

# FREE RESOURCES

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**INCOME TAX +  
AMENDMENTS 25/26**



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## 1. BASIC CONCEPTS

### Question: 1

Miss Nisha (45 years) is a non resident individual. For the A.Y.2025-26, she has earned Long term capital gain on 31.10.2024 from transfer of listed equity shares (STT has been paid on acquisition and transfer of the said shares) - Rs.1,80,000 and Other income - Rs. 2,75,000

Calculate the tax liability of Miss Nisha for A.Y. 2025-26 under default tax regime.

- ★ Nil
- ★ Rs. 9,620
- ★ Rs. 5,720
- ★ Rs. 7,150

### Question: 2

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

- ★ Nil
- ★ Rs. 3,00,000
- ★ Rs. 13,00,000
- ★ Rs. 18,00,000

### Question: 3

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

- ★ Rs. 2,18,400
- ★ Rs. 55,000
- ★ Rs. 5,46,000
- ★ Rs. 54,600

### Question: 4

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

Particulars	Rs. in lakhs
Capital Gains under section 112A (Date of transfer- 29.9.2024)	120
Capital Gains under section 111A (Date of transfer- 25.11.2024)	110
Other Income	520

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

- ★ Rs. 2,57,08,440
- ★ Rs. 2,44,42,760
- ★ Rs. 2,60,14,170
- ★ Rs. 2,63,66,240

### Question: 5

The rates of income-tax are mentioned in

- ★ The Income-tax Act, 1961 only
- ★ The First Schedule to the Annual Finance Act
- ★ Both Income-tax Act, 1961 and the First Schedule to the Annual Finance Act
- ★ Both Income-tax Act, 1961 and Income-tax Rules, 1962

**Question: 6**

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

- ★ Rs. 3,00,000 and Rs. 6,25,000, respectively
- ★ Rs. 3,00,000 and Rs. 10,00,000, respectively
- ★ Rs. 4,80,000 and Rs. 10,00,000, respectively
- ★ Rs. 9,00,000 and Rs. 15,00,000, respectively

**Question: 7**

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

- ★ Rs. 3,50,000
- ★ Rs. 4,00,000
- ★ Rs. 8,75,000
- ★ Rs. 18,50,000

**Question: 8**

Mr. Ashutosh, aged 65 years and a resident in India, has a total income of Rs. 3,20,00,000, comprising long term capital gain on 10.05.2024 taxable under section 112 of Rs. 57,00,000, long term capital gain on 10.08.2024 taxable under section 112A of Rs. 65,00,000 and other income of Rs. 1,98,00,000. What would be his tax liability for A.Y. 2025-26 under default tax regime.

- ★ Rs. 90,49,980
- ★ Rs. 98,36,940
- ★ Rs. 90,53,720
- ★ Rs. 85,38,690

**Question: 9**

Which of the following is agriculture income?

- ★ Income from breeding of livestock
- ★ Income from fisheries
- ★ Income from juice centre
- ★ Income derived from saplings or seedlings grown in a nursery

**Question: 10**

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

- (i) Any income derived from saplings or seedlings grown in a nursery is agricultural income exempt from tax u/s 10(1).
- (ii) 60% of dividend received from shares held in a tea company is agricultural income exempt from tax u/s 10(1).

- (iii) While computing income tax liability of an assessee aged 50 years, agricultural income is required to be added to total income only if net agricultural income for the P.Y. exceeds Rs. 5,000 and the total income (including net agricultural income) exceeds the basic exemption limit.
- (iv) While computing income tax liability of an assessee aged 50 years, agricultural income is required to be added to total income only if net agricultural income for the P.Y. exceeds Rs. 5,000 and the total income (excluding net agricultural income) exceeds the basic exemption limit.
  - ★ (i) and (iii)
  - ★ (ii) and (iii)
  - ★ (i) and (iv)
  - ★ (i), (ii) and (iv)

**Question: 11**

Income derived from farm building situated in the immediate vicinity of an agricultural land (not assessed to land revenue) would be treated as agricultural income if such land is situated in?

- ★ an area at a distance of 3 kms from the local limits of a municipality and has a population of 80,000 as per last census
- ★ an area within 1.5 kms from the local limits of a municipality and has a population of 12,000 as per last census
- ★ an area within 2 kms from the local limits of a municipality and has a population of 11,00,000 as per last census
- ★ an area within 8 kms from the local limits of a municipality and has a population of 10,50,000 as per last census

**Question: 12**

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

- ★ Only Mr. Harsh Gupta, Mr. Gautam Gupta and Mr. Deepak Gupta
- ★ Only Mr. Harsh Gupta, Mr. Gautam Gupta, Mr. Deepak Gupta and Miss Preeti Gupta
- ★ Only Mr. Harsh Gupta, Mr. Gautam Gupta, Mr. Deepak Gupta, Mrs. Nidhi Gupta and Mrs. Deepti Gupta
- ★ All the members are co-parceners

**Residence and Scope of Total Income****Question: 1**

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

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

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

- ★ Non-Resident; Rs. 6,25,000 is liable to tax in India
- ★ Resident and ordinary resident; Rs. 18,25,000 is liable to tax in India
- ★ Resident but not ordinarily resident; Rs. 11,75,000 is liable to tax in India
- ★ Non-Resident; Rs. 11,75,000 is liable to tax in India

**Question: 2**

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

- ★ Both are resident and ordinarily resident in India
- ★ Both are non-resident in India
- ★ Mr. Rajesh is resident but not ordinarily resident in India and Mrs. Sowmya is non-resident
- ★ Mrs. Sowmya is resident but not ordinarily resident in India and Mr. Rajesh is resident and ordinarily resident in India

**Question: 3**

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

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

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

- ★ Rs. 7,00,000
- ★ Rs. 10,00,000
- ★ Rs. 6,00,000
- ★ Rs. 1,00,000

**Question: 4**

Raman, a citizen of India, was employed in Hindustan Lever Ltd. He resigned on 27.09.2024. He received a salary of Rs. 40,000 p.m. from 1.4.2024 to 27.9.2024 from Hindustan Lever Ltd. Thereafter he left for Dubai for the first time on 1.10.2024 and got salary of rupee equivalent of Rs. 80,000 p.m. from 1.10.2024 to 31.3.2025 in Dubai. His salary for October to December 2024 was credited in his Dubai bank account and the salary for January to March 2025 was credited in his Mumbai account directly. He is liable to tax in respect of -

- ★ income received in India from Hindustan Lever Ltd.
- ★ income received in India and in Dubai.
- ★ income received in India from Hindustan Lever Ltd. and income directly credited in India.
- ★ income received in Dubai.

**Question: 5**

Mr. Square, an Indian citizen, currently resides in Dubai. He came to India on a visit and his total stay in India during the F.Y. 2024-25 was 135 days. He is not liable to pay any tax in Dubai. Following is his details of stay in India in the preceding previous years:

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

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

- ★ Resident but not ordinary resident
- ★ Resident and ordinary resident
- ★ Non-resident
- ★ Deemed resident but not ordinarily resident

**Question: 6**

If Anirudh, a citizen of India, has stayed in India in the P.Y. 2024-25 for 181 days, and he is non-resident in 9 out of 10 years immediately preceding the current previous year and he has stayed in India for 365 days in all in the 4 years immediately preceding the current previous year and 420 days in all in the 7 years immediately preceding the current previous year, his residential status for the A.Y. 2025-26 would be -

- ★ Resident and ordinarily resident
- ★ Resident but not ordinarily resident
- ★ Non-resident
- ★ Deemed resident but not ordinarily resident

**Question: 7**

Mr. Sumit is an Indian citizen and a member of the crew of an America bound Indian ship engaged in carriage of freight in international traffic departing from Chennai on 25th April, 2024. From the following details for the P.Y. 2024-25, what would be the residential status of Mr. Sumit for A.Y. 2025-26, assuming that his stay in India in the last 4 previous years

preceding P.Y. 2024-25 is 365 days and last seven previous years preceding P.Y. 2024-25 is 730 days?

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

Mr. Sumit has been filing his income tax return in India as a resident for the preceding 2 previous years.

- ★ Resident and ordinarily resident
- ★ Resident but not-ordinarily resident
- ★ Non-resident
- ★ Deemed resident but not-ordinarily resident

### Question: 8

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

- Mr. Bob, an Italian dancer, came on visit to India to explore Indian dance on 15.09.2024 and left on 25. 12.2024. For past four years, he visited India for dance competition and stayed in India for 120 days each year.
- Mr. Samrat born and settled in USA, visits India each year for 100 days to meet his parents and grandparents, born in India in 1946, living in Delhi. His Indian income is Rs. 15,20,000
- Mr. Joseph, an American scientist, left India to his home country for fixed employment there. He stayed in India for study and research in medicines from 01.01.2019 till 01.07.2024

Choose the correct answer

- ★ Mr. Bob and Mr. Joseph
- ★ Mr. Samrat Mr. Bob,
- ★ Mr. Samrat and Mr. Joseph
- ★ None of the three

### Question: 9

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

- ★ resident and ordinarily resident only
- ★ resident and ordinarily resident and resident but not ordinarily resident
- ★ non-resident
- ★ All the above

### Question: 10

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

- ★ Non-resident
- ★ Resident but not ordinarily resident
- ★ Deemed resident
- ★ Resident and ordinarily resident

### Question: 11

Mr. Tejas, an Indian Citizen, left India permanently with his wife and two children, for extending his retail trade business of toys in Canada in the year 2016. From Canada, he is

## CA VARDHAMAN DAGA

managing his retail business of toys in India. For the purpose of his Indian business, he visits India every year from 1<sup>st</sup> September to 31<sup>st</sup> January. His business income is Rs. 23.50 lakhs and Rs. 18 lakhs from retail trade business in Canada and in India, respectively for the F.Y. 2024-25. He has no other income during the P.Y. 2024-25. Determine his residential status and income taxable in his hands for the A.Y. 2025-26.

- ★ Resident and ordinarily resident in India and income of Rs. 18 lakhs and Rs. 23.50 lakhs would be taxable.
- ★ Non-Resident and Rs. 18 lakhs from Indian retail trade business would only be taxable.
- ★ Resident but not ordinarily Resident and Rs. 18 lakhs from Indian retail trade business would only be taxable
- ★ Deemed resident and Rs.18 lakhs from Indian retail trade business would only be taxable

## HEADS OF INCOME

**Question: 1**

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

- ★ Rs. 27,26,442
- ★ Rs. 27,30,884
- ★ Rs. 27,22,000
- ★ Rs. 27,71,325

**Question: 2**

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

- ★ 1<sup>st</sup> day of the relevant previous year
- ★ Last day of the relevant previous year
- ★ the day the loan is given
- ★ 1<sup>st</sup> day of the relevant assessment year

**Question: 3**

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

- ★ only LTCG taxable u/s 112
- ★ only STCG taxable u/s 111A
- ★ both (a) and (b)
- ★ casual income taxable u/s 115BB

**Question: 4**

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

- ★ Rs. 42,000
- ★ Rs. 51,000
- ★ Rs. 52,500
- ★ Rs. 43,500

**Question: 5**

Mr. Raghav has three houses for self-occupation. What would be the tax treatment for A.Y.2025-26 in respect of income from house property?

- ★ One house, at the option of Mr. Raghav, would be treated as self-occupied. The other two houses would be deemed to be let out.
- ★ Two houses, at the option of Mr. Raghav, would be treated as self-occupied. The other house would be deemed to be let out.

- ★ One house, at the option of Assessing Officer, would be treated as self-occupied. The other two houses would be deemed to be let out.
- ★ Two houses, at the option of Assessing Officer, would be treated as self-occupied. The other house would be deemed to be let out.

### Question: 6

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

- ★ only LTCG taxable @20% u/s 112
- ★ only STCG taxable @20% u/s 111A
- ★ both (a) and (b)
- ★ neither (a) nor (b)

### Question: 7

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

- ★ 12.06.2024: loan repayment of Rs. 27,000 taken for business purpose from his friend Kunal. The repayment also includes interest of Rs. 5,000.
- ★ 19.08.2024: Portable dye machinery purchased for Rs. 15,000. The payment was made in cash in three weekly instalments.
- ★ 26.01.2025: Payment of Rs. 10,000 made to electrician due to unforeseen electric circuit at shop.
- ★ 28.02.2025: Purchases made from unregistered dealer for Rs. 13,500.

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

- ★ Rs. 18,500
- ★ Rs. 28,500
- ★ Rs. 13,500
- ★ Nil

### Question: 8

Mr. Jagat is an employee in accounts department of Bharat Ltd., a cellular company operating in the regions of eastern India. It is engaged in manufacturing of cellular devices. During F.Y. 2024-25, following transactions were undertaken by Mr. Jagat:

- (i) He attended a seminar on "Perquisite Valuation". Seminar fees of Rs. 12,500 was paid by Bharat Ltd.
- (ii) Tuition fees of Mr. Himanshu (son of Mr. Jagat) paid to private coaching classes (not having any tie-up with Bharat Ltd.) was reimbursed by Bharat Ltd. Amount of fees was Rs. 25,000.
- (iii) Ms. Sapna (daughter of Mr. Jagat) studies in Bharat Public School (owned and maintained by Bharat Ltd.). Tuition fees paid for Ms. Sapna was Rs. 750 per month by Mr. Jagat. Cost of education in similar institution is Rs. 5,250 per month.

What shall be the amount which is chargeable to tax under the head "Salaries" in hands of Mr. Jagat for A.Y. 2025-26?

- ★ Rs. 25,000
- ★ Rs. 37,500
- ★ Rs. 66,500
- ★ Rs. 79,000

### Question: 9

Vidya received Rs. 90,000 in May, 2024 towards recovery of unrealised rent, which was deducted from actual rent during the P.Y. 2021-22 for determining annual value. Legal expense incurred in relation to unrealized rent is Rs. 20,000. The amount taxable under section 25A for A.Y. 2025-26 would be

- ★ Rs. 70,000
- ★ Rs. 63,000
- ★ Rs. 90,000
- ★ Rs. 49,000

**Question: 10**

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

- ★ Rs. 5,000
- ★ Rs. 7,000
- ★ Rs. 10,000
- ★ Rs. 14,000

**Question: 11**

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

- ★ Rs. 1,50,000
- ★ Rs. 1,80,000
- ★ Rs. 2,00,000
- ★ Rs. 2,10,000

**Question: 12**

XYZ Pvt. Ltd. provides a car (below 1.6 ltr cc) along with a driver to Mr. Sanjay, employee of XYZ Pvt. Ltd., partly for official and partly for personal purpose. The expenses incurred by the company are: Running and maintenance expenses Rs. 32,000 and driver salary Rs. 36,000. The taxable value of car facility for A.Y. 2025-26 will be

- ★ Rs. 21,600
- ★ Rs. 10,800
- ★ Rs. 32,400
- ★ Rs. 39,600

**Question: 13**

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

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

- ★ Rs. 1,16,58,000
- ★ Rs. 1,07,44,800

- ★ Rs. 89,29,800
- ★ Rs. 1,03,45,500

**Question: 14**

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

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

**Question: 15**

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

- ★ Rs. 2,000
- ★ Rs. 3,000
- ★ Rs. 3,500
- ★ Rs. 4,500

**Question: 16**

Mr. A (aged 45 years) sold an agricultural land for Rs. 52 lakhs on 04.10.2024 acquired at a cost of Rs. 49.25 lakhs on 13.09.2023 situated at 7 kms from the jurisdiction of municipality having population of 4,00,000 and also sold another agricultural land for Rs. 53 lakhs on 12.12.2024 acquired at a cost of Rs. 46 lakhs on 15.02.2023 situated at 1.5 kms from the jurisdiction of municipality having population of 12,000. What would be the amount of capital gain chargeable to tax in the hands of Mr. A for the A.Y. 2025-26? CII for F.Y. 2022-23: 331 ; 2023-24: 348; 2024-25: 363.

- ★ Short-term capital gain of Rs. 9.75 lakhs
- ★ Short-term capital gain of Rs. 7 lakhs
- ★ Long-term capital gain of Rs. 2,72,212
- ★ Long-term capital gain of Rs. 2,50,158

**Question: 17**

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

- ★ Exempt from income-tax under section 10
- ★ Taxable under the Income-tax Act, 1961
- ★ Remuneration received by Mr. Harry is exempt but remuneration received by Mr. Sujoy is taxable
- ★ Remuneration received by Mr. Sujoy is exempt but remuneration received by Mr. Harry is taxable

**Question: 18**

Mr. X acquires an asset in the year 2017-18 for the use for scientific research for Rs. 2,75,000. He claimed deduction under section 35(1)(iv) in the previous year 2017-18. The asset was brought into use for the business of Mr. X in the P.Y.2024-25, after the research was completed. The actual cost of the asset to be included in the block of assets is

- ★ Nil
- ★ Market value of the asset on the date of transfer to business
- ★ Rs. 2,75,000 less notional depreciation under section 32 upto the date of transfer
- ★ Actual cost of the asset i.e. , Rs. 2,75,000

#### 4. income of other person included in Assessee's total income

##### Question: 1

Mr. Aarav gifted a house property valued at Rs. 50 lakhs to his wife, Geetha, who in turn has gifted the same to her daughter-in-law Deepa. The house was let out at Rs. 20,000 per month throughout the P.Y.2024-25. Compute income from house property for A.Y. 2025-26. In whose hands is the income from house property chargeable to tax?

- ★ Rs. 2,40,000 in the hands of Mr. Aarav
- ★ Rs. 1,68,000 in the hands of Mr. Aarav
- ★ Rs. 1,68,000 in the hands of Geetha
- ★ Rs. 1,68,000 in the hands of Deepa

##### Question: 2

On 20.10.2024, Pihu (minor child) gets a gift of Rs. 20,00,000 from her fathers friend. On the same day, the amount is deposited as fixed deposit in Pihu's bank account. On the said deposit, interest of Rs. 13,000 was earned during the P.Y. 2024-25. In whose hands the income of Pihu shall be taxable? Also, compute the amount of income that shall be taxable under default regime under section 115BAC

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

##### Question: 3

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

- ★ as the income of Mr. C
- ★ as the income of Mrs. A
- ★ as the income of the HUF
- ★ as the income of Mr. A

##### Question: 4

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

- ★ Rs. 88,888
- ★ Rs. 1,00,000
- ★ Rs. 2,00,000
- ★ Nil

##### Question: 5

Mrs. Shivani, wife of Mr. Anurag, is a partner in a firm. Her capital contribution is Rs. 5 lakhs to the firm as on 1.4.2024 which includes Rs. 3.5 lakhs contributed out of gift received from Anurag. The firm paid interest on capital of Rs. 50,000 and share of profit of Rs. 60,000 during the F.Y.2024-25. The entire interest has been allowed as deduction in the hands of the firm. Which of the following statements is correct?

- ★ Share of profit is exempt but interest on capital is taxable in the hands of Mrs. Shivani.
- ★ Share of profit is exempt but interest of Rs. 39,286 is includable in the income of Mr. Anurag and interest of Rs. 10,714 is includable in the income of Mrs. Shivani.
- ★ Share of profit is exempt but interest of Rs. 35,000 is includable in the income of Mr. Anurag and interest of Rs. 15,000 is includable in the income of Mrs. Shivani.
- ★ Share of profit to the extent of Rs. 42,000 and interest on capital to the extent of Rs. 35,000 is includable in the hands of Mr. Anurag.

### Question: 6

Mrs. Bhawna, wife of Mr. Sonu, is a partner in a firm. Her capital contribution of Rs. 10 lakhs to the firm as on 31.3.2024 included Rs. 6 lakhs contributed out of gift received from Sonu. On 1.4.2024, she further invested Rs. 2 lakh out of gift received from Sonu. The firm paid interest on capital of Rs. 1,20,000 and share of profit of Rs. 1,00,000 during the F.Y.2024-25. The entire interest has been allowed as deduction in the hands of the firm. Which of the following statements is correct?

- ★ Share of profit is exempt but interest on capital is taxable in the hands of Mrs. Bhawna
- ★ Share of profit is exempt but interest of Rs. 80,000 is includable in the income of Mr. Sonu and interest of Rs. 40,000 is includable in the income of Mrs. Bhawna
- ★ Share of profit is exempt but interest of Rs. 72,000 is includable in the income of Mr. Sonu and interest of Rs. 48,000 is includable in the income of Mrs. Bhawna
- ★ Share of profit to the extent of Rs. 60,000 and interest on capital to the extent of Rs. 72,000 is includable in the hands of Mr. Sonu

### Question: 7

Pankaj gifted an amount of Rs. 3,00,000 to his wife, Pinky and Rs. 2,00,000 to his daughter, Rinky aged 20 years, on 1<sup>st</sup> April 2020. Both Pinky and Rinky invested the amounts on the same date in Government of India 11% Taxable Bonds. The interest accrues yearly and is reinvested in the same bonds. Determine what will be the amount taxable in hands of Pinky for A.Y. 2025-26.

- ★ Rs. 4,473
- ★ Rs. 12,132
- ★ Rs. 33,000
- ★ Rs. 36,630

### Question: 8

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

- ★ Rs. 3,000 as interest on capital from firm
- ★ Rs. 4,000 as interest on capital from firm
- ★ Rs. 3,000 as interest on capital from firm and Rs. 40,000 as salary from firm
- ★ Rs. 4,000 as interest on capital from firm and Rs. 40,000 as salary from firm

**Question: 9**

Mr. Arvind gifted a house property to his wife, Mrs. Meena and a flat to his daughter-in law, Mrs. Seetha. Both the properties were let out. Which of the following statements is correct?

- ★ Income from both properties is to be included in the hands of Mr. Arvind by virtue of section 64
- ★ Income from property gifted to wife alone is to be included in Mr. Arvind's hands by virtue of section 64
- ★ Mr. Arvind is the deemed owner of house property gifted to Mrs. Meena and Mrs. Seetha
- ★ Mr. Arvind is the deemed owner of property gifted to Mrs. Meena. Income from property gifted to Mrs. Seetha would be included in his hands by virtue of section 64

**Question: 10**

Ram owns 500, 15% debentures of R Industries Ltd. of Rs. 500 each. Annual interest of Rs. 37,500 was payable on these debentures for P.Y. 2024-25. He transfers interest income to his friend Shyam, without transferring the ownership of these debentures. While filing return of income for A.Y. 2025-26, Shyam showed Rs. 37,500 as his income from debentures. As tax advisor of Shyam, do you agree with the tax treatment done by Shyam in his return of income?

- ★ Yes, since interest income was transferred to Shyam, therefore, after transfer, it becomes his income.
- ★ No, since Ram has not transferred debentures to Shyam, interest income on the debentures is not taxable income of Shyam. It would be included in the hands of Ram.
- ★ Yes, if debentures are not transferred, interest income on debentures can be declared by anyone, Ram or Shyam, as taxable income depending upon their discretion.
- ★ No, since Shyam should have shown the income as interest income received from Mr. Ram and not as interest income earned on debentures.

## 5. AGGREGATION OF INCOME, SET-OFF AND CARRY FORWARD OF LOSSES

### Question: 1

Virat runs a business of manufacturing of shoes since the P.Y. 2022-23. During the P.Y. 2022-23 and P.Y. 2023-24, Virat had incurred business losses. He also has unabsorbed depreciation. For P.Y. 2024-25, he earned business profit (computed) of Rs. 3 lakhs. Considering he may/may not have sufficient business income to set off his earlier losses and unabsorbed depreciation, which of the following order of set off shall be considered:

(He does not have income from any other source)

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

### Question: 2

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

- ★ Loss from specified business under section 73A
- ★ Loss under the head Capital Gains and unabsorbed depreciation carried forward under section 32(2)
- ★ Loss from house property and unabsorbed depreciation carried forward under section 32(2)
- ★ Loss from speculation business under section 73

### Question: 3

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

- ★ Rs. 2,00,000
- ★ Rs. 3,10,000
- ★ Rs. 2,50,000
- ★ Rs. 1,00,000

### Question: 4

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

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

- ★ First from (ii) and thereafter from (i); the remaining loss has to be carried forward.
- ★ First from (i) and thereafter from (ii) and (iii)

- ★ First from (i) and thereafter from (iii); the remaining loss has to be carried forward
- ★ First from (i) and thereafter from (ii); the remaining loss has to be carried forward

**Question: 5**

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

- ★ profit of Rs. 1 lakh from wholesale cloth business
- ★ long-term capital gains of Rs. 1.50 lakhs on sale of land
- ★ speculative business income of Rs. 40,000
- ★ all of the above

**Question: 6**

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

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

**Question: 7**

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

Particulars	Amt. (in Rs.)
Income from Salary (computed)	5,20,000
Loss from self-occupied house property	95,000
Loss from let-out house property	2,25,000
Loss from specified business u/s 35AD	2,80,000
Loss from medical business	1,20,000
Long term capital gain	1,60,000
Income from other sources	80,000

What shall be the gross total income of Mr. Kumar for A.Y. 2025-26 assuming that he has exercised the option of shifting out of the default regime provided under section 115BAC(1A)?

- ★ Rs. 4,40,000
- ★ Rs. 3,20,000
- ★ Rs. 1,60,000
- ★ Rs. 4,80,000

**Question: 8**

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

- ★ for a maximum period of 8 years and set-off against business income.
- ★ indefinitely and set-off against business income.
- ★ indefinitely and set-off against any head of income
- ★ indefinitely and set-off against any head of income except salary.

**Question: 9**

Mr. A incurred short-term capital loss of Rs. 10,000 on sale of shares through the National Stock Exchange. Such loss

- ★ can be set-off only against short-term capital gains.
- ★ can be set-off against both short-term capital gains and long-term capital gains.
- ★ can be set-off against any head of income.
- ★ not allowed to be set-off.

**Question: 10**

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

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

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

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

**Question: 11**

During the A.Y.2024-25, Mr. A, exercising the option of shifting out of the default tax regime provided under section 115BAC(1A), has a loss of Rs. 8 lakhs under the head Income from house property which could not be set off against any other head of income as per the provisions of section 71. The due date for filing return of income u/s 139(1) in case of Mr. A has already expired and Mr. A forgot to file his return of income within the said due date. However, Mr. A filed his belated return of income for A.Y.2024-25. Now, while filing return of income for A.Y.2025-26, Mr. A wishes to set off the said loss against income from house property for the P.Y. 2024-25. His income from house property (computed) for the P.Y. 2024-25 is Rs. 5 lakhs and interest on bank fixed deposits is Rs. 1 lakh. Determine whether Mr. A can claim the said set off.

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

## 6. DEDUCTIONS FROM GROSS TOTAL INCOME

### Question: 1

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

- ★ Nil
- ★ Rs. 12,65,000
- ★ Rs. 12,50,000
- ★ Rs. 12,55,000

### Question: 2

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

- ★ Rs. 55,000
- ★ Rs. 10,000
- ★ Rs. 20,000
- ★ Rs. 50,000

### Question: 3

Mr. Ramesh pays a rent of Rs. 5,000 per month. His total income is Rs. 2,80,000 (i.e., Gross Total Income as reduced by deductions under Chapter VI-A except section 80GG). He is also in receipt of HRA. If he exercises the option of shifting out of the default tax regime u/s 115BAC, he would be eligible for a deduction under section 80GG of an amount of

- ★ Rs. 60,000
- ★ Rs. 32,000
- ★ Rs. 70,000
- ★ Nil

### Question: 4

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

- ★ Rs. 30,000
- ★ Rs. 50,000
- ★ Rs. 52,000
- ★ Rs. 56,000

### Question: 5

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Rajan, a resident Indian, has incurred Rs. 15,000 for medical treatment of his dependent brother, who is a person with severe disability and has deposited Rs. 20,000 with LIC for his maintenance. For A.Y.2025-26, if Mr. Rajan exercises the option of shifting out of the default regime provided under section 115BAC(1A), he would be eligible for deduction under section 80DD of an amount equal to

- ★ Rs. 15,000
- ★ Rs. 35,000
- ★ Rs. 75,000
- ★ Rs. 1,25,000

### Question: 6

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

- ★ Rs. 80,000
- ★ Rs. 70,000
- ★ Rs. 60,000
- ★ Rs. 35,000

### Question: 7

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

- ★ Rs. 6,00,000
- ★ Rs. 5,35,000
- ★ Rs. 4,90,000
- ★ Rs. 5,55,000

### Question: 8

An individual has paid life insurance premium of Rs. 25,000 during the previous year for a policy of Rs. 1,00,000 taken on 1.4.2019. If he pays tax under default tax regime under section 115BAC, he shall-

- ★ not be allowed deduction u/s 80C
- ★ be allowed deduction of Rs. 20,000 u/s 80C
- ★ be allowed deduction of Rs. 25,000 u/s 80C
- ★ be allowed deduction of Rs. 10,000 u/s 80C

### Question: 9

Mr. X has two units, one unit at Special Economic Zone (SEZ) and other unit at Domestic Tariff Area (DTA). The unit in SEZ was set up and started manufacturing from 12.3.2016 and unit in DTA from 15.6.2017. Total turnover of Mr. X and Unit in DTA is Rs. 8,50,00,000 and Rs. 3,25,00,000, respectively. Export sales of unit in SEZ and DTA is Rs. 3,50,00,000 and Rs. 1,25,00,000, respectively and net profit of Unit in SEZ and DTA is Rs. 80,00,000 and Rs. 45,00,000, respectively. Proceeds from export sales in SEZ received in convertible foreign exchange by 30.9.2025 is Rs. 2,50,00,000. Assuming that Mr. X would file his return on or before 31.10.2025 exercising the option of shifting out of the default tax regime provided

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under section 115BAC(1A), he would be eligible for deduction under section 10AA for P.Y. 2024-25 of an amount equal to

- ★ Rs. 38,09,524
- ★ Rs. 19,04,762
- ★ Rs. 23,52,941
- ★ Rs. 11,76,471

## 7. ADVANCE, TAX DEDUCTION AT SOURCE AND TAX COLLECTION AT SOURCE

### Question: 1

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

- ★ Tax at source is required to be deducted u/s 194-I at the rate of 10%.
- ★ Tax at source is required to be deducted u/s 194-IB at the rate of 5%.
- ★ Tax at source is required to be deducted u/s 194-IB at the rate of 10%.
- ★ No tax is required to be deducted at source.

### Question: 2

Mr. X, a resident, is due to receive Rs. 6 lakhs on 31.3.2025, towards maturity proceeds of LIC policy taken on 1.4.2021, for which the sum assured is Rs. 5 lakhs and the annual premium is Rs. 1,50,000. Mr. Z, a resident, is due to receive Rs. 99,000 on 10.10.2024 towards maturity proceeds of LIC policy taken on 11.10.2015 for which the sum assured is Rs. 90,000 and the annual premium is Rs. 10,000.

- ★ Tax is required to be deducted on income comprised in maturity proceeds payable to Mr. X and Mr. Z
- ★ Tax is required to be deducted on income comprised in maturity proceeds payable to Mr. X
- ★ Tax is required to be deducted on income comprised in maturity proceeds payable to Mr. Z
- ★ No tax is required to be deducted on income comprised in maturity proceeds payable to either Mr. X or Mr. Z

### Question: 3

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

- ★ Tax has to be deducted u/s 192 on salary and u/s 194A on interest
- ★ Tax has to be deducted u/s 192 on salary but no tax needs to be deducted on interest
- ★ No tax has to be deducted on salary but tax has to be deducted u/s 194A on interest
- ★ No tax has to be deducted at source on either salary or interest

### Question: 4

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

- ★ The declaration made by Mr. Vyas is wrong and the insurance company has to deduct tax of Rs. 3,500 under section 194DA
- ★ The claim by Vyas is right and insurance company is not required to deduct tax at source

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- ★ The insurance company has to deduct tax under section 194DA since declaration in Form 15H cannot be made for tax deduction under section 194DA
- ★ The declaration made by Mr. Vyas is wrong and the insurance company has to deduct tax of Rs. 1,000 under section 194DA

### Question: 5

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

- ★ only under section 44AD
- ★ under section 44AD and 44ADA
- ★ under section 44AD and 44AE
- ★ under section 44AD, 44ADA and 44AE

### Question: 6

Mr. Nihar maintains a savings A/c and a current A/c in Mera Bank Ltd. The details of withdrawals on various dates during the previous year 2024-25 are as follows:

Date of Cash withdrawal	Saving Account	Current Account
05.04.2024	15,00,000	-
10.05.2024	-	22,00,000
25.06.2024	20,00,000	-
17.07.2024	-	5,00,000
28.10.2024	35,00,000	-
10.11.2024	-	38,00,000
12.12.2024	25,00,000	-

Mr. Nihar regularly files his return of income. Is Mera Bank Limited required to deduct tax at source on the withdrawals made by Mr. Nihar during the previous year 2024-25? If yes, what would the amount of tax deducted at source?

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

### Question: 7

Mr. Ram acquired a house property at Chennai from Mr. Satyam, a resident, for a consideration of Rs.85 lakhs, on 23.8.2024. On the same day, Mr. Ram made two separate transactions, thereby acquiring an urban plot in Gwalior from Mr. Vipun, a resident, for a sum of Rs.50 lakhs and rural agricultural land from Mr. Danish, a resident, for a consideration of Rs.75 lakhs. Which of the following statements are correct assuming that in the consideration amounts as aforementioned all the charges incidental to transfer of the immovable property are included and there is no difference between the stamp duty value and actual consideration?

- ★ No tax deduction at source is required in respect of any of the three payments.
- ★ TDS@1% is attracted on all the three payments.
- ★ TDS@1% on Rs. 85 lakhs and Rs. 50 lakhs are attracted. No TDS on payment of Rs. 75 lakhs for acquisition of rural agricultural land.
- ★ TDS@1% on Rs. 85 lakhs is attracted. No TDS on payments of Rs. 50 lakhs and Rs. 75 lakhs.

**Question: 8**

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

- ★ Rs. 2,20,000 + Cess Rs. 8,800 = Rs. 2,28,800, being the tax payable on total income of Rs. 12 lakhs
- ★ Rs. 2,10,000 + Cess Rs. 8,400 = Rs. 2,18,400, being the tax payable on lottery income of Rs. 7 lakhs
- ★ Rs. 10,000 + Cess Rs. 8,800 = Rs. 18,800, being the net tax payable on salary income
- ★ Nil

**Question: 9**

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

- ★ Tax is deductible u/s 194B@30%
- ★ Tax is deductible u/s 194B@30.9%
- ★ No tax is deductible at source
- ★ Tax is deductible u/s 194BB@30%

**Question: 10**

Mr. A has two bank accounts maintained with ICICI Bank and HDFC Bank. From 01.04.2024 till 31.03.2025, Mr. A withdrew the following amounts as cash from both the said accounts; HDFC Bank: Rs. 50 lakh on 1.2.2025 ICICI Bank: Rs. 120 lakh on 1.3.2025 What shall be the amount of tax to be deducted at source u/s 194N by HDFC Bank and ICICI Bank, respectively, while making payment in cash to Mr. A assuming Mr. A has filed his return of income for P.Y. 2021 -22, P.Y. 2022-23 and P.Y. 2023-24?

- ★ Rs. 1,00,000 and Rs. 2,40,000
- ★ Nil and Rs. 40,000
- ★ Rs. 60,000 and Rs. 1,00,000
- ★ Rs. 50,000 and Rs. 1,20,000

**Question: 11**

Mr. Raj (a non-resident and aged 65 years) is a retired person, earning rental income of Rs. 40,000 per month from a property located in Delhi. He is residing in Canada. Apart from rental income, he does not have any other source of income. Is he liable to pay advance tax in India? Assume that he pays tax under the default regime u/s 115BAC.

- ★ Yes, he is liable to pay advance tax in India as he is a non-resident and is not eligible for rebate under section 87A
- ★ No, he is not liable to pay advance tax in India as his tax liability in India is less than Rs. 10,000
- ★ No, he is not liable to pay advance tax in India as he has no income chargeable under the head Profits and gains of business or profession and he is of the age of 65 years
- ★ Both (b) and (c)

**Question: 12**

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

- ★ He is liable to pay advance tax on or before 15.3.2025
- ★ He is not liable to advance tax

- ★ He is liable to pay advance tax in three instalments i.e., on or before 15.9.2024, 15.12.2024 and 15.3.2025
- ★ He is liable to pay advance tax in four instalments i.e., on or before 15.6.2024, 15.9.2024, 15.12.2024 and 15.3.2025

**Question: 13**

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

- ★ 10%
- ★ 5%
- ★ 2%
- ★ 1%

**Question: 14**

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

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

**Question: 15**

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

- ★ Rs. 500 u/s 192
- ★ Rs. 5,500 u/s 192
- ★ Rs. 4,125 u/s 192A
- ★ Rs. 5,500 u/s 192A

## 8. PROVISIONS FROM FILING RETURN OF INCOME AND SELF- ASSESSMENT

### Question: 1

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

- ★ upto Rs. 1,000 under section 234F
- ★ Rs. 5,000 under section 234F
- ★ Rs. 10,000 under section 234F
- ★ Not liable to pay any fee

### Question: 2

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

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

Choose the correct answer:

- ★ I or II or III
- ★ Only I
- ★ I or III
- ★ Only III

### Question: 3

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

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

Choose the correct answer:

- ★ Only (i)
- ★ Only (i) and (ii)
- ★ Only (i) and (iii)
- ★ (i), (ii) and (iii)

### Question: 4

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

- ★ Rs. 5,000
- ★ Not exceeding Rs. 1,000

- ★ No fee is payable as tax on total income is Nil
- ★ No fees payable as total income is below Rs. 5,00,000

### Question: 5

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

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

### Question: 6

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

- ★ 31<sup>st</sup> July, 2025 for both Mr. X and Mr. Y
- ★ 31<sup>st</sup> October, 2025 for both Mr. X and Mr. Y
- ★ 1<sup>st</sup> July, 2025 for Mr. X and 31<sup>st</sup> October, 2025 for Mr. Y
- ★ 31<sup>st</sup> July, 2025 for Mr. Y and 31<sup>st</sup> October, 2025 for Mr. X

### Question: 7

Mr. Dinesh, a resident in India, has gross total income of Rs. 2,30,000 comprising of interest on saving A/c and rental income during the previous year 2024-25. He incurred expenditure of Rs. 2,00,000 for his son for a study tour to Europe. Whether he is required to file return of income for the assessment year 2025-26? If yes, what is the due date?

- ★ Yes, 31<sup>st</sup> July of A.Y
- ★ Yes, 30<sup>th</sup> September of A.Y
- ★ Yes, 31<sup>st</sup> October of A.Y
- ★ No, he is not required to file return of income

### Question: 8

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

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

- ★ No, he is not required to file his return of income as he is a senior citizen and retired employee

**Question: 9**

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

- ★ Rs. 2,00,000
- ★ Rs. 2,50,000
- ★ Rs. 3,00,000
- ★ Rs. 5,00,000

**Question: 10**

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

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

Choose the correct answer:

- ★ II, IV
- ★ II, III, IV
- ★ I, II, III, V, VI
- ★ II, IV, VI

## 9. INCOME-TAX LIABILITY-COMPUTATION AND OPTIMISATION

**Question: 1**

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

Particulars	Rs. in lakhs
Textile business income	22
Speculative business loss	(4)
Textile business loss b/f from P.Y. 2020-21	(5)
Business income of spouse included in the income of Mr. Bandu as per section 64(1)(iv)	2
Deductions available under Chapter VI-A	3
TDS	1
TCS	0.5
Advance tax paid	1.3

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

- ★ Rs. 24,200
- ★ (Rs. 1,00,600)
- ★ Rs. 2,11,400
- ★ Rs. 12,500

**Question: 2**

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

Particulars	Rs. in lakhs
Tax Liability as per regular provisions of Income-tax Act, 1961	15
Tax Liability as per section 1 15JC	12
AMT credit brought forward from A.Y. 2024-25	5

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

- ★ Rs. 12 lakhs
- ★ Rs. 15 lakhs
- ★ Rs. 10 lakhs
- ★ Rs. 7 lakhs

**Question: 3**

Mr. X, who has opted out of the default tax regime under section 1 15BAC and pays tax under the optional tax regime, can carry forward the AMT credit for

- ★ 8 assessment years
- ★ 10 assessment years
- ★ 12 assessment years
- ★ 15 assessment years

**Question: 4**

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

Particulars	Rs. in lakhs
Gross receipts from business conducted entirely through banking channels	70

## CA VARDHAMAN DAGA

(opted for section 44AD)	
Capital gains under section 112A (Transfer Date: 23.09.2024)	5
Capital gains under section 111A (Transfer Date: 15.01.2025)	3
Winnings from horse races	1

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

- ★ Rs. 1,28,440
- ★ Rs. 1,51,190
- ★ Rs. 1,67,830
- ★ Rs. 1,45,080