MCQ 01

Mr. Garg, aged 45 years and a resident in India, is having a total income of ₹ 5,70,000 comprising of long-term capital gains taxable under section 112 of ₹ 70,000, long term capital gains taxable under section 112A of ₹ 1,50,000, short term capital gains taxable under section 111A of ₹ 1,00,000 and other income of ₹ 2,50,000. Compute his tax liability for A.Y. 2024-25 under the default tax regime under section 115BAC. (assume Capital Gains had occurred on or after 23rd July 2024)

a) Nil

b) ₹ 3,250

c) ₹ 9,360

d) ₹ 19,760

Solution

Option (b) is correct

Computation of Tax Liability (Default Tax Regime)

Particulars	₹
Tax on Normal Income (5,70,000 – 70,000 – 1,50,000 – 1,00,000) i.e. 2,50,000	Nil
Tax on STCG u/s 111A (1,00,000 – 50,000 unexhausted BEL) x 20%	10,000
Tax on LTCG u/s 112A (1,50,000 – 1,25,000) x 12.5%	3,125
Tax on LTCG u/s 112 (70,000 x 12.5%)	8,750
	21,875
Less: Rebate u/s 87A since income is up to Rs. 7,00,000	18,750
Tax before cess	3,125
Add: 4% HEC	125
Tax Liability	3,250

Note: Rebate u/s 87A is not available in case of LTCG u/s 112A

MCQ 02

Zee, resident of age 40 years, has the following taxable income during the AY 2025-26: business income 3 crore, short term capital gain taxable u/s 111A ₹30 lakh and long-term capital gain taxable u/s 112 ₹40 lakh. Compute his tax liability. Zee has opted out of the default tax regime.

a) ₹56,34,450
b) ₹81,34,450
c) ₹91,34,450
d) ₹1,27,53,160

Solution

Option (d) is correct

Computation of Tax Liability (Old Tax Regime)

Particulars	₹
Tax on Normal Income at Slab rates (3,00,00,000)	88,12,500
Tax on STCG u/s 111A (30,00,000 x 20%)	6,00,000
Tax on LTCG u/s 112 (40,00,000 x 12.5%)	5,00,000
	99,12,500
Add: Surcharge @15% on tax on special income i.e. 11,00,000	1,65,000
Add: Surcharge @25% on tax on normal income i.e. 88,12,500	22,03,125
Tax before cess	1,22,80,625
Add: 4% HEC	4,91,225
Tax Liability	1,27,71,850

MCQ 03

Mr. Garry, a US citizen, came to India for an assignment from 11.01.2021 to 09.10.2021 and went back to his home country on completion of the same. He thereafter, visited India on 05.07.2023 again for an assignment, which ended on 26.05.2024. What is the latest date by which Mr. Garry should depart from India after completing the assignment so as to qualify as non-resident for P.Y. 2024-25? (Assume that he shall not be visiting India again during the year)

a) 29-05-2024
b) 31-05-2024
c) 30-05-2024
d) 28-09-2024

Solution

Option (a) is correct

Mr. Garry stay in India during PY 2020-21 = (21+28+31) = 80 days

Mr. Garry stay in India during PY 2021-22 = (30+31+30+31+31+30+09) = 192 days

Mr. Garry stay in India during PY 2023-24 = (27+31+30+31+30+31+31+29+31) = 271 days

Hence, Mr. Garry stay in India during preceding 4PY is more than 365 days i.e. 543 days (80+192+271).

Mr. Garry stay in India during RPY = (30+26) = 56 days

No. of days left for Non-resident status as per 2nd Basic condition = 60 – 56 = 4 days

Therefore, Mr. Garry should depart from India after completing the assignment so as to qualify as non-resident on 29-05-2024 i.e. within 3 days.

MCQ 04

During the PY 2024-25, Harsh, employed w.e.f. 1.3.2023 in the scale of ₹50,000 - ₹10,000 - ₹80,000, received the following salary for the period April 2024 to March 2025, arrears of salary pertaining to PY 2021-22 not taxed then of ₹30,000 and salary of April 2025 received in March 2025. Salary becomes due on the last day of every month and is received on the 5th of next month. Salary of April 2024 was paid in March 2024. Salary of January 2024, which could not be paid on 5.2.2024, was paid on 15.6.2024. Compute the gross salary income of Harsh for the AY 2025-26.

a) ₹7,60,000
b) ₹7,70,000
c) ₹7,10,000
d) ₹8,30,000

Solution

Option (b) is correct

Computation of Taxable Salary for AY 2025-26

Particulars	Amount
Basic Salary [May 2024 – March 2025] i.e. 60,000 x 10 + 70,000	6,70,000
Salary of April 2025 received in March 2025	70,000
Arrears of Salary	30,000
Gross Salary	7,70,000

Note: Salary is taxable on due or receipt basis, whichever is earlier. Therefore, salary for the month of April 2024 paid on March 2024 shall be taxable during the year 2023-24. Similarly, Salary of Jan 2024 paid on 15.6.2024 shall be taxable in the AY 2024-25 as it was due in the PY 2023-24.

MCQ 05

Rishabh joined BCD Ltd. as its finance manager, being his first employment, with effect from 1.4.2024 on a basic salary of ₹2,25,000 p.m. He received dearness allowance @12% of basic salary which formed part of retirement benefits. Rishabh contributed 11% of his basic salary and dearness allowance to the RPF account with BCD Ltd. making a matching contribution. Interest for the FY 2024-25 accumulated in the fund was ₹53,250. Rate of interest does not exceed 9.5%. Compute the amount of taxable interest for the AY 2025-26.

a) ₹13,582
b) ₹6,615
c) ₹16,849
d) Nil

Solution

Option (b) is correct

Contribution of Rishabh and BCD Ltd., each, to RPF = 11% of 30,24,000 (27,00,000 basic + 3,24,000 DA) = 3,32,640.

Interest up to 9.5% is exempt. However, interest relating to Rishabh's contribution exceeding 2,50,000 (3,32,640 - 2,50,000), i.e., 82,640 is not exempt.

As per Rule 9D, separate non-taxable contribution a/c and taxable contribution A/c are to be maintained.

Balance in taxable contribution A/c = Rishabh's contribution for PY 2024-25 exceeding 2,50,000 = 82,640.

Balance in non-taxable contribution A/c = 2,50,000.

Interest of 53,250 is earned on total contribution of Rishabh and BCD Ltd. of 6,65,280.

Interest relatable to 82,640 = 53,250 x (82,640 / 6,65,280) = 6,615

MCQ 06

Sumit owns a house, half of which is let out at a monthly of ₹10,000. However, this half portion remained vacant for 3 months. 25% portion of the house was use by Sumit for residence and 25% for professional purpose. Other details:

Municipal taxes	: ₹20,000
Repairs	: ₹16,000
interest on loan taken for construction	: ₹10,000
Fire insurance premium	: ₹6,000

Income from house property =?

a) ₹51,000
b) ₹48,500
c) ₹50,500
d) ₹55,000

Solution

Option (b) is correct

Computation of Income under head House Property

Particulars	₹
Let out portion	
GAV (10,000 x 9)	90,000
Less: Municipal Tax Paid (20,000 x ½)	10,000
Net Annual Value	80,000
Less: Standard deduction @30%	24,000
Less: Interest on capital borrowed (10,000 x 1/2)	5,000
	51,000
Self-occupied portion	
NAV	Nil
Less: Interest on capital borrowed (10,000 x 25%)	(2,500)
	(2,500)
Income under head House Property	48,500

Note:

The remaining 25% used for professional purposes will be considered under the head PGBP.

MCQ 07

Mr. Z is engaged in retail business. He acquired motor car A for ₹4 lakh on 25.7.2023 which was put to use on 15.9.2024. He further acquired motor car B for ₹3 lakh on 12.1.2024 which was put to use on 4.10.2024. He subsequently acquired motor car C for ₹5 lakh on 20.5.2024 which was put to use on 30.6.2024. He took a vehicle loan of ₹5 lakh on 1.4.2024 at the interest rate of 10% p.a. to acquire motor car C. He sold motor car C on 25.6.2025 for ₹5.5 lakh and re-acquired it back on 25.7.2025 for ₹6 lakh. Above mentioned assets are the only assets in the block of assets.

Compute the amount of total depreciation u/s 32 for PY 2025-26.

a) ₹1,66,594
b) ₹1,37,438
c) ₹1,60,500
d) ₹1,62,094

Solution

Option (b) is correct

Depreciation is computed as follows:

Particulars	₹
PY 2023-24	
Actual cost of motor car A	4,00,000
Actual cost of motor car B	3,00,000
Less: Depreciation (not available as vehicles not put to use)	Nil
Closing WDV	7,00,000
PY 2024-25	
Opening WDV	7,00,000
Actual cost of motor car C = 5,00,000 + 12,500 (Interest from 1.4.2024 to 30.6.2024 @ 10% p.a. on 5 lakh)	5,12,500
	12,12,500
Less: Depreciation @ 15%	1,81,875
Closing WDV	10,30,625
PY 2025-26	
Opening WDV	10,30,625
Less: Moneys payable for sale of motor car C	(5,50,000)
Add: Actual cost for C upon its reacquisition = Lower of a) original cost 5,12,500 - Depreciation allowable as if it was the only asset in the block 76,875, i.e., 4,35,625, or b) price at which it is re-acquired 6 lakh	4,35,625
	9,16,250
Less: Depreciation @ 15%	1,37,438

MCQ 08

Jaguar Pvt. Ltd, engaged in warehousing business of agricultural produce, transferred a building to its retail business on 15.9.2024. Building was purchased for warehousing business for ₹50 lakh on 15.9.2023 and deduction was allowed u/s 35AD. Compute tax implications of this transaction for AY 2025-26. Building is the only asset in the relevant block of assets.

a) ₹45 lakh taxable income; ₹4.5 lakh depreciation
b) ₹50 lakh taxable income; ₹5 lakh depreciation
c) Nil taxable income; Nil depreciation
d) Nil taxable income; ₹5 lakh depreciation

Solution

Option (a) is correct

Deemed business income will arise in PY 2024-25 as asset on which deduction was allowed u/s 35AD is transferred to a non-specified business within 8 years of its acquisition.

Deemed business income = 35AD deduction of 50,00,000 - Dep allowable as if no deduction u/s 35AD was allowed (5,00,000 @ 10% for PY 2023-24) = 45,00,000.

Actual cost for depreciation = 50,00,000 actual cost - depreciation allowable had asset been used for such business since its acquisition (5,00,000 @ 10% for PY 2023-24) = 45,00,000.

Depreciation for PY 2024-25 = 10% of 45,00,000 = 4,50,000.

MCQ 09

M/s Krishan & Co. paid salary of ₹3 lakh each to its two partners, Krishna and Balaram. It also paid interest @ 15% on capital contribution of ₹10 lakh made by Balaram. Book profit of the firm, as computed u/s 40(b), is ₹5 lakh. Both partners got ₹50,000 each as share in the profits of the firm. Income taxable in the hands of Krishna and Balaram for AY 2025-26 will be:

a) 2.45 L (Krishna); 3.65 L (Balaram)
b) 1.95 L (Krishna); 1.35 L (Balaram)
c) 1.05 L (Krishna); 1.35 L (Balaram)
d) 2.25 L (Krishna); 3.45 L (Balaram)

Solution

Option (d) is correct

Salary allowed to firm u/s 40(b) on 5 lakh book profit

= higher of Rs. 3,00,000 or 90% of Rs. 5,00,000 i.e. Rs. 4,50,000

= 4,50,000 (Rs. 2,25,000 to each partner)

Interest allowed to firm @12% on 10 lakh is 1.2 lakh.

Taxable income of Krishna = Salary 2.25 lakh + Profit share exempt u/s 10(2A) = 2.25 lakh.

Taxable income of Balaram = 2.25 lakh salary + 1.2 lakh interest + Profit share exempt u/s 10(2A) = 3.45 lakh.

MCQ 10

Housing Pvt. Ltd., a real estate developer, sold a building on 16.9.2024 for ₹50 lakh costing ₹20 lakh. Stamp duty value on the date of agreement to sell (1.4.2024) was ₹54 lakh while it was ₹60 lakh on 16.9.2024 when the transfer was registered. ₹5 lakh was received from the buyer on 15.3.2024 through a bearer cheque. What will be the profit chargeable to tax for AY 2025-26?

a) ₹30 lakh
b) ₹34 lakh
c) ₹40 lakh
d) ₹25 lakh

Solution

Option (c) is correct

SDV of 60 lakh is taken as full value of consideration u/s 43CA as it is > 110% of 50 lakh.

SDV on date of agreement is not taken as down payment is not made by a specified mode.

Computation of Income under head PGBP

Particulars	₹
FVC (SDV as on date of transfer)	60,00,000
Less: Cost	20,00,000
Profit on sale	40,00,000

MCQ 11

Rajan acquired a shop in a commercial complex in Mumbai for ₹10 lakh on 1.2.1995. FMV and SDV on 1.4.2001 were ₹15 lakh and ₹16 lakh, respectively. Rajan unsuccessfully tried to sell the shop to Sajan during the PY 2005-06 and he had to forfeit ₹2 lakh received as advance in terms of the agreement to sell. Later, he gifted the shop to Raju, his grandson on 15.11.2010. Raju negotiated to sell the shop to Somil during January 2011 but was unsuccessful and he had to forfeit advance of ₹1 lakh in terms of the agreement. Raju later struck a deal with Monu to sell the shop during June 2019 but due to failed negotiations, he had to forfeit the advance of ₹2 lakh. He was able to finally sell the shop to Sonu during January 2025 for ₹80 lakh. Compute the capital gain in the hands of Raju for AY 2025-26.

a) LTCG ₹27,04,000
b) LTCG ₹66,00,000
c) LTCG ₹39,23,400
d) LTCG ₹35,62,000

Solution

Option (b) is correct

Computation of Income under head Capital Gain

Particulars	₹
FVC	80,00,000
Less: COA (Previous Owner cost i.e. Rajan) (Higher of 10 lakh cost or 15 lakh (FMV on 1.4.2001 which can't exceed SDV on this date))	15,00,000
	65,00,000
Add: Advance forfeited from Somil deducted u/s 51	1,00,000
Add: Advance forfeited by previous owner not deducted u/s 51	Nil
Add: Advance forfeited from Monu as taxable under the head IFOS for PY 2019-20 (since not forfeited before 1.4.2014)	Nil
	66,00,000

MCQ 12

Johny, engaged in manufacturing of goods, owned a residential house which was destroyed in a cyclone that occurred on 1.1.2024. He had purchased the house on 1.5.2019 for ₹10 lakh. The cyclone also destroyed his personal car which he had purchased for ₹5 lakh on 1.4.2021 and some stock-in-trade of his business worth ₹1 lakh which was kept in his house at that time. He had paid ₹10,000 as insurance premium for the house and car on 1.9.2023. On 178.2024, he received insurance compensation of ₹10 lakh for the house, ₹50,000 for the car and ₹65,000 for the stock-in-trade. Amount chargeable as capital gain for AY 2025-26 will be:

Note: Assessee has opted to pay tax without Indexation.

a) NIL Taxable
b) Long term capital loss of ₹85,000
c) Long term capital loss of ₹75,000
d) Long term capital loss of ₹75,000; short term capital loss of ₹4,50,000

Solution

Option (a) is correct

<u>House:</u>

FVC = 10 lakh insurance compensation

COA = 10 lakh

LTCG = FVC - COA = Nil

<u>Car:</u> No capital gain as it is personal effect.

<u>SIT:</u> Taxable under the head PGBP, not capital gain.

MCQ 13

Government of Maharashtra acquired a house owned by Yaman on 10.12.2023, which he had acquired as gift from his father on 10.12.2022 who, in turn, had purchased it on 10.12.2017 for ₹20 lakh. Fie received ₹30 lakh as compensation on 25.07.2024. On appeal, the Delhi Court awarded an interim additional compensation of ₹5 lakh, which he received on 10.8.2024. The Court passed the final order on 10.9.2024 confirming the enhancement. Yaman had to pay ₹50,000 to his lawyer for this purpose. Capital gain arising for AY 2025-26 will be

Note: Assessee has opted to pay tax without Indexation

a) LTCG of ₹14,50,000
b) LTCG of ₹11,69,697
c) STCG of ₹4,50,000
d) Nil

Solution

Option (a) is correct

Initial compensation taxable in PY 2024-25 in which it is first received: Cost and POH is taken with reference to the previous owner.

Gain is LTCG as POH is > 24 months.

Computation of Capital Gain

Particulars	₹
Full Value of consideration	30,00,000
Less: Expenditure on transfer	0
Net consideration	30,00,000
Less: Cost of Acquisition	20,00,000
LTCG	10,00,000

Enhanced compensation taxable in PY 2024-25 in which final order is made.

Computation of Capital Gain

Particulars	₹
Full Value of consideration [Compensation]	5,00,000
Less: Expenditure on transfer	50,000
Net consideration	4,50,000
Less: Cost of Acquisition	Nil
LTCG	4,50,000

Total LTCG = 14,50,000

MCQ 14

KLM Ltd. transferred its manufacturing unit to BCD Ltd. for a lump sum consideration of ₹27 crore on 15.6.2024 (FMV of unit on this date was determined in the prescribed manner at ₹30 crore). The undertaking was set up on 15.1.2019. Tax WDV of depreciable assets is ₹10 crore (₹15 crore as per books). Land, purchased for ₹5 crore, is stated at a revalued figure of ₹15 crore. Book value of all other assets is ₹10 crore. Value of liabilities as per books stands at ₹5 crore. Capital gain on slump sale will be:

a) LTCG of ₹5.04 crore
b) LTCG of ₹10 crore
c) Nil
d) LTCG of ₹7 crore

Solution

Option (b) is correct

Computation of Capital Gain

Particulars	₹
FVC (FMV on date of transfer)	30 crore
Less: Expenditure on transfer	-
Net consideration	30 crore
Less: Cost of Acquisition (Net Worth) (WN-01)	20 crore
LTCG u/s 50B	10 crore

Note: Indexation Facility is not available in case of slump sale

Working Note 01

Net Worth =

WDV of depreciable assets 10 core + Book value of land 5 crore (ignoring revaluation) + Book value of other assets 10 crore - Liability as per books 5 crore = 20 crore.

MCQ 15

Dhoni sold a residential house on 1.8.2024 on which long term capital gain was computed at ₹25 lakh. He purchased two houses of ₹10 lakh each on 1.5.2025. He sold one of these houses on 1.8.2026 for ₹12 lakh (SDV on this date was ₹15 lakh). Dhoni had not claimed any capital gain exemption before. Compute the capital gain chargeable to tax on these transactions.

a) LTCG of ₹15 lakh for AY 2025-26; STCG of ₹15 lakh for AY 2027-28
b) LTCG of ₹5 lakh for AY 2025-26; STCG of ₹15 lakh for AY 2027-28
c) LTCG of ₹5 lakh for AY 2025-26; STCG of ₹15 lakh for AY 2027-28
d) LTCG of ₹15 lakh for AY 2025-26; STCG of ₹5 lakh for AY 2027-28

Solution

Option (b) is correct

AY 2025-26: LTCG = 25 lakh - Exemption u/s 54 of 20 lakh (for purchase of 2 houses within 2 years after 1.8.2024; this one-time option can be exercised as capital gain is not > 2 crore) = 5 lakh.

AY 2027-28: STCG (as POH is not > 24 months) on sale of new house within 3 years of its purchase

Computation of STCG

Particulars	₹
Full Value of consideration	15,00,000
Less: Expenditure on transfer	0
Net consideration	15,00,000
Less: Cost of Acquisition (cost 10 lakh - capital gain exempted earlier 10 lakh)	Nil
STCG	15,00,000

MCQ 16

DLF builders converted a commercial building, held as capital asset, into stock-in-trade on 1.1.2022 (FMV on this date ₹40 lakh). The building was acquired for ₹20 lakh on 1.4.2018. It was sold on 1.8.2024 for ₹45 lakh (SDV on this date ₹50 lakh). It invested ₹10 lakh in RECL bonds on 1.9.2024.

Determine the tax implications arising from these transactions.

a) LTCG of ₹17,86,765 and PGBP of ₹5,00,000 for AY 2025-26
b) LTCG of ₹17,86,765 and PGBP of ₹10,00,000 for AY 2025-26
c) LTCG of ₹10,00,000 and PGBP of ₹10,00,000 for AY 2025-26
d) LTCG of ₹20,00,000 and PGBP of ₹5,00,000 for AY 2025-26

Solution

Option (c) is correct

The case is covered u/s 45(2). Transfer takes place in the year of conversion but capital gain is taxable in the year in which stock-in-trade is sold.

Note: Period of 6M u/s 54EC runs from the date stock-in-trade is sold.

AY 2025-26:

COA = 20,00,000.

LTCG u/s 45(2) = 40,00,000

FMV on date of conversion = 20,00,000 - 10,00,000 exempt u/s 54EC on purchase of bonds within 6 months = 10,00,000.

PGBP = 50,00,000 u/s 43CA (as SDV is > 110% of consideration) - 40,00,000 FMV on date of conversion = 10,00,000

MCQ 17

Zara Pvt. Ltd, extended a loan of ₹10 lakh on 12.12.2024 to B&C, a partnership firm, in which B is entitled to a 20% profit share. On the same date, it also advanced ₹2 lakh to B for completing a job work for the company which was billed to the company on completion of the work. B holds 15% equity shares and 5% preference shares in Zara Pvt. Ltd. Zara Pvt. Ltd. is mainly engaged in software business but 5% of its income also comes from money lending business. Accumulated profits of the company on 1.4.2024 and 12.12.2024 were ₹7 lakh and ₹9 lakh, respectively. Amount of dividend taxable in the hands of B for AY 2025-26 would be:

a) ₹9,00,000
b) ₹12,00,000
c) ₹10,00,000
d) ₹7,00,000

Solution

Option (a) is correct

Payment covered u/s 2(22)(e) = 10 lakh (as B holds > 10% equity shares in Zara Pvt. Ltd. and is entitled to > 20% income of firm) + NO for job work (as it is trade advance in the nature of commercial transaction) = 10 lakh.

Dividend to the extent of accumulated profits on 12.12.2024 = 9 lakh.

Money lending exception is not available as it is not a substantial part of business of Zara Pvt. Ltd.

MCQ 18

Samar received the following during the PY 2024-25: Gift on birthday of ₹20,000 from father, ₹20,000 from elder brother and ₹20,000 from office colleagues; loose diamonds for ₹10,000 (market value ₹40,000) from elder sister's son; painting for ₹20,000 (market value ₹50,000) from HUF of which Samar is a member; purchase of raw material for ₹50,000 (market value ₹1,00,000) for his business; furniture (market value ₹60,000) gifted by girlfriend. Amount taxable in his hands would be:

a) ₹1,20,000
b) ₹60,000
c) ₹1,10,000
d) ₹1,80,000

Solution

Option (b) is correct

- ✓ **Sum of money received without consideration:** From father and elder brother NIL as received from relative + From colleague 20,000 = 20,000 (not taxable as it is not > 50,000).
- ✓ Movable property received without consideration: Furniture NIL as it is not a specified property.
- ✓ Movable property received for consideration: Diamond and painting 60,000 (90,000 FMV - 30,000 consideration) + Raw material NIL as it is not a specified property = 60,000 (taxable as it is > 50,000).
- ✓ Total = 60,000.

MCQ 19

Raunak, a software engineer, earned salary income (computed) of ₹3,00,000 during the PY 2024-25. He received the Best Engineer award of ₹50,000 from the Indian association of software engineers for his exceptional contribution in this field of work. He owned a vacant plot of land in Rampur which he had rented out at ₹10,000 p.m. to a dairy farmer. He incurred expenses of ₹30,000 towards upkeep of the land. He was also a director in a public limited company which paid him ₹1,20,000 as fee for performing his duties as director. In a search conducted by the tax authorities during the year, he was found to be in possession of gold bars valued at ₹10,00,000. However, he could not explain the source of this investment. He deposited ₹1,00,000 in his PPF Account on 15.3.2025. He has opted out of the default tax regime. His total income for AY 2025-26 would be:

a) ₹14,60,000
b) ₹15,60,000
c) ₹4,60,000
d) ₹14,90,000

Solution

Option (a) is correct

Computation of Total Income

Particulars	₹
Salary	3,00,000
Award (not exempt u/s 10(17A) as award not instituted or approved by Government)	50,000
Rent from land for non-agricultural purpose (1,20,000 rent - 30,000 expenses)	90,000
Director's fee	1,20,000
Undisclosed income	10,00,000
GTI	15,60,000
Less: Deduction u/s 80C for PPF deposit (not allowed from undisclosed income)	1,00,000
Total Income	14,60,000

MCQ 20

If, in the hands of Mrs. C, a resident aged 70 years, interest on securities for the PY 2024-25 is ₹45,000 (net of TDS @ 10%), pension from employer (computed) is ₹2 lakh, undisclosed income u/s 69C is ₹1 lakh and investment in PPF Account is ₹1 lakh, what will be the total tax liability for AY 2025-26, if Mrs. C has opted out of the default tax regime?

a) Nil
b) ₹61,750
c) ₹62,400
d) ₹78,000

Solution

Option (b) is correct

Computation of Tax liability

Particulars	₹
Interest (gross of TDS)	50,000
Pension from employer	2,00,000
Undisclosed income	1,00,000
GTI	3,50,000
Less: deduction u/s 80C for PPF deposit	1,00,000
Total Income	2,50,000
Total income comprises 1,00,000 undisclosed income and 1,50,000 other income.	
Tax u/s 115BBE for undisclosed income @ 60% (Benefit of unexhausted basic exemption limit is not available)	60,000
Tax on balance income	Nil
Less: Rebate u/s 87A	12,500
	47,500
Add: Surcharge @25%	11,875
	59,375
Add: HEC @4%	2,375
Tax Liability	61,750

MCQ 21

Divyansh (14 years) won the first prize of ₹1 lakh in National Talent Search on 1.4.2024. He invested this money in the business of his friend from which he received profit share of ₹50,000 on 1.10.2024. He deposited this profit share in bonds of a closely held company which generated interest income of ₹3,000 for the previous year. His father and mother earned salary income of ₹2 lakh and ₹3 lakh during the year, respectively (computed). Divyansh's father gifted ₹15 lakh to Divyansh's mother on 10.4.2024 which she lent to a colleague who paid ₹1.5 lakh as interest for the year. Compute taxable income of Divyansh and his parents for AY 2025-26 as per the optional tax regime.

a) Divyansh ₹1,00,000; Father ₹4,01,500; Mother ₹3,00,000
b) Divyansh ₹1,53,000; Father ₹3,48,500; Mother ₹3,00,000
c) Divyansh ₹1,03,000; Father ₹3,98,500; Mother ₹3,00,000
d) Divyansh ₹1,03,000; Father ₹2,00,000; Mother ₹4,98,500

Solution

Option (a) is correct

Taxable income of Divyansh = Prize of 1,00,000 as it is on account of skill/talent.

Income of Divyansh to be clubbed u/s 64(1A) = Business profit 50,000 + Interest 3,000 = 53,000.

Total income before clubbing u/s 64(1A):

Father = 2,00,000 Salary + 1,50,000 interest clubbed u/s 64(l)(iv) = 3,50,000;

Mother = 3,00,000.

Income of Divyansh clubbed with income of father (as his total income, before such clubbing, is greater) = 53,000 - 1,500 exempt u/s 10(32) = 51,500.

Taxable income of father = 3,50,000 + 51,500 = 4,01,500

MCQ 22

Raja and Rani, spouses, were employed with BCD (P) Ltd on annual salary income of ₹2 lakh each (computed), on the post of tax manager. Raja and Rani were doctors and operated their clinic from which they earned professional income of ₹3 lakh and ₹4 lakh, respectively (computed). Both of them had individually acquired 15% equity shares in the company on 1.6.2023. However, while Raja transferred 10% of his holding to his minor son on 1.1.2024, Rani transferred 10% of her holding to her friend on 1.3.2024. Taxable income of Raja and Rani for AY 2025-26 is:

a) Raja ₹5 lakh; Rani ₹6 lakh
b) Raja ₹8 lakh; Rani ₹3 lakh
c) Raja ₹7 lakh; Rani ₹4 lakh
d) Raja ₹3 lakh; Rani ₹8 lakh

Solution

Option (d) is correct

Both Raja and Rani are unqualified for the job of tax manager.

Equity shareholding in the concern during PY 2024-25 for both of them = Raja 5% + minor son (relative) 10% + Rani 5% = 20%.

Thus, both have substantial interest.

Salary of Raja is clubbed u/s 64(I)(ii) with income of Rani as her total income (excluding salary) of 4 lakh is greater.

Raja's income = 3 lakh professional income.

Rani's income = 2 lakh salary + 2 lakh salary clubbed + 4 lakh professional income = 8 lakh

MCQ 23

Badal gifted a house property valued at ₹50 lakh to his wife, Rani, who in turn gifted the same to her daughter-in-law Shamili shortly after. The house was let out at ₹25,000 per month throughout the PY 2024-25. Compute income from house property for AY 2025-26. In whose hands will this income be taxable?

a) ₹3 lakh in the hands of Badal
b) ₹2.1 lakh in the hands of Rani
c) ₹2.1 lakh in the hands of Badal
d) ₹2.1 lakh in the hands of Shamili

Solution

Option (c) is correct

Badal is deemed owner u/s 27(i) as house is transferred to spouse without adequate consideration.

Gift by Rani to daughter-in-law is covered u/s 64(I)(iv) as the transfer is without adequate consideration.

Alternatively, it can also be said that Badal has transferred the house indirectly to son's wife, via his spouse.

In any case, income is to be clubbed with the income of Badal.

Income = 3,00,000 annual value - 90,000 standard deduction = 2,10,000

MCQ 24

On 1.4.2024, Shan (Karta of his HUF comprising of his spouse and minor daughter), gifted ₹15 lakh to the HUF. The HUF purchased a property from this amount on which income for PY 2024-25 (accruing evenly across the year) was ₹1,20,000. The HUF was partitioned on 30.9.2024 and all assets were distributed equally. Shan's spouse has no other income during the year. Compute the amount to be included in the income of these persons for AY 2025-26 in respect of income from such property considering the provisions of the optional tax regime.

a) Shan ₹1,18,500
b) Shan ₹98,500; spouse ₹20,000
c) Shan ₹80,000; spouse ₹20,000, daughter ₹20,000
d) Shan ₹1,00,000; daughter ₹20,000

Solution

Option (a) is correct

Money is gifted to HUF: Section 64(2) is applicable.

TILL PARTITION: Income of Shan = 60,000 taxable in his hands.

AFTER PARTITION: Income of Shan = 20,000 received by self + 20,000 received by spouse clubbed in his hands + 18,500 received by minor daughter clubbed in his hands u/s 64(1A) after exempting 1,500 u/s 10(32) = 58,500.

Income to be included in the income of Shan = 1,18,500.

MCQ 25

On 1.4.2024, Mr. B gifted ₹1.5 lakh to Mrs. C (spouse of Mr. C, his brother). Mr. C, in turn, gifted ₹1 lakh to Master B (minor child of Mr. B). On the same day, both recipients invested the money in instruments generating interest of 10% p.a. Income of Mr. B is higher than Mrs. B (without considering interest income). Determine the income taxable in the hands of these persons for AY 2025-26 considering the provisions of the default tax regime.

a) Mr. B ₹8,500; Mr. C ₹15,000
b) Mr. B ₹15,000; Mr. C ₹10,000
c) Mr. B ₹10,000; Mr. C ₹10,000; Mrs. C ₹5,000
d) Mr. B ₹8,500; Mr. C ₹10,000; Mrs. C ₹5,000

Solution

Option (c) is correct

It is a case of cross transfer.

Income will be clubbed with the income of deemed transferors to the extent of cross transfer of Rs. 1 lakh.

Income clubbed with the income of Mr. B u/s 64(1A) = 10,000 Interest - NIL exempt u/s 10(32) as blocked under default tax regime = 10,000.

Income clubbed with the income of Mr. C u/s 64(l)(iv) = 10,000.

Income taxable in the hands of Mrs. C (beyond the extent of the cross transfer) = 5,000 (10% of 50,000).

MCQ 26

Sana has loss from grocery business of ₹1 lakh, income from hospital business referred u/s 35AD of ₹3 lakh, loss from speculative day trading in shares of ₹2 lakh, loss from let out house property of ₹2.5 lakh, long term capital gain u/s 112A of ₹4 lakh, short term capital loss of ₹3.5 lakh, loss from card games of ₹50,000 and winning from betting of ₹1.5 lakh. Her total income, under the optional tax regime, would be:

a) Income of ₹2 lakh
b) Income of ₹1.5 lakh
c) Income of ₹3 lakh
d) Income of ₹1 lakh

Solution

Option (a) is correct

Speculative loss of 2 lakh will be carried forward u/s 73.

Under head PGBP		
Income from hospital business	3,00,000	
Less: Loss from grocery business	1,00,000	
	2,00,000	
Less: HP loss set off up to 2 lakh (balance 0.5 lakh is carried forward)	2,00,000	Nil
Under head Capital Gain		
Long term capital gain	4,00,000	
Less: STCL	3,50,000	50,000
Under head other sources		
Winning from betting	1,50,000	
Card games loss lapses		1,50,000
Total Income		2,00,000

MCQ 27

For PY 2024-25, Faizal has income from jewellery business of ₹3,00,000 (before depreciation), current year depreciation of ₹1,00,000, unabsorbed depreciation of AY 2024-25 of ₹1,70,000, brought forward business loss from AY 2022-23 of ₹4,00,000, income from other sources of ₹70,000 and salary income of ₹50,000. Total income for AY 2025- 26 and loss to be carried forward would be:

a) Total income ₹1.2 lakh; Carry forward business loss ₹2 lakh and unabsorbed depreciation ₹1.7 lakh

b) Total income ₹50,000; Carry forward business loss ₹2 lakh and unabsorbed depreciation ₹1.7 lakh

c) Total income ₹1.2 lakh; Carry forward business loss ₹2 lakh and unabsorbed depreciation ₹1 lakh

d) Total income ₹50,000; Carry forward business loss ₹2 lakh and unabsorbed depreciation ₹1 lakh

Solution

Option (d) is correct

Under head Salary		50,000
Under head PGBP		
Income from jewellery business	3,00,000	
Less: Current year depreciation	1,00,000	
Less: Brought forward business loss	2,00,000	Nil
balance business loss of 2,00,000 is carried forward		
Under head other sources		
Income from other Source	70,000	
Less: Unabsorbed depreciation	70,000	Nil
balance unabsorbed depreciation of 1,00,000 is carried forward		
Total Income		50,000

MCQ 28

Johny has the following particulars of income for AY 2025-26: Income from transport business ₹1,00,000; loss from speculative business of AY 2020-21 ₹50,000; short term capital gain u/s 111A 1,75,000; short term capital loss from sale of rural agricultural land ₹3,50,000; long term capital loss u/s 112A brought forward from AY 2022-23 ₹1,25,000; short term capital loss on sale of unlisted shares brought forward from AY 2017-18 ₹2,25,000. Total income for AY 2025-26 and loss to be carried forward, under default tax regime, would be:

a) Total income ₹1 lakh; Carry forward loss ₹1.25 lakh
b) Total income ₹1 lakh; Carry forward loss ₹2.25 lakh
c) Total income ₹1 lakh; Carry forward loss ₹1.75 lakh
d) Total income ₹50,000; Carry forward loss ₹1.25 lakh

Solution

Option (a) is correct

Under head PGBP		
Income from transport business		1,00,000
Speculative loss of 50,000 has expired with AY 2024-25. Hence, cannot be brought forward to AY 2025-26.		
Under head Capital Gain		
Long term capital loss of 1,25,000 is carried forward as it can be set off only against long term capital gain.		
STCG	1,75,000	
Less: Short term capital loss on rural agricultural land of NIL as it is exempt	Nil	
Less: Short term capital loss on shares	1,75,000	Nil
(unabsorbed short term capital loss of 50,000 expires with AY 2025-26, hence, cannot be carried forward)		
Total Income		1,00,000

MCQ 29

During the PY 2024-25, Yaksh made the following payments of life insurance premium: ₹15,000 for self (policy issued on 31.3.2012 with sum assured ₹1,00,000); ₹20,000 for spouse (not dependent; policy issued on 1.4.2012 with sum assured ₹1,50,000); ₹25,000 for child (20 years age; suffering from a disease specified u/s 80DDB; policy issued on 1.6.2017 with sum assured ₹2,00,000); ₹20,000 for married daughter (policy issued on 1.6.2020 for sum assured ₹1,50,000); ₹18,000 for father (dependent; policy issued on 1.4.2011 with sum assured ₹3,00,000). Compute the deduction allowable u/s 80C under the optional tax regime.

a) ₹70,000

b) ₹50,000

c) ₹73,000

d) ₹40,000

Solution

Option (a) is correct

Computation of Deduction u/s 80C

Particulars	₹
For self (up to 20% of sum assured)	15,000
For spouse (up to 10% of sum assured)	15,000
For child (up to 15% of sum assured)	25,000
For daughter (up to 10% of sum assured)	15,000
For father NIL as not eligible	Nil
	70,000

MCQ 30

Saina is a Central Government employee earning basic salary of ₹1,00,000 per month and dearness allowance @ 80% of basic salary (forming part of retirement benefits). During the PY 2024-25, she contributed 15% of her total salary to the NPS account with her employer making a matching contribution. Compute deduction u/s 80CCD under optional tax regime.

a) ₹5,68,400
b) ₹4,16,000
c) ₹5,02,400
d) ₹4,82,000

Solution

Option (c) is correct

80CCD salary = Basic salary of 12,00,000 + DA of 9,60,000 = 21,60,000.

Contribution to NPS = 15% of total salary = 3,24,000.

Deduction u/s 80CCD(1B) for own contribution = 50,000.

Deduction u/s 80CCD(1) for own contribution = 2,74,000 (3,24,000 - 50,000 considered u/s 80CCD(1B)) allowed up to 2,16,000 (10% of 80CCD salary) = 2,16,000 but allowed up to the 80CCE limit of 1,50,000 = 1,50,000.

Deduction u/s 80CCD(2) = 3,24,000 allowed up to 3,02,400 (14% of 80CCD salary) = 3,02,400.

Total deduction u/s 80CCD = 50,000 + 1,50,000 + 3,02,400 = 5,02,400

MCQ 31

Raju purchased his first residential house in Chennai on 1.4.2022. He applied for a home loan from IDFC Bank on 15.3.2022 which got sanctioned on 25.3.2022. Stamp duty value of the house was ₹45 lakh. Interest on the loan amounted to ₹3,90,000 for the FY 2024-25 out which Raju could pay only ₹3,10,000. Further, during the FY 2024-25, he repaid principal amounting to ₹1,00,000. Compute the total interest deduction that Raju can claim for the AY 2025-26 under the optional tax regime.

a) Nil
b) ₹3,50,000
c) ₹3,10,000
d) ₹4,50,000

Solution

Option (b) is correct

Deduction u/s 24(b) in computing IHP is allowed up to 2,00,000.

Loan is taken to acquire residential house property, loan is sanctioned during the period PY 2019-20 to 2022- 23, SDV is not > 45 lakh and Raju does not own any residential house property on date of sanction of loan.

Deduction u/s 80EEA is allowed up to 1,50,000.

Deduction under both provision is allowed on due basis.

Total deduction = 3,50,000.

Deduction on account of repayment of principal can be claimed u/s 80C.

MCQ 32

Kavya made the following donations during the PY 2024-25: Lieutenant Governor's Relief Fund ₹30,000 (paid by cheque); Prime Minister's Drought Relief Fund ₹50,000 (paid by cheque); approved association for promoting family planning ₹30,000 (paid by cheque); Indian Olympic Association ₹60,000 (paid by cheque); charitable institution approved u/s 80G ₹40,000 (paid by cheque); 1,000 kg rice to a notified mosque worth ₹40,000. Her gross total income comprises income from house property ₹6,00,000 and long term capital gain ₹1,00,000. She deposited ₹1,00,000 in her PPF account. Compute her total income. Kavya has opted out of the default tax regime.

a) ₹4,45,000
b) ₹4,95,000
c) ₹4,05,000
d) ₹5,05,000

Solution

Option (d) is correct

Donations not subject to qualifying limit = LGRF 30,000 (100%) + PMDRF 25,000 (50%) = 55,000.

Donations subject to qualifying limit = Approved association for promoting family planning 30,000 + IOA NIL (as only company can claim deduction) + Charitable institution 40,000 + Mosque NIL (as donation is in kind) = 70,000.

Computation of Adjusted total income

Particulars	₹
Gross Total Income	7,00,000
Less: LTCG	1,00,000
Less: Deduction under Chapter VIA (except u/s 80G)	1,00,000
	5,00,000
10% of Adjusted total income	50,000

Computation of Deduction u/s 80G

Particulars	₹
Donations not subject to qualifying limit	55,000
Donations subject to qualifying limit	40,000
[Approved association for promoting family planning 30,000 (100%) + Charitable institution 10,000 (50% of 20,000, i.e., 50,000 qualifying limit - 30,000)]	
	95,000

Total income = 7,00,000 - Deduction u/s 80C 1,00,000 - Deduction u/s 80G 95,000 = 5,05,000

MCQ 33

During the PY 2024-25, Virat, a resident aged 62 years, earned the following incomes: Income from house property ₹3,00,000; interest on fixed deposit with ICICI bank ₹20,000; interest on savings bank account with co-operative bank ₹10,000; interest on PPF ₹50,000; interest on recurring deposit account with Punjab National Bank ₹25,000 and interest on savings account with Post Office (individual account) ₹13,500. Compute his total income. Virat has opted out of the default tax regime.

a) ₹3,15,000
b) ₹3,18,500
c) ₹3,55,000
d) ₹3,22,500

Solution

Option (a) is correct

Computation of Total Income

Particulars	₹
Income under head House Property	3,00,000
Interest on FD	20,000
Interest on savings a/c with co-operative bank	10,000
PPF interest NIL as it is exempt	Nil
Interest on RD	25,000
Post Office (individual account) Interest (13,500 - 3,500 exempt)	10,000
GTI	3,65,000
Deduction u/s 80TTB (as Virat is a senior citizen)	
20,000 on FD + 10,000 on Savings A/c with coop bank + 25,000 on RD + 10,000 on POSA = 65,000, allowed up to 50,000	50,000
Total Income	3,15,000

MCQ 34

Janak started a new transport business on 1.4.2024. Turnover of business for PY 2024-25 was ₹1.5 crore and 20% transactions of receipts and payments, each, were in cash. He employed 5 people on 1.5.2024 out of which one person drew salary of ₹30,000 p.m. (all others were paid emoluments of ₹25,000 p.m.), one person resigned on 1.9.2024, one person did not participate in the recognized provident fund and one person took emoluments in cash. Determine the deduction available u/s 80JJAA for AY 2025-26.

a) Nil
b) ₹1,65,000
c) ₹2,47,500
d) ₹3,30,000

Solution

Option (b) is correct

Since cash payments and cash receipts, each exceed 5% of total payments and total receipts, respectively, tax audit limit u/s 44AB is 1 crore.

Hence, tax audit applies and deduction u/s 80JJAA is available.

Additional employees = 5 people employed - 1 (salary is > 25,000 p.m.) - 1 (resigned, hence, employed for < 240 days) - 1 (did not participate in RPF) = 2.

Additional employee cost = 2 x 25,000 x 11 = 5,50,000.

Deduction u/s 80JJAA @ 30% = 1,65,000.

Cash payment is not a bar in the first year of a new business.

MCQ 35

Krish, a resident of age 45 years, is employed with Z Ltd. on an annual salary of ₹4,50,000 p.m. This includes nonmonetary perquisites of ₹50,000 p.m. provided by Z Ltd. Tax on such non-monetary perquisites is borne by Z Ltd. Determine the amount of TDS that would be deducted from the salary during the FY 2024-25. Krish has intimated Z Ltd. of his intention to be covered by the default tax regime. He has deposited ₹1,50,000 in his PPF account.

a) ₹1,72,553
b) ₹14,84,340
c) ₹15,52,980
d) ₹13,06,935

Solution

Option (d) is correct

Tax deductible u/s 192 from the salary during the FY 2023-24

Particulars	₹
Salary including all income by way of non-monetary perquisites	54,00,000
Tax on non-monetary perquisite paid by employer on behalf of employee is exempt u/s 10(10CC)	Nil
Less: Standard deduction u/s 16	(75,000)
Income under the head 'Salaries'	53,25,000
Less: Deduction u/s 80C for PPF deposit (blocked under default tax regime)	Nil
Total income	53,25,000
Tax on First 15,00,000	1,40,000
Tax on balance 38,25,000 x 30%	11,47,500
	12,87,500
Add: Surcharge @10%	1,28,750
	14,16,250
Add: HEC @4%	56,650
	14,72,900
Average rate of tax = 14,72,900 / 53,25,000 x 100	27.66%
Tax payable on non-monetary perquisite by Z Ltd. = 27.66% of 6,00,000	1,65,960
Tax to be deducted from salary u/s 192 = 27.66% of 47,25,000 (53,25,000 - 6,00,000)	13,06,935

MCQ 36

During the PY 2024-25, Mr. Gamble earned the following incomes: Lottery prize of ₹30,000 (₹7,500 received on 16.9.2024 and the balance on 5.10.2024) from HP State Lottery; winning in a card game (not online) of ₹5,000 on 15.8.2024 from a local casino; Jackpot prize of a car worth ₹5 lakh along with cash prize of ₹2.5 lakh in a TV game show on 15.12.2024; first prize in horse race of ₹50,000 from the Delhi Horse Club on 15.2.2025. He did not furnish his PAN number to the Delhi Horse Club. What is the total cash amount that he would finally get in hand after TDS, if any?

a) ₹89,500
b) ₹86,000
c) ₹5,86,000
d) ₹83,750

Solution

Option (b) is correct

TDS u/s 194B and 194BB

Lottery prize 30,000 x 30% (as winning is > 10,000 during the FY)	9,000
Card game NIL (as winning is not > 10,000 during the FY from casino)	-
jackpot prize (@ 30% of 7,50,000; as winning is > 10,000 during the FY)	2,25,000
horse race 50,000 x 30% (as winning is > 10,000 during the FY; 30% rate applies even u/s 206AA where PAN is not furnished)	15,000
	2,49,000

Receipts in cash = 30,000 + 5,000 + 2,50,000 + 50,000 - 2,49,000 of TDS = 86,000.

MCQ 37

Mr. Raja carries on a business having turnover of ₹3 crore for FY 2023-24. During the FY 2024-25, he made the following payments: ₹37,500 to Shine Pvt. Ltd., an advertising agency, for running an advertisement campaign for his newly launched product under an advertisement contract; ₹60,000 to Indian Railways for transportation of goods; ₹2,50,000 to Food & Co caterers for arranging catering during his marriage anniversary celebrations; ₹1,00,000 to Dinesh Pvt. Ltd. for supplying anniversary invitation cards as per his specifications (he supplied the material for this purpose); ₹1,80,000 to Mr. Rohit for manufacturing furniture for his office (material was supplied by King Pvt. Ltd. in which Mr. Raja held 15% equity shares). All the payments were made during the period June to December 2024 and all payees are residents. Compute the amount of TDS deductible by Mr. Raja.

a) ₹3,750
b) ₹750
c) ₹2,550
d) ₹2,250

Solution

Option (b) is correct

TDS u/s 194C

Shine Pvt. Ltd. (2% of 37,500, since the sum is > 30,000)	750
Indian Railways (as transport by Railways is excluded)	-
Caterers (as it is for personal purposes)	-
Dinesh (as it is for personal purposes)	-
Rohit NIL (it is not 'work' as material is not purchased by Mr. Rohit from Mr. Raja or his associate. King Pvt. Ltd. is not his associate as he holds < 20% equity shares therein)	-
	750

MCQ 38

Jacob, a resident, received the following during the period June 2024 to March 2025: Tts. 37,500 for developing a website for Mantle Pvt. Ltd.; ₹52,500 as fees for technical services (not being professional services) from Roman HUF carrying on business having turnover of ₹2 crore for FY 2023-24; ₹15,000 as directors' remuneration from Axis Pvt. Ltd. (TDS is not deductible u/s 192); ₹75,000 as royalty from Shine & Co, partnership firm, in respect of patent developed by him; ₹1,50,000 as non-compete fee from Bright Ltd. for not carrying out profession in a specialized line of technology. Compute the amount of TDS deducted on these amounts.

a) ₹33,000
b) ₹25,400
c) ₹28,800
d) ₹27,300

Solution

Option (c) is correct

TDS u/s 194J

From Mantle Pvt. Ltd. (@ 10% of 37,500 since sum is > 30,000)	3,750
From Roman HUF (@ 2% of 52,500 since sum is > 30,000 and HUF is specified u/s 194J as turnover from business in preceding FY is > 1 crore)	1,050
From Axis Pvt. Ltd. (@ 10% of 15,000; there is no threshold)	1,500
From Shine & Co (@ 10% of 75,000 since sum is > 30,000)	7,500
From Bright Ltd. (@ 10% on 1,50,000 since sum is > 30,000)	15,000
	28,800

MCQ 39

During the PY 2024-25, Mr. Krishna withdrew ₹1.5 crore in cash in the aggregate from five accounts maintained with Bihar Co-operative Bank, during the month of March 2025. He also withdrew ₹30 lakh in cash from the Saving Bank Account maintained in the Post Office during February 2025 and ₹10 lakh in cash from current account maintained with Bank of India during December 2024. He has not filed his return for the last 10 years. Determine the amount of TDS that will be deducted.

a) ₹8,10,000
b) ₹3,60,000
c) ₹6,00,000
d) ₹4,30,000

Solution

Option (d) is correct

Mr. Krishna has not filed the return for all of the 3 PYs, for which the time limit to file return u/s 139(1) has expired, immediately preceding the PY 2024-25.

Threshold u/s 194N is 20 lakh.

TDS on payment from Bihar coop bank = 2% of 80 lakh (sum > 20 lakh and up to 1 crore) + 5% of 50 lakh (sum > 1 crore) = 4,10,000.

TDS on payment from Post Office @ 2% of 10 lakh (sum > 20 lakh) = 20,000.

TDS on payment from BOI NIL (as sum is not > 20 lakh).

Total TDS = 4,30,000

MCQ 40

Dash Cars Ltd., a car manufacturer, having a turnover of ₹15 crore for FY 2023-24, sold 5 cars of ₹15 lakh each to a transport company in retail sale on 15.2.2025 and 5 cars of ₹12 lakh each to a car distributor on 15.11.2024. Amounts were received within the FY 2024-25. Business turnover of transport company and car distributor is ₹15 crore and ₹5 crore, respectively, for FY 2023-24. What is the amount of TCS that Dash Cars Ltd. will collect?

a) Nil

b) ₹76,000

c) ₹8,500

d) ₹81,000

Solution

Option (b) is correct

Sale to transport company.

TCS is collectible u/s 206C(1F) as value of each car is > 10 lakh.

TCS u/s 206C(1F) = 1% of 75 lakh = 75,000.

TDS is not deductible u/s 194Q as TCS is collectible u/s 296C(1F).

TCS is not collectible u/s 206C(1H) as goods are covered u/s 206C(1F).

Sale to car distributor: Though value of each car is > 10 lakh, TCS it not collectible u/s 206C(1F) since it is not a retail sale.

TDS is not deductible u/s 194Q as turnover of buyer is not > 10 crore in the preceding FY.

TCS is collectible u/s 206C(1H) as turnover of seller is > 10 crore in the preceding FY, sale consideration is > 50 lakh, goods are not covered u/s 206C(1F) and buyer is not liable to deduct TDS u/s 194Q.

TCS u/s 206C(1H) = 0.1% of 10 lakh (60 lakh - 50 lakh) = 1,000.

Total TCS = 75,000 + 1,000 = 76,000.

MCQ 41

Mr. J, a lawyer and a resident aged 42 years, has estimated gross receipts from profession for FY 2024-25 at ₹50 lakh and income chargeable under the head IFOS at ₹15 lakh. He has opted for presumptive income determination u/s 44ADA. Tax deducted at source during the year is ₹2,50,000. He paid advance tax of ₹5,00,000 on 15.3.2025 and filed return of income on 25.7.2025.

Compute the interest u/s 234B and 234C that he will be liable to pay upon self-assessment at the time of filing return of income. Mr. J has opted out of the default tax regime.

a) ₹15,150

b) ₹23,467

c) ₹47,667

d) Nil

Solution

Option (a) is correct

Total income = PGBP 25 lakh (50% of 50 lakh u/s 44ADA) + IFOS 15 lakh = 40 lakh.

Since profits and gains are declared u/s 44ADA, whole of advance tax is payable by 15.3.2025.

Assessed tax and tax due on returned income = Tax on total income of 40 lakh of 10,53,000 - TDS 2,50,000 = 8,03,000.

Interest u/s 234B is payable as advance tax paid of 5,00,000 is < 7,22,700 (90% of assessed tax of 8,03,000).

Interest u/s 234B = 1% p.m. for 4 months (1.4.2025 to 25.7.2025; part of a month is taken as full month) on shortfall of 3,03,000 (8,03,000 assessed tax - 5,00,000 advance tax paid) = 12,120.

Interest u/s 234C = 1% of shortfall of 3,03,000 (8,03,000 tax due on returned income - 5,00,000 advance tax paid up to 15 March) = 3,030.

Total interest = 15,150

MCQ 42

Mrs. C, a resident of age 68 years, is a retired professor. During the PY 2024-25, she received dividend of ₹1,35,000 from BCD Pvt. Ltd., an Indian company, and interest of ₹80,000 on debentures of XYZ Ltd. She also received ₹10,00,000 on maturity of her PPF Account and ₹1,00,000 out of the income of HUF of which she is a member. All the amounts were received by cheque which were deposited in her savings bank account on which she received interest of ₹40,000. She did not furnish her PAN number to XYZ Ltd. Is Mrs. C required to file her return of income for AY 2025-26 and if so, what is the due date? Consider optional tax regime.

a) Not required to file return
b) Required to file return; due date 31.7.2025
c) Required to file return; due date 31.10.2025
d) Required to file return; due date 30.11.2025

Solution

Option (a) is correct

Total income before Chapter VIA deduction

Particulars	₹
dividend (gross of TDS @ 10% u/s 194 of 15,000)	1,50,000
interest on debentures (gross of TDS @ 20% u/s 193 of 20,000; rate of 20% applies u/s 206AA as she did not furnish her PAN	1,00,000
PPF proceeds (exempt u/s 10)	-
Sum paid out of income of HUF (exempt u/s 10(2))	-
interest on savings bank account (TDS is not deductible u/s 194A)	40,000
	2,90,000

This is not > BEL of 3,00,000.

Aggregate of TDS deducted during the PY of 35,000 is < 50,000. Deposits in her savings bank account, in the aggregate is < 50 lakh during the PY.

Hence, she is not required to furnish return.

MCQ 43

Mr. Z declared tax on his total income for AY 2025-26 of ₹54,600 and furnished a belated return. He had paid advance tax of ₹12,000. TDS was deducted for ₹7,500 and he claimed relief u/s 89 of ₹1,400. Interest u/s 234A, 234B and 234C cumulatively amounted to ₹2,500 and fee u/s 234 was ₹5,000. He paid ₹30,000 on self-assessment at the time of filing his return. How much amount will still remain payable by Mr. Z?

a) ₹2,500 of interest; ₹8,700 of tax
b) ₹5,000 of fee; ₹2,500 of interest; ₹3,700 of tax
c) ₹5,000 of fee; ₹6,200 of tax]
d) ₹11,200 of tax

Solution

Option (d) is correct

Particulars	₹
Tax on Total Income	54,600
Less: Self-assessment tax paid i.e. 30,000 + 12,000	(42,000)
Less: Relief u/s 89	(1,400)
Less: TDS	(7,500)
Add: Interest and Fees i.e. 2,500 + 5,000	7,500
Tax still payable	11,200

MCQ 44

Mr. Gupta filed his return of loss for AY 2023-24 on 31.7.2022. After processing of return, he received a refund of ₹30,000. He has come across additional income to be reported and he wishes to furnish an updated return 10.11.2024. This would result in tax payable of ₹40,000 and interest payable of ₹10,000. What is the amount of additional tax that he would need to pay at the time of furnishing the updated return?

a) ₹40,000
b) ₹25,000
c) ₹20,000
d) ₹12,500

Solution

Option (c) is correct

Since updated return is furnished after expiry of time available to furnish belated/revised return (31.12.2022) and before completion of 12 months from the end of AY 2023-24.

Therefore, additional tax = 25% of tax and interest payable

= 25% of 80,000 (tax as per updated return of 40,000 + refund issued in respect of earlier return of 30,000 + interest as per updated return of 10,000) = 20,000

MCQ 45

Srishti, a resident age 46 years, has the following particulars of income for AY 2025-26: Business income ₹20,00,000 (after claiming deduction of ₹10,00,000 u/s 35AD). Assets on which deduction u/s 35AD is claimed are otherwise eligible for normal depreciation of ₹1,00,000. She has also claimed deduction of ₹2,00,000 u/s 80RRB and ₹1,00,000 u/s 80C. Compute her tax liability for AY 2025-26 in a manner which is most beneficial to her.

a) ₹5,38,720
b) ₹5,92,800
c) ₹3,35,400
d) ₹4,67,200

Solution

Option (a) is correct

Computation of Tax liability (Old regime)

Particulars	Amount
GTI	20,00,000
Less: Deduction u/s 80C-80U	
u/s 80RRB	2,00,000
u/s 80C	1,00,000
Total Income	17,00,000
Tax on Total income of 10,00,000	1,12,500
Tax on balance 7,00,000 x 30%	2,10,000
	3,22,500
Add: 4% HEC	12,900
	3,35,400

Computation of Tax liability (New regime)

Particulars	Amount
Total Income (deduction u/s 35AD is not allowed)	29,00,000
Tax on Total income of 15,00,000	1,40,000
Tax on balance 14,00,000 x 30%	4,20,000
	5,60,000
Add: 4% HEC	22,400
	5,82,400

Adjusted Total income = 20,00,000 + 10,00,000 – 1,00,000 Depreciation – 1,00,000 u/s 80C = 28,00,000

Tax as per provisions of AMT = (28,00,000 x 18.5%) + 4% HEC = 5,38,720

AMT Credit = 5,38,720 –3,35,400 = 2,03,320

Most beneficial Tax Liability is Rs. 5,38,720 under AMT.

MCQ 46

Sushi, resident of age 65 years, has the following incomes during the PY 2024-25: Basic salary received ₹12,00,000; HRA received ₹3,00,000 (₹2,50,000 is exempt), loss from let out house property ₹3,00,000, family pension ₹60,000, interest from debentures of ₹51,500 earned by minor child out of money gifted by Sushi, medical insurance premium paid for self and spouse (63 years) ₹60,000. Compute her tax liability for AY 2025-26, considering the provisions which are most beneficial to her.

a) ₹1,45,990
b) ₹1,70,510
c) ₹1,45,600
d) ₹1,02,960

Solution

Option (d) is correct

Computation of Tax liability (Old regime)

Particulars	Amount
Salary Income (12,00,000 + 50,000)	12,50,000
Less: Standard deduction u/s 16	50,000
Less: House property loss set off max 2,00,000	(3,00,000)
	9,00,000
Family pension	60,000
Less: Exempt 1/3rd of Pension but max 15,000	(15,000)
	45,000
Interest from debentures clubbed	51,500
Less: Exemption	(1,500)
	50,000
GTI	9,95,000
Less: Deduction u/s 80C-80U	
u/s 80D max 50,000	50,000
Total Income	9,45,000
Tax on Total income of 9,45,000 @slab rate	99,000
Add: 4% HEC	3,960
	1,02,960

Computation of Tax liability (New regime)

Particulars	Amount
Salary Income (12,00,000 + 3,00,000)	15,00,000
Less: Standard deduction u/s 16	75,000
Less: House property loss set off max 2,00,000	Nil
	14,25,000
Family pension	60,000
Less: Exempt 1/3rd of Pension but max 25,000	(20,000)
Interest from debentures clubbed	51,500
Less: Exemption	Nil
	51,500
GTI	15,16,500
Less: Deduction u/s 80C-80U	
u/s 80D max 50,000	Nil
Total Income	15,16,500
Tax on Total income of 15,00,000	1,40,000
Tax on balance 16,500 x 30%	4,950
	1,44,950
Add: 4% HEC	5,798
	1,50,750

Most beneficial Tax Liability is Rs. 1,02,960 under old Tax Regime.

MCQ 47

Juhi, age 36 years, has earned income from salary of ₹9,00,000 (computed) for the PY 2024-25. She has claimed the following deductions: ₹1,00,000 u/s 80CCD(2) for employer's contribution to NPS, ₹1,00,000 for own contribution to NPS u/s 80CCD(1), additional deduction of ₹50,000 u/s 80CCD(1B) for own contribution to NPS. She has deposited ₹1,00,000 in PPF. Compute her tax liability for AY 2025-26, considering the provisions which are most beneficial to her.

a) ₹36,400
b) ₹33,800
c) ₹39,000
d) ₹37,500

Solution

Option (b) is correct

Computation of Tax liability (Old regime)

Particulars	Amount
GTI	9,00,000
Less: Deduction u/s 80C-80U	
u/s 80CCE max 1,50,000	1,50,000
u/s 80CCD(1b)	50,000
u/s 80CCD(2)	1,00,000
Total Income	6,00,000
Tax on Total income of 6,00,000	32,500
Add: 4% HEC	1300
	33,800

Computation of Tax liability (New regime)

Particulars	Amount
GTI	9,00,000
Less: Deduction u/s 80C-80U	
u/s 80CCD(1b)	1,00,000
Total Income	8,00,000
Tax on Total income of 8,00,000 @slab rate	35,000
Add: 4% HEC	1400
	36,400

Most beneficial Tax Liability is Rs. 33,800 under old Tax Regime.

MCQ 48

Rajnish took a business loan from a firm (in which his wife held 50% profit share) @ 20% p.a. interest (market rate was 15% p.a.) on which interest of ₹60,000 for the PY 2024-25 remained unpaid till the due date to file return for such PY. Interest of ₹30,000 also arose on outstanding payments to trade creditors, 75% of which was paid till 31.3.2025 and the rest was paid after the due date to file return for the PY. He also took a loan from SBI to buy a car for personal use on which interest of ₹20,000 was duly paid on time during the PY. The deduction available in computing income under the head PGBP for PY 2024-25 is:

a) ₹90,000
b) ₹75,000
c) ₹22,500
d) ₹82,500

Solution

Option (b) is correct

Since wife holds substantial interest in the firm, interest exceeding market rate is disallowed u/s 40A(2); section 43B is not applicable to this case.

Deduction = 45,000 for interest to firm (@15%) + 30,000 for trade creditors (section 43B is not applicable) + NO for personal loan = 75,000.

MCQ 49

Rana was offered 100 right shares of PQR Ltd. @ ₹400 per share on 20.5.2023 which he renounced in favor of Sana @ ₹200 per share on 25.5.2023, who subsequently subscribed to the shares and was allotted the shares on 10.6.2023. Sana sold all the shares @ ₹1,000 per share on 30.5.2024. Shares are not listed and STT is not applicable. Capital gain arising to Rana for AY 2024-25 and Sana for AY 2025-26 will be:

a) STCG of ₹20,000; LTCG of ₹36,811

b) STCG of ₹20,000; STCG of ₹40,000

c) Nil; STCG of ₹60,000

d) STCG of ₹40,000; LTCG of ₹78,937

Solution

Option (b) is correct

Rana: STCG on renouncement = FVC 20,000 - COA Nil = 20,000.

Sana: STCG on sale of shares (as POH is not > 24 months from date of allotment) :-

Computation of Capital Gain

Particulars	₹
Full Value of consideration	1,00,000
Less: Expenditure on transfer	0
Net consideration	1,00,000
Less: Cost of Acquisition (@ 200 paid to Rana + 400 paid to PQR Ltd.)	60,000
STCG	40,000

MCQ 50

Vinay purchased 100 equity shares of Reliable Ltd. on 1.4.2016 @ ₹500 per share (STT paid). He was allotted bonus shares in the ratio of 1:2 on 1.10.2023. Vinay sold all the shares on 1.4.2024 @ 475 per share (STT paid). Shares were not traded on stock exchange on 31.1.2018 although quoted at ₹400 on this date (last traded on 25.1.2018 at highest quoted price of ₹450 and thereafter on 3.2.2018 at the highest quoted price of ₹430). Calculate capital gain for AY 2025-26.

a) LTCG of ₹2,500; STCG of ₹23,750
b) LTCG of (–) ₹12,538; STCG of ₹23,750
c) LTCG of (–) ₹2,500; STCG of ₹23,750
d) LTCG of (–) ₹4,945; STCG of ₹23,750

Solution

Option (c) is correct

Original shares: LTCG as POH is > 12 months.

Covered u/s 112A and acquired before 1.2.2018.

COA per share = Higher of

a) cost of 500 and

b) lower of FMV 450 or FVC 475

= 500; LTCG per share = 475 - 500 = (25). LTCG = (2500).

Bonus shares: STCG as POH is not > 12 months.

STCG per share = FVC 475 - COA nil = 475.

STCG for 50 shares = 23,750