

# **MKG**

# **MOCK TEST-4**

**NOV 23**

**INCOME TAX VOLUME -1**

**ATTEMPT ALL QUESTIONS**

**Roll No ...451287.....**

**Time allowed: 3 hours**

**Maximum Marks: 100**

**MCQ BOOKLET NO. 04062023**

**PAPER CODE- MKG**

## **MULTIPLE CHOICE QUESTIONS (30 Marks)**

### Question 1:

( 2 x 5 = 10 Marks)

Kishore & Sons is a dealer of coal. Its turnover for the F.Y. 2021-22 was ₹ 12 crores. The State Government of Hyderabad granted a lease of coal mine to Kishore & Sons on 1.5.2022 and charged ₹ 11 crores for the lease. Kishore & Sons sold coal of ₹ 95 lakhs to M/s BAC Co. during the P.Y. 2022-23. M/s XYZ Ltd. purchased coal of ₹ 55 lakhs from Kishore & Sons for trading purpose in July 2022. Turnover of M/s XYZ Ltd. during the P.Y. 2021-22 was ₹ 12 crores. PAN is duly furnished by the buyer and seller to each other. Details of sale to and payments from M/s BAC Co. by Kishore & Sons are as follows:

S. No.	Date of sale	Date of receipt/ Payment	Amount (₹)
1	29.05.2022	10.05.2022	35,00,000
2	30.06.2022	10.07.2022	25,00,000
3	25.11.2022	25.10.2022	8,00,000
4	20.01.2023	22.01.2023	15,00,000
5	01.03.2023	15.02.2023	12,00,000

Turnover of M/s BAC Co. during the P.Y. 2021-22 was ₹ 11 crores. The above amounts were credited to Kishore & Sons account in the books of M/s BAC Co. on the date of sale. M/s BAC Co. furnishes a declaration to Kishore & Sons that coal is to be utilised for generation of power.

Based on the above facts, choose the most appropriate answer to Q. No. 1 to 5 –

1. Who is required to deduct/ collect tax at source in respect of lease of coal mine by the State Government of Hyderabad to Kishore & Sons and at what rate?
  - (a) State Government of Hyderabad is liable to collect tax at source @ 2% on ₹ 11 crores
  - (b) State Government of Hyderabad is liable to collect tax at source @0.1% on ₹ 10.50 crores, being the amount exceeding ₹ 50 lakhs
  - (c) Kishore & Sons is liable to deduct tax at source @0.1% on ₹ 10.50 crores, being the amount exceeding ₹ 50 lakhs
  - (d) Neither State Government of Hyderabad is liable to collect tax at source nor Kishore & Sons is liable to deduct tax at source
2. Is Kishore & Sons required to collect tax at source in respect of the sale transactions with M/s BAC Co. If yes, when and what is the amount of tax to be collected?
  - (a) Yes; ₹ 1,000 on 30.6.2022, ₹ 800 on 25.10.2022, ₹ 1,500 on 20.1.2023 and ₹ 1,200 on 15.2.2023
  - (b) Yes; ₹ 35,000 on 10.5.2022, ₹ 25,000 on 30.6.2022, ₹ 8,000 on 25.10.2022, ₹ 15,000 on 20.1.2023 and ₹ 12,000 on 15.2.2023
  - (c) Yes; ₹ 1,000 on 10.7.2022, ₹ 800 on 25.10.2022, ₹ 1,500 on 22.1.2023 and ₹ 1,200 on 15.2.2023
  - (d) No, Kishore & Sons is not liable to collect tax at source
3. Is Kishore & Sons required to collect tax at source in respect of the sale transaction with M/s XYZ Ltd. If yes, what is the amount of tax to be collected?
  - (a) Yes; ₹ 55,000
  - (b) Yes; ₹ 5,500
  - (c) Yes; ₹ 500
  - (d) No, Kishore & Sons is not liable to collect tax at source

4. Is M/s BAC Co. required to deduct tax at source in respect of the purchase transactions with Kishore & Sons. If yes, when and what is the amount of tax to be deducted?
- Yes; ₹ 1,000 on 30.6.2022, ₹ 800 on 25.10.2022, ₹ 1,500 on 20.1.2023 and ₹ 1,200 on 15.2.2023
  - Yes; ₹ 3,500 on 10.5.2022, ₹ 2,500 on 30.6.2022, ₹ 800 on 25.10.2022, ₹ 1,500 on 20.1.2023 and ₹ 1,200 on 15.2.2023
  - Yes; ₹ 1,000 on 10.7.2022, ₹ 800 on 25.10.2022, ₹ 1,500 on 22.1.2023 and ₹ 1,200 on 15.2.2023
  - No, M/s BAC Co. is not liable to deduct tax at source
5. Assume for the purpose of this MCQ, M/s BAC Co.'s turnover for the F.Y. 2021-22 was ₹ 9 crore, who will be required to deduct/ collect tax at source in respect of transactions between Kishore & Sons and M/s BAC Co. and at what rate?
- Kishore & Sons is liable to collect tax at source @1% of ₹ 95 lakhs
  - Kishore & Sons is liable to collect tax at source @0.1% of ₹ 45 lakhs, being the sum exceeding ₹ 50 lakhs
  - M/s BAC Co. is liable to deduct tax at source @0.1% of ₹ 45 lakhs, being the sum exceeding ₹ 50 lakhs
  - Neither Kishore & Sons is liable to collect tax at source nor M/s BAC Co. is liable to deduct tax at source

### Question 6 & 7

(2 x 2 = 4 Marks)

Mr. Kamal, an Indian citizen, aged 61 years, has set-up his business in Canada and is residing in Canada since 2010. He owns a house property in Canada, half of which is used by him for his residence and half is given on rent (converted into INR is ₹ 12,00,000 p.a.).

He purchased a flat in Delhi on 13.10.2020 for ₹ 42,00,000. The stamp duty value of the flat was ₹ 35,00,000. He has taken a loan from Canara Bank in India of ₹ 34,00,000 for purchase of this flat. The interest on such loan for the F.Y. 2022-23 was ₹ 3,14,000 and principal repayment was ₹ 80,000. Mr. Kamal has given this flat on monthly rent of ₹ 32,500 since April, 2022. The annual property tax of Delhi flat is ₹ 40,000 which is paid by Mr. Kamal, whenever he comes to India to meet his parents. Mr. Kamal visited India for 124 days during the previous year 2022-23. Before that he visited India in total for 366 days during the period 1.4.2018 to 31.3.2022.

He had a house in Ranchi which was sold in May 2019. In respect of this house, he received arrears of rent of ₹ 2,96,000 in February 2023 (not taxed earlier).

He also derived some other incomes during the F.Y. 2022-23 which are as follows:

- Profit from business in Canada ₹ 2,75,000
- Interest on bonds of a Canadian Co. ₹ 6,20,000 out of which 50% was received in India.
- Income from Apple Orchid in Nepal given on contract and the yearly contract fee of ₹ 5,00,000 for F.Y. 2022-23, was received by Kamal in Nepal.

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

6. What would be the residential status of Mr. Kamal for the A.Y. 2023-24?

- (a) Resident and ordinarily resident in India
- (b) Resident but not ordinarily resident in India
- (c) Non-resident
- (d) Deemed resident

7. What would be the amount of income taxable under the head “Income from house property” in the hands of Mr. Kamal for the A.Y. 2023-24?

- (a) ₹ 2,52,200
- (b) ₹ 1,38,200
- (c) ₹ 9,78,200
- (d) ₹ 10,92,200

8. Mr. Virat has a house property in Chennai which he let out to Mr. Sumit. For acquisition of this house, Mr. Virat has taken a loan of ₹ 30,00,000 @10% p.a. on 1-4-2016. He has further taken a loan of ₹ 5 lakhs @12% p.a. on 1.7.2022 towards repairs of the house. He has not repaid any amount of loan so far. The amount of interest deduction u/s 24(b) to Mr. Virat for A.Y. 2023-24 if he opted for the provisions of section 115BAC is -

- (a) ₹ 2,00,000
- (b) ₹ 2,30,000
- (c) ₹ 3,45,000
- (d) ₹ 3,60,000

**(2 Marks)**

9. Mr. Rishabh, aged 65 years and a resident in India, has a total income of ₹ 4,50,00,000, comprising long term capital gain taxable under section 112 of ₹ 85,00,000, long term capital gain taxable under section 112A of ₹ 75,00,000 and other income of ₹ 2,90,00,000. What would be his tax liability for A.Y. 2023 -24. Assume that Mr. Rishabh has opted for the provisions of section 115BAC.

- (a) ₹ 1,41,40,750
- (b) ₹ 1,38,86,990
- (c) ₹ 1,38,84,390
- (d) ₹ 1,39,81,240

**(2 Marks)**

### Question 10

An amount of ₹ 60,000 was paid to Mr. Samar on 1.7.2022 towards fees for professional services without deduction of tax at source. Subsequently, another payment of ₹ 75,000 was due to Mr. Samar on 28.02.2023, from which tax @10% (amounting to ₹ 13,500) on the entire amount of ₹ 1,35,000 was deducted and the net amount was paid on the same day to Mr. Samar. However, this tax of ₹ 13,500 was deposited only on 22.6.2023. The interest chargeable under section 201(1A) would be:

- (a) ₹ 480
- (b) ₹ 1,290
- (c) ₹ 1,260
- (d) ₹ 810

(2 Marks)

**Question 11**

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

- (a) an area at a distance of 3 kms from the local limits of a municipality and has a population of 80,000 as per last census
- (b) an area within 1.5 kms from the local limits of a municipality and has a population of 12,000 as per last census
- (c) an area within 2 kms from the local limits of a municipality and has a population of 11,00,000 as per last census
- (d) an area within 8 kms from the local limits of a municipality and has a population of 10,50,000 as per last census

(2 Marks)

**Question 12**

Mr. Ajay Sahu, proprietor of M/s Blue Bird Enterprises having turnover of ₹ 65 lakhs and Turnover is less than 100 lakhs during P.Y. 2021-22, has received two bills for payment. The first bill is for ₹ 42,00,000 from Vijay Associates, an advocate and property dealer firm, for his daughter's hearing and ₹ 21,00,000 from same Vijay Associates for brokerage service provided in relation to purchase of one property. Both bills were raised on 21-12-2022 but payment were made in instalments. 1st Instalment of ₹5,00,000 as advance was payment on 15-11-2022, 2nd Instalment of ₹45,00,000 on 25-03-2023 and balance amount ₹13,00,000 on 31-03-2023. Determine the TDS liability for Mr. Ajay Sahu, if any, for A.Y. 2023-24?

- (a) ₹ 2,50,000
- (b) ₹ 3,15,000
- (c) ₹ 65,000
- (d) Nil

(2 Marks)

13.

Mr. X started a proprietary business on 01.04.2021 with a capital of ₹5,00,000. He incurred a loss of ₹2,00,000 during the year 2021-22. To overcome the financial position, Mrs. X, a software Engineer gave a gift of ₹5,00,000 on 01.04.2022, which was immediately invested in the business by Mr. X. He earned a profit of ₹4,00,000 during the year 2022-23. Compute the amount to be clubbed in the hands of Mrs. X for the Assessment Year 2023-2024. If Mrs. X gave the said amount as loan, what would be the amount to be clubbed?

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

(2 Marks)

**14. The deduction allowable in respect of family pension taxable under “Income from other sources” is**

- (a) 33-1/3% of the pension
- (b) 30% of the pension or ₹15,000, whichever is less
- (c) 33-1/3% of the pension or ₹15,000, whichever is less
- (d) 30% of the pension

**(1 Marks)**

**15. The deduction in respect of interest on enhanced compensation of ₹1,50,000 received during the previous year 2022-23, would be –**

- (a) ₹ 1,50,000, being 100% of ₹ 1,50,000
- (b) ₹ 75,000, being 50% of ₹ 1,50,000
- (c) ₹ 45,000, being 30% of ₹ 1,50,000
- (d) Nil

**(1 Marks)**

**16. Mr. Arjun, aged 53 years, has a total income of ₹51 lakhs for A.Y.2023-24. His total income comprises of salary, income from house property and interest on savings bank account. His tax liability for A.Y.2023-24 would be –**

- (a) ₹13,96,200
- (b) ₹14,82,000
- (c) ₹15,35,820
- (d) ₹14,69,000

**(1 Marks)**

**17. Mr. Harish, aged 40 years, earned interest of ₹15,000 during P.Y. 2022-23 from post office savings bank account. What portion of such income would be ultimately included in his total income?**

- (a) ₹15,000
- (b) ₹5,000
- (c) ₹1,500
- (d) Nil

**(1 Marks)**

## SUBJECTIVE TYPE QUESTIONS (70 Marks)

### Question 1 (a).

(5 Marks)

State in brief the applicability of tax deduction at source provisions, the rate and amount of tax deduction in the following cases for the financial year 2022-2023 under the Income -tax Act,1961. Assume that all payments are made to residents:

(i) Sanjay, a resident individual, not deriving any income from business or profession makes payment of ₹12 lakhs in January, 2023, ₹20 lakh in February, 2023 and ₹20 lakh in March, 2023 to Mohan, a contractor for reconstruction of his residential house.

(ii) ABC Ltd. makes the payment of ₹1,50,000 to Ramlal, an individual transporter who owned 6 goods carriages throughout the previous year, He does not furnish his PAN.

(iii) Smt. Sarita paid ₹5,000 on 17th April,2022 to Smt. Deepa from the deposits in National savings Scheme account.

### Question 1 (b).

(5 Marks)

Mrs. X has received incomes as given below during the previous year 2022-23:

1. Interest on savings bank account with State Bank ₹50,000 (gross).
2. Interest from Government securities ₹1,00,000 on 01.01.2023 (collection charge paid to the bank @ 1.5%).
3. Interest from ABC Ltd on non listed debentures ₹3,60,000 (after TDS) on 01.03.2023 (collection charge paid to the bank ₹30).
4. Interest credited to post office savings bank account during the year ₹ 10,000.
5. Interest credited to public provident fund during the year ₹ 15,000.
6. Interest received from XYZ Ltd on listed debentures ₹ 1,35,000 (Net).  
(Collection charge ₹30) The amount was invested by taking a loan of ₹15,00,000 @ 12% p.a.
7. Mrs. X received rent of house property ₹ 72,000 per month after TDS.
8. Winnings from a lottery ₹70,000 (after TDS)

Compute her tax liability and also tax payable for the assessment year 2023-24.

### Question 2 (a)

(5 marks)

Ashwin a resident Individual carrying on business, furnishes you the following information:

Total turnover for the financial year	₹
2021-22	120,00,000
2022-23	98,00,000

State whether tax deduction at source provisions are attracted for the under - mentioned expenses incurred during the financial year 2022-23:

Particulars	₹
Commission paid to Babloo	18,500
Payment to Vijay for repair of office building	23,000
Payment of fees for Technical Services, to Vivek	35,000

All payments are made to residents.

If Tax has to be deducted at source, state the amount of tax to be deducted at source.

**Question 2 (b)****(5 marks)**

Mr. Mahadev, a noted bhajan singer of Rajasthan and his wife Mrs. Dariya furnish the following information relating to the Assessment Year 2023-24.

		₹
1	Income of Mr. Mahadev- professional bhajan singer (computed)	5,65,000
2	Income under the head salary of Mrs. Dariya (computed)	3,80,000
3	Loan received by Mrs. Dariya from Ramu & Jay (Pvt) Ltd. (Mrs. Dariya holds 35% shares of the Co. has incurred losses since its inception 2 years back)	2,50,000
4	Income of their minor son Golu winning signing reality show on T.V.	2,50,000
5	Cash gift received by Golu from friend of Mr. Mahadev on winning the show	21,000
6	Interest income received by minor married daughter Gudia from deposit with Ramu & Jay Pvt Ltd.	40,000

Compute total taxable income of Mr. Mahadev & Mrs. Dariya for the Assessment Year 2023-24.

**Question 3. (a)****(5 Marks)**

Mr. X, entered into the following transactions during the previous year 2023-24:

- (a) Mr. X had a fixed deposit of ₹ 8,00,000 with State Bank of India. He instructed the bank to credit the interest on the deposit @ 9% from 01.04.2022 to 31.03.2023 to the savings bank account of Ms. Y, his niece, to help her in her higher education.
- (b) Mr. X holds 51% share in a partnership firm. Mrs. X (wife of Mr. X) received a remuneration of ₹45,000 from the firm for writing its books of accounts. Mrs. X, being a fashion designer, does not possess any qualification or training in the accountancy field.
- (c) Mr. X gifted a flat to Mrs. X on April 1, 2022. During the previous year 2022-23, she received rent of ₹8,500 p.m. from letting out of the flat.
- (d) Mr. X gifted ₹ 4,00,000 to his minor son who invested the same in a business and he derived income of ₹40,000 from the investment.
- (e) Mr. X's minor daughter derived an income of ₹ 25,000 from participation in music shows.
- During the year, Mr. X got a monthly pension of ₹ 18,000. He had no other income. Mrs. X received salary of ₹ 25,000 per month from a part time job as a fashion designer.
- Discuss the tax implications of each transaction and compute the total income of Mr. X and Mrs. X.

**Question 3 (b).****(5 Marks)**

Rudra Ltd. has one unit at Special Economic Zone (SEZ) and other unit at Domestic Tariff Area (DTA), the company provides the following details for the previous year 2022-23.

Particulars	Rudra Ltd. (₹)	Unit in DTA (₹)
Total Sales	6,00,00,000	2,00,00,000
Export Sales	4,60,00,000	1,60,00,000
Net Profit	80,00,000	20,00,000

Calculate the eligible deduction under section 10AA of the Income-tax Act, 1961, for the Assessment Year 2023-24, in the following situations:

- (i) If both the units were set up and start manufacturing from 22.05.2016.
- (ii) If both the units were set up and start manufacturing from 14.05.2020.



**Question 4 (a).****(5 Marks)**

Mrs. X has income asunder –	
Income under the head Salary	1,55,000
Income under the head Capital Gains	
Long term capital gain	27,000
Short term capital gain	1,09,000
Income under the head Other Sources (lottery)	7,000
Agricultural income	1,05,000
Deduction allowed under section 80C to 80U	7,000

Compute her tax liability for the assessment year 2023-24 in two situations –

- She is resident
- She is non-resident.

**Question 4 (b).****(5 Marks)**

- Mr. X has total income of ₹6,00,000
- Mr. X has total income of ₹8,00,000
- Mr. X has total income of ₹10,00,000
- Mr. X has total income of ₹12,00,000
- Mr. X has total income of ₹20,00,000

**Compute Tax of Mr. X if he has opted for section 115BAC.**

**Question 5 (a)****(5 Marks)**

Mr. X, a dealer in shares, received the following without consideration during the P.Y.2022-23 from his friend Mr. Y, -

- Cash gift of ₹ 75,000 on his anniversary, 15<sup>th</sup> April, 2022.
  - Bullion, the fair market value of which was ₹ 60,000, on his birthday, 19<sup>th</sup> June, 2022.
  - A plot of land at Faridabad on 1<sup>st</sup> July, 2022, the stamp value of which is ₹ 5 lakh on that date. Mr. Y had purchased the land in April, 2015.
- Mr. X purchased from his friend Z, who is also a dealer in shares, 1000 shares of X Ltd. @ ₹ 400 each on 19<sup>th</sup> June, 2022, the fair market value of which was ₹ 600 each on that date.
- Mr. X sold these shares in the course of his business on 23<sup>rd</sup> June, 2022.
  - On 1<sup>st</sup> November, 2022, Mr. X took possession of property (building) booked by him two years back at ₹ 20 lakh. The stamp duty value of the property as on 1<sup>st</sup> November, 2022 was ₹ 32 lakh and on the date of booking was ₹ 23 lakh. He had paid ₹ 1 lakh by account payee cheque as down payment on the date of booking.
- Compute the income of Mr. X chargeable under the head “Income from other sources” for A.Y.2023-24.

**Question 5 (b)****(5 Marks)**

ABC Ltd. has paid advance tax for the previous year 2022-23 as given below:

1. Upto 15.06.2022	₹ 50,000
2. Upto 15.09.2022	₹1,50,000
3. Upto 15.12.2022	₹3,00,000
4. Upto 15.03.2023	₹6,00,000

Actual tax liability was found to be ₹7,00,000 and balance tax was paid on 10.12.2023. Compute interest payable under section 234A, 234B, 234C.

**Question 6 (a).****(5 Marks)**

Mr. X, a citizen of USA, has come to India for the first time on 01.07.2018. The particulars of his arrival and departure are as given below:

<u>Date of arrival</u>	<u>Date of departure</u>
01.07.2018	11.12.2018
27.03.2019	21.07.2019
10.09.2019	01.03.2020
01.01.2021	23.09.2021
01.02.2022	01.07.2022
11.02.2023	—

Determine his residential status for various years.

**Question 6 (b).****(5 Marks)**

Mr. X declares gross total income ₹4,00,000 for the assessment year 2023-24. The gross total income includes taxable long term capital gain ₹ 65,000 and short term capital gain ₹35,000 which is taxable @ 15% under section 111A of the Income-tax Act, 1961. The details of fund investment made during the year 2022-23 are:

₹

(i) Medical insurance premium paid by cheque –	
(a) in the name of Mr. X	4,000
(b) in name of Mrs. X	5,000
(ii) Contribution made to –	
(a) Indira Gandhi Memorial Trust by cheque	7,000
(b) Delhi University (declared as an institution of national eminence) by cheque	3,000
(c) Zila Saksharta Samiti by cheque	5,000
(d) An approved charitable institute by cheque	30,000
(e) Government by cheque for the purpose of promoting family planning	10,000
(f) Hanuman Temple in Mohalla by cheque	20,000

Compute the total income of Mr. X chargeable to tax for the Assessment year 2023-24 and also compute his tax liability.

**Question 7 (a).****(5 Marks)**

Miss Charlie, an American national, got married to Mr. Radhey of India in USA on 02.03.2022 and came to India for the first time on 16.03.2022. She left for USA on 23.09.2022.

She returned to India again on 27.03.2023. While in India, she had purchased a show room in Mumbai on 22.04.2022, which was leased out to a company on a rent of ₹25,000 p.m. from 01.05.2022. She had taken loan from a bank for purchase of this show room on which bank had charged interest of ₹97,500 upto 31.03.2023.

She had received the following gifts from her relatives and friends during 01.04.2022 to 30.06.2022:

- From parents of husband	₹ 51,000
- From married sister of husband	₹ 11,000
- From two very close friends of her husband, ₹1,51,000 and ₹21,000	₹1,72,000

Determine her residential status and compute the total income chargeable to tax alongwith the amount of tax payable on such income for the Assessment Year 2023-24.

**Question 7 (b).****(5 Marks)**

Mr. X, aged 40 years, paid medical insurance premium of ₹18,000 by cheque during the P.Y.2022-23 to insure his health as well as the health of his spouse. He also paid medical insurance premium of ₹26,000 by cheque during the year to insure the health of his father, aged 63 years, who is not dependent on him. He contributed ₹ 5,000 by cheque to Central Government Health Scheme during the year. He has incurred ₹3,000 in cash on preventive health check-up of himself and his spouse and ₹4,000 by cheque on preventive health check-up of his father.

Compute the deduction allowable under section 80D for the A.Y.2023-24.

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