

**CS EXEC INCOME TAX PART -2**  
**(Relevant for JUNE and DEC 2021 exams)**

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**CHAPTER – 10**  
**INCOME UNDER THE HEAD PROFIT**  
**& GAINS OF BUSINESS OR PROFESSION**

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## PGBP – 1 : BASICS

**Section 28 : Following Incomes are chargeable under “P/G/B/P”**

- a) Profit of any Business or Profession *carried by assessee at any time* during P/Y
- b) **Partner of a Firm.**  
Any Interest, Salary, Bonus, Commission, or any type of remuneration due /received from Firm.
- c) **Compensation due or received.**
  - Termination/Modification of agreement for managing a Company.
  - Termination/modification of terms of Agency.
  - Vesting in Govt, management of any property/business under any law.
- d) **Non-Compete fees & Exclusivity rights.**  
Any sum received/receivable in Cash or Kind under an agreement for:
  - 1) Not carrying out any activity in relation to any business ***or profession***,
  - 2) Not sharing any know-how, patent, copyright etc., and any similar right.
- e) **Benefits/Perquisites** in cash or kind arising from carrying on business or profession
- f) Sum received under **Keyman Insurance Policy** including bonus on such policy
- g) **Export Incentives** like
  - Sale of Import license.
  - Cash assistance against Export.
  - Duty drawback of Customs/Excise.
  - Profit on transfer of duty entitlement pass book scheme
- h) Income derived by trade, professional association from **Specific services** performed for its member.
- i) Any sum in relation to capital asset which is allowed as deduction u/s 35AD
- j) If any person receives compensation or other amount in connection with termination or modification of terms and conditions of any contracts relating to his business
- k) If any person has converted any inventory or stock in trade into a capital asset, for this purpose fair market value of the inventory as determined in prescribed manner, on the date of conversion shall be taken as Business Income

**Special point : Explanation 1A to section 43(1)** : Where a capital asset referred u/s 28(via) is used for the purposes of business or profession, the actual cost of such asset to the assessee shall be the fair market value which has been taken into account for the purposes of the said clause.

**Special Points:**

1. **Sec 2(13) : Business** includes any **Trade, Commerce** or manufacture or any **Adventure or concern** in the nature of trade, commerce or manufacture
  
2. **Sec 2(29BA) : Manufacture means**  
 A change in non living physical object or article
  - Resulting in transformation of object or article into a **New and Distinct object or article** having a different name, character or use
  - Bringing into existence of a new object or article with a **Different chemical composition or integral structure**
  
3. **Sec 2(36): Profession** includes vocation
  
4. **Illegal Business** : From Income Tax point of view, even profits of illegal business are taxable under P/G/B/P.
  
5. **Speculation Business** : Where speculative transaction is of such a nature as to constitute a business, such speculation business shall be deemed to distinct & separate from any business.
  
6. **Business Loss** : Business Income includes business losses provided they are of revenue nature, real losses & are incidental to carrying on business

**Method of Accounting (Sec. 145)**

- Income under head **P/G/B/P** & Income under head **Other Sources** is to be calculated on basis of **Cash or Mercantile basis** of accounting **regularly employed** by the assessee
- The **Central Government may notify** in Official Gazette, income computation and disclosure standards to be followed by any class of assessee or in respect of any class of income.
- Where the **AO is not satisfied** about the
  - ✓ **correctness or completeness** of the accounts of assessee, or
  - ✓ where the **method of accounting** have not been regularly followed by the assessee
  - ✓ the AO may make an **assessment u/s 144**

**Special point :****Income computation & Disclosure standards notified by Central Government**

- ICDS I : Accounting Policies
- ICDS II : Valuation of Inventories
- ICDS III : Construction Contracts
- ICDS IV : Revenue Recognition
- ICDS V : Tangible Fixed Assets
- ICDS VI : Effects of Changes in Foreign Exchange Rates
- ICDS VII : Government Grants
- ICDS VIII : Securities
- ICDS IX : Borrowing Costs
- ICDS X : Provisions, Contingent Liabilities and Contingent Assets

**Sec 145A : Valuation of inventory**

For the purpose of determining the income chargeable under the head “Profits and gains of business or profession”,—

- (i) Valuation of inventory shall be made at lower of actual cost or net realisable value computed in accordance with the income computation and disclosure standards notified u/s 145(2);
- (ii) Valuation of purchase and sale of goods or services and of inventory shall be adjusted to include the amount of any tax, duty, cess or fee actually paid or incurred by the assessee to bring the goods or services to the place of its location and condition as on the date of valuation;
- (iii) Inventory being securities not listed on a recognised stock exchange, or listed but not quoted on a recognised stock exchange with regularity from time to time, shall be valued at actual cost initially recognised in accordance with the income computation and disclosure standards notified u/s 145(2);
- (iv) Inventory being securities other than those referred to in clause (iii), shall be valued at lower of actual cost or net realisable value in accordance with the income computation and disclosure standards notified u/s 145(2):

Provided that the inventory being securities held by a scheduled bank or public financial institution shall be valued in accordance with the income computation and disclosure standards notified u/s 145(2) after taking into account the extant guidelines issued by the RBI in this regard:

Provided further that the comparison of actual cost and net realisable value of securities shall be made category-wise.

*Explanation 1.*—For the purposes of this section, any tax, duty, cess or fee (by whatever name called) under any law for the time being in force, shall include all such payment notwithstanding any right arising as a consequence to such payment.

**Sec 145B : Taxability of certain income**

(1) Notwithstanding anything to the contrary contained in section 145, the interest received by an assessee on any compensation or on enhanced compensation, as the case may be, shall be deemed to be the income of the previous year in which it is received.

(2) Any claim for escalation of price in a contract or export incentives shall be deemed to be the income of the previous year in which reasonable certainty of its realisation is achieved.

**PGBP – 2 : Allowable Deductions**
**Section 32 : DEPRECIATION**

**Depreciation shall be allowed if all the following conditions are satisfied:**

1. **Specified Assets** : Only the following types of assets are eligible for Depreciation.
  - Tangible Assets : Building, Machinery, Plant or Furniture.
  - Intangible Assets : Know-how, patent, copyright, trademark, licence, franchise or other rights
2. **Purpose**: The specified assets should be used for **Business or Profession** of assessee.
3. **Ownership**: The specified assets can be **Wholly or partly** owned by assessee during the previous year.
4. **Basis of Depreciation**: Depreciation shall be calculated as

**[Rate of Depreciation ] X [ WDV of the Block Of Asset as on last day of the P/Y ]**

**BLOCK OF ASSET**

- Group of assets falling within a class of assets
- Comprising of Tangible assets and Intangible assets
- In respect of which same percentage of depreciation is prescribed.

<b>WRITTEN DOWN VALUE (WDV)</b>
---------------------------------

WDV of block of assets at the beginning of relevant P/Y	<b>A</b>
<b>Add :</b> <u>Actual Cost</u> of asset belonging to that block acquired during P/Y	<b>B</b>
<b>Less :</b> <u>Money Receivable</u> on assets sold, discarded, demolished or destroyed during previous year including Scrap Value	<b>C</b>
<b>WDV of the block of asset as on the last day relevant P/Y</b>	<b>A+B-C</b>

**Special point:** Where the income of an assessee is derived in *Part from Agriculture & in Part from P/G/B/P*, for computing WDV, the total amount of depreciation shall be computed as if the entire income is derived from the business of the assessee under the head P/G/B/P

<b>RATES OF DEPRECIATION</b>
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<b>TYPES OF ASSETS</b>	<b>% Depreciation</b>
<b>Building :</b>	
- Residential	5 %
- Non Residential	<b>10 %</b>
- Temporary Structure	40 %
<b>Furniture &amp; Fittings including Electrical Fittings</b>	<b>10%</b>
<b>Plant &amp; Machinery :</b>	
- Books owned by Professional	40%
- Books owned for Library business	40%
- Air & Water Pollution control equipments	40%
- Renewal energy device/Energy saving device	40%
- Computer including computer software	40%
- Aero planes	40%
- Life saving Medical Equipment	40%
- Motor car, buses, lorries etc used for hire (WN1)	30%
- Ships/Speed boats	20%
- Oil wells	15%
- Motor Car for Business & Profession (WN2)	15%
General rate of other machinery	<b>15%</b>
<b>Intangible Assets :</b>	<b>25%</b>

**(WN1) :** Motor buses, motor lorries and motor taxis used in a business of running them on hire, acquired between period 23.8.2019 to 31.3.2020 & put to use upto 31.3.2020 : Depreciation @ 45%

**(WN2) :** Motor cars other than those used in business of running them on hire, [acquired between 23.8.2019 to 31.3.2020 and put to use on or before 31.3.2020 : Depreciation @ 30%



**Special Points :**

1. **Plant** Includes Ships, Vehicles, Books, Scientific Apparatus & Surgical Equipment used for business or profession and does not include Tea Bushes, Live Stock, Building or furniture & fixtures.
2. Building includes Roads, Bridges, Wells, Tube wells.
3. Residential Building mean building in which **atleast 2/3<sup>rd</sup>** of built-up area is used for residential purposes.
4. Wind mills/Related Equipment/Generator or pump driven by wind mills installed wef 1/4/2014 : 40%  
Otherwise : 15%

**Depreciation Restricted to 50%**

- ❖ Where assets **acquired** during previous year
- ❖ and **put to use** for less than 180 days in **that** previous year
- ❖ Then depreciation on that asset **restricted to 50%** of normal rate
- ❖ for **that previous year** only

**Additional Depreciation****a. General Case :**

- Assessee engaged in the business of **manufacture or production** of any article or thing or “**In business of Generation, Transmission or Distribution of power**”
- **New Machinery or plant** acquired and installed (other than ships & aircraft)

**b. Specific case :**

- *Assessee, sets up an undertaking for manufacture or production of any article or thing,*
- *On or after the 1st day of April, 2015*
- *In any backward area notified by Central Government in this behalf,*
- *In Andhra Pradesh or Bihar or Telangana or West Bengal,*
- *Acquires and installs any new machinery or plant (other than ships and aircraft)*
- *for the purposes of the said undertaking*
- *during 1/4/15 and 31/3/2020 in the said backward area*

**b. Conditions to be satisfied:**

- i. P&M should not be used by any person in India or outside India before date of installation by assessee.
- ii. P&M not installed in **office premises** or in **residential accommodation** including a guest house.
- iii. P&M should not be an **office appliance** or road transport vehicle.
- iv. **Whole of actual cost** of P&M **not allowed as deduction** under P/G/B/P of any one previous year.

**c. Quantum of Increased Depreciation**

**General case : 20% for the P/Y in which conditions are satisfied**

(If acquired and put to use for less than 180 days then **10% & balance 10% next year**)

**Special case : 35% for the P/Y in which conditions are satisfied**

**(If acquired and put to use for less than 180 days then 17.5% & balance 17.5% next year)**

<b>Proportionate Depreciation</b>
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- In case of succession of *Partnership Firm* by a **Company** u/s **47** or
  - *Conversion of Private Company or Unlisted Public Company into a LLP* u/s **47**
  - Succession of *Proprietary Concern* by a **Company** u/s **47** or
  - *Amalgamation* or *De merger* or
  - Other cases of *Succession otherwise on death*
- Depreciation allowable for the P/Y in which the above succession takes place
  - Shall be apportioned between the *Predecessor* & **Successor**
  - On the basis of Number of **days the assets used** by them during that P/Y.

**Section 50 : Short Term Capital Gain for Block Assets**

Whenever a depreciable asset of block is sold, the **Sales consideration** is **Subtracted** from WDV of block to which such asset belongs.

CASE 1	CASE 2
1. <b>All Assets</b> of block are transferred during P/Y	1. <b>Some Assets</b> of block are transferred during P/Y & Sale proceeds of assets transferred > (Opening w.d.v + Actual cost)
2. Block <b>Ceases to exist</b> & <b>no depreciation</b> shall be provided for that P/Y	2. Block <b>will Exist at NIL value</b> & <b>no depreciation</b> shall be provided for that P/Y
3. Closing WDV is Short term capital <b>Gain or Loss</b>	3. Closing WDV is Short term capital <b>gain</b>

**Depreciation for Undertaking engaged in Generation of Power**

Such undertaking has the option either to claim depreciation

- ❖ On W.D.V basis on block of assets **or**
- ❖ On S.L.M basis on the actual Cost of assets
- ❖ Such option has to be exercised before furnishing ROI for the assessment year in which undertaking starts to generate power. (*Once such option is exercised it will be final and later on cannot be changed*)

**Sale of assets by such undertaking**

- *Depreciation. Claimed and provided on **WDV basis** : **Treatment under block***
- *Depreciation Claimed and provided on **SLM basis** :*

**Step 1** : Find out **Opening Value** as on 1/4/2020 (Cost of asset less deduction claimed in prior p/y)

**Step 2 :**

Sale price < Opening W.D.V	Sale Price > Opening W.D.V
<b>Loss is Terminal Depreciation</b> allowed as deduction in the P/Y of sale.	<b>Deemed Business Income (Balancing Charge)</b> taxable u/s <b>41</b> in P/Y of sale : <b>Selling price or Deduction Claimed, less</b>  <b>Capital Gain : Selling price &gt; Cost</b> <i>Short term or long term depending upon period of holding</i>

**Section 43(1) : Actual Cost**

Means actual cost of the asset to the assessee reduced by that portion of the cost, which is met directly or indirectly by any other person or authority

*If assessee incurs any expenditure for acquisition of any asset or part for which payment or aggregate of payments made to a person in a day, otherwise than by A/C payee cheque drawn on bank or A/C payee bank draft or use of ECS through bank account or by other **prescribed electronic method**, exceeds ₹10,000, such expenditure shall not be included in actual cost.*

**Rule 6ABBA :** CBDT has prescribed the following electronic modes

- (a) Credit Card
- (b) Debit Card
- (c) Net Banking
- (d) IMPS (Immediate Payment Service)
- (e) UPI (Unified Payment Interface)
- (f) RTGS (Real Time Gross Settlement)
- (g) NEFT (National Electronic Funds Transfer), and
- (h) BHIM (Bharat Interface for Money) Aadhar Pay.

Explanations to section 43(1)	Notional Actual Cost
Asset ceases to be used for Scientific research & now to be used for B/P of the Assessee.	Actual Cost to Assessee <b>Less:</b> Deduction claimed u/s.35
Asset belonging to other person is gifted or inherited by the Assessee	Actual cost to other person <b>Less:</b> Deduction allowed to previous owner as if only asset in block
Asset belonging to other person, used for the purpose of his business or profession is transferred to Assessee and AO is satisfied that transfer is to reduce Income tax liability	Amount determined by AO with prior approval of Joint Commissioner

Building belonging to assessee brought into B&P during P/Y	Actual cost <b>Less</b> Depreciation allowable as if building used for B&P since its acquisition.
Interest paid or payable for acquiring an asset	<u>Will not be added</u> to actual cost after asset first put to use.
Where an asset is acquired on which Taxes/Duty is repayable	Actual cost <u>reduced</u> by Excise, Custom Duty repayable
Where portion of cost of an asset met by Central Government, State Government, Authority or other person	
→ If Subsidy, Grant etc., is <i>directly related</i> to the asset	Actual cost <u>reduced</u> by value of subsidy
→ If Subsidy, Grant etc., is <i>not directly</i> related to an asset but a consolidated sum	Actual cost <u>reduced</u> by proportionate amount of subsidy.
Capital asset on which deduction has been allowed u/s 35AD	NIL

### MISCELLANEOUS ISSUES OF DEPRECIATION

#### 1. Is it mandatory to claim depreciation.

Explanation to Sec. 32 : Depreciation provisions shall apply whether or not the assessee has claimed deduction for depreciation.

#### 2. Carry forward and set off of unabsorbed depreciation [ Sec. 32(2) ]

1. Deduct current year depreciation from current year income under P/G/B/P.
2. If current year P/G/B/P is insufficient deduct balance depreciation from other head of income for same previous year.[Except Salary & Other Incomes chargeable at special rates excluding Capital Gains]
3. Even if incomes under other heads insufficient, it is *unabsorbed depreciation* which will be carried forward for **any number** of assessment years.
4. In the next assessment years ,b/f unabsorbed depreciation will be added to current year depreciation and again step 1 to step 4 will be followed

However, if B/F losses are also there in a previous year along with B/F unabsorbed depreciation, then priority of set off shall be as follows

- 1<sup>st</sup> setoff current year depreciation
- Then setoff brought forward losses
- Then setoff unabsorbed depreciation.

**Special point :**

1. The business or profession of which depreciation was computed need not be carried on in the previous year in which b/f depr is set off.
2. Depreciation can be c/f only by the **same assessee**. i.e. Assessee who has claimed the deduction for depreciation and the assessee who wants to carry forward the depreciation must be the same.

**Exceptions to 2<sup>nd</sup> point:**

- a) Firm succeeded by a company u/s 47
- b) Proprietary concern succeeded by a Company u/s 47
- c) Amalgamation or Demerger

**PGBP – III : Other Allowable deductions****Section 30 : Rent, Repairs, Taxes & Insurance for Buildings used for B&P**

If assessee is a **Owner**, following deductions shall be allowed to him

- **Revenue Repairs**
- **Municipal Taxes** ( *Subject to 43B*)
- **Insurance Premium** for insurance of building

If assessee is a **TENANT**, following deductions shall be allowed to him

- **Rent** & following expenses *if borne by him*
- **Revenue Repairs**
- **Municipal Taxes**
- **Insurance Premium** for insurance of building

**Section 31 : Machinery, Plant & Furniture used for B&P**

- ✓ Following deductions shall be allowed:
- ✓ **Revenue Repairs**
- ✓ **Insurance Premium** of such Plant, Machinery & Furniture

**Asset not exclusively used for Business or Profession [ Sec. 38(2) ]**

- Where Building, Machinery, Plant or Furniture
- **Not exclusively** used for Business or Profession
- Then deduction **u/s. 30, 31, 32**
- Shall be restricted to such **fair proportion** as AO may determine for purpose of business or profession.

**Sec 32 AC : Investment Allowance for New Plant or Machinery**

<b>1.Assessee</b>	Company engaged in the business of manufacture or production of any article or thing
<b>2.Investment &amp; Deduction</b>	<p><b><u>WEF A/Y 15/16 upto A/Y 17/18</u></b></p> <p><b><i>Acquires and installs Eligible P&amp;M between 1/4/14 to 31/3/2017 and actual cost &gt; 25 crore ,than deduction @ 15% of actual cost shall be allowed</i></b></p> <p>If installation of the new assets are in a year other than the year of acquisition, the deduction shall be allowed in the year in which the new assets are installed.</p>
<b>3.Eligible P&amp;M</b>	<p><b>New plant or machinery (other than ship or aircraft) Excluding :</b></p> <p>(i) P&amp;M which before its installation by assessee was used either within or outside India by any other person</p> <p>(ii) P&amp;M installed in any office premises or any residential accommodation, including guest house</p> <p>(iii) Office appliances including computers or computer software</p> <p>(iv) Any vehicle or</p> <p>(v) P&amp;M, whole of actual cost allowed as deduction (whether by way of depreciation/otherwise) in computing income of Business/Profession of any P/Y</p>
<b>4. Eligible P&amp;M sold</b>	<p>If P&amp;M is transferred except under amalgamation or demerger, within 5 years from date of its installation, deduction allowed shall be deemed as <b>Business Income of p/y of transfer</b> in addition to taxability of gains arising on account of transfer of such new asset.</p> <p>Where P&amp;M is transferred under amalgamation or demerger within 5 years from date of its installation, the above provision shall apply to amalgamated company or resulting company as they would have applied to amalgamating company or demerged company.</p>

**Sec 32 AD : Investment allowance for New plant & machinery in backward area**

<b>1.Assessee</b>	<i>Assessee, sets up undertaking for manufacture of any article ,</i> <ul style="list-style-type: none"> <li><i>on or after 1.4.2015</i></li> <li><i>in any backward area notified by Central Government ,</i></li> <li><i>in Andhra Pradesh or Bihar or Telangana or West Bengal</i></li> </ul>
<b>2.Investment</b>	<ul style="list-style-type: none"> <li><i>Acquires and installs eligible P&amp;M</i></li> <li><i>during 1/4/15 and 31/3/2020 in backward area</i></li> </ul>
<b>3.Deduction</b>	<i>15% of actual cost of Eligible P&amp;M in p/y in which it is installed</i>
<b>4.Eligible P&amp;M</b>	<b>Same as u/s 32AC</b>
<b>5. Eligible P&amp;M sold</b>	<b>Same as u/s 32AC</b>

**Sec 33AB / ABA : Deduction for Business of Tea/Coffee/Rubber/Exploration**

<b>Section</b>	<b>33AB : Tea/coffee/rubber Devp. A/c.</b>	<b>33ABA : Site Restoration Fund</b>
<b>1 Assessee</b>	Growing and Manufacturing Tea or Coffee or Rubber <b>in India</b>	Prospecting or Extraction or production of Petroleum or Natural Gas or both <b>in India</b>
<b>2 Conditions</b>	Deposit with NABARD <b>or</b> Special Deposit Account under within 6 months from end of P/Y <b>or</b> before due date of ROI, <b>whichever is earlier</b>	Deposit in SBI in a special Account <b>or</b> In a site restoration account <b>before end of P/Y</b>
<b>3 Deduction</b>	Amount deposited under point 2 <b>or</b> <b>40%</b> profits of such business before 33AB, <b>whichever is less</b>	Amount deposited under point 2 <b>or</b> <b>20%</b> profits of such business before 33ABA, <b>whichever is less</b>

**Special Point : Applicable for both sections**

<b>1. Restriction on utilization of Amount deposited</b>	Amount withdrawn to be <b>utilised in accordance</b> with <b>scheme specified</b> . However, amount withdrawn for the purchase of following shall be deemed to be Business income. <ul style="list-style-type: none"> <li>i. Plant &amp; Machinery to be installed in Office or Residence,</li> <li>ii. Office appliance (other than computer),</li> <li>iii. Plant &amp; Machinery, whole of cost allowed as deduction under PGBP in one year</li> <li>iv. Plant &amp; Machinery for manufacturing an article specified in <b>XI Schedule</b>.</li> </ul>
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2.	<b>Withdrawal of Deduction</b>	Amount withdrawn not utilised for, 1. Specified purposes, <b>amount that is not utilised</b> shall be <b>Business Income of that P/Y.</b> 2. Asset sold before 8 years from end of previous year in which acquired, deduction claimed w.r.t cost of asset, <b>Business Income of P/Y of sale.</b>
3.	<b>CA Report</b>	<i>Accounts audited by CA before the specified date u/s 44AB and assessee furnishes by that date the audit report in the prescribed form duly signed and verified</i>

**Section 35 : Expenditure on Scientific Research**

Scientific research carried out by assessee i.e. In-house Scientific Research (has to be related to Assessee Business)			
Pre commencement ( 3 years prior to date of commencement of Business)		Post commencement (On or after date of commencement)	
Prescribed Revenue expenditure 35(1)(i)	Capital Expenditure Sec35(1)(iv)	All Revenue Expenditure 35(1)(i)	Capital Expenditure Sec 35(1)(iv)
Salary(excluding perquisites) of Research Staff & Purchase of Material for scientific Research only	Any Capital expenditure <b>except Land</b>	All Revenue Expenditure	Any Capital expenditure <b>except Land</b>
Deduction in P/Y of commencement	Deduction in P/Y of commencement	Deduction in P/Y in which incurred	Deduction in P/Y in which incurred

**Calculation of Deduction u/s 35**

- 1.Revenue expenditure on scientific research is **100% allowed** as deduction irrespective of profits.
- 2.Capital expenditure on scientific research are allowed as deduction **subject to availability of profit.**
- 3.Set off & Carry forward **same as unabsorbed depreciation**

Section 35 (2AB)
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- Company Assessee ( *Engaged in Manufacture of any article except specified under XI schedule* )
- Incurred expenditure (**Except on Land & Building**) on **in house** scientific research **approved by prescribed authority**
- Weighted deduction of **100 % of such expenditure** will be allowed

<b>Contributions/Donations for Research to Approved Associations</b> <i>(Related or Unrelated to Assessee business)</i>
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Sec. 35(1)(ii)	Sec. 35(1)(iii)	Sec. 35 (2AA)	Sec 35(1)(iia)
<i>Approved Research association/ University /College for scientific research</i>	<i>Approved Research association /University, Institution for Social science or statistical research</i>	<i>National Laboratory or University or IIT for approved Scientific Research Programme</i>	<i>Indian company having main object of scientific research &amp; approved by prescribed authority</i>
<b>100%</b> of amount paid allowed	<b>100%</b> of amount paid allowed	<b>100%</b> of amount paid allowed	<b>100%</b> of amount paid allowed

**Special point :** Deduction u/s 35 **shall not be disallowed** if subsequent to payment ,approval of such association, institution,company etc is withdrawn.

<b>Sec 10(21) : Exemption of Income of Research Association</b>
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Any income of **Research Association** approved **u/s 35** shall be exempt provided that Research association applies its Income & Invest in funds u/s 11

**SALE OF ASSET USED FOR SCIENTIFIC RESEARCH**
**Option 1 : Sold without using for business**

**Step 1 :** Find out **Opening Value** as on 1/4/2020 (Cost of asset less deduction claimed in prior p/y)

**Step 2 :**

Sale price < Opening W.D.V	Sale Price > Opening W.D.V
<b>Loss</b> is allowed as deduction in the P/Y of sale.	<b>Deemed Business Income</b> taxable u/s <b>41</b> in P/Y of sale : <b>Selling price or Deduction Claimed, less</b>  <b>Capital Gain : Selling price &gt; Cost</b> <i>Short term or long term depending upon period of holding</i>

**Special Point :** Business income shall be taxable in the previous year of transfer even if business is not in existence in that previous year

**Option 2 : Sold after using for business**

**Step 1 :** The cost of asset will be added to value of block to which it belongs.

The cost added to value of block will be

Actual Cost to Assessee

**Less:** Deduction claimed u/s.35(1)(iv)

**Step 2 :** Sale price will be deducted from value of WDV of the block to which it belongs

**Section 35 ABB : Expenditure for obtaining Telecommunication License**

<b>Capital Expenditure ACTUALLY INCURRED to acquire Telecom license</b>	
<i>Before commencement of business</i>	<i>After commencement of business</i>
<b><u>Period of Deduction</u></b> Deduction shall be available from <b>P/Y in which business commences</b> to P/Y in which license expire	<b><u>Period of Deduction</u></b> Deduction from <b>P/Y in which license fee actually paid</b> to P/Y in which license expires
<b><u>Amount of deduction</u></b>  = <u>License fees actually paid</u> No. of previous years in above period	<b><u>Amount of deduction</u></b>  = <u>License fees actually paid</u> No. of previous years in above period

**TAX TREATMENT ON SALE OF LICENSE****Option 1 : Whole license sold****Computation of Profit /Loss on sale**

**Step 1 :** Find out **Opening Value** as on **1/4/2020** (Cost of asset less deduction claimed in prior p/y)

**Step 2 :**

Sale price < Opening W.D.V	Sale Price > Opening W.D.V
Loss is allowed as deduction in the P/Y of sale.	<b>Deemed Business Income</b> taxable in P/Y of sale : <b>Selling price or Deduction Claimed, less</b>  <b>Capital Gain : Selling price &gt; Cost</b> <i>Short term or long term depending upon period of holding</i>

**Option 2 : Part license sold****Computation of Profit /Loss on sale**

**Step 1 :** Find out **Opening Value** as on **1/4/2020** (Cost of asset less deduction claimed in prior p/y)

**Step 2 :**

Sale price < Opening W.D.V	Sale Price > Opening W.D.V
Loss is allowed as deduction in balance P/Y of life of license	<b>Deemed Business Income</b> taxable in P/Y of sale : <b>Selling price or Deduction Claimed, less</b>  <b>Capital Gain : Selling price &gt; Cost</b> <i>Short term or long term depending upon period of holding</i>

**Special point :**

***Business income shall be taxable in the previous year of transfer even if business is not in existence in that previous year***

**Sec 35ABA : Expenditure for obtaining right to use spectrum for telecommunication services.**

**1. Deduction** : Capital expenditure, incurred for acquiring any right to use spectrum for telecommunication services

**2. Applicability of Sec 35ABB** : The provisions of section 35ABB, shall apply as if for the word “licence”, the word “spectrum” had been substituted.

**3. Failure to comply** : Where, in a previous year, any deduction has been claimed and granted to the assessee, and, subsequently, there is failure to comply with any of the provisions of this section, then,—

(a) Deduction shall be deemed to have been wrongly allowed;

(b) AO may, notwithstanding anything contained in this Act, re-compute the total income of the assessee for the said previous year and make the necessary rectification;

**Sec 35AD : Deduction of Capital Expenditure of Specified Business**

<b>Assessee</b>	<ol style="list-style-type: none"> <li>1) Setting up &amp; operating <b><u>Cold Chain facility</u></b></li> <li>2) Setting up &amp; operating <b><u>Warehousing facilities</u></b> for storage of agriculture produce</li> <li>3) Laying &amp; operating <b>Cross-country Natural Gas/Crude/Petroleum</b> pipeline network for distribution, including storage facility</li> <li>4) Building and operating a <b>Hotel</b> of two-star or above category anywhere in India <i>(Where the assessee builds a hotel of two-star or above category &amp; subsequently, while continuing to own the hotel, transfers the operation thereof to another person, assessee shall be deemed to be carrying on Hotel Business)</i></li> <li>5) Building and operating a <b><u>Hospital</u></b> with at least one hundred beds for patients</li> <li>6) Developing and building a <b>Housing project</b> under a scheme for <b>slum redevelopment or rehabilitation</b> framed by Government and notified by Board</li> <li>7) <b>Developing and building a housing project under a scheme for affordable housing</b> framed by Government and notified by Board</li> <li>8) <b>Production of fertilizer in India &amp; investment in a new plant</b> or in a newly installed capacity in an existing plant</li> <li>9) <i>Setting up and operating an inland container depot or a container freight station notified or approved under Customs Act</i></li> </ol>
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	<p>10) <i>Bee-keeping and production of honey and beeswax</i></p> <p>11) <i>Setting up and operating a warehousing facility for storage of sugar</i></p> <p>12) <i>Laying and operating a slurry pipeline for the transportation of iron ore</i></p> <p>13) <i>Setting up and operating a semi-conductor wafer fabrication manufacturing unit and is notified by the Board</i></p> <p>14) <i>Developing or operating and maintaining or developing, operating and maintaining, any infrastructure facility (on or after 1/4/17)</i>  <i>Business is owned by Indian company or statutory corporation &amp; has entered into agreement with Government / local authority</i></p> <p><i>Infrastructure facility means—</i>  <i>(i) Road , toll road, bridge or rail system;</i>  <i>(ii) Highway project ;</i>  <i>(iii) Water supply project, water treatment system, irrigation project, sanitation and sewerage system ;</i>  <i>(iv) Port, airport, inland waterway, inland port</i></p>
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<b>Deduction if he opts</b>	<b>100% Capital expenditure</b> for above business incurred after commencement including <b>Pre commencement Capital Expenditure</b>
<b>Exclusions</b>	<p><b>Does not include</b> expenditure on land, goodwill or financial instrument</p> <p><i>Any expenditure for which payment or aggregate of payments made to a person in a day, otherwise than by A/y payee cheque drawn on a bank or an account payee bank draft or use of ECS through a bank A/c or by other prescribed electronic method, exceeds ₹10,000</i></p>
<b>Conditions</b>	<p>1. It is not set up by <b>Splitting up or Reconstruction</b> of existing business</p> <p>2. <b>Atleast 80%</b> of P&amp;M should not be <b>Previously used</b> for any purpose</p> <p><u><b>Exception to 2<sup>nd</sup> Condition</b></u></p> <ul style="list-style-type: none"> <li>- P&amp;M <b>used outside India</b> by any person other than the assessee &amp;</li> <li>- Such P&amp;M is <b>imported into India</b> &amp;</li> <li>- <b>No deduction of depreciation</b> on that P&amp;M has been allowed to any person for any period prior to the date of installation by assessee</li> </ul>
<b>Limitations</b>	If deduction is <b>claimed &amp;</b> allowed under this section, such expenditure will not be allowed as deduction under other provision.
<b>Sale of asset</b>	<p><b>Sum received/receivable</b> on account of destruction/ demolition/ discard/ transfer of such Capital asset shall be <b>deemed as P/G/B/P u/s 28</b></p> <p>If sold after using for other business :  <b>Actual Cost = Nil</b></p>

<b>Use of Asset</b>	<p>Any asset on which deduction allowed shall be used only for specified business, for 8 years beginning with p/y in which such asset is acquired or constructed.</p> <p>Otherwise deduction allowed in one or more p/y, as reduced by depreciation allowable u/s 32, as if no deduction under this section was allowed, shall be deemed to be income under PGBP of p/y in which the asset is so used.</p> <p><i>Where any capital asset on deduction is allowed u/s 35AD is deemed to be income as above , actual cost of asset shall be actual cost, as reduced by depreciation calculated at rate in force that would have been allowable had the asset been used for business since date of its acquisition</i></p>
<b>Set off &amp; C/F of Loss of business</b>  <b>(Sec 73A)</b>	<p><b>-Loss of Specified Business</b> can be set off against profits of other specified business only.</p> <p>-Unabsorbed loss will be c/f &amp; set off against profits of specified business of subsequent A/Y</p> <p>-C/F &amp; set off for <b>Unlimited period of A/Y</b></p>

**Section 35 CCA : Payment to Associations for Rural Development Plans**

<b>Deduction for payment of sum to</b>			
Association whose object is to undertake Rural Development Program <i>approved by prescribed authority</i>	Association engaged in <b>Training of persons</b> for implementing Rural Development Program	<b>Rural Development Fund</b> set up by Central Govt.	<b>National Urban Poverty Eradication Fund</b> Set up by Central Govt.

Deduction u/s 35CCA **shall not be disallowed** if subsequent to payment ,approval of such institution or programme is withdrawn

**35CCC : Expenditure on Agricultural extension project**

(1) Where assessee incurs **any expenditure** on **agricultural extension project** notified by CBDT , then, there shall be allowed a deduction of **100% such expenditure**.

(2) Where a deduction under this section is allowed for any A/Y , such expenditure will not be allowed as deduction under any other provisions.

**35CCD : Expenditure on skill development project**

(1) Where a company incurs any expenditure (except land or building) on any skill development project notified by CBDT, then, there shall be allowed a deduction of **100 % such expenditure**.

(2) Where a deduction under this section is allowed for any A/Y , such expenditure will not be allowed as deduction under any other provisions.

**Section 35 D: Amortization of Preliminary Expenses**

1	Assessee	Indian Company or Non Corporate Resident
2	<b>Expenditure when incurred</b>	Before commencement of business <b>or</b> After commencement of business <i>for</i> - Extension of existing undertaking <i>or</i> - Setting up of new unit
3	<b>Specified Expenditure</b> <i>(Expenditure under point i to iv, can be incurred by assessee himself or by concern approved by CBDT)</i>	(i) Feasibility report (ii) Project report (iii) Market/Other Surveys (iv) Engineering Services (v) Legal Charges for drafting agreements  <b>For Company Assessee</b> , also expenditure on Memorandum & Articles, Legal Fees for registration, expenses on public issue
4	<b>Qualifying amount of Specified Expenditure</b>	<b><u>Non-Corporate resident Assessee</u></b> <b>A.</b> Total of Specified expenditure <b>or</b> <b>B.</b> 5% of <b>Cost of Project</b> <b>A or B, whichever is less</b>  <b><u>Indian Company</u></b> <b>A.</b> Total of Specified expenditure <b>or</b> <b>B.</b> 5% of <b>Cost of Project or 5% of Capital employed, Higher A or B, whichever is less</b>
5	<b>Period of Deduction</b>	Qualifying Amount in <b><u>5 equal annual installments</u></b> starting from P/Y of <i>commencement or completion of extension or setting up new unit</i> (as the case may be)
6	<b>Compulsory Audit</b> <i>(Not applicable for Company, Cooperative society)</i>	<i>Accounts audited by CA for the year/s in which expenditure was incurred before the specified date u/s 44AB and assessee furnishes by that date the audit report in the prescribed form duly signed and verified for the 1<sup>st</sup> year of deduction</i>

**Special Points:**



**1. Cost of Project** : Means Actual cost of **FIXED ASSETS** as per books of accounts on last day of P/Y in which business is commenced or extension is completed or new unit is Set up, as the case may be

**2. Capital Employed** : Means *Aggregate* of **Issued share capital, Debentures, Long term borrowings** as on the last day of same P/Y as mentioned above

**3. L T Borrowings** : Means

- a) Money borrowed from Govt. or IFICI or ICICI or Banking / Approved financial institution, repayable in not less than 5 years
- b) Money borrowed in foreign currency for purchase of P&M outside India, repayable after 7 years

**Section 35 DD : Expenditure in case of Amalgamation or Demerger**

- **Indian Company** incurs expenditure *wholly & exclusively* for amalgamation or demerger.
- Deduction shall be allowed of such expenditure in **5 equal annual installments** starting from P/Y of amalgamation or demerger

**Section 35 DDA : Expenses incurred under Voluntary Retirement Scheme**

- **Any assessee** incurs expenditure for payment of sum under V.R.S.
- Deduction shall be allowed of such expenditure in **5 equal annual installments** starting from the P/Y in which amount paid.

**Section 35 E: Deduction for Prospecting Minerals**

- **Indian Company** or **non-corporate Resident assessee** engaged in Production of any **specified mineral**.
- Incurs Expenditure for Prospecting or Extraction or Production during **year of Commercial production** or **4 p/y years prior** to such commercial production
- Expenditure does not include the following:
  1. Expenditure of a **Capital nature** on which depreciation is admissible u/s 32.
  2. Expenditure on **acquisition of site**
  3. Any expenditure which is **met directly or indirectly** by any other person or authority
- **Deduction:** 10% of qualifying expenditure allowed for 10 years starting from p/y of production

- **Maximum deduction allowed each year** : 10% of qualifying expenditure **or** Income from such Business before 35E, *whichever is less*.
- **Unallowed qualifying expenditure** carried forward for next year & added to next year installment. However after 10<sup>th</sup> year no deduction shall be allowed
- **Accounts audited by CA for the year/s in which expenditure was incurred** *before the specified date u/s 44AB and assessee furnishes by that date the audit report in the prescribed form duly signed and verified for the 1<sup>st</sup> year of deduction. (Not applicable for Company, Cooperative society)*

**Special Point:** For the purposes of this section,—

- (a) **“Operation relating to prospecting”** means any operation undertaken for the purposes of exploring, locating of deposits of mineral, and includes any such operation which proves to be **infructuous or abortive**

**Sec. 43B: Certain deductions on Actual Payment Basis**

- **Overriding other provisions of IT Act**
- **Specified Expenses** which are **allowable under other sections**
- Shall be allowed only in **Previous year** in which such expenditure is **actually paid**
- Irrespective of p/y in which liability was incurred as per method of accounting

**Specified expenses :**

1. Tax, duty under **any law**
2. Employer Contribution to Provident fund, superannuation fund, Gratuity fund or other welfare fund
3. Bonus or Commission to employee
4. Interest on Loan from Public Financial Institution, State Financial Corporation **or** State industrial investment corporation
5. Interest on any loan or advance from schedule bank or a co-operative bank other than a primary agricultural credit society or primary co-operative agricultural and rural development bank
6. Payment of leave Salary to employee
7. Sum payable to Indian Railways for use of railway assets

8. Sum payable by assessee as interest on any loan or borrowing from a deposit taking NBFC or systemically important non-deposit taking NBFC, in accordance with the terms & conditions of the agreement governing such loan or borrowing.\*

**Special point :**

1. Provision of Sec. 43B Shall not apply
  - ✓ for the P/Y in which liability to pay such sum was incurred
  - ✓ If such sum is **Actually Paid** by Assessee
  - ✓ On or before the **due date of return u/s. 139(1)**
  - ✓ And evidence of such payment is furnished along with ROI

2. \*

Where deduction in point 8 is allowed in computing income referred u/s 28, of A/Y 19/20, or any earlier A/Y) in which the liability to pay such sum was incurred by assessee, the assessee shall not be entitled to any deduction under this section in respect of such sum in computing the income of p/y in which the sum is actually paid by him

Deduction of any sum, being interest payable under point 8 shall be allowed if such interest has been actually paid and any interest referred to in that point which has been converted into a loan or borrowing shall not be deemed to have been actually paid.

Deposit taking NBFC means NBFC which is accepting or holding public deposits and is registered with RBI under the provisions of RBI Act, 1934

Systemically important non-deposit taking NBFC means a NBFC which is not accepting or holding public deposits and having total assets of not less than 500 crore rupees as per the last audited balance sheet and is registered with RBI under the provisions of RBI Act, 1934.

<b>Section 36(1) : <u>Expenses allowed from Business/Profession</u></b>
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1. Premium for insurance of **Stock in trade** used for Business or Profession.
2. Premium by *employer* for **Health insurance** of his employees by any mode other than cash under a approved scheme
3. **Bonus or Commission** to employee provided such bonus or commission is **not payable** as **Dividend**.  
(Subject to sec 43B)
4. Interest on Capital Borrowed for the purpose of Business or Profession. (Subject to sec 43B)
5. Prorata amount of **Discount** on a **Zero Coupon Bond**.

6. **Employer** contribution towards Recognised Provident Fund or Approved Superannuation Fund or Approved Gratuity Fund. *(Subject to sec 43B)*
7. Employer contribution towards a pension scheme u/s 80CCD, on account of an employee upto 10% **Salary** of the employee in the previous year. [Refer Chapter Deductions] *(Subject to sec 43B)*
8. Sum received *by employer* as employee contribution to Provident Fund, Superannuation Fund or under other welfare fund provided such amount is **credited** by employer in account of employee **upto due date** of relevant fund

**Special Point :**

**Sec 2(24)** : Amount received by employer from employee as contribution to Provident Fund, Superannuation Fund or other welfare fund ,shall be treated as **deemed income** of such employer.

**If the employer satisfies condition of sec 36(1) then he will be entitled to deduction of such amount.**

9. Animals used for Business or Profession (not as S.I.T) & have died or become useless for such purpose Deduction of Difference between actual cost to such assessee & realisation (if any) from sale of carcass of such animal.
10. **Bad debt is written off as irrecoverable** in accounts of assessee during p/y Provided such debt should have been **taken into account for computing income of any P/Y**

**Special Points :**

1. Where assessee deals in money lending or is a Bank, income condition need not be satisfied.
2. No deduction is allowed for provision made for bad & doubtful debt (Except Next deduction)
3. **Sec. 41(4) : Subsequent recovery of written off bad debt.**
  - ✓ Where deduction claimed upto 36(1) for any previous year
  - ✓ and subsequently amount is recovered,
  - ✓ then such amount shall be the income under P/G/B/P
  - ✓ of P/Y in which recovered.

***However,***

- a) **Assessee** claiming Bad Debt & who recovers the bad debt should be **same**
- b) It is not necessary business is in existence in previous year of recovery.

**11. Provision for bad and doubtful debts made by—**

- (a) **Bank or a co-operative bank : Upto 8.5% of Gross Total Income** (computed before making this deduction) + **upto 10% of aggregate average advances** made by rural branches of such bank
- (b) Foreign Banks/Public financial institution/State financial corporation/State industrial investment corporation/Non Banking financial company : **Upto 5% of Gross Total Income** (computed before making this deduction )

**12. Special reserve created and maintained by a specified entity,****Deduction : Least of following**

- a) 20% of profits derived from **eligible business** computed under head "PGBP" (before making this deduction)
- b) Profit transferred to special reserve account:
- c)  $2 \times \{ [\text{Paid up share capital} + \text{General reserves as on last day of P/Y}] - [\text{Balance of special reserve A/c on 1}^{\text{st}} \text{ day of P/Y}] \}$

**Special Point :****(a) "Specified entity" means ,**

- (i) Financial corporation u/s 4A of the Companies Act;
- (ii) Financial corporation which is a public sector company;
- (iii) Banking company;
- (iv) Co-operative bank other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank;
- (v) Housing finance company; and

**(b) "Eligible business" means ,**

- (i) providing **long-term finance** for
  - (A) industrial or agricultural development;
  - (B) development of infrastructure facility in India; or
  - (C) development of housing in India;

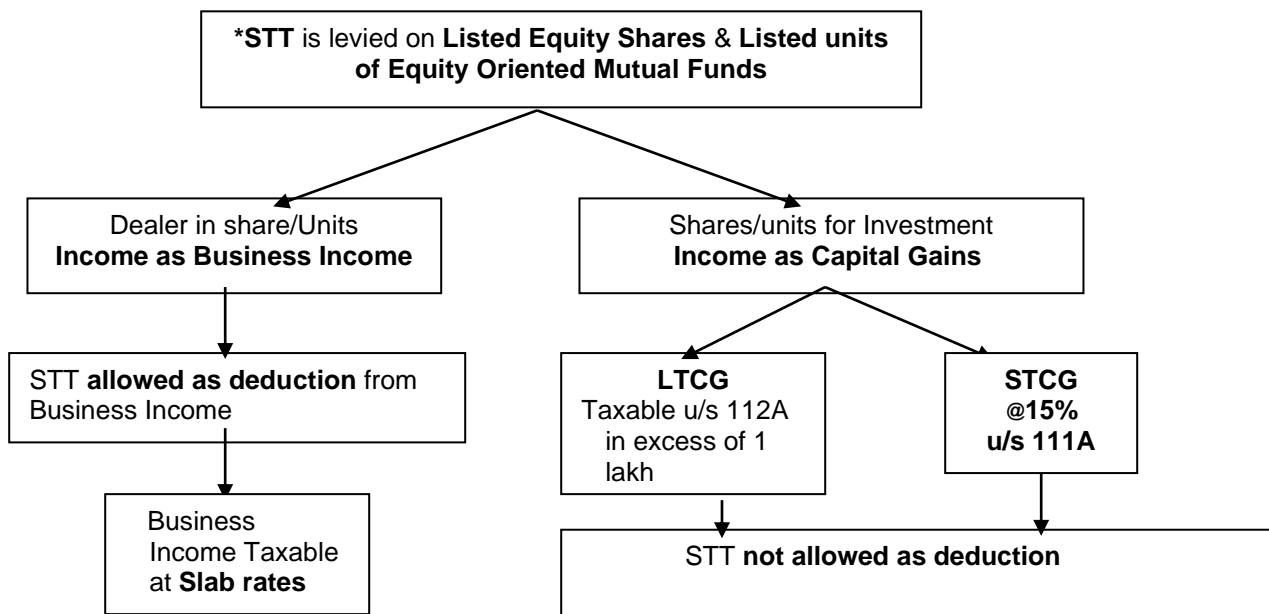
**(c) "long-term finance" means** any loan where the terms under which moneys are loaned for repayment along with interest during a period of not less than five years;**13. Expenditure incurred by *Company***

- for promoting Family Planning **among Employees**
- **If expenditure is Revenue Expenditure : 100% allowed** in P/Y in which incurred
- **If expenditure is Capital Expenditure : Allowed in 5 equal installments** from P/Y in which incurred

**Special Points:**

**Sale of family planning capital assets treatment same as sale of scientific research capital asset**

**14. Security Transaction Tax (STT) on Transaction** arising in course of Business or profession.



**15. Commodities Transaction Tax (CTT)** in respect of Specified Commodities Transactions if the income arising from such transactions is chargeable under Business or Profession.

**Special Point :**

**Commodities Transaction Tax** is levied on every taxable commodities transaction, being sale of commodity derivative @ **0.01 %** on value of such transaction & such tax shall be payable by the seller.

**Specified Commodities Transaction** means a transaction of sale of commodity derivatives in respect of commodities, other than agricultural commodities, traded in recognised associations.

**16. *Expenditure incurred by a co-operative society engaged in the business of manufacture of sugar for purchase of sugarcane at a price which is equal to or less than price fixed or approved by Government.***

**Sec. 37(1) : GENERAL DEDUCTION**

**If an expenditure fulfills ALL the below conditions it will allowed u/s 37(1)**

- If not covered under Sec. 30 to Sec. 36
- If incurred during P/Y wholly & exclusively for B/P
- If not of Capital Nature
- If Not a personal expense of Assessee

**Special Points:**

1. Expenditure of any purpose which relates to any **Offence or which is prohibited by law** shall not be allowed a deduction
2. **Sec 37(2B)** : Expenditure on advertisement in any Newspaper, Magazine, Souvenir, Pamphlet etc. of a political party is not allowed as deduction
3. *Any expenditure incurred on corporate social responsibility u/s 135 of Companies Act, 2013 shall not be allowed as deduction u/s 37(1)*

**PGBP – IV : Disallowances****Sec. 40(a) : Expenses not deductible****Overriding Sec 30 to Sec 38****1. Expenditure to Non Resident without TDS**

- Expenditure during P/Y of Interest ,Royalty, fees for technical services or other sum chargeable under this act ( other than salary)
- **Payable to Non-Resident**
- No Deduction of **such expenses** shall be allowed if
- Tax has been not been deducted at source **or** after deduction has not been deposited ***upto due date of return(DDR) u/s 139(1)***
- However, **if deducted in later p/y or deducted earlier but deposited after DDR**, then deduction will be allowed in p/y in which it is actually deposited

**2. Expenditure to Resident**

- Incurs *Any Expenditure subject to TDS* during P/Y
- **Payable to a Resident**
- **30% of such expenditure** shall be disallowed allowed if
- Tax has not been deducted at source or after deduction has not been deposited ***Upto Due Date of Return u/s 139(1)***

- However ,if deducted in later p/y or deducted earlier but deposited after above DDR , then 30% of such expenditure shall be allowed as deduction in previous year in which it is actually deposited.

**Special point :** *If Payer fails to deduct tax for above payment to resident/non resident payee but is not deemed as assessee in default as resident payee has directly paid the tax , than it shall be deemed that payer has deducted & paid the tax on such sum on date of furnishing of return of income by the resident payee*

3. **Income Tax** shall not be allowed as deduction.
4. Royalty / Licence fee / Service fee / Privilege fee / Service charge by State Government undertaking to State Government

**Special point :**

State Government undertaking includes—

- (i) Corporation established under any Act of State Government
- (ii) Company in which more than 50% of paid-up equity share capital is held by State Government
- (iii) Undertaking in which State Government has the right to appoint the majority of the directors

5. Tax u/s.10(10CC) on **Non Monetary Perquisite** shall not be allowed deduction.
6. Any consideration to a non-resident for a specified service on which equalisation levy is deductible & such levy has not been deducted or after deduction, has not been paid upto due date u/s 139(1)

Provided for such consideration, the equalisation levy has been deducted in any subsequent year or has been deducted during P/Y but paid after due date u/s139(1), such sum shall be allowed as deduction in computing income of P/Y in which such levy has been paid.

<b>Sec. 40A(2) : Expense greater than Market value</b>
--

- ☐ **Expenditure** by which payment made /is to be made to **Specified Person**
- ☐ AO may disallow so much expenditure as he consider **Excessive or Unreasonable**
- ☐ Having regard to
- ☐ **FMV** of goods or service for which payment made or **legitimate** needs of business.

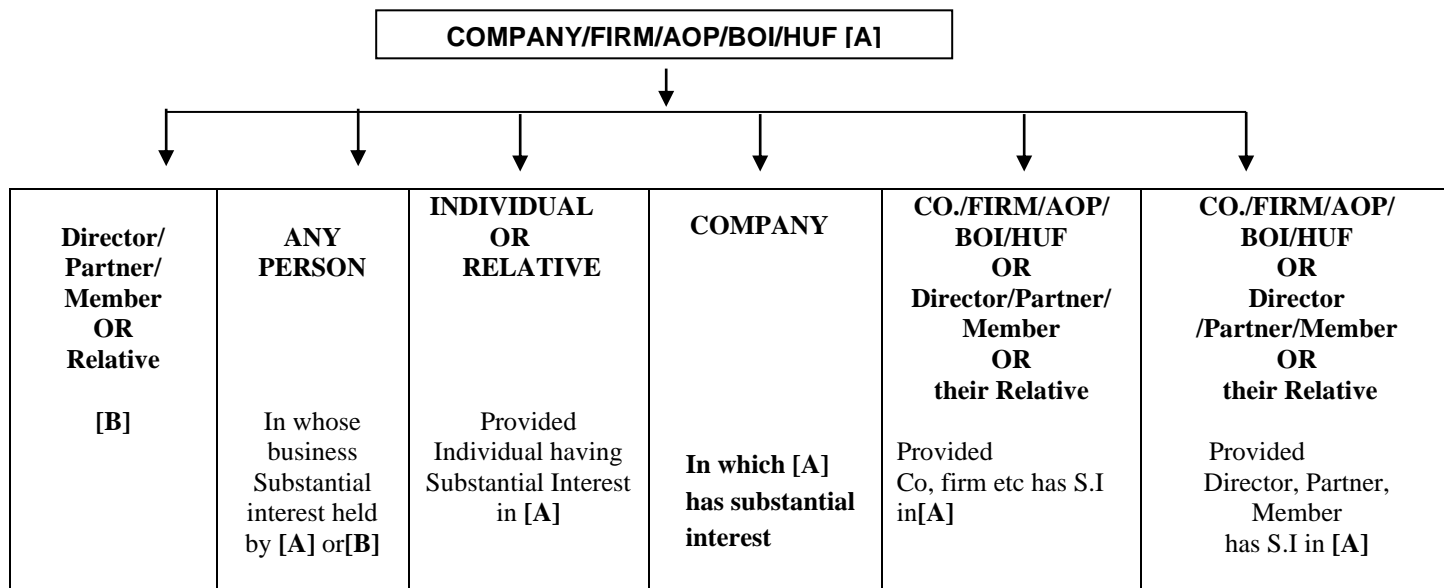


**Special Points :****1. Specified Persons :**

i. Where assessee is an **Individual**.

- His Relative
- Entity *In which such Individual or his Relative has Substantial Interest*

ii. Where Assessee is :

**2. A Person has Substantial Interest in**

- ➔ Company, if he holds *at any time* during the P/Y beneficial ownership of **at least 20% Equity** Shares in that company
- ➔ Other than company, if he is *at any time* during the P/Y entitled to **at least 20% profits**

**3. Disallowance u/s 40A(2) shall be made in respect of a specified domestic transaction referred to in section 92BA, if such transaction is not at arm's length price as defined in 92F.****Sec. 40A(3): Expenditure in cash**

- Where the assessee incurs any expenditure
- For which a payment or aggregate of payments
- Exceeding ₹10,000
- Made to a person
- In a day,

- Otherwise than by account payee bank cheque or
- Account payee bank draft or
- ECS through bank Account
- other prescribed electronic method,
- No deduction shall be allowed in respect of such expenditure.

**Special Point : The limit for Payment for plying, hiring or leasing goods carriages is ₹35,000**

**Special Point :**

- Where an **expenditure is allowed** during any previous year
- and in subsequent previous year
- the assessee makes payment in respect thereof
- in excess of ₹10,000
- otherwise than by an account payee cheque or account payee bank draft or electronic clearing system through a bank account or other prescribed electronic method
- the payment so made
- 
- shall be **Deemed to be P/G/B/P** Income of subsequent P/Y
- 

<b>Exceptions to Sec. 40A(3) : Rule 6DD</b>
---

No disallowance in the following cases even if payment greater than 10,000 is made otherwise by Account payee cheque or Account payee bank draft or electronic clearing system through a bank account or other prescribed electronic method

- a) Payment to Banks, LIC
- b) To Government.
- c) Payment through letter of credit, telegraphic transfer, bill of exchange, ECS, credit card or debit card
- d) Payment to cultivator or producer of agriculture, forest, animal husbandry, dairy, poultry farming or fish products.
- e) Payment for purchase of products manufactured by producer without aid of power in a cottage industry.
- f) Payment in a village or town not served by any bank on date of payment to a person who resides in such village or carrying on his business, profession or vocation in such village
- g) Payment to an employee or his legal heir of gratuity, retrenchment compensation or similar terminal benefit provided aggregate of such amount does not exceed ₹ 50,000

**Sec. 40A(7) : Disallowance for Gratuity**

No deduction shall be allowed of any provision made by the Assessee being an Employer for payment of Gratuity to his employees unless provision made

- Towards **Approved** Gratuity Fund *or*
- For payment of gratuity actually becoming payable during P/Y

**Sec 40A(9):Employer contribution towards funds required by law**

No deduction shall be allowed of sum paid by employer towards the setting up/formation or as contribution to any fund not required to be kept under law

**Sec. 40(b) : Salary /Interest by Firm to Partner**

- ✓ Partnership firm/LLP shall be allowed deduction of
- ✓ Salary, Bonus, commission or other remuneration to **Working Partner** and
- ✓ Interest to **Any Partner**
- ✓ *Subject to certain conditions*

**Working Partner** : Individual who is actively engaged in conducting the affairs of Business or Profession of the firm of which he is a partner.

**Analysis of sec 40(b)**

Type	Salary/Bonus/Commission/other Remuneration		Interest on Capital
Partner	Working Partner		All Partner
Partnership deed	Authorized by the terms of Partnership Deed		Authorized by the terms of Partnership Deed
Prospective	Such payment should relate to <b>period after date</b> of Partnership Deed.		Such payment should relate to <b>period after date</b> of Partnership Deed
Amount of deduction	Book Profits	Maximum Deduction	Upto 12 % P.a
	First 3,00,000 (Including Loss)	₹ 1,50,000 or 90% Book profits <i>(whichever is more)</i>	
	Balance Book profit	60% of Book Profit	

**Computation of Book Profits**

1. **Compute Net profit** of firm under head **P/G/B/P** after making adjustments as per **Sec 29 to 43**
2. **Add Remuneration** to working partner (if Debited to P&L A/C)

**Tax treatments in Hands of Partner**

Type of Payment	Working Partner	Non working Partner
Salary from firm	Taxable to extent allowed as deduction to firm	Not Taxable
Interest from firm	Taxable upto 12%	Taxable upto 12%
Share of Profit	Exempt u/s 10(2A)	Exempt u/s 10(2A)

**PGBP –V : Missl****Sec 41 : Deemed Profits Chargeable to tax****Sec. 41(1): Recovery of Loss/Deductions etc. allowed earlier**

- Deduction allowed in any P/Y for **loss/Expense** or **Trading liability**
- Subsequently during any P/Y, *same assessee or his successor*
- Obtains any amount in respect of such loss/expense (in cash or other manner) or some benefit in respect of such trading liability through remission or cessation thereof
- Then such amount or benefit shall **deemed to be P/G/B/P** of P/Y in which received

**Special Points : Provision of sec 41(1) will apply even if business is not in existence**

**Sec. 41(2)** : Balancing Charge (*discussed earlier*)

**Sec. 41(3)** : Sale of Capital Asset used for Scientific Research. (*discussed earlier*)

**Sec. 41(4)** : Recovery of Bad Debt. (*discussed earlier*)

**Sec. 41(5)** : Loss of P/Y in which business cease to exist can be **set off** from Deemed incomes u/s. 41(1), (3), (4). (*Exception to rule that business loss can be carried forward for 8 years only*)

**Sec. 44AA : Maintenance of accounts**

**Sec 2(12A):**Books or books of accounts includes ledgers, day-books, cash books, account-books and other books, whether kept in the written form or as print-outs of data stored in a floppy, disc, tape or any other form of electro-magnetic data storage device

<b>Specified Profession</b>		<b>Non specified Profession / Business</b>	
Gross Receipts <b>exceeds</b> ₹1,50,000 for <b>All</b> 3 years preceding P/Y <b>OR</b> where profession is <i>newly setup</i> in P/Y, gross receipts is likely to exceed ₹1,50,000 for that P/Y	Other case	Gross Receipt > ₹10,00,000 (For Individual/HUF ₹25,00,000 <b>Or</b> Income from P/G/B/P > ₹1,20,000 (For Individual/HUF ₹2,50,000  in <b>Any</b> of 3 years preceding P/Y's <b>or</b> where profession is <i>newly setup</i> in P/Y, above limits are likely to exceed for that P/Y	Other case
<b>Specified books of accounts</b> has to be maintained for that P/Y	Such <b>books of accounts</b> has be maintained that <b>will enable the AO</b> to compute his TI (i.e. Cash Book, & Ledger)		<b>Not required to maintain</b> any books of accounts

**Special Points :**

- Specified profession** : Legal, Medical, Engineering, Architectural, Accountancy, Technical Consultancy, Interior decoration or **other notified profession**
- Specified books of accounts** :
  - Journal (if accounts on mercantile basis).
  - Cash Book & Ledger.
  - Carbon copies of bill issued exceeding ₹25
  - Original bills or receipts received for exp. incurred exceeding ₹50
  - Payment vouchers prepared and signed for exp. incurred upto ₹50

***These books are required to be kept and maintained for 6 years from end of relevant A/Y***
- A person carrying on **Medical Profession**, in addition to above shall maintain :
  - A **daily case register** in Form 3C.
  - A **stock register** showing inventory as on the 1<sup>st</sup> and last day of p/y of stock of drugs, medicines and other consumable accessories used for profession.

**Sec. 44AB: Compulsory Audit of Accounts**
**BUSINESS Case 1 :**

**Aggregate of all amounts received including amount received for sales, turnover or gross receipts during the p/y, in cash, does not exceed 5% of the said amount; and**

**Aggregate of all payments made including amount incurred for expenditure, in cash, during the p/y does not exceed 5% of the said payment,**

Compulsory audit of accounts for **that P/Y** in which Sales/Gross receipts **exceed ₹5 crores**

**Business Case 2 : Not Covered under case 1**

Compulsory audit of accounts for **that P/Y** in which Sales/Gross receipts **exceed ₹1 crore**

**PROFESSION:**

Compulsory audit of accounts for **that P/Y** in which Fees/Gross receipts **exceeds ₹50 lakhs**

**Special Points:**

Accounts have to be audited u/s. 44AB by a CA **one month** before due date u/s 139(1) and also the audit report is to be furnished on or before the said date.

**COMPUTATION OF P/G/B/P ON PRESUMPTIVE BASIS**

		<b>SEC 44AD</b>	<b>SEC 44AE</b>
<b>1.</b>	<b>Overriding</b>	<b>Sec 28 to 43C</b>	<b>Sec 28 to 43C</b>
<b>2.</b>	<b>Assessee</b>	Resident Individual, Resident HUF or Resident Partnership Firm Excluding LLP	Any Assessee (Resident/Non Resident)
<b>3.</b>	<b>Business</b>	<b>Any Business</b> except business u/s 44AE <b>EXCEPTION :</b> <i>(i) Specified Profession u/s 44AA or</i> <i>(ii) income of commission or brokerage</i> <i>(iii) Agency business</i>	Plying, Hiring or Leasing goods carriage
<b>4.</b>	<b>Limitations</b>	<i>Provided Gross receipts/turnover does not exceeds 2 Cr</i>	<i>Owns not more than 10 goods carriage at any time during p/y</i>

5.	<b>Deemed P/G/B/P</b>	<p>8 % of Gross Receipts/ Turnover in P/Y</p> <p><b>Exception :</b> 6% of Total turnover /Gross receipts received by A/c payee cheque or A/c payee bank draft or use of ECS through a bank A/c or by other prescribed electronic method during p/y or before due date u/s 139(1) of that p/y.</p>	<p><b><u>For Heavy goods vehicle</u></b> ₹1,000 per ton of gross vehicle Weight/unladen weight, per month Or part owned in p/y or amount claimed to have been actually earned from such vehicle, whichever is higher;</p> <p><b><u>Other than heavy goods vehicle</u></b> ₹7,500 per month or part owned In p/y or amount claimed to have been actually earned from such vehicle, whichever is higher</p> <p><b>Heavy goods vehicle means goods vehicle having gross weight/Unladen weight is more than 12,000 kgs (more than 12 tonne)</b></p>
6.	<b>Deductions under PGBP</b>	No deduction u/s Sec. 30 to 38 shall be allowed from Deemed income	No deduction u/s Sec. 30 to 38 shall be allowed from Deemed income
7.	<b>B/F losses</b>	Set off of Brought Forward losses Shall be <b>available</b>	Set off of Brought Forward losses Shall be <b>available</b>
8.	<b>Benefits</b>	<p>If assessee declares <b>Deemed income</b> or any <b>amount higher</b>, then <b>no requirement</b> to maintain books u/s 44AA or to get audit u/s 44AB*</p> <p>*Sec 44AB shall not apply to person, who declares profits for p/y u/s 44AD and his total sales, turnover/gross receipts in business does not exceed ₹2 crores in such p/y</p>	<p>If assessee declares <b>Deemed income</b> or any <b>amount higher</b>, then <b>no requirement</b> to maintain books u/s 44AA or to get audit u/s 44AB</p>
9.	<b>Limit for 44AA/44AB</b>	The turnover of such business will not be added to turnover of other business for applicability of Sec 44AA/44AB of other business	The turnover of such business will not be added to turnover of other business for applicability of Sec 44AA/44AB of other business

**Special point :**

**1. Sec 44AD :** Where assessee declares profit for any P/Y u/s 44AD & he declares profit for any of 5 P/Y succeeding such P/Y not in accordance with sec 44AD, he shall not be eligible to claim the benefit of this section for 5 subsequent P/Y from P/Y in which the profit has not been declared.

Eligible assessee to whom above provisions are applicable & whose total income exceeds exemption limit, shall be required to keep and maintain such books of account u/s 44AA & get them audited and furnish a report of such audit as required u/s 44AB.

**2. Sec 44AE :** Assessee covered u/s 44AE & disclosing lower profits than deemed profits, shall be required to keep and maintain such books of account u/s 44AA & get them audited and furnish a report of such audit as required u/s 44AB.

**Sec 44ADA : Profits and gains of profession on presumptive basis.**

- 1. Overriding** : Notwithstanding anything contained in sections 28 to 43C
- 2. Assessee** : Resident in India, who is engaged in specified profession u/s 44AA & whose Gross receipts is upto 50 lakh in a P/Y.
- 3. Sum Deemed as business profits** : 50% of Total Gross Receipts in P/Y or sum higher claimed to have been earned by the assessee
- 4. Deductions** : Deduction u/s 30 to 38 shall be deemed to have been allowed and no further deduction under those sections shall be allowed.
- 5. WDV of block** : The WDV of any asset used for purposes of profession shall be deemed to have been calculated as if the assessee had claimed and had been actually allowed the deduction in respect of the depreciation for each of the relevant A/Y.
- 6. Lower Profits** : An assessee who claims that his profits from profession are lower than deemed profits & whose total income exceeds exemption limit shall be required to keep & maintain such books of account and other documents u/s 44AA and get them audited and furnish a report of such audit as required u/s 44AB.

**Sec 43CA : Sale consideration in case of Real Estate Transactions**

- Consideration on transfer of land or building or both
- Not being a capital asset
- is less than the Stamp duty valuation by any authority of a State Government ,then
- Such value shall be deemed to be full value of the consideration for computing Business Profits

Option available to Assessee

- Assessee can claims before AO that
- Stamp duty Valuation exceeds FMV of property
- On the date of transfer &
- Such value has not been disputed in any Appeal/Revision or
- No reference is made before any authority, court or the High Court, Than
- AO may refer the valuation of Asset to a Valuation Officer and
- Provisions of Wealth tax Act shall apply

Valuation of Valuation Officer

- *Valuation of valuation officer is less than Stamp Duty Valuation,*
- *the value of valuation officer shall be*
- *taken as the full value of the consideration*



**Special point :** Where Date of agreement for transfer of asset and Date of registration of such transfer are different, the Stamp duty Value on date of Agreement shall be considered if consideration or part thereof has been **received by way of an account payee cheque or an account payee bank draft or by use of ECS through a bank account** or by other **prescribed electronic method** on or before date of agreement for transfer of the asset.

**Proviso to 43CA(1):**

Where the value adopted or assessed or assessable by the authority for the purpose of payment of stamp duty does not exceed **110%** of the consideration received or accruing as a result of the transfer, the consideration so received or accruing as a result of the transfer shall, for the purposes of computing profits and gains from transfer of such asset, be deemed to be the full value of the consideration.

**Sec 43AA : Taxation of foreign exchange fluctuation**

(1) Subject to the provisions of section 43A, any gain or loss arising on account of any change in foreign exchange rates shall be treated as income or loss, as the case may be, and such gain or loss shall be computed in accordance with the income computation and disclosure standards notified u/s 145(2).

(2) For the purposes of sub-section (1), gain or loss arising on account of the effects of change in foreign exchange rates shall be in respect of all foreign currency transactions, including those relating to—

- (i) monetary items and non-monetary items;
- (ii) translation of financial statements of foreign operations;
- (iii) forward exchange contracts;
- (iv) foreign currency translation reserves.

**Sec 43CB. : Computation of income from construction and service contract**

(1) The profits and gains arising from a construction contract or a contract for providing services shall be determined on the basis of percentage of completion method in accordance with the income computation and disclosure standards notified u/s 145(2):

Provided that profits and gains arising from a contract for providing services,—

- (i) with duration of not more than ninety days shall be determined on the basis of project completion method;
- (ii) involving indeterminate number of acts over a specific period of time shall be determined on the basis of straight line method.

(2) For the purposes of percentage of completion method, project completion method or straight line method referred to in sub-section (1)—

- (i) the contract revenue shall include retention money;
- (ii) the contract costs shall not be reduced by any incidental income in the nature of interest, dividends or capital gains.”.

<b><u>Some Sections applicable for Non residents</u></b>
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Sec	44B	44BB	44BBA	44BBB
<b>Overriding</b>	Overriding sec 28 to 43A	Overriding sec 28 to 43A	Overriding sec 28 to 43A	Overriding sec 28 to 43A
<b>Assessee</b>	Non Resident	Non Resident	Non Resident	Foreign company
<b>Business</b>	Operation of <b>Ships</b>	<b>Supply of P&amp;M</b> on hire for prospecting/ extraction/production of mineral oils	Operation of <b>Aircraft</b>	<b>Civil construction</b>
<b>% deemed as Income</b>	<b>7.5 % Indian Income</b> ( <i>Due in India + Due outside received in India</i> )	<b>10% Indian Income</b> ( <i>Due in India + Due outside received in India</i> )	<b>5 % Indian Income</b> ( <i>Due in India + Due outside received in India</i> )	<b>10 % Income</b> due in India
<b>Option to claim Lower profits</b>	NO	<b>Yes</b> <b>Provided</b> books u/s 44AA , audit u/s 44AB & scrutiny u/s 143(3) for that A/Y	No	<b>Yes</b> <b>Provided</b> books u/s 44AA , audit u/s 44AB & scrutiny u/s 143(3) for that A/Y

## MULTIPLE CHOICE QUESTIONS

## BASIC CONCEPTS

- (1) Which is the charging section of income under the head profits and gains of business or profession?
- (a) Section 15 (b) Section 24  
(c) Section 28 (d) Section 17
- (2) Export Incentives taxable under this head includes:
- (a) Cash Compensatory Support (b) Duty Drawback  
(c) Profit on transfer of DEPB (d) All of the above
- (3) \_\_\_\_\_ includes any arrangement or understanding or action in concert whether or not it is formal or in writing or whether or not it is intended to be enforceable by legal proceedings:
- (a) Contract (b) Agreement  
(c) Service (d) Profession
- (4) Which of the following conditions are to be fulfilled for charging an income under the head profits and gains of business or profession
- (a) There should be profits and gains. (b) Business or profession must be carried on by the assessee.  
(c) Business or profession should be carried on at any time during previous year. (d) All of the above.
- (5) Which of the following are included in business according to section 2(13) :
- (a) Trade (b) Commerce  
(c) Manufacture (d) All of the above
- (6) Assessee is having stock existing in the business. Valuation of stock will be at:
- (a) Cost price (b) Market price  
(c) Cost or market price, whichever is less (d) Cost or market price, whichever is more
- (7) Method of accounting to be followed for computing income chargeable under the head PGBP shall be :
- (a) Cash system (b) Mercantile system  
(c) Cash or mercantile system at the option of assessee (d) None of the above
- (8) Under the Income-tax Act, 1961, 'notional profit' from speculative business is -
- (a) Taxable under the head 'income from profits and gains of business and profession' (b) Taxable under the head 'income from other sources'  
(c) Taxable either as income from other sources or income from profits and gains of business and profession (d) Not taxable. as
- (9) Transaction in which a contract for the purchase or sale of any commodity including stocks and shares is periodically or ultimately settled otherwise than by the actual delivery or transfer of the commodity or scrips is known as :
- (a) Wagering transaction (b) Speculative transaction  
(c) Deemed Speculation business (d) None of these
- (10) X, Manager of XYZ Ltd. since 2002 was terminated by the company on 1<sup>st</sup> August, 2020 by paying a compensation of 200 lakh. Such compensation is -----

- (a) Not Chargeable  
(c) Chargeable under section 17(3)(i)
- (b) Not chargeable under the Income-tax  
(d) Chargeable under section 28(ii)(a).
- (11) 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 ₹75lakh 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)  
(c) ₹ 75lakh taxable
- (b) 50% of 75lakh exempt  
(d) ₹ 25 lakh exempt and ₹ 50 lakh taxable
- (12) Raman & Co., a partnership firm, received ₹5,00,000 from an insurance company under keyman insurance policy consequent to demise of partner Pramod. The amount of premium ₹2,30,000 paid earlier was claimed as deduction under section 37(1) by the firm. The amount received from the insurance company is -
- (a) Tax-free under section 10(10D)  
(c) ₹ 2,70,000 is taxable
- (b) Fully taxable as income  
(d) ₹ 2,30,000 is taxable
- (13) Under the head 'profits and gains of business or profession', the method of accounting that should be followed by an assessee is -
- (a) Cash system only  
(c) Hybrid system only
- (b) Mercantile system only  
(d) Cash system or mercantile system only

**DEPRECIATION, WDV, ACTUAL COST ADDITIONAL DEPRECIATION,  
UNABSORBED DEPRECIATION & INVESTMENT ALLOWANCE**

- (14) As per section 30, which expenditure incurred for a building used for the business or profession shall not be allowed as deduction?
- (a) Rent, rates and taxes  
(c) Repairs of building
- (b) Insurance of building  
(d) Capital expenditure
- (15) Group of assets falling within a class of assets comprising of tangible & intangible assets is known as :
- (a) Group of assets  
(c) Set of assets
- (b) Block of assets  
(d) None of these
- (16) Which of the following condition should be fulfilled for claiming depreciation u/s 32 ?
- (a) Asset must be owned wholly or partly by the assessee.  
(c) Asset should be used during the relevant Assessment year.
- (b) Asset must be used for the purpose of business or profession of the assessee.  
(d) All of the above.
- (17) Depreciation available, if asset is used for less than 180 days during the year of acquisition shall be ----- of eligible rate:
- (a) 50%  
(c) 100%
- (b) 20%  
(d) 15%
- (18) If the Plant & Machinery is used for less than 180 days in the year of its acquisition, then, at what rate the depreciation on that asset should be provided under section 32?
- (a) 7.5%  
(c) 20
- (b) 15%  
(d) 10%
- (19) If the Computer is purchased on 11th May, 2020 then at what rate depreciation will be provided on it?
- (a) 40%  
(c) 30%
- (b) 20%  
(d) 0%

- (20) If the machinery is purchased on 4th October, 2020 then at what rate depreciation will be provided on it?
- (a) 30% (b) 7.5%  
(c) 15% (d) 10%
- (21) The transfer of one or more undertakings as a result of the sale for a lump sum consideration without values being assigned to the individual assets and liabilities in the sale is known as :
- (a) Lump sum sale (b) Slump sale  
(c) Aggregate sale (d) Total sale
- (22) What is the rate of depreciation charged on computer software?
- (a) 10% (b) 15%  
(c) 40% (d) 20%
- (23) Rate of depreciation chargeable on residential building for business for the assessment year 2020-21 is-
- (a) 10% (b) 10%  
(c) 5% (d) None of the above.
- (24) Rate of depreciation chargeable on temporary wooden structure for the assessment year 2020-21 is -
- (a) 25% (b) 10%  
(c) 40% (d) 50%.
- (25) Under the Income-tax Act, 1961, depreciation on machinery is charged on -----
- (a) Purchase price of the machinery (b) Market price of the machinery  
(c) Written down value of the machinery (d) All of the above.
- (26) If a block of assets ceases to exist on last day of the previous year, depreciation admissible for block of assets will be \_\_\_\_
- (a) Nil (b) 50% of the value of the block of assets on the first day of the previous year  
(c) The total value of the block of assets on the first day of the previous year (d) 50% of the value of the block of assets on the last day of the previous year.
- (27) Opening WDV of the block of assets was ₹15,00,000. During the year, asset was acquired under this block on 15th June 2020 amounting to ₹10,00,000. Rate of depreciation of the block is 15%. Calculate the amount of depreciation available during the previous year for the block.
- (a) ₹ 3,25,000 (b) ₹ 3,75,000  
(c) ₹ 3,00,000 (d) ₹ 2,25,000
- (28) Opening WDV of the block of assets was ₹15,00,000. During the year, asset was acquired under this block on 1<sup>st</sup> June 2020 amounting to ₹ 10,00,000. One of the asset falling within the block was sold for ₹ 5,50,000 on 14-01-2020. Rate of depreciation of the block is 10%. Calculate the amount of depreciation available during the previous year for the block.
- (a) ₹ 1,95,000 (b) ₹ 2,50,000  
(c) ₹ 1,45,000 (d) ₹ 2,22,500
- (29) Opening WDV of the block of assets was ₹ 15,00,000. During the year, asset was acquired under this block on 15th January 2021 amounting to ₹ 10,00,000. One of the asset falling within the block was sold for ₹5,50,000 on 14 January 2021. Rate of depreciation of the block is 10%. Calculate the amount of depreciation available during the previous year for the block.
- (a) ₹ 1,95,000 (b) ₹ 2,50,000  
(c) ₹ 1,45,000 (d) ₹ 2,22,500
- (30) Opening WDV of the block of assets was ₹ 25,00,000. During the year, asset was acquired under this block on 11<sup>th</sup> October 2020 amounting to ₹ 15,00,000. Also, moneys payable in respect of asset falling within this block was ₹ 38,00,000. Rate of depreciation of the block is 10%.

Calculate the amount of depreciation available during the previous year for the block.

- |                |              |
|----------------|--------------|
| (a) ₹ 20,000   | (b) ₹ 10,000 |
| (c) ₹ 1,50,000 | (d) ₹ 15,000 |

(31) Adhu Ltd. owns machinery (rate of depreciation is 15%), the written down value of which as on 1<sup>st</sup> April, 2020 is ₹ 30,00,000. Due to fire, entire assets in the block were destroyed and insurer paid ₹ 25,00,000. The eligible depreciation in respect of this machinery is

- |                |              |
|----------------|--------------|
| (a) ₹ 4,50,000 | (b) ₹ 75,000 |
| (c) ₹ 5,00,000 | (d) Nil      |

(32) Vaibhav, deriving business income, owns a car whose WDV as on 1<sup>st</sup> April, 2019 was ₹ 3,00,000. This is the only asset in the block of assets with rate of 15%. It is estimated that one-third of the total usage of the car is for personal use in both years. The WDV of the block of assets as on 1<sup>st</sup> April, 2021 would be -

- |                |                        |
|----------------|------------------------|
| (a) ₹ 2,16,750 | (b) ₹ 2,43,000         |
| (c) ₹ 2,55,000 | (d) None of the above. |

(33) While computing the actual cost of any asset falling within a block, direct costs attributable to bring asset to its present location and working condition for its intended use (*i.e.* expenses incurred for acquiring the asset e.g. - freight, insurance, loading and handling etc. and expenses incurred in connection with the installation of the asset.) shall:

- |                                    |   |
|------------------------------------|---|
| (a) be added to the purchase price | (b) be subtracted from the purchase price |
| (c) be subtracted from WDV         | (d) be claimed as revenue expenditure.    |

(34) While computing the actual cost of any asset falling within a block, GST levied on it and included in its cost, in respect of which claim of credit has been made and allowed, shall be:

- |                                 |  |
|---------------------------------|--|
| (a) Added to the purchase price | (b) Subtracted from the purchase price |
| (c) Added to the WDV            | (d) Claimed as revenue expenditure     |

(35) While computing the actual cost of any asset falling within a block, portion of cost of asset which has been met directly by the Central Government or a State Government or any authority under any law or any other person, in the form of a subsidy or grant or reimbursement, shall be:

- |                                 |  |
|---------------------------------|--|
| (a) Added to the purchase price | (b) Subtracted from the purchase price |
| (c) Added to the WDV            | (d) Claimed as revenue expenditure     |

(36) In which of the following case no depreciation is allowable \_

- |   |   |
|---|---|
| (a) Block exists but WDV ceases to exist. | (b) WDV exists but the block ceases to exist. |
| (c) WDV & Block both ceases to exist.     | (d) All of the above.                         |

(37) Sunil acquired a building for ₹ 15 lakh in June, 2018 in addition to cost of land beneath the building of ₹ 3 lakh. It was used for personal purposes until he commenced business in June, 2020 and since then it was used for business purposes. The amount of depreciation eligible in his case for the assessment year 2021-22 would be -

- |                |                |
|----------------|----------------|
| (a) ₹ 1,50,000 | (b) ₹ 75,000   |
| (c) ₹ 37,500   | (d) ₹ 1,21,500 |

(38) Ramson Industries acquired a factory building for self use in November, 2020. The value of land underneath the building was ₹ 5 lakh and value of building was ₹ 10 lakh. The amount of eligible depreciation allowable for assessment year 2021-22 is -----

- |                |              |
|----------------|--------------|
| (a) ₹ 1,50,000 | (b) ₹ 25,000 |
| (c) ₹ 1,00,000 | (d) ₹ 50,000 |

(39) Q & Co., a sole proprietary concern, was converted into a Company on 1-9-2020. Before the conversion, the sole proprietary concern had a Block of Plant and Machinery (Rate of Depreciation 15%), whose WDV as on 1-4-2020 was ₹ 3,00,000. On 1<sup>st</sup> April, itself a new Plant of the same Block was purchased for ₹ 1,20,000. After the conversion, the Company has purchased the same type of Plant on 1-1-2021 for ₹ 1,60,000.

Compute the depreciation that would be allocated between the sole proprietary concern and the successor company.

- (a) ₹ 26,408 : ₹ 48,592 (b) ₹ 0 : ₹ 75,000  
(c) ₹ 75,000 : ₹ 0 (d) No depreciation for this year
- (40) R, an assessee carries on business in respect of which it holds tenancy rights. It carries out improvements to the said building at a cost of ₹ 2lakhs and claims depreciation @ 10% thereon. Which is the correct answer?  
(a) No depreciation available on the ground that the assessee is not the owner of the building. (b) Depreciation allowed of ₹ 20,000.  
(c) Deduction of ₹ 2,00,000 available. (d) The amount of ₹ 2,20,000 will be capitalised.
- (41) XYZ Ltd is engaged in production of textile articles. Opening WDV of the block of assets was ₹ 15,00,000. During the year, plant was acquired under this block on 15<sup>th</sup> June 2020 amounting to ₹ 10,00,000. One of the asset falling within the block was sold for ₹ 5,50,000 on 14-01-2021. Rate of depreciation of the block is 15%. Calculate the total amount of depreciation including additional depreciation available during the previous year for the block.  
(a) ₹ 2,92,500 (b) ₹ 4,92,500  
(c) ₹ 3,92,500 (d) ₹ 3,52,500
- (42) XYZ Ltd is engaged in production of textile articles. Opening WDV of the block of assets was ₹ 15,00,000. During the year, plant was acquired under this block on 15<sup>th</sup> December 2020 amounting to ₹ 10,00,000. One of the asset falling within the block was sold for ₹ 5,50,000 on 14-01-2021. Rate of depreciation of the block is 15%. Calculate the total amount of depreciation including additional depreciation available during the previous year for the block.  
(a) ₹ 2,92,500 (b) ₹ 3,17,500  
(c) ₹ 4,92,000 (d) ₹ 3,52,500
- (43) Mohit purchased an asset for scientific research in the previous year 2012-13 for ₹ 30,00,000. During the previous year 2020-21 the said asset ceased to be used for scientific research. Profit from business before depreciation ₹ 10,00,000 and Written down value of block of assets @ 15% as on 1<sup>st</sup> April, 2020 ₹ 20,00,000. The scientific research asset if used for business shall be eligible for depreciation @ 15%. The cost inflation index for 2012-13 is 200 and for 2020-21 is 301. Compute the total income if the scientific research asset is sold for ₹ 65,00,000 during 2021-22, assuming that it is sold without using for business.  
(a) ₹ 56,85,000 (b) ₹ 21,65,000  
(c) ₹ 37,00,000 (d) ₹ 10,00,000
- (44) What shall be your total income in the above case, if the is sold after using for business.  
(a) ₹ 50,00,000 (b) ₹ 55,00,000  
(c) ₹ 65,00,000 (d) ₹ 10,00,000
- (45) Where an asset used for scientific research for more than three years is sold without having been used for other purposes, then the sale proceeds to the extent of the cost of the asset already allowed as deduction under section 35 in the past shall be treated as.....  
(a) Business income (b) Long-term capital gain  
(c) Short-term capital gain (d) Exempted income.
- (46) In the case of any new machinery or plant (other than ships and aircraft), acquired by an assessee engaged in the business of manufacture or production of any article or thing as well as assessee engaged in the business of generation or generation and distribution of power, how much additional depreciation of actual cost of such plant and machinery is available?  
(a) 10% (b) 25%  
(c) 5% (d) 20%
- (47) In the case of any new machinery or plant (other than ships and aircraft), acquired by an assessee on 01-04-19 engaged in the business of manufacture or production of any article or thing in the backward areas of the State of Andhra Pradesh, how much additional depreciation of actual cost of such plant and machinery is available in AY 2021-22?

- (a) 17.5% (b) 20%  
(c) Nil (d) 35%
- (48) In the case of any new machinery or plant amounting is acquired by an assessee engaged in the business of manufacture or production of any article or thing is put to use for less than 180 days, the additional depreciation admissible in FY 2019-20 and FY 2020-21 will be \_\_\_\_\_ and \_\_\_\_\_ respectively.  
(a) 10%, 10% (b) Nil, 20%  
(c) 20%, Nil (d) 15%, Nil
- (49) In the case of any new machinery or plant amounting ₹ 25,00,000 is acquired by an assessee on 10-12-2019 engaged in the business of manufacture or production of any article or thing, the additional depreciation admissible in FY 2019-20 and FY 2020-21 will be \_\_\_\_\_ and \_\_\_\_\_ respectively.  
(a) ₹ 5,00,000 , NIL (b) Nil, ₹ 5,00,000  
(c) ₹ 2,50,000 , ₹ 2,50,000 (d) ₹ 3,75,000, Nil
- (50) Depreciation claimed by Mr. Jain while computing profit in profit and loss account: ₹ 50,000. Depreciation allowable as per Income Tax Rules: ₹ 58,000. Calculate the amount of depreciation allowable while computing gross total income.  
(a) ₹ 50,000 (b) ₹ 58,000  
(c) ₹ 1,08,000 (d) ₹ 8,000
- (51) An assessee was engaged in the business of manufacture of chemicals in Rajasthan. New machinery amounting to ₹ 5,50,000 was purchased by it on 1<sup>st</sup> June, 2020. Calculate the additional depreciation available for P/Y 20-21.  
(a) ₹ 1,10,000 (b) ₹ 82,500  
(c) ₹ 55,000 (d) Nil
- (52) H in the above case the new machinery was purchased on 4<sup>th</sup> October, 2020, calculate the additional depreciation available.  
(a) ₹ 1,10,000 (b) ₹ 82,500  
(c) ₹ 55,000 (d) Nil
- (53) Calculate the additional depreciation available in Q 52 for the financial year 2021-22.  
(a) ₹ 1,10,000 (b) ₹ 82,500  
(c) ₹ 55,000 (d) Nil
- (54) An assessee was engaged in trading of goods. New machinery amounting to ₹ 10,00,000 was purchased by it on 1<sup>st</sup> June, 2020. Calculate the additional depreciation available.  
(a) ₹ 1,00,000 (b) ₹ 2,00,000  
(c) Nil (d) ₹ 2,50,000
- (55) Unabsorbed depreciation can be carried forward for:  
(a) 10 years (b) 8 years  
(c) 0 years (d) Indefinite period
- (56) A fire extinguisher was installed in a cinema hall it was not used throughout the year. Depreciation  
(a) Will not be allowed during P/y (b) ½ of the depreciation will be allowed  
(c) Depreciation for full year will be allowed (d) None of the above
- (57) Rate of depreciation chargeable on temporary wooden structure for the AY 2021-22 is  
(a) 25% (b) 40%  
(c) 10% (d) 50%



(58) Who is eligible for claiming additional depreciation under the Income Act ?

- (a) Company (b) All persons engaged in manufacturing of any article  
(c) HUF (d) Assessee whose gross turnover exceeds ₹ 100 lakhs

(59) Investment allowance u/s 32AD was available at rate of \_\_\_\_\_ actual cost of plant and machinery:

- (a) 10% (b) 15%  
(c) 50% (d) 20%

(60) For claiming additional depreciation, New plant and machinery shall not include investment made in:

- (a) any plant or machinery which before its installation was used either within or outside India by any other person.  
(b) any plant or machinery installed in any office premises or any residential accommodation (including guest house);  
(c) any office appliances including computers or computer software; any vehicle; or any plant or machinery, whose whole actual cost is allowed as deduction.  
(d) All of the above.

(61) Which of the following companies shall be allowed investment allowance u/s 32AD in previous year 2020-21:

Company	P.Y.2020-21
A Ltd.	Notified backward Area of Uttar Pradesh
B Ltd.	Notified backward Area of Tamil Nadu
CLtd.	Notified backward Area of West Bengal

- (a) ALtd, BLtd, CLtd (b) ALtd, BLtd  
(c) CLtd (d) Neither of the company

(62) C Ltd., engaged in manufacture, acquired machineries for ₹ 10 crore in July, 2020 and for ₹ 20 crore in December, 2020. All the machines were used within 45 days of acquisition. The additional depreciation for the assessment year 2021-22 will be

- (a) ₹ 4. crore (b) ₹ 1 crore  
(c) ₹ 2 crore (d) ₹ 3 crore

(63) Compute the amount of additional depreciation available to industries located in notified backward areas in State of Andhra Pradesh or Bihar or Telangana or West Bengal if amount invested in new plant and machinery is ₹ 30 crore on 1<sup>st</sup> April 2020 :

- (a) ₹ 3 crore (b) ₹ 4.5 crore  
(c) ₹ 6 crore (d) ₹ 2.25 crore

(64) What would be your answer if in the above case amount is invested on 17<sup>th</sup> October 2020 :

- (a) ₹ 3 crore (b) ₹ 4.5 crore  
(c) ₹ 6 crore (d) ₹ 2.25 crore

(65) Under section 32AD if the new asset is sold/transferred within-----years then amount of deduction allowed in respect of such new asset shall be deemed to be the income of the assessee chargeable under the head "PGBP" of the previous year in which such new asset is sold or otherwise transferred, in addition to taxability of gains, arising on account of transfer of such new asset.

- (a) 3 (b) 5  
(c) 1 (d) 10

(66) XYZ Pvt. Ltd. was engaged in the business of manufacturing fertilizers located in the backward area of State of West Bengal. Opening WDV of the block of plant and machinery was ₹ 80 crores. During the year, asset was acquired under this block on 11<sup>th</sup> July 2020 amounting to ₹ 150 crore. Rate of depreciation of the block is 15%. Calculate the amount of depreciation available u/s 32.

- (a) ₹ 49.5 crore (b) ₹ 64.5 crore  
(c) ₹ 150 crore (d) ₹ 100 crore
- (67) If in the above case, the asset was acquired on 30<sup>th</sup> December, 2020 then the amount of depreciation available will be:
- (a) ₹ 38.25 crore (b) ₹ 49.5 crore  
(c) ₹ 150 crore (d) ₹ 100 crore
- (68) Rate of depreciation chargeable on residential building used for Business for the AY 2021-22 is
- (a) 5 % (b) 10%  
(c) 15% (d) 20%
- (69) Rate of depreciation chargeable on computer software used for Business for the AY 2021-22 is
- (a) 20% (b) 40%  
(c) 30% (d) 15%
- (70) Rate of depreciation chargeable on Books used for Business for the AY 2021-22 is
- (a) 40% (b) 15%  
(c) Nil (d) 20%
- CERTAIN SPECIAL DEDUCTIONS : SECTION 33AB TO 35E**
- (71) What is the amount of deduction in relation to Tea, Coffee and Rubber development A/C u/s 33AB?
- (a) 20% of profits of such business. (b) 40% of profits of such business.  
(c) 60% of profits of such business. (d) 100% of profits of such business.
- (72) XYZ Ltd. has derived a profit of ₹ 100 lakhs from the business of growing and manufacturing tea in India. It has deposited a sum of ₹ 38 lakhs in Tea deposit account .What is the amount of deduction in relation to Tea, Coffee and Rubber development A/C u/s 33AB?
- (a) ₹ 20 lakhs (b) ₹ 38lakhs  
(c) ₹ 40 lakhs (d) ₹ 60 lakhs
- (73) XYZ Ltd. has dervied a profit of ₹ 100 lakhs from the business of growing and manufacturing coffee in India. It has deposited a sum of ₹ 42 lakhs in development account .What is the amount of deduction in relation to Tea, Coffee and Rubber development A/C u/s 33AB?
- (a) ₹ 20 lakhs (b) 42lakhs  
(c) ₹ 40 lakhs (d) ₹ 60 lakhs
- (74) If an asset acquired in accordance with the site restoration scheme is sold or otherwise transferred in any previous year before the expiry of -----years from year of its acquisition and such part of the cost of asset is relatable to the deduction already allowed under this section will be deemed to be the profits of business in the year of such sale or transfer:
- (a) 5 (b) 4  
(c) 8 (d) 10

- (75) The amount of deduction in relation to site restoration fund u/s 33ABA is :
- (a) Aggregate of amounts deposited in special A/c or Site restoration A/c. (b) 20% of profits of such business.
- (c) Higher of (a) or (b). (d) Lower of (a) or (b).
- (76) The amount of deduction available for revenue expenditure incurred during the previous year, on scientific research related to the business; and expenditure incurred on scientific research within the 3 years preceding the date in which the business commences by way of salary of employees/purchase of materials will be:
- (a) Amount of expenditure incurred (b) 2 x Expenditure incurred
- (c) 1.5 x Expenditure incurred (d) None of these
- (77) Mr. X has incurred revenue expenditure of ₹5,00,000 during the previous year, on scientific research related to the business. The amount of deduction admissible under Section 35 will be :
- (a) ₹5,00,000 (b) ₹ 10,00,000
- (c) ₹7,50,000 (d) None of these
- (78) Mr. X has incurred capital expenditure of ₹ 5,00,000 (which includes ₹ 1,00,000 on cost of land) during the previous year, on scientific research related to the business. The amount of deduction admissible under Section 35 will be :
- (a) ₹4,00,000 (b) ₹ 8,00,000
- (c) ₹ 6,00,000 (d) ₹ 10,00,000
- (79) The amount of deduction available for the sum paid to approved scientific research association, university, college or institution will be :
- (a) 200% (b) 100%
- (c) 150% (d) None of these
- (80) Where the assessee does not himself carry on scientific research but makes contributions to an approved university, college or institution, to be used for scientific research unrelated to the business of assessee, the amount of deduction from income of business shall be allowed on such contribution to the extent of -
- (a) 150% (b) 100%
- (c) Nil (d) 200%
- (81) Mr. Rajesh has incurred expenditure of ₹ 5,00,000 by way of payment of sum to Indian Company whose object is undertaking of scientific research. The amount of deduction admissible under Section 35 will be :
- (a) ₹ 8,75,000 (b) ₹ 5,00,000
- (c) ₹ 7,50,000 (d) ₹ 10,00,000
- (82) X Ltd. paid ₹ 10 lakh to an approved college to be used for scientific research unrelated to its business. The amount eligible for deduction under section 35(1)(ii) is -----
- (a) ₹ 5lakh (b) ₹ 15 lakh
- (c) ₹ 10 lakh (d) Nil
- (83) The amount of deduction available for the sum paid to a company having as its main object 'scientific research and development' to be used by it for scientific research; or Sum paid for social science or statistical research to a university, college, or institution will be :
- (a) 125% of sum paid (b) 200% of sum paid
- (c) 150% of sum paid (d) 100% of sum paid
- (84) According to section 35(1)(iv) the amount of deduction claimed on capital expenditure on scientific research is:
- (a) Amount of expenditure incurred (b) 1.25 x Sum paid
- (c) 1.5 x Expenditure incurred (d) None of these

- (85) An assessee made a capital expenditure on purchase of land amounting to ₹150 lacs during the previous year on scientific research related to the business carried on by him. Amount of deduction available to assessee for this expenditure is:
- (a) 1 x Sum Paid (b) 1.25 x Sum paid  
(c) 1.5 x Sum Paid (d) NIL
- (86) According to Section 35(2AA) amount of deduction claimed for sum paid to a National Laboratory for approved programme is
- (a) 1.5 x expenditure incurred (b) Amount of expenditure incurred  
(c) 2 x expenditure incurred (d) None of these
- (87) According to Section 35(2AB) expenditure incurred for the manufacture or production of Chemical fertiliser:
- (a) 1.5 x Expenditure incurred (b) 1.25 x Sum paid  
(c) Amount of expenditure incurred (d) None of these
- (88) Assessee company engaged in the business of bio-technology incurred an expenditure of ₹ 10,00,000 on scientific research which includes cost of land of ₹ 2,00,000. Compute the amount of deduction available.
- (a) ₹10,00,000 (b) ₹ 12,00,000  
(c) ₹8,00,000 (d) ₹ 16,00,000
- (89) The amount of deduction available for the expenditure incurred (*other than cost of land or building*) on scientific research, in-house research and development facility, by a company engaged in the business of bio-technology or manufacture or production of article or thing (other than article or thing specified in XI Schedule) will be:
- (a) 150% (b) 125%  
(c) 100% (d) None of these
- (90) Assessee company engaged in the business of manufacture incurred an expenditure of ₹ 10,00,000 on scientific research which includes cost of land of ₹ 2,00,000. The aforesaid company does not maintain books of accounts for research and development facility and thus has not audited its accounts. Compute the amount of deduction available.
- (a) ₹ 10,00,000 (b) Nil  
(c) ₹ 16,00,000 (d) ₹ 20,00,000
- (91) XYZ Ltd. engaged in the business of providing telecommunication services has incurred a capital expenditure of ₹ 10,00,000 on telecommunication licence. The period of licence is 10 years. Compute the amount of deduction available under Section 35ABB during the year.
- (a) ₹ 10,00,000 (b) ₹ 1,00,000  
(c) ₹ 2,00,000 (d) ₹ Nil
- (92) Deduction in respect of expenditure incurred for obtaining license to operate telecommunication services shall be available during the period of :
- (a) 5 years (b) 4 years  
(c) 10 years (d) 8 years
- (93) The amount of deduction available under section 35AC for expenditure incurred on Eligible Projects or Schemes is:
- (a) Nil (b) 125%  
(c) 200% (d) 100%
- (94) Specified business under section 35AD includes:
- (a) Cross-country crude or petroleum oil pipeline project.network. (b) Slum redevelopment housing  
(c) Bee-keeping and production of honey and beeswax. (d) All of the above.

(95) The amount of deduction available under section 35AD for capital expenditure incurred in business of Cold chain facilities will be :

- |          |                   |
|----------|-------------------|
| (a) 150% | (b) 125%          |
| (c) 100% | (d) None of these |

(96) The amount of deduction available under section 35AD for capital expenditure incurred in business of Inland Container Depot or a Container Freight Station:

- |          |                   |
|----------|-------------------|
| (a) 100% | (b) 125%          |
| (c) 150% | (d) None of these |

(97) Assessee engaged in the business of Cross-country natural gas pipeline network incurred an expenditure on acquisition of goodwill. Deduction available under section 35AD:

- |          |          |
|----------|----------|
| (a) 100% | (b) 125% |
| (c) 150% | (d) Nil  |

(98) Which of the following is not one of the Specified businesses under section 35AD includes:

- |                      |   |
|----------------------|---|
| (a) Slurry pipe line | (b) Semi-conductor wafer fabrication manufacturing unit |
| (c) Hotel            | (d) Sugar factory                                       |

(99) Minimum holding period of capital asset acquired under section 35AD is :

- |             |              |
|-------------|--------------|
| (a) 8 years | (b) 10 years |
| (c) 5 years | (d) 15 years |

(100) Exception to the minimum holding period provision for capital asset under section 35AD is :

- |  |   |
|--|---|
| (a) Cement industry  | (b) Infrastructure Enterprise u/s 80-IA   |
| (c) Company carrying on scientific research and development u/s 80IB | (d) Sick industrial company u/s 17(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 |

(101) Which of the following business commenced during August, 2020 will not be eligible for deduction under section 35AD –

- |  |  |
|--|--|
| (a) Setting-up and operating a cold chain facility | (b) A production unit of fertilizer in India |
| (c) Operating of a 1 star hotel in a village       | (d) Building a hospital of 200 beds.         |

(102) As per section 35CCA, deduction in respect of payment to association and institutions for carrying out rural development programme is:

- |                       |                        |
|-----------------------|------------------------|
| (a) 1 x Amount paid   | (b) 1.25 x Amount paid |
| (c) 1.5 x Amount paid | (d) Nil                |

(103) Amount of deduction available u/s 35CCC for expenditure incurred on notified Agricultural Extension Project :

- |          |          |
|----------|----------|
| (a) 150% | (b) 125% |
| (c) 100% | (d) Nil  |

(104) Amount of deduction available under section 35CCD for expenditure (excluding expenditure incurred on cost of land or building) incurred by companies on notified Skill Development Project:

- |          |          |
|----------|----------|
| (a) 150% | (b) 125% |
| (c) 100% | (d) Nil  |

(105) What is the qualifying expenditure for deduction in relation to preliminary expenses u/s 35D for non corporate assessee :

- |  |                           |
|--|---------------------------|
| (a) Aggregate amount of eligible expenditure | (b) 5% of cost of project |
| (c) Higher of (a) or (b)                     | (d) Lower of (a) or (b)   |

- (106) In year 2020-21 an assessee incurred ₹6 lacs as preliminary expenditure in respect of extension of the industrial undertaking. The cost of fixed assets acquired out of such extension was ₹ 100 lacs as on 31<sup>st</sup> March 2021. Calculate the amount of deduction to be allowed to him in computation of his income for the A.Y. 2021-22.
- (a) Nil  
(b) ₹1,00,000  
(c) ₹1,20,000  
(d) ₹ 6,00,000
- (107) Proportion of expenditure allowed as deduction each year in regard to expenditure incurred on Amalgamation or Demerger or Voluntary retirement scheme:
- (a)  $1/5^{\text{th}}$  for each 5 successive previous years  
(b)  $1/2$  for each 2 successive previous years  
(c)  $1/10^{\text{th}}$  for each 10 successive previous years  
(d) Nil
- (108) One of the employees of an organisation took voluntary retirement on 15th January 2021 and he was paid ₹ 15 lacs as compensation. Calculate the amount of deduction to be allowed in computation of income for the A.Y. 2021-22.
- (a) Nil  
(b) ₹ 15,00,000  
(c) ₹ 3,00,000  
(d) ₹ 1,50,000
- (109) An assessee engaged in business of prospecting, etc., for minerals incurred an expenditure of ₹ 35,00,000 on purchase of land. The amount of deduction available u/s 35E in the previous year 2020-21 for this expenditure incurred is :
- (a) Nil  
(b) ₹ 35,00,000  
(c) ₹ 3,50,000  
(d) ₹ 1,50,000

#### **OTHER SPECIFIED DEDUCTIONS & GENERAL DEDUCTIONS - SECTION 36 & 37**

- (110) Expenditure incurred by an assessee on the activities relating to corporate social responsibility referred to in section 135 of the Companies Act, 2013 is :
- (a) An Allowable expenditure  
(b) Illegal expenditure  
(c) Deferred revenue expenditure  
(d) Not an allowable expenditure
- (111) An assessee paid insurance premium against risk of damage or destruction of stocks or stores used for the purposes of his business or profession. Such expenditure shall be considered as :
- (a) Revenue expenditure  
(b) Capital expenditure  
(c) Deferred revenue expenditure  
(d) Illegal expenditure
- (112) Insurance premium was paid by a Federal Milk Co-operative Society on the life of cattle owned by member of such co-operative society. Such society was engaged in supplying milk raised by its members to such federal milk co-operative society. Such expenditure shall be considered as:
- (a) Revenue expenditure  
(b) Capital expenditure  
(c) Deferred revenue expenditure  
(d) None of the above
- (113) An assessee purchased a computer on which depreciation is admissible. Such expenditure shall be considered as :
- (a) Revenue expenditure  
(b) Capital expenditure  
(c) Deferred revenue expenditure  
(d) None of the above
- (114) One of the employees of the organisation was terminated in the interest of business and was paid one time compensation of ₹ 75,000. For the organisation such expenditure shall be considered as:
- (a) Revenue expenditure  
(b) Capital expenditure  
(c) Deferred revenue expenditure  
(d) None of the above
- (115) M/s. Kalyani and Company paid ₹ 84,000 as advertisement in the annual magazine of Bhartiya Janata Party. For the organisation such expenditure shall be:
- (a) Considered as revenue expenditure  
(b) Considered as capital expenditure  
(c) Considered as deferred revenue expenditure  
(d) Disallowed u/s 37(2B)

- (116) M/S R & Company paid ₹ 75,000 as Custom Duty and ₹ 84,000 as income tax during the previous year. Calculate the amount of expenditure allowable:
- (a) ₹ 1,59,000 (b) ₹ 84,000  
(c) ₹ 75,000 (d) Nil
- (117) An employer paid an amount of ₹ 30,000 as insurance premium on the health of his employees under a scheme framed in this behalf by GIC. Such payment was made by cash. The insurance amount was of ₹ 3,00,000. The amount of deduction available to employer:
- (a) ₹ 30,000 (b) ₹ 3,00,000  
(c) ₹ 2,70,000 (d) Nil
- (118) An employer paid an amount of ₹ 10,000 as insurance premium on the health of his employees under a scheme framed by GIC. Such payment was made by cheque. The insurance amount was of ₹ 10,00,000. The amount of deduction available to employer:
- (a) ₹ 10,000 (b) ₹ 10,00,000  
(c) ₹ 1,00,000 (d) Nil
- (119) XYZ Ltd. paid a sum of ₹ 25,000 to Mrs. Sushila as employee bonus for services rendered by her which was otherwise have been payable to her as profit or dividend. The amount allowable as per section 40A(2) was ₹ 20,000. Calculate the amount of deduction available.
- (a) ₹ 25,000 (b) ₹ 20,000  
(c) ₹ 5,000 (d) Nil
- (120) XYZ Ltd. paid a sum of ₹ 25,000 to Mrs. Seema as employee bonus for services rendered by her. Such amount was actually paid to her on 15<sup>th</sup> June 2020. The amount allowable as per section 40A(2) was ₹ 20,000. Calculate the amount of deduction available.
- (a) ₹ 25,000 (b) ₹ 20,000  
(c) ₹ 5,000 (d) NIL
- (121) XYZ Ltd. paid a sum of ₹ 25,000 to Mrs. Geetangli as employee bonus for services rendered by her during the Previous Year 2020-21. Such amount was actually paid to her on 15<sup>th</sup> October 2021. The amount allowable as per section 40A(2) was ₹ 20,000. Calculate the amount of deduction available to XYZ ltd in Previous Year 2020-21.
- (a) ₹ 25,000 (b) ₹ 20,000  
(c) ₹ 5,000 (d) Nil
- (122) XYZ Ltd. paid a sum of ₹ 25,000 to Mrs. Geetagli as employee bonus for services rendered by her during the Previous Year 2020-21. Such amount was actually paid to her on 15<sup>th</sup> August 2021. The amount allowable as per section 40A(2) was ₹ 28,000. Calculate the amount of deduction available to XYZ ltd in Previous Year 2020-21.
- (a) ₹ 25,000 (b) ₹ 28,000  
(c) ₹ 3,000 (d) Nil
- (123) Mr. A took a loan of ₹ 10,00,000 on 15<sup>th</sup> June 2020 for acquisition of an asset. Such asset was put to use on 1<sup>st</sup> April 2021. Interest paid for the period till the asset was put to use was of ₹ 60,000. The amount of revenue expenditure available to assessee in Previous Year 2020-21:
- (a) Nil (b) ₹ 60,000  
(c) ₹ 6,000 (d) ₹ 10,00,000
- (124) Mr. A took a loan of ₹ 10,00,000 on 15<sup>th</sup> June 2020 for acquisition of an asset and immediately put the asset on use. Interest paid for the Previous Year 2020-21 on such loan amounted to ₹ 65,000. Payment of ₹ 55,000 against the interest amount was made on 11<sup>th</sup> May, 2021 and balance amount was paid on 11<sup>th</sup> October 2021. The amount of revenue expenditure available to assessee in Previous Year 2020-21:
- (a) Nil (b) ₹ 65,000  
(c) ₹ 55,000 (d) ₹ 10,00,000

- (125) The employer made a contribution of ₹ 25,000 to recognised provident fund for the previous year 2020-21. Such payment was made on 12th March, 2021. Such expenditure shall be considered as:
- (a) Revenue expenditure (b) Capital expenditure  
(c) Deferred revenue expenditure (d) None of the above
- (126) Mr. Ram made a contribution of ₹45,000 to a Pension Scheme referred under section 80CCD. The salary of the employee was of ₹ 4,00,000 in the previous year. Calculate the amount of deduction available to employer in Previous Year 2020-21.
- (a) Nil (b) ₹ 45,000  
(c) ₹ 40,000 (d) ₹ 4,00,000
- (127) The assessee employer received a sum from his employee as contributions to Provident Fund or Employee State Insurance Fund or Superannuation fund or any other employee-welfare fund. Such sum is first treated as income of the employer and later claimed as expenditure. Such expenditure shall be considered as:
- (a) Revenue expenditure (b) Capital expenditure  
(c) Deferred revenue expenditure (d) Illegal expenditure
- (128) An assessee was engaged in the business of cattle rearing. He incurred a loss in respect of animals which were used for the purposes of his business (otherwise than as stock-in trade) and which have died. Such expenditure shall be considered as:
- (a) Revenue expenditure (b) Capital expenditure  
(c) Deferred revenue expenditure (d) Illegal expenditure
- (129) Ramesh was engaged in the business of trading of jewellery. During the previous year 2019-20 debt taken into account by him in computing the income amounted to ₹2,50,000. However, during the previous year 2020-21 it was acknowledged that ₹1,35,000 is to be considered as irrecoverable in the accounts of the assessee. Calculate the amount of bad-debts written off as irrecoverable to be allowed as a deduction in the previous year 2020-21:
- (a) ₹2,50,000 (b) ₹ 1,35,000  
(c) ₹1,15,000 (d) No deduction available
- (130) Suresh was engaged in the business of trading of jewellery. During the previous year 2020-21 debt accrued to him amounted to ₹2,50,000 which was not taken into account by him while computing the income of the previous year. However, during the year itself it was acknowledged that ₹1,00,000 is to be considered as irrecoverable from this debtor. Calculate the amount of bad-debts acknowledged as irrecoverable to be allowed as a deduction in the previous year 2020-21 :
- (a) ₹ 2,50,000 (b) ₹ 1,00,000  
(c) ₹ 1,50,000 (d) No deduction available
- (131) Provision for bad and doubtful debt is allowed as deduction in respect of the following :
- (a) Primary agricultural credit society (b) Primary cooperative agricultural and rural development bank  
(c) Public Limited company (d) Non banking finance company
- (132) Jaipur Co-operative Bank made a provision for bad and doubtful debts account against the advances made by it. In regard to advances made by rural branches it made a provision amounting to ₹ 25,00,000 and in regard to advances made by urban branches it made a provision amounting to ₹ 35,00,000. The total credit balance provision for bad and doubtful debts account was of ₹ 60,00,000. The actual bad debts for the previous year against the urban advances only amounted to ₹ 68,00,000. Calculate the amount of bad-debts to be allowed as a deduction in the previous year 2020-21:
- (a) ₹ 33,00,000 (b) ₹ 68,00,000  
(c) ₹ 8,00,000 (d) ₹ 43,00,000
- (133) A scheduled bank incorporated in India had Gross Total Income of A/Y 2021-22 [before deduction under section 36(1)(viii)] of ₹ 750 lakhs and aggregate average advances made by rural branches of the bank was of ₹ 150 lakhs. Calculate the amount of Provisions for doubtful debts to be made in the previous year.



- (a) ₹ 90 lakhs (b) ₹ 67.5 lakhs  
(c) ₹ 150 lakhs (d) ₹ 78.75 lakhs
- (134) A scheduled bank incorporated in India had Gross Total Income of AY. 2021-22 [before deduction u/s 36(1)(viiia)] of ₹750 lakhs and aggregate average advances made by rural branches of the bank was of ₹150 lakhs. Provision for bad and doubtful debts under section 36(1)(viiia) upto AY.2020-21 was of ₹50 lakhs. Calculate the amount of Provisions for doubtful debts to be made in the previous year.
- (a) ₹ 90 lakhs (b) ₹ 67.5lakhs  
(c) ₹ 150 lakhs (d) ₹ 78.75lakhs
- (135) A scheduled bank incorporated in India had Gross Total Income of AY. 2021-22 [before deduction under section 36(1)(viiia) of ₹750 lakhs and aggregate average advances made by rural branches of the bank was of ₹150 lakhs. Provision for bad and doubtful debts under section 36(1)(viiia) upto AY.2020-21 was of ₹ 50 lakhs. Bad debts written off (for the first time) in the books of account (in respect of urban advances only) during the previous year 2019-20 was of ₹150 lakhs. Compute the deduction allowable under section 36(1)(vii) for the AY.2021-22.
- (a) ₹ 21.25lakhs (b) ₹ 78.75lakhs  
(c) ₹ 150 lakhs (d) ₹ 100 lakhs
- (136) A foreign bank had Gross Total Income of AY.2021-22 [before deduction under section 36(1)(viiia)] of ₹ 1,750 lakhs. Calculate the amount of Provisions for doubtful debts to be made in the previous year.
- (a) ₹ 175 lakhs (b) ₹ 87.5lakhs  
(c) ₹ 1,750 lakhs (d) No provision to be made
- (137) X Housing Finance Co. Ltd. for the year ended on 31-3-2021 had Profits from the business computed as per Part D of Chapter IV of the Act but before claiming deduction u/ s 36(1)(viii) : ₹560 lacs, paid-up share Capital ₹ 500 lacs, General Reserve ₹ 100 lacs and balance in reserve created u/s 36(1)(viii) on 31-3-2021 ₹1,100 lacs. Profits transferred to Special Reserve a/c was of ₹ 150 lakhs. Compute the amount of deduction available under section 36(1)(viii) :
- (a) ₹ 112lakhs (b) ₹ 100 lakhs  
(c) ₹ 150 lakhs (d) No deduction available
- (138) In the case of companies, capital expenditure incurred for the purpose of promoting family planning amongst the employees would be deductible to the extent \_
- (a) Equal to 1/ 5<sup>th</sup> in each year for 5 years (b) Equal to 1/6<sup>th</sup> in each year for 6 years  
(c) Equal to 1/4<sup>th</sup> in each year for 4 years (d) Equal to 1/10<sup>th</sup> in each year for 10 years.
- (139) Assessee company incurred revenue expenditure of ₹ 15,000 for promoting family planning amongst its employees. Calculate the amount of deduction available.
- (a) ₹ 3,000 (b) ₹ 15,000  
(c) ₹ 18,000 (d) No deduction available
- (140) Assessee firm incurred revenue expenditure of ₹15,000 for promoting family planning amongst its employees. Calculate the amount of deduction available.
- (a) ₹ 3,000 (b) ₹ 15,000  
(c) ₹ 18,000 (d) No deduction available
- (141) Assessee company incurred capital expenditure of ₹ 75,000 for promoting family planning amongst its employees. Calculate the amount of deduction available.
- (a) ₹ 75,000 (b) ₹ 15,000  
(c) ₹ 60,000 (d) No deduction available
- (142) Assessee company incurred capital expenditure of ₹ 50,000 and revenue expenditure of ₹ 7,000 for promoting family planning amongst its employees. Calculate the amount of deduction available.

- (a) ₹ 50,000 (b) ₹ 7,000  
(c) ₹ 17,000 (d) No deduction available

(143) Contribution was made by PFI towards Credit Guarantee Fund Trust. Such expenditure shall be considered as:

- (a) Revenue expenditure (b) Capital expenditure  
(c) Deferred revenue expenditure (d) Illegal expenditure

(144) An assessee was engaged in the business of dealing in securities. He had paid Securities Transaction Tax of ₹ 25,000 on the securities. Income arising from taxable securities transactions computed under the head "Profits and Gains of Business or Profession" was of ₹ 2,50,000. Such expenditure of payment of Securities Transaction Tax shall be considered as:

- (a) Revenue expenditure (b) Capital expenditure  
(c) Speculative transaction expenditure (d) Illegal expenditure

(145) An assessee was engaged in the business of dealing in commodities. He had paid Commodities transaction tax of ₹ 15,000 in respect of the taxable commodities transactions. Income arising of ₹ 3,00,000 from such taxable commodities transactions was included in the income computed under the head "Profits and gains of business or profession". Such expenditure of payment of Commodities transaction tax shall be considered as:

- (a) Revenue expenditure (b) Capital expenditure  
(c) Speculative transaction expenditure (d) Illegal expenditure

(146) The assessee co-operative society was engaged in the business of manufacture of sugar, for purchase of sugarcane an amount of ₹ 50,000 was incurred by it. The price fixed or approved by the Government for such purpose is ₹ 95,000. The amount of deduction admissible will be

- (a) ₹ 1,00,000 (b) ₹ 50,000  
(c) ₹ 95,000. (d) Nil

(147) To claim deduction of an expenditure u/s 37, the expenditure incurred must be:

- (a) In respect of the business or profession carried On by the assessee. (b) Not capital in nature.  
(c) Not of nature described u/s 30 to 36. (d) All of the above.

(148) An assessee paid penalty of ₹ 42,000 paid for non-compliance of the provisions of Customs Act. Such expenditure shall be considered as:

- (a) Revenue expenditure (b) Capital expenditure  
(c) Speculative transaction expenditure (d) Disallowed under Section 37(1)

(149) An assessee incurred expense of tax on non monetary perquisites of employees. Such expenditure shall be considered as:

- (a) Revenue expenditure (b) Capital expenditure  
(c) Deferred revenue (d) Expressly disallowed

(150) An assessee made an expenditure on issue of shares. Such expenditure, including fees paid to Registrar of Companies, was incurred to increase the authorized share capital, resulting in expansion of the capital base. Such expenditure shall be considered as:

- (a) Revenue expenditure (b) Capital expenditure  
(c) Deferred revenue expenditure (d) Expressly disallowed

(151) An assessee incurred an expenditure on stamp duty and registration fees for the issue of bonus shares. Such expenditure shall be considered as:

- (a) Revenue expenditure (b) Capital expenditure  
(c) Deferred revenue expenditure (d) Expressly disallowed

(152) XYZ & Co. incurred a liability by giving discount on issue of debentures. Such expenditure shall be considered as:

- |                                  |                         |
|----------------------------------|-------------------------|
| (a) Revenue expenditure          | (b) Capital expenditure |
| (c) Deferred revenue expenditure | (d) Illegal expenditure |

(153) Assessee company redeemed its debentures on premium. Such expenditure of paying premium shall be considered as:

- |                                  |                         |
|----------------------------------|-------------------------|
| (a) Revenue expenditure          | (b) Capital expenditure |
| (c) Deferred revenue expenditure | (d) Illegal expenditure |

(154) Expenditure incurred by a hotelier on replacement of linen and carpets in his hotel. Such expenditure shall be considered as:

- |                                  |                         |
|----------------------------------|-------------------------|
| (a) Revenue expenditure          | (b) Capital expenditure |
| (c) Deferred revenue expenditure | (d) Illegal expenditure |

(155) An assessee made a payment of ₹ 25,000 as a secret commission, prohibited by law, for some offensive purpose. Such expenditure shall be considered as:

- |                                  |                                |
|----------------------------------|--------------------------------|
| (a) Revenue expenditure          | (b) Capital expenditure        |
| (c) Deferred revenue expenditure | (d) Non deductible expenditure |

(156) An assessee incurred a sum of ₹ 35,000 for perfecting title or removing defects in title. Such expenditure shall be considered as:

- |                                  |                                |
|----------------------------------|--------------------------------|
| (a) Revenue expenditure          | (b) Capital expenditure        |
| (c) Deferred revenue expenditure | (d) Non deductible expenditure |

(157) An assessee incurred a sum of ₹ 1,10,000 for alteration of the memorandum and articles of association. Such expenditure shall be considered as:

- |                                  |                                |
|----------------------------------|--------------------------------|
| (a) Revenue expenditure          | (b) Capital expenditure        |
| (c) Deferred revenue expenditure | (d) Non deductible expenditure |

(158) An assessee incurred a loss of ₹ 50,000 on account of foreign exchange fluctuations on loans taken from foreign banks for revenue purposes or trading liabilities. Such loss/ expenditure shall be considered as:

- |                                  |                                |
|----------------------------------|--------------------------------|
| (a) Revenue expenditure          | (b) Capital expenditure        |
| (c) Deferred revenue expenditure | (d) Non deductible expenditure |

(159) An assessee incurred an expenditure of ₹ 35,000 on shifting of its administrative office. Such loss/ expenditure shall be considered as:

- |                                  |                                |
|----------------------------------|--------------------------------|
| (a) Revenue expenditure          | (b) Capital expenditure        |
| (c) Deferred revenue expenditure | (d) Non deductible expenditure |

(160) Under the Income-tax Act, 1961, which of the following outlays incurred by Sun Ltd. during the previous year ended 31<sup>st</sup> March, 2021 will not be admissible as deduction while computing its business income -

- |   |  |
|---|--|
| (a) Contribution to a political party in cash | (b) Interest on loan taken for payment of income-tax |
| (c) Capital expenditure on advertisement      | (d) All of the above.                                |

#### **SPECIFIC DISALLOWANCES - SECTION 40 & 40A**

(161) Mr. Ram during the previous year 2020-21 made a payment outside India to a non-resident on which TDS was not paid upto time allowed u/s 200. However, such TDS was deducted and paid on 15<sup>th</sup> February 2021. When shall deduction of this expenditure be allowed to assessee?

- |                           |                           |
|---------------------------|---------------------------|
| (a) Previous Year 2019-20 | (b) Previous Year 2020-21 |
| (c) Previous Year 2021-22 | (d) Not allowed deduction |

- (162) Mr. Kalpesh during the previous year 2020-21 made a payment outside India to a non-resident on which TDS was not paid upto time allowed u/s 200. However, such TDS was deducted and paid on 30<sup>th</sup> September 2021. When shall deduction of this expenditure be allowed to assessee?
- (a) Previous Year 2019-20 (b) Previous Year 2020-21  
(c) Previous Year 2021-22 (d) Not allowed deduction
- (163) Payments to residents on which tax has not been deducted/ paid shall be disallowed to the extent of -----
- (a) 0% (b) 30%  
(c) 100% (d) 50%
- (164) XYZ Ltd. has made a payment of ₹10,00,000 to Mr. C a contractor on which tax was not deducted at source during the previous year. The amount of expenditure to be disallowed under Section 40(a) will be-
- (a) ₹10,00,000 (b) ₹3,00,000  
(c) ₹5,00,000 (d) Nil
- (165) Laxmi & Co. paid ₹6,10,000 as contract payments to Monu Ltd. during the financial year 2020-21. It did not deduct tax at source under section 194C. The amount liable for disallowance is -
- (a) ₹6,10,000 (b) ₹3,05,000  
(c) ₹12,200 (d) ₹1,83,000
- (166) XYZ Ltd. has credited a sum of ₹10,00,000 to Mr. C a contractor on which tax was deducted at source during the previous year 2020-21. The payment of such TDS was made on 30-09-2021 being the due date of filing return of income. The amount of expenditure to be disallowed under Section 40(a) in previous year 2020-21 will be :
- (a) ₹10,00,000 (b) ₹3,00,000  
(c) ₹5,00,000 (d) Nil
- (167) Mr. Ram paid the income tax due of the previous year 2020-21 on 15<sup>th</sup> May 2021. When shall deduction of this expenditure be allowed to him?
- (a) Previous Year 2019-20 (b) Previous Year 2020-21  
(c) Previous Year 2021-22 (d) Not allowed deduction
- (168) Which of the following taxes are allowed as deduction while computing the business income
- (a) CDT (b) Income-tax  
(c) CTT (d) None of the above.
- (169) Which of the following taxes are not allowed as deduction while computing the business income
- (a) GST (b) Property tax  
(c) Professional tax (d) Equalization levy
- (170) Son of Mr. Ramesh was appointed as a manager in his firm. Ramesh made a payment of salary of ₹30,00,000 to his son whereas Assessing Officer is of opinion that such expenditure is excessive or unreasonable having regard to the FMV which comes to be of ₹24,00,000. Calculate the amount to be disallowed.
- (a) ₹24,00,000 (b) ₹30,00,000  
(c) ₹6,00,000 (d) Nil
- (171) A person shall be deemed to have a substantial interest in a business or profession, if-
- (a) In a case where the business or profession is carried on by a company, such person, at any time during the previous year, is the beneficial owner of equity shares carrying not less than 20 % of the voting power. (b) In any other case, such person, at any time during the previous year, is beneficially entitled to not less than 20% of the profits of such business or profession.  
(c) Both of the above. (d) None of the above.

- (172) Mr. Kailash claims the deduction (on accrual basis) of payment to Ramesh of ₹25,000. Next year he paid this amount through a crossed cheque. What are the consequences of this transaction?
- (a) This deduction is already claimed. (b) It will be disallowed and deemed to be the profit and gains of Business and Profession of the next year.
- (c) Deduction can be claimed in next year too. (d) None of these
- (173) Anish made a cash payment of ₹ 2,85,000 on 28<sup>th</sup> March, 2021 as the banks were on strike that day and the payment was to be made urgently. Calculate the amount of expenditure to be disallowed u/s 40A(3).
- (a) ₹ 2,85,000 (b) ₹2,65,000
- (c) Nil (d) ₹ 20,000
- (174) Under section 40A(3) which of the following payment for an expenditure incurred would not be admissible as deduction from business income \_
- (a) ₹ 15,000 paid in cash to a transporter (b) ₹ 9,000 paid in cash to a dealer in the morning and ₹ 8,000 paid in cash to the same dealer in the evening
- (c) ₹ 40,000 sent through NEFT to the bank account of the dealer for goods purchased (d) ₹ 9,000 paid through bearer cheque to the dealer for goods purchased.
- (175) When a cash payment of ₹ 30,000 is made on 10<sup>th</sup> May, 2020 towards purchase of raw material effected in the earlier year, i.e., on 5<sup>th</sup> June, 2019, the amount liable for disallowance under section 40A(3) would be -
- (a) Nil (b) 100% of payment
- (c) 20% of such payment (d) 30% of such payment
- (176) M Ltd. purchased goods on credit from S Ltd. on 6<sup>th</sup> May, 2020 for ₹ 86,000 which is paid as ₹ 10,000 in cash on 11<sup>th</sup> May, 2020; ₹ 35,000 by a bearer cheque on 3<sup>rd</sup> May, 2020; and ₹41,000 by an account payee cheque on 16<sup>th</sup> May, 2020. The amount of disallowance under section 40A(3) is -----
- (a) ₹ 15,000 (b) ₹35,000
- (c) ₹ 41,000 (d) ₹ 86,000
- (177) Where an assessee doing a business incurs any expenditure in respect of which payments made to a person in a day exceeds ₹ 10,000 should be paid through account payee cheque or demand draft to claim deduction for such expenditure. This restriction does not apply to -----
- (a) Payments made to RBI (b) Payments made to cultivators
- (c) Payment of terminal benefits to employees not exceeding ₹ 50,000 (d) All of the above
- (178) Ashutosh made two separate cash payments for plying, hiring or leasing goods amounting to ₹32,000 and ₹39,000. Discuss about the allowability of the two payments made.
- (a) Both the payments will be allowed. (b) Payment amounting to ₹ 32,000 will be allowed and the other one will be disallowed.
- (c) Payment amounting to ₹ 39,000 will be allowed (d) Both the payments will be disallowed.
- the other one will be disallowed.
- (179) Payment of ₹ 50,000 by using credit card for fire insurance. The amount of disallowance under section 40A(3) is \_\_\_\_\_
- (a) ₹ 50,000 (b) ₹ 30,000
- (c) Nil (d) ₹ 20,000
- (180) Payment of ₹ 50,000 made in cash towards purchases of medicines. The amount of disallowance under section 40A(3) is \_\_\_\_\_
- (a) ₹ 50,000 (b) ₹30,000
- (c) Nil (d) ₹20,000

- (181) An assessee made a provision of ₹5,00,000 for the payment of gratuity to his employees on their retirement. The gratuity fund was unapproved. Calculate amount of deduction allowable to assessee in respect of this provision.
- (a) ₹5,00,000 (b) ₹ 10,00,000  
(c) ₹ 1,00,000 (d) NIL
- (182) Deemed profits chargeable to tax under section 41 includes:
- (a) Taxability of Balancing Charge in case of Power Generating Undertakings. (b) Sale of an asset used for scientific research without having been used for the purposes of business or profession.  
(c) Recovery of bad debts. (d) All of the above.
- (183) X discontinued wholesale trade in medicines from 1<sup>st</sup> July, 2016. He recovered ₹1,50,000 in October, 2020 being a bad debt which was written-off and allowed in assessment year 2014-15. He has eligible brought forward business loss of wholesale trade in medicines of ₹ 1,70,000. The consequence of bad debt recovery is that -
- (a) It is chargeable to tax (b) It is eligible for set-off against brought forward business loss  
(c) The brought forward business loss is taxable now (d) 50% of the amount recovered now is taxable
- (184) Sameer sold goods worth ₹ 50,000 at credit on 1<sup>st</sup> April, 2017. However, he has written off ₹ 10,000 of it as bad debts and claimed deduction for the same during the year 2019-20. On 4<sup>th</sup> April, 2020, the defaulting debtor made payment of ₹ 45,000. The taxable amount of bad debts recovered for the year 2020-21 would be -
- (a) ₹ 5,000 (b) ₹ 50,000  
(c) ₹45,000 (d) ₹ 10,000
- (185) An assessee discontinued his textile business during the previous year 2017-18 and incurred a loss of ₹1,50,000. During the previous year 2020-21 assessee earned deemed profits in the discontinued business of ₹1,75,000. Calculate the amount taxable as business income.
- (a) ₹ 1,75,000 (b) ₹ 1,50,000  
(c) ₹ 25,000 (d) Nil
- (186) Saraswati Ltd. made provision of ₹121akh for bonus payable for the year ended 31<sup>st</sup> March, 2021. It paid ₹71akh on 31<sup>st</sup> July, 2021; ₹ 3 lakh on 30<sup>th</sup> September, 2021; and ₹ 2 lakh on 15<sup>th</sup> December, 2021. The amount eligible for deduction under section 43B would be -
- (a) ₹ 10 lakh (b) ₹ 121akh  
(c) ₹ 71akh (d) ₹ 31akh
- (187) As per section 43B, certain payments are to be allowed as deduction only on actual payment. Such sums include:
- (a) Any sum payable by the assessee to the Indian Railways for the use of railway assets. (b) Employer's contribution to provident fund or superannuation fund or gratuity fund or any other fund for the welfare of employees.  
(c) Bonus or commission to employees for services rendered as referred u/s 36(1)(ii). (d) All of the above.
- (188) As per section 43B, certain payments are to be allowed as deduction only on actual payment. Such sums include:
- (a) Sum payable by assessee by way of tax, duty, cess or fee, by whatever name called, under any law for the time being in force. (b) Employer's contribution to provident fund or superannuation fund or gratuity fund or any other fund for the welfare of employees.  
(c) Bonus or commission to employees for services rendered as referred u/s 36(1)(ii). (d) All of the above.
- (189) Assessee incurred an expenditure of municipal tax of ₹51,000 relating to office building for the Previous Year 2020-21 but did not pay the same till 30-09-2021. Such sum was paid on 15<sup>th</sup> March, 2022. In which assessment year deduction shall be allowed to assessee?

- (a) AY.2020-21 (b) AY.2021-22  
(c) A.Y.2022-23 (d) Nil
- (190) XYZ Ltd. took a loan of ₹3,50,000 from a Public Financial Institution. It incurred an interest expense of ₹35,000 against this loan in the Previous Year 2020-21 but did not pay the interest amount to bank. The assessee paid this amount on 15<sup>th</sup> March 2022. In which assessment year deduction shall be allowed to assessee?
- (a) AY.2020-21 (b) AY.2021-22  
(c) AY.2022-23 (d) Nil
- (191) If in the above question, assessee makes the payment of interest amount to bank on 15<sup>th</sup> September, 2021 then in which assessment year deduction shall be allowed to assessee?
- (a) AY.2020 -21 (b) AY. 2021-22  
(c) AY. 2022-23 (d) Nil
- (192) A Ltd. contributed ₹8,70,000 towards provident fund account of its employees. It actually remitted ₹5,00,000 upto 3<sup>rd</sup> March and ₹ 2,50,000 upto the due date for filing the return specified in section 139(1). The amount liable to tax in its assessment would be \_\_\_\_\_
- (a) ₹ 3,70,000 (b) ₹1,20,000  
(c) Nil (d) ₹ 8,70,000
- (193) XYZ Ltd. took a loan of ₹10,00,000 from a Public Financial Institution. It incurred an interest expense of ₹70,000 against this loan in the Previous Year 2018-19 but did not pay the interest amount to bank. It requested the bank to convert the amount of interest into loan on 15<sup>th</sup> September, 2019. Such converted loan is actually paid on 15<sup>th</sup> December, 2020. In which assessment year deduction shall be allowed to assessee?
- (a) AY. 2018-19 (b) AY.2019-20  
(c) AY . 2020-21 (d) AY.2021-22
- (194) An assessee transferred his land (stock in trade) on 15<sup>th</sup> May 2020 for ₹75,00,000. However, the value adopted by State Government authority for the purpose of payment of stamp duty in respect of such transfer was ₹90,00,000. What shall be the full value of the consideration received or accruing as a result of such transfer for the purposes of computing profits and gains from transfer of such asset.
- (a) ₹75,00,000 (b) ₹ 90,00,000  
(c) ₹ 15,00,000 (d) ₹ 1,65,00,000
- (195) Manish transferred his land (stock in trade) on 21<sup>st</sup> June 2020 for ₹80,00,000. However, the value adopted by State Government authority for the purpose of payment of stamp duty in respect of such transfer was ₹72,00,000. What shall be the full value of the consideration received or accruing as a result of such transfer for the purposes of computing profits and gains from transfer of such asset.
- (a) ₹ 72,00,000 (b) ₹ 80,00,000  
(c) ₹ 8,00,000 (d) ₹ 1,52,00,000
- (196) Mohan transferred his land (stock in trade) on 1<sup>st</sup> June 2020 for ₹ 70,00,000. However, the value adopted by State Government authority for the purpose of payment of stamp duty in respect of such transfer on the date of agreement fixing the value of consideration for transfer of the asset was ₹ 85,00,000 and on the date of registration of such transfer of asset was ₹ 89,00,000. He received consideration of ₹25,00,000 by cheque before the date of agreement. What shall be the full value of the consideration for the purposes of computing profits and gains from transfer of such asset.
- (a) ₹70,00,000 (b) ₹85,00,000  
(c) ₹83,00,000 (d) ₹ 25,00,000
- (197) Hari transferred his land on 1<sup>st</sup> September 2020 for ₹ 80,00,000. However, the value adopted by State Government authority for the purpose of payment of stamp duty in respect of such transfer on the date of agreement fixing the value of consideration for transfer of the asset was ₹75,00,000 and on the date of registration of such transfer of asset was ₹73,00,000. He received consideration of ₹25,00,000 by cheque before the date of agreement. What shall be the full value of the consideration for the purposes of computing profits and gains from transfer of such asset.

- (a) ₹ 80,00,000 (b) ₹ 75,00,000  
(c) ₹ 73,00,000 (d) ₹ 25,00,000

(198) ABC Ltd. credited the interest on bad and doubtful debts of ₹ 35,000 on 18<sup>th</sup> March, 2020. However, the interest amount was received on 11<sup>th</sup> April, 2020. As per section 43D when such interest shall be chargeable to tax?

- (a) P.Y. 2019-20 (b) P.Y. 2020-21  
(c) P.Y. 2021-22 (d) Not taxable

(199) ABC Ltd. credited the interest on bad and doubtful debts of ₹ 75,000 on 18<sup>th</sup> July, 2019. However, the interest amount was received on 30<sup>th</sup> March, 2021. As per section 43D when such interest shall be chargeable to tax ?

- (a) P.Y. 2019-20 (b) P.Y. 2020-21  
(c) P.Y. 2021-22 (d) Not taxable

(200) The profits and gains of any business of insurance, including any such business carried on by a mutual insurance company or by co-operative society, shall be computed in accordance with rules contained in First Schedule to the Act. The profits and gains derived from life insurance business is taxable at what rate?

- (a) 11.5% (b) 12.5%  
(c) 10% (d) Nil

(201) ABC & Association (trade association) furnishes profits of business before allowing deficiency was of ₹80,000. The deficiency amount was of ₹75,000 and the total income of assessee before allowing deficiency was of ₹1,40,000. What shall be the amount of deduction available to assessee for the deficiency?

- (a) ₹ 75,000 (b) ₹ 70,000  
(c) ₹ 80,000 (d) Nil

(202) ABC & Association (trade association) furnishes profits of business before allowing deficiency was of ₹90,000. The deficiency amount was of ₹ 75,000 and the total income of assessee before allowing deficiency was of ₹2,00,000. What shall be the amount of deduction available to assessee for the deficiency?

You with the following information-

- (a) ₹ 75,000 (b) ₹ 1,00,000  
(c) ₹ 90,000 (d) Nil

(203) ABC & Association (trade association) furnishes profits of business before allowing deficiency was of ₹90,000. The deficiency amount was of ₹75,000 and the total income of assessee before allowing deficiency was of ₹1,40,000. The amount of deduction available to assessee for the deficiency is of ₹ 70,000. For how many years the remaining balance of deficiency amounting to ₹ 5,000 shall be allowed to be carried forward?

- (a) 5 years (b) 1 year  
(c) Infinite years (d) Not allowed to be carried forward

### **ACCOUNTS AND AUDIT - SECTION 44AA & 44AB**

(204) Which amongst the following are specified books of account?

- (a) Cash Book (b) Carbon copies or counterfoils of bills  
(c) Original bills issued (d) All of the above

(205) The books of accounts are to be kept and maintained for a period of how many years from the end of the relevant assessment year.

- (a) 6 years (b) 5 years  
(c) 8 years (d) Unlimited period



- (206) A person carrying specified profession will have to maintain books of account prescribed by Rule 6F of the Income-tax Rule, 1962, if gross receipts are more than ₹1,50,000 for - (June, 2015)
- (a) All preceding 5 years (b) Any of the preceding 5 years  
(c) All preceding 3 years (d) Any of the preceding 3 years.
- (207) In case of specified professions, what is the minimum amount the Gross receipts should exceed in all of the three immediately preceding previous years or, where the business is newly setup, the amount that gross receipts are likely to exceed during current previous year, so as to maintain the books of accounts.
- (a) ₹1,00,000 (b) ₹ 1,20,000  
(c) ₹ 1,50,000 (d) ₹ 10,00,000
- (208) In which case newly set up business or profession other than specified profession is required to maintain accounts?
- (a) If total sales turnover is likely to exceed 10,00,000 during such previous year. (b) ₹ If turnover likely to exceed ₹1,12,000 during such previous year.  
(c) If turnover is likely to exceed ₹ 1,00,000 during such previous year. (d) If turnover is likely to exceed ₹1,00,000 during such assessment year.
- (209) Accounts of a person carrying on business are required to be audited for previous year in which total sales, turnover or gross receipts exceeds \_\_\_\_\_
- (a) ₹ 60,00,000 (b) ₹ 1,00,00,000  
(c) ₹ 15,00,000 (d) ₹ 50,00,000
- (210) A person carrying on profession is required to get his accounts compulsorily audited by a Chartered Accountant if his gross receipts from profession for the previous year exceed - (Dec. 2012)
- (a) ₹ 10,00,000 (b) ₹ 25,00,000  
(c) ₹ 50,00,000 (d) ₹ 1,00,00,000
- (211) A person carrying on profession will also have to get his accounts audited before the specified date, if gross receipts from the profession for a previous year or years relevant to assessment year exceed - (Dec. 2014)
- (a) ₹ 25lakh (b) ₹ 10 lakh  
(c) ₹1 crore (d) ₹ 50 lakh.
- (212) The penalty for failure to maintain accounts under section 44AA is -
- (a) ₹10,000 (b) ₹20,000  
(c) ₹ 50,000 (d) ₹ 25,000.
- (213) The maximum penalty for failure to get accounts audited under section 44AB or furnish audit report along with return of income is - (June, 2009)
- (a) ₹10,000 (b) ₹ 20,000  
(c) ₹ 50,000 (d) ₹ 1,50,000.
- (214) The maximum penalty leviable for failure to get accounts audited or to furnish report under section 44AB is - (Dec. 2015)
- (a) ₹ 75,000 (b) ₹ 1,00,000  
(c) ₹ 1,50,000 (d) ₹ 3,00,000

**DEEMED PROFITS IN CASE OF CERTAIN BUSINESSES - SECTION 44AD & 44AE**

- (215) Accounts of a person carrying on business referred to u/ s 44AD are required to be audited for previous year if -
- (a) The assessee has claimed profits. (b) Profits from such business to be lower than the profits and gains deemed u/ s 44AD.  
(c) The "total income" exceeds maximum amount, (d) All of the above.  
which is not chargeable to tax in any PY.

- (216) For computation of profits of business on presumptive basis under section 44AD, the deemed profits shall be calculated at the rate of \_\_\_\_\_ of the total turnover or gross receipts of such business:
- (a) 8% (b) 10%  
(c) 20% (d) 5%
- (217) The total turnover of the business of assessee was of ₹ 30,00,000. The assessee declared a profit of ₹ 2,80,000. What shall be the deemed profits of assessee under section 44AD?
- (a) ₹ 2,80,000 (b) ₹ 2,40,000  
(c) ₹ 40,000 (d) ₹ 2,60,000
- (218) The provisions of section 44AD shall not apply to :
- (a) Person carrying on specified profession referred to Section 44AA. (b) A person earning income in nature of commission or brokerage.  
(c) Person carrying on any agency business. (d) All of the above.
- (219) Provisions of section 44AD for computation of presumptive income are not applicable to -----
- (a) Limited liability partnership (b) Partnership firm  
(c) Resident Hindu Undivided Family (d) Resident individual.
- (220) When a partnership firm has total sales of ₹ 90 lakh, the maximum amount deductible as salary of working partners on the basis of presumptive income determined under section 44AD is -
- (a) ₹ 4,92,000 (b) ₹ 3,60,000  
(c) ₹ 3,30,000 (d) NIL
- (221) For computation of profits of profession on presumptive basis under section 44ADA, the deemed profits shall be calculated at the rate of \_\_\_\_\_ of the gross receipts of such profession:
- (a) 8% (b) 50%  
(c) 20% (d) 5%
- (222) The provisions of Section 44ADA are applicable if gross receipts from profession does not exceed----- ₹
- (a) ₹ 50,00,000 (b) ₹ 2,00,00,000  
(c) ₹ 1,00,00,000 (d) 15000000
- (223) When a person carries on the business of carrying goods for hire for the whole year with 5 self-owned and 3 leasehold heavy goods vehicles(14 tonne each), the presumptive income chargeable to tax under section 44AE would be -
- (a) ₹4,80,000 (b) ₹13,44,000  
(c) ₹ 7,20,000 (d) ₹ 3,36,000
- (224) Mr. X is carrying of profession of company secretary. His gross receipts from profession is ₹ 45,00,000 in Previous year 2019-20. His deemed profits as per provisions of Section 44ADA are:
- (a) ₹3,60,000 (b) ₹ 22,50,000  
(c) ₹ 4,50,000 (d) ₹ 9,00,000
- (225) Anupam owns 6 goods carriage vehicles. Out of these 2 are heavy goods vehicle (13 tonne) acquired by him on 15<sup>th</sup> January, 2021. His taxable income under section 44AE will be -
- (a) ₹ 4,38,000 (b) ₹ 3,24,000  
(c) ₹ 4,05,000 (d) ₹ 3,60,000.
- (226) Assessee who owns not more than ----- goods carriages at any time during the previous year and engaged in the business of plying, hiring or leasing such goods carriages shall be eligible to compute profits under Section 44AE:

- (a) 10 (b) 8  
(c) 6 (d) 15

(227) For computing deemed profits under section 44AE in case of goods carriage being a goods vehicle other than heavy good vehicle the amount with which per vehicle per month has to be multiplied is:

- (a) ₹ 10,000 (b) ₹ 7,500  
(c) ₹ 50,000 (d) ₹ 1,50,000

(228) For computing deemed profits under section 44AE in case of goods carriage other than a heavy goods vehicle the amount with which per vehicle per month has to be multiplied is:

- (a) ₹10,000 (b) ₹5,000  
(c) ₹ 50,000 (d) ₹7,500

(229) An assessee was engaged in the business of plying, hiring or leasing of goods carriages. He held 4 heavy goods vehicle (15 tonne) for the entire year and three goods carriage other than heavy goods vehicle which were acquired on 15<sup>th</sup> July 2020.

Compute the deemed profits u/s 44AE.

- (a) ₹9,22,500 (b) ₹ 5,00,000  
(c) ₹4,20,000 (d) ₹ 3,78,000

(230) An assessee was engaged in the business of plying, hiring or leasing of goods carriages. He owned 6 light goods vehicle for the entire year. He claimed amount to have been actually earned from such vehicle(s) ₹3,80,000. Compute the deemed profits u/ s 44AE.

- (a) ₹ 5,40,000 (b) ₹ 3,80,000  
(c) ₹ 20,000 (d) ₹ 3,70,000

**ANSWER KEY**

1.C	2.D	3.B	4.D	5.D	6.C	7.C	8.D	9.B	10.D
11.C	12.B	13.D	14.D	15.B	16.D	17.A	18.A	19.A	20.B
21.B	22.C	23.C	24.C	25.C	26.A	27.B	28.A	29.C	30.B
31.D	32.B	33.A	34.B	35.B	36.D	37.D	38.D	39.A	40.B
41.B	42.B	43.A	44.B	45.A	46.D	47.C	48.A	49.C	50.B
51.A	52.C	53.C	54.C	55.D	56.C	57.B	58.B	59.B	60.D
61.D	62.A	63.C	64.A	65.B	66.B	67.A	68.A	69.B	70.B
71.B	72.B	73.C	74.C	75.D	76.A	77.A	78.A	79.B	80.B
81.B	82.C	83.D	84.A	85.D	86.B	87.C	88.C	89.C	90.B
91.B	92.C	93.A	94.D	95.C	96.A	97.D	98.D	99.A	100.D
101.C	102.A	103.C	104.C	105.D	106.B	107.A	108.C	109.A	110.D
111.A	112.A	113.B	114.A	115.D	116.C	117.D	118.A	119.D	120.B
121.D	122.A	123.A	124.C	125.A	126.C	127.A	128.A	129.B	130.D
131.D	132.C	133.D	134.D	135.A	136.B	137.B	138.A	139.B	140.D
141.B	142.C	143.A	144.A	145.A	146.B	147.D	148.D	149.D	150.C
151.C	152.C	153.C	154.A	155.D	156.B	157.A	158.A	159.A	160.D
161.B	162.B	163.B	164.B	165.D	166.D	167.D	168.C	169.D	170.C
171.C	172.B	173.A	174.B	175.B	176.B	177.D	178.B	179.C	180.A
181.D	182.D	183.B	184.A	185.C	186.A	187.D	188.D	189.C	190.C
191.B	192.B	193.D	194.B	195.B	196.B	197.A	198.A	199.A	200.B
201.B	202.A	203.D	204.D	205.A	206.C	207.C	208.A	209.B	210.C
211.D	212.D	213.D	214.C	215.D	216.A	217.A	218.D	219.A	220.D
221.B	222.A	223.B	224.B	225.A	226.A	227.B	228.D	229.A	230.A

**CHAPTER – 11**  
**INCOME UNDER THE**  
**HEAD CAPITAL GAINS**

**Sections covered in this chapter**

<b>Sec 45(1)</b>	Basis of charge
<b>Sec 45(IA)</b>	Destruction of Capital Asset
<b>Sec 45(2)</b>	Conversion of Capital Asset into SIT
<b>Sec 45(2A)</b>	Transfer of Demat Securities
<b>Sec 45(3)</b>	Transfer of capital asset by Partner to Firm
<b>Sec 45(4)</b>	Transfer of capital asset by Firm to Partner
<b>Sec 45(5)</b>	Compulsory acquisition of Capital Asset
<b>Sec 46(1)(2)</b>	Liquidation of Company
<b>Sec 46A</b>	Buy back of own shares
<b>Sec 47</b>	Transfers not regarded as transfers
<b>Sec 50B</b>	Slump sale
<b>Sec 50C</b>	Real estate transaction
<b>Sec 54</b>	Exemptions from capital gains
<b>Sec 55</b>	Cost of acquisition and cost of improvement
<b>Sec 55A</b>	Reference to valuation officer
<b>Other sections</b>	
<b>Sec 2(14)</b>	Capital asset
<b>Sec 2(47)</b>	Transfer
<b>Sec 10(37)</b>	Capital gain exempt on Compulsory acquisition of Urban agrl. land
<b>Sec 111A</b>	STCG @ 15% on shares,units

**Sec. 45(1): Charging Section**

- ➔ Any Profit or Gains arising from
- ➔ **TRANSFER**
- ➔ Of a **CAPITAL ASSET**
- ➔ Effected in a Previous year
- ➔ Shall be chargeable to Income Tax
- ➔ Under the Head Capital Gains
- ➔ In the **Previous Year in which transfer** took place

**Sec. 2(14) : Capital Asset**

*Capital asset means—*

*(a) Property of any kind held by assessee, whether or not connected with his business or profession*

*(b) Any securities held by Foreign Institutional Investor(FII) which has invested as per SEBI regulation but does not include—*

**1. Any stock-in-trade [other than securities referred to in sub-clause (b)]**

**2. Personal Effects**

- Movable property (**including** wearing apparel & furniture)
- for **personal use** of
- assessee **or** for dependent family member.

Personal effects **excludes** the following

- a. **Jewellery**
- b. Archaeological collections
- c. Drawings
- d. Paintings
- e. Sculptures
- f. Any work of art

**Special Point**

<b>Jewellery Includes</b>	
<b>Ornaments of Gold, Silver, Platinum or Other precious Metal</b>	<b>Precious or Semi-precious stones</b>
With or without precious/semi-precious stones & whether or not worked into wearing apparel	Whether or not set in furniture, utensil or other article and whether or not worked into wearing apparel

**3. Agricultural Land in India situated in **RURAL AREA******Following types of Agricultural Lands are Capital Assets**

- a) Agricultural Land situated in Urban area of India
- b) Agricultural land situated outside India

***Sec 2(1A) : URBAN AREA***

*(a) Any area within the **Jurisdiction** of a municipality /Municipal corporation/cantonment board and which has a population of **atleast 10,000** OR*

*(b) Any area within the distance, measured aerially,*

*(I) Upto 2 kms from local limits of **above jurisdiction** having population > 10,000 but upto 1,00,000 or*

*(II) Upto 6 kms from local limits of **above jurisdiction** having population > 1,00,000 but upto 10,00,000 or*

*(III) Upto 8 kms, from the local limits of **above jurisdiction** having population of > 10,00,000.*

**Special point :** "Population" means the population according to the last preceding census

**4. Gold Deposit Bonds/Certificates issued under Gold deposit scheme,1999 or Gold Monetisation scheme,2015**

**Section 2(47): Transfer Includes**

- (a) **Sale, Exchange or Relinquishment** of Capital Asset
- (b) **Extinguishment** of any right in a Capital Asset
- (c) **Compulsory Acquisition** of Capital Asset under Any law
- (d) **Conversion** of Capital Asset into Stock in trade of Business
- (e) Any transaction in which **possession of Immovable Property** is given u/s.53A of Transfer of Property Act
- (f) Any transaction (whether by way of transferring membership/shares in a Coop. Society, Company ), which has effect of transferring of Immovable Property
- (g) Maturity or Redemption of a **zero coupon bond**

**Types of Capital Gains**

There are 2 types of Capital Gains

1. **Short Term Capital Gain (STCG):** It arises on transfer of Short Term Capital Assets
2. **Long Term Capital Gain (LTCG) :** It arises on transfer of Long Term Capital Assets

CAPITAL ASSETS					
<b>-Listed Security (other than unit of MF)</b> on recognised stock exchange in India  <b>- Unit of UTI or Equity oriented fund</b>  <b>- Zero Coupon Bonds</b>		<b>Unlisted shares / Immovable property</b>		<b>Other Capital Asset</b>	
Held for a period <b><u>Upto 12 months</u></b> preceding date of transfer	Held for period <b><u>more than 12</u></b> months preceding date of transfer	Held for a period <b><u>Upto 24</u></b> <b><u>months</u></b> preceding date of transfer	Held for a period <b><u>more</u></b> <b><u>than 24</u></b> months <b><u>preceding</u></b> date of transfer	Held for a period <b><u>Upto</u></b> <b><u>36 months</u></b> <b><u>preceding</u></b> date of transfer	Held for a period <b><u>more than</u></b> <b><u>36</u></b> months <b><u>preceding</u></b> date of transfer
<i>Short Term Capital Asset</i>	<i>Long term Capital Asset</i>	<i>Short Term Capital Asset</i>	<i>Long term Capital Asset</i>	<i>Short Term Capital Asset</i>	<i>Short Term Capital Asset</i>

Section 48 : Computation of Capital Gains

Short Term Capital Gain	Long Term Capital Gain
FULL VALUE OF CONSIDERATION (Received or accruing on transfer of STCA)	FULL VALUE OF CONSIDERATION (Received or accruing on transfer of LTCA)
Less : Expenditure Incurred (Wholly & exclusively for transfer)	Less : Expenditure Incurred (Wholly & exclusively for transfer)
: Cost of Acquisition of STCA	: <u>Indexed</u> Cost of Acquisition of LTCA
: Cost of improvement of STCA	: <u>Indexed</u> Cost of Improvement of LTCA

**Special Points :** No deduction of Security transaction tax whether paid on purchase or sale

**Indexed Cost of Acquisition**

$$\text{Cost of Acquisition of Capital Asset} \times \frac{\text{Cost inflation index (of financial year in which asset transferred)}}{\text{Cost inflation index (of 1<sup>st</sup> financial year in which asset held by Assessee) or (of financial year 2001-02), whichever is later}}$$

**In case of a capital asset land or building or both, FMV of such asset on 1/4/2001 shall not exceed the stamp duty value, wherever available, of such asset as on 1/4/2001.**

**Indexed Cost of Improvement**

$$\text{Cost of Improvement} \times \frac{\text{Cost inflation index (of financial year in which asset transferred)}}{\text{Cost inflation index (of financial years in which improvement has taken place by Assessee or/and Previous Owner)}}$$

**Cost Inflation Index**

Financial Year	Cost Inflation Index	Financial Year	Cost Inflation Index
<b>2001-02</b>	<b>100</b>	2011-12	184
2002-03	105	2012-13	200
2003-04	109	2013-14	220
2004-05	113	2014-15	240
2005-06	117	2015-16	254
2006-07	122	2016-17	264
2007-08	129	2017-18	272
2008-09	137	2018-19	280
2009-10	148	2019-20	289
2010-11	167	<b>2020-21</b>	<b>301</b>



**Special Points:**

- ✓ In case of **LTCA**, we take **Indexed** cost of Acquisition and **Indexed** cost of Improvement.
- ✓ However, where LTCA consists of **Debentures & Bonds** (*other than capital indexed bonds of Government & sovereign gold bonds issued by RBI*), No indexation is to be done

**Section 55(2): COST OF ACQUISITION**

	<b>Types of Capital Asset</b>	<b>Cost of Acquisition</b>	<b>2(42A) : Period of holding</b>
<b>A</b>	1) Goodwill of <b>business</b> 2) Trademark, Brand name of <b>business</b> 3) Tenancy Rights 4) Stage Carriage permits (route permit) 5) Loom Hours 6) Right to manufacture any article 7) Right to carry any <b>Business or profession</b>	<b>N I L</b> <i>[If Self generated]</i> Or <b>Purchase price</b> <i>[If acquired by purchase]</i>  <i>FMV on 1.4.2001 is not available when such assets are purchased upto 31.3.2001</i>	Date of Purchase/Self development <b>To</b> Date of Transfer
<b>B</b>	Shares purchased from company Shares purchased from Broker/Market Shares purchased from other person Right Shares <b>subscribed</b> by original shareholder Offer of right shares <b>not subscribed</b> but renounced Person <b>purchasing</b> renounced offer Bonus Shares/Other Asset allotted <b>free of cost</b>	Amount actually paid to company Amount actually paid to broker including brokerage Amount actually paid Amount Actually paid to company Nil Amount paid to Seller of right <b>and</b> Company Nil <i>FMV on 1.4.2001 available if such assets are acquired upto 31.3.2001</i>	Date of Allotment by Company <b>To</b> Date of Transfer Date of broker note <b>To</b> Date of Transfer Date of Contract of purchase <b>To</b> Date of Transfer Date of Allotment by Company <b>To</b> Date of Transfer Date of offer <b>To</b> Date of Renouncement Date of allotment of right shares <b>To</b> Date of Transfer Date of allotment of bonus shares <b>To</b> Date of transfer
<b>C</b>	<b>Other Capital Assets</b>	<b>Cost of Acquisition</b>  <i>FMV on 1.4.2001 available if such assets purchased upto 31.3.2001</i>	Date of Acquisition <b>To</b> Date of Transfer

**Section 55(1) : Cost of Improvement**

A	Capital Assets	Cost of improvement
	- Goodwill of <b>Business</b> - Right to manufacture, produce or process any article or thing - Right to carry on any <b>business</b>	<p style="text-align: center;"><b>NIL</b>  <i>(Whether capital asset is Self generated or purchased)</i></p>
<b>B</b>	<b>Other Capital Assets</b>	<ul style="list-style-type: none"> <li>• All <b>Capital Expenditure</b> incurred by</li> <li>• on improvement of Capital Asset</li> <li>• <b>On or after 1.4.2001</b></li> </ul>

**COMPUTATION OF CAPITAL GAINS IN CERTAIN CASES**

**Section 45(1A): Insurance Compensation on Damage/Destruction of Capital Asset**

- **Overriding Sec. 45(1)**
- Where any person **receives** at any time during previous year
- Any *money or other asset*
- Under insurance from an Insurer
- On account of Damage or destruction of Capital Asset **due to**,
  - Flood, Typhoon, Cyclone, Earthquake or other Natural Disaster,
  - Riot or Civil Disturbance or
  - Accidental Fire or Explosion or
  - Enemy action or action taken from combating enemy (*whether or no war declared*)

Then Capital Gains shall be chargeable in hands of such person in **Previous year** in which money or other asset is **Received** from Insurer.

**Special Points**

1. Period of Holding : **Date of Acquisition to Date of Destruction**
2. Full value of Consideration : **Value of Money + FMV of asset on date of receipt**
3. Indexation : **P/Y of Holding to P/Y of Destruction**

**Section 45(2): Conversion of Capital Asset into Stock in Trade**

- **Overriding Sec. 45 (1)**
- Where assessee Converts a Capital Asset into Stock in Trade
- Capital Gain arising on above transfer
- shall be chargeable in hands of Assessee
- In P/Y in which such SIT is **Sold or otherwise transferred**

**Special Points:**

1. Period of Holding : **Date of Acquisition to Date of conversion of asset to SIT**
2. Full value of Consideration : **FMV of such Capital Asset on Date of conversion**
3. Indexation : **P/Y of Holding to P/Y of conversion**
4. Where **Sale price is greater than FMV** on date of conversion then (Sale Price – FMV) is taxable under head P/G/B/P

**Section 45(2A): Capital Gain on Transfer of Securities**

- Where any person had at anytime during previous year
- Any **beneficial interest** in any securities
- Then profit or gains arising from Transfer made by **depository**, of such beneficial interest
- Shall be chargeable under Capital Gains in previous year of transfer

**Special Points:**

1. Capital Gain shall be taxable in hands of person having **beneficial interest** and not in the hands of Depository who is the registered Shareholder.
2. Period of Holding & Cost of acquisition : Calculated on **FIFO basis**

**Section 45(3) : Capital Gain on transfer of Capital Asset to Firm etc.**

- ☐ Where a person **transfers** a **Capital Asset**
- ☐ To a firm, AOP or BOI
- ☐ In which he is/or becomes partner or member
- ☐ By way of Capital Contribution **or Otherwise**
- ☐ Shall be chargeable to Capital Gain in hands of such person in the previous year of transfer.

**Special Points:**

1. Period of Holding : Date of acquisition by partner/member to Date of transfer to firm/AOP/BOI
2. Full value of consideration : Amount recorded in books of account of Firm/AOP/BOI
3. Indexation : P/Y of Holding to P/Y of Transfer

**Section 45(4): Capital Gains on transfer of Cap Asset on dissolution of Firm etc**

- Where a Firm, AOP or BOI transfers a Capital Asset by way of distribution
- To its Partner or Members
- On its dissolution **or otherwise**
- Shall be chargeable to Capital Gains to such Firm, AOP or BOI, in the previous year of transfer.

**Special Points:**

1. Period of Holding : Date of acquisition of asset to date of transfer by Firm/AOP/BOI
2. Full value of Consideration : FMV on date of such transfer
3. Indexation : P/Y of Holding to P/Y of Transfer
4. “Dissolution or Otherwise” : Otherwise means something like dissolution

**Section 45(5): Compulsory Acquisition of an Asset**

- ❑ **Overriding Sec. 45 (1)**
- ❑ Where a Capital Asset is **Compulsorily acquired** under **ANY law or**
- ❑ Where consideration for transfer is to be determined or approved by **Central Government or RBI**.
- ❑ It shall be chargeable to Capital Gain in the Previous year in which the compensation or part thereof is **FIRST received** by the assessee.

**Special Points:**

1. Period of Holding : Date of acquisition to Date of compulsory acquisition
2. Full value of Consideration : **Full** amount of compensation/consideration
3. Indexation : P/Y of Holding to P/Y of Compulsory Acquisition

**4. Enhanced Compensation :**

- a) Where the amount of compensation is increased by any
  - Court or tribunal
  - Such increased amount shall be deemed as Capital Gain,
  - Of the P/Y in which such amount is **Received** by the Assessee.
- b) The nature of capital gain of Enhanced compensation is **SAME** as for original compensation.
- c) Cost of acquisition. & Cost of improvement of enhanced compensation will be **NIL**.
- d) Expenses incurred for enhanced compensation can be **deducted** as transfer expenses

**4. Reduced Compensation**

- If Subsequently compensation is reduced by court than
- Cap Gain of original compensation recomputed by taking the reduced compensation.

**5. Enhanced compensation received by other person**

- Where due to death of person who made transfer *or* for other reason,
- Enhanced compensation is received by other person,
- Deemed to be Capital Gain of the person receiving the same. (*ST or LT depending upon original*)

**Sec 45(5A) : Capital gain in case of Joint Development Agreements**

- Notwithstanding anything contained in sec 45(1),
- Individual or HUF,
- Transfer of land or building or both,
- under a **specified agreement**,
- capital gains shall be chargeable **in p/y**
- in which **certificate of completion for whole/part of project is issued** by competent authority
- FVC shall be **SDV** (on date of issue of certificate) of his share, being land or building or both in project, as increased by consideration received in cash, if any,

**Special point :**

1. If assessee transfers his share in project on or before date of issue of certificate , **Section 45(5A) shall not apply** & capital gains shall be deemed to be income of **p/y in which such transfer takes place** & other provisions of this Act shall apply
2. **Specified agreement** means a registered agreement in which person owning land or building or both, agrees to allow another person to develop a real estate project in consideration of a share, being land or building or both in such project, whether with or without payment of part of consideration in cash;

3. **SDV means** the value adopted or assessed or assessable by any authority of Government for purpose of payment of stamp duty of an immovable property
4. **Sec 49(7) :** If **sec 45(5A)** is applicable, **cost of acquisition** of such asset, shall be amount which is deemed as FVC under the section.

**Special point :**

**Consequential Amendments:**

**Cost of Acquisition of the Share in Project (Section 49(7)):**

*Where the capital gain arises from the transfer of a capital asset, being share in the project, in the form of land or building or both, referred u/s 45(5A), the cost of acquisition of such asset, shall be the amount which is deemed as full value of consideration in that sub-section.*

**TDS on Monetary Consideration (Section 194IC):**

*Notwithstanding anything contained in section 194-IA, any person responsible for paying to a resident any sum by way of consideration, not being consideration in kind, under the agreement referred u/s 45(5A), shall at the time of credit of such sum to the account of the payee or at the time of payment thereof in cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct an amount equal to 10% of such sum as income-tax thereon*

<b><u>SEC 50B : Slump Sale</u></b>
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In case of slump sale, profits on such sale shall be chargeable under capital Gains in the P/Y in which slump sale is effected.

**Sec 2(42C) :** Slump Sale means

- Transfer of one or more **Undertaking**
- As a result of sale for **lumpsum** consideration
- **Without values** being assigned to **individual assets and liabilities**

**Special Points:**

- 1) **Full value of consideration** : Sale price of the undertaking
- 2) **Period of holding** : **Date of ownership of the undertaking to Date of slump sale**  
*However if Undertaking is LTCA , no indexation will be done.*
- 3) **Cost of Acquisition** : **Net Worth i.e**  
**Value of assets** of undertaking  
**Less : Value of liability** of Undertaking

**4. Value of assets**

Type of Assets	Value to be Taken
Non depreciable Asset	Book Value
Depreciable asset (A)- (B)	Actual Cost of assets forming part of the undertaking (A) Less : Depr allowed on that assets assuming that assets were only assets in the block (B)

5. WDV OF BLOCK shall be reduced by the following amount (A) – (B)
6. Revaluation of assets shall not be taken into account for valuation of assets
7. Every assessee, in the case of slump sale, shall furnish in the prescribed form a report of CA before **the specified date u/s 44AB** indicating the computation of the net worth of the undertaking or division, as the case may be, and certifying that the net worth of the undertaking or division, as the case may be, has been correctly arrived at in accordance with the provisions of this section.

**Section 51: Forfeiture of Advance Money**

- Where any Capital Asset
- Was on any *previous occasion* subject matter of negotiation for the transfer
- Any advance or other money received by Assessee
- Is **forfeited** by him
- Then such amount **shall be deducted** from Cost/WDV/FMV of such Capital Asset

**Proviso to Sec 51 : wef 1/4/2014**

*If Advance or other money forfeited under negotiations for transfer, is included in Total Income of for any previous year u/s 56(2), then, such sum shall not be deducted from cost / WDV / FMV*

**Section 46(1): Distribution of assets by Company to its shareholders in liquidation**

- **Overriding Sec. 45**
- Where any asset of a Company
- Is distributed to its shareholders
- On its liquidation
- Such distribution will **NOT** be regarded as a Transfer
- In the hands of the company

**Section 46(2)**

- Where a shareholder on liquidation of a company
- Receives any money or other assets from a company
- He shall be chargeable under Capital Gain in the **Previous year** in which above is **Received**

**Special Points:**

- 1) **Period of Holding** : **Date of acquisition of shares to Date of liquidation**
- 2) **Full value of Consideration** : **Money received**  
**Add :** MV of assets received as on date of distribution  
**Less :** Deemed dividend u/s. 2(22)(c)
- 3) **Indexation** : **P/Y of Holding to P/Y of Liquidation**
- 4) **Sale of Assets received on liquidation** : **Cost of acquisition shall be FMV on date of distribution of such asset**

**Section 46A : Capital Gain on purchase by Company of its own Share/Specified securities (Buy Back)**

- Where a shareholder or holder of specified securities,
- Received any consideration from company for purchase of its own shares or specified securities,
- Shall be chargeable to Capital Gain in year in which shares /securities are purchased by company.

**Special Points:**

- 1) **Period of Holding** : **Date of acquisition of Shares/Securities to Date of buy back by company**
- 2) **Full value of Consideration** : **Amount Received from the company**
- 3) **Indexation** : **P/Y of Holding to P/Y of Buy Back**
- 4) **Buy Back exempt in hands of shareholder u/s 10(34A) if TAX paid by Domestic company on buy back of shares u/s 115QA**

The provisions of section 115QA shall not apply to such buy-back of shares (being the shares listed on recognised stock exchange), for which public announcement has been made on or before the 5th day of July, 2019 as per SEBI (Buy-back of Securities) Regulations, 2018 made under SEBI Act.



**Section 47 : Transactions not regarded as Transfer**

- ⇒ **Overriding Sec. 45**
- ⇒ Transactions referred to in Sec. 47, will not be regarded as transfer
- ⇒ And therefore **No Capital Gain** will arise in hands of **transferor**.

1. Distribution of Any Capital Asset on Total or Partial partition of H.U.F.
2. Transfer of Any Capital Asset under Gift or Will (*Does not include transfer under a gift of shares, debentures allotted by company to its employees under E.S.O.P*)  
**In the above cases**, there will be no transfer and no Capital Gain will arise in hands of **transferor**. However, when **transferee** transfers the above Capital Assets, he will be chargeable to Capital Gains.

**Computation of capital gains in hands of transferee,**

1. Cost of Acquisition to transferee in above cases. (Sec 49(1))	<i>Cost to previous owner</i> who had actually purchased the Capital Asset
2. Period of Holding. (Sec 2(42A))	Period of holding will include <i>period of holding of previous owner</i>
3. Indexation	<b>P/Y of Holding to P/Y of transfer</b>

3. Transfer of Any Capital Asset by amalgamating company to amalgamated **Indian** company in a scheme of amalgamation.
4. Transfer of **Shares of Amalgamating Company** by shareholder of such Company to Amalgamated Indian Company in a scheme of Amalgamation provided transfer is made in consideration of allotment to him of shares in Amalgamated Company except where shareholder itself is the amalgamated company

**For the purpose of computing capital gains on transfer of shares of Amalgamated company**

1 Cost of acquisition of shares in Amalgamated Company	<i>Cost of acquisition of shares in Amalgamating Company</i>
2. Period of Holding	Period of holding of shares in Amalgamated Company <i>will include period of holding shares in Amalgamating Company</i>
3. Indexation	<b>P/Y of Holding shares in Amalgamated Company to P/Y of transfer</b>

5. Transfer of Capital Asset by Demerged company to Resulting **Indian** company in a scheme of Demerger.
6. Transfer/ issue of Share by resulting company to shareholders of the de merged company if the transfer/ issue is made in consideration of Demerger of the undertaking.

***Special Points : For computing capital gain on transfer of shares in resulting company***

1. Cost of Acquisition of shares in Resulting company.	Cost of acq. of shares in De merged co. <b>X</b> <u>Book value of assets T/F in Demerger</u> Net worth of De merged company
2. Cost of Acquisition of shares of Demerged company.	Reduce Original cost by <b>above</b>
3. Period of Holding of shares in Resulting company	Period of holding of shares in Resulting Co. will include <b><i>holding period of shares in Demerged company</i></b>
4. Indexation	P/Y of Holding shares in Resulting Company <u>to</u> P/Y of transfer

7. Any transfer by way of conversion of **Debentures** of a company into Shares of that company.

**Special Points:** If converted shares are transferred:

1. Cost of Acquisition of shares	<b>Cost of that part of Debenture</b> , which is so converted
2. Period of Holding of Shares	<b><i>Period of holding will include period of holding of Debentures</i></b>
3. Indexation	P/Y of allotment of shares <u>to</u> P/Y of transfer

8. Any transfer by any person to Government, University, National Museum, National Art Gallery or to other notified museum or institution of Capital Asset being **work of art, archaeological, scientific or art collection, books, manuscript, drawing, painting, photograph or print.**

9. Transfer of Any Capital Asset on conversion of a firm to a company , **Provided**

- **All the assets and liabilities** of the firm become the assets & liability of company
- All partners becomes shareholder of company in the **same proportion** of their Capital Account.
- The partners should receive **only shares allotted** by company as consideration for transfer.
- Aggregate shareholding of partners in the company should **be atleast 50%** of total voting power and should be **maintained for 5 yrs** from date of conversion.

10. Transfer of Any capital asset by a private company or unlisted public company to limited liability partnership  
Or Any transfer of a shares held in the company by a shareholder

*as a result of conversion of company into a LLP* **Provided**

- All **assets & liabilities** of company become assets & liabilities of LLP
- **All shareholders** of the company **become the partners** of LLP
- The shareholders of company **receive consideration** in form of **share in profit and capital contribution** in LLP.
- Capital contribution & profit sharing ratio in LLP are in **same proportion** of shareholding in company on date of conversion.
- Aggregate of profit sharing ratio of shareholders in LLP shall **be atleast 50%** and should be **maintained for 5 years** from date of conversion
- Turnover of company in **any of 3 P/Y** preceding p/y of conversion **upto 60,00,000.**

11. Transfer of Any Capital Asset on conversion of Sole proprietary concern to a company , **Provided**
- **All assets & liabilities** of sole proprietary concern become the asset and liabilities of company.
  - Shareholding of sole proprietor in company should **be at least 50%** of total voting power and should be **maintained for 5 years** from date of succession.
  - The sole proprietary should receive **only shares allotted** by company as consideration for transfer.
12. Transfer of a capital asset in a transaction of Reverse Mortgage under a scheme made and notified by the Central Government.
13. Transfer of sovereign gold bonds issue by RBI by way of redemption by Individual Assessee.
14. Any transfer of a capital asset, being
- (a) bond or Global Depository Receipt referred u/s 115AC(1) or
  - (b) rupee denominated bond of an Indian company; or
  - (c) derivative,
- made by a non-resident on a recognised stock exchange located in any International Financial Services Centre and where the consideration for such transaction is paid or payable in foreign currency, shall not be treated as a transfer for the purpose of charging capital gains
15. Any transfer by way of conversion of preference shares of a company into equity shares of that company.

**Special point :** Where the capital asset, being equity share of a company, became the property of the assessee in consideration of a transfer as above, the cost of acquisition of the asset shall be deemed to be that part of the cost of the preference share in relation to which such asset is acquired by the assessee.

### Miscellaneous Provisions of Capital Gains

#### **Section 55A : Reference to Valuation Officer.**

- For ascertaining **FMV** of Capital Asset
- U/S **45(1A), 45 (2), 45 (4), 46 (2), Exchange of asset u/s 2(47) & 50C**
- The Assessing Officer may
- Refer the valuation of Capital Asset to **valuation officer** in **following cases**

<b>Case 1</b>	<b>Case 2</b>
Where value claimed by assessee is <b>according to</b> estimate by a registered valuer	Where value claimed by assessee is <b>not according to</b> estimate by a registered valuer
If AO is of opinion that Value claimed by assessee is <b>at variance with its Fair Market Value</b>	If AO is of opinion that <ul style="list-style-type: none"> <li>• Fair Market Value exceeds</li> <li>• value claimed by assessee</li> <li>• by more than 15% <b>or</b> by ₹25,000, <i>whichever is less</i></li> </ul>

**Section 50C: FVC for Real Estate Transactions**

- ✓ Sale consideration on transfer of Land or Building or both
- ✓ **Is Less than**
- ✓ Value determined by Stamp valuation authority for payment of stamp duty
- ✓ then value so **assessed or assessable** shall be
- ✓ **Deemed** to be FVC
- ❖ Assessee claims
- ❖ that Stamp Valuation
- ❖ **exceeds** FMV of property on date of transfer and
- ❖ It has not been disputed in any appeal or by any court
- ❖ AO may refer the valuation of above capital asset
- ❖ to valuation officer u/s 55A

Then,

- Valuation determined by valuation officer u/s. **50C**
- **Is less than**
- Stamp valuation
- then **value u/s 50C** shall be **Deemed** to be FVC

**Proviso to sec 50C**

*Provided also that where the value adopted or assessed or assessable by the stamp valuation authority does not exceed **110%** of the consideration received or accruing as a result of the transfer, the consideration so received or accruing as a result of the transfer shall, for the purposes of section 48, be deemed to be the full value of the consideration.*

**Sec 50CA : Full value of consideration for transfer of share other than quoted share**

- If consideration
- For transfer of share of company
- other than quoted share,
- is less than fair market value(FMV) of such share (determined in prescribed manner)
- FMV shall be
- deemed to be consideration

**Special point :**

Quoted share means the share quoted on any recognised stock exchange with regularity from time to time, where the quotation of such share is based on current transaction made in the ordinary course of business.

The provisions of this section shall not apply to any consideration received or accruing as a result of transfer by such class of persons and subject to such conditions as may be prescribed.[FA,2019]

**Sec 50D : Fair market value deemed to be full value of consideration in certain cases**

*Where the consideration as a result of transfer of a capital asset by assessee is not ascertainable , FMV of asset on the date of transfer shall be deemed as full value of consideration*

**Tax Rates on Capital Gains for A/Y 2021–22**

Short Term Capital Gain (STCG)		
10(37)	111A	other STCG
Exempt	15%	Taxable at slab rate

Long Term Capital Gain (LTCG)			
10(37)	112A	Listed securities <i>other than Units of MF OR Zero Coupon Bonds</i>	Other LTCG
Exempt	10%	20% (with Indexation) OR 10% (without indexation) <i>whichever is lower</i>	20%

**Special points :**

**1. Section 10(37) : Income exempt from compulsory acquisition of land**

- Individual or HUF
- Compulsory acquisition of **urban agricultural land (LTCA or STCA)**
- Used for **2 yrs before date of transfer** for agricultural by individual or his parents or HUF
- Compensation received shall be **exempt**
- from capital gains

**2. Sec 10(37A) : Capital gain form land pooling scheme**

- Individual or HUF
- Owner of specified capital asset as on 2/06/14
- transfer of specified capital asset
- Land Pooling Scheme (scheme)
- covered under Andhra Pradesh Capital City Land Pooling Scheme

3. **Sec 111A : STCG on Equity shares/units of EOMF/Business trust**

- Any assessee transfers **Short Term Capital Asset**
- being **Equity shares or Units in Equity oriented Mutual Fund** or **units of Business trust**
- and such transaction is chargeable to security transaction Tax,
- then such STCG shall be chargeable @15%

4. **Sec 112A : LTCG on Equity shares/units of EOMF/Business trust**

Upto A/Y 18/19, such LTCG was exempt u/s 10(38) but from A/Y 19/20, Sec 112A has been introduced and now LTCG on above transaction will be taxable @ 10% in excess of ₹1,00,000.

While computing such LTCG ,indexation benefits will not be allowed (Sec 48).

**Salient features of Sec 112A**

1. Securities transaction tax(STT) has been paid on acquisition and transfer of equity share in company & been paid on transfer of such capital asset in case of unit of equity oriented fund or a unit of business trust.

2. Deduction under Chapter VI-A(80 C to 80U) shall not be allowed from LTCG u/s 112A

3.Rebate u/s 87A shall not be allowed from the Tax payable u/s 112A.

4. Individual or HUF who is a resident, & total income as reduced by such long-term capital gains is below the maximum amount which is not chargeable to income-tax, then, the long-term capital gains u/s 112A shall be reduced by the amount by which the total income as so reduced falls short of the maximum amount which is not chargeable to income-tax.

**Sec 55(2) : Cost of acquisition if Sec 112A is Applicable**

In case of LTCA being **equity share** or **unit of EOMF** or **unit of business trust** referred u/s 112A, acquired before 1/2/2018 shall be higher of—

- (i) Cost of acquisition of such asset; and
- (ii) lower of—
  - (A) Fair market value of such asset; and
  - (B) Full value of consideration as a result of the transfer of capital asset.

**Fair market value means —**

- (i) For capital asset listed on any recognised stock exchange on 31/1/2018, **highest price of capital asset quoted on such exchange on 31/1/2018:**

**Provided** that where there is no trading in such asset on such exchange on 31/1/2018, highest price of such asset on such exchange on date immediately preceding the 31/1/2018 when such asset was traded on such exchange shall be the fair market value;

(ii) in case where capital asset is unit which is not listed on recognised stock exchange on 31/1/2018, **Net Asset Value (NAV) of such unit as on 31/1/2018;**

(iii) in case where the capital asset is an equity share in a company which is—

(A) not listed on recognised stock exchange on 31/1/2018 but listed on such exchange on date of transfer;

(B) listed on a recognised stock exchange on date of transfer and which became property of assessee in consideration of share which is not listed on such exchange as on 31/1/2018 by way of transaction not regarded as transfer u/s 47,

**An amount which bears to the cost of acquisition** the same proportion as CII for F/Y 2017-18 bears to the CII for first year in which asset was held by assessee or for F/Y 2001/02, whichever is later

#### 5. Concept of Shifting of exemption limit

- **Individual or HUF (Resident )**
- **[Total Income] - [LTCG u/s 112] - [STCG u/s 111A - [ LTCG u/s 112A]**
- Is less than **Exemption Limit**
- Such **deficiency** shall be reduced
- From **LTCG u/s 112 or STCG u/s 111A or LTCG u/s 112A and**
- Tax shall be payable on balance of capital gains

#### 6. Restriction of deduction u/s 80C to 80U

- ♦ Deduction from **Sec. 80C to 80U**
- ♦ Shall **not** be allowed
- ♦ **[LTCG u/s 112], or [STCG u/s 11A 15%] or [LTCG u/s 112A]**

**EXEMPTIONS FROM CAPITAL GAINS (SEC 54 to 54H)**

Section		54 : Transfer of Residential Property	54B : Transfer of Agricultural Property	54EC : Transfer of LTCA	54EE : Investment in units of start up India fund
1	Assessee	Individual or HUF	Individual <i>or</i> <b>HUF</b>	Any Assessee	Any Assessee
2	Capital Asset Transferred	Residential House	<b>Urban</b> Agricultural Land used by assessee / parent for agricultural purpose for min <b>2 years prior</b> to date of transfer.	Land or Building	Any Capital Asset
3	Nature of CA	<b>LTCA</b>	<b>STCA or LTCA</b>	<b>LTCA</b>	<b>LTCA</b>
4	New Asset	<b>One Residential house in India</b>  Assessee may, at his option, purchase or construct <b>TWO</b> residential houses in India, provided LTCG does not exceed ₹2 crore	<b>Agricultural Land (any area)</b>	<i>Investment in specified bond, redeemable after five years</i>  <i>Specified bonds means bond of NHAI/RECL/Other notified Bonds(PFCL/IRFC)</i>  <i>Max Investment in specified bonds in F/Y of Transfer &amp; Subsequent F/Y is 50 lakhs</i>	Units issued before 1/4/19 of startup India fund as notified by Central Government
5	Time period of New Asset	Within <b>1 year</b> before or within <b>2 years after</b> transfer or construct within <b>3 yrs</b> after transfer	Within <b>2 yrs</b> after transfer	Within <b>6 months</b> of transfer	Within <b>6 months</b> of transfer
6	Capital Gain Account Scheme	Deposit in <b>CGAS on or before Due Date of Return (DDR)</b> u/s. 139(1)	-Do-	<b>NA</b>	<b>NA</b>
7	Exemption	<b>LTCG invested in New asset + Deposited in CGAS upto DDR</b>	-Do-	<b>LTCG invested in Specified Bonds upto 6 months of transfer</b>	<b>LTCG invested in Specified Units upto 6 months of transfer</b>
8	Transfer of New Asset	If <b>New Asset</b> transferred within <b>3 years</b> from date of purchase/ construction, then Cost of acquisition of new asset <b>Reduced</b> by Capital Gain exempted earlier	-Do-	If <b>New Asset</b> is t/f or converted into money within <b>3 years</b> from date of acquisition., then <b>exempt LTCG taxable in p/y of transfer/ conversion of new asset</b> Loan taken on security of new asset amounts to conversion into money	If <b>New Asset</b> is t/f or converted into money within <b>3 years</b> from date of acquisition., then <b>exempt LTCG taxable in p/y of transfer/ conversion of new asset</b> Loan taken on security of new asset amounts to conversion into money



Section		54F : Transfer of LTCA	54GB: Capital gain on transfer of Residential property <i>For Eligible start up upto 31/3/21</i>
1	Assessee	Individual or HUF	Individual or HUF
2	Capital Asset Transferred	Any Capital Asset (Other than Residential house)	Residential property (a house or a plot of land)
3	Nature of CA	LTCA	LTCA
4	New Asset	One Residential house in India	Subscription in Equity shares of <b>Eligible company</b> & company has utilised this amount for purchase of new asset i.e New Plant & Machinery  <b>Exceptions</b> (i) P&M which, before its installation used by other person (ii) P&M installed in office premises or residential accommodation, including guest-house (iii) any office appliances including computers (iv) any vehicle or (v) P&M the whole of the actual cost of which is allowed as 100% deduction under PGBP  <b>Eligible Company</b> means (i) Indian Company incorporated between 1st April of P/Y of capital gain upto due date of return u/s 139(1) (ii) Engaged in business of <b>eligible start up</b> (iii) company in which assessee has <b>more than 25 %</b> share capital
5	Time period of New Asset	Within <b>1 year</b> before or within <b>2 yrs</b> after transfer or constructed within <b>3 yrs</b> after transfer	Company has within 1 year from date of subscription in Equity shares by assessee purchased new asset
6	CGAS deposit upto DDR	Available	Available
7	Exemption	LTCG X (Cost of new asset + Amount deposit in CGAS) ----- Net Consideration	LTCG X (Cost of new asset + Amount deposit in CGAS) ----- Net Consideration
8	Transfer of New Asset	If New Asset t/f within <b>3 yrs</b> from date of purchase/ construction, then <b>Exempt Capital Gains taxable in P/Y of transfer of new asset.</b>	If <b>Equity shares or New Asset</b> t/f within <b>3 yrs</b> from date of purchase/ construction, then <b>Exempt Capital Gains taxable in P/Y of transfer of Equity shares/New asset</b>

Section		54D : Compulsory Acquisition of Land & Building	54G : Transfer under shifting of Industrial Undertaking	54GA: Transfer of industrial undertaking to SEZ
1	Assessee	Any Assessee	Any Assessee	Any Assessee
2	Capital Asset Transferred	Compulsory acquisition of Land & Building used for Industrial undertaking in Any Area & Used by Assessee for Business for 2 years immediately prior to date of acquisition	Plant & Machinery / Land & Building used for Industrial undertaking in Urban Area	Plant & Machinery / Land & Building used for Industrial undertaking in Urban Area
3	Nature of CA	STCA or LTCA	STCA or LTCA	STCA or LTCA
5	New Asset	Land/Building for shifting of undertaking <u>in any area</u>	Plant/Machinery & Land/Building Including expenses on t/f for shifting of undertaking in <u>Rural Area</u>	Plant/Machinery & Land/Building Including expenses on t/f For shifting of undertaking to SEZ in <u>any area</u>
6	Time period of New Asset	Within 3 years after transfer	Within 1 year before or within 3 yrs of transfer	Within 1 year before or within 3 yrs of transfer
7	Exemption	Same as Sec. 54.	Same as Sec. 54.	Same as Sec. 54.
8	Transfer of New Asset	Same as Sec. 54.	Same as Sec. 54.	Same as Sec. 54.

### COMMON POINT FOR ALL EXEMPTIONS

#### Non utilization of balance in Capital Gain A/c. Scheme:

- a. Amount deposited is not utilized wholly or partly for specified purpose by specified time.
- b. Exemption claimed on unutilized amount is taxable as Capital Gain of P/Y in which specified time expires.

#### Section 54H : Extension of time for acquiring new asset

- ✓ Where transfer of capital asset is by compulsory acquisition under any law.
- ✓ Time limits for acquiring new asset & for depositing in CGAS shall be
- ✓ Computed from date of receipt of compensation and not from the date of compulsory acquisition

**Sec 54GB : Eligible business means** a business which involves innovation, development, deployment, or commercialisation of new products, processes or service driven by technology or intellectual property.

**Eligible start-up means** a company engaged in eligible business and satisfies the following conditions:

1. It is incorporated during April 1, 2016 and March 31, 2021
2. The total Turnover of its business does not exceed Rs 25 crore in any of the previous years during April 1, 2016 and March 31, 2021.
3. It holds the certificate of eligible business from the Inter-Ministerial Board of Certification as notified by the Central Gov

**MULTIPLE CHOICE QUESTIONS**

- (1) The charging section of the income under the head capital gains is :  
 (a) Section 15 (b) Section 17  
 (c) Section 10 (d) Section 45
- (2) What are the conditions to be fulfilled for charging of income under the head capital gains:  
 (a) There must be a capital asset. (b) There must be a transfer of such capital asset.  
 (c) The transfer of such capital asset has been affected during the previous year. (d) All of the above.
- (3) Which of the following is not a requisite for charging income-tax on capital gains -  
 (a) The transfer must have been effected in the relevant assessment year (b) There must be a gain arising on transfer of capital asset  
 (c) Capital gains should not be exempt u/s 54 (d) Capital gains should not be exempt u/s 54EC.
- (4) The following shall not be regarded as capital asset:  
 (a) Urban Land (b) Securities held by a Foreign Institutional Investor as per SEBI Act, 1992  
 (c) Archaeological Collections (d) Motor Car
- (5) The following shall be regarded as capital asset:  
 (a) Gold Jewellery held by jeweller as SIT (b) Securities held by FII as per SEBI Act, 1992, held as stock in trade.  
 (c) Motor car held by motor car manufacturer as SIT (d) None of above
- (6) The following shall not be regarded as capital asset:  
 (a) Jewellery (b) Rural Agricultural land  
 (c) Archaeological Collections (d) Personal residential house
- (7) The following shall be regarded as capital asset:  
 (a) Jewellery (b) Sculptures  
 (c) Archaeological Collections (d) All of the above
- (8) Rural area means any area which is outside-----Kilometers from the local limits of the jurisdiction of a municipality or a cantonment board, if the population of municipality or cantonment board is more than 10,00,000.  
 (a) 2 (b) 4  
 (c) 6 (d) 8
- (9) Rural area means any area which is outside-----Kilometers from the local limits of the jurisdiction of a municipality or a cantonment board, if the population of municipality or cantonment board is more than 1,00,000 but not exceeding 10,00,000.  
 (a) 2 (b) 4  
 (c) 6 (d) 8
- (10) Rural area means any area which is outside-----Kilometers from the local limits of the jurisdiction of a municipality or a cantonment board, if population of municipality is more than 10,000 but not exceeding 1,00,000.  
 (a) 2 (b) 4  
 (c) 6 (d) 8
- (11) Capital asset excludes all except  
 (a) Stock-in-trade (b) Personal effects  
 (c) Jewellery (d) Agricultural land in India.
- (12) Transfer of which of the following assets will not be considered as capital gain -  
 (a) Jewellery (b) Gold deposit bonds  
 (c) Paintings (d) Sculpture
- (13) Which of the following are included in the jewellery -  
 (a) Ornaments made of gold, silver and platinum. (b) Precious metals whether or not worked or sewn into any wearing apparel.  
 (c) Semi-precious stones. (d) All of the above.

- (14) Income from transfer of self-generated goodwill of a profession:
- (a) is not chargeable to tax under the head 'capital gains'
- (b) is chargeable to tax under the head 'capital gains' as short term capital gains
- (c) is chargeable to tax under the head 'capital gains' as long term capital gains
- (d) Both (b) and (c)
- (15) A short term capital asset means a capital asset held by the assessee for not more than:
- (a) 12 months immediately preceding the month of its transfer.
- (b) 24 months immediately preceding the date of its transfer.
- (c) 36 months immediately preceding the date of its transfer.
- (d) Any of the above.
- (16) In terms of section 2(42A), unlisted securities are treated as long-term capital asset, if they are held for a period of more than-
- (a) 12 Months
- (b) 36 Months
- (c) 24 Months
- (d) 48 Months
- (17) In terms of section 2(42A), listed securities are treated as long-term capital asset, if they are held for a period of more than -
- (a) 12 Months
- (b) 36 Months
- (c) 24 Months
- (d) 48 Months
- (18) A Long term capital asset means a capital asset held by the assessee for more than:
- (a) 12 months immediately preceding the month of its transfer.
- (b) 24 months immediately preceding the date of its transfer.
- (c) 36 months immediately preceding the date of its transfer.
- (d) Any of the above.
- (19) In case of transfer of unlisted equity shares the asset will be treated as short-term capital asset if they are held for not more than \_\_\_\_\_ immediately preceding the date of transfer.
- (a) 12 months
- (b) 24 months
- (c) 36 months
- (d) None of the above.
- (20) Which of the following asset is a Short-term capital asset, if it is held for more than 12 months?
- (a) Securities (other than unit) listed in recognized stock exchange in India.
- (b) Units of mutual fund other than equity oriented fund
- (c) Zero coupon Bonds
- (d) None of these
- (21) Which of the following is a long term capital asset if held for more than 12 months but less than 36 months?
- (a) A unit of a Mutual Fund other than equity oriented fund specified under section 10(23D).
- (b) Shares of a listed company
- (c) Shares of an unlisted company.
- (d) Gold Jewellery
- (22) Cost of acquisition of a capital asset, being a unit of a business trust, allotted pursuant to transfer of share or shares as referred to in section 47(xvii) shall be?
- (a) Nil
- (b) Cost of acquisition to him of the share
- (c) Cost to previous owner.
- (d) None of the above.
- (23) Which of the following is included in the definition of transfer u/s 2(47)?
- (a) Sale, exchange or relinquishment of the asset.
- (b) Extinguishment of any rights therein.
- (c) Compulsory acquisition thereof under any law.
- (d) All of the above.
- (24) In the case of a capital asset, being the right to subscribe to any financial asset, which is renounced in favour of any other person, -

- (a) The period shall be reckoned from the date of the offer of such right by the company or institution, as the case may be, making such offer.
- (b) The period shall be reckoned from the date of the allotment of such right by the company or institution, as the case may be, making such offer.
- (c) The period shall be reckoned from the date of the extinguishment of such right by the company or institution, as the case may be, making such offer.
- (d) None of these.

(25) Which of the following transactions shall not be regarded as transfer as per the provisions of section 47:

- (a) Transfer of a capital asset, being a Government Security carrying a periodic payment of interest, made outside India through an intermediary dealing in settlement of securities, by a non-resident to another non-resident shall not be regarded as transfer as per IT Act.
- (b) Compulsory acquisition thereof under any law.
- (c) Extinguishment of rights in respect of capital asset.
- (d) Conversion of capital asset into stock in trade.

(26) Which of the following transactions shall not be regarded as transfer as per the provisions of section 47:

- (a) Any transfer of a capital asset, being share of a special purpose vehicle to a business trust in exchange of units allotted by that trust to the transferor.
- (b) Compulsory acquisition thereof under any law.
- (c) Extinguishment of rights in respect of capital asset.
- (d) Conversion of capital asset into stock in trade asset.

(27) Which of the following transactions shall not be regarded as transfer as per the provisions of section 47:

- (a) Any distribution of capital assets on the total or partial partition of a Hindu Undivided Family.
- (b) Any transfer of a capital asset by a company to its subsidiary company, if the parent company or its nominees hold the whole of the share capital of the subsidiary company, and the subsidiary company is an Indian company.
- (c) Any transfer, in a scheme of amalgamation, of a capital asset by the amalgamating company to the amalgamated company if the amalgamated company is an Indian company.
- (d) All of the above.

(28) Which of the following transactions shall not be regarded as transfer as per the provisions of section 47:

- (a) Any transfer of Sovereign Gold Bond issued by the Reserve Bank of India under the Sovereign Gold Bond Scheme, 2015, by way of redemption, by an assessee being an individual.
- (b) Any transfer of a capital asset by a company to its subsidiary company, if the parent company or its nominees hold the whole of the share capital of the subsidiary company, and the subsidiary company is an Indian company.
- (c) Any transfer by a unit holder of a capital asset, being a unit or units, held by him in the consolidating plan of a mutual fund scheme, made in consideration of the allotment to him of a capital asset, being a unit or units, in the consolidated plan of that scheme of mutual fund.
- (d) All of the above.

(29) Any transfer, in a scheme of amalgamation, of a capital asset, being a share of a foreign company, referred to in the Explanation 5 to Section 9(1)(i), which derives, directly or indirectly, its value substantially from the share or shares of an Indian company, held by the amalgamating foreign company to the amalgamated foreign company, shall not be regarded as transfer as per the provisions of section 47 if:

- (a) at least 25% of shareholders of amalgamating foreign company continue to remain shareholders of the amalgamated foreign company and such transfer does not attract tax on capital gains in the country in which the amalgamating company is incorporated
- (b) at least 75% of the shareholders of the amalgamating foreign company continue to remain shareholders of the amalgamated foreign company and such transfer does not attract tax on capital gains in the country in which the amalgamating company is incorporated
- (c) At least 75% of shareholders of amalgamating foreign company continue to remain shareholders of amalgamated foreign company & such transfer attract tax on capital gains in the country in which the amalgamating company is incorporated
- (d) at least 25% of the shareholders of the amalgamating foreign company continue to remain shareholders of the amalgamated foreign company and such transfer attract tax on capital gains in the country in which the amalgamating company is incorporated
- (30) Any transfer in a demerger, of a capital asset, being a share of a foreign company, referred to in the Explanation 5 to Section 9(1)(i), which derives, directly or indirectly, its value substantially from the share or shares of an Indian company, held by the demerged foreign company to the resulting foreign company, shall not be regarded as transfer as per the provisions of section 47 if:
- (a) The shareholders, holding not less than 75% in value of the shares of the demerged foreign company, continue to remain shareholders of the resulting foreign company and such transfer does not attract tax on capital gains in the country in which the demerged foreign company is incorporated
- (b) The shareholders, holding not less than 25% in value of the shares of the demerged foreign company, continue to remain shareholders of the resulting foreign company and such transfer does not attract tax on capital gains in the country in which the demerged foreign company is incorporated
- (c) The shareholders, holding not less than 25% in value of the shares of the demerged foreign company, continue to remain shareholders of the resulting foreign company and such transfer attract tax on capital gains in the country in which the demerged foreign company is incorporated
- (d) The shareholders, holding not less than 75% in value of the shares of the demerged foreign company, continue to remain shareholders of the resulting foreign company and such transfer attract tax on capital gains in the country in which the demerged foreign company is incorporated.
- (31) Any transfer, in a scheme of amalgamation, of a capital asset being a share or shares held in an Indian company, by the amalgamating foreign company to the amalgamated foreign company, if at least of the shareholders of the amalgamating foreign company continue to remain shareholders of the amalgamated foreign company, and such transfer does not attract tax on capital gains in the country, in which the amalgamating company is incorporated, shall not be regarded as transfer:
- (a) 25%
- (b) 50%
- (c) 75%
- (d) 100%
- (32) Compensation received by interim order shall be deemed to be income chargeable under the head "Capital gains" of the previous year in which \_\_\_\_\_
- (a) The final order of such court, Tribunal or other is made.
- (b) the compensation accrued authority
- (c) The appeal was first filed in such court, Tribunal or other authority.
- (d) The interim order is passed.
- (33) Any transfer in a demerger, of a capital asset, being a share or shares held in an Indian company, by the demerged foreign company to the resulting foreign company, if the shareholders holding not less than of the demerged foreign company continue to remain shareholders of the resulting foreign company; and such transfer does not attract tax on capital gains in the country, in which the demerged foreign company is incorporated, shall not be regarded as transfer:
- (a) 75% in value of the shares
- (b) 75% of the number of shareholders
- (c) 25% in value of the shares
- (d) 25% of the number of shareholders

- (34) Which of the following conditions are to be fulfilled for the transaction not to be regarded as transfer, where a sole proprietary concern is succeeded by a company in the business carried on by it as a result of which, the sole proprietary concern sells or otherwise transfers any capital asset or intangible asset to the company.
- |   |   |
|---|---|
| (a) All the assets and liabilities of the sole proprietary concern relating to the business immediately before the succession become the assets and liabilities of the company; | (b) The shareholding of the sole proprietor in the company is not less than 50 of the total voting power in the company and his shareholding continues to remain as such for a period of 5 years from the date of the succession; |
| (c) The sole proprietor does not receive any consideration or benefit, directly or indirectly, in any form or manner, other than by way of allotment of shares in the company.  | (d) All of these.   |
- (35) A transfer in demerger of a capital asset by the \_\_\_\_\_ co-operative bank to the \_\_\_\_\_ co-operative bank will not be regarded as transfer -
- |                         |                            |
|-------------------------|----------------------------|
| (a) Demerged, Resulting | (b) Successor, Predecessor |
| (c) Holding, Subsidiary | (d) Subsidiary, holding    |
- (36) Ramesh sold his painting to National Museum for ₹ 20,000 on 1-6-2019. What will be the amount of capital gain on this transaction?
- |              |                   |
|--------------|-------------------|
| (a) ₹ 20,000 | (b) ₹ 10,000      |
| (c) Nil      | (d) None of these |

#### COMPUTATION OF CAPITAL GAINS

- (37) In which of the following transfer the benefit of indexation is available in case of long term capital asset:
- |   |  |
|---|--|
| (a) Transfer of securities by foreign institutional investors u/s 115AD.    | (b) Transfer of undertaking or division in a slump sale u/s 50B. |
| (c) Transfer of a foreign exchange asset by a non-resident Indian u/s 115D. | (d) Transfer of equity or preference shares in a company.        |
- (38) Ms. Sunita inherited a vacant site land consequent to the demise of her father on 10<sup>th</sup> June, 1990. The land was acquired by her father on 10<sup>th</sup> April, 1970 for ₹ 40,000. The fair market value of the land on 1st April, 2001 was ₹ 60,000 and on the date of inheritance, i.e., 10<sup>th</sup> June, 1990 was ₹ 2,00,000. The cost of acquisition for Ms. Sunita is -
- |              |                |
|--------------|----------------|
| (a) ₹ 10,000 | (b) Nil        |
| (c) ₹ 60,000 | (d) ₹ 2,00,000 |
- (39) Neerja owns a house of ₹ 20,00,000, which he transfers for ₹ 22,00,000 to Kamlesh on 5-4-2020. What will be the full value of consideration?
- |                 |                 |
|-----------------|-----------------|
| (a) ₹ 22,00,000 | (b) ₹ 20,00,000 |
| (c) ₹ 2,00,000  | (d) Nil         |
- (40) Cost of Acquisition in case of bonus shares allotted before 1-4-2001 will be:
- |              |  |
|--------------|--|
| (a) Nil      | (b) FMV as on 1-4-2001   |
| (c) ₹ 10,000 | (d) Cost of Original shares on the basis of which bonus shares are allotted. |
- (41) Cost of acquisition in case of bonus shares allotted after 1-4-2001 will be-
- |   |                           |
|---|---------------------------|
| (a) Face value on the date of allotment | (b) Nil                   |
| (c) Market value as on 1-4-2001         | (d) Current market value. |
- (42) Compute the capital gains for AY 2021-22 if Mr. Ram, a property dealer, sells a commercial plot of land on 1-3-2021 for ₹ 50,00,000 lakhs which was acquired by him on 1-8-2018 for ₹ 25,00,000 for selling of offices constructed therein. He had incurred land development charges of ₹ 10,00,000 on 1-10-2018. He incurred ₹ 1,00,000 for selling the plot of land.

- (a) Nil (b) 15,00,000  
(c) 14,00,000 (d) 25,00,000
- (43) Compute the capital gains for assessment year 2021-22 if Mr. R sells his personal motorcar on 11-4-2020 for ₹ 2,55,000, which was acquired on 31-1-2019 for ₹ 6,50,000. The expenses on transfer are 2% of selling price.  
(a) Nil (b) 3,95,000  
(c) ₹ 3,82,000 (d) 4,00,100
- (44) Compute the capital gains for assessment year 2021-22 if Mr. K sells his personal Jewellery on 11-4-2020 for ₹ 12,50,000, which was acquired on 31-1-2019 for ₹ 6,50,000. The expenses on transfer are 2% of selling price. The capital gains chargeable to tax for Assessment Year 2021-22.  
(a) Nil (b) 5,75,000  
(c) ₹ 6,00,000 (d) 6,25,000
- (45) Compute the capital gains for assessment year 2021-22 if Mr.X sells shares of unlisted company on 11-3-2021 for ₹ 12,50,000, which was acquired on 31-1-2020 for ₹ 6,50,000. The expenses on transfer are 2% of selling price. The capital gains chargeable to tax for assessment year 2021-22.  
(a) Nil (b) 5,75,000  
(c) ₹ 6,00,000 (d) 6,25,000
- (46) A owns a capital asset which was purchased by him on 1-5-1989 for ₹ 3,00,000. The market value of the said asset as on 1-4-2001 was ₹ 4,00,000. The said asset was sold for ₹ 48,00,000 during the year. Compute the capital gain for the assessment year 2021-22. (Cost inflation index for F.Y. 01-02= 100, and 2020-21 = 301)  
(a) ₹ 35,96,000 (b) ₹ 48,00,000  
(c) ₹ 38,97,000 (d) ₹ 44,00,000
- (47) On 15<sup>th</sup> November, 2020, Mohan sold 1 kg. of gold, the sale consideration of which was ₹ 6,00,000. He had acquired the gold on 11<sup>th</sup> December, 1998 for ₹ 64,000. Fair market value of 1 kg. Gold on 1<sup>st</sup> April, 2001 was ₹ 62,000. The amount of capital gains chargeable to tax for the assessment year 2021-22 shall be -  
(a) ₹ Nil (b) ₹ 6,00,000  
(c) ₹ 4,07,360 (d) ₹ 4,13,380
- (48) A owns a capital asset which was purchased by him on 1-5-1999 for ₹ 4,00,000. The market value of the said asset as on 1-4-01 was ₹ 3,00,000. The said asset was sold for ₹ 48,00,000 during the year. Compute the capital gain for the assessment year 2021-22. (Cost inflation index for F.Y. 01-02= 100 and 2020-21 = 301)  
(a) ₹ 35,96,000 (b) ₹ 44,00,000  
(c) ₹ 45,00,000 (d) ₹ 17,28,000
- (49) A owns a capital asset which was purchased by him on 15-04-2001 for ₹ 4,00,000. The market value of the said asset as on 1-4-2001 was ₹ 5,00,000. The said asset was sold for ₹ 48,00,000 during the year. Compute the capital gain for the assessment year 2021-22. (Cost inflation index for F.Y. 2001-02= 100, 2020-21 = 301)  
(a) ₹ 32,95,000 (b) ₹ 48,00,000  
(c) ₹ 43,00,000 (d) ₹ 15,57,000
- (50) Mrs. R sells a plot of land on 21-11-2020 for ₹ 50,00,000. She inherited the plot from her grandfather on 01-04-2002. Her grandfather had acquired the plot on 01-03-2001 for ₹ 50,000. The FMV of the plot as on 01-04-2001 was ₹ 35,000. Compute the capital gains. (Cost inflation index for F.Y. 2001-02= 100, 2002-03 = 105 and 2020-21 = 301)  
(a) ₹ 48,49,500 (b) ₹ 49,50,000  
(c) ₹ 49,65,000 (d) ₹ 48,66,872
- (51) Mrs. Reshma sells a capital asset on 21-11-2020 for ₹ 50,00,000. She inherited the capital asset from her father on 01-04-2016. Her father had acquired the plot on 10-04-2002 for ₹ 5,00,000. Reshma has incurred ₹ 1,00,000 on improvement of such asset on 15-05-2016. Compute the capital gains. (Cost inflation index for 2002-03 = 105, 2016-17 = 264 and 2020-21 = 301)



- (a) ₹34,52,652 (b) ₹44,00,000  
(c) ₹ 45,00,000 (d) ₹49,00,000
- (52) Indexation benefit on Cost of acquisition is available on the long term capital asset. However, in certain cases, indexation benefit is not available. In which of the following cases, indexation benefit is allowed?  
(a) Debentures issued by a company (b) Self generated goodwill of a business  
(c) Bonus shares allotted on 1-4-2001 (d) Jewellery
- (53) Mr. Sanjay sells the goodwill on 20-01-2020 for ₹38,00,000. It was self-generated by him and he incurred cost of improvement thereof for ₹5,55,000 on 1-4-2016. Compute his taxable gains. (Cost inflation index for F.Y. 2016-17 = 264 and 2020-21 = 301)  
(a) ₹38,00,000 (b) ₹32,45,000  
(c) Nil (d) ₹32,14,106
- (54) XYZ Ltd. allotted sweat equity shares to his employee X at a concessional rate on 31-5-2020. A transfers these shares on 31-3-2021 Which type of gains is it?  
(a) Long term capital gain (b) Short term capital gain  
(c) Middle term capital gain (d) None of these

### CAPITAL GAINS IN SPECIAL CASES

- (55) Arman converts his plot of land purchased in July, 2014 for ₹8,00,000 into stock-in-trade on 31<sup>st</sup> March, 2019. The fair market value as on 31<sup>st</sup> March, 2019 was ₹11,90,000. The stock-in-trade was sold ₹12,25,000 in the month of January 2020. Find out the taxable Capital gains (Cost inflation index for F.Y. 2014-15 = 240, 2017-18 = 272, 2018-19 = 280, 2020-21 = 301)  
(a) ₹2,56,667 (b) ₹4,25,000  
(c) ₹1,81,433 (d) ₹35,000
- (56) Arnav converts his plot of land purchased in July, 2016 for ₹80,000 into stock-in-trade on 31<sup>st</sup> March, 2018. The fair market value as on 31<sup>st</sup> March, 2018 was ₹2,00,000. The stock-in-trade was sold ₹2,25,000 in the month of January 2021. Find out the taxable Capital gains (Cost inflation index for F.Y. 2016-17 = 264, 2017-18 = 272, 2018-19 = 280, 2020-21 = 301 )  
(a) ₹1,20,000 (b) ₹1,25,000  
(c) ₹ Nil (d) ₹25,000
- (57) A and B formed a partnership firm. Just after formation of the partnership, A brought the following assets into the firm on 13<sup>th</sup> October 2020 as his capital contribution (*amount in ₹*) -
- | Particulars  | Gold       |
|--|------------|
| Market value of the property on the date of transfer | 5,00,000   |
| Amount recorded in the books of firm                 | 6,20,000   |
| Actual cost  | 3,36,000   |
| Date of acquisition                                  | 15-10-2017 |
- Find out the taxable Capital gains (Cost inflation index for F.Y. 2017-18 = 272 and 2020-21 = 301)  
(a) ₹1,64,000 (b) ₹2,48,176  
(c) ₹1,29,606 (d) ₹2,49,606
- (58) XYZ a partnership firm was dissolved on 1-5-2020. A machine acquired on 1-5-2011 for ₹2,00,000 was distributed amongst the partners for ₹1,00,000. The Fair Market Value of this machine on that date was ₹2,50,000. What will the full value of consideration of this machine?  
(a) ₹2,00,000 (b) ₹1,00,000  
(c) ₹2,50,000 (d) Nil
- (59) Mr. X and Mr. Y are members of 'XY' Associates', an AOP. XY & Associates was dissolved on 14th February, 2021 and the following assets were distributed to the members (*amounts in ₹*) -

Particulars	Gold (given to Mr. X)
FMV as on 14th February, 2021	8,00,000
Amount recorded in agreement of sale	8,50,000
Cost of acquisition	1,45,000
Date of acquisition	01-04-1995
FMV of the asset as on 1-4-2001	1,50,000

Find out the taxable Capital gains (Cost inflation index for F.Y. 2001-02 = 100 and 2020-21 = 301)

- (a) Nil (b) ₹ 4,44,000  
(c) ₹ 6,55,000 (d) ₹ 3,48,500
- (60) The Government compulsorily acquired the land of Mr. X on 24-5-2016. The Government fixed his consideration at ₹ 5,00,000 half of which was received by X on 23-6-2019 and rest of the amount was paid to X in the year 2020-21. What will be the assessment year of chargeability of the capital gain to X?
- (a) 2018-19 (b) 2019-20  
(c) 2020-21 (d) 2021-22
- (61) If in the above case government enhanced the compensation by ₹ 2,00,000 in the year 2020-21 what will be the previous year of chargeability of enhanced compensation?
- (a) 2018-19 (b) 2019-20  
(c) 2020-21 (d) 2021-22
- (62) The house property of Ram is compulsorily acquired by the Government for ₹ 20,00,000 vide Notification issued on 12th March 2018. Ram has purchased the house in 2001-02 for ₹ 2,00,000. The compensation is received on 15<sup>th</sup> April 2020. Find out the taxable Capital gains (Cost inflation index for F.Y. 2001-02 = 100, 2017-18 = 272 and 2020-21 = 301)
- (a) ₹ 18,00,000 (b) ₹ 14,56,000  
(c) Nil (d) ₹ 14,40,000
- (63) Ms. Vasudeva purchased 10,000 equity shares of Ramu Co. Pvt. Ltd. on 1-4-2001 for ₹ 50,000. The company was wound up on 31-07-2018. She received assets having market value ₹ 15,00,000 on liquidation on 15-12-2020. Her share in accumulated profits was ₹ 2,00,000. The taxable capital gains in her hands will be (Cost inflation index for F.Y. 2001-02 = 100, 2018-19 = 280, 2020-21 = 301)
- (a) ₹ 11,60,000 (b) ₹ 15,00,000  
(c) Nil (d) ₹ 13,60,000
- (64) XYZ Ltd. an listed company bought back 10,000 shares (face value ₹ 10 per share, issued on 1-4-2015) from its shareholders on 15-04-2020 for ₹ 60 per share. Find out the taxable Capital gains (Cost inflation index for F.Y. 2015-16 = 254 and 2020-21 = 301)
- (a) ₹ 5,00,000 (b) ₹ 6,00,000  
(c) Nil (d) ₹ 4,86,220
- (65) A owns a house property which was purchased by him on 1-5-1997 for ₹ 3,00,000. The said property was destroyed by fire on 3-4-2018 and A received a sum of ₹ 50,00,000 from the insurance company during p/y 20/21. The market value of the above property as on 1-4-2001 was ₹ 4,00,000. Compute the capital gain for the assessment year 2021-22. (Cost inflation index for F.Y. 2001-02 = 100, 2017-18 = 272, 2018-19 = 280, 2020-21 = 301)
- (a) ₹ 38,80,000 (b) Nil  
(c) ₹ 46,00,000 (d) ₹ 12,57,000
- (66) X owns two machineries eligible for depreciation at the rate of 15%. The WDV of these machines as on 1-4-2020 was ₹ 25,000 and ₹ 40,000 respectively. No other asset was acquired in this block during the year. One of these machines were sold during the previous year for ₹ 75,000. Compute the capital gain.
- (a) Short term capital gain of ₹ 10,000 (b) Short term capital loss of ₹ 10,000  
(c) Long term capital gain of ₹ 10,000 (d) No capital gain as depreciation would be allowed on one of the machines left with X.

- (67) In case of distribution of capital asset on liquidation of the company, the capital gains is chargeable to tax:
- In hands of shareholders
  - In hands of the company
  - In hands of shareholders as well as company
  - Either in hands of shareholder or in hands of company
- (68) X owns two machineries eligible for depreciation at the rate of 15%. The WDV of block of asset on 1-4-2020 was ₹75,000. No other asset was acquired in this block during the year. Such machines were sold during the previous year for ₹65,000. Compute the capital gain.
- Short term capital gain of ₹ 10,000
  - Short term capital loss of ₹10,000
  - Long term capital gain of ₹10,000
  - No capital gain as depreciation would be allowed on one of the machines left with X.
- (69) Any profits or gains arising from the slump sale effected in the previous year shall be chargeable to income-tax as:
- Short term capital gain only
  - Short term capital gains or Long term capital gains depending upon the period of holding of the undertaking.
  - Long term capital gain only
  - No capital gain but the same will be taxable as business profits.
- (70) Slump sale is a result of which of the following type of consideration?
- Lump sum Payment
  - Adhoc Payment
  - Accurate Payment
  - Actual Payment
- (71) In computing capital gains in case of slump sale -----will be taken as cost of acquisition of the undertaking so transferred.
- Book value
  - Net worth
  - WDV
  - FMV as on 01-04-2001
- (72) Mr. X has sold his land for a consideration of ₹25,00,000 to Mr. Y. Mr. Y has paid stamp duty of ₹3,00,000 @ 10% of stamp value. The full value of consideration for computing capital gains in hands of Mr. X in accordance with the provisions of Section 50C will be -
- ₹25lakhs
  - ₹30lakhs
  - ₹281akhs
  - ₹33 lakhs
- (73) Section 50C makes special provision for determining the full value of consideration in case of transfer of \_
- Plant an machinery
  - Land or building
  - All movable property other than plant & machinery and computers
  - Computers.
- (74) Mr. X has sold his land for a consideration of ₹25,00,000 to Mr. Y. on 15-04-2020. Mr. Y has paid stamp duty of ₹3,00,000 @ 10% of stamp value. The said land was acquired by Mr. X on 15-07-2018 for ₹ 12 lakhs. The taxable capital gains in hands of Mr. X will be ..
- ₹13 lakhs
  - ₹ 18 1akhs
  - ₹16 lakhs
  - ₹ 10 lakhs
- (75) Mr. X has sold his land for a consideration of ₹25,00,000 to Mr. Y. on 15-04-2020. Mr. Y has paid stamp duty of ₹3,00,000 @ 10% of stamp value. The said land was acquired by Mr. X on 15-07-2018 for ₹12 lakhs. X was not satisfied with the stamp value and his case was referred to Valuation officer. The valuation officer determined the value ₹26 lakhs. The taxable capital gains in hands of Mr. X will be -
- ₹13 lakhs
  - ₹14 1akhs
  - ₹1 lakhs
  - ₹ 18 lakhs
- (76) Mr. X has sold his land for a consideration of ₹25,00,000 to Mr. Y. on 15-04-2020. Mr. Y has paid stamp duty of ₹ 3,00,000 @ 10% of stamp value. The said land was acquired by Mr. X on 15-07-2018 for ₹121akhs. Mr. X was not satisfied with the stamp value and his case was referred to Valuation officer. The valuation officer determined the value ₹35 lakhs. The taxable capital gains in hands of Mr. X will be -

- (a) ₹23 lakhs (b) ₹14lakhs  
(c) ₹10 lakhs (d) ₹18lakhs
- (77) X sold his vacant site on 30-09-2020 for ₹7,00,000. It was acquired by him on 01-10-2007 for ₹1,50,000. The State stamp valuation authority fixed the value of the site at the time of transfer at ₹13,00,000. Compute capital gains in the hands of X. (Cost inflation index for F.Y. 2007-08 = 129 and 2020-21 = 301)
- (a) ₹9,50,000 (b) ₹6,00,000  
(c) ₹5,50,000 (d) ₹3,74,420
- (78) Where any capital asset was on any previous occasion the subject of negotiations for its transfer, any advance or other money received and retained by the assessee on 15/04/2020, in respect of such negotiation shall be:
- (a) Deducted from cost of acquisition (b) Treated as income from other sources  
(c) Deducted from full value of consideration (d) Treated as Business Income
- (79) X Limited has transferred its Unit N to Y Limited by way of slump sale on November 30, 2020 for lump sum consideration of ₹400 lakhs. The undertaking was acquired on 1-4-2001 for ₹120 lakhs. The net worth of the undertaking on the date of transfer is ₹200 lakhs. Find out the taxable Capital gains (Cost inflation index for F.Y. 2001-02= 100 and 2020-21= 301)
- (a) ₹200 lakhs (b) ₹400 lakhs  
(c) ₹Nil (d) ₹64 lakhs
- (80) Mr. X received an advance of ₹51,000 occasion of agreement of sale of a capital asset on 15-07-2020. The same was forfeited by him. The said advance money will be \_\_\_\_\_ and shall \_\_\_\_\_
- (a) Taxable as Income from other sources, be reduced from cost of acquisition of the asset. (b) Taxable as Income from other sources, not be reduced from cost of acquisition of the asset.  
(c) Taxable as Capital Gains, be reduced from cost of acquisition of the asset. (d) Taxable as Capital Gains, be reduced from cost of acquisition of the asset.
- (81) Bonus shares were allotted to Mr. K for ₹2,00,000 on 1<sup>st</sup> April 1995. The Fair market value of the shares on 1<sup>st</sup> April, 2001 was ₹2,25,000. What will be the cost of acquisition?
- (a) ₹2,00,000 (b) ₹2,25,000  
(c) Nil (d) None of these
- (82) Compute the net taxable capital gains of on the basis of the following information:  
A house was purchased on 01-05-2007 for ₹4,50,000 and was used as a residence by the owner. The owner had contracted to sell this property in June, 2020 for ₹10,00,000 and had received an advance of ₹70,000 towards sale. The intending purchaser did not proceed with the transaction and the advance was forfeited by the owner. The sum so forfeited has been included in the total income of the assessee as per the provisions of Section 56(2). The property was sold in December, 2020 for ₹15,00,000. (Cost inflation index for F.Y. 2007-08 = 129 and 2020-21 = 301)
- (a) ₹4,50,000 (b) ₹Nil  
(c) ₹6,48,682 (d) ₹10,50,000
- (83) Compute the net taxable capital gains of Smt. Meenu on the basis of the following information:  
A house was purchased on 01-05-2007 for ₹4,50,000 and was used as a residence by the owner. The owner had contracted to sell this property in June, 2010 for ₹10,00,000 and had received an advance of ₹70,000 towards sale. The intending purchaser did not proceed with the transaction and the advance was forfeited by the owner. The property was sold in April, 2020 for ₹15,00,000. (Cost inflation index for F.Y. 2007-08 = 129, 2010-11 = 167 and 2020-21 = 301)
- (a) ₹6,13,333 (b) Nil  
(c) ₹4,91,860 (d) ₹10,50,000
- (84) Mahesh acquired 1,000 equity shares ₹10 each in a listed company for ₹35,000 on 1<sup>st</sup> July, 2011. The company issued 1,000 rights shares in April, 2013 at ₹15 per share. The company issued 2,000 bonus shares in June, 2020. The market price was ₹50 per share before bonus issue and ₹25 after such issue. The cost of acquisition of bonus shares would be -
- (a) Nil (b) ₹20,000  
(c) ₹50,000 (d) ₹1,00,000

**EXEMPTIONS FROM CAPITAL GAINS**

- (85) Capital gain on sale of residential house property is exempted u/ s 54 if it is :
- (a) Long term capital gain (b) Short term capital gain  
(c) Any of the above two (d) None of these
- (86) The benefit of exemption under Section 54 is available to :
- (a) Individual (b) HUF  
(c) Both Individual and HUF (d) Any person
- (87) The benefit of exemption under Section 54 is available when following capital asset is transferred
- (a) Long term residential house property (b) Short term residential house property  
(c) Long term residential plot of land (d) Short term residential plot of land
- (88) For claiming the benefit of exemption under Section 54 -----new residential house property must be purchased within 2 years of transfer of capital asset:
- (a) 1 (b) 2 , if LTCG upto 2 crores  
(c) 3 (d) Either a or b
- (89) For claiming the benefit of exemption under Section 54 ,new residential house property must be constructed within \_\_\_\_of transfer of capital asset:
- (a) 1 year (b) 2 years  
(c) 3 years (d) 4 years
- (90) For claiming the benefit of exemption under Section 54 , new residential house property must be purchased within ----- after transfer of capital asset:
- (a) 1 year (b) 2 years  
(c) 3 years (d) 4 years
- (91) Under section 54, in case if the new asset is transferred within \_\_\_\_\_of its purchase or construction, then its cost of acquisition shall be reduced by the amount of the capital gains exempted earlier for the purpose of computing capital gains on transfer of such new asset.
- (a) 1 year (b) 2 years  
(c) 3 years (d) 4 years
- (92) For availing exemption under section 54, which amount is eligible for availing exemption?
- (a) Purchase/Construction of one residential house property upto due date of return of income only. (b) Deposit in capital gain account scheme upto due date of return of income only.  
(c) Purchase/Construction of residential house property upto due date of return of income and deposit in capital gain account scheme upto due date of return of income. (d) Purchase / construction after three years from the transfer date.
- (93) Under which section, the assessee has to reinvest the entire net consideration to claim full exemption for the long-term capital gains earned during a previous year -
- (a) Section 54EC (b) Section 54F  
(c) Section 54GA (d) Section 54D
- (94) Ms.Sheela sold a residential building in Jodhpur for ₹15,00,000 on 1-7-2020. The building was acquired for ₹ 1,50,000 on 1-6-2007. She paid brokerage @ 2% at the time of sale of the building. She invested ₹ 7lakhs in purchase of a residential building in December, 2020. Compute her taxable capital gains for the A.Y. 2021-22. Cost inflation index: 2007-08 : 129 ; 2020-21 :301.
- (a) ₹11,33,953 (b) ₹4,20,000  
(c) Nil (d) ₹7,00,000

- (95) For claiming exemption under Section 54B, Short term or long term capital asset being land which, in the immediately -----  
-- preceding the date on which the transfer took place, was being used by the HUF or individual or his parents  
for agricultural purposes.
- (a) 1 year (b) 2 years  
(c) 3 years (d) 4 years
- (96) The benefit of exemption under Section 54D in respect of Capital gain on compulsory acquisition of land and buildings in  
certain cases is admissible to -
- (a) Individual (b) HUF  
(c) AOP (d) Any person
- (97) The exemption available on investment in certain bonds u/s 54EC is available to :
- (a) Individual (b) HUF  
(c) AOP (d) Any person
- (98) In order to enjoy exemption under section 54EC, the resultant long-term capital gains should be invested in specified  
bonds within a period of \_\_\_\_\_ from the date of transfer.
- (a) 36 Months (b) 4 Months  
(c) 6 Months (d) 12 Months
- (99) For claiming exemption under section 54EC the investment in bonds must be made within \_\_\_\_\_ of transfer of long  
term capital asset and the amount of investment
- (a) 6 months, can be made in the financial year in which the asset is transferred and in the next financial year and the same cannot exceed ₹50 lakhs. (b) 6 months, can be made in the financial year in which the asset is transferred and in the next financial year and the same cannot exceed ₹100 lakhs,  
(c) One year, can be made in the financial year in which the asset is transferred and in the next financial year and the same cannot exceed ₹50 lakhs. (d) One year, can be made in the financial year in which the asset is transferred and in the next financial year and the same cannot exceed ₹100 lakhs.
- (100) The maximum amount of investment in bonds during F/Y of transfer and next F/Y for claiming exemption u/s 54EC is -
- (a) ₹10 lakhs (b) No limit  
(c) ₹25lakhs (d) ₹ 50 lakhs
- (101) For claiming exemption under section 54EC the investment in bonds must be made within \_\_\_\_\_ of transfer of long  
term capital asset.
- (a) 6 month (b) 1 year  
(c) 2 years (d) 3 years
- (102) A residential house is sold for ₹ 90 lakh and the long-term capital gains computed are ₹ 50 lakh. The assessee bought two  
residential house for ₹ 30 lakh and ₹ 20 lakh respectively. The amount eligible for exemption u/ s 54 would be-
- (a) ₹20 lakh (b) ₹30 lakh  
(c) ₹ 50 lakh (d) Nil.
- (103) For claiming exemption under section 54EC the investment must be made in bonds of -
- (a) NHAI or NABARD (b) RECL or NABARD  
(c) NABARD or PFC (d) NHAI or RECL or SPECIFIED BONDS
- (104) The benefit of exemption under Section 54F is available when following capital asset is transferred
- (a) Long term residential house property (b) Any long term capital asset other than residential house property  
(c) Short term residential house property (d) Short term capital asset other than residential house property

- (105) For claiming exemption under section 54F, the assessee must not own \_\_\_\_\_ on the date of transfer of the original asset:
- |   |   |
|---|---|
| (a) more than 1 residential house, other than the new house | (b) more than 2 residential house, other than the new house |
| (c) more than 3 residential house, other than the new house | (d) more than 4 residential house, other than the new house |
- (106) For claiming exemption under section 54F, the assessee has to invest \_\_\_\_\_ for purchase or construction of residential house property :
- |                                 |                               |
|---------------------------------|-------------------------------|
| (a) Full value of consideration | (b) Net Consideration         |
| (c) The amount of capital gains | (d) Cost of asset transferred |
- (107) Under Section 54F, Where the assessee purchases within a period of 2 years, or constructs within a period of 3 years, after the date of the transfer of the original asset, any residential house, other than the new asset, \_
- |   |  |
|---|--|
| (a) then the capital gain exempted earlier shall be deemed to be income chargeable under the head "Capital gains" of the previous year in which such residential house is purchased or constructed. | (b) then the capital gain exempted earlier shall be deemed to be income chargeable under the head "Capital gains" of the previous year in which original capital asset is sold or transferred. |
| (c) then the assessee will be further entitled exemption equal to the cost of new asset acquired or constructed.  | (d) Then the capital gains which was earlier exempt from tax shall be deemed to be short term capital gains in the year in which original asset is transferred.                                |
- (108) The exemption under section 54EC is withdrawn if the transfer of new asset, conversion thereof in money or taking loan or advance on its security within \_\_\_\_\_ years from the date of its acquisition.
- |       |       |
|-------|-------|
| (a) 1 | (b) 3 |
| (c) 5 | (d) 4 |
- (109) Abhishek sells a plot of land on 8<sup>th</sup> July, 2020 for ₹ 40 lakh and paid brokerage on its sale @ 1% . He had purchased this plot on 19<sup>th</sup> December, 2006 for ₹ 4,20,000. On 1<sup>st</sup> February, 2021, he purchased a residential house for ₹ 15 lakh. He owns one residential house on 8<sup>th</sup> July, 2020. The cost inflation index for 06-07 was 122 and for 2020-21 is 301. Find out the amount of capital gains chargeable to tax for the assessment year 2021-22 :
- |                |                 |
|----------------|-----------------|
| (a) ₹18,16,281 | (b) ₹ 40,00,000 |
| (c) Nil        | (d) ₹ 18,48,790 |
- (110) The exemption under Section 54G of Capital gain on shifting of undertaking from urban area to any area other than urban area is available to :
- |                |                        |
|----------------|------------------------|
| (a) Individual | (b) HUF                |
| (c) Any person | (d) None of the above. |
- (111) For claiming exemption under section 54G, an assessee has to invest the resultant capital gains within a specified period. Which of the following is not eligible for such investment -
- |               |                         |
|---------------|-------------------------|
| (a) Furniture | (b) Land                |
| (c) Building  | (d) Plant or machinery. |
- (112) Capital gain on shifting of undertaking from urban area to any area other than urban area under section 54G is exempted if it is a :
- |                            |                             |
|----------------------------|-----------------------------|
| (a) Long term capital gain | (b) Short term capital gain |
| (c) No exemption available | (d) Both (a) & (b)          |
- (113) The exemption under Section 54GB of capital gains arising from transfer of residential property is available to :
- |                |                    |
|----------------|--------------------|
| (a) Individual | (b) HUF            |
| (c) Any person | (d) Both (a) & (b) |

- (114) Capital gain on transfer of residential property under section 54GB is exempted if it is a :
- (a) Long term capital gain (b) Short term capital gain  
(c) No exemption available (d) Both (a) & (b)
- (115) Capital gain on shifting of undertaking to SEZ under section 54GA is exempted if it is a :
- (a) Long term capital gain (b) Short term capital gain  
(c) No exemption available (d) Both (a) & (b)
- (116) Who is eligible for exemption in the above case?
- (a) Individual (b) HUF  
(c) Any person (d) None of the above.
- (117) The amount of exemption under section 54GA is:
- (a) Lower of capital gain or investment in new asset. (b) Lower of capital gains or cost incurred.  
(c) As determined by assessing officer (d) None of the above.
- (118) "New asset" for the purpose of section 54GB does not include:
- (a) any machinery or plant which, before its installation by the assessee, was used either within or outside India by any other person; (b) any machinery or plant installed in any office premises or any residential accommodation, including accommodation in the nature of a guest house  
(c) any office appliances including computers or computer software; (d) All of these.
- (119) For the purpose of section 54GB, "Eligible company" must be engaged in :
- (a) Eligible start up (b) Manufacturing of any article or thing  
(c) Trading of article or thing; (d) Provision of services
- (120) For the purpose of section 54GB, the eligible assessee must own more than \_\_\_\_\_ of the share capital or more than \_\_\_\_\_ of the voting rights in the eligible company:
- (a) 50; 75 (b) 50; 50  
(c) 25; 25 (d) 75; 75
- (121) With a view to ascertaining the fair market value of a capital asset, the Assessing Officer may refer the valuation of a capital asset to a Valuation Officer in a case where the value of the asset as claimed by the assessee is in accordance with the estimate made by a registered if the Assessing Officer is of opinion that-
- (a) That the fair market value of the asset exceeds the value of the asset as claimed by the assessee by ₹ 25,000 (b) That the fair market value of the asset exceeds the value of the asset as claimed by the assessee by 15% of the value claimed by the assessee;  
(c) (a) or (b) (d) None of these
- (122) Compute the tax liability for assessment year 2021-21 of resident individual (30 yrs) who is having long term capital gains of ₹5,00,000 and has no other income -
- (a) ₹37,500 (b) ₹39,000  
(c) Nil (d) ₹52,000
- (123) Compute the tax liability for assessment year 2021-22 of non-resident individual(30 yrs) who is having long term capital gains of ₹5,00,000 and has no other income -
- (a) ₹ 1,04,000 (b) ₹ 52,000  
(c) ₹ Nil (d) ₹39,000



- (124) Compute the tax liability for assessment year 2021-22 of resident individual(30 yrs) who is having income from short term capital gains of ₹5,00,000 arising on transfer of equity shares listed in recognized stock exchange on which securities transaction is paid and has no other income;
- (a) ₹26,000 (b) ₹78,000  
(c) Nil (d) ₹40,000
- (125) Compute the tax liability for assessment year 2021-22 of resident individual(30 yrs) who is having income from short term capital gains of ₹2,00,000 arising on transfer of equity shares listed in recognized stock exchange on which securities transaction is paid and long term capital gains of ₹3,00,000 on transfer of land and has no other income ----
- (a) ₹39,140 (b) ₹ 80,600  
(c) ₹Nil (d) ₹52,000
- (126) Where an urban agricultural land owned by an individual, continuously used by him for agricultural purposes for a period of \_\_\_\_\_prior to the date of transfer, is compulsorily acquired under law and the compensation is determined by the Central Government, resultant capital gain is exempt.
- (a) On year (b) Two years  
(c) Three years (d) 6 months
- (127) Mr. X acquired 1000 shares of XYZ Ltd. listed in recognised stock exchange on 12th July 2016 for ₹1,20,000. He sold the shares for ₹2,85,000 on 10<sup>th</sup> September 2020. The transaction was carried out through recognised stock exchange and securities transaction tax was paid. The cost inflation index for 2016-17 was 264 and for 2020-21 is 301. His Total Income shall be
- (a) ₹1,65,000 (b) ₹1,53,636  
(c) Nil (d) ₹2,10,500
- (128) Long-term capital gains on zero coupon bonds are chargeable to tax \_
- (a) @ 20% computed after indexation of such bonds (b) @ 10% computed without indexation of such bonds  
(c) Higher of (A) or (B) (d) Lower of (A) or (B).
- (129) When shares of a listed company held for more than 12 months are transferred privately for ₹8 lakh, with original cost of acquisition of ₹1lakh whose indexed cost of acquisition is ₹2lakh, LTCG would be -
- (a) Nil (b) ₹6,00,000  
(c) ₹5,00,000 (d) ₹7,00,000
- (130) Short-term capital gains arising from the transfer of equity shares in a company or units of an equity oriented fund or units of a business trust charged with security transaction tax are subject to income-tax at the rate of -
- (a) 10% (b) 15%  
(c) 20% (d) Normal rate

**ANSWER KEY**

1.D	2.D	3.A	4.D	5.B	6.B	7.D	8.D	9.C	10.A
11.C	12.B	13.D	14.A	15.D	16.B	17.A	18.D	19.B	20.B
21.B	22.B	23.D	24.A	25.A	26.A	27.D	28.D	29.A	30.A
31.A	32.A	33.A	34.D	35.A	36.C	37.D	38.C	39.A	40.B
41.B	42.A	43.A	44.B	45.B	46.A	47.C	48.A	49.A	50.A
51.A	52.D	53.C	54.B	55.A	56.A	57.B	58.C	59.D	60.C
61.C	62.B	63.A	64.C	65.A	66.A	67.A	68.B	69.B	70.A
71.B	72.B	73.B	74.B	75.B	76.D	77.A	78.B	79.A	80.B
81.B	82.A	83.A	84.A	85.A	86.C	87.A	88.D	89.C	90.B
91.C	92.C	93.B	94.B	95.B	96.D	97.D	98.C	99.A	100.D
101.A	102.C	103.D	104.B	105.A	106.B	107.A	108.B	109.A	110.C
111.A	112.D	113.D	114.A	115.D	116.C	117.A	118.D	119.A	120.C
121.C	122.B	123.A	124.A	125.B	126.B	127.A	128.D	129.B	130.B

## CHAPTER – 12

### DEDUCTIONS

#### Sections covered in this chapter

<b>Sec 80C</b>	Deduction of LIC premium
<b>Sec 80CCC</b>	Contribution to pension fund
<b>Sec80CCD</b>	Contribution to notified pension scheme
<b>Sec 80CCE</b>	Limit of 1.5 lac
<b>Sec 80D</b>	Medical insurance premium
<b>Sec 80DD</b>	Medical treatment of disabled relative
<b>Sec 80ddb</b>	Medical treatment for specified disease
<b>Sec 80E</b>	Interest on loan for higher education
<b>Sec 80EE</b>	Interest on loan taken for Residential House Property
<b>Sec 80EEA</b>	Interest on loan taken for certain house property
<b>Sec 80EEB</b>	Deduction in respect of purchase of electric vehicle
<b>Sec 80G</b>	Donations
<b>Sec 80GG</b>	Deduction of rent paid
<b>Sec 80GGA</b>	Contribution for scientific research, rural devp. etc
<b>Sec 80GGB</b>	Contribution to political party by company
<b>Sec 80GGC</b>	Contribution to political party by non corporate
<b>Sec 80-IA</b>	Industrial undertaking engaged in infrastructure
<b>Sec 80-IAB</b>	Assessee engaged in devp. of SEZ
<b>Sec 80-IC</b>	Manufacturing in specified areas
<b>Sec 80-ID</b>	Operation of Hotels and Convention Centres
<b>Sec 80-IE</b>	Manufacturing of specified article in specified area
<b>Sec 80 JJA</b>	Business of collecting/processing bio degradable waste
<b>Sec 80JJAA</b>	Employment of new workmen
<b>Sec 80QQB</b>	Deduction of Royalty from Books
<b>Sec 80RRB</b>	Deduction of Royalty from patents
<b>Sec 80TTA</b>	Deduction of interest of saving account
<b>Sec 80U</b>	Deduction for person with disability

#### Basis Rules while computing deductions

#### 1. Deductions are NOT allowed from :

- a) LTCG u/s 112 @ 10%
- b) LTCG u/s 112A @ 10%
- c) STCG u/s 111A @ 15%
- d) Casual incomes u/s 115BB @ 30%
- e) Dividend income u/s 115BBDA @ 10%
- f) Patent income u/s 115BBF @ 10%
- g) Undisclosed income u/s 115BBE @ 60%
- h) Income from transfer of carbon credit u/s 115BBG @ 10%

#### 2. Total Deductions u/s 80C to 80U cannot exceed amount of GTI

**Sec. 80C : Deduction for life insurance premium ,PF contributions etc.**

- Available to an **Individual or HUF**
- Amount **deposited** in **specified investments/securities**
- Deduction **1,50,000** or **Amount deposited/invested , whichever is less**

**List of Specified Investments/securities**

1. Life insurance premium on life of **himself ,spouse** and any child (*If H.U.F ,for any member* )

**Special Point :**

1. **Premium > 10%** of capital sum assured shall be ignored for **policy issued on or after 1/4/2012**
2. **Premium > 20%** capital sum assured shall be ignored for **policy issued upto 31/3/2012**
3. **Premium > 15%** of capital sum assured shall be ignored for person with ***disability u/s 80U or suffering from disease u/s 80DDB*** for **policy issued on or after 1.4.2013** ( *Refer Working Note 1* )
2. Contribution by an **employee** to Statutory Provident Fund or Recognized Provident Fund or Approved superannuation fund
3. Contribution by an **person** to Public Provident Fund for himself ,spouse and any child
4. Subscription to **NSC VIII issue including interest accrued** ( *Refer working note 2* )
5. Contribution in **ULIP**
6. **Tuition Fee Paid by an individual**
  - ✓ For **any two** children of such individual
  - ✓ At the time of admission or thereafter
  - ✓ For **full time education** (*Excluding development fees & donation*)
  - ✓ To University, College, School, Other Education Institution **situated in India**
7. Subscription to Deposit scheme of **National Housing Bank**
8. Contribution to Deposit Scheme of :
  - Public Sector Co. engaged in Long Term Finance for Residential Houses in India.
  - Authority in India, Providing Housing accommodation

9. **Payment for Purchase/ Construction of Residential House Property**  
 (i) **Installment** under Scheme of any authority ,board  
 (ii) **Repayment** of amount borrowed by **assessee** from:
- Central/State govt. ,any bank ,LIC, NHB
  - Public Companies/ Co-Op Society
  - From employer i.e Public Co, University, College, Local Authority or Co-op. society
- (iii) **Stamp duty, registration fees** for transfer of house property
10. Subscription to **Equity shares** or **Debentures** of a **Public company** registered in India **or** to a **public financial institution** which utilizes the proceeds for infrastructural business u/s **80IA**
11. Sum deposited in a **scheduled bank** for **atleast 5 years** under notified Cgovt scheme
12. Subscription to bonds of **NABARD**
13. Contribution to ELSS,2005
14. *Deposit in Senior citizen saving scheme ,2004*
15. *Deposit in 5 year time deposit in an account under post office time deposit rules,1981*
16. *Subscription, in the name of any specified person, in deposit scheme notified by C Government*
- Specified Person : Individual or any girl child of that individual, or any girl child for whom such person is legal guardian**
17. Employee of Central Government, as contribution to specified account of pension scheme u/s 80CCD  
 (a) for fixed period of not less than 3 years; and  
 (b) As per scheme notified by Central Government in Official Gazette

Specified account” means an additional account u/s 20(3) of Pension Fund Regulatory and Development Authority Act, 2013

### Special point :

1. **Exemption u/s 10(10D) :** Sum received under LIC policy including bonus is exempt

### **Exceptions : The following amount is taxable under Other Sources**

- (i) Sum received under policy u/s 80DD.  
 (ii) Sum received under Keyman Insurance Policy.  
 (iii) Sum received under life Insurance policy where annual **premium greater than specified % of sum insured** (*However such sum received on death is exempt*).

**2. Sec 194DA : TDS on LIC payments**

*Any person responsible for paying to a resident any sum under a life insurance policy, including bonus, other than amount exempt u/s 10(10D), shall, at time of payment, deduct TDS @ 5 % on the amount of income comprised in payment. 14.05.2020 to 31.03.2021 : 3.75%*

*Provided No TDS if aggregate amount during P/Y is less than 1,00,000.*

**3. Interest Accrued on NSC VIII issue**

1. Interest accrued every year is **included in Income under IOS of each P/Y**
2. Interest excluding last year is **deemed to be reinvested** and therefore allowed as **deduction u/s 80C**

**Sec. 80CCC : Deduction for Contribution to Pension Fund**

- Amount paid by **Individual** during P/Y
- *out of his income chargeable to tax*
- in **annuity plan** of any insurance company for receiving Pension
- Amount paid or **₹1,50,000**, whichever is less

**Special Points:** If assessee or nominee receives pension or other amount on Surrender, such amount will be taxable in P/Y in which received.

**Sec. 80CCD : Deduction for Contribution to Central Govt Notified Pension Scheme (N.P.S)**

- ➔ Individual employed by **any Employer** or *Individual*
- ➔ Deposits any amount during p/y under a **Pension scheme notified by C govt.**
- ➔ **Deduction to Employee of his own contribution[Sec 80CCD(1)] :**  
Employee contribution to NPS or 10% of Salary, *whichever is less*
- ➔ **Additional deduction to employee of employer contribution [Sec 80 CCD(2)] :**  
CGovt Employee : Employer contribution to NPS or 14% of Salary , *whichever is less*  
Other Employee : Employer contribution to NPS or 10% of Salary , *whichever is less*

→ **Deduction to Other Individual [Sec 80CCD(1)]** : *Contribution to NPS or 20 % of GTI ,whichever is less*

**Additional deduction u/s 80CCD(IA)**

*An assessee , shall be allowed additional deduction upto 50,000 for amount deposited in NPS to both employee and non employee*

**Special Points :**

1. **Salary** = Basic + DA(retirement Benefits) + Commission % of turnover
2. If amount standing to credit of assessee in his account, in respect of which a deduction has been allowed is received including accrued thereon by the assessee or his nominee, in any P/Y—
  - (a) on account of closure or his opting out of pension scheme or
  - (b) as pension received from annuity plan purchased or taken on such closure or opting out,
 such amount shall be deemed as income of assessee or his nominee, in P/Y of receipt
3. Amount received by nominee, on death of assessee, under point (a) above, shall not be deemed as income of nominee.
4. **Sec 10(12A)** : Any payment from NPS Trust to employee on closure of his account or on his opting out of the pension scheme u/s 80CCD, upto 60% of the total amount payable to him is Exempt.
5. **Sec 10(12B)** : Any payment from NPS Trust to employee under pension scheme referred u/s 80CCD, on partial withdrawal made out of his account in accordance with terms & conditions, specified under PFRDA Act, 2013 and its regulations, upto 25% of amount of contributions made by him ,is exempt

**Sec 80CCE : 80C + 80CCC + 80CCD(1) cannot exceed ₹1,50,000**

**Sec 80CCG : Investment made under an Equity Savings Scheme.**

- 1) **Assessee** : Individual resident in India
- 2) **Investment** : Acquisition of Listed Equity Shares or listed units of an Equity Oriented fund during p/y in accordance with scheme notified by the Central Government
- 3) **Deduction** : 50% of amount invested in such equity shares or such units or 25,000 ,whichever is less

4) **Period** : 3 consecutive p/y beginning with p/y of investment

5) **Conditions** :

- (i) GTI of the assessee is upto 12 lacs
- (ii) Assessee is a new retail investor as specified under the scheme
- (iii) Investment is made in such listed equity shares as may be specified under the scheme
- (iv) Investment is locked-in for a period 3yrs from date of acquisition in accordance with the scheme

6) **Breach of conditions** : If the assessee, in any previous year, fails to comply with any condition as above, the deduction originally allowed shall be deemed to be the income of the assessee of such previous year

**Special point :**

1. No deduction under this section shall be allowed for 1st time investors wef A/Y 18/19

Exception : Assessee, who has claimed deduction u/s 80CCG upto A/Y 17/18, shall be allowed deduction for balance no of A/Y

2. Where an assessee has claimed and allowed a deduction under this section for any assessment year in respect of any amount, he shall not be allowed any deduction under this section for any subsequent assessment year.

<b>Sec. 80D : <u>Deduction of Health Insurance Premium</u></b>
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- ☐ Available to **Individual or HUF**
- ☐ Premium **paid for health insurance /preventive health check up/medical expenditure** during P/Y
- ☐ *Out of Income chargeable to tax*
- ☐ by any mode ***other than cash (except for preventive health check up/medical expenditure)***

**1) INDIVIDUAL**

- **For Himself, spouse, Dependent children**

a) Health Insurance

b) Contribution to Central Government Health Scheme ***or to other notified scheme***

**Maximum Deduction for (a) + (b) is ₹25,000**

Upto **₹25,000** extra deduction if any of above person is ***a senior citizen***

c) Payment made on account of preventive health check-up \*



- d) *Medical expenditure on health of Senior Citizen upto ₹50,000* and no amount has been paid for health insurance of such member

**Maximum Deduction : (a) + (b) + (c) + (d) = ₹50,000**

**- For Parent/s**

- a) Health Insurance

**Maximum Deduction for (a) is ₹25,000**

but Upto **₹25,000** extra deduction either parent is *senior citizen*

- b) Payment made on account of preventive health check-up \*

- c) *Medical expenditure on health of a Senior Citizen upto ₹50,000 and no amount has been paid for health insurance of such member*

**Maximum Deduction : (a) + (b) + (c) = ₹50,000**

**\*Maximum deduction for preventive health check-up is upto 5,000 within overall limit**

**2) H.U.F**

- (a) For Health insurance of any member

**Maximum Deduction for (a) is ₹25,000**

but Upto **₹25,000** extra deduction if member is a *Senior Citizen*

- (b) *For Medical expenditure on health of a member who is a very senior citizen upto 30,000 and no amount has been paid for health insurance of such member*

**Maximum Deduction : (a) + (b) = 30,000**

**Special Point:**

1. Dependant: means a person who is dependent for support/maintenance on Assessee
2. Senior Citizen: Individual Resident in India & age of **60 years or more** at any time during P/Y
3. Where health insurance premium is paid in lump sum in a p/y for more than a year, then, subject to the provisions of this section, there shall be allowed for each of the relevant p/y, a deduction equal to the appropriate fraction of the amount.

**Sec. 80U: Deduction in case of a person with Disability**

- Individual, Resident in India
- Suffering from disability *at any time* during the previous year
- Amount of deduction

**Flat Amount : ₹ 75,000** In case of **Disability** only  
**: ₹1,25,000** In case of **Severe Disability**

**Special Points :**
**1. Disability & Severe disability:**

**Person with Disability:** means a person suffering from at least **40%** of the following disability, as certified by medical authority

*Blindness, Low vision, leprosy, Hearing impairment, Locomotor disability Mental retardation/Illness*

**Severe Disability :** means at least **80%** of the above Disabilities

2. For claiming deduction, certificate obtained from medical authority to be furnished with ROI for relevant P/Y

**Sec. 80 DD: Medical Treatment of Handicapped Dependant Relatives**

- ⇒ Individual or HUF (*Resident in India*)
- ⇒ **Incurred Expenditure** for medical treatment (*including nursing, training etc.*) or **Amount deposit** under approved scheme for annuity of any insurer
- ⇒ For **Disabled Dependent Relative**
- ⇒ Amount of deduction  
**Flat Amount : ₹75,000** in case of **Disability** only  
**: ₹1,25,000** in case of **Severe Disability**

**Special Points:**
**1. Dependant Relative**

Individual : Spouse, Children, Parents, Brothers & Sisters of the Individual

HUF : Any member of HUF

*Who is Dependent wholly or mainly on such individual or HUF for his support & maintenance and not claimed deduction u/s. 80U*

3. If disabled dependent dies before the individual, the amount deposited shall be deemed to be income of the assessee of the previous year in which such amount is received by the assessee  
(Exception to 10(10D))

4. For claiming deduction, certificate from **medical authority** to be furnished with ROI for relevant P/Y

**Sec. 80 DDB : Deduction in respect of Medical Treatments**

- Individual or HUF (*Resident in India*)
  - Incurred Expenditure for Medical Treatment of **Specified Disease**
- for **Himself** or **Dependant Relative** ( *Incase of HUF , for any member of HUF*)
- Amount paid or **₹40,000/-** whichever is less  
**₹1,00,000/-** (If any of above is *Senior Citizen*)

**Special Points:**

1. *For claiming deduction assessee should obtains the prescription for such medical treatment from a neurologist, an oncologist, a urologist, a haematologist, an immunologist or such other specialist, as may be prescribed*
2. Dependant Relative: Same as 80DD
3. Senior Citizen: Individual Resident in India & age of **60 years or more** at any time during P/Y

**Sec. 80E : Deduction for repayment of loan for Higher Education**

- ❖ Available to Individual
- ❖ for Loan taken from Financial Institution(Including Banks) or approved Charitable Institution for
- ❖ pursuing **Higher education** for HIMSELF or RELATIVE
- ❖ Deduction : Actual **Interest paid** during p/y (*out of his income chargeable to tax*)

**Special Points:**

1. Period of deduction : 8 A/Y beginning from A/Y of 1<sup>st</sup> payment of Interest
2. Higher Education : means any course of study after passing the Senior Secondary Examination or its equivalent from any Recognised.school, board or university
3. Relative means Spouse & children or the student for whom the individual is the legal guardian

**Sec 80EE : Interest on loan taken for Residential House Property**

<b>Assessee</b>	Individual who has taken a loan from any financial institution for the purpose of acquisition of a residential house property
<b>Deduction</b>	Interest payable during P/Y upto 50,000
<b>Conditions</b>	<p><i>(i) loan is sanctioned by financial institution between 1/4/16 &amp; upto 31/3/17</i></p> <p><i>(ii) Loan sanctioned is upto ₹35,00,000</i></p> <p><i>(iii) Value of residential house property is upto ₹50,00,000</i></p> <p><i>(iv) Assessee does not own any residential house property on date of sanction of loan</i></p> <p><i>(4) If deduction is allowed under this section than such interest shall not be allowed under any other provisions of the Act for the same or any other assessment year.</i></p> <p><i>"Financial institution" means a banking company to which the Banking Regulation Act, applies or a housing finance company"</i></p> <p><i>"Housing finance company" means a public company formed or registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes" .</i></p>

**Sec 80EEA : Deduction in respect of interest on loan taken for certain house property**

(1) In computing the Total Income of Individual not eligible to claim deduction u/s 80EE, deduction shall be allowed of interest payable on loan taken by him from any financial institution for the purpose of acquisition of a residential house property.

(2) The deduction shall not exceed ₹1,50,000 and shall be allowed in computing the total income wef A/Y 20/21

(3) The deduction shall be subject to the following conditions, namely:—

- (i) Loan has been sanctioned by financial institution between 1/4/19 to 31/3/21
- (ii) Stamp duty value of residential house property does not exceed 45 lakhs
- (iii) Assessee does not own any residential house property on the date of sanction of loan.

(4) Where a deduction is allowed under this section, deduction shall not be allowed in respect of such interest under any other provision of this Act for the same or any other assessment year.

**Sec 80EEB : Deduction in respect of purchase of electric vehicle**

(1) In computing the total income of Individual, deduction shall be allowed of interest payable on loan taken by him from any financial institution for the purpose of purchase of an electric vehicle.

(2) The deduction shall not exceed ₹1,50,000 and shall be allowed in computing the Total income wef A/y 20/21

(3) The deduction shall be subject to the condition that loan has been sanctioned by the financial institution between 1/4/19 to 31/3/23.

(4) Where a deduction is allowed under this section, deduction shall not be allowed in respect of such interest under any other provision of this Act for the same or any other assessment year.

(5) For the purposes of this section,—

(a) Electric vehicle means a vehicle which is powered exclusively by electric motor whose traction energy is supplied exclusively by traction battery installed in the vehicle & has such electric regenerative braking system, which during braking provides for the conversion of vehicle kinetic energy into electrical energy;

(b) Financial institution means a banking company to which Banking Regulation Act, 1949 applies, or any bank or banking institution referred u/s 51 of that Act and includes any deposit taking NBFC or a systemically important non-deposit taking NBFC.

**Sec. 80G: Deduction in respect of Donation etc**

- Deduction under this section is available to **All Assesseees**. However donations in **Kind are not** eligible for deduction.
- *No deduction shall be allowed under this section in respect of donation of any sum exceeding ₹2,000 unless such sum is paid by any mode other than cash.*

**The following donations are eligible for deduction**

**100% deduction without qualifying Limit**

- 1) National Defence Fund
- 2) Army/Naval/Air Force Welfare Fund.
- 3) National Cultural Fund
- 4) National Sports Fund
- 5) National Children Fund

- 6) National Foundation for communal Harmony.
- 7) National Illness Assistance Fund.
- 8) National Trust for Welfare of Person with Mental Retardation & Mental Disabilities.
- 9) National/State Blood Transfusion Council.
- 10) Maharashtra CM Earthquake Relief Fund.
- 11) Andhra Pradesh CM Cyclone Relief Fund.
- 12) Gujarat Fund for Earthquake Relief.
- 13) PM National Relief Fund.
- 14) Chief Minister Relief Fund for the state or Lieutenant Governor relief Fund for union territory.
- 15) Africa (Public Contribution India) Fund.
- 16) Any Fund set by State Government for Medical Relief of Poor.
- 17) Zila Saksharta Samiti of a District.
- 18) Approved University/Education Institution of National Eminence.
- 19) Fund for technology Development Set by Central Government
- 20) **National Fund for Control of Drug Abuse**
- 21) **Swachh Bharat Kosh, set up by Central Government, other than sum spent by assessee for Corporate Social Responsibility u/s 135 of Companies Act, 2013**
- 22) **Clean Ganga Fund, set up by Central Government, where such assessee is resident, other than the sum spent by assessee for Corporate Social Responsibility u/s 135 of Companies Act, 2013**

**50% Deduction without qualifying Limit**

1. Jawaharlal Nehru Memorial Fund.
2. Prime Minister Drought Relief Fund.
3. Indira Gandhi Memorial trust.
4. Rajiv Gandhi Foundation.

**100% Deduction subject to Qualifying Limit**

- i. Govt./Local authority for promoting Family Planning.
- ii. Sum paid by **Company** to Indian Olympic Association or their notified Institutions for development of Infrastructure for sports or sponsorship of sports in India.

**50% Deduction subject to Qualifying Limit**

- i. Govt/Local Authority for any Charitable Purpose (*except Family Planning*).
- ii. Approved Charitable Institution, which **has obtained approval u/s 80G(5)**.
- iii. Authority engaged in planning, development of cities, towns
- iv. Corporation established by C Govt or S Govt. for promoting interest of minority community.
- v. Notified Temple, Church, Mosque, Gurdwara or other place notified by CG of Artistic Importance for **Renovation/Repairs**.

**Qualifying Limit : 10%**

	<b>Gross Total Income</b>
	<b>Less :</b>
a)	LTCG
b)	STCG u/s 111A
c)	All deductions u/s. Chapter VI-A (Except 80G)

### **Sec. 80GG: Deduction of Rent paid**

- Available to Individual (other than salaried employee) **or** If Individual is Salaried employee *he should not be entitled to HRA* in order to claim deduction u/s 80GG.
- In respect of **Rent paid**
- For his **Residential Accommodation**
- **Amount of Deduction**
  - (a) Rent paid – 10% of Adjusted total Income
  - (b) 25% of Adjusted total Income
  - (c) ₹5,000/- per month

*Whichever is less*

**Special Points:**

1. Deduction shall be available only if
  - **Assessee/ Spouse/ Minor Child** does not own residential accommodation **at a place** where assessee ordinarily resides or carries on Business or Profession **AND**
  - **Assessee** also does not own residential accommodation **at other place** Which is assessed as self occupied property i.e. value as NIL

**2. Adjusted Total Income :**

	Gross Total Income
	<b>Less :</b>
a)	LTCG
b)	STCG u/s 111A
c)	All deductions of Chapter VI-A (other than 80GG)

**Sec. 80GGA : Donation for Scientific Research or Rural Development**

- ♣ Available to All Assessee (*provided no P/G/B/P Income*)
- ♣ For payment made to certain Institutions
- ♣ **100%** of sum paid to such Institutions is allowed as deduction
- ♣ *Provided amount greater than ₹10,000 shall be paid by any mode other than cash.*  
[wef 1/6/2021 limit reduced to ₹2,000]

Donations to Institutions		
Approved Research association or University, college for <b>Scientific , Social Science or Statistical Research</b>	Public Sector Company or Local Authority or Association approved by National committee for <b>Social &amp; Economic welfare</b>	Association engaged in approved Prog. for <b>Rural Development</b> or to <b>Rural development fund</b>

**Special Point :**

1. Deduction u/s 80GGA **shall not be disallowed** if subsequent to payment , approval of such institution or project is withdrawn

2. *Claim of assessee for a deduction in the return of income for any assessment year filed by him, shall be allowed on the basis of information relating to such sum furnished by the payee to the prescribed income-tax authority or the person authorised by such authority, subject to verification in accordance with the risk management strategy formulated by the Board from time to time*

**Sec. 80GGB : Contribution to Political Parties**

- ◆ Assessee being a **Indian Company**
- ◆ Sum **contributed** to Any Political Party / **Electoral Trusts**
- ◆ **100% of Sum Paid** is allowed as deduction
- ◆ *Provided paid by mode other than Cash*

**Sec. 80GGC : Contribution to Political Parties**

- ◆ Any Assessee **other than Indian Company**, (except institution funded by Govt.)
- ◆ Sum **contributed** to Any Political party/ **Electoral Trusts**
- ◆ **100% of Sum Paid** is allowed as deduction
- ◆ *Provided paid by mode other than Cash*



**Special Point :****1. Sec 13A : Exemption of Income of Political Party**

Following Incomes of **Political Party** (*Registered under Representation of People Act*) is **Exempt**

- Income from **house property**
- Income from **other sources**
- **Capital gains**
- **Voluntary contributions** received from any person
- **Provided**
  - (a) **Books of account** and documents are maintained to enable AO to compute its income
  - (b) For **voluntary contribution**, other than contribution by way of electoral bond, **in excess of ₹20,000**, Name & address of contributor is maintained
  - (c) **Accounts** of such political party are **audited** by CA
  - (d) Donation > ₹2,000 is received by such political party only by A/c payee cheque drawn on bank or A/c payee bank draft or use of ECS through a bank A/c or through electoral bond
  - (e) **Treasurer submits a report** under Representation of the People Act, for F/Y
  - (f) Political party furnishes a return of income for p/y u/s 139(4B) on or before the due date under that section.

**2. Electoral trusts - Sec 2(22AAA) : Trust approved by Board in accordance with scheme of C. govt.****Sec 13B. Exemption of Income of Electoral trust**

**Any voluntary contributions** received by an electoral trust during a previous year shall be **exempt** if

- (a) such electoral trust distributes to any political party, registered under Representation of People Act, during previous year, 95% aggregate donations received by it during previous year along with surplus, if any, brought forward from any earlier previous year; and
- (b) such electoral trust functions in accordance with the rules made by the Central Government

**Profits Based Deductions ( Part C of Chapter VI-A)****Sec 80IAB : Development of SEZ**

1. **Eligibility :** Any assessee carrying on the business of developing a Special economic zone notified under Special Economic Zone Act
2. **Amount of deduction:** 100% of profits for any **10 years out of 15 years** starting from the year in which SEZ is notified by the central govt.
3. **No deduction to developer**, if development of SEZ begins wef 1/4/17.

**Sec 80LA : Income of off shore banking unit / International financial services centre**

- Where GTI of scheduled bank or bank incorporated under foreign laws &
- having an Offshore Banking Unit in SEZ,
- there shall be allowed , deduction of
  - (a) 100% of income for 5 consecutive A/Y beginning with the A/Y relevant to p/y in which permission under Banking Regulation Act, 1949 or permission or registration under SEBI Act,1992 or any other relevant law was obtained, and thereafter;
  - (b) 50% of such income for 5 consecutive A/Y.
- Where GTI, of Unit of International Financial Services Centre,
- there shall be allowed, a deduction of
- 100%. of income for any 10 consecutive A/Y, at option of assessee, out of 15 years, beginning with p/y in which permission, under Banking Regulation Act, 1949 or permission under SEBI Act,1992 or any other relevant law was obtained.

**80-IAC : Special provision in respect of specified business**

(1) **Assessee & Deduction** : Where the GTI of an eligible start-up, includes any income from eligible business, , deduction is allowed of 100% such income derived from such business for 3 consecutive A/Y

(2) **Option of 3 A/Y** : The deduction may, at the option of assessee, be claimed by him for any three consecutive A/Y out of 7 years beginning from the year in which the eligible start-up is incorporated.

(3) **Conditions** : This section applies to a start-up which fulfils the following conditions, namely:—

- (i) it is not formed by splitting up, or reconstruction, of existing business:
- (ii) it is not formed by transfer to new business of machinery or plant previously used for any purpose.

*Explanation 1* : Any machinery or plant which was used outside India by any person other than the assessee shall not be regarded as machinery or plant previously used for any purpose, if all the following conditions are fulfilled, namely:—

- (a) such machinery or plant was not, at any time previous to date of installation by assessee, used in India;
- (b) such machinery or plant is imported into India;
- (c) no deduction of depreciation on such machinery or plant has been allowed or is allowable in computing total income of any person for any period prior to date of installation by assessee.

*Explanation 2* : Where in the case of a start-up, any machinery or plant or any part thereof previously used for any purpose is transferred to a new business & total value of machinery or plant or part so transferred does not exceed 20% of the total value of the machinery or plant used in the business, then, for the purposes of clause (ii) of this sub-section, the condition specified therein shall be deemed to have been complied with.

*Explanation.*—For the purposes of this section,—

(i) "Eligible business" means a business carried out by an eligible start-up engaged in innovation, development or improvement of products or processes or services or a scalable business model with a high potential of employment generation or wealth creation

(ii) "Eligible start-up" means a company or LLP engaged in eligible business which fulfils the following conditions, namely:—

- (a) it is incorporated between 1/4/2016 to 31/3/2021
- (b) Total turnover does not exceed 25 crore rupees in the P/Y in which deduction is claimed; and
- (c) it holds a certificate of eligible business from the Inter-Ministerial Board of Certification as notified in Official Gazette by the Central Government.

**Sec 80IBA : Deductions in respect of profits and gains from housing projects.**

(1) **Assessee** : Where the GTI of an assessee includes any Income from business of developing & building **housing projects**, there shall be allowed, a deduction of 100% of the income derived from such business.

(2) **Conditions** : **Housing project** shall be a project which fulfils the following conditions, namely:—

- (a) Project is approved by competent authority after 1/6/2016, but upto 31/3/2021;
- (b) Project is completed within 5 years from date of approval by competent authority:

**Provided that,—**

- (i) If approval of housing project is obtained more than once, the project shall be deemed to have been approved on date on which building plan was first approved by competent authority; and
- (ii) Project shall be deemed to have been completed when certificate of completion of project as a whole is obtained in writing from competent authority;
- (c) Carpet area of shops & other commercial establishments included in housing project does not exceed 3% of aggregate carpet area;
- (d) Project is on plot of land measuring not less than—
  - (i) 1000 sq metres, where such project is located in Bengaluru, Chennai, Delhi NCR (limited to Delhi, Noida, Greater Noida, Ghaziabad, Gurugram, Faridabad), Hyderabad Kolkata and Mumbai ; or
  - (ii) 2000 sq metres, where such project is located in any other place;
- (e) Project is the only housing project on the plot of land as specified in clause (d);
- (f) Carpet area of the residential unit comprised in the housing project does not exceed—
  - (i) 60 sq metres, where such project is located within Bengaluru, Chennai, Delhi NCR (limited to Delhi, Noida, Greater Noida, Ghaziabad, Gurugram, Faridabad), Hyderabad, Kolkata and Mumbai; or
  - (ii) 90 sq metres, where such project is located in any other place;
- (g) Stamp duty value of a residential unit in the housing project does not exceed ₹45 lakh ;
- (h) Where residential unit in housing project is allotted to individual, no other residential unit in housing project shall be allotted to individual or his spouse or his minor children;
- (i) Project utilises—
  - (I) not less than 90% of floor area ratio permissible in respect of the plot of land , where such project is located in Bengaluru, Chennai, Delhi NCR (limited to Delhi, Noida, Greater Noida, Ghaziabad, Gurugram, Faridabad), Hyderabad, Kolkata and Mumbai ; or
  - (II) not less than 80% of such floor area ratio where project is located in any other place ; and
- (j) Assessee maintains separate books of account in respect of the housing project.

(3) **Restriction** : Nothing contained in this section shall apply to any assessee who executes the housing project as a works-contract awarded by any person (including Central Government or State Government).

(4) **Reversal** : Where the housing project is not completed within 5 year period & in respect of which a deduction is allowed under this section, the total amount of deduction claimed in one or more p/y shall be deemed to be income of assessee chargeable under PGBP of p/y in which period for completion so expires.

(5) **Deduction under other section** : Where deduction is claimed & allowed under this section for any p/y, deduction to the extent of such amount shall not be allowed under any other provisions of this Act.

(6) **Meaning of terms** : For the purposes of this section,—

- (a) "Floor area ratio" means the quotient obtained by dividing the total covered area of plinth area on all the floors by the area of the plot of land;
- (b) "Housing project" means a project consisting predominantly of residential units with such other facilities & amenities as competent authority may approve subject to the provisions of this section;
- (c) "Residential unit" means an independent housing unit with separate facilities for living, cooking and sanitary requirements, distinctly separated from other residential units within the building, which is directly accessible from an outer door or through an interior door in a shared hallway and not by walking through the living space of another household.

**Sec 10AA : Newly Established units in Special Economic Zones**

<b>1</b>	<b>Assessee</b>	Undertaking engaged in Export of any <b>Article/compute software</b>
<b>2</b>	<b>Conditions</b>	Manufacture <b>on or after p/y 05/06 upto p/y 20/21 in SEZ</b>
<b>3</b>	<b>Amount of Exemption</b>	(a) 100% profit for 5 consecutive A/Y from A/Y of commencement of production (b) 50% profit for next 5 consecutive A/Y (c) Next 5 consecutive A/Y: Amount transferred to SEZ reinvestment reserve <b>or</b> 50% of profits ,whichever is less
<b>4.</b>	<b>Computation of Profits</b>	<b>Profit of 10AA Undertaking</b> <b>Export turnover of 10AA undertaking</b> <div style="text-align: center;"> <math display="block">\frac{\text{Profit of 10AA Undertaking}}{\text{Export turnover of 10AA undertaking}} \times \text{Total turnover of undertaking}</math> </div> <b>ET = Consideration brought into India within 6 months &amp; extension</b>
<b>5</b>	<b>Restriction of other Tax Benefits</b>	Unabsorbed depreciation, scientific research expenditure or family planning expenditure or business losses or capital gain losses can be c/f., for A/Y after expiry of the tax holiday period.
<b>6</b>	<b>Option not to claim Tax holiday</b>	Assessee can choose not the claim benefits for any A/Y during tax holiday period provided declaration filed before due date of ROI for relevant A/Y
<b>7.</b>	<b>Limitation</b>	<b>Where a deduction under this section is claimed &amp; allowed u/s 35AD, for any A/Y, no deduction shall be allowed u/s 35AD in relation to such specified business for the same or any A/Y year.</b>

**Special Point :**

**Explanation :** For the removal of doubts, it is hereby declared that the amount of deduction under this section shall be allowed from the total income of the assessee computed in accordance with the provisions of this Act, before giving effect to the provisions of this section and the deduction under this section shall not exceed such total income of the assessee.

**Sec 80IC : Manufacturing in specified areas**

1. **Eligibility :** - Any assessee engaged in manufacturing or production
  - The manufacturing should be in Himachal Pradesh, Uttaranchal
  - It should start manufacturing within the specified period only
2. **Amount of deduction** : 100% of profits for **5 years** starting from the year in which starts operation
 

: 25% of profits for **next 5 years (30% for Company)**

**Sec 80IE : Manufacturing of specified article in specified area**

1. **Eligibility :** - Any undertaking engaged in manufacturing or producing any **Eligible article or thing** or substantial expansion of such manufacturing
  - The manufacturing should be in **North -Eastern states**(i.e Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura)

Eligible Article or thing means the article or thing other than Tobacco, Pan masala, Plastic carrybags ,etc

2. **Amount of deduction:** 100% of profits for any **10 consecutive A/Y** starting from the year in which the undertaking starts to manufacture or produce such article or thing or completes substantial expansion 3.
3. **Conditions to be fulfilled:** It should start manufacturing between 1<sup>st</sup> April ,2007 and 1<sup>st</sup> April,2017

**Sec. 80JJAA: Deduction for additional employee cost**

1. **Assessee :** Where GTI of assessee carrying on business to whom section 44AB applies
2. **Deduction :** 30% of **additional employee cost** for such business in P/Y, allowed for **3 P/Y** from p/y in which such employment is provided.
3. **Conditions :** No deduction shall be allowed
  - (a) If business is formed by splitting up, or reconstruction, of existing business:
  - (b) If business is acquired by way of transfer from other person or as result of any business reorganisation;

(c) unless the assessee furnishes the report of CA, before the specified date referred u/s 44AB giving such particulars in the report as may be prescribed

#### 4. Meaning :

(i) **Additional employee cost** means Total Emoluments paid or payable to additional employees employed during p/y

Provided that in the case of existing business, additional employee cost shall be *nil*, if—

- (a) There is no increase in number of employees from total number of employees employed as on last day of preceding year;
- (b) Emoluments are paid otherwise than by an account payee cheque or account payee bank draft or by use of ECS through a bank account

Provided further that in first year of new business, emoluments paid or payable to employees employed during that P/Y shall be deemed to be additional employee cost;

(ii) **Additional employee means** an employee who has been employed during p/y & whose employment has effect of increasing the total number of employees employed by employer as on last day of preceding year, but does not include—

- (a) Employee whose total emoluments are more than ₹25,000 pm or
- (b) Employee for whom entire contribution is paid by Government under Employees' Pension Scheme under EPF Act, 1952 or
- (c) Employee employed for less than 240 days during p/y or

*For business of manufacturing of apparel or footwear or leather products, instead of 240 days, 150 days will be applicable*

- (d) Employee who does not participate in RPF

(iii) **Emoluments means** any sum paid or payable to employee *in lieu* of his employment, but does not include—

- (a) Any contribution by employer to pension fund/provident fund/other fund for benefit of employee under any law.
- (b) Any lump-sum payment to employee at time of termination of his service or superannuation or voluntary retirement, such as gratuity, severance pay, leave encashment, voluntary retrenchment benefits, commutation of pension

**Sec 80M : Deduction in respect of certain intercorporate dividends.**

(1) Where the GTI of a domestic company in any p/y includes any income by way of dividends from any other domestic company or a foreign company or a business trust,

there shall, in accordance with and subject to the provisions of this section,

be allowed in computing the total income of such domestic company, a deduction of an amount equal to so much of the amount of income by way of dividends received from such other domestic company or foreign company or business trust as does not exceed the amount of dividend distributed by it on or before the due date.

(2) Where any deduction, in respect of the amount of dividend distributed by the domestic company, has been allowed under sub-section (1) in any previous year, no deduction shall be allowed in respect of such amount in any other previous year.

*Explanation.*—For the purposes of this section, the expression “due date” means the date one month prior to the date for furnishing the return of income under sub-section (1) of section 139.

**Sec. 80QPB: Deduction from Royalty Income**

1. Individual Resident in India, who is author of a **Book**

Book is work of Literary, artistic or Scientific Nature

**(Text Books for schools, Magazines ,newspaper, Journals, Guides, Pamphlets excluded)**

2. Income from Royalty or copyright fee
  - in **lumpsum** or
  - *If not in lumpsum then royalty in excess of 15% of books sold during p/y shall be ignored*
3. **Amount of Deduction : Eligible Royalty income** or **₹ 3,00,000/-** *whichever is less*

**Special Points:**

1. Where **Royalty is earned from outside India** , deduction only for that foreign exchange brought into India within 6 months from end of P/Y or within extended time
2. For claiming deduction following certificate are to be attached with return
  - from **Payer**
  - from **RBI** for Foreign Royalty



**Sec. 80RRB: Deduction in respect of Royalty on Patents**

1. Individual Resident in India
2. Income from **Royalty in respect of a patent**
3. **Amount of Deduction : Eligible Royalty Income** or **₹3,00,000/-**, *whichever is less*

***Special Points:***

1. **Patentee: True and 1<sup>st</sup> inventor** under patents act & includes Co-patentee.
2. Where **Royalty is Earned from outside India**, deduction only for that foreign exchange brought into India within 6 months from end of P/Y or within extended time
3. For claiming deduction following certificate are to be attached with return
  - from **Controller General** under patent Act
  - from **RBI** for Foreign Royalty

***Sec 80TTA : Deduction of Interest on Deposits in Savings account***
**Deduction 80TTA not allowed to assessee referred u/s 80TTB**

1. **Assessee** : Individual or HUF
2. **Type of Income** : Interest on deposits (not being time deposits ) in a savings account with
  - (a) Banking including Co-operative bank
  - (b) Post Office
3. **Deduction** : Interest income or ₹10,000 , whichever is less

**Special Point** : *Where interest is derived in a savings account on behalf of Firm/AOP/BOI, no deduction shall be allowed of such interest to partner of firm or member of AOP/BOI.*

**Section 80TTB : Deduction of interest on deposits for senior citizens.**

Where GTI of an assessee, being a senior citizen, includes any income by way of interest on deposits with—

(a) a banking company to which the Banking Regulation Act, 1949, applies (including any bank or banking institution referred to in section 51 of that Act);

(b) a co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank); or

(c) a Post Office,

there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction—

(i) in a case where the amount of such income does not exceed in the aggregate ₹50,000, the whole of such amount; and

(ii) in any other case, ₹50,000

**MULTIPLE CHOICE QUESTIONS**

- (1) Gross total income means the total income computed in accordance with the provisions of the Income-tax Act, 1961 before making -
- (a) Any rebate and relief  
(b) Any deductions under chapter VI-A  
(c) Surcharge  
(d) Health & Education Cess
- (2) Deduction is allowed from income of –
- (a) Long term capital gains  
(b) Short term capital gains except *u/s* 111A.  
(c) Short term capital gains referred *u/s* 111A  
(d) Winnings from lotteries
- (3) Deduction under section 80C can be claimed for fixed deposit made in any scheduled bank, if the minimum period of deposit is -
- (a) 5 Years  
(b) 8 Years  
(c) 10 Years  
(d) 12 Years
- (4) Deduction under section 80C is allowed to -
- (a) Individual  
(b) Individual /HUF  
(c) HUF  
(d) Resident Individual /HUF
- (5) The maximum amount of deduction under section 80C is -
- (a) ₹ 70,000  
(b) ₹ 1,50,000  
(c) ₹ 50,000  
(d) ₹ 2,00,000
- (6) Deduction under section 80C is a deduction in respect of -
- (a) Payment of life insurance premium or contributions to provident fund etc.  
(b) Contribution to certain Pension Funds.  
(c) Payment of medical Insurance Premium.  
(d) Medical treatment of prescribed disease.
- (7) Mr. X has taken a life insurance policy on his own life on 01-04-2020. The capital sum assured is ₹ 1,00,000. He has paid insurance premium of ₹ 30,000 during the previous year. He is eligible for deduction under Section 80C amounting -
- (a) ₹ 30,000  
(b) ₹ 15,000  
(c) ₹ 10,000  
(d) ₹ 20,000
- (8) Mr. X has taken a life insurance policy on life on his minor son suffering from severe disability on 01-04-2020. The capital sum assured is ₹ 1,00,000. He has paid insurance premium of ₹ 30,000 during the previous year. He is eligible for deduction under Section 80C amounting -
- (a) ₹ 30,000  
(b) ₹ 15,000  
(c) ₹ 10,000  
(d) ₹ 20,000
- (9) Mr. X has taken a life insurance policy on life of spouse on 01-04-2011. The capital sum assured is ₹ 1,00,000. During the previous year he has paid insurance premium of ₹ 30,000. He is eligible for deduction under Section 80C amounting -
- (a) ₹ 30,000  
(b) ₹ 15,000  
(c) ₹ 10,000  
(d) ₹ 20,000

- (10) Under Section 80C the life Insurance Premium paid by a person to effect or to keep in force a life insurance policy on the life of the following person shall not qualify for deduction:
- (a) Self (b) Spouse of the individual  
(c) Father of the individual (d) Any child of the individual.
- (11) Any payment by way of tuition fees to any university, college, school or other educational institution situated within India for the purpose of full-time education for \_\_\_\_\_ of the individual shall qualify for deduction under Section SOC
- (a) One child (b) Two children  
(c) Spouse (d) Brother
- (12) Stamp-duty, registration fee and other expenses for purchase of house are allowed as deduction u/s -
- (a) 80C (b) 80CC  
(c) 80CCD (d) 80D
- (13) Deduction under section 80C can be claimed for fixed deposit made in any scheduled bank, if the minimum period of deposit is \_
- (a) 5 years (b) 5 years  
(c) 10 years (d) 12 years
- (14) Deduction in respect of subscription to Notified bonds issued by NABARD is allowed u/s
- (a) 80C (b) 80G  
(c) 80GG (d) 80GGC
- (15) Mr. X paid tuition fees on admission to Rajasthan university for the purpose of full-time education of his three children. u/s 80C deduction in respect of -
- (a) All three children of A will be allowed. (b) Any two children of A will be allowed.  
(c) Anyone child of A will be allowed. (d) No child will be allowed.
- (16) Term Deposit for a fixed period of \_\_\_\_\_ with a scheduled bank, which is in accordance with a scheme framed and notified by the Central Government shall qualify for deduction under section 80C.
- (a) One year or more (b) Two years or more  
(c) Three years or more (d) Five years or more
- (17) Which of the following cannot claim deduction for the loan taken to purchase a house property -
- (a) Karta, in respect of property purchased by HUF (b) An individual, in respect of property purchased by him  
(c) Partner, in respect of property purchased by the firm (d) Spouse of an individual, in respect of property purchased jointly by the individual and his/her spouse.
- (18) Under whose name can the amount be deposited under Sukanya Samriddhi Account Scheme to claim deduction under section 80C-
- (a) Individual himself or herself (b) any girl child of the individual  
(c) Any girl child for whom such individual is the legal guardian (d) Any of the above
- (19) The deduction in respect of contribution to certain pension funds under section 80CCC is allowed to -
- (a) Individual (b) Partnership firm  
(c) HUF (d) None of these

- (20) The maximum amount of deduction under section 80CCC is -
- (a) ₹ 70,000 (b) ₹ 1,50,000  
(c) ₹ 50,000 (d) ₹ 1,00,000
- (21) Eligible Assessee under section 80CCD means -
- (a) An individual employed by Central Government on or after 1-01-2004 (b) Individual employed by any other employer  
(c) Any individual assessee other than (a) and (c) (d) All of the above
- (22) The deduction in respect of contribution to certain pension schemes of Central Government under section 80CCD is allowed to-
- (a) Individual (b) Partnership firm  
(c) HUF (d) None of these
- (23) The non govt employers contribution eligible for deduction under Section 80CCD shall not exceed-
- (a) 10% of basic salary (b) 10% of basic salary and dearness allowance if the terms of employment so provide.  
(c) 15% of basic salary (d) None of these
- (24) In case of non salaried employee, the amount of deduction under Section 80CCD shall not exceed.
- (a) Sum paid/ deposited by assessee to the credit of his account in the notified pension scheme, or 20% of his gross total income in the previous year, whichever is less. (b) Sum paid/ deposited by assessee to the credit of his account in the notified pension scheme, or 15% of his gross total income in the previous year, whichever is less.  
(c) Sum paid/ deposited by assessee to the credit of his account in the notified pension scheme, or 20% of his business income in the previous year, whichever is less. (d) Sum paid/ deposited by assessee to the credit of his account in the notified pension scheme, or 15% of his business income in the previous year, whichever is less.
- (25) In case, assessee or his nominee receives any amount, in respect of which deduction was allowed under Section 80CCD, (including interest or bonus thereon) on closure or his opting out of the pension scheme; or as pension, then, such amount shall not be taxable
- (a) If such amount is used for purchasing an annuity plan in the same previous year. (b) If such amount is used for business of assessee.  
(c) If such amount is expended for personal (d) None of the these purposes.
- (26) The Additional amount of deduction available in respect of contribution to NPS of Central Government u/s 80CCD(1B) is-
- (a) ₹ 1,50,000 (b) ₹ 50,000  
(c) ₹ 60,000 (d) ₹ 40,000
- (27) The aggregate amount of deduction under section 80C, 80CCC and 80CCD(1) shall not exceed -
- (a) ₹ 1,50,000 (b) ₹ 1,00,000  
(c) ₹ 60,000 (d) ₹ 40,000
- (28) The aggregate amount of deduction under section 80C, 80CCC and 80CCD(1) and (1B) shall not exceed-
- (a) ₹ 1,50,000 (b) ₹ 1,00,000  
(c) ₹ 2,00,000 (d) ₹ 50,000
- (29) An individual has made investments in the schemes approved under section 80C, and 80CCD of ₹2,50,000 and ₹1,00,000 respectively during the year ended 31<sup>st</sup> March, 2020. Amount that can be claimed by him as deduction out of income in assessment year 2021-22 is -

- (a) 50% of ₹ 3,50,000 (b) ₹ 1,50,000 under section 80C and ₹ 1,00,000 under section 80CCD
- (c) ₹ 2,00,000 (d) None of the above.
- (30) Mr. Mithun acquired a house property for ₹ 8 lakhs and paid stamp duty and registration fee of ₹ 80,000. He borrowed housing loan and repaid principal of ₹ 60,000 and interest of ₹ 20,000. The amount eligible for deduction under Section 80C
- (a) ₹ 80,000 (b) ₹ 60,000  
(c) ₹ 1,00,000 (d) ₹ 1,40,000
- (31) Mr. Anand engaged in business wants to deposit in pension fund of Life Insurance Corporation of India. The maximum amount of contribution eligible for deduction from Gross total income is:
- (a) ₹ 10,000 (b) ₹ 1,00,000  
(c) ₹ 50,000 (d) ₹ 1,50,000
- (32) If a person who has contribution to NPS, closes his account or opts out of NPS, the exempt amount will be:
- (a) 30% of the amount standing to his balance in credit (b) 50% of the balance in credit  
(c) 40% of the balance in credit (d) 60% of the balance in credit
- (33) In order to claim deduction u/s 80C the Public Provident Fund A/c can be opened in the name of the following, except -
- (a) Self (b) Spouse  
(c) Brother (d) In case of HUF, in the name of any member of HUF
- (34) The deductions from Sec 80C to 80U is not available from the following incomes :
- (a) Long term capital gains (c) Winnings from lotteries, races, etc.  
(b) Short term capital gain u/s 111A (d) All of the above
- (35) The minimum lock-in period in respect of investment under Section 80CCG is \_\_\_\_\_ from the date of acquisition in accordance with the notified scheme.
- (a) 1 year (b) 2 years  
(c) 3 years (d) 5 years
- (36) Sukhdev has taken a life policy in the name of following members of his family. The premium does not exceed 10% of capital sum assured. Mr. Sukhdev can claim deduction in respect of all except:
- (a) Dependent daughter (b) Another married daughter  
(c) One independent son (d) None of the above
- (37) The maximum amount of deduction admissible under section 80D is -
- (a) ₹ 15,000 (b) ₹ 50,000  
(c) ₹ 25,000 (d) ₹ 1,00,000
- (38) A pays (through any mode other than cash) during the previous year medical insurance premium as under:  
(i) ₹ 28,000 to keep in force an insurance policy on his health and on the health of his wife and dependent children;  
(ii) ₹ 48,000 to keep in force an insurance policy on the health of his parents where his father is a senior citizen.  
Calculate deduction under section 80D.
- (a) ₹ 76,000 (b) ₹ 73,000  
(c) ₹ 50,000 (d) ₹ 25,000

- (39) The total amount of deduction under section 80D on account of preventive health check up of the assessee or his family or parents of the assessee cannot exceed
- (a) ₹ 10,000 (b) ₹ 5,000  
(c) ₹ 15,000 (d) ₹ 20,000
- (40) A pays (through account payee cheque) during the previous year medical insurance premium as under:
- (i) ₹ 28,000 to keep in force an insurance policy on his health and on the health of his wife and dependent children;  
(ii) ₹ 28,000 to keep in force an insurance policy on the health of his father 62 years of age who is non resident.  
Calculate deduction under section 80D.
- (a) ₹ 25,000 (b) ₹ 50,000  
(c) ₹ 56,000 (d) ₹ 33,000
- (41) The maximum amount of deduction in respect of preventive health check up under section 80D is \_\_\_\_\_
- (a) ₹ 5,000 (b) ₹ 15,000  
(c) ₹ 10,000 (d) ₹ 25,000
- (42) The deduction in respect of health insurance premium under section 80D is allowed to \_\_\_\_\_
- (a) Individual (b) Both individual and HUF  
(c) HUF (d) None of these
- (43) The deduction in respect of health insurance premium if insured is senior citizen is \_\_\_\_\_
- (a) ₹ 15,000 (b) ₹ 25,000  
(c) ₹ 50,000 (d) ₹ 30,000
- (44) The deduction in respect of health insurance premium if insured is very senior citizen is -----
- (a) ₹ 15,000 (b) ₹ 25,000  
(c) ₹ 50,000 (d) ₹ 30,000
- (45) In case of senior citizen quantum of deduction u/s 80D is \_\_\_\_\_
- (a) Sum paid or ₹ 30,000 whichever is lower. (b) Sum paid or ₹ 50,000 whichever is higher.  
(c) Sum paid or ₹ 25,000 whichever is lower. (d) Sum paid or ₹ 50,000 whichever is lower.
- (46) The amount of deduction available on the amount paid on account of medical expenditure incurred on the health of the assessee or any member of his family, who is a very senior citizen and no amount has been paid to effect or to keep in force an insurance on the health of such person under section 80D ----
- (a) Nil (b) ₹ 50,000  
(c) ₹ 5,000 (d) ₹ 25,000
- (47) Deduction under section 80D in respect of medical insurance premium is available if the premium paid by any payment mode other than \_\_\_\_\_
- (a) Draft (b) Cash  
(c) Account payee cheque (d) Bearer's cheque
- (48) Mr. Mahesh pays ₹ 35,000 as medical insurance premium by cheque under a scheme framed by GIC, for his mother (aged 65 years and who is dependent upon Mahesh). If her mother is a resident individual what amount of deduction will be allowed to Mahesh from his Gross Total Income \_\_\_\_\_
- (a) ₹ 35,000 (b) ₹ 50,000  
(c) ₹ 25,000 (d) ₹ 75,000
- (49) Rajeev's father is dependent on him and suffering with 90% disability. Rajeev has incurred an amount of ₹ 72,500 in maintaining and medical treatment of his father. The deduction he can claim in his income-tax return for assessment year 2021-22 is -

- (a) ₹ 72,500 (b) ₹ 75,000  
(c) ₹ 1,25,000 (d) None of the above.
- (50) Deduction in respect of medical treatment of dependent being a person suffering from severe disability u/s 80DD is -
- (a) ₹ 75,000 (b) ₹ 60,000  
(c) ₹ 40,000 (d) ₹ 1,25,000
- (51) Under section 80DD, meaning of dependent includes -
- (a) Spouse and children of individual. (b) Parents of individual.  
(c) Brothers and sisters of individual. (d) All of the above.
- (52) Ranjan paid ₹ 25,000 to LIC of India for the maintenance of his disabled son and incurred ₹ 15,000 for the treatment of his handicapped wife who is working in State Bank of India. The deduction allowable to him u/s 80DD is -
- (a) ₹ 15,000 (b) ₹ 25,000  
(c) ₹ 50,000 (d) ₹ 75,000
- (53) Mr. Ram pays ₹ 80,000 for medical treatment of his dependent brother (resident in India and aged 21 years) who is suffering from disability. In this case deduction shall be allowed to Ram to the extent of -
- (a) ₹ 80,000 (b) ₹ 75,000  
(c) ₹ 1,25,000 (d) Nil
- (54) In case of senior citizen the quantum of deduction in respect of medical treatment of prescribed disease under section 80DDB is lower of sum paid or -
- (a) ₹ 40,000 (b) ₹ 1,00,000  
(c) ₹ 60,000 (d) ₹ 50,000
- (55) In case of very senior citizen the quantum of deduction in respect of medical treatment of prescribed disease under section 80DDB is lower of sum paid or -
- (a) ₹ 40,000 (b) ₹ 60,000  
(c) ₹ 50,000 (d) ₹ 1,00,000
- (56) Mr. Kalpesh pays ₹ 75,000 for medical treatment of his dependent father (resident in India and aged 65 years) who is suffering from cancer (prescribed disease). Mr. Kalpesh has been reimbursed ₹ 12,000 from his employer. Mr Kalpesh shall be allowed deduction to the extent of -
- (a) ₹ 1,00,000 (b) ₹ 88,00  
(c) ₹ 63,000 (d) ₹ 40,000
- (57) Mr. Sunder pays ₹ 55,000 for medical treatment of his dependent father (resident in India and aged 65 years) who is suffering from cancer (prescribed disease) and is also severely disabled. In this case deduction shall be allowed to Sunder to the extent of -
- (a) ₹ 55,000 (b) ₹ 1,60,000  
(c) ₹ 1,80,000 (d) ₹ 1,55,000
- (58) Deduction available to an individual in respect of maintenance including medical treatment of a dependent being person with severe disability, when amount incurred in this respect is ₹ 40,000 will be \_\_\_\_\_
- (a) ₹ 40,000 (b) ₹ 50,000  
(c) ₹ 1,25,000 (d) None of the above.
- (59) Deduction in respect of medical treatment of prescribed disease u/ s 80DDB is \_\_\_\_\_
- (a) ₹ 40,000 (b) ₹ 60,000  
(c) ₹ 1,00,000 (d) ₹ 50,000



- (60) The maximum amount of deduction under section 80DDB in respect of Medical treatment of specified disease in case of senior citizen is -
- (a) ₹1,00,000 (b) ₹60,000  
(c) ₹15,000 (d) ₹40,000
- (61) Deduction in respect of interest on loan taken for higher education is available to assessee for
- (a) His higher education. (b) The higher education of his relative.  
(c) Both (a) or (b) (d) None of the above
- (62) For the purpose of section 80E "Relative", in relation to an individual, means-
- (a) The spouse of the individual (b) The children of the individual  
(c) The student for whom the individual is the legal guardian (d) All of these
- (63) The maximum period for which deduction is admissible under section 80E is :
- (a) 1 year (b) 4 years  
(c) 8 years (d) No time limit.
- (64) Suresh works in a technology company. On 1<sup>st</sup> January, 2018, he took a loan of ₹2,40,000 from his company for the education of his daughter. During the year 2020-21, he paid an interest of ₹26,000 towards the said loan and repaid principal component of ₹10,000. The deduction that he can claim under section 80E would be -
- (a) Nil (b) ₹24,000  
(c) ₹46,000 (d) ₹10,000,
- (65) Repayment of interest on loan borrowed from a bank, in respect of purchase of residential house property will be allowed as deduction under section \_\_\_\_\_
- (a) 80C (b) 80G  
(c) 80GG (d) 80EE
- (66) The maximum amount of deduction under Section 80EE in respect of payment of interest on loan taken for residential house property is -
- (a) Nil (b) ₹50,000  
(c) ₹1,00,000 (d) ₹1,50,000.
- (67) For claiming deduction of interest on loan taken for residential house property under Section 80EE, the amount of loan sanctioned for acquisition of the residential house property must not exceed \_\_\_\_\_
- (a) ₹25,00,000 (b) ₹35,00,000  
(c) ₹50,00,000 (d) ₹15,00,000.
- (68) For claiming deduction of interest on loan taken for residential house property under Section 80EE, the value of the residential house property must not exceed \_\_\_\_\_
- (a) ₹25,00,000 (b) ₹35,00,000  
(c) ₹50,00,000 (d) ₹15,00,000.
- (69) Deduction under section 80G is available in respect of -
- (a) Donation made to certain funds or charitable institutions. (b) Rent paid for any residential house occupied by individual.  
(c) Donation for scientific research. (d) Both (a) and (c).

- (70) Deduction in respect of donations to National Defence Fund is allowed under section -
- (a) 80G (b) 80CCG  
(c) 80C (d) None of the above.
- (71) Deduction in respect of donations to Clean Ganga Fund is allowed under section -
- (a) 80 G (b) 80CCG  
(c) 80C (d) None of the above.
- (72) Deduction in respect of donations to the Swachh Bharat Kosh is allowed under section -
- (a) 80G (b) 80CCG  
(c) 80C (d) None of the above.
- (73) Deduction in respect of donations to the National Fund for Control of Drug Abuse is allowed under section -
- (a) 80G (b) 80CCG  
(c) 80C (d) None of the above.
- (74) Mr. Mahesh whose adjusted gross total income is ₹ 1,90,000 pays by account payee cheque ₹ 20,000 as donation to National Children fund the amount of deduction available to him is -
- (a) ₹20,000 (b) ₹ 10,000  
(c) ₹ 19,000 (d) ₹ 9,500
- (75) Mr. Rajeev whose adjusted gross total income is ₹ 1,90,000 pays by account payee cheque ₹ 21,000 as donation to Prime Ministers Drought Relief Fund. The amount of deduction available to him is -
- (a) ₹ 21,000 (b) ₹ 19,000  
(c) ₹ 10,500 (d) ₹ 9,500
- (76) Mr. Kamal whose adjusted gross total income is ₹ 1,90,000 pays by account payee cheque ₹ 21,000 as donation to family planning fund. The amount of deduction available to him is -
- (a) ₹ 21,000 (b) ₹ 19,00  
(c) ₹ 10,500 (d) ₹ 9,500
- (77) Mr. Gaurav whose adjusted gross total income is ₹ 1,90,000 pays by account payee cheque ₹ 21,000 as donation to notified charitable institution. The amount of deduction available to him is -
- (a) ₹ 21,000 (b) ₹ 19,000  
(c) ₹ 10,500 (d) ₹ 9,500
- (78) Mr. Kamal whose adjusted gross total income is ₹ 1,90,000 has donated clothes worth ₹ 21,000 as donation to notified charitable institution. The amount of deduction available to him is -
- (a) ₹ 21,000 (b) ₹ 19,000  
(c) Nil (d) ₹ 9,500
- (79) No deduction shall be allowed under section 80G in respect of donation of any sum exceeding \_\_\_\_\_ unless such sum is paid by any mode other than cash.
- (a) ₹ 20,000 (b) ₹ 2,000  
(c) ₹ 19,000 (d) ₹ 9,500
- (80) The maximum amount of deduction under section 80GG in respect of rent paid is -
- (a) ₹ 2,000 per month (b) ₹ 3,000 per month  
(c) ₹ 5,000 per month (d) ₹ 10,000 per month.

- (81) Brij Mohan, engaged in business, claimed that he paid ₹ 10,000 per month by cheque as rent for his residence. He does not own any residential building. His total income computed before deduction under section 80GG is ₹ 3,40,000. The amount he can claim as deduction under section 80GG is - (June 2016)
- (a) ₹ 24,000 (b) ₹ 34,000  
(c) ₹ 1,20,000 (d) ₹ 60,000
- (82) Deduction under section 80GG in respect of rent paid is not available to -
- (a) Individual (b) Salaried employee who is in receipt of any HRA from his employer.  
(c) Salaried employee, who is in receipt of house facility from his employer. (d) Both (b) and (c)
- (83) Mr. Kishore a salaried employee whose adjusted gross total income is ₹ 1,90,000 has donated ₹ 21,000 to national rural development fund through account payee cheque. The amount of deduction available to him is -
- (a) ₹ 21,000 (b) ₹ 19,000  
(c) Nil (d) ₹ 9,500
- (84) Mr. Narayan, a salaried employee whose adjusted gross total income is ₹ 1,90,000 has donated ₹ 25,000 to Bhartiya Janta party in cash. The amount of deduction available to him is -
- (a) ₹ 19,000 (b) ₹ 25,000  
(c) Nil (d) ₹ 12,500
- (85) Under the Income-tax Act, 1961, which of the following can claim deduction for any sum contributed during the previous year to a political party or electoral trust -
- (a) Local authority (b) Individual  
(c) Artificial juridical person (d) None of the above.
- (86) The maximum tax holiday period under Section 80IA for undertakings engaged in infrastructure development is -
- (a) 5 years (b) 10 years  
(c) 15 years (d) 20 years
- (87) Eligible business under section 80IE does not include -
- (a) Hotel (below two star category); (b) Adventure and leisure sports including ropeways  
(c) Bio-technology. (d) Manufacturing of information technology hardware.
- (88) Deduction in respect of contribution to political party will :
- (a) be allowed in respect of sum paid by way of (b) not be allowed if payment made in cash cash  
(c) This type of deduction is not allowed whether payment is in cash or not. (d) be allowed if payment made in cash, subject to certain conditions
- (89) The amount of deduction under Section 80JJA is available for a period of \_\_\_\_\_ consecutive assessment years beginning with the assessment year relevant to the previous year in which the business commences.
- (a) 10 Years (b) 5 Years  
(c) 15 years (d) 20 years
- (90) An assessee, being an eligible start-up, whose gross total income includes any profits and gains derived from business which involves innovation, development, deployment or commercialisation of new products, processes or services driven by technology or intellectual property shall be allowed a deduction of an amount equal to of the profits and gains derived from such business.

- (a) @ 10% (b) @20%  
(c) @ 100% (d) @50%
- (91) An assessee whose gross total income of includes any profits and gains derived from the business of developing and building housing projects shall be allowed deduction of an amount equal to-----of the profits and gains derived from such business under Section 80IBA of the Act.
- (a) @10% (b) @20%  
(c) @ 100% (d) @50%
- (92) Deduction under Section 80JJAA is allowed -----of additional employees cost incurred in the course of such business in the previous year.
- (a) @10% (b) @20%  
(c) @30% (d) @50%
- (93) For the purpose of deduction under Section 80JJAA "Additional employee" does not include an employee whose total emoluments are more than ₹-----per month.
- (a) ₹15,000 (b) ₹20,000  
(c) ₹25,000 (d) ₹30,000
- (94) For the purpose of deduction under Section 80JJAA, " Additional employee" does not include an employee employed for a period of less than \_\_\_\_\_days during the previous year;
- (a) 240 (b) 300  
(c) 200 (d) 180
- (95) The maximum amount of deduction in case of consumers cooperative society under section 80P for other business activities is:
- (a) ₹ 50,000 (b) ₹75,000  
(c) ₹1,00,000 (d) ₹1,50,000
- (96) In case of which of the following co-operative society, the deduction u/s 80P is restricted to ₹1,00,000 -
- (a) Consumers' co-operative society (b) Society engaged in collection and disposal of labour  
(c) Society engaged in fishing (d) Society engaged in processing of agricultural produce without the aid of power
- (97) Mr. X has authored a book eligible for deduction u/s 80QQB. The price of book is ₹150 and 10,000 copies of books are sold. He has received royalty @ 25% of the price of book. The amount of deduction admissible u/s 80QQB will be -
- (a) ₹1,00,000 (b) ₹3,75,000  
(c) ₹2,25,000 (d) ₹3,00,000
- (98) An Indian resident patentee is entitled to a deduction under section 80RRB to the extent of -
- (a) 100% of such income (b) 50% of such income  
(c) 100% of such income or ₹3,00,000 whichever is less (d) 50% of such income or ₹3,00,000 whichever is more.
- (99) Deduction available u/s 80RRB in respect of royalty income of patents shall not exceed ₹-----in a previous year.
- (a) ₹3,00,000 (b) ₹12,00,000  
(c) ₹5,00,000 (d) ₹ 10,00,000

(100) Amount of deduction in case of a person with severe disability under section 80U will be:

- (a) ₹ 75,000 (b) ₹ 50,000  
(c) ₹ 1,25,000 (d) ₹ 1,00,000

(101) Deduction available to an individual in respect of interest on saving bank account is \_

- (a) Such Interest Income (b) ₹ 10,000  
(c) Such interest income or ₹ 10,000 which ever is less (d) Such interest income or ₹ 10,000 which ever is more

(102) Mr. X has earned income from salary ₹ 5,00,000, Income from House Property ₹ 1,20,000 and interest on saving bank deposits : ₹ 15,000. He has made investment of ₹ 50,000 in public provident fund. His Total Income is \_\_\_\_\_

- (a) ₹ 5,85,000 (b) ₹ 6,85,000  
(c) ₹ 5,75,000 (d) ₹ 6,20,000

(103) Mr. X has earned income from salary ₹ 5,00,000, Long term capital loss ₹ 1,20,000 and interest on saving bank deposits : ₹ 15,000. He has made investment of ₹ 50,000 in public provident fund. His Total Income is \_\_\_\_\_

- (a) ₹ 4,55,000 (b) ₹ 3,35,000  
(c) ₹ 4,65,000 (d) ₹ 3,45,000

(104) Mr. X, 45 years of age has earned income from salary ₹ 5,00,000, Business Loss ₹ 1,80,000 and Income from house property : ₹ 1,50,000. He has made investment of ₹ 1,50,000 in public provident fund and paid health insurance premium of ₹ 18,000 by cheque. His Total Income is -

- (a) ₹ 3,32,000 (b) ₹ 3,35,000  
(c) ₹ 3,02,000 (d) ₹ 3,05,000

(105) Mr. X, 45 years of age has earned income from salary ₹ 10,00,000 and Income from house property : ₹ 1,50,000. He has made investment of ₹ 1,50,000 in public provident fund and paid health insurance premium of ₹ 18,000 by cheque. He has also paid LIC premium of ₹ 35,000 (capital sum assured : ₹ 3,00,000, policy is taken on 1-4-2016) His Total Income is-

- (a) ₹ 9,55,000 (b) ₹ 9,82,000  
(c) ₹ 9,50,000 (d) ₹ 9,80,000

(106) The maximum amount of deduction under section 80U allowed to a person with 80% or more of one or more disabilities is -

- (a) ₹ 40,000 (b) ₹ 60,000  
(c) ₹ 50,000 (d) ₹ 1,25,000

(107) When a person suffers from severe disability, the quantum of deduction allowable under section 80U is-

- (a) ₹ 50,000 (b) ₹ 75,000  
(c) ₹ 1,25,000 (d) ₹ 1,00,000

(108) The following is not allowed as deduction under section 80TTA \_

- (a) Interest on deposits in a savings account with bank upto ₹ 10,000 (b) Interest on time deposits with bank upto ₹ 10,000  
(c) Interest on deposits in a savings account with post office upto ₹ 10,000 (d) Interest on deposits with co-operative society engaged in carrying on the business of banking upto ₹ 10,000.

(109) Deduction in respect of interest on savings accounts under section 80TTA shall be allowed with respect to savings account with \_\_\_\_\_

- (a) Bank (b) Co-operative society  
(c) Post office (d) All of the above

- (110) Alternate minimum tax under section 115JC is not applicable to -
- (a) Company
  - (b) Individual
  - (c) Partnership Firm
  - (d) Association of persons.
- (111) Provision of section 115JC are not at all applicable to -
- (a) LLPs
  - (b) Companies
  - (c) Partnership firms
  - (d) Individuals.
- (112) The provisions of Section 115JC shall be applicable to a person, other than a company, whose regular income-tax payable for a previous year is \_\_\_\_\_ than the alternate minimum tax payable.
- (a) Less
  - (b) More
  - (c) Equal
  - (d) Any of the above.
- (113) Alternate minimum tax shall be payable at rate of :
- (a) 18.5%
  - (b) 15%
  - (c) 20%
  - (d) None of the above.
- (114) Alternate minimum tax rate is levied on:
- (a) Gross total income
  - (b) Total income
  - (c) Adjusted total income
  - (d) Income from business & profession
- (115) Adjusted total income shall be the total income as increased by -
- (a) Deductions claimed under sections 80-IA to 80RRB (other than section 80P).
  - (b) Deduction under section 10AA.
  - (c) Both (a) & (b)
  - (d) Either (a) or (b)
- (116) Provisions of alternate minimum tax shall be applicable when adjusted total income exceeds:
- (a) ₹ 20 lakhs
  - (b) ₹ 50 lakhs
  - (c) ₹ 10 lakhs
  - (d) ₹ 10,000
- (117) The tax credit for alternate minimum tax so allowed shall be carried forward and set-off during \_\_\_\_\_ subsequent assessment year :
- (a) 10
  - (b) 12
  - (c) 20
  - (d) Nil
- (118) For the Assessment Year 2021-22, the amount of tax payable by SEZ as per normal provisions of Income Tax Act is ₹ 4,20,000. Alternate minimum tax payable by it on the adjusted total income comes to be ₹ 4,90,000. Compute the amount of tax payable by the SEZ.
- (a) ₹ 4,20,000
  - (b) ₹ 4,90,000
  - (c) ₹ 70,000
  - (d) Nil
- (119) In the above case, tax credit for alternate minimum tax so paid shall be allowed to be carried forward and set-off till :
- (a) AY. 2036-37
  - (b) AY.2030-31
  - (c) AY. 2032-33
  - (d) AY.2026-27
- (120) As per section 13A, income earned by a political party eligible for exemption are:
- (a) Income from house property.
  - (b) Income from capital gains.
  - (c) Income from voluntary contributions received and income from other sources.
  - (d) All of the above.

(122) Voluntary contributions received by electoral trusts during the p/y 2020-21 is -

- (a) Fully taxable (b) Fully exempt from tax  
 (c) Exempt only if the trust distributes to a registered political party during the year, 95% of the aggregate donations received by it. (d) None of the above.

### **ANSWER KEY**

1.b	2.b	3.a	4.b	5.b	6.a	7.c	8.b	9.d	10.c
11.b	12.a	13.a	14.a	15.b	16.d	17.c	18.d	19.a	20.b
21.d	22.a	23.b	24.a	25.a	26.b	27.a	28.c	29.c	30.d
31.d	32.d	33.c	34.d	35.c	36.d	37.d	38.b	39.b	40.b
41.a	42.b	43.c	44.c	45.d	46.b	47.b	48.a	49.c	50.d
51.d	52.d	53.b	54.b	55.d	56.c	57.c	58.c	59.a	60.a
61.c	62.a	63.c	64.a	65.d	66.b	67.b	68.c	69.a	70.a
71.a	72.a	73.a	74.a	75.c	76.b	77.d	78.c	79.b	80.c
81.d	82.b	83.a	84.c	85.b	86.b	87.a	88.b	89.b	90.c
91.c	92.c	93.c	94.a	95.c	96.a	97.c	98.c	99.a	100.c
101.c	102.c	103.a	104.a	105.b	106.b	107.c	108.b	109.d	110.a
111.b	112.a	113.a	114.c	115.c	116.a	117.a	118.b	119.a	120.d
121.d	122.c								

**CHAPTER – 13**  
**TAX DEDUCTED AT SOURCE**

**Sections covered in this chapter**

<b>Sec 191</b>	Direct payment
<b>Sec 192</b>	TDS on salary
<b>Sec 193</b>	TDS on interest on security
<b>Sec 194</b>	TDS on dividend
<b>Sec 194A</b>	TDS on other interest
<b>Sec 194B</b>	TDS on lottery, crossword puzzles etc
<b>Sec 194BB</b>	TDS on horse races
<b>Sec 194C</b>	TDS on contractor
<b>Sec 194D</b>	TDS on insurance commission
<b>Sec 194E</b>	TDS on payment to NR sportsman or sports Association
<b>Sec 194G</b>	TDS on commission on sale of lottery tickets
<b>Sec 194H</b>	TDS on commission & Brokerage
<b>Sec 194I</b>	TDS on rent
<b>Sec 194 IA</b>	TDS on acquisition of immovable property
<b>Sec 194J</b>	TDS on fees for professional/technical services
<b>Sec 194LA</b>	TDS on compulsory acquisition of immovable property
<b>Sec 195</b>	TDS on Non resident
<b>Sec 195A</b>	Tax free payments
<b>Sec 196</b>	No TDS if payments to specified payees
<b>Sec 197</b>	Certificate for no TDS/lower rates
<b>Sec 197A</b>	Self declaration
<b>Sec 198</b>	TDS is deemed Income
<b>Sec 199</b>	Credit of TDS
<b>Sec 200</b>	Duty of person deducting tax
<b>Sec 201</b>	Consequences of failure to Deduct/Pay TDS
<b>Sec 203</b>	TDS certificates
<b>Sec 203A</b>	TAN
<b>Sec 203AA</b>	Annual Tax deduction/Deposit statement
<b>Sec 205</b>	Bar against direct demand on Assessee
<b>Sec 206AA</b>	Deductee to disclose PAN



### Sec 191 : Direct Payment

- Where **Tax has not been deducted**
- as per provisions of TDS
- Income tax shall be payable
- **By the assessee directly as advance tax or otherwise**

#### Special point :

1. For the purposes of paying income-tax directly by the assessee if the income of the assessee in any assessment year wef A/Y 21/22, includes income of the nature specified u/s 17(2)(vi) and such specified security or sweat equity shares referred to in the said clause are allotted or transferred directly or indirectly by the current employer, being an eligible start-up referred to in section 80-IAC, the income-tax on such income shall be payable by the assessee within 14 days—

- (i) after the expiry of 48 months from the end of the relevant A/Y; or
- (ii) from the date of the sale of such specified security or sweat equity share by assessee; or
- (iii) from the date of the assessee ceasing to be the employee of the employer who allotted or transferred him such specified security or sweat equity share, whichever is the earliest.

2. If any person who is required to deduct any sum in accordance with the provisions of this Act or does not deduct, or after so deducting fails to pay whole/any part of tax but the **assessee has paid such tax directly**, then, such person **shall not be deemed** to be an assessee in default u/s 201

### Sec 192 : TDS on Salary

1.	<b>Type of Payment</b>	<b>Salary</b>
2.	<b>Payer</b>	Any employer
3.	<b>Payee</b>	Any Employee
4.	<b>Time of TDS</b>	Payment
5.	<b>Rate of TDS</b>	Slab rates + Health & Education cess
7.	<b>Exemption Limit</b>	₹2,50,000, ₹3,00,000, ₹5,00,000 (as the case may be ) or ₹2,50,000 in case covered u/s 115BAC
6.	<b>Other provisions</b>	<p>Where a person employed with <b>more than one employer</b>, may furnish details of previous salary to other employer.</p> <p>Employee may also disclose <b>other income</b> &amp; TDS on them or <b>loss from HP</b> for same p/y to employer</p> <p><b>In both cases employer shall take the above and then deduct tax</b></p>

**Special point :**

*1. The payer shall, for the purposes of estimating income of the assessee or computing tax deductible, shall obtain from the assessee the evidence or proof or particulars of prescribed claims (including claim for set-off of loss) under the provisions of the Act in such form and manner as may be prescribed.*

2. For the purposes of deducting or paying tax u/s 192, a person, being an eligible start-up u/s 80-IAC, responsible for paying any income to assessee being perquisite of the nature specified u/s 17(2)(vi) in any p/y relevant to the assessment year, beginning A/Y 21/22, shall deduct or pay, as the case may be, tax on such income within 14 days—

(i) after the expiry of 48 months from the end of the relevant assessment year; or

(ii) from the date of the sale of such specified security or sweat equity share by the assessee; or

(iii) from the date of the assessee ceasing to be the employee of the person,

whichever is the earliest, on the basis of rates in force for the financial year in which the said specified security or sweat equity share is allotted or transferred.

<b>Sec 194 : <u>TDS on Dividend</u></b>
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1.	<b>Type of Payment</b>	Any dividend(actual or deemed u/s 2(22))
2.	<b>Payer</b>	principal officer of Domestic company
3.	<b>Payee</b>	Resident
4.	<b>Time of TDS</b>	Payment
5.	<b>Rate of TDS</b>	10% 14.05.2020 to 31.03.2021 : 7.5%
6.	<b>Exemption Limit</b>	NO TDS if payment to Individual shareholder by any mode other than cash & if aggregate of dividend distributed or paid or likely to be distributed or paid during the f/y by does not exceed `5,000  <b>NO TDS for dividend paid to</b> (a) LIC of India (b) General Insurance Corporation of India (c) any other insurer in respect of any shares owned by it or in which it has full beneficial interest.

**Sec 193 : TDS on Interest on Security : Refer Income from other sources**

**Sec 194A : TDS on Other Interest : Refer Income from other sources**

**Sec 194B : TDS on Lottery Income etc : Refer Income from other sources**

**Sec 194BB : TDS on Horse Races etc : Refer Income from other sources**

**Sec 192A : TDS on Provident Fund Payment**

<b>1.</b>	<b>Type of Payment</b>	Payment of Recognised Provident fund Balance [Which is not exempt u/s 10(12)]
<b>2.</b>	<b>Payer</b>	Trustees under EPF Act, 1952
<b>3.</b>	<b>Payee</b>	Employee
<b>4.</b>	<b>Time of TDS</b>	Payment
<b>5.</b>	<b>Rate of TDS</b>	10% TDS @ Maximum Marginal rate if payee does not disclose his PAN to Payer
<b>6.</b>	<b>Exemption Limit</b>	Less than 50,000

**Sec 194 C : Payment to Work Contractor**

1.	Type of Payment	Payment to Work Contractor/Sub contractor
2.	Payer	Any person ( <i>Ind/HUF only if total sales, gross receipts or turnover from business exceeds 1.5 crores or from profession exceeds fifty 50 lakhs</i> )
3.	Payee	Resident Contractor
4.	Time of TDS	Payment or credit, earlier
5.	Rate of TDS	<p>Contractor Ind/HUF : 1%      14.05.2020 to 31.03.2021 : 0.75%  Other case : 2%              14.05.2020 to 31.03.2021 : 1.5%</p> <p><i>NO TDS for payment of transportation expenses to contractor if owns upto 10 goods carriages at any time during P/Y &amp; discloses his PAN</i></p>
6.	Exemption Limit	₹30,000 per payment & ₹1,00,000 in aggregate for financial year
7.	Other provisions	<p>No TDS by Ind/HUF if payment for personal purpose</p> <p>Work shall include—</p> <ul style="list-style-type: none"> <li>(a) advertising;</li> <li>(b) broadcasting &amp; telecasting including production of programmes for such broadcasting or telecasting;</li> <li>(c) carriage of goods or passengers by any mode of transport other than by railways;</li> <li>(d) catering;</li> <li>(e) manufacturing or supplying product according to requirement of customer by using material purchased from such customer or its associate, being a person placed similarly in relation to such customer as is the person placed in relation to the assessee u/s 40A(2)(b),</li> </ul> <p>but does not include manufacturing or supplying a product according to requirement of a customer by using material purchased from a person, other than such customer or associate of such customer.</p>

**Sec 194 D : TDS on Insurance Commission**

1.	<b>Type of Payment</b>	Insurance commission
2.	<b>Payer</b>	Any person
3.	<b>Payee</b>	Resident
4.	<b>Time of TDS</b>	Payment or credit, whichever earlier
5.	<b>Rate of TDS</b>	10% 14.05.2020 to 31.03.2021 : 3.75%
6.	<b>Exemption Limit</b>	Aggregate ₹15,000 in a Previous Year

**Sec 194 E : TDS on Payment to Non Resident Sportsmen/Sport Association**

1.	<b>Type of Payment</b>	<b>Income u/s 115BBA</b>
2.	<b>Payer</b>	Any person
3.	<b>Payee</b>	Non resident sportsmen/Sport association <i>or Entertainer</i>
4.	<b>Time of TDS</b>	Payment or credit, whichever earlier
5.	<b>Rate of TDS</b>	20%
6.	<b>Exemption Limit</b>	NIL

**Sec 115BBA : Income of Non Resident Sportsmen/Sport Association**

(1) Where the total income of an assessee being

(a) A sportsman (including athlete), who is foreign citizen & non-resident, includes any income from

- Participation in India in any game (other than casual income u/s 115BB) or sport or
- Advertisement or
- Contribution of articles relating to any game or sport in India in newspapers, magazines or journals

(b) A non-resident sports association, (other than casual income u/s 115BB) ,

(c) An entertainer,(foreign Citizen & non-resident) includes any income from his performance in India.

Such income shall be taxable @ **20%**

(2) It shall not be necessary for assessee to furnish a return of his income u/s 139(1) if

- His total income during P/Y consisted only of income referred to as above and
- TDS was deducted u/s 194E

**Sec 194 G : TDS on lottery Commission**

1.	Type of Payment	Commission on sale of lottery ticket
2.	Payer	Any person
3.	Payee	Any person
4.	Time of TDS	Payment or credit, whichever earlier
5.	Rate of TDS	5% 14.05.2020 to 31.03.2021 : 3.75%
6.	Exemption Limit	₹ 15,000

**Sec 194 H : TDS on Commission/Brokerage**

1.	Type of Payment	Commission/Brokerage
2.	Payer	Any person (Ind/HUF only if total sales, gross receipts or turnover from business exceeds 1.5 crores or from profession exceeds fifty 50 lakhs)
3.	Payee	Resident
4.	Time of TDS	Payment or credit, whichever earlier
5.	Rate of TDS	5% 14.05.2020 to 31.03.2021 : 3.75%
6.	Exemption Limit	Aggregate ₹15,000 in P/Y

**Sec 194 I : Payment of Rent**

1.	Type of Payment	Rent
2.	Payer	Any person (Ind/HUF only if total sales, gross receipts or turnover from business exceeds 1.5 crores or from profession exceeds fifty 50 lakhs)
3.	Payee	Resident
4.	Time of TDS	Payment or credit, earlier
5.	Rate of TDS	<u>Rent of P&amp;M</u> : 2 % <u>Rent of L&amp;B or F/F</u> : 10% 14.05.2020 to 31.03.2021 : 1.5% 14.05.2020 to 31.03.2021 : 7.5%
6.	Exemption Limit	Aggregate ₹2,40,000 in P/Y  No deduction shall be made under this section where rent is paid to real estate investment trust, in respect of any real estate asset, owned directly by such business trust.

**Sec 194 IB : Payment of Rent**

1.	Type of Payment	<b>Rent of land/Building</b>
2.	Payer	Individual/HUF not subjected to tax audit in last p/y
3.	Payee	Resident
4.	Time of TDS	Credit to A/C of payee for last month of p/y or last month of tenancy, if property vacated, or payment earlier.
5.	Rate of TDS	5% <b>14.05.2020 to 31.03.2021 : 3.75%</b>
6.	Exemption Limit	₹50,000pm
7.	Conditions	1.No TAN required by payer 2.If section 206AA, is applicable, deduction shall not exceed rent payable for last month of p/y or last month of tenancy

**Sec 194 IC : Consideration under collaboration agreement**

1.	Type of Payment	<b>Consideration(Monetary), under collaboration agreement u/s 45(5A)</b>
2.	Payer	Any person
3.	Payee	Individual or HUF,Resident
4.	Time of TDS	Payment or credit,earlier
5.	Rate of TDS	10% <b>14.05.2020 to 31.03.2021 : 7.5%</b>
6.	Exemption Limit	Nil
7.	Conditions	1.No TAN required by payer 2.If section 206AA, is applicable, deduction shall not exceed rent payable for last month of p/y or last month of tenancy

**Sec 194 J : TDS on fees for Professional / Technical services/ Royalty**

1.	Type of Payment	Fees for Professional/Technical services/Royalty/ Remuneration to non employee director/Non compete fees
2.	Payer	Any person <i>(Ind/HUF only if total sales, gross receipts or turnover from business exceeds 1.5 crores or from profession exceeds fifty 50 lakhs)</i>
3.	Payee	Resident
4.	Time of TDS	Payment or credit, whichever earlier
5.	Rate of TDS	2% if payment to person engaged only in business of call centre <b>14.05.2020 to 31.03.2021 : 1.5%</b> 2% for fees for technical services (not being professional services) <b>14.05.2020 to 31.03.2021 : 1.5%</b> 2% for royalty where such royalty as consideration for sale, distribution or exhibition of cinematographic films <b>14.05.2020 to 31.03.2021 : 7.5%</b> 10% in other case <b>14.05.2020 to 31.03.2021 : 7.5%</b>
6.	Exemption Limit	Aggregate ₹30,000 in a P/Y for each payment

7.	<b>Other provisions</b>	No TDS by Ind/HUF if payment for personal purpose
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**Sec 194K : TDS on Income in respect of units**

1.	<b>Type of Payment</b>	Any income in respect of units of a Mutual Fund
2.	<b>Payer</b>	Any person
3.	<b>Payee</b>	Resident
4.	<b>Time of TDS</b>	Payment or Credit, earlier
5.	<b>Rate of TDS</b>	10% <b>14.05.2020 to 31.03.2021 : 7.5%</b>
6.	<b>Exemption Limit</b>	(i) where the amount of such income/aggregate of amounts of such income credited or paid or likely to be credited or paid during f/y by the person responsible for making the payment to the account of, or to, the payee does not exceed `5,000 or (ii) if the income is of the nature of capital gains.

**Sec 194 IA : TDS on Payment for Transfer of Immovable property other than Compulsory Acquisition**

1.	<b>Type of Payment</b>	Consideration for transfer of any Immovable Property (other than Rural Agricultural land)
2.	<b>Payer</b>	Any Person
3.	<b>Payee</b>	Resident
4.	<b>Time of TDS</b>	Payment or credit, earlier
5.	<b>Rate of TDS</b>	1% <b>14.05.2020 to 31.03.2021 : -0.75%</b>
6.	<b>Exemption Limit</b>	Consideration less than ₹50,00,000 in P/Y
7.	<b>Conditions</b>	Deductor need not apply for TAX DEDUCTION ACCOUNT NUMBER(TAN) Consideration for transfer of immovable property shall include all charges like club membership fee, car parking fee, electricity or water facility fee, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of immovable property.

**Sec 194 LA : TDS on Compensation on Compulsory Acquisition of Immovable Property**

1.	<b>Type of Payment</b>	<b>Compensation on Acquisition of Immovable Property (other than Rural Agriculture land)</b>
2.	<b>Payer</b>	<b>Any person</b>
3.	<b>Payee</b>	Resident



4.	<b>Time of TDS</b>	Payment or credit, whichever earlier
5.	<b>Rate of TDS</b>	10% <b>14.05.2020 to 31.03.2021 : 7.5%</b>
6.	<b>Exemption Limit</b>	<b>₹2,50,000</b> No TDS if payment under award/ agreement exempted from levy of income-tax u/s 96 of Right to Fair Compensation & Transparency in Land Acquisition, Rehabilitation & Resettlement Act, 2013

### **194LBA : Certain income from units of a business trust**

(1) Where any distributed income referred u/s 115UA, being of the nature referred to in clause (23FC) or clause (23FCA) of **section 10**, is payable by a business trust to its unit holder being a resident, the person responsible for making the payment shall at the time of credit of such payment to the account of the payee or at the time of payment thereof in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon @ 10%.

(2) Where any distributed income referred u/s 115UA, being of the nature referred u/s 10(23FC), is payable by a business trust to its unit holder, being a non-resident (not being a company) or a foreign company, the person responsible for making the payment shall at the time of credit of such payment to the account of the payee or at the time of payment thereof in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon at the rate of 5% in case of income of the nature referred to in sub-clause (a) and 10% in case of income of the nature referred to in sub-clause (b), of the said clause.

(2A) Nothing contained in sub-sections (1) and (2) shall apply in respect of income of the nature referred to in sub-clause (b) of clause (23FC) of **section 10**, if the special purpose vehicle referred to in the said clause has not exercised the option u/s 115BAA.

(3) Where any distributed income referred u/s 115UA, being of the nature referred u/s 10(23FCA), is payable by a business trust to its unit holder, being a non-resident (not being a company), or a foreign company, the person responsible for making the payment shall at the time of credit of such payment to the account of the payee or at the time of payment thereof in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax thereon at the rates in force

### **Sec 194M : Payment of certain sums by certain Individuals or HUF**

(1) Individual or HUF (other than who are required to deduct TDS u/s 194C, u/s 194H or u/s 194J)

- responsible for paying any sum to resident for carrying out any work (including supply of labour for carrying out any work) in pursuance of a contract, by way of commission (not being insurance commission u/s 194D) or brokerage or by way of fees for professional services during F/Y,
- shall, at the time of credit of such sum or at the time of payment, whichever is earlier,

- deduct an amount @ 5% of such as income-tax thereon: 14.05.2020 to 31.03.2021 : 3.75%

Provided that no such deduction under this section shall be made if aggregate of such sum during a f/y does not exceed ₹50 lakhs.

(2) The provisions of section 203A shall not apply to a person required to deduct tax in accordance with the provisions of this section.

### **Sec194N : Payment of certain amounts in cash**

Every person, being,—

(i) Banking company to which Banking Regulation Act, 1949 applies including any bank or banking institution referred to in section 51 of that Act

(ii) Co-operative society engaged in carrying on the business of banking; or

(iii) Post office,

- paying aggregate sum, in cash, in excess of ₹1 crore during p/y, to any person
- from one or more accounts maintained by recipient with it shall,
- at the time of payment of such sum,
- deducts amount @ 2% of sum exceeding ₹1 crore, as income-tax:

Provided that in case of a recipient who has not filed the returns of income for all of the three assessment years relevant to the three p/y, for which the time limit of file return of income u/s 139(1) has expired, immediately preceding the previous year in which the payment of the sum is made to him, the provision of this section shall apply with the modification that—

(i) the sum shall be the amount or the aggregate of amounts, as the case may be, in cash exceeding ₹20 lakhs during the p/y ; and

(ii) the deduction shall be—

(a) @2% of the sum where the amount or aggregate of amounts, as the case may be, being paid in cash exceeds 20 lakhs during the p/y but does not exceed ₹1 crore or

(b) @5% of the sum where the amount or aggregate of amounts, as the case may be, being paid in cash exceeds ₹1 crore during the p/y:

Provided that nothing contained in this sub-section shall apply to any payment made to,—

- (i) Government;
- (ii) Banks or post office;
- (iii) any business correspondent of bank
- (iv) any white label ATM operator of bank

Provided further that the Central Government may specify in consultation with the Reserve Bank of India, by notification in the Official Gazette, the recipient in whose case the first proviso shall not apply or apply at reduced rate, if such recipient satisfies the conditions specified in such notification

*Central Government has specified*

1. **Cash Replenishment Agencies (CRA's) and Franchise agents of White Label ATM Operators (WLATMO's)**  
maintaining a separate bank account from which withdrawal is made only for the purposes of replenishing cash in ATM's operated by such WLATMO's.
2. **Commission agent or Trader, operating under Agriculture Produce Market Committee (APMC), and registered under any Law relating to Agriculture Produce Market of concerned State,**  
who has intimated his account number through which he wishes to withdraw cash in excess of `1 crore in p/y along with his PAN and the details of p/y and has certified to the banking company or co-operative society or post office that the withdrawal of cash from the account in excess of `1 crore during p/y is for the purpose of making payments to farmers on account of purchase of agriculture produce.
3. **Authorised dealer and its franchise agent and sub-agent and Full-Fledged Money Changer (FFMC) licensed by the RBI and its franchise agent**

Such persons should maintain a separate bank account from which withdrawal is made only for the purposes of -

- (i) purchase of foreign currency from foreign tourists or non-residents visiting India or from resident Indians on their return to India, in cash as per the directions or guidelines issued by RBI or
- (ii) disbursement of inward remittances to the recipient beneficiaries in India in cash under Money Transfer Service Scheme (MTSS) of the RBI.

**Sec 194O : Payment of certain sums by e-commerce operator to e-commerce participant.**

(1) Notwithstanding anything to the contrary contained in any of the provisions of Part B of this Chapter, where sale of goods or provision of services of an e-commerce participant is facilitated by an e-commerce operator through its digital or electronic facility or platform (by whatever name called), such e-commerce operator shall, at the time of credit of amount of sale or services or both to the account of an e-commerce participant or at the time of payment thereof to such e-commerce participant by any mode, whichever is earlier, deduct income-tax at the rate of 1%.(14.05.2020 to 31.03.2021 : 0.75%) of the gross amount of such sales or services or both.

**Explanation.**—For the purposes of this sub-section, any payment made by a purchaser of goods or recipient of services directly to an e-commerce participant for the sale of goods or provision of services or both, facilitated by an e-commerce operator, shall be deemed to be the amount credited or paid by the e-commerce operator to the e-commerce participant and shall be included in the gross amount of such sale or services for the purpose of deduction of income-tax under this sub-section.

(2) No deduction under sub-section (1) shall be made from any sum credited or paid or likely to be credited or paid during the previous year to the account of an e-commerce participant, being an individual or Hindu undivided family, where the gross amount of such sale or services or both during the previous year does not exceed five lakh rupees and such e-commerce participant has furnished his PAN or Aadhaar number to the e-commerce operator.

(3) Notwithstanding anything contained in Part B of this Chapter, a transaction in respect of which tax has been deducted by the e-commerce operator under sub-section (1), or which is not liable to deduction under sub-section (2), shall not be liable to tax deduction at source under any other provision of this Chapter: Provided that the provisions of this sub-section shall not apply to any amount or aggregate of amounts received or receivable by an e-commerce operator for hosting advertisements or providing any other services which are not in connection with the sale or services referred to in sub-section (1).

(4) If any difficulty arises in giving effect to the provisions of this section, the Board may, with the approval of the Central Government, issue guidelines for the purpose of removing the difficulty.

(5) Every guideline issued by the Board under sub-section (4) shall be laid before each House of Parliament, and shall be binding on the income-tax authorities and on the e-commerce operator.

(6) For the purposes of this section, e-commerce operator shall be deemed to be the person responsible for paying to e-commerce participant.

*Explanation : For the purposes of this section,—*

(a) “electronic commerce” means the supply of goods or services or both, including digital products, over digital or electronic network;

(b) “e-commerce operator” means a person who owns, operates or manages digital or electronic facility or platform for electronic commerce;

(c) “e-commerce participant” means a person resident in India selling goods or providing services or both, including digital products, through digital or electronic facility or platform for electronic commerce;

(d) “services” includes “fees for technical services” and fees for “professional services”, as defined in the Explanation to section 194J.’

**Sec 195 : TDS on Payment to Non Resident**

1.	<b>Type of Payment</b>	Payment other than salary
2.	<b>Payer</b>	<b>Any person</b>
3.	<b>Payee</b>	Non resident
4.	<b>Time of TDS</b>	Payment or credit, whichever earlier
5.	<b>Rate of TDS</b>	Prescribed rates

**Sec 195A : Tax Free Payments**

- Where under an agreement
- **TDS** is to be borne by **Payer**
- Then Payment made to payee
- will be treated as **net amount after TDS**

$$\text{Gross Amount to be included in Total Income} = \frac{\text{Net Amount Received} \times 100}{100 - \text{TDS rate}}$$

$$\text{TDS} = \text{Gross Amount} - \text{Net Amount}$$

**Sec 196 : No TDS if payments to Specified Payee**

No deduction of tax shall be made by any person from any sums payable to

- ✓ **Government**
- ✓ **Reserve Bank of India**
- ✓ **Corporation** established under **Central Act** which is exempt from income-tax on its income
- ✓ **Mutual Fund** specified u/s 10(23D)

**Sec 197 : Certificate for No deduction or deduction at lower rates**

- Assessee can make an application to AO
- For deduction of tax at lower rates/No deduction (*Except for Sec 194B , 194BB , 194E*)
- AO is satisfied that assessee application is justified
- Grant the assessee a certificate for deduction of tax at lower rates/No deduction

**Special Point:**

1. Upon furnishing of such certificate ,person responsible for deducting tax shall deduct tax at lower rates or deduct no tax, as the case may be.
2. Certificate will be valid until it is cancelled by AO

**Sec 197A : Self Declaration for No deduction of Tax**

- **Individual**, who is **resident** in India
- having income liable for deduction u/s **193, 194 or 194A or 194I**
- furnishes **declaration** in writing
- In **duplicate** in **prescribed form** to the payer
- **no deduction of tax** shall be made by Payer

**Special point : This declaration shall be made only if**

- a) **Tax** on his **estimated Total income** of the previous year is **NIL** &
- b) Aggregate **such incomes** during previous year **does not exceed Exemption limit**

**Sec 198 : Tax deducted is Income Received**

- All sums deducted under TDS provisions shall
- for the purpose of computing the income of an assessee
- be deemed to be income received

**Special point :**

This section is not applicable if payment u/s 192(1A) is applicable (i.e Tax on non monetary perquisite paid by employer is not deemed as income of employee)

**Sec 199 : Credit for Tax Deducted**

- ✓ Any TDS deducted & paid to Central Government by payer
- ✓ Shall be treated as **payment of tax on behalf of payee &**
- ✓ Payee shall get the **Credit of Tax deducted**

**Sec 201 : Consequences of Failure to Deduct / Pay TDS**

- ✓ Where any person
- ✓ who is required to deduct TDS
- ✓ **does not deduct**, or **after deducting fails to pay**
- ✓ the **whole** or **any part** of the tax
- ✓ then, such person be deemed to be an **Assessee in default** and liable to **Penalty u/s 221** upto the amount of **Tax in Arrears** and
- ✓ ***Liable to pay Interest @ 1% pm or part***
- ✓ ***for period from Due date of deduction TO Date of actual Deduction AND***
- ✓ ***Interest @ 1.5% Pm or part***
- ✓ ***for the period from Date of actual deduction TO Date of actual deposit***
- ✓ ***and such interest shall be paid before furnishing the statement u/s 200***

**Sec 203 : Certificate for Tax Deducted**

- ✓ Every person deducting TDS
- ✓ Shall, within **Prescribed period & Prescribed form**
- ✓ furnish to Payee
- ✓ a Certificate of deduction
  - Specifying the amount so deducted
  - Rate of TDS and
  - Other prescribed particulars

**Sec 203A : Tax deduction Account Number (TAN)**

- ✓ Every person, liable to deduct tax
- ✓ Shall apply to the Assessing Officer
- ✓ for the allotment of TAN in **prescribed form**
- ✓ TAN shall be quoted in all
- ✓ **Challans** for the Deposit of TDS
- ✓ **Certificates** furnished under section 203
- ✓ **Statements** u/s section 200
- ✓ other documents

**Sec 205 : Bar against direct demand on Assessee**

- ✓ **Where tax is deductible**
- ✓ assessee shall not be called upon to pay the tax himself
- ✓ to the extent to which **tax has been deducted from that income**

**Sec 206AA : Requirement to furnish Permanent Account Number**

- ✓ Any person entitled to receive any amount on which tax is deductible (Deductee)
- ✓ shall furnish his **Permanent Account Number** (PAN)
- ✓ to the person responsible for deducting such tax (Deductor)

*If Deductee does not disclose his PAN, TDS will be deducted at **Higher of the following rate***

- **Applicable TDS rate or 20%**

*Provided that where the tax is required to be deducted u/s 194O, instead of "20%", it is "5%."*

**MISSL PROVISIONS**
**1. Sec 206C : Tax Collected at Source (TCS)**

Every person, being a seller shall, at the time of debiting of the amount payable by the buyer to the account of the buyer or at the time of receipt of such amount from the said buyer in cash or by the issue of a cheque or draft or by any other mode, whichever is earlier, collect from the buyer of goods, a sum equal to the specified percentage of such amount as income-tax

**Following are the items on which collection of TCS applicable:**

**Category A**

1. Alcoholic liquor for human consumption : 1%
2. Tendu leaves : 5%
3. Timber obtained under a forest lease : 2.5%
4. Timber obtained by any mode other than under a forest lease : 2.5%
5. Any other forest produce not being timber or tendu leaves : 2.5%
6. Scrap : 1%
7. Minerals being coal or lignite or iron ore : 1%
8. Scrap Batteries : 1%

**Category B (grant of lease/license of the following)**

Parking lot, toll plaza, mining and quarrying : 2%



**Category C**

Bullion exceeding 2 lakhs, jewellery exceeding 5 lakhs, other goods & services exceeding 2 lakhs : 1%

**Category D**

Motor vehicle exceeding 10 lakhs : 1%

*Every person,—*

*(a) being an authorised dealer, who receives an amount, for remittance out of India from a buyer, being a person remitting such amount out of India under the Liberalised Remittance Scheme of the RBI;*

*(b) being a seller of an overseas tour program package, who receives any amount from a buyer, being the person who purchases such package,*

*shall, at the time of debiting the amount payable by the buyer or at the time of receipt of such amount from the said buyer, by any mode, whichever is earlier, collect from the buyer, a sum equal to 5% of such amount as income-tax:*

***Provided*** that the authorised dealer shall not collect the sum, if the amount or aggregate of the amounts being remitted by a buyer is less than 7 lakh in a f/y and is for a purpose other than purchase of overseas tour program package:

***Provided further*** that the sum to be collected by an authorised dealer from the buyer shall be equal to 5% of the amount or aggregate of the amounts in excess of 7 lakh remitted by the buyer in a financial year, where the amount being remitted is for a purpose other than purchase of overseas tour program package:

***Provided also*** that the authorised dealer shall collect a sum equal to 1.5% of the amount or aggregate of the amounts in excess of 7 lakh remitted by the buyer in a financial year, if the amount being remitted out is a loan obtained from any financial institution as defines u/s 80E, for the purpose of pursuing any education:

***Provided also*** that the authorised dealer shall not collect the sum on an amount in respect of which the sum has been collected by the seller:

***Provided also*** that the provisions of this sub-section shall not apply, if the buyer is,—

*(i) liable to deduct tds under any other provision of this Act and has deducted such amount;*

(ii) *the Central Government, a State Government, an embassy, a High Commission, a legation, a commission, a consulate, the trade representation of a foreign State, a local authority as defined in the Explanation to clause (20) of section 10 or any other person as the Central Government may, by notification in the Official Gazette, specify for this purpose, subject to such conditions as may be specified therein.*

*Every person, being a seller, who receives any amount as consideration for sale of any goods of the value or aggregate of such value exceeding 50 lakh in any p/y, other than the goods being exported out of India or goods covered in sub-section (1) or sub-section (1F) or sub-section (1G) shall, at the time of receipt of such amount, collect from the buyer, a sum equal to 0.1 per cent of the sale consideration exceeding 50 lakh as income-tax:*

**Provided** *that if the buyer has not provided the PAN or the Aadhaar number to the seller, then the provisions of clause (ii) of sub-section (1) of section 206CC shall be read as if for the words "5%", the words "1%" had been substituted:*

**Provided further** *that the provisions of this sub-section shall not apply, if the buyer is liable to deduct tds under any other provision of this Act on the goods purchased by him from the seller and has deducted such amount.*

**Explanation.**—*For the purposes of this sub-section,—*

(a) *"buyer" means a person who purchases any goods, but does not include,—*

*(A) the Central Government, a State Government, an embassy, a High Commission, legation, commission, consulate and the trade representation of a foreign State; or*

*(B) a local authority as defined in the Explanation to clause (20) of section 10; or*

*(C) a person importing goods into India or any other person as the Central Government may, by notification in the Official Gazette, specify for this purpose, subject to such conditions as may be specified therein;*

(b) *"seller" means a person whose total sales, gross receipts or turnover from the business carried on by him exceed ten crore rupees during the financial year immediately preceding the financial year in which the sale of goods is carried out, not being a person as the Central Government may, by notification in the Official Gazette, specify for this purpose, subject to such conditions as may be specified therein.*

**2. 206CC : Requirement to furnish Permanent Account number by collectee**

*(1) Notwithstanding anything contained in any other provisions of this Act, any person paying any sum or amount, on which tax is collectible at source under Chapter XVII-BB (herein referred to as collectee) shall furnish his Permanent Account Number to the person responsible for collecting such tax (herein referred to as collector), failing which tax shall be collected at the higher of the following rates, namely:—*

- (i) at twice the rate specified in the relevant provision of this Act; or*
- (ii) at the rate of 5%.*

**3. Sec 206A : Furnishing of statement of payment of any income to residents without deduction of tax.**

Any banking company or co-operative society or public company referred to in the proviso to section 194A(3) responsible for paying to a resident any income not exceeding ₹40,000, where the payer is a banking company or a co-operative society, and ₹5,000 in any other case by way of interest (other than interest on securities), shall prepare such statement in such form, containing such particulars, for such period, verified in such manner and within such time, as may be prescribed, and deliver or cause to be delivered

**4. Sec 269SU : Acceptance of payment through prescribed electronic modes.**

Every person, carrying on business, shall provide facility for accepting payment through prescribed electronic modes, in addition to the facility for other electronic modes, of payment, if any, being provided by such person, if his total sales, turnover or gross receipts, as the case may be, in business exceeds ₹50 crores during the immediately preceding p/y.

**Rule 119AA :** Every person, carrying on business, if his total sales, turnover or gross receipts, as the case may be, in business exceeds ₹50 crores during the immediately preceding p/y shall provide facility for accepting payment through following electronic modes, in addition to the facility for other electronic modes of payment, if any, being provided by such person, namely:—

- (i) Debit Card powered by RuPay;
- (ii) Unified Payments Interface (UPI) (BHIM-UPI); and
- (iii) Unified Payments Interface Quick Response Code (UPI QR Code) (BHIM-UPI QR Code)..

**5. Sec 271DB : Penalty for failure to comply with provisions of section 269SU.**

*(1) If a person who is required to provide facility for accepting payment through the prescribed electronic modes of payment referred to in section 269SU, fails to provide such facility, he shall be liable to pay, by way of penalty, a sum of ₹5,000, for every day during which such failure continues:*

Provided that no such penalty shall be imposable if such person proves that there were good and sufficient reasons for such failure.

*(2) Any penalty imposable under sub-section (1) shall be imposed by the Joint Commissioner of Income-tax.*

**MULTIPLE CHOICE QUESTIONS****TAX DEDUCTION/COLLECTION AT SOURCE**

- (1) Tax is to be deducted at source under section 192 on salaries at the time of :
- |   |   |
|---|---|
| (a) Payment of salary to the employee   | (b) Crediting the salary to the account of employee   |
| (c) Payment of salary to the employee or Crediting the salary to the account of employee whichever is earlier | (d) Payment of salary to the employee or Crediting the salary to the account of employee whichever is earlier |
- (2) Deduction of tax from salary as per section 192 shall be at -
- |                                      |  |
|--------------------------------------|--|
| (a) 10% of salary                    | (b) The average rate of income-tax computed on the basis of rates in force for the financial year in which the payment is made |
| (c) The maximum marginal rate of 30% | (d) None of the above.   |
- (3) X Ltd. pays salary of ₹ 2,50,000 as salary to Mr. Ram. Mr Ram does not have any other income. The amount of tax deducted at source will be -
- |              |              |
|--------------|--------------|
| (a) ₹ 20,000 | (b) ₹ 10,000 |
| (c) ₹ 20,600 | (d) Nil      |
- (4) X Ltd. pays salary of ₹ 8,20,000 as salary to Mr. Ram. Mr Ram has reported a loss from house property amounting ₹ 2,00,000. The amount on which tax to be deducted at source will be -
- |                |                |
|----------------|----------------|
| (a) ₹ 8,20,000 | (b) ₹ 2,00,000 |
| (c) ₹ 6,20,000 | (d) Nil        |
- (5) X Ltd. pays salary of ₹ 6,00,000 as salary to Mr. Shyam. Mr Shyam has reported a business loss of ₹ 1,50,000 to his employer. The amount on which tax to be deducted at source will be -
- |                |                |
|----------------|----------------|
| (a) ₹ 6,00,000 | (b) ₹ 1,50,000 |
| (c) ₹ 4,50,000 | (d) Nil        |
- (6) X Ltd. pays salary of ₹ 5,00,000 to Mr. Shyam. Mr. Shyam has reported a business loss of ₹ 1,50,000 to his employer. The monthly amount of tax deducted at source will be -
- |             |           |
|-------------|-----------|
| (a) ₹ 1,716 | (b) ₹ 687 |
| (c) ₹ 2,146 | (d) Nil   |
- (7) X Ltd. pays salary of ₹ 6,00,000 as salary to Mr. Kamlesh. Mr. Kamlesh has reported a loss from house property of ₹ 2,00,000 to his employer. The monthly amount of tax deducted at source will be -
- |             |           |
|-------------|-----------|
| (a) ₹ 2,043 | (b) ₹ 858 |
| (c) ₹ 1,288 | (d) Nil   |
- (8) At what rate tax is to be deducted at source u/s 192A in a case where the accumulated balance due to an employee participating in a recognised provident fund is includible in his total income owing to the provisions of rule 8 of Part A of the Fourth Schedule not being applicable if the assessee fails to furnish the permanent account number:
- |         |         |
|---------|---------|
| (a) 20% | (b) 15% |
| (c) 10% | (d) 2%  |
- (9) At what rate tax is to be deducted u/s 192A in a case where the accumulated balance due to an employee participating in a recognised provident fund is includible in his total income owing to the provisions of rule 8 of Part A of the Fourth Schedule not being applicable, in case where the assessee fails to furnish his PAN.
- |            |            |
|------------|------------|
| (a) 31.20% | (b) 42.74% |
| (c) 33.6%  | (d) 30%    |

- (10) No TDS shall be made under section 192A in a case where the accumulated balance due to an employee participating in a recognised provident fund is includible in his total income owing to the provisions of rule 8 of Part A of the Fourth Schedule' not being applicable does not exceed ₹ \_\_\_\_\_
- (a) 30,000 (b) 50,000  
(c) 10,000 (d) 5,000
- (11) The amount of TDS payable on the sum of ₹ 25,000 payable to X Ltd. by Government of India by way of interest on securities owned by it would be -
- (a) ₹ 2,500 (b) ₹ 2,600  
(c) Nil (d) ₹ 7,725
- (12) The amount of TDS payable on the sum of ₹ 25,000 payable to Mr. A by way of securities owned by him of a company listed in recognised stock exchange and issued in dematerialized form would be \_
- (a) ₹ 2,500 (b) ₹ 2,600  
(c) Nil (d) ₹ 7,725
- (13) Mr. X has invested ₹ 10,00,000 in 12% unlisted debentures of ABC Ltd. The gross amount of interest payable by the company is ₹ 1,20,000. The amount of tax deducted at source will be :
- (a) ₹ 12,000 (b) ₹ 24,000  
(c) ₹ 12,360 (d) ₹ 24,720
- (14) Tax shall be deducted @ 10% if the interest payable on 8% Savings (Taxable) Bonds, 2003 exceeds \_\_\_\_\_ during the financial year.
- (a) ₹ 5,000 (b) ₹ 10,000  
(c) ₹ 20,000 (d) ₹ 25,000
- (15) Rohan won a State Government lottery of ₹ 1,00,000 on 11th October, 2020. The government should deduct tax on such winning amounting to -
- (a) ₹ 30,000 (b) ₹ 33,000  
(c) ₹ 33,990 (d) ₹ 30,900
- (16) The person responsible for paying any income by way of winnings from lottery an amount exceeding ₹ 10,000, shall deduct -
- (a) TDS @ 30% (b) TDS @ 30.9%  
(c) TDS @ 10% (d) No TDS.
- (17) While making payment of winnings from horse race, tax will be deducted at source, if the payment exceeds \_\_\_\_\_
- (a) ₹ 5,000 (b) ₹ 10,000  
(c) ₹ 25,000 (d) ₹ 50,000
- (18) X Ltd. pays dividend to its shareholder's. Mr. A resident who is the shareholder of such company receives dividend ₹ 20,000 what will be the amount of TDS payable -
- (a) ₹ 2,000 (b) ₹ 200  
(c) ₹ 420 (d) Nil
- (19) What would be your answer if in the above case, Mr. A receives dividend ₹ 5,000.
- (a) ₹ 500 (b) ₹ 520  
(c) ₹ 5,000 (d) Nil
- (20) M/s. X & Company a partnership firm pays interest ₹ 5,000 to a resident company on loan borrowed from such company. What will be the amount of TDS payable?

- (a) ₹ 2,080 (b) ₹ 1,040  
(c) ₹ 3,120 (d) Nil
- (21) Individual or a Hindu undivided family, whose total sales, gross receipts or turnover from the business exceeds \_\_\_\_ in case of business during the financial year immediately preceding the financial year in which such interest is credited or paid, shall be liable to deduct tax at source under section 194A.
- (a) ₹ 25,00,000 (b) ₹ 1,00,00,000  
(c) ₹ 15,00,000 (d) ₹ 60,00,000
- (22) No tax shall be deducted under Section 194A where the amount of such income or, as the case may be, the aggregate of the amounts of such income credited or paid or likely to be credited or paid during the financial year to the account of, or to, the payee, does not exceed \_\_\_\_\_ where the payer is a banking company (*including any bank or banking institution*).
- (a) ₹ 40,000 (b) ₹ 10,000  
(c) ₹ 25,000 (d) ₹ 5,000
- (23) No tax shall be deducted under Section 194A on such interest income paid by way of interest on the compensation amount awarded by the Motor Accidents Claims Tribunal where the amount of such income or, as the case may be, the aggregate of the amounts of such income paid during the financial year does not exceed ----
- (a) ₹ 10,000 (b) ₹ 15,000  
(c) ₹ 25,000 (d) ₹ 50,000
- (24) No tax shall be deducted under Section 194A to such income credited or paid by a co-operative society (other than a co-operative bank) to \_\_\_\_\_
- (a) a member thereof (b) Neither (a) nor (c)  
(c) any other co-operative society (d) Both (a) and (c)
- (25) Tax is to be deducted at source under section 194B on lottery winnings at the time of:
- (a) Payment of such income to the payee (b) Crediting of such income to the account of payee  
(c) Payment or credit to the account of payee whichever is earlier (d) Payment or credit to the account of payee whichever is later
- (26) Rate of tax deduction at source in case of winnings from camel race will be :
- (a) 30% (b) 20%  
(c) 10% (d) Nil
- (27) Mr. A won a cash prize of ₹ 5,000 from a crossword puzzles published by Rajasthan Patrika. The amount of TDS, payable will be-
- (a) ₹ 1,500 (b) ₹ 2,000  
(c) ₹ 1,000 (d) Nil
- (28) In a contest, Ashwin wins ₹50,000 cash and a motor-cycle worth ₹ 50,000. The amount of TDS will be -
- (a) ₹ 30,000 (b) ₹ 15,000  
(c) ₹ 27,000 (d) ₹ 31,200
- (29) The amount of TDS payable on the sum of ₹50,000 payable to Mr. X by Government of India by way of interest on securities owned by it would be -
- (a) ₹ 2,600 (b) ₹ 5,200  
(c) Nil (d) ₹ 7,725
- (30) Interest ₹ 5,000 is payable to a resident individual on listed debentures through account payee cheque. The TDS payable will be-
- (a) Nil (b) 2% (c) 5% (d) 10%

(31) Rate of tax deduction at source in case of payment in respect of life insurance policy u/s 194DA will be :

- |        |        |
|--------|--------|
| (a) 3% | (b) 2% |
| (c) 1% | (d) 5% |

(32) In case of payment in respect of life insurance policy u/s 194DA, tax is not required to be deducted if the payment is less than \_\_\_\_\_

- |                |                |
|----------------|----------------|
| (a) ₹ 1,00,000 | (b) ₹ 2,00,000 |
| (c) ₹ 5,000    | (d) ₹ 10,000   |

(33) Rate of TDS in case of payment made by a business trust to Unit holder of such business trust being a resident is:

- |         |         |
|---------|---------|
| (a) 30% | (b) 20% |
| (c) 10% | (d) Nil |

(34) Rate of tax deduction at source in case of payment of interest by a business trust to Non-resident, not being a company, or a foreign company is :

- |         |         |
|---------|---------|
| (a) 30% | (b) 20% |
| (c) 10% | (d) 5%  |

(35) In case of payment in respect of commission under section 194G, tax is not required to be deducted if the payment does not exceed \_\_\_\_\_

- |             |                |
|-------------|----------------|
| (a) ₹15,000 | (b) ₹ 2,00,000 |
| (c) ₹5,000  | (d) ₹ 10,000   |

(36) In case of payment in respect of commission u/s 194G, tax is required to be deducted @ \_\_\_\_\_

- |         |         |
|---------|---------|
| (a) 10% | (b) 5%  |
| (c) 30% | (d) 20% |

(37) What will be the amount of TDS in case of commission ₹15,000 payable by Bharat Sanchar Nigam Ltd. to their public call office franchisees ?

- |           |             |
|-----------|-------------|
| (a) ₹ 520 | (b) ₹ 1,040 |
| (c) ₹ 250 | (d) Nil     |

(38) Any person responsible for paying to a non-resident sportsman, who is not a citizen of India referred under section 115BBA shall be liable to deduct tax at source:

- |         |         |
|---------|---------|
| (a) 20% | (b) 40% |
| (c) 30% | (d) 10% |

(39) Mr. Anderson, a British citizen, is non resident entertainer has performed in India and has been paid remuneration of ₹ 10,00,000, The amount of tax deducted at source will be :

- |                |                |
|----------------|----------------|
| (a) ₹ 3,12,000 | (b) ₹ 2,08,000 |
| (c) ₹ 1,04,000 | (d) Nil        |

(40) Any person who is responsible for paying, to any person, who is or has been stocking, distributing, purchasing or selling lottery tickets, any income by way of commission, remuneration or prize on such tickets shall be liable to deduct tax at Source if such amount exceeds,

- |              |              |
|--------------|--------------|
| (a) ₹ 15,000 | (b) ₹ 5,000  |
| (c) ₹ 10,000 | (d) ₹ 20,000 |

(41) Any person, who is responsible for paying, to a resident, any income by way of commission or brokerage, shall be liable to deduct tax at source, in a case where the amount of such income or, as the case may be, the aggregate of the amounts of such income credited or paid or likely to be credited or paid during the financial year to the account of, or to, the payee, exceeds

- (a) ₹ 1,000 (b) ₹ 15,000  
(c) ₹ 10,000 (d) ₹ 20,000
- (42) Any person who is responsible for paying to a resident any income by way of rent shall be liable to deduct tax at source where the amount of such income credited or paid or likely to be credited or paid during the financial year to the account of, or to, the payee, exceeds\_\_\_\_  
(a) ₹ 2,40,000 (b) ₹ 10,000  
(c) ₹ 2,00,000 (d) ₹ 50,000
- (43) Any person who is responsible for paying to a resident any income by way of rent and such income is credited or paid to a\_\_\_\_ being a real estate investment trust, in respect of any real estate asset, referred to in section 10 (23FCA), owned directly by such business trust, TDS provisions will not be attracted.  
(a) Business trust (b) Individual  
(c) Association of persons (d) HUF
- (44) The maximum amount of rent payment where deduction of tax at source u/s 194I is not required in a financial year is \_  
(a) ₹ 1,20,000 (b) ₹ 2,40,000  
(c) ₹ 2,00,000 (d) None of the above.
- (45) Any person, being a transferee, responsible for paying to a resident transferor any sum by way of consideration for transfer of any immovable property shall not be liable to deduct tax at source where the total amount of consideration for the transfer of immovable property is less than \_\_\_\_\_  
(a) ₹ 50,00,000 (b) ₹ 1,00,000  
(c) ₹ 25,00,000 (d) ₹ 10,00,000
- (46) Praveen acquired an urban land from Charulata for ₹ 70 lakh on 10<sup>th</sup> October, 2020. At what rate, tax is deductible at source in respect of such transaction -  
(a) 2% (b) 5%  
(c) 1% (d) 3%
- (47) Compute the amount of tax to be deducted. Interest of ₹ 4,500 paid by XYZ Ltd. to Kalpesh on 15-05-2020, by way of account payee cheque on account of debentures of the company held by them separately. Debentures of XYZ Ltd. are listed in Bombay Stock Exchange.  
(a) Nil (b) 500  
(c) 350 (d) 450
- (48) Compute the amount of tax to be deducted. PQR Ltd. paid ₹20,00,000 to non-resident entertainer on 28-07-2020 in respect performance in an event of promotion of a new product.  
(a) ₹ 4,08,000 (b) ₹ 3,12,000  
(c) ₹ 1,04,000 (d) Nil
- (49) Compute the amount of tax to be deducted. Sports World Magazine paid ₹ 4,00,000 to Ricky Ponting, a non-resident cricketer, for writing an article for the October,2018 issue. The payment for the same was made on 25-06-2020.  
(a) ₹ 83,200 (b) ₹ 41,600  
(c) ₹1,24,800 (d) Nil
- (50) Compute the amount of tax to be deducted. Sitting fees of ₹ 25,700 paid to director of the company on 28-08-2020.  
(a) 2570 (b) 5140  
(c) 257 (d) Nil
- (51) Compute the amount of tax to be deducted. ₹ 2,40,000 paid to Mr. A on 25-03-2020 by Rajasthan State Government on compulsory acquisition of his urban land.



- (a) 8,000 (b) 1,800  
(c) 36,000 (d) Nil
- (52) Payment has been made by X Ltd. to Mr. A by way of royalty ₹ 20,000 and fees for technical services ₹ 20,000. What will be the amount of TDS payable -  
(a) ₹ 4,000 (b) Nil  
(c) ₹ 8,000 (d) ₹ 12,000
- (53) What will be the amount of TDS payable by a company if it pays ₹ 10,00,000 non competing fees to Y Ltd. ?  
(a) ₹ 75,000 (b) ₹ 2,00,000  
(c) ₹ 1,00,000 (d) ₹ 1,50,000
- (54) No deduction of tax shall be made by any person from any sums payable to -  
(a) The Government (b) The Reserve Bank of India  
(c) A Mutual Fund specified u/s 10(23D) (d) All of these.
- (55) An intimation shall be sent to the deductor specifying the sum determined to be payable by, or the amount of refund due to, him before the expiry of \_\_\_\_\_ from the end of the financial year in which the statement is filed.  
(a) 6 months (b) One year  
(c) 2 years (d) Five years
- (56) In case of failure to deduct/collect tax at source, the defaulter shall be liable to pay -  
(a) Simple interest @ 12% p.a. (b) Simple interest @ 10% p.a.  
(c) Simple interest @ 1% p.m. or part thereof. (d) Simple interest @ 1% p.m.
- (57) In case of failure to pay the tax deducted at source, defaulter shall be liable to pay -  
(a) Simple interest @ 12% p.a. (b) Simple interest @ 10% p.a.  
(c) Simple interest @ 1% p.m. or part thereof. (d) Simple interest @ 1.5% p.m. or part thereof
- (58) An amount of ₹ 40,000 was paid to Mr. X on 01-07-2020 towards fees for professional services without deduction of tax at source. Subsequently, another payment of ₹ 50,000 was due to Mr. X on 28-02-2021, from which tax @ 10% (amounting to ₹ 9,000) on the entire amount of ₹ 90,000 was deducted. However, this tax of ₹ 9,000 was deposited only on 22-06-2021.  
Compute the interest chargeable under section 201(1A).  
(a) ₹ 860 (b) ₹ 320  
(c) ₹ 540 (d) ₹ 1,180
- (59) Every seller shall collect tax at source from the buyer at the time of debiting of the amount payable by the buyer to the account of the buyer; or receipt of such amount from the buyer in cash or by cheque or draft or any other mode, whichever is earlier, collect tax at source at the rate of \_\_\_\_\_ in case of tendu leaves.  
(a) 1% (b) 2.50%  
(c) 2% (d) 5%
- (60) Every seller shall collect tax at source from the buyer at the time of debiting of the amount payable by the buyer to the account of the buyer; or receipt of such amount from the buyer in cash or by cheque or draft or any other mode, whichever is earlier, collect tax at source at the rate of \_\_\_\_\_ in case of Timber obtained under a forest lease.  
(a) 1% (b) 2.50%  
(c) 2% (d) 5%
- (61) Every seller shall collect tax at source from the buyer at the time of debiting of the amount payable by the buyer to the account of the buyer; or receipt of such amount from the buyer in cash or by cheque or draft or any other mode, whichever is earlier, collect tax at source at the rate of \_\_\_\_\_ in case of alcoholic liquor.

- (a) 1% (b) 2.50%  
(c) 2% (d) 5%
- (62) Every seller shall collect tax at source from the buyer at the time of debiting of the amount payable by the buyer to the account of the buyer; or receipt of such amount from the buyer in cash or by cheque or draft or any other mode, whichever is earlier, collect tax at source at the rate of \_\_\_\_\_ in case of Minerals, being coal or lignite or iron ore.
- (a) 1% (b) 2.50%  
(c) 2% (d) 5%
- (63) Every person, being a seller, who receives any amount in cash as consideration for sale of bullion shall, at the time of receipt of such amount in cash, collect tax at source @ 1% from the buyer, if such consideration, for bullion, exceeds \_\_\_\_\_
- (a) ₹2,00,000 (b) ₹5,00,000  
(c) ₹1,00,000 (d) ₹10,00,000
- (64) Every person, being a seller, who receives any amount in cash as consideration for sale of jewellery shall, at the time of receipt of such amount in cash, collect tax at source from the buyer, if such consideration, for jewellery, exceeds \_\_\_\_\_
- (a) ₹2,00,000 (b) ₹5,00,000  
(c) ₹1,00,000 (d) ₹10,00,000
- (65) Every person, who grants a lease or a licence or enters into a contract or otherwise transfers any right or interest either in whole or in part in any parking lot or toll plaza or mine or quarry, to licensee or lessee, (other than a public sector company) for the use of such parking lot or toll plaza or mine or quarry for the purpose of business, shall be liable to collect tax at source @ \_\_\_\_\_
- (a) 1% (b) 2%  
(c) 3% (d) 10%
- (66) In case of tax collection at source, buyer doesn't includes-
- (a) A public sector company (b) State or central Government  
(c) An embassy (d) All of these
- (67) No order shall be made under section 201(1) deeming a person to be an assessee in default for failure to deduct the whole or any part of the tax from a person resident in India, at any time after the expiry of \_\_\_\_\_ from the end of the financial year in which payment is made or credit is given.-
- (a) 7 years (b) 5 years  
(c) 2 years (d) 6 years
- (68) In case of payment to be made by or on behalf of Govt., TDS/TCS shall be paid -
- (a) On the same day when such deduction/ collection is made. (b) With in two months from lost day of the month in which deduction/ collection is made.  
(c) With in one week from last day of the month in which deduction/ collection is made. (d) None of the above.
- (69) XYZ Ltd. paid ₹55,00,000 in part payment to contractor ABC contractors Ltd. on 15-10-2019. What is the due date for payment of TDS ?
- (a) 15-10-2019 (b) 07-11-2019  
(c) 31-12-2019 (d) 15-12-2019
- (70) What is the due date of payment of TDS in the above case, if XYZ Ltd. credited such amount to the account of ABC contractor Ltd. on 31-3-2021 (XYZ finalises its accounts on 31-3-2020) ?
- (a) 30-04-2020 (b) 07-04-2020  
(c) 31-03-2020 (d) 15-04-2020

**ANSWER KEY**

1.A	2.B	3.D	4.C	5.A	6.D	7.D	8.C	9.B	10.B
11.C	12.C	13.A	14.B	15.A	16.A	17.B	18.A	19.D	20.D
21.B	22.A	23.D	24.D	25.A	26.D	27.D	28.A	29.C	30.A
31.D	32.A	33.C	34.D	35.A	36.B	37.D	38.A	39.B	40.A
41.B	42.A	43.A	44.B	45.A	46.C	47.A	48.A	49.A	50.D
51.D	52.B	53.A	54.D	55.B	56.C	57.D	58.A	59.D	60.B
61.A	62.A	63.A	64.B	65.B	66.D	67.A	68.A	69.B	70.A

**CHAPTER – 14**  
**INCOMES WHICH ARE EXEMPT**

SECTION	NATURE OF INCOME
<b>10(2)</b>	Sum received by <b>member of HUF</b> out of family Income
<b>10(10BC)</b>	Any amount received or receivable from Central Govt or State Govt or local authority by an Individual or his legal heir by way of compensation on account of any <b>Disaster</b>
<b>Sec10(11A)</b>	Any payment from an account, opened in accordance with the <b>Sukanya Samriddhi Account Rules, 2014</b> made under the Government Savings Bank Act, 1873
<b>10(16)</b>	<b>Scholarship</b> to meet cost of <b>education</b>
<b>10(17A)</b>	<b>Payment in Cash or Kind</b> - For <b>Award</b> in public interest by Central Govt., or State Govt, or by body approved by Central Govt.  - For <b>Reward</b> by Central Govt., or State Govt, for purpose approved by Central Govt.
<b>10(19A)</b>	<b>Annual value</b> of one palace in occupation of an ex ruler provided such annual value was exempt before 28.12.1971
<b>10(20)</b>	The following incomes of <b>Local authority</b> -House property -Capital gains -Other sources -Trade/Business income from supply of : - water /electricity <b>within or outside</b> its jurisdictional area - any other service <b>within</b> own jurisdictional area
<b>10(22B)</b>	Income of <b>Specified news agency</b> set up in India solely for collection and distribution of news, <i>provided</i> does not distribute its income to its members
<b>10(23A)</b>	Income of <b>professional associations/institutions</b> provided certain conditions are fulfilled. <i>However, the following incomes are not exempt</i> -Income from house property -Investment Incomes -Income from specific services to its member
<b>10(23C)</b>	Income of certain institutions like - <b>Notified funds</b> - <b>Educational institutions</b> not for profit - <b>Hospital</b> treating specified ailments not for profit - <b>Fund /institutions</b> for <b>charitable purposes</b> , having importance throughout India/States
<b>10(24)</b>	Following income arising to a <b>registered trade union</b> -House property -Income from other sources
<b>10(39)</b>	Any specified Income arising from any <b>International sporting event</b> held in India if such event is -approved by international body regulating such sport -has participation by more than two countries -is notified by central govt for this clause

<b>10(43)</b>	Amount received by an Individual as a loan, either in lumpsum or in instalment, in a transaction of <b>reverse mortgage</b> referred in sec 47
<b>10(45)</b>	Any allowance or perquisite, as may be notified by the Central Government in the Official Gazette in this behalf, paid to the <b>Chairman</b> or a retired Chairman or any other <b>member</b> or retired member of the <b>Union Public Service Commission</b> .
<b>10(46)</b>	Any specified income arising to a body or authority or Board or Trust or Commission which—  (a) Has been established or constituted by or under a Central, State or Provincial Act, or constituted by the Central Government or a State Government, (b) With the object of regulating or administering any activity for the benefit of general public (c) Not engaged in any commercial activity (d) Notified by Central Government in Official Gazette
<b>10(47)</b>	Any income of an infrastructure debt fund, set up in accordance with the guidelines as may be prescribed, which is notified by the Central Government in the Official Gazette for the purposes of this clause
<b>10(48)</b>	Any income received in India in Indian currency by a foreign company on account of sale of crude oil, any other goods or rendering of services, as may be notified by the Central Government, to any person
<b>10(48A)</b>	Any income accruing or arising to a foreign company on account of storage of crude oil in a facility in India and sale of crude oil therefrom to any person resident in India:
<b>10(48B)</b>	Any income accruing or arising to a foreign company on account of sale of leftover stock of crude oil, if any, from the facility in India after the expiry of the agreement or the arrangement
<b>10(48C)</b>	Any income accruing or arising to the Indian Strategic Petroleum Reserves Limited, being a wholly owned subsidiary of the Oil Industry Development Board under the Ministry of Petroleum and Natural Gas, as a result of arrangement for replenishment of crude oil stored in its storage facility in pursuance of directions of the Central Government in this behalf:  Provided that nothing contained in this clause shall apply to an arrangement, if the crude oil is not replenished in the storage facility within three years from the end of the financial year in which the crude oil was removed from the storage facility for the first time.
<b>10(50)</b>	Any income arising from any specified service provided on or after the date on which the provisions of Chapter VIII of Finance Act, 2016 comes into force <i>or arising from any e-commerce supply or services made or provided or facilitated on or after 1/4/21 and chargeable to equalisation levy under that Chapter.</i>

**INCOME OF CHARITABLE & RELIGIOUS TRUST**

**Sec 12A :** In order to claim exemption of its Income u/s 11 & 12, a Charitable/Religious trust should fulfill below condition

- Trust should be created for a lawful purpose
- Trust should be for **Charitable or Religious purpose**
- Property should be held under trust
- Person in receipt of income has made an application for registration of the trust/ institution in prescribed form & manner to Principal Commissioner/Commissioner & such trust is registered u/s 12AA
- **Sec 12(1)(ac) :** *Person in receipt of the income has made an application in prescribed form and manner to the Principal CIT or CIT, for registration of trust,—*
  - (i) *where the trust is registered u/s 12AA, within 3 months from the 1st day of April, 2021;*
  - (ii) *where the trust is registered u/s 12AB and the period of the said registration is due to expire, at least 6 months prior to expiry of the said period;*
  - (iii) *where the trust has been provisionally registered u/s 12AB, at least six months prior to expiry of period of the provisional registration or within 6 months of commencement of its activities, whichever is earlier;*
  - (iv) *where registration of the trust has become inoperative due to the first proviso of section 11(7), at least 6 months prior to the commencement of the assessment year from which the said registration is sought to be made operative;*
  - (v) *where the trust has adopted or undertaken modifications of the objects which do not conform to the conditions of registration, within a period of 30 days from the date of the said adoption or modification;*
  - (vi) *in any other case, at least 1 month prior to the commencement of the previous year relevant to the assessment year from which the said registration is sought, and such trust or institution is registered u/s 12AB;*
- Accounts should be audited if TI before exemption u/s 11 & 12 Exceeds exemption amount, *before the specified date referred u/s 44AB and the person in receipt of the income furnishes by that date the report of such audit in the prescribed form duly signed and verified by such accountant and setting forth such particulars as may be prescribed;*
- Trust should not be created for the benefit of particular community or caste
- Person in receipt of the income has furnished return of income for p/y u/s 139(4A), within the time allowed under that section.

***Sec 2 (15) : Charitable & Religious purpose includes***

- 1) Relief to the poor,
- 2) Education,
- 3) **YOGA**
- 4) Medical relief,
- 5) **Preservation of environment (including watersheds, forests and wildlife)**
- 6) **Preservation of monuments or places or objects of artistic or historic interest and**
- 7) Advancement of any other object of General Public Utility

Any other object of General Public Utility shall not be a charitable purpose if it involves the carrying on of

- (a) Any activity in nature of Trade, commerce or business or,
- (b) Any activity of rendering of any service in relation to any trade, commerce or business for a fees or any other consideration, irrespective of the nature of use of the income from such activity or retention of such income ,unless

(i) Such activity is undertaken in course of actual carrying out of such advancement of any other object of general public utility and

(ii) Aggregate receipts from such activity during the P/Y, do not exceed 20% of the total receipts, of the trust or institution undertaking such activity or activities, of that previous year.

**Various Types of Income of a Trust**

1. Income from property held under trust
2. Voluntary contributions (donations) not forming part of Corpus
3. Voluntary contributions (donations) forming part of Corpus.
4. Anonymous donations
5. Business Income

1.

**Section 11**

**Income From Property Held Under Trust**



**APPLIED for Charitable or Religious purpose in India**

**Amount of Exemption**

Income applied is at least 85% : **100%**  
 Income applied less than 85% : **Amount applied + 15%**

**INCOME APPLIED** for charitable or religious purpose means

- Income **actually applied** for Charitable or Religious purposes in India
- Income **deemed to be applied** for Charitable or Religious purpose in India

**Income Deemed to be Applied :**

a) Where income not applied due to non-receipt of Income during previous year : Such income should be applied for Charitable & Religious purpose during P/Y of actual receipt **or** during next P/Y

b) Where income not applied due to other reasons : Such income should be applied for Charitable & Religious purpose during P/Y next to previous year to which such income relates

**Special Points :**

1. Option (under (a) or b) has to be exercised by the trust in writing to AO

2. Any amount credited or paid, out of income referred to in clause (a) or clause (b), to any other trust or institution registered u/s 12AA, being contribution with a specific direction that they shall form part of the corpus of trust or institution, shall not be treated as application of income for charitable or religious purposes.

3. For the purposes of determining the amount of application under clause (a) or clause (b), provisions of section 40(a)(ia) and section 40A(3)(3A) shall, mutatis mutandis, apply as they apply in computing the income chargeable under the head Profits and gains of business or profession.

**Additional exemption for Income accumulated or set apart in excess of 15%**

- Where 85% income not applied (actual or deemed) for charitable & religious purpose
- then ***additional exemption*** shall be available for such amount
- which is accumulated or set apart for application in future year

**Provided** Notice is given to A.O in **Form 10 on or before due date of return u/s 139(1)** specifying period and purpose for which such income is accumulated.

However, **period cannot exceed 5 yrs** from P/Y in which such income is derived and Money so accumulated or set apart is invested or deposited specified manner

2. **Voluntary contribution (Donations) not forming part of corpus (Sec.12) :**  
(Same treatment as income from property held under trust)

3. **Voluntary contributions (Donation) forming part of corpus [Sec. 11] :**  
**100% exempt irrespective of the fact whether applied or not**

4. **Anonymous donations :** Means any voluntary contribution where a person receiving such contribution **does not maintain** a record of the identity indicating the name and address of the person making such contribution and such other particulars as may be prescribed.



**115BBC : Tax treatment of Anonymous Donation**

(1) Income-tax shall be payable @ 30% on the aggregate of anonymous donations received in excess of the **higher of the following** :

5% of the total donations received by assessee or 1,00,000

(2) The provisions of sub-section (1) shall not apply to any anonymous donation received by

(a) any trust or institution created wholly for religious purposes

(b) any trust or institution created or established wholly for religious and charitable purposes other than any anonymous donation made with a specific direction that such donation is for any university or other educational institution or any hospital or other medical institution run by such trust or institution.

**5. Business Income**

- Business income arising from business carried on by trust
- is also Exempt u/s. 11
- Provided
  - Such business is incidental to the attainment of objectives of the trust **and**
  - Separate books of accounts of such business are maintained.

**Special Point** : However If income shown in accounts of such business undertaking is less than income determined by AO, then **such excess will not be exempt**.

**Section 13: Cases when Exemption u/s 11 or 12 is Not Available**

Income used for <i><b>private religious purpose</b></i> , not for public benefit	Trust created for benefit of <i><b>particular religious community</b></i>	During P/Y income used for benefit of <i><b>specified person u/s. 13(3)</b></i>	Funds not invested in specified manner
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*In above cases Income of such trust will be taxable at maximum Marginal rate*

**Sec. 13(3): Specified Persons**

1. Author of Trust.
2. Person contributed greater than 50,000/- during P/Y
3. Trustee/Manager of trust
4. Relatives of above persons
5. Concern in which above persons has **Substantial interest** (i.e. atleast 20% of equity shares/profits of)

**Sec 12AB : Procedure for Fresh registration**

*(1) The Principal CIT or CIT, on receipt of an application made u/s 12A(1)(ac), shall,—*

*(a) where application is made under sub-clause (i) of the said clause, pass an order in writing registering the trust for a period of 5 years;*

*(b) where application is made under sub-clause (ii) or sub-clause (iii) or sub-clause (iv) or sub-clause (v) of the said clause,—*

*(i) call for such documents or information from the trust or make such inquiries as he thinks necessary in order to satisfy himself about—*

*(A) the genuineness of activities of trust ; and*

*(B) the compliance of such requirements of any other law by the trust as are material for the purpose of achieving its objects;*

*(ii) after satisfying himself about the objects of the trust and genuineness of its activities under item (A) and compliance of the requirements under item (B), of sub-clause (i),—*

*(A) pass an order in writing registering the trust for a period of five years; or*

*(B) if he is not so satisfied, pass an order in writing rejecting such application and also cancelling its registration after affording a reasonable opportunity of being heard;*

*(c) where application is made under sub-clause (vi) of the said clause, pass an order in writing provisionally registering the trust for three years from the assessment year from which the registration is sought,*

*and send a copy of such order to the trust .*

*(2) All applications, pending before Principal CIT or CIT on which no order has been passed under clause (b) of sub-section (1) of section 12AA before the date on which this section has come into force, shall be deemed to be applications made under sub-clause (vi) of clause (ac) of sub-section (1) of section 12A on that date.*

*(3) The order under clause (a), sub-clause (ii) of clause (b) and clause (c), of sub-section (1) shall be passed, in such form and manner as may be prescribed, before expiry of the period of three months, six months and one month, respectively, calculated from the end of the month in which the application was received.*

*(4) Where registration of a trust has been granted under clause (a) or clause (b) of sub-section (1) and subsequently, the Principal CIT or CIT is satisfied that the activities of such trust are not genuine or are not being carried out in accordance with the objects of the trust, he shall pass an order in writing cancelling the registration of such trust after affording a reasonable opportunity of being heard.*

*(5) Without prejudice to the provisions of sub-section (4), where registration of a trust has been granted under clause (a) or clause (b) of sub-section (1) and subsequently, it is noticed that—*

*(a) the activities of the trust are being carried out in a manner that the provisions of sections 11 and 12 do not apply to exclude either whole or any part of the income of such trust due to operation of sub-section (1) of section 13; or*

*(b) the trust has not complied with the requirement of any other law, as referred to in item (B) of sub-clause (i) of clause (b) of sub-section (1), and the order, direction or decree, by whatever name called, holding that such non-compliance has occurred, has either not been disputed or has attained finality,*

*then, Principal CIT or the CIT may, by an order in writing, after affording a reasonable opportunity of being heard, cancel the registration of such trust or institution*

## MULTIPLE CHOICE QUESTIONS

## INCOMES EXEMPT FROM TAX

- (1) Which of the following income is not exempt under section 10 -
- (a) Share in total income of firm (b) Income from agriculture in Lahore  
(c) Bonus on life insurance (d) Income from mutual funds.
- (2) Mr. X received compensation of ₹ 2,60,000 from the Central Government on account of disaster. He claimed ₹ 1,20,000 as a deduction on account of loss or damage caused by such disaster under this Act. -What amount of compensation received shall be exempt?
- (a) ₹ 2,60,000 (b) ₹ 1,40,000  
(c) ₹ 1,20,000 (d) Nil
- (3) If in the above case, Mr. X claimed ₹ 2,60,000 as a deduction on account of loss or damage caused by such disaster under this Act then what amount of compensation received shall be exempt?
- (a) ₹ 2,60,000 (b) ₹ 1,40,000  
(c) ₹ 1,20,000 (d) Nil
- (4) Any income of a business trust by way of interest received or receivable from a special purpose vehicle shall \_\_\_\_\_.  
(a) Be unconditionally exempt (b) Be conditionally exempt  
(c) Be taxable (d) Be taxable after deduction of 50%.
- (5) The amount received including bonus under Life Insurance Policy issued on 1-4-2016 in respect of which the premium payable for the year during the term of the policy was 15% of the actual capital sum assured. What shall be the not exempt amount?
- (a) Premium payable exceeds 15% of actual capital sum assured. (b) Premium payable exceeds 10% of actual capital sum assured.  
(c) Premium payable exceeds 20% of actual capital sum assured. (d) No exemption
- (6) If in the above case, the Life Insurance Policy is issued on life of any person, who is a person with disability or a person with severe disability as referred to in section 80U; or suffering from disease or ailment as specified in the rules made under section 80DDB then what shall be the not exempt amount?
- (a) Premium payable exceeds 15% of actual capital sum assured. (b) Premium payable exceeds 10% of actual capital sum assured.  
(c) Premium payable exceeds 20% of actual capital sum assured. (d) No exemption
- (7) The amount received including bonus under Life Insurance Policy issued on 01-04-2011 in respect of which the premium payable for the year during the term of the policy was 15% of the actual capital sum assured. What shall be the not exempt amount?
- (a) Premium payable exceeds 15% of actual capital sum assured. (b) Premium payable exceeds 10% of actual capital sum assured.  
(c) Premium payable exceeds 20% of actual capital sum assured. (d) No exemption
- (8) The sum received under Life Insurance Policy including sum allocated by way on bonus on the policy which shall not be exempt includes:

- (a) Any sum received u/s 80DD(3) and 80 DDA(3). (b) Any sum received under Keyman Insurance Policy.
- (c) Any sum received under policy issued on or after 1-4-2012 in respect of which premium payable for any year exceeds 10% of actual sum assured. (d) All of the above.
- (9) Any income of a business trust by way of interest received or receivable from a special purpose vehicle is \_\_\_\_\_
- (a) Fully exempt from tax (b) Partly exempt from tax
- (c) Fully taxable (d) None of the above.
- (10) In case, the income of an individual (*i.e.* the parent) includes the income of his minor child in terms of Section 64(1A), such parent shall be entitled to exemption of \_\_\_\_\_
- (a) ₹1,500 in respect of each minor child or actual income of minor child, whichever is less. (b) ₹1,500 in respect of each minor child or actual income of minor child, whichever is more.
- (c) ₹3,000 in respect of each minor child or actual income of minor child, whichever is less. (d) ₹3,000 in respect of each minor child or actual income of minor child, whichever is more.
- (11) Mr. X, a resident employee of Hinduja Company established in India, received a scholarship of ₹3,00,000 from his employer to meet education cost of his children. The employee spent an amount of ₹ 2,75,000 on education of his children. What amount of income shall be exempt to employee?
- (a) ₹3,00,000 (b) ₹2,75,000
- (c) No exemption available (d) ₹25,000
- (12) Education scholarship received by an employee of a company to meet education cost of his children shall be exempt if the employee is :
- (a) Indian (b) Foreigner
- (c) Indian or foreigner (d) No exemption available
- (13) Amount of Daily allowance and constituency allowance shall be exempt if received by:
- (a) MLA (b) MP
- (c) Members of any parliamentary or legislative committee. (d) All of the above.
- (14) Mr. Gupta, MLA received a constituency allowance of ₹40,000 p.a. What amount of income shall be exempt to him?
- (a) ₹4,000 (b) ₹40,000
- (c) ₹10,000 (d) No exemption available
- (15) Income exempt includes:
- (a) Interest on notified securities, notified capital investment bonds, notified relief bonds, notified NRI Bonds. (b) Interest received by a non-resident or not-ordinarily resident on deposits made in a Offshore Banking Unit.
- (c) Interest on Gold Deposit bonds, specified bonds issued by local authority. (d) All of the above.
- (16) Sambhav was a not-ordinarily resident. He received an amount of ₹32,000 on deposits made in a Offshore Banking Unit. The amount of exemption available to him for this income is:
- (a) Fully exempt (b) Fully taxable
- (c) Partly exempt (d) None of the above

(17) Notified awards and rewards instituted by the Central/State Government for the specified purposes is exempt if received for:

- |                     |                      |
|---------------------|----------------------|
| (a) Literary work   | (b) Artistic work    |
| (c) Scientific work | (d) All of the above |

(18) Raghu traced a missing girl by spending ₹ 20,000. For this, he was awarded with 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.       |

(19) Mr. G received an award from the Central Government for the work done by him which was an approved work of the Government. Such award shall be:

- |                                   |                       |
|-----------------------------------|-----------------------|
| (a) Exempt                        | (b) Not exempt        |
| (c) Partly exempt, partly taxable | (d) None of the above |

(20) Family pension received on death of member of armed forces where the death occurred in course of operational duties and in prescribed conditions shall be exempt if received by:

- |                                    |                             |
|------------------------------------|-----------------------------|
| (a) Widow of the member.           | (b) Children of the member. |
| (c) Nominated heirs of the member. | (d) All of the above.       |

(21) Mrs. Gita received a Family pension of ₹ 36,000 on the death of her husband being major in army who died during the course of operational duties and in prescribed conditions. Calculate the amount taxable.

- |              |                |
|--------------|----------------|
| (a) ₹ 36,000 | (b) ₹ 21,000   |
| (c) ₹ 24,000 | (d) Nil amount |

(22) Incomes exempt include:

- |  |   |
|--|---|
| (a) All incomes of local authority except income from supply of commodities or services (other than water or electricity) outside its jurisdiction.  | (b) Income of Central Electricity Regulatory Commission . |
| (c) Contributions received from commodity Exchanges and members, by any notified Investor Protection Fund set up by commodity Exchanges in India. When exempted income of Fund is shared with commodity exchanges in any previous year, shared amount shall be deemed as taxable income. | (d) All of the above.                                     |

(23) A Venture Capital Company which was registered under SEBI Act, 1992 received an income of ₹ 25 lakhs from investment Of ₹ 300 lakhs made in venture capital undertaking. Calculate the amount of exempted income.

- |                |                 |
|----------------|-----------------|
| (a) ₹ 25 lakhs | (b) ₹ 300 lakhs |
| (c) ₹ 5 lakhs  | (d) Nil         |

(24) Incomes exempt include:

- |  |   |
|--|---|
| (a) Income of member of Scheduled Tribes residing in specified areas or states, which accrue or arise from any source in that specified area or state; or by way of interest! dividends on securities. | (b) Subsidy from commodity board, received by assessee engaged in business of growing and manufacturing tea, rubber, coffee, cardamom or other notified commodity in India, after receiving certificate regarding subsidy paid to it. |
|--|---|

- (c) Any income of Prasar Bharati (Broadcasting Corporation of India) established under Prasar Bharati (Broadcasting Corporation of India) Act, 1990 is exempt from tax. (d) All of the above.
- (25) Exempt income earned from dividend includes:
- (a) Dividend earned from Indian Company (b) Dividends received from SEZ units.  
(c) Dividend received from foreign company. (d) None of the above
- (26) Dividend income that is taxable:
- (a) Dividend received as under section 2(22)(a). (b) Dividend received as under section 2(22)(b).  
(c) Dividend received from foreign company (d) All of the above
- (27) Amandeep received income of ₹ 32,500 from units of mutual fund specified in section 10(23D). Taxable income will be:
- (a) ₹ 32,500 (b) ₹ 3,250  
(c) ₹ 30,000 (d) Income is Exempt
- (28) Income amounting to ₹ 32,000 of a securitisation trust from the activity of securitisation will be \_\_\_\_\_
- (a) ₹ 32,000 (b) ₹ 20,000  
(c) ₹ 3,200 (d) Exempt
- (29) Incomes exempt include:
- (a) Specified income arising from any international sporting event held in India. (b) Certain grants etc. received by subsidiary co. from its Indian holding co. engaged in business of generation/ transmission/ distribution of power.  
(c) Income received in a transaction of reverse mortgage. (d) All of the above.
- (30) Specified income of certain bodies or authorities is exempt. Conditions to be fulfilled for such exemption includes:
- (a) Such body or authority should have been established or constituted or appointed under a treaty or an agreement entered into by the Central Government with 2 or more countries or a convention signed by the Central Government; (b) Such body or authority is established not for the purposes of profit.  
(c) Any of (a) or (b). (d) Both (a) and (b).
- (31) Mr. X was a shareholder of XYZ Pvt. Ltd. company. He earned an income of ₹ 18,000 on account of buy back of shares by the company as referred to in section 115QA. Calculate the amount of taxable income.
- (a) ₹ 18,000 (b) ₹ 20,000  
(c) ₹ 19,000 (d) Nil
- (32) Mr. Ram received an income of ₹ 52,000 by way of distributed income received from a securitisation trust as being an investor of the trust. Calculate the amount of taxable income.
- (a) ₹ 50,000 (b) ₹ 52,000  
(c) Amount of investment made (d) Nil

(33) Incomes exempt include:

- |   |   |
|---|---|
| (a) Income received by any person on behalf of New Pension System Trust   | (b) Exemption of specified allowances and perquisites paid to Chairman or retired Chairman or any other member or retired member of the UPSC. |
| (c) Income of notified infrastructure debt fund and concessional tax rate on interest received by non-residents from such fund. | (d) All of the above.   |

(34) Specified income of notified entities not engaged in commercial activity is exempt. Notified entities include:

- |   |   |
|---|---|
| (a) National Skill Development Corporation (NSDC) | (b) Competition Commission of India (CCI) |
| (c) National Financial Holdings Company Limited   | (d) (a) and (b) above.                    |

(35) Income received by certain foreign companies in India in Indian currency from sale of crude oil or any other goods or rendering of services, as may be notified by the Central Government in this behalf, to any person is exempt. Condition to be fulfilled to claim such exemption:

- |   |  |
|---|--|
| (a) The money has been received under an agreement or arrangement entered into, or approved by, the Central Government.                       | (b) The foreign company, as well as the arrangement or agreement, are notified by the Central Government having regard to the national interest. |
| (c) The foreign company is not engaged in any other activity in India, except receipt of income in India under such arrangement or agreement. | (d) All of the above.  |

(36) Income received from which of the following shall be unconditionally exempt:

- |   |                                   |
|---|-----------------------------------|
| (a) Swachh Bharat Kosh                        | (b) Pradhan Mantri Jan Dhan Yojna |
| (c) National Foundation for Communal Harmony; | (d) NAREGA                        |

(37) Income received from which of the following shall be unconditionally exempt:

- |                                  |                                      |
|----------------------------------|--------------------------------------|
| (a) The National Children's Fund | (b) National Sports Fund             |
| (c) Clean Ganga Fund             | (d) National Illness Assistance Fund |

(38) ABC institution was existing solely for educational purposes and not for purposes of profit. The institution was wholly or substantially financed by the Government. The annual receipts of the institution was ₹ 85,00,000. It earned income of ₹ 2,25,000 during the previous year 2020-21. Calculate the amount of income taxable.

- |                |              |
|----------------|--------------|
| (a) ₹ 2,25,000 | (b) ₹ 25,000 |
| (c) ₹ 2,00,000 | (d) Nil      |

(39) RSR hospital was existing solely for philanthropic purposes and not for purposes of profit. The hospital was wholly or substantially financed by the Government. The annual receipts of the institution was ₹ 90,00,000. It earned income of ₹ 3,00,000 during the previous year 2019-20. Calculate the amount of income taxable.

- |                |                |
|----------------|----------------|
| (a) ₹ 3,00,000 | (b) ₹ 1,00,000 |
| (c) ₹ 2,00,000 | (d) Nil        |

**EXEMPTION IN RESPECT OF UNDER-TAKINGS LOCATED IN SEZ**

- (40) In case of a unit established by an entrepreneur in SEZ, which begins to manufacture or produce articles or things or provide any services on or after 1-4-2005, deduction for First 5 years will be allowed as follows-
- (a) 100% of profits and gains from export business  
business
- (b) 75% of profits and gains from export
- (c) 100% for first two years and 80% for remaining  
three years
- (d) No deduction
- (41) Where a deduction under section 10AA is claimed and allowed in respect of profits of any of the specified business, referred to in section 35AD, for any assessment year, then\_\_\_\_\_shall be allowed under the provisions of section 35AD in relation to such specified business for the same or any other assessment year.
- (a) No deduction
- (b) Full deduction
- (c) 75% deduction
- (d) 50% deduction
- (42) In case of a unit established by an entrepreneur in SEZ, which begins to manufacture or produce articles or things or provide any services on or after 1-4-2005, deduction for next 5 years will be allowed as follows-
- (a) 50% of profits and gains from export business
- (b) 75% of profits and gains from export business
- (c) 100% for first two years and 80% for remaining  
three years
- (d) No deduction
- (43) In case of a unit established by an entrepreneur in SEZ, which begins to manufacture or produce articles or things or provide any services on or after 1-4-2005, deduction for another next 5 years (11-15 years) will be allowed as follows-
- (a) 50% of Profits from export business.
- (b) Amount transferred from P&L A/c to "Special  
Economic Zone Reinvestment Reserve A/c"
- (c) Lower of (a) or (b)
- (d) Higher of (a) or (b)
- (44) While computing the export turnover, the expenses to be deducted are:
- (a) GST
- (b) Custom Duty
- (c) Expenditure incurred in foreign exchange (like:  
freight, etc.)
- (d) All of the above.
- (45) Hans Ltd. is a unit located in SEZ. It has Export turnover of ₹500 lakhs; Total turnover of ₹900 lakhs; Business profits of ₹80 lakhs. The said export turnover includes sales tax amounting to ₹20 lakhs and excise duty amounting to ₹30 lakhs. Further, the assessee incurred freight amounting to ₹50 lakhs outside India. Compute the deduction available under section 10AA.
- (a) ₹40 lakhs
- (b) ₹32lakhs
- (c) ₹44.44lakhs
- (d) Nil
- (46) Export profits of ₹250 lakhs pertaining to previous year 2020-21. Unabsorbed depreciation of ₹100 lakhs pertaining to assessment year 2016-17. Compute the deduction available under section 10AA.
- (a) ₹250 lakhs
- (b) ₹100 lakhs
- (c) ₹150 lakhs
- (d) Nil



**ANSWER KEY**

1.B	2.B	3.D	4.A	5.B	6.A	7.C	8.d	9.a	10.a
11.A	12.C	13.D	14.B	15.D	16.A	17.D	18.a	19.a	20.d
21.D	22.D	23.A	24.D	25.D	26.D	27.A	28.d	29.d	30.d
31.D	32.D	33.D	34.D	35.D	36.A	37.C	38.d	39.d	40.a
41.A	42.A	43.C	44.D	45.A	46.C				

**MULTIPLE CHOICE QUESTIONS**

1. As per section 139( 1), a company shall have to file return of income:  
(A) when its total income exceeds ₹2,50,000  
(B) when its total income exceeds the maximum amount which is not chargeable to income-tax  
(C) in all cases irrespective of any income or loss earned by it  
(D) in all cases irrespective of any income earned by it
2. As per section 139( 1), a firm shall have to file return of income:  
(A) when its total income exceeds ₹2,50,000  
(B) when its total income exceeds the maximum amount which is not chargeable to income  
(C) in all cases, irrespective of any income or loss made by it  
(D) in all cases irrespective of any income earned by it
3. As per section 139(1), an individual other than a individual of age of 60 years or more shall have to file return of income if: (assume not covered u/s 115BAC)  
(A) his total income before allowing deduction u/s 80C to 80U exceeds ₹2,50,000  
(B) his total income before allowing deduction u/s 80C to 80U exceeds 3,00,000  
(C) his total income exceeds ₹2,00,000  
(D) his total income before allowing deduction u/s 80C to 80U exceeds ₹2,50,000
4. As per section 139(1) an individual, who is of the age of 60 years but less than 80 years and resident in India shall have to file return of income if ---- (assume not covered u/s 115BAC)  
(A) his total income exceeds 3,00,000  
(B) his gross total income exceeds 3,00,000  
(C) If his total income before claiming before allowing deduction u/s 80C to 80U exceeds 2,50,000.  
(D) If his total income after allowing of deduction *u/s* 80C to 80U exceeds 3,00,000
5. An individual who is of the age of 60 years or more but non-resident in India shall have to file return of income if: (assume covered u/s 115BAC)  
(A) his total income exceeds ₹3,00,000  
(B) his total income before allowing deduction under section 80C to 80U exceeds ₹3,00,000  
(C) his total income before allowing deduction under section 80C to 80U exceeds ₹2,50,000  
(D) his total income before allowing deduction under section 80C to 80U exceeds ₹5,00,000

- 6 A woman who is resident in India and less than 60 years of age shall have to file the return of income if her total income exceeds: (assume not covered u/s 115BAC)
- (A) ₹2,00,000
  - (B) ₹2,50,000 before allowing deduction under section 80C to 80U
  - (C) ₹2,00,000 before allowing deduction under section 80C to 80U
  - (D) ₹3,00,000 before allowing deduction under section 80C to 80U
- 7 A woman who is non-resident in India and who is 60 years of age shall have to file the return of income if her total exceeds: (assume covered u/s 115BAC)
- (A) ₹2,50,000 before allowing deduction under section 80C to 80U
  - (B) ₹2,50,000 before allowing deduction under section 80C to 80U
  - (C) ₹3,00,000 before allowing deduction under section 80C to 80U
  - (D) ₹5,00,000 before allowing deduction under section 80C to 80U
8. As per section 139(1), a person other than a company or a firm shall have to file return of income if:
- (A) his total income exceeds ₹1,50,000
  - (B) his total income exceeds the maximum amount which is not chargeable to tax
  - (C) his total income exclusive of deduction under Chapter VIA exceeds the maximum amount which is not chargeable income tax
  - (D) in all cases irrespective of any income or loss
- 9 The total income of a trust before claiming exemption u/s 11 is ₹3,40,000 It is eligible for exemption u/s 11 to the extent ₹1,00,000. Such trust shall:
- (A) have to file a return of income
  - (B) not be required to file return of income as its taxable income is ₹2,40,000
  - (C) have to file a return of income as its taxable income is ₹3,40,000
  - (D) not be required to file return of income as its income is exempt u/s 11
10. A dies on 15.11.2020 and his total income till 15.11.2020 was ₹2,60,000. Thereafter the business of A was inherited by his son R & his total income from such business was ₹1,95,000. The son does not have any other income. In this case the son:
- (A) has to file a consolidated return of income amounting to ₹4,55,000
  - (B) has to file two returns of income, one on behalf of his father for 2,60,000 & other in his own capacity for 1,95,000.
  - (C) has to file one return of income on behalf of his father for ₹4,55,000
  - (D) has to file only one return of income on behalf of his father for ₹2,60,000

- 11 The last date of filing the return of income u/s 139(1) for assessment year 2021 -22 in case of a Company assessee is:  
(A) 30th September  
(B) 30th October of the assessment year  
(C) 31<sup>st</sup> March of the assessment year  
(D) 30th November of the assessment year in case it is required to furnish report referred to in section 92E and 30th October of the assessment year in any other case
- 12 The last date of filing the return of income u/s 139(1) for assessment year 2021-22 in case of non corporate assessee who does not have any income from profits and gains from business or profession is:  
(A) 31st July of the assessment year  
(B) 30th September of the assessment year  
(C) 31<sup>st</sup> October of the assessment year  
(D) 30th November of the assessment year
- 13 The last date of filing the return of Income u/s 139(1) for assessment year 2021-22 in case of non-corporate business assessee whose accounts are not liable to be audited shall be:  
(A) 31<sup>st</sup> July of the assessment year  
(B) 31th October of the assessment year  
(C) 30th September of the assessment year  
(D) 30th November of the assessment year
- 14 The due date of filing the return of income for assessment year 2021-22 in case of a working partner of a firm whose accounts are liable to be audited shall be:  
(A) 31<sup>st</sup> July of the assessment year  
(B) 30<sup>th</sup> September of the assessment year  
(C) 31<sup>th</sup> October of the assessment year.  
(D) 30<sup>th</sup> November of the assessment year in case it is required to furnish report referred to in section 92E and 30th September of the assessment year in any other case
- 15 It is not Mandatory for an assessee to file a return of loss of it pertains to-----, if he wants to carry forward the loss  
(a) (Loss under the head profits and gains from business or profession  
(b) Loss from maintenance of race horses  
(c) Loss under the head 'capital gains'  
(d) Loss under the head income from house property
- 16 Any person who has not filed the return within the time allowed under section 139(1), 139 (4) or within the time allowed under a notice issued by the Assessing officer under section 142(1), may file a belated return u/s 139(4).  
(a) **Before the end of relevant assessment year**  
(b) **Before the completion of the assessment**  
(c) (a)or (b) above, whichever is earlier  
(d) (a)or (b) above, whichever is later
- 17 E-filing of return in case of an office of the Government/company and a firm whose accounts are liable to be audited is:  
(A) mandatory  
(B) optional  
(C) mandatory when its income exceeds ₹5,00,000  
(D) mandatory when its income exceeds 10,00,000
- 18 The filing of return of loss in case of a person other than a company or firm is:  
(A) mandatory  
(B) not mandatory  
(C) mandatory if the assessee has to carry forward the loss which are allowed to be carried forward & set off  
(D) none of the above

- 19 If the assessee has to carry forward the loss, the return of loss must be submitted:
- (A) on or before the due date mentioned in section 139(1)
  - (B) at any time before the end of the relevant assessment year
  - (C) at any time before the expiry of one year from the end of the relevant assessment year
  - (D) at any time before 30th September of the relevant assessment year
- 20 If there is a loss under house property, it will be allowed to be carried forward (if it could not be set off from other heads of income). In this case, however the assessee:
- (A) has to submit the return of loss before the due date mentioned under section 139(1)
  - (B) need not submit the return of income
  - (C) must submit the return of income but it can be a belated return submitted as per section 139(4)
  - (D) none of the above
- 21 Belated return u/s 139(4) can be filed at any time:
- (A) before the expiry of one year from the end of the relevant assessment year
  - (B) before the expiry of the relevant assessment year
  - (C) before the expiry of the relevant assessment year or before the assessment is complete, whichever happens to be earlier
  - (D) before the expiry of one year from the end of the relevant assessment year or before the assessment is complete, whichever happens to be earlier
- 22 An assessee was issued a notice to file his return of income within 30 days of the receipt of notice. He submitted his return within 30 days. Such return shall be treated as:
- (A) belated return as per section 139(4) though filed within time
  - (B) return filed within time
  - (C) return filed within due date mentioned u/s 139(1)
  - (D) return filed u/s 142(1)
- 23 The assessee could not file his return of income for assessment year 2021-22 within the time allowed u/s 139(1). No assessment has so far been made. The assessee in this case can file his return of income till:
- (A) 31.3.2022
  - (B) 31.3.2023
  - (C) 31.3.2024
  - (D) 31.12.2025
- 24 The assessee could not file his return of income for the previous year 2020-21 within the time allowed u/s 139(1). No assessment has so far been made. The assessee in this can file his return of income till:
- (A) 31.3.2022
  - (B) 31.3.2023
  - (C) 31.3.2021
  - (D) 31.12.2024
- 25 The assessee could not file his return of income for assessment year 2021-22 within the time allowed as per section 139(1). His assessment u/s 144 was completed on 15.2.2022 & it was communicated to him on 19.2.2022. The assessee in this case could file the belated return till:
- (A) 14.2.2022
  - (B) 15.2.2022
  - (C) 18.2.2022
  - (D) 31.3.2021
- 26 For the previous year 2020-21 assessee has suffered a business loss of ₹2,50,000. His income from other sources is ₹1,80,000. His due date of return was 31.7.2020 but he submitted the return on 9.9.2021, the assessee in this case:
- (A) shall be allowed to carry forward the loss of 70,000
  - (B) shall not allowed to carry forward any loss
  - (C) shall be allowed to set off current year business loss to the extent of ₹ 1,80,000 but shall not be allowed to carry forward the balance loss of 70,000
  - (D) shall not allowed to set off the business loss to the extent of 1,80,000 & would be liable to tax on 1,80,000

- 27 For the previous year 2020-21, the assessee incurred loss under the head, income from house property amounting to ₹1,20,000. His other income for the same previous year is ₹50,000. The due date of filing the return of income is 31.7.2021 but he submitted the return of income on 9.9.2021. In this case the assessee:
- (A) shall be allowed to carry forward the loss of 70,000  
(B) shall not be allowed to carry forward the loss of 70,000  
(C) shall be allowed to carry forward the loss of 1,20,000  
(D) none of the above
- 28 For P/Y 2020-21, the business income of the assessee, before providing current year depreciation of 3,00,000 was ₹2,40,000. His due date for furnishing the return of income was 30.9.2021 but he submitted the return on 15.12.2021. In this case, the assessee shall:
- (A) be allowed to carry forward unabsorbed depreciation of 60,000  
(B) not be allowed to carry forward unabsorbed depreciation of 60,000  
(C) be allowed to carry forward unabsorbed depreciation of 3,00,000  
(D) none of the above
- 29 For the previous year 2020-21, the business loss of the assessee was ₹1,00,000 and the current year depreciation was ₹1,40,000. The assessee furnished the return of income on 15.12.2021 although the due date was 30.9.2010. In this case the assessee shall:
- (A) be allowed to carry forward business loss of ₹1,00,000 and unabsorbed depreciation of ₹1,40,000  
(B) neither be allowed to carry forward business loss nor the unabsorbed depreciation  
(C) not be allowed to carry forward business loss but shall be allowed to carry forward unabsorbed depreciation  
(D) none of the above
- 30 The assessee in response to a notice *uls* 142(1) submitted a return of loss of ₹1,10,000 within the time allowed in the said notice. In this case the assessee:
- (A) shall be allowed to carry forward such loss as the return is filed within the time allowed:  
(B) shall not be allowed to carry forward such loss  
(C) shall not be allowed to carry forward such loss as the return is not filed *uls* 139  
(D) none of the above
- 31 The due date of furnishing the return of income for assessment year 2021-22 in case of charitable trust is:
- (A) 30<sup>th</sup> June of the assessment year  
(B) 31<sup>st</sup> July of the assessment year  
(C) 30<sup>th</sup> September of the assessment year  
(D) 30<sup>th</sup> November of the assessment year
- 32 R finds some mistake in the return of income submitted by him on 5.6.2021 for assessment year 2021-22. He wishes to revise such return. No assessment has been done in this case. R can revise such return till:
- (A) 31.3.2021 (B) 31.3.2022 (C) 31.12.2021 (D) 31.12.2023
- 33 R Ltd., who submitted the return of income for assessment year 2021-22 on 5.12.2021 finds some mistake in the return submitted by it. In this case R Ltd.,
- (A) can revise the return of income till 31.3.2021  
(B) can revise the return of income till 31.3.2022  
(C) cannot revise such return of income  
(D) can revise the return of income till 31.12.2023
- 34 R did not file any return of income for assessment year 2021-22 although he was required to do so by 31.7.2021. He was issued notice *uls* 142(1) to file return of income which he furnished within the time allowed in the notice. He, later on finds some mistake in the return. In this case R:
- (A) can revise such return (B) cannot revise such return (C) can revise such return but the loss, if any, cannot be carried forward  
(D) none of the above

- 35 The notice under section 143(2) must be served within:
- (A) 12 months from the date of filing of return
  - (B) 12 months from the due date of filing the return u/s 139(1) or from the date of filing of return of income
  - (C) 6 months from the end of the financial year in which the return was furnished
  - (D) 6 months from the end of month in which the return was furnished
- 36 Intimation u/s 143(1) cannot be sent after the expiry of:
- (A) 4 years from the end of the month in which return of time was furnished
  - (B) 2 years from the end of the month in which return of income was furnished
  - (C) 2 years from the end of the assessment year in which the income was so assessable
  - (D) One year from the end of the financial year in which the return is made
- 37 Return of income of assessment year 2021-22 was furnished on 16.8.2021. Intimation u/s 143(1) in respect of such assessment year must be sent by:
- (A) 31.3.2020                      (B) 31.3.2021                      (C) 31.3.2023
  - (D) 31.12.2022
- 38 Assessment under section 143(3) for assessment year 2017-18 was completed 10.12.2019. Thereafter on 1.6.2021 the Assessing Officer notices that income of ₹72,000 had escaped assessment. The Assessing Officer in this case could issue notice till:
- (A) 31.3.2021
  - (B) 31.3.2022
  - (C) 31.3.2024
  - (D) 31.3.2024
- 39 The last date for issue of notice u/s 148 was 31.3.2019. The Assessing Officer issued the notice on 31.3.2019 which was received by the assessee on 4.4.2019. In this case, the notice:
- (A) is not a valid notice
  - (B) is a valid notice
  - (C) is not a valid notice as it should be received by the assessee on or before 31.3.2019
  - (D) none of the above
- 40 Assessment u/s 143(3) for assessment year 2015-16 was completed on 28.12.2017. On 28.12.2020 the Assessing Officer notices that income of ₹90,000 has escaped assessment. The notice u/s 148 in this case can/could be issued till:
- (A) 31.3.2020
  - (B) 31.3.2021
  - (C) 31.3.2022
  - (D) 31.3.2023
- 41 Assessment u/s 144 for assessment year 2014-15 was completed on 25.12.2015 at 3,00,000. On 28.10.2020 the Assessing Officer issued a notice u/s 148 as the income of ₹65,000 had escaped assessment. The notice issue is:
- (A) valid notice
  - (B) not a valid notice
  - (C) valid notice as it can be issued within 6 years
  - (D) none of the above
- 42 If the person on whom a notice under section 148 is to served is a person treated as agent of a non-resident, such notice cannot be issued:
- (A) after the expiry of 4 years from the end of the relevant A/Y for which notice for reassessment is to be issued
  - (B) after the expiry of 6 years from the end of the relevant assessment year
  - (C) after the expiry of 7 years from the end of the relevant assessment year
  - (D) after the expiry of 2 years from the end of the relevant assessment year

- 43 The time limit for completion of assessment under section 143/144 shall be:  
(A) 4 years from the end of the relevant assessment year in which income was first assessable  
(B) 12 months from the end of the relevant assessment year which income was first assessable  
(C) 2 years from the end of the month in which the return was so furnished  
(D) 36 months from the end of the relevant assessment year which income was first assessable
- 44 The time limit for completion of assessment/reassessment u/s 147 shall be:  
(A) 12 months from the end of the financial year in which notice u/s 148 was served on the assessee  
(B) 2 years from the end of the financial year in which notice u/s 148 was served on the assessee  
(C) 4 years from the end of the financial year in which notice u/s 148 was served on the assessee  
(D) 3 years from the end of the financial year in which notice u/s 148 was served on the assessee
- 45 The assessee furnished the return of income for the assessment year 2021-22 on 28.3.2022. The assessing officer in this case should complete the assessment u/s 143(3) by:  
(A) 31.3.2022  
(B) 31.3.2023  
(C) 28.3.2022  
(D) 31.12.2021
- 46 For assessment year 2016-17, assessment u/s 143(3) was completed on 10.12.2018, assessing the income at ₹5,00,000. On 29.3.2022, the Assessing Officer issued notice for reassessment of income as he notices a sum of ₹1,20,000 has escaped assessment. The above notice was issued on 29.3.2022 but was received by the assessee on 3.4.2022. In this case the reassessment should be completed by:  
(A) 31.3.2022  
(B) 31.12.2023  
(C) 31.3.2023  
(D) 31.3.2024
- 47 For assessment year 2021-22, the assessment was made by the Assessing Officer u/s 143(3) for ₹3,00,000 whereas the income returned was ₹2,70,000. The CIT on a revision petition set aside the above order u/s 264. The said order was passed by CIT on 29.3.2022 which was received by the Assessing Officer and the assessee on 3.4.2022. In this case the assessment should be completed by:  
(A) 31.12.2022 (B) 31.3.2023 (C) 29.3.2022 (D) 31.12.2023
- 48 The amendment of an order under section 154 can be made:  
(A) within four years from the date when the order sought to be amended was passed  
(B) within four years from the date of receipt of such order by the assessee  
(C) within four years from the end of the financial year in which the order sought to be amended was passed  
(D) within six months from the end of the financial year in which the order sought to be amended was passed
- 49 Where an income in relation to any asset (including financial interest in any entity) located outside India has escaped assessment, notice under section 148 cannot be issued:  
(A) after the expiry of 6 years from the end of the relevant A/Y for which notice for reassessment is issued  
(B) after the expiry of 10 years from the end of the relevant assessment year  
(C) after the expiry of 16 years from the end of the relevant assessment year  
(D) after the expiry of 20 years from the end of the relevant assessment year
- 50 Where a search is initiated under section 132, the Assessing Officer shall assess or reassess the total income of  
(A) four A/Y immediately preceding the assessment year relevant to the P/Y in which such search is conducted  
(B) five A/Y immediately preceding the assessment year relevant to the P/Y in which such search is conducted  
(C) six A/Y immediately preceding the assessment year relevant to the P/Y in which such search is conducted  
(D) sixteen A/Y immediately preceding the assessment year relevant to the P/Y in which such search is conducted



- 51 Where a search is initiated under section 132, the Assessing Officer shall issue notice to such person requiring him to furnish within such period as may be specified in the notice
- (A) return of income of six P/Y immediately preceding the A/Y relevant to P/Y in which search was conducted u/s 132  
 (B) return of income of six A/Y immediately preceding the A/Y relevant to P/Y in which search was conducted u/s 132  
 (C) return of income of seven A/Y immediately preceding A/Y relevant to P/Y in which search was conducted u/s 132  
 (D) return of income of six A/Y immediately preceding the A/Y relevant to the P/Y in which the search was conducted u/s 132 and for the A/Y in which was the search was conducted
- 52 The Assessing Officer shall make an order of assessment or reassessment in respect of each assessment year, falling within six assessment years under section 153A within a period of
- (A) 9 months from the end of the financial year in which the last of the authorisations for search u/s 132  
 (B) 12 months from the end of the financial year in which the last of the authorisations for search u/s 132  
 (C) 21 months from the end of the financial year in which the last of the authorisations for search u/s 132  
 (D) 24 months from the end of the financial year in which the last of the authorisations for search u/s 132
- 53 Time limit of completion of assessment year relevant to the previous year in which search is conducted shall be
- (A) a period of 21 months from the end of the financial year in which the last of the authorisations for search u/s 132  
 (B) a period of 21 months from the end of the **assessment** year in which the last of the authorisations for search u/s 132  
 (C) a period of 21 months [33 months, in case a reference is made u/s 92CA(I) to TPO] from the end of the financial year in which the last of the authorisations for search u/s 132  
 (D) a period of 21 months [33 months, in case a reference is made u/s 92CA(1) to TPO] from the end of the **assessment** year in which the last of the authorisations for search u/s 132

### ANSWER KEY

1	C	17	A	33	B	49	C
2	C	18	C	34	B	50	C
3	D	19	A	35	C	51	B
4	D	20	C	36	D	52	C
5	C	21	C	37	C	53	C
6	B	22	D	38	B		
7	A	23	A	39	B		
8	C	24	A	40	A		
9	A	25	A	41	B		
10	D	26	C	42	B		
11	D	27	A	43	B		
12	A	28	A	44	A		
13	B	29	C	45	B		
14	C	30	B	46	C		
15	D	31	C	47	B		
16	C	32	B	48	C		

## **Chapter 16**

### **Taxation of Company**

**(1) In case of Domestic company :**

<b>Domestic Company</b>	<b>Rate of Income-tax</b>
(i) Where its total turnover or the gross receipt in p/y 2017-18 does not exceed ₹400 crore;	25%
Company u/s 115BA Company u/s 115BAA Company u/s 115BAB	25% 22% 15%
<b>Surcharge</b> -If total income exceeds ₹1 crore but does not exceed ₹10 crores -If total Income exceeds ₹10 crores Subject to marginal relief	7% 12%

**(2) In case of Foreign company:**

<b>Foreign company</b>	<b>Foreign Company</b>
Rate of income tax	40
<b>Surcharge</b> -If total income exceeds ₹1 crore but does not exceed ₹10 crores -If total Income exceeds ₹10 crores Subject to marginal relief	2% 5%

### **SEC 115JB : Minimum Alternate Tax**

#### **Basic provisions of MAT**

Tax liability of a company will be higher of the following:

- Tax liability computed as per the normal provisions of Income-tax = Normal Tax .
- Tax computed @ 15% (plus surcharge and cess as applicable) on book profit = MAT.

**Note:** MAT is levied @9% (plus surcharge and cess as applicable) in case of a company, being a unit of an International Financial Services Centre and deriving its income solely in convertible foreign exchange.

#### **Applicability and non-applicability of MAT**

MAT are applicable to every company whether public or private and whether Indian or foreign.

MAT shall not apply to

- life insurance business u/s 115B,
- Shipping income liable to tonnage taxation u/s 115V to 115VZC.
- *Company which has exercised the option referred u/s 115BAA or u/s 115BAB*

**Meaning of book profit\***

As per Explanation 1 to section 115JB(2) "book profit" for the purposes of section 115JB means net profit as shown in the statement of P&L prepared in accordance with Schedule III to Companies Act, 2013 as increased and decreased by certain items prescribed in this regard. The items to be increased and decreased are as follows :

**Computation of book profit (Table A)**

<i>Particulars</i>	<i>Amount</i>
Net profit as per statement of profit and loss prepared in accordance with Schedule III to Companies Act, 2013	XXXXXX
<b>Add :</b> <i>Following items (If they are debited to the statement of profit and Loss A/c</i>	
Income-tax paid/payable and the provision thereof	XXXXXX
Amounts carried to any reserves by whatever name called	XXXXXX
Provisions for unascertained liabilities	XXXXXX
Provisions for losses of subsidiary companies	XXXXXX
Dividends paid/proposed	XXXXXX
Expenditure related to incomes which are exempt under section 10,11& 12	XXXXXX
The amount or amounts of expenditure relatable to, income, being share of the taxpayer in the income of an association of persons or body of individuals, on which no income-tax is payable in accordance with the provisions of section 86.	XXXXXX

Notional loss on transfer of a capital asset, being share or a special purpose vehicle to a business trust in exchange of units allotted by that trust u/s 47(xvii)

Notional loss resulting from any change in carrying amount of said units or the amount of loss on transfer of units u/s 47(Xvii)	XXXXXX
--	--------

Expenditure relatable to income by way of royalty in respect of patent chargeable to tax u/s 115BBF	XXXXXX
---	--------

Amount of depreciation debited to P & L A/c	XXXXXX
---	--------

Deferred tax and the provision thereof	XXXXXX
--	--------

Provision for diminution in the value of any asset	XXXXXX
--	--------

The amount standing in revaluation reserve relating to revalued asset on the retirement or disposal of such an asset if not credited to statement of profit and loss	XXXXXX
--	--------

The amount of <u>gain</u> on transfer of units referred u/s 47(Xvii)	XXXXXX
--	--------

**Less : Following items (if credited to the statement of P&L)**

Amount withdrawn from any reserve or provision if credited to P&L account	(XXXXXX)
---	----------

Incomes which are exempt u/s 10, 11 and 12	(XXXXXX)
--	----------

Amount of depreciation debited to statement of profit and loss (excluding the depreciation on revaluation of assets)	(XXXXXX)
Amount withdrawn from revaluation reserve and credited to statement of profit and loss to the extent it does not exceed the amount of depreciation on revaluation of assets	(XXXXXX)
The amount of income, being the share of the taxpayer in the income of an association of persons or body of individuals, on which no income-tax is payable in accordance with the provisions of <u>section 86</u> , if any such amount is credited to the statement of profit and loss	XXXXXX
<p>The amount of income accruing or arising to a taxpayer being a foreign company, from :</p> <p>(a) the capital gains arising on transactions in securities; or</p> <p>(b) the interest, royalty or fees for technical services chargeable to tax at the rate or rates specified in Chapter XII</p> <p>if such income is credited to the statement of profit and loss and the income-tax payable on above income is less than the rate of MAT.</p>	XXXXXX
<p>The amount (if any, credited to the statement of profit and loss) representing</p> <p>(a) notional gain on transfer of a capital asset, being share of a special purpose vehicle to a business trust in exchange of units allotted by that trust referred to in clause (xvii) of <u>section 47</u>; or</p> <p>(b) notional gain resulting from any change in carrying amount of said units; or</p> <p>(c) gain on transfer of units referred to in clause (xvii) of <u>section 47</u>,</p> <p>The amount representing notional gain on transfer of units u/s 47(xvii) computed by <u>taking into account</u> the cost of the shares exchanged with units referred to in the said clause or the carrying amount of the shares at the time of exchange where such shares are carried at a value other than the cost through statement of profit and loss, as the case may be;</p>	XXXXXX
Income by way of royalty in respect of patent chargeable to tax u/s 115BBF	XXXXXX

Amount of unabsorbed depreciation and loss brought forward in case of company against whom an application for corporate insolvency resolution process has been admitted.

Amount of brought forward loss or unabsorbed depreciation, whichever is less as per books of account (in case of a company other than the company undergoing insolvency proceedings) (XXXXXX)

Profits of a sick industrial company till its net worth becomes zero/positive (XXXXXX)

Deferred tax, if credited to statement of profit and loss (XXXXXX)

**Book profit to be used to compute MAT XXXXX**

### **MAT credit**

As discussed in earlier part, a company has to pay higher of normal tax liability or liability as per MAT provisions. If in any year the company pays liability as per MAT, then it is entitled to claim credit of MAT paid over and above the normal tax liability in the subsequent year(s). The provisions relating to carry forward and adjustment of MAT credit are given in section 115JAA.

Provided that where the amount of Foreign Tax Credit ('FTC') allowed against the MAT exceeds the amount of such FTC admissible against the tax payable by the assessee under normal provisions of the Income-Tax Act, then, while computing the amount of FTC under this sub-section, such excess amount shall be ignored.

### **Adjustment of carried forward MAT credit**

As discussed earlier, a company is entitled to claim MAT credit i.e. excess of MAT paid over the normal tax liability. The credit of MAT can be utilised by the company in the subsequent year(s). The credit can be adjusted in the year in which the liability of the company as per the normal provisions is more than the MAT liability. The set off in respect of brought forward MAT credit shall be allowed in the subsequent year(s) to the extent of the difference between the tax on its total income as per the normal provisions and as per the MAT provisions.

### **Period for which MAT credit can be carried forward**

As discussed earlier, the company can carry forward the MAT credit for adjustment in subsequent year(s), however, the MAT credit can be carried forward only for a period of 15 years after which it will lapse. In other words, if MAT credit cannot be utilised by the company within a period of 15 years (immediately succeeding the assessment year in which such credit was generated), then such credit will lapse. No interest is paid to the taxpayer in respect of such credit.

### **Report from chartered accountant**

Every company to whom the provisions of section 115JB applies is required to furnish a report from a chartered accountant in Form No. 29B certifying that the book profit has been computed in accordance with the provisions of section 115JB. The report should be furnished *before the specified date referred to in section 44AB*. Audit report in Form No. 29B shall be filed electronically.

**ANNEXURE****Sec 115BA : Tax on income of certain manufacturing Domestic Companies**

(1) Income-tax payable by domestic company, wef A/Y 17/18, shall, at its option, be computed @ 25%, if conditions contained in sub-section (2) are satisfied.

(2) For the purposes of sub-section (1), the following conditions shall apply, namely:—

- (a) Company has been set-up & registered on or after 1/3/2016;
- (b) Company is not engaged in any business other than the business of manufacture or production of any article or thing and research in relation to, or distribution of, such article or thing manufactured or produced by it; and
- (c) Total income of the company has been computed,—
  - (i) without any deduction u/s 10AA or u/s 32(1)(iia) or u/s 32AC or u/s 32AD or u/s 33AB or u/s 33ABA or u/s 35(1)(ii)(iia)(iii) or u/s 35(2AA)(2AB) or u/s 35AC or u/s 35AD or u/s 35CCC or u/s 35CCD or u/s 80C to 80U (profit based) other than u/s 80JJAA;
  - (ii) without set off of any loss c/f from any earlier A/Y if such loss is attributable to any of the deductions referred to in sub-clause (i); and
  - (iii) depreciation u/s 32, other than clause (iia) of sub-section (1) of the said section, is determined in the manner as may be prescribed.

(3) The loss referred to in sub-clause (ii) of clause (c) of sub-section (2) shall be deemed to have been already given full effect to and no further deduction for such loss shall be allowed for any subsequent year.

(4) Nothing contained in this section shall apply unless the option is exercised by the person in the prescribed manner on or before the due date u/s 139(1) for furnishing the first of returns of income which the person is required to furnish under the provisions of this Act:

**Provided** that once the option has been exercised for any p/y, it cannot be subsequently withdrawn for the same or any other p/y.

**Provided further** that where the person exercises option u/s 115BAA, the option under this section may be withdrawn.

**Sec 115BAA : Tax on income of certain domestic companies**

(1) The income-tax payable of domestic company, wef A/Y 20/21, shall, at option of such person, be computed @22%, if the conditions contained in sub-section (2) are satisfied:

**Provided** that where the person fails to satisfy conditions contained in sub-section (2) in any p/y, the option shall become invalid in respect of that p/y and subsequent years and other provisions of the Act shall apply, as if the option had not been exercised for the p/u and subsequent years.

(2) For the purposes of sub-section (1), the total income of the company shall be computed,—

- (i) without any deduction u/s 10AA or u/s 32(1)(ia) or u/s 32AC or u/s 32AD or u/s 33AB or u/s 33ABA or u/s 35(1)(ii)(ia)(iii) or u/s 35(2AA)(2AB) or u/s 35AC or u/s 35AD or u/s 35CCC or u/s 35CCD or u/s 80C to 80U (profit based) other than u/s 80JAA or u/s 80M;
- (ii) without set off of any loss c/f or depreciation from any earlier year, if such loss or depreciation is attributable to any of the deductions referred to in clause (i);
- (iii) without set off of any loss or allowance for unabsorbed depreciation deemed so under section 72A, if such loss or depreciation is attributable to any of the deductions referred to in clause (i); and
- (iv) by claiming the depreciation, if any, u/s 32, except clause (ia) of sub-section (1) of the said section, determined in such manner as may be prescribed.

(3) The loss and depreciation referred to in clause (ii) and clause (iii) of sub-section (2) shall be deemed to have been given full effect to and no further deduction for such loss or depreciation shall be allowed for any subsequent year:

**Provided** that where there is a depreciation allowance in respect of a block of asset which has not been given full effect to prior to A/Y beginning 20/21, corresponding adjustment shall be made to the WDV of such block of assets as on the 1st day of April, 2019 in the prescribed manner, if the option under sub-section (5) is exercised for a previous year relevant to the assessment year beginning on the 1st day of April, 2020.

(4) In case of a person, having a Unit in the International Financial Services Centre, u/s 80LA, which has exercised option under sub-section (5), the conditions contained in sub-section (2) shall be modified to the extent that the deduction under section 80LA shall be available to such Unit subject to fulfilment of the conditions contained in the said section.

(5) Nothing contained in this section shall apply unless the option is exercised by the person in the prescribed manner on or before the due date specified u/s 139(1) for furnishing the returns of income for A/Y commencing 20/21 and such option once exercised shall apply to subsequent assessment years:



**Provided** that in case of a person, where the option exercised by it under section 115BAB has been rendered invalid due to violation of conditions contained in sub-clause (ii) or sub-clause (iii) of clause (a), or clause (b) of sub-section (2) of said section, such person may exercise option under this section:

**Provided further** that once the option has been exercised for any previous year, it cannot be subsequently withdrawn for the same or any other previous year.

### **Sec 115BAB : Tax on income of new manufacturing domestic companies**

(1) The income-tax payable by domestic company, wef AY 20/21 shall, at the option, be computed @ **15%**, if the conditions contained in sub-section (2) are satisfied:

**Provided** that where the total income includes any income, which has neither been derived from nor is incidental to manufacturing or production of an article or thing and in respect of which no specific rate of tax has been provided separately under this Chapter, such income shall be taxed @ **22%** and no deduction or allowance in respect of any expenditure or allowance shall be allowed in computing such income:

**Provided further** that the income-tax payable in respect of the income of the person deemed so under second proviso to sub-section (6) shall be computed @ **30%**:

**Provided also** that the income-tax payable in respect of income being STCG derived from transfer of a capital asset on which no depreciation is allowable under the Act shall be computed @ **22%**:

**Provided also** that where the person fails to satisfy the conditions contained in sub-section (2) in any previous year, the option shall become invalid in respect of that p/y and subsequent years and other provisions of the Act shall apply to the person as if the option had not been exercised for that previous year and subsequent years.

(2) For the purposes of sub-section (1), the following conditions shall apply, namely:—

(a) the company has been set-up and registered wef 1/10/19, and has commenced manufacturing or production of an article or thing upto 31/3/2023 and,—

(i) the business is not formed by splitting up, or the reconstruction, of a business already in existence:

(ii) does not use any machinery or plant previously used for any purpose.

Explanation 1.—Any machinery or plant which was used outside India by any other person shall not be regarded as machinery or plant previously used for any purpose, if the following conditions are fulfilled, namely:—

(A) such machinery or plant was not, at any time previous to the date of the installation used in India;

(B) such machinery or plant is imported into India from any country outside India; and

(C) no deduction on account of depreciation in respect of such machinery or plant has been allowed or is allowable under the provisions of this Act in computing the total income of any person for any period prior to the date of the installation of machinery or plant by the person.

Explanation 2.—Where in the case of a person, any machinery or plant or any part thereof previously used for any purpose is put to use by the company and the total value of such machinery or plant or part thereof does not exceed twenty per cent of the total value of the machinery or plant used by the company, then, for the purposes of sub-clause (ii) of this clause, the condition specified therein shall be deemed to have been complied with;

(iii) does not use any building previously used as a hotel or a convention centre, as the case may be, in respect of which deduction under section 80-ID has been claimed and allowed.

Explanation.—For the purposes of this sub-clause, the expressions "hotel" and "convention centre" shall have the meanings respectively assigned to them in clause (a) and clause (b) of sub-section (6) of section 80-ID;

(b) the company is not engaged in any business other than the business of manufacture or production of any article or thing and research in relation to, or distribution of, such article or thing manufactured or produced by it.

Explanation.—The business of manufacture or production of any article or thing referred to in clause (b) shall not include business of,—

(i) development of computer software in any form or in any media;

(ii) mining;

(iii) conversion of marble blocks or similar items into slabs;

(iv) bottling of gas into cylinder;

(v) printing of books or production of cinematograph film; or

(vi) any other business as may be notified by the Central Government in this behalf; and

(c) the total income of the company has been computed,—

(i) without any deduction u/s 10AA or u/s 32(1)(ia) or u/s 32AC or u/s 32AD or u/s 33AB or u/s 33ABA or u/s 35(1)(ii)(ia)(iii) or u/s 35(2AA)(2AB) or u/s 35AC or u/s 35AD or u/s 35CCC or u/s 35CCD or u/s 80C to 80U (profit based) other than u/s 80JJAA or u/s 80M;

(ii) without set-off of any loss or allowance for unabsorbed depreciation deemed so under section 72A where such loss or depreciation is attributable to any of the deductions referred to in sub-clause (i);

Explanation.— In case of an amalgamation, the option under sub-section (7) shall remain valid in case of the amalgamated company only and if the conditions contained in sub-section (2) are continued to be satisfied by such company; and

(iii) by claiming the depreciation u/s 32, except clause (ia) of sub-section (1) of the said section, determined in such manner as may be prescribed.

Explanation.—For the purposes of clause (b), the “business of manufacture or production of any article or thing” shall include the business of generation of electricity.

(3) The loss referred to in sub-clause (ii) of clause (c) of sub-section (2) shall be deemed to have been given full effect to and no further deduction for such loss shall be allowed for any subsequent year.

(4) If any difficulty arises regarding fulfilment of the conditions contained in sub-clause (ii) or sub-clause (iii) of clause (a) of sub-section (2) or clause (b) of said sub-section, as the case may be, the Board may, with the approval of the Central Government, issue guidelines for the purpose of removing the difficulty and to promote manufacturing or production of article or thing using new plant and machinery.

(5) Every guideline issued by the Board under sub-section (4) shall be laid before each House of Parliament, and shall be binding on the person, and the income-tax authorities subordinate to it.

(6) Where it appears to the Assessing Officer that, owing to the close connection between the person to which this section applies and any other person, or for any other reason, the course of business between them is so arranged that the business transacted between them produces to the person more than the ordinary profits which might be expected to arise in such business, Assessing Officer shall, in computing the profits and gains of such business for the purposes of this section, take the amount of profits as may be reasonably deemed to have been derived therefrom:

**Provided** that in case the aforesaid arrangement involves a specified domestic transaction u/s 92BA, the amount of profits from such transaction shall be determined having regard to arm's length price as defined in clause (ii) of section 92F:

**Provided further** that the amount, being profits in excess of the amount of the profits determined by the Assessing Officer, shall be deemed to be the income of the person.

(7) Nothing contained in this section shall apply unless the option is exercised by the person in the prescribed manner on or before the due date specified u/s 139(1) for furnishing the first of returns of income for A/Y commencing on or after 1st day of April, 2020 and such option once exercised shall apply to subsequent assessment years:

**Provided** that once the option has been exercised for any p/y, it cannot be subsequently withdrawn for the same or any other previous year.

Explanation.—For the purposes of section 115BAA and this section, the expression "unabsorbed depreciation" shall have the meaning assigned to it in clause (b) of sub-section (7) of section 72A.

## Chapter 17

## ASSESSMENT OF OTHER PERSONS

- (1) **Any sum received by a member of a HUF** out of the income of the family shall be exempt from tax. However, the said exemption is subject to the provisions of section 64(2).

**(2) Computation of income of firm:**

- (a) Partners share in the total income of the firm, which is assessed as such, shall be exempt from tax.
- (b) Interest and remuneration received by partner is business income and is chargeable to tax under Profits and Gains of Business and Profession. However, any payment of remuneration to partners, not allowed as deduction to the firm, shall not be taxed in the hands of partners.
- (c) As per section 40(b), in computing the income under the head Profits and Gains of Business and Profession of a firm assessed as such, the following amounts shall be disallowed -
- Any salary, bonus, commission or remuneration to any non-working partner;
  - Any interest paid to any partner in excess of 12 simple interest p.a. ;
  - Remuneration to *working partner* or interest to *any partner*, which is not authorised by the partnership deed, or, which relates to period prior to the date of partnership deed;
  - Remuneration paid to working partners during the previous year is disallowed to the extent it exceeds, in aggregate, the following limits:

Book profits	Allowable Remuneration
On first ₹ 3,00,000 of book profits, or, in case of a loss.	₹ 1,50,000, or, 90% of book profits, whichever is more.
On balance of the book profits	60% of the book profits.

**(3) Assessment as a firm [Section 184] :**

- (a) A firm shall be assessed as a firm for the purposes of this Act, if -
- Partnership is evidenced by an instrument; and
  - Individual shares of the partners are specified in that instrument.
- (b) A certified copy of the partnership deed shall accompany the first return of income of the firm and in case, there is any change in constitution of the firm or the shares of the partners are revised, then revised deed must be furnished after such change.

- (4) **Assessment when Section 184 not complied with [Section 185] :** If a firm fails to fulfil aforesaid conditions, then, no deduction shall be allowed to the firm in respect of interest, salary, bonus, commission or remuneration paid by such firm to any partner thereof; and such interest, salary, bonus, commission or remuneration shall not be chargeable to tax under section 28(v) in hands of partner.

- (5) **Change in constitution of a firm [Section 187] :** the assessment shall be made on the firm as constituted at the time of making the assessment. There is a change in the constitution of the firm if -

- (a) one or more of the partners cease to be partners or one or more new partners are admitted, in such circumstances that one or more of the persons who were partners of the firm before the change continue as partner or partners after the change; or
- (b) all the partners continue with a change in their respective shares or in the shares of some of them.

Provided that nothing contained in clause (a) shall apply to a case where the firm is dissolved on the death of any of its partners.

- (6) **Succession of one firm by another firm [Section 188] :** Where a firm carrying on a business or profession is succeeded by another firm, and the case is not one covered by Section 187, separate assessments shall be made on the predecessor firm and the successor firm in accordance with the provisions of Section 170.

- (7) **According to Section 188A**, Every person who was, during the previous year, a partner of a firm, and the legal representative of any such person who is deceased, shall be jointly and severally liable along with the firm for the amount of tax, penalty or other sum payable by the firm for the assessment year to which such previous year is relevant, and all the provisions of this Act, so far as may be, shall apply to the assessment of such tax or imposition or levy of such penalty or other sum.

**(8) Distinction Between AOP and BOI :**

	AOP	BOI
(1)	It is voluntarily created by 2 or more persons.	It is created by operation of law.
(2)	Its members may consist of companies, firms, HUFs or individuals.	Only individuals can be the members of body of individuals.
(3)	In order to constitute an association, persons must join in for a common purpose and common action and their object must be to produce income.	Body of individuals merely receives the income jointly and is assessable in the like manner and to the same extent as the beneficiaries.
(4)	It is assessed in own capacity and not as a representative assessee.	It is assessed as a representative assessee.
(5)	Co-heirs, co-legatees or co-donees are examples of AOP.	Co-executors or co-trustees are examples of BOI.

- (9) **Computation of income of AOP/BOI :** As per section 40(ba) in computing the income of an Association of persons or body of individuals under the head, 'Profits and gains of business or profession', any bonus, commission, salary or interest or remuneration to its member shall not be allowed as deduction. The income of an AOP /BOI is taxable at MMR *i.e.* 35.88% except in the following cases -

- If shares of members in such AOP /BOI is indeterminate/unknown and any member is chargeable to tax at rate higher than MMR, income of AOP /BOI is taxable at such higher rate;
- If shares of members in such AOP /BOI is determinate and known and any member is chargeable to tax at rate higher than MMR, income of AOP /BOI to the extent of such members' share is taxable at such higher rate, and, balance income is taxable at MMR ;
- If none of the members of such AOP /BOI has other income exceeding maximum amount not chargeable to tax, the total income of such Association of persons or Body of Individuals shall be taxable at the normal rates applicable in case of an individual.

In case (c) above, members' share in total income of AOP /BOI will be included in his total income and rebate will be allowed to the member at average rate of income-tax computed on such share income.

If income of AOP /BOI is not chargeable to tax, members' share in such income will be taxable in the hands of the members and no rebate will be allowed.

**ALTERNATE MINIMUM TAX**

The provisions of AMT will apply to every non-corporate taxpayer who has claimed (i) deduction under section 80H to 80RRB (except 80P), (ii) deduction under section 35AD and (iii) deduction under section 10AA. Thus, the provisions of AMT are not applicable to a non-corporate taxpayer who has not claimed any deduction under above discussed sections. However, following points should be kept in mind in this regard.

- ☐ The provisions of AMT shall apply to an individual or a Hindu undivided family or an association of persons or a body of individuals (whether incorporated or not) or an artificial juridical person only if the adjusted total income (discussed later) of such person exceeds Rs. 20,00,000.(Section 115JEE)
- ☐ The provisions of AMT shall apply to every other person (i.e., other than an individual or a HUF or an AOP/BOI or an artificial juridical person) irrespective of its income. For definition of a person refer to section 2(31).
- ☐ The provisions of this section shall not apply to a person who has exercised the option referred to in section 115BAC or section 115BAD

**Rate of AMT**

In case of non-corporate taxpayer, AMT is levied @ 18.5% of adjusted total income (discussed later). Surcharge and cess as applicable will also be levied.

However, AMT is levied @ 9% in case of a non-corporate assessee being a unit located in International Financial Services Centre and deriving its income solely in convertible foreign exchange. Surcharge and cess as applicable will also be levied. (Applicable from Assessment Year 2019-20)

**Meaning of adjusted total income**

In case of a non-corporate taxpayer, adjusted total income is computed in following manner :

Particulars	(Rs.)
Taxable income of the taxpayer	XXX
Add : Amount of Deduction claimed under section 80H to 80RRB(Except 80P)	XXX
Add: Amount of deduction claimed under section 35AD (as reduced by the amount of depreciation allowable in accordance with the provisions of section 32)	XXX
Add: Amount of deduction claimed under section 10AA	<u>XXX</u>
<b><i>Adjusted total income</i></b>	<b>XXX</b>

### **Tax liability in case of a non-corporate taxpayers to whom the provisions of AMT apply**

As per the concept of AMT, the tax liability of a non-corporate taxpayer to whom the provisions of AMT applies will be higher of the following:

- ☐ Tax liability computed as per the normal provisions of the Income-tax Law, i.e., tax computed on the taxable income of the taxpayer at the tax rate applicable to him. Tax computed in above manner can be termed as normal tax liability.
- ☐ Tax computed @ 18.5% (plus surcharge and cess as applicable) on adjusted total income. The tax computed by applying 18.5% (plus surcharge and cess as applicable) on adjusted total income is called AMT.

**Note:** AMT is levied @ 9% in case of a non-corporate assessee being a unit located in International Financial Services Centre and deriving its income solely in convertible foreign exchange. Surcharge and cess as applicable will also be levied. (Applicable from Assessment Year 2019-20)

### **AMT credit**

As discussed in earlier part, a non-corporate taxpayer to whom the provisions of AMT applies has to pay higher of normal tax liability or liability as per the provisions of AMT. If in any year the taxpayer pays liability as per AMT, then he is entitled to claim credit in the subsequent year(s) of AMT paid above the normal tax liability.

Provided that where the amount of Foreign Tax Credit ('FTC') allowed against the AMT exceeds the amount of such FTC admissible against the tax payable by the assessee under normal provisions of the Income-Tax Act, then, while computing the amount of FTC under this sub-section, such excess amount shall be ignored.

### **Adjustment of carried forward AMT credit**

As discussed earlier, a non-corporate taxpayer to whom the provisions of AMT applies is entitled to claim AMT credit of excess AMT paid over the normal tax liability. The credit of AMT can be utilised by the taxpayer in the subsequent year(s). The credit can be adjusted in the year in which the liability of the taxpayer as per the normal provisions is more than the AMT liability. The set off in respect brought forward AMT credit shall be allowed in the subsequent year(s) to the extent of the difference between the tax on his total income as per the normal provisions and the liability as per the AMT provisions.

### **Period for which AMT credit can be carried forward**

As discussed earlier, a non-corporate taxpayer (to whom the provisions of AMT applies) can carry forward the AMT credit for adjustment in subsequent year(s), however, the AMT credit can be carried forward only for a period of 15

years after which it will lapse. In other words, if AMT credit cannot be utilised by the non-corporate taxpayer within a period of 15 years (immediately succeeding the assessment year in which such credit was generated), then such credit will lapse. No interest is paid to the taxpayer in respect of such credit.

### **Report from Chartered Accountant**

Every person to whom this section applies shall obtain a report, before the specified date referred to in section 44AB, in such form as may be prescribed, from an accountant referred to in the Explanation below sub-section (2) of section 288, certifying that the adjusted total income and the alternate minimum tax have been computed in accordance with the provisions of this Chapter and furnish such report by that date.



**MULTIPLE CHOICE QUESTIONS**

- (1) The relation of a HUF arises from \_\_\_\_\_ \_
- (a) Status (b) Contract  
(c) Agreement (d) None of these
- (2) Lala and sons, a Hindu undivided family, carrying on business of food grain agents has total income of ₹10,25,000. It has paid health insurance premium of ₹25,000 of karta. The tax liability of Hindu undivided family is \_\_\_\_\_
- (a) ₹1,33,390 (b) ₹1,28,750  
(c) ₹3,13,640 (d) ₹3,09,000
- (3) Subject to the provisions of Section 64(2), any sum received by an individual as a member of a HUF from HUF shall be \_
- (a) Taxable (b) Exempt  
(c) Regarded as personal income (d) Non of these
- (4) From tax point of view, a limited liability partnership (LLP) is treated as \_
- (a) Sole trader concern (b) General partnership firm  
(c) Private limited company (d) Public limited company
- (5) A, Band C are the partners in a firm engaged in medical profession. For the year ended on 31<sup>st</sup> March, 2021, the book profit of the firm was calculated as ₹3,00,000. The maximum amount admissible as remuneration to partners is \_\_\_\_\_ \_
- (a) ₹2,70,000 (b) ₹1,50,000  
(c) ₹NIL (d) ₹1 0,00,000
- (6) A, Band C are the partners in a firm engaged in medical profession. For the year ended on 31<sup>st</sup> March, 2021, the book loss of the firm was calculated as ₹3,00,000. The maximum amount admissible as remuneration to partners is \_\_\_\_\_ \_
- (a) ₹2,70,000 (b) ₹1,50,000  
(c) Nil (d) ₹3,00,000
- (7) Under the Income-tax Act, 1961, interest on capital received by a partner from a partnership firm is chargeable under the head -
- (a) Profits and gains of business or profession (b) Income from other sources  
(c) Capital gains (d) None of the above.
- (8) The book profit of a partnership firm is ₹1,20,000. The actual remuneration paid to working partners is ₹3,54,000. The allowable deduction under section 40(b) towards remuneration to partners is -

- (a) ₹ 1,50,000 (b) ₹ 3,54,000  
(c) ₹ 1,08,000 (d) ₹ 1,20,000
- (9) A non-professional firm M/s Bright has book profits of ₹ 9,36,000. The admissible remuneration to working partners for income-tax purpose shall be -  
(a) ₹ 6,51,600 (b) ₹ 6,81,600  
(c) ₹ 2,70,000 (d) None of the above.
- (10) Profit earned during the year by a partnership firm is ₹ 1,40,000. The maximum amount of remuneration deductible from profit is -  
(a) ₹ 1,50,000 (b) ₹ 1,40,000  
(c) ₹ 1,26,000 (d) ₹ 50,000
- (11) A, Band C are the partners in a firm engaged in medical profession. For the year ended on 3<sup>rd</sup> March, 2020, the book profits of the firm was calculated as ₹ 10,00,000. The maximum amount admissible as remuneration to partners in accordance of provisions of Section 40(b) is \_\_\_\_\_  
(a) ₹ 6,90,000 (b) ₹ 1,50,000  
(c) Nil (d) ₹ 2,70,000
- (12) A, Band C are the partners in a firm engaged in retail trade. For the year ended on 31<sup>st</sup> March, 2021, the turnover of the firm was ₹ 80,00,000 and has opted for presumptive basis taxation under Section 44AD. The maximum amount admissible as remuneration to partners in accordance of provisions of Section 40(b) is \_\_\_\_\_  
(a) ₹ 4,74,000 (b) ₹ 1,50,000  
(c) Nil (d) ₹ 2,70,000
- (13) In computing the income under the head Profits and Gains of Business or Profession of a firm which is assessed as such, any interest paid to any partner in excess of \_\_\_\_\_ simple interest p.a. shall be disallowed in accordance with the provisions of Section 40(b),-  
(a) 6% (b) 12%  
(c) 15% (d) 18%
- (14) In computing the income under the head Profits and Gains of Business or Profession of a firm which is assessed as such, the following shall be disallowed in accordance with the provisions of Section 40(b),-  
(a) Remuneration to working partner. (b) Remuneration to non working partner.  
(c) Interest to working partner. (d) Interest to non working partner
- (15) In case of book loss the maximum allowable remuneration to working partner will be :  
(a) Nil (b) ₹ 1,50,000  
(c) ₹ 3,00,000 (d) ₹ 10,00,000
- (16) When an LLP has book profit of ₹ 6 lakh, the maximum amount allowable towards the salary of working partners would \_\_\_\_\_  
(a) ₹ 4,50,000 (b) ₹ 6,00,000  
(c) ₹ 3,00,000 (d) Nil

- (17) Under the Income-tax Act, 1961, LLP is chargeable to tax @ \_
- (a) 30% + 4% HEC or AMT@18.5% + 4% HEC (b) 30% + 4% HEC or AMT @ 18.5%
- (c) 30% + 4% HEC or MAT@18.5% + 4% HEC (d) 30% + 4% HEC or MAT@18.5%
- (18) Remuneration received by a partner of firm from such firm shall be taxable as \_
- (a) Salary Income (b) Profits and gains of business
- (c) Capital Gains (d) Income from other sources
- (19) Salary received by a partner from his partnership firm is considered in his personal assessment as \_\_\_\_\_
- (a) Income from salary (b) Profit from business or profession
- (c) Income from other sources (d) Exempted income
- (20) In computing the income under the head Profits and Gains of Business or Profession of an association of person, any interest paid to any member-
- (a) Shall be disallowed (b) Shall be allowed
- (c) Shall be allowed upto 12% p.a. (d) None of these
- (21) When a non-domestic company is a member in an AOP and its share of profit is indeterminate, the tax on total income of the AOP is charged at the -
- (a) Nominal rate (b) Maximum marginal rate
- (c) Rate applicable to the company (d) Least of the above three rates.
- (22) DP & Co. is a partnership firm with 3 partners. The capital of each partner was ₹2 lakh. The partnership deed authorised interest on capital @ 15% and working partner salary to each partner @ ₹10,000 per month for all the partners. The total sales amounted to ₹70 lakh. The total income of the firm under section 44AD would be -
- (a) ₹5,60,000 (b) ₹4,32,000
- (c) ₹1,28,000 (d) ₹3,50,000
- (23) AOP or BOI for the purpose of levy of tax as per section 167B does not include \_
- (a) A company (b) A company or co-operative society
- (c) A company or Co-operative society or unregistered society (d) A company or Co-operative society or a society registered under the Societies Registration Act, 1860 or under any other law computing to that Act in force in any part of India
- (24) A society registered under the Societies Registration Act, 1860 is taxable \_
- (a) Taxable as AOP /BOI as per section 167B (b) Taxable as BOI but the tax rate shall be same as is applicable in case of an individual/HUF
- (c) At slab rate (d) At special rate of tax
- (25) A co-operative society is although a body of individual but taxable at :
- (a) The same rate as are applicable to individual/HUF (b) Average rate of tax
- (c) The maximum marginal rate (d) The rates given in Schedule I of Income-tax Act

(26) In case of AOP / BOI, any interest paid to the member shall :

- |  |   |
|--|---|
| (a) Be allowed as deduction to the AOP /BOI while computing its income | (b) Be allowed as deduction to the AOP /BOI while computing its income subject to maximum of 12% p.a, |
| (c) Not be allowed as deduction  | (d) Be allowed as deduction to the AOP /BOI while computing its income subject to maximum of 6% p.a.  |

(27) In case of AOP whose members are other than foreign company, and their shares are indeterminate, the tax shall be charged:

- |                                       |  |
|---------------------------------------|--|
| (a) At rate applicable to individuals | (b) At the maximum marginal rate                                       |
| (c) At the rate of 40% + 4% HEC       | At rates given in Schedule I of Income tax Act the rate given in the F |

(28) In case of AOP whose member include a foreign company, and their shares are indeterminate, the tax shall be charged:

- |   |   |
|---|---|
| (a) At the rate applicable to individuals   | (b) at the maximum marginal rate <i>i.e.</i> 30% + surcharge @ 12%, if applicable + 4%HEC |
| (c) At the rate applicable to the foreign company <i>i.e.</i> 40% + surcharge @ 2% if applicable + 4% HEC | (d) At the rates given in Schedule I of the Income tax Act the rate given in the F        |

(29) In case of AOP whose members are other than foreign company, and whose shares are known, but the total income of any of its member exceeds the maximum exemption limit, tax to the AOP shall be charged:

- |  |  |
|--|--|
| (a) At rate applicable to individuals  | (b) at the maximum marginal rate.                      |
| (c) At rate applicable to foreign company <i>i.e.</i> 40% + surcharge @ 2% if applicable + 4%HEC | (d) at the rates given in Schedule I of Income-tax Act |

(30) In case of AOP whose members include a foreign company, and their shares are determinate, the tax shall be charged:

- |  |  |
|--|--|
| (a) at the rate applicable to individuals  | (b) at the maximum marginal rate <i>i.e.</i> 30% + surcharge @ 12%, if applicable + HEC @4%  |
| (c) at the rate applicable to the foreign company <i>i.e.</i> 40% + surcharge @ 2% if applicable + 4%HEC | (d) on that portion or portions of income of AOP which is relatable to the share of the member which is a foreign company and on the balance income at the maximum marginal rate |

(31) In case of AOP /BOI where the share of the members are determinate but none of the members has taxable income exceeding maximum exemption limit, nor any member is taxable at a rate higher than the maximum marginal rate, the tax shall be charged :

- |  |  |
|--|--|
| (a) at the rate applicable to individual/HUF | (b) at the maximum marginal rate <i>i.e.</i> 30% + surcharge @ 12%, if applicable + 4% HEC |
| (c) at the rate of 35% + 4% HEC              | (d) at the rates given in Schedule I of the Income-tax Act                                 |

(32) In case of AOP where the share of the members are determinate but none of the members has taxable income exceeding maximum exemption limit, but one or more member is taxable at a rate higher than the maximum marginal rate, the tax shall be charged :

- (a) at the rate applicable to individual/HUF
- (b) on that portion of income of AOP which is relatable to the member taxable at higher rate, at the rate applicable to such member and the balance taxable income at the rate applicable to individual/HUF
- (c) on that portion of income of AOP which is relatable to the member taxable at higher rate, at the rate applicable to such member and the balance taxable income at the maximum marginal rate
- (d) at the rates given in Schedule I of the Income-tax Act
- (33) Where the total income of the AOP/BOI, whose none of the members has income exceeding maximum exemption limit nor any member is taxable at a rate higher than maximum marginal rate, does not exceed ₹ 2,50,000 :
- (a) Neither the AOP /BOI shall be liable to pay any tax nor the share of the profit of the member from AOP /BOI shall be included in their respective total income
- (b) Although the AOP /BOI shall not be liable to pay any tax but the share of the profit of each member from AOP /BOI shall be included in his total income
- (c) The AOP /BOI will be liable to tax at the maximum marginal rate
- (d) The AOP /BOI will be liable to tax at the rate applicable to foreign company
- (34) "Charitable purpose" includes:
- (a) Relief of the poor,
- (b) Education,
- (c) Medical relief,
- (d) All of these
- (35) The advancement of any other object of general public utility shall be regarded as charitable purpose even if it involves carrying on of trade/ commerce/business for a cess or fee or any other consideration, if the gross receipts thereof does not exceed \_\_\_\_\_ of total receipts of such charitable institution.
- (a) 15%
- (b) 20%
- (c) ₹ 20 lakhs
- (d) ₹ 25 lakhs
- (36) Where the total income of the trust or institution, without giving effect to the provisions of Sections 11 and 12, exceeds in any previous year , the accounts of the trust or institution must be audited by CA and the report of such audit in the prescribed form duly signed and verified by such accountant containing prescribed particulars, should be furnished along with the return of income.
- (a) ₹ 2,50,000
- (b) ₹ 10,00,000
- (c) ₹ 20,00,000
- (d) ₹ 25,00,000
- (37) A public charitable trust registered under section 12A of Income-tax Act, for the previous year ending 31-3-2021, derived gross income of ₹ 16lakhs, which consists of the following: *(in lakhs)*
- |   |   |
|---|---|
| Income from properties held by trust (Net)              | 5 |
| Income (net) from business (incidental to main objects) | 4 |
| Voluntary contribution from public                      | 7 |
- The trust applied a sum of ₹ 11.60 lakhs towards charitable purposes during the year. Determine the taxable income of the trust of the assessment year 2021-22.
- (a) ₹ 2,00,000
- (b) Nil
- (c) ₹ 4,40,000
- (d) ₹ 6,00,000

- (38) Ramu Charitable Trust had sold a capital asset costing ₹ 70,000 on 13<sup>th</sup> June, 2020 for ₹ 1,50,000. It purchased new asset on 1<sup>st</sup> July 2019 for ₹ 1,20,000. The amount taxable as capital gains for Ramu Charitable Trust in A.Y. 2021-22 is -
- (a) ₹ 80,000 (b) Nil, because of charitable trust  
(c) ₹ 30,000 (d) ₹ 40,000
- (39) A charitable trust acquired two air-conditioners for ₹ 1,40,000 on 10<sup>th</sup> June, 2020. It claimed the acquisition as application of income. The amount it can claim by way of depreciation for the said air-conditioners for the AY 2021-22 is-
- (a) ₹ 21,000 (b) ₹ 1,40,000  
(c) ₹ 35,000 (d) Nil.
- (40) A public charitable trust registered under section 12A of Income-tax Act, for the previous year ending 31-3-2021, derived the following:

	<i>in lakhs</i>
Income from properties held by trust (Net)	10
Income (net) from business (incidental to main objects)	5
Voluntary contribution from public (including corpus donations of ₹ 10,00,000)	15

The trust applied a sum of ₹ 16 lakhs towards charitable purposes during the year. Determine the taxable income of the trust of the assessment year 2021-22.

- (a) ₹ 1,00,000 (b) ₹ 14,00,000  
(c) ₹ NIL (d) ₹ 4,00,000
- (41) Authority having power to cancel registration of trust subject to certain conditions:
- (a) Principal Commissioner (b) Director general  
(c) Commissioner (d) Either A or C
- (42) A charitable trust has received anonymous donations of ₹ 25,00,000. The amount of anonymous donations not taxable will be-
- (a) ₹ 1,00,000 (b) ₹ 1,25,000  
(c) ₹ 2,00,000 (d) ₹ 25,00,000
- (43) In case of any registered trust or institution for which registration is effective in the previous year, they cannot claim any exemption under any provision of section 10 [other than that relating to exemption of
- (a) Agricultural income (b) Dividend Income from shares of Indian Company  
(c) Dividend Income from units of mutual fund (d) LTCG on sale of equity shares listed in recognised stock exchange.
- (44) Anonymous donations received by a charitable trust is chargeable to tax at the rate of -
- (a) 30% (b) 15%  
(c) 20% (d) 10
- (45) The amount of deduction on account of head office expenditure in case of Non-resident cannot exceed-----of adjusted total income.
- (a) 5% (b) 15%  
(c) 20% (d) 10%

(46) Where the total income of an assessee, being a non-resident Indian includes income by way of long-term capital gains arising from transfer of unlisted securities, applicable income-tax rate on such income is -

- |         |         |
|---------|---------|
| (a) 10% | (b) 20% |
| (c) 30% | (d) 40% |

(47) In case of foreign companies having branches in India, maximum deduction (in respect of head office expenditure) allowed in computing their income under section 44C is -

- |   |  |
|---|--|
| (a) An amount equal to 5% of the adjusted total income  | (b) An amount equal to 5% of the total income  |
| (c) An amount equal to 15% of the adjusted total income | (d) An amount equal to 15% of the total income |

(48) In case of Non-resident engaged in providing services or facilities in connection with, or supplying plant and machinery on hire used, or to be used, in the prospecting for, or extraction or production of, mineral oils (including petroleum and natural gas) \_\_\_\_\_ of gross receipts shall be deemed income.

- |         |         |
|---------|---------|
| (a) 5%  | (b) 15% |
| (c) 20% | (d) 10% |

(49) XYZInc., a Singapore company engaged in shipping business collected ₹ 150 lakh towards carrying goods from Chennai Port. Its presumptive income chargeable to tax in India would be -

- |              |                 |
|--------------|-----------------|
| (a) ₹ 15lakh | (b) ₹ 11.25lakh |
| (c) ₹ 12lakh | (d) Nil         |

(50) In case of Non-resident engaged in operation of aircraft \_\_\_\_\_ of gross receipts on account of such business shall be deemed income.

- |         |         |
|---------|---------|
| (a) 5%  | (b) 15% |
| (c) 20% | (d) 10% |

(51) Where a non-resident/foreign company is liable to tax at special rate of 10% on account of royalty or fee for technical services, such assessee shall-

- |  |   |
|--|---|
| (a) Be eligible for deduction of any expenses from such income u/s 28 to 44C or section 57   | (b) Not be eligible for any deduction under Chapter VI-A on account of such income  |
| (c) Neither be eligible for deduction of any expenses u/s 28 to 44C or section 57 nor be eligible for any deduction under Chapter VI-A | (d) Not be eligible for deduction of any expense under section 28 to 44C or section 57 but shall be eligible for deduction under Chapter VI-A |

(52) Where a foreign institutional investor received income in respect of securities 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% |

(53) A Foreign Institutional Investor (FII) has total income which includes short-term capital gains on sale of listed shares of ₹ 30 lakh. The rate of tax for charging such income to tax is -

- |         |         |
|---------|---------|
| (a) 10% | (b) 30% |
| (c) 15% | (d) 40% |

**ANSWER KEY**

1.a	2.b	3.b	4.b	5.a	6.b	7.a	8.a	9.a	10.a
11.a	12.c	13.b	14.b	15.b	16.a	17.a	18.b	19.b	20.a
21.c	22.a	23.d	24.d	25.d	26.c	27.b	28.c	29.b	30.d
31.a	32.c	33.b	34.d	35.b	36.a	37.a	38.c	39.d	40.a
41.d	42.b	43.a	44.a	45.a	46.a	47.a	48.d	49.b	50.a
51.d	52.c	53.b	54.a	55.b	56.c				