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# Basic Concepts – CS Executive Tax Laws MCQs – GST Guntur

14–18 minutes

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Students should practice Basic Concepts – [CS Executive Tax Laws MCQ](#) Questions with Answers based on the latest syllabus.

## Basic Concepts – CS Executive Tax Laws MCQ Questions

Question 1.

As per Section 2(31) of the Income-tax Act, 1961, the following is not included in the definition of 'person':

- (A) An individual
- (B) A Hindu undivided family
- (C) A company
- (D) A minor [Dec. 2014]

Answer:

- (D) A minor

Question 2.

Tax exemption limit for a resident senior citizen having age below 80 years is (between 60 to 80 yrs.):

- (A) Up to ₹ 2,00,000
- (B) Up to ₹ 5,00,000
- (C) Up to ₹ 1,80,000
- (D) Up to ₹ 3,00,000 [Dec. 2014]

Answer:

- (D) Up to ₹ 3,00,000

Question 3.

AB & Co. received ₹ 2,00,000 as compensation from CD & Co. for premature termination of the contract of the agency. The amount so received is

- (A) Capital receipt and taxable
- (B) Capital receipt and not taxable
- (C) Revenue receipt and taxable
- (D) Revenue receipt and not taxable [Dec. 2014]

Answer:

(C) Revenue receipt and taxable

Question 4.

For a domestic company whose turnover never been above ₹ 400 Crore, the minimum amount of total income liable for a surcharge and the rate of surcharge applicable therein are:

- (A) ₹ 10 Crore and 10% respectively
- (B) ₹ 1 Crore and 7% respectively
- (C) ₹ 1 Crore and 12% respectively
- (D) ₹ 10 Crore and 5% respectively [Dec. 2014]

Answer:

- (B) ₹ 1 Crore and 7% respectively

Question 5.

According to Section 2(24) definition of 'income' is:

- (A) Inclusive
- (B) Exhaustive
- (C) Exclusive
- (D) Descriptive [Dec. 2014]

Answer:

- (A) Inclusive

Question 6.

An assessee, being an individual resident in India, is entitled to a deduction, from the amount of income tax on his total income which is chargeable for an assessment year, of an amount equal to 100% of such income tax or a lesser amount. The maximum amount of total income qualifying for such deduction and the maximum amount of deduction so available is:

- (A) ₹ 5 lakh and ₹ 12,500 respectively
- (B) ₹ 3.5 lakh and ₹ 2,500 respectively
- (C) ₹ 5 lakh and ₹ 7,500 respectively
- (D) ₹ 3.5 lakh and ₹ 5,000 respectively [Dec. 2014]

Answer:

- (A) ₹ 5 lakh and ₹ 12,500 respectively

Question 7.

The year in which the income is earned is known as:

- (A) Previous year
- (B) Financial year
- (C) Both (A) and (B)
- (D) None of the above [June 2015]

Answer:

- (A) Previous year

Question 8.

For the AY2021 -2022, taxable income of A Ltd., a Domestic Manufacturing Company claiming benefit of Section 115BAB is ₹ 10,86,920. Its tax liability would be:

- (A) ₹ 2,79,880

- (B) ₹ 2,82,600  
 (C) ₹ 3,35,860  
 (D) ₹ 1,69,560 [June 2015]

Hint:

Income tax slab rates from AY 2020-2021 for domestic manufacturing company which is a New Company u/s 115BAB is 15%.

Tax on total income (10,86,920 × 15%)	1,63,038
(+) Education cess @ 4%	6,522
Net tax payable	1,69,560

Answer:

- (D) ₹ 1,69,560

Question 9.

The total income of Atul, a resident individual, is ₹ 4,90,000. The rebate allowable u/s 87A would be:

- (A) ₹ 2,500  
 (B) Nil  
 (C) ₹ 12,000  
 (D) ₹ 12,500 [June 2015]

Hint:

As per Section, 87A rebate is ₹ 12,500 or tax payable if total income does not exceed ₹ 5,00,000. As the income of Atul is ₹ 4,90,000, he can claim a rebate at ₹ 12,000:

Answer:

- (C) ₹ 12,000

Question 10.

'Income' u/s 2(24) includes:

- (i) The profits and gains of a banking business carried on by a cooperative society with its members.  
 (ii) Any advance money forfeited in the course of negotiations for the transfer of capital asset.

Choose the correct option with reference to the above statements:

- (A) Both (i) and (ii)  
 (B) Only (i)  
 (C) Only (ii)  
 (D) Neither (i) nor (ii) [June 2015]

Answer:

- (A) Both (i) and (ii)

Question 11.

alit, a resident individual of 81 years works as a consultant. If his taxable income is ₹ 5,20,000, the tax payable by him would be:

- (A) ₹ 22,660  
 (B) ₹ 4,120  
 (C) ₹ 2,080

(D) ₹ 4,160 [June 2015]

Hint:

On first 5,00,000	Nil
On next 20,000 @ 20%	4,000
(+) Education cess @ 4%	4,000 160
Net tax	4,160

Answer:

(D) ₹ 4,160

Question 12.

A new business was set up on 1st July 2020 and trading activity was commenced from 1st September 2020, the previous year would be the period commencing from:

- (A) 1st April 2020 to 31st March 2021
- (B) 1st July 2020 to 31st March 2021
- (C) 1st September 2020 to 31st March 2021
- (D) 1st October 2020 to 31st March 2021 [Dec 2015]

Answer:

(B) 1st July 2020 to 31st March 2021

Question 13.

X Marine Lines Inc., a Singapore company engaged in shipping business collected ₹ 150 lakhs towards carrying goods from Chennai Port. Its presumptive income chargeable to tax in India would be:

- (A) ₹ 15 lakh
- (B) ₹ 11.25 lakh
- (C) ₹ 12 lakh
- (D) Nil [Dec. 2015]

Hint:

$$150 \text{ lakh} \times 7.5\% = 11.25 \text{ lakh}$$

Answer:

(B) ₹ 11.25 lakh

Question 14.

HSK, an LLP had taken keyman insurance policy on the life of its managing partner. The policy got matured on 13th September 2020 and an amount of ₹ 75 lakh was paid by the insurers to the managing partner. The amount so received on maturity of the policy by the managing partner is:

- (A) Fully exempt u/s 10 (10D)
- (B) 50% of ₹ 75 lakh exempt
- (C) ₹ 75 lakh taxable
- (D) ₹ 25 lakh exempt and ₹ 50 lakh taxable. [Dec. 2015]

Answer:

(C) ₹ 75 lakh taxable

## Question 15.

Raghu traced a missing girl by spending ₹ 20,000. For this, he was awarded a sum of ₹ 1,20,000; In this case, the award is taxable to the extent of:

- (A) ₹ 1,00,000
- (B) ₹ 1,20,000
- (C) ₹ 1,15,000
- (D) Nil [June 2016]

Answer:

- (B) ₹ 1,20,000

## Question 16.

Raman & Co., a partnership firm, received ₹ 5,00,000 from an insurance company under the keyman insurance policy consequent to the demise of partner Pramod. The amount of premium ₹ 2,30,000 paid earlier was claimed as a deduction under Section 37 by the firm. The amount received from the insurance company is:

- (A) Tax-free under section 10(10D)
- (B) Fully-taxable as income
- (C) ₹ 2,70,000 is taxable
- (D) ₹ 2,30,000 is taxable [June 2016]

Answer:

- (B) Fully-taxable as income

## Question 17.

Metro Ltd., a domestic company, is assessed with a total income of ₹ 11.25 Crore. The surcharge payable by the company shall be at the rate of:

- (A) 2%
- (B) 596
- (C) 1096
- (D) 1296 [June 2016]

Answer:

- (D) 1296

## Question 18.

Dr. Ashok commenced medical practice on 1st September 2020. The previous year for the profession for the assessment year 2021-2022 would be

- (A) 1st April 2020 to 31st March 2021
- (B) 1st September 2020 to 31st March 2021
- (C) 1st June 2020 to 31st March 2021
- (D) 1st September 2020 to 31st January 2021 [June 2016]

Answer:

- (B) 1st September 2020 to 31st March 2021

## Question 19.

Under the Income-tax Act, 1961 the term 'assessee' means a person:

- (A) Who is an assessee in default

- (B) From whom tax is due
- (C) Against whom any proceeding under the Act has been taken
- (D) All of the above [Dec. 2016]

Answer:

- (D) All of the above

Question 20.

Normal rates of income tax are prescribed in the:

- (A) Income-tax Act, 1961
- (B) Income-tax Rules, 1962
- (C) Finance Act of the current year
- (D) CBDT circulars [Dec. 2016]

Answer:

- (C) Finance Act of the current year

Question 21.

Arul Industries got a waiver of Goods & Services Tax (GST) of ₹ 2,20,000 for the current financial year. The amount of waiver is

- (A) Exempt income
- (B) Capital receipt
- (C) Revenue receipt
- (D) None of the above [Dec. 2016]

Answer:

- (C) Revenue receipt

Question 22.

Maruti & Co. is an AOP consisting of 4 members with equal share. None of the members has income exceeding the taxable limit. The total income of the AOP is ₹ 5 lakh. The income-tax liability of the AOP would be:

- (A) ₹ 12,880
- (B) ₹ 77,250
- (C) ₹ 13,000
- (D) ₹ 20,600 [June 2017]

Hint:

On first 2,50,000	Nil
On next 2,50,000 @ 5%	12,500
(+) Education cess @ 4%	12,500 500
Net tax	13,000

Answer:

- (C) ₹ 13,000

Question 23.

A municipal committee legally entitled to manage and control a municipal fund is chargeable to income-tax in the status of:

- (A) Individual
- (B) Association of persons
- (C) Local authority
- (D) Artificial juridical person [Dec. 2017]

Answer:

- (C) Local authority

Question 24.

A domestic company has a total income of ₹ 120 lakh. The rate of surcharge is applicable on income-tax would be:

- (A) 2%
- (B) 5%
- (C) 796
- (D) 296 [Dec. 2017]

Answer:

- (C) 796

Question 25.

Mr. Ganapathy a resident individual received ₹12 lakh during the financial year 2020-2021 by way of dividends from domestic companies. The applicable rate of tax on such dividend income would be:

- (A) At the rate as per slabs
- (B) 31.296
- (C) Nil
- (D) 15.696 [Dec. 2017]

Hint:

W.e.f. 1/4/2020, there is no DDT u/s 115-0. The tax on dividends received shall be payable by the recipient. It would be included in his total income & taxed as per normal slabs applicable to him.

Answer:

- (A) At the rate as per slabs

Question 26.

The tax rate applicable for a non-resident engaged in the shipping business in India shall be:

- (A) 5%
- (B) 7.5%
- (C) 10%
- (D) 20% [Dec. 2017]

Hint:

Shipping business of non-residents [Section 172]: 7.596 of freight to owner or charter shall be deemed to be total income and taxable at 4096 plus surcharge plus education cess.

Thus, 7.5% rate is used to calculate deemed income and not tax and hence question itself is wrong.

Answer:

- (B) 7.5%

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

**Question 27.**

A Domestic Manufacturing Company claiming exemptions under Section 115BAA earned total income (computed) for the Assessment Year 2021-2022 ₹ 30 Crore.

The rate of income tax applicable for such company (without cess) would be:

- (A) 2596
- (B) 3096
- (C) 2296
- (D) 1596 [Dec. 2017]

Hint:

Income Tax Slab Rates from AY 2020-2021 for domestic manufacturing company NOT claiming exemptions u/s 115BAA is 2296.

Answer:

- (C) 2296

**Question 28.**

Income chargeable to tax under the Income-tax Act, 1961 in the Assessment Year has been defined in Section 2(24) to include:

- (i) Voluntary contribution received by an electoral trust
- (ii) Profits of insurance business
- (iii) Amounts received under Keyman Insurance Policy [except where it is exempt u/s 10(10D)]
- (iv) Gift from non-relative of an amount exceeding ₹ 50,000

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

Answer:

- (D) All the four above

**Question 29.**

In the case of a cooperative society, the surcharge is levied, where its total income exceeds Crore.

- (A) ₹ 1
- (B) ₹ 5
- (C) ₹ 10
- (D) None of the above [June 2018]

Answer:

- (A) ₹ 1

**Question 30.**

HSP, an LLP had taken Key Men insurance policy on the life of its Managing Partner. The policy got matured on 13th September 2020, and an amount of ₹ 75 lakh was paid by the insurers to the Managing Partner. The amount so received on maturity of the policy by the managing partner:

- (A) is exempt in full u/s 10(10D)
- (B) 5096 of ₹ 75 lakh is exempt

(C) ₹ 75 lakh is taxable

(D) ₹ 25 lakh is exempt and the balance is taxable [June 2018]

Answer:

(C) ₹ 75 lakh is taxable

Question 31.

The basic exemption limit in case of a non-resident individual being a senior citizen for assessment year 2020-2021 is:

(A) ₹ 5,00,000

(B) ₹ 3,00,000

(C) ₹ 2,50,000

(D) ₹ 1,80,000 [Dec. 2018]

Hint:

Basic exemption for senior citizen is ₹ 3,00,000; however, for non-resident senior citizen basis exemption limit is ₹ 2,50,000 and hence option (C) correct.

Answer:

(C) ₹ 2,50,000

Question 32.

Total income-tax including education cess payable in case of a resident individual aged 58 years, whose computed total income is ₹ 4,40,000 for the assessment year 2021-2022 shall be:

(A) ₹ 2,080

(B) Nil

(C) ₹ 4,160

(D) ₹ 4,680 [Dec. 2018]

Hint:

On first 2,50,000	Nil
On next 1,90,000 @ 5%	9,500
(-) Rebate u/s 87A [9,500 or 12,500 whichever is less]	9,500 (9,500)
	Nil

Answer:

(B) Nil

Question 33.

Income-tax on the income from the transfer of Carbon Credit under section 115BG of Income-tax, Act, 1961 derived /earned during the previous year 2020-2021 shall be taxable:

(A) At the normal rate of tax

(B) At a concessional rate of 10% only

(C) At concessional rate of 10% + HEC

(D) At 20% of concessional rate [Dec. 2018]

Answer:

(C) At concessional rate of 10% + HEC

Question 34.

A resident individual can avail the benefit of rebate of ₹ 12,500 or 100% of Income Tax whichever is less under section 87A of Income-tax Act, 1961 for the assessment year 2021-2022 on fulfilling the condition that total income does not exceed:

- (A) ₹ 2,50,000
- (B) ₹ 5,00,000
- (C) ₹ 3,50,000
- (D) ₹ 3,00,000 [Dec. 2018]

Answer:

- (B) ₹ 5,00,000

Question 35.

Surcharge on the amount of tax is to be levied at a specified percentage when an individual is having income exceeding specified limits:

- (A) @7% having income exceeding ₹ 1 Crore and @ 12% if the income exceeds ₹ 10 Crore
- (B) @ 2% having income exceeding ₹ 1 Crore and @ 12% if the income exceeds ₹ 10 Crore
- (C) @ 15% having income exceeding ₹ 1 Crore and @ 10% if the income exceeds ₹ 50 lakh but does not exceed ₹ 1 Crore
- (D) None of the above [Dec. 2018]

Answer:

- (C) @ 15% having income exceeding ₹ 1 Crore and @ 10% if the income exceeds ₹ 50 lakh but does not exceed ₹ 1 Crore

Question 36.

As per Income-tax Act, 1961 surcharge @ 12% is payable by a domestic company if the total income exceeds:

- (A) ₹ 10 lakh
- (B) ₹ 1 Crore
- (C) ₹ 10 Crore
- (D) ₹ 100 Crore [June 2019]

Answer:

- (C) ₹ 10 Crore

Question 37.

The total income of Mrs. Rose for the financial year 2020-2021 is ₹ 4,40,000. Her tax liability for AY 2020-2021 on the income of ₹ 4,40,000 shall be:

- (A) NIL
- (B) ₹ 2,080
- (C) ₹ 2,500
- (D) ₹ 4,700 [June 2019]

Hint:

On first 2,50,000	Nil
On next 1,90,000 @ 5%	9,500
(-) Rebate u/s 87A [9,500 or 12,500 whichever is less]	9,500 (9,500)
	Nil

Answer:

(A) NIL

Question 38.

The Central Board of Direct Taxes (CBDT) is headed by Chairman and also comprises six members. The Chairman and all the Members of the CBDT are being selected:

- (A) By Finance Minister
- (B) From IRS
- (C) By Prime Minister
- (D) By Chief Justice of India [Dec. 2019]

Answer:

(B) From IRS

Question 39.

The Central Board of Direct Taxes (CBDT) provides essential inputs for policy and planning of direct taxes in India and is a functioning under the Central Board of Revenue Act, 1963.

- (A) Constituted Authority
- (B) Revenue Administration Authority
- (C) Statutory Authority
- (D) Central Authority [Dec. 2019]

Answer:

(C) Statutory Authority

Question 40.

The Apex Court in the case of CIT-Gujarat v. Saurashtra Cements Ltd. (2010) 233 CTR 209 has held that liquidated damages received from the supplier on account of delay in the supply of plant and machinery shall be treated in the nature of :

- (A) Capital Receipt
- (B) Revenue Receipt
- (C) Not a receipt but to be reduced from the cost of Plant & Machinery
- (D) Compensation [Dec. 2019]

Answer:

(C) Not a receipt but to be reduced from the cost of Plant & Machinery

General Note for the entire topic:

W.r.t Tax Liability computation question of individuals, it is assumed that they have not opted for an alternative mechanism of computing tax u/s

115BAC.