

TAXES TYPES, METHODS & BUDGETING PROCESS BASED INDIAN ECONOMY MCQ PRACTICE QUESTIONS AND ANSWERS PDF WITH EXPLANATION

For All Competitive SSC, Bank, IBPS, UPSC, Railway, IT & Other Govt. Exams

Created By [Careericons](#) Team

Q1. Which one of the following is **not** a tax/duty levied by the Government of India?

- a) Custom Duty
 - b) Service Tax
 - c) Education
 - d) Toll Tax
-

Q2. Who had suggested an imposition of 'expenditure tax' in India for the first time?

- a) Kaldor
 - b) R.J. Chelliah
 - c) Kalecki
 - d) Gautam Mathur
-

Q3. Which among the following are the sources of revenue for the central Government?

- Corporate Tax
- Profit from Public Enterprises
- Sale of National Savings Certificates
- Loans received from the World Bank
- Excise duties

Select the **correct** answer from the codes given below.

- a) 2, 3 and 4
- b) 3, 4 and 5
- c) 1, 2 and 3
- d) All of the above

Q4. Which of the following are part of capital budget of Govt. of India?

- i. Issuance of Sovereign Gold Bonds
- ii. Receipt from Gold Monetization

Select the **correct** answer using the code given below:

- a) (ii) only
- b) Both (i) & (ii)
- c) (i) only
- d) Neither (i) nor (ii)

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Q5. PAN card issued by the Income Tax Department can't be used for which of the following purpose?

- a) proof of registered tax payer
- b) proof of address
- c) proof of identity
- d) proof of date of birth

Q6. Consider the following statements:

- Tax revenue as a per cent of GDP of India has steadily increased in the last decade.
- Fiscal deficit as a per cent of GDP of India has steadily increased in the last decade.

Which of the statements given above is/are **correct** ?

- a) Both 1 and 2
 - b) 1 only
 - c) 2 only
 - d) Neither 1 nor 2
-

Q7. Which of the following best explains the **cascading effect of taxation**?

- When tax imposition leads to a disproportionate increase in prices by an extent more than the rise in the tax.
- When tax imposition leads to a disproportionate decrease in prices by an extent more than the rise in the tax.
- When tax imposition leads to a disproportionate decrease in imports.
- When tax imposition leads to a disproportionate decrease in exports.

a) 4 only

b) 1 only

c) 2 and 3 only

d) 3 and 1 only

Q8. Indicate the sequence of the following in terms of the implementation.

- Income Tax
- Expenditure Tax
- Value Added Tax
- Fringe Benefits Tax

Codes:

a) 2, 3, 4, 1

b) 1, 3, 2, 4

c) 1, 2, 3, 4

d) 3, 4, 1, 2

Q9. Which one of the following statements regarding the levying, collecting and distribution of Income Tax is **correct**?

a) The Union levies, collects and keeps all the proceeds of income tax to itself

b) The Union levies and collects the tax, but all the proceeds are distributed among the states

c) The Union levies, collects and distributes the proceeds of income tax between itself and the states

d) Only the surcharge levied on income tax is shared between the Union and the States

Q10. Which of the following is **not** a case of Centre's Off Budget Borrowings?

- a) Borrowing by HUDCO to fund the affordable housing programme
 - b) Borrowing by NABARD for govts' irrigation projects
 - c) Borrowing by FCI to fund the food subsidy programme
 - d) Borrowing by NTPC for its power generation projects
-

Q11. Which of the following figures are presented as part of the **Budget presentation in Parliament**?

- i. Budgeted receipts and expenses for the next Financial Year (FY)
- ii. Budgeted receipts and expenses for the current FY
- iii. Revised receipts and expenses for the current FY
- iv. Actual receipts and expenses for the last FY

Select the **correct** answer using the code given below:

- a) (i) & (ii) only
 - b) (i), (ii), & (iii) only
 - c) (i) only
 - d) All of the above
-

Q12. When was the Wealth tax first introduced in India?

- a) 1976
 - b) 1957
 - c) 1991
 - d) 1948
-

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Q13. Which of the following taxes fall under the state list of Indian Constitution?

- Entertainment tax

- Luxury tax
- Stamp Duty
- Custom Duty

Select the answer using the codes given below

a) 2, 4 and 5

b) 1 and 2

c) 1, 3 and 4

d) 1, 2 and 4

Q14. Which of the following statements are true regarding “**Deficit Financing**”?

- i. It raises aggregate demand in the economy
- ii. It may result in inflation in the economy
- iii. It is used as a developmental tool by developing countries
- iv. It is done by issuing government bonds

Select the **correct** answer using the code given below:

a) (i), (ii) & (iii) only

b) (iii) & (iv) only

c) (i) & (ii) only

d) All of the above

Q15. The **Public Debt of the Government of India** includes which of the following:

- i. Treasury Bills
- ii. External Commercial Borrowing (ECB)
- iii. NRI deposits
- iv. Foreign Direct Investment in India (FDI)

Select the **correct** answer using the code given below:

a) (i) & (iii) only

b) (i), (ii) & (iii) only

c) (i) only

d) (ii) & (iv) only

Answers to the above questions :

Q1. Answer: (d)

Toll Taxes is one the main Sources of revenue for State Governments. It is not levied by Govt. of India.

Q2. Answer: (a)

Q3. Answer: (d)

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Q4. Answer: (b)

In the case of Sovereign Gold Bonds, the government issues/creates the gold bond and in return, it gets money from the public.

This money will come under capital receipt because the gold bond is a kind of liability for the govt. which the govt. must pay in future. Principal payment will come under capital expenditure and interest payment will come under revenue expenditure.

The physical gold which the govt. receives from the public in case of gold monetization scheme becomes a liability for the govt. (in return for the physical gold, govt issues a paper which is basically liability for the govt.) which the govt. will have to pay in future either in physical gold form or in cash.

Q5. Answer: (b)

Permanent Account Number (PAN) card is a unique alphanumeric combination. It is issued by the Indian Income Tax Department. It serves as an important ID proof, date of birth proof and proof of taxpayer.

However, it can't be used for the purpose of address proof, as the address is not mentioned on the PAN card.

Q6. Answer: (d)

From the official Economic Survey 2014-15, we get following data. If we go only by the strict interpretation of above graph then answer should be "D"

Q7. Answer: (b)

"Taxation over taxes" or "cascading-effect" of the taxes adds to the deadweight loss i.e. slump in total surplus of a supply chain consisting of the supplier, manufacturer, retailer and consumer.

Due to cascading tax imposition leads to a disproportionate increase in prices by an extent more than the rise in the tax.

Q8. Answer: (c)

1. Income Tax (1860);
2. Expenditure Tax (1956);
3. Value Added Tax (1996-97) &
4. Fringe Benefits Tax (2005).

Q9. Answer: (c)

Q10. Answer: (d)

When the Centre does not have the budgetary resources to fund its various schemes/programmes then it asks its agencies to borrow and fund these programmes. For example, for the public distribution scheme, FCI borrows from National Small Savings Fund (NSSF).

Similarly, HUDCO and NHB borrow to fund the affordable scheme of the government, NABARD borrows for irrigation and rural housing. Rural Electrification Corporation (REC) borrows for rural electrification. Ideally, the Centre should borrow for these schemes but it asks its various agencies to take the loan in their name which is then not shown in the Centre's budget.

These Off-Budget Borrowings (also called extra-budgetary resources) allows the Centre to reduce the immediate impact on the fiscal, as the repayments made by the government are calibrated over many years.

These however add to the overall public debt of Govt. of India. CAG has expressed concern over it and if these off-budget borrowings would have been included in the budget then the Centre's fiscal deficit would have been more than 5% rather than 3.8% in 2019-20.

Q11. Answer: (d)

Q12. Answer: (b)

Q13. Answer: (b)

Customs duties-Export duty and import duty are levied by Central Government.

Q14. Answer: (d)

Deficit financing is the budgetary situation where expenditure is higher than the receipts.

The expenditure revenue gap is financed by either printing of currency or through borrowing. Nowadays most governments both in the developed and developing world are having deficit budgets and these deficits are often financed through borrowing.

Hence the fiscal deficit is the ideal indicator of deficit financing. Deficit financing is very useful in developing countries like India because of revenue scarcity and development expenditure needs.

Since government spends more than receipts, it leads to an increase in demand and may result in inflation also.

Q15. Answer: (c)

Public Debt of Govt. of India is Central Government's internal and external debt.

Treasury Bill is Govt. of India's debt because these are bonds issued by Gol.

ECB and FDI relates to companies and PSUs. And NRI deposits are in banks and it is not a debt of Govt. of India.

So, only (i) statement is correct.

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