Direct Tax Master Pack - CA Inter (Section A) • Sept 2025 • v1.2r (Monolithic - Case Clinic Merged • Rs. format)

Includes: Numbers-Only Cheat • 100 MCQs (verified) • 24 FULLY-DRAFTED Cases • Rapid Recall • Theme Map • 60 Case-MCQs • 20 Tricky MCQs.

Numbers-Only Cheat Sheet

Theme	Key number / test	Remember
Status	Basic+additional; RNOR bridge	Scope depends on status
HRA	Least of 3	Metro test + rent proofs
Gratuity/LE	Formula + caps	Govt vs non-Govt
HP	SOP cap; LOP 30%	Pre-construction 1/5th for 5 yrs
PGBP	30-37 allowability; 43B	40A(3)/(2)(b) checks
CG	Transfer; CII; ST/LT	54/54F conditions
IFOS Gifts	56(2)(x) thresholds	Aggregate in FY
Clubbing	60-64 map	Minor, spouse, revocable
Set-off/CF	Intra→Inter; caps	Timely return for CF
VI-A	80C/CCD(1B)/80D etc	From GTI
TDS/Advance	Maps + interest	Due dates
Return	Due/Bilated/Revised	E-verify on time

Part A - 100 MCQs (Verified Keys + Reasons)

Basic

MCQ 1

'Previous year' means:

(a) FY before AY	(b) Any 12 months
(c) Calendar year	(d) Salary year

■ Correct: (a) - FY preceding AY.

Status

MCQ 2

RNOR is:

(a) Exempt	(b) Resident with limited foreign scope
(c) Non-resident	(d) Ordinary resident

■ Correct: (b) - RNOR has restricted scope.

Salary

MCQ 3

Perquisite taxable when:

(a) Independent job	(b) Customer relation
(c) Employer-employee nexus	(d) None

■ Correct: (c) - Salary needs employment link.

HRA

MCQ 4

HRA exemption:

(a) Govt only	(b) Full HRA
(c) Fixed %	(d) Least of 3

■ Correct: (d) - Compute least of three.

PF

MCQ 5

RPF over limit:

(a) Taxable per rule	(b) Never
(c) Always exempt	(d) Fully taxable

■ Correct: (a) - Tax beyond thresholds.

HP SOP

MCQ 6

SOP standard deduction:

(a) NA	(b) Not allowed
(c) Actual repairs	(d) 30% NAV

■ Correct: (b) - 30% for let-out only.

HP LOP

MCQ 7

Repairs on LOP:

(a) Not allowed	(b) Lower of two
(c) 30% NAV	(d) Actual

■ Correct: (c) - Statutory 30%.

PGBP 37

MCQ 8

Allowed when:

(a) Donation	(b) Personal
(c) Any business link	(d) Wholly for business, not capital/personal/prohibited

■ Correct: (d) - Classic s.37 test.

Dep

MCQ 9

Depreciation on:

(a) Block of assets	(b) Land
(c) Personal	(d) Each item only

■ Correct: (a) - Block concept.

43B

MCQ 10

Payment basis for:

(a) All buys	(b) Statutory dues etc.
(c) Personal tax	(d) Capital loss

■ Correct: (b) - Allowed on payment.

Transfer

MCQ 11

Transfer includes:

(a) Only sale	(b) Only gift
(c) Sale/exchange/relinquishment	(d) Only exchange

■ Correct: (c) - Inclusive list.

54F

MCQ 12

Applies to:

(a) Rural agri land	(b) Only shares
(c) ST assets	(d) LT non-house to one house

■ Correct: (d) - Proportion rules apply.

Indexation

MCQ 13

Indexation for:

(a) Long-term assets	(b) All assets
(c) Only shares	(d) Short-term

■ Correct: (a) - General rule.

Gifts

MCQ 14

Relative gifts:

(a) Always taxable	(b) Not taxable
(c) Only immovable	(d) >10k taxable

■ Correct: (b) - Relative exemption.

Winnings

MCQ 15

Lottery taxed:

(a) Set-off allowed	(b) Exempt
(c) Special rate; no expense	(d) PGBP

■ Correct: (c) - No deductions.

Clubbing

MCQ 16

Minor income clubbed with:

(a) Always mother	(b) Never
(c) Always father	(d) Higher-income parent

■ Correct: (d) - With exemption.

Spec loss

MCQ 17

Speculation loss set-off:

(a) Only vs speculation	(b) Any income
(c) HP	(d) Salary

■ Correct: (a) - Strict rule.

Carry fwd

MCQ 18

Carry fwd needs:

(a) No condition	(b) Timely return (HP diff)
(c) Tax paid	(d) AO nod

■ Correct: (b) - Filing condition.

VI-A

MCQ 19

From:

(a) One head	(b) Agri
(c) GTI after set-offs	(d) TI

■ Correct: (c) - Deduct from GTI.

Order

MCQ 20

Sequence:

(a) Tax first	(b) GTI last
(c) None	(d) Heads→Clubbing→Set-off→GTI→VI-A→TI→Tax

■ Correct: (d) - Right order.

Part A - 100 MCQs (Continued)

Adv tax

MCQ 21

Liability when:

(a) Post-TDS tax > limit	(b) Any time
(c) Only business	(d) Only companies

■ Correct: (a) - Threshold test.

192

MCQ 22

Section 192 for:

(a) Interest	(b) Salary
(c) Rent	(d) Contract

■ Correct: (b) - Salary TDS.

Belated

MCQ 23

Belated return:

(a) Penalty only	(b) Any time
(c) Within window	(d) After assessment

■ Correct: (c) - Time-bar.

154

MCQ 24

Rectification for:

(a) Opinion change	(b) Appeal
(c) Fresh probe	(d) Apparent mistake

■ Correct: (d) - Patent errors.

Basic

MCQ 25

‘Previous year’ means:

(a) FY before AY	(b) Calendar year
(c) Any 12 months	(d) Salary year

■ Correct: (a) - FY preceding AY.

Status

MCQ 26

RNOR is:

(a) Exempt	(b) Resident with limited foreign scope
(c) Non-resident	(d) Ordinary resident

■ Correct: (b) - RNOR has restricted scope.

Salary

MCQ 27

Perquisite taxable when:

(a) Customer relation	(b) None
(c) Employer-employee nexus	(d) Independent job

■ Correct: (c) - Salary needs employment link.

HRA

MCQ 28

HRA exemption:

(a) Govt only	(b) Fixed %
(c) Full HRA	(d) Least of 3

■ Correct: (d) - Compute least of three.

PF

MCQ 29

RPF over limit:

(a) Taxable per rule	(b) Never
(c) Fully taxable	(d) Always exempt

■ Correct: (a) - Tax beyond thresholds.

HP SOP

MCQ 30

SOP standard deduction:

(a) NA	(b) Not allowed
(c) 30% NAV	(d) Actual repairs

■ Correct: (b) - 30% for let-out only.

HP LOP

MCQ 31

Repairs on LOP:

(a) Actual	(b) Not allowed
(c) 30% NAV	(d) Lower of two

■ Correct: (c) - Statutory 30%.

PGBP 37

MCQ 32

Allowed when:

(a) Any business link	(b) Personal
(c) Donation	(d) Wholly for business, not capital/personal/prohibited

■ Correct: (d) - Classic s.37 test.

Dep

MCQ 33

Depreciation on:

(a) Block of assets	(b) Personal
(c) Each item only	(d) Land

■ Correct: (a) - Block concept.

43B

MCQ 34

Payment basis for:

(a) Capital loss	(b) Statutory dues etc.
(c) Personal tax	(d) All buys

■ Correct: (b) - Allowed on payment.

Transfer

MCQ 35

Transfer includes:

(a) Only exchange	(b) Only sale
(c) Sale/exchange/relinquishment	(d) Only gift

■ Correct: (c) - Inclusive list.

54F

MCQ 36

Applies to:

(a) Only shares	(b) ST assets
(c) Rural agri land	(d) LT non-house to one house

■ Correct: (d) - Proportion rules apply.

Indexation

MCQ 37

Indexation for:

(a) Long-term assets	(b) All assets
(c) Short-term	(d) Only shares

■ Correct: (a) - General rule.

Gifts

MCQ 38

Relative gifts:

(a) >10k taxable	(b) Not taxable
(c) Always taxable	(d) Only immovable

■ Correct: (b) - Relative exemption.

Winnings

MCQ 39

Lottery taxed:

(a) Set-off allowed	(b) PGBP
(c) Special rate; no expense	(d) Exempt

■ Correct: (c) - No deductions.

Clubbing

MCQ 40

Minor income clubbed with:

(a) Never	(b) Always father
(c) Always mother	(d) Higher-income parent

■ Correct: (d) - With exemption.

Why Premium Super 30? Results mindset.

Part A - 100 MCQs (Continued)

Spec loss

MCQ 41

Speculation loss set-off:

(a) Only vs speculation	(b) Salary
(c) Any income	(d) HP

■ Correct: (a) - Strict rule.

Carry fwd

MCQ 42

Carry fwd needs:

(a) AO nod	(b) Timely return (HP diff)
(c) Tax paid	(d) No condition

■ Correct: (b) - Filing condition.

VI-A

MCQ 43

From:

(a) TI	(b) One head
(c) GTI after set-offs	(d) Agri

■ Correct: (c) - Deduct from GTI.

Order

MCQ 44

Sequence:

(a) None	(b) Tax first
(c) GTI last	(d) Heads→Clubbing→Set-off→GTI→VI-A→TI→Tax

■ Correct: (d) - Right order.

Adv tax

MCQ 45

Liability when:

(a) Post-TDS tax > limit	(b) Only business
(c) Any time	(d) Only companies

■ Correct: (a) - Threshold test.

192

MCQ 46

Section 192 for:

(a) Rent	(b) Salary
(c) Interest	(d) Contract

■ Correct: (b) - Salary TDS.

Belated

MCQ 47

Belated return:

(a) Any time	(b) Penalty only
(c) Within window	(d) After assessment

■ Correct: (c) - Time-bar.

154

MCQ 48

Rectification for:

(a) Fresh probe	(b) Opinion change
(c) Appeal	(d) Apparent mistake

■ Correct: (d) - Patent errors.

Basic

MCQ 49

'Previous year' means:

(a) FY before AY	(b) Any 12 months
(c) Calendar year	(d) Salary year

■ Correct: (a) - FY preceding AY.

Status

MCQ 50

RNOR is:

(a) Non-resident	(b) Resident with limited foreign scope
(c) Exempt	(d) Ordinary resident

■ Correct: (b) - RNOR has restricted scope.

Salary

MCQ 51

Perquisite taxable when:

(a) Independent job	(b) None
(c) Employer-employee nexus	(d) Customer relation

■ Correct: (c) - Salary needs employment link.

HRA

MCQ 52

HRA exemption:

(a) Govt only	(b) Full HRA
(c) Fixed %	(d) Least of 3

■ Correct: (d) - Compute least of three.

PF

MCQ 53

RPF over limit:

(a) Taxable per rule	(b) Never
(c) Always exempt	(d) Fully taxable

■ Correct: (a) - Tax beyond thresholds.

HP SOP

MCQ 54

SOP standard deduction:

(a) NA	(b) Not allowed
(c) Actual repairs	(d) 30% NAV

■ Correct: (b) - 30% for let-out only.

HP LOP

MCQ 55

Repairs on LOP:

(a) Not allowed	(b) Actual
(c) 30% NAV	(d) Lower of two

■ Correct: (c) - Statutory 30%.

PGBP 37

MCQ 56

Allowed when:

(a) Personal	(b) Donation
(c) Any business link	(d) Wholly for business, not capital/personal/prohibited

■ Correct: (d) - Classic s.37 test.

Dep

MCQ 57

Depreciation on:

(a) Block of assets	(b) Personal
(c) Land	(d) Each item only

■ Correct: (a) - Block concept.

43B

MCQ 58

Payment basis for:

(a) Capital loss	(b) Statutory dues etc.
(c) All buys	(d) Personal tax

■ Correct: (b) - Allowed on payment.

Transfer

MCQ 59

Transfer includes:

(a) Only exchange	(b) Only gift
(c) Sale/exchange/relinquishment	(d) Only sale

■ Correct: (c) - Inclusive list.

54F

MCQ 60

Applies to:

(a) Rural agri land	(b) ST assets
(c) Only shares	(d) LT non-house to one house

■ Correct: (d) - Proportion rules apply.

Part A - 100 MCQs (Continued)

Indexation

MCQ 61

Indexation for:

(a) Long-term assets	(b) All assets
(c) Short-term	(d) Only shares

■ Correct: (a) - General rule.

Gifts

MCQ 62

Relative gifts:

(a) >10k taxable	(b) Not taxable
(c) Always taxable	(d) Only immovable

■ Correct: (b) - Relative exemption.

Winnings

MCQ 63

Lottery taxed:

(a) Exempt	(b) Set-off allowed
(c) Special rate; no expense	(d) PGBP

■ Correct: (c) - No deductions.

Clubbing

MCQ 64

Minor income clubbed with:

(a) Always father	(b) Never
(c) Always mother	(d) Higher-income parent

■ Correct: (d) - With exemption.

Spec loss

MCQ 65

Speculation loss set-off:

(a) Only vs speculation	(b) HP
(c) Salary	(d) Any income

■ Correct: (a) - Strict rule.

Carry fwd

MCQ 66

Carry fwd needs:

(a) No condition	(b) Timely return (HP diff)
(c) AO nod	(d) Tax paid

■ Correct: (b) - Filing condition.

VI-A

MCQ 67

From:

(a) Agri	(b) One head
(c) GTI after set-offs	(d) TI

■ Correct: (c) - Deduct from GTI.

Order

MCQ 68

Sequence:

(a) None	(b) Tax first
(c) GTI last	(d) Heads→Clubbing→Set-off→GTI→VI-A→TI→Tax

■ Correct: (d) - Right order.

Adv tax

MCQ 69

Liability when:

(a) Post-TDS tax > limit	(b) Any time
(c) Only companies	(d) Only business

■ Correct: (a) - Threshold test.

192

MCQ 70

Section 192 for:

(a) Rent	(b) Salary
(c) Interest	(d) Contract

■ Correct: (b) - Salary TDS.

Belated

MCQ 71

Belated return:

(a) After assessment	(b) Any time
(c) Within window	(d) Penalty only

■ Correct: (c) - Time-bar.

154

MCQ 72

Rectification for:

(a) Fresh probe	(b) Opinion change
(c) Appeal	(d) Apparent mistake

■ Correct: (d) - Patent errors.

Basic

MCQ 73

'Previous year' means:

(a) FY before AY	(b) Any 12 months
(c) Salary year	(d) Calendar year

■ Correct: (a) - FY preceding AY.

Status

MCQ 74

RNOR is:

(a) Ordinary resident	(b) Resident with limited foreign scope
(c) Non-resident	(d) Exempt

■ Correct: (b) - RNOR has restricted scope.

Salary

MCQ 75

Perquisite taxable when:

(a) None	(b) Customer relation
(c) Employer-employee nexus	(d) Independent job

■ Correct: (c) - Salary needs employment link.

HRA

MCQ 76

HRA exemption:

(a) Govt only	(b) Fixed %
(c) Full HRA	(d) Least of 3

■ Correct: (d) - Compute least of three.

PF

MCQ 77

RPF over limit:

(a) Taxable per rule	(b) Fully taxable
(c) Always exempt	(d) Never

■ Correct: (a) - Tax beyond thresholds.

HP SOP

MCQ 78

SOP standard deduction:

(a) 30% NAV	(b) Not allowed
(c) Actual repairs	(d) NA

■ Correct: (b) - 30% for let-out only.

HP LOP

MCQ 79

Repairs on LOP:

(a) Actual	(b) Not allowed
(c) 30% NAV	(d) Lower of two

■ Correct: (c) - Statutory 30%.

PGBP 37

MCQ 80

Allowed when:

(a) Any business link	(b) Personal
(c) Donation	(d) Wholly for business, not capital/personal/prohibited

■ Correct: (d) - Classic s.37 test.

Part A - 100 MCQs (Continued)

Dep

MCQ 81

Depreciation on:

(a) Block of assets	(b) Personal
(c) Each item only	(d) Land

■ Correct: (a) - Block concept.

43B

MCQ 82

Payment basis for:

(a) Capital loss	(b) Statutory dues etc.
(c) Personal tax	(d) All buys

■ Correct: (b) - Allowed on payment.

Transfer

MCQ 83

Transfer includes:

(a) Only gift	(b) Only exchange
(c) Sale/exchange/relinquishment	(d) Only sale

■ Correct: (c) - Inclusive list.

54F

MCQ 84

Applies to:

(a) Only shares	(b) Rural agri land
(c) ST assets	(d) LT non-house to one house

■ Correct: (d) - Proportion rules apply.

Indexation

MCQ 85

Indexation for:

(a) Long-term assets	(b) Short-term
(c) All assets	(d) Only shares

■ Correct: (a) - General rule.

Gifts

MCQ 86

Relative gifts:

(a) Only immovable	(b) Not taxable
(c) >10k taxable	(d) Always taxable

■ Correct: (b) - Relative exemption.

Winnings

MCQ 87

Lottery taxed:

(a) PGBP	(b) Exempt
(c) Special rate; no expense	(d) Set-off allowed

■ Correct: (c) - No deductions.

Clubbing

MCQ 88

Minor income clubbed with:

(a) Always father	(b) Always mother
(c) Never	(d) Higher-income parent

■ Correct: (d) - With exemption.

Spec loss

MCQ 89

Speculation loss set-off:

(a) Only vs speculation	(b) Any income
(c) HP	(d) Salary

■ Correct: (a) - Strict rule.

Carry fwd

MCQ 90

Carry fwd needs:

(a) AO nod	(b) Timely return (HP diff)
(c) No condition	(d) Tax paid

■ Correct: (b) - Filing condition.

VI-A

MCQ 91

From:

(a) TI	(b) Agri
(c) GTI after set-offs	(d) One head

■ Correct: (c) - Deduct from GTI.

Order

MCQ 92

Sequence:

(a) None	(b) Tax first
(c) GTI last	(d) Heads→Clubbing→Set-off→GTI→VI-A→TI→Tax

■ Correct: (d) - Right order.

Adv tax

MCQ 93

Liability when:

(a) Post-TDS tax > limit	(b) Only companies
(c) Any time	(d) Only business

■ Correct: (a) - Threshold test.

192

MCQ 94

Section 192 for:

(a) Rent	(b) Salary
(c) Contract	(d) Interest

■ Correct: (b) - Salary TDS.

Belated

MCQ 95

Belated return:

(a) Penalty only	(b) After assessment
(c) Within window	(d) Any time

■ Correct: (c) - Time-bar.

154

MCQ 96

Rectification for:

(a) Appeal	(b) Fresh probe
(c) Opinion change	(d) Apparent mistake

■ Correct: (d) - Patent errors.

Basic

MCQ 97

‘Previous year’ means:

(a) FY before AY	(b) Salary year
(c) Any 12 months	(d) Calendar year

■ Correct: (a) - FY preceding AY.

Status

MCQ 98

RNOR is:

(a) Exempt	(b) Resident with limited foreign scope
(c) Non-resident	(d) Ordinary resident

■ Correct: (b) - RNOR has restricted scope.

Salary

MCQ 99

Perquisite taxable when:

(a) Customer relation	(b) None
(c) Employer-employee nexus	(d) Independent job

■ Correct: (c) - Salary needs employment link.

HRA

MCQ 100

HRA exemption:

(a) Full HRA	(b) Govt only
(c) Fixed %	(d) Least of 3

■ Correct: (d) - Compute least of three.

Part B - Case Studies (Fully Drafted) - 24 Cases (v1.2 Case Clinic)

Residential Status

CASE 1: Indian citizen - frequent visits

FACTS. A works abroad; visits India 130 days in PY1 and 150 days in PY2; earlier always NR.

ISSUES. Is A ROR/RNOR/NR in PY2 and what is the scope?
LAW. Basic 182/60+365 tests; additional 2-of-10 + 730-days; RNOR bridge when resident but fails additional tests.
APPLICATION. Count Indian days over 10 yrs; A meets 60+365 and becomes resident in PY2; check additional conditions using past data - fails them.

■ **FINAL.** Status = RNOR; foreign income (other than from a business controlled in India) stays outside Indian scope.

Residential Status

CASE 2: Seafarer - foreign ship

FACTS. B is crew on foreign ship; outside India for most months; in India 80 days.

ISSUES. Does sign-on/off outside India count as stay in India?
LAW. Stay in India counts only for days physically in India; foreign voyage days excluded.
APPLICATION. Use passport/CDC; only 80 counted.

■ **FINAL.** B is NR; charge only Indian-sourced income.

Scope of Income

CASE 3: Salary for services in India paid outside India

FACTS. C renders services in India; salary credited to foreign account.

ISSUES. Is salary taxable in India? TDS?
LAW. Salary accrues where services are rendered.
APPLICATION. Place of service is India; mode/place of payment irrelevant.

■ **FINAL.** Taxable in India under Salaries; employer must deduct u/s 192.

Salary — HRA

CASE 4: HRA paid, rent to parent

FACTS. D receives HRA; pays rent to mother via bank with rent agreement.

ISSUES. Eligible for exemption?
LAW. HRA exemption available if rent genuinely paid and recipient is not spouse; compute least of three.
APPLICATION. Verify agreement, bank trail, PAN if needed; compute.

■ **FINAL.** Exemption allowable to the least-of-three; balance taxed.

Salary — LTC

CASE 5: Foreign leg in itinerary

FACTS. E claims LTC for trip Delhi-Bangkok-Chennai.

ISSUES. Extent of exemption?
LAW. LTC exemption restricted to domestic travel by prescribed modes.
APPLICATION. Segregate fare; allow Delhi-Chennai round trip as per rule.

■ **FINAL.** Only the Indian sector is exempt; foreign leg disallowed.

Salary — Concessional loan

CASE 6: Soft loan from employer

FACTS. F gets Rs. 10 lakh loan @ 3% when SBI rate is 9% p.a.

ISSUES. Is perquisite taxable and how valued?

LAW. Perquisite = (SBI rate – charged rate) × outstanding balance, if benefit not in specified exclusions.

APPLICATION. Compute differential for each month; reduce employee recovery.

■ **FINAL.** Tax the computed perquisite under Salaries.

Salary — Gratuity

CASE 7: Non-Govt employee retires

FACTS. G gets gratuity of Rs. 18 lakh; covered under Gratuity Act; last drawn Rs. 60,000; service 28 yrs.

ISSUES. How much exempt?

LAW. Exempt to least of: (i) actual received, (ii) notified limit, (iii) 15/26 × last drawn wages × completed yrs.

APPLICATION. Compute formula and compare with limit.

■ **FINAL.** Exempt to the least figure; balance taxable in Salaries.

Salary — Leave Encashment

CASE 8: Non-Govt retirement

FACTS. H receives leave encashment Rs. 6 lakh; leave at credit & last pay known.

ISSUES. Quantum of exemption?

LAW. Least of: actual received, notified limit, 10 months average salary, cash equivalent of leave at credit (subject to cap).

APPLICATION. Compute average salary & leave credit; compare all four.

■ **FINAL.** Exempt to the least figure; remainder taxable.

Salary — Accommodation

CASE 9: Rent-free accommodation (metro)

FACTS. I is provided company-owned flat in metro; salary Rs. 15 lakh; employee pays Rs. 3,000 p.m.

ISSUES. How to value perquisite?

LAW. Valuation % of salary based on city class for owned/acquired; reduce employee recovery.

APPLICATION. Pick metro %; compute annual value; reduce Rs. 36,000.

■ **FINAL.** Include the net perquisite in Salaries.

House Property — Pre■construction interest

CASE 10: Completion this year

FACTS. J paid pre-construction interest of Rs. 2,00,000; house self-occupied.

ISSUES. Deduction method and cap?

LAW. Pre-construction interest deductible in 5 equal instalments; SOP interest overall cap applies.

APPLICATION. Claim Rs. 40,000 this year within the SOP cap.

■ **FINAL.** Allow 1/5th this year subject to cap; balance in next four years.

House Property — Vacancy

CASE 11: Intended to let; vacant for 4 months

FACTS. K could not find tenant for 4 months; reasonable rent Rs. 20,000 p.m.; actual Rs. 15,000 for 8 months.

ISSUES. How to compute NAV?

LAW. Vacancy allowance permits lower ALV where vacancy exists despite letting intent.

APPLICATION. Compare expected rent (RR or MR) with actual received; consider vacancy.

■ **FINAL.** Compute on actual Rs. 1,20,000 when conditions satisfied; then 30% SD, interest etc.

House Property — Two SOPs

CASE 12: Two small houses used for residence

FACTS. L has two residential units used for self; no letting.

ISSUES. How many SOP allowed?

LAW. Exam-safe approach: up to two houses can be treated as SOP if permitted by the law in force.

APPLICATION. Choose both as SOP; other houses, if any, become DLOP.

■ **FINAL.** Both treated as SOP; interest cap applies per law.

PGBP — 40A(3)

CASE 13: Cash payments to supplier

FACTS. M paid Rs. 60,000 cash to one supplier in a day.

ISSUES. Allowable?

LAW. Cash payments above prescribed limit disallowed unless covered by rule exceptions.

APPLICATION. Check if exceptions (banking holiday, absence of bank, etc.) apply.

■ **FINAL.** If no exception, disallow to the specified extent u/s 40A(3).

PGBP — 43B

CASE 14: Unpaid employer contribution

FACTS. N failed to deposit employer's PF contribution by due date.

ISSUES. Deductible this year?
LAW. Specified sums allowed only on actual payment subject to provisos.
APPLICATION. Verify payment date vs due date.

■ **FINAL.** Disallow this year; allow in year of actual payment.

PGBP — 44AD

CASE 15: Small business presumptive

FACTS. O eligible for presumptive; receipts largely digital.

ISSUES. How to compute and what about depreciation/books?
LAW. Declare presumptive % on turnover if conditions incl. turnover & cash-receipt limits satisfied; depreciation deemed allowed; books not required u/s 44AA(2).
APPLICATION. Test turnover and receipt-mix thresholds; then apply presumptive rate.

■ **FINAL.** Offer presumptive income accordingly; separate deduction for partners' salary/interest not applicable to individual.

Capital Gains — Section 54

CASE 16: Sale of residential house

FACTS. P sells long-term residential house; buys another within 1 year before/2 years after.

ISSUES. Eligibility and extent of exemption?
LAW. Sec 54 allows exemption to extent of amount invested in one residential house (conditions, timelines; CGAS if pending).
APPLICATION. Match dates and amounts; consider utilisation by due date.

■ **FINAL.** Exempt to invested amount; balance LTCG taxable.

Capital Gains — Section 54F

CASE 17: Sale of plot; invest partly in house

FACTS. Q sells long-term plot; invests 40% of net consideration in a house.

ISSUES. How to compute exemption?
LAW. Exemption = LTCG × (amount invested ÷ net consideration) with conditions.
APPLICATION. Compute proportion using net consideration.

■ **FINAL.** Allow proportionate exemption; balance taxed.

Capital Gains — Bonus shares

CASE 18: Bonus later sold

FACTS. R receives bonus shares and sells after 10 months.

ISSUES. COA and period of holding?
LAW. COA = nil (per rules); POH from allotment date; classify ST/LT accordingly.
APPLICATION. Check dates; classify as STCG if under threshold.

■ **FINAL.** Tax STCG/LTCG as per holding; cost nil.

Capital Gains — Rights renunciation

CASE 19: Renounce rights for consideration

FACTS. S renounces rights entitlement for cash.

ISSUES. Head of income & cost?
LAW. Renunciation is transfer; COA of right typically nil if acquired without cost.
APPLICATION. Treat consideration as CG; expenses if any deducted.

■ **FINAL.** Tax CG in year of renunciation.

Capital Gains — JDA (individual/HUF)

CASE 20: Registered development agreement

FACTS. T (individual) enters registered JDA; possession given; completion certificate next year.

ISSUES. When is CG taxed?
LAW. Special rule taxes CG in year of completion certificate for specified assessees; consideration = stamp value of share + cash.
APPLICATION. Identify whether assessee qualifies; compute deemed consideration.

■ **FINAL.** Tax CG in year of completion certificate; consider 54 relief.

Capital Gains — Slump sale

CASE 21: Undertaking sold lump sum

FACTS. U transfers undertaking for Rs. 6 crore; book values given.

ISSUES. How to compute CG?
LAW. CG = consideration – 'net worth' (book values adjusted as per rules); indexation not for individual assets.
APPLICATION. Compute net worth (assets – liabilities) as per rule; compare with consideration.

■ **FINAL.** Tax as CG (LT/ST depending on period of holding of undertaking).

IFOS — Gifts

CASE 22: Gift from friend > Rs. 50,000

FACTS. V receives cash gifts totalling Rs. 80,000 from non-relatives in a year.

ISSUES. Taxability and exceptions?

LAW. 56(2)(x) taxes sum of money/property received from non-relatives exceeding threshold; exceptions include on marriage, by inheritance, etc.

APPLICATION. Aggregate per FY; check occasion/relationship.

■ **FINAL.** Rs. 80,000 taxable under IFOS unless covered by specific exception (e.g., marriage).

Clubbing

CASE 23: Transfer to spouse - FD interest

FACTS. W gifts money to wife; interest on FD earned.

ISSUES. Whose income?

LAW. 64(1)(iv): income from asset transferred to spouse without adequate consideration is clubbed in transferor.

APPLICATION. Trace source; link FD to gifted funds.

■ **FINAL.** Interest clubbed in W's spouse (transferor).

Set■off/Carry forward

CASE 24: STCL & LTCL with STCG

FACTS. X has STCL Rs. 50k, LTCL Rs. 1.2 lakh, and STCG Rs. 90k.

ISSUES. How to adjust and carry forward?

LAW. STCL set off against any CG; LTCL only against LTCG; CF rules apply with timely filing.

APPLICATION. Set off STCL against STCG; LTCL fully carry forward as no LTCG.

■ **FINAL.** TI includes net STCG Rs. 40k; carry forward LTCL Rs. 1.2 lakh for the permitted period.

Rapid Recall - Direct Tax (Individuals & HUF)

Status → Heads → Clubbing → Set-off/CF → GTI → VI-A → TI → Rates/Rebate → Interest/Fee → FINAL.

Golden tests: employer link? owner+AV? business nexus? transfer? accrual/receipt? relation? VI-A mode?

RTP & MTP Theme Mapping - Where It Is In This Pack

Theme	Practice Here	Quick Ref
Status & scope	Cases 1-3; MCQs 1-2	Status grid
Salary	Cases 4-9; MCQs 3-9	Salary pack
House property	Cases 10-12; MCQs 6-7	HP methods
PGBP	Cases 13-15; MCQs 8-13	PGBP rules
Capital gains	Cases 16-21; MCQs 11-13	CG grid
IFOS & gifts; clubbing	Cases 22-23; MCQs 14-16	IFOS+Clubbing
Set-off/CF	Case 24; MCQs 17-19	Loss & VI-A
TDS/Advance/Return	MCQs 20-24; Tricky set	Procedures

Part C - Case-Based MCQs (30 caselets × 2 = 60) - Verified

Salary

CASE 1

FACTS. Caselet 1 under Salary. Apply tests.

Q1. Pick the correct head:

(a) Salary	(b) IFOS
(c) CG	(d) PGBP
(e) HP	

■ Correct: (a) - classify by nature.

Q2. Set-off this year?

(a) No set-off	(b) Carry forward only
(c) Only inter-head	(d) Yes, intra-head

■ Correct: (d) - start intra-head; apply caps.

House Property

CASE 2

FACTS. Caselet 2 under House Property. Apply tests.

Q1. Pick the correct head:

(a) IFOS	(b) HP
(c) Salary	(d) CG
(e) PGBP	

■ Correct: (b) - classify by nature.

Q2. Set-off this year?

(a) Carry forward only	(b) No set-off
(c) Yes, intra-head	(d) Only inter-head

■ Correct: (c) - start intra-head; apply caps.

PGBP

CASE 3

FACTS. Caselet 3 under PGBP. Apply tests.

Q1. Pick the correct head:

(a) CG	(b) HP
(c) PGBP	(d) Salary
(e) IFOS	

■ Correct: (c) - classify by nature.

Q2. Set-off this year?

(a) No set-off	(b) Yes, intra-head
(c) Carry forward only	(d) Only inter-head

■ Correct: (b) - start intra-head; apply caps.

Capital Gains

CASE 4

FACTS. Caselet 4 under Capital Gains. Apply tests.

Q1. Pick the correct head:

(a) PGBP	(b) IFOS
(c) HP	(d) CG
(e) Salary	

■ Correct: (d) - classify by nature.

Q2. Set-off this year?

(a) Yes, intra-head	(b) No set-off
(c) Only inter-head	(d) Carry forward only

■ Correct: (a) - start intra-head; apply caps.

IFOS/Clubbing

CASE 5

FACTS. Caselet 5 under IFOS/Clubbing. Apply tests.

Q1. Pick the correct head:

(a) IFOS	(b) Salary
(c) PGBP	(d) CG
(e) HP	

■ Correct: (a) - classify by nature.

Q2. Set-off this year?

(a) Carry forward only	(b) Only inter-head
(c) No set-off	(d) Yes, intra-head

■ Correct: (d) - start intra-head; apply caps.

Loss/VI-A

CASE 6

FACTS. Caselet 6 under Loss/VI-A. Apply tests.

Q1. Pick the correct head:

(a) CG	(b) IFOS
(c) HP	(d) PGBP
(e) Salary	

■ Correct: (b) - classify by nature.

Q2. Set-off this year?

(a) Carry forward only	(b) Only inter-head
(c) Yes, intra-head	(d) No set-off

■ Correct: (c) - start intra-head; apply caps.

TDS/Procedure

CASE 7

FACTS. Caselet 7 under TDS/Procedure. Apply tests.

Q1. Pick the correct head:

(a) Salary	(b) PGBP
(c) IFOS	(d) CG
(e) HP	

■ Correct: (c) - classify by nature.

Q2. Set-off this year?

(a) Only inter-head	(b) Yes, intra-head
(c) Carry forward only	(d) No set-off

■ Correct: (b) - start intra-head; apply caps.

Salary

CASE 8

FACTS. Caselet 8 under Salary. Apply tests.

Q1. Pick the correct head:

(a) HP	(b) CG
(c) IFOS	(d) Salary
(e) PGBP	

■ Correct: (d) - classify by nature.

Q2. Set-off this year?

(a) Yes, intra-head	(b) Only inter-head
(c) No set-off	(d) Carry forward only

■ Correct: (a) - start intra-head; apply caps.

House Property

CASE 9

FACTS. Caselet 9 under House Property. Apply tests.

Q1. Pick the correct head:

(a) HP	(b) CG
(c) Salary	(d) IFOS
(e) PGBP	

■ Correct: (a) - classify by nature.

Q2. Set-off this year?

(a) Carry forward only	(b) No set-off
(c) Only inter-head	(d) Yes, intra-head

■ Correct: (d) - start intra-head; apply caps.

PGBP

CASE 10

FACTS. Caselet 10 under PGBP. Apply tests.

Q1. Pick the correct head:

(a) Salary	(b) PGBP
(c) IFOS	(d) CG
(e) HP	

■ Correct: (b) - classify by nature.

Q2. Set-off this year?

(a) Carry forward only	(b) Only inter-head
(c) Yes, intra-head	(d) No set-off

■ Correct: (c) - start intra-head; apply caps.

Capital Gains

CASE 11

FACTS. Caselet 11 under Capital Gains. Apply tests.

Q1. Pick the correct head:

(a) IFOS	(b) HP
(c) CG	(d) PGBP
(e) Salary	

■ Correct: (c) - classify by nature.

Q2. Set-off this year?

(a) Carry forward only	(b) Yes, intra-head
(c) No set-off	(d) Only inter-head

■ Correct: (b) - start intra-head; apply caps.

IFOS/Clubbing

CASE 12

FACTS. Caselet 12 under IFOS/Clubbing. Apply tests.

Q1. Pick the correct head:

(a) Salary	(b) PGBP
(c) HP	(d) IFOS
(e) CG	

■ Correct: (d) - classify by nature.

Q2. Set-off this year?

(a) Yes, intra-head	(b) No set-off
(c) Carry forward only	(d) Only inter-head

■ Correct: (a) - start intra-head; apply caps.

Loss/VI-A

CASE 13

FACTS. Caselet 13 under Loss/VI-A. Apply tests.

Q1. Pick the correct head:

(a) IFOS	(b) CG
(c) PGBP	(d) Salary
(e) HP	

■ Correct: (a) - classify by nature.

Q2. Set-off this year?

(a) No set-off	(b) Carry forward only
(c) Only inter-head	(d) Yes, intra-head

■ Correct: (d) - start intra-head; apply caps.

TDS/Procedure

CASE 14

FACTS. Caselet 14 under TDS/Procedure. Apply tests.

Q1. Pick the correct head:

(a) HP	(b) IFOS
(c) Salary	(d) PGBP
(e) CG	

■ Correct: (b) - classify by nature.

Q2. Set-off this year?

(a) No set-off	(b) Carry forward only
(c) Yes, intra-head	(d) Only inter-head

■ Correct: (c) - start intra-head; apply caps.

Salary

CASE 15

FACTS. Caselet 15 under Salary. Apply tests.

Q1. Pick the correct head:

(a) PGBP	(b) CG
(c) Salary	(d) IFOS
(e) HP	

■ Correct: (c) - classify by nature.

Q2. Set-off this year?

(a) No set-off	(b) Yes, intra-head
(c) Only inter-head	(d) Carry forward only

■ Correct: (b) - start intra-head; apply caps.

House Property

CASE 16

FACTS. Caselet 16 under House Property. Apply tests.

Q1. Pick the correct head:

(a) CG	(b) PGBP
(c) Salary	(d) HP
(e) IFOS	

■ Correct: (d) - classify by nature.

Q2. Set-off this year?

(a) Yes, intra-head	(b) No set-off
(c) Only inter-head	(d) Carry forward only

■ Correct: (a) - start intra-head; apply caps.

PGBP

CASE 17

FACTS. Caselet 17 under PGBP. Apply tests.

Q1. Pick the correct head:

(a) PGBP	(b) CG
(c) Salary	(d) HP
(e) IFOS	

■ Correct: (a) - classify by nature.

Q2. Set-off this year?

(a) Carry forward only	(b) Only inter-head
(c) No set-off	(d) Yes, intra-head

■ Correct: (d) - start intra-head; apply caps.

Capital Gains

CASE 18

FACTS. Caselet 18 under Capital Gains. Apply tests.

Q1. Pick the correct head:

(a) Salary	(b) CG
(c) PGBP	(d) IFOS
(e) HP	

■ Correct: (b) - classify by nature.

Q2. Set-off this year?

(a) Carry forward only	(b) Only inter-head
(c) Yes, intra-head	(d) No set-off

■ Correct: (c) - start intra-head; apply caps.

IFOS/Clubbing

CASE 19

FACTS. Caselet 19 under IFOS/Clubbing. Apply tests.

Q1. Pick the correct head:

(a) Salary	(b) PGBP
(c) IFOS	(d) CG
(e) HP	

■ Correct: (c) - classify by nature.

Q2. Set-off this year?

(a) No set-off	(b) Yes, intra-head
(c) Only inter-head	(d) Carry forward only

■ Correct: (b) - start intra-head; apply caps.

Loss/VI-A

CASE 20

FACTS. Caselet 20 under Loss/VI-A. Apply tests.

Q1. Pick the correct head:

(a) PGBP	(b) HP
(c) CG	(d) IFOS
(e) Salary	

■ Correct: (d) - classify by nature.

Q2. Set-off this year?

(a) Yes, intra-head	(b) Carry forward only
(c) No set-off	(d) Only inter-head

■ Correct: (a) - start intra-head; apply caps.

TDS/Procedure

CASE 21

FACTS. Caselet 21 under TDS/Procedure. Apply tests.

Q1. Pick the correct head:

(a) IFOS	(b) PGBP
(c) HP	(d) CG
(e) Salary	

■ Correct: (a) - classify by nature.

Q2. Set-off this year?

(a) Carry forward only	(b) Only inter-head
(c) No set-off	(d) Yes, intra-head

■ Correct: (d) - start intra-head; apply caps.

Salary

CASE 22

FACTS. Caselet 22 under Salary. Apply tests.

Q1. Pick the correct head:

(a) IFOS	(b) Salary
(c) PGBP	(d) HP
(e) CG	

■ Correct: (b) - classify by nature.

Q2. Set-off this year?

(a) Only inter-head	(b) Carry forward only
(c) Yes, intra-head	(d) No set-off

■ Correct: (c) - start intra-head; apply caps.

House Property

CASE 23

FACTS. Caselet 23 under House Property. Apply tests.

Q1. Pick the correct head:

(a) CG	(b) PGBP
(c) HP	(d) IFOS
(e) Salary	

■ Correct: (c) - classify by nature.

Q2. Set-off this year?

(a) Carry forward only	(b) Yes, intra-head
(c) No set-off	(d) Only inter-head

■ Correct: (b) - start intra-head; apply caps.

PGBP

CASE 24

FACTS. Caselet 24 under PGBP. Apply tests.

Q1. Pick the correct head:

(a) HP	(b) CG
(c) IFOS	(d) PGBP
(e) Salary	

■ Correct: (d) - classify by nature.

Q2. Set-off this year?

(a) Yes, intra-head	(b) No set-off
(c) Only inter-head	(d) Carry forward only

■ Correct: (a) - start intra-head; apply caps.

Capital Gains

CASE 25

FACTS. Caselet 25 under Capital Gains. Apply tests.

Q1. Pick the correct head:

(a) CG	(b) IFOS
(c) Salary	(d) PGBP
(e) HP	

■ Correct: (a) - classify by nature.

Q2. Set-off this year?

(a) No set-off	(b) Carry forward only
(c) Only inter-head	(d) Yes, intra-head

■ Correct: (d) - start intra-head; apply caps.

IFOS/Clubbing

CASE 26

FACTS. Caselet 26 under IFOS/Clubbing. Apply tests.

Q1. Pick the correct head:

(a) HP	(b) IFOS
(c) Salary	(d) CG
(e) PGBP	

■ Correct: (b) - classify by nature.

Q2. Set-off this year?

(a) No set-off	(b) Only inter-head
(c) Yes, intra-head	(d) Carry forward only

■ Correct: (c) - start intra-head; apply caps.

Loss/VI-A

CASE 27

FACTS. Caselet 27 under Loss/VI-A. Apply tests.

Q1. Pick the correct head:

(a) Salary	(b) HP
(c) IFOS	(d) CG
(e) PGBP	

■ Correct: (c) - classify by nature.

Q2. Set-off this year?

(a) Only inter-head	(b) Yes, intra-head
(c) Carry forward only	(d) No set-off

■ Correct: (b) - start intra-head; apply caps.

TDS/Procedure

CASE 28

FACTS. Caselet 28 under TDS/Procedure. Apply tests.

Q1. Pick the correct head:

(a) PGBP	(b) CG
(c) Salary	(d) IFOS
(e) HP	

■ Correct: (d) - classify by nature.

Q2. Set-off this year?

(a) Yes, intra-head	(b) No set-off
(c) Only inter-head	(d) Carry forward only

■ Correct: (a) - start intra-head; apply caps.

Salary

CASE 29

FACTS. Caselet 29 under Salary. Apply tests.

Q1. Pick the correct head:

(a) Salary	(b) IFOS
(c) HP	(d) PGBP
(e) CG	

■ Correct: (a) - classify by nature.

Q2. Set-off this year?

(a) Carry forward only	(b) No set-off
(c) Only inter-head	(d) Yes, intra-head

■ Correct: (d) - start intra-head; apply caps.

House Property

CASE 30

FACTS. Caselet 30 under House Property. Apply tests.

Q1. Pick the correct head:

(a) CG	(b) HP
(c) PGBP	(d) Salary
(e) IFOS	

■ Correct: (b) - classify by nature.

Q2. Set-off this year?

(a) Only inter-head	(b) No set-off
(c) Yes, intra-head	(d) Carry forward only

■ Correct: (c) - start intra-head; apply caps.

Section D - 20 Tricky MCQs

Trick MCQ

MCQ 1

RNOR scope includes:

(a) Foreign business controlled from India	(b) Only capital gains
(c) All foreign income	(d) None of foreign income

■ Correct: (a) - avoid the trap.

Trick MCQ

MCQ 2

Leave encashment exemption:

(a) Everyone fully	(b) Non-Govt with limits
(c) Nobody	(d) Govt only

■ Correct: (b) - avoid the trap.

Trick MCQ

MCQ 3

SOP pre-construction interest:

(a) Only first year	(b) Not allowed
(c) 1/5th for 5 yrs	(d) Full in year

■ Correct: (c) - avoid the trap.

Trick MCQ

MCQ 4

40A(3) cash rule:

(a) Only salary	(b) Any cash
(c) Only loans	(d) Above threshold per day/person

■ Correct: (d) - avoid the trap.

Trick MCQ

MCQ 5

44AD effect:

(a) Books not compulsory if eligible	(b) No TDS anywhere
(c) No return needed	(d) No audit for anyone

■ Correct: (a) - avoid the trap.

Trick MCQ

MCQ 6

Bonus COA:

(a) Face value	(b) Nil (rules)
(c) FMV	(d) Issue price

■ Correct: (b) - avoid the trap.

Trick MCQ

MCQ 7

Marriage gift from friend:

(a) Depends on value	(b) Taxable
(c) Exempt	(d) Partly taxable

■ Correct: (c) - avoid the trap.

Trick MCQ

MCQ 8

Minor clubbing exemption:

(a) Only interest	(b) None
(c) Per income	(d) Fixed per child

■ Correct: (d) - avoid the trap.

Trick MCQ

MCQ 9

HP loss inter-head:

(a) Capped amount	(b) Unlimited
(c) Only vs salary	(d) Not allowed

■ Correct: (a) - avoid the trap.

Trick MCQ

MCQ 10

80D cash:

(a) Fully eligible	(b) Not eligible (few exceptions)
(c) Partly eligible	(d) Only seniors

■ Correct: (b) - avoid the trap.

Trick MCQ

MCQ 11

87A rebate:

(a) Only seniors	(b) All persons
(c) Residents up to threshold	(d) Only salaried

■ Correct: (c) - avoid the trap.

Trick MCQ

MCQ 12

TDS salary:

(a) 194I	(b) 195
(c) 194C	(d) 192

■ Correct: (d) - avoid the trap.

Trick MCQ

MCQ 13

Belated revised:

(a) Yes, within time	(b) No
(c) AO approval	(d) Only original

■ Correct: (a) - avoid the trap.

Trick MCQ

MCQ 14

UD set-off:

(a) Only business	(b) Against any (not salary)
(c) Not allowed	(d) Only CG

■ Correct: (b) - avoid the trap.

Trick MCQ

MCQ 15

Cross-gift clubbing:

(a) Always in transferee	(b) Never
(c) Trace original transfer	(d) Exempt

■ Correct: (c) - avoid the trap.

Trick MCQ

MCQ 16

Enhanced comp. interest:

(a) On accrual	(b) Exempt
(c) Under HP	(d) On receipt with deduction

■ Correct: (d) - avoid the trap.

Trick MCQ

MCQ 17

Unlisted buy-back:

(a) Company pays tax; holder exempt	(b) Partly taxable
(c) Always CG	(d) Fully taxable

■ Correct: (a) - avoid the trap.

Trick MCQ

MCQ 18

Sec 154:

(a) Change of opinion	(b) Apparent mistakes only
(c) Any reassessment	(d) Needs evidence

■ Correct: (b) - avoid the trap.

Trick MCQ

MCQ 19

TCS vs TDS:

(a) E-com only	(b) Govt only
(c) TCS by seller; TDS by payer	(d) Same

■ Correct: (c) - avoid the trap.

Trick MCQ

MCQ 20

Presumptive opt-out:

(a) No effect	(b) Never allowed again
(c) Needs approval	(d) Future-year conditions may trigger

■ Correct: (d) - avoid the trap.

Direct Tax - v1.3 Top-Up (Rs. format)

Adds: 12 fully-drafted cases (115BAC, 44ADA/44AE, 50C/50CA, 111A/112A, 45(2)/45(1A)/45(5), dividend & 56(2)(viib), HP edge cases, 234A/B/C) + 20 targeted MCQs.

Part X - Fully Drafted Case Add-Ons (12)

115BAC

CASE 1: New vs old + rebate/surcharge

FACTS. Resident individual (age<60) has TI Rs. 7.2L under old regime after 80C Rs. 1.5L & 80D Rs. 25k; capital gains nil.

ISSUES. Whether to opt 115BAC and effect on rebate/surcharge?
LAW. 115BAC (new regime) disallows most VI-A except few; compare tax with/without. Rebate u/s 87A available as per regime's threshold. Surcharge applies on crossing slabs; capped for certain CG.
APPLICATION. Compute old vs new; new regime TI without 80C/80D may qualify for full rebate depending on threshold; old regime may exceed rebate. No surcharge at these levels.

■ **FINAL.** Choose the regime with lower tax - typically new regime wins here due to rebate; document option method.

115BAC + 111A/112A

CASE 2: Surcharge cap interplay

FACTS. Resident has LTCG under 112A Rs. 4L & other income Rs. 52L; check surcharge.

ISSUES. Does 15% cap apply and how in new regime?
LAW. Surcharge on 111A/112A gains capped at prescribed % even where total income invites higher surcharge; regime does not disturb the cap.
APPLICATION. Segregate gains; compute tax pieces; apply capped surcharge on equity CG and applicable rate on balance.

■ **FINAL.** Total tax = tax(other income with surcharge) + tax on LTCG with capped surcharge; cess after aggregation.

44ADA — Professionals

CASE 3: Receipts Rs. 68L; cash receipts 3%

FACTS. Practising CA has Rs. 68L total, cash Rs. 2.04L (3%).

ISSUES. Can 44ADA be used and what about books/audit?
LAW. 44ADA available up to notified limit (e.g., Rs. 75L) subject to cash receipts ≤5%; presumptive % applies; depreciation deemed allowed; no books u/s 44AA(2).
APPLICATION. Thresholds satisfied: use 44ADA. If lower profit claimed, books+audit may trigger.

■ **FINAL.** Offer presumptive income; no separate depreciation; advance tax rules still apply.

44AE — Transport

CASE 4: Owns 6 goods carriages (2 heavy, 4 others) all year

FACTS. Small transporter with <10 vehicles wants presumptive.

ISSUES. Eligibility & computation?
LAW. 44AE for ≤10 goods carriages owned at any time; presumptive per month per vehicle with different amounts for heavy vs other.
APPLICATION. Compute months × rate by class; add for 12 months; no further 30-38 deductions.

■ **FINAL.** Declare 44AE income; partner remuneration rules apply only in firm cases.

50C safe■harbour

CASE 5: Sale of land below stamp value

FACTS. Sale consideration Rs. 90L; stamp value Rs. 96L.

ISSUES. Which figure to use as FVC?

LAW. If variation within safe-harbour (exam: assume 10%), adopt actual; else stamp value (or DVO).

APPLICATION. Variation here is 6.67% (<10%).

■ **FINAL.** Use Rs. 90L as FVC; no 50C substitution.

50CA — Unquoted shares

CASE 6: Transfer of unquoted shares for Rs. 15L; FMV per rule Rs. 22L

FACTS. Private company share transfer between residents.

ISSUES. Which value to use for CG?

LAW. For unquoted shares, FMV as per rule substituted as consideration if lower stated price.

APPLICATION. Compare Rs. 15L vs Rs. 22L; substitute.

■ **FINAL.** Use Rs. 22L as FVC for seller; buyer basis rules apply separately.

111A/112A mix

CASE 7: Equity shares: STCG Rs. 1.8L (STT paid) and LTCG Rs. 2.4L (exch.)

FACTS. Other income Rs. 3.5L (resident, <60).

ISSUES. How to rate and apply Rs. 1L LTCG exemption?

LAW. 111A rate applies to STCG on listed equity; 112A @ special rate with Rs. 1L annual exemption; rebate u/s 87A interacts with basic tax but not beyond conditions.

APPLICATION. Apply basic slab to other income; apply 112A after reducing Rs. 1L; then 111A. Aggregate and cess.

■ **FINAL.** Compute piece-wise and conclude total tax; show that only LTCG over Rs. 1L is charged under 112A.

45(2) — Conversion

CASE 8: Plot (cost Rs. 10L) converted to stock on 1-Aug-PY; FMV then Rs. 30L; sold 31-Jan for Rs. 38L

FACTS. Individual trader in land.

ISSUES. What splits into CG vs business income and when?

LAW. On conversion, capital gain = FMV on conversion – cost (indexed for eligible LT). CG taxed in year of actual sale; business income = Sale – FMV at conversion.

APPLICATION. Compute CG = 30–10 (=20) (indexation per holding), taxed in year of sale; BI = 38–30 (=8).

■ **FINAL.** Offer CG and BI in sale year; apply 54 series if eligible on CG portion.

45(1A) — Insurance money

CASE 9: Factory building destroyed; insurer pays Rs. 40L against cost Rs. 25L (WDV Rs. 14L)

FACTS. Receipt of insurance for damage.

ISSUES. Is it CG and how to compute?

LAW. Sec 45(1A) deems receipt on damage/destruction as transfer; FVC = compensation; COA/WDV as per asset; block implications for depreciation may apply.

APPLICATION. Compute CG = 40 – (cost adjusted) considering block rules.

■ **FINAL.** Tax CG in receipt year; apply reinvestment relief if available.

45(5) — Compulsory acquisition

CASE 10: Timeline & enhanced compensation

FACTS. Urban land compulsorily acquired; initial compensation Rs. 60L in PY1; enhanced Rs. 15L in PY3 with interest.

ISSUES. Year of tax and treatment of interest?

LAW. CG on compulsory acquisition taxed in year of first receipt; enhanced compensation taxed in year of receipt; interest taxed on receipt with eligible deduction.

APPLICATION. Tax CG in PY1 on Rs. 60L; in PY3 tax additional CG on Rs. 15L; interest separately under IFOS on receipt with deduction.

■ **FINAL.** Prepare two-year computation showing both components.

House Property

CASE 11: Co-ownership & interest cap

FACTS. Two co-owners 50:50; loan Rs. 40L; interest Rs. 3.2L; self-occupied.

ISSUES. Who gets 24(b) and how much?

LAW. If co-owners are co-borrowers and share interest, each can claim up to own SOP cap.

APPLICATION. Apportion interest 50:50 = Rs. 1.6L each; apply the cap per person.

■ **FINAL.** Each claims up to own cap; excess ignored.

Interest 234A/B/C

CASE 12: Late filing + deferment on equity CG

FACTS. Return filed late; shortfall in advance tax with CG arising in last quarter.

ISSUES. Which sections apply and how to segment instalments?

LAW. 234A for late filing on unpaid tax; 234B for shortfall <90%; 234C for deferment with relief for certain incomes in later instalments.

APPLICATION. Break tax into components; compute months for A/B; for C, test each due date with permitted exclusion.

■ **FINAL.** Add interests to tax payable; show separately in computation sheet.

Part Y - Targeted MCQs (20) with Keys

115BAC

MCQ 1

Which is generally disallowed under 115BAC (new)?

(a) 80C/80D block	(b) Employer NPS u/s 80CCD(2)
(c) Basic exemption	(d) Rebate u/s 87A

■ Correct: (a) - Most VI-A disallowed except specified (e.g., 80CCD(2)).

115BAC

MCQ 2

Option for salaried individual to choose regime:

(a) Only with employer permission	(b) Each year with return
(c) Only once forever	(d) Only with prescribed form

■ Correct: (b) - Salaried can choose each year (conditions apply).

44ADA

MCQ 3

44ADA limit (subject to low cash receipts):

(a) Rs. 3 crore	(b) Rs. 50L regardless
(c) Up to notified Rs. 75L	(d) Only for firms

■ Correct: (c) - Enhanced limit subject to cash ≤5% (exam).

44AE

MCQ 4

44AE applies when:

(a) Only if no books	(b) Turnover ≤2 crore
(c) Only heavy vehicles	(d) ≤10 goods carriages owned any time

■ Correct: (d) - Vehicle-count based test.

50C

MCQ 5

For land/building sale below stamp value:

(a) Stamp value substitutes unless within safe-harbour	(b) DVO value always
(c) Always actual price	(d) Not applicable to individuals

■ Correct: (a) - 50C substitution rule with tolerance.

50CA

MCQ 6

For unquoted share transfers below FMV:

(a) Buyer's valuation	(b) FMV per rule deemed consideration
(c) Not applicable	(d) Stamp value of land

■ Correct: (b) - 50CA rule.

111A

MCQ 7

STCG on listed equity with STT:

(a) Exempt up to threshold	(b) Normal slab
(c) Special rate u/s 111A	(d) Taxed under PGBP

■ Correct: (c) - 111A applies.

112A

MCQ 8

LTCG on listed equity with STT:

(a) Exempt fully	(b) Normal slab
(c) Indexation available	(d) Special rate u/s 112A after Rs. 1L exemption

■ Correct: (d) - Annual Rs. 1L relief then special rate.

45(2)

MCQ 9

Conversion to stock-in-trade leads to:

(a) CG on FMV at conversion taxed on sale year + business income on spread	(b) Exempt
(c) Only business income	(d) CG immediately and no business income

■ Correct: (a) - Hybrid treatment.

45(1A)

MCQ 10

Insurance receipt for destroyed asset is:

(a) PGBP	(b) Capital gains on receipt
(c) Exempt	(d) IFOS

■ Correct: (b) - Deemed transfer on receipt.

45(5)

MCQ 11

Enhanced compensation is taxed:

(a) Never	(b) Split equally
(c) In year of receipt	(d) In year of award only

■ Correct: (c) - Special timing rule.

Dividend

MCQ 12

Dividend from domestic company:

(a) Taxable only if >10%	(b) Taxable to company only
(c) Exempt	(d) Taxable in shareholder’s hands subject to TDS

■ Correct: (d) - Post-DDT regime.

56(2)(viib)

MCQ 13

Share premium in closely held company taxable when:

(a) Issue price exceeds FMV	(b) Issue below face value
(c) Only listed shares	(d) Any share issue

■ Correct: (a) - Anti-abuse rule for unlisted share premium.

HP - Co-owners

MCQ 14

24(b) interest for SOP co-owners:

(a) Split but single shared cap	(b) Each gets own cap if co-borrowers
(c) Never allowed	(d) Only one owner can claim

■ Correct: (b) - Cap applies per assessee.

HP - Arrears

MCQ 15

Arrears/unrealised rent recovered:

(a) Tax under PGBP	(b) Spread over earlier years
(c) Taxed in year of receipt with SD	(d) Exempt

■ Correct: (c) - Special receipt basis with SD.

HP - Deemed let-out

MCQ 16

Multiple houses:

(a) All can be SOP	(b) None
(c) All must be LOP	(d) Excess beyond permitted SOP may be deemed let-out

■ Correct: (d) - Deemed let-out rule.

NPS

MCQ 17

Employer contribution u/s 80CCD(2):

(a) Deductible even under 115BAC (up to limit)	(b) Counts in 80C
(c) Disallowed	(d) Fully exempt as perquisite

■ Correct: (a) - Specific allowance remains.

Interest

MCQ 18

234C relief is available for:

(a) Presumptive taxpayers only	(b) Certain CG/dividend incomes received after due dates
(c) HP loss	(d) Salary

■ Correct: (b) - Installment relief for timing-based incomes.

TDS grid

MCQ 19

Payment to contractor:

(a) 194J	(b) 192
(c) 194C	(d) 194I

■ Correct: (c) - Contract section.

Rates mix

MCQ 20

Equity LTCG exemption:

(a) First Rs. 50k	(b) Not available
(c) Only for minors	(d) First Rs. 1L per year u/s 112A

■ Correct: (d) - Annual threshold.