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## Income from Other Sources – CS Executive Tax Laws MCQs – GST Guntur

14–17 minutes

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Students should practice Income from Other Sources – [CS Executive Tax Laws MCQ](#) Questions with Answers based on the latest syllabus.

Question 1.

Which of the following is not included in taxable income:

- (A) Income from smuggling activity
- (B) Casual income
- (C) Gifts of personal nature subject to a maximum of ₹ 50,000 received in cash
- (D) Income received in-kind [Dec. 2014]

Answer:

- (C) Gifts of personal nature subject to a maximum of ₹ 50,000 received in cash

Question 2.

The amount deductible from a family pension is up to:

- (A) ₹ 15,000 or 1/3rd of family pension whichever is less
- (B) ₹ 15,000 or 1 /2 of family pension whichever is less
- (C) ₹ 10,000 or 1/3rd of family pension whichever is less
- (D) No deduction [Dec. 2014]

Answer:

- (A) ₹ 15,000 or 1/3rd of family pension whichever is less

Question 3.

Sameer received the following income during PY 2020-21: Director's fees ₹ 5,000

Income from agricultural land in Pakistan ₹ 15,000

Rent from let-out of land in Jaipur ₹ 20,000

Interest on deposit with HDFC Bank ₹ 1,000

Dividend from Indian company ₹ 5,000.

His income from other sources is

- (A) ₹ 41,000
- (B) ₹ 46,000
- (C) ₹ 31,000
- (D) ₹ 26,000 [Dec. 2014]

Hint:

$$5,000 + 15,000 + 20,000 + 1,000 + 5,000 = 46,000.$$

No DDT w.e.f. 1.4.2020. The dividend received is taxable in hands of the share-holder.

Answer:

(B) ₹ 46,000

Question 4.

Akshay received a gift of ₹ 35,000 each on 22nd May 2020 from his three friends.

The amount chargeable to tax, in this case, would be

(A) ₹ 50,000

(B) ₹ 1,05,000

(C) Nil

(D) ₹ 55,000 [Dec. 2014]

Answer:

(B) ₹ 1,05,000

Question 5.

Which of the following income will be taxable as income from other sources?

(A) Purchase of house from husband for inadequate consideration

(B) Purchase of painting from the registered dealer at invoice value less than fair market value

(C) Cash gift from a non-resident friend on marriage anniversary

(D) All of the above [June 2015]

Answer:

(C) Cash gift from a non-resident friend on marriage anniversary

Question 6.

John, engaged in fertilizer trade, received rent by sub-letting a building.

This will be taxable under the head

(A) Income from house property

(B) Income from capital gains

(C) Income from profits and gains of business and profession

(D) Income from other sources [June 2015]

Answer:

(D) Income from other sources

Question 7.

A private limited company engaged in manufacturing activity had a general reserve of ₹ 20 lakhs. It granted a loan of ₹ 5 lakhs to a director who held 13% shareholding cum voting rights in the company. The said loan was re-paid by him before the end of the year.

The amount of deemed dividend arising out of the above transaction is

(A) ₹ 2,60,000

(B) ₹ 2,40,000

(C) ₹ 5,00,000

(D) Nil [Dec. 2015]

Answer:

(C) ₹ 5,00,000

Question 8.

Rajiv (aged 28 years) received a cash gift of ₹ 2 lakhs on the occasion of his marriage. It includes gifts from non-relative of ₹ 80,000. His income by way of lottery winnings is ₹ 3 lakhs.

His net income tax liability (ignoring TDS) would be

(A) ₹ 93,600

(B) ₹ 22,660

(C) ₹ 12,360

(D) ₹ 25,750 [Dec. 2015]

Hint:

A gift of ₹ 2 lakhs received on the occasion of his marriage whether from relative or non-relative is exempt. Only lottery income is taxable without basic exemption.

$3,00,000 \times 31.296 = 93,600$ .

Answer:

(A) ₹ 93,600

Question 9.

Ms. Sitara is in receipt of family pension of ₹ 15,000 p.m. during 2020-2021. Income chargeable to tax for AY 2021-22 of Ms. Sitara is

(A) ₹ 1,80,000

(B) ₹ 1,20,000

(C) ₹ 1,65,000

(D) Nil

Answer:

(C) ₹ 1,65,000

Question 10.

Where a foreign institutional investor received income in respect of securities other than income by way of dividend referred to in section 115-O or received in respect of securities other than units referred to in section 115AB, such income is taxable @

(A) 15%

(B) 10%

(C) 20%

(D) 30% [Dec. 2015]

Answer:

(C) 20%

Question 11.

Rishabh received the following gifts during the previous year:

(i) ₹ 50,000 from his employer.

(ii) ₹ 1,00,000 from mother's sister.

(iii) ₹ 10,000 from his friend on the occasion of his marriage.

(iv) ₹ 60,000 in the form of scholarship from a registered charitable trust.

The amount of taxable gift under the head 'Income from other sources

is

- (A) Nil
- (B) ₹ 50,000
- (C) ₹ 1,50,000
- (D) ₹ 2,10,000 [June 2016]

Hint:

Taxability of gift under the head 'Income from other sources':

Type of gift	Taxable Amount	Reason
Gift from employer	Nil	Taxable under 'Salary' not under the head 'Income from other sources'
Gift from mother sister	Nil	Gift from relative is exempt.
Gift on occasion of marriage	Nil	Gift on occasion of marriage is exempt.
Scholarship gift	Nil	Exempt
Total	Nil	

Answer:

- (A) Nil

Question 12.

Comfort (Pvt.) Ltd. issued 10,000 equity shares to Pawan at ₹ 18 per share when the fair market value of each share was determined at ₹ 11 per share. The tax implication of the transaction is

- (A) ₹ 70,000 taxable as income for Comfort (Pvt.) Ltd.
- (B) ₹ 20,000 taxable as income for Pawan
- (C) ₹ 10,000 taxable as income for Pawan
- (D) Nil

Hint:

'Issue price' should be more than both 'face value' and 'FMV' and if this condition is satisfied then the difference between 'issue price' and 'FMV' shall be income.

$$(18 - 11) \times 10,000 = 70,000$$

Answer:

- (A) ₹ 70,000 taxable as income for Comfort (Pvt.) Ltd.

Question 13.

While making payment of winnings from horse race, the tax will be deducted at source, if the payment exceeds

- (A) ₹ 5,000
- (B) ₹ 10,000
- (C) ₹ 25,000
- (D) ₹ 50,000 [June 2016]

Answer:

- (B) ₹ 10,000

Question 14.

A member of Parliament received ₹ 1,50,000 per month as salary and ₹

4,50,000 as daily allowances during PY 2020-21. The taxable amount will be

- (A) Salary ₹ 18,00,000
- (B) Income from profession ₹ 22,50,000
- (C) Income from other sources ₹ 18,00,000
- (D) Nil [Dec. 2016]

Answer:

- (C) Income from other sources ₹ 18,00,000

Question 15.

A lady received gifts worth ₹ 1,00,000 from her relatives as defined under the Income-tax Act, 1961, and ₹ 60,000 from her office colleagues on her marriage anniversary.

The taxable amount of gifts would be

- (A) ₹ 1,60,000
- (B) ₹ 60,000
- (C) ₹ 10,000
- (D) ₹ 1,10,000 [Dec. 2016]

Answer:

- (B) ₹ 60,000

Question 16.

Amit received ₹ 70,000 being winnings from lottery after deduction of tax at source.

His gross winnings from the lottery to be included in the total income is

- (A) Nil
- (B) ₹ 1,00,000
- (C) ₹ 70,000
- (D) ₹ 30,000 [Dec. 2016]

Answer:

- (B) ₹ 1,00,000

Question 17.

Mr. Ram received a cash gift of ₹ 51,000 from his friends on the occasion of his 50th birthday. None of the friends are relatives.

The amount liable to tax in the hands of Mr. Ram would be:

- (A) Nil
- (B) ₹ 1,000
- (C) ₹ 51,000
- (D) ₹ 46,000 after deducting casual income of ₹ 5,000 [June 2017]

Hint:

$$\text{Gross winnings} = \left( \frac{70,000}{70\%} \right) = 1,00,000$$

Answer:

- (C) ₹ 51,000

Question 18.

Agni (P.) Ltd. issued equity shares of ₹ 10 each at ₹ 40 per share. The fair market value of the share on the date of issue was ascertained as ₹ 25 per share. The company issued 1,00,000 equity shares.

The amount liable to tax in the hands of the company would be:

- (A) ₹ 15,00,000
- (B) ₹ 30,00,000
- (C) Nil
- (D) ₹ 40,00,000 [June 2017]

Hint:

$$(40 - 25) \times 1,00,000 = 15,00,000.$$

Answer:

- (A) ₹ 15,00,000

Question 19.

R has taken a house on rent and sublets the same to G. Income from such house property shall be taxable under the head:

- (A) Income from house property
- (B) Income from other sources
- (C) Income from house property or income from other sources as decided by R
- (D) None of the above [June 2017]

Answer:

- (B) Income from other sources

Question 20.

Ms. Mala received a family pension of ₹ 15,000 per month during the previous year 2020-21. Also, she was employed in a private firm where she got a monthly consolidated salary of ₹ 20,000 per month. Her total income chargeable to tax is:

- (A) ₹ 4,20,000
- (B) ₹ 2,40,000
- (C) ₹ 3,60,000
- (D) ₹ 3,55,000 [June 2017]

Hint:

Salaries		
20,000*12=	2,40,000	
Ded <sup>n</sup> u/s 16(ia)	(50,000)	1,90,000
Income from other sources		
Family Pension	1,80,000	
(₹ 15,000 × 12)		
(-) ded <sup>n</sup> u/s 57	(15,000)	1,65,000
		<u>3,55,000</u>

Answer:

- (D) ₹ 3,55,000

Question 21.

Libra P. Ltd. engaged in trading activity had accumulated profits of ₹ 15,00,000 as of 1.4.2020, Mr. Gautam having 30% of the equity shares and voting rights in the company received ₹ 5 lakhs as loan on

1-6-2020 from the company. The loan was repaid by him on 30-11-2020.

The amount liable to tax in the hands of Mr. Gautam as deemed dividend is:

- (A) ₹ 4,50,000
- (B) ₹ 15,00,000
- (C) ₹ 5,00,000
- (D) ₹ 1,50,000 [June 2017]

Answer:

- (C) ₹ 5,00,000

Question 22.

Rakesh acquired a motor car for ₹ 3,00,000 from his friend (non-relative) when the fair market value of the motor car was ₹ 5,00,000.

The amount liable to tax in the hands of Rakesh from the transaction is:

- (A) ₹ 3,00,000
- (B) ₹ 2,00,000
- (C) ₹ 1,50,000
- (D) Nil [June 2017]

Hint:

For the purpose of section 56(2)(vii), 'Motor Car' is not included in the definition of 'Property', and hence no tax liability is attracted even if it is purchased for an amount less than fair market value.

Answer:

- (D) Nil

Question 23.

Where a firm or closely held company received from any person any property being shares of the closely held company without consideration:

- (A) the whole of the fair market value of the shares shall be taxable
- (B) the whole of the FMV shall be taxable if it exceeds ₹ 50,000
- (C) the whole of FMV shall be exempt
- (D) the whole of the cost of such shares shall be exempt [June 2017]

Answer:

- (B) the whole of the FMV shall be taxable if it exceeds ₹ 50,000

Question 24.

Mr. Ravi solved a crossword puzzle and received ₹ 84,000 after deduction of tax at source.

His income from crossword puzzle chargeable to tax would be:

- (A) ₹ 84,000
- (B) Nil
- (C) ₹ 72,000
- (D) ₹ 1,20,000 [June 2017]

Hint:

$$\left(\frac{84,000}{70\%}\right) = 1,20,000$$

Answer:

- (D) ₹ 1,20,000

## Question 25.

Ram received ₹ 80,000 by way of gifts from friends upon retirement from service in a private company.

The amount of gift chargeable to income-tax would be:

- (A) Nil
- (B) ₹ 30,000
- (C) ₹ 70,000
- (D) ₹ 80,000 [Dec. 2017]

Answer:

- (D) ₹ 80,000

## Question 26.

Ms. Laxmi received ₹ 60,000 by way of family pension from the State Government.

The amount of family pension eligible for exemption under section 10(79) is:

- (A) ₹ 60,000
- (B) ₹ 40,000
- (C) ₹ 20,000
- (D) ₹ 15,000 [Dec. 2017]

Hint:

Family pension received		60,000
(-) Exemption: Lower of the following two		
- 1/3rd of the family pension received	20,000	
- Amount specified	15,000	<b>(15,000)</b>
Taxable amount		45,000

Answer:

- (D) ₹ 15,000

## Question 27.

Ms. Anshu received a dividend of ₹ 80,000 for her equity shareholding in MNO Ltd. (a listed company). She paid an interest of ₹ 12,500 for the amounts borrowed for investment in those shares. The taxable dividend income would be:

- (A) ₹ 80,000
- (B) ₹ Nil
- (C) ₹ 67,500
- (D) ₹ 92,500

Answer:

- (C) ₹ 67,500

## Question 28.

Lokesh (age 62) received the following gifts on the occasion of his birthday:

- (i) Cash gift from elder brother ₹ 30,000;
- (ii) Gold chain from younger sister market value on the date of gift I. ₹ 38,000;

(iii) Cash gifts from friends (non-relatives) ₹ 45,000;

(iv) Purchased shares from younger brother for ₹ 1 lakh when the market value of the shares was ₹ 1,35,000.

The amount of income chargeable to tax in respect to the above transactions would be:

(A) ₹ 1,48,000

(B) ₹ 1,18,000

(C) 180,000

(D) Nil [Dec. 2017]

Hint:

W.e.f. 1/4/2020, the Dividend received by the shareholder is taxable in his hands. [DDT payable by company u/s 115-0 is not applicable].

Amount spent to earn such dividend is allowed as deduction.

∴ Taxable Dividend = ₹ 80,000 (-) ₹ 12,500

= ₹ 67,500/-

Particulars	Reason	₹
Cash gift from elder brother	Gift from relative is exempt	-
Gold chain from younger sister market value on the date of gift	Gift from relative is exempt	-
Cash gifts from friends (non-relatives)	Cash gift up to ₹ 50,000 exempt.	-
Purchased shares from younger brother	In case of purchase of movable property from relative difference in purchase price and market value ( <i>inadequate consideration</i> ) is less than ₹ 50,000 then it is exempt.	-
		Nil

Answer:

(D) Nil

Question 29.

Suresh (age 65) won a prize on a lottery ticket on 30.9.2020. The prize amount was ₹ 5,50,000. He had bought lottery tickets for 175,000 during the year.

Assuming that he had no other income chargeable to tax for the year, his income-tax liability (including cess @ 496) would be:

(A) ₹ 1,71,600

(B) ₹ 30900

(C) ₹ 36,050

(D) ₹ 10,300 [Dec. 2017]

Hint:

$5,50,000 \times 31.2\% = 1,71,600.$

Answer:

(A) ₹ 1,71,600

Question 30.

In the hands of Mr. Sarath, a salaried employee, the following income shall be chargeable to tax as income under the head “Income from other sources”:

- (i) Dividend
- (ii) Income from the hiring of machinery
- (iii) Winning from Lottery
- (iv) Interest on securities

Select the correct answer from the options given below:

- (A) (i) and (iii)
- (B) (iii) and (iv)
- (C) All the four above
- (D) (i), (iii) and (iv) [June 2018]

Answer:

- (C) All the four above

Question 31.

Babu Lai won a prize of ₹ 1,00,000 in Rajasthan State Lottery and the Lottery Department paid him an amount of ₹ 70,000 after deduction of tax at source of 130,000. He had purchased lottery tickets for ₹ 8,000. The amount chargeable to tax in the hands of Babu Lai under other sources shall be:

- (A) ₹ 70,000
- (B) ₹ 1,00,000
- (C) ₹ 92,000
- (D) None of the above [June 2018]

Answer:

- (B) ₹ 1,00,000

Question 32.

Mr. Pankaj, a salaried employee, has taken a house on rent of ₹ 12,000 p.m. which was sub-let by him for ₹ 15,000 p.m. He has incurred miscellaneous expenses in relation to the sub-let of the house of ₹ 1,000. How much income from the sub-letting of the house shall be taxable in the AY 2021-22 where the house was taken on rent and also sublet by him from 1 st April 2020 onwards:

- (A) ₹ 36,000
- (B) ₹ 26,000
- (C) ₹ 1,44,000
- (D) None of the above [June 2018]

Hint:

Income from sub-letting (3,000 × 12)	36,000
(-) Expenses	(1,000)
Net income	35,000

Answer:

- (D) None of the above

**Question 33.**

ABC Pvt. Ltd. has a business loss of ₹ 10 lakhs. There is unexplained share application money to the tune of ₹ 25 lakhs.

The total income of the company will be:

- (A) 15 lakhs
- (B) 35 lakhs
- (C) 25 lakhs
- (D) None of the above [June 2018]

Answer:

- (C) 25 lakhs

**Question 34.**

State which out of the following gifts received during the year by Girish from different persons shall be subject to tax in the assessment year 2021-22:

- (i) Wristwatch of ₹ 75,000 given by a non-resident friend.
- (ii) Cash of ₹ 51,000 given by her elder brother.
- (iii) Cash of ₹ 21,000 each given by 4 friends on his birthday.
- (iv) Painting of ₹ 30,000 given by employer on his birthday.

Select the correct answer from the options given below:

- (A) (iii) and (iv)
- (B) (i), (ii) and (iv)
- (C) (ii) and (iii)
- (D) All the four in (i), (ii), (iii) and (iv) [Dec. 2018]

Hint:

A wristwatch is not a property. Therefore, its receipt is not taxable even if its FMV is exceeding ₹ 50,000/-.

Further, brother is relative. Hence, any receipt from him is not taxable.

Answer:

- (A) (iii) and (iv)

**Question 35.**

The provisions of “deemed dividend” under section 2(22)(e) of the Income-tax Act, 1961, in respect of advances or loans to shareholders, or any payment on behalf of shareholders or any payment for the individual benefit of a shareholder are applicable to:

- (A) A Public Limited Listed Company
- (B) A Public Limited Unlisted Company
- (C) A closely held Company
- (D) None of the above [Dec. 2018]

[Note: This MCQ is wrongly drafted. For further clarification please see the hints.]

Hint:

Option (B) and Option (C) both are correct and hence MCQ itself is wrong.

Answer:

