

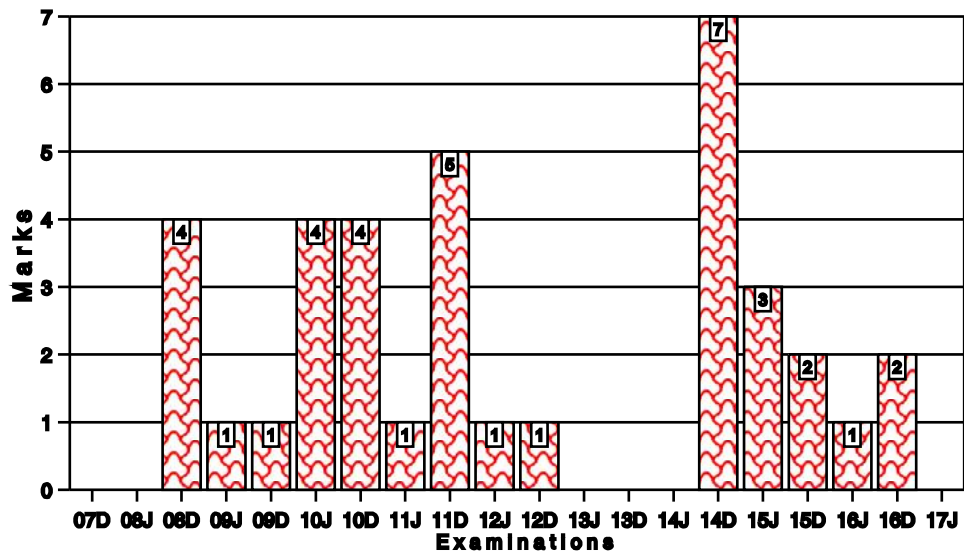
# 1

## ***BASIC AND DEFINITIONS***

### **THIS CHAPTER INCLUDES**

- Introduction
- Basic concepts of Income Tax Act
- Computation of Taxable Income and Tax Liability of an Assessee
- Tax Rates
- Capital and Revenue Receipts (Conceptual Analysis) Capital and Revenue Receipts in relation to business activity

### **Marks of Objective Questions**



## CHAPTER AT A GLANCE

<b>Income Tax Act, 1961</b>	The <b>Income Tax Act, 1961</b> is the charging Statute of Income Tax in India. It provides for levy, administration, collection and recovery of Income Tax.
<b>Income Tax Rules, 1962</b>	Under <b>section 295</b> of IT Act, CBDT is empowered to frame rules from time to time to carry out the purpose and proper administration of the Act.
<b>Government Notifications</b>	Notification issued by Central/ State Government from time to time to deal with provisions of income tax.
<b>Finance Act (Annual)</b>	The Finance Minister presents the Finance Bill in both houses of Parliament. Once the Finance Bill is approved by the parliament and gets the assent of the President, it becomes the Finance Act.
<b>Circulars &amp; Clarification of CBDT</b>	CBDT issues Circulars and Notifications from time to time, these Circulars clarify doubts regarding the scope and meaning of the various provisions of the Act. These Circulars are binding on Assessing Officers but not on assesses.

### **Previous Year [Sec. 3]**

The financial year in which income is earned is known as previous year.

### **Assessment Year [Sec. 2(9)]**

The financial year in which income earned in the previous year is taxed is known as assessment year.

**Person [Sec. 2(31)]**

The term “person” includes:

1. An Individual
2. A Hindu Undivided Family
3. A Company
4. A Firm & Limited Liability Partnership
5. An Association of Persons
6. A Body of Individuals
7. A Local Authority i.e. Gram Panchayat, Municipal Corporation.
8. Every Artificial Juridical Person (not falling within any of the preceding categories) i.e. University, Temple.

**Assessee [Sec. 2(7)]**

“Assessee” means a person by whom income-tax or any other sum of money (interest or penalty) is payable under the Act.

**Deemed Assessee**

Deemed Assessee means a person who is treated as an assessee under the Income Tax Act.

**India [Sec. 2(25A)]**

The term India means-

1. The territory of India as per Article 1 of the Constitution,
2. Its Territorial waters, seabed and subsoil underlying such waters,
3. Continental shelf,
4. Exclusive Economic Zone, or
5. Any other specified Maritime Zone and the air space above its territory and Territorial waters.

**Tax Rate**

1. **For Resident Very Senior Citizen i.e. 80 years or more at any time during PY [Born before April 1, 1937]**

Income	Tax Rate
0 – 5,00,000	Nil
5,00,001 – 10,00,000	20%
More than 10,00,000	30%

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2. **For Resident Senior Citizen i.e. 60 years or more but less than 80 years at any time during PY [Born during April 1<sup>st</sup>, 1937 and March 31<sup>st</sup>, 1957]**

<b>Income</b>	<b>Tax Rate</b>
0 – 3,00,000	Nil
3,00,001 – 5,00,000	10%
5,00,001 – 10,00,000	20%
More than 10,00,000	30%

3. **For Other Individual & HUF**

<b>Income</b>	<b>Tax Rate</b>
0 – 2,50,000	Nil
2,50,001 – 5,00,000	10%
5,00,001 – 10,00,000	20%
More than 10,00,000	30%

**Other Individuals mean:**

1. A male or female whether resident or non- resident below 60 years.
  2. Non-resident very senior or senior citizen.
4. **Firm & Limited Liability Partnership**  
Flat tax rate of 30%.
- 5.

<b>Particulars</b>	<b>Tax Rate</b>
A Domestic company set up & registered on or after 1 <sup>st</sup> March, 2016 & engaged in manufacture & production of any article or thing or research relating thereto provided the total income of such company is computed without claiming depreciation, deduction u/s 10AA or Chapter VIA (other than 80 JJAA) or any other profit or investment linked deduction. The option is to be exercised on or before the due date of filing return of income and it cannot be subsequently withdrawn in any P.Y.	25%

If the turnover or gross receipts of the company in P.Y. 2014-15 in less than 5 crores.	29%
All other domestic companies.	30%

#### 6. Foreign Company

Flat tax rate of 40%.

#### Surcharge

Assessee	Threshold Limit (If Total Income Exceeds)	Rate of Surcharge
Individual	1 Crore	15%
HUF	1 Crore	15%
Firm/LLP	1 Crore	12%
Domestic Company	1 Crore	7%
Domestic Company	10 Crore	12%
Foreign Company	1 Crore	2%
Foreign Company	10 Crore	5%

#### Rebate [Sec. 87A]

A **resident individual** having **total income** upto ₹ 5 lac shall be eligible for a rebate of ₹ 5,000, restricted to the amount of tax payable by him. Rebate **u/s 87A** not available to any other assessee. This rebate is available before charging education cess.

**Education Cess:** For all the above assessees @ 2% of the Total Tax Payable.

**Secondary Higher Education Cess:** For all the above assessees @ 1% of the Total Tax Payable.

#### Rounding off of Income [Sec. 288A]

Taxable income is rounded off to the nearest multiple of ₹ 10.

#### For Instance:

1. If the taxable income is ₹ 4,65,294.95 then the income shall be taken as ₹ 4,65,290.
2. If income is ₹ 4,65,495, it shall be taken as ₹ 4,65,500.

**Rounding off of Tax [Sec. 288B]**

Tax payable or the refund due shall be rounded off to the nearest multiple of ₹ 10.

**Special Rates of Income Tax**

On Short-term Capital Gain Covered <b>u/s 111A</b> (Listed Share/ Unit)	15%
On Long-term Capital Gain (Listed Share/ Unit)	Exempt
On Long-term Capital Gain covered by Proviso to <b>Sec. 112</b> (Listed Bond/Debenture)	10%
On Long-term Capital Gain covered <b>u/s 112</b> (Other Capital Asset)	20%
On Winning of Lotteries, Crossword Puzzles, Card Game, Races etc. <b>u/s 115BB</b>	30%

**Marginal Relief**

Marginal relief shall be allowed in all the cases to ensure that the additional amount of income-tax payable including surcharge, on the excess of income over ₹ 1 crore is limited to the amount by which the income is more than ₹ 1 crore.

**Heads of Income Vs. Source of Income**

For the purposes of assessment all income chargeable to income tax have been divided into five categories viz. Income from Salary; Income from House Property; Profits and Gains from Business or Profession; Capital Gains; Income from Other Sources. These five categories of income are known as Heads of Income under the **Income Tax Act, 1961**.

Under each head there may be several sources of income. Thus, an assessee may be carrying 3 business say, that of Chemical, Paper and Tea. In that case 3 businesses will constitute 3 sources of income all chargeable under the head Profits and Gains from Business or Profession.

**Exemption Vs. Deductions**

**Exemption:** Those items of income which do not form part of gross total income are known as Exemptions.

**Deductions:** Income from which deductions are allowed are first included in gross total income and then deductions are allowed to arrive at total income.

**OBJECTIVE QUESTIONS**

**2008 - Dec [1]** (a) Choose the most appropriate answer from the given options in respect of the following:

- (i) Which of the following is not an example of capital receipt—  
(a) Money received on issue of shares  
(b) Money received on sale of land  
(c) Money received on sale of goods  
(d) None of the above.
- (vi) Any rent or revenue derived from land may be treated as agricultural income if—  
(a) It is derived from land  
(b) The land is situated in India  
(c) The land is used for agricultural purpose  
(d) All the above conditions are satisfied.
- (viii) The incidence of taxation depends on the —  
(a) Residential status of the assessee  
(b) Accommodation of the assessee  
(c) Citizenship of the assessee  
(d) Marital status of the assessee. **(1 mark each)**

**Answer:**

- (i) (c)  
(vi) (d)  
(viii) (a)

**2008 - Dec [2]** (a) Re-write the following sentences after filling-up the blank spaces with appropriate word(s)/figure(s):

- (ii) Income accrued and received outside India is taxable in case of a \_\_\_\_\_ . **(1 mark)**

**Answer:**

- (ii) Resident and Ordinarily resident

**2009 - June [1]** (b) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s):

- (i) Income of a business commenced on 1st March, 2017 will be assessed during the assessment year. .... (1 mark)

**Answer:**

- (i) 2017 -18

**2009 - Dec [1]** (a) Choose the most appropriate answer from the given options in respect of the following having regard to the provisions of the relevant direct tax laws :

- (i) Income-tax in India is charged at the rate(s) prescribed by –  
(a) The Finance Act  
(b) The Income-tax Act  
(c) The Central Board of Direct Taxes  
(d) The Ministry of Finance. (1 mark)

**Answer:**

- (i) The Finance Act

**2010 - June [1]** (a) Choose the most appropriate answer from the given options in respect of the following having regard to the provisions of the relevant direct tax laws:

- (i) Which of the following income is agricultural income—  
(a) Rent received from agricultural land  
(b) Income from dairy farm  
(c) Income from poultry farm  
(d) Dividend from a company engaged in agriculture.
- (ii) The term 'income' includes the following types of incomes—  
(a) Legal  
(b) Illegal  
(c) Legal and illegal both  
(d) None of the above.
- (iii) Every year, the residential status of an assessee—  
(a) May change  
(b) Will certainly change  
(c) Will not change  
(d) None of the above. (1 mark each)



**Answer:**

- (i) Rent received from agricultural land
- (ii) Legal and illegal both
- (iii) May Change

**2010 - June [1]** (b) State, with reasons in brief, whether the following statements are correct or incorrect:

- (i) An Indian company is always resident in India no matter where and to what extent its control and management is situated. **(1 mark)**

**Answer:**

- (i) Correct

**2010 - Dec [1]** (a) Choose the most appropriate answer from the given options in respect of the following having regard to the provisions of the relevant direct tax laws:

- (i) Income accruing from agriculture in a foreign country is taxable in the case of an assessee who is —
  - (a) Resident
  - (b) Not-ordinarily resident
  - (c) Non-resident
  - (d) None of the above.
- (ii) Foreign income received in India during the previous year is taxable in the case of —
  - (a) Resident
  - (b) Not-ordinarily resident
  - (c) Non-resident
  - (d) All of the above. **(1 mark each)**

**Answer:**

- (i) (a) Resident
- (ii) (d) All of the above.

**2010 - Dec [2]** (a) State with reasons in brief, whether the following statements are true or false:

- (i) An income derived from land situated in India is agricultural income. **(2 marks)**

**Answer:**

- (i) **False:** Income derived from land situated in India and used for agricultural purpose is an agricultural income.

**2011 - June [1]** (a) Write the most appropriate answer from the given options in respect of following having regard to the provisions of the relevant direct tax laws:

- (iv) Which of the following income is an agricultural income —
- (a) Income from brick making
  - (b) Income from agriculture land situated in Pakistan
  - (c) Prize from government on account of higher crop yield
  - (d) Compensation received from insurance company on account of loss of crop
- (1 mark)**

**Answer:**

- (d) Compensation received from insurance company on account of loss of crop.

**2011 - Dec [1]** (b) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s):

- (i) The residential status of an assessee is determined for the relevant \_\_\_\_\_.
- (1 mark)**

**Answer:**

- (i) Previous Year

**2011 - Dec [2]** (a) State, with reasons in brief, whether the following statements are true or false:

- (i) Prize given to Suresh by the Government of Madhya Pradesh on account of higher crop yield is an agricultural income.
  - (iii) Sandeep Ltd. is a company registered in Japan. The control and management of its affairs is wholly situated in India. Sandeep Ltd. is non-resident company in India.
- (2 marks each)**

**Answer:**

- (i) **False:** Prize given to Mr. Suresh is not an agricultural Income for him. Since, the price is not related to basic as well as subsequent operation on land. However, it will be included under the income from other sources.

- (iii) **False:** As the control and management of affairs of Sandeep Ltd. is wholly situated in India therefore Sandeep Ltd. is a resident company in India.

**2012 - June [1]** (a) Write the most appropriate answer from the given options in respect of the following having regard to the provisions of the relevant direct tax laws:

- (ii) Income earned and received outside India but later on remitted to India, is taxable in the case of —
- (a) All the assesseees
  - (b) Resident and ordinarily resident in India
  - (c) Non-resident
  - (d) None of the above.

**(1 mark)**

**Answer :**

- (d) None of the above.

**2012 - Dec [1]** (a) Write the most appropriate answer from the given options in respect of the following having regard to the provisions of the relevant direct tax laws:

- (ii) Which of the following may be a 'not ordinarily resident' in India —
- (a) Partnership firm
  - (b) Joint stock company
  - (c) Association of persons
  - (d) Hindu Undivided Family.

**(1 mark)**

**Answer:**

- (ii) (d) Hindu Undivided Family

**2014 - Dec [11]** As per Section 2(31), the following is not included in the definition of 'person'—

- (a) An individual
- (b) A Hindu undivided family
- (c) A company
- (d) A minor.

**(1 mark)**

**Answer:**

- (d) A minor.

**2014 - Dec [12]** The tax exemption limit for a resident senior citizen is-

- (a) Upto ₹ 3,00,000
- (b) Upto ₹ 5,00,000
- (c) Upto ₹ 1,80,000
- (d) Upto ₹ 2,50,000.

(1 mark)

**Answer:**

- (a) Upto ₹ 3,00,000.

**2014 - Dec [13]** AB & Co. received ₹ 2,00,000 as compensation from CD & Co. for premature termination of contract of agency. Amount so received is-

- (a) Capital receipt and taxable
- (b) Capital receipt and not taxable
- (c) Revenue receipt and taxable
- (d) Revenue receipt and not taxable.

(1 mark)

**Answer:**

- (a) Capital receipt and taxable

**2014 - Dec [14]** For a domestic company, the minimum amount of total income liable for surcharge and the rate of surcharge applicable therein are-

- (a) ₹ 10 crore and 5% respectively
- (b) ₹ 1 crore and 7% respectively
- (c) ₹ 1 crore and 10% respectively
- (d) ₹ 10 crore and 10% respectively.

(1 mark)

**Answer:**

- (b) ₹ 1 crore and 7% respectively

**2014 - Dec [15]** According to section 2(24) definition of 'income' is-

- (a) Inclusive
- (b) Exhaustive
- (c) Exclusive
- (d) Descriptive.

(1 mark)

**Answer:**

- (a) Inclusive

**2014 - Dec [16]** Which of the following is not included in taxable income-

- (a) Income from smuggling activity
- (b) Casual income
- (c) Gifts of personal nature subject to a maximum of ₹ 50,000 received in cash
- (d) Income received in kind. **(1 mark)**

**Answer:**

- (c) Gifts of personal nature subject to a maximum of ₹ 50,000 received in cash

**2014 - Dec [17]** Income-tax in India is charged at the rates prescribed by-

- (a) The Finance Act of the assessment year
- (b) The Income-tax Act, 1961
- (c) The Central Board of Direct Taxes
- (d) The Finance Act of the previous year. **(1 mark)**

**Answer:**

- (a) The Finance Act of the assessment year

**2015 - June [5]** 'Income' under section 2(24) includes —

- (i) The profits and gains of a banking business carried on by a co-operative society with its members.
- (ii) Any advance money forfeited in the course of negotiations for transfer of capital asset.

Choose the correct option with reference to the above statements —

- (a) Both (i) and (ii)
- (b) Only (i)
- (c) Only (ii)
- (d) Neither (i) nor (ii). **(1 mark)**

**Answer:**

- (a) Both (i) and (ii)

**2015 - June [59]** Under the Income-tax Act, 1961, LLP is chargeable to tax @ —

- (a) 30% plus cess and SHEC or AMT @ 18.5% plus cess and SHEC
- (b) 30% plus cess and SHEC or AMT @ 18.5%
- (c) 30% plus cess and SHEC or MAT @ 18.5% plus cess and SHEC
- (d) 30% plus cess and SHEC or MAT @ 18.5%. **(1 mark)**

**Answer:**

(a) 30% plus cess and SHEC or AMT @ 18.5% plus cess and SHEC

**2015 - June [60]** The year in which the income is earned is known as —

- (a) Previous year (b) Financial year  
(c) Both (A) and (B) (d) None of the above. (1 mark)

**Answer:**

- (c) Both (A) and (B)

**2015 - Dec [3]** A legal entity that exists in one jurisdiction but is owned or controlled primarily by taxpayers of different jurisdiction is called:

- (a) Collaborative foreign corporation  
(b) Controlled foreign corporation  
(c) Customised future company  
(d) Co-operative control society. (1 mark)

**Answer:**

- (b) Controlled foreign corporation

**2015 - Dec [44]** A new business was set-up on 1<sup>st</sup> July, 2016 and trading activity was commenced from 1<sup>st</sup> September, 2016, the previous year would be the period commencing from:

- (a) 1<sup>st</sup> April, 2016 to 31<sup>st</sup> March, 2017  
(b) 1<sup>st</sup> July, 2016 to 31<sup>st</sup> March, 2017  
(c) 1<sup>st</sup> September, 2016 to 31<sup>st</sup> March, 2017  
(d) 1<sup>st</sup> October, 2016 to 31<sup>st</sup> March, 2017. (1 mark)

**Answer:**

- (b) 1<sup>st</sup> July, 2016 to 31<sup>st</sup> March, 2017.

**2016 - June [38]** Dr. Ashok commenced medical practice on 1<sup>st</sup> September, 2016. The previous year for the profession for the assessment year 2017-18 would be —

- (a) 1<sup>st</sup> April, 2016 to 31<sup>st</sup> March, 2017  
(b) 1<sup>st</sup> September, 2016 to 31<sup>st</sup> March, 2017  
(c) 1<sup>st</sup> June, 2016 to 31<sup>st</sup> March, 2017  
(d) 1<sup>st</sup> September, 2016 to 31<sup>st</sup> January, 2017. (1 mark)

**Answer:**

- (b) 1<sup>st</sup> September, 2016 to 31<sup>st</sup> March, 2017

**2016 - Dec [15]** Under the Income-tax Act, 1961 the term 'assessee' means a person —

- (a) Who is an assessee in default
- (b) From whom tax is due
- (c) Against whom any proceeding under the Act has been taken
- (d) All of the above.

(1 mark)

**Answer:**

- (d) All of the above.

**2016 - Dec [16]** Normal rates of income-tax are prescribed in the —

- (a) Income-tax Act, 1961
- (b) Income-tax Rules, 1962
- (c) Finance Act of the current year
- (d) CBDT circulars.

(1 mark)

**Answer:**

- (c) Finance Act of the current year.

**TOPIC NOT YET ASKED BUT EQUALLY IMPORTANT FOR EXAMINATION**

## **PRACTICAL QUESTIONS**

**Q.1** Mrs. X is non-resident in India for the assessment year 2017-18. For the previous year 2016-17, her income chargeable to tax in India is ₹ 8,30,000. Find out tax liability.

**4.16****Model Solved Scanner CSEP M-I Paper 4 (New)****Answer:**

In the case of a non-resident exemption limit is ₹ 2,50,000.

Taxable Income	8,30,000
Calculation of Tax on it	
On first ₹ 2,50,000	Nil
₹ 2,50,001 - ₹ 5,00,000 @ 10%	25,000
₹ 5,00,001 - ₹ 8,30,000 @ 20%	<u>66,000</u>
	91,000
+ EC @ 2%	1,820
+ SHEC @ 1%	<u>910</u>
Tax Payable	<u>93,730</u>

**Q.2** Mr. X is resident in India for the assessment year 2017-18. For the previous year 2016-17, his income chargeable to tax in India is ₹ 4,30,000. Find out tax liability.

**Answer:**

In the case of a resident individual exemption limit is ₹ 2,50,000.

Taxable Income	4,30,000
Calculation of Tax on it	
On first ₹ 2,50,000	Nil
₹ 2,50,001 - ₹ 4,30,000 @ 10%	<u>18,000</u>
	18,000
(-) Rebate u/s 87A	<u>5,000</u>
	13,000
+ EC @ 2%	260
+ SHEC @ 1%	<u>130</u>
Tax Payable	<u>13,390</u>

**Q.3** Mr. Y is resident in India for the assessment year 2017-18. For the previous year 2016-17, his income chargeable to tax in India is ₹ 2,65,000. Find out tax liability.



**Answer:**

In the case of a resident individual exemption limit is ₹ 2,50,000.

Taxable Income	2,65,000
Calculation of Tax on it	
On first ₹ 2,50,000	Nil
₹ 2,50,001 - ₹ 2,65,000 @ 10%	1,500
	<u>1,500</u>
(-) Rebate u/s 87A (₹ 5,000 subject to maximum of tax payable)	1,500
Tax Payable	Nil

**Q.4** Calculate tax payable when Mr. X having income of ₹ 10,56,240 was born on (i) 15<sup>th</sup> Jan, 1937 (ii) 15<sup>th</sup> Jan, 1938

**Answer: (i)**

Taxable Income	10,56,240
Calculation of Tax on it	
On first ₹ 5,00,000	Nil
₹ 5,00,000 - ₹ 10,00,000 @ 20%	1,00,000
₹ 10,00,001 - ₹ 10,56,240 @ 30%	16,872
	<u>1,16,872</u>
+ EC @ 2%	2,337
+ SHEC @ 1%	1,169
	<u>1,20,378</u>
Tax Payable	1,20,378
Tax Payable (rounded off u/s 288B)	1,20,380

**(ii)**

Taxable Income	10,56,240
Calculation of Tax on it	
On first ₹ 3,00,000	Nil
₹ 3,00,001 - ₹ 5,00,000 @ 10%	20,000
₹ 5,00,001 - ₹ 10,00,000 @ 20%	1,00,000
₹ 10,00,000 - ₹ 10,56,240 @ 30%	16,872
	<u>1,36,872</u>

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+ EC @ 2%	2,737
+ SHEC @ 1%	<u>1,369</u>
Tax Payable	<u>1,40,978</u>
Tax Payable (rounded off u/s 288B)	1,40,980

**Q.5** Mrs. X is resident in India for the assessment year 2017-18. For the previous year 2016-17, her income chargeable to tax in India is ₹ 15,54,810. Find out tax liability if date of birth of Mrs. X is (a) March 31, 1957, or (b) April 5, 1957.

**Answer:**

For the AY 2017-18, exemption limit is ₹ 2,50,000. Conversely, in case resident taxpayer is 60 year or more at any time during the previous year, the exemption limit is ₹ 3,00,000.

**Situation (a)** Mrs. X is 60 years on March 31, 2017. Consequently, she becomes a senior citizen for the assessment year 2017-18 and the exemption limit would be ₹ 3,00,000.

Taxable Income	15,54,810
Calculation of Tax on it	
On first ₹ 3,00,000	Nil
₹ 3,00,001 - ₹ 5,00,000 @ 10%	20,000
₹ 5,00,001 - ₹ 10,00,000 @ 20%	1,00,000
₹ 10,00,001 - ₹ 15,54,810 @ 30%	<u>1,66,443</u>
	2,86,443
+ EC @ 2%	5,729
+ SHEC @ 1%	<u>2,864</u>
Tax Payable	<u>2,95,036</u>
Tax Payable (rounded off u/s 288B)	2,95,040

**Situation (b)**, however, she is below 60 years on March 31, 2017, the exemption limit is ₹ 2,50,000. Tax liability will be calculated as follows:

Taxable Income	15,54,810
Calculation of Tax on it	
On first ₹ 2,50,000	Nil
₹ 2,50,001 - ₹ 5,00,000 @ 10%	25,000
₹ 5,00,001 - ₹ 10,00,000 @ 20%	1,00,000
₹ 10,00,000 - ₹ 15,54,810 @ 30%	<u>1,66,443</u>
	2,91,443
+ EC @ 2%	5,829
+ SHEC @ 1%	<u>2,914</u>
Tax Payable	<u>3,00,186</u>
Tax Payable (rounded off u/s 288B)	3,00,190

**Q.6** Taxable income is ₹ 5,78,668, calculate tax payable if:-

- Income earned by Mrs. Y, born on Aug 15, 1990.
- Income earned by Mr. Y (Non-resident), born on Aug 15, 1950.
- Income earned by Mrs. Y, born on Aug 15, 1929.
- Income earned by Mrs. Y, born on Aug 15, 1951.

**Answer:**

(i)

Taxable Income	5,78,668
Taxable Income (rounded off u/s 288A)	5,78,670
Calculation of Tax on it	
On first ₹ 2,50,000	Nil
₹ 2,50,001 - ₹ 5,00,000 @ 10%	25,000
₹ 5,00,001 - ₹ 5,78,670 @ 20%	<u>15,734</u>
	40,734
+ EC @ 2%	815
+ SHEC @ 1%	<u>407</u>
Tax Payable	<u>41,956</u>
Tax Payable (rounded off u/s 288B)	41,960

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Taxable Income	5,78,668
Taxable Income (rounded off u/s 288A)	5,78,670
Calculation of Tax on it	
On first ₹ 2,50,000	Nil
₹ 2,50,001 - ₹ 5,00,000 @ 10%	25,000
₹ 5,00,001 - ₹ 5,78,670 @ 20%	<u>15,734</u>
	40,734
+ EC @ 2%	815
+ SHEC @ 1%	<u>407</u>
Tax Payable	<u>41,956</u>
Tax Payable (rounded off u/s 288B)	41,960

**(iii)**

Taxable Income	5,78,668
Taxable Income (rounded off u/s 288A)	5,78,670
Calculation of Tax on it	
On first ₹ 5,00,000	Nil
₹ 5,00,001 - ₹ 5,78,670 @ 20%	<u>15,734</u>
	15,734
+ EC @ 2%	315
+ SHEC @ 1%	<u>157</u>
Tax Payable	<u>16,206</u>
Tax Payable (rounded off u/s 288B)	16,210

**(iv)**

Taxable Income	5,78,668
Taxable Income (rounded off u/s 288A)	5,78,670
Calculation of Tax on it	
On first ₹ 3,00,000	Nil
₹ 3,00,001 - ₹ 5,00,000 @ 10%	20,000
₹ 5,00,001 - ₹ 5,78,670 @ 20%	<u>15,734</u>
	35,734

+ EC @ 2%	715
+ SHEC @ 1%	<u>357</u>
Tax Payable	<u>36,806</u>
Tax Payable (rounded off u/s 288B)	36,810

**Q.7** Attempt the following:

Rani Textiles Ltd., a manufacturing company in the field of textiles, installed a dust inhalation plant of ₹ 200 lakhs in the factory in order to protect the health of its workmen. Whether the expenditure so incurred is capital in nature?

**Answer:**

**False:** The fact of the above is similar to the case where the assessee, a manufacturer of textiles, installed a dust inhalation plant in his factory in order to protect the health of his workmen. Expenditure incurred on the said plant was decided to be treated as revenue expenditure. Therefore, expenditure of 200 lakhs incurred for installation of dust inhalation plant in order to protect the health of workmen is revenue and not an expenditure of capital in nature.

### MULTIPLE CHOICE QUESTIONS

- Income-Tax Act Extends to:
  - Whole of India
  - Whole of India except J&K
  - Whole of India except Sikkim
  - Whole of India except J&K and Sikkim

**Answer:**
- Finance Bill becomes Finance Act when it is passed by:
  - Lok Sabha
  - Rajya Sabha
  - Both House of Parliament
  - Both House of Parliament and assent of President

**Answer:**

3. The Circulars issued by CBDT are binding on:
- (a) Assessee
  - (b) Income Tax Authorities
  - (c) Both the above
  - (d) Assessee and Court/Tribunal
- Answer:**
4. AOP should consist of:
- (a) Individual only
  - (b) Person other than individual only:
  - (c) Both the above
  - (d) Any Person
- Answer:**
5. BOI should consist of:
- (a) Individual only
  - (b) Persons other than individual only:
  - (c) Both the above
  - (d) Any Person
- Answer:**
6. A new business was set up on 15-10-2016 and it commenced its business from 1-12-2016. The first previous year shall be:
- (a) 15-10-2016 to 31-3-2017
  - (b) 1-12-2016 to 31-3-2017
  - (c) 1-4-2016 to 31-3-2017
  - (d) 1-10-2016 to 31-3-2017
- Answer:**
7. A person leaves India permanently on 15-11-2016. The income earned till 15-11-2016 in this case shall be assessed u/s 174 during the year:
- (a) 2017-18
  - (b) 2014-15
  - (c) 2015-16
  - (d) 2016-17
- Answer:**

8. Surcharge on Income Tax is payable by:

- (a) All Assesses
- (b) Domestic Company only
- (c) Company only
- (d) Firm & Company only

**Answer:**

9. The maximum amount on which income tax is not chargeable in case of HUF for A.Y. 2017-18 is:

- (a) ₹ 2,20,000
- (b) ₹ 2,00,000
- (c) ₹ 1,80,000
- (d) ₹ 2,50,000

**Answer:**

10. The amount of Rebate available u/s 87A is:

- (a) ₹ 2,000
- (b) ₹ 3,000
- (c) ₹ 4,000
- (d) ₹ 5,000

**Answer:**

11. Rebate u/s 87A is available if total income of assessee does not exceed:

- (a) ₹ 2,00,000
- (b) ₹ 3,00,000
- (c) ₹ 4,00,000
- (d) ₹ 5,00,000

**Answer:**

12. The maximum amount on which Income-Tax is not chargeable in case of firm is:

- (a) ₹ 1,00,000
- (b) ₹ 1,50,000
- (c) ₹ 2,50,000
- (d) Nil

**Answer:**

13. Education Cess & Secondary Higher Education Cess is leviable in case of:

- (a) Individual & HUF
- (b) Firm & Company
- (c) AOP & BOP
- (d) All Assessee

**Answer:**

14. Education Cess is leviable on:

- (a) Tax + Surcharge
- (b) Tax
- (c) Tax - Rebate
- (d) (a) & (c)

**Answer:**

15. The Total Income of the assessee has been computed as ₹ 2,53,432.80. For rounding off, the total income will be taken as:

- (a) ₹ 2,53,430
- (b) ₹ 2,53,433
- (c) ₹ 2,53,432
- (d) ₹ 2,53,440

**Answer:**

16. The Total Income of the assessee has been computed as ₹ 2,53,495. For rounding off, the total income will be taken as:

- (a) ₹ 2,53,490
- (b) ₹ 2,53,495
- (c) ₹ 2,53,500
- (d) ₹ 2,53,000

**Answer:**

17. Rebate u/s 87 is available to:

- (a) Individual & HUF
- (b) Individual
- (c) Resident Individual
- (d) Resident Individual & HUF

**Answer:**



18. Tax computed is ₹ 8,256.12. After rounding off tax payable is:

- (a) ₹ 8,250
- (b) ₹ 8,256
- (c) ₹ 8,257
- (d) ₹ 8,260

**Answer:**

19. Calculate tax payable by a Very Senior Citizen having Total Income of ₹ 4,30,000:

- (a) ₹ 21,630
- (b) ₹ 16,480
- (c) ₹ 23,000
- (d) Nil

**Answer:**

20. Maximum amount not chargeable to tax in case of Senior Citizen is:

- (a) ₹ 2,00,000
- (b) ₹ 2,50,000
- (c) ₹ 3,00,000
- (d) ₹ 5,00,000

**Answer:**

21. Calculate Tax Payable for A.Y. 2017-18 by Mr. X resident in India having total income of ₹ 4,30,000:

- (a) 21,630
- (b) 13,390
- (c) 23,000
- (d) 21,000

**Answer:**

22. Income Tax is rounded off to:

- (a) Nearest 10 rupees
- (b) Nearest 5 rupees
- (c) Nearest 1 rupees
- (d) No rounding off

**Answer:**

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23. Marginal Relief is allowed if Total Income exceeds:  
 (a) ₹ 10 lakhs  
 (b) ₹ 1 Crore  
 (c) ₹ 5 Crore  
 (d) ₹ 10 Crore  
**Answer:**
24. Domestic Company having Total Income in range of 1 crore to 10 crore is liable to pay surcharge at the rate of:  
 (a) 2%  
 (b) 2.5%  
 (c) 7%  
 (d) 10%  
**Answer:**
25. Foreign Company having total income exceeding 1 crore but less than 10 crore is liable to pay Surcharge at the rate of:  
 (a) 1%  
 (b) 2%  
 (c) 5%  
 (d) 10%  
**Answer:**

**ANSWER**

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