

Advance Learning on Section 44AD (Theory)

To give relief to small assesseees, the Income-tax Law has incorporated a simple scheme commonly known as Presumptive Taxation Scheme. There are two schemes, viz., the scheme of section 44AD and the scheme of section 44AE. An assessee adopting these provisions is not required to maintain the regular books of account and is also exempt from getting the books of account audited. In this advance learning we will cover the provisions of the presumptive taxation scheme provided in section 44AD.

The scheme of section 44AD is designed to give relief to small assesseees engaged in any business (except the business of plying, hiring or leasing of goods carriages referred to in section 44AE). The detailed provisions in this regard are as follows:

Applicability of the scheme

The provisions of section 44AD are applicable to such resident assessee who is an Individual, Hindu Undivided Family and Partnership Firm but not Limited Liability Partnership Firm.

Unlike section 44AE, in case of section 44AD there is a restriction on which categories of assesseees can opt for the scheme. Only specific categories of resident assesseees as discussed above can opt for this scheme.

Illustration

Essem Pvt. Ltd., a private limited company is engaged in the manufacturing business. In this case, even though if the company satisfies all the criteria for adopting the provisions of section 44AD, it cannot opt for presumptive taxation schemes of section 44AD since these provisions cannot be adopted by an assessee being a private limited company. In other words, the presumptive taxation scheme of section 44AD can be adopted only by a resident assessee who is an Individual, Hindu Undivided Family and Partnership Firm (not Limited Liability Partnership Firm).

Eligible business

The presumptive taxation scheme under these provisions can be opted for by the eligible assessee who is engaged in any business (except the business of plying, hiring or leasing goods carriages referred to in section 44AE), whose turnover or gross receipts from such business do not exceed the limit of audit prescribed under section 44AB (*i.e.*, Rs. 60,00,000 for the previous year 2011-12 and Rs. 1,00,00,000 from the previous year 2012-13). Further, these provisions can be adopted by the assessee only if he has not claimed deduction under section 10A/10AA/10B/10BA or under sections 80HH to 80RRB in the relevant year.

Moreover, the provisions of section 44AD cannot be adopted by an assessee who is engaged in any profession as prescribed under section 44AA or is carrying on an agency business or is earning income in the nature of commission or brokerage.

The important criteria of the scheme is the turnover or gross receipts from the eligible business. To opt for the scheme the turnover should not exceed Rs. 1,00,00,000.

Illustration

Mr. Soham is running a provision shop. The turnover of the shop for the previous year 2012-13 is Rs. 99,00,000. Can he adopt the provisions of presumptive scheme of section 44AD in respect of this business?

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The provisions of section 44AD can be adopted by the eligible assessee who is engaged in any business (except the business of plying, hiring or leasing of goods carriages referred to in

section 44AE and except by the assessee who is engaged in any profession as prescribed under section 44AA or is running agency business or is earning income in the nature of commission or brokerage).

Further, turnover or gross receipts from such business should not exceed the limit of audit prescribed under section 44AB (*i.e.*, Rs. 1,00,00,000 for the previous year 2012-13). In this case Mr. Soham is running a provision shop whose turnover is Rs. 99,00,000 during the previous year 2012-13. Thus, he satisfied both the criteria of the scheme and, hence, he can adopt the provisions of section 44AD for his business of provision shop.

Scheme of computation of income

In case of an assessee who is willing to opt for these provisions, income will be computed on an estimated basis. The rate of computation of income on an estimated basis is 8% of turnover or gross receipts of the eligible business for the previous year.

Illustration

Mr. Shivam is a wholesale dealer of garments whose turnover during the previous year 2012-13 is Rs. 84,00,252. He wants to adopt the provisions of section 44AD in respect of this business. In this case what will be the income as per the provisions of section 44AD?

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As per the provisions of section 44AD, income will be computed on an estimated basis @ 8% of turnover or gross receipts of the eligible business for the previous year. In the present case Mr. Shivam is engaged in the business of wholesale dealership of garments whose turnover is Rs. 84,00,252 and, hence, his income as per the provisions of section 44AD will come to Rs. 6,72,020 (*i.e.*, Rs. 84,00,252 * 8%).

Provisions relating to various allowances/disallowances

Income computed as per section 44AD (*i.e.*, @ 8% of turnover or gross receipts of the eligible business, for the previous year) will be net income for the business covered under this scheme.

From the net income computed as above, an assessee is not permitted to claim any deduction under sections 30 to 38 (including depreciation or unabsorbed depreciation).

Provisions in case of a partnership firm:

An assessee, being a partnership firm, can claim further deduction of remuneration and interest paid to its partners within the limit specified under section 40(b). In other words, in case of an assessee, being a partnership firm, separate deduction from the net income computed as per presumptive taxation scheme in respect of remuneration and interest paid to its partners is allowed.

Further, from income computed at the aforesaid rate, no disallowance can be made under sections 40, 40A and 43B. Thus, in case of an assessee adopting the presumptive taxation scheme of section 44AD, no disallowance under sections 40, 40A and 43B will apply.

Illustration

Mr. Shan is running a Bandhani Press. His gross receipts from this business during previous year 2012-13 is Rs. 84,25,250 and he declared income as per the provisions of section 44AD. After computing the income @ 8% of such gross receipts, he wants to claim further deduction on account of depreciation on the press building. Can he do so as per the provisions of section 44AD?

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As per the provisions of section 44AD, from the net income computed at the prescribed rate, *i.e.*, @ 8% of turnover or gross receipts from the eligible business during the previous year, an

assessee is not permitted to claim any deduction under sections 30 to 38 (including depreciation or unabsorbed depreciation) from such income. Thus, in this case Mr. Shan cannot claim any further deduction from the net income of Rs. 6,74,020, *i.e.*, @ 8% of gross receipts of Rs. 84,25,250.

Illustration

Essem Corporation, a partnership firm, is engaged in the business of wall clock manufacturing and declared income as per the provisions of section 44AD during the previous year 2012-13. After computing the income @ 8%, the firm wants to claim further deduction on account of remuneration and interest paid to its partners within the limit specified under section 40(b). Can the firm do so as per the provisions of section 44AD?

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As per the provisions of section 44AD, from the net income computed at the prescribed rate, *i.e.*, @ 8%, an assessee is not permitted to claim any deduction under sections 30 to 38 (including depreciation or unabsorbed depreciation) from such income. However, in case of an assessee, being a partnership firm, further deduction on account of remuneration and interest paid to its partners within the limit specified under section 40(b) is allowed. Thus, in this case the firm can claim further deduction on account of remuneration and interest paid to its partners within the limit specified under section 40(b).

Manner of computation of WDV of depreciable assets

As discussed above, an assessee opting for the presumptive taxation scheme is not permitted to claim deduction on account of various expenditures including depreciation. As regards the computation of the WDV of depreciable asset, following provision should be kept in mind:

Deduction on account of depreciation is not available. However, the WDV of any asset used in the business covered under the scheme of section 44AD shall be calculated as if depreciation as per section 32 is claimed and allowed. Thus, even though no depreciation is available separately, yet for purpose of computation of the WDV of the asset, depreciation will be deducted.

Illustration

SM Corporation, a partnership firm, engaged in the business of cement manufacturing declared income as per the provisions of section 44AD during the previous year 2012-13. After computing the income @ 8%, the partners of the firm were of the opinion that in computing the WDV of the factory building owned by them depreciation will not be deducted since no deduction on account of the same was claimed. Is the contention of partners correct?

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As per the provisions of section 44AD, from the income computed as per the provisions of section 44AD, further deduction on account of depreciation is not available. However, the WDV of any asset used in the business covered under the scheme of section 44AD shall be calculated as if depreciation as per section 32 is claimed and allowed. Thus, the contention of the partners is not correct. Even though no depreciation is claimed by the firm, yet for purpose of computation of the WDV of the asset, depreciation will be deducted from the value of the block.

Provisions relating to maintenance of books of account

The scheme gives a great relief to the assessee in respect of maintenance of books of account. An assessee, who adopts the provisions of section 44AD, is not required to maintain books of account as per section 44AA (applicable only for business covered by this section). Further, in

respect of such business, the provisions of section 44AB (relating to audit) are also not applicable.

Thus, the scheme relieves the assessee from the maintenance of regular books of account. Apart from giving relief from maintenance of books of account, the scheme also relieves the assessee from audit of books of account.

Illustration

Mr. Sipahi is running a medical store. The turnover of the business during the previous year 2012-13 is Rs. 25,84,252 and he declared income as per the provisions of section 44AD. In this case will he be liable to maintain the books of account in respect of aforesaid business?

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As per the provisions of section 44AD, an assessee who adopts the provisions of section 44AD, is not required to maintain books of account as per section 44AA. However, the relief is available only in respect of business covered by the provisions of section 44AD and not in respect of any other business. Thus, if Mr. Sipahi owns any other business, then in respect of such other business the provisions of section 44AA in respect of maintenance of books of account will apply.

Declaration of lower income

If the actual income from the business covered under section 44AD is lower than the income prescribed under the presumptive scheme, then the assessee can declare income from aforesaid business at a lower rate (i.e., at less than 8%).

If the assessee does so, i.e., declares lower income and his actual income exceeds the maximum amount which is not chargeable to tax, then the relief from maintenance of books of account is not available and he is required to maintain the books of account as per section 44AA and further, he has to get such books of account audited as per section 44AB.

Illustration

Mr. Sashank is running a stationary mart. The turnover of the business during the previous year 2012-13 is Rs. 84,48,252. His actual income from this business is only Rs. 5,52,848 which is less than Rs. 6,75,860 (i.e., Rs. 84,48,252 * 8%). In this case can he declare actual income which is lower than the limit prescribed under section 44AD?

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As per the provisions of section 44AD, if the actual income from the business covered under section 44AD is lower than the income prescribed under the presumptive scheme, then the assessee can declare income from aforesaid business at a lower rate (i.e., at less than 8%). Thus, in this case Mr. Sashank can declare lower income. However, in this case he has to maintain the books of account prescribed under section 44AA and has to get such books of account audited, since in this case his actual income exceeds the exemption limit (i.e., Rs. 2,00,000).

Declaration of higher income

As regards the declaration of higher income, i.e., declaring income above the prescribed rate of 8%, the scheme permits the assessee to declare at his option higher income (i.e., higher than 8%).

Illustration

Mr. Saurabh is running a provision shop and the gross receipt of the business during the previous year 2012-13 is Rs. 24,48,252. His actual income is Rs. 2,84,848 which is higher than Rs. 1,95,860 (i.e., 8% * Rs. 24,48,252). In this case can he declare the actual income which is higher than the limit prescribed under section 44AD?

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As per the provisions of section 44AD, if the actual income from the business covered under section 44AD is higher than the income prescribed under the presumptive scheme, then the assessee has to declare such higher income from aforesaid business. Thus, in this case Mr. Saurabh can declare higher income.

Applicability of Provisions of Advance Tax

An assessee opting for the presumptive taxation scheme of section 44AD will not be liable to pay advance tax in respect of business covered under section 44AD. In other words, a person adopting the provisions of presumptive taxation scheme of section 44AD is not liable to pay advance tax in respect of the business covered under section 44AD.

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Mr. Saurabh is running a provision shop. The gross receipts of the shop for the previous year 2012-13 amounted to Rs. 54,48,252. He adopted the provisions of section 44AD and declared income @ 8% of the turnover.. Apart from income from provisions shop, he also earned commission of Rs. 4,52,848.

In this case, he will not be liable to pay advance tax in respect of income from provisions shop even though the tax liability in respect of income from shop exceeds Rs. 10,000. However, as regards commission income, he will be liable to pay advance tax since the tax liability on commission income exceeds Rs. 10,000.

FAQs

1. Who can adopt the presumptive taxation scheme as provided in section 44AD?

The provisions of section 44AD are applicable to such resident assessee who is an Individual, Hindu Undivided Family and Partnership Firm but not Limited Liability Partnership Firm.

Unlike section 44AE, in case of section 44AD there is a restriction on which categories of assesseees can opt for the scheme. Only specific categories of resident assesseees as discussed above can opt for this scheme.

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Essem Pvt. Ltd., a private limited company is engaged in the manufacturing business. In this case, even though if the company satisfies all the criteria for adopting the provisions of section 44AD, it cannot opt for presumptive taxation schemes of section 44AD since these provisions cannot be adopted by an assessee being a private limited company. In other words, the presumptive taxation scheme of section 44AD can be adopted only by a resident assessee who is an Individual, Hindu Undivided Family and Partnership Firm (not Limited Liability Partnership Firm).

2. What is the eligible business as provided in section 44AD?

The presumptive taxation scheme under these provisions can be opted for by the eligible assessee who is engaged in any business (except the business of plying, hiring or leasing goods carriages referred to in section 44AE), whose turnover or gross receipts from such business do not exceed the limit of audit prescribed under section 44AB (*i.e.*, Rs. 60,00,000 for the previous year 2011-12 and Rs. 1,00,00,000 from the previous year 2012-13). Further, these provisions can be adopted by the assessee only if he has not claimed deduction under section 10A/10AA/10B/10BA or under sections 80HH to 80RRB in the relevant year.

Moreover, the provisions of section 44AD cannot be adopted by an assessee who is engaged in any profession as prescribed under section 44AA or is carrying on an agency business or is earning income in the nature of commission or brokerage.

The important criteria in the scheme is the turnover or gross receipts from the eligible business. To opt for the scheme, the turnover should not exceed Rs. 1,00,00,000.

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Mr. Soham is running a provision shop. The turnover of the shop for the previous year 2012-13 is Rs. 99,00,000. Can he adopt the provisions of presumptive scheme of section 44AD in respect of this business?

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3. What is the manner of computation of income under the presumptive taxation scheme as provided in section 44AD?

In case of an assessee who is willing to opt for these provisions, income will be computed on an estimated basis. The rate of computation of income on an estimated basis is 8% of turnover or gross receipts of the eligible business, for the previous year.

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Mr. Shivam is a wholesale dealer of garments whose turnover during the previous year 2012-13 is Rs. 84,00,252. He wants to adopt the provisions of section 44AD in respect of this business. In this case what will be the income as per the provisions of section 44AD?

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4. What are the provisions relating to various allowances/disallowances in case of an assessee adopting the presumptive taxation scheme as provided in section 44AD?

Income computed as per section 44AD (i.e., @ 8% of turnover or gross receipts of the eligible business, for the previous year) will be net income for the business covered under this scheme.

From the net income computed as above, an assessee is not permitted to claim any deduction under sections 30 to 38 (including depreciation or unabsorbed depreciation).

Provisions in case of a partnership firm:

It should be noted that an assessee, being a partnership firm, can claim further deduction of remuneration and interest paid to its partners within the limit specified under section 40(b). In other words, in case of an assessee being a partnership firm, separate deduction from the net income computed as per presumptive taxation scheme in respect of remuneration and interest paid to its partners is allowed.

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Essem Corporation, a partnership firm is engaged in the business of wall clock manufacturing and declared income as per the provisions of section 44AD during the previous year 2012-13.

After computing the income @ 8%, the firm wants to claim further deduction on account of remuneration and interest paid to its partners within the limit specified under section 40(b). Can the firm do so as per the provisions of section 44AD?

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5. What is the manner of computation of WDV of depreciable assets in case of an assessee who is adopting the presumptive taxation scheme as provided in section 44AD?

As discussed above, an assessee opting for the presumptive taxation scheme is not permitted to claim deduction on account of various expenditures including depreciation. In this context, as regards the computation of the WDV of depreciable asset, following provision should be kept in mind:

Deduction on account of depreciation is not available. However, the WDV of any asset used in the business covered under the scheme of section 44AD shall be calculated as if depreciation as per section 32 is claimed and allowed. Thus, even though no depreciation is available separately, yet for purpose of computation of the WDV of the asset, depreciation will be deducted.

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6. What are the provisions relating to maintenance of books of account in case of an assessee who is adopting the presumptive taxation scheme as provided in section 44AD?

The scheme gives a great relief to the assessee in respect of maintenance of books of account. An assessee, who adopts the provisions of section 44AD, is not required to maintain books of account as per section 44AA (applicable only for business covered by this section). Further, in respect of such business, the provisions of section 44AB (relating to audit) are also not applicable.

Thus, the scheme relieves the assessee from the maintenance of regular books of account. Apart from giving relief from maintenance of books of account, the scheme also relieves the assessee from audit of books of account.

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Mr. Sipahi is running a medical store. The turnover of this business during the previous year 2012-13 is Rs. 25,84,252 and declared income as per the provisions of section 44AD. In this case will he be liable to maintain the books of account in respect of aforesaid business?

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As per the provisions of section 44AD, an assessee who adopts the provisions of section 44AD, is not required to maintain books of account as per section 44AA. However, it should be noted that the relief is available only in respect of business covered by the provisions of section 44AD and not in respect of any other business. Thus, if Mr. Sipahi owns any other business, then in respect of such other business the provisions of section 44AA in respect of maintenance of books of account will apply.

7. Can an assessee adopting the presumptive taxation scheme as provided in section 44AD declare lower income?

If the actual income from the business covered under section 44AD is lower than the income prescribed under the presumptive scheme, then the assessee can declare income from aforesaid business at a lower rate (i.e., at less than 8%).

If the assessee does so, *i.e.* declares lower income and his actual income exceeds the maximum amount which is not chargeable to tax, then the relief from maintenance of books of account is not available and he is required to maintain the books of account as per section 44AA and further, he has to get such books of account audited as per section 44AB.

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Mr. Sashank is running a stationary mart. The turnover of the business during the previous year 2012-13 is Rs. 84,48,252. His actual income from this business is only Rs. 5,52,848 which is less than Rs. 6,75,860 (*i.e.*, Rs. 84,48,252 * 8%). In this case can he declare actual income which is lower than the limit prescribed under section 44AD?

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As per the provisions of section 44AD, if the actual income from the business covered under section 44AD is lower than the income prescribed under the presumptive scheme, then the assessee can declare income from aforesaid business at a lower rate (i.e., at less than 8%). Thus, in this case Mr. Sashank can declare lower income. However, in this case he has to maintain the books of account prescribed under section 44AA and has to get such books of account audited as his actual income exceeds the exemption limit (*i.e.*, Rs. 2,00,000).

8. Can an assessee adopting the presumptive taxation scheme as provided in section 44AD declare higher income?

As regards the declaration of higher income, *i.e.* declaring income above the prescribed rate of 8%, the scheme permits the assessee to declare at his option higher income (*i.e.*, higher than 8%).

Illustration

Mr. Saurabh is the proprietor of provision shop and the gross receipts of this business during the previous year 2012-13 is Rs. 24,48,252. But his actual income is Rs. 2,84,848 which is higher than Rs. 1,95,860 (*i.e.*, 8% * Rs. 24,48,252). In this case can he declare income above the limit prescribed under section 44AD?

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As per the provisions of section 44AD, if the actual income from the business covered under section 44AD is higher than the income prescribed under the presumptive scheme, then the assessee has to declare such higher income from aforesaid business. Thus, in this case Mr. Saurabh can declare higher income.

9. What are the provisions relating to payment of advance tax in case of an assessee who is adopting the presumptive taxation scheme as provided in section 44AD?

An assessee opting for the presumptive taxation scheme of section 44AD will not be liable to pay advance tax in respect of business covered under section 44AD. In other words, a person adopting the provisions of presumptive taxation scheme of section 44AD is not liable to pay advance tax in respect of the business covered under section 44AD.

Illustration

Mr. Saurabh is running a provision shop. The gross receipts of the shop for the previous year 2012-13 amounted to Rs. 54,48,252. He adopted the provisions of section 44AD and declared income @ 8% of the turnover.. Apart from income from provisions shop, he also earned commission of Rs. 4,52,848.

In this case, he will not be liable to pay advance tax in respect of income from provisions shop even though the tax liability in respect of income from shop exceeds Rs. 10,000. However, as regards commission income, he will be liable to pay advance tax since the tax liability on commission income exceeds Rs. 10,000.

MCQ

Q1. The provisions relating to presumptive taxation scheme applicable to the eligible assessee engaged in any business (except business of plying, hiring or leasing goods carriages referred to in section 44AE and except by the assessee who is engaged in any profession as prescribed under section 44AA or is carrying on agency business or is earning income in the nature of commission or brokerage) are given in section _____.

- (a) 44AA (b) 44AB
(c) 44AD (d) 44AE

Correct answer (c)

Justification of correct answer:

The provisions relating to presumptive taxation scheme applicable to the eligible assessee engaged in any business (except business of plying, hiring or leasing goods carriages referred to in section 44AE and except by the assessee who is engaged in any profession as prescribed under section 44AA or is carrying on agency business or is earning income in the nature of commission or brokerage) are given in section 44AD.

Thus, option (c) is the correct option.

Comment on incorrect answer: Option (c) is the correct option since it gives the correct section. All other options, viz., options (a), (b) and (d) giving incorrect sections are not correct.

Q2. The provisions relating to presumptive taxation scheme prescribed under section 44AD are applicable to resident assessee who is _____.

- (a) A company
(b) An individual
(c) A limited liability partnership firm
(d) Body of individuals whether incorporated in India or outside India

Correct answer (b)

Justification of correct answer:

The provisions relating to presumptive taxation scheme prescribed under section 44AD are applicable to such resident assessee who is an individual, Hindu Undivided Family and partnership firm but not limited liability partnership firm.

Thus, option (b) is the correct option.

Comment on incorrect answer: Option (b) is the correct option since it gives the correct category of the assessee. All other options, viz., options (a), (c) and (d) giving incorrect category of assessee are not correct.

Q3. The provisions relating to presumptive taxation scheme prescribed under section 44AD are not applicable to resident assessee who is a private limited company, a limited liability partnership firm and an association of persons but applicable to a Hindu Undivided Family.

- (a) True (b) False

Correct answer (a)

Justification of correct answer:

The provisions relating to presumptive taxation scheme prescribed under section 44AD are applicable only to such resident assessee who is an individual, Hindu Undivided Family and

partnership firm but not limited liability partnership firm. All the other categories of assessee cannot adopt the provisions of section 44AD.

Thus, the statement given in the question is true and hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true. Hence, option (b) is not the correct option.

Q4. The provisions relating to presumptive taxation scheme prescribed under section 44AD are applicable to all resident assessee except an individual, Hindu Undivided Family and partnership firm.

(a) True (b) False

Correct answer (b)

Justification of correct answer:

The provisions relating to presumptive taxation scheme prescribed under section 44AD are applicable only to such resident assessee who is an individual, Hindu Undivided Family and partnership firm but not limited liability partnership firm. All the other categories of assessee cannot adopt the provisions of section 44AD.

Thus, the statement given in the question is false and hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q5. The provisions relating to presumptive taxation scheme prescribed under section 44AD are applicable to such resident assessee who is an individual, Hindu Undivided Family and partnership firm. Can an assessee, being a limited liability partnership firm, adopt the provisions of section 44AD?

(a) Yes (b) No

Correct answer (b)

Justification of correct answer:

The provisions relating to presumptive taxation scheme prescribed under section 44AD are applicable only to such resident assessee who is an individual, Hindu Undivided Family and partnership firm but not limited liability partnership firm. Hence, an assessee, being a limited liability partnership firm, cannot adopt the provisions of section 44AD.

Thus, option (b) is the correct option.

Comment on incorrect answer: The option (b) is the correct option since it gives the correct provisions. The other option, viz., option (a) giving the incorrect provisions is not correct.

Q6. The provisions of presumptive taxation scheme as provided under section 44AD can be adopted by an HUF engaged in the business of plying, hiring or leasing goods carriages referred to in section 44AE but cannot be adopted by an individual engaged in the business of plying, hiring or leasing goods carriages referred to in section 44AE.

(a) True (b) False

Correct answer (b)

Justification of correct answer:

The presumptive taxation scheme as provided under section 44AD can be adopted by the eligible resident assessee who is engaged in any business (except the business of plying, hiring or leasing goods carriages referred to in section 44AE). Thus an assessee (irrespective of his status) engaged in the business of plying, hiring or leasing goods carriages referred to in section 44AE cannot adopt the provisions of section 44AD.

Thus, the statement given in the question is false and hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q7. The provisions of presumptive taxation scheme as provided under section 44AD can be adopted by an individual engaged in agency business but cannot be adopted by an HUF engaged in agency business.

(a) True (b) False

Correct answer (b)

Justification of correct answer:

The provisions of section 44AD cannot be adopted by the eligible assessee who is engaged in any profession as prescribed under section 44AA or is carrying on an agency business or is earning income in the nature of commission or brokerage. Thus, an assessee (irrespective of his status) engaged in agency business cannot adopt the provisions of section 44AD.

Thus, the statement given in the question is false and hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q8. The presumptive taxation scheme of section 44AD can be adopted by a non-resident also.

(a) True (b) False

Correct answer : (b)

Justification of correct answer

The presumptive taxation scheme of section 44AD applies only to resident assessee who is an individual, Hindu Undivided Family and partnership firm but not limited liability partnership firm. Thus, the scheme of section 44AD cannot be adopted by a non-resident.

Thus, the statement given in the question is false and hence, option (b) is the correct option.

Comment on incorrect answer : The statement given in the question is false, hence, option (a) is not correct.

Q9. The provisions relating to presumptive taxation scheme prescribed under section 44AD are applicable to non-resident assessee who is engaged in the business of plying, hiring or leasing goods carriages referred to in section 44AE.

(a) True (b) False

Correct answer (b)

Justification of correct answer:

The provisions relating to presumptive taxation scheme prescribed under section 44AD can be adopted by the eligible resident assessee who is engaged in any business (except the business of plying, hiring or leasing goods carriages referred to in section 44AE). These provisions cannot be adopted by a non-resident assessee. Further these provisions cannot be adopted by an assessee engaged in the business of plying, hiring or leasing goods carriages referred to in section 44AE whether the assessee is resident or non-resident.

Thus, the statement given in the question is false and hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q10. The provisions relating to presumptive taxation scheme prescribed under section 44AD are not applicable to non-resident assessee who is a private limited company

because these provision can be adopted only by a resident assessee (may be a private limited company or any other status).

- (a) True (b) False

Correct answer (b)

Justification of correct answer:

The provisions relating to presumptive taxation scheme prescribed under section 44AD are applicable to such resident assessee who is an individual, Hindu Undivided Family and partnership firm but not limited liability partnership firm. The all the other categories of assessee cannot adopt the provisions of section 44AD even though the other categories of the assessee are resident.

Thus, the statement given in the question is false and hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q11. For the previous year 2012-13, an assessee whose turnover does not exceed _____ can adopt the presumptive taxation scheme of section 44AD.

- (a) Rs. 1,00,00,000 (b) Rs. 60,00,000
(c) Rs. 40,00,000 (d) Rs. 25,00,000

Correct answer : (a)

Justification of correct answer

For the previous year 2012-13, an assessee whose turnover does not exceed Rs. 1,00,00,000 can adopt the presumptive taxation scheme of section 44AD.

Thus, option (a) is the correct option.

Comment on incorrect answer : Option (a) is the correct option since it gives the correct limit, all the other options viz. option (b), (c) and (d) giving incorrect limits are not correct.

Q12. The provisions relating to presumptive taxation scheme prescribed under section 44AD are applicable to the eligible assessee engaged in any business except the following:

- Business of plying, hiring or leasing of goods carriages
- Agency business
- Business in which the assessee earns income in the nature of commission or brokerage
- The person carrying on any profession specified under section 44AA

- (a) True (b) False

Correct answer (a)

Justification of correct answer:

The provisions relating to presumptive taxation scheme prescribed under section 44AD are applicable to the eligible assessee engaged in any business except the business of plying, hiring or leasing of goods carriages referred to in section 44AE. Further, these provisions cannot be adopted by an assessee who is engaged in any profession as prescribed under section 44AA or is carrying on an agency business or is earning income in the nature of commission or brokerage.

Thus, the statement given in the question is true and hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true. Hence, option (b) is not the correct option.

Q13. The provisions relating to presumptive taxation scheme prescribed under section 44AD are applicable to the eligible assessee engaged in any business (except the business

of plying, hiring or leasing goods carriages prescribed under section 44AE) as well as the assessee who is engaged in any profession as prescribed under section 44AA.

- (a) True (b) False

Correct answer (b)

Justification of correct answer:

The provisions relating to presumptive taxation scheme prescribed under section 44AD are applicable to the eligible assessee engaged in any business (except the business of plying, hiring or leasing carriages referred to in section 44AE). Further, these provisions cannot be adopted by an assessee who is engaged in any profession prescribed under section 44AA or is carrying on an agency business or is earning income in the nature of commission or brokerage.

Thus, the statement given in the question is false and hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not correct.

Q14. The provisions relating to presumptive taxation scheme prescribed under section 44AD are applicable to the eligible assessee engaged in any business (except the business of plying, hiring or leasing of carriages prescribed under section 44AE). Can the assessee who is carrying on agency business or is earning income in the nature of commission or brokerage adopt the presumptive taxation scheme of section 44AD?

- (a) Yes (b) No

Correct answer (b)

Justification of correct answer:

The provisions relating to presumptive taxation scheme prescribed under section 44AD are applicable to the eligible assessee engaged in any business (except the business of plying, hiring or leasing carriages referred to in section 44AE). Further, these provisions cannot be adopted by an assessee who is engaged in any profession prescribed under section 44AA or is carrying on an agency business or is earning income in the nature of commission or brokerage.

Thus, option (b) is the correct option.

Comment on incorrect answer: The option (b) is the correct option since it gives the correct provisions. The other option, viz., option (a) giving the incorrect provisions is not correct.

Q15. The provisions of section 44AD cannot be adopted by an assessee who is ____ .

- (a) Engaged in any profession as prescribed under section 44AA
(b) Carrying on an agency business
(c) Earning income in the nature of commission or brokerage
(d) All of the above

Correct answer (d)

Justification of correct answer:

The provisions relating to presumptive taxation scheme prescribed under section 44AD are applicable to the eligible assessee engaged in any business (except the business of plying, hiring or leasing of carriages referred to in section 44AE). Further, these provisions cannot be adopted by an assessee who is engaged in any profession prescribed under section 44AA or is carrying on an agency business or is earning income in the nature of commission or brokerage.

Thus, option (d) is the correct option.

Comment on incorrect answer: The option (d) is the correct option since it covers all the categories of the assessee who are not eligible to adopt the provisions of section 44AD. The other options, viz., option (a), (b) and (c) giving individual category of assessee are not correct.

Q16. Mr. Kamal is engaged in the business of plying, hiring or leasing of goods carriages and owns 7 goods vehicles during the previous year 2012-13. Can he adopt the provisions of presumptive taxation scheme of section 44AD in respect of this business?

- (a) Yes (b) No

Correct answer (b)

Justification of correct answer:

The provisions of section 44AD cannot be adopted by an assessee who is engaged in the business of plying, hiring or leasing goods carriages referred to in section 44AE. Hence, Mr. Kamal cannot adopt the provisions of section 44AD.

Thus, option (b) is the correct option.

Comment on incorrect answer: Option (b) is the correct option since it gives the correct provisions. Other option, viz., option (a) giving incorrect provisions is not correct.

Q17. Mr. Khush is running medical store and the turnover of the store during the previous year 2012-13 is Rs. 25,52,484. Can he adopt the provisions of presumptive taxation scheme of section 44AD in respect of this business?

- (a) Yes (b) No

Correct answer (a)

Justification of correct answer:

The provisions of section 44AD can be adopted by the eligible assessee engaged in any business (except the business of plying, hiring or leasing goods carriages referred to in section 44AE and except by the assessee who is engaged in any profession prescribed under section 44AA or is carrying on agency business or is earning income in the nature of commission or brokerage), whose turnover or gross receipts from such business do not exceed the limit prescribed under section 44AB (i.e., Rs. 1,00,00,000). In this case, Mr. Khush, who is running a medical store has turnover of just Rs. 25,52,484 during the previous year 2012-13. Thus, he satisfied both the criteria of the scheme and hence, he can adopt the provisions of section 44AD for his business of medical store.

Thus, option (a) is the correct option.

Comment on incorrect answer: Option (a) is the correct option since it gives the correct provisions. Other option, viz., option (b) giving incorrect provisions is not correct.

Q18. SM Corporation (a partnership firm) is running a departmental store. Its gross receipt from this business during the previous year 2012-13 is Rs. 92,85,484. Can the firm adopt the provisions of presumptive taxation scheme of section 44AD in respect of this business?

- (a) Yes (b) No

Correct answer (a)

Justification of correct answer:

The provisions of section 44AD can be adopted by such resident assessee who is an individual, Hindu Undivided Family and partnership firm but not limited liability partnership firm. Further, these provisions can be adopted by the eligible assessee who is engaged in any business (except business of plying, hiring or leasing goods carriages referred to in section 44AE and except by the assessee who is engaged in any profession prescribed under section 44AA or is carrying on agency business or is earning income in the nature of commission or

brokerage), whose turnover or gross receipts from such business do not exceed the limit of audit prescribed under section 44AB (*i.e.*, Rs. 1,00,00,000). Thus, the firm satisfied both the criteria of the scheme and hence, it can adopt the provisions of section 44AD for its departmental store.

Thus, option (a) is the correct option.

Comment on incorrect answer: Option (a) is the correct option since it gives the correct provisions. Other option, *viz.*, option (b) giving incorrect provisions is not correct.

Q19. Kapoor Corporation owned by Kapoor HUF is engaged in the manufacturing business whose turnover do not exceed the limit prescribed under section 44AB during the previous year 2012-13 (*i.e.*, Rs. 1,00,00,000). Can the HUF adopt the provisions of presumptive taxation scheme of section 44AD in respect of this business?

(a) Yes

(b) No

Correct answer (a)

Justification of correct answer:

The provisions of section 44AD can be adopted by such resident assessee who is an individual, Hindu Undivided Family and partnership firm but not limited liability partnership firm. Further, these provisions can be adopted by the eligible assessee who is engaged in any business (except business of plying, hiring or leasing goods carriages referred to in section 44AE and except by the assessee who is engaged in any profession prescribed under section 44AA or is carrying on agency business or is earning income in the nature of commission or brokerage), whose turnover or gross receipts from such business do not exceed the limit of audit prescribed under section 44AB (*i.e.*, Rs. 1,00,00,000). Thus, HUF satisfied both the criteria of the scheme and hence, it can adopt the provisions of section 44AD for its manufacturing business.

Thus, option (a) is the correct option.

Comment on incorrect answer: Option (a) is the correct option since it gives the correct provisions. Other option, *viz.*, option (b) giving incorrect provisions is not correct.

Q20. Kumar Corporation owned by Kumar HUF is wholesale dealer of garments. The turnover of the business during the previous year 2012-13 is Rs. 1,84,00,252. The karta of the HUF is of the opinion that the HUF can adopt the provisions of section 44AD because in case of HUF the limit prescribed under section 44AB is Rs. 2,00,00,000. Can the HUF adopt the provisions of presumptive scheme of section 44AD in respect of this business?

(a) Yes

(b) No

Correct answer (b)

Justification of correct answer:

The provisions of section 44AD can be adopted by the eligible assessee who is engaged in any business (except the business of plying, hiring or leasing goods carriages referred to in section 44AE and except by the assessee who is engaged in any profession prescribed under section 44AA or is running agency business or is earning income in the nature of commission or brokerage), whose turnover or gross receipts from such business do not exceed the limit of audit prescribed under section 44AB (*i.e.*, Rs. 1,00,00,000). The limit of Rs. 1,00,00,000 is applicable in respect of all assessees, *viz.*, individual, HUF, Firm, etc. In this case the turnover of HUF was Rs. 1,84,00,252 during the previous year 2012-13 and thus, it does not satisfy the criteria of turnover and hence, the provisions of section 44AD cannot be adopted by HUF in respect of aforesaid business.

Thus, option (b) is the correct option.

Comment on incorrect answer: Option (b) is the correct option since it gives the correct provisions. Other option, viz., option (a) giving incorrect provisions is not correct.

Q21. In case of an assessee who is willing to adopt the provisions of section 44AD, income will be computed on an estimated basis at prescribed rate.

- (a) True (b) False

Correct answer (a)

Justification of correct answer:

In case of an assessee who is willing to adopt the provisions of section 44AD, income will be computed on an estimated basis at the prescribed rate. The rate is 8% of turnover or gross receipts of the eligible business, for the previous year.

Thus, the statement given in the question is true and hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true. Hence, option (b) is not the correct option.

Q22. As per the presumptive taxation scheme of section 44AD, income will be computed at the prescribed rate of 8% of turnover or gross receipts of the eligible business during the half year, i.e., income under section 44AD will be computed at the prescribed rate on the basis of half year's turnover or gross receipts and twice during the previous year.

- (a) True (b) False

Correct answer (b)

Justification of correct answer:

In case of an assessee who is willing to adopt the provisions of section 44AD, income will be computed on an estimated basis at the prescribed rate. The rate is 8% of turnover or gross receipts during the previous year and not during the half year.

Thus, the statement given in the question is false and hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not correct.

Q23. In case of an assessee who is willing to adopt the provisions of section 44AD, income will be computed on an estimated basis at a prescribed rate. The rate is 8% of turnover or gross receipts during the previous year. However, in case of an assessee being an HUF, the rate of 8% is to be considered for the turnover or gross receipts of half year and not of the full year.

- (a) True (b) False

Correct answer (b)

Justification of correct answer:

In case of an assessee who is willing to adopt the provisions of section 44AD, income will be computed on an estimated basis at the prescribed rate. The rate is 8% of turnover or gross receipts during the whole of previous year and not during the half year. The above criteria is applicable in respect of all assesseees and in no case the rate of 8% is to be considered for the turnover or gross receipts of half year.

Thus, the statement given in the question is false and hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not correct.

Q24. In case of an assessee who is willing to adopt the provisions of section 44AD, income will be computed on an estimated basis at the prescribed rate. The rate is 8% of turnover

or gross receipts during the previous year. However, in case of an assessee being a partnership firm, the rate of 8% is to be considered for the quarterly turnover or gross receipts and not for the full year's turnover or gross receipts.

- (a) True (b) False

Correct answer (b)

Justification of correct answer:

In case of an assessee who is willing to adopt the provisions of section 44AD, income will be computed on an estimated basis at the prescribed rate. The rate of 8% is applicable for the turnover or gross receipts of the whole year and not of the individual quarter. The above criteria is applicable in respect of all assessees and in no case the rate of 8% is to be considered for the turnover or gross receipts of the individual quarter.

Thus, the statement given in the question is false and hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not correct.

Q25. Mr. Kunal is running a stationary shop whose turnover during the previous year 2012-13 is Rs. 84,25,848. He wants to adopt the provisions of section 44AD in respect of this business. In this case what will be his income as per the provisions of section 44AD?

- (a) Rs. 6,74,068
(b) Rs. 3,37,034
(c) Rs. 1,68,517
(d) Rs. 84,25,848

Correct answer (a)

Justification of correct answer:

As per the provisions of section 44AD, in respect of business covered under section 44AD, income will be computed on an estimated basis. The rate is 8% of turnover or gross receipts of the eligible business, for the previous year. In this case, the turnover of Mr. Kunal is Rs. 84,25,848. Hence, his income as per the provisions of section 44AD will come to Rs. 6,74,068 (i.e., Rs. 84,25,848 * 8%).

Comment on incorrect answer: Option (a) is the correct option since it gives the correct amount of income. All the other options, viz., options (b), (c) and (d) giving incorrect amount of income are not correct.

Q26. SM Corporation is engaged in the business of cement manufacturing. Its turnover from this business during the previous year 2012-13 is Rs. 78,84,252. It wants to adopt the provisions of section 44AD in respect of this business. In this case what will be its income as per the provisions of section 44AD?

- (a) Rs. 78,84,252
(b) Rs. 6,30,740
(c) Rs. 3,15,370
(d) Rs. 23,65,276

Correct answer (b)

Justification of correct answer:

As per the provisions of section 44AD, in respect of business covered under section 44AD, income will be computed on an estimated basis. The rate is 8% of turnover or gross receipts of the eligible business, for the previous year. In this case, the turnover of SM corporation is Rs.

78,84,252. Hence, its income as per the provisions of section 44AD will come to Rs. 6,30,740 (*i.e.*, Rs. 78,84,252 * 8%).

Comment on incorrect answer: Option (b) is the correct option since it gives the correct amount of income. All the other options, *viz.*, options (a), (c) and (d) giving incorrect amount of income are not correct.

Q27. Income computed as per the provisions of section 44AD (*i.e.*, @ 8% of turnover or gross receipts of the eligible business, for the previous year) will be ____ income of the business covered under this scheme.

- (a) Net (b) Gross

Correct answer (a)

Justification of correct answer:

Income computed as per the provisions of section 44AD (*i.e.*, @ 8% of turnover or gross receipts of the eligible business, for the previous year) will be net income for the business covered under this scheme.

Thus, option (a) is the correct option.

Comment on incorrect answer: Option (a) is the correct option since it gives the correct nature of income. The other option, *viz.*, option (b) giving incorrect nature of income is not correct.

Q28. Income computed as per the provisions of section 44AD (*i.e.*, @ 8% of turnover or gross receipts of the eligible business, for the previous year) will be gross income for the business covered under this scheme. From the gross income computed as above, assessee is permitted to claim deduction under sections 30 to 38 (including depreciation or unabsorbed depreciation).

- (a) True (b) False

Correct answer (b)

Justification of correct answer:

Income computed as per the provisions of section 44AD (*i.e.*, @ 8% of turnover or gross receipts of the eligible business, for the previous year) will be net income for the business covered under this scheme. From the net income computed as above, assessee is not permitted to claim any deduction under sections 30 to 38 (including depreciation or unabsorbed depreciation).

Thus, the statement given in the question is false and hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q29. Income computed as per the provisions of section 44AD (*i.e.*, @ 8% of turnover or gross receipts of the eligible business, for the previous year) will be gross income for the business covered under this scheme. From the gross income computed as above, assessee is not permitted to claim deduction under sections 30 to 38. However, he can claim deduction on account of depreciation or unabsorbed depreciation.

- (a) True (b) False

Correct answer (b)

Justification of correct answer:

Income computed as per the provisions of section 44AD (*i.e.*, @ 8% of turnover or gross receipts of the eligible business, for the previous year) will be net income for the business covered under this scheme. From the net income computed as above, assessee is not permitted

to claim any deduction under sections 30 to 38 (including depreciation or unabsorbed depreciation).

Thus, the statement given in the question is false and hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q30. Income computed as per the provisions of section 44AD (i.e., @ 8% of turnover or gross receipts of the eligible business, for the previous year) will be gross income for the business covered under this scheme. From the gross income computed as above, assessee is not permitted to claim deduction on account of depreciation or unabsorbed depreciation but can claim deduction under sections 30 to 38.

(a) True

(b) False

Correct answer (b)

Justification of correct answer:

Income computed as per the provisions of section 44AD (i.e., @ 8% of turnover or gross receipts of the eligible business, for the previous year) will be net income for the business covered under this scheme. From the net income computed as above, assessee is not permitted to claim any deduction under sections 30 to 38 (including depreciation or unabsorbed depreciation).

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q31. Income computed as per the provisions of section 44AD (i.e., @ 8% of turnover or gross receipts of the eligible business, for the previous year) will be net income for the business covered under this scheme. From the net income computed as above, assessee is not permitted to claim any deduction under sections 30 to 38 (including depreciation) but can claim deduction on account of unabsorbed depreciation.

(a) True

(b) False

Correct answer (b)

Justification of correct answer:

Income computed as per the provisions of section 44AD (i.e., @ 8% of turnover or gross receipts of the eligible business, for the previous year) will be net income of the business covered under this scheme. From the net income computed as above, assessee is not permitted to claim any deduction under sections 30 to 38 (including depreciation or unabsorbed depreciation).

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q32. Income computed as per the provisions of section 44AD (i.e., @ 8% of turnover or gross receipts of the eligible business, for the previous year) will be net income for the business covered under this scheme. From the net income computed as above, assessee is not permitted to claim any deduction under sections 30 to 38 (including depreciation or unabsorbed depreciation) but can claim deduction on account of brought forward business loss.

(a) True

(b) False

Correct answer (a)

Justification of correct answer:

Income computed as per the provisions of section 44AD (*i.e.*, @ 8% of turnover or gross receipts of the eligible business, for the previous year) will be net income for the business covered under this scheme. From the net income computed as above, assessee is not permitted to claim any deduction under sections 30 to 38 (including depreciation or unabsorbed depreciation). However, deduction is available in respect of brought forward business loss.

Thus, the statement given in the question is true and hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true. Hence, option (b) is not the correct option.

Q33. Income computed as per the provisions of section 44AD (*i.e.*, @ 8% of turnover or gross receipts of the eligible business, for the previous year) will be net income for the business covered under this scheme. From the net income computed as above, assessee, being a partnership firm, can claim further deduction of remuneration and interest paid to its partners within the limit specified under section 40(b).

(a) True

(b) False

Correct answer (a)

Justification of correct answer:

Income computed as per the provisions of section 44AD (*i.e.*, @ 8% of turnover or gross receipts of the eligible business, for the previous year) will be net income for the business covered under this scheme. From the net income computed as above, assessee is not permitted to claim any deduction under sections 30 to 38 (including depreciation or unabsorbed depreciation). However, assessee, being a partnership firm, can claim further deduction of remuneration and interest paid to its partners within the limit specified under section 40(b).

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true. Hence, option (b) is not the correct option.

Q34. Income computed as per the provisions of section 44AD (*i.e.*, @ 8% of turnover or gross receipts of the eligible business, for the previous year) will be net income of the business covered under this scheme. From income computed at the aforesaid rate, no disallowance can be made under sections 40, 40A and 43B.

(a) True

(b) False

Correct answer (a)

Justification of correct answer:

Income computed as per the provisions of section 44AD (*i.e.*, @ 8% of turnover or gross receipts of the eligible business, for the previous year) will be net income of the business covered under this scheme. From income computed at the aforesaid rate, no disallowance can be made under sections 40, 40A and 43B.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true. Hence, option (b) is not the correct option.

Q35. Income computed as per the provisions of section 44AD (*i.e.*, @ 8% of turnover or gross receipts of the eligible business, for the previous year) will be net income of the business covered under this scheme. From income computed at the aforesaid rate, no

disallowance can be made under sections 40 but disallowance can be made under sections 40A and 43B.

(a) True (b) False

Correct answer (b)

Justification of correct answer:

Income computed as per the provisions of section 44AD (*i.e.*, @ 8% of turnover or gross receipts of the eligible business, for the previous year) will be net income for the business covered under this scheme. From income computed at the aforesaid rate, no disallowance can be made under sections 40, 40A and 43B.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q36. Income computed as per the provisions of section 44AD (*i.e.*, @ 8% of turnover or gross receipts of the eligible business, for the previous year) will be net income of the business covered under this scheme. From income computed at the aforesaid rate, no disallowance can be made under sections 40 and 40A but disallowance can be made under section 43B.

(a) True (b) False

Correct answer (b)

Justification of correct answer:

Income computed as per the provisions of section 44AD (*i.e.*, @ 8% of turnover or gross receipts of the eligible business, for the previous year) will be net income for the business covered under this scheme. From income computed at the aforesaid rate, no disallowance can be made under sections 40, 40A and 43B.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not correct.

Q37. Income computed as per the provisions of section 44AD (*i.e.*, @ 8% of turnover or gross receipts of the eligible business, for the previous year) will be net income of the business covered under this scheme. From income computed at the aforesaid rate, no disallowance can be made under sections 40A and 43B but disallowance can be made under section 40.

(a) True (b) False

Correct answer (b)

Justification of correct answer:

Income computed as per the provisions of section 44AD (*i.e.*, @ 8% of turnover or gross receipts of the eligible business, for the previous year) will be net income for the business covered under this scheme. From income computed at the aforesaid rate, no disallowance can be made under sections 40, 40A and 43B.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q38. Mr. Shan is a wholesale dealer of garments whose turnover from this business during the previous year 2012-13 is Rs. 98,84,252 and he declared income as per the

provisions of section 44AD. After computing the income @ 8%, he wants to claim further deduction on account of depreciation on the shop building. Can he do so as per the provisions of section 44AD?

- (a) Yes (b) No

Correct answer (b)

Justification of correct answer:

As per the provisions of section 44AD, from the net income computed at the prescribed rate, *i.e.*, @ 8% of turnover or gross receipts from such business during the previous year, assessee is not permitted to claim any deduction under sections 30 to 38 (including depreciation or unabsorbed depreciation) from such income. Thus, in this case Mr. Shan cannot claim any further deduction from the net income computed @ 8%.

Thus, option (b) is the correct option.

Comment on incorrect answer: Option (b) is the correct option since it gives the correct provisions. Other option, *viz.*, option (a) giving incorrect provisions is not correct.

Q39. SM Corporation, a partnership firm was engaged in the business of cement manufacturing and it declared income as per the provisions of section 44AD during the previous year 2012-13. After computing the income @ 8% of turnover or gross receipts from such business during the previous year, the firm wants to claim further deduction on account of remuneration and interest paid to its partners within the limit specified under section 40(b). Can the firm do so as per the provisions of section 44AD?

- (a) Yes (b) No

Correct answer (a)

Justification of correct answer:

As per the provisions of section 44AD, from the net income computed at the prescribed rate, *i.e.*, @ 8%, assessee is not permitted to claim any deduction under sections 30 to 38 (including depreciation or unabsorbed depreciation) from such income. However, in case of an assessee, being a partnership firm, further deduction on account of remuneration and interest paid to its partners within the limit specified under section 40(b) is allowed. Thus, in this case the firm can claim further deduction on account of remuneration and interest paid to its partners within the limit specified under section 40(b).

Thus, option (a) is the correct option.

Comment on incorrect answer: Option (a) is the correct option since it gives the correct provisions. Other option, *viz.*, option (b) giving incorrect provision is not correct.

Q40. As per the provisions of section 44AD, an assessee opting for the presumptive taxation scheme is not permitted to claim deduction on account of various expenditures including depreciation, however, the WDV of any asset used in the business covered under the scheme of section 44AD shall be calculated as if depreciation as per section 32 is claimed and allowed.

- (a) True (b) False

Correct answer (a)

Justification of correct answer:

As per the provisions of section 44AD, an assessee opting for the presumptive taxation scheme is not permitted to claim deduction on account of various expenditures including depreciation, however, the WDV of any asset used in the business covered under the scheme of section 44AD shall be calculated as if depreciation as per section 32 is claimed and allowed. Thus,

even though no depreciation is available separately, yet for purpose of computation of the WDV of the asset, depreciation will be deducted.

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true. Hence, option (b) is not the correct option.

Q41. As per the provisions of section 44AD, an assessee opting for the presumptive taxation scheme is not permitted to claim deduction on account of various expenditures including depreciation. Further, the WDV of any asset used in the business covered under the scheme of section 44AD shall be calculated as if depreciation as per section 32 is not claimed.

(a) True

(b) False

Correct answer (b)

Justification of correct answer:

As per the provisions of section 44AD, an assessee opting for the presumptive taxation scheme is not permitted to claim deduction on account of various expenditures including depreciation. However, the WDV of any asset used in the business covered under the scheme of section 44AD shall be calculated as if depreciation as per section 32 is claimed and allowed. Thus, even though no depreciation is available separately, yet for purpose of computation of the WDV of the asset depreciation will be deducted.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q42. Essem Corporation, a partnership firm is running a departmental store whose turnover from this business is Rs. 99,25,252 and it declared income as per the provisions of section 44AD during the previous year 2012-13. After computing the income @ 8% of turnover or gross receipts from such business during the previous year, the partners of the firm are of the opinion that in computing the WDV of the building owned by them, depreciation will not be deducted since no deduction on account of the same is claimed. Is the contention of partners correct?

(a) Yes

(b) No

Correct answer (b)

Justification of correct answer:

As per the provisions of section 44AD, from the income computed as per the provisions of section 44AD, further deduction on account of depreciation is not available. However, the WDV of any asset used in the business covered under the scheme of section 44AD shall be calculated as if depreciation as per section 32 is claimed and allowed. Thus, the contention of the partners is not correct. Even though no depreciation is claimed by the firm, yet for purpose of computation of the WDV of the asset, depreciation will be deducted from the value of the block.

Thus, option (b) is the correct option.

Comment on incorrect answer: Option (b) is the correct option since it gives the correct provisions. Other option, viz., option (a) giving incorrect provisions is not correct.

Q43. As per the provisions of section 44AD, an assessee who adopts the provisions of section 44AD is not required to maintain books of account as per section 44AA only in respect of the business for which he adopts the provisions of section 44AD.

(a) True

(b) False

Correct answer (a)

Justification of correct answer:

An assessee who adopts the provisions of section 44AD is not required to maintain books of account as per section 44AA (applicable only for business covered by this section).

Thus, the statement given in the question is true and, hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true. Hence, option (b) is not the correct option.

Q44. As per the provisions of section 44AD, an assessee who adopts the provisions of section 44AD is not required to maintain books of account as per section 44AA only in respect of the business for which he adopts the provisions of section 44AD. Further, in respect of such business the provisions of section 44AB (relating to audit) are also not applicable.

(a) True

(b) False

Correct answer (a)

Justification of correct answer:

An assessee who adopts the provisions of section 44AD is not required to maintain books of account as per section 44AA (applicable only for business covered by this section). Further, in respect of such business the provisions of section 44AB (relating to audit) are also not applicable.

Thus, the statement given in the question is true and hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true. Hence, option (b) is not the correct option.

Q45. As per the provisions of section 44AD, an assessee who adopts the provisions of section 44AD is not required to maintain books of account as per section 44AA in respect of all his businesses whether covered under section 44AD or not.

(a) True

(b) False

Correct answer (b)

Justification of correct answer:

An assessee who adopts the provisions of section 44AD is not required to maintain books of account as per section 44AA (applicable only for business covered by this section and not for other businesses).

Thus, the statement given in the question is false and hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q46. As per the provisions of section 44AD, an assessee who adopts the provisions of section 44AD is not required to get the books of account audited in respect of all his businesses whether covered under section 44AD or not.

(a) True

(b) False

Correct answer (b)

Justification of correct answer:

An assessee who adopts the provisions of section 44AD is not required to maintain books of account as per section 44AA as well as not required to get such books of account audited (applicable only for business covered by this section and not for other businesses).

Thus, the statement given in the question is false and hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q47. Mr. Kunal is running a stationary mart whose turnover during the previous year 2012-13 is Rs. 60,84,484 and he declared income as per the provisions of section 44AD. In this case will he be liable to maintain the books of account in respect of aforesaid business?

(a) Yes

(b) No

Correct answer (b)

Justification of correct answer:

As per the provisions of section 44AD, an assessee who adopts the provisions of section 44AD is not required to maintain books of account as per section 44AA. However, the relief is available only in respect of business covered by the provisions of section 44AD and not in respect of any other business. Thus, if Mr. Kunal owns any other business, then in respect of such business the provisions of section 44AA in respect of maintenance of books of account will apply.

Thus, option (b) is the correct option.

Comment on incorrect answer: Option (b) is the correct option since it gives the correct provisions. Other option, viz., option (a) giving incorrect provisions is not correct.

Q48. Mr. Vajir is running a medical store whose turnover from this business during the previous year 2012-13 is Rs. 84,25,252 and he declared income as per the provisions of section 44AD. In this case he will not be liable to maintain the books of account in respect of all his businesses whether covered under section 44AD or not.

(a) True

(b) False

Correct answer (b)

Justification of correct answer:

As per the provisions of section 44AD, an assessee who adopts the provisions of section 44AD is not required to maintain books of account as per section 44AA. However, it should be noted that the relief is available only in respect of business covered by the provisions of section 44AD and not in respect of any other business. Thus, if Mr. Vajir owns any other business, then in respect of such business the provisions of section 44AA in respect of maintenance of books of account will apply.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q49. Mr. Raj is engaged in the business of wall clock manufacturing whose turnover from this business during the previous year 2012-13 is Rs. 1,25,84,848. In this case he will not be liable to maintain the books of account in respect of this business if he declares income at the rate prescribed under section 44AD.

(a) True

(b) False

Correct answer (b)

Justification of correct answer:

In this case, the provisions of section 44AD cannot be adopted by Mr. Raj because the turnover of the business of wall clock manufacturing exceeds the limit of audit prescribed under section 44AB during the previous year 2012-13 and, hence, he will be liable to maintain books of account as prescribed under section 44AA in respect of above business.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q50. Mr. Vasu is running a provision shop whose turnover from this business during the previous year 2012-13 is Rs. 62,84,252. In this case he will not be liable to maintain the books of account in respect of this business even if he declares income @ 7% which is lower than the rate prescribed under section 44AD. (His net income chargeable to tax exceeds the exemption limit from this business).

(a) True

(b) False

Correct answer (b)

Justification of correct answer:

As per the provisions of section 44AD, an assessee who adopts the provision of section 44AD is not required to maintain books of account as per section 44AA. The relief from maintenance of books of account is available only if the assessee adopts the provisions of section 44AD *i.e.*, if he declares income at the rate prescribed under section 44AD or at the higher rate. In this case, Mr. Vasu is not adopting the provisions of section 44AD and, hence, he will be liable to maintain the books of account as provided in section 44AA, since his income exceeds the maximum amount which is not chargeable to tax.

Thus, the statement given in the question is false and hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q51. Mr. Vasu is running a provision shop whose turnover from this business during the previous year 2012-13 is Rs. 62,84,252. In this case he will be liable to maintain the books of account in respect this business if he declares income @ 7% which is lower than the rate prescribed under section 44AD but will not be liable to get such books of account audited. (His net income chargeable to tax exceeds the exemption limit from this business).

(a) True

(b) False

Correct answer (b)

Justification of correct answer:

As per the provisions of section 44AD, an assessee who adopts the provision of section 44AD is not required to maintain books of account as per section 44AA. The relief from maintenance of books of account is available only if the assessee adopts the provisions of section 44AD, *i.e.*, if he declares income at the rate prescribed under section 44AD or at the higher rate. In this case, Mr. Vasu is not adopting the provisions of section 44AD and, hence, he will be liable to maintain the books of account as provided in section 44AA and get such books of account audited since his income exceeds the maximum amount which is not chargeable to tax.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q52. If the actual income from the business covered under section 44AD is lower than the income prescribed under the presumptive scheme, then the assessee can in no case declare income from aforesaid business at a lower rate (i.e., at less than 8%).

- (a) True (b) False

Correct answer (b)

Justification of correct answer:

If the actual income from the business covered under section 44AD is lower than the income prescribed under the presumptive scheme, then the assessee can declare income from aforesaid business at a lower rate (i.e., at less than 8%).

If the assessee declares lower income and if his income exceeds the maximum amount which is not chargeable to tax then the relief from maintenance of books of account is not available and he is required to maintain the books of account as per section 44AA and he has to get such books of account audited.

Thus, the statement given in the question is false and hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not correct.

Q53. Mr. Sipahi is running a stationary mart whose turnover from this business during the previous year 2012-13 is Rs. 48,84,484. His actual income from this business is only Rs. 2,84,252 which is less than Rs. 3,90,759 (i.e., Rs. 48,84,484 * 8%). In this case, can he declare actual income of Rs. 2,84,252 which is lower than the limit prescribed under section 44AD?

- (a) Yes (b) No

Correct answer (a)

Justification of correct answer:

As per the provisions of section 44AD, if the actual income from the business covered under section 44AD is lower than the income prescribed under the presumptive scheme, then the assessee can declare income from aforesaid business at a lower rate (i.e., at less than 8%). Thus, in this case Mr. Sipahi can declare lower income. However, in this case he has to maintain the books of account prescribed under section 44AA and has to get such books of account audited since his income exceeds the maximum amount which is not chargeable to tax.

Thus, option (a) is the correct option.

Comment on incorrect answer: Option (a) is the correct option since it gives the correct provisions. Other option, viz., option (b) giving incorrect provisions is not correct.

Q54. If the actual income from the business covered under section 44AD is higher than the income prescribed under the presumptive scheme, then the assessee can in no case declare income from aforesaid business at a higher rate (i.e., at higher rate than 8%).

- (a) True (b) False

Correct answer (b)

Justification of correct answer:

The scheme permits the assessee to declare at his option higher income (i.e., higher rate than 8%).

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q55. Mr. Kamal is running a stationary mart whose turnover from this business during the previous year 2012-13 is Rs. 48,84,484. His actual income from this business is Rs. 4,84,484 which is higher than Rs. 3,90,759 (i.e., Rs. 48,84,484 * 8%). In this case, can he declare actual income of Rs. 4,84,484 which is higher than the limit prescribed under section 44AD?

- (a) Yes (b) No

Correct answer (a)

Justification of correct answer:

As per the provisions of section 44AD, if the actual income from the business covered under section 44AD is higher than the income prescribed under the presumptive scheme, then the assessee has to declare such higher income from the aforesaid business. Thus, in this case Mr. Kamal can declare higher income.

Thus, option (a) is the correct option.

Comment on incorrect answer: Option (a) is the correct option since it gives the correct provisions. Other option, viz., option (b) giving incorrect provisions is not correct.

Q56. If the actual income from the business covered under section 44AD is higher than the income prescribed under the presumptive scheme, then the assessee can declare income from aforesaid business at a higher rate (i.e., at higher rate than 8%). In this case the assessee has to maintain regular books of account as prescribed under section 44AA.

- (a) True (b) False

Correct answer (b)

Justification of correct answer:

The scheme permits the assessee to declare at his option higher income (i.e., higher rate than 8%). If higher income is declared then there is no need to maintain regular books of account as prescribed under section 44AA.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q57. If the actual income from the business covered under section 44AD is higher than the income prescribed under the presumptive scheme, then the assessee can declare income from aforesaid business at a higher rate (i.e., at higher rate than 8%). In this case the assessee has to get his books of account audited.

- (a) True (b) False

Correct answer (b)

Justification of correct answer:

The scheme permits the assessee to declare at his option higher income (i.e., higher rate than 8%). If higher income is declared then there is no need to get the books of account audited.

Thus, the statement given in the question is false and, hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q58. Can the assessee who claims deduction under any of the sections 10A/10AA/10B/10BA, adopt the provisions of section 44AD?

- (a) Yes (b) No

Correct answer (b)

Justification of correct answer:

As per the provisions of section 44AD, the scheme can be adopted by the eligible assessee who is engaged in any business (except the business of plying, hiring or leasing goods carriages referred to in section 44AE and except by the assessee who is engaged in any profession prescribed under section 44AA or is carrying on agency business or is earning income in the nature of commission or brokerage), whose turnover or gross receipts from such business do not exceed the limit prescribed under section 44AB (*i.e.*, Rs. 60,00,000 for the previous year 2011-12 and Rs. 1,00,00,000 from the previous year 2012-13). Further, these provisions can be adopted by the assessee only if he has not claimed deduction under section 10A/10AA/10B/10BA or under sections 80HH to 80RRB in the relevant year.

Hence, option (b) is the correct option.

Comment on incorrect answer: Option (b) is the correct option since it gives the correct provisions. Other option, *viz.*, option (a) giving incorrect provisions is not correct.

Q59. Mr. Kumar is an entrepreneur as defined in section 2(j) of the SEZ Act, 2005. He fulfills all the conditions of section 10AA and claims deduction under section 10AA. Can he adopt the provisions of section 44AD?

- (a) Yes (b) No

Correct answer (b)

Justification of correct answer:

As per the provisions of section 44AD, the scheme can be adopted by the eligible assessee engaged in any business (except the business of plying, hiring or leasing goods carriages referred to in section 44AE and except by the assessee who is engaged in any profession prescribed under section 44AA or is carrying on agency business or is earning income in the nature of commission or brokerage), whose turnover or gross receipts from such business do not exceed the limit of audit prescribed under section 44AB (*i.e.*, Rs. 60,00,000 for the previous year 2011-12 and Rs. 1,00,00,000 from the previous year 2012-13). Further, these provisions can be adopted by the assessee only if he has not claimed deduction under section 10A/10AA/10B/10BA or under sections 80HH to 80RRB in the relevant year.

Thus, option (b) is the correct option.

Comment on incorrect answer: Option (b) is the correct option since it gives the correct provisions. Other option, *viz.*, option (a) giving incorrect provisions is not correct.

Q60. Can the assessee who claims deduction under any of the sections 80HH to 80RRB, adopt the provisions of section 44AD?

- (a) Yes (b) No

Correct answer (b)

Justification of correct answer:

As per the provisions of section 44AD, the scheme can be adopted by the eligible assessee engaged in any business (except the business of plying, hiring or leasing goods carriages referred to in section 44AE and except by the assessee who is engaged in any profession as prescribed under section 44AA or is carrying on agency business or is earning income in the nature of commission or brokerage), whose turnover or gross receipts from such business do not exceed the limit of audit prescribed under section 44AB (*i.e.*, Rs. 60,00,000 for the previous year 2011-12 and Rs. 1,00,00,000 from the previous year 2012-13). Further, these provisions

can be adopted by the assessee only if he has not claimed deduction under section 10A/10AA/10B/10BA or under sections 80HH to 80RRB in the relevant year.

Thus, option (b) is the correct option.

Comment on incorrect answer: Option (b) is the correct option since it gives the correct provisions. Other option, viz., option (a) giving incorrect provisions is not correct..

Q61. Mr. Raja is a resident Indian assessee earning income by way royalty. He fulfills the other conditions of section 80RRB and claims the deduction under section 80RRB during the previous year 2012-13. He is also running a medical store and for this business he wants to adopt the provisions of section 44AD since his turnover from the medical store is below Rs. 1,00,00,000 during the previous year 2012-13. Can he do so?

(a) Yes

(b) No

Correct answer (b)

Justification of correct answer:

As per the provisions of section 44AD, the scheme can be adopted by an assessee engaged in any business (except the business of plying, hiring or leasing goods carriages referred to in section 44AE), whose turnover or gross receipts from such business do not exceed the limit of audit prescribed under section 44AB (*i.e.*, Rs. 60,00,000 for the previous year 2011-12 and Rs. 1,00,00,000 from the previous year 2012-13). Further, these provisions can be adopted by the assessee only if he has not claimed deduction under section 10A/10AA/10B/10BA or under sections 80HH to 80RRB in the relevant year. In this case, Mr. Raja has claimed deduction under section 80RRB during the previous year 2012-13 and hence, he cannot adopt the provisions of section 44AD in respect of his business of medical store.

Thus, option (b) is the correct option.

Comment on incorrect answer: The option (b) is the correct option since it gives the correct provisions. The other option viz., option (a) giving the incorrect provisions is not correct.

Q62. Mr. Raja is running a medical store. He wants to adopt the provisions of section 44AD since the turnover from this business does not exceed Rs. 1,00,00,000 during the previous year 2012-13. However, he claimed deduction under section 80RRB during the previous year 2011-12 and hence, he cannot adopt the presumptive taxation scheme of section 44AD during the previous year 2012-13. (He has not claimed any deduction under section 80RRB during the previous year 2012-13).

(a) True

(b) False

Correct answer (b)

Justification of correct answer:

As per the provisions of section 44AD, the scheme can be adopted by an assessee engaged in any business (except the business of plying, hiring or leasing goods carriages referred to in section 44AE and except by the assessee who is engaged in any profession prescribed under section 44AA or is carrying on agency business or is earning income in the nature of commission or brokerage), whose turnover or gross receipts from such business do not exceed the limit of audit prescribed under section 44AB (*i.e.*, Rs. 60,00,000 for the previous year 2011-12 and Rs. 1,00,00,000 from the previous year 2012-13). Further, these provisions can be adopted by the assessee only if he has not claimed deduction under section 10A/10AA/10B/10BA or under sections 80HH to 80RRB in the relevant year. In this case, Mr. Raja has claimed deduction under section 80RRB during the previous year 2011-12 and not during the previous year 2012-13 in which he wants to adopt the provisions of section 44AD. Hence, he can adopt the provisions of section 44AD in respect of his business of medical store.

Thus, the statement given in the question is false and hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q63. The provisions relating to advance tax shall apply to the assessee who adopts the presumptive taxation scheme of section 44AD.

- (a) True (b) False

Correct answer (b)

Justification of correct answer:

As per the provisions of section 44AD, the provisions relating to advance tax shall not apply to the assessee who adopts the presumptive taxation scheme of section 44AD.

Thus, the statement given in the question is false and hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q64. An individual adopting the provisions of section 44AD is not liable to pay advance tax in respect of the business covered under section 44AD, however, an HUF adopting the provisions of section 44AD is liable to pay advance tax in respect of the business covered under section 44AD.

- (a) True (b) False

Correct answer (b)

Justification of correct answer:

An assessee opting for the presumptive taxation scheme of section 44AD will not be liable to pay advance tax in respect of business covered under section 44AD. In other words, a person adopting the provisions of presumptive taxation scheme of section 44AD is not liable to pay advance tax in respect of the business covered under section 44AD. Thus an assessee may be an individual or an HUF adopting the provisions of section 44AD is not liable to pay advance tax in respect of the business covered under section 44AD.

Thus, the statement given in the question is false and hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q65. Mr. Soham is running a provision shop whose turnover from this business is Rs. 25,84,252 and he adopts the provisions of section 44AD during the previous year 2012-13. He does not own any other business. In this case he is liable to pay the advance tax since his tax liability exceeds Rs. 10,000.

- (a) True (b) False

Correct answer (b)

Justification of correct answer:

As per the provisions of section 44AD, the provisions relating to advance tax shall not apply to the assessee who adopts the presumptive taxation scheme of section 44AD.

Thus, the statement given in the question is false and hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.

Q66. The income computed as per the provisions of section 44AD is the net income and the assessee cannot claim deduction under sections 80HH to 80RRB. However, he can claim deduction under sections 80C to 80U separately.

- (a) True (b) False

Correct answer (a)

Justification of correct answer:

As per the provisions of section 44AD, the scheme can be adopted by an assessee engaged in any business (except the business of plying, hiring or leasing goods carriages referred to in section 44AE and except by the assessee who is engaged in any profession prescribed under section 44AA or is carrying on agency business or is earning income in the nature of commission or brokerage), whose turnover or gross receipts from such business do not exceed the limit of audit prescribed under section 44AB (*i.e.*, Rs. 60,00,000 for the previous year 2011-12 and Rs. 1,00,00,000 from the previous year 2012-13). Further, these provisions can be adopted by the assessee only if he has not claimed deduction under section 10A/10AA/10B/10BA or under sections 80HH to 80RRB in the relevant year. However, he can claim deduction under sections 80C to 80U separately from the net income computed as per the provisions of section 44AD.

Thus, the statement given in the question is true and hence, option (a) is the correct option.

Comment on incorrect answer: The statement given in the question is true. Hence, option (b) is not the correct option.

Q67. Mr. Soham is running a provision shop. He adopted the provisions of section 44AD in respect of his business of provision shop and declared income @ 8% during the previous year 2012-13. In this case, can he claim deduction under section 80C from the net income computed as per the presumptive taxation scheme of section 44AD?

- (a) Yes (b) No

Correct answer (a)

Justification of correct answer:

As per the provisions of section 44AD, the assessee can claim deductions under sections 80C to 80U separately from the net income computed as per the provisions of section 44AD.

Thus, option (a) is the correct option.

Comment on incorrect answer: The option (a) is the correct option since it gives the correct provisions. The other option, *viz.*, option (b) giving the incorrect provisions is not correct.

Q68. Mr. Sipahi is running a medical store. He adopted the provisions of section 44AD in respect of his business of medical store and declared income @ 8% during the previous year 2012-13. In this case, can he claim deduction under section 80D from the net income computed as per the presumptive taxation scheme of section 44AD?

- (a) Yes (b) No

Correct answer (a)

Justification of correct answer:

As per the provisions of section 44AD, the assessee can claim deductions under sections 80C to 80U separately from the net income computed as per the provisions of section 44AD.

Thus, option (a) is the correct option.

Comment on incorrect answer: The option (a) is the correct option since it gives the correct provisions. The other option, *viz.*, option (b) giving the incorrect provisions is not correct.

Q69. Miss Shivani is running a boutique. She adopts the provisions of section 44AD in respect of her business and declares income @ 8% of the turnover for the year. In this case, can she claim deduction under section 80U from the net income computed as per the presumptive taxation scheme of section 44AD?

- (a) Yes (b) No

Correct answer (a)

Justification of correct answer:

As per the provisions of section 44AD, the assessee can claim deductions under sections 80C to 80U separately from the net income computed as per the provisions of section 44AD.

Thus, option (a) is the correct option.

Comment on incorrect answer: The option (a) is the correct option since it gives the correct provisions. The other option viz., option (b) giving the incorrect provisions is not correct.

Q70. An assessee declaring income as per the provisions of section 44AD cannot claim deduction under sections 80C to 80U if he declares income @ 8% of the turnover or gross receipts of the eligible business for the previous year but can claim deduction under sections 80C to 80U if he declares income at a higher rate (i.e. higher than 8%).

- (a) True (b) False

Correct answer (b)

Justification of correct answer:

As per the provisions of section 44AD, the scheme can be adopted by the eligible assessee engaged in any business (except the business of plying, hiring or leasing goods carriages referred to in section 44AE and except by the assessee who is engaged in any profession prescribed under section 44AA or is carrying on agency business or is earning income in the nature of commission or brokerage), whose turnover or gross receipts from such business do not exceed the limit of audit prescribed under section 44AB (i.e., Rs. 60,00,000 for the previous year 2011-12 and Rs. 1,00,00,000 from the previous year 2012-13). Further, these provisions can be adopted by the assessee only if he has not claimed deduction under section 10A/10AA/10B/10BA or under sections 80HH to 80RRB in the relevant year. However, he can claim deduction under sections 80C to 80U separately from the net income computed as per the provisions of section 44AD (irrespective of the rate of declaration of income).

Thus, the statement given in the question is false and hence, option (b) is the correct option.

Comment on incorrect answer: The statement given in the question is false. Hence, option (a) is not the correct option.