



KHATRI CLASSES

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CA Inter Advanced MCQ Challenge

Income Tax | AY 2026-27

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Q1. Mr. A opts for the new tax regime under section 115BAC for AY 2026-27. He has income from salary and interest on savings account. Which deduction can he still claim?

- A. Standard deduction only
- B. Deduction u/s 80TTA only
- C. Both standard deduction and 80TTA
- D. Neither standard deduction nor 80TTA

Q2. A taxpayer receives arrears of salary in FY 2025-26 relating to FY 2022-23. He opts for relief under section 89. Which income will be recomputed for relief calculation?

- A. Only income of FY 2025-26
- B. Only income of FY 2022-23
- C. Income of both years after adjusting arrears
- D. Income of FY 2025-26 without including arrears

Q3. Mr. B owns two self-occupied houses during FY 2025-26 and has housing loan interest on both. What is the maximum deduction available u/s 24(b)?

- A. ₹2,00,000
- B. ₹30,000
- C. ₹2,00,000 per house
- D. Entire interest without limit

Q4. A partnership firm pays interest to partner at 15% p.a. as per deed. What will be allowed as deduction?

- A. Entire interest if authorised by deed
- B. Interest restricted to 12% p.a.
- C. Interest allowed only if profit exists
- D. Interest disallowed fully

Q5. Mr. C sells listed equity shares on stock exchange after 18 months and earns ₹1,60,000 LTCG. How much of this gain is taxable?

- A. Entire amount
- B. ₹60,000 only
- C. ₹1,60,000 less basic exemption limit
- D. ₹1,10,000 only

Q6. A resident individual receives ₹70,000 as gift from friend on occasion of marriage of his sister. Tax treatment?

- A. Fully taxable
- B. Exempt up to ₹50,000 only
- C. Fully exempt as on marriage occasion
- D. Taxable as income from other sources

Q7. A taxpayer incurs expenditure for earning exempt dividend income. Which statement is correct?

- A. Entire expense allowed
- B. Expense disallowed fully u/s 14A
- C. Expense allowed if dividend below ₹10,000
- D. Expense allowed only if shares are long term

Q8. Mr. D owns a house property which remained vacant throughout the year despite genuine efforts to let it out. Annual value will be:

- A. Nil
- B. Expected rent
- C. Municipal value only
- D. Actual rent received

Q9. A company provides rent-free accommodation to employee in a city with population exceeding 25 lakhs. Perquisite valuation is based on:

- A. 7.5% of salary
- B. 10% of salary
- C. 15% of salary
- D. Fair rental value only

Q10. An individual has business loss of ₹3,00,000 and income from salary of ₹5,00,000 in the same year. Set-off allowed?

- A. Entire business loss can be set off
- B. Only ₹2,00,000 set-off allowed
- C. No set-off allowed against salary income
- D. Set-off allowed only if business discontinued

Q11. Mr. Arjun, a resident individual aged 62 years, has the following income for P.Y. 2025-26: Salary income: ₹8,00,000 | Income from house property (self-occupied): Loss of ₹2,50,000 | Capital gains (LTCG on listed equity shares): ₹1,80,000 | Income from other sources: ₹75,000. He opts for the old tax regime. What is his total tax liability (including cess) for A.Y. 2026-27?

- A. ₹57,200
- B. ₹54,600
- C. ₹62,400
- D. ₹49,920

Q12. ABC Pvt. Ltd. paid ₹12,00,000 to Mr. X (a non-resident individual) for technical services rendered outside India. The payment was made on 15th September 2025. No PE of Mr. X exists in India. The DTAA with Mr. X's country provides for taxation of FTS @ 10%. Under which provision and at what rate should TDS be deducted?

- A. Section 195 @ 10% as per DTAA
- B. Section 194J @ 10% as prescribed under the Income Tax Act
- C. No TDS, as services rendered outside India
- D. Section 195 @ 20% (being the rate under the Act, since DTAA rate is lower and no TRC produced)

Q13. Ms. Priya purchased a residential house property on 1st April 2003 for ₹8,00,000. She gifted it to her minor daughter on 1st April 2015, when FMV was ₹22,00,000. Her daughter sold it on 1st October 2025 for ₹60,00,000. Cost Inflation Index for FY 2001-02: 100, FY 2003-04: 109, FY 2015-16: 254, FY 2025-26: 363. Who is taxable and what is the indexed cost of acquisition for computing LTCG?

- A. Daughter is taxable; Indexed COA = ₹26,569,724 (based on FMV on date of gift, indexed from 2015-16)
- B. Priya is taxable u/s 64; COA = ₹8,00,000 indexed from 2003-04 to 2025-26
- C. Daughter is taxable; COA = ₹8,00,000 indexed from 2003-04 to 2025-26
- D. Daughter is taxable; COA = ₹22,00,000 (FMV on date of gift) without indexation

Q14. XYZ Partnership Firm has business income of ₹20,00,000. It pays interest to partners @ 15% p.a. on their capital of ₹50,00,000 (total interest = ₹7,50,000). It also pays salary to working partners — Partner A: ₹4,50,000 and Partner B: ₹3,80,000. What is the taxable income of the firm after allowable deductions u/s 40(b)?

- A. ₹11,50,000
- B. ₹12,30,000
- C. ₹13,00,000
- D. ₹14,20,000

Q15. Mr. Ramesh, a salaried employee, receives the following: Basic Salary ₹60,000/month, HRA ₹25,000/month, DA ₹10,000/month (part of retirement benefit), actual rent paid ₹30,000/month in Mumbai. He also stays in a company-leased accommodation for 3 months (April-June 2025) for which the company pays ₹40,000/month. What is the taxable HRA for P.Y. 2025-26?

- A. ₹NIL, as he lives in company accommodation
- B. ₹1,26,000
- C. ₹72,000
- D. ₹54,000

Q16. A charitable trust registered u/s 12AB applies 70% of its income for charitable purposes in P.Y. 2025-26 and accumulates 30% u/s 11(2) for construction of a school building (specified in Form 10). However, it fails to invest the accumulated amount in specified modes u/s 11(5) within the prescribed period. What is the tax treatment of such accumulated amount?

- A. Taxed as income of the trust in the year of accumulation @ 30%
- B. Deemed income of the trust in the year of expiry of the accumulation period, taxed at Maximum Marginal Rate
- C. Trust loses registration u/s 12AB and entire income is taxed
- D. Taxed at 15% as the trust has applied at least 70% of its income

Q17. During a search u/s 132, undisclosed income of ₹40,00,000 was found in possession of Mr. Suresh relating to P.Y. 2021-22. The AO levied tax u/s 113 and penalty u/s 271AAB. Mr. Suresh admits the income in his statement u/s 132(4) during search and pays tax before filing of return for the search year. What is the applicable penalty rate u/s 271AAB?

- A. 30% of undisclosed income
- B. 60% of undisclosed income
- C. 10% of undisclosed income
- D. No penalty, as income admitted in statement u/s 132(4)

Q18. Ms. Kavya, a non-resident, has the following income from India in P.Y. 2025-26: Dividend from Indian company: ₹5,00,000 | Interest on NRE account: ₹1,20,000 | STCG on unlisted shares: ₹3,00,000 | Royalty from Indian concern: ₹4,00,000. Assuming no DTAA benefit, what is her total tax liability (including surcharge if applicable and cess)?

- A. ₹3,12,000
- B. ₹2,96,400
- C. ₹3,38,520
- D. ₹2,81,268

Q19. A company receives ₹50,00,000 as advance against supply of goods on 1st October 2025. The goods are to be delivered by 31st March 2026 but are actually delivered on 15th May 2026. The advance is forfeited when the buyer cancels the order on 1st February 2026. Under which head and in which year is the forfeited advance taxable?

- A. Business income in P.Y. 2025-26, being the year of forfeiture
- B. Capital receipts – not taxable under the Income Tax Act
- C. Income from other sources in P.Y. 2026-27, being year of actual settlement
- D. Business income in P.Y. 2026-27, as delivery was to be made in that year

Q20. Mr. Anand converts his proprietary business into a company on 1st August 2025, satisfying all conditions u/s 47(xiv). The WDV of Plant & Machinery (15% block) in the proprietary business as on 1st April 2025 was ₹10,00,000. Additions during April-July 2025 were ₹2,00,000. What is the WDV of the block for the successor company at the time of transfer, and what depreciation can the company claim for P.Y. 2025-26?

- A. WDV = ₹12,00,000; Depreciation = ₹90,000 (half-year on ₹12,00,000)
- B. WDV = ₹12,00,000; Depreciation = ₹1,35,000 (full year on ₹9,00,000 + half on ₹3,00,000)
- C. WDV = ₹10,00,000; Depreciation = ₹75,000 (half-year for 8 months use)
- D. WDV = ₹12,00,000; No depreciation for the company as it did not use asset for more than 180 days