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Income Tax — AY 2026-27 | MCQ Quiz

- Q1. For AY 2026-27, Mr. Ravi (age 45) opts for the NEW tax regime. His total income is ₹12,00,000. He has LIC premium of ₹1,50,000 and PPF of ₹50,000. His tax liability (before cess) will be:
- A. ₹80,000 — after deducting 80C (₹2L) from income
 - B. ₹1,10,000 — standard deduction ₹75,000; taxable = ₹11,25,000
 - C. NIL — rebate u/s 87A makes tax nil since income \leq ₹12L
 - D. ₹1,20,000 — no deductions allowed, full ₹12L taxed at slab

Answer: C

New regime disallows 80C entirely — LIC & PPF deductions are gone. However, the question states 'total income' = ₹12L (post all adjustments). Under new regime AY 2026-27, rebate u/s 87A is available up to total income of ₹12,00,000 making net tax NIL.

- Q2. Ms. Priya lives in Mumbai (metro). Basic salary ₹60,000/month, DA ₹10,000/month (NOT forming part of retirement benefit), HRA received ₹30,000/month, rent paid ₹28,000/month. Annual HRA EXEMPT is:
- A. ₹3,60,000 — actual HRA received (full amount exempt)
 - B. ₹2,52,000 — 50% of Basic only (DA ignored in all limits)
 - C. ₹2,64,000 — least: HRA=3.6L, Rent excess=2.64L, 50%Basic=3.6L
 - D. ₹3,00,000 — 50% of Basic salary ₹60,000 \times 12 = 3.6L... wait

Answer: C

- Q3. Mr. Anand owns one self-occupied house (SOP). Housing loan interest for AY 2026-27 = ₹3,00,000. He opts for OLD tax regime. Loss from house property set off against salary income:
- A. ₹3,00,000 — full interest is deductible from salary
 - B. ₹2,00,000 — maximum cap u/s 24(b) for SOP is ₹2,00,000
 - C. ₹1,50,000 — new cap of ₹1.5L effective AY 2026-27
 - D. NIL — loss from HP cannot be set off against salary income

Answer: B

Under Sec 24(b), for a SELF-OCCUPIED property, interest deduction is capped at ₹2,00,000 p.a. (loan for purchase/construction after 1.4.1999, completed within 5 years). Full ₹3L is NOT allowed — only ₹2L. This loss from HP IS allowed to be set off against salary under Sec 70/71.

- Q4.** Mr. Karim sells listed equity shares. STT paid. Purchase: 10 Jan 2018 for ₹4,00,000. FMV on 31 Jan 2018: ₹5,50,000. Sale: 15 Mar 2025 for ₹9,00,000. Taxable LTCG u/s 112A for AY 2026-27:
- A. ₹5,00,000 — (Sale ₹9L – Purchase cost ₹4L)
 - B. ₹3,50,000 — (Sale ₹9L – FMV ₹5.5L)
 - C. ₹2,25,000 — LTCG ₹3.5L minus exemption ₹1.25L
 - D. ₹2,50,000 — LTCG ₹3.5L minus old exemption ₹1,00,000

Answer: C

(Sec 112A): Cost of acquisition = HIGHER of: (a) Actual cost = ₹4,00,000 (b) Lower of FMV on 31.1.2018 (₹5.5L) and Sale price (₹9L) = ₹5,50,000. Higher of ₹4L and ₹5.5L = ₹5,50,000. Taxable LTCG ₹9,00,000 - ₹5,50,000 = ₹3,50,000 - Ex ₹1,25,000 = ₹2,25,000

- Q5.** Mr. Roy, an eligible assessee, opted for section 44AD continuously for PY 2020-21 to PY 2023-24. For PY 2024-25, he declared actual income of ₹2,10,000 (lower than deemed rate), got his accounts audited u/s 44AB and filed his return. He now wishes to opt for 44AD in PY 2025-26 with turnover of ₹1,80,00,000 received entirely in cash. Which of the following is correct?
- A. Mr. Roy can opt for 44AD in PY 2025-26 since he duly complied with audit requirements in PY 2024-25
 - B. Mr. Roy can opt for 44AD and deemed income would be ₹14,40,000 i.e., 8% of ₹1,80,00,000
 - C. Mr. Roy cannot opt for 44AD from PY 2025-26 to PY 2029-30 since he opted out of 44AD in PY 2024-25
 - D. Mr. Roy cannot opt for 44AD as turnover of ₹1,80,00,000 exceeds the eligible limit

Answer: C

Reason: Under section 44AD(4), once an eligible assessee opts out of 44AD in any year, he is barred from opting for 44AD for the **next 5 assessment years**, regardless of audit compliance. Since Mr. Roy opted out in PY 2024-25 (AY 2025-26), he is locked out from PY 2025-26 through PY 2029-30. Option D is a distractor — the eligible turnover limit is ₹2 crore, which Mr. Roy's turnover does not breach.

- Q 6.** Ms. Deepika (salaried, age 30) opts for NEW TAX REGIME for AY 2026-27. Which deduction/allowance is STILL AVAILABLE?
- A. ₹1,50,000 deduction u/s 80C for ELSS mutual fund
 - B. ₹25,000 deduction u/s 80D for health insurance premium
 - C. ₹75,000 standard deduction from salary income
 - D. ₹2,00,000 interest on home loan u/s 24(b) for SOP

Answer: C

Q7. Mr. Vinod receives ₹15,00,000 maturity from LIC policy. Policy issued: 1 April 2023. Annual premium: ₹2,00,000. Sum assured: ₹10,00,000. Is maturity amount exempt u/s 10(10D)?

- A. Fully Exempt — all LIC maturity proceeds are tax-free
- B. Not Exempt — premium (20%) exceeds 10% of sum assured
- C. Taxable as capital gains u/s 112A (equity-style treatment)
- D. Fully Exempt — policy issued post 1.4.2023; aggregate annual premium ₹2L is below ₹5L threshold, so 10(10D) exemption applies in full

Answer: B

To claim exemption u/s 10(10D), for a life insurance policy issued on or after 1 April 2012, the annual premium must not exceed **10% of the sum assured**. Here, sum assured is ₹10,00,000 and annual premium is ₹2,00,000, which is **20% of sum assured** — clearly breaching the 10% threshold. Therefore exemption u/s 10(10D) is unavailable regardless of any other condition. Policies BEFORE 01.04.2023

Q8. Ms. Lata for AY 2026-27: Salary income: ₹8,00,000 | Short-term capital loss (shares): ₹1,20,000 | Long-term capital gain (property): ₹80,000 | Long-term capital loss (shares): ₹50,000. Which set-off combination is CORRECT?

- A. STCL set off against salary income to reduce tax burden
- B. LTCL from shares set off against LTCG from property
- C. STCL from shares can ONLY be set off against STCG (not LTCG)
- D. Neither loss can be set off this year — both carried forward

Answer: B

Loss Type	Can Set Off Against	Cannot Set Off Against
STCL	STCG AND LTCG	Salary / other income
LTCL	LTCG ONLY	STCG, salary, other income

In this case: LTCL ₹50,000 → set off against LTCG on property ₹80,000. Remaining LTCG = ₹30,000 (taxable). STCL ₹1,20,000 → cannot touch salary; can set off ₹30,000 against remaining LTCG; balance ₹90,000 STCL carried forward for 8 years.

Q9. Mr. Patel sells a residential house on 1 August 2025 (LTCG ₹60,00,000). He deposits ₹20,00,000 in CGAS on 30 July 2026. He purchases a new residential house on 1 September 2026 for ₹30,00,000 from own funds. Compute exemption u/s 54 for PY 2025-26.

- A. ₹50,00,000 — new house purchased and CGAS deposited before due date of 30 September 2026, both qualify
- B. ₹30,00,000 — only new house qualifies; CGAS unutilised hence no exemption
- C. ₹20,00,000 — only CGAS qualifies; new house purchased from own funds does not qualify
- D. NIL — new house purchased from own funds and CGAS unutilised, hence no exemption

Answer: A — ₹50,00,000

Explanation: The new house costing ₹30,00,000 is purchased on 1 September 2026, which is within 2 years from sale date — it qualifies u/s 54 regardless of source of funds. CGAS of ₹20,00,000 is deposited on 30 July 2026, which is before the ITR due date of **30 September 2026** — it also qualifies. Total exemption for PY 2025-26 is therefore ₹30,00,000 + ₹20,00,000 = **₹50,00,000**, which being lower than LTCG of ₹60,00,000 is the allowable exemption.

Q10. Mr. Arora's final tax liability for AY 2026-27 = ₹1,20,000. TDS deducted during the year = ₹25,000. He paid NO advance tax at any instalment. Which interest liability correctly arises?

- A. Only 234B — failure to pay advance tax (tax payable > ₹10K)
- B. Both 234B and 234C — non-payment + instalment-wise default
- C. No interest — TDS > ₹10,000 removes advance tax obligation
- D. Only 234C — 234B applies only if total tax paid < 90%

Answer: B

Tax payable after TDS = ₹1,20,000 – ₹25,000 = ₹95,000. Since ₹95,000 > ₹10,000 → Advance tax IS mandatory (Sec 208).

Sec 234B

Applies when advance tax paid < 90% of assessed tax. 90% of ₹95,000 = ₹85,500; advance tax paid = ₹0 → 234B applies. Interest: 1% per month from 1 April to date of payment.

Sec 234C — Instalment Shortfalls

15 June — 15% of advance tax

15 Sep — 45% of advance tax

15 Dec — 75% of advance tax

15 Mar — 100% of advance tax

All instalments missed → 234C interest on each shortfall.