

Topic: Adv. Tax, TDS, TCS, Return Filing & Total Income

Total Marks: 52 Marks
Time Allowed: 90 minute

Questions:

Part-A Multiple Choice Questions

[Total 30 Marks]

Question: 1

Mr. A has two bank accounts maintained with ICICI Bank and HDFC Bank. From 01.04.2025 till 31.03.2026, Mr. A withdrew the following amounts as cash from both the said accounts;

HDFC Bank: ₹ 50 Lakh ICICI Bank: ₹ 120 Lakh

What shall be the amount of tax to be deducted at source u/s 194N by HDFC Bank and ICICI Bank, respectively, while making payment in cash to Mr. A assuming Mr. A has filed his return of income for P.Y. 2022-23, P.Y. 2023-24 and P.Y. 2024-25 respectively?

- (a) ₹ 1,00,000 and ₹ 2,40,000
- (b) Nil and ₹ 40,000
- (c) ₹ 60,000 and ₹ 1,00,000
- (d) ₹ 50,000 and ₹ 1,20,000

Question: 2

Mr. Nihar maintains a savings A/c and a current A/c in Mera Bank Ltd. The details of withdrawals on various dates during the previous year 2025-26 are as follows:

Date of Cash withdrawal	Saving Account	Current Account
05.04.2025	15,00,000	-
10.05.2025	-	22,00,000
25.06.2025	20,00,000	-
17.07.2025	-	5,00,000
28.10.2025	35,00,000	-
10.11.2025	-	38,00,000
12.12.2025	25,00,000	-

Mr. Nihar regularly files his return of income. Is Mera Bank Limited required to deduct tax at source on the withdrawals made by Mr. Nihar during the previous year 2025-26? If yes, what would the amount of tax deducted at source?

- (a) TDS of ₹ 3,20,000 is required to be deducted
- (b) No, TDS is not required to be deducted as the cash withdrawal does not exceed ₹ 1 crore neither in saving account nor in current account

- (c) TDS of ₹ 3,00,000 is required to be deducted.
 (d) TDS of ₹ 1,20,000 is required to be deducted.

Question: 3

Mr. Raj (a non-resident and aged 65 years) is a retired person, earning rental income of ₹ 40,000 per month from a property located in Delhi. He is residing in Canada. Apart from rental income, he does not have any other source of income. Is he liable to pay advance tax in India?

Assume he pay tax under default taxation regime u/s 115BAC

- (a) Yes, he is liable to pay advance tax in India as he is a non- resident and his tax liability in India exceeds ₹ 10,000.
 (b) No, he is not liable to pay advance tax in India as his tax liability in India is less than ₹ 10,000.
 (c) No, he is not liable to pay advance tax in India as he has no income chargeable under the head “Profits and gains of business or profession” and he is of the age of 65 years.
 (d) Both (b) and (c)

Question: 4

The benefit of payment of advance tax in one installment on or before 15th March is available to assessee computing profits on presumptive basis –

- (a) only u/s 44AD
 (b) u/s 44AD and 44ADA
 (c) u/s 44AD and 44AE
 (d) u/s 44AD, 44ADA and 44AE

Question: 5

Mr. Jha, an employee of FX Ltd, attained 60 years of age on 15.05.2025. He is resident in India during F.Y. 2025-26 and earned salary income of ₹ 5 lakhs (computed). During the year, he earned ₹ 7 lakhs from winning of lotteries. What shall be his advance tax liability for A.Y. 2026-27 if all tax deductible at source has been duly deducted and remitted to the credit of Central Government on time? Assume he pay tax u/s 115BAC.

- (a) ₹ 2,20,000 + Cess ₹ 8,800 = ₹ 2,28,800, being the tax payable on total income of ₹ 12 lakhs
 (b) ₹ 2,10,000 + Cess ₹ 8,400 = ₹ 2,18,400, being the tax payable on lottery income of ₹ 7 lakhs
 (c) ₹ 10,000 + Cess ₹ 8,800 = ₹ 18,800, being the net tax payable on salary income, since tax would have been deducted at source from lottery income.
 (d) Nil

Question: 6

Mr. P is a professional who is responsible for paying a sum of ₹ 2,00,000 as rent for use of building to Mr. Harshit, a resident, for the month of February, 2026. The gross receipts of Mr. P are as under:

From 01.04.2024 to 31.03.2025: ₹ 55,00,000

From 01.04.2025 to 28.02.2026: ₹ 45,00,000

Whether Mr. P is responsible for deducting any tax at source from the rent of ₹ 2,00,000 payable to Mr. Harshit?

- (a) Tax at source is required to be deducted u/s 194-I at the rate of 10%.
 (b) Tax at source is required to be deducted u/s 194-IB at the rate of 5%.
 (c) Tax at source is required to be deducted u/s 194-IB at the rate of 2%.
 (d) No tax is required to be deducted at source.

Question: 7

Mr. Vyas, aged 80, is a retired government employee. On 1st April 2025, he received the maturity amount of his LIC policy amounting to ₹ 3,50,000. This policy was taken by Mr. Vyas on 1st April 2015 on which the sum assured was ₹ 3,00,000 and the annual premium was ₹ 40,000. His other income comprised of pension amounting to ₹ 85,000. Mr. Vyas furnishes a declaration in Form 15H for non-deduction of tax at source to the insurance company stating that his net tax liability for the year is NIL.

Choose the correct statement from below:

- The declaration made by Mr. Vyas is wrong and the insurance company has to deduct tax of ₹ 3,500 u/s 194DA.
- The claim by Vyas is right and insurance company is not required to deduct tax at source.
- The insurance company has to deduct tax u/s 194DA since declaration in Form 15H cannot be made for tax deduction u/s 194DA.
- The declaration made by Mr. Vyas is wrong and the insurance company has to deduct tax of ₹ 1,000 u/s 194DA.

Question: 8

Mr. X, a resident, is due to receive Rs. 6 lakhs on 31.3.2026, towards maturity proceeds of LIC policy taken on 1.4.2022, for which the sum assured is Rs. 5 lakhs and the annual premium is Rs. 1,50,000. Mr. Z, a resident, is due to receive Rs. 99,000 on 1.10.2025 towards maturity proceeds of LIC policy taken on 1.10.2016 for which the sum assured is Rs. 90,000 and the annual premium is Rs. 10,000.

- Tax is required to be deducted on income comprised in maturity proceeds payable to Mr. X and Mr. Z
- Tax is required to be deducted on income comprised in maturity proceeds payable to Mr. X
- Tax is required to be deducted on income comprised in maturity proceeds payable to Mr. Z
- No tax is required to be deducted on income comprised in maturity proceeds payable to either Mr. X or Mr. Z

Question: 9

Mr. Ram acquired a house property at Chennai from Mr. Satyam, a resident, for a consideration of ₹ 85 lakhs, on 23.8.2025. On the same day, Mr. Ram made two separate transactions, thereby acquiring an urban plot in Gwalior from Mr. Vipun, a resident, for a sum of ₹ 50 lakhs and rural agricultural land from Mr. Danish, a resident, for a consideration of ₹ 75 lakhs. Which of the following statements are correct assuming that in the consideration amounts as aforementioned all the charges incidental to transfer of the immovable property are included?

- No tax deduction at source is required in respect of any of the three payments.
- TDS@1% is attracted on all the three payments.
- TDS@1% on ₹ 85 lakhs and ₹ 50 lakhs are attracted. No TDS on payment of ₹ 75 lakhs for acquisition of rural agricultural land.
- TDS@1% on ₹ 85 lakhs is attracted. No TDS on payments of ₹ 50 lakhs and ₹ 75 lakhs.

Question: 10

Mr. T, an Indian Citizen and resident of India, earned dividend income of ₹ 4,500 from an Indian company, which was declared on 1.10.2025 and paid in cash to Mr. T. What are the tax implications with respect to the dividend in the hands of Mr. T and Indian Company?

- Such dividend is taxable in the hands of Mr. T and Indian company is required to deduct tax at source @7.5%.
- Such dividend is taxable in the hands of Mr. T and Indian company is required to deduct tax at source @10%.

- (c) Such dividend is taxable in the hands of Mr. T. However, Indian company is not required to deduct tax at source since it does not exceed ₹ 5,000.
- (d) Such dividend is exempt in the hands of Mr. T. Hence, Indian company is not required to deduct tax at source.

Question: 11

Mr. Sunil took an education loan of ₹ 8 lakhs on 1.7.2025 from State Bank of India, Mumbai, for his son's MBA from University of Oxford, UK and remitted the said amount through the same bank, which is an authorised dealer, under the Liberalised Remittance Scheme of RBI (LRS). He, further, remitted ₹ 2 lakhs on 15.10.2025 to his son for his personal expenditure, out of his personal savings, through Bank of India, Mumbai which is also an authorised dealer, under LRS. Mr. Sunil also remitted ₹ 6 lakhs on 28.3.2026, out of his personal savings, under LRS through Union Bank of India, Mumbai, for his sister's medical treatment in London.

Mr. Sunil has furnished undertaking containing the details of earlier remittance to Bank of India and Union Bank of India.

What is the amount of tax to be collected from Mr. Sunil in respect of the remittance of amounts to his son and sister?

- (a) TCS@0.5% of ₹ 1 lakh in respect of remittance for son's education; @5% of ₹ 2 lakhs in respect of remittance for son's personal expenditure and 5% of ₹ 6 lakhs in respect of remittance for sister's medical treatment.
- (b) TCS@0.5% of ₹ 1 lakh in respect of remittance for son's education; @20% of ₹ 2 lakhs in respect of remittance for son's personal expenditure and 5% of ₹ 6 lakhs in respect of remittance for sister's medical treatment.
- (c) TCS@0.5% of ₹ 1 lakh in respect of remittance for son's education; no TCS in respect of remittance for son's personal expenditure and sister's medical treatment since each transaction is of less than ₹ 7 lakhs.
- (d) No TCS in respect of remittance for son's personal expenditure and sister's medical treatment since transaction is of less than ₹ 10 lakhs. No TCS on amount remitted through education loan

Question: 12

Arun's gross total income of P.Y. 2025-26 is ₹ 2,45,000. He exercises the option of shifting out of the default regime provided u/s 115BAC(1A). He deposits ₹ 45,000 in PPF. He pays electricity bills aggregating to ₹ 1.20 lakhs in the P.Y.2025-26. Which of the statements is correct?

- (a) Arun is not required to file his return of income u/s 139(1) for P.Y. 2025-26, since his total income before giving effect to deduction u/s 80C does not exceed the basic exemption limit.
- (b) Arun is not required to file his return of income u/s 139(1) for P.Y. 2025-26, since his electricity bills do not exceed ₹ 2,00,000 for the P.Y.2025-26.
- (c) Arun is not required to file his return of income u/s 139(1) for P.Y. 2025-26, since neither his total income before giving effect to deduction u/s 80C exceeds the basic exemption limit nor his electricity bills exceed ₹ 2 lakh for the P.Y. 2025-26.
- (d) Arun is required to file his return of income u/s 139(1) for P.Y. 2025-26, since his electricity bills exceed ₹ 1 lakh for the P.Y.2025-26.

Question: 13

Mr. Z, a salaried individual, has a total income of ₹ 8 lakhs for A.Y. 2026-27. He furnishes his return of income for A.Y. 2026-27 on 28th August, 2026. He is liable to pay fee of -

- (a) upto ₹ 1,000 u/s 234F
- (b) ₹ 5,000 u/s 234F
- (c) ₹ 10,000 u/s 234F

(d) Not liable to pay any fee

Question: 14

Mr. Dinesh, a resident in India, has gross total income of ₹ 2,30,000 comprising of interest on saving A/c and rental income during the previous year 2025-26. He incurred expenditure of ₹ 2,00,000 for his son for a study tour to Europe. Whether he is required to file return of income for the assessment year 2026-27? If yes, what is the due date?

- (a) Yes, 31st July of A.Y
- (b) Yes, 30th September of A.Y
- (c) Yes, 31st October of A.Y
- (d) No, he is not required to file return of income

Question: 15

In which of the following transactions, quoting of PAN is mandatory by the person entering into the said transaction?

- I Opening a Basic savings bank deposit account with a bank
- II Applying to a bank for issue of a credit card.
- III Payment of ₹ 40,000 to mutual fund for purchase of its units
- IV Cash deposit with a post office of ₹ 1,00,000 during a day.
- V A fixed deposit of ₹ 30,000 with a NBFC registered with RBI aggregating the total deposits to ₹ 3,50,000 for the F.Y upto to the date of this deposit made.
- VI Sale of shares of an unlisted company for an amount of ₹ 60,000

Choose the correct answer:

- (a) II, IV
- (b) II, III, IV
- (c) I, II, III, V, VI
- (d) II, IV, VI

Part-B Descriptive Questions**[Total 22 Marks]**

1. Examine whether TDS provisions would be attracted in the following cases, and if so, under which section. Also specify the rate of TDS and amount required to be deducted at source as applicable in each case. Assume that all payments are made to residents.

S. No.	Particulars of the payer	Nature of payment	Aggregate of payments made in the F.Y. 2025-26 (Amt. in ₹)
(A)	Mr. Kale, receiving pension from Central Government	Contractual payment made during April 2025 for reconstruction of his residential house in Arunachal Pradesh	52,50,000
(B)	Mr. Rahul, a wholesale trader of spices whose turnover was ₹ 5 crores F.Y. 2024-25	Contract payment for construction of office godown during January to March 2026 to Mr. Akhilesh, an individual	50,00,000
(C)	Mr. Golu, an individual carrying garment trading business with turnover of ₹ 95 lakhs in F.Y. 2024-2025	Payment of commission to Mr. Vinay for securing a contract from a big business house in November 2025	1,20,000
(D)	XYZ Urban Co-operative bank	Payment by way of cash withdrawal, by ABC & Co. a partnership firm, amounting ₹ 1.2 crores during Financial Year 2025-26. ABC & Co. has filed its tax returns for the last 3 financial years with in time.	1,20,00,000

[6 Marks]

2. Examine the applicability and determine the amount of tax deduction at source (TDS) as per the Income-tax Act, 1961 for the A.Y. 2026-27 in the following situations:
- (i) Nexus Tech Pvt. Ltd., a company engaged in the business of manufacturing electronic goods, reported a turnover of ₹12 crore during the F.Y. 2024–25. During the F.Y. 2025–26, the company made the following purchases from resident sellers:
- From Vendor A – Raw materials worth ₹60,00,000 (₹25 lakh in April, ₹35 lakh in July). Payment of ₹20 lakhs was made in June and remaining payment in September. Vendor A has not furnished his PAN.
- From Vendor B – Trading goods worth ₹48,00,000 on instalments (₹15 lakh in May, ₹20 lakh in October, ₹13 lakh in December). Entire payment was made in March, 2026.
- It is to be noted that Nexus Tech Pvt. Ltd. made the entry in its books on the date of purchase and TCS provisions are not applicable on vendors.
- (ii) In January 2026, Mr. Sumit, engaged in business having turnover of ₹1.20 crores during the P.Y. 2024-25, enters into an annual maintenance contract (AMC) with ABC Ltd., a resident

company, for ₹5,40,000 plus GST@18%. Mr. Sumit made the payment in February 2025 and ABC Ltd. has not provided its PAN to Mr. Sumit.

[6 Marks]

3. Examine the applicability of provisions relating to deduction/collection of tax at source in the following cases for the financial year ended 31st March, 2026 as per provisions contained in the Income-tax Act, 1961:

(I) Delta Ltd., an Indian company, which was incorporated on 1.4.2025 purchases coal from Phi Ltd., another Indian company, for ₹ 75 lakhs during the P.Y.2025-26, to manufacture steel. Delta Ltd. furnishes a declaration that such coal is used to manufacture steel and not for trading. What are the TCS/TDS implications on such transaction, if Delta Ltd.'s turnover was ₹ 12 crores in the P.Y.2025-26; and Phi Ltd.'s annual turnover ranges between ₹ 16 crores and ₹ 18 crores in the last few years?

Would your answer change if Delta Ltd. was incorporated on 1.4.2024 and its turnover in the P.Y.2024-25 is ₹ 10 crores?

(II) Sigma Ltd., a car manufacturer, sold the following cars to the car dealers, Epsilon Ltd. and Omega Ltd., in the P.Y.2025-26-

Dealer	Particulars of cars sold	Value
Epsilon Ltd.	10 cars of the value ₹ 12 lakhs each	₹ 120 lakhs
Omega Ltd.	8 cars of the value of ₹ 10 lakhs each	₹ 80 lakhs

The turnover in the P.Y.2024-25 of Sigma Ltd. is ₹ 12 crores, Epsilon Ltd. is ₹ 14 crores and Omega Ltd. is ₹ 9 crores.

[6 Marks]

4. State, with appropriate reasons, whether the following statements are "true" or "false".

(i) An income-tax return can be revised only once.

(ii) Updated return under section 139(8A) cannot be filed if original return is a loss return under section 139(3).

[4 Marks]