

**MODEL TEST PAPER 1**  
**INTERMEDIATE COURSE: GROUP - I**  
**PAPER – 3: TAXATION**

**Time Allowed – 3 Hours**

**Maximum Marks – 100**

**SECTION – A: INCOME TAX LAW (50 MARKS)**

*Working Notes should form part of the answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note. However, in answers to Questions in Division A, working notes are not required.*

*The relevant assessment year is A.Y.2025-26.*

**Division A – Multiple Choice Questions**

**Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.**

- Mr. Kamal, aged 45 years, commenced operations of the business of a new three-star hotel in Delhi on 1.4.2024. He incurred capital expenditure of ₹ 50 lakhs on land in March, 2024 exclusively for the above business, and capitalized the same in his books of account as on 1<sup>st</sup> April, 2024. Further, during the P.Y. 2024-25, he incurred capital expenditure of ₹ 2 crores (out of which ₹ 50 lakhs was for acquisition of land and ₹ 1.50 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.2025-26 is ₹ 85 lakhs.

He has employed 220 new employees during the P.Y.2024-25, the details of whom are as follows –

	No. of employees	Date of employment	Regular/ Casual	Total monthly emoluments per employee (₹)
(i)	40	1.6.2024	Regular	24,000
(ii)	80	1.7.2024	Regular	24,500
(iii)	50	1.7.2024	Casual	25,500
(iv)	30	1.9.2024	Regular	25,000
(v)	20	1.12.2024	Casual	24,000

All regular employees participate in recognized provident fund and their emoluments are paid by account payee cheque. His gross revenue from the hotel is ₹ 11 crores. Mr. Kamal has opted out of the default tax regime under section 115BAC.

Mr. Kamal also has another existing business of running a four-star hotel in Ahmedabad, which commenced operations twenty years back, the profits from which are ₹ 140 lakhs for the A.Y.2025-26.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

- (i) Assuming that Mr. Kamal 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 he is eligible to claim as deduction for A.Y.2025-26?
- (a) ₹ 250 lakhs
  - (b) ₹ 200 lakhs
  - (c) ₹ 100 lakhs
  - (d) ₹ 150 lakhs
- (ii) What would be the income chargeable/loss under the head "Profits and gains of business or profession" for the A.Y.2025-26 in the hands of Mr. Kamal?
- (a) ₹ 75 lakhs
  - (b) ₹ 140 lakhs
  - (c) ₹ 25 lakhs
  - (d) (₹ 10 lakhs)
- (iii) Would Mr. Kamal be eligible for deduction under section 80JJAA in the A.Y.2025-26? If so, what is the quantum of deduction?
- (a) No, he would not be eligible for deduction u/s 80JJAA
  - (b) Yes; ₹ 75,00,000
  - (c) Yes; ₹ 81,72,000
  - (d) Yes; ₹ 99,72,000
- (3 x 2 = 6 Marks)**

2. Mr. Arvind, an Indian citizen, wants to file his return of income for the previous year 2024-25. He required assistance for which he has approached you. He has shared the following details relevant to the P.Y. 2024-25.

Mr. Arvind owned a house property in Bangalore and the same was rented out for ₹ 65,000 p.m. to Mr. Arjun, a salaried employee. He claims that this was the only income which he earned during the P.Y. 2024-25. However, when you had sought for his bank statement, you observed the following information additionally.

There is a credit for ₹ 23,975 towards income-tax refund which includes ₹ 5,775 towards interest on income-tax refund. On 15th August, 2024, the bank statement showed a credit of ₹ 55,000 which he claimed to have received as a gift from his grandchildren on his 60th birthday. On further assessment you were able to understand that Mr. Arvind and his wife had

travelled to Mauritius during the P.Y. 2024-25 to spend some time with their son, who is staying in Mauritius. On scrutiny of their passport and relevant documents you conclude that they had left India on 27th September, 2024 and returned on 31st March, 2025. During the 4 years preceding previous year 2024-25, both had stayed in India for 320 days. Prior to that, they had been staying only in India.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

- (i) What is the residential status of Mr. Arvind for the P.Y. 2024-25?
    - (a) Resident and ordinarily resident
    - (b) Resident but not ordinarily resident
    - (c) Non-resident
    - (d) Deemed resident but not ordinarily resident
  - (ii) Is there any requirement to deduct tax at source under section 194-IB on such rent by Mr. Arjun? If yes, what would be the amount of TDS to be deducted?
    - (a) No, there is no requirement to deduct tax at source under section 194-IB, since Mr. Arjun is a salaried employee
    - (b) Yes, Mr. Arjun is required to deduct tax at source of ₹ 39,000 under section 194-IB
    - (c) Yes, Mr. Arjun is required to deduct tax at source of ₹ 15,600 under section 194-IB
    - (d) No, there is no requirement to deduct tax at source under section 194-IB, since Mr. Arvind is a non-resident
  - (iii) Which of the following statements is correct with respect to advance tax liability of Mr. Arvind for P.Y. 2024-25?
    - (a) Advance tax liability shall not arise to Mr. Arvind since he is a non-resident
    - (b) Advance tax liability shall not arise, since Mr. Arvind is a resident senior citizen and he has no income chargeable under the head "Profits and gains of business or profession"
    - (c) Advance tax liability shall arise, since he is a non-resident
    - (d) Advance tax liability shall arise, since his tax liability is not less than ₹ 10,000
- (3 x 2 = 6 Marks)**
3. Roshini Ltd. has two units, one unit at Special Economic Zone (SEZ) and other unit at Domestic Tariff Area (DTA). The unit in SEZ was set up and started manufacturing from 12.5.2015 and unit in DTA from 15.6.2018. Total turnover of Roshini Ltd. and Unit in DTA is ₹ 12,50,00,000 and 4,50,00,000, respectively. Export sales of units in SEZ and DTA is ₹ 3,50,00,000 and ₹ 2,25,00,000, respectively and net profit of Unit in SEZ and DTA is ₹ 95,00,000 and ₹ 80,00,000, respectively. Out of the export sales of ₹ 3,50,00,000, ₹ 2,00,00,000 have been received in convertible foreign

exchange by 30.9.2025. Roshini Ltd. would be eligible for deduction under section 10AA for -

- (a) ₹ 20,78,125
- (b) ₹ 41,56,250
- (c) ₹ 11,87,500
- (d) ₹ 23,75,000

**(2 Marks)**

4. What would be the tax liability of Ms. Savita, a resident, who attained the age of 60 years on 01.04.2025 on the total income of ₹ 7,25,000, comprising of salary income and interest on fixed deposits under default tax regime under section 115BAC?

- (a) ₹ 28,600
- (b) ₹ 26,000
- (c) ₹ 23,400
- (d) ₹ 2,600

**(1 Mark)**

### Division B – Descriptive Questions

*Question No. 1 is compulsory*

*Attempt any **two** questions from the remaining **three** questions*

1. Mr. Amit, having business of manufacturing of furniture, gives the following Trading and Profit & Loss Account for the year ended 31.03.2025:

#### Trading and Profit & Loss Account

Particulars	₹	Particulars	₹
Opening Stock	5,62,500	Sales	2,33,25,000
Purchases	1,88,62,500	Closing Stock	6,75,000
Freight & Cartage	1,89,000		
Gross profit	43,86,000		
	<b>2,40,00,000</b>		<b>2,40,00,000</b>
Bonus to staff	71,250	Gross profit	43,86,000
Rent of premises	80,250	Income-tax refund	30,000
Advertisement	7,500	Warehousing charges	22,50,000
Bad Debts	1,12,500		
Interest on loans	2,51,250		
Depreciation	1,07,250		
Goods and Services tax demand paid	1,62,525		



Salary	5,50,000		
Miscellaneous expenses	2,38,475		
Net profit	50,85,000		
	<b>66,66,000</b>		<b>66,66,000</b>

Following are the further information relating to the financial year 2024-25:

- (i) Income-tax refund includes amount of ₹ 4,570 of interest allowed thereon.
- (ii) Salary includes ₹ 30,000 paid to his brother which is unreasonable to the extent of ₹ 5,000.
- (iii) Advertisement expenses include an amount of ₹ 2,500 paid for advertisement published in the souvenir issued by a political party. The payment is made by way of an account payee cheque.
- (iv) Miscellaneous expenses include an amount of ₹ 1,00,000 paid to Political Party by cheque.
- (v) Goods and Services Tax demand paid includes an amount of ₹ 5,300 charged as penalty for delayed filing of returns and ₹ 12,750 towards interest for delay in deposit of tax.
- (vi) Mr. Amiiit had purchased a warehouse building of ₹ 20 lakhs in rural area for the purpose of storage of agricultural produce. This was made available for use from 15.07.2024 and the income from this activity is credited in the Profit and Loss account under the head "Warehousing charges".
- (vii) Depreciation under the Income-tax Act, 1961 works out at ₹ 65,000 excluding depreciation on warehouse building.
- (viii) Interest on loans includes an amount of ₹ 80,000 paid to Mr. Mohit, a resident, on which tax was not deducted.

Compute the total income and tax liability of Mr. Amit for the A.Y. 2025-26 in a most beneficial manner. **(15 Marks)**

2. (a) Mr. Akash, an Indian citizen aged 45 years, worked in XYZ Ltd. in Delhi. He got a job offer from ABC Inc., California on 01.06.2023. He left India for the first time on 31.07.2023 and joined ABC Inc. on 08.08.2023. During the P.Y. 2024-25, Mr. Akash visited India from 25.05.2024 to 22.09.2024. He has received the following income for the previous year 2024-25:

Particulars	₹
Salary from ABC Inc., California received in California (Computed)	7,00,000
Dividend from Indian companies	5,00,000
Agricultural income from land situated in Nepal, received in Nepal	4,00,000

Rent received/receivable from house property in Delhi	5,50,000
Profits from a profession in California, which was set up in India, received there	6,00,000

Determine the residential status of Mr. Akash and compute his total income for the A.Y. 2025-26 under default tax regime. **(6 Marks)**

- (b) Examine and compute the liability for deduction of tax at source, if any, in the cases stated hereunder, for the financial year ended 31<sup>st</sup> March, 2025.

(i) State Bank of India pays ₹ 70,000 per month and ₹ 60,000 per month as rent to the Central Government and Mr. Kunal, respectively for building in which its branches are situated.

(ii) Payment of ₹ 2,50,000 to Mr. Deepak, a transporter who owns 8 goods carriages throughout the previous year. He does not furnish his PAN. **(4 Marks)**

3. (a) Mr. Sahil, a resident individual, aged 40 years, is an assistant manager of Fox Ltd. He is getting a salary of ₹ 55,000 per month. During the previous year 2024-25, he received the following amounts from his employer.

(i) Dearness allowance (10% of basic pay which forms part of salary for retirement benefits).

(ii) Bonus of ₹ 60,000.

(iii) Fixed Medical allowance of ₹ 50,000 for meeting medical expenditure.

(iv) He was also reimbursed the medical bill of his mother dependent on him amounting to ₹ 6,500.

(v) Mr. Sahil was provided;

- a laptop both for official and personal use. Laptop was acquired by the company on 1<sup>st</sup> June, 2022 at ₹ 35,000.
- a domestic servant at a monthly salary of ₹ 8,000 which was reimbursed by his employer.

(vi) Fox Ltd. allotted 700 equity shares in the month of October 2024 @ ₹ 170 per share against the fair market value of ₹ 280 per share on the date of exercise of option by Mr. Sahil. The fair market value was computed in accordance with the method prescribed under the Act.

(vii) Professional tax ₹ 2,200 (out of which ₹ 1,400 was paid by the employer).

Compute the Income under the head “Salaries” of Mr. Sahil for the assessment year 2025-26 if he is paying tax under default tax regime under section 115BAC. **(5 Marks)**

(b) Mr. Kushal is a resident but not ordinarily resident in India during the Assessment Year 2025-26. He furnishes the following information regarding his income/expenditure pertaining to his house properties for the previous year 2024-25:

- He owns two houses, one in New York and the other in Ahmedabad.
- The house in New York is let out there at a rent of \$ 5,000 p.m. The entire rent is received in India. He paid Property tax of \$ 1,250 and Sewerage Tax \$ 750 there. (\$ 1 = INR 81)
- The house in Ahmedabad is self-occupied. He had taken a loan of ₹ 30,00,000 to construct the house on 1<sup>st</sup> September, 2019 @10%. The construction was completed on 31<sup>st</sup> May, 2021 and he occupied the house on 1<sup>st</sup> June, 2021.

The entire loan is outstanding as on 31<sup>st</sup> March, 2025. Property tax paid in respect of the second house is ₹ 2,800.

Compute the income chargeable under the head "Income from House property" in the hands of Mr. Kushal for the Assessment Year 2025-26 if he has opted out of the default tax regime under section 115BAC.

**(5 Marks)**

4. (a) Mr. Vishal, aged 33 years, submits the information of following transaction/income during the P.Y. 2024-25

- Mr. Vishal had a house in Delhi. During financial year 2023-24, he had transferred the said house to Ms. Deepika, daughter of his brother without any consideration. House would go back to Mr. Vishal after the life time of Ms. Deepika. The transfer was made with a condition that 10% of rental income from such house shall be paid to Mrs. Vishal. Rent received by Ms. Deepika during the previous year 2024-25 from such house property is ₹ 5,50,000.
- Mr. Vishal holds preference shares in M/s A Pvt. Ltd. He instructed the company to pay dividend to Ms. Chandni, daughter of his servant. The transfer is irrevocable for the lifetime of Chandni. Dividend receivable by Ms. Chandni during the previous year 2024-25 is ₹ 4,50,000.
- Mr. Vishal has a short term capital loss of ₹ 16,000 from sale of property and long term capital gain of ₹ 15,000 from sale of property.
- Other income/loss of Mr. Vishal includes
  - Interest from saving bank account of ₹ 1,75,000
  - Cash gift of ₹ 75,000 received from daughter of his sister on his birthday.
  - Income from betting of ₹ 25,000
  - Income from card games of ₹ 46,000
  - Loss on maintenance of race horses of ₹ 14,600

Compute the total income of Mr. Vishal for the Assessment Year 2025-26 if he has opted out of the default tax regime and the losses to be carried forward. **(6 Marks)**

- (b) Enumerate the cases where a return of loss has to be filed on or before the due date specified u/s 139(1) for carry forward of the losses. Also enumerate the cases where losses can be carried forward even though the return of loss has not been filed on or before the due date.

**(4 Marks)**

**OR**

- (b) Mr. Vishnu has undertaken certain transactions during the F.Y.204-25, which are listed below. You are required to identify the transactions in respect of which quoting of PAN is mandatory in the related documents—

S. No.	Transaction
1.	Sale of scooter for ₹ 70,000
2.	Payment of life insurance premium of ₹ 67,000 to insurance company
3.	Purchase of plot for ₹ 9 lakhs while the stamp duty of the same is ₹ 11 lakhs
4.	Applied to PNB for issue of credit card.

**(4 Marks)**

**MODEL TEST PAPER 2**  
**INTERMEDIATE COURSE: GROUP - I**  
**PAPER – 3: TAXATION**

**Time Allowed – 3 Hours**

**Maximum Marks – 100**

**SECTION – A: INCOME TAX LAW (50 MARKS)**

*Working Notes should form part of the answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note. However, in answers to Questions in Division A, working notes are not required.*

*The relevant assessment year is A.Y.2025-26.*

**Division A – Multiple Choice Questions**

***Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.***

1. Mr. Pankaj, an Indian resident, purchased a residential house property at Kanpur on 20.08.1998 for ₹ 20.5 lakhs. The fair market value and the stamp duty value of such house property as on 1.4.2001 was ₹ 28.5 lakhs and ₹ 25 lakhs, respectively. On 05.02.2016, Mr. Pankaj entered into an agreement with Mr. Gyan for the sale of such property for ₹ 61 lakhs and received an amount of ₹ 2.5 lakhs as advance. However, as Mr. Gyan did not pay the balance amount, Mr. Pankaj forfeited the advance.

On 10.05.2024, Mr. Pankaj sold the house property to Mr. Rohan for ₹ 1.50 crores, when the stamp duty value of the property was ₹ 2 crores. Further, he purchased two residential house properties at Delhi and Mumbai for ₹ 57 lakhs each on 28.09.2025. Mr. Pankaj has no other income during the P.Y. 2024-25. The due date for filing return of income for Mr. Pankaj is 31<sup>st</sup> July, 2025.

On 31.01.2026, Mr. Pankaj decided to sell the house property at Mumbai to his brother, Mr. Gaurav, for ₹ 58 lakhs, from whom ₹ 25,000 was received in cash on 15.01.2026 as advance for signing the agreement to sale. Sale deed was registered on 30.03.2026 on receipt of the balance amount through account payee cheque from Mr. Gaurav. The stamp duty value of house property at Mumbai on 31.01.2026 and 30.03.2026 was ₹ 61 lakhs and ₹ 64 lakhs, respectively.

Cost inflation index –

P.Y. 2024-25: 363; P.Y. 2015-16: 254; P.Y. 2001-02: 100

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

- (i) What shall be the indexed cost of acquisition of residential house property at Kanpur for computation of capital gains in the hands of Mr. Pankaj?

- (a) ₹ 81,67,500  
 (b) ₹ 90,75,000  
 (c) ₹ 94,38,000  
 (d) ₹ 1,03,45,500
- (ii) The amount of capital gains taxable for A.Y. 2025-26 in the hands of Mr. Pankaj for sale of residential house property at Kanpur is -  
 (a) Nil  
 (b) ₹ 81,67,500  
 (c) ₹ 52,25,000  
 (d) ₹ 1,09,25,000
- (iii) The amount of capital gains taxable for A.Y. 2026-27 in the hands of Mr. Pankaj for sale of residential house property at Mumbai is -  
 (a) ₹ 8 lakhs  
 (b) ₹ 7 lakhs  
 (c) ₹ 64 lakhs  
 (d) ₹ 1 lakh
- (iv) The amount taxable under section 56(2)(x) in the hands of Mr. Gaurav, if any, is -  
 (a) Nil  
 (b) ₹ 1 lakh  
 (c) ₹ 3 lakhs  
 (d) ₹ 6 lakhs
- (v) What shall be the tax credit available with Mr. Pankaj with respect to sale of property at Kanpur during P.Y. 2024-25 assuming the tax was fully deducted by Mr. Rohan?  
 (a) ₹ 2,00,000  
 (b) ₹ 1,50,000  
 (c) ₹ 1,00,000  
 (d) ₹ 87,000
- (vi) Is Mr. Pankaj required to file his return of income for A.Y. 2025-26?  
 (a) Yes, since his total income exceeds the basic exemption limit  
 (b) No, since his total income does not exceed the basic exemption limit  
 (c) Yes, since tax deducted in his case exceeds ₹ 25,000  
 (d) Yes, since his total income before exemption under section 54 exceeds the basic exemption limit

**(6 x 2 = 12 Marks)**

2. Mrs. Deepika, wife of Mr. Santosh, started a business of trading in beauty products on 15.7.2024. She invested ₹ 5 lakhs in the business on 15.7.2024 out of gift received from her husband, Mr. Santosh. She invested ₹ 4 lakhs from her own savings on the same date. She earned profits of ₹ 9,00,000 from her business for the financial year 2024-25. Which of the following statements is correct?
- Share of profit of ₹ 9,00,000 is includible in the hands of Mrs. Deepika
  - Share of profit of ₹ 5,00,00 is includible in the hands of Mr. Santosh and share of profit of ₹ 4,00,000 is includible in the hands of Mrs. Deepika
  - Share of profit of ₹ 4,00,000 is includible in the hands of Mr. Santosh and share of profit of ₹ 5,00,000 is includible in the hands of Mrs. Deepika
  - Share of profit of ₹ 9,00,000 is includible in the hands of Mr. Santosh
- (2 Marks)**
3. Mr. X, a resident 47 years, has salary income (computed) of ₹ 7,25,000 and agricultural income of ₹ 1,00,000 for the P.Y. 2024-25. Compute his tax liability for A.Y. 2025-26 if he has opted out of the default tax regime under section 115BAC.
- ₹ 59,800
  - ₹ 72,500
  - ₹ 75,400
  - ₹ 80,600
- (1 Mark)**

### Division B – Descriptive Questions

*Question No. 1 is compulsory.*

*Attempt any **two** questions from the remaining **three** questions.*

1. Mr. Sunil, aged 48 years, a resident Indian has furnished the following particulars for the year ended 31.03.2025:
- He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of ₹ 2,95,000. He has paid municipal taxes of ₹ 25,000 for the current financial year. Both these floors are of equal size.
  - As per interest certificate from HDFC bank, he paid ₹ 1,50,000 as interest and ₹ 80,000 towards principal repayment of housing loan borrowed for the above residential building in the year 2018.
  - He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2019-20. Total turnover of the undertaking was ₹ 400 lakhs, which includes ₹ 150 lakhs from export turnover. Out of ₹ 150 lakhs, only ₹ 120 lakhs have been received in India in convertible foreign exchange on or before

30.9.2025. This industrial undertaking fulfills all the conditions of section 10AA of the Income-tax Act, 1961. Profit from this industry is ₹ 40 lakhs.

- (iv) He employed 20 new employees for the said industrial undertaking during the previous year 2024-25. Out of 20 employees, 12 were employed on 1<sup>st</sup> May 2024 for monthly emoluments of ₹ 18,000 and remaining were employed on 1<sup>st</sup> September 2024 on monthly emoluments of ₹ 12,000. All these employees participate in recognised provident fund and they are paid their emoluments directly to their bank accounts.
- (v) He earned ₹ 30,000 and ₹ 40,000 as interest on saving bank deposits and fixed deposits, respectively.
- (vi) He also sold his vacant land on 01.12.2024 for ₹ 15 lakhs. The stamp duty value of land at the time of transfer was ₹ 16 lakhs. This land was acquired by him on 15.10.1998 for ₹ 2.80 lakhs. The FMV of the land as on 1<sup>st</sup> April, 2001 was ₹ 4.8 lakhs and Stamp duty value on the said date was ₹ 4 lakhs. He had incurred registration expenses of ₹ 12,000 at that time.

The cost of inflation index for the financial year 2024-25 and 2001-02 are 363 and 100, respectively.

- (vii) He paid insurance premium of ₹ 40,000 towards life insurance policy of his son, who is not dependent on him.

You are requested to compute total income and tax liability of Mr. Sunil for the Assessment Year 2025-26 under default tax regime.

**(15 Marks)**

2. (a) Mrs. Sia D'Souza is an American, got married to Mr. Kabir of India in New York on 14.02.2024 and came to India for the first time on 18.03.2024. She left for Australia on 16.08.2024. She returned to India again on 23.03.2025.

On 01.04.2024, she had purchased a Flat in Mumbai, which was let out to Mr. Sameer on a rent of ₹ 26,000 p.m. from 1.6.2024. She had taken loan from an Indian bank for purchase of this flat on which bank had charged interest of ₹ 2,05,000 upto 31.03.2025.

While in India, during the previous year 2024-25, she had received a gold chain from her in laws worth ₹ 1,50,000 and ₹ 1,65,000 from very close friends of her husband.

From the information given above, you are required to determine her the residential status and compute her total income chargeable to tax for the Assessment Year 2025-26 assuming she has shifted out of the default tax regime under section 115BAC.

**(6 Marks)**

- (b) Briefly discuss the provisions of tax deduction/collection at source under the Income-tax Act, 1961 and determine the amount, if any, of TDS and TCS in respect of the following payments:



- (i) Mr. Harish bought an overseas tour programme package for Switzerland for himself and his family of ₹ 10 lakhs on 01-11-2024 from an agent who is engaged in organising foreign tours in course of his business. He made the payment by an account payee cheque and provided the permanent account number to the seller.
- (ii) Mr. Aditya pays ₹ 55,00,000 during April 2024 to Mr. Naresh, for supply of labour, for carrying out the construction work of his factory. During the P.Y. 2023-24, Mr. Aditya's turnover was ₹ 95 lakhs. **(4 Marks)**
3. (a) Ms. Priyanka, General Manager of ABC Ltd., Mumbai, furnishes the following particulars for the financial year 2024-25:
- Salary ₹ 40,000 per month
  - Value of medical facility in a hospital maintained by the company ₹ 10,000
  - Rent free accommodation owned by the company during P.Y. 2024-25
  - Housing loan of ₹ 7,00,000 given on 01.04.2024 at the interest rate of 6% p.a. (No repayment made during the year). The rate of interest charged by State Bank of India (SBI) as on 01.04.2024 in respect of housing loan is 9.5%.
  - A dining table was provided to Ms. Priyanka at her residence. This was purchased on 1.6.2021 for ₹ 60,000 and sold to Ms. Priyanka on 1.5.2024 for ₹ 30,000.
  - Personal purchases through credit card provided by the company amounting to ₹ 10,000 was paid by the company. No part of the amount was recovered from Ms. Priyanka.
  - A Maruti Suzuki car which was purchased by the company on 16.7.2022 for ₹ 2,50,000 was sold to the assessee on 14.7.2024 for ₹ 1,60,000.

Other income received by the assessee during the previous year 2024-25:

	Particulars	₹
(a)	Interest on Fixed Deposits with a company	7,000
(b)	Income from specified mutual fund	3,000
(c)	Interest on bank fixed deposits of a minor married daughter	4,000

- (viii) Deposit in PPF Account made during the year 2024-25 ₹40,000

Compute the gross total income of Ms. Priyanka for the Assessment year 2025-26 if she exercised the option to shift out of the default tax regime under section 115BAC. **(6 Marks)**

- (b) M/s. Ravi & sons, a partnership firm consisting of two partners, reports a net profit of ₹ 7,50,000 before deduction of the following items:

- Salary of ₹ 25,000 each per month payable to two working partners of the firm (as authorized by the deed of partnership)
- Depreciation on plant and machinery under section 32 is ₹ 2,50,000
- Interest on capital 15% per annum (as per the deed of partnership).

The amount of capital eligible for interest is ₹ 6,00,000 for both partners

- Carry forward loss of P.Y. 2023-24 - ₹ 50,000

Compute for A.Y. 2025-26:

- (i) Book-profit of the firm under section 40(b) of the Income-tax Act, 1961.
- (ii) Amount of salary that can be paid to working partners as per section 40(b). **(4 Marks)**

4. (a) The following are the details relating to Mr. Roshan, a resident Indian, relating to the year ended 31.03.2025

Particulars	Amount (₹)
Short term capital gain	1,50,000
Loss from house property [let out property]	2,50,000
Loss from speculative business	50,000
Loss from card games	20,000
Brought forward long term capital loss of A.Y. 2022-23	86,000
Dividend from ABC Ltd.	11,00,000
Loss from tea business	1,06,000

Mr. Roshan's wife, Shamita is employed with Ray Ltd., at a monthly salary of ₹ 25,000, where Mr. Roshan holds 21% of the shares of the company. Shamita is not adequately qualified for the post held by her in Ray Ltd.

You are required to compute taxable income of Mr. Roshan for the A.Y. 2025-26 if he has exercised the option to shift out of the default tax regime under section 115BAC. Ascertain the amount of losses which can be carried forward. **(6 Marks)**

- (b) In the following cases relating to P.Y.2024-25, the total income of the assessee or the total income of any other person in respect of which he/she is assessable under Income-tax Act does not exceed the basic

exemption limit. You are required to state with reasons, whether the assessee is still required to file the return of income or loss for A.Y.2025-26 in each of the following independent situations:

- (i) Manish & Sons (HUF) sold a residential house on which there arose a long term capital gain of ₹ 12 lakhs which was invested in Capital Gain Bonds u/s 54EC so that no long term capital gain was taxable.
- (ii) Samarth has incurred an expenditure of ₹ 1,20,000 towards consumption of electricity, the entire payment of which was made through banking channels. **(4 Marks)**

**OR**

- (b) Briefly mention the provisions of Income-tax Act, 1961 with regard to quoting Aadhaar Number under section 139AA of the Act. **(4 Marks)**

**MODEL TEST PAPER 3**  
**INTERMEDIATE COURSE: GROUP - I**  
**PAPER – 3: TAXATION**

**Time Allowed – 3 Hours**

**Maximum Marks – 100**

**SECTION – A: INCOME TAX LAW (50 MARKS)**

*Working Notes should form part of the answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note. However, in answers to Questions in Division A, working notes are not required.*

*The relevant assessment year is A.Y.2025-26.*

**Division A – Multiple Choice Questions**

**Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.**

1. Mr. Rudra is engaged in the business of trading since 2018. His turnover for the P.Y. 2023-24 was ₹ 6 crores. His minor daughter's marriage is fixed in December, 2024. He planned destination wedding in Goa for his minor daughter. For the wedding, he withdrew ₹ 40,00,000 cash in the month of September, 2024 and ₹ 65,00,000 cash in the month of October, 2024 from Hamara Paisa Bank.

He booked 30 rooms for 5 days for the accommodation of his relatives in Raho Hotel and paid ₹ 40,000 in cash as advance and balance by account payee cheque. He took the catering services of Tasty Caterers, a sole Proprietor, for the wedding for which he paid ₹ 10,20,000 on 15.10.2024. For her wedding, he gifted his daughter a house property, purchased from SK Builders on 10.10.2024 by account payee cheque for ₹ 15,00,000. The stamp duty value of the property on 10.10.2024 is ₹ 16,00,000 and on the date of transfer to minor daughter is ₹ 20,00,000.

Mr. Rudra paid ₹ 45,000 in cash and balance in cheque to travel agent for the return ticket of some of his relatives to US. He regularly files his return of income.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

- (i) The amount of tax to be deducted by Hamara Paisa Bank on cash withdrawals by Mr. Rudra is -
- (a) ₹ 10,000
  - (b) ₹ 25,000
  - (c) ₹ 1,70,000
  - (d) ₹ 1,85,000

- (ii) The amount of tax to be deducted by Mr. Rudra on payment made to Tasty Caterers is -
- ₹ 10,200
  - ₹ 20,400
  - ₹ 51,000
  - Nil
- (iii) What shall be the amount taxable and in whose hands with respect to purchase of immovable property by Mr. Rudra from SK Builders and gift of the same to his daughter?
- ₹ 1,00,000 in the hands of Mr. Rudra and ₹ 20,00,000 in the hands of minor daughter
  - Nothing is taxable in the hands of Mr. Rudra and Minor daughter
  - ₹ 1,00,000 in the hands of Mr. Rudra and nothing is taxable in the hands of minor daughter
  - Nothing is taxable in the hands of Mr. Rudra but ₹ 20,00,000 is taxable in the hands of minor daughter **(3 x 2 = 6 Marks)**

2. Mr. Mayank had bought a residential house worth ₹ 2.5 crores at South Extension, Delhi in 2018 and let out the house on rent to Mr. Rihaan. The property was funded through loan from PNB. The interest due for F.Y. 2024-25 to PNB is ₹ 25 lakhs, out of which he paid only ₹ 20 lakhs during the year. Mr. Mayank then took a loan of ₹ 1.5 crores from SBI on 1.7.2024 for construction of first floor in that house for self-occupation. The construction is in progress as on 31.3.2025. Mr. Mayank started repaying EMIs due to SBI. During the P.Y. 2024-25, he repaid principal amount of ₹ 25 lakhs and ₹ 5 lakhs to PNB and SBI, respectively. He also paid interest of ₹ 8 lakhs to SBI out of ₹ 10 lakhs, being interest due for the period from 1.7.2024 to 31.3.2025.

Mr. Mayank owns another house in Haryana. He transferred that house to his minor daughter Miss Sia on her birthday as her birthday gift. Miss Sia gave the said house to the local Panchayat from September, 2024 at a rent of ₹ 5,000 per month. Mrs. Mayank's total income for A.Y.2025-26 is higher than that of Mr. Mayank. This is the first year when Miss Sia has any source of income.

Mr. Mayank bought electric vehicle worth ₹ 50 lakhs on loan from BSM Bank which it sanctioned on 1.4.2022. BSM Bank charged interest of ₹ 7 lakhs on electric vehicle for the P.Y.2024-25. Mr. Mayank has also taken loan from ABC Bank for his daughter's higher education. He paid ₹ 50,000 as interest to ABC Bank. He also paid mediclaim of ₹ 20,000 to New India Assurance Scheme for insuring his health.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

- (i) What is the amount of interest allowable as deduction u/s 24 to Mr. Mayank for A.Y.2025-26?

- (a) ₹ 2 lakhs  
 (b) ₹ 25 lakhs  
 (c) ₹ 28 lakhs  
 (d) ₹ 35 lakhs
- (ii) What is the amount of deduction permissible to Mr. Mayank under Chapter VI-A of Income-tax Act, 1961 for A.Y. 2025-26 if he has opted out of the default tax regime?  
 (a) ₹ 1,70,000  
 (b) ₹ 2,20,000  
 (c) ₹ 3,70,000  
 (d) ₹ 9,20,000
- (iii) In whose hands would Sia's rental income from house property at Haryana be taxable and how much income would be taxable?  
 (a) In Sia's hands; ₹ 24,500  
 (b) In Mr. Mayank's hands; ₹ 24,500  
 (c) In Mrs. Mayank's hands; ₹ 23,000  
 (d) It would change every year depending on the parent whose income is higher in that year. **(3 x 2 = 6 Marks)**
3. Mr. Arpan (aged 35 years) submits the following particulars for the purpose of computing his total income:

Particulars	₹
Income from salary (computed)	4,00,000
Loss from let-out house property	(-) 2,20,000
Brought forward loss from let-out house property for the A.Y. 2024-25	(-)2,30,000
Business loss	(-)1,00,000
Bank interest (FD)	80,000

Compute the total income of Mr. Arpan for the A.Y.2025-26 and the amount of loss that can be carried forward for the subsequent assessment year under normal provisions of the Act?

- (a) Total income ₹ 2,00,000 and loss from house property of ₹ 2,50,000 and business loss of ₹ 20,000 to be carried forward to subsequent assessment year.
- (b) Total income ₹ 1,60,000 and loss from house property of ₹ 2,30,000 to be carried forward to subsequent assessment year.
- (c) Total income ₹ 4,00,000 and business loss of ₹ 20,000 to be carried forward to subsequent assessment year.
- (d) Total income is Nil and loss from house property of ₹ 70,000 to be carried forward to subsequent assessment year. **(2 Marks)**

4. Mr. Raja, aged 64 years, was not able to provide satisfactory explanation to the Assessing Officer for the investments of ₹ 7 lakhs not recorded in the books of accounts. What shall be the tax payable by him on the value of such investments considered to be deemed income as per section 69?
- (a) ₹ 2,18,400  
 (b) ₹ 55,000  
 (c) ₹ 5,46,000  
 (d) ₹ 54,600
- (1 Mark)**

### Division B – Descriptive Questions

*Question No. 1 is compulsory.*

*Attempt any **two** questions from the remaining **three** questions.*

1. Mr. Ayush, a resident individual, aged 54 years, is engaged in the business of manufacturing textiles. He earned profit of ₹ 82,45,000 as per profit and loss account after debiting and crediting the following items:
- (i) Depreciation ₹ 15,40,000  
 (ii) Short term capital gains on 01.05.2024 on transfer of listed equity shares in a company on which STT is paid ₹ 10,00,000  
 (iii) He received income-tax refund of ₹ 15,550 which includes interest on refund of ₹ 4,550.  
 (iv) Dividend income from Indian companies ₹ 15,00,000. Dividend received from each company is less than ₹ 5,000.

#### **Additional information –**

- (i) Mr. Ayush installed new plant and machinery for ₹ 65 lakhs on 1.10.2024 which was put to use on 1.1.2025. Depreciation (including additional depreciation) on this amount of ₹ 65 lakhs is included in the depreciation debited to profit and loss account which has been computed as per Income-tax Rules, 1962.  
 (ii) Mr. Ayush took a loan from SBI of ₹ 50 lakhs on 1.9.2024 @10.5% p.a. to purchase such plant and machinery. Total interest upto 31.3.2025 has been paid on 31.3.2025 and the same has been debited to profit and loss account.  
 (iii) Advance tax paid during the year is ₹17,50,000  
 (iv) Ayush purchased goods for ₹ 40 lakhs from Mr. Ram, his brother. The market value of the goods is ₹ 35 lakhs.  
 (v) He paid ₹ 40,000 as life insurance premium taken on the life of his married daughter who is not dependent on him. The sum assured is ₹ 5,00,000 and the policy was taken on 1.4.2017.  
 (vi) He paid ₹ 45,000 by cheque towards health insurance policy covering himself, his spouse and his children.

- (vii) On 1.7.2024, Mr. Ayush withdrew ₹ 1.5 crores in cash from three current accounts maintained by him with SBI. There are no other withdrawals during the year. He regularly files his return of income.

You are required to compute the total income and tax payable by Mr. Ayush for the A.Y. 2025-26 assuming that he has shifted out of the default tax regime under section 115BAC. **(15 Marks)**

2. (a) Miss Geeta, a citizen of India, got married to Mr. Peter of Australia and left India for the first time on 20.8.2024. She has not visited India again during the P.Y. 2024-25. She has derived the following income for the year ended 31-3-2025:

	Particulars	₹
(i)	Income from sale of centrifuged latex processed from rubber plants grown in kanyakumari.	1,50,000
(ii)	Income from sale of coffee grown, cured, roasted and grounded in Colombo. Sale consideration was received in Chennai.	5,00,000
(iii)	Income from sale of tea grown and manufactured in West Bengal.	12,00,000
(iv)	Income from sapling and seedling grown in a nursery at Cochin. Basic operations were not carried out by her on land.	2,00,000

You are required to determine the residential status of Miss Geeta and compute the business income and agricultural income of Miss. Geeta for the Assessment Year 2025-26. **(6 Marks)**

- (b) Briefly discuss the provisions of tax deduction at source under the Income-tax Act, 1961 and determine the amount, if any, of TDS in respect of the following payments:
- Mr. Vikas received a sum of ₹ 10,20,000 on 28.02.2025 as premature withdrawal from Employees Provident Fund Scheme before continuous service of 5 years on account of termination of employment due to ill-health.
  - Indian Bank sanctioned and disbursed a loan of ₹ 12 crores to B Ltd. on 31-12-2024. B Ltd. paid a sum of ₹ 1,20,000 as service fee to Indian Bank for processing the loan application. **(4 Marks)**
3. (a) Mr. Jain and his wife Mrs. Jain are partners in a partnership firm holding 25% share each. During the F.Y. 2024-25, the firm paid ₹ 2,50,000 to each of them as remuneration. Apart from this, they provide you the following information in respect of F.Y. 2024-25:
- Salary received by Mr. Jain from his employer ₹ 12,50,000.
  - Interest on fixed deposit earned by Mrs. Jain ₹ 14,00,000. (The fixed deposit was opened by using her "Stridhan")
  - Income of their three minor children Neeta, Meeta and Seeta was ₹ 15,000; ₹ 10,000 and ₹ 2,000 respectively.



You are required to compute the gross total income of Mr. and Mrs. Jain as per the provisions of Income-tax Act for the A.Y. 2025-26 assuming that they have shifted out of the default tax regime.

**(4 Marks)**

- (b) Mr. Ram, an employee of the Central Government is posted at New Delhi. He joined the service on 1<sup>st</sup> February, 2021. Details of his income for the previous year 2024-25, are as follows:

- (i) Basic salary: ₹ 3,80,000
- (ii) Dearness allowance: ₹ 1,20,000 (40% forms part of pay for retirement benefits)
- (iii) Both Mr. Ram and Government contribute 20% of basic salary to the pension scheme referred to in section 80CCD.
- (iv) Gift received by Ram's minor son on his birthday from friend: ₹ 70,000. (No other gift is received by him during the previous year 2024-25)
- (v) On 25.03.2024, Mr. Ram gifted a sum of ₹ 6,00,000 to Mrs. Ram to start a business by introducing such amount as her capital. On 1<sup>st</sup> April, 2024, her total investments in business was ₹ 10,00,000 which includes ₹ 6,00,000 gifted by Mr. Ram. During the previous year 2024-25, she has loss from such business ₹ 1,30,000.
- (vi) Mr. Ram deposited ₹ 70,000 in Sukanya Samridhi account on 23.01.2025. He also contributed ₹ 40,000 in an approved annuity plan of LIC to claim deduction u/s 80CCC.
- (vii) He has taken an educational loan from SBI for his major son who is pursuing MBA course from Gujarat University. He has paid ₹ 15,000 as interest on such loan.

Determine the total income of Mr. Ram for the assessment year 2025-26. Ignore provisions under section 115BAC.

**(6 Marks)**

4. (a) Determine the capital gains/loss on transfer of listed equity shares (STT paid both at the time of acquisition and transfer of shares) and units of equity oriented mutual fund (STT paid at the time of transfer of units) for the A.Y.2025-26 and tax, if any, payable thereon, in the following cases, assuming that these are the only transactions covered under section 112A during the P.Y.2024-25 in respect of these assesseees:

- (i) Mr. Shagun purchased 300 shares in A Ltd. on 20.5.2017 at a cost of ₹ 400 per share. He sold all the shares of A Ltd. on 31.5.2024 for ₹ 1200. The price at which these shares were traded in National Stock Exchange on 31.1.2018 is as follows –

Particulars	Amount in ₹
Highest Trading Price	700
Average Trading Price	680
Lowest Trading Price	660

- (ii) Mr. Raj purchased 200 units of equity oriented fund, Fund A on 1.2.2017 at a cost of ₹ 550 per unit. The units were not listed at the time of purchase. Subsequently, units of Fund A were listed on 1.1.2018 on the National Stock Exchange. Mr. Raj sold all the units on 3.4.2024 for ₹ 900 each. The details relating to quoted price on National Stock Exchange and net asset value of the units are given hereunder:

Particulars	Fund A
	Amount in ₹
Highest Trading Price	750 (on 31.1.2018)
Average Trading Price	700 (on 31.1.2018)
Lowest Trading Price	650 (on 31.1.2018)
Net Asset Value on 31.1.2018	800

**(4 Marks)**

**OR**

- (a) Mr. Aman has furnished the following particulars relating to payments made and expenditure incurred towards scientific research for the year ended 31.3.2025:

Sl. No.	Particulars	₹ (in lakhs)
(i)	Payment made to AB University, an approved University	15
(ii)	Payment made to Siya College	17
(iii)	Payment made to IIT, Bangalore (under an approved programme for scientific research)	12
(iv)	Machinery purchased for in-house scientific research	25

Compute the deduction available under section 35 of the Income-tax Act, 1961 for A.Y. 2025-26, while computing his income under the head "Profits and gains of business or profession" under default tax regime under section 115BAC.

**(4 Marks)**

- (b) Mr. Sailesh is a Marketing Manager in Smile Ltd. From the following information, you are required to compute his income chargeable under the head Salary for assessment year 2025-26. He has opted out of the section 115BAC.
- Basic salary is ₹ 70,000 per month.
  - Dearness allowance @ 40% of basic salary
  - He is provided health insurance scheme approved by IRDA for which ₹ 20,000 incurred by Smile Ltd.
  - Received ₹ 10,000 as gift voucher on the occasion of his marriage anniversary from Smile Ltd.

- (v) Smile Ltd. allotted 800 sweat equity shares in August 2024. The shares were allotted at ₹ 450 per share and the fair market value on the date of exercising the option by Mr. Sailesh was ₹ 700 per share.
- (vi) He was provided with furniture during September 2020. The furniture is used at his residence for personal purpose. The actual cost of the furniture was ₹ 1,10,000. On 31<sup>st</sup> March, 2025, the company offered the furniture to him at free of cost. No amount was recovered from him towards the furniture till date.
- (vii) Received ₹ 10,000 towards entertainment allowance.
- (viii) Housing Loan@ 4.5% p.a. provided by Smile Ltd., amount outstanding as on 01.04.2024 is ₹ 15 Lakhs. ₹ 50,000 is paid by Mr. Sailesh every quarter towards principal starting from June 2024. The lending rate of SBI for similar loan as on 01.04.2024 was 8%.
- (ix) Facility of laptop costing ₹ 50,000

**(6 Marks)**

**MODEL TEST PAPER 4**  
**INTERMEDIATE COURSE: GROUP - I**  
**PAPER – 3: TAXATION**

**Time Allowed – 3 Hours**

**Maximum Marks – 100**

**SECTION – A: INCOME TAX LAW (50 MARKS)**

*Working Notes should form part of the answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note. However, in answers to Questions in Division A, working notes are not required.*

*The relevant assessment year is A.Y.2025-26.*

**Division A – Multiple Choice Questions**

**Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.**

1. Mr. Sambhav (aged 48 years) furnishes the following particulars for the previous year 2024-25 in respect of an industrial undertaking established in "Special Economic Zone" in March 2018. It began manufacturing in April 2018.

Particulars	(₹)
Total sales	85,00,000
Export sales [proceeds received in India by 30.9.2025]	45,00,000
Domestic sales	40,00,000
Profit from the above undertaking	20,00,000

Export Sales of F.Y. of 2024-25 include freight and insurance of ₹ 5 lakhs for delivery of goods outside India.

He received rent of ₹ 30,000 per month for a commercial property let out to Mr. Akash, a salaried individual. He earned interest on savings bank A/c of ₹ 15,000 and interest on Post Office savings A/c of ₹ 7,000 during the P.Y. 2024-25.

Mr. Sambhav has shifted out of the default tax regime under section 115BAC.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

- (i) Compute the amount of export turnover and total turnover for purpose of computing deduction under section 10AA for A.Y. 2025-26.
- (a) ₹ 45,00,000 and ₹ 85,00,000, respectively
- (b) ₹ 40,00,000 and ₹ 80,00,000, respectively
- (c) ₹ 45,00,000 and ₹ 80,00,000, respectively
- (d) ₹ 40,00,000 and ₹ 85,00,000, respectively

- (ii) Compute the amount of deduction available to Mr. Sambhav under section 10AA for A.Y. 2025-26.
- (a) ₹ 10,00,000
  - (b) ₹ 4,70,577
  - (c) ₹ 5,62,500
  - (d) ₹ 5,00,000
- (iii) Compute the total income of Mr. Sambhav for A.Y. 2025-26.
- (a) ₹ 17,60,500
  - (b) ₹ 12,60,500
  - (c) ₹ 18,72,000
  - (d) ₹ 17,64,000
- (3 x 2 = 6 Marks)**

2. Mr. Anshul, aged 54 years, an Indian citizen, is working as Assistant Manager in ABC India Ltd. He is getting basic salary of ₹ 58,000 per month. He used to travel frequently out of India for his office work. He left India from Delhi Airport on 5<sup>th</sup> October, 2024 and returned to India on 2<sup>nd</sup> April, 2025.

For previous year 2024-25, following information are relevant;

- (a) Dearness Allowance - 10% of Basic Pay (considered for retirement purposes)
- (b) Bonus - ₹ 98,000
- (c) Medical allowance paid during P.Y. 2024-25 amounting to ₹ 60,000
- (d) He was also reimbursed medical bill of his mother amounting to ₹ 15,000.
- (e) He was also reimbursed salary of house servant of ₹ 4,000 per month.
- (f) Professional tax paid by employer amounting to ₹ 2,400.
- (g) 400 equity shares allotted by ABC India Ltd. at the rate of ₹ 250 per share against fair market value of share of ₹ 350 on the date of exercise of option.
- (h) Mr. Anshul has exercised the option to shift out of the default tax regime under section 115BAC.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

- (i) What is Mr. Anshul's residential status for the A.Y. 2025-26?
- (a) Resident but can't determine resident and ordinarily resident or resident but not ordinarily resident from the given information
  - (b) Non-Resident
  - (c) Resident but not ordinarily resident
  - (d) Resident and ordinarily resident

- (ii) What are his taxable perquisites for A.Y. 2025-26?
- (a) ₹ 55,000
  - (b) ₹ 90,400
  - (c) ₹ 1,05,400
  - (d) ₹ 1,03,000
- (iii) What is the income chargeable under the head "Salaries" in the hands of Mr. Anshul for A.Y. 2025-26?
- (a) ₹ 9,76,600
  - (b) ₹ 9,86,600
  - (c) ₹ 9,71,600
  - (d) ₹ 9,61,600

**(3 x 2 = 6 Marks)**

3. Mr. Ross, an Australian citizen, is employed in the Indian embassy in Australia. He is a non-resident in India for A.Y. 2025-26. He received salary and allowances in Australia from the Government of India for the year ended 31.03.2025 for services rendered by him in Australia. In addition, he was allowed perquisites by the Government. Which of the following statements are correct?

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

**(2 Marks)**

4. Which of the following returns can be revised under section 139(5)?

- (i) A return of income filed u/s 139(1)
- (ii) A belated return of income filed u/s 139(4)
- (iii) A return of loss filed u/s 139(3)

Choose the correct answer:

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

**(1 Mark)**

## Division B – Descriptive Questions

*Question No. 1 is compulsory.*

*Attempt any **two** questions from the remaining **three** questions.*

1. Ms. Farah, aged 40 years, is an advocate (Taxation). She keeps her books of accounts on accrual basis. Her profit & loss account for the year ended on March 31, 2025 is as follows:

### Profit & Loss Account for the year ending March 31, 2025

	Amount (₹)		Amount (₹)
Staff salary	40,10,000	Fees Earned from:	
Rent	9,00,000	Taxation services	50,00,000
Administrative expenses	6,50,000	Appeals	16,00,000
Incentives to office staff	2,00,000	Consultancy	15,00,000
Meetings, Seminars and conferences	1,70,000	Dividend from an Indian company (gross)	11,00,000
Purchase of car (for official use) on 01.07.2024	3,00,000	Interest on deposit certificates issued under gold monetization scheme, 2015	25,000
Repairs and Maintenance of car	35,000	Honorarium received for valuation of answer papers	50,000
Travelling Expenses	5,00,000	Rent received in respect of house property	90,000
Municipal tax paid in respect of house property	9,000		
Net profit	<u>25,91,000</u>		
	<b>93,65,000</b>		<b>93,65,000</b>

#### Other information:

- (i) Administrative expenses include ₹ 50,000 paid to a tax consultant in cash for assisting Ms. Farah in one of the professional assignments.
- (ii) The traveling expenses include expenditure incurred on foreign professional tour of ₹ 50,000 which was within the RBI norms.
- (iii) Ms. Farah paid medical insurance premium for her parents (senior citizens and not dependent on her) online amounting ₹ 47,000. She also paid ₹ 8,500 by cash towards preventive health check-up for herself and her spouse.
- (iv) Repairs and maintenance of car is for the period from 1-10-2024 to 30-09-2025.

(v) She has paid ₹ 1,00,000 towards advance tax during the P.Y. 2024-25.

Compute Total Income and Net tax payable as per the most beneficial taxation scheme for Ms. Farah for the A.Y. 2025-26. **(15 Marks)**

2. (a) Sagar, a Chartered Accountant, is presently working in a firm in India. He has received an offer for the post of Chief Financial Officer from a company at New York. As per the offer letter, he should join the company at any time between 1st September, 2024 and 31st October, 2024. He approaches you for your advice on the following issues to mitigate his tax liability in India:
- (i) Date by which he should leave India to join the company;
  - (ii) Direct credit of part of his salary to his bank account in Delhi maintained jointly with his mother to meet requirement of his family. **(6 Marks)**
- (b) Briefly discuss the provisions of tax deduction/collection at source under the Income-tax Act, 1961 and determine the amount, if any, of TDS and TCS in respect of the following payments:
- (i) Mr. Deepak wishes to purchase a residential house costing ₹ 60 lakhs from Ms. Priya. The house is situated at Chennai and its stamp duty value is ₹ 65 lakhs. He also wants to purchase agricultural lands in a rural area for ₹ 65 lakhs. Both the buyer as well as the sellers are residents in India.
  - (ii) ABC & Co., a partnership firm is having a car dealership showroom – 2. They have purchased cars for ₹ 2 crores from XYZ Ltd., car manufacturers, the cost of each car being more than ₹12 lakhs. They sell the cars to individual buyers at a price yielding 10% margin on cost. Turnover of ABC & Co. and XYZ Ltd. was less than ₹ 10 crores during the P.Y. 2023-24. **(4 Marks)**
3. (a) Mr. Kamal, a resident but not ordinarily resident in India during the Assessment Year 2025-26. He owns two houses, one in Dubai and the other in Mumbai. The house in Dubai is let out there at a rent of DHS 20,000 p.m. (1DHS=INR 22). The entire rent is received in India. He paid property tax of DHS 2,500 and Sewerage Tax DHS 1,500 there, for the Financial Year 2024-25. The house in Mumbai is self-occupied. He had taken a loan of ₹ 10,00,000 to construct the house on 1<sup>st</sup> June, 2021 @12%. The construction was completed on 31<sup>st</sup> May, 2023 and he occupied the house on 1<sup>st</sup> June, 2023. The entire loan is outstanding as on 31<sup>st</sup> March, 2025. Property tax paid in respect of the second house is ₹ 2,400 for the Financial Year 2024-25. Compute the income chargeable under the head "Income from House property" in the hands of Mr. Kamal for the Assessment Year 2025-26 under regular provisions of the Act. **(5 Marks)**
- (b) Mr. Ashish entered into an agreement with Mr. Dhaval to sell his residential house located at Navi Mumbai on 16.08.2024 for ₹ 80,00,000.



The sale proceeds was to be paid in the following manner;

- (i) 20% through account payee bank draft on the date of agreement.
- (ii) 60% on the date of the possession of the property.
- (iii) Balance after the completion of the registration of the title of the property.

Mr. Dhaval was handed over the possession of the property on 15.12.2024 and the registration process was completed on 14.01.2025. He paid the sale proceeds as per the sale agreement.

The value determined by the Stamp Duty Authority on 16.08.2024 was ₹ 90,00,000 whereas on 14.01.2025 it was ₹ 91,50,000.

Mr. Ashish had acquired the property on 01.04.2001 for ₹ 20,00,000. After recovering the sale proceeds from Dhaval, he purchased another residential house property in Kanpur for ₹ 15,00,000 during April, 2025.

Compute the income under the head "Capital Gains" for the Assessment Year 2025-26.

Cost Inflation Index for Financial Year(s)

2001-02 - 100

2024-25 - 363

**(5 Marks)**

4. (a) Mr. Mohit submits the following information for the previous year 2024-25:

		(Amount in ₹)
(i)	Income from salary	6,50,000
(ii)	Income from House-I	55,000
(iii)	Loss from House-II (self-occupied property)	1,25,000
(iv)	Loss from House-III	190,000
(v)	Loss from leather business	68,000
(vi)	Profit from cloth business	1,70,000
(vii)	Short term capital loss in equity-oriented funds on which STT was paid	35,000
(viii)	Income from crossword puzzles	12,000
(ix)	Dividend from foreign company (Gross)	8,500
(x)	Loss on owning and maintenance of race horses	7,500
(xi)	Income from owning and maintenance of race bulls	9,000

Compute the gross total income and losses to be carried forward of Mr. Mohit for assessment year 2025-26 under regular provisions of the Act. Mr. Mohit has filed his return of income on 25.07.2025. **(6 Marks)**

- (b) What are the consequences of failure to intimate Aadhar Number. Is there any fee for such default? **(4 Marks)**

**OR**

- (b) (i) What is the fee for default in furnishing return of income u/s 234F?
- (ii) To whom the provisions of section 139AA relating to quoting of Aadhar Number do not apply? **(4 Marks)**

**MODEL TEST PAPER 5**  
**INTERMEDIATE COURSE: GROUP - I**  
**PAPER – 3: TAXATION**

**Time Allowed – 3 Hours**

**Maximum Marks – 100**

**SECTION – A: INCOME TAX LAW (50 MARKS)**

*Working Notes should form part of the answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note. However, in answers to Questions in Division A, working notes are not required.*

*The relevant assessment year is A.Y.2025-26.*

**Division A – Multiple Choice Questions**

***Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.***

1. Mr. Raja, an Indian citizen, aged 61 years, has set-up his business in Canada and is residing in Canada since 2009. He owns a house property in Canada, half of which is used by him for his residence and half is given on rent (converted into INR is ₹ 12,00,000 p.a.).

He purchased a flat in Delhi on 13.10.2019. He has taken a loan from Canara Bank in India of ₹ 34,00,000 for purchase of this flat. The interest on such loan for the F.Y. 2024-25 was ₹ 3,14,000 and principal repayment was ₹ 80,000. Mr. Raja has given this flat on monthly rent of ₹ 32,500 since April, 2024. The annual property tax of Delhi flat is ₹ 40,000 which is paid by Mr. Raja, whenever he comes to India to meet his parents. Mr. Raja visited India for 124 days during the previous year 2024-25. Before that he visited India in total for 366 days during the period 1.4.2020 to 31.3.2024.

He had a house in Ranchi which was sold in May 2021. In respect of this house, he received arrears of rent of ₹ 2,96,000 in February 2025 (not taxed earlier).

Mr. Raja has sold 10,000 listed shares @ ₹ 480 per share of A Ltd., an Indian company, on 15.9.2024, which he acquired on 05-04-2017 @ ₹ 100 per share. STT was paid both at the time of acquisition as well as at the time of transfer of such shares.

On 31-01-2018, the shares of A Ltd. were traded on a recognized stock exchange as under:

Highest price - ₹ 300 per share

Average price - ₹ 290 per share

Lowest price - ₹ 280 per share

Mr. Raja wants to pay tax under default tax regime under section 115BAC.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:-

- (i) What would be the residential status of Mr. Raja for the A.Y. 2025-26?
  - (a) Resident and ordinarily resident in India
  - (b) Resident but not ordinarily resident in India
  - (c) Non-resident
  - (d) Deemed resident
- (ii) What would be amount of income taxable under the head "Income from house property" in the hands of Mr. Raja for the A.Y. 2025-26?
  - (a) ₹ 2,52,200
  - (b) ₹ 1,38,200
  - (c) ₹ 9,78,200
  - (d) ₹ 10,92,200
- (iii) What amount of capital gain would arise in the hands of Mr. Raja on transfer of shares of A Ltd?
  - (a) ₹ 18,00,000
  - (b) ₹ 19,00,000
  - (c) ₹ 20,00,000
  - (d) ₹ 38,00,000

**(3 x 2 = 6 Marks)**

2. Mr. Anay (aged 52 years), is a CEO of XYZ Enterprise Limited. During the previous year 2024-25, he earned salary of ₹ 1,65,00,000 and long-term capital gain on sale of listed equity shares (STT paid) amounting to ₹ 1,06,500. He earned interest of ₹ 4,82,778 on saving bank account.

Further, he has provided the following other information for filing his return of income:

He does not receive house rent allowance from his employer. Mr. Anay took a loan from State Bank of India on 27<sup>th</sup> October 2021 for repairing his house (self-occupied) at Delhi and paid interest on such borrowings of ₹ 80,000 and ₹ 1,50,000 towards principal amount during the previous year 2024-25.

Mr. Anay has made the following payments towards medical insurance premium for health policies taken for his family members:

Medical premium for his brother: ₹ 13,500 (by cheque)

Medical premium for his parents: ₹ 17,670 (by cheque)

Medical premium for self and his wife: ₹ 21,000 (by cheque).

He also incurred ₹ 6,400 towards preventive health check-up of his wife in cash. He deposited ₹ 1,00,000 towards PPF. He also deposited ₹ 50,000 and ₹ 2,50,000 towards Tier I and Tier II NPS A/c, respectively.

He has paid ₹ 5,30,000 as advance tax. His employer has deducted tax at source of ₹ 51,89,000. He is of the opinion that the balance amount of tax, if any, he will pay on 27<sup>th</sup> July 2025.

Mr. Anay shift out of the default tax regime under section 115BAC.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:-

- (i) What would be the amount of deduction available to Mr. Anay under Chapter VI-A for the assessment year 2025-26?
  - (a) ₹ 2,04,070
  - (b) ₹ 2,42,670
  - (c) ₹ 2,52,670
  - (d) ₹ 2,02,670
- (ii) Assume that, for the purpose of answering this question alone, that Mr. Anay pays rent of ₹ 65,000 per month for his rented house at Mumbai to Mr. C, a resident individual. Is Mr. Anay liable to deduct TDS on such rent? If so, what would be the rate and amount of TDS?
  - (a) Yes, Mr. Anay is liable to deduct TDS @ 3.75% amounting to ₹ 2,438 every month i.e., at the time of payment of such rent
  - (b) Yes, Mr. Anay is liable to deduct TDS @2% amounting to ₹ 15,600 in the month of March 2025
  - (c) Yes, Mr. Anay is liable to deduct TDS @5% amounting to ₹ 39,000 in the month of March 2025
  - (d) No, Mr. Anay is not liable to deduct TDS, since he is a salaried person
- (iii) What would be the amount of interest chargeable under section 234B on account of short payment of advance tax?
  - (a) ₹ 1,980
  - (b) Nil
  - (c) ₹ 3,130
  - (d) ₹ 2,410

**(3 x 2 = 6 Marks)**

3. On 20.10.2024, Piya (minor child) gets a gift of ₹ 20,00,000 from her father's friend. On the same day, the amount is deposited as fixed deposit in Piya's bank account. On the said deposit, interest of ₹ 13,000 was earned during the P.Y. 2024-25. In whose hands the income of Piya shall be taxable? Also, compute the amount of income that shall be taxable if both parents pay tax under default tax regime.
- (a) Income of ₹ 20,11,500 shall be taxable in the hands of Piya's father.
  - (b) Income of ₹ 20,13,000 shall be taxable in the hands of Piya's father.
  - (c) Income of ₹ 20,11,500 shall be taxable in the hands of Piya's father or mother, whose income before this clubbing is higher.

- (d) Income of ₹ 20,13,000 shall be taxable in the hands of Piya's father or mother, whose income before this clubbing is higher. **(2 Marks)**
4. Rohit, a resident Indian, has incurred ₹ 15,000 for medical treatment of his dependent brother, who is a person with severe disability and has deposited ₹ 20,000 with LIC for his maintenance. Rohit shifts out of the default tax regime for A.Y. 2025-26. Rohit would be eligible for deduction under section 80DD of an amount equal to –
- (a) ₹ 15,000  
 (b) ₹ 35,000  
 (c) ₹ 75,000  
 (d) ₹ 1,25,000 **(1 Mark)**

### Division B – Descriptive Questions

*Question No. 1 is compulsory.*

*Attempt any **two** questions from the remaining **three** questions.*

1. Mr. Amit, aged 45 years, a resident Indian has provided you the following information for the previous year ended 31.03.2025
- (i) He received royalty of ₹ 2,88,000 from abroad for a book authored by him in the nature of artistic. The rate of royalty as 18% of value of books and expenditure made for earning this royalty was ₹ 40,000. The amount remitted to India till 30th September, 2025 is ₹ 2,30,000.
- (ii) He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2021-22. Total turnover of the undertaking was ₹ 200 lakhs, which includes ₹140 lakhs from export turnover which have been received in India in convertible foreign exchange on or before 30.9.2025. Profit from this industry is ₹ 20 lakhs.
- (iii) He was holding 30% equity shares in TSP (P) Ltd., an Indian company. Company allotted shares to shareholders on 1st October, 2020. The paid up share capital of company is ₹ 20 lakh divided into 2 lakh shares of ₹ 10 each which were issued at a premium of ₹ 30 each.
- He sold all these shares on 30th April, 2024 for ₹ 60 per share. Equity shares of TSP (P) Ltd. are listed on National Stock Exchange and Mr. Amit has paid STT both at the time of acquisition and transfer of such shares. FMV on 31.1.2018 was ₹ 50 per share.
- (iv) Received ₹ 30,000 as savings bank deposits.
- (v) He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of ₹ 2,28,000. He has paid municipal taxes of ₹ 60,000 for the current financial year. Both floor are of equal size.

- (vi) He paid insurance premium of ₹ 39,000 on life insurance policy of son, who is not dependent on him and ₹ 48,000 on life insurance policy of his dependent father.
- (vii) He paid tuition fees of ₹ 42,000 for his three children to a school. The fees being ₹ 14,000 p.a. per child.

You are required to compute the total income and tax liability of Mr. Amit under normal provisions for the A.Y. 2025-26. **(15 Marks)**

2. (a) Mrs. Riya, aged 62 years, was born and brought up in New Delhi. She got married in Russia in 1996 and settled there since then. Since her marriage, she visits India for 60 days each year during her summer break. The following are the details of her income for the previous year ended 31.03.2025:

S. No.	Particulars	Amount (in ₹)
1.	Pension received from Russian Government	65,000
2.	Long-term capital gain on sale of land at New Delhi (computed)	3,00,000
3.	Short-term capital gain on sale of shares of Indian listed companies in respect of which STT was paid both at the time of acquisition as well as at the time of sale (computed)	60,000
4.	Premium paid for self to Russian Life Insurance Corporation at Russia	75,000
5.	Rent received (equivalent to Annual Value) in respect of house property in New Delhi	90,000

You are required to ascertain the residential status of Mrs. Riya and compute her total income in India for Assessment Year 2025-26 under default tax regime. **(6 Marks)**

- (b) Mr. Sameer, aged 52 years, provides you the following information and requests you to determine his advance tax liability with due dates for the financial year 2024-25.

Estimated tax liability for the financial year 2024-25	₹ 80,000
Tax deducted at source for this year	₹ 12,000

**(4 Marks)**

3. (a) Mr. Piyush runs a sole proprietorship firm and owns four machines which was put in use for business in March, 2023. The depreciation on these machines is charged @ 15%. The written down value of these machines as on 1<sup>st</sup> April, 2024 was ₹ 7,70,000. Two of the old machines were sold on 15th July, 2024 for ₹ 10,00,000. A second hand plant was bought for ₹ 6,10,000 on 30th December, 2024.

Further, Mr. Piyush has furnished the following particulars relating to payments made and expenditure incurred towards scientific research for the year ended 31.3.2025:

Sl. No.	Particulars	₹ (in lakhs)
(i)	Payment made to UV University, an approved University	15
(ii)	Payment made to Satywati College	17

Compute the following for Assessment Year 2025-26

- (i) Claim of depreciation
- (ii) Capital gains liable to tax
- (iii) Deduction available under section 35 if he has shifted out of the default tax regime **(6 Marks)**

- (b) Mr. Asif bought a vacant land for ₹ 80 lakhs in March 2005. Registration and other expenses were 10% of the cost of land. He constructed a residential building on the said land for ₹ 100 lakhs during the financial year 2006-07.

He entered into an agreement for sale of the above said residential house with Mr. Hari (not a relative) in July 2024. The sale consideration was fixed at ₹ 600 lakhs and on the date of agreement, Mr. Asif received ₹ 20 lakhs as advance in cash. The stamp duty value on that date was ₹ 620 lakhs.

The sale deed was executed and registered on 10-2-2025 for the agreed consideration. However, the State stamp valuation authority had revised the values, hence, the value of property for stamp duty purposes was ₹ 670 lakhs. Mr. Asif paid 1% as brokerage on sale consideration received.

Subsequent to sale, Mr. Asif made investments in NHAI bond: ₹ 45 lakhs on 29-5-2025 and ₹ 15 lakhs on 12-7-2025.

Compute the Capital Gain chargeable to tax for A.Y. 2025-26.

Cost Inflation Index:	F.Y. 2004-05	113	
	F.Y. 2006-07	122	
	F.Y. 2024-25	363	<b>(4 Marks)</b>

4. (a) Vijay Prasad, a non resident aged 50 years furnishes the following information of the income from India for the year ended on 31-03-2025:

Income by way of salary (computed)	2,75,000
Short term capital loss	(1,85,000)
Business income - Retail business	1,20,000
Business income - whole sale business	(1,00,000)
Brought forward business loss (A.Y. 2022-23)	(1,35,000)
Long term capital gain from sale of building in April 2024	2,00,000
Lottery winnings (gross)	45,000



Contribution to provident fund and NSC 1,50,000

Income of minor daughter Manisha from special talent 2,00,000

Compute his income tax liability assuming that he opts out of the default tax regime under section 115BAC. **(6 Marks)**

- (b) Mr. Kailash, a resident and ordinarily resident in India, could not file his return of Income for the assessment year 2025-26 before due date prescribed under section 139(1). Advise Mr. Kailash as a tax consultant.

What are the consequences for non-filing of return of Income within the due date under section 139(1)?

OR

- (b) Mr. Naksh has undertaken certain transactions during the F.Y.2024-25, which are listed below. You are required to identify the transactions in respect of which quoting of PAN is mandatory in the related documents—

S. No.	Transaction
1.	Payment of life insurance premium of ₹ 40,000 in the F.Y.2024-25 by account payee cheque to LIC for insuring life of self and spouse
2.	Payment of ₹ 1,10,000 to RBI for acquiring its bonds
3.	Applied for issue of credit card to SBI
4.	Payment of ₹ 1,00,000 by account payee cheque to travel agent for travel to Singapore for 3 days to visit

**(4 Marks)**

**MODEL TEST PAPER 6**  
**INTERMEDIATE COURSE: GROUP-I**  
**PAPER – 3: TAXATION**

**Time Allowed – 3 Hours**

**Maximum Marks – 100**

**SECTION – A: INCOME TAX LAW (50 MARKS)**

*Working Notes should form part of the answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note. However, in answers to Questions in Division A, working notes are not required.*

*The relevant assessment year is A.Y.2025-26.*

**Division A – Multiple Choice Questions**

***Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.***

1. Mr. Ashish born on 1.4.1964 furnished his return of income for Assessment Year 2025-26 on 10.07.2025. He has paid tax under default tax regime. He had shown the following income in his original return of income -
- Salary of ₹ 10.50 lakhs from PQR (P) Ltd (Computed)
  - Interest from savings bank account of ₹ 15,700
  - Interest from fixed deposits with SBI of ₹ 50,000.

During the P.Y. 2024-25, he paid interest on loan of ₹ 2,50,000 for purchase of self-occupied property. He contributed ₹ 1,50,000 towards the PPF. He paid health insurance premium of ₹ 40,000 by account payee cheque for self and wife. He paid ₹ 2,200 in cash for his health check-up and ₹ 4,000 by cheque for preventive health check-up of his parents. He also paid medical insurance premium of ₹ 29,000 during the year to insure the health of his mother, aged 80 years. He further incurred medical expenditure of ₹ 18,000 on his father, aged 81 years, who is staying with him. His father is not covered under any mediclaim policy.

He met one of his friends, CA. Ashwin on 01.02.2026. While discussing with his friend, his friend told him that the default tax regime under section 115BAC is not beneficial to him. He advised him to revise his return of income and shift out of the default tax regime. However, Mr. Ashish's son, who is employed in the accounts department of TQM (P) Ltd., is of the view that once tax is paid under section 115BAC in original return, it cannot be changed in revised return.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:-

- (i) What is the total deduction under Chapter VI-A allowable to Mr. Ashish if he shifts out of the default tax regime under section 115BAC?
- (a) ₹ 2,34,800
  - (b) ₹ 2,35,000

- (c) ₹ 2,92,000  
(d) ₹ 2,92,200
- (ii) What is total income of Mr. Ashish under normal provisions of the Act for A.Y. 2025-26?
- (a) ₹ 5,73,700  
(b) ₹ 6,23,700  
(c) ₹ 6,48,700  
(d) ₹ 6,30,700
- (iii) Can Mr. Ashish file his revise return of income for A.Y. 2025-26 and declare income under the regular provisions of the Act?
- (a) Yes, Mr. Ashish can revise his return of income and declare income under the regular provisions of the Act  
(b) No, though he can file a revised return of income, option to shift out from section 115BAC once not opted in original return of income cannot be opted in revised return of income if he is filing revised return after due date.  
(c) No, Mr. Ashish cannot revise his return of income for A.Y. 2025-26  
(d) No, he cannot do so since he is a salaried employee. He would have made a declaration to pay tax under section 115BAC to his employer, which cannot be changed subsequently at the time of filing of return of income
- (3 x 2 = 6 Marks)**
2. Mr. Rajiv, an Indian resident, purchased a residential house property at Gwalior on 28.05.1999 for ₹ 28.5 lakhs. The fair market value and the stamp duty value of such house property as on 1.4.2001 was ₹ 33.5 lakhs and ₹ 32.4 lakhs, respectively. On 25.03.2014, Mr. Rajiv entered into an agreement with Mr. Virat for sale of such property for ₹ 74 lakhs and received an amount of ₹ 3.9 lakhs as advance. However, as Mr. Virat did not pay the balance amount, Mr. Rajiv forfeited the advance.
- On 15.04.2024, Mr. Rajiv sold the house property to Mr. Suraj for ₹ 2.10 crores, when the stamp duty value of the property was ₹ 2.33 crores.
- Cost inflation index –  
P.Y. 2024-25: 363; P.Y. 2013-14: 220; P.Y. 2001-02: 100
- Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:-
- (i) What shall be the indexed cost of acquisition of residential house property at Gwalior for computation of capital gains in the hands of Mr. Rajiv?
- (a) ₹ 1,17,61,200  
(b) ₹ 1,03,45,500  
(c) ₹ 1,07,44,800

- (d) ₹ 1,05,27,200
- (ii) The amount of capital gains for A.Y. 2025-26 in the hands of Mr. Rajiv for sale of residential house property at Gwalior is -
- (a) ₹ 1,13,38,800
- (b) ₹ 1,15,38,800
- (c) ₹ 1,29,54,500
- (d) ₹ 1,25,55,200
- (iii) The amount required to be deducted as TDS by Mr. Suraj under section 194-IA, is -
- (a) ₹ 2,33,000
- (b) Nil
- (c) ₹ 2,10,000
- (d) ₹ 23,000

**(3 x 2 = 6 Marks)**

3. Mr. Sushil is a person of Indian origin, residing in Canada. During P.Y. 2024-25, he visited India on several occasions and his period of stay, in total, amounted to 129 days during P.Y. 2024-25 and his period of stay in India during P.Y. 2023-24, P.Y. 2022-23, P.Y.2021-22, P.Y. 2020-21 was 135 days, 115 days, 95 days and 125 days, respectively. He earned the following incomes during the P.Y. 2024-25:

Source of Income	Amount (₹)
Income received or deemed to be received in India	2,50,000
Income accruing or arising or which is deemed to accrue or arise in India	3,75,000
Income accruing or arising and received outside India from business controlled from India	5,50,000
Income accruing or arising and received outside India from business controlled outside India	6,50,000

What is the residential status of Mr. Sushil for A.Y. 2025-26 and his income liable to tax in India during A.Y. 2025-26?

- (a) Non-Resident; ₹ 6,25,000 is liable to tax in India
- (b) Resident and ordinary resident; ₹ 18,25,000 is liable to tax in India
- (c) Resident but not ordinarily resident; ₹ 11,75,000 is liable to tax in India
- (d) Non-Resident; ₹ 11,75,000 is liable to tax in India

**(2 Marks)**

4. Mr. Arora made the following cash withdrawals during the P.Y.2024-25 -

Date	Amount	From
1.6.2024	₹ 70 lakhs	Canara Bank
1.8.2024	₹ 50 lakhs	Canara Bank
1.10.2024	₹ 60 lakhs	Repco Bank (Co-operative Bank)

1.11.2024	₹ 10 lakhs	SBI
1.12.2024	₹ 10 lakhs	Repco Bank (Co-operative Bank)
20.1.2025	₹ 20 lakhs	Repco Bank (Co-operative Bank)
1.2.2025	₹ 15 lakhs	Repco Bank (Co-operative Bank)
10.2.2025	₹ 75 lakhs	SBI
1.3.2025	₹ 15 lakhs	SBI

Which of the above banks are required to deduct tax at source on cash withdrawals made by Mr. Arora in the P.Y.2024-25 if he regularly files his return of income?

- (a) Canara Bank  
(b) SBI & Repco  
(c) Repco & Canara Bank  
(d) Repco

(1 Mark)

### Division B – Descriptive Questions

*Question No. 1 is compulsory*

*Attempt any **two** questions from the remaining **three** questions*

1. Mr. Ashok, aged 61 years, a resident individual, engaged in a wholesale business of stationary products provides you the following information for the year ended 31.3.2025. He is also a partner in UVW & Co., a partnership firm.

Sl. No.	Particulars	₹	₹
(i)	Interest on capital received from UVW & Co., at 14% [in accordance with the partnership deed]		1,40,000
(ii)	Share of profit from the firm		44,000
(iii)	Salary as working partner (fully allowed in the hands of the firm)		1,00,000
(iv)	Interest from bank on fixed deposit (Net of TDS)		49,500
(v)	Interest on saving bank account		13,300
(vi)	Income-tax refund received relating to assessment year 2024-25 including interest of ₹ 1,400		34,500
(vii)	Net profit from wholesale business		6,60,000
	Amounts debited include the following:		
	- Depreciation as per books	34,000	
	- Motor car expenses	40,000	
	- Municipal taxes for the shop	7,000	

	(For two half years; payment for one half year made on 12.7.2024 and for the other on 31.12.2025)		
	- Salary to manager by way of a single cash payment	22,000	
(viii)	The WDV of the assets (as on 1.4.2024) used in above wholesale business is as under:		
	- Computers	2,40,000	
	- Computer printer	1,50,000	
(ix)	Motor car acquired on 31.12.2024 (20% used for personal use)	6,80,000	
(x)	He owned a house property in Mumbai which was sold in January, 2021. He received arrears of rent in respect of the said property in October, 2024.		1,35,000
(x)	LIP paid for independent son	60,000	
(xi)	PPF of his wife	70,000	
(xii)	Health insurance premium paid by way of A/c payee cheque for self	35,000	
(xiii)	Contribution toward Prime Minister National Relief Fund	50,000	

You are required to compute the total income and tax liability of Mr. Ashok for the A.Y. 2025-26 assuming he opts out from the provisions of section 115BAC. **(15 Marks)**

2. (a) Mr. Sudesh (aged 58 years), a citizen of India, serving in the Ministry of Finance in India, was transferred to Indian Embassy in UK on 15<sup>th</sup> March 2024. His income during the financial year 2024-25 is given hereunder:

Particulars	₹
Rent from a house situated at UK, received in UK. Thereafter, remitted to Indian bank account.	5,25,000
Salary from Government of India	9,25,000
Foreign Allowances from Government of India	8,00,000

Mr. Sudesh did not come to India during the financial year 2024-25. Compute his total income for the Assessment year 2025-26. **(3 Marks)**

- (b) Mr. Sumit has submitted his income-tax return containing certain losses/deductions in respect of the P.Y. 2024-25 on 22.10.2025. The due date for filing the return for Mr. Sumit was 31<sup>st</sup> July, 2025 under section 139(1). You are required to examine with reference to the relevant provisions of Income-tax Act, 1961 whether the following losses/deductions can be carried forward/claimed in subsequent years by Mr. Sumit if he pays tax under default tax provisions of the Act.

- (i) Loss from the business carried on by him as a proprietor: ₹ 10,80,000 (computed)
- (ii) Unabsorbed Depreciation: ₹ 2,00,000 (computed)
- (iii) Loss from let out house property: ₹ 2,50,000 (computed)

**(3 Marks)**

(c) Briefly discuss the provisions of tax deducted at source under the Income-tax Act, 1961 in respect of the following payments:

- (i) Mr. Shamsher (a resident individual aged 65 years) has maintained two fixed deposits in two different branches of HFC Bank of India (working on core banking solution). During the year 2024-25, the bank paid ₹ 32,000 and ₹ 17,000 as interest on these fixed deposits.
- (ii) Mr. Chetan, a pensioner, pays ₹ 55,00,000 in November 2024 to Mr. Gopi, for contract payment for reconstruction of his residential house.

**(4 Marks)**

3. (a) Mr. Yogesh constructed a house in P.Y. 2017-18 with 3 independent units. During the P.Y. 2024-25, Unit - 1 (50% of floor area) is let out for residential purpose at monthly rent of ₹ 20,000. Rent of January, 2025 could not be collected from the tenant and a notice to vacate the unit was given to the tenant. No other property of Mr. Yogesh is occupied by the tenant. Unit - 1 remains vacant for February and March 2025 when it is not put to any use. Unit - 2 (25% of the floor area) is used by Mr. Yogesh for the purpose of his business, while Unit - 3 (the remaining 25%) is utilized for the purpose of his residence. Other particulars of the house are as follows:

Municipal valuation - ₹ 2,88,000

Fair rent - ₹ 2,98,000

Standard rent under the Rent Control Act - ₹ 2,78,000

Municipal taxes - ₹ 30,000 paid by Mr. Yogesh

Repairs - ₹ 7,000

Interest on capital borrowed for the construction of the property - ₹ 90,000,

Ground rent - ₹ 6,000 and

Fire insurance premium paid - ₹ 60,000.

Income of Yogesh from the business is ₹ 2,40,000 (without debiting house rent and other incidental expenditure).

Determine the taxable income of Mr. Yogesh for the assessment year 2025-26 if he pays tax under section 115BAC.

**(5 Marks)**

- (b) Mr. Soham, a builder, entered into an agreement on 1.4.2024 with Mr. Aman to transfer 4<sup>th</sup> Floor in Tower A of a new project for ₹ 1,50,00,000. He received ₹ 25 lakhs as advance in cash on 1.4.2024. The stamp duty value of such floor on that date was ₹ 1,70,00,000. The

sale deed was executed and registered on 15.6.2024 for the agreed consideration. However, the stamp duty value on that date was ₹ 1,75,00,000.

Discuss the tax consequences of above, in the hands of Mr. Soham and Mr. Aman. **(5 Marks)**

4. (a) Mr. Mohan, aged 30 years, submits the information of following transaction/income during the P.Y. 2024-25
- (i) Mr. Mohan had a house in Delhi. During financial year 2020-21, he had transferred the said house to Ms. Veena, daughter of his brother without any consideration. House would go back to Mr. Mohan after the life time of Ms. Veena. The transfer was made with a condition that 15% of rental income from such house shall be paid to Mrs. Mohan. Rent received by Ms. Veena during the previous year 2024-25 from such house property is ₹ 6,50,000.
  - (iii) Mr. and Mrs. Mohan forms a partnership firm with equal share in profits. Mr. Mohan transferred a fixed deposit of ₹ 50 lakhs to such firm. Firm had no income or expense other than the interest of ₹ 6,00,000 received from such fixed deposit. Firm distributed the entire surplus to Mr. and Mrs. Mohan at the end of the year.
  - (iv) Mr. Mohan holds preference shares in M/s X Pvt. Ltd. He instructed the company to pay dividends to Ms. Roshni, daughter of his servant. The transfer is irrevocable for the life time of Roshni. Dividend received by Ms. Roshni during the previous year 2024-25 is ₹ 10,00,000.
  - (v) Mr. Mohan has a short term capital loss of ₹ 16,000 from sale of property and long term capital gain of ₹ 15,000 from sale of property.
  - (vi) Other income of Mr. Mohan includes
    - Interest from saving bank account of ₹ 2,00,000
    - Cash gift of ₹ 75,000 received from daughter of his sister on his birthday.
    - Income from betting of ₹ 34,000
    - Income from card games of ₹ 46,000
    - Loss on maintenance of race horses of ₹ 14,600

Compute the total income of Mr. Mohan for the Assessment Year 2025-26 and the losses to be carried forward if he pays tax under default tax regime. **(7 Marks)**

- (b) Mr. Prince, a senior citizen, has reported a Total Income ₹ 1,90,000. He has claimed exemption of ₹ 50,000 under section 54EC in respect of long term capital gain on sale of house property and deductions under Chapter VI-A amounting to ₹ 1,50,000 for the previous year



2024-25. Is he liable to file his return of income under section 139(1) for the Assessment year 2025-26? If so why? **(3 Marks)**

**OR**

- (b) Examine with reasons, whether the following statements are true or false, with regard to the provisions of the Income-tax Act, 1961:
- (i) The Assessing Officer has the power, *inter alia*, to allot PAN to any person by whom no tax is payable.
  - (ii) Where the Karta of a HUF is absent from India, the return of income can be verified by any male member of the family.

**(3 Marks)**

**MODEL TEST PAPER 7**  
**INTERMEDIATE COURSE: GROUP-I**  
**PAPER – 3: TAXATION**

**Time Allowed – 3 Hours**

**Maximum Marks – 100**

**SECTION – A: INCOME TAX LAW (50 MARKS)**

*Working Notes should form part of the answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note. However, in answers to Questions in Division A, working notes are not required.*

*The relevant assessment year is A.Y.2025-26.*

**Division A – Multiple Choice Questions**

***Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.***

1. Mr. Amit, an Indian citizen, aged 61 years, has set-up his business in France and is residing in France since 2010. He owns a house property in France, half of which is used by him for his residence and half is given on rent (converted into INR is ₹ 12,00,000 p.a.).

Mr. Amit visited India for 65 days during the previous year 2024-25. Before that he visited India in total for 366 days during the period 1.4.2020 to 31.3.2024.

He derived some other incomes during the F.Y. 2024-25 which are as follows:

- (i) Profit from business in France ₹ 2,75,000
- (ii) Interest on bonds of a Co. in France ₹ 6,20,000 out of which 50% was received in India.
- (iii) Income from Apple Orchid in Nepal given on contract and the yearly contract fee of ₹ 5,00,000 for F.Y. 2024-25, was received by Amit in Nepal.

Mr. Amit has sold 10,000 listed shares @ ₹ 480 per share of ABC Ltd., an Indian company, on 15.9.2024, which he acquired on 05-04-2021 @ ₹ 100 per share. STT was paid both at the time of acquisition as well as at the time of transfer of such shares.

On 31-01-2018, the shares of ABC Ltd. were traded on a recognized stock exchange as under:

Highest price - ₹ 300 per share

Average price - ₹ 290 per share

Lowest price - ₹ 280 per share

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:-

- (i) What would be the residential status of Mr. Amit for the A.Y. 2025-26?
  - (a) Resident and ordinarily resident in India
  - (b) Resident but not ordinarily resident in India
  - (c) Non-resident
  - (d) Deemed resident
- (ii) What amount of capital gain would arise in the hands of Mr. Amit on transfer of shares of ABC Ltd?
  - (a) ₹ 18,00,000
  - (b) ₹ 19,00,000
  - (c) ₹ 20,00,000
  - (d) ₹ 38,00,000
- (iii) What would be the total income of Mr. Amit for the A.Y. 2025-26?
  - (a) ₹ 41,10,000
  - (b) ₹ 38,00,000
  - (c) ₹ 21,10,000
  - (d) ₹ 49,50,000

**(3 x 2 = 6 Marks)**

2. Miss Himani transferred to his husband, Mr. Hemant, a residential property worth ₹ 45 lakhs located in Nagpur without any consideration. The expected rent of such property is ₹ 5 lakhs. Municipal tax of ₹ 5,000 paid by Miss Himani for this property during the previous year 2024-25. Miss Himani has three residential properties in Mumbai. The expected rent from the 3 properties situated in Mumbai is ₹ 10 lakhs, ₹ 11 lakhs and ₹ 12 lakhs respectively. She purchased the properties out of her own funds. Municipal taxes due are ₹ 15,000, ₹ 20,000 and ₹ 25,000. The same have, however, not been paid this year in respect of the three properties. The expected rent is lesser than the standard rent in case of all the aforementioned properties. Miss Himani does not have any income from any other source.

Miss Himani's father, aged 58 years had capital gains of ₹ 5 crores from sale of house property. He reinvested the proceeds from sale in another residential house of ₹ 4.98 crores and the remaining sale proceeds were deposited in his savings bank account. He has paid ₹ 1,50,000 towards LIC premium. He has no other source of income.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

- (i) What is the amount of income liable to be taxed in the hands of Miss Himani under the head "Income from House Property" for A.Y.2025-26?
  - (a) ₹ 7,00,000
  - (b) ₹ 10,46,500

- (c) ₹ 10,50,000
- (d) ₹ 13,76,500
- (ii) What would be tax liability of Miss Himani for the A.Y. 2025-26? Compute in a manner so that her tax liability is minimum.
  - (a) ₹ 66,300
  - (b) ₹ 59,250
  - (c) ₹ 69,650
  - (d) ₹ 1,31,510
- (iii) Is Himani's father required to furnish his return of income in India for the A.Y.2025-26?
  - (a) No, he is not required, since his income does not exceed basic exemption limit
  - (b) Yes, he is required to furnish return of income on or before 31<sup>st</sup> July, 2025
  - (c) Yes, he is required to furnish return of income on or before 30<sup>th</sup> September, 2025
  - (d) Yes, he is required to furnish return of income on or before 31<sup>st</sup> October, 2025

**(3 x 2 = 6 Marks)**

3. During the P.Y.2024-25, Mr. Ranjit has short-term capital gains of ₹ 95 lakhs taxable under section 111A, long-term capital gains of ₹ 110 lakhs taxable under section 112A and business income of ₹ 90 lakhs. Which of the following statements is correct if Mr. Ranjit is paying tax under default tax regime?
    - (a) Surcharge @15% is leviable on income-tax computed on total income of ₹ 2.95 crore.
    - (b) Surcharge @25% is leviable on income-tax computed on total income of ₹ 2.95 crore, since total income exceeds ₹ 2 crore.
    - (c) Surcharge @15% is leviable in respect of income-tax computed on capital gains of ₹ 2.05 crore; in respect of business income, surcharge is leviable @25% on income-tax, since total income exceeds ₹ 2 crore.
    - (d) Surcharge @15% is leviable in respect of income-tax computed on capital gains of ₹ 2.05 crore; surcharge @10% is leviable on income-tax computed on business income, since the same exceeds ₹ 50 lakhs but is less than ₹ 1 crore.
- (2 Marks)**
4. Mr. Raj incurred short-term capital loss of ₹ 10,000 on sale of shares through the National Stock Exchange. Such loss -
    - (a) can be set-off only against short-term capital gains
    - (b) can be set-off against both short-term capital gains and long-term capital gains.

- (c) can be set-off against any head of income.  
 (d) not allowed to be set-off.

(1 Mark)

### Division B – Descriptive Questions

*Question No. 1 is compulsory*

*Attempt any **two** questions from the remaining **three** questions*

1. (a) Mr. Sahil, resident Indian aged 40 years, a Manufacturer at Chennai, gives the following Manufacturing, Trading and Profit & Loss Account for the year ended 31.03.2025.

#### **Manufacturing, Trading and Profit & Loss Account for the year ended 31.03.2025**

Particulars	₹	Particulars	₹
To Opening Stock	4,97,000	By Sales	3,04,50,000
To Purchase of Raw Materials	1,20,43,500	By Closing Stock	14,00,000
To Manufacturing Wages & Expenses	40,63,500		
To Gross Profit	1,52,46,000		
<b>Total</b>	<b>3,18,50,000</b>	<b>Total</b>	<b>3,18,50,000</b>
To Administrative Charges	20,30,000	By Gross Profit	1,52,46,000
To SGST Penalty Paid		By Dividend From Domestic Companies	1,05,000
(It is not compensatory nature)	49,000	By Winning from Lotteries (Net of TDS) (TDS 31,500)	73,500
To GST Paid	7,70,000	By Profit on Sale of Shares	3,15,000
To General Expenses	3,85,000		
To Miscellaneous Expenses	10,53,500		
To Loss on Sale of Shares	1,40,000		
To Interest to Bank for term loan	4,20,000		
To Depreciation	14,00,000		
To Net Profit	94,92,000		
<b>Total</b>	<b>1,57,39,500</b>	<b>Total</b>	<b>1,57,39,500</b>

Following are the further information relating to Financial Year 2024-2025:

- (i) Administrative Charges include ₹ 46,000 paid as commission to brother of the assessee. The Commission amount at the market rate in ₹ 36,000.
- (ii) The assessee paid ₹ 33,000 in cash to a Transport Carrier on 26.12.2024. This amount is included in Manufacturing Expenses. (Assume that the provisions relating to TDS are not applicable on this payment.)
- (iii) Bank Term Loan Interest actually paid upto 31.03.2025 was ₹ 1,40,000 and the balance was paid in October 2025.
- (iv) Miscellaneous Expenses include ₹ 10,000 contributed to Prime Minister's Relief Fund by account payee cheque.
- (v) Loss on Sale of Shares represents shares sold within a period of 6 months from the date of purchase.
- (vi) Profit on Sale of Shares represents shares sold in December 2024 and held for 2 years & Securities Transaction Tax was paid on it.
- (vii) Housing Loan Principal repaid during the year was ₹ 50,000 and it relates to residential property occupied by him. Interest on Housing Loan was ₹ 2,60,000. Housing Loan was taken from Canara Bank. (Value of house property is ₹ 45 lakhs, loan value ₹ 25 lakhs and sanction date 31.03.2020). These amounts were not dealt with in the Profit and Loss Account given above.
- (ix) Depreciation allowable under the Act to be computed on the basis of following information:

<b>Plant &amp; Machinery (Depreciation Rate @15%)</b>	<b>₹</b>
Opening WDV (as on 01.04.2024)	84,00,000
Additions During the year (Used for more than 180 Days)	14,00,000
Total Additions during the year	28,00,000
Note: Ignore Additional Depreciation u/s 32(1)(ia)	

Compute the total income and tax liability of Mr. Sahil for the A.Y. 2025-26 if he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A). **(15 Marks)**

2. (a) Mr. Tilak aged 35 years, furnishes the following information regarding his income for the assessment year 2025-26. Compute the total income if he is:
  - (1) Resident and Ordinarily Resident.
  - (2) Resident but Not Ordinarily Resident
 (Ignore the provisions of Section 115BAC).

- (i) FTS of ₹ 50,000 for service rendered in Malaysia to a non-resident for business in Malaysia, credited to his bank account in Malaysia and immediately remitted to his bank account in India.
  - (ii) Profits from a business in England controlled from Bombay ₹ 3,00,000 (out of which ₹ 25,000 is received in India).
  - (iii) Amount brought to India out of past untaxed profits earned in Singapore ₹ 1,00,000.
  - (iv) Capital gain on sale of land in India but received in Malaysia ₹ 2,00,000.
  - (v) Income from agriculture land at Nepal of ₹ 18,000, received there and then brought to India.
  - (vi) He paid ₹ 50,000 towards principal payment of loan taken for construction of his self-occupied house in India.
  - (vii) Interest on saving bank deposit in State Bank of India of ₹ 12,000. **(6 Marks)**
- (b) Examine the applicability of Tax Deduction at Sources (TDS) or Tax Collection at Source (TCS) as per the Income Act, 1961 for the assessment year 2025-26 in the following independent situations.
- (i) ABC Limited paid rent of ₹ 75,000+18% GST per month to Mr. Ram for the office premises from 01.04.2024 to 31.03.2025. Mr. Ram has furnished his PAN and also filed his return of income before due date regularly.
  - (ii) XYZ Pvt. Ltd sells two cars to Mrs. Anju costing ₹ 4,00,000 and ₹ 12,00,000 respectively on 01.05.2024 and 25.12.2024. Mrs. Anju has furnished her PAN and filed her return of income regularly before the due date. **(4 Marks)**
3. (a) (i) Mr. Ravi received an advance of ₹ 2,00,000 on 10.5.2024 from a closely held manufacturing company (private company in which the public are not substantially interested) in which he holds 22% shareholding. The company had an accumulated profit of ₹ 1,00,000 at the time of giving the advance. Compute the amount of income to be included in the hands of Mr. Ravi for the assessment year 2024-25 and also state the head under which it is to be included. **(2 Marks)**
- (ii) Mr. Rajo has commenced business on 1.4.2024. He finished the following information regarding the payments made towards Scientific Research during the financial year 2024-25:
- (i) Revenue expenditure on Scientific Research incurred during the year ₹ 1,00,000.
  - (ii) Capital Expenditure for Scientific Research ₹ 3,00,000.
  - (iii) Contribution to Notified approved research association ₹ 1,50,000.

- (iv) Amount paid to H Limited an Indian company which has as its main object scientific research and approved by the prescribed authority ₹ 2,50,000.
- (v) Expenditure of ₹ 2,50,000 towards purchase of Land for scientific research.
- (vi) He also incurred revenue expenditure of ₹ 2,00,000 towards salary of research staff in the F.Y.2023-24 and certified by the prescribed authority.

Compute the deduction allowable u/s 35 for the assessment year 2025-26 assuming that he has opted out of default tax regime u/s 115BAC. **(4 Marks)**

- (b) Mr. Surinder furnishes the following particulars for the previous year ending 31.03.2025. He had a Residential House, inherited from his father in December 2009, the Fair Market Value of which on 01.04.2001 is ₹ 13 lakhs. In the year 2013-2014, further construction and improvements costing of ₹ 10 lakhs. The House was originally purchased by his father on 01.03.2000 for ₹ 10 Lakhs. On 10.05.2024, the House was sold for ₹ 85 Lakhs. Expenditure in connection with transfer is ₹ 50,000. On 20.12.2024, he purchased a Residential House for ₹ 12 lakhs and he does not own any other house.

Compute the taxable Capital Gain for the assessment year 2025-26.

(Cost Inflation Index: F.Y. 2013-14:220, F.Y.2024-25:363, F.Y. 2009-10:148 and F.Y. 2001-02:100) **(4 Marks)**

4. (a) Mr. Joshi, resident Indian, aged about 58 years, furnished the following details of his income for the previous year 2024-25:
- (i) Income from House property (computed) ₹ 2,00,000.
  - (ii) Income from Proprietary Business ₹ 3,00,000.
  - (iii) Short Term Capital Gain on sale of Land ₹ 2,00,000.
  - (iv) Short Term Capital loss on sale of equity shares listed in recognized stock exchange (STT paid) ₹ 75,000.
  - (v) Interest on Bank fixed deposit ₹ 50,000 received by his son, aged 21 years, out of money gifted by Mr. Joshi in 2023.
  - (vi) Loss from Speculation Business ₹ 40,000.
  - (vii) Loss from Owning and Maintenance of Race Horses ₹ 50,000.

Following are the losses:

- (a) Brought forward House property loss of assessment year 2022-23 ₹ 2,50,000.
- (b) Business loss of Proprietary business from assessment year 2014-15 ₹ 50,000.
- (c) Unabsorbed Depreciation relating to assessment year 2015-16 ₹ 1,00,000.



- (d) Brought forward Long Term Capital Loss from assessment year 2019-20 ₹ 90,000.

Return of income for all the years were filed before the due date except for A.Y. 2019-20.

Compute the total income of Mr. Joshi for the assessment year 2025-26 and show the items eligible for carry forward, assuming that he exercises the option of shifting out of the default tax regime provided under Section 115BAC(1A). **(6 Marks)**

- (b) State with reason whether the following persons are required to file their return of income as per the provisions of the Income Tax Act, 1961 for the assessment year 2025-26:
- (i) Mr. Aneesh aged 31 years, who pays tax under default tax regime u/s 115BAC(1A) had a total income of ₹ 2,90,000 for the previous year 2024-25.
  - (ii) Smt. Patel, aged 65 years, has a TDS credit of ₹ 55,000 during the previous year 2024-25.
  - (iii) The gross receipts of Mr. Ajit, aged 45 years, an architect for the previous year 2024-25 was ₹ 12,00,000, but his profit from profession was only ₹ 2,25,000 and he has no other income.

**(4 Marks)**

**OR**

- (b) State the persons who are required to file their return of income in pursuance of the notification issued by the CBDT has vide Notification No. 37/2022 dated 21.04.2022. **(4 Marks)**

**MODEL TEST PAPER 8**  
**INTERMEDIATE COURSE: GROUP-I**  
**PAPER – 3: TAXATION**

**Time Allowed – 3 Hours**

**Maximum Marks – 100**

**SECTION – A: INCOME TAX LAW (50 MARKS)**

*Working Notes should form part of the answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note. However, in answers to Questions in Division A, working notes are not required.*

*The relevant assessment year is A.Y.2025-26.*

**Division A – Multiple Choice Questions**

***Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.***

1. Ms. Prerna is having a residential house property in Nagpur, of which 1/3<sup>rd</sup> is self-occupied and 2/3<sup>d</sup> is let out for commercial purposes at a monthly rent of ₹ 12,000. Fair rent (for let out portion only) was ₹ 30,000 p.m., Municipal value for the property was ₹ 2,40,000 and standard rent under the Rent Control Act was ₹ 3,00,000 for the entire property. Municipal taxes are 10% of municipal valuation and are paid by her on 30<sup>th</sup> July, 2024. She took a loan of ₹ 45,00,000 for the construction of this house from a scheduled bank on 1.4.2022. She repaid the entire loan along with interest on 30.6.2024. The interest rate for this loan was 10% p.a. The construction was completed on 30<sup>th</sup> June, 2023. She earns other income of ₹ 2,00,000 during the previous year 2024-25. She wishes to pay tax under default tax regime.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:-

- (i) The Net Annual Value (NAV) of the house property for the A.Y. 2025-26 is:
- (a) ₹ 1,28,000
  - (b) ₹ 1,44,000
  - (c) ₹ 1,84,000
  - (d) ₹ 2,00,000
- (ii) Deduction in respect of interest on loan for the P.Y. 2024-25 shall be:
- (a) ₹ 2,02,500
  - (b) ₹ 1,35,000
  - (c) ₹ 5,62,500
  - (d) ₹ 1,12,500

(iii) Compute her total income for the assessment year 2025-26

- (a) ₹ 1,93,800
- (b) ₹ 2,00,000
- (c) Nil
- (d) ₹ 2,05,000

**(3 x 2 = 6 Marks)**

2. Mr. Desai (aged 52 years) is an Indian resident. He gives the following information to you relating to the P.Y. 2024-25:

- (i) Profit from the business carried out in Dubai controlled from Dubai ₹ 13,10,000 (received in a bank account in Dubai).
- (ii) Loss from a business in Delhi - ₹ 4,50,000
- (iii) During the F.Y. 2024-25, he also played some online games on a particular Indian website Game.com. Game.com is a manufacturer of men's shirts. During the year, Mr. Desai won 6 such shirts. The cost to manufacture such shirts by Game.com is ₹ 3,000 per piece and it sells these shirts at ₹ 10,000 per piece (excluding GST @18%). However, to play such games, Mr. Desai had to deposit a sum of ₹ 50,000 with the website as a refundable deposit.
- (iv) On 23<sup>rd</sup> May 2024, he gifted listed equity shares in an Indian company to his son's daughter, Ms. Shanaya. These shares were purchased by him on 1.4.2020 for ₹ 65,000. The market value as on the date of transfer was ₹ 1,00,000. Shanaya sold these shares for a consideration of ₹ 50,000 on 31.3.2025.
- (v) He had taken a loan of ₹ 25,00,000 for the purchase of an electric vehicle (for his personal purposes) on 1.4.2022 from a scheduled bank. He paid ₹ 5,00,000 as interest on such loan during the P.Y. 2024-25.
- (vi) He wants to pay tax under default tax regime.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:-

- (i) What shall be the total income of Mr. Desai for the A.Y. 2025-26?
  - (a) ₹ 8,78,000
  - (b) ₹ 8,63,000
  - (c) ₹ 9,20,000
  - (d) ₹ 7,70,000
- (ii) Which of the following statement is correct in respect of deductions available to him under Chapter VI-A?
  - (a) He shall be eligible for a deduction of ₹ 1,50,000 in respect of interest on loan irrespective of the tax regime opted by him.
  - (b) He shall not be eligible for any deduction under Chapter VI-A irrespective of the tax regime opted by him.