

CA FINAL DIRECT TAX

CASE BASED MCQs

(for May/Nov 21)

MODULE 3: Topics related to other entities (Refer Index)

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INDEX

<i>Chapter No.</i>	<i>Chapter Details</i>	<i>Pg. No.</i>
14	<i>Deductions</i>	<i>14.1 – 14.5</i>
15	<i>Advance Tax and TDS</i>	<i>15.1 – 15.5</i>
16	<i>Charitable Trust</i>	<i>16.1 – 16.4</i>
17	<i>Assessment of Various Entities</i>	<i>17.1 – 17.8</i>
18	<i>Penalties</i>	<i>18.1 – 18.5</i>
19	<i>Tax Avoidance</i>	<i>19.1 – 19.2</i>
20	<i>AMT and MAT</i>	<i>20.1 – 20.5</i>
21	<i>Exemptions</i>	<i>21.1 – 21.4</i>

**(REFER MODULE 4 FOR
FURTHER TOPICS)**

Case Based MCQs I:

Mr. Bunny, aged 30 years old, is a resident individual. He is married to Mrs. Funny, aged 27 years old and has two children. Mr. Bunny has earned income in the AY 2021-22. He has made certain contributions to a political party. Further he paid life insurance premium of ₹25,000 during the previous year for a policy of ₹ 1,00,000 taken on 1.4.2016. He wants to understand the various deductions available to him under Chapter VI-A of Income Tax Act, 1961. He appoints you as his Chartered Accountant to advise him on the provisions of deductions applicable to him. In light of the given case, answer the following questions:

1. Under section 80GGB, deduction is allowable in respect of contribution to political parties by
 - A. any person other than local authority and every artificial juridical person wholly or partly funded by the Government
 - B. Local authority and every artificial juridical person wholly or partly funded by the Government
 - C. An Indian company
 - D. Any Assessee
2. An assessee has paid life insurance premium of ₹ 25,000 during the previous year for a policy of ₹ 1,00,000 taken on 1.4.2016. 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
3. For the purpose of full-time education, only tuition fees of upto ____ children are allowed as deduction under section 80C.
4. For claiming deduction u/s 80C in respect of life insurance, premium can be paid by assessee for
 - A. himself only
 - B. himself or spouse
 - C. himself, spouse and minor children
 - D. himself, spouse and independent children
 - E. himself, spouse and any child
5. Deduction under section 80D is allowed if the premium is paid to:
 - A. Life Insurance Corp
 - B. Medical insurance
 - C. Life Insurance & General Insurance Corp

Solutions:

1. C	2. D	3. 2	4. E	5. B
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Case based MCQs II:

Ms. Ishika, aged 42 years, is in need of a qualified Chartered Accountant to understand the deductions available to her under Sec 80CCD and 80G. She has earned income from various sources and has further made a few donations. Assuming she appoints you as her CA, advise her by answering the following questions:

1. Deduction under section 80CCD is allowed to extent of

- A. Central Govt Employees only
- B. Central & State Govt employee
- C. Any employee
- D. any employee or self-employed individual

2. As per section 80CCE, deduction u/s 80C, 80CCC and 80CCD cannot exceed:

- A. ₹ 1,00,000 including employers' contribution to notified pension scheme referred in section 80CCD
- B. ₹ 1,50,000 exclusive of employers' contribution to notified pension scheme referred in section 80CCD
- C. ₹ 1,20,000

3. Deduction under section 80G on account of donation is allowed to

- A. Business Assessee only
- B. Any Assessee
- C. Individual/HUF

4. Sec.80G specify the deduction for

- A. Donation
- B. Rent paid
- C. Investment in PPF
- D. None

Solutions:

1. D	2. B	3. B	4. A
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Other general MCQs:

1. Deduction in respect of rent paid u/s 80 GG shall be allowed to:

- A. an individual
- B. an individual or HUF
- C. any assessee

2. The maximum deduction u/s 80GG shall be limited to

- A. ₹ 1,000 p.m.
- B. ₹ 5,000 p.m.
- C. ₹ 3,000 p.m.

3. Deduction u/s 80 GGA in respect of certain donation for scientific research or rural development is allowed to

- A. Any assessee
- B. non corporate business assessee
- C. an assessee whose gross total income does not include income chargeable U/H Business and Profession

4. Deduction u/s 80GGA shall be allowed to the extent

- A. 100 % of the donation so made
- B. 1 ¼ times of the donation so made
- C. 1 ½ times of the donation so made

5. Deduction u/s 80JJA in respect of profits and gains from business of collecting and processing of bio degradable work is allowed to the extent of

- A. 100 % of the profits derived from such business or ₹ 5,00,000 whichever is less
- B. 100 % of the profits for a period of 10 years
- C. 100 % of the profits for a period of first 5 consecutive assessment years

6. Deduction u/s 80JJAA in respect of employment of new worker be allowed to

- A. any assessee
- B. an Indian company
- C. an Assessee liable to Tax Audit

7. Deduction u/s 80JJAA shall be allowed to a new Industrial undertaking owed by a company assessee in respect of employment of regular workmen exceeding

- A. 80 workmen
- B. any workmen
- C. 150 workmen

8. Deduction u/s 80 JJAA not available to workmen worked for less than 240 days

- A. False
- B. True
- C. Partly True

9. Deduction u/s 80 JJAA to existing industrial undertaking shall be allowed for the

- A. additional wages paid to new workmen employed during the year
- B. 30% additional wages paid to new workmen
- C. additional wages paid to new workmen employed during the year in excess of 100 workmen

10. Deduction under section 80 QQB is allowed in respect of royalty income to

- A. an individual who is an author of a book
- B. an individual who is a resident of India and who is an author of a book
- C. an individual who is a resident of India who is either an author of a book or a joint author of the book

11. Deduction u/s 80QQB is allowed to an author of a book of literacy or artistic or scientific nature who is resident in India to the extent of

- A. Literature Nature
- B. Scientific Nature
- C. Artistic Nature
- D. literary or artistic nature
- E. scientific or artistic nature
- F. literary, artistic or scientific nature

12. Deduction u/s 80QQB is allowed to an author of a book of literary or artistic or scientific nature who is resident of India to the extent of:

- A. 100 % of royalty income ₹ 5,00,000 whichever less
- B. 100 % of royalty income ₹ 3,00,000 whichever less
- C. 50 % of royalty income ₹ 5,00,000 whichever less
- D. 50% of royalty income ₹ 3,00,000 whichever less

13. Deduction u/s 80RRB in respect of royalty on patents shall be allowed to:
- any Individual
 - Individual being resident
 - an individual who is resident of India and is a patentee or co-patentee
14. Deduction under section 80 RRB is allowed to the extent of:
- 50 % of royalty or ₹ 3,00,000 whichever less
 - 100% of royalty or ₹ 3,00,000 whichever less
 - 100% of royalty or ₹ 2,00,000 whichever less
 - 100% of royalty or ₹ 5,00,000 whichever less
15. Deduction u/s 80U in case of person with disability is allowed to
- an individual who is citizen of India
 - an individual who is resident of India
 - any individual assessee
16. The quantum of deduction allowed u/s 80U is
- ₹ 40,000
 - ₹ 75,000/1,25,000
 - ₹ 50,000 in case of individual resident of India who is a person with severe disability
 - ₹ 60,000
17. Where the return on income is filed after the due date specified u/s 139 (1)
- all deductions under chapter VI i.e., 80C to 80 U will be allowable
 - all deductions under chapter VI i.e., 80C to 80 U will not be allowable
 - all deductions under chapter VI i.e., 80C to 80 U excepting 80-IA, 80-IAB, 80-IB, 80-ID, 80 -IE will be allowable
18. Deduction u/s 80U for a person with severe disability shall be
- ₹ 50,000
 - ₹ 1,25,000
 - ₹ 75,000
 - No limit
19. Deduction allowed u/s 80DDB [age 40years] shall be:
- lower of ₹. 40,000/amount incurred
 - lower of ₹. 60,000/amount incurred
 - higher of ₹. 40,000/amount incurred
 - higher of ₹60,000/amount incurred
20. Deduction allowed u/s 80DDB shall be if the amount has been incurred on the treatment of senior citizen:
- lower of ₹. 40,000/amount incurred
 - lower of ₹1,00,000/amount incurred
 - higher of ₹. 40,000/amount incurred
 - higher of ₹60,000/amount incurred

Solutions:

1. A	2. B	3. C	4. A	5. C
6. C	7. B	8. B	9. B	10. C
11. F	12. B	13. C	14. B	15. B

16. B	17. C	18. B	19. A	20. B
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ADVANCE TAX, TDS & TCS

Case Based MCQs I:

Pay as you earn- Generally income of PY is taxable in AY, yet an assessee is required to pay Tax during the PY itself by way of Advance tax, TDS and TCS. Payment of Advance tax is a matter of self-discipline. In reference to the given paragraph, answer the following:

1. Advance tax will not be paid if tax payable after TDS is not more than or equal to –

- A. ₹10,000 B. ₹15,000 C. ₹20,000 D. ₹25,000

2. For non-payment or short payment of advance tax:

- A. Interest is payable under section 234A
 B. Interest is payable under section 234B
 C. Interest is payable under section 234C
 D. Interest is payable under all the three sections 234A, 234B and 234C

3. For deferment of advance tax:

- A. Interest is payable under section 234A
 B. Interest is payable under section 234B
 C. Interest is payable under section 234C
 D. Interest is payable under all the three sections 234A, 234B and 234C

4. Advance tax is payable in _____ instalments by a non-corporate assessee –

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

5. Advance tax is payable in _____ instalments by a corporate assessee –

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

Solutions:

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

a. An Indian company pays dividends on preference shares to a shareholder of the amount of ₹10,000 on September 30, 2020.

b. A foreign enterprise enters into a contract for the fabrication and supply of components for machinery with X & Co., a firm in India on April 1, 2020 X & Co, in turn sub-contracts the work to Y & Co., and pays it ₹20 lakh on May 2, 2020.

c. A company pays to a doctor a monthly retainership of ₹ 2,000 for attending an outpatient clinic at its factory premises.

d. A non-resident Indian had acquired 10,000 units of the UTI of the face value of ₹ 10 each, out of the funds standing to his credit in the Non-resident (External) Account maintained in a bank. The UTI declares a dividend of ₹ 12,000 on December 20, 2019, and credit it to the account of the Non-resident Indian.

With reference to the given information, answer the following:

1. In case (a), the TDS shall be deducted as per Section 194A at the rate of:

- A. 7.5% B. 10%
- C. 7% D. 2%

2. In view of case (b), as per sec 194C, what shall be the rate and amount of tax to be deducted at source by X Co.?

- A. 1% and ₹ 10,000
B. 2% and ₹ 40,000
C. 7% and ₹ 14,000
D. 3% and ₹ 60,000

3. If in case (b), assuming that the payment is being made or credit is being given to an individual or a Hindu undivided family instead of a company, the rate of TDS shall be:

- A. 7.5% B. 1%
- C. 7% D. 2%

4. In case (c), what shall be the amount of tax to be deducted at source?

- A. ₹ 10,000
B. ₹ 40,000
C. ₹ 14,000
D. Nil

5. In case (d), the units have been acquired out of funds in a Non-resident (external) Account, no tax shall be deducted. This statement is:

- A. True B. False

Solutions:

1. A	2. B	3. B	4. D	5. A
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Other general MCQs:

1. X, an employee of the Central Government receives arrears of salary for the earlier 3 years. He enquires whether he is liable for deduction of tax on the entire amount during the current year. Whether such arrears of salary received by Mr. X is liable to TDS and whether relief u/s 89(1) be allowed?

- A. Yes; No
C. No, No

2. A TV channel pays ₹ 10 lakh on December 1, 2020 as prize money to the winner of a quiz programme "Who will be a Millionaire?". What is the rate and amount of TDS?
- A. 30%; ₹ 3,00,000
B. 10%; ₹ 1,00,000
C. Nil; Nil
3. State Bank of India pays ₹ 50,000 per month as rent to the Central Government for a building in which one of its branch is situated. Whether State Bank of India is liable to deduct tax while paying rent to the Central Government and what amount of TDS?
- A. 30%; ₹ 3,00,000
B. 10%; ₹ 1,00,000
C. Nil; Nil
4. A television company pays ₹ 50,000 to a cameraman for shooting of a documentary film. What shall be the amount of tax to be deducted and at what rate?
- A. ₹ 1,000; 2%
B. ₹ 3,000; 6%
C. Nil; Nil
D. ₹ 5000; 10%
5. A State Government pays ₹ 40,000 as commission to one of its agents on sale of lottery tickets. What shall be the amount of tax to be deducted and at what rate?
- A. ₹ 4,000; 2%
B. Nil; Nil
C. ₹ 2000; 5%
D. ₹ 4000; 10%
6. A turf club awards a jackpot of ₹ 5 lakh to the winner of one of its races. What shall be the amount of tax to be deducted and at what rate?
- A. ₹ 1,000; 2%
B. Nil; Nil
C. ₹ 1,50,000; 30%
D. ₹ 50,000; 10%
7. East Bengal Club, a renowned football club has engaged A, a resident in India as its coach at a remuneration of ₹ 6 lakh annually. The club wants to know from you whether it is liable to deduct tax at source from such remuneration. What shall be the rate of tax to be deducted?
- A. 2%/3%
B. Nil
C. 10%
D. 10% or 7.5% as applicable
8. Indigo Ltd. has paid amount of ₹ 50 lakhs during the year ended 31.3.2021 to Airport Authority of India towards the landing and parking charges.
- A. No tax is deductible at source from such payments
B. Tax is deductible at source @ 2% u/s 194C
C. Tax is deductible at source @ 2% u/s 194I
D. Tax is deductible at source @ 10% u/s 194I
9. Arpit Ltd. credited ₹ 28,000 towards fees for professional service and 27,000 towards fees for technical services to the account of Laxman in its books of accounts on 12.11.2020. The total sum of 55,000 was paid by cheque to Laxman on the same date.
- A. No tax is deductible at source from such payments
B. Tax is deductible at source @ 10%/7.5% u/s

payments

194J on entire payment of ₹55,000

C. Tax is deductible at source @ 10%/7.5% u/s 194J on entire payment of ₹25,000

D. Tax is deductible at source @ 2%/1.5% u/s 194J on entire payment of ₹25,000

10. Axis Bank Ltd. paid following interest to Mr. Rahul, resident individual aged 72 years.

i) Interest on savings bank A/c ₹15,000

ii) Interest on Bank FD ₹43,000

TDS required to be deducted u/s 194A is:

A. 4300

B. 5800

C. No TDS

D. 4680

11. VJ Ltd. paid rent of building to Ms. Ana of 2,82,000 p.a. TDS required to be deducted u/s 194I is:

A. 28,200

B. No TDS

C. 5200

D. 5840

12. Mr. Arjun, a salaried individual, pays rent of ₹55,000 per month to Mr. Ram from June, 2020. Which of the following statement is correct?

A. No tax is required to be deducted for FY 2020-21 since Mr. Arjun is not subject to tax audit u/s 44AB

B. Mr. Arjun has to deduct tax @ 5% from rent paid every month

C. Mr. Arjun has to deduct tax @ 5% on entire rent paid for FY 2020-21 from the rent payable for March, 2021

D. Mr. Arjun has to deduct tax of 55,000 from rent payable for March, 2021

13. Advance tax shall not be payable by an individual resident having income like interest, rent, etc. in India, who

A. does not have any income chargeable u/h Profits and gains of business or profession

B. is of the age of sixty years or more at any time during the previous year

C. Both of them

D. Advance tax shall be payable

14. How shall advance tax be computed

A. Tax on total income + Tax deducted at source

B. Tax on total income – Tax deducted at source

C. Tax on total income * Tax deducted at source

D. Tax on total income / Tax deducted at source

15. On 1.4.2020, Mr. Raju, aged 35 years, started a 1 year recurring deposit of ₹5000 per month @ 8% p.a. with ABC bank. The recurring deposit matures on 31.3.2021. Amount of TDS required to be deducted u/s 194A-

A. 4160

B. 5600

C. 8000

D. No TDS

16. Mr. A, a resident is due to receive ₹ 80,000 on 31.3.2021 towards maturity proceeds of LIC policy taken on 1-4-2018, for which sum assured is ₹ 1,00,000 and annual premium is ₹ 11,000. Amount of TDS u/s 194DA:

A. No TDS

B. 5% TDS on ₹ 1,20,000

C. 1% TDS on ₹ 4,50,000

D. 10% TDS on ₹ 4,50,000

17. Mr. A, a resident, is due to receive ₹ 95,000 on 1.8.2019 towards maturity proceeds of LIC policy taken on 1.8.2013 for which the sum assured is ₹ 90,000 and the annual premium is ₹12,000. TDS required to be deducted u/s 194DA:

A. No TDS

B. 5% TDS on 90,000

C. 1% TDS on 90,000

D. 5% TDS on 18,000

Solutions:

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

CHARITABLE, RELIGIOUS, POLITICAL & ELECTORAL TRUST

Case Based MCQs I:

Happyness Charitable Trust is situated in Pune engaged in charitable activities. It has the following receipts and expenditure during PY ending 31.3.2021:

	Particulars	₹ in Lakhs
	Gross Receipts	100
	Revenue Expenditure	
(i)	Interest [TDS not deducted]	5
(ii)	Donation to another trust registered under section 12AA [TDS not deducted]	10
(iii)	Royalty paid to Non-Resident [TDS not deducted]	6
(iv)	Payment to contractor [TDS not deducted but contractor has included ₹ 20 Lakh, in his return of income and paid Tax thereon and filed return of income by 31.10.2021 and furnished certificate to the Trust]	20
(v)	Donations to another trust notified under section 10(23C) in cash	4
(vi)	Repair Expenditure [₹ 10,000 cash paid on 10 different days]	1
(vii)	Purchase of Capital asset [Payment in cash]	9
(viii)	Purchase of food grains [Payment made in cash directly to cultivator/producer of food grains]	3
(ix)	Amount paid to transporters [Cash of ₹ 35,000 paid to 10 different transporters]	3.50
(x)	Printing expenses [Paid in cash exceeding ₹10,000 in a day]	2.5

Answer the following questions on the basis of data given above:

1. Interest of ₹_____ shall be allowed as application of income as per Sec 40(a)(ia).

A. 5 lakhs

B. 3.50 lakhs

C. 1.50 lakhs

D. Wholly disallowed

2. Which of the following items are disallowed to be deducted from gross receipts to compute total income of Happyness Charitable Trust?

i) Donations to another trust registered under section 12AA.

ii) Royalty to non-resident

iii) Payment to contractor

iv) Donations to another trust notified of 10(23C) in cash

v) Repair Expenditure

vi) Purchase of capital asset in cash

vii) Purchase of food grains

viii) Amount paid to transporter

ix) Printing expenses

A. (i), (iv), (v), (ix)

B. (i), (ii), (iv), (v), (vi)

C. (iv) & (ix)

D. All of the above

3. What shall be the total income of Happyness Charitable Trust?

A. 29 lakhs

B. 85 lakhs

C. 25 lakhs

D. 22.5 lakhs

4. Exemption to trust will be available only if income is applied for charitable purposes. Charitable purpose does not include which of the following

A. Relief of Poor

B. Preservation of object of artistic

C. Yoga

D. None of above

5. Anonymous donation received by trust established wholly for charitable purpose would be taxable @_____ as per Sec 115BBC

A. Not Taxable

B. 10%

C. 15%

D. 30%

Solutions:

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

Donations received by Electoral Trust ₹ 10,00,00,000

Interest earned by Electoral Trust ₹ 40,00,000

Electoral Trust distributes ₹ 9,50,00,000 to a political party

On the basis of given data, answer the following:

1. What will be the effect on ₹ 10,00,00,000 of donations?

A. Taxable

B. Exempt as per Sec 13B

2. Will ₹ 40,00,000 interest be taxable and under which head?

A. Taxable under IFOS

B. Exempt

C. Taxable under PGBP

3. If the Electoral Trust distributes ₹ 9,00,00,000 to a political party, will the exemption under section 13B be available?

A. Yes

B. No

4. What will be the taxable income in case of question 3?

- A. 10,00,00,000 B. 40,00,000
C. 10,40,00,000

Solutions:

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

- Entities which are claiming benefits u/s 10(23C) will not be entitled to claim any benefit of exemption u/s 10 except:
 - Dividend u/s 10(34)
 - Agriculture Income u/s 10(1)
 - Both A & B
 - None of above
- Approval granted for exemption given to university will be withdrawn if:
 - Such university has not applied its income in accordance with the provisions
 - The activities of the fund are not genuine
 - Activities are not being carried out in accordance with the conditions based upon which it was notified or approved
 - Any of above
- Sarda Charitable Trust has its main object as relief of poor. It used the entire income of ₹60,00,000 derived from an activity in the nature of trade for its main object during Previous Year ended on 31/03/21. Should the utilization of income be treated as "Charitable purpose"
 - Yes B. No C. Partly yes, Partly No D. None of above
- State whether true or false "Voluntary Contributions are not a part of income of trust."
 - True B. False
- When trust is taking exemption u/s 11, which of the following things are not allowed
 - Depreciation on asset when cost of asset is claimed as deduction
 - No deduction u/s 10 except 10(1) & 10(23C)
 - Both of above
 - None of above
- Sec 115BBC i.e., 30% tax on anonymous donation is not applicable to
 - Charitable Trust B. Religious trust C. Both D. None
- The accreted income of trust or institution shall be taxable @
 - Slab rate B. Exempt C. 30% D. MMR

8. When will accreted income tax be leviable

- A. When there is conversion of trust into a form not eligible for grant of registration u/s 12AA
- B. When there is merger with an entity not having similar objects and registered u/s 12AA
- C. When there is non-distribution of assets or dissolution within a period of 12 months from the end of the month in which dissolution takes place
- D. All of above

9. State whether true or false "Accreted income means: Aggregate FMV of total assets- Total liability."

- A. True
- B. False

10. State whether true or false "Exit tax is payable even if no income tax is payable by the trust."

- A. True
- B. False

11. Peace Charitable Trust earned an income of ₹ 25,00,000 but in the PY 18-19, it actually received ₹ 15,68,000 and applied it in full. Remaining ₹ 9,32,000 was received on 27.03.2020. This amount of ₹9,32,000 will be deemed to be applied in PY 18-19 when it is actually applied upto-

- A. PY 18-19
- B. PY 19-20
- C. PY 20-21
- D. PY 21-22

12. XYZ Ltd., an Indian Company engaged in manufacture of steel, has incurred expenditure on advertisement in a souvenir of a political party. Which of the following statements are correct?

- A. Such expenditure is allowable as deduction while computing its business income
- B. Such expenditure is not allowable as deduction while computing its total income
- C. Such expenditure is not allowable as deduction while computing its business income but is allowable as deduction from gross total income
- D. Such expenditure is neither allowable as deduction from business income nor allowable as deduction from gross total income

Solutions:

1. B	2. D	3. A	4. B	5. C
6. B	7. D	8. D	9. A	10. A
11. C	12. C			

ASSESSMENT OF VARIOUS ENTITIES

Case Based MCQs I:

Krishna, an individual engaged in the business of finance, advances ₹ 5 lakhs to his HUF on interest at 12% p.a., which is the prevailing market rate. The HUF invests the amount in its business and earns profit of ₹ 2 lakhs from this money. Mrs. Radha, wife of Mr. Krishna has impressed upon a house property owned by her for the common hotch potch of the family. In light of the given case, answer the following:

1. There is transfer of property from Krishna to the HUF in the given case. This statement is:
A. False B. True
2. Can the Assessing Officer add a sum of ₹ 1,40,000 (i.e., ₹ 2,00,000 – ₹ 60,000) as income of Krishna under section 64(2) of the Income-tax Act by invoking Sec 64(2)?
A. Yes B. No
3. Will the answer remain the same in previous question, if Krishna does not charge any interest?
A. Yes B. No
4. HUF does not arise from a contract but it is a creation of law. The statement is:
A. False B. True
C. Partly True
5. Will Mrs. Radha form a part of the HUF?
A. Yes B. No
6. Whether the personal property of Mrs. Radha so blended by her is treated as a property of HUF? Further, will the income from this property be taxed in the hands of HUF?
A. Yes, No B. No, Yes
C. Yes, Yes D. No, No

Solutions:

1. A	2. B	3. B	4. B	5. B	6. D
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Case Based MCQs II:

Humans of Pune Co-operative Society derives income during financial year 2020-21 from the following sources:

	Particulars	₹
i.	Income from processing with the aid of power	20,000
ii.	Income from collective disposal of labour of its members	30,000
in.	Interest from another co-operative society	15,000
iv.	Income from House property (computed)	90,000
v.	Income from other business	60,000
vi.	Income by way of dividend from another co-operative society	25,000

With reference to the given data, answer the following:

1. What is the amount of Income from PQBP and Income from other sources, respectively in the given case?

- A. 1,00,000 and 15,000
 B. 1,00,000 and 40,000
 C. 1,10,000 and 40,000
 D. 1,10,000 and Nil

2. Under which section and what amount of deduction shall be available in case of Interest and dividend received from another co-operative society?

- A. No deduction available
 B. 40,000 deductible u/s 80P
 C. Only 15,000 deductible u/s 80P
 D. 25,000 deductible u/s 80P

3. Income from collective disposal of labour of ₹_____ is deductible u/s 80P.

- A. 10,000
 B. Nil
 C. 20,000
 D. 30,000

4. What is the total amount of deduction available to Humans of Pune Co-operative Society?

- A. 1,20,000
 B. Nil
 C. 1,70,000
 D. 1,30,000

5. What is the amount of total income of Humans of Pune Co-operative Society?

- A. 1,20,000
 B. Nil
 C. 1,70,000
 D. 1,30,000

Solutions:

1. C	2. B	3. D	4. A	5. A
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Case Based MCQs III:

Jerry Associates is a leading national law firm in India with over 300 professionals operating out of 10 offices located in: Ahmedabad, Bengaluru, Chennai, Gurugram, Hyderabad, Mumbai and New Delhi. Their practice is organised along service lines and sector specialisation that provides legal services to top Indian corporates, Fortune 500 companies, multinational banks and financial institutions, governmental and statutory authorities and multilateral and bilateral institutions. Assuming you are appointed as the Chartered Accountant of this firm, advise them on the tax

provisions applicable to the firm under the Income Tax Act, 1961. In light of the given case, you are required to answer the following:

1. How will the residential status of firm be determined:

- As per residential status of partners
- As per residential status of Senior most partner
- Control and management of partnership firm exercised from within India
- Residential Status of majority of partners

2. Surcharge applicable to partnership firm if income exceeds 1crore will be @

- A. 7% B. 10% C. 12% D. 15%**

3. Who among the following are eligible to become a partner in a partnership firm

- A. Individual
B. Company
C. Karta of HUF
D. All of above

4. Remuneration and interest received by the partners of a partnership firm as per Sec 40(b) will be taxable in his hands as income from

- A. Other Sources
B. Salary
C. PGBP
D. Capital Gain

5. If remuneration paid to partner is disallowed in the hands of partnership firm, such remuneration will be ----- in the hands of partner

- A. Taxable
B. Exempt
C. Partly Exempt, Partly Taxable
D. Don't know

Solutions:

1. <i>C</i>	2. <i>C</i>	3. <i>D</i>	4. <i>C</i>	5. <i>B</i>
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Case based MCQs IV:

A business trust, registered under SEBI (Real Estate Investment Trust) Regulations, 2014, gives particulars of its income for PY 2020-21:

- (i) Interest income from A Ltd. – ₹ 10 lakhs;
- (ii) Dividend income from A Ltd. – ₹ 5 lakh
- (iii) Short-term capital gains on sale of listed shares (STT paid both at the time of purchase and sale) of Indian Companies – ₹ 4 lakh
- (iv) STCG on sale of developmental properties – ₹ 8 lakhs
- (v) Interest received from investments in unlisted debentures of real estate companies – ₹ 1 lakh
- (vi) Rental income from directly owned real estate assets – ₹ 20 lakh

A Ltd. is an Indian company in which the business trust holds 100% of the shareholding & A Ltd. paid taxes at normal tax rates.

Assume that the business trust has distributed the entire ₹ 48 lakhs to the unit holders in the PY 2020-21. Mr. B is a resident holder holding 100 units and Mr. C is a non-resident holder holding 500 units. The total number of units subscribed to by all unit holders is 5000.

1. In respect of the component of interest income from A Ltd. distributed by the business trust to unit holders B and C-

A. No tax is deductible by the business trust, since such income is not taxable in the hands of unit holders

B. Tax is deductible @ 5% on ₹ 20,000 distributed to Mr. B and @ 5.2% on ₹ 1 lakh distributed to Mr. C

C. Tax is deductible @ 10% on ₹ 20,000 distributed to Mr. B and @ 5.2% on ₹ 1 lakh distributed to Mr. C

D. Tax is deductible @ 5% on ₹ 20,000 distributed to Mr. B and @ 10.4% on ₹ 1 lakh distributed to Mr. C

2. In respect of STCG of ₹ 4 lakhs on sale of listed shares of Indian companies and 8 lakhs on sale on developmental properties-

A. The business trust is liable to pay tax @ 15.6% and 31.2%, respectively

B. The business trust is liable to pay tax @ 42.744%

C. The business trust enjoys pass through status and hence, it need not pay any tax on such STCG; such income is subject to tax in the hands of unit-holders

D. The business trust is liable to pay tax @ 15.6% and 42.744%, respectively

3. The dividend component of income from A Ltd. distributed to unit holders-

A. would be subject to distribution tax in the hands of A Ltd., hence exempt in the hands of the business trust and the unit holders

B. is exempt in the hands of the business trust, and consequently, would be subject to tax in the hands of the unit holders

C. would be exempt from distribution tax in the hands of A Ltd., and hence taxable in the hands of the business trust

D. not taxable either in the hands of the business trust or in the hands of the unit holders

4. Interest received by the business trust from investments in unlisted debentures of real estate companies and distributed to unit holders would be-

A. Subject to tax in the hands of the unit holders

B. Subject to tax in the hands of the business trust @ 31.2%

C. Subject to tax in the hands of the business trust @ 42.744%

D. Subject to tax in the hands of the business trust at the average rate of tax

5. The rental component of income from real estate assets received by the business trust and distributed to its unit holders B and C would be-

A. Subject to tax in the hands of the business trust @ 42.744%

B. Subject to tax in the hands of the business trust @ 31.2%

- C. Subject to tax in the hands of the unit holder B @ 10% (on ₹40,000) and C at the rates in force (on ₹2,00,000); such tax has to be deducted at source by the business trust
- D. Subject to tax in the hands of the unit holders B and C; business trust has to deduct tax @ 10% on ₹40,000 distributed to B and at the rates in force on ₹2,00,000 distributed to C

Solutions:

1. C	2. D	3. D	4. C	5. D
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Other general MCQs:

1. A notified infrastructure debt fund eligible for exemption u/s 10(47) of the Income Tax Act, 1961 pays interest of ₹ 5 lakhs to a company incorporated in a foreign country. The foreign company incurred expenditure of ₹ 12,000 for earning such interest. The fund also pays interest of ₹ 3 lakhs to Mr. Ross, who is a resident of Country X, a notified jurisdictional area. Which of the following statements are correct?

- A. No tax deduction at source is required in respect of both the payments
- B. No TDS is required in respect of payment of ₹ 5 lakhs to the foreign company. However, payment of interest to Ross attracts TDS @ 31.2%
- C. TDS @ 5.20% is attracted on 4,88,000 to the foreign company. TDS @ 31.2% is attracted on interest payment of ₹ 3 lakhs to Mr. Ross
- D. TDS @ 5.20% is attracted on interest payment of ₹ 5 lakhs to the foreign company. TDS @ 31.2% is attracted on interest payment of ₹ 3 lakhs to Mr. Ross

2. Dividend received by a real estate investment trust (REIT) from a special purpose vehicle (SPV) (SPV not opted 115BAA) and distributed to its unit holders is-

- A. exempt in the hands of both the REIT and the unit holders unconditionally
- B. exempt in the hands of the REIT only if SPV is a specified domestic company; exempt in the hands of unit holders only if taxable in the hands of REIT
- C. exempt in the hands of the REIT; taxable in the hands of unit holders only if exempt in the hands of REIT
- D. taxable in the hands of the REIT; exempt unconditionally in the hands of unit holders

3. Income of Investment Fund VJ LLP for PY 20-21 is-

Business income: 7,00,000

Capital gain: (4,50,000)

IFOS: (2,50,000)

Investment fund having 20 unit holders and all holding equal units from last 2 years. Calculate income of Investment Fund and each Unit holder?

- A. 7,00,000 & Nil
- B. 7,00,000 & Loss 35,000
- C. 4,50,000 & Capital loss (22,500)
- D. Nil & Loss 7,00,000

4. Embassy office parks, a REIT gave its building on rent to Mr. Arnav. Total rent to be received by Mr. Arnav is ₹ 2,50,000. TDS required to be deducted u/s 194 I by Mr. Arnav will be:

- A. Nil
C. 5%
- B. 2%
D. 10%

5. Mr. Baburao is a member of AOP and AOP paid tax at MMR. Mr. Baburao received his share of income from AOP. What will be the treatment of share of his income?

- A. Exempt
C. Partially taxable, partially exempt
- B. Taxable

6. Under which of the condition, AOP is not required to pay tax at MMR?

- A. If individual share of any member not shown
B. If individual share of members is known and total income of any member exceeds basic exemption limit
C. If individual shares are known, but total income of any member does not exceed basic exemption limit
D. All of the above

7. If AOP has paid tax at regular rates applicable to an individual, the member's share in income of AOPs will be included in his total income and he will-

- A. Pay tax on such share
C. Be allowed rebate at average rate of tax w.r.t. such share
- B. Be allowed rebate at 25,000 w.r.t. such share
D. Exempt

8. For calculating daily tonnage income, if net tonnage is exceeding 10,000 but not more than 25,000, daily tonnage income will be-

- A. ₹ 5470 plus ₹ 42 for each 100 tons exceeding 10,000 tons
B. ₹ 5380 plus ₹ 42 for each 100 tons exceeding 10,000 tons
C. ₹ 5470 plus ₹ 45 for each 100 tons exceeding 10,000 tons
D. ₹ 5380 plus ₹ 45 for each 100 tons exceeding 10,000 tons

9. Securitisation Trust is required to furnish statement containing details of nature of income paid to Principal Commissioner upto _____ of relevant AY.

- A. 30th September
C. 30th November
- B. 31st July
D. 31st December

10. Conditions required to be fulfilled so that the partnership firm can be assessed as a partnership firm only

- A. Firm should be evidence by an "instrument"
B. Individual shares of partners must be specified in the instrument
C. Instrument should be accompanied by first return of income of a firm
D. All of above

11. In which of the following condition, revised partnership deed should be filed along with return of income (ROI)

- A. If there is any change in the constitution of the firm or profit-sharing ratio
B. If there is a change in the remuneration
C. If there is a change in the payment of interest to partners
D. All of above

12. Idli partnership firm paid Rs.6,00,000 to its non-working partner as remuneration which is authorised by partnership deed. Book profit for FY 20-21 is ₹15,00,000. Allowable remuneration under PGBP for Idli partnership firm will be

- A. Nil B. 6,00,000 C. 9,90,000 D. 3,90,000

13. Mr. Q is a partner in a partnership firm. He devotes 5 hours for working in partnership firm and rest of the hours in a company in which he is a director. Mr. Q will be considered as

- A. Sleeping Partner B. Working Partner
C. Partly working, Partly sleeping D. Partly by holding out

14. D and G entered in to partnership firm agreement on 01/04/20. As per the deed, each of them will be entitled to a salary of ₹.2,000p.m. apart from the profit. On 01/08/20, they executed a supplementary deed by which they increased the remuneration to ₹3000 each effective from 01/04/20. Allowance of ₹3000 remuneration will be from

- A. 01/04/2020
B. 01/08/2020
C. Will not be allowed
D. 30/06/2020

15. State whether true or false "Brought forward business loss will not be deducted while calculating book profit."

- A. True B. False

16. According to sec 40(b), interest @ 12% is allowed as deduction, but then the interest should be

- A. Simple Interest
B. Compound Interest
C. Any of above
D. None of above

17. If an individual is a partner in a firm in a representative capacity and not in his personal capacity then interest paid by the firm to such individual in his personal capacity and not in representative capacity

- A. Will be fully allowable
- B. Allowable subject to ceiling limit u/s 40(b)
- C. Not allowable
- D. 50% allowable and 50% disallowable

18. If interest is paid to an individual partner who is not a representative partner and interest received by him is for the benefit of another person, then such interest payment

- A. Will be fully allowable

- B. Allowable subject to ceiling limit u/s 40(b)
- C. Not allowable
- D. 50% allowable & 50% disallowable

19. If partnership firm incurs any loss, who is eligible to set off the same

- A. Partnership Firm
- B. Partners
- C. Any of above
- D. Both of them

20. In case of dissolution of firm, who all will be responsible for tax under Income Tax Act, 1961

- A. Partners who started the firm
- B. All partners who were partners at any time
- C. Persons who were partners at the time of dissolution or discontinuance
- D. Nobody will be responsible

Solutions:

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

PENALTIES

Case Based MCQs I:

The following are the particulars relating to four Indian companies, namely, Vijay Ltd., Pallavi Ltd., Swastik Ltd. and Akshay Ltd.

Particulars	Vijay Ltd.	Pallavi Ltd.
Date of setting up/registration	1.9.2019	1.11.2020
Main object	Manufacture of rubber	Manufacture of furniture
Place	Madhya Pradesh	Warangal in Telangana
Value of new plant and machinery installed and put to use in Current Year	₹ 10 crore (on 1.9.20)	₹ 4 crore (on 1.11.20)
Gross Total Income of PY 2020-21	₹ 4.90 crore	₹ 2.80 crore
Particulars of new employees employed during the PY 20-21		
No. of new employees employed during the CY	1000 (on 1.9.2020)	1000 (on 1.11.2020)
Monthly emoluments to employees by account payee cheque		
500 Employees	₹ 24,000 per employee	₹ 24,000 per employee
500 Employees	₹ 25,100 per employee	₹ 26,000 per employee
Particulars	Swastik Ltd.	Akshay Ltd.
Date of setting up/registration	1.4.2000	1.1.2005
Main object	Trading of leather bags	Trading of water bottles
Place	Tamil Nadu	Karnataka
Turnover of PY 2016-17	₹ 347 crore	₹ 201 crore
Turnover of PY 2017-18	₹ 395 crore	₹ 225 crore
Turnover of PY 2018-19	₹ 499 crore	₹ 251 crore
Turnover of PY 2019-20	₹ 350 crore	₹ 342 crore
Turnover of PY 2020-21	₹ 424 crore	₹ 380 crore
Details of income returned & assessed for AY 21-22		
As per ROI filed	₹ 14 crores	₹ 17 crores
Income determined u/s 143(1)(a)	₹ 16 crores	₹ 20 crores
Income assessed u/s 143(3)	₹ 20 crores	₹ 22 crores

From the above details choose the most appropriate answer to the following questions-

1. What would be the tax liability of Pallavi Ltd. for AY 21-22, if it avails the beneficial tax rates under the special provisions inserted by the taxation laws (amendment) Act, 2019 in the Income Tax Act, 1961, by fulfilling the conditions specified thereunder? Assume that the GTI reflects the computation under the special provisions.

A. 70,47,040

B. 22,88,000

C. 25,16,800

D. 17,16,000

2. What would be the tax liability Vijay Ltd. for AY 21-22, if it avails the beneficial tax rates under the special provisions inserted by the taxation laws (amendment) Act, 2019 in the Income Tax Act, 1961, by fulfilling the conditions specified thereunder? Assume that the GTI reflects the computation under the special provisions.

A. 1,23,32,320

B. 40,84,040

C. 59,89,984

D. 84,08,000

3. What would be the quantum of penalty payable by Swastik Ltd. u/s 270A, assuming that the under-reporting of income is not due to misreporting and none of the additions made in the assessment qualifies u/s 270A(6)? Assume that Swastik Ltd. has not opted for the special provisions inserted by the taxation laws (amendment) Act, 2019.

A. 58,24,000

B. 69,88,800

C. 87,36,000

D. 1,04,83,200

4. What would be the quantum of penalty payable by Akshay Ltd. u/s 270A, assuming that the under-reporting of income is due to misreporting? Assume that Akshay Ltd. has not opted for the special provisions inserted by the Taxation laws (amendment) Act, 2019.

A. 1,16,48,000

B. 1,39,77,600

C. 2,91,20,000

D. 3,49,44,000

Solutions:

1. D	2. A	3. B	4. A
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Case Based MCQs II:

ABC Ltd., an Indian Company furnished its return of income disclosing a loss of ₹ 50 lakhs. However, the loss determined under section 143(1)(a) is only ₹ 40 lakhs. The case was taken up for scrutiny. The Assessing Officer made various additions and the income assessed under section 143(3) is ₹ 1,10,00,000. Assume that the turnover of ABC Ltd. in FY 2018-19 does not exceed ₹400 crores. In light of the given case, answer the following and determine the penalty leviable by Assessing Officer.

1. If the person is considered to have under-reported the income since loss has been converted into income, which section is chargeable?

A. 270AA

B. 270A

C. 272AA

D. 271A

2. What is the amount of under-reported income?

A. 1,50,00,000

B. 1,15,00,000

C. 1,49,00,000

D. 1,60,00,000

3. What will be the tax payable on under-reported income?

- A. 41,00,000
B. 45,73,000
C. 49,70,000
D. 41,73,000

4. What will be the penalty for such under-reporting income?

- A. 20,86,500
B. 20,00,000
C. 19,86,000
D. 30,00,700

Solutions:

1. B	2. A	3. D	4. A
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Other general MCQs:

1. Where there is under reporting of income which leads to misreporting of income, penalty will be _____ % of tax payable on such under-reported income?

- A. 50 B. 60 C. 150 D. 200

2. On failure to keep, retain or maintain books of accounts, documents etc required u/s 44AA, penalty will be?

- A. 2% of turnover
B. 25,000
C. 50,000
D. 1% of turnover

3. What will be the penalty for failure to get accounts audited or obtain audit report u/s 44AB?

- A. 1% of total turnover or 1,50,000 whichever is lower
B. 0.5% of total turnover or 1,00,000 whichever is lower
C. 0.5% of total turnover or 1,50,000 whichever is lower
D. 1% of total turnover or 1,00,000 whichever is lower

4. What will be the penalty for non- furnishing of report beyond 1 month by any reporting entity which is obligated to furnish country by country report u/s 286?

- A. 5,000 per day for period exceeding 1 month
- B. 10,000 per day for period exceeding 1 month
- C. 15,000 per day for period exceeding 1 month
- D. 20,000 per day for period exceeding 1 month

5. What will be the penalty for submission of inaccurate information in CBC report?

- A. 50,000 B. 2,50,000 C. 5,00,000 D. 7,50,000

6. What will be the penalty where Mr. Ravan failed to comply with a notice issued u/s 142(1)?

- A. 5,000 for each such default or failure
B. 10,000 for each such default or failure
C. 15,000 for each such default or failure
D. 20,000 for each such default or failure

7. In case where return of income has been filled, which of the following situations will be considered as under reporting of income:

- A. When income assessed is greater than income determined in return processed u/s 143 (1)(a)
- B. When income assessed is greater than basic exemption limit
- C. When income assessed is greater than Chapter VI-A deductions
- D. When income assessed is greater than ₹ 5,00,000

8. Which of the following cases are not included within the scope of under reported income

- A. Amount of income in respect of which assessee offers an explanation
- B. Where the amount of income is determined on the basis of estimate and income tax authority is satisfied that accounts are correct and complete
- C. Amount of undisclosed income on account of search operation and where penalty is leviable u/s 271AAB
- D. All of above

9. Mr. Ram a resident individual, aged 55 years has not furnished his return of income for AY 21-22. However, total income assessed with respect to such year u/s 144 is ₹ 12,00,000. What will be the penalty leviable u/s 270A?

- A. 89,700 B. 57,250 C. 1,07,640 D. Nil

10. Which of the following things is an assessee required to do for making an application to AO for grant of immunity from imposition of penalty u/s 270A?

- A. Pay the tax and interest payable as per order of assessment u/s 143(3) or reassessment u/s 147
- B. Does not prefer an appeal against such assessment/ reassessment order
- C. A & B
- D. None of above

11. Penalty proceedings u/s 270A has been initiated due to claim of expenditure not substantiated by evidence. Whether immunity from penalty can be granted by AO?

- A. Yes B. No

12. What is the rate of penalty if undisclosed income is found during search conducted on 16/12/18 and such undisclosed income not admitted during course of search?

- A. 15% B. 30% C. 60% D. 200%

13. Competent authority to levy penalty u/s 271D and 271E for violating provisions of sec 269SS and Sec 269ST is:

- A. Additional Commissioner
- B. Assistant Commissioner
- C. Joint Commissioner

D. Assessing Officer

14. Who will levy penalty u/s 271FA for not submitting SFT u/s 285BA

- A. Principal Commissioner
- B. Director of Income Tax
- C. Commissioner of Income Tax
- D. Any of the above

15. Penalty u/s 271FA is leviable when SFT is not submitted u/s 285BA. How much penalty will be leviable?

- A. 50,000
- B. 1% of turnover
- C. 500 everyday
- D. 1000 everyday

16. Megha Private Bank did not file SFT. Department sent a notice requiring them to file SFT till 30/11/2019. Megha Private Bank filed the same on 19/12/2019. Penalty u/s 271FA for the period from 01/12/2019 to 19/12/2019 will be:

- A. 9,500
- B. 19,000
- C. 28,500
- D. 4,750

17. Penalty u/s Sec 271FAA will be leviable of ₹50,000 with respect to SFT subject to which of the following conditions:

- A. Inaccuracy is due to failure to comply with due diligence requirement
- B. Person is aware of inaccuracy at the time of furnishing the SFT but does not inform
- C. Person discovers the inaccuracy after furnishing the SFT but fails to inform
- D. All of the above

18. Penalty can be reduced or waived off by

- A. Principal Commissioner
- B. Assessing Officer
- C. Any Income Tax Authority
- D. ITAT

19. Principal Commissioner or Commissioner can reduce or waive off the penalty in which of the following conditions

- A. When assessee has made a full and true disclosure
- B. Co-operation in enquiry
- C. Payment of tax or interest
- D. All of above

Solutions:

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

TAX AVOIDANCE & PLANNING

1. Salary to proprietor is _____ deduction in case of sole proprietorship business
A. Allowable B. Not allowable C. Partly A, partly B D. None
2. Any claim made by the taxpayer will be scrutinized from the point of view of –
A. intention B. wealth C. legal status D. his status
3. Nimbu Ltd. is a shoe making company. It acquired a knife of ₹15000. Whether this expenditure is capital or revenue in nature?
A. Capital
B. Revenue
C. Deferred revenue expense
D. Partly A, Partly B
4. State whether true or false “DTAA overrides Income Tax provisions, 1961 except the provisions of GAAR” –
A. True B. False
5. _____ incorporated outside India are treated as “Companies” for the purpose of Sec 2(17) –
A. Partnership Firm B. AOP C. Body Corporate D. Company
6. First test to be satisfied for considering arrangement as impermissible avoidance arrangement is:
A. Tax reduction
B. Tax benefit
C. Not in Arm Length price
D. Lacks commercial substance
7. Which of the following is the definition of tax benefits?
A. Reduction in Total Income
B. Increase in refund of tax
C. Reduction of tax
D. All of above
8. Individual tax payer making tax saver deposits of ₹ 1,00,000 in a nationalized bank will be categorised as:
A. Tax planning
B. Tax management

- C. Tax evasion
- D. None of above

Solutions:

1.B	2.A	3.A	4.A	5.C	6.B
7.D	8.A				

ALTERNATE MINIMUM TAX & MINIMUM ALTERNATIVE TAX

Case Based MCQs I:

M/s VJ, an AOP, is engaged in the business of manufacture of chemical goods (value of plant and machinery owned by the assessee is ₹ 55 lakhs). One member of AOP has income exceeding ₹ 5,00,000. The following information for the financial year 2020-21 is given:

PROFIT AND LOSS ACCOUNT	₹
Sale proceeds of goods (domestic sale)	32,23,900
Sale proceeds of goods (export sale)	7,76,100
Total	40,00,000
Less: Expenses	
- Salary & wages	2,10,000
- Depreciation	7,16,000
- Entertainment expenditure	12,500
- Donations to political party	2,500
- Travelling expenditure	36,000
- Income-tax	3,50,000
- Penalty	8,000
- Outstanding custom duty	17,500
- Provision for unascertained liabilities	70,000
- Paid to Mafia Don	90,000
- Consultation fees paid to a tax expert	21,000
- Manufacturing expenses	1,80,000
Net Profit	22,86,500

For tax purposes, the assessee wants to claim the following:

1. Deduction under section 80-IB (25% of ₹ 22,86,500).
2. Excise duty pertaining 2003-04 paid during previous year 2020-21 (amount actually paid is ₹75,500).
3. Depreciation under section 32 (₹ 5,36,000).
4. Customs duty of ₹ 17,500 has been paid after due date of filing of ROI of Assessment Year 2021-22.
5. Depreciation of ₹ 7,16,000 includes depreciation of ₹ 3,00,000 on account of revaluation of assets.
6. The assessee wants to set off the following losses/ allowances:

Particulars	₹
Brought forward loss of 2014-15	11,80,000
Unabsorbed depreciation	NIL

You are given that assessee has AMT credit of ₹8,00,000 carried forward from Assessment Year 2020-21. Answer the following questions in reference to the data given:

1. Which of the following items shall not be added back to net profit to compute taxable income?

- (i) Salaries and wages
- (ii) Depreciation as per books
- (iii) Entertainment expenditure
- (iv) Donations to political party
- (v) Travelling expenditure
- (vi) Income-tax
- (vii) Penalty
- (viii) Outstanding custom duty
- (ix) Provision for unascertained liability
- (x) Paid to Mafia Don
- (xi) Consultation fees paid to a tax expert
- (xii) Manufacturing expenses

- A. (i), (iii), (v), (xi), (xii)
- B. (i), (ii), (iii), (v), (vi)
- C. (iii), (iv), (vi), (vii)
- D. None of the above

2. What will be the amounts of deduction available u/s 80IB & 80QGB respectively?

- A. 17,49,000 & 2500
- B. Nil & 2500
- C. 4,37,250 & 2500
- D. Nil & Nil

3. What shall be the net taxable income?

- A. 17,46,500
- B. 13,09,250
- C. 17,49,000
- D. 13,11,750

4. What shall be the tax on net income computed above?

- A. 5,59,000
- B. 5,59,630
- C. 5,49,000
- D. Nil

5. What is the adjusted total income in the given case?

- A. 17,46,000
- B. 13,09,250
- C. 17,46,500
- D. 13,11,750

6. AMT is not applicable since the Adjusted Total Income does not exceed ₹ 20,00,000. The statement is:

- A. False
- B. True

7. What is the amount of AMT credit available for set-off?

- A. Nil
- B. 8,00,000
- C. 3,36,027
- D. 2,23,599

Solutions:

1. A	2. C	3. B	4. B	5. C
6. B	7. D			

Case based MCQs II:

A domestic company, ABC Ltd. has an undertaking newly established for export of computer software in a Special Economic Zone, the profits of which have been merged in the net profits of the company as per Statement of Profit and Loss prepared in accordance with the provisions of Schedule III to the Companies Act. It furnishes the following particulars in respect of assessment year 2021-22 and seeks your opinion on the application of section 115JB. You are also required to compute the total income and tax payable. (Assume turnover of company for FY 20218-29 was 500 crores)

	₹
Net profit as per Profit and Loss A/c as per Schedule III	200 Lakh
Credit side of Profit and Loss A/c includes -	
Income exempt u/s 10	20 Lakh
Excess realized on sale of land held as investment	30 Lakh
Net profit of the undertaking for export of computer software	100 Lakh
Debit side of Profit and Loss A/c includes -	
Depreciation on straight line method basis	100 Lakh
Provision for losses of subsidiary company	60 Lakh
Depreciation allowable as per income-tax law	150 Lakh
Capital Gains as computed as per income-tax law	40 Lakh
Losses brought forward as per books of account -	
Business loss	50 Lakh
Unabsorbed depreciation	60 Lakh

The company has represented to you that the excess realized on sale of land cannot form part of the book profit for purposes of section 115JB. Answer the following questions on the basis of given information:

1. Which of the following items shall be added back to net profit to compute book profit?

- | | |
|---|--|
| A. Depreciation as per Straight line method | B. Provision for losses of subsidiary company; Depreciation as per Straight line method only |
| C. None of the above | D. All of the above |

2. What is the amount of book profit?

- | | |
|--------------|--------------|
| A. 190 lakhs | B. 180 lakhs |
| C. 200 lakhs | D. 360 lakhs |

3. What shall be the amount of Minimum Alternate Tax?

- | | |
|--------------|--------|
| A. 27,04,000 | B. Nil |
| C. 31,71,480 | |

4. Profit on sale of capital asset is a part of book profit. This statement is:

A. False

B. True

5. What shall be the amount of MAT credit available?

A. ₹ 4,67,480

B. ₹ 4,00,000

C. ₹ 2,67,480

Solutions:

1. B	2. A	3. C	4. B	5. A
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Other general MCQs:

1. Pallavi Ltd. is domestic company having total income of ₹ 32,00,000 for AY 21-22. Book profit calculated as per explanation of 115JB is ₹ 96,00,000. Compute tax payable by Pallavi Ltd. for AY 21-22.

A. 9,98,400

B. 8,32,000

C. 14,97,600

D. 18,08,560

2. Which of the following amounts, if debited to the statement of profit or loss, are required to be added while computing book profits for the purpose of MAT?

I. Income-tax

II. Proposed dividend

III. Depreciation

IV. Interest on income-tax

V. Amount transferred to general reserve

VI. Provision for losses of subsidiary company

VII. Dividend paid

A. I, III, V, VI, VII

B. I, II, V, VII

C. All of the above

D. I, II, III, V, VI, VII

3. The provisions of AMT would however not be applicable to an individual, HUF, AOPs and BOIs whether incorporated or not or artificial judicial person, if ATI of such person does not exceed:

A. 10,00,000

B. 20,00,000

C. 15,00,000

D. 2,50,000

4. MSD, a LLP engaged in manufacturing of semiconductor wafer fabrication has total income of ₹78,00,000 after giving effect to Sec. 35AD deduction i.e. deduction taken on following assets-

Purchase of new machinery on 5/06/2020 ₹ 10,00,000

Purchase of new building on 18/10/2020 ₹ 12,50,000

Calculate the Adjusted Total Income.

A. 96,37,500

B. 1,00,50,000

C. 69,50,000

D. 78,00,000

5. In case of company, being unit located in International Financial Service Centre, MAT shall be chargeable @

A. 9%

B. 9.5%

C. 18.5%

D. 18%

6. In case of conversion of private company into LLP, tax credit u/s 115JAA for MAT would-

A. Lapse

B. Can be carried forward and set off by LLP

C. Only 50% can be carried forward and set off

D. Will be carried forward only if it is allowed as per Income tax Act

Solutions:

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

EXEMPTION**Case Based MCQs I:**

Mrs. Tara is an individual with a total income of ₹ 80,00,000 for PY 2020-21. She is a wife of deceased member of armed forces. Further, she also earns some agricultural income. She has been a recipient of Param Vir Chakra i.e., a gallantry award this year. She further receives the accumulated balance of RPF. Her daughter has received an educational scholarship to meet the cost of her education. She seeks for your advice regarding the exemptions available to her under the Income Tax Act, 1961. In light of the above case, answer the following:

- Which of the following income is an agriculture income:
 - Income from brick making
 - income from agriculture land situated in Pakistan
 - Prize from government on account of higher crop yield
 - Compensation received from insurance company on account of loss of crop
- Casual income received by the assessee is:
 - Fully Exempt
 - Exempt upto ₹5,000
 - Fully taxable
- Any pension received by an individual or family pension received by any member of her family where such individual is in the service of Central or state government and was awarded Parmvir Chakra or Vir chakra or and other notified gallantry award shall be
 - Exempt
 - Taxable
- Scholarship received by a student to meet the cost of education is:
 - Casual Income
 - Fully Exempt
 - Fully taxable
- Pension received by member of armed forces:
 - Casual Income
 - Fully Exempt
 - Fully taxable
- Income of Infrastructure Debt fund notified is ____

Solution:

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

Other General MCQs:

- The quantum of deduction available under section 10AA in respect of profits and gains derived by a SEZ unit from export of articles is:

- A. 100% of export profits for first 10 consecutive AYs and 50% for next 5 consecutive AYs
 - B. 100% of export profits for first 5 consecutive AYs and 50% for next 10 consecutive AYs
 - C. 100% of export profits for first 15 consecutive AYs
 - D. 100% of export profits for first 5 consecutive AYs, 50% for export profits for next 5 consecutive AYs and upto 50% of export profits for next 5 consecutive AYs, as is credited to Special Reserve Account
2. The concept of partial integration of agricultural income with non-agricultural income is applicable to -
- A. only individuals & HUF
 - B. only firms and companies
 - C. Individuals, HUF, AOPs/BOIs & Artificial juridical persons
 - D. All persons
3. The proportion of agricultural and business income in case of income derived from the sale of coffee grown and cured by the assessee in India is
- A. 65% and 35%, respectively
 - B. 75% and 25%, respectively
 - C. 60% and 40%, respectively
 - D. 70% and 30%, respectively
4. The proportion of agricultural and business income in case of income derived by the assessee from growing of tea leaves in India and manufacturing of tea is
- A. 65% and 35%, respectively
 - B. 75% and 25%, respectively
 - C. 60% and 40%, respectively
 - D. 70% and 30%, respectively
5. In case of an individual aged 61 years, partial integration of agricultural income is not required if his:
- A. Net agricultural income does not exceed ₹ 5,000
 - B. Non-agricultural income does not exceed ₹ 2,50,000
 - C. Non-agricultural income does not exceed ₹ 3,00,000
 - D. Either (a) or (c) above
6. In case of a Member of Parliament:
- A. Daily allowance is exempt but constituency allowance received as per applicable Rules is taxable
 - B. Constituency allowance received as per applicable Rules is exempt but daily allowance is taxable
 - C. Both daily allowance and constituency allowance received as per applicable Rules are taxable
 - D. Both daily allowance and constituency allowance received as per applicable Rules are exempt

7. Which of the following income is not exempt under section 10:

- A. Share income of a member from a HUF
- B. Share income of a partner from a firm
- C. Salary received by a partner from a firm
- D. Both (b) & (c)

8. Which of the following is an agricultural land assuming that crops are being cultivated on such land and such land is situated in:

- A. an area within 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

9. Which of the following income is agricultural income:

- A. Rent received from agricultural land
- B. Income from dairy farm
- C. Income from poultry farm
- D. Dividend from a company engaged in agriculture

10. Income accruing from agriculture in a foreign country is taxable in the case of an assessee who is:

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

11. Any sum received by an individual as a member of HUF from the income of HUF shall be:

- A. Fully Taxable B. Fully Exempt C. Included in TI of member for rates purpose

12. In case of a partner, the share of the profits from the firm which is separately assessed shall be:

- A. Fully Taxable B. Fully Exempt C. Included in TI of member for rates purpose

13. R traced a missing person and was awarded a sum of ₹ 1, 00,000 although there was no stipulation to that effect. Such receipt shall be:

- A. Casual income and fully taxable
- B. Casual income and exempt upto ₹ 5000
- C. Fully exempt

14. Income of Investor Protection Fund set up depositories is exempt u/s

- A. 10(23EA)
- B. 10(23EC)

C. 10(23ED)

15. In case of an individual, any income by way of interest on any money standing to his credit in a Non resident (External) account in any bank in India shall be

A. Exempt B. Taxable C. Exempt upto ₹13,000

16. Income from unit of UTI or Mutual fund covered under section 10(23D) shall

A. Exempt B. Taxable

17. Family pension received by the legal heir of a army personnel who died during operational duties shall be

A. Exempt B. Taxable

18. Capital gain arising from compulsory acquisition of urban agricultural land be

A. Taxable B. Exempt C. Exempt u/s 10(37) if certain conditions are satisfied

19. Any capital gain whether short term or long term shall be exempt if:

- A. it is from the transfer of urban agricultural land
B. it is from the compulsory acquisition by law of urban agricultural land and certain condition are satisfied

STATE WHETHER TRUE OR FALSE

20. Overseas allowances or overseas perquisite paid or allowances by the Government to a citizen of India for rendering service outside India are exempt

21. Salary received by a member of parliament is exempt

22. Any compensation received from Central Government or a State Government or a local authority on account of any disaster is exempt

23. Casual income received by the assessee is fully exempt

Solutions:

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