

QB365 Question Bank Software Study Materials

Direct Taxes Important 2,3 & 5 Marks Questions With Answers (Book Back and Creative)

11th Standard

Commerce

Total Marks : 75

2 Marks

10 x 2 = 20

1) What is Income Tax?

Answer : Income tax is a direct tax under which tax is calculated on the income, gains or profits earned by a person such as individuals and other artificial entities (a partnership firm, company, etc.)

2) What is meant by previous year?

Answer : The year in which income is earned is called "previous year".

3) What is an assessment year?

Answer : The year in which tax is paid is called the assessment year.

4) State any four deductions allowable from gross total income under section 80 C?

Answer : (i) Contribution to provident fund
(ii) Life insurance premium
(iii) Children's tuition fees
(iv) Repayment of housing loan principal.

5) What do you mean by Tax?

Answer : Tax is a compulsory contribution to state revenue by the Government. It is levied on the income or profits from business of individuals and institutions.

6) What is the reason for collecting tax?

Answer : The revenue earned through tax is utilised for the expenses of civil administration, internal and external security, building infrastructure etc.

7) What are the deductions as per Section 80 C?

Answer : **80C Deductions:**

Contribution to Provident Fund, Life Insurance Premium, Children's Tuition Fees, Health Insurance Premium; Investment in National Savings Certificate, interest paid for home loans, etc.,

8) Describe the Income Tax Slab rate of individual.

Answer : As per the Assessment Year 2018-19

S.No	TOTAL INCOME (Rs)	Income Tax Rate
(i)	Upto 2,50,000	Nil
(ii)	2,50,001 - 5,00,000	5%
(iii)	5,00,001 - 10,00,000	20%
(iv)	Above 10,00,000	30%

9) Give any four examples of Direct tax.

Answer : 1. Income Tax
2. Wealth Tax
3. Securities Transaction Tax
4. Banking Cash Transaction Tax

10) What is Annual tax?

Answer : Income tax is an annual tax because it is true income of a particular year which is chargeable to tax.

3 Marks

10 x 3 = 30

11) List out the five heads of income.

Answer : These five heads are :

- (i) Income from salaries (sections 15-17)
- (ii) Income from House Property (sections 22-27)
- (iii) Income from 'Profits and gains of Business or Profession' (sections 28-44)
- (iv) Income from capital gains (section 45-55) and
- (v) Income from other sources (section 56-59)

12) Write short notes on :

- a) Direct Tax
- b) Indirect Tax

Answer : There are two types of taxes direct taxes and indirect taxes,

(i) Direct Tax:

- (1) If a tax levied on the income or wealth of a person and is paid by that person or his office directly to the Government, it is called direct tax.
- (2) E.g: Income tax, wealth tax, capital gain tax, etc.

(ii) Indirect Tax:

- (1) If tax is levied on the goods or services of a person (seller), it is collected from the buyers and is paid by seller to the Government, it is called indirect tax.
- (2) E.g. GST

13) Who are all included in the term person?

Answer : Person includes :

- 1. An Individual
- 2. A Hindu Undivided Family (HUF)
- 3. A Company
- 4. A Firm
- 5. An association of persons or a body of individuals, whether incorporated or not
- 6. A local authority and
- 7. Every artificial juridical person not falling within any of the preceding sub-clauses.

14) What do you mean by Total Income?

Answer : Out of Gross Total Income, Income tax Act, 1961 allows certain deductions under section 80. After allowing these deductions the figure which we arrive at is called 'Total Income' and on this figure tax liability is computed at the prescribed rates.

15) Write short notes on CBDT.

- Answer :** (i) The central Government constituted the Central Board of Direct Taxes.
- (ii) In India all direct taxes are levied and administered by central Board of direct taxes.
- (iii) Income-tax is administered by the Central Government (Ministry of finance) with the help of income tax department.

16) Who do income tax is treated as annual tax?

Answer : Income tax is an annual tax because it is the income of a particular year which is chargeable to tax.

17) What do you mean by previous year?

Answer : According to Section (3) of Income Tax Act 1961, "The year in which income is earned is called previous year". It is also normally consisting of a period of 12 months commencing on 1st April every year and ending on 31st March of the following year. It is also called as financial year immediately following the assessment year.

18) What are the exempted income from Income Tax?

Answer : The exempted income from Income Tax are:

- (i) Agriculture Income (Sec.10 (i)).
- (ii) Payment received from family income by member of HUE
- (iii) House Rent allowance subject to certain limit (IO(B/A)).
- (iv) Any amount from Provident Fund paid to retiring employees (10(11)).
- (v) Scholarship granted to meet the cost of education.
- (vi) Family pension received by family member of armed forces.
- (vii) Interest from certain exempted securities (10(15)).

19) Explain the heads of income.

Answer : Section 14 of Income Tax Act 1961 provides for the computation of total income of an assessee, which is divided under five heads of income. Each head of income has its own method of computation. These five heads are;

- 1. Income from 'Salaries' [Sections 15-17];
- 2. Income from 'House Property' [Sections 22-271];
- 3. Income from 'Profits and Gains of Business or Profession' [Sections 28-44];
- 4. Income from 'Capital Gains' [Sections 45-55]; and
- 5. Income from 'Other Sources' [Sections 56-59]

20) What does the term person include?

Answer : The term 'person' includes the following:

- 1. An Individual
- 2. A Hindu Undivided Family (HUF)
- 3. A Company
- 4. A Firm
- 5. An association of persons or a body of individuals, whether incorporated or not
- 6. A local authority and
- 7. Every artificial juridical person not falling within any of the preceding sub-clauses.

5 Marks

5 x 5 = 25

21) What are the items included in an income?

Answer :

22) Elucidate any five features of Income Tax.

Answer : Features of Income Tax in India:

(i) Levied as per the constitution:

Income tax is levied in India by virtue of entry No. 82 of List I (Union List) of seventh schedule to the Article 246 of the constitution of India.

(ii) Levied by Central Government:

- 1. Income tax is charged by the Central Government on all incomes other than agricultural income.
- 2. However, the power to charge income tax on agricultural income has been vested with the State Government as per entry 46 of list I, i.e., State List

(iii) Direct Tax :

- 1. Income Tax is a direct tax.
- 2. It is because the liability to deposit and ultimate burden are on the same person.
- 3. The person earning income is liable to pay income tax out of his own pocket and cannot pass on the burden of tax to another person.

(iv) Annual Tax:

Income tax is an annual tax, because it is the income of a particular year which is chargeable to tax.

(v) Tax on person:

- 1. It is a tax on income earned by a person
- 2. The term 'person' has been defined under the Income tax Act.
- 3. It includes individual, Hindu Undivided Family, Firm, Company, local authority, Association of Person or Body of Individual or any other artificial juridical persons
- 4. The persons who are covered under Income tax Act are called 'assessee's'.

23) List out any ten kinds of income chargeable under the head income tax.

Answer : Income includes the followings :

- (i) Profits and gains of business or profession
- (ii) Dividend
- (iii) Voluntary contribution received by a charitable/religious trust or university / educational institution or hospital/electoral trust.
- (iv) Value of perquisite or profit in lieu of salary taxable U/S 17 and social allowance or benefit specifically granted either to meet personal expenses or for performance of duties of an office or an employment of profit.
- (v) Export incentives, like duty draw back cash compensatory support, sale of licenses, etc.
- (vi) Interest, salary, bonus, commission or remuneration earned by a partner of a firm from such firm.
- (vii) Capital gain chargeable U/S 45
- (viii) Profits and gains from the business of banking carried on by a co-operative society with its members.
- (ix) Winning from lotteries, cross word puzzles, races, including horse races, card games, and other games of any sort or from gambling or betting of any form or nature whatsoever.
- (x) Deemed income u/s 41 or 59.

24) Discuss the various kinds of assesses.

Answer : Assessee [(Sec. 2(31))]:

Assessee means a person by whom any tax or any other sum of money is payable under this Act. It includes every person in respect of whom any proceeding has been taken for the assessment of his income or assessment of fringe benefits.

Person [Sec.2 (31)]:

The term 'person' includes the following:

- 1. An Individual
- 2. A Hindu Undivided Family (HUF)
- 3. A Company
- 4. A Firm
- 5. An association of persons or a body of individuals, whether incorporated or not
- 6. A local authority and
- 7. Every artificial juridical person not falling within any of the preceding sub-clauses.

25) Determine the status of following persons.

- (i) Mr. Abdul kalam
- (ii) Mr. Rama is a karta in a family which consists of his brother, sister, father and mother are co-parceners.
- (iii) Life Insurance Corporation of India.
- (iv) A partnership firm with A, B, and C are partners.
- (v) Kancheepuram Silk co-operative society
- (vi) A village panchayat
- (vii) Reserve Bank of India.

Answer : (1) Mr. Abdulkalam - An Individual

- (2) Mr. Rama is a karta in a family which consists of his brother, sister, father and mother are co-parceners - HUF
- (3) Life Insurance Corporation of India - A Company
- (4) A partnership firm with A, B, and C are partners - Firm
- (5) Kancheepuram Silk Co-operative Society- AOP
- (6) A village panchayat - A local authority.
- (7) Reserve Bank of India - Artificial Juridical person.