

M.K. GUPTA CA EDUCATION

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INCOME TAX

MULTIPLE CHOICE QUESTIONS

INCOME UNDER THE HEAD SALARY

1. The maximum ceiling limit for exemption under section 10(10) in respect of gratuity for employees covered by the Payment of Gratuity Act, 1972 is -

- (a) ₹10,00,000
- (b) ₹5,00,000
- (c) ₹3,50,000
- (d) ₹20,00,000

2. The maximum ceiling limit for exemption under section 10(10C) with respect to compensation received on voluntary retirement is -

- (a) ₹2,50,000
- (b) ₹3,00,000
- (c) ₹3,50,000
- (d) ₹5,00,000

3. The HRA paid to an employee residing in Patna is exempt up to the lower of actual HRA, excess of rent paid over 10% of salary and -

- (a) 30% of salary
- (b) 40% of salary
- (c) 50% of salary
- (d) 60% of salary

4. Anirudh stays in New Delhi. His basic salary is ₹10,000 p.m., D.A. (60% of which forms part of pay) is ₹6,000 p.m., HRA is ₹5,000 p.m. and he is entitled to a commission of 1% on the turnover achieved by him. Anirudh pays a rent of ₹5,500 p.m. The turnover achieved by him during the current year is ₹12 lakhs. The amount of HRA exempt under section 10(13A) is -

- (a) ₹48,480
- (b) ₹45,600
- (c) ₹49,680
- (d) ₹46,800

5. Where there is a decision to increase the D.A. in March, 2019 with retrospective effect from 1.4.2017, and the increased D.A. is received in April, 2019, the increase is taxable -

- (a) in the previous year 2017-18
- (b) in the previous year 2018-19
- (c) in the previous year 2019-20
- (d) in the respective years to which they relate

6. Rajesh is provided with a rent free unfurnished accommodation, which is owned by his employer, XY Pvt. Ltd., in New Delhi. The value of perquisite in the hands of Rajesh is -

- (a) 20% of salary
- (b) 15% of salary
- (c) 10% of salary
- (d) 7.5% of salary

7. Anand is provided with furniture to the value of ₹70,000 along with house from February, 2018. The actual hire charges paid by his employer for hire of furniture is ₹5,000 p.a.. The value of furniture to be included along with value of unfurnished house for A.Y.2019- 20 is-

- (a) ₹5,000
- (b) ₹7,000
- (c) ₹10,500
- (d) ₹14,000

8. For the purpose of determining the perquisite value of loan at concessional rate given to the employee, the lending rate of State Bank of India as on _____ is required;

- (a) 1st day of the relevant previous year
- (b) Last day of the relevant previous year
- (c) the day the loan is given
- (d) 1st day of the relevant assessment year

9. Mr. Kashyap received basic salary of ₹20,000 p.m. from his employer. He also received children education allowance of ₹3,000 for three children and transport allowance of ₹1,800 p.m. The amount of salary chargeable to tax for P.Y. 2018-19 is -

- (a) ₹2,62,600
- (b) ₹2,22,600
- (c) ₹2,22,200
- (d) ₹2,07,800

10. The entertainment allowance received by a Government employee is exempt up to the lower of the actual entertainment allowance received, 1/5th of basic salary and-

- (a) ₹4,000
- (b) ₹6,000
- (c) ₹5,000
- (d) ₹10,000.

11. For the purposes of computing exemption under section 10(10), in case of Mr. Anand, an employee of ABC Ltd., who is covered by the Payment of Gratuity Act, 1972, "salary" includes –

- (a) only basic pay
- (b) basic pay and dearness allowance, if provided in the terms of employment
- (c) basic pay and dearness allowance
- (d) basic pay, dearness allowance and commission as a fixed percentage of turnover

12. Provision of rent free accommodation and motor car owned by Beta Ltd. to its employee Mr. Anand, where motor car is allowed to be used by Mr. Anand both for official and personal purposes, is a –

- (a) perquisite taxable in case of all employees
- (b) perquisite taxable only in case of specified employees
- (c) perquisite of rent free accommodation is taxable in case of all employees whereas perquisite of motor car is taxable only in case of specified employees
- (d) perquisite of rent free accommodation is taxable only in case of specified employees whereas perquisite of motor car is taxable in case of all employees

13. Retirement Benefit Salary shall include:

- (a) Basic pay plus commission
- (b) Basic pay plus Dearness allowance
- (c) Basic pay plus Dearness allowance (forming part of salary) plus commission (fixed on turnover)
- (d) Basic pay plus Dearness allowance plus any commission
- (e) taxable salary

14. Payments received from recognised provident fund shall be exempt from income tax if the

- (a) If the employee has rendered continuous service for a period of 10 years or more
- (b) If the employee has rendered service for a period of 5 years or more
- (c) If the employee has rendered continuous service for a period of 5 years or more

(d) If the employee has rendered service for a period of **10 years** or more

15. Any gratuity received by the employees covered under payment of Gratuity Act 1972, shall be exempt

(a) Lower of Gratuity received or ₹ 20,00,000 or 15 days salary for each completed year of service or part thereof in excess of six month.

(b) Lower of Gratuity received or ₹ 10,00,000 or 15 days salary for each completed year of service or part thereof in excess of six month.

(c) Lower of Gratuity received or ₹ 5,00,000 or 30 days salary for each completed year of service or part thereof in excess of six month.

(d) Lower of Gratuity received or ₹ 20,00,000 or 30 days salary for each completed year of service or part thereof in excess of six month.

16. Salary for the purpose of Gratuity (employees not covered under gratuity act) means

(a) Basic pay plus commission

(b) Basic pay plus Dearness allowance

(c) Basic pay plus Dearness allowance (forming part of salary) plus commission (fixed on turnover)

(d) Basic pay plus any Dearness allowance plus any commission

(e) taxable salary

17. Mr. X retired on 15.06.2018 after completion of 26 years 8 months of service and received gratuity of ₹6,00,000. At the time of retirement his salary was:

Basic Salary : ₹ 5,000 p.m.

Dearness Allowance : ₹ 3,000 p.m. (60% of which is for retirement benefits)

Commission : 1% of turnover (turnover in the last 12 months was ₹ 12,00,000)

Bonus : ₹ 12,000 p.a.

Taxable Gratuity shall be if he is non-government employee and covered by the Payment of Gratuity Act 1972.

(a) 6,00,000

(b) 3,75,385

(c) 4,75,385

(d) 4,55,385

18. Mr. X retired on 15.06.2018 after completion of 26 years 8 months of service and received gratuity of ₹6,00,000. At the time of retirement his salary was:

Basic Salary : ₹ 5,000 p.m.

Dearness Allowance : ₹ 3,000 p.m. (60% of which is for retirement benefits)

Commission : 1% of turnover (turnover in the last 12 months was ₹ 12,00,000)

Bonus : ₹ 12,000 p.a.

Taxable Gratuity shall be if he is non-government employee and not covered by the Payment of Gratuity Act 1972.

(a) 6,00,000

(b) 4,98,600

(c) 4,75,600

(d) 4,55,600

19. Which of the statements is correct

(a) If the employee has not received gratuity, the commuted value of 1/2 of such pension is exempt from tax.

(b) If the employee has not received gratuity, the commuted value of 1/3 of such pension is exempt from tax.

(c) If the employee has not received gratuity, the commuted value of 2/3 of such pension is exempt from tax.

(d) If the employee has not received gratuity, the commuted value of 1/4 of such pension is exempt from tax.

20. Which of the statements is correct

(a) If the employee has received gratuity, the commuted value of 1/2 of such pension is exempt from tax.

- (b) If the employee has received gratuity, the commuted value of 1/3 of such pension is exempt from tax.
 (c) If the employee has received gratuity, the commuted value of 2/3 of such pension is exempt from tax.
 (d) If the employee has received gratuity, the commuted value of 1/4 of such pension is exempt from tax.

21. Which of the statements is correct

- (a) If the employee has received pension from Local Authority, the commuted value of 100% of such pension is exempt from tax.
 (b) If the employee has received pension from Local Authority, the commuted value of 50% of such pension is exempt from tax.
 (a) If the employee has received pension from Local Authority, the commuted value of 33.33% of such pension is exempt from tax.
 (a) If the employee has received pension from Local Authority, the commuted value of 60% of such pension is exempt from tax.

22. Which of the statements is correct

- (a) If the employee has contributed to the pension scheme, deduction u/s 80CCD shall be allowed for such contribution but maximum to the extent of 10% of retirement benefit salary
 (b) If the employee has contributed to the pension scheme, deduction u/s 80CCD shall be allowed for such contribution but maximum to the extent of 10% of taxable salary
 (c) If the employee has contributed to the pension scheme, deduction u/s 80CCD shall be allowed for such contribution but maximum to the extent of 20% of retirement benefit salary
 (d) If the employee has contributed to the pension scheme, deduction u/s 80CCD shall be allowed for such contribution but maximum to the extent of 20% of salary.

23. Which of the statements is correct

- (a) Mr. X engaged in business has contributed to the pension scheme, deduction u/s 80CCD shall be allowed for such contribution but maximum to the extent of 10% of contribution
 (b) Mr. X engaged in business has contributed to the pension scheme, deduction u/s 80CCD shall be allowed for such contribution but maximum to the extent of 10% of gross total income
 (c) Mr. X engaged in business has contributed to the pension scheme, deduction u/s 80CCD shall be allowed for such contribution but maximum to the extent of 20% of contribution
 (d) Mr. X engaged in business has contributed to the pension scheme, deduction u/s 80CCD shall be allowed for such contribution but maximum to the extent of 20% of gross total income.

24. Mr. X (Non- Govt. Employee) retired w.e.f 01.12.2018 after 20 years 10 months of service, receiving leave salary of ₹ 5,00,000. Other details of his salary income are:

Basic Salary	: ₹ 5,000 p.m. (₹ 1,000 was increased w.e.f. 01.04.2018)
Dearness Allowance	: ₹ 3,000 p.m. (60% of which is for retirement benefits)
Commission	: ₹ 500 p.m.
Bonus	: ₹ 1,000 p.m.
Leave availed during service	: 480 days

He was entitled to 30 days leave every year. Taxable leave salary shall be

- (a) 5,00,000
 (b) Nil
 (c) 4,73,600
 (d) 4,55,600

25. Mr. X received retrenchment compensation of ₹10,00,000 after 30 years 4 months of service. At the time of retrenchment, he was receiving basic salary of ₹20,000 p.m.; dearness allowance of ₹ 5,000 p.m., taxable retrenchment compensation shall be

- (a) 5,67,308
 (b) Nil
 (c) 6,25,000
 (d) 7,00,000
 (e) 10,00,000

26. Standard deduction u/s section 16(ia) from gross salary shall be allowed maximum

- (a) 50,000
- (b) 50% of gross salary
- (c) 40,000
- (d) 1,00,000
- (e) no deduction shall be allowed

27. which of the statement is correct from the following

- (a) Children education allowance is exempt upto ₹100 p.m. per child upto two child.
- (b) Children education allowance is exempt upto ₹100 p.m. per child upto three child.
- (c) Children education allowance is exempt upto ₹100 per child upto two child.
- (d) Children education allowance is exempt upto ₹100 per child for many child.

28. which of the statement is correct from the following

- (a) Any allowance granted to an employee to meet the hostel expenditure on his child is exempt upto ₹300 p.m. per child upto two children.
- (b) Any allowance granted to an employee to meet the hostel expenditure on his child is exempt upto ₹300 per child upto two children.
- (c) Any allowance granted to an employee to meet the hostel expenditure on his child is exempt upto ₹100 p.m. per child upto two children.
- (d) Any allowance granted to an employee to meet the hostel expenditure on his child is exempt upto ₹400 p.m. per child upto two children.

29. Mr. X is employed in central Government getting basic pay ₹30,000 p.m., dearness allowance ₹7,000 p.m., servant allowance ₹2,000 p.m., entertainment allowance ₹1,000 p.m., In this case entertainment allowance exempt u/s 16(ii) for the F.Y. 2018-19 shall be

- (a) Nil
- (b) 5,000
- (c) 12,000
- (d) 7,000

30. which of the statement is not correct from the following

- (a) If the population is upto 10 lakhs, taxable amount shall be 7.5% of rent free accommodation salary
- (b) If the population is more than 10 lakhs but upto 25 lakhs, taxable amount shall be 10% of rent free accommodation salary
- (c) If the population is more than 25 lakhs, taxable amount shall be 15% of rent free accommodation salary
- (d) If the population is more than 10 lakhs, taxable amount shall be 15% of rent free accommodation salary

Answer

1. (d); 2. (d); 3. (b); 4. (a); 5. (b); 6. (b); 7. (a); 8. (a); 9. (b); 10. (c); 11.(c); 12.(c) ; 13.(c) ; 14.(c) ; 15.(a) ; 16.(c) ; 17.(c) ; 18.(b) ; 19.(a) ; 20.(b) ; 21.(a) ; 22.(a) ; 23.(c) ; 24.(c) ; 25.(a) ; 26.(c) ; 27.(a) ; 28.(a) ; 29.(b) ; 30.(d)