

MCQs Set 1

S. No.	Explanations
1.	As per Sec 194C, in a case of contract between parties TDS will be deducted @ 2% where payment made to other than individual & HUF. In case of Japan airlines Co Ltd v CIT (SC) it was held that landing and parking charges payable by airlines in respect of aircrafts are not for the use 'use of land' per se but the charges are in respect of number of facilities provided by the Airport Authority of India. Thus, landing and parking charges payable by airlines would attract TDS u/s 194C and not under 194-I
2.	As per Sec. 245Q, application made to AAR can be withdrawn within 30 days from the date of application but with the prior permission of AAR it can be withdrawn beyond 30 days, if circumstances of the case so justify.
3.	As per sec 194DA, TDS is required to be deducted on receipt of maturity proceeds of a life insurance policy on income portion @5% if policy matured on or after 01.09.2019. No TDS if amount exempted u/s 10(10D) and Amount less than ₹1,00,000. TDS not required to be deducted in case of Mr Rajesh because it is exempted u/s 10(10D) as Policy has been taken before 01.04.2012 and premium paid is not exceeding 20% of policy value. TDS required to be deducted in case of Mr Brijesh as policy has been taken on or after 01.04.2012 and premium paid is exceeding 10% of policy value. TDS = 16,000 i.e., 5% of 2,10,000 [12,00,000-9,90,000 (1,10,000 * 9)] Note - 9 years has been calculated as 01.04.2012 to 31.03.2021 Since between 14/5/20 till 31.3.21 so TDS rate should be 3.75% and TDS amount is 7875.
4.	As per section 94A, TDS will be deducted @ 30% + 4% HEC on transaction made with person located in NJA & as per Sec.115A any interest received by a non-resident and foreign company from infrastructure debt fund u/s 10(47) will be taxable @ 5% + 4% HEC
5.	As per section 270A, penalty @ 200% of tax payable on misreporting of income will be levied. Further, misreporting of income includes failure to report international transaction. Section 271AA imposes a penalty@2% of transaction value on failure to report International transaction.
6.	As per section 47(viia) any transfer of bonds /GDR referred in sec.115AC made outside India by NR to another NR shall not be treated transfer & capital gain not applied, but where such transaction made between Non-resident & Resident then capital gain will be applicable. transfer is made by NR to resident LTCG is taxable @10% without indexation u/s 115AC.
7.	As per provision of Sec.133B, Income tax authority may enter at any place at which business or profession is carried on during the hours at which such place is open for business or profession and can only collect information from there. But he shall not remove books, cash, stock or other valuable article.
8.	As per section 271AAB, where an assessee during a search admits the undisclosed income and specify the manner in which such income was earned and pay tax & interest on such undisclosed income and also furnish the return of income declaring undisclosed income u/s 139(1)/period specified u/s 153A notice then in such case penalty would be levied @ 30%.
9.	As per section 270A penalty is 50% of tax on under reported income i.e., 50% of [(112500+60000)+4% } i.e., 50 % of 179400 =89700]
10.	Failure to furnish Statement of financial transaction or reportable account within the time prescribed u/s 285BA(2) attracts a penalty of a sum of ₹500 for every day during which failure continues till the notice period

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	<p>Failure to furnish Statement of financial transaction or reportable account within the time prescribed u/s 285BA(5) i.e. time given in notice issued attracts a penalty of A sum of ₹1,000 for every day during which failure continues.</p> <p>Therefore, penalty is 153 (from 1st June to 31st Oct) x 500 + 15 (from 1st Nov to 15th Nov) x 1000 = 91500</p> <p>31st May is the due date for filing Statement of Financial Transaction</p>																																												
11.	He is not entitled for deduction as it will be granted to him after construction completion. Deduction u/s 24, 80C and 80EEA not allowed as the property is under construction.																																												
12.	Provisions of section 115QA were initially applicable only to unlisted companies. However, vide the Finance (No. 2) Act, 2019, the provisions of section 115QA are amended and the same is made applicable to the listed companies also. As per Sec 115QA, taxable value is Buyback amount - Issue price i.e. 6,00,000 (23,00,000-17,00,000) and tax amount is 6,00,000*23.296% (Tax Rate applicable is 20% plus 12 % SC plus 4% HEC)																																												
13.	Interest income and rental income is exempted in hand of REIT as per section 10(23FC) and 10(23FCA) respectively but taxable in hands of unit holder and STCG is taxable in hands of REIT but exempted in hands of unit holder as per section 10(23FD)																																												
14.	<table border="1" data-bbox="337 827 1386 1942"> <thead> <tr> <th data-bbox="337 827 1219 877">Particulars</th> <th data-bbox="1219 827 1386 877">Amount</th> </tr> </thead> <tbody> <tr> <td data-bbox="337 877 1219 928">Tax as per normal provisions</td> <td data-bbox="1219 877 1386 928"></td> </tr> <tr> <td data-bbox="337 928 1219 978">Total business income</td> <td data-bbox="1219 928 1386 978">52,00,000</td> </tr> <tr> <td data-bbox="337 978 1219 1029">less deduction under chapter VI A</td> <td data-bbox="1219 978 1386 1029"></td> </tr> <tr> <td data-bbox="337 1029 1219 1079">U/s 80-IB</td> <td data-bbox="1219 1029 1386 1079">20,00,000</td> </tr> <tr> <td data-bbox="337 1079 1219 1129">NTI</td> <td data-bbox="1219 1079 1386 1129">32,00,000</td> </tr> <tr> <td data-bbox="337 1129 1219 1180">Tax Liability</td> <td data-bbox="1219 1129 1386 1180"></td> </tr> <tr> <td data-bbox="337 1180 1219 1230">[(32 lakh-10lakh) *30% + (10lakh-5lakh) *20% + (5lakh-2.5lakh) *5%]</td> <td data-bbox="1219 1180 1386 1230">7,72,500</td> </tr> <tr> <td data-bbox="337 1230 1219 1281">Add cess @ 4%</td> <td data-bbox="1219 1230 1386 1281">30,900</td> </tr> <tr> <td data-bbox="337 1281 1219 1331">total tax(A)</td> <td data-bbox="1219 1281 1386 1331">8,03,400</td> </tr> <tr> <td data-bbox="337 1331 1219 1381">Tax under section 115JC</td> <td data-bbox="1219 1331 1386 1381"></td> </tr> <tr> <td data-bbox="337 1381 1219 1432">Total income as per normal provisions of the act</td> <td data-bbox="1219 1381 1386 1432">32,00,000</td> </tr> <tr> <td data-bbox="337 1432 1219 1482">Add</td> <td data-bbox="1219 1432 1386 1482"></td> </tr> <tr> <td data-bbox="337 1482 1219 1533">Add: Deduction under u/s 80IB</td> <td data-bbox="1219 1482 1386 1533">20,00,000</td> </tr> <tr> <td data-bbox="337 1533 1219 1583">Adjusted Total Income</td> <td data-bbox="1219 1533 1386 1583">52,00,000</td> </tr> <tr> <td data-bbox="337 1583 1219 1633">Alternate Minimum Tax</td> <td data-bbox="1219 1583 1386 1633"></td> </tr> <tr> <td data-bbox="337 1633 1219 1684">Tax = (52 lakh*18.5%)</td> <td data-bbox="1219 1633 1386 1684">9,62,000</td> </tr> <tr> <td data-bbox="337 1684 1219 1734">Add: Surcharge</td> <td data-bbox="1219 1684 1386 1734">96,200</td> </tr> <tr> <td data-bbox="337 1734 1219 1785">Add cess@4%</td> <td data-bbox="1219 1734 1386 1785">42,328</td> </tr> <tr> <td data-bbox="337 1785 1219 1835">TOTAL(B)</td> <td data-bbox="1219 1785 1386 1835">11,00,528</td> </tr> <tr> <td data-bbox="337 1835 1219 1885">Tax payable</td> <td data-bbox="1219 1835 1386 1885"></td> </tr> <tr> <td data-bbox="337 1885 1219 1942">A or B whichever is higher</td> <td data-bbox="1219 1885 1386 1942">11,00,528</td> </tr> </tbody> </table>	Particulars	Amount	Tax as per normal provisions		Total business income	52,00,000	less deduction under chapter VI A		U/s 80-IB	20,00,000	NTI	32,00,000	Tax Liability		[(32 lakh-10lakh) *30% + (10lakh-5lakh) *20% + (5lakh-2.5lakh) *5%]	7,72,500	Add cess @ 4%	30,900	total tax(A)	8,03,400	Tax under section 115JC		Total income as per normal provisions of the act	32,00,000	Add		Add: Deduction under u/s 80IB	20,00,000	Adjusted Total Income	52,00,000	Alternate Minimum Tax		Tax = (52 lakh*18.5%)	9,62,000	Add: Surcharge	96,200	Add cess@4%	42,328	TOTAL(B)	11,00,528	Tax payable		A or B whichever is higher	11,00,528
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15.	<p>As per Section 92CE and Rule 10CB, If Primary adjustment made by AO and excess money or part thereof not repatriated within 90 days from the date of order then interest shall be calculated and added as part of income.</p> <p>Where the international transaction is denominated in foreign currency then interest at six-month LIBOR as on 30th September of relevant PY+3% shall be added as part of income.</p> <p>Hence, interest rate would be 13% = (10%+3%)</p> <p>As per section 92CE(2A) Assessee can pay additional Income tax @20.9664% instead of secondary adjustment.</p> <p>Excess money = 1,38,00,000</p> <p>Interest = 13% of 1,38,00,000 for 9 months i.e., 13,45,500</p> <p>Note - 9 Months has been calculated from 01.07.2020 to 31.03.2021</p>																																				
16.	<table border="1" data-bbox="337 646 1386 1560"> <thead> <tr> <th data-bbox="337 646 1195 695">Mr. BB</th> <th data-bbox="1195 646 1386 695"></th> </tr> <tr> <th data-bbox="337 695 1195 743"></th> <th data-bbox="1195 695 1386 743">(in Crores)</th> </tr> </thead> <tbody> <tr> <td data-bbox="337 743 1195 791">Capital Gain</td> <td data-bbox="1195 743 1386 791">1</td> </tr> <tr> <td data-bbox="337 791 1195 840">PGBP</td> <td data-bbox="1195 791 1386 840">6</td> </tr> <tr> <td data-bbox="337 840 1195 888">Total Income</td> <td data-bbox="1195 840 1386 888">7</td> </tr> <tr> <td data-bbox="337 888 1195 936">Tax Liability</td> <td data-bbox="1195 888 1386 936"></td> </tr> <tr> <td data-bbox="337 936 1195 984">Capital Gain Tax u/s 112A (10% in excess of 1 Lakh)</td> <td data-bbox="1195 936 1386 984">9,90,000</td> </tr> <tr> <td data-bbox="337 984 1195 1033">PGBP Tax</td> <td data-bbox="1195 984 1386 1033"></td> </tr> <tr> <td data-bbox="337 1033 1195 1081">0 - 2.5 Lakhs</td> <td data-bbox="1195 1033 1386 1081">0</td> </tr> <tr> <td data-bbox="337 1081 1195 1129">2.5 Lakhs to 5 Lakhs</td> <td data-bbox="1195 1081 1386 1129">12,500</td> </tr> <tr> <td data-bbox="337 1129 1195 1178">5 Lakhs to 10 Lakhs</td> <td data-bbox="1195 1129 1386 1178">1,00,000</td> </tr> <tr> <td data-bbox="337 1178 1195 1226">10 Lakhs to 6 Crores</td> <td data-bbox="1195 1178 1386 1226">1,77,00,000</td> </tr> <tr> <td data-bbox="337 1226 1195 1274">Total Tax</td> <td data-bbox="1195 1226 1386 1274">1,88,02,500</td> </tr> <tr> <td data-bbox="337 1274 1195 1323">Surcharge on Capital Gain</td> <td data-bbox="1195 1274 1386 1323">1,48,500</td> </tr> <tr> <td data-bbox="337 1323 1195 1371">Surcharge on Rest income</td> <td data-bbox="1195 1323 1386 1371">65,90,625</td> </tr> <tr> <td data-bbox="337 1371 1195 1419"></td> <td data-bbox="1195 1371 1386 1419"></td> </tr> <tr> <td data-bbox="337 1419 1195 1467">Add: HEC @ 4%</td> <td data-bbox="1195 1419 1386 1467">10,21,665</td> </tr> <tr> <td data-bbox="337 1467 1195 1516">Total tax</td> <td data-bbox="1195 1467 1386 1516">2,65,63,290</td> </tr> </tbody> </table>	Mr. BB			(in Crores)	Capital Gain	1	PGBP	6	Total Income	7	Tax Liability		Capital Gain Tax u/s 112A (10% in excess of 1 Lakh)	9,90,000	PGBP Tax		0 - 2.5 Lakhs	0	2.5 Lakhs to 5 Lakhs	12,500	5 Lakhs to 10 Lakhs	1,00,000	10 Lakhs to 6 Crores	1,77,00,000	Total Tax	1,88,02,500	Surcharge on Capital Gain	1,48,500	Surcharge on Rest income	65,90,625			Add: HEC @ 4%	10,21,665	Total tax	2,65,63,290
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17.	<p>PGBP = 290000-250000 = 40000 @ 5% = 2000</p> <p>LTCG = 200000 @ 20% = 40000</p> <p>Less Rebate 12500</p> <p>Total tax = 29500 + HEC @4%</p> <p>Total tax = 30680</p>																																				

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19.	Assessee transfer plot of land (Not RHP) so exemption u/s 54 not available. u/s 54F assessee can acquire only one RHP.																																					
20.	As per Section 54, he can claim exemption of 2 houses if LTCG is upto 2 Crores																																					

MCQs Set 2

S. No.	Explanations														
1.	As per Sec. 194J, No TDS will be deducted where payment made for professional services and technical services does not exceed ₹30000 respectively, such limit of ₹30,000 is applicable separately for professional fees & Technical fees.														
2.	U/s 32, Depreciation will be allowed @ 40% on Computers In this case, 20% i.e., half rate on ₹10 lakh since computers purchased and installed November 2020.														
3.	If any amount is paid or credited to resident & TDS has not been deducted or TDS has been deducted but not paid to govt upto due date of return filing then 30% of such sum shall be disallowed in current P.Y. For TDS u/s 194-H assessee required to deduct only if last year Turnover is more than one crore in case of business & 50 lakhs in case of profession. No disallowance on payment of salary because, for salary Income of ₹300000, Mr. Hari will be eligible for relief u/s 87A hence no TDS will be required to be deducted.														
4.	<table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 70%;">Income from properties held</td> <td style="text-align: right;">10,00,000</td> </tr> <tr> <td>Voluntary contribution from public</td> <td style="text-align: right;">15,00,000</td> </tr> <tr> <td>Gross Income</td> <td style="text-align: right;">25,00,000</td> </tr> <tr> <td>Less: Standard Deduction @ 15%</td> <td style="text-align: right;">3,75,000</td> </tr> <tr> <td>Less: Amount applied for charitable purpose</td> <td style="text-align: right;">8,00,000</td> </tr> <tr> <td>Less: Amount applied for repayment of loan for construction of orphanage.</td> <td style="text-align: right;">4,00,000</td> </tr> <tr> <td>Total Taxable income</td> <td style="text-align: right;">9,25,000</td> </tr> </tbody> </table>	Income from properties held	10,00,000	Voluntary contribution from public	15,00,000	Gross Income	25,00,000	Less: Standard Deduction @ 15%	3,75,000	Less: Amount applied for charitable purpose	8,00,000	Less: Amount applied for repayment of loan for construction of orphanage.	4,00,000	Total Taxable income	9,25,000
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5.	As per sec 92C(4), only deduction under chapter VI-A and sec 10AA shall not be allowed against increased part of its income.														
6.	Appeal Fees is 250 when it is not related to assessed income.														
7.	As per proviso of sub sec (1) of sec 92CE secondary adjustment not required if amount of primary adjustment does not exceed 1 Cr in the P.Y. or the primary adjustment is made in respect of AY 2016-17 or an earlier year.														
8.	Mr. Akhilesh is a Non-Resident and Indian Citizen and hence Section 194E will not be applicable. In this case, TDS will be deducted under section 195 at normal tax slab rates														
9.	Sec 44BBB (Civil construction in connection with an approved turnkey project) is applicable only in case of foreign company. Akash is an individual, hence section 44BBB is not applicable on him.														
10.	Any salary, bonus, commission and remuneration paid by partnership firm to a partner is not treated as salary but it is treated as business income. So, provision of sec 192 is not attracted since Employee-Employer relationship not exist. But provision of sec 195 apply for Non-Resident Partner, so TDS has to be deducted under sec 195 for salary payment to Non-Resident Partner														
11.	Applicant can either be a resident or a non-resident.														

12.	<p>As per Section 115UB, PGBP income of investment funds is taxable in hands of investment funds.</p> <p>As per amendment made by FA 2019, Losses other than PGBP of Investment Fund shall be distributed to unit holders and unit holder can set off and carry forward such loss if unit holder hold such units for 12 months or more. So, long term capital loss of ₹3 Crores shall be carrying forward by unit holders.</p>																																																		
13.	<table border="1"> <thead> <tr> <th data-bbox="363 390 1240 443">Particulars</th> <th data-bbox="1240 390 1414 443">Amount</th> </tr> </thead> <tbody> <tr> <td data-bbox="363 443 1240 495">Tax as per normal provisions</td> <td data-bbox="1240 443 1414 495"></td> </tr> <tr> <td data-bbox="363 495 1240 548">Total business income</td> <td data-bbox="1240 495 1414 548">52,00,000</td> </tr> <tr> <td data-bbox="363 548 1240 600">less deduction under chapter VI A</td> <td data-bbox="1240 548 1414 600"></td> </tr> <tr> <td data-bbox="363 600 1240 653">under 80 IA</td> <td data-bbox="1240 600 1414 653">35,00,000</td> </tr> <tr> <td data-bbox="363 653 1240 705">NTI</td> <td data-bbox="1240 653 1414 705">17,00,000</td> </tr> <tr> <td data-bbox="363 705 1240 758">Tax Liability</td> <td data-bbox="1240 705 1414 758"></td> </tr> <tr> <td data-bbox="363 758 1240 810">[(17 lakh-10lakh) *30% + (10lakh-5lakh) *20% + (5lakh-2.5lakh) *5%]</td> <td data-bbox="1240 758 1414 810">3,22,500</td> </tr> <tr> <td data-bbox="363 810 1240 863">Add cess@4%</td> <td data-bbox="1240 810 1414 863">12,900</td> </tr> <tr> <td data-bbox="363 863 1240 915">total tax(A)</td> <td data-bbox="1240 863 1414 915">3,35,400</td> </tr> <tr> <td data-bbox="363 915 1240 968">Tax under section 115JC</td> <td data-bbox="1240 915 1414 968"></td> </tr> <tr> <td data-bbox="363 968 1240 1020">Total income as per normal provisions of the act</td> <td data-bbox="1240 968 1414 1020">17,00,000</td> </tr> <tr> <td data-bbox="363 1020 1240 1073">Add</td> <td data-bbox="1240 1020 1414 1073"></td> </tr> <tr> <td data-bbox="363 1073 1240 1125">Deduction under chapter VI A(80IA)</td> <td data-bbox="1240 1073 1414 1125">35,00,000</td> </tr> <tr> <td data-bbox="363 1125 1240 1178">Adjusted Total Income</td> <td data-bbox="1240 1125 1414 1178">52,00,000</td> </tr> <tr> <td data-bbox="363 1178 1240 1230">Alternate Minimum Tax</td> <td data-bbox="1240 1178 1414 1230"></td> </tr> <tr> <td data-bbox="363 1230 1240 1283">Tax = (52 lakh*18.5%)</td> <td data-bbox="1240 1230 1414 1283">9,62,000</td> </tr> <tr> <td data-bbox="363 1283 1240 1335">Add: Surcharge</td> <td data-bbox="1240 1283 1414 1335">96,200</td> </tr> <tr> <td data-bbox="363 1335 1240 1388">Add cess@4%</td> <td data-bbox="1240 1335 1414 1388">42,328</td> </tr> <tr> <td data-bbox="363 1388 1240 1440">TOTAL(B)</td> <td data-bbox="1240 1388 1414 1440">11,00,528</td> </tr> <tr> <td data-bbox="363 1440 1240 1493">Tax payable</td> <td data-bbox="1240 1440 1414 1493"></td> </tr> <tr> <td data-bbox="363 1493 1240 1545">A or B whichever is higher</td> <td data-bbox="1240 1493 1414 1545">11,00,530</td> </tr> <tr> <td data-bbox="363 1545 1240 1598">Alternate Minimum Tax</td> <td data-bbox="1240 1545 1414 1598">11,00,530</td> </tr> <tr> <td data-bbox="363 1598 1240 1650">Tax as per Normal Provisions</td> <td data-bbox="1240 1598 1414 1650">3,35,400</td> </tr> <tr> <td data-bbox="363 1650 1240 1703">AMT Credit</td> <td data-bbox="1240 1650 1414 1703">7,65,130</td> </tr> </tbody> </table>	Particulars	Amount	Tax as per normal provisions		Total business income	52,00,000	less deduction under chapter VI A		under 80 IA	35,00,000	NTI	17,00,000	Tax Liability		[(17 lakh-10lakh) *30% + (10lakh-5lakh) *20% + (5lakh-2.5lakh) *5%]	3,22,500	Add cess@4%	12,900	total tax(A)	3,35,400	Tax under section 115JC		Total income as per normal provisions of the act	17,00,000	Add		Deduction under chapter VI A(80IA)	35,00,000	Adjusted Total Income	52,00,000	Alternate Minimum Tax		Tax = (52 lakh*18.5%)	9,62,000	Add: Surcharge	96,200	Add cess@4%	42,328	TOTAL(B)	11,00,528	Tax payable		A or B whichever is higher	11,00,530	Alternate Minimum Tax	11,00,530	Tax as per Normal Provisions	3,35,400	AMT Credit	7,65,130
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14.	<p>As per sec 44B and 44BBA when NR is engaged in shipping Business and operation of aircraft respectively then presumptive income is 7.5% of specified sum for Shipping Business and 5% of specified sum for operation of aircraft.</p> <p>Specified sum means</p> <p>(i) the amount paid or payable (whether in or out of India) to the assessee or to any person on his behalf on account of the carriage of passengers, livestock, mail or goods from any port in India; and</p>																																																		

	(ii) the amount received or deemed to be received in India by or on behalf of the assessee on account of the carriage of passengers, livestock, mail or goods from any port outside India. <table border="1" style="margin-left: 20px;"> <tr> <td>Shipping Business</td> <td>Operation of aircraft</td> </tr> <tr> <td>7.5% of (2000000 + 500000 + 700000) i.e., ₹240000</td> <td>5% of (1500000 + 400000 + 800000) i.e., 135000</td> </tr> </table>	Shipping Business	Operation of aircraft	7.5% of (2000000 + 500000 + 700000) i.e., ₹240000	5% of (1500000 + 400000 + 800000) i.e., 135000																							
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15.	Deduction of 49000 under Section 80TTB will be allowed and deduction of PPF 145000 against business income under section 80C so, 150000 will be total income, as there is no deduction allowed against winnings income.																											
16.	<p>Mr. Manas can claim benefit of Nil Annual Value in respect of his house property at Bombay and Delhi, since no benefit is derived by him from such properties, and he cannot occupy such properties due to reason of his employment at Chandigarh, where he lives in a rented house.</p> <p>Computation of deduction u/s 24(b) for A.Y.2021-22</p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th colspan="2">Particulars</th> <th>₹</th> </tr> </thead> <tbody> <tr> <td>I</td> <td>Interest on loan taken for acquisition of residential house property at Bombay</td> <td></td> </tr> <tr> <td></td> <td>30,00,000 x 10% = ₹ 3,00,000</td> <td></td> </tr> <tr> <td></td> <td>Restricted to ₹ 2,00,000</td> <td>2,00,000</td> </tr> <tr> <td>II</td> <td>Interest on loan taken for repair of residential house property at Delhi</td> <td></td> </tr> <tr> <td></td> <td>₹ 5,00,000 x 11% = ₹ 55,000</td> <td></td> </tr> <tr> <td></td> <td>Restricted to ₹ 30,000</td> <td>30,000</td> </tr> <tr> <td colspan="2">Total interest</td> <td>2,30,000</td> </tr> <tr> <td colspan="2">Deduction under section 24(b) in respect of (I) and (II) above to be restricted to</td> <td>2,00,000</td> </tr> </tbody> </table>	Particulars		₹	I	Interest on loan taken for acquisition of residential house property at Bombay			30,00,000 x 10% = ₹ 3,00,000			Restricted to ₹ 2,00,000	2,00,000	II	Interest on loan taken for repair of residential house property at Delhi			₹ 5,00,000 x 11% = ₹ 55,000			Restricted to ₹ 30,000	30,000	Total interest		2,30,000	Deduction under section 24(b) in respect of (I) and (II) above to be restricted to		2,00,000
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17.	<p>Since the unrealised rent was recovered in the P.Y. 2020-21, the same would be taxable in the A.Y. 2021-22 under section 25A, irrespective of the fact that Mr. Anand was not the owner of the house in that year. Further, the arrears of rent were also received in the P.Y. 2020-21, and hence the same would be taxable in the A.Y. 2021-22 under section 25A, even though Mr. Anand was not the owner of the house in that year. A deduction of 30% of unrealised rent recovered and arrears of rent would be allowed while computing income from house property of Mr. Anand for A.Y. 2021-22.</p> <p>Computation of income from house property of Mr. Anand for A.Y. 2021-22</p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th colspan="2">Particulars</th> <th>₹</th> </tr> </thead> <tbody> <tr> <td>(i)</td> <td>Unrealised rent recovered</td> <td>10,000</td> </tr> <tr> <td>(ii)</td> <td>Arrears of rent received</td> <td>69,000</td> </tr> <tr> <td></td> <td></td> <td>79,000</td> </tr> <tr> <td>Less:</td> <td>Deduction@30%</td> <td>23,700</td> </tr> <tr> <td colspan="2">Income from house property</td> <td>55,300</td> </tr> </tbody> </table>	Particulars		₹	(i)	Unrealised rent recovered	10,000	(ii)	Arrears of rent received	69,000			79,000	Less:	Deduction@30%	23,700	Income from house property		55,300									
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18.	Interest on SB A/c – NO TDS Interest on FD – TDS required only if Interest is more than 50,000 in case of senior citizen payee.
19.	As per Section 194-I, 10% TDS to be deducted in case of rent of land and building.
20.	Note – Make correction in the question that - He paid 2,00,000 interest on 16.04.20. As per Section 43B, interest is allowed when actually paid. Accordingly, only 2,00,000 allowed due to section 43B in PY 2020-21.

MCQs Set 3

S. No.	Explanations
1.	<p>As per Section 194IB - Any person, being an individual or a Hindu undivided family (other than those referred to in the second proviso to <u>section 194-I</u>), responsible for paying to a resident any income by way of rent exceeding fifty thousand rupees for a month or part of a month during the previous year, shall deduct an amount equal to five per cent of such income as income-tax thereon.</p> <p>Such tax shall be deducted on such income at the time of credit of rent, for the last month of the previous year or the last month of tenancy, if the property is vacated during the year, as the case may be, to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier.</p> <p>In this case since TDS required to be deduct between 14/05/20 till 31/03/21 so TDS required to be deduct @ 3.75%</p>
2.	<p>Rollback provision shall not be available in respect of the said transaction for a rollback year, if –</p> <p>(i) Such application has the effect of reducing total income declared in the return of income of the said year</p> <p>(ii) Determination of the arm's length price of the said transaction for the said year has been the subject matter of appeal before Appellate Tribunal and the Appellate Tribunal has passed an order disposing of such appeal at any time before signing of the agreement</p> <p>(iii) Return of income for the relevant rollback year has been furnished by the company under section 139(4).</p>
3.	<p>As per section 56(2)(x),</p> <p>(1) Gifts on the occasion of marriage are not taxable.</p> <p>(2) Gifts from relatives are not taxable-Grandmother is covered in the definition of relative</p> <p>(3) Brother of father-in-law is not covered under definition of Relative and hence commercial flat received as gift will be taxable.</p> <p>(4) Wrist watch is not covered under 'property' for the purpose of this section.</p> <p>(5) Firm is not considered as relatives; hence no exemption is available. Since SDV exceeds 50,000 Rs, section 56(2)(x) gets attracted and SDV will be taxable i.e., 25,00,000</p> <p>Total Taxable income = 19,00,000 + 25,00,000 = 44,00,000</p>
4.	<p>Every person being interior decorator shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income in accordance with the provisions of this Act. (Section 44AA) As per rule 6F, there is a need to maintain books of accounts for income tax purpose if their gross receipts are more than ₹ 1,50,000 in all 3 preceding years for an existing profession</p>
5.	<p>Income 7 lakhs - Deduction 300000 (u/s 80QQB) = 4lakh</p> <p>Since NTI is below 5 lakhs, tax will be Nil due to rebate of 87A</p> <p>Make Correction in Option D as Nil</p>
6.	<p>Section 194J is applicable to Mr. Ganesh because his last year T/o exceed 1cr (Turnover threshold is checked and not audit for applicability of TDS deduction).</p> <p>If tax is deducted then required to deposit 7th of next month for April to Feb and 30th April of next F. Y. for March month</p>
7.	<p>As per section 269T a person should not repay loan/deposit/advance in relation to immovable property including interest in cash for an amount of 20000 or more.</p>

S. No.	Explanations
	On violation of Section 269T, penalty shall be levied @100% of such loan/ deposit/ advance repayment (excluding interest) under Section 271E.
8.	Penalty of ₹ 1 lac is levied u/s 271BA for failure to furnish report of CA as per sec 92E
9.	As per sec 143(1) addition in income appearing in form 26AS which is not been included in computing total income in the return cannot be corrected while processing the return furnished for A.Y. 18-19 onwards
10.	As per sec 43B conversion of unpaid interest into loan shall not be considered as payment of interest so only actual payment of interest ₹ 100000 is allowed as deduction
11.	As per section 79 since 51% or more of shareholder of Amalgamating foreign company not becoming shareholder of Amalgamated foreign company so losses cannot be setoff but unabsorbed depreciation can be.
12.	As per CBDT Clarification, Provisions of ICDS will not apply while computing “book profits” for the purposes of MAT as ICDS are applicable only for computation of income under the regular provisions of the Income-tax Act, 1961.
13.	<p>As per the section 194H, any person making payment of any income in respect of commission/ brokerage is required to deduct TDS. In case of Individual/Hindu Undivided Family (HUF) provisions of section 194H applies only if the total Turnover/gross receipts exceeds the monetary limit of one crore or fifty lakhs in last year.</p> <p>However, as per sec 194M Individual or HUF (other than covered u/s 194C,194H,194J) make a payment to resident person for contract, commission, brokerage or fees for professional service then TDS @5% required to be deducted if aggregate of sum paid/credited is more than 50,00,000.</p> <p>So, Sanjay is not required to deduct TDS on brokerage amount under Section 194H since he is a salaried Individual and not required to deducted tax under Section 194M since the brokerage amount not exceeding the threshold limit.</p> <p>TDS under Section 194C is not liable for deduction if the payment for contract is made for personal purpose. However, if payment exceeds 50,00,000, then TDS under Section 194M is required to be deducted. Hence, Mr. Hari is required to deduct tax under Section 194M</p>
14.	<p>Salary Head = 144000</p> <p>Less: Std Deduction = 50000</p> <p>Add: LTCG = 480000</p> <p>Gross Total Income = 5,74,000</p> <p>Tax @ 20% on 274000 (480000+94000-300000 (Basic Exemption Limit))</p> <p>Tax = 54800 + 4% HEC = 56992</p>
15.	<p>As per sec 28 Charging section - Any profit or gain of any Business/ Profession chargeable under PGBP. So, for X ltd letting out of properties is its main objective so total income of X ltd is taxable under the head PGBP.</p> <p>The same has also been given in Chennai Properties Case Law.</p> <p>For Y ltd construction and sale of properties is its main Business. Y ltd let out some properties which are held as stock in trade and earned rental income. Such Rental income from letting out of properties is taxable under IFHP.</p>

S. No.	Explanations																
16.	<table border="1" data-bbox="391 216 1349 621"> <tr> <td data-bbox="391 216 1208 262">Taxable Income</td> <td data-bbox="1208 216 1349 262">507000</td> </tr> <tr> <td data-bbox="391 262 1208 308">Tax</td> <td data-bbox="1208 262 1349 308"></td> </tr> <tr> <td data-bbox="391 308 1208 363">0-250000</td> <td data-bbox="1208 308 1349 363">Nil</td> </tr> <tr> <td data-bbox="391 363 1208 417">250000- 500000</td> <td data-bbox="1208 363 1349 417">12500</td> </tr> <tr> <td data-bbox="391 417 1208 472">500000-507000</td> <td data-bbox="1208 417 1349 472">1400</td> </tr> <tr> <td data-bbox="391 472 1208 518"></td> <td data-bbox="1208 472 1349 518">13900</td> </tr> <tr> <td data-bbox="391 518 1208 573">Add: HEC</td> <td data-bbox="1208 518 1349 573">556</td> </tr> <tr> <td data-bbox="391 573 1208 621">Tax Liability</td> <td data-bbox="1208 573 1349 621">14456</td> </tr> </table>	Taxable Income	507000	Tax		0-250000	Nil	250000- 500000	12500	500000-507000	1400		13900	Add: HEC	556	Tax Liability	14456
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17.	Acquired were acquired and put to use between 23.08.19 to 31.03.2020 Hence, Depreciation at the rate of 30% (in this case 15 % since put to use for less than 180 days).																
18.	55,00,000 x 30% : 16,50,000 Correct answer should be : C																
19.	As per the exception to 40(a)(i), 100% of the payment will be disallowed in this year and allowed in the PY in which payee file his ROI. Also, as per amendment made by FA 2019, this exception is applicable to non-resident also w.e.f AY 20-21.																
20.	Income = 5 Vehicles x 9 months x 1000 per ton x 16 tonnes = 720000																

MCQs Set 4

S. No.	Explanations
1.	Economic double taxation means where same income is taxable in hands of two different assessees. There is no such concept of territorial double taxation or municipal double taxation.
2.	Vide [Circular No.37/2016, Dated 02.11.2016] the CBDT has accepted the settled position that the disallowances made under sections 32, 40(a)(ia), 40A(3), 43B, etc. and other specific disallowances, related to the business activity against which the Chapter VI-A deduction has been claimed, result in enhancement of the profits of the eligible business, and that deduction under Chapter VI-A is admissible on the profits so enhanced by the disallowance.
3.	WDV of Assets will be as follow after allowing Depreciation u/s 32, ₹ 52.70 lakhs of Plant & Machinery (62 lacs - 15% of 62 lacs), ₹33.30 lakhs of Land & Building (37 lacs - 10% of 33 lacs) & ₹7.20 lakhs of furniture (8 lacs - 10% of 8 lacs). Note-As per rule 7A, in case of an assessee engaged in the business of growing and manufacturing of rubber, 35% of income shall be deemed to be income liable to tax. However, as per Explanation 7 to section 43(6), in such cases for the purpose of calculating WDV, depreciation shall be deducted assuming total income is chargeable under the head PGBP.
4.	As per section 194-I, TDS is deductible since aggregate of amount of rent payable to a person exceeds ₹2,40,000 in a FY. TDS on rent of P&M will be deducted @ 2% and for L&B @ 10% (refundable fixed deposit is not considered as part of rent)
5.	As per Sec.194-IA, where a person acquires an immovable property other than Rural agricultural land from a resident and consideration is 50 lacs or more, then TDS will be deducted @ 1% on such consideration.
6.	As per Sec.194LB TDS will deducted @ 5%+cess on payment of interest on infrastructure debt fund to any non-resident or foreign company & sec.94A says TDS will be deducted @30%+cess on any payment made to a person located in a notified jurisdictional area.
7.	As per sec 40(a)(ia), if any payment made to a resident person and TDS required to be deducted and TDS not deducted then 30% of amount will be disallowed as business expense and penalty us 221 will be levied equal to amount of tax in arrears.
8.	Under section 264, the Commissioner can revise the order pending before the Commissioner (Appeals), if the revision pertains to a matter, other than the matter(s) covered in the appeal before Commissioner (Appeals)
9.	Surcharge to individual, HUF, AOP, BOI and Artificial Judicial Person assessee will be 15% on tax on Dividend Income & capital gains u/s 111A & 112A where total income including such capital gains exceed ₹2 Cr. Surcharge on tax on remaining total income will also be 15% in case total income of assessee exceeds 2 Crores and not 5 crores due to 111A or 112A or Dividend Income.
10.	Section 44AD is applicable for Resident Individual/HUF and firms if Turnover or gross receipts of business is upto ₹2cr, Section 44ADA is applicable for resident professionals if gross receipt of Profession is upto ₹50 lacs, Section 44AE is applicable if assessee, being a person engaged in plying, leasing or hiring of goods carriages does not own more than 10 vehicles at any time during the P.Y. Case (i) and (iii)-Eligible for 44AD; Case (iv)- Eligible for 44ADA; Case (v)-Eligible for 44AE; Case (ii) not eligible for 44ADA as receipts exceed ₹50L.

S. No.	Explanations																								
11.	Sec 194E is applicable on NR sportsmen/Association/Entertainer & not on match referee. Hence, section 195 is applicable in this case on payments made to Non-Resident.																								
12.	In case where application has been made under section 270AA for grant of immunity, date from which application is made to date on which rejection order is served on the assessee will be excluded. Normal time limit us 249 for filing of appeal to CIT(A) is 30 days from date of receipt of order. In this case 02.05.2021 which shall be increased by (27.04.2021 to 15.05.2021) i.e., 19 days so appeal can be file till 21.05.2021.																								
13.	As per sec 47, Gift is not included in transfer hence no Capital gain will arise in hands of Q and R. As per sec 56(2)(X), gift is taxable in hands of P. In case of immovable property if SDV >50000 then gift is taxable in hands of recipient. Since SDV of property in Mumbai and Delhi exceed 50,000 hence their SDV will be taxable for P.																								
14.	As per sec 50 WDV can be nil but never negative so depreciation is nil and in case of depreciable assets there is always STCG/STCL. Hence ₹24800 (644200-620000) (after deducting transfer expenses) is STCG that can be saved from tax by purchasing an asset of same block.																								
15.	As per sec 80D, medical claim insurance (20000+6000) + preventive health checkup max. 5000 + medical expenditure for senior citizen 32000 is allowed under Chapter VIA																								
16.	<table border="1"> <tr> <td>Book profit</td> <td>9400000</td> </tr> <tr> <td>Tax @ 15%</td> <td>1410000</td> </tr> <tr> <td>Add: HEC @ 4%</td> <td>56400</td> </tr> <tr> <td>Total Tax</td> <td>1466400</td> </tr> </table>	Book profit	9400000	Tax @ 15%	1410000	Add: HEC @ 4%	56400	Total Tax	1466400																
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17.	<table border="1"> <tr> <td>Book profit</td> <td>56,00,000</td> </tr> <tr> <td>Tax @ 15%</td> <td>8,40,000</td> </tr> <tr> <td>Add: HEC @ 4%</td> <td>33,600</td> </tr> <tr> <td>Total Tax</td> <td>8,73,600</td> </tr> </table>	Book profit	56,00,000	Tax @ 15%	8,40,000	Add: HEC @ 4%	33,600	Total Tax	8,73,600																
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19.	<p>Deduction allowable under section 80D for the A.Y.2021-22</p> <table border="1"> <thead> <tr> <th></th> <th>Particulars</th> <th>Actual Payment ₹</th> <th>Maximum deduction allowable ₹</th> </tr> </thead> <tbody> <tr> <td>A.</td> <td>Premium paid and medical expenditure incurred for self and spouse</td> <td></td> <td></td> </tr> <tr> <td>(i)</td> <td>Medical insurance premium paid for self and spouse</td> <td>20,000</td> <td>20,000</td> </tr> <tr> <td>(ii)</td> <td>Contribution to CGHS</td> <td>3,600</td> <td>3,600</td> </tr> <tr> <td>(iii)</td> <td>Exp. on preventive health check-up of self & spouse</td> <td>3,000</td> <td>1,400</td> </tr> <tr> <td></td> <td></td> <td>26,600</td> <td>25,000</td> </tr> </tbody> </table>		Particulars	Actual Payment ₹	Maximum deduction allowable ₹	A.	Premium paid and medical expenditure incurred for self and spouse			(i)	Medical insurance premium paid for self and spouse	20,000	20,000	(ii)	Contribution to CGHS	3,600	3,600	(iii)	Exp. on preventive health check-up of self & spouse	3,000	1,400			26,600	25,000
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S. No.	Explanations																			
	B.	Premium paid or medical expenditure incurred for father, who is a senior citizen																		
	(i)	Mediclaime premium paid for father, who is over 60 years of age	47,000	47,000																
	(ii)	Expenditure on preventive health check-up of father	4,000	3,000																
			51,000	50,000																
		Total deduction under section 80D (₹ 25,000 + ₹ 50,000)		75,000																
20.	<table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 80%;">Particulars</th> <th style="width: 20%;">₹</th> </tr> </thead> <tbody> <tr> <td>Mr. A</td> <td></td> </tr> <tr> <td>Interest deduction for A.Y.2021-22</td> <td></td> </tr> <tr> <td>Deduction allowable while computing income under the head "Income from house property"</td> <td></td> </tr> <tr> <td>Deduction u/s 24(b) ₹ 2,58,500 [$₹47,00,000 \times 11\% \times 6/12$]</td> <td></td> </tr> <tr> <td>Restricted to</td> <td style="text-align: right;">2,00,000</td> </tr> <tr> <td>Deduction under Chapter VI-A from Gross Total Income</td> <td></td> </tr> <tr> <td>Deduction u/s 80EEA ₹ 58,500 (₹ 2,58,500 – ₹ 2,00,000)</td> <td style="text-align: right;">58,500</td> </tr> </tbody> </table>		Particulars	₹	Mr. A		Interest deduction for A.Y.2021-22		Deduction allowable while computing income under the head "Income from house property"		Deduction u/s 24(b) ₹ 2,58,500 [$₹47,00,000 \times 11\% \times 6/12$]		Restricted to	2,00,000	Deduction under Chapter VI-A from Gross Total Income		Deduction u/s 80EEA ₹ 58,500 (₹ 2,58,500 – ₹ 2,00,000)	58,500		
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MCQs Set 5

S. No.	Explanations
1.	This is the case of Diversion of Income. Hence, the income would be taxable in hands of Mr. Hari as well as unregistered Trust.
2.	In this case, SDV is more than 110% of the Consideration, Applying Sec 50C i.e., SDV of the immovable property is taken as full value of consideration ₹ 50 lacs (2 cr-1.5 cr) would be taxable in the hands of Mr. Anjan as business income (Since Anjan is a property dealer), and ₹ 20 lacs (2cr-1.8cr) would be taxable in the hands of Mr. Ashwin in IFOS as per sec 56(2)(X).
3.	Dividend exempt in hands of business trust as well as unit holder if SPV not opted section 115BAA.
4.	As per Sec 37 any expenditure incurred on advertisement souvenir of a political party registered in India will be disallowed but as per provisions of Sec.80GGB such expenditure incurred shall be allowed as deduction from Gross total income to a company.
5.	As per sec 35D: For the purpose of deduction take lower of (a) 5% of Cost of project or capital employed, whichever is higher (i.e., 6cr X 5%=30 lacs) or (b) actual preliminary expenses (ie.35 lacs), hence ₹30 lacs will be taken for Deduction and such deduction will be allowed in 5 equal installments to assessee i.e., ₹6 Lacs per year. Note- Capital employed includes Share Capital, Debentures and Long-term borrowings but does not include premium
6.	Total income = 8,30,000 (500000 + 20000 + 100000 + 30000) and deduction available 160000 (150000 + 10000) but allowed only 30000 only in respect of IFOS so net taxable income 800000 now tax on LTCG is 50000[500000-250000(basis exemption limit) *20% of 250000) tax on STCG 30000(200000*15% of 200000) and tax on lottery income 30000(100000*30% of 100000)
7.	As per section 64(1)(iv), where assets transferred by an individual to his/her spouse are invested by the transferee in the business, then proportionate income is to be included in total income of transferor. Share of profit is exempted in hands of partners but interest income 300000/500000 * 60000 = 36000 will be clubbed in hands of Mr. Sunder and 200000/500000 * 60000 =24000 is taxable in hands of Mrs. Kavitha. Clubbing shall be applicable only if gifted money is included in opening capital.
8.	40% + 5% surcharge of 40% = 42% plus 4% cess of 42% = 43.68% 5% Surcharge is applicable since income exceeds 10 Crores
9.	As per Section 47, Transfer of GDRs by Non-resident to another non-resident outside India will not be considered as transfer.
10.	Section 94B is applicable in case of expenditure by way of interest or of similar nature exceeding one crore rupees.
11.	In case of in relation to a long-term capital asset, being an equity share in a company or a unit of an equity-oriented fund or a unit of a business trust referred to in section 112A, acquired before the 1st day of February, 2018, shall be higher of— (i) the cost of acquisition of such asset; and (ii) lower of— (A) the fair market value of such asset; and (B) the full value of consideration received or accruing as a result of the transfer of the capital asset. Accordingly, COA in case of Mr Rajan = ₹ 2500 per share COA in case of Mr Ravi = ₹ 1900 per share

S. No.	Explanations
12.	In Profit Split Method, arm's length price shall be the arithmetical mean of all values which are dataset. It may be assumed that the variation between the arm's length price computed and the transaction price is 5%.
13.	If passive income more than 50% of its total income, then condition of ABOI would not be satisfied.
14.	Passive Income is aggregate of – (a) Income by way of royalty, dividend, capital gains, interest (except for banking companies and public financial institutions) or rental income whether or not involving associate enterprises (b) Income from the transactions where both the purchase and sale of goods is from/to its associate enterprises
15.	It is an Indian company, hence resident in India.
16.	IFOS Loss will be set off against business income of the investment fund. LTCL will be carried forward by the unit holders.
17.	As per Section 194M, TDS is to be deducted only when amount exceeds ₹ 50,00,000 in a financial year
18.	5% TDS to be deducted as per Section 194M
19.	$\text{Interest} = P \times \frac{n(n+1)}{2 \times 12} \times \frac{r}{100}$ Where P = Amount deposited per month n = Tenure of Deposit (months) r = Interest rate Since interest is below threshold limit, hence no TDS under Sec 194A
20.	Even though the annual premium exceeds 10% of sum assured in respect of a policy taken after 31.3.2012, and consequently, the maturity proceeds of ₹ 80,000 due on 31.03.2021 would not be exempt under section 10(10D) in the hands of Mr. X, the tax deduction provisions under section 194DA are not attracted since the maturity proceeds are less than ₹ 1 lakh.

MCQs Set 6

S. No.	Explanations
1.	As per section 10(6)(ii), in case of an individual who is not a citizen of India remuneration received by him as an official of an embassy, high commission etc. of a foreign state or member of the staff of any of that official is exempt from tax only if corresponding Indian official in that foreign country enjoys a similar exemption. In the given case, both of them are Indian citizens and hence no exemption shall be allowed.
2.	As per sec 271B, where a person liable to get its accounts audited u/s 44AB does not audit its accounts then penalty would be levied ₹150,000 or 0.5% of total turnover.
3.	As per Sec.94B Interest expenses of similar nature (like guarantee, commission etc.) incurred by an Indian company or a permanent establishment of a foreign company in India in respect of any debt issued by a nonresident, being an associated enterprise shall be disallowed interest if interest is more than 30 % of EBITDA, while calculating income under the head PGBP income.
4.	As per proviso to sec 43(1), where an assessee incurs any expenditure for acquisition of any asset or part thereof in respect of which of payment or aggregate of payments made to a person in a day, otherwise than by an a/c payee cheque or a/c payee DD or use of ECS or any other mode as may be prescribed exceeds ₹10,000 then such expenditure shall not be form part of actual cost of such asset. In a case where Grant or subsidy received and such grant is related to any asset then reduce such amount from actual cost of such asset as per Explanation 10 to Sec. 43(1). Hence, Actual cost will be ₹(10-5) + (5-2-0.5) +(8-5) +7=17.5L
5.	Consequences are as follows – <ol style="list-style-type: none"> 1. Disallowance of ₹ 3 lac u/s 40(a)(ia). 2. Levy of interest at the rate of 1.5% per month or part of a month from date of deduction till the date of payment. 3. Rigorous imprisonment for a term not less than 3 months but which may extend to 7 years and fine. 4. Penalty as directed by the Assessing Officer u/s 221 upto a maximum of tax in arrears i.e., ₹ 1 lac in the instant case.
6.	When an assessee already possesses TAN for deduction of TDS then he can also use such TAN for deduction of TCS, there is no need to apply for separate TAN.
7.	As per Sec.115AD transfer of securities by a FII u/s 115AD and transfer of undertaking as Slump sale u/s 50B and transfer of shares in Indian company purchased in foreign currency by a non-resident assessee, then benefit of indexation will not be available on transfer of a long-term capital asset.
8.	As per sec 253 if total assessed income is more than ₹200000 then, fees leviable would be 1% of total assessed income or RS 10,000 whichever is lower.
9.	Any salary, bonus, commission and remuneration paid by partnership firm to a partner is treated as business income and allowed to the extent specified in sec 40(b)
10.	As per Sec.32, depreciation will be allowed at full rate where assets put to use for more than 180 days and in case of less than 180 days depreciation will be allowed at half rate hence the allowable depreciation will be as follows: ₹67500= [(600000+100000-400000+50000) *15%+200000*7.5%] Note- On machinery costing ₹50,000 which has been put to use for less than 180 days, half rate of depreciation will not apply because machinery has been purchased in the year preceding PY.

S. No.	Explanations																
11.	<p>As per Section 10(4C) Rupees denominated bond issued outside India during the period from September 17, 2018 to march 31, 2019 shall be exempt from tax and no tax shall be deducted on the payment of interest in respect of the said bond under section 194LC.</p> <p>Here RDB issued on 31 march 2019 hence it is exempt and no TDS will be deducted.</p>																
12.	<p>As per sec 35AD Assets on which deduction claimed u/s 35AD should be exclusively used for specified business for minimum 8 years from the year of acquisition. If it is used for non-specified business within 8 years then following shall be taxable under PGBP i.e., Amount of tax claimed u/s 35AD earlier less depreciation that would have been allowable if sec 35AD not there.</p> <p>Actual cost of assets for computing depreciation would be Actual cost less depreciation claimed as per Explanation 14 to Section 43(1).</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Deduction claimed u/s 35AD</td> <td>70,00,000</td> </tr> <tr> <td>Less: Depreciation for PY 2019-20 (Depn for PY 20-21 has not been taken since asset sold in PY 20-21)</td> <td>7,00,000</td> </tr> <tr> <td>PGBP income</td> <td>63,00,000</td> </tr> <tr> <td>Now depreciation for PY 2020-21 would be claim on 63,00,000</td> <td></td> </tr> </tbody> </table>	Particulars	Amount	Deduction claimed u/s 35AD	70,00,000	Less: Depreciation for PY 2019-20 (Depn for PY 20-21 has not been taken since asset sold in PY 20-21)	7,00,000	PGBP income	63,00,000	Now depreciation for PY 2020-21 would be claim on 63,00,000							
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13.	<p>As per CBDT Circular 39/2016, transport subsidy, interest subsidy and power subsidy received from government are profit derived from the business of the industrial undertaking and hence, eligible for deduction u/s 80-IB.</p> <p>However as per Case Law of Otcher Pharma, Duty Drawback under Customs Act belong to the category of ancillary profit hence deduction u/s 80-IB cannot be claimed in respect of such receipt.</p>																
14.	<p>Rental income received by Business from real estate assets is exempted in hands of business Trust as per sec 10(23FCA).</p> <p>Rental income is taxable in hands of unit holders so Business Trust is required to deduct TDS.</p> <p>Interest income received by Business trust from Special purpose vehicle (SPV) is fully exempted u/s 10(23FC) so SPV is not required to deduct TDS on such interest.</p> <p>Any Interest received by unit holder from Business Trust (Which was received from SPV) shall be taxable in hands of unit holder so Business Trust required to deduct TDS.</p> <p>Dividend from SPV exempt in hands of Business Trust as well as Unit holders if SPV not opted section 115BAA.</p> <p>Capital Gain on disposal of capital assets is taxable in hands of Business Trust but exempted in hands of unit holders as per sec 10(23FD)</p>																
15.	<table border="1"> <thead> <tr> <th>Particulars</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Donation other than corpus donation and anonymous donation (80-10-20)</td> <td>50,00,000</td> </tr> <tr> <td>Add - part of anonymous donation i.e., higher of 5% of total donation (80,00,000*5% = 4,00,000) or ₹1,00,000</td> <td>4,00,000</td> </tr> <tr> <td>Total</td> <td>54,00,000</td> </tr> <tr> <td>Less- 15%</td> <td>8,10,000</td> </tr> <tr> <td></td> <td>45,90,000</td> </tr> <tr> <td>Less- Applied Income of Trust</td> <td>40,00,000</td> </tr> <tr> <td>Balance</td> <td>5,90,000</td> </tr> </tbody> </table>	Particulars	Amount	Donation other than corpus donation and anonymous donation (80-10-20)	50,00,000	Add - part of anonymous donation i.e., higher of 5% of total donation (80,00,000*5% = 4,00,000) or ₹1,00,000	4,00,000	Total	54,00,000	Less- 15%	8,10,000		45,90,000	Less- Applied Income of Trust	40,00,000	Balance	5,90,000
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Balance	5,90,000																

S. No.	Explanations		
	Tax - 0-250000 = 0		
	250001-500000 = 12500		
	500001-590000 = 18000		
	On Anonymous donation as per Sec 115BBC		
	30% of 16,00,000 (20,00,000-4,00,000) = 4,80,000	5,10,500	
	Add HEC i.e., 4% of 510500	20,420	
	Total	5,30,920	
16.	Even though the annual premium exceeds 10% of sum assured in respect of a policy taken after 31.3.2012, and consequently, the maturity proceeds of ₹ 95,000 due on 1.8.2019 would not be exempt under section 10(10D) in the hands of Mr. Z, the tax deduction provisions under section 194DA are not attracted since the maturity proceeds are less than ₹ 1 lakh.		
17.	Interest under section 201(1A) would be computed as follows – 1% on tax deductible but not deducted i.e., 1% on ₹ 4,000 for 8 months = ₹ 320 1½% on tax deducted but not deposited i.e., 1½% on ₹ 9,000 for 4 months = ₹ 540 Total = ₹ 860		
18.	Due to mutuality concept its exempt.		
19.	Tax as per Section 115BBF = 500000 x 10% = 50000 + HEC 4% = 52000		
20.	Net Profit = ₹ 700 Lakhs Add: Employee Contribution since not remitted upto due date of fund = ₹ 2 Lakhs Add: Provision for Bad and Doubtful Debts = ₹ 20 Lakhs Less: TDS deducted earlier now deposited in this year = ₹ 3 Lakhs Total Income = ₹ 719 Lakhs		

MCQs Set 7

S. No.	Explanations
1.	As per Sec.115AD, income received by way of short-term capital gain on sale of security by a FII will be taxable @ 30%.
2.	As per sec 56(2) (viib), where a closely held company issues its shares at a price exceeding FMV to a resident person then taxable amount in hands of company will be issue price of share - FMV of such assets. Mr. X is resident since he is in India for 210 days Hence $20000 \times (40-30) = 200000$ is taxable under IFOS
3.	As per para 8 of ICDS-V, trial run expenses incurred before commencement of production is part of actual cost of assets hence such expenditure will be capitalized.
4.	90 days from 30th November of the A.Y (Due date of Return Filing)
5.	Items mentioned as per Sec 115JB can only be adjusted while computing MAT, all items provided in question has to be added back as per Sec.115JB.
6.	As per sec 35ABB, in a case where license is obtained after commencement of business then deduction is allowed from the P.Y. in which fees is paid till the P.Y. in which license expires hence license fees will be allowed in 9 years @ ₹3 lacs per year.
7.	As per provisions of Assessment proceedings, under reported income in case of reassessment will be calculated as follows = Reassessed Income - income assessed and reassessed earlier
8.	ICDS IV "Revenue Recognition", here Revenue means the gross inflow of cash, receivables or other consideration arising in the course of ordinary activities of a person from the sale of goods, from the rendering of services or from the use by others of the person's resources yielding interest, royalties or dividends. income from winning lottery not considered as revenue hence ICDS IV will not applicable in such cases.
9.	Rule 46A(1) provides some conditions where CIT(Appeals) can accept the additional evidences such condition is like where A.O. completed assessment without giving opportunity to assessee to produce such evidence Or where A.O didn't demand the evidences but evidence was relevant and assessee could not produce sufficient cause etc. Option C is incorrect because Rule 46 mentioned and not 46A
10.	as per sec 47(xiiib), The total sales of the company in the 3 previous years immediately preceding in which the conversion took place does not exceed ₹60 lakhs and the total value of assets as appearing in the preceding books of account of the company in any of the 3 p.y's & preceding the p.y. in which the conversion take places does not exceed ₹5 crore hence such transaction will not be treated as transfer under capital gain.
11.	Notices are valid for A.Y. 2014-15 to A.Y. 2019-20. However, for A.Y. 2010-11 to A.Y. 2013-14, notices can be issued u/s 153A only if the Assessing Officer has any evidence which reveals that income, represented in form of asset is greater than or equal to ₹ 50 lakhs.
12.	Depreciation can be claim as building cost was not claim as application u/s 11.
13.	As per sec 32, Depreciation is allowed @30% if motor vehicle is used in a business of running them on hire but if acquired & put to use between 23.08.2019 to 31.03.2020 then @45%. For other motor vehicle, depreciation is allowed @ 15% but if acquired & put to use between 23.08.2019 to 31.03.2020 then @30%.

S. No.	Explanations
	<p>As per sec 32(1), depreciation is restricted to 50% if asset is acquired and put to use for less than 180 days.</p> <p>Mr. Akash is engaged in business of running motor car on hire so depreciation allowed is 16,12,500 i.e. [(30% of 50,00,000) + 50% of (45% of 5,00,000)].</p> <p>Mr. Vikas is engaged in other business so depreciation allowed is 75,000 i.e., 50% of (30% of 500000)</p>
14.	As per Section 234D, Sunil will be liable to pay interest on the excess refund of ₹ 22,000 at the rate of ½ percent for a period of 7 months.
15.	60%+25%+4% = 78%
16.	GAV = 75000
17.	132000-10000 = 122000 – 30% Std. Deduction (Interest Not allowed as TDS not deducted)
18.	As per Section 80C, if the policy is issued on or after 01/04/2012, lower of the Premium Paid or 10% of the Policy Value will be allowed as deduction.
19.	All conditions are required to be fulfilled for getting deductions under Sec 80GG.
20.	Since, the tuition fees is paid outside India, hence deduction is not allowed under Sec 80C.

MCQs Set 8

S. No.	Explanations												
1.	<p>As per Sec.271AAB, where an assessee during a search admits the undisclosed income and specify the manner in which such income was earned and pay tax & interest on such undisclosed income and also furnish the return of income declaring undisclosed income u/s 139(1)/period specified u/s 153A notice then in such case penalty would be levied @ 30%.</p> <p>In other cases, penalty would be 60%</p>												
2.	<p>As per sec 143(2) for making assessment u/s 143(3) AO is required to serve notice u/s 143(2). The notice has to be served within 6 months from the end of the FY in which Return of Income was furnished. So, in following case notice can be served till 30.09.2020 i.e., 6 months from end of FY 2019-20.</p>												
3.	<p>As per sec 44B, when Non-Residents is engaged in shipping Business then presumptive income is 7.5% of specified sum for Shipping Business.</p> <p>Specified sum mean amount paid or payable on account of carriage of goods at/from any port/place in India and amount received or deemed to be received in India on account of passengers at/from any port/place outside India.</p> <table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Particulars</th> <th style="text-align: right;">Amount</th> </tr> </thead> <tbody> <tr> <td>Amount collected (85+5+2)</td> <td style="text-align: right;">92,00,000</td> </tr> <tr> <td>Amount received in India</td> <td style="text-align: right;">50,00,000</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">1,42,00,000</td> </tr> <tr> <td>Deemed Income @7.5%</td> <td style="text-align: right;">10,65,000</td> </tr> <tr> <td>Tax rate for Foreign Company i.e., 40% + HEC (41.6% of 1065000)</td> <td style="text-align: right;">4,43,040</td> </tr> </tbody> </table>	Particulars	Amount	Amount collected (85+5+2)	92,00,000	Amount received in India	50,00,000	Total	1,42,00,000	Deemed Income @7.5%	10,65,000	Tax rate for Foreign Company i.e., 40% + HEC (41.6% of 1065000)	4,43,040
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4.	<p>As per sec 9(1)(iii) Salary received by Indian Citizen from Govt for service Rendered outside India is taxable.</p> <p>However, as per Sec 10(7) perquisite and allowance are exempt.</p> <p>Based on combined reading of these sections, it can be concluded that Salary received by Mr. Ganesh is taxable in India but allowances and perquisites are exempt.</p>												
5.	<p>Every person, being a resident and carrying on business or profession or a non-resident having a permanent establishment in India shall deduct the equalisation levy on the amount paid or payable to a non-resident in respect of the specified service at the rate of 6%, if the aggregate amount of consideration for specified service in a previous year exceeds one lakh rupees.</p> <p>Equalisation levy is not applicable where the payment for the specified service by the person resident in India or the PE in India is not for the purpose of carrying out business or profession.</p> <p>Hence, in this case equalisation levy not applicable because Mr. Rajesh does not use such service for Business or profession purpose as he is salaried individual and does not have any PGBP income</p>												

S. No.	Explanations																					
6.	<p>Tax on income from lottery will have to pay flat 30 per cent of the winning amount and there is no basic exemption limit.</p> <table border="1" data-bbox="391 289 1349 743"> <thead> <tr> <th data-bbox="391 289 808 338">Particular</th> <th data-bbox="808 289 1092 338">A</th> <th data-bbox="1092 289 1349 338">B</th> </tr> </thead> <tbody> <tr> <td data-bbox="391 338 808 426">Tax on lottery income @30%</td> <td data-bbox="808 338 1092 426">1800000 (30% of 60 lacs)</td> <td data-bbox="1092 338 1349 426">240000 (30% of 800000)</td> </tr> <tr> <td data-bbox="391 426 808 543">Surcharge @10% id income is more than 50 lac and less than 1 crore</td> <td data-bbox="808 426 1092 543">1,80,000</td> <td data-bbox="1092 426 1349 543">0</td> </tr> <tr> <td data-bbox="391 543 808 592">HEC @4%</td> <td data-bbox="808 543 1092 592">79,200</td> <td data-bbox="1092 543 1349 592">9600</td> </tr> <tr> <td data-bbox="391 592 808 640">Total</td> <td data-bbox="808 592 1092 640">20,59,200</td> <td data-bbox="1092 592 1349 640">249600</td> </tr> <tr> <td data-bbox="391 640 808 688">Less: TDS</td> <td data-bbox="808 640 1092 688">18,00,000</td> <td data-bbox="1092 640 1349 688">240000</td> </tr> <tr> <td data-bbox="391 688 808 743">Net tax payable</td> <td data-bbox="808 688 1092 743">2,59,200</td> <td data-bbox="1092 688 1349 743">9,600</td> </tr> </tbody> </table> <p data-bbox="391 743 1349 791">Advance tax applicable for A because tax amount is more than 10000</p>	Particular	A	B	Tax on lottery income @30%	1800000 (30% of 60 lacs)	240000 (30% of 800000)	Surcharge @10% id income is more than 50 lac and less than 1 crore	1,80,000	0	HEC @4%	79,200	9600	Total	20,59,200	249600	Less: TDS	18,00,000	240000	Net tax payable	2,59,200	9,600
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7.	<p>As per 194-IB, A salaried employee must deduct TDS on rent paid if the total rent payable for a month is more than ₹50,000 per month. Here rent is 50000 per month hence 194-IB not applicable.</p>																					
8.	<p>The service rendered by a commentator in relation to sports activities has been notified by the CBDT as a professional service for the purposes of section 194J vide its Notification No. 88 dated 21st August, 2008 So if person is resident in India, then TDS will be deducted as per 194J, and if person is Non-Resident then TDS will be deducted as per provision of section 195.</p>																					
9.	<p>Section 246A specifies the orders against which an appeal can be filed before the CIT (Appeals) in respect of Assessment order passed under section 143(3). A taxpayer can file an appeal to the ITAT in respect of following orders: - Order passed by the Commissioner of Income-Tax (Appeals) under section 250, section 270A, section 271, section 271A, 271J or section 272A.</p>																					
10.	<p>Section 44BBA -</p> <ol style="list-style-type: none"> <li data-bbox="337 1398 1453 1566">(1) Notwithstanding anything to the contrary contained in sections 28 to 43A, in the case of an assessee, being a non-resident, engaged in the business of operation of aircraft, a sum equal to five per cent of the aggregate of the amounts specified in sub-section (2) shall be deemed to be the profits and gains of such business chargeable to tax under the head "Profits and gains of business or profession". <li data-bbox="337 1577 1453 1608">(2) The amounts referred to in sub-section (1) shall be the following, namely: — <li data-bbox="337 1619 1453 1713">(3) (a) the amount paid or payable (whether in or out of India) to the assessee or to any person on his behalf on account of the carriage of passengers, livestock, mail or goods from any place in India; and <li data-bbox="337 1724 1453 1818">(4) (b) the amount received or deemed to be received in India by or on behalf of the assessee on account of the carriage of passengers, livestock, mail or goods from any place outside India. 																					

S. No.	Explanations																
	<p>(5)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Particular</th> <th style="text-align: center;">Amount in Crore</th> </tr> </thead> <tbody> <tr> <td>₹ 2 crores in India on account of carriage of passengers from Cochin.</td> <td style="text-align: center;">2.00</td> </tr> <tr> <td>₹ 1 crore in India on account of carriage of goods from Cochin.</td> <td style="text-align: center;">1.00</td> </tr> <tr> <td>₹ 3 crores in India on account of carriage of passengers from Malaysia.</td> <td style="text-align: center;">3.00</td> </tr> <tr> <td>₹ 0.50 crore in Malaysia on account of carriage of passengers from Cochin.</td> <td style="text-align: center;">0.50</td> </tr> <tr> <td>₹ 0.50 crore in Malaysia on account of carriage of goods from Cochin.</td> <td style="text-align: center;">0.50</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">7</td> </tr> <tr> <td>Tax as per 44BBA @5%</td> <td style="text-align: center;">0.35</td> </tr> </tbody> </table>	Particular	Amount in Crore	₹ 2 crores in India on account of carriage of passengers from Cochin.	2.00	₹ 1 crore in India on account of carriage of goods from Cochin.	1.00	₹ 3 crores in India on account of carriage of passengers from Malaysia.	3.00	₹ 0.50 crore in Malaysia on account of carriage of passengers from Cochin.	0.50	₹ 0.50 crore in Malaysia on account of carriage of goods from Cochin.	0.50	Total	7	Tax as per 44BBA @5%	0.35
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11.	<p>As per sec 270A, sub section 9, In case of under reporting income, the quantum of penalty is 50% of tax payable on under reported income. Tax on 1800000 = 352500 (as per slab rate) total tax = 36600 (352500 + cess 4%) 50 % of tax = 183300</p>																
12.	<p>as per sec. 154(1) With a view to rectifying any mistake apparent from the record an income-tax authority referred to in section 116 may, — (a) amend any order passed by it under the provisions of this Act. Here order is passes by assessing officer, so assessee can file an application for rectification under 154.</p>																
13.	<p>as per sec 133A(2), An income-tax authority may enter any place of business or profession referred to in sub-section (1) only during the hours at which such place is open for the conduct of business or profession and, in the case of any other place, only after sunrise and before sunset. Here AO has entered in business hours, so his action is correct. As per sec 133(1)(c)(i), AO can afford necessary facility to inspect such books of account or other documents as he may require and which may be available at such place. hence action of impound of books is right.</p>																
14.	<p>Under specified circumstances, section 269SS restricts the person from taking or accepting loan; deposit or any specified sum from any other person other than the following mode – An account payee cheque; or An account payee bank draft; or Electronic clearing system through a bank account; or Any other electronic mode, as specified. The penalty provision of section 271D applies in case the person contravenes provisions of section 269SS of the Income Tax. Here, amount is 12000 which is deposit in cash and 7500 which is deposited in bearer cheque, so penalty will not be applicable.</p>																
15.	<p>16 year's time limit available only in case of foreign assets & not in case of Indian escape income.</p>																

S. No.	Explanations
16.	Annual value of property being held as stock-in-trade would be treated as NIL for the period of 2 years from the end of the FY in which Completion Certificate of construction of property is obtained from competent authority
17.	<p>Mr. Aarav is eligible for presumptive taxation as per Sec 44AD, since his turnover is upto 2Cr. Presumptive PGBP income = Turnover/ Gross Receipt x 8% but if turnover or gross receipt is received by account payee cheque/DD/ECS upto due date of return of return filing then PGBP Income = Turnover/ Gross Receipts * 6%.</p> <p>Mr. Vishal is engaged in legal profession and his Gross receipt is upto 50 lacs then he is eligible for Presumptive basis for profession. PGBP income = Gross receipts * 50%.</p> <p>Both Mr. Aarav and Mr. Vishal have not got the books of a/c audited and do not intend to do in future so they can opt for presumptive taxation.</p> <p>Mr. Aarav Income 12,40,000 i.e. [(6% of 1,80,00,000) +(8% of 20,00,000)]</p> <p>Mr. Vishal Income 25,00,000 i.e. (50% of 50,00,000)</p>
18.	<ol style="list-style-type: none"> 1. PM cares fund 100% 2. Rajiv Gandhi foundation 50% 3. Approved association for promotion of family planning 100% 4. Public charitable trust 50% <p>For 3&4, eligible donation will be 60,000. out of which 40,000 for family planned will be allowed and 50% of 20k will be allowed</p> <p>Total = 26000+25000+40000+10000 = 101000</p>
19.	As per Sec 80PA, Farm Producer Companies having a total turnover of less than 100 crores in any Previous Year is eligible for deduction with respect to profits and gains derived from eligible business
20.	Actual amount of interest on deposits or ₹50,000 whichever is lower is allowed as deduction under Sec 80TTB

MCQs Set 9

S. No.	Explanations
1.	A broker, general commission agent or any other agent who secure orders for NR & does not have an independent status will be treated as business connection in India
2.	Income from shooting of cinematograph films in India may be deemed to accrue or arise in India to a non-resident when an individual who is not a resident in India but he is Indian Citizen
3.	As per <i>Explanation 6</i> - (a) the share or interest shall be deemed to derive its value substantially from the assets (whether tangible or intangible) located in India, if, on the specified date, the value of such assets— (i) exceeds the amount of ten crore rupees; and (ii) represents at least fifty per cent of the value of all the assets owned by the company or entity, as the case may be;
4.	A resident making an application involving determination of any question of law having transaction value of ₹ 190 crores (100 Crores or more) can apply to the authority of advance rulings
5.	Income Tax Authority or Appellate Tribunal cannot give any decision in such situation till issue is pending with AAR
6.	The Authority of Advance Ruling shall not allow an application where the question raised in the application is in relation to determination of fair market value.
7.	As per Rule 44E, Fees is 5 lakhs
8.	Charge of Equalisation Levy [Section 165 of Finance Act, 2016]: (i) Equalisation levy @6% is leviable on the amount of consideration for specified service received or receivable by a person, being a non-resident from – (a) a person resident in India and carrying on business or profession; or (b) a non-resident having a PE in India. (ii) Equalisation levy is not chargeable, where – (a) the non-resident providing the specified service has a PE in India and the specified service is effectively connected with such PE; (b) the aggregate amount of consideration for specified service received or receivable in a previous year by the non-resident from a person resident in India and carrying on business or profession, or from a non-resident having a PE in India, does not exceed ₹ 1 lakh; or (c) where the payment for the specified service by the person resident in India, or the PE in India is not for the purposes of carrying out business or profession.
9.	The statement in respect of all specified services chargeable to equalisation levy during any financial year is required to be furnished electronically in Form No. 1 (verified through either a digital signature or an electronic verification code) on or before 30th June immediately following that financial year [Rule 5 of Equalisation Levy Rules, 2016]
10.	Distribution of debentures, deposit certificates to equity shareholders and preference shareholders and bonus shares to preference shareholders will be treated as deemed dividend.
11.	Sec 54 provides exemption on Capital gain on sale of Residential house property used by individual/ HUF. if assessee purchase One House property in India within 1 year before or 2 years after the date of transfer or complete construction in India within 3 years after date of transfer. then Capital gain is exempt to the extent purchase/ construction of new House property.

S. No.	Explanations																								
	<p>W.E.F. from AY 2020-21, if LTCG is upto 2 Crores then assessee can acquire 2 Residential house properties in prescribed time limits. (Added by FA 2019).</p> <p>For claiming exemption u/s 54EC, Assessee has to invest in NHAI/RECL/PFCL/RFCL within 6 months from the date of transfer. assessee can claim maximum exemption of ₹50 lacs.</p> <table border="1"> <thead> <tr> <th>Particular</th> <th>Mr Vishal</th> <th>Mr Guha</th> </tr> </thead> <tbody> <tr> <td>FVOC</td> <td>3,00,00,000</td> <td>4,00,00,000</td> </tr> <tr> <td>Less - ICOA</td> <td>1,00,00,000</td> <td>1,75,00,000</td> </tr> <tr> <td>Capital Gain</td> <td>2,00,00,000</td> <td>2,25,00,000</td> </tr> <tr> <td>Less Exemption us 54 For Mr Vishal (70,00,000+80,00,000)</td> <td>1,50,00,000</td> <td></td> </tr> <tr> <td>For Mr Guha</td> <td></td> <td>80,00,000</td> </tr> <tr> <td>Less exemption U/S 54 EC (Maximum 50,00,000)</td> <td>50,00,000</td> <td>50,00,000</td> </tr> <tr> <td>Capital Gain</td> <td>0</td> <td>95,00,000</td> </tr> </tbody> </table>	Particular	Mr Vishal	Mr Guha	FVOC	3,00,00,000	4,00,00,000	Less - ICOA	1,00,00,000	1,75,00,000	Capital Gain	2,00,00,000	2,25,00,000	Less Exemption us 54 For Mr Vishal (70,00,000+80,00,000)	1,50,00,000		For Mr Guha		80,00,000	Less exemption U/S 54 EC (Maximum 50,00,000)	50,00,000	50,00,000	Capital Gain	0	95,00,000
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12.	<p>As per sec 194C and 194H, if payer is Individual/ HUF and T/o or G/R in last year is upto 1 crore or 50 lakhs, then TDS is not required to be deducted.</p> <p>Moreover, as per sec 194C, Tax is not required to be deducted in respect of payments made for personal purposes by individuals and HUF.</p> <p>Also, No TDS under section 194M will be deducted because amount paid by Mr. hari does not exceed ₹ 50 lacs.</p>																								
13.	<p>As per sec 10(6)(vi) following conditions are required to be fulfilled to claim exemption -</p> <p>(i) Foreign entity is not engaged in any trade or business in India.</p> <p>(ii) His stay in India does not exceed the aggregate period of 90 days in such PY.</p> <p>(iii) Such remuneration is not liable to deducted from the income of employer chargeable under this act.</p> <p>There is no such condition that Mr. X or employee should not be engaged in any trade or business in India</p>																								
14.	56(2)(x) not applicable on stock in trade																								
15.	56(2)(x) not applicable on this transfer. (Hol. Co to Sub. Co)																								
16.	Maximum Allowed deduction is 1,50,000 under Sec 80C																								
17.	Deduction is 1,00,000 in case of Consumer Co-op Society and ₹ 50,000 in other cases.																								
18.	For making an application to the settlement commission, limit for additional income tax will be 50 lakhs for the tax payer who is the subject matter of search and limit of 10 lakhs should be applicable to entities related to such a tax payer, who is also the subject matter of search.																								
19.	Tax payable in pursuance of an order passed by Settlement Commission has to be paid before expiry of 35 days from the receipt of final order in order to avoid interest																								
20.	Settlement Commission with a view to rectifying any mistake apparent from the records, may amend any order passed by it within a period of 6 months from the end of the month in which order was passed																								

MCQs Set 10

S. No.	Explanations
1.	As per Section 9(1)(v), Interest payable by non-resident in respect of money borrowed in India, for the purpose other than the business or profession will not be deemed to accrue or arise in India.
2.	Profits and gains in connection with the business of operation of aircrafts in the case of a non-residents u/s 44BBA is equal to 5% of the receipts which are deemed to accrue or are in India.
3.	Such income of ₹ 10,000 will not be taxed in India, considering the DTAA and more beneficial provisions will be applicable to Mr. X.
4.	As per Section 92A, if one enterprise guarantees not less than ten per cent of the total borrowings of the other enterprise, then it can be associated enterprises.
5.	Profit split method is a method which may be applicable mainly in international transactions involving transfer of unique intangibles or in multiple international transactions which are so inter-related that they cannot be evaluated separately for the purpose of determining the arm's length price of any one transaction.
6.	As per CBDT Circular - The reason for not allowing rollback for the international transaction for which Appellate Tribunal has passed an order disposing of an appeal is that the ITAT is the final fact-finding authority and hence, on factual issues, the matter has already reached finality in that year. However, if the ITAT has not decided the matter and has only set aside the order for fresh consideration of the matter by the lower authorities with full discretion at their disposal, the matter shall not be treated as one having reached finality and hence, benefit of rollback can still be given
7.	As per CBDT Circular - The applicant has an option to withdraw its roll back application even while maintaining the APA application for the future years. However, it is not possible to accept the rollback results without accepting the APA for the future years. It may also be noted that the fee specified in Rule 10MA(5) shall not be refunded even where a rollback application is withdrawn.
8.	As per CBDT Circular - The agreement is between the Board and a person. The principle to be followed in case of merger is that the person (company) who makes the APA application would only be entitled to enter into the agreement and be entitled for the rollback provisions in respect of international transactions undertaken by it in rollback years. Other persons (companies) who have merged with this person (company) would not be eligible for the rollback provisions. To illustrate, if A, B and C merge to form C and C is the APA applicant, then the agreement can only be entered into with C and only C would be eligible for the rollback provisions. A and B would not be eligible for the rollback provisions. To illustrate further, if A and B merge to form a new company C and C is the APA applicant, then nobody would be eligible for rollback provisions.
9.	Failure to furnish the report under section 92E from an accountant would attract penalty of ₹1,00,000 under section 271BA.
10.	If the reporting entity has provided any inaccurate information in the report, the penalty would be ₹ 5,00,000 if,— (a) the entity has knowledge of the inaccuracy at the time of furnishing the report but does not inform the prescribed authority; or (b) the entity discovers the inaccuracy after the report is furnished and fails to inform the prescribed authority and furnish correct report within a period of fifteen days of such discovery; or

S. No.	Explanations
	(c) the entity furnishes inaccurate information or document in response to notice of the prescribed authority under section 286(6).
11.	A Public Sector Undertaking whose case is pending before High Court.
12.	AS per Section 56(2)(xi) any compensation or other payment, due to or received by any person, by whatever name called, in connection with the termination of his employment or the modification of the terms and conditions relating thereto will be taxable under the head Income from other sources.
13.	3500 for single person & 7000 in case of joint account.
14.	As per Section 57, a deduction of a sum equal to fifty per cent of such income and no deduction shall be allowed under any other clause of this section.
15.	Income = 50000 Expense (65000-35000) = 30000 Profit = 20000 Hence, 20000 will be taxable in hands of Pawan.
16.	Private co. cannot approach as Mr. Ali holds more than 50% shares, Karta of the HUF and Ali himself.
17.	TDS is required to be deducted under Sec 194E @ 20% + HEC 4%
18.	There is no threshold limit mentioned under Section 194E
19.	TDS not required to be deducted as per Sec 194A
20.	TDS not required to be deducted as income exempt in hands of REIT u/s 10(23FCA)

MCQs Set 11

S. No.	Explanations																						
1.	Dividend Exempt in hands of Business trust as well as unit holders if SPV not opted section 115BBA. If SPV opted 115BAA then dividend taxable in hands of Unit holders. In this question its assume SPV not opted 115BAA.																						
2.	TDS is required to be deducted by rates in force.																						
3.	PGBP Loss can be carried forward by Investment Fund Only.																						
4.	The provisions of AMT would however not be applicable to an individual, HUF, AOPs and BOIs whether incorporated or not or artificial juridical person, if ATI of such person does not exceed ₹ 20,00,000.																						
5.	<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2">Computation of ATI</td> </tr> <tr> <td style="width: 60%;">NTI</td> <td style="text-align: right;">78,00,000</td> </tr> <tr> <td>Add: Deduction u/s 35AD</td> <td style="text-align: right;">22,50,000</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">1,00,50,000</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(4,12,500)</td> </tr> <tr> <td>(10,00,000 x 15%) + Add dep. 20%</td> <td></td> </tr> <tr> <td>(12,50,000 x 5%)</td> <td></td> </tr> <tr> <td>ATI</td> <td style="text-align: right;">96,37,500</td> </tr> </table>	Computation of ATI		NTI	78,00,000	Add: Deduction u/s 35AD	22,50,000	Total	1,00,50,000	Depreciation	(4,12,500)	(10,00,000 x 15%) + Add dep. 20%		(12,50,000 x 5%)		ATI	96,37,500						
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8.	If AOP has paid taxes at MMR, then member share will not be included in his total income.																						
9.	As per Section 40(b), deduction is allowed only when remuneration is paid to working partner.																						
10.	As per Section 40(b), retrospective increase of salary is not allowed.																						

11.	In this case, sec 40(b) not applicable and hence interest will be fully allowable.
12.	If remuneration paid to partner is disallowed in the hands of partnership firm, such remuneration will be exempt in the hands of partner.
13.	As per Section 189 - Persons who were partners at the time of dissolution or discontinuance will be liable.
14.	If individual shares are known, but total income of any member does not exceed basic exemption limit, then AOP is not required to pay tax at MMR.
15.	If AOP has paid tax at regular rates applicable to an individual, the member's share in income of AOPs will be included in his total income and he will be allowed rebate as per Section 86.
16.	From 1st April of AY till the date of making application to ITSC.
17.	Fees is payable @ ₹ 200 per day for every during which the failure continues. Fees cannot exceed the amount of TDS.
18.	As per Section 244A, it will be 1st April of Assessment Year to the date of grant of refund.
19.	These tips are taxable in the hands of Neena under Income from Other Sources.
20.	If employee makes withdrawal before continuous service of 5 years from Recognised Provident Fund, withdrawal will be subject to taxation and employee will not enjoy the benefit of exemption.

MCQs Set 12

S. No.	Explanations
1.	Sec. 54EC exemption is available by transfer of Land or building or both.
2.	CBDT Circular No.743 dated 6.5.96 clarifies that in the event of death of an individual before the stipulated period, the unutilized amount is not chargeable to tax in the hands of the legal heirs of the deceased individual. Such unutilized amount is not income but is a part of the estate devolving upon them.
3.	$30,000 \times 15\% = 4,500 + 4\% \text{ HEC}$
4.	As per Section 112A(5) and 112A(6) – (5) Where the gross total income of an assessee includes any long-term capital gains, the deduction under Chapter VI-A shall be allowed from the gross total income as reduced by such capital gains. (6) Where the total income of an assessee includes any long-term capital gains, the rebate under section 87A shall be allowed from the income-tax on the total income as reduced by tax payable on such capital gains.
5.	As per seventh proviso of sec 139(1) (Added by FA 2019) (i) has deposited an amount or aggregate of the amounts exceeding one crore rupees in one or more current accounts maintained with a banking company or a co-operative bank; or (ii) has incurred expenditure of an amount or aggregate of the amounts exceeding two lakh rupees for himself or any other person for travel to a foreign country; or (iii) has incurred expenditure of an amount or aggregate of the amounts exceeding one lakh rupees towards consumption of electricity; In this case, Total electricity expenditure is 1,20,000 (10,000 * 12)] As per sec 139(1), for individual if GTI (before claiming exemption u/s 54, 54B, 54D, 54EC, 54F, 54G, 54GA, 54GB)>basic exemption, then return filing is compulsory. Mr Ram was born on 01.04.1960. On 31.03.2020, his age will be considered as 60 years based on CBDT Circular. So, for Mr. Ram basic exemption limit is 3,00,000. Expenditure done by Mr. Ram is ₹ 1.20 Lakhs and not exceeding 2 Lakhs.
6.	Section 61: Revocable transfer - In case of revocable transfer, income is received by transferee but tax is paid by transferor. Exception - If transfer is revoked after the death of beneficiary or transferee then the above provision is not applicable.
7.	Under Sec. 64(1)(ii), where both husband and wife have substantial interest in a concern and both are in receipt of income by way of salary from said concern such income will be included in hands of That spouse whose total income, excluding such income is higher
8.	As per section 64(1)(iv), income arising from assets transferred without adequate consideration by an individual to his spouse is liable to be clubbed in the hands of the individual. It may be noted that income on the asset transferred has to be clubbed but if there is accretion to the asset, any further income derived on such accretion should not be clubbed
9.	Clubbing will be applicable when gift is given by spouse. In this case, she gave a loan to her husband, therefore clubbing is not applicable.
10.	As per Section 192A, No TDS if amount is less than 50,000
11.	U/s 192A i.e., deduction of TDS on premature taxable withdrawal from EPF, TDS @ MMR is deducted when employee does not furnish PAN

12.	Tax has to be deducted at source in respect of interest payable on 8% Savings (Taxable) Bonds, 2003, or 7.75% Savings Taxable) Bonds, 2018 or Floating Interest rate Bonds, 2020, only if such interest payable exceeds 10,000 during the financial year.
13.	TDS is not required to be deducted in such case under Section 194C.
14.	As per Sec 253, any order of CIT/CCIT/DIT/DGIT can be appealed against ITAT. Appeal to ITAT has to be filed within 60 Days from date of receipt of a copy of order sought to be appealed against.
15.	As per Sec. 194J, No TDS will be deducted where payment made for professional services and technical services does not exceed ₹30000 respectively, such limit of ₹30,000 is applicable separately for professional fees & Technical fees.
16.	The Central Government has, vide Notification No.21/2012 dated 13.6.2012, effective from 1 July, 2012, exempted certain software payments from the applicability of tax deduction under section 194J. Accordingly, where payment is made by the transferee for acquisition of software from a resident-transferor, the provisions of section 194J would not be attracted if - <ul style="list-style-type: none"> (1) the software is acquired in a subsequent transfer without any modification by the transferor (2) tax has been deducted either under section 194J or under section 195 on payment for any previous transfer of such software, and (3) the transferee obtains a declaration from the transferor that tax has been deducted along with the PAN of the transferor.
17.	Sec 206C(1F) provides that every person being a seller who receives any amount as consideration for sale of motor vehicle of value exceeding 10 lakhs, shall collect tax from the buyer @1% of sale consideration
18.	The order passed by Assessing Officer will be considered as deemed to be erroneous and prejudicial to the interest of revenue for section 263 in case – <ul style="list-style-type: none"> (a) When the order is passed without making inquiries or verification (b) When the order is passed allowing any relief without inquiring into the claim (c) When the order is not made in accordance with order by CBDT u/s 119
19.	This is the case of Diversion of Income. Hence, the income would be taxable in hands of Mr. Jagdish as well as Charitable Institution.
20.	Tax will be payable at the rate of 60%. (+25%+4%)

MCQs Set 13

S. No.	Explanations
1.	The correct condition is - All the partners of the firm immediately before the succession become the shareholders of the company and the proportion in which their capital accounts stood in the books of the firm on the date of succession remains the same;
2.	In case where shares, debentures or warrants allotted by a company directly or indirectly to its employees under the Employees Stock Option Plan or Scheme in accordance with the guidelines issued in this behalf by the Central Government are transferred under a gift or irrecoverable trust then the market value on the date of such transfer shall be deemed to be the full value of consideration received or accruing as a result of transfer of such asset.
3.	The cost of acquisition of the capital asset, being share or shares of a company acquired by a non-resident assessee, consequent to redemption of GDR [referred to in section 115AC(1)(b) held by him would be the price of such share or shares prevailing on any recognized stock exchange on the date on which a request for such redemption was made (Section 49(2ABB)).
4.	Section 37A which provides for exemption on transfer of specified capital asset in context of land pooling scheme is applicable to Individual/HUF
5.	Reconstituted plot or land received transferred after 2 years from date of possession is not a specified capital asset as per Section 10(37A)
6.	MAT is not applicable to foreign Company with which we have DTAA Agreement only if that foreign company does not have PE in India
7.	MAT is not applicable to foreign Company with which we do not have DTAA Agreement only if It is not required to seek registration under any law relating to Company
8.	In case of Company, being unit located in International Financial Service Centre, MAT shall be chargeable @ 9%
9.	In case of conversion of private Company into a LLP, tax credit u/s 115JAA for MAT would Lapse
10.	Ms. Aparna and Ms. Dimple both are Non Resident as per section 6. As per sec 47(viia), transfer of rupee denominated bond of Indian company by one NR to another NR Outside India is not a transfer and hence, capital Gain not applicable in this case.
11.	As per Rule 40BB, Issue price will be FMV to the extent credited to share capital and share premium
12.	As per Rule 40BB, Issue price will be Amount actually received by Company with respect to preference shares
13.	5470 plus ₹42 for each 100 tons exceeding 10,000 tons
14.	Securitization trust is required to furnish statement containing details of nature of income paid to Principal Commissioner up to 30th Nov of relevant Assessment Year
15.	As per Section 194LBA, TDS is required to be deducted by business trust @ 10% in case of resident unit holder and 5% in case of Non-Resident
16.	Section 11(1B) provides that where the income for which an option has been exercised as discussed above, is not actually applied, it is to be treated as the income of the previous year immediately following the year of receipt or the previous year in which it was derived, as the case may be.

S. No.	Explanations
17.	<p>Accreted income tax will be leviable in all of the following cases –</p> <p>(a) When there is conversion of trust into a form not eligible for grant of registration u/s 12AA/12AB</p> <p>(b) When there is merger with an entity not having similar objects and registered u/s 12AA/12AB</p> <p>(c) When there is non-distribution of assets or dissolution within a period of 12 months from the end of the month in which dissolution takes place</p>
18.	Income will be taxable under PGBP
19.	<p>The notified ICDSS have to be followed by all assesseees (other than an individual or a Hindu undivided family who is not required to get his accounts of the previous year audited in accordance with the provisions of section 44AB) following the mercantile system of accounting, for the purposes of computation of income chargeable to income tax under the head "Profits and gains of business or profession" or "Income from other sources, from A.Y 2017-18.</p>
20.	If the duration of the contract is not more than 90 days, then revenue is to be recognised on the basis of Project Completion Method.

MCQs Set 14

S. No.	Explanations
1.	As per Section 64 (2): Asset transfer to HUF If any individual transfers any asset to his HUF without/for inadequate consideration, then income from such asset is received by HUF but taxable in hands of transferor (member) After partition of HUF Income from such asset recd, by spouse shall be clubbed in hands of transferor
2.	Powers of CBDT are (i) Control and supervision of overall officers (ii) Make rules (iii) Direct that any income tax authority or authorities shall be subordinate to such other income tax authority
3.	As per Section 124, it is 1 month from date of service of notice u/s 142(1) or 143(2)
4.	Books of Accounts seized under sec. 132 for search and seizure case should be returned within 30 days from date of order of assessment u/s 153A
5.	Rebuttable presumption [Section 132(4A)]: There is a rebuttable presumption to the effect that the books of account or other documents and assets found in the possession of any person in the course of a search belong to such person and also that the contents of such books of account and other documents are true and that the signature and every other part of such books of account and other documents are in hand-writing of the persons who can reasonably be assumed to have signed or written the books of account or other documents
6.	As per Section 132B(4), seized asset should be released within 120 days from date on which last authorisation for search was executed.
7.	As per Section 6, she is resident but not ordinarily resident.
8.	It is applicable to Individual/HUF only
9.	As per Section 6(2), HUF would be resident in India if Control and management of its affairs situated wholly or partly in India
10.	Loss can be set off against profit of printing.
11.	As per Sec 70, LTCL, loss from speculation, loss from specified business and loss from activity of owning and maintaining race horses can be set off against their respective incomes only.
12.	House Property loss of 2,00,000 can be set off and rest to be carried forward.
13.	As per Proviso to Sec 72(1), Rehabilitation of Business, it is 3 years.
14.	Consequences of non-fulfilment of specified conditions (Section 72A): In case the specified conditions are not fulfilled that part of carry forward of loss and unabsorbed depreciation remaining to be utilized by the amalgamated company shall lapse and such loss or depreciation as has been set-off shall be treated as the income in the year in which there is a failure to fulfil the conditions.
15.	Accumulated Loss means Loss of a proprietary concern under the head PGBP (not being a loss sustained in a speculation business). Hence, 65,000 can be carried forward by the company.
16.	As per ICDS, valuation has to be done category wise. Total Cost (560) and NRV (535) whichever is lower.

S. No.	Explanations
17.	Compensation relating to modifications of terms and conditions of the contract will be taxable under the head PGBP as per section 28
18.	Purchase or sale of shares without actual delivery of assets is speculation activity
19.	It is not a speculative transaction as requirement of CTT is not applicable in respect of trading in agricultural commodities derivatives.
20.	No depreciation to be charged on animals.

MCQs Set 15

S. No.	Explanations
1.	It is a specified capital asset, and hence capital gain is exempt under Section 10(37A)
2.	Cost of share = 15+ 50 = 65 Sale Value = 55 Capital Loss = 10
3.	As per Section 50, it will be short term capital gain of ₹ 50,000
4.	Indexation benefit is available on Sovereign gold bonds issued by RBI
5.	Since, the SDV is not more than 105% of the consideration, hence 45,00,000 will be considered as SDV as per Section 50C.
6.	Sec 78: Carry forward & Set-off of losses The losses and unabsorbed depreciation of the firm can be carried forward by the firm only. If there is retirement of Partner or Death of partner the firm Shall not carry forward shares of retired / deceased partner in the losses of firm. Note - Sec 78 does not apply to unabsorbed depreciation so it can be c/f by firm even if partner dies or retires. Hence, business loss 2,00,000 (excluding retired partner share) + 1,50,000 of current year and unabsorbed depreciation 50,000 to be carried forward.
7.	Section 79 not application in this case, hence loss of 1,50,000 can be carried forward
8.	Order of Set off of losses - Current year depreciation, b/f business loss, unabsorbed depreciation, unabsorbed capital expenditure on scientific research, unabsorbed expenditure on family planning
9.	Section 115BBD i.e., concessional rate @15% for dividend received from specified foreign Company is applicable to Indian Company.
10.	As per Section 115BBD, no other expenses are allowed against dividend income.
11.	As per Explanation 1, the book profit is to be increased by the amount representing notional loss on transfer of a capital asset, being share of a special purpose vehicle, to a business trust in exchange of units allotted by the trust referred to in clause (xvii) of section 47 or the amount representing notional loss resulting from any change in carrying amount of said units or the amount of loss on transfer of units referred to in clause (xvii) of section 47.
12.	LTCG taxable under section 112A as there is no such specific adjustment given under Section 115JB.
13.	In case the application of insolvency has been admitted, then brought forward losses and unabsorbed depreciation both are reduced from the book profit under Section 115JB.
14.	Gains or losses from investments in equity instruments designated at fair value through other comprehensive income recorded in OCI should be adjusted in book profit when equity instrument is sold
15.	Capital reserve or securities premium existing as on convergence date as per erstwhile Indian GAAP which is re-classified to retained earnings/other reserves under Ind AS and vice versa shall Not be considered for purposes of transition amount

S. No.	Explanations
16.	<p><i>Explanation 4.</i> —Where any asset which had once belonged to the assessee and had been used by him for the purposes of his business or profession and thereafter ceased to be his property by reason of transfer or otherwise, is re-acquired by him, the actual cost to the assessee shall be—</p> <p>(i) WDV at the time of Sale</p> <p>(ii) the actual price for which the asset is re-acquired by him, whichever is less.</p>
17.	Payment in cash in excess of 10,000 & Interest after asset actually put to use.
18.	<p>Composite Income: Explanation 7 provides that in cases of composite income, for the purpose of computing written down value of assets acquired before the previous year, the total amount of depreciation shall be computed as if the entire composite income of the assessee is chargeable under the head "Profits and Gains of business or profession" The depreciation so computed shall be deemed to have been actually allowed to the assessee.</p>
19.	Balancing charge cannot exceed the difference between actual Cost and WDV and hence it will be taxable like 20,000 as balancing charge under section 41(2) and 17,000 as STCG
20.	Carry Forward and Set off of Unabsorbed part of the allowance is entitled in the same way as unabsorbed depreciation.

MCQs Set 16

S. No.	Explanations
1(i)	<p>194LBA - Business Trust to deduct TDS @5 % plus surcharge in case of NR and foreign company unit holders and 10 % for resident unitholders. In case of Nonresident, TDS rate will be increased by the rate of the surcharge. X is resident hence TDS will be 10%. Y is Non-Resident, hence TDS @ 5.2% (5% TDS plus 4% surcharge)</p>
1(ii)	<p>Income of Business Trust [Except Interest from SPV and Dividend which are exempt] is taxable as follows - LTTCG u/s 112 - Taxable @ 20% STCG u/s 111A - Taxable @ 15% Other Income - Taxable @ MMR (i.e., 42.744%) In this case, STCG on sale of securities comes under 111A and hence taxable @ 15.6% (15% plus 4 % Surcharge) Sales of Developmental Properties will be taxable at 42.744%.</p>
1(iii)	<p>Interest from SPV & Dividend shall be fully exempt u/s 10(23FC) Any other income (except interest from SPV & Rental income from REIT) received by unit Holders for Business Trust shall be exempt in hands of Unitholders u/s 10(23FD). Dividend taxable only when SPV paid taxes as per 115BAA. Hence, exempt for both REIT and Unitholders.</p>
1(iv)	<p>Income of Business Trust [Except Interest from SPV and Dividend which are exempt] is taxable as follows - LTTCG u/s 112 - Taxable @ 20% STCG u/s 111A - Taxable @ 15% Other Income - Taxable @ MMR (i.e., 42.744%) In the given case, Interest received from investments in unlisted debentures and not from SPV, hence the same has been taxable at MMR (42.744%)</p>
1(v)	<p>As per Section 10(23FCA) - Income of REIT earned by way of rent by directly letting out real estate assets owned by it is exempt in hands of Business Trust However, Rental income is taxable in hands of unitholders - <ul style="list-style-type: none"> • Non-Resident / Foreign Co. - Normal Tax Rate • Resident - Normal Tax Rate As per Section 194LBA, TDS @10% on payment to resident unitholder and TDS @ Rate in force u/s 195 to Non-Resident Hence, TDS for X, who is a resident @ 10% and for Y, being NR will be @ Rates in force.</p>
2(i)	<p>As per Section 270A(2), If ROI has been filed, there will be a case of under-reporting of income if Income assessed is greater than income determined u/s 143(1)(a) In case of reassessment, income reassessed is greater than income previously assessed. Hence, both 2 and 3 are correct. Difference in income between Return Filed and Intimation Return is not considered as Under-Reporting of Income</p>

S. No.	Explanations
2(ii)	<p>If ROI has not been filed and income exceeds Basic Exemption Limit, it is a case of under-reporting. Hence, both 2 and 3 are correct.</p>
2(iii)	<p>Section 270A(7), If there is no misreporting, then Penalty @ 50% would be leviable on Tax Payable on Under-Reported Income. Under Reported Income = Income assessed - Income assessed u/s 143(1)(a) Under Reported Income = 65,00,000 - 50,00,000 = 15,00,000 Tax on 65,00,000 - Tax on 50,00,000 = 4,68,000 (including Surcharge) Penalty@ 50% = 2,34,000</p>
2(iv)	<p>Section 270A(8) In case of misreporting, Penalty @ 200% of Tax Payable on Under-Reported income. Under Reported Income = Income Reassessed - Income assessed earlier Under Reported Income = 85,00,000 - 65,00,000 i.e., 20,00,000 Tax on 85 Lakhs - Tax on 65Lakhs = 6,24,000 Penalty@ 200% = 12,48,000</p>
2(v)	<p>In case no ROI has been filed, Under Reported Income is Assessed Income - Basic Exemption Limit Penalty @ 50% on Tax on underreported Income Note-Where No ROI filed, tax calculation to be done on Underreported Income plus Basic Exemption Limit Assessed Income = 15 Lakh URI = 15 Lakhs - 2.5 Lakhs (Basic Exemption Limit) Under Reported Income = 12.5 Lakhs Tax @ 15 Lakhs = 2,73,000 Penalty = 1,36,500</p>
3	<p>If Primary adjustment made by AO and excess money or part thereof not repatriated within 90 days from the date of order then interest shall be calculated from the date of order and added as part of income. Where the international transaction is denominated in Indian rupees then interest at 1-year marginal cost of fund lending rate of SBI as on 1st April of the relevant PY+3.25% shall be added as part of income. As per Sec 92CE(2A), Assessee can pay additional Income tax @20.9664% instead of secondary adjustment. In this case, Interest rate will be 8.5%+3.25% = 11.75% In this case, Interest on 2 Crores will be calculated for 6 months from 01.06.2020 to 30.11.2020, after which Assessee exercised option to pay additional income tax on ₹ 1 Crores. Hence, after that Interest on 1 Crore will be calculated for 4 months from 01.12.2020 to 31.03.2021. Interest = 15,66,667 [2,00,00,000 X 11.75% X 6/12 (for 6 months from 01.06.2020 to 30.11.2020) + 1,00,00,000*11.75%*4/12 (for 4 months from 01.12.2020 to 31.03.2021)]</p>
4(i)	<p>As per Section 115UB - All income (except PGBP income) received by Unitholders from investment fund are taxable in hands of Unitholders. As per Section 10(23FBA), all incomes of investment funds (except PGBP) are exempt. Tax rate for PGBP Income of Investment fund</p>

S. No.	Explanations
	<p>- If formed as Company / Firm then 30%</p> <p>- If formed as other than company / Firm then Maximum Marginal Rate.</p> <p>Therefore, PGBP Income-Taxed in the hands of Investment Fund and exempt for unit holders;</p> <p>All other income of the fund-Taxable in the hands of unitholder as if such income was earned by unitholder and exempt for trust.</p> <p>Hence, PGBP of 14 Lakhs taxable in hands of fund and LTCG + Income from Other Sources= 28 Lakhs chargeable in the hands of unitholders.</p> <p>Share of each unitholder=2800000/35 i.e., ₹80000</p>
4(ii)	<p>As per Section 115UB(4) The total income of the investment fund shall be charged to tax—</p> <p>(i) at the rate or rates as specified in the Finance Act of the relevant year, where such fund is a company or a firm; or</p> <p>(ii) at maximum marginal rate in any other case.</p> <p>As per section 2(23)(i), Firm includes LLP, hence 30 % plus 4% surcharge will be applicable on 14 lakhs</p>
4(iii)	<p>Losses incurred by Investment Fund (Amended by FA 2019)</p> <p>The PGBP loss of the investment fund if any shall be allowed to be c/f and it shall be set-off by investment fund only and it shall not be passed onto the unit holder</p> <p>The loss other than PGBP, if any, shall also be ignored for the purposes of pass through to its unit holders, if such loss has arisen in respect of a unit which has not been held by the unit holder for a period of at least twelve months.</p> <p>The loss so deemed in the hands of unit holders shall not be available to the investment fund for the purposes of chapter VI.</p> <p>As per Set off and Carry Forward Provisions, PGBP losses can be set off against IFOS Income.</p> <p>Hence, PGBP loss will be set off against IFOS. PGBP Loss of 4L remaining after set off from 6L IFOS will be carried forward by fund. And LTCL will be carried forward by unit holders because they have been holding units for more than one year. Share of each unitholder is 20 Lakhs/50 i.e., ₹ 40000</p>
4(iv)	<p>As per Section 115UB - All income (except PGBP income) received by Unitholders from investment fund are taxable in hands of Unitholders.</p> <p>As per Section 10(23FBA), all incomes of investment funds (except PGBP) are exempt.</p> <p>LTCG of 25 Lakhs is Exempt for fund</p> <p>PGBP=15 Lakhs - 4 Lakhs (Carried Forward Loss) i. e. ₹11 Lakhs. Hence, Total Income of this Fund is ₹11 lakh</p>
5(i)	<p>Section 44AD –</p> <p>Eligible business: The presumptive taxation scheme under section 44AD covers all small businesses with total turnover/gross receipts of up to ₹ 200 lakh (except the business of plying, hiring and leasing goods carriages covered under section 44AE).</p> <p>Eligible assessee: Resident individuals, HUFs and partnership firms (but not LLPs) and who has not claimed deduction under any of the section 10AA or deduction under any provisions of Chapter VIA under the heading “C - Deductions in respect of certain incomes” in the relevant assessment year would be covered under this scheme.</p> <p>Section 44ADA –</p> <p>Eligible business: The presumptive taxation scheme under section 44ADA for estimating the income of an assessee:</p>

S. No.	Explanations								
	<ul style="list-style-type: none"> • who is engaged in any profession referred to in section 44AA(1) such as legal, medical, engineering or architectural profession or the profession of accountancy or technical consultancy or interior decoration or any other profession as is notified by the Board in the Official Gazette; and • whose total gross receipts does not exceed ₹ 50 lakh rupees in a previous year, <p>Section 44AE-</p> <p>Eligible business: This section provides for estimating business income of an owner of goods carriages from the plying, hire or leasing of such goods carriages;</p> <p>Eligible assessee: The scheme applies to persons owning not more than 10 goods vehicles at any time during the previous year;</p> <p>AB & Co. is eligible for 44AD.</p> <p>LM & Co. is eligible for 44AE.</p> <p>PQ & Co. is not eligible for 44AD as LLPs cannot avail 44AD section.</p> <p>XY & Co is eligible for 44ADA.</p>								
5(ii)	<p>Presumptive rate: The presumptive rate would be 8% of total turnover or gross receipts. However, the presumptive rate of 6% of total turnover or gross receipts will be applicable in respect of amount which is received</p> <ul style="list-style-type: none"> • by an account payee cheque or • by an account payee bank draft or • by use of electronic clearing system <ul style="list-style-type: none"> - through a bank account or - through such other prescribed electronic modes <p>during the previous year or before the due date of filing of return under section 139(1) in respect of that previous year.</p> <p>However, the assessee has the option to declare in his return of income, an amount higher than the presumptive income so calculated, claimed to have been actually earned by him.</p> <p>Accordingly, PGBP income of AB & Co. would be (150 + 20) Lakhs x 6% + 30 Lakhs x 8% = 12.6 Lakhs.</p> <p>Income of PQ & Co. would be as per books of accounts since they cannot avail presumptive taxation benefit.</p>								
5(iii)	<table border="1" data-bbox="391 1398 1349 1686"> <thead> <tr> <th data-bbox="391 1398 675 1446">Goods Carriage</th> <th colspan="2" data-bbox="675 1398 1349 1446">Presumptive Income</th> </tr> </thead> <tbody> <tr> <td data-bbox="391 1446 675 1602">Heavy goods vehicle</td> <td data-bbox="675 1446 1092 1602">₹ 1,000 per ton of gross vehicle weight or unladen weight, as the case may be, for every month or part of a month</td> <td data-bbox="1092 1446 1349 1602" rowspan="2">during which such vehicle is owned by the assessee for the previous year.</td> </tr> <tr> <td data-bbox="391 1602 675 1686">Other than heavy goods vehicle</td> <td data-bbox="675 1602 1092 1686">₹ 7,500 for every month or part of a month</td> </tr> </tbody> </table>	Goods Carriage	Presumptive Income		Heavy goods vehicle	₹ 1,000 per ton of gross vehicle weight or unladen weight, as the case may be, for every month or part of a month	during which such vehicle is owned by the assessee for the previous year.	Other than heavy goods vehicle	₹ 7,500 for every month or part of a month
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	<p>Here, date of put to use has no relevance.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Case</th> <th style="text-align: center;">Gross Weight</th> <th style="text-align: center;">No.</th> <th style="text-align: center;">Months</th> <th style="text-align: center;">Income</th> <th style="text-align: center;">Remarks</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">8000</td> <td style="text-align: center;">3</td> <td style="text-align: center;">11</td> <td style="text-align: right;">2,47,500</td> <td rowspan="5" style="vertical-align: middle;">7500 per month or part of the month</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">9000</td> <td style="text-align: center;">2</td> <td style="text-align: center;">9</td> <td style="text-align: right;">1,35,000</td> </tr> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">10000</td> <td style="text-align: center;">1</td> <td style="text-align: center;">8</td> <td style="text-align: right;">60,000</td> </tr> <tr> <td style="text-align: center;">4</td> <td style="text-align: center;">11000</td> <td style="text-align: center;">1</td> <td style="text-align: center;">7</td> <td style="text-align: right;">52,500</td> </tr> <tr> <td style="text-align: center;">5</td> <td style="text-align: center;">12000</td> <td style="text-align: center;">1</td> <td style="text-align: center;">5</td> <td style="text-align: right;">37,500</td> </tr> <tr> <td style="text-align: center;">6</td> <td style="text-align: center;">13000</td> <td style="text-align: center;">2</td> <td style="text-align: center;">4</td> <td style="text-align: right;">1,04,000</td> <td style="vertical-align: middle;">1000 per tonne per month or part of the month</td> </tr> <tr> <td colspan="4" style="text-align: right;">Total</td> <td style="text-align: right;">6,36,500</td> <td></td> </tr> <tr> <td colspan="4" style="text-align: right;">Less Interest and Remuneration</td> <td style="text-align: right;">2,00,000</td> <td></td> </tr> <tr> <td colspan="4" style="text-align: right;">PGBP Income</td> <td style="text-align: right;">4,36,500</td> <td></td> </tr> </tbody> </table>	Case	Gross Weight	No.	Months	Income	Remarks	1	8000	3	11	2,47,500	7500 per month or part of the month	2	9000	2	9	1,35,000	3	10000	1	8	60,000	4	11000	1	7	52,500	5	12000	1	5	37,500	6	13000	2	4	1,04,000	1000 per tonne per month or part of the month	Total				6,36,500		Less Interest and Remuneration				2,00,000		PGBP Income				4,36,500	
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5(iv)	As per 44ADA, income would be 50% of total receipts = 50% of 50 Lakhs = 25 Lakhs																																																								
5(v)	Yes, they can declare profits per Books of Accounts instead of Presumptive Basis if the firms decide to get their books of accounts audited.																																																								
6(i)	<p>Selling Price for Mr. Hari - Actual sales consideration would be the full value of consideration, since stamp duty value on the date of agreement (which has to adopted as full value of consideration since part of consideration is received by account payee cheque on the date of agreement) does not exceed 105% of actual consideration.</p> <p>PGBP Income = 100 lakhs – 50 Lakhs (COA) = 50 Lakhs</p>																																																								
6(ii)	If the immovable property is received for inadequate consideration then the difference between the stamp duty value and the consideration will be taxable, if such difference is more than the higher of ₹ 50,000 and 10% of consideration. Here, in this case SDV is exactly (not exceeding) 110% of the consideration, hence nothing would be taxable.																																																								
6(iii)	<p>the stamp duty value on the date of agreement can be adopted only in a case where the amount of consideration, or a part thereof, has been paid by way of an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account or through such other prescribed electronic mode, on or before the date of the agreement for the transfer of such immovable property.</p> <p>Hence, FVOC would be 70 lakhs and COA = 32 Lakhs.</p> <p>Period of Holding is less than 2 years, hence short term.</p>																																																								
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6(v)	TDS as per Section 194IA is to be deducted in both cases as amount is 50 Lakhs or more.																																																								

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7(i)	GTI 2,80,00,000 Less: Deduction u/s 80JJAA 1,80,00,000 (500 x 24,000x 5months x 30%) NTI 1,00,00,000 Tax liability as per 115BAB: 1,00,00,00 x 15% (+10% surcharge & 4% HEC) : 17,16,000
7(ii)	GTI 4,90,00,000 Less: Deduction u/s 80JJAA Nil (employee not employed for 240 days or more) NTI 4,90,00,000 Tax liability as per 115BAA : 4,90,00,00 x 22% (+ 10% surcharge & 4% HEC) : 1,23,32,320
7(iii)	Tax on Under reported income: Tax on (16 Cr. + 4 Cr) 20 Cr. Less: Tax on 16 Cr Tax on under reported income: 1,39,77,600 Penalty 50% of 1,39,77,600 = 69,88,800
7(iv)	Tax on mis-reported income: Tax on (20 Cr. + 2 Cr) 22 Cr. Less: Tax on 20 Cr Tax on mis-reported income: 58,24,000 Penalty 200% of 58,24,000 = 1,16,48,000
8.	As per Section 115QA, Tax @ 23.296% (20% +12% Surcharge + 4% Cess) to be deducted on both unlisted as well as listed shares. For Listed shares, it is applicable only if buyback is done after 5th July 2019
9.	Mr. Ganesh – Tax as per Slab Rate = 72,800 Penalty under Sec 270A = 50% of tax payable = 36,400 Mr. Rajesh – Since his age is 80 years, he will get the basic exemption of 5 Lakhs, and hence no tax is payable.
10.	When Royalty or Fees for technical service received by NR/FC which has – PE in India – Section 44DA is applicable No PE in India -Section 115A is applicable Section 115A – 10% on Gross FTS = 200000 + Cess 4% = 2,08,000 Sec 44DA – Net Income = 20 Lakhs – 3 Lakhs (Expenditure wholly and exclusively connected with fixed place of profession in India is allowed) = 17,00,000 taxable @ 30% + 4% Cess = 5,30,400
11.	As per Section 94B, in case of the debt is issued by a lender which is not associated but an associated enterprise either provides an implicit or explicit guarantee to such lender or deposits a corresponding and matching amount of funds with the lender, such debt shall be deemed to have been issued by an associated enterprise.

S. No.	Explanations
	<p>Lower of the following will be disallowed –</p> <ol style="list-style-type: none"> 1. Total Interest – 30% of EBITDA 2. Interest paid to AE <p>Alternate View = Allowed interest is 30% of EBITDA Here. As per both views, disallowed interest would be 5 Crores.</p>
12.	<p>As per Section 10(4C), interest is exempted on RDB issued between 17/09/19 to 31/03/2020. Hence, only N Ltd. Is required to deduct TDS in this case.</p>
13.	<p>Range concept is applicable only when data sets entries are 6 or more. If Actual transaction price is falling within 35th and 65th percentile, then actual transaction will be considered as ALP. In case, if it is not falling, then ALP will be determined by considering the median of the dataset.</p>
14.	<p>As per Section 194N, TDS is required to be deducted @ 2% on sum exceeding 1 crore. However, to check the threshold of 1 crore, any sum or aggregate of sums exceeding 1 crore during the previous year will be considered.</p>
15.	<p>An order of assessment passed by the Assessing Officer in pursuance of directions of Dispute Resolution Panel cannot be appealed before CIT(A)</p>
16.	<p>Below are the powers of an income-tax authority to collect information—</p> <ul style="list-style-type: none"> • The income-tax authority may enter the place of business only during the hours at which such place is open for conduct of business • The income-tax authority can on no account remove or cause to be removed from the building or place he has entered any books of account or other documents.