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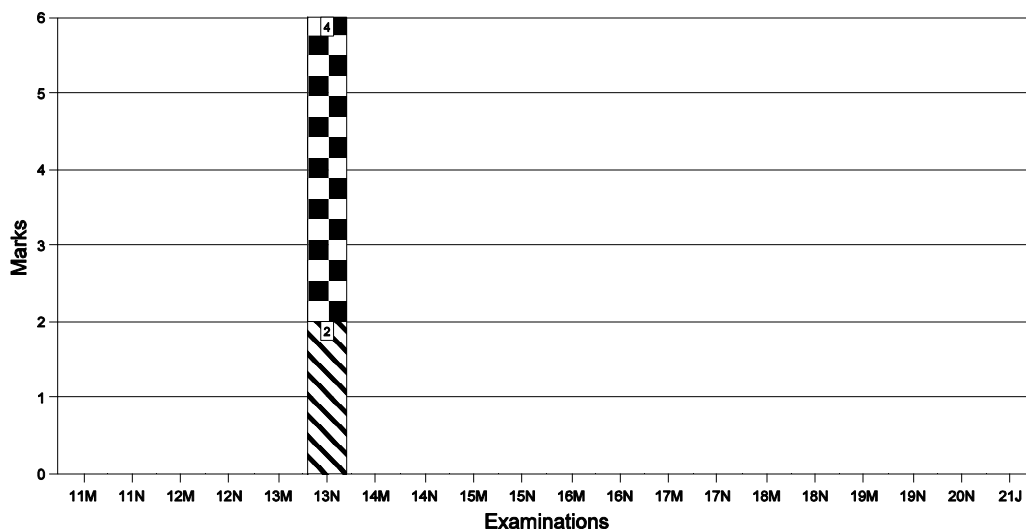
On the basis of Maximum marks from a chapter Nil
 On the basis of Questions included every year from a chapter Nil
 On the basis of Compulsory questions from a chapter Nil

CHAPTER	Basic Concepts
1	
THIS CHAPTER COMPRISES OF	
☞ Important Definitions ☞ Previous year and Assessment year ☞ Charge of Income-tax ☞ Rates of Tax ☞ Surcharge.	

Marks of Short Notes, Distinguish Between, Descriptive & Practical Questions

Legend

 Objective
  Short Notes
  Distinguish
  Descriptive
  Practical



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DESCRIPTIVE QUESTIONS

2013 - Nov [3] (a) Examine the following statements in the context of provisions contained in the Act relevant for the previous year ended on 31.03.2021:

- (i) The additions to income made by invoking provisions of Section 68 are subject to normal rates of tax as applicable to the assessee.

(2 marks)

Answer:

The said statement is false since u/s 115BBE, where the total income of the assessee includes income by way of additions u/s 68, he shall be liable to tax @ 60% (plus 25% surcharge plus + 4% health and education cess) on the income u/s 68.

— Space to write important points for revision —

PRACTICAL QUESTIONS

2013 - Nov [4] Examine critically any four out of the following problems/issues/cases in the context of provisions contained in the Act relevant for assessment year 2021-22. Support the answer with the case laws.

- (i) A company received liquidated damages of ₹ 25 lacs from the suppliers of plant & machinery for failure to supply the plant and machinery within the stipulated time. The Assessing Officer treated the same as income chargeable to tax as against the claim of the company of treating as capital receipt.

(4 marks)

Answer:

Liquidated damages received in connection with a capital asset are capital receipts. It should be reduced from the purchase price of the P&M for calculating actual cost. Hence the treatment of the AO of such receipt as taxable is not tenable. Similar view was echoed by the Supreme Court in *CIT vs Saurashtra Cement Ltd. (2010)*.

MULTIPLE CHOICE QUESTION

1. The term 'person' in Income Tax Act, 1961 include which of the following-
 - (a) Individual
 - (b) Artificial Juridical Person
 - (c) AOP/BOI
 - (d) Local authority
 - (e) All of the above
2. Which of the following is a deemed income-
 - (a) Unexplained cash credit
 - (b) Unexplained investments
 - (c) Unexplained money
 - (d) Unexplained expenditure
 - (e) All of the above
3. Where a ship is belonging to a non-resident and it is about to leave the port in India, ___ of the freight payable whether in India or outside India for goods, passengers, mail shipped from any port in India is deemed to be his income which is charged to tax in the same year in which it is earned.
 - (a) 2%
 - (b) 5%
 - (c) 7.5%
 - (d) 10%
4. Mr. X is leaving India for USA on 10/06/21 and it appears to Assessing Officer that he has intention to return to India. Before leaving India, Mr. X will be required to pay income tax income earned during.
 - (a) Previous Year 2020-21
 - (b) 01/04/19 to 10/06/21
 - (c) Previous Year 2020-21 as well as 10/06/21
 - (d) Not required to pay tax

5. State whether true or false. "A resident individual whose 60th birthday falls on 01/04/21 would be treated as having attained the age of 60 years in Previous Year 2020-21."
 - (a) True
 - (b) False
6. A company which is not a domestic company will pay income tax at the rate of -
 - (a) 25%
 - (b) 30%
 - (c) 40%
 - (d) 20%
7. Marginal Relief is to be deducted-
 - (a) After adding surcharge and cess to normal tax
 - (b) After adding surcharge to normal tax
 - (c) Before adding surcharge and cess i..e. on normal tax
 - (d) Not to be deducted only
8. Rebate u/s 87A is not available in respect of tax payable @ _____
 - (a) 15% on Long Term capital Gain u/s 111A
 - (b) 20% on Long Term Capital Gain u/s 112
 - (c) 10% on Long Term Capital Gain u/s 112A
 - (d) All of the above
9. Rates of income tax are mentioned in-
 - (a) Income Tax Act, 1961
 - (b) Both Income Tax Act, 1961 and Income Tax Rules, 1962
 - (c) First schedule to Annual Finance Act
 - (d) Both Income Tax Act, 1961 and First schedule to Annual Finance Act
10. Surcharge applicable to a foreign company for Assessment Year 2021-22 is
 - (a) 5% if total income exceeds ₹ 1,00,00,000
 - (b) 10% if total income exceeds ₹ 1,00,00,000
 - (c) 2% if total income exceeds ₹ 1,00,00,000 but does not exceed ₹ 10,00,00,000 and 5% if total income exceeds ₹ 10,00,00,000
 - (d) 2% if total income exceeds ₹ 10,00,00,000

