

CHAPTER 5 INCOME FROM HOUSE PROPERTY

BASIC CONCEPTS OF TAXABILITY OF INCOME FROM HOUSE PROPERTY

(1) Which is the charging section of Income from house property?

- | | | |
|----------------|---------------------|---------|
| (a) Section 15 | (b) Section 22 | |
| (c) Section 24 | (d) Section 10(10D) | Ans.(b) |

(2) Income from vacant plot is taxable under the head_____.

- | | | |
|---|-------------------------------|---------|
| (a) Income from House Property | (b) Income from Other Sources | |
| (c) Profits & Gains of Business or Profession | (d) Capital Gains | Ans.(b) |

(3) Which of the following conditions need to be satisfied in order to tax any income under the head Income from house property ?

- | | | |
|--|--|---------|
| (a) The property must consist of building or land thereto. | | |
| (b) The assessee must be the owner of such house appurtenant property. | | |
| (c) The property must not be used for business or profession carried on by assessee. | | |
| (d) All of the above. | | Ans.(d) |

(4) Income from subletting of house property is taxable under the head_____.

- | | | |
|---|-------------------------------|---------|
| (a) Income from House Property | (b) Income from Other Sources | |
| (c) Profits & Gains of Business or Profession | (d) Capital Gains | Ans.(b) |

(5) In case the letting out of property is incidental to the main business, then income from such property shall be taxable as

- | | | |
|---|-------------------------------|---------|
| (a) Income from House Property | (b) Income from Other Sources | |
| (c) Profits & Gains of Business or Profession | (d) Capital Gains | Ans.(c) |

(6) XYZ Ltd. is engaged in construction of residential flats. One building consisting of 25 residential apartments was constructed and completion certificate was obtained on 15-07-2019. Out of 25 residential apartments 5 apartments remained unsold upto 31-03-2023. The expected rent of each apartment is Rs. 30,000 per month. You are required to determine Income from House property for Assessment Year.

- | | | |
|-------------------|-------------------|---------|
| (a) NIL | (b) Rs. 3,60,000 | |
| (c) Rs. 18,00,000 | (d) Rs. 12,60,000 | Ans.(a) |

(7) XYZ Ltd. is engaged in construction of residential flats. One building consisting of 25 residential apartments was constructed and completion certificate was obtained on 15-07-2018. Out of 25 residential apartments 5 apartments remained unsold upto 31-03-2022. The expected rent of each apartment is Rs. 30,000 per month. You are required to determine Income from House property for Assessment Year

- | | | |
|-------------------|-------------------|---------|
| (a) NIL | (b) Rs. 3,60,000 | |
| (c) Rs. 18,00,000 | (d) Rs. 12,60,000 | Ans.(d) |

(8) Income from building constructed on leasehold is taxable as :

- | | | |
|---|-------------------------------|---------|
| (a) Income from House Property | (b) Income from Other Sources | |
| (c) Profits & Gains of Business or Profession | (d) Capital Gains | Ans.(a) |

(9) The assessee, who was deriving income from "House property" realised a sum of Rs. 52,000 on account of display of advertisement hoarding of various concerns on the roof of the building. The same will be taxable under :

- (a) Income from House Property (b) Income from Other Sources
(c) Profits & Gains of Business or Profession (d) Capital Gains Ans.(b)

(10) Composite rent of let-out house property is taxable as - (Dec. 2014)

- (a) Profits and gains from business or profession (b) Income from other sources
(c) Income from house property (d) Either (a) or (b) above depending upon certain conditions. Ans.(d)

COMPUTATION OF ANNUAL VALUE - SECTION 23

(11) Expected Rent is equal to _____.

- (a) Fair Rent (b) Municipal Valuation
(c) Lower of Fair Rent or Municipal valuation
(d) Higher of Fair Rent or Municipal valuation subject to the maximum of Standard Rent. Ans.(d)

(12) If Actual Rent received or receivable exceeds Expected Rent, the Gross Annual Value equals to -

- (a) Actual Rent received or receivable (b) Expected Rent
(c) Actual Rent - Expected Rent (d) None of these. Ans.(a)

(13) The sum for which the property **might reasonably be expected to let year to year** is known as

- (a) Expected Rent (b) Standard Rent
(c) Annual value (d) Municipal Valuation Ans.(a)

(14) In which of the following cases the annual value of the house is taken to be NIL.

- (a) Self occupied house.
(b) Vacancy for the whole period.
(c) If the assessee holds three house properties.
(d) Both (a) & (b) but not (c) Ans.(d)

(15) Sajal is the owner of a house property covered under the Rent Control Act. Municipal value Rs. 30,000, actual rent Rs. 25,000 fair rent Rs. 36,000 and standard rent is Rs. 28,000. The gross annual value of the house property will be - (Dec. 2014)

- (a) Rs. 30,000 (b) Rs. 25,000
(c) Rs. 36,000 (d) Rs. 28,000 Ans.(d)

(16) The municipal value of a property to Rs. 2,10,000; fair rent is Rs. 1,90,000; standard rent is Rs. 1,80,000 and the actual rent is Rs. 2,40,000. The gross amount value of the property would be - (Dec. 2016)

- (a) Rs. 1,80,000 (b) Rs. 1,90,000
(c) Rs. 2,40,000 (d) Rs. 2,10,000 Ans.(c)

(17) Rohit owns a house property in Delhi which he wants to give on rent. He seeks your help to determine the reasonable expected rent when monthly municipal value is Rs. 20,000, fair rent Rs. 25,000 and standard rent Rs. 22,000. The reasonable expected rent will be computed with reference to following amount per month - (June, 2015)

- (a) Rs. 22,000 (b) Rs. 20,000

- (c) Rs. 25,000 (d) None of the above. Ans.(a)
- (18) Find out the **expected rent** of house property A, if the following is given : Municipal value = Rs. 1,00,000; Fair Rent = Rs. 88,000; Standard Rent = Rs. 1,12,000. Actual Rent = Rs. 1,25,000
- (a) Rs. 1,00,000 (b) Rs. 88,000
(c) Rs. 1,12,000 (d) Rs. 1,25,000 Ans.(a)
- (19) Find out the expected rent of house property H, if the following is given : Municipal value = Rs. 70,000; Fair Rent = Rs. 88,000; Standard Rent = Rs. 1,12,000. Actual Rent = Rs. 1,25,000
- (a) Rs. 70,000 (b) Rs. 88,000
(c) Rs. 1,12,000 (d) Rs. 1,25,000 Ans.(b)
- (20) Find out the expected rent of house property P, if the following is given : Municipal value = Rs. 70,000; Fair Rent = Rs. 88,000; Standard Rent = Rs. 60,000 Actual Rent = Rs. 1,25,000
- (a) Rs. 70,000 (b) Rs. 88,000
(c) Rs. 60,000 (d) Rs. 1,25,000 Ans.(c)
- (21) Find out the expected rent of house property Q, if the following is given :
Municipal value = Rs. 65,000; Fair Rent = Rs. 88,000; Standard Rent = Rs. 60,000 Actual Rent = Rs. 1,25,000
- (a) Rs. 65,000 (b) Rs. 88,000
(c) Rs. 60,000 (d) Rs. 1,25,000 Ans.(c)
- (22) Find the Gross Annual Value of house property of A if the following is given : Municipal value = Rs. 10,000; Fair Rent = Rs. 88,000; Standard Rent = Rs. 92,000; Actual Rent = Rs. 89,000.
- (a) Rs. 10,000 (b) Rs. 88,000
(c) Rs. 92,000 (d) Rs. 89,000 Ans.(d)
- (23) Find the Gross Annual Value of house property of A if the following is given : Municipal value = Rs. 1,00,000; Fair Rent = Rs. 88,000; Standard Rent = Rs. 92,000; Actual Rent = Rs. 89,000.
- (a) Rs. 1,00,000 (b) Rs. 88,000
(c) Rs. 92,000 (d) Rs. 89,000 Ans.(c)
- (24) Find the Gross Annual Value of house property of A if the following is given ; Municipal value = Rs. 1,00,000; Fair Rent = Rs. 1,20,000; Standard Rent = Rs. 1,50,000; Actual Rent = Rs. 1,30,000.
- (a) Rs. 1,00,000 (b) Rs. 1,20,000
(c) Rs.1,50,000 (d) Rs. 1,30,000 Ans.(d)
- (25) Find the Gross Annual Value of house property of A if the following is given: Municipal value = Rs. 1,60,000; Fair Rent = Rs. 1,20,000; Standard Rent = Rs. 1,50,000; Actual Rent = Rs.1,55,000.
- (a) Rs. 1,60,000 (b) Rs. 1,20,000
(c) Rs.1,50,000 (d) Rs. 1,55,000 Ans.(d)
- (26) Find the Gross Annual Value of house property of A if the following is given : Municipal value = Rs. 1,40,000; Fair Rent = Rs. 1,20,000; Standard Rent = Rs. 1,50,000; Actual Rent = Rs. 1,30,000.
- (a) Rs. 1,40,000 (b) Rs. 1,20,000
(c) Rs. 1,50,000 (d) Rs. 1,30,000 Ans.(a)
- (27) Calculate the Gross Annual value from the following details : Municipal Value - Rs. 45,000; Fair rental value - Rs. 50,000; Standard rent - Rs. 48,000; Actual Rent - Rs. 42,000.
- (a) Rs. 50,000 (b) Rs. 48,000
(c) Rs. 45,000 (d) Rs. 42,000 Ans.(b)

(28) Calculate the Gross Annual value from the following details:

Municipal Value - Rs. 45,000; Fair rental value - Rs. 50,000;

Standard rent - Rs. 48,000; Actual Rent Receivable - Rs. 75,000; **Unrealised rent:** Rs. 20,000

(a) Rs. 50,000

(b) Rs. 55,000

(c) Rs. 45,000

(d) Rs. 42,000

Ans.(b)

(29) Calculate the Gross Annual value from the following details : Municipal Value - Rs. 45,000; Fair rental value - Rs. 50,000; Standard rent - Rs. 48,000; Actual Rent Receivable - Rs. 55,000; Unrealised rent: Rs. 20,000.

(a) Rs. 50,000

(b) Rs. 48,000

(c) Rs. 45,000

(d) Rs. 35,000

Ans.(b)

(30) Calculate the Gross Annual value from the following details : Municipal Value - Rs. 45,000; Fair rental value – Rs. 50,000; Standard rent - Rs. 48,000; Actual Rent Receivable - Rs. 50181.8 Vacancy : 1 month

(a) Rs. 50,000

(b) Rs. 46,000

(c) Rs. 45,000

(d) Rs. 48,000

Ans.(b)

DEDUCTIONS FROM ANNUAL VALUE - SECTION 24

(31) Which of the following deduction are to be made from income house property?

(a) Statutory deduction

(b) Interest on borrowed loan

(c) Both (a) and (b)

(d) Option (a) but not (b)

Ans.(c)

(32) When share of each co-owner in a house property is not definite, the income from such property shall be - (Dec. 2015)

(a) Taxed equally

(b) Exempt from tax

(c) Taxed as association of persons (d) Taxed as body of individuals. Ans.(c)

(33) Sandeep purchased a house for his residential purpose after taking a loan in January, 2019. During the previous year 2020-21, he paid interest on loan Rs. 2,17,000. While computing income from house property, the deduction is allowable to the extent of - (Dec. 2009)

(a) Rs. 30,000

(b) Rs. 1,00,000

(c) Rs. 2,17,000 m

(d) Rs. 2,00,000.

Ans.(d)

(34) When did pre-acquisition or pre-construction period commences -

(a) On the 1st year when loan is borrowed

(b) On the date of borrowing

(c) On the 1st April of the year when construction is

(d) On the 31st March of the year when loan is completed borrowed

Ans.(b)

(35) When did pre-acquisition or pre-construction period ends ?

(a) 31st march immediately prior to date of construction/ Purchase

(b) Date of repayment of loan completion of construction or acquisition of property.

(c) (a) or (b) whichever is earlier

(d) Any of these

Ans.(c)

(36) Which of the following amount is not allowed for deduction from income from house property ?

(a) Interest on loan borrowed for construction of house

(b) Interest on fresh loan taken to repay original house property. loan.

(c) Interest on unpaid interest.

(d) Interest on unpaid purchase price. Ans.(c)

(37) The maximum limit of deduction under section 24(b) for interest on borrowed capital on or after 1-4-1999 for repairs of house property used for self occupation is:

- (a) Rs. 30,000 (b) Rs. 2,00,000
 (c) Rs. 50,000 (d) Rs. 60,000 Ans.(a)

(38) The maximum limit of deduction under section 24(b) for interest on borrowed capital on or after 1-4-1999 for acquisition or construction of such house property is:

- (a) Rs. 30,000 (b) Rs. 2,00,000
 (c) Rs. 50,000 (d) Rs. 60,000 Ans.(b)

(39) The maximum limit of deduction under section 24(b) for interest on borrowed capital before 1-4-1999 for construction of house property used for self occupation is:

- (a) Rs.30,000 (b) Rs. 2,00,000
 (c) Rs. 50,000 (d) Rs. 60,000 Ans.(a)

(40) Mr. Ahmed acquired a property in April, 2020 for self-residential use. The loan interest payable to State Bank of India for the financial year amounts to Rs. 2,10,000. The amount eligible for deduction under section 24 is : (June, 2017)

- (a) Rs. 30,000 (b) Rs. 2,00,000
 (c) Rs. 2,10,000 (d) Rs.1,50,000 Ans.(b)

(41) The maximum limit of deduction under section 24(b) for interest on borrowed capital on or after 1-4-1999 for construction of house property used for self occupation if the house is completed within 5 years from the end of previous year in which loan is taken is:

- (a) Rs. 30,000 (b) Rs. 2,00,000
(c) Rs. 50,000 **(d) Rs. 60,000** **Ans.(b)**

(42) The maximum limit of deduction under section 24(b) for interest on borrowed capital on or after 1-4-1999 for construction of house property used for self occupation shall be Rs. 2,00,000 if -

- (a) the house is completed within 5 years from the previous year in which loan is taken.
 (b) the house is completed within 5 years from the end of end of previous year in which construction is started.
 (c) the house is completed within 5 years from the date when construction is started.
 (d) the house is completed within 5 years from the date when the loan is taken. Ans.(a)

(43) M took a loan of Rs. 6,00,000 on 1-4-2020 from a bank for construction of a house. The loan carries an interest @ 10% p.a. The construction is completed on 30-6-2020. The entire loan is still outstanding. The pre-construction period interest will be .

- (a) Rs. 60,000 (b) Nil
 (c) Rs. 75,000 (d) Rs. 90,000 Ans.(b)

(44) R took a loan of Rs. 8,00,000 on 1-4-2019 from a bank for construction of a house. The loan carries an interest @ 12% p.a. The construction is completed on 31-03-2020. The entire loan is still outstanding on 31-03-2020. The pre-construction period interest will be Rs._____.

- (a) Rs. 96,000 (b) Nil
 (c) Rs. 1,92,000 (d) Rs. 1,50,000 Ans.(b)

(45) K took a loan of Rs. 8,00,000 on 1-4-2018 from a bank for construction of a house. The loan carries an interest @ 12% p.a. The construction is completed on 31-03-2021. The entire loan is still outstanding on 31-03-2021. The pre-construction period interest allowable in Assessment Year will be

- (a) Rs. 19,200 (b) Rs. 38,400
(c) Rs.96,000 (d) Rs. 1,92,000 Ans.(a)

(46) K took a loan of Rs. 8,00,000 on 1-4-2018 from a bank for construction of a house. The loan carries an interest @ 12% p.a. The construction is completed on 31-03-2021. The entire loan is still outstanding on 31-03-2021. The total interest allowable in Assessment Year will be

- (a) Rs.1,15,200 (b) Rs.1,34,400
(c) Rs. 96,000 (d) Rs.1,92,000 Ans.(a)

(47) A borrowed Rs. 5,00,000 @ 12% p.a. On 1-4-2016 for construction of house property which was completed on 15-3-2020. The amount is still unpaid. The deduction of interest for Previous Year shall be : (June, 2017)

- (a) Rs. 60,000 (b) Rs. 96,000
(c) Rs. 1,80,000 (d) Rs. 2,40,000 Ans(b)

(48) When a house property is let-out throughout the year for a monthly rent of Rs. 22,000 and municipal tax paid for current year is Rs. 24,000 and for the earlier year paid now is Rs. 16,000, the income from house property would be - (Dec. 2015)

- (a) Rs. 1,68,000 (b) Rs. 1,56,800
(c) Rs. 1,84,800 (d) Rs. 2,24,000 (Ans.(b))

(49) T is owner of house which has been let out at a monthly rent of Rs. 25,000. The fair rent of the house is Rs. 2,90,000 and standard rent is Rs. 2,60,000. The municipal value of house is Rs. 2,80,000 and municipal taxes are levied @ 10% of municipal value. The entire amount of municipal taxes for the year ended are paid by the owner. The income from house property will be:

- (a) Rs. 1,90,400 (b) Rs. 1,76,400
(c) Rs. 1,62,400 (d) Rs. 2,72,000 Ans (a)

(50) T is owner of house which has been let out at a monthly rent of Rs. 30,000. The fair rent of the house is Rs. 2,90,000 and standard rent is Rs. 2,60,000. The municipal value of house is Rs. 2,80,000 and municipal taxes are levied @ 10% of municipal value. The entire amount of municipal taxes for the year ended are paid by the owner. Interest on borrowed capital is Rs. 2,10,000 (outstanding). The income from house property will be

- (a) Rs. 2,32,400 (b) Rs. 22,400
(c) Rs. 1,62,400 (d) Rs.32,400 Ans(b)

(51) T is owner of house which has been let out at a monthly rent of Rs. 20,000. The fair rent of the house is Rs. 2,90,000 and standard rent is Rs. 2,60,000. The municipal value of house is Rs. 2,80,000 and municipal taxes are levied @ 10% of municipal value. The entire amount of municipal taxes for the year ended are paid by the owner. Interest on borrowed capital is Rs. 60,000 (outstanding). The income from house property will be

- (a) Rs. 1,02,400 (b) Rs. 1,62,400
(c) Rs.88'400 (d) Rs. 1,48,400 Ans (a)

(52) In case of self-occupied property, statutory deduction under section 24(a) shall be :

- (a) Nil (b) Rs. 30,000
(c) Rs. 2,00,000 (d) Rs. 90,000 Ans.(a)

- (53) Under which of the following circumstances the income from house property is exempt from tax -
- | | | |
|--------------------------------|----------------------|---------|
| (a) Farm house | (b) Trade Union | |
| (c) One self occupied property | (d) All of the above | Ans.(d) |
- Hint – Farm house (Agricultural Income) and Trade Union **read in Ch 3.**
- (54) If the respective shares of income of co-owners are not definite and ascertainable, the co-owners shall be assessed as:
- | | | |
|------------------|------------------|---------|
| (a) AOP | (b) BOI | |
| (c) Joint owners | (d) Any of these | Ans.(a) |
- (55) Who amongst the following is not a deemed owner?
- (a) An individual who transfers his house property otherwise than for adequate consideration to his or her spouse.
- (b) A member of a co-operative society, company to or an AOP to whom a building or part thereof is allotted.
- | | | |
|--|------------------------|---------|
| (c) The holder of impartible estate of an HUF. | (d) None of the above. | Ans.(d) |
|--|------------------------|---------|
- (56) Mr. Kamal had two children Sumit and Sushmita (married with Aman) of age 15 & 17 respectively and wife named Anu. In which of the following case he will not be considered as deemed owner?
- | | | |
|------------------------------------|---------------------------------------|---------|
| (a) Transfer of property to Anu. | (b) Transfer of property to Sushmita. | |
| (c) Transfer of property to Sumit. | (d) None of the above. | Ans.(b) |
- (57) What are the conditions to be fulfilled in order to claim exemption of unrealized rent?
- (a) The defaulting tenant is in occupation of any of the property
- (b) Steps have been taken to compel him to vacate other property of the assessee..
- (c) The tenancy is bona fide.
- (d) Both (b) and (c)
- Ans.(d)
- (58) The net annual value of house let-out is Rs. 1,00,000 and actual amount spent by the assessee on repairs and insurance premium is Rs. 20,000, the amount of deduction allowed under section 24(a) shall be ?.
- | | | |
|----------------|----------------|---------|
| (a) Rs. 20,000 | (b) Rs. 30,000 | |
| (c) Rs. 25,000 | (d) Rs. 22,000 | Ans.(b) |
- (59) M took a loan of Rs. 6,00,000 on 1-4-2018 from a bank for construction of a house. The loan carries an interest @ 10% p.a. The construction is completed on 15-6-2020. The entire loan is still outstanding. Compute the interest allowable for the assessment year.
- | | | |
|----------------|------------------|---------|
| (a) Rs. 60,000 | (b) Rs. 1,80,000 | |
| (c) Rs. 84,000 | (d) Rs. 24,000 | Ans.(c) |

CHAPTER 8 INCOME FROM OTHER SOURCES

MULTIPLE CHOICE QUESTIONS

INCOMES TAXABLE UNDER INCOME FROM OTHER SOURCES

(1) Income of every kind, which is not to be excluded from the total income under this Act and not charged to income-tax under any of the other four heads, shall be chargeable to income-tax under the head :

- (a) Income from salaries (b) Income from House Property
(c) Profits and gains from business and profession (d) Income from Other Sources Ans.(d)

(2) Which is the charging section for income chargeable under the head Income from other sources ?

- (a) Section 15 (b) Section 28
(c) Section 22 (d) Section 56 Ans.(d)

(3) John, engaged in fertiliser trade received rent by sub-letting a building. This will be taxable under the head - (June, 2015)

- (a) Income from house property
(b) Income from capital gains
(c) Income from profits and gains of business and profession
(d) Income from other sources.

Ans.(d)

(4) Under the Income-tax Act, 1961, dividend derived from the shares held as stock-in-trade are taxable under the head - (June, 2015)

- (a) Income from other sources
(b) Income from profits and gains of business or profession
(c) Capital gains
(d) Either capital gains or income from profits and gains of business or profession. Ans.(a)

(5) Which of the following incomes are chargeable under the head 'Income from other sources'?

- (a) Dividends
(b) Winnings from lotteries
(c) Betting
(d) All of these Ans.(d)

(6) Agriculture income received from outside India will be -

- (a) Taxable under the head Profit and Gains of Business or Profession
(b) Taxable under the head Income from other sources
(c) Exempt from tax
(d) None of these Ans.(b)

(7) Ramesh was dealing in the business of lotteries. He himself won a lottery out of Stock in trade. Income earned from such lottery will be -

- (a) IOS
(b) PGBP
(c) Exempt

(d) None of these Ans.(b)

(8) Salary paid to a member of parliament will be -

(a) Taxable under the head Profit and Gains of Business or Profession

(b) Taxable under the head Income from other sources

(c) Exempt

(d) None of these Ans.(b)

(9) Any sum of money received as an advance or otherwise in the course of negotiations for transfer of a capital asset is forfeited and the negotiations do not result in transfer of such capital asset will be taxable under the head -

(a) Profit and Gains of Business or Profession

(b) Income from other sources

(c) Capital gains

(d) Income from house property Ans.(b)

(10) Any sum of money received exceeding Rs. 50,000 without consideration or for inadequate consideration will be taxable under the head -

(a) Income from house property

(b) Capital gains

(c) Income from other sources

(a) Profit and Gains of Business or Profession Ans.(c)

(11) Aman entered into an agreement with Brij for sale of a building for Rs. 20 lakh in June, 2020. Aman received advance of Rs. 2 lakh. Subsequently, the agreement was cancelled and Aman forfeited the advance money. The advance money is - (Dec. 2015)

(a) To be reduced from the cost of acquisition

(b) To be reduced from indexed cost of acquisition

(c) Taxable as capital gains

(d) Taxable as income under the head 'income from other sources' Ans.(d)

(12) Shashank received Rs. 10,000 as directors fee from a company. This amount will be taxable under the head -

(a) Profit and Gains of Business or Profession

(b) Income from other sources

(c) Exempt

(d) None of these Ans.(b)

(13) An assessee earned interest on post office savings bank account: Rs. 6,000. Such sum shall be taxable under the head :

(a) Salaries

(b) Profit & Gains of Business & Profession

(c) Capital Gains

(d) Income from Other Sources Ans.(d)

(14) Rakesh owned a machinery. He let it on hire to Raghu for Rs. 2,40,000 p.a. Such amount shall be taxable under head:

(a) Income from other sources

(b) Income from house property

(c) Income from Business and profession

(d) Any of the above Ans.(a)

(15) Income from letting on hire of plant, machinery or furniture is chargeable under the head -

(a) Income from other sources.

(b) Profits and gains of Business or Profession.

(c) Capital Gains.

(d) Either (a) or (b)

Ans.(d)

(16) Under which head income from letting on hire of machinery etc. will be taxed if the same is not chargeable under the head 'Profits and gains of Business and Profession'?

(a) Income from Other Sources.

(b) Salaries

(c) Capital Gains

(d) Income from House Property Ans.(a)

(17) Income earned by an assessee from letting on hire machinery, plant or furniture belonging to him and also buildings, and where letting of buildings is inseparable from the letting of the said machinery, plant or furniture shall be taxable under the head:

(a) Income from other sources

(b) Income from house property

(c) Income from Business and profession

(d) Any of the above Ans.(a)

(18) Any sum received by employer from employees as contribution to certain funds is taxable under the head :

(a) Salaries

(b) Profit & Gains of Business & Profession

(c) Capital Gains

(d) Income from Other Sources Ans.(d)

(19) Compute income taxable under head income from other sources :

Winnings from lotteries (net) Rs. 70,000

Rental Income of Plant and machinery y51,000

(a) 1,51,000

(b) Rs. 1,21,0000

(c) Rs. 1,54,000

(d) y 1,24,000

Ans.(a)

(20) Compute income taxable under head income from other sources received by Mr. X :

Cash gift received from his brother on occasion of his marriage anniversary Rs. 75,000

Winnings from lotteries (net) Rs. 70,000

Forfeited advance money received on occasion of transfer of capital asset Rs.51,000

(a) Rs. 1,96,000

(b) Rs. 1,51,000

(c) Rs. 1,75,000

(d) Rs. 1,00,000

Ans.(b)

(21) Compute income taxable under head income from other sources received by Mr. X :

Cash gift received from his friend on occasion of his marriage anniversary y 75,000

Winnings from lotteries (net) Rs. 70,000

Forfeited advance money received on occasion of transfer of capital asset Rs. 51,000

(a) Rs. 1,96,000

(b) Rs. 1,51,000

(c) Rs. 1,75,000

(d) Rs. 2,26,000

Ans.(d)

(22) Mrs. Laxmi, 70 years old, received Rs. 30,000 every month from SBI under reverse mortgage scheme by mortgaging her residential house property. She also received monthly family pension of Rs. 15,000. Her total income for the assessment year is - (June 2016)

(a) Rs. 5,40,000

(b) Rs. 1,80,000

(c) Rs. 1,65,000

(d) Rs. 3,60,000

Ans.(c)

(23) Winnings from lotteries, crossword puzzles, races including horse races, card games and other games of any sort or from gambling or betting of any form or nature, taxable under the head 'Income from other sources' after grossing up is taxed without allowing basic exemption limit at flat rate of:

(a) 30%

(b) 20%

(c) 10%

(d) 15%

Ans.(a)

(24) Winnings from lotteries (gross) Rs. 90,000. Calculate the amount to be included while computing income under the head 'Income from Other Sources'.

(a) Rs. 90,000

(b) Rs. 1,28,571

(c) Rs. 27,000

(d) Rs. 1,17,000

Ans.(a)

(25) Amit received Rs. 70,000 being winnings from lottery after deduction of tax at source. His gross winnings from lottery to be included in the total income is - (Dec. 2016)

(a) Nil

(b) Rs. 1,00,000

(c) Rs. 70,000

(d) Rs. 30,000

Ans.(b)

(26) An assessee earned an income of Rs. 65,000 from lottery. Expenditure incurred by him in regard to earn this income was of Rs. 18,000. Deduction of such amount of expenditure shall be:

(a) Allowed

(b) Disallowed

(c) Partly allowed and partly disallowed

(d) Any of the above

Ans.(b)

(27) Winnings from horse race (net) Rs. 35,000. Calculate the amount to be included while computing income under the head 'Income from Other Sources'.

(a) Rs. 35,000

(b) Rs. 50,000

(c) Rs. 10,500

(d) Rs. 60,500

Ans.(b)

(28) Miss. Z received an amount of Rs. 27,760 on 1-12-2020 in connection with winning from **camel races**. Cost of race tickets purchased was Rs. 2,000. Calculate amount to be included under the head 'Income from Other Sources':

(a) Rs. 27,760

(b) Rs. 25,760

(c) Nil

(d) Rs. 2,000

Ans.(a)

(29) Rs. 30,000, 11% securities (unlisted) of a textile company. What shall be the amount of interest income earned from securities to be taxable under the head of Income from Other Sources?

(a) Rs. 30,000

(b) Rs. 3,300

(c) Rs. 26,700

(d) Not taxable

Ans.(b)

(30) An assessee received an income of Rs. 9,000 (net) as interest on securities of a listed paper manufacturing company(TDS Rate 10%). What shall be the amount of interest income earned from securities to be taxable under head Income from Other Sources?

(a) Rs.9,000

(b) Rs. 10,000

(c) Rs. 8,100

(d) Not taxable

Ans.(b)

(31) Sum received under a Keyman insurance policy including bonus shall be taxable under the head:

(a) Income from other sources

(b) Income from house property

(c) Income from Business and profession

(d) Any of the above

Ans.(a)

(32) Rakesh acquired a motor car for Rs. 3,00,000 from his friend (non-relative) when the fair market value of the motor car was Rs. 5,00,000. The amount liable to tax in the hands of Rakesh from the transaction is : (June, 2017)

- (a) Rs. 3,00,000 (b) Rs. 2,00,000
(c) Rs. 1,50,000 (d) Nil Ans.(d)

Note : Since motor car is not covered in the meaning of movable property.

(33) A lady received gifts worth Rs. 1,00,000 from her relatives as defined under the Income-tax Act, 1961 and Rs. 60,000 from her office colleagues on her marriage anniversary. The taxable amount of gifts would be - (Dec. 2016)

- (a) Rs. 1,60,000 (b) Rs. 60,000
(c) Rs. 10,000 (d) Rs.1,10,000 Ans.(b)

(34) A cash gifts or immovable or movable property is taxable u/s 56(2)(x), if it is being received by:-

- (a) Individual or HUF (b) Partnership firm
(c) AOP or BOI (d) All of the above Ans.(d)

(35) Mr. A received drawings worth Rs. 1,00,000 as gift from his friend. The taxable amount in the hands of the firm is :-

- (a) Rs. 1,00,000 (b) Rs. 60,000
(c) Rs. 50,000 (d) No Tax liability arise Ans.(a)

(36) A firm received drawings worth Rs. 1,00,000 as gift from X, an Individual. The taxable amount in the hands of the firm is :-

- (a) Rs. 1,00,000 (b) Rs. 60,000
(c) Rs.50,000 (d) No Tax liability arise Ans.(a)

(37) Akshay received a gift of Rs. 35,000 each from his three friends. The amount chargeable to tax in this case would be - (Dec. 2014)

- (a) Rs. 50,000 (b) Rs. 1,05,000
(c) Nil (d) Rs.55,000 Ans.(b)

(38) Cash gifts exceeding _____ shall be chargeable under the head income from other sources

- (a) Rs. 5,000 (b) Rs. 20,000
(c) Rs. 50,000 (d) Rs. 25,000 Ans.(c)

(39) Gifts from employer exceeding _____ shall be chargeable under the head income from Salary :

- (a) Rs. 5,000 (b) Rs. 20,000
(c) Rs. 50,000 (d) Rs. 25,000 Ans., (a)

(40) The taxability of gift shall not apply if this gift is received from:

- (a) Relative (b) Local authority
(c) By way of inheritance (d) All of these Ans..(d)

(41) Mrs. X received the following gifts during the year. Which gifts shall be included in computing the income from other sources?

- (a) Gift of Rs.122,000 from her employer.
(b) Gift of Rs. 121,000 on 15th December from her mother's friend.

(c) Gift of Rs. 1,21,000 from her husband's brother

(d) Gift of Rs. 60,000 on 25th November from her father's brother.

Ans.(b)

(42) Mrs. X received the following gifts during the year. Which gifts shall not be included in computing the income from other sources?

(a) Scholarship of Rs. 1,20,000 from a charitable institution registered under section 12AA.

(b) Gifts of Rs. 51,000 each received from her four friends on the occasion of her marriage on 21st October.

(c) Gift of Rs. 1,41,000 from her husband's brother.

(d) All of the above.

Ans.(d)

(43) Which of the following income will be taxable as income from other sources - **(June, 2015)**

(a) Purchase of house from husband for inadequate consideration

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

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

(d) All of the above.

Ans.(b&c)

Note – Since the questions is asked in such a mannet therefore you can tick any of the option.

(44) Richa received gift of jewellery, fair market value of which is Rs. 3,00,000 on 17th October from her fiancee. What will be the taxable amount ?

(a) Nil

(b) Rs. 3,00,000

(c) Rs. 2,50,000

(d) Rs. 50,000

Ans.(b)

(45) Mohan received a watch worth Rs. 60,000 from his cousin grandfather (brother of his grandfather). What will be the taxable amount ?

(a) Nil

(b) Rs. 60,000

(c) Rs. 10,000

(d) Rs. 50,000

Ans, (a)

(46) If A receives Rs. 31,000 from B and Rs. 20,000 from C, then, what will be the taxable amount?

(a) Nil

(b) Rs. 1,000

(c) Rs. 51,000

(d) Rs. 50,000

Ans.(c)

(47) Sohan received a share of Rs. 60,000 from his cousin grandfather (brother of his grandfather). What will be the taxable amount ?

(a) Nil

(b) Rs. 60,000

(c) Rs. 10,000

(d) Rs. 50,000

Ans.(b)

(48) Nisha received a gift from his sister in Netherlands of Rs. 2,50,000. What will be the taxable amount ?

(a) Exempt

(b) Rs. 2,50,000

(c) Rs. 2,00,000

(d) Rs. 50,000

Ans.(a)

(64) Rakesh received Rs. 70,000 from his friend on the occasion of his birthday.

(a) The entire amount of Rs. 70,000 is taxable

(b) Rs. 20,000 is taxable

(c) The entire amount is exempt

(d) None of the above.

Ans.(a)

(49) Hemali received a cash gift of Rs. 80,000 from her friend on her 25th wedding anniversary. Amount taxable is :

(a) Exempt

(b) Rs. 80,000

(c) Rs. 30,000

(d) Rs. 50,000

Ans.(b)

(50) Gift of Rs. 5,00,000 received on 10th July, 2019 through account payee cheque from a non-

relative regularly assessed to income-tax, is -

- (a) A capital receipt not chargeable to tax
- (b) Chargeable to tax as income from other sources
- (c) Chargeable to tax as business income
- (d) Exempt upto Rs. 50,000 and balance chargeable to tax as income from other sources.

Ans.(b)

(51) Mr. A received cash gift worth Rs. 55,000 from his grandfather's brother Mahesh, on the occasion of the marriage of his son. What will be the taxable amount -

- (a) Rs. 55,000
- (b) Nil
- (c) Rs. 50,000
- (d) Rs. 5,000

Ans.(a)

(52) Mr. J received a Watch worth Rs. 55,000 from his employer on the occasion of his birthday. What will be the tax consequences?

- (a) Rs. 55,000 taxable in the hand of J, as income from Salaries
- (b) Rs. 55,000 taxable in the hands of J, as Fringe salaries benefit.
- (c) Rs. 55,000 taxable, as income from other sources
- (d) None of these

Ans.(a)

(53) On 5th February, 2020 Rajat gets a gift of motor car from a relative Madan. Fair market value of the car is Rs. 3,60,000. The amount taxable in the hands of Rajat under section 56(2)(x) is - (Dec. 2012)

- (a) Rs. 3,60,000
- (b) 13,10,000
- (c) Nil
- (d) Rs. 50,000

Ans.(c)

(54) On 30th December, 2020, Raju gets by gift a commercial flat from the elder brother of his father-in-law (stamp duty value is Rs. 25,00,000). The amount chargeable to tax in the hands of Raju is - (June, 2012)

- (a) Rs. 25,00,000
- (b) Rs. 24,50,000
- (c) Rs. 20,00,000
- (d) Nil.

Ans.(a)

(55) On 30th December, 2020, Raju gets by gift a commercial flat from the elder brother of his father (stamp duty value is Rs. 25,00,000). The amount chargeable to tax in the hands of Raju is -

- (a) Rs. 25,00,000
- (b) Rs. 24,50,000
- (c) Rs. 20,00,000
- (d) Nil.

Ans.(d)

(56) Rohan received gift of immovable property from his friend the stamp duty value is Rs. 6,00,000. What will be the taxable amount ?

- (a) Nil
- (b) Rs. 6,00,000
- (c) Rs. 50,000
- (d) Rs. 5,50,000

Ans.(b)

(57) Ramesh purchased an immovable property for a consideration of Rs. 1,00,000. The stamp duty value is Rs. 4,00,000. What will be the taxable amount under "Income from other Source" ?

- (a) Nil
- (b) Rs. 2,50,000
- (c) Rs. 3,00,000
- (d) Rs. 4,00,000

Ans.(c)

(58) Rajesh gifted an immovable property for a consideration of Rs. 70,00,000. The stamp

duty value as on the date of agreement is Rs. 81,00,000 whereas stamp duty value on the date of registration was Rs. 82,50,000. Part of the amount of consideration of Rs. 34,00,000 has been received by cheque on the date of agreement for transfer of the asset. What will be the taxable amount ?

- (a) Rs. 34,00,000 (b) Rs. 36,00,000
 (c) Rs. 11,00,000 (d) Rs. 10,50,000 Ans.(c)

(59) Rajni received a movable property without consideration amounting to Rs. 3,00,000 on the occasion of her marriage. The aggregate fair market value of the property was of Rs. 4,50,000. What will be the taxable amount ?

- (a) Nil (b) Rs.3,00,000
 (c) Rs. 4,50,000 (d) Rs. 4,00,000 Ans.(a)

(60) Rakhi received a movable property without consideration amounting to Rs. 3,00,000. The aggregate fair market value of the property was of Rs. 4,50,000. What will be the taxable amount ?

- (a) Nil (b) Rs. 3,00,000
 (c) Rs. 4,50,000 (d) Rs. 4,00,000 Ans.(c)

(61) Raima received a movable property for a consideration amounting to Rs. 3,00,000. The aggregate fair market value of the property was of Rs. 4,50,000. What will be the taxable amount ?

- (a) Nil (b) Rs. 1,50,000
 (c) Rs. 1,00,000 (d) Rs. 4,50,000 Ans.(b)

(62) Manju purchased bullion for Rs. 4,00,000 whose fair market value is Rs. 4,85,000. What will be the taxable amount ?

- (a) 85,000 (b) Rs. 4,85,000
 (c) Rs.35,000 (d) Nil Ans (a)

(63) Manju purchased bullion for Rs. 4,40,000 whose fair market value is Rs. 4,85,000. What will be the taxable amount ?

- (a) Nil
 (b) Rs. 4,85,000
 (c) Rs.4,40,000
 (d)Rs. 45,000 Ans (a)

(64) M & Co. purchased bullion for Rs. 4,00,000 whose fair market value is Rs. 4,85,000. What will be the taxable amount ?

- (a) 85,000 (b) Rs. 4,85,000
 (c) Rs. 4,00,000 (d) Nil Ans.(a)

(65) Mr. Ram received cash gift of Rs. 51,000 from his friends on the occasion of his 50th birthday. None of the friends are relative. The amount liable to tax in the hands of Mr. Ram. would be : (June, 2017)

- (a) Nil
 (b) Rs. 1,000
 (c) Rs. 51,000
 (d) Rs. 46,000 Ans.(c)

CHAPTER 9 – Clubbing of Income**MULTIPLE CHOICE QUESTIONS****CLUBBING IN CASE OF TRANSFER OF INCOME****TRANSFER OF ASSETS - SECTION 60 TO 63**

(1) Transfer of income without transfer of asset would be taxable in the hands of:

- (a) Transferor only (b) Transferee only
(c) Either transferor or transferee (d) Both transferor and transferee Ans.(a)

(2) A transfer which contains any provision for the re-transfer, directly or indirectly, of the whole or any part of the income or asset to the transferor, regarded as:

- (a) Transfer of income without transfer of asset (b) Indirect transfer
(c) Revocable transfer (d) Irrevocable transfer Ans.(c)

(3) X transfers his house property to a trust for benefit of Y till his death. In this case, till death of Y, the income from house property shall be taxable in the hands of _____ and afterwards in the hands of _

- (a) X, Y (b) X, legal heirs of Y
(c) Y, legal heirs of Y (d) Y, X Ans.(d)

(4) Mr. 'X' transfers his house property to Mr. Y with a condition that 25% of the income therefrom should be handed over to him Mr. Y earns Rs. 1,00,000 from such house property. In this case -

- (a) Total amount Rs. 1,00,000 shall be assessed in the hands of X.
(b) Only Rs. 25,000 will be assessed in the hands of X.
(c) Rs. 25,000 will be assessed in the hands of X and Rs. 75,000 will be assessed in the hands of Y.
(d) Total amount Rs. 1,00,000 shall be assessed in the hands of Y. Ans.(c)

(Hint – Full amount is not clubbed as the asset is transferred in this case. If asset would have not been transferred then Rs. 1 Lac would have been clubbed in the hands of X)

CLUBBING IN RESPECT OF INCOME OF SPOUSE, SONS WIFE, MINOR CHILD - SECTION 64

(5) Mr. A, a fashion designer having lucrative business, pays salary to his wife, who is a model. Remuneration received by Mrs. A shall be included in the total income of:

- (a) Mrs. A (b) Mr. A
(c) Mrs. A or Mr. A (whose total income is higher before this clubbing) (d) Mr. A and Mrs. A proportionately.

.....Ans.(a)

(6) The shares of Jetha Ltd. are held by, Mr. Jetha 8%, Mrs. Jetha 10% and Mrs. Jetha's Father-in-law 6%. Who amongst the following have substantial interest in Jetha Ltd.?

- (a) Mr. Jetha (b) Mrs. Jetha
(c) Mr. Jetha and Mrs. Jetha, both (d) Neither Mr. Jetha, nor Mrs. Jetha Ans.(a)

(Hint - Relative - Husband, wife, brother or sister or any lineal ascendant or descendant of that individual. Mr. Jetha along with his father and wife is holding minimum 20% so he has the substantial interest. Mrs. Jetha does not have the substantial interest as her Father in law is not her relative)

(7) If Mr. A and Mrs. A both have substantial interest in a concern and both are in receipt of remuneration from that concern, then what will be the tax consequences?

- (a) Remuneration shall be clubbed in the total income of Mrs! A.
- (b) Remuneration shall be clubbed in the total income of Mr. A.
- (c) Remuneration shall be clubbed in the total income of that individual whose total income (before this clubbing) is higher.
- (d) Clubbing shall not apply,

Ans.(c)

(8) Mr. A a transferred a capital asset to Mrs. A in natural love and affection. She transferred the capital asset to her friend and she earned a capital gains of Rs. 2,50,000, The capital gains income shall be regarded :

- (a) Mrs. A
- (b) Mr. A
- (c) Mrs. A or Mr. A (whose total income is higher before this clubbing)
- (d) Mr. A and Mrs. A proportionately.

Ans.(b)

(9) Shyam transferred 2,000 shares of X Ltd. to Ms. Babita without any consideration. Later, Shyam and Ms. Babita got married to each other. The dividend income from the shares transferred would be - (June, 2015)

- (a) Taxable in the hands of Shyam both before and after marriage
- (b) Taxable in the hands of Shyam before marriage but not after marriage
- (c) Taxable in the hands of Shyam after marriage but not before marriage
- (d) Never taxable in the hands of Shyam.

Ans.(d)

(10) Rohit (a Chartered Accountant) is working as Accounts Officer in Raj (P) Ltd. on a salary of Rs. 20,000 p.m. He got married to Ms. Pooja who holds 25% shares of this company. What will be the impact of salary paid to Rohit by the company in the hands of Ms. Pooja - (Dec. 2015)

- (a) 100% salary to be clubbed
- (b) 50% salary to be clubbed
- (c) No amount be clubbed
- (d) 25% salary be clubbed.

Ans.(c)

(11) An individual is said to have substantial interest in a concern if he or she, along with his or her relatives, is, at any time during the previous year-

- (a) Beneficial owner of equity shares carrying 20%
- (b) Entitled to 20%, or more of the profits of such or more of the voting power. concern.
- (c) Either (a) or (b)
- (d) Both (a) and (b)

Ans.(c)

(12) In the above case meaning of relative of an individual does not include the following -

- (a) Grandfather's brother
- (b) Spouse
- (c) Brother and sister
- (d) Daughter of the individual

Ans.(a)

(13) Income from assets transferred to spouse for inadequate consideration, clubbed in the total income of -

- (a) Transferor (b) Clubbing shall not apply
(c) Transferee (d) None of these Ans.(a)

(14) Income from assets transferred to son's wife for inadequate consideration, shall be included in the total income of -

- (a) Transferor (b) Son's wife
(c) Both (a) and (b)
(d) Individual whose total income (before this clubbing) is higher. Ans.(a)

(15) In the above case, relationship between transferor and transferee should subsist at the time of

- (a) Transfer of the asset (b) Accrual of the income
(c) Either (a) or (b) (d) Both (a) and (b) Ans.(d)

(16) Mr. A transfers his house property to his fiancée, in this case the income from house property shall be taxable in the hands of -

- (a) Mr. A (b) Mr. A's fiancée
(c) Such individual whose total income (before this clubbing) is higher. (d) None of the above. Ans.(b)

(17) Exemption of _____ will be available u/s 10(32) to the parent in respect of minor's income clubbed with the parent.

- (a) Rs. 1,500 (b) Rs. 5,000
(c) Rs. 15,000 (d) Rs. 1,00,000 Ans.(a)

(18) In case of clubbing of income of two minor children exemption of _____ will be available.

- (a) Rs. 1,500 (b) Rs. 3,000
(c) Rs. 1,000 (d) None of these Ans.(b)

(19) Income of minor child has to be included in the income of the assessee for determining rate of _____ income tax applicable to income of the assessee.

- (a) Agricultural (b) Gross total
(c) Business (d) None of these. Ans.(a)

(20) Income of a minor child shall be included in the income of -

- (a) That parent whose total income (before this is clubbing greater)
(b) Minor child
(c) That parent whose total income (before this clubbing) is greater.
(d) That parent whose total income (after this clubbing) is lower. Ans.(a)

(21) Income of a minor child on account of _____ shall be taxable in his hands.

- (a) Any manual work done by him.
(b) Any activity involving application of his skill, talent or specialized knowledge and experience.
(c) Either (a) or (b) (d) None of these Ans.(c)

(22) Minor child includes -

- | | | |
|--------------------|--------------------|---------|
| (a) Step child | (b) Adopted child | |
| (c) Both (a) & (b) | (d) None of these. | Ans.(c) |

(23) Mr. Mahesh's, minor son Suresh, earning interest Rs. 40,000 on fixed deposit with ABC Ltd., which was gifted to him by his grandfather. Mahesh's income is higher than that of Mrs. Mahesh. What will be the tax consequences?

- | | |
|---|---------|
| (a) Rs. 40,000 shall be taxable in the hands of Suresh. | |
| (b) Rs. 40,000 shall be clubbed in the total income of Mrs. Mahesh. | |
| (c) Rs. 40,000 shall be clubbed in the total income of Mr. Mahesh. | |
| (d) Rs. 40,000 shall be taxable in the hands of ABC Ltd. | Ans.(c) |

(24) In the above case, if Suresh is blind then, -

- | | |
|---|---------|
| (a) Rs. 40,000 shall be taxable in the hands of Suresh. | |
| (b) Rs. 40,000 shall be exempted. | |
| (c) Rs. 40,000 shall be taxable in the hands of Mr. Mahesh. | |
| (d) Rs. 40,000 shall be taxable in the hands of Mrs. Mahesh | Ans.(a) |

(25) Mr. A transfers Rs. 25,000 to Mrs. A. She purchases investments Rs. 20,000 in X Ltd. out of such cash transferred to her by Mr. A. She earns interest Rs. 5,000 from such investment. Hence this is a/an -

- | | | |
|------------------------|--------------------------|---------|
| (a) Cross transfer | (b) Indirect transfer | |
| (c) Revocable transfer | (d) Irrevocable transfer | Ans.(b) |

(26) In the above case interest income Rs. 5,000 shall be included in the total income of -

- | | | |
|---|----------------------|--|
| (a) Mrs. A | (b) Mr. A | |
| (c) Mrs. A or Mr. A (whose total income is higher before this clubbing) | (d) Mr. A and Mrs. A | |

Ans. (b)

(27) In the above case, if Mrs. X deposit Rs. 5,000 in a bank, and earn Rs. 100 as interest thereon, it shall be included in the total income of -

- | | | |
|---|--|---------|
| (a) Mrs. A | (b) Mr. A | |
| (c) Mrs. A or Mr. A (whose total income is higher clubbing) | (d) Mr. A and Mrs. A equally before this | Ans (a) |

(28) Mr. Y gifts 12.75% debentures worth Rs. 10 lakhs to Mrs. X (wife of Mr. X, his brother) and Mr. X gifted a flat worth same amount to Mrs. Y. The flat yields a rental income of Rs. 1,30,000 p.a. Interest income will be included in the total income of _____ and rental income will be included in the total income of _____.

- | | | |
|------------------------------------|-------------------------------------|---------|
| (a) Mr. Y and Mrs. X respectively. | (b) Mrs. Y and Mr. X respectively. | |
| (c) Mr. X and Mr. Y respectively. | (d) Mrs. Y and Mrs. X respectively. | Ans.(c) |

(29) Raja gifts Rs. 2 lakhs to his wife on 1-4-2020 which she invests in a firm on interest @ 18% p.a. On 1-1-2021, Mrs. Raja withdraws the money and gifts it to their son's wife. In this case interest of the period 1-4-2020 to 31-12-2020 and 1-1-2021 to 31-3-2021 shall be clubbed in the total income of _____.

- | | | |
|-------------------------------------|--------------|--|
| (a) Mr. and Mrs. Raja respectively. | (b) Mr. Raja | |
|-------------------------------------|--------------|--|

- (c) Mrs. Raja and their son's wife respectively. (d) Mrs. Raja Ans.(b)
- (30) In whose total income, the income of a minor child is included — (June, 2010)
- (a) Father (b) Mother
(c) Father and mother both (d) Parent whose total income is greater.
Ans.(d)
- (31) When the income of an individual includes Rs. 20,000 as the income of his minor child in terms of section 64(1A), taxable income in this respect will be - (Dec. 2011)
- (a) Nil (b) Rs. 20,000
(c) Rs. 18,500 (d) None of the above. Ans.(c)
- (32) Income arising to a minor married daughter is -
- (a) To be assessed in the hands of the minor married daughter
(b) To be clubbed with the income of that parent whose total income, before including minor's income, is higher
(c) Completely exempt from tax
(d) To be clubbed with the income of her husband. Ans.(b)
- (33) The following income that accrue to a minor child will not be included in the total income of his parent -
- (a) Income earned from fixed deposits transferred by his grand father.
(b) Income earned from house property transferred by his father
(c) Income earned from agricultural land transferred by his mother
(d) Income from from participation in dance competition
Ans.(d)
- (34) Mr. Ghose has four minor children consisting 2 daughters and 2 sons. The annual income of 2 daughters was Rs. 7,500 and Rs. 5,000 and of sons was Rs. 5,500 and Rs. 1,250 respectively. The daughter who was having income of Rs. 5,000 was suffering from a disability specified under section 80U. Work out the amount of income earned by minor children to be clubbed in the hands of Mr. Ghose.
- (a) Rs. 19,250 (b) Rs. 14,250
(c) Rs. 9,750 (d) Rs. 10,000 Ans.(d)
- (Hint - 5,000 rs will not be clubbed and 1250 rs will be fully exempt as the exemption allowed per child is 1,500 rs.)
- (35) A proprietary business was started by Smt. Rani in the year 2016. As on 1-4-2019 her capital in business was Rs. 3,00,000. Her husband gifted Rs. 2,00,000 on 10-4-2019, which amount Smt. Rani invested in her business on the same date. Smt. Rani earned profits from her proprietary business for the Financial year 2019-2020, Rs. 1,50,000 which remained invested in the business. The profit earned by Mrs. Rani in financial year 2020-2021 Rs. 3,90,000. Compute the income, to be clubbed in the hands of Rani's husband for the Assessment year
- (a) Rs. 2,70,000 (b) Rs. 1,20,000
(c) Nil (d) Rs. 3,90,000 Ans.(b)

(36) Income from asset transferred to spouse will be taxable in the hands of transferor if:

- (a) asset has been transferred in pursuance of an consideration;
- (b) asset was transferred for an adequate agreement to live apart;
- (c) asset was transferred before marriage;
- (d) asset was transferred for inadequate consideration

Ans.(d)

(37) Incomes of two minor children are included in the income of their father. Father is entitled to exemption under section 10(32) upto - (Dec. 2014)

- (a) Rs. 1,500
- (b) Rs. 1,000
- (c) Rs. 3,000
- (d) Rs. 2,000.

Ans.(c)

CONVERSION OF SELF-ACQUIRED PROPERTY INTO JOINT FAMILY PROPERTY

(38) If the self acquired property of an individual (being a member of HUF) is _____ then the income derived by the joint family on account of such property shall be included in the total income of the individual who was the owner of such property.

- (a) Converted into joint family property.
- (b) Transferred by him directly or indirectly, to HUF otherwise than for adequate consideration.
- (c) Transferred by him, directly or indirectly to HUF for adequate consideration.
- (d) Either (a) or (b)

Ans.(d)

(39) Where the converted property has been the subject-matter of a partition amongst the members of the family, the income derived from such converted property as is received by _____ on partition shall be deemed to arise to the individual from assets transferred indirectly by the individual to the _____ and shall be clubbed in the hands of such individual.

- (a) Major child, Major child
- (b) Brother, brother
- (c) Spouse, spouse
- (d) Sister, sister

Ans.(c)

(40) For the purposes of clubbing of income of the specified person in the income of the individual under section 64, the word 'income' includes _____.

- (a) Salaries
- (b) Loss
- (c) Capital gains
- (d) Income from other sources

Ans.(b)

(41) Mr. A gifts cash of Rs. 1,00,000 to his brother's wife Mrs. B. Mr. B gifts cash of Rs. 1,00,000 to Mrs. A. From the cash gifted to her, Mrs. B invests in a fixed deposit, income therefrom is Rs. 10,000. Aforesaid Rs. 10,000 will be included in the total income of _____.

- (a) Mr. A .
- (b) Mr. B
- (c) Mrs. A
- (d) Mrs B

Ans.(b)

CHAPTER 10 – Set off & C/f of Losses

MULTIPLE CHOICE QUESTIONS

INCOME FROM UNDISCLOSED SOURCES & ITS TAXABILITY

(1) The following shall be regarded as income from undisclosed sources :

- | | | |
|-----------------------|-----------------------------|---------|
| (a) Cash credits | (b) Unexplained investments | |
| (c) Unexplained money | (d) All of these | Ans.(d) |

(2) Unexplained cash credits is chargeable to tax —

- | | | |
|-----------|-----------|---------|
| (a) @ 30% | (b) @ 15% | |
| (c) @25% | (d) @78% | Ans.(d) |

(Hint – 60% Tax + 25% Surcharge + 4% HEC)

(3) Mr. X is found to be the owner of unexplained investments of Rs. 6,00,000. His tax liability will be -

- | | | |
|------------------|------------------|---------|
| (a) Rs. 4,68,000 | (b) Rs. 1,85,400 | |
| (c) Rs. 1,15,875 | (d) Rs. 1,64,800 | Ans.(a) |

PROVISIONS FOR SET-OFF OR CARRY FORWARD AND SET-OFF - SECTION 70 TO 74A

(4) If a person is eligible to claim :

- (1) unabsorbed depreciation
- (2) current scientific research expenditure
- (3) current depreciation
- (4) brought forward business loss

The order of priority to set-off would be - (Dec. 2015)

- | | | |
|-------------------------|-------------------------|---------|
| (a) (4), (3), (2) & (1) | (b) (2), (3), (4) & (1) | |
| (c) (3), (4), (1) & (2) | (d) (1), (2), (3) & (4) | Ans.(b) |

(5) Choose the correct answer from the following -

- (a) Loss from business of owning and maintaining race horses can be set off against any income.
- (b) Loss from lottery, card games etc. can be set off against any income.
- (c) Speculation business loss can be set off only against speculation business income.
- (d) Long-term capital loss can be set off against long-term or short-term capital loss.

Ans.(c)

(6) Long term capital loss can be set-off from which of the following :

- | | |
|--|---------------------------------|
| (a) Short term capital gain only | (b) Long term capital gain only |
| (c) Income from business or profession | (d) Income from salary |

Ans.(b)

(7) Loss from house property can be carried forward and set off in the subsequent 8 Assessment years:

- (a) Only if return of loss is filed within due date
- (b) Even if return of loss is filed after due date
- (c) It does not matter when return is filed
- (d) Carry forward of loss from house property is not allowed at

Ans.(b)

(8) Loss under the head "Profits and Gains of business or profession" cannot be set off against -

- (a) Income under the head salaries.
- (b) Income under the head capital gains.
- (c) Income under the head house property.
- (d) All of the above.

Ans.(a)

(9) Loss arising under the head capital gain cannot be set-off against -

- (a) Income Under the head salaries.
- (b) Income under the head "Profits and gains of business or profession".
- (c) Income under the head house property.
- (d) All of the above.

Ans.(d)

(10) Loss arising from specified business can be set-off from -

- (a) General business profits
- (b) Speculation business profits
- (c) Both general business profits and speculation business profits
- (d) Profits of specified business

Ans.(d)

(11) Loss from specified business can be carried forward for -

- (a) 4 Years
- (b) 8 Years
- (c) Indefinite period
- (d) None of the above

Ans.(c)

(12) Mr. Shahu has loss from house property of Rs. 1,10,000 (computed) for the assessment year . He can carry forward such loss for subsequent _____ assessment years. (June, 2017)

- (a) 4 (b) Nil
(c) 8 (d) Indefinite Ans.(c)

(13) Loss from house property and losses in speculation business can be carried forward respectively for -

- (a) 8 Years and 4 Years (b) 4 Years and 8 Years
(c) 8 Years and 8 Years (d) 4 Years and 4 Years Ans.(a)

(14) Loss under the head 'Profits & Gains of Business or Profession (except speculation business loss) and loss under the head capital gains can be carried forward respectively for -

- (a) 8 Years and 4 Years (b) 8 Years and 8 Years
(c) 4 Years and 8 Years (d) 4 Years and 4 Years Ans.(b)

(15) The sequence applicable for set off of losses shall be -

- (a) (i) Inter source set-off; (within head) (ii) Inter head set-off; (other head) and (iii) Set-off of brought forward losses.
(b) (i) Inter head set-off; (ii) Inter source set-off; and (iii) Set-off of brought forward losses.
(c) (i) Set-off of brought forward losses; (ii) Inter source set-off; and (iii) Inter head set-off.
(d) (i) Set-off of brought forward losses; (ii) Inter head set-off; and (iii) Inter source set-off.

Ans.(a)

(16) A company engaged in business of purchase and sale of shares of other companies shall not be deemed to be speculation business if -

- (a) The principal business of the company is business of trading in shares or banking or granting of loans & advances.
(b) The gross total income of the company consists mainly of income under heads "Income from house property", "Capital Gains" and "Income from other sources"
(c) Both (a) and (b)
(d) Either (a) or (b)

Ans.(d)

(17) Loss from speculation business can be set-off against - (Dec. 2016)

- (a) Income from salaries (b) Income from house property
(c) Income from speculation business only (d) Any head of income Ans.(c)

(18) Loss from speculation business is eligible for carry forward of loss for a period of - (Dec. 2016)

- (a) 4 Years (b) 6 Years
(c) 8 Years (d) 12 Years Ans.(a)

(19) Unabsorbed loss from house property can be carried forward for - (Dec. 2016)

- (a) 4 Years (b) 8 Years
(c) Indefinite period (d) Can not be carried forward Ans.(b)

(20) No loss can be set-off against - (Dec. 2016)

- (a) Income from salaries (b) Income from house property

- (c) Income from capital gains (d) Winnings from lotteries, etc. Ans.(d)
- (21) Short term capital loss can be set-off against:
- (a) Short term capital gain (b) Long-term capital gain
- (c) Income under any other head (d) Either (a) or (b) Ans.(d)
- (22) Brought forward losses (except speculation business loss) under Profits & Gains of Business or profession can be set-off against -
- (a) (c)Income from house property.
- (b) (b)Income from any other head.
- (c) Profits of any business (except speculation business profit
- (d)Profits of any business/profession (including speculation business profit). Ans.(d)
- (23) Loss incurred in activity of owning and maintaining race horses can be set-off against only:
- (a) Any Income under the head 'Income from other race horses.
- (b) Only income from owning and maintaining Sources'.
- (c) Income from speculation business.
- (d) Income under head house property. Ans.(b)
- (24) Which of the following losses available after inter source set-off, cannot be set-off from incomes in other heads in the same assessment year - (June 2016)
- (a) Speculation losses (b) Loss from specified business
- (c) Loss under the head capital gains (d) All of the above Ans.(d)
- (25) To carry forward and set-off losses, a loss return must be filed by the assessee within the stipulated time and gets the loss determined by the Assessing Officer. However, this condition is not applicable to - (June 2016)
- (a) Loss from house property (b) Loss from speculation business
- (c) Loss from discontinued business (d) Loss from capital assets Ans.(a)
- (26) Mr. X has earned salary income of Rs. 5,00,000 and he has suffered loss from house property amounting Rs. 2,50,000. Speculation business loss - Rs. 1,00,000 Find out the gross total income.
- (a) Rs. 5,00,000 (b) Rs. 3,00,000
- (c) Rs. 2,00,000 (d) Rs. 4,00,000 Ans.(b)
- (27) The maximum loss incurred under house property in current year which can be set-off from other heads on Income is :
- (a) Rs. 2,00,000 (b) Rs. 30,000
- (c) unlimited (d) Rs. 50,000 Ans.(a)
- (28) Mr. X has earned salary income of Rs. 5,00,000 and he has suffered loss from house property amounting Rs. 2,00,000. General business loss - Rs. 1,00,000 Find out the gross total income.
- (a) Rs. 5,00,000 (b) Rs. 3,00,000
- (c) Rs. 2,00,000 (d) 4,00,000 Ans.(b)

(29) Mr. X has earned general business income of Rs. 5,00,000 and he has suffered loss from house property amounting Rs. 2,00,000. Specified business loss under Section 35AD - Rs. 1,00,000 Find out the gross total income.

- (a) Rs. 5,00,000 (b) Rs. 3,00,000
(c) Rs. 2,00,000 (d) 4,00,000 Ans.(b)

(30) Mr. X has earned Long term capital gains on sale of equity shares listed in recognised stock exchange on which STT - Rs. 7,20,000 Short term capital loss of Rs. 2,00,000. General business income of Rs. 5,00,000 Find out the gross total income.

- (a) Rs. 9,20,000 (b) Rs. 10,20,000
(c) Rs. 11,20,000 (d) 5,20,000 Ans.(a)

(Hint: LTCG on sale of equity shares in excess of Rs. 1,00,000 is chargeable to tax under Section 112A. STCL shall be set-off from LTCG. Hence taxable income = (7,20,000 - 1,00,000 - 2,00,000 + 5,00,000)

(31) Ashwin has speculation business loss brought forward of the assessment years 2015-16 Rs. 1,00,000; 2016-17 Rs. 70,000 and 2018-19 Rs. 60,000. He has income from the same speculation business for the assessment year 2021-22 Rs. 5,40,000. His total income chargeable to tax for assessment year 2020-21 would be - (June 2016)

- (a) Rs. 3,10,000 (b) Rs. 4,10,000
(c) Rs. 4,80,000 (d) Rs. 4,40,000 Ans.(c)

(32) Mr. Hussey for the previous year has (i) business loss of Rs. 1,30,000; (ii) income from salary Rs. 2,40,000; and (iii) speculation gain of Rs. 1,10,000. His total income for income tax assessment is: (June, 2017)

- (a) Rs. 3,50,000 (b) Rs. 2,20,000
(c) Rs. 2,40,000 (d) Rs. 1,10,000 Ans.(c)

(Hint – Normal business loss can be set off against speculation Gain (business))

(33) Mathur Storage (P) Ltd. engaged in chain cold storage has brought forward business loss of Rs. 12 lakhs relating to A.Y. 2019-20. During the previous year 2020-21, its income from the said business is Rs. 9 lakhs. It also has profit from trade in food grains of Rs. 6 lakhs. The total income of the company for the A.Y. is: (June, 2017)

- (a) Rs. 15 lakhs (b) Rs. 6 lakhs
(c) Rs. 6 lakhs (d) Rs. 3 lakhs Ans.(d)

[Note : If chain cold storage is a specified business u/s 35AD, the brought forward business loss can be set-off only from profits of specified business is such case the brought forward business loss can be set-off to the extent of Rs. 9 lakh and balance loss shall be carried forward and the answer will be Rs. 6 lakh.]

(34) Find out the gross total income of Mr. A for A.Y. from the following information: Income from salaries Rs. 80,000; Loss from house property Rs. 50,000; Profit from textile trade Rs. 40,000; Loss from Automotive trade Rs. 50,000.

- (a) Rs. 20,000 (b) Rs. 70,000
(c) Rs. 30,000 (d) Nil Ans.(c)

(35) Mr. Rahul have income from cloth business Rs. 1,00,000; Loss from agriculture Rs. 50,000; Long-term capital gain Rs. 60,000 and short term capital loss Rs. 80,000 find out his gross total income for assessment year .

- (a) Rs. 50,000 (b) Rs. 1,00,000
(c) Rs. 80,000 (d) Rs. 30,000 Ans.(b)

(36) Mr. Q has profit from speculation business Rs. 80,000; Profit from business A Rs. 1,00,000; Loss from business B/ f 1,50,000 find out his gross total income for assessment year.

- (a) Rs. 80,000 (b) Rs. 1,00,000
(c) Rs. 1,50,000 (d) Rs. 30,000 Ans.(d)

(37) Mr. Ram had incurred loss in activity of owning and maintaining racehorses Rs. 90,000; Winnings from lottery (net) Rs. 70,000; Loss in card game of assessment year 2019-20 Rs. 4,000 find out his gross total income for AY .

- (a) Rs. 1,00,000 (b) Rs. 70,000
(c) Rs. 10,000 (d) 66,000 Ans.(a)

(Hint – 70,000 / 70%)

(38) If an individual, having a sales turnover of Rs. 60 lakh files his return of income for the assessment year after the due date, showing unabsorbed business loss of Rs. 23,000 and unabsorbed depreciation of Rs. 45,000, he can carry forward to the subsequent assessment years - (June, 2015)

- (a) Both unabsorbed business loss of Rs. 23,000 and unabsorbed depreciation of Rs. 45,000
(b) Only unabsorbed business loss of Rs. 23,000
(c) Only unabsorbed depreciation of Rs. 45,000
(d) Neither unabsorbed business loss of Rs. 23,000 nor unabsorbed depreciation of Rs. 45,000.
Ans.(c)

(39) What can be the maximum net amount of negative income of a self occupied house under the head "Income from house property " that can be set off against other head of sources of income.

- (a) Rs. 30,000 (b) Rs. 1,00,000
(c) Rs. 1,50,000 (d) Rs. 2,00,000 Ans.(d)

(40) XYZ & Company, a partnership firm has three partners, X, Y and Z having equal share in profits of the firm. X retired on 31-12-2020, profits of the firm for year ending 31-3-2021 were Rs. 1,50,000 and brought forward business losses for assessment year 2019-20 was Rs. 1,20,000 and unabsorbed depreciation Rs. 40,000. Find the amount of brought forward loss that cannot be carried forward?

- (a) Rs. 2,500 (b) Rs.3,333
(c) Rs. 15,833 (d) Nil Ans.(a)

Hint-

Profit from 1.4.20 to 31.12.20 = $1,50,000 / 12 \text{ months} * 9 \text{ months} = \text{Rs. } 1,12,500$

Share of X in profits = $1,12,500 / 3 = 37,500$

And share of X in B/f Losses = Rs. 40,000

Therefore Loss of Rs. 2500 cant be carried forward by the firm

(41) Short-term capital loss can be set-off from - (June, 2012)

- (a) Short-term capital gains (b) Long-term capital gains
(c) Both short-term and long-term capital gains (d) Any income of the previous year.

Ans.(c)

(42) Mr. B incurred short-term capital loss of Rs. 10,000 on sale of shares through the National Stock Exchange. Such loss can be set-off from -

- (a) Only against short-term capital gains
(b) Against both short-term capital gains and long term capital gains
(c) Against any head of income (d) None of the above. Ans.(b)

(43) Mr. B incurred long term capital loss of Rs. 10,000 on sale of shares through the National Stock Exchange. Such loss can be set-off from -

- (a) Only against long-term capital gains
(b) Against both short-term capital gains and longterm capital gains
(c) Against any head of income
(d) Cannot be set- off as it is a loss from source whose income is exempt from tax.

Ans.(a)

(44) Mr X has received the following incomes : (i) Salary received as a partner from a partnership firm Rs. 7,50,000. (ii) Loss on sale of shares listed in BSE Rs. 3 lakhs. Shares were held for 15 months and STT paid on sale. (in) Long-term capital gain on sale of land Rs. 5 lakhs. His gross total income will be -

- (a) Rs. 12,50,000 (b) Rs. 9,50,000
(c) Rs. 7,50,000 (d) Rs. 5,00,000 Ans.(b)

Answer Hint: Long term capital loss on sale of shares shall be allowed to be set-off from LTC arising from sale of land. Also Salary received is PGBP Income and Not Salary Income.

(45) Loss from the activity of owning and maintaining race horses could be set-off - (June, 2015)

- (a) Against income under any of the five heads of
(b) Only against income under the head 'income from other sources'
(c) Only against income under the head 'profits and gains of business or profession'
(d) Only against income from same .

Ans.(d)

(46) Where the net result of the computation under the head "Income from house property " is a loss and the assessee has income assessable under any other hand of income, the assessee shall not be entitled to set off such loss, to the extent such loss exceeds , against income under the other head.

- (a) 1,00,000 (b) 2,00,000
(c) 3,00,000 (d) Nil Ans.(b)

(47) For the previous year , an assessee suffered a business loss of Rs. 2,50,000. His income from other sources is Rs. 1,80,000. His due date of return was 31st July, 2021 but he submitted the return on 9th September, 2021. The assessee in this case - (June 2016)

- (a) Shall be allowed to carry forward the loss of Rs. 70,000
(b) Shall not be allowed to carry forward any loss
(c) Shall be allowed to set-off current year business loss to the extent of Rs. 1,80,000 but shall not be allowed to carry forward the balance loss of Rs. 70,000

(d) Shall not be allowed to set-off the business loss to the extent of Rs. 1,80,000 and would be liable to tax on 11,80,000

Ans.(c)

(48) Mr X has the following incomes : Loss from house property- (Rs. 2,50,000), Profits and gains of business or profession- Rs. 5,00,000. His Gross total income will be :

(a) Rs. 2,50,000

(b) 3,00,000

(c) Rs. 7,50,000

(d) Rs. 5,00,000

Ans.(b)

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