

MKG

MAY 21/NOV 21

MOCK TEST SOLUTIONS

UPTO DEDUCTION FROM GROSS TOTAL INCOME

ATTEMPT ALL QUESTIONS

Time allowed: 3 hours

Maximum Marks: 100

MULTIPLE CHOICE QUESTIONS (30 Marks)

Question 1

(i) In respect of a non-resident assessee, who is of the age of 60 years or more but less than 80 years at any time during the previous year 2020-21, -

- (a) Basic exemption of ₹2,50,000 is available
- (b) Basic exemption of ₹3,00,000 is available
- (c) Basic exemption of ₹5,00,000 is available
- (d) No basic exemption limit would be available

(ii) Unexhausted basic exemption limit of a non-resident individual can be adjusted against –

- (a) only LTCG taxable @20% u/s 112
- (b) only STCG taxable @15% u/s 111A
- (c) only LTCG taxable @ 10% u/s 112A
- (d) casual income taxable @30% u/s 115BB
- (e) none of these

(iii) 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

(iv) Mr. Nishant, a resident but not ordinarily resident for the previous year 2019-20 and resident and ordinarily resident for the previous year 2020-21 has received rent from property in Canada amounting to ₹1,00,000 during the P.Y.2019-20. He has deposited the same in a bank in Canada. During the financial year 2020-21, he remitted this amount to India through approved banking channels. Is such rent taxable in India, and if so, how much and in which year?

- (a) Yes; ₹ 70,000 was taxable in India during the previous year 2019-20.
- (b) Yes; ₹ 1,00,000 was taxable in India during the previous year 2019-20.
- (c) Yes; ₹ 70,000 was taxable in India during the previous year 2020-21.
- (d) No; such rent is not taxable in India either during the previous year 2019-20 or during the previous year 2020-21.

(v) 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

(vi) 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

(vii) Income accruing in London and received there is taxable in India in the case of-

- (a) resident and ordinarily resident only
- (b) both resident and ordinarily resident and resident but not ordinarily resident
- (c) both resident and non-resident
- (d) non-resident

(viii) The maximum amount of rebate allowable under section 87A for A.Y. 2021-22 is -

- (a) ₹2,000, 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 ₹5 lakh

(ix) The income earned during the previous year is subject to tax under the Act on the basis of residential status of an assessee. However, the residential status of an assessee every year.

- (a) will not change
- (b) will certainly change
- (c) may change
- (d) None of the above

(x) Mr. Rajiv, born and brought up in India left for employment in Belgium on 15-10-2020. He has never gone out of India, previously. What is his residential status for the assessment year 2021-22?

- (a) Non-resident
- (b) Not ordinarily resident
- (c) Resident and ordinarily resident in India
- (d) Indian citizen

(xi) Leena received ₹30,000 as arrears of rent during the P.Y. 2020-21. The amount taxable under section 25A would be -

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

(xii) Ms. Padmaja let out a property for ₹20,000 per month during the year 2020-21. The municipal tax on the let-out property was enhanced retrospectively. Hence, she paid ₹60,000 as municipal tax which included arrears of municipal tax of ₹45,000. Her income from house property is —

- (a) ₹1,80,000
- (b) ₹1,57,500
- (c) ₹1,26,000
- (d) ₹1,36,500

(xiii) A borrowed ₹5,00,000 @ 12% p.a. on 1-4-2015 for construction of house property which was completed on 15-3-2020. The amount is still unpaid. The deduction of interest for previous year 2020-21 shall be :

- (a) ₹60,000

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

(xiv) An assessee has paid life insurance premium of ₹ 25,000 during the previous year 2020-21 for a policy of ₹1,00,000 taken on 1.4.2015. He shall:

- (a) not be allowed deduction u/s 80C
- (b) be allowed deduction of ₹ 20,000 u/s 80C
- (c) be allowed deduction of ₹ 25,000 under section 80C
- (d) be allowed deduction of ₹ 10,000 u/s 80C

(xv) Mr. X has income from business ₹ 505 lakhs and short term capital gain under section 111A ₹ 30 lakhs and long term capital gains under section 112A ₹ 41 lakhs, in this case tax liability shall be

- (a) 207,92,850
- (b) 225,29,650
- (c) 209,87,330
- (d) 173,69,430

(xvi) Mr. Rajat Saini, aged 32 years, furnishes the following details of his total income for the A.Y. 2021-22:

Income under the head Salary (computed)	27,88,000
Income under the head House Property	15,80,000
Income under the head Other sources	7,22,000

He has not claimed any deduction under chapter VIA. You are required to compute tax liability of Mr. Rajat Saini as per the provisions of Income Tax Act, 1961.

- (a) 13,93,080
- (b) 14,58,600
- (c) 15,32,390
- (d) 16,02,040

(xvii) Incomes which accrue or arise outside India but received directly in India are taxable in case of-

- (a) resident and ordinarily resident only
- (b) both resident and ordinarily resident and resident but not ordinarily resident
- (c) non-resident
- (d) All the above

(xviii) Fees for technical services paid by the Central Government will be taxable in case of –

- (a) resident and ordinarily resident only
- (b) both resident and ordinarily resident and resident but not ordinarily resident
- (c) non-resident
- (d) All the above

(xix). Deduction under section 80TTA is allowed

- (a) to every person for interest on saving accounts
- (b) to an individual for interest on fixed deposit
- (c) to an individual and HUF for interest on savings account
- (d) to an individual and HUF for interest on any account

(xx). 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

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

- (a) 80C
- (b) 80CCC

- (c) 80CCD
- (d) none of these

(xxii). Deduction for repayment of principal amount under section 80C is allowed

- (a) for any house property
- (b) repairs of residential house property
- (c) purchase or construction of residential house property
- (d) construction of commercial house property

(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). John is a foreign citizen born in USA. His father was born in Delhi in 1960 and his grand-father was born in Lahore in 1935 but his mother was born in UK in 1963. John came to India for the first time on 1st June, 2020 and stayed in India for 183 days and then left for USA. His residential status for the A.Y. 2021-22 shall be :

- (a) Resident and ordinarily resident
- (b) Resident but not ordinarily resident
- (c) Non-resident
- (d) Foreign National

(xxv). In case of default in payment of advance tax, interest shall be charged

- (a) 2% p.m. u/s 234C
- (b) 1% p.m. u/s 234B
- (c) 1.5% p.m. u/s 234A
- (d) 1% p.m. u/s 234C

(xxvi). 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.2021-22 is

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

(xxvii). Mr. Shaleen, a businessman, whose adjusted gross total income for A.Y.2021-22 is ₹4,60,000, paid house rent at ₹12,000 p.m. in respect of residential accommodation occupied by him at Chennai. The deduction allowable to him under section 80GG for A.Y.2021-22 is

- (a) ₹98,000
- (b) ₹1,15,000
- (c) ₹60,000
- (d) ₹24,000

(xxviii). Mr. Ramesh pays a rent of ₹5,000 per month. His adjusted gross total income is ₹2,80,000. He is also in receipt of HRA. He would be eligible for a deduction under section 80GG of an amount of -

- (a) ₹60,000
- (b) ₹32,000
- (c) ₹70,000
- (d) Nil

(xxix). Mr. Anuj, a businessman, whose adjusted gross total income for AY 2021-22 is ₹5,95,000. He does not own any house property and is staying in a rented accommodation in Patna for a monthly rent of ₹9,000. Deduction allowance under section 80GG for A.Y. 2021-22 is:

- (a) ₹48,500
- (b) ₹1,48,750
- (c) ₹60,000
- (d) ₹1,08,000

(xxx) Mr X has LTCG 112A ₹50,50,000. Compute tax payable:

- (a) ₹5,43,200
- (b) ₹4,88,800
- (c) ₹5,37,680
- (d) ₹5,35,600

SUBJECTIVE TYPE QUESTIONS (70 Marks)

Question 2 (a) (i) **(3 marks)**

Mr. X has income from business ₹ 505 lakhs and short term capital gain under section 111A ₹ 30 lakhs and long term capital gains under section 112A ₹ 41 lakhs. Compute Tax Liability if Mr. X for the Assessment year 2021-22.

Question 2 (a) (ii) **(3 marks)**

Mr. X has income as given below:

Income under the head Salary	4,00,000
Income under the head House Property	5,00,000
Income under the head Business/Profession	6,30,253

Deductions allowed under section 80C to 80U are ₹1,10,000.

Compute the income and the tax liability as per section 115BAC for previous year 2020-21.

Question 2 (b). **(4 Marks)**

Mr. X has income as given below:

Income under the head PGBP	₹300,00,000
LTCG 112A	₹51,00,000
STCG 111A	₹50,00,000
Dividend from domestic company	₹100,00,000

Compute his tax liability for A.Y. 2021-22 considering all the options

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

Explain Deduction in case of Units established in Special Economic Zone. Section 10AA

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

Mr. Thomas, a non-resident and citizen of Japan entered into following transactions during the previous year ended 31.03.2020. Examine the tax implications in the hands of Mr. Thomas for the Assessment Year 2020-21 as per Income Tax Act, 1961. (Give brief reasoning)

(1) Interest received from Mr. Marshal, a non-resident outside India (The borrowed fund is used by Mr. Marshal for investing in Indian company's debt fund for earning interest)

(2) Received ₹10 lakhs in Japan from a business enterprise in India for granting license for computer software (not hardware Specific).

(3) He is also engaged in the business of running news agency and earned income of ₹10 lakhs from collection of news and views in India for transmission outside India.

(4) He entered into an agreement with SKK & Co., a partnership firm for transfer of technical documents and design and for providing services relating thereto, to set up a Denim Jeans manufacturing plant, in Surat (India). He charged ₹10 lakhs for these services from SKK & Co.

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

Discuss the taxability or otherwise of the following in the hands of the recipient under section 56(2)(x) the Income-tax Act, 1961 -

(i) X HUF received ₹ 75,000 in cash from niece of Mr. X (i.e., daughter of Mr. X's sister). Mr. X is the Karta of the HUF.

(ii) Miss. X, a member of her father's HUF, transferred a house property to the HUF without consideration. The stamp duty value of the house property is ₹ 9,00,000.

(iii) Mr. X received 100 shares of A Ltd. from his friend as a gift on occasion of his 25th marriage anniversary. The fair market value on that date was ₹ 100 per share. He also received jewellery worth ₹45,000 (FMV) from his nephew on the same day.

(iv) X HUF gifted a car to son of Karta for achieving good marks in XII board examination. The fair market value of the car is ₹ 5,25,000.

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

Mrs. X is a citizen of India and is employed in ABC Ltd. in India and is getting salary of ₹60,000 p.m. and she was transferred out of India w.e.f 01.09.2020 and for this purpose she left India on 01.09.2020 for the first time and she visited India from 27.12.2020 to 07.01.2021 and her salary for the month of Dec' 2020 was received in India. Employer and employee both have contributed @ 13% (each) of salary to the recognized provident fund and during the year interest of ₹50,000 was credited to the recognized provident fund @ 10% p.a.

Compute her total income and tax liability in India for assessment year 2021-22.

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

Mr. X has paid advance tax as given below:

Upto 15.06.2020	₹ 15,000
Upto 15.09.2020	₹ 45,000
Upto 15.12.2020	₹ 95,000
Upto 15.03.2021	₹1,70,000

He had long term capital gains of ₹3,00,000 on 01.01.2021 and his income under the head business/Profession is ₹11,00,000

He has filed return of income on 10.12.2021 and has paid difference of the tax on 10.12.2021.

Last date for filing of return is 31.07.2021.

Compute interest payable under section 234A, 234B and 234C.

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

Mrs. X has received the following gifts during previous year 2020-21.

(i) On the occasion of her marriage on 14.08.2020, she has received ₹90,000 as gift out of which ₹70,000 are from relatives and balance from friends.

(ii) On 12.09.2020, she has received gift of ₹18,000 from cousin of her mother.

(iii) A cell phone of ₹71,000 is gifted by her employer on 15.08.2020.

(iv) She gets a gift of ₹25,000 from the elder brother of her husband's grandfather on 25.10.2020.

(v) She has received a gift of ₹2,000 from her friend on 14.04.2020.

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

Compute her tax liability for assessment year 2021-22.

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

Mr. X an American citizen has come to India for the first time on 01.07.2017 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 1st November and shall come back on 31st 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:

Date of leaving India	Date of arriving in India
10.09.2017	30.09.2017
07.02.2018	08.05.2018
11.07.2018	21.10.2018
10.02.2019	23.07.2019
11.02.2020	12.06.2020
01.02.2021	10.04.2021

Determine his residential status for the previous years 2017-18 to 2020-21.

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

The particulars of income of Mrs. X. aged 55 years for the financial year 2020-21 are given below: ₹

(1) Income under the head salary received from M/s ABC Ltd. for the year	4,00,000
(2) Rental income received from a commercial complex	12,000 p.m.
(3) Arrears of rent received from the complex, which were not charged to tax in any earlier years	30,000

(4) Interest paid on loan taken for the purchase of a house from a scheduled bank for use as own residence	1,20,000
(5) Repayment of instalments of loan taken from the bank for the purchase of the above property	60,000
(6) Deposits in public provident fund account	
(i) Towards loan taken from public provident account	20,000
(ii) Out of current year's income	40,000
(7) Investment made in units of a mutual fund approved by the board under section 80C of the Income-Tax Act.	40,000

Compute the total income of Mrs. X and the tax payable thereon in respect of assessment year 2021-22.

Question 7 (a).

(5 Marks)

Mr. Arjun (52 years old) furnishes the following particulars in respect of the following payments:

S. No.	Particulars	Amount (₹)
1.	Premium paid for insuring the health of – <ul style="list-style-type: none"> • Self • Spouse • Dependant son • Mother 	10,000 8,000 4,000 18,000
2.	Paid for Preventive Health Check-up of <ul style="list-style-type: none"> • himself • spouse • mother 	2,000 1,500 4,000
3.	Incurred medical expenditure of ₹ 25,000 and ₹15,000 for his mother, aged 80 years and father, aged 85 years. Both mother and father are resident in India.	

Compute the deduction available to Mr. Arjun under section 80D for the A.Y. 2021-22.

Question 7 (b).

(5 Marks)

The following are the particulars relating to Mr. A, Mr. B, Mr. C and Mr. D, salaried individuals for A.Y. 2021-22 –

Particulars	Mr. A	Mr. B	Mr. C	Mr. D
Amount of loan taken	₹ 43 lakhs	₹ 45 lakhs	₹ 20 lakhs	₹ 15 lakhs
Loan taken from	HFC	Deposit taking NBFC	Deposit taking NBFC	Public sector bank
Date of sanction of loan	01.04.2020	01.04.2020	01.04.2020	31.03.2019
Date of disbursement of loan	01.05.2020	01.05.2020	01.05.2020	01.05.2019
Purpose of loan	Acquisition of residential house property for self-occupation	Acquisition of residential house property for self-occupation	Purchase of electric vehicle for personal use	Purchase of electric vehicle for personal use
Stamp duty value of house property	₹ 45 lakhs	₹ 48 lakhs	–	–
Cost of electric vehicle	–	–	₹ 22 lakhs	₹ 18 lakhs
Rate of interest	9% p.a.	9% p.a.	10% p.a.	10% p.a.

Compute the amount of deduction, if any, allowable under the provisions of the Income-tax Act, 1961 for A.Y.2021-22 in the hands of Mr. A, Mr. B, Mr. C and Mr. D. Assume that there has been no principal repayment during the P.Y.2020-21.

Question 8 (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 09.01.2021.

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. 2021-22.

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

Write a note on deduction in case of royalty income from certain books.