

INTERMEDIATE COURSE: GROUP - I PAPER – 3 : TAXATION

Total Time: 1.5 Hours

Maximum Marks – 50

1. Part I comprises Multiple Choice Questions (MCQs)
2. Part II comprises questions which require descriptive type answers.

SECTION A: INCOME TAX LAW PART - I

Case Scenario 1 (Q.1-3)

(6 Marks)

Mr. Narendra Sharma aged 54 years, an Indian citizen, carrying on retail business in Dubai. He frequently visits India for business purpose. Details of his visits in India are as follows:

- (1) Came to India on 03.12.2019 and left India on 26.04.2020
- (2) Again, came to India on 09.09.2022 and left India on 10.01.2023
- (3) Again, came to India on 27.12.2023 and left India on 20.02.2024

Afterwards he decided to shift permanently in India and closed his business in Dubai. So, he came to India on 27.11.2024 and joined Indian Company “Cosmos Heritage India Limited” at registered office in Mumbai from 01.12.2024.

From December 2024, he has taken a flat on rent for Rs. 60,000 per month from Mr. Sarthak, an Indian

resident, and Mr. Sarthak has provided his PAN No. to Mr. Narendra Sharma. Following details of his salary income earned in India:

- Basic Salary - Rs. 2,75,675 per month
- COLA (Cost of Living Allowance) (forms part of retirement benefits) - Rs. 1,20,200 per month
- HRA - Rs. 1,37,838 per month
- Other Allowances - Rs. 1,56,000 per month

For the period from April 2024 to November 2024, his business income arising in Dubai is Rs. 26,00,000 and his turnover for the P.Y. 2023-24 is Rs. 95,00,000. He is not liable to pay any tax in Dubai.

He is active in equity share trading after coming to India. Following are the details of his portfolio:

S. No	Sale/ Purchase	Company	Date of Purchase/ Sale	Qty	Price per Share (Rs.)	Brokerage
1.	Purchase	First Smile Ltd	10.12.2024	250	203	1.5%
2	Purchase	Rainbow Ltd	10.12.2024	50	503	1.5%
3.	Purchase	Mega Service Ltd	12.12.2024	150	82	1.5%
4.	Sale	First Smile Ltd	18.12.2024	100	325	1.8%
5.	Purchase	Mega Service Ltd	15.12.2024	110	110	1.5%
6.	Sale	Mega Service Ltd	26.12.2024	150	100	1.8%
7.	Purchase	Rainbow Ltd	28.12.2024	200	385	1.5%
8.	Purchase	Rainbow Ltd	03.01.2025	100	465	1.5%
19.	Sale	First Smile Ltd	23.03.2025	150	250	1.8%

10.	Sale	Mega Service Ltd	26.03.2025	110	110	1.8%
-----	------	------------------	------------	-----	-----	------

Rainbow Limited declared an interim dividend of 200% on 28.02.2025 (face value of each share is Rs.10). The record date was 31.1.2025.

He wants to exercise the option to shift out of the default tax regime u/s 115BAC.

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

Question: 1

What is the residential status of Mr. Narendra for the previous year 2024-25?

- (i) Resident
- (ii) Resident and ordinary resident
- (iii) Non-resident
- (iv) Deemed resident

(2 Marks)

Question: 2

Which of the following statements is correct, in respect of dividend paid by Rainbow Ltd. to Mr. Narendra?

- (i) Dividend received from Rainbow Ltd is exempt in the hands of Mr. Narendra. Hence, no tax is required to be deducted at source.
- (ii) Dividend received from Rainbow Ltd is taxable in the hands of Mr. Narendra but, since the dividend is less than Rs. 10,000, no tax is required to be deducted at source.
- (iii) Dividend received from Rainbow Ltd is taxable in the hands of Mr. Narendra. Tax of Rs.525 is required to be deducted at source.
- (iv) Dividend received from Rainbow Ltd is taxable in the hands of Mr. Narendra. Tax of Rs.700 is required to be deducted at source.

(2 Marks)

Question: 3

What shall be the TDS liability of Mr. Narendra for rent paid to Mr. Sarthak?

- (i) There is no TDS liability of Mr. Narendra, since he is a salaried individual.
- (ii) Mr. Narendra is liable to deduct TDS u/s 194I of Rs. 6,000 for each month.
- (iii) Mr. Narendra is liable to deduct TDS u/s 194-IB of Rs. 1,200 for each month
- (iv) Mr. Narendra is liable to deduct TDS u/s 194IB of R. 4,800 in the month of March 2025.

(2 Marks)

Case Scenario 2 (Q.4-7)

(8 Marks)

Mr. A (aged 52 years), is a CEO of XYZ Enterprise Limited. During the previous year 2024-25, he earned salary of Rs. 1,65,00,000 and long-term capital gain on sale of listed equity shares (STT paid) amounting to Rs. 1,06,500 (assume that the transactions took place before 30th June 2024). He earned interest of Rs.

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. A took a loan from State Bank of India on 27th October 2022 for repairing his house (self-occupied) at Delhi and paid interest on such borrowings of Rs. 80,000 and Rs. 1,50,000 towards principal amount during the previous year 2024-25. Mr. A has made the following payments towards medical insurance premium for health policies taken for his family members:

Medical premium for his brother: Rs. 13,500 (by cheque) Medical premium for his parents: Rs. 17,670 (by cheque) Medical premium for self and his wife: Rs. 21,000 (by cheque).

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

He has paid Rs. 5,30,000 as advance tax. His employer has deducted tax at source of Rs. 51,89,000. He is of the opinion that the balance amount of tax, if any, he will pay on 27th July 2025 (i.e. before the due date for filing of return of income).

Mr. A has opted out of the default tax regime u/s 115BAC.

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

Question: 4

What would be the amount of deduction available to Mr. A under Chapter VI-A for the assessment year 2025-26?

- (i) Rs. 2,04,070
- (ii) Rs. 2,42,670
- (iii) Rs. 2,52,670
- (iv) Rs. 2,02,670

(2 Marks)

Question: 5

Assume that, for the purpose of answering this question alone, that Mr. A pay rent of Rs. 65,000 per month for his rented house at Mumbai to Mr. C, a resident individual, is Mr. A liable to deduct TDS on such rent. If so, what would be the rate and amount of TDS?

- (i) Yes, Mr. A is liable to deduct TDS @ 3.75% amounting to Rs. 2,438 every month at the time of payment of such rent
- (ii) Yes, Mr. A is liable to deduct TDS @5% (2% w.e.f. 01.10.2024) from amounting to Rs. 3,250 every month (1,300 w.e.f. 01.10.2024) i.e., at the time of payment of such rent
- (iii) Yes, Mr. A is liable to deduct TDS@2% amounting to Rs. 15,600 in the month of March 2025
- (iv) No, Mr. A is not liable to deduct TDS, since he is a salaried person

(2 Marks)

Question: 6

What would be the amount of net tax payable for the assessment year 2025-26 in the hands of Mr. A?

- (i) 78,230
- (ii) 60,290
- (iii) 49,530
- (iv) 48,750

(2 Marks)

Question: 7

What would be the amount of interest chargeable u/s 234B on account of short payment of advance tax?

- (i) Rs. 1,980
- (ii) Nil
- (iii) Rs. 3,130
- (iv) Rs. 2,410

(2 Marks)

Question: 8

Mr. Pandya incurred loss of Rs. 4 lakhs in the P.Y.2024-25 in leather business. Against which of the following incomes earned during the same year, can he set-off such loss?

- (i) Profit of Rs. 1 lakh from apparel business
 - (ii) Long-term capital gains of Rs. 2 lakhs on sale of jewellery
 - (iii) Salary income of Rs. 1 lakh
- (a) First from (ii) and thereafter from (i); the remaining loss has to be carried forward.
 - (b) First from (i) and thereafter from (ii) and (iii)
 - (c) First from (i) and thereafter from (iii); the remaining loss has to be carried forward
 - (d) First from (i) and thereafter from (ii); the remaining loss has to be carried forward

(1 Mark)

SECTION A: INCOME TAX LAW PART - II

QUESTION NO.1 IS COMPULSORY.

CANDIDATES ARE ALSO REQUIRED TO ANSWER ANY TWO QUESTIONS FROM THE REMAINING THREE QUESTIONS.

WORKING NOTES SHOULD FORM PART OF THE RESPECTIVE ANSWERS.

ALL QUESTIONS RELATE TO ASSESSMENT YEAR 2025-26, UNLESS OTHERWISE STATED.

Question 1

Mr. Vivek, a resident individual aged 61, furnishes the following information pertaining to the year ended 31.3.2025:

- (i) He is a working partner in AM & Co. He has received the following amounts from the firm:

Interest on capital at 15% : Rs 3,00,000 (allowed 12% to firm)

Salary as working partner (at 1% of firm's sales) (allowed fully to the firm): Rs 90,000

- (ii) He is engaged in a business of manufacturing.

The Profit and Loss account pertaining to this proprietary business (summarized form) is as under:

Particulars	₹	Particulars	₹
To Salaries	1,20,000	By Gross profit	12,45,500
To Bonus	48,000	By Interest on Bank FD (Net)	49,500
To Machinery repairs	2,34,000	By Agricultural income	60,000
To Car expenses	50,000	By Dividend from foreign Company (Gross)	24,000
To Advance tax	70,000		
To Depreciation			
- Car	3,00,000		
- Machinery	1,25,000		
To Net profit	4,32,000		
	13,79,000		13,79,000

Details of assets:

Particulars	₹
Opening WDV of assets is as under:	
- Car	3,00,000
- Machinery	6,50,000
Additions to machinery:	
Purchased on 15.9.2024 by cash in single payment	2,00,000
Purchased on 12.12.2024 by account payee cheque	3,00,000

Second hand machinery purchased on 30.4.2024 by bearer cheque in single payment	1,25,000
---	----------

(All assets added during the year were put to use immediately after purchase).

One-fifth of the car expenses are towards estimated personal use of the assessee. Salary includes Rs 15,000 paid by way of a single cash payment to manager.

- (iii) In February, 2021, he had sold a house at Mumbai. Arrears of rent relating to this house amounting to Rs 75,000 was received in March, 2025.
- (iv) Details of his Savings and Investments are as under:

Particulars	₹
Life insurance premium for policy in the name of his major son employed in a multinational company, at a salary of ₹10 lakhs p.a. (Sum assured 2,00,000) (Policy taken on 1.07.2013)	30,000
Contribution to PPF	70,000
Medical Insurance premium for his mother aged 79, who is not dependent on him	52,000

You are required to compute the total income and tax liability of Mr. Vivek for the assessment year 2025-26. Assume he opted out from default taxation regime u/s 115BAC.

(15 MARKS)

Question 2 (A):

A. Mr. Rohan, an employee of ABC Ltd. is posted at Mumbai. He was appointed on 1st March 2024 on the scale of ₹ 60,000 - ₹ 2,000 - ₹ 80,000. Details of his other income for the previous year 2024-25 are as follows:

- Dearness allowance: 40% of basic salary (60% forms part of pay for retirement benefits)
- Telephone allowance @ ₹ 500 per month
- Both Mr. Rohan and the company contribute 15% of basic salary to RPF. Interest accrued in this Fund@12% p.a. amounted to ₹ 25,800.
- The company has provided him with the rent-free unfurnished accommodation in Mumbai owned by the company.
- The salary of ₹ 2,500 p.m. of domestic servant is reimbursed by the company.
- Rohan has used his own motor car of 1.8 ltr engine capacity for both official and personal purposes. The running and maintenance costs of ₹ 50,000 are borne by the company.
- Professional tax paid ₹ 2,500 of which ₹ 1,500 was paid by the employer.
- During the year 2023-24, Mr. Rohan gifted a sum of ₹ 6,00,000 to Mrs. Rohan. She started a business by introducing such amount as her capital. On 1st April, 2024, her total investment in business was ₹ 10,00,000. During the previous year 2024-25, she has suffered a loss of ₹ 1,20,000 from such business

Determine the gross total income of Mr. Rohan for the A.Y. 2025-26 under normal provisions of the Act.

(6 MARKS)

Question 2 (B):

Mr. KK acquired 1,500 shares of KK Technologies Ltd. at ₹ 60 per share during the P.Y. 2020-21. The

company bought back 400 shares at ₹150 per share on 20/11/2024. Later, Mr. KK sold 900 shares on 10/08/2025 at ₹250 per share.

Discuss the tax treatment in the hands of Mr. KK for the relevant assessment years.

(4 MARKS)

Question 3 (A):

The following are the details relating to Mr. Hritik, 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. 2021-22	86,000
Dividend from ABC Ltd.	11,00,000
Loss from growing & manufacturing of tea business	1,06,000

Mr. Hritik's wife, Shamita is employed with Ray Ltd., at a monthly salary of ₹ 25,000, where Mr. Hritik 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. Hritik 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.

[4 Marks]

Question 3 (B)

In respect of the following independent case scenarios you are required to discuss the provisions related to tax deducted/collected at source and amount of tax deductible for the year ended 31st March 2025.

- Omkar Construction Ltd. sells a flat to Mr. Mani & his wife Mrs. Bani for Rs 48 Lakhs on 15.01.2025 (SDV Rs 42 lakhs). The agreement to sell provides that in addition, buyers has to pay maintenance charges (of Rs 5,000 per month) for 24 months in advance, Rs 2,00,000 for car parking to be used exclusively by him and Rs 1,00,000 for club membership fees to Omkar Construction Ltd. before the flat is registered in the name of Mr. Mani & Mrs. Bani The flat is registered on 30.03.2025. Consideration of 26,10,000 is paid by each co-owners.
- Mr. X, a salaried individual pays rent of building Rs 55,000 per month to Mr. Y from June, 2024. Is he required to deduct tax at source? If so, when is he required to deduct tax? Also, compute the amount of tax to be deducted at source. Would your answer change if Mr. vacated the premises on 31 December, 2024? Also, what would be your answer if Mr. Y does not provide his PAN to Mr. X?
- On 31st December, 2024, Mr. Hardik, a resident individual whose gross turnover was Rs 110 lakhs during the preceding previous year, paid Rs 65 lakhs to Adv. Jacky, a resident individual, as

professional fees for his divorce case

(6 marks)

Question 4 (A)

Mr. Gopal resident Individual acquired a house property for Rs 7,00,000 during PY 1982-83 & paid stamp duty Rs 1,50,000 at the time of registration of property. He incurred following expenses for improvement of property,

PY 96-97 - Rs 3,50,000

PY 12-13 - Rs 4,00,000

PY 23-24 - Rs 3,50,000

FMV as on 01/04/2001 of such property is Rs 18,20,000 & Stamp Duty Value on same date is Rs 16,00,000. Mr. Gopal sold this property as on 10/12/2024 for Rs 1,25,00,000.

Mr. Gopal's income from other sources is Rs 10,00,000. Compute Total Income and Tax liability. Assume he opted out from section 115BAC.

Cost Inflation Index for

F.Y. 2001-02: 100;

F.Y. 2012-13: 200,

F.Y. 2023-24: 348,

F.Y. 2024-25: 363

(6 MARKS)

Question 4 (B)

Mr. Prince, a senior citizen, has reported a Total Income Rs 1,90,000. He has claimed exemption of Rs 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 Rs 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?

(4 MARKS)



BB VIRTUALS