

ICAI Study Material MCQs

1. Vacant site lease rent is taxable as-

- a) Income from house property
- b) Business income always
- c) Income from other sources or business income, as the case maybe
- d) Income from other sources or income from house property, as the case may be

2. Treatment of unrealized rent for determining income from house property
 - a) To be deducted from expected rent
 - b) To be deducted from actual rent
 - c) To be deducted under section 24 from annual value
 - d) To be deducted from both expected rent and actual rent
3. Municipal taxes to be deducted from GAV should be
 - a) Paid by the tenant during the previous year
 - b) Paid by the owner during the previous year
 - c) Accrued during the previous year
 - d) Paid during the previous year either by tenant or owner
4. Deduction under section 24(a) is
 - a) $\frac{1}{3}$ rd of NAV
 - b) repairs actually incurred by the owner
 - c) 30% of NAV
 - d) Interest on borrowed capital
5. Interest on borrowed capital accrued upto the end of the previous year prior to the year of completion of construction is
 - a) allowed as a deduction in the year of completion of construction
 - b) allowed in 5 equal annual instalments from the year of completion of construction
 - c) allowed in the respective year in which the interest accrues
 - d) not allowed
6. The ceiling limit of deduction under section 24(b) in respect of interest on loan taken on 1.4.2019 for repairs of a self-occupied house is
 - a) INR 30,000 p.a.
 - b) INR 1,50,000 p.a.
 - c) INR 2,00,000 p.a.
 - d) No limit
7. Where an Assessee has two house properties for self-occupation, the benefit of nil annual value will be available in respect of-
 - a) Both the properties
 - b) The property which has been acquired/constructed first
 - c) Any one of the properties, at the option of the Assessee
 - d) Any one of the properties and once option adopted cannot be changed in subsequent years
8. Leena received INR 30,000 as arrears of rent during the P.Y. 2018-19. The amount taxable under section 25A

would be-

- a) INR 30,000
- b) INR 21,000
- c) INR 20,000
- d) INR 15,000

9. Vidya received INR 90,000 in May, 2018 towards recovery of unrealized rent, which was deducted from actual rent during the P.Y. 2016-17 for determining annual value. Legal expense incurred in relation to unrealized rent is INR 20,000. The amount taxable under section 25A for A.Y.2019-20 would be-
- a) INR 90,000
 - b) INR 63,000
 - c) INR 60,000
 - d) INR 49,000
10. 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 INR 2,05,000. The amount of allowable deduction in respect of each co-owner is-
- a) INR 2,05,000
 - b) INR 1,02,500
 - c) INR 2,00,000
 - d) INR 1,00,000

ICAI Sample MCQs

11. Mr. Arjun, aged 53 years, has a total income of INR51 lakhs for A.Y.2019-20. His total income comprises of salary, income from house property and interest on savings bank account. His tax liability for A.Y.2019-20 would be-
- a. INR 13,96,200
 - b. INR 14,82,000
 - c. INR 15,35,820
 - d. INR 14,69,000
12. Mr. Aarav gifted a house property valued at INR50 lakhs to his wife, Geetha, who in turn has gifted the same to her daughter-in-law Deepa. The house was let out at INR25,000 per month throughout the P.Y.2018-19. Compute income from house property for A.Y.2019-20. In whose hands is the income from house property chargeable to tax?
- a. INR 3,00,000 in the hands of Mr. Aarav
 - b. INR 2,10,000 in the hands of Mr. Aarav
 - c. INR 2,10,000 in the hands of Geetha
 - d. INR 2,10,000 in the hands of Deepa
13. In respect of loss from house property, which of the following statements are correct?

- a. While computing income from any house property, the maximum interest deduction allowable under section 24 is INR 2lakhs
- b. Loss from house property relating to a particular year can be set-off against income under any other head during that year only to the extent of INR2lakhs
- c. The loss in excess of INR 2 lakh, which is not set-off during the year, can be carried forward for set-off against any head of income in the succeeding year(s)
- d. All of the above

MCQs for practice

- 14.** During the PY 2018-19, municipality has charged taxes INR 30,000 but the Assessee has paid INR 20,000. In the PY 2019-20, municipality has charged taxes of INR 50,000 and the Assessee paid INR 65,000 which includes INR 10,000 for the earlier year and INR 5,000 for the subsequent year. What is the amount of municipal tax allowed for PY 2018-19 and PY 2019-20?
- a. 20,000 and 65,000
 - b. 30,000 and 65,000
 - c. 30,000 and 50,000
 - d. 20,000 and 50,000
- 15.** Which of the following section of the Income Tax Act, 1961 charge tax on income from House property?
- a. Section 20
 - b. Section 21
 - c. Section 22
 - d. Section 20A
- 16.** What will be the annual value of a newly constructed house building which is being held as stock in trade and is vacant.
- a. Annual Value
 - b. Nil for the year in which construction has been completed and annual value from the next year onwards
 - c. Nil for a period of one year from the end of the year construction has been completed and annual value from the next year onwards
 - d. Nil
- 17.** If a house is self-occupied as well as vacant, its income shall be computed as if it is _____.
- a. self-occupied house
 - b. Vacant house
 - c. Partly self-occupied house and partly Vacant house
 - d. Any of the above as per option of Assessee
- 18.** Which of the following statement is True?
- I. As per section 56(2)(iii), if letting of property is inseparable from letting of other assets then entire income is taxable as 'income from house property'

- II. If the main intention of the house property is to exploit the immovable property by way of complex commercial activities, then composite rent will be taxable under the head 'income from house property'
- III. In case of a house property let out to carry out business more efficiently the rental income shall be taxable under the head Business/ Profession.

Select the correct answer from the option given below

- a. (I), (II), (III)
- b. (II), (III)
- c. (III)
- d. (I), (III)

19. Which of the following statement is true in relation taxability of composite rent?

- I. House built on leasehold land shall be treated as House Property and chargeable to tax under the head House Property.
- II. In case of co-owners, each co-owner is entitled to a deduction of INR 30,000/INR 2,00,000, as the case may be, under section 24(b)

Select the correct answer from the option given below

- a. Statement I is correct while statement II is incorrect
- b. Statement II is correct while statement I is incorrect
- c. Statement I and II both are correct
- d. Statement I and II both are incorrect

20. Interest on loan taken from **outside India** is deductible u/s 24(b) if

- a. the Assessee has deducted tax on interest paid.
- b. the person receiving the interest has an agent in India.
- c. The House is residential property

Select the correct answer from the option given below

- a. (a), (b) or (c)
- b. (b) and (c)
- c. (a) or (c)
- d. (a) or (b)

21. Which of the following can be treated as self- occupied property?

- 1 Property let out by the Assessee to his employer and employer allot such property to employee as a rent-free accommodation.
- 2 House property which cannot be occupied by the owner by reason of the fact that owing to employment or business carried on at any other place, he has to reside at that other place in a building not belonging to him.

Select the correct answer from the option given below

- a. 1 only

- b. 2 only
- c. Both 1 and 2
- d. Neither 1 nor 2

22. If the property is let out throughout the year deduction of interest from NAV is

- a. Maximum INR 2,00,000 or INR 30,000 as case may be depending upon some conditions
- b. Interest actually paid during the year to the bank
- c. Interest of any amount due whether paid or not to the bank
- d. None of the above is correct

23. Which of the following statement is correct?

- a. Service fee and other charges in respect of borrowed money is treated as 'interest' and hence allowed to be deducted from NAV while calculating income from house property.
- b. Interest on unpaid interest is allowed to deducted from NAV while calculating income from house property.
- c. Unrealized rent when received is liable to tax after deduction of 30% of such amount.

Select the correct answer from the options given below-

- a. (a) and (c)
- b. (b) and (c)
- c. (a) and (b)
- d. (c) only

24. If the property remains vacant for the whole year then-

- a. Annual value of such property shall be equal to 'expected rent'
- b. Annual value of such property shall be equal to 'municipal value'
- c. Annual value of such property shall be equal to 'expected rent' or 'municipal value' whichever is less subject to 'standard rent'
- d. Annual value of such property shall be nil.

25. Which of the following statement (s) is/ are false in relation to property owned by co-owners?

- I. Where share of each co-owner in property is not definite and ascertainable then such person shall be assessed as 'body of individuals' or 'firm' at the option of assessing officers
- II. In case of self-occupied property, annual value of each co-owner shall not be NIL and deemed to be let out and taxed accordingly.

Select the correct answer from the options given below

- a. Both (I) & (II)
- b. (II)
- c. (I)
- d. Neither (I) nor (II)

26. Identify which of the following statement (s) is/ are true and which are false?

- i. If a person has two house properties then annual value of both properties shall be NIL
- ii. Municipal tax is allowed to be deducted from net annual value
- iii. Gross annual value of the property can exceed standard rent in certain circumstances
- iv. Maximum deduction for property which is partly let out and partly self-occupied during the year is INR 2,00,000

Select the correct answer from the options given below -

	i.	ii.	iii.	iv.
a.	x	✓	X	✓
b.	✓	x	✓	X
c.	✓	✓	✓	✓
d.	x	x	X	X

27. Which of the following can have negative annual value?

- 1 Let out property
- 2 One self-occupied property
- 3 Deemed let out property
- 4 One property which could not be occupied due employment elsewhere
- 5 Property which is partly let out and partly self-occupied

Select the correct answer from the options given below-

- a. 5, 3, 1
- b. 2, 4, 1
- c. 2 & 5
- d. All of the above

28. In which of the following cases transferor deemed to be owner of the house property?

- i) Transfer of house to minor married daughter
- ii) Transfer of house to spouse in agreement to live apart
- iii) Transfer of house on lease for 20 years. However, lease is to be renewal every year

Select the correct answer from the options given below-

- a. (i), (ii) and (iii)
- b. (i) and (ii)
- c. (iii) only
- d. (i) only

29. After allowing deductions u/s 24 of the Income tax act, 1961 which of the following type of property may have loss under the head house property?

- 1) One property which could not be occupied due employment elsewhere
- 2) Let out property
- 3) Deemed let out property
- 4) One self-occupied property
- 5) Property which is partly let out and partly self-occupied

Select the correct answer from the options given below-

- a. (5), (3), (1)
- b. (1), (2), (4)
- c. (3), (4), (2), (1)
- d. (5), (3), (1), (4), (2)

30. In which of the following case house property located outside India is taxable?

- a. If the owner is ordinary resident and rent is received outside India
- b. If the owner is not-ordinary resident and rent is received outside India
- c. If the owner is not-resident and rent is received in India

Select the correct answer from the options given below-

- a. (a) & (b)
- b. (b) & (c)
- c. (a) & (c)
- d. Any of the above

31. In which of the following cases, municipal tax is allowed to be deducted?

- a. Self-occupied house property
- b. Vacant house property
- c. Partly Vacant and partly Self-occupied house property

Select the correct answer from the options given below-

- a. (a) & (b)
- b. (a) & (c)
- c. (b) only
- d. All of the above

32. Deemed Ownership is stated under section _____.

- a. Section 22
- b. Section 25
- c. Section 26
- d. Section 27

33. Which of the following is taxable under the head income from house property?

- 1) Rent from vacant land
- 2) Rent received by sub-letting property
- 3) Notional rent of own shop
- 4) Rent received outside India by ordinary resident for a property located outside India

Select the correct answer from the options given below-

- a. (2), (3) & (4)
- b. (4) only

- c. (1) & (4)
- d. None of the above

34. Match the following

1. Property used for own business	I. Income from other sources
2. Income from sub-letting of house	II. Income under the head PGBP
3. Standard deduction	III. 50%
4. Letting of property incidental to main business	IV. Depreciations can be claimed
	V. 30%

Select the correct answer from the options given below-

	1.	2.	3.	4.
a.	(iv)	(ii)	(v)	(i)
b.	(ii)	(i)	(iii)	(iv)
c.	(iv)	(i)	(v)	(ii)
d.	(iv)	(ii)	(iii)	(i)

35. Mr. Suresh owns a big house property which is divided in 4 parts equally. Part I (25%) is self-occupied, part II (25%) is used by him for his profession, part III (25%) is let out to Mandar for running grocery shop and part IV let to Mustafa for residential purpose. In relation to these facts which of the following statement is correct.

- a. Out of the total property, 75% portion of the property is taxable under head ‘Income from House Property’
- b. Out of the total property, 25% portion of the property is taxable under head ‘Income from House Property’
- c. Out of the total property, 50% portion of the property is taxable under head ‘Income from House Property’
- d. Out of the total property, 100% portion of the property is taxable under head ‘Income from House Property’

36. Which of the following cases, persons, though not legal owners of a property, are deemed to be the owners of House Property?

- 1) The lessee of a building shall be deemed to be the owner if the building is leased out for 10 years or more.
- 2) A person who has purchased the property through power of attorney
- 3) In housing scheme of the Co-operative society, Company or any other association, the person to whom building has been allotted on account of being member.
- 4) Holder of impartible estate.

Select the correct answer from the options given below-

- a. (2), (3) & (4)
- b. (1), (2), (3) & (4)
- c. (1) & (4)
- d. None of the above

37. Which of the following statement is true?

- I. In case of transfer of any house property other than for adequate consideration to Spouse (except where they agree to live apart) and Minor married daughter, the transferor shall be the deemed owner.
- II. If the title of the ownership is disputed, the income shall be taxable in the hands of recipient i.e. the beneficial owner of house property.

Select the correct answer from the option given below

- a. Statement I is correct while statement II is incorrect
- b. Statement II is correct while statement I is incorrect
- c. Statement I and II both are correct
- d. Statement I and II both are incorrect

38. Which of the following is required to be considered while calculating 'expected rent'?

1. Notional rent
2. Municipal rent
3. Standard rent
4. Period of vacancy
5. Fair rent

Select the correct answer from the options given below-

- a. 1, 3, & 4
- b. 2, 4, & 5
- c. 5, 2, & 3
- d. 4, 5, & 2

39. Which of the following condition is required to be fulfilled for deduction of interest paid on money borrowed outside India?

1. Money is borrowed for construction of self-occupied house
2. Tax is deducted at source on such interest
3. There is regular payment of loan instalment by the Assessee

Select the correct answer from the options given below

- a. 1 & 3
- b. 2 only
- c. 3 & 2
- d. 1, 2 & 3

40. Mr. Z took loan from Bank for INR 12,75,000 @ 8% on 1st July 2014. Construction of house was completed in May 2017. Entire loan is still outstanding. Calculate pre-construction interest to be deducted for PY 2018-19.

- a. 56,100
- b. 61,200
- c. 58,400
- d. 62,200

41. FRV of the house is INR 3,00,000 and SR is 2,40,000 AR is INR 2,60,000. During the current PY, Assessee paid municipal tax of INR 2,80,000 of last seven years (40,000 x 7). NAV of the house=?

- a. -20,000
- b. 2,20,000
- c. 40,000
- d. None of the above

42. When share of each co-owner in a house property is not definite, the income from such property shall be-
- Taxed equally
 - Exempt from tax
 - Taxed as association of persons
 - Taxed as body of individuals

43. Raja owns a house property which has been let out to Rani on a monthly rent of INR 8,500 Rani left the house after 10 months and the house remained vacant for next 2 months. Other details of the house for the whole year are as follows:

Fair rent = 1,08,000

Standard rent= 99,000

Municipal value = 1,00,000

Municipal taxes paid by Raja is INR 12,500 which includes INR 2,500 for last year.

Compute the net annual value of the income.

- INR 72,500
 - INR 70,000
 - INR 86,500
 - INR 75,000
44. Ravi started construction of house on 1.11.2016. He raised loan of INR 10,00,000 at 12% on the same date. He took further loan on 1.10.2018 for INR 12,00,000 at same rate of interest. What is the interest allowable u/s 24 of the income tax act, 1961 if construction was completed by 31.3.2019?
- INR 2,02,000
 - INR 1,92,000
 - INR 2,42,000
 - INR 2,00,000

45. From the following details calculate the income/loss from house property:

Expected rent for year	1,05,000
Annual rent	90,000
Unrealized rent	7,500
Period of vacancy	3 months
Municipal taxes paid by tenant	4,450
Municipal taxes paid by owner	3,000
Interest on money borrowed	13,560

- Income INR 57,840
 - Income INR 39,465
 - Income INR 42,090
 - Income INR 8,640
46. Karan owns a house in Delhi. The house has two identical units. First unit is self-occupied by the Karan while other is rented at INR 12,000 p.m. the rented unit remained vacant for 3 months. The standard rent, municipal

value and fair rent was INR 2,20,000 2,44,000 and 2,35,000 p.a. respectively for the entire house Karan paid municipal taxes which was 12% of municipal value. Interest on borrowed capital was INR 2,000 p.m. compute income from house property

- a. 53,352
- b. 41,352
- c. 50,452
- d. 42,652

47. Utkarsh owns a house, half of which is let out at a monthly of INR 10,000. However, this half portion remained vacant for 3 months. 25% portion of the house was use by Utkarsha for residence and 25% for professional purpose. Other details; Municipal taxes INR 20,000 Repairs INR 16,000 interest on loan taken for construction INR 10,000 Fire insurance premium INR 6,000.

Income from house property =?

- a. INR 51,000
- b. INR 48,500
- c. INR 50,500
- d. INR 55,000

48. Zahir was allowed deductions of unrealized rent of INR 80,000 in past out of total unrealized rent INR 1,20,000. During the current PY, he recovered INR 90,000 from the defaulting tenant. State how much amount of recovered unrealized rent will be liable to tax?

- a. INR 80,000
- b. INR 1,20,000
- c. INR 90,000
- d. INR 50,000

49. From the following data calculate the GAV:

Annual fair rental value (FRV) = 4,80,000

Annual municipal value (MV) = 4,56,000

Annual standard rent (SR) = 4,68,000

Annual rent (AR) = 4,92,000

Period of vacancy = 2 months

Unrealized rent = 41,000

Municipal taxes= 55,700

- a. INR 4,68,000
- b. INR 3,90,000
- c. INR 4,51,000
- d. INR 3,95,300

50. During the current previous year income from house property of Kapil was INR 1,44,000 before considering the following data:

Kapil recovered unrealized rent of INR 16,000 out of total unrealized rent of INR 22,000. In past he was allowed deduction of 10,000 on account of unrealized rent. He also received arrear of rent from another house property amounting to INR 55,450. What is Kapil's income from house property?

- a. INR 71,450
- b. INR 50,015
- c. INR 50,815
- d. INR 1,85,615

Answer Key

1.	c	2.	b	3.	b	4.	c	5.	b	6.	a	7.	c
8.	b	9.	b	10.	c	11.	d	12.	a	13.	b	14.	a
15.	c	16.	c	17.	a	18.	c	19.	c	20.	d	21.	d
22.	c	23.	d	24.	d	25.	a	26.	d	27.	a	28.	c
29.	d	30.	c	31.	c	32.	d	33.	b	34.	c	35.	a
36.	a	37.	b	38.	c	39.	b	40.	a	41.	a	42.	c
43.	a	44.	d	45.	a	46.	b	47.	b	48.	d	49.	a
50.	d												

Hint:**44.**

Construction of house was completed by 31.3.2019. Thus, interest for the year 2016-17 and 2017-18 will be pre-construction interest. Such pre-construction interest is allowed in 5 equal instalments starting from year of completion of construction i.e. PY 2018-19.

Total Pre- Construction Interest: 1.11.2016 to 31.3.2018 $(10,00,000 \times 12\% \times 17/12) = 1,70,000$

Pre- Construction Interest allowable in PY 2018-19: $1,70,000 \times 1/5 = 34,000$

Current Year interest

Interest on first loan (1.4.2018 to 31.3.2019) $10,00,000 \times 12\% = 1,20,000$

Interest on second loan (1.10.2018 to 31.3.2019) $12,00,000 \times 12\% \times 6/12 = 72,000$

Total interest for year 2018–19

$1,20,000 + 72,000 + 34,000 = 2,26,000.$

Since, property is self-occupied, interest of INR 2,02,000 will be restricted to INR 2,00,000.

50.

Particulars		Amount
Income from House Property		1,44,000
Unrealized Rent	4,000	
(-) Deduction @ 30% u/s 24(a)	(1,200)	2,800
Arrear of Rent	55,450	
(-) Deduction @ 30% u/s 24(a)	(16,635)	38,815
Net taxable income from House Property		1,85,615

Total unrealized was INR 22,000 out of which Assessee was allowed deduction of INR 10,000. Thus INR 12,000 was already taxed in past. Now Assessee recovered unrealized rent of INR 16,000 and thus INR 4,000 will be taxable (16,000 – 12,000)