BLOGS

MCQs on Taxation Law for CLAT PG

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1. In which of the following cases did the Supreme Court held that the assessee does not waive the right to challenge levy by merely paying the penalty to release goods under Section 129 of the CGST Act?

a) M/S Asp Traders Vs State Of Uttar Pradesh & Ors

b) Union of India v. Ashish Agarwal

c) Additional Commissioner of Income-Tax vs. Bharat V. Patel

d) Binoy Viswam v. Union of India

2. Which of the following principles were laid down in CIT v. B.C. Srinivasa Setty?

a) Capital gains tax is unsuccessful if the cost of acquisition cannot be calculated.

b) A company’s goodwill is always subject to taxation

c) The Income Tax Act exempts goodwill transfers.

d) Goodwill generated in a newly commenced business is not an asset under Section 45 of Income Tax Act

3. In which of the following cases did the Supreme Court lay down certain principles on anti- tax avoidance?

a) McDowell and Co. Ltd. v. C.T.O

b) CIT v. B.C. Srinivasa Setty

c) Union of India v. Ashish Agarwal

d) CIT vs. D. P. Sandu Bros. Chembur Pvt. Ltd.

4. In which of the following cases did the Supreme Court clarify the scope of Section 153A of the Income Tax Act, affirming the scope of assessment under this section?

a) Pr. Commissioner of Income Tax Central vs. Abhisar Buildwell P. Ltd

b) Vodafone International Holdings B.V. v. Union of India

c) CIT v. Bharati Hexacom Ltd.

d) Mohit Minerals Pvt. Ltd. v. Union of India

5. Which Article of the Constitution of India provides that no tax shall be levied or collected except by authority of law?

a) Article 265

b) Article 260

c) Article 263

d) Article 264

6. According to the Income Tax Act, which of the following is necessary for income to be classified as "agricultural income"?

a) Revenue must arise from land

b) Land must be evaluated to determine land revenue

c) Basic agricultural operations must be carried out

d) Produce must be sold by the cultivator

7. Which of the following sections of the Income Tax Act, 1961, deals with the five heads of income?

a) Section 14

b) Section 15

c) Section 16

d) Section 18

8. Which of the following is not a head of income under the Income Tax Act, 1961?

a) Income from House Property

b) Capital Gains

c) Agricultural Income

d) Profits and Gains of Business or Profession

9. In which of the following cases did the Supreme Court held that the recommendations of the GST Council are persuasive and not binding on the Union and States?

a) Pr. Commissioner of Income Tax Central vs. Abhisar Buildwell P. Ltd

b) CIT vs. D. P. Sandu Bros. Chembur Pvt. Ltd.

c) Assessing Officer Circle (International Taxation) New Delhi vs. M/s Nestle SA

d) Mohit Minerals Pvt. Ltd. v. Union of India

10. Which section of the Income Tax Act deals with double taxation avoidance agreements in India?

a) Section 90

b) Section 91

c) Section 93

d) Section 95

11. Identify the correct statements:

I. “Tax avoidance” is a tax-saving device wherein the taxpayer uses legal means to reduce tax liability within the means sanctioned by law.
II. “Tax evasion” means illegally trying to pay less tax by using fraudulent methods.
III. Both Tax evasion and tax avoidance are illegal

a) I and II

b) II and III

c) II only

d) All of the above

12. Which Article of the Constitution of India introduced the concept of GST?

a) Article 286

b) Article 279A

c) Article 246A

d) Article 269A

13. In which of the following cases did the Supreme Court held Section 139AA of the IT Act valid, which makes it compulsory for all persons who are Income-tax assessees to obtain an Aadhaar card and quote their Aadhaar number to the prescribed Income-tax authority?

a) Binoy Viswam v. Union of India

b) Chamber Of Tax Consultants v. Union Of India

c) Vikram Cement v. State of Madhya Pradesh

d) S. Gopalan vs State of Madras

14. In which of the following cases did the Supreme Court held that Article 265 is applicable not only for “levy” but also for the collection of taxes?

a) Chottabhai vs. Union of India

b) S. Gopalan vs State of Madras

c) G.K.Krishnan & Ors vs. State of Tamil Nadu

d) RMDC (Mysore) Private Ltd. vs. State of Mysore

15. Under the Income Tax Act, 1961, “previous year” generally means:

a) Calendar year

b) Financial year immediately preceding the assessment year

c) Year of receipt of income

d) Year of assessment

Answers And Explanations

1. (A) In M/S Asp Traders Vs State Of Uttar Pradesh & Ors (2025), the Supreme Court made it clear that the statutory right to appeal and the natural justice principles are not intended to be superseded by the deeming fiction of Section 129(5). The Court made clear a crucial point: whether taxes are paid voluntarily or not, the procedure does not automatically come to an end. Since the absence of an order essentially terminates the taxpayer’s non-derogable right to appeal, tax authorities are nonetheless required by law to issue a reasoned ruling.
2. (D) According to the ruling in CIT v. B.C. Srinivasa Setty, goodwill created in a recently established business cannot be classified as an asset under Section 45 of the Income Tax Act, 1961, and as a result, its transfer is not taxable under the “capital gains”.
3. (A) In McDowell and Co. Ltd. v. c.T.a.s, the Supreme Court ruled that everyone has the right to set up their operations in a way that avoids paying taxes, but such an arrangement must be genuine and not fictitious. As a result, a tax avoidance transaction is regarded as a fiscal nullity, and courts have the authority to investigate the motivations underlying such a plan to assign tax liabilities. However, unlike legitimate business transactions that are not “solely” intended for tax avoidance with no other purpose, only the “colourable” measures utilised must be disregarded.
4. (B) Section 153A of the Income Tax Act was made clearer by the Supreme Court in the historic ruling of Pr. Commissioner of Income Tax Central v. Abhisar Buildwell P. Ltd. (2023). The Court upheld that the Assessing Officer’s (AO) jurisdiction under Section 153A for finished or unresolved assessments is restricted to additions based on incriminating material found during the search or request.
5. (A)

6. (C) According to the definition under the Income Tax Act, “agricultural income” means any rent or revenue derived from land which is situated in India and is used for agricultural purposes.
7. (A) As per Section 14 of the Income Tax Act, the heads of income are Salaries, Income from house property, Profits and gains of business or profession, Capital gains, and Income from other sources.
8. (C) As per Section 10 of the Income Tax Act, agricultural income shall not be included in computing the total income of a previous year of any person.
9. (D) The Supreme Court made it clear in Mohit Mineral Pvt. Ltd. v. Union of India that the GST council’s recommendation is merely advisory. The GST Council’s recommendation is unqualified and unjustified. Therefore, it would be absurd to claim that the recommendations are required. The court observed that the constitution employed the word “recommendation” in a variety of different contexts. However, the court pointed out that the term “recommendation” only has a “persuasive” meaning.
10. (A) As per Section 90 of the Income Tax Act, the Central Government may enter into an agreement with the Government of any country outside India or specified territory outside India for the avoidance of double taxation.
11. (A) Tax evasion is illegal, while tax avoidance is legal. Tax avoidance aims to reduce tax liability while staying within the boundaries of law.
12. (C) The concept of the Goods and Services Tax (GST) in India was introduced by the Constitution (One Hundred and First Amendment) Act, 2016, which inserted several new articles into the Constitution. Article 246A grants concurrent power to both the Parliament and the state legislatures to make laws with respect to GST.
13. (A) In Binoy Viswam v. Union of India [2017] 396 ITR 66 (SC), it was decided that Section 139AA of the IT Act requires all individuals who are assessed income tax to get an Aadhaar card and provide their Aadhaar number to the designated income tax authority. found to be lawful, within Parliament’s legislative authority, and neither discriminatory nor in violation of Article 19(1)(g) of the Constitution. Section 139AA(2)’s proviso must be viewed prospectively rather than retroactively.
14. (A) According to the ruling in Chottabhai v. Union of India 1962 SCR Supl (2) p. 1006, Article 265 applies to both “levy” and tax collection, and the term “assessment” encompasses both of the executive functionary’s responsibilities.

15. (B) As per Section 3 of the Income Tax Act, “previous year” means the financial year immediately preceding the assessment year. In the case of a business or profession newly set up, or a source of income newly coming into existence, in the said financial year, the previous year shall be the period beginning with the date of setting up of the business or profession or, as the case may be, the date on which the source of income newly comes into existence and ending with the said financial year.