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Chapter-06

Taxes

1. Which among of the following is direct tax?

- (A) Sales Tax
- (B) Excise Tax
- (C) Wealth Tax
- (D) Entertainment Tax

2. Which among of the following is largest source of income for central govt.?

- (A) Direct Taxes
- (B) Custom Duty
- (C) Excise Duty
- (D) Entertainment Tax

3. Which among of the following is not direct tax?

- (A) Income Tax
- (B) Property Tax
- (C) Gift Tax
- (D) Sales Tax

4. The Example of Sales tax is-

- (A) Corporate Tax
- (B) Direct Tax
- (C) Indirect Tax
- (D) Welfare Tax

5. Which of the following tax is imposed by state govt.?

- (A) Entertainment Tax
- (B) Property Tax
- (C) Income Tax
- (D) Corporate Tax

6. Taxes are called as Regressive when-

- (A) More burden on poor as compared to rich
- (B) It causes same burden on rich and poor
- (C) Less burden on poor as compared to rich
- (D) None of these

7. In case of direct tax, impact of tax & incidence of tax is-

- (A) On two different person
- (B) On same person
- (C) Any other person
- (D) On that department which called tax.

8. Who was the Chairman of Tenth Finance Commission?

- (A) Manmohan Singh
- (B) Vasant Sathe
- (C) Shiv Shankar
- (D) K.C. Pant

9. Who was the Chairman of 13th Finance Commission?

- (A) Dr. Vijay L Kelkar
- (B) Dr. C Rangrajan
- (C) Dr. A.M. Khusro
- (D) Dr. C. Subbarao

10. Which among of the following is not a 'canon of taxation' according to Adam Smith?

- (A) Canon of certainty
- (B) Canon of simplicity
- (C) Canon of convenience
- (D) Canon of economy inefficiency

11. VAT was firstly implemented in-

- (A) Germany
- (B) Spain
- (C) France
- (D) Russia

12. 'Value-added' is equal to-

- (A) Output Minus the Inputs
- (B) Reconstruction profit
- (C) Gross profit
- (D) Investment profit

13. In Centre-State financial relation in India, Gadgil formula is used in-

- (A) Division of tax revenue





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- (B) Formulation of the policy for fresh borrowings
(C) Writing off state's indebtedness to the centre
(D) Allocating Central Plan assistance between States

14. Which authority decides about the states' share in central taxes?

- (A) Finance Commission
(B) Planning Commission
(C) Election Commission
(D) Finance Ministry

15. Indirect taxes by nature are—

- (A) Degressive
(B) Regressive
(C) Progressive
(D) Proportional

16. Taxation is a tool of—

- (A) Monetary Policy
(B) Fiscal Policy
(C) Price Policy
(D) Wage Policy

17. The Fringe Benefit Tax was introduced in the budget of—

- (A) 2003-04
(B) 2004-05
(C) 2005-06
(D) 2006-07

18. Which of the following is not the source of the revenue of Central Government?

- (A) Income Tax
(B) Corporate Tax
(C) Agricultural Income Tax
(D) Excise Duty

19. The Report of Vijay Kelkar Committee relates to—

- (A) Trade reforms
(B) Centre-state financial relations
(C) Disinvestment in public sector enterprises
(D) Tax reforms

20. Which of the following taxes is not collected by the Central Government?

- (A) Income Tax
(B) Customs Duty
(C) Professional Tax
(D) Excise Duty

21. Excise duty on a commodity is payable with reference to its—

- (A) Production
(B) Production and Sale
(C) Production and Transportation
(D) Production, Transportation and Sale

22. If the tax rate increases with the higher level of income, it shall be called—

- (A) Proportional Tax
(B) Progressive Tax
(C) Lump sum Tax
(D) Regressive Tax

23. Which of the following sets belong to Central tax?

- (A) Excise Duty, Sales Tax and Customs Duty
(B) Excise Duty, Customs Duty and Income Tax.
(C) Income Tax, Customs Duty and House Tax
(D) Customs Duty, Entertainment tax and Income Tax

24. Which of the following taxes is not shared between the union and the states?

- (A) Income Tax
(B) Excise Duty
(C) Corporation Tax
(D) Sales Tax

25. Which of the following taxes is levied by the Union and appropriated and planned by the states?

- (A) Service Tax
(B) Stamp Duty
(C) Property Tax
(D) Passenger and Freight Duty





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26. Which of the following taxes is such which does not cause rise in price?

- (A) Import Duty
- (B) Income Tax
- (C) Octroi
- (D) Sales Tax

27. Who among the following has suggested tax on expenditure?

- (A) Dalton
- (B) Kaldor
- (C) Musgrave
- (D) Gautam Mathur

28. The proceeds of Income tax go to—

- (A) Central Government
- (B) State Government
- (C) Centre and States
- (D) Corporation Authorities

29. How does the consumer benefit with VAT?

- (A) It removes tax on tax and thus reduces price rise
- (B) Reduces the cost of production
- (C) With the abolition of the sales tax
- (D) Due to the exemption of small businesses from the tax within certain limits prescribed by the state

30. The receipts of which of the following taxes/duties are not shared with the states?

- (A) Tax on income except agriculture
- (B) Corporation tax
- (C) Surcharge on Income tax
- (D) Capital gain tax

31. Corporation tax is a tax imposed on—

- (A) The net incomes of the companies
- (B) The corporate properties
- (C) The utilities provided by the corporation
- (D) Tax imposed by the corporation on individual properties

32. The duties levied on alcoholic liquors, narcotic drugs and opium come under—

- (A) Central Excise Duty
- (B) Land Revenue
- (C) State Excise Duty
- (D) General Sales Tax

33. Parallel economy emerges due to—

- (A) Tax Avoidance
- (B) Tax Evasion
- (C) Tax Compliance
- (D) Tax Estimation

34. A tax is characterised by horizontal equity if its liability is—

- (A) Proportional to the income of tax payers
- (B) Similar for tax payers in similar circumstances
- (C) Proportional to the expenditure of tax payers
- (D) The same for every tax payer

35. Which authority recommends the principles governing the grants in aid of the revenues of the states out of the Consolidated Fund of India?

- (A) Public Accounts Committee
- (B) Union Ministry of Finance
- (C) Finance Commission
- (D) Inter-State Council

36. Buoyancy of a tax is defined as—

- (A) Percentage increase in tax revenue/percentage increase in tax base
- (B) Increase in tax revenue/percentage increase in tax coverage
- (C) Increase in tax revenue/increase in tax base
- (D) Percentage increase in tax revenue/increase in tax coverage

37. Which one of the following is not an Example of Indirect tax?

- (A) Sales Tax
- (B) Excise Duty
- (C) Customs Duty





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(D) Expenditure Tax

38. 'Quota' is—

- (A) Tax levied on imports
- (B) Imports of capital goods
- (C) Limit on the quantity of imports
- (D) Limit on the quantity of exports

39. Which is the biggest tax paying sector in India?

- (A) Agriculture sector
- (B) Industrial sector
- (C) Transport sector
- (D) Banking sector

40. The incidence of tax refers to,—

- (A) Who pays the tax
- (B) Who bears the burden of tax
- (C) How taxes can be shifted
- (D) Who transfers the tax burden

41. Ad Valorem tax is levied—

- (A) According to value added by the government.
- (B) According to value addition to a commodity
- (C) According to value given by producers
- (D) According to value added by the Finance ministry

42. State which amongst the following is not true about VAT

- (A) All States have uniform vat for the same product
- (B) State have discretion to fix the rate of tax within the four rates prescribed
- (C) It will promote production efficiency of investments
- (D) It will make our exports more competitive

43. Which amidst the following taxes collected by the Union is NOT mandated to be assigned to the States?

- (A) Terminal taxes on goods or passengers carried by railway, sea or air.
- (B) Taxes on railway fares and freights.
- (C) Taxes on consignment of goods.
- (D) Service Tax

44. Among the tax revenues of the Union Government, what is the largest source?

- (A) Income tax
- (B) Corporation tax
- (C) Central Excise
- (D) Customs Duty

45. The largest source of revenue to the Union Government is—

- (A) Income tax
- (B) Central Excise Duty
- (C) Customs Duty
- (D) Wealth Tax

46. The Government of India derives its single largest source of revenue from—

- (A) Direct Taxes
- (B) Customs Duties
- (C) Deficit Financing
- (D) Union Excise Duties

47. For which tax, was constitutional status given much later after its introduction in a small way in 1994-95?

- (A) Customs Duty
- (B) Corporation Tax
- (C) Taxes on Services
- (D) Income tax

48. Indirect tax means:

- (A) There is not direct relationship between the tax payer and the government.
- (B) Direct relationship between tax payer and the government.
- (C) Tax base is income
- (D) The incidence and impact are on the same person on whom tax is imposed.

49. The incidence of sales tax falls on—

- (A) Consumers
- (B) Wholesale dealers
- (C) Retail dealers
- (D) Producers





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50. The 'Canons to Taxation' were propounded by-

- (A) Edwin Canon
- (B) Adam Smith
- (C) J.M. Keynes
- (D) Dalton

51. The tax levied on gross sales revenue from business transactions is called-

- (A) Turnover Tax
- (B) Sales Tax
- (C) Capital Gains Tax
- (D) Corporation Tax

52. Interest paid by the government on the loans raised is called-

- (A) Debt Servicing
- (B) Deficit Financing
- (C) Discounted Budgeting
- (D) Bridge-loan

53. Custom duty is an instrument of-

- (A) Monetary Policy
- (B) Foreign Trade Policy
- (C) Industrial Policy
- (D) Fiscal Policy

54. Value-added means value of-

- (A) Output at factor cost
- (B) output at market prices
- (C) goods and services less depreciation
- (D) Goods and services less cost of intermediate goods and services

55. Which of the following is an indirect tax?

- (A) Capital Gains Tax
- (B) Excise Duty
- (C) Wealth Tax
- (D) Estate Duty

56. Taxes on professions can be levied by:

- (A) State government only

(B) both by state and union government

(C) by panchayats only

(D) Union Government only

57. A part of National Debt known as External Debt is the amount-

- (A) borrowed by its citizens from abroad
- (B) lent by its citizens to foreign governments
- (C) borrowed by its government from abroad
- (D) lent by its government to foreign government

58. The non-expenditure costs which arise when the producing firm itself owns and supplies certain factors of production are-

- (A) Explicit costs
- (B) Original costs
- (C) Implicit costs
- (D) Replacement costs

59. Taxes are as certain as the death, because-

- (A) They constitute the major source of government revenue.
- (B) Government have no other source of revenue.
- (C) Most PSUs are run inefficiently.
- (D) Government has its own budget constraints.

60. Which among the following is not a non-customs duty obstacle the world trade?

- (A) Quantity restriction
- (B) Establishment of Standard
- (C) Determination of import duty uniformly
- (D) Restrictions on goods quality

61. Which one of the following taxes is collected and utilized by the State Governments?

- (A) Personal income tax
- (B) Corporation tax
- (C) Land revenue
- (D) Custom duties





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62. Which of the following taxes are levied and collected by the centre but their net proceeds are wholly transferred to states?

- (A) Expenditure Tax and Gift Tax
- (B) Additional Duties of Excise in lieu of Sales Tax
- (C) Stamps and Registration
- (D) Taxes on Advertisement

63. In India which of the following taxes is levied by the State governments?

- (A) Excise duty on liquor
- (B) Capital gains tax
- (C) Customs tax
- (D) Corporation tax

64. Excise duty is levied on-

- (A) sale of goods
- (B) production of goods
- (C) import of goods
- (D) export of goods

65. The GST (Goods and Services Tax), recently passed by Government will be levied on which of the following products?

- (A) Petroleum Crude
- (B) Tobacco
- (C) Natural Gas
- (D) Aviation Turbine Fuel

66. Tax on inheritance is called _____.

- (A) Excise duty
- (B) Estate duty
- (C) Gift tax
- (D) Sales tax

67. Which of the following tax systems will help to reduce economic inequalities in India?

- (A) Regressive Tax
- (B) Progressive Tax
- (C) Flat rate tax
- (D) None of these

68. Which State Government has recently abolished "agriculture income tax"?

- (A) Karnataka
- (B) Rajasthan
- (C) Bihar
- (D) Assam

69. CENVAT is related to which of the following ?

- (A) Sales Tax
- (B) Excise Duty
- (C) Custom Duty
- (D) Service Tax

70. What is an octroi?

- (A) Tax
- (B) Tax collection center
- (C) Tax processing center
- (D) Tax information center

71. The main effect of Direct Taxes is on-

- (A) Food prices
- (B) Consumer goods
- (C) Capital goods
- (D) Income

72. The term 'Dumping' refers to-

- (A) The sale of a sub-standard commodity
- (B) Sale in a foreign market of a commodity at a price below marginal cost
- (C) Sale in a foreign market of a commodity just at marginal cost with too much of profit
- (D) Smuggling of goods without paying any customs duty

73. If a person's income increases from Rs. 10 lakhs per year to Rs. 11 lakhs per year and tax increases from Rs. 80,000 to Rs. 92,500 the marginal tax rate is-

- (A) 12.50%
- (B) 8%
- (C) 10%
- (D) 15%





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74. This tax is entirely borne by the entity it is levied upon and cannot be passed-

- (A) Direct tax
- (B) Indirect tax
- (C) Straight tax
- (D) Advance tax

- (A) Excise duty
- (B) Octroi
- (C) Income tax
- (D) House tax

75. First country to impose carbon tax is _____.

- (A) Australia
- (B) Iceland
- (C) USA
- (D) New Zealand

76. If a person's income increases from Rs 20 lakhs per year to Rs 24 lakhs per year and tax increases from Rs 3,50,000 to Rs 4,00,000 the marginal tax rate is-

- (A) 8 percent
- (B) 12.5 percent
- (C) 10 percent
- (D) 15 percent

77. Which of the following is a Direct tax?

- (A) Excise Duty
- (B) Customs Duty
- (C) Service Tax
- (D) Wealth tax

78. Which among the following is not a direct tax?

- (A) Income tax
- (B) Wealth tax
- (C) Corporate tax
- (D) None of these

79. Which tax causes a burden on the poorer section of the society?

- (A) Direct Tax
- (B) Indirect Tax
- (C) Both Direct and Indirect Tax
- (D) None of these

80. Which among the following is an example of progressive tax?

