

**ICAI CASE SCENARIO MCQ – DIRECT TAX – CA FINAL NOV 2024:**

**This is the compilation of all the ICAI 34 CASE SCENARIO MCQ's which are there on their portal for CA Final Nov 2024 exams. Aarish Khan Sir has made this so that your time is not wasted in opening the portal again and again for practicing the MCQ's. I will also make a video for the same explaining all the MCQ's in detail by September 2024. Till then you all practice. God Bless you all.**

**PAPER 4: DIRECT TAX LAWS AND INTERNATIONAL TAXATION****CASE SCENARIO 1**

Subhash is a retailer of car spare parts. He started his business in May, 2022. His turnover for the P.Y. 2022-23 was Rs.10.50 crores. He generally purchases goods from Car accessories & Co. only Car accessories & Co. manufactures and sells spare parts directly to the customers as well as through an e-commerce platform – Car Parts.com. Car accessories & Co.'s turnover from the business for the P.Y. 2022-23 was Rs.15 crores.

The relevant information of purchases made by Mr. Subhash in P.Y. 2023-24 is given hereunder:

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

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

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

**Question 1:**

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

Answer –

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

**Description:**

TDS u/s 194Q would be applicable in the hands of Mr. Subhash since his turnover exceeds Rs.10 crore in P.Y. 2022-23. TDS u/s 194Q would be applicable from 18.6.2023 when purchases exceeds Rs.50 lakhs. TDS would be deducted at the time of credit or payment whichever is earlier. When

TDS is deductible at the time of credit, it will be deducted on amount of purchase excluding GST since shown separately. When TDS is deductible at the time of payment, it will be deducted on the amount of payment.

**Question 2:**

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

Answer –

1. Yes; Rs.1,000 on 30.06.2023, Rs.2,150 on 17.08.2023 and Rs.1,050 on 28.02.2024
2. Yes; Rs.310 on 02.06.2023, Rs.1,770 on 30.06.2023, Rs.2,537 on 17.08.2023 and Rs.1,239 on 28.02.2024
3. Yes; Rs.310 on 2.06.2023
4. No, Car accessories & Co. is not liable to collect tax at source

**Description:**

TCS under section 206C(1H) would be applicable since Car accessories & Co. turnovers of P.Y. 2022-23 exceeds Rs.10 crore. TCS would be applicable on first transaction on 2.6.2023 since payment exceeds Rs.50 lakhs.

Regarding other transactions, in case of applicability of both TDS u/s 194Q and TCS u/s 206(1H), TDS u/s 194Q would be deducted by the buyer.

**Question 3:**

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

Answer –

1. No, the answer of MCQ 1 and 2 would be the same
2. Yes, the answer of MCQ 1 would change to (d) but the answer of MCQ 2 would be the same
3. yes, the answer of MCQ 1 would change to (d) and the answer of MCQ 2 would change to (b)

**Description:**

Section 194Q would not be applicable in the year of incorporation. Accordingly, TCS under section 206C(1H) would be collectible by the seller at the time of receipt.

**Question 4:**

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

Answer –

1. Mr. Subhash is required to deduct tax at source on Rs.12 lakhs @ 0.1%
2. Car accessories & Co. is required to collect tax at source on Rs.12 lakhs @ 1%
3. CarParts.com is required to deduct tax at source on Rs.12 lakhs @ 0.1%
4. CarParts.com is required to deduct tax at source on Rs.12 lakhs @ 1%

**Description:**

Refer section 194-O

**Question 5:**

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

Answer –

1. 5%
2. 1%

3. 0.1%  
4. Car accessories & Co. is not liable to collect tax at source

**Description:**

Section 206CC would not be applicable since Aadhar number is furnished by Mr. Subhash

**ANSWERS:**

Question No.	Answer
1	1
2	3
3	3
4	4
5	3

**CASE SCENARIO 2**

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

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

A Ltd. declared and distributed dividend of Rs.6 lakhs for the F.Y. 2022-23 in December, 2023 and dividend of Rs.7 lakhs for the F.Y. 2023-24 in July, 2024.

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

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

Name of the shareholder	% of holding	Month of declaration & distribution of dividend	Amt of dividend [Gross] (Rs.)	Interest expenditure on loan borrowed for investment in shares (Rs.)
Aakash	10%	December, 2023	60,000	15,000
	10%	July, 2024	70,000	15,000
Aarav	15%	December, 2023	90,000	20,000
	15%	July, 2024	1,05,000	20,000

On the basis of the facts given below, choose the most appropriate answer, on the basis of the provisions of the Income-tax Act, 1961 [Ignore the provisions of DTAA, if any, with Country Y for the purpose of answering these questions] –

**Question 1:**

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

Answer –

1. Rs.11,85,000
2. Rs.12,16,000
3. Rs.13,15,000
4. RS.13,36,000

**Description:**

Interest expense upto 20% of dividend is allowed as deduction from dividend income.

**Question 2:**

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

Answer –

1. Rs.6,00,000
2. Rs.7,00,000
3. Rs.9,20,000
4. Rs.13,00,000

**Description:**

Refer section 80M

**Question 3:**

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

Answer –

1. Rs.1,04,830
2. Rs.1,03,580
3. Rs.1,78,780
4. Rs.93,290

**Description:**

Salary income = 12 lakhs

Less: Standard deduction = 50,000

Net salary = 11,50,000

Dividend after interest expense upto 20% = 48,000 (60,000 – 12,000)

Total Income = 11,98,000 both under section 115BAC as well as normal provisions of the Act

Tax under section 115BAC = 93,290

Tax under normal provisions of the Act = 1,78,780

**Question 4:**

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

Answer –

1. Resident and Ordinarily resident
2. Resident but not ordinarily resident
3. Non-resident
4. Deemed resident

**Description:**

Since income from Indian sources does not exceed Rs.15 lakhs, 120 days + 365 days condition would not be applicable.

**Question 5:**

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

Answer –

1. Rs.2,64,260
2. Rs.2,60,520
3. Rs.1,53,920
4. Rs.1,75,760

**Description:**

Interest on FD = 14,00,000

Dividend = 90,000

Total Income = 14,90,00 both u/s 115BAC is well as normal provisions of the Act

Tax u/s 115BAC = 1,53,920 [(1,30,000 + 18,000) plus HEC]

Tax under normal provisions of the Act = 2,60,520 [(2,32,500 + 18,000) plus HEC]

**ANSWERS:**

Question No.	Answer
1	2
2	4
3	4
4	3
5	3

**CASE SCENARIO 3**

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

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

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

**Other Information:**

- (i) Profit from core activity referred to in section 115-VI(1) read with 115-VI(2) is Rs.70 lakhs
- (ii) Profit from incidental activity computed as per section 115-VI(1) read with 115-VI(5) is Rs.14 lakhs

(iii) Book profits calculated as per the Explanation to section 115JB(2) [in so far as it relates to income derived from core and incidental activity] are Rs.100 lakhs.

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

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

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

### Question 1 :

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

Answer –

1. Rs.71,05,880
2. Rs.71,12,028
3. Rs.71,20,454
4. Rs.71,26,602

### Description:

Ship 1 =  $(11770 + 29 \times 88) \times 212 = 30,36,264$

Ship 2 =  $(5,470 + 42 \times 150) \times 347 = 40,84,190$

Total = 71,20,454

### Question 2:

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

1. Rs.850 lakhs
2. Rs.944.44 lakhs
3. Rs.1200 lakhs
4. Rs.970 lakhs

### Description:

$850 \text{ lakhs} / 1080 \text{ lakhs} \times 1200 \text{ lakhs} = 944.44 \text{ lakhs}$

### Question 3:

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

Answer –

1. Rs.16.8 lakhs
2. Rs.20 lakhs
3. Rs.14 lakhs
4. Rs.15 lakhs

### Description:

Book profit of Rs.100 lakhs x 20% of 20 lakhs

### Question 4:

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

Answer –

1. Yes, Rs.1.80 lakhs
2. No amount is taxable as per section 115VT(5), since the amount transferred is more than the minimum reserve requirement
3. Yes, Rs.5 lakhs
4. Yes, Rs.21 lakhs

**Description:**

84 lakhs x 5 lakhs / 20 lakhs = 21 lakhs

**Question 5:**

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

Answer –

1. Rs.39.75 lakhs
2. Rs.53 lakhs
3. Rs.26.50 lakhs
4. Rs.47.25 lakhs

**Description:**

7.5% of (200 lakhs + 150 lakhs + 180 lakhs) = 39.75 lakhs

**ANSWERS:**

Question No.	Answer
1	3
2	2
3	2
4	4
5	1

**CASE SCENARIO 4**

Mr. Rajat is a diamond merchant. During the P.Y. 2023-24, he has turnover of Rs.20 crores and net profit of Rs.60 lakhs after taking into account all the permissible deductions. He has invested in shares of various private limited companies, from which dividend of Rs.12 lakhs is receivable by him. He has two house properties in India, both of which were self-occupied. On one of the properties, he had taken loan of Rs.50 lakh on which interest payable was Rs.2,50,000, out of which he paid Rs.1,80,000 during the year. On his birthday, he received jewellery from his friend (fair market value of which was Rs.5 lakhs). He had also withdrawn cash of Rs.1.2 crores during the P.Y. 2023-24 in aggregate from his current account maintained with ABC Bank, Further, he also withdrew Rs.50 lakhs from a co-operative bank account in October, 2023. He is regularly filing his return of income.

His brother, Mr. Rahul has not filed his return of income for last five years, even though his total income exceeded the basic exemption limit. He withdrew Rs.50 lakhs from a co-operative bank account in March, 2024.

Also, Mr. Rajat holds 20% voting power in XYZ Pvt. Ltd. (closely held company and engaged in diamond manufacturing) from which he has obtained loan of Rs.10 lakhs on 1.4.2023. The company had free reserves of Rs.8 lakhs as on 31.3.2023.

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



**Question 1:**

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

Answer –

1. Rs.10 lakhs would be taxable as deemed dividend in the hands of Mr. Rajat
2. Rs.8 lakhs would be taxable as deemed dividend in the hands of Mr. Rajat
3. The entire amount is received in the ordinary course of the business and therefore, the loan obtained would not be treated as deemed dividend

**Description:**

Refer section 2(22)(e)

**Question 2:**

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

Answer –

1. Yes, tax is required to be deducted u/s 194N @ 5% on Rs.1.2 crores by ABC Bank and 2% on Rs.50 lakhs by the co-operative bank
2. Yes, tax is required to be deducted @ 2% on Rs.20 lakhs u/s 194N by ABC Bank
3. Yes, tax is required to be deducted @ 5% on Rs.20 lakhs u/s 194N by ABC Bank
4. Yes, tax is required to be deducted u/s 194N @5% on Rs.20 lakhs by ABC Bank and 2% on Rs.50 lakhs by the co-operative bank

**Description:**

Refer section 194N

**Question 3:**

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

Answer –

1. No, TDS provisions are not attracted since cash withdrawals is less than Rs.1 crore
2. No, TDS provisions are not attracted in respect of cash withdrawals from co-operative bank
3. No, TDS provisions are not attracted due to reasons stated in both (a) and (b)
4. Yes, tax is required to be deducted @ 2% on Rs.30 lakhs u/s 194N by co-operative bank

**Description:**

Refer section 194N

**Question 4:**

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

Answer –

1. Rs.72 lakhs
2. Rs.75 lakhs
3. Rs.83 lakhs
4. Rs.83.20 lakhs

**Description:**

HP = (2,00,000)

PGBP = 60 lakhs

Other Sources

Gift = 5 lakhs

Deemed dividend = 8 lakhs

Dividend = 12 lakhs

Total Income = 83 lakhs



**Question 5:**

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

Answer –

1. Rs.23,59,500
2. Rs.26,34,060
3. Rs.25,94,060
4. Rs.26,40,924

**Description:**

Tax on Rs.83 lakhs at normal slab rate + 10% surcharge + 4% HEC

**ANSWERS:**

Question No.	Answer
1	2
2	2
3	4
4	3
5	2

**CASE SCENARIO 5**

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 –

**Question 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?

Answer –

1. Rs.70 lakh is taxable as his business income
2. Rs.60 lakh is taxable as his business income
3. Rs.50 lakh is taxable as his business income
4. Rs.50 lakh is taxable as short-term capital gains

**Description:**

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

**Question 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?

Answer –

1. No amount is taxable in the hands of Mr. Rajesh
2. Rs.20 lakh is taxable under the head “Income from Other Sources”
3. Rs.10 lakh is taxable under the head “Income from Other Sources”
4. Rs.10 lakh is taxable as his business income

**Question 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?

Answer –

1. Rs.18 lakh is taxable as short-term capital gains
2. Rs.23 lakh is taxable as short-term capital gains
3. Rs.38 lakh is taxable as short-term capital gains
4. Rs.18 lakh is taxable as his business income

**Description:**

FVC would be SDV as on date of transfer = 70 lakhs

Less: Cost of acquisition = 32 lakhs

Short term capital gain = 38 lakhs

**Question 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?

Answer –

1. No amount is taxable in the hands of Mr. Vallish
2. Rs.20 lakh is taxable under the head “Income from Other Sources”
3. Rs.5 lakh is taxable under the head “Income from Other Sources”
4. Rs.5 lakh is taxable as his business income

**Description:**

Refer section 56(2)(x)

**Question 5:**

Is tax deductible by Mr. Rajesh and Mr. Vallish on making payment to the seller?

Answer –

1. Yes, tax is deductible at source by both Mr. Rajesh and Mr. Vallish
2. No, tax is not deductible at source by either Mr. Rajesh or Mr. Vallish
3. Tax is deductible at source by Mr. Rajesh but not by Mr. Vallish
4. Tax is deductible at source by Mr. Vallish but not Mr. Rajesh

**Description:**

Refer section 194-IA

**ANSWERS:**

Question No.	Answer
1	3
2	1
3	3
4	2
5	1

**CASE SCENARIO 6**

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 Telangana
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
Monthly emoluments to employees by account payee cheque:		
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
<b>Turnover</b>		
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.409 crore	Rs.251 crore
P.Y. 2022-23	Rs.350 crore	Rs.342 crore
P.Y. 2023-24	Rs.424 crore	Rs.380 crore
Details of income returned & assessed for A.Y. 2024-25		
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 –

**Question 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.

Answer –

1. Rs.70,47,040
2. Rs.22,88,000
3. Rs.25,16,800
4. Rs.17,16,000

**Description:**

GTI = 2,80,00,000

Deduction u/s 80JJAA = 1,80,00,000

TI = 1,00,00,000

Tax 17.16% = 17,16,000

**Question 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.

Answer –

1. Rs.1,23,32,320
2. Rs.59,89,980
3. Rs.14,59,740
4. Rs.9,95,280

**Description:**

GTI / TI = 4,90,00,000

Tax @ 25.168% = 1,23,32,320

**Question 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.

Answer –

1. Rs.2,90,00,000; Rs.2,40,00,000
2. Rs.58,00,000; Rs.2,40,00,000
3. Rs.2,90,00,000; Rs.60,00,000
4. Rs.4,90,00,000; Rs.60,00,000

**Description:**

A Ltd.

GTI / TI = 4,90,00,000

B Ltd.

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

**Question 4:**

What would be the quantum of penalty payable by C Ltd. under section 270A, assuming that the under-reporting of income is no 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.

Answer-

1. Rs.58,24,000
2. Rs.69,88,800
3. Rs.87,36,000
4. Rs.1,04,83,200

**Description:**

Underreported income = 4,00,00,000

Tax @ 34.944% = 1,39,77,600

Penalty = 69,88,800

**Question 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.

Answer –

1. Rs.1,16,48,000
2. Rs.1,39,77,600
3. Rs.2,91,20,000
4. Rs.3,49,44,000

**Description:**

Underreported income = 2,00,00,000

Tax@ 29.12% = 58,24,000

Penalty = 1,16,48,000

**ANSWERS:**

Question No.	Answer
1	4
2	1
3	4
4	2
5	1

**CASE SCENARIO 7**

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 Rs.5,000.

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

**Question 1:**

In respect of the component of interest income from Z Ltd. distributed by the business trust to unit-holders X and Y –

Answer –

1. No tax is deductible by the business trust, since such income is not taxable in the hands of unit holders
2. Tax is deductible @5% on Rs.20,000 distributed to Mr. X and @5.2% on Rs.1 lakh distributed to Mr. Y
3. Tax is deductible @10% on Rs.20,000 distributed to Mr. X and @5.2% on Rs.1 lakh distributed to Mr. Y

4. Tax is deductible @10% on Rs.20,000 distributed to Mr. X and 10.4% on Rs.1 lakh distributed to Mr. Y

**Description:**

Refer section 10(23FC), section 115UA and 194LBA

**Question 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 –

Answer –

1. The business trust is liable to pay tax @ 15% and at MMR, respectively
2. The business trust is liable to pay tax @ 42.774%
3. 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
4. The business trust is liable to pay tax @ 15.6% and at MMR, respectively

**Description:**

Refer section 115UA, STCG on sale of listed shares is taxable u/s 111A @ 15% and sale of developmental properties at MMR

**Question 3:**

The dividend component of income from Z Ltd., distributed to unit-holders X and Y –

Answer –

1. 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
2. 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 unit holders X and Y
3. is taxable in the hands of the business trust, hence, exempt in the hands of the unit holders
4. is exempt in the hands of the business trust and in the hands of the unit holders

**Description:**

Refer section 10(23FD)

**Question 4:**

If Z Ltd. exercises option under section 115BAA, then, the dividend component of income from Z Ltd., distribute to unit-holders X and Y.

Answer –

1. 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
2. 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
3. is taxable in the hands of the business trust; hence, exempt in the hands of X and Y
4. is exempt in the hands of the business trust and in the hands of unit holders X and Y

**Description:**

Refer section 10(23FC) and 115UA

**Question 5:**

Interest received by the business trust from investments in unlisted debentures of real estate companies and distributed to unit holders would be –

Answer –

1. subject to tax in the hands of the unit holders
2. subject to tax in the hands of the business trust @ 30%
3. subject to tax in the hands of the business trust at MMR

4. subject to tax in the hands of the business trust at the average rate of tax

**Description:**

Refer section 115UA

**Question 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

Answer –

1. subject to tax in the hands of the business trust at MMR
2. subject to tax in the hands of the business trust @ 31.2%
3. 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
4. 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

**Description:**

Refer section 10(23FCA), 115UA and 194LBA

**ANSWERS:**

Question No.	Answer
1	3
2	4
3	4
4	2
5	3
6	4

**CASE SCENARIO 8**

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 –

**Question 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)

Answer –

1. (1) and (2) above
2. (1) and (3) above
3. (2) and (3) above
4. (1), (2) and (3) above



**Question 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

Answer –

1. (1) and (2) above
2. (1) and (3) above
3. (2) and (3) above
4. (1), (2) and (3) above

**Question 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:

Answer –

1. Rs.3,12,000
2. Rs.1,56,000
3. Rs.4,68,000
4. Rs.2,34,000

**Description:**

Underreported income = 15 lakhs

Tax @ 31.2% = 4,68,000

Penalty @ 50% of tax = 2,34,000

**Question 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:

Answer –

1. R.3,12,000
2. Rs.2,34,000
3. Rs.12,48,000
4. Rs.6,24,000

**Description:**

Underreported income due to misreporting= 20 lakhs

Tax @ 31.2% = 6,24,000

Penalty @ 200% of tax = 12,48,000

**Question 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:

1. Under-reported income Rs.15,00,000; penalty Rs.1,36,500
2. Under-reported income Rs.12,50,000; penalty Rs.52,000
3. Under-reported income Rs.12,00,000; penalty Rs.78,000
4. Under-reported income Rs.12,00,000; penalty Rs.1,56,000

**Description:**

Underreported income= Rs.12.00 lakhs

Tax under section 115BAC = 1,56,000

Penalty @ 50% of tax = 78,000

**ANSWERS:**

Question No.	Answer
1	3
2	3
3	4
4	3
5	3

### CASE SCENARIO 9

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
<b>Total</b>	<b>86 lakhs</b>	<b>90 lakhs</b>	<b>98 lakhs</b>

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 30<sup>th</sup> 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 2<sup>nd</sup> July, 2023.

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

#### Question 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.

Answer –

1. 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)
2. 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)
3. 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).
4. 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)

**Description:**

Refer section 194Q

**Question 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 has 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.

Answer –

1. 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).
2. 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).
3. 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).
4. 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).

**Description:**

Refer section 206C(1H)

**Question 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?

Answer –

1. 20% and 5%, respectively
2. 5% and 1%, respectively
3. 5%, in both cases
4. 1%, in both cases

**Description:**

Refer section 206AA and 206CC read with section 206C(1H)

**Question 4:**

What would be the TDS/TCS implication in respect of the single purchase transaction by Mr. Krishna from Mr. Ashwath?

Answer –

1. 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
2. Mr. Krishna has to deduct tax at source on 2.7.2023 on Rs.10 lakhs
3. 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.
4. Mr. Ashwath has to collect tax at source on 2.7.2023 on Rs.10 lakhs

**Description:**

Refer section 206C(1H)

**ANSWERS:**

Question No.	Answer
1	3
2	2
3	2
4	4

**CASE SCENARIO 10**

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 below, choose the most appropriate answer to the following questions –

**Question - 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?

Answer-

1. No tax is required to be deducted at source
2. Yes; Rs.5,100
3. Yes; Rs.25,500
4. Yes; Rs. 1,02,000

**Description:**

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

**Question - 2 :**

Is Mr. N required to deduct tax at source under section 194J? If so, what is the amount of tax to be deducted?

Answer-

1. No tax is required to be deducted at source u/s 194J
2. Yes; Rs. 1,000
3. Yes; Rs. 4,000
4. Yes; Rs. 10,000

**Description:**

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

**Question - 3 :**

Is Mr. N required to deduct tax at source under section 194M? If so, what is the amount of tax to be deducted?

1. No tax is required to be deducted at source u/s 194M
2. Yes; Rs. 600
3. Yes; Rs. 1,200
4. Yes; Rs. 3,000

**Question - 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?

Answer –

1. No; there is no requirement to deduct equalisation levy from the amount payable to either Tumble LLC or Doodle Inc.
2. 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.
3. Yes; Rs. 6,300 to be deducted on amount payable to Doodle Inc; No deduction is required on the amount payable to Tumble LLC
4. 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.

**Description:**

Equalisation Levy @6% on Rs. 1,10,000 = 6,600

Equalisation Levy @6% on Rs. 1,05,000 = 6,300

**Question - 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?

Answer-

1. Rs. 5,70,960
2. Rs. 4,91,400
3. Rs. 5,08,560
4. Rs. 5,53,800

**Description:**

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

**ANSWERS:**

Question No.	Answer
1	3
2	3
3	1
4	4
5	1

**CASE SCENARIO 11**

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 –

**Question 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?

Answer –

1. Rs.6,65,00,000
2. Rs.4,75,00,000
3. Rs.6,00,00,000
4. Rs.3,65,00,000

**Description:**

Maximum deduction of interest payable to NRAE as per section 94B = 18 crores (8 + 6 + 2.5 + 1.5) x 30% = 5.4 crores

Interest paid to NRAE = 50 crores x 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

**Question 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 –

Answer –

1. Rs.3,00,00,000
2. Rs.2,50,00,000
3. Rs.2,00,00,000
4. No adjustment is required, since transfer pricing adjustment cannot result in reduction of income

**Description:**

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

**Question 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

Answer –

1. Rs.12,01,712
2. Rs.12,08,333
3. Rs.9,32,363
4. Rs.8,49,486

**Description:**

Interest = 2,50,00,000 x 14.5% x 121/365 = 12,01,712

**Question 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?

Answer –

1. Rs.62,89,920
2. Rs.52,41,600
3. Rs.41,93,280
4. Rs.53,87,200

**Description:**

Additional tax = 2,50,00,000 x 20.9664% = 52,41,600



**Question 5:**

If UI Ltd. decides to pay additional income-tax on the 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 –

Answer –

1. No, since it has paid additional income-tax on the entire excess money in the P.Y. 2024-25
2. Yes, Rs.9,70,890
3. Rs.10,42,808
4. Rs.8,09,075

**Description:**

Interest = 2,50,00,000 x 14.5% x 105/365 = 10,42,808

**Question 6:**

In addition to the facts given in the case scenario, assuming that –

- (i) 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;
- (ii) Y Ltd. had already entered into an agreement on 21.8.2023 for 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
- (iii) UI Ltd. holds shares carrying 28% voting power in K Inc.

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

Answer –

1. H Inc. and K Inc.
2. M Inc. and K Inc.
3. H Inc., K Inc. and Y Ltd.
4. M Inc., H Inc. and K Inc.

**ANSWERS:**

Question No.	Answer
1	1
2	2
3	1
4	2
5	3
6	3

**CASE SCENARIO 12**

A co-operative bank provides the following information relating to cash withdrawals by its two customers during the P.Y. 2023-24:

Date of cash withdrawal	Mr.A (Savings Account) (Rs.)	Mr. B (Current Account) (Rs.)
05.04.2023	20,00,000	--
10.05.2023	--	18,00,000
25.06.2023	25,00,000	--
17.07.2023	--	5,00,000
28.10.2023	35,00,000	--
10.11.2023	--	38,00,000

12.12.2023	25,00,000	--
02.01.2024	--	37,00,000

Mr. B has not filed his return of income for the last three years whereas Mr. A has been regularly filing his return of income. No other customer of the co-operative bank had withdrawn more than Rs.10 lakhs during the P.Y. 2023-24

One of the customers of the co-operative bank, Mr. K paid Rs.12 lakhs out of bills for Rs.15 lakhs raised in respect of the credit card account by account payee cheque and was declared bankrupt thereafter. The actual bad debts of the bank (including bad debts on account of Mr. K) during the P.Y. 2023-24 were Rs.20 lakhs. The aggregate average advances made by its rural branches were Rs.120 lakhs. The gross total income of the bank, before any deduction under section 36(1)(vii)/36(1)(viii) for A.Y. 2024-25 is Rs.100 lakhs.

A notice was issued to the co-operative bank on 30.09.2024 by the prescribed income tax authority requiring it to furnish the statement of financial transaction by 30.10.2024 as the co-operative bank had failed to do so. The co-operative bank, however, furnished the statement only on 25.11.2024.

From the information given above, choose the most appropriate answer to the following question –

### Question 1:

The amount of income-tax that is required to be deducted by the co-operative bank under section 194N during the P.Y. 2023-24 in respect of withdrawals by Mr. A and Mr. B are –

Answer –

1. Rs.25,000 and Nil, respectively
2. Rs.10,000 and Rs.3,90,000, respectively
3. Rs.10,000 and Rs.1,56,000 respectively
4. Rs.2,10,000 and Rs.1,96,000, respectively

### Description:

TDS in case of Mr. A =  $5,00,000 \times 2\% = 10,000$

TDS in case of Mr. B =  $78,00,000 \times 2\% = 1,56,000$

### Question 2:

Identify the accounts which are required to be reported in relation to the specified financial transactions in the statement of financial transaction by the co-operative bank, based on the mentioned facts, for P.Y. 2023-24.

Answer –

1. Only B
2. K and B
3. A and B
4. A, K and B

### Question 3:

What is the amount of penalty leviable under section 271FA?

Answer –

1. Rs.1,01,500
2. Rs.1,17,000
3. Rs.89,000
4. Rs.1,02,000

### Description:

Penalty u/s 271FA

$500 \times 152 = 76,000$

$$1000 \times 26 = 26,000$$

**Question 4:**

Let us assume that, on 26.02.2024, as a result of business reorganization, the co-operative bank got succeeded by another co-operative bank. Assuming that the deduction allowable u/s 32 for the P.Y. 2023-24 is Rs.3,50,000 and that the predecessor co-operative bank had incurred expenditure of Rs.30, during the P.Y. 2021-22 on voluntary retirement scheme for its employees, what is the aggregate deduction allowable to predecessor co-operative bank u/s 32 and 35DDA for the P.Y. 2023-24?

Answer –

1. Rs.8,61,507
2. Rs.3,17,397
3. Rs.8,59,153
4. Rs.9,17,397

**Description:**

Refer section 72AB

**ANSWERS:**

Question No.	Answer
1	3
2	2
3	4
4	3

**CASE SCENARIO 13**

X Pvt. Ltd. (“X”) is an Indian company. Y Inc. (“Y”) is a private company incorporated in the USA and its income is not chargeable to tax in India. Both are promoted by Mr. Ayush who holds 30% equity share capital and voting power in both X and Y. The balance sheet of X as on 31<sup>st</sup> March, 2024 is as follows:

Liabilities	Amount (Rs. millions)	Assets	Amount (Rs. millions)
Paid up capital	250	Fixed Assets	700
Loans:	800	Investments	300
From Y	620	Cash and Bank Balance	200
From others	<u>180</u>		
Current liabilities	150		
<b>Total</b>	<b>1,200</b>	<b>Total</b>	<b>1,200</b>

**Additional information:**

- (i) The loan was advanced by Y to X on 1<sup>st</sup> July, 2023 in rupee terms and carries 6.5% p.a. rate of interest. For borrowers with similar risk profile who are not associated enterprises of Y, Y advances loan at 4% p.a. interest rate.
- (ii) X has maintained such information and document in respect of the international transaction as has been prescribed under section 92D but has not reported the transaction as international transaction. X does not make any adjustment to its total income on account of application of provisions of Chapter X of the Income-tax Act, 1961 in its return of income.

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

**Question 1:**

Are X and Y associated enterprises? If so, why?

- (i) Yes, X and Y are associated enterprises because Mr. Ayush holds voting power of 30% in both the companies.
- (ii) Yes, X and Y are associated enterprises as not less than 75% of X's total loans have been availed from Y.
- (iii) Yes, X and Y are associated enterprise since the loan advanced by Y to X is not less than 51% of the book value of X's total assets.
- (iv) No, X and Y are not associated enterprises

The most appropriate answer is –

Answer –

1. Only (i)
2. (i) and (ii)
3. (i) and (iii)
3. Only (iv)

**Question 2:**

What is the amount of primary adjustment required to be made to the total income of X for A.Y.2024-25?

Answer –

1. Rs.1,16,25,000
2. Rs.58,12,500
3. Rs.1,55,00,000
4. Rs.77,50,000

**Description:**

$620 \text{ million} \times 2.5\% \times 9/12 = 1,16,25,000$

**Question 3:**

If X has accepted the primary adjustment made by the Assessing Officer on 31.3.2025, what should X do if it does not want to treat the excess money as deemed advance and include interest on the same in its total income?

- (i) The excess money which is available to Y, has to be repatriated in India within 90 days from the due date of filing of return.
- (ii) The excess money which is available to Y, has to be repatriated to India within 90 days from the date of order of the Assessing Officer.
- (iii) X has to pay additional income-tax @ 20.9664% on the excess money.
- (iv) Interest has to be paid upto the date of payment of additional income-tax.

Answer –

1. (i) or (ii)
2. (ii) or (iii)
3. (i) or [(iii) and (iv)]
4. (ii) or [(iii) and (iv)]

**Question 4:**

If X has accepted the primary adjustment made by the Assessing Officer on 31.3.2025 and the excess money has not been repatriated into India upto 31.3.2026, what would be the consequence if X has not opted to pay additional income-tax? Assume that SBI one-year marginal cost of lending rate is 10% on 1.4.2025 and 11% on 1.4.2026.

Answer –

1. Interest of Rs.16,56,563 has to be added to its total income for P.Y. 2025-26

2. Interest of Rs.11,60,509 has to be added to its total income for P.Y. 2025-26
3. Interest of Rs.15,40,313 has to be added to its total income for P.Y. 2025-26
4. Interest of Rs.20,53,750 has to be added to its total income for P.Y. 2025-26

**Description:**

1,16,25,000 x 13.25%

**Question 5:**

Which factor is relevant in determining whether penalty under section 270A of the Income-tax Act, 1961 will be leviable in respect of the primary adjustment to X's total income?

Answer –

1. Since X has maintained information and documents as prescribed under section 92D, that by itself is sufficient for holding that X has not under-reported its income
2. If the Assessing Officer / Transfer Pricing Officer makes adjustment to X's total income on account of an international transaction not being in accordance with arm's length price, that by itself is sufficient to hold that X has under-reported its income; consequently, penalty u/s 270A is leviable
3. Since X has not reported the transaction as an international transaction, X will be considered to have under-reported its income and penalty will be 50% of the amount of tax payable on the under-reported income
4. Since X has not reported the transaction as an international transaction, X will be considered to have misreported its income and penalty will be 200% of the amount of tax payable on the misreported income

**Question 6:**

In the scenario given above, what would be the situation on account of application of transfer pricing provisions if X, the Indian company would have been the lender and Y, the US company, the borrower?

Rate of interest on loan by X to Y = 6.5% p.a.

For borrowers with similar risk profile who are not associated enterprises of X, X advances loan at 4% p.a. interest rate.

Answer –

1. Identical adjustment would be made to the income of Y instead of X
2. No adjustment would be required in the hands of X or Y
3. Identical adjustment would be made to the income of Y as well as X
4. Adjustment would still be made to the income of X and no adjustment would be made to the income of Y.

**ANSWERS:**

Question No.	Answer
1	3
2	1
3	4
4	3
5	4
6	2

**CASE SCENARIO 14**

LPG, a partnership firm, is engaged in the business of manufacturing of garments. It furnishes you the following data for the year ended 31.3.2024

**Profit & Loss Account**

Particulars	Rs.	Particulars	Rs.
Expenses	2,36,00,000	Gross Turnover	2,55,00,000
Interest to partners (including Rs.1,20,000 paid to Gopal for loan given by Gopal HUF)	5,40,000		
Salary to Partners:			
Jay (Rs.30,000 p.m)			
Gopal (Rs.28,000 p.m.)			
Madhav (Rs.16,000 p.m.)	8,88,000		
Net Profit	4,72,000		
	<b>2,55,00,000</b>		<b>2,55,00,000</b>

**Other Information:**

- The partners share profits and losses equally.
- During the P.Y. 2022-23, the firm had incurred a business loss of Rs.3,00,000 and unabsorbed depreciation of Rs.1,50,000.
- On 01.04.2023, Mr. Jayesh, a partner died and his legal heir Mr. Jay got admitted on same date. Another partner, Mr. Raj, also retired on the same date.
- Mr. Madhav is not actively engaged in conducting the affairs of the business of the firm while Mr. Jay and Mr. Gopal are actively engaged in conducting the affairs of the business.
- Interest @ 16% p.a. for the first time on partner's capital was paid from 01.07.2023. The clause for the same was, however, entered in the partnership deed on 01.01.2024. Salary paid to partners is authorized by the partnership deed since inception.

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

**Question 1:**

How much interest can the firm claim as deduction for A.Y. 2024-25?

Answer –

1. Rs.5,40,000
2. Rs.4,35,000
3. Rs.2,25,000
4. Rs.1,05,000

**Description:**

Capital = 4,20,000 / 16 x 100 x 12 / 9 = 35,00,000

Interest on capital allowed u/s 40(b) = 35,00,000 x 12% x 3/12 = 1,05,000

Total interest allowed = 1,05,000 + 1,02,000 = 2,25,000

**Question 2:**

How much salary can the firm claim as deduction for A.Y. 2024-25?

Answer –

1. Rs.10,05,000
2. Rs.8,88,000
3. Rs.8,70,000
4. Rs.6,96,000

**Description:**

Net profit= 4,72,000

Interest and remuneration already debited = 14,28,000  
 19,00,000  
 Less: Interest allowed = 2,25,000  
 Unabsorbed depreciation = 1,50,000  
 Book profit = 15,25,000  
 Maximum remuneration allowable = 10,05,000  
 Remuneration actually paid to working partners = 6,96,000  
 Allowable = 6,96,000

**Question 3:**

The business loss and unabsorbed depreciation allowed to be set off while computing total income of the firm for A.Y. 2024-25 are –

Answer –

1. Rs.3,00,000 and Rs.1,50,000, respectively
2. Rs.2,25,000 and Rs.1,50,000 respectively
3. Rs.1,50,000 and Rs.1,12,500 respectively
4. Rs.2,25,000 and Rs.1,12,500 respectively

**Question 4:**

What would be the total income of the firm for A.Y. 2024-25?

Answer –

1. Rs.6,30,250
2. Rs.4,12,000
3. Rs.6,04,000
4. Rs.5,29,000

**Description:**

Book Profit = 15,25,000  
 Less: remuneration allowed = 6,96,000  
 Less: business loss = 2,25,000  
 PGBP / Total Income = 6,04,000

**ANSWERS:**

Question No.	Answer
1	3
2	4
3	2
4	3

**CASE SCENARIO 15**

X Ltd. ("X") is an Indian company incorporated on 1<sup>st</sup> October, 2022 with the objective of manufacturing medicines using state-of-the-art technology previously unused in India. One of the incidental business objects of X as per its Memorandum of Association is trading in futures and options ("F&O") on the Bombay Stock Exchange and the National Stock Exchange.

It commences production from 1<sup>st</sup> December, 2022 from its newly-constructed manufacturing facility in Uttar Pradesh, its registered office is also situated at the said manufacturing facility.

Y Inc ("Y") is a private company incorporated in a foreign jurisdiction. X holds 30% share in the nominal value of the equity share capital of Y. Y lent an amount of Rs.50 crores @ 6% p.a. to X on 1<sup>st</sup> April 2023 and X paid the interest due for the F.Y. 2023-24 on 31<sup>st</sup> March, 2024. The transaction is at arm's length price and X has not availed any other loan .



Profit before giving effect to interest, tax and depreciation allowance of X for F.Y. 2023-24 is Rs.6,00,00,000, which includes dividend of Rs.7,50,000 received by X from Y on 1<sup>st</sup> July, 2023. It earned Rs.2,50,000 from F & O trading during F.Y. 2023-24.

**Additional information:**

- (i) X has registered a patent in India for treatment of a novel virus which it has developed in collaboration with Y. 90% of the total expenditure for developing the patent has been incurred by X in at its manufacturing facility in Uttar Pradesh while the remaining has been incurred by Y outside India.
- (ii) X receives royalty of Rs.5 crore by permitting other companies to use its patent. The total expenditure incurred for earning such royalty is Rs.42,00,000.

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

**Question 1:**

What would be the amount of disallowance, if any, of interest paid by X to Y in computation of total income of X for A.Y. 2024-25?

Answer –

1. No disallowance is attracted since the transaction is at arm's length
2. Rs.3,00,00,000
3. Rs.1,20,00,000
4. Rs.1,80,00,000

**Description:**

EBITDA = 6,00,00,000

Interest allowed as per section 94B = 1,80,00,000

**Question 2:**

At what rate of tax, will income of X from manufacturing business, dividend & F&O trading be taxed, assuming that X opts for the special provisions of section 115BAA / 115BAB, as the case may be? Ignore surcharge and health and education cess.

Answer –

1. 15%, 15%, 22% respectively
2. 22%, for all income referred to above
3. 15%, 22%, 30% respectively
4. 22%, 15%, 30%, respectively

**Question 3:**

Which of the statements is correct as regard taxability of royalty in the hands of X?

Answer –

1. Royalty of Rs.5 crore is taxable @ 15% u/s 115BBF
2. Royalty of Rs.5 crore is taxable @ 10% u/s 115BBF
3. Royalty of Rs.4.58 crore (Rs.5 crore less expenditure of Rs.42 lakh) is taxable @ 10% u/s 115BBF
4. Royalty of Rs.5 crore is not eligible for concessional rate of tax u/s 115BBF, since the entire expenditure for development of patent was not incurred in India

**Question 4:**

If X desires to avail the beneficial rate of taxation provided under section 115BAA / 115BAB, as the case may be, then:

Answer –

1. it cannot claim deduction u/s 32(1)(ii) as well as deduction u/s 80JJAA
2. it can claim deduction u/s 32(1)(iia) as well as u/s 80JJAA

3. it can claim deduction u/s 32(1)(ii) but cannot claim deduction u/s 80JJAA
4. it cannot claim deduction u/s 32(1)(iia) but can claim deduction u/s 80JJAA

**ANSWERS:**

Question No.	Answer
1	3
2	2
3	2
4	4

**CASE SCENARIO 16**

DEF Inc., a company incorporated under the laws of Country A, is engaged in management consultancy services. It has set up a branch office in India. India has a DTAA with Country A.

During the F.Y. 2023-24, it earns the following income in India –

- (i) Fee from technical services of Rs.75,00,000 from ABC Ltd., an Indian company, in pursuance of an agreement made with it and approved by the Central Government. The tax rate on such income under India-Country A tax treaty is 20% on gross income. The fee for technical services is not effectively connected with the branch office in India.
- (ii) DEF Inc. incurred expenses of Rs.3,00,000 in earning such income from fee for technical services.
- (iii) Sale of shares of Bottle Pvt. Ltd., an Indian company, for Rs.2,60,00,000
- (iv) Other income Rs.10,00,000

All the above income has been credited to the statement of profit and loss of the company.

DEF Inc. had made an investment in 100% equity share capital of Bottle Pvt. Ltd., purchased for Rs.1,75,00,000 on 5<sup>th</sup> November, 2024. The said shares were purchased out of foreign exchange of USD 3,50,000 brought from outside India.

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

**Question 1:**

In the context of the provisions of section 115JB, state which of the following statements is correct –

Answer –

1. The provisions of section 115JB do not get attracted in the hands of DEF Inc., since it is a foreign company
2. The provisions of section 115JB do not get attracted in the hands of DEF Inc., since the entire income from India is subject to tax at a rate lower than the rate prescribed u/s 115JB
3. The provisions of section 115JB are attracted in the hands of DEF Inc. since it is resident of a country with which India has a DTAA and the branch office of DEF Inc. constitutes permanent establishment in terms of such agreement
4. The provisions of section 115JB are attracted in the hands of DEF Inc., since the provisions of section 115JB are applicable to every company deriving income from India

**Question 2:**

What is the rate at which fee for technical services received by DEF Inc. is chargeable to tax in India?

Answer –

1. 20.8% on Rs.75 lakhs
2. 10.4% on Rs.72 lakhs
3. 20% on Rs.75 lakhs

4. 41.6% on Rs.72 lakhs

**Question 3:**

In respect of sale of shares in Bottle Pvt. Ltd., state which of the following statements is correct –

Answer –

1. The transaction of sale of shares in Bottle Pvt. Ltd. is subject to transfer pricing since DEF Inc. holds more than 26% shares in Bottle Pvt. Ltd. Hence, sale price of Rs.2,60,000 shall be subject to arm's length computation
2. Sale of shares in Bottle Pvt. Ltd. shall not be considered as transfer, since DEF Inc. holds whole of the share capital of Bottle Pvt. Ltd.
3. Capital gains arising on sale of shares shall be taxable @ 20% with indexation or 10% without indexation, whichever is beneficial to DEF Inc.
4. Capital gains is taxable @ 10% without benefit of indexation and foreign currency conversion

**Question 4:**

Which of the following statements is correct, assuming that the rates specified in the DTAA are the same as provided under the Act?

Answer –

1. Only capital gains has to be reduced while computing book profit of DEF Inc. for levy of minimum alternate tax.
2. Only fee for technical services has to be reduced while computing book profit of DEF Inc. for levy of minimum alternate tax.
3. Both capital gains and fee for technical services have to be reduced while computing book profit of DEF Inc. for levy of minimum alternate tax
4. Capital gains, fee for technical services and other income have to be reduced while computing book profit of DEF Inc. for levy of minimum alternate tax

**ANSWERS:**

Question No.	Answer
1	3
2	3
3	4
4	1

**CASE SCENARIO 17**

The following details pertain to Mr. Sahil and his best friend Mr. Akhil:

**Mr. Sahil**

Particulars	Amount (Rs.)
Amount remitted to his elder son Aarav, who is pursuing two-year MBA Program from Columbia University, USA	
- Out of own savings through HDFC Bank, an authorized dealer under Liberalized Remittance Scheme (LRS) of the RBI	
* towards tuition fees on 5.7.2023	3,50,000
* to meet day to day expenses for study purpose	
- 10.05.2023	1,20,000
- 29.9.2023	90,000
- 01.1.2024	1,35,000

- Through Axis Bank, an authorized dealer under Liberalized Remittance Scheme (LRS) out of * loan (towards tuition fees) on - 11.10.2023 - 10.01.2024 * Own savings (to meet day to day expenses) on 1.7.2023	3,50,000 3,50,000 1,50,000
To complete the formalities of admission, Mr. Sahil visited the USA from 10.4.2023 to 13.4.2023 for which he purchased a tour package from M/s Gate 2 Travel, a foreign tour operator and remits money under LRS on 5.4.2023. International travel tickets and hotel accommodation are included in the said package.	5,20,000

Mr. Sahil has furnished undertakings containing the details of earlier remittances to HDFC bank and Axis bank. He has also furnished his PAN to the authorized dealers and to the seller of overseas tour program package.

### Mr. Akhil

Mr. Akhil, an Indian citizen got a job offer from M/s Wellbeing Inc., a Dubai-based company of AED 10,500 per month. He left for Dubai on 29.3.2023 and joined M/s Wellbeing Inc. on 1<sup>st</sup> April 2023. He returned to India on 15.12.2023 on leaves for 15 days. On 23.12.2023, he went on 7 days tour to Bali with his wife and son. Thereafter, he directly went to Dubai with his wife and son. On 16.12.2023, he purchased a tour package for Bali from Make Your Trip, an Indian tour operator for which he paid Rs.7,50,000 towards flight tickets and hotel accommodation. During F.Y. 2023-24, he has business income of Rs.4,20,000 from a retail shop in India and interest on fixed deposit and savings account with Canara Bank of Rs.1,20,000 and Rs.8,000, respectively.

He is not liable to pay any tax in Dubai. Assume 1 AED = Rs.23

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

### **Question 1:**

In HDFC Bank required to collect tax at source on the amount remitted by Mr. Sahil? If so, what is the amount of tax to be collected?

Answer –

1. Yes; TCS of Rs.2,000 on 29.9.2023 and TCS of Rs.27,000 on 1.1.2024
2. Yes, TCS of Rs.500 on 29.9.2023 and TCS of Rs.27,000 on 1.1.2024
3. Yes, TCS of Rs.500 on 29.9.2023 and TCS of Rs.6,750 on 1.1.2024
4. No tax is required to be collected at source since receipts do not exceed Rs.7 lakh

### **Question 2:**

Is Axis Bank required to collect tax at source on the amount remitted by Mr. Sahil? If so, what is the amount of tax to be collected?

Answer –

1. Yes, TCS of Rs.7,500 on 1.7.2023; TCS of Rs.1,750 on 11.10.2023 and TCS of Rs.1,750 on 10.1.2024
2. Yes, TCS of Rs.17,500 on 11.10.2023 and TCS of Rs.17,500 on 10.1.2024
3. Yes, TCS of Rs.1,750 on 11.10.2023 and TCS of Rs.1,750 on 10.1.2024
4. No tax is required to be collected at source, on the remittances for education and for other purposes since each receipt does not exceed Rs.7 lakh

### **Question 3:**

Is tax required to be collected at source on the amount remitted for tour package to USA by Mr. Sahil? If so, what is the amount of tax to be collected?

Answer –

1. Yes, TCS of Rs.26,000
2. Yes; TCS of Rs.1,04,000
3. No tax is required to be collected at source, since tour package is purchased from a foreign tour operator
4. No tax is required to be collected at source, since receipt does not exceed Rs.7 lakh

**Question 4:**

Does Make Your Trip require to collect tax at source on the amount received for tour package to Bali from Mr. Akhil? If so, what is the amount of tax to be collected?

Answer –

1. Yes; Rs.2,500 is required to be collected at source
2. Yes; Rs.37,500 is required to be collected at source
3. Yes; Rs.45,000 is required to be collected at source
4. No tax is required to be collected at source

**Question 5:**

What is the total income of Mr. Akhil for the A.Y.2024-25? Assume he has shifted out of the default tax regime u/s 115BAC.

Answer –

1. Rs.33,88,000
2. Rs.5,48,000
3. Rs.33,96,000
4. Rs.5,40,000

**Question 6:**

What would be the amount of tax liability (computed in the most beneficial manner) of Mr. Akhil for the A.Y. 2024-25?

Answer –

1. Rs.7,47,550
2. Rs.12,900
3. Nil
4. Rs.12,480

**ANSWERS:**

Question No.	Answer
1	3
2	3
3	1
4	4
5	4
6	2

**CASE SCENARIO 18**

Mr. Sachdeva had bought a residential house worth Rs.4 crores at Worli, Mumbai in 2000 and let out the house on rent to Mr. Akhil. The property was funded through loan from SBI. The interest due for F.Y. 2023-24 to SBI is Rs.40 lakhs, out of which he paid only Rs.37 lakhs during the year. Mr. Sachdeva then took a loan of Rs.2 crores from another bank, namely, MPC Bank on 1.10.2023 for construction of first floor in that house for self-occupation. The construction is in progress as on 31.3.2024. Mr. Sachdeva started repaying EMIs due to MPC Bank. During the P.Y. 2023-24, he repaid principal amount of Rs.30 lakhs and Rs.5 lakhs to SBI and MPC Bank, respectively. He also

paid interest of Rs.5 lakhs to MPC Bank out of Rs.6 lakhs, being interest due for the period from 1.10.2023 to 31.3.2024.

Mr. Sachdeva transfers a house property in a village at Wada in his minor daughter's name i.e., Miss Rysha's as her birthday gift. Miss Rysha gave the said house to the Panchayat head from April, 2023 at a rent of Rs.5,000 per month. Mrs. Sachdeva's total income for A.Y. 2024-25 is higher than that of Mr. Sachdeva, since she won Rs.20 lakhs from lottery this year. In other years, Mr. Sachdeva's total income is higher than that of Mrs. Sachdeva. Miss Rysha has not had any other source of income in any earlier year. Also, she does not have any other source of income this year.

Mr. Sachdeva bought petrol driven car worth Rs.50 lakhs and an electric vehicle worth Rs.70 lakhs on loan from BSM Bank which is sanctioned on 1.4.2.2022. BSM Bank charged interest of Rs.5 lakhs on petrol driven car and Rs.7 lakhs on electric vehicle for the P.Y. 2023-24. Mr. Sachdeva has also taken loan from FRM Bank for his daughter's higher education. He paid Rs.50,000 as interest to FRM Bank. He also paid mediclaim of Rs.20,000 to New India Assurance Scheme for insuring his health.

Mrs. Sachdeva owns a shop of 100 square feet area in Mumbai. She rented it to an architect who gave her an interest free deposit of Rs.1,00,000. The rent paid by the architect from 1<sup>st</sup> April is Rs.60,000 per month. Mr. Sachdeva's brother, Mr. Ajay who is a non-resident sold his house at Bandra Kurla Complex, Mumbai to another non-resident, Mr. David, who is based at Germany for a consideration of Rs.20 crores on 01.09.2023. Mr. Ajay died on 01.11.2023 on account of a car accident.

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

**Question 1:**

What is the amount of interest allowable as deduction u/s 24 to Mr. Sachdeva for A.Y. 2024-25?

Answer –

1. Rs.46 lakhs
2. Rs.42 lakhs
3. Rs.40 lakhs
4. Rs.37 lakhs

**Question 2:**

What is the amount of deduction permissible to Mr. Sachdeva under Chapter VI-A of Income-tax Act, 1961 for A.Y. 2024-25?

Answer –

1. Rs.1,70,000
2. Rs.2,20,000
3. Rs.3,70,000
4. Rs.14,20,000

**Question 3:**

Is notional interest on interest free deposit received in respect of shop let out on rent chargeable to income-tax? If so, under which head of income would the same be taxable?

Answer –

1. No, it is not chargeable to tax
2. Yes, it is chargeable to tax as profits and gains from business, since a commercial property has been let out
3. Yes, it is chargeable to tax as "Income from Other Sources", being the residuary head of income
4. Yes, it is chargeable to tax as "Income from house property", since section 22 does not distinguish between a residential house property and commercial house property



**Question 4:**

The Assessing Officer came to know about the transaction of sale of property at BKC, Mumbai on 15<sup>th</sup> December, 2023 and wants to hold Mr. David as an agent of Mr. Ajay u/s 163(1). Can he do so? If not, why?

Answer –

1. No, he cannot hold Mr. David as an agent since Mr. David is non-resident
2. No, he cannot hold Mr. David as an agent since Mr. Ajay's brother stays in India and he has to be treated as an agent
3. No, he cannot hold Mr. David as an agent due to reasons stated in (a) and (b) above
4. Yes, he can hold Mr. David as an agent as per the provisions of the Income-tax Act, 1961

**Question 5:**

In whose hands would Rysha's rental income from house property at Wada be taxable?

Answer –

1. In Ryash's hands
2. In Mr. Sachdeva's hands
3. In Mrs. Sachdeva's hands
4. It would change every year depending on the parent whose income is higher in that year

**ANSWERS:**

Question No.	Answer
1	3
2	3
3	1
4	4
5	2

**CASE SCENARIO 19**

PQR LLP commenced operations of the business of a new three-star hotel in Baroda, Gujarat on 1.4.2023. The company incurred capital expenditure of Rs.75 lakh on land in March, 2023 exclusively for the above business, and capitalized the same in its books of account as on 1<sup>st</sup> April, 2023. Further, during the P.Y. 2023-24, it incurred capital expenditure of Rs.3 crore (out of which Rs.1.25 crore was for acquisition of land and Rs.1.75 crore was for acquisition of building) exclusively for the above business. The payments in respect of the above expenditure were made by account payee cheque. The profits from the business of running this hotel (before claiming deduction under section 35AD) for the A.Y. 2024-25 is Rs.80 lakh.

Mr. P, one of the partners of the LLP, has commenced the business of manufacture of apparel on 1.10.2023. He employed 220 new employees during the P.Y. 2023-24, the details of whom are as follows –

No. of employees	Date of employment	Regular / Casual	Total monthly emoluments per employee (Rs.)
(i) 40	1.10.2023	Regular	24,000
(ii) 80	1.10.2023	Regular	24,500
(iii) 50	1.11.2023	Casual	25,500
(iv) 30	1.11.2023	Regular	25,000
(v) 20	1.12.2023	Casual	24,000



All regular employees participate in Recognized Provident Fund and their emoluments are paid by account payee cheque. The profits and gains derived from manufacture of apparel that year is Rs.92 lakhs and his total turnover is Rs.10.20 crores.

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

**Question 1:**

Assuming that PQR LLP has fulfilled all the conditions specified for claim of deduction under section 35AD and has not claimed any deduction under Chapter VI-A under the heading “C. – Deductions in respect of certain incomes”, what would be the quantum of deduction under section 35AD, which it is eligible to claim as deduction, for A.Y. 2024-25?

Answer –

1. Rs.375 lakh
2. Rs.300 lakh
3. Rs.200 lakh
4. Rs.175 lakh

**Question 2:**

Assuming that PQR LLP also has another existing business of running a four-star hotel in Ahmedabad, which commenced operations fifteen years back, the profits from which are Rs.130 lakh for the A.Y. 2024-25, what would be its income chargeable / loss under the head “Profits and gains of business or profession” for the A.Y. 2024-25?

Answer –

1. Rs.130 lakh
2. Rs.35 lakh
3. (Rs.45 lakh)
4. Rs.10 lakh

**Question 3:**

If, out of the amount of Rs.1.25 crore paid for acquisition of land in the P.Y. 2023-24, Rs.75 lakh was paid by way of cash, what would be the answer to questions (1) and (2) above?

Answer –

1. Rs.175 lakh; Rs.35 lakh, respectively
2. Rs.125 lakh; Rs.85 lakh, respectively
3. Rs.100 lakh; Rs.110 lakh, respectively
4. Rs.225 lakh; (Rs.15 lakh), respectively

**Question 4:**

Considering the assumption given in question (2) above, what would be the tax payable (rounded off) by PQR LLP for A.Y. 2024-25?

Answer –

1. Rs.10,92,000
2. Rs.41,48,140
3. Nil
4. Rs.40,40,000

**Question 5:**

Would Mr. P be eligible for deduction under section 80JJAA in the A.Y. 2024-25? If so, what is the quantum of deduction?

Answer –

1. No, he would not be eligible for deduction u/s 80JJAA since the employees have not been employed for 240 days in the P.Y. 2023-24. He can, however, claim deduction thereunder in the P.Y. 2024-25.
2. Yes; Rs.63,81,000
3. Yes; Rs.58,68,000
4. Yes, Rs.52,56,000

**ANSWERS:**

Question No.	Answer
1	4
2	2
3	1
4	2
5	2

**CASE SCENARIO 20**

Mr. Harshit, a resident Indian, is in retail business in Mumbai and his turnover for F.Y. 2022-23 was Rs.9.90 cores. He regularly purchase goods from another resident, Mr. Pranav, a wholesaler in Mumbai. The aggregate payments made by Mr. Harshit to Mr. Pranav during the F.Y. 2023-24 towards consideration for purchase of goods were Rs.80 lakhs (Rs.20 lakhs on 8.5.2023, Rs.25 lakhs on 27.8.2023, Rs.20 lakhs on 18.10.2023 and Rs.15 lakhs on 11.2.2024). Mr. Pranav's turnover for F.Y. 2022-23 was Rs.10.10 cores.

Mr. Pranav paid Rs.5 lakhs on 1.9.2023 to M/s. Thomas Cook for a holiday package to Singapore for a week with his family, comprising of his wife and two children, being twins aged 22 years, in the last week of September. He also took an education loan of Rs.15 lakhs on 1.2.2024 from State Bank of India, Madam Cama Road, Mumbai, for his son's two-year Master of Public Administration program in Columbia University, USA and remitted the said amount through the same bank, which is an authorized dealer, under the Liberalised Remittance Scheme of RBI (LRS). For his daughter's MBA in Iowa State University, USA, he remitted Rs.12 lakhs on 15.2.2024, out of his personal savings, through Bank of India, Bandra branch, Mumbai which is also an authorised dealer, under LRS. Mr. Pranav also remitted Rs.6 lakhs on 28.3.2024, out of his personal savings, under LRS through Bank of India, Bandra branch, as gift to his sister residing in London, on the occasion of her 50<sup>th</sup> birthday. Mr. Pranav has furnished undertakings containing the details of earlier remittance to Bank of India.

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

**Question 1:**

Are provisions of TDS / TCS under the Income-tax Act, 1961 attracted in respect of purchase/ sale transaction between Mr. Harshit and Mr. Pranav? If so, what is the quantum of tax to be deducted / collected for the P.Y. 2023-24?

Answer –

1. No; TDS / TCS provisions are not attracted for F.Y. 2023-24, since the turnover of Mr. Harshit in the immediately preceding financial year i.e., F.Y. 2022-23 does not exceed Rs.10 cores.
2. Yes, Mr. Harshit has to deduct tax @ 0.1% of Rs.30 lakhs (Rs.15 lakhs on 18.10.2023 and Rs.15 lakhs on 11.2.2024)
3. Yes, Mr. Pranav has to collect tax @0.1% of Rs.30 lakhs (Rs.15 lakhs on 18.10.2023 and Rs.15 lakhs on 11.2.2024)
4. Yes, Mr. Pranav has to collect tax @0.1% of Rs.80 lakhs

**Question 2:**

In case of failure to furnish PAN by the deductee/ collectee as required based on the answer to MCQ 1 above, what would be the applicable rate of TDS / TCS?

Answer –

1. Not applicable, since there is no requirement to deduct or collect tax
2. 20%
3. 5%
4. 1%

**Question 3:**

Is Thomas Cook required to collect tax at source on receipt of Rs.5 lakh from Mr. Pranav for holiday package to Singapore? If so, what is the amount of tax to be collected?

Answer –

1. Yes; Rs.25,000
2. Yes; Rs.5,000
3. Rs.2,500
4. No tax is required to be collected at source, since the receipt does not exceed Rs.7 lakh

**Question 4:**

What is the amount of tax to be collected from Mr. Pranav in respect of the remittance of amounts overseas for his son's and daughter's education?

Answer –

1. TCS @ 0.5% of Rs.8 lakhs and TCS @ 5% of Rs.12 lakhs are attracted in respect of remittance for son's and daughter's education, respectively.
2. TCS @ 5% of Rs.8 lakhs and Rs.5 lakhs are attracted in respect of remittance for son's and daughter's education, respectively
3. TCS @ 0.5% of Rs.8 lakhs and TCS @ 5% of Rs.5 lakhs are attracted in respect of remittance for son's and daughter's education, respectively.
4. TCS @ 5% of Rs.8 lakhs is attracted in respect of remittance for son's education; No TCS is attracted in respect of remittance for daughter's education

**Question 5:**

Are TCS provisions attracted in respect of remittance of gift to sister? If so, what is the amount of tax to be collected from Mr. Pranav?

Answer –

1. No, since the remittance is out of personal savings for a personal purpose
2. No, since the amount remitted to his sister is less than Rs.7 lakhs
3. Yes, Rs.1,20,000
4. Yes, Rs.30,000

**ANSWERS:**

Question No.	Answer
1	3
2	4
3	1
4	1
5	3

**CASE SCENARIO 21**

Ganga LLP is a limited liability partnership set up a unit in Special Economic Zone (SEZ) in the financial year 2018-19 for manufacture of textiles. The unit fulfills all the conditions under section 10AA of the Income-tax Act, 1961. During the financial year 2022-23, it has also set up a warehousing facility in Pune for storage of sugar, fulfilling the conditions for claim of deduction under section 35AD. Capital expenditure in respect of warehouse amounted to Rs.97 lakhs (including cost of land Rs.32 lakhs). The warehouse became operational with effect from 1<sup>st</sup> April, 2023 and the expenditure of Rs.97 lakhs was capitalized in the books on that date.

The details for the financial year 2023-24 are given hereunder:

Particulars	Rs.
Profit of unit located in SEZ	60,00,000
Export sales of above unit received in India in convertible foreign exchange on or before 30.9.2024	1,20,00,000
Domestic sales of above unit	40,00,000
Profit from operation of warehousing facility (before considering deduction under section 35AD)	1,60,00,000

Mr. Ganesh, one of the partners of the LLP, commenced the business of manufacture of leather on 1.4.2022. His turnover in the P.Y. 2022-23 is Rs.180 lakhs and in the P.Y. 2023-24 is Rs.200 lakhs. The payments made in the P.Y. 2023-24 is Rs.190 lakhs. The profit for P.Y. 2023-24 as per books of account maintained u/s 44AA is Rs.12.10 lakhs. Out of the turnover of Rs.200 lakhs, Rs.190 lakhs is received through RTGS and NEFT and Rs.10 lakhs is received by way of cash. Out of the payments of Rs.190 lakhs made (including expenditure incurred), Rs.180 lakhs is through RTGS/NEFT and the remaining Rs.10 lakhs through cash.

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

**Question 1:**

What is the amount of deduction under section 10AA and 35AD available to Ganga LLP while computing income under the regular provisions of the Income-tax Act, 1961 for A.Y. 2024-25?

Answer –

- Rs.45 lakhs and Rs.65 lakhs, respectively
- Rs.22.50 lakhs and Rs.65 lakhs, respectively
- Rs.45 lakhs and Rs.97 lakhs, respectively
- Rs.22.50 lakhs and Rs.97 lakhs, respectively

**Question 2:**

What is the tax liability of Ganga LLP computed under the regular provisions of the Income-tax Act, 1961 for A.Y. 2024-25?

Answer –

- Rs.38,43,840
- Rs.31,70,000
- Rs.46,30,080
- Rs.19,65,600

**Question 3:**

What the alternate minimum tax (rounded off) payable by Ganga LLP as per section 115JC for A.Y. 2024-25?

Answer –

- Rs.39,49,750

2. Rs.41,07,740
3. Rs.43,95,280
4. Rs.46,00,670

**Question 4:**

Is there any AMT credit to be carried forward under section 115JEE? If so, what is the amount of such credit?

Answer –

1. Yes, Rs.5,22,340
2. Yes, Rs.7,56,830
3. Yes, Rs.2,63,900
4. No

**Question 5:**

What is the income to be declared by Mr. Ganesh for A.Y. 2024-25 under the head “Profits and gains of business or profession”, so that he makes maximum tax savings without getting his books of account audited?

Answer –

1. Rs.12 lakhs
2. Rs.12.10 lakhs
3. Rs.12.20 lakhs
4. RS.16 lakhs

**ANSWERS:**

Question No.	Answer
1	2
2	3
3	4
4	4
5	3

**CASE SCENARIO 22**

Falcon Ltd. of Country X is an associated enterprise of Max Inc. of USA, Falcon Ltd. has a branch in India since 2010. It was selling goods to Indian customers by importing from various countries besides sale in India of goods manufactured by it in Country X.

The adjusted total income of the Indian branch of Falcon Ltd. for the year ended 31<sup>st</sup> March, 2024 is Rs.80 lakhs. The branch incurred Rs.12 lakhs by way of executive and general administrative expenditure during the financial year 2023-24. The head office has allocated Rs.18 lakhs as the branch's share of head office expenditure including the expenditure of Rs.12 lakhs incurred by the branch.

A survey under section 133A of the Act was conducted in its branch premises in January, 2023 and undisclosed assets of Rs.90 lakhs were found. Assessment for the assessment year 2023-24 was completed by making addition of the entire undisclosed asset of Rs.90 lakhs. The assessee preferred appeal before CIT (Appeals) who gave complete relief to the assessee. The Income-tax Department wants to file an appeal before ITAT.

T (P) Ltd. an Indian company, a wholly owned subsidiary of Falcon Ltd., paid Rs.50 lakhs to XYZ Inc. of Country M as fee for technical services. Services were rendered by the employees of the branch of XYZ Inc. in India. There is no DTAA between India and Country M . T(P) Ltd. has entered into certain international transactions during the P.Y. 2022-23 and P.Y. 2023-24.

T (P) Ltd. invested in SS (P) Ltd. of Country Y and received dividend of Rs.550 lakhs during the financial year 2023-24. It declared and distributed interim dividend of Rs.230 lakhs on 12.11.2024. T (P) Ltd. has filed its return of income on 15.11.2023 for A.Y. 2023-24 and on 30.11.2024 for A.Y. 2024-25.

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

**Question 1:**

How much tax to be deductible at source by T(P) Ltd on the fee for technical services paid to XYZ Inc.?

Answer –

1. Rs.20,80,000
2. Rs.20,00,000
3. Rs.5,00,000
4. Rs.10,40,000

**Question 2:**

How much of the dividend received by T (P) Ltd would be liable to tax for the assessment year 2024-25?

Answer –

1. Rs.70 lakhs
2. Rs.320 lakhs
3. Rs.300 lakhs
4. Rs.550 lakhs

**Question 3:**

How much of head office expenditure can be claimed by the Indian branch of Falcon Ltd. for the assessment year 2024-25?

Answer –

1. Rs.4,00,000
2. Rs.6,00,000
3. Rs.12,00,000
4. Rs.18,00,000

**Question 4:**

Can the Income-tax Department prefer appeal before ITAT in respect of the complete relief obtained by Falcon Ltd from CIT (Appeals)?

Answer –

1. No, as the tax liability is less than Rs.50 lakhs
2. Yes, as the tax liability is more than Rs.25 lakhs
3. Yes, as the tax liability is more than Rs.50 lakhs
4. No, as the undisclosed asset is less than Rs.100 lakhs

**ANSWERS:**

Question No.	Answer
1	1
2	3
3	1
4	3

**CASE SCENARIO 23**

Mr. Manoj (aged 45 years) is a resident Indian who has the following life insurance policies, some of which are ULIPs. The details of such policies are given hereunder:

Particulars	A	B	C (ULIP)	D (ULIP)	E (ULIP)	F (ULIP)
Date of Issue	1.4.2016	1.4.2017	1.2.2021	1.1.2021	1.3.2021	1.4.2021
Annual premium	Rs.50,000	Rs.40,000	Rs.1,00,000	Rs.3,00,000	Rs.1,40,000	Rs.2,50,000
Date when premium falls due every year	1 <sup>st</sup> April	1 <sup>st</sup> April	1 <sup>st</sup> Feb	1 <sup>st</sup> Jan	1 <sup>st</sup> March	1 <sup>st</sup> April
Date of maturity	31.3.2024	31.3.2024	31.1.2030	31.12.2029	28.2.2030	31.3.2030
Consideration received on maturity (including bonus)	Rs.7,00,000	Rs.4,00,000	Rs.11,00,000	Rs.32,00,000	Rs.17,00,000	Rs.28,00,000
Sum assured	Rs.6,00,000	Rs.3,50,000	Rs.10,00,000	Rs.30,00,000	Rs.15,00,000	Rs.25,00,000

During the P.Y. 2023-24, Mr. Manoj has earned dividend income of Rs.12 lakh from shares of Indian companies and long-term capital gains (computed) of Rs.5 lakhs on sale of land. He deposited Rs.1,50,000 in National Pension Scheme (Tier-I account) of Government. Mr. Manoj has exercised the option to shift out of the default tax regime under section 115BAC.

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

**Question 1:**

Which are the life insurance policies (excluding ULIPs) in respect of which Mr. Manoj would be eligible for exemption under section 10(10D) in respect of maturity proceeds and what is the quantum of deduction which would be available under section 80C in respect of premium paid on such policies for A.Y. 2024-25? Assume that Mr. Manoj does not have any ULIPs only for the purpose of answering this MCQ.

Answer –

1. A and B; Rs.90,000
2. A and B; Rs.85,000
3. Only A; Rs.50,000
4. Only A; Rs.85,000

**Question 2:**

Which are the ULIPs in respect of which Mr. Manoj would be eligible for exemption under section 10(10D) in respect of maturity proceeds? Choose the option most beneficial to Mr. Manoj.

Answer –

1. Only C and E
2. Only F
3. Only C, D and E
4. Only D and F



**Question 3:**

Considering the option chosen in MCQ 2 above, what would be the capital gains computed under section 45(1B) in the hands of Mr. Manoj for A.Y. 2030-31? Assume that, for the purpose of this MCQ, no consideration was received prior to the maturity date in case of any ULIP.

Answer –

1. Rs.11,40,000
2. Rs.10,50,000
3. Rs.5,50,000
4. Rs.6,40,000

**Question 4:**

What would be the total tax deductible under section 194DA during the P.Y. 2023-24 on payment of maturity proceeds of life insurance policies to Mr. Manoj?

Answer –

1. Rs.3,500
2. Rs.6,000
3. Rs.20,000
4. Rs.55,000

**ANSWERS:**

Question No.	Answer
1	4
2	3
3	3
4	2

**CASE SCENARIO 24**

Flax (P) Ltd. availed online digital advertisement service provided by Marshall Inc. of USA in March 2024. It paid Rs.10 lakhs and the amount outstanding as on 31<sup>st</sup> March, 2024 was Rs.2 lakhs for the said online digital advertisement service.

Marshall Inc. is also an e-commerce operator who sold its goods to customers resident in India for Rs.180 lakhs during the financial year 2023-24. Also, during the same year, Marshall Inc. sold goods for Rs.70 lakhs to customers outside India but has used IP address in India for the purchase of those goods.

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

**Question 1:**

In respect of amount paid / payable by Flax (P) Ltd. for advertising services provided by Marshall Inc., which of the following statements are correct?

Answer –

1. Equalization levy of Rs.60,000 is to be deducted and paid by Flax (P) Ltd.
2. Equalization levy of Rs.72,000 is to be deducted and paid by Flat (P) Ltd.
3. Equalization levy of Rs.24,000 is to be paid by Marshall Inc.
4. Equalization levy of Rs.72,000 is to be paid by Marshall Inc.

**Question 2:**

Would Flax (P) Ltd. be liable to pay any interest and/or penalty if the amount of the equalisation levy remitted on 20.6.2024?

Answer –

1. No, it would not be liable to pay any interest or penalty since the amount is remitted within the prescribed time limit.
2. It would be liable to pay interest but no penalty is attracted
3. Yes, it would be liable to pay both interest and penalty
4. It would be liable to pay penalty but no interest is payable

**Question 3:**

Would equalization levy be attracted in the hands of Marshall Inc., being an e-commerce operator for sale of goods in India?

Answer -

1. Yes, Equalization levy of Rs.15,00,000 is to be paid by Marshall Inc.
2. Yes, Equalization levy of Rs.5,00,000 is to be paid by Marshall Inc.
3. No, equalization levy is not attracted in the hands of Marshall Inc.
4. Yes, Equalization levy of Rs.3,60,000 is to be paid by Marshall Inc.

**ANSWERS:**

Question No.	Answer
1	2
2	3
3	2

**CASE SCENARIO 25**

The following information pertains to Mr. Apoorv, an Indian citizen and non-resident in India, for the previous year 2023-24:

- (i) Dividend from TPO Ltd., an Indian Company (gross) of Rs.1,30,000
- (ii) Interest on debentures of SLP Pvt. Ltd. (subscribed in convertible foreign exchange) of Rs.1,35,000 (gross).
- (iii) He incurred interest on loan taken for purchase of shares of TPO Ltd. and for purchase of debentures of SLP Pvt. Ltd. of Rs.30,000 and Rs.20,000 respectively.
- (iv) On 15<sup>th</sup> March, 2024, he sold debentures of Fix Ltd. for Rs.18,25,000 which were subscribed in convertible foreign exchange on 10<sup>th</sup> June 2024 in dollars equivalent to Rs.4,65,000. He paid commission to broker of Rs.7,000 at the time of sale.
- (v) On 30<sup>th</sup> April, 2024, he reinvested the sale proceeds of debentures of Rs.4,80,000 for purchase of listed shares of an Indian company, Fly High Ltd.

Cost Inflation Index: F.Y. 2004-05 – 113; F.Y. 2023-24 – 348

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

**Question 1:**

What is the amount of dividend taxable in the hands of Mr. Apporv and at what rate TPO Ltd. is required to deduct tax at source on dividend income distributed to Mr. Apporv?

Answer –

1. Rs.1,30,000 and 10%
2. Rs.1,04,000 and 10%
3. Rs.1,00,000 and 20.8%
4. Rs.1,30,000 and 20.8%

**Question 2:**

Assuming for the purpose of this MCQ that Mr. Apoorv is a resident in India for the P.Y. 2023-24, determine the amount of dividend taxable in his hands and at what rate TPO Ltd. is required to deduct tax at source on dividend income distributed to him?

Answer –

1. Rs.1,30,000 and 10%
2. Rs.1,04,000 and 10%
3. Rs.1,00,000 and 20%
4. Rs.1,30,000 and 20%

**Question 3:**

What is the amount of interest on debentures of SLP Pvt. Ltd. taxable in the hands of Mr. Apoorv and at what rate? Ignore surcharge and cess.

Answer –

1. Rs.1,35,000 taxable @ 20%
2. Rs.1,05,000 taxable @ 20%
3. Rs.1,08,000 taxable at slab rates
4. Rs.1,05,000 taxable at slab rates

**Question 4:**

What would be the amount of long-term capital gains taxable in the hands of Mr. Apoorv on sale of debentures of Fix Ltd., as per the provisions of Chapter XII-A of the Income-tax Act, 1961? Ignore the effect of first proviso to section 48 (benefit of foreign currency conversion).

Answer –

1. Rs.13,53,000
2. Rs.9,95,772
3. Rs.9,97,143
4. Rs.13,60,000

**Question 5:**

Assuming for the purpose of this MCQ that Mr. Apoorv is a resident I India for the previous year 2023-24, what would be the amount of taxable capital gains on sale of debentures of Fix Ltd. in the hands of Mr. Apoorv?

Answer –

1. Rs.13,53,000
2. Rs.3,85,965
3. Rs.9,95,772
4. Rs.13,60,000

**ANSWERS:**

Question No.	Answer
1	4
2	2
3	1
4	2
5	1

**CASE SCENARIO 26**

Omega Inc., a Country F company, maintains an online web-platform through which it provides end user computer software through an End-user License Agreement (EULA). Tailor Ltd., an Indian company, has entered into a contract for Rs.6.7 crores with Omega Inc., for the Financial Year 2023-24, which is approved by the Central Government.

The broad terms of the EULA between the two companies are as follows –

Grant of License, Omega Inc. grants Tailor Ltd. a limited non-exclusive license to install, use, access, display and run the click wrap web-based Computer Software (CWCS) on a single local hard disk(s) or other permanent storage media of one computer. Tailor Ltd. should not make CWCS available over a network where it could be used by multiple computers at the same time.

Reservation of rights and ownership. Omega Inc. reserves all rights not expressly granted to Tailor Ltd. in this EULA. The CWCS is protected by copyright and other intellectual property laws and treaties. Omega Inc. owns the title, copyright and other intellectual property rights in the CWCS. The CWCS is licensed (only for use and not any other purpose), not sold.

Omega Inc. does not have any office outside Country F.

Extract of Article 12 of India-County F DTAA

Royalties and Fees for Technical Services

1. Royalties and fees for technical services arising a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.
2. However, such royalties and fees for technical services may also be taxed in the Contracting State in which they arise and according to the laws of that Contracting State, but if the recipient is the beneficial owners of the royalties or fees for technical services, the tax so charged shall not exceed 10 per cent.
3. The term “royalties” as used in this Article means payments of any kind received as a consideration for the use of, or the right to use :
  - (a) any copyright of a literary, artistic or scientific work, including cinematograph film or films or tapes used for radio or television broadcasting, any patent, trade mark, design or model, plan, secret formula or process, or for information concerning industrial, commercial or scientific experience, including gains derived from the alienation of any such right, property or information

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

**Question 1:**

Is Tailor Ltd., India required to deduct tax at source on the payment made to Omega Inc.? If yes, what amount of tax is required to be deducted at source on the said payment?

Answer –

1. Yes, Tailor ltd. is required to deduct tax at source of Rs.1,42,14,720
2. No, Tailor Ltd. is not required to deduct tax at source
3. Yes, Tailor Ltd. is required to deduct tax at source of Rs.2,84,29,440
4. Yes, Tailor Ltd. is required to deduct tax at source of Rs.67,00,000

**Question 2:**

Is equalisation levy attracted in respect of the consideration received by Omega Inc., Country F from Tailor Ltd.? If so, in whose hands and at what rate?

Answer –

1. Omega Inc. has to pay equalisation levy @ 6% of the consideration
2. Tailor Ltd. is required to deduct equalization levy @ 6% of the consideration
3. Tailor Ltd. is required to deduct equalization levy @ 2% of the consideration
4. Omega Inc. has to pay equalization levy @ 2% of the consideration

**Question 3:**

Would Traylor Ltd., India be required to deduct tax at source on the payment made to Omega Inc, if there was no DTAA between India and Country F? If so, what amount of tax is required to be deducted at source on the said payment?

Answer –

1. Yes, Traylor Ltd. is required to deduct tax at source of Rs.1,42,14,720
2. No, Traylor Ltd. is not required to deduct tax at source, since such sum is not taxable in the hands of Omega Inc.
3. Yes, Traylor Ltd. is required to deduct tax at source of Rs.2,84,29,440
4. Yes, Traylor Ltd. is required to deduct tax at source of Rs.71,07,360

**Question 4:**

Is equalization levy attracted in respect of the consideration received by Omega Inc. Country F from Traylor Ltd., if there is no DTAA between India and Country F? If so, in whose hands and at what rate?

Answer –

1. Omega Inc. has to pay equalization levy @ 6% of the consideration
2. Traylor Ltd. is required to pay equalization levy @2% of the consideration
3. Omega Inc. has to pay equalization levy @ 2% of the consideration
4. No, equalization levy is not attracted

**ANSWERS:**

Question No.	Answer
1	2
2	4
3	1
4	4

**CASE SCENARIO 27**

Sharma Pvt. Ltd. ("S") files its return of income for the P.Y. 2023-24 on 30<sup>th</sup> September 2024 declaring loss of Rs.18,00,000. The rate of income-tax applicable to the company is 25%.

The tax auditor of S, in his audit report submitted under section 44AB, has reported a disallowance of Rs.2,80,000 towards personal expenditure of directors as no evidence was produced by S in support of this expenditure. However, S did not disallow the same in its computation and return of income.

The return of income was processed by the Centralised Processing Centre making an addition of Rs.2,80,000 towards personal expenditure and the loss u/s 143(1) was computed at Rs.15,20,000.

The return of income was selected for scrutiny assessment and by order passed u/s 143(3), the loss as per normal provisions was reduced to Rs.11,60,000 by making an addition of Rs.3,60,000. The assessment was reopened u/s 147 and by order passed u/s 147, the loss as per preceding order u/s 143(3) was converted into income of Rs.3,20,000.

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

**Question 1:**

Which of the following statements regarding penalty on addition of Rs.2,80,000 towards personal expenditure is correct?

- (i) Since S has claimed deduction of amount incurred towards personal expenditure of directors, S shall be considered to have under-reported its income.

- (ii) The under-reporting on account of claiming personal expenditure of directors as deduction can be construed as misreporting of income as it is a claim of expenditure not substantiated by any evidence.
- (iii) Since addition of Rs.2,80,000 is an adjustment referred to in section 143(1)(a), no penalty is leviable in respect of this addition.
- (iv) No penalty is leviable if S offer an explanation and the Assessing Officer is satisfied that the explanation is bonafide and S has disclosed all the material facts to substantiate the explanation offered.

Answer –

1. (i) and (iv)
2. (ii) and (iv)
3. (iv) only
4. (iii) only

**Question 2:**

What is the amount of penalty leviable u/s 270A as a consequence of assessment u/s 147, if the addition was not on account of misreporting?

Answer –

1. Rs.1,09,200
2. Rs.1,92,400
3. Rs.41,600
4. Rs.1,85,000

**Question 3:**

Assuming that the additions made in the order u/s 147 are not on account of misreporting of income but only on account of under-reporting, S seeks to claim immunity from imposition of penalty u/s 270A and initiation of proceedings u/s 276C of the Act by filing an application in this regard before the Assessing Officer. What are the other conditions that need to be satisfied by S in this regard?

- (i) Pay the tax and interest payable as per the order u/s section 147 within the period specified in the notice of demand.
- (ii) Pay the tax as per the order u/s section 147 within the period specified in the notice of demand.
- (iii) Contest the additions made in the order, after payment of tax and interest, within the period specified in the notice of demand.
- (iv) No appeal should be or should have been filed against the order

Answer –

1. (ii) and (iv)
2. (i) and (iv)
3. (i) and (iii)
4. (ii) and (iii)

**ANSWERS:**

Question No.	Answer
1	4
2	2
3	2

**CASE SCENARIO 28**

Seva Niketan, a charitable trust registered under section 12AB runs an educational institution, which is engaged solely in education and a hospital for treatment of persons suffering from mental disorder solely for philanthropic purposes. The trust furnished the following information:

- (i) The total receipts of the trust for the P.Y. 2023-24 for educational institution is Rs.3.10 crores and for the hospital it is Rs.3.40 crores.
- (ii) Voluntary contributions (included in (i) above) received for the P.Y. 2023-24 from the public amounted to Rs.105 lakhs. It includes corpus donations of Rs.55 lakhs (for purchase of building for the trust) and anonymous donations of Rs.20 lakhs.
- (iii) During the P.Y. 2023-24, computers purchased for Rs.80 lakhs out of
  - Corpus fund mentioned in (ii) above Rs.30 lakhs
  - Loan – Rs.25 lakhs
  - Voluntary contributions – Rs.25 lakhs
- (iv) Corpus donations received during the current year are invested in –
  - Post Office Savings Accounts Rs.10 lakhs
  - Canara Bank as Fixed deposits Rs.5 lakhs
  - Non-banking Financial Corporation (NBFC) Rs.10 lakh
- (v) Deposited Rs.15 lakhs towards post office savings account which were utilised for purchase of building during the P.Y. 2020-21 and P.Y. 2021-22 out of corpus fund Rs. 10 lakhs and Rs.5 lakhs, respectively.
- (vi) Amount paid to another trust registered u/s 12AB by way of donation of Rs.10 lakhs. Out of the said amount Rs.2 lakhs are given as corpus donations.
- (vii) Rs.6 lakhs, being the amount set apart in the P.Y. 2022-23 by the trust for charitable purpose u/s 11(2) utilized in the P.Y. 2023-24 for making donation to another charitable trust, whose object is also education.

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

**Question 1:**

Seva Niketan wants to avail exemption under section 10(23C) (iiad) and 10(23C) (iiiie) in respect of educational institution and hospital for the P.Y. 2023-24. Can it do so?

Answer –

1. Yes, it can do so since annual receipts for each activity do not exceed Rs.5 crores
2. No, it cannot do so since the trust is registered under section 12AB.
3. No, it cannot do so since aggregate receipts from education and hospital exceed Rs.5 crores
4. No, it cannot do so due to the reasons mentioned in (b) and (c) above.

**Question 2:**

What amount of corpus donations received by the trust would not form part of the total income of the P.Y. 2023-24?

Answer –

1. Rs.25 lakhs
2. Rs.40 lakhs
3. Rs.15 lakhs
4. Rs.55 lakhs

**Question 3:**

What would be the amount of “specified income” taxable @30% u/s 115BBI for the P.Y. 2023-24?

Answer-

1. Rs.30 lakhs



2. Rs.46 lakhs
3. Rs.48 lakhs
4. Rs.16 lakhs

**Question 4:**

What amount would be considered as application of the trust for the P.Y. 2023-24 (excluding unconditional accumulation of 15%), assuming that it has fulfilled the relevant conditions stipulated under section 12A?

Answer –

1. Rs.36.8 lakhs
2. Rs.25 lakhs
3. Rs.38 lakhs
4. Rs.30 lakhs

**Question 5:**

Seva Niketan claims that anonymous donations received during F.Y. 2023-24 are not liable to be fixed under section 115BBC(1)(i). Is the claim of trust valid? If not, determine the tax leviable under section 115BBC.

Answer –

1. No, Rs.6,00,000
2. No, Rs.5,70,000
3. Yes, the trust is not liable to pay tax under section 115BBC(1)(i)
4. No, Rs.4,42,500

**ANSWERS:**

Question No.	Answer
1	3
2	3
3	2
4	1
5	4

**CASE SCENARIO 29**

The following details pertain to Mr. Arvind and his three brothers, Mr. Arjun, Mr. Anand and Mr. Aakash. Mr. Arvind, Mr. Arjun and Mr. Anand are engaged in retail trade business. Mr. Aakash is engaged in the profession of interior decoration. All of them maintain books of account under section 44AA. while the brothers engaged in retail trade business follows mercantile system of accounting, Mr. Aakash engaged in interior decoration profession follows cash system of accounting. The details pertaining to their business for the year ending 31.3.2024 are as under –

Particulars	Arvind (Rs.)	Arjun (Rs.)	Anand (Rs.)
(i) Turnover of P.Y. 2023-24	95 lakhs	2.80 crore	5.00 crore
(ii) Amount received in cash [out of (i) above]	5 lakh	8 lakh	4 lakh
(iii) Amount received through NEFT/RTGS on or before 31.7.2024 [out of (i) above]	1.07 crore	3.00 crore	5.50 crore
(iv) Total receipts in the P.Y. 2023-24	7 lakh	10 lakhs	27 lakhs
(v) Cash receipts [out of (iv) above]	80 lakhs	1.60 crore	4.50 crore

(vi) Total payments in the P.Y. 2023-24	5 lakhs	8.10 lakhs	22 lakhs
(vii) Cash payments [out of (vi) above]	5.90 lakhs	15.50 lakhs	30 lakhs
(viii) Profits and gains as per books of account u/s 44AA			

Mr. Aakash's gross receipts for P.Y. 2023-24 are Rs.52 lakhs, out of which Rs.2 lakhs has been received in cash and the remaining Rs.50 lakhs through NEFT/ RTGS. His profits as per books of account u/s 44AA for P.Y. 2023-24 are Rs.24.75 lakhs.

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

**Question 1:**

Which of the following individuals are eligible to declare income on presumptive basis under the provisions of the Income-tax Act, 1961 for A.Y. 2024-25?

Answer –

1. Mr. Arvind and Mr. Aakash
2. Mr. Arvind, Mr. Arjun, Mr. Anand and Mr. Aakash
3. Mr. Arvind, Mr. Arjun and Mr. Aakash
4. Mr. Arvind and Mr. Arjun

**Question 2:**

Which of the following individuals have to mandatorily get their books of account audited under section 44AB for A.Y. 2024-25?

Answer –

1. Mr. Arjun and Mr. Anand
2. Mr. Arjun and Mr. Arvind
3. Only Mr. Anand
4. None of them

**Question 3:**

What is the amount of profits and gains of business chargeable to tax in the hands of Mr. Arvind, Mr. Arjun and Mr. Anand, assuming that they wish to make maximum tax savings without getting their books of account audited?

Answer –

1. Rs.5.50 lakhs, Rs.16.54 lakhs and Rs.29.12 lakhs, respectively
2. Rs.5.90 lakhs, Rs.17.10 lakhs and Rs.30.40 lakhs, respectively
3. Rs.5.90 lakhs, Rs.17.10 lakhs and Rs.30 lakhs, respectively
4. Rs.5.50 lakhs, Rs.15.50 lakhs and Rs.30 lakhs, respectively

**Question 4:**

Would your answer to MCQ 3(i.e., the profits and gains of business chargeable to tax in the hands of Mr. Arvind, Mr. Arjun and Mr. Anand) undergo a change, if they decide to get their books of account audited?

Answer –

1. The profits and gains of business chargeable to tax in the hands of Mr. Arjun and Mr. Anand would undergo a change; however, there would be no change in the case of Mr. Arvind
2. The profits and gains of business chargeable to tax in the hands of Mr. Anand would undergo a change; however, there would be no change in the hands of Mr. Arvind and Mr. Arjun
3. The profits and gains of business chargeable to tax in the hands of Mr. Arjun would undergo a change; however, there would be no change in the hands of Mr. Arvind and Mr. Anand

4. The profits and gains of business chargeable to tax in the hands of Mr. Arvind and Mr. Arjun would undergo a change; however, there would be no change in the hands of Mr. Anand

**Question 5:**

What is the due date of filing of return of income to Mr. Arvind, Mr. Arjun, Mr. Anand and Mr. Aakash for A.Y. 2024-25, if they wish to make maximum tax savings?

Answer –

1. 31<sup>st</sup> July, 2024 for all of them
2. 31<sup>st</sup> July, 2024 for Mr. Arvind and Mr. Aakash; and 31<sup>st</sup> October, 2024 for Mr. Arjun and Mr. Anand
3. 31<sup>st</sup> July, 2024 for Mr Arvind, Mr. Aakash and Mr. Arjun; and 31<sup>st</sup> October, 2024 for Mr. Anand
4. 31<sup>st</sup> July, 2024 for Mr. Arvind, Mr. Aakash and Mr. Anand; and 31<sup>st</sup> October, 2024 for Mr. Arjun

**ANSWERS:**

Question No.	Answer
1	3
2	4
3	3
4	3
5	4

**CASE SCENARIO 30**

M/s. LMP LLP filed its return of income for A.Y. 2023-24, declaring total income of Rs.18 lakhs, on 2<sup>nd</sup> December 2023. On processing of return, the total income determine under section 143(1)(a) was Rs.22 lakhs, after disallowing claim for deduction under section 10AA on account of late furnishing of return of income. Thereafter, on scrutiny, the Assessing Officer made some additions under section 40(a)(ia) and section 43B and passed an assessment order under section 143(3) assessing total income of Rs.35 lakhs. Later on, the Assessing Officer noticed that some information is flagged for A.Y. 2023-24 suggesting that certain income chargeable to tax had escaped assessment. Based on the said information, notice under section 148 was issued for making reassessment under section 147 after compliance with the requirements stipulated under section 148A. The total income reassessed under section 147 was Rs.42 lakhs.

Consider that none of the additions or disallowances made in the assessment or re-assessment as above qualifies under section 270A(6).

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

**Question 1:**

For the purpose of answering this question alone, assume that intimation under section 143(1)(a) was sent to M/s LMN LLP on 1.2.2025, would such intimation be valid?

Answer –

1. Yes, since it was sent within one year from the end of the financial year in which return was made
2. No, since it was sent after the expiry of nine months from the end of the financial year in which return was made
3. No, since it was sent after the expiry of one year from the end of the month in which return was made

4. No, since it was sent after the expiry of nine months from the end of the month in which return was made

**Question 2:**

For the purpose of answering this question alone, assume that in case of M/s LMN LLP, certain other incomes (which had escaped assessment and came to Assessing Officer's notice subsequently in the course of reassessment proceedings) were also assessed or reassessed in the reassessment order made under section 147, in respect of which provisions of section 148A were not complied with. Examine whether the action of the Assessing Officer is valid while making reassessment order in respect of such incomes?

Answer-

1. The action of the Assessing Officer is not valid, since reassessment cannot be made in respect of other incomes which comes to his notice subsequently
2. The action of the Assessing Officer is not valid, since provisions of section 148A are not complied with
3. The action of the Assessing Officer is not valid, due to the reasons mentioned in (a) and (b) above
4. The action of the Assessing Officer is valid

**Question 3:**

Compute the amount of penalty to be levied under section 27A of the Income tax Act, 1961 at the time of assessment made under section 143(3)? Assume under-reporting of income is not on account of misreporting.

Answer –

1. Rs.2,02,800
2. Rs.2,65,200
3. Rs.5,30,400
4. Rs.4,05,600

**Question 4:**

Computed the amount of penalty is to be levied under section 270A of the Income tax Act, 1961 at the time of reassessment under section 147. Assume under reporting of income is on account of misreporting.

Answer –

1. Rs.1,09,200
2. Rs.4,36,800
3. Rs.2,18,400
4. Rs.3,12,000

**Question 5:**

In continuation to Q.4, assume reassessment order made under section 147 was received on 12.12.2025 and M/s LMN LLP does not prefer appeal against such order, can M/s LMN LLP make application for grant of immunity from penalty? If yes, what is time limit for making the said application?

Answer –

1. No, M/s LMN LLP cannot make application for grant of immunity
2. Yes, M/s LMN LLP can make application for grant of immunity on or before 11.01.2026
3. Yes, M/s LMN LLP can make application for grant of immunity on or before 31.01.2026
4. Yes, M/s LMN LLP can make application for grant of immunity on or before 31.03.2026

**ANSWERS:**

Question No.	Answer
1	2
2	4
3	1
4	2
5	1

### CASE SCENARIO 31

The following are the details relating to four resident entities, AB & Co, LM & Co., PQ & Co. and XY and Co. for the P.Y. 2023-24 –

Particulars	AB& Co. (Firm)	LM & Co. (Firm)	PQ & Co. (LLP)	XY & Co. (Firm)
(1) Nature of business/ profession	Retail trading	Business of plying, hiring or leading goods carriages	Wholesale trading	Interior decoration
(2) System of accounting	Mercantile	Cash	Mercantile	Cash
(3) Turnover / Gross receipts	Rs.200 lakhs	Rs.101 lakhs	Rs.100 lakhs	Rs.50 lakhs
(4) Amount received by way of RTGS / NEFT in the P.Y. 2023-24 [included in (3) above]	Rs.150 lakhs	Rs.80 lakhs	Rs.70 lakhs	Rs.45 lakhs
(5) Amount received by way of cash in the P.Y. 2023-24 [include in (3) above]	Rs.30 lakhs	Rs.21 lakhs	Rs.10 lakhs	Rs.5 lakhs
(6) Amount received by way of RTGS/ NEFT between 1.4.2024 & 31.7.2024	Rs.20 lakhs		Rs.20 lakhs	
(7) Working partners salary	Rs.5 lakhs	Rs.1.50 lakhs	Rs.3 lakhs	Rs.5 lakhs
(8) Interest on capital @ 12% paid to partners	Rs.1 lakh	Rs.0.50 lakh		Rs.2 lakhs
(9) Profit as per books of account maintained as per section 44AA [after deducting working partners salary and interest on capital]	Rs.5.60 lakhs	Rs.4.10 lakhs	R.4.50 lakhs	Rs.20 lakhs
(10) No. of vehicles owned		10 (See Note 2 below for details)		

#### Additional Information:

- It may be assumed that partners 'salary; and interest are authorised by the partnership deed, relates to a period after the partnership deed and is within the permissible limits laid down under section 40(b).
- The details of vehicles owned by M/s. LM & Co. are as follows –

Gross Vehicle Weight (in kgs)	Number	Date of purchase	Date when first put to use
(1) 8,000	3	28.5.2023	1.6.2023
(2) 9,000	2	31.7.2023	1.8.2023

(3) 10,000	1	17.8.2023	20.8.2023
(4) 11,000	1	30.9.2023	1.10.2023
(5) 12,000	1	11.11.2023	13.11.2023
(6) 13,000	2	31.12.2023	1.1.2024

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

**Question 1**

Which of the four entities are eligible to declare income on presumptive basis under the Income-tax Act, 1961 for A.Y. 2024-25?

Answer –

1. Only AB & Co and LM & Co.
2. Only AB & Co and XY & Co.
3. AB & Co, PQ & Co and XY & Co.
4. AB & Co, LM & Co and XY & Co.

**Question 2:**

What is the business income to be declared by AB & Co. and PQ & Co. for A.Y. 2024-25, assuming that the entities wish to make maximum tax savings without getting their books of account audited?

Answer –

1. Rs.12,60 lakhs and Rs.4.50 lakhs, respectively
2. Rs.6.60 lakhs and Rs.3.20 lakhs, respectively
3. Rs.5.60 lakhs and Rs.4.50 lakhs, respectively
4. Rs.13 lakhs and Rs.6.60 lakhs, respectively

**Question 3:**

What is the business income to be declared by LM & Co. for A.Y. 2024-25, assuming that the firm wishes to make maximum tax savings without getting its books of account audited?

Answer –

1. Rs.4,48,000
2. Rs.6,36,500
3. Rs.4,36,500
4. Rs.4,10,000

**Question 4:**

What is the income to be declared by XY & Co. under the head “Profits and gains of business or profession” for A.Y. 2024-25, assuming that the firm wishes to make maximum tax savings, without getting its books of account audited?

Answer –

1. Rs.18 lakhs
2. Rs.20 lakhs
3. Rs.25 lakhs
4. Rs.22.50 lakhs

**Question 5:**

Would your answer to MCQ 3 and 4 change, if the firms decide to get their books of accounts audited?

Answer –

1. No, there would be no change in the answer to either MCQs 3 and 4
2. Yes, there would be change in the answer to both MCQs 3 and 4

3. There would be a change in the answer to MCQ 3 but not in the answer to MCQ 4
4. There would be a change in the answer to MCQ 4 but not in the answer to MCQ 3

**ANSWERS:**

Question No.	Answer
1	4
2	1
3	3
4	3
5	2

**CASE SCENARIO 32**

Mallika purchased a land in Pune at a cost of Rs.50 lakhs in December 2008 and held the same as her capital asset till 30<sup>th</sup> September, 2022. She started her real estate business on 1<sup>st</sup> October, 2022 and converted the said land into stock-in-trade of her business on the said date, when the fair market value of the land was Rs.300 lakhs.

She constructed 20 apartments of equal size, quality and dimension and the construction was completed in December, 2023. Cost of construction of each apartment is R.15 lakhs. She sold 14 apartments at Rs.40 lakhs per apartment during the period from January, 2024 – February, 2024. The remaining 6 apartments were held in stock as on 31<sup>st</sup> March, 2024. All the six apartments were sold in April, 2024 at Rs.40 lakh per apartment. She also hold a penthouse in Nagpur, construction of which was completed in March, 2023, as stock-in-trade. She let out the penthouse to Mr. Harish, a salaried individual, for Rs.60,000 per month from April, 2023 to March, 2025, to whom she has furnished her PAN. He paid municipal taxes of Rs.7,200 each for the years 2023-24 and 2024-25 in March, 2024 and March, 2025, respectively. The said penthouse was, thereafter, sold in April, 2025 for Rs.70 lakhs.

She invested Rs.20 lakhs in bonds issued by National Highway Authority of India on 31<sup>st</sup> Marc, 2024; Rs.20 lakhs in bonds of Rural Electrification Corporation Ltd. on 30<sup>th</sup> June, 2024, Rs.10 lakhs in bonds of Rural Electrification Corporation Ltd. on 30<sup>th</sup> September, 2024 and Rs.10 lakhs in bonds of National Highway Authority of India on 31<sup>st</sup> December, 2024. Mallika is subject to tax audit for the P.Y. 2023-24.

Cost inflation indices:

- F.Y. 2008-09 : 137;
- F.Y. 2018-19: 280;
- F.Y. 2019-20; 289;
- F.Y. 2020-21; 301;
- F.Y. 2021-22; 317;
- F.Y. 2023-24: 348;

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

**Question 1:**

What is the amount of capital gains chargeable to tax in the hands of Mallika for A.Y. 2024-25?

Answer –

1. Rs.75,43,796
2. Rs.85,43,796
3. Rs.1,79,19,708
4. Rs.1,25,43,796



**Question 2:**

What is the amount of income chargeable to tax in the hands of Mallika for A.Y. 2024-25 under the head “Profits and gains of business or profession”?

Answer –

1. Rs.350 lakhs
2. Rs.50 lakhs
3. Rs.100 lakhs
4. Rs.140 lakhs

**Question 3:**

What is the amount of income chargeable to tax under the head “Capital gains” and “Profits and gains of business or profession” in the hands of Mallika for the A.Y. 2025-26?

Answer –

1. Nil and Nil, respectively
2. Rs.43,75,912 and Rs.60,00,000 respectively
3. Rs.33,75,912 and Rs.60,00,000 respectively
4. Rs.55,29,198 and Rs.60,00,000 respectively

**Question 4:**

Is the annual value of penthouse held as stock-in-trade taxable? If so, under which head and what is the amount taxable for A.Y. 2024-25?

Answer –

1. No, since annual value of property held as stock-in-trade is exempt for a period of two years from the end of the financial year of completion of construction
2. Yes, Rs.5,04,000 under the head “Income from house property”
3. Yes, Rs.4,98,960 under the head “Income from house property”
4. The rental income of Rs.7,20,000 is chargeable under the head “Profits and gains of business or profession”, since property is held as stock in trade

**Question 5:**

Is Mr. Harish liable to deduct tax at source on rent paid to Mallika in the F.Y. 2023-24? If so, what is the amount of tax to be deducted and when?

Answer –

1. No, since Mr. Harish, being a salaried employees, is not subject to tax audit; hence, there is no obligation to deduct tax at source
2. Yes, he has to deduct tax at source of Rs.6,000 from rent payable every month
3. Yes, he has to deduct tax at source of R.3,000 from rent payable every month
4. Yes, he has to deduct tax of Rs.36,000 from the rent payable for March, 2024

**ANSWERS:**

Question No.	Answer
1	2
2	4
3	2
4	2
5	4

**CASE SCENARIO 33**

Wellness Pvt. Ltd., an Indian company incorporated on 1<sup>st</sup> April, 2023 offer multi-disciplinary marketing services in print and digital media to Indian businesses. To carry on its business, the company has engaged local advertising specialists in the field of print and digital media. These specialist attend to client of the company by doing required consultancy, execution and also perform analysis of results. Depending upon the service request of the client – whether print or digital mode, specialists perform relevant tasks. The specialists employ their individual skills and exercise discretion, judgment while performing the duties. The policies of the company regarding working hours, annual leave applicable to the staff do not apply to these specialists. The remuneration of specialists varies every month depending upon type of service, seniority of specialist, skills involved etc.

During the year 2023-24, Wellness Pvt Ltd recorded a turnover of Rs.1.10 crores in its books of accounts. Inspired by the Government's Digital India initiative, the company provided electronic payment facilities to customers. Most of the billed amount was collected through digital means, except from Customer X (Bill No.15, dated 26<sup>th</sup> June, 2023 of Rs.5,50,000). Customer X paid the amount in cash to the company in 4 installments on different dates – Rs.1,50,000, Rs.75,000, Rs.1,75,000 and Rs.1,50,000.

The details of payments made by the company during the year 2023-24 are as under:

Particulars	Mode of payment	Amount (Rs.)
Remuneration to 20 specialists	Net-banking	35,00,000
Salary to staff (3 employees) (HR, junior co-ordinators) (Each person has total income more than RS.8 lakh)	Net-banking	25,00,000
Wages to 1 security guard, 2 housekeeping staff (wages of Rs.15,000 p.m. each)	Cash	5,40,000
Computers purchased on 15 <sup>th</sup> May, 2023 and put to use from 15 <sup>th</sup> October, 2023	A/c payee Cheque	3,50,000
Interest for P.Y. 2023-24 on loan availed on 15 <sup>th</sup> April,2023 from SBI for purchase of computers	A/c payee Cheque	34,500
Other administration expenses (Each expense is not less than Rs.8,000)	Cash	70,000
Advance given to suppliers, specialists etc.	Cash	90,000

The company could recruit a qualified finance and accounts professional only on 21<sup>st</sup> March, 2024. Post his appointment, necessary income tax statutory compliance were undertaken and the default with respect to non-deduction of tax on expenses from April, 2023 to March, 2024 was corrected in the month of April, 2024. The company withheld tax on expenses liable for withholding tax and paid such tax to the credit of Government in the same month.

Being the first year of operation, all transactions of the company are with Indian resident parties. The company has chosen to follow mercantile system of accounting for tax purposes.

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

**Question 1:**

Is Wellness Pvt. Ltd. required to get its books of account audited under section 44AB for A.Y. 2024-25?

- No, since turnover of company is less than Rs.10 crore.
- Yes, since the turnover of the company is more than Rs.1 crore
- No, since the turnover of the company is less than Rs.2 crore
- No, as aggregate cash receipts during the year do not exceed 5% of total amount received.

(v) Yes, as cash payments during the year exceed 5% of aggregate payments.

(vi) Yes, as the company is not eligible for presumptive taxation.

Answer-

1. No, due to reasons stated in (i) and (iv) above
2. Yes, due to reasons stated in (ii) and (v) above
3. No, due to reason stated in (iii) above
4. yes, due to reasons stated in (ii) and (vi) above

**Question 2:**

What is the amount to be disallowed for non-deduction of tax at source while computing profits and gains of business or profession?

Answer –

1. Nil, since the entire amount of tax has been deducted and remitted on or before the due date of filing of return u/s 139(1)
2. Rs.10,50,000
3. Rs.18,00,000
4. Rs.19,62,000

**Question 3:**

What is the amount of depreciation allowable u/s 32(1) for the P.Y. 2023-24 on the computers purchased?

Answer –

1. Rs.73,600
2. Rs.70,000
3. Rs.73,450
4. Rs.76,900

**Question 4:**

What is the total income of Wellness Pvt Ltd. for the A.Y. 2024-25?

Answer –

1. Rs.66,39,900
2. Rs.66,25,500
3. Rs.49,89,900
4. Rs.44,49,900

**Question 5:**

Is any penalty imposable on the company for cash receipts for Customer X and if yes, how much?

Answer –

1. No, since each receipt is less than Rs.2,00,000
2. Yes, Rs.5,50,000
3. No, since amount exceeding Rs.2,00,000 is not received on a single day
4. No, since amount received is not in the nature of loan or advance

**ANSWERS:**

Question No.	Answer
1	2
2	3
3	1
4	1
5	2

**CASE SCENARIO 34**

The Assessing Officer surveyed TR & Hotels, which was within his jurisdiction, at 11.30 p.m. on 15.8.2023 for the purpose of obtaining information which may be relevant to the proceedings under the Income-tax Act, 1961. The restaurant is kept open for business every day between 11 a.m. and 12 a.m.

On 25.8.2023, the Assessing Officer entered RR & Hotels which was also within his jurisdiction at 9.15 p.m. for the purpose of collecting information which may be useful for the purposes of the Income-tax Act, 1961. This Restaurant is kept open for business every day between 7 am to 10.30 pm.

In both the above cases, the Assessing Officer impounded and retained in his custody for a period of 18 days (exclusive of holidays), books of account and other documents inspected by him, after recording reasons for doing so. The Assessing Officer, however, did not take prior permission from income-tax authority equivalent to Commissioner or above for doing so.

The owners of these restaurants claim that the Assessing Officer could not enter the restaurants after sunset and take away with him the books of account kept at the restaurants. The owners also claimed that the Assessing Officer ought to have obtained the prior approval of income-tax authority equivalent to Chief Commissioner or above before entering the restaurants.

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

**Question 1:**

Is the action of the Assessing Officer entering TR & Hotels at 11:30 pm valid?

Answer –

1. Not valid, since Assessing Officer entered the restaurant after the sunset
2. Valid, since Assessing Officer entered during the hours at which such place is open for the conduct of business and prior permission of higher authorities is not required to be obtained for survey.
3. Not valid, since prior permission of income-tax authority equivalent to Chief Commissioner or above is not obtained by the Assessing Officer though he entered during the hours at which such place is open for the conduct of business.
4. Not valid, since Assessing Officer entered after the sunset and prior permission of Chief Commissioner or above was not obtained.

**Question 2:**

Would your answer to Question no.5 change if the Assessing Officer had surveyed TR & Hotels only for the purpose of verifying whether tax has been deducted / collected at source in accordance with the provisions of the Income-tax Act, 1961?

Answer –

1. The action of Assessing Officer is not valid, since he entered the place after sunset and permission of income-tax authority equivalent to Chief Commissioner or above is not obtained.
2. The action of Assessing Officer is valid, since he entered the place during the hours at which such place is open for conduct of business and permission of Chief Commissioner or above authorities not required to be obtained.
3. The action of Assessing Officer is not valid, since he has not obtained the permission of Chief Commissioner.
4. The action of Assessing Officer is not valid, since he entered the place after 10 pm.

**Question 3:**

Is the action of the Assessing Officer entering RR & Hotels at 9.15 pm valid?

Answer –

1. Not valid, since Assessing Office entered the restaurant after the sunset.
2. Valid, since Assessing Officer entered during the hours at which such place is open for the conduct of business and prior permission of higher authorities is not required to be obtained.
3. Not valid, since prior permission of Chief Commissioner or above is not obtained by the Assessing Officer though he entered the place during the hours at which such place is open for the conduct of business.
4. Not valid, since Assessing Officer entered after the sunset and prior permission of Chief Commissioner or above is not obtained.

**Question 4:**

Is the action of the Assessing Officer in impounding and retaining in his custody books of account and other documents of TR & Hotels, after recording reason for doing so, without taking prior permission from income-tax authority equivalent to Commissioner or above, valid?

Answer –

1. The action of Assessing Officer is not valid, since prior approval of Commissioner or above authority is not obtained.
2. The action of Assessing Officer is valid
3. The action of Assessing Officer is not valid, since prior approval of Joint Commissioner is not obtained.
4. The action of Assessing Officer is not valid, since he cannot retain impounded books of accounts or other documents for a period exceeding 10 days.

**Question 5:**

Would your answer to MCQ 4 change if the Assessing Officer had surveyed TR & Hotels only for the purpose of verifying whether tax has been deducted / collected at source in accordance with the provisions of the Income-tax Act, 1961?

Answer –

1. The action of Assessing Officer is not valid, since prior approval of Commissioner or above is not obtained.
2. The action of Assessing Officer is valid.
3. The action of Assessing Officer is not valid, since he cannot impound or retain books of accounts or other documents.
4. The action of Assessing Officer is not valid, since he cannot retain impounded books of accounts or other documents for a period exceeding 10 days

**ANSWERS:**

Question No.	Answer
1	3
2	1
3	2
4	1
5	3

**I have tried my best to compile this for my dearest students. In case of any errors forgive me and report on my number – 900 900 8977.**

**Take Care all of you.**

**All the Best.**

**Video Coming Soon on the above MCQ's.**

**CA AARISH KHAN.**