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UNIVERSITY, KANPUR**

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**B.COM IV SEM**

**INCOME TAX LAW  
& ACCOUNTS**

- 400+ MCQs
- Brief and Intensive Notes

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**SYLLABUS**

| <b>Program-<br/>B.COM</b>        | <b>Year- Second</b>   | <b>Semester-Fourth</b>     |
|----------------------------------|---|----------------------------|
| <b>Subject- Commerce</b>         |   |                            |
| <b>Course Code:<br/>C010401T</b> | <b>Course Title: Income Tax Law and Accounts</b>  |                            |
| <b>Units</b>                     | <b>Topics</b>   | <b>No. of<br/>Lectures</b> |
| <b>I</b>                         | Taxation Policy of Raja Todarmal.<br>Introduction, Important Definitions: Assessee, Person, Income, Total Income, Assessment Year & Previous Year.<br>Agricultural Income & its assessment.<br>Residence & Tax Liability (Basis of Charge).<br>Capital & Revenue. Exempted Incomes. | <b>22</b>                  |
| <b>II</b>                        | Income from Salaries,<br>Income from House Property.<br>Profits and Gains of Business and Profession,<br>Depreciation.  | <b>31</b>                  |
| <b>III</b>                       | Capital gains, Income from Other Sources, Deductions from Gross Total Income,<br>Computation of Tax Liability of an Individual.   | <b>21</b>                  |
| <b>IV</b>                        | Set off and carry forward of losses and Clubbing of Income,<br>Procedure of Assessment and Income Tax Authorities,<br>Advance Payment of Tax and Deduction of Tax at Source.  | <b>16</b>                  |

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## **INTRODUCTION**

Taxes are considered to be the cost of living in a society. It is a basic source of revenue for the government. The Indian Income Tax Act came in 1961. There are two types of taxes- Direct tax & Indirect tax.

### **Taxation policy of Raja Todarmal**

Raja Todar Mal, as finance minister of Akbar, introduced a new system of revenue known as Zabt and a system of taxation called Dahsala, completed in 1580...Under this revenue was calculated as one-third of the average produce of the previous ten years. Payment of revenue was made generally in cash.

### **Assessee**

Assessee is a person by whom any tax is payable under the act. Every person who has been taxed in the previous years for income earned by him is treated as an Assessee.

### **Person**

There are seven categories covered under the term "Person". This means -

- 1) An Individual (Salaried Person, Person who is a sole proprietor, Teacher, etc.)
- 2) HUF (Hindu Undivided Family)
- 3) A Company (Within Tax Scope Private Limited, Infosys Ltd.)
- 4) A Firm
- 5) An Association of Persons (AOP) / Body of Individuals (BOI), even without registration
- 6) A Local Authority (Jaipur Development Authority)
- 7) Every Artificial Judicial Person, not covered above

### **Income**

Income generally refers to the amount of money, property, and other transfers of value received over a set period of time in exchange for services or products. Taxable income is gross income minus exclusions, exemptions, and deductions allowed under the tax law.

### **Types of income**

There are 5 types of income in the Income Tax Act - Income from salary head, Income from house property head, Income from profits and gains of business and profession, Income from capital gains & Income from other sources.

### **Previous Year**

As per the Income Tax law, the income earned in the current year is taxable in the next year. The year in which income is earned is known as the previous year.

### **Assessment Year**

Assessment year means the year (from 1st April to 31st March) in which income you earn in a particular financial year is taxed. The assessment year is the year just succeeding the Financial Year.

### **AGRICULTURAL INCOME**

The definition of agricultural income constitutes the following 3 main activities:

**I.** Rent or revenue earned from agricultural land situated in India (amount received on the sale of land is not covered under the definition of agricultural income)

**II.** Income from agricultural land in the following ways:

- Agriculture
- Through the performance of a process by the cultivator or the receiver of rent (in-kind) that results in the agricultural produce being fit to be taken to the market
- Through the sale of such agricultural produce

**III.** Income derived from farm building required for agricultural operations.

### **Taxation of Agricultural Income**

Agricultural income is exempt from income tax. However, the Income-tax Act has laid down a method to indirectly tax such income. This method or concept may be called partial integration.

### **RESIDENTIAL STATUS**

A person's residential status is divided into two types - Resident and Non-Resident

Residents are also further divided into Ordinary resident (ROR) and Not Ordinary resident (RNOR)

### **Residential Status of Individuals**

An individual is said to be resident in India in any previous year if he satisfies any one of the following conditions:

- (i) He has been in India during the previous year for a total period of 182 days or more, or
- (ii) He has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days in the relevant previous year.

A not ordinarily resident person is one who satisfies any one of the conditions If such individual has been non-resident in India in any 9 out of the 10 previous years preceding the relevant previous year, or



(ii) If such individual has, during the 7 previous years preceding the relevant previous year, been in India for a period of 729 days or less.

### **Residential Status of HUF**

**Resident:** A HUF would be resident in India if the control and management of its affairs is situated wholly or partly in India.

**Non-resident:** If the control and management of the affairs is situated wholly outside India, it would become a non-resident.

### **Residential Status of Firm/AoPs / BoIs**

**Resident:** A firm, AOP, and BOI would be resident in India if the control and management of its affairs is situated wholly or partly in India.

**Non-resident:** Where the control and management of the affairs are situated wholly outside India, the firm, AOP and BOI would become a non-resident.

### **Residential Status of companies**

A company would be resident in India in any previous year, if-

- (i) it is an Indian company; or
- (ii) its place of effective management, in that year, is in India.

### **Scope of total income**

| Scope of total income                             | Resident & Ordinary resident | Resident & not Ordinary resident | Non-resident |
|---|------------------------------|----------------------------------|--------------|
| Income received or deemed to be received in India | Yes                          | Yes                              | Yes          |
|   |                              |                                  |              |
| Income accruing or                                | Yes                          | Yes                              | Yes          |
|   |                              |                                  |              |

|  |  |   |    |
|--|--|---|----|
| arising in India                         |  |   |    |
| Income accruing or arising outside India | Yes, even if such income is not received or brought into India | Yes, but only if such income is derived from a business or profession in India; | No |

### **EXEMPTED INCOMES**

#### **EXEMPTIONS UNDER SECTION 10:**

The incomes which are exempt under section 10 will not be included in computing total income.

#### **DEDUCTIONS UNDER CHAPTER VI-A:**

Incomes from which deductions are allowable under Chapter VI-A will first be included in the gross total income (GTI) and then the deductions will be allowed from GTI.

**Multiple Choice Questions**

1) Every assessee is a person, and -

- A. Every person is also an assessee
- B. Every person need not be an assessee
- C. An individual is always an assessee
- D. A HUF is always an assessee

Ans. B

2) The Highest Administrative Authority for Income Tax in India is:

- A. Finance Minister
- B. CBDT
- C. President of India
- D. Director of Income Tax

Ans. B

3) Income-tax Act, 1961 applies to:

- A. Whole of India
- B. Whole of India excluding J&K
- C. Maharashtra
- D. All of the above

Ans. A

4) The Income Tax Act contains sections:

- A. XIV
- B. 297
- C. XV
- D. 298

Ans.D

5) The Income Tax Act contains schedules:

- A. XIV
- B. 297
- C. XV
- D. 298

Ans. A

6) The term "Person" includes:



- A. Registered Firm
- B. Unregistered Firm
- C. Both of (a) & (b)
- D. None of (a) or (b)

Ans. C

7) The association of persons consists of:

- A. Individuals (only)
- B. Company
- C. Any Person other than (a)
- D. Any kind of person

Ans. D

8) A & B are legal heirs of C. After the death of C, A & B carried on his business without entering into a partnership. What is their Status?

- A. Company
- B. LLP
- C. AOP
- D. Firm

Ans. C

9) Pick the correct one:

- A. AY & PY are the same concepts.
- B. AY is the year next to the PY.
- C. PY is the year next to the AY.
- D. (d) None of the above

Ans. B

10) The year in which income is taxable is known as & year in which income is earned is known as:

- A. PY, AY
- B. AY, PY
- C. AY, AY
- D. PY, PY

Ans. B

11) Mr. P. maintains his accounts based on the calendar year. For PY 2022-23, his AY shall be:

- A. 2022-23
- B. 2023
- C. 2023-24
- D. 2024

Ans. C

12) Assessment Year is the period of 12 months commencing on 1st day of:

- A. April every year
- B. December every year
- C. July every year
- D. January every year

Ans. A

13) Income received in India during the previous year is taxable in the case of:

- A. ROR
- B. RNOR
- C. NR
- D. All

Ans. D

14) Foreign income received in India during the previous year is taxable in the case of:

- A. ROR
- B. RNOR
- C. NR
- D. All

Ans. D

15) Incomes that accrue in India but are received outside India are taxable in the case of:

- A. ROR
- B. RNOR
- C. NR
- D. All

Ans. D

16) Income that accrues or arises outside India & also received outside India is taxable in case of:

- A. ROR

- B. RNOR
- C. NR
- D. ROR &RNOR

Ans. A

17) Income accruing in London & received there is taxable in India in the case of:

- A. ROR
- B. RNOR
- C. NR
- D. ROR & RNOR

Ans. A

18) Income accruing from agriculture in a foreign country is taxable in India in case of an assessee who is:

- A. ROR
- B. RNOR
- C. NR
- D. ROR & RNOR

Ans. A

19) 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 2015. From Canada, he is managing his retail business of toys in India. For the purpose his Indian business, he visits India every year from 1st September to 31st January. His business income is ₹ 23.50 lakhs and ₹ 18 lakhs from retail trade business in Canada and in India, respectively for the F.Y. 2020-21. He has no other income during the P.Y. 2020 -21. Determine his residential status and income taxable in his hands for the A.Y. 2021-22.

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

Ans. C

(CA intermediate May 2021)

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

- A. Casual income & fully taxable without BEL

- B. Casual income & exempt up to Rs 2,50,000
- C. Fully exempt
- D. Exempt up to 2,50,000

Ans. A

21) The Income Tax Act, 1961 came into force w. e. f.....

- A. 1st April 1962
- B. 31st March 1961
- C. 1st April 1961
- D. None of the above

Ans. A

22) The following is not included in the definition of 'person':

- A. An individual
- B. A Hindu undivided family
- C. A company
- D. A minor

Ans. D

23) Income tax is a.....

- A. Professional tax
- B. Direct tax
- C. Indirect tax
- D. Service tax

Ans. B

24) Rebate of Income tax is defined as per section .....

- A. 81A
- B. 87A
- C. 81C
- D. 87C

Ans. B

25) A person with the age of ..... or more is considered as a super senior citizen as per Income Tax Act:

- A. 56
- B. 60

C. 80

D. 85

Ans. C

26) CBDT stands for:

A. Central Bureau of Direct Taxes

B. Central Board of Direct Taxes

C. Citizen's Board of Direct Taxes

D. Citizen's Bureau of Direct Taxes

Ans. B

27) CBDT is controlled by:

A. Central Government

B. State Government

C. Both (A) and (B)

D. None of the above

Ans. A

28) To be an Ordinarily resident in India, an individual must satisfy:

A. Both Basic Conditions and One Additional Condition

B. One Basic Condition and Both Additional Conditions

C. One Basic Condition and One Additional Condition

D. Both Basic Conditions and Both Additional Conditions

Ans. B

29) A Company has.....types of residential status:

A. 2

B. 3

C. 1

D. 4

Ans. A

30) A citizen of India who goes abroad for the purpose of employment, he must stay in India in the previous year for at least ..... days to become a resident:

A. 90 days

B. 162 days

C. 180 days

D. 182 days

Ans. D

31) Who is the Assessee in case of a HUF?

- A. Karta
- B. Coparceners
- C. Deemed Karta
- D. D) None of these

Ans. A

32) Dividend from an Indian Company is .....

- A. Fully Taxable
- B. Partly Taxable
- C. Fully Exempted
- D. None of these

Ans. A

33). Expenditure incurred on exempted income is.....as deduction:

- A. Fully Allowed
- B. Partly Allowed
- C. Not Allowed
- D. None of these

Ans. C

34) Income exempted from tax is stated in the section..... Of Income Tax Act:

- A. 5
- B. 10
- C. 12
- D. 8

Ans. B

35) Income tax is computed on:

- A. Capital
- B. Total Income
- C. Fixed Assets
- D. Business Gain

Ans. B

36) There are ..... heads of income:

- A. 3
- B. 4
- C. 5
- D. 2

Ans. C

37) Income received in India whether occurred in India or outside India, the tax incidence in case of resident is:

- A. Taxable as per slabs
- B. Exempted from tax
- C. Partly exempted
- D. None of the above

Ans. A

38) Income from agriculture in foreign countries is taxable in India in case of:

- A. ROR
- B. RNOR
- C. NR
- D. None of these

Ans. A

39) The Finance bill becomes the Finance Act when it is passed by:

- A. Both houses of Parliament and signed by the President
- B. Lok Sabha
- C. President
- D. Parliament

Ans. A

40) A person is Non-resident if he fails to fulfill.....

- A. The additional conditions
- B. At least one of the basic conditions
- C. Both basic conditions
- D. None of these

Ans. B

41) Income received in India is taxable in the hands of.....

- A. Resident only
- B. Resident and ordinarily resident only
- C. Non-resident only
- D. All Assesses

Ans. D

42). ..... is exempted from income tax.

- A. Interest from Indian company
- B. Dividend from foreign company
- C. Cooperative dividend
- D. None of these

Ans. D

43) The Income Tax Act,1961 broadly covers .....

- A. Basic charging income
- B. Rebates and reliefs
- C. Incomes exempted from income tax
- D. All of the above

Ans. D

44) Residential Status of an assessee can be .....

- A. Different for different previous year in the same assessment year
- B. Different for different assessment year
- C. None of the above
- D. All of the above

Ans. B

45) The income of the previous year is chargeable to tax in the .....

- A. Immediately succeeding assessment year
- B. Same previous year
- C. Immediately preceding academic year
- D. None of the above

Ans. A

46) Which of the following is a fully exempted income?

- A. Gratuity
- B. House rent allowance



- C. Profit Share of partnership firm
- D. Leave travel concession

Ans. C

47) Jaipur development authority is which type of person:

- A. individual
- B. local authority
- C. company
- D. body of individuals

Ans. B

48) Define the term "Assessee" in the context of taxation.

- A. The person who assesses taxes on behalf of the government
- B. A person liable to pay tax under the Income Tax Act
- C. An official responsible for collecting taxes
- D. A tax consultant hired by a business entity

Ans. A

49) What was the name of the system of revenue by Raja Todarmal:

- A. Ghaat
- B. Rajakar
- C. Zante
- D. Dahasala

Ans. D

50) Who was Raja Todarmal in the court of Akbar:

- A. Finance minister
- B. Defence minister
- C. Education minister
- D. Advisor

Ans. A

51) Standard deduction for salaried taxpayers for the assessment year 2023-2024:

- A. Rs. 20,000
- B. Rs. 50,000
- C. Rs. 10,000
- D. Rs. 40,000

Ans. B

52) A domestic company is taxable at 30%. However, the tax rate is 25% if the turnover or gross receipt of the company does not exceed:

- A. Rs. 10 crores
- B. Rs. 400 crores
- C. Rs. 200 crores
- D. Rs. 25 crores

(UGC NET Exam) Ans. B

53) An Indian company's residential status is that it is always:

- A. Ordinarily resident
- B. Resident
- C. Nonresident
- D. None of the above

Ans. B

54) How much surcharge is levied if the total income of the domestic company exceeds Rs. 10 crores?

- A. (A)10%
- B. (B)5%
- C. (C)12%
- D. (D)7%

Ans. C

55) Parliament has the power to levy tax on incomes other than:

- A. Exempt Incomes
- B. Income of poor people
- C. Agricultural Income
- D. All incomes are taxable

Ans. C

56) Notifications issued by CBDT are binding on:

- A. Assessee
- B. Income Tax Authority
- C. Both of the above
- D. None of the above

Ans. C

57) Which Entry of the Union List gives the power to Parliament to levy tax on incomes?

- A. Entry 81 of List I to the Seventh schedule
- B. Entry 81 of List II to the Seventh schedule
- C. Entry 82 of List I to the Seventh schedule
- D. Entry 82 of List II to the Seventh schedule

Ans. C

58) Income of NR from shipping business in India is taxed:

- A. 30% + SC + HEC
- B. 40% + SC + HEC
- C. 50% + SC + HEC
- D. 60% + SC + HE

Ans. B

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

- A. Resident
- B. RNOR
- C. NR
- D. None

Ans. A

60) The HUF of Mr. P consisting of himself, his wife & 2 sons are assessed to tax. Residential status of HUF = NR when:

- A. Its management & control is wholly in India
- B. Its management & control is wholly o/s India
- C. The status of Karta is non-resident for that year
- D. When a majority of the members are NR.

Ans. B

61) A person follows a Calendar year for accounting purposes For taxation, he has to follow:

- A. Calendar year only – 1 Jan to 31 December
- B. FY only - 1 April to 31 March
- C. Any Calendar or FY as per his choice
- D. He will follow an extended year from 1st January to 31st March (15 months)

Ans. B

62) Mr. P set up a new business on 15.7.2022 & he commenced his business on 1.2.2023. The first PY shall be:

- A. 15.7.2022 to 31.3.2023
- B. PY 2022-23
- C. 1.2.2022 to 31.3.2023
- D. PY 2021-22

Ans. A

63) The first previous year in case of a business or profession newly set up on 31.3.2019 would be:

- A. Start from 1.4.2018 & end on 31.03.2019
- B. Start from 31.3.2019 & will end on 31.3.2019
- C. Start from 1.1.2019 & end on 31.12.2019
- D. Start from 1.1.2019 & end on 31.3.2019

Ans. B

64) All Assessee are required to follow:

- A. Uniform PY which must be calendar year only
- B. Uniform PY which must be FY only
- C. Any period of 12 months as the previous year
- D. Period starting from 1st July to 30th June as PY

Ans. B

65) Mr. P. maintains his accounts based on the calendar year. For PY 2022-23, his AY shall be:

- A. 2021-22
- B. 2022-23
- C. 2023-24
- D. 2024-25

Ans. C

66) In which of the following cases, the income of PY is assessable in the previous year itself:

- A. A person leaving India
- B. Salaried Employee
- C. Illegal business
- D. Charitable institution

Ans. A

67) What factors are considered in determining an individual's "Residence" for tax purposes?

- A. Citizenship only
- B. Duration of stay in a particular place only
- C. Both citizenship and duration of stay
- D. Place of birth only

Ans. C

68) Proviso gives.....to the provision:

- A. Clarification
- B. Exceptions
- C. Proper Administration
- D. None of these

Ans. B

69) Explanation gives.....to the provision:

- A. Clarification
- B. Exceptions
- C. Proper Administration
- D. None of these

Ans. A

70) The basic source of income-tax law is:

- A. Income-tax Act, 1961
- B. Income-tax Rules, 1962
- C. Circulars/Notifications
- D. Judgments of Courts

Ans. A

71) Residential status is determined based on nos. of days stay in:

- A. Previous year.
- B. Assessment year
- C. Accounting year.
- D. None of these

Ans. A

72) What is the basis of charge for tax liability in income tax?

- a) Source of income
- b) Residence of the taxpayer
- c) Both source of income and residence
- d) Age of the taxpayer

Ans. C

73) Infource Ltd. is registered in London the control and management of its affairs are situated in India Infource Ltd. shall be:

- A. Resident only
- B. Both ordinarily resident and NOR
- C. Not ordinarily resident in India
- D. None of the above

Ans. C

74) Martin Crow a foreign national visited India during the previous year for 180 days. Earlier to this he never visited India. Martin Crow in this case shall be:

- A. Resident in India.
- B. Non-resident
- C. Not ordinarily resident in India.
- D. None of these

Ans. B

75) Choose correct Definition "Capital" and "Revenue" in the context of taxation.

- A. Capital refers to gains from investments, while revenue refers to gains from operations
- B. Capital refers to long-term gains, while revenue refers to short-term gains
- C. Capital refers to gains from selling assets, while revenue refers to gains from selling products or services
- D. Capital and revenue are synonymous terms in taxation

Ans. C

76) Exemption limit for the assessment year 2023-24 in case of residents in India, aged 78 years is:

- A. 2,50,000
- B. 3,00,000
- C. 5,00,000
- D. 6,00,000

Ans. B

77) The rate of health and education cess is:

- A. 2%
- B. 3%
- C. 4%
- D. 5%

Ans. C

78) Life Insurance Corporation of India is a:

- A. AOP
- B. firm
- C. Company
- D. Individual

Ans. C

79) What is "Total Income" in the context of taxation?

- A. Income earned from all sources before any deductions
- B. Income after deductions and exemptions
- C. Sum of taxable income and exempted income
- D. Income earned from investments only

Ans. A

80) Income received or deemed to be received in India (whether accrued in or outside India) is taxable in case of:

- A. Resident
- B. Not Ordinarily Resident
- C. Non-Resident
- D. All of the above

Ans. D

81) According to Section 2(7) of the Income Tax Act "Assessee" means a person:

- A. By whom any tax or other sum of money is payable
- B. By whom any proceeding under the Act has been taken
- C. Who is deemed to be an assessee in default under any provision of this Act
- D. All of the above

Ans. D

82) The Provident Fund Act was passed in the year:

- A. 1925
- B. 1956
- C. 1932
- D. 1922

Ans. A

83) Mr. X earned a salary of ₹5,00,000, dividends of ₹1,00,000, and interest income of ₹50,000 during the financial year 2022-2023. Calculate his total income for assessment year 2023-2024.

- A. ₹5,50,000
- B. ₹6,50,000
- C. ₹6,00,000
- D. ₹5,00,000

Ans. B

83) What is the assessment year for income earned in the financial year 2023-2024?

- A. 2023-2024
- B. 2024-2025
- C. 2022-2023
- D. 2025-2026

Ans. B

84) Agricultural income is exempt from income tax under which concept?

- A. Full integration
- B. Partial integration
- C. Total exemption
- D. Agricultural deduction

Ans. B

85) What is the residential status of an individual who has been in India for 200 days in the relevant previous year?

- A. Resident
- B. Not ordinarily resident
- C. Non-resident
- D. Resident & ordinary resident

Ans. D

86) Which of the following is not considered for computing total income for a non-resident?



- A. Income received in India
- B. Income accruing in India
- C. Income accruing outside India
- D. Income derived from business in India

Ans. C

87) Who among the following is considered a non-resident?

- A. A firm with control and management situated wholly in India
- B. An individual with control and management situated wholly outside of India
- C. A company with a place of effective management in India
- D. A Hindu Undivided Family (HUF) with control and management situated partly in India

Ans. B

88) Ms. E Government employee received a pension of ₹1,50,000 and gratuity of ₹2,00,000 during the financial year 2022-2023. Determine the taxability of these retirement benefits for assessment year 2023-2024.

- A. Fully taxable
- B. Partially taxable
- C. Exempt from taxation
- D. Taxed at a concessional rate

Ans. C

89) Deductions under Chapter VI-A are allowable from which of the following?

- A. Gross total income
- B. Net total income
- C. Agricultural income
- D. Exempted income

Ans. A

90) Which of the following is NOT a condition for an individual to be considered a resident in India?

- A. Presence in India for 182 days or more in the previous year
- B. Presence in India for 365 days or more in the preceding 4 years
- C. Presence in India for 60 days or more in the relevant previous year
- D. Presence in India for 729 days or less in the 7 preceding years

Ans. D

91) Residential status of a Hindu Undivided Family (HUF) depends on:

- A. Ownership of property in India
- B. Control and management of affairs
- C. Number of members in the family
- D. Total income earned

Ans. B

92) On the basis of residence, the assesses are divided into how many categories?

- A. Four
- B. Two
- C. Three
- D. Five

Ans. C

93) Which category of individual is considered not ordinarily resident:

- A. One who has been in India for 182 days or more in the previous year
- B. One who has been non-resident in India for 9 out of the 10 previous years
- C. One who has been in India for 365 days or more in the preceding 4 years
- D. One who has been in India for a period of 729 days or less in the 7 preceding years

Ans. D

94) Under which section of the Income Tax Act are deductions allowable from gross total income?

- A. Section 10
- B. Section 80C
- C. Section 139
- D. Section 234

Ans. B

95) Calculate the taxable income of Mr. F, who earned ₹4,00,000 from salary, ₹1,00,000 from house property, and ₹50,000 as interest income during the financial year 2022-2023.

- A. ₹6,50,000
- B. ₹5,00,000
- C. ₹5,50,000
- D. ₹4,50,000

Ans. C

96) A company is considered a resident in India if:

- A. It is an Indian company
- B. Its place of effective management is in India
- C. It has branches in India
- D. Its shareholders are residents of India

Ans. B

97) Income earned and received outside India but later on remitted to India is taxable to:

- A. ROR
- B. RNOR
- C. NR
- D. None

Ans. D

98) What is the residential status of a firm if its control and management of affairs are situated wholly outside India?

- A. Resident
- B. Non-resident
- C. Ordinarily resident
- D. Not ordinarily resident

Ans. B

99) Income from which of the following is not considered for computing total income for a non-resident?

- A. Income received in India
- B. Income accruing in India
- C. Income accruing outside India
- D. Income derived from business in India

Ans. C

100) Maximum limit of interest exemption on individual accounts in post office savings accounts is

- A. 2500
- B. 3500
- C. 4500
- D. 5500

Ans. B



## **INCOME UNDER THE HEAD SALARY**

Salary It is an inclusive definition and includes monetary payments as well as non-monetary facilities.

- (i) wages;
- (ii) any annuity or pension;
- (iii) any gratuity;
- (iv) any fees, commissions, perquisites, or profits in lieu of or in addition to any salary or wages;
- (v) any advance of salary;
- (vi) any payment received by an employee in respect of any period of leave not availed of by him;
- (vii) the annual accretion to the balance at the credit of an employee participating in a recognized provident fund, to the extent to which it is chargeable to tax  
(Excess of employer's contribution over 12% of salary is taxable and excess of interest over 9.5% is taxable)
- (viii) the aggregate of all sums that are comprised in the transferred balance of an employee participating in a recognized provident fund, to the extent to which it is chargeable to tax
- (ix) the contribution made by the Central Government or any other employer in the previous year, to the account of an employee under a pension scheme referred to in section 80CCD;

### **Wages:**

Wages mean fixed regular payments earned for work or services.

### **Allowances:**

Allowances are monetary payments made by the employer to the employees for meeting specific expenditures, whether personal or for the performance of duties.

### **Pension:**

Pension is a periodic payment made especially by the Government or a company or other employers to the employee in consideration of past service payable after his retirement.

Pension is of two types: commuted and uncommuted.

- **Uncommuted pension:** Uncommuted pension refers to a pension received periodically. This is fully taxable for everyone
- **Commuted pension:** Commuted pension means a lump sum amount taken by commuting the whole or part of the pension.

**For government employees: It is fully exempted.**

**For other employees:**

**If the employee is in receipt of gratuity:**

$1/3 \times (\text{commuted pension received} \div \text{commutation \%}) \times 100$

**If the employee is not in receipt of gratuity:**

$1/2 \times (\text{commuted pension received} \div \text{commutation \%}) \times 100$

**Gratuity:**

Gratuity is a voluntary payment made by an employer in appreciation of services rendered by the employee.

**For government employees:** It is fully exempted

**For other employees:** Least of the following is exempt:

(i) Gratuity actually received

{ In case of employees covered by the Payment of Gratuity Act, 1972 }

(ii)  $15/26 \times$  last drawn salary  $\times$  number of completed years or part in excess of six months

(iii) Rs. 20,00,000

**In case of employees not covered by the Payment of Gratuity Act, 1972:**

(ii)  $1/2 \times$  average salary of last 10 months<sup>“</sup>  $\times$  number of completed years of service

(iii) Rs 20,00,000

**Leave encashment:**

Employees are allowed to take leave during the period of service. In case the leave is not availed it is allowed to be encashed every year or at the time of retirement. Payment received on account of encashment of unutilized leave would form part of a salary.

**Treatment:**

**If it is received during service:** It is fully taxable

**If it is received after service:**

(I) For government employees It is exempted

(II) For other employees Least of the following is exempt:

(i) Rs 25,00,000

(ii) Leave salary actually received

(iii) Cash equivalent of leave standing at the credit of the employee [based on average salary of last 10 months] (maximum 30 days for every year of service)

(iv) 10 months<sup>“</sup> salary (based on the average salary of the last 10 months preceding retirement)

**House Rent Allowance:**

HRA is a special allowance specifically granted to an employee by his employer towards payment of rent for the residence of the employee. HRA granted to an employee is exempt to the extent of least of the following:

**Metro Cities (i.e., Delhi, Kolkata, Mumbai, Chennai):**

- 1) HRA actually received for the relevant period
- 2) Rent paid (-) 10% of salary for the relevant period
- 3) 50% of salary for the relevant period

**Other cities:**

- 1) HRA actually received for the relevant period
- 2) Rent paid (-) 10% of salary for the relevant period
- 3) 40% of salary for the relevant period

**Perquisites:**

Perquisites are benefits or advantages received by an employee in addition to their regular salary.

**Types of perquisites are:**

1. Taxable perquisites for all employees like sweat equity shares, fringe benefits, etc.
2. Tax-free perquisites like leave travel concession, medical, transport facilities, etc.
3. Taxable perquisites for specific employees like Use of a motor car, Free or concessional educational facilities, etc.

**Deductions under salary:**

1. Standard deduction- Rs. 50,000 or salary whichever is lower
2. Entertainment allowance- lower of:
  - (i) One-fifth of his basic salary or
  - (ii) Rs. 5,000 or
  - (iii) Entertainment allowance received.
3. Professional tax - Rs. 2,500 per annum

**INCOME UNDER HOUSE PROPERTY**

The annual value of any property comprising of buildings or lands appurtenant thereto, of which the Assessee is the owner, is chargeable to tax under "Income from house property".

**Conditions for charging:**

- (i) Property should consist of any building or land appurtenant thereto. (Not vacant land)
- (ii) Assessee must be the owner of the property
- (iii) Use of property (Not be used for business/profession)
- (iv) Property held as stock-in-trade etc.

**Composite rent:**

The owner of a property may sometimes receive rent in respect of building as well as –

- (1) other assets like say furniture, plant, and machinery.
- (2) for different services provided in the building, e.g. Lifts; Security, etc.

The amount so received is known as “composite rent”.

**Annual value of house property:**

- Compare fair rent & municipal value
- Whichever is higher compare it with standard rent
- Whichever is lower is the expected rent
- Compare it with actual rent, whichever is higher is the GAV (If expected rent is higher but due to vacancy actual rent is still the GAV)

**Annual Value of self-occupied property: Nil**

If more than two properties are so self-occupied/unoccupied, the Assessee may claim the benefit of Nil annual value in respect of any two properties.

**Where the property is held as stock-in-trade:**

annual value of such property for the period up to 2 years from the end of the financial year in which the certificate of completion of construction of the property is obtained shall be taken as “Nil”.

**Deductions from Annual Value:**

1. 30% of Annual Value
2. Interest on borrowed capital
  - Interest on loan taken for acquisition or construction of a house on or after 1.4.99, deduction is maximum of Rs.2,00,000
  - In case of a loan taken for repair, renovation deduction is a maximum of ` 30,000

**Arrears of rent:**

- (i) Taxable in the year of receipt
- (ii) Deduction@30% of rent received
- (iii) Taxable even if the Assessee is not the owner of the property at the time of receipt

**Deemed owner:**

The following persons, though not legal owners of a property, are deemed to be the owners:

- (i) Transferor of the property, where the property is transferred to the spouse or minor child except the minor married daughter, without adequate consideration
- (ii) Holder of an impartible estate
- (iii) Member of a co-operative society etc.



(iv) Person in possession of a property

(v) Person having right in a property for a period not less than 12 years

## **PROFITS AND GAINS OF BUSINESS OR PROFESSION [PGBP]**

### **Basis of charge:**

- The profits and gains of any business or profession which was carried on by the Assessee at any time during the previous year
- Any Compensation received by an agent
- Income of trade association
- Value of any benefit or Perquisite
- Receipts in connection with foreign trade.
- Remuneration to partner from the firm
- Amount received for certain agreement Key Man Insurance Policy
- Interest on securities
- Recovery against certain capital assets covered u/s 35AD
- Income from speculative transactions.

### **Admissible Deductions:**

- Amount paid on account of rent, taxes, repairs, and insurance for buildings used for the purpose of business or profession.
- Amount paid on account for current repairs and insurance of machinery, plant, and furniture
- Preliminary expenditure incurred by Indian companies and other resident non-corporate Assessee
- Expenditure on Scientific Research
- Sum paid by the Assessee as an employer by way of contribution towards a pension scheme referred to in section 80CCD, to the extent of 10% of salary or a RPF
- One-fifth of the expenditure incurred by an Assessee-employer in connection with voluntary retirement
- Interest paid in respect of capital borrowed
- Amount received by Assessee-employer as the contribution from his employees towards their welfare fund to be allowed as deduction only if such amount is credited by the Assessee to the employee's account
- Expenditure on Scientific Research
- Investment-linked tax deduction (35AD)

- Any bona fide expenditure incurred by a company for the purpose of promoting family planning amongst its employees.
- Any bad debts are written off as irrecoverable
- Payment of STT & CTT
- Depreciation- Asset must be used for the purpose of business or profession. The depreciation shall be allowed on the written-down value of block of assets at the prescribed rates. If the asset is put to use for less than 180 days during that previous year then, only 50% of the depreciation calculated at the rates prescribed will be allowed.

**Inadmissible deductions:**

- Any interest, royalty, and fees for technical services which is payable outside India.
- 30% of any sum payable to a resident on which tax is deductible at source
- Any sum paid on account of income-tax
- Any payment chargeable under the head “Salaries”, if it is payable outside India
- Tax paid by the employer on non-monetary perquisites
- Payment of remuneration to a working partner or interest to any partner, which is not authorized by the partnership deed
- Salary, bonus, commission, or remuneration paid to any partner who is not a working partner
- Payment of remuneration related to a period falling prior to the date of such partnership
- Payment of interest to any partner in excess of the amount calculated at 12% simple interest per annum.
- Payment of remuneration to a working partner-
  - (a) On the first Rs 3,00,000 of the book profit or in case of a loss - 1,50,000 or 90% of the book profit, whichever is more.
  - (b) On the balance of book profit - 60%

**Section 43CA:**

Where the consideration for the transfer of an asset (land or building or both) is less than the stamp duty value, the value so assessed shall be deemed to be the full value of consideration.

However, if the stamp duty value does not exceed 110% of the actual consideration received then, such consideration shall be deemed to be the full value of consideration.

Where the date of an agreement and the date of registration of the transfer of the asset are not same, the stamp duty value may be taken as on the date of the agreement.

**Mandatory Audit 44AB:**

- Person carrying on business

If his total sales, turnover or gross receipts in business > Rs 1 cr

- If in case of such person, aggregate cash receipts & payments < 5% of total receipts & payments

If his total sales, turnover or gross receipts in business > Rs10 cr

- Assessee engaged in the business of plying, hiring or leasing goods carriages who owns not more than 10 goods carriages

If such Assessee claims that the profits are lower than the profits computed on a presumptive basis u/s 44AE.

- Assessee carrying on business, whose total receipts  $\leq$  Rs 200 lakhs & Assessee carrying on business, whose aggregate cash receipts in the relevant PY  $\leq$  5% of gross receipts and whose gross receipts  $\leq$  Rs300 lakhs, and who has opted for section 44AD in any earlier PY

If he declares profit for any of the five successive PYs not in accordance with section 44AD then, he cannot opt for section 44AD for five successive PYs after the year of such default and get the Books of accounts audited.

- In case of a person carrying on profession

If his gross receipts in profession >Rs50 lakh

#### **Presumptive Income [44AD, 44ADA & 44AE]:**

- If an individual hasn't claimed deduction and his gross receipts does not exceed Rs 2 crore.

8% of gross receipts will be total income {6% if amt. is received by prescribed modes

- If an individual is in any profession whose total gross receipts do not exceed Rs 50 lakhs

50% of gross receipts will be total income

- Assessee who owns not more than ten goods carriages and who is engaged in the business of plying, hiring, and leasing goods carriages.

(I) Heavy Goods Vehicle- Rs 1000 per ton p.m.

(II) Other Vehicles- Rs 7500 p.m.

**Multiple Choice Questions**

1. Entertainment allowance tax deduction is allowed only to .....

- A. Government employee
- B. Private Employee
- C. Businessman
- D. None of the above

Ans. A

2. Employers' contribution to RPF to exempt up to..... of salary.

- A. 12%
- B. 18%
- C. 9.5%
- D. None of the above

Ans. A

3. Interest credited to RPF is exempt up to ..... p.a.

- A. 12%
- B. 18%
- C. 9.5%
- D. None of the above

Ans. C

4.....allowance deduction is allowed only to Government employees.

- A. Entertainment
- B. House Rent
- C. Travel
- D. None of these

Ans. A

5. The maximum amount for deduction as entertainment allowance to a government employee is:

- A. 5000
- B. 7500
- C. 1/5 th of salary
- D. None of the above

Ans. A

6. Arrears of salary are taxable in the year of .....

- A. payment
- B. Receipt
- C. Accrual
- D. None of the above

Ans. B

7. Mr. Ajay is a recently qualified doctor. He joined a reputed hospital in Delhi on 01.01.2022. He earned total income of ₹ 3,40,000 till 31.03.2022. His employer advised him to claim rebate u/s 87A while filing return of income for A.Y. 2022-23. He approached his father, a tax professional, to enquire regarding what is rebate u/s 87A of the Act. What would have his father told him?

- (i) An individual who is resident in India and whose total income does not exceed ₹ 5,00,000 is entitled to claim rebate under section 87A.
- (ii) An individual who is resident in India and whose total income does not exceed ₹ 3,50,000 is entitled to claim rebate under section 87A.
- (iii) Maximum rebate allowable under section 87A is ₹ 5,000.
- (iv) Rebate under section 87A is available in the form of exemption from total income.
- (v) Maximum rebate allowable under section 87A is ₹ 12,500.
- (vi) Rebate under section 87A is available in the form of deduction from basic tax liability.

Choose the correct option from the following:

- A. (ii), (iii), (vi)
- B. (i), (v), (vi)
- C. (ii), (iii), (iv)
- D. (i), (iv), (v)

Ans. B

(CA Intermediate May 2022)

8. Wages paid by the employer for the domestic servants employed by the employee is ..... perquisite.

- A. Non-taxable
- B. Taxable
- C. Exempt
- D. None of the above

Ans. B

9. Employer-employee relationship determines the ..... of salary.

- A. Scope
- B. Limit
- C. authority
- D. None of the above

Ans. A

10. .... relationship is necessary for taxing the remuneration under the head income from salary.

- A. employer-employee
- B. employee-employee
- C. father-son
- D. None of the above

Ans. A

11. Advance against salary is:

- A. Non-taxable
- B. Taxable
- C. Exempt
- D. None of the above

Ans. B

12. The salary of Sushil Kumar becomes due on the 1st of next month and it is paid on the 10th of that month. For the assessment year 2023-24, the salary of Sushil Kumar shall be taken from:

- A. April 2022 to March 2023
- B. March 2022 to February 2023
- C. April 2023 to March 2024
- D. March 2021 to February 2022

Ans. A

13. Ramu who is entitled to a salary of 10,000 p.m. took an advance salary from his employer for the months of April and May 2022, along with a salary of March 2020 on 31-3-2020. The gross salary of Ramu for the assessment year 2023-23 shall be:

- A. 1,20,000.
- B. 1,40,000.
- C. 20,000
- D. 1,00,000

Ans. B

{Hint:  $10,000 \times 12 + 10,000 \times 2 = 1,20,000 + 20,000 = 1,40,000$ }

14. Ramu who is entitled to a salary of 10,000 p.m. took an advance of 50,000 against the salary in the month of March 2023. The gross salary of Ramu for the assessment year 2023-24 shall be:

- A. 1,70,000
- B. 1,20,000
- C. 50,000
- D. 70,000

Ans. A

{Hint:  $10000 \times 12 + 50000$ }

15. Prof. Vineet received 6th Pay arrears on 14th May 2019 retrospectively from 1st Jan, 2016. The arrears would be taxable in the previous year:

- A. 2019-20
- B. 2015-16, 2016-17 respectively
- C. 2015-16
- D. None of the above

Ans. A

16. Entertainment allowance in case of a government employee is:

- A. Fully exempt
- B. Fully-taxable
- C. Exempt up to certain limits
- D. First included in full in gross salary and thereafter deduction allowed

Ans. D

17. The life insurance policy taken by a person on the life of another person who is connected & key to the business as employee is called:

- A. Keyman Insurance policy
- B. Key Insurance Policy
- C. LIC
- D. Employed Insurance

Ans. A

18. Perquisite can be:

- A. The same as the allowance

- B. Any reimbursement to an employee in respect of an obligation that would be payable by the employee
- C. Any expenditure incurred by the employer for staff welfare
- D. None of the above

Ans. B

19. Manthan a chartered accountant employed with Mayuni Ltd., requests the employer to call the remuneration as internal audit fee. Manthan shall be chargeable to tax for such fee under the head.

- A. Income from salaries
- B. Profit and Gains from business and profession
- C. Income from other sources
- D. None of these

Ans. A

20. A. Raja who is entitled to a salary of 40,000 p.m. took an advance of 80,000 against the salary in the month of March 2023. The gross salary of Raja for the assessment year 2023-24 shall be:

- A. 5,60,000
- B. 4,80,000
- C. 4,00,000
- D. None of these

Ans. A

21. Lalit who is entitled to a salary of 12,000 p.m. took an advance salary from his employer for the months of April and May 2024, along with a salary of March 2023 on 31-3-2023. The gross salary of Lalit for the assessment year 2023-24 shall be:

- A. 1,44,000
- B. 1,68,000
- C. 1,56,000
- D. 1,20,000

Ans. B

{Hint:  $12000 \times 12 + 12000 \times 2 = 1,44,000 + 24,000 = 1,68,000$ }

22. Salary of Shaila becomes due on the 1st of next month and it is paid on the 7th of that month. For the assessment year 2023-24, the salary of Shaila shall be taken from:

- A. April 2021 to March 2022
- B. March 2022 to February 2023



C. April 2022 to March 2023

D. None of these

Ans. C

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

A. 30

B. 45

C. 60

D. 90

Ans. A

24. Kumar is neither a government employee nor covered under the Payment of Gratuity Act, 1972. He has completed 21 years and 8 months of service. The number of completed years considered for gratuity exemption shall be:

A. 22 years

B. 21 years

C. 21 years and 8 months

D. Average of (a) & (b)

Ans. B

25. Employer's contribution to statutory provident fund is.....

A. Exempt up to 12% of salary

B. Exempt up to 9.5% of salary

C. Fully exempt

D. None of the above

Ans. A

26. Interest credited to RPF is:

A. Fully exempt

B. Exempt up to 8.5% p.a

C. Fully Taxable

D. Exempt up to 9.5%

Ans. D

27. Compensation on termination of employment will be taxable under the head...

A. Income from other sources

B. Income from salary

- C. Not taxable as it is capital receipt
- D. Fully Exempt

Ans. B

28. Profession tax deduction is allowed on .....

- A. Accrual basis
- B. Payment basis
- C. Both (a) & (b)
- D. Non-deductible

Ans. B

29. Which of the following is not considered as part of income from salaries?

- A. Basic Salary
- B. House Rent Allowance
- C. Professional Fees
- D. Dearness Allowance

Ans. C

30. Deductions in respect of salary are covered u/s .....

- A. 17
- B. 16
- C. 15
- D. None of the above

Ans. B

31. In which form is income reported for businesses and professions?

- A. Profit and Loss Statement
- B. Balance Sheet
- C. Income Tax Return
- D. Bank Statement

Ans. C

32. Income is taxable under the head house property only when the Assessee is the ..... of such house property.

- A. Owner
- B. tenant
- C. Owner or tenant

D. None of the above

Ans. A

33. Arrears of rent shall be deemed to be income of the previous year in which such rent is ..... after deducting ..... of such amount.

A. received, 30%

B. received, 50%

C. received, 70%

D. None of the above

Ans. A

34. Income from House cannot be taxed under the head house property if the owner occupies the property for his:

A. business or profession

B. Living

C. enjoying

D. None of the above

Ans. A

35. Arrears of rent received after the sale of property is taxable after deduction of ..... % of such amount.

A. 30%

B. 50%

C. c)10%

D. None of the above

Ans. A

36. In the case of self-occupied property, the deduction on account of interest on the money borrowed for the purpose of construction of such house property cannot exceed .....

A. 2,00,000

B. 3,00,000

C. 5,00,000

D. None of the above

Ans. A

37. The fair rent of the house is 2,50,000 and the annual rent is 2,80,000. Municipal taxes are paid for 6 years. In advance is 1,20,000. The Net annual value shall be

A. 1,20,000

B. 1,60,000

- C. 2,00,000
- D. None of the above

Ans. B

38. Which method of depreciation allows for a higher depreciation charge in the initial years of an asset's life?

- A. Straight-line method
- B. Written-down value method
- C. Sum of years' digits method
- D. Unit of production method

Ans. B

39. Gross Annual Value of a Self-Occupied Property is:

- A. Nil
- B. 50,000
- C. 1,00,000
- D. None of the above

Ans. A

40. Municipal tax is a deduction allowed on.....basis.

- A. Payment
- B. Due
- C. Receipt
- D. None of the above

Ans. A

41. Municipal valuation of the house is 1,20,000 fair rent of 1,40,000 and actual rent received or receivable is 1,25,000. The gross annual value, in this case, shall be assuming that a reduction in rent is not due to vacancy.

- A. 1,25,000
- B. 1,25,000
- C. 1,40,000
- D. None of the above

Ans. C

42. A house property with a fair rent of 1,00,000 is neither let out nor self-occupied throughout the previous year. Its annual value shall be.

- A. 1,00,000

- B. Nil
- C. 85,000
- D. None of the above

Ans. A

43. Mandan has taken a house on rent and sublets the same to Anil. Income from such house property shall be taxable under the head.

- A. Income from house property
- B. Income from other sources
- C. Business Income
- D. None of the above

Ans. B

44. Unrealized rent is deducted from:

- A. Gross annual value
- B. Net annual value
- C. Municipal Value
- D. None of the above

Ans. A

45. A property is owned by co-owners and it is a self-occupied house property. In this case, interest on money borrowed after 1-4-1999 for acquiring the house shall be allowed.

- A. To the extent of Rs 2,00,000 as the case may be for the total property
- B. To each co-owner, to the extent of Rs 2,00,000 as the case may be
- C. No deduction of interest shall be allowed.
- D. None of the above.

Ans. B

46. Mr. Rohan has three houses for self-occupation. What would be the tax treatment for A.Y.2023 -24 in respect of income from house property?

- A. One house, at the option of Mr. Rohan, would be treated as self-occupied. The other two houses would be deemed to be let out.
- B. Two houses, at the option of Mr. Rohan, would be treated as self-occupied. The other house would be deemed to be let out.
- C. One house, at the option of Assessing Officer, would be treated as self-occupied. The other two houses would be deemed to be let out.
- D. Two houses, at the option of Assessing Officer, would be treated as self-occupied. The other house would be deemed to be let out

Ans. B

47. An Assessee has borrowed money for the purchase of a house property & Interest is paid outside India. Such interest shall:

- A. Be allowed as a deduction
- B. Not to be allowed as a deduction
- C. Be allowed as a deduction if the tax is deduction at the source
- D. None of the above

Ans. A

48. What is the treatment of speculative business income for the financial year 2022-2023?

- A. Fully taxable
- B. Partially taxable
- C. Exempt from tax
- D. Taxable at a concessional rate

Ans. A

49. In case the property is owned by co-owners and it is self-occupied by all co-owners. The annual value of:

- A. Such house property be nil
- B. For each co-owner shall be nil
- C. Only for co-owner will be nil
- D. None of the above

Ans. B

50. Municipal Tax paid is allowed as a deduction for:

- A. SOP only
- B. LOP only
- C. LOP and DLOP
- D. All of the above

Ans. C

51. Depreciation under the Income-tax Act is charged at the prescribed rate on the written down value of the .....

- A. Block of asset
- B. Individual asset
- C. pair of assets
- D. None of the above

Ans. A

52. If any asset is used for less than..... days in the year of purchase, the depreciation rate will be only 50% of the normal rate.

- A. 180
- B. 150
- C. 100
- D. None of the above

Ans. A

53. Advertisement in souvenir of a ..... is disallowed while computing business income.

- A. Political party
- B. Trust
- C. NGO
- D. None of the above

Ans. A

54. Expenses exceeding.....paid in cash are disallowed.

- A. Rs. 10,000
- B. Rs. 20,000
- C. Rs. 50,000
- D. None of the above

Ans. A

(CA Intermediate)

55. Deduction for bonus or commission to an employee is allowed only on.....basis.

- A. Payment
- B. Receipt
- C. Due
- D. None of the Above

Ans. A

56. Profit on sale of an import license is taxed under the head .....

- A. Profit & Gains of Business
- B. Income from other sources
- C. Income under salary head
- D. None of the above

Ans. A

57. Section 44AB the audit of accounts is compulsory if total sales exceed

- A. 10 crore
- B. 70 lakhs
- C. 40 lakhs
- D. None of the above

Ans. A

58..... tax is allowed as a deduction while computing the business income.

- A. Sales
- B. Income
- C. wealth
- D. None of the above

Ans. A

59. If some expenses are partly disallowed, then only the disallowed portion should be ..... to the profit.

- A. Added
- B. Deducted
- C. Multiplied
- D. None of the above

Ans. A

60. An Assesse can claim additional depreciation on plant and machinery at the rate of 20% of .....if a few conditions are satisfied.

- A. Actual cost
- B. Historical cost
- C. Fair cost
- D. None of the above

Ans. A

61. In the case, that an asset of a particular block is acquired and put to use during the previous year for less than 180 days, depreciation will be charged .....

- A. At normal rate
- B. At 50% of normal rate
- C. No depreciation is allowed
- D. None of these



Ans. B

62. Mr. V, acquires an asset which was previously used for scientific research for Rs. 2,75,000. Deduction under section 35(1)(iv) was claimed in the previous year. The asset was brought into use for the business of Mr. V after the research was completed. The actual cost of the asset is:

- A. Nil
- B. Market value of the asset on the date of transfer to business
- C. Rs. 2,75,000 less notional depreciation under section 32 up to the date of transfer.
- D. Rs 2,75,000

Ans. A

63. A Ltd. has unabsorbed depreciation of Rs. 4,50,000 for the AY 2021-2022 This can be carried forward:

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

Ans. D

64. Additional Depreciation is at the rate of:

- A. 20% of the actual cost of machinery
- B. 15% of the actual cost of machinery
- C. 18% of the actual cost of machinery
- D. Nil

Ans. A

65. A car is imported on 1/4/2023 by J Ltd. for the use by its employees. J Ltd shall be allowed depreciation on such car at:

- A. 15%
- B. 20%
- C. 40%
- D. Nil

Ans. A

66. Which of the following are allowed as deductions while computing the business income?

- A. Wealth tax paid
- B. Income tax paid
- C. CDT tax paid

D. None of the above

Ans. D

67. Which of the following assets is eligible for depreciation under the Income Tax Act, 1961?

- A. Land
- B. Goodwill
- C. Trademark
- D. Building

Ans. D

68. The rate of depreciation of Patent is:

- A. 5%
- B. 15%
- C. 20%
- D. 25%

Ans. D

69. The rate of depreciation of furniture and fitting is:

- A. 15%
- B. 10%
- C. 18%
- D. 20%

Ans. B

70. Computation of depreciation is given under the section:

- A. 30
- B. 31
- C. 32
- D. 33

Ans. C

71. Payments to residents on which tax has not been deducted/ paid shall be disallowed to the extent of \_\_\_\_\_

- A. 0%
- B. 30%
- C. 100%
- D. 50%

Ans. B

72. Which of the following is NOT considered as income from house property under the Income Tax Act?

- A. Rental income from residential house
- B. Rental income from property
- C. Capital gains from the sale of a house property
- D. Annual value of a self-occupied property

Ans. C

73. Payment of Rs. 45,000 by using a credit card for fire insurance. The amount of disallowance under section 40A (3) is:

- A. Rs. 45,000
- B. Rs. 30,000
- C. Nil
- D. Rs. 20,000

Ans. C

74. Payment of Rs. 45,000 made in cash towards purchases of medicines. The amount of disallowance is:

- A. Rs. 45,000
- B. Rs. 30,000
- C. Nil
- D. Rs. 20,000

Ans. A

75. Deemed profits chargeable to tax under section 41 include:

- A. Taxability of Balancing Charge in case of Power Generating Undertakings.
- B. Sale of an asset used for scientific research
- C. Recovery of bad debts
- D. All of the above

Ans. D

76) Which of the following is considered income under the head "Salary"?

- A. Rent from a residential property
- B. Gratuity
- C. Interest earned from a fixed deposit
- D. Dividends

Ans. B

77) What is the treatment of uncommuted pension for government employees?

- A. Fully-taxable
- B. Exempted
- C. Taxable at a reduced rate
- D. Taxable with certain deductions

Ans. A

78) Under which section of the Income Tax Act would house property income be taxed?

- A. Section 80C
- B. Section 44AB
- C. Section 24
- D. Section 80D

Ans. C

79) What is the treatment of business loss incurred during the financial year 2022-2023?

- A. Deductible
- B. Non-deductible
- C. Partially deductible
- D. Exempt from tax

Ans. A

80) Which deduction is allowed from the annual value of a house property?

- A. 30% of Annual Value
- B. Interest on borrowed capital
- C. Entertainment allowance
- D. Professional tax

Ans. A

81) What is the treatment of arrears of rent received by an owner?

- A. Fully exempted
- B. Taxable at a reduced rate
- C. Taxable in the year of receipt
- D. Deductible from the total income

Ans. C

82) Who among the following is considered a deemed owner of a property?

- A. Tenant
- B. Landlord
- C. Transferor of the property without adequate consideration
- D. Property manager

Ans. C

83) Under which section of the Income Tax Act are profits and gains of business or profession taxed?

- A. Section 80D
- B. Section 80CCD
- C. Section 44AD
- D. Section 35AD

Ans. C

84) What is the maximum deduction allowed on interest paid on a loan taken for house acquisition or construction?

- A. Rs. 1,00,000
- B. Rs. 2,00,000
- C. Rs. 5,00,000
- D. Rs. 10,00,000

Ans. B

85) Which of the following expenses is not admissible as a deduction under the head "Profits and Gains of Business or Profession"?

- A. Rent for the business premises
- B. Interest on borrowed capital
- C. Payment of income tax
- D. Bad debts written off as irrecoverable

Ans. B

86) What is the deemed full value of consideration if the consideration for the transfer of an asset is less than the stamp duty value?

- A. Actual consideration
- B. Stamp duty value
- C. Double the actual consideration
- D. Triple the actual consideration

Ans. B

87) When is the mandatory audit under section 44AD applicable to a person carrying on business?

- A. If total sales exceed Rs. 5 lakhs
- B. If gross receipts exceed Rs. 1 crore
- C. If the person is a salaried individual
- D. If the person has multiple sources of income

Ans. B

88) What is the presumptive income for individuals under section 44AD if gross receipts do not exceed Rs. 2 crores?

- A. 6% of gross receipts
- B. 8% of gross receipts
- C. 10% of gross receipts
- D. 12% of gross receipts

Ans. B

89) What is the presumptive income for professionals under section 44ADA if gross receipts do not exceed Rs. 50 lakhs?

- A. 25% of gross receipts
- B. 30% of gross receipts
- C. 40% of gross receipts
- D. 50% of gross receipts

Ans. D

90) Which of the following is not an allowable deduction from house property income?

- A. Interest on borrowed capital
- B. Municipal taxes paid
- C. Repairs and insurance for machinery
- D. Standard Deduction

Ans. C

91) Mr. M received a salary of ₹7,00,000 during the financial year 2022-2023. He contributed ₹60,000 towards the National Pension System (NPS). What is his annual taxable salary for assessment year 2023-2024?

- A. ₹6,40,000
- B. ₹6,80,000
- C. ₹7,00,000

D. ₹7,60,000

Ans. A

92) Which deduction is allowed for repairs and insurance of machinery under the head "Profits and Gains of Business or Profession"?

- A. 10% of the repair cost
- B. Actual repair cost
- C. 20% of the repair cost
- D. 30% of the repair cost

Ans. B

93) What is the presumptive income for an assessee engaged in the business of plying, hiring, or leasing goods carriages?

- A. Rs. 5000 per vehicle per month
- B. Rs. 7500 per vehicle per month
- C. Rs. 1000 per ton per month
- D. Rs. 10000 per vehicle per month

Ans. B

94) Under which section of the Income Tax Act are deductions allowed for contributions towards a pension scheme?

- A. Section 80C
- B. Section 80G
- C. Section 80D
- D. Section 44AD

Ans. A

96) What is the maximum amount of deduction allowed for preliminary expenditure incurred by Indian companies and resident non-corporate assesses?

- A. Rs. 50,000
- B. Rs. 1,00,000
- C. Rs. 2,00,000
- D. No limit

Ans. D

97) What is the treatment of leave encashment received after service for government employees?

- A. Fully-taxable
- B. Exempted

- C. Partially taxable
- D. Deductible as an expense

Ans. B

98) Who among the following is not considered a deemed owner of a property?

- A. Holder of an impartible estate
- B. Tenant
- C. Person in possession of a property
- D. Person having right in a property for a period not less than 12 years

Ans. B

99) Which deduction is allowed for contributions towards a pension scheme under section 80CCD?

- A. 10% of salary
- B. 15% of salary
- C. 20% of salary
- D. 25% of salary

Ans. A

100) Abhi, an employee of Joy Ltd. of Delhi, received the following payments during the previous year ended 31st March 2022:

Basic salary: ₹ 2,40,000

Dearness allowance: 40% of basic salary (40% forming part of salary).

Rent-free unfurnished accommodation provided by the employer for which rent paid by employer being ₹ 50,000.

The value of taxable perquisite in the hands of Ramesh will be:

- (A) ₹ 41,760
- (B) ₹ 50,000
- (C) ₹ 36,000
- (D) ₹ 52,500

Hint:

15% of salary or actual hire charges, whichever is less.

– 15% of salary ₹ 41,760

– Actual hire charges ₹ 50,000.

Ans. A





## **CAPITAL GAINS**

Any profits or gains arising from the transfer of a capital asset effected in the Previous year will be chargeable to tax under the head „Capital Gains“

### **Capital Asset Capital Asset means:**

- (a) Property of any kind held by an Assesse, whether or not connected with his business or profession;
- (b) Any securities held by a Foreign Institutional Investor

### **Exclusions from the definition of Capital Asset:**

- (a) Stock in trade, raw materials, or consumables held for the purposes of business or profession.
- (b) Personal effects except jewellery, archaeological collections, drawings, paintings, sculptures, or any work of art.
- (c) Rural agricultural land in India.

### **Types of capital assets**

#### **1. Short term capital assets [STCA]**

#### **2. Long term capital assets [LTCA]**

**(I) A security listed in a recognized stock exchange in India, a unit of UTI or a unit of an equity-oriented fund or a zero-coupon bond**

If period > 12 months - LTCA

If period < 12 months - STCA

**(II) A share of a company (not being a share listed in a recognized stock exchange in India) & an immovable property, being land or building, or both**

If the period is > 24 months - LTCA

If the period < 24 months - STCA

**(III) Any other capital asset**

If period > 36 months - LTCA

If the period < 36 months – STCA

### **Section 47 - Transactions not regarded as transfer**

- A gift or will or an irrevocable trust
- Total or partial partition of a HUF
- Transfer of capital assets by holding company to its wholly owned Indian subsidiary company & vice versa.
- Transfer of capital asset by amalgamating company to amalgamated Indian company, in a scheme of amalgamation.

- Transfer of capital assets by the demerged company to the resulting Indian company, in a scheme of demerger & vice versa.
- Transfer of shares by a shareholder in a scheme of amalgamation.
- Redemption of sovereign gold bonds by an Individual.
- Transfer of Government Security outside India by a non-resident to another non-resident.
- Conversion of gold into Electronic Gold Receipt or vice versa.
- Transfer on conversion of bonds etc. into shares or debentures.
- Conversion of preference shares into equity shares.
- Transfer of specified capital assets to the Government or university etc.
- Transfer of capital asset under Reverse Mortgage.

#### **Computation of long-term capital gains**

|  |            |
|--|------------|
| Full value of consideration.                       | XXX        |
| (Less): expenditure in transfer.                   | (XXX)      |
| Net Sale Consideration.                            | XXX        |
| (Less): Indexed cost of acquisition & improvement. | (XXX)      |
| (Less): exemptions.                                | (XXX)      |
| <b>Long term capital gains.</b>                    | <b>XXX</b> |

#### **Computation of short-term capital gains**

|  |            |
|--|------------|
| Full value of consideration.               | XXX        |
| (Less): expenditure in transfer.           | (XXX)      |
| Net Sale Consideration.                    | XXX        |
| (Less): Cost of acquisition & improvement. | (XXX)      |
| (Less): exemptions.                        | (XXX)      |
| <b>Short term capital gains.</b>           | <b>XXX</b> |

#### **Capital gains on sale of land or building or both**

- **If Stamp Duty Value > 110% of actual consideration -**

Deemed sale consideration is Stamp duty value.

- **If Stamp Duty Value 110% of actual sale consideration-**

Deemed sale consideration is Actual sale consideration.

- **Actual Consideration > Stamp Duty Value**

Deemed sale consideration is Actual Sale Consideration

- **Value ascertained by Valuation Officer > Stamp Duty Value**

Deemed sale consideration is Stamp Duty Value

- **Value ascertained by Valuation Officer < Stamp Duty Value**

Deemed sale consideration is Value ascertained by the Valuation Officer

### **Section 111A**

#### **Tax on short-term capital gains on transfer of equity shares and units of equity-oriented fund**

The rate of tax is @15% if STT is paid. In the case of resident individuals and HUF, the gain shall be reduced by the unexhausted basic exemption limit.

### **Section 112**

#### **Tax on long-term capital gains**

The rate of tax is @20%. In the case of resident individuals and HUF, the gain shall be reduced by the unexhausted basic exemption limit. In the case of non-corporate non-resident or foreign companies, capital gains arising from the transfer of a capital asset, being unlisted securities, etc. is chargeable @10%. Transfer of listed securities or zero-coupon bonds is chargeable @10% computed without indexation or @20% with indexation.

### **Section 112A**

#### **Tax on long-term capital gains on certain assets**

Any long-term capital gains exceeding Rs1,00,000 on the transfer of equity shares or units of an equity-oriented fund is liable to tax @10% if STT is paid. In the case of resident individuals and HUF, the gain shall be reduced by the unexhausted basic exemption limit.

### **Capital Gains Exemptions with conditions**

#### **Section 10 (37):**

Where any individual or HUF owns urban agricultural land which has been used for agricultural purposes for a period of two years immediately preceding the date of transfer and the same is compulsorily acquired or the consideration for such transfer is determined by the CG or the RBI, resultant capital gain will be exempt.

#### **Section 10 (43):**

The amount received by the senior citizen as a loan, in a transaction of reverse mortgage would be exempt.

**Profit on sale of residential house (Section 54)**

The Assessee must be an individual or HUF who has held the house for more than 3 years. The Assessee has purchased a new house one year prior to the sale or two years after the sale or has constructed a new house within a period of 3 years after the sale.

**Short term capital gain arising on transfer of agricultural land (Section 54B)**

The capital gain earned here will have to be reinvested in the purchase of agricultural land. The land must be purchased 2 years from the date of sale or transfer. Exemption is lower of cost or capital gains.

**Investment in long-term specified assets/ bonds (Section 54EC)**

The Assessee must invest a part of the capital gain or the whole of the gain in specified assets like bonds of NHAI or REC that have a 3-year lock-in period, 6 months from the date of sale. The investment made should not be less than the capital gain. If a part of the gain is invested, then the proportionate amount will be exempted. Assessee must retain the new asset for a minimum of 3 years.

**Profits from the sale of an asset other than a residential house is used to buy a residential house (Section 54F)**

The Assessee must be an individual or a HUF who has bought a new house one year before the sale or two years from the sale or construct a house within 3 years from the sale. The cost of the new house must not be less than the value of the asset sold. On the date of sale, he must not own more than one residential house apart from the new house & should also not buy another house in 2 years or construct a new house from 3 years of buying/constructing the new house.

**Section 54D**

Exemption is allowed for gain arising from industrial land or buildings that has been acquired by the government. The asset should've been used for industrial purposes for a period of 2 years. The exemption is allowed only if the gain will be reinvested to acquire land/buildings for industrial purposes.

**INCOME FROM OTHER SOURCES**

Where any income includible in the total income of an Assessee, cannot be included under any of the other heads & is also not exempted it comes under the head „Income from other sources.

**Specific incomes:**

- (1) Dividend Income
- (2) Casual income (winnings from lotteries, crossword puzzles, races, etc.)
- (3) If more than Rs.50,000 is received without any consideration
- (4) If a movable property is received without consideration, The aggregate fair market value of the property, if it exceeds Rs 50,000 is taxable.

(5) If a movable property is received with Inadequate consideration, The difference between the aggregate fair market value and the consideration, if such difference exceeds Rs50,000 is taxable.

(6) If immovable property is received without consideration, The stamp duty value of the property, if it exceeds Rs 50,000 is taxable.

(7) If immovable property is received with Inadequate consideration, The difference between the stamp duty value and the consideration, if such difference exceeds higher of Rs50,000 & 10% of consideration is taxable.

(8) Consideration received in excess of FMV of shares issued at a premium by a closely held company to any person.

(9) Interest received on compensation/enhanced compensation.

(10) Any sum of money received as an advance and forfeited on or after 1.4.2014

(11) Sum received under a LIP other than ULIP or keyman insurance policy.

(12) Sum received by a person in connection with termination of his employment.

### **Exemptions:**

(1) Income by way of interest on money standing to his credit in a Non-resident (External) Account.

(2) Compensation received/receivable from the Central/State Government etc. by an individual or his legal heir on account of any disaster.

(3) The value of scholarship granted to meet the cost of education.

(4) Any commuted pension received by an individual from a fund.

(5) Daily allowance and Constituency allowance received by any MP/MLA.

(6) Any award instituted in the public interest by the Central/State Government or by any other approved body.

### **Deductions allowable**

1. Dividend - interest to earn it is deducted up to 20% of income

2. Interest on securities- a reasonable sum paid by way of commission or remuneration

3. Recovery from employees as a contribution to any PF- Amount of contribution remitted before the due date

4. Income from letting on hire of machinery, plant, and furniture, with or without building- Current repairs to the asset

5. Family pension- Sum equal to  $33\frac{1}{3}\%$  of such income or 15,000, whichever is less

6. Interest on compensation/ enhanced compensation received- 50% of such interest income

**Deductions unallowable**

1. Any personal expense of the Assessee
2. Any interest chargeable to tax which is payable outside India on which tax has not been paid or deducted at source.
3. Any payment chargeable to tax under the head "Salaries", if it is payable outside India unless tax has been paid thereon or deducted at source.
4. Any expenditure in respect of which a payment is made to a related person, to the extent the same is considered unreasonable by the Assessing Officer, having regard to the FMV.
5. Any expenditure in respect of which a payment or aggregate payments exceeding Rs 10,000 is made to a person in a day otherwise than by prescribed modes
6. Any expenditure or allowance in connection with casual income
7. 30% of expenditure in respect of sum which is payable to a resident on which tax is deductible at source, if such tax has not been deducted or paid

**DEDUCTIONS FROM GROSS TOTAL INCOME {GTI}**

"Deduction" in relation to Chapter VI-A and section 10AA refers to the amount that is reduced from gross total income to arrive at the total income.

**Deductions in respect of certain payments****80C:**

Contribution to PPF, Payment of LIC premium, Repayment of housing loan, Tuition fees to any Indian university, college, school etc. subject to a maximum of Rs1,50,000.

**80CCC:**

Contribution to certain pension funds subject to a maximum of Rs 1,50,000.

**80CCD:**

(1) Contribution to the Pension Scheme of Central Government. For salaried individuals, the deduction is @10% of the salary. For others, it is @20%.

(1B) Further deduction of up to Rs50,000 is given.

(2) For employer contribution deduction is @14% if employer is government & @10% in other cases.

**80CCE:**

The complete deduction of the above 3 sections can be up to Rs1,50,000 only.

**80CCH:**

Contribution to Agni veer Corpus Fund, the whole amount is deducted.

**80D:**

1) Any premium paid or amount contributed to CGHS, otherwise than by way of cash, for individual, spouse & dependent children, and for HUF, all family members up to Rs25,000 (50,000 if any of them is a senior citizen)

- 2) Any premium paid, otherwise than by way of cash, for health insurance of parents up to Rs 25,000 [Rs50,000, in case either or both of the parents are senior citizen(s)]
- 3) Any amount paid, otherwise than by way of cash, on account of medical expenditure for people who are senior citizens & don't have insurance Up to Rs50,000 but not in addition to deduction on premium
- 4) Payment, including cash payment, for preventive health checkups Up to Rs5,000 with an overall limit of Rs25,000/50,000.

**80DD:**

Any amount incurred for the medical treatment, training, and rehab of a dependent disabled. Flat deduction of Rs75,000. In case of severe disability (80% or more disability) it is Rs1,25,000.

**80DDB:**

Deduction for medical treatment of specified diseases or ailments Actual sum paid or Rs40,000 (Rs1,00,000, if the payment is for a senior citizen), whichever is less, minus the amount received from the insurance company or employer

**80E:**

Interest on loan taken for higher education Deduction is available for 8 initial assessment years or until the interest is paid in full, whichever is earlier.

**80EE:**

Deduction for interest on loan borrowed from any financial institution for the acquisition of residential house property Deduction of Rs50,000 is allowed but with these conditions:

Loan should be sanctioned during P.Y.2016-17

Loan sanctioned  $\leq$  Rs35 lakhs

Value of house  $\leq$  Rs50 lakhs

The Assessee should not own any house at the time of sanction.

**80EEA:**

Deduction is available up to Rs1,50,000 with these conditions:

Loan should be sanctioned during the period

between 1st April 2019 to 31st March 2022.

Stamp Duty Value of house  $\leq$  Rs45 lakhs

The individual should not own any residential house on the date of sanction of the loan. The individual should not be eligible to claim a deduction u/s 80EE.

**80EEB:**

Deduction in respect of interest payable on loan taken from a FI for purchase of electric vehicle deduction is up to Rs1,50,000 with the condition that Loan should be sanctioned during the period from 1.4.2019 to 31.3.2023.



**80G:**

Donations to certain funds, charitable institutions, etc.

I) 100% deduction without any qualifying limit If donated to certain funds like the National Defence Fund, PM CARES Fund, etc.

II) 50% deduction without any qualifying limit Donation to Prime Minister's Drought Relief Fund.

III) 100% deduction subject to qualifying limits Donation to Government or local authority, an institution for the promotion of family planning, etc.

IV) 50% deduction subject to qualifying limit Donation to Government or any local authority to be used for charitable purposes, other than promotion of family planning, notified temple, church, gurudwara, mosque, etc.

**80GG:**

Rent paid for residential accommodation for individuals not in receipt of house rent allowance. Least of the following is allowable as deduction:

- (1) 25% of total income;
- (2) Rent paid – 10% of total income
- (3) Rs 5,000 p.m.

**80GGA:**

Donations for scientific research and rural development for any Assessee not having income chargeable under the head PGBP. Actual donation is allowed. [No deduction shall be allowed for donations in excess of Rs2,000, if paid in cash]

**80GGB:**

Contributions to political parties for Indian companies allowed for actual contributions (otherwise than by way of cash).

**80GGC:**

The same deduction as above but for any person, other than local authority and an artificial juridical person funded by the Government.

**Deductions in respect of Certain Incomes****80JJAA:**

Deduction in respect of employment of new employees allowed to Assessee to whom section 44AB applies, amount is 30% of additional employee cost incurred in the previous year. Deduction is allowable for 3 assessment years

**80QQB:**

Royalty income, etc. of authors of certain books other than textbooks Allowed up to Income derived in the exercise of profession or Rs3,00,000, whichever is less.

**80RRB:**

Royalty on patents Allowed up to the Whole of such income or Rs3,00,000, whichever is less.

**Deductions in respect of Other Income****80TTA:**

Interest on deposits in savings account Deduction up to actual interest subject to a maximum of Rs10,000 (not for senior citizens)

**80TTB:**

Interest on deposit for senior citizens (both fixed deposit & savings account) deduction up to actual interest or Rs 50,000, whichever is less.

**Other deductions****80U:**

Deduction in case of a person with disability Flat deduction of Rs75,000(1,25,000 in case of severe disability i.e.80%)



**Multiple Choice Questions**

1) Capital asset excludes all assets except:

- A. Stock in trade
- B. Personal effect
- C. Jewellery
- D. Rural agricultural land

Ans. C

2) Cost of acquisition in case of bonus shares allotted before 1/4/2001 will be:

- A. Face value on the date of allotment
- B. Nil
- C. Market value as of 1/4/2001
- D. Current market value

Ans. C

3) Long term capital gains on zero coupon bonds are chargeable to tax:

- A. @ 20% computed after indexation of such bonds
- B. @ 10% computed without indexation of such bonds
- C. Higher of (a) or (b)
- D. Lower of (a) or (b)

Ans. A

4) In order to enjoy exemption under section 54EC, the resultant long-term capital gains should be invested in specified bonds within a period from the date of transfer:

- A. 36 months
- B. 4 months
- C. 6 months
- D. 12 months

Ans. C

5) Capital gain arises on:

- A. All types of assets
- B. All types of capital asset
- C. Land, Building, and Shares only
- D. All of the above

Ans. D

6) If goodwill of a profession which is self-generated is transferred there will:

- A. liable to capital gain
- B. not be liable for any capital gain
- C. be a short-term capital gain
- D. be a long-term capital gain

Ans. B

7) For claiming exemption under section 54, the Assesse should transfer:

- A. A self-occupied residential house property
- B. A let-out residential house property
- C. A vacant house property
- D. Any of the above three

Ans. D

8) Exemption under section 54 is available to:

- A. all assesses
- B. individuals only
- C. individual as well as HUF
- D. HUF only

Ans. C

9) For claiming exemption under section 54, the assesses should purchase residential property:

- A. 2 years after the date of transfer
- B. 3 years after the date of transfer
- C. within one year before or two years after the date of transfer
- D. one year before and 3 years after the date of transfer

Ans. C

10) For claiming exemption under section 54, the Assesse should complete the construction of the residential property:

- A. within one year before or two years after the date of transfer
- B. within one year before or three years after the date of transfer
- C. within three years after the date of transfer
- D. within two years after the date of transfer

Ans. B

11) If the bonus shares are acquired before 1/4/2001 the cost of acquisition of such bonus shares shall be:

- A. Cost for which it was acquired by the Assesse
- B. FMV as on 1/4/2001
- C. Always taken as Nil
- D. Higher of (a) or (b)

Ans. B

12) If the bonus shares are acquired on or after 1/4/1981 the cost of acquisition of such shares shall be:

- A. Cost for which it was acquired by the Assesse
- B. FMV as on 1/4/2001
- C. Always taken as Nil
- D. Higher of (a) or (b)

Ans. C

13) The cost of acquisition of the right shares to a person who purchased the right to acquire shares from the existing shareholder shall be:

- A. the market value of the right share is offered
- B. price at which these shares are offered
- C. price at which these shares are offered plus the amount paid to the person renouncing the right
- D. always taken as NIL

Ans. B

14) Transfer of capital assets under a gift or will shall:

- A. be regarded as a transfer for the donor and taxable for the donor
- B. not be regarded as transfer for donor and not taxable for donor
- C. be regarded as transfer for donor and taxable for receiver
- D. not be regarded as transfer for donor and taxable for receiver

Ans. A

15) Cost of improvement means capital expenditure is done on the value addition of capital asset. It shall be considered for the calculation of capital gains and:

- A. It is always taken as Nil
- B. always considered irrespective of the period when it was incurred
- C. considered when incurred on or after 1/4/2001
- D. considered when incurred before 1/4/2001

Ans. B

16) Cost of improvement of tenancy rights, route permits or loom hours shall be:

- A. It is always taken as Nil
- B. always considered irrespective of period when it was incurred
- C. considered when incurred on or after 1/4/2001
- D. considered when incurred before 1/4/2001

Ans. B

17) In case of long-term capital gain, the amount to be deducted from sale consideration shall be:

- A. Cost of acquisition and cost of improvement
- B. Indexed cost of acquisition and indexed cost of improvement
- C. Market value as on 1/4/1981 of capital asset
- D. only cost of improvement

Ans. B

18) Ms. Anuradha received interest on enhanced compensation of ₹ 5,00,000. Out of this interest, ₹ 1,50,000 relates to the previous year 2020-21, ₹ 1,90,000 relates to previous year 2021-22 and ₹ 1,60,000 relates to previous year 2022-23. She paid ₹ 1 lakh to her advocate for his efforts in the matter. What amount would be taxable in P.Y. 2022-23 and taxable, if any, under which head of income.

- A. ₹ 2,50,000 under the head "income from other sources"
- B. ₹ 4,00,000 under the head "income from other sources"
- C. ₹ 1,60,000 under the head "income from other sources"
- D. ₹ 1,60,000 under the head "Capital gains"

Ans. A

19) Short-term capital gain is gain arising from the transfer of land and building which is held by the Assessee for not more than:

- A. 36 months from the date of its acquisition
- B. 12 months from the date of its acquisition
- C. 24 months from the date of its acquisition
- D. 48 months from the date of its acquisition

Ans. C

20) Which of the following is not required for charging income tax on capital gains:

- A. The transfer must have been affected in the relevant assessment year
- B. There must be a gain arising on the transfer of capital asset

- C. Capital gains should not be exempt under section 54
- D. Capital gains should not be exempt under section 54EC

Ans. D

21) The deduction allowable in respect of family pension taxable under “Income from other sources” is:

- A. Rs. 15,000 or 1/3rd of family pension whichever is less
- B. Rs. 15,000 or 1/2 of the family pension whichever is less
- C. Rs. 10,000 or 1/3rd of family pension whichever is less
- D. No deduction is allowed

Ans. B

22) MR. V acquired a building from his friend on 10/10/2020 for Rs. 15,00,000. The stamp duty value of the building on the date of purchase is Rs. 15,70,000. Income is chargeable to tax in the hands of MR. V is:

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

Ans. C

23) MR. V received Rs. 50,000 from his friend on the occasion of his birthday:

- A. The entire amount of Rs. 60,000 is taxable
- B. Rs. 50,000 is taxable
- C. The entire amount is exempt
- D. Rs. 10,000 is taxable

Ans. C

24) Gift of movable properties received by an Individual or HUF shall be taxable in the hands of the recipient:

- A. If the aggregate market value of all such specified movable properties exceeds Rs. 50,000
- B. If the market value of each of such movable property exceeds Rs. 50,000
- C. If the stamp duty of each of such moveable property exceeds Rs. 50,000
- D. If the aggregate stamp duty value of all such specified movable properties exceeds Rs. 50,000

Ans. A

25) Gift, whether in cash or kind, received by an individual on the occasion of his / her marriage shall be:

- A. Fully exempt even if it exceeds Rs. 50,000
- B. Fully-taxable if it exceeds Rs. 50,000
- C. Exempt up to Rs. 50,000 and balance taxable
- D. Fully exempt only if received from relatives

Ans. B

26) Gift exceeding Rs. 50,000 received by HUF from a relative of the member of HUF shall be:

- A. Fully-taxable
- B. Fully exempt
- C. Taxable to the extent it exceeds Rs. 50,000
- D. None of the above

Ans. C

(CA Intermediate)

27) Gift exceeding Rs. 50,000 received by MR. V from her spouse Mrs. J shall be:

- A. Fully exempt
- B. Fully-taxable
- C. Exempt up to Rs. 50,000 and the balance shall be taxable
- D. None of the above

Ans. A

28) Gift received by HUF from its members shall be:

- A. Fully exempt
- B. Fully-taxable
- C. Taxable to the extent it exceeds Rs. 50,000
- D. None of the above

Ans. A

29) Income from sub-letting of House property is

- A. Income from other sources
- B. Property income
- C. Exempted
- D. Capital gain

Ans. A



30) For computing lottery, crossword puzzles races, card games income, etc., the assessee shall:

- A. Be entitled to a deduction for any expenditure incurred for earning such income
- B. Not entitled to any deduction for any expenditure
- C. Be entitled to deduction up to certain limits
- D. Be entitled to a deduction to the extent of Rs. 10,000

Ans. B

31) MR. V has taken a house on rent and sublets the same to Mr. D. Income from such house property shall be taxable under the head:

- A. Income from house property
- B. Income from other sources
- C. Income from house property or income from other sources as decided by MR. V
- D. None of the above

Ans. C

32) MR. V acquired a motor car for Rs. 3,00,000 from his friend (non-relative) when the fair market value of the motor car was Rs. 5,00,000. The amount liable to tax is in the hands of MR. V from the transaction is:

- A. Rs. 3,00,000
- B. Rs. 2,00,000
- C. Rs. 1,50,000
- D. Nil

Ans. B

33) MR. V is engaged in the fertilizer trade, and received rent by sub-letting of a building. This will be taxable under the head:

- A. Income from house property
- B. Income from capital gains
- C. Income from profits and gains of business and profession
- D. Income from other sources

Ans. C

34) MR. V is in receipt of a family pension of Rs. 15,000 p.m. AY 2023-2024 i.e. PY 2022-2023. Income chargeable to tax for MR. V is:

- A. Rs. 1,80,000
- B. Rs. 1,20,000
- C. Rs. 1,65,000

D. Nil

Ans. D

35) GGC Pvt. Ltd. is a closely held company and has received from MR. V shares of another closely held company but without any consideration:

- A. The whole of the fair market value of the shares shall be taxable
- B. The whole of the FMV shall be taxable if it exceeds Rs. 50,000
- C. The whole of FMV shall be exempt
- D. The whole of the cost of such shares shall be exempt

Ans. D

36) MR. V received a cash gift of Rs. 51,000 from Mr. S on the occasion of his 50<sup>th</sup> birthday. Mr. S is not his relative. The amount liable to tax is in the hands of MR. V would be:

- A. Nil
- B. Rs. 1,000
- C. Rs. 51,000
- D. Rs. 46,000 after deducting casual income of Rs. 5,000

Ans. B

37) MR. V received a cash gift of Rs. 51,000 from Mr. S on the occasion of his 50<sup>th</sup> birthday. Mr. S is his son. The amount liable to tax in the hands of MR. V would be:

- A. Nil
- B. Rs. 1,000
- C. Rs. 51,000
- D. Rs. 46,000 after deducting casual income of Rs. 5,000

Ans. C

38) Income under the head income from other sources is taxable on:

- A. Due basis
- B. Receipt basis
- C. On the basis of method of accounting regularly employed by the assesses
- D. None of the above

Ans. B

39) Dividend declared by a domestic company is:

- A. Fully exempt in the hands of shareholders but taxable for the company as CDT (corporate dividend tax)
- B. Fully exempt in the hands of shareholders

- C. Fully taxable in the hands of shareholder
- D. None of the above is correct

Ans. A

40) Deduction 80C is not available to

- A. HUF
- B. Individual
- C. Company
- D. All of these

Ans. C

41) Under section 80JJAA of the Income Tax Act, 1961 deduction is available to .....in respect of employment of new workmen.

- A. An Indian company
- B. Any Assesse
- C. (c)A resident corporate Assesse
- D. A non-resident Assesse

Ans. B

42) Deduction under Chapter VIA are not available from:

- A. Long term capital gain
- B. Salary
- C. Short term capital gain on sale of land
- D. None of the above

Ans. A

43) For the purpose of deduction under section 80DD, which of the following statements is/are true:

- A. Assesse is either an individual or a HUF
- B. Assesse is resident in India
- C. Assesse has a dependent disable relative
- D. All of the above

Ans. D

44) Under which section, a person will not be eligible for deduction if, he files belated return:

- A. Under section 80E
- B. Under section 80IA
- C. Under section 80GG

D. None of the above

Ans. B

45) Section 80QQB of the Income Tax Act, 1961, deals with:

- A. Interest on debentures of a govt. company
- B. Royalty income of authors
- C. Royalties from patent
- D. Profits from export of computer software

Ans. B

46) Out of his salary income, Mr. X has paid interest of Rs.10,000 on an educational loan taken from Nationalized bank last year. Deduction available under section 80E:

- A. Rs.10,000
- B. Rs.5,000
- C. Rs.20,000
- D. Nil

Ans. A

47) Deductions u/s 80C to 80U is not allowed from:

- A. LTCG taxable u/s 112/u/s 112A
- B. Casual Incomes
- C. STCG taxable u/s 111A
- D. All of the above

Ans. D

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48) As per section 80A aggregate of all deductions from section 80C to section 80U cannot exceed the amount of:

- A. GTI
- B. special incomes in GTI
- C. casual incomes in GTI
- D. capital gains in GTI

Ans. A

49) Mr. P has submitted revised ITR on & claimed deduction of section 80D & section 80QQB:

- A. He will not be allowed deduction u/s 80D & u/s 80QQB
- B. He will be allowed deduction u/s 80D but not u/s 80QQB

C. He will be allowed deduction u/s 80QQB but not u/s 80D

D. He will be allowed deduction u/s 80D & u/s 80QQB

Ans. C

(CA Intermediate)

50) Deduction u/s. 80C in respect of Life Insurance Policy, Contribution of employee to Provident Fund, etc. is allowed to:

A. Any Assesse

B. Individual Assesse only

C. Individual or HUF who may be resident or non-resident

D. Individual or HUF who is resident in India

Ans. C

51) Deduction u/s 80C is allowed to the maximum of:

A. Rs. 2,00,000

B. Rs. 1,00,000

C. Rs. 1,50,000

D. Rs. 2,50,000

Ans. C

52) For claiming deduction u/s 80C in respect of life insurance premium, premium can be paid by Assessee for:

A. Himself & the spouse

B. Himself, spouse & minor children

C. Himself, spouse & dependent children

D. Himself, spouse & any child

Ans. C

53) In case of HUF, deduction u/s 80C in respect of life insurance premium shall be allowed for:

A. Any coparcener of the HUF

B. Karta of HUF

C. Any member of the HUF

D. None of the above

Ans. C

54) An Assessee has paid a life insurance premium of Rs. 45,000 during the previous year for a policy of Rs. 2,00,000 taken on 1/4/2000. He shall:

- A. Not be allowed any deduction u/s 80C
- B. Be allowed deduction u/s 80C to the extent of 10% of the capital sum assured
- C. Be allowed deduction for the entire premium
- D. Be allowed deduction u/s 80C to the extent of 20% of the sum assured

Ans. D

55) If goodwill of a profession which is self-generated is transferred there will

- A. liable to capital gain
- B. not to be liable to capital gain
- C. be a short-term capital gain
- D. be a long-term capital gain

Ans. B

56) An Assessee suffering with disability specified u/s 80U has paid life insurance premium of Rs. 45,000 during the previous year for a policy of Rs. 2,00,000 taken on 1/6/2012. He shall:

- A. Not be allowed any deduction u/s 80C
- B. Be allowed deduction u/s 80C to the extent of 10% of the sum assured
- C. Be allowed deduction u/s 80C to the extent of 15% of the capital sum assured
- D. Be allowed deduction u/s 80C to the extent of 20% of the capital sum assured

Ans. B

57) An Assessee suffering with disability specified u/s 80U has paid life insurance premium of Rs. 45,000 during the previous year for a policy of Rs. 2,00,000 taken on 1/6/2022. He shall:

- A. Not be allowed any deduction u/s 80C
- B. Be allowed deduction u/s 80C to the extent of 10% of the capital sum assured
- C. Be allowed deduction u/s 80C to the extent of 15% of the sum assured
- D. Be allowed deduction u/s 80C to the extent of 20% of the capital sum assured

Ans. C

58) Mr. H contributed ₹60,000 towards the National Pension System (NPS) during the financial year 2022-2023. What is the maximum deduction he can claim under Section 80CCD (1B)?

- A. ₹25,000
- B. ₹50,000
- C. ₹60,000
- D. ₹1,00,000

Ans. B

59) For claiming deduction u/s 80C in respect of PPF, the contribution must be paid by the individual in the PPF account of:

- A. Himself only
- B. Himself & Spouse
- C. Himself, spouse or any child
- D. Himself, spouse, or any dependent child

Ans. C

60) For claiming deduction u/s 80C in respect of the Sukanya Samridhi scheme, the contribution must be paid by the individual in the name of:

- A. Himself only
- B. Wife & Mother
- C. Any child of such Individual
- D. Girl child of such Individual

Ans. D

61) Deduction under section 80C for tuition fees shall be allowed for the purposes of:

- A. Any full-time education
- B. Any full or part time education
- C. Full time education in a college
- D. Full time education in a school

Ans. A

62) Deduction under section 80C in respect of tuition fees is allowed to:

- A. An individual only
- B. An individual or HUF
- C. Any Assesse
- D. An association of persons

Ans. A

63) Deduction u/s 80C in respect of tuition fee is allowed to an individual for:

- A. Any of his children
- B. Any two children of such individual
- C. Any two minor children of such individual
- D. Any two dependent children of such individual

Ans.B

64) For claiming deduction u/s 80C, the payment or deposit should be made:

- A. Out of any income
- B. Out-of-income chargeable to income tax
- C. During the current year out of any source
- D. Out of salary income

Ans. C

65) Deduction under section 80C shall be allowed for:

- A. Any tuition fees
- B. Tuition fee exclusive of any payment towards any development fee or donation or payment of a similar nature
- C. Tuition fee and annual charges
- D. Co-curricular fee

Ans. B

66) Deduction under section 80C to 80U cannot exceed:

- A. Gross Total Income
- B. Total income
- C. Income from business or profession
- D. Income from house property

Ans. A

67) Government's contribution to the new pension scheme referred to in section 80CCD is:

- A. An exempt income
- B. An income chargeable to tax as „Salaries“ in full [Max to the extent of 14%]
- C. An income chargeable to tax as „Income from other sources“ in full
- D. 50%, thereof is income chargeable to tax as „Salaries“

Ans. B

68) Which of the following is an example of a short-term capital asset?

- A. Residential property held for 3 years
- B. Equity shares held for 12 months
- C. Gold jewellery held for 5 years
- D. Corporate bonds held for 24 months

Ans .B



69) Deduction u/s 80C in respect of LIC, contribution to PF, etc. is allowed to:

- A. Any Assesse
- B. Individual Assesse only
- C. Individual or HUF
- D. Individual or HUF who is resident in India

Ans. C

70) Deduction u/s 80C. is allowed to the maximum of:

- A. Rs. 1,00,000
- B. Rs. 1,50,000
- C. Rs. 1,40,000
- D. Rs. 2,00,000

Ans. B

71) Mr. E has a total income of ₹12,00,000 during the financial year 2022-2023. If he claims a deduction of ₹2,00,000 under Section 80C, what is his taxable income?

- A. ₹10,00,000
- B. ₹10,50,000
- C. ₹11,00,000
- D. ₹11,50,000

Ans. B

(CA Intermediate)

72) For claiming deduction u/s 80C, for life insurance premium, if the payment is made by the Assesse for his child, then the child:

- A. Should be dependent on the Assesse
- B. May or may not be dependent
- C. May be married or unmarried and dependent or not dependent
- D. Should be independent

Ans. C

73) In the case of HUF, deduction u/s 80C in respect of life insurance premium shall be allowed for:

- A. Any coparcener of HUF
- B. Karta of HUF
- C. Any member of the HUF
- D. female member of HUF

Ans. C

74) An Assesse has paid a life insurance premium of Rs. 25,000 during the previous year for a policy of Rs. 2,00,000 taken on 1-4-2022 he shall:

- A. Not be allowed any deduction under section 80C
- B. Be allowed deduction under section 80C to the extent of 10% of the sum assured
- C. Be allowed deduction for the entire premium as per the provisions must be paid 80C
- D. Be allowed deduction under section 80C to the extent of 30% of the sum assured

Ans. B

75) For claiming deduction u/s 80C in respect of PPF, the contribution must be paid by the individual in the PPF account of:

- A. Himself only
- B. Himself and spouse
- C. Himself, spouse or any child
- D. Himself, spouse, or dependent child

Ans, C

76) What type of assets are excluded from the definition of Capital Asset:

- A. Stocks
- B. Personal effects
- C. Government securities
- D. Agricultural land

Ans. B

77) Which income is rounded off:

- A. GTI
- B. Total income
- C. Both
- D. None of theses

Ans. B

78) What is the tax rate applicable to income above ₹10,00,000 for an individual for the financial year 2022-2023?

- A. 30%
- B. 35%
- C. 40%
- D. 45%

Ans. A

79) How long must an individual or HUF hold a residential house to be eligible for exemption under Section 54:

- A. 1 year
- B. 2 years
- C. 3 years
- D. 4 years

Ans. C

80) Under Section 80C, what is the maximum limit for deductions for contributions to PPF, LIC premium, housing loan repayment, etc.:

- A. Rs. 1,00,000
- B. Rs. 1,50,000
- C. Rs. 2,00,000
- D. Rs. 2,50,000

Ans. B

81) What is the maximum deduction allowed under Section 80D for health insurance premiums paid for senior citizens:

- A. Rs. 25,000
- B. Rs. 30,000
- C. Rs. 50,000
- D. Rs. 75,000

Ans. C

82) Which section allows a deduction for interest on loans taken for higher education:

- A. 80E
- B. 80TTA
- C. 80QQB
- D. 80U

Ans. A

83) What is the maximum deduction allowed under Section 80GG for rent paid for residential accommodation?

- A. 20% of total income
- B. 25% of total income
- C. Rs. 5,000 per month

D. Rs. 10,000 per month

Ans. C

84) Which section allows deductions for donations to certain funds, charitable institutions, etc.:

- A. 80G
- B. 80GG
- C. 80CCC
- D. 80D

Ans. A

85) What is the deduction allowed under Section 80U for a person with a severe disability?

- A. Rs. 50,000
- B. Rs. 75,000
- C. Rs. 1,00,000
- D. Rs. 1,25,000

Ans, D

86) In case of short-term capital gains on the transfer of equity shares, what is the tax rate if STT is not paid?

- A. 10%
- B. 15%
- C. 20%
- D. 25%

Ans. B

87) How long must an individual or HUF hold the new house purchased to claim an exemption under Section 54F:

- A. 1 year
- B. 2 years
- C. 3 years
- D. 4 years

Ans. C

88) What is the maximum limit for deduction under Section 80DDB for medical treatment of specified diseases for senior citizens?

- A. Rs. 30,000
- B. Rs. 40,000

- C. Rs. 50,000
- D. Rs. 1,00,000

Ans. D

89) Under Section 80C, what is the maximum limit for tuition fees paid to Indian universities, colleges, schools, etc.:

- A. Rs. 50,000
- B. Rs. 1,00,000
- C. Rs. 1,50,000
- D. No limit

Ans. C

90) What is the maximum deduction allowed under Section 80RRB for royalty on patents:

- A. Rs. 1,00,000
- B. Rs. 2,00,000
- C. Rs. 3,00,000
- D. No limit

Ans. C

91) Which section allows deduction for interest on deposits in savings account?

- A. 80EE
- B. 80TTA
- C. 80QQB
- D. 80U

Ans. B

92) What is the maximum deduction allowed under Section 80JJAA for employment of new employees?

- A. 20% of additional employee cost
- B. 25% of additional employee cost
- C. 30% of additional employee cost
- D. 35% of additional employee cost

Ans. C

93) Under Section 54D, what must the gain from industrial land or building be reinvested in to claim exemption:

- A. Residential property
- B. Agricultural land

- C. Commercial property
- D. Industrial land or building

Ans. D

94) What is the maximum deduction allowed under Section 80GGA for donations for scientific research and rural development?

- A. Rs. 1,00,000
- B. Rs. 2,00,000
- C. Rs. 3,00,000
- D. No limit

Ans. D

95) Under Section 80GGC, who is eligible for deductions for contributions to political parties?

- A. Indian companies
- B. Individuals
- C. HUFs
- D. Both a and c

Ans. A

96) What is the maximum deduction allowed under Section 80QQB for the royalty income of authors of certain books?

- A. Rs. 1,00,000
- B. Rs. 2,00,000
- C. Rs. 3,00,000
- D. No limit

Ans. C

97) Under Section 80E, for how many initial assessment years is the deduction available for interest on a loan taken for higher education:

- A. 5 years
- B. 8 years
- C. 10 years
- D. No limit

Ans. B

98) What is the maximum deduction allowed under Section 80U for a person with a disability?

- A. Rs. 50,000

- B. Rs. 75,000
- C. Rs. 1,00,000
- D. Rs. 1,25,000

Ans. B

99) Capital gain on depreciable assets will always be

- A. long-term capital gain
- B. tax free
- C. STCG
- D. None of the above

Ans. C

100) What is the tax rate on long-term capital gains exceeding Rs. 1,00,000 on the transfer of equity shares or units of an equity-oriented fund under Section 112A, if STT is paid:

- A. 10%
- B. 15%
- C. 20%
- D. 25%

Ans. A

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## **SET OFF AND CARRY FORWARD OF LOSSES**

### **Inter-source set-off of losses under the same head of income:**

Any loss in respect of one source shall be set off against income from any other source under the same head of income.

#### **Exceptions:**

- (i) Loss from a speculation business can be set off only against profits from another speculation business.
- (ii) Long term capital loss (LTCL) can be set off only against long-term capital gains (LTCG).
- (iii) Loss from the activity of owning and maintaining race horses can be set off only against income from the activity of owning and maintaining race horses.
- (iv) Loss from a specified business under section 35AD can be set off only against profits from any other specified business.

### **Inter head adjustment**

Loss under one head of income can be set off against income assessable under any other head of income.

#### **Exceptions:**

- (i) Loss under the head “Profits and gains of business or profession” cannot be set off against income under the head “Salaries”
- (ii) Loss under the head “Capital gains” cannot be set off against income under any other head.
- (iii) Speculation loss and loss from the activity of owning and maintaining racehorses cannot be set off against income under any other head.
- (iv) Loss from specified business u/s 35AD cannot be set off against income under any other head.
- (v) Loss from house property can be set off against income under any other head only to the extent of Rs 2 lakhs. The remaining loss can be carried forward. Loss from any other specified business.

### **Losses which cannot be set off or carried forward**

- (I) Loss from gambling, betting, card games, etc.
- (II) Loss from an exempt source [for example, share of loss of partnership firm]

#### **Order of set-off of losses:**

1. Current year depreciation / Current year capital expenditure on scientific research and current year expenditure on family planning, to the extent allowed.
2. Brought forward loss from business/profession
3. Unabsorbed depreciation

4. Unabsorbed capital expenditure on scientific research

5. Unabsorbed expenditure on family planning

**Period of carrying forward for different losses:**

● **Unabsorbed depreciation**

Indefinite period

● **House property loss**

8 assessment years

● **PGBP loss**

8 assessment years

● **speculation of business loss**

4 assessment years

● **Loss from specified business**

indefinite period

● **Long term capital loss**

8 assessment years

● **Short term capital loss**

8 assessment years

● **Loss from the activity of owning and maintaining racehorses**

4 assessment years

**CLUBBING OF INCOME**

**Incomes to be clubbed in assessee's income:**

- Income transferred without transfer of asset
  - Income arising from revocable transfer of assets
  - Income arising to spouse by way of remuneration from a concern in which the individual has a substantial interest (However, if remuneration received is attributable to the application of professional knowledge and experience then, such income is not to be clubbed.)
  - Income arising to a spouse from assets transferred without adequate consideration or not in connection with an agreement to live apart.
  - Income arising from the transfer of assets for the benefit of the spouse or son's wife
  - Income arising to the son's wife from an asset transferred without adequate consideration
  - Income of minor child [Included with the income of that parent, whose total income, is higher. Where the marriage does not subsist, the income of the minor will be includible in the income of that parent who maintains the minor child. Exemption is also given up to Rs 1,500. The following income Isn't included-
- I) Income from manual work
  - II) Income from skills
  - III) Income due to disability
- Conversion of self-acquired property into the property of a HUF



## ADVANCED TAX & TAX DEDUCTION AT SOURCE

### **Person Responsible for Advance tax:**

Every person whose estimated tax liability for the year is Rs. 10,000 or more, shall pay his tax in advance, in the form of “advance tax”. The incomes include all the incomes expected during the financial year.

### **Not Liable for Advance tax:**

- Presumptive taxation scheme of section 44AD will not be liable to pay advance tax in respect of business.
- A resident senior citizen, not having any income from business or profession.

### **How to calculate Advance Tax:**

- Take all the Estimated income to be earned during the relevant P.Y. and calculate the tax as per the rate including surcharge and cess
- Deduct TDS /TCS if any
- Allow all exemption, rebates, and relief.

### **Due dates of installment:**

- By the 15th of June 15% of Adv. tax
- By the 15th of Sept 45% of Adv. tax
- By 15th of Dec. 75% of Adv. tax
- By the 15th of March 100% of Adv. Tax

### **Consequence for Non-payment:**

- Interest U/s 234B if not paid at least 90% of the assessed tax Interest @1% simple interest on the defaulting amount. Period of Int. to be calculated from 1st April of AY till date of determination of Total income.
- Interest U/s 234C if different installments are not paid within due dates Interest @1% for pm or part.
  - By 15th June if 15% of Adv. Tax not paid, interest to be paid for 3 Months
  - By 15th Sept if 45% of Adv. Tax not paid, interest to be paid for 3 Months
  - By 15th Dec. if 75% of Adv. Tax not paid, interest to be paid for 3 Months
  - By 15th March if 100% of Adv. Tax not paid, interest to be paid for 1 month

### **No interest:**

- If there is a short payment of tax due to casual income like lottery/Gambling income and capital gain but tax has been paid before end of the financial year.
- If due date is a public holiday, tax can be paid on the next working day.

## TAX DEDUCTION AT SOURCE

Tax Deducted at Source is income tax reduced from the money paid at the time of making specified payments.

### **Section 192 salary:**

Deductor- Employer.

Rate- normal slab rates

Deductee- Employees

Threshold- basic exemption limit



Rate- 5%

Threshold-15,000

**Section 194H commission/brokerage:**

Deductor- any person

Deductee- any person

Rate-5%

Threshold-15,000

**Section 194I Rent:**

Deductor- any person

Deductee- resident person

Rate- 2% (plant, machinery) 10%(others)

Threshold-2,40,000

**Section 194I Transfer of immovable property (not agricultural land):**

Deductor- any person (other than person in 194LA)

Deductee- resident person

Rate-1%

threshold-50,00,000

**Section 194IB rent by certain individuals/HUF:**

Deductor- individuals/HUF (other than person in 194I)

Deductee- resident person

Rate- 5%

Threshold- 50,000 p.m.

**Section 194IC payment under specific agreement:**

Deductor- any person

Deductee- resident person

Rate- 10%

Threshold- no limit

**Section 194J technical/professional services:**

Deductor- any person

Deductee- resident person

Rate- 2% (royalty, technical services) 10%(others)

Threshold- 30,000 for each payment

**Section 194LA compulsory acquisition:**

Deductor- any person

Deductee- resident person

Rate- 10%

Threshold- 2,50,000

**Section 194O payment to e commerce participants:**

Deductor- ecommerce operator

Deductee- ecommerce participants

Rate- 5%

Threshold- 5,00,000

**Section 194P Pension:**

Deductor- specified bank

Deductee- senior citizen having only pension &amp; interest income

Rate- rates in force

Threshold- basic exemption limit

**Section 194Q Purchase of goods:**

Deductor- Buyer having turnover&gt;10 crores

Deductee- any person  
rate- 0.1% of sum exceeding 50,00,000  
Threshold- 50,00,000

**Section 194R benefits or perquisites:**

Deductor- person having turnover >1cr(business) or >50L(profession)  
Deductee- any resident  
Rate- 10%  
Threshold- 20,000 per year

**Section 195 payments to non-residents:**

Deductor- any person  
Rate- specified in act  
Deductee- non residents  
Threshold- no limit

**Multiple Choice Questions**

1) Loss under the head of house property:

- A. can be carry forwarded for 8 years
- B. can't be carried forward
- C. can be carry forwarded for 4 years
- D. may be carried forward.

Ans. A

2) Speculation loss can be carried forward for the maximum of:

- A. 8 assessment years
- B. 4 assessment years
- C. 10 assessment years
- D. unlimited number of years

Ans. B

3) Loss from house property can be carried forward and set off in the subsequent 8 Assessment years:

- A. Only if return of loss is filed within due date
- B. Even if return of loss is filed after due date
- C. It does not matter whether or not return is filed
- D. not allowed at all.

Ans. B

(CA Intermediate)

4) For Carry Forward of loss under various heads the Assessee shall file a return of loss except:

- A. Loss under head Capital gain
- B. Loss under head Profits and Gains from business or profession
- C. Loss under head House property
- D. All the above

Ans. C

5) Mr. Ashish runs a business of manufacturing of shoes since the P.Y. 2020-21. During the P.Y. 2020-21 and P.Y. 2021-22, Virat had incurred business losses. For P.Y. 2022-23, he earned business profit (computed) of ₹ 3 lakhs. Considering he may/may not have sufficient business income to set off his earlier losses, which of the following order of set off shall be considered: -(He does not have income from any other source)

- A. First adjustment for loss of P.Y. 2020-21, then loss for P.Y. 2021-22 and then unabsorbed depreciation, if any.
- B. First adjustment for loss of P.Y. 2021-22, then loss for P.Y. 2020-21 and then unabsorbed depreciation, if any.
- C. First adjustment for unabsorbed depreciation, then loss of P.Y. 2021-22 and then loss for P.Y. 2020-21, if any.
- D. First adjustment for unabsorbed depreciation, then loss of P.Y. 2020-21 and then loss for P.Y. 2021-22, if any.

Ans. A

6) Intra head set off is done under section:

- A. section 70
- B. section 71
- C. section 72
- D. section 73

Ans. A

7) Which of the following is correct?

- A. LTCL can be set off from LTCG only.
- B. LTCL can be set off from STCG only.
- C. Loss of business can be set off from salary income
- D. Loss of speculation business can be set off from income from normal business

Ans. A

8) Inter head set off can be availed under section 71 before availing the intra head set off under section 70.

- A. True

- B. False
- C. No sequence is given in the Income Tax Act.
- D. Decided as per the case

Ans. B

9) Loss on account of owing & maintaining the race horses can be set off from:

- A. any business income
- B. any income under the head of other sources
- C. income from horse races
- D. income of owning and maintaining of racehorses

Ans. D

10) Short-term capital loss can be set off from:

- A. short-term capital gains only
- B. long-term capital gain only
- C. Short-term capital gain or long-term capital gain
- D. Not from income of capital gains but from other source of income

Ans. C

11) Loss under the head capital gains can:

- A. be set off from any other head of income in the same year
- B. be carried forward only
- C. neither be set off nor carried forward
- D. can be set off against the salary head only

Ans. B

12) Loss under the head business and profession can be set off from:

- A. income under any other head
- B. income from lottery
- C. income under any other head except salary income and lottery income
- D. income under any other head except house property

Ans. C

13) The loss is allowed to be carried forward only when an Assessee has furnished:

- A. return of loss at any time as per his wish
- B. return of loss on or before the due date
- C. Not furnished the return of loss



D. return of loss in the month of December

Ans. B

14) Loss on account of owing & maintaining the racehorse can be carried forward:

- A. for 8 assessment years
- B. for 4 assessment years
- C. indefinitely
- D. nothing is mentioned in law

Ans. B

15) Brought forward loss of business and profession:

- A. can be set off in any of the 8 succeeding years
- B. must be set off in the immediate succeeding year if income is available & balance for 8 years
- C. cannot be set off in the current year
- D. must be set off in the first 2 years only

Ans. B

16) Loss of specified business under section 35 AD can be carried forward:

- A. for 8 assessment years
- B. for 4 assessment years
- C. indefinite period of time
- D. nothing is mentioned in law

Ans. C

(CA Intermediate)

17) Losses from business other than speculative, owning and maintaining race horses and specified business under section 35 AD can be carried forward for:

- A. next 8 assessment year
- B. next 4 assessment year
- C. indefinite period
- D. next 5 assessment years

Ans. A

18) Loss from the lottery, gambling and card games can be carried forward for:

- A. next 8 assessment year
- B. next 4 assessment year
- C. indefinite period

D. Cannot be carried forward

Ans. D

19) Compute the taxable income of Mr. J If his Income from salary is Rs. 4,00,000 and his Loss from the self-occupied property is Rs. 2,70,000:

- A. Rs. 4,00,000
- B. Rs. 1,30,000
- C. Rs. 3,65,000
- D. Rs. 2,00,000

Ans. B

20) Calculate income from other sources. Dividends from Indian Company Rs. 5,000; Card Games Rs. 10,000:

- A. Rs. 15,000
- B. Rs. 10,000
- C. Rs. 5,000
- D. NIL

Ans. A

21) Calculate total income. PGBP Rs. 2,00,000; CG Rs. 3,00,000:

- A. Rs. 3,00,000
- B. Rs. 2,00,000
- C. Rs. 1,00,000
- D. Rs. 5,00,000

Ans. D

22) Return filed after the due date is called:

- A. Revised Return
- B. Best Return
- C. Defective Return
- D. Belated Return

Ans. D

23) The rate of TDS from winning lottery:

- A. 15%
- B. 20%
- C. 30%
- D. 10%

Ans. C

24) Under Section 194J of the Income Tax Act, 1961, what is the rate of TDS applicable on professional or technical services?

- A. 5%
- B. 7.5%
- C. 10%
- D. 15%

Ans. C

25) Loss from house property can be set-off against :

- A. Salary only
- B. Any head of income
- C. Capital gain
- D. Income from house property only

Ans. B

26) What is the penalty for non-payment of advance tax or shortfall in payment of advance tax?

- A. 1% per month
- B. 1.5% per month
- C. 2% per month
- D. 2.5% per month

Ans. A

27) Income arising to a minor married daughter is:

- A. to be assessed in the hands of the minor married daughter
- B. to be clubbed with the income of that parent whose total income, is higher
- C. completely exempt from tax
- D. to be clubbed with the income of her husband

Ans. B

28) Which type of assessment involves a limited scrutiny by the Income Tax Department?

- A. Regular assessment
- B. Summary assessment
- C. Provisional assessment
- D. Best judgment assessment

Ans. B

29) If the converted property is subsequently partitioned among the members of the family, the income derived from such converted property as is received by the spouse of the transferor will be taxable:

- A. as the income of the Karta of the HUF
- B. as the income of the spouse of the transferor
- C. as the income of the HUF.
- D. as the income of the transferor-member

Ans. D

30) Exemption is available under section 10(32) when a minor's income is clubbed with the income of the parent. The maximum exemption available:

- A. up to Rs. 1,500 in respect of each minor child
- B. up to Rs. 1,500 in respect of each minor child subject to maximum of two children
- C. up to Rs. 2,000 in respect of each minor child
- D. up to Rs. 2000 in respect of each minor child maximum of two children

Ans. A

31) MR. V gifts a sum of Rs. 1,00,000 to his brother's wife Mrs. B. Mr. B gifts a sum of Rs. 1,00,000 to Mrs. J. From the sum gifted to her, Mrs. B invests in a fixed deposit, income therefrom is Rs. 10,000. Aforesaid Rs. 10,000 will be included in the total income of:

- A. Mr. A
- B. Mrs. A
- C. Mrs. B
- D. Mr. B

Ans. D

32) Scholarship received by a minor child is:

- A. to be assessed in the hands of the minor child
- B. to be clubbed with the income of that parent whose total income is higher
- C. completely exempt from tax
- D. to be clubbed with the income of father

Ans. C

33) Income of a minor child from a fixed deposit with a bank, made out of income earned from scholarship is:

- A. to be assessed in the hands of the minor child
- B. to be clubbed with the income of that parent whose total income is higher
- C. completely exempt from tax

D. to be clubbed with the income of father

Ans. B

34) MR. V transfers income of Rs. 51,000 from rent to his major son without transfer of house property. Rent of Rs. 51,000 is:

- A. taxable in the hands of the transferor-father
- B. taxable in the hands of his son
- C. taxable in the hands of the that parent whose total income is higher
- D. exempt from tax

Ans. A

35) What is the due date for payment of the fourth installment of advance tax for non-corporate taxpayers for the financial year 2022-2023?

- A. June 15, 2022
- B. September 15, 2022
- C. December 15, 2022
- D. March 15, 2023

Ans. D

36) Transfer of income without the transfer of the asset shall be taxable for:

- A. transferor or transferee at their mutual consent
- B. only for the transferor
- C. only for the transferee
- D. neither for the transferee nor for the transferor

Ans. B

37) If there is a transfer of asset which is not revocable during the life time of the transferee, income arising from such asset shall be included in the income of:

- A. transferor
- B. transferee
- C. transferee till his death and thereafter in the hands of the transferor
- D. transferor or transferee at their mutual consent

Ans. B

38) For the provisions of clubbing of incomes to calculate substantial interest we consider the holding of:

- A. the individual only
- B. the individual & his spouse taken together

- C. the individual along with his relatives
- D. the individual & his spouse taken separately

Ans. C

39) MR. V transfers the house property to Mrs. J without adequate consideration, then income from such house property shall be subject to the provisions of:

- A. section 64(1)(iv)
- B. section 26
- C. section 27
- D. section 64(1 A)

Ans. C

40) If both of the parents of child have died then his income shall be:

- A. Exempt from tax.
- B. taxable for the guardian who maintains the child
- C. shall be taxable for child who has earned it
- D. Taxable for dead parents.

Ans. B

41) If the marriage of the parents does not subsist, the income of the minor child shall be clubbed in the income of:

- A. father or mother who is loved more
- B. parent who maintains the child
- C. father or mother whose income is higher
- D. neither with mother nor with father, but shall be taxable for child itself

Ans. B

42) If any income has to be clubbed under section 64, it will be clubbed under the:

- A. head of income from other sources
- B. relevant head to which it belongs
- C. not clubbed
- D. none of these two

Ans. B

43) Income from assets transferred to spouse for inadequate consideration, clubbed in the total income of

- A. Transferor
- B. Not applicable

- C. Transferee
- D. None of the above

Ans. A

44) Gold funds were transferred by MR. V to Mrs. J under an agreement to live apart. Income from gold funds shall be assessed in the hands of:

- A. MR. V
- B. Mrs. J
- C. Any of the above, with their mutual consent
- D. Neither of the above

Ans. B

(CA Intermediate)

45) To apply clubbing provisions under Section 64(1)(iv), the relation of husband and wife must exist at the time of:

- A. Only at the time of transfer of asset
- B. only at the time of accrual of income
- C. Both at the time of transfer of asset and accrual of income
- D. Shall be at any time of accrual or any time of transfer

Ans. C

46) MR. V transferred shares of Indian companies to his wife, Mrs. J. The shares were sold by Mrs. J and Capital Gain was earned. The capital gains so computed shall be clubbed in the hands of MR. V.

- A. Correct
- B. Incorrect
- C. Clubbing not applicable
- D. None of the above.

Ans. A

47) MR. V formed a trust for the benefit of his wife. The income of trust meant for the benefit of Mrs. shall be assessed in the hands of:

- A. Mrs. J
- B. MR. V
- C. Both for MR. V and Mrs. J
- D. None of MR. V and Mrs. J

Ans. B

48) If there is revocable transfer of an asset by any person to another person, any income arising from such asset shall include in the income of:

- A. Transferor
- B. Transferee
- C. Both transferor & transferee
- D. None of the above

Ans. A

49) Income of a minor will not be clubbed with his/her parent's income if:

- A. Such income is earned by that child by applying his/her physical labour, talent or any specialized knowledge
- B. Child is illiterate
- C. Parents are handicapped
- D. The child does not give her consent

Ans. A

50) If both parents are earning then income of a minor child will be clubbed with:

- A. Income of parent having higher income
- B. Proportionately with both parent's income
- C. Income of parent having lower income
- D. Will not be clubbed and will be taxable for child

Ans. A

51) At the time of deduction of tax at source, surcharge and cess, is added in which of the following cases?

- A. Where the resident Assessee receives any income in the nature of salary
- B. Where the recipient is an Indian company
- C. Both (A) and (B)
- D. Neither (A) nor (B)

Ans. A

52) No TDS shall be deducted on GST component included in invoice, where the amount of such GST is \_\_\_\_\_.

- A. Separately indicated in the invoice
- B. Shown as a part of the invoice
- C. Only when a separate invoice is issued in respect of such GST
- D. None of the above



Ans. A

53) Any person responsible for paying salaries shall be required to deduct tax at source at the:

- A. Time of credit of account of employee
- B. Time of payment
- C. (A) or (B), whichever is earlier
- D. None of the above

Ans. A

54) Any person responsible for paying salaries shall be required to deduct tax at source at the \_\_\_\_\_ of income-tax, computed on the basis of \_\_\_\_\_ for the relevant financial year.

- A. Maximum marginal rate, rates in force
- B. Average rate, rates in force
- C. Average rate, 20%
- D. Maximum marginal rate, 20%

Ans. B

55) The proof obtained by an employer, from an employee in respect of deduction can be in respect of \_\_\_\_\_

- A. Prescribed claims
- B. Set off of loss
- C. Both (A) and (B)
- D. Neither (A) nor (B)

Ans. C

56) TDS from salaries has to be deducted by which of the following?

- A. Individual and HUF
- B. Firms and LLP's
- C. Companies
- D. All of the above

Ans. D

57) Loss of card game can be set off from

- A. Income of card games
- B. Lottery income
- C. Income from other sources
- D. None of the above

Ans. D

58) Mr. Ramesh withdraws Rs. 80,000 from his Recognized Provident Fund after completion of service of 8 years. Amount of TDS would be

- A. Rs. 8,000
- B. Rs. 4,000
- C. Nil
- D. None of the above

Ans. A

59) M, made a premature withdrawal from recognized provident fund. Such a withdrawal would attract TDS @ \_\_\_\_\_

- A. 5%
- B. 20%
- C. 10%
- D. 0%

Ans. C

60) Interest on securities would attract TDS under Section 193 @ \_\_\_\_\_

- A. 5%
- B. 10%
- C. 20%
- D. None of the above

Ans. B

61) Which of the following securities of the Central Government are liable for deduction of tax at source u/s 193?

- A. 7.75% Savings (Taxable) Bonds
- B. 7.75% Savings (Non- Taxable) Bonds
- C. 7.75% Investment (Taxable) Bonds
- D. None of these

Ans. A

62) Which of the following are not liable for deduction of tax at source u/s 193?

- A. Interest on securities beneficially owned by an insurance company
- B. Indian Railway Finance Corporation Ltd. Bond
- C. Power Mortgage Corporation Ltd. Bond
- D. All of the above

Ans. A

63) Which of the following persons are not liable to deduct TDS on interest payments u/s 194A?

- A. Individuals
- B. HUFs
- C. Individual / HUF under tax audit
- D. None of the above

Ans. C

64) Liability to deduct TDS u/s 194A by banks would arise at the \_\_\_\_\_

- A. Time of credit to account for macro monitoring payment of interest, whichever is earlier
- B. Time of credit of interest income or payment of interest, whichever is earlier
- C. Time of payment only
- D. None of the above

Ans. B

65) At what rate TDS would be deducted u/s 194A on interest payments made by bank to Individuals:

- A. 5%
- B. 10%
- C. 15%
- D. 20%

Ans. B

66) Cooperative Bank is not required to deduct tax on interest on time deposits made with them by:

- A. Private limited company
- B. Listed company
- C. Cooperative Society
- D. All of the above

Ans. C

67) Mr. Sunil has won lottery of Rs. 5,000. TDS would be deducted @ \_\_\_\_

- A. 10%
- B. 30%
- C. 20%
- D. 0%

Ans. B

68) Farah Singh has won lottery of Rs. 1,00,000. TDS would be deducted @ \_

- A. 10000
- B. 30000
- C. 20000
- D. 0

Ans. B

69) Who is authorized to conduct search and seizure operations under the Income Tax Act, 1961?

- A. Assessing Officer
- B. Commissioner of Income Tax
- C. Joint Commissioner of Income Tax
- D. Principal Director General of Income Tax (Investigation)

Ans. D

70) Section 194C provides for deduction of tax at source on the payments made to \_\_\_\_\_ contractors/ sub-contractors?

- A. Resident
- B. Non-resident
- C. Both resident and non-resident
- D. None of the above

Ans. A

71) Who would be liable to deduct tax at source on payments made to resident contractor's u/s 194C?

- A. Individual
- B. HUF
- C. Individual or HUF liable to tax audit
- D. None of the above

Ans. C

72) Which of the following payments are covered under Section 194J?

- A. Anchors
- B. Positions in sports team
- C. Sports personnel
- D. All of the above

Ans. D

73) Payment for the use of mobile towers, is liable for deduction of tax @ \_\_\_\_\_

- A. 2% u/s 194C
- B. 2% u/s 194I
- C. 10% u/s 194I
- D. 5% u/s 194J

Ans. B

74) Identify the nature of payments where TDS is required to be deducted u/s 194H:

- A. Brokerage on purchase of securities
- B. Underwriting Commission
- C. Sub brokerage on public issue of securities
- D. Brokerage for commodity transaction

Ans. D

75) What is the rate of interest u/s 234B:

- A. 1% p.m.
- B. 6% p.a.
- C. 7% p.a.
- D. 3% p.m.

Ans. A

76) Which type of loss can be set-off only against profits from another speculation business:

- A. Loss from house property
- B. Long term capital loss
- C. Speculation loss
- D. Loss from specified business under section 35AD

Ans. C

77) What is the period of carrying forward for unabsorbed depreciation:

- A. 4 assessment years
- B. 8 assessment years
- C. Indefinite period
- D. 12 assessment years

Ans. C

78) Income from manual work, income from skills, and income due to disability are excluded from the clubbing of income. Which of the following is also excluded?

- A. Income from salary
- B. Income from lottery
- C. Income from gambling
- D. Income from business

Ans. C

79) Who is liable to pay advance tax according to the provided information?

- A. A resident senior citizen without any income from business or profession
- B. Every person having an estimated tax liability of Rs. 10,000 or more
- C. A non-resident individual
- D. A person availing the presumptive taxation scheme under section 44AD

Ans. B

80) What is the rate of tax deducted at source for interest on securities:

- A. 5%
- B. 10%
- C. 15%
- D. 20%

Ans. B

81) Under which section of the Income Tax Act, income from salary is subjected to tax deduction at source:

- A. Section 192A
- B. Section 194A
- C. Section 192
- D. Section 194I

Ans. C

82) Which of the following assessment methods involves scrutiny by the Income Tax Department?

- A. Self-assessment
- B. Summary assessment
- C. Regular assessment
- D. Provisional assessment

Ans. C

83) Who is responsible for deducting tax at source for payments made to non-residents:

- A. Any person

- B. Only government entities
- C. Only individuals
- D. Only companies

Ans. A

84) What is the rate of tax deduction at source for payment to non-residents under Section 195:

- A. As per the normal slab rates
- B. Specified in the act XVII B
- C. 10%
- D. 20%

Ans. B

85) Under which section of the Income Tax Act, benefits or perquisites are subjected to tax deduction at source:

- A. Section 194R
- B. Section 194Q
- C. Section 194I
- D. Section 194R

Ans. D

86) What is the threshold for tax deduction at source under Section 194H for commission/brokerage payments:

- A. Rs. 15,000
- B. Rs. 50,000
- C. Rs. 15,000
- D. Rs. 10,000

Ans. C

87) Under which section of the Income Tax Act, payments made to e-commerce participants are subjected to tax deduction at source:

- A. Section 194U
- B. Section 194P
- C. Section 194Q
- D. Section 194O

Ans. D

88) What is the rate of tax deduction at source for rent by certain individuals/HUF under Section 194IB:

- A. 2%
- B. 5%
- C. 10%
- D. 15%

Ans. B

89) What is the percentage of the installment of advance tax to be paid by 15th September:

- A. 15% of Advance tax
- B. 45% of Advance tax
- C. 75% of Advance tax
- D. 100% of Advance tax

Ans. B

90) Which loss cannot be set-off against income under any other head:

- A. Long term capital loss
- B. Loss from speculation business
- C. Loss from house property
- D. Loss from specified business

Ans. B

91) What is the consequence for non-payment of advance tax according to the provided information?

- A. Penalty equal to the amount of tax due
- B. Interest under section 234A only
- C. Interest under section 234B and 234C
- D. Exemption from further tax liabilities

Ans. C

92) Under clubbing of income, which of the following is NOT included in the assessee's income:

- A. Income arising from revocable transfer of assets
- B. Income arising to spouse by way of remuneration from a concern in which the individual has substantial interest
- C. Income from manual work
- D. Income arising to son's wife from an asset transferred without adequate consideration

Ans. C



93) What is the rate of tax deducted at source for winning from horse race under Section 194BB:

- A. 10%
- B. 20%
- C. 25%
- D. 30%

Ans. D

94) Under which section of the Income Tax Act, payment under a specific agreement is subjected to tax deduction at source:

- A. Section 194I
- B. Section 194IA
- C. Section 194IC
- D. Section 194IC

Ans. D

95) What is the threshold for tax deduction at source under Section 194E for non-resident sportsmen/association?

- A. Rs. 5,000
- B. No limit
- C. Rs. 10,000
- D. Rs. 2,500

Ans. B

96) Who is responsible for deducting tax at source for payment of insurance commission under Section 194D?

- A. Any person
- B. Only insurance companies
- C. Insurance companies
- D. Only individuals

Ans. C

97) What is the rate of tax deducted at source for payment to non-residents under Section 195?

- A. Specified in the act
- B. 5%
- C. 15%
- D. As per the normal slab rates

Ans. D

98) What is the threshold for tax deduction at source under Section 194LA for compulsory acquisition?

- A. Rs. 1,00,000
- B. Rs. 2,50,000
- C. Rs. 5,00,000
- D. Rs. 10,00,000

Ans. B

99) What is the rate of tax deducted at source for purchase of goods under Section 194Q:

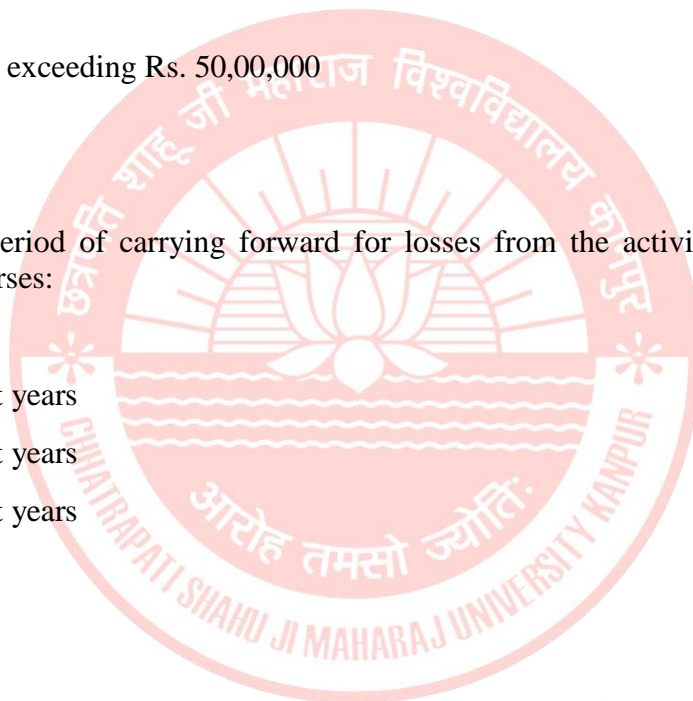
- A. 0.05%
- B. 0.1%
- C. 0.1% of sum exceeding Rs. 50,00,000
- D. 0.5%

Ans. C

100) What is the period of carrying forward for losses from the activity of owning and maintaining race horses:

- A. No limit
- B. 6 assessment years
- C. 8 assessment years
- D. 4 assessment years

Ans. D



**MODEL TEST PAPER**

1) The Income Tax Act, 1961 came into force w. e. f.....

- A. 1st April 1962
- B. 31st March 1961
- C. 1st April 1961
- D. None of the above

Ans. C

2) The Finance bill becomes the Finance Act when it is passed by:

- A. Both houses of Parliament and signed by the President
- B. Lok Sabha
- C. President
- D. Parliament

Ans. A

3) What is the % of health & education cases on tax?

- A. 8%.
- B. 4%
- C. 10%.
- D. 5%

Ans. B

4) Interest credited to RPF is exempt up to..... p.a.

- A. 12%
- B. 18%
- C. 9.5%
- D. None of the above

Ans. C

5) Ram who is entitled to a salary of 10,000 p.m. took an advance of 50,000 against the salary in the month of March 2020. The gross salary of Ram for the assessment year 2020-21 shall be:

- A. 1,70,000
- B. 1,20,000
- C. 50,000
- D. 70,000

Ans. A

6) Deductions in respect of salary are covered u/s .....

- A. 17
- B. 16
- C. 15
- D. None of the above

Ans. B

7) Unabsorbed depreciation which could not be set off in the same assessment year can be carried forward for:

- A. 8 years
- B. Indefinite period
- C. 4 years
- D. 12 years

Ans. B

8) What is the treatment of uncommuted pension for government employees?

- A. Fully-taxable
- B. Exempted
- C. Taxable at a reduced rate
- D. Taxable with certain deductions

Ans. A

9) Payment of Rs. 45,000 made in cash towards purchases of medicines. The amount of disallowance is:

- A. Rs. 45,000
- B. Rs. 30,000
- C. Nil
- D. Rs. 20,000

Ans. A

10) Income from House cannot be taxed under the head house property if the owner occupies the property for his:

- A. Business or Profession
- B. Living
- C. enjoying
- D. None of the above

Ans. A

11) Income under the head income from other sources is taxable on:

- A. Due basis
- B. Receipt basis
- C. Based on the method of accounting regularly employed by the assessee
- D. None of the above

Ans. B

12) Under which section, a person will not be eligible for deduction if, he files a belated return:

- A. Under section 80E
- B. Under section 80IA
- C. (c) Under section 80GG
- D. None of the above

Ans. B

13) Section 80QBB of the Income Tax Act, 1961, deals with:

- A. (a) Interest on debentures of a govt. company
- B. (b) Royalty income of authors
- C. (c) Royalties from patent
- D. (d) Profits from export of computer software

Ans. B

14) Deduction u/s 80C is allowed to the maximum of:

- A. Rs. 2,00,000
- B. Rs. 1,00,000
- C. Rs. 1,50,000
- D. Rs. 2,50,000

Ans. C

15) Deduction under section 80C to 80U cannot exceed:

- A. (a) Gross Total Income
- B. (b) Total income
- C. (c) Income from business or profession
- D. (d) Income from house property

Ans. A

16) How long must an individual or HUF hold a residential house to be eligible for exemption under Section 54:

- A. 1 year
- B. 2 years
- C. 3 years
- D. 4 years

Ans. C

17) Mr. Satyaprakash has purchased his first house in Gwalior for self-occupation on 8.4.2021 for ₹ 45 lakhs (stamp duty value being the same) with bank loan sanctioned on 30.3.2021 and disbursed on 6.4.2021. He paid interest of ₹ 3.8 lakhs during the P.Y.2022-23. What is the tax treatment of interest paid by him?

- (a) Interest of ₹ 2 lakhs allowable u/s 24
- (b) Interest of ₹ 2 lakhs allowable u/s 24 and ₹ 1.8 lakhs allowable u/s 80EEA
- (c) Interest of ₹ 2 lakhs allowable u/s 24 and ₹ 1.5 lakhs allowable u/s 80EEA
- (d) Interest of ₹ 1.5 lakhs allowable u/s 24 and ₹ 1.5 lakhs allowable u/s 80EEA

Ans. C

18) What is the maximum deduction allowed under Section 80QQB for the royalty income of authors of certain books:

- A. Rs. 1,00,000
- B. Rs. 2,00,000
- C. Rs. 3,00,000
- D. No limit

Ans. C

19) What is the tax rate on long-term capital gains exceeding Rs. 1,00,000 on the transfer of equity shares or units of an equity-oriented fund under Section 112A, if STT is paid:

- A. 10%
- B. 15%
- C. 20%
- D. 25%

Ans. A

20) Loss under the head of house property:

- A. can be carried forward for 8 years
- B. can't be carried forward
- C. can be carried forward for 4 years

D. may be carried forward.

Ans. A

21) Loss from a speculation business can be set off from:

- A. Any head of income.
- B. Profits and gains from any business.
- C. Profits and gains from any business other than speculation business.
- D. Income of speculation business.

Ans. D

22) Loss on account of owing & maintaining the racehorse can be carried forward:

- A. for 8 assessment years
- B. for 4 assessment years
- C. indefinitely
- D. nothing is mentioned in the law

Ans. B

23) Loss of specified business under section 35 AD can be carried forward:

- A. for 8 assessment years
- B. for 4 assessment years
- C. indefinite period
- D. nothing is mentioned in the law

Ans. C

24) Interest from a fixed deposit received by a minor married daughter is:

- A. to be assessed in the hands of the minor child
- B. to be clubbed with the income of that parent whose total income is higher
- C. completely exempt from tax
- D. to be clubbed with the income of her husband

Ans. B

25) Scholarship received by a minor child is:

- A. to be assessed in the hands of the minor child
- B. to be clubbed with the income of that parent whose total income is higher
- C. completely exempt from tax
- D. to be clubbed with the income of the father

Ans. C

26) If both of the parents of a child have died then his income shall be:

- A. exempt from tax.
- B. taxable for the guardian who maintains the child
- C. shall be taxable for child who has earned it
- D. taxable for dead parents.

Ans. B

27) If any income has to be clubbed under section 64, it will be clubbed under the:

- A. head of income from other sources
- B. relevant head to which it belongs
- C. not clubbed
- D. none of these two

Ans. B

28) Z made a premature withdrawal from the recognized provident fund. Such a withdrawal would attract TDS @ \_\_\_\_\_

- A. 5%
- B. 20%
- C. 10%
- D. 0%

Ans. C

29) What is the threshold for tax deduction at source under Section 194I for rent paid for plant and machinery:

- A. Rs. 2,00,000
- B. Rs. 50,000
- C. Rs. 2,40,000
- D. Rs. 3,40,000

Ans. C

30) What is the rate of tax deducted at source for interest on securities?

- A. 5%
- B. 10%
- C. 15%
- D. 20%

Ans. B



31) What is the percentage of the installment of advance tax to be paid by 15th September:

- A. 15% of Advance tax
- B. 45% of Advance tax
- C. 75% of Advance tax
- D. 100% of Advance tax

Ans. B

32) What is the rate of tax deducted at source for the purchase of goods under Section 194Q:

- A. 0.05%
- B. 0.1%
- C. 0.1% of a sum exceeding Rs. 50,00,000
- D. 0.5%

Ans. C

33) There are ..... heads of income:

- A. 3
- B. 4
- C. 5
- D. 2

Ans. C

34) The income of NR from the shipping business in India is taxed:

- A. 30% + SC + HEC
- B. 40% + SC + HEC
- C. 50% + SC + HEC
- D. 60% + SC + HE

Ans. B

35) What is the assessment year for income earned in the financial year 2023-2024?

- A. 2023-2024
- B. 2024-2025
- C. 2022-2023
- D. 2025-2026

Ans. B

36) Which category of individual is considered not ordinarily resident:

- A. One who has been in India for 182 days or more in the previous year
- B. One who has been non-resident in India for 9 out of the 10 previous years
- C. One who has been in India for 365 days or more in the preceding 4 years
- D. One who has been in India for a period of 729 days or less in the 7 preceding years

Ans. D

37) Arrears of salary are taxable in the year of .....

- A. payment
- B. Receipt
- C. Accrual
- D. None of the above

Ans. B

38) Perquisite can be:

- A. The same as the allowance
- B. Any reimbursement to an employee in respect of an obligation that would be payable by the employee
- C. Any expenditure incurred by the employer for staff welfare
- D. None of the above

Ans. B

39) Prof. Abhay received 6th Pay arrears on 14th May 2019 retrospectively from 1st Jan, 2016. The arrears would be taxable in the previous year:

- A. 2019-20
- B. 2015-16, 2016-17
- C. 2015-16
- D. None of the above

Ans. A

40) Municipal tax is allowed as a deduction if it is paid by the ..... of the property.

- A. Owner
- B. tenant
- C. Owner or tenant
- D. None of the above

Ans. A

41) In the case of self-occupied property, the deduction on account of interest on the money borrowed for the purpose of construction of such house property cannot exceed .....

- A. 2,00,000
- B. 3,00,000
- C. 5,00,000
- D. None of the above

Ans. A

42) The life insurance policy taken by a person on the life of another person who is connected & key to the business as an employee is called:

- A. Keyman Insurance policy
- B. Key Insurance Policy
- C. LIC
- D. Employed Insurance

Ans. A

43) Deductions u/s 80C to 80U are not allowed from:

- A. LTCG taxable u/s 112/u/s 112A
- B. Casual Incomes
- C. STCG taxable u/s 111A
- D. All of the above

Ans. D

44) What is the deduction allowed under Section 80U for a person with a severe disability?

- A. Rs. 50,000
- B. Rs. 75,000
- C. Rs. 1,00,000
- D. Rs. 1,25,000

Ans. D

45) Total Income of a person is determined on the basis of:

- A. Residential status in India.
- B. Citizenship in India
- C. None of the above.
- D. Both of the above

Ans. A

46) What is the maximum deduction allowed under Section 80GG for rent paid for residential accommodation?

- A. 20% of total income
- B. 25% of total income
- C. Rs. 5,000 per month
- D. Rs. 10,000 per month

Ans. C

47) CBDT is controlled by:

- A. Central Government
- B. State Government
- C. Both (A) and (B)
- D. None of the above

Ans. A

48) What is the rate of tax deducted at source for payment to non-residents under Section 195?

- A. Specified in the act
- B. 5%
- C. 15%
- D. As per the normal slab rates

Ans. D

49) What is the threshold for tax deduction at source under Section 194LA for compulsory acquisition?

- A. Rs. 1,00,000
- B. Rs. 2,50,000
- C. Rs. 5,00,000
- D. Rs. 10,00,000

Ans. B

50) The Provident Fund Act was passed in the year:

- A. 1925
- B. 1956
- C. 1932
- D. 1922

Ans. A

51) Short-term capital loss can be set off from:

- A. short-term capital gains only
- B. long-term capital gain only
- C. Short-term capital gain or long-term capital gain
- D. Not from income of capital gains but from other source of income

Ans. C

52) The rate of TDS from winning lottery:

- A. 15%
- B. 20%
- C. 30%
- D. 10%

Ans. C

53) Unrealized rent is deducted from:

- A. Gross annual value
- B. Net annual value
- C. Municipal Value
- D. None of the above

Ans. A

54) A citizen of India who goes abroad for the purpose of employment, he must stay in India in the previous year for at least..... days to become a resident:

- A. 90 days
- B. 162 days
- C. (C) 180 days \
- D. 182 days

Ans. D

55) Interest on securities would attract TDS under Section 193 @ \_

- A. 5%
- B. 10%
- C. 20%
- D. None of the above

Ans. B

56) ..... is exempted from income tax.

- A. Interest from an Indian company
- B. Dividend from foreign company
- C. Cooperative dividend
- D. None of these

Ans. D

57) If some expenses are partly disallowed, then only the disallowed portion should be ..... to the profit.

- A. Added
- B. Deducted
- C. Multiplied
- D. None of the above

Ans. A

58) Liability to deduct TDS u/s 194A by banks would arise at the \_\_\_\_\_

- A. Time of credit to account for macro monitoring payment of interest, whichever is earlier
- B. Time of credit of interest income or payment of interest, whichever is earlier
- C. Time of payment only
- D. None of the above

Ans. B

59) The Residential Status of an assessee can be .....

- A. Different for different previous years in the same assessment year
- B. Different for different assessment years
- C. None of the above
- D. All of the above

Ans. B

60) The rate of depreciation of the Patent is:

- A. 5%
- B. 15%
- C. 20%
- D. 25%

Ans. D

61) MR. V acquired a building from his friend on 10/10/2020 for Rs. 15,00,000. The stamp duty value of the building on the date of purchase is Rs. 15,70,000. Income is chargeable to tax in the hands of MR. V is:

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

Ans. C

62) Calculate total income. PGBP Rs. 2,50,000; CG Rs. 2,00,000:

- A. Rs. 3,00,000
- B. Rs. 2,00,000
- C. Rs. 1,00,000
- D. Rs. 4,50,000

Ans. D

63) Which type of loss can be set off only against profits from another speculation business:

- A. Loss from house property
- B. Long-term capital loss
- C. Speculation loss
- D. Loss from specified business under section 35AD

Ans. C

64) Which of the following expenses is not admissible as a deduction under the head "Profits and Gains of Business or Profession"?

- A. Rent for the business premises
- B. Interest on borrowed capital
- C. Payment of income tax
- D. Bad debts written off as irrecoverable

Ans. B

65) For claiming exemption under section 54, the assessee should purchase residential property:

- A. 2 years after the date of the transfer
- B. 3 years after the date of the transfer
- C. within one year before or two years after the date of the transfer
- D. one year before and 3 years after the date of transfer

Ans. C

66) Aviral has won prize money of Rs. 10 lakhs in a reality show KBC TDS would be deducted @ \_\_\_\_\_

- A. 10%
- B. 30%
- C. 20%
- D. 0%

Ans. B

67) Income arising to a minor married daughter is:

- A. to be assessed in the hands of the minor married daughter
- B. to be clubbed with the income of that parent whose total income, is higher
- C. completely exempt from tax
- D. to be clubbed with the income of her husband

Ans. B

68) Cost of improvement means capital expenditure is done on the value addition of capital assets. It shall be considered for the calculation of capital gains and:

- A. It is always taken as Nil
- B. always considered irrespective of the period when it was incurred
- C. considered when incurred on or after 1/4/2001
- D. considered when incurred before 1/4/2001

Ans. B

69) Which section allows a deduction for interest on deposits in a savings account?

- A. 80EE
- B. 80TTA
- C. 80QQB
- D. 80U

Ans. B

70) Loss from the lottery, gambling and card games can be carried forward for:

- A. next 8 assessment year
- B. next 4 assessment year
- C. indefinite period
- D. Cannot be carried forward

Ans. D



71) Return filed after the due date is called:

- A. Revised Return
- B. Best Return
- C. Defective Return
- D. Belated Return

Ans. D

72) Prakhar has won a lottery of Rs. 1,00,000. TDS would be deducted @ \_

- A. 10%
- B. 30%
- C. 20%
- D. 0%

Ans. B

73) A Ltd. has unabsorbed depreciation of Rs. 4,50,000 for the AY 2021-2022 This can be carried forward:

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

Ans. D

74) The rate of depreciation of furniture and fitting is:

- A. 15%
- B. 10%
- C. 18%
- D. 20%

Ans. B

75) Gift of movable properties received by an Individual or HUF shall be taxable in the hands of the recipient:

- A. If the aggregate market value of all such specified movable properties exceeds Rs. 50,000
- B. If the market value of each of such movable property exceeds Rs. 50,000
- C. If the stamp duty of each of such moveable property exceeds Rs. 50,000

D. If the aggregate stamp duty value of all such specified movable properties exceeds Rs. 50,000

Ans. A

76) For claiming deduction u/s 80C in respect of PPF, the contribution must be paid by the individual in the PPF account of:

- A. Himself only
- B. Himself & Spouse
- C. Himself, spouse or any child
- D. Himself, spouse, or any dependent child

Ans. C

77) Deduction u/s 80C in respect of tuition fee is allowed to an individual for:

- A. Any of his children
- B. Any two children of such individual
- C. Any two minor children of such individual
- D. Any two dependent children of such individual

Ans. B

78) What is the tax rate on short-term capital gains on the transfer of equity shares and units of equity-oriented fund, provided Securities Transaction Tax (STT) is paid:

- A. 10%
- B. 15%
- C. 20%
- D. 25%

Ans. B

79) For claiming deduction u/s 80C in respect of PPF, the contribution must be paid by the individual in the PPF account of:

- A. Himself only
- B. Himself and spouse
- C. Himself, spouse or any child
- D. Himself, spouse, or dependent child

Ans. C

80) What type of assets are excluded from the definition of Capital Asset:

- A. Stocks
- B. Personal effects

- C. Government securities
- D. Agricultural land

Ans. B

81) Which income is rounded off:

- A. GTI
- B. Total income
- C. Both
- D. None of these

Ans. B

82) What is the tax rate on short-term capital gains on the transfer of equity shares and units of equity-oriented fund, provided Securities Transaction Tax (STT) is paid:

- A. 10%
- B. 15%
- C. 20%
- D. 25%

Ans. B

83) How long must an individual or HUF hold a residential house to be eligible for exemption under Section 54:

- A. 1 year
- B. 2 years
- C. 3 years
- D. 4 years

Ans. B

84) Under Section 80C, what is the maximum limit for deductions for contributions to PPF, LIC premium, housing loan repayment, etc.:

- A. Rs. 1,00,000
- B. Rs. 1,50,000
- C. Rs. 2,00,000
- D. Rs. 2,50,000

Ans. B

85) For the provisions of clubbing of incomes to calculate substantial interest we consider the holding of:

- A. the individual only

- B. the individual & his spouse are taken together
- C. the individual along with his relatives
- D. the individual & his spouse are taken separately

Ans. C

86) State which of the following allowance is exempted

- A. Dearness Allowance
- B. City Compensatory Allowance
- C. Foreign Allowance
- D. medical Allowance

Ans. C

87) Reimbursement of medical bills of a private hospital is exempt up to

- A. 8,000
- B. Nil
- C. 25,000
- D. 20,000

Ans. B

88) House Rent allowance is

- A. Fully Exempted
- B. Exempted to a certain limit
- C. Exempted in big cities
- D. Exempted for Government employees

Ans. B

89) A received 60,000 as arrears of rent during PY 2022-23. The amount taxable under sec 25A would be

- A. 60,000
- B. 42,000
- C. 40,000
- D. 30,000

Ans. B

90) The annual value of a house property is 40,000 standard deduction u/s 24(a) shall be

- A. 8,000
- B. 10,000

C. 12,000

D. 30,000

Ans. C

91) The annual value of a vacant house property referred to in sec. 23(2)(b) shall be

A. Municipal value

B. Fair rent

C. Standard rent

D. Nil

Ans. D

92) Allowed item when computing business income is

A. Doubtful debts reserve

B. Actual bad debts

C. Doubtful debts

D. All of these

Ans. B

93) Under Income Tax Act depreciation is allowed on

A. Purchase price

B. Market price

C. Written down value

D. Face value

Ans. C

94) The Cost Inflation index number for the financial year 2023-24 is

A. 1081

B. 1024

C. 272

D. 331

Ans. D

95) Loss of card game can be set off from

A. Income from card game

B. Income from other sources

C. Lottery income

D. None of these

Ans. D

96) Health and Education cess is calculated on

- A. Total income
- B. Tax on total income
- C. Taxable income
- D. Agricultural income

Ans. B

97) Akash who is 62 years old has to file a return of income if his gross total income is in excess of

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

Ans. C

98) Due date for filling return of income in case of an individual is

- A. 30 June
- B. 31 July
- C. 31 August
- D. 30 September

Ans. B

99) Sections related to clubbing of income are

- A. sections 60 to 69
- B. sections 60 to 64
- C. sections 60 to 67
- D. sections 68 to 69

Ans. B

100) Which of the following donations is eligible for a 100% deduction

- A. P.M Drought Relief Fund
- B. National Sports Fund
- C. Rajeev Gandhi Foundation
- D. J. L. Nehru Memorial Fund

Ans. B

### References

In the process of finalizing this book, a thorough assessment was conducted that included not only the key works of eminent writers but also a thorough analysis of resources from ICAI and other major institutions, resulting in a comprehensive synthesis of knowledge.

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