

? Question 1: [Easy]

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 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 both in the hands of Mr. Hari and in the hands of the institution.

? Question 2: [Medium]

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

- (A) Rs. 2,68,50,000 (B) Rs. 2,68,50,000 (C) Rs. 2,91,49,120 (D) Rs. 3,34,88,000

? Question 3: [Medium]

During the P.Y.2023-24, Mr. Aakash has Rs. 80 lakhs of short-term capital gains taxable u/s 111A, Rs. 70 lakhs of long-term capital gains taxable u/s 112A and business income of Rs. 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 Rs. 2.40 crore, since the total income exceeds Rs. 2 crores
- (B) Surcharge@15% is leviable on income-tax computed on total income of Rs. 2.40 crore
- (C) Surcharge@15% is leviable in respect of income tax computed on capital gains of Rs. 1.50 crore, since such income exceeds Rs. 1 crore but is less than Rs. 2 crores; in respect of business income of Rs. 90 lakhs, surcharge is leviable@25% on income-tax, since the total income exceeds Rs. 2 crores
- (D) Surcharge@15% is leviable in respect of income tax computed on capital gains of Rs. 1.50 crore, since such income exceeds Rs. 1 crore but is less than Rs. 2 crores; in respect of business income of Rs. 90 lakhs, surcharge is leviable@10% on income tax, since such income exceeds Rs. 50 lakhs but is less than Rs. 1 crore

Q. No.	Answer	Remarks
1.	(D)	[refer application and diversion of income discussed in Chapter 1]
2.	(B)	
3.	(B)	[Refer surcharge table in Chapter 1]

? Question 1: [Easy]

Mr. Arvind, engaged in the business of wholesale trade, has a turnover of Rs. 90 lakhs for P.Y.2022-23 and Rs. 210 lakhs for P.Y.2023-24. In the P.Y.2023-24, he paid salary of Rs. 3 lakhs to Mr. Hari, a resident, without deduction of tax at source and commission of Rs. 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) Rs. 54,00,000
- (B) Rs. 16,20,000
- (C) Rs. 15,30,000
- (D) Nil

? Question 2: [Easy]

Y Ltd. purchased computers for Rs. 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) Rs. 1.5 lakhs
- (B) Rs. 3 lakhs
- (C) Rs. 4 lakhs
- (D) Rs. 2 lakhs

? Question 3: [Medium]

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 4: [Medium]

The turnover of Mr. Aarav, engaged in wholesale trading business for the P.Y.2023-24 is Rs. 2 crore and the gross receipts of Mr. Vishal, engaged in legal profession is Rs. 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 Rs. 1.20 crores through ECS through bank account during the P.Y.2023-24. He receives another Rs. 60 lakhs through ECS through bank account on or before 31.7.2024. Mr. Vishal receives Rs. 30 lakhs by account payee bank draft and Rs. 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 Rs. 11,50,000 and Rs. 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) Rs. 16,00,000 and Rs. 25,00,000, respectively
- (B) Rs. 13,60,000 and Rs. 25,00,000, respectively
- (C) Rs. 11,50,000 and Rs. 24,75,000, respectively
- (D) Rs. 12,40,000 and Rs. 25,00,000, respectively

Q. No.	Answer	Remarks
1.	(C)	[Refer section 192, 194M and 40(a)(ia)]
2.	(D)	[Rs. 10 lakhs x 40% x 50%]
3.	(D)	
4.	(D)	[Refer section 44AD and 44ADA]



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Question 1: [Easy]

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.
- (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@23.29 6% 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


Question 2: [Medium]

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 Rs. 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 Rs. 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: [Medium]

Mr. Rajan purchased 300 shares in Vaigai Ltd. on 12.1.2017 at a cost of Rs. 2,500 per share. The Fair Market Value (FMV) of the share as on 31.1.2018 is Rs. 1,800. Mr. Rajan sold all the shares of Vaigai Ltd. on 15.7.2023 for Rs. 3,200. Mr. Rajan's brother Mr. Ravi purchased 600 shares in Tapti Ltd. on 25.1.2017 at a cost of Rs. 1,900 per share. The FMV of the share as on 31.1.2018 is Rs. 2,400. Mr. Ravi sold all the shares of Tapti Ltd. on 31.1.2024 for Rs. 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) LTCG of Mr. Rajan Rs. 2, 10,000; Long-term capital loss of Mr. Ravi Rs. 4,20,000
- (B) LTCG of Mr. Rajan Rs. 4,20,000; Long-term capital loss of Mr. Ravi Rs. 4,20,000
- (C) LTCG of Mr. Rajan Rs. 4,20,000; Long-term capital loss of Mr. Ravi Rs. 1,20,000
- (D) LTCG of Mr. Rajan Rs. 2,10,000; Long-term capital loss of Mr. Ravi Rs. 1,20,000



Question 4: [Difficult]

Mr. Vishal and Mr. Guha sold their residential house property in Pune for Rs. 3 crore and Rs. 4 crores, respectively, in January, 2024. The house property was purchased by them 25 months back. The indexed cost of acquisition is Rs. 1 crore and Rs. 1.75 crore respectively. Mr. Vishal purchased two residential flats, one in Delhi and one in Agra for Rs. 70 lakhs and Rs. 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 Rs. 80 lakhs and Rs. 75 lakhs, respectively. Both of them invested Rs. 30 lakhs in bonds of NHAI in March, 2024 and Rs. 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) Rs. 70 lakhs and Rs. 95 lakhs, respectively
- (B) Rs. 60 lakhs and Rs. 85 lakhs, respectively
- (C) Nil and Rs. 95 lakhs, respectively
- (D) Nil and Rs. 20 lakhs, respectively

Q. No.	Answer	Remarks
1.	(A)	[Refer sections 10(34A) and 115QA]
2.	(D)	[Refer section 47 (viiia)]
3.	(D)	[Refer section 55(2)(ac)]
4.	(C)	[Refer sections 54 and 54EC]



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? Question 1: [Easy]

Gamma Ltd. has distributed on 30.6.2024, dividend of Rs. 130 lakhs to its shareholders. During the FY.2023-24, Gamma Ltd. has received dividend of Rs. 108 lakhs (Net of TDS) from domestic companies and Rs. 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) Rs. 138 lakhs (B) Rs. 120 lakhs
(C) Rs. 130 lakhs (D) Rs.150 lakhs

? Question 2: [Medium]

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 cheques) (Rs.)	Preventive health check-up expenditure (in cash) (Rs.)	Medical expenditure (Rs.)
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) Rs. 63,000 (B) Rs. 55,000
(C) Rs. 67,000 (D) Rs. 65,000

? Question 3: [Medium]

In the P.Y.2023-24, Mr. Ganguly, a resident individual aged 60 years, earned income from profession (computed) Rs. 1,45,000, Winnings from card games Rs. 1,50,000 (gross). He also has interest of Rs. 40,000 on fixed deposit with banks and Rs. 9,000 on Savings account with bank. He deposited Rs. 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) Rs. 1,45,000 (B) Rs. 1,50,000
(C) Rs.1,85,000 (D) Rs. 1,90,000

Q. No.	Answer	Remarks
1.	(C)	[Refer section 80M]
2.	(A)	[Refer section 80D]
3.	(B)	[Refer section 80TTB and 80C]

**Question 1:** [Easy]

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 taxable in the hands of the REIT; exempt unconditionally in the hands of unitholders
- (B) exempt in the hands of 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 hand of REIT; exempt in the hands of unit holder 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:** [Easy]

Kamala charitable trust, registered u/s 12AB, having its main object as medical relief, earned income of Rs. 2 lakhs as interest on bonds issued by local authority and agricultural income of Rs. 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.

**Question 3:** [Medium]

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

- (A) Rs. 13,00,000 (B) Rs. 9,25,000
- (C) Rs. 13,25,000 (D) Rs. 17,00,000



Question 4: [Medium]

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: [Difficult]

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

- (i) Rental income from real estate property directly held by it Rs. 80 lakhs
- (ii) Interest income from special purpose vehicle Rs. 50 lakhs
- (iii) Dividend income from special purpose vehicle Rs. 40 lakhs
- (iv) Capital gains on disposal of assets Rs. 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 is 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: [Difficult]

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 (Rs.)	Real Estate Investment Trust (Rs.)	Securitisation Trust (Rs.)
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 Rs. 2,70,000?

- (A) Rs. 4,42,500
- (B) Rs. 4,67,500
- (C) Rs. 4,52,500
- (D) Rs. 5,05,000

Q. No.	Answer	Remarks
1.	(C)	
2.	(D)	[Refer section 11(7)]
3.	(B)	[Refer Chapter 10]
4.	(C)	[Refer section 11]
5.	(D)	[Refer taxability of REIT]
6.	(A)	



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? Question 1: [Easy]

Mr. Vallish, employed as Manager with ABC Ltd., pays rent of Rs. 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 Rs. 2,40,000
- (B) Mr. Vallish is liable to deduct tax@5% u/s 194-IB every month, since he pays rent of Rs. 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 Rs. 50,000 per month
- (D) Mr. Vallish is not liable to deduct tax at source

? Question 2: [Medium]

ABC Ltd. took on sub-lease a building from Ms. Jhanvi with effect from 1.7.2023 on a rent of Rs. 20,000 per month. It also took on hire machinery from Ms. Jhanvi with effect from 1.10.2023 on hire charges of Rs. 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 one-month'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 Rs. 2,40,000 p.a. and rent for machinery also does not exceed Rs. 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 Rs. 2,00,000 and @2% on Rs. 1,05,000 (i.e., rent including security deposit)
- (C) Tax has to be deducted@10% on Rs. 1,80,000 and @2% on Rs. 90,000 (i.e., rent excluding security deposit)
- (D) Tax has to be deducted@10% on Rs. 2,00,000 (i.e., rent including security deposit). However, no tax is to be deducted on rent of Rs. 1,05,000 (i.e., rent including security deposit) for machinery, since the same does not exceed Rs. 1,80,000

? Question 3: [Medium]

Kunal & Co LLP engaged in manufacturing business withdrew from its bank account Rs. 125 lakhs by cash (each individual withdrawal does not exceed Rs. 2 lakhs) in the P.Y.2023-24. The purpose of withdrawal from bank was for buying agricultural produce, being raw material required for manufacture for finished products by it. Kunal & Co LLP always files its return of income before the due date. Are TDS provisions applicable on such withdrawals? If yes, what is the amount of tax to be deducted?

- (A) No; TDS provisions are not attracted
- (B) Yes; Tax of Rs. 50,000 is required to be deducted
- (C) Yes; Tax of Rs. 1,25,000 is required to be deducted
- (D) Yes; Tax of Rs. 2,10,000 is required to be deducted



Question 4: [Difficult]

Mr. Hari is an interior decorator declaring profits under 44ADA in the P.Y.2023-24 and the earlier previous years. Mr. Hari has to pay brokerage of Rs. 10 lakhs to Mr. Lal, a broker, to buy a residential house, and Rs. 50 lakhs to Mr. Shyam, a contractor for reconstruction of the residential house. Are TDS provisions attracted in the hands of Mr. Hari in respect of the above transactions?

- (A) No; TDS provisions are not attracted in the hands of Mr. Hari in respect of payments to Mr. Lal and Mr. Shyam
- (B) Yes; Mr. Hari has to deduct tax from payment to Mr. Lal and Mr. Shyam
- (C) Mr. Hari does not have to deduct tax on payment to Mr. Lal but has to deduct tax from payment to Mr. Shyam
- (D) Mr. Hari does not have to deduct tax on payment to Mr. Shyam but has to deduct tax from payment to Mr. Lal



Question 5: [Difficult]

Mr. Sanjay, a salaried individual, pays brokerage of Rs. 40 lakhs to Mr. Harish, a broker, on 5.1.2024 to buy a residential house. His father, Mr. Hari, a retired pensioner, makes contract payments of Rs. 15 lakhs, Rs. 25 lakhs and Rs. 12 lakhs on 28.9.2023, 3.11.2023 and 15.2.2024 to Mr. Rajeev, a contractor, for reconstruction of residential house. With respect to the above payments made by Mr. Sanjay and Mr. Hari, which of the following statements is correct?

- (A) Neither Mr. Sanjay nor Mr. Hari is required to deduct tax at source, since they are not subject to tax audit, on account of being a salaried individual and pensioner, respectively
- (B) Both Mr. Sanjay and Mr. Hari are required to deduct tax at source under the provisions of the Income-tax Act, even though they are not subject to tax audit
- (C) Mr. Sanjay is required to deduct tax at source but Mr. Hari is not required to deduct tax at source
- (D) Mr. Hari is required to deduct tax at source but Mr. Sanjay is not required to deduct tax at source

Q. No.	Answer	Remarks
1.	(D)	[Refer section 194-IB]
2.	(C)	[Refer section 194I]
3.	(B)	[Refer section 194N]
4.	(A)	[refer section 194M]
5.	(D)	[Refer section 194M]



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? Question 1: [Easy]

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: [Easy]

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

? Question 3: [Medium]

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: [Medium]

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?

- (i) The income-tax authority can enter the place of business of the assessee only after sunrise and before sunset.
- (ii) The income-tax authority may enter the place of business only during the hours at which such place is open for conduct of business.
- (iii) 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.
- (iv) 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.

The correct answer is-

- (A) (i) and (iii)
- (B) (i) and (iv)
- (C) (ii) and (iii)
- (D) (ii) and (iv)

Q. No.	Answer	Remarks
1.	(C)	[Refer section 271AAB]
2.	(D)	[Refer section 271AAB]
3.	(A)	[Refer section 133A]
4.	(D)	[Refer section 133B]



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Question 1: [Easy]

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

?

Question 2: [Easy]

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)?

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

?

Question 3: [Medium]

Mr. Ram, born on 1.4.1964, has a gross total income of Rs. 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 Rs. 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 Rs. 1.20 lakhs. The remaining expenditure for his visa, stay and sightseeing amounting to Rs. 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?

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



Question 4: [Difficult]

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 5: [Difficult]

Mayank, aged 50 years, sold his residential house for Rs. 30 lakhs during the previous year 2020-21, whereas the stamp duty value of the same was Rs. 38 lakhs. He computed a long-term capital gain of Rs. 5 lakhs by taking the full value of consideration as Rs. 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) Rs. 57,200 (B) Rs. 83,200
- (C) Rs. 1,66,400 (D) Rs. 1,14,400

Q. No.	Answer	Remarks
1.	(D)	[Refer section 139(1)]
2.	(D)	[Refer section 143(1)]
3.	(C)	[Refer seventh proviso to section 139(1)]
4.	(C)	[Refer section 148 and 148A]
5.	(B)	[Refer section 140B(3)]



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Question 1: [Easy]

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 2: [Easy]

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 3: [Medium]

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?

The correct answer is-

- (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 4: [Medium]

The assessment of M/s. Epsilon Associates for A.Y.2023-24 was made u/s 143(3) on 28th December, 2024. The Assessing Officer added Rs. 3 lakhs being 30% of Rs. 10 lakh, for non-deduction of tax at source and Rs. 4 lakhs 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 5: [Medium]

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 O 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

Q. No.	Answer	Remarks
1.	(C)	[refer section 246A]
2.	(D)	[refer section 253]
3.	(C)	[refer section 263]
4.	(B)	[Doctrine of total merger]
5.	(C)	[refer section 246A and 253]

**Question 1:** [Easy]

The Assessing Officer imposed penalty of Rs.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 2:** [Easy]

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

- (A) Only Rs. 12 lakhs from Mr. Z
- (B) Only Rs.10 lakhs from Mr. Y and Rs.12 lakhs from Mr. Z
- (C) Rs.5 lakhs from Mr. W, Rs.8 lakhs from Mr. X, Rs.10 lakhs from Mr. Y and Rs.12 lakhs from Mr. Z
- (D) Rs.2 lakhs from Mr. V, Rs.5 lakhs from Mr. W, Rs.8 lakhs from Mr. X, Rs. 10 lakhs from Mr. Y and Rs. 12 lakhs from Mr. Z

**Question 3:** [Easy]

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 4: [Medium]

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

- (i) Cash payment in aggregate of Rs. 6 lakh by Mr. X for purchase of bank drafts during the FY. 2023-24
- (ii) Cash deposits aggregating to Rs. 26 lakhs by Mr. Y in his current account during the FY.2023-24
- (iii) Cash deposits aggregating to Rs.12 lakhs by Mr. Z in his savings bank account during the FY.2023-24
- (iv) Withdrawals of Rs. 55 lakhs through bearer cheque by Mr. A from his current account during the FY.2023-24
- (v) Credit card payment of Rs.12 lakh during FY.2023-24 made by Mr. B by account payee cheque
- (vi) Credit card payment of Rs. 80,000 made by cash during FY.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 5: [Difficult]

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

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

During the year, ABC (P) Ltd. Repaid the following loans to XYZ(P) Ltd. -

- (i) Rs.6 lakh by account payee cheque on 15.6.2023
- (ii) Rs.50,000 by cash on 3.7.2023
- (iii) Rs.1,50,000 by ECS through bank account on 3.8.2023
- (iv) Rs.15,000 by cash on 1.9.2023
- (v) Rs.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) Rs. 30,000 under section 271D and Rs.80,000 under section 271E
- (B) Rs.18,000 under section 271D and Rs. 50,000 under section 271E
- (C) Rs. 12,000 under section 271D and Rs. 80,000 under section 271E
- (D) Rs.50,000 under section 271E

Q. No.	Answer	Remarks
1.	(A)	[Refer section 281B, Only if penalty is likely to exceed >2 crores, provisional attachment can be done.]
2.	(B)	[Refer section 285BA read with Rule 114E]
3.	(C)	[Refer section 281B]
4.	(B)	[refer section 285BA read with rule 114E]
5.	(D)	[refer section 269SS, 269T and 271E]

? Question 1: [Easy]

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 Rs. 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 Rs. 3,66,600
- (C) Yes; penalty is Rs. 1,24,800
- (D) Yes; penalty is Rs. 1,83,300

? Question 2: [Easy]

Mr. Mahesh is found to be the owner of two gold chains of 50 gms each (value of which is Rs. 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) Rs. 1,80,960
- (B) Rs. 2,26,200
- (C) Rs. 90,480
- (D) Rs. 1,23,958

? Question 3: [Medium]

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 Rs. 8 lakhs and Rs. 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 Rs. 37,400 leviable in the hands of Mr. Ganesh; No penalty leviable in the hands of Mr. Rajesh
- (C) Yes; Rs. 36,400 and Rs. 6,500, respectively
- (D) Penalty of Rs. 18,200 leviable in the hands of Mr. Ganesh; No penalty leviable in the hands of Mr. Rajesh

? Question 4: [Difficult]

Mr. Arvind opened a bank account in Country "P" on 1.7.2020. He has made deposits of foreign currency equivalent to Rs. 5 lakhs on 1.7.2020, Rs. 7 lakhs on 1.10.2020, Rs. 12 lakhs on 1.9.2022 and Rs. 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 Rs. 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 Rs. 25 lakhs deposited by him on 1.3.2024, Mr. Arvind withdrew Rs. 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) Rs. 49 lakhs
- (B) Rs. 47 lakhs
- (C) Rs. 37 lakhs
- (D) Rs. 35 lakhs



Question 5: [Difficult]

Mr. Arvind acquired a flat in Country "P" in the P.Y.2018-19 for Rs. 50 lakhs. Out of the said sum, Rs. 20 lakhs were 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 Rs. 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) Rs. 90 lakhs
- (B) Rs. 70 lakhs
- (C) Rs. 54 lakhs
- (D) Rs. 30 lakhs

Q. No.	Answer	Remarks
1.	(C)	
2.	(B)	(Refer section 115BBE)
3.	(D)	[Refer section 270A]
4.	(C)	[Refer Black Money Act]
5.	(C)	[Refer Black Money Act]



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? Question 1: [Easy]

Mr. Ranveer, a non-resident, earned interest income of Rs. 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 2: [Easy]

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. X 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. income chargeable to tax under the Income-tax Act, 1961

? Question 3: [Easy]

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 non-resident
- (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

? Question 4: [Medium]

M Ltd. and N Ltd. are Indian companies which have to pay interest of Rs. 2 lakhs and Rs. 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 5: [Difficult]

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

- (A) Rs. 4,21,200
- (B) Rs. 4,43,040
- (C) Rs. 3,12,000
- (D) Rs. 1,77,840

Q. No.	Answer	Remarks
1.	(B)	(Refer section 115AC)
2.	(B)	[Refer section 10(6)(vi)]
3.	(C)	[Refer section 9(1)(iii) and section 10(7)]
4.	(A)	[Refer section 194LC]
5.	(B)	(Refer section 44B)



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? Question 1: [Easy]

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 Rs. 125 per metre when the market price per metre was Rs. 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
- (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 Rs. 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 2: [Easy]

Alpha Ltd.'s total income of A.Y. 2024-25 has increased by Rs. 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 set-off 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 3: [Easy]

Y is a foreign company having permanent establishment in India namely X. Z, a non-resident associated enterprise, has invested Rs. 900 crores through debt in X. Earnings before interest, taxes, depreciation and amortisation (EBITDA) of X during the financial year was Rs. 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) Rs. 45 crores
- (B) Rs. 90 crores
- (C) Rs. 30 crores
- (D) Rs. 27 crores



Question 4: [Medium]

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 5: [Medium]

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)



Question 6: [Difficult]

A notified infrastructure debt fund eligible for exemption under section 10(47) of the Income-tax Act, 1961 has to pay interest of Rs. 5 lakhs to a company incorporated in a foreign country. The foreign company incurred expenditure of Rs. 12,000 for earning such interest. The fund also has to pay interest of Rs. 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 Rs. 5 lakhs payable to the foreign company. However, payment of interest to Frank attracts TDS@31.2%
- (C) TDS@5.20% is attracted on Rs. 4,88,000 payable to the foreign company. TDS@31.2% is attracted on interest payment of Rs. 3 lakhs to Mr. Frank
- (D) TDS@5.20% is attracted on interest of Rs. 5 lakhs payable to the foreign company. TDS@31.2% is attracted on interest of Rs. 3 lakhs payable to Mr. Frank

Q. No.	Answer	Remarks
1.	(A)	[refer section 92 BA]
2.	(B)	[refer first proviso to section 92C(4)]
3.	(A)	[refer section 94B]
4.	(A)	[refer rule 10CA(7)]
5.	(D)	[refer section 270A and 271 AA]
6.	(D)	[refer section 94A]

?

Question 1: [Easy]

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: [Medium]

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 & 14
- (C) BEPS Action Plan 5 (2nd component - Exchange of information on tax rulings), 11, 12, 13 & 14
- (D) BEPS Action Plan 5 (1st component - Preferential tax regimes), 12, 13 and 14

?

Question 3: [Difficult]

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

Q. No.	Answer	Remarks
1.	(D)	(Refer Action Plan 15)
2.	(C)	
3.	(D)	[Refer action plan 2]


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? Question 1: [Easy]

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 2: [Easy]

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 3: [Easy]

Amount A is –

- (A) 10% of residual profit that will be allocated to market jurisdictions
- (B) 15% of residual profit that will be allocated to market jurisdictions
- (C) 20% of residual profit that will be allocated to market jurisdiction
- (D) 25% of residual profit that will be allocated to market jurisdictions

? Question 4: [Medium]

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: [Medium]

In Scope companies are MNCs with –

- (A) Global turnover of above 10 billion euros and profitability above 10% (i.e., PAT/revenue)
- (B) Global turnover of above 10 billion euros and profitability above 20% (i.e., PBT/revenue)
- (C) Global turnover of above 20 billion euros and profitability above 10% (i.e., PBT/revenue)
- (D) Global turnover of above 20 billion euros and profitability above 10% (i.e., PAT/revenue)

Q. No.	Answer
1.	(D)
2.	(A)
3.	(D)
4.	(B)
5.	(C)

(INCOME FROM OTHER SOURCES)

**Question 1:** [Easy]

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

- (A) Rs. 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) Rs. 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) Rs. 50 lakhs would be taxable as business income in the hands of Mr. Anjan and Rs. 20 lakhs would be taxable as income from other sources in the hands of Mr. Ashwin
- (D) Rs. 50 lakhs would be taxable as short-term capital gains in the hands of Mr. Anjan and Rs. 20 lakhs would be taxable as income from other sources in the hands of Mr. Ashwin

**Question 2:** [Easy]

P is a salaried employee. On 1.6.2023, he gets a gift of house property situated in Mumbai (stamp duty value Rs. 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 Rs. 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 Rs. 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) Rs. 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) Rs. 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) Rs. 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) Rs. 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"

(INCOME OF OTHER PERSONS INCLUDED IN ASSESSEE'S TOTAL INCOME)

?

Question 3: [Easy]

Mrs. Kavitha, wife of Mr. Sundar, is a partner in a firm. Her capital contribution of Rs. 5 lakhs to the firm as on 1.4.2023 included Rs. 3 lakhs contributed out of gift received from Sundar. On 2.4.2023, she further invested Rs. 1 lakh out of gift received from Sundar. The firm paid interest on capital of Rs. 60,000 and share of profit of Rs. 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 Rs. 40,000 is includible in the income of Mr. Sundar and interest of Rs. 20,000 is includible in the income of Mrs. Kavitha
- (C) Share of profit is exempt but interest of Rs. 36,000 is includible in the income of Mr. Sundar and interest of Rs. 24,000 is includible in the income of Mrs. Kavitha
- (D) Share of profit to the extent of Rs. 30,000 and interest on capital to the extent of Rs. 36000 is includible in the hands of Mr. Sundar

(ASSESSMENT OF VARIOUS ENTITIES)

?

Question 4: [Easy]

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

?

Question 5: [Medium]

Mr. Hari has income of Rs. 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 Rs. 35 lakhs. What would be the tax liability (rounded off) of Mr. Hari 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) Rs. 3,35,400
- (B) Rs. 10,00,480
- (C) Rs. 11,00,530
- (D) Rs. 11,50,550

(DISPUTE RESOLUTION)

?

Question 6: [Difficult]

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 7: [Difficult]

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

(DOUBLE TAXATION RELIEF)

?

Question 8: [Medium]

Samraat, a resident Indian, has earned an income of US dollars equivalent to Rs. 4 lakh in the PY.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 Rs. 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) Rs. 20,000
- (B) Rs. 7,725
- (C) Rs. 1,950
- (D) Nil

(ADVANCE RULINGS)



Question 9: [Medium]

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

(APPLICATION AND INTERPRETATION OF TAX TREATIES)



Question 10: [Easy]

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

(TAXATION OF DIGITAL TRANSACTIONS)



Question 11: [Medium]

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	Rs. 138 lakhs	Rs. 126 lakhs
(b)	Receipts from sale of organic products to persons resident in other parts of the world	Rs. 285 lakhs	Rs. 377 lakhs
	Out of the sum mentioned in (b), the receipts from persons using internet protocol address located in India	Rs. 63 lakhs	Rs. 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?

- (A) Equalisation levy is attracted in the hands of both ABC & Co. and PQR & Co.
- (B) No equalisation levy is attracted in the hands of either ABC & Co. and PQR & Co.
- (C) Equalisation levy is attracted in the hands of both ABC & Co. but not PQR & Co.
- (D) Equalisation levy is attracted in the hands of both PQR & Co. but not ABC & Co.

**Question 12:** [Medium]

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 Rs. 1.80 crores, rendered online advertisement services to Mr. Rajesh, for which Mr. Rajesh made a payment of Rs. 2 lakhs in the FY.2023-24.

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

Q. No.	Answer	Remarks
1.	(C)	[refer sections 43CA and 56(2)(x)]
2.	(C)	[refer section 47 and 56(2)(x)]
3.	(C)	[Refer section 64(1)(iv)]
4.	(A)	[Refer section 115VY]
5.	(C)	
6.	(D)	[refer section 245MA read with rule 44DAD]
7.	(D)	[refer section 245MA]
8.	(D)	
9.	(D)	[refer section 245N]
10.	(B)	(Refer Subjective Interpretation)
11.	(C)	[Refer section 165A of the Finance Act, 2016]
12.	(D)	[Refer section 165 and 165A of the Finance Act, 2016]



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