

# MKG

## INCOME TAX VOLUME 1

### ATTEMPT ALL QUESTIONS

(Maximum Marks : 100)

#### Question 1: Multiple Choice Questions

(30 Marks)

**(i) Tax Liability of a resident individual having LTCG 3.5 Lakh shall be**

- (a) ₹7,800
- (b) ₹72,800
- (c) ₹18,200
- (d) ₹20,800

**(ii) Mr. Mayank has received a sum of ₹ 75,000 on 24.10.2019 from his friend on the occasion of his marriage anniversary.**

- (a) Entire ₹ 75,000 is chargeable to tax.
- (b) Entire ₹75,000 is exempt from tax
- (c) Only ₹ 25,000 is chargeable to tax
- (d) Only 50% i.e., ₹ 37,500 is chargeable to tax

**(iii) Ashok took possession of property on 31st August 2019 booked by him three years back at ₹25 lakhs, The Stamp Duty Value (SDV) of the property as on 31st August 2019 was ₹31 lakh and on date of booking it was ₹29 lakh. He had paid ₹2 lakh by A/c payee cheque as down payment on date of booking. Which of the following will be considered as income, if any, and in which previous year**

- (a) ₹4 lakhs in P.Y. 2019-20
- (b) ₹4 lakhs in P.Y. 2016-17
- (c) ₹6 lakhs in P.Y. 2019-20
- (d) No income shall be taxable, since down payment was paid by A/c cheque while booking the property

**(iv) Income earned from a contract negotiated by an agent in India in the name of a non-resident and approved by such non-resident shall:**

- (a) be taxable in India as such income is deemed to accrue or arise in India
- (b) not be taxable in India as there is no business connection in India
- (c) be taxable in India only if it is received in India
- (d) not taxable in India as such income accrues or arises outside India

**(v) In case of inter source adjustment the loss derived from a house property can be set off during the year against:**

- (a) the income of any other house property
- (b) the capital gain
- (c) the income under other sources
- (d) (b) and (c) above

**(vi) The maximum period for which speculation loss can be carried forward is -**

- (a) 4 years
- (b) 8 years
- (c) indefinitely
- (d) not allowed to be carry forward

**(vii) Mr. Ahmed acquired a property in April, 2019 for self-residential use. The loan interest payable to State Bank of India for the financial year 2019-20 amounts to ₹ 2,10,000. The amount eligible for deduction under section 24 is (all conditions for claiming higher interest have been complied with):**

- (a) ₹ 30,000
- (b) ₹ 2,00,000
- (c) ₹ 2,10,000
- (d) ₹ 1,50,000

**(viii) A borrowed ₹5,00,000 @ 12% p.a. on 1-4-2015 for construction of house property which was completed on 15-3-2019. The amount is still unpaid. The deduction of interest for previous year 2019-20 shall be :**

- (a) ₹60,000
- (b) ₹96,000
- (c) ₹1,80,000
- (d) ₹2,40,000

**(ix) If Anirudh has stayed in India in the P.Y. 2019-20 for 181 days, and he is non-resident in 9 out of 10 years immediately preceding the current previous year and he has stayed in India for 365 days in all in the 4 years immediately preceding the current previous year and 420 days in all in the 7 years immediately preceding the current previous year, his residential status for the A.Y.2020-21 would be-**

- (a) Resident and ordinarily resident
- (b) Resident but not ordinarily resident
- (c) Non-resident
- (d) Cannot be ascertained with the given information

**(x) Raman was employed in Hindustan Lever Ltd. He received a salary of ₹40,000 p.m. from 1.4.2019 to 27.9.2019. He resigned and left for Dubai for the first time on 1.10.2019 and got salary of rupee equivalent of ₹80,000 p.m. from 1.10.2019 to 31.3.2020. His salary for October to December 2019 was credited in his Dubai bank account and the salary for January to March 2020 was credited in his Bombay account directly. He is liable to tax in respect of -**

- (a) Income received in India from Hindustan Lever Ltd;
- (b) Income received in India and in Dubai;
- (c) Income received in India from Hindustan Lever Ltd. and income directly credited in India;
- (d) Income received in Dubai

**(xi). Mr. X a senior citizen has loss from house property ₹ 5,00,000 and as income from business ₹12,00,000, in this case his tax liability shall be**

- (a) ₹ 1,12,500
- (b) ₹ 1,14,400
- (c) ₹ 82,500
- (d) none of these

**(xii). Which of the following benefits are not allowable to Ms. Geetha, a non-resident, while computing her total income and tax liability for A.Y.2020-21 under the Income-tax Act, 1961?**

- (a) Deduction of 30% of gross annual value while computing her income from house property in Bangalore, India
- (b) Tax rebate of ₹12,500 from tax payable on her total income of ₹3,40,000
- (c) Deduction for donation made by her to Prime Minister's National Relief Fund
- (d) Deduction for interest earned by her on NRO savings account

(xiii). Mr. X, a resident, is due to receive ₹4.50 lakhs on 31.03.2020, towards maturity proceeds of LIC policy taken on 01.04.2016, for which the sum assured is ₹4 lakhs and the annual premium is ₹1,25,000. Mr. Z, a resident, is due to receive ₹95,000 on 01.10.2019 towards maturity proceeds of LIC policy taken on 01.10.2012 for which the sum assured is ₹90,000 and the annual premium is ₹10,000.

- (a) Tax is required to be deducted on maturity proceeds payable to Mr. X and Mr. Z
- (b) Tax is required to be deducted on maturity proceeds payable to Mr. X
- (c) Tax is required to be deducted on maturity proceeds payable to Mr. Z
- (d) No tax is required to be deducted on maturity proceeds payable to either Mr. X or Mr. Z

(xiv) Income of a minor child from a fixed deposit with a bank, made out of income earned from scholarship is—

- (a) to be assessed in the hands of the minor child
- (b) to be clubbed with the income of that parent whose total income, before including minor's income, is higher
- (c) completely exempt from tax
- (d) to be clubbed with the income of father

(xv) The maximum amount of rebate allowable under section 87A for A.Y. 2020-21 is -

- (a) ₹2,500, if the total income does not exceed ₹5 lakh
- (b) ₹5,000, if the total income does not exceed ₹5 lakh
- (c) ₹12,500, if the total income does not exceed ₹5 lakh
- (d) ₹2,500, if the total income does not exceed ₹3.5 lakh

(xvi) 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

(xvii) Mr. X a senior citizen has loss from house property ₹ 5,00,000 and LTCG ₹ 5,00,000, in this case his tax liability shall be

- (a) ₹ 7,500
- (b) ₹ 10,400
- (c) Nil
- (d) ₹ 7,800

(xviii). Jenny has invested in debt securities of Haryali Pvt. Ltd., a company deriving its main source of income from business of growing and processing organic vegetables and fruits. Thus, the company has 80% of income exempt as agricultural income and 20% is taxable as business income. During the P.Y. 2019-20, Jenny derived ₹ 5,000 as interest income from the above investments. Which of the following statements are correct on taxability:

- (a) Interest will be exempt from tax to the extent of 80%, since Hariyali Pvt. Ltd has 80% exempted income.
- (b) Interest will be exempt from tax to the extent of 20%, since Hariyali Pvt. Ltd has claimed 80% of income as exempt.
- (c) Interest will be fully taxable
- (d) Interest will be fully exempt

(xix). Mr. Shiva made a donation of ₹50,000 to National Children's Fund and ₹20,000 to Rajiv Gandhi Foundation by cheque. He made a cash donation of ₹10,000 to a public charitable trust. The deduction allowable to him under section 80G for A.Y.2020-21 is

- (a) ₹80,000
- (b) ₹70,000
- (c) ₹60,000
- (d) ₹35,000

(xx) A registered firm pays salary and interest on capital to its resident partners. Which of the following statements is true?

- (a) Tax has to be deducted u/s 192 on salary and u/s 194A on interest
- (b) Tax has to be deducted u/s 192 on salary but no tax needs to be deducted on interest
- (c) No tax has to be deducted on salary but tax has to be deducted u/s 194A on interest

(d) No tax has to be deducted at source on either salary or interest

**(xxi). Deduction under section 80TTB is allowed**

- (a) to all individual upto ₹ 10,000
- (b) to all individual upto ₹ 50,000
- (c) to a senior citizen upto ₹ 40,000
- (d) none of these

**(xxii). Deduction for investment in Kisan Vikas Patra is allowed under section**

- (a) 80C
- (b) 80CCC
- (c) 80CCD
- (d) none of these

**(xxiii). Deduction u/s 80DD in case of expenditure in connection with handicapped dependent relative is allowed to:**

- (a) Any assessee
- (b) an individual
- (c) An individual or HUF
- (d) An individual or HUF who is resident in India

**(xxiv). The maximum amount which can be donated in cash for claiming deduction under section 80G is—**

- (a) ₹ 5,000
- (b) ₹ 10,000
- (c) ₹ 1,000
- (d) ₹ 2,000

**(xxv). Mr. Ramanan, a resident aged 40 years, has a total income of ₹3,25,000 for A.Y.2020-21, comprising of his salary income and income from house property. His tax liability for A.Y.2020-21 would be –**

- (a) ₹3,900
- (b) ₹1,300
- (c) ₹2,600
- (d) Nil

**(xxvi). The quantum of deduction available under section 10AA in respect of profits and gains derived by a SEZ unit from export of articles is –**

- (a) 100% of export profits for first 10 consecutive AYs and 50% for next 5 consecutive AYs
- (b) 100% of export profits for first 5 consecutive AYs and 50% for next 10 consecutive AYs
- (c) 100% of export profits for first 15 consecutive AYs
- (d) 100% of export profits for first 5 consecutive AYs, 50% for export profits for next 5 consecutive AYs and upto 50% of export profits for next 5 consecutive AYs, as is credited to Special Reserve Account

**(xxvii). Which of the following income would be exempt in the hands of a Sikkimese Individual?**

- (a) only income from any source in the State of Sikkim
- (b) only income by way of dividend
- (c) only income from interest on securities
- (d) All the above

**(xxviii) Mr. Zen owns a flat in Mumbai which was let out by him in the previous year 2019 – 20 on a rent of ₹20,000 p.m. upto December, 2019 and for ₹30,000 p.m. thereafter. The annual municipal value is of ₹3,00,000, Fair Rent is ₹2,50,000 and Standard Rent is ₹2,90,000. The Gross Annual Value of the flat shall be taken as:**

- (a) ₹ 2,70,000
- (b) ₹ 3,00,000
- (c) ₹ 2,50,000
- (d) ₹ 2,90,000

(xxix) M/S Mohan & Sons (liable to audit) paid ₹35,000 to Mr. Goel on 01.05.2019 towards fee for legal advisory services without deduction of tax at source. Another payment of ₹47,000 was due to Mr. Goel on 31.07.2019 and TDS on entire amount (i.e. ₹35,000 plus ₹47,000) was deducted and then the net amount was paid. However, the total tax deducted was deposited on 15.11.2019. The interest chargeable under section 201 will be:

- (a) ₹650
- (b) ₹433
- (c) ₹486
- (d) ₹597

(xxx) Mr. X received a cell phone as a gift from his friend valued ₹ 1,00,000, in this case

- (a) It is taxable under the head Other Sources
- (b) It is taxable under the head Salary
- (c) It is taxable under the head Business/Profession
- (d) It is not taxable

**Question 2 (a).**

**(5 marks)**

Mr. X, due to inadvertent reasons failed to file his Income Tax return within due date for financial year 2019-2020.

- (i) Can he file the above return in-assessment 2020-2021? If yes, when is the last date to file the above return?
- (ii) Explain the amount of fees to be paid for default in furnishing return of income under section 234F of the Income Tax Act, 1961.

**Question 2 (b).**

**(5 Marks)**

A partnership firm made the following payments of advance tax during the financial year 2019-20:

	₹
Upto June 15, 2019	4,15,000
Upto September 15, 2019	8,25,000
Upto December 15, 2019	16,64,000
Upto March 15, 2020	26,23,000

Return of income filed by the firm is ₹88,00,000 under the head “profits and gains of business or profession” and ₹9,50,000 by way of long term capital gains on sale of a property effected on December 1, 2019. What is the interest payable by the assessee under section 234B and section 234C for assessment year 2020-21? Assume that the return of income was filed on 30.09.2020 i.e. the due date and tax was fully paid on self-assessment.

**Question 3 (a).**

**(5 Marks)**

Mr. X, a resident, has provided the following particulars of his income for the P.Y.2019-20.

i. Income under the head salary	₹3,40,000
ii. Income under the head house property	₹3,00,000
iii. Agricultural income from a land in Jaipur	₹1,80,000
iv. Expenses incurred for earning agricultural income	₹1,20,000

Compute his tax liability assuming his age is -

- (a) 45 years
- (b) 70 years

**Question 3 (b).**

**(5 Marks)**

Mr. X has four minor children consisting of three daughters and one son. The annual income of all the children for the Assessment Year 2020-21 were as follows:

First daughter (including Scholarship received ₹5,000)	10,000
Second Daughter	8,500
Third Daughter (Suffering from disability specified U/s 80U)	4,500

Son 40,000  
 Mr. X gifted ₹2,00,000 to his minor Son who invested the same in the business and derived income of ₹20,000 which is included above.  
 Compute the amount of Income earned by Minor Children to be clubbed in the hands of Mr. X.

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

Compute gross annual value in the following cases for the assessment year 2020-21:

Particulars	Situation 1	Situation 2	Situation 3	Situation 4
Fair Rent (p.m.)	10,000	12,000	13,000	15,000
Municipal Valuation (p.m.)	11,000	10,000	8,000	17,000
Standard Rent (p.m.)	12,000	11,000	7,000	16,000
Rent received/ receivable (p.m.)	7,000	11,500	20,000	16,000
Vacancy	-	2 months	1 month	3 month
Unrealised rent	1 month	-	3 month	1 month

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

Mr. X has let out one house property @ ₹70,000 per month and there is unrealised Rent of 2 months and there is vacancy of 3 months. Fair rent ₹60,000 per month, municipal valuation ₹55,000 per month and standard rent ₹80,000 per month. Municipal tax paid ₹62,000. Interest on loan for construction of the house property is ₹75,000. The assessee has unrealised Rent of ₹2,00,000 in P.Y. 2016-17 and he has recovered ₹1,50,000 in P.Y. 2019-20 and interest of ₹18,000 and he has incurred ₹11,000 as legal expense.

Compute his tax liability for assessment year 2020-21.

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

Mr. X (age 67 years) gifted a building owned by him to his son's wife Mrs. X on 01.10.2018. The building fetched a rental income of ₹10,000 per month throughout the year. Municipal tax for the first half-year of ₹5,000 was paid in June 2019 and the municipal tax for the second half-year was not paid till 30.09.2020.

Incomes of Mr. X and Mrs. X other than income from house property are given below:

Name	Business income	Capital gain	Other sources
Mr. X	₹1,00,000	₹50,000 (long-term)	₹1,50,000
Mrs. X	₹(75,000)	₹2,00,000 (short-term)	₹50,000

Note: Capital gain does not relate to gain from shares and securities.

Compute the total income of Mr. X and Mrs. X taking into account income from property given above and also compute their income-tax liability for the assessment year 2020-21.

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

The following are the income of Shri Subhash Chandra, a citizen of India for the previous year 2019-20:

- Income from business in India ₹ 2,00,000. The business is controlled from London and ₹ 60,000 were remitted to London.
- Profits from business earned in Japan ₹ 70,000 of which ₹ 20,000 were received in India. This business is controlled from India.
- Untaxed income of ₹ 1,30,000 for the year 2017-18 of a business in England which was brought in India on 3<sup>rd</sup> March, 2020.
- Royalty of ₹ 4,00,000 received in India from Shri Ramesh, a resident for technical service provided to run a business outside India.
- Agricultural income ₹ 90,000 in Bhutan.
- Income of ₹ 73,000 (computed) from house property in Dubai, which was deposited in bank at Dubai.

Compute Gross total income of Shri Subhash Chandra for the A.Y. 2020-21, if he is –

- (1) A resident and Ordinarily Resident, and
- (2) A resident and Not Ordinarily Resident

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

Following are the details of incomes/ losses of Mr. Rishi for the F.Y. 2019-20:

<b>(Figures in brackets represents losses)</b>	<b>₹</b>
Taxable salary income (computed)	3,60,000
Taxable income from house property (computed)	
- from rented house property X	1,20,000
- from rented house property Y	(3,40,000)
Taxable profit from business (computed)	
- business P	2,30,000
- business Q	(12,000)
- business R (speculative business)	15,000
- business T (speculative business)	(25,000)
Taxable Income from other sources:	
- from card games	16,000
- from owning & maintenance of race horses	(7,000)
- interest on securities	5,000

You are required to determine the Gross total income of Mr. Rishi for Assessment year 2020-21.

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

Examine the TDS implications in the following cases along-with reasons thereof;

- (i) Ms. Varsha received a sum of ₹ 95,000 on 31<sup>st</sup> December 2019 towards maturity proceeds of LIC taken on 1<sup>st</sup> October 2013 for which sum assured was ₹ 80,000 and annual premium was ₹ 10,000.
- (ii) XYZ Private Limited pays the following amounts to Mr. Narayan during previous year 2019-20:
  - (1) ₹ 22,000 towards fee for professional services
  - (2) ₹ 18,000 towards royalty
- (iii) Payment of ₹ 1,75,000 made to Mr. Vaibhav for purchase of calendar according to specification of M/s. ABC Limited. However, no material was supplied for such calendar by ABC Limited to Mr. Vaibhav.
- (iv) Talent Private Limited pays ₹ 12,000 to Ms. Sudha, its director, towards sitting fee which is not taxable u/s 192.
- (v) Radha Limited is engaged for Shyam Limited only in the business of operation of call centre. On 18-03-2020, the total amount credited by Shyam Limited in the ledger account of Radha Limited is ₹ 70,000 regarding service charges of call centre. The amount is paid through cheque on 28/03/2020 by Shyam Limited.

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

Mr. X has income from business/profession ₹6,00,000 and long term capital gain ₹4,00,000 and short term capital gain u/s 111A ₹2,00,000 and casual income ₹1,00,000.

He has paid premium of a mediclaim policy amounting to ₹20,000 taken in the name of his dependant grand father who is senior citizen and payment was made by a cheque on 09.01.2020.

He has given premium of Jeevan Suraksha policy ₹7,000, has donated ₹12,000 to the National Defence Fund, ₹4,000 to Rajiv Gandhi Foundation and ₹3,00,000 to a charitable institution and ₹1,00,000 to a social organization and ₹4,00,000 to religious organization and all such organization are notified under section 80G. (all the donations was made by cheque)

Compute his total income and tax liability for A.Y. 2020-21.

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

Mr. X an American citizen has come to India for the first time on 01.07.2016 as an executive of a multinational company. His employer has allowed him to visit USA every year and for this purpose he will be leaving India every year on 1<sup>st</sup> November and shall come back on 31<sup>st</sup> December, besides that he has visited Hong Kong on several occasions in connection with the official work, because he is looking after the employer's operations in Hong Kong also, with details asunder:

<b>Date of leaving India</b>	<b>Date of arriving in India</b>
10.09.2016	30.09.2016
07.02.2017	08.05.2017
11.07.2017	21.10.2017
10.02.2018	23.07.2018
11.02.2019	12.06.2019
01.02.2020	10.04.2020

Determine his residential status for the previous years 2016-17 to 2019-20.

**Question 8 (a).****(5 Marks)**

ABC Ltd., a domestic company has current profits of ₹150 lakhs and the company has distributed dividends of ₹55 lakhs. Mr. X, one of the shareholder has received dividend of ₹7,00,000. Compute income tax liability of the company and that of shareholder.

Calculate additional income tax payable by the company also.

(ii) Presume in the above case the company is the foreign company.

**Question 8 (b).****(5 Marks)**

Mrs. X has received the following gifts during previous year 2019-20.

(i) On the occasion of her marriage on 14.08.2019, she has received ₹90,000 as gift out of which ₹70,000 are from relatives and balance from friends.

(ii) On 12.09.2019, she has received gift of ₹18,000 from cousin of her mother.

(iii) A cell phone of ₹21,000 is gifted by her employer on 15.08.2019.

(iv) She gets a gift of ₹25,000 from the elder brother of her husband's grandfather on 25.10.2019.

(v) She has received a gift of ₹2,000 from her friend on 14.04.2019.

(vi) She has won ₹4 lakh from a game show on electronic media.

Compute her tax liability for assessment year 2020-21.