"MCQs on CAPITAL GAINS"

(1)		**Assessee transferred listed shares held more than 12 months and offer income as capital gain but AO wants to treat it as business income. Which statement out of following is correct -**
	(i)	**AO is correct if assessee is frequently dealing in shares.**
	(ii)	**AO is bound to accept assessee's disclosure i.e. capital gain, but taxpayer shall not be allowed to adopt contrary stand in subsequent years.**
	(iii)	**Assessee is correct if he is not frequently dealing in shares.**
	(iv)	**AO is bound to accept assessee's disclosure i.e. capital gain.**
(2)		**Assessee transferred a depreciated asset i.e. building (which was acquired 4 years ago i.e. became long term) on which capital gain of ₹ 35 lacs arise which is invested with in 4 months from the date of transfer, in bonds of NHAI, which statement, out of the following, is correct :**
	(i)	**It's a case of STCG, therefore No exemption u/s 54EC.**
	(ii)	**It's a case of depreciable asset i.e. short term capital asset, whereas section 54EC required transfer of LTCA, therefore, No exemption u/s 54EC.**
	(iii)	**Even if depreciation has been claimed but since period of holding is more than 3 years therefore it's a case of LTCA, and type of capital gain is immaterial, exemption u/s 54EC will be available.**
	(iv)	**It's a case of LTCG, No exemption can be availed u/s 54EC because it is for STCG.**
(3)		**Mr. X enters into a joint development agreement with a developer i.e. A Ltd. and give his plot under specified agreement for development of real estate project of 5 flats out of which 4 flats will be given to Mr. X alongwith cash consideration of ₹ 15Lacs. Completion certificate for part (say for 3 flats) is issued by MCD on 10th March 2019 (on that date stamp duty value was 20 Lacs per flat), for remaining part (i.e. for remaining 2 Flats) completion certificate is issued on 10/12/2019 (on that date stamp duty value was 25 Lacs per flat). Which is the correct combination in respect of year of taxation and sales consideration?**
	(i)	**2019-20 and ₹ 15Lacs + 100Lacs (i.e. 25Lacs x 4)**
	(ii)	**2018-19 and ₹ 15Lacs + 80Lacs (i.e. 20Lacs x 4)**
	(iii)	**2018-19 and ₹ 80Lacs (i.e. 20Lacs x 4)**
	(iv)	**2019-20 and ₹ 100Lacs (i.e. 25Lacs x 4)**
(4)		**Mr. X converted his capital asset (i.e. Gold) into stock in trade as on 1/10/2018, and sold such SIT Partly in P.Y. 2019-20 and remaining part* of such SIT in P.Y 2020-21. What about taxability of Capital Gain which was arose on conversion of capital asset into SIT?**
	(i)	**Such CG will be taxable in P.Y. : 2018-19 (in totality)**
	(ii)	**Such CG will be taxable in P.Y. : 2019-20 (in totality)**

	(iii)	Such CG will be taxable in P.Y. : 2020-21 (in totality)
	(iv)	Such CG will be taxable partly in P.Y. 2019-20 & remaining part* in P.Y. 2020-21.
(5)	A Foreign Institutional Investor having securities in large volume and deals frequently, securities held by it will constitute:	
	(i)	Stock in trade
	(ii)	Capital asset
	(iii)	As FII disclose
	(iv)	As AO wants.
(6)	An assessee has an agriculture land within 1 K.M. (measured aerially) from the local limits of Municipality having population exact 10,000. Out of the following, which combination is correct:	
	(i)	Rural Agriculture Land (+) Non capital asset.
	(ii)	Urban Agriculture Land (+) Capital asset.
	(iii)	Urban Agriculture Land (+) Non-capital asset.
	(iv)	Rural Agriculture Land (+) Capital asset.
(7)	Gold utensils held by the assessee will constitute:	
	(i)	Always Personal effect
	(ii)	Always Capital asset
	(iii)	Depends upon Nature of article
	(iv)	Depends upon its quantity.
(8)	In determining nature of Capital Gain, period of holding includes:	
	(i)	Date of acquisition but not date of transfer.
	(ii)	Date of transfer but not date of acquisition.
	(iii)	Both dates will be included.
	(iv)	Both dates will be excluded.
(9)	Mr. X received an amount on reduction of share capital by company by reducing face value of its shares; and in other case Mr. Y received an amount on redemption of preference share by company, what about chargeability of these transactions under the head Capital Gain -	
	(i)	Gain on redemption of preference share for Mr. Y will attract tax, but on reduction of share capital for Mr. X - No CG tax.
	(ii)	Gain on Reduction of share capital for Mr. X will attract tax, but on redemption of preference share for Mr. Y- No CG Tax.
	(iii)	On Both Transactions i.e. reduction of share capital & redemption of preference share, CG tax liability for Mr. X & Mr. Y will arise.

	(iv)	**No above transaction will amount to transfer, therefore No CG tax liability will arise.**
(10)	**Holding company transfers a capital asset to its subsidiary having equity as well as preference share capital, exemption u/s 47 shall be available to holding company (i.e. transferor company) in which case out of the following:**	
	(i)	**Holding company holds 100% equity share capital but not having preference share capital in Subsidiary.**
	(ii)	**Holding company holds 100% equity share capital and partly preference share capital in subsidiary.**
	(iii)	**Subsidiary company is foreign company.**
	(iv)	**None of the above.**
(11)	**In a scheme of amalgamation, share holder of amalgamating company received, in consideration shares of amalgamated company but for fractional part, such share holder receives cash, whether exemption u/s 47(vii) will be available to such share holder:**	
	(i)	**Yes, of course.**
	(ii)	**No, Not at all.**
	(iii)	**Yes, only in relation to portion except fraction part.**
	(iv)	**Yes, only in relation of fractional part.**
(12)	**There is transfer of capital asset by a firm to a company as a result of succession of such firm by such company, exemption u/s 47 (xiii) will be allowed to firm in which case out of the following :**	
	(i)	**Firm having debit balance of a partner is succeeded.**
	(ii)	**Firm carrying on profession is succeeded.**
	(iii)	**Partners receive any consideration other than shares in company OR partners don't have 50% in aggregate voting power in company.**
	(iv)	**None of the Above.**
(13)	**Assessee was member in Recognised stock exchange (AOP) since 1/8/1999, receives shares and trading / clearing right of successor company under Corporatisation of such RSE (AOP), and in future, he transfers such shares, in computing CG on shares what will taken as cost of acquisition:**	
	(i)	**Cost of original membership.**
	(ii)	**FMV as on 1/4/2001 (Suppose FMV is higher than cost of original membership).**
	(iii)	**NIL**
	(iv)	**Any of the above.**
(14)	**There is a consolidation of two or more schemes of Mutual Fund in which unit holder of consolidating scheme receives units of consolidated scheme, exemption u/s 47(xviii) will be**	

	available in which case out of the following- Consolidation of:	
	(i)	Equity oriented fund scheme (+) Debt oriented fund scheme with another Equity oriented fund scheme.
	(ii)	Equity oriented fund scheme (+) Debt oriented fund scheme with another Debt oriented fund scheme.
	(iii)	Debt oriented fund scheme (+) Debt oriented fund scheme with another Equity oriented fund scheme.
	(iv)	Equity oriented fund scheme (+) Equity oriented fund scheme with another Equity oriented fund scheme.
(15)	A Non-resident assessee received shares on redemption of GDRs held by him, and in future transfer such shares, then, in computing capital gain on shares, what will treated as cost of such shares :	
	(i)	Actual / original cost which was incurred for GDRs.
	(ii)	Price of such shares prevailing on any RSE on the date on which such shares are received.
	(iii)	Price of such shares prevailing on any RSE on the date on which request for redemption was made.
	(iv)	Nil
(16)	Assessee transfers an asset (long term), which was received by him under gift earlier, in computing LTCG, indexation will be allowed from -	
	(i)	Year in which such asset is actually received by assessee under Gift.
	(ii)	Year in which such asset was originally acquired by previous owner.
	(iii)	Upon the discretion of assessee.
	(iv)	Upon the discretion of AO.
(17)	Indexation is not allowed in which case out of the following:	
	(i)	Debentures / bonds (except Capital indexed bonds & Soverign gold bonds).
	(ii)	Case in which 1st proviso to section 48 (i.e. conversion method) applies.
	(iii)	Slump sale.
	(iv)	All of the above.
(18)	Assessee transfers a patent, which was purchased in 1997 at ₹ 15 lacs, FMV of which was as on 1/4/2001 ₹ 22 lacs, in computing capital gain, what will be treated as Cost of acquisition:	
	(i)	FMV as on 1/4/2001 i.e. 22 lacs.
	(ii)	AC i.e. 15 lacs.
	(iii)	Nil.
	(iv)	Any amount as the assessee / AO wants.

(19)	**A senior citizen mortgages his residential house under reverse mortgage scheme, after his death, his son discharged such mortgage, and subsequently sold such residential house, In computing capital gain, what will be allowed as cost to son (i.e. assessee) -**	
	(i)	**Cost to the previous owner (+) amount paid for clearing off such mortgage by son (i.e. assessee).**
	(ii)	**Cost to the previous owner (i.e. Senior Citizen).**
	(iii)	**Only amount paid by son (i.e. assessee) for clearing off such mortgage.**
	(iv)	**Nil.**
(20)	**Slump sale is :**	
	(i)	**Undertaking transferred (+) Item wise consideration charged.**
	(ii)	**Undertaking transferred (+) item wise consideration determined but received in lump sum.**
	(iii)	**Undertaking transferred (+) Sale (+) Lump sum consideration (+) No item wise determination or discussion in such sale.**
	(iv)	**Undertaking transferred (+) No item wise determination and consideration received in lump sum but in kind (i.e. case of exchange).**
(21)	**Under slump sale, stock in trade is also transferred on which income will be taxable under the head:**	
	(i)	**PGBP**
	(ii)	**Capital gains**
	(iii)	**As the assessee opt**
	(iv)	**As the AO wants.**
(22)	**AO referred the case of valuation of any building u/s 50C to Valuation Officer (V.O.), and received the report from V.O. showing its FMV. Which of the following statement is correct :**	
	(i)	**FMV (determined by V.O.) > Stamp duty value, In such a case, AO may take FMV as determined by V.O.**
	(ii)	**FMV (determined by V.O.) < Stamp duty value, in such a case, AO may take the FMV as determined by V.O.**
	(iii)	**FMV (determined by V.O.) > Stamp duty value, in such a case, AO shall have to take FMV as determined by V.O.**
	(iv)	**FMV (determined by V.O.) < Stamp duty value, In such a case, AO shall have to take FMV as determined by V.O.**
(23)	**Mr. X transferred Equity shares of XYZ Pvt. Ltd. against the consideration of ₹ 20Lacs, whereas FMV of such shares (as per prescribed method) is ₹ 35Lacs. Now AO wants to tax by taking ₹ 35Lacs as consideration but Mr. X raises objection it. What will be the correct amount of consideration?**	

	(i)	₹ 20Lacs
	(ii)	₹ 35 Lacs
	(iii)	Optional
	(iv)	Nil
(24)	**Consider the following case study and determine the time-limit for passing rectification order:** - Building sold as on 1/10/2015, Sale price: 50 Lacs, Stamp duty value: 80 Lacs - Stamp duty value has been challenged before Court as on 1/5/2016. - AO passed his assessment order by taking stamp duty value as on 1/10/2016. - Court revised the stamp duty value at 70 lacs as on 1/7/2020. - AO shall have to pass his Rectification order by taking revised stamp duty value till…………	
	(i)	31/3/2017 (+) 4 Years = 31/3/2021.
	(ii)	1/7/2020 (+) 4 Years = 30/6/2024.
	(iii)	31/3/2021 (+) 4 Years = 31/3/2025.
	(iv)	At any time i.e. No time limit.
(25)	Mr. A transferred a Plot (held as SIT) against the consideration of ₹ 50Lacs whereas stamp duty value of such plot as on the date of registration is ₹ 90Lacs (and as on the date of Agreement is ₹ 75Lacs). Mr. A received 20% of Agreed price i.e. 10Lacs as advance through account payee cheque on the date of agreement and claimed his business income by taking ₹ 50Lacs as sales consideration, but AO wants to tax Mr. A on the basis of ₹ 90Lacs i.e. stamp duty value of such plot as on the date of registration, against which Mr. A files two claims- (a) since its a case of SIT, hence Due to non-applicability of 50C, agreed price i.e. 50Lacs should be considered. (b) at utmost ₹ 75Lacs i.e. SDV as on the date of agreement may be considered. Check correctness of assessee's objections?	
	(i)	Claim (a) - CORRECT, but (b) - IR-RELEVANT
	(ii)	Claim (a) - INCORRECT, but (b) – CORRECT
	(iii)	AO is correct
	(iv)	As assessee opted out of (a) & (b)
(26)	In the course of the negotiation for transfer of a capital asset, an advance is received as on 1/3/2014, which is, on failure in payment of balance consideration by buyer, forfeited by seller on 1/5/2014. What will be the tax implication of such forfeited advance money :	
	(i)	For P.Y. 2014-15: I/O/S.
	(ii)	When asset will finally sale, such sum will be taxable under I/O/S.
	(iii)	For P.Y. 2014-15: Capital Gain.
	(iv)	When asset will finally sale, such sum will be deducted from Cost.

(27)	**In an accidental fire as on 1/1/2018 assessee's insured capital asset had destroyed, on account of which assessee, as on 1/5/2018, received insurance claim, over and above of its original cost, what will be the tax implication of such excess-**	
	(i)	**For P.Y. 2017-18 (i.e. Year of damage): Taxable under the head Capital Gain.**
	(ii)	**For P.Y. 2018-19 (i.e. Year of receipt) : Taxable under the head Capital Gain.**
	(iii)	**For P.Y. 2018-19 : Taxable under the head Income from other sources.**
	(iv)	**For P.Y. 2017 -18 : Taxable under the head Income from other sources.**
(28)	**Mr. P purchased a plot (in 1997) at ₹ 10Lacs which is handed over under Land Pooling Scheme of A.P. Govt. and get Land pooling ownership certificate & retained it till the allotment of new plot in developed city. Subsequently, he gets a possession letter of new plot in lieu of LPOC as on 25/03/2018 but actual possession of plot is given to him on 20/04/2018. As on 01/05/2021, he transfers that newly allotted plot, what will be the Cost in computing Capital gain on this transfer?**	
	(i)	**Stamp duty value of newly allotted plot as on 31/03/2020**
	(ii)	**Stamp duty value of newly allotted plot on the date of receipt i.e. 20/04/2018**
	(iii)	**Stamp duty value of newly allotted plot as on 31/03/2021**
	(iv)	**Actual cost of original plot i.e. 10Lacs**
(29)	**X Ltd. Enters into a joint development agreement with developer I.e. Mr. A and hand over its plot to Mr. A as on 01/10/2018 for development of real estate project of 4 Floors out of which 3 floors will be given to X Ltd. alongwith cash consideration of ₹ 10Lacs by Mr. A. AO wants to tax X Ltd. on transfer of plot by taking stamp duty value of plot as sales consideration but X Ltd. claims the deferment in taxation by virtue of new insertion of section 45(5A). What will be the correct course of action?**	
	(i)	**As Assessee claims**
	(ii)	**As AO wants**
	(iii)	**upon the discretion of the Court**
	(iv)	**Optional**
(30)	**Firm, upon its dissolution, transferred a Building (FMV: 60Lacs But Stamp duty value: 75Lacs), to its partner. For computing CG in the hands of firm, what will be taken as full value of consideration?**	
	(i)	**Agreed price between firm & its partner.**
	(ii)	**₹ 60 lacs [as per section 45(4)].**
	(iii)	**₹ 75 lacs [as per section 50C].**
	(iv)	**No taxability will arise.**
(31)	**A building of Mr. X is compulsorily acquired by State Government, and Mr. X was not satisfied**	

	with receipt of original compensation. On petition of Mr. X, Court has enhanced compensation by ₹ 25 lacs through its order as on 1/10/2018 out of which partly (i.e. ₹10 lacs) received by Mr. X as on 1/11/2019, and remaining part (i.e. ₹15 lacs) of enhanced compensation is received after death of Mr. X, by his son i.e. Mr. Y as on 1/12/2020. What will be the tax implication of these receipts?	
	(i)	₹ 10 lacs will be taxed as CG for Mr. X for P.Y. 2019-20 but No taxation after his death for ₹15 lacs neither in the hands of Mr. X nor in the hands of Mr. Y.
	(ii)	₹10 lacs will be taxed as CG for Mr. X for P.Y. 2019-20 and ₹15 lacs will be taxed as CG for Mr. X for P.Y. 2020-21 as deceased income.
	(iii)	₹10 lacs will be taxed as CG for Mr. X for P.Y. 2019-20 and ₹15 lacs will be taxed as other sources income for Mr. Y for P.Y. 2020-21.
	(iv)	₹10 lacs will be taxed as CG for Mr. X for P.Y. 2019-20 and ₹15 lacs will be taxed as CG for Mr. Y For P.Y. 2020-21.
(32)	Assessee transfers Bonds (including ZCB) or Debentures held as long term capital asset in respect of which indexation not allowed, LTCG which arise on such transfer will be taxable at:	
	(i)	20%.
	(ii)	10%.
	(iii)	At normal rate (depends upon type of assessee).
	(iv)	No tax.
(33)	At the time of sale of an asset which is declared (as on 15th June, 2016) under Income Declaration Scheme, 2016, Actual cost of such asset will be considered -	
	(i)	Original cost of asset (i.e. when asset was initially acquired).
	(ii)	FMV of asset as on 15/6/2016 (i.e. date of declaration of asset under scheme).
	(iii)	FMV of asset as on 1/6/2016 (i.e. date of commencement of scheme).
	(iv)	Nil
(34)	Mr. X transferred a plot (long term capital asset) at ₹ 5 crores on which LTCG of ₹ 2 crores arise. Mr. X, before his due date for ROI, invested ₹ 4 crores in shares of Eligible startup (as defined u/s 54GB). Out of this 4 crores such startup company purchased New assets of ₹ 2.5 crores, and ₹ 0.5 crores deposited in Capital Gain Account Scheme upto due date for ROI of Mr. X. What will be amount eligible for exemption u/s 54GB for Mr. X.	
	(i)	2 crores (i.e. in totality)
	(ii)	1.6 crores (i.e. 2 crores x 4 crores / 5 crores)
	(iii)	1.2 crores (i.e. 2 crores x 3 crores / 5 crores)
	(iv)	No exemption.
(35)	Suppose Mr. P (a residential individual) has Total Income of ₹ 3,50,000 out of which income	

	from house property (net) is ₹ 1,50,000/-, LTCG is ₹ 20,000/-, and STCG u/s 111A is ₹ 1,80,000/-. His tax liability (before rebate and education cess) is :	
	(i)	**₹ 15,000/-**
	(ii)	**₹ 16,000/-**
	(iii)	**₹ 19,000/-**
	(iv)	**₹ 5,000/-**

"MCQs on AMENDMENTS RELATING TO VODAFONE CASE"

(36)	**Share of a foreign company shall be deemed to derive its value substantially from assets located in India, if on specified date the value of Indian assets-**	
	(i)	**₹ 10 crores or more <u>and</u> represent 50% or more of value of all assets of such foreign company.**
	(ii)	**₹10 crores or more <u>and</u> represent at least 50% of value of all assets of such foreign company.**
	(iii)	**Exceeds ₹ 10 crores <u>and</u> represent more than 50% of value of all assets of such foreign company.**
	(iv)	**Exceeds ₹ 10 crores <u>and</u> represent at least 50% of value of all assets of such foreign company.**
(37)	**Specified date, in the meaning of substantial [as given in Explanation 6 of section 9(1)(i)], is**	
	(i)	**Always accounting period end date i.e. Balance sheet date (like 31st March, 31st December, etc.)**
	(ii)	**Normally, Accounting period end date i.e. Balance sheet date <u>But</u> where book value of assets of company on the date transfer exceeds by at least 15% of the book value of assets as on the last balance sheet date preceding the date of transfer, in such a case specified date means date of transfer.**
	(iii)	**Normally, Accounting period end date i.e. Balance sheet date <u>But</u> where FMV of assets of company on the date transfer exceed by at least 15% of the book value of assets as on the last balance sheet date preceding the date of transfer, in such a case specified date means date of transfer.**
	(iv)	**Normally, Accounting period end date i.e. Balance sheet date <u>But</u> where FMV of assets of company on the date transfer exceed by at least 15% of the FMV of assets as on the last balance sheet date preceding the date of transfer, in such a case specified date means date of transfer.**
(38)	**Suppose shares of a foreign company deriving its value substantially from directly hold assets located in India, and a non-resident i.e. Mr. X transfers shares of such foreign company, Exemption under explanation 7 of section 9(1)(i) will be available to Mr. X in which of the following case-**	

	(i)	**If the transferor (along with its associated enterprises) neither hold the right of control or management nor holds voting power or share capital exceeding 5% of the total voting power or total share capital during last 12 months, in the foreign company directly holding the Indian assets.**
	(ii)	**If the transferor (along with its associated enterprises) neither hold the right of control or management nor holds voting power or share capital 5% or more of the total voting power or total share capital during last 12 months, in the foreign company directly holding the Indian assets.**
	(iii)	**If the transferor (along with its associated enterprises) neither hold the right of control or management nor holds voting power or share capital 5% or less of the total voting power or total share capital during last 12 months, in the foreign company directly holding the Indian assets.**
	(iv)	**If the transferor (along with its associated enterprises) neither hold the right of control or management nor holds voting power or share capital less than 5% of the total voting power or total share capital during last 12 months, in the foreign company directly holding the Indian assets.**

ANSWER SHEET:

Q. No.	Ans.	Q. No.	Ans.	Q. No.	Ans.	Q. No.	Ans.	Q. No.	Ans.	Q. No.	Ans.
(1)	(ii)	(8)	(iii)	(15)	(iii)	(22)	(iv)	(29)	(ii)	(36)	(iv)
(2)	(iii)	(9)	(iii)	(16)	(ii)	(23)	(ii)	(30)	(iii)	(37)	(ii)
(3)	(ii)	(10)	(iv)	(17)	(iv)	(24)	(iii)	(31)	(iv)	(38)	(i)
(4)	(iv)	(11)	(ii)	(18)	(ii)	(25)	(ii)	(32)	(ii)		
(5)	(ii)	(12)	(iv)	(19)	(i)	(26)	(i)	(33)	(iii)		
(6)	(i)	(13)	(i)	(20)	(iii)	(27)	(ii)	(34)	(iii)		
(7)	(ii)	(14)	(iv)	(21)	(i)	(28)	(iii)	(35)	(iii)		

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