BLOGS

Sectional Test on Income Tax Act, 1961 for CLAT PG

Adtiya Aryan · 15 Jun 2026

1. Under the Income Tax Act, a person is considered to be a resident in India if he

a. Resides in India for 182 days during the relevant previous year,

b. 60 days during the previous year and 365 days for the preceding four years.

c. meets either of the conditions listed in Section 6(1).

d. All of the above

2. Which of the following factors is crucial in determining the tax liability of an assessee?

a. Place of business

b. Citizenship

c. Residential status

d. Nature of income

3. Which of the following incomes is only subject to taxation in India if the assessee is resident and ordinary resident?

a. Income accruing outside India from a business controlled outside India

b. Income received in India

c. Income deemed to be received in India

d. Income accruing outside India from a business controlled in India

4. Under which of the following sections of the Income Tax Act, Income from house property is chargeable?

a. Section 22

b. Section 21

c. Section 20

d. Section 24

5. Which of the following is considered as a capital receipt?

a. Salary

b. Rent

c. Compensation for loss of employment

d. Interest on fixed deposit

6. Under the Income Tax Act, Agricultural income is exempted under:

a. Section 10(1)

b. Section 10(2)

c. Section 11

d. Section 12

7. An assessment order may be appealed for the first time before:

a. High Court

b. Supreme Court

c. Commissioner of Income Tax (Appeals)

d. Income Tax Appellate Tribunal

8. Assertion (A): An assessee's total income from the previous year is subject to income tax.
Reason (R): The Income Tax Act's Section 4 is the charging section that establishes the tax charge.

a. Both A and R are true, and R correctly explains A

b. Both A and R are true, but R does not explain A

c. A is true, but R is false

d. A is false, but R is true

9. Assertion (A): In India, an assessee's citizenship has no bearing on their tax payment.
Reason (R): The assessee's residential status is the primary determinant of their tax due under the Income Tax Act.

a. Both A and R are true, and R correctly explains A

b. Both A and R are true, but R does not explain A

c. A is true, but R is false

d. A is false, but R is true

10. Under the Income Tax Act, the heads of income are classified under:

a. Section 10

b. Section 14

c. Section 11

d. Section 16

11. In which of the following cases can income be taxed in the year that it is earned?

a. Salary income

b. Income of a discontinued business

c. Income of a newly started business

d. Income of a non-resident shipping business

12. In India, income tax is assessed for each assessment year in accordance with:

a. Income of the calendar year

b. Income of the assessment year

c. Income of the previous year

d. Income received in India only

13. Which of the following is regarded as income deemed to be received in India?

a. Income from business connection in India

b. Income accruing outside India

c. Employer’s contribution to recognised provident fund in excess of limits

d. Royalty payable outside India

14. The Supreme Court ruled in CIT v. B.C. Srinivasa Setty that the capital gains tax fails when:

a. Asset is self generated

b. Transfer is exempt under Section 47

c. Cost of acquisition is incapable of determination

d. Asset is not a capital asset

15. Under the Income Tax Act, search and seizure can be authorised by:

a. Commissioner of Income Tax

b. Assessing Officer

c. Director General of Income Tax

d. All of the above

Answers and Explanations

1. (D) Under Section 6(1) of the Income Tax Act, 1961, an individual is treated as a resident in India if he satisfies either of the two alternative conditions prescribed in the provision: (a) He is in India for at least 182 days during the relevant previous year, OR (b) He is in India for at least 60 days during the relevant previous year and for at least 365 days during the four years immediately preceding that previous year.
2. (C)
3. (A) According to Section 5(1), RNORs and NRs are not subject to taxation on income earned outside of India from a business controlled outside of India. Only when the assessee is a Resident and Ordinarily Resident does such income become taxed.
4. (A)
5. (C) As it is received for the termination or loss of the source of income itself rather than for services done, compensation for loss of employment is regarded as a capital receipt.
6. (A)
7. (C) Section 246A allows for the first appeal of an assessment order issued by the Assessing Officer. According to Section 250, the Commissioner of Income Tax (Appeals) is the first appellate authority.
8. (A)
9. (A)
10. (B)
11. (D) Section 172 of the Act deals with the shipping business of non-residents
12. (C) Sections 3 and 4
13. (C) Section 7
14. (C)
15. (D)