

QUESTION BANK



INCOME TAX LAW AND PRACTICE -1

"KNOW YOUR WORTH THEN ADD TAX TO IT"

WRITTEN BY

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INCOME TAX LAW AND PRACTICE -I
UNIT I
INTRODUCTION TO INCOME TAX

ONE MARK QUESTIONS:

1. Income Tax is imposed by .

- (a) State Government
- (b) Central Government
- (c) Both of the above
- (d) Constitution of India

2. Parliament has the power to levy tax on incomes other than .

- (a) Exempt Incomes
- (b) Income of poor people
- (c) Agricultural Income
- (d) All incomes are taxable

3. Highest Administrative Authority for Income Tax in India is .

- (a) Finance Minister
- (b) CBDT
- (c) President of India
- (d) Director of Income Tax

4. Income-tax Act, 1961 applies to .

- (a) Whole of India
- (b) Whole of India excluding J&K
- (c) Maharashtra
- (d) All of the above

5. The basic source of income-tax law is .

- (a) Income-tax Act, 1961
- (b) Income-tax Rules, 1962
- (c) Circulars/Notifications
- (d) Judgments of Courts

6. Income Tax Act came into force on .

- (a) 1.4.1961
- (b) 1.4.1962
- (c) 1.4.1956
- (d) 1.4.1965

7. Income Tax Act contains..... sections

- (a) XIV
- (b) 297
- (c) XV
- (d) 298

8. Income Tax Act containsschedules.

- (a) XIV
- (b) 297
- (c) XV
- (d) 298

9. Explanation givesto the main provision.

- (a) Clarification
- (b) Exceptions
- (c) Proper Administration



(d) None of these

10. Part 1 of schedule I of the Finance Act, 2018 gives rate of income tax for AY

- (a) 2018-19
- (b) 2019-20
- (c) 2017-18
- (d) 2016-17

11. Finance Bill becomes the Finance Act when it is passed by .

- (a) Lok Sabha
- (b) Both Lok Sabha & Rajya Sabha
- (c) Both House of Parliament & signed by President
- (d) Both House of Parliament & signed by Prime Minister

12. Part 3 of schedule I of The Finance Act, 2018 gives rate of advance tax payable for the AY .

- (a) 2018-19
- (b) 2019-20
- (c) 2017-18
- (d) 2016-17

13. Notifications issued by CBDT are binding on

- (a) Assessee
- (b) Income Tax Authority
- (c) Both of above
- (d) None of the above

14. Circulars issued by CBDT are binding on

- (a) Assessee
- (b) Income Tax Authority
- (c) Both of above
- (d) None of the above

15. Circulars are issued by the CBDT to..... the scope & meaning of the provisions of Law.

- (a) Clarify the doubts
- (b) Exceptions
- (c) Proper Administration
- (d) None of these

16. A person includes .

- (a) Individual & HUF
- (b) Firm & Company
- (c) AOP/BOI, LA, Every AJP
- (d) All of the above.

17. 'Income' includes the following types .

- (a) Legal
- (b) Illegal
- (c) Both
- (d) None

18. Which of the following income is not included in the term 'income' ?

- (a) Profit & gains
- (b) Dividend
- (c) Profit in lieu of salary
- (d) Reimbursement of travelling expenses



19. Pick-the correct one.

- (a) AY & PY are same concepts.
- (b) AY is the year next to the PY.
- (c) PY is the year next to the AY.
- (d) None of the above

20. The previous year means.....

- (a) The accounting period of the assessee
- (b) Financial year before the assessment year
- (c) Calender year before the assessment year
- (d) None of the above

21. The person who has to pay tax or other sum of money payable under I.T Act is

- (a) An assessee
- (b) b)A client
- (c) c)A debtor
- (d) d)A creditor

22. The year in which income is earned is called.....

- (a) Previous year
- (b) Current year
- (c) Assessment year
- (d) None of these

23. The number of major heads of income under indian income Tax Act 1961 are

- (a) 2
- (b) 6
- (c) 5
- (d) 4

24. A receipt is determined as 'Capital Receipt' or 'Revenue Receipt'

- (a) At the time it is received
- (b) While preparing final accounts
- (c) When the received amount is used
- (d) None of the above

25. Receipt of amount on maturity of LIC Policy is

- a) A revenue receipt
- b) A capital receipt
- c)A casual receipt
- d)None of these

26. Which of the following is a capital receipt?

- (a) Commission received
- (b) Salary received
- (c) Profit from business
- (d) Sale proceeds of buliding

27. Loss due to fire of hired machinery is.....

- (a) Capital loss
- (b) Revenue loss
- (c) capital expenditure
- (d) None of the above.

28. Embezzlement of cash by a cashier is.....

- (a) revenue loss
- (b) a capital loss



- (c) a casual loss
- (d) None of these

29. Compensation received for loss of trading asset is a.....

- (a) Capital receipt
- (b) Revenue receipt
- (c) Casual receipt
- (d) None of these

30. Total income is determined on the basis of 'Residential status' of the assessee in the previous year, according to.....

- (a) Sec.3
- (b) Sec. 5
- (c) Sec. 8
- (d) Sec. 12

31. Residential status of an assessee is ascertained as per the provision of

- (a) Sec.6
- (b) Sec.7
- (c) Sec.9
- (d) Sec.11

32. Residential status of taxable entities is.....

- (a) Fixed in nature
- (b) Can change from year to year
- (c) Fixed once in 5 years
- (d) None of these

33. An individual who wants to be resident of India must satisfy at least.....

- (a) One of the Two basic conditions
- (b) Both the basic conditions
- (c) Both the additional conditions
- (d) None of these.

34. An individual who wants to be resident of India u/s 6(1) (a) must stay in India for at least.....

- (a) 730 days in 10 previous years
- (b) 182 Days in the previous year
- (c) 365 days in the previous year
- (d) 150 days in the previous year

35. A person is 'Non resident' if he fails to fulfil.....

- (a) The additional conditions
- (b) At least one of the basic conditions
- (c) Both the basic conditions
- (d) None of these.

36. Income received in India is taxable in the hands of.....

- (a) Resident only
- (b) Resident and ordinarily resident only
- (c) Non-resident only
- (d) **All** assesseees

37. An Indian company's residential status is that it is always.....

- (a) Resident
- (b) Non resident
- (c) Ordinarily resident
- (d) None of these



38. Resident but not ordinarily resident pays.....

- (a) No income tax at all
- (b) More tax than a resident
- (c) Less tax than a resident
- (d) Less tax than a non-resident

39. Income accrued and received outside India is taxable in the hands of

- (a) Non-resident
- (b) Resident and ordinarily resident
- (c) Resident and not ordinarily resident
- (d) None of these

40. Income deemed to be received in India is given u/s

- (a) 10
- (b) 7
- (c) 12
- (d) 5

41. Indian Income means

- (a) Income accrued.deemed to be accrued in India
- (b) Income received.deemed to be received in India
- (c) Both (a) & (b)
- (d) None of the above.

42. Income accruing in London & received there is taxable in India in the case of

- (a) ROR
- (b) RNOR
- (c) NR
- (d) ROR & RNOR

43. Income which accrue outside India from business controlled from India is not taxable in India in case of.....

- (a) ROR
- (b) RNOR
- (c) NR
- (d) All

44. Which of the following payment received from Sukanya Samriddhi scheme isare Exempt?

- (a) Interest
- (b) Maturity amount (withdrawals)
- (c) Both (a) & (b)
- (d) None of the above.

45. Interest on Gold Deposit Bonds & bonds issued by LA.....

- (a) Exempt
- (b) Taxable
- (c) Partly Exempt
- (d) None of these

46. Scholarship granted is.....

- (a) Fully Exempted
- (b) Fully Taxable
- (c) Partly exempted
- (d) None of these

47. Allowances for MP/M.L.A/or M.L.C are.....

- (a) Fully Exempted
- (b) Fully Taxable



- (c) Partly exempted
- (d) None of these

48. Tax Holiday is.....

- (a) Income tax on holiday income
- (b) Cancellation of tax for the entire country
- (c) Tax exemption for a specified period
- (d) None of these

49. Casual income is.....

- (a) Fully taxable
- (b) Partly taxable
- (c) Fully exempted
- (d) None of these

50. Share of income from firm is.....

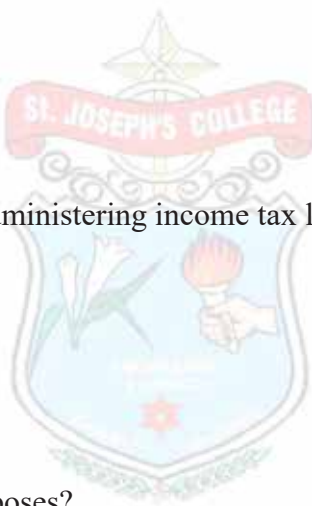
- (a) Taxable in the hands of partner
- (b) Exempted in the hands of partner
- (c) Exempted in the hands of firm
- (d) None of these

51. What is the basic purpose of income tax in India?

- (a) Wealth redistribution
- (b) Revenue generation for the government**
- (c) Economic development
- (d) All of the above

52. In India, which government body is responsible for administering income tax laws

- (a) Ministry of Finance
- (b) Reserve Bank of India
- (c) Securities and Exchange Board of India (SEBI)
- (d) Income Tax Department



53. What is the financial year in India for income tax purposes?

- (a) January to December
- (b) April to March
- (c) July to June
- (d) October to September

54. Which income tax slab is applicable to individuals below the age of 60 in India for the assessment year 2023-24?

- (a) 0% to 2.5%
- (b) 2.5% to 5%
- (c) 5% to 10%
- (d) 10% to 15%

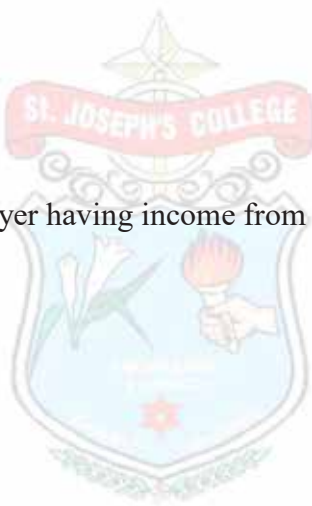
55. What is the term used for income on which no income tax is payable?

- (a) Taxable income
- (b) Exempt income
- (c) Gross income
- (d) Deductible income

56. Which form is used by individuals to file their income tax returns in India?

- (a) ITR-1 (Sahaj)
- (b) ITR-2
- (c) ITR-3
- (d) All of the above

57. Under which section of the Income Tax Act, 1961, is income from salary taxed?
- (a) Section 80C
 - (b) Section 10
 - (c) Section 15
 - (d) Section 17
58. What is the tax rate for long-term capital gains on the sale of listed equity shares in India?
- (a) 5%
 - (b) 10%
 - (c) 15%
 - (d) 20%
59. Which of the following is considered a direct tax in India?
- (a) Value Added Tax (VAT)
 - (b) Goods and Services Tax (GST)
 - (c) Income Tax
 - (d) Customs duty
60. What is the maximum limit for deduction under Section 80C for individuals and HUFs?
- (a) ₹1,00,000
 - (b) ₹1,50,000
 - (c) ₹2,00,000
 - (d) ₹2,50,000
61. Which income tax return form is applicable to a taxpayer having income from business or profession?
- (a) ITR-2
 - (b) ITR-3
 - (c) ITR-4 (Sugam)
 - (d) ITR-5
62. What is the penalty for not filing income tax returns by the due date, without reasonable cause?
- (a) ₹1,000
 - (b) ₹5,000
 - (c) ₹10,000
 - (d) ₹20,000
63. In India, which category of taxpayers is eligible for presumptive taxation under Section 44AD?
- (a) Individuals
 - (b) Companies
 - (c) Partnership firms
 - (d) Resident individuals below 60 years
64. What is the time limit for completing the assessment under Section 143(3) of the Income Tax Act?
- (a) 6 months from the end of the financial year
 - (b) 9 months from the end of the financial year
 - (c) 12 months from the end of the financial year
 - (d) 18 months from the end of the financial year
65. Under which section of the Income Tax Act is TDS (Tax Deducted at Source) covered?



- (a) Section 80C
- (b) Section 194A
- (c) Section 10
- (d) Section 44AB

66. What is the maximum limit for gratuity exemption from income tax under Section 10(10)?

- (a) ₹5,00,000
- (b) ₹10,00,000
- (c) ₹15,00,000
- (d) ₹20,00,000

67. Which tax form is used for filing income tax returns by companies in India?

- (a) ITR-5
- (b) ITR-6
- (c) ITR-7
- (d) ITR-8

68. Under which section of the Income Tax Act are gifts received by individuals taxed?

- (a) Section 56(2)(vii)
- (b) Section 10(14)
- (c) Section 80D
- (d) Section 44AD

69. What is the maximum limit for deduction under Section 80D for health insurance premiums paid for senior citizens?

- (a) ₹15,000
- (b) ₹20,000
- (c) ₹25,000
- (d) ₹30,000

70. Which income tax form is used by non-residents to file their returns in India?

- (a) ITR-1 (Sahaj)
- (b) ITR-2
- (c) ITR-3
- (d) ITR-7

71. In India, what is the tax treatment for agricultural income?

- (a) Fully taxable
- (b) Partially taxable
- (c) Exempt from tax
- (d) Taxed at a flat rate of 10%

72. Under which section of the Income Tax Act is the standard deduction allowed for salaried individuals?

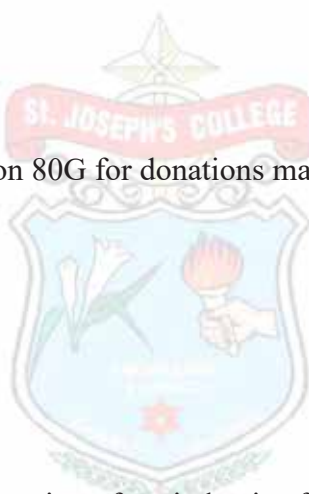
- (a) Section 10(14)
- (b) Section 16
- (c) Section 24
- (d) Section 80C

73. What is the penalty for late payment of advance tax in India?

- (a) 1% per month
- (b) 2% per month
- (c) 3% per month
- (d) 4% per month



74. Which form is used for filing income tax returns by charitable trusts in India?
- (a) ITR-5
 - (b) ITR-6
 - (c) ITR-7
 - (d) ITR-8
75. What is the tax rate for short-term capital gains on the sale of listed equity shares in India?
- (a) 5%
 - (b) 10%
 - (c) 15%
 - (d) 20%
76. Which section of the Income Tax Act deals with the treatment of house property income?
- (a) Section 80C
 - (b) Section 24
 - (c) Section 44AB
 - (d) Section 56
77. Under which section of the Income Tax Act is the HRA (House Rent Allowance) exempt?
- (a) Section 80C
 - (b) Section 10(13A)
 - (c) Section 44AB
 - (d) Section 56
78. What is the maximum limit for deduction under Section 80G for donations made to certain funds and charitable institutions?
- (a) 50% of gross total income
 - (b) 75% of gross total income
 - (c) 80% of gross total income
 - (d) 100% of gross total income
79. Which section of the Income Tax Act deals with the taxation of capital gains from the sale of a residential property?
- (a) Section 80C
 - (b) Section 24
 - (c) Section 54
 - (d) Section 44AB
80. What is the maximum limit for deduction under Section 80E for interest on education loans?
- (a) ₹20,000
 - (b) ₹30,000
 - (c) ₹40,000
 - (d) No maximum limit
81. Which form is used by a taxpayer who has income from business and profession and wants to opt for presumptive taxation under Section 44ADA?
- (a) ITR-2
 - (b) ITR-3
 - (c) ITR-4 (Sugam)
 - (d) ITR-4
82. Under which section of the Income Tax Act is the clubbing of income provisions applicable?
- (a) Section 10(14)



- (b) Section 64
- (c) Section 80C
- (d) Section 44AD

83. What is the maximum limit for deduction under Section 80CCD(1B) for contributions to the National Pension Scheme (NPS)?

- (a) ₹50,000
- (b) ₹1,00,000
- (c) ₹1,50,000
- (d) ₹2,00,000

84. Which income tax form is used by individuals and HUFs not having income from business or profession?

- (a) ITR-1 (Sahaj)
- (b) ITR-2
- (c) ITR-3
- (d) ITR-4 (Sugam)

85. What is the tax rate for income from winnings from lotteries, crossword puzzles, and horse races?

- (a) 20%
- (b) 25%
- (c) 30%
- (d) 35%

86. Under which section of the Income Tax Act is the exemption for leave travel allowance (LTA) provided?

- (a) Section 10(14)
- (b) Section 44AB
- (c) Section 56
- (d) Section 80D

87. What is the tax rate for income from dividends received from domestic companies in India?

- (a) 5%
- (b) 10%
- (c) 15%
- (d) 20%

88. Which section of the Income Tax Act provides for the carry-forward and set-off of losses?

- (a) Section 56
- (b) Section 80C
- (c) Section 70
- (d) Section 10(14)

89. What is the tax rate for income from winning game shows, crosswords, and puzzles?

- (a) 20%
- (b) 25%
- (c) 30%
- (d) 35%

90. Under which section of the Income Tax Act is the deduction for interest on loans taken for higher education available?

- (a) Section 10(14)
- (b) Section 24
- (c) Section 80E



(d) Section 56

91. What is the tax rate for income from interest on securities like debentures and bonds?

- (a) 10%
- (b) 15%
- (c) 20%
- (d) 30%

92. Which income tax form is used for filing returns by a taxpayer who is a partner in a partnership firm?

- (a) ITR-2
- (b) ITR-3
- (c) ITR-4 (Sugam)
- (d) ITR-5

93. What is the maximum limit for deduction under Section 80D for health insurance premiums paid for senior citizens (including parents)?

- (a) ₹20,000
- (b) ₹25,000
- (c) ₹30,000
- (d) ₹50,000

94. Under which section of the Income Tax Act are gains from the sale of a residential property exempt if invested in specified bonds?

- (a) Section 54
- (b) Section 10(14)
- (c) Section 44AD
- (d) Section 80C

95. What is the tax rate for income from short-term capital gains on the sale of debt-oriented mutual funds?

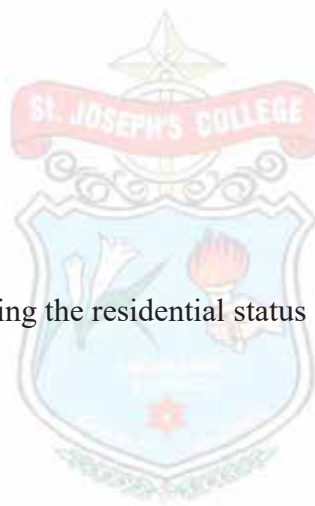
- (a) 10%
- (b) 15%
- (c) 20%
- (d) 30%

ANSWERS

1.d, 2.c, 3.a, 4.b, 5.a, 6.b, 7.d, 8.a, 9.a, 10.b, 11.c, 12.b, 13.c, 14.b, 15.a, 16.d, 17.c, 18.d, 19.b, 20.b, 21.a, 22.a, 23.c, 24.a, 25.b, 26.d, 27.b, 28.a, 29.b, 30.b, 31.a, 32.b, 33.a, 34.b, 35.b, 36.d, 37.a, 38.c, 39.b, 40.b, 41.c, 42.a, 43.c, 44.c, 45.a, 46.a, 47.a, 48.c, 49.a, 50.b, 51.b, 52.d, 53.b, 54.a, 55.b, 56.d, 57.d, 58.a, 59.c, 60.b, 61.b, 62.b, 63.c, 64.c, 65.b, 66.b, 67.b, 68.a, 69.c, 70.d, 71.c, 72.b, 73.b, 74.c, 75.d, 76.b, 77.b, 78.d, 79.c, 80.d, 81.d, 82.c, 83.a, 84.a, 85.c, 86.a, 87.a, 88.c, 89.c, 90.c, 91.b, 92.b, 93.d, 94.a, 95.d

UNIT II
BASIS OF CHARGES, RESIDENCE AND TAX LIABILITY

1. What is residential status in income tax terms?
 - (a) Citizenship
 - (b) Domicile
 - (c) Residence
 - (d) Nationality
2. How is residential status determined for an individual taxpayer in India?
 - (a) Citizenship
 - (b) Physical presence
 - (c) Employment status
 - (d) Educational qualifications
3. What is the residential status of an individual who stays in India for 120 days in a financial year?
 - (a) Non-resident
 - (b) Resident but not ordinarily resident
 - (c) Resident and ordinarily resident
 - (d) Resident, but only for tax purposes
4. In India, for how many days should an individual be present to qualify as a resident for tax purposes?
 - (a) 180 days
 - (b) 182 days
 - (c) 183 days
 - (d) 185 days
5. Which of the following is NOT a criterion for determining the residential status of an individual in India?
 - (a) Place of birth
 - (b) Citizenship
 - (c) Stay in India
 - (d) Incidence of income
6. What is the residential status of a person who is an Indian citizen working abroad?
 - (a) Non-resident
 - (b) Resident but not ordinarily resident
 - (c) Resident and ordinarily resident
 - (d) Resident, but only for tax purposes
7. In the case of a Hindu Undivided Family (HUF), residential status is determined based on the residence of:
 - (a) Karta
 - (b) Co-parceners
 - (c) Any family member
 - (d) Senior-most member
8. What is the residential status of a company in India?
 - (a) Non-resident
 - (b) Resident but not ordinarily resident
 - (c) Resident and ordinarily resident
 - (d) Resident, but only for tax purposes
9. Which of the following is NOT considered when determining the residential status of a company?



- (a) Place of incorporation
- (b) Place of control and management
- (c) Nationality of directors
- (d) Place of registered office

10. Under what circumstances can an individual be considered a "Resident and Ordinarily Resident" in India?

- (a) Being a citizen of India
- (b) Presence in India for 182 days or more
- (c) Presence in India for 60 days or more in the current year and 365 days or more in the preceding four years
- (d) Employment with a government organization

11. Which of the following is considered an exempted income under the Income Tax Act?

- (a) Salary
- (b) Dividends
- (c) Agricultural income
- (d) Business income

12. Interest earned on PPF (Public Provident Fund) is:

- (a) Taxable
- (b) Exempted
- (c) Partially taxable
- (d) Deductible

13. Gifts received from relatives are:

- (a) Taxable
- (b) Exempted
- (c) Partially taxable
- (d) Deductible



14. Income from life insurance policies is exempted under Section:

- (a) 80C
- (b) 10(10D)
- (c) 80D
- (d) 10A

15. Which of the following is exempted from tax as per the Income Tax Act?

- (a) Rental income
- (b) Dividend income
- (c) Capital gains from sale of agricultural land
- (d) Business income

16. The interest earned on savings account up to what amount is exempted from tax for individuals?

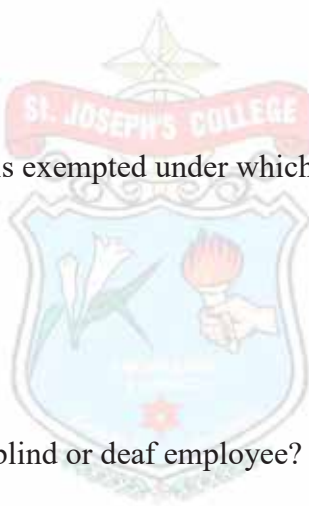
- (a) ₹2,500
- (b) ₹5,000
- (c) ₹10,000
- (d) ₹15,000

17. Which of the following is not considered an exempted income?

- (a) HRA (House Rent Allowance)
- (b) Gratuity
- (c) Leave Travel Allowance (LTA)
- (d) Scholarships

18. Long-term capital gains on the sale of listed equity shares and equity-oriented mutual funds are exempted if:
- (a) Securities Transaction Tax (STT) is paid
 - (b) Holding period is more than 12 months
 - (c) Both a and b
 - (d) None of the above
19. Which of the following is considered an exempted income for a senior citizen in India?
- (a) Dividend income
 - (b) Pension received from former employer
 - (c) Income from business
 - (d) Rental income
20. Interest income from savings bank account with a cooperative bank is exempted up to:
- (a) ₹5,000
 - (b) ₹10,000
 - (c) ₹15,000
 - (d) ₹20,000
21. Exemption on house rent allowance (HRA) is available if:
- (a) The employee owns a house in the city of employment
 - (b) The employee pays rent for a residential accommodation
 - (c) The employee resides in a company-provided accommodation
 - (d) Both b and c
22. Agricultural income is exempted from tax under which section of the Income Tax Act?
- (a) Section 10(1)
 - (b) Section 10(2)
 - (c) Section 10(3)
 - (d) Section 10(4)
23. Which of the following is exempted under the Income Tax Act as a perquisite for employees?
- (a) Rent-free accommodation provided by the employer
 - (b) Medical reimbursement
 - (c) Bonus
 - (d) Salary
24. Exemption on interest income from notified bonds is available under which section?
- (a) Section 10(1)
 - (b) Section 10(2)
 - (c) Section 10(15)
 - (d) Section 10(32)
25. Which of the following allowances is exempted from tax for salaried individuals?
- (a) Dearness Allowance (DA)
 - (b) House Rent Allowance (HRA)
 - (c) Special Allowance
 - (d) All of the above
26. Exemption on leave travel allowance (LTA) is available for how many journeys in a block of four years?
- (a) One
 - (b) Two
 - (c) Three
 - (d) Four

27. What is the exemption limit for gratuity received by an employee?
- (a) ₹5 lakhs
 - (b) ₹10 lakhs
 - (c) ₹15 lakhs
 - (d) ₹20 lakhs
28. Exemption on the sale of agricultural land is available if the land is situated:
- (a) Within municipal limits
 - (b) Outside municipal limits
 - (c) Within the state
 - (d) Outside the state
29. Income from investments in the Senior Citizens Savings Scheme (SCSS) is exempted up to:
- (a) ₹1 lakh
 - (b) ₹2 lakhs
 - (c) ₹3 lakhs
 - (d) ₹5 lakhs
30. Exemption on interest income from savings bank account is available under which section?
- (a) Section 10(1)
 - (b) Section 10(2)
 - (c) Section 10(15)
 - (d) Section 10(32)
31. Dividend income received from a domestic company is exempted under which section?
- (a) Section 10(33)
 - (b) Section 10(34)
 - (c) Section 10(35)
 - (d) Section 10(36)
32. Which of the following allowances is exempted for a blind or deaf employee?
- (a) Special Allowance
 - (b) Travel Allowance
 - (c) Conveyance Allowance
 - (d) Transport Allowance
33. Exemption on interest income from notified infrastructure bonds is available under which section?
- (a) Section 10(1)
 - (b) Section 10(2)
 - (c) Section 10(15)
 - (d) Section 10(47)
34. Exemption on interest income from notified bonds is available under which section?
- (a) Section 10(1)
 - (b) Section 10(2)
 - (c) Section 10(15)
 - (d) Section 10(32)
35. What is the basic exemption limit for individual taxpayers below 60 years in India for the assessment year 2023-24?
- (a) ₹2,50,000
 - (b) ₹3,00,000
 - (c) ₹3,50,000
 - (d) ₹4,00,000

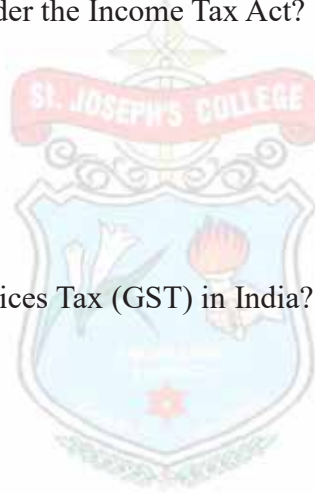


36. Which tax is levied on the income earned by a company in India?
- (a) Income Tax
 - (b) Corporate Tax
 - (c) Goods and Services Tax (GST)
 - (d) Wealth Tax
37. What is the standard rate of Goods and Services Tax (GST) in India as of 2023?
- (a) 12%
 - (b) 15%
 - (c) 18%
 - (d) 20%
38. Which income is not taxable under the Income Tax Act, 1961?
- (a) Salary
 - (b) Capital Gains
 - (c) Agricultural Income
 - (d) House Property Income
39. What is the maximum allowable deduction under Section 80C of the Income Tax Act?
- (a) ₹1,00,000
 - (b) ₹1,50,000
 - (c) ₹2,00,000
 - (d) ₹2,50,000
40. In which year was the Goods and Services Tax (GST) introduced in India?
- (a) 2014
 - (b) 2015
 - (c) 2016
 - (d) 2017
40. What is the long-term capital gains tax rate for individuals on the sale of listed equity shares?
- (a) 10%
 - (b) 15%
 - (c) 20%
 - (d) 25%
41. Under which section of the Income Tax Act, 1961, is house rent allowance (HRA) exempt?
- (a) Section 10(13A)
 - (b) Section 80C
 - (c) Section 24(b)
 - (d) Section 56(2)(x)
42. What is the penalty for not filing income tax return by the due date?
- (a) 1% per month of tax due
 - (b) 2% per month of tax due
 - (c) 5% per month of tax due
 - (d) 10% per month of tax due
42. Which form is used for filing income tax returns by individuals with income from salary and interest?
- (a) ITR-1 (Sahaj)
 - (b) ITR-2
 - (c) ITR-3



(d) ITR-4 (Sugam)

43. What is the maximum deduction allowed for medical insurance premium paid for senior citizens under Section 80D?
- (a) ₹15,000
 - (b) ₹20,000
 - (c) ₹25,000
 - (d) ₹30,000
44. Which tax is levied on the income of a partnership firm in India?
- (a) Income Tax
 - (b) Corporate Tax
 - (c) Partnership Tax
 - (d) None of the above
45. Under Section 54 of the Income Tax Act, what is the time limit to invest in a residential property to claim exemption on capital gains arising from the sale of a house property?
- a) 6 months
 - b) 1 year
 - c) 2 years
 - d) 3 years
46. What is the maximum limit for gratuity exemption under the Income Tax Act?
- (a) ₹5,00,000
 - (b) ₹10,00,000
 - (c) ₹15,00,000
 - (d) ₹20,00,000
47. Which tax is not subsumed under the Goods and Services Tax (GST) in India?
- (a) Service Tax
 - (b) Value Added Tax (VAT)
 - (c) Excise Duty
 - (d) Wealth Tax
48. What is the maximum limit for deduction under Section 80G for donations made to certain charitable institutions?
- (a) 50% of the donation amount
 - (b) 75% of the donation amount
 - (c) 80% of the donation amount
 - (d) 100% of the donation amount
49. What is the rate of TDS on professional fees as per the Income Tax Act?
- (a) 5%
 - (b) 10%
 - (c) 15%
 - (d) 20%
49. Under Section 80CCD, what is the maximum limit for deduction on contributions to the National Pension System (NPS)?
- (a) 10% of salary
 - (b) 20% of gross total income
 - (c) ₹1,50,000
 - (d) ₹2,00,000
50. Which form is used for filing income tax returns by businesses other than LLPs?
- (a) ITR-1 (Sahaj)



- (b) ITR-2
(c) ITR-3
(d) ITR-4 (Sugam)
50. What is the tax rate for income from short-term capital gains on the sale of listed equity shares?
(a) 5%
(b) 10%
(c) 15%
(d) 20%
51. Under which section of the Income Tax Act, 1961, are capital gains from the sale of agricultural land exempt?
(a) Section 54F
(b) Section 10(37)
(c) Section 54EC
(d) Section 10(1)
52. What is the tax rate for income from winnings from lotteries, crossword puzzles, and horse races?
(a) 10%
(b) 20%
(c) 30%
(d) 40%
53. Under Section 80E, what is the deduction available for interest paid on an education loan?
(a) ₹50,000
(b) ₹1,00,000
(c) ₹1,50,000
(d) No limit
54. What is the maximum limit for deduction under Section 80CCG (Rajiv Gandhi equality savings scheme) for a financial year?
(a) ₹25,000
(b) ₹50,000
(c) ₹75,000
(d) ₹1,00,000
55. Which tax authority is responsible for administering the Goods and Services Tax (GST) in India?
(a) Central Board of Direct Taxes (CBDT)
(b) Reserve Bank of India (RBI)
(c) Goods and Services Tax Network (GSTN)
(d) Securities and Exchange Board of India (SEBI)
56. What is the maximum limit for the deduction under Section 80D for health insurance premium paid for senior citizens (above 60 years)?
(a) ₹20,000
(b) ₹30,000
(c) ₹40,000
(d) ₹50,000
57. Which tax is levied on the transfer of a capital asset other than agricultural land in India?
(a) Capital Gains Tax
(b) Securities Transaction Tax (STT)
(c) Commodities Transaction Tax (CTT)
(d) Goods and Services Tax (GST)

58. Under Section 10(14) of the Income Tax Act, what is the exemption limit for house rent allowance (HRA) for non-metro cities?

- (a) 40% of salary
- (b) 45% of salary
- (c) 50% of salary
- (d) 60% of salary

59. What is the tax rate for income from long-term capital gains on the sale of listed equality shares with Securities Transaction Tax (STT) paid?

- (a) 5%
- (b) 10%
- (c) 15%
- (d) 20%

60. Which tax form is used for filing income tax returns by Limited Liability Partnerships (LLPs)?

- (a) ITR-5
- (b) ITR-6
- (c) ITR-7
- (d) ITR-8

61. What does "total income" refer to in taxation?

- (a) Income from employment
- (b) Income from business or profession
- (c) Sum of all incomes earned during a financial year
- (d) Only rental income

62. Which of the following is included in the scope of total income?

- (a) Gifts received from relatives
- (b) Winning a lottery
- (c) Interest earned on savings account
- (d) Proceeds from the sale of agricultural land

63. Income earned from salary is categorized under which head of income?

- (a) Capital gains
- (b) Other sources
- (c) Salary income
- (d) Business income

64. What is the primary source of income for a salaried individual?

- (a) Business
- (b) Salary
- (c) Agriculture
- (d) Capital gains

65. Income earned from business or profession is reported under which head?

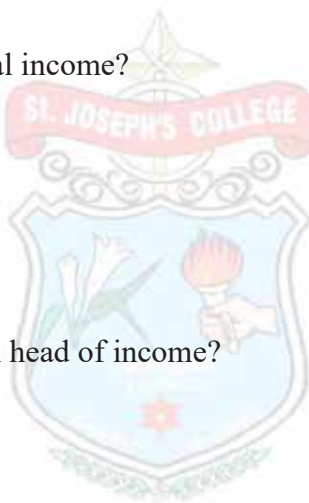
- (a) Capital gains
- (b) Other sources
- (c) Business or profession
- (d) Salary income

66. Which of the following is considered a taxable income source?

- (a) Gifts from friends
- (b) Inheritance
- (c) Dividend income
- (d) Scholarships

67. What is the treatment of agricultural income for tax purposes?

- (a) Fully taxable
- (b) Partially taxable
- (c) Exempt from tax



(d) Taxed at a reduced rate

68. Rental income is reported under which head of income?

- (a) Capital gains
- (b) Other sources
- (c) House property
- (d) Business or profession

69. Which type of income is exempt from tax in most jurisdictions?

- (a) Salary income
- (b) Capital gains
- (c) Agricultural income
- (d) Business income

70. What is the duration for which the total income is computed for taxation purposes?

- (a) Calendar year
- (b) Financial year
- (c) Rolling year
- (d) Tax year

71. Income earned from the sale of shares is categorized as:

- (a) Business income
- (b) Salary income
- (c) Capital gains
- (d) Other sources

72. What is the tax treatment of income earned from dividends?

- (a) Fully exempt
- (b) Partially taxable
- (c) Fully taxable
- (d) Taxed at a reduced rate

73. Which form is used to file income tax returns for individuals?

- (a) ITR-1
- (b) ITR-2
- (c) ITR-3
- (d) ITR-4

74. What is the concept of Gross Total Income?

- (a) Total income before deductions
- (b) Total income after deductions
- (c) Income after tax
- (d) Income before tax

75. Income from house property includes:

- (a) Rent from residential property
- (b) Income from agricultural land
- (c) Dividend income
- (d) Salary income

76. In which section of the Income Tax Act is the concept of total income defined?

- (a) Section 10
- (b) Section 80C
- (c) Section 2(45)
- (d) Section 139

77. Income earned from professional fees is categorized under:



- (a) Business or profession
 - (b) Salary income
 - (c) Capital gains
 - (d) Other sources
78. What is the tax treatment of long-term capital gains on the sale of a house property?
- (a) Fully exempt
 - (b) Partially taxable
 - (c) Fully taxable
 - (d) Taxed at a reduced rate
79. Which income is not included in the computation of total income?
- (a) Salary income
 - (b) Agricultural income
 - (c) Business income
 - (d) Rental income
80. What is the significance of the assessment year in income tax?
- (a) The year in which income is earned
 - (b) The year in which tax is paid
 - (c) The year following the financial year in which income is earned
 - (d) The year following the assessment year
81. Income earned from freelance writing is categorized under:
- (a) Business or profession
 - (b) Salary income
 - (c) Capital gains
 - (d) Other sources
82. What is the tax treatment of short-term capital gains on the sale of securities?
- (a) Fully exempt
 - (b) Partially taxable
 - (c) Fully taxable
 - (d) Taxed at a reduced rate
83. Income tax return forms vary based on:
- (a) Total income
 - (b) Residential status
 - (c) Age of the taxpayer
 - (d) All of the above
84. What is the tax treatment of income earned from interest on savings account?
- (a) Fully exempt
 - (b) Partially taxable
 - (c) Fully taxable
 - (d) Taxed at a reduced rate
85. Under which head of income would you report income from winning a game show?
- (a) Business or profession
 - (b) Salary income
 - (c) Capital gains
 - (d) Other sources
86. What is the tax treatment of gifts received from relatives?
- (a) Fully exempt
 - (b) Partially taxable
 - (c) Fully taxable
 - (d) Taxed at a reduced rate



87. Which document summarizes the details of an individual's income, deductions, and tax liability?

- (a) Salary slip
- (b) Income tax return
- (c) Bank statement
- (d) Employment contract

88. What is the significance of deductions in computing taxable income?

- (a) They reduce the tax liability
- (b) They increase the tax liability
- (c) They have no impact on tax liability
- (b) They only apply to business income

89. What is the tax treatment of income earned from a savings bond?

- (a) Fully exempt
- (b) Partially taxable
- (c) Fully taxable
- (d) Taxed at a reduced rate

90. Which type of income is subject to tax deducted at source (TDS) in most jurisdictions?

- (a) Agricultural income
- (b) Salary income
- (c) Business income
- (d) Rental income

ANSWERS

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

UNIT III
INCOME FROM SALARY

ONE MARK QUESTIONS:

1. Salary received by a member of parliament is.....
 - (a) Taxable as salary income
 - (b) Exempt from tax
 - (c) Taxable as income from other sources
 - (d) None of these
2. Which of the following is an exempted salary?
 - (a) Payment by employer in kind
 - (b) Salary from former employer
 - (c) Salary received by UNO
 - (d) Leave salary
3. Exemption for House rent allowance is determined by.....
 - (a) Rule 24C
 - (b) Sec.80C
 - (c) Rule 2A
 - (d) Sec.91
4. Exempted limit of HRA in metropolitan cities is.....
 - (a) 50% of salary
 - (b) 40% of salary
 - (c) 15% of salary
 - (d) None of these
5. Exempted limit of HRA in non metropolitan cities is.....
 - (a) 40% of salary
 - (b) 50% of salary
 - (c) 15% of salary
 - (d) 7.5% of salary
6. Children education allowance is exempted upto.....
 - (a) Rs. 200 p.m. per child
 - (b) Rs. 300 p.m. per child
 - (c) Rs. 100 p.m. per child
 - (d) Rs. 400 p.m. per child
7. Perk is.....
 - (a) Cash paid by employer to employee
 - (b) Facility provided by employer to employee
 - (c) Amount credited to employee's account
 - (d) None of these
8. Perquisites provided to Govt. Employees posted abroad are.....
 - (a) Fully taxable
 - (b) Fully exempted
 - (c) Taxable upto 15% of employees salary
 - (d) Taxable upto 7.5% of salary
9. Interest on RPF balance is exempted upto.....
 - (a) 9.75%
 - (b) 9.5%
 - (c) 10%
 - (d) 12%



10. Employer's contribution to RPF is exempted upto.....
- (a) 10% of salary
 - (b) 13% of salary
 - (c) 12% salary
 - (d) 11% of salary
11. Death cum Retirement Gratuity paid to a government employee is.....
- (a) Fully taxable
 - (b) Partially taxable
 - (c) Fully exempted
 - (d) Government pays the tax
12. Maximum deduction of entertainment allowance in case of govt. employee u/s 16(ii) is.....
- (a) Rs. 7,500
 - (b) Rs. 5,000
 - (c) 15% of employee's salary
 - (d) 25% of employee's salary.
13. Fringe benefits are taxable in the hands of.....
- (a) All the employees
 - (b) if employer is subject to FBT
 - (c) If employer is not subject to FBT
 - (d) None of these
14. Statutory limit of exemption of leave encashment is.....
- (a) Rs.3,50,000
 - (b) Rs.3,00,000
 - (c) Rs. 5,00,000
 - (d) Rs. 2,50,000
15. What is the definition of "Salary" under the Income Tax Act, 1961?
- (a) Any payment received by an employee
 - (b) Any remuneration received for services rendered
 - (c) Both A and B
 - (d) None of the above
16. Which of the following is not considered as a part of salary for tax purposes?
- (a) Basic Salary
 - (b) House Rent Allowance (HRA)
 - (c) Mobile phone reimbursement
 - (d) Conveyance Allowance
17. Under which section of the Income Tax Act are salaries taxed?
- (a) Section 10
 - (b) Section 15
 - (c) Section 17
 - (d) Section 22
18. What is the maximum deduction allowed for House Rent Allowance (HRA)?
- (a) Actual HRA received
 - (b) 50% of salary (metro cities) / 40% of salary (non-metro cities)
 - (c) 25% of salary
 - (d) Rs. 10,000 per month
19. Which of the following is exempt from tax under Section 10 of the Income Tax Act?
- (a) Professional Tax

- (b) Entertainment Allowance
- (c) Leave Travel Allowance (LTA)
- (d) Overtime Allowance

20. What is the maximum deduction allowed for standard deduction for salaried individuals?

- (a) Rs. 40,000
- (b) Rs. 50,000
- (c) Rs. 30,000
- (d) Rs. 10,000

21. Under which head of income are salary income and pension income taxed?

- (a) Income from House Property
- (b) Income from Other Sources
- (c) Income from Business or Profession
- (d) Income from Salaries

22. Which form is used to file income tax returns for salaried individuals?

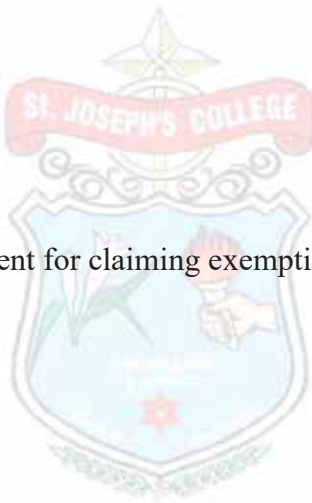
- (a) ITR-1 (Sahaj)
- (b) ITR-2
- (c) ITR-3
- (d) ITR-4

23. What is the tax treatment of Gratuity received by an employee?

- (a) Fully taxable
- (b) Partially taxable
- (c) Fully exempt up to a certain limit
- (d) Non-taxable

24. What is the time limit for submitting proof of investment for claiming exemptions?

- (a) Before the end of the financial year
- (b) Within 15 days of the end of the financial year
- (c) Before the due date of filing income tax return
- (d) Anytime during the assessment year



25. Which allowance is specifically provided to meet the expenses on uniforms for government employees?

- (a) Children Education Allowance
- (b) Conveyance Allowance
- (c) Dress Allowance
- (d) City Compensatory Allowance

26. What is the tax treatment of perquisites provided by the employer?

- (a) Fully taxable
- (b) Partially taxable
- (c) Fully exempt
- (d) Non-taxable

27. What is the standard rate of TDS (Tax Deducted at Source) on salary income?

- (a) 10%
- (b) 20%
- (c) 30%
- (d) As per the applicable income tax slab

28. Which of the following is not a perquisite under the Income Tax Act?

- (a) Rent-free accommodation
- (b) Free meals provided during office hours
- (c) Interest-free loan

(d) Bonus received

29. What is the tax treatment of leave encashment received by an employee?

- (a) Fully taxable
- (b) Partially taxable
- (c) Fully exempt
- (d) Non-taxable

30. Which section deals with the taxation of salary income for non-resident individuals?

- (a) Section 10
- (b) Section 15
- (c) Section 9
- (d) Section 22

31. What is the maximum deduction allowed for children education allowance?

- (a) Rs. 1,000 per month per child
- (b) Rs. 2,000 per month per child
- (c) Rs. 2,500 per month per child
- (d) Rs. 3,000 per month per child

32. Which of the following is not included in the definition of salary for tax purposes?

- (a) Bonus
- (b) Commission
- (c) Pension
- (d) Dividends

33. In case of a taxpayer having income only from salary and interest, which ITR form should be used?

- (a) ITR-1 (Sahaj)
- (b) ITR-2
- (c) ITR-3
- (d) ITR-4

34. What is the maximum deduction allowed for medical reimbursement?

- (a) Rs. 15,000
- (b) Rs. 20,000
- (c) Rs. 25,000
- (d) Rs. 30,000

35. Under which section are arrears of salary taxed?

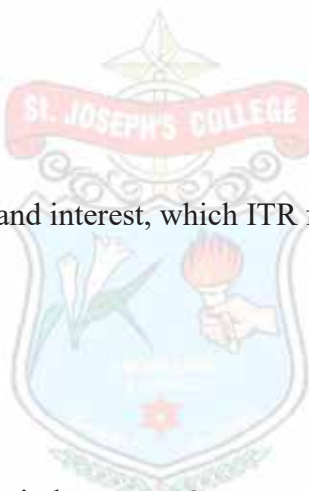
- (a) Section 10
- (b) Section 15
- (c) Section 17
- (d) Section 89

36. Which of the following allowances is exempt from tax for reimbursement of expenses incurred on official duties?

- (a) House Rent Allowance (HRA)
- (b) Dearness Allowance (DA)
- (c) Travel Allowance
- (d) Medical Allowance

37. What is the maximum exemption limit for transport allowance?

- (a) Rs. 800 per month
- (b) Rs. 1,600 per month
- (c) Rs. 3,200 per month
- (d) Rs. 5,000 per month



38. What is the tax treatment of commuted pension received by a government employee?

- (a) Fully taxable
- (b) Partially taxable
- (c) Fully exempt
- (d) Non-taxable

39. Which of the following is not considered as a perquisite for tax purposes?

- (a) Rent-free accommodation
- (b) Interest-free loan
- (c) Medical reimbursement
- (d) Company car for official and personal use

41. What is the maximum deduction allowed for interest on a loan taken for higher education?

- (a) Rs. 30,000
- (b) Rs. 40,000
- (c) Rs. 50,000
- (d) Rs. 1,00,000

42. Which section deals with the tax treatment of gifts received by an employee from the employer?

- (a) Section 10
- (b) Section 15
- (c) Section 17
- (d) Section 56

43. What is the maximum deduction allowed for expenses on the treatment of specified diseases?

- (a) Rs. 40,000
- (b) Rs. 50,000
- (c) Rs. 60,000
- (d) Rs. 80,000



43. Which of the following is not included in the definition of perquisites for tax purposes?

- (a) Rent-free accommodation
- (b) Company car for official and personal use
- (c) Free meals provided during office hours
- (d) Bonus received

44. Under which section are contributions to the Public Provident Fund (PPF) exempt from tax?

- (a) Section 10
- (b) Section 80C
- (c) Section 80D
- (d) Section 80G

45. What is the maximum deduction allowed for premiums paid on health insurance policies?

- (a) Rs. 15,000
- (b) Rs. 20,000
- (c) Rs. 25,000
- (d) Rs. 30,000

46. Which of the following allowances is exempt from tax for meeting hostel expenditure on children?

- (a) House Rent Allowance (HRA)
- (b) Children Education Allowance

- (c) Transport Allowance
- (d) Dearness Allowance (DA)

47. What is the maximum deduction allowed for interest on a loan taken for the construction of a self-occupied house property?

- (a) Rs. 1,50,000
- (b) Rs. 2,00,000
- (c) Rs. 2,50,000
- (d) Rs. 3,00,000

48. Under which section are bonuses received by employees taxed?

- (a) Section 10
- (b) Section 15
- (c) Section 17
- (d) Section 56

49. What is the maximum deduction allowed for premiums paid on life insurance policies?

- (a) Rs. 50,000
- (b) Rs. 1,00,000
- (c) Rs. 1,50,000
- (d) Rs. 2,00,000

50. Which of the following allowances is exempt from tax for meeting the cost of travel on tour or transfer?

- (a) House Rent Allowance (HRA)
- (b) Children Education Allowance
- (c) Travel Allowance
- (d) Dearness Allowance (DA)

51. What is the maximum deduction allowed for contributions to the National Pension scheme(NPS)?

- (a) Rs. 50,000
- (b)Rs. 1,00,000
- (c) Rs. 1,50,000
- (d)Rs. 2,00,000

52. Under which section are scholarships received by students exempt from tax?

- (a) Section 10
- (b) Section 56
- (c)Section 80C
- (d) Section 80G

52. What is the maximum deduction allowed for interest on a loan taken for the purchase of an electric vehicle?

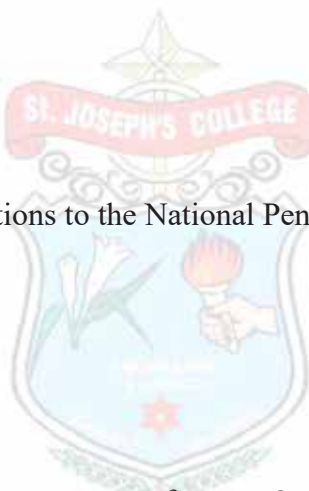
- (a) Rs. 1,50,000
- (b) Rs. 2,00,000
- (c) Rs. 2,50,000
- (d) Rs. 3,00,000

53. Which section deals with the tax treatment of compensation received by an employee on termination of employment?

- (a) Section 10
- (b) Section 15
- (c) Section 17
- (d) Section 56

54. What is the maximum deduction allowed for donations made to eligible charitable institutions?

- (a) 10% of gross total income
- (b) 20% of gross total income
- (c) 50% of gross total income
- (d) 100% of gross total income



56. Under which section are gains from Employee Stock Option Plans (ESOPs) taxed?
- (a) Section 10
 - (b) Section 15
 - (c) Section 17
 - (d) Section 56
57. What is the maximum deduction allowed for interest on a loan taken for the purchase of a residential property?
- (a) Rs. 1,50,000
 - (b) Rs. 2,00,000
 - (c) Rs. 2,50,000
 - (d) Rs. 3,00,000
58. Which of the following allowances is exempt from tax for the purchase of uniforms for government employees?
- (a) House Rent Allowance (HRA)
 - (b) Dress Allowance
 - (c) Travel Allowance
 - (d) City Compensatory Allowance
59. What is the maximum deduction allowed for interest on a loan taken for the purchase of a residential property by a first-time homebuyer?
- (a) Rs. 1,50,000
 - (b) Rs. 2,00,000
 - (c) Rs. 2,50,000
 - (d) Rs. 3,00,000
60. Under which section are gains from the transfer of a capital asset included in the salary income?
- (a) Section 10
 - (b) Section 15
 - (c) Section 17
 - (d) Section 56
61. What is the maximum deduction allowed for interest on a loan taken for the purchase of an affordable housing property?
- (a) Rs. 1,50,000
 - (b) Rs. 2,00,000
 - (c) Rs. 2,50,000
 - (d) Rs. 3,00,000
62. Which section deals with the tax treatment of arrears of salary received by an employee?
- (a) Section 10
 - (b) Section 15
 - (c) Section 1
63. What is the maximum deduction allowed for interest on a loan taken for the purchase of a commercial property?
- (a) Rs. 1,50,000
 - (b) Rs. 2,00,000
 - (c) Rs. 2,50,000
 - (d) Rs. 3,00,000
64. Under which section are gains from the transfer of a specified asset included in the salary income?
- (a) Section 10
 - (b) Section 15
 - (c) Section 17
 - (d) Section 56
65. What is the maximum deduction allowed for interest on a loan taken for the renovation

of a residential property?

- (a) Rs. 30,000
- (b) Rs. 40,000
- (c) Rs. 50,000
- (d) Rs. 1,00,000

66. What is gratuity

- (a) Bonus paid monthly
- (b) Retirement benefit paid by employers
- (c) Tax on employee income
- (d) Overtime pay

67. Which law governs the payment of gratuity in India?

- (a) Income Tax Act
- (b) Payment of Bonus Act
- (c) Payment of Gratuity Act
- (d) Employees' Provident Fund Act

68. How is the gratuity amount calculated in India?

- (a) Fixed percentage of basic salary
- (b) Last drawn salary multiplied by years of service
- (c) Lump sum amount set by the employer
- (d) Equal to the provident fund amount

69. Who is eligible to receive gratuity?

- (a) Only government employees
- (b) Only private sector employees
- (c) All employees, both public and private sector
- (d) Only employees with more than 20 years of service

70. When is an employee eligible for gratuity payment in India?

- (a) After completing one year of service
- (b) After completing three years of service
- (c) After completing five years of service
- (d) After completing ten years of service

71. Is gratuity taxable for the employee in India?

- (a) No, it is fully exempt
- (b) Yes, it is fully taxable
- (c) Partially taxable
- (d) Taxable only for government employees

72. Can an employer refuse to pay gratuity to an eligible employee?

- (a) Yes, if the company is facing financial difficulties
- (b) No, it is mandatory under the law
- (c) Yes, if the employee resigns before completing 5 years
- (d) No, unless the employee is terminated for misconduct

73. What is the maximum amount of gratuity that can be paid under the Payment of Gratuity Act in India?

- (a) ₹5 lakhs
- (b) ₹10 lakhs
- (c) ₹20 lakhs
- (d) There is no maximum limit

74. In case of an employee's death, who is eligible to receive the gratuity amount?



- (a) Only the legal heirs mentioned in the will
- (b) Only the spouse
- (c) Nominee or legal heirs
- (d) No one, as gratuity is forfeited upon death

75. Can an employee waive off their right to receive gratuity?

- (a) Yes, by signing a waiver document
- (b) No, it is a statutory right and cannot be waived
- (c) Yes, if the employer agrees
- (d) No, unless the employee resigns before completing 10 years

76. What is a pension?

- (a) A lump sum payment at retirement
- (b) Monthly financial assistance for unemployed individuals
- (c) Regular income paid during retirement
- (d) Bonus given annually

77. Who typically provides pensions to employees?

- (a) Insurance companies
- (b) Government
- (c) Trade unions
- (d) Charitable organizations

78. In a defined contribution pension plan, the pension amount is based on:

- (a) Number of years worked
- (b) Employee's salary at retirement
- (c) Contributions made and investment returns
- (d) Employer's discretion



79. What is a defined benefit pension plan?

- (a) Pension amount is based on contributions made
- (b) Pension amount is predetermined and guaranteed
- (c) Employees have control over their pension funds
- (d) Pension amount depends on the stock market

80. At what age do individuals typically become eligible to receive a pension?

- (a) 55 years
- (b) 60 years
- (c) 65 years
- (d) Varies by country and plan

81. What is a vesting period in a pension plan?

- (a) The period during which an employee contributes to the plan
- (b) The time it takes for pension funds to mature
- (c) The period during which an employee becomes entitled to the pension benefits
- (d) The waiting period before joining a pension plan

82. How is a lump sum pension different from an annuity?

- (a) Lump sum is paid monthly, while annuity is a one-time payment
- (b) Lump sum is a fixed amount, while annuity provides regular payments
- (c) Lump sum is received at retirement, while annuity is paid during working years
- (d) There is no difference; the terms are interchangeable

83. What is the purpose of a survivor's pension?

- (a) To provide additional income during retirement
- (b) To continue pension payments to the spouse after the employee's death

- (c) To compensate for pension fund losses
- (d) To fund the education of the employee's children

84. In which phase does the accumulation of pension funds take place in a pension plan?

- (a) Vesting phase
- (b) Distribution phase
- (c) Contribution phase
- (d) Payout phase

85. Can individuals contribute to their pension funds in a defined benefit plan?

- (a) Yes, they can contribute voluntarily
- (b) No, only the employer contributes
- (c) Yes, but the contributions do not affect the pension amount
- (d) No, it is against pension regulations

86. What is a perquisite in the context of income tax?

- (a) Deduction from salary
- (b) Additional benefit or allowance
- (c) Investment income
- (d) Capital gain

87. Which of the following is an example of a taxable perquisite?

- (a) Reimbursement of medical expenses
- (b) Employer-provided accommodation
- (c) Basic salary
- (d) Travel allowance

88. What is the purpose of providing a rebate in income tax?

- (a) To encourage savings
- (b) To discourage investment
- (c) To increase taxable income
- (d) To promote spending

89. Under which section of the Income Tax Act can an individual claim a rebate for investments in specific savings?

- (a) Section 80C
- (b) Section 10A
- (c) Section 40
- (d) Section 50D

90. Relief under income tax for senior citizens is provided under which section?

- (a) Section 80G
- (b) Section 87A
- (c) Section 60
- (d) Section 30

91. Which of the following is considered a tax-free perquisite for employees?

- (a) Provident Fund contributions
- (b) House Rent Allowance (HRA)
- (c) Overtime pay
- (d) Performance bonus

92. The conveyance allowance received by an employee is taxed as a perquisite. What does it cover?

- (a) Cost of transportation
- (b) Cost of housing
- (c) Cost of food
- (d) Cost of education



93. Under which section of the Income Tax Act is relief provided for medical expenses incurred by an individual or their family?
- (a) Section 80D
 - (b) Section 60C
 - (c) Section 70A
 - (d) Section 45B
94. What is the maximum limit for claiming a standard deduction for salaried individuals in the current assessment year?
- (a) ₹10,000
 - (b) ₹25,000
 - (c) ₹40,000
 - (d) ₹50,000
95. Which rebate is available to individual taxpayers having a total income of up to ₹5 lakh ?
- (a) Education cess
 - (b) Health and fitness rebate
 - (c) Agricultural income rebate
 - (d) Tax rebate under Section 87A
96. In the context of income tax, what does the term "exempt income" refer to?
- (a) Income subject to high tax rates
 - (b) Income not subject to tax
 - (c) Income from capital gains
 - (d) Income from business profits
97. What is the purpose of providing relief for agricultural income under the Income Tax Act?
- (a) To encourage agricultural investments
 - (b) To discourage farming
 - (c) To promote industrialization
 - (d) To increase tax revenue
98. Under which section can an individual claim relief for rent paid for accommodation?
- (a) Section 80G
 - (b) Section 10A
 - (c) Section 80GG
 - (d) Section 40
99. Which perquisite is specifically related to the use of a motor car by an employee?
- (a) Housing accommodation
 - (b) Conveyance allowance
 - (c) Motor car facility
 - (d) Travel allowance
100. The benefit received by an employee from an Employee Stock Option (ESOP) is taxed as a:
- (a) Perquisite
 - (b) Rebate
 - (c) Deduction
 - (d) Exemption
101. Under which section can an individual claim relief for interest paid on a home loan?
- (a) Section 80C
 - (b) Section 24(b)
 - (c) Section 80E
 - (d) Section 10A
102. Which of the following is not considered a perquisite for tax purposes?
- (a) Company-provided laptop

- (b) Employer-provided accommodation
- (c) Overtime pay
- (d) Reimbursement of medical expenses

103. Relief under income tax for donations made to charitable institutions is provided under which section?

- (a) Section 80D
- (b) Section 80G
- (c) Section 80E
- (d) Section 80C

104. What is the maximum limit for claiming a deduction under Section 80C for specified savings and investments?

- (a) ₹50,000
- (b) ₹1,00,000
- (c) ₹1,50,000
- (d) ₹2,00,000

105. Which rebate is available for individuals with a home loan for a self-occupied property?

- (a) Education cess rebate
- (b) Health insurance rebate
- (c) House Rent Allowance (HRA) rebate
- (d) Interest on home loan rebate

106. Deduction allowed against gross salary?

- (a) Income tax
- (b) Entertainment tax
- (c) Professional tax
- (d) Educational tax

107. Computation of income from salary section is.....

- (a) Sec 11-12
- (b) Sec 15-17
- (c) Sec 6-10
- (d) Sec 16-20

108. RPF full form in income tax.....

- (a) Reserve police force
- (b) Railway police force
- (c) Recognized provident fund
- (d) None of the above

109. Employer contribution to RPF is exempted upto

- (a) 12%
- (b) 9.5%
- (c) 19%
- (d) 10%

110. What is the maximum limit for deduction under Section 80C of the Income Tax Act for investments and expenses?

- (a) ₹1,00,000
- (b) ₹1,50,000
- (c) ₹2,00,000
- (d) ₹2,50,000

111. Which of the following deductions is specifically related to premiums paid for a life insurance policy?

- (a) Section 80D
- (b) Section 80G
- (c) Section 10(14)

(d) Section 80C

112. Under which section can an individual claim a deduction for the interest paid on a home loan?

- (a) Section 24
- (b) Section 80DD
- (c) Section 10(10D)
- (d) Section 80G

113. What is the maximum limit for the standard deduction for salaried individuals?

- (a) ₹20,000
- (b) ₹30,000
- (c) ₹40,000
- (d) ₹50,000

114. Which deduction is available for medical expenses incurred for senior citizens?

- (a) Section 80D
- (b) Section 80DD
- (c) Section 80DDB
- (d) Section 10(14)

115. Under which section can an individual claim a deduction for education loan interest?

- (a) Section 80C
- (b) Section 80E
- (c) Section 80DD
- (d) Section 10(14)

116. What is the maximum limit for the deduction available for rent paid under Section 80GG?

- (a) ₹24,000 per year
- (b) ₹60,000 per year
- (c) ₹1,00,000 per year
- (d) ₹2,00,000 per year

117. Which of the following allowances is fully taxable and not exempt?

- (a) House Rent Allowance (HRA)
- (b) Leave Travel Allowance (LTA)
- (c) Special Allowance
- (d) Dearness Allowance

118. Under which section can an individual claim a deduction for donations made to charitable institutions?

- (a) Section 80CCD
- (b) Section 80G
- (c) Section 10(14)
- (d) Section 80D

119. What is the maximum limit for the deduction available for medical insurance premium paid for self and family under Section 80D?

- (a) ₹15,000
- (b) ₹25,000
- (c) ₹30,000
- (d) ₹50,000

ANSWERS

1.b, 2.c, 3.c, 4.a, 5.a, 6.c, 7.b, 8.b, 9.b, 10.c, 11.c, 12.b, 13.d, 14.b, 15.c, 16.c, 17.b, 18.b, 19.c, 20.b, 21.d, 22.a, 23.c, 24.c, 25.c, 26.b, 27.d, 28.d, 29.b, 30.c, 31.c, 32.d, 33.a, 34.c, 35.d, 36.c, 37.d, 38.c, 39.c, 40.c, 41.c, 42.d, 43.b, 44.b, 45.c, 46.b, 47.a, 48.c, 49.c, 50.c, 51.a, 52.a, 53.c, 54.d, 55.a, 56.a, 57.d, 58.c, 59.c, 60.d, 61.d, 62.d, 63.a, 64.c, 65.d, 66.b, 67.c, 68.b, 69.c, 70.c, 71.c, 72.b, 73.d, 74.c, 75.b, 76.c, 77.b, 78.c, 79.b, 80.d, 81.c, 82.b, 83.b, 84.c, 85.b, 86.b, 87.b, 88.a, 89.a, 90.b, 91.a, 92.a, 93.a, 94.a, 95.d, 96.b, 96.b, 97.a, 98.c, 99.c, 100.a, 101.b, 102.c, 103.b, 104.c, 105.d, 106.c, 107.b, 108.c, 109.a, 110.b, 111.d, 112.a, 113.d, 114.c, 115.b, 116.a, 117.c, 118.b, 119.b

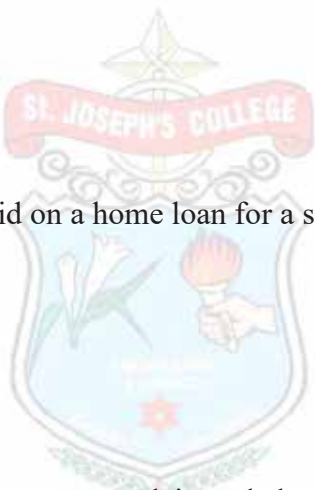
UNIT IV

INCOME FROM HOUSE PROPERTY

1. What is the primary source of income under the head "House Property" for taxation?
 - (a) Capital gains
 - (b) Rental income
 - (c) Business income
 - (d) Dividend income

 2. What is the standard deduction allowed on the annual value of a property under Section 24(a)?
 - (a) 10% of the annual value
 - (b) 20% of the annual value
 - (c) 30% of the annual value
 - (d) 40% of the annual value

 3. Which of the following is not considered a self-occupied property for tax purposes?
 - (a) House occupied by the owner
 - (b) House given on rent
 - (c) Vacant property
 - (d) House used for business purposes

 4. What does "annual value" of a property mean in the context of house property taxation?
 - (a) Total rent received
 - (b) Potential rent minus vacancy
 - (c) Rent received minus municipal taxes
 - (d) Gross rent minus standard deduction
- 
1. What is the maximum deduction allowed on interest paid on a home loan for a self-occupied property under Section 24(b)?
 - (a) Rs. 1,50,000
 - (b) Rs. 2,00,000
 - (c) Rs. 2,50,000
 - (d) No limit

 2. Under which section of the Income Tax Act, 1961, can a taxpayer claim a deduction for home loan interest?
 - (a) Section 80C
 - (b) Section 24(b)
 - (c) Section 10(14)
 - (d) Section 54

 3. What is the lock-in period for the new residential property purchased to claim a deduction under Section 54?
 - (a) 1 year
 - (b) 2 years
 - (c) 3 years
 - (d) 5 years

 4. Under Section 54EC, what is the maximum amount that can be invested in specified bonds to claim a deduction for long-term capital gains?
 - (a) Rs. 25 lakhs
 - (b) Rs. 50 lakhs
 - (c) Rs. 1 crore
 - (d) No limit

 5. What is the concept of "deemed ownership" in house property taxation?
 - (a) Ownership based on legal documents only
 - (b) Ownership based on actual possession
 - (c) Ownership by inheritance only
 - (d) Ownership based on usage

6. Can a taxpayer claim a deduction for the interest paid on a loan taken for the repair and renovation of a house property?
- (a) Yes, under Section 24(b)
 - (b) No, only principal repayment is deductible
 - (c) Yes, under Section 80C
 - (d) Only if the property is self-occupied
7. Under Section 80EEA, what is the maximum additional deduction available on interest paid for a home loan taken for the purchase of an affordable residential house?
- (a) Rs. 25,000
 - (b) Rs. 50,000
 - (c) Rs. 1,00,000
 - (d) Rs. 2,00,000
8. What is the maximum deduction allowed under Section 80C for the principal repayment of a home loan?
- (a) Rs. 1,50,000
 - (b) Rs. 2,00,000
 - (c) Rs. 2,50,000
 - (d) No specific limit
9. When is the capital gains from the sale of a residential property considered as long-term?
- (a) Held for more than 1 year
 - (b) Held for more than 2 years
 - (c) Held for more than 3 years
 - (d) Held for more than 5 years
10. Can a taxpayer claim a deduction under Section 54 if the capital gains are from the sale of a commercial property?
- (a) Yes
 - (b) No
 - (c) Only partial deduction allowed
 - (d) Depends on the usage of the property
16. What is the maximum loss that can be set off against other income under the head "income from house property" in the case of a self-occupied property?
- (a) Rs. 1,50,000
 - (b) Rs. 2,00,000
 - (c) Rs. 2,50,000
 - (d) No loss can be set off
17. Under Section 80EE, what is the maximum deduction available on interest paid for a home loan taken for the first-time purchase of a residential property?
- (a) Rs. 25,000
 - (b) Rs. 50,000
 - (c) Rs. 1,00,000
 - (d) Rs. 2,00,000
18. What is the maximum deduction allowed under Section 24(a) for self-occupied properties?
- (a) Rs. 10,000
 - (b) Rs. 30,000
 - (c) Rs. 50,000
 - (d) No deduction under Section 24(a)
19. Can a taxpayer claim a deduction under Section 80EEA for interest paid on a home loan for the purchase of an affordable residential house if the loan is taken from a relative?
- (a) Yes
 - (b) No
 - (c) Only if the relative is a blood relative
 - (d) Depends on the loan amount

21. What is the maximum deduction allowed under Section 80EEA for interest paid on a home loan for the purchase of an affordable residential house?
- (a) Rs. 25,000
 - (b) Rs. 50,000
 - (c) Rs. 1,00,000
 - (d) Rs. 1,50,000
22. Under Section 80C, what is the maximum deduction allowed for the stamp duty and registration charges paid for the purchase of a house?
- (a) Rs. 50,000
 - (b) Rs. 1,00,000
 - (c) Rs. 1,50,000
 - (d) Rs. 2,00,000
23. In case of a joint home loan, how is the deduction on home loan interest shared among co-owners?
- (a) Equally among all co-owners
 - (b) Based on their share in the loan
 - (c) Only one co-owner can claim the deduction
 - (d) No deduction allowed for joint home loans
24. Can a taxpayer claim a deduction under Section 80C for the principal repayment of a home loan on a property that is not self-occupied?
- (a) Yes, for any property
 - (b) Yes, but only for a residential property
 - (c) No, only interest is deductible
 - (d) No, there is no deduction for principal repayment
25. What is the maximum deduction allowed under Section 80CCB for interest paid on a loan taken for the purchase of an affordable residential property?
- (a) Rs. 25,000
 - (b) Rs. 50,000
 - (c) Rs. 1,00,000
 - (d) Rs. 2,00,000
26. Under Section 54F, what is the lock-in period for the new asset purchased to claim an exemption for capital gains on the sale of a non-residential property?
- (a) 1 year
 - (b) 2 years
 - (c) 3 years
 - (d) 5 years
27. What is the maximum deduction available under Section 54G for capital gains on the sale of an industrial park or special economic zone?
- (a) 50% of the capital gains
 - (b) 75% of the capital gains
 - (c) 100% of the capital gains
 - (d) No specific limit
28. Under Section 24(b), what type of home loan is eligible for a deduction on the interest paid?
- (a) Only loans from banks and financial institutions
 - (b) Loans from any lender, including relatives
 - (c) Only loans for residential properties
 - (d) Loans for both residential and commercial properties
29. What is the concept of "fair market rent" in the context of house property income?
- (a) Rent as per the agreement between the landlord and tenant
 - (b) Rent set by the municipal authorities
 - (c) Rent determined by the Income Tax Department
 - (d) Rent that a similar property can command in the open market

30. Can a taxpayer claim a deduction under Section 80C for the principal repayment of a home loan on a property that is self-occupied?
- (a) Yes, for any property
 - (b) Yes, but only for a residential property
 - (c) No, only interest is deductible
 - (d) No, there is no deduction for principal repayment
31. Under Section 80EE, what is the maximum deduction available on interest paid for a home loan taken for the first-time purchase of a residential property?
- (a) Rs. 25,000
 - (b) Rs. 50,000
 - (c) Rs. 1,00,000
 - (d) Rs. 2,00,000
32. Can a taxpayer claim a deduction under Section 24(b) for interest paid on a loan taken for the repair and renovation of a house property?
- (a) Yes
 - (b) No
 - (c) Only if the property is self-occupied
 - (d) Only if the repair is approved by the municipal authorities
33. Under Section 80C, what is the maximum deduction allowed for the principal repayment of a home loan?
- (a) Rs. 1,00,000
 - (b) Rs. 1,50,000
 - (c) Rs. 2,00,000
 - (d) Rs. 2,50,000
34. What is the maximum deduction allowed under Section 80EEA for interest paid on a home loan for the purchase of an affordable residential house?
- (a) Rs. 25,000
 - (b) Rs. 50,000
 - (c) Rs. 1,00,000
 - (d) Rs. 1,50,000
35. Under Section 54GB, what is the lock-in period for the new asset purchased to claim an exemption for capital gains on the sale of a residential property?
- (a) 1 year
 - (b) 2 years
 - (c) 3 years
 - (d) 5 years
36. Can a taxpayer claim a deduction under Section 80EE for interest paid on a home loan for the purchase of an affordable residential house if the loan is taken from a relative?
- (a) Yes
 - (b) No
 - (c) Only if the relative is a blood relative
 - (d) Depends on the loan amount
36. Under Section 54EC, what is the maximum amount that can be invested in specified bonds to claim a deduction for long-term capital gains?
- (a) Rs. 25 lakhs
 - (b) Rs. 50 lakhs
 - (c) Rs. 1 crore
 - (d) No limit
38. What is the maximum deduction allowed under Section 24(a) for let-out properties?
- (a) Rs. 10,000

- (b) Rs. 30,000
- (c) Rs. 50,000
- (d) No deduction under Section 24(a)

39. Under Section 54F, what is the lock-in period for the new residential property purchased to claim an exemption for capital gains on the sale of a non-residential property?

- (a) 1 year
- (b) 2 years
- (c) 3 years
- (d) 5 years

40. Which sections of the Income Tax Act 1961 deal with Income under the head 'Income from house property'?

- (a) Sections 6 to 9
- (b) Sections 22 to 27
- (c) Sections 38 to 44
- (d) Sections 61 to 68.

41. The basis of charge for Tax on Income from house property is.....

- (a) Annual value
- (b) Rental value
- (c) Municipal value
- (d) Market value

42. Expected rent cannot exceed.....

- (a) Municipal rent
- (b) Fair rental value
- (c) Actual rental value
- (d) Standard rental value

43. ERV of let out house if standard rent is not applicable is.....

- (a) Least of MRV or FRV
- (b) Higher of MRV or FRV
- (c) Lower of FRV or actual rent
- (d) None of these

44. GAV of self occupied house is.....

- (a) Always nil
- (b) Always fully taxable
- (c) Higher of MRV/FRV
- (d) None of these

45. Municipal taxes are deductible on.....

- (a) Payment basis
- (b) Accrual basis
- (c) Due basis
- (d) Not allowed

47. If an assessee occupied 4 houses for his residence.....

- (a) One house is treated as SO and other houses are DLO
- (b) All the houses are treated as SO
- (c) All the houses are treated as DLO
- (d) Two houses are treated SO and other houses are treated as DLO

48. Standard deduction u/s 24 is.....

- (a) 1/4 of NAV
- (b) 1/5 of NAV
- (c) 30% of NAV



(d) Rs.10,000

49.Preconstruction interest is deductible in.....

- (a) 4 installments
- (b) 5 installments
- (c) 6 installments
- (d) 3 installments

50.Maximum deduction of interest on loan borrowed prior to 1.4.99 in case of self occupied house is.....

- (a) Rs. 1,50,000
- (b) Rs. 30,000
- (c) Rs. 50,000
- (d) 1,75,000

51.Maximum loss possible on self occupied property is.....

- (a) Rs.10,000 or Rs.50,000
- (b) Rs.20,000 or Rs.10,000
- (c) Rs.30,000 or Rs.2,00,000
- (d) Rs. 1,00,000 or Rs.30,000

52.Unrealised rent allowed earlier and recovered later on is.....

- (a) Income from house property
- (b) Exempted income
- (c) Income from others services
- (d) To be ignored

53.Arrears of rent recovered are subject to standard deduciton u/s 24 upto.....

- (a) 1/5th of arrears
- (b) 1/4th of arrears
- (c) 1/6th of arrears
- (d) 30% of arrears



54.Bonus is taxable as salary income

- (a) When it is received
- (b) When it gets due or when it is received, whichever is earlier
- (c) Anytime at the choice of employee
- (d) Anytime at the choice of employer

55.Standard deduction is not allowed from

- (a) Pension
- (b) Family pension
- (c) Arrear of salary
- (d) Gross salary

56.Professional Tax is charged under which Article of Constitution of India

- (a) 274
- (b) 275
- (c) 276
- (d) 277

57.Professional Tax is charged by

- (a) Central Government
- (b) State Government
- (c) Local authority
- (d) Statutory corporation

58.Under Section 24 the deductions allowed from Income from house property are

- (a) Interest on borrowed capital for constructions
- (b) Principal repaid towards loans borrowed
- (c) Expenses of repaid
- (d) Depreciation

59.GAV of let out house is.....

- (a) Higher of ERV or Actual rent
- (b) Least of ERV or Actual rent
- (c) Lower of FRV or MRV
- (d) None of these

60.HRA exempted u/s.....

- (a) 15(13B)
- (b) 12 (13C)
- (c) 10(13A)
- (d) None of the above

61.Sec 10AA deduction implies.....

- (a) Buffer Zone
- (b) Special economic zone
- (c) POK zone
- (d) None of the above

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

- (a) Income from other sources
- (b) Income from salary
- (c) Not taxable as it is capital receipt
- (d) Fully Exempt

63. The payment of gratuity Act came into force in.....

- (a) 1973
- (b) 1980
- (c) 1991
- (d) 1972

64. Deduction under section 80C to 80U cannot exceed.....

- (a) Gross total income
- (b) Total income
- (c) Income from business or profession
- (d) income from house property

65. For computation for Income tax liability for individual, the Education Cess is.....

- (a) 3%
- (b) 4%
- (c) 2.5%
- (d) 2%

66. The following is exempt income from Income tax.....

- (a) Travel concession to employee
- (b) Remuneration received for valuation of answer scripts.
- (c) encashment of leave salary whilst in service
- (d) Perquisites in India

67. If fair rent is not gives, then assumeas fair rent.

- (a) Actual rent
- (b) standard rent
- (c) average rent

(d) none of these

68. Rent received by original tenant from sub-tenant is taxable under the head

- (a) Income from house property
- (b) Income from other sources
- (c) Income from capital gain
- (d) None of the above

69. Gross annual value shall be higher of.....

- (a) Expected rent
- (b) actual rent received or receivable
- (c) all of the above
- (d) none of the above

70. Under the Head income from house property, the basis of charge is the of property.

- (a) Annual value
- (b) quartely value
- (c) half-quartely value
- (d) None of the above

71. Deduction for other expenses except interest in the computation of income from house property is allowable to the extent of.....

- (a) 25% of annual value
- (b) 10% of annual value
- (c) 30% of annual value
- (d) 20% of annual value

72. Rate of depreciation on residential building is.....

- (a) 10%
- (b) 20%
- (c) 25%
- (d) 5%



ANSWERS

1.b, 2.c, 3.b, 4.b, 5.c, 6.b, 7.d, 8.a, 9.c, 10.a, 11.b, 12.b, 13.a, 14.d, 15.d, 16.d, 17.b, 18.d, 19.b, 20.a, 21.d, 22.c, 23.b, 24.b, 25.a, 26.b, 27.c, 28.d, 29.d, 30.b, 31.a, 32.a, 33.b, 34.d, 35.c, 36.a, 37.b, 38.d, 39.b, 40.b, 41.a, 42.d, 43.b, 44.a, 45.a, 46.d, 47.d, 48.c, 49.b, 50.b, 51.c, 52.a, 53.d, 54.a, 55.b, 56.c, 57.b, 58.a, 59.a, 60.c, 61.b, 62.b, 63.d, 64.a, 65.a, 66.d, 67.a, 68.b, 69.c, 70.a, 71.a, 72.d,

UNIT V
INCOME FROM BUSINESS AND PROFESSION

ONE MARK QUESTIONS:

1. Profits earned from an illegal business are.....
 - a) Taxable
 - b) Tax free
 - c) Ignored by Tax Authorities
 - d) None of these
2. Contribution made to an approved scientific research association is eligible is deduction upto.....
 - a) 50%
 - b) 80%
 - c) 100%
 - d) 150%
3. Precommencement period expenses upto 3 years spent for research are.....
 - (a) Ignored
 - (b) Allowed as expenses in the year of commencement of business
 - (c) Treated as capital expenses
 - (d) None of these
4. Excise duty and sales tax are allowed as deduction if paid before.....
 - (a) Late date of filing of return
 - (b) Previous year end
 - (c) Before 31st December of the previous year
 - (d) None of the above
5. Contribution to RPF paid by cheque shall be encashed.....
 - (a) Within 15 days from the date
 - (b) Within 6 months from due date
 - (c) Within 3 months from due date
 - (d) Within 12 months from due date
6. Interest on capital borrowed for plant construction has to be.....
 - (a) Ignored
 - (b) Treated as Revenue expenditure
 - (c) Added to the asset cost as capital expenditure
 - (d) Written-off fully in the first year of using the asset
7. Preliminary expenses shall be allowed as deduction in.....
 - (a) 5 installments
 - (b) 10 installments
 - (c) 15 installments
 - (d) 12 installments
8. Bad debts allowed earlier and recovered latter on is.....
 - (a) Business Income
 - (b) Non business income
 - (c) Exempted income
 - (d) Income from other sources
9. Under valuation of opening stock is.....
 - (a) Deducted from net profit
 - (b) Added to net profit
 - (c) Credited to P&L A/c



- (d) none of these
10. Over valuation of closing stock is
- (a) Deducted from net profit
 - (b) added to net profit
 - (c) adjusted in P&L A/c
 - (d) None of these
11. Professional profits are.....
- (a) Accrual basis
 - (b) Payment basis
 - (c) accrual or payment basis
 - (d) All of the above
12. Intangible assets are.....
- (a) Not eligible for depreciation
 - (b) Eligible for depreciation
 - (c) Can be fully written-off in the year of acquisition
 - (d) None of these
13. Gifts from clients are.....
- (a) Professional income
 - (b) Income from other sources
 - (c) Non taxable item
 - (d) None of these
14. Repairs incurred before installation of an assets is.....
- (a) Capital expenditure
 - (b) Revenue expenditure
 - (c) Non business expenditure
 - (d) None of these
15. Method of depreciation allowed is.....
- (a) WDV method
 - (b) SLM method
 - (c) Replacement method
 - (d) Market value method
16. Rate of depreciation on residential building is.....fg
- (a) 5%
 - (b) 10%
 - (c) 15%
 - (d) 20%
17. Rate of depreciation on furniture is.....
- (a) 5%
 - (b) 10%
 - (c) 15%
 - (d) 20%
18. Salary received by a partner from the firm in which he is a partner is taxable under the head.....
- (a) Income from salary
 - (b) Capital gains
 - (c) Profits and gains of business or profession
 - (d) Income from other sources



19. What is considered as income derived from business activities?
- (a) Salary
 - (b) Rental income
 - (c) Profits from trading
 - (d) Dividend income
20. Which of the following is a deductible business expense for tax purposes?
- (a) Personal vacation expenses
 - (b) Entertainment expenses with no business purpose
 - (c) Rent for business premises
 - (d) Gifts for personal friends
21. What are disallowed expenses in business typically related to?
- (a) Necessary office supplies
 - (b) Employee salaries
 - (c) Personal expenses
 - (d) Business travel expenses
22. What is the primary characteristic of professional income?
- (a) Derived from investments
 - (b) Earned through employment
 - (c) Income from business activities
 - (d) Income from specialized services
23. How is professional income computed?
- (a) Based on the number of employees
 - (b) Using a standard formula
 - (c) Considering factors affecting professional income
 - (d) Fixed percentage of total revenue
24. Provisions of section 44AD for computation of presumptive income are not applicable to
- (a) Limited liability partnership
 - (b) Partnership firm
 - (c) Resident Hindu Undivided Family
 - (d) Resident Individual
25. Depreciation is allowed in case of.....
- (a) Tangible assets
 - (b) Intangible assets
 - (c) Tangible and intangible assets
 - (d) Deferred revenue expenditure
26. Proportion of expenditure allowed as deduction each year in regard to expenditure incurred on voluntary retirement scheme.....
- (a) $\frac{1}{5}$ th for each 5 successive previous years
 - (b) $\frac{1}{2}$ for each 2 successive previous years
 - (c) $\frac{1}{10}$ th for each 10 successive previous
 - (d) Nil
27. Which of the following is deductible?
- (a) Advance Income tax
 - (b) Service tax
 - (c) Self-Assessment tax
 - (d) Fine
28. What is the tax treatment for income earned by an individual engaged in a business or profession?
- (a) Capital Gains
 - (b) Business Income

- (c) Salary
- (d) Rental Income

29. Which form is used to file income tax returns for business and profession income in India?

- (a) ITR-1
- (b) ITR-2
- (c) ITR-3
- (d) ITR-4

30. What type of income is considered as business income?

- (a) Income from salary
- (b) Income from house property
- (c) Income from business operations
- (d) Income from capital gains

31. What is the concept of presumptive taxation in the context of business income?

- (a) Tax is computed on actual profits
- (b) Tax is calculated based on a fixed percentage of turnover
- (c) Tax is not applicable on business income
- (d) Tax is calculated based on personal income

32. Under which section of the Income Tax Act are business expenses deductible?

- (a) Section 80C
- (b) Section 30
- (c) Section 10
- (d) Section 44ADA

33. Who is eligible to opt for the presumptive taxation scheme for professionals?

- (a) Individuals
- (b) Hindu Undivided Families (HUF)
- (c) Companies
- (d) Partnership Firms

34. What is the rate of presumptive income for professionals under Section 44ADA?

- (a) 50% of gross receipts
- (b) 30% of gross receipts
- (c) 10% of gross receipts
- (d) 20% of gross receipts

35. Which of the following is a deductible expense for a business or profession?

- (a) Personal expenses
- (b) Capital expenses
- (c) Salary paid to employees
- (d) Gifts received

36. What is the due date for filing income tax returns for businesses and professions in India?

- (a) 31st March
- (b) 31st July
- (c) 30th September
- (d) 31st December

37. What is the penalty for late filing of income tax returns for businesses and professions?

- (a) 5% of the tax due
- (b) 10% of the tax due
- (c) 1% of the turnover
- (d) 2% of the turnover



38. Which of the following is not considered as a profession for income tax purposes?
- (a) Legal profession
 - (b) Medical profession
 - (c) Agricultural profession
 - (d) Chartered Accountancy
39. What is the depreciation rate for computers used in a business or profession?
- (a) 5%
 - (b) 10%
 - (c) 15%
 - (d) 20%
40. What is the threshold limit for tax audit for businesses and professions in India?
- (a) Rs. 5 lakhs
 - (b) Rs. 10 lakhs
 - (c) Rs. 15 lakhs
 - (d) Rs. 50 lakhs
41. What is the tax treatment for income earned by a partnership firm?
- (a) Taxed at the individual partner's rate
 - (b) Taxed at a flat rate
 - (c) Exempt from tax
 - (d) Taxed as a corporate entity
42. Which method of accounting is generally followed for computing business income?
- (a) Cash basis
 - (b) Accrual basis
 - (c) Hybrid basis
 - (d) None of the above
43. What is the tax treatment for income earned by a salaried individual?
- (a) Taxed at a flat rate
 - (b) Taxed based on the employer's tax rate
 - (c) Taxed as business income
 - (d) Taxed at the individual's tax rate
44. What is the purpose of the Goods and Services Tax (GST) in relation to business income?
- (a) It is a tax deduction
 - (b) It replaces income tax for businesses
 - (c) It is a consumption-based tax
 - (d) It is not applicable to businesses



ABOUT THE AUTHOR

- (a) It is the minimum tax payable by businesses
- (b) It is the tax on maximum profits
- (c) It is applicable to individuals only
- (d) It is not applicable to business income

(a) 10%
(b) 15%
(c) 20%
(d) 25%

(a) Purchase of machinery
(b) Repairs and maintenance
(c) Capital expenditure
(d) Payment of rent

- (a) Taxed as a separate entity
- (b) Taxed at individual partner's rate
- (c) Exempt from tax
- (d) Taxed at a flat rate

(a) Section 139(5)
(b) Section 148
(c) Section 80D
(d) Section 44AB

(a) Balance Sheet
(b) Cash Flow Statement
(c) Profit and Loss Statement
(d) Trial Balance

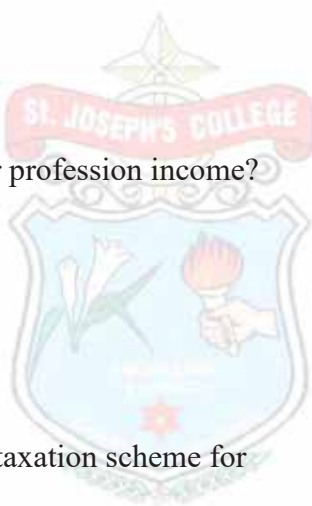
(a) Taxed at the individual's tax rate
 Taxed as business income
 Exempt from tax
 Taxed at a flat rate

Section 44AD
Section 44ADA
Section 44AE
Section 44B

- Entertainment expenses
- Personal travel expenses
- Gifts to clients
- Salary to employees

49

56. What is the tax treatment for income received from a foreign business or profession?
- (a) Exempt from tax
 - (b) Taxed at a flat rate
 - (c) Taxed at individual's tax rate
 - (d) Taxed as business income
57. Which section of the Income Tax Act deals with the taxation of income from house property?
- (a) Section 80C
 - (b) Section 22
 - (c) Section 44AD
 - (d) Section 10
58. What is the tax treatment for income earned by a non-resident individual engaged in a business in India?
- (a) Taxed at non-resident rates
 - (b) Taxed as per Indian citizen rates
 - (c) Exempt from tax
 - (d) Taxed at a flat rate
59. What is the concept of e-filing in the context of income tax returns for businesses and professions?
- (a) Electronic filing of returns
 - (b) Exempt filing for certain businesses
 - (c) Express filing for quick processing
 - (d) Emergency filing only
60. Which type of income is not considered as business or profession income?
- (a) Rent from property
 - (b) Commission income
 - (c) Salary income
 - (d) Royalty income
61. What is the treatment of losses under the presumptive taxation scheme for professionals?
- (a) Not allowed to be set off
 - (b) Can be set off against other income
 - (c) Carried forward indefinitely
 - (d) Deducted from gross receipts
62. Under which head of income is the income from business and profession taxed?
- (a) Income from House Property
 - (b) Income from Other Sources
 - (c) Income from Capital Gains
 - (d) Income from Business or Profession
63. What is the tax treatment for income earned by a sole proprietorship?
- (a) Taxed as an individual
 - (b) Taxed as a company
 - (c) Exempt from tax
 - (d) Taxed at a flat rate
64. What is the time limit for filing a revised return for businesses and professions?
- (a) Before the end of the assessment year
 - (b) Within one year from the end of the relevant assessment year
 - (c) Within three years from the end of the relevant assessment year
 - (d) Anytime without restriction



65. Which form is used for filing income tax returns by individuals under the presumptive taxation scheme for professionals?
- (a) ITR-1
 - (b) ITR-3
 - (c) ITR-4
 - (d) ITR-5
66. What is the tax treatment for income earned by a charitable trust engaged in business activities?
- (a) Exempt from tax
 - (b) Taxed at individual rates
 - (c) Taxed at a flat rate
 - (d) Taxed as a corporate entity
67. What is the penalty for not maintaining books of accounts for a business or profession?
- (a) 2% of turnover
 - (b) 1% of turnover
 - (c) Rs. 25,000
 - (d) Rs. 50,000
68. Under which section of the Income Tax Act are provisions for Advance Tax mentioned?
- (a) Section 139
 - (b) Section 234
 - (c) Section 44AD
 - (d) Section 234C
69. What is the tax treatment for income earned by a partnership firm engaged in manufacturing activities?
- (a) Taxed as a separate entity
 - (b) Taxed at individual partner's rate
 - (c) Exempt from tax
 - (d) Taxed at a flat rate
70. What is the tax treatment for income received in advance in a business or profession?
- (a) Taxed in the year of receipt
 - (b) Taxed when goods or services are delivered
 - (c) Not taxed at all
 - (d) Taxed in the next financial year
71. What is the tax treatment for income earned by a person carrying on a specified profession like legal, medical, engineering, etc.?
- (a) Taxed at individual rates
 - (b) Taxed as business income
 - (c) Taxed as salary income
 - (d) Taxed at a flat rate
72. Which of the following is a non-cash expense for a business or profession?
- a) Rent
 - b) Interest
 - c) Depreciation
 - d) Salary
73. What is the tax treatment for income earned by a non-resident individual for professional services rendered in India?
- a) Taxed at non-resident rates
 - b) Taxed at individual rates
 - c) Exempt from tax
 - d) Taxed at a flat rate
74. Under which section of the Income Tax Act are provisions for tax deduction at source (TDS) mentioned?
- a) Section 80C
 - b) Section 194

- c) Section 10
- d) Section 44ADA

75. What is the tax treatment for income earned by a business or profession in the form of dividends?

- a) Exempt from tax
- b) Taxed as business income
- c) Taxed at individual rates
- d) Taxed at a flat rate

76. In the context of business or profession, what does the term "turnover" generally refer to?

- a) Profit earned
- b) Gross receipts
- c) Net income
- d) Total assets

77. What is the term used for a property that is not occupied by the owner and is rented out?

- (a) Self-Occupied
- (b) Let-Out
- (c) Owned
- (d) Vacant

78. In the case of a let-out property, the rental income is taxed under which head of income?

- (a) Salary
- (b) Business and Profession
- (c) House Property
- (d) Capital Gains

79. What is the standard deduction allowed on the rental income of a let-out property?

- (a) 20% of Net Annual Value
- (b) 30% of Gross Annual Value
- (c) 50% of Rental Income
- (d) No Standard Deduction

80. Under which section can an individual claim a deduction for interest paid on a loan taken for a let-out property?

- (a) Section 24
- (b) Section 80C
- (c) Section 80E
- (d) Section 10(14)

81. If a property is self-occupied, what is the maximum limit for the deduction available on interest paid on the home loan under Section 24?

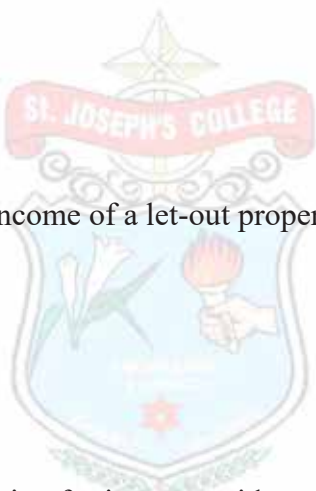
- (a) ₹1,50,000
- (b) ₹2,00,000
- (c) ₹2,50,000
- (d) ₹3,00,000

82. In the case of self-occupied property, what is the treatment of municipal taxes paid by the owner?

- (a) Fully Deductible
- (b) Partially Deductible
- (c) Not Deductible
- (d) Exempt from Tax

83. Under which section can an individual claim a deduction for principal repayment of a home loan for a self-occupied property?

- (a) Section 80C
- (b) Section 80D
- (c) Section 24
- (d) Section 80E



84.What is the maximum limit for the deduction available on principal repayment of a home loan for a self-occupied property?

- (a) ₹1,00,000
- (b) ₹1,50,000
- (c) ₹2,00,000
- (d) ₹2,50,000

85.If a property is let-out for only a part of the year, how is the municipal tax deduction calculated?

- (a) Full deduction for the entire year
- (b) Proportionate deduction based on the rental period
- (c) No deduction allowed
- (d) Double deduction for the period it was let-out

86. In the case of a let-out property, what happens if the interest on the home loan exceeds the rental income?

- (a) Excess interest is not allowed as a deduction
- (b) Excess interest can be carried forward for 8 years
- (c) Excess interest is fully allowed as a deduction
- (d) Excess interest is taxed as income

87.What is the maximum limit for the deduction available for interest paid on a home loan for a let-out property under Section 24?

- (a) No limit
- (b) ₹1,50,000
- (c) ₹2,00,000
- (d) ₹2,50,000

88.If an individual owns two houses and both are self-occupied, what is the tax treatment of the second property?

- (a) Fully Taxable
- (b) Not Taxable
- (c) Deemed to be Let-Out
- (d) Exempt from Tax

89. Under which section can an individual claim a deduction for the maintenance of a property that is let-out?

- (a) Section 80C
- (b) Section 24
- (c) Section 80GG
- (d) Section 10(14)

90.What is the treatment of unrealized rent in the case of a let-out property?

- (a) Fully Taxable
- (b) Not Taxable
- (c) Deductible
- (d) Taxed at a reduced rate

91.If a self-occupied property is used for business or professional purposes, what is its tax treatment?

- (a) Fully Taxable
- (b) Partially Taxable
- (c) Exempt from Tax
- (d) Taxed as Capital Gains

92.Under which section can an individual claim a deduction for the cost of repairs and maintenance of a let-out property?

- (a) Section 80C
- (b) Section 24
- (c) Section 80GG
- (d) Section 30

93. If a property is let-out at a rent below the fair market value, how is the rental income taxed?

- (a) Taxed at actual rent received

- (b) Taxed at fair market value
- (c) No tax on rental income
- (d) Taxed at a reduced rate

94. What is the maximum period for which a property can remain vacant to claim a deduction for interest on home loan for a self-occupied property?

- (a) 1 year
- (b) 2 years
- (c) 3 years
- (d) 5 years

95. Under which section can an individual claim a deduction for the interest paid on a loan taken for the construction of a self-occupied property?

- (a) Section 24
- (b) Section 80C
- (c) Section 80E
- (d) Section 80GG

96. If a property is let-out, what is the tax treatment of the security deposit received from the tenant?

- (a) Fully Taxable
- (b) Partially Taxable
- (c) Not Taxable
- (d) Taxed as Capital Gains

97. What is the tax treatment of the rental income if a property is let-out for a charitable purpose?

- (a) Fully Exempt
- (b) Partially Taxable
- (c) Fully Taxable
- (d) Taxed as Capital Gains

98. If a property is co-owned, how is the rental income taxed for income tax purposes?

- (a) Taxed in the hands of the primary owner only
- (b) Equally taxed in the hands of all co-owners
- (c) Taxed in the hands of the co-owner receiving the rent
- (d) Taxed in the hands of the co-owner with the highest income

99. Under which section can an individual claim a deduction for the interest paid on a loan taken for the repair or renovation of a self-occupied property?

- (a) Section 24
- (b) Section 80C
- (c) Section 80D
- (d) Section 80GG

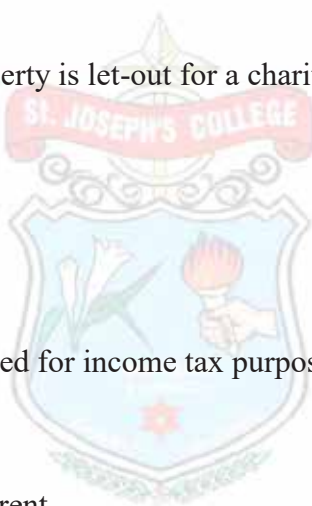
100. If a self-occupied property is let-out for a part of the year, how is the income taxed?

- (a) Taxed as a self-occupied property for the entire year
- (b) Taxed as a let-out property for the entire year
- (c) Proportionate taxation based on the period of self-occupation and letting out
- (d) Not taxable

101. Under which section can an individual claim a deduction for the interest paid on a loan taken for the purchase or construction of a second self-occupied property?

- (a) Section 24
- (b) Section 80C
- (c) Section 80E
- (d) Section 80GG

102. If a self-occupied property is used for both residential and commercial purposes, how is it taxed?



- (a) Fully Taxed
- (b) Partially Taxed
- (c) Exempt from Tax
- (d) Taxed as Business Income

103. Under which section can an individual claim a deduction for the rent paid for accommodation in case HRA is not received?

- (a) Section 80C
- (b) Section 10(14)
- (c) Section 80GG
- (d) Section 80D

104. If a property is let-out and the owner incurs a loss, how is the loss treated for income tax purposes?

- (a) Loss is ignored
- (b) Loss can be set off against other income
- (c) Loss can be carried forward for 8 years
- (d) Loss is fully deductible

105. Under which section can an individual claim a deduction for the interest paid on a loan taken for the higher education of the taxpayer or their family?

- (a) Section 24
- (b) Section 80C
- (c) Section 80E
- (d) Section 80GG

106. What is the tax treatment of the rental income if a property is let-out to a family member at a concessional rent?

- (a) Fully Taxable
- (b) Partially Taxable
- (c) Not Taxable
- (d) Taxed as Gift Income

ANSWERS

1.a, 2.c, 3.b, 4.a, 5.a, 6.c, 7.a, 8.a, 9.a, 10.a, 11.b, 12.b, 13.a, 14.a, 15.a, 16.a, 17.b, 18.c, 19.c, 20.c, 21.c, 22.d, 23.a, 24.a, 25.c, 26.a, 27.b, 28.b, 29.c, 30.c, 31.b, 32.b, 33.a, 34.b, 35.c, 36.c, 37.b, 38.c, 39.b, 40.d, 41.a, 42.b, 43.d, 44.c, 45.d, 46.c, 47.a, 48.c, 49.b, 50.a, 51.a, 52.c, 53.a, 54.b, 55.d, 56.c, 57.b, 58.a, 59.a, 60.c, 61.b, 62.d, 63.a, 64.c, 65.c, 66.a, 67.d, 68.d, 69.a, 70.a, 71.b, 72.c, 73.a, 74.b, 75.b, 76.b, 77.b, 78.c, 79.b, 80.a, 81.c, 82.c, 83.a, 84.a, 85.b, 86.b, 87.a, 88.c, 89.b, 90.a, 91.c, 92.b, 93.d, 94.d, 95.a, 96.c, 97.c, 98.b, 99.a, 100.c, 101.a, 102.b, 103.c, 104.c, 105.c, 106.a

FIVE MARK QUESTIONS

1. Define the term “ Assesse”. Explain its types?
2. Explain the rules relating to determination of residential status of a Hindu undivided family.
3. Arvind , who was born and brought up in India, went to U.K for further studies on 1.2.2021 and came back to India on 1.10.2022. Ascertain his residential status for the previous year 2022. Asertain his residential satus for the previous year 2022-23.
4. Mr.Krishna gives the following information regarding his stay in India to identify the residential status. It is the usual practice to have a for a minimum of 200 days in each financial year before 2022-23.

5.From the following profit and loss A/C Calculate Income from Business.

	Rs.		Rs.
To Rent	4,000	By Gross Profit	25,000
To Salary	5,000	By Business income	45,000
To Donation	8,000	By Income from lottery	25,000
To Depreciation	5,000		
To Income Tax	2,000		
To Patents	14,000		
(Acquired before 1.4.2000)			
To Net Profit	57,000		
	<u>95,000</u>		<u>95,000</u>

i) Depreciation to be allowed Rs. 10,000

ii) An expenditure of Rs. 1,500 approved by the I.T. Authority is not shown in profit and loss A/C.

6.Compute the business income of Preethi from the following profit and loss account

Particulars	RS	Particulars	RS
General Expenses	13,400	Gross Profit	3,00,000
Bad debts	22,000	Commission	40,000
Salary to staff	26,000	Bad debts(earlier disallowed)	11,000
Interest on overdraft	4,000		
Interest on own capital	23,000		
Net profit	2,17,600		

7.Akilesh, a manufacturer acquires a factory buliding on 10.06.2017 for Rs.30,00,000. The building is acquired by the government on 5.5.2020 for which a sum of Rs.70,00,000 is paid as compensation on 5.2.2023. Ascertain the amount of capital gains. The building is subject to deprecation at 10% per annum Akilesh purchased another factory building on 3.3.2023 for Rs.30,00,000.

8. Mr.Sekar resides in Jaipur. He wants to claim full deduction towards HRA. Comment whether it is possible. Basic salary Rs.4,000 per month, D.A. Rs.2000 per month (50% forms part of salary). HRA Rs.3000 per month (Rent paid Rs.2,500 per month). During the previous year he acheived a turnover of Rs.2,25,000. He usually gets 4% commission turnover.

9.From the following calculate Gross Anual Value.

Particulars	House I
MRV	60,000
FRV	68,000
Standard Rent	70,000
Unrealised Rent for the PY	
(Rule 4 satisfied)	5,000
Annual Rent	72,000

TEN MARK QUESTIONS:

1. From the following profit and loss A/C Calculate Income from Business of Mr.G

	RS		RS
To General Expenses	20,000	By Gross profit	2,22,000
To Advertisement	8,000	By Short-term capital gain	1,20,000
To Bad debts	6,000	By Long-term capital gain	1,00,000
To Repairs	4,000	By Sundry income	2,00,000
To Patent right acquired		By bad debts recovered	

During 2019	7,000	disallowed earlier	3,000
To copyright during 2024	6,000		
To other expenses	25,000		
To net profit	5,03,000		

- Rs.2000 of repair expenses is of capital in nature.
- Rs.25,000 spent on other expenses relates to income received from investments.
- Rs. 1000 for advertisement was paid in cash.

2. From the following P&L A/C calculate income from business.

Particulars	Rs	Particulars	Rs
Opening Stock	1,10,000	Sales	5,00,000
Purchase	1,00,000	Closing Stock	3,00,000
Wages	50,000		
Donations	5,000		
House Hold Expenses	2,000		
Depreciation on Car	3,000		
Motor Car Expenses	2,000		
Net profit	5,28,000		
	8,00,000		8,00,000

- 50% of the Motor Car is used for Personal Purposes.
- Opening Stock is Over-valued by 10% and closing Stock is Over-valued by 15%.

3.Explain any ten items exempted from income tax under section. 10 of the Income Tax Act 1961?

4.From the following particulars of Mr.Subramani, calculate total income if he is OR,NOR and NR.

- Income from profession set-up in India but amount received in Africa Rs.2,00,000.
- Income accoured in Bhopal but received in Calcutta Rs.2,90,000.
- Income from business in Uganda,controlled from Coimbatore (Rs.2,50,000 received in Coimbatore) Rs.5,00,000.
- Royalty received from Government of India Rs.7000
- Past Untaxed profit of 2010-11 brought into India during the current previous year Rs.5000.
- Gift in foreign currency from a friend received in India Rs.86000.
- Salary from an Indian Company Received in London Rs.4,00,000(50% is for service rendered in India).
- Gift of Rs. 60,000 received from a friend outside India.

5.The following are the Incomes of Deepak for the previous year 2022-23:

	RS
i) Dividend from Indian Company	10,000
ii) Profit from business in Japan received in India	1,20,000
iii) Profit from business in pakistan deposited in a bank there, This Business is controlled from India	2,00,000
iv) Profit from business in Indore (Controlled by London Head office)	1,10,000
v) Interest received from a non-resident Mr. Rahim, on the loan provided to him for a business carried on in India	50,000
vi) Income was earned in America and received there, but brought in India	80,000
vii) Share of income from Indian partnership firm	1,50,000
viii) Income from house property in India received in America(Computed)	62,000
ix) Interest on debentures of an Indian Company received in Dubai	25,000
x) Capital gain on sale of agricultural land situated at Ajmer	48,000

Compute his taxable income, if he is:

- Resident
- Not-ordinarily resident
- Non-resident

6.Following are the details given by Mr.Akash who works in Hindustan Ltd from 1ST January 2022.He gives the following details of his earnings for the previous year.

Basic salary	Rs.11,000 p.m
DA 50% of Basic Salary, 2% Commission on turnover of	Rs.2,00,000

CCA	Rs.500p.m.
Project Allowance	Rs.250p.m.
Academic research allowance	Rs.250p.m.

(Actual amount spend Rs.3,000)

The employer meets the following expenses of the employee

LIC Premium	Rs.6,000
Electricity bill	Rs.4,000
Professional tax	Rs.3,000

Calculate Income from salary of Mr.Akash assuring DA is forming part of salary.

7.Vivek retired on 31.10.2022. He was entitled to a pension of Rs. 4,000 p.m. At the time of retirement he got 3/4 of the pension commuted and received Rs. 4,00,000.He was in receipt of basic salary of Rs. 10,000 and D.A of 5,000 p.m. Compute his taxable pension if

i) He is a non-govt employee entitled to gratuity and (ii) he is a non-govt employee not entitled to gratuity.

8.Calculate income from house property Ms.Revathy who owns three houses.The particulars are as follows.

Particulars	House 1	House 2	House 3
MV	9,50,000	1,05,000	1,20,000
FRV	1,00,000	1,10,000	1,25,000
SR	NA	1,07,500	NA
Nature of Occupation	S/O for own residence	L/O	S/O for Own business

A/R before unrealised

Rent and vacancy ---- 10,000p.m ----

Period of vacancy ---- 1 1/2 months ----

Unrealised rent rule 4

Satisfied ---- 1 months ----

Rs. 40,000 for House 2 and 50,000 for House 3 was borrowed as Loan on 1st june 2009 at the rate of 15% p.a.

The construction of House 2 is completed in May 2023 and House 3 in May 2022 Date of repayment of loan along with interest is 20th May 2024 for House 2 and 31st Jan. 2023 for House 3.

9.From the following , calculate income from house property of Dinesh.

Municipal valuation	1,25,000
Actual rent	1,25,000
Municipal tax	4,000

The owner bears the following expenses:

- i) Life maintenance Rs. 7,500
- ii) Gardener salary Rs. 2,500
- iii) Pump maintenance Rs. 4,000

The owner pays 25% of the municipal tax.

POINTS TO REMEMBER:

1.What do you mean by an Assessee?

An assessee is a person who has liability to pay any tax or any other sum of money (eg: interest, fine or penalty) under this ACT Sec 2(7) includes:

- a) Any person in respect of whom any tax proceeding has been taken for the assessment.
- b) Any person who is deemed to be an assessee.
- c) Any person who is deemed to be an assessee in default.

2. What is previous year?

- The previous year means the financial year immediately preceding the assessment year.
- It is the year in which income is earned.
- The current previous year starts from 1April 2019 to 31 march 2020.

3. When a company is resident?

- The companies are classified as

- a) Indian company
- b) Foreign company

- When control and management is fully situated in India it is a resident.
- Indian companies are always resident.

4. Who can be ordinary resident?

If an individual satisfies any one of the following basic condition:

- Assessee must be in India for atleast 182 days or more during the preceeding previous year.
(or)
- Stay in India for atleast 60 days in the previous year and 365 days or more during four years preceeding previous year.

And one or none of the two additional conditions he is a 'Not ordinary Resident'.

5. What is recognised provident fund?

- It is a fund is recognised by the commissioner of income tax.
- This type of fund is maintained by business house, industrial undertaking and banks.
- Under this fund, both employee and employer will contribute.
- Employee contribution qualifies for deduction U/S 80C.
- Employer contribution over 12% of mentioned salary is taxable. Interest is exempted upto 9.5%.

6. Write note on House rent allowance?

It is an allowance given to an assessee by his employer to meet the expenditure on payment of rent in respect of residential accommodation occupied by him.

In case an assessee lives in his own house or lives in a house for which he is not paying any rent, then the whole amount received by the assessee will be taxed.

7. What are the deductions allowable from net annual value?

Two deductions are allowed to be made for net annual value:

- a) Standard deduction U/S 24(a)
- b) Interest on loan U/S 24 (b)

a) **Standard deduction:** Deductions to an extent of 30% of **NET ANNUAL VALUE (NAV)** is allowed as a standard deduction for house property used as a let out property or deemed let out property.

b) **Interest on loan:** Interest payable in India on money borrowed with a object of acquiring, constructing , repairing, renewing or reconstructing the house property is allowed as deduction.

8. What do you mean by unrealised Rent?

It refers to the that could not be realised by the owner from his/her tenant, Unrealised rent can be deducted from rental value if following conditions are satisfied:

- i. The tenancy is bonafide.
- ii. The defaulting tenant has vacated the property.
- iii. The defaulting tenant is not in occupation of any other property belonging to the owner.
- iv. The assessee has under taken all necessary steps to institute legal proceeding.

9. Define Block of Assets?

Block of assets means group of assets falling within a class of assets comprising, tangible and intangible assets in respect of which the same percentage of depreciation is prescribed.

10. Write a short notes on Business?

- According to Sec 2(13) of the Income Tax Act, the term Business means any trade, commerce or manufacture or any adventure or concern in the nature of trade, commerce or manufacture.
- The following will be treated as business is a company dealing with real estate and developing a market place and letting out shops, stalls and spaces on daily, weekly or monthly rent.
- Series of transaction in shares between inter-connected companies.

11. What do you mean by casual income?

Any receipt which is of a casual and non-recurring in nature is casual income winning from lotteries, crossword puzzles races card games and games of other sorts or from gambling or betting of any form or nature are casual. Income receipt even from habitual betting are

non recurring receipts and assessable as casual Income prizes awarded for coin collection or stamp collection may be a casual Income. This income is due to hobby.

12. Who is called assessee in default?

If any person fails to fulfill his duty or obligation then he is termed as assessee in default . For(eg) If a person who should submit a return fails to do then he is assessee in default. If an employer who is supposed to deduct tax at source fails to do so then he will also be termed as an assessee in default.

13. Write the first basic condition to decide the residential status of an Individual assessee?

Basic Conditions:

- A stay of 182 days or more during the relevant Previous year 2022-2023.
- (or)
- A stay of 60 days or more in the relevant previous year 2022-2023 and a total stay of 365 days or more in 4 years immediately preceeding the relevant previous year.

14. What do you mean by perquisites?

The term perquisites (termed as perks) means any benefit attached to an office or position in addition to salary or wages. Perquisites denotes a personal advantage.

It may be in cash or in kind any perquisite given in kind should be in a position to be measured in terms of money.

15. Explain the gross annual value?

Gross Annual value refers to the value which is calculated after considering the following:

- Expected rent
- Actual Rent

It is the gross amount which the owner receives before allowing any deductions

(Eg) Municipal rental value	***
Fair rental value	***
Whichever is higher	***
Standard rent	***
Whichever lower	***
(ER)	

GAV= ER (Gross annual value=Expected rental value)



16. Write short note on profession?

Profession refers to activities of earning using intellectual skills For(eg) doctors, lawyers, engineers and auditors come under this category. These types of person also have a separate and specialized course to attain professed Knowledge.

17. Who is an ordinary resident?

The person who satisfies any one of the following basic conditions:

- A stay of 182 days or more during the relevant Previous year 2022-2023.
- A stay of 60 days or more in the relevant previous year 2022-2023. and a total stay of 365 days or more in 4 years immediately preceeding the relevant previous year and both the additional conditions.

18. List out any two incomes fully exempted from income tax?

- Agricultural income [sec 10(1)]
- Share of income from the firm [sec10(2A)]

19. What is profit-in-lieu of salary?

Any cash payment received by employees from employer is called profit-in-lieu of salary[sec17(3)]

20. List out any four fully taxable allowance?

- Dearness Allowance
- Lunch Allowance
- Overtime Allowance
- Marriage Allowance

21. What is standard rent?

- Standard rent is the rent fixed under the rent control Act of state
- It is the maximum rent an owner can claim from his tenant as rent.
- When standard rent is applicable for a property, then Expected rent(ER) will be calculated taking standard Rent into consideration.

22. what is previous year?

The Previous year means the financial year immediately preceding the Assessment year. It is the year in which income is earned. All the assessee are required to follow Financial year(ie April 1 to March 31) as the P.Y. The current P.Y is 2022-2023 beginning with 1st April 2022 and ending with 31st March 2023.

23. Define salary?

Section 17(1) define salary which includes following receipts.

1. Wages
2. Any Annuity or pension
3. Any gratuity
4. Any fee, Commission, Perquisite or profits-in-lieu of salary of any addition to salary on wages
5. Any advance Salary
6. Leave encashment or salary in lieu of leave
7. The annual accretion to credit balance of employees recognised P.F to the extent it is taxable
8. Transferred balance of unrecognized P.F to the extent it is taxable
9. The Contribution made by an employee under a pension scheme referred to in section 80CCD.

24. List out any two fully taxable Allowance?

- Dearness Allowance
- Lunch Allowance

25. What do you mean by Depreciation?

Depreciation means fall in the value of a capital asset due to wear and tear, effluxion of time, obsolescence etc. Under the IT Act, a certain percentage of depreciation is allowed on the assets owned by the assessee and used in the Previous year for purpose of Business (or) Profession.

26. Explain the expenses disallowed in computation of Business Income U/S40.

- Interest payable outside India, if no tax has been paid or deducted at source on the same.
- Any tax levied on the profit or gain of business or profession ie., Income tax.
- Health tax levied under the wealth Tax act 1957.

27. What is Income U/S 2 of the Income Tax act?

Income includes:

- a. Profit and gain of business or profession.
- b. Dividend
- c. Capital gain chargeable U/S 45
- d. Deemed Income U/S 41 or 59
- e. Interest, Salary, Bonus Commission or remuneration earned by a partner of a firm such firm.
- f. Export incentives like duty drawback, cash compensatory, support sale of licences etc...

28. Define Annual value?

Tax under the head Income from House Property is not a tax upon rent of a property. It is tax on inherent capacity of the building to yield Income. The standard selected as a measure of the Income to be taxed is 'Annual Income'. It is defined Sec 23(1)(a) as given below:

The Annual Value of any property shall be the sum for which the property might reasonably be expected to let from year to year. It may neither be the actual rent derived nor the municipal valuation of the property.

29. What do you mean by self generated Assets

Self generated goodwill of a business. Self generated tenancy rights, stage carrier permits and loom hours. Right to manufacture produce or process any article or thing are self generated assets. These assets are treated as capital assets. As the cost of the period of these assets is nil. The entire net sale consideration will be taken on actual basis.

30. What is an assessment year 2(a)

The "Assessment year" means the period of twelve months commencing on the first day of April every year. Thus the assessment year begins on 1st April and end on 31st March every year. This period is also known as financial year. The current assessment year is 2019-2020 beginning with 1st April 2019 and ending on 31st March 2020. The tax is levied in each assessment year with respect to or on the total Income earned by the assessee in the previous year.

31. Write a short note on Residential status?

The residential status is based upon the territorial connection of the person with this country ie., for how many days he has physically stayed in India. The residential status of different assessable units such as individual, HUF, Firm, AOP and company is determined for every previous year as it may change from year to year.

32. Who is a Non- Resident? Sec 5(2)

The income given below will be charged to tax in the hands of persons who are non-resident.

1. Income received or deemed to be received in India during the previous year.
2. Income accruing or arising or deemed to accrue or arise in India during the previous year.
3. Income accruing or arising or deemed to accrue or arise outside India but first receipt is in India during the previous year.

33. What is an allowance?

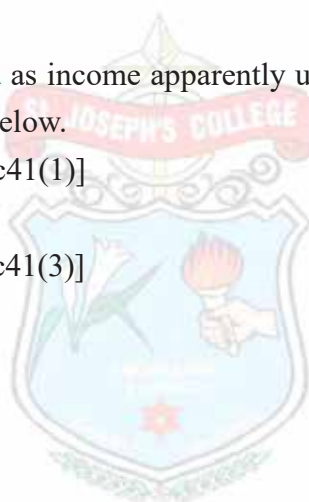
An allowance is a cash payment to an employee on a regular basis, in addition to salary to meet certain expenses incurred by him in connection with duties of his office or to compensate him for any expense which is owing to performance of his duty in particular circumstances or at a particular place. It may be paid to him voluntarily or under a contract

A allowance may be 1. Fully taxable 2. Fully exempted and partially exempted.

34. What are deemed profit?(sec 4)

There are certain amounts which though not treated as income apparently under the accounting principles, have to be treated as income or profits chargeable to tax U/S 41. Such item are stated below.

- i. Deductions allowed earlier but recovered later on [sec41(1)]
- ii. Balancing charge[sec41(2)]
- iii. Profit on sale of assets used for scientific research[sec41(3)]
- iv. Bad debt allowed earlier but recovered [sec 41(4)]
- v. Amount withdrawn from special reserve[sec 41(4A)]
- vi. Setting off loss from deemed profit[sec 41(5)]



35. What is Allowance?

- The term allowance means any amount or sum allowed regularly.
- As such allowances are given in cash along with salary by the employer.
- These allowances are given to an employer to meet some specific type of loss or expenditure of the employee or to help him to meet certain type of expenses.

RESIDENT AND NON RESIDENT

	RESIDENT & ORDINARY RESIDENT	RESIDENT BUT NOT ORDINARY RESIDENT	NON RESIDENT
BASIC CONDITIONS U/S 6 (1)			
1. Stay in India for 182 days or more in the P.Y	Not Satisfied	Not Satisfied	Not Satisfied
(OR)			
2. Stay in India for 60 days or more in the P.Y (+) 365 days or more in 4 P.Y Preceding the P.Y	Satisfied	Satisfied	Not Satisfied
ADDITIONAL CONDITIONS U/S 6(6)			
1. Resident in India for 2 years out of 10 P.Ys preceeding the P.Y	Satisfied	Not Satisfied	Not Satisfied
2. Stay in India for 730 days or more during 7 P.Ys preceeding the P.Y	Satisfied	Not Satisfied	Not Satisfied

WORKING NOTES:

Previous Year	No. Of days	Total stay in 4 yrs preceeding P.Y	Total stay in 7 yrs preceeding P.Y
---------------	-------------	------------------------------------	------------------------------------

13-14			
14-15			
15-16			
16-17			
17-18			
18-19			
19-20			
20-21			
21-22			
22-23			

INCIDENCE OF TAX

Chart showing the Incidence of Tax for Different types of status

Different Kinds of Income	RESIDENT & ORDINARY RESIDENT	RESIDENT BUT NOT ORDINARY RESIDENT	NON RESIDENT
1. Income accrued in Cannada(other country) but received in India	Taxable	Taxable	Taxable
2. Income earned in India and received cannada(other country).	Taxable	Taxable	Taxable
3. Income earned in Africa and received there but brought in India	Taxable	Not Taxable	Not Taxable
4. Profit earned from business in Kanpur in India.	Taxable	Taxable	Taxable
5. House property Income in Srilanka(other country).	Taxable	Not Taxable	Not Taxable
6. Income earned and received in India.	Taxable	Taxable	Taxable
7. Income earned and received in Srilanka from a business controlled from India.	Taxable	Taxable	Not Taxable
8. Share of Income from Joint Venture in India.	Taxable	Taxable	Taxable
9. Dividend from British company received in London.	Taxable	Not Taxable	Not Taxable
10. Dividend or dividend from Indian Company.	NIL	NIL	NIL
11. Income from Agriculture in Pakistan (outside India).	Taxable	Not Taxable	Not Taxable
12. Income accrued in India but received Iran.	Taxable	Taxable	Taxable
13. Income earned and received in Pakistan(other country)from bank deposit.	Taxable	Not Taxable	Not Taxable
14. Share of profit from partnership firm.	NIL	NIL	NIL
15. Capital gain from sale of agriculture land (Ajmer) in India.	Taxable	Taxable	Taxable
16. Interest on debentures of an Indian Company but received in (Dubai) other country.	Taxable	Taxable	Taxable
17. Interest on German development bond			
1/3 Received in India			
2/3 Received outside India.	Taxable Taxable	Taxable Not Taxable	Taxable Not Taxable
18. Income from agriculture in Bangladesh remitted in India.	Taxable	Not Taxable	Not Taxable
19. Income received from Ram(Non Resident) on a loan given for a business in India.	Taxable	Taxable	Taxable
20. Income from agricuture in India.			
21. Income from house property in London received there.	NIL	NIL	NIL

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22. Gift from relative in foreign currency.	Taxable NIL	Not Taxable NIL	Not Taxable NIL
23. Profit on sale of plant in London. 50% received in India 50% received in London	Taxable Taxable	Taxable Not Taxable	Taxable Not Taxable
24. Profit on sale of plant in Delhi. 50% received in India(Delhi) 50% received outside India	Taxable Taxable	Taxable Taxable	Taxable Taxable
25. Rental Income from property in Nepal.	Taxable	Not Taxable	Not Taxable
26. Income from Agriculture in London and received there.	Taxable	Not Taxable	Not Taxable
27. Interest in UK development bond entire amount received in London.	Taxable	Taxable	Not Taxable
28. Profit from business in Indonesia and controlled from India.	Taxable	Taxable	Not Taxable
29. Past untaxed Income.	Nil	Nil	Nil
30. Income earned and received outside India from a business controlled or profession setup outside India.	Taxable	Not Taxable	Not Taxable



INCOME FROM BUSINESS

PARTICULARS	AMOUNT	
Net Profit		*****
ADD:		
In admissable expenses	****	
Salary to proprietor	****	
Advertisement (in cash)	****	
Provision for bad debt	****	
Fire Insurance premium(house property)	****	
Donation	****	
Depreciation	****	
Drawings	****	
Interest on capital	****	
Bonus to proprietors	****	
Car purchased	****	
Advanced income Tax	****	
Motor car expenses	****	
Sales tax penalty	****	
Expenditure in promotion of family planning	****	
Municipal tax(HP)	****	
Repairs to house property	****	
Interest on bank loan	****	
Provision for Taxation	****	
Proposed Dividend	****	*****
LESS:		
Non business Income	****	
Income from bank Interest	****	
Income from business dividend	****	
Interest from post office savings	****	
Income from house property	****	
Income from government securities	****	
Bad debts recovered disallowed earlier	****	
Profit on sale of old building	****	
House rent	****	*****
LESS:		
Allowable Depreciation (this amt is given after profit & loss)		*****

Taxation Terminology

- 1. Income Tax Act :** The Income Tax Act, 1961 became effective from the 1st day of April 1962. It contains 298 sections, subsections, schedules etc. for the determination of taxable income, determination of tax liability etc.
- 2. Income Tax Rules :** The Income Tax Rules 1962, framed by Central Board of Direct Taxes and as amended upto date.
- 3. Circulars :** The Central Board of Direct Tax a top most body, issues certain circulars and clarifications from time to time, which have to be followed and applied by the Income Tax Authorities.
- 4. Case Laws :** The judgements rendered by competent Courts of Law.
- 5. Finance Act :** Finance Bill passed by the Parliament every year containing rates of taxes, rebates and reliefs.
- 6. Direct Taxes :** A tax which is paid and borned by the same person.
- 7. Indirect taxes :** A tax which is paid by one person and borned by another person.
- 8. Assessment :** The process of computation of taxable income, tax liability, tax payable or refund.
- 9. Assessee :** Any person who is liable to pay any tax or any other sum of money, under the Income Tax Act.
- 10. Assessment Year :** The year in which the income of previous year is assessed.
- 11. Previous Year :** The year during which the income is earned.

12. Heads of Income : Five elements of Gross Total Income which are Salaries, Income from House Property, Profits and Gains from Business or Profession , Capital Gains and Other Sources.

13. Sources of Income : Various bases of income under single head of income.

14. Gross Total Income : The sum of Five Heads of Income.

15. Total Income : Net Income or Taxable Income or Total Income calculated by deducting deductions u/s 80.

16. Exempted Incomes : Incomes do not form part of total income either fully or partially and no tax is payable on it.

17. Taxable Incomes : Incomes form part of total income and fully taxable.

18. Rates of Tax : Statement showing various rates of income tax for different persons in respect of different incomes included in the Part I of Schedule I of Finance Act.

19. Advance Tax : Payment of income tax in advance on the basis of estimated current income as per Part III of schedule I of Finance Act.

20. Tax Deduct at Source : Deduction of tax by the person responsible for payment of income at the rates specified in part II of schedule I of Finance Act.

21. Person : Taxable entity consisting Individual, HUF, Firm, Company, AOP, BOI, Local Authority etc.

22. Individual : A Natural Person, a human being such as Mr. A., Mrs. B. etc.,

23. HUF : An unit consists of persons who are lineally descended from a common male ancestor such as “AB and Brothers”.

24. Firm : Association of two or more persons with the object of business as per the definition of Indian Partnership Act .

25. Company : An Indian or Foreign Company, whether public or private such as “AB Ltd”.

26. Local Authority : A unit of taxation consisting Panchayat, Municipality, Municipal Committee and Cantonment Board such as Chennai Corporation, Vellore Municipality etc.

27. Residential Status : A basic criteria to determine the scope of total income consisting Resident, Resident but not Ordinary Resident and Non-Resident.

28. Basis of Charge : Scope of income of a person on the basis of residential status.

29. Agricultural Income : A totally exempted income consisting rent from land, income from agricultural operations and income from farm house.

30. Casual Income : Income received by chance and without any stipulation which is non-recurring and uncertain in nature.

ABOUT THE AUTHOR

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