

CA/CMA Final MAY/NOV – 2025

Topicwise

MCQ's

&

Case Scenario

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Compact Topic: 1

Basics & Tax Rates

Question: 1**[Concept: Marginal Relief]**

DB Ltd., a domestic company not opting for the provisions of section 115BAA, has a total income of ₹ 10,01,00,000 for A.Y.2025-26. The gross receipts of DB Ltd. for P.Y.2022-23 is ₹ 260 crore. The Tax liability (including Cess) of DB Ltd. for A.Y.2025-26 is –

- (a) ₹ 2,68,50,000
- (b) ₹ 2,79,24,000
- (c) ₹ 2,91,49,120
- (d) ₹ 3,34,88,000

Question: 2**[Concept: Surcharge in case of Special Income]**

During the P.Y.2024-25, Mr. Aakash has ₹ 80 lakhs of short-term capital gains taxable u/s 111A, ₹ 70 lakhs of long-term capital gains taxable u/s 112A and business income of ₹ 90 lakhs. Which of the following statements is correct assuming that Mr. Akash pays tax under default tax regime u/s 115BAC?

- (a) Surcharge@25% is leviable on income-tax computed on total income of ₹2.40 crore, since the total income exceeds ₹ 2 crore
- (b) Surcharge@15% is leviable on income-tax computed on total income of ₹ 2.40 crore
- (c) Surcharge@15% is leviable in respect of income-tax computed on capital gains of ₹ 1.50 crore, since such income exceeds ₹ 1 crore but is less than ₹ 2 crore; in respect of business income of ₹ 90 lakhs, surcharge is leviable@25% on income-tax, since the total income exceeds ₹ 2 crore
- (d) Surcharge@15% is leviable in respect of income-tax computed on capital gains of ₹ 1.50 crore, since such income exceeds ₹ 1 crore but is less than ₹ 2 crore; in respect of business income of ₹ 90 lakhs, surcharge is leviable@10% on income-tax, since such income exceeds ₹ 50 lakhs but is less than ₹ 1 crore

Question: 3**[Concept: Application of Income]**

Music Academy, as per its rules, pays a fixed honorarium per concert to each musician performing in the concerts organised by it. Hari, a violinist, however, refuses to accept this sum. If he requests Music Academy to pay such sum directly to Aid Us, an unregistered institution providing relief to the poor and needy in rural India, what would be the tax consequence?

- (a) No amount would be chargeable to tax in the hands of Mr. Hari, since this is a case of diversion of income at source by overriding title
- (b) The amount payable to Aid Us would be chargeable to tax only in the hands of Mr. Hari, since it is a case of application of income
- (c) The amount payable to Aid Us would be chargeable to tax only in the hands of the institution which has received the amount
- (d) The amount payable to Aid Us would be chargeable to tax both in the hands of Mr. Hari and in the hands of the institution

Answer Keys

Question No.	Answer
1	(b) ₹ 2,79,24,000
2	(b) Surcharge@15% is leviable on income-tax computed on total income of ₹ 2.40 crore
3	(d) The amount payable to Aid Us would be chargeable to tax both in the hands of Mr. Hari and in the hands of the institution

Case Scenario**Case Scenario 1 [Basics & Alternate Taxation Regime]**

X Ltd. ("X") is an Indian company incorporated on 1st October, 2023 with the objective of manufacturing medicines using state-of-the-art technology previously unused in India. One of the incidental business objects of X as per its Memorandum of Association is trading in futures and options ("F&O") on the Bombay Stock Exchange and the National Stock Exchange.

It commences production from 1st December, 2023 from its newly-constructed manufacturing facility in Uttar Pradesh; its registered office is also situated at the said manufacturing facility.

Y Inc ("Y") is a private company incorporated in a foreign jurisdiction. X holds 30% share in the nominal value of the equity share capital of Y. Y lent an amount of Rs. 50 crores@6% p.a. to X on 1st April 2024 and X paid the interest due for the F.Y. 2024-25 on 31st March, 2025. The transaction is at arm's length price and X has not availed any other loan.

Profit before giving effect to interest, tax and depreciation allowance of X for F.Y. 2024-25 is Rs. 6,00,00,000, which includes dividend of Rs. 7,50,000 received by X from Y on 1st July, 2024. It earned Rs. 2,50,000 from F & O trading during F.Y. 2024-25.

Additional information:

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

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

Question: 1

What would be the amount of disallowance, if any, of interest paid by X to Y in computation of total income of X for A.Y.2025-26?

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

Question: 2

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

- (a) 15%, 15%, 22%, respectively
- (b) 22%, for all income referred to above
- (c) 15%, 22%, 30%, respectively
- (d) 22%, 15%, 30%, respectively

Question: 3

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

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

Question: 4

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

- (a) it cannot claim deduction u/s 32(1)(ii) as well as deduction u/s 80JJAA
- (b) it can claim deduction u/s 32(1)(iia) as well as u/s 80JJAA
- (c) it can claim deduction u/s 32(1)(ii) but cannot claim deduction u/s 80JJAA
- (d) it cannot claim deduction u/s 32(1)(iia) but can claim deduction u/s 80JJAA

Answer Keys

Question No.	Answer	Description
1	(c) Rs. 1,20,00,000	EBIDTA = 6,00,00,000 Interest allowed as per section 94B = 1,80,00,000
2	(b) 22%, for all income referred to above	-
3	(b) Royalty of Rs. 5 crore is taxable@10% u/s 115BBF	-
4	(d) it cannot claim deduction u/s 32(1)(iia) but can claim deduction u/s 80JJAA	-

Compact Topic: 2

Capital Gains

Question: 1

[Concept: Capital Gain Exemption u/s 54 & 54EC]

Mr. Vishal and Mr. Guha sold their residential house property in Pune for ₹ 3 crore and ₹ 4 crore, respectively, in January, 2025. The house property was purchased by them 25 months back. The cost of acquisition is ₹ 1 crore and ₹ 1.75 crore, respectively. Mr. Vishal purchased two residential flats, one in Delhi and one in Agra for ₹ 70 lakhs and ₹ 80 lakhs, respectively, in April, 2025. On the same date, Mr. Guha also purchased two residential flats, one in Mumbai and the other in Pune, for ₹ 80 lakhs and ₹ 75 lakhs, respectively. Both of them invested ₹ 30 lakhs in bonds of NHAI in March, 2025 and ₹ 30 lakhs in bonds of RECL in April, 2025. What is the income taxable under the head "Capital Gains" for A.Y.2025-26 in the hands of Mr. Vishal and Mr. Guha?

- (a) ₹ 70 lakhs and ₹ 95 lakhs, respectively
- (b) ₹ 60 lakhs and ₹ 85 lakhs, respectively
- (c) Nil and ₹ 95 lakhs, respectively
- (d) Nil and ₹ 20 lakhs, respectively

Question: 2

[Concept: Capital Gain Exemption u/s 47 in case of NR]

Ms. Aparna and Ms. Dimple, Indian citizens residing in California since the year 2010, visit India for 60 days every year. On 1.3.2025, Ms. Aparna transferred to Ms. Dimple in California, for consideration of dollar equivalent to ₹ 15 lakhs, rupee denominated bonds (issued outside India) of X Ltd., a company incorporated in India, which were acquired by her on 1.3.2023 for a price of dollar equivalent to ₹ 10 lakhs. What are the capital gains tax implications of such transfer in the hands of Ms. Aparna?

- (a) Ms. Aparna is liable to capital gains tax on long-term capital gains arising on transfer of rupee denominated bonds; indexation benefit is not available
- (b) Ms. Aparna is liable to capital gains tax on long-term capital gains arising on transfer of rupee denominated bonds; indexation benefit is available
- (c) Ms. Aparna is liable to capital gains tax on short-term capital gains arising on transfer of rupee denominated bonds
- (d) There is no capital gains tax implication in the hands of Ms. Aparna in respect of this transaction

Question: 3

[Concepts: 112A LTCG in case of Listed equity shares]

Mr. Rajan purchased 300 shares in Vaigai Ltd. on 12.1.2017 at a cost of ₹ 2,500 per share. The Fair Market Value (FMV) of the share as on 31.1.2018 is ₹ 1,800. Mr. Rajan sold all the shares of Vaigai Ltd. on 15.7.2024 for ₹ 3,200. Mr. Rajan's brother Mr. Ravi purchased 600 shares in Tapti Ltd. on 25.1.2017 at a cost of ₹ 1,900 per share. The FMV of the share as on 31.1.2018 is ₹ 2,400. Mr. Ravi sold all the shares of Tapti Ltd. on 31.1.2025 for ₹ 1,700 per share. What is the chargeable capital gains on sale of shares of Vaigai Ltd. and Tapti Ltd. in the hands of Mr. Rajan and Mr. Ravi, respectively, for A.Y.2025-26, assuming that STT was paid at the time of acquisition and sale?

- (a) Long-term capital gains of Mr. Rajan ₹ 2,10,000; Long-term capital loss of Mr. Ravi ₹ 4,20,000
- (b) Long-term capital gains of Mr. Rajan ₹ 4,20,000; Long-term capital loss of Mr. Ravi ₹ 4,20,000

(c) Long-term capital gains of Mr. Rajan ₹ 4,20,000; Long-term capital loss of Mr. Ravi ₹ 1,20,000

(d) Long-term capital gains of Mr. Rajan ₹ 2,10,000; Long-term capital loss of Mr. Ravi ₹ 1,20,000

Answer Keys

Question No.	Answer
1	(c) Nil and ₹ 95 lakhs, respectively [Hint. - Guha's LTCG is more than 2 Crores so he can claim exemption for only 1 RHP]
2	(d) There is no capital gains tax implication in the hands of Ms. Aparna in respect of this transaction
3	(d) Long-term capital gains of Mr. Rajan ₹ 2,10,000; Long-term capital loss of Mr. Ravi ₹ 1,20,000

Case Scenario

Case Scenario 1 [Capital Gain ULIP]

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

Particulars	A	B	C (ULIP)	D (ULIP)	E (ULIP)	F (ULIP)
Date of issue	1.4.2017	1.4.2018	1.2.2021	1.1.2021	1.3.2021	1.4.2021
Annual premium	Rs. 50,000	Rs. 40,000	Rs. 1,00,000	Rs. 3,00,000	Rs. 1,40,000	Rs. 2,50,000
Date when premium falls due every year	1st April	1st April	1st Feb	1st Jan	1st March	1st April
Date of maturity	31.3.2025	31.3.2025	31.1.2030	31.12.2029	28.2.2030	31.3.2030
Consideration received on maturity (including bonus)	Rs. 7,00,000	Rs. 4,00,000	Rs. 11,00,000	Rs. 32,00,000	Rs. 17,00,000	Rs. 28,00,000
Sum assured	Rs. 6,00,000	Rs. 3,50,000	Rs. 10,00,000	Rs. 30,00,000	Rs. 15,00,000	Rs. 25,00,000

During the P.Y.2024-25, Mr. Manoj has earned dividend income of Rs. 12 lakh from shares of Indian companies and long-term capital gains (computed) of Rs. 5 lakhs on sale of land (transfer took place on 30th June 2024). He deposited Rs. 1,50,000 in National Pension Scheme (Tier-I account) of Government. Mr. Manoj has exercised the option to shift out of the default tax regime u/s 115BAC.

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

-

Question: 1

Which are the life insurance policies (excluding ULIPs) in respect of which Mr. Manoj would be eligible for exemption u/s 10(10D) in respect of maturity proceeds and what is the quantum of deduction which would be available u/s 80C in respect of premium paid on such policies for A.Y.2025-26? Assume that Mr. Manoj does not have any ULIPs only for the purpose of answering this MCQ.

- (a) A and B; Rs. 90,000
- (b) A and B; Rs. 85,000
- (c) Only A; Rs. 50,000
- (d) Only A; Rs. 85,000

Question: 2

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

- (a) Only C and E
- (b) Only F
- (c) Only C, D and E
- (d) Only D and F

Question: 3

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

- (a) Rs. 11,40,000
- (b) Rs. 10,50,000
- (c) Rs. 5,50,000
- (d) Rs. 6,40,000

Question: 4

What would be the total tax deductible u/s 194DA during the P.Y.2024-25 on payment of maturity proceeds of life insurance policies to Mr. Manoj?

- (a) Rs. 3,500
- (b) Rs. 6,000
- (c) Rs. 2,400
- (d) Rs. 55,000

Answer Keys

Question No.	Answer	Description
1	(d) Only A; Rs. 85,000	Since, annual premium for Policy B is more than 10% of sum assured, therefore maturity proceeds will be taxable. Deduction u/s 80C is allowed for both policies up to 10% of sum assured.

Question No.	Answer	Description
2	(c) Only C, D and E	Income on maturity of ULIP D is exempt as premium paid is less than 10% of sum assured & ULIP taken before 01.02.2021.
3	(c) Rs. 5,50,000	In case of ULIP C, E & F, premium in respect of single policy is not more than 2.5 lakh but aggregate exceed 2.5 lakh so assessee can claim exemption for ULIPs for which premium not more than 2.5 lakh. Assessee can claim either for C & E or F. Aggregate capital gain for C & E is 6,40,000 $\{(1100000-900000) + (1700000-1260000)\}$ and in case of F is 5,50,000 (2800000-2250000).
4	(c) Rs. 2,400	TDS applicable on income component 2% TDS w.e.f. 01.10.2024 Policy B = 400000-280000 = 1,20,000 * 2% = 2400

Case Scenario 2 [Capital Gain]

Mallika purchased a land in Pune at a cost of ₹ 50 lakhs in December 2008 and held the same as her capital asset till 30th September, 2023. She started her real estate business on 1st October, 2023 and converted the said land into stock-in-trade of her business on the said date, when the fair market value of the land was ₹ 300 lakhs.

She constructed 20 apartments of equal size, quality and dimension and the construction was completed in December, 2024. Cost of construction of each apartment is ₹ 15 lakhs. She sold 14 apartments at ₹ 40 lakhs per apartment during the period from January, 2025 - February, 2025. The remaining 6 apartments were held in stock as on 31st March, 2025. All the six apartments were sold in April, 2025 at ₹ 40 lakhs per apartment. She also holds a penthouse in Nagpur, construction of which was completed in March, 2024, as stock-in-trade. She let out the penthouse to Mr. Harish, a salaried individual, for ₹ 60,000 per month from April, 2024 to March, 2026, to whom she has furnished her PAN. He paid municipal taxes of ₹ 7,200 each for the years 2024-25 and 2025-26 in March, 2025 and March, 2026, respectively. The said penthouse was, thereafter, sold in April, 2026 for ₹ 70 lakhs.

She invested ₹ 20 lakhs in bonds issued by National Highway Authority of India on 31st March, 2025; ₹ 20 lakhs in bonds of Rural Electrification Corporation Ltd. on 30th June, 2025, ₹ 10 lakhs in bonds of Rural Electrification Corporation Ltd. on 30th September, 2025 and ₹ 10 lakhs in bonds of National Highway Authority of India on 31st December, 2025. Mallika is subject to tax audit for the P.Y.2024-25.

Cost Inflation Indices:

F.Y.2008-09: 137; F.Y.2020-21: 301; F.Y.2021-22: 317; F.Y.2022-23: 331; F.Y. 2023-24: 348; F.Y. 2024-25: 363

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

Question: 1

What is the amount of capital gains chargeable to tax in the hands of Mallika for A.Y.2025-26?

- (a) ₹ 83,10,219
- (b) ₹ 81,09,489
- (c) ₹ 54,30,657
- (d) ₹ 1,25,43,796

Question: 2

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

- (a) ₹ 350 lakhs
- (b) ₹ 50 lakhs
- (c) ₹ 100 lakhs
- (d) ₹ 140 lakhs

Question: 3

What is the amount of income chargeable to tax under the head "Capital gains" and "Profits and gains of business or profession" in the hands of Mallika for the A.Y.2026-27?

- (a) Nil and Nil, respectively
- (b) ₹ 41,89,781 and ₹ 60,00,000, respectively
- (c) ₹ 37,04,380 and ₹ 60,00,000, respectively
- (d) ₹ 53,75,912 and ₹ 60,00,000, respectively

Question: 4

Is the annual value of penthouse held as stock-in-trade taxable? If so, under which head and what is the amount taxable for A.Y.2025-26?

- (a) No, since annual value of property held as stock-in-trade is exempt for a period of two years from the end of the financial year of completion of construction
- (b) Yes, ₹ 5,04,000 under the head "Income from house property"
- (c) Yes, ₹ 4,98,960 under the head "Income from house property"
- (d) The rental income of ₹ 7,20,000 is chargeable under the head "Profits and gains of business or profession", since property is held as stock in trade

Question: 5

Is Mr. Harish liable to deduct tax at source on rent paid to Mallika in the F.Y.2024-25? If so, what is the amount of tax to be deducted and when?

- (a) No, since Mr. Harish, being a salaried employee, is not subject to tax audit; hence, there is no obligation to deduct tax at source
- (b) Yes, he has to deduct tax at source of ₹ 1,200 from rent payable every month
- (c) Yes, he has to deduct tax at source of ₹ 3,000 from rent payable every month
- (d) Yes, he has to deduct tax of ₹ 14,400 from the rent payable for March, 2025

Answer Keys

Question No.	Answer	Description	
1	(b) Rs. 81,09,489	Refer section 45 (2) Calculation of capital gain for PY 24-25 -	
		FVOC (FMV on date of Transfer)	300
		Indexed cost of acquisition (50*348/137)	127.007299

Question No.	Answer	Description									
		Capital Gain	172.992701								
		Capital Gain chargeable to tax (172.99 * 14/20)	121.094891								
		Less: exemption u/s 54EC	40								
		Capital gain taxable	81.0948905								
2	(d) Rs. 140 lakhs	PGBP = Sale value – Cost of land – cost of construction = (40 lakhs * 14 Flats – 300 lakhs *14 /20 – 15 lakhs * 14 Flats) = 140 lakhs									
3	(b) ₹ 41,89,781 and ₹ 60,00,000, respectively	Calculation of capital gain PY 25-26 - <table><tr><td>Capital Gain</td><td>172.992701</td></tr><tr><td>Capital Gain chargeable to tax (172.99 * 6/20)</td><td>51.8978102</td></tr><tr><td>Less: exemption u/s 54EC</td><td>10</td></tr><tr><td>Capital gain taxable</td><td>41.8978102</td></tr></table> <p>PGBP = Sale value – Cost of land – cost of construction = (40 lakhs * 6 Flats – 300 * 6/20 – 15 lakhs * 6 Flats) = 60 lakhs.</p>		Capital Gain	172.992701	Capital Gain chargeable to tax (172.99 * 6/20)	51.8978102	Less: exemption u/s 54EC	10	Capital gain taxable	41.8978102
Capital Gain	172.992701										
Capital Gain chargeable to tax (172.99 * 6/20)	51.8978102										
Less: exemption u/s 54EC	10										
Capital gain taxable	41.8978102										
4	(b) Yes, ₹ 5,04,000 under the head “Income from house property”	IFHP = Annual Value = 60000*12 months = 720000 Less: standard deduction @30% = 216000 Taxable = 504000. Since, municipal taxes by paid by tenant, it will not be deducted.									
5	(d) Yes, he has to deduct tax of ₹ 14,400 from the rent payable for March, 2025	Refer section 194IB TDS rate applicable is 2% (w.e.f. 01.10.2024)									

Compact Topic: 3 & 4

IFOS, Dividend & Deemed Dividend

Question: 1

[Concepts: Gift of Immovable property]

P is a salaried employee. On 1.6.2024, he gets a gift of house property situated in Mumbai (stamp duty value ₹ 80,00,000) from Q. On 2.8.2024, P gets a gift of house property in a small town near Pune (stamp duty value ₹ 50,000) from R. On 3.9.2024, P also gets a gift of house property in a small town near Kanpur in Uttar Pradesh from R, the stamp duty value of which is ₹ 1,00,000. What will be the tax implications in the hands of P, Q and R, assuming that they are not related to each other?

- (a) ₹ 81,00,000 shall be chargeable to tax in the hands of P as income from other sources and capital gains shall arise in the hands of Q and R respectively on account of transfer of capital asset in Mumbai and Kanpur, respectively
- (b) ₹ 80,00,000 shall be chargeable to tax in the hands of P as income from other sources and capital gains shall arise in the hands of Q on account of transfer of capital asset in Mumbai
- (c) ₹ 81,00,000 shall be chargeable to tax in the hands of P as income from other sources and no capital gains shall arise in the hands of Q and R respectively as gift does not constitute "transfer"
- (d) ₹ 81,50,000 shall be chargeable to tax in the hands of P as income from other sources and no capital gains shall arise in the hands of Q and R respectively as gift does not constitute "transfer"

Question: 2

[Capital Gain & IFOS]

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

- (a) ₹ 50 lakhs would be taxable as short-term capital gains in the hands of Mr. Anjan. There would be no tax implication in the hands of Mr. Ashwin
- (b) ₹ 50 lakhs would be taxable as business income in the hands of Mr. Anjan. There would be no tax implication in the hands of Mr. Ashwin
- (c) ₹ 50 lakhs would be taxable as business income in the hands of Mr. Anjan and ₹ 20 lakhs would be taxable as income from other sources in the hands of Mr. Ashwin
- (d) ₹ 50 lakhs would be taxable as short-term capital gains in the hands of Mr. Anjan and ₹ 20 lakhs would be taxable as income from other sources in the hands of Mr. Ashwin

Answer Keys

Question No.	Answer
1	(c) ₹ 81,00,000 shall be chargeable to tax in the hands of P as income from other sources and no capital gains shall arise in the hands of Q and R respectively as gift does not constitute "transfer" [Hint. For immovable property we check per property and not aggregate for 50,000 limit]
2	(c) ₹ 50 lakhs would be taxable as business income in the hands of Mr. Anjan and ₹

Question No.	Answer
	20 lakhs would be taxable as income from other sources in the hands of Mr. Ashwin

Case Scenario

Case Scenario 1 [IFOS/PGBP/CG]

Mr. Hari, a property dealer, sold a building in the course of his business to his friend Mr. Rajesh, who is a dealer in automobile spare parts, for Rs. 100 lakhs on 1.1.2025, when the stamp duty value was Rs. 120 lakhs. The agreement was, however, entered into on 1.9.2024 when the stamp duty value was Rs. 110 lakhs. Mr. Hari had received a down payment of Rs. 15 lakhs by NEFT from Mr. Rajesh on the date of agreement. Mr. Hari has purchased the building for Rs. 50 lakhs on 12.7.2023.

Mr. Hari's brother, Mr. Ravi, a retail trader, sold a residential house to Mr. Vallish, a wholesale trader for Rs. 50 lakhs on 1.2.2025, when the stamp duty value was Rs. 70 lakhs. The agreement was, however, entered into on 1.8.2024 when the stamp duty value was Rs. 55 lakhs. Mr. Ravi had received a down payment of Rs. 5 lakhs by a crossed cheque from Mr. Vallish on the date of agreement. Mr. Ravi has purchased the building for Rs. 32 lakhs on 17.8.2023.

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

Question: 1

What is the amount of income chargeable to tax in the hands of Mr. Hari in respect of the transaction of sale of building to Mr. Rajesh and under which head is it taxable?

- (a) Rs. 70 lakh is taxable as his business income
- (b) Rs. 60 lakh is taxable as his business income
- (c) Rs. 50 lakh is taxable as his business income
- (d) Rs. 50 lakh is taxable as short-term capital gains

Question: 2

Is any amount taxable in the hands of Mr. Rajesh in respect of the transaction of purchase of building from Mr. Hari? If so, what is the amount and under which head is it taxable?

- (a) No amount is taxable in the hands of Mr. Rajesh
- (b) Rs. 20 lakh is taxable under the head Income from Other Sources
- (c) Rs. 10 lakh is taxable under the head Income from Other Sources
- (d) Rs. 10 lakh is taxable as his business income

Question: 3

What is the amount of income chargeable to tax in the hands of Mr. Ravi in respect of the transaction of sale of residential house to Mr. Vallish and under which head is it taxable?

- (a) Rs. 18 lakh is taxable as short-term capital gains
- (b) Rs. 23 lakh is taxable as short-term capital gains
- (c) Rs. 38 lakh is taxable as short-term capital gains
- (d) Rs. 18 lakh is taxable as his business income

Question: 4

Is any amount taxable in the hands of Mr. Vallish in respect of the transaction of purchase of residential house from Mr. Ravi? If so, what is the amount and under which head is it taxable?

- (a) No amount is taxable in the hands of Mr. Vallish
- (b) Rs. 20 lakh is taxable under the head Income from Other Sources
- (c) Rs. 5 lakh is taxable under the head Income from Other Sources
- (d) Rs. 5 lakh is taxable as his business income

Question: 5

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

- (a) Yes, tax is deductible at source by both Mr. Rajesh and Mr. Vallish
- (b) No, tax is not deductible at source by either Mr. Rajesh or Mr. Vallish
- (c) Tax is deductible at source by Mr. Rajesh but not by Mr. Vallish
- (d) Tax is deductible at source by Mr. Vallish but not Mr. Rajesh

Answer Keys

Question No.	Answer	Description
1	(c) Rs. 50 lakh is taxable as his business income	FVC would be the sale consideration as it does not exceed 110% of the SDV as on date of agreement = Rs. 100 lakhs Less: Cost of acquisition = Rs. 50 lakhs Business income = Rs. 50 lakhs
2	(a) No amount is taxable in the hands of Mr. Rajesh	SDV does not exceed 110% of consideration.
3	(c) Rs. 38 lakh is taxable as short-term capital gains	FVC would be SDV as on date of transfer = 70 lakhs Less: cost of acquisition = 32 lakhs Short term capital gain = 38 lakhs
4	(b) Rs. 20 lakh is taxable under the head Income from Other Sources	Refer section 56 (2) (x)
5	(a) Yes, tax is deductible at source by both Mr. Rajesh and Mr. Vallish	Refer section 194-IA

Case Scenario 2 [Dividend & Deemed Dividend]

A Ltd. is an Indian company which has invested in shares of other Indian and foreign companies. During the P.Y.2024-25, A Ltd. received dividend from these companies as follows:

	% of holding of A Ltd.	Date of declaration of	Date of distribution of	Amount of dividend	Interest expenditure
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		dividend by the company	dividend by the company	[Gross] (₹)	on loan borrowed for investment in shares (₹)
B Ltd., an Indian company	10%	20.6.2024	3.7.2024	2,00,000	45,000
C Inc, a foreign company	22%	17.9.2024	12.10.2024	4,00,000	90,000
D Inc., a foreign company	30%	13.11.2024	28.11.2024	6,00,000	1,30,000
E Ltd., an Indian company	15%	14.1.2025	2.2.2025	3,20,000	70,000

A Ltd. declared and distributed dividend of ₹ 6 lakhs for the F.Y.2023-24 in December, 2024 and dividend of ₹ 7 lakhs for the F.Y.2024-25 in July, 2025.

Mr. Aakash and Mr. Aarav are two brothers who have invested in shares of A Ltd. Both of them were born in India; their parents and grandparents were also born in India. Mr. Aakash is an Indian citizen who lives in Hyderabad. He is employed with a leading textile manufacturing unit at a salary of ₹ 1 lakh per month. His brother, Mr. Aarav is settled in Country Y since the year 2010. He is a citizen of Country Y and is a partner with a software development firm in Country Y. His share of profit in the Country Y firm for the F.Y.2024-25 is CYD 1,20,000, which was credited to his bank account in Country Y. The value of one CYD may be taken as ₹ 25. He is not subject to income-tax in Country Y, since the share of profits of a firm is exempt in the hands of partners in Country Y. Mr. Aarav visits India for four months (in continuation) every year. He earns interest of ₹ 14 lakhs from fixed deposits with Bank of India.

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

Name of the shareholder	% of holding	Month of declaration & distribution of dividend	Amt of dividend [Gross] (₹)	Interest expenditure on loan borrowed for investment in shares (₹)
Aakash	10%	December, 2024	60,000	15,000
	10%	July, 2025	70,000	15,000
Aarav	15%	December, 2024	90,000	20,000
	15%	July, 2025	1,05,000	20,000

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

Question: 1

What is the amount of dividend income includible in the gross total income of A Ltd. for A.Y.2025-

26 under the provisions of the Income-tax Act, 1961?

- (a) ₹ 11,85,000
- (b) ₹ 12,16,000
- (c) ₹ 13,15,000
- (d) ₹ 13,36,000

Question: 2

What is the deduction allowable u/s 80M to A Ltd. for A.Y.2025-26?

- (a) ₹ 6,00,000
- (b) ₹ 7,00,000
- (c) ₹ 12,16,000
- (d) ₹ 13,00,000

Question: 3

What is the tax liability (rounded off) of Mr. Aakash for A.Y.2025-26 under the provisions of the Income-tax Act, 1961 if he wishes to make maximum tax savings (ignore TDS)?

- (a) ₹ 1,04,830
- (b) ₹ 78,988
- (c) ₹ 1,78,780
- (d) ₹ 93,290

Question: 4

What is the residential status of Mr. Aarav for A.Y.2025-26?

- (a) Resident and ordinarily resident
- (b) Resident but not ordinarily resident
- (c) Non-resident
- (d) Deemed resident

Question: 5

What is the tax liability (rounded off) of Mr. Aarav under the provisions of the Income-tax Act, 1961 for A.Y.2025-26, if he wishes to make maximum tax savings (ignore TDS)?

- (a) ₹ 2,64,260
- (b) ₹ 2,60,520
- (c) ₹ 1,39,780
- (d) ₹ 1,75,760

Answer Keys

Question No.	Answer	Description
1	(b) ₹ 12,16,000	Interest expense up to 20% of dividend is allowed as deduction from dividend income.
2	(c) ₹ 12,16,000	Refer section 80M
3	(b) ₹ 78,988	Description: Salary income = 12 lakhs

Question No.	Answer	Description
		<p>Less: Standard deduction = 50,000 & 75,000 in 115BAC</p> <p>Net salary = 11,50,000/11,25,000</p> <p>Dividend after interest expense up to 20% = 48,000 (60,000 - 12,000)</p> <p>Total Income = 11,98,000/11,73,000 in 115BAC</p> <p>Tax u/s 115BAC = 78,988</p> <p>Tax under normal provisions of the Act = 1,78,780</p>
4	(c) Non-resident	<p>Since income from Indian sources does not exceed ₹ 15 lakhs, 120 days + 365 days condition would not be applicable.</p>
5	(c) ₹ 1,39,780	<p>Interest on FD = 14,00,000</p> <p>Dividend = 90,000 (less 20% Interest i.e. 18,000)</p> <p>Total Income = 14,72,000 (after deduction of interest expense) both u/s 115BAC as well as normal provisions of the Act</p> <p>Tax u/s 115BAC = 1,39,780</p> <p>Tax under normal provisions of the Act = 2,64,260</p>

Compact Topic: 5

Taxation in case of Liquidation and Buyback

Question: 1

[Concepts: Buy Back of shares]

A Ltd., an Indian company, bought back its listed shares from its shareholders and B (P) Ltd., an Indian company, bought back its unlisted shares from its shareholders in the month of September, 2024. What are the tax consequences of such buyback in the hands of A Ltd., B (P) Ltd. and the shareholders?

- (a) Additional income-tax@23.296% of the distributed income is leviable in the hands of A Ltd. and B (P) Ltd.; income arising to shareholders is exempt
- (b) Income arising to shareholders from buyback is taxable in their individual hands; No distribution tax is leviable in the hands of A Ltd. and B (P) Ltd.
- (c) Additional income-tax@23.296% of the distributed income is leviable in the hands of A Ltd.; income arising to shareholders of B (P) Ltd. is taxable in their individual hands
- (d) Additional income-tax@23.296% of the distributed income is leviable in the hands of B (P) Ltd.; income arising to shareholders of A Ltd. is taxable in their individual hands

Answer Keys

Question No.	Answer
1	(a) Additional income-tax@23.296% of the distributed income is leviable in the hands of A Ltd. and B (P) Ltd.; income arising to shareholders is exempt [W.e.f. 1/10/24 there is amendments in Buy back so take care about that provision also]

Compact Topic: 7 & 10

PGBP & FIRM Taxation

Question: 1**[Concept: Let out of commercial property & SIT]**

BB Ltd. is engaged in the business of letting out of commercial properties. As per the memorandum of association of BB Ltd., letting out of properties is its main objective. The total income of BB Ltd. comprises only of rental income from the business of letting out of properties. AK Ltd. is engaged in the construction and sale of properties, which is also its main objective as per its memorandum of association. Incidentally, it lets out some properties which are held as stock-in-trade and earns rental income therefrom. Which of the following statements is correct?

- (a) Rental income from letting out of properties by BB Ltd. and AK Ltd. is taxable under the head "Income from house property"
- (b) Rental income from letting out of properties by BB Ltd. and AK Ltd. is taxable under the head "Profits and gains of business or profession"
- (c) Rental income from letting out of properties by BB Ltd. is taxable under the head "Income from house property" and by AK Ltd. is taxable under the head "Profits and gains of business or profession"
- (d) Rental income from letting out of properties by AK Ltd. is taxable under the head "Income from house property" and BB Ltd. is taxable under the head "Profits and gains of business or profession"

Question: 2**[Concept: Presumptive PGBP 44AD & 44ADA]**

The turnover of Mr. Aarav, engaged in wholesale trading business, for the P.Y.2024-25 is ₹ 2 crore and the gross receipts of Mr. Vishal, engaged in legal profession is ₹ 50 lakhs. Mr. Aarav has been regularly following mercantile system of accounting and Mr. Vishal regularly follows cash basis of accounting. Out of the turnover of Mr. Aarav, he receives ₹ 1.20 crores through ECS through bank account during the P.Y.2024-25. He receives another ₹ 60 lakhs through ECS through bank account on or before 31.7.2025. Mr. Vishal receives ₹ 30 lakhs by account payee bank draft and ₹ 20 lakhs by crossed cheque during the P.Y.2024-25. What would be the income chargeable to tax under the head "Profits and Gains of Business and Profession", if they want to minimize their tax liability? Both of them maintain books of account as per section 44AA. Income computed as per the regular provisions of Income-tax Act, 1961 is ₹ 11,50,000 and ₹ 24,75,000 in the hands of Aarav and Vishal, respectively. However, they have not got the books of account audited and do not intend to do so in future.

- (a) ₹ 16,00,000 and ₹ 25,00,000, respectively
- (b) ₹ 13,60,000 and ₹ 25,00,000, respectively
- (c) ₹ 11,50,000 and ₹ 24,75,000, respectively
- (d) ₹ 12,40,000 and ₹ 25,00,000, respectively

Question: 3**[Concept: Sec 40(a)(ia) TDS not deducted – Disallowance]**

Mr. Arvind, engaged in the business of wholesale trade, has a turnover of ₹ 90 lakhs for P.Y.2023-24 and ₹ 210 lakhs for P.Y.2024-25. In the P.Y.2024-25, he paid salary of ₹ 3 lakhs to Mr. Hari, a resident, without deduction of tax at source and commission of ₹ 51 lakhs to Mr. Rajesh, a resident, without

deduction of tax at source. The disallowance u/s 40(a)(ia) while computing business income of A.Y.2025-26 would be –

- (a) ₹ 54,00,000
- (b) ₹ 16,20,000
- (c) ₹ 15,30,000
- (d) Nil

Question: 4

[Concepts: Sec 44B NR Engaged in Shipping Business]

Ship cargo Inc., a company based in Netherlands operating its ships to and fro Cochin port, collected freight of ₹ 85 lakhs, demurrage of ₹ 5 lakhs and handling charges of ₹ 2 lakhs in respect of goods shipped at Cochin port. It incurred expenses of ₹ 35 lakhs during the year for operating its fleet. In respect of goods shipped at Rotterdam, Netherlands, it received ₹ 50 lakhs in India. Its tax liability (rounded off) for the A.Y.2025-26 is –

- (a) ₹ 3,87,660
- (b) ₹ 4,43,040
- (c) ₹ 3,12,000
- (d) ₹ 1,77,840

Answer Keys

Question No.	Answer
1	(d) Rental income from letting out of properties by AK Ltd. is taxable under the head "Income from house property" and BB Ltd. is taxable under the head "Profits and gains of business or profession" BB Note: If BB Ltd let-out residential properties, then Income Taxable under the head HP only as amendment made by FA 2024.
2	(d) ₹ 12,40,000 and ₹ 25,00,000, respectively
3	(c) ₹ 15,30,000 [BB Note : TDS required to be deducted u/s 194M on commission]
4	(a) ₹ 3,87,660

Case Scenario

Case Scenario 1 [Firm Taxation]

LPG, a partnership firm, is engaged in the business of manufacturing of garments. It furnishes you the following data for the year ended 31.3.2025.

Profit & Loss Account

Particulars	₹	Particulars	₹
Expenses	2,36,00,000	Gross Turnover	2,55,00,000
Interest to partners (including ₹1,20,000 paid to Gopal for loan given by Gopal HUF)	5,40,000		
Salary to Partners:			

Particulars	₹	Particulars	₹
Jay (₹ 30,000 p.m.)			
Gopal (₹ 28,000 p.m.)			
Madhav (₹ 16,000 p.m.)	8,88,000		
Net Profit	4,72,000		
	2,55,00,000		2,55,00,000

Other Information:

- The partners share profits and losses equally.
During the P.Y. 2023-24, the firm had incurred a business loss of Rs. 3,00,000 and unabsorbed depreciation of Rs. 1,50,000.
- On 01.04.2024, Mr. Jayesh, a partner died and his legal heir Mr. Jay got admitted on same date. Another partner, Mr. Raj, also retired on the same date.
- Mr. Madhav is not actively engaged in conducting the affairs of the business of the firm while Mr. Jay and Mr. Gopal are actively engaged in conducting the affairs of the business.
- Interest@16% p.a. for the first time on partner's capital was paid from 01.07.2024. The clause for the same was, however, entered in the partnership deed on 01.01.2025. Salary paid to partners is authorized by the partnership deed since inception.

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

Question: 1

How much interest can the firm claim as deduction for A.Y. 2025-26?

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

Question: 2

How much salary can the firm claim as deduction for A.Y.2025-26?

- Rs. 10,05,000
- Rs. 8,88,000
- Rs. 8,70,000
- Rs. 6,96,000

Question: 3

The business loss and unabsorbed depreciation allowed to be set off while computing total income of the firm for A.Y.2025-26 are -

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

Question: 4

What would be the total income of the firm for A.Y.2025-26?

- Rs. 6,30,250
- Rs. 4,12,000
- Rs. 6,04,000
- Rs. 5,29,000

Answer Keys

Question No.	Answer	Description
1	(c) Rs. 2,25,000	Capital $4,20,000 / 16 \times 100 \times 12/9 = 35,00,000$ Interest on capital allowed u/s 40(b) = $35,00,000 \times 12\% \times 3/12 = 1,05,000$ Total interest allowed = $1,05,000 + 1,20,000 = 2,25,000$
2	(d) Rs.6,96,000	Net profit = 4,72,000 Interest and remuneration already debited = 14,28,000 19,00,000 Less: Interest allowed = 2,25,000 Unabsorbed depreciation = 1,50,000 Book Profit = 15,25,000 Maximum remuneration allowable = 10,95,000 Remuneration actually paid to working partners = 6,96,000 Allowable = 6,96,000
3	(b) Rs.2,25,000 and Rs.1,50,000, respectively	-
4	(c) Rs.6,04,000	Book Profit = 15,25,000 Less: remuneration allowed = 6,96,000 Less: business loss = 2,25,000 PGBP/ Total Income = 6,04,000

Case Scenario 2 [PGBP]

The following details pertain to Mr. Arvind and his three brothers, Mr. Arjun, Mr. Anand and Mr. Aakash. Mr. Arvind, Mr. Arjun and Mr. Anand are engaged in retail trade business. Mr. Aakash is engaged in the profession of interior decoration. All of them maintain books of account u/s 44AA. While the brothers engaged in retail trade business follows mercantile system of accounting, Mr. Aakash engaged in interior decoration profession follows cash system of accounting. The details pertaining to their business for the year ending 31.3.2025 are as under-

	Particulars	Arvind	Arjun	Anand
(i)	Turnover of P.Y.2024-25	₹ 95 lakhs	₹ 1.80 crore	₹ 5.00 crore
(ii)	Amount received in cash [out of (i) above]	₹ 5 lakh	₹ 8 lakh	₹ 4 lakh
(iii)	Amount received through NEFT/RTGS on or before 31.7.2025 [out of (i) above]	₹ 85 lakh	₹ 1.65 crore	₹ 4.80 crore
(iv)	Total receipts in the P.Y.2024-25	₹ 1.07 crore	₹ 2.00 crore	₹ 5.50 crore
(v)	Cash receipts [out of (iv) above]	₹ 7 lakh	₹ 10 lakhs	₹ 27 lakhs
(vi)	Total payments in the P.Y. 2024-25	₹ 80 lakhs	₹ 1.60 crore	₹ 4.50 crore

	Particulars	Arvind	Arjun	Anand
(vii)	Cash payments [out of (vi) above]	₹ 5 lakhs	₹ 8.10 lakhs	₹ 22 lakhs
(viii)	Profits and gains as per books of account u/s 44AA	₹ 5.90 lakhs	₹ 10.50 lakhs	₹ 30 lakhs

Mr. Aakash's gross receipts for P.Y.2024-25 are Rs. 52 lakhs, out of which Rs. 2 lakhs has been received in cash and the remaining Rs. 50 lakhs through NEFT/RTGS. His profits as per books of account u/s 44AA for P.Y.2024-25 are Rs. 24.75 lakhs.

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

Question: 1

Which of the following individuals are eligible to declare income on presumptive basis under the provisions of the Income-tax Act, 1961 for A.Y.2025-26?

- (a) Mr. Arvind and Mr. Aakash
- (b) Mr. Arvind, Mr. Arjun, Mr. Anand and Mr. Aakash
- (c) Mr. Arvind, Mr. Arjun and Mr. Aakash
- (d) Mr. Arvind and Mr. Arjun

Question: 2

Which of the following individuals have to mandatorily get their books of account audited u/s 44AB for A.Y.2025-26?

- (a) Mr. Arjun and Mr. Anand
- (b) Mr. Arjun and Mr. Arvind
- (c) Only Mr. Anand
- (d) None of them

Question: 3

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

- (a) Rs. 5.50 lakhs, Rs. 16.54 lakhs and Rs. 29.12 lakhs, respectively
- (b) Rs. 5.90 lakhs, Rs. 17.10 lakhs and Rs. 30.40 lakhs, respectively
- (c) Rs. 5.90 lakhs, Rs. 17.10 lakhs and Rs. 30 lakhs, respectively
- (d) Rs. 5.50 lakhs, Rs. 15.50 lakhs and Rs. 30 lakhs, respectively

Question: 4

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

- (a) The profits and gains of business chargeable to tax in the hands of Mr. Arjun and Mr. Anand would undergo a change; however, there would be no change in the case of Mr. Arvind
- (b) The profits and gains of business chargeable to tax in the hands of Mr. Anand would undergo a change; however, there would be no change in the hands of Mr. Arvind and Mr. Arjun
- (c) The profits and gains of business chargeable to tax in the hands of Mr. Arjun would undergo a change; however, there would be no change in the hands of Mr. Arvind and Mr. Anand
- (d) The profits and gains of business chargeable to tax in the hands of Mr. Arvind and Mr. Arjun

would undergo a change; however, there would be no change in the hands of Mr. Anand

Question: 5

What is the due date of filing of return of income of Mr. Arvind, Mr. Arjun, Mr. Anand and Mr. Aakash for A.Y.2025-26, if they wish to make maximum tax savings?

- (a) 31st July, 2025 for all of them
- (b) 31st July, 2025 for Mr. Arvind and Mr. Aakash; and 31st October, 2025 for Mr. Arjun and Mr. Anand
- (c) 31st July, 2025 for Mr. Arvind, Mr. Aakash and Mr. Arjun; and 31st October, 2025 for Mr. Anand
- (d) 31st July, 2025 for Mr. Arvind, Mr. Aakash and Mr. Anand; and 31st October, 2025 for Mr. Arjun

Answer Keys

Question No.	Answer	Description
1	(c) Mr. Arvind, Mr. Arjun and Mr. Aakash	Refer section 44AD and 44ADA Mr. Arvind and Mr. Arjun are eligible for section 44AD since their turnover is less than 2 crore. Mr. Aakash is eligible for section 44ADA since his turnover is less than 50 lakhs.
2	(d) None of them	Refer Answer 1 above and below Mr. Anand Turnover – 5 crore In given case, his receipts in cash does not exceed 5% (5.5 crore*5% = 27.5 lakhs), amount received in cash is 27 lakh. Total payments made = 4.50 crore, payment in cash = 22 lakhs. Payments allowed in cash = 22.50 lakhs (4.50 crore*5%) Since, the turnover does not exceeds 10 crore and cash receipt & payments does not exceeds 5% of total receipt & payment respectively, Audit as per Sec. 44AB is not mandatory.
3	(c) Rs. 5.90 lakhs, Rs. 17.10 lakhs and Rs. 30 lakhs, respectively	Mr. Arvind $85 \text{ lakhs} \times 6\% + 10 \text{ lakhs} \times 8\% = 5.9 \text{ lakhs.}$ Mr. Arjun $165 \text{ lakhs} \times 6\% + 15 \text{ lakhs} \times 8\% = 11.1 \text{ lakhs.}$ Mr. Anand He is not eligible for section 44AD, therefore he has to mandatory get books audited. Income as per books – 30 lakhs

Question No.	Answer	Description
4	(c) The profits and gains of business chargeable to tax in the hands of Mr. Arjun would undergo a change; however, there would be no change in the hands of Mr. Arvind and Mr. Anand	Since profit of Mr. Arjun as per books of accounts is 10.50 lakhs (11.1 lakhs as per 44AD). Therefore, the answer will change only for him. Mr. Arvind's income is indifferent and Mr. Anand has no choice.
5	(d) 31st July, 2025 for Mr. Arvind, Mr. Aakash and Mr. Anand; and 31st October, 2025 for Mr. Arjun	Refer section 139 (1)

Case Scenario 3 [PGBP]

The following are the details relating to four resident entities, AB & Co., LM & Co., PQ & Co. and XY & Co. for the P.Y.2024-25 –

	Particulars	AB & Co. (Firm)	LM & Co. (Firm)	PQ & Co. (LLP)	XY & Co. (Firm)
1.	Nature of business/profession	Retail trading	Business of plying, hiring or leasing goods carriages	Wholesale trading	Interior decoration
2.	System of accounting	Mercantile	Cash	Mercantile	Cash
3.	Turnover/Gross receipts	₹ 200 lakhs	₹ 101 lakhs	₹ 100 lakhs	₹ 50 lakhs
4.	Amount received by way of RTGS/NEFT in the P.Y.2024-25 [included in (3) above]	₹ 150 lakhs	₹ 80 lakhs	₹ 70 lakhs	₹ 45 lakhs
5.	Amount received by way of cash in the P.Y.2024-25 [included in (3) above]	₹ 30 lakhs	₹ 21 lakhs	₹ 10 lakhs	₹ 5 lakhs
6.	Amount received by way of RTGS/ NEFT between 1.4.2025 & 31.7.2025	₹ 20 lakhs	–	₹ 20 lakhs	–
7.	Working partners' salary	₹ 5 lakhs	₹ 1.50 lakhs	₹ 3 lakhs	₹ 5 lakhs
8.	Interest paid on capital @ 12% paid to partners	₹ 1 lakh	₹ 0.50 lakh	–	₹ 2 lakhs
9.	Profit as per books of account maintained as per section 44AA [after deducting working partners' salary and interest on capital]	₹ 5.60 lakhs	₹ 4.10 lakhs	₹ 4.50 lakhs	₹ 20 lakhs
10.	No. of vehicles owned	–	10 (See Note 2 below details)	–	–

Additional information:

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

	Gross Vehicle Weight (in kgs.)	Number	Date of Purchase	Date when first put to use
1.	8,000	3	28.5.2024	1.6.2024
2.	9,000	2	31.7.2024	1.8.2024
3.	10,000	1	17.8.2024	20.8.2024
4.	11,000	1	30.9.2024	1.10.2024
5.	12,000	1	11.11.2024	13.11.2024
6.	13,000	2	31.12.2024	1.1.2025

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

Question: 1

Which of the four entities are eligible to declare income on presumptive basis under the Income-tax Act, 1961 for A.Y.2025-26?

- (a) Only AB & Co and LM & Co.
- (b) Only AB & Co and XY & Co.
- (c) AB & Co, PQ & Co and XY & Co.
- (d) AB & Co, LM & Co and XY & Co.

Question: 2

What is the business income to be declared by AB & Co. and PQ & Co. for A.Y.2025-26, assuming that the entities wish to make maximum tax savings without getting their books of account audited?

- (a) ₹ 12.60 lakhs and ₹ 4.50 lakhs, respectively
- (b) ₹ 6.60 lakhs and ₹ 3.20 lakhs, respectively
- (c) ₹ 5.60 lakhs and ₹ 4.50 lakhs, respectively
- (d) ₹ 13 lakhs and ₹ 6.60 lakhs, respectively

Question: 3

What is the business income to be declared by LM & Co. for A.Y.2025-26, assuming that the firm wishes to make maximum tax savings without getting its books of account audited?

- (a) ₹ 4,48,000
- (b) ₹ 6,36,500
- (c) ₹ 4,36,500
- (d) ₹ 4,10,000

Question: 4

What is the income to be declared by XY & Co. under the head "Profits and gains of business or profession" for A.Y.2025-26, assuming that the firm wishes to make maximum tax savings, without getting its books of account audited?

- (a) ₹ 18 lakhs

- (b) ₹ 20 lakhs
 (c) ₹ 25 lakhs
 (d) ₹ 22.50 lakhs

Question: 5

Would your answer to questions (iii) and (iv) change, if the firms decide to get their books of accounts audited?

- (a) No, there would be no change in the answer to either question (iii) and (iv)
 (b) Yes, there would be change in the answer to both question (iii) and (iv)
 (c) There would be a change in the answer to question (iii) but not in the answer to question (iv)
 (d) There would be a change in the answer to question (iv) but not in the answer to question (iii)

Answer Keys

Question No.	Answer	Description
1	(d) AB & Co, LM & Co and XY & Co.	Refer section 44AD, 44ADA and 44AE.
2	(a) ₹ 12.60 lakhs and ₹ 4.50 lakhs, respectively	<u>AB & Co.</u> Presumptive Income = $(150+20) \times 6\% + 30 \times 8\% = \text{Rs. } 12,60,000$ Working Partner's Salary and Interest shall not be deductible while computing income as per Sec 44AD <u>PQ & Co.</u> Since sec 44AD is not applicable therefore book profits of Rs.4,50,000
3	(c) Rs. 4,36,500	Purchase Date (not put to use) is considered under Sec 44AE. In the given case presumptive income for LM & Co. is as follows- $= (11 \times 3 \times 7500 + 9 \times 2 \times 7500 + 8 \times 1 \times 7500 + 7 \times 1 \times 7500 + 5 \times 1 \times 7500 + 4 \times 2 \times 13 \times 1000) - (1,50,000 + 50,000)$ $= 6,36,500 - 2,00,000$ $= 4,36,500.$
4	(c) Rs. 25 lakhs	Income of XY & Co. for AY 25-26 would be = $50,00,000 \times 50\% = \text{Rs. } 25,00,000$
5	(b) Yes, there would be change in the answer to both question (iii) and (iv)	Since in both the cases, presumptive income is more than the income calculated as per books of accounts. Hence, if assessee wishes to get their books of accounts audited, then they can declare income as per books of accounts maintained.

Case Scenario 4 [PGBP]

Wellness Pvt Ltd, an Indian company incorporated on 1st April, 2024 offers multi-disciplinary marketing services in print and digital media to Indian businesses. To carry on its business, the company has engaged local advertising specialists in the field of print and digital media. These specialists attend to clients of the company by doing required consultancy, execution and also perform analysis of results. Depending upon the service request of the client – whether print or digital mode, specialists perform relevant tasks. The specialists employ their individual skills and exercise discretion, judgement while performing the duties. The policies of the company regarding working hours, annual leave applicable to the staff do not apply to these specialists. The remuneration of specialists varies every month depending upon type of service, seniority of specialist, skills involved etc.

During the year 2024-25, Wellness Pvt Ltd recorded a turnover of ₹ 1.10 crores in its books of accounts. Inspired by the Government's Digital India initiative, the company provided electronic payment facilities to customers. Most of the billed amount was collected through digital means, except from Customer X (Bill no. 15, dated 26th June, 2024 of ₹ 5,50,000). Customer X paid the amount in cash to the company in 4 installments on different dates - ₹ 1,50,000, ₹ 75,000, ₹ 1,75,000 and ₹ 1,50,000.

The details of payments made by the company during the year 2024-25 are as under:

Particulars	Mode of Payment	Amount (₹)
Remuneration to 20 specialists	Net-banking	35,00,000
Salary to staff (5 employees) (HR, junior co-ordinators) (Each person has total income more than ₹ 5 lakh)	Net-banking	20,00,000
Wages to 1 security guard, 2 housekeeping staff (wages of ₹ 15,000 p.m. each)	Cash	5,40,000
Computers purchased on 15th May, 2024 and put to use from 15th October, 2024	A/c payee Cheque	3,50,000
Interest for P.Y. 2024-25 on loan availed on 15th April, 2024 from SBI for purchase of computers	A/c payee Cheque	34,500
Other administration expenses (Each expense is of less than ₹ 8,000)	Cash	70,000
Advance given to suppliers, specialists etc.	Cash	90,000

The company could recruit a qualified finance and accounts professional only on 21st March, 2025. Post his appointment, necessary income tax statutory compliances were undertaken and the default with respect to non-deduction of tax on expenses from April, 2024 to March, 2025 was corrected in the month of April, 2025. The company withheld tax on expenses liable for withholding tax and paid such tax to the credit of Government in the same month.

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

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

Question: 1

Is Wellness Pvt. Ltd. required to get its books of account audited u/s 44AB for A.Y.2025-26?

- (i) No, since turnover of company is less than ₹ 10 crore.
- (ii) Yes, since the turnover of the company is more than ₹ 1 crore.
- (iii) No, since the turnover of the company is less than ₹ 2 crore.
- (iv) No, as aggregate cash receipts during the year do not exceed 5% of total amount received.
- (v) Yes, as cash payments during the year exceed 5% of aggregate payments.
- (vi) Yes, as the company is not eligible for presumptive taxation.

The correct answer is -

- (a) No, due to reasons stated in (i) and (iv) above
- (b) Yes, due to reasons stated in (ii) and (v) above
- (c) No, due to reason stated in (iii) above
- (d) Yes, due to reasons stated in (ii) and (vi) above

Question: 2

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

- (a) Nil, since the entire amount of tax has been deducted and remitted on or before the due date of filing of return u/s 139(1)
- (b) ₹ 10,50,000
- (c) ₹ 16,50,000
- (d) ₹ 18,12,000

Question: 3

What is the amount of depreciation allowable u/s 32(1) for the P.Y. 2024-25 on the computers purchased?

- (a) ₹ 73,600
- (b) ₹ 70,000
- (c) ₹ 73,450
- (d) ₹ 76,900

Question: 4

What is the total income of Wellness Pvt Ltd. for the A.Y. 2025-26?

- (a) ₹ 69,89,900
- (b) ₹ 69,75,500
- (c) ₹ 53,39,900
- (d) ₹ 47,99,900

Question: 5

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

- (a) No, since each receipt is less than ₹ 2,00,000
- (b) Yes, ₹ 5,50,000
- (c) No, since amount exceeding ₹ 2,00,000 is not received on a single day
- (d) No, since amount received is not in the nature of loan or advance

Answer Keys

Question No.	Answer	Description												
1	(b) Yes, due to reasons stated in (ii) and (v) above	In given case, his receipts in cash does not exceed 5% (1.1 crore*5% = 5.5 lakh), amount received in cash is also 5.5 lakh. Total payments made = 65,84,500, payment in cash = 7,00,000. Payments allowed in cash = 3,29,225 (6584500*5%) Since, the turnover exceeds 1 crore and cash payments exceeds 5% of total payment, Audit as per Sec. 44AB is mandatory.												
2	(c) Rs. 18,00,000	TDS is required in case of payments made to specialists u/s 194J and payment of salary u/s 192. Therefore, disallowed amount u/s 40(a)(ia) - = 16,50,000 ((35,00,000+20,00,000)*30%)												
3	(a) Rs. 73,600	Calculation of depreciation: Asset value = 3,50,000 Interest to be capitalized from 15th April to 14th oct = 34500*6/11.5 months = 18000 Total asset value = 350000+18000 = 368000. Depreciation = 368000*40/100*1/2 = 73600.												
4	(a) Rs. 69,89,900	Calculation of total income <table><tr><td>Gross receipts</td><td>1,10,00,000</td></tr><tr><td>Less: Payments for Remuneration, Salary and other Admin Expense</td><td>55,70,000</td></tr><tr><td>Add: Expense disallowed (due to TDS non-deduction)</td><td>16,50,000</td></tr><tr><td>Less: Depreciation</td><td>73600</td></tr><tr><td>Less: Interest other than capitalised</td><td>16500</td></tr><tr><td>Total Income</td><td>69,89,900</td></tr></table> Note - Wages of 5,40,000 will be disallowed as per 40A(3), hence not deducted. Advances are not expenses, hence not deducted.	Gross receipts	1,10,00,000	Less: Payments for Remuneration, Salary and other Admin Expense	55,70,000	Add: Expense disallowed (due to TDS non-deduction)	16,50,000	Less: Depreciation	73600	Less: Interest other than capitalised	16500	Total Income	69,89,900
Gross receipts	1,10,00,000													
Less: Payments for Remuneration, Salary and other Admin Expense	55,70,000													
Add: Expense disallowed (due to TDS non-deduction)	16,50,000													
Less: Depreciation	73600													
Less: Interest other than capitalised	16500													
Total Income	69,89,900													
5	(b) Yes, Rs. 5,00,000	Refer section 269ST & 271DA												

Compact Topic: 12, 13 & 14

Business Trust, Investment Fund & Securitisation Trust

Question: 1

[Concepts: Business Trust Dividend from SPV]

Dividend received by a real estate investment trust (REIT) from special purpose vehicle (SPV) and distributed to its unit holders is –

- (a) exempt in the hands of both the REIT and the unit holders unconditionally
- (b) exempt in the hands of the REIT only if the SPV is a specified domestic company; taxable in the hands of unit holders only if SPV does not exercise option u/s 115BAA
- (c) exempt in the hands of the REIT; exempt in the hands of unit holders only if SPV does not exercise option u/s 115BAA
- (d) taxable in the hands of the REIT; exempt unconditionally in the hands of unitholders

Question: 2

[Concepts: Mix of All 3 topics]

Mr. B has been holding 10% units in Real Estate Investment Trust, 7.5% units in Securitisation Trust and 5% units in Investment Fund for more than 15 months. The following incomes were earned by the Trust/Fund during the P.Y. 2024-25:

Particulars	Investment Fund (₹)	Real Est Investment (₹)	Securitisation Trust (₹)
Rental Income from directly held real estate property	-	10,00,000	-
Interest income from Special Purpose Vehicle	-	8,00,000	-
Profit from Business	5,00,000	-	6,00,000
Other Income (not in the nature of dividend)	2,00,000	1,00,000	-
Long-term capital loss	(12,50,000)	-	-

What would be the total income of Mr. B for P.Y. 2024-25, assuming that apart from share in above income, Mr. B had only long-term capital gains of ₹ 2,70,000?

- (a) ₹ 4,42,500
- (b) ₹ 4,67,500
- (c) ₹ 4,52,500
- (d) ₹ 5,05,000

Question: 3

[Business Trust REIT]

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

- (i) Rental income from real estate property directly held by it ₹ 80 lakhs
- (ii) Interest income from special purpose vehicle ₹ 50 lakhs

(iii) Dividend income from special purpose vehicle ₹ 40 lakhs

(iv) Capital gains on disposal of assets ₹ 30 lakhs

In this case, the special purpose vehicle is an Indian company, A Ltd., in which REIT holds 100% of shares. A Ltd. does not exercise option to pay tax u/s 115BAA. Which of the following statements relating to taxability of the above income are correct?

- (1) All the above income are taxable in the hands of REIT. The said income are exempt in the hands of unit holders.
- (2) Only income referred to in (i) and (ii) are taxable in the hands of REIT. Income referred to in (iii) and (iv) are taxable in the hands of unit holders.
- (3) Only income referred to in (i) and (ii) are taxable in the hands of REIT. Income referred to in (iv) is taxable in the hands of unit holders. Income referred to in (iii) is exempt both in the hands of REIT and unitholders.
- (4) Only income referred to in (iv) is taxable in the hands of REIT. Income referred to in (i) and (ii) is taxable in the hands of unit holders. Income referred to in (iii) is exempt both in the hands of REIT and unitholders.
- (5) Tax is deductible by REIT from income referred to in (i) and (ii)
- (6) Tax is deductible by REIT from income referred to in (iii) and (iv).
- (7) Tax is deductible by REIT only from income referred to in (iv).
- (8) No tax is deductible by REIT since the entire income is taxable in its hands.

The correct option is -

- (a) (1) and (8) above
- (b) (2) and (6) above
- (c) (3) and (7) above
- (d) (4) and (5) above

Answer Keys

Question No.	Answer
1	(c) exempt in the hands of the REIT; exempt in the hands of unit holders only if SPV does not exercise option u/s 115BAA
2	(a) ₹ 4,42,500
3	(d) (4) and (5) above

Case Scenario

Case Scenario 1 [BUSINESS TRUST]

A business trust, registered under SEBI (Real Estate Investment Trusts) Regulations, 2014, gives particulars of its income for the P.Y.2024-25:

- (i) Interest income from Z Ltd. Rs. 10 lakh;
- (ii) Dividend income from Z Ltd.- Rs. 5 lakh;
- (iii) Short-term capital gains on sale of listed shares (STT paid both at the time of purchase and sale) of Indian companies Rs. 4 lakh;
- (iv) Short-term capital gains on sale of developmental properties - Rs. 8 lakh
- (v) Interest received from investments in unlisted debentures of real estate companies - Rs. 1 lakh;
- (vi) Rental income from directly owned real estate assets Rs. 20 lakh

Z Ltd. is an Indian company in which the business trust holds 100% of the shareholding. Z Ltd. does not opt to pay tax u/s 115BAA.

Assume that the business trust has distributed the entire Rs. 48 lakh to the unit holders in the P.Y. 2024-25 in the month of March, 2025. Mr. X is a resident holder holding 100 units and Mr. Y is a non-resident holder holding 500 units. The total number of units subscribed to by all unit holders is 5,000. From the information given above, choose the most appropriate answer to the following questions –

Question: 1

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

- (a) No tax is deductible by the business trust, since such income is not taxable in the hands of unit holders
- (b) Tax is deductible@5% on Rs. 20,000 distributed to Mr. X and @5.2% on Rs. 1 lakh distributed to Mr. Y
- (c) Tax is deductible@10% on Rs. 20,000 distributed to Mr. X and @5.2% on Rs. 1 lakh distributed to Mr. Y
- (d) Tax is deductible@10% on Rs. 20,000 distributed to Mr. X and 10.4% on Rs. 1 lakh distributed to Mr. Y

Question: 2

In respect of short-term capital gains of Rs. 4 lakh on sale of listed shares of Indian companies and Rs. 8 lakh on sale of developmental properties -

- (a) The business trust is liable to pay tax MMR i.e. 39%
- (b) The business trust is liable to pay tax@42.744%
- (c) The business trust enjoys pass through status and hence, it need not pay any tax on such short-term capital gains; such income is subject to tax in the hands of unit-holders
- (d) The business trust is liable to pay tax@15.6%/20.8% (w.e.f. from 23rd July 2024) and at MMR, respectively

Question: 3

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

- (a) would be subject to distribution tax in the hands of Z Ltd., hence exempt in the hands of the business trust and the unit holders
- (b) is exempt in the hands of the business trust, since the trust enjoys pass through status in respect of such income; such income is taxable in the hands of the unit-holders X and Y
- (c) is taxable in the hands of the business trust; hence, exempt in the hands of the unit-holders
- (d) is exempt in the hands of the business trust and in the hands of the unit holders

Question: 4

If Z Ltd. exercises option u/s 115BAA, then, the dividend component of income from Z Ltd., distributed to unit-holders X and Y-

- (a) Would be subject to distribution tax in the hands of Z Ltd., hence exempt in the hands of the business trust and the unit holders
- (b) is exempt in the hands of the business trust, since the trust enjoys pass through status in respect of such income; such income is taxable in the hands of X and Y
- (c) is taxable in the hands of the business trust; hence, exempt in the hands of the X and Y
- (d) is exempt in the hands of the business trust and in the hands of the unit holders X and Y

Question: 5

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

- (a) subject to tax in the hands of the unit holders
- (b) subject to tax in the hands of the business trust @30%
- (c) subject to tax in the hands of the business trust at MMR
- (d) subject to tax in the hands of the business trust at the average rate of tax

Question: 6

The rental component of income from real estate assets received by the business trust and distributed to its unit holders X and Y would be -

- (a) subject to tax in the hands of the business trust at MMR
- (b) subject to tax in the hands of the business trust @31.2%
- (c) subject to tax in the hands of the unit-holder X @10% (on Rs. 40,000) and Y @ the rates in force (on Rs. 2,00,000); such tax has to be deducted at source by the business trust
- (d) subject to tax in the hands of the unit-holders X and Y; business trust has to deduct tax @10% on Rs. 40,000 distributed to X and at the rates in force on Rs. 2,00,000 distributed to Y

Answer Keys

Question No.	Answer	Description
1	(c) Tax is deductible @10% on Rs. 20,000 distributed to Mr. X and @5.2% on Rs. 1 lakh distributed to Mr. Y	Refer section 10 (23FC), section 115UA and 194LBA
2	(d) The business trust is liable to pay tax @15.6%/20.8% (w.e.f. from 23rd July 2024) and at MMR, respectively	Refer section 115UA, STCG on sale of listed shares is taxable u/s 111A and sale of developmental properties at MMR
3	(d) is exempt in the hands of the business trust and in the hands of the unit holders	Refer section 10 (23FD)
4	(b) is exempt in the hands of the business trust, since the trust enjoys pass through status in respect of such income; such income is taxable in the hands of X and Y	Refer section 10 (23FC) and 115UA
5	(c) subject to tax in the hands of the business trust at MMR	Refer section 115UA
6	(d) subject to tax in the hands of the unit-holders X and Y; business trust has to deduct tax @10% on Rs. 40,000 distributed to X and at the rates in force on Rs. 2,00,000 distributed to Y	Refer section 10 (23FCA), 115UA and 194LBA

Compact Topic: 16

Alternate Minimum Tax

Question: 1

[Concepts : AMT]

Mr. Devam has income of ₹ 52 lakhs under the head “Profits and gains of business or profession”. One of his businesses is eligible for deduction@100% of profits u/s 80-IA for A.Y.2024-25. The profit from such business included in the business income is ₹ 35 lakhs. What would be the tax liability (rounded off) of Mr. Devam for A.Y.2025-26, assuming that he has no other income during the P.Y.2024-25 and exercises the option to shift out of the default tax regime u/s 115BAC?

- (a) ₹ 3,35,400
- (b) ₹ 10,00,480
- (c) ₹ 11,00,530
- (d) ₹ 11,50,550

Answer Keys

Question No.	Answer
1	(c) ₹ 11,00,530

Case Scenario

Case Scenario 1 [AMT]

Ganga LLP is a limited liability partnership set up a unit in Special Economic Zone (SEZ) in the financial year 2019-20 for manufacture of textiles. The unit fulfills all the conditions u/s 10AA of the Income-tax Act, 1961. During the financial year 2023-24, it has also set up a warehousing facility in Pune for storage of sugar, fulfilling the conditions for claim of deduction u/s 35AD. Capital expenditure in respect of warehouse amounted to Rs. 97 lakhs (including cost of land Rs. 32 lakhs). The warehouse became operational with effect from 1st April, 2024 and the expenditure of Rs. 97 lakhs was capitalized in the books on that date.

The details for the financial year 2024-25 are given hereunder:

Particulars	₹
Profit of unit located in SEZ	60,00,000
Export sales of above unit	1,20,00,000
Domestic sales of above unit	40,00,000
Profit from operation of warehousing facility (before considering deduction u/s 35AD)	1,60,00,000

Mr. Ganesh, one of the partners of the LLP, commenced the business of manufacture of leather on 1.4.2023. His turnover in the P.Y.2023-24 is Rs. 180 lakh and in the P.Y.2024-25 is Rs. 200 lakhs. The payments made in the P.Y.2024-25 is Rs. 190 lakhs. The profit for P.Y.2024-25 as per books of account maintained u/s 44AA is Rs. 12.10 lakhs. Out of the turnover of Rs. 200 lakhs, Rs. 190 lakhs is received through RTGS and NEFT and Rs. 10 lakhs is received by way of cash. Out of the payments of Rs. 190 lakhs made (including expenditure incurred), Rs. 180 lakhs is through RTGS/ NEFT and the

remaining Rs. 10 lakhs through cash.

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

Question: 1

What is the amount of deduction u/s 10AA and 35AD available to Ganga LLP while computing income under the regular provisions of the Income-tax Act, 1961 for A.Y.2025-26?

- (a) Rs. 45 lakhs and Rs. 65 lakhs, respectively
- (b) Rs. 22.50 lakhs and Rs. 65 lakhs, respectively
- (c) Rs. 45 lakhs and Rs. 97 lakhs, respectively
- (d) Rs. 22.50 lakhs and Rs. 97 lakhs, respectively

Question: 2

What is the tax liability of Ganga LLP computed under the regular provisions of the Income-tax Act, 1961 for A.Y.2025-26?

- (a) Rs. 38,43,840
- (b) Rs. 31,70,000
- (c) Rs. 46,30,080
- (d) Rs. 19,65,600

Question: 3

What the alternate minimum tax (rounded off) payable by Ganga LLP as per section 115JC for A.Y.2025-26?

- (a) Rs. 39,49,750
- (b) Rs. 41,07,740
- (c) Rs. 43,95,280
- (d) Rs. 46,00,670

Question: 4

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

- (a) Yes; Rs. 5,22,340
- (b) Yes; Rs. 7,56,830
- (c) Yes; Rs.2,63,900
- (d) No

Question: 5

What is the income to be declared by Mr. Ganesh for A.Y.2025-26 under the head "Profits and gains of business or profession", so that he makes maximum tax savings without getting his books of account audited?

- (a) Rs. 12 lakhs
- (b) Rs. 12.10 lakhs
- (c) Rs. 12.20 lakhs
- (d) Rs. 16 lakhs

Answer Keys

Question No.	Answer	Description																				
1	(b) Rs. 22.50 lakhs and Rs. 65 lakhs, respectively	Section 10AA - Since, it is the 6th year of operations, 50% of export profit will be exempt. Deduction = 60 lakh * 120 lakh/160 lakhs * 50% = 22.50 lakhs Section 35AD - 100% deduction is allowed in respect of all capital expenses except (a) Land (b) Goodwill (c) Financial Instruments. Therefore, deduction = 65 lakhs																				
2	(c) Rs. 46,30,080	<table><tr><td>Profit of unit located in SEZ</td><td>60 lakhs</td></tr><tr><td>Less: Deduction u/s 10AA</td><td>22.50 lakhs</td></tr><tr><td>A</td><td>37.50 lakhs</td></tr><tr><td></td><td></td></tr><tr><td>Profit from warehouse</td><td>160 lakhs</td></tr><tr><td>Less: Deduction u/s 35AD</td><td>65 lakhs</td></tr><tr><td>B</td><td>95 lakhs</td></tr><tr><td>A+B</td><td>132.50 lakhs</td></tr><tr><td></td><td></td></tr><tr><td>Tax Liability 132.50*30%*1.12*1.04</td><td>46.3008 lakhs</td></tr></table>	Profit of unit located in SEZ	60 lakhs	Less: Deduction u/s 10AA	22.50 lakhs	A	37.50 lakhs			Profit from warehouse	160 lakhs	Less: Deduction u/s 35AD	65 lakhs	B	95 lakhs	A+B	132.50 lakhs			Tax Liability 132.50*30%*1.12*1.04	46.3008 lakhs
Profit of unit located in SEZ	60 lakhs																					
Less: Deduction u/s 10AA	22.50 lakhs																					
A	37.50 lakhs																					
Profit from warehouse	160 lakhs																					
Less: Deduction u/s 35AD	65 lakhs																					
B	95 lakhs																					
A+B	132.50 lakhs																					
Tax Liability 132.50*30%*1.12*1.04	46.3008 lakhs																					
3	(d) Rs. 46,00,670	<table><tr><td>Taxable Income</td><td>132.50 Lakhs</td></tr><tr><td>Add: Deduction u/s 10AA</td><td>22.50 lakhs</td></tr><tr><td>Add: Deduction u/s 35AD</td><td>65 lakhs</td></tr><tr><td></td><td>220</td></tr><tr><td>Less: Dep u/s 32 (65 Lakhs*10%)</td><td>6.5 lakhs</td></tr><tr><td>Adjusted Total Income</td><td>213.5 lakhs</td></tr><tr><td>Tax Liability 213.50*18.50%*1.12*1.04</td><td>46,00,670</td></tr></table>	Taxable Income	132.50 Lakhs	Add: Deduction u/s 10AA	22.50 lakhs	Add: Deduction u/s 35AD	65 lakhs		220	Less: Dep u/s 32 (65 Lakhs*10%)	6.5 lakhs	Adjusted Total Income	213.5 lakhs	Tax Liability 213.50*18.50%*1.12*1.04	46,00,670						
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4	(d) No	Tax as per normal provision was higher. Therefore, no AMT credit will be there.																				
5	(c) Rs. 12.20 lakhs	As per section 44AD, income on presumptive basis is Turnover/Gross Receipts *6% (for account payee cheque/DD/ECS received upto due date of ROI) and for remaining modes, it is Turnover/GR *8%. Therefore, in the given cases income will be calculated as follows ∴ 190 lakhs*6% + 10 lakhs*8% = 12.20 lakhs.																				

Compact Topic: 18

Deduction from GTI

Question: 1

[Concepts: Basic concept of Deduction]

In the P.Y.2024-25, Mr. Ganguly, a resident individual aged 60 years, earned income from profession (computed) ₹ 1,45,000, winnings from card games ₹ 1,50,000 (gross). He also has interest of ₹ 40,000 on fixed deposit with banks and ₹ 9,000 on savings account with bank. He deposited ₹ 1,50,000 in PPF. What is the total income of Mr. Ganguly for P.Y.2024-25, assuming that he exercises the option to shift out of the default tax regime u/s 115BAC?

- (a) ₹ 1,45,000
- (b) ₹ 1,50,000
- (c) ₹ 1,85,000
- (d) ₹ 1,90,000

Question: 2

[Concepts: Deduction u/s 80D]

Nikhil, an individual aged 35 years, incurs the following expenses for the benefit of his family (i.e., Self, Mrs. Nikhil and dependent children) and parents [father (80 years), mother (76 years)] during the P.Y. 2024-25:

Particulars	Medical insurance premium (by cheque) (₹)	Preventive health check- up expenditure (in cash) (₹)	Medical expenditure (by cheque) (₹)
For the benefit of his family	20,000	7,000	2,000
For the benefit of his father	Nil	Nil	32,000
For the benefit of his mother	6,000	Nil	Nil

What is the amount of deduction allowable u/s 80D to Nikhil for the A.Y. 2025-26 if he exercises the option to shift out of the default tax regime u/s 115BAC?

- (a) ₹ 63,000
- (b) ₹ 55,000
- (c) ₹ 67,000
- (d) ₹ 65,000

Question: 3 [Concepts: 80M Intercorporate Dividend - explained in COMPACT with Dividend Topic]

Gamma Ltd. has distributed on 30.6.2025, dividend of ₹ 130 lakhs to its shareholders. During the F.Y.2024-25, Gamma Ltd. has received dividend of ₹ 108 lakhs (Net of TDS) from domestic companies and ₹ 30 lakhs (gross) from a foreign company in which it has 5% shareholding. What is the deduction, if any, available to Gamma Ltd. in respect of such dividend?

- (a) ₹ 138 lakhs
- (b) ₹ 120 lakhs
- (c) ₹ 130 lakhs

(d) ₹ 150 lakhs

Answer Keys

Question No.	Answer
1	(b) ₹ 1,50,000 [Hint. Deduction not allowed against casual income i.e. winning]
2	(a) ₹ 63,000
3	(c) ₹ 130 lakhs

Case Scenario**Case Scenario 1 [35AD/Deduction]**

PQR LLP commenced operations of the business of a new three-star hotel in Baroda, Gujarat on 1.4.2024. The company incurred capital expenditure of Rs. 75 lakh on land in March, 2024 exclusively for the above business, and capitalized the same in its books of account as on 15 April, 2024. Further, during the P.Y. 2024-25, it incurred capital expenditure of Rs. 3 crore (out of which Rs. 1.25 crore was for acquisition of land and Rs. 1.75 crore was for acquisition of building) exclusively for the above business. The payments in respect of the above expenditure were made by account payee cheque. The profits from the business of running this hotel (before claiming deduction u/s 35AD) for the A.Y.2025-26 is Rs. 80 lakh.

Mr. P, one of the partners of the LLP, has commenced the business of manufacture of apparel on 1.10.2024. He 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	1.10.2024	Regular	24,000
(ii)	80	1.10.2024	Regular	24,500
(iii)	50	1.11.2024	Casual	25,500
(iv)	30	1.11.2024	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. The profits and gains derived from manufacture of apparel that year is Rs. 92 lakhs and his total turnover is Rs. 10.20 crores.

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

Question: 1

Assuming that PQR LLP has fulfilled all the conditions specified for claim of deduction u/s 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 u/s 35AD, which it is eligible to claim as deduction, for A.Y.2025-26?

- (a) Rs. 375 lakh
- (b) Rs. 300 lakh
- (c) Rs. 200 lakh
- (d) Rs. 175 lakh

Question: 2

Assuming that PQR LLP also has another existing business of running a four-star hotel in Ahmedabad, which commenced operations fifteen years back, the profits from which are Rs. 130 lakh for the A.Y.2025-26, what would be its income chargeable/loss under the head "Profits and gains of business or profession" for the A.Y.2025-26?

- (a) Rs. 130 lakh
- (b) Rs. 35 lakh
- (c) (Rs. 45 lakh)
- (d) Rs. 10 lakh

Question: 3

If, out of the amount of Rs. 1.25 crore paid for acquisition of land in the P.Y.2024-25, Rs. 75 lakh was paid by way of cash, what would be the answer to questions (1) and (2) above?

- (a) Rs. 175 lakh; Rs. 35 lakh, respectively
- (b) Rs. 125 lakh; Rs. 85 lakh, respectively
- (c) Rs. 100 lakh; Rs. 110 lakh, respectively
- (d) Rs. 225 lakh; (Rs. 15 lakh), respectively

Question: 4

Considering the assumption given in question (2) above, what would be the tax payable (rounded off) by PQR LLP for A.Y.2025-26?

- (a) Rs. 10,92,000
- (b) Rs. 41,48,140
- (c) Nil
- (d) Rs. 40,40,000

Question: 5

Would Mr. P be eligible for deduction u/s 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 since the employees have not been employed for 240 days in the P.Y.2024-25. He can, however, claim deduction there under in the P.Y.2025-26.
- (b) Yes; Rs. 63,81,000
- (c) Yes; Rs. 58,68,000
- (d) Yes; Rs. 52,56,000

Answer Keys

Question No.	Answer	Description
1	(d) Rs. 175 Lakh	As per section 35AD, 100% deduction is allowed in respect of all capital expenses except- (a) Land (b) Goodwill (c) Financial Instruments.
2	(b) Rs. 35 lakh	Loss of Specified business can be set off only against specified business income, irrespective of whether the latter is eligible for deduction u/s 35AD.

Question No.	Answer	Description																																																						
3	(a) Rs. 175 lakh; Rs. 35 lakh, respectively	Loss under specified business = 80 – 175 = 95 lakh Profit of other hotel = 130 lakh Net = 130 – 95 = 35 lakhs No change in answer since no deduction was taken for land																																																						
4	(b) Rs. 41,48,140	Normal tax = 35 lakh *30%*1.04 = 10.92 lakhs Calculation of AMT - Profit = 35 lakh Add: Deduction u/s 35AD = 175 lakhs Less: Depreciation u/s 32 on 175 Lakhs @ 10% = 17.5 lakh Adjusted total income = 192.50 lakhs AMT = 192.50*18.5%*1.12*1.04 = 41.48144 lakhs Tax payable = 41.48144 lakhs																																																						
5	(b) Yes; Rs. 63,81,000	<table><tr><td>40</td><td>1.10.2024</td><td>Regular</td><td>24000</td><td>182</td><td>Eligible</td></tr><tr><td>80</td><td>1.10.2024</td><td>Regular</td><td>24500</td><td>182</td><td>Eligible</td></tr><tr><td>50</td><td>1.11.2024</td><td>Regular</td><td>25500</td><td>151</td><td>Not eligible since salary exceed 25k</td></tr><tr><td>30</td><td>1.11.2024</td><td>Casual</td><td>25000</td><td>151</td><td>Eligible</td></tr><tr><td>20</td><td>1.12.2024</td><td>Casual</td><td>24000</td><td>90</td><td>Not eligible since employed for less than 150 days</td></tr></table> Calculation of Deduction – <table><tr><th>Employees</th><th>Months</th><th>Salary</th><th>Total Salary</th></tr><tr><td>40</td><td>6</td><td>24000</td><td>57.60 Lakhs</td></tr><tr><td>80</td><td>6</td><td>24500</td><td>117.6 Lakhs</td></tr><tr><td>30</td><td>5</td><td>25000</td><td>37.5 Lakhs</td></tr><tr><td></td><td>Total</td><td></td><td>212.7 Lakhs</td></tr><tr><td></td><td>Deduction @ 30%</td><td></td><td>63.81 Lakhs</td></tr></table>	40	1.10.2024	Regular	24000	182	Eligible	80	1.10.2024	Regular	24500	182	Eligible	50	1.11.2024	Regular	25500	151	Not eligible since salary exceed 25k	30	1.11.2024	Casual	25000	151	Eligible	20	1.12.2024	Casual	24000	90	Not eligible since employed for less than 150 days	Employees	Months	Salary	Total Salary	40	6	24000	57.60 Lakhs	80	6	24500	117.6 Lakhs	30	5	25000	37.5 Lakhs		Total		212.7 Lakhs		Deduction @ 30%		63.81 Lakhs
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Compact Topic: 19

Clubbing of Income

Question: 1

[Concepts: Gift of money to spouse and he invested in Business]

Mrs. Kavitha, wife of Mr. Sundar, is a partner in a firm. Her capital contribution of ₹ 5 lakhs to the firm as on 1.4.2024 included ₹ 3 lakhs contributed out of gift received from Sundar. On 2.4.2024, she further invested ₹ 1 lakh out of gift received from Sundar. The firm paid interest on capital of ₹ 60,000 and share of profit of ₹ 50,000 during the F.Y.2024-25. The entire interest has been allowed as deduction in the hands of the firm. Which of the following statements is correct?

- (a) Share of profit is exempt but interest on capital is taxable in the hands of Mrs. Kavitha
- (b) Share of profit is exempt but interest of ₹ 40,000 is includible in the income of Mr. Sundar and interest of ₹ 20,000 is includible in the income of Mrs. Kavitha
- (c) Share of profit is exempt but interest of ₹ 36,000 is includible in the income of Mr. Sundar and interest of ₹ 24,000 is includible in the income of Mrs. Kavitha
- (d) Share of profit to the extent of ₹ 30,000 and interest on capital to the extent of ₹ 36,000 is includible in the hands of Mr. Sundar

Answer Keys

Question No.	Answer
1	(c) Share of profit is exempt but interest of ₹ 36,000 is includible in the income of Mr. Sundar and interest of ₹ 24,000 is includible in the income of Mrs. Kavitha [Share from any partnership firm by partner is fully exempted u/s 10(2A)]

Case Scenario

Case Scenario 1 [HP/Clubbing Mix]

Mr. Sachdeva had bought a residential house worth Rs. 4 crores at Worli, Mumbai in 2000 and let out the house on rent to Mr. Akhil. The property was funded through loan from SBI. The interest due for F.Y.2024-25 to SBI is Rs. 40 lakhs, out of which he paid only Rs. 37 lakhs during the year. Mr. Sachdeva then took a loan of Rs. 2 crores from another bank, namely, MPC Bank on 1.10.2024 for construction of first floor in that house for self-occupation. The construction is in progress as on 31.3.2025. Mr. Sachdeva started repaying EMIs due to MPC Bank. During the P.Y. 2024-25, he repaid principal amount of Rs. 30 lakhs and Rs. 5 lakhs to SBI and MPC Bank, respectively. He also paid interest of Rs. 5 lakhs to MPC Bank out of Rs. 6 lakhs, being interest due for the period from 1.10.2024 to 31.3.2025.

Mr. Sachdeva transfers a house property in a village at Wada in his minor daughter's name i.e., Miss Rysha's as her birthday gift. Miss Rysha gave the said house to the Panchayat head from April, 2024 at a rent of Rs. 5,000 per month. Mrs. Sachdeva's total income for A.Y.2025-26 is higher than that of Mr. Sachdeva, since she won Rs. 20 lakhs from lottery this year. In other years, Mr. Sachdeva's total income is higher than that of Mrs. Sachdeva. Miss Rysha has not had any other source of income in any earlier year. Also, she does not have any other source of income this year.

Mr. Sachdeva bought petrol driven car worth Rs. 50 lakhs and an electric vehicle worth Rs. 70 lakhs

on loan from BSM Bank which it sanctioned on 1.4.2022. BSM Bank charged interest of Rs. 5 lakhs on petrol driven car and Rs. 7 lakhs on electric vehicle for the P.Y.2024-25. Mr. Sachdeva has also taken loan from FRM Bank for his daughter's higher education. He paid Rs. 50,000 as interest to FRM Bank. He also paid mediclaim of Rs. 20,000 to New India Assurance Scheme for insuring his health.

Mrs. Sachdeva owns a shop of 100 square feet area in Mumbai. She rented it to an architect who gave her an interest-free deposit of Rs. 1,00,000. The rent paid by the architect from 1st April is Rs. 60,000 per month. Mr. Sachdeva's brother, Mr. Ajay who is a non-resident sold his house at Bandra Kurla Complex, Mumbai to another non-resident, Mr. David, who is based at Germany for a consideration of Rs. 20 crores on 01.09.2024. Mr. Ajay died on 01.11.2024 on account of a car accident.

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

Question: 1

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

- (a) Rs. 46 lakhs
- (b) Rs. 42 lakhs
- (c) Rs. 40 lakhs
- (d) Rs. 37 lakhs

Question: 2

What is the amount of deduction permissible to Mr. Sachdeva under Chapter VI-A of Income-tax Act, 1961 for A.Y. 2025-26?

- (a) Rs. 1,70,000
- (b) Rs. 2,20,000
- (c) Rs. 3,70,000
- (d) Rs. 14,20,000

Question: 3

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

- (a) No, it is not chargeable to tax
- (b) Yes, it is chargeable to tax as profits and gains from business, since a commercial property has been let out
- (c) Yes, it is chargeable to tax as "Income from Other Sources", being the residuary head of income
- (d) Yes, it is chargeable to tax as "Income from house property", since section 22 does not distinguish between a residential house property and commercial house property

Question: 4

The Assessing Officer came to know about the transaction of sale of property at BKC, Mumbai on 15th December, 2025 and wants to hold Mr. David as an agent of Mr. Ajay u/s 163(1). Can he do so? If not, why?

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

Question: 5

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

- (a) In Rysha's hands
 (b) In Mr. Sachdeva's hands
 (c) In Mrs. Sachdeva's hands
 (d) It would change every year depending on the parent whose income is higher in that year

Answer Keys

Question No.	Answer	Description
1	(c) Rs. 40 Lakhs	Interest is allowed on due or paid basis. Therefore, full 40 lakhs will be allowed. Interest on under-construction property is allowed when the construction gets complete. Limit of 2 Lakhs is only applied in case of Self Occupied House Property.
2	(c) Rs. 3,70,000	80C - 1,50,000 (repayment of principal to the extent of 1.5 lakh) 80EEB (Interest on Electric Vehicle loan) - 1,50,000 80E (Interest on education loan) - 50,000 80D (Medical premium) - 20,000 Total = 3,70,000
3	(a) No, it is not chargeable to tax	No such enabling provision in Income from house property, therefore not chargeable to tax.
4	(d) Yes, he can hold Mr. David as an agent as per the provisions of the Income-tax Act, 1961	Section 163 (1) for the purpose of definition of Agent from Bare Act
5	(b) In Mr. Sachdeva's hands	Section 64(1A) - Income of minor child is taxable in hands of parent whose income is more before clubbing minor's income

Compact Topic: 21

Advance Tax, TDS & TCS

Question: 1

[Concepts: Section 194-IB]

Mr. Vallish, employed as Manager with ABC Ltd., pays rent of ₹ 50,000 per month to his landlord. Which of the following statements is correct?

- (a) Mr. Vallish is liable to deduct tax@10% u/s 194-I, since his annual rent exceeds ₹ 2,40,000
- (b) Mr. Vallish is liable to deduct tax@2% u/s 194-IB every month, since he pays rent of ₹ 50,000 per month
- (c) Mr. Vallish is liable to deduct tax@2% u/s 194-IB on the annual rent in the month of March, since he pays rent of ₹ 50,000 per month
- (d) Mr. Vallish is not liable to deduct tax at source

Question: 2

[Concepts: Section 194-I Rent]

ABC Ltd. took on sub-lease a building from Ms. Jhanvi with effect from 1.7.2024 on a rent of ₹ 20,000 per month. It also took on hire machinery from Ms. Jhanvi with effect from 1.10.2024 on hire charges of ₹ 15,000 per month. ABC Ltd. entered into two separate agreements with Ms. Jhanvi for sub-lease of building and hiring of machinery. Which of the following statements is correct with reference to ABC Ltd.'s liability to deduct tax at source, assuming that one month's rent was received as security deposit, which is refundable at the end of the lease period?

- (a) No tax needs to be deducted at source since rent for building does not exceed ₹ 2,40,000 p.a. and rent for machinery also does not exceed ₹ 2,40,000 p.a. Security deposit refundable at the end of the lease term is not rent for the purpose of TDS
- (b) Tax has to be deducted@10% on ₹2,00,000 and @2% on ₹1,05,000 (i.e., rent including security deposit)
- (c) Tax has to be deducted@10% on ₹1,80,000 and @2% on ₹90,000 (i.e., rent excluding security deposit)
- (d) Tax has to be deducted@10% on ₹2,00,000 (i.e., rent including security deposit). However, no tax is to be deducted on rent of ₹1,05,000 (i.e., rent including security deposit) for machinery, since the same does not exceed ₹1,80,000

Question: 3

[Concepts: Section 194M]

Mr. Hari is an interior decorator declaring profits under 44ADA in the P.Y.2024-25 and the earlier P.Y.s. Mr. Hari has to pay brokerage of Rs. 10 lakhs to Mr. Lal, a broker, to buy a residential house, and Rs. 50 lakhs to Mr. Shyam, a contractor for reconstruction of the residential house. Are TDS provisions attracted in the hands of Mr. Hari in respect of the above transactions?

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

payment to Mr. Lal

Question: 4

[Concepts: Section 194M]

Mr. Sanjay, a salaried individual, pays brokerage of Rs. 40 lakhs to Mr. Harish, a broker, on 5.1.2025 to buy a residential house. His father, Mr. Hari, a retired pensioner, makes contract payments of Rs. 15 lakhs, Rs. 25 lakhs and Rs. 12 lakhs on 28.9.2024, 3.11.2024 and 15.2.2025 to Mr. Rajeev, a contractor, for reconstruction of residential house. With respect to the above payments made by Mr. Sanjay and Mr. Hari, which of the following statements is correct?

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

Question: 5

[Concepts: Section 194-IB]

Kunal & Co LLP engaged in manufacturing business withdrew from its bank account ₹ 125 lakhs by cash (each individual withdrawal does not exceed Rs. 2 lakhs) in the P.Y.2024-25. The purpose of withdrawal from bank was for buying agricultural produce, being raw material required for manufacture for finished products by it. Kunal & Co LLP always files its return of income before the due date. Are TDS provisions applicable on such withdrawals? If yes, what is the amount of tax to be deducted?

- (a) No; TDS provisions are not attracted
- (b) Yes; Tax of Rs. 50,000 is required to be deducted
- (c) Yes; Tax of Rs. 1,25,000 is required to be deducted
- (d) Yes; Tax of Rs. 2,10,000 is required to be deducted

Answer Keys

Question No.	Answer
1	(d) Mr. Vallish is not liable to deduct tax at source [TDS applicable only when rent more than 50,000 per month]
2	(c) Tax has to be deducted @10% on ₹ 1,80,000 and @2% on ₹ 90,000 (i.e., rent excluding security deposit)
3	(a) No; TDS provisions are not attracted in the hands of Mr. Hari in respect of payments to Mr. Lal and Mr. Shyam [TDS u/s 194M apply only when payment more than ₹ 50 lakhs]
4	(d) Mr. Hari is required to deduct tax at source but Mr. Sanjay is not required to deduct tax at source
5	(b) Yes; Tax of Rs. 50,000 is required to be deducted

Case Scenario**Case Scenario 1 [TDS/TCS]**

Mr. Rajat is a diamond merchant. During the P.Y.2024-25, he has turnover of ₹ 20 crores and net profit of ₹ 60 lakhs after taking into account all the permissible deductions. He has invested in shares of various private limited companies, from which dividend of ₹ 12 lakhs are receivable by him. He has two house properties in India, both of which were self-occupied. On one of the properties, he had taken loan of ₹ 50 lakh on which interest payable was ₹ 2,50,000, out of which he paid ₹ 1,80,000 during the year. On his birthday, he received jewellery from his friend (fair market value of which was ₹ 5 lakhs). He had also withdrawn cash of ₹ 1.2 crores during the P.Y. 2024-25 in aggregate from his current account maintained with ABC Bank. Further, he also withdrew ₹ 50 lakhs from a co-operative bank account in October, 2024. He is regularly filing his return of income. His brother, Mr. Rahul has not filed his return of income for the last five years, even though his total income exceeded the basic exemption limit. He withdrew ₹ 50 lakhs from a co-operative bank account in March, 2025. Also, Mr. Rajat holds 20% voting power in XYZ Pvt. Ltd. (closely held company and engaged in diamond manufacturing) from which he has obtained loan of ₹ 10 lakhs on 1.4.2024. The company had free reserves of ₹ 8 lakh as on 31.3.2024.

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

Question: 1

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

- (a) ₹ 10 lakhs would be taxable as deemed dividend in the hands of Mr. Rajat
- (b) ₹ 8 lakhs would be taxable as deemed dividend in the hands of Mr. Rajat
- (c) The entire amount is received in the ordinary course of the business and therefore, the loan obtained would not be treated as deemed dividend
- (d) The company will pay distribution tax@ 34.944% on ₹ 8 lakhs

Question: 2

Would cash withdrawals by Mr. Rajat during the P.Y. 2024-25 attract deduction of tax at source?

- (a) Yes, tax is required to be deducted u/s 194N @5% on ₹ 1.2 crores by ABC Bank and 2% on ₹ 50 lakhs by the cooperative bank
- (b) Yes, tax is required to be deducted@2% on ₹ 20 lakhs u/s 194N by ABC Bank
- (c) Yes, tax is required to be deducted@5% on ₹ 20 lakhs u/s 194N by ABC Bank
- (d) Yes, tax is required to be deducted u/s 194N @5% on ₹ 20 lakhs by ABC Bank and 2% on ₹ 50 lakhs by the cooperative bank

Question: 3

Would cash withdrawals by Mr. Rahul during the P.Y. 2024-25 attract deduction of tax at source?

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

Question: 4

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

- (a) ₹ 72 lakhs
- (b) ₹ 75 lakhs
- (c) ₹ 83 lakhs
- (d) ₹ 83.20 lakh

Question: 5

What is the amount of gross tax liability of Mr. Rajat for the A.Y. 2025-26, assuming that he has shifted out of the default tax regime and pays tax under normal provisions of the Act?

- (a) ₹ 23,59,500
- (b) ₹ 26,34,060
- (c) ₹ 25,94,060
- (d) ₹ 26,40,924

Answer Keys

Question No.	Answer	Description
1	(b) ₹ 8 lakhs would be taxable as deemed dividend in the hands of Mr. Rajat	Refer section 2(22)(e)
2	(b) Yes, tax is required to be deducted @2% on ₹ 20 lakhs u/s 194N by ABC Bank	Refer section 194N
3	(d) Yes, tax is required to be deducted @2% on ₹ 30 lakhs u/s 194N by co-operative bank	Refer section 194N
4	(c) ₹ 83 lakhs	HP = (2,00,000) PGBP = 60 lakhs Other Sources Gift = 5 lakhs Deemed dividend = 8 lakhs dividend = 12 lakhs Total Income = 83 lakhs
5	(b) ₹ 26,34,060	Tax on ₹ 83 lakhs at normal slab rate + 10% surcharge + 4% HEC

Case Scenario 2 [TDS/TCS]

Mr. Subhash is a retailer of car spare parts. He started his business in May, 2023. His turnover for the P.Y. 2023- 24 was ₹ 10.50 crores. He generally purchases goods from Car accessories & Co. only. Car accessories & Co. manufacturers and sells spare parts directly to the customers as well as through an e-commerce platform – CarParts.com. Car accessories & Co.'s turnover from the business for the P.Y. 2023-24 was ₹ 15 crores. The relevant information of purchases made by Mr. Subhash in P.Y. 2024-25 is given hereunder:

Date of credit to	Date of Payment	Value of spare	GST @18% (₹)	Total value of
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account of Car accessories & Co.	to Car accessories & Co.	parts without GST (₹)		spare parts/ payment (₹)
15.05.2024	02.06.2024	45,00,000	8,10,000	53,10,000
18.06.2024	30.06.2024	15,00,000	2,70,000	17,70,000
28.08.2024	17.08.2024	21,50,000	3,87,000	25,37,000
14.02.2025	28.02.2025	10,50,000	1,89,000	12,39,000

In addition to the above, Mr. Subhash also purchased spare parts of Car accessories & Co. for ₹ 12,00,000 inclusive of GST@18% through CarParts.com on 31.12.2024. The payment was made directly to Car accessories & Co. on 15.1.2025. PAN is duly furnished by Mr. Subhash, Car accessories & Co. and CarParts.com. The GST portion is indicated separately in the invoice of Car accessories & Co. but it is not shown separately when the goods are purchased through CarParts.com.

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

Question: 1

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

- (a) Yes; ₹ 1,000 on 18.06.2024, ₹ 2,537 on 17.08.2024 and ₹ 1,050 on 14.02.2025
- (b) Yes; ₹ 2,537 on 17.08.2024 and ₹ 1,050 on 14.02.2025
- (c) Yes; ₹ 1,000 on 18.06.2024, ₹ 2,150 on 17.08.2024 and ₹ 1,050 on 14.02.2025
- (d) No, Mr. Subhash is not liable to deduct tax at source

Question: 2

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

- (a) Yes; ₹ 1,000 on 30.06.2024, ₹ 2,150 on 17.08.2024 and ₹ 1,050 on 28.02.2025
- (b) Yes; ₹ 310 on 2.06.2024, ₹ 1,770 on 30.06.2024, ₹ 2,537 on 17.08.2024 and ₹ 1,239 on 28.02.2025
- (c) Yes; ₹ 310 on 2.06.2024
- (d) No, Car accessories & Co. is not liable to collect tax at source

Question: 3

Assume that Mr. Subhash has started the retail business of car spare parts in May, 2024. In such case, would the answer of MCQ 1 and 2 be different? If yes, what would be the answer of MCQ 1 and 2?

- (a) No, the answer of MCQ 1 and 2 would be the same
- (b) Yes, the answer of MCQ 1 would change to (d) but the answer of MCQ 2 would be the same
- (c) Yes, the answer of MCQ 1 would change to (d) and the answer of MCQ 2 would change to (b)
- (d) Yes, the answer of MCQ 1 would change to (d) and the answer of MCQ 2 would change to (a)

Question: 4

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

- (a) Mr. Subhash is required to deduct tax at source on ₹ 12 lakhs @0.1%.
- (b) Car accessories & Co. is required to collect tax at source on ₹ 12 lakhs @0.1%
- (c) CarParts.com is required to deduct tax at source on ₹ 12 lakhs @0.1%

(d) CarParts.com is required to deduct tax at source on ₹ 12 lakhs @1%

Question: 5

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

- (a) 5%
- (b) 1%
- (c) 0.1%
- (d) Car accessories & Co. is not liable to collect tax at source

Answer Keys

Question No.	Answer	Description
1	(a) Yes; ₹ 1,000 on 18.06.2024, ₹ 2,537 on 17.08.2024 and ₹ 1,050 on 14.02.2025	TDS u/s 194Q would be applicable in the hands of Mr. Subhash since his turnover exceeds ₹ 10 crore in P.Y. 2023-24. TDS u/s 194Q would be applicable from 18.6.2024 when purchases exceeds ₹ 50 lakhs. TDS would be deducted at the time of credit or payment whichever is earlier. When TDS is deductible at the time of credit, it will be deducted on amount of purchase excluding GST since shown separately. When TDS is deductible at the time of payment, it will be deducted on the amount of payment.
2	(c) Yes; ₹ 310 on 2.06.2024	TCS u/s 206C(1H) would be applicable since Car accessories & Co. turnovers of P.Y. 2023-24 exceeds ₹ 10 crore. TCS would be applicable on first transaction on 2.6.2024 since payment exceeds ₹ 50 lakhs. Regarding other transactions, in case of applicability of both TDS u/s 194Q and TCS u/s 206C(1H), TDS u/s 194Q would be deducted by the buyer.
3	(c) Yes, the answer of MCQ 1 would change to (d) and the answer of MCQ 2 would change to (b)	Section 194Q would not be applicable in the year of incorporation. Accordingly, TCS u/s 206C(1H) would be collectible by the seller at the time of receipt.
4	(c) CarParts.com is required to deduct tax at source on ₹ 12 lakhs @0.1%	Refer section 194-O
5	(c) 0.1%	Section 206CC would not be applicable since Aadhar number is furnished by Mr. Subhash

Case Scenario 3 [TDS/TCS]

Mr. Sunil, Mr. Sriram and Mr. Shyam are three brothers, who are resident Indians in independent retail trade business of food grains in Pune, Thane and Nagpur, respectively. Their turnover for F.Y.2023-24 were Rs. 9 crores, Rs. 10 crores and Rs. 12 crores, respectively. They regularly purchase food grains from another resident, Mr. Ashwath, a wholesaler in Mumbai. The turnover of Mr.

Ashwath for F.Y.2023-24 was Rs. 18 crores.

They all follow mercantile system of accounting. The aggregate amount credited by the brothers to the account of Mr. Ashwath during each month of the F.Y.2024-25 is shown in the table below. It may be assumed that the entire amount relating to Mr. Ashwath for a particular month is credited to his account on the last date of that month and is paid entirely on the last date of the immediately following month. Likewise, Mr. Ashwath also debits the accounts of Mr. Sunil, Mr. Sriram and Mr. Shyam on the last date of the month with the amount of sales effected during each month.

Month	Value of purchases from Mr. Ashwath		
	Mr. Sunil ₹	Mr. Sriram ₹	Mr. Shyam ₹
April, 2024	5.90 lakhs	7.50 lakhs	9.80 lakhs
May, 2024	7.10 lakhs	6.85 lakhs	8.75 lakhs
June, 2024	8.20 lakhs	8.20 lakhs	9.45 lakhs
July, 2024	6.80 lakhs	6.45 lakhs	6.80 lakhs
August, 2024	4.90 lakhs	5.95 lakhs	6.30 lakhs
September, 2024	5.80 lakhs	7.10 lakhs	8.15 lakhs
October, 2024	7.20 lakhs	8.60 lakhs	7.80 lakhs
November, 2024	6.70 lakhs	6.80 lakhs	9.10 lakhs
December, 2024	8.10 lakhs	7.85 lakhs	7.90 lakhs
January, 2025	9.00 lakhs	8.90 lakhs	8.25 lakhs
February, 2025	7.90 lakhs	6.70 lakhs	7.95 lakhs
March, 2025	8.40 lakhs	9.10 lakhs	7.75 lakhs
Total	86.00 lakhs	90.00 lakhs	98.00 lakhs

Mr. Sunil's friend Mr. Krishna, who commenced retail trade business in April, 2024, entered into a one-time transaction with Mr. Ashwath for purchase of food grains for Rs. 60 lakhs on 30th June, 2024, on which date he credited the said sum to the account of Mr. Ashwath. He, however, paid the said sum to him only on 2nd July, 2024.

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

Question: 1

Are the provisions of TDS under the Income-tax Act, 1961 attracted in respect of purchase transactions with Mr. Ashwath? If so, in whose hands, at what rate and at what point of time? Ignore one time transaction of Mr. Sunil's friend, Mr. Krishna, for the purpose of this MCQ.

- Mr. Sriram and Mr. Shyam are liable to deduct tax at source @1% on the amount of each purchase made (after crossing the threshold limit of Rs. 50 lakhs), at the time of payment to Mr. Ashwath towards such purchase (i.e., from 30.11.2024 onwards)
- Mr. Sriram and Mr. Shyam are liable to deduct tax at source @0.1% on the amount of each purchase (after crossing the threshold limit of Rs. 50 lakhs), at the time of credit of such amount to Mr. Ashwath's account (i.e., from 31.10.2024 onwards)
- Mr. Shyam is liable to deduct tax at source @0.1% on the amount of each purchase (after crossing the threshold limit of Rs. 50 lakhs) at the time of credit of such amount to Mr. Ashwath's account

(i.e., from 31.10.2024 onwards).

- (d) Mr. Shyam is liable to deduct tax at source @1% on the amount of each purchase made (after crossing the threshold limit of Rs. 50 lakhs) at the time of payment to Mr. Ashwath towards such purchase (i.e., from 30.11.2024 onwards).

Question: 2

Are provisions of TCS under the Income-tax Act, 1961 attracted in respect of sale transactions effected by Mr. Ashwath? If so, from whom does he has to collect tax, at what rate and what point of time? Ignore one time transaction of Mr. Sunil's friend, Mr. Krishna, for the purpose of this MCQ.

- (a) Ashwath has to collect tax at source from Mr. Sunil and Mr. Sriram@1% on the amount exceeding the prescribed threshold of Rs. 50 lakhs, at the time of debit of such amount to their account (i.e., from 30.11.2024 and 31.10.2024, respectively).
- (b) Ashwath has to collect tax at source from Mr. Sunil and Mr. Sriram@0.1% on the amount exceeding the prescribed threshold of Rs. 50 lakhs, at the time of receipt of such amount every month (i.e, from 31.12.2024 and 30.11.2024, respectively).
- (c) Ashwath has to collect tax at source from Mr. Sunil @1% on the amount exceeding the prescribed threshold of Rs. 50 lakhs, at the time of debit of such amount to his account (i.e., from 30.11.2024).
- (d) Ashwath has to collect tax at source from Mr. Sunil@0.1% on the amount exceeding the prescribed threshold of Rs. 50 lakhs, at the time of receipt of such amount every month (i.e., from 31.12.2024).

Question: 3

What would be the applicable rate of TDS, if Mr. Ashwath fails to furnish PAN to the deductor (based on answer to MCQ 1)? Also, what would be the applicable rate of TCS, if the collectee (based on answer to MCQ 2) fails to furnish PAN to Mr. Ashwath?

- (a) 20% and 5%, respectively
- (b) 5% and 1%, respectively
- (c) 5%, in both cases
- (d) 1%, in both cases

Question: 4

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

- (a) Mr. Krishna has to deduct tax at source on 30.6.2024 on Rs. 10 lakhs, being the amount in excess of the threshold of Rs. 50 lakhs.
- (b) Mr. Krishna has to deduct tax at source on 2.7.2024 on Rs. 10 lakhs
- (c) Mr. Ashwath has to collect tax at source on 30.6.2024 on Rs. 10 lakhs, being the amount in excess of the threshold of Rs. 50 lakhs.
- (d) Mr. Ashwath has to collect tax at source on 2.7.2024 on Rs. 10 lakhs.

Answer Keys

Question No.	Answer	Description
1	(c) Mr. Shyam is liable to deduct tax at source @0.1% on the amount of each purchase (after crossing the threshold limit of Rs. 50 lakhs) at the	Refer section 194Q

	time of credit of such amount to Mr. Ashwath's account (i.e., from 31.10.2024 onwards).	
2	(b) Ashwath has to collect tax at source from Mr. Sunil and Mr. Sriram@0.1% on the amount exceeding the prescribed threshold of Rs. 50 lakhs, at the time of receipt of such amount every month (i.e., from 31.12.2024 and 30.11.2024, respectively).	Refer section 206C (1H)
3	(b) 5% and 1%, respectively	Refer section 206AA and 206CC read with section 206C (1H)
4	(d) Mr. Ashwath has to collect tax at source on 2.7.2024 on Rs. 10 lakhs.	Refer section 206C (1H)

Case Scenario 4 [TDS/TCS]

Mr. B is an interior decorator by profession. He also delivers online lectures on interior decoration via an e-commerce platform – Indeco Academy. The relevant information from Mr. B's Indeco Academy account is given hereunder:

Date of Credit of services to account of Mr. B	Date of Payment to Mr. B	Value of Services Provided (₹)
31.05.2024	10.06.2024	2,00,000
31.10.2024	10.10.2024	1,50,000
31.03.2025	10.04.2025	1,40,000

In addition to the above, Mr. B received ₹ 20,000 on 18.02.2025 directly from a student instead of through the Indeco Academy payment portal. Mr. B has not furnished his PAN or Aadhar number to Indeco Academy but has furnished his driving license for KYC requirements.

On 05.05.2024, Mr. B provided interior decorating services to Mr. N in Mumbai having business turnover of ₹ 1.2 crores during P.Y. 2023-24 for his office premises as well as residential premises, the consideration for which was ₹ 40,000 and ₹ 60,000, respectively. Mr. B has provided his PAN details to Mr. N for invoicing purpose.

Mr. B's gross receipts from interior decoration profession (excluding fees for online lectures) from clients in India (including Mr. N) in total in the P.Y.2024-25 is ₹ 40 lakhs.

Further, ₹ 1,10,000 is payable by Mr. B to Tumble LLC – a social networking website having no office in India and ₹ 1,05,000 to Doodle Inc., USA, for giving online advertisements for the purpose of attracting foreign clients. Though Doodle Inc., USA, has an office in India, the said office is involved in providing designing services and nothing in relation to online advertisements. Fortunately, Mr. B got one client based in Country A (with which India does not have a DTAA) from whom he received ₹ 3,50,000 as net income after deduction of ₹ 50,000 as foreign tax.

Profits of Mr. B computed as per books of account maintained u/s 44AA is ₹ 24 lakhs. He has, however, not got his books of account audited.

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

Question: 1

Is Indeco-Academy required to deduct tax at source on amount received/receivable by Mr. B? If so, what is the amount of tax to be deducted?

- (a) No tax is required to be deducted at source
- (b) Yes; Rs. 2,290
- (c) Yes; Rs. 25,500
- (d) Yes; Rs. 1,02,000

Question: 2

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

- (a) No tax is required to be deducted at source u/s 194J
- (b) Yes; Rs. 1,000
- (c) Yes; Rs. 4,000
- (d) Yes; Rs. 10,000

Question: 3

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

- (a) No tax is required to be deducted at source u/s 194M
- (b) Yes; Rs. 600
- (c) Yes; Rs. 1,200
- (d) Yes; Rs. 3,000

Question: 4

Is Mr. B required to deduct equalisation levy on the amounts payable to Tumble LLC or Doodle Inc.? If so, what is the amount of levy to be deducted?

- (a) No; there is no requirement to deduct equalisation levy from the amount payable to either Tumble LLC or Doodle Inc.
- (b) Yes; Rs. 6,600 to be deducted on the amount payable to Tumble LLC; No deduction is, however, required on the amount payable to Doodle Inc.
- (c) Yes; Rs. 6,300 to be deducted on amount payable to Doodle Inc; No deduction is required on the amount payable to Tumble LLC
- (d) Yes; Rs. 6,600 to be deducted on the amount payable to Tumble LLC and Rs. 6,300 to be deducted on the amount payable to Doodle Inc.

Question: 5

What is Mr. B's gross income-tax liability for the P.Y.2024-25, assuming that he has opted out of the default tax regime u/s 115BAC?

- (a) Rs. 5,70,960
- (b) Rs. 4,91,400
- (c) Rs. 5,08,560
- (d) Rs. 5,53,800

Answer Keys

Question No.	Answer	Description
1	(c) Yes, Rs. 25,500	TDS u/s 194 O = 5% of Rs. 5,10,000 = 25,500 Higher rate of TDS since PAN has not provided by Mr. B
2	(c) Yes, Rs. 4,000	TDS u/s 194J by Mr. N since his turnover in P.Y. 2023-24 exceeds Rs. 1 crores @10% on Rs. 40,000 = 4,000 [NO TDS on personal purpose professional service]
3	(a) No tax is required to be deducted at source u/s 194M	Refer section 194M
4	(d) Yes; Rs. 6,600 to be deducted on the amount payable to Tumble LLC and Rs. 6,300 to be deducted on the amount payable to Doodle Inc.	Equalisation Levy @6% on Rs. 1,10,000 = 6,600 Equalisation Levy @6% on Rs. 1,05,000 = 6,300
5	(a) Rs. 5,70,960	Gross receipts = 40,00,000 + 5,10,000 + 4,00,000 = 49,10,000 As per section 44ADA = 24,55,000 As per books of account = 24,00,000 If not audited, the PGBP income would be = 24,55,000 Tax at slab rate = 5,70,960

Case Scenario 5 [TDS/TCS]

A co-operative bank provides the following information relating to cash withdrawals by its two customers during the P.Y.2024-25:

Date of cash withdrawal	Mr. A (Savings Account) (₹)	Mr. B (Current Account) (₹)
05.04.2024	20,00,000	-
10.05.2024	-	18,00,000
25.06.2024	25,00,000	-
17.07.2024	-	5,00,000
28.10.2024	35,00,000	-
10.11.2024	-	38,00,000
12.12.2024	25,00,000	-
02.01.2025	-	37,00,000

Mr. B has not filed his return of income for the last three years whereas Mr. A has been regularly filing his return of income. No other customer of the co-operative bank had withdrawn more than Rs. 10 lakhs during the P.Y. 2024-25.

One of the customers of the co-operative bank, Mr. K paid Rs. 12 lakhs out of bills for Rs. 15 lakhs raised in respect of the credit card account by account payee cheque and was declared bankrupt

thereafter. The actual bad debts of the bank (including bad debts on account of Mr. K) during the P.Y. 2024-25 were Rs. 20 lakhs. The aggregate average advances made by its rural branches were Rs. 120 lakhs. The gross total income of the bank, before any deduction u/s 36(1) (vii)/36(1)(viia) for A.Y. 2025-26 is Rs. 100 lakhs.

A notice was issued to the co-operative bank on 30.09.2025 by the prescribed income tax authority requiring it to furnish the statement of financial transaction by 30.10.2025 as the co-operative bank had failed to do so. The co-operative bank, however, furnished the statement only on 25.11.2025.

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

Question: 1

The amount of income-tax that is required to be deducted by the co-operative bank u/s 194N during the P.Y.2024-25 in respect of withdrawals by Mr. A and Mr. B are -

- (a) Rs. 25,000 and Nil, respectively
- (b) Rs. 10,000 and Rs. 3,90,000, respectively
- (c) Rs. 10,000 and Rs. 1,56,000, respectively
- (d) Rs. 2,10,000 and Rs. 1,96,000, respectively

Question: 2

Identify the accounts which are required to be reported in relation to the specified financial transactions in the statement of financial transaction by the co-operative bank, based on the mentioned facts, for P.Y. 2024-25.

- (a) Only B
- (b) K and B
- (c) A and B
- (d) A, K and B

Question: 3

What is the amount of penalty leviable u/s 271FA?

- (a) Rs.1,01,500
- (b) Rs. 1,17,000
- (c) Rs. 89,000
- (d) Rs. 1,02,000

Question: 4

Let us assume that, on 26.02.2025, as a result of business reorganisation, the co-operative bank got succeeded by another co-operative bank. Assuming that the deduction allowable u/s 32 for the P.Y.2024-25 is Rs. 3,50,000 and that the predecessor co-operative bank had incurred expenditure of Rs. 30,00,000 during the P.Y.2022-23 on voluntary retirement scheme for its employees, what is the aggregate deduction allowable to predecessor co-operative bank u/s 32 and 35DDA for the P.Y.2024-25?

- (a) Rs. 8,61,507
- (b) Rs. 3,17,397
- (c) Rs. 8,59,153
- (d) Rs. 9,17,397

Answer Keys

Question No.	Answer	Description
1	(c) Rs. 10,000 and Rs. 1,56,000, respectively	TDS in case of Mr. A = $5,00,000 \times 2\% = 10,000$ TDS in case of Mr. B = $78,00,000 \times 2\% = 1,56,000$
2	(b) K and B	-
3	(d) Rs. 1,02,000	Penalty u/s 271FA $500 \times 152 = 76,000$ $1000 \times 26 = 26,000$
4	(c) Rs. 8,59,153	Refer section 72AB

Case Scenario 6 [TDS/TCS]

Mr. Harshit, a resident Indian, is in retail business in Mumbai and his turnover for F.Y.2023-24 was Rs. 9.90 crores. He regularly purchases goods from another resident, Mr. Pranav, a wholesaler in Mumbai. The aggregate payments made by Mr. Harshit to Mr. Pranav during the F.Y.2024-25 towards consideration for purchase of goods were Rs. 80 lakhs (Rs. 20 lakhs on 8.5.2024, Rs. 25 lakhs on 27.8.2024, Rs. 20 lakhs on 18.10.2024 and Rs. 15 lakhs on 11.2.2025). Mr. Pranav's turnover for F.Y.2023-24 was Rs. 10.10 crores.

Mr. Pranav paid Rs. 5 lakhs on 1.9.2024 to M/s. Thomas Cook for a holiday package to Singapore for a week with his family, comprising of his wife and two children, being twins aged 22 years, in the last week of September. He also took an education loan of Rs. 15 lakhs on 1.2.2025 from State Bank of India, Madam Cama Road, Mumbai, for his son's two-year Master of Public Administration program in Columbia University, USA and remitted the said amount through the same bank, which is an authorised dealer, under the Liberalised Remittance Scheme of RBI (LRS). For his daughter's MBA in Iowa State University, USA, he remitted Rs. 12 lakhs on 15.2.2025, out of his personal savings, through Bank of India, Bandra branch, Mumbai which is also an authorised dealer, under LRS. Mr. Pranav also remitted Rs. 6 lakhs on 28.3.2025, out of his personal savings, under LRS through Bank of India, Bandra branch, as gift to his sister residing in London, on the occasion of her 50th birthday. Mr. Pranav has furnished undertakings containing the details of earlier remittance to Bank of India. From the information given above, choose the most appropriate answer to the following questions:

Question: 1

Are provisions of TDS/TCS under the Income-tax Act, 1961 attracted in respect of purchase/sale transaction between Mr. Harshit and Mr. Pranav? If so, what is the quantum of tax to be deducted/collected for the P.Y.2024-25?

- No; TDS/TCS provisions are not attracted for F.Y.2024-25, since the turnover of Mr. Harshit in the immediately preceding financial year i.e., F.Y. 2023-24 does not exceed Rs. 10 crores.
- Yes, Mr. Harshit has to deduct tax@0.1% of Rs. 30 lakhs (Rs. 15 lakhs on 18.10.2024 and Rs. 15 lakhs on 11.2.2025)
- Yes, Mr. Pranav has to collect tax@0.1% of Rs. 30 lakhs (Rs. 15 lakhs on 18.10.2024 and Rs. 15 lakhs on 11.2.2025)
- Yes, Mr. Pranav has to collect tax@0.1% of Rs. 80 lakhs

Question: 2

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

- Not applicable, since there is no requirement to deduct or collect tax

- (b) 20%
- (c) 5%
- (d) 1%

Question: 3

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

- (a) Yes; Rs. 25,000
- (b) Yes; Rs. 5,000
- (c) Yes; Rs. 2,500
- (d) No tax is required to be collected at source, since the receipt does not exceed Rs. 7 lakh

Question: 4

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

- (a) TCS@0.5% of Rs. 8 lakhs and TCS@5% of Rs. 12 lakhs are attracted in respect of remittance for son's and daughter's education, respectively.
- (b) TCS@5% of Rs. 8 lakhs and Rs. 5 lakhs are attracted in respect of remittance for son's and daughter's education, respectively
- (c) TCS@0.5% of Rs. 8 lakhs and TCS@5% of Rs. 5 lakhs are attracted in respect of remittance for son's and daughter's education, respectively.
- (d) TCS@5% of Rs. 8 lakhs is attracted in respect of remittance for son's education; No TCS is attracted in respect of remittance for daughter's education

Question: 5

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

- (a) No, since the remittance is out of personal savings for a personal purpose
- (b) No, since the amount remitted to his sister is less than Rs. 7 lakhs
- (c) Yes, Rs. 1,20,000
- (d) Yes, Rs. 30,000

Answer Keys

Question No.	Answer	Description
1	(c) Yes, Mr. Pranav has to collect tax@0.1% of Rs. 30 lakhs (Rs. 15 lakhs on 18.10.2024 and Rs. 15 lakhs on 11.2.2025)	Section 206C(1H) - any person (seller) whose last year turnover is more than 10 crore is required to collect tax at source on sale of goods to the buyer at 0.1% of consideration in excess of 50 lakhs. TCS under this section will not apply if TDS is

		deducted u/s 194Q. TDS u/s 194Q is applicable if person's (buyer) last year turnover is more than 10 Crore. Therefore, Mr. Panav has to collect tax on 30 lakhs at 0.1%.
2	(d) 1%	As per section 206C(1H), if buyer does not furnish PAN or AADHAR then TCS rate is 1% instead of 0.1%
3	(a) Yes; Rs. 25,000	Refer section 206C (1G) TCS applicable 5% of sale value up to Rs. 7 lakhs and 20% above Rs. 7 lakhs
4	(c) TCS@0.5% of Rs. 8 lakhs and TCS@5% of Rs. 5 lakhs are attracted in respect of remittance for son's and daughter's education, respectively.	Refer section 206C (1G) TCS applicable @5% of amount in excess of 7 lakhs (@0.5% if remittance amount is out of loan taken from Financial Institution)
5	(c) Yes; Rs. 1,20,000	Refer section 206C (1G) Since, Mr. Pranav has already crossed the limit of 7 lakhs for FY under LRS, TCS will be applicable on 6 lakhs at 20% i.e. 1,20,000

Case Scenario 7 [TDS/TCS]

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

Mr. Sahil

Particulars	Amount (₹)
Amount remitted to his elder son Aarav, who is pursuing two-year MBA Program from Columbia University, USA.	
- Out of Own savings through HDFC Bank, an authorized dealer under Liberalized Remittance Scheme (LRS) of the RBI	
• Towards tuition fees on 5.7.2024	3,50,000
• To meet day-to-day expenses for study purposes:	
- 10.5.2024	1,20,000
- 29.9.2024	90,000
- 01.1.2025	1,35,000
- Through Axis Bank, an authorized dealer under Liberalized Remittance Scheme (LRS) out of	
• Loan (towards tuition fees):	
- 11.10.2024	3,50,000
- 10.01.2025	3,50,000
• Own savings (to meet day-to-day expenses) on 1.7.2024	1,50,000

Particulars	Amount (₹)
To complete the formalities of admission, Mr. Sahil visited the USA from 10.4.2024 to 13.4.2024, for which he purchased a tour package from M/s Gate 2 Travel, a foreign tour operator, and remitted money under LRS on 5.4.2024. International travel tickets and hotel accommodation are included in the said package	5,20,000

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

Mr. Akhil

Mr. Akhil, an Indian citizen got a job offer from M/s Wellbeing Inc., a Dubai-based company of AED 10,500 per month. He left for Dubai on 29.3.2024 and joined M/s Wellbeing Inc. on 1st April 2024. He returned to India on 15.12.2024 on leaves for 15 days. On 23.12.2024, he went on 7 days tour to Bali with his wife and son. Thereafter, he directly went to Dubai with his wife and son. On 16.12.2024, he purchased a tour package for Bali from Make Your Trip, an Indian tour operator for which he paid Rs. 7,50,000 towards flight tickets and hotel accommodation. During F.Y. 2024-25, he has business income of Rs. 4,20,000 from a retail shop in India and interest on fixed deposit and savings account with Canara Bank of Rs. 1,20,000 and Rs. 8,000, respectively.

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

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

Question: 1

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

- (a) Yes; TCS of Rs. 2,000 on 29.9.2024 and TCS of Rs. 27,000 on 1.1.2025
- (b) Yes; TCS of Rs. 500 on 29.9.2024 and TCS of Rs. 27,000 on 1.1.2025
- (c) Yes; TCS of Rs. 500 on 29.9.2024 and TCS of Rs. 6,750 on 1.1.2025
- (d) No tax is required to be collected at source since receipts do not exceed Rs. 7 lakh

Question: 2

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

- (a) Yes; TCS of Rs. 7,500 on 1.7.2024; TCS of Rs. 1,750 on 11.10.2024 and TCS of Rs. 1,750 on 10.1.2025
- (b) Yes; TCS of Rs. 17,500 on 11.10.2024 and TCS of Rs. 17,500 on 10.1.2025
- (c) Yes; TCS of Rs. 1,750 on 11.10.2024 and TCS of Rs. 1,750 on 10.1.2025
- (d) No tax is required to be collected at source, on the remittances for education and for other purposes since each receipt does not exceed Rs. 7 lakh

Question: 3

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

- (a) Yes; TCS of Rs. 26,000
- (b) Yes; TCS of Rs. 1,04,000
- (c) No tax is required to be collected at source, since tour package is purchased from a foreign tour operator

(d) No tax is required to be collected at source, since receipt does not exceed Rs. 7 lakh

Question: 4

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

- (a) Yes; Rs. 2,500 is required to be collected at source
- (b) Yes; Rs. 37,500 is required to be collected at source
- (c) Yes; Rs. 45,000 is required to be collected at source
- (d) No tax is required to be collected at source

Question: 5

What is the total income of Mr. Akhil for the A.Y. 2025-26? Assume he has shifted out of the default tax regime u/s 115BAC.

- (a) Rs. 33,88,000
- (b) Rs. 5,48,000
- (c) Rs. 33,96,000
- (d) Rs. 5,40,000

Question: 6

What would be the amount of the tax liability (computed in the most beneficial manner) of Mr. Akhil for the A.Y. 2025-26?

- (a) Rs. 7,47,550
- (b) Rs. 12,900
- (c) Nil
- (d) Rs. 12,480

Answer Keys

Question No.	Answer	Description
1	(c) Yes; TCS of Rs. 500 on 29.9.2024 and TCS of Rs. 6,750 on 1.1.2025	Refer section 206C (1G) TCS @5% is applicable for transfer towards education & medical and @20% for other purposes.

Question No.	Answer	Description																																								
2	(c) Yes; TCS of Rs. 1,750 on 11.10.2024 and TCS of Rs. 1,750 on 10.1.2025	<p>TCS@0.5% is transfer is out of education loan from financial institution.</p> <p>TCS applicable in excess of 7 lakhs.</p> <p>Combined remittance of money is seen under LRS.</p> <table><tr><th>Bank</th><th>Date</th><th>Purpose</th><th>Transfer</th><th>Cumul.</th></tr><tr><td>HDFC</td><td>10.05.2024</td><td>Education</td><td>120000</td><td>120000</td></tr><tr><td>Axis</td><td>01.07.2024</td><td>General</td><td>150000</td><td>270000</td></tr><tr><td>HDFC</td><td>05.07.2024</td><td>Education</td><td>350000</td><td>620000</td></tr><tr><td>HDFC</td><td>29.09.2024</td><td>Education</td><td>90000</td><td>710000</td></tr><tr><td>Axis</td><td>11.10.2024</td><td>Educ. (loan)</td><td>350000</td><td>1060000</td></tr><tr><td>HDFC</td><td>01.01.2025</td><td>Education</td><td>135000</td><td>1195000</td></tr><tr><td>Axis</td><td>10.01.2025</td><td>Educ. (loan)</td><td>350000</td><td>1545000</td></tr></table> <p>HDFC Bank</p> <p>Therefore, HDFC bank will collect TCS on 29.09.2024 for Rs. 10,000 and on 01.01.2025 for Rs. 135,000 (@5%)</p> <p>Axis Bank</p> <p>Therefore, Axis bank will collect TCS on 11.10.2024 for Rs. 3,50,000 and on 10.01.2025 for Rs. 3,50,000 (@0.5%)</p>	Bank	Date	Purpose	Transfer	Cumul.	HDFC	10.05.2024	Education	120000	120000	Axis	01.07.2024	General	150000	270000	HDFC	05.07.2024	Education	350000	620000	HDFC	29.09.2024	Education	90000	710000	Axis	11.10.2024	Educ. (loan)	350000	1060000	HDFC	01.01.2025	Education	135000	1195000	Axis	10.01.2025	Educ. (loan)	350000	1545000
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HDFC	01.01.2025	Education	135000	1195000																																						
Axis	10.01.2025	Educ. (loan)	350000	1545000																																						
3	(a) Yes; TCS of Rs. 26,000	Refer section 206C (1G) TCS @5% for sale value up to 7 lakhs																																								
4	(d) No tax is required to be collected at source	Mr. Akhil is Non-resident in FY 2024-25 and section 206C (1G) is not applicable on NR visiting India.																																								
5	(d) Rs. 5,40,000	Since he is NR, only Indian income will be taxable 4,20,000 + 1,20,000 + 8,000 – 8,000 (80TTA) = 5,40,000																																								
6	(b) Rs. 12,900	<p>Normal Provisions</p> <p>Total Income = 5,40,000</p> <p>Tax = 21,320</p> <p>Section 115BAC</p> <p>Total Income = 5,48,000</p> <p>Tax = 12,896</p>																																								

Compact Topic: 22 to 26

Assessment Procedure, Appeals, DRC, Penalties & Misc Provisions

Question: 1

[Concepts: Updated Return u/s 139(8A)]

Mayank, aged 50 years, sold his residential house for ₹30 lakhs during the PY 2021-22, whereas the stamp duty value of the same was ₹ 38 lakhs. He computed a long-term capital gain of ₹ 5 lakhs by taking the full value of consideration as ₹ 30 lakhs and paid tax accordingly by filing his return of income u/s 139(1). During the P.Y. 2024-25, he wants to correct the full value of consideration by filing an updated return u/s 139(8A) for A.Y. 2022-23. In this case, what would be the additional tax liability (ignore interest) as per section 140B? (Assume that capital gain was the only income of Mayank for A.Y. 2022-23).

- (a) ₹ 57,200
- (b) ₹ 83,200
- (c) ₹ 1,66,400
- (d) ₹ 1,14,400

Question: 2

[Concepts: Normal Return u/s 139(1)]

Who among the following is not mandated to file the return of income u/s 139 for A.Y. 2025-26?

- (a) XYZ Pvt. Ltd., having incurred a loss of ₹ 1,50,000 during the year.
- (b) Mr. Manohar, aged 66 years, having a total income of ₹ 3,50,000 before deduction u/s 80C of ₹ 1,50,000.
- (c) Mr Jay, who travelled to Dubai during the year, spent ₹ 4,50,000 on his travel and hotel stay.
- (d) Ms Mona, a non-resident having assets worth ₹ 2 crores in India and ₹ 5 crores outside India. She has not earned or received any income in India.

Question: 3

[Concepts: Normal Return u/s 139(1)]

Mr. Ram, born on 1.4.1964, has a gross total income of ₹ 2,90,000 for A.Y.2025-26 comprising of his salary income. He does not claim any deduction under Chapter VI-A. He pays electricity bills of ₹ 10,000 per month. He visited to Melbourne along with his wife for a month in February, 2025 for which he incurred to and fro flight charges of ₹ 1.20 lakhs. The remaining expenditure for his visa, stay and sightseeing amounting to ₹ 80,000 was met by his son residing in Melbourne. Is Mr. Ram required to file return of income for A.Y.2025- 26, and if so, why?

- (a) No, Ram is not required to file his return of income
- (b) Yes, Ram is required to file his return of income, since his gross total income/total income exceeds the basic exemption limit
- (c) Yes, Ram is required to file his return of income since he pays electricity bills of ₹ 10,000 per month, which exceeds the prescribed annual threshold
- (d) Yes, Ram is required to file his return of income since he has incurred foreign travel expenditure exceeding ₹ 1 lakh

Question: 4**[Concepts: Intimation u/s 143(1)]**

Which of the following cannot be adjusted in computation of total income while processing the return of income for A.Y. 2025-26 u/s 143(1)?

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

Question: 5**[Concepts: Power u/s 133B]**

Which of the following statements are correct in relation to the power of an income-tax authority to collect information which may be useful for the purposes of the Income-tax Act, 1961?

- (a) The income-tax authority can enter the place of business of the assessee only after sunrise and before sunset.
- (b) The income-tax authority may enter the place of business only during the hours at which such place is open for conduct of business.
- (c) The income-tax authority may impound and retain in his custody, for a period not exceeding 15 days, books of account or other documents inspected by him. If he wishes to retain for a period exceeding 15 days, he has to take the prior approval of Principal Chief Commissioner or Chief Commissioner.
- (d) The income-tax authority can seize assets.

Question: 6**[Concepts: Power u/s 133A]**

The Assessing Officer within his jurisdiction surveyed a popular Cybercafé at 1 a.m. in night for the purpose of collecting information which may be useful for the purposes of the Income-tax Act, 1961. The Cyber Café is kept open for business every day between 2 p.m. and 2 a.m. He impounded and retained in his custody, books of account and other documents inspected by him, after recording his reasons for doing so, for 12 days. Which of the following statements is correct?

- (a) The Assessing Officer's action in entering the cybercafé at 1 a.m. and impounding books of account and documents inspected by him is in order
- (b) The Assessing Officer's action in entering the cybercafé at 1 a.m. is not in order, since he can enter the cybercafé only after sunrise but before sunset
- (c) The Assessing Officer's action in entering the cyber café at 1 a.m. and in impounding books of account and documents inspected by him are not in order, since he can enter the cyber café only after sunrise but before sunset and he does not have the power to impound books of account u/s 133B
- (d) The Assessing Officer's action in entering the cyber café at 1 a.m. is in order but impounding books of account and documents inspected by him is not in order, since he does not have the power to impound books of account u/s 133B

Question: 7**[Concepts: Appeal against CIT order]**

Mr. Rajesh is aggrieved by an order passed by the Commissioner of Income-tax imposing penalty u/s 270A for under-reporting of income. What is the appellate remedy available to him under the

Income-tax Act, 1961 and the specified time limit within which he has to file an appeal?

- (a) He can file an appeal to Commissioner (Appeals) u/s 246A within 30 days from the date on which the order is communicated to him
- (b) He can file an appeal to Commissioner (Appeals) u/s 246A within 60 days from the date on which the order is communicated to him
- (c) He can file an appeal to Appellate Tribunal u/s 253 within 30 days from the date on which the order is communicated to him (within 1 month from end of the month in which copy of order received w.e.f. 01.10.2024)
- (d) He can file an appeal to Appellate Tribunal u/s 253 within 60 days from the date on which the order is communicated to him (within 2 months from end of the month in which copy of order received w.e.f. 01.10.2024)

Question: 8**[Concepts: Revision u/s 263]**

Which of the following orders can be revised by the Principal Commissioner u/s 263, where such order is erroneous in so far as it is prejudicial to the interests of the Revenue?

- (i) An order passed by the Assessing Officer enhancing or modifying the assessment or cancelling the assessment and directing a fresh assessment
- (ii) An order modifying the order passed by the Transfer Pricing Officer u/s 92CA or cancelling the said order and directing a fresh order

What is the time limit for revision u/s 263?

- (a) Only (i) above; the time limit for revision is 2 years from the end of the financial year in which such order was passed.
- (b) Only (ii) above; the time limit for revision is 3 years from the end of the financial year in which such order was passed.
- (c) Both (i) and (ii); the time limit for revision is 2 years from the end of the financial year in which such order was passed.
- (d) Both (i) and (ii); the time limit for revision is 3 years from the end of the financial year in which such order was passed

Question: 9**[Concepts: Rectification of Mistake]**

The assessment of M/s. Epsilon Associates for A.Y.2024-25 was made u/s 143(3) on 28 December, 2025. The Assessing Officer added ₹ 3 lakh being 30% of ₹ 10 lakh, for non-deduction of tax at source and ₹ 4 lakh on account of unexplained investments. The assessee contested the addition on account of unexplained investments in appeal before Commissioner (Appeals). The appeal was decided against the assessee in June, 2026. What is remedy available to the assessee in respect of disallowance u/s 40(a)?

- (a) The assessee can file an application for revision to the Commissioner u/s 264
- (b) The assessee can file an application for rectification u/s 154, if it is a mistake apparent from the record
- (c) The assessee can opt for either (a) or (b)
- (d) The assessee can neither opt for remedy stated in (a) nor for remedy stated in (b)

Question: 10**[Concepts: Appeal to CIT(A)]**

Which of the following orders is not appealable before Commissioner (Appeals)?

- (a) An order of penalty u/s 271B for failure to get accounts audited

- (b) An order made u/s 163 treating the assessee as an agent of a non-resident
- (c) An order of assessment passed by the Assessing Officer in pursuance of directions of Dispute Resolution Panel (DRP)
- (d) An order made u/s 201 deeming a person to be an assessee-in-default for non-deduction of tax at source

Question: 11**[Concepts: Appeal to CIT(A) & ITAT]**

Mr. X is aggrieved by an order passed u/s 143(3) by the Assessing Officer (joint commissioner). Mr. Y is aggrieved by an order passed u/s 272A by the Director General. What is the remedy available to Mr. X and Mr. Y and the time limit within which they should exercise the remedy?

- (a) Both Mr. X and Mr. Y have to file an appeal before Commissioner (Appeals) u/s 246A within 30 days of the date on which the order sought to be appealed against is communicated to them
- (b) Both Mr. X and Mr. Y have to file an appeal before the Appellate Tribunal u/s 253 within 60 days of the date on which the order sought to be appealed against is communicated to them (within 2 months from end of the month in which copy of order received w.e.f. 01.10.2024)
- (c) Mr. X has to file an appeal u/s 246A before Commissioner (Appeals) within 30 days of the date of service of the notice of demand relating to the assessment. Mr. Y has to file an appeal u/s 253 before the Appellate Tribunal within 60 days of the date on which the order sought to be appealed against is communicated to him (within 2 months from end of the month in which copy of order received w.e.f. 01.10.2024)
- (d) Mr. Y has to file an appeal before Commissioner (Appeals) u/s 246A within 60 days of the date on which the order sought to be appealed against is communicated to him. Mr. X has to file an appeal u/s 253 before the Appellate Tribunal within 30 days of the date of service of the notice of demand relating to the assessment

Question: 12**[Concepts: DRC eligible order]**

Which of the following is not a specified order in relation to a dispute u/s 245MA?

- (i) Assessment order based on search-initiated u/s 132
- (ii) Assessment order in the case of survey carried out u/s 133A
- (iii) Assessment order on the basis of information received under an agreement referred to in section 90 or 90A

The correct answer is –

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

Question: 13**[Concepts: DRC eligible order]**

Who amongst the following has not satisfied the specified condition for making an application before the Dispute Resolution Committee?

- (i) Mr. X, who is convicted of an offence punishable under the Prohibition of Benami Transactions Act, 1988
- (ii) Mr. Y, who is convicted of any offence punishable under the Income-tax Act, 1961
- (iii) Mr. Z, in respect of whom proceedings under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 have been initiated for the A.Y. for which resolution of dispute is sought

(iv) Mr. A, in respect of whom penalty u/s 271D has been levied for failure to comply with the provisions of section 269SS of the Income-tax Act, 1961

The correct answer is –

- (a) Mr. Y and Mr. A
- (b) Mr. X and Mr. Y
- (c) Mr. X, Mr. Y and Mr. A
- (d) Mr. X, Mr. Y and Mr. Z

Question: 14

[Concepts: Provisional Attachment]

Can the Assessing Officer accept bank guarantee in lieu of provisional attachment of property by an order in writing?

- (a) No, he cannot do so
- (b) Yes, he can do so with the prior approval of the Principal Chief Commissioner or Chief Commissioner
- (c) Yes, he can do so where the assessee furnishes a guarantee from a scheduled bank, for an amount not less than the fair market value of such provisionally attached property or for an amount which is sufficient to protect the interests of the revenue.
- (d) Yes, he can do so where the assessee furnishes a guarantee from a bank, for an amount not less than the stamp duty value of such provisionally attached property or for an amount which is sufficient to protect the interests of the revenue.

Question: 15

[Concepts: SFT & Reportable Accounts]

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

- (i) Cash payment in aggregate of ₹ 6 lakh by Mr. X for purchase of bank drafts during the F.Y. 2024-25
- (ii) Cash deposits aggregating to ₹ 26 lakhs by Mr. Y in his current account during the F.Y. 2024-25
- (iii) Cash deposits aggregating to ₹ 12 lakhs by Mr. Z in his savings bank account during the F.Y. 2024-25
- (iv) Withdrawals of ₹ 55 lakhs through bearer cheque by Mr. A from his current account during the F.Y. 2024-25
- (v) Credit card payment of ₹ 12 lakh during F.Y. 2024-25 made by Mr. B by account payee cheque
- (vi) Credit card payment of ₹ 80,000 made by cash during F.Y. 2024-25 by Mr. C

The correct answer is –

- (a) (ii), (iv) and (vi)
- (b) (iii), (iv) and (v)
- (c) (ii), (iii), (iv) and (vi)
- (d) (i), (ii), (iv) and (vi)

Question: 16

[Concepts: SFT & Reportable Accounts]

For raising money from the public ABC Ltd. issued 10 lakh equity shares of ₹100 each. During the P.Y. 2024-25, it received share application money of ₹2 lakhs from Mr. V, ₹5 lakhs from Mr. W, ₹8 lakhs from Mr. X, ₹10 lakhs from Mr. Y and ₹12 lakhs from Mr. Z, in addition to amounts of less than ₹1 lakh from other applicants. Which of the above receipts is the company required to report in its statement of financial transaction?

- (a) Only ₹12 lakhs from Mr. Z

- (b) Only ₹10 lakhs from Mr. Y and ₹12 lakhs from Mr. Z
- (c) ₹5 lakhs from Mr. W, ₹8 lakhs from Mr. X, ₹10 lakhs from Mr. Y and ₹12 lakhs from Mr. Z Answer
- (d) ₹2 lakhs from Mr. V, ₹5 lakhs from Mr. W, ₹8 lakhs from Mr. X, ₹10 lakhs from Mr. Y and ₹12 lakhs from Mr. Z

Question: 17**[Concepts: Provisional Attachments]**

The Assessing Officer imposed penalty of ₹50 lakhs u/s 271AAD on Mr. Rajesh. Can he provisionally attach the property of Mr. Rajesh to protect the interest of the Revenue?

- (a) No, he cannot do so
- (b) Yes, he can do so in the manner provided in the Second Schedule
- (c) Yes, he can do so with the prior approval of the prescribed higher authorities
- (d) Yes, he can do so in the manner provided in the Second Schedule with the prior approval of the prescribed higher authorities

Question: 18**[Concepts: Cash loan 269SS & 269T]**

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

- (i) ₹8 lakh by ECS through bank account on 10.4.2024
- (ii) ₹18,000 by cash on 18.8.2024
- (iii) ₹12,000 by cash on 19.9.2024

During the year, ABC (P) Ltd. repaid the following loans to XYZ(P) Ltd. –

- (i) ₹6 lakh by account payee cheque on 15.6.2024
- (ii) ₹50,000 by cash on 3.7.2024
- (iii) ₹1,50,000 by ECS through bank account on 3.8.2024
- (iv) ₹15,000 by cash on 1.9.2024 (v) ₹15,000 by cash on 1.10.2024

What is the amount of penalty leviable on ABC (P) Ltd. for availing and repaying loan in cash?

- (a) ₹30,000 u/s 271D and ₹80,000 u/s 271E
- (b) ₹18,000 u/s 271D and ₹ 50,000 u/s 271E
- (c) ₹12,000 u/s 271D and ₹80,000 u/s 271E
- (d) ₹50,000 u/s 271E

Question: 19**[Concepts: Penalty u/s 271AAB]**

In the course of search operations u/s 132 in the month of May, 2024, Mr. Aakash makes a declaration u/s 132(4) on the earning of income not disclosed in respect of P.Y. 2023-24. He also explains the manner in which he has derived such income and he pays the tax together with interest on such income and declares such income in the return of income filed by him in the month of July, 2024. Is penalty leviable in this case? If so, how much?

- (a) No penalty is attracted since Mr. Aakash has voluntarily made a declaration u/s 132(4)
- (b) Yes; Penalty@10% of undisclosed income would be attracted even if Mr. Aakash has voluntarily made a declaration u/s 132(4)
- (c) Yes; Penalty@30% of undisclosed income would be attracted even if Mr. Aakash has voluntarily made a declaration u/s 132(4)
- (d) Yes; Penalty@60% of undisclosed income would be attracted even if Mr. Aakash has voluntarily made a declaration u/s 132(4)

Question: 20**[Concepts: Penalty u/s 271AAB]**

In the course of search operations u/s 132 in May, 2024, Mr. Hari makes a declaration u/s 132(4) on the earning of income in respect of P.Y.2023-24 not disclosed in the books of account. Mr. Hari explains the manner in which income was derived and pays the tax, together with interest in respect of such income. However, he does not disclose such income in his return of income filed on 31.7.2024. Is penalty leviable in this case, and if so, what is the quantum of penalty?

- (a) No penalty is leviable since Mr. Hari has made a declaration u/s 132(4)
- (b) Yes; penalty@10% is leviable
- (c) Yes; penalty@30% is leviable
- (d) Yes; penalty@60% is leviable

Question: 21**[Concepts: Penalty u/s 270A]**

Mr. Ganesh and Mr. Rajesh, resident Indians born on 1.7.1964 and 1.4.1945, respectively, have not furnished their returns of income for the P.Y.2024-25. However, the total income assessed in respect of such year u/s 144 is ₹ 8 lakhs and ₹ 5 lakhs, respectively. Is penalty leviable u/s 270A, and if so, what is the quantum of penalty?

- (a) No penalty is leviable u/s 270A in the hands of either Mr. Ganesh or Mr. Rajesh
- (b) Penalty of ₹ 37,400 leviable in the hands of Mr. Ganesh; No penalty leviable in the hands of Mr. Rajesh
- (c) Yes; ₹ 36,400 and ₹ 6,500, respectively
- (d) Penalty of ₹ 15,600 leviable in the hands of Mr. Ganesh; No penalty leviable in the hands of Mr. Rajesh

Question: 22**[Concepts: Tax on Unrecorded Investment]**

Mr. Mahesh is found to be the owner of two gold chains of 50 gms each (value of which is ₹ 1,45,000 each) during the financial year ending 31.3.2025 which are not recorded in his books of account and he could not offer satisfactory explanation for the amount spent on acquiring these gold chains. As per section 115BBE, Mr. Mahesh would be liable to pay tax of –

- (a) ₹ 1,80,960
- (b) ₹ 2,26,200
- (c) ₹ 90,480
- (d) ₹ 1,23,958

Question: 23**[Concepts: Penalty u/s 270A]**

Dinesh, a resident individual of age of 47 years, has not furnished his return of income for the A.Y. 2025-26. However, his total income for such year as assessed u/s 144 is ₹ 18 lakhs. Is penalty u/s 270A attracted and if so, what is the quantum of penalty?

- (a) No; penalty u/s 270A is not attracted since he has not filed his return of income, hence, this is not a case of underreporting or misreporting of income.
- (b) Yes; penalty is ₹ 3,66,600
- (c) Yes; penalty is ₹ 1,19,600
- (d) Yes; penalty is ₹ 1,83,300

Answer Keys

Question No.	Answer
1	(b) ₹ 83,200
2	(d) Ms Mona, a non-resident having assets worth ₹ 2 crores in India and ₹ 5 crores outside India. She has not earned or received any income in India.
3	(c) Yes, Ram is required to file his return of income since he pays electricity bills of ₹ 10,000 per month, which exceeds the prescribed annual threshold
4	(d) addition of income appearing in Form 26AS which has not been included in computing total income in the return
5	(b) The income-tax authority may enter the place of business only during the hours at which such place is open for conduct of business.
6	(a) The Assessing Officer's action in entering the cybercafé at 1 a.m. and impounding books of account and documents inspected by him is in order.
7	(d) He can file an appeal to Appellate Tribunal u/s 253 within 60 days from the date on which the order is communicated to him (within 2 months from end of the month in which copy of order received w.e.f. 01.10.2024)
8	(c) Both (i) and (ii); the time limit for revision is 2 years from the end of the financial year in which such order was passed.
9	(b) The assessee can file an application for rectification u/s 154, if it is a mistake apparent from the record
10	(c) An order of assessment passed by the Assessing Officer in pursuance of directions of Dispute Resolution Panel
11	(c) Mr. X has to file an appeal u/s 246A before Commissioner (Appeals) within 30 days of the date of service of the notice of demand relating to the assessment. Mr. Y has to file an appeal u/s 253 before the Appellate Tribunal within 60 days of the date on which the order sought to be appealed against is communicated to him (within 2 months from end of the month in which copy of order received w.e.f. 01.10.2024)
12	(d) (i), (ii) and (iii) above
13	(d) Mr. X, Mr. Y and Mr. Z
14	(c) Yes, he can do so where the assessee furnishes a guarantee from a scheduled bank, for an amount not less than the fair market value of such provisionally attached property or for an amount which is sufficient to protect the interests of the revenue.
15	(b) (iii), (iv) and (v)
16	(b) Only ₹10 lakhs from Mr. Y and ₹12 lakhs from Mr. Z
17	(a) No, he cannot do so
18	(d) ₹50,000 u/s 271E

Question No.	Answer
19	(c) Yes; Penalty@30% of undisclosed income would be attracted even if Mr. Aakash has voluntarily made a declaration u/s 132(4) [Hint. This penalty applies only when search conducted before 01/09/24. If search conducted on or after 01/09/24 then block assessment concept apply]
20	(d) Yes; penalty@60% is leviable
21	(d) Penalty of ₹ 15,600 leviable in the hands of Mr. Ganesh; No penalty leviable in the hands of Mr. Rajesh. [Calculate tax as per default tax regime and apply 50% penalty]
22	(b) ₹ 2,26,200
23	(c) Yes; penalty is ₹ 1,19,600

Case Scenario

Case Scenario 1 [PENALTY U/S 270A]

M/s. MNO is a firm liable to tax@30%. The following are the particulars furnished by the firm for A.Y.2025-26:

	Particulars of total income	₹
(1)	As per the return of income furnished u/s 139(1)	40,00,000
(2)	Determined u/s 143(1)(a)	50,00,000
(3)	Assessed u/s 143(3)	65,00,000
(4)	Reassessed u/s 147	85,00,000

Mr. N, a resident individual of the age of 58 years and a partner of the above firm, has not furnished his return of income for A.Y.2025-26. However, his total income assessed in respect of such year u/s 144 is Rs. 15 lakh.

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

Question: 1

M/s. MNO is deemed to have under-reported its income since its:

- (1) income determined u/s 143(1)(a) exceeds its income declared as per return of income furnished u/s 139(1)
- (2) income assessed u/s 143(3) exceeds its income determined u/s 143(1)(a)
- (3) income reassessed u/s 147 exceeds its income assessed u/s 143(3)

The correct answer is -

- (a) (1) and (2) above
- (b) (1) and (3) above
- (c) (2) and (3) above
- (d) (1), (2) and (3) above

Question: 2

Mr. N is deemed to have under-reported his income since:

- (1) He is a partner of a firm which has under-reported its income
- (2) He has not filed his return of income
- (3) His assessed income exceeds the maximum amount not chargeable to tax

The correct answer is -

- (a) (1) and (2) above
- (b) (1) and (3) above
- (c) (2) and (3) above
- (d) (1), (2) and (3) above

Question: 3

Assuming that the underreporting of income is not on account of misreporting and none of the additions or disallowances made in assessment qualifies u/s 270A(6), penalty leviable on M/s. MNO u/s 270A at the time of assessment would be:

- (a) Rs. 3,12,000
- (b) Rs. 1,56,000
- (c) Rs. 4,68,000
- (d) Rs. 2,34,000

Question: 4

Assuming that the underreporting of income is on account of misreporting, penalty leviable on M/s. MNO u/s 270A at the time of reassessment would be:

- (a) Rs. 3,12,000
- (b) Rs. 2,34,000
- (c) Rs. 12,48,000
- (d) Rs. 6,24,000

Question: 5

Assuming that the under-reporting of income is not on account of misreporting, the under-reported income of Mr. N and penalty leviable on Mr. N u/s 270A would be:

- (a) Under-reported income Rs. 15,00,000; penalty Rs. 1,36,500
- (b) Under-reported income Rs. 12,50,000; penalty Rs. 52,000
- (c) Under-reported income Rs. 12,00,000; penalty Rs. 78,000
- (d) Under-reported income Rs. 12,00,000; penalty Rs. 1,56,000

Answer Keys

Question No.	Answer	Description
1	(c) (2) and (3) above	-
2	(c) (2) and (3) above	-
3	(d) Rs. 2,34,000	Underreported income = 15 lakhs Tax @31.2% = 4,68,000

Question No.	Answer	Description
		Penalty @50% of tax = 2,34,000
4	(c) Rs. 12,48,000	Underreported income due to misreporting = 20 lakhs Tax @31.2% = 6,24,000 Penalty @200% of tax = 12,48,000
5	(c) Under-reported income Rs. 12,00,000; penalty Rs. 78,000	Underreported income = Rs. 12.00 lakhs Tax u/s 115BAC = 1,56,000 Penalty @50% of tax = 78,000

Case Scenario 2 [Appeals & Revisions]

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

The adjusted total income of the Indian branch of Falcon Ltd for the year ended 31st March, 2025 is Rs. 80 lakhs. The branch incurred Rs. 12 lakhs by way of executive and general administrative expenditure during the financial year 2024-25. The head office has allocated Rs. 18 lakhs as the branch's share of head office expenditure including the expenditure of Rs. 12 lakhs incurred by the branch.

A survey u/s 133A of the Act was conducted in its branch premises in January, 2024 and undisclosed assets of Rs. 90 lakhs were found. Assessment for the assessment year 2024-25 was completed by making addition of the entire undisclosed asset of 90 lakhs. The assessee preferred appeal before CIT (Appeals) who gave complete relief to the assessee. The Income-tax Department wants to file an appeal before ITAT.

T (P) Ltd. an Indian company, a wholly owned subsidiary of Falcon Ltd., paid Rs. 50 lakhs to XYZ Inc. of Country M as fee for technical services. Services were rendered by the employees of the branch of XYZ Inc. in India. There is no DTAA between India and Country M. T(P) Ltd. has entered into certain international transactions during the P.Y. 2023-24 and P.Y. 2024-25.

T (P) Ltd. invested in SS (P) Ltd of Country Y and received dividend of Rs. 550 lakhs during the financial year 2024-25. It declared and distributed interim dividend of Rs. 250 lakhs on 10.11.2024 and a final dividend of Rs. 230 lakhs on 12.11.2025. T (P) Ltd. has filed its return of income on 15.11.2024 for A.Y. 2024-25 and on 30.11.2025 for A.Y. 2025-26.

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

Question: 1

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

- (a) Rs. 18,20,000
- (b) Rs. 20,00,000
- (c) Rs. 5,00,000
- (d) Rs. 10,40,000

Question: 2

How much of the dividend received by T (P) Ltd would be liable to tax for the assessment year 2025-26?

- (a) Rs. 70 lakhs
- (b) Rs. 320 lakhs

- (c) Rs. 300 lakhs
(d) Rs. 550 lakhs

Question: 3

How much of head office expenditure can be claimed by the Indian branch of Falcon Ltd for the assessment year 2025-26?

- (a) Rs. 4,00,000
(b) Rs. 6,00,000
(c) Rs. 12,00,000
(d) Rs. 18,00,000

Question: 4

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

- (a) No, as the tax liability is less than Rs. 50 lakhs
(b) Yes, as the tax liability is more than Rs. 25 lakhs
(c) Yes, as the tax liability is more than Rs. 50 lakhs
(d) No, as the undisclosed asset is less than Rs. 100 lakhs

Answer Keys

Question No.	Answer	Description
1	(a) Rs. 18,20,000	TDS shall be deducted u/s 195 at rate in force i.e. 40% + cess in case of foreign company. $\text{TDS} = 50 \text{ lakhs} \times 35\% \times 1.04 = 18,20,000$
2	(c) Rs. 300 lakhs	Refer section 80M T (P) Ltd has received dividend of 550 lakhs during FY 2024-25. It has distributed 250 lakhs on 10.11.2024 i.e. during the current financial year and 230 lakhs on 12.11.2025 i.e. not before one month before due date (30.11.2025). Therefore, T (P) Ltd will get deduction of 250 lakhs u/s 80M and dividend taxable will be 300 lakhs.
3	(a) Rs. 4,00,000	Refer section 44C Expense allowed to Indian branch of Falcon Limited will be 5% of 80 lakhs (ATI) i.e. 4 lakhs.
4	(c) Yes, as the tax liability is more than Rs. 50 lakhs	Section 268A - the department can file appeal before ITAT only if tax effect is more than 50 lakhs [60 lakhs w.e.f. 17/9/24]

Case Scenario 3 [Penalty u/s 270A]

Sharma Pvt. Ltd. ("S") files its return of income for the P.Y. 2024-25 on 30th September 2025 declaring loss of Rs. 18,00,000. The rate of income-tax applicable to the company is 25%.

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

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

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

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

Question: 1

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

- (i) Since S has claimed deduction of amount incurred towards personal expenditure of directors, S shall be considered to have under-reported its income.
 - (ii) The under-reporting on account of claiming personal expenditure of directors as deduction can be construed as misreporting of income as it is a claim of expenditure not substantiated by any evidence.
 - (iii) Since addition of Rs. 2,80,000 is an adjustment referred to in section 143(1)(a), no penalty is leviable in respect of this addition.
 - (iv) No penalty is leviable if S offers an explanation and the Assessing Officer is satisfied that the explanation is bona fide and S has disclosed all the material facts to substantiate the explanation offered.
- (a) (i) and (iv)
 - (b) (ii) and (iv)
 - (c) (iii) only
 - (d) (iv) Only

Question: 2

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

- (a) Rs. 1,09,200
- (b) Rs. 1,92,400
- (c) Rs. 41,600
- (d) Rs. 1,85,000

Question: 3

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

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

The correct answer is-

- (a) (ii) and (iv)

- (b) (i) and (iv)
 (c) (i) and (iii)
 (d) (ii) and (iii)

Answer Keys

Question No.	Answer	Description
1	(c) (iii) only	Refer section 143 Since, it is a normal adjustment, this will not be treated as under reporting of income.
2	(b) Rs. 1,92,400	Since in this case return is filed therefore penalty will be 50% of tax on URI for under- reporting of income u/s 270A, at the time of assessment u/s 147, it would be determined as follows :- Assessed Income - 3,20,000 Income u/s 143(3) - (11,60,000) URI = 11,60,000 + 3,20,000 = 14,80,000 Tax on Un-Reported Income = 14,80,000 * 25% * 104% = 3,84,800 Penalty = 3,84,800 * 50% = 1,92,400.
3	(b) (i) and (iv)	Section 270AA: An assessee may make an application to the Assessing Officer to grant immunity from imposition of penalty u/s 270A and initiation of proceedings u/s 276C or section 276CC, if he fulfils the following conditions, namely: – (a) - the tax and interest payable as per the order of assessment or reassessment under sub- section (3) of section 143 or section 147, as the case may be, has been paid within the period specified in such notice of demand; and (b) no appeal against the order referred to in clause (a) has been filed.

Case Scenario 4 [Assessment]

M/s. LMN LLP filed its return of income for A.Y. 2024-25, declaring total income of Rs. 18 lakhs, on 2nd December 2024. On processing of return, the total income determined u/s 143(1)(a) was Rs. 22 lakhs, after disallowing claim for deduction u/s 10AA on account of late furnishing of return of income. Thereafter, on scrutiny, the Assessing Officer made some additions u/s 40(a)(ia) and section 43B and passed an assessment order u/s 143(3) assessing total income of Rs. 35 lakhs. Later on, the Assessing Officer noticed that some information is flagged for A.Y. 2024-25 suggesting that certain income chargeable to tax had escaped assessment. Based on the said information, notice u/s 148 was issued for making reassessment u/s 147 after compliance with the requirements stipulated u/s 148A. The total income reassessed u/s 147 was Rs. 42 lakhs.

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

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

Question: 1

For the purpose of answering this question alone, assume that intimation u/s 143(1)(a) was sent to M/s LMN LLP on 1.2.2026, would such intimation be valid?

- (a) Yes, since it was sent within one year from the end of the financial year in which return was made
- (b) No, since it was sent after the expiry of nine months from the end of the financial year in which return was made
- (c) No, since it was sent after the expiry of one year from the end of the month in which return was made
- (d) No, since it was sent after the expiry of nine months from the end of the month in which return was made

Question: 2

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

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

Question: 3

Compute the amount of penalty to be levied u/s 270A of the Income tax Act, 1961 at the time of assessment made u/s 143(3)? Assume under-reporting of income is not on account of misreporting.

- (a) Rs. 2,02,800
- (b) Rs. 2,65,200
- (c) Rs. 5,30,400
- (d) Rs. 4,05,600

Question: 4

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

- (a) Rs. 1,09,200
- (b) Rs. 4,36,800
- (c) Rs. 2,18,400
- (d) Rs. 3,12,000

Question: 5

In continuation to Q 4, assume reassessment order made u/s 147 was received on 12.12.2026 and M/s LMN LLP does not prefer appeal against such order, can M/s LMN LLP make application for grant of immunity from penalty? If yes, what is time limit for making the said application?

- (a) No, M/s LMN LLP cannot make application for grant of immunity
 (b) Yes, M/s LMN LLP can make application for grant of immunity on or before 11.01.2027
 (c) Yes, M/s LMN LLP can make application for grant of immunity on or before 31.01.2027
 (d) Yes, M/s LMN LLP can make application for grant of immunity on or before 31.03.2027

Answer Keys

Question No.	Answer	Description
1	(b) No, since it was sent after the expiry of nine months from the end of the financial year in which return was made	Refer section 143 (1) Intimation can be furnished to the assessee only up to 31st December 2025
2	(d) The action of the Assessing Officer is valid	Explanation to section 147 provides that for the purposes of assessment or reassessment or recomputation under this section, the Assessing Officer may assess or reassess the income in respect of any issue, which has escaped assessment, and such issue comes to his notice subsequently in the course of the proceedings under this section, irrespective of the fact that the provisions of section 148A have not been complied with
3	(a) Rs. 2,02,800	Penalty will be 50% of tax on URI for under-reporting of income u/s 270A. At the time of assessment, it would be determined as follows :- Assessed Income u/s 143(3) - 35,00,000 Income u/s 143(1) - 22,00,000 URI = 35,00,000 - 22,00,000 = 13,00,000 Tax on Under-Reported Income = 13,00,000 * 30% * 104% = 4,05,600 Penalty = 4,05,600 * 50% = 2,02,800.
4	(b) Rs. 4,36,800	Penalty will be 200% of tax on URI for mis-reporting of income u/s 270A. At the time of assessment, it would be determined as follows :- Assessed Income u/s 147 - 42,00,000 Income u/s 143(3) - 35,00,000 URI = 42,00,000 - 35,00,000 = 7,00,000 Tax on Under-Reported Income = 7,00,000 * 30% * 104% = 2,18,400 Penalty = 2,18,400 * 200% = 4,36,800.
5	(a) No, M/s LMN LLP cannot make application for grant of immunity	As per section 270AA, the Assessing Officer shall, subject to fulfilment of the conditions specified in sub-section (1) and after the expiry of the period of filing the appeal as specified in clause (b) of sub-section (2)

Question No.	Answer	Description
		of section 249, grant immunity from imposition of penalty u/s. However, such immunity will not be granted if penalty is on account of mis reporting of income

Case Scenario 5 [Assessment]

The Assessing Officer surveyed TR & Hotels, which was within his jurisdiction, at 11:30 p.m. on 15.8.2024 for the purpose of obtaining information which may be relevant to the proceedings under the Income-tax Act, 1961. The restaurant is kept open for business every day between 11 a.m. and 12 a.m.

On 25.8.2024, the Assessing Officer entered RR & Hotels which was also within his jurisdiction at 9:15 p.m. for the purpose of collecting information which may be useful for the purposes of the Income-tax Act, 1961. This Restaurant is kept open for business every day between 7 am to 10:30 pm.

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

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

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

Question: 1

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

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

Question: 2

Would your answer to Question no. 1 change if the Assessing Officer had surveyed TR & Hotels only for the purpose of verifying whether tax has been deducted/collected at source in accordance with the provisions of the Income-tax Act, 1961?

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

- (c) The action of Assessing Officer is not valid, since he has not obtained the permission of Chief Commissioner.
- (d) The action of Assessing Officer is not valid, since he entered the place after 10 pm.

Question: 3

Is the action of the Assessing Officer entering RR & Hotels at 9:15 pm valid?

- (a) Not valid, since Assessing Officer entered the restaurant after the sunset.
- (b) Valid, since Assessing Officer entered during the hours at which such place is open for the conduct of business and prior permission of higher authorities is not required to be obtained.
- (c) Not valid, since prior permission of Chief Commissioner or above is not obtained by the Assessing Officer though he entered the place during the hours at which such place is open for the conduct of business.
- (d) Not valid, since Assessing Officer entered after the sunset and prior permission of Chief Commissioner or above is not obtained.

Question: 4

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

- (a) The action of Assessing Officer is not valid, since prior approval of Commissioner or above authority is not obtained.
- (b) The action of Assessing Officer is valid.
- (c) The action of Assessing Officer is not valid, since prior approval of Joint Commissioner is not obtained.
- (d) The action of Assessing Officer is not valid, since he cannot retain impounded books of accounts or other documents for a period exceeding 10 days.

Question: 5

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

- (a) The action of Assessing Officer is not valid, since prior approval of Commissioner or above is not obtained.
- (b) The action of Assessing Officer is valid.
- (c) The action of Assessing Officer is not valid, since he cannot impound or retain books of accounts or other documents.
- (d) The action of Assessing Officer is not valid, since he cannot retain impounded books of accounts or other documents for a period exceeding 10 days.

Answer Keys

Question No.	Answer	Description
1	(c) Not valid, since prior permission of income-tax	Refer section 133A

	authority equivalent to Chief Commissioner or above is not obtained by the Assessing Officer though he entered during the hours at which such place is open for the conduct of business.	
2	(a) The action of Assessing Officer is not valid, since he entered the place after sunset and permission of income-tax authority equivalent to Chief Commissioner or above is not obtained.	Refer section 133A (2A)
3	(b) Valid, since Assessing Officer entered during the hours at which such place is open for the conduct of business and prior permission of higher authorities is not required to be obtained.	Refer section 133B
4	(a) The action of Assessing Officer is not valid, since prior approval of Commissioner or above authority is not obtained.	Refer section 133A (3)
5	(c) The action of Assessing Officer is not valid, since he cannot impound or retain books of accounts or other documents.	Refer section 133A (3)

Case Scenario 6 [Deduction Topic]

The following are the particulars relating to four Indian companies, namely, A Ltd., B Ltd., C Ltd. and D Ltd. –

Particulars	A Ltd.	B Ltd.
Date of setting up/registration	1.9.2019	1.11.2024
Main object	Manufacture of steel	Manufacture of apparel
Place	Madhya Pradesh	Warangal in Telengana
Value of new plant and machinery installed and put to use on the date of setting up of the company	₹ 10 crore	₹ 4 crore
Gross Total Income of P.Y.2024-25	₹ 4.90 crore	₹ 4.80 crore
No. of new employees employed on the date of setting up of the company	1000	1000
Monthly emoluments to employees by account payee cheque:		
500 employees	₹ 24,000 per employee	₹ 24,000 per employee
500 employees	₹ 25,100 per employee	₹ 26,000 per employee
Particulars	C Ltd.	D Ltd.
Date of setting up/registration	1.4.2000	1.1.2005
Main object	Trading in leather goods	Trading in food grains

Particulars	A Ltd.	B Ltd.
Place	Tamil Nadu	Karnataka
Turnover		
P.Y.2020-21	₹ 347 crore	₹ 201 crore
P.Y.2021-22	₹ 395 crore	₹ 225 crore
P.Y.2022-23	₹ 499 crore	₹ 251 crore
P.Y.2023-24	₹ 350 crore	₹ 342 crore
P.Y.2024-25	₹ 424 crore	₹ 380 crore
Details of income returned & assessed for A.Y.2025-26		
As per return of income filed	₹ 14 crores	₹ 17 crores
Income determined u/s 143(1)(a)	₹ 16 crores	₹ 20 crores
Income assessed u/s 143(3)	₹ 20 crores	₹ 22 crores

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

Question: 1

What would be the tax liability (rounded off) of B Ltd. for A.Y. 2025-26, if it avails the beneficial tax rates under the special provisions of section 115BAA, by fulfilling the conditions specified thereunder? Assume that the gross total income reflects the computation under the special provisions.

- (a) ₹ 70,47,040
- (b) ₹ 22,88,000
- (c) ₹ 25,16,800
- (d) ₹ 17,16,000

Question: 2

What would be the tax liability (rounded off) of A Ltd. for A.Y.2025-26, if it avails the beneficial tax rates under the special provisions of section 115BAA, by fulfilling the conditions specified thereunder? Assume that the gross total income reflects the computation under the special provisions.

- (a) ₹ 1,23,32,320
- (b) ₹ 59,89,980
- (c) ₹ 14,59,740
- (d) ₹ 9,95,280

Question: 3

What would be the total income (rounded off) of A Ltd. and B Ltd. for A.Y.2025-26, if they do not opt for the special provisions of section 115BAA? Assume that the gross total income reflects the computation under the special provisions.

- (a) ₹ 2,90,00,000; ₹ 2,40,00,000
 (b) ₹ 58,00,000; ₹ 2,40,00,000
 (c) ₹ 2,90,00,000; ₹ 60,00,000
 (d) ₹ 58,00,000; ₹ 60,00,000

Question: 4

What would be the quantum of penalty payable by C Ltd. u/s 270A, assuming that the under-reporting of income is not due to mis-reporting and none of the additions made in the assessment qualifies under section 270A (6)? Assume that C Ltd. has not opted for the special provisions u/s 115BAA/115BAB, as the case may be.

- (a) ₹ 58,24,000
 (b) ₹ 69,88,800
 (c) ₹ 87,36,000
 (d) ₹ 1,04,83,200

Question: 5

What would be the quantum of penalty payable by D Ltd. u/s 270A, assuming that the under-reporting of income is due to misreporting? Assume that D Ltd. has not opted for the special provisions u/s 115BAA/115BAB, as the case may be.

- (a) ₹ 1,16,48,000
 (b) ₹ 1,39,77,600
 (c) ₹ 2,91,20,000
 (d) ₹ 3,49,44,000

Answer Keys

Question No.	Answer	Description
1	(c) 25,16,800	GTI = 2,80,00,000 Deduction u/s 80JJAA = 1,80,00,000 TI = 1,00,00,000 Tax @ 25.168% = 25,16,800
2	(a) 1,23,32,320	GTI/TI = 4,90,00,000 Tax @25.168% = 1,23,32,320
3	(d) 4,90,00,000; 60,00,000	A Ltd. GTI/TI = 4,90,00,000 B Ltd. GTI under special provisions = 2,80,00,000 Additional depreciation = 40,00,000 GTI as per normal provisions = 2,40,00,000 Deduction u/s 80JJAA = 1,80,00,000 TI = 60,00,000
4	(b) 69,88,800	Underreported income = 4,00,00,000 Tax @34.944% = 1,39,77,600 Penalty = 69,88,800
5	(a) 1,16,48,000	Underreported income = 2,00,00,000

Question No.	Answer	Description
		Tax @29.12% = 58,24,000 Penalty = 1,16,48,000

Compact Topic: 27

Black Money Act, 2015

Question: 1

[Concepts: Value of Asset in Black Money Act, 2015]

Mr. Arvind acquired a flat in Country "P" in the P.Y.2019-20 for ₹ 50 lakhs. Out of the said sum, ₹ 20 lakhs was assessed to tax in total income of the P.Y.2019-20 and earlier years. This asset comes to the notice of the Assessing Officer in the P.Y. 2024-25. If the value of the flat on 1.4.2024 is ₹ 90 lakhs, the amount chargeable to tax under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 in the year 2024-25 would be:

- (a) ₹ 90 lakhs
- (b) ₹ 70 lakhs
- (c) ₹ 54 lakhs
- (d) ₹ 30 lakhs

Question: 2

[Concepts: Value of Asset in Black Money Act, 2015]

Mr. Arvind opened a bank account in Country "P" on 1.7.2021. He has made deposits of foreign currency equivalent to ₹ 5 lakhs on 1.7.2021, ₹ 7 lakhs on 1.10.2021, ₹ 12 lakhs on 1.9.2023 and ₹ 25 lakhs on 1.3.2025, in that bank, out of Indian income which has not been assessed to tax in India. The deposit of ₹ 12 lakhs on 1.9.2023 is made out of the withdrawal of earlier deposits made on 1.7.2021 and 1.10.2021 with the said bank. Further, out of ₹ 25 lakhs deposited by him on 1.3.2025, Mr. Arvind withdrew ₹ 2 lakhs on 31.3.2025. The value of an undisclosed asset in form of bank account under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 will be taken as:

- (a) ₹ 49 lakhs
- (b) ₹ 47 lakhs
- (c) ₹ 37 lakhs
- (d) ₹ 35 lakhs

Answer Keys

Question No.	Answer
1	(c) ₹ 54 lakhs
2	(c) ₹ 37 lakhs

Compact Topic: 28

Equalisation Levy

Question: 1

[Concepts: EL on Online Advtg.]

Mr. Rajesh, a resident Indian, is an employee of M/s. ABC Ltd., Bangalore. In addition to the salary income from M/s. ABC Ltd., he also earns interest from fixed deposits. M/s. PQR Inc., a foreign company not having permanent establishment in India, whose gross receipts are equivalent to ₹ 1.80 crores, rendered online advertisement services to Mr. Rajesh, for which Mr. Rajesh made a payment of ₹ 2 lakhs in the F.Y.2024-25.

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

Which of the statements is correct?

- (a) (i), (ii), (iii) and (v)
- (b) (i), (ii), (iv) and (vi)
- (c) (i), (ii), (iv) and (v)
- (d) Only (vii)

Answer Keys

Question No.	Answer
1	(d) Only (vii) [EL is applicable only if Advtg. service use for business or profession]

Case Scenario

Case Scenario 1 [Equalisation Levy]

Flax (P) Ltd. availed online digital advertisement service provided by Marshall Inc. of USA in March 2025. It paid Rs. 10 lakhs and the amount outstanding as on 31st March, 2025 was Rs. 2 lakhs for the said online digital advertisement service.

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

Question: 1

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

- (a) Equalization levy of Rs. 60,000 is to be deducted and paid by Flax (P) Ltd.

- (b) Equalization levy of Rs. 72,000 is to be deducted and paid by Flax (P) Ltd.
- (c) Equalization levy of Rs. 24,000 is to be paid by Marshall Inc.
- (d) Equalization levy of Rs. 72,000 is to be paid by Marshall Inc.

Question: 2

Would Flax (P) Ltd. be liable to pay any interest and/or penalty if the amount of the equalisation levy remitted on 20.6.2025?

- (a) No, it would not be liable to pay any interest or penalty since the amount is remitted within the prescribed time limit.
- (b) It would be liable to pay interest but no penalty is attracted
- (c) Yes, it would be liable to pay both interest and penalty
- (d) It would be liable to pay penalty but no interest is payable

Answer Keys

Question No.	Answer	Description
1	(b) Equalization levy of Rs. 72,000 is to be deducted and paid by Flax (P) Ltd.	Refer section 165 of FA 2016 EL @6% applicable on amount received/ receivable
2	(c) Yes, it would be liable to pay both interest and penalty	-

Compact Topic: 32

Tonnage Taxation

Question: 1

[Concepts: Period of Tonnage Taxation]

Two tonnage tax companies X Ltd. and Y Ltd. are amalgamated to form a new tonnage company Z Ltd., a qualifying company and the option for tonnage tax scheme of X Ltd. has an unexpired period of 8 years and Y Ltd. has an unexpired period of 6 years. For what period the special provisions of Chapter XII-G relating taxation of income shipping companies would apply to the new company Z Ltd.?

- (a) 8 years
- (b) 6 years
- (c) 7 years
- (d) 10 years

Answer Keys

Question No.	Answer
1	(a) 8 years

Case Scenario

Case Scenario 1 [Tonnage Taxation]

BMT Shipping Co. is an Indian company having its place of effective management in India. It owns three vessels out of which two are "Qualifying Ships". The registered tonnage of the two qualifying vessels is 33,840 tonnes and 230 kgs and 24,952 tonnes and 370 kgs respectively. In the F.Y. 2024-25, the first vessel was operated for 212 days and the second for 347 days.

The WDV of the block of assets for tax purposes, being ships, as on 01.04.2024 was ₹ 1200 lakhs

Ships forming part of Block of Assets	WDV as per books as on 01-04-2024 (₹ in lakhs)
Qualifying Ship 1	580
Qualifying Ship 2	270
Non-qualifying Ship 3	230

Other Information:

- (i) Profit from core activity referred to in section 115-VI(1) read with 115-VI(2) is ₹ 70 lakhs.
- (ii) Profit from incidental activity computed as per section 115-VI(1) read with 115-VI(5) is ₹ 14 lakhs.
- (iii) Book profits calculated as per the Explanation to section 115JB(2) [in so far as it relates to income derived from core and incidental activity] are ₹ 100 lakhs.

LMN Shipping Co. is a foreign company whose place of effective management is outside India in the P.Y.2024- 25. Its gross receipts for P.Y.2024-25 is ₹ 630 lakhs, the breakup of which is given hereunder

–

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

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

Question: 1

What would be the tonnage income of BMT Shipping Co. computed u/s 115VG for A.Y. 2025-26?

- (a) ₹ 71,05,880
- (b) ₹ 71,12,028
- (c) ₹ 71,20,454
- (d) ₹ 71,26,602

Question: 2

What would be the written down value as on 01.04.2024 of “Qualifying Ships” of BMT Shipping Co. for tax purpose as per section 115VK?

- (a) ₹ 850 lakhs
- (b) ₹ 944.44 lakhs
- (c) ₹ 1200 lakhs
- (d) ₹ 970 lakhs

Question: 3

The minimum reserve requirement as per section 115VT in case of BMT Shipping Co. for P.Y.2024-25 is-

- (a) ₹ 16.8 lakhs
- (b) ₹ 20 lakhs
- (c) ₹ 14 lakhs
- (d) ₹ 15 lakhs

Question: 4

Would any amount be taxable under the other provisions of the Income-tax Act, 1961 as per section 115VT(5), if BMT Shipping Co. had transferred ₹ 15 lakhs to Tonnage Tax Reserve Account during P.Y. 2024-25? If yes, what is the amount so taxable?

- (a) Yes; ₹ 1.80 lakhs
- (b) No amount is taxable as per section 115VT(5), since the amount transferred is more than the minimum reserve requirement
- (c) Yes; ₹ 5 lakhs
- (d) Yes; ₹ 21 lakhs

Question: 5

What shall be the income computed u/s 44B of LMN Shipping Co. for A.Y.2025-26?

- (a) ₹ 39.75 lakhs
 (b) ₹ 53 lakhs
 (c) ₹ 26.50 lakhs
 (d) ₹ 47.25 lakhs

Answer Keys

Question No.	Answer	Description
1	(c) ₹ 71,20,454	Ship 1 = $(11770 + 29 \times 88) \times 212 = 30,36,264$ Ship 2 = $(5,470 + 42 \times 150) \times 347 = 40,84,190$ Total = 71,20,454
2	(b) ₹ 944.44 lakhs	$850 \text{ lakhs} / 1080 \text{ lakhs} \times 1200 \text{ lakhs} = 944.44 \text{ lakhs}$
3	(b) ₹ 20 lakhs	Book profit of ₹ 100 lakhs $\times 20\% = 20 \text{ lakhs}$
4	(d) Yes; ₹ 21 lakhs	$84 \text{ lakhs} \times 5 \text{ lakhs} / 20 \text{ lakhs} = 21 \text{ lakhs.}$
5	(a) ₹ 39.75 lakhs	$7.5\% \text{ of } (200 \text{ lakhs} + 150 \text{ lakhs} + 180 \text{ lakhs}) = 39.75 \text{ lakhs}$

Compact Topic: 33

Taxation of Trust & Institutions

Question: 1

[Concepts: Calculation of Income of Trust]

For the P.Y. ended 31.3.2025, a public charitable trust, registered u/s 12AB, derived income of ₹ 10 lakhs from properties held under trust and ₹ 15 lakhs, being voluntary contributions from public, out of which ₹ 8 lakhs were applied for charitable purposes and ₹ 4 lakhs towards repayment of loan taken for construction of orphanage. The amount of ₹ 4 lakhs was not claimed as application in any earlier P.Y.. The total income of the trust for A.Y.2025-26 is

- (a) ₹ 13,00,000
- (b) ₹ 9,25,000
- (c) ₹ 13,25,000
- (d) ₹ 17,00,000

Question: 2

[Concepts: Donation by Trust to another Trust]

During the P.Y.2024-25, Sarvasewa, a charitable trust, made voluntary contributions, not being corpus donations, to –

- (i) another charitable trust registered u/s 12AB out of its current year income derived from property held under trust to the extent 85%
- (ii) an educational institution referred to in section 10(23C)(vi) out of its current year income derived from property held under trust to the extent 85%
- (iii) another charitable trust registered u/s 12AB out of the accumulated income of the trust u/s 11(2)

Which of the above voluntary contributions are permitted as application of income for charitable purposes for A.Y.2025- 26 under the provisions of the Income-tax Act, 1961?

- (a) None of the above
- (b) Only (i) above
- (c) (i) and (ii) above
- (d) (i) and (iii) above

Question: 3

[Concepts: Income exemption u/s 10]

BB Baba charitable trust, registered u/s 12AB, having its main object as medical relief, earned income of ₹ 2 lakhs as interest on bonds issued by local authority and agricultural income of ₹ 4 lakhs during the P.Y.2024-25. Which of the following statements is correct?

- (a) The trust has to apply such income for charitable purposes as per the provisions of section 11 to claim exemption in respect of such income.
- (b) The trust can claim exemption u/s 10(1) and 10(15) in respect of its agricultural income and income from bonds of local authority, respectively, without applying such income for charitable purposes.
- (c) The trust can claim exemption u/s 10(15) in respect of its interest income from bonds of local authority, without applying such income for charitable purposes. However, it cannot claim exemption u/s 10(1) in respect of agricultural income without applying such income for

charitable purposes.

- (d) The trust can claim exemption u/s 10(1) in respect of its agricultural income. However, exemption u/s 10(15) in respect of its interest income from bonds of local authority is not available if it is claiming the benefit of section 11 and 12.

Answer Keys

Question No.	Answer
1	(b) ₹ 9,25,000
2	(c) (i) and (ii) above
3	(d) The trust can claim exemption u/s 10(1) in respect of its agricultural income. However, exemption u/s 10(15) in respect of its interest income from bonds of local authority is not available if it is claiming the benefit of section 11 and 12.

Case Scenario

Case Scenario 1 [Trust Topic]

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

- (i) The total receipts of the trust for the P.Y. 2024-25 for educational institution is Rs. 3.10 crores and for the hospital it is Rs. 3.40 crores.
- (ii) Voluntary contributions [included in (i) above] received for the P.Y. 2024-25 from the public amounted to Rs. 105 lakhs. It includes corpus donations of Rs. 55 lakhs (for purchase of building for the trust) and anonymous donations of Rs. 20 lakhs.
- (iii) During the P.Y. 2024-25, computers purchased for Rs. 80 lakhs out of:
 - Corpus fund mentioned in (ii) above Rs. 30 lakhs.
 - Loan Rs. 25 lakhs
 - Voluntary contributions - Rs. 25 lakhs
- (iv) Corpus donations received during the current year are invested in -
 - Post Office Savings Accounts Rs. 10 lakhs
 - Canara Bank as Fixed deposits Rs. 5 lakhs
 - Non-banking Financial Corporation (NBFC) Rs. 10 lakhs
- (v) Deposited Rs. 15 lakhs towards post office savings account which were utilised for purchase of building during the P.Y. 2020-21 and P.Y. 2021-22 out of corpus fund Rs. 10 lakhs and Rs. 5 lakhs, respectively.
- (vi) Amount paid to another trust registered u/s 12AB by way of donation of Rs. 10 lakhs. Out of the said amount Rs. 2 lakhs are given as corpus donations.
- (vii) Rs. 6 lakhs, being the amount set apart in the P.Y. 2023-24 by the trust for charitable purposes u/s 11(2) utilized in the P.Y. 2024-25 for making donation to another charitable trust, whose object is also education.

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

Question: 1

Seva Niketan wants to avail exemption u/s 10(23C) (iiiad) and 10(23C) (iiiie) in respect of educational institution and hospital for the P.Y. 2024-25. Can it do so?

- (a) Yes, it can do so since annual receipts for each activity do not exceed Rs. 5 crores.
 (b) No, it cannot do so since the trust is registered u/s 12AB.
 (c) No, it cannot do so since aggregate receipts from education and hospital exceed Rs. 5 crores.
 (d) No, it cannot do so due to the reasons mentioned in (b) and (c) above.

Question: 2

What amount of corpus donations received by the trust would not form part of the total income of the P.Y. 2024-25?

- (a) Rs. 25 lakhs
 (b) Rs. 40 lakhs
 (c) Rs. 15 lakhs
 (d) Rs. 55 lakhs

Question: 3

What would be the amount of "specified income" taxable@30% u/s 115BBI for the P.Y. 2024-25?

- (a) Rs. 30 lakhs
 (b) Rs. 46 lakhs
 (c) Rs. 48 lakhs
 (d) Rs. 16 lakhs

Question: 4

What amount would be considered as application of the trust for the P.Y. 2024-25 (excluding unconditional accumulation of 15%), assuming that it has fulfilled the relevant conditions stipulated u/s 12A?

- (a) Rs. 36.8 lakhs
 (b) Rs. 25 lakhs
 (c) Rs. 38 lakhs
 (d) Rs. 30 lakhs

Question: 5

Seva Niketan claims that anonymous donations received during F.Y. 2024-25 are not liable to be taxed u/s 115BBC (1)(i). Is the claim of trust valid? If not, determine the tax leviable u/s 115BBC.

- (a) No; Rs. 6,00,000
 (b) No; Rs. 5,70,000
 (c) Yes; the trust is not liable to pay tax u/s 115BBC(1) (i)
 (d) No; Rs. 4,42,500

Answer Keys

Question No.	Answer	Description
1	(c) No, it cannot do so since aggregate receipts from education and hospital exceed Rs. 5 crores.	-
2	(c) Rs. 15 lakhs	Amount invested in specified modes u/s 11 (5) is

Question No.	Answer	Description								
		exempt i.e. Post Office Savings Accounts Rs. 10 lakhs and Canara Bank as Fixed deposits Rs. 5 lakhs.								
3	(b) Rs. 46 lakhs	Corpus donation not invested in specified modes = 40,00,000 Amount set aside as per 11(2), mis-utilized = 6,00,000								
4	(a) Rs. 36.8 lakhs	<table><tr><td>Purchase of computer (out of voluntary contribution)</td><td>25,00,000</td></tr><tr><td>Deposit back in corpus fund (For FY 2021-22)</td><td>5,00,000</td></tr><tr><td>Amount paid to another trust @85% (excluding corpus donation)</td><td>6,80,000</td></tr><tr><td></td><td>36,80,000</td></tr></table>	Purchase of computer (out of voluntary contribution)	25,00,000	Deposit back in corpus fund (For FY 2021-22)	5,00,000	Amount paid to another trust @85% (excluding corpus donation)	6,80,000		36,80,000
Purchase of computer (out of voluntary contribution)	25,00,000									
Deposit back in corpus fund (For FY 2021-22)	5,00,000									
Amount paid to another trust @85% (excluding corpus donation)	6,80,000									
	36,80,000									
5	(d) No; Rs. 4,42,500	Anonymous donation are taxable u/s 115BBC (with exemption of 5% of total donation or 1 lakh, whichever is higher) Anonymous donation = 20,00,000 Less: exempt (105 lakh*5%) = 5,25,000 Taxable u/s 115BBC = 14,75,000 Tax@30% = 4,42,500								

Compact Topic: 35

Transfer Pricing

Question: 1

[Concepts: TDS in case of payment to person in NJA]

A notified infrastructure debt fund eligible for exemption u/s 10(47) of the Income-tax Act, 1961 has to pay interest of ₹ 5 lakhs to a company incorporated in a foreign country. The foreign company incurred expenditure of ₹ 12,000 for earning such interest. The fund also has to pay interest of ₹ 3 lakhs to Mr. Frank, who is a resident of Country A, a notified jurisdictional area. Which of the following statements is correct?

- (a) No tax deduction at source is required in respect of both the payments
- (b) No TDS is required in respect of ₹ 5 lakhs payable to the foreign company. However, payment of interest to Frank attracts TDS@31.2%
- (c) TDS@5.20% is attracted on ₹ 4,88,000 payable to the foreign company. TDS@31.2% is attracted on interest payment of ₹ 3 lakhs to Mr. Frank
- (d) TDS@5.20% is attracted on interest of ₹ 5 lakhs payable to the foreign company. TDS@31.2% is attracted on interest of ₹ 3 lakhs payable to Mr. Frank

Question: 2

[Concepts: Domestic Transfer Pricing]

If ABC Ltd. has two Units, Unit 1 is engaged in power generation business and Unit 2 is engaged in manufacture of wires. Both the units were set up in Karnataka in the year 2015. In the year 2024-25, twenty lakh metres of wire are transferred from Unit 2 to Unit 1 at ₹ 125 per metre when the market price per metre was ₹ 180. Which of the following statements is correct?

- (a) Transfer pricing provisions would be attracted in this case
- (b) Transfer pricing provisions would not be attracted in this case since Unit 1 and Unit 2 belong to the same company and are not associated enterprises
- (c) Transfer pricing provisions would not be attracted in this case as it is not an international transaction since both Units are in India. For the purpose of Chapter VI-A deduction, the profits of power generation business shall, however, be computed as if the transfer has been made at the market value of ₹ 180 per MT
- (d) Transfer pricing provisions would not be attracted in this case due to reasons mentioned in both (b) and (c) above

Question: 3

[Concepts: More than one ALP]

Under which of the following methods, arm's length price shall be the arithmetical mean of all values included in the dataset, irrespective of the number of entries in the dataset. It may be assumed that the variation between the arm's length price computed and the transaction price is 15%.

- (a) Profit split method
- (b) Resale price method
- (c) Cost plus method
- (d) Transactional net margin method

Question: 4**[Concepts: 94B Thin capitalization]**

Y is a foreign company having permanent establishment in India namely X. Z, a non-resident associated enterprise, has invested ₹ 900 crore through debt in X. Earnings before interest, taxes, depreciation and amortisation (EBITDA) of X during the financial year was ₹ 150 crore. What is the amount of interest allowable in respect of the debt assuming that the debt was invested on the first day of the financial year and the rate of interest is 10% p.a.?

- (a) ₹ 45 crore
- (b) ₹ 90 crore
- (c) ₹ 30 crore
- (d) ₹ 27 crore

Question: 5**[Concepts: ALP determine by AO 94C(4)]**

Alpha Ltd.'s total income of A.Y. 2025-26 has increased by ₹ 34 lakhs due to application of arm's length price by the Assessing Officer on transactions of purchase of goods from its foreign holding company in respect of a retail trade business carried on by it, and the same has been accepted by Alpha Ltd., then, -

- (a) business loss of A.Y.2021-22 cannot be set-off against the enhanced income
- (b) deductions under Chapter VI-A cannot be claimed in respect of the enhanced income
- (c) unabsorbed depreciation of A.Y.2015-16 cannot be setoff against the enhanced income
- (d) Business loss referred to in (a), deductions referred to in (b) and unabsorbed depreciation referred to in (c) cannot be set-off against the enhanced income

Question: 6**[Concepts: Penalty in case of TP]**

XYZ Ltd. has failed to report an international transaction entered into by it with PQR Inc., which is a specified foreign company in relation to XYZ Ltd. What would be the penalty leviable in this case?

- (a) 2% of the value of the international transaction
- (b) 50% of tax payable on under-reported income
- (c) 200% of tax payable on under-reported income
- (d) Both (a) and (c)

Answer Keys

Question No.	Answer
1	(d) TDS@5.20% is attracted on interest of ₹ 5 lakhs payable to the foreign company. TDS@31.2% is attracted on interest of ₹ 3 lakhs payable to Mr. Frank
2	(a) Transfer pricing provisions would be attracted in this case
3	(a) Profit split method
4	(a) ₹ 45 crore
5	(b) deductions under Chapter VI-A cannot be claimed in respect of the enhanced income
6	(d) Both (a) and (c)

Case Scenario**Case Scenario 1 [Transfer Pricing]**

On 1.4.2024, UI Ltd., an Indian company, borrowed Rs. 50 crores @ 9.5% p.a. from M Inc., a US entity, thereby increasing its total borrowings to Rs. 65 crores. The said loan is guaranteed by H Inc., another US entity. The place of effective management of both M Inc. and H Inc. is in the USA. The total assets of UI Ltd. is Rs. 180 crores.

UI Ltd. imported turbo equipment worth Rs. 30 crores from H Inc. Import duty of Rs. 4.50 crores on the same was paid by UI Ltd. The equipment was sold to T Ltd. for Rs. 40 crores. Normal GP margin of UI Ltd. in similar uncontrolled transaction is 20%.

Net profit of UI Ltd. of A.Y. 2025-26 was Rs. 8 crores after debiting interest of Rs. 6 crores (out of which Rs. 1.25 crores interest pertaining to local borrowings), depreciation of Rs. 2.5 crores and income tax of Rs. 1.5 crores.

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

Question: 1

What is the amount of interest to be allowed in the computation of total income of UI Ltd. for A.Y. 2025-26, if for A.Y. 2024-25 there was an interest expenditure disallowed to the extent of Rs. 4 crores under section 94B?

- (a) Rs. 6,65,00,000
- (b) Rs. 4,75,00,000
- (c) Rs. 6,00,00,000
- (d) Rs. 3,65,00,000

Question: 2

The transfer pricing adjustment for the arm's length purchase price to be made in the computation of total income of UI Ltd. for A.Y. 2025-26 would be -

- (a) Rs. 3,00,00,000
- (b) Rs. 2,50,00,000
- (c) Rs. 2,00,00,000
- (d) No adjustment is required, since transfer pricing adjustment cannot result in reduction of income

Question: 3

If UI Ltd. repatriated the excess money on 31.03.2026, what will be the interest income that would be added to its total income of A.Y. 2026-27, if SBI's one-year marginal rate of lending rate is 11.25% on 1.4.2025 and 10.25% on 1.4.2026? Assume that UI Ltd. suo motu made the primary adjustment in its books of account and filed its return for A.Y. 2025-26 on 30.11.2025

- (a) Rs. 12,01,712
- (b) Rs. 12,08,333
- (c) Rs. 9,32,363
- (d) Rs. 8,49,486

Question: 4

If UI Ltd. decides not to repatriate the excess money and instead, pay additional income-tax on the entire excess money, then, what would be the additional income-tax payable?

- (a) Rs. 62,89,920

- (b) Rs. 52,41,600
- (c) Rs. 41,93,280
- (d) Rs. 53,87,200

Question: 5

If UI Ltd. decides to pay additional income-tax on the entire excess money on 15.03.2026, should interest be calculated and added to its total income of A.Y.2026-27? If so, what is the amount to be added? Assume that SBI one-year marginal cost of lending rate is 11.25% on 1.4.2025 and 10.25% on 1.4.2026 -

- (a) No, since it has paid additional income-tax on the entire excess money in the P.Y.2025-26
- (b) Yes; Rs. 9,70,890
- (c) Yes; Rs. 10,42,808
- (d) Yes; Rs. 8,09,075

Question: 6

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

- (i) on 23.08.2024, UI Ltd. has entered into an agreement for sale of turbo equipment with Y Ltd., an Indian company not related to UI Ltd;
- (ii) Y Ltd. had already entered into an agreement on 21.8.2024 for the sale of the same goods to K Inc. (unrelated to Y Ltd.), a UK entity whose place of effective management is also in the UK; and
- (iii) UI Ltd. holds shares carrying 28% voting power in K Inc.

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

- (a) H Inc. and K Inc.
- (b) M Inc. and K Inc.
- (c) H Inc., K Inc. and Y Ltd.
- (d) M Inc., H Inc. and K Inc.

Answer Keys

Question No.	Answer	Description
1	(a) Rs. 6,65,00,000	<p>Maximum deduction of interest payable to NRAE as per section 94B = 18 crores $(8+6+2.5+1.5) \times 30\% = 5.4$ crores</p> <p>Interest paid to NRAE = 50 crores $\times 9.5\% = 4.75$ crores</p> <p>Interest of A.Y. 2024-25 can be claimed upto 5.4 cores-4.75 crores = 0.65 crores</p> <p>Interest paid for local borrowings = 1.25 crores</p> <p>Total interest allowable = 5.4 crores + 1.25 crores = 6.65 crores</p>
2	(b) Rs. 2,50,00,000	<p>Sale to unrelated party = 40 crores</p> <p>Less: Normal GP margin = 20% of 40 crores = 8 crores</p> <p>Arm's length Purchase price = 32 crores</p> <p>Add: Functional difference = 4.50 crores</p> <p>Arm's length Purchase price after functional difference = 27.5 crores</p> <p>Actual purchase price = 30 crores</p> <p>TP adjustment = 2.5 crores</p>

Question No.	Answer	Description
3	(a) Rs. 12,01,712	Interest = $2,50,00,000 \times 14.5\% \times 121/365 = 12,01,712$
4	(b) Rs. 52,41,600	Additional tax = $2,50,00,000 \times 20.9664\% = 52,41,600$
5	(c) Rs. 10,42,808	Interest = $2,50,00,000 \times 14.5\% \times 105/365 = 10,42,808$
6	(c) H Inc., K Inc. and Y Ltd.	-

Case Scenario 2 [Transfer Pricing]

X Pvt. Ltd. ("X") is an Indian company. Y Inc ("Y") is a private company incorporated in the USA and its income is not chargeable to tax in India. Both are promoted by Mr. Ayush who holds 30% equity share capital and voting power in both X and Y. The balance sheet of X as on 31st March, 2025 is as follows:

Liabilities		₹ in million	Assets	₹ in million
Paid up capital		250	Fixed Assets	700
Loans:			Investments	300
From Y	620		Cash and bank balance	200
From Others	180	800		
Current Liabilities		150		
Total		1,200	Total	1,200

Additional information:

- The loan was advanced by Y to X on 1st July, 2024 in rupee terms and carries 6.5% p.a. rate of interest. For borrowers with similar risk profile who are not associated enterprises of Y, Y advances loan at 4% p.a. interest rate.
- X has maintained such information and document in respect of the international transaction as has been prescribed under section 92D but has not reported the transaction as an international transaction. X does not make any adjustment to its total income on account of application of provisions of Chapter X of the Income-tax Act, 1961 in its return of income.

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

Question: 1

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

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

The most appropriate answer is –

- Only (i)

- (b) (i) and (ii)
- (c) (i) and (iii)
- (d) Only (iv)

Question: 2

What is the amount of primary adjustment required to be made to the total income of X for A.Y.2025-26?

- (a) Rs. 1,16,25,000
- (b) Rs. 58,12,500
- (c) Rs. 1,55,00,000
- (d) Rs. 77,50,000

Question: 3

If X has accepted the primary adjustment made by the Assessing Officer on 31.3.2026, what should X do if it does not want to treat the excess money as deemed advance and include interest on the same in its total income?

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

The most appropriate answer is -

- (a) (i) or (iii)
- (b) (ii) or (iii)
- (c) (i) or [(iii) and (iv)]
- (d) (ii) or [(iii) and (iv)]

Question: 4

If X has accepted the primary adjustment made by the Assessing Officer on 31.3.2026 and the excess money has not been repatriated into India up to 31.3.2027, what would be the consequence if X has not opted to pay additional income-tax? Assume that SBI one-year marginal cost of lending rate is 10% on 1.4.2026 and 11% on 1.4.2027.

- (a) Interest of Rs. 16,56,563 has to be added to its total income for P.Y.2026-27
- (b) Interest of Rs. 11,60,509 has to be added to its total income for P.Y.2026-27
- (c) Interest of Rs. 15,40,313 has to be added to its total income for P.Y.2026-27
- (d) Interest of Rs. 20,53,750 has to be added to its total income for P.Y.2026-27

Question: 5

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

- (a) Since X has maintained information and documents as prescribed under section 92D, that by itself is sufficient for holding that X has not under-reported its income
- (b) If the Assessing Officer/Transfer Pricing Officer makes adjustment to X's total income on account

of an international transaction not being in accordance with arm's length price, that by itself is sufficient to hold that X has under-reported its income; consequently, penalty u/s 270A is leviable

- (c) Since X has not reported the transaction as an international transaction, X will be considered to have under-reported its income and penalty will be 50% of the amount of tax payable on the under-reported income
- (d) Since X has not reported the transaction as an international transaction, X will be considered to have misreported its income and penalty will be 200% of the amount of tax payable on the misreported income

Question: 6

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

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

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

- (a) Identical adjustment would be made to the income of Y instead of X
- (b) No adjustment would be required in the hands of X or Y
- (c) Identical adjustment would made to the income Y as well as X
- (d) Adjustment would still be made to the income of X and no adjustment would be made to the income of Y

Answer Keys

Question No.	Answer	Description
1	(c) (i) and (iii)	-
2	(a) Rs. 1,16,25,000	620 million * 2.5% * 9/12 = Rs. 1,16,25,000
3	(d) (ii) or [(iii) and (iv)]	-
4	(c) Interest of Rs. 15,40,313 has to be added to its total income for P.Y.2026-27	Rs. 1,16,25,000 * 13.25%
5	(d) Since X has not reported the transaction as an international transaction, X will be considered to have misreported its income and penalty will be 200% of the amount of tax payable on the misreported income	-
6	(b) No adjustment would be required in the hands of X or Y	-

Compact Topic: 36

Non-Resident & NRI Taxation

Question: 1

[Concepts: Interest on RDB listed in RSE of IFSC]

M Ltd. and N Ltd. are Indian companies which have to pay interest of ₹ 2 lakhs and ₹ 1 lakh outside India to Mr. P, a non-resident, during the P.Y. 2024-25 on rupee denominated bonds listed on a recognized stock exchange located in IFSC, issued in May, 2023 and August, 2023, respectively. Which of the following statements is correct relating to liability of M Ltd. and N Ltd. to deduct tax at source on such interest payable to Mr. P?

- (a) M Ltd. has to deduct tax at source @ 4.16% and N Ltd. has to deduct tax at source @ 9.36%
- (b) Both M Ltd. and N Ltd. have to deduct tax at source @ 5.2%
- (c) M Ltd. does not have to deduct tax at source but N Ltd. has to deduct tax at source @ 5.2%
- (d) N Ltd. does not have to deduct tax at source but M Ltd. has to deduct tax at source @ 5.2%

Question: 2

[Concepts: Sec 115AC Bonds Interest]

Mr. Ranveer, a non-resident, earned interest income of ₹ 6,20,000 during the P.Y. 2024-25 on bonds, issued by Tilt Ltd., an Indian company, under a scheme notified by the Central Government, which were purchased by him in foreign currency. Such interest is

- (a) Not taxable
- (b) Taxable @ 10.4%
- (c) Taxable @ 15.6%
- (d) Taxable @ 20.8%

Question: 3

[Concepts: Exemption in case of NR]

Mr. X, a foreign national and citizen of USA, working with M Inc., a US based company, came to India during the P.Y. 2024-25 for rendering services on behalf of the employer. He wishes to claim his salary income earned during his stay in India as exempt. Which of the following is not a condition to be fulfilled to claim such remuneration as exempt income under the Income-tax Act, 1961?

- (a) M Inc. should not be engaged in any trade or business in India
- (b) Mr. X should not be engaged in any trade or business in India
- (c) Mr. X stay in India should not exceed 90 days in aggregate during the P.Y. 2024-25
- (d) Remuneration received by Mr. X should not be liable to be deducted from M Inc.'s income chargeable to tax under the Income tax Act, 1961

Question: 4

[Concepts: Exemption in case of NR]

Mr. Ganesh, a citizen of India, is employed in the Indian embassy in the USA. He is a non-resident for A.Y. 2025-26. He received salary and allowances in the USA from the Government of India for the year ended 31.3.2025 for services rendered by him in the USA. In addition, he was allowed perquisites by the Government. Which of the following statements is correct?

- (a) Salary, allowances and perquisites received outside India are not taxable in the hands of Mr. Ganesh, since he is a nonresident
- (b) Salary, allowances and perquisites received outside India by Mr. Ganesh is taxable in India since

such income is deemed to accrue or arise in India

- (c) Salary received by Mr. Ganesh is taxable in India but allowances and perquisites are exempt
 (d) Salary received by Mr. Ganesh is exempt but allowances and perquisites are taxable in India

Answer Keys

Question No.	Answer
1	(a) M Ltd. has to deduct tax at source@4.16% and N Ltd. has to deduct tax at source @9.36%
2	(b) Taxable@10.4%
3	(b) Mr. X should not be engaged in any trade or business in India
4	(c) Salary received by Mr. Ganesh is taxable in India but allowances and perquisites are exempt.

Case Scenario

Case Scenario 1 [NR Taxation]

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

During the F.Y. 2024-25, it earns the following income in India -

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

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

DEF Inc. had made an investment in 100% equity share capital of Bottle Pvt. Ltd., purchased for Rs. 1,75,00,000 on 5th November, 2004. The said shares were purchased out of foreign exchange of USD 3,50,000 brought from outside India.

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

Question: 1

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

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

Question: 2

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

- (a) 20.8% on Rs. 75 lakhs
- (b) 10.4% on Rs. 72 lakhs
- (c) 20% on Rs. 75 lakhs
- (d) 41.6% on Rs. 72 lakhs

Question: 3

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

- (a) The transaction of sale of shares in Bottle Pvt. Ltd. is subject to transfer pricing since DEF Inc. holds more than 26% shares in Bottle Pvt. Ltd. Hence, sale price of Rs. 2,60,00,000 shall be subject to arm's length computation
- (b) Sale of shares in Bottle Pvt. Ltd. shall not be considered as transfer, since DEF Inc. holds whole of the share capital of Bottle Pvt. Ltd.
- (c) Capital gains arising on sale of shares shall be taxable @20% with indexation or 12.5% without indexation, whichever is beneficial to DEF Inc.
- (d) Capital gains is taxable@10% /12.5% (w.e.f. from 23rd July 2024) without benefit of indexation and foreign currency conversion

Question: 4

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

- (a) Only capital gains has to be reduced while computing book profit of DEF Inc. for levy of minimum alternate tax.
- (b) Only fee for technical services has to be reduced while computing book profit of DEF Inc. for levy of minimum alternate tax.
- (c) Both capital gains and fee for technical services have to be reduced while computing book profit of DEF Inc. for levy of minimum alternate tax
- (d) Capital gains, fee for technical services and other income have to be reduced while computing book profit of DEF Inc. for levy of minimum alternate tax

Answer Keys

Question No.	Answer	Description
1	(c) The provisions of section 115JB are attracted in the hands of DEF Inc. since it is resident of a country with which India has a DTAA and the branch office of DEF Inc. constitutes permanent establishment in terms of such agreement	Refer section 115JB
2	(c) 20% on Rs. 75 lakhs	As per Section 115A, it is taxable at 20% or DTAA rate, whichever is lower. Note - Deduction of expenses not allowed.
3	(d) Capital gains is taxable@10%/12.5% (w.e.f. from 23rd July 2024) without	Refer section 112

Question No.	Answer	Description
	benefit of indexation and foreign currency conversion	
4	(a) Only capital gains has to be reduced while computing book profit of DEF Inc. for levy of minimum alternate tax.	Refer explanation to section 115JB

Case Scenario 2 [NRI Taxation]

The following information pertains to Mr. Apoorv, an Indian citizen and non-resident in India, for the previous year 2024-25:

- Dividend from TPO Ltd., an Indian Company (gross) of Rs. 1,30,000.
- Interest on debentures of SLP Pvt. Ltd. (subscribed in convertible foreign exchange) of Rs. 1,35,000 (gross).
- He incurred interest on loan taken for purchase of shares of TPO Ltd. and for purchase of debentures of SLP Pvt. Ltd. of Rs. 30,000 and Rs. 20,000, respectively.
- On 15th March 2025, he sold debentures of Fix Ltd. for Rs. 18,25,000 which were subscribed in convertible foreign exchange on 10th June 2004 in dollars equivalent to Rs. 4,65,000. He paid commission to broker of Rs. 7,000 at the time of sale.
- On 30th April, 2025, he reinvested the sale proceeds of debentures of Rs. 4,80,000 for purchase of listed shares of an Indian company, Fly High Ltd.

Cost Inflation Index: F.Y. 2004-05-113; F.Y.2024-25-363.

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

Question: 1

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

- Rs. 1,30,000 and 10%
- Rs. 1,04,000 and 10%
- Rs. 1,00,000 and 20.8%
- Rs. 1,30,000 and 20.8%

Question: 2

Assuming for the purpose of this MCQ that Mr. Apoorv is a resident in India for the P.Y. 2024-25, determine the amount of dividend taxable in his hands and at what rate TPO Ltd. is required to deduct tax at source on dividend income distributed to him?

- Rs. 1,30,000 and 10%
- Rs. 1,04,000 and 10%
- Rs. 1,00,000 and 20%
- Rs. 1,30,000 and 20%

Question: 3

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

- (a) Rs. 1,35,000 taxable @20%
- (b) Rs. 1,05,000 taxable @20%
- (c) Rs. 1,08,000 taxable at slab rates
- (d) Rs. 1,05,000 taxable at slab rates

Question: 4

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

- (a) Rs. 13,53,000
- (b) Rs. 9,95,772
- (c) Rs. 9,97,142
- (d) Rs. 13,60,000

Question: 5

Assuming for the purpose of this MCQ that Mr. Apoorv is a resident in India for the previous year 2024-25, what would be the amount of taxable capital gains on sale of debentures of Fix Ltd. in the hands of Mr. Apoorv?

- (a) Rs. 13,53,000
- (b) Rs. 3,85,965
- (c) Rs. 9,95,772
- (d) Rs. 13,60,000

Answer Keys

Question No.	Answer	Description														
1	(d) Rs. 1,30,000 and 20.8%	Refer section 115A														
2	(b) Rs. 1,04,000 and 10%	Net amount taxable after deduction of interest as per section 57. TDS applicable as per section 194														
3	(a) Rs. 1,35,000 taxable @20%	Refer section 115A														
4	(b) Rs. 9,95,772	<table><tr><td>Sales Consideration</td><td>1825000</td></tr><tr><td>Less: Transfer exp</td><td>7000</td></tr><tr><td></td><td>1818000</td></tr><tr><td>Less: COA</td><td>465000</td></tr><tr><td>Capital Gain</td><td>1353000</td></tr><tr><td>Less: exemption u/s 115F 1353000*480000/1818000</td><td>357227.7</td></tr><tr><td>Net LTCG</td><td>995772.3</td></tr></table> Indexation benefit is not available	Sales Consideration	1825000	Less: Transfer exp	7000		1818000	Less: COA	465000	Capital Gain	1353000	Less: exemption u/s 115F 1353000*480000/1818000	357227.7	Net LTCG	995772.3
Sales Consideration	1825000															
Less: Transfer exp	7000															
	1818000															
Less: COA	465000															
Capital Gain	1353000															
Less: exemption u/s 115F 1353000*480000/1818000	357227.7															
Net LTCG	995772.3															

Question No.	Answer	Description	
5	(a) Rs. 13,53,000		
		Sales Consideration	1825000
		Less: Transfer exp	7000
			1818000
		Less: COA	465000
		Capital Gain	1353000
		Indexation benefit is not available as per Fourth proviso to section 48	

Compact Topic: 37 & 38

DTAA & Advance Ruling (BOAR)

Question: 1

[Concepts: Rebate u/s 91]

Samraat, a resident Indian, has earned an income of US dollars equivalent to ₹ 4 lakh in the P.Y.2024-25 by way of lump sum consideration for copyright of a book, being a work of literary nature, from a publisher in Country E, with which India does not have a DTAA. The same has been taxed at a flat rate of 5% in Country E. The amount has been remitted to India in March, 2025. His gross total income as per the Income-tax Act, 1961 for A.Y.2025-26 is ₹ 7 lakhs. What would be the deduction available u/s 91 for A.Y.2025-26 assuming that Samraat exercises the option to shift out of the default tax regime u/s 115BAC?

- (a) ₹ 20,000
- (b) ₹ 7,725
- (c) ₹ 1,950
- (d) Nil

Question: 2

[Concepts: Applicant in case of IAA]

As per section 245N(a)(iv), advance ruling means determination or decision by the Board for Advance Rulings as to whether an arrangement, which is proposed to be undertaken by a person is an impermissible avoidance arrangement as referred to in Chapter X-A or not. For making an application in this regard, the applicant has to be –

- (a) Only a Non-resident
- (b) Only a Resident
- (c) Only a Resident falling within such class or category of persons as notified by the Central Government
- (d) Either a resident or a non-resident

Answer Keys

Question No.	Answer
1	(d) Nil
2	(d) Either a resident or a non-resident

Compact Topic: 39 to 42

MTC, BEPS, Tax treaties & Latest developments

Question: 1

[Concepts: BEPS]

Which action plan deals with developing a multilateral instrument on tax treaty measures to tackle BEPS?

- (a) Action Plan 12
- (b) Action Plan 13
- (c) Action Plan 14
- (d) Action Plan 15

Question: 2

[Concepts: BEPS AP 2]

Which are the forms of hybrid mismatch arrangements?

- (i) Participation exemption regimes
 - (ii) Misuse of foreign tax credit
 - (iii) Creation of two deductions for a single borrowal
 - (iv) Generation of deductions without corresponding income inclusions.
- (a) Only (i) and (ii) above
 - (b) Only (i) and (iii) above
 - (c) (i), (ii) and (iii) above
 - (d) (i), (ii), (iii) and (iv) above

Question: 3

[Concepts: BEPS]

Which are the BEPS action plans based on the fundamental pillar of transparency?

- (a) BEPS Action Plan 5 (1st component -Preferential tax regimes), 11, 12 and 13
- (b) BEPS Action Plan 5 (2nd component – Exchange of information on tax rulings), 6, 11, 12 and 14
- (c) BEPS Action Plan 5 (2nd component – Exchange of information on tax rulings), 11, 12, 13 and 14
- (d) BEPS Action Plan 5 (1st component -Preferential tax regimes), 12, 13 and 14

Question: 4

[Concepts: Treaty Interpretation]

While interpreting the treaty entered into by India with Country “P”, the Budget Speech of the Finance Minister was relied upon to understand the intent at the time of signing the treaty. Which law of interpretation has been followed in this case?

- (a) Liberal Interpretation
- (b) Subjective Interpretation
- (c) Purposive Interpretation
- (d) Objective Interpretation

Question: 5**[Concepts: GloBe Rule]**

Pillar Two consists of –

- (a) the Global Anti-Base Erosion (GloBE) Rules and a treaty-based Subject to Tax Rule (STTR)
- (b) Only Income Inclusion Rule (IIR) and Undertaxed Payment Rule (UTPR)
- (c) Only Income Inclusion Rule (IIR) and Qualified Domestic Minimum Tax (QDMT)
- (d) Only Qualified Domestic Minimum Tax (QDMT) and Undertaxed Payment Rule (UTPR)

Question: 6**[Concepts: Latest Developments]**

In Scope companies are MNCs with –

- (a) Global turnover of above 10 billion euros and profitability above 10% (i.e., profit after tax/revenue)
- (b) Global turnover of above 10 billion euros and profitability above 20% (i.e., profit before tax/revenue)
- (c) Global turnover of above 20 billion euros and profitability above 10% (i.e., profit before tax/revenue)
- (d) Global turnover of above 20 billion euros and profitability above 10% (i.e., profit after tax/revenue)

Question: 7**[Concepts: Latest Developments]**

Minimum tax rates prescribed by Pillar Two is –

- (a) 15% under GloBE rules and STTR
- (b) 9% under GloBE rules and STTR
- (c) 9% under GloBE rules and 15% under STTR
- (d) 15% under GloBE rules and 9% under STTR

Question: 8**[Concepts: Latest Developments]**

Which Rule imposes a top-up tax on a parent entity in respect of the constituent entity located in low-taxed jurisdiction?

- (a) Treaty-based Subject to Tax Rule (STTR)
- (b) Income Inclusion Rule (IIR)
- (c) Undertaxed Payment Rule (UTPR)
- (d) Qualified Domestic Minimum Tax (QDMT)

Question: 9**[Concepts: Latest Developments]**

Amount A is –

- (a) 10% of residual profit that will be allocated to market jurisdictions
- (b) 15% of residual profit that will be allocated to market jurisdictions
- (c) 20% of residual profit that will be allocated to market jurisdictions
- (d) 25% of residual profit that will be allocated to market jurisdictions

Answer Keys

Question No.	Answer
1	(d) Action Plan 15
2	(d) (i), (ii), (iii) and (iv) above
3	(c) BEPS Action Plan 5 (2nd component – Exchange of information on tax rulings),

Question No.	Answer
	11, 12, 13 and 14
4	(b) Subjective Interpretation
5	(a) the Global Anti-Base Erosion (GloBE) Rules and a treaty-based Subject to Tax Rule (STTR)
6	(c) Global turnover of above 20 billion euros and profitability above 10% (i.e., profit before tax/revenue)
7	(d) 15% under GloBE rules and 9% under STTR
8	(b) Income Inclusion Rule (IIR)
9	(d) 25% of residual profit that will be allocated to market jurisdictions



☞ Sec 201 - Assessee in default: If payer not deducted TDS or after deduction not paid to Govt. then such person is treated as assessee in default and required to pay penalty u/s 221 and that can be maximum 100% of TDS amount. AO shall pass order to treat assessee in default within 6 years [7 years upto 31/3/25] from end of FY in which payment/credit is made if payment made to resident without TDS. If "~~*payment is made to NR without TDS~~" or TDS deducted but not paid to Govt. then there is no time limit in law to treat assessee in default. [* words in red colour removed w.e.f. 1/4/2025]

Exception: Payer shall not be treated as assessee in default if payments made / credited to Payee without TDS, if such Payee fulfils all the following 4 conditions:

- ✓ He has furnished his ROI u/s 139;
- ✓ Such sum has been taken into account by him, in such ROI;
- ✓ He has paid the tax due on income declared by him in his ROI; and
- ✓ Payer has furnished a Certificate in this regard from a CA in Form 26A.

☞ Sec 201(1A): Interest on Late deduction or Late payment of TDS

- ✓ Late Deduction: Interest @ 1 % per month or part of the month on amount of TDS from the date on which TDS was deductible till the date on which TDS actually deducted.
- ✓ Late Payment: Interest @1.5% per month or part of the month on amount of TDS from the date on which TDS actually deducted till the date on which such tax actually paid.

❖ Case Laws

- ✓ Sun Outsourcing Solutions Private Limited [2018](T&AP): Interest u/s 201(1A) is automatically attracted for failure to deduct TDS and does not require a proof of wilful default unlike Penalty u/s 221. Hence, if no deduction was made even on a bonafide belief that no TDS is applicable, nevertheless the company is liable to pay interest u/s 201(1A).
- ✓ Pioneer Overseas Corporation USA (India Branch) (2022) (SC): Merely raising the dispute before any authority cannot be a ground not to levy the interest and/or waiver of interest u/s 220. Otherwise, each and every assessee may raise a dispute and thereafter, may contend that since the litigation was bona fide, no interest is leviable. It is required to be noted that u/s 220, the levy of simple interest on non-payment of the tax at 1% p.m. is mandatory. (if assessee not paid demand notice u/s 156 within 30 days then interest u/s 220 apply from 31st day)



Tax Collection at Sources (TCS)

Section	Nature of Transaction	Rate	Collector (Seller)	Collectee (Buyer)
206C(1)	Sale of Goods <ul style="list-style-type: none"> ➤ Tendu Leaves ➤ Timber & other forest products ➤ Alcoholic liquor for human consumption ➤ Scrap ➤ Minerals being Coal, Lignite, Iron ore 	5% 2.5% 1% 1% 1%	Any Person other than Individual and HUF [Ind/HUF required to collect TCS, if last year T/O > ₹ 1 Cr in case of business or G/R > ₹ 50 Lakhs in case of profession]	Any person other than : <ol style="list-style-type: none"> 1. Buyer who buys such goods for his personal consumption; 2. Public sector Co; 3. CG, SG, Embassy, High comm., legation, consulate, trade representation and clubs.

Additional Points

1. **No TCS if resident buyer** furnishes a declaration to the seller that "goods" are to be utilized in **manufacturing/production** of any article or for the purpose of **generation of power**. If buyer T/o of last year more than ₹ 10 crores then Buyer required to deduct TDS u/s 194Q.
2. Scrap means waste from the manufacture or mechanical working of materials & which is definitely not usable as such because of breakage, cutting up, wear and other reasons.
3. Priya Blue Industries (P) Ltd (2016) (Guj): In case of an assessee engaged in ship breaking activity, certain items/products are finished products obtained from such activity which are usable as such and hence, are not 'waste and scrap' though commercially known as scrap. Hence no TCS u/s 206C.

Section	Nature of Transaction	Rate	Collector (Licensor)	Collectee (Licensee)
206C(1C)	Leasing or licensing or transferring any right or interest in any- <ul style="list-style-type: none"> ✓ Parking lot or ✓ Toll plaza or ✓ Mine or quarry for the purpose of business	2%	Same as section 206C(1)	Any person other than public sector company

Note: For the purpose of this section "mining and quarrying" shall not include mining and quarrying of "mineral oil" includes petroleum and natural gas.



Notes:

1. Loss can be set-off even if return filed after due date.
2. House property losses & unabsorbed depreciation can be Carry Forward even if return late filed.
3. The condition stipulated/ enumerated in sec. 80 applies only for the year in which the loss was sustained/incurred. It does not apply to the ROI of the year in which carry forward is claimed.
4. Govind Nagar Sugar Ltd. (2011) (Delhi): Unabsorbed depreciation will be allowed to be c/f to subsequent year even though the ROI of the current AY was not filed within the due date u/s 139(1).
5. As per CBDT Circular, Loss can be c/f even if ROI filed after due date and delay in filing of loss return in case of genuine hardship can be condoned by:

❖ Monetary limits w.e.f. 1.6.2023 vide Circular No. 7/2023: New Circular 11/2024 w.e.f. 1/10/24

Authority	Return Losses	Return Losses
CIT/ PCIT	upto ₹ 50 lakhs	upto ₹ 1 Crore
CCIT	> ₹ 50 lakhs upto ₹ 2 Crores	> ₹ 1 Crores upto ₹ 3 Crores
PCCIT	> ₹ 2 Crores upto ₹ 3 Crores	> ₹ 3 Crores
CBDT	> ₹ 3 Crores	-

6. Condonation appl'n can be made within 6 years from end of AY [5 years for appln made on or after 1/10/24]. IT Authority will dispose appl'n within 6 month from end of the month in which appl'n is received.

Sec 139(4): Belated Return

If Assessee fails to File return within due date then he can file belated return with in following time limit:

- ✓ Before the three months prior to end the of the relevant AY (31st Dec. 25 for AY 25-26)
- OR
- ✓ Before completion of Assessment
- Whichever is earlier

❖ Consequences of belated return

- ⊗ No carry forward of specified loss as per sec 80.
- ⊗ No deduction of certain Income u/c VI-A (80-IA to 80RRB) and u/s 10AA as per 80AC.
- ⊗ Interest u/s 234A i.e. 1% pm or part of the month.
- ⊗ Late filing fees u/s 234F i.e. ₹ 5,000/1000.
- ⊗ Interest on refund u/s 244A calculated from the date of filing of ROI and not from 1st April of AY.

Sec 139(5): Revised Return

Any person filed return u/s 139(1) or 139(3) or 139(4), if discover any omission or wrong statement in such ROI Filed earlier, then such person can file revised return within following time limit :-

- ✓ Before the three months prior to end the of the relevant AY (31st Dec. 25 for AY 25-26)

Sec 268A: Special provision for appeal by Dept

1. This section empowers CBDT to fix monetary limit to regulate appeal by Dept. in order to avoid litigation in small cases.
2. As per notification, the dept can file appeal only in the **Tax effect** is more than following amount:

S.No.	Appeals in IT matters	Monetary Limit	Revised limit w.e.f. 17/09/24
1.	Before ITAT	₹ 50,00,000	₹ 60,00,000
2.	Before HC	₹ 1,00,00,000	₹ 2,00,00,000
3.	Before SC	₹ 2,00,00,000	₹ 5,00,00,000

3. If Dept. has not filed appeal on a particular issue in case of a particular assessee in a particular year, then it shall not stop the dept from filing appeal on the same issue.
 - (a) in case of same Assessee in another year.
 - (b) in case of another assessee in any year.
4. The assessee cannot contend that the dept has agreed on a particular issue by not filing appeal on such issue.

Case Laws

- **Genpact India Pvt. Ltd. [2019](SC):** Assessee company bought back shares but not paid taxes u/s 115QA. AO passed order u/s 143(3) and charged tax @20% u/s 115QA. Assessee directly filed writ to HC. SC held that any dispute on the determination of Buy back tax u/s 115QA would fall within the ambit of "an order against which, the assessee denies his liability to be assessed under this Act". Hence, an appeal u/s 246A to CIT(A) against such order passed would also be maintainable. The company cannot directly file writ.
- **Pruthvi Brokers & Shareholders (2012) (Bom.):** Assessee can make an additional/new claim before an appellate authority, which was not claimed by the assessee in the return of income, otherwise than by way of filing a revised return of income.
- **Ritha Sabapathy [2019] (Mad):** The ITAT cannot dismiss an appeal, without deciding the case on its merits, solely on the ground that the assessee had not appeared on the appointed date of hearing. ITAT should not shirk its responsibility to decide a case on its merits. Cryptic orders, not touching the merits of the case, would not give rise to any substantial question of law for consideration by the High Court u/s 260A.
- **Earnest Exports Ltd. (2010) (Bom.)/Lachman Dass Bhatia Hingwala (P) Ltd. (2011) (Delhi):** ITAT does not have the power to review or re-appreciate the correctness of its earlier decision u/s 254(2). It only has the power to rectify an apparent mistake. While exercising the power of



2. "Investment division of offshore banking unit (OBU)" means an investment division of a banking unit of a NR located in an IFSC, as referred in sec 80LA(1A) and which has commenced its operations on or before the 31st March, 2025.

10(4E)	Any income accrued as a result of— (i) transfer of non-deliverable forward contracts or offshore derivative instruments or over-the-counter derivatives; or (ii) distribution of income on offshore derivative instruments, entered into with OBU of IFSC.	Non Resident
<p>(i) "A non-deliverable forward contract" shall mean a contract for the difference between an exchange rate agreed before and the actual spot rate at maturity, with the spot rate being taken as the domestic rate or a market determined rate and such contract being settled with a single payment in a foreign currency.</p> <p>(ii) Offshore derivative instrument shall have same meaning as assigned to it in SEBI Foreign Portfolio Investor Reg.</p> <p>(iii) over-the-counter derivatives" shall mean a derivative contract that is not traded on an exchange but instead is privately negotiated between a purchaser and a seller.</p>		
10(4F)	Royalty or interest , on account of lease of an aircraft or ship in a PY, paid by a unit of an IFSC, if the unit has commenced its operations on or before the 31 st March, 2025. "aircraft" means an aircraft or a helicopter, or an engine of an aircraft or a helicopter, or any part thereof of ship" means a ship or an ocean vessel, engine of a ship or ocean vessel, or any part thereof	Non-Resident
10(4G)	Any income received from,— (i) Portfolio of securities or financial products or funds, managed or administered by any portfolio manager on behalf of such NR; or (ii) Such activity carried out by such person, as may be notified by CG, in an account maintained with OBU in IFSC, to the extent such income accrues or arises outside India and not deemed to accrue or arise in India.	Non-Resident
10(4H)	Capital gains arising from transfer of equity shares of domestic company (Unit of an IFSC), engaged primarily in the business of lease of an aircraft which has commenced operations upto 31/03/26. Provided that this clause shall apply for CG from transfer of equity shares of such domestic company in a PY relevant to AY falling within the— (a) period of 10 AY's beginning with AY relevant to the PY in which the domestic company has commenced operations; or (b) period of 10 AY's beginning with AY commencing on 01/04/24, where the period referred to in clause (a) ends before 01/04/34. E.g. - If dom. company commences operation on 06/06/22, the first 10 AY's will be 23-24 to 32-33 (in other words, this period ends before 01/04/34). Therefore, CG exemption will be available if CG arises during 10 AY's beginning with the AY 24-25. Conversely, if the aforesaid dom. Co. commences operations on 01/01/25, 10 AY's [for exemption u/s 10(4H)] will be 25-26 to 34-35.	Non-Resident or Unit of IFSC Engaged in the business of leasing of an Aircraft
10(34B)	Dividend from a company being unit of IFSC primarily engaged in the business of leasing of Aircraft.	Unit of IFSC Engaged in the business of leasing of an Aircraft

10(15)(ix)	Interest payable by a unit located in an IFSC in respect of monies borrowed by it on or after the 01/09/ 2019	Non-Resident
10(15B)	Any income from lease rentals of cruise ships received from a foreign company which operates cruise ship in India [pay tax as per section 44BBC]	Foreign Company
10(6)(ii)	Remuneration received by Foreign Diplomats/ Consulate and their staff Conditions: (a) The remuneration received by our corresponding Govt. official's resident in such foreign countries should be exempt. (b) The above-mentioned officers should be the subjects of the respective countries and should not be engaged in any other business or profession or employment in India.	Individual (not being a citizen of India)
10(6)(vi)	Remuneration received as employee of a foreign enterprise for services rendered by him during his stay in India, if: a) Foreign enterprise is not engaged in any trade or business in India; b) His stay in India does not exceed period of 90 days in such PY; and c) Such remuneration is not liable to deducted from the income of employer chargeable under this Act	Individual - Salaried Employee (not being a citizen of India)
10(6)(viii)	Salary received by or due for services rendered in connection with his employment on a foreign ship if his total stay in India does not exceed 90 days in the PY.	Individual (NR who is not a citizen of India)

10(48)	Income received in India in Indian currency on account of sale of Crude oil. Foreign company and agreement should be notified by the CG in national interest.	Foreign company on account of sale of crude oil. It should not be engaged in any other activity in India.
10(48A)	Income accruing or arising on account of storage of crude oil in a facility in India and sale of crude oil therefrom to any person resident in India. Foreign company and agreement should be notified by the CG in national interest.	Foreign company on account of storage of crude oil in a facility in India and sale of crude oil there from.
10(48B)	Income from sale of leftover stock of crude oil from facility in India after the expiry or termination of agreement referred u/s 10(48A).	Foreign company from sale of leftover stock of crude oil from the facility in India.
10(48C)	Income from arrangement for replenishment of crude oil stored in its storage facility in pursuance of directions of the CG in this behalf. Provided that this clause shall not apply to an arrangement, if the crude oil is not replenished in the storage facility within 3 years from the end of the FY in which the crude oil was removed from storage facility for the first time.	Indian Strategic Petroleum Reserves Limited, being a wholly owned subsidiary of the Oil Industry Development Board under the Ministry of Petroleum and Natural Gas.

➤ Sec 10(23FE): Exemption of Income of specified person from Investment in India

☞ Incomes: dividend, interest, any sum referred u/s 56(2)(xii) or LTCG from an investment made in India, in the form of debt/share capital/unit, if the investment—

(i) is made between 1st April, 2020 to 31st March, 2025 &

(ii) is held for at least three years.



- Sec 115ACA: Tax on income/CG from GDRs purchased in foreign currency
Income received by **resident employees** of an Indian company or its subsidiary engaged in specified industry & GDR issued as per ESOP'S

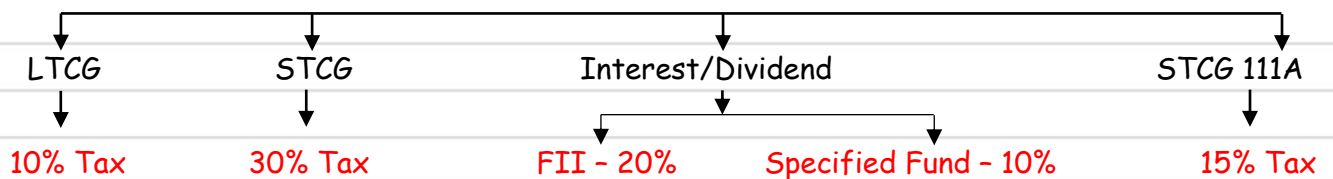
LTCG : 10% Tax [Tax on LTCG @ 12.5% if asset transfer on or after 23/07/24]

Dividend : 10% Tax

Notes:

1. Specified industry means IT software/service, entertainment service, pharmaceutical industry, biotechnology industry & any other may be notified.
2. "GDR" means any instrument in the form of a depository receipt or certificate created by the Overseas Depository Bank outside India or in an IFSC and issued to investors against the issue of,—
(i) Ordinary shares of company listed on a RSE in India; or
(ii) Foreign currency convertible bonds of issuing company;
(iii) Ordinary shares of issuing company, being a company incorporated outside India, if such depository receipt or certificate is listed and traded on any IFSC.
3. This section is applicable to Resident person. We have included in this topic is only to maintain sequencing of sections.

- Sec 115AD: Capital Gain & Interest/dividend on Security of FII /Specified fund
Income received by **Foreign Institutional Investors (FII)** or **specified fund** on securities (other than units of UTI/MF).



[@12.5% if asset transfer on or after 23/07/24 & 112A apply]

[@20% if asset transfer on or after 23/07/24]

Notes:

1. In case of LTCG u/s 112A, tax @10%/12.5% on income > ₹ 1.25 lakh. Other LTCG **always 10%**.
2. Higher Surcharge @ 25% and 37% not applicable in case of above dividend & Capital Gain (STCG & LTCG). It means maximum surcharge rate on dividend & above capital gain is 15% in case of AOP/BOI.
3. In case of specified fund, the provision of this section shall apply only to the extent of income that is attributable to units held by NR (not being a PE of a NR in India).
4. Specified Fund means same as assign in sec. 10(4D).
5. In case of specified fund is investment division of an OBU, the provisions of this section shall apply only to the extent of income that is attributable to the investment division of such OBU.

Answer**Mr. Devam PY 24-25 AY 25-26****Computation of Total Income & Tax Liability**

Particular	Normal Provisions		Section 115BAC	
	₹	₹	₹	₹
Basic Salary		40,00,000		40,00,000
HRA	90,000		90,000	
Less: Exempt u/s 10(13A)	60,000	30,000	N/A	90,000
LTC	1,95,000		1,95,000	
Less: Exempt u/s 10(5)	1,80,000	15,000	N/A	1,95,000
NPS contribution by BB Pvt. Ltd.		4,80,000		4,80,000
Gross Salary		45,25,000		47,65,000
Deduction u/s 16				
(i) Professional Tax		(2,000)		N/A
(ii) Standard Deduction		(50,000)		(75,000)
Net Salary		44,73,000		46,90,000
Income from House Property				
Self-Occupied Property – A		(1,05,000)		N/A
Let-out Property- B	60,000			
Let-out Property- C	(80,000)	(20,000)	(20,000)	Set-off & carry forward not allowed
		43,48,000		46,90,000
Income from other sources				
SB Interest of Minor Son	800		800	
Less: Exempt u/s 10(32)	800	-	N/A	800
SB Interest of Minor Daughter	2000		2,000	
Less: Exempt u/s 10(32)	1500	500	N/A	2,000
SB Interest of Devam		28,000		28,000
Interest on PPF	55,000		55,000	
Less: Exempt u/s 10(11)	55,000	-	55,000	-
Gross Total Income		43,76,500		47,20,800
Less: Deductions u/c VI-A				
Sec. 80C: PPF	20,000		N/A	
Sec. 80CCD(1) EE cont. to NPS	3,50,000		N/A	
	3,70,000			

Chapter 31: Non-Resident & NRI Taxation

(iv) Business Income of ₹ 8,00,000 from a unit established at Mumbai.

(v) Income by way of royalty (other than referred to in section 44DA) amounting to ₹ 10,00,000, received from Z Ltd., an Indian company, in pursuance of an agreement approved by Central Government. As per DTTA between the two countries, such royalty is taxable @22%.

With brief reasons for the treatment of the above incomes, you are required to compute the tax liability of Cherry Ltd. for the Assessment Year 2025-26.

Answer

Computation of total income and tax liability of Cherry Ltd., a non-resident German company, for the A.Y. 2025-26

Particulars	₹
Business Income from a unit established at Mumbai	8,00,000
Income from other sources	
- Dividend income from XY Ltd. an Indian company	12,50,000
- Fees for technical services [would be equivalent to the amount of debentures of ₹ 20,00,000 received from an Indian company, issued in consideration of providing technical knowhow]	20,00,000
- Interest on Debentures [₹ 20,00,000 x 8% x 6/12]	80,000
- Dividend on Global Depository Receipts (GDRs) of Y Ltd. an Indian company, issued under a scheme of Central Government against the initial issue of Y Ltd. and purchased in foreign currency by Cherry Ltd. [₹ 5,50,000 x 100/89.6, since tax would have been deducted at source @ 10.4%]	6,13,839
- Royalty income received from Z Ltd. an Indian company in pursuance of an agreement approved by Central Government [₹10,00,000 x 100/79.2, since tax would have been deducted at source @ 20.8%]	<u>12,62,626</u>
Gross Total Income/Total income	<u>60,06,465</u>
Computation of tax liability	
Dividend income of ₹ 12,50,000, taxable @20% u/s 115A	2,50,000
Dividend on GDRs of ₹ 6,13,839, taxable @10% u/s 115AC	61,384
Royalty income of ₹ 12,62,626, taxable @20% u/s 115A, since it is in pursuance of an agreement approved by the Central Government	2,52,525
FTS of ₹ 20,00,000, taxable @35%, since it is not in pursuance of an agreement approved by the Central Government	7,00,000
Interest on debentures of ₹ 80,000, taxable @35%, since debt is incurred in Indian currency, it is not eligible for concessional rate of 20% u/s 115A	28,000
Business income of ₹8,00,000 [taxable @35%]	<u>2,80,000</u>
	15,71,909
Add: Health and education cess@4%	<u>62,876</u>
Tax liability²	<u>16,34,785</u>
Tax liability (rounded off)	16,34,790

² TDS on dividend has to be deducted to arrive at the net tax payable. The question, however, asks only for tax liability.

Chapter 31: Non-Resident & NRI Taxation

Particulars	₹
Tax@20% on Investment income of ₹25,00,000	5,00,000
Tax@10% on long-term capital gains = 10% of ₹24,00,000	2,40,000
Tax@20% on STT paid short-term capital gains on sale of listed equity shares of Company A = 20% of ₹8,00,000	1,60,000
Tax@30% on short-term capital gains on sale of listed equity shares of Company B on which STT is not paid = 30% of ₹4,40,000	<u>1,32,000</u>
	10,32,000
Add: HEC @ 4%	<u>41,280</u>
Tax Liability	<u>10,73,280</u>

Note—The computation of total income and tax liability of an FII, whose income comprises solely of investment income and capital gains on sale of securities is governed by the provisions of section 115AD, as per which

- No deduction is allowable in respect of expenditure to earn investment income and
- Benefit of indexation is not allowable in respect of long-term capital gains.

The rates at which tax is to be calculated in respect of investment income and capital gains are also provided in section 115AD.

Question 34

[Special Tax Rate - FII – RTP NOV 2019]

Neptune Inc, a notified Foreign Institutional Investor (FII), derived the following incomes for the financial year 2024-25:-

- (1) Interest received on investment in Rupee Denominated Bonds of ABC Ltd., an Indian company (investment was made in the F.Y.2019-20) - ₹8,50,000
- (2) Interest on securities – ₹17,32,000 (Expenses of ₹26,000 has been incurred to earn such income)
- (3) Income from sale of securities and shares:
 - (i) Bonds of Jupiter Ltd.
[Date of purchase 5 May 2021; Date of sale 7 March 2025]

Sale proceeds:	₹47,00,000
Cost of purchase:	₹32,00,000

(ii) Listed Shares of Earth Ltd.

[Date of purchase – 2 May, 2024; Date of sale – 9 February, 2025]

Sale Consideration	₹12,40,000
Purchase cost	₹7,80,000

[STT paid both at the time of purchase and sale]

(iii) Unlisted equity shares of Mars Ltd.

[Date of purchase – 1 July, 2024; Date of sale – 7 March, 2025]

Sale Consideration	₹8,40,000
Purchase cost	₹3,72,000

Answer

Compute the total income and tax liability of the FII, Neptune Inc., for the A.Y. 2025-26, assuming that no other income is derived by Neptune Inc. during the F.Y.2024-25.

Computation of total income of Neptune Inc., a notified FII, for A.Y.2025-26

Particulars	₹	₹
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Particulars	₹	₹
Interest on Rupee Denominated Bonds	8,50,000	
Interest on securities [No deduction is allowable in respect of expenses incurred in respect thereof]	17,32,000	25,82,000
Long-term capital gains on sale of bonds of Jupiter Ltd.		
Sale consideration		
Less: Cost of acquisition	47,00,000	
[Benefit of indexation is not allowable]	<u>32,00,000</u>	15,00,000
Short-term capital gains on sale of STT paid equity shares of Earth Ltd.		
Sale consideration	12,40,000	
Less: Cost of acquisition	<u>7,80,000</u>	4,60,000
Short-term capital gains on sale on unlisted equity shares of Mars Ltd.		
Sale consideration	8,40,000	
Less: Cost of acquisition	<u>3,72,000</u>	4,68,000
Total Income		50,10,000

Computation of tax liability of Neptune Inc. for A.Y.2025-26

Particulars	₹
Tax@20% on interest on securities of ₹25,82,000 = 20% x ₹25,82,000	5,16,400
Tax@10% on LTCG on sale of bonds of Jupiter Ltd. = 10% x ₹15,00,000	1,50,000
Tax@20% on STCG on sale of listed equity shares of Earth Ltd., in respect of which STT has been paid = 20% of ₹4,60,000	92,000
Tax@30% on short-term capital gains on sale of unlisted equity shares of Mars Ltd. = 30% of ₹4,68,000	1,40,400
	8,98,800
Add: HEC@4%	35,952
Tax Liability	9,34,752
Tax Liability (rounded off)	9,34,750

Question 35

[Sec 115BBA – SM Q.]

Smith, a foreign national and a cricketer came to India as a member of Australian cricket team in the year ended 31st March, 2025. He received ₹5 lakhs for participation in matches in India. He also received ₹1 lakh for an advertisement of a product on TV. He contributed articles in a newspaper for which he received ₹10,000. When he stayed in India, he also won a prize of ₹10,000 from horse racing in Mumbai. He has no other income in India during the year. Assume assessee opt out from section 115BAC.

- Compute tax liability of Smith for Assessment Year 2025-26.
- Are the income specified above subject to deduction of tax at source?
- Is he liable to file his return of income for Assessment Year 2025-26?
- What would have been his tax liability, had he been a match referee instead of a cricketer?