d)	45. (b)	46. (d)	47. (d)			

Provisions for Filling Return of Income and Self Assessment

MULTIPLE CHOICE QUESTIONS

1. Rajesh, a resident aged 35 years, is a partner in a firm whose business turnover for the PY 2025-26 is ₹75 lakh. During the year, he received share of profit from the firm of ₹3 lakh and salary from the firm of ₹3 lakh (which was deductible in the hands of the firm). He deposited ₹1.5 lakh in his PPF account. He has no other source of income. Advise Rajesh on whether he needs to file return of income for AY 2026-27 and the due date. Consider optional tax regime.
 - (a) Not required to file return
 - (b) Required to file return; due date 31.7.2026
 - (c) Required to file return; due date 31.10.2026
 - (d) Required to file return; due date 30.11.2026

2. Shivani furnished the return of income for AY 2024-25 on the due date of 31.7.2023 resulting in Nil tax. Realizing that she had forgot to declare income from house property, she furnished the updated return of income for the said AY on 10.3.2027. The tax payable on the basis of the updated return was ₹40,000 and interest u/s 234B and u/s 234C was determined at ₹2,000 and ₹1,500, respectively. Determine the amount of additional tax u/s 140B that Shivani needs to pay at the time of furnishing the updated return.

(a) ₹10,875	(b) ₹20,000
(c) ₹21,750	(d) ₹1,750

3. Hiren, a resident aged 30 years, is a CA in practice. Gross receipts for PY 2025-26 were ₹60 lakh. Business income was computed at ₹3 lakh and ₹1 lakh was the income from other sources. He claimed deduction of ₹1.5 lakh u/s 80C. Is Hiren required to file his return for AY 2026-27 and if so, what is the due date? Consider optional tax regime.
 - (a) Not required to file return
 - (b) Required to file return; due date 31.7.2026
 - (c) Required to file return; due date 31.10.2026
 - (d) Required to file return; due date 30.11.2026

4. Gokul furnished his return for AY 2026-27 on 15.10.2025 as against the due date of 31.7.2026. He paid the entire self- assessment tax due of ₹1 lakh on 25.7.2026. Compute the interest u/s 234A.

(a) ₹3,000	(b) ₹2,000
(c) ₹1,000	(d) Nil

5. Rupesh, a resident aged 61 years, is a sleeping partner in a partnership firm having business turnover of ₹2 crore for the PY 2025-26. All the transactions carried out by the firm were online mode. His only income during the year was taxable salary from the firm of ₹2.5 lakh. His son took him for a vacation to Maldives on which his son spent ₹3 lakh. Is Rupesh required to file his return and if so, what is the due date? Consider optional tax regime.
- Not required to file return
 - Required to file return; due date 31.7.2026
 - Required to file return; due date 31.10.2026
 - Required to file return; due date 30.11.2026
6. Yasmin computed her total income for PY 2025-26 of ₹4 lakh and filed her return of income on 15.12.2026 (due date being 31.7.2026). She is engaged in the business of growing and manufacturing of tea in India. Compute the fee payable by her for default in furnishing return of income for AY 2026-27?
- ₹1,000
 - ₹5,000
 - ₹10,000
 - Nil as total income is ₹5 lakh
7. Mrs. C, a resident of age 68 years, is a retired professor. During the PY 2025-26, she received dividend of ₹1,35,000 from BCD Pvt. Ltd., an Indian company, and interest of ₹80,000 on debentures of XYZ Ltd. She also received ₹10,00,000 on maturity of her PPF Account and ₹1,00,000 out of the income of HUF of which she is a member. All the amounts were received by cheque which were deposited in her savings bank account on which she received interest of ₹40,000. She did not furnish her PAN number to XYZ Ltd. Is Mrs. C required to file her return of income for AY 2026-27 and if so, what is the due date? Consider default tax regime.
- Not required to file return
 - Required to file return; due date 31.7.2026
 - Required to file return; due date 31.10.2026
 - Required to file return; due date 30.11.2026
8. Surabhi filed her return on 1.8.2026 as against the due date of 31.7.2026, declaring a total income of ₹5 lakh. She revised the return on 15.12.2026 showing a total income of ₹4 lakh and again revised the return on 15.1.2027 showing a total income of ₹3 lakh. Assessment was completed on 31.3.2027. What is the total income that will be considered as having been declared by her in her return?
- ₹5 lakh
 - ₹4 lakh
 - ₹3 lakh
 - AO will determine under best judgment assessment
9. Mr. J furnished his return for the AY 2024-25 on the due date of 31.7.2024 declaring a total income of ₹6 lakh and tax liability of ₹33,800. He furnished a revised return on 15.9.2024 reducing the total income to ₹5.5 lakh and tax liability to ₹23,400. He again furnished an updated return on 20.3.2026 modifying the total income to ₹5.75 lakh and tax liability to ₹28,600. What is the amount of tax liability will be considered as valid in his case?

- (a) ₹33,800 (b) ₹23,400
(c) ₹28,600 (d) AO will need to assess
- 10.** Saumil, aged 20 years, started earning salary during PY 2025-26 and his total income for PY 2025-26 is ₹4 lakh. There is no other source of income. He does not have a PAN. Is he required to apply for PAN?
(a) No, since tax liability is Nil after claiming rebate u/s 87A
(b) Yes, latest by 31.3.2026
(c) Yes, latest by 31.5.2026
(d) Yes, latest by 31.3.2027
- 11.** Monu started a business during PY 2024-25, turnover of which was ₹4 lakh for PY 2024-25 and is likely to be ₹6 lakh for PY 2025-26. Monu also estimates his total income to be ₹1 lakh for PY 2025-26 (it was Nil for PY 2024-25). The business is his only source of income. He does not have a PAN. Is he required to apply for PAN?
(a) No, since tax liability is Nil (b) Yes, latest by 31.3.2026
(c) Yes, should have applied by 31.3.2025 (d) Yes, latest by 31.5.2026
- 12.** Mr. Q did not file his return for AY 2026-27 and tax on his total income was determined at ₹45,620 on the basis of best judgment assessment u/s 144 which was completed on 15.4.2027. Due date of filing return was 31.7.2025. He had paid advance tax of ₹12,000 and TDS deducted during FY 2025-26 was ₹12,650. Determine interest u/s 234A that Mr. Q. will have to pay.
(a) ₹1,887 (b) ₹1,672
(c) ₹1,881 (d) ₹1,543
- 13.** Shovik filed his return on 5.11.2026, as against the due date of 31.10.2026, declaring a total income of ₹10 lakh. He revised his return on 15.12.2026 in which he set off business loss of current year, thereby reducing total income to ₹8 lakh. Assessment was completed on 10.5.2027. What is the total income that will be considered as having been declared by him?
(a) ₹10 lakh
(b) ₹8 lakh
(c) Nil
(d) AO will determine under best judgment assessment
- 14.** Yasmin, having a total income of ₹6 lakh, furnished her return for AY 2026-27 on 31.12.2026. She will need to pay a fee of:
(a) ₹1,000 (b) ₹5,000
(c) ₹10,000 (d) Nil
- 15.** Mr. Z declared tax on his total income for AY 2026-27 of ₹54,600 and furnished a belated return. He had paid advance tax of ₹12,000. TDS was deducted for ₹7,500 and he claimed relief u/s 89 of ₹1,400. Interest u/s 234A, 234B and 234C cumulatively amounted to ₹2,500 and fee u/s 234 was ₹5,000. He paid ₹30,000 on self-assessment at the time of filing his return. How much amount will still remain payable by Mr. Z?

- (a) ₹2,500 of interest; ₹8,700 of tax
 (b) ₹5,000 of fee; ₹2,500 of interest; ₹3,700 of tax
 (c) ₹5,000 of fee; ₹6,200 of tax
 (d) ₹11,200 of tax
16. Suhani, a resident and ordinarily resident, is a shareholder in BCD Ltd. During the PY 2025-26, BCD Ltd. entered into international transactions in respect of which it is required to furnish Transfer Pricing report u/s 92E. Total income of Suhani, after claiming deduction under Chapter VIA of ₹1 lakh, is ₹1 lakh. She is an authorized signatory for a bank account in the UK. Is she required to file her return and if so, what is the due date? Consider default tax regime.
- (a) Not required to file return
 (b) Required to file return; due date 31.7.2026
 (c) Required to file return; due date 31.10.2026
 (d) Required to file return; due date 30.11.2026
17. Mr. Gupta filed his return of loss for AY 2024-25 on 31.7.2023. After processing of return, he received a refund of ₹30,000. He has come across additional income to be reported and he wishes to furnish an updated return 10.11.2025. This would result in tax payable of ₹40,000 and interest payable of ₹10,000. What is the amount of additional tax that he would need to pay at the time of furnishing the updated return?
- (a) ₹40,000 (b) ₹20,000
 (c) ₹25,000 (d) ₹12,500
18. Mrs. M, a resident having date of birth 1.4.1945, computed her gross total income for the AY 2026-27 at ₹4,75,000. She has not claimed any deduction under Chapter VIA. She does not have any capital gain. She has paid electricity bills of ₹9,000 p.m. during the PY 2025-26. She travelled to the UK during September 2024 along with her spouse for which he spent ₹1.5 lakh on return airfare. Her daughter, staying in UK, met the expenses of ₹35,000 toward sightseeing and stay. Consider optional tax regime. Determine whether Mrs. M is required to furnish return of income and if so, the due date?
- (a) Not required to file return
 (b) Required to file return; due date 31.7.2026
 (c) Required to file return; due date 31.10.2026
 (d) Required to file return; due date 30.11.2026

Answer Key

1. (b)	2. (c)	3. (c)	4. (d)	5. (a)	6. (a)	7. (a)	8. (b)	9. (c)	10. (c)
11. (b)	12. (c)	13. (b)	14. (b)	15. (d)	16. (b)	17. (b)	18. (b)		

Computation of Total Income and Tax Payable

MULTIPLE CHOICE QUESTIONS

1. Suresh, a resident of age 65 years, has total income of ₹60,00,000 (including winning from lottery of ₹1,00,000). He has paid TDS on lottery prize @ 30%. Compute net tax payable for AY 2026-27. Suresh has opted out of default tax regime.

(a) ₹17,71,000	(b) ₹16,44,400
(c) ₹18,41,840	(d) ₹18,11,840
2. Raju, a resident of age 56 years, is having total income of ₹5,00,000 (comprising business income). Tax of ₹4,000 has been deducted at source and he has paid ₹10,000 as advance tax. Compute his net tax payable or refundable for AY 2026-27 under optional tax regime.

(a) Nil	(b) Tax refundable ₹14,000
(c) Tax refundable ₹4,000	(d) Tax refundable ₹1,500

ALTERNATE MINIMUM TAX (AMT)

3. Mr. Q is a resident individual aged 40 years having gross total income of ₹25 lakh. He has claimed deduction of ₹5 lakh u/s 80JJAA and ₹3 lakh u/s 80RRB. Gross total income includes long term capital gain from sale of gold of ₹2 lakh. He has opted out of the default tax regime. Compute his tax liability for AY 2026-27 and AMT credit available, if any.

(a) Tax liability ₹4,81,000; AMT credit ₹1,82,000
(b) Tax liability ₹4,84,120; AMT credit ₹1,69,520
(c) Tax liability ₹3,14,600; AMT credit ₹1,66,400
(d) Tax liability ₹4,84,120; AMT credit ₹1,66,400
4. Mr. K, a resident individual aged 35 years, having gross total income of ₹30 lakh, has claimed deduction u/s 80QBB of ₹3 lakh. He has opted out of the default tax regime. AMT credit of AY 2025-26 carried forward is ₹1,00,000. Compute his tax liability for AY 2026-27.

(a) ₹6,47,400	(b) ₹5,77,200
(c) ₹5,77,200	(d) ₹5,47,400
5. Mrs. Y, a resident individual aged 55 years, has earned business income of ₹45 lakh and income from other sources ₹10 lakh. She has claimed the following deductions: Tts. 1.5 lakh u/s 80C, ₹50,000 u/s 80D and ₹3 lakh u/s 80RRB. Income from other sources includes ₹3 lakh from card games. She has opted out of the default tax regime. Compute her tax liability for AY 2026-27.

(a) ₹11,21,690	(b) ₹10,19,720
(c) ₹13,65,000	(d) ₹10,55,600

6. Mr. J is a resident individual aged 65 years carrying on business. His business income (computed) is ₹10 lakh, after claiming deduction of ₹25 lakh u/s 35AD. Had he not claimed deduction u/s 35AD, depreciation of ₹5 lakh would have been allowable. He has opted out of the default tax regime. AMT credit of AY 2025-26 carried forward is ₹1,00,000. Compute his tax liability for AY 2026-27.
- | | |
|---------------|---------------|
| (a) ₹6,73,400 | (b) ₹4,77,200 |
| (c) ₹1,14,400 | (d) ₹5,77,200 |

CONCESSIONAL RATE OF TAX FOR INDIVIDUALS/HUF/AOP/BOI/AJP

7. Suyash, a resident aged 50 years, draws basic salary of ₹40,000 per month and has earned interest on savings account with IDBI Bank of ₹50,000. Compute his tax liability for AY 2026-27, considering the provisions which are most beneficial to him.
- | | |
|-------------|-------------|
| (a) Nil | (b) ₹16,120 |
| (c) ₹15,080 | (d) ₹13,040 |
8. Gaurav, aged 32 years is employed with BCD Ltd. Income from salary (computed) is ₹40 lakh. He has also earned short term capital gain on sale of equity shares (STT paid) of ₹5 lakh. Compute his tax liability for AY 2026-27, considering the provisions which are most beneficial to him.
- | | |
|----------------|----------------|
| (a) ₹11,31,000 | (b) ₹10,53,000 |
| (c) ₹10,71,200 | (d) ₹11,56,000 |
9. Srishti, a resident age 46 years, has the following particulars of income for AY 2026-27: Business income ₹20,00,000 (after claiming deduction of ₹10,00,000 u/s 35AD). Assets on which deduction u/s 35AD is claimed are otherwise eligible for normal depreciation of ₹1,00,000. She has also claimed deduction of ₹2,00,000 u/s 80RRB and ₹1,00,000 u/s 80C. Compute her tax liability for AY 2026-27 in a manner which is most beneficial to her.
- | | |
|---------------|---------------|
| (a) ₹5,38,720 | (b) ₹3,35,400 |
| (c) ₹5,92,800 | (d) ₹4,67,200 |
10. Rishabh, a resident aged 35 years, has business income (computed) of ₹20,00,000, loss from house property (on account of interest on loan for self-occupied house) of ₹2,00,000 and long-term capital gain on sale of gold of ₹3,00,000. He has deposited ₹1,00,000 each in PPF and Sukanya Samriddhi accounts. Compute his tax liability for AY 2026-27, considering provisions which are most beneficial to him.
- | | |
|---------------|---------------|
| (a) ₹4,13,400 | (b) ₹3,25,000 |
| (c) ₹3,51,000 | (d) ₹3,82,200 |

11. Sushi, resident of age 65 years, has the following incomes during the PY 2025-26: Basic salary received ₹12,00,000; HRA received ₹3,00,000 (₹2,50,000 is exempt), loss from let out house property ₹3,00,000, family pension ₹60,000, interest from debentures of ₹51,500 earned by minor child out of money gifted by Sushi, medical insurance premium paid for self and spouse (63 years) ₹60,000. Compute her tax liability for AY 2026-27, considering the provisions which are most beneficial to her.
- (a) ₹1,45,990 (b) ₹1,45,600
(c) ₹1,70,510 (d) ₹1,02,960
12. Juhi, age 36 years, has earned income from salary of ₹9,00,000 (computed) for the PY 2025-26. She has claimed the following deductions: ₹1,00,000 u/s 80CCD(2) for employer's contribution to NPS, ₹1,00,000 for own contribution to NPS u/s 80CCD(1), additional deduction of ₹50,000 u/s 80CCD(1B) for own contribution to NPS. She has deposited ₹1,00,000 in PPF. Compute her tax liability for AY 2026-27, considering the provisions which are most beneficial to her.
- (a) ₹36,400 (b) ₹39,000
(c) Nil (d) ₹37,500
13. Tax rate slab is same for default as well as optional tax regime for total income exceeding:
- (a) ₹5,00,000 (b) ₹7,50,000
(c) ₹10,00,000 (d) ₹24,00,000
14. Rana, a resident age 40 years and carrying on a business, has computed business income for the PY 2025-26 of ₹30 lakh. He has further claimed deduction of ₹2 lakh u/s 80JJAA and ₹3 lakh u/s 80G. Compute his tax liability for AY 2026-27 in a manner which is most beneficial to him.
- (a) ₹6,00,600 (b) ₹5,19,480
(c) ₹5,85,000 (d) ₹4,36,800

Answer Key

1. (d)	2. (b)	3. (a)	4. (c)	5. (c)	6. (d)	7. (a)	8. (c)	9. (a)	10. (b)
11. (d)	12. (c)	13. (d)	14. (d)						