

# TAXBOOK<sup>+</sup>

## Hints to solutions

### TDS, TCS & Advance Tax

### MCQ

#### TAX DEDUCTION AT SOURCE (TDS)

##### GENERAL PRINCIPLES

**M2. Ronit, age 41 years, is having total income of Rs. 10 lakh for the PY 2021-22 which includes Rs. 1 lakh fees for.....**

Tax on 10L = 1,17,000. Tax payable = 1,17,000 – 10,000.

##### SALARY PAYMENTS

**M4. Shubham, aged 55 years, is employed with Sunshine Ltd. since 1 March 2021 on a monthly salary of Rs. 1 lakh.....**

TI = 12,00,000 – 50,000 SD u/s 16 – 1,50,000 80C = 10,00,000. Tax = 1,17,000. TDS = 1,17,000/12 = 9,750 pm.

**M5. Raghav, age 37 years, is employed with Bright Ltd on a monthly salary of Rs. 60,000 per month. He has furnished.....**

TI = 7,20,000 – 50,000 SD u/s 16 – 2,00,000 IHP loss + 1,00,000 IFOS = 5,70,000. Tax = 27,560. TDS = 27,560/12 = 2,297 pm

**M7. Rohit resigned from BCD Pvt. Ltd. after three years of service and received taxable amount from his EPF Account.....**

Exempt since there is continuous service of 7 years. No TDS.

##### INTEREST, DIVIDEND & INVESTMENT INCOME

**M8. During the FY 2021-22, Mr. T, a resident, received interest on GOI bonds of Rs. 20,000 on 1.10.2021, interest on.....**

TDS u/s 193 = GOI bonds NO + Savings Bonds NO ( $\leq 10,000$ ) + Debenture of BCD Ltd. 750 @ 10% (since  $> 5,000$ ) + Demat listed bonds NO + Debentures of CDF Pvt. Ltd. 300 @ 10% = 1,050

**M9. Mr. Y, a resident, received interest on debentures from three widely held companies of Rs. 4,000 each on.....**

No TDS u/s 193 as each  $\leq 5,000$

**M10. During the FY 2021-22, Mr. C, a resident of age 60 years, received interest on fixed deposits from SBI, PNB and.....**

Amount liable for TDS u/s 194A = SBI NIL ( $\leq 50,000$ ) + PNB NIL ( $\leq 50,000$ ) + HDFC 55,000 + Seema Gramin NIL (per branch  $\leq 50,000$  as no CBS) + Corp deposit-I Nil ( $\leq 5,000$ ) + Corp deposit-II 8,000 = 63,000

**M11. Rakesh, a resident of age 50 years, carrying on business with turnover of Rs. 2 crore for FY 2020-21 and Rs.....**

He is specified individual. Liable to TDS u/s 194A = To firm – YES; To bank – NO. Deduction = 70,000 – 6,000 (40(a)(ia) disallowance of 30% of 20,000) = 64,000.

**M12. Rashmi, a resident and a partner in R & R partnership firm, received interest from the firm of Rs. 40,000 on.....**

TDS u/s 194A = From firm NIL + On IT refund NIL + On savings A/c NIL + On loan NIL as friend not specified individual = Nil

**M13. Mahesh, a resident, received bonus shares from CD Pvt. Ltd. (in which he was a preference shareholder) on.....**

TDS u/s 194 = Bonus shares and loan 11,250 (10% of 75,000 + 37,500) + ZZ NIL ( $\leq 5,000$ ) + QQ 1,200 (20% of 6,000 u/s 206AA) = 12,450

**M14. Reliance Pvt. Ltd. paid dividend to its shareholders on 15.8.2021 through account payee cheques. Five.....**

TDS u/s 194 = 5 shareholders NO ( $\leq 5,000$  each) + 3 shareholders 2,250 (@ 10%) + 2 shareholders 4,000 (@ 20%) = 6,250.

**M15. Bharat, a resident, received income from HDFC Mutual Fund of Rs. 2,250 each on 1.6.2021, 1.9.2021 and.....**

TDS u/s 194K = HDFC MF 675 (10% of 6,750) + JM MF NIL ( $\leq 5,000$ ) + NIL on STCG = 675.

**M16. Mrs. Sharma, a resident, received Rs. 10 lakh on 20.11.2021 upon death of her spouse. The policy was taken on.....**

TDS u/s 194DA: No TDS on death as proceeds exempt. Policy on her life: Taxable as premium  $> 10\%$  of SA. TDS =  $5\%$  of 8,75,000 (20,00,000 – premium paid 11,25,000) = 43,750

**M17. Mr. Jain, a resident, was issued a life insurance policy by Safe Insurance Company on 20.6.2016 for a sum assured.....**

Safe insurance company: Proceeds taxable as premium  $> 10\%$  of SA. TDS u/s 194DA @  $5\%$  on 37,500 (5,37,500 – 5,00,000 premium paid) = 1,875.

Suraksha: Exempt as premium  $\leq 20\%$  of SA.

#### CASUAL INCOME

**M18. During the PY 2021-22, Mr. Gamble earned the following incomes: Lottery prize of Rs. 30,000 (Rs. 7,500 received.....**

TDS u/s 194B/BB = Lottery 9,000 @  $30\%$  + card NIL ( $\leq 10,000$ ) + jackpot 2,25,000 @  $30\%$  + race 15,000 @  $30\%$  = 2,49,000.  
Receipt = 30,000 + 5,000 + 2,50,000 + 50,000 – 2,49,000 TDS = 86,000

#### COMMISSION

**M19. Rajesh, a resident, is an insurance agent of JKL General Insurance company and PQM Life Insurance company.....**

U/s 194D = JKL NIL ( $\leq 15,000$ ) + PQM @  $5\%$  of 22,500 = 1,125

**M20. Ramesh, a resident, has been appointed the stockist of Assam State Lottery. He is also the distributor of Goa....**

U/s 194G =  $5\%$  of 1,20,000 = 6,000. No TDS for Goa State Lottery as  $\leq 15,000$ .

**M21. Suresh, a resident, is a commission agent for Green Wind Pvt. Ltd. During the PY 2021-22 he received commission....**

U/s 194H: @  $5\%$  of 75,000. No TDS on mobile discount as no element of agency.

**M22. Mukesh, a resident and a travel agent, received commission of Rs. 15,000, Rs. 20,000 and Rs. 17,500 from three....**

U/s 194H: First company Nil ( $\leq 15,000$ ). Second and third @  $5\%$  on 37,500 = 1,875.

#### WORK & SERVICES

**M23. BKG & Co, a partnership firm, paid Rs. 25,000 on five occasions to Mr. Suresh, a resident, for providing catering....**

U/s 194C @  $1\%$  of 1,25,000.

**M24. Mr. Raja, carries on a business having turnover of Rs. 3 crore for FY 2020-21. During the FY 2021-22, he made.....**

U/s 194C = Shine @  $2\%$  of 37,500 + Railways Nil + Caterers NIL as personal + Dinesh NIL as personal + Rohit NIL (King Pvt. Ltd. not associate as  $< 20\%$  equity shares) = 750.

**M25. Raman HUF made payment of Rs. 90,000 to Shah & Co, resident partnership firm and a goods carriage.....**

Payer is specified HUF. Each payment  $> 30,000$ . TDS u/s 194C @  $2\%$  of 90,000. No goods carriage exemption as declaration not furnished.

**M26. Ramandeep Publishers Pvt. Ltd. made payment of Rs. 90,000 on 15.4.2021 to Mr. Rohit, a resident, carrying.....**

U/s 194C @  $1\%$  of 30,000 (90,000 – 60,000).

**M27. Jacob, a resident, received the following during the period June 2021 to March 2022: Rs. 37,500 for developing.....**

U/s 194J:  $10\%$  of 2,77,500 (37,500 Mantle + Rs. 15,000 director's remuneration + 75,000 royalty + 1,50,000 non-compete) = 27,750.

$2\%$  of 52,500 = 1,050.

Total = 28,800

**M28. Jolly, a Chartered Accountant, having gross receipts in profession of Rs. 65 lakh for FY 2020-21 and Rs. 45 lakh.....**

Jolly is specified individual. TDS u/s 194J = 10% of 45,000 lawyer + Not on royalty + Not for Ramola as FPS is personal + Not on software as per Notification 21/2012 = 4,500.

**M29. Johnny is a financial consultant, having gross receipts from profession of Rs. 45 lakh for FY 2020-21 and Rs. 55 lakh.....**

Johnny is not specified individual. TDS u/s 194M = 5% of 60L for house + commission NIL ( $\leq 50$  lakh) + lawyer FPS NIL ( $\leq 50$  lakh) = 3 lakh

**M30. Mr. Bonny, having business turnover of Rs. 5 crore for FY 2020-21 and Rs. 4 crore for FY 2021-22, made payment.....**

Bonny is specified individual u/s 194J but no TDS therein as FPS is personal. TDS u/s 194M @ 5% of 60L.

**M31. Ruhi, a professional having gross receipts of Rs. 40 lakh for FY 2019-20 and Rs. 60 lakh for FY 2020-21, paid.....**

Ruhi is specified individual. Commission u/s 194H NO as  $\leq 15,000$ ; Gift items u/s 194C NO as not 'work'; Doctor u/s 194J NO as personal. NO 194M as each payee within limit of 50 lakh.

#### HIRE OR TRANSFER OF PROPERTY

**M32. Keshav, engaged in manufacturing business and having turnover of Rs. 2 crore for FY 2020-21, made the.....**

Keshav is specified individual. TDS u/s 194-I = Bull NIL ( $\leq 2.4$  lakh) + Bear 5,000 (2% of 2,50,000) + Trade Smart NIL (2,00,000 being 3,00,000 – 1,00,000 is  $\leq 2.4$  lakh) + Leaseman 37,500 (10% of 3,75,000) = 42,500

**M33. B&C partnership firm, having turnover of Rs. 40 lakh from business for FY 2020-21, paid office rent of Rs. 4 lakh.....**

TDS u/s 194-I. Advance, arrears, non refundable deposit are included.

**M34. Jagson Pvt. Ltd. hired machinery during January and February 2022 @ Rs. 50,000 per month and a warehouse.....**

U/s 194-I. Total of 2,50,000 > 2,40,000 limit. TDS @ 2% of 1,00,000 and @ 10% of 1,50,000 = 17,000.

**M35. Mr. Q is a professional. He has paid Rs. 2,50,000 rent for use of building to Mr. J, a resident, for the month of....**

Mr. Q is specified individual. Rent > 2.4L.

**M36. Krishna, a salaried employee, visits Chennai on deputation for the period July 2021 to March 2022 where he stays.....**

U/s 194-IB; TDS @ 20% of 5,40,000 = 1,08,000 (can't exceed 60,000 rent for last month). Amount paid = 5,40,000 – 60,000 = 4,80,000.

**M37. Shirish, a freelance professional, having gross receipts of Rs. 30 lakh in FY 2020-21, stays in a house, owned by.....**

U/s 194-IB since he is not a specified individual covered u/s 194-I.

House @ 5% of 4,59,000 = 22,950. P&M not covered u/s 194-IB.

**M38. Mr. Shera, a resident, had purchased a house on 10.1.2021 for Rs. 40 lakh which he sold to Mr. Bera, a resident.....**

U/s 194-IA. Mr. Bera @ 1% of 55 lakh. Mr. Shah NIL as consideration < 50 lakh.

**M39. Raghu, a resident of age 20 years, purchased a flat in a housing society on 15.10.2021 from Bhriugu, a resident.....**

U/s 194-IA: TDS @ 1% of 60,00,000 = 60,000.

IFOS u/s 56(2)(x) = 10,00,000 (SDV – FVC). Tax on TI of 10,00,000 = 1,17,000.

Total tax to pay for self and on behalf of Bhriugu = 1,17,000 + 60,000.

**M40. The Maharashtra State Government compulsorily acquired a plot of urban agricultural land and a building.....**

U/s 194LA; Land NIL as agricultural; Building @ 10% of 11.25 lakh

#### SPECIAL CASES

**M41. Bill Jones, a French citizen, tennis player and a non-resident in India, came to India during the PY 2021-22 during.....**

U/s 194E = 20% of 7,10,000 (6,00,000 + 1,00,000 + 10,000) = 1,42,000. Plus 4% HEC = 1,47,680.

U/s 194B NIL since within 10,000 limit.

**M42. Mr. Mohan, a transporter, withdrew the following amounts in cash from his accounts during the PY 2021-22.....**

He is not a ROI defaulter. TDS u/s 194N = HDFC Nil ( $\leq 1$  cr) + ICICI 2,20,000 (@ 2% of 1.1 Cr) + PO Nil ( $\leq 1$  cr) = 2,20,000

**M43. Mr. Krishna withdrew Rs. 1.5 crore in cash in the aggregate from five accounts maintained in Bihar Co-operative.....**

He is a ROI defaulter. TDS u/s 194N = 5% of 1.5 Cr for Bihar Coop + 2% of 30 lakh for PO + Nil for BOI ( $\leq 20$  lakh) = 7,50,000 + 60,000 = 8,10,000

**M44. Mr. Sohan, a resident doctor, starts providing consultation services to his patients through a medical.....**

U/s 194-O for Med Net; @ 5% of 3 lakh as PAN not furnished. 5 lakh exemption not applicable as PAN/Aadhar not furnished.

U/s 194J NIL for own clinic

**M45. Mr. Rajkumar, a businessman, sells stationery items on Amazon and Flipkart. During the PY 2021-22, he has.....**

U/s 194-O; Amazon NIL ( $\leq 5$  lakh and Aadhar furnished); Flipkart @ 1% of 7.5 lakh (as  $> 5$  lakh)

**M45A. Mr. Rohan, 80 years of age and a resident, has earned pension of Rs. 25,000 p.m. during the PY 2021-22 which.....**

Conditions of 194P are satisfied. Bank will deduct TDS on total income.

GTI = 2,50,000 salary (3,00,000 – 50,000 standard deduction) + 5,20,000 interest = 7,70,000. TI = 7,70,000 – 1,00,000 80C – 50,000 80TTB = 6,20,000. Tax = 24,960 .

**M45B. QR Ltd., an Indian company, having turnover from business of Rs. 8 crore for FY 2020-21 and Rs. 10.2 crore for.....**

TO of Mr. C  $> 10$  cr in preceding FY. Purchase during PY  $> 50$  lakh. TDS u/s 194Q = 0.1% of 30 lakh = 3,000.

#### GENERAL POINTS & PROCEDURE

**M47. Which of the following is not correct in case payee does not furnish his PAN to payer?.....**

20% rate u/s 206AA is not required to be increased by SC and HEC

**M48. BCD Ltd. credits commission to the account of Sohan on 20.3.2022 of Rs. 50,000. The amount is paid on.....**

U/s 194H @ 5% to be deducted at the time of earlier of credit or payment.

**M49. Vivek & Co, Chartered Accountant firm, raised invoice of Rs. 1,18,000 (showing Rs. 1,00,000 plus 18% GST).....**

U/s 194J @ 10% of 1,00,000. No TDS on GST indicated separately.

**M51. Mr. Sharma, sole proprietor of a furniture workshop and a resident aged 62 years, has estimated his total income.....**

194C not covered u/s 197A. Covered u/s 197.

**M52. Suhana, a resident aged 56 years, has estimated her gross total income for PY 2021-22 of Rs. 4,00,000 and.....**

194DA not covered u/s 197; covered u/s 197A but she can't avail benefit since taxable proceeds of 3 lakh  $> 2.5$  lakh basic exemption limit.

**M53. Mr. K, a resident of age 70 years, is supposed to receive interest on bank fixed deposits of Rs. 2,00,000 and.....**

194 and 194A covered u/s 197 and 197A for Mr. K. He is senior citizen and tax will be nil. He should go with 197A.

**M54. Exemption of TDS from payments made for personal purposes applies only u/s 194C and 194H.....**

194C and 194J

**M58. Swan Pvt. Ltd. deducted TDS on fees for professional services u/s 194J on 15.7.2021. Which of the following is not.....**

TDS certificate should be issued within 15 days from due date of statement

**M59. Mr. Q deducted TDS on contract work charges u/s 194M on 15.3.2022. Which of the following is not correct.....**

Exempted from TAN requirement u/s 203A

**M60. Mr. C deducted TDS on rent u/s 194-I on 10.3.2022. Which of the following is not correct.....**

TDS statement should be furnished by 31.5.2022

**M61. Which of the following is not a consequence of not deducting or depositing TDS as required.....**

201(1A) provides for simple interest

**M62. Zoyo Pvt. Ltd. deducted TDS of Rs. 20,000 u/s 193 on 15.9.2021 along with payment of interest income which.....**

TDS to be deducted on 1 Sep, i.e., earlier of credit or payment: Delay of 15D. Deposited on time.

Interest for delay in deduction = 1% of 20,000 for 1 month

**M63. Mr. Z deducted TDS of Rs. 3 lakh u/s 194M on 1.3.2022 in respect of payment of fees for professional services.....**

TDS deduction on time (earlier of credit or payment). Deposit due date u/s 194M 30.4.2022. Delay in deposit.

Interest = 1.5% of 3 lakh for 3 months (1.3.2022 to 15.5.2022)

#### COLLECTION OF TAX AT SOURCE (TCS)

**M65. Mr. C is a distributor for alcoholic liquor produced by JJ Liquor Ltd. Turnover from his business during PY 2020-21.....**

U/s 206C(1) @ 5% of 10 lakh

**M66. A mining lease was awarded to BCD Pvt. Ltd. for the period June 2021 to March 2022 for Rs. 37,500 per month.....**

U/s 206C(1C) @ 2% of 3.75 lakh

**M67. In which of the following cases, will Speed & Co, partnership firm and a car showroom owner having business.....**

D: U/s 206C(1F) as value > 10 lakh for each car

A: No as value of each car is not > 10 lakh; B: No as Government is not buyer; C: No as consideration not received

**M68. Forex & Co, authorized dealers, received Rs. 5 lakh from Mr. Y, each on 1.2.2022 and 1.3.2022, for remittance.....**

U/s 206C(1G) @ 5% on 3 lakh (10 lakh – 7 lakh)

**M69. Swan Tours Pvt. Ltd. received Rs. 10 lakh from Mr. P as payment for a package tour program to Europe. At what.....**

U/s 206C(1G) @ 5% of Rs. 10 lakh

**M70. Honda Cars Ltd., having turnover of Rs. 12 crore for FY 2020-21 and Rs. 9 crore for FY 2021-22, sold 10 cars of Rs. 8.....**

Government is not a buyer u/s 206C(1H).

**M71. Dash Cars Ltd., a car manufacturer, having a turnover of Rs. 15 crore for FY 2020-21, sold 5 cars of Rs. 15 each to a.....**

Transport company: U/s 206C(1F) @ 1% of 75 lakh = 75,000, as value of each car > 10 lakh. No TDS u/s 194Q as TCS collectible u/s 296C(1F).

Car distributor: U/s 206C(1H) @ 0.1% of 10 lakh (60 lakh – 50 lakh) = 1,000, as turnover of seller for preceding FY > 10 crore, sale value during PY > 50 lakh. 206C(1F) not applicable as it is not retail sale and 194Q not applicable as turnover of buyer for preceding FY ≤ 10 crore.

#### ADVANCE TAX

**M73. Mr. K, resident of age 45 years, has estimated his tax liability for PY 2021-22 at Rs. 20,000. How much advance tax.....**

9,000 (45% of 20,000) – 2,000

**M74. Mr. J has estimated his tax liability for PY 2021-22 at Rs. 50,000. How much advance tax will he need to pay for....**

75% of 50,000, i.e., 37,500 – 40,000

**M75. Mr. T is a businessman claiming presumptive income u/s 44AD. He has estimated his tax liability for PY 2021-22.....**

100% by 15 March

**M76. Mr. Q has estimated his total income for PY 2021-22 at Rs. 6 lakh but he has not paid advance tax. His total.....**

Higher of TI last assessed (8 lakh) or TI returned in a subsequent year (9 lakh)

**M77. Mr. B, a resident aged 39 years, has estimated particulars of his income for PY 2021-22 as under: Business income.....**

TI excluding LTCG = 6,00,000 BI – 2,00,000 IHP – 1,50,000 80C = 2,50,000; Tax is NIL.

LTCG @ 10% of 1,00,000 (2,00,000 – 1,00,000 threshold) = 10,000. No 87A on 112A tax. Tax = 10,000 + 400 HEC = 10,400.

AT = 10,400 – TDS 10,000 = 400. No AT payable as < 10,000.

**M77A. Mr. Z, a resident, celebrated his 60<sup>th</sup> birthday on 1.12.2021. He earned salary income of Rs. 6 lakh (computed).....**

Mr. Z is a senior citizen not having business income. No AT.

**M78. Mr. J, a resident aged 40 years, has estimated particulars of his income for PY 2021-22 as under: Salary of Rs. 10.....**

Tax on 10,50,000 = 1,32,600 – TDS 1,00,000 = 32,600. 75% of 32,600 = 24,450

**M80. Mr. M, aged 40 years, computed his tax liability for PY 2021-22 at Rs. 98,780. He paid Rs. 65,430 as advance tax.....**

Interest = 1% for 4 months (1.4.2022 to 25.7.2022) on 23,300 (98,780 – 10,000 TDS – 65,430 AT = 23,350) = 932

**M81. Mr. T, aged 55 years, computed his tax liability for PY 2021-22 at Rs. 86,500. He paid Rs. 78,000 as advance tax.....**

AT paid of 78,000 is not less than 77,850 (90% of 86,500). 234 not applicable.

**M82. Mr. Z estimated his tax liability for FY 2021-22 at Rs. 50,000 but filed return of income on 20.7.2021 showing tax.....**

15 June: 1% × 3 mth × 9,000 (15% of 60,000) = 270.

15 Sep: 1% × 3 mth × 27,000 (45% of 60,000) = 810.

15 Dec: 1% × 3 mth × 45,000 (75% of 60,000) = 1,350.

15 Mar: 1% × 60,000 (100% of 60,000) = 600

**M83. Mr. C, resident aged 50 years, won lottery prize of Rs. 8 lakh on 15.11.2021. He did not pay any advance tax. He.....**

AT payable = 2,49,600 tax on total income of 8 lakh (30% + 4% HEC) – 2,40,000 TDS = 9,600. No AT as amount < 10,000. No interest.

**M84. Mr. J, a lawyer and a resident aged 42 years, has estimated gross receipts from profession for FY 2021-22 at Rs.....**

TI = PGBP u/s 44ADA 25 lakh + IFOS 15 lakh = 40 lakh.

Tax on 40 lakh of 10,53,000 – TDS 2,50,000 – AT paid 5,00,000 = 3,03,000.

Interest u/s 234B = 1% for 4 months (1.4.2022 to 25.7.2022) on 3,03,000 = 12,120.

Interest u/s 234C = 1% of 3,03,000 (10,53,000 – 2,50,000 TDS – 5,00,000 AT paid) = 3,030.

Total interest = 15,150