



New Case scenario added in ICAI BOS

Case Scenario 1

Mr. Hari, a property dealer, sold a building in the course of his business to his friend Mr. Rajesh, who is a dealer in automobile spare parts, for Rs. 100 lakhs on 1.1.2024, when the stamp duty value was Rs. 120 lakhs. The agreement was, however, entered into on 1.9.2023 when the stamp duty value was Rs. 110 lakhs. Mr. Hari had received a down payment of Rs. 15 lakhs by NEFT from Mr. Rajesh on the date of agreement. Mr. Hari has purchased the building for Rs. 50 lakhs on 12.7.2022.

Mr. Hari's brother, Mr. Ravi, a retail trader, sold a residential house to Mr. Vallish, a wholesale trader for Rs. 50 lakhs on 1.2.2024, when the stamp duty value was Rs. 70 lakhs. The agreement was, however, entered into on 1.8.2023 when the stamp duty value was Rs. 55 lakhs. Mr. Ravi had received a down payment of Rs. 5 lakhs by a crossed cheque from Mr. Vallish on the date of agreement. Mr. Ravi has purchased the building for Rs. 32 lakhs on 17.8.2022.

From the information given above, choose the most appropriate answer to the following questions -

1. What is the amount of income chargeable to tax in the hands of Mr. Hari in respect of the transaction of sale of building to Mr. Rajesh and under which head is it taxable?
 - (a) Rs. 70 lakh is taxable as his business income
 - (b) Rs. 60 lakh is taxable as his business income
 - (c) Rs. 50 lakh is taxable as his business income
 - (d) Rs. 50 lakh is taxable as short-term capital gains
2. Is any amount taxable in the hands of Mr. Rajesh in respect of the transaction of purchase of building from Mr. Hari? If so, what is the amount and under which head is it taxable?
 - (a) No amount is taxable in the hands of Mr. Rajesh
 - (b) Rs. 20 lakh is taxable under the head income from Other Sources
 - (c) Rs. 10 lakh is taxable under the head Income from Other Sources
 - (d) Rs. 10 lakh is taxable as his business income
3. What is the amount of income chargeable to tax in the hands of Mr. Ravi in respect of the transaction of sale of residential house to Mr. Vallish and under which head is it taxable?
 - (a) Rs. 18 lakh is taxable as short-term capital gains
 - (b) Rs. 23 lakh is taxable as short-term capital gains

- (c) Rs. 38 lakh is taxable as short-term capital gains
 (d) Rs. 18 lakh is taxable as his business income
4. Is any amount taxable in the hands of Mr. Vallish in respect of the transaction of purchase of residential house from Mr. Ravi? If so, what is the amount and under which head is it taxable?
- (a) No amount is taxable in the hands of Mr. Vallish
 (b) Rs. 20 lakh is taxable under the head Income from Other Sources
 (c) Rs. 5 lakh is taxable under the head Income from Other Sources
 (d) Rs. 5 lakh is taxable as his business income
5. Is tax deductible by Mr. Rajesh and Mr. Vallish on making payment to the seller?
- (a) Yes, tax is deductible at source by both Mr. Rajesh and Mr. Vallish
 (b) No, tax is not deductible at source by either Mr. Rajesh or Mr. Vallish
 (c) Tax is deductible at source by Mr. Rajesh but not by Mr. Vallish
 (d) Tax is deductible at source by Mr. Vallish but not Mr. Rajesh

Q.	Ans.	Description
1	C	FVC would be the sale consideration as it does not exceed 110% of the SDV as on date of agreement = Rs. 100 lakhs Less: Cost of acquisition = Rs. 50 lakhs Business income = Rs. 50 lakhs
2	A	No amount is taxable in the hands of Mr. Rajesh
3	C	FVC would be SDV as on date of transfer = 70 lakhs Less: cost of acquisition = 32 lakhs Short term capital gain = 38 lakhs
4	B	Refer section 56(2)(x)
5	A	Refer section 194-IA

Case Scenario 2

The following are the particulars relating to four Indian companies, namely, A Ltd., B Ltd., C Ltd. and D Ltd. -

Particulars	A Ltd.	B Ltd.
Date of setting up/registration	1.9.2019	1.11.2023
Main object	Manufacture of steel	Manufacture of apparel
Place	Madhya Pradesh	Warangal in Telengana
Value of new plant and machinery installed and put to use on the date of setting up of the company	Rs. 10 crore	Rs. 4 crore
Gross Total Income of P.Y.2023-24	Rs. 4.90 crore	Rs. 2.80 crore
No. of new employees employed on the date of setting up of the company	1000	1000
<u>Monthly emoluments to employees by account payee cheque:</u>		
500 employees	Rs. 24,000 per employee	Rs. 24,000 per employee
500 employees	Rs. 25,100 per employee	Rs. 26,000 per employee
Particulars	C Ltd.	D Ltd.
Date of setting up/registration	1.4.2000	1.1.2005
Main object	Trading in leather goods	Trading in food grains
Place	Tamil Nadu	Karnataka
<u>Turnover</u>		
P.Y.2019-20	Rs. 347 crore	Rs. 201 crore
P.Y.2020-21	Rs. 395 crore	Rs. 225 crore
P.Y.2021-22	Rs. 499 crore	Rs. 251 crore
P.Y.2022-23	Rs. 350 crore	Rs. 342 crore
P.Y.2023-24	Rs. 424 crore	Rs. 380 crore
<u>Details of income returned & assessed for A.Y.2024-25</u>		
As per return of income filed	Rs. 14 crores	Rs. 17 crores
Income determined u/s 143(1)(a)	Rs. 16 crores	Rs. 20 crores
Income assessed u/s 143(3)	Rs. 20 crores	Rs. 22 crores

From the information given above, choose the most appropriate answer to the following questions -

1. What would be the tax liability (rounded off) of B Ltd. for A.Y.2024-25, if it avails the beneficial tax rates under the special provisions of section 115BAA/115BAB, as the case may be, by fulfilling the conditions specified thereunder? Assume that the gross total income reflects the computation under the special provisions.
 - (a) Rs. 70,47,040
 - (b) Rs. 22,88,000
 - (c) Rs. 25,16,800
 - (d) Rs. 17,16,000

2. What would be the tax liability (rounded off) of A Ltd. for A.Y.2024-25, if it avails the beneficial tax rates under the special provisions of section 115BAA/115BAB, as the case may be, by fulfilling the conditions specified thereunder? Assume that the gross total income reflects the computation under the special provisions.
 - (a) Rs. 1,23,32,320
 - (b) Rs. 59,89,980
 - (c) Rs. 14,59,740
 - (d) Rs. 9,95,280

3. What would be the total income (rounded off) of A Ltd. and B Ltd. for A.Y.2024-25, if they do not opt for the special provisions of section 115BAA/115BAB, as the case may be? Assume that the gross total income reflects the computation under the special provisions.
 - (a) Rs. 2,90,00,000; Rs. 2,40,00,000
 - (b) Rs. 58,00,000; Rs. 2,40,00,000
 - (c) Rs. 2,90,00,000; Rs. 60,00,000
 - (d) Rs. 4,90,00,000; Rs. 60,00,000

4. What would be the quantum of penalty payable by C Ltd. under section 270A, assuming that the under-reporting of income is not due to mis-reporting and none of the additions made in the assessment qualifies under section 270A(6)? Assume that C Ltd. has not opted for the special provisions under section 115BAA/115BAB, as the case may be.
 - (a) Rs. 58,24,000
 - (b) Rs. 69,88,800
 - (c) Rs. 87,36,000
 - (d) Rs. 1,04,83,200

5. What would be the quantum of penalty payable by D Ltd. under section 270A, assuming that the under-reporting of income is due to misreporting? Assume that D Ltd. has not opted for the special provisions under section 115BAA/115BAB, as the case may be.
 - (a) Rs. 1,16,48,000
 - (b) Rs. 1,39,77,600

(c) Rs. 2,91,20,000

(d) Rs. 3,49,44,000

Q.	Ans.	Description
1	D	GTI = 2,80,00,000 Deduction u/s 80JJAA = 1,80,00,000 TI = 1,00,00,000 Tax 17.16% = 17,16,000
2	A	GTI/TI = 4,90,00,000 Tax @25.168% = 1,23,32,320
3	D	<u>A Ltd.</u> - GTI/TI = 4,90,00,000 <u>B Ltd.</u> GTI under special provisions = 2,80,00,000 Additional depreciation = 40,00,000 GTI as per normal provisions = 2,40,00,000 Deduction u/s 80JJAA = 1,80,00,000 TI = 60,00,000
4	B	Underreported income = 4,00,00,00 Tax @34.944% = 1,39,77,600 Penalty = 69,88,800
5	A	Underreported income = 2,00,00,000 Tax @29.12% = 58,24,000 Penalty = 1,16,48,000

Case Scenario 3

A business trust, registered under SEBI (Real Estate Investment Trusts) Regulations, 2014, gives particulars of its income for the P.Y.2023-24:

- (i) Interest income from Z Ltd. - Rs. 10 lakh;
- (ii) Dividend income from Z Ltd. - Rs. 5 lakh;
- (iii) Short-term capital gains on sale of listed shares (STT paid both at the time of purchase and sale) of Indian companies - Rs. 4 lakh;
- (iv) Short-term capital gains on sale of developmental properties - Rs. 8 lakh
- (v) Interest received from investments in unlisted debentures of real estate companies - Rs. 1 lakh;
- (vi) Rental income from directly owned real estate assets - Rs. 20 lakh

Z Ltd. is an Indian company in which the business trust holds 100% of the shareholding. Z Ltd. does not opt to pay tax under section 115BAA.

Assume that the business trust has distributed the entire Rs. 48 lakh to the unit holders in the P.Y. 2023-24 in the month of March, 2024. Mr. X is a resident holder holding 100 units and Mr. Y is a non-resident holder holding 500 units. The total number of units subscribed to by all unit holders is 5,000.

From the information given above, choose the most appropriate answer to the following questions -

1. In respect of the component of interest income from Z Ltd. distributed by the business trust to unit-holders X and Y -
 - (a) No tax is deductible by business trust, since such income is not taxable in hands of unit holders
 - (b) Tax is deductible@5% on Rs. 20,000 distributed to Mr. X and @5.2% on Rs. 1 lakh distributed to Mr. Y
 - (c) Tax is deductible@10% on Rs. 20,000 distributed to Mr. X and @5.2% on Rs. 1 lakh distributed to Mr. Y
 - (d) Tax is deductible@10% on Rs. 20,000 distributed to Mr. X and 10.4% on Rs. 1 lakh distributed to Mr. Y

2. In respect of short-term capital gains of Rs. 4 lakh on sale of listed shares of Indian companies and Rs. 8 lakh on sale of developmental properties -
 - (a) The business trust is liable to pay tax@15% and at MMR, respectively
 - (b) The business trust is liable to pay tax@42.744%
 - (c) The business trust enjoys pass through status and hence, it need not pay any tax on such short-term capital gains; such income is subject to tax in the hands of unit-holders
 - (d) The business trust is liable to pay tax@15.6% and at MMR, respectively

3. The dividend component of income from Z Ltd., distributed to unit-holders X and Y -
- would be subject to distribution tax in the hands of Z Ltd., hence exempt in the hands of the business trust and the unit holders
 - is exempt in the hands of the business trust, since the trust enjoys pass through status in respect of such income; such income is taxable in the hands of the unitholders X and Y
 - is taxable in the hands of the business trust; hence, exempt in the hands of the unitholders
 - is exempt in the hands of the business trust and in the hands of the unit holders
4. If Z Ltd. exercises option under section 115BAA, then, the dividend component of income from Z Ltd., distributed to unit-holders X and Y-
- would be subject to distribution tax in the hands of Z Ltd., hence exempt in the hands of the business trust and the unit holders
 - is exempt in the hands of the business trust, since the trust enjoys pass through status in respect of such income; such income is taxable in the hands of X and Y
 - is taxable in the hands of the business trust; hence, exempt in the hands of the X and Y
 - is exempt in the hands of the business trust and in the hands of the unit holders X and Y
5. Interest received by the business trust from investments in unlisted debentures of real estate companies and distributed to unit holders would be -
- subject to tax in the hands of the unit holders
 - subject to tax in the hands of the business trust @30%
 - subject to tax in the hands of the business trust at MMR
 - subject to tax in the hands of the business trust at the average rate of tax
6. The rental component of income from real estate assets received by the business trust and distributed to its unit holders X and Y would be -
- subject to tax in the hands of the business trust at MMR
 - subject to tax in the hands of the business trust@31.2%
 - subject to tax in the hands of the unit-holder X@10% (on Rs. 40,000) and Y@ the rates in force (on Rs. 2,00,000); such tax has to be deducted at source by the business trust
 - subject to tax in the hands of the unit-holders X and Y; business trust has to deduct tax@10% on Rs. 40,000 distributed to X and at the rates in force on Rs. 2,00,000 distributed to Y

Q.	Ans.	Description
1	C	Refer section 10(23FC), section 115UA and 194LBA
2	D	Refer section 115UA, STCG on sale of listed shares is taxable u/s 111A @15% and sale of developmental properties at MMR
3	D	Refer section 10(23FD)
4	B	Refer section 10(23FC) and 115UA
5	C	Refer section 115UA
6	D	Refer section 10(23FCA), 115UA and 194LBA

Case Scenario 4

M/s. MNO is a firm liable to tax @30%. The following are the particulars furnished by the firm for A.Y.2024-25:

	Particulars of total income	Rs.
(1)	As per the return of income furnished u/s 139(1)	40,00,000
(2)	Determined under section 143(1)(a)	50,00,000
(3)	Assessed under section 143(3)	65,00,000
(4)	Reassessed under section 147	85,00,000

Mr. N, a resident individual of the age of 58 years and a partner of the above firm, has not furnished his return of income for A.Y.2024-25. However, his total income assessed in respect of such year under section 144 is Rs. 15 lakh.

From the information given above, choose the most appropriate answer to the following questions -

1. M/s. MNO is deemed to have under-reported its income since its:

- 1) income determined u/s 143(1)(a) exceeds its income declared as per return of income furnished u/s 139(1)
- 2) income assessed u/s 143(3) exceeds its income determined u/s 143(1)(a)
- 3) income reassessed u/s 147 exceeds its income assessed u/s 143(3)

The correct answer is -

- (a) (1) and (2) above
- (b) (1) and (3) above
- (c) (2) and (3) above
- (d) (1), (2) and (3) above

2. Mr. N is deemed to have under-reported his income since:

- 1) He is a partner of a firm which has under-reported its income
- 2) He has not filed his return of income
- 3) His assessed income exceeds the maximum amount not chargeable to tax

The correct answer is -

- (a) (1) and (2) above
- (b) (1) and (3) above
- (c) (2) and (3) above

(d) (1), (2) and (3) above

3. Assuming that the underreporting of income is not on account of misreporting and none of the additions or disallowances made in assessment qualifies u/s 270A(6), penalty leviable on M/s. MNO u/s 270A at the time of assessment would be:
- (a) Rs. 3,12,000
 (b) Rs. 1,56,000
 (c) Rs. 4,68,000
 (d) Rs. 2,34,000
4. Assuming that the underreporting of income is on account of misreporting, penalty leviable on M/s. MNO under section 270A at the time of reassessment would be:
- (a) Rs. 3,12,000
 (b) Rs. 2,34,000
 (c) Rs. 12,48,000
 (d) Rs. 6,24,000
5. Assuming that the under-reporting of income is not on account of misreporting, the under-reported income of Mr. N and penalty leviable on Mr. N u/s 270A would be:
- (a) Under-reported income Rs. 15,00,000; penalty Rs. 1,36,500
 (b) Under-reported income Rs. 12,50,000; penalty Rs. 52,000
 (c) Under-reported income Rs. 12,00,000; penalty Rs. 78,000
 (d) Under-reported income Rs. 12,00,000; penalty Rs. 1,56,000

Q.	Ans.	Description
1	C	(2) and (3) above
2	C	(2) and (3) above
3	D	Underreported income = 15 lakhs Tax @31.2% = 4,68,000 Penalty @50% of tax = 2,34,000
4	C	Underreported income due to misreporting = 20 lakhs Tax @31.2% = 6,24,000 Penalty @200% of tax = 12,48,000
5	C	Underreported income = Rs. 12.00 lakhs Tax under section 115BAC = 1,56,000 Penalty @50% of tax = 78,000

Case Scenario 5

Mr. Sunil, Mr. Sriram and Mr. Shyam are three brothers, who are resident Indians in independent retail trade business of food grains in Pune, Thane and Nagpur, respectively. Their turnover for F.Y.2022-23 were Rs. 9 crores, Rs. 10 crores and Rs. 12 crores, respectively. They regularly purchase food grains from another resident, Mr. Ashwath, a wholesaler in Mumbai. The turnover of Mr. Ashwath for F.Y.2022-23 was Rs. 18 crores.

They all follow mercantile system of accounting. The aggregate amount credited by the brothers to the account of Mr. Ashwath during each month of the F.Y.2023-24 is shown in the table below. It may be assumed that the entire amount relating to Mr. Ashwath for a particular month is credited to his account on the last date of that month and is paid entirely on the last date of the immediately following month. Likewise, Mr. Ashwath also debits the accounts of Mr. Sunil, Mr. Sriram and Mr. Shyam on the last date of the month with the amount of sales effected during each month.

Month	Value of purchases from Mr. Ashwath		
	Mr. Sunil	Mr. Sriram	Mr. Shyam
	Rs.	Rs.	Rs.
April, 2023	5.90 lakhs	7.50 lakhs	9.80 lakhs
May, 2023	7.10 lakhs	6.85 lakhs	8.75 lakhs
June, 2023	8.20 lakhs	8.20 lakhs	9.45 lakhs
July, 2023	6.80 lakhs	6.45 lakhs	6.80 lakhs
August, 2023	4.90 lakhs	5.95 lakhs	6.30 lakhs
September, 2023	5.80 lakhs	7.10 lakhs	8.15 lakhs
October, 2023	7.20 lakhs	8.60 lakhs	7.80 lakhs
November, 2023	6.70 lakhs	6.80 lakhs	9.10 lakhs
December, 2023	8.10 lakhs	7.85 lakhs	7.90 lakhs
January, 2024	9.00 lakhs	8.90 lakhs	8.25 lakhs
February, 2024	7.90 lakhs	6.70 lakhs	7.95 lakhs
March, 2024	8.40 lakhs	9.10 lakhs	7.75 lakhs
Total	86 lakhs	90 lakhs	98 lakhs

Mr. Sunil's friend Mr. Krishna, who commenced retail trade business in April, 2023, entered into a one-time transaction with Mr. Ashwath for purchase of food grains for Rs. 60 lakhs on 30th June, 2023, on which date he credited the said sum to the account of Mr. Ashwath. He, however, paid the said sum to him only on 2nd July, 2023.

On the basis of the facts given above, choose the most appropriate answer to the following questions:

1. Are the provisions of TDS under the Income-tax Act, 1961 attracted in respect of purchase transactions with Mr. Ashwath? If so, in whose hands, at what rate and at what point of time? Ignore one time transaction of Mr. Sunil's friend, Mr. Krishna, for the purpose of this MCQ.
 - (a) Mr. Sriram and Mr. Shyam are liable to deduct tax at source @1% on the amount of each purchase made (after crossing the threshold limit of Rs. 50 lakhs), at the time of payment to Mr. Ashwath towards such purchase (i.e., from 30.11.2023 onwards)
 - (b) Mr. Sriram and Mr. Shyam are liable to deduct tax at source @0.1% on the amount of each purchase (after crossing the threshold limit of Rs. 50 lakhs), at the time of credit of such amount to Mr. Ashwath's account (i.e., from 31.10.2023 onwards)
 - (c) Mr. Shyam is liable to deduct tax at source @0.1% on the amount of each purchase (after crossing the threshold limit of Rs. 50 lakhs) at the time of credit of such amount to Mr. Ashwath's account (i.e., from 31.10.2023 onwards).
 - (d) Mr. Shyam is liable to deduct tax at source @1% on the amount of each purchase made (after crossing the threshold limit of Rs. 50 lakhs) at the time of payment to Mr. Ashwath towards such purchase (i.e., from 30.11.2023 onwards).

2. Are provisions of TCS under the Income-tax Act, 1961 attracted in respect of sale transactions effected by Mr. Ashwath? If so, from whom does he have to collect tax, at what rate and what point of time? Ignore one time transaction of Mr. Sunil's friend, Mr. Krishna, for the purpose of this MCQ.
 - (a) Ashwath has to collect tax at source from Mr. Sunil and Mr. Sriram @1% on the amount exceeding the prescribed threshold of Rs. 50 lakhs, at the time of debit of such amount to their account (i.e., from 30.11.2023 and 31.10.2023, respectively).
 - (b) Ashwath has to collect tax at source from Mr. Sunil and Mr. Sriram @0.1% on the amount exceeding the prescribed threshold of Rs. 50 lakhs, at the time of receipt of such amount every month (i.e., from 31.12.2023 and 30.11.2023, respectively).
 - (c) Ashwath has to collect tax at source from Mr. Sunil @1% on the amount exceeding the prescribed threshold of Rs. 50 lakhs, at the time of debit of such amount to his account (i.e., from 30.11.2023).
 - (d) Ashwath has to collect tax at source from Mr. Sunil @0.1% on the amount exceeding the prescribed threshold of Rs. 50 lakhs, at the time of receipt of such amount every month (i.e., from 31.12.2023).

3. What would be the applicable rate of TDS, if Mr. Ashwath fails to furnish PAN to the deductor (based on answer to MCQ 1)? Also, what would be the applicable rate of TCS, if the collectee (based on answer to MCQ 2) fails to furnish PAN to Mr. Ashwath?
 - (a) 20% and 5%, respectively
 - (b) 5% and 1%, respectively
 - (c) 5%, in both cases
 - (d) 1%, in both cases

4. What would be the TDS/TCS implication in respect of the single purchase transaction by Mr. Krishna from Mr. Ashwath?
- Mr. Krishna has to deduct tax at source on 30.6.2023 on Rs. 10 lakhs, being the amount in excess of the threshold of Rs. 50 lakhs.
 - Mr. Krishna has to deduct tax at source on 2.7.2023 on Rs. 10 lakhs
 - Mr. Ashwath has to collect tax at source on 30.6.2023 on Rs. 10 lakhs, being the amount in excess of the threshold of Rs. 50 lakhs.
 - Mr. Ashwath has to collect tax at source on 2.7.2023 on Rs. 10 lakhs.

Q.	Ans.	Description
1	C	Refer section 194Q
2	B	Refer section 206C(1H)
3	B	Refer section 206AA and 206CC read with section 206C(1H)
4	D	Refer section 206C(1H)

Case Scenario 6

Mr. B is an interior decorator by profession. He also delivers online lectures on interior decoration via an e-commerce platform - Indeco-Academy. The relevant information from Mr. B's Indeco-Academy account is given hereunder:

Date of Credit of services to account of Mr. B	Date of Payment to Mr. B	Value of Services Provided (Rs.)
31.05.2023	10.06.2023	2,00,000
31.10.2023	10.10.2023	1,50,000
31.03.2024	10.04.2024	1,40,000

In addition to the above, Mr. B received Rs. 20,000 on 18.02.2024 directly from a student instead of through the Indeco-Academy payment portal. Mr. B has not furnished his PAN or Aadhar number to Indeco-Academy but has furnished his driving license for KYC requirements.

On 05.05.2023, Mr. B provided interior decorating services to Mr. N in Mumbai having business turnover of Rs. 1.2 crores during P.Y. 2022-23 for his office premises as well as residential premises, the consideration for which was Rs. 40,000 and Rs. 60,000, respectively. Mr. B has provided his PAN details to Mr. N for invoicing purpose.

Mr. B's gross receipts from interior decoration profession (excluding fees for online lectures) from clients in India (including Mr. N) in total in the P.Y.2023-24 is Rs. 40 lakhs.

Further, Rs. 1,10,000 is payable by Mr. B to Tumble LLC - a social networking website having no office in India and Rs. 1,05,000 to Doodle Inc., USA, for giving online advertisements for the purpose of attracting foreign clients. Though Doodle Inc., USA, has an office in India, the said office is involved in providing designing services and nothing in relation to online advertisements. Fortunately, Mr. B got one client based in Country A (with which India does not have a DTAA) from whom he received Rs. 3,50,000 as net income after deduction of Rs. 50,000 as foreign tax.

Profits of Mr. B computed as per books of account maintained under section 44AA is Rs. 24 lakhs. He has, however, not got his books of account audited.

From the information given above, choose the most appropriate answer to the following questions -

1. Is Indeco-Academy required to deduct tax at source on amount received/receivable by Mr. B? If so, what is the amount of tax to be deducted?
 - (a) No tax is required to be deducted at source
 - (b) Yes; Rs. 5,100
 - (c) Yes; Rs. 25,500
 - (d) Yes; Rs. 1,02,000
2. Is Mr. N required to deduct tax at source under section 194J? If so, what is the amount of tax to be deducted?
 - (a) No tax is required to be deducted at source u/s 194J
 - (b) Yes; Rs. 1,000
 - (c) Yes; Rs. 4,000
 - (d) Yes; Rs. 10,000
3. Is Mr. N required to deduct tax at source under section 194M? If so, what is the amount of tax to be deducted?
 - (a) No tax is required to be deducted at source u/s 194M
 - (b) Yes; Rs. 600
 - (c) Yes; Rs. 1,200
 - (d) Yes; Rs. 3,000
4. Is Mr. B required to deduct equalisation levy on the amounts payable to Tumble LLC or Doodle Inc.? If so, what is the amount of levy to be deducted?
 - (a) No; there is no requirement to deduct equalisation levy from the amount payable to either Tumble LLC or Doodle Inc.

- (b) Yes; Rs. 6,600 to be deducted on the amount payable to Tumble LLC; No deduction is, however, required on the amount payable to Doodle Inc.
- (c) Yes; Rs. 6,300 to be deducted on amount payable to Doodle Inc; No deduction is required on the amount payable to Tumble LLC
- (d) Yes; Rs. 6,600 to be deducted on the amount payable to Tumble LLC and Rs. 6,300 to be deducted on the amount payable to Doodle Inc.

5. What is Mr. B's gross income-tax liability for the P.Y.2024-25, assuming that he has opted out of the default tax regime u/s 115BAC?

- (a) Rs. 5,70,960
 (b) Rs. 4,91,400
 (c) Rs. 5,08,560
 (d) Rs. 5,53,800

Q.	Ans.	Description
1	C	TDS u/s 194 O= 5% of Rs. 5,10,000 = 25,500 Higher rate of TDS since PAN has not provided by Mr. B
2	C	TDS u/s 194J by Mr. N since his turnover in P.Y. 2022-23 exceeds Rs. 10 crores @10% on Rs. 40,000 = 4,000
3	A	No tax is required to be deducted at source u/s 194M
4	D	Equalisation Levy @6% on Rs. 1,10,000 = 6,600 Equalisation Levy @6% on Rs. 1,05,000 = 6,300
5	A	Gross receipts = 40,00,000 + 5,10,000 + 4,00,000 = 49,10,000 As per section 44ADA = 24,55,000 As per books of account = 24,00,000 If not audited, the PGBP income would be = 24,55,000 Tax at slab rate = 5,70,960

Case Scenario 7

On 1.4.2023, UI Ltd., an Indian company, borrowed Rs. 50 crores@9.5% p.a. from M Inc., a US entity, thereby increasing its total borrowings to Rs. 65 crores. The said loan is guaranteed by H Inc., another US entity. The place of effective management of both M Inc. and H Inc. is in the USA. The total assets of UI Ltd. is Rs. 180 crores.

UI Ltd. imported turbo equipment worth Rs. 30 crores from H Inc. Import duty of Rs. 4.50 crores on the same was paid by UI Ltd. The equipment was sold to T Ltd. for Rs. 40 crores. Normal GP margin of UI Ltd. in similar uncontrolled transaction is 20%.

Net profit of UI Ltd. of A.Y.2024-25 was Rs. 8 crores after debiting interest of Rs. 6 crores (out of which Rs. 1.25 crores interest pertaining to local borrowings), depreciation of Rs. 2.5 crores and income tax of Rs. 1.5 crores.

From the information given above, choose the most appropriate answer to the following questions -

1. What is the amount of interest to be allowed in the computation of total income of UI Ltd. for A.Y. 2024-25, if for A.Y. 2023-24 there was an interest expenditure disallowed to the extent of Rs. 4 crores under section 94B?
 - (a) Rs. 6,65,00,000
 - (b) Rs. 4,75,00,000
 - (c) Rs. 6,00,00,000
 - (d) Rs. 3,65,00,000

2. The transfer pricing adjustment for the arm's length purchase price to be made in the computation of total income of UI Ltd. for A.Y. 2024-25 would be -
 - (a) Rs. 3,00,00,000
 - (b) Rs. 2,50,00,000
 - (c) Rs. 2,00,00,000
 - (d) No adjustment is required, since transfer pricing adjustment cannot result in reduction of income

3. If UI Ltd. repatriated the excess money on 31.03.2025, what will be the interest income that would be added to its total income of A.Y.2025-26, if SBI's one-year marginal of lending rate is 11.25% on 1.4.2024 and 10.25% on 1.4.2025? Assume that UI Ltd. suo motu made the primary adjustment in its books of account and filed its return for A.Y.2024-25 on 30.11.2024
 - (a) Rs. 12,01,712
 - (b) Rs. 12,08,333
 - (c) Rs. 9,32,363
 - (d) Rs. 8,49,486

4. If UI Ltd. decides not to repatriate the excess money and instead, pay additional income-tax on the entire excess money, then, what would be the additional income-tax payable?
 - (a) Rs. 62,89,920
 - (b) Rs. 52,41,600
 - (c) Rs. 41,93,280
 - (d) Rs. 53,87,200

5. If UI Ltd. decides to pay additional income-tax on entire excess money on 15.03.2025, should interest be calculated and added to its total income of A.Y.2025-26? If so, what is the amount to be added? Assume that SBI one-year marginal cost of lending rate is 11.25% on 1.4.2024 and 10.25% on 1.4.2025
 - (a) No, since it has paid additional income-tax on the entire excess money in the P.Y.2024-25
 - (b) Yes; Rs. 9,70,890
 - (c) Yes; Rs. 10,42,808
 - (d) Yes; Rs. 8,09,075

6. In addition to the facts given in the case scenario, assuming that -
- on 23.08.2023, UI Ltd. has entered into an agreement for sale of turbo equipment with Y Ltd., an Indian company not related to UI Ltd;
 - Y Ltd. had already entered into an agreement on 21.8.2023 for the sale of the same goods to K Inc. (unrelated to Y Ltd.), a UK entity whose place of effective management is also in the UK; and
 - UI Ltd. holds shares carrying 28% voting power in K Inc.

Which of the following are associated enterprise/deemed associated enterprise of UI Ltd.?

- H Inc. and K Inc.
- M Inc. and K Inc.
- H Inc., K Inc. and Y Ltd.
- M Inc., H Inc. and K Inc.

Q.	Ans.	Description
1	A	Maximum deduction of interest payable to NRAE as per section 94B = 18 crores $(8+6+2.5+1.5) \times 30\% = 5.4$ crores Interest paid to NRAE = 50 crores \times 9.5% = 4.75 crores Interest of A.Y. 2023-24 can be claimed upto 5.4 crores - 4.75 crores = 0.65 crores Interest paid for local borrowings = 1.25 crores Total interest allowable = 5.4 crores + 1.25 crores = 6.65 crores
2	B	Sale to unrelated party = 40 crores Less: Normal GP margin = 20% of 40 crores = 8 crores Arm's length Purchase price = 32 crores Add: Functional difference = 4.50 crores Arm's length Purchase price after functional difference = 27.5 crores Actual purchase price = 30 crores TP adjustment = 2.5 crores
3	A	Interest = $2,50,00,000 \times 14.5\% \times 121/365 = 12,01,712$
4	B	Additional tax = $2,50,00,000 \times 20.9664\% = 52,41,600$
5	C	Interest = $2,50,00,000 \times 14.5\% \times 105/365 = 10,42,808$
6	C	H Inc., K Inc. and Y Ltd.