



FINAL EXAMINATION
MODEL QUESTION PAPER
PAPER – 15

SET - 2
TERM – DECEMBER 2025
SYLLABUS 2022

DIRECT TAX LAWS AND INTERNATIONAL TAXATION

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

SECTION – A (Compulsory)

- 1) **Choose the correct option:** **[15 x 2 = 30]**
- (i) Mrs. Sandhya, aged 38 years, is engaged in the business of growing, curing, roasting, and grinding coffee in India after mixing it with chicory. During the financial year ended 31st March 2025, she earned an income of ₹6,00,000 from this business, which was her only source of income. Based on the facts given, is Mrs. Sandhya required to file a return of income for A.Y. 2025–26 under Section 139(1)?
- (a) Yes, because her total income exceeds ₹2,50,000.
(b) Yes, because income from coffee mixed with chicory is fully taxable as business income.
(c) No, because 40% of her income is taxable, which is below the basic exemption limit.
(d) No, because agricultural income is exempt in all cases.
- (ii) When an assessee has paid advance tax more than the tax due on the returned income and the return is filed before the 'due date' specified in section 139(1), the refund amount is eligible for interest @ —
- (a) 1% per month
(b) ½% per month
(c) ¾% per month
(d) 1.50% per month
- (iii) As per section 115JB, every taxpayer being a company is liable to pay MAT, if the Income tax payable on the total income, computed as per the provisions of the Income-tax Act in respect of any year is less than _____
- (a) 15.50%
(b) 18.00%
(c) 15.00%
(d) 20.00%
- (iv) Assessing Officer or the assessee, as the case may be, on receipt of notice that an appeal against the order of the Commissioner (Appeals) has been filed by the other party, may file a memorandum of cross objection with the Tribunal in Form _____ and within _____ days of receipt of notice that appeal has been filed by the other party
- (a) Form 36A; 15 days
(b) Form 36A; 45 days
(c) Form 36A; 30 days
(d) Form 36; 60 days



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- (v) If the amount of income in respect of which the penalty is imposed or imposable for the relevant year(s) exceeds ₹ _____, then no order reducing or waiving the penalty under section 273A(1) shall be made by the Principal Commissioner or Commissioner, except with the previous approval of the Principal Chief Commissioner or Chief Commissioner or Principal Director General or Director General, as the case may be
- (a) 1,00,000
(b) 2,00,000
(c) 5,00,000
(d) 10,00,000
- (vi) Z Ltd issues a credit note for ₹ 36,000 for brokerage payable to A, who is the son of G, managing director of the company. The purpose is to reduce Z Ltd. income and increase A's income from ₹18,000 to ₹ 54,000. This is the case of
- (a) Tax Avoidance
(b) Tax Planning
(c) Tax Evasion
(d) Tax Management
- (vii) ICDS is applicable in case of income under the head:
- (a) Profits and gains from Business or Profession
(b) Capital Gains
(c) Income from House Property
(d) All heads of income
- (viii) The rate of tax provided by the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 is
- (a) 30%
(b) 60%
(c) 50%
(d) None of the above
- (ix) For computing capital gain under Section 50B, the cost of acquisition of the undertaking is taken as:
- (a) Market value of assets
(b) Written-down value of fixed assets
(c) Net worth of the undertaking
(d) Indexed cost of acquisition
- (x) A Co. Ltd. of Chennai and Sky Inc. of Singapore are associate enterprises. A Co. Ltd. imported 1000 television sets at ₹ 16,000 per set without any warranty period. A Co. Ltd. also imports similar TV sets from unrelated party Sign Inc. of Japan. It is imported at ₹15,000 per set with warranty time of 2 years.



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- The cost of warranty in respect of goods imported from Sky Inc. for a period of 2 years would cost ₹ 2,000. Determine the Arm's Length Price (ALP) per television set using the Comparable Uncontrolled Price (CUP) Method.
- (a) ₹15,000 per unit
(b) ₹ 13,000 per unit
(c) ₹16,000 per unit
(d) ₹ 17,000 per unit
- (xi) Under the Indian Income Tax Act, an APA is valid for a period of _____.
(a) 2 consecutive assessment years
(b) 3 consecutive assessment years
(c) Up to 5 consecutive assessment years
(d) Up to 10 consecutive assessment years
- (xii) In India, under Income-tax Act, 1961 Section 92CE, a secondary adjustment arises when a primary transfer pricing adjustment has been made and _____.
(a) the excess money is repatriated to India within 90 days
(b) the excess money is not repatriated to India within 90 days
(c) the primary adjustment is less than ₹1 crore
(d) no primary adjustment has been made
- (xiii) The main purpose of DTAA is to _____.
(a) Increase global tax rates
(b) Avoid tax evasion only
(c) Avoid double taxation on the same income
(d) Restrict foreign investments
- (xiv) The OECD Model Tax Convention is primarily designed for _____.
(a) Developing nations
(b) Developed nations
(c) Middle-income countries
(d) Least developed countries
- (xv) Main objective of GAAR is to _____.
(a) Reduce tax rates
(b) Prevent aggressive tax avoidance
(c) Promote foreign trade
(d) Encourage tax shelters



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SECTION – B

Answer any 5 questions out of 7 questions given. Each question carries 14 marks.

[5 x 14 = 70]

- 2) (a) A public charitable trust registered under section 12AB, for the previous year ending 31.3.2025, derived gross income of ₹ 21 lakhs, which consists of the following:

	(₹ in Lakhs)
Income from properties held by trust (net)	12
Income (net) from business (incidental to main objects)	4
Voluntary contributions from public	5

The trust applied a sum of ₹11.60 lakhs towards charitable purposes during the year which includes repayment of loan taken for construction of orphanage ₹3.60 lakhs. The entire expenditure incurred on construction of orphanage was allowed as application of income in the P.Y. 2020-21.

Compute the taxable income of the trust for the assessment year 2025-26.

[7]

- (b) Uttar and Dakshin, partners of PP Traders, furnishes the following details –

Profit and loss account for the year ended 31-3-2025

Particulars	Amount	Particulars	Amount
Bonus paid to employee	50,000	Gross Profit	20,00,000
Interest on loan taken from bank	45,000	Interest on drawings	
Other Expenses	40,000	Uttar	2,000
Salary to partners		Dakshin	3,000
Uttar	4,88,000		
Dakshin	9,76,000		
Interest on capital @ 15%			
Uttar	4,500		
Dakshin	6,000		
Depreciation	40,000		
Net profit	3,55,500		
	20,05,000		20,05,000

Additional information

1. Depreciation for the year allowed u/s 32 is ₹30,000.
2. During the last year, firm has incurred loss of ₹17,00,000 (which includes unabsorbed depreciation of ₹1,00,000).
3. Interest on loan taken from bank is yet to be paid.

Compute total income of firm.

[7]



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- 3) (a) Babloo, an Indian resident aged 34 years started his retail trade business from 01.04.2024. He gives the following information to you relating to FY 2024-25:
- (i) Net profit as per Profit & Loss account ₹ 51,70,000
 - (ii) Net profit includes gross rent received from let-out property ₹ 1,20,000.
 - (iii) Interest debited to Profit & Loss A/c includes interest on loan taken for the purchase of let-out house property ₹ 2,20,000.

Additional information (Not passed through Profit & Loss A/c):

- (i) Deposit in PPF ₹ 2,00,000
- (ii) Medical Insurance Premium paid for self and spouse ₹ 30,000.

Compute total income and tax payable by Babloo for the Assessment Year 2025-26 under both, default as well as normal regime and suggest which option is better. [7]

- (b) P Ltd. owns two undertakings. Undertaking-A is eligible for deduction u/s 80-IA and Undertaking-B are not eligible for such deduction. The date of commencement of operation in both the undertaking is 14th September, 2024. The profits earned by both the undertaking are as under:

Previous Year	Undertaking-A (₹ in Lakhs)	Undertaking-B (₹ in Lakhs)
2024-25	(-) 6	(-) 4
2025-26	(-) 4	10
2026-27	5	9
2027-28	8	6
2028-29	9	(-) 3

Calculate total income of P Ltd. for last three assessment years. [7]

- 4) (a) Smile Ltd. is a wholly-owned subsidiary company of Happy Ltd., an Indian company. Smile Ltd. owns Plant-A and Plant-B (depreciation rate 40%, depreciated value of the block ₹ 3,00,000 on 1st April, 2024). Plant-B was purchased and put to use on 10th November, 2022 (cost being ₹ 70,000). Plant-B is transferred by Smile Ltd. To Happy Ltd. on 14th December, 2024 for ₹ 20,000. It is put to use by Happy Ltd. on the same day. Happy Ltd. Owns Plant-C on 1st April, 2024 (depreciation rate 40%, depreciated value ₹ 60,000). Calculate the amount of depreciation in the hands of Smile Ltd. and Happy Ltd. for the assessment year 2025-26. [7]

- (b) Anthony, a non-resident Indian, acquired 1,000 shares in A Ltd. (an Indian Company) for ₹ 20,000 by utilizing foreign currency (SGP \$) on 18/08/2024. On 16/09/2024, Anthony sold such shares for ₹45,000 and utilized the proceeds in acquisition of 500 shares of B Ltd. (an Indian Company) after paying expenditure on transfer on 13/9/2024 ₹ 5,000. Compute capital gain liability in the previous year 2024-25.

Date	Buying rate	Selling rate
18/08/2024	45	46
13/09/2024	48	50
16/09/2024	46	48

[7]



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- 5) (a) Discuss the difference between revision under Section 263 and Section 264 of the Income-tax Act. [7]
- (b) Explain the key provisions and disclosures of ICDS I relating to Accounting Policies. [7]
- 6) (a) Explain the provisions of Section 92CD relating to the effect to an Advance Pricing Agreement (APA). [7]
- (b) Amar, an individual, resident of India, receives the following payments after TDS during the previous year 2024- 25:

(i)	Professional fees on 17.08.2024	2,40,000
(ii)	Professional fees on 04.03.2025	1,60,000

Both the above services were rendered in country X on which TDS of ₹ 50,000 and ₹ 30,000 respectively have been deducted. He had incurred an expenditure of ₹ 2,40,000 for earning both these receipts/ incomes. His income from other sources in India is ₹ 5,00,000 and he has made payment of ₹ 70,000 towards LIC. Compute the tax liability of Amar and also the relief u/s 91, if any, for A.Y.2025-26.

[7]

7. (a) J Inc. of Korea and CD Ltd, an Indian Company are associated enterprises. CD Ltd manufactures Cell Phones and sells them to J.K.& F Inc., a Company based in Nepal. During the year CD Ltd. supplied 2,50,000 Cellular Phones to J Inc. Korea at a price of ₹ 3,000 per unit and 35,000 units to JK & F Inc. at a price of ₹ 5,800 per unit. The transactions of CD Ltd with JK & F Inc. are comparable subject to the following considerations: Sales to J Inc. are on FOB basis, sales to JK & F Inc. are CIF basis. The freight and insurance paid by J Inc. for each unit @ ₹ 700. Sales to JK & F Inc. are under a free warranty for Two Years whereas sales to J Inc. are without any such warranty. The estimated cost of executing such warranty is ₹ 500. Since J Inc.'s order was huge in volume, quantity discount of ₹ 200 per unit was offered to it. Compute the Arm's Length Price and the subsequent amount of increase in the Total Income of CD Ltd, if any. [7]

- (b) Discuss the provisions relating to secondary adjustments. [7]

8. (a) Sun bright Ltd., an Indian company furnished the following particulars of its income for the previous year 2024-25. Calculate its total income and income tax liability for the assessment year 2025-26:

	₹
Income from business	5,00,000
Dividend received during the year:	
— from Indian company	20,000
— from foreign company	5,000
Gains from transfer of capital assets:	
— short term capital gains	25,000
— long term capital gains	50,000
Agricultural income in India	35,000



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Additional information:

- (i) Business expenses already charged from business income include ₹10,000 revenue expenditure and ₹30,000 capital expenditure on family planning programme for employees.
- (ii) Company has debited following donations in the profit and loss account of the business of company.
- PM Care Fund: ₹ 50,000. [7]
- (b) Discuss the concept of Specified Domestic Transactions (SDT) under Section 92BA of the Income-tax Act, 1961, along with the types of transactions covered and the threshold for applicability of transfer pricing provisions. [7]