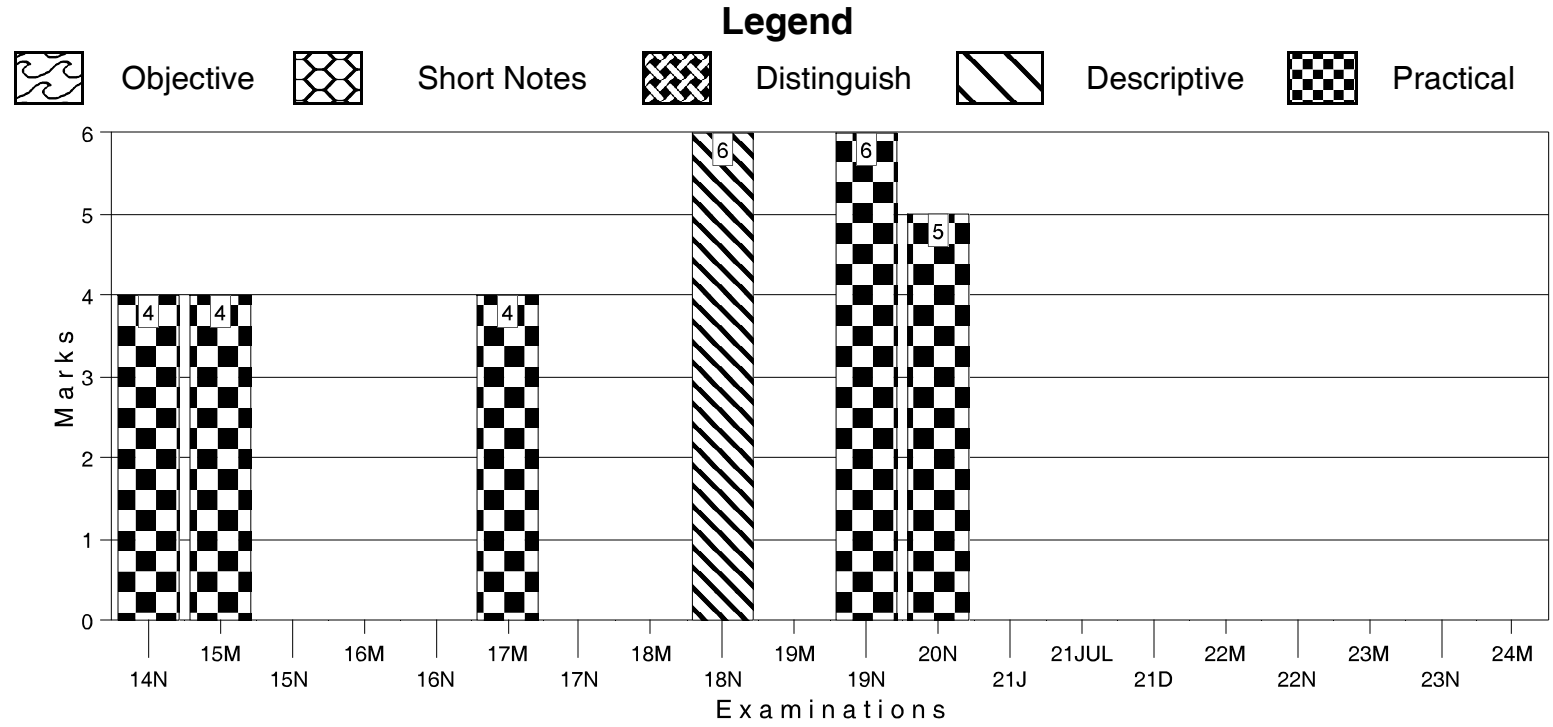


### Marks of Objective, Short Notes, Distinguish Between, Descriptive & Practical Questions



<b>CHAPTER</b>	<b>Basic Concepts</b>
<b>1</b>	
<b>THIS CHAPTER COMPRISES OF</b>	

- |  |  |
|--|--|
| 1. Overview of Income-tax law in India | 4. Charge of Income-tax                          |
| 2. Important definitions               | 5. Rates of Tax, Surcharge & Cess                |
| 3. Previous year and Assessment year   | 6. Rebate for resident individuals [Section 87A] |

### **DESCRIPTIVE QUESTIONS**

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**2010 - May [4]** (b) Discuss the taxability of the Balance amount withdrawn by an employee from the recognized provident fund at the time of leaving the service? (5 marks)

**Answer :**

The accumulated balance withdrawn from the recognized provident fund account would not be taxable in the hands of the employee, if any of the following conditions are satisfied:

- (a) The employee has rendered continuous service with his employer for a period of five years or more; or
- (b) The employee is not able to fulfill the above condition of such continuous service due to his/her service having been terminated by reason of his/her ill health, or by the contraction or discontinuance of the employer's business or due to some other reason beyond the control of the employee; or
- (c) On cessation of employment, the employee obtains another employment and the accumulated balance due and becoming payable to him, is transferred to his individual account in any recognized provident fund maintained by such other employer;

If the accumulated balance becomes taxable due to non-fulfillment of any of the aforesaid conditions, the total income of the employee will be recomputed by the Assessing Officer, as if the fund was not recognized from the beginning, and the employee shall be liable to pay the additional tax due.

**2013 - Nov [3]** (a) Examine the following statements in the context of provisions contained in the Act relevant for the previous year ended on 31.03.2023:

- (i) The additions to income made by invoking provisions of Section 68 are subject to normal rates of tax as applicable to the assessee.

(2 marks)

**Answer:**

The said statement is false since u/s 115BBE, where the total income of the assessee includes income by way of additions u/s 68, he shall be liable to tax @ 60% (plus 25% surcharge plus + 4% health and education cess) on the income u/s 68.

**2018 - Nov [4]** (c) “Every jurisdiction, in the domestic law, prescribes the mechanism to determine residential status of a person. In case, a person is considered to be resident of both contracting states, it becomes necessary to apply the tie-breaker rule.”

Discuss the manner for application of the tie-breaker rule. (6 marks)

**Answer:**

**The tie-breaker rule would be applied in the following manner:**

- (i) The first test is based on where the individual has a permanent home i.e., a dwelling place available to him at all times continuously and not occasionally.
- (ii) If the individual has permanent home available to him in both Contracting States, he will be considered a resident of the Contracting State where his personal and economic relations are closer, in other words, the place where lies his centre of vital interests.  
Thus, preference is given to family and social relations, occupation, place of business, place of administration of his properties, political, cultural and other activities of the individual.

- (iii) In a case where the individual has a permanent home available to him in both Contracting States and it is not possible to determine in which one he has his center of vital interest; and in a case where the individual has a permanent home available to him in neither Contracting State, preference is given to the Contracting State where the individual has an habitual abode.
- (iv) If the individual has habitual abode in both Contracting States or in neither of them, he shall be treated as a resident of the Contracting State of which he is a national.
- (v) If the individual is a national of both or neither of the Contracting States, the matter is left to be considered by the competent authorities of the respective Contracting States.

## PRACTICAL QUESTIONS

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**2011 - May [3]** (a) Mr. Ramanand after putting 25 years of service opted for voluntary retirement and under approved scheme received an amount of ₹ 20 lakhs as VRS compensation on 01-01-2024. He was advised by his tax consultant to claim exemption to the extent as specified in section 10(10C) and also the relief under section 89. He in order to have an expert opinion, consults you and asks whether such a treatment of VRS compensation is permissible under the Act ? (4 marks)

**(d)** Mr. Divyam avails the benefit of LTC and went by air (economy class) on a holiday in India on 25.01.2024 along with his wife and three children consisting of son aged 4 years and twin daughters of 1 year age. Total cost of tickets reimbursed by his employer was ₹ 90,000 (₹ 60,000 for 2 adults and 30,000 for the three children). State with reasons the amount which can be claimed by Mr. Divyam out of the reimbursement as not subject to tax ? Will your answer be different where among his three children the twins were of 4 years of age and the age of the son was of 1 year ? (4 marks)

**(e)** Mr. M is working with MNO Limited for the last 10 years. He was granted an option on 1.7.2021 by the company to purchase 800 equity shares at

a price of ₹ 250 per share. The period during which the option can be exercised to purchase 800 shares at a pre-determined price of ₹ 250 per share commencing on 1.7.2021 and ending on 31.3.2024. Mr. M exercised the option on 15-3-2023 to purchase 500 shares. Fair market value on the said date was ₹ 6,490 on the Bombay Stock Exchange and ₹ 6,500 on the National Stock Exchange. The NSE has recorded the higher volume of trading in that share.

The company has allotted him 500 shares on 24<sup>th</sup> April, 2023. The fair market value on the date of allotment was ₹ 7,100 per share on NSE and ₹ 7,110 on the BSE, that has recorded the higher volume of trading in that share. The option was granted for making available rights in the nature of intellectual property rights.

Determine the taxability of perquisite. Does it make any difference if the option was granted for providing technical know-how? (4 marks)

**Answer :**

- (a) The assessee is required to get the benefit under any one of the sections either relief u/s 89 or u/s 10(10C). He can not get the benefit in both of the sections at the same time.

So, the assessee Mr. Ramanand can get the benefit of ₹ 5 lacs u/s 10(10C) or relief under section 89(1) in respect of compensation received on voluntary retirement, but not both. So, advice given by his tax consultant is not correct.

**Answer:**

- (d) Mr. Divyam can avail exemption as per Section 10(5) on the entire amount of ₹ 90,000 reimbursed by the employer for the LTC as the same was availed for himself, his wife and the three children in India and the journey was also undertaken by economy class airfare. There is a restriction of 2 children to get the exemption u/s 10(5). But if in any case there are multiple births which take place after the first child the restriction imposed for two children is not applicable.

But if the age of the twin daughters is more than the age of the son, the restriction imposed for two children under the section would be applicable and therefore, Mr. Divyam cannot avail exemption in this case for all the three children. The exemption of LTC can be availed in respect of only two children.

Hence, ₹ 10,000 (i.e., ₹ 30,000 × 1/3) reimbursed for one child will be chargeable to tax under the head salary and balance amount of LTC of ₹ 80,000 (90,000 -10,000) will be exempt.

**Answer:**

(e) The perquisite of sweat equity shares shall be taxable in the previous year 2023-24 (assessment year 2024-25), being the previous year of allotment of such shares. The value of sweat equity shares shall be the fair market value of such shares on the date on which the option is exercised by the assessee, as reduced by any amount actually paid by, or recovered from, the assessee in respect of such shares.

As per Rule 3(8) of the Income-tax Rules, 1962, the fair market value of a share on the date of exercising the option shall be the price of the share on the recognized stock exchange which records the highest volume of trading in such shares.

Hence, the value of taxable perquisite for sweat equity shares

= FMV on the date of exercising the option on the NSE (since it recorded higher volume than BSE) Less Amount recovered from the employee

= 500 × ₹ 6,500 (-) 500 × ₹ 250

= ₹ 32,50,000 (-) ₹ 1,25,000

= ₹ 31,25,000

This provision is applicable in those cases too where sweat equity shares option was granted for making available rights in the nature of intellectual property rights or for providing technical know-how.

**2013 - Nov [4]** Examine critically any four out of the following problems/issues/cases in the context of provisions contained in the Act relevant for assessment year 2024-25. Support the answer with the case laws.

- (i) A company received liquidated damages of ₹ 25 lacs from the suppliers of plant & machinery for failure to supply the plant and machinery within the stipulated time. The Assessing Officer treated the same as income chargeable to tax as against the claim of the company of treating as capital receipt. (4 marks)

**Answer:**

Liquidated damages received in connection with a capital asset are capital receipts. It should be reduced from the purchase price of the P&M for calculating actual cost. Hence the treatment of the AO of such receipt as taxable is not tenable. Similar view was echoed by the Supreme Court in *CIT vs Saurashtra Cement Ltd. (2010)*.

**2014 - Nov [3]** (b) State with reasons whether the following transactions attract Income-Tax in India, in the hands of recipients u/s 9 of Income-Tax Act, 1961:

- (i) A non-resident German Company, which did not have a permanent establishment in India, entered into an agreement for execution of electrical work in India. Separate payments were made towards drawings & designs, which were described as "Engineering Fee". The assessee contended that such business profits should be taxable in Germany as there is no business connection within the meaning of Sec. 9(1)(i) of Income-tax Act, 1961.
- (ii) A firm of solicitors in Mumbai engaged a barrister in UK for arguing a case before Supreme Court of India. A payment of 5000 pounds was made as per terms of professional engagement.
- (iii) Amount paid by Government of India for use of a patent developed by Mr. A, who is a non-resident.
- (iv) Sai Engineering, a non-resident foreign company entered into a collaboration agreement on 25/6/2023, with an Indian Company and was in receipt of interest on 8% debentures for ₹ 20 lakhs, issued by Indian Company, in consideration of providing technical know-how during previous year 2023-24. (4 marks)

**Answer:**

- (i) Fees for technical services is taxable under Section 9(1)(vii). In this case, the separate payments made towards drawings and designs (described as "engineering fee") are in the nature of fee for technical services and, therefore, it is taxable in India by virtue of Section 9(1)(vii) [*Aeg Aktiengesellschaft v. CIT (2004) 267 ITR 209 (Kar.)*].

As per Explanation to Section 9, where income is deemed to accrue or arise in India under Section 9(1)(vii), such income shall be

included in the total income of the non-resident German company, regardless of whether it has a residence or place of business or business connection in India.

- (ii) As per Section 9(1)(i), all income accruing or arising, whether directly or indirectly, through or from any business connection in India is deemed to accrue or arise in India.

In this case, there was a professional connection between the firm of solicitors in Mumbai and the barrister in UK. The expression “business” includes not only trade and manufacture, it includes, within its scope, “profession” as well. Therefore, the existence of professional connection amounts to existence of “business connection” under section 9(1)(i). It was so held by the Supreme Court in *Barendra Prasad Roy v. ITO* (1981) 129 ITR 295.

Hence, the amount of 5,000 pounds paid to the barrister in UK as per the terms of the professional engagement constitutes income which is deemed to accrue or arise in India under section 9(1)(i). Hence, it is taxable in India.

- (iii) As per Section 9(1)(vi), income by way of royalty payable by the Government of India is deemed to accrue or arise in India. “Royalty” means consideration for, *inter alia*, use of patent. Therefore, the amount paid by Government of India for use of patent developed by Mr. A, a non-resident, is deemed to accrue or arise in India. Hence, it is taxable in India.
- (iv) ₹ 20 lakhs, being the value of debentures issued by an Indian company in consideration of providing technical know-how, is in the nature of fee for technical services, deemed to accrue or arise in India to Sai Engineering, a non-resident foreign company, under Section 9(1)(vii). Hence, it is taxable in India.

Further, as per Section 9(1)(v), income by way of interest payable by a person who is a resident of India is deemed to accrue or arise in India. Therefore, interest income from debentures of an Indian company is deemed to accrue or arise in India in the hands of Sai Engineering by virtue of Section 9(1)(v). Hence, it is taxable in India.



**Note :** Since the question specifically requires the candidates to examine the taxability of the above transactions under Section 9, the provisions of double taxation avoidance agreement, if any, applicable in the above cases, have not been taken into consideration.

**2015 - May [4]** Answer the following case:

- (a) A & Co. Ltd., a property developer and builder disclosed unsold flats as stock in trade in its books of account as well as in wealth tax return. It let out those flats and offered the same as income from house property by claiming statutory deduction u/s 24 of the Act. The Assessing Officer disallowed statutory deduction and taxed the same as income from business. Decide the correctness of the action of the Assessing Officer. (4 marks)

**Answer:**

The issue under consideration in this case is whether rental income derived from the let out flats disclosed as stock-in-trade in the books of accounts as well as in wealth tax return of A & Co. Ltd., a property dealer, would be taxable under the head "Income from house Property" or "Profits and gains of business or profession".

As per Section 22, the annual value of property consisting of any buildings or lands appurtenant thereto of which the assessee is the owner, other than such portions of such property as he may occupy for the purposes of any business or profession carried on by him the profits of which are chargeable to income-tax, shall be chargeable to income-tax under the head "Income from house property".

Therefore, only property occupied by the assessee for the purpose of his own business is excluded from the scope of Section 22. As a logical corollary, Section 22 does not exclude from its scope, income from property held as stock-in-trade.

The Calcutta High Court, in *Azimganj Estate (P.) Ltd. v. CIT (2013) 352 ITR 82*, observed that the rental income from the unsold flats of a builder shall be taxable as "Income from house property" as provided under section 22 and since it specifically falls under this head, it cannot be taxed under the head "Profit and gains from business or profession". Therefore, the assessee would be entitled to claim statutory deduction of 30% from such rental

income as per Section 24. The fact that the flats have been claimed as not chargeable to wealth-tax, treating the same as stock-in-trade, will not affect the computation of income under the Income-tax Act, 1961.

Thus, the rental income from the unsold flats of a builder, A & Co. Ltd., in this case, shall be taxable as "Income from house property" as provided under Section 22 and since it specifically falls under this head, it cannot be taxed under the head "Profit and gains from business or profession".

A & Co. Ltd. would be entitled to claim statutory deduction of 30% from such rental income as per Section 24.

Therefore, the action of the Assessing Officer in this case denying the statutory deduction and treating the income from let-out flats as business income is not correct.

**2017 - May [4]** Answer the following (*Your answer should cover these aspects: (i) Issue involved, (ii) Provisions applicable, (iii) Analysis and (iv) Conclusion*):

(b) Atlant Italy, a company incorporated in France, was engaged in manufacture, trade and supply equipment and services for GSM Cellular Radio Telephones Systems. It supplied hardware and software to various entities in India. Software licensed by assessee embodied the process which is required to control and manage the specific set of activities involved in the business use of its customers. Software was also made available to its customers, who used it to carry out their business activities. The Assessing Officer contented that the consideration for supply of software embedded in hardware is 'Royalty' under Section 9(1)(vi).

Examine the correctness of the action of the Assessing Officer.

(4 marks)

**Answer:**

- (i) **Issue Involved:** The issue under consideration in this case is whether consideration for supply of software embedded in hardware would tantamount to 'royalty' for attracting deemed accrual of income under Section 9(1)(vi).
- (ii) **Provisions applicable:** As per Section 9(1)(vi), income by way of royalty payable by a person who is a non-resident would be deemed

to accrue or arise in India, where the royalty is payable in respect of any right, property or information used or services utilized for the purposes of a business or profession carried on by such person in India or for the purposes of making or earning any income from any source in India.

For this purpose, royalty includes transfer of all or any right for use or right to use a computer software irrespective of the medium through which such right is transferred.

- (iii) **Analysis:** The facts of the case are similar to the facts in *CIT v. Alcatel Lucent Canada (2015) 372 ITR 476*, wherein the above issue came up before the Delhi High Court. The Court observed that the software supply is an integral part of GSM mobile telephone system and is used by the cellular operators for providing cellular services to its customers. Where payment is made for hardware in which the software is embedded and the software does not have independent functional existence, no amount could be attributed as 'royalty' for software in terms of Section 9(1)(vi).
- (iv) **Conclusion:** In this case, if it is assumed that the software that was loaded on the hardware and embedded in the system does not have any independent existence, then, there could not be any independent use of such software. If it is so assumed, the rationale of the Delhi High Court ruling can be applied to the case on hand. Accordingly, the action of the Assessing Officer in treating the consideration for supply of software embedded in hardware as royalty under Section 9(1)(vi) is not correct.

**Note:**

**Alternate Answer:** The fact that the software does not have independent functional existence forms the basis of the rationale of the Delhi High Court ruling. Since this fact is not explicitly given in the question and neither can it be inferred from the information given in the question, it is possible to take a view that the software has independent functional existence owing to which consideration for supply of software embedded in hardware would tantamount to 'royalty'. This view is possible owing to the language of the question wherein it has been stated that the software is also made available

to its customers, who used it to carry out their business activities. Accordingly, if this view is taken, then, the action of the Assessing Officer in treating the consideration for supply of software having independent functional existence as royalty under Section 9(1)(vi) would be correct.

**2019 - Nov [5]** (b) ABC Ltd, a software giant in India, set up a 100% subsidiary company by name SHD Inc. in Switzerland on 01<sup>st</sup> April, 2022. The subsidiary company SHD Inc., is mainly engaged in the software services, hardware services and data backup services in three different countries viz., Switzerland, Sweden and India. The following information is furnished by SHD Inc., for F.Y. 2023-24:

Particulars	In Switzerland	In Sweden	In India
Value of Assets as per books of account (₹ in crores)	24	12	24
Number of Employees working (in thousands)	30	10	28
Pay Roll expenditure (₹ in crores)	4	2.6	5.4
Total aggregate income earned	₹ 80 crores		

**Other Information :**

I. Break up of total income :

- ₹ 28 crores derived from the transactions where purchases are made from associated enterprises and sold to non- associated enterprises;
- ₹ 24 crores derived from the transactions where both purchases and sales are made from/to associated enterprises;
- ₹ 16 crores derived from the transactions where purchases are made from non-associated enterprises and sold to associated enterprises :
- ₹ 8 crores by way of income from capital gains on trading of shares;
- ₹ 4 crores by way of interest from non-associated enterprises;

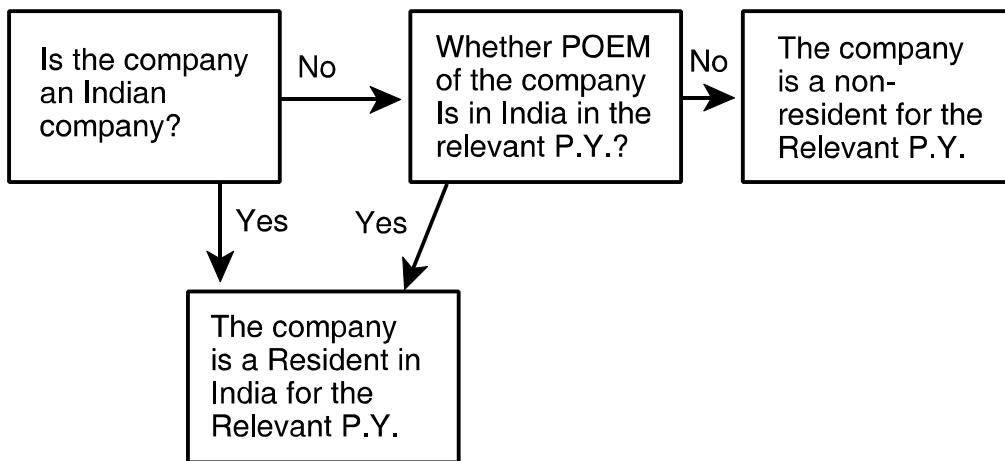
II. During FY 2023-24, total 5 board meetings were held, 2 in India, 1 in Sweden and 2 in Switzerland.

Based on the above information, determine the residential status of SHD Inc., applying the provisions of POEM for the AY 2024-25.

(6 marks)

**Answer:**

**Residential Status of a Company**



**Condition when POEM in India is not applicable to a company:**

- Company is engaged in active business outside India  
and
- Majority of Board Meeting are held outside India.

In the case of SHD Inc., Majority of Board Meeting are held outside India  
and

Company is engaged in active business outside India, because SHD INC fulfilled condition of Active Business outside India.

Hence POEM of SHD INC not in India, SHD INC is non-resident in India.

**Working Note:**

**Active Business outside India**

A company is said to be active business outside India if its passive income is not more than 50% of the total income of such company and

4.40

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- Assets in India are < 50% of the total assets
- Employees in India < 50% of the total employees
- Payroll expenses in India < 50% of the total payroll expenses

Particulars	Total	In India	%
Total income	80	32 [24 + 8]	40%
Assets	60	28	41%
Employees	68	28	41%
Pay Roll Exp.	12	5.4	45%

Passive income means income in relation to transaction of purchase with Associated enterprise or Income from capital gain.

**2020 - Nov [6]** (a) Simran (P) Ltd. holds 55% of shares in A1 Kuber Ltd., a Company incorporated in Dubai. A1 Kuber Ltd. has its offices in India also. Details relating to A1 Kuber Ltd. for year ended March 2024 are as stated below:

(Amt in ₹ crores)

Particulars	India	Dubai
• Fixed Assets after considering Depreciation for tax purposes	1500	650
• Intangible Assets	225	1075
• Other Assets (value as per books of A/c)	800	1900
• Income from trading operations. The above figure includes:	730	1370
a Income from transactions where sales are to AE	20	40
b Income from transactions where purchases are from AE	30	55

c	Income from transactions where sales/purchases are to/from AE	45	80
•	Interest & Dividend from investments	560	320
•	No. of employees	70	90
✓	Unskilled employees out of the above mentioned total employees (resident in respective countries)	5	30
•	Payroll expenses on employees	940	1250
✓	Payroll expenses on Unskilled employees out of the above mentioned total Payroll expenses	100	415
•	No. of Board Meetings held	3	4

Determine the Residential Status of A1 Kuber Ltd. for A.Y. 2024-2025.

(5 marks)

**Answer:**

The residential status of a foreign company is determined on the basis of place of effective management [POEM] of the company for determining the POEM of a foreign company the important criteria is whether the company is engaged in active business outside India or not.

**A company shall be said to be engaged in “Active Business Outside India” (ABOI) for POEM if:**

- The Passive income is not more than 50% of its total income and
- less than 50% of its total assets are situated in India, and
- less than 50% of total number of employees are situated in India or are resident in India; and
- The payroll expenses incurred of such employees is less than 50% of its total payroll expenditure.

AI Kuber Ltd. shall be regarded as a company engaged in active business outside India for P. Y. 2023-24 for POEM purpose only if it satisfies all the four conditions commutatively.

**Condition 1:** The passive income of AI Kuber Ltd. should not be more than 50% of its total income

Total Income of AI Kuber Ltd. during P.Y. 2023-24 is ₹ 2,980 cr. (₹ 730 cr. + ₹ 1370cr.) + (₹ 560 cr + ₹ 320 cr.)

**Passive Income of AI Kuber Ltd. is ₹ 1,005 cr being sum total of:**

- (i) ₹ 125 cr. Income from transactions where both purchases and sales are from/ to associated enterprises (₹ 45 cr. in India and ₹ 80 cr. in Dubai)
- (ii) ₹ 880 cr. being interest and dividend from investment (₹ 560 cr in India and 320 cr. in Dubai)

Percentage of passive income to total income

$$= \frac{₹1005 \text{ cr.}}{₹2980 \text{ cr.}} \times 100 = 33.72\%$$

Since passive income of AI Kuber Ltd. is 33.72%, which is not more than 50% of its total income, the first condition is satisfied

**Condition 2:** AI Kuber Ltd. Should have less than 50% of its total assets situated in India

value of total assets fo AI Kuber Ltd. during the P.Y. 2023-24 in ₹ 6,150 cr. [₹ 2,525 cr. in India + ₹ 3,625 cr. in Dubai]

value of total assets of AI Kuber Ltd. India during P.Y. 2023-24 is ₹ 2,525 cr.

Percentage of assets situated in India to total assets

$$= ₹ 2,525 \text{ cr.} / ₹ 6,150 \text{ cr.} \times 100$$

$$= 41.06\%$$

Since the value of assets of AI kuber Ltd. situated in India is less than 50% of its total assets, the second condition for ABOI test is satisfied.

**Condition 3:** less than 50% of the total number of employees of AI Kuber Ltd. should be situated in India or should be resident in India.

Number of employees situated in India or are resident in India is 70

Total number of employees of AI Kuber Ltd. is 160 (70 + 90) percentages of employees situated or resident in India to total number of employees is  $70/160 \times 100 = 43.75\%$  since employees situated or resident in India are less than 50% of its total employees. The third condition for ABOI test is satisfied.

**Condition 4:** the payroll expenses incurred on employees situated in India or resident in India should be less than 50% of its total payroll expenditure  
Payroll expenses on employees employed in and resident in India = 940 cr.  
Total payroll expenses = 2190 (940 cr. + 1250 cr)



Percentage of payroll expenses of employees situated in India or are resident in India to the total payroll expenses

$$= 940/2190 \times 100 = 42.92\%$$

Since percentage of payroll expenses of employees situated or resident in India is less than 50% of its total payroll expenditure, the fourth condition for ABOI test is also satisfied. Thus, since AI Kuber Ltd. has satisfied all the four conditions the company would be said to be engaged in “active business outside India” during the P.Y. 2023-24

Since AI Kuber is engaged in active business outside India in P.Y. 2023-24 and majority of its board meetings i.e., 4 out of 7 were held outside India. POEM of AI Kuber Ltd. would be outside India.

Therefore, AI Kuber Ltd. would be non resident in India for the P.Y. 2023-24

### MULTIPLE CHOICE QUESTION

1. The term ‘person’ in Income Tax Act, 1961 include which of the following-
  - (a) Individual
  - (b) Artificial Juridical Person
  - (c) AOP/BOI
  - (d) Local authority
  - (e) All of the above
2. Which of the following is a deemed income-
  - (a) Unexplained cash credit
  - (b) Unexplained investments
  - (c) Unexplained money
  - (d) Unexplained expenditure
  - (e) All of the above
3. Where a ship is belonging to a non-resident and it is about to leave the port in India, \_\_\_ of the freight payable whether in India or outside India for goods, passengers, mail shipped from any port in India is deemed to be his income which is charged to tax in the same year in which it is earned.
  - (a) 2%
  - (b) 5%
  - (c) 7.5%
  - (d) 10%

4. State whether true or false. "A resident individual whose 60<sup>th</sup> birthday falls on 01/04/24 would be treated as having attained the age of 60 years in Previous Year 2023-24."
  - (a) True
  - (b) False
5. A company which is not a domestic company will pay income tax at the rate of -
  - (a) 25%
  - (b) 30%
  - (c) 40%
  - (d) 20%
6. Marginal Relief is to be deducted-
  - (a) After adding surcharge and cess to normal tax
  - (b) After adding surcharge to normal tax
  - (c) Before adding surcharge and cess i.e. on normal tax
  - (d) Not to be deducted only
7. Rates of income tax are mentioned in-
  - (a) Income Tax Act, 1961
  - (b) Both Income Tax Act, 1961 and Income Tax Rules, 1962
  - (c) First schedule to Annual Finance Act
  - (d) Both Income Tax Act, 1961 and First schedule to Annual Finance Act
8. Surcharge applicable to a foreign company for Assessment Year 2024-25 is
  - (a) 5% if total income exceeds ₹ 1,00,00,000
  - (b) 10% if total income exceeds ₹ 1,00,00,000
  - (c) 2% if total income exceeds ₹ 1,00,00,000 but does not exceed ₹ 10,00,00,000 and 5% if total income exceeds ₹ 10,00,00,000
  - (d) 2% if total income exceeds ₹ 10,00,00,000
9. Where total income of an artificial juridical person is ₹ 3,10,000, the income tax payable is? \_\_\_\_\_ and surcharge payable is? \_\_\_\_
  - (a) ₹ 3,000, surcharge- Nil
  - (b) ₹ 6,000, surcharge- Nil
  - (c) ₹ 500, surcharge- Nil
  - (d) ₹ 93,000, surcharge-4,650
10. Under Sec. 6(1) which of the following is one of the conditions which needs to be fulfilled to be called a resident in India?

- (a) Stay in India during P.Y. for 182 days or more
  - (b) Stay in India during P.Y. for 365 days or more
  - (c) Stay in India during P.Y. for 180 days or more
  - (d) Stay in India during P.Y. for 490 days or more
11. Mr. Ashish Agarwal stayed in territorial waters of India in ship for month of April, June, July, Oct, Nov, Dec, March of F.Y. 2023-24. He is –
- (a) Resident in India
  - (b) Not resident
  - (c) Cannot be determined as he stayed in territorial waters
  - (d) None of above
12. To become resident, following condition needs to be satisfied-
- (i) Stay in India for 182 days or more
  - (ii) Stay in India for 365 days or more during 4 years immediately preceding the P.Y.
  - (iii) Stay in India for 60 days or more
- (a) And, or
  - (b) Or, and
  - (c) And, and
  - (d) Or, or
13. Mr. Saket Jain, an Indian citizen left India on 27/06/2023 as a member of crew of Indian ship. He has been in India from 01/04/2020 to 27/06/2023. He is \_\_\_\_ for F.Y. 2023-24.
- (a) Resident
  - (b) Non-Resident
  - (c) cannot be determined
  - (d) Resident from 01/04/23 to 27/06/23 and non-resident from 28/06/23 to 31/03/24
14. Condition of ordinarily and not ordinarily should be checked for -
- (a) Individual /HUF
  - (b) All persons except company
  - (c) All persons
  - (d) Firm/AOP/BOI/company

15. One of the condition to be satisfied for resident and ordinarily resident is
- (a) Stay in India for last 7 years preceding the relevant P.Y. is 740 days or more
  - (b) Stay in India for last 7 years preceding the relevant P.Y. is 730 days or more
  - (c) Stay in India for last 7 years preceding the relevant P.Y. is 750 days or more
  - (d) Stay in India for last 7 years preceding the relevant P.Y. is 760 days or more
16. HUF would be resident in India if –
- (a) only Karta stays in India
  - (b) karta and members both stay in India
  - (c) Control and management of its affairs is situated wholly outside India.
  - (d) Control and management of its affairs situated wholly or partly in India.
17. Company would be resident in India if –
- (a) It is an Indian company
  - (b) Its place of effective management in that year is in India
  - (c) Both (a) or (b)
  - (d) Both (a) and (b)
18. Income that would be taxable in the hands of Resident but not ordinarily resident-
- (a) Indian Income
  - (b) Foreign income only if Place of effective management is in India
  - (c) Both (a) and (b)
  - (d) All income
19. Mr. Amol Mande, a non-resident received dividend of ₹ 2,80,000 from Indian company, commission of ₹ 3,00,000 from Bhaskar and LLP (Indian firm) and salary received in Singapore of ₹ 9,00,000 for services rendered in India, total income of Mr. Amol Mande-
- (a) 14,80,000
  - (b) 12,00,000

- (c) 11,80,000
  - (d) 5,80,000
20. Alia Bhatt, an actress is employed in Chopra films where she is paid monthly remuneration of ₹ 2,00,000. She acts in various films produced by various producers. Remuneration for acting in such films is directly paid to Chopra films by different producers. ₹ 2,00,000 will be taxable under which head-
- (a) Salary
  - (b) Other sources
  - (c) Income from profession
  - (d) Not taxable
21. Mr. Jagdish, an employee instructs his employer that he is not interested in receiving the salary for April 2023 and same might be donated to charitable institution. Taxability of such amount in hands of Mr. Jagdish will be -
- (a) Not taxable
  - (b) Taxable under the head salary
  - (c) Taxable under the head PGBP
  - (d) Taxable under the head capital gain
22. Salary is taxable on-
- (a) Due basis
  - (b) Receipt basis
  - (c) Due basis or receipt basis whichever is earlier
  - (d) Not taxable
23. Servant Allowance provided by employer to employee is-
- (a) Fully taxable
  - (b) Fully exempt
  - (c) Partly taxable, partly exempt
  - (e) None of the above
24. Children Education allowance is exempt to what extent.
- (a) ₹ 100 per month per child
  - (b) ₹ 50 per month per child
  - (c) ₹ 20 per month child
  - (d) ₹ 300 per month per child

25. Which of the following allowances are fully exempt-
- (a) Allowances paid by the Government to citizen of India outside India
  - (b) Allowances to High Court judges
  - (c) Allowances paid by UNO to its employees
  - (d) All of the above
26. Interest is credited to the account of employee of Statutory Provident Fund. What will be the taxability of interest earned?
- (a) Fully exempt
  - (b) Fully taxable
  - (c) Amount in excess of 9.5%p.a. is taxable
  - (d) Amount in excess of 12% p.a. is taxable
27. On retirement, receipt of accumulated balance of Recognized Provident Fund will be exempt only if employee has rendered continuous service of \_\_\_\_\_ years
- (a) 3
  - (b) 5
  - (c) 8
  - (d) 10
28. Amount of contribution to an approved superannuation fund by the employer with respect to assessee is exempt to the extent of-
- (a) 90,000
  - (b) 1,00,000
  - (c) 1,50,000
  - (d) 2,00,000
29. Standard deduction of \_\_\_\_\_ is provided to all the employees from their salary.
- (a) 30,000
  - (b) 40,000
  - (c) 50,000
  - (d) 60,000
30. Maximum ceiling limit for exemption u/s 10(10) in respect of gratuity for employees covered by payment of Gratuity Act, 1972 is -
- (a) 10,00,000
  - (b) 5,00,000
  - (c) 3,50,000
  - (d) 20,00,000

31. Brahma and Company, a partnership firm, according to its partnership deed, is engaged in the business of letting out of properties. Rental income received from letting out of property will be chargeable under the head-
- (a) PGBP
  - (b) Other sources
  - (c) Income from House Property
  - (d) Capital gain
32. Mr. Nikhilesh Mishra has let out his property to Rovina which is used by Rovina for her commercial purpose. Rovina paid ₹ 10,00,000 as rent to Mr. Nikhilesh. Now ₹ 10,00,000 is taxable under which of the following head-
- (a) PGBP
  - (b) House property
  - (c) Other sources
  - (d) Capital Gain
33. Annual value of property being held as stock-in-trade would be treated as NIL for the period of \_\_\_\_\_ from the end of the FY in which Completion Certificate of construction of property is obtained from competent authority-
- (a) 6 months
  - (b) 1 year
  - (c) 2 years
  - (d) Nil
34. Mr. A received composite rent for building and furniture from Mr. B. Mr. B does not accept letting out of buildings without other assets. Total rent received is ₹ 9,60,000. Now ₹ 9,60,000 will be taxable in the hands of Mr. A under which head-
- (a) Income from House Property
  - (b) PGBP
  - (c) IFOS
  - (d) Capital Gain
35. For calculating expected rent, \_\_\_\_\_ should be taken-
- (a) higher of Fair Rent and Municipal value, but restricted to Standard Rent
  - (b) lower of Fair Rent and Municipal value, but restricted to Standard Rent

- (c) higher of Municipal value and Standard Rent, but restricted to Fair Value
- (d) lower of Municipal value and Standard Rent, but restricted to Fair Value
36. Miss Pallavi has let out her own house property from 01/04/23 to 30/11/23 and received rent of ₹ 72,000. From 01/12/23 to 31/03/24, she occupied the property herself. Other information from 01/04/23- 31/03/24 is-
- |                   |          |
|-------------------|----------|
| Municipal Value : | ₹ 80,000 |
| Fair Rent :       | ₹ 90,000 |
| Standard Rent :   | ₹ 75,000 |
| Municipal taxes:  | ₹ 7,950  |
- Calculate the Gross Annual Value
- (a) 75,000 (b) 72,000  
(c) 67,050 (d) 64,050  
(e) 69,700
37. Amount of deduction u/s 24 from annual value is-
- (a) 1/2 of Annual Value (b) 1/3 of Annual Value  
(c) 3/10 of Annual Value (d) 7/10 of Annual Value
38. Deduction of which of the following is allowed as deduction while computing income from house property-
- (a) Repairs to building (b) Maintenance of building  
(c) Construction of building (d) Municipal taxes paid  
(e) All of the above
39. Mr. Bunty let out his house property and received ₹ 1,32,000 as rent. Municipal value = 1,30,000 p.a.; Fair rent = 1,10,000; Standard rent = 1,20,000 p.a. Mr. Bunty took a loan for acquisition of this property from Singapore and paid interest of ₹ 40,000 without deduction of TDS. Compute income from house property (Municipal taxes accrued = 13,000 but paid during the year is ₹ 10,000)-
- (a) 45,400  
(b) 83,300  
(c) 85,400  
(d) 43,300



40. Mr. Nazish received unrealized rent of ₹ 49,000 on 05/06/23. In this year, he was not the owner of house property. This 49,000 will be taxable under which head and how much will be taxable-
- (a) Income from house property, ₹ 49,000
  - (b) Income from other sources, ₹ 49,000
  - (c) Income from house property, ₹ 34,300
  - (d) Income from other sources, ₹ 34,300
41. Mr. Ramnath transferred his house property to his wife in an agreement to live apart without consideration. Who will be the owner of house property-
- (a) Ramnath
  - (b) Ramnath's wife
  - (c) Both of them proportionately
  - (d) None of these
42. Siddharth and Varun Dhawan are co-owners of self occupied property. They own 50% share each. The interest paid by each co-owner during Previous Year on loan (taken for acquisition of property during year 2005) is ₹ 2,05,000. The amount of allowable deduction in respect of each co-owner is.
- (a) 2,05,000
  - (b) 1,02,500
  - (c) 2,00,000
  - (d) 1,00,000
43. Vidya received ₹ 90,000 in May, 22 towards recovery of unrealized rent, which was deducted from actual rent during Previous Year 2021-22 for determining annual value. Legal expense incurred in relation to unrealized rent is ₹ 20,000. The amount taxable u/s 25A for AY 2024-25 would be.
- (a) 70,000
  - (b) 63,000
  - (c) 60,000
  - (d) 49,000
44. Treatment of unrealized rent for determining income from house property-
- (a) To be deducted from expected rent
  - (b) To be deducted from actual rent
  - (c) To be deducted u/s 24 from annual value
  - (d) To be deducted from both expected rent and actual rent

<b>Answer</b>
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1.	(e)	2.	(e)	3.	(c)	4.	(a)	5.	(c)
6.	(b)	7.	(d)	8.	(c)	9.	(a)	10.	(a)
11.	(a)	12.	(b)	13.	(b)	14.	(a)	15.	(b)
16.	(d)	17.	(c)	18.	(c)	19.	(a)	20.	(a)
21.	(b)	22.	(c)	23.	(a)	24.	(a)	25.	(d)
26.	(a)	27.	(b)	28.	(c)	29.	(c)	30.	(d)
31.	(a)	32.	(b)	33.	(c)	34.	(c)	35.	(a)
36.	(a)	37.	(c)	38.	(d)	39.	(c)	40.	(c)
41.	(b)	42.	(c)	43.	(b)	44.	(b)		