

## 14. OBJECTIVE QUESTIONS

### 14.1 MULTIPLE CHOICE QUESTIONS

- Income-tax Act extends to
  - Whole of India
  - Whole of India except Jammu & Kashmir
  - Whole of Maharashtra only
  - None of these
- Out of the following which is a revenue receipt ?
  - Premium received on issue of new shares
  - Annuity received from former employer
  - Interest from investments
  - None of these
- A.O.P should consist of :
  - Individual only
  - Persons other than individual only
  - Both the above
  - None of these
- Body of individual should consist of :
  - Individual only
  - Persons other than individual only
  - Both the above
  - None of these
- A new business was set up on 15-11-2019 and it commenced its business from 1-12-2019. The first previous year in this case shall be :
  - 15-11-2019 to 31-3-2020
  - 1-12-2019 to 31-3-2020
  - 2019-20
  - None of these
- Shivaji University is assessable under the Income Tax Act as
  - An individual
  - An artificial juridical person
  - A local authority
  - None of these
- In which year is the income tax liability computed ?
  - Assessment Year
  - Previous Year
  - Financial Year
  - Calendar Year
- Income earned during what period is taxed ?
  - Assessment Year
  - Previous Year
  - Financial Year
  - Calendar Year
- Whose income is chargeable to income tax ?
  - Income of only Indian Citizens
  - Income of only residents
  - Income of all persons
  - Income of only assesseees
- One who is liable to pay the income tax in India -
  - Indian citizen
  - Resident in India
  - Any person
  - An assessee
- Assessment year is the period of twelve months commencing on -
  - the first day of March every year
  - the first day of January every year
  - financial year immediately preceding the previous year
  - the first day of April every year
- Previous year means the
  - financial year immediately after the assessment year
  - the period of twelve months commencing on the first day of April every year
  - financial year immediately preceding the assessment year
  - calendar year immediately preceding the assessment year
- Mr. Joshi runs a chemist's shop, accounting year of which is the financial year. On November 9, 2019 he sets up a chemical factory. What is the previous year for the assessment year 2020-21 for the above two businesses.
  - 1-4-2019 to 31-3-2020 for both
  - 9-11-2019 to 31-3-2020 for both
  - 1-1-2019 to 31-12-2019 for both
  - Shop: 1-4-2019 to 31-3-2020; and Factory: 9-11-2019 to 31-3-2020

14. A Company joining with two other Companies in a joint venture is treated under Income tax laws as
- (a) a company (b) an association of persons  
(c) a body of individuals (d) an artificial juridical person
15. A Charitable Trust is treated under Income tax laws as
- (a) a company (b) an association of persons  
(c) a body of individuals (d) an artificial juridical person
16. A Club is treated under Income tax laws as
- (a) a company (b) an association of persons  
(c) a body of individuals (d) an artificial juridical person
17. A Co-operative Society is treated under Income tax laws as
- (a) a company (b) an association of persons  
(c) a body of individuals (d) an artificial juridical person
18. Life Insurance Corporation is treated under Income tax laws as
- (a) a company (b) Local Authority  
(c) a body of individuals (d) an artificial juridical person
19. Mumbai University is treated under Income tax laws as
- (a) a company (b) an association of persons  
(c) a body of individuals (d) an artificial juridical person
20. Indicate which of the following persons will not be taxed as an individual:
- (a) X, a partner of a firm  
(b) Y, a managing director of A Ltd.  
(c) Z, a member of Z HUF  
(d) M, Municipal Commissioner of Mumbai in respect of the Income of the Municipal Corporation
21. Provision of a motor car to the wife of the managing director by the company
- (a) is exempt from tax  
(b) is treated as perquisite in the hands of the managing director  
(c) is treated as income of the company  
(d) is treated as income of the wife of the managing director
22. Recovery of bad debt is
- (a) allowed as deduction from gross income  
(b) exempt from tax  
(c) chargeable to tax as income from business  
(d) chargeable to tax as capital gains
23. Gift from a patient to a doctor is
- (a) allowed as deduction from gross income of the patient  
(b) exempt from tax for the doctor  
(c) chargeable to tax as income from business for the doctor  
(d) chargeable to tax as income from other sources for the doctor
24. A capital receipt
- (a) is always exempt  
(b) is always taxable  
(c) is always taxable unless specifically exempted under the Income tax Act  
(d) is exempt unless specifically made taxable under the Income tax Act
25. A revenue receipt
- (a) is never exempt  
(b) is never taxable  
(c) is always taxable unless specifically exempted under the Income tax Act  
(d) is exempt unless specifically made taxable under the Income tax Act
26. When goods are transferred from Head Office to a branch at a price higher than cost
- (a) the profit is treated as taxable income of head office  
(b) the profit is treated as taxable income of branch office  
(c) the invoice price is treated as taxable income of head office  
(d) there is no taxable income

27. A person by whom any tax, interest, penalty etc. is due is known as -  
 (a) a defaulter (b) a resident  
 (c) a citizen (d) an assessee
28. The rates of income tax are laid down by  
 (a) the Income tax Act  
 (b) the Income tax Rules  
 (c) the Finance Act, 1994  
 (d) the Finance Act passed by the parliament every year
29. The rates of income tax are laid down  
 (a) for each calendar year (b) for each assessment year  
 (c) for each previous year (d) for each head of income
30. Total income  
 (a) of one calendar year is charged to tax in the succeeding year  
 (b) of one financial year is charged to tax in the succeeding calendar year  
 (c) of one financial year is charged to tax in the succeeding financial year  
 (d) of one financial year is charged to tax in the preceding financial year

## 14.2 FILL IN THE BLANKS

1. Previous year means the \_\_\_\_\_ year immediately preceding the assessment year.
2. The first previous year of a newly set up business can be \_\_\_\_\_ 12 months.
3. A period of twelve months commencing on the first day of April every year is called \_\_\_\_\_.
4. An assessment is defined under Income-tax Act to include \_\_\_\_\_.
5. A person by whom any tax is payable under the act is known as an \_\_\_\_\_.
6. The law governing income tax is specified in The Income-tax Act, \_\_\_\_\_ (1961 / 1962).
7. The rules for implementation of income tax are contained in Income-tax Rules, \_\_\_\_\_ (1961/1962).
8. Assessment year is defined in Section \_\_\_\_\_ [2(9) / 2(8)] of the Income-tax Act.
9. Previous year is defined in Section \_\_\_\_\_ [ 2 / 3 / 4 ] of the Income-tax Act.
10. Person is defined in Section \_\_\_\_\_ [2(31) / 2(24)] of the Income-tax Act.
11. Income is defined in Section \_\_\_\_\_ [2(8) / 2(24)] of the Income-tax Act.
12. Assessment is defined in Section \_\_\_\_\_ [2(8) / 2(9)] of the Income-tax Act.
13. Assessee is defined in Section \_\_\_\_\_ [2(7) / 2(8) / 2(9)] of the Income-tax Act.
14. Charge of income-tax is laid down in Section \_\_\_\_\_ [2 / 3 / 4] of the Income-tax Act.
15. The legal status under the Income Tax Act of Dhiren a minor son of Kishor, is \_\_\_\_\_.
16. The legal status under the Income Tax Act of Mukand Steel Ltd., is \_\_\_\_\_.
17. The legal status under the Income Tax Act of Mumbai University, is \_\_\_\_\_.
18. The legal status under the Income Tax Act of Safalya Co-op. Housing Society Ltd., is \_\_\_\_\_.
19. The legal status under the Income Tax Act of New India Bank Ltd., is \_\_\_\_\_.
20. The legal status under the Income Tax Act of Mumbai Port Trust, is \_\_\_\_\_.
21. The legal status under the Income Tax Act of Ms. Madhuri Dixit, is \_\_\_\_\_.
22. The legal status under the Income Tax Act of Baroda Municipal Corporation, is \_\_\_\_\_.
23. The legal status under the Income Tax Act of Mr. Matwala, a person of unsound mind, is \_\_\_\_\_.
24. The legal status under the Income Tax Act of A joint family of Mr. Sunil, his wife and two sons, is \_\_\_\_\_.
25. The legal status under the Income Tax Act of A joint venture between Mr. Contractor, Mr. Painter, and Mr. Cementwala for construction of Kalpataru Building, is \_\_\_\_\_.
26. The legal status under the Income Tax Act of Mr. Dharmaraja and his four brothers joining together to purchase a lottery ticket and sharing the prize, if any, equally, is \_\_\_\_\_.

**14.3 MATCH THE FOLLOWING COLUMNS**

1.	Column A	Column B
1.	Narayanan Murthy	(a) Company
2.	Infosys Technologies Ltd.	(b) Association of Persons
3.	Solapur Gram-panchayat	(c) Firm
4.	Andheri Sports Club	(d) Individual
5.	Karnataka University	(e) Body of Individuals
		(f) Artificial Juridical Person
		(g) Local Authority

2.	Column A	Column B
1.	Capital Gains	(a) Assessment year 2020-21
2.	Financial year immediately preceding the assessment year	(b) Income
3.	1-4-2020 to 31-3-2021	(c) Assessee
4.	Hindu Undivided Family	(d) Assessee in default
5.	Person with tax liability	(e) Previous year
		(f) Person
		(g) Remittance

3.	Column A Term	Column B Section of Income-tax Act
1.	Assessment year	(a) 2 (31)
2.	Previous year	(b) 4
3.	Person	(c) 2 (8)
4.	Income	(d) 2 (9)
5.	Assessment	(e) 2 (7)
6.	Assessee	(f) 2 (24)
7.	Charge of income-tax	(g) 3

4.	Column A Person	Column B Legal Status
1.	Malvany Gram Panchayat	(a) Association of persons
2.	Sunit Enterprises Private Limited	(b) Local Authority
3.	M/S Universal Export Agency with two partners Mr. Manmohan Singh and Mr. Montek Singh	(c) Individual
4.	Akhil Bhartiya Mitra Mandal	(d) Firm
5.	Hindu idol	(e) Company
6.	Mr. Shah, proprietor of United Trading Company	(f) Artificial Juridical Person

**14.4 STATE WHETHER TRUE OR FALSE**

**Discuss, giving reasons, whether the following statements are true or not :**

- Income means any receipt in cash.
- A company under the Income - Tax Act means a company as defined under the Companies Act.
- Previous year always indicates a period of 12 months from 1<sup>st</sup> April to 31<sup>st</sup> March.
- Assessee means a person liable to pay tax on his income.
- On rendering some service to a garments manufacturing unit M is given a suit as remuneration. It is not an "Income", since he has not received anything in cash.

6. On Sale of goods illegally imported from a foreign country C generates a surplus of ₹ 5,500. As the income is derived from an illegal activity, it is not chargeable to tax.
7. A birthday gift received by V from his father ₹ 20,000 is not taxable as income of V.
8. Out of ₹ 29,000 per month received by Mrs. V from her husband for household expenses, she saves approximately ₹ 1,200 per month which is deposited by her in a bank account. ₹ 12,400 is "Income" of Mrs. V.
9. Profit on Sale of a house property is capital receipt which is, however, chargeable to tax.
10. Salary, paid to M by his employer X Ltd. out of capital reserve, is not income in the hands of M.
11. Income earned by an assessee during the assessment year is charged to tax during the previous year.
12. Every person does not have to pay Income tax.
13. Gift received by a lawyer from his client is income as per Income Tax Act.
14. Gift received by son on his birthday from parents is income as per Income Tax Act.
15. Money received by dependant parents from their son is income as per Income Tax Act.
16. Income received from smuggling activity is income as per Income Tax Act.
17. Reimbursement of actual travelling expenses to an employee is income as per Income Tax Act.
18. Arrears of bonus, received in lump sum by an employee is income as per Income Tax Act.
19. Extra sales money received on account of devaluation of currency is income as per Income Tax Act.
20. Man of the Match Prize received by a professional sportsman is income as per Income Tax Act.
21. Compensation for death of father in a car accident received from the car owner by the son of the deceased is income as per Income Tax Act.
22. Free tickets for air travel by Air India received by Mr. Vadera who had rented his premises to Air India, in lieu of rent, as per the terms of rent agreement is income as per Income Tax Act.

### 14.5 CHECK YOUR ANSWERS

14.1

1. (a)	6. (b)	11. (d)	16. (b)	21. (b)	26. (d)
2. (c)	7. (a)	12. (c)	17. (b)	22. (c)	27. (d)
3. (c)	8. (b)	13. (d)	18. (d)	23. (c)	28. (d)
4. (a)	9. (c)	14. (b)	19. (d)	24. (d)	29. (b)
5. (a)	10. (d)	15. (b)	20. (d)	25. (c)	30. (c)

14.2 (1) Financial (2) Less than (3) Assessment year (4) Reassessment (5) Assessee (6) 1961 (7) 1962 (8) 2(9) (9) 3 (10) 2(31) (11) 2(24) (12) 2(8) (13) 2(7) (14) 4 (15) Individual (16) Company (17) Artificial Juridical Person (18) Association of Persons (AOP) (19) Company (20) Local Authority (21) Individual (22) Local Authority (23) Individual (24) Hindu Undivided Family (HUF) (25) Body of Individuals (BOI) (26) Body of Individuals (BOI)

14.3 (1) : (1) - (d), (2) - (a), (3) - (g), (4) - (b), (5) - (f)  
 (2) : (1) - (b), (2) - (e), (3) - (a), (4) - (f), (5) - (c)  
 (3) : (1) - (d), (2) - (g), (3) - (a), (4) - (f), (5) - (c), (6) - (e), (7) - (b)  
 (4) : (1) - (b), (2) - (e), (3) - (d), (4) - (a), (5) - (f), (6) - (c)

14.4 True : 7, 9, 12, 13, 16, 18, 19, 20, 22  
 False : 1, 2, 3, 4, 5, 6, 8, 10, 11, 14, 15, 17, 21

14. Distinguish between Receipt and Accrual of Income. [Ans.: Para 6]  
 15. Explain : (a) Receipt Vs. Remittance (b) Income in cash or kind (c) Income received by Assessee or on his behalf (d) Income and Method of Accounting. [Ans.: Para 6]

## 8.2 SHORT NOTES [5 MARKS]

Write a short note on :

1. Resident Individual [Ans.: Para 3.1]
2. Non-resident Individual [Ans.: Para 3.2]
3. Resident and ordinarily resident individual [Ans.: Para 3.3]
4. Resident but not ordinarily resident individual [Ans.: Para 3.4]
5. Resident and ordinarily resident - Scope of total income [Ans.: Para 5.2]
6. Resident but not ordinarily resident - Scope of total income [Ans.: Para 5.3]
7. Non-resident : Scope of total income [Ans.: Para 5.4]

## 9. OBJECTIVE QUESTIONS

### 9.1 MULTIPLE CHOICE QUESTIONS

1. Residential status is to be determined for :
  - (a) Previous year
  - (b) Assessment year
  - (c) Accounting year
  - (d) None of these
2. Incomes which accrue or arise outside India but are received directly into India are taxable in case of
  - (a) Resident only
  - (b) Both ordinarily resident and NOR
  - (c) Non-resident
  - (d) All the assesses
3. Total Income of a person is determined on the basis of his :
  - (a) Residential status in India
  - (b) Citizenship in India
  - (c) None of these
  - (d) Both of the above
4. M, a foreign national visited India during previous year 2018-19 for 180 days. Earlier to this he never visited India. M in this case shall be :
  - (a) Resident in India
  - (b) Non-resident
  - (c) Not ordinarily resident in India
  - (d) None of these
5. M, a foreign national but a person of Indian origin visited India during previous year 2018-19 for 181 days. During 4 preceding previous years he was in India for 366 days. M shall be
  - (a) Resident in India
  - (b) Non-resident in India
  - (c) Not-ordinarily resident in India
  - (d) None of the above
6. Income which accrue or arise outside India and also received outside India is taxable in case of :
  - (a) Resident only
  - (b) Not ordinarily resident
  - (c) Both ordinarily resident and NOR
  - (d) None of the above
7. Income which accrue outside India from a business controlled from India is taxable in case of :
  - (a) Resident only
  - (b) Not ordinarily resident only
  - (c) Both ordinarily resident and NOR
  - (d) Non-resident
8. Income deemed to accrue or arise in India is taxable in case of :
  - (a) Resident only
  - (b) Both ordinarily resident and NOR
  - (c) Non-resident
  - (d) All the assesses
9. Income received in India
  - (a) is taxable only for a resident
  - (b) is not taxable only for a non-resident
  - (c) is taxable for a resident, a resident but not ordinarily resident and a non-resident
  - (d) is exempt in all cases
10. Income which accrues in India from a business controlled from India
  - (a) is taxable only for a resident
  - (b) is not taxable only for a non-resident
  - (c) is taxable for a resident, a resident but not ordinarily resident and a non-resident
  - (d) is exempt in all cases

11. Income which accrues outside India from a business not controlled from India
  - (a) is taxable only for a non-resident
  - (b) is not taxable only for a non-resident
  - (c) is taxable only for a resident but not ordinarily resident
  - (d) is exempt in all cases
12. Income accruing in Japan and received there is taxable in India in the case of -
  - (a) Resident and ordinarily resident only
  - (b) Both resident and ordinarily resident and resident but not ordinarily resident
  - (c) Both resident and non-resident
  - (d) Non-resident
13. M, a person of Indian origin, visited India on 2-10-2019 and plans to stay here for 185 days. During 4 years prior to previous year 2019-20, he was in India for 750 days. Earlier to that he was never in India. For the assessment year 2020-21, he is
  - (a) a resident and ordinarily resident
  - (b) a resident but not ordinarily a resident
  - (c) a non-resident
14. M, a citizen of India, left India for U.S. on 16-8-2019 for booking orders on behalf of an Indian company for exporting goods to U.S. He came back to India on 5-5-2020. He had been resident in India for the past 10 years. For the assessment year 2020-21, he is
  - (a) a resident and ordinarily resident
  - (b) a resident but not ordinarily a resident
  - (c) a non-resident
15. Mr. Sameer Khanna, a German citizen, came to India on 23-05-2018 and left India on 30-05-2019. For the assessment year 2020-21, he is
  - (a) a resident and ordinarily resident
  - (b) a resident but not ordinarily a resident
  - (c) a non-resident
16. M a foreign national but a person of Indian origin visited India during previous year 2019-20 for 181 days. During 4 preceding previous years he was in India for 400 days. For the assessment year 2020-21, he is
  - (a) a resident and ordinarily resident
  - (b) a resident but not ordinarily a resident
  - (c) a non-resident
17. Mr. Sumit Vats a citizen of India has one business in India and he has left India for meeting a foreign supplier for the first time on 01-09-2019 and did not return till 31-3-2020. For the assessment year 2020-21, he is
  - (a) a resident and ordinarily resident
  - (b) a resident but not ordinarily a resident
  - (c) a non-resident
18. Mr. Manmohan Sharma goes out of India every year for 274 days. For the assessment year 2020-21, he is
  - (a) a resident and ordinarily resident
  - (b) a resident but not ordinarily a resident
  - (c) a non-resident
19. Mr. Rishab Patil, a citizen of Japan, has come to India for the first time on 03-10-2019 for 200 days. For the assessment year 2020-21, he is
  - (a) a resident and ordinarily resident
  - (b) a resident but not ordinarily a resident
  - (c) a non-resident

## 9.2 FILL IN THE BLANKS

1. An individual shall be deemed to be of Indian origin if he or any of his \_\_\_\_\_ or \_\_\_\_\_ were born in undivided India.
2. Income which accrue or arise outside India from a business controlled from India is taxable in case of \_\_\_\_\_ and \_\_\_\_\_.
3. M, a person of Indian origin visited India on 11-11-2019 and plans to stay here for 330 days. During 4 years prior to previous year 2019-20, he was in India for 759 days. Earlier to that he was never in India. For assessment year 2020-21, M shall be \_\_\_\_\_.
4. Section \_\_\_\_\_ of the Income-tax Act defines the scope of income.
5. Section \_\_\_\_\_ of the Income-tax Act defines the residential status of a person.

**9.3 MATCH THE FOLLOWING COLUMNS**

Column A	Column B
1. Foreign Income	(a) Ordinary resident
2. Income received in India	(b) Not ordinary resident
3. Foreign Business income controlled from India	(c) Non-resident
4. Remittance in India	(d) Taxable for OR, NOR, NR
5. Highest tax liability	(e) Taxable for OR, NOR
6. Least tax liability	(f) Not taxable for non-resident
	(g) Not taxable

**9.4 STATE WHETHER TRUE OR FALSE**

- Once a person is a resident in a previous year he shall be deemed to be resident for subsequent previous year.
- Once a person is resident for a source of income in a particular previous year he shall be deemed to be resident for all other sources of income in the same previous year.
- A resident in India cannot become resident in any other country for the same assessment year.
- Residential status is to be determined on the basis of stay in India during assessment year.
- Incomes which accrue or arise outside India but are received directly into India are taxable only in case of resident.
- Income deemed to accrue or arise in India is taxable in case of all the assesseees.
- Income which accrues or arises outside India from a business controlled from India is taxable in case of only not ordinarily resident.
- Income which accrues or arises outside India and also received outside India is taxable in case of both ordinarily resident and not ordinarily resident.
- Total income of a person is determined on the basis of his citizenship in India.
- Residential status of a person may change from year to year.
- An Indian citizen may be a non-resident in India.
- Residential status is important in deciding whether indian income of a person is taxable or not.
- A person is deemed to be of "Indian origin", if his father was born in Pakistan.
- A person is deemed to be of "Indian origin", if his mother was born in Nepal.
- A person is deemed to be of "Indian origin", if his grand-mother was born in Bangladesh.
- A person is deemed to be of "Indian origin", if his grand-father was born in Sri Lanka.
- While counting the number of days for determining residential status, a stay in a cruise boat anchored in the Mumbai Port is treated as stay in India.
- Indian income is taxable in all cases, whether of an ordinary resident, or a not-ordinary resident, or a non-resident.
- Foreign income of an ordinary resident is wholly taxable.
- Foreign income of a non-resident is not taxable at all.
- Income accruing outside India will be deemed to be received in India if it is included in a balance sheet prepared in India.
- If an income is included in the total income of a person on the basis of accrual, it may be included again on the basis of its receipt in subsequent period.

**9.5 CHECK YOUR ANSWERS**

9.1

1. (a)	4. (b)	7. (c)	10. (b)	13. (c)	16. (c)	19. (c)
2. (d)	5. (b)	8. (d)	11. (b)	14. (a)	17. (a)	
3. (a)	6. (a)	9. (c)	12. (a)	15. (c)	18. (b)	

Hints :

- Indian citizen leaving for business, not employment.
- 729 days in preceding 7 years.

19. Stay in PY 180 days.

9.2 (1) Parents; Grand parents (2) Residents; Not ordinarily residents (3) Non-resident (4) 5 (5) 6

9.3 1 - (f), 2 - (d), 3 - (e), 4 - (g), 5 - (a), 6 - (c)

9.4 True : 2, 6, 10, 11, 13, 15, 17, 18, 19, 20

False : 1, 3, 4, 5, 7, 8, 9, 12, 14, 16, 21, 22

4. False; During Previous Year

5. False; all the assesses

7. False; both ordinarily resident and not ordinarily resident

8. False; resident only

9. False; residential status in India

12. False; Residential status is important in deciding whether foreign income of a person is taxable or not.

21. False; Income accruing outside India will not be deemed to be received in India merely because it is included in a balance sheet prepared in India - Explanation 1 to S.5.

22. False; Once an income is included in the total income of a person on the basis of accrual, it cannot be included again on the basis of its receipt in subsequent period (Explanation 2 to S.5).

## 10. PRACTICAL PROBLEMS

### 10.1 RESIDENCE (GROUPED)

#### 10.1.1 Migrating Indians

**Q.1 (Indian leaving for Employment) :** Mr. Dhaval, an Indian Citizen, went out of India for the first time for the purpose of his employment outside India on 1st May 2019 and came back to India on 1st December 2019. Find out his residential status for A.Y. 2020-21. (T.Y.B.Com., Mar. 04, adapted)

[Ans.: N.R.]

**Q.2 (Indian leaving for Employment) :** Mr. Kapadia born in Japan is an Indian Citizen. He comes to India at the age of 19 and never went outside India till the age of 29 years. He left for U.S.A. on 1st May, 2017 for further studies after staying in India for 10 years continuously and again came back to India on 1st March, 2019. He again leaves India on 1st August, 2019 for the purposes of employment in U.K. and did not return in India till 31st March, 2020. Find out his residential status for the Assessment Year 2020-21. (T.Y.B.Com., Oct. 05, adapted)

[Ans.: N.R.]

**Q.3 (Visiting Indian) :** Mr. Mike, a citizen of Japan but a person of Indian origin, came to India for the first time on 1st October, 2012. His passport shows that he was in India from 1-4-2019 to 28-6-2019. His stay in India in the last few years was as under.

Year ended	Days
31-3-2015	25
31-3-2016	180
31-3-2017	80
31-3-2018	100
31-3-2019	25

Determine his residential status for the Assessment Year 2020-21. (T.Y.B.Com., Oct. 01, adapted)

[Ans.: N.R.]

**Q.4 (Person of Indian Origin) :** Mr. Kallis, a South African Citizen but of Indian Origin came to India on 1st November 2013, for the first time. His total stay in India was as under :

Year Ended	No. of Days
31-3-2015	24
31-3-2016	80
31-3-2017	182
31-3-2018	100
31-3-2019	26

## EXERCISES

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### 2. THEORY QUESTIONS

**[15 MARKS]**

#### 2.1 DESCRIPTIVE QUESTIONS [7 OR 8 MARKS]

- Enumerate the different heads of income under which income is classified under the Income-tax Act.
- Explain the statement - "Section 4 provides the basis of charge on total income; Section 5 defines its scope; Section 14 classifies the total income under different heads and Sections 15 to 59 quantify the amount of total income."
- Explain the statement - "The different heads of income are mutually exclusive".
- Explain - "The heads of income are different, but the income-tax is one tax."
- Distinguish between a head of income and a source of income.
- Describe in brief how total income from all sources is computed under different heads. What is the importance of heads of income in computation of total income of assessee?

#### 2.2 SHORT NOTES [5 MARKS]

Write a short note on :

- Heads of Income
- Importance of heads of income
- Total Income and Different Heads

**[Ans.: Para 1.1]**

**[Ans.: Para 1.2]**

**[Ans.: Para 1.5]**

### 3. OBJECTIVE QUESTIONS

#### 3.1 FILL IN THE BLANKS

- As per S. 14 of the Income-tax Act, there are \_\_\_\_\_ heads of Income.
- Income computed under each head, when added together is called \_\_\_\_\_ (Gross / Net) total income.
- Rent received from tenant of a house property is classified as \_\_\_\_\_.
- Lottery prize won is charged to tax under the head \_\_\_\_\_ (Income from Other Sources / Capital Gains).

#### 3.2 STATE WHETHER TRUE OR FALSE

- Perquisites received by employees are taxed as Income from other sources.
- Profit made on sale of old house is taxed either as business income or capital gains.
- All heads of income as defined under S.14 are mutually exclusive.
- Rules for computation of income under all heads are the same.
- Gross Total Income is the sum total of income of the assessee, during the previous year, from all sources, classified and computed under different heads.

#### 3.3 CHECK YOUR ANSWERS

3.1 (1) 5 (2) Gross (3) Income from House Property (4) Income from Other Sources

3.2 True : 3, 5; False : 1, 2, 4

9. What do you mean by "perquisites"? Enumerate the persons in whose case the value of a benefit or amenity given free of cost or at a concessional rate is treated as a perquisite. Give 5 instances of such perquisites taxable in the hands of such specified employees. [Ans.: Para 4]
10. Enumerate the items which are not treated as perquisites under the Act. [Ans.: Para 4]
11. Enumerate the perquisites which are exempt from tax under section 10 of the Income-tax Act. [Ans.: Para 5]
12. Define perquisites and give a few instances of perquisites taxable and exempt under the Income-tax Act. [Ans.: Para 4 & 5]
13. What do you mean by "profit in lieu of salary" ? Explain and illustrate. [Ans.: Para 4.3]
14. What are the deductions allowed from the income from Salary ? Explain and illustrate. [Ans.: Para 6]
15. Explain Entertainment Allowance. [Ans.: Para 6.1]
16. Explain the various deductions u/s. 16 of the Income Tax Act, 1961 available from 'Income from Salary' for the Current Assessment Year. [Ans.: Para 6]

## 9.2 SHORT NOTES [5 MARKS]

Write a short note on :

1. Salary - Basis of Charge
2. Perquisites
3. Profit in lieu of Salary
4. Gratuity exemption
5. Leaver salary exemption
6. Standard Deduction

[Ans.: Para 3]

[Ans.: Para 4.2]

[Ans.: Para 4.3]

[Ans.: Para 5.2]

[Ans.: Para 5.4]

[Ans.: Para 6.1]

## 10. OBJECTIVE QUESTIONS

### 10.1 MULTIPLE CHOICE QUESTIONS

1. M, a chartered accountant is employed with M Ltd., as an internal auditor and requests the employer to call the remuneration as internal audit fee. M shall be chargeable to tax for such fee under the head.
  - (a) Income from salaries
  - (b) Profit and gains from Business and Profession
  - (c) Income from other sources
  - (d) None of these
2. M, who is entitled to a salary of ₹ 20,000 p.m. took an advance of ₹ 50,000 against the salary in the month of March, 2020. The gross salary of M for assessment year 2020-21 shall be:
  - (a) 2,90,000
  - (b) 2,40,000
  - (c) 50,000
  - (d) None of these
3. M, who is entitled to salary of ₹ 12,000 p.m. took advance salary from his employer for the months of April and May 2020, along with salary of March, 2020 on 31-3-2020. The gross salary of M for the assessment year 2020-21 shall be
  - (a) ₹ 1,44,000
  - (b) ₹ 1,68,000
  - (c) ₹ 24,000
  - (d) None of these
4. Salary of M becomes due on 1st of next month and it is paid on 7th of that month. For the assessment year 2020-21, the salary of M shall be taken from
  - (a) April 2019 to March 2020
  - (b) March 2019 to February 2020
  - (c) April 2020 to March 2021
  - (d) None of these
5. M. Ltd. announced increase in D.A. on 21-3-2019 with retrospective effect from 21-3-2014 and the same were paid on 6-04-2019. The arrears of D.A. shall be taxable in the previous year.
  - (a) 2018-19
  - (b) 2019-20
  - (c) In respective previous years to which these relate
  - (d) None of these
6. Un-commuted pension received by a Government employee is
  - (a) Exempt
  - (b) Taxable
  - (c) 1/3 is exempt
  - (d) None of these

7. M claimed the exemption of gratuity in the past to the extent of ₹ 2,50,000. He was entitled to the gratuity from the present employer amounting to ₹ 2,00,000 in the previous year 2019-20. M can claim exemption to the maximum extent of
- (a) ₹ 2,00,000 (b) Nil  
(c) ₹ 1,00,000 (d) None of these
8. Employee M is neither a government employee nor covered under Payment of Gratuity Act, 1972. He has completed 16 years and 8 months of service. The number of completed years considered for gratuity exemption shall be
- (a) 17 years (b) 16 years  
(c) 16 years and 8 months (d) None of these
9. Compensation received on voluntary retirement is exempt under sec. 10(10C) to the maximum extent of
- (a) ₹ 2,40,000 (b) ₹ 3,00,000  
(c) ₹ 5,00,000 (d) None of these
10. M is entitled to children education allowance @ ₹ 80 p.m. per child for 3 children amounting ₹ 240 p.m. It will be exempt to the extent of :
- (a) ₹ 200 p.m. (b) ₹ 160 p.m.  
(c) ₹ 240 p.m. (d) None of the above
11. Entertainment allowance in case of government employee is
- (a) Fully exempt  
(b) Fully taxable  
(c) Exempt upto certain limits mentioned in sec. 16 (ii)  
(d) First included in full in gross salary and thereafter deduction allowed from gross salary under section 16 (ii)
12. Pension received by an employee of the Central or State Government who has been awarded "Param Vir Chakra"
- (a) is taxable as income from salary  
(b) is exempt from tax  
(c) is taxed after deducting ₹ 15,000 or 1/3 whichever is lower.  
(d) is taxable as income from other sources
13. Children education allowance is
- (a) exempt upto lower of the amount actually spent or the prescribed limits.  
(b) exempt fully to the extent actually spent  
(c) exempt to the extent of lower of allowance received or the lump-sum amount prescribed, irrespective of actual expenditure.  
(d) fully taxable
14. Leave travel concession is
- (a) exempt upto lower of the amount actually spent or the prescribed limits.  
(b) exempt fully to the extent actually spent  
(c) exempt to the extent of lower of allowance received or the lump-sum amount prescribed, irrespective of actual expenditure.  
(d) fully taxable
15. Allowances for expenses on Travelling on tour or transfer are
- (a) exempt upto lower of the amount actually spent or the prescribed limits.  
(b) exempt fully to the extent actually spent  
(c) exempt to the extent of lower of allowance received or the lump-sum amount prescribed, irrespective of actual expenditure.  
(d) fully taxable
16. Lumpsum payment from Unrecognised Provident Fund to an employee, on his retirement, over and above his own contributions
- (a) is not taxable  
(b) is taxable as income from other sources  
(c) is taxable in case of only 'specified' employees  
(d) is taxable as 'profit in lieu of salary'

17. Compensation for termination of employment
  - (a) is not taxable
  - (b) is taxable as capital gains
  - (c) is taxable in case of only 'specified' employees
  - (d) is taxable as 'profit in lieu of salary'
18. Cost of medical treatment, in a hospital maintained by the employer, provided to an employee
  - (a) is not taxable
  - (b) is a perquisite taxable in case of all employees
  - (c) is a perquisite taxable in case of only 'specified' employees
  - (d) is taxable as 'profit in lieu of salary'
19. Gas, electricity or water supply provided free of cost
  - (a) is exempt from tax
  - (b) is a perquisite taxable in case of all employees
  - (c) is a perquisite taxable in case of only 'specified' employees
  - (d) is a perquisite taxable in case of only non-government employees
20. Sum paid as employer's contribution to a recognised provident fund within the allowed limits
  - (a) is not taxable
  - (b) is a perquisite taxable in case of all employees
  - (c) is a perquisite taxable in case of only 'specified' employees
  - (d) is taxable as 'profit in lieu of salary'
21. Value of rent-free accommodation provided by the employer
  - (a) is exempt from tax
  - (b) is a perquisite taxable in case of all employees
  - (c) is a perquisite taxable in case of only 'specified' employees
  - (d) is a perquisite taxable in case of only government employees
22. Salary received by partner from firm
 

(a) Salary	(b) Income from other sources
(c) Income from business	(d) exempt income
23. Salary received by a Member of Parliament
 

(a) Salary	(b) Income from other sources
(c) Income from business	(d) exempt income
24. Payment received by a College lecturer from University for setting question papers
 

(a) Salary	(b) Income from other sources
(c) Income from business	(d) exempt income

## 10.2 FILL IN THE BLANKS

1. Salary received by the partner from the firm in which he is a partner is taxable under the head \_\_\_\_\_.
2. Income under the head salary is taxable only if there is a relationship of \_\_\_\_\_ and \_\_\_\_\_ between the payer and the payee.
3. 'Profits in lieu of Salary' is taxable under the head \_\_\_\_\_ (Salaries / Profits from business).
4. Compensation payable to an employee on termination of service is a capital receipt. It is \_\_\_\_\_ (Taxable / Non-taxable).
5. A Ltd. paid salary of ₹ 2,00,000 to employee M and undertakes to pay the income-tax amounting to ₹ 6,120 during the previous year 2019-20 on behalf of M. The gross salary of M shall be \_\_\_\_\_.
6. Medi-claim insurance premium paid by employer on, the behalf of employee is a \_\_\_\_\_ (Tax-free / Taxable) perquisite.
7. Employer's contribution to recognised provident fund during the previous year in excess of \_\_\_\_\_ of basic salary is taxable as salary.
8. Amount notified as exempt gratuity for a non-government employee is \_\_\_\_\_.
9. \_\_\_\_\_ of commuted pension received (alongwith gratuity) by a non-government employee is exempt from tax.
10. Leave encashment received while in service is \_\_\_\_\_ (taxable / exempt).

11. M pays a salary of ₹ 2,50,000 to his employee V and undertakes to pay the Income Tax amounting to ₹ 49,980 during the previous year 2019-20 on behalf of V. Gross salary of V for Assessment Year 2020-21 is ₹ \_\_\_\_\_.
12. M was employed on 1-4-2012 in the grade of ₹ 15,000-400-17,000-500-22,000. Gross salary for Assessment Year 2020-21 is ₹ \_\_\_\_\_.
13. M was employed on 1-8-2016 in the grade of ₹ 15,000-400-17,000-500-22,000 and his salary was fixed at ₹ 16,200 from the date of joining. Gross salary for Assessment Year 2020-21 is ₹ \_\_\_\_\_.
14. M who is entitled to a Salary of ₹ 10,000 p.m. paid on last day of the month, took an advance of ₹ 20,000 on 1-3-2019 against the salary in the month of March 2019. Gross salary for Assessment Year 2020-21 is ₹ \_\_\_\_\_.
15. M who is entitled to Salary of ₹ 10,000 p.m. took advance salary from his employer for the month of April and May 2020 along with Salary of March 2020 on 31-3-2020. Gross salary for Assessment Year 2020-21 is ₹ \_\_\_\_\_.
16. M is employed with V Ltd., at a salary of ₹ 10,000 p.m. As V Ltd., was in financial crisis, it paid the salary of January 2019 to March 2019 to M only in July 2019. Gross salary for Assessment Year 2020-21 is ₹ \_\_\_\_\_.
17. Salary of M is ₹ 10,000 p.m. M had taken Salary in advance for the months of April 2019 to June 2019 in March 2019 itself. Gross salary for Assessment Year 2020-21 is ₹ \_\_\_\_\_.
18. M who was working with another company joined the present employer w.e.f. 1-5-2019 at a Salary of ₹ 10,000 p.m. His salary becomes due on first of next month. He was also entitled to a pension of ₹ 4,000 p.m. from his former employer. Gross salary for Assessment Year 2020-21 is ₹ \_\_\_\_\_.
19. Daya Marak is a government employee. He draws a monthly salary of ₹ 5,000 and dearness allowance @ ₹ 300 p.m. He gets ₹ 500 p.m. as entertainment allowance. The amount of deduction towards entertainment allowance is ₹ \_\_\_\_\_.
20. X a Government employee receives ₹ 50,000 as salary and ₹ 12,000 as Entertainment Allowance. His actual expenditure on entertainment is only ₹ 3,000. The deduction for entertainment allowance is ₹ \_\_\_\_\_.
21. Shobhit is getting a pension of ₹ 3,000 p.m. from a company. During the previous year he got three-fourth of his pension commuted and received ₹ 2,40,000. Assuming that he also received gratuity earlier, the exempt amount is ₹ \_\_\_\_\_.
22. C retires from service on 30-11-2019. He is in receipt of ₹ 3,000 p.m. as pension upto 31-1-2020, payable on the last day of each month. On 1-2-2020, he gets two-third of his pension commuted, for ₹ 1,20,000. He is an ex-employee of Central Govt. The amount of pension taxable is ₹ \_\_\_\_\_.
23. Mr. X is employed in ABC Ltd. and the employer has paid him children education allowance of ₹ 175 p.m. per child for three children. In this case, taxable amount shall be ₹ \_\_\_\_\_.
24. Mr. X is employed in ABC Ltd. and the employer has paid him children education allowance of ₹ 45 p.m. per child for three children. In this case, taxable amount shall be ₹ \_\_\_\_\_.
25. Mr. X is employed in ABC Ltd. and is getting children education allowance of ₹ 75 p.m. per child for three children and Mr. X has incurred ₹ 500 p.m. on the education of each of the child, in this case taxable amount shall be ₹ \_\_\_\_\_.

### 10.3 MATCH THE FOLLOWING COLUMNS

1.	Column A	Column B
1.	Salary to partner by firm	(a) Capital Gains
2.	Salary of a M.P. / MLA	(b) Profits in lieu of salary
3.	Value of rent-free accommodation	(c) Business Income
4.	Receipts from Keyman Insurance Policy	(d) Tax-free perquisites
5.	Professional Tax	(e) Perquisites
		(f) Income from other sources
		(g) Deduction from salary

2.	Column A	Column B
1.	Notified amount of exempt gratuity	(a) ₹ 5,000
2.	Notified amount of exempt leave encashment	(b) ₹ 20,00,000
3.	Notified amount of exempt retrenchment compensation	(c) ₹ 2,00,000
4.	Notified amount of exempt entertainment allowance to govt. employees	(d) ₹ 5,00,000
5.	Medical reimbursement not taxable upto	(e) ₹ 3,00,000
		(f) ₹ 15,000
		(g) ₹ 10,000

#### 10.4 STATE WHETHER TRUE OR FALSE

- M a chartered accountant is employed with M Ltd., as an Manager-Taxation and requests the employer to call the remuneration as tax consultancy fee. M shall be chargeable to tax for such fee under the head Income from Salaries.
- Salary of M becomes due on 1st of next month and it is paid on 7th of that month. For assessment year 2020-21, the salary of M shall be taken from April 2019 to March 2020.
- The Govt. of India announced increase in the D.A. on 15-3-2019 with retrospective effect from 1-5-2015 and the arrears were paid on 6-4-2019. The arrears of D.A shall be taxable in the previous year 2019-20.
- Gratuity shall be fully exempt in the case of employees of Central Govt., State Govt. and Local Authorities.
- An employee is covered under Payment of Gratuity Act, 1972. Salary for the purpose of calculating exemption u/s 10 (10) shall be the average Salary of last 10 months.
- An employee is covered under Payment of Gratuity Act, 1972. If the employee has completed service of 16 years 6 months and 5 days, the number of completed years for calculating exemption u/s 10(10) shall be taken as 16 years.
- An employee is covered under Payment of Gratuity Act, 1972. For the purpose of computing 15 days' salary for exemption u/s 10 (10), the number of days in a month shall be taken as 30 days.
- An employee is neither a Government employee nor covered under Payment of Gratuity Act, 1972. Salary for the purpose of calculating half month for calculating exemption u/s 10 (10) shall be taken as average Salary of 10 months preceding the month of retirement.
- An employee is neither a Government employee nor covered under Payment of Gratuity Act, 1972. If the employee has completed 16 years and 8 months of service, the number of completed years for calculating exemption u/s 10 (10) are taken as 17 years.
- An employee is neither a Government employee nor covered under Payment of Gratuity Act, 1972. The maximum notified amount of gratuity exempt u/s 10 (10) shall be ₹ 20,00,000.
- M who claimed the exemption of gratuity in the past to the extent of ₹ 2,50,000 was entitled to the gratuity from the present / second employer amounting to ₹ 2,00,000 in the previous year 2019-20. M shall be entitled to exemption to the maximum extent of ₹ 2,00,000.
- Pension received by a Govt. employee is exempt.
- Commutated pension received shall be fully exempt in case of Government employee or an employee of local authority or an employee of statutory corporation.
- An employee was entitled to gratuity. He also got 60% of his pension commuted and received a sum of ₹ 1,20,000 as commuted pension. The exemption in his case shall be ₹ 80,000.
- An employee who was not entitled to gratuity, got 30% of his total pension commuted in the past. He wishes to commute another 25% of his total pension in the previous year. He shall be allowed exemption to the extent of 25%.
- Salary for exemption of leave encashment shall be taken as average Salary of 10 months immediately preceding the month of retirement.
- The maximum exemption in case of leave encashment for a non-govt. employee shall be ₹ 3,00,000.
- An employee availed the exemption of leave encashment of ₹ 1,00,000 in the past. He received from the second employer a sum of ₹ 2,50,000 as encashment of leave on his retirement. He will be entitled to exemption to the extent of ₹ 2,50,000.
- Compensation received on voluntary retirement is exempt under 10(10C) to the maximum extent of ₹ 3,50,000.

20. A is entitled to Children education allowance @ ₹ 80 p.m. per child for 3 children amounting ₹ 240 p.m. It will be exempt to the extent of ₹ 200 p.m.
21. M is entitled to Hostel expenditure allowance of ₹ 600 p.m. for his 3 children @ ₹ 200 per child. The actual expenditure is ₹ 300 per child per month. The exemption in this case shall be ₹ 400 p.m.
22. Entertainment allowance in case of Government employee is first included in full in gross salary and thereafter deduction is allowed from gross salary under section 16(ii).
23. During the previous year, an employee was reimbursed ₹ 21,000 as medical expenses incurred by him which includes ₹ 7,000 spent in Govt. hospital. The taxable perquisite in this case shall be ₹ 21,000.
24. Employer's contribution to statutory provident fund shall be exempt upto 12% of salary.
25. Interest credited to statutory provident fund shall be fully taxable.
26. Employer's contribution to unrecognized provident fund shall be fully taxable in the year of contribution.
27. Tea and snacks are provided to employees during office hours. The value of this perquisite shall be Nil, only if the cost is upto ₹ 50 per head per day.
28. Professional tax of ₹ 2,500 payable by the employee but paid by the employer is an exempt perquisite.

### 10.5 CHECK YOUR ANSWERS

#### 10.1

1. (a)	5. (b)	9. (c)	13. (c)	17. (d)	21. (b)
2. (b)	6. (b)	10. (b)	14. (a)	18. (a)	22. (c)
3. (b)	7. (a)	11. (d)	15. (b)	19. (c)	23. (b)
4. (b)	8. (b)	12. (b)	16. (d)	20. (a)	24. (b)

- 10.2 (1) Business income (2) Employer; Employee (3) Salaries (4) Taxable (5) 2,06,120 (6) Tax-free (7) 12% (8) ₹ 10,00,000 (9) 1/3 (10) taxable (11) 2,99,980 (12) 2,10,000 (13) 2,08,000 (14) 1,20,000 (15) 1,40,000 (16) 1,20,000 (17) 90,000 (18) 1,48,000 (19) 5,000 (20) 5,000 (21) 1,06,667 (22) 8,000 (23) 3,900 (24) 540 (25) 900

#### Hints :

$$21. 2,40,000 \times \frac{4}{3} \times \frac{1}{3} = ₹ 1,06,667$$

$$22. 8,000 = (3,000 \times ) + (1,000 \times 2)$$

$$23. [(175 \times 3) - (100 \times 2)] \times 12 = 3,900$$

$$24. [(45 \times 3) - (45 \times 2)] \times 12 = 540$$

$$25. [75 \times 12 = 900]$$

- 10.3 (1) : 1 - (c), 2 - (f), 3 - (e), 4 - (b), 5 - (g)

- (2) : 1 - (b), 2 - (e), 3 - (d), 4 - (a), 5 - (f)

- 10.4 True : 1, 3, 4, 8, 10, 11, 13, 17, 21, 22

- False : 2, 5, 6, 7, 9, 12, 14, 15, 16, 18, 19, 20, 23, 24, 25, 26, 27, 28

2. False; March 2019 to February 2020

5. False; last drawn salary

6. False; 17 years

7. False; 26 days

9. False; 16 years

11. True; ₹ 2,00,000 (Maximum ₹ 20,00,000 - Already claimed ₹ 2,50,000)

12. False; taxable

14. False; ₹ 66,667 [ $\frac{1}{3} \times (1,20,000 \times 100 + 60)$ ]

15. False; 20% (Total exemption 50% - Already claimed 30%)

16. False; Average Salary of 10 months immediately preceding the date of retirement.

18. False; ₹ 2,00,000 (Maximum ₹ 3,00,000 - Already claimed ₹ 1,00,000)

19. False; ₹ 5,00,000

20. False; ₹ 160 p.m. (80 p.m. x Max. 2 children)

21. True; (200 p.m. x 2 children)

23. False; NIL - spent in Govt. hospital fully exempt + other Medical expenses upto ₹ 15,000.

## 17. OBJECTIVE QUESTIONS

### 17.1 MULTIPLE CHOICE QUESTIONS

- M has taken a house on rent and sublets the same to A. Income of M from such house property shall be taxable under the head.
  - Income from house property
  - Income from other sources
  - Business income
  - None of the above
- Municipal valuation of the house is ₹ 1,00,000 fair rent ₹ 1,20,000, standard rent ₹ 1,10,000 and actual rent received or receivable is ₹ 1,40,000. The Gross Annual Value in this case shall be
  - ₹ 1,10,000
  - ₹ 1,20,000
  - ₹ 1,40,000
  - None of the above
- Municipal valuation of the house is ₹ 1,20,000, fair rent 1,40,000, standard rent ₹ 1,30,000 and actual rent received or receivable is ₹ 1,25,000. The gross annual value in this case shall be
  - 1,30,000
  - 1,25,000
  - 1,40,000
  - None of the above
- A has two house properties. Both are self-occupied. The annual value of
  - Both house shall be nil
  - One house shall be nil
  - No house shall be nil
  - None of the above
- An assessee has borrowed money for purchase of a house & Interest is payable outside India. Such interest shall :
  - Be allowed as deduction
  - Not to be allowed as deduction
  - Be allowed as deduction if the tax is deducted at source
  - None of the above
- Municipal tax is deducted from
  - Net Annual Value
  - Gross Annual Value
  - Municipal Valuation
  - None of the above
- In case the property is owned by co-owners and it is self occupied by all co-owners. The annual value of such house property
  - be nil
  - For each co-owner shall be nil
  - Only for co-one owner will be nil
  - None of the above
- A house property with fair rent ₹ 1,20,000 is neither let out nor self occupied through out the previous year. Its annual value shall be
  - ₹ 1,20,000
  - Nil
  - ₹ 60,000
  - None of the above
- Unrealised rent is a deduction from
  - Gross annual value
  - Net annual value
  - Municipal Value
  - None of the above
- A property is owned by co-owners and it is self occupied by all co-owners. In this case interest on money borrowed after 1-4-2011 for acquiring the house shall be allowed.
  - To the extent of ₹ 2,00,000 as the case may be for the total property income
  - To each co-owner, to the extent of ₹ 2,00,000 as the case may be
  - No deduction of interest shall be allowed
  - None of the above
- Dhanesh is a member of a house building co-operative society. The society is the owner of the flats constructed by it. One of the flats is allotted to Dhanesh. The income from that flat will be assessed in the hands of
  - Co-operative Society
  - Dhanesh
  - Neither of the above
  - Society and Dhanesh equally
- Following will be taxable as Income from house property
  - sub-letting of a house
  - letting of an office building
  - sale of house at profit
  - rent from open land used for wedding functions

13. Municipal taxes to be deducted from GAV should be
- Paid by the tenant during the previous year
  - Paid by the owner during the previous year
  - Accrued during the previous year
  - Accrued or paid by owner whichever is lower
14. Standard Deduction under section 24(a) from Income from House Property is
- 1/3 rd of NAV
  - repairs actually incurred by the owner
  - 30% of NAV
  - ₹ 30,000
15. Interest on borrowed capital accrued up to the end of the previous year prior to the year of completion of construction is allowed
- as a deduction in the year of completion of construction
  - in 5 equal annual installments from the year of completion of construction
  - In the respective year in which the interest accrues
  - upto ₹ 30,000 or ₹ 2,00,000
16. The maximum limit of deduction under section 24(b) in respect of interest on loan taken on 1-4-2017 for repairs of a self-occupied house is
- ₹ 30,000 p.a.
  - ₹ 2,00,000 p.a.
  - No limit
  - Nil
17. Where an assessee has two house properties for self-occupation, the benefit of nil annual value will be available in respect of -
- Both the properties
  - The property which has been acquired/constructed first
  - Any one of the properties, at the option of the assessee
  - None of the properties
18. Municipal valuation of the house is ₹ 1,00,000 whereas the fair rent of house property ₹ 1,15,000 and standard rent is ₹ 1,20,000; actual rent receivable is ₹ 1,40,000; municipal taxes paid 10%. Net Annual Value is
- ₹ 90,000
  - ₹ 1,05,000
  - ₹ 1,40,000
  - ₹ 1,30,000
19. Municipal valuation of the house is ₹ 1,30,000, fair rent is ₹ 1,50,000 standard rent is ₹ 1,40,000 whereas actual rent receivable is ₹ 1,35,000; municipal taxes paid are ₹ 40,000. Net Annual Value is
- ₹ 1,10,000
  - ₹ 90,000
  - ₹ 95,000
  - ₹ 1,00,000
20. Fair rental value of a house is ₹ 2,50,000, standard rent ₹ 2,20,000, actual rent ₹ 2,30,000. Municipal taxes paid for 7 years in advance ₹ 2,80,000. Net Annual Value is
- ₹ 10,000
  - Loss ₹ 50,000
  - ₹ 2,50,000
  - ₹ 2,10,000
21. Municipal value of a house is ₹ 9,000, Fair rent ₹ 14,000, Standard rent ₹ 12,000. The house property has been let for ₹ 1,200 p.m. and was vacant for one month during the previous year. Municipal taxes paid during the year were ₹ 4,000. Net Annual Value is
- ₹ 5,000
  - ₹ 10,000
  - ₹ 9,200
  - ₹ 8,000
22. Municipal value of a house is ₹ 9,000, Fair rent ₹ 14,000, Standard rent ₹ 12,000. The house property has been let for ₹ 1,200 p.m. and was vacant for three months during the previous year. Municipal taxes paid during the year were ₹ 4,000. Net Annual Value is
- ₹ 5,000
  - ₹ 10,000
  - ₹ 6,800
  - ₹ 8,000
23. M has a house property in Mumbai whose Municipal Value is ₹ 10,000 and the Fair Rental Value is ₹ 12,000. It was self-occupied by M from 1-4-2019 to 31-7-2019. W.e.f. 1-8-2019 it was let out at ₹ 900 p.m. The municipal taxes paid during the year were ₹ 2,000. Net Annual Value is
- ₹ 12,000
  - ₹ 10,000
  - ₹ 10,800
  - Nil

24. M furnishes the following particulars in respect of a house property owned by him in Mumbai.  
Municipal Value ₹ 20,000  
Fair Rent ₹ 24,000  
Actual Rent (per month) ₹ 2,100  
Municipal tax paid during the year ₹ 2,000  
M could not realise the rent for the months of September and October, 2019. The tenant vacated the property on 31-10-2019 and thereafter the property was let out for ₹ 2,500 p.m. Net Annual Value is
- (a) ₹ 18,000 (b) ₹ 22,000  
(c) ₹ 28,000 (d) ₹ 21,000
25. Municipal value ₹ 90,000; Fair rental value ₹ 1,40,000; Municipal taxes ₹ 40,000. The entire house remained self-occupied throughout the previous year. Net Annual Value is
- (a) ₹ 90,000 (b) ₹ 1,40,000  
(c) ₹ 1,00,000 (d) Nil
26. Municipal value ₹ 90,000; Fair rental value ₹ 1,40,000; Municipal taxes ₹ 40,000. The entire house was let out throughout the year @ ₹ 12,000 p.m. Net Annual Value is
- (a) ₹ 50,000 (b) ₹ 1,04,000  
(c) ₹ 1,00,000 (d) ₹ 1,40,000
27. Municipal value ₹ 90,000; Fair rental value ₹ 1,40,000; Municipal taxes ₹ 40,000. The entire house was let out @ ₹ 12,000 p.m. It was, however, vacant for 1 month. Net Annual Value is
- (a) ₹ 50,000 (b) ₹ 1,04,000  
(c) ₹ 1,00,000 (d) ₹ 92,000
28. Municipal value ₹ 90,000; Fair rental value ₹ 1,40,000; Municipal taxes ₹ 40,000. The house was let out for five months from the beginning of the previous year @ ₹ 10,000 p.m. and was self-occupied for the remaining months. Net Annual Value is
- (a) ₹ 1,20,000 (b) ₹ 80,000  
(c) ₹ 1,00,000 (d) ₹ 10,000
29. M has a house divided into two identical units. Unit I is self-occupied throughout the year. Unit II is let out throughout the year on a rent of ₹ 50,000 p.m. Municipal taxes paid amounted to ₹ 60,000. Total Net Annual Value is
- (a) Nil (b) ₹ 5,70,000  
(c) ₹ 6,00,000 (d) ₹ 5,40,000
30. M has a house divided into two identical units. Unit I is self-occupied for 9 months and let out for 3 months @ ₹ 50,000 p.m. which is the fair rent in the area. Unit II is let out throughout the year on a rent of ₹ 50,000 p.m. Municipal taxes paid amounted to ₹ 60,000. Total Net Annual Value is
- (a) ₹ 5,70,000 (b) ₹ 12,00,000  
(c) ₹ 6,90,000 (d) ₹ 11,40,000
31. The assessee took a loan of ₹ 6,00,000 on 1-4-2017 from a bank for construction of a house on a piece of land he owns in Pune. The loan carries an interest @ 12% per annum. The construction is completed on 15-6-2018. The entire loan is outstanding. Interest allowable for current assessment year 2020-21 is -
- (a) ₹ 72,000 (b) ₹ 28,800  
(c) ₹ 1,00,800 (d) Nil
32. X takes a loan of ₹ 3,60,000 at 12.5 percent per annum for construction a house on June 10, 2014. Construction of the house is completed on January 20, 2018. Loan was repaid on 31-10-2019. Interest allowable for current assessment year 2020-21 is -
- (a) Nil (b) ₹ 45,000  
(c) ₹ 9,000 (d) ₹ 30,526
33. Net annual value of one house is ₹ 3,00,000 and actual expenditure incurred on repairs is ₹ 75,000. Income from House Property is -
- (a) ₹ 3,00,000 (b) ₹ 2,10,000  
(c) ₹ 2,25,000 (d) None of the above
34. If a house has been constructed on 01-07-2019 by taking a loan on 01-11-2015, pre-construction period for allowing interest in Ass. Year 2020-21 shall be
- (a) from 01.07.2015 to 31.03.2019 (b) from 01.07.2015 to 01.11.2015  
(c) from 01.11.2015 to 31.03.2019 (d) from 01.11.2015 to 31.03.2020

35. L received ₹ 30,000 as arrears of rent during the P.Y. 2019-20. The amount taxable under section 25A would be
- (a) ₹ 30,000 (b) ₹. 21,000  
(c) ₹ 20,000 (d) Nil
36. V received ₹ 90,000 in May, 2019 towards recovery of unrealised rent, which was deducted from actual rent during the P.Y. 2018-19 for determining annual value. The amount taxable under section 25A for A.Y. 2020-21 would be
- (a) ₹ 90,000 (b) ₹ 63,000  
(c) ₹ 60,000 (d) ₹ 30,000
37. G and R are co-owners of a self-occupied property. They own 50% share each. The interest paid by each co-owner during the previous year on loan (taken for acquisition of property during the year 2009) is ₹ 1,62,000. The amount of allowable deduction in respect of each co-owner is
- (a) ₹ 1,62,000 (b) ₹ 2,00,000  
(c) ₹ 1,00,000 (d) ₹ 81,000
38. Mr. Raghav has three houses for self-occupation. What would be the tax treatment for A.Y. 2020-21 in respect of income from house property ?
- (a) One house, at the option of Mr. Raghav, would be treated as self-occupied. The other two houses would be deemed to be let out  
(b) Two houses, at the option of Mr. Raghav, would be treated as self-occupied. The other house would be deemed to be let out  
(c) One house, at the option of Assessing Officer, would be treated as self-occupied. The other two houses would be deemed to be let out  
(d) Two houses, at the option of Assessing Officer, would be treated as self-occupied. The other house would be deemed to be let out

## 17.2 FILL IN THE BLANKS

- In case of self-occupied property, the deduction on account of interest on the money borrowed for the purpose of construction of such house property cannot exceed ₹ \_\_\_\_\_.
- Fair rent of house is ₹ 1,50,000, standard rent ₹ 1,20,000 and annual rent ₹ 1,30,000. Municipal taxes paid for 6 yrs. in advance is ₹ 1,00,000. The annual value shall be \_\_\_\_\_.
- Municipal taxes are deductible from the gross annual value only when they \_\_\_\_\_ (are paid / Accrue).
- Income is taxable under the head house property only when the assessee is the \_\_\_\_\_ (Owner / Occupant) of such house property.
- Arrears of rent shall be deemed to be income of the previous year in which such rent \_\_\_\_\_ (is received / accrues) after deducting \_\_\_\_\_ (30% / 1/3) of such amount.
- For a self-occupied house property occupied on July 1, 2016 for which housing loan was availed, if the interest up to March 31, 2018 is ₹ 90,000 and thereafter the interest payable is ₹ 3,000 per month, the deduction available under section 24 in respect of interest for the year ended March 31, 2020 is ₹ \_\_\_\_\_.
- An Assessee, after sale of house property, receiving arrears of rent, \_\_\_\_\_ (is / is not) chargeable to tax; the same computed in the stipulated manner, shall be chargeable to tax as \_\_\_\_\_ (income from other sources / income from house property / question does not arise since there is not chargeability to tax).
- Income of the property can be taxed under the head house property only when the owner does not occupy the property for his \_\_\_\_\_ or \_\_\_\_\_.
- Reasonable Lettable Value cannot exceed \_\_\_\_\_.
- Net annual value of SOP is \_\_\_\_\_.
- M lets out his house to V a lawyer, who uses it as his law office. This \_\_\_\_\_ (is / is not) taxed as Income from House Property.
- M uses his house as the showroom for the goods produced by his factory. This \_\_\_\_\_ (is / is not) taxed as Income from House Property.
- M rents out his property as residential quarters to his employees. This \_\_\_\_\_ (is / is not) taxed as Income from House Property.
- M enters into a written agreement to purchase a property from V for ₹ 15,00,000. He has paid the consideration and taken the possession of the Property but the property is yet to be registered in the name of M. This \_\_\_\_\_ (is / is not) taxed as Income from House Property.

15. M owns a property, which is given on lease to V for a period of 6 years, lease rent being ₹ 25,000 per month. V has a right to get the lease renewed for a further period of 6 years. This \_\_\_\_\_ (is / is not) taxed as Income from House Property.
16. M owns a property, which is given on lease to V for a period of one month, V has a right to get the lease renewed for a period of one month, in each subsequent month, and such renewal is possible with mutual consent till 2023. This \_\_\_\_\_ (is/is not) taxed as Income from House Property.
17. M owns a property, which is given on rent to V. V annually pays ₹ 50,000 as rent plus ₹ 10,000 the charges for different services (like lift, security, etc.) provided by M. This ₹ 10,000 \_\_\_\_\_ (is / is not) taxed as Income from House Property.
18. M owns an air-conditioned furnished conference hall. It is let out, annual rent being ₹ 7,00,000, which includes ₹ 6,00,000 rent of building as well as ₹ 1,00,000 rent of air conditioner and furniture. This ₹ 1,00,000 \_\_\_\_\_ (is/is not) taxed as Income from House Property.
19. Municipal Value 20,00,000  
Fair Rental Value 24,00,000  
Actual Rent 18,00,000  
The Gross Annual Value is ₹ \_\_\_\_\_
20. Municipal Value 24,00,000  
Fair Rental Value 24,00,000  
Standard Rent 24,00,000  
Actual Rent 36,00,000  
The Gross Annual Value is ₹ \_\_\_\_\_
21. Municipal Value 36,00,000  
Fair Rental Value 40,00,000  
Standard Rent 50,00,000  
Actual Rent 48,00,000  
The Gross Annual Value is ₹ \_\_\_\_\_
22. Municipal Value 42,00,000  
Fair Rental Value 42,00,000  
Standard Rent 30,00,000  
Actual Rent 36,00,000  
The Gross Annual Value is ₹ \_\_\_\_\_

### 17.3 MATCH THE FOLLOWING COLUMNS

1.	<b>Column A</b>	<b>Column B</b>
	1. Net Annual Value	(a) Fully deductible
	2. Gross Annual Value	(b) Gross Annual Value less Municipal Taxes paid
	3. Standard deduction on income from H.P.	(c) 1/3 of Net Annual Value
	4. Interest on loan for let out property	(d) Fair Rent less Municipal Taxes
	5. Pre-acquisition Interest on property	(e) Higher of Fair Rent and Municipal Valuation, where standard rent is not applicable
		(f) Deductible in 5 equal instalments
		(g) 30% of Net Annual Value
2.	<b>Column A</b>	<b>Column B</b>
	1. Unrealised rent received during the previous year	(a) 30% standard deduction allowed
	2. Depreciation of house property	(b) Zero for one SOP
	3. Interest on loan for SOP	(c) Cannot exceed fair rent
	4. Reasonable letting value	(d) Cannot exceed standard Rent
	5. Net Annual Value	(e) Not allowed as deduction from Income from H.P.
		(f) No restriction on deductible interest
		(g) Deduction restricted to 30,000 or 2,00,000 as applicable

**17.4 STATE WHETHER TRUE OR FALSE**

- M gifted his house property to his wife in 2016. Mrs. M has let out the house property @ ₹ 20,000 p.m. The income from such house property will be taxable in the hands of Mrs. M.
- C transferred his house property to his wife with an agreement to live apart. Income from such house property shall be taxable in the hands of Mrs. C.
- M has taken a house property on lease for 20 years from G and let out the same to S. Income from such house arising to M shall be taxable as income under the head other sources.
- M is a member of Shilpa Co-operative Society which is the owner of flats constructed by it. One of the flats is allotted to M. The income from such house property shall be taxable in the hands of Shilpa co-operative society.
- M is owner of building although the land was taken by him on lease. The income from such house property shall be taxable under the head : income from other sources.
- M has taken a house on rent and sublets the same to G. Income from such house property shall be taxable in the hands of M under the head : income from other sources.
- A has two house properties. Both are self-occupied. The annual value of both houses shall be nil.
- Municipal tax is a deduction from net annual value.
- In case the property is owned by co-owners and it is let, income from such property shall be computed separately for each co-owner.
- In case the property is owned by co-owners and it is self occupied by all co-owners; the annual value for each co-owner shall be nil.
- In case the property is owned by co-owners and it is self occupied by all co-owners; total deduction to all co-owners for interest on money borrowed shall be allowed upto the maximum of ₹ 30,000/ ₹ 2,00,000 as the case may be.
- Unrealised rent is a deduction from net annual value.
- An assessee has borrowed money for purchase of a house and interest is payable outside India. Such interest shall be allowed as deduction, without any further conditions.

**17.5 CHECK YOUR ANSWERS**

17.1

1. (b)	7. (b)	13. (b)	19. (d)	25. (d)	31. (c)	37. (a)
2. (c)	8. (a)	14. (c)	20. (b)	26. (b)	32. (d)	38. (b)
3. (a)	9. (a)	15. (b)	21. (c)	27. (d)	33. (b)	
4. (a)	10. (b)	16. (a)	22. (c)	28. (c)	34. (c)	
5. (c)	11. (b)	17. (a)	23. (b)	29. (b)	35. (b)	
6. (b)	12. (b)	18. (d)	24. (d)	30. (d)	36. (b)	

**Hints :**

20. MT paid allowed in full.

31. 72,000 + 28,800

32.  $3,60,000 \times 1,238 \text{ days} \div 365 \times 12.50\% \div 5$ 

17.2 (1) ₹ 2,00,000 (2) ₹ 30,000 (3) are paid (4) Owner (5) is received; 30% (6) ₹ 54,000 (7) is; income from house property (8) Business; Profession (9) standard rent (10) Nil (11) is (12) is (13) is not (14) is (15) is (16) is (17) is (18) is not (19) [24,00,000] (20) [36,00,000] (21) [48,00,000] (22) [36,00,000]

17.3 (1) : 1 - (b), 2 - (e), 3 - (g), 4 - (a), 5 - (f)  
(2) : 1 - (a), 2 - (e), 3 - (g), 4 - (d), 5 - (b)

17.4 True : 2, 6, 7, 10

False : 1, 3, 4, 5, 8, 9, 11, 12, 13

- False;** M as he will be treated as deemed owner and liable to tax.
- False;** Income from house property as M is the deemed owner.
- False;** M as deemed owner.
- False;** Income from house property.
- False;** Deducted from Gross annual value.