

Roll No. ....

Total No. of Questions – 6

Total No. of Printed Pages – 15

Maximum Marks – 70

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**GENERAL INSTRUCTIONS TO CANDIDATES**

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to MCQs in Part I are to be marked on the OMR answer sheet as given on the cover page of descriptive answer book only. Answers to questions in Part II are to be written in the same descriptive answer book. Answers to MCQs, if written inside the descriptive answer book or on Part-I question paper, will not be evaluated.
6. OMR answer sheet given on the cover page of descriptive answer book will be in English only for all candidates, including for Hindi medium candidates.
7. **The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive answer book.**
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit (a) Part I of the question paper containing MCQs, and (b) the answer book in respect of descriptive answer book with OMR cover page to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators will be expelled from the examination and will also be liable for further punitive action.

**PART – II**

**70 Marks**

1. Question paper comprises 6 questions. Answer Question No. 1 which is compulsory and any 4 out of the remaining 5 questions.
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.
4. All questions relate to Assessment Year 2024-25 unless stated otherwise in the questions. Significant notifications and circulars issued upto 31<sup>st</sup> October, 2023 would be relevant.

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PART – II

1. Orient Pharmaceuticals Private Limited is an Indian company, engaged in the business of manufacturing and providing access to affordable and innovative medicines and healthcare solutions. The company is incorporated in the year 2009. The company shows a Net Profit of ₹ 95 lakhs as per the statement of Profit and Loss for the year ended March 31, 2024. 14

Net Profit has been arrived at after debiting and crediting the following items:-

- (1) Depreciation as per Companies Act claimed in the statement of Profit and Loss – ₹ 11.90 lakh
- (2) The amount of employee benefits includes a sum of ₹ 13,00,000 in respect of bonus payable to employees. In the previous year 2023-24, the company and its employee's union had a dispute over payment of bonus. In order to avoid late payment of bonus, the company formed a trust and transferred the amount of bonus payable to employees to the said trust. The dispute was settled in the month of August, 2024 and the trust paid the amount of bonus to the employees on 31<sup>st</sup> August, 2024.
- (3) An amount paid by the company as regularization fee for violating a law (as prescribed by Medical Council of India) of manufacturing medicines, ₹ 9.50 lakhs .
- (4) An amount of ₹ 45,000 was paid as late fees to Government for company's failure in performance of a contract within the stipulated time. There was a delay of 5 months and according to the agreement, the company had to pay a late fees of ₹ 9,000 per month to the Government.

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- (5) The company earned a profit of ₹ 7.50 lakhs on sale of plot of land on 25.08.2023 to Sudhakar Private Ltd., a domestic Company, the entire shares of which are held by the assessee company . The plot was acquired by Orient Pharmaceuticals Pvt. Ltd. on 20.12.2022. This profit is included in the income of the assessee company.
- (6) The company earned a profit of ₹ 4.50 lakhs on sale of 2500 shares of M/s Stadel Ltd., a listed Indian company. These shares were sold on 08.11.2023 for ₹ 280 per share. The highest trading price of Stadel Ltd. quoted on the stock exchange as on 31.01.2018 was ₹ 175 per share and the Lowest Trading price quoted on the stock exchange was ₹ 165 per share. The said shares were acquired for ₹ 100 per share on 11.07.2016. STT paid both at the time of purchase and sale of shares.
- (7) Bank guarantee was given by the company towards disputed tax liabilities – ₹ 11 lakhs
- (8) Company debited an interest of ₹ 7.50 lakh which the company remitted as interest to a company incorporated in USA on a loan taken 3 years ago. Tax deducted under section 195 from such interest has been deducted in March 2024, but deposited by the company on 14<sup>th</sup> July, 2024 .
- (9) The company has contributed ₹ 65,000 to an electoral trust by account payee cheque and the same is debited to statement of Profit and Loss.

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**Following Additional information is provided by the company for P.Y 2023-24:**

- (1) Closing Stock includes 1200 pieces of imported machinery spares at its landed cost as on the date of import at US\$ 25 per piece. Exchange rate on the date of import i.e. 15.09.2023 was 1 US\$ = ₹ 82.88 (rounded off). Exchange rate on 31.3.2024 was 1 US\$ = ₹ 83. The market value per piece as on 31.3.2024 was US\$ 27 per piece.
- (2) The depreciation charged in the statement of Profit and Loss of ₹ 11.90 lacs includes the depreciation calculated on following assets:
  - (i) It includes an amount of depreciation of ₹ 95,000 in respect of fire fighting equipments installed in the office premises and factories of the assessee. During the year, there was no incidence of fire and hence the equipments were not used .
  - (ii) A new machinery which was installed and put to use on 14.05.2023 valuing ₹ 75 lakhs.
  - (iii) A machinery which was sold to a domestic company in 2016 at its WDV for ₹ 35 lakhs was re-acquired on July 5, 2023 for ₹ 65 lakhs .

There is no other fixed asset included by the company's accountant for calculation of depreciation except above these three assets mentioned above.

You are required to compute total income of the company as per Income Tax Act, 1961 for the Assessment Year 2024-25 indicating reasons for treatment of each item, assuming that the company has not opted for special provisions under section 115BAA or 115BAB.

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2. (a) (i) Mrs. Seema Aggarwal, aged 56 years, a resident individual acquired 4

a residential house at Ayodhya on 01.04.1993 for ₹ 45,00,000.

The Fair market value of the property as on 01.04.2001 was ₹ 1,20,00,000 and the stamp duty value as on 01.04.2001 was ₹ 1,02,00,000.

Mrs. Seema Aggarwal sold her residential house located at Ayodhya to Mr. Shiv Kumar on 15.10.2023 for ₹ 15,50,00,000. The value determined by the Stamp Duty Authority on 15.10.2023 was ₹ 17,00,00,000. Mr. Shiv Kumar was handed over the possession of the property on 15.10.2023 and the registration process was completed on the same date. He paid the sale proceeds in full on the date of registration.

After recovering the sale proceeds from Shiv Kumar, Mrs. Seema Aggarwal purchased one residential plot at Amritsar for ₹ 8 crores on 18.02.2024. She also deposited ₹ 3 crores in a Saving account opened with State Bank of India, Amritsar under Capital gain account scheme on 31.03.2024 for the construction of the residential house on above plot.

You are required to calculate the taxable Capital gain in the hands of Mrs. Seema Aggarwal for the A.Y. 2024-25 as per the provisions of Income Tax Act, 1961. Cost Inflation Index for F.Y. 2001-02: 100 and 2023-24: 348.

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(ii) Mr. Manjoo Menon, an assessee from Coimbatore has 20% shareholding in a Private Limited company Aurelia Exports (P) Ltd. The assessee has immovable property in Coimbatore . It was let out to the said company on monthly rent. The assessee permitted the company to provide the said property as collateral security to ABC Bank in order to enable the said company to obtain loan from the said bank.

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Consequently the property was mortgaged to the bank in 2013. That time Board of Directors passed a resolution authorizing the assessee to obtain from the company interest- free deposit/advance upto ₹ 20 lakhs as and when required for making available the said property as collateral security to the bank for the loan facility enjoyed by the company.

In June, 2023 Mr. Menon asked for advance rent and he received a sum of ₹ 15 lakhs from the company as advance rent in June 2023 which was to be adjusted against the rent payable to the assessee by the said company . After such adjustment for the year ended March 31, 2024, the amount of advance rent stood reduced to ₹ 8,00,000. The accumulated profits of the company as on 01.04.2023 amounted to ₹ 10,00,000.

The assessing officer in the assessment order for the assessment year 2024-25 sought to treat the said sum of ₹ 8,00,000 as deemed dividend under section 2(22)(e) of the Income Tax Act.

Can the advance rent given to Mr. Manjoo Menon by the company be deemed as dividend under section 2(22)(e) as per Income Tax Act, 1961 ?

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- (b) Miles Inc., a company incorporated in US, is engaged in development of infrastructure and providing consultancy in the same field. During the Financial Year 2023-24, its shareholders met in India for three times. The first two meetings were held to discuss the modification of rights attached to various classes of shares and the third meeting was held to discuss and decide about sale of companies' assets situated in India. The meetings of Board of Directors are held in Chicago, USA where management and commercial decisions necessary for conduct of company's business are taken. 6

It provides the following additional information pertaining to Financial Year 2023-24:

- (i) Dividend received ₹ 5,50,000 (Net of TDS) on Global Depository Receipts of Z Ltd., an Indian company, issued under a scheme of Central Government against the initial issue of shares of the company and purchased by Miles Inc. in foreign currency through an approved intermediary.
- (ii) Fees for technical services received from Government of India: ₹ 5,55,000. The Government of India utilised such technical services for a development project carried out by it in Nepal.

You are required to determine the residential status of Miles Inc. and compute the total income of Miles Inc. for the assessment year 2024-25 briefly explaining the relevant provisions of the Income-tax Act, 1961.

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3. (a) Please answer the following independent questions with regard to provisions applicable to Charitable Trust as per Income Tax Act, 1961. 4×2  
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(i) Devayani Trust is a registered charitable trust under section 12AB. During the previous year 2023-2024, the trust had applied ₹ 4,50,000/- for the benefit of the trustee and ₹ 2,50,000/- for the benefit of Mr. Sujan Dave, who has donated ₹ 3,75,000/- to the trust up to 31.3.2024. Also, an amount of ₹ 2,50,000/- set apart in the P.Y. 2021-2022 by the trust for charitable purposes under section 11(2) has been utilized in the P.Y. 2023-2024 for making donation to another registered charitable trust with similar object as Devayani Trust.

What is the amount of 'specified income' liable to tax @30% under section 115BBI for assessment year 2024-2025 ? Explain with reasons.

(ii) Parivartan, a public charitable trust has been incorporated on 01.06.2022 and immediately commenced its activities of providing "Relief of Poor". During the previous year 2022-23, it failed to file application for Provisional registration under section 12A(1)(ac). However on 1.1.2024, it applied for the final registration as per section 12AB read with section 12A(1)(ac) in prescribed Form to avail exemption under section 11 for A.Y. 2024-25.

Is the action of the trust justified ? Can a trust apply for Final registration before applying for Provisional registration ? If yes, What is the time period upto which the Principal Commissioner or Commissioner will have to pass the order granting or rejecting the registration ? The registration, if granted will be applicable from which assessment year ? Explain your answer based on the latest Income tax provisions.

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(b) Following are the particulars of income earned by Mr. Kumar Saurav, a resident Indian aged 56 years in India and from Country P for the assessment year 2024-2025

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**Income from India** **Amount in ₹**

Income from Profession in India 10,75,000

Interest on Fixed Deposit with XYZ Bank 95,000

Interest on Savings Bank Account 47,000

**Income from Country P**

Rate of Tax is 16%

Agricultural Income in Country P (Gross) 65,000

Royalty Income from literary book from Country P 4,50,000

Expenses incurred for earning royalty 35,000

Dividend from a company incorporated in Country P 1,59,000

Rent from a house situated in country P (Gross) 1,92,000

Municipal Tax paid in respect of the above house 9,500

(not allowed as deduction in Country P)

You are required to compute the total income and net tax liability of Mr. Kumar Saurav in India for the assessment year 2024-25 assuming that India has not entered into double taxation avoidance agreement with Country P.

Assume that Mr. Kumar Saurav pays tax under the default tax regime under section 115BAC.

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4. (a) Examine the applicability of Tax Deducted at source / Tax Collected at source and calculate the amount of TDS/TCS in the following independent cases as per provisions applicable for A.Y. 2024-25:-

(i) Raj keshri Hotels and Resorts Limited is engaged in business of owning, operating and managing hotels during the previous year 2023-24. The tips are paid by the guests by way of charge to the Credit Cards, UPI or Net Banking in the bills. The company disburse the same to the employees at periodic intervals. Explain with reason whether the company is responsible for deducting tax at source from disbursement of tips to its employees. 3

(ii) Lalit, an individual whose total sales in business during the year ended 31.3.2023 was ₹ 1.50 crores, opted to compute income u/s. 44AD for A.Y. 2023-24. He paid ₹ 5,00,000 by cheque on 1.2.2024 to a contractor (an individual), for construction of his factory building. No amount was credited earlier to the account of the contractor in the books of Lalit. The turnover of Mr. Lalit for Previous year 2023-24 is ₹ 95 Lacs. 3

He also pays a monthly rent starting from 1<sup>st</sup> April, 2023 to 31<sup>st</sup> March, 2024 of ₹ 16,000 p.m. for the office premises to Mr. Hemant, the owner of building. Besides, he also pays service charges of ₹ 5,500 per month to Mr. Hemant towards the use of furniture, fixtures and vacant land appurtenant to office. Examine the obligation of the tax deducted at source for A.Y. 2024-25.

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- (iii) XY and co, a partnership firm selling its products 'R' through the digital facility provided by ABC Limited (an E-commerce Operator). On 28<sup>th</sup> February, 2024, ABC Limited credited in its books of account, the account of XY and co with a sum of ₹ 4,90,000 for the online sale of products 'R' made during the month of February-2024. 2
- The company released a payment of ₹ 4,30,000 on 6<sup>th</sup> March 2024 to XY and co out of above sales made during February. Mr Rai, who purchase products 'R' through the digital facility of ABC Limited made payment of ₹ 60,000 directly to XY and co on 15<sup>th</sup> March, 2024.
- (b) Yalin Ltd. is located in Country X, a notified jurisdictional area (NJA). Armo Ltd., a domestic company (the assessee) sold goods to Yalin Ltd. on 15.01.2024 for ₹ 11.75 crore. 6
- During the current financial year, Armo Ltd. sold identical goods to KB Inc., of Edinburgh, U.K. for ₹ 13 crore. KB Inc. is neither situated in any NJA nor it is associated person of Armo Ltd.
- While sales to KB Inc., were on CIF basis , the sale to Yalin Ltd. was on FOB basis, which paid ocean freight and insurance amounting to ₹ 25 Lakhs on purchases from Armo Ltd. India has a double taxation avoidance agreement with UK. The assessee has a policy of providing after sales support service to the tune of ₹ 19 lakhs to all customers except Yalin Ltd. which procured the same locally at a cost of ₹ 23 lakhs.
- Whether Yalin Ltd. and Armo Ltd. are Associated Enterprises. If yes, compute the Arm's Length Price for the sales made to Yalin Ltd. and the amount of consequent adjustment, if any, in the profits of Armo Ltd., the assessee company for A.Y. 2024-25. Explain with reasons.

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5. (a) Answer any two out of the following three sub-parts, viz. (i), (ii) and (iii). 4×2  
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Your answer should cover:

- (1) Issue involved
- (2) Provision Applicable
- (3) Analysis and conclusion

(i) Assessee had taken an engine on lease under an agreement with a foreign company (lessor), a tax resident of the Germany, having no permanent establishment (PE) in India. The foreign company also does not have PAN in India. The assessee company deducted tax at source @10% on lease rental as per provisions contained under DTAA between India and the Germany. 4

However, revenue contended that in the absence of furnishing of PAN, the assessee was under an obligation to deduct tax at a higher rate of 20% following the provisions of section 206AA. In the light of the latest Supreme Court rulings, discuss whether the contention of Revenue is correct or not.

(ii) The Assessing Officer passed an assessment order u/s 143(3) on 20.11.2018 in which the assessee committed the mistake of reducing the depreciation in computation of Income instead of adding to the income resulting in double deduction of depreciation. The AO did not correct the said mistake in his order. 4

The assessee went up in appeal on other issues to the CIT (A) for the same Assessment year, who decided the appeal on 28.6.2023. The AO gave effect to the CIT (A)'s order vide order dated 23.7.2023. The AO thereafter passed an order u/s 154 dated 26.4.2024 in which he rectified the mistake of double deduction of depreciation committed in the order dated 20.11.2018.

Please discuss whether the time limit of 4 years as per section 154(7) would apply from the date of original assessment order or the order of the Appellate Authority ?

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(iii) ABC Pvt Ltd, a domestic company is engaged in a software development business at Techno Park, which employed 700 employees, deducted tax at source (TDS) in respect of salaries, contract payments, etc., totalling ₹ 1.10 crores upto 31.03.2024 for the assessment year (AY) 2024-25. 4

In March 2024, the assessee deposited part of the TDS being ₹ 38 lakhs and balance of ₹ 72 lakhs was deposited later in July 2024. However the Additional Commissioner of Income Tax issued a show cause notice proposing to levy penalty under Section 271 C of the Income Tax Act 1961 of the amount equal to TDS and also levied penal interest under section 201(1A) of the Income Tax Act 1961. Feeling aggrieved and dissatisfied with the levy of interest/penalty under the Income Tax Act, 1961 on late deposit of TDS, the company has approached you to seek your advice in the matter.

(b) (i) Explain the term “Exchange of information” as per Article 26 of Model Tax Conventions under OECD Model and UN Model and explain importance of Article 26. 4

(ii) What do you understand by “GloBE Rules” ? Which entities are covered under these Rules ? 2

6. (a) (i) Club U Travels Private Limited, engaged in the business of travel agency remitted substantial amount to Australia as per information collected by Income-tax department from PTU Bank. The department collected documents from PTU Bank, which include Form 15CB issued by the chartered accountant, list of passengers, copy of their passports, date of travel and invoices raised by the foreign party. 6

On enquiry from the passengers and verifying their passports, it is found that they did not travel abroad on the dates mentioned in the documents. On the top of it the passengers also denied there was no transaction with Club U Travels Private Limited.

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The Income-tax department concluded that the amounts were remitted by the company on the basis of false invoices and for wrong reasons. It led to FEMA violations and Form 15CB issued by the chartered accountant was a vital document in these transactions. During the six-month period in question, the chartered accountant had issued 78 certificates in Form 15CB involving remittances of ₹ 35 crores for Club U Travels Private Limited.

A representation was given by the concerned CA that he had issued Form 15CB based on invoices produced by the company and verifying the KYC documents of the signatory to the invoices. His contention was that since he was not the statutory auditor of the company, he did not examine the books of account before issuing Form 15CB or conduct due diligence of its business activities. He had charged ₹ 2,500 per certificate. Mostly, the fees were collected in cash. Some parts of the fees were credited to his bank account.

Can the chartered accountant be held guilty of professional misconduct for failure to obtain sufficient information and failure to exercise due diligence in discharging the professional responsibilities ?

(ii) Specify with reason, whether the following acts can be considered as (A) Tax planning; or (B) Tax management; or (C) Tax evasion. 4

1. Mr. D has FDR with SBI in his name amounting to ₹ 50 lacs. He gifted this sum of ₹ 50 lacs to his son, on 10.04.2023, the date on which he attained 18 years of age. The purpose is to shift interest income from his hands to his son, so that there may be Zero tax implication, since his son has no other income and the total interest would be lower than taxable limits for P.Y. 2023-24.

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2. Mr. Ram's Annual income is ₹ 49.50 lacs for A.Y. 2024-25 excluding commission receivable from ABC Limited. During March 2024, he earned a commission of ₹ 6 lacs from ABC Limited. He asked ABC Limited to transfer the commission in his wife's account, who is a housewife. He also asked them to deduct TDS in her wife's name. He did it so that his total income may not cross ₹ 50 lacs and he can save surcharge on taxes applicable on total income exceeding ₹ 50 lacs. His wife has no other income.

(b) A Non-resident Foreign Company entered into contracts with several Indian Companies for installation of mobile telephone system and made an application to the Board of Advance Rulings, for advance ruling in relation to the tax liability arising out of such transaction.

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One of the above said Indian Companies also made an application to its Assessing Officer for determination of a question of law with regard to payments to be made to the said Foreign Company.

The Board of Advance Rulings rejected the application of the Foreign Company on the ground that the question raised is pending before an Income Tax Authority. Is the rejection of the application of the Foreign Company justified in law ?

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