

Chapter 5 - Tax System in India

Level - I

1. What is "Tax"?
 - (A) Voluntary payment made by citizens to the government.
 - (B) Compulsory contribution to the state revenue levied by government
 - (C) Fee for services rendered.
 - (D) Premium to government services.

2. Which of the following tax is not levied by Central Government?
 - (A) Income tax
 - (B) Service tax
 - (C) Customs duties
 - (D) Professional tax

3. Which of the following tax is not levied by a State Government?
 - (A) VAT—Value added tax
 - (B) Stamp duty
 - (C) Customs duties
 - (D) Land removal

4. If we take an example of income tax in India, which type of taxation is followed?
 - (A) Proportional taxation
 - (B) Progressive taxation
 - (C) Regressive taxation
 - (D) Redistributive taxation

5. Which Article says "No tax shall be levied or collected except by authority of law"?
 - (A) Article 267
 - (B) Article 266
 - (C) Article 265
 - (D) Article 275

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Level - II

6. Consider the following statements:
1. Local bodies are empowered to levy tax on properties, octroi and utilities like water supply, drainage etc.
 2. Indirect taxes help in income redistribution and can be used to promote growth with equity. Which of the above statements is/are correct?
- (A) 1 only (B) 2 only
(C) Both 1 and 2 (D) None of the above
7. Consider the following statements:
1. Taxes levied on personal income, corporate income, sales tax come under the category of tax on income and expenditure.
 2. Taxes like excise duty, customs duty, etc fall under tax on commodities.
 3. Taxes like wealth tax, estate and succession duties fall under tax on property and property transaction. Which of the above statements is/are incorrect?
- (A) 1 and 2 only (B) 2 only
(C) 1 and 3 only (D) None of the above
8. Consider the following statement:
1. Comprehensive goods and services tax based on : VAT principles, is based on Kelkar Task Force suggestion.
 2. Proposed Direct Tax Code will replace the Income Tax Act. Which of the following statements is/are incorrect?
- (A) 1 only (B) 2 only
(C) None of the above (D) Both 1 and 2
9. Which of the following represents the relationship between tax rate and tax revenue?
- (A) Philips curve (B) Laffer curve
(C) Angle's law (D) Law of dismissing returns

Level - III

10. Consider the following statements:
1. Tax base is the legal description of the object with reference to which the tax is payable.
 2. Tax buoyancy is an increase in tax revenue because of growth of its base.
 3. Tax elasticity is an increase in tax revenue on account of extension of its coverage or revision of its rates.
 4. Tax incidence refers to those economic units which finally take the money burden of tax and can't pass it on to others. Which of the above statement's is/are incorrect?
- (A) 1 and 3 only (B) 1 2 and 4 only
(C) None of the above (D) 2 and 3 only
11. Consider the following statements:
- 1 . To bring the Zero Tax companies into the tax net, MAT (Minimum Alternate tax) was introduced.
 2. Wealth Tax is levied on productive assets. Which of the statements is/are correct?
- (A) 1 only (B) 2 only
(C) Both 1 and 2 (D) None of the above.
12. Which of the following tax is not a direct tax?
- (A) Income Tax (B) Fringe Benefit Tax
(C) Capital Gain Tax (D) Central Sales Tax (CST)
13. Which of the follow tax is not an indirect tax?
- (A) Custom Duty (B) Excise Duty
(C) VAT (Value Added Tax) (D) MAT (Minimum Alternate Tax)

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14. Fringe Benefit Tax is an additional income tax on the value of fringe benefits provided to the employees; who will pay the same?

- (A) Employer (B) Emoloyee
(C) Hindu Undivided Family (D) Individual

15. Consider the following statements:

1. If tax is levied as a percentage of tax base irrespective of the size of tax base at same rate, then it is called progressive taxation.

2. If tax rate is increasing with the increasing size of the base. it is called proportional taxation. Which of the above statements is/are incorrect?

- (A) Both (B) 1 only
(C) 2 only (D) None of the above

Answer Key

1. (B) 2. (D) 3. (C) 4. (B) 5. (C) 6. (C)
7. (A) 8. (C) 9. (B) 10. (C) 11. (B) 12. (D)
13. (D) 14. (A) 15. (D)