

CA FINAL DIRECT TAX

# CASE BASED MCQs

(for May/Nov 21)

## MODULE 4:

Topics related to  
International  
Taxation and  
Miscellaneous  
(Refer Index)

CA CS VIJAY SARDA

FOR STUDY RELATED QUERIES,  
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THANK YOU BACHOOOOO...





# STUDENT REVIEWS – CA INTER

Sir i just finished watching your IPCC DT fast track videos and would like to say a big thankyou to you and your team 🙏 Sir Respect Sir Respect 🙏 Sir aap zabardast padhate ho aapka humour 🙏 Thankyou for everything and zyada nhi kahunga bs 2 line sir apke liye "जो बनाये हमें ईसान, और दे सही गलत की पहचान, देश के उन निर्माताओं को, हम करते हैं शत-शत प्रणाम।"

16:04

Thank You very much sir for today's lecture. I cannot express the joy and contentment I'm feeling since then.

It was my first live experience which included memorable life as well as academic lessons. You have no idea how your true and honest sayings have impacted or are impacting me. Your words brings out house warming vibes. I won't hesitate to call you a family member. You might be receiving such appreciation texts from thousands of students but I'll prove myself I'm not one of them.

I'm giving you my word, it's my 3rd attempt and I'll score an exemption. Make myself be an example for others and show you how your great thoughts have influenced me. Thank you again 😊

23:51

Hello Sir, I am from Ludhiana. I have completed your Inter DT Fast Track just now. I know I'm late but I came to know about your classes in mid of April and then I started for preparing Dt with you through Fastrack. It was very helpful for me to revise DT with amendments and problems. Its my Second attempt now. Thanks to you that I have revised whole DT syllabus so well that I am confident now. I have also shared these classes with my cousin. He also liked them and attended the classes. Thank you so much sir.... 🙏😊

09:14

Sir mera ye 4attempt hai Ipcc hai... M har bar Tax m rhe rahi thi... Esa darr lgta tha tax ke naam se.. Pr mene jab aapka revision batch pura Dekha aap jese jese board pr likhte gye mene pura separate copy m likha.. Aapne jitne question kr vaae uske sath sath hi mene pm sm krli....

Sir aaj m bol sakti hu aapke lectures dekhne ke baad ki dt meko almost sab section yaad hai ..m sare question solve kr saktii hu...

Aur aapke lecture ke meko itna confident hai ki m exemption la sakti hu dt m...

Thankuuuuuuu thankuuu thankuuuuuu soooo much sir aapke lecture Bhut helpful hai..

Bhut hi jaada... Mtlb ki meko tax m kuch bhi ni aata tha aaj meko sirf voh revision lecture se sab aata hai..mene marathon lecture bhi dekhliye Aur amendment bhi 2bar dekhe...

Sir m aapko jitna thankuu bolu u km hai...

Ab tax krne ki hi iccha hoti rehti... And very much confident in tax...

Thankuu sir once again

13:57

Sir aaj tax ka paper bht hii aacha gya aur iska pura credit aapke aur vsmart ke fast track lecture ke initiative ko jata hai last attempt mai tax mai 40 bhi nhi aaye the par is baar exemption aa jayegi

19:26

Maine jis faculty se tax pada tha unhone hume bht sare topic nhi karwaye the aur total income bhi skip karwa diya tha mai fail hone par bht demotivate ho gya tha lekin aapke fast track lecture ne kamal kr diya

19:28

Samajh nhi aa rha aapka sukriya kese karu 🙏🙏

19:28

Once again thank you so much 😊😊😊😊

19:29

Final mai tax aapse hi padana hai 🙏🙏

19:30

Hello Sir, i took ur FT batch videos for DT for may19 i didnt took any class of any faculty before but after watching ur lecture i found myself confident. U are superb sir specially noone can provide the max amount of study pattern of DT ie, vast subject for without any return. U gave a lot of amount of students to get cleared in this attempt this is ur kind act for us to make u a true teacher THANK U SO MUCH SIR BY DEEP OF HEART. not for free provided tqsm for provided in a manner like my papa teach me whenever , felt like that. SUN MERE BHAI..... TQ TQ AGAIN a lot .... i wish to meet u one day ....U GOT VICTORY ON OUR HEARTS BTW U already "VIJAY SIR" love you sir

Pradesh.Due to time constraint and lack of planning I didnt took regular DT classes and the exams are approaching there is small worry in me how to excel in subject.But god in your form came to my rescue and I'm thankful to you from bottom of my heart.Conceptual clarity and ease of teaching its speechless experience watching your classes and the content is really worth a lot money but your humility make us bow down to you sir.I can tell like this without any limit :).We love your work and God bless you sir.

You people's are done a grt works for us . The students can't afford the price for classes and all these peoples are thankful to you for lifetime.. these videos come to me too late but it's increase my confidence level towards may attempt thank you very much sir your teaching is too too too great sir... In your words Huge huge respect to you.. not expressed in words Thank you so much ....!!

Hello sir, I am vivek (aspiring chartered accountant) giving ca inter this may 19, I watched you amendment and all fasttrack videos from you tube... It was really very very helpful, Really great respect for you sir, I wish all prosperity and happiness to you, you have made my direct tax experience really wonderful... I started watching this you since May only.

Aapne latakte latakte bacha liya sir... I'll give my best to have 50+in DT itself ❤️❤️❤️❤️

❤️❤️❤️❤️

Thank you sir for all the motivation and so much of efforts

20:48

# THANK YOU BACHOOOOOO...

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## RESIDENTIAL STATUS

**Case Based MCQs I:**

Brain Lara an Australian cricket player visits India for 100 days in every financial year. This has been his practice for the past 10 financial years. He appoints you as his Chartered Accountant to determine his Residential Status for AY 2021-22. Advise him by answering the following questions:

1. Does he satisfy the basic condition of Sec 6(1) for AY 21-22?

A. Yes

B. No

2. In the given case, Brain Lara is:

A. ROR

B. RNOR

C. NR

3. Assuming Brain Lara is an Indian Citizen who is outside India comes on a visit to India in PY shall be treated as resident if they stay in India for 182 days only if:

A. his total income is 10 lakhs

B. his total income, other than income from foreign sources, is 10 lakh or more

C. his total income, other than income from foreign sources, exceeds basic exemption

D. his total income, other than income from foreign sources, exceeds 15 lakhs

4. In question 3, the total income considered for Residential status of Brain Lara includes his income from foreign sources as well. Is the statement:

A. True

B. False

C. Partly true

5. Income which accrues or arises outside India but received directly in India are taxable in case of-

A. Resident and ordinarily resident

B. Both resident and ordinarily resident and resident but not ordinarily resident

C. Non-resident

D. All of above

**Solutions:**

1. A	2. B	3. D	4. B	5. D
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**Case based MCQs II:**



From the following particulars of income furnished by Mr. Akash pertaining to the year ended 31.03.2021.

Particulars		₹
(a)	Short term capital gain on sale of shares in Indian Company received in Germany	15,000
(b)	Dividend from a Japanese Company received in Japan	10,000
(c)	Rent from property in London deposited in a bank in London, later on remitted to India through approved banking channels	75,000
(d)	Dividend from RP Ltd., an Indian Company	6,000
(e)	Agricultural income from lands in Gujarat	25,000

1. What shall be total income of Mr. Akash if he is a Resident & ordinarily Resident in AY 21-22?

- A. 83,500  
B. 21,000  
C. 82,500  
D. Nil

2. What shall be total income of Mr. Akash if he is a Resident but not ordinarily Resident in AY 21-22?

- A. 83,500  
B. 21,000  
C. 82,500  
D. Nil

3. What shall be total income of Mr. Akash if he is a Non-Resident in AY 21-22?

- A. 83,500  
B. 21,000  
C. 82,500  
D. Nil

4. In case of rent received from property in London deposited in a bank in London?

- A. 75,000  
B. 52,500  
C. Nil

Solutions:

1. A	2. B	3. B	4. B
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### Case Based MCQs III:

Mr. Bahubali is living in Dubai since 1985. He comes to India to meet his parents on 1.6.2020 and leaves India for Dubai on 30.09.2020.

Details of his income for the FY 2020-21 are as follows:

Particulars	Situation I (₹)	Situation II (₹)
i) Incomes arising in India	6,00,000	6,00,000
ii) Incomes received abroad but deemed to accrue or arise in India as per Sec 9	7,00,000	7,00,000
iii) Incomes arising in Dubai and not deemed to accrue or arise in India	40,00,000	40,00,000
iv) Income arising in Dubai from a business	10,00,000	Nil

controlled from India		
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Comment on the residential status of Mr. Bahubali by answering the following questions:

1. What will be the residential status of Mr. Bahubali in Situation I?

- A. RNOR  
B. ROR  
C. NR

2. What will be the total taxable income in India of Mr. Bahubali in Situation I?

- A. 16,00,000  
B. 17,00,000  
C. 23,00,000

3. What will be the residential status of Mr. Bahubali in Situation II?

- A. RNOR  
B. ROR  
C. NR

4. What will be the total taxable income in India of Mr. Bahubali in Situation II?

- A. 16,00,000  
B. 7,00,000  
C. 6,00,000  
D. 13,00,000

5. If Mr. Bahubali leaves India for Dubai on 30.11.2020, what shall be his residential status?

- A. RNOR  
B. ROR  
C. NR

Solutions:

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

### Other general MCQs:

1. A company would be a resident in India for the P.Y. 2020-21, if:

- A. it is an Indian company  
B. during the year, majority of its directors are resident in India  
C. during the year, its Place of Effective Management is in India  
D. Both (a) and (c)

2. Income accruing in London and received there is taxable in India in the case of-

- A. Resident and ordinarily resident  
B. both resident and ordinarily resident and resident but not ordinarily resident  
C. both resident and non-resident  
D. non-resident

3. Fees for technical services paid by Central Govt will be taxable in case of -

- A. Resident and ordinarily resident  
B. both resident and ordinarily resident and resident but not ordinarily resident

- C. non-resident
- D. All of above

4. Short term capital gains on sale of shares of an Indian company received in Australia is taxable in case of –

- A. Resident and ordinarily resident
- B. both resident and ordinarily resident and resident but not ordinarily resident
- C. non-resident
- D. All of above

5. Total income is based on / Total income varies according to

- A. Residential status of assessee
- B. Citizenship of assessee
- C. Both A and B
- D. None of the above

6. .... is determined for each category of persons separately

- A. Residential status
- B. Citizenship
- C. Origin ship
- D. All of the above

7. A person may be resident in..... in any previous year

- A. More than one country
- B. Only one Country
- C. Only two countries
- D. None of the above

8. A person may be a ..... but may not be a.....

- A. Citizen of India, resident
- B. Person of Indian origin, citizen of India
- C. Indian Resident, person of Indian origin
- D. None of the above

9. HUF will become Non-resident if:

- A. control and management is partly in India
- B. control and management is partly in India and partly outside India
- C. control and management is wholly situated outside India
- D. None of above

10. Indian company is said to be resident of India if:

- A. POEM wholly or partly in India
- B. Always resident
- C. POEM wholly India
- D. POEM wholly outside India

11. If the POEM of an Indian Company is wholly outside India, then company will become:

- A. Resident in India
- B. Non-resident in India
- C. RNOR in India
- D. None of above

12. An individual who is resident in India, shall be resident and ordinary resident in India if he satisfies

- A. Any one basic condition
- B. both additional conditions



C. Both basic conditions

D. Any one additional condition

13. In 2nd additional condition, assessee should have stayed in India for

- A. more than 730 days during 7 immediately preceding previous year
- B. 730 days or more during 7 immediately preceding previous year
- C. 365 days or more during 4 immediately preceding previous year
- D. 182 days or during relevant immediately preceding previous year

14. HUF which is resident in India shall be ROR if:

- A. Karta of the HUF satisfies both the basic conditions
- B. Karta of the HUF satisfies any one basic condition
- C. Karta of the HUF satisfies both additional conditions
- D. Karta of the HUF satisfies any one additional condition

15. A person Mr. X has been non-resident in 9 out of 10 preceding previous years; his residential status is:

- A. Resident in India
- B. Non-resident in India
- C. ROR in India
- D. RNOR in India

16. Income accruing from agriculture activity in foreign country is taxable in case of an assessee who is:

- A. Resident /Resident & ordinarily resident
- B. ROR
- C. Non-Resident
- D. None of Above

17. Foreign income received in India during the previous year is taxable case of which assessee:

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

18. The registered office of Serum Pharmaceutical Company Ltd. is situated at Mumbai. The board meetings are held in Bali Indonesia. The predominant activities are carried out through the registered head office situated at Mumbai. Determine the residential status of company.

- A. Resident
- B. Need to know the passive income, assets, total no. of employees, total payroll expense to determine POEM
- C. Non-Resident
- D. None of the above

19. Residential status and citizenship are same.

- A. False
- B. True
- C. None of Above

20. Miss Kareena is a citizen of Canada. She came to India after 10 years on 5<sup>th</sup> June, 2020 and left India on 3<sup>rd</sup> December 2020. She is \_\_\_\_ for FY 20-21.

- A. Resident and ordinarily resident
- B. Non-resident
- C. Resident but not ordinarily resident
- D. None of the above

21. Condition of ordinary and not ordinary should be checked for-

- A. Individual/HUF  
B. All persons except Company  
C. All persons  
D. Firm/AOP/BOI/Company

22. A person shall be ROR if he satisfies the additional condition given in Sec

- A. 6(1)      B. 6(3)      C. 6(5)      D. 6(6)

23. Foreign Income received in India during the PY is taxable in case of

- A. Resident  
B. Not ordinarily resident  
C. Non-Resident  
D. All of above

24. Once a person is resident for a source of income in a particular previous year he shall be deemed to be resident of all other sources of income in the same previous year

- A. True  
B. False  
C. Partly true Partly False  
D. None of Above

Solutions:

1. D	2. A	3. D	4. D
5. A	6. A	7. A	8. A
9. C	10. B	11. A	12. B
13. B	14. C	15. D	16. D
17. A	18. A	19. A	20. C
21. A	22. D	23. D	24. A

## DOUBLE TAXATION AVOIDANCE AGREEMENT

### Case Based MCQs I:

Mr. Cyrus, aged 40 years old, is in need of advice regarding the various incomes earned by him. He carries on a business of trading in pharmaceutical products and medicines in India. He has also set up a branch office in Country X and Country Y for trading in pharmaceutical products and medicines in these 2 countries. He visits Country X and Country Y frequently for furtherance of his business. His income from business of trading in pharmaceutical products and medicines in India is ₹20 lakhs; in Country X is ₹50 lakhs and in Country Y is ₹17 lakhs. He also earned Agricultural income in Country Y which is taxable in Country Y of ₹10,000. He received a dividend from a company incorporated in Country X of ₹80,000 which is taxable in Country X. Assuming that India has entered into double taxation avoidance agreement with Country X and Country Y and that he appoints you as his financial advisor, advise him on the following by answering the questions given below:

1. The foreign taxation tax credit shall not be available against

- A. Interest, fee or penalty payable under the Income Tax Act
- B. Tax, Surcharge and cess payable under the Income Tax Act
- C. Any amount of Foreign tax which is disputed in any manner
- D. Both A & C

2. Credit of any disputed foreign tax shall be allowed in the year in which such income is offered to tax or assessed to tax in India if

- A. Assessee furnishes evidence of settlement of dispute of foreign tax liability, within 6 months of its settlement
- B. Evidence of discharging foreign tax liability
- C. Both A and B
- D. None of above

3. Foreign tax credit shall be aggregate of:

- A. Amount of credit computed cumulatively for all sources of income
- B. Cumulative amounts of credit, arising from all countries outside India
- C. Amounts of credit computed separately for each source of income arising from a particular country outside India
- D. Both A & B

4. The amount of foreign tax credit shall be the:

- A. Tax payable under the Income-tax Act on such income arising from Outside India



- B. The foreign tax paid on such income arising from Outside India
- C. A or B, whichever is lower
- D. None of above

5. A resident assessee shall be allowed a foreign tax credit for foreign tax paid by him in the year:
- A. In which tax is paid outside India
  - B. In which income corresponding to such tax is assessable outside India
  - C. In which the Income corresponding to such tax has been offered to tax or assessed to tax in India
  - D. None of above

Solutions:

1. D	2. C	3. C	4. C	5. C
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Case Based MCQs II:

Mrs. A, a resident of India receives royalty on books from a foreign country amounting to ₹10,00,000 during the year ended 31.3.2021. 9,50,000 has been received in India on 30.4.2021. India does not have a double taxation avoidance agreement with the government of the foreign country from which royalty is received. TDS of ₹50,000 has been deducted by the foreign government on the royalty of ₹10,00,000. The expense incurred by Mrs. A on earning the royalty is ₹2,10,000. His income from other sources is ₹1,50,000. In light of the given case, answer the following:

1. What is the total income of Mrs. A for AY 2021-22?

- A. 6,00,000
- B. 6,40,000
- C. 9,40,000
- D. 7,90,000

2. What shall be the amount of relief provided u/s 91?

- A. 40,500
- B. 42,120
- C. 24,500
- D. Nil

3. What is the amount of tax payable by Mrs. A?

- A. 17,620
- B. 17,600
- C. 42,120
- D. Nil

4. Section 91 specifies that if a person resident in India has paid tax in any country with which no DTAA (treaty) exists, then for the purpose of relief or avoidance of double taxation deduction is allowed from income-tax payable by him, of a sum calculated on such doubly taxed income:

- A. Indian rate of tax
- B. Rate of tax of said country
- C. A or B whichever is lower
- D. A or B whichever is higher

Solutions:

1. B	2. C	3. A	4. C
------	------	------	------

Other General MCQs:

1. Where the foreign tax paid exceeds the amount of tax payable in accordance with DTAA then
  - A. Such excess shall be ignored
  - B. Such excess shall be considered for allowing foreign tax credit
  - C. Credit for foreign tax credit shall not be available at all
  - D. None of above
  
2. The credit of Foreign tax shall be determined by conversion of the currency of payment of foreign tax at \_\_\_\_\_ on the last day of the month immediately preceding the month in which such tax has been paid or deducted:
  - A. Telegraphic transfer selling rate
  - B. Telegraphic transfer buying rate
  - C. Average of Telegraphic transfer buying rate and selling rate
  - D. None of above
  
3. Assessee shall be required to furnish \_\_\_\_\_ on or before due date of filing of return to avail foreign tax credit
  - A. Statement of foreign income offered for tax and foreign tax deducted or paid on such income in Form No.67
  - B. Certificate or statement (specifying the nature of income and the amount of tax deducted therefrom or paid by the assessee) from the tax authority of the country outside the India or from the person responsible for deduction of such tax
  - C. Certificate or statement (specifying the nature of income and the amount of tax deducted therefrom or paid by the assessee) from the person responsible for deduction of such tax
  - D. All of above
  
4. Meaning of terms used in DTAA would be taken from?
  - A. Income-tax Act
  - B. DTAA, if term is defined in DTAA
  - C. Income-tax Act, if term is not defined in the DTAA but defined in the Income-tax Act
  - D. Both B & C
  
5. Where the amount of foreign tax credit available against the tax payable under the provisions MAT or AMT exceeds the amount of tax credit available against the normal provisions, then:
  - A. While computing the amount of MAT credit such excess shall be ignored
  - B. Credit of foreign tax shall not be available at all
  - C. While computing the amount of MAT credit such excess shall be considered
  - D. None of above

6. Where income on which foreign tax has been paid or deducted, is offered to tax in more than one year, credit of foreign tax shall be allowed:

- A. In the first year in which income was offered to tax in India
- B. In the last year in which income was offered to tax in India
- C. Across all years in which income is offered to tax, in the same proportion in which the income is offered to tax or assessed to tax in India
- D. None of above

7. Foreign Tax means:

- A. Taxes covered under DTAA's, in case India has DTAA with Country Outside India
- B. Tax payable under law in force in foreign Country with which India does not have a DTAA
- C. Both A and B
- D. None of above

8. In determining the profits of a PE, there shall be allowed as deduction:

- A. All the expenses incurred in India
- B. Expenses which are incurred for the purposes of PE
- C. Expenses which are incurred outside India
- D. None of above

9. In case a non-resident has PE in India its \_\_\_\_\_ are liable to tax in India:

- A. Whole business profit
- B. Profits attributable to the business activities carried out in India by its PE
- C. 50% of business profit
- D. None of above

10. Non-resident would have a PE in India, if it carries on business in India through an agent (other than an independent agent) who:

- A. Habitually exercises an authority to conclude contracts
- B. Has authority to conclude contracts
- C. Habitually secures orders on behalf of the non-resident principal
- D. Both A & C

11. Where the non-resident entity has business connection with the resident Indian entity, and the Indian entity constitutes a PE of the non-resident entity, the non-resident entity shall:

- A. Be liable to Tax in India
- B. Be liable to Tax outside India
- C. Not liable to tax at all in or outside India
- D. None of above

12. Non-resident assessee, who has share in the income of a registered firm assessed as resident in India in any previous year, would be entitled to deduction of sum calculated on such doubly taxed income so included, at the:



- A. Indian rate of tax
- B. Rate of tax of said country
- C. A or B whichever is lower
- D. A or B whichever is higher

**13. Any resident in India, who has agricultural income in Thailand and has paid tax in Thailand (by deduction or otherwise), on such income, shall be entitled to:**

- A. A deduction from an Indian income-tax payable by him
- B. Exemption from tax in India on such income
- C. A or B whichever is beneficial
- D. None of above

**14. Source rule of taxation provides that income is to be taxed:**

- A. In the country of residence of taxpayer
- B. In the country in which such income originates
- C. Both A & B
- D. None of above

**15. Residence rule provides that income is to be taxed in the country:**

- A. Where the recipient of income is a resident
- B. Where it originates
- C. Both A & B
- D. None of above

**16. Double taxation relief could be:**

- |                        |                      |
|------------------------|----------------------|
| A. Bilateral Relief    | B. Unilateral Relief |
| C. Multilateral Relief | D. Both a & b        |

**17. Bilateral relief means a relief in which:**

- A. Home country of tax payer provides the relief, where no mutual agreement has been entered into by the two countries for providing relief from double taxations
- B. Government of two countries, enter into agreement to provide relief against double taxation on mutually agreed basis
- C. Both A & B
- D. None of above

**18. Unilateral relief means method of providing relief from double taxation in which:**

- A. Home country of tax payer provides the relief, where no mutual agreement has been entered into by the two countries for providing relief from double taxations
- B. Government of two countries, enter into agreement to provide relief against double taxation on mutually agreed basis
- C. Both A & B
- D. None of above

19. Zodaphone Inc. is located in country Z and it is liable to pay Indian Income-tax on its interest income arising from India. Rate of tax on such interest income is 10% under DTAA and 20% under the Income-tax Act. Zodaphone is liable to pay tax @:

- A. 10%      B. 20%      C. 0%      D. None of above

20. Where an assessee is eligible to claim DTAA benefit, on a particular income and GAAR is applicable on such case then taxation of such income shall be decided on basis of provisions of:

- A. DTAA      B. GAAR      C. DTAA/IT Act (beneficial)      D. None of above

21. A foreign company is deriving income from India. However, there is no DTAA with the country in which foreign company is located. The rate of taxation of Indian company shall be decided on the basis of:

- A. Provisions of DTAA  
B. Provisions of Income-tax Act  
C. Provisions of DTAA or Income-tax Act, whichever is more beneficial  
D. Local Laws of country in which foreign company is located

22. Tax Residency Certificate is required:

- A. To claim DTAA relief      B. To claim credit of withholding taxes  
C. To claim Foreign Tax credit      D. All of above

23. In order to claim DTAA relief, non-resident is required to furnish:

- A. Tax residency Certificate      B. Form 10F      C. PAN      D. A & B

24. An Indian company avails technical services from Yavoo Inc. (USA). Such income is taxable u/s 9(1)(vii) of the income-tax act @ 10%. However, it is exempt from tax under Article 12 of India-USA DTAA. Indian company is required to withhold tax @:

- A. 10%      B. 0%      C. 10% + cess      D. None of above

25. Section 90A, Agreement entered into by any specified association in India with specified association in the specified territory outside India can be for:

- A. Grant of double taxation relief  
B. Avoidance of double taxation of income  
C. Exchange of information for prevention of evasion or avoidance of income-tax  
D. All of above

26. AVZ association is eligible to claim sec 90A benefit due its agreement with X Association in the specified territory outside the India which is notified by Central Government. In this case, payment made to X association would be taxable at:

- A. Rate provided by DTAA  
B. Rate provided by income-tax act  
C. Rate provided by DTAA or Rate provided by income-tax act whichever is less

D. Rate provided by DTAA or Rate provided by income-tax act whichever is more

27. For the purpose of section 90A benefit:

- A. There is a requirement to furnish Tax Residency Certificate
- B. There is requirement to furnish Form 10F
- C. Both of above
- D. None of above

28. Mr. X a non-resident has earned income of ₹.10,000 in India. The Double Taxation Avoidance Agreement applying to Mr. X states that, such income should be taxable in the country of residence. Which of the following statements is correct in this situation?

- A. ₹ 10,000 being an Indian income should be taxed in country of source i.e. India
- B. ₹ 10,000 should be taxed in india and the credit of the same shall be available in the country of residence
- C. Such income of ₹ 10,000 will not be taxed in India, considering the DTAA and more beneficial provisions will be applicable to Mr. X
- D. None of above

Solutions:

1. A	2. B	3. D	4. D	5. A
6. C	7. C	8. B	9. B	10. D
11. A	12. C	13. A	14. B	15. A
16. D	17. B	18. A	19. A	20. B
21. B	22. A	23. D	24. B	25. D
26. C	27. C	28. C		

Case Based MCQs I:

Ganga Ltd., an Indian Company has borrowed ₹80 crores on 01-04-2020 from M/s Thames Inc., a company incorporated in London, at an interest rate of 10% p.a. The said loan is repayable over a period of 5 years. Further, loan is guaranteed by M/s Tyne Inc. incorporated in UK. M/s Tweed Inc., a non-resident holds shares carrying 40% of voting power both in M/s Tyne Inc. Net profit of M/s Ganga Ltd. for PY 2020-21 was ₹7 crores after debiting the above interest, depreciation of ₹4 crores and income-tax of ₹3 crores. In light of the given case, answer the following questions:

1. Which of the following are associate enterprises in the given case?

- A. Ganga Ltd. and M/s Tweed Inc.  
B. M/s Tweed Inc. and M/s Tyne Inc.  
C. Ganga Ltd. and M/s Tyne Inc.  
D. Ganga Ltd. and M/s Thames Inc.

2. What shall be the interest disallowed as deduction as per Sec 94B?

- A. ₹1,40,00,000  
B. ₹1,50,00,000  
C. ₹8,00,00,000  
D. ₹6,60,00,000

3. Where the debt is issued by a lender which is not associated but an associated enterprise either provides an implicit or explicit guarantee to such lender or deposits a corresponding and matching amount of funds with the lender, such debt shall be deemed to have been issued by an associated enterprise and limitation of interest deduction would be applicable. Is the statement true or false?

Solutions:

1. C	2. A	3. True
------	------	---------

Case Based MCQs II:

RT India Private Ltd. has a show room of cars in New Delhi. Due to high demand of cars during Diwali, RT India places an order for certain cars with X Inc. (USA), the overseas parent of RT India.

1. Such arrangement in the above case would be deemed as transaction under transfer pricing when-

- A. X Inc. agrees to supply the cars to RT India even if there is no formal arrangement for such purpose
- B. X Inc. agrees to supply the cars to RT India and there is formal arrangement for such purpose
- C. V Inc. agrees to supply the furniture to RT India irrespective of whether there is formal arrangement or contract or not
- D. All of the above

2. Under transfer pricing, International Transaction means:

- A. Transactions between two or more Associated Enterprises either or both of whom are non-residents
- B. Transactions between three or more Associated Enterprises either or both of whom are non-residents
- C. Transactions between two or more Associated Enterprises who are residents
- D. None of the above

3. The International Transaction shall be in the nature of:

- A. Purchase, sale or lease of tangible or intangible property
- B. Provision of services or lending or borrowing money; or
- C. Any other transaction having a bearing on the profits, income, losses or assets of the enterprises
- D. All of the above

4. Which of the following conditions should be satisfied in order to consider a transaction as International Transaction under Transfer Pricing regulations:

- A. Transaction should be between Associated Enterprises
- B. Either or both of the parties to transaction should be non-residents
- C. Transaction should relate to purchase, sale or lease of tangible or intangible property or provisions of services, etc.
- D. All of the above

5. "Arm's length price" means a price which is applied or proposed to be applied in a transaction between persons (other than associate enterprises) in \_\_\_\_\_

- A. Controlled conditions
- B. Uncontrolled conditions
- C. Market conditions
- D. None of the above

Solutions:

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

Other general MCQs:

1. The purpose of transfer pricing was to ensure that profit of non-tax holiday segment were not:

- A. Overstated
- B. Understated
- C. A or B
- D. None of above

2. Transfer pricing is, arriving at of the price for goods and services, which are transacted between-

- A. Controlled legal entities within an enterprise
- B. Independent entities within an enterprise
- C. Both A or B
- D. None of above

3. Tax planning opportunities arise due to difference in \_\_\_\_\_ amongst various Countries

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12. The provision for Roll back in APA scheme is applicable for the international transactions entered into by the applicant during any period, not exceeding \_\_\_\_\_ previous years preceding the first of the previous year for which APA applies.

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

13. The additional fees for applying Roll Back provision is:

- A. 1Lakh                      B. 2.5Lakhs                      C. 3Lakhs                      D. 5Lakhs

14. Any transaction between the assessee carrying on any eligible business and other person will not be treated as "specified transaction" u/s 92BA, if the aggregate of such transactions entered into by the assessee in the previous year does not exceed a sum of \_\_\_\_ Cr.

- A. 20                      B. 30                      C. 10                      D. 50

15. Which of the following are correct statements -

- A. The applicant can withdraw rollback application even while maintaining the APA application for the future years
- B. The applicant can accept the rollback results without accepting the APA for the future years
- C. Both A & B
- D. None of above

16. If an Indian Company has entered into an advance pricing agreement (APA) in respect of its international transaction with associated enterprise for the PY 2019-20. The company decides to make an application for roll back of the said APA. However, rollback provision shall not be available in respect of the said transaction for a rollback year, if:-

- i) Such application has the effect of reducing total income declared in the return of income of the said year.
- ii) Determination of the arm's length price of the said transaction for the said year has been the subject matter of appeal before Commissioner (Appeals) and the Commissioner (Appeals) has passed an order disposing of such appeal at any time before signing of the agreement.
- iii) Determination of the arm's length price of the said transaction for the said year has been the subject matter of appeal before Appellate Tribunal and the Appellate Tribunal has passed an order disposing of such appeal at any time before signing of the agreement.
- iv) Return of income for the relevant rollback year has been furnished by the company u/s 139(4)

The most appropriate answer is-

- A. (i) and (ii) above                      B. (i) and (iii) above
- C. (i), (ii) and (iii) above                      D. (i), (iii) and (iv) above

17. Under which of the following methods, arm's length price shall be the arithmetical mean of all values included in the dataset, irrespective of the number of entries in the dataset. It may be assumed that the variation between the arm's length price computed and the transaction price is 5%.

- A. Profit split method                      B. Resale price method

18. Passive income is aggregate of which of the following?

- (i) Income from the transactions where the purchase of goods is from its associate enterprises
- (ii) Income by way of royalty, dividend, capital gains, interest (except for banking companies and public financial institutions) or rental income whether or not involving associate enterprises
- (iii) Income from the transactions where both the purchase and sale of goods is from/to its associate enterprises.
- (iv) Income by way of interest for banking companies and public financial institutions.

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

19. In case where primary adjustment to transfer price is made suo moto by an Indian company, the time limit for repatriation of "excess money" is-

- A. 60 days from 30<sup>th</sup> September of the AY
- B. 90 days from 30<sup>th</sup> September of the AY
- C. 60 days from 30<sup>th</sup> November of the AY
- D. 90 days from 30<sup>th</sup> November of the AY

20. Company V, Company W and Company X merge to form a Company X. Company X is the APA applicant. Rollback provisions will be applicable to:

- A. Company V
- B. Company W
- C. Company X
- D. None of the above

21. As per rule 10D(2), the prescribed information and documents need not be kept and maintained where the aggregate value transaction does not exceed ₹ \_\_\_\_\_crore.

- A. 5
- B. 1
- C. 10
- D. 2

22. The information and documents are required to be maintained for a period of \_\_\_\_\_ years, from the end of the relevant assessment year.

- A. 3
- B. 5
- C. 7
- D. 8

Solutions:

1. B	2. C	3. C	4. A	5. A
6. B	7. D	8. B	9. C	10. D
11. B	12. C	13. D	14. A	15. A
16. D	17. A	18. C	19. D	20. C
21. B	22. D			

**EQUALISATION LEVY****Case Based MCQs I:**

Facebook, Inc. is an American technology conglomerate based in Menlo Park, California. Facebook offers other products and services beyond its social networking platform, including Facebook Messenger, Facebook Watch, and Facebook Portal. Mr. Virat has acquired a few online advertising services to advertise his products. Mr. Virat wants to understand the provisions of equalisation levy. In light of the given case, answer the following questions:

1. Equalisation levy shall not be charged where the aggregate amount of consideration for advertisement services received or receivable by the non-resident is \_\_\_\_ during the year –
  - A. 1 lakh or less
  - B. 100 lakh or less
  - C. 1 crore or less
  - D. 1 lakh or more
2. Failure to pay Equalisation levy on advertisement expenditure before the due date of filing income-tax return would result in:
  - A. Disallowance of whole advertisement expenditure
  - B. Disallowance of 30% of advertisement expenditure
  - C. Disallowance of 50% of advertisement expenditure
  - D. None of above
3. Failure to pay Equalisation levy deducted by the assessee would result in penalty:
  - A. 1000 per day during which the failure continues
  - B. Equivalent to amount of Equalisation levy which was not deducted
  - C. Both A & B
  - D. None of above
4. Assessee who failed to pay Equalisation levy shall be required to pay simple interest @:
  - A. 1.50% per month for every month or part of month
  - B. 1% per month for every month or part of month
  - C. 2% per month for every month or part of month
  - D. 0.50% per month for every month or part of month
5. Any income arising to non-resident from digital advertisement service when it is chargeable to Equalisation Levy:
  - A. Is exempt from tax under section 10(50) of Income-tax Act

- B. Is taxable @ 6% under Income-tax Act
- C. Is liable to TDS under income-tax Act
- D. None of above

Solutions:

1. A	2. A	3. A	4. B	5. A
------	------	------	------	------

Other general MCQs:

1. An Indian company would be liable to deduct Equalisation levy when it has to make payment of:
  - A. ₹ 99,000 during the FY for online advertisement to non-resident
  - B. ₹ 5,00,000 during the FY for online advertisement to non-resident
  - C. ₹ 50,000 during the FY for online advertisement to non-resident
  - D. All of above
2. An Indian company would be liable to deduct Equalisation levy when it has to make payment of:
  - A. ₹ 99,000 each for online advertisement to 10 foreign companies
  - B. ₹ 2,00,000 each for online advertisement to 5 foreign companies
  - C. ₹ 50,000 each for online advertisement to 10 foreign companies
  - D. All of above
3. An Indian company failed to deduct Equalisation levy in the FY. However, it has deducted Equalisation on May 1 and paid Equalisation levy before due date of filing of income-tax return. In this case, there would be:
  - A. 30% of expenditure would be allowed as deduction in the FY
  - B. Whole expenditure would be allowed as deduction in the FY
  - C. 50% of expenditure would be allowed as deduction in the FY
  - D. None of above
4. Where the return of Equalisation levy has been made by the assessee, it shall be processed and an intimation shall not be sent to the assessee:
  - A. Before the expiry of one year from the end of Financial Year in which return of Equalisation levy is furnished
  - B. Before the expiry of two year from the end of Financial Year in which return of Equalisation levy is furnished
  - C. Before the expiry of one year from the end of Assessment Year in which return of Equalisation levy is charged
  - D. None of above
5. Where an assessee fails to furnish the return of Equalisation levy on or before the June 30 of the immediately succeeding the FY in which Equalisation levy was deducted or within 30 days from the date of service of the notice by AO, he shall be liable to pay a penalty of ₹\_\_\_\_ during which the failure continues:

- A. 1000 per day      B. 2000 per day      C. 100 per day      D. None of above

6. In which of the following cases the Equalisation Levy will be chargeable?

- A. When a non-resident providing a specified service has a Permanent Establishment (PE) in India and the specified service is effectively connected with such PE
- B. When a non-resident providing a specified service does not have PE in India and provides such service to the person resident in India carrying on business or profession
- C. When the aggregate amount of consideration received by a non-resident from providing specified service to the person resident in India carrying on business or profession does not exceed ₹1 lakh
- D. Where the payment for the specified service by the person resident in India, or the PE in India is not for the purposes of carrying out business or profession

Solutions:

1. B	2. B	3. B	4. A	5. C
6. B				

**BASE EROSION AND PROFIT SHARING**

1. What is 'Patent Box' regime?
  - A. It provides for a preferential tax/lower tax rate on profits derived from intangible property
  - B. It provides for a preferential tax/ lower rate on profits derived by an entity in tax haven
  - C. It is generally introduced by countries with an objective to foster innovation and encourage development and location of intellectual property
  - D. Both A & C
  
2. How is 'Patent Box' regime is misused by companies:
  - A. Taxpayers who have controlling interest in a foreign subsidiary, can use "Controlled Foreign Corporation" to reduce or defer the tax base of their country of residence, by shifting/ retaining their income into a CFC jurisdiction
  - B. It is misused by companies to shift profits from the location in which the value was actually created to another location where they may be taxed at a lower rate
  - C. Both A & B
  - D. None of above
  
3. Select the BEPS recommendation under Action Plan 5 to control misuse of 'Patent Box' regime:
  - A. It suggests restriction of deduction upto 30% of EBITDA
  - B. It suggests allowing benefits from the Intellectual Property (IP) regime only to the extent the taxpayer contributes to the development of IP i.e ratio of qualifying Research and Development (R&D) expenditure to total/overall R&D expenditure
  - C. It suggests restriction of deduction on the basis of value of IPR
  - D. None of above
  
4. Select BEPS concern which is covered under Action Plan 6:
  - A. Excessive interest deduction by use of related party and third-party debt
  - B. Treaty Shopping
  - C. Both A & B
  - D. None of above
  
5. Select the BEPS recommendations to counter treaty shopping under BEPS Action Plan 6
  - A. Introduction of Principle Purpose Test
  - B. Introduction of Limitation of Benefit test under tax treaties
  - C. Both A & B
  - D. None of above



**6. What is BEPS?**

- A. It is specific anti “treaty shopping” clause, which limits the Treaty benefits, to residents of either of the contracting states
- B. It limits the taxation rate
- C. Interaction of laws of two countries (domestic or Treaty) may leave gaps/provide opportunities, whereby an income may not be taxed anywhere. BEPS strategies, take advantage of these gaps between tax system of various countries to achieve double non-taxation or very low taxation
- D. None of above

**7. Which of the following could be considered as disadvantages of BEPS?**

- A. It increases government revenues and decreases cost to ensure compliance
- B. Higher the tax imposed on other individuals in jurisdictions, when MNE's do not pay their share of taxes
- C. It undermines voluntary compliance by all taxpayers who see multinational corporations legally avoiding income tax
- D. Both B & C

**8. Choose the BEPS implementation strategies**

- A. Overall changes that are directly effective like work on the OCED Transfer Pricing Guidelines, commentary to the OCED Model Tax Convention
- B. Changes that would be implemented by countries, through their domestic laws, bilateral treaties, or a multilateral instrument
- C. Both A & B
- D. None of above

**9. BEPS Action Plan 1 is designed to identify**

- A. Main difficulties posed by digital economy, in the application of existing international tax rules and outlines method and principles which would help tax physical and digital economy at par
- B. Difficulties posed by use of artificial avoidance of PE strategies by MNE's
- C. Difficulties posed by MNEs which reduced their taxes in source countries by changing debts levels of individual group entities
- D. None of above

**10. What is the purpose or objective of BEPS Action Plan 8**

- A. It seeks to addresses transfer pricing issues relating to controlled transactions involving intangibles
- B. It aims to develop rules, which would avoid BEPS, that arise due to allocation/transfer of risks and or capital, amongst group entities
- C. Develop special measure for transfer of ‘Easy to value Intangible’
- D. None of above

Solutions:

1. <i>D</i>	2. <i>B</i>	3. <i>B</i>	4. <i>B</i>	5. <i>C</i>
6. <i>C</i>	7. <i>D</i>	8. <i>C</i>	9. <i>A</i>	10. <i>A</i>

## NON-RESIDENT TAXATION

### Case Based MCQs I:

A foreign company Convergys Incorporation carries on business in India through a branch office located in India. It submits the following information for the year ended 31.03.2021.

Particulars		₹
1. Royalties received in pursuance of an agreement entered into with an Indian concern		200 Lakhs
Expenditure to earn the above income:		
(i) Depreciation as per Income Tax Act on assets in branch in India		10 Lakhs
(ii)	Depreciation as per Income Tax Act on assets located in head office in U.S.A. which assets are partially used for Indian operations	9 Lakhs
(iii)	Salaries & other expenses of staff in India	120 Lakhs
(iv)	Payment to Singapore office for use of their data in India	6 Lakhs
(v)	Reimbursement of actual expenses incurred by Head office for the Indian Branch	12 Lakhs
(vi)	Paid to Head Office for apportionment of certain head office expenditure	15 Lakhs
2. Interest received from Indian concerns for moneys lent in foreign currency		50 Lakhs
Collection charges for the interest		5 Lakhs
3. Dividend on units of Mutual Funds purchased in Indian currency		79 Lakhs
Expenses to earn the dividend income		9 Lakhs

In light of the given case, answer the following questions:

1. Which of the following items of expenditure made to earn Royalty income can be deducted to compute the income from royalty?

- (i) Depreciation as per Income Tax Act on assets in branch in India
- (ii) Depreciation as per Income Tax Act on assets located in head office in U.S.A. which assets are partially used for Indian operations
- (iii) Salaries & other expenses of staff in India
- (iv) Reimbursement of actual expenses incurred by Head office for the Indian Branch

- A. (i), (ii), (iii)
- B. (i), (iii), (iv)
- C. (i), (ii), (iv)
- D. All of the above

2. Payment to Singapore office of ₹6 lakhs is allowed as deduction of expenditure incurred to earn royalty from royalties received as it amounts to reimbursement of expenses. Is the statement true or false?

- A. True
- B. False

3. Payment to Head Office for apportionment of Head Office expenses not allowed as expenditure incurred since it is not reimbursement of actual expenses. Is the statement true or false?

A. True

B. False

4. Expenses incurred to earn dividend income shall be:

A. Allowed to be deducted from dividend

B. Disallowed as per proviso to Sec 57

C. Added to the dividend

D. None of the above

5. What will be the total income of Convergys Incorporation?

A. 173 lakhs

B. 178 lakhs

C. 187 lakhs

D. 329 lakhs

6. What shall be the total tax liability of the company?

A. 66.096 lakhs

B. 64.80 lakhs

C. Nil

D. 68.73980 lakhs

Solutions:

1. B	2. B	3. A	4. B	5. C
6. D				

### Case based MCQs II:

A non-resident individual earned the following income:

Lottery Prize

₹ 75,000

Other Income

₹ 100,000

Answer the following questions:

1. What will be the tax liability?

A. 23,400

B. 22,000

C. Nil

2. Suppose in the above case, the incomes are as follows:

Lottery Prize

₹80,000

Other Incomes

₹2,60,000

Income from Horse Races

₹10,000

What will be the tax liability?

A. 26,000

B. 28,000

C. 28,600

D. Nil

3. Suppose in the above case, the incomes are as follows:

Lottery Prize

₹1,00,000

Commission paid to Lottery Agent

₹30,000

Other Expenses claimed against lottery prize

₹10,000

Other Incomes

₹2,80,000

What will be the tax liability?

A. 23,000

B. 23,400

C. 25,000

D. Nil

4. The person responsible for paying to any person any income by way of winnings from any lottery or crossword puzzle or card game and other game of any sort in an amount exceeding ₹10,000 shall, at the time of payment thereof, deduct income-tax thereon at the rate of:

A. At normal slab rates

B. 40%

C. 30%

D. Nil

Solutions:

1. A	2. C	3. B	4. C
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### Other general MCQs:

1. Before treating any Foreign Company as resident in India on basis of its POEM, Assessing Officer is required to take approval

A. Before giving any finding

B. Before initiating proceedings

C. Both of above

D. Neither A nor B

2. Interest on money standing to the credit of Non-resident External account in India is exempt to:

A. Person resident in India

B. Person resident outside India

C. Person who has been permitted to maintain said a/c by RBI

D. Both B or C

3. Alpha Inc, is a Foreign Company which became a resident in India during previous year. It has not been resident in India in any of the preceding previous year. Which of the following provision shall be applicable to the Alpha Inc., as per notification for the said previous year? The computation of total income is:

A. Treatment of unabsorbed depreciation

B. Set off or carry forward and set off of losses

C. Collection and recovery and special provisions relating to avoidance of tax

D. All of above

4. Beta Inc. claimed certain tax benefit during previous year but subsequently, there is failure to comply with the conditions specified in the notification for claiming such benefit. In such case:

A. Benefit shall be deemed to have been wrongly allowed

B. Assessing Officer can re-compute the total income of the assessee for the said previous year

C. For the section 154 purpose, period of the previous year in which failure to comply with the conditions take place

D. All of above

5. The scope of total income of the assessee depends upon which of the following consideration:
- A. Residential status of Assessee (i.e. resident or non-resident or ordinarily not resident)
  - B. Place of accrual or receipt of income (in India or outside India), whether actual or deemed; and
  - C. The point of time of accrual or receipt of income by or on behalf of the Assessee
  - D. All of above
6. Income of non-resident includes:
- A. Income received in India in the previous year
  - B. Income deemed to be received in India in PY
  - C. Both A & B
  - D. None of above
7. Income received in India during the previous year is taxable. In such a case, receipt of income refers to:
- A. Remittance from one place or person to another constitutes the receipt of income of subsequent recipient
  - B. First occasion when recipient gets money under his control
  - C. Transmission from one place or person to another constitutes the receipt of income of subsequent recipient
  - D. None of above
8. For the purpose of income deemed to accrue in India, accrue means:
- A. Right to receive income
  - B. Right to enforce payment of income
  - C. Both A & B
  - D. None of above
9. Firms, Association of persons, local Authorities and other artificial juridical persons can be
- A. ROR      B. Resident      C. NR      D. B & C
10. POEM, is a \_\_\_\_ test to determine, whether a company incorporated in a foreign jurisdiction, is a tax resident of another country
- A. Internationally accepted      B. India based
  - C. Both of above      D. Neither A nor B
11. Passive income of a company shall exclude:
- A. All interest income
  - B. Interest income of banking companies
  - C. Interest income of Public Financial Institutions
  - D. Both B & C



12. Any income accruing or arising in any place outside India shall be deemed to accrue or arise in India if, it accrues through or from:

- A. Any business connection outside India
- B. Through or from any property outside India
- C. Through or from any asset or source of income in India
- D. Through the transfer of a capital asset situated outside India

13. The "Business Connection", for the purpose of an AGENT OF NON-RESIDENT person who habitually secures orders in India, shall require which of the following conditions:

- A. Order should be mainly for the non-resident
- B. Order should be wholly for the non-resident
- C. Order should be occasionally for the non-resident
- D. Both A & B

14. "Business connection" shall include:

- A. Any charitable activity carried out through a person acting on behalf of the non-resident
- B. Any business activity carried out through a person acting on behalf of the non-resident
- C. Any business activity carried out through a person acting on his own behalf

15. Which of the following is the basis of taxing Cross-Border transactions

- A. Residence of the Taxpayer
- B. Where is the Source of Income?
- C. Both A & B
- D. None of above

16. Under residence based taxation, taxation of an individual is based on:

- A. Country of residence
- B. Whether the source of income is in or outside the country of residence
- C. Both A & B
- D. None of above

17. Under residence based on taxation, taxation of a company is based on

- A. Place where they are incorporated
- B. Place of Effective Management
- C. Both A & B
- D. None of above

18. Domestic company means a company which is:

- A. An Indian company
- B. Company which has made prescribed arrangements for the declaration and payment of dividends (including dividend on preferences shares) within India, out of its income taxable in India
- C. Both A & B
- D. None of above

19. "Non-resident" means:

- A. A person who is not a resident

- B. A person who is resident
- C. For the purposes of section 92, section 93 and section 168 includes a person who is not ordinarily resident within the meaning of clause (6) of section 6
- D. Both A & C

20. A company will not be said to be engaged in 'active business outside India' in which of the following situations?

- A. If passive income more than 50% of its total income
- B. If less than 50% of its total assets are situated in India
- C. If less than 50% of total number employees are situated in India or are resident in India
- D. If the payroll expenses incurred on such employees is less than 50% of its total payroll expenditure

21. Miss Mastani has earned ₹ 5,00,000 in the form of royalty income from patent developed and registered in India. She incurred an expense of ₹ 2,60,000. She exercised the option of paying tax as per 115BF. Total tax payable by Miss Mastani will be-

- |           |           |
|-----------|-----------|
| A. Nil    | B. 24,960 |
| C. 52,000 | D. 13,000 |

22. Cargoship Inc., a company based in New Zealand, operating its ships to and from Vishakhapatnam port, collected freight of ₹ 85,00,000, demurrage of ₹ 5,00,000 and handling charges of ₹ 2,00,000 in respect of goods shipped at Vishakhapatnam port. It incurred expenses of ₹ 35,00,000 during the year for operating its fleet. In respect of goods shipped at New Zealand, it received ₹ 50,00,000 in India. Its tax liability (rounded off) for the AY 21-22 is:

- |             |             |
|-------------|-------------|
| A. 4,21,200 | B. 4,43,040 |
| C. 3,12,000 | D. 1,77,840 |

23. Mr. Shiv, a citizen of India, is employed in the Indian embassy in the USA. He is a non-resident for AY 21-22. He received salary and allowances in the USA from the Government of India for the year ended 31.3.2021 for services rendered by him in the USA. In addition, he was allowed perquisites by the government. Which of the following statements are correct?

- A. Salary, allowances and perquisites received outside India are not taxable in the hands of Mr. Shiv, since he is a non-resident
- B. Salary, allowances and perquisites received outside India by Mr. Shiv is taxable in India since they are deemed to accrue or arise in India
- C. Salary received by Mr. Shiv is taxable in India but allowances and perquisites are exempt
- D. Salary received by Mr. Shiv is exempt in India but allowances and perquisites are taxable

24. Income from shooting of cinematograph films in India may be deemed to accrue or arise in India to a non-resident when:

- A. A firm which does not have any partner who is a citizen of India or who is resident in India
- B. A company which does not have any shareholder who is a citizen of India or who is resident in India

- C. An individual who is not a resident in India but he is Indian Citizen  
D. All of the above

25. POEM of companies engaged in Active business outside India"(ABOI) shall be presumed to be outside India:

- A. Majority of the Board meetings are held outside India  
B. Majority of the Board meetings are held in India  
C. All the Board meetings are held outside India  
D. All of above

Solutions:

1. C	2. D	3. D	4. D	5. D
6. C	7. B	8. A	9. D	10. A
11. D	12. C	13. D	14. B	15. C
16. A	17. C	18. C	19. D	20. A
21. C	22. B	23. C	24. C	25. D

## MISCELLANEOUS

1. The tax liability of Mr. Saral, who attained the age of 60 years on 01.04.2021 and does not opt for the provisions of section 115BAC for the P.Y. 2020-21, on the total income of ₹5,60,000, comprising of salary income and interest on fixed deposits, would be -
- A. ₹ 9,880  
B. ₹ 22,880  
C. ₹ 25,480  
D. Nil
2. The tax liability of Nirlep Co-operative Society (does not opt to pay tax under section 115BAD) on the total income of ₹ 90,000 for P.Y. 2020- 21, is -
- A. ₹ 24,000  
B. ₹ 28,080  
C. Nil  
D. ₹ 24,960
3. What is the amount of marginal relief available to Sadvichar Ltd., a domestic company on the total income of ₹ 10,03,50,000 for P.Y. 2020- 21 (comprising only of business income) whose turnover in P.Y. 2018- 19 is ₹ 450 crore, paying tax as per regular provisions of Income-tax Act? Assume that the company does not exercise option under section 115BAA.
- A. ₹ 9,98,000  
B. ₹ 12,67,600  
C. ₹ 3,50,000  
D. ₹ 13,32,304
4. The tax payable by Dharma LLP on total income of ₹1,01,00,000 for P.Y. 2020-21, is -
- A. ₹ 35,29,340  
B. ₹ 32,24,000  
C. ₹ 33,21,500  
D. ₹ 31,51,200
5. Mr. Raman, aged 64 years, was not able to provide satisfactory explanation to the Assessing Officer for the investments of ₹7 lakhs not recorded in the books of accounts. What shall be the tax payable by him on the value of such investments considered to be deemed income as per section 69?
- A. ₹ 2,18,400  
B. ₹ 55,000  
C. ₹ 5,46,000  
D. ₹ 54,600
6. If Anirudh, a citizen of India, has stayed in India in the P.Y. 2020-21 for 181 days, and he is non-resident in 9 out of 10 years immediately preceding the current previous year and he has stayed in India for 365 days in all in the 4 years immediately preceding the current previous year and 420 days in all in the 7 years immediately preceding the current previous year, his residential status for the A.Y. 2021-22 would be -
- A. Resident and ordinarily resident  
B. Resident but not ordinarily resident  
C. Non-resident

*D. Deemed resident but not ordinarily resident*

7. Mr. Ajay is found to be the owner of two gold chains of 50 gms each (market value of which is ₹ 1,45,000 each) during the financial year ending 31.3.2021 but he could offer satisfactory explanation to the Assessing Officer for ₹ 50,000 spent on acquiring these gold chains. As per section 115BBE, Mr. Ajay would be liable to pay tax of –

- A. ₹ 1,87,200
- B. ₹ 2,26,200
- C. ₹ 1,49,760
- D. ₹ 1,80,960

8. Mr. Ajay is a recently qualified doctor. He joined a reputed hospital in Delhi on 01.01.2021. He earned total income of ₹ 3,40,000 till 31.03.2021. His employer advised him to claim rebate u/s 87A while filing return of income for A.Y. 2021-22. 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) |

9. Raman, a citizen of India, was employed in Hindustan Lever Ltd. He resigned on 27.09.2020. He received a salary of ₹ 40,000 p.m. from 1.4.2020 to 27.9.2020 from Hindustan Lever Ltd. Thereafter he left for Dubai for the first time on 1.10.2020 and got salary of rupee equivalent of ₹ 80,000 p.m. from 1.10.2020 to 31.3.2021 in Dubai. His salary for October to December 2020 was credited in his Dubai bank account and the salary for January to March 2021 was credited in his Mumbai account directly. He is liable to tax in respect of –

- A. income received in India from Hindustan Lever Ltd
- B. income received in India and in Dubai
- C. income received in India from Hindustan Lever Ltd. and income directly credited in India
- D. income received in Dubai

10. Mr. Suhaan (aged 35 years), a non-resident earned dividend income of ₹ 12,50,000 from an Indian Company which was declared on 30.09.2020 and credited directly to its bank account

on 05.10.2020 in France and ₹ 15,000 as interest in Saving A/c from State Bank of India for the previous year 2020-21. Assuming that he has no other income, what will be amount of income chargeable to tax in his hands in India for A.Y. 2021-22?

- A. ₹ 2,55,000
- B. ₹ 12,65,000
- C. ₹ 12,50,000
- D. ₹ 12,55,000

11. Aashish earns the following income during the P.Y. 2020-21:

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

If Aashish is a resident but not ordinarily resident in India, then what will be amount of income chargeable to tax in India for A.Y. 2021-22?

- A. ₹ 7,00,000
- B. ₹ 10,00,000
- C. ₹ 6,00,000
- D. ₹ 1,00,000

12. Mr. Sumit is an Indian citizen and a member of the crew of an America bound Indian ship engaged in carriage of freight in international traffic departing from Chennai on 25<sup>th</sup> April, 2020. From the following details for the P.Y. 2020-21, What would be the residential status of Mr. Sumit for A.Y. 2021-22, assuming that his stay in India in the last 4 previous years preceding P.Y. 2020-21 is 365 days and last seven previous years preceding P.Y. 2020-21 is 730 days?

- Date entered in the Continuous Discharge Certificate in respect of joining the ship by Mr. Sumit: 25<sup>th</sup> April, 2020
- Date entered in the Continuous Discharge Certificate in respect of signing off the ship by Mr. Sumit: 24<sup>th</sup> October, 2020

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

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

13. Mr. Square, an Indian citizen, currently resides in Dubai. He came to India on a visit and his total stay in India during the F.Y. 2020-21 was 135 days. He is not liable to pay any tax in Dubai. Following is his details of stay in India in the preceding previous years:

Financial Year	Days of Stay in India
2019-20	100
2018-19	125
2017-18	106



2016-17	83
2015-16	78
2014-15	37
2013-14	40

What shall be his residential status for the P.Y. 2020-21 if his income (other than income from foreign sources) is ₹ 10 lakhs?

- A. Resident but Not Ordinary Resident (RNOR)
- B. Resident and Ordinary Resident
- C. Non-resident
- D. Deemed Resident but not ordinarily resident

14. Dividend income from Australian company received in Australia in the year 2019, brought to India during the previous year 2020-21 is taxable in the A.Y. 2021-22 in the case of -

- A. resident and ordinarily resident only
- B. both resident and ordinarily resident and resident but not ordinarily resident
- C. non-resident
- D. None of the above

15. Mr. Ramesh, a citizen of India, is employed in the Indian embassy in Australia. He is a non-resident for A.Y. 2021-22. He received salary and allowances in the Australia from the Government of India for the year ended 31.03.2021 for services rendered by him in Australia. In addition, he was allowed perquisites by the Government. Which of the following statements are correct?

- A. Salary, allowances and perquisites received outside India are not taxable in the hands of Mr. Ramesh, since he is non-resident
- B. Salary, allowances and perquisites received outside India by Mr. Ramesh are taxable in India since they are deemed to accrue or arise in India
- C. Salary received by Mr. Ramesh is taxable in India but allowances and perquisites are exempt
- D. Salary received by Mr. Ramesh is exempt in India but allowances and perquisites are taxable

16. Mr. Nishant, a resident but not ordinarily resident for the previous year 2019-20 and resident and ordinarily resident for the previous year 2020-21 has received rent from property in Canada amounting to ₹ 1,00,000 during the P.Y. 2019-20 in a bank in Canada. During the financial year 2020-21, he remitted this amount to India through approved banking channels. Is such rent taxable in India, and if so, how much and in which year?

- A. Yes; ₹ 70,000 was taxable in India during the previous year 2019-20
- B. Yes; ₹ 1,00,000 was taxable in India during the previous year 2019-20
- C. Yes; ₹ 70,000 was taxable in India during the previous year 2020-21
- D. No; such rent is not taxable in India either during the previous year 2019-20 or during the previous year 2020-21

17. Who among the following will qualify as non-resident for the previous year 2020-21?

- Mr. Joey, an Italian designer came on visit to India to explore Indian handloom on 03.09.2020 and left on 15.12.2020. For past four years, he visited India for fashion shows and stayed in India for 100 days each year.

- Mr. Sanjay born and settled in Canada, visits India each year for three months to meet his parents and grandparents, born in India in 1946, living in Mumbai. His Indian income is ₹ 15,20,000.

- Mr. Chang, a Korean scientist left India to his home country for fixed employment there. He stayed in India for study and research in medicines from 01.01.2016 till 01.07.2020.

Choose the correct answer:

A. Mr. Joey and Mr. Chang

B. Mr. Sanjay

C. Mr. Sanjay and Mr. Chang

D. Mr. Chang

18. Which of the following income would be exempt in the hands of a Sikkimese Individual?

A. only income from any source in the State of Sikkim

B. only income by way of dividend

C. only income from interest on securities

D. All the above

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

(i) Any income derived from saplings or seedlings grown in a nursery is agricultural income exempt from tax u/s 10(1).

(ii) 60% of dividend received from shares held in a tea company is agricultural income exempt from tax u/s 10(1).

(iii) While computing income tax liability of an assessee aged 50 years, agricultural income is required to be added to total income only if net agricultural income for the P.Y. exceeds ₹ 5,000 and the total income (including net agricultural income) exceeds ₹ 2,50,000.

(iv) While computing income tax liability of an assessee aged 50 years, agricultural income is required to be added to total income only if net agricultural income for the P.Y. exceeds ₹ 5,000 and the total income (excluding net agricultural income) exceeds ₹ 2,50,000.

Choose the correct answer:

A. (i) and (iii)

B. (ii) and (iii)

C. (i) and (iv)

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

20. XYZ Ltd. has two units, one unit at Special Economic Zone (SEZ) and other unit at Domestic Tariff Area (DTA). The unit in SEZ was set up and started manufacturing from 12.3.2012 and unit in DTA from 15.6.2015. Total turnover of XYZ Ltd. and Unit in DTA is ₹ 8,50,00,000 and ₹ 3,25,00,000, respectively. Export sales of unit in SEZ and DTA is ₹ 2,50,00,000 and ₹ 1,25,00,000, respectively and net profit of Unit in SEZ and DTA is ₹ 80,00,000 and ₹ 45,00,000, respectively. XYZ Ltd. would be eligible for deduction under section 10AA for P.Y. 2020-21 for-

A. ₹ 38,09,524

- B. ₹ 19,04,762
- C. ₹ 23,52,941
- D. ₹ 11,76,471

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

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

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

- A. ₹ 48,480
- B. ₹ 45,600
- C. ₹ 49,680
- D. ₹ 46,800

23. Where there is a decision to increase the D.A. in March, 2021 with retrospective effect from 1.4.2019, and the increased D.A. is received in April, 2021, the increase is taxable –

- A. in the previous year 2019-20
- B. in the previous year 2019-20
- C. in the previous year 2021-22
- D. in the respective years to which they relate

24. Anand is provided with furniture to the value of ₹ 70,000 along with house from February, 2020. The actual hire charges paid by his employer for hire of furniture is ₹ 5,000 p.a. The value of furniture to be included along with value of unfurnished house for A.Y.2021-22 is-

- A. ₹ 5,000
- B. ₹ 7,000
- C. ₹ 10,500
- D. ₹ 14,000

25. Mr. Kashyap received basic salary of ₹ 20,000 p.m. from his employer. He also received children education allowance of ₹ 3,000 for three children and transport allowance of ₹1,800 p.m. Assume he is not opting to pay tax under section 115BAC. The amount of salary chargeable to tax for P.Y. 2020-21 is –

- A. ₹ 2,62,600
- B. ₹ 2,12,600
- C. ₹ 2,11,600
- D. ₹ 2,12,200

26. Mr. Jagat is an employee in accounts department of Bharat Ltd., a cellular company

operating in the regions of eastern India. It is engaged in manufacturing of cellular devices. During F.Y. 2020-21, following transactions were undertaken by Mr. Jagat:

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

What shall be the amount which is chargeable to tax under the head "Salaries" in hands of Mr. Jagat for A.Y. 2021-22?

- A. ₹ 25,000
- B. ₹ 37,500
- C. ₹ 66,500
- D. ₹ 79,000

27. Vidya received ₹ 90,000 in May, 2020 towards recovery of unrealised rent, which was deducted from actual rent during the P.Y. 2018-19 for determining annual value. Legal expense incurred in relation to unrealized rent is ₹ 20,000. The amount taxable under section 25A for

A.Y. 2021-22 would be –

- A. ₹ 70,000
- B. ₹ 63,000
- C. ₹ 90,000
- D. ₹ 49,000

28. Ganesh and Rajesh are co-owners of a self-occupied property. They own 50% share each. The interest paid by each co-owner during the previous year on loan (taken for acquisition of property during the year 2004) is ₹ 2,05,000. The amount of allowable deduction in respect of each co-owner is –

- A. ₹ 2,05,000
- B. ₹ 1,02,500
- C. ₹ 2,00,000
- D. ₹ 1,00,000

29. Mr. Raghav has three houses for self-occupation. What would be the tax treatment for A.Y.2021-22 in respect of income from house property?

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

30. For an assessee, who is a salaried employee who invests in equity shares, what is the benefit available in respect of securities transaction tax paid by him on sale and acquisition of 100

listed shares of X Ltd. which has been held by him for 14 months before sale?

- A. Rebate under section 88E is allowable in respect of securities transaction tax paid
- B. Securities transaction tax paid is treated as expenses of transfer and deducted from sale consideration
- C. Capital gains without deducting STT paid is taxable at a concessional rate of 10% on such capital gains exceeding ₹ 1 lakh
- D. Capital gains without deducting STT paid is taxable at concessional rate of 15%.

31. Under section 54EC, capital gains on transfer of land or building or both are exempted if invested in the bonds issued by NHAI & RECL or other notified bond-

- A. within a period of 6 months after the date of such transfer
- B. within a period of 6 months from the end of the relevant previous year
- C. within a period of 6 months from the end of the previous year or the due date for filing the return of income under section 139(1), whichever is earlier
- D. At any time before the end of the relevant previous year

32. Mr. A (aged 45 years) sold an agricultural land for ₹ 52 lakhs on 04.10.2020 acquired at a cost of ₹ 49.25 lakhs on 13.09.2019 situated at 7 kms from the jurisdiction of municipality having population of 4,00,000 and also sold another agricultural land for ₹ 53 lakhs on 12.12.2020 acquired at a cost of ₹ 46 lakhs on 15.02.2019 situated at 1.5 kms from the jurisdiction of municipality having population of 12,000. What would be the amount of capital gain chargeable to tax in the hands of Mr. A for the assessment year 2021-22? Cost inflation index for F.Y. 2018-19: 280; 2019-20:289; 2020-21: 301.

- A. Short-term capital gain of ₹ 9.75 lakhs
- B. Short-term capital gain of ₹ 7 lakhs
- C. Long-term capital gain of ₹ 4,12,500
- D. Long-term capital gain of ₹ 5,29,196

33. Mr. Kashyap has acquired a building from his friend on 10.10.2020 for ₹ 15,00,000. The stamp duty value of the building on the date of purchase is ₹ 16,20,000. Income chargeable to tax in the hands of Mr. Kashyap is:

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

34. Mr. X aged, 61 years, received dividend of ₹ 12,00,000 from ABC Ltd. in P.Y. 2020-21. Interest on loan taken for the purpose of investment in ABC Ltd., is ₹ 3,00,000. Income included in the hands of Mr. X for P.Y. 2020-21 would be -

- A. ₹ 12,00,000
- B. ₹ 9,60,000
- C. ₹ 9,00,000
- D. ₹ 2,00,000

35. Mr. Mayank has received a sum of ₹75,000 on 24.10.2020 from his friend on the occasion

of his marriage anniversary. What would be the taxability of the said sum in the hands of Mr. Mayank?

- A. Entire ₹ 75,000 is chargeable to tax
- B. Entire ₹ 75,000 is exempt from tax
- C. Only ₹ 25,000 is chargeable to tax
- D. Only 50% i.e., ₹ 37,500 is chargeable to tax

36. 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

37. Mr. Aarav gifted a house property valued at ₹ 50 lakhs to his wife, Geetha, who in turn has gifted the same to her daughter-in-law Deepa. The house was let out at ₹ 25,000 per month throughout the P.Y.2020-21. Compute income from house property for A.Y.2021-22. In whose hands is the income from house property chargeable to tax?

- A. ₹ 3,00,000 in the hands of Mr. Aarav
- B. ₹ 2,10,000 in the hands of Mr. Aarav
- C. ₹ 2,10,000 in the hands of Geetha
- D. ₹ 2,10,000 in the hands of Deepa

38. Ram owns 500, 15% debentures of Reliance Industries Ltd. of ₹ 500 each. Annual interest of ₹ 37,500 was declared on these debentures for P.Y. 2020-21. He transfers interest income to his friend Shyam, without transferring the ownership of these debentures. While filing return of income for A.Y. 2021-22, Shyam showed ₹ 37,500 as his income from debentures. As tax advisor of Shyam, do you agree with the tax treatment done by Shyam in his return of income?

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

39. Mrs. Shivani, wife of Mr. Anurag, is a partner in a firm. Her capital contribution of ₹ 5 lakhs to the firm as on 1.4.2020 included ₹ 3.5 lakhs contributed out of gift received from Anurag. The firm paid interest on capital of ₹ 50,000 and share of profit of ₹ 60,000 during the F.Y.2020-21. The entire interest has been allowed as deduction in the hands of the firm.

Which of the following statements is correct?

- A. Share of profit is exempt but interest on capital is taxable in the hands of Mrs. Shivani
- B. Share of profit is exempt but interest of ₹ 39,286 is includible in the income of Mr. Anurag and interest of ₹ 10,714 is includible in the income of Mrs. Shivani
- C. Share of profit is exempt but interest of ₹ 35,000 is includible in the income of Mr. Anurag and interest of ₹ 15,000 is includible in the income of Mrs. Shivani
- D. Share of profit to the extent of ₹ 42,000 and interest on capital to the extent of ₹ 35,000 is includible in the hands of Mr. Anurag

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

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

41. On 20.10.2020, Pihu (minor child) gets a gift of ₹ 20,00,000 from her father's friend. On the same day, the amount is deposited as fixed deposit in Pihu's bank account. On the said deposit, interest of ₹ 13,000 was earned during the P.Y. 2020-21. In whose hands the income of Pihu shall be taxable? Also, compute the amount of income that shall be taxable.

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

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

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

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

- A. Loss from specified business under section 73A

- B. Loss under the head "Capital Gains" and unabsorbed depreciation carried forward under section 32(2)
- C. Loss from house property and unabsorbed depreciation carried forward under section 32(2)
- D. Loss from speculation business under section 73

44. Brought forward loss from house property of ₹ 3,10,000 of A.Y. 2020-21 is allowed to be set-off against income from house property of A.Y. 2021-22 of ₹ 5,00,000 to the extent of –

- A. ₹ 2,00,000
- B. ₹ 3,10,000
- C. ₹ 2,50,000
- D. ₹ 1,00,000

45. Mr. Rohan incurred loss of ₹3 lakh in the P.Y. 2020-21 in retail trade business. Against which of the following income during the same year, can he set-off such loss?

- A. profit of ₹1 lakh from wholesale cloth business
- B. long-term capital gains of ₹ 1.50 lakhs on sale of land
- C. speculative business income of ₹ 40,000
- D. All of the above

46. Virat runs a business of manufacturing of shoes since the P.Y. 2018-19. During the P.Y. 2018-19 and P.Y. 2019-20, Virat had incurred business losses. For P.Y. 2020-21, 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. 2018-19, then loss for P.Y. 2019-20 and then unabsorbed depreciation, if any
- B. First adjustment for loss of P.Y. 2019-20, then loss for P.Y. 2018-19 and then unabsorbed depreciation, if any
- C. First adjustment for unabsorbed depreciation, then loss of P.Y. 2019-20 and then loss for P.Y. 2018-19, if any
- D. First adjustment for unabsorbed depreciation, then loss of P.Y. 2018-19 and then loss for P.Y. 2019-20, if any.

47. Mr. Ravi incurred loss of ₹ 4 lakh in the P.Y. 2020-21 in leather business. Against which of the following incomes earned during the same year, can he set-off such loss?

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

Choose the correct answer:

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



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

48. During the A.Y.2020-21, Mr. A has a loss of ₹ 8 lakhs under the head "Income from house property" which could not be set off against any other head of income as per the provisions of section 71. The due date for filing return of income u/s 139(1) in case of Mr. A has already expired and Mr. A forgot to file his return of income within the said due date. However, Mr. A filed his belated return of income for A.Y.2020-21. Now, while filing return of income for A.Y.2021-22, Mr. A wishes to set off the said loss against income from house property for the P.Y. 2020-21. Determine whether Mr. A can claim the said set off.

A. No, Mr. A cannot claim set off of loss of ₹8 lakhs during A.Y. 2021-22 as he failed to file his return of income u/s 139(1) for A.Y. 2020-21

B. Yes, Mr. A can claim set off of loss of ₹2 lakhs, out of ₹8 lakhs, from its income from house property during A.Y. 2021-22, if any, and the balance has to be carried forward to A.Y.2022-23

C. Yes, Mr. A can claim set off of loss of ₹2 lakhs, out of ₹8 lakhs, from its income from any head during A.Y. 2021-22 and the balance, if any, has to be carried forward to A.Y.2022-23

D. Yes, Mr. A can claim set off of loss of ₹8 lakhs during A.Y. 2021- 22 from its income from house property, if any, and the balance has to be carried forward to A.Y.2022-23

49. The details of income/loss of Mr. Kumar for A.Y. 2021-22 are as follows:

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

What shall be the gross total income of Mr. Kumar for A.Y. 2021-22?

A. ₹ 4,40,000

B. ₹ 3,20,000

C. ₹ 1,60,000

D. ₹ 4,80,000

50. Mr. Srivastav, aged 72 years, paid medical insurance premium of ₹ 52,000 by cheque and ₹ 4,000 by cash during May, 2020 under a Medical Insurance Scheme of the General Insurance Corporation. The above sum was paid for insurance of his own health. He would be entitled to a deduction under section 80D of a sum of –

A. ₹ 30,000

B. ₹ 50,000

C. ₹ 52,000

D. ₹ 56,000

51. Mr. Ramesh pays a rent of ₹ 5,000 per month. His total income is ₹2,80,000 (i.e.,

Gross Total Income as reduced by deductions under Chapter VI-A except section 80GG). He is also in receipt of HRA. He would be eligible for a deduction under section 80GG of an amount of –

- A. ₹ 60,000  
B. ₹ 32,000  
C. ₹ 70,000  
D. Nil

52. An individual has paid life insurance premium of ₹ 25,000 during the previous year for a policy of ₹ 1,00,000 taken on 1.4.2017. He shall–

- A. not be allowed deduction u/s 80C  
B. be allowed deduction of ₹ 20,000 u/s 80C  
C. be allowed deduction of ₹ 25,000 under section 80C  
D. be allowed deduction of ₹ 10,000 u/s 80C

53. In respect of loan of ₹ 40 lakhs sanctioned by SBI in April, 2020 for purchase of residential house intended for self-occupation, compute the interest deduction allowable under the provisions of the Act for A.Y.2021-22, assuming that the disbursement was made on 1<sup>st</sup> June, 2020, the rate of interest is 8% p.a. and the loan sanctioned was 80% of the stamp duty value of the property.

- A. ₹ 2,00,000 u/s 24 and ₹ 66,667 u/s 80EEA  
B. ₹ 1,50,000 u/s 80EEA and ₹ 1,16,667 u/s 24  
C. ₹ 2,00,000 u/s 24 and ₹ 50,000 u/s 80EEA  
D. ₹ 2,00,000 u/s 24

54. The maximum amount which can be donated in cash for claiming deduction under section 80G for the P.Y. 2020-21 is –

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

55. Rajan, a resident Indian, has incurred ₹ 15,000 for medical treatment of his dependent brother, who is a person with severe disability and has deposited ₹ 20,000 with LIC for his maintenance. For A.Y.2021-22, Rajan would be eligible for deduction under section 80DD of an amount equal to –

- A. ₹ 15,000  
B. ₹ 35,000  
C. ₹ 75,000  
D. ₹ 1,25,000

56. Mr. Shiva made a donation of ₹ 50,000 to PM Cares Fund and ₹ 20,000 to Rajiv Gandhi Foundation by cheque. He made a cash donation of ₹ 10,000 to a public charitable trust. The deduction allowable to him under section 80G for A.Y.2021-22 is –

- A. ₹ 80,000  
B. ₹ 70,000  
C. ₹ 60,000  
D. ₹ 35,000

57. Mr. Ritvik has purchased his first house in Gwalior for self-occupation on 5.4.2020 for ₹ 45 lakhs (stamp duty value being the same) with bank loan sanctioned on 30.3.2020 and disbursed on 3.4.2020. He paid interest of ₹ 3.8 lakhs during the P.Y.2020-21. 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

58. Mr. Anuj is a businessman whose total income (after allowing deduction under Chapter VI-A except under section 80GG) for A.Y. 2021-22 is ₹ 5,95,000. He does not own any house property and is staying in a rented accommodation in Patna for a monthly rent of ₹ 9,000. Deduction under section 80GG for A.Y. 2021-22 is –

- A. ₹ 48,500
- B. ₹ 1,48,750
- C. ₹ 60,000
- D. ₹ 1,08,000

59. If Mr. Y's total income for A.Y. 2021-22 is ₹ 52 Lakhs, surcharge is payable at the rate of –

- A. 15%
- B. 12%
- C. 10%
- D. 2%

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

- A. only LTCG taxable @20% u/s 112
- B. only STCG taxable @15% u/s 111A
- C. both (a) and (b)
- D. casual income taxable @30% u/s 115BB

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

- A. only LTCG taxable @20% u/s 112
- B. only STCG taxable @15% u/s 111A
- C. both (a) and (b)
- D. neither (a) nor (b)

62. During the P.Y.2020-21, Mr. Ranjit has short-term capital gains of ₹ 95 lakhs taxable under section 111A, long-term capital gains of ₹ 110 lakhs taxable under section 112A and business income of ₹ 90 lakhs. Which of the following statements is correct?

- A. Surcharge @25% is leviable on income-tax computed on total income of ₹ 2.95 crore, since total income exceeds ₹ 2 crore
- B. Surcharge @15% is leviable on income-tax computed on total income of ₹ 2.95 crore
- C. Surcharge @15% is leviable in respect of income-tax computed on capital gains of ₹ 2.05 crore; in respect of business income, surcharge is leviable@25% on income-tax, since total income exceeds ₹ 2 crore
- D. Surcharge@15% is leviable in respect of income-tax computed on capital gains of ₹ 2.05 crore; surcharge@10% is leviable on income-tax computed on business income, since the same exceeds ₹ 50 lakhs but is less than ₹ 1 crore

63. Which of the following statements is not true with respect to A.Y. 2021- 22?

- A. No exemption under section 80TTA would be available to resident senior citizens
- B. Share of profit will not be exempt in the hands of partner, if firm claims exemption of income under section 10AA
- C. Long term capital gains of ₹ 90,000 on STT paid listed equity shares would not be subject to income-tax under section 112A
- D. Exemption under section 10(32) on income of minor child is allowed for more than two children also

64. Gross total income of Arpita for P.Y. 2020-21 is ₹ 6,00,000. She had taken a loan of ₹ 7,20,000 in the financial year 2017-18 from a bank for her husband who is pursuing MBA course from IIM, Kolkata. On 02.04.2020, she paid the first instalment of loan of ₹ 45,000 and interest of ₹ 65,000. Compute her total income for A.Y. 2021-22.

- A. ₹ 6,00,000
- B. ₹ 5,35,000
- C. ₹ 4,90,000
- D. ₹ 5,55,000

65. Mr. Uttam presents you following data related to his tax liability for A.Y. 2021-22:

Particulars	₹ in lakhs
Tax Liability as per regular provisions of Income-tax Act, 1961	15
Tax Liability as per section 115JC	12
AMT credit brought forward from A.Y. 2020-21	5

What shall be the tax liability of Mr. Uttam for A.Y. 2021-22?

- A. ₹ 12 lakhs
- B. ₹ 15 lakhs
- C. ₹ 10 lakhs
- D. ₹ 7 lakhs

66. Mr. Nekinsaan, aged 43 years, provides following income details for P.Y. 2020-21 as follows:

Particulars	₹ in lakhs
Capital Gains under section 112A	120
Capital Gains under section 111A	110
Other Income	520

What shall be the tax liability of Mr. Nekinsaan as per regular provisions of the Income-tax Act, 1961 for A.Y. 2021-22?

- A. ₹ 260.06 lakhs
- B. ₹ 253.68 lakhs
- C. ₹ 256.52 lakhs
- D. ₹ 253.56 lakhs

67. Continuing Q. 72, what shall be tax liability of Mr. Nekinsaan as per regular provisions of the Income-tax Act, 1961 for A.Y. 2021-22, if the Other Income is ₹ 480 lakhs?

- A. ₹ 218.20 lakhs
- B. ₹ 221.03 lakhs
- C. ₹ 218.73 lakhs
- D. ₹ 242.25 lakhs

68. Mr. Bandu, aged 37 years, provides following details for P.Y. 2020-21 as follows:

Particulars	₹ in lakhs
Textile Business Income	22
Speculative Business Income	(4)
Textile Business Loss b/f from P.Y. 2018-19	(5)
Business income of spouse included in the income of Mr. Bandu as per section 64(1)(iv)	2
Deductions available under Chapter VI-A	3
TDS	1
TCS	0.5
Advance tax paid	1.3

What shall be the net tax payable/(refundable) as per regular provisions of the Income-tax Act, 1961 for A.Y. 2021-22 for Mr. Bandu?

- A. ₹ 24,200  
B. ₹ (1,00,600)  
C. ₹ 2,11,400  
D. ₹ 12,500

69. Mr. Raj, aged 32 years, presents you the following data for A.Y. 2021- 22:

Particulars	₹ in lakhs
Gross Receipts from Business conducted entirely through banking channels (opted for section 44AD)	70
Capital Gains under section 112A	5
Capital Gains under section 111A	3
Winnings from horse races	1

What would be the tax liability as per the regular provisions of the Income-tax of Mr. Raj for the A.Y.2021-22?

- A. ₹ 1,28,440  
B. ₹ 1,05,560  
C. ₹ 1,38,840  
D. ₹ 1,45,080

70. Mr. A, whose total sales is ₹ 201 lakhs, declares profit of ₹10 lakhs for the F.Y. 2020-21. He is liable to pay advance tax -

- A. in one instalment  
B. in two instalments  
C. in three instalments  
D. in four instalments

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

- A.** Yes, he is liable to pay advance tax in India as he is a non-resident and his tax liability in India exceeds ₹ 10,000
- B.** No, he is not liable to pay advance tax in India as his tax liability in India is less than ₹ 10,000

- C. No, he is not liable to pay advance tax in India as he has no income chargeable under the head "Profits and gains of business or profession" and he is of the age of 65 years
- D. Both (b) and (c)

72. Mr. X, a resident, is due to receive ₹ 4.50 lakhs on 31.3.2021, towards maturity proceeds of LIC policy taken on 1.4.2018, for which the sum assured is ₹ 4 lakhs and the annual premium is ₹ 1,25,000. Mr. Z, a resident, is due to receive ₹ 95,000 on 1.10.2020 towards maturity proceeds of LIC policy taken on 1.10.2012 for which the sum assured is ₹ 90,000 and the annual premium is ₹ 10,000.

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

73. An amount of ₹ 40,000 was paid to Mr. X on 1.7.2020 towards fees for professional services without deduction of tax at source. Subsequently, another payment of ₹ 50,000 was due to Mr. X on 01.03.2021, from which tax @ 7.5% (amounting to ₹ 6,750) on the entire amount of

₹ 90,000 was deducted and the net amount was paid on the same day to Mr. X. However, this tax of ₹ 6,750 was deposited only on 22.6.2021. The interest chargeable under section 201(1A) would be:

- A. ₹ 585
- B. ₹ 645
- C. ₹ 1,215
- D. ₹ 390

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

- A. only under section 44AD
- B. under section 44AD and 44ADA
- C. under section 44AD and 44AE
- D. under section 44AD, 44ADA and 44AE

75. Mr. Ramesh, Mr. Mahesh and Mr. Suresh, jointly owned a flat in Mathura, which was let out to Dr. Rajesh from 01.04.2020. The annual rent paid by Dr. Rajesh for the flat was ₹ 5,40,000, credited equally to each of their account. Mr. Rajesh approached his tax consultant to seek clarity in relation to deduction of tax on payment of the rent. He informed his consultant that he occupied such flat for his personal accommodation and his receipts from his profession during the previous year 2019-20 was ₹ 58 lakhs. As tax consultant, choose the correct answer –

- A. No tax at source is required to be deducted since the rental payments are towards flat occupied for personal purpose
- B. Tax is required to be deducted at source since the rent payment exceeds ₹ 2,40,000 and Dr. Rajesh is an individual having gross receipts from profession exceeding ₹ 50 lakh in the preceding financial year
- C. No tax is required to be deducted at source since the rent credited to each co-owner is less than ₹ 2,40,000
- D. No tax is required to be deducted at source since Dr. Rajesh's gross receipts during the preceding financial year were less than ₹ 1 crore

76. Mr. Nihar maintains a Savings A/c and a Current A/c in Mera Bank Ltd. The details of withdrawals on various dates during the previous year 2020-21 are as follows:

Date of Cash withdrawal	Saving Account	Current Account
05.04.2020	15,00,000	-
10.05.2020	-	22,00,000
25.06.2020	20,00,000	-
17.07.2020	-	5,00,000
28.10.2020	35,00,000	-
10.11.2020	-	38,00,000
12.12.2020	25,00,000	-

Mr. Nihar regularly files his return of income. Is Mera Bank Limited required to deduct tax at source on the withdrawals made by Mr. Nihar during the previous year 2020-21? If yes, what would the amount of tax deducted at source?

- A. TDS of ₹ 4,60,000 is required to be deducted
- B. No, TDS is not required to be deducted as the cash withdrawal does not exceed ₹ 1 crore neither in saving account nor in current account
- C. TDS of ₹ 3,00,000 is required to be deducted
- D. TDS of ₹ 1,20,000 is required to be deducted

77. Mr. Jha, an employee of FX Ltd, attained 60 years of age on 15.05.2020. He is resident in India during F.Y. 2020-21 and earned salary income of ₹ 5 lakhs (computed). During the year, he earned ₹ 7 lakhs from winning of lotteries. What shall be his advance tax liability for A.Y. 2021- 22? Assume he does not opt to pay tax under section 115BAC.

- A. ₹ 2,20,000 + Cess ₹ 8,800 = ₹ 2,28,800, being the tax payable on total income of ₹ 12 lakhs
- B. ₹ 2,10,000 + Cess ₹ 8,400 = ₹ 2,18,400, being the tax payable on lottery income of ₹ 7 lakhs
- C. ₹ 10,000 + Cess ₹ 400 = ₹ 10,400, being the net tax payable on salary income, since tax would have been deducted at source from lottery income
- D. Nil

78. Mr. P is a professional who is responsible for paying a sum of ₹ 2,00,000 as rent for use of

building to Mr. Harshit, a resident, for the month of February, 2021. The gross receipts of Mr. P are as under:

From 01.04.2019 to 31.03.2020: ₹ 55,00,000

From 01.04.2020 to 28.02.2021: ₹ 45,00,000

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

- A. Tax at source is required to be deducted u/s 194-I at the rate of 7.5%
- B. Tax at source is required to be deducted u/s 194-IB at the rate of 3.75%
- C. Tax at source is required to be deducted u/s 194-IB at the rate of 7.5%
- D. No tax is required to be deducted at source

79. Mr. A has two bank accounts maintained with ICICI Bank and HDFC Bank. From 01.09.2020 till 31.03.2021, Mr. A withdrew the following amounts as cash from both the said accounts;

HDFC Bank: ₹ 50 Lakh ICICI Bank: ₹ 120 Lakh

What shall be the amount of tax to be deducted at source u/s 194N by HDFC Bank and ICICI Bank, respectively, while making payment in cash to Mr. A assuming Mr. A has filed his return of income for P.Y. 2017-18, P.Y. 2018-19 and P.Y. 2019-20 respectively?

- A. ₹ 1,00,000 and ₹ 2,40,000
- B. Nil and ₹ 40,000
- C. ₹ 60,000 and ₹ 1,00,000
- D. ₹ 50,000 and ₹ 1,20,000

80. Mr. Ram acquired a house property at Chennai from Mr. Satyam, a resident, for a consideration of ₹ 85 lakhs, on 23.8.2020. On the same day, Mr. Ram made two separate transactions, thereby acquiring an urban plot in Gwalior from Mr. Vipun, a resident, for a sum of ₹ 50 lakhs and rural agricultural land from Mr. Danish, a resident, for a consideration of ₹ 75 lakhs. Which of the following statements are correct assuming that in the consideration amounts as aforementioned all the charges incidental to transfer of the immovable property are included?

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

81. Which of the following details/evidences are required to be furnished by an employee to his/her employer in respect of deduction of interest under the head "Income from house property", when the employer is estimating the total income of the employee for the purpose of tax deduction at source u/s 192?

- (i) Amount of Interest payable or paid
- (ii) Rate of interest payable or paid



- (iii) Name of the lender
- (iv) Address of the lender
- (v) PAN or Aadhaar number as the case may be, of the lender
- (vi) TAN of the lender

Choose the correct answer:

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

82. Mr. X paid fees for professional services of ₹ 40,000 to Mr. Y, who is engaged only in the business of operation of call centre, on 15.7.2020. Tax is to be deducted by Mr. X at the rate of –

- A. 0.75%
- B. 1%
- C. 1.5%
- D. 2%

83. An interior decorator has opted for presumptive taxation scheme under section 44ADA for A.Y. 2021-22. –

- A. He is liable to pay advance tax on or before 15.3.2021
- B. He is not liable to advance tax
- C. He is liable to pay advance tax in three instalments i.e., on or before 15.9.2020, 15.12.2020 and 15.3.2021
- D. He is liable to pay advance tax in four instalments i.e., on or before 15.6.2020, 15.9.2020, 15.12.2020 and 15.3.2021

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

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

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

- A. Tax is deductible u/s 194B@30%
- B. Tax is deductible u/s 194B@30.9%
- C. No tax is deductible at source
- D. None of the above

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

- I Opening a Basic savings bank deposit account with a bank
- II Applying to a bank for issue of a credit card.
- III Payment of ₹ 40,000 to mutual fund for purchase of its units

- IV Cash deposit with a post office of ₹ 1,00,000 during a day.
- V A fixed deposit of ₹ 30,000 with a NBFC registered with RBI aggregating the total deposits to ₹ 3,50,000 for the F.Y upto to the date of this deposit made.
- VI Sale of shares of an unlisted company for an amount of ₹ 60,000

Choose the correct answer:

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

87. An individual client has consulted you on the matter of PAN. He is carrying on the business of sale & purchase of electronic appliances. His turnover is ₹ 3,00,000 and the profit is ₹ 75,000 for the P.Y. 2020-21. He has asked you to provide him threshold of turnover, if any, exceeding which he has to apply for PAN.

- A. More than ₹ 2,00,000
- B. More than ₹ 2,50,000
- C. More than ₹ 3,00,000
- D. More than ₹ 5,00,000

88. Mr. Z, a salaried individual, has a total income of ₹ 8 lakhs for A.Y. 2021-22. He furnishes his return of income for A.Y. 2021-22 on 28th August, 2021. He is liable to pay fee of—

- A. upto ₹ 1,000 under section 234F
- B. ₹ 5,000 under section 234F
- C. ₹ 10,000 under section 234F
- D. Not liable to pay any fee

89. Arun's gross total income of P.Y. 2020-21 is ₹ 2,45,000. He deposits ₹ 45,000 in PPF. He pays electricity bills aggregating to ₹ 1.20 lakhs in the P.Y. 2020-21. Which of the statements is correct?

- A. Arun is not required to file his return of income u/s 139(1) for P.Y. 2020-21, since his total income before giving effect to deduction under section 80C does not exceed the basic exemption limit
- B. Arun is not required to file his return of income u/s 139(1) for P.Y. 2020-21, since his electricity bills do not exceed ₹ 2,00,000 for the P.Y. 2020-21
- C. Arun is not required to file his return of income u/s 139(1) for P.Y. 2020-21, since neither his total income before giving effect to deduction under section 80C exceeds the basic exemption limit nor his electricity bills exceed ₹ 2 lakh for the P.Y. 2020-21
- D. Arun is required to file his return of income u/s 139(1) for P.Y. 2020-21, since his electricity bills exceed ₹ 1 lakh for the P.Y. 2020-21

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

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

Choose the correct answer:

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

91. Iskon Inc., a foreign company and non-resident in India for A.Y. 2021- 22, engaged in the business of trading of tube-lights outside India. The principal officer of the company has approached you to enlighten him regarding the provisions of the Income-tax Act, 1961 pertaining to the person who is required to verify the return of income in case of Iskon Inc. Advise him as to which of the following statements are correct, assuming that the company has a managing director-

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

Choose the correct answer:

- A. I or II or III
- B. Only I
- C. I or III
- D. Only III

92. Mr. Pawan is engaged in the business of roasting and grinding coffee beans. During F.Y. 2020-21, his total income is ₹ 4.5 lakhs. Mr. Pawan filed his return of income for A.Y. 2021-22 on 3<sup>rd</sup> March, 2022. What shall be the fee payable for default in furnishing in return of income for A.Y. 2021-22?

- A. ₹ 5,000
- B. Not exceeding ₹ 1,000
- C. ₹ 10,000
- D. No fees payable as total income is below ₹ 5,00,000

93. Which of the following benefits are not allowable to Ms. Sakshi, a non- resident, while computing her total income and tax liability for A.Y. 2021-22 under the Income-tax Act, 1961?

- A. Deduction of 30% of gross annual value while computing her income from house property in Bangalore
- B. Tax rebate of ₹ 9,500 from tax payable on her total income of ₹ 4,40,000
- C. Deduction for donation made by her to Prime Minister's National Relief Fund
- D. Deduction for interest earned by her on NRO savings account permitted to be maintained by RBI

94. Mr. Dinesh, a resident in India, has gross total income of ₹ 2,30,000 comprising of interest on saving A/c and rental income during the previous year 2020-21. He incurred expenditure of ₹ 2,00,000 for his son for a study tour to Europe. Whether he is required to file return of income for the assessment year 2021-22? If yes, what is the due date?

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

Solutions:

1. B	2. D	3. B	4. B	5. C	6. B	7. A	8. B	9. B	10. D
11. A	12. A	13. C	14. D	15. C	16. D	17. B	18. D	19. C	20. B
21. A	22. A	23. B	24. A	25. B	26. D	27. B	28. C	29. B	
30. C	31. A	32. B	33. C	34. B					
35. A	36. D	37. B	38. B	39. C	40. D	41. C	42. B	43. C	44. B
45. D	46. A	47. D	48. D	49. A	50. B	51. D	52. D	53. D	54. D
55. D	56. C	57. C	58. A	59. C	60. C	61. D	62. B	63. B	64. B
65. A	66. D	67. C	68. A	69. A	70. D	71. B	72. B	73. B	74. B
75. C	76. D	77. D	78. D	79. B	80. C	81. B	82. C	83. A	84. D
85. C	86. A	87. D	88. B	89. D	90. D	91. C	92. B	93. B	94. D

**CASE STUDIES:**

1 Mr. Shashikant, aged 35 years, is an Indian citizen and a member of the crew of a Singapore bound Indian ship engaged in carriage of passengers in international traffic departing from Chennai port on 29<sup>th</sup> May, 2020.

Particulars	Date
Date entered into the Continuous Discharge Certificate in respect of joining the ship by Mr. Shashikant	29 <sup>th</sup> May, 2020
Date entered into the Continuous Discharge Certificate in respect of signing off the ship by Mr. Shashikant	19 <sup>th</sup> December, 2020

He stayed in India in the last 4 previous years preceding the P.Y. 2020- 21 for 400 days and for a period of 750 days in the last 7 previous years preceding to P.Y. 2020-21. He received salary of ₹ 7,20,000 in his NRE account maintained with State Bank of India, Chennai Branch. He also furnished details of other income earned during the previous year 2020-21:

S.no	Particulars	Amount (₹)
1.	Dividend declared and received in the month of April, 2020 from X limited, an Indian company	90,000
2.	Agriculture income from land in Pakistan received in India	2,50,000
3.	Rental income from house property in Chennai	3,60,000

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

1.1 What is Mr. Shashikant's residential status for the P.Y 2020-21?

- A. Resident and ordinarily resident
- B. Resident but not ordinarily resident

C. Non-resident

D. Deemed resident but not ordinarily resident

1.2 What would be the total income of Mr. Shashikant for A.Y. 2021-22 assume that he does not opt to pay tax under section 115BAC?

A. ₹ 6,70,000

B. ₹ 12,72,000

C. ₹ 6,02,000

D. ₹ 5,92,000

1.3 Assume for the purpose of answering this question that Mr. Shashikant has transferred his house property in Chennai to his minor son on 1<sup>st</sup> April, 2020 and his wife is a housewife and does not have any income. In such case, his total income would be –

A. ₹ 6,00,500

B. ₹ 5,90,500

C. ₹ 6,02,000

D. ₹ 6,70,000

1.4 Mr. Shashikant would like to minimize his tax liability and consulted you to compute the amount of same for the P.Y. 2020-21. Accordingly, his tax liability would be –

A. ₹ 13,610

B. ₹ 23,610

C. ₹ 22,570

D. ₹ 12,570

Solutions:

1.1 C	1.2 C	1.3 A	1.4 B
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2. Mr. Suraj (aged 48 years) furnishes the following particulars for the previous year 2020-21 in respect of an industrial undertaking established in "Special Economic Zone" in March 2015. It began manufacturing in April 2015.

Particulars	(₹)
Total sales	85,00,000
Export sales [proceeds received in India]	45,00,000
Domestic sales	40,00,000
Profit from the above undertaking	20,00,000

Export Sales of F.Y. of 2020-21 include freight and insurance of ₹ 5 lacs for delivery of goods outside India.

He received rent of ₹ 25,000 per month for a commercial property let out to Mr. Sudhir, a salaried individual. He earned interest on Savings Bank A/c of ₹ 12,500 and interest on Post Office Savings A/c of ₹ 5,500 during the P.Y. 2020-21.

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

2.1 Compute the amount of export turnover and total turnover for purpose of computing deduction under section 10AA for A.Y. 2021-22.

A. ₹ 45,00,000 and ₹ 85,00,000, respectively

B. ₹ 40,00,000 and ₹ 80,00,000, respectively

C. ₹ 45,00,000 and ₹ 80,00,000, respectively

D. ₹ 40,00,000 and ₹ 85,00,000, respectively

2.2 Compute the amount of deduction available under section 10AA to Mr. Suraj under section 10AA for A.Y. 2021-22.

A. ₹ 10,00,000

B. ₹ 4,70,577

C. ₹ 5,62,500

D. ₹ 5,00,000

2.3. Assume for the purpose of this question only that Mr. Suraj established SEZ Unit and began manufacturing in April, 2017. Compute the amount of deduction available under section 10AA for A.Y. 2021-22.

A. ₹ 10,00,000

B. ₹ 9,41,154

C. ₹ 11,25,000

D. ₹ 5,00,000

2.4 Compute the total income of Mr. Suraj for the previous year 2020-21, assuming that he does not opt to pay tax under section 115BAC.

A. ₹ 12,14,500

B. ₹ 17,18,000

C. ₹ 17,14,500

D. ₹ 17,28,000

Solutions:

2.1 B	2.2 D	2.3 A	2.4 C
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3. Mr. Kishan is engaged in the following activities on agricultural land situated in India, total area of land is 5 acres.

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

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

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

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

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

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

A. ₹ 5,00,000

B. Nil

C. ₹ 3,60,000

D. ₹ 1,40,000

3.2 What amount of income from activity B with respect to sale of cotton would constitute

agricultural income or/and business income in the hands of Mr. Kishan?

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

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

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

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

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

3.5 Compute the gross total income of Mr. Kishan for the P.Y. 2020- 21, assuming he has no other source of income.

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

Solutions:

3.1 C	3.2 A	3.3 B	3.4 D	3.5 A
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4. Mr. Rajesh Sharma, aged 54 years, an Indian citizen, is working as Assistant Manager in ABC India Ltd. He is getting basic salary of ₹ 58,000 per month. He used to travel frequently out of India for his office work. He left India from Delhi Airport on 5<sup>th</sup> October, 2020 and returned to India on 2<sup>nd</sup> April, 2021.

For previous year 2020-21, following information's are relevant;

- (a) Dearness Allowance - 10% of Basic Pay (considered for retirement purposes)
- (b) Bonus - ₹ 98,000
- (c) Medical allowance paid during P.Y. 2020-21 amounting to ₹ 60,000
- (d) He was also reimbursed medical bill of his mother amounting to ₹ 15,000.
- (e) He was also transferred a laptop by company for ₹ 15,000 on 31<sup>st</sup> December, 2020. The laptop was acquired by company on 1<sup>st</sup> October, 2017 for ₹ 1,00,000. Company was charging depreciation at 31.666% assuming useful life of laptop as 3 years.

- (f) He was also reimbursed salary of house servant of ₹ 4,000 per month.
- (g) Professional Tax paid by employer amounting to ₹ 2,400.
- (h) 400 equity shares allotted by ABC India Ltd. at the rate of ₹ 250 per share against fair market value of share of ₹ 350 on the date of exercise of option.
- (i) Short-term capital gain on sale of shares of listed company on which STT is paid amounting to ₹ 94,000.
- (j) Mr. Rajesh does not opt to pay tax under section 115BAC.

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

4.1 What is Mr. Rajesh Sharma's residential status for the A.Y. 2021- 22?

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

4.2 What are his taxable perquisites for A.Y. 2021-22?

- A. ₹ 55,000
- B. ₹ 90,400
- C. ₹ 1,05,400
- D. ₹ 1,03,000

4.3 What is the income chargeable under the head "Salaries" in the hands of Mr. Rajesh Sharma for A.Y. 2021-22?

- A. ₹ 9,76,600
- B. ₹ 9,86,600
- C. ₹ 9,71,600
- D. ₹ 9,61,600

4.4 The total tax liability of Mr. Rajesh Sharma for A.Y. 2021-22 is:

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

4.5 Assume for the purpose of this question only, that Mr. Rajesh was found owner of ₹5 lakh worth jewellery acquired in F.Y. 2020-21, of which he could not provide any satisfactory explanation about source of income. What would be the tax liability (without considering surcharge and Health and education cess, if any) of Mr. Rajesh Sharma towards such unexplained expenditure:

- A. ₹ 1,00,000
- B. ₹ 1,50,000
- C. ₹ 3,00,000
- D. ₹ 3,90,000

Solutions:

4.1 A	4.2 C	4.3 A	4.4 A	4.5 C
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5. Mr. Hardik (age 45 years) is appointed as senior executive officer in Sky India Limited, Mumbai on 01.02.2020 in the scale of ₹ 35,000-3500- 65,000. He is paid dearness allowance @ 40% of salary forming part of retirement benefits.



He is given rent free unfurnished accommodation on 01.5.2020 which he occupied only from 01.10.2020. The company pays lease rent of ₹ 5,000 p.m.

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

He pays lumpsum premium of ₹ 1,20,000 towards health insurance for self and his wife (age 43 years) for 48 months on 01.10.2020 by account payee cheque. He also contributes ₹ 1,50,000 towards PPF.

Mr. Hardik is interested to opt for concessional tax regime available under section 115BAC.

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

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

- A. ₹ 44,835
- B. ₹ 44,100
- C. ₹ 45,570
- D. ₹ 30,000

5.2 What amount of health insurance premium paid during the previous year 2020-21 by Mr. Hardik can be claimed as deduction while computing total income, if he does not opt to pay tax under section 115BAC?

- A. ₹ 30,000
- B. ₹ 15,000
- C. ₹ 24,000
- D. ₹ 25,000

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

- A. ₹ 28,800
- B. ₹ 21,600
- C. ₹ 60,000
- D. ₹ 1,40,000

5.4 What would you advise to Mr. Hardik to opt to pay tax under section 115BAC?

- A. Yes, Mr. Hardik can opt for section 115BAC, since in such case his tax liability would be ₹ 22,760, being lower than the tax liability under normal provisions of the Act
- B. Yes, Mr. Hardik can opt for concessional tax regime, since in such case his tax liability would be ₹ 17,560 being lower than the tax liability under normal provisions of the Act
- C. No, Mr. Hardik should not opt, since as per normal provisions of the Act, his tax liability would be ₹ 32,510, being lower than the tax liability under section 115BAC
- D. No, Mr. Hardik should not opt, since as per normal provisions of the Act, his tax liability would be ₹ 22,110, being lower than the tax liability under section 115BAC

Solutions:

5.1 D	5.2 C	5.3 D	5.4 C
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6. Ananya Gupta, a citizen of India, lives with her family in New York since the year 2000. She visited India from 21<sup>st</sup> March, 2020 to 28<sup>th</sup> September, 2020 to take care of her ailing mother.

In the last four years, she has been visiting India for 100 days every year to be with her mother. She owns an apartment at New York, which is used as her residence. The expected rent of the house is \$ 32,000 p.a. The value of one USD (\$) may be taken as ₹ 75. Municipal taxes paid in New York in January, 2020 are \$ 2,000.

She took ownership and possession of her house in New Delhi on 25<sup>th</sup> March, 2020, for self-occupation, while she is in India. The municipal valuation is 4,20,000 p.a. and the fair rent is ₹ 4,50,000 p.a. She paid property tax of ₹ 22,000 to Delhi Municipal Corporation on 21<sup>st</sup> March, 2021. She had taken a loan of ₹ 16 lakhs @ 10% p.a. from IDBI Bank on 1<sup>st</sup> April, 2016 for constructing this house and the construction got completed on 20<sup>th</sup> March, 2020. No amount has been paid towards principal repayment so far. The house is vacant for the rest of the year i.e., from October 2020 to March 2021.

She had a house property in Mumbai, which was sold on 28<sup>th</sup> March, 2020. In respect of this house, she received arrears of rent of ₹ 3,00,000 on 4<sup>th</sup> February, 2021. This amount has not been charged to tax earlier.

She does not have any income under any other source in India during previous year in 2020-21. Ananya Gupta does not want to opt for the new tax regime under section 115BAC for A.Y. 2021-22. Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

6.1 What would be the residential status of Ananya Gupta for A.Y. 2021-22?

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

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

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

6.3 What is the income chargeable under the head "Income from house property" of Ananya Gupta for A.Y. 2021-22?

- |                |               |
|----------------|---------------|
| A. ₹ 15,65,000 | B. ₹ 3,09,600 |
| C. ₹ 1,00,000  | D. ₹ 10,000   |

6.4 Assuming that, for the purpose of this question alone, Ananya Gupta has let out her flat in New York during the six months (April to September) when she is in India, for a sum of \$ 6,000

p.m. Such rent was received in a bank account in New York and then remitted to India through

approved banking channels. What would be the income from house property chargeable to tax in her hands in India for A.Y. 2021-22?

A. ₹ 10,000

B. ₹ 17,85,000

C. ₹ 17,95,000

D. ₹ 18,85,000

Solutions:

6.1 D	6.2 A	6.3 D	6.4 A
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7. Ram Builders & Developers is the sole-proprietorship concern of Mr. Ram. The main business of the concern is the construction, development and sale of residential and commercial units. Ram Builders & Developers developed a project named Luxuria Heaven, which has both residential and commercial units with its own funds. It obtained certificate of completion for the said project with effect from 31/03/2020. Ram sold majority of its residential units and commercial units in the F.Y.2020-21. However, around 30 residential units and 15 commercial units were held by him as stock in trade as on 31.3.2021. During this period, there was a slump in the real estate sector. In order to earn some income from these units, Ram incidentally lets out some of the units held as stock-in-trade. The details of units constructed, sold and held as stock-in-trade are given hereunder:

Particulars	Total Units constructed	Units sold	Units held as stock-in-trade as on 31.3.2021 [(2) - (3)]	Units let out during P.Y.2020-21 out of (4)	Units vacant during the whole of P.Y.2020-21 [(4) - (5)]	Actual rent per unit per month [in respect of let out units mentioned in (5)]
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Residential Units	100	70	30	10	20	10,000 pm.
Commercial Units	40	25	15	5	10	18,000 pm.
	140	95	45	15	30	

Out of the residential units sold, 5 residential units were sold to his friend, Mr. Gaurav, who is also a real estate developer, on 15.2.2021, for ₹ 20 lakhs each. The stamp duty value on the date of sale was ₹ 23 lakhs each. However, the agreement of sale was entered into on 1.11.2020, on which the date the stamp duty value was 22 lakhs. Mr. Ram received ₹ 1 lakh by way of account payee bank draft on 1.11.2020 from Mr. Gaurav.

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

7.1 While computing the total income of Mr. Ram, the income from residential and commercial units let out during the P.Y.2020-21 will be taxed under head:

A. Income from house property

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

7.2 What would be the tax treatment of vacant residential and commercial units held as stock in trade as on 31.3.2021?

- A. The vacant residential units would be deemed to be let out and expected rent would be deemed as the annual value chargeable to tax under the head "Income from house property" for A.Y. 2021-22.
- B. The vacant units, both residential and commercial, would be deemed to be let out and expected rent would be deemed as the annual value chargeable to tax under the head "Income from house property" for A.Y. 2021-22
- C. The annual value of both vacant residential and commercial units would be Nil for A.Y.2021-22. Hence, no income is chargeable for such units under the head "Income from house property" for A.Y. 2021-22
- D. Vacant units held as stock-in-trade can never be deemed as let out at any point of time

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

- A. ₹1,00,00,000
- B. ₹1,15,00,000
- C. ₹1,10,00,000
- D. ₹99,00,000

7.4 Assume that ₹ 1 lakh was paid in cash by Mr. Gaurav to Mr. Ram on 1.11.2020 instead of by way of account payee bank draft, what would be the income chargeable under section 56(2)(x) in the hands of Mr. Gaurav?

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

Solutions:

7.1 A	7.2 C	7.3 A	7.4 D
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8. For the assessment year 2021-22, Mr. Sonu submits the following information:

Particulars	Building at Chennai (₹)	Building at Kochi (₹)
Municipal valuation	35,000	80,000

Standard Rent	36,000	70,000
Fair Rent	31,000	82,000
Rent received	38,000	68,000
Municipal taxes paid by tenant Mr. Ramu for building at Chennai and paid by Mr. Sonu for Building at Kochi.	3,000	4,000
Repairs paid by tenant Mr. Ramu for Chennai building and Mr. Sonu paid for Kochi buildings	500	18,000
Land revenue paid	2,000	16,000
Insurance premium paid	500	2,000
Interest on loan borrowed for payment of municipal tax of house property	200	400
Nature of occupation	Let out for residence	Let out for business
Date of completion of construction	1.4.1996	1.7.2008

Mr. Sonu is constructing one more building in Mumbai during the previous year. Mr. Raju, a film director, took on rent the building under construction in Mumbai at ₹ 5,000 per month for his film shooting. The construction of the said building would be completed by April 2021. Mr. Sonu is a real estate developer and letting out properties is not the business of Mr. Sonu. Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

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

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

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

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

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

- A. Income from house property

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

8.4 What is the amount chargeable to tax under the Income from house property in the hands of Mr. Sonu for the P.Y. 2020-21?

- A. ₹ 72,800
- B. ₹ 81,200
- C. ₹ 1,14,800
- D. ₹ 70,700

Solutions:

8.1 C	8.2 C	8.3 C	8.4 A
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9. Mr. Ganesha (a salaried person) has three houses. One in Thane (Maharashtra), second in Jaipur (Rajasthan) and third in Ratlam (Madhya Pradesh). Details of the flats/houses are as follows:

- Thane flat: 3 BHK flat purchased in April, 2002 for ₹ 90 lakhs. Afterwards, interior work done in 2005 of ₹ 15 lakhs. Mr. Ganesha took loan of ₹ 65 Lakhs for purchase of this flat in 2001 and settled full loan in 2018.
- Jaipur house: Purchased in July, 2018 of ₹ 62 Lakhs and interior work done in September, 2019 of ₹ 15 Lakhs. Loan taken for purchase of this house of ₹ 15 Lakhs in June, 2018. As per interest certificate, he paid ₹ 12,00,500 and ₹ 43,500 towards principal and interest, respectively.
- Ratlam House: Purchased in December 2019 for ₹ 70 lakhs (stamp duty value of ₹ 65 lakhs). For acquiring this house, he took loan of ₹ 40 Lakhs from Canara Bank. Loan was sanctioned on 1.8.2019. He pays EMI of ₹ 38,100 per month. As per interest certificate, for the previous year 2020-21, he paid ₹ 60,900 and ₹ 3,96,300 towards principal and interest, respectively.

Particulars	Thane House	Jaipur House (Apr-20 to Dec- 20)	Ratlam House
Municipal Taxes paid	18,574	8,090	6,909
Municipal value (per month)	30,500	6,800	7,200
Fair Rent (per month)	33,000	7,000	7,500
Standard Rent (per month)	32,000	8,000	7,300

Other details are as follows:

- He has sold Jaipur house on 5<sup>th</sup> January 2021 for ₹ 90 Lakhs and invested ₹ 15 Lakh in RECL bonds issued by the Central Government on 10<sup>th</sup> August 2021.
- Mr. Ganesha is working in WinDoor Exports Pvt Ltd, Mumbai and self-occupied Thane flat. He earned salary of ₹ 22,50,350 for the previous year 2020-21.
- He has no other income from any source for the P.Y. 2020-21.

- He has given Ratlam house on rent for F.Y. 2020-21 to Mr. Pratap on a monthly rent of ₹8,500.

- He has given Jaipur house on rent for the period of April, 2020 to June, 2020 to Mrs. Madhura Mahto on monthly rent of ₹ 7,100 and vacant for remaining period from July, 2020 to December, 2020.

Mr. Ganesha would not like to opt concessional tax rates available under section 115BAC.

Cost inflation index (CII) for the Financial Year (F.Y.) 2018-19 is 280; 2019-20: 289; F.Y. 2020-21: 301.

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

9.1 What would be Net Annual Value of each house for the previous year 2020-21?

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

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

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

9.3 How much amount will be carried forward as loss from house property for the subsequent assessment year 2022-23?

- A. ₹ 3,63,989
- B. ₹ 1,63,989
- C. ₹ 2,00,000
- D. ₹ 1,50,000

9.4 What would the amount of capital gains chargeable to tax in the hands of Mr. Ganesha during the previous year 2020-21?

- A. Short-term capital gains of ₹ 15,00,000
- B. Long-term capital gains of ₹ 23,35,000
- C. Long-term capital gain of ₹ 7,72,716
- D. Long-term capital gain of Nil, since he is eligible for deduction u/s 54EC in respect of amount invested in RECL bonds issued by Central Government

9.5 What would be the gross total income of Mr. Ganesh for the A.Y. 2021-22?

- A. ₹ 28,23,070
- B. ₹ 26,23,070
- C. ₹ 27,73,070
- D. ₹ 43,85,350

Solutions:

9.1 A	9.2 D	9.3 B	9.4 C	9.5 C
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10. Mr. X has set up a manufacturing unit in Chittor, Andhra Pradesh on 1 April 2019. Chittor, Andhra Pradesh is notified backward area and eligible to claim deduction under section 32AD.

During the previous year 2019-20 and 2020-21, Mr. X has purchased following assets:

Date of put to use	Asset	Amount (₹)
7 Jun 2019	Plant & machinery "X"	14,75,340
25 Jul 2019	Office Furniture	7,65,400
14 Jan 2020	Plant & machinery "Y"	5,00,000
15 May 2020	Plant & machinery "Z"	8,00,000

He has paid professional fees of ₹35,000 each to Mr. A, Mr. B and Mr. C respectively on 10<sup>th</sup> September 2020 credited in the books on the same day, to discuss some legal matter related to business. The net profit computed in accordance with "Chapter IV-D - Computation of business income" of the Income-tax Act, 1961 for the previous year 2020-21 is ₹ 1.2 crore.

Mr. X has 2,000 equity shares of MNO Pvt. Ltd. On 21 October 2020, MNO Pvt. Ltd has bought back 50% shares from its shareholders amounting to ₹ 13,50,000 which were issued for ₹ 5,70,000 which include ₹ 1,15,000 towards premium.

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

10.1 What would be the amount of depreciation in respect of Plant & Machinery "Y" allowable as deduction while computing income under the head "Profit & Gains from business or profession" for the previous year 2020-21?

- A. ₹ 56,250  
B. ₹ 1,11,875  
C. ₹ 1,43,750  
D. ₹ 1,06,250

10.2 What shall be the total amount of depreciation for the previous year 2020-21 allowable as deduction while computing profits and gains from business or profession?

- A. ₹ 4,43,287  
B. ₹ 5,65,787  
C. ₹ 5,15,787  
D. ₹ 6,03,287

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

- A. Yes, TDS amounting to ₹ 7,875 @7.5% on ₹ 1,05,000 is to be deducted  
B. Yes, TDS amounting to ₹ 1,575 @1.5% on ₹ 1,05,000 is to be deducted  
C. No, tax is to be deducted, since amount does not exceed the threshold limit  
D. Yes, TDS amounting to ₹ 10,500 @10% on ₹ 1,05,000 is to be deducted



10.4 What shall be the amount of tax payable by MNO Private Limited on buy-back of its shares?

- A. ₹ 2,08,500  
B. ₹ 1,81,710  
C. ₹ 3,14,496  
D. ₹ 1,62,240

Solutions:

10.1 C	10.2 D	10.3 A	10.4 B
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11. ABC & Co. is a partnership firm engaged in the business of sale of footwear. The partnership firm consist of three partners – A, B & C. A & B are working partners and C is a sleeping partner. The firm is liable to tax audit under section 44AB of the Act. It has a book profit of ₹ 11,50,000.

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

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

The firm has following brought forward losses of past years:

A.Y.	Business loss	Unabsorbed depreciation	Long-term capital loss
2018-19	26,000	17,600	5,300
2019-20	78,000	29,860	-
2020-21	1,05,670	54,180	13,470

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

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

- A. ₹ 29,040  
B. ₹ 22,769  
C. ₹ 47,540  
D. ₹ 30,209

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

- A. ₹ 1,20,000  
B. Nil  
C. ₹ 1,08,000  
D. ₹ 78,000

11.3 What is the due date of filing of return of income for Mr. A and Mr. C for the A.Y. 2021-22?

- A. 31<sup>st</sup> July 2021 for Mr. C and 30<sup>th</sup> September 2021 for Mr. A  
B. 31<sup>st</sup> July 2021 for Mr. C and 31<sup>st</sup> October 2021 for Mr. A  
C. 31<sup>st</sup> October 2021 for both Mr. A and Mr. C  
D. 31<sup>st</sup> October 2021 for Mr. C and 31<sup>st</sup> July 2021 for Mr. A

11.4 What would be the income under the head “Profits and gains from business or profession” in the hands of ABC & Co. for the A.Y. 2021-22?

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

Solutions:

11.1 D	11.2 A	11.3 C	11.4 B
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12. Mr. Sarthak (age 37 years) a share broker, sold a building to his friend Anay, who is a dealer in automobile spare parts, for ₹ 120 lakh on 10.11.2020, when the stamp duty value was ₹150 lakh. The agreement was, however, entered into on 1.9.2020 when the stamp duty value was ₹ 140 lakh. Mr. Sarthak had received a down payment of ₹ 15 lakh by a crossed cheque from Anay on the date of agreement. Mr. Sarthak purchased the building for ₹ 95 lakh on 10.5.2017. Further, Mr. Sarthak also sold an agricultural land (situated in a village which has a population of 5,800) for ₹ 60 lakhs to Mr. Vivek on 01.03.2021, which he acquired on 15.06.2014 for ₹ 45 lakhs. Stamp duty value of agricultural land as on 1.3.2021 is ₹ 65 lakhs CII for F.Y. 2014-15: 240; F.Y. 2017-18: 272; F.Y. 2020-21: 301.

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

12.1 Is there any requirement to deduct tax at source on consideration paid or payable for transfer of building and agricultural land?

- A. Yes; Mr. Anay and Mr. Vivek both required to deduct tax at source under section 194-IA  
B. Yes; Mr. Anay is required to deduct tax at source under section 194-IA  
C. Yes; Mr. Vivek is required to deduct tax at source under section 194-IA  
D. Yes; Mr. Sarthak is required to deduct tax at source under section 194-IA

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

- A. long-term capital gains of ₹ 44,87,132  
B. long-term capital gains of ₹ 34,87,132  
C. long-term capital gains of ₹ 14,87,132  
D. short-term capital gains of ₹ 55,00,000

12.3 Assuming that Mr. Sarthak has other income exceeding basic exemption limit, the tax payable (excluding surcharge and health and education cess) on transfer of building and agricultural land, would be –

- A. ₹ 6,97,430  
B. ₹ 2,97,430  
C. ₹ 8,97,430  
D. ₹ 11,01,470

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

A. ₹ 20 lakh  
C. ₹ 15 lakhs

B. ₹ 30 lakhs  
D. Nil

Solutions:

12.1 B	12.2 A	12.3 C	12.4 B
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13. Mr. Narendra Sharma, aged 54 years, an Indian citizen, carrying on retail business in Dubai. He frequently visits India for business purpose. Details of his visits in India are as follows:

- 1) Came to India on 03.12.2015 and left India on 26.04.2016
- 2) Again came to India on 09.09.2018 and left India on 10.01.2019
- 3) Again came to India on 27.12.2019 and left India on 20.02.2020

Afterwards he decided to shift permanently in India and closed his business in Dubai. So, he came to India on 27.11.2020 and joined Indian Company "Cosmos Heritage India Limited" at registered office in Mumbai from 01.12.2020. From December 2020, he has taken a flat on rent for ₹60,000 per month from Mr. Sarthak, an Indian resident, and Mr. Sarthak has provided his PAN No. to Mr. Narendra Sharma.

Following details of his salary income earned in India:

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

For the period from April 2020 to November 2020, his business income arising in Dubai is ₹ 26,00,000. He is not liable to pay any tax in Dubai. Such business is controlled from Dubai.

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

S. No.	Sale/ Purchase	Company	Date of Purchase/ Sale	Qty	Price per Share (₹)	Brokerage
1.	Purchase	First Smile Ltd	10.12.2020	250	203	1.5%
2	Purchase	Rainbow Ltd	10.12.2020	50	503	1.5%
3.	Purchase	Mega Service Ltd	12.12.2020	150	82	1.5%
4.	Sale	First Smile Ltd	18.12.2020	100	325	1.8%
5.	Purchase	Mega Service Ltd	15.12.2020	110	110	1.5%
6.	Sale	Mega Service Ltd	26.12.2020	150	100	1.8%

7.	Purchase	Rainbow Ltd	28.12.2020	200	385	1.5%
8.	Purchase	Rainbow Ltd	03.01.2021	100	465	1.5%
9.	Sale	First Smile Ltd	23.03.2021	200	150	1.8%
10.	Sale	Mega Service Ltd	26.03.2021	110	110	1.8%

Following additional details is also given by Mr. Narendra:

- First Smile Limited issued bonus shares 1:1 on 01.02.2021 and credited the shares in his account on 10.02.2021.
- Rainbow Limited declared an interim dividend of 200% on 28.02.2021 (face value of each share is ₹ 10). The record date was 31.1.2021.

He does not opt to pay tax as per section 115BAC.

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

13.1 What is the residential status of Mr. Narendra for the previous year 2020-21?

- Resident
- Resident but not ordinary resident
- Non-resident
- Deemed resident but not ordinarily resident in India

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

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

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

- There is no TDS liability of Mr. Narendra, since he is a salaried individual
- Mr. Narendra is liable to deduct TDS u/s 194-I of ₹ 6,000 for each month
- Mr. Narendra is liable to deduct TDS u/s 194IB of ₹ 3,000 for each month
- Mr. Narendra is liable to deduct TDS u/s 194IB of ₹ 9,000 in the month of March 2021

13.4 What would be income chargeable to tax under the head "Income from Salaries" in the

hands of Mr. Narendra for the A.Y. 2021-22:

A. ₹ 26,27,202

B. ₹ 26,77,202

C. ₹ 27,08,852

D. ₹ 26,58,852

13.5 What is the amount of short-term capital gain chargeable to tax in the hands of Mr. Narendra on sale of shares for the P.Y. 2020-21:

A. ₹ 21,860

B. ₹ 13,556

C. ₹ 8,018

D. ₹ 11,708

Solutions:

13.1 D	13.2 C	13.3 C	13.4 A	13.5 D
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14. Mr. Akshaya Biyani celebrated his 26<sup>th</sup> birthday on 15<sup>th</sup> May 2020 and arranged a grand party at Radisson Blu hotel. On this occasion, he invited his friends, blood relatives and distant relatives to attend the party. The ceremony was very grand, the feast was also very spectacular. All the arrangements and decorations were absolutely wonderful. At the end of party, Mr. Akshaya was awarded by gifts and flower's bouquet as infra:

Gifts received From	Type of Gift	Remarks
Mother	One 22K Gold Chain	She purchased on the same day for ₹ 37,822
Father	One 22K Gold Bracelet	He purchased on the same day for ₹ 56,075
Wife	4 Gold Rings	She purchased these rings on 15.5.2019 for ₹ 35,500 each. Fair market value on 15 <sup>th</sup> May 2020 is ₹ 37,429 each.
Sister	Painting	This painting is made by her. Fair market value is ₹ 45,000.
Cousin brother (Father's brother's son)	One Gold chain	He purchased it on the same day for ₹ 18,200.
Closest cousins (mother's sister's sons/daughters)	1-20 Car	Value of ₹ 4,10,000
Friends and other distant Relatives	Cash	₹ 1,51,000

Mr. Akshaya desires to set up a new manufacturing unit with his friend in partnership on 1.12.2020. For making investment in the firm, he sold following jewellery which he has received

on his 26<sup>th</sup> birthday celebration as gifts:

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

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

On 1<sup>st</sup> December 2020, he invested ₹ 6,00,000 (including the amount received on sale of above gifts and amount received from his wife) and his friend invested ₹ 4,00,000 in the firm.

On 1<sup>st</sup> February 2021, his wife again gave him ₹ 1 lakh as a gift to invest such money in the firm and apart from that he invested ₹ 50,000 more from his individual savings. On this day, his friend also invested ₹ 1,00,000 in the firm.

Since the firm is a manufacturing unit and at initial stage, the firm requires sufficient fund so Mr. Akshaya sold his wife's gifted Gold Rings for ₹ 40,250 each as on 31<sup>st</sup> March 2021 and he deployed the funds as partner's capital in the firm on 01<sup>st</sup> April, 2021.

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

14.1 What is the amount of capital gain taxable in the hand of Mr. Akshaya for P.Y. 2020-21?

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

14.2 What is the gift amount not considered as income under section 56(2)(x) for P.Y. 2020-21?

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

14.3 What is the gift amount taxable in the hands of Mr. Akshaya for P.Y. 2020-21?

- A. ₹ 1,51,000
- B. ₹ 1,69,200
- C. ₹ 5,79,200
- D. ₹ 5,61,000

14.4 Is any amount taxable in the hands of Akshaya's wife in respect of sale of jewellery by Mr. Akshaya, if yes, what shall be the taxable amount in her hands for P.Y. 2020-21?

- A. No
- B. Yes; ₹ 15,284
- C. Yes; ₹ 19,000
- D. Yes; ₹ 11,284

Solutions:

14.1 A	14.2 C	14.3 A	14.4 C
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15. Mr. Rajesh gifted ₹ 15 lakhs to his wife, Raavi on her birthday on, 23<sup>rd</sup> February, 2020. Raavi lent ₹ 6,00,000 out of the gifted amount to Karuna on 1<sup>st</sup> April, 2020 for six months on which she received interest of ₹ 30,000. The said sum of ₹ 30,000 was invested in shares of a listed company on 18<sup>th</sup> October, 2020, which were sold for ₹ 66,000 on 25<sup>th</sup> March, 2021.

Securities transactions tax was paid on purchase and sale of such shares. The balance amount of gift was invested on 1st April 2020, as capital by Raavi in her new business. She suffered loss of ₹ 22,000 in the business in Financial Year 2020-21. Raavi is working with a Private company as sales executive at a salary of ₹ 62,000 p.m. She paid ₹ 3,500 p.m towards tuition fees for her daughter Riya studying in St. Thomas School, Mumbai.

Rajesh is working with an MNC on a monthly salary of ₹ 64,000. He has gifted ₹ 1,25,000 to Riya on her 13<sup>th</sup> Birthday. This amount is deposited as 2 years term deposits with SBI bank in her name. On which interest of ₹ 11,500 is earned during the previous year 2020-21. Both Mr. Rajesh and Mrs. Raavi opt to pay tax under section 115BAC.

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

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

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

15.2 In whose hand's loss from business and capital gains would be included in Assessment Year 2021-22? Assume that capital invested in the business was entirely out of the funds gifted by her husband.

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

15.3 What would be the total income of Mrs. Raavi for the previous year 2020-21?

- A. ₹ 6,88,000
- B. ₹ 7,80,000
- C. ₹ 7,91,500
- D. ₹ 7,90,000

15.4 What would be total income of Mr. Rajesh for the previous year 2020-21?

- A. ₹ 7,76,000
- B. ₹ 8,09,500
- C. ₹ 8,08,000
- D. ₹ 7,98,000

Solutions:

15.1 D	15.2 C	15.3 C	15.4 A
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16. Miss Hetal transferred to his husband Mr. Hemant, a residential property worth ₹ 45 lakhs located in Nagpur without any consideration. The expected rent of such property is ₹ 5 lakhs. Municipal tax of ₹ 5,000 paid for this property during the previous year 2020-21. Miss Hetal has three residential properties in Mumbai. The expected rent from the 3 properties situated in Mumbai is ₹ 10 lakhs, ₹ 11 lakhs and ₹ 12 lakhs respectively. She purchased the properties out of her own funds. Municipal taxes due are ₹ 15,000, ₹ 20,000 and ₹ 25,000. The same have, however, not been paid this year in respect of the three properties. The expected rent is lesser than the standard rent in case of all the aforementioned properties. Miss Hetal does not have any income from any other source.

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

Miss Hetal's grandfather is aged 81 years and has interest income on fixed deposits of ₹ 6 lakhs. He has to fly to USA for his treatment of cancer on 31<sup>st</sup> July, 2021 and his return of income is not filed before his flying to USA.

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

16.1 What is the amount of income liable to be taxed in the hands of Miss Hetal under the head "Income from House Property" for A.Y.2021-22?

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

16.2 What would be tax liability of Miss Hetal for the assessment year 2021-22? Compute in a manner so that her tax liability is minimum.

- A. ₹ 66,300
- B. ₹ 88,400
- C. ₹ 87,670
- D. ₹ 1,31,510

16.3 Is Hetal's father required to furnish return of income in India for the A.Y.2021-22?

- A. No, he is not required, since his income does not exceed basic exemption limit
- B. Yes, he is required to furnish return of income on or before 31<sup>st</sup> July, 2021
- C. Yes, he is required to furnish return of income on or before 30<sup>th</sup> September, 2021
- D. Yes, he is required to furnish return of income on or before 31<sup>st</sup> October, 2021

16.4 Is Miss Hetal's grandfather required to pay advance tax during the previous year 2020-21?

- A. No, he is not required to pay advance tax, since he is a senior citizen
- B. Yes, he is required to pay advance tax, since his tax liability exceeds ₹ 10,000
- C. No, he is not required to pay advance tax, since he is a senior citizen and he is not having any income under the head "Profits and gains from business or



profession”

- D. Yes, he is required to pay advance tax, since his total income exceeds basic exemption limit of ₹ 5,00,000

Solutions:

16.1 B	16.2 C	16.3 B	16.4 C
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17. Ms. Chanchal, aged 45, provides the following data of her gross receipts for the financial year 2019-20 and 2020-21. She is engaged in agency business along with providing services as tarot card reader.

F.Y.	Receipts from business (₹)	Receipts from profession (₹)	Total Gross Receipts (₹)
2019-20	1,05,00,000	47,00,000	1,52,00,000
2020-21	98,00,000	49,00,000	1,47,00,000

She paid an amount of ₹ 12,00,000 to a contractor for polishing her old furniture in her self-occupied residential house property on 12.04.2020. Further on 05.06.2020, she has taken services from renowned interior designer for the same residential house property for which she paid ₹ 2,50,000.

Further, on 28.05.2020 she sold one commercial property for ₹ 50,00,000. The stamp duty value on the date of registration is ₹58,00,000. The value adopted for stamp duty was ₹54,00,000 on the date of agreement (part payment by account payee cheque was received on the date of agreement). It was purchased for ₹ 40,00,000 on 28.06.2018. (Cost Inflation Index for F.Y. 2020-21: 301, F.Y. 2018-19: 280).

The brought forward long-term capital loss from unlisted shares of F.Y. 2019-20 is ₹ 5,50,000. During the year, Ms. Chanchal incurred a loss of ₹ 70,00,000 while trading in the agricultural commodity derivatives (no CTT paid).

Ms. Chanchal does not want to opt for the new tax regime available under section 115BAC for A.Y. 2021-22. Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions: -

17.1 Is Ms. Chanchal liable to tax audit under the Income-tax Act, 1961 for the P.Y. 2020-21?

- A. Yes, as the total gross receipts exceeds ₹ 1,00,00,000
- B. No, as the gross receipts from business or profession are below the specified threshold limits
- C. Yes, as the gross receipts from business exceeds ₹ 50,00,000
- D. Yes, as the gross receipts from profession exceeds ₹ 25,00,000

17.2 With respect to payment made to contractor and to the interior designer during the P.Y. 2020-21, Ms. Chanchal consulted various persons and they have the following views -

- (i) She is required to deduct tax at source under section 194C and 194J, since her turnover from business for the previous year 2019-20 exceeds ₹1,00,00,000
- (ii) She is required to deduct tax at source under section 194M on both the payments

(iii) She is not required to deduct tax at source neither under section 194C nor under section 194J, since such amounts are paid for personal purposes

(iv) She is not required to deduct tax at source under section 194M, since payment to each individual does not exceed ₹ 50,00,000

Which views are correct?

- A. (iii) and (iv) views are correct
- B. (i) view is correct
- C. (ii) view is correct
- D. (i) and (iv) views are correct

17.3 What is the amount and nature of Capital gain chargeable to tax in the hands of Ms. Chanchal?

- A. ₹ 14,00,000 and Short-term capital gain
- B. ₹ 10,00,000 and Short-term capital gain.
- C. ₹ 11,00,000 and Long-term capital gain
- D. ₹ 7,00,000 and Long-term capital gain

17.4 What is the amount of losses which can be carried forward to A.Y. 2022-23, assuming that business income is ₹ 45,00,000 and income from profession is ₹ 25,00,000 for the P.Y. 2020-21?

- A. ₹ 5,50,000 under section 74
- B. ₹ 70,00,000 under section 73
- C. No loss is required to be carried forward, since brought forward loss and current year loss are set-off against current years income
- D. ₹ 5,50,000 under section 74 and ₹ 70,00,000 under section 73

Solutions:

17.1 B	17.2 A	17.3 B	17.4 A
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18. Mr. Abhishek Seth, aged 42 years, is working as a CEO of Soil Limited. He provides you the following information for preparation and filing of his income-tax return for the year ended 31 March 2021:

- Salary, allowances and perquisites from Soil Limited - ₹ 1,35,00,000
- Dividend from ABC Ltd. which was declared in February, 2020 and received in April, 2020 - ₹ 4,55,000
- Dividend from PRQ Ltd. declared and received in July, 2020 - ₹ 5,90,000 (Gross)
- Interest income on saving bank account in SBI - ₹ 24,530
- Long term capital gains on transfer of residential house in Mumbai on 15<sup>th</sup> December, 2020 - ₹ 1,73,540
- Short term capital gain on transfer of listed equity shares (STT paid both at the time of transfer and acquisition) of Ind Ltd. - ₹ 73,00,000

He also furnished the following details of investment/ payments made by him during the P.Y. 2020-21:

- (a) Three-year post office time deposit - ₹ 25,000
- (b) Contribution to PPF - ₹ 35,000
- (c) Tuition fees of three children in Bharti Sr. Sec. School in Delhi - ₹ 20,000 per annum per children
- (d) Subscription to NHA redeemable bonds after 5 years on 16th March, 2021- ₹ 2,00,000.

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

- (a) Income from a quiz competition - ₹ 25,000
- (b) Interest on bank fixed deposit - ₹ 9,500

Mr. Abhishek does not want to opt for the provision of section 115BAC.

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

18.1 What is the quantum of income of Mr. Dhaval which is to be clubbed with income of Mr. Abhishek, if any, assuming that income of Mr. Abhishek is greater than the income of his spouse?

- A. ₹ 34,500
- B. ₹ 8,000
- C. ₹ 33,000
- D. ₹ 9,500

18.2 What is the gross total income of Mr. Abhishek for A.Y. 2021-22?

- A. ₹ 2,13,72,530
- B. ₹ 2,14,22,530
- C. ₹ 2,13,64,530
- D. ₹ 2,15,46,070

18.3 What is the amount of deduction allowable under section 80C to Mr. Abhishek?

- A. ₹ 1,00,000
- B. ₹ 1,20,000
- C. ₹ 95,000
- D. ₹ 75,000

18.4 What shall be the tax liability of Mr. Abhishek for A.Y. 2021-22?

- A. ₹ 62,67,350
- B. ₹ 61,04,100
- C. ₹ 59,60,050
- D. ₹ 61,45,610

Solutions:

18.1 B	18.2 A	18.3 D	18.4 B
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19. M/s Abhinav & sons, a sole proprietorship is engaged in the business of manufacturing pharmaceutical products and it had started its business on 20th June 2016. Tax head of M/s Abhinav & sons furnishes you the following particulars for the year ended 31 March 2021:

- Income under the head PGBP - ₹5,75,22,750
- Interest on fixed deposits credited and received on 30<sup>th</sup> April, 2020 (Gross) - ₹12,50,000
- Donation to PM Cares Fund - ₹2,50,000

M/s Abhinav & sons does not want to opt for the provisions of section 115BAC. It has employed total 150 employees during the P.Y. 2019-20 with an annual increment of 10% in their monthly emoluments. Details of the same are as under:

Date of joining	No. of employees	Employee category	Monthly emoluments per employee (₹)	Participate in recognised provident fund
1.5.2019	50	Regular	26,500	Yes
1.6.2019	65	Casual	23,000	No
1.7.2019	35	Regular	22,500	Yes

It has employed further 50 employees during the P.Y. 2020-21. Details of the same are as under:

Date of joining	No. of employees	Employee category	Monthly emoluments per employee	Participate in recognised provident fund
1.4.2020	20	Regular	21,000	Yes
1.8.2020	30	Regular	26,000	Yes

Emoluments to all the employees are being paid by way of account payee cheque only. No employees have left the job during P.Y. 2019-20 as well as during P.Y. 2020-21.

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

19.1 What is the due date of filing of return of income of M/s Abhinav & sons for A.Y. 2021-22?

- A. 31<sup>st</sup> July, 2021  
 B. 30<sup>th</sup> November, 2021  
 C. 30<sup>th</sup> September, 2021  
 D. 31<sup>st</sup> October, 2021

19.2 What shall be the amount of deduction available to M/s Abhinav & sons under section 80JJAA for A.Y. 2021-22?

- A. ₹ 36,38,250  
 B. ₹ 15,12,000  
 C. ₹ 46,30,500  
 D. ₹ 33,84,000

19.3 What would be the total income of M/s Abhinav & sons for the A.Y. 2021-22?

- A. ₹ 5,70,10,750  
 B. ₹ 5,48,84,500  
 C. ₹ 5,57,60,750  
 D. ₹ 5,52,64,250

19.4 What would be the tax payable of M/s Abhinav & sons for the A.Y. 2021-22?

- A. ₹ 2,47,47,810  
 B. ₹ 1,94,68,310  
 C. ₹ 2,31,92,680  
 D. ₹ 2,30,67,680

Solutions:

19.1 D	19.2 A	19.3 B	19.4 D
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20. Mr. X wanted to file his return of income for the previous year 2020-21. He required assistance for which he has approached you. He has shared the following details relevant to the P.Y. 2020-21. Mr. X, owned a house property in Mumbai and the same was rented out for ₹ 70,000 p.m. He claims that this was the only income which he earned during the P.Y. 2020-21.

However, when you had sought for his bank statement, you observed the following information additionally.

There is a credit for ₹ 23,975/- towards income-tax refund which included ₹ 5,775 towards interest on income-tax refund. On 15<sup>th</sup> August, 2020, the bank statement showed a credit of ₹ 55,000 which he claimed to have received as a gift from his grandchildren on his 60<sup>th</sup> birthday. On further assessment you were able to understand that Mr. X and his wife had travelled to Australia during the P.Y. 2020-21 to spend some time with their daughter, who is staying in Australia, since her marriage. On scrutiny of their passport and relevant documents you conclude that they had left India on 27<sup>th</sup> September, 2020 and returned on 30<sup>th</sup> March, 2021. During the 4 years preceding previous year 2020-21, both had stayed in India for 320 days. Prior to that, they had been staying only in India.

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

20.1 What is the residential status of Mr. X for the P.Y. 2020-21?

- |                                     |  |
|-------------------------------------|--|
| A. Resident and ordinarily resident | B. Resident but not ordinarily resident        |
| C. Non-resident                     | D. Deemed resident but not ordinarily resident |

20.2 Mr. X requests you to compute his tax liability for the A.Y. 2021-22 in a manner such that his tax liability is minimum. Accordingly, his tax liability would be

- |             |             |
|-------------|-------------|
| A. ₹ 22,750 | B. ₹ 29,910 |
| C. ₹ 32,510 | D. ₹ 20,150 |

20.3 In continuation to question 21.2, what would be tax liability of Mr. X for the A.Y. 2021-22, if he had paid ₹ 1,00,000 towards life insurance premium for self?

- |             |             |
|-------------|-------------|
| A. ₹ 20,150 | B. ₹ 29,910 |
| C. ₹ 10,400 | D. Nil      |

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

- A. No, there is no requirement to deduct tax at source, since Mr. Y is a salaried employee  
B. Yes, Mr. Y is required to deduct tax at source of ₹ 42,000  
C. Yes, Mr. Y is required to deduct tax at source of ₹ 31,500  
D. No, there is no requirement to deduct tax at source, since Mr. X is a non-resident

20.5 Which of the following statements is correct with respect to advance tax liability of Mr. X for P.Y. 2020-21?

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

Solutions:

20.1 A	20.2 A	20.3 D	20.4 C	20.5 B
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21. Mrs. Seetha is a retired Government employee. She was born on 20.04.1943 in India. She is residing in Bangalore. She has stayed with her elder daughter Mrs. Sakshi from 4<sup>th</sup> April, 2020 to 18<sup>th</sup> December, 2020, who is residing in Singapore. She stayed in India for 360 days during the 4 previous years preceding the previous year 2020-21. During the previous year 2020-21, pension of ₹ 8,14,592 (Net of TDS) is credited in her account with State Bank of India, Town Hall Branch, Bangalore after deducting tax at source of ₹ 16,031. She received interest of ₹ 5,945 on her Saving A/c with SBI during the previous year 2020-21. She also received interest of ₹ 58,500 on Fixed Deposits in the month of April, 2020. She has purchased two life insurance policies for her son Mr. Sohan and married daughter Mrs. Shobha, the details of which are as follows:

Person insured	Policy purchased on	Date of payment of premium	Sum Assured	Premium paid
Mr. Sohan (39 years old)	23.10.2020	23.10.2020	₹ 9,64,655	₹ 1,05,388
Mrs. Shobha (41 years old)	17.10.2020	17.10.2020	₹ 2,00,000	₹ 20,000

She has taken a medical insurance for herself for which she paid an amount of ₹ 12,000 towards health insurance premium by A/c payee cheque. She incurred ₹ 6,500 towards preventive health check-up of herself and her husband in cash. She also incurred medical expenditure of ₹18,000 in cash in the month of January 2021 for her husband. In the month of March 2021, she incurred medical expenditure of ₹5,500 for herself, which is paid by account payee cheque. She has given a wristwatch of ₹6,000 on her husband's 80<sup>th</sup> birthday. Her husband is resident in India for the P.Y. 2020-21. Mrs. Seetha does not opt to pay tax under section 115BAC.

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

21.1 What would be amount of deduction Chapter VI-A available to Mrs. Seetha for the A.Y. 2021-22?

- A. ₹1,39,410  
B. ₹1,43,465  
C. ₹1,48,333  
D. ₹1,88,333

21.2 What would be Gross total income of Mrs. Seetha for the assessment year 2021-22?

- A. ₹ 9,01,570  
B. ₹ 8,51,570  
C. ₹ 8,45,070  
D. ₹ 8,35,540

21.3 What is amount of net tax payable/refundable of Mrs. Seetha for the A.Y. 2021-22?

- A. ₹ 50,630  
B. ₹ 57,130

C. ₹ 34,600

D. ₹ 33,760

21.4 What would be total income of Mrs. Seetha for the assessment year 2021-22, if she opts to pay tax under section 115BAC?

A. ₹ 9,01,570

B. ₹ 8,51,570

C. ₹ 8,95,070

D. ₹ 8,45,540

21.5 What is amount of net tax payable/refundable of Mrs. Seetha for the A.Y. 2021-22, if she opts to pay tax under section 115BAC?

A. ₹ 62,650

B. ₹ 46,610

C. ₹ 12,530

D. ₹ 40,110

Solutions:

21.1 A	21.2 B	21.3 C	21.4 A	21.5 D
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22. Mr. Zukaro, aged 42 years, a Singapore citizen, visits India for business purpose on a regular basis. He was in India for the first time in the year 2016-17 for 270 days, in the year 2017-18 for 190 days, in the year 2018-19 for 145 days and in the year 2019-20 for 155 days. In the current financial year 2020-21, he along with his family had come to India on 10<sup>th</sup> August, 2020 for a pleasure trip. His family returned to Singapore on 31<sup>st</sup> August, 2020, however he stayed back to complete some business commitments and then returned to Singapore on 17<sup>th</sup> November, 2020.

Mr. Zukaro owns a manufacturing unit in Singapore. He basically comes to India for procurement of raw material. He has appointed Mr. Manish, as a dependent agent in Mumbai, who procures raw material from India and then exports it to Singapore to its manufacturing unit and then sells the finished product there. An income of ₹8,75,000 was received in Singapore out of this activity in the P.Y. 2020-21. He had purchased a residential property for ₹17,50,000 in Indore in April 2017. On getting an attractive deal in November, 2020, he sold the property for ₹26,25,000. He also paid brokerage @2% on sales consideration.

Mr. Zukaro had also purchased an agricultural land in India and leased it out to a tenant. The tenant shares a portion of his agricultural income with Mr. Zukaro as a consideration for rent of land every year. The share in the income from the land for the previous year 2020-21 was ₹6,50,000.

Cost inflation index (CII) for the Financial Year (F.Y.) 2017-18 is 272; F.Y. 2020-21: 301

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

22.1 What is the Residential Status of Mr. Zukaro for the assessment year 2021-22?

A. Resident and ordinarily resident

B. Resident but not ordinarily resident

C. Non-resident

D. Deemed resident but not ordinarily resident

22.2 Assume for the purpose of answering this question only, that Mr. Zukaro is a non-resident in India for the P.Y. 2020-21, would income of ₹8,75,000 earned through activity of procuring raw material for manufacturing unit in Singapore be taxable in India?

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

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

- A. Yes, long term capital gain of ₹6,35,919 is chargeable to tax, since income is deemed to accrue or arise in India and hence taxable in his hands though he is non-resident in India
- B. Yes, long term capital gain of ₹6,88,419 is chargeable to tax, since he is resident in India
- C. Yes, long term capital gain of ₹6,35,919 is chargeable to tax, since he is resident in India
- D. Yes, long term capital gain of ₹6,88,419 is chargeable to tax, since income is deemed to accrue or arise in India and hence taxable in his hands though he is non-resident in India

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

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

**22.5** What is the tax liability of Mr. Zukaro for A.Y. 2021-22 assuming he does not opt to pay tax under section 115BAC?

- A. ₹ 2,14,680
- B. ₹ 2,23,270
- C. ₹ 3,04,680
- D. ₹ 3,16,870

**Solutions:**

22.1 A	22.2 B	22.3 C	22.4 A	22.5 D
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**23.** Mr. Rajan, aged 62 years, an Indian citizen resides in Delhi. His wife Sheetal and daughter Riya also reside with him. Riya, aged 16 years, is studying in 12th Standard in DAV school at New Delhi. Mr. Rajan left for employment to the United States of America on 15<sup>th</sup> September, 2020 but his family did not accompany him. He returned to India on 25<sup>th</sup> March 2021. Mr. Rajan had gone outside India for the first time in his life. During April, 2020 to September, 2020, he was working with a multinational company in Delhi. He earned salary of ₹14,00,000 from his job in India. He paid Tuition Fee of ₹1,80,000 for Riya's education in DAV school.

Apart from that, Mr. Rajan also earned professional income of ₹60,00,000 (Gross Receipts – ₹90 lakhs) from India. During the year, he also earned interest from his Indian savings bank account to the tune of ₹12,000 and interest from Fixed deposits with nationalized banks of



₹ 45,000. Mr. Rajan also earned a salary income equivalent to ₹6,00,000 from USA for his job, on which no tax is paid or payable in USA, which was deposited in his bank account in USA and later on remitted to India. Mr. Rajan decides not to opt to pay tax under section 115BAC. Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:-

23.1 What is the residential status of Mr. Rajan for the previous year 2020-21?

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

23.2 What would be the income chargeable to tax under the head "Salaries" in the hands of Mr. Rajan in India for F.Y. 2020-21?

- A. ₹ 20,00,000
- B. ₹ 19,50,000
- C. ₹ 13,50,000
- D. ₹ 19,60,000

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

- A. ₹ 2,30,000
- B. ₹ 1,95,000
- C. ₹ 1,60,000
- D. ₹ 2,00,000

23.4 What shall be the tax liability of Mr. Rajan for the A.Y. 2021-22?

- A. ₹ 22,69,810
- B. ₹ 22,58,940
- C. ₹ 22,56,010
- D. ₹ 22,72,670

23.5 What would be the due date for filing income-tax return of Mr. Rajan for the P.Y. 2020-21?

- A. 31<sup>st</sup> July, 2021
- B. 31<sup>st</sup> October, 2021
- C. 30<sup>th</sup> November, 2021
- D. 31<sup>st</sup> March, 2022

Solutions:

23.1 D	23.2 C	23.3 D	23.4 C	23.5 B
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24. Mr. A (aged 52 years), is a CEO of XYZ Enterprise Limited. During the previous year 2020-21, he earned salary of ₹1,65,00,000 and long-term capital gain on sale of listed equity shares amounting to ₹1,06,500. He earned interest of ₹4,82,778 on saving bank account.

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

He does not receive house rent allowance from his employer. Mr. A took a loan from State Bank of India on 27<sup>th</sup> October 2018 for repairing his house (self-occupied) at Delhi and paid interest on such borrowings of ₹80,000 and ₹1,50,000 towards principal amount during the previous year 2020-21.

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

Medical premium for his brother: ₹13,500 (by cheque) Medical premium for his parents: ₹17,670 (by cheque) Medical premium for self and his wife: ₹21,000 (by cheque).

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

He has paid ₹5,30,000 as advance tax. His employer has deducted tax at source of ₹51,89,000. He is of the opinion the balance amount of tax, if any he will pay on 27<sup>th</sup> July 2021 (i.e., before the due date for filing of return of income). Mr. A does not want to opt for section 115BAC.

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

24.1 What would be the amount of deduction available to Mr. A under Chapter VI-A for the assessment year 2021-22?

A. ₹ 2,04,070

B. ₹ 2,42,670

C. ₹ 2,52,670

D. ₹ 2,02,670

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

A. Yes, Mr. A is liable to deduct TDS @ 3.75% amounting to ₹2,438 every month i.e., at the time of payment of such rent

B. Yes, Mr. A is liable to deduct TDS @5% amounting to ₹3,250 every month i.e., at the time of payment of such rent

C. Yes, Mr. A is liable to deduct TDS @3.75% amounting to ₹29,250 in the month of March 2021

D. No, Mr. A is not liable to deduct TDS, since he is a salaried person

24.3 What would be the amount of net tax payable for the assessment year 2021-22 in the hands of Mr. A?

A. ₹ 78,230

B. ₹ 60,290

C. ₹ 49,530

D. ₹ 67,470

24.4 What would be the amount of interest chargeable under section 234B on account of short payment of advance tax?

A. ₹ 1,980

B. Nil

C. ₹ 3,130

D. ₹ 2,410

Solutions:

24.1 D	24.2 C	24.3 C	24.4 B
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