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Q1. Security Transaction Tax is applicable on which of the following securities:

1. Shares,
2. Bonds,
3. Debentures,
4. Off-market share transactions
5. Units issued by any collective investment scheme

Select the correct answer using the code given below:

A. 1, 3 and 4 only
B. 2, 4 and 5 only
C. 1, 2, 3 and 5 only
D. 1, 2, 3, 4 and 5

Explanation:
STT is a type of direct tax payable on the value of taxable securities transaction done through a recognized stock exchange in the country.The securities on which STT is applicable are shares, bonds, debentures, derivatives, units issued by any collective investment scheme, equity based government rights or interests in securities and equity mutual funds. Off-market share transactions are not covered under STT. Hence STT is not on 4. Hence, option (c) is the correct answer.

Q2. Consider the following statements about Anti-Dumping Duty:

1. Anti-Dumping Duty is imposed on exported products to curtail export of essential commodities
2. Anti-Dumping Duty is imposed by Ministry of Finance

Select the correct answer using the code given below:

A. 1 only
B. 2 only
C. Both 1 and 2
D. Neither 1 nor 2

Explanation:

Anti-Dumping Duty is a trade levy imposed by any government on imported products which have prices less than their fair normal values in their domestic market.
Thus, it is protectionist tariff that seeks to stop dumping process where company exports a product at a price lower than price it normally charged in domestic market of importing countries'.
Anti-Dumping Duty is imposed under the multilateral World Trade Organisation (WTO) regime and varies from product to product and from country to country.
In India, anti-dumping duty is recommended by the Union Ministry of Commerce (i.e. by DGAD), while the Union Finance Ministry imposes it

Q3. The term 'Base Erosion and Profit Shifting' is sometimes seen in the news in the context of

A. mining operation by multinational companies in resource-rich but backward areas
B. curbing of the tax evasion by multinational companies
C. exploitation of genetic resources of a country by multinational companies
D. lack of consideration of environmental costs in the planning and implementation of developmental projects

Explanation:
The 2015 final reports of the Organisation for Economic Co operation and Development (OECD)-led project on Base Erosion and Profit Shifting (BEPS) — which refer to the erosion of a nation's tax base due to the accounting tricks of Multinational Enterprises (MNEs) and the legal but abusive shifting out of profits to low-tax jurisdictions respectively — lays out 15 action points to curb abusive tax avoidance by MNEs. As a participant of this project, India is expected to implement at least some of these measures.

Q4. Which of the following is/are correct:

1. Lowering the tax exemption would burden the middle class
2. It may increase the number of tax payers and necessarily the tax revenue.

Which of the statements is/are correct?

A. 1 only
B. 2 only
C. Both 1 and 2
D. Neither 1 nor 2

Explanation:
Lowering the tax exemption would further burden the middle class and more so by this way it may be possible to increase the number of tax payers but not necessarily the tax revenue as many would be marginal tax payers.

Q5. What does the term demographic tax bomb depicts?

A. The economy failed to utilize and absorb extra labour force from demographic dividend.
B. The rate of retiree population increasing so tax revenues fall and pension costs soar.
C. Low birth rate increases the dependency ratio and industrialization process gets suffered.
D. All of the above.

Explanation:
Potential crisis situation in most countries (especially the developed ones, Japan being the leader) characterized by an increasing number of older people dependent on pension schemes and tax revenue decreases.

Q6. For a citizen of India, the duty to pay taxes is a:

A. Fundamental Duty
B. Legal obligation
C. Constitutional obligation
D. Moral obligation

Explanation:
The Swaran Singh Committee suggested inclusion of duty to pay taxes under fundamental duties, but it was not agreed upon.
As per the Direct taxation laws; income and other kinds of taxes are a legal obligation for an Indian citizen as he uses public services, receives social and political security from the state etc.

Q7. With reference to taxation system, Pigovian Tax refers to a tax imposed on

A. market activities that have negative externalities.
B. FII's to stop their speculative gains.
C. the entry of goods and services in a local area.
D. the amount distributed as dividend, by the companies.

Explanation:
A Pigovian tax is a government cost on activities that create socially harmful externalities. A negative externality is an activity that creates a negative effect on others. For example, pollution is an externality. This negative externality might be corrected, by levying taxes equal to the externalized costs.

Q8. 'AaykarSetu' sometimes seen in news is

A. A scheme for building infrastructure in high terrain areas of the north-east India.
B. An app that helps users carry out basic tax-related tasks using a smartphone.
C. An ancient bridge related to the Indus Valley Civilisation found in western Rajasthan.
D. A new all-terrain road linking Kashmir and Jammu.

Explanation:
Central Board of Direct Taxes (CBDT), a department under the Ministry of Finance has launched a new app known as AaykarSetu. The app is part of the Digital India initiative to help users understand the various nuances of direct taxes, file income tax, apply for PAN, check TDS statement, and even share grievances with the right authorities. It also lets users to link their Aadhaar to their PAN.

Q9. Consider the following statements with respect to Minimum Alternate Tax (MAT) in India:

1.Minimum Alternate Tax has been introduced under Companies Act 2013.
2.Unlike Income Tax, Minimum Alternate Tax is charged on book profits and not on taxable income of the company.

Which of the statements given above is/are correct?

A. 1 only
B. 2 only
C. Both 1 and 2
D. Neither 1 nor 2

Explanation:
Statement 1 is not correct: MAT is a tax levied on "zero tax" companies. In order to bring such companies under the I-T net, Section 115JA (Minimum Alternate Tax) was added to the Income

Tax Act in year 1997-98.Statement 2 is correct: Zero tax companies are those companies that show book profits and distribute dividends to share holders but don't pay taxes. This happens because although the profit and loss of a corporation are calculated as per provisions of Companies Act, the income tax is calculated on the basis of provisions of Income Tax Act. The companies take advantage of various exemptions given in IT Act to show their disposable income as nil. Therefore, MAT is levied on book profits (calculated as per provisions of Companies Act) and not on disposable income. As per The Finance Act, 2016, Minimum alternate tax (MAT) won't be applicable foreign institutional investors (FIIs) and foreign portfolio investors (FPIs) as they normally don't have a place of business in India. This was applied retrospectively from 2001.

Q10. With reference to Goods and Services Tax (GST), consider the following statements:

1.It is a type of value added tax.
2.The tax under GST regime is imposed at the point of consumption.
3.It is not applicable on imports of goods and services.

Which of the statements given above is/are correct?

A. 1 and 2 only
B. 1 only
C. 2 and 3 only
D. 1, 2 and 3

Explanation:
Goods and Services Tax (GST) refers to the single unified tax created by amalgamating a large number of Central and State taxes presently applicable in India.
The salient features of GST are as under:
GST comes under the broad spectrum of what is known as Value Added Tax which provides for input credits and taxes only the value addition that happened in the process of production / provision of service.
GST would be applicable on supply of goods or services as against the present concept of tax on the manufacture or on sale of goods or on provision of services.
GST would be a destination based tax as against the present concept of origin based tax. i.e, tax is imposed at the point of consumption.
It would be a dual GST with the Centre and the States simultaneously levying it on a common base.

The Centre would levy and collect the Integrated Goods and Services Tax (IGST) on all inter-State supply of goods and services. There will be seamless flow of input tax credit from one State to another. Proceeds of IGST will be apportioned among the States.
Import of goods or services would be treated as inter-State supplies and therefore, would be subject to IGST in addition to the applicable customs duties. In other words, all imported goods will be charged integrated tax (IGST) which is equivalent to Central GST + State GST. This will bring equality with taxation on local products.