



CA FINAL (May 2025)

GROUP II - PAPER 4

DIRECT TAX LAWS AND INTERNATIONAL TAXATION

Time Allowed: - 3 Hours

Maximum Marks: 100 Marks

This question paper comprises two parts, Div A and Div B. Div A comprises MCQ & Div B comprises questions which require descriptive answers. All questions relate to A.Y. 2025-26 unless stated otherwise in the question.

Division A - Multiple Choice Questions (2 marks each)

Case Scenario I

An investment fund (Investment Fund I) incorporated in India in the form of a LLP has 35 unit holders each holding 2 units.

The particulars of income of Investment Fund I for the P.Y.2024-25 is as follows:

- (i) Business income - ₹ 14 lakh;
- (ii) Long-term capital gains - ₹ 21 lakhs; and
- (iii) Income from other sources - ₹ 7 lakhs.

Another investment fund (Investment Fund II) incorporated in India in the form of a company has 50 unit holders each holding 4 units. All unit holders have held the units for a period of more than a year.

The particulars of income of Investment Fund II for the P.Y.2024-25 is as follows:

- (i) Business loss - (₹ 10 lakh);
- (ii) Long-term capital losses - (₹ 20 lakhs); and
- (iii) Income from other sources - ₹ 6 lakhs.

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

1. With respect to income of Investment Fund I for the P.Y.2024-25 -
 - (a) ₹ 42 lakhs is taxable in the hands of the investment fund
 - (b) ₹ 1,20,000 is taxable in the hands of each unit holder
 - (c) ₹ 21 lakh is taxable in the hands of the investment fund;
₹ 60,000 is taxable in the hands of each unit holder
 - (d) ₹ 14 lakh is taxable in the hands of the investment fund;
₹ 80,000 is taxable in the hands of each unit holder

2. What is the applicable rate of tax on the component(s) of income of Investment Fund I for the P.Y.2024-25 in the hands of Investment Fund I?
- (a) The entire income of ₹ 42 lakhs is taxable@30% (plus cess@4%)
 - (b) N.A., since Investment Fund I enjoys pass through status for all its income components
 - (c) Long-term capital gains is taxable@20%(plus cess@4%) and other income@30% (plus cess@4%)
 - (d) Business income of ₹ 14 lakhs is taxable@30% (plus cess@4%)
3. With respect to income of Investment Fund II for the P.Y.2024-25-
- (a) Income of ₹ 6 lakhs from other sources is taxable in the hands of the investment fund and losses of ₹ 30 lakh can be carried forward by the investment fund
 - (b) Losses of ₹ 24 lakh, arrived at after set-off of business loss against income from other sources, can be carried forward by the investment fund
 - (c) Business loss of ₹ 4 lakh can be carried forward by the investment fund; capital loss of ₹ 40,000 can be carried forward by each unit holder
 - (d) Business loss of ₹ 10 lakh can be carried forward by the investment fund; Income of ₹ 12,000 from other sources is taxable in the hands of each unit holder and long-term capital loss of ₹ 40,000 can be carried forward by each unit holder
4. If, in the P.Y.2025-26, Investment Fund II has business income of ₹ 15 lakh and long-term capital gains of ₹ 25 lakhs, then, its total income for A.Y.2025-26 would be -
- (a) ₹ 5 lakh
 - (b) ₹ 10 lakh
 - (c) ₹ 11 lakh
 - (d) ₹ 36 lakh

(2 × 4 = 8 Marks)

Case Scenario II

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	₹1.50lakhs	₹ 3 lakhs	₹ 5 lakhs
(8)	Interest 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	₹4.10lakhs	₹4.50lakhs	₹ 20 lakhs
(10)	No. of vehicles owned	-	10 (See Note 2 below for details)	-	-

Additional information:

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

	Gross Vehicle Weight (in kgs)	Number	Date of purchase	Date when first put to use
(1)	8,000	3	28.5.2024	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

- Which of the four entities are eligible to declare income on Presumptive basis under the Income-tax Act, 1961 for PY 2024-25?
 - Only AB & Co and LM & Co.
 - Only AB & Co and XY & Co.
 - AB & Co, PQ & Co and XY & Co.
 - AB & Co, LM & Co and XY & Co.
- What is the business income to be declared by AB & Co. and PQ & Co. for PY 2024-25, assuming that the entities wish to make maximum tax savings without getting their books of account audited?
 - ₹ 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
7. What is the business income to be declared by LM & Co. for PY 2024-25, 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
8. What is the income to be declared by XY & Co. under the head "Profits and gains of business or profession" for PY 2024-25, 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
9. Would your answer to questions 3.3 and 3.4 change, if the firms decide to get their books of accounts audited?
- (a) No, there would be no change in the answer to either questions 3.3 and 3.4
(b) Yes, there would be change in the answer to both question 3.3 and 3.4
(c) There would be a change in the answer to question 3.3 but not in the answer to question 3.4
(d) There would be a change in the answer to question 3.4 but not in the answer to question 3.3

Case Scenario III

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, 2022 is as follows:

Liabilities		Amount (₹ million)	Assets		Amount (₹ million)
Paid up capital		250	Fixed Assets		700
Loans:		800	Investments		300
From Y	620		Cash and bank balance		200
From others	<u>180</u>				
Current liabilities		150			
Total		1,200	Total		1,200

Additional information:

- (i) The loan was advanced by Y to X on 1st July, 2021 in rupee terms and carries 6.5% p.a. rate of interest. For borrowers with similar risk profile who are not associated enterprises of Y, Y advances loan at 4% p.a. interest rate.
- (ii) X has maintained such information and document in respect of the international transaction as has been prescribed under section 92D but has not reported the transaction as 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 -

10. Are X and Y associated enterprises? If so, why?
- (i) Yes, X and Y are associated enterprises because Mr. Ayush holds voting power of 30% in both the companies.
 - (ii) Yes, X and Y are associated enterprises as not less than 75% of X's total loans have been availed from Y.
 - (iii) Yes, X and Y are associated enterprises since the loan advanced by Y to X is not less than 51% of the book value of X's total assets.
 - (iv) No, X and Y are not associated enterprises The most appropriate answer is -
 - (a) Only (i)
 - (b) (i) and (ii)
 - (c) (i) and (iii)
 - (d) Only (iv)
11. What is the amount of primary adjustment required to be made to the total income of X for A.Y.2022-23?
- (a) ₹ 1,16,25,000
 - (b) ₹ 58,12,500
 - (c) ₹ 1,55,00,000
 - (d) ₹ 77,50,000
12. If X has accepted the primary adjustment made by the Assessing Officer on 31.3.2023, 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)]

13. If X has accepted the primary adjustment made by the Assessing Officer on 31.3.2023 and the excess money has not been repatriated into India upto 31.3.2024, 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 1.4.2023 and 11% on 1.4.2024.
- (a) Interest of ₹ 16,56,563 has to be added to its total income for P.Y.2023-24
 - (b) Interest of ₹ 11,60,509 has to be added to its total income for P.Y.2023-24
 - (c) Interest of ₹ 15,40,313 has to be added to its total income for P.Y.2023-24
 - (d) Interest of ₹ 20,53,750 has to be added to its total income for P.Y.2023-24
14. 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

15. 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 be made to the income of 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

(2 x 6 =12 Marks)

PART-II DESCRIPTIVE QUESTIONS

Question No. 1 is compulsory. Candidates are required to answer any four questions from the remaining five questions

Question 1

M/s Bhagirathi Ltd. a manufacturing company, having an annual turnover of ₹ 7,000 lakhs, shows a net profit of ₹ 850 lakhs after debit/ credit of following amounts to its statement of profit and loss account for the year ended 31st March 2025:

- i) Depreciation as per Companies Act ₹ 65 lakhs
- ii) Employer's contribution to EPF of ₹18 lakhs together with similar amount of Employee's contribution for the month of March, 2025 was remitted on 20th May, 2025. The due date for the remittance to the credit of employer's EPF account being 15th April, 2025)
- iii) GST paid includes an amount of ₹ 10,500 charged as penalty for delayed filling of returns and ₹15,400 towards interest for delay in deposit of tax
- iv) An amount of ₹10 lakhs were incurred on notified skill development project u/sec 35CCD
- v) Loss of ₹ 20 lakhs, on destruction of an old machinery by fire in the factory and ₹ 5 lakhs received as scrap value on this machinery. The insurance company did not admit the claim of the company on the charge of gross negligence
- vi) Dividend ₹ 15 lakhs from a foreign company in which the company holds 32% of the equity share capital of the company, (expenditure on earning dividend income ₹ 50,000)
- vii) profit of ₹ 15 lakhs on the sale of a building to X LTD. a domestic company, the entire shares of which are held by the assessee company. The building was acquired by Bhagirathi LTD on 1st December, 2023.

Additional information:

- (1) Normal depreciation computed as per Income Tax Rules is ₹ 92 lakhs.
- (2) During the previous year 2023-24 the company has purchased a new plant and machinery worth ₹ 20 lakhs on 10th January, 2024. Balance of additional depreciation on this machine is not included in the depreciation computed for the previous year 2024-25.
- (3) The company had created in the account of a sub- contractor, an amount of ₹7 lakhs on 31st March, 2024 towards repairs of factory building. The tax deducted on such payment was remitted on 31st December, 2024.
- (4) On 15th May, 2025 M/S Bhagirathi Ltd, declared and distributed dividend of ₹ 20 lakhs.

Compute the total income and tax payable by M/S Bhagirathi Ltd. for the PY 2024-25 clearly stating the reasons for treatment of each item. Assume that the company has opted for section 115BAA (14 Marks)

Question 2A

Deepak, aged 45 (an Indian citizen) has settled in California, USA since 2015. Prior to that, he has always been in India. He had acquired a residential property in California on 25-06-2009 for USD 20,000. He kept bank deposit of USD 10,000 in a bank account in New York since 15-04-2010.

Notice under Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 was issued on 20-10-2024. The fair market value of residential property as on 01-04-2024 was USD 25,000; on 01-04-2025 USD 32,000 and 20-10-2024 USD 30,000. The bank deposit with accrued interest thereon was USD 12,500 on 01-04-2024; USD 12,800 on 01-04-2025 and USD 12,700 on 20-10-2024.

Note: USD = United States Dollar

The exchange rate of Indian currency per 1 USD as per the reference rate of the RBI on the various dates are:

01-04-2024 = ₹ 71

20-10-2024 = ₹ 72

01-04-2025 = ₹ 73

Compute the value of undisclosed foreign asset chargeable to tax in the hands of Deepak as per Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015. **(4 Marks)**

Question 2B

Terabyte Inc. of France and R Ltd. of India are associated enterprises. R Ltd. imports 6,000 compressors for Air Conditioners from Terabyte Inc. at ₹ 6,700 per unit and these are sold to Refresh Cooling Solutions Ltd at a price of ₹ 10,000 per unit. R Ltd. had also imported similar products from Gold Inc. Poland and sold outside at a Gross Profit of 20% on Sales. Terabyte Inc. offered a quantity discount of ₹ 1,000 per unit. Gold Inc. could offer only ₹

500 per unit as Quantity Discount. The freight and customs duty paid for imports from Gold Inc. Poland had cost R Ltd. ₹ 1,200 per piece. In respect of purchase from Terabyte Inc., R Ltd. had to pay ₹ 200 only as freight charges.

On the basis of aforesaid information, you are requested to choose correct options for the following:

1. What will be considered as arm's length price per unit?
2. State the amount of addition required to be made in the computation of R Ltd.?

(4 Marks)

Question 2C

M/s. ABC LLP filed its return of income for PY 2024-25, declaring total income of ₹18 lakhs, on 2nd October, 2025. On processing of return, the total income determined under section 143(1)(a) was ₹22 lakhs, after disallowing claim for deduction under section 10AA on account of late furnishing of return of income. Thereafter, on scrutiny, the Assessing Officer made some additions under section 40(a)(ia) and section 43 Band passed an assessment order under section 143(3) assessing total income of ₹35 lakhs. Later on, the Assessing Officer noticed that certain income had escaped assessment and issued notice for reassessment under section 148. The total income reassessed under section 147 was ₹ 42 lakhs.

Considering that none of the additions or disallowances made in the assessment or re-assessment as above qualifies under section 270A(6), compute the amount of penalty to be levied under section 270A of the Income-tax Act, 1961 at the time of assessment under section 143(3) and at the time of reassessment under section 147 (Assume under-reporting of income is not on account of misreporting). **(6 Marks)**

Question 3A

Following is the profit and loss account of Z Ltd. for the year ended on 31-3-2025

Particulars	Amount	Particulars	Amount
To Raw material consumed	20,00,000	By Sale	
To Rent	5,00,000	Export	50,00,000
To Salary & Wages	10,00,000	Domestic	30,00,000
To Depreciation	5,00,000	By Closing Stock	10,00,000
To Provision for contingencies	75,000		
To Wealth Tax of earlier year	50,000		
To Loss of subsidiary co.	50,000		
To Custom Duty	40,000		
To Proposed dividend	1,00,000		
To Provision for Income tax	1,05,000		
To Net Profit	45,80,000		
	90,00,000		90,00,000

Additional Information

- Interest on bank loan relating to year 2021-22 has been paid during the previous year ₹ 1,00,000.
- Whole of Custom duty is unpaid.
- Company is entitled to get deduction u/s 80G ₹ 1,00,000
- For the purpose of Income tax, depreciation is ₹ 4,00,000.
- Turnover of the company during the previous year was ₹ 65 crores and it is life time highest turnover achieved by the company.
- In past few years, company had suffered losses, following balances are still unabsorbed:

	As per Income tax Act	As per books of Accounts
Depreciation	--	₹ 3,50,000
Losses	₹ 42,50,000	₹ 4,00,000

Compute tax liability of the company.

(8 Marks)

Question 3B

Mani foundations, a charitable trust registered u/s 12AB of the Income-tax Act, 1961, run schools for primary and secondary education. The following particulars pertaining to the previous year 2024-25 are furnished to you by the trust:

	Particulars	₹(in lakhs)
i.	Gross receipts from students towards tuition fees, development fees, laboratory fees etc.	600
ii.	Voluntary contributions received from public (including anonymous donation ₹5 lakhs)	25
iii.	Government grants	8
iv.	Donation given towards corpus to a trust registered u/s 10(23C)(iv)	2
v.	Amount applied for the purpose of schools	390
vi.	Included in (v) above, a sum of 5 lakhs, being the amount applied for the benefit of the founder of the trust.	
vii.	The trust set apart ₹55 lakhs for acquiring a building to expand its schools. But the amount was paid in December 2025 when the sale deed was registered in its name. Trust exercised option given u/s 11(2) for accumulation for specific purpose.	
viii.	Excess of expenditure over income in previous year 2023-24	25

Compute the total income of the trust for the PY 2024-25 in order to avail maximum benefits within the four corners of law.

(6 Marks)

Question 4A

The following data is furnished by Mr. Sumedh, a non-resident and a person of Indian Origin, for the financial year ended 31-3-2025:

A:	Long-term capital gains arising on transfer of foreign exchange asset on 31.7.2024 (computed)	₹ 6,50,000
	Expenditure wholly and exclusively incurred in connection with such transfer (not considered above)	₹ 80,000
	Interest on deposits held with private limited companies	₹ 5,90,000
	Interest on Government Securities	₹ 95,000
	Interest on deposits with public limited companies	₹ 2,60,000
B:	Savings and Investments	
	Investment in notified savings certificates referred to in section 10(4B) on 30.3.2025	₹ 2,00,000
	Investment in shares of Indian public limited companies on 31.12.2025	₹ 3,00,000
C:	Tax deducted at source	₹ 1,83,000

Compute balance tax payable / refund due for the PY 2024-25 in accordance with special provisions applicable to non-residents **(6 Marks)**

Question 4B

Examine the applicability of provisions relating to deduction/collection of tax at source in the following cases for the financial year ended 31st March, 2025 as per provisions contained in the Income-tax Act, 1961:

(I) Delta Ltd., an Indian company, which was incorporated on 1.4.2024 purchases coal from Phi Ltd., another Indian company, for ₹75 lakhs during the P.Y.2024-25, to manufacture steel. Delta Ltd. furnishes a declaration that such coal is used to manufacture steel and not for trading. What are the TCS/TDS implications on such transaction, if Delta Ltd.'s turnover was ₹12 crores in the P.Y.2024-25; and Phi Ltd.'s annual turnover ranges between ₹16 crores and ₹18 crores in the last few years?

Would your answer change if Delta Ltd. was incorporated on 1.4.2023 and its turnover in the P.Y.2023-24 is ₹10 crores?

(II) Sigma Ltd., a car manufacturer, sold the following cars to the car dealers, Epsilon Ltd. and

Omega Ltd., in the P.Y.2024-25-

Dealer	Particulars of cars sold	Value
Epsilon Ltd.	10 cars of the value ₹12 lakhs each	₹120 lakhs
Omega Ltd	8 cars of the value of ₹ 10 lakhs each	₹80 lakhs

The turnover in the P.Y.2023-24 of Sigma Ltd. is ₹12 crores, Epsilon Ltd. is ₹14 crores and Omega Ltd. is ₹9 crores. **(4 Marks)**

Question 4C

Mr. Goswami submitted his return on 25th July, 2025 for PY 2024-25. The following particulars are furnished by him for the PY 2024-25:

	₹
Tax payable on assessed income	1,03,950
Tax deducted at source	36,450
Advance taxes paid as under:	
15th June, 2024	Nil
15th September, 2024	18,500
15th December, 2024	16,125
15th March, 2025	25,250

You are required to examine and compute the interest, if any, payable by the assessee at the time of filing return of income. **(4 Marks)**

Question 5A

X, Y. and HUF of Z (represented by Z) are partners with equal shares in profits and losses of a firm, M/s Popular Cine Vision, which is engaged in the production of TV serials and telefilms. In the previous year 2023-24, one partner 'A' retired, but his dues have been settled in the previous year 2024-25.

The earlier partnership deed did not authorise payment of remuneration or interest to partners. The partnership deed was revised by the partners on 1st June, 2024 to authorise payment of remuneration of 1 lac per month to each working partner and simple interest at 15% per annum on partners' capital. X, Y and Z are actively associated with the affairs of the firm.

The Profit & Loss Account of the firm for the year ended 31st March, 2025 shows a net profit of 10 lacs after debiting/crediting the following:

- (a) Interest amounting to ₹5 lacs each was paid to partners on the balances standing to their capital accounts from 1st June, 2024 to 31st March, 2025.
- (b) Remuneration to the partners including partner in representative capacity ₹30 lacs.
- (c) Interest amounting to ₹2 lacs paid to Z on loan provided by him in his individual capacity at 16% interest.
- (d) Royalty of ₹5 lacs paid to partner X, who is a professional script writer, for use of his scripts as per agreement between the firm and X. The same is authorized by partnership deed.
- (e) Two separate payments of ₹18,000 and ₹15,000 made in cash on 1st February, 2025 to Altaf, a hairdresser, against his bill for services rendered in January, 2025 and two payments of ₹19,000 and ₹10,000 made in cash on 1st February and 2nd February, 2025, respectively, to Priyam, an assistant cameraman, against her bill for services provided in January, 2025.
- (f) Amount of ₹ 25 lacs provided in the books on 31st March 2025 as liability for remuneration to Shreya, a film artist and a non-resident. Tax deducted at source u/s 195 from the amount so credited was paid on 3rd June, 2025.
- (g) Amount of ₹6 lacs provided as gratuity for the year on the basis of actuarial valuation. Gratuity actually paid to one retired employee during the year is ₹1.50 lacs.
- (h) Interest of ₹1.20 lacs received on income-tax refund u/s 244(1A) in respect of P.Y. 2021-22.

Compute the total income of the firm for the PY 2024-25 stating the reasons for treatment of each item. **(6 Marks)**

Question 5B

Mr. Ritesh, a resident individual, aged 42 years, received the following sums during the previous year 2024-25:

Income from a business in India ₹ 4,85,000

Royalty from Country N ₹ 7,80,000 (Rate of Tax in Country N 10%, Tax deducted ₹ 78,000)

Interest from Country Y US \$ 9,500 (interest became due on 01.04.2024) Tax deducted (on 21.02.2025) : US \$ 950 (Rate of Tax 10%)

Agriculture income in Country M: ₹ 1,09,000

Additional Information:

- (i) As per the DTAA between India and Country N, the royalty will only be taxable in the Source State.
- (ii) As per the DTAA between India and Country Y, interest can be taxed in both the states and tax credit will be available in respect of tax payable in resident state.
- (iii) Agriculture income is exempt in country M. India does not have a DTAA with Country M.

Telegraphic transfer buying rate on different dates of US \$:

Date	Rate (₹)
31.03.2024	75
31.01.2025	78
21.02.2025	79
31.03.2025	80
01.01.2025	80

You are required to calculate the total income and tax payable by Mr. Ritesh assuming that he did not opt to be governed by provisions of Section 115BAC.

(4 Marks)

Question 5C

Compute the income-tax payable by Mr. Raj, aged 32 years, who has the following income for the P.Y.2024-25

- (i) Business loss (₹3,18,000)
- (ii) Interest on fixed deposits with HDFC Bank ₹18,000
- (iii) Consideration received on transfer of VDA ₹4,20,000
- (iv) Cost of acquisition of VDA transferred ₹20,000

(4 Marks)

Question 6A

PQR Limited has two units - one engaged in manufacture of computer hardware and the other involved in developing software. As a restructuring drive, the company has decided to sell its software unit as a going concern by way of slump sale for ₹ 385 lakhs to a new company called S Limited, in which it holds 74% equity shares.

The balance sheet of PQR limited as on 31st March 2025, being the date on which software unit has been transferred, is given hereunder -

Balance Sheet as on 31.3.2025

Liabilities	₹ (in lakhs)	Assets	₹ (in lakhs)
Paid up Share Capital	300	Fixed Assets Hardware unit Software unit	170 200
General Reserve	150	Debtors Hardware unit Software unit	140 110
Share Premium	50	Inventories Hardware unit Software unit	95 35
Revaluation Reserve	120		
Current Liabilities (Ascertained liabilities) Hardware unit Software unit	40 90		
	750		750

Following additional information are furnished by the management:

The Software unit is in existence since May, 2015.

Fixed assets of Software unit includes land which was purchased at ₹ 40 lakhs in the year 2016 and revalued at ₹ 60 lakhs as on March 31, 2025. The stamp duty value on 31.3.2025 is ₹ 55 lakhs.

Fixed assets of Software unit mirrored at ₹ 140 lakhs (₹ 200 lakhs minus land value ₹ 60 lakhs) is written down value of depreciable assets (Furniture and Plant & machinery) as per books of account. However, the written down value of these assets under section 43(6) of the Income-tax Act, 1961 is ₹ 90 lakhs.

- a. Ascertain the tax liability, which would arise from slump sale to PQR Limited, assuming it does not opt for section 115BAA.
- b. What would be your advice as a tax-consultant to make the restructuring plan of the company more tax-savvy, without changing the amount of sale consideration? **(6 Marks)**

Question 6B

An assessee, who is aggrieved by all or any of the following orders, is desirous to know the available remedial recourse and the time limit against each order under the Income-tax Act, 1961:

- i. passed under section 143(3) by the Assessing Officer.
- ii. passed under section 263 by the Commissioner of Income-tax
- iii. passed under section 272A by the Director General.
- iv. passed under section 254 by the ITAT.

(4 Marks)

Question 6C

Mr. Vijay furnished his return of income for A.Y.2023-24 declaring total income of ₹ 28,00,000. He received an assessment order under section 143(3) on 26.11.2024 enhancing the total income for the A.Y.2023-24 by ₹ 5,00,000. He is aggrieved by the said order and is desirous of knowing whether he can file an application before the Dispute Resolution Committee (DRC). He informs you that no order of detention has been made and no prosecution proceedings have been initiated or instituted against him under any law for the time being in force. However, penalty under section 271D has been levied on him for failure to comply with the provisions of section 269SS.

Can Mr. Vijay file an application before the DRC?

- (i) If yes, what is the time limit for making an application to DRC against such order under the Income-tax Act, 1961. He is also keen to know, whether, in case he is aggrieved by the order passed by the DRC, can he file appeal against such order of DRC?
- (ii) Would your answer be different, if assessment order is based on information received under a DTAA with Country X? **(4 Marks)**