



**NAYAGARH AUTONOMOUS COLLEGE  
NAYAGARH**

**QUESTION BANK  
ON  
INCOME TAX LAW & PRACTICE  
(Semester III - CC 6)**

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# Objective Questions

## MULTIPLE CHOICE QUESTIONS

### UNIT 1

1. Financial Year 2020-21 shall be considered as
  - a. Assessment Year for the P.Y. 2019-20 and previous year for the A.Y. 2020-21
  - b. Assessment Year for the P.Y. 2019-20 and previous year for the A.Y. 2021-22
  - c. Assessment Year for the previous year 2020-21
  - d. Previous year for the assessment year 2020-21
  
2. For the purpose of levying tax on income other than agricultural income, Union List contained entry
  - a. 82
  - b. 92C
  - c. 92D
  - d. None of the Above
  
3. Following is not a head of income:
  - a. Income from House Property
  - b. Salaries
  - c. Income from Interest on securities
  - d. None of the Above
  
4. If total income of a person is ` 2,67,888.34, it shall be rounded off to:
  - a. ` 2,67,888/-
  - b. ` 2,67,890/-
  - c. ` 2,67,880/-
  - d. None of the Above
  
5. Income tax is a:
  - a. Indirect Tax
  - b. Entertainment Tax
  - c. Direct Tax
  - d. None of the Above
  
6. Mr. X, partner of M/s XYZ, is assessable as
  - a. Firm
  - b. HUF
  - c. An Individual
  - d. None of the Above
  
7. A Hindu Undivided family is said to be resident in India if
  - a. The family has a house in India where some of its members reside
  - b. The member of such HUF is in India during the previous year
  - c. Control and management of its affairs wholly or partly situated in India

d. The Karta has been resident in India in at list 9 out of 10 previous years preceding the relevant previous year

8. An individual is said to be resident in India if

- a. He has a house in India
- b. He is in India in the previous year for a period of 182 days or more
- c. He is in India for a period of 30 days or more during the previous year and for 365 or more days during 4 previous years immediately preceding the relevant previous year
- d. His parents are Indian citizen.

9. An Indian citizen leaving India during the previous year for employment purpose is said to be resident if

- a. He has a house in India
- b. He is in India in the previous year for a period of 182 days or more
- c. He is in India for a period of 60 days or more during the previous year and for 365 or more days during 4 previous years immediately preceding the relevant previous year
- d. His parents are Indian citizen.

10. An individual, being foreign national, came to India first time during the previous year 2020-21 on 01-01-2021 for 200 days, his residential status for the previous year 2020-21 is.

- a. Non-resident
- b. Resident but not ordinarily resident in India
- c. Resident and ordinarily resident in India
- d. Resident in India

11. Following income of a resident and ordinarily resident is taxable in India, that is

- a. Bank interest from State Bank of India, Delhi
- b. Bank interest from Bank of America, New York Branch
- c. Rental income from house property located in London
- d. All of the above

12. Which of the following is an agriculture income?

- a. Dividend paid by a company out of its agriculture income.
- b. Share of Profit of a Partner from a firm engaged in an agriculture operation
- c. Income from supply of water by a assessee from a tank in its agriculture land.
- d. Interest received by a money lender in the form of agricultural produce.

13. Which of the following incomes received by an assessee are exempt under section 10 of the Income Tax Act?

- a. Agriculture Income
- b. Salary of a partner from a firm
- c. Salary received by a member of a ship's crew.
- d. All of (a), (b) and (c) above

14. In case of an individual or HUF, agricultural income is

- a. Exempted
- b. Exempted but included in the total income for the rate purpose

- c. Fully taxable provided it is earned from India
- d. Taxable at flat rate of 10%

15. In case of an assessee engaged in the business of manufacturing of tea, his agricultural income is:

- a. 60% of total receipt of the business
- b. 60% of income of the business
- c. Nil
- d. Total business income

16. Remuneration to partner of a firm engaged in the business of growing and manufacturing rubber in India is:

- a. Partly agricultural income and partly non-agricultural income
- b. Agricultural income
- c. Non-Agricultural income
- d. None of the above

17. Following activity shall be considered as agricultural activity:

- a. Subsequent operation on the agricultural land
- b. Basic operation on the agricultural land
- c. Basic and subsequent operation on the agricultural land
- d. Both (b) and (c)

## UNIT 2

18. Which of the following is not taxable under head 'Salaries'?

- a. Remuneration paid to the lecturer of a college for setting a question paper by a university.
- b. Salary received by a member of the Parliament.
- c. Commission received by an employee director of a company.
- d. Both (a) and (b) above

19. The maximum amount of leave salary not chargeable to tax as specified by the Government in case of a nonGovernment employee is

- a. ₹ 75,600
- b. ₹ 77,760
- c. ₹ 2,40,000
- d. ₹ 3,00,000

20. Standard deduction u/s 16(i) is

- a. ₹ 40,000
- b. Lower of (i) ₹ 50,000; and (ii) Gross Salary
- c. ₹ 50,000
- d. Nil

21. Employer's contribution to unrecognized provident fund

- a. Is exempt from tax
- b. 10% of Salary of employee is taxable
- c. Is exempted subject to maximum of 2/5 of salary of the employee
- d. Is fully taxable

22. If a domestic servant is engaged by the employer and salary is paid by him, the perquisite is

- a. Taxable in the hands of all employees
- b. Not taxable in the hands of both specified and non-specified employers
- c. Taxable in the hands of specified employees only
- d. Taxable to the extent of ₹ 120 per person in the hands of all employees.

23. Which of the following is taxable under the head 'salaries'?

- a. Salary received by a Member of State Legislature.
- b. Commission received by an employee director of a company.
- c. Family pension received
- d. Both (a) and (b) above

24. Who among the following is a specified employee?

- a. A director of a company
- b. An employee drawing a salary of ₹ 15,000 p.m.
- c. A person who is an owner of equity shares carrying 10% voting power in the employer company.
- d. Both (a) and (b) above

25. Rate of Interest accruing to a particular employee by virtue of his employer's contribution to Recognized Provident Fund is 12.5% p.

- a. In such a case a. Total Interest accrued is taxable
- b. Total Interest accrued is exempt
- c. Only 10% Interest is taxable
- d. Only 3% of interest is taxable

26. Statutory limit u/s.16(ii) for deduction of entertainment allowance in case of a non-Government employee is

- a. ₹ 5,000
- b. 12.5% of employees' salary
- c. 20% of employees' salary
- d. NIL

27. Taxable value of perquisite being sweat equity shares allotted by the employer is:

- a. The fair market value of such shares as on the date when such option is exercised by the employee as reduced by the amount paid
- b. The fair market value of such shares as on the date when such option is vested to the employee as reduced by the amount paid
- c. Fair market value subject to standard deduction of ₹ 50,000
- d. Not taxable in hands of employee.

28. Net Annual Value of a self-occupied property treated as such is:

- a. Fair Rent
- b. Nil
- c. Reasonable Expected Rent as reduced by municipal tax paid during the previous year.
- d. None of the Above

29. One out of the following house properties is not exempted, which is:

- a. House property of a political party
- b. House property let out for the purpose of own business of tenant.
- c. House property of a local authority
- d. None of the Above

30. A house property located outside India is:

- a. Taxable in hands of all assessee
- b. Taxable in hands of non resident assessee
- c. Taxable in hands of resident and ordinarily resident assessee
- d. Exempted from tax in India.

31. Deduction u/s 24(a) is

- a. 30% of net annual value of the house property
- b. 30% of gross annual value of house property
- c. 30% of actual rent received
- d. None of the Above

32. Interest relating to pre-construction period is allowable:

- a. In 5 equal installments from the year in which it was incurred.
- b. In the year in which it was incurred
- c. In the year in which house property was constructed
- d. None of the Above

33. Following assessee(s) can considered a house property as self occupied:

- a. Individual & HUF
- b. All assessee
- c. All assessee other than company
- d. All assessee other than firm

34. For the purpose of claiming higher deduction u/s 24(b), while computing income of a self-occupied property, assessee is required to take:

- a. Loan on or before 01-04-1999
- b. Loan on or after 01-04-1999
- c. Loan after 01-04-1999
- d. Loan on 01-04-1999 outants of India

35. Income from sub-letting is:

- a. Taxable under the head 'Income from House Property'
- b. Taxable under the head 'Income from Other Sources'
- c. Exempted
- d. None of the above

36. Deduction u/s 24(a) is not available when:

- a. Net annual value is zero
- b. Net annual value is positive
- c. Net annual value is zero or negative
- d. None of the above

37. Which of the following deductions is /are not allowed in case of a deemed to be let-out house?

- a. New construction allowance
- b. Repairs
- c. Vacancy allowance
- d. All of the above

## UNIT 3

38. Which of the following is not allowed as a deduction for computation of business Income?

- a. Loss incurred due to theft in factory after working hours
- b. Anticipated future losses
- c. Loss caused by white ants
- d. Loss due to accidental fire in stock-in-trade

39. Preliminary expenses are incurred in every business. What are the expenses that qualify for deduction u/s.35D?

- a. Expenses for drafting memorandum and articles of association
- b. Payment of duty at the office of Registrar of Companies
- c. Expenditure incurred in preparation of project report
- d. All of the above

40. Expenditure incurred by a company for the purpose of promoting family planning among its employees, being of a capital nature

- a. Is not allowed as a deduction
- b. Allowed as deduction in 4 equal installments in 4 years
- c. 1/5 of expenditure is allowed as deduction in the previous year
- d. 4/5 of expenditure is allowed as deduction in 4 equal installments in 4 years after the previous year

41. The preliminary expenses that can be amortized under the Income Tax Act, 1961 has to be restricted to \_\_\_\_\_ of the cost of project.

- a. 3%
- b. 5%
- c. 8%
- d. 20%

42. Expenditure on promotion of family planning is an allowance as deduction u/s. 36(1)(ix) of the Income Tax Act, 1961 in case of

- a. Individual
- b. Firm
- c. HUF
- d. Company

43. Deduction u/s 35AD is available in respect of expenditure on specified business, one of them is:

- a. Setting up and operating a cold chain facility
- b. Setting up and operating a power plant

- c. Setting up and operating an industrial unit
- d. All of the above

44. Deduction u/s 35AD is available in respect of expenditure on specified business provided such business commenced its operation on or after 01-04-2009 subject to an exception that:

- a. Business of industrial undertaking may be commenced at any time on or after 01-04-2007
- b. Business of laying and operating a cross-country natural gas pipeline network may be commenced at any time on or after 01-04-2007
- c. Business of cold chain facility may be commenced at any time on or after 01-04-2007
- d. All of the above

45. In case of loss, a partnership firm may claim deduction in respect of remuneration to partner to the extent of:

- a. ` 1,50,000/-
- b. ` 1,50,000/- or remuneration paid, whichever is lower
- c. ` 1,50,000/- or 90% of book profit, whichever is lower
- d. Nil

46. Block of asset is required to be increased by an amount which is actual cost of the asset being covered u/s 35AD that amount is:

- a. Actual expenditure
- b. Nil
- c. 50% of actual expenditure
- d. None of the above.

47. A payment of ` 25,000 is made to the road transport-operator on 20-02-2021 in cash, consequently, amount disallowed u/s 40A(3) is

- a. Nil
- b. ` 25,000
- c. ` 5,000
- d. None of the above

48. U/s 54, capital gain will be allowed as exemption if the house property under transfer is held for

- a. Less than 12 months preceding the date of transfer
- b. More than 12 months preceding the date of transfer
- c. Less than 36 months preceding the date of transfer
- d. More than 24 months preceding the date of transfer

49. Capital gain on Slump sale is

- a. always short-term capital gain
- b. always long-term capital gain
- c. Depends on period of period of holding of capital asset being undertaking transferred
- d. Not taxable



50. While computing capital gain on sale of immovable property, full value of consideration shall be:

- a. Actual consideration
- b. Actual consideration less expenses on transfer
- c. Actual consideration or stamp duty value of the property transferred, whichever is higher, subject to certain restriction
- d. Stamp Value of the property transferred.

51. Cost of acquisition of capital asset being immovable property acquired through gift covered u/s 49(4) is:

- a. Actual cost of acquisition to the previous owner
- b. Nil
- c. Stamp duty value of the property as considered while computing income u/s 56(2)
- d. Actual cost of acquisition to the assessee.

52. Personal effect do not cover the followings

- a. Immovable property
- b. Drawings
- c. Jewellery
- d. All of the above

53. Profit on sale of rural agricultural land is

- a. Not taxable as it is agricultural income
- b. Not taxable under the head 'Capital gains' but under the head 'Income from Other Sources'
- c. Not taxable as rural agricultural land is not considered as a capital asset
- d. Taxable if it is compulsorily acquired.

54. Short term capital gain on sale of equity share through stock exchange

- a. is exempt u/s 10(38)
- b. is exempt u/s 10(37)
- c. is covered u/s 111A, hence liable to tax @ 15%
- d. is taxable @ 20% and @ 10% if index benefit is not claimed.

55. Caution money forfeited by the assessee is:

- a. Taxable in the year of forfeiture under the head "Income from Other Sources"
- b. Exempt fully
- c. Taxable in the year of forfeiture under the head "Capital Gain"
- d. Considered as casual income and liable to tax @ 30%.

56. Gift of a capital asset is not considered as transfer, however exception is:

- a. Shares acquired under the Employees Stock Option Plan
- b. Jewellery
- c. Immovable property
- d. Nil

57. Cost of acquisition of self-generated asset is nil, the exception is:

- a. Goodwill
- b. Route permit

- c. Bonus shares acquired before 01-04-2001
- d. Loom hours

58. Interest on delayed compensation or enhanced compensation is taxable:

- a. On accrual basis
- b. On receipt basis
- c. Exempt from tax
- d. As per method of accounting of the assessee.

59. While computing taxable interest on delayed compensation, a standard deduction is allowed @

- a. 50%
- b. 30%
- c. 15%
- d. Nil

60. An individual purchased a painting on 01-11-2020 for ₹ 5,00,000 though fair market value of the asset is ₹ 5,25,000. Income taxable u/s 56(2)(x) is:

- a. ₹ 25,000 i.e., difference between market value and actual consideration
- b. Nil as this is not gift
- c. Nil as difference between market value and actual consideration does not exceed ₹ 50,000
- d. The provision of sec. 56(2)(x) is not applicable for any transaction entered during P.Y. 2020-21.

61. The provision of sec. 56(2)(x) is applicable on

- a. All assessee
- b. Only on corporate assessee
- c. On an individual only
- d. On an individual and HUF only

62. Tax is deducted at source on winning from lottery, the rate for such deduction in case of resident individual deductee is:

- a. 30.9%
- b. Maximum marginal rate of tax
- c. 30% if such winning exceeds ₹ 10,000
- d. 33.99%

63. While computing income from other sources, deduction is not allowed to the assessee for:

- a. Personal expenditure
- b. Direct tax
- c. Interest payable outside India without TDS
- d. All of the above

64. Gift received by an individual in certain circumstances is not taxable, one of them is:

- a. Any gift received from family friend
- b. Any gift received on the occasion of any marriage in the family
- c. Any gift received on the occasion of the marriage of the individual-assessee

d. All of the above

65. Following expenses are allowed from dividend income:

- a. Interest on borrowed capital (to certain extent)
- b. Collection Charges
- c. Both (a) and (b)
- d. None of the above

66. One of the following receipt is taxable under the head 'Income from Other Sources':

- a. Uncommuted pension received from ex-employer
- b. Income from racing establishment
- c. Rental income from house property
- d. Income on transfer of rural agro land

## UNIT 4

67. A person is deemed to have substantial interest in a company if he is

- a. The owner of at least 20% of equity capital of the company
- b. The owner of at least 25% of equity capital of the company
- c. Entitled to 10% of profits of the concern
- d. An employee director

68. Income of minor is clubbed however the clubbing provision is not applicable if

- a. Minor is a married daughter
- b. Minor is handicapped as specified u/s 80U
- c. Parents are separated
- d. None of the above

69. As per sec. 60, income is clubbed if

- a. Asset yielding income is transferred as revocable transfer
- b. Income is transferred without transferring asset yielding income
- c. Asset yielding income is transferred as irrevocable transfer
- d. None of the above

70. Any income from an asset transferred to spouse without adequate consideration is clubbed in the hands of the transferor if:

- a. Such asset is hold by the spouse as on the last day of the previous year
- b. Relationship between them exist as on the date of accrual of income
- c. Transferee is not a senior citizen
- d. None of the above

71. For the purpose of sec.64, an individual have substantial interest in a company if he holds 20% of voting right alongwith his relative. Here, relative do not include:

- a. Spouse
- b. Father
- c. Father-in-law
- d. None of the above

72. When income of a minor is clubbed, assessee will get deduction u/s 10(32) of :

- a. ₹ 1,500
- b. Income clubbed subject to maximum of ₹ 1,500
- c. Such deduction is not available u/s 10(32) but u/s 10(33)
- d. None of the above

73. Unabsorbed business losses cannot be carried for more than

- a. 7 assessment years
- b. 8 assessment years
- c. 10 assessment years
- d. 12 assessment years

74. Long term capital loss can be adjusted against

- a. Any income excluding winning from lottery
- b. Any capital gain
- c. Any long term capital gain
- d. Any speculative business income

75. Loss from Derivative trading is

- a. Short-term Capital Loss
- b. Speculative business loss
- c. Non-speculative business loss
- d. Loss u/h 'Income from Other Sources'

76. Loss from specified business covered u/s 35AD can be adjusted against

- a. Any other business income
- b. Any income other than salary
- c. Income from other specified business
- d. Cannot be adjusted

77. Unabsorbed depreciation can be carried forward for

- a. Any number of years
- b. 8 years
- c. 4 years
- d. 7 years

78. Deduction u/s 80CCC allowed to an individual for amount paid by him in an annuity plan of LIC is restricted to

- a. ₹ 5,000
- b. ₹ 7,500
- c. ₹ 1,50,000
- d. ₹ 12,500

79. Deduction under the section 80E is allowed in respect of

- a. Donations to charitable institutions
- b. Medical treatment of handicapped person
- c. Interest on loan taken for education
- d. Profits earned from exports

80. 80GGA available for donations made to

- a. Charitable Institutions
- b. Educational Institutions
- c. Research Associations
- d. Religion organizations

81. Deduction u/s. 80JJA is available if the assessee

- a. Is engaged in scientific research
- b. Sets up an industrial unit in a backward area
- c. Is engaged in agriculture business
- d. Is engaged in the business of collecting and processing biodegradable waste.

82. On donation to whom of the following a 50% deduction is allowable u/s.80G of the Income Tax Act?

- a. National Defence Fund
- b. Prime Ministers National Relief Fund
- c. Rajiv Gandhi Foundation
- d. National foundation for Communal Harmony

83. Section 80QQB of the Income Tax Act, 1961, deals with

- a. Interest on debentures of a govt. company
- b. Royalty Income of authors
- c. Royalties from textbooks
- d. Profits from export of computer software

**QUESTION BANK OF DESCRIPTIVE QUESTIONS  
ON  
INCOME TAX LAW & PRACTICE  
(Semester III - CC 6)**

## Questions (To be answered in 75 words / 500 words)

### UNIT 1

1. Compute the tax liability & marginal relief of Mr X assuming that the total income of X is ₹ 62,00,000 for A.Y.2020-21 and the total income does not include any Income in the nature of capital gains. If the age of Mr X is (a)59 year & (b)83 year
2. Compute the tax liability & marginal relief of X Ltd., a domestic company, assuming that the total income of X Ltd. is ₹ 1,01,00,000 for A.Y.2020-21 and the total income does not include any Income in the nature of capital gains.
3. Compute the tax liability of Y Ltd., a domestic company, assuming that the total income of Y Ltd. for A.Y.2020-21 is ₹ 10,01,00,000 and the total income does not include any income in the nature of capital gains.
4. Write short notes on the following
  - a) Assessee
  - b) Persons
  - c) Previous year & Assessment year
  - d) Income
  - e) Agricultural Income
5. Discuss when Previous year and Assessment year will be same.
6. X, a foreign citizen, resides in India during the previous year 2019-20 for 83 days. Determine his residential status for previous year 2019-20 assuming his stay in India during the last few previous years are as follows –

Year	Days	Year	Days	Year	Days	Year	Days
2003-04	50	2007-08	36	2011-12	137	2015-16	175
2004-05	15	2008-09	115	2012-13	185	2016-17	15
2005-06	257	2009-10	123	2013-14	100	2017-18	67
2006-07	110	2010-11	65	2014-15	110	2018-19	67

7. Subhash discloses following particulars of his receipts during the Previous Year 2019-20:

- a) Salary income earned at Pune but received in Sri Lanka ₹ 2,50,000
- b) Profits earned from a business in Kenya which is controlled in India, half of the profits being received in India. ₹ 2,20,000
- c) Income from property, situated in Nairobi and received there ₹ 75,000
- d) Income from agriculture in Bangladesh and brought to India ₹ 95,000
- e) Dividend-paid by an Indian company but received in London on 15th May, 2018 ₹ 22,000
- f) Interest on USA Development Bonds, one half of which was received in India ₹ 76,000
- g) Past foreign untaxed income brought to India ₹ 2,10,000
- h) Gift of \$1000 from father, settled in USA, received in India ₹ 80,000
- i) Capital Gains on sale of Land in Delhi, consideration received in Canada ₹ 2,50,000
- j) Income from structure-designing consultancy service, set up in Germany, controlled from India, profits being received outside India ₹ 4,00,000
- k) Loss from foreign business, controlled from India, sales being received in India ₹ 2,00,000

Determine his Gross Total Income for the Previous Year 2019-20 if he is (i) Resident and Ordinarily Resident, (ii) Resident but not Ordinarily Resident, (iii) Non Resident.

## UNIT 2

1. V retires on 15th December, 2019 after serving for 30 years and 5 months. He gets ₹ 10,70,000 as gratuity. His salary details are as under:

2020-21	Basic ₹ 1,00,000 p.m. DA 50% of salary. 50% thereof taken for retirement benefits.
2019-20	Basic ₹ 90,000 p.m. DA 50% of salary. 50% thereof taken for retirement benefits.

Compute the taxable amount of gratuity in his hands in the following situations:

- a) She retires from government service
- b) She retires from a private sector company to which the Payment of Gratuity Act does not apply



c) She retires from seasonal factory in a private sector, covered under Payment of Gratuity Act, 1972.

2. Mr. King is getting a salary of ₹ 5,400 pm since 1.1.17 and dearness allowance of ₹ 3,500 p.m, 50% of which is a part of retirement benefits. He retires on 30th November 2020 after 30 years and 11 months of service. His pension is fixed at ₹ 3,800 pm. On 1st February 2021 he gets 3/4ths of the pension commuted at ₹ 1,59,000. Compute his gross salary for the Previous Year 2020-21 in the following cases :

- If he is a Government employee, getting gratuity of ₹ 1,90,000
- If he is an employee of a private company, getting gratuity of ₹ 1,90,000
- If he is an employee of a private company but gets no gratuity.

3. Ms. Vandana retires on 16th October 2020 after 30 years and 8 months of service. Salary structure is given below:

FY 2020-21	Salary ₹ 15,000 pm	D.A ₹ 7,500 pm	Commission on profit 18000 p.a
FY 2019-20	Salary ₹ 12,000 pm	D.A ₹ 6,000 pm	Commission on profit 24000 p.a

40% of dearness allowance forms a part of superannuation benefits. Record of Earned Leave is given below: Leave allowed for one year of completed service - 20 days; Leave taken while in service -150 days; Leave en-cashed during service 60 days. She received ₹ 2,92,500 as leave salary Determine the exempt leave encashment

4. Mr. X has the following salary structure –

Basic pay ₹ 10,000 p.m.

Commission (fixed) ₹ 2,000

DA ₹ 1,000 p.m.

X & his employer contributes ₹ 20,000 to provident fund. Interest credited @ 14% to fund during the year is ₹ 28,000. Compute taxable salary if –

- Mr. X is a Government employee and such provident fund is a statutory provident fund.
- Mr. X is an employee of Y Ltd. and such fund is a recognized fund.
- Mr. X is an employee of Z Ltd. and such fund is an unrecognized fund.

5. Miss Sonal has following salary details :

Basic Salary	2,000 pm	HRA (Rent paid for Kolkata house ₹ 4,000 p.m.)	5,000
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			pm
Dearness Allowance	3,000 pm	Children Education allowance (She is having one adopted child)	3,000 pm
Dearness Pay	1,000 pm	Hostel allowance	2,000 pm
Fees	50,000 pa	Dress Allowance (Actual expenditure ` 10,000 pm)	5,000 pm
Children allowance	1,000 pm	Uniform Allowance (Actual expenditure ` 1,000 pm)	2,000 pm
Tiffin Allowance	1,000 p.m	Education Allowance for her own education (Actual expenditure ` 1,500 pm)	2,000 pm

Compute her gross salary for the assessment year 2020-21.

6. Mr. Sodhi, received education allowance of ` 80 p.m. for his 1st child, ` 90 p.m. for his 2nd child and ` 120 p.m. for his 3rd child. He also received hostel allowance of ` 1,000 p.m. None of his children are studying. Find taxable Children Education Allowance and Hostel allowance.
7. Mr. & Mrs. X have three children and two of them are not studying. Both Mr. & Mrs. X are working in A Ltd. and getting children education allowance ` 500 per month and hostel allowance ` 1,000 per month. Compute taxable children education allowance and hostel allowance.
8. Z is employed in A Ltd. As on 31.3.20, his basic salary is ` 6,000 p.m. He is also entitled to a dearness allowance of 50% of basic salary. 70% of the dearness allowance is considered for retirement benefits. The company gives him HRA ` 3,000 p.m. With effect from 1.1.20 he receives an increment of ` 1,000 in his basic salary. He was staying with his parents till 31.10.2019. From 1.11.19 he takes an accommodation on rent in Delhi and pays ` 2,500 pm as rent for the accommodation. Compute taxable HRA for the Previous Year 2019-20.
9. Miss Sikha submits the following information regarding his salary income for the year 2019-20: Basic salary ` 15,000 p.m.; D.A (forming part of salary) 40% of basic salary; City Compensatory Allowance ` 300 p.m.; Children Education Allowance ` 1000 p.m. Transport Allowance ` 1,000 p.m. He is provided with a rent free unfurnished accommodation which is owned by the employer. The fair rental value of the house is `

24,000 p.a. Compute the gross salary assuming accommodation is provided in a city where population is exceeding 25 lakhs.

10. Mr. Ritesh is provided with an accommodation in Kolkata since April 2017. Salary ₹ 40,000 p.m. Cost of furniture provided ₹ 80,000. On 1st October, 2019, following a promotion with a increase in Salary by ₹ 15,000, he was transferred to Bargarh(Odisha) (population less than 25 lakhs but more than 10 lakhs), and was also provided an accommodation there. Mr. Ritesh was allowed to retain the Kolkata accommodation till March, 2020. Compute taxable value of perquisite.
19. Mr. E is employed with N Ltd. He also gets the services of sweeper and watchman. Determine his gross salary in the following cases:
- His salary is ₹ 4,200 pm. Employer provides the services of sweeper and watchman. He pays them ₹ 600 pm and ₹ 500 pm;
  - His salary is ₹ 4,200 pm. Sweeper and watchman are engaged by E at the rates given in clause (1) above but their wages are reimbursed by the employer;
  - His salary is ₹ 4,210 p.m. Employer provides the services of sweeper and watchman at the above rates but he recovers from E ₹ 200 p.m. and ₹ 300 p.m. respectively.
- E has paid employment tax of ₹ 400.

20. Sri Bhagawan, has been provided with the following servants by his employer :

Servant	Appointed by	Salary of Servant
Watchman	Employer	2,000 p.m.
Cook	Employee's wife	3,000 p.m.
Maid servant	Employer	1,000 p.m.
Sweeper	Employee	500 p.m.
Gardener	Employer	1,000 p.m.

Sri Bhagawan has also been provided a rent-free accommodation, which is owned by the employer. Find taxable value of servant facility if-Case a) He is a specified employee. Case b) He is a non-specified employee.

21. G Ltd. provides electricity to its employee, P. Annual consumption as per meter reading comes to 2,250 units. Determine the value of the perquisite in the following cases:
- Electricity meter is in the name of P and the rate of electricity is ₹ 3 per unit
  - Electricity meter is in the name of G Ltd. the rate of electricity is ₹ 3 per unit.

- c. G Ltd. is a power-generating company. Manufacturing cost is 90 paise per unit but supplied to public @ ₹ 2 per unit. However, it charges 30 paise per unit from employees.

22. X Ltd. has sold the following assets to its employee, Mr. Amit. Compute taxable perquisite.

Assets	Date of purchase	Purchase value	Date of sale	Sale price
Computer	01.07.2016	2,00,000	18.08.2019	20,000
Car	01.04.2017	3,00,000	01.03.2020	50,000
Television	01.04.2014	50,000	01.04.2019	2,000
Sofa Set	01.04.2004	80,000	01.07.2019	5,000

23. Shri A. Chakraborty, Director (Administration) in MNPC Ltd. He is entitled to a motor car (1.8ltrs) to be used for both official & private purposes. Discuss the taxability of perquisite if:
- The car is owned by the employer, expenses paid by employer & it is a chauffeur driven car.
  - The car is owned by Sri Chakraborty. Expenses incurred ₹ 20,000 & chauffeur paid a salary of ₹ 60,000 by the employer.
24. Mr. Piyush has been provided a car (1.5 ltr.) on 15/7/2019. The cost of car to the employer was ₹ 6,00,000 and maintenance cost incurred by employer ₹ 20,000 p.a. Chauffeur salary paid by employer (Mr. Ratan) ₹ 4,000 p.m. The car is 40% used for office and 60% for personal purpose. Charges paid by employee for such facility ₹ 5,000 p.a. Find taxable value of perquisite.
25. Wasim has a car (1.5 ltr.) used for office as well as for personal purpose. During the year car is used 80% for business purpose being certified by the employer. During the year, he incurred ₹ 50,000 on maintenance and running of such car. The entire cost is reimbursed by the employer. Find taxable perquisite if assessee wish to claim higher deduction, when – (a) A proper log book is maintained; (b) A proper log book is not maintained
26. Mr. Balaji, employed as Production Manager in Beta Ltd., furnishes you the following information for the year ended 31.03.2020:
- Basic salary upto 31.10.2019 ₹ 50,000 p.m.  
Basic salary from 01.11.2019 ₹ 60,000 p.m.  
Note: Salary is due and paid on the last day of every month.
  - Dearness allowance @ 40% of basic salary.

- iii. Bonus equal to one month salary. Paid in October 2019 on basic salary plus dearness allowance applicable for that month.
- iv. Contribution of employer to recognized provident fund account of the employee@16% of basic salary.
- v. Profession tax paid ` 3,000 of which ` 2,000 was paid by the employer.
- vi. Facility of laptop and computer was provided to Balaji for both official and personal use. Cost of laptop ` 45,000 and computer ` 35,000 were acquired by the company on 01.12.2014.
- vii. Motor car owned by the employer (cubic capacity of engine exceeds 1.60 litres) provided to the employee from 01.11.2019 meant for both official and personal use. Repair and running expenses of ` 45,000 from 01.11.2019 to 31.03.2020, were fully met by the employer. The motor car was self-driven by the employee.
- viii. Leave travel concession given to employee, his wife and three children (one daughter aged 7 and twin sons aged 3). Cost of air tickets (economy class) reimbursed by the employer ` 30,000 for adults and ` 45,000 for three children. Balaji is eligible for availing exemption this year to the extent it is permissible in law.
- ix. He is provided personal accident policy for which premium of ` 5,000 is paid by the Company.
- x. Company reimbursed the medical treatment bill of his brother of ` 25,000, who is dependent on him.
- xi. The monthly salary of ` 1,000 of a house keeper is reimbursed by the company.
- xii. A gift voucher of ` 10,000 on the occasion of his marriage anniversary.
- xiii. Conveyance allowance of ` 1,000 per month is given by the company towards actual reimbursement.

Compute the salary income chargeable to tax in the hands of Mr. Balaji for the assessment year 2020-21.

27. Mr. Rohan owns two houses. Their particulars for the Previous Year 2019-20 are given below:

Particulars	House I	House II
	Construction completed on 01.04.2015	
	Self-occupied	Letout
Municipal Valuation	10,00,000	15,00,000
Fair Rent	12,00,000	14,00,000
Standard Rent	8,00,000	16,00,000
Annual Rent received /receivable	Nil	18,00,000
Municipal Taxes paid	1,20,000	150,000
Insurance premium paid	10,000	15,000
Repair expenses	1,50,000	2,00,000
Unrealised rent-conditions of Rule 4 satisfied	Nil	4,50,000
Interest on loan for the pre-construction period	3,00,000	4,50,000
Interest on loan for the post construction period for 19-20	1,00,000	1,50,000
Date of borrowing the loan	31.12.08	31.12.08
Certificate of interest attached to the return	No	No

Determine the Income from House Property for the AY 2020-21. Would you change your answer if construction is completed on 31-3-2015 and interest certificate is also attached

## UNIT 3

1. Mr. C purchases a house property for ₹ 1,06,000 on May 15, 1976. The following expenses are incurred by him for making addition/alternation to the house property:

Particulars

a. Cost of construction of first floor in 1982-83	3,10,000
b. Cost of construction of the second floor in 2002-03	7,35,000
c. Reconstruction of the property in 2012-13	5,50,000

Fair market value of the property on April 1, 2001 is ₹ 8,50,000. The house property is sold by Mr. C on August 10, 2019 for ₹ 68,00,000 (expenses incurred on transfer: ₹ 50,000).

Compute the capital gain.

Financial year Cost Inflation Index

2001-12 100

2002-03 105

2012-13 200

2. Mr. Sidhartha has a residential house property taxable u/s 22. Such property is acquired on 12/08/2006 for ₹ 2,00,000. The property is sold on 1/03/2020 for ₹ 25,00,000. He acquired another residential house on 31/03/2020 for ₹ 17,00,000 for self-occupation. On 1/03/2021, he sold such new residential house for ₹ 30,00,000. Compute his capital gain for the A.Y. 2020-21 and 2021-22.
3. What do you mean by Short term capital gain and Long term capital gain?
4. Discuss the the process of calculating long term capital gain?
5. Discuss in brief the provision of the following sections:
  - a) Section 54
  - b) Section 54 F
  - c) Section 54EC
6. Discuss the process of calculating depreciation under section 32 under income tax act, 1961?
7. What is preliminary expenses & how it will be allowed in income tax act 1961?
8. Discuss the provision of expenses on scientific research in details?
9. Chitrlekha, a retail trader of Kolkata furnishes the following Trading and Profit and Loss Account for the year ending 31st March, 2020 :

Trading and Profit and Loss Account for the year ended 31.03.2020

Particulars	Rs.	Particulars	Rs.
To Opening Stock	90,000	By Sales	12,11,500
To Purchases	10,04,00	By Income from UTI	2,400
To Gross Profit	0	By Other business receipts	6,100
	3,06,000	By Closing stock	14,00,000
To Salary	14,00,00		3,06,000
To Rent and Rates	0	By Gross profit b/d	
To Interest on loan	60,000		
To Depreciation	36,000		
To Printing & stationery	15,000		

To Postage & telegram	1,05,000		
To Loss on sale of shares (Short term)	23,200		
	1,640		
To Other general expenses	8,100		
To Net Profit	7,060		3,06,000
	50,000		
	3,06,000		

**Additional Information :**

- a) It was found that chitrlekha values both the Opening and Closing Stock 10% below cost.
- b) Salary includes Rs. 10,000 paid to his brother, which is unreasonable to the extent of Rs. 2,000.
- c) The whole amount of Printing and Stationery was paid in cash.
- d) The depreciation provided in the Profit and Loss Account Rs. 1,05,000 was based on the following information : The written down value of plant and machinery is Rs. 4,20,000. A new plant falling under the same Block of depreciation of 15% was bought on 1.7.2019 for Rs.70,000. Two old plants were sold on 1.10.2019 for Rs. 50,000.
- e) Rent and Rates includes sales tax liability of Rs. 3,400 paid on 7.4.2020.
- f) Other business receipts include Rs. 2,200 received as refund of sales tax relating to 2018-19.
- g) Other general expenses include Rs. 2,000 paid as donation to a Public Charitable Trust.

You are required compute the total income of Ms.Chitrlekha & advice how she can offer her business income for the A.Y. 2020-21.

## UNIT 4

1. Discuss the rules of Set off of losses under income tax act, 1961.
2. Discuss the rules of carry forward of losses under income tax act, 1961.



3. Discuss in detail when income of any other persons will be clubbed in the income of other person?

4. Discuss the condition to avail the following deductions:

- a) Deduction u/s 80(C )
- b) Deduction u/s 80(CCD )
- c) Deduction u/s 80(D )
- d) Deduction u/s 80(G )
- e) Deduction u/s 80(GG )
- f) Deduction u/s 80(C )
- g) Deduction u/s 80(JAA )
- h) Deduction u/s 80(U )