

MULTIPLE CHOICE
QUESTIONS
AND
CASE SCENARIOS

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MULTIPLE CHOICE QUESTIONS AND CASE SCENARIOS

MULTIPLE CHOICE QUESTIONS

Topic: 1 Basic Concepts

Question: 1

X Ltd., a domestic company not opting for the provisions of section 115BAA, has a total income of ₹ 10,01,00,000 for A.Y.2024-25. The gross receipts of X Ltd. for P.Y.2021-22 is ₹ 260 crore. The tax liability of X Ltd. for A.Y.2024-25 is –

- (a) ₹ 2,68,50,000
- (b) ₹ 2,68,50,000
- (c) ₹ 2,91,49,120
- (d) ₹ 3,34,88,000

Question: 2

During the P.Y.2023-24, Mr. Aakash has ₹ 80 lakhs of short-term capital gains taxable u/s 111A, ₹ 70 lakhs of long-term capital gains taxable u/s 112A and business income of ₹ 90 lakhs. Which of the following statements is correct assuming that Mr. Akash pays tax under default tax regime under section 115BAC?

- (a) Surcharge@25% is leviable on income-tax computed on total income of ₹ 2.40 crore, since the total income exceeds ₹ 2 crore
- (b) Surcharge@15% is leviable on income-tax computed on total income of ₹ 2.40 crore
- (c) Surcharge@15% is leviable in respect of income-tax computed on capital gains of ₹ 1.50 crore, since such income exceeds ₹ 1 crore but is less than ₹ 2 crore; in respect of business income of ₹ 90 lakhs, surcharge is leviable@25% on income-tax, since the total income exceeds ₹ 2 crore

(d) Surcharge@15% is leviable in respect of income-tax computed on capital gains of ₹ 1.50 crore, since such income exceeds ₹ 1 crore but is less than ₹ 2 crore; in respect of business income of ₹ 90 lakhs, surcharge is leviable@10% on income-tax, since such income exceeds ₹ 50 lakhs but is less than ₹ 1 crore

Question: 3

Music Academy, as per its rules, pays a fixed honorarium per concert to each musician performing in the concerts organised by it. Hari, a violinist, however, refuses to accept this sum. If he requests Music Academy to pay such sum directly to Aid Us, an unregistered institution providing relief to the poor and needy in rural India, what would be the tax consequence?

- (a) No amount would be chargeable to tax in the hands of Mr. Hari, since this is a case of diversion of income at source by overriding title
- (b) The amount payable to Aid Us would be chargeable to tax only in the hands of Mr. Hari, since it is a case of application of income
- (c) The amount payable to Aid Us would be chargeable to tax only in the hands of the institution which has received the amount
- (d) The amount payable to Aid Us would be chargeable to tax both in the hands of Mr. Hari and in the hands of the institution

Answer Keys

Question No.	Answer
1	(b) 2,68,50,000
2	(b) Surcharge@15% is leviable on income-tax computed on total income of ₹ 2.40 crore
3	(d) The amount payable to Aid Us would be chargeable to tax both in the hands of Mr. Hari and in the hands of the institution

Topic: 2 Profits and Gains of Business or Profession

Question: 1

X Ltd. is engaged in the business of letting out of properties. As per the memorandum of association of X Ltd., letting out of properties is its main objective. The total income of X Ltd. comprises only of rental income from the business of letting out of properties. Y Ltd. is engaged in the construction and sale of properties, which is also its main objective as per its memorandum of association. Incidentally, it lets out some properties which are held as stock-in-trade and earns rental income therefrom. Which of the following statements is correct?

- (a) Rental income from letting out of properties by X Ltd. and Y Ltd. is taxable under the head "Income from house property"
- (b) Rental income from letting out of properties by X Ltd. and Y Ltd. is taxable under the head "Profits and gains of business or profession"
- (c) Rental income from letting out of properties by X Ltd. is taxable under the head "Income from house property" and by Y Ltd. is taxable under the head "Profits and gains of business or profession"
- (d) Rental income from letting out of properties by Y Ltd. is taxable under the head "Income from house property" and X Ltd. is taxable under the head "Profits and gains of business or profession"

Question: 2

The turnover of Mr. Aarav, engaged in wholesale trading business, for the P.Y.2023-24 is ₹ 2 crore and the gross receipts of Mr. Vishal, engaged in legal profession is ₹ 50 lakhs. Mr. Aarav has been regularly following mercantile system of accounting and Mr. Vishal regularly follows cash basis of accounting. Out of the turnover of Mr. Aarav, he receives ₹ 1.20 crores through ECS through bank account during the P.Y.2023-24. He receives another ₹ 60 lakhs through ECS through bank account on or before 31.7.2024. Mr. Vishal receives ₹ 30 lakhs by account payee bank draft and ₹ 20 lakhs by crossed cheque during the P.Y.2023-24. What would be the income chargeable to tax under the head "Profits and Gains of Business and Profession", if they want to minimize their tax liability? Both of them maintain books of account as per section 44AA. Income computed as per the regular provisions of Income-tax Act, 1961 is ₹ 11,50,000 and ₹ 24,75,000 in the hands of Aarav and Vishal, respectively. However, they have not got the books of account audited and do not intend to do so in future.

- (a) ₹ 16,00,000 and ₹ 25,00,000, respectively
- (b) ₹ 13,60,000 and ₹ 25,00,000, respectively
- (c) ₹ 11,50,000 and ₹ 24,75,000, respectively
- (d) ₹ 12,40,000 and ₹ 25,00,000, respectively

Question: 3

Mr. Arvind, engaged in the business of wholesale trade, has a turnover of ₹ 90 lakhs for P.Y.2022-23 and ₹ 210 lakhs for P.Y.2023-24. In the P.Y.2023-24, he paid salary of ₹ 3 lakhs to Mr. Hari, a resident, without deduction of tax at source and commission of ₹ 51 lakhs to Mr. Rajesh, a resident, without deduction of tax at source. The disallowance under section 40(a)(ia) while computing business income of A.Y.2024-25 would be –

- (a) ₹ 54,00,000
- (b) ₹ 16,20,000
- (c) ₹ 15,30,000
- (d) Nil

Question: 4

BB Ltd. purchased computers for ₹ 10 lakhs on 5th October, 2023, installed the same in its office and put the said computers to use on the same date. The depreciation allowable under section 32 for A.Y.2024-25 in respect of the said computers is –

- (a) ₹ 1.5 lakhs
- (b) ₹ 3 lakhs
- (c) ₹ 4 lakhs
- (d) ₹ 2 lakhs

Answer Keys

Question No.	Answer
1	(d) Rental income from letting out of properties by Y Ltd. is taxable under the head "Income from house property" and X Ltd. is taxable under the head "Profits and gains of business or profession"
2	(d) ₹ 12,40,000 and ₹ 25,00,000, respectively
3	(c) ₹ 15,30,000
4	(d) ₹ 2 lakhs

Topic: 3 Capital Gains

Question: 1

Mr. Vishal and Mr. Guha sold their residential house property in Pune for ₹ 3 crore and ₹ 4 crore, respectively, in January, 2024. The house property was purchased by them 25 months back. The indexed cost of acquisition is ₹ 1 crore and ₹ 1.75 crore, respectively. Mr. Vishal purchased two residential flats, one in Delhi and one in Agra for ₹ 70 lakhs and ₹ 80 lakhs, respectively, in April, 2024. On the same date, Mr. Guha also purchased two residential flats, one in Mumbai and the other in Pune, for ₹ 80 lakhs and ₹ 75 lakhs, respectively. Both of them invested ₹ 30 lakhs in bonds of NHAI in March, 2024 and ₹ 30 lakhs in bonds of RECL in April, 2024. What is the income taxable under the head "Capital Gains" for A.Y.2024-25 in the hands of Mr. Vishal and Mr. Guha?

- (a) ₹ 70 lakhs and ₹ 95 lakhs, respectively
- (b) ₹ 60 lakhs and ₹ 85 lakhs, respectively
- (c) Nil and ₹ 95 lakhs, respectively
- (d) Nil and ₹ 20 lakhs, respectively

Question: 2

Ms. Aparna and Ms. Dimple, Indian citizens residing in California since the year 2010, visit India for 60 days every year. On 1.3.2024, Ms. Aparna transferred to Ms. Dimple in California, for consideration of dollar equivalent to ₹ 15 lakhs, rupee denominated bonds (issued outside India) of X Ltd., a company incorporated in India, which were acquired by her on 1.3.2022 for a price of dollar equivalent to ₹ 10 lakhs. What are the capital gains tax implications of such transfer in the hands of Ms. Aparna?

- (a) Ms. Aparna is liable to capital gains tax on long-term capital gains arising on transfer of rupee denominated bonds; indexation benefit is not available
- (b) Ms. Aparna is liable to capital gains tax on long-term capital gains arising on transfer of rupee denominated bonds; indexation benefit is available
- (c) Ms. Aparna is liable to capital gains tax on short-term capital gains arising on transfer of rupee denominated bonds
- (d) There is no capital gains tax implication in the hands of Ms. Aparna in respect of this transaction

Question: 3

Mr. Rajan purchased 300 shares in Vaigai Ltd. on 12.1.2017 at a cost of ₹ 2,500 per share. The Fair Market Value (FMV) of the share as on 31.1.2018 is ₹ 1,800. Mr. Rajan sold all the shares of Vaigai Ltd. on 15.7.2023 for ₹ 3,200. Mr. Rajan's brother Mr. Ravi purchased 600 shares in Tapti Ltd. on 25.1.2017 at a cost of ₹ 1,900 per share. The FMV of the share as on 31.1.2018 is ₹ 2,400. Mr. Ravi sold all the shares of Tapti Ltd. on 31.1.2024 for ₹ 1,700 per share. What is the chargeable capital gains on sale of shares of Vaigai Ltd. and Tapti Ltd. in the hands of Mr. Rajan and Mr. Ravi, respectively, for A.Y.2024-25, assuming that STT was paid at the time of acquisition and sale?

- (a) Long-term capital gains of Mr. Rajan ₹ 2,10,000; Long-term capital loss of Mr. Ravi ₹ 4,20,000
- (b) Long-term capital gains of Mr. Rajan ₹ 4,20,000; Long-term capital loss of Mr. Ravi ₹ 4,20,000

- (c) Long-term capital gains of Mr. Rajan ₹ 4,20,000; Long-term capital loss of Mr. Ravi ₹ 1,20,000
 (d) Long-term capital gains of Mr. Rajan ₹ 2,10,000; Long-term capital loss of Mr. Ravi ₹ 1,20,000

Question: 4

A Ltd., an Indian company, bought back its listed shares from its shareholders and B (P) Ltd., an Indian company, bought back its unlisted shares from its shareholders in the month of March, 2024. What are the tax consequences of such buyback in the hands of A Ltd., B (P) Ltd. and the shareholders?

- (a) Additional income-tax@23.296% of the distributed income is leviable in the hands of A Ltd. and B (P) Ltd.; income arising to shareholders is exempt
 (b) Income arising to shareholders from buyback is taxable in their individual hands; No distribution tax is leviable in the hands of A Ltd. and B (P) Ltd.
 (c) Additional income-tax@23.296% of the distributed income is leviable in the hands of A Ltd.; income arising to shareholders of B (P) Ltd. is taxable in their individual hands
 (d) Additional income-tax@23.296% of the distributed income is leviable in the hands of B (P) Ltd.; income arising to shareholders of A Ltd. is taxable in their individual hands

Answer Keys

Question No.	Answer
1	(c) Nil and ₹ 95 lakhs, respectively
2	(d) There is no capital gains tax implication in the hands of Ms. Aparna in respect of this transaction
3	(d) Long-term capital gains of Mr. Rajan ₹ 2,10,000; Long-term capital loss of Mr. Ravi ₹ 1,20,000
4	(a) Additional income-tax@23.296% of the distributed income is leviable in the hands of A Ltd. and B (P) Ltd.; income arising to shareholders is exempt

Topic: 4 Income from Other Sources

Question: 1

P is a salaried employee. On 1.6.2023, he gets a gift of house property situated in Mumbai (stamp duty value ₹ 80,00,000) from Q. On 2.8.2023, P gets a gift of house property in a small town near Pune (stamp duty value ₹ 50,000) from R. On 3.9.2023, P also gets a gift of house property in a small town near Kanpur in Uttar Pradesh from R, the stamp duty value of which is ₹ 1,00,000. What will be the tax implications in the hands of P, Q and R, assuming that they are not related to each other?

- (a) ₹ 81,00,000 shall be chargeable to tax in the hands of P as income from other sources and capital gains shall arise in the hands of Q and R respectively on account of transfer of capital asset in Mumbai and Kanpur, respectively
- (b) ₹ 80,00,000 shall be chargeable to tax in the hands of P as income from other sources and capital gains shall arise in the hands of Q on account of transfer of capital asset in Mumbai
- (c) ₹ 81,00,000 shall be chargeable to tax in the hands of P as income from other sources and no capital gains shall arise in the hands of Q and R respectively as gift does not constitute "transfer"
- (d) ₹ 81,50,000 shall be chargeable to tax in the hands of P as income from other sources and no capital gains shall arise in the hands of Q and R respectively as gift does not constitute "transfer"

Question: 2

Mr. Anjan, a property dealer, sold a flat in Mumbai, the stamp duty of which is ₹ 2 crores for ₹ 1.80 crores to his friend Mr. Ashwin, a college lecturer. Mr. Anjan had purchased the flat one year back for ₹ 1.50 crores and the stamp duty value on that date was also ₹ 1.50 crores. What are the tax implications of such sale?

- (a) ₹ 50 lakhs would be taxable as short-term capital gains in the hands of Mr. Anjan. There would be no tax implication in the hands of Mr. Ashwin
- (b) ₹ 50 lakhs would be taxable as business income in the hands of Mr. Anjan. There would be no tax implication in the hands of Mr. Ashwin
- (c) ₹ 50 lakhs would be taxable as business income in the hands of Mr. Anjan and ₹ 20 lakhs would be taxable as income from other sources in the hands of Mr. Ashwin
- (d) ₹ 50 lakhs would be taxable as short-term capital gains in the hands of Mr. Anjan and ₹ 20 lakhs would be taxable as income from other sources in the hands of Mr. Ashwin

Answer Keys

Question No.	Answer
1	(c) ₹ 81,00,000 shall be chargeable to tax in the hands of P as income from other sources and no capital gains shall arise in the hands of Q and R respectively as gift does not constitute "transfer"
2	(c) ₹ 50 lakhs would be taxable as business income in the hands of Mr. Anjan and ₹ 20 lakhs would be taxable as income from other sources in the hands of Mr. Ashwin

Topic: 5 Income of Other Persons included in Assessee's Total Income

Question: 1

Mrs. Kavitha, wife of Mr. Sundar, is a partner in a firm. Her capital contribution of ₹ 5 lakhs to the firm as on 1.4.2023 included ₹ 3 lakhs contributed out of gift received from Sundar. On 2.4.2023, she further invested ₹ 1 lakh out of gift received from Sundar. The firm paid interest on capital of ₹ 60,000 and share of profit of ₹ 50,000 during the F.Y.2023-24. The entire interest has been allowed as deduction in the hands of the firm. Which of the following statements is correct?

- (a) Share of profit is exempt but interest on capital is taxable in the hands of Mrs. Kavitha
- (b) Share of profit is exempt but interest of ₹ 40,000 is includible in the income of Mr. Sundar and interest of ₹ 20,000 is includible in the income of Mrs. Kavitha
- (c) Share of profit is exempt but interest of ₹ 36,000 is includible in the income of Mr. Sundar and interest of ₹ 24,000 is includible in the income of Mrs. Kavitha
- (d) : Share of profit to the extent of ₹ 30,000 and interest on capital to the extent of ₹ 36,000 is includible in the hands of Mr. Sundar

Answer Keys

Question No.	Answer
1	(c) Share of profit is exempt but interest of ₹ 36,000 is includible in the income of Mr. Sundar and interest of ₹ 24,000 is includible in the income of Mrs. Kavitha

Topic: 6 Deductions from Gross Total Income

Question: 1

In the P.Y.2023-24, Mr. Ganguly, a resident individual aged 60 years, earned income from profession (computed) ₹ 1,45,000, winnings from card games ₹ 1,50,000 (gross). He also has interest of ₹ 40,000 on fixed deposit with banks and ₹ 9,000 on savings account with bank. He deposited ₹ 1,50,000 in PPF. What is the total income of Mr. Ganguly for P.Y.2023-24, assuming that he exercises the option to shift out of the default tax regime under section 115BAC?

- (a) ₹ 1,45,000
- (b) ₹ 1,50,000
- (c) ₹ 1,85,000
- (d) ₹ 1,90,000

Question: 2

Nikhil, an individual aged 35 years, incurs the following expenses for the benefit of his family (i.e., Self, Mrs. Nikhil and dependent children) and parents [father (80 years), mother (76 years)] during the previous year 2023-24:

Particulars	Medical insurance premium (by cheque) (₹)	Preventive health check-up expenditure (in cash) (₹)	Medical expenditure (by cheque) (₹)
For the benefit of his family	20,000	7,000	2,000
For the benefit of his father	Nil	Nil	32,000
For the benefit of his mother	6,000	Nil	Nil

What is the amount of deduction allowable u/s 80D to Nikhil for the A.Y. 2024-25 if he exercises the option to shift out of the default tax regime under section 115BAC?

- (a) ₹ 63,000
- (b) ₹ 55,000
- (c) ₹ 67,000
- (d) ₹ 65,000

Question: 3

Gamma Ltd. has distributed on 30.6.2024, dividend of ₹ 130 lakhs to its shareholders. During the F.Y.2023-24, Gamma Ltd. has received dividend of ₹ 108 lakhs (Net of TDS) from domestic companies and ₹ 30 lakhs (gross) from a foreign company in which it has 5% shareholding. What is the deduction, if any, available to Gamma Ltd. in respect of such dividend?

- (a) ₹ 138 lakhs
- (b) ₹ 120 lakhs

(c) ₹ 130 lakhs

(d) ₹ 150 lakhs

Answer Keys

Question No.	Answer
1	(b) ₹ 1,50,000
2	(a) ₹ 63,000
3	(c) ₹ 130 lakhs

Topic: 7 Assessment of Various Entities

Question: 1

Mr. Devam has income of ₹ 52 lakhs under the head “Profits and gains of business or profession”. One of his businesses is eligible for deduction@100% of profits u/s 80-IA for A.Y.2024-25. The profit from such business included in the business income is ₹ 35 lakhs. What would be the tax liability (rounded off) of Mr. Devam for A.Y.2024-25, assuming that he has no other income during the P.Y.2023-24 and exercises the option to shift out of the default tax regime under section 115BAC?

- (a) ₹ 3,35,400
- (b) ₹ 10,00,480
- (c) ₹ 11,00,530
- (d) ₹ 11,50,550

Question: 2

Two tonnage tax companies X Ltd. and Y Ltd. are amalgamated to form a new tonnage company Z Ltd., a qualifying company and the option for tonnage tax scheme of X Ltd. has an unexpired period of 8 years and Y Ltd. has an unexpired period of 6 years. For what period the special provisions of Chapter XII-G relating taxation of income shipping companies would apply to the new company Z Ltd.?

- (a) 8 years
- (b) 6 years
- (c) 7 years
- (d) 10 years

Answer Keys

Question No.	Answer
1	(c) ₹ 11,00,530
2	(a) 8 years

Topic: 8 Assessment of Trusts and Institutions, Political Parties and Other Special Entities

Question: 1

Dividend received by a real estate investment trust (REIT) from special purpose vehicle (SPV) and distributed to its unit holders is –

- (a) exempt in the hands of both the REIT and the unit holders unconditionally
- (b) exempt in the hands of the REIT only if the SPV is a specified domestic company; taxable in the hands of unit holders only if SPV does not exercise option under section 115BAA
- (c) exempt in the hands of the REIT; exempt in the hands of unit holders only if SPV does not exercise option under section 115BAA
- (d) taxable in the hands of the REIT; exempt unconditionally in the hands of unitholders

Question: 2

Mr. B has been holding 10% units in Real Estate Investment Trust, 7.5% units in Securitisation Trust and 5% units in Investment Fund for more than 15 months. The following incomes were earned by the Trust/Fund during the P.Y. 2024- 25:

Particulars	Investment Fund (₹)	Real Est Investment (₹)	Securitisation Trust (₹)
Rental Income from directly held real estate property	-	10,00,000	-
Interest income from Special Purpose Vehicle	-	8,00,000	-
Profit from Business	5,00,000	-	6,00,000
Other Income (not in the nature of dividend)	2,00,000	1,00,000	-
Long-term capital loss	(12,50,000)	-	-

What would be the total income of Mr. B for P.Y. 2023-24, assuming that apart from share in above income, Mr. B had only long-term capital gains of ₹ 2,70,000?

- (a) ₹ 4,42,500
- (b) ₹ 4,67,500
- (c) ₹ 4,52,500
- (d) ₹ 5,05,000

Question: 3

For the previous year ended 31.3.2024, a public charitable trust, registered under section 12AB, derived income of ₹ 10 lakhs from properties held under trust and ₹ 15 lakhs, being voluntary contributions from public, out of which ₹ 8 lakhs was applied for charitable purposes and ₹ 4 lakhs towards repayment of loan taken for construction of orphanage. The amount of ₹ 4 lakhs was not claimed as application in any earlier previous year. The total income of the trust for A.Y.2024-25 is –

- (a) ₹ 13,00,000
- (b) ₹ 9,25,000
- (c) ₹ 13,25,000
- (d) ₹ 17,00,000

Question: 4

During the P.Y.2023-24, Sarvasewa, a charitable trust, made voluntary contributions, not being corpus donations, to –

- (i) another charitable trust registered u/s 12AB out of its current year income derived from property held under trust
- (ii) an educational institution referred to in section 10(23C) (vi) out of its current year income derived from property held under trust
- (iii) another charitable trust registered u/s 12AB out of the accumulated income of the trust

Which of the above voluntary contributions are permitted as application of income for charitable purposes for A.Y.2024- 25 under the provisions of the Income-tax Act, 1961?

- (a) None of the above
- (b) Only (i) above
- (c) (i) and (ii) above
- (d) (i) and (iii) above

Question: 5

A REIT has distributed ₹ 2 crore to its unitholders, which comprises of –

- (i) Rental income from real estate property directly held by it ₹ 80 lakhs
- (ii) Interest income from special purpose vehicle ₹ 50 lakhs
- (iii) Dividend income from special purpose vehicle ₹ 40 lakhs
- (iv) Capital gains on disposal of assets ₹ 30 lakhs

In this case, the special purpose vehicle is an Indian company, A Ltd., in which REIT holds 100% of shares. A Ltd. does not exercise option to pay tax u/s 115BAA. Which of the following statements relating to taxability of the above income are correct?

- (1) All the above income are taxable in the hands of REIT. The said income are exempt in the hands of unit holders.
- (2) Only income referred to in (i) and (ii) are taxable in the hands of REIT. Income referred to in (iii) and (iv) are taxable in the hands of unit holders.
- (3) Only income referred to in (i) and (ii) are taxable in the hands of REIT. Income referred to in (iv) is taxable in the hands of unit holders. Income referred to in (iii) is exempt both in the hands of REIT and unitholders.
- (4) Only income referred to in (iv) is taxable in the hands of REIT. Income referred to in (i) and (ii) is taxable in the hands of unit holders. Income referred to in (iii) is exempt both in the hands of REIT and unitholders.
- (5) Tax is deductible by REIT from income referred to in (i) and (ii).

- (6) Tax is deductible by REIT from income referred to in (iii) and (iv).
 (7) Tax is deductible by REIT only from income referred to in (iv).
 (8) No tax is deductible by REIT since the entire income is taxable in its hands.

The correct option is –

- (a) (1) and (8) above
 (b) (2) and (6) above
 (c) (3) and (7) above
 (d) (4) and (5) above

Question: 6

BB Baba charitable trust, registered u/s 12AB, having its main object as medical relief, earned income of ₹ 2 lakhs as interest on bonds issued by local authority and agricultural income of ₹ 4 lakhs during the P.Y.2023-24. Which of the following statements is correct?

- (a) The trust has to apply such income for charitable purposes as per the provisions of section 11 to claim exemption in respect of such income.
 (b) The trust can claim exemption u/s 10(1) and 10(15) in respect of its agricultural income and income from bonds of local authority, respectively, without applying such income for charitable purposes.
 (c) The trust can claim exemption u/s 10(15) in respect of its interest income from bonds of local authority, without applying such income for charitable purposes. However, it cannot claim exemption u/s 10(1) in respect of agricultural income without applying such income for charitable purposes.
 (d) The trust can claim exemption u/s 10(1) in respect of its agricultural income. However, exemption u/s 10(15) in respect of its interest income from bonds of local authority is not available if it is claiming the benefit of section 11 and 12.

Answer Keys

Question No.	Answer
1	(c) exempt in the hands of the REIT; exempt in the hands of unit holders only if SPV does not exercise option under section 115BAA
2	(a) ₹ 4,42,500
3	(b) ₹ 9,25,000
4	(c) (i) and (ii) above
5	(d) (4) and (5) above
6	(d) The trust can claim exemption u/s 10(1) in respect of its agricultural income. However, exemption u/s 10(15) in respect of its interest income from bonds of local authority is not available if it is claiming the benefit of section 11 and 12.

Topic: 9 Taxation of Digital Transactions

Question: 1

ABC & Co. and PQR & Co. are two non-resident entities based in Country A and Country P, respectively. Both the entities own and operate an electronic facility through which they effect online sale of organic products manufactured by them. The details of their receipts from such sale during the P.Y.2023-24 are –

	Particulars	ABC & Co., Country A	PQR & Co., Country P
(a)	Receipts from sale of organic products to persons resident in India	₹ 138 Lakhs	₹ 126 lakhs
(b)	Receipts from sale of organic products to persons resident in other parts of the world	₹ 285 Lakhs	₹ 377 Lakhs
	Out of the sum mentioned in (b), the receipts from persons using internet protocol address located in India	₹ 63 Lakhs	₹ 73 Lakhs

Is equalisation levy attracted in the hands of ABC & Co. and PQR & Co., assuming that both the entities do not have a permanent establishment in India?

- Equalisation levy is attracted in the hands of both ABC & Co. and PQR & Co.
- No equalisation levy is attracted in the hands of either ABC & Co. and PQR & Co.
- Equalisation levy is attracted in the hands of ABC & Co. but not PQR & Co.
- Equalisation levy is attracted in the hands of PQR & Co. but not ABC & Co

Question: 2

Mr. Rajesh, a resident Indian, is an employee of M/s. ABC Ltd., Bangalore. In addition to the salary income from M/s. ABC Ltd., he also earns interest from fixed deposits. M/s. PQR Inc., a foreign company not having permanent establishment in India, whose gross receipts are equivalent to ₹ 1.80 crores, rendered online advertisement services to Mr. Rajesh, for which Mr. Rajesh made a payment of ₹ 2 lakhs in the F.Y.2023-24.

- The transaction is subject to equalisation levy since payment exceeding ₹ 1 lakh has been made for online advertisement services.
- The transaction is subject to equalisation levy since payment is made by a resident to a non-resident not having permanent establishment in India.
- Equalisation levy has to be deducted and paid by Mr. Rajesh.
- Equalisation levy has to be paid by M/s ABC Ltd.
- The rate of equalization levy is 6%.
- The rate of equalisation levy is 2%.
- The transaction is not subject to equalization levy.

Which of the statements is correct?

- (a) (i), (ii), (iii) and (v)
- (b) (i), (ii), (iv) and (vi)
- (c) (i), (ii), (iv) and (v)
- (d) Only (vii)

Answer Keys

Question No.	Answer
1	(c) Equalisation levy is attracted in the hands of ABC & Co. but not PQR & Co.
2	(d) Only (vii)

Topic: 10 Deduction, Collection and Recovery of Tax

Question: 1

Mr. Vallish, employed as Manager with ABC Ltd., pays rent of ₹ 50,000 per month to his landlord. Which of the following statements is correct?

- (a) Mr. Vallish is liable to deduct tax@10% u/s 194-I, since his annual rent exceeds ₹ 2,40,000
- (b) Mr. Vallish is liable to deduct tax@5% u/s 194-IB every month, since he pays rent of ₹ 50,000 per month
- (c) Mr. Vallish is liable to deduct tax@5% u/s 194-IB on the annual rent in the month of March, since he pays rent of ₹ 50,000 per month
- (d) Mr. Vallish is not liable to deduct tax at source

Question: 2

ABC Ltd. took on sub-lease a building from Ms. Jhanvi with effect from 1.7.2023 on a rent of ₹ 20,000 per month. It also took on hire machinery from Ms. Jhanvi with effect from 1.10.2023 on hire charges of ₹ 15,000 per month. ABC Ltd. entered into two separate agreements with Ms. Jhanvi for sub-lease of building and hiring of machinery. Which of the following statements is correct with reference to ABC Ltd.'s liability to deduct tax at source, assuming that onemonth's rent was received as security deposit, which is refundable at the end of the lease period?

- (a) No tax needs to be deducted at source since rent for building does not exceed ₹ 2,40,000 p.a. and rent for machinery also does not exceed ₹ 2,40,000 p.a. Security deposit refundable at the end of the lease term is not rent for the purpose of TDS
- (b) Tax has to be deducted@10% on ₹ 2,00,000 and @2% on ₹ 1,05,000 (i.e., rent including security deposit)
- (c) Tax has to be deducted@10% on ₹ 1,80,000 and @2% on ₹ 90,000 (i.e., rent excluding security deposit)
- (d) Tax has to be deducted@10% on ₹ 2,00,000 (i.e., rent including security deposit). However, no tax is to be deducted on rent of ₹ 1,05,000 (i.e., rent including security deposit) for machinery, since the same does not exceed ₹ 1,80,000

Answer Keys

Question No.	Answer
1	(d) Mr. Vallish is not liable to deduct tax at source
2	(c) Tax has to be deducted@10% on ₹ 1,80,000 and @2% on ₹ 90,000 (i.e., rent excluding security deposit)

Topic: 11 Income Tax Authorities

Question: 1

In the course of search operations under section 132 in the month of May, 2023, Mr. Aakash makes a declaration under section 132(4) on the earning of income not disclosed in respect of P.Y. 2022-23. He also explains the manner in which he has derived such income and he pays the tax together with interest on such income and declares such income in the return of income filed by him in the month of July, 2023. Is penalty leviable in this case? If so, how much?

- (a) No penalty is attracted since Mr. Aakash has voluntarily made a declaration under section 132(4)
- (b) Yes; Penalty@10% of undisclosed income would be attracted even if Mr. Aakash has voluntarily made a declaration under section 132(4)
- (c) Yes; Penalty@30% of undisclosed income would be attracted even if Mr. Aakash has voluntarily made a declaration under section 132(4)
- (d) Yes; Penalty@60% of undisclosed income would be attracted even if Mr. Aakash has voluntarily made a declaration under section 132(4)

Question: 2

Which of the following statements are correct in relation to the power of an income-tax authority to collect information which may be useful for the purposes of the Income-tax Act, 1961?

- (a) The income-tax authority can enter the place of business of the assessee only after sunrise and before sunset.
- (b) The income-tax authority may enter the place of business only during the hours at which such place is open for conduct of business.
- (c) The income-tax authority may impound and retain in his custody, for a period not exceeding 15 days, books of account or other documents inspected by him. If he wishes to retain for a period exceeding 15 days, he has to take the prior approval of Principal Chief Commissioner or Chief Commissioner.
- (d) The income-tax authority can on no account remove or cause to be removed from the building or place he has entered any books of account or other documents.

Question: 3

The Assessing Officer within his jurisdiction surveyed a popular Cyber Café at 1 a.m. in night for the purpose of collecting information which may be useful for the purposes of the Income-tax Act, 1961. The Cyber Café is kept open for business every day between 2 p.m. and 2 a.m. He impounded and retained in his custody, books of account and other documents inspected by him, after recording his reasons for doing so, for 12 days. Which of the following statements is correct?

- (a) The Assessing Officer's action in entering the cybercafé at 1 a.m. and impounding books of account and documents inspected by him is in order
- (b) The Assessing Officer's action in entering the cyber café at 1 a.m. is not in order, since he can enter the cyber café only after sunrise but before sunset

- (c) The Assessing Officer's action in entering the cyber café at 1 a.m. and in impounding books of account and documents inspected by him are not in order, since he can enter the cyber café only after sunrise but before sunset and he does not have the power to impound books of account under section 133B
- (d) The Assessing Officer's action in entering the cyber café at 1 a.m. is in order but impounding books of account and documents inspected by him is not in order, since he does not have the power to impound books of account under section 133B

Question: 4

In the course of search operations under section 132 in May, 2024, Mr. Hari makes a declaration under section 132(4) on the earning of income in respect of P.Y.2023-24 not disclosed in the books of account. Mr. Hari explains the manner in which income was derived and pays the tax, together with interest in respect of such income. However, he does not disclose such income in his return of income filed on 31.7.2024. Is penalty leviable in this case, and if so, what is the quantum of penalty?

- (a) No penalty is leviable since Mr. Hari has made a declaration under section 132(4)
- (b) Yes; penalty@10% is leviable
- (c) Yes; penalty@30% is leviable
- (d) Yes; penalty@60% is leviable

Answer Keys

Question No.	Answer
1	(c) Yes; Penalty@30% of undisclosed income would be attracted even if Mr. Aakash has voluntarily made a declaration under section 132(4)
2	(b) and (d)
3	(a) The Assessing Officer's action in entering the cybercafé at 1 a.m. and impounding books of account and documents inspected by him is in order.
4	(d) Yes; penalty@60% is leviable

Topic: 12 Assessment Procedure

Question: 1

A survey is conducted u/s 133A in the premises of Mr. Aarav and a search is conducted u/s 132 in the premises of his friend, Mr. Arjun, on 1.5.2023. The Assessing Officer issued notices under section 148 for A.Y. 2021-22, A.Y.2022-23 and A.Y. 2023-24 to Mr. Aarav and Mr. Arjun. However, such notices were not accompanied by the copy of an order passed under section 148A. Is the action of the Assessing Officer in issuing such notices under section 148 to Mr. Aarav and Mr. Arjun valid?

- (a) No; the action of the Assessing Officer in issuing such notices under section 148 is not valid in both cases.
- (b) Yes; the action of the Assessing Officer in issuing such notices under section 148 is valid in both cases.
- (c) Yes, the action of the Assessing Officer in issuing such notice under section 148 is valid in the case of Mr. Arjun, but not in the case of Mr. Aarav.
- (d) Yes, the action of the Assessing Officer in issuing such notice under section 148 is valid in the case of Mr. Aarav, but not in the case of Mr. Arjun.

Question: 2

Mayank, aged 50 years, sold his residential house for ₹ 30 lakhs during the previous year 2020-21, whereas the stamp duty value of the same was ₹ 38 lakhs. He computed a longterm capital gain of ₹ 5 lakhs by taking the full value of consideration as ₹ 30 lakhs and paid tax accordingly by filing his return of income under section 139(1). During the previous year 2023-24, he wants to correct the full value of consideration by filing an updated return under section 139(8A) for A.Y. 2021-22. In this case, what would be the additional tax liability (ignore interest) as per section 140B? (Assume that capital gain was the only income of Mayank for A.Y. 2021-22).

- (a) ₹ 57,200
- (b) ₹ 83,200
- (c) ₹ 1,66,400
- (d) ₹ 1,14,400

Question: 3

Who among the following is not mandated to file the return of income under section 139 for A.Y. 2024-25?

- (a) XYZ Pvt. Ltd., having incurred a loss of ₹ 1,50,000 during the year.
- (b) Mr. Manohar, aged 66 years, having a total income of ₹ 3,50,000 before deduction under section 80C of ₹ 1,50,000.
- (c) Mr Jay, who travelled to Dubai during the year, spent ₹ 4,50,000 on his travel and hotel stay.
- (d) Ms Mona, a non-resident having assets worth ₹ 2 crores in India and ₹ 5 crores outside India. She has not earned or received any income in India.

Question: 4

Mr. Ram, born on 1.4.1964, has a gross total income of ₹ 2,90,000 for A.Y.2024-25 comprising of his salary income. He does not claim any deduction under Chapter VI-A. He pays electricity bills of ₹ 10,000 per month. He visited to Melbourne along with his wife for a month in February, 2024 for which he incurred to and fro flight charges of ₹ 1.20 lakhs. The remaining expenditure for his visa, stay and sightseeing amounting to ₹ 80,000 was met by his son residing in Melbourne. Is Mr. Ram required to file return of income for A.Y.2024-25, and if so, why?

- No, Ram is not required to file his return of income
- Yes, Ram is required to file his return of income, since his gross total income/total income exceeds the basic exemption limit
- Yes, Ram is required to file his return of income since he pays electricity bills of ₹ 10,000 per month, which exceeds the prescribed annual threshold
- Yes, Ram is required to file his return of income since he has incurred foreign travel expenditure exceeding ₹ 1 lakh

Question: 5

Which of the following cannot be adjusted in computation of total income while processing the return of income for A.Y. 2024-25 under section 143(1)?

- any arithmetical error in the return
- an incorrect claim apparent from any information in the return
- disallowance of expenditure indicated in the audit report but not taken into account in computing total income in the return
- addition of income appearing in Form 26AS which has not been included in computing total income in the return

Answer Keys

Question No.	Answer
1	(c) Yes, the action of the Assessing Officer in issuing such notice under section 148 is valid in the case of Mr. Arjun, but not in the case of Mr. Aarav.
2	(b) ₹ 83,200
3	(d) Ms Mona, a non-resident having assets worth ₹ 2 crores in India and ₹ 5 crores outside India. She has not earned or received any income in India.
4	(c) Yes, Ram is required to file his return of income since he pays electricity bills of ₹ 10,000 per month, which exceeds the prescribed annual threshold
5	(d) addition of income appearing in Form 26AS which has not been included in computing total income in the return

Topic: 13 Appeals and Revision

Question: 1

Mr. Rajesh is aggrieved by an order passed by the Commissioner of Income-tax imposing penalty under section 270A for under-reporting of income. What is the appellate remedy available to him under the Income-tax Act, 1961 and the specified time limit within which he has to file an appeal?

- (a) He can file an appeal to Commissioner (Appeals) u/s 246A within 30 days from the date on which the order is communicated to him
- (b) He can file an appeal to Commissioner (Appeals) u/s 246A within 60 days from the date on which the order is communicated to him
- (c) He can file an appeal to Appellate Tribunal u/s 253 within 30 days from the date on which the order is communicated to him
- (d) He can file an appeal to Appellate Tribunal u/s 253 within 60 days from the date on which the order is communicated to him

Question: 2

Which of the following orders can be revised by the Principal Commissioner under section 263, where such order is erroneous in so far as it is prejudicial to the interests of the Revenue?

- (i) An order passed by the Assessing Officer enhancing or modifying the assessment or cancelling the assessment and directing a fresh assessment
- (ii) An order modifying the order passed by the Transfer Pricing Officer under section 92CA or cancelling the said order and directing a fresh order

What is the time limit for revision under section 263?

- (a) Only (i) above; the time limit for revision is 2 years from the end of the financial year in which such order was passed.
- (b) Only (ii) above; the time limit for revision is 3 years from the end of the financial year in which such order was passed.
- (c) Both (i) and (ii); the time limit for revision is 2 years from the end of the financial year in which such order was passed.
- (d) Both (i) and (ii); the time limit for revision is 3 years from the end of the financial year in which such order was passed

Question: 3

The assessment of M/s. Epsilon Associates for A.Y.2023-24 was made u/s 143(3) on 28 December, 2024. The Assessing Officer added ₹ 3 lakh being 30% of ₹ 10 lakh, for non-deduction of tax at source and ₹ 4 lakh on account of unexplained investments. The assessee contested the addition on account of unexplained investments in appeal before Commissioner (Appeals). The appeal was decided against the assessee in June, 2025. What is remedy available to the assessee in respect of disallowance under section 40(a)?

- (a) The assessee can file an application for revision to the Commissioner under section 264
- (b) The assessee can file an application for rectification under section 154, if it is a mistake apparent from the record

- (c) The assessee can opt for either (a) or (b)
- (d) The assessee can neither opt for remedy stated in (a) nor for remedy stated in (b)

Question: 4

Which of the following orders is not appealable before Commissioner (Appeals)?

- (a) An order of penalty under section 271B for failure to get accounts audited
- (b) An order made under section 163 treating the assessee as an agent of a non-resident
- (c) An order of assessment passed by the Assessing Officer in pursuance of directions of Dispute Resolution Panel
- (d) An order made under section 201 deeming a person to be an assessee-in-default for non-deduction of tax at source

Question: 5

Mr. X is aggrieved by an order passed under section 143(3) by the Assessing Officer. Mr. Y is aggrieved by an order passed under section 272A by the Director General. What is the remedy available to Mr. X and Mr. Y and the time limit within which they should exercise the remedy?

- (a) Both Mr. X and Mr. Y have to file an appeal before Commissioner (Appeals) u/s 246A within 30 days of the date on which the order sought to be appealed against is communicated to them
- (b) Both Mr. X and Mr. Y have to file an appeal before the Appellate Tribunal u/s 253 within 60 days of the date on which the order sought to be appealed against is communicated to them
- (c) Mr. X has to file an appeal u/s 246A before Commissioner (Appeals) within 30 days of the date of service of the notice of demand relating to the assessment. Mr. Y has to file an appeal u/s 253 before the Appellate Tribunal within 60 days of the date on which the order sought to be appealed against is communicated to him
- (d) Mr. Y has to file an appeal before Commissioner (Appeals) u/s 246A within 60 days of the date on which the order sought to be appealed against is communicated to him. Mr. X has to file an appeal u/s 253 before the Appellate Tribunal within 30 days of the date of service of the notice of demand relating to the assessment

Answer Keys

Question No.	Answer
1	(d) He can file an appeal to Appellate Tribunal u/s 253 within 60 days from the date on which the order is communicated to him.
2	(c) Both (i) and (ii); the time limit for revision is 2 years from the end of the financial year in which such order was passed.
3	(b) The assessee can file an application for rectification under section 154, if it is a mistake apparent from the record
4	(c) An order of assessment passed by the Assessing Officer in pursuance of directions of Dispute Resolution Panel

Question No.	Answer
5	(c) Mr. X has to file an appeal u/s 246A before Commissioner (Appeals) within 30 days of the date of service of the notice of demand relating to the assessment. Mr. Y has to file an appeal u/s 253 before the Appellate Tribunal within 60 days of the date on which the order sought to be appealed against is communicated to him.

Topic: 14 Dispute Resolution

Question: 1

Which of the following is not a specified order in relation to a dispute under section 245MA?

- (i) Assessment order based on search initiated under section 132
- (ii) Assessment order in the case of survey carried out under section 133A
- (iii) Assessment order on the basis of information received under an agreement referred to in section 90 or 90A

The correct answer is –

- (a) Only (i) above
- (b) (i) and (ii) above
- (c) (i) and (iii) above
- (d) (i), (ii) and (iii) above

Question: 2

Who amongst the following has not satisfied the specified condition for making an application before the Dispute Resolution Committee?

- (i) Mr. X , who is convicted of an offence punishable under the Prohibition of Benami Transactions Act, 1988
- (ii) Mr.Y, who is convicted of any offence punishable under the Income-tax Act, 1961
- (iii) Mr. Z, in respect of whom proceedings under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 have been initiated for the assessment year for which resolution of dispute is sought
- (iv) Mr. A, in respect of whom penalty under section 271D has been levied for failure to comply with the provisions of section 269SS of the Income-tax Act, 1961

The correct answer is –

- (a) Mr. Y and Mr. A
- (b) Mr. X and Mr. Y
- (c) Mr. X, Mr. Y and Mr. A
- (d) Mr. X, Mr. Y and Mr. Z

Answer Keys

Question No.	Answer
1	(d) (i), (ii) and (iii) above
2	(d) Mr. X, Mr. Y and Mr. Z

Topic: 15 Miscellaneous Provisions

Question: 1

Can the Assessing Officer accept bank guarantee in lieu of provisional attachment of property by an order in writing?

- (a) No, he cannot do so
- (b) Yes, he can do so with the prior approval of the Principal Chief Commissioner or Chief Commissioner
- (c) Yes, he can do so where the assessee furnishes a guarantee from a scheduled bank, for an amount not less than the fair market value of such provisionally attached property or for an amount which is sufficient to protect the interests of the revenue.
- (d) Yes, he can do so where the assessee furnishes a guarantee from a bank, for an amount not less than the stamp duty value of such provisionally attached property or for an amount which is sufficient to protect the interests of the revenue.

Question: 2

Which of the following transactions should a bank report in its statement of financial transaction?

- (i) Cash payment in aggregate of ₹ 6 lakh by Mr. X for purchase of bank drafts during the F.Y. 2023-24
- (ii) Cash deposits aggregating to ₹ 26 lakhs by Mr. Y in his current account during the F.Y.2023-24
- (iii) Cash deposits aggregating to ₹12 lakhs by Mr. Z in his savings bank account during the F.Y.2023-24
- (iv) Withdrawals of ₹ 55 lakhs through bearer cheque by Mr. A from his current account during the F.Y.2023-24
- (v) Credit card payment of ₹12 lakh during F.Y.2023-24 made by Mr. B by account payee cheque
- (vi) Credit card payment of ₹ 80,000 made by cash during F.Y.2023-24 by Mr. C

The correct answer is –

- (a) (ii), (iv) and (vi)
- (b) (iii), (iv) and (v)
- (c) (ii), (iii), (iv) and (vi)
- (d) (i), (ii), (iv) and (vi)

Question: 3

For raising money from the public ABC Ltd. issued 10 lakh equity shares of ₹100 each. During the P.Y.2023-24, it received share application money of ₹2 lakhs from Mr. V, ₹5 lakhs from Mr. W, ₹8 lakhs from Mr. X, ₹10 lakhs from Mr. Y and ₹12 lakhs from Mr. Z, in addition to amounts of less than ₹1 lakh from other applicants. Which of the above receipts is the company required to report in its statement of financial transaction?

- (a) Only ₹12 lakhs from Mr. Z
- (b) Only ₹10 lakhs from Mr. Y and ₹12 lakhs from Mr. Z
- (c) ₹5 lakhs from Mr. W, ₹8 lakhs from Mr. X, ₹10 lakhs from Mr. Y and ₹12 lakhs from Mr. Z Answer

- (d) ₹2 lakhs from Mr. V, ₹5 lakhs from Mr. W, ₹8 lakhs from Mr. X, ₹10 lakhs from Mr. Y and ₹12 lakhs from Mr. Z

Question: 4

The Assessing Officer imposed penalty of ₹50 lakhs under section 271AAD on Mr. Rajesh. Can he provisionally attach the property of Mr. Rajesh to protect the interest of the Revenue?

- (a) No, he cannot do so
 (b) Yes, he can do so in the manner provided in the Second Schedule
 (c) Yes, he can do so with the prior approval of the prescribed higher authorities
 (d) Yes, he can do so in the manner provided in the Second Schedule with the prior approval of the prescribed higher authorities

Question: 5

ABC (P) Ltd. engaged in trading goods availed the following interest-free loans from XYZ (P) Ltd. –

- (i) ₹8 lakh by ECS through bank account on 10.4.2023
 (ii) ₹18,000 by cash on 18.8.2023
 (iii) ₹12,000 by cash on 19.9.2023

During the year, ABC (P) Ltd. repaid the following loans to XYZ(P) Ltd. –

- (i) ₹6 lakh by account payee cheque on 15.6.2023
 (ii) ₹50,000 by cash on 3.7.2023
 (iii) ₹1,50,000 by ECS through bank account on 3.8.2023
 (iv) ₹15,000 by cash on 1.9.2023
 (v) ₹15,000 by cash on 1.10.2023

What is the amount of penalty leviable on ABC (P) Ltd. for availing and repaying loan in cash?

- (a) ₹30,000 under section 271D and ₹80,000 under section 271E
 (b) ₹18,000 under section 271D and ₹ 50,000 under section 271E
 (c) ₹12,000 under section 271D and ₹80,000 under section 271E
 (d) ₹50,000 under section 271E

Answer Keys

Question No.	Answer
1	(c) Yes, he can do so where the assessee furnishes a guarantee from a scheduled bank, for an amount not less than the fair market value of such provisionally attached property or for an amount which is sufficient to protect the interests of the revenue.
2	(b) (iii), (iv) and (v)

Question No.	Answer
3	(b) Only ₹10 lakhs from Mr. Y and ₹12 lakhs from Mr. Z
4	(a) No, he cannot do so
5	(d) ₹50,000 under section 271E

Topic: 16 Provisions to Counteract Unethical Tax Practices

Question: 1

Mr. Ganesh and Mr. Rajesh, resident Indians born on 1.7.1963 and 1.4.1944, respectively, have not furnished their returns of income for the P.Y.2023-24. However, the total income assessed in respect of such year under section 144 is ₹ 8 lakhs and ₹ 5 lakhs, respectively. Is penalty leviable under section 270A, and if so, what is the quantum of penalty?

- (a) No penalty is leviable under section 270A in the hands of either Mr. Ganesh or Mr. Rajesh
- (b) Penalty of ₹ 37,400 leviable in the hands of Mr. Ganesh; No penalty leviable in the hands of Mr. Rajesh
- (c) Yes; ₹ 36,400 and ₹ 6,500, respectively
- (d) Penalty of ₹ 18,200 leviable in the hands of Mr. Ganesh; No penalty leviable in the hands of Mr. Rajesh

Question: 2

Mr. Mahesh is found to be the owner of two gold chains of 50 gms each (value of which is ₹ 1,45,000 each) during the financial year ending 31.3.2024 which are not recorded in his books of account and he could not offer satisfactory explanation for the amount spent on acquiring these gold chains. As per section 115BBE, Mr. Mahesh would be liable to pay tax of –

- (a) ₹ 1,80,960
- (b) ₹ 2,26,200
- (c) ₹ 90,480
- (d) ₹ 1,23,958

Question: 3

Mr. Arvind acquired a flat in Country "P" in the P.Y.2018-19 for ₹ 50 lakhs. Out of the said sum, ₹ 20 lakhs was assessed to tax in total income of the P.Y.2018-19 and earlier years. This asset comes to the notice of the Assessing Officer in the previous year 2023-24. If the value of the flat on 1.4.2023 is ₹ 90 lakhs, the amount chargeable to tax under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 in the year 2023-24 would be:

- (a) ₹ 90 lakhs
- (b) ₹ 70 lakhs
- (c) ₹ 54 lakhs
- (d) ₹ 30 lakhs

Question: 4

Dinesh, a resident individual of age of 47 years, has not furnished his return of income for the A.Y. 2024-25. However, his total income for such year as assessed u/s 144 is ₹ 18 lakhs. Is penalty under section 270A attracted and if so, what is the quantum of penalty?

- (a) No; penalty under section 270A is not attracted since he has not filed his return of income, hence, this is not a case of underreporting or misreporting of income.
- (b) Yes; penalty is ₹ 3,66,600
- (c) Yes; penalty is ₹ 1,24,800
- (d) Yes; penalty is ₹ 1,83,300

Question: 5

Mr. Arvind opened a bank account in Country "P" on 1.7.2020. He has made deposits of foreign currency equivalent to ₹ 5 lakhs on 1.7.2020, ₹ 7 lakhs on 1.10.2020, ₹ 12 lakhs on 1.9.2022 and ₹ 25 lakhs on 1.3.2024, in that bank, out of Indian income which has not been assessed to tax in India. The deposit of ₹ 12 lakhs on 1.9.2022 is made out of the withdrawal of earlier deposits made on 1.7.2020 and 1.10.2020 with the said bank. Further, out of ₹ 25 lakhs deposited by him on 1.3.2024, Mr. Arvind withdrew ₹ 2 lakhs on 31.3.2024. The value of an undisclosed asset in form of bank account under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 will be taken as:

- (a) ₹ 49 lakhs
- (b) ₹ 47 lakhs
- (c) ₹ 37 lakhs
- (d) ₹ 35 lakhs

Answer Keys

Question No.	Answer
1	(d) Penalty of ₹ 18,200 leviable in the hands of Mr. Ganesh; No penalty leviable in the hands of Mr. Rajesh.
2	(b) ₹ 2,26,200
3	(c) ₹ 54 lakhs
4	(c) Yes; penalty is ₹ 1,24,800
5	(c) ₹ 37 lakhs

Topic: 17 Non Resident Taxation

Question: 1

M Ltd. and N Ltd. are Indian companies which have to pay interest of ₹ 2 lakhs and ₹ 1 lakh outside India to Mr. P, a non-resident, during the P.Y.2023-24 on rupee denominated bonds listed on a recognized stock exchange located in IFSC, issued in May, 2023 and August, 2023, respectively. Which of the following statements is correct relating to liability of M Ltd. and N Ltd. to deduct tax at source on such interest payable to Mr. P?

- (a) M Ltd. has to deduct tax at source@4.16% and N Ltd. has to deduct tax at source @9.36%
- (b) Both M Ltd. and N Ltd. have to deduct tax at source @ 5.2%
- (c) M Ltd. does not have to deduct tax at source but N Ltd. has to deduct tax at source@5.2%
- (d) N Ltd. does not have to deduct tax at source but M Ltd. has to deduct tax at source@5.2%

Question: 2

Mr. Ranveer, a non-resident, earned interest income of ₹ 6,20,000 during the P.Y. 2023-24 on bonds, issued by Tilt Ltd., an Indian company, under a scheme notified by the Central Government, which were purchased by him in foreign currency. Such interest is

- (a) Not taxable
- (b) Taxable@10.4%
- (c) Taxable@15.6%
- (d) Taxable@20.8%

Question: 3

Shipcargo Inc., a company based in Netherlands operating its ships to and fro Cochin port, collected freight of ₹ 85 lakhs, demurrage of ₹ 5 lakhs and handling charges of ₹ 2 lakhs in respect of goods shipped at Cochin port. It incurred expenses of ₹ 35 lakhs during the year for operating its fleet. In respect of goods shipped at Rotterdam, Netherlands, it received ₹ 50 lakhs in India. Its tax liability (rounded off) for the A.Y.2024-25 is –

- (a) ₹ 4,21,200
- (b) ₹ 4,43,040
- (c) ₹ 3,12,000
- (d) ₹ 1,77,840

Question: 4

Mr. X, a foreign national and citizen of USA, working with M Inc., a US based company, came to India during the P.Y. 2023-24 for rendering services on behalf of the employer. He wishes to claim his salary income earned during his stay in India as exempt. Which of the following is not a condition to be fulfilled to claim such remuneration as exempt income under the Income-tax Act, 1961?

- (a) M Inc. should not be engaged in any trade or business in India
- (b) Mr. X should not be engaged in any trade or business in India

- (c) Mr. Xs stay in India should not exceed 90 days in aggregate during the P.Y. 2023-24
- (d) Remuneration received by Mr. X should not liable to be deducted from M Inc.s income chargeable to tax under the Incometax Act, 1961

Question: 5

Mr. Ganesh, a citizen of India, is employed in the Indian embassy in the USA. He is a non-resident for A.Y.2024-25. He received salary and allowances in the USA from the Government of India for the year ended 31.3.2024 for services rendered by him in the USA. In addition, he was allowed perquisites by the Government. Which of the following statements is correct?

- (a) Salary, allowances and perquisites received outside India are not taxable in the hands of Mr. Ganesh, since he is a nonresident
- (b) Salary, allowances and perquisites received outside India by Mr. Ganesh is taxable in India since such income is deemed to accrue or arise in India
- (c) Salary received by Mr. Ganesh is taxable in India but allowances and perquisites are exempt
- (d) Salary received by Mr. Ganesh is exempt but allowances and perquisites are taxable in India

Answer Keys

Question No.	Answer
1	(a) M Ltd. has to deduct tax at source@4.16% and N Ltd. has to deduct tax at source @9.36%
2	(b) Taxable@10.4%
3	(b) ₹ 4,43,040
4	(b) Mr. X should not be engaged in any trade or business in India
5	(c) Salary received by Mr. Ganesh is taxable in India but allowances and perquisites are exempt.

Topic: 18 Double Taxation Relief

Question: 1

Samraat, a resident Indian, has earned an income of US dollars equivalent to ₹ 4 lakh in the P.Y.2023-24 by way of lump sum consideration for copyright of a book, being a work of literary nature, from a publisher in Country E, with which India does not have a DTAA. The same has been taxed at a flat rate of 5% in Country E. The amount has been remitted to India in March, 2024. His gross total income as per the Income-tax Act, 1961 for A.Y.2024-25 is ₹ 7 lakhs. What would be the deduction available under section 91 for A.Y.2024-25 assuming that Samraat exercises the option to shift out of the default tax regime under section 115BAC?

- (a) ₹ 20,000
- (b) ₹ 7,725
- (c) ₹ 1,950
- (d) Nil

Answer Keys

Question No.	Answer
1	(d) Nil

Topic: 19 Advance Rulings

Question: 1

As per section 245N(a)(iv), advance ruling means determination or decision by the Board for Advance Rulings as to whether an arrangement, which is proposed to be undertaken by a person is an impermissible avoidance arrangement as referred to in Chapter X-A or not. For making an application in this regard, the applicant has to be –

- (a) Only a Non-resident
- (b) Only a Resident
- (c) Only a Resident falling within such class or category of persons as notified by the Central Government
- (d) Either a resident or a non-resident

Answer Keys

Question No.	Answer
1	(d) Either a resident or a non-resident

Topic: 20 Transfer Pricing

Question: 1

A notified infrastructure debt fund eligible for exemption under section 10(47) of the Income-tax Act, 1961 has to pay interest of ₹ 5 lakhs to a company incorporated in a foreign country. The foreign company incurred expenditure of ₹ 12,000 for earning such interest. The fund also has to pay interest of ₹ 3 lakhs to Mr. Frank, who is a resident of Country A, a notified jurisdictional area. Which of the following statements is correct?

- (a) No tax deduction at source is required in respect of both the payments
- (b) No TDS is required in respect of ₹ 5 lakhs payable to the foreign company. However, payment of interest to Frank attracts TDS@31.2%
- (c) TDS@5.20% is attracted on ₹ 4,88,000 payable to the foreign company. TDS@31.2% is attracted on interest payment of ₹ 3 lakhs to Mr. Frank
- (d) TDS@5.20% is attracted on interest of ₹ 5 lakhs payable to the foreign company. TDS@31.2% is attracted on interest of ₹ 3 lakhs payable to Mr. Frank

Question: 2

If ABC Ltd. has two Units, Unit 1 is engaged in power generation business and Unit 2 is engaged in manufacture of wires. Both the units were set up in Karnataka in the year 2015. In the year 2023-24, twenty lakh metres of wire are transferred from Unit 2 to Unit 1 at ₹ 125 per metre when the market price per metre was ₹ 180. Which of the following statements is correct?

- (a) Transfer pricing provisions would be attracted in this case
- (b) Transfer pricing provisions would not be attracted in this case since Unit 1 and Unit 2 belong to the same company and are not associated enterprises Answer - 3 :
- (c) Transfer pricing provisions would not be attracted in this case as it is not an international transaction since both Units are in India. For the purpose of Chapter VI-A deduction, the profits of power generation business shall, however, be computed as if the transfer has been made at the market value of ₹ 180 per MT
- (d) Transfer pricing provisions would not be attracted in this case due to reasons mentioned in both (b) and (c) above

Question: 3

Under which of the following methods, arm's length price shall be the arithmetical mean of all values included in the dataset, irrespective of the number of entries in the dataset. It may be assumed that the variation between the arm's length price computed and the transaction price is 15%.

- (a) Profit split method
- (b) Resale price method
- (c) Cost plus method
- (d) Transactional net margin method

Question: 4

Y is a foreign company having permanent establishment in India namely X. Z, a non-resident associated enterprise, has invested ₹ 900 crore through debt in X. Earnings before interest, taxes, depreciation and amortisation (EBITDA) of X during the financial year was ₹ 150 crore. What is the amount of interest allowable in respect of the debt assuming that the debt was invested on the first day of the financial year and the rate of interest is 10% p.a.?

- (a) ₹ 45 crore
- (b) ₹ 90 crore
- (c) ₹ 30 crore
- (d) ₹ 27 crore

Question: 5

Alpha Ltd.'s total income of A.Y. 2024-25 has increased by ₹ 34 lakhs due to application of arm's length price by the Assessing Officer on transactions of purchase of goods from its foreign holding company in respect of a retail trade business carried on by it, and the same has been accepted by Alpha Ltd., then, -

- (a) business loss of A.Y.2020-21 cannot be set-off against the enhanced income
- (b) deductions under Chapter VI-A cannot be claimed in respect of the enhanced income
- (c) unabsorbed depreciation of A.Y.2014-15 cannot be setoff against the enhanced income
- (d) Business loss referred to in (a), deductions referred to in (b) and unabsorbed depreciation referred to in (c) cannot be set- off against the enhanced income

Question: 6

XYZ Ltd. has failed to report an international transaction entered into by it with PQR Inc., which is a specified foreign company in relation to XYZ Ltd. What would be the penalty leviable in this case?

- (a) 2% of the value of the international transaction
- (b) 50% of tax payable on under-reported income
- (c) 200% of tax payable on under-reported income
- (d) Both (a) and (c)

Answer Keys

Question No.	Answer
1	(d) TDS@5.20% is attracted on interest of ₹ 5 lakhs payable to the foreign company. TDS@31.2% is attracted on interest of ₹ 3 lakhs payable to Mr. Frank
2	(a) Transfer pricing provisions would be attracted in this case
3	(a) Profit split method
4	(a) ₹ 45 crore
5	(b) deductions under Chapter VI-A cannot be claimed in respect of the enhanced income
6	(d) Both (a) and (c)

Topic: 21 Fundamentals of BEPS

Question: 1

Which action plan deals with developing a multilateral instrument on tax treaty measures to tackle BEPS?

- (a) Action Plan 12
- (b) Action Plan 13
- (c) Action Plan 14
- (d) Action Plan 15

Question: 2

Which are the forms of hybrid mismatch arrangements?

- (i) Participation exemption regimes
 - (ii) Misuse of foreign tax credit
 - (iii) Creation of two deductions for a single borrowal
 - (iv) Generation of deductions without corresponding income inclusions.
- (a) Only (i) and (ii) above
 - (b) Only (i) and (iii) above
 - (c) (i), (ii) and (iii) above
 - (d) (i), (ii), (iii) and (iv) above

Question: 3

Which are the BEPS action plans based on the fundamental pillar of transparency?

- (a) BEPS Action Plan 5 (1st component -Preferential tax regimes), 11, 12 and 13
- (b) BEPS Action Plan 5 (2nd component – Exchange of information on tax rulings), 6, 11, 12 and 14
- (c) BEPS Action Plan 5 (2nd component – Exchange of information on tax rulings), 11, 12, 13 and 14
- (d) BEPS Action Plan 5 (1st component -Preferential tax regimes), 12, 13 and 14

Answer Keys

Question No.	Answer
1	(d) Action Plan 15
2	(d) (i), (ii), (iii) and (iv) above
3	(c) BEPS Action Plan 5 (2nd component – Exchange of information on tax rulings), 11, 12, 13 and 14

Topic: 22 Application and Interpretation of Tax Treaties

Question: 1

While interpreting the treaty entered into by India with Country “P”, the Budget Speech of the Finance Minister was relied upon to understand the intent at the time of signing the treaty. Which law of interpretation has been followed in this case?

- (a) Liberal Interpretation
- (b) Subjective Interpretation
- (c) Purposive Interpretation
- (d) Objective Interpretation

Answer Keys

Question No.	Answer
1	(b) Subjective Interpretation

Topic: 23 Latest Developments in International Taxation

Question: 1

Pillar Two consists of –

- (a) the Global Anti-Base Erosion (GloBE) Rules and a treaty-based Subject to Tax Rule (STTR)
- (b) Only Income Inclusion Rule (IIR) and Undertaxed Payment Rule (UTPR)
- (c) Only Income Inclusion Rule (IIR) and Qualified Domestic Minimum Tax (QDMT)
- (d) Only Qualified Domestic Minimum Tax (QDMT) and Undertaxed Payment Rule (UTPR)

Question: 2

In Scope companies are MNCs with –

- (a) Global turnover of above 10 billion euros and profitability above 10% (i.e., profit after tax/revenue)
- (b) Global turnover of above 10 billion euros and profitability above 20% (i.e., profit before tax/revenue)
- (c) Global turnover of above 20 billion euros and profitability above 10% (i.e., profit before tax/revenue)
- (d) Global turnover of above 20 billion euros and profitability above 10% (i.e., profit after tax/revenue)

Question: 3

Minimum tax rates prescribed by Pillar Two is –

- (a) 15% under GloBE rules and STTR
- (b) 9% under GloBE rules and STTR
- (c) 9% under GloBE rules and 15% under STTR
- (d) 15% under GloBE rules and 9% under STTR

Question: 4

Which Rule imposes a top-up tax on a parent entity in respect of the constituent entity located in low-taxed jurisdiction?

- (a) Treaty-based Subject to Tax Rule (STTR)
- (b) Income Inclusion Rule (IIR)
- (c) Undertaxed Payment Rule (UTPR)
- (d) Qualified Domestic Minimum Tax (QDMT)

Question: 5

Amount A is –

- (a) 10% of residual profit that will be allocated to market jurisdictions Answer - 2 :
- (b) 15% of residual profit that will be allocated to market jurisdictions
- (c) 20% of residual profit that will be allocated to market jurisdictions
- (d) 25% of residual profit that will be allocated to market jurisdictions

Answer Keys

Question No.	Answer
1	(a) the Global Anti-Base Erosion (GloBE) Rules and a treaty-based Subject to Tax Rule (STTR)
2	(c) Global turnover of above 20 billion euros and profitability above 10% (i.e., profit before tax/revenue)
3	(d) 15% under GloBE rules and 9% under STTR
4	(b) Income Inclusion Rule (IIR)
5	(d) 25% of residual profit that will be allocated to market jurisdictions

Case Scenarios

Case Study-1

Mr. Subhash is a retailer of car spare parts. He started his business in May, 2022. His turnover for the P.Y. 2022-23 was ₹ 10.50 crores. He generally purchases goods from Car accessories & Co. only. Car accessories & Co. manufacturers and sells spare parts directly to the customers as well as through an e-commerce platform – CarParts.com. Car accessories & Co.'s turnover from the business for the P.Y. 2022-23 was ₹ 15 crores. The relevant information of purchases made by Mr. Subhash in P.Y. 2023-24 is given hereunder:

Date of credit to account of Car accessories & Co.	Date of Payment to Car accessories & Co.	Value of spare parts without GST (₹)	GST @18% (₹)	Total value of spare parts/ payment (₹)
15.05.2023	02.06.2023	45,00,000	8,10,000	53,10,000
18.06.2023	30.06.2023	15,00,000	2,70,000	17,70,000
28.08.2023	17.08.2023	21,50,000	3,87,000	25,37,000
14.02.2024	28.02.2024	10,50,000	1,89,000	12,39,000

In addition to the above, Mr. Subhash also purchased spare parts of Car accessories & Co. for ₹ 12,00,000 inclusive of GST@18% through CarParts.com on 31.12.2023. The payment was made directly to Car accessories & Co. on 15.1.2024. PAN is duly furnished by Mr. Subhash, Car accessories & Co. and CarParts.com. The GST portion is indicated separately in the invoice of Car accessories & Co. but it is not shown separately when the goods are purchased through CarParts.com.

Based on the above facts, choose the most appropriate answer to Q. NO. 1 to 5-

Question: 1

Is Mr. Subhash required to deduct tax at source in respect of the purchase transactions made directly with Car accessories & Co. If yes, when and what is the amount of tax to be deducted?

- Yes; ₹ 1,000 on 18.06.2023, ₹ 2,537 on 17.08.2023 and ₹ 1,050 on 14.02.2024
- Yes; ₹ 2,537 on 17.08.2023 and ₹ 1,050 on 14.02.2024
- Yes; ₹ 1,000 on 18.06.2023, ₹ 2,150 on 17.08.2023 and ₹ 1,050 on 14.02.2024
- No, Mr. Subhash is not liable to deduct tax at source

Question: 2

Is Car accessories & Co. required to collect tax at source in respect of the sale transactions with Mr. Subhash. If yes, when and what is the amount of tax to be collected?

- Yes; ₹ 1,000 on 30.06.2023, ₹ 2,150 on 17.08.2023 and ₹ 1,050 on 28.02.2024

- (b) Yes; ₹ 310 on 2.06.2023, ₹ 1,770 on 30.06.2023, ₹ 2,537 on 17.08.2023 and ₹ 1,239 on 28.02.2024
- (c) Yes; ₹ 310 on 2.06.2023
- (d) No, Car accessories & Co. is not liable to collect tax at source

Question: 3

Assume that Mr. Subhash has started the retail business of car spare parts in May, 2023. In such case, would the answer of MCQ 1 and 2 be different? If yes, what would be the answer of MCQ 1 and 2?

- (a) No, the answer of MCQ 1 and 2 would be the same
- (b) Yes, the answer of MCQ 1 would change to (d) but the answer of MCQ 2 would be the same
- (c) Yes, the answer of MCQ 1 would change to (d) and the answer of MCQ 2 would change to (b)
- (d) Yes, the answer of MCQ 1 would change to (d) and the answer of MCQ 2 would change to (a)

Question: 4

Are the provisions of tax deduction/ collection at source attracted in respect of the transactions with CarParts.com? If yes, who has to deduct/ collect tax at source and at what rate?

- (a) Mr. Subhash is required to deduct tax at source on ₹ 12 lakhs @0.1%.
- (b) Car accessories & Co. is required to collect tax at source on ₹ 12 lakhs @0.1%
- (c) CarParts.com is required to deduct tax at source on ₹ 12 lakhs @0.1%
- (d) CarParts.com is required to deduct tax at source on ₹ 12 lakhs @1%

Question: 5

If Mr. Subhash has not furnished his PAN to Car accessories & Co. but has furnished his Aadhar number, what would be the rate of TCS for the purpose of MCQ 2.

- (a) 5%
- (b) 1%
- (c) 0.1%
- (d) Car accessories & Co. is not liable to collect tax at source

Answer Keys

Question No.	Answer	Description
1	(a) Yes; ₹ 1,000 on 18.06.2023, ₹ 2,537 on 17.08.2023 and ₹ 1,050 on 14.02.2024	TDS u/s 194Q would be applicable in the hands of Mr. Subhash since his turnover exceeds ₹ 10 crore in P.Y. 2022- 23. TDS u/s 194Q would be applicable from 18.6.2023 when purchases exceeds ₹ 50 lakhs. TDS would be deducted at the time of credit or payment whichever is earlier. When TDS is deductible at the time of credit, it will be deducted on amount of purchase excluding GST since shown separately. When TDS is deductible at

Question No.	Answer	Description
		the time of payment, it will be deducted on the amount of payment.
2	(c) Yes; ₹ 310 on 2.06.2023	TCS under section 206C(1H) would be applicable since Car accessories & Co. turnovers of P.Y. 2022-23 exceeds ₹ 10 crore. TCS would be applicable on first transaction on 2.6.2023 since payment exceeds ₹ 50 lakhs. Regarding other transactions, in case of applicability of both TDS u/s 194Q and TCS u/s 206C(1H), TDS u/s 194Q would be deducted by the buyer.
3	(c) Yes, the answer of MCQ 1 would change to (d) and the answer of MCQ 2 would change to (b)	Section 194Q would not be applicable in the year of incorporation. Accordingly, TCS under section 206C(1H) would be collectible by the seller at the time of receipt.
4	(d) CarParts.com is required to deduct tax at source on ₹ 12 lakhs @1%	Refer section 194-O
5	(c) 0.1%	Section 206CC would not be applicable since Aadhar number is furnished by Mr. Subhash

Case Study-2

A Ltd. is an Indian company which has invested in shares of other Indian and foreign companies. During the P.Y.2023-24, A Ltd. received dividend from these companies as follows:

	% of holding of A Ltd.	Date of declaration of dividend by the company	Date of distribution of dividend by the company	Amount of dividend [Gross] (₹)	Interest expenditure on loan borrowed for investment in shares (₹)
B Ltd., an Indian company	10%	20.6.2023	3.7.2023	2,00,000	45,000
C Inc, a foreign company	22%	17.9.2023	12.10.2023	4,00,000	90,000
D Inc., a foreign company	30%	13.11.2023	28.11.2023	6,00,000	1,30,000
E Ltd., an Indian company	15%	14.1.2024	2.2.2024	3,20,000	70,000

A Ltd. declared and distributed dividend of ₹ 6 lakhs for the F.Y.2022-23 in December, 2023 and dividend of ₹ 7 lakhs for the F.Y.2023-24 in July, 2024. Mr. Aakash and Mr. Aarav are two brothers who have invested in shares of A Ltd. Both of them were born in India; their parents and grand parents were also born in India. Mr. Aakash is an Indian citizen who lives in Hyderabad. He is employed with a leading textile manufacturing unit at a salary of ₹ 1 lakh per month. His brother, Mr. Aarav is settled in Country Y since the year 2010. He is a citizen of Country Y and is a partner with a software development firm in Country Y. His share of profit in the Country Y firm for the F.Y.2023-24 is CYD 1,20,000, which was credited to his bank account in Country Y. The value of one CYD may be taken as ₹ 25. He is not subject to income-tax in Country Y, since the share of profits of a firm is exempt in the hands of partners in Country Y. Mr. Aarav visits India for four months (in continuation) every year. He earns interest of ₹ 14 lakhs from fixed deposits with Bank of India.

The details of investment in shares of A Ltd. by Mr. Aakash and Mr. Aarav are given below –

Name of the shareholder	% of holding	Month of declaration & distribution of dividend	Amt of dividend [Gross] (₹)	Interest expenditure on loan borrowed for investment in shares (₹)
Aakash	10%	December, 2023	60,000	15,000
	10%	July, 2024	70,000	15,000

Question: 1

What is the amount of dividend income includible in the gross total income of A Ltd. for A.Y.2024-25 under the provisions of the Income-tax Act, 1961?

- (a) ₹ 11,85,000
- (b) ₹ 12,16,000
- (c) ₹ 13,15,000
- (d) ₹ 13,36,000

Question: 2

What is the deduction allowable under section 80M to A Ltd. for A.Y.2024-25?

- (a) ₹ 6,00,000
- (b) ₹ 7,00,000
- (c) ₹ 9,20,000
- (d) ₹ 13,00,000

Question: 3

What is the tax liability (rounded off) of Mr. Aakash for A.Y.2024-25 under the provisions of the Income-tax Act, 1961 if he wishes to make maximum tax savings (ignore TDS)?

- (a) ₹ 1,04,830
- (b) ₹ 1,03,580
- (c) ₹ 1,78,780
- (d) ₹ 93,290

Question: 4

What is the residential status of Mr. Aarav for A.Y.2024-25?

- (a) Resident and Ordinarily resident
- (b) Resident but not ordinarily resident
- (c) Non-resident
- (d) Deemed resident

Question: 5

What is the tax liability (rounded off) of Mr. Aarav under the provisions of the Income-tax Act, 1961 for A.Y.2024-25, if he wishes to make maximum tax savings (ignore TDS)?

- (a) ₹ 2,64,260
- (b) ₹ 2,60,520
- (c) ₹ 1,53,920
- (d) ₹ 1,75,760

Answer Keys

Question No.	Answer	Description
1	(b) ₹ 12,16,000	Interest expense upto 20% o dividend is allowed as deduction from dividend income.
2	(d) ₹ 13,00,000	Refer section 80M
3	(d) ₹ 93,290	Description: Salary income = 12 lakhs Less: Standard deduction = 50,000 Net salary = 11,50,000 Dividend after interest expense upto 20% = 48,000 (60,000 - 12,000) Total Income = 11,98,000 both under section 115BAC as well as normal provisions of the Act Tax under section 115BAC = 93,290 Tax under normal provisions of the Act = 1,78,780
4	(c) Non-resident	Since income from Indian sources does not exceed ₹ 15 lakhs, 120 days + 365 days condition would not be applicable.
5	(c) ₹ 1,53,920	Interest on FD = 14,00,000 Dividend = 90,000 Total Income = 14,72,000 both u/s 115BAC as well as normal provisions of the Act Tax u/s 115BAC = 1,53,920 [(1,30,000 + 18,000) plus HEC] Tax under normal provisions of the Act = 2,60,520 [(2,32,500 + 18,000) plus HEC]

Case Study-3

BMT Shipping Co. is an Indian company having its place of effective management in India. It owns three vessels out of which two are “Qualifying Ships”. The registered tonnage of the two qualifying vessels is 33,840 tonnes and 230 kgs and 24,952 tonnes and 370 kgs respectively. In the F.Y. 2023-24, the first vessel was operated for 212 days and the second for 347 days.

The WDV of the block of assets for tax purposes, being ships, as on 01.04.2023 was ₹ 1200 lakhs

Ships forming part of Block of Assets	WDV as per books as on 01-04-2023 (₹ in lakhs)
Qualifying Ship 1	580
Qualifying Ship 2	270
Non-qualifying Ship 3	230

Other Information:

- (i) Profit from core activity referred to in section 115-VI(1) read with 115-VI(2) is ₹ 70 lakhs.
- (ii) Profit from incidental activity computed as per section 115-VI(1) read with 115-VI(5) is ₹ 14 lakhs.
- (iii) Book profits calculated as per the Explanation to section 115JB(2) [in so far as it relates to income derived from core and incidental activity] are ₹ 100 lakhs.

LMN Shipping Co. is a foreign company whose place of effective management is outside India in the P.Y.2023-24. Its gross receipts for P.Y.2023-24 is ₹ 630 lakhs, the break up of which is given hereunder –

	Place where goods are shipped	Place where amount is paid to/received by LMN Shipping Co	Amount paid (₹ in lakhs)
(i)	Goods shipped at ports in India	In India	200
		Outside India	150
(ii)	Goods shipped at ports outside India	In India	180
		Outside India	100
			630

From the information given above, choose the **most appropriate answer** to MCQs 1 to 5 –

Question: 1

What would be the tonnage income of BMT Shipping Co. computed under section 115VG for A.Y. 2024-25?

- (a) ₹ 71,05,880
- (b) ₹ 71,12,028
- (c) ₹ 71,20,454
- (d) ₹ 71,26,602

Question: 2

What would be the written down value as on 01.04.2023 of “Qualifying Ships” of BMT Shipping Co. for tax purpose as per section 115VK?

- (a) ₹ 850 lakhs
- (b) ₹ 944.44 lakhs
- (c) ₹ 1200 lakhs
- (d) ₹ 970 lakhs

Question: 3

The minimum reserve requirement as per section 115VT in case of BMT Shipping Co. for P.Y.2023-24 is-

- (a) ₹ 16.8 lakhs
- (b) ₹ 20 lakhs
- (c) ₹ 14 lakhs
- (d) ₹ 15 lakhs

Question: 4

Would any amount be taxable under the other provisions of the Income-tax Act, 1961 as per section 115VT(5), if BMT Shipping Co. had transferred ₹ 15 lakhs to Tonnage Tax Reserve Account during P.Y. 2023-24? If yes, what is the amount so taxable?

- (a) Yes; ₹ 1.80 lakhs
- (b) No amount is taxable as per section 115VT(5), since the amount transferred is more than the minimum reserve requirement
- (c) Yes; ₹ 5 lakhs
- (d) Yes; ₹ 21 lakhs

Question: 5

What shall be the income computed under section 44B of LMN Shipping Co. for A.Y.2024-25?

- (a) ₹ 39.75 lakhs
- (b) ₹ 53 lakhs
- (c) ₹ 26.50 lakhs
- (d) ₹ 47.25 lakhs

Answer Keys

Question No.	Answer	Description
1	(c) ₹ 71,20,454	Ship 1 = $(11770 + 29 \times 88) \times 212 = 30,36,264$ Ship 2 = $(5,470 + 42 \times 150) \times 347 = 40,84,190$ Total = 71,20,454
2	(b) ₹ 944.44 lakhs	$850 \text{ lakhs} / 1080 \text{ lakhs} \times 1200 \text{ lakhs} = 944.44 \text{ lakhs}$
3	(b) ₹ 20 lakhs	Book profit of ₹ 100 lakhs \times 20% = 20 lakhs
4	(d) Yes; ₹ 21 lakhs	$84 \text{ lakhs} \times 5 \text{ lakhs} / 20 \text{ lakhs} = 21 \text{ lakhs}$.
5	(a) ₹ 39.75 lakhs	$7.5\% \text{ of } (200 \text{ lakhs} + 150 \text{ lakhs} + 180 \text{ lakhs}) = 39.75 \text{ lakhs}$

Case Study-4

Mr. Rajat is a diamond merchant. During the P.Y.2023-24, he has turnover of ₹ 20 crores and net profit of ₹ 60 lakhs after taking into account all the permissible deductions. He has invested in shares of various private limited companies, from which dividend of ₹ 12 lakhs is receivable by him. He has two house properties in India, both of which were self-occupied. On one of the properties, he had taken loan of ₹ 50 lakh on which interest payable was ₹ 2,50,000, out of which he paid ₹ 1,80,000 during the year. On his birthday, he received jewellery from his friend (fair market value of which was ₹ 5 lakhs). He had also withdrawn cash of ₹ 1.2 crores during the P.Y. 2023-24 in aggregate from his current account maintained with ABC Bank. Further, he also withdrew ₹ 50 lakhs from a co-operative bank account in October, 2023. He is regularly filing his return of income. His brother, Mr. Rahul has not filed his return of income for the last five years, even though his total income exceeded the basic exemption limit. He withdrew ₹ 50 lakhs from a co-operative bank account in March, 2024.

Also, Mr. Rajat holds 20% voting power in XYZ Pvt. Ltd. (closely held company and engaged in diamond manufacturing) from which he has obtained loan of ₹ 10 lakhs on 1.4.2023. The company had free reserves of ₹ 8 lakh as on 31.3.2023. From the information given above, choose the most appropriate answer to the MCQs 1 to 5 –

Question: 1

Which of the following statements is correct in respect of loan of ₹ 10 lakhs obtained by Mr. Rajat from XYZ Pvt. Ltd?

- (a) ₹ 10 lakhs would be taxable as deemed dividend in the hands of Mr. Rajat
- (b) ₹ 8 lakhs would be taxable as deemed dividend in the hands of Mr. Rajat
- (c) The entire amount is received in the ordinary course of the business and therefore, the loan obtained would not be treated as deemed dividend
- (d) The company will pay distribution tax@ 34.944% on ₹ 8 lakhs

Question: 2

Would cash withdrawals by Mr. Rajat during the P.Y. 2023-24 attract deduction of tax at source?

- (a) Yes, tax is required to be deducted u/s 194N @5% on ₹ 1.2 crores by ABC Bank and 2% on ₹ 50 lakhs by the cooperative bank
- (b) Yes, tax is required to be deducted@2% on ₹ 20 lakhs u/s 194N by ABC Bank
- (c) Yes, tax is required to be deducted@5% on ₹ 20 lakhs u/s 194N by ABC Bank
- (d) Yes, tax is required to be deducted u/s 194N @5% on ₹ 20 lakhs by ABC Bank and 2% on ₹ 50 lakhs by the cooperative bank

Question: 3

Would cash withdrawals by Mr. Rahul during the P.Y. 2023- 24 attract deduction of tax at source?

- (a) No, TDS provisions are not attracted since cash withdrawals is less than ₹ 1 crore
- (b) No, TDS provisions are not attracted in respect of cash withdrawals from co-operative bank

- (c) No, TDS provisions are not attracted due to reasons stated in both (a) and (b)
(d) Yes, tax is required to be deducted@2% on ₹ 30 lakhs u/s 194N by co-operative bank

Question: 4

What is the total income of Mr. Rajat for P.Y.2023-24, assuming that he has shifted out of the default tax regime and pays tax under normal provisions of the Act?

- (a) ₹ 72 lakhs
(b) ₹ 75 lakhs
(c) ₹ 83 lakhs
(d) ₹ 83.20 lakh

Question: 5

What is the amount of gross tax liability of Mr. Rajat for the A.Y. 2024-25, assuming that he has shifted out of the default tax regime and pays tax under normal provisions of the Act?

- (a) ₹ 23,59,500
(b) ₹ 26,34,060
(c) ₹ 25,94,060
(d) ₹ 26,40,924

Answer Keys

Question No.	Answer	Description
1	(b) ₹ 8 lakhs would be taxable as deemed dividend in the hands of Mr. Rajat	Refer section 2(22)(e)
2	(b) Yes, tax is required to be deducted @2% on ₹ 20 lakhs u/s 194N by ABC Bank	Refer section 194N
3	(d) Yes, tax is required to be deducted@2% on ₹ 30 lakhs u/s 194N by co-operative bank	Refer section 194N
4	(c) ₹ 83 lakhs	HP = (2,00,000) PGBP = 60 lakhs Other Sources Gift = 5 lakhs Deemed dividend = 8 lakhs dividend = 12 lakhs Total Income = 83 lakhs
5	(b) ₹ 26,34,060	Tax on ₹ 83 lakhs at normal slab rate + 10% surcharge + 4% HEC

