



CA FINAL (May 2025)

GROUP I - PAPER 4

DIRECT TAX LAWS AND INTERNATIONAL TAXATION (Series 3)

Time Allowed: - 3 Hours

Maximum Marks: 100 Marks

ANSWER TO PART-A- CASE SCENARIO BASED MCQ (2 Marks Each)

Case Study I

- 1.(d)
- 2.(a)
- 3.(b)
- 4.(c)

Case Study II

- 1.(c)
- 2.(c)
- 3.(b)
- 4.(a)
- 5.(d)

Case Study III

- 1.(d)
- 2.(b)
- 3.(a)
- 4.(b)
- 5.(a)

Case Study IV

- 1.(d)

ANSWERS OF PART-B- DESCRIPTIVE QUESTIONS

Question 1A. (14 Marks)

Computation of Total Income of Narmada Ltd. for the A.Y.2025-26

Particulars	Amount ()	
Profits and Gains from Business and Profession		
Net profit as per profit and loss account		3,50,00,000
Add: Items debited but to be considered separately or to be disallowed		
Fees paid to directors without deducting tax at source [Disallowance@30% would be attracted under section 40(a)(ia) for non-deduction of tax at source from director's remuneration on which tax is deductible under section 194J]	30,000	
Depreciation provided on straight line basis [Depreciation provided in the accounts on straight line basis (i.e., 50 lakhs) has to be added back]	50,00,000	
Contribution to a National Laboratory [Contribution to a National Laboratory under section 35(2AA) qualifies for deduction@100%].	Nil	
GST liability [GST liability of 2.10 lakhs would attract disallowance under section 43B, since it was paid only on 27.12.2025 (i.e., after the due date of filing return of income of A.Y.2025-26). It would be allowed in the year of payment (i.e., P.Y.2025-26). Hence, it has to be added back for computing business income]	2,10,000	
Disallowance under section 40A(2) for excess payment to related person [Saraswati Ltd. is a related person under section 40A(2), since the directors of Narmada Ltd. have substantial interest in Saraswati Ltd. Therefore, excess payment of 5 lakh to Saraswati Ltd. for purchase of goods would attract disallowance under section 40A(2).]	5,00,000	
Disallowance under section 40A(3) for payment exceeding 10,000 made in cash for purchases and expenditure	5,00,000	

[Cash payments exceeding 10,000 a day attracts disallowance under section 40A(3). Accordingly, cash payment of 5 lakhs made on 17-8-2024 would attract

disallowance under section 40A(3), even if such payment is made due to demand of supplier]

Disallowance under section 40A(3) for cash payment exceeding 35,000 in a day to transport operators for hiring of lorry

92,000

[In respect of cash payments to transport operators, a higher limit of 35,000 per day is permissible. Therefore, cash payment of 35,000 on 03-07-2024 would not attract disallowance under section 40A(3). However, cash payments of 40,000 and 52,000 on 06-06-2024 and 15-01-2025, respectively, would attract disallowance under section 40A(3) since the same exceeds 35,000 per day]

Legal expenses for issue of bonus shares

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[There is no fresh inflow of funds or increase in capital employed on account of issue of bonus shares and there is only reallocation of the company's fund. Consequently, since there is no increase in the capital base of the company, legal expenses of 5 lakhs in connection with issue of bonus shares is revenue expenditure and is hence, allowable as deduction. It has been so held by Apex Court in case of CIT vs. General Insurance Corpn. (2006) 286 ITR 232.

Legal expenses for issue of right shares 4 lakhs, being legal expenses in relation to issue of rights shares results in expansion of the capital base of the company and is, hence, a capital expenditure. Therefore, the same is not allowable as deduction. It has been so held in Brooke Bond India Ltd. v. CIT (1997) 225 ITR 798 (SC)]

4,00,000

Donation to a registered political party

17,00,000

[Donation paid to a political party is not an allowable expenditure under section 37 since it is not laid out wholly or exclusively for the purposes of business or profession. Hence, the same has to be added back while computing business income.

Bad debt written off earlier, recovered now

2,00,000

86,32,000

[The amount of bad debt written off earlier when recovered subsequently, such recovery is taxable under section 41(4)]

4,36,32,000

Less: Items credited but to be considered separately or to be allowed/ Expenditure to be allowed		
Depreciation allowable under the Income-tax Act, 1961	62,00,000	
[Depreciation calculated as per Income-tax Rules, 1962 (i.e. 62 lakhs) is allowable as deduction under section 32]		
Over-valuation of stock [55 lakhs x 10/110]	5,00,000	
[The amount by which stock is over-valued has to be reduced for computing business income. 50 lakhs, being the difference between closing and opening stock, has to be adjusted to remove the effect of over-valuation]		
		67,00,000
Gross Total Income		3,69,32,000
Less: Deduction under Chapter VI-A		
Donation to registered political party [under section 80GGB		17,00,000
[Donation made by a company to a political party is allowable deduction under section 80GGB from gross total income, subject to the condition that payment is made otherwise than by way of cash. Since the donation is made by cheque the same is allowed as deduction under section 80GGB]		
Total Income		3,52,32,000

Computation of tax liability of Narmada Ltd. for A.Y.2025-26

Particulars	
Tax@25% on total income of 3,52,32,000 [Since the total turnover or gross receipt in P.Y. 2022-23 \leq 400 crore]	88,08,000
Add: Surcharge@7% (since total income exceeds 1 crore but does not exceed 10 crores)	6,16,560
Tax payable including surcharge	94,24,560
Add: Health and Education cess@4%	3,76,982
Total tax payable	98,01,542
Tax payable (Rounded off)	98,01,540

Question 2A. (8 Marks)

Section 54G deals with deduction in respect of any capital gain that may arise from the transfer of an industrial undertaking situated in an urban area in the course of or in consequence of shifting to a non-urban area.

If the assessee purchases new machinery or plant or acquires a building or land or constructs a new building or shifts the original asset and transfers the establishment to the new area, within 1 year before or 3 years after the date on which the transfer takes place, then, instead of the capital gain being charged to tax, it shall be dealt with as under:

1. If the capital gain is greater than the cost of the new asset, the difference between the capital gain and the cost of the new asset shall be chargeable as income 'under section 45'.
2. If the capital gain is equal to or less than the cost of the new asset, section 45 is not to be applied.

The capital assets referred to in section 54G are machinery or plant or land or building or any rights in building or land. Capital gain arising on transfer of furniture does not qualify for exemption under section 54G. No exemption is therefore available under section 54G in respect of investment of 2 lakhs in acquiring furniture.

The first step therefore is to determine the capital gain arising out of the transfer and thereafter apply the provisions of section 54G.

	Particulars	
(a)	Land - Sale proceeds (Non-depreciable asset)	8,00,000
	Less: Cost of acquisition	4,00,000
	Long term capital gain	4,00,000
	Less: Cost of new assets purchased within three year after the date of transfer (under section 54G) (See Note below)	3,00,000
	Taxable Long-term capital gain	1,00,000
(b)	Building - sale proceeds (depreciable assets)	18,00,000
	Less: W.D.V. is deemed as cost of acquisition under section 50	4,00,000
	Short-term capital gain	14,00,000
(c)	Plant & machinery- sale proceeds (depreciable asset)	16,00,000
	Less: WDV is deemed cost under section 50	5,00,000
	Short-term capital gain	11,00,000
(d)	Furniture - sale proceeds (depreciable asset)	3,00,000
	Less: WDV is deemed cost under section 50	2,00,000
	Short-term capital gain (A)	1,00,000

Summary		
Short term capital gain : Building		14,00,000
Short term capital gain : Plant & machinery		11,00,000
		25,00,000
Less: Section 54G [New assets purchased] (See Note below)		25,00,000
Net short term capital gain (B)		Nil
Total short-term capital gain (A)+(B) = 1 lakh		

Note - Total exemption available under section 54G is 28 lakhs (4 lakhs + 7 lakhs + 17 lakhs). The exemption should first be exhausted against short term capital gain as the incidence of tax in case of short-term capital gain is more than in case of long-term capital gain. Therefore, 25 lakhs is exhausted against short term capital gain and the balance of 3 lakhs against long term capital gain.

The taxable capital gains would be:

Long-term capital gains	1,00,000 (taxable @12.5% under section 112)
Short-term capital gains (furniture)	<u>1,00,000</u> (taxable at applicable tax rates)
	<u>2,00,000</u>

Question 2B. (6 Marks)**Computation of total income of Lokesh for A.Y. 2025-26 as per section 115BAC**

Since Mr. Lokesh is a resident in India for the P.Y.2024-25, his global income would be subject to tax in India. Therefore, income earned by him in Country A would be taxable in India.

Particulars	Amount (₹)	Amount (₹)
Salaries		
Salary from Platinum Ltd.	23,00,000	
Less: Standard deduction u/s 16(ia)	75,000	22,25,000
Income from house property		
Let out property in Country A		
Gross Annual Value ¹	USD 4,500	
Less: Municipal taxes	USD 450	
Net Annual Value	USD 4,050	
Less: Deduction under section 24 - 30% of NAV	USD 1,215	
	USD 2,835	
[\$ 2,835 × 71, being the last day of previous year i.e., 31.3.2025 as per Rule 115]	2,01,285	
Self-occupied property in India		
Loss from self-occupied property [Interest u/s 24(b) is not allowable in respect of self-occupied property under section 115BAC]	-	2,01,285
Profits and gains from business or profession		
Income from business in Country A [\$ 25,000 × 71, being the last day of previous year i.e., 31.3.2025 as per Rule 115]		17,75,000
Capital Gains		
Short term capital gains on sale of shares of companies registered in Country A [\$ 5,000 × 70, being the last day of the month immediately preceding the month in which the		3,50,000
shares are transferred i.e., 28.2.2025 as per Rule 115]		

Income from Other Sources		
Interest on bank fixed deposits	1,60,000	
Dividend from shares held in Country A [\$ 10,000 x 70, being the last day of the month immediately preceding the month in which the dividend is declared i.e., 28.2.2025 as per Rule 115]	7,00,000	8,60,000
Gross Total Income/Total Income		54,11,285
Total Income (Rounded off)		54,11,290

Computation of Net tax liability of Lokesh for A.Y.2025-26

Particulars		Amount
Upto 3,00,000	Nil	
3,00,001 - 7,00,000 [i.e., 4,00,000 @5%]	20,000	
7,00,001- 10,00,000 [i.e., 3,00,000 @10%]	30,000	
10,00,001- 12,00,000 [i.e., 2,00,000 @15%]	30,000	
12,00,001- 15,00,000 [i.e., 3,00,000 @ 20%]	60,000	
15,00,001- 54,11,290 [i.e., 39,11,290 @ 30%]	11,73,387	
		13,13,387
Add: Surcharge@10% [Since total income exceed 50 lakhs but does not exceed 1 crore)		1,31,339
		14,44,726
Add: Health & Education Cess@4%		57,789
		15,02,515
Less: Foreign tax credit, being lower of -		
- Tax payable in India @27.767% on 30,26,285, being income from house property of 2,01,285, business income of 17,75,000 plus capital gains of 3,50,000 plus dividend income of 7,00,000 [i.e 15,02,515/ 54,11,290 x 100] = 27.767%	8,40,309	
- Tax paid in Country A@20% [\$ 44,500 @20% x 72, being the rate on 30.4.2024, being the last day of the month immediately preceding the month in which tax is paid, i.e., May 2025]	6,40,800	
		6,40,800
Net tax liability		8,61,715
Net tax liability (Rounded off)		8,61,720

Question 3A. (8 Marks)

- i. Since the consideration for transfer of house property at Chennai exceeds ` 50 lakhs, Mr. Anuj, being the transferee, is required to deduct tax @1% under section 194-IA on ` 85 lakhs, being the amount of consideration for transfer of property.

Mr. Anuj is required to deduct tax at source @1% under section 194-IA from the amount of ` 54 lakhs, being the higher of the stamp duty value of ` 54 lakhs and consideration of ` 49,00,000 paid to Mr. Anant for transfer of urban plot, since the stamp duty value exceeds ` 50 lakhs.

Mr. Anuj is not required to deduct tax at source under section 194-IA from the consideration of ` 55 lakhs paid to Mr. Digvijay for transfer of rural agricultural land, since the same is specifically excluded from the scope of immovable property for the purpose of tax deduction under section 194 -IA.

- ii. As per section 194LB, tax would be deductible @ 5% on gross interest paid/credited by a notified infrastructure debt fund, eligible for exemption under section 10(47), to a non-resident not being a company or to a foreign company.

In the first case, since the payment is to a foreign company, health and education cess @4% has to be added to the applicable rate of TDS. Therefore, the tax deductible under section 194LB would be ` 31,200 (i.e., 5.20% of ` 6 lakhs).

However, in case the notified infrastructure debt fund pays interest to a person who is a resident of a notified jurisdictional area, section 94A will apply. Accordingly, tax would be deductible @30% (plus health and education cess@4%) under section 94A, even though section 194LB provides for deduction of tax at a concessional rate of 5%. Therefore, the tax deductible in respect of payment of ` 2.5 lakh to Mr. Aman, who is a resident of a notified jurisdictional area, would be ` 78,000, being 31.2% of ` 2,50,000.

- iii. The landing and parking charges which are fixed by the Airports Authority of India are not merely for the "use of the land". These charges are also for services and facilities offered in connection with the aircraft operation at the airport which include providing of air traffic services, ground safety services, aeronautical communication facilities, installation and maintenance of navigational aids and meteorological services at the airport [Japan Airlines Co. Ltd. v. CIT / CIT v. Singapore Airlines Ltd. (2015) 377 ITR 372 (SC)]. Thus, tax is not deductible under section 194I which provides deduction of tax for payment in the nature of rent.

Hence, tax is deductible @2% under section 194C by the airline company, Vikasa Ltd., on payment of ` 18 lakhs made towards landing and parking charges to the Airports Authority of India for the previous year 2024-25.

- iv. As per section 192, tax is deductible at source by any person who is responsible for paying any income chargeable under the head 'Salaries'. However, as per sub-section (2A) of said section, employee will be entitled to relief u/s 89 and consequently, he will be required to furnish to person responsible for making the payment, such particulars in the prescribed form (i.e., Form No.10E). The person responsible for making the payment shall compute the relief and take into account the same while deducting tax at source from salary.

Question 3B. (6 Marks)

Computation of total income of FASHION Inc., a notified FI, for A.Y.2025-26

Particulars		
Dividend income	7,15,000	
Interest on securities [No deduction is allowable in respect of expenses incurred in respect thereof]	16,72,000	23,87,000
Long-term capital gains on sale of bonds of January Ltd.		
Sale consideration	58,00,000	
Less: Cost of acquisition	33,00,000	25,00,000
[Benefit of indexation is not allowable]		
Short-term capital gains on sale of STT paid equity shares of Exe Ltd.		
Sale consideration	14,50,000	
Less: Cost of acquisition	9,90,000	4,60,000
Short-term capital gains on sale of unlisted equity shares of May Ltd.		
Sale consideration	7,90,000	
Less: Cost of acquisition	3,22,000	4,68,000
Total Income		58,15,000

Computation of tax liability of FASHION Inc. for A.Y.2025-26

Particulars	₹
Tax@20% on interest on securities and dividend = $20\% \times ₹ 23,87,000$	4,77,400
Tax@10% on long-term capital gains on sale of bonds of January Ltd. = $10\% \times ₹ 25,00,000$	2,50,000
Tax @ 20% on short-term capital gains on sale of listed equity shares of Exe 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 May Ltd. = 30% of ₹ 4,68,000	1,40,400
	9,59,800
Add: HEC@4%	38392
Tax liability	9,98,192
Tax liability (rounded off)	9,98,190

Question 4A. (5 Marks)

Computation of tax of AOP is governed by section 167B. Tax on total income of AOP is computed as follows:

- i. If individual share of a member is known, and the total income of any member, excluding his share from such AOP, exceeds the basic exemption limit, then, the AOP will pay tax at the maximum marginal rate.
- ii. If individual share of a member is known and no member has total income (excluding his share from AOP) exceeding the basic exemption limit, then, the AOP will pay tax at the rates applicable to an individual.

Section 86 provides for assessment of share in the hands of members of AOP as follows:

A member's share in the total income of AOP will be treated as follows:-

- i. If an AOP has paid tax at the maximum marginal rate or a higher rate, the member's share in the total income of AOP will not be included in his total income and will be exempt.
- ii. If the AOP has paid tax at regular rates applicable to an individual, the member's share in the income of AOP will be included in his total income and he will be allowed rebate at the average rate of tax in respect of such share.

Since none of the members have income, other than income from the AOP, exceeding the basic exemption limit, the AOP would be taxed at the rates applicable to an individual. Therefore, the AOP's tax liability would be follows:

₹ 3,00,000 - ₹ 7,00,000 @5%	₹ 20,000
₹ 7,00,001 - ₹ 10,00,000 @10%	₹ 30,000
₹ 10,00,001 - ₹ 11,00,000 @15%	<u>₹ 15,000</u>
	₹ 65,000
Add: Health & education cess @4%	<u>2,600</u>
Tax Liability	<u>67,600</u>

Tax Liability of J and K

Particulars	J ₹	K ₹
Share of profit from AOP	6,60,000	4,40,000
Income from other sources	2,50,000	2,90,000
Total Income (A)	9,10,000	7,30,000
Tax liability	94,500	23,000
Add: Health and Education cess @ 4%	3,780	9,20
Total tax payable (B)	98,280	23,920
Average rate of tax [B/A x 100]	10.8%	3.277%
Total tax liability	98,280	23,920
Less: Rebate under section 86 read with section 110 in respect of share of profit from AOP (share in AOP x Average rate of tax)	71,280	14,419
Tax liability of members	27,000	9,501
Tax Payable (Rounded off)	27,000	9,500

Question 4B. (5 Marks)

Particulars	₹	₹
Income from running of hospitals	14,25,000	
Donation (other than anonymous donation of ₹2,00,000 taxable u/s 115BBC) (₹3,00,000/- being reduced by 5% of ₹5,75,000 or ₹1,00,000/- whichever is higher)	3,75,000	18,00,000
Less: 15% of income of 18 Lakhs accumulated or set apart u/s 11(1)(a)		2,70,000
		15,30,000
Less: Amount applied for the purposes of hospital (Note --1)		13,00,000
		2,30,000
Add: Amount accumulated for extension of a hospital but not spent deemed to be income u/s 11(3)(15 Lakhs - 13.5 Lakhs) (Note 2)		1,50,000
		3,80,000
Add: Anonymous donation taxable u/s 115BBC (Note 3)		2,00,000
Total Income		5,80,000

Notes:

- As per explanation to section 11, any sum payable by any trust or institution shall be considered as application of income in the previous year in which such sum is actually paid by it (irrespective of PY in which the liability to pay such sum was incurred by the trust or institution according to the method of accounting regularly employed by it) so ₹ 4 lakhs not allowed in current year.
- Section 11(3) provides that if the income accumulated for certain purpose is not utilized for the said purpose within the period (not exceeding 5 years) for which it was accumulated, then the un-utilized amount is deemed to be the income of the charitable institution for the previous year in the expiry of the period of accumulation. In the present question trust has applied ₹13.5 lakhs out of ₹15 lakhs so remaining ₹ 1.5 lakhs treated as specified income and taxable @ 30% u/s 115BBI.
- Only the anonymous donations in excess of the exemption limit specified below would be subject to tax @ 30% u/s 115BBC.

Actual amount of Anonymous Donation		3,00,000
Less: (i) ↑ 5% of ₹5,75,000	=₹28,750	
(ii) ₹1,00,000	=₹1,00,000	1,00,000
		2,00,000

Question 4C. (4 Marks)

Non-compliance of section	Penalty under section 271FA	Period	Quantum of penalty under section 271FA	
			(2) × (3)	(₹)
285BA(1)	₹ 500 per day of continuing default	1.6.2024 to 31.10.2024	153 days × ₹ 500	76,500
285BA(5)	₹ 1,000 per day of continuing default	1.11.2024 to 15.11.2024	15 days × ₹ 1,000	15,000
				91,500

Question 5A. (8 Marks)

Particulars	₹	₹
Book profit after adjustment of items u/s 115JB(2) [except brought forward business loss and un- absorbed depreciation]		52,26,000
Less: Brought forward business loss [74,60,000 + ₹1,75,000]	6,35,000	
Unabsorbed depreciation [₹4,90,000 + ₹2,20,000] [Since Zenith Formulations Ltd. is a company against which an application for corporate insolvency resolution process has been admitted by NCLT u/s 7 of the Insolvency and Bankruptcy Code, 2016, the aggregate amount of loss brought forward and unabsorbed depreciation is allowed to be reduced from the book profit for the purposes of levy of MAT u/s 115JB].	7,10,000	
		13,45,000
Book profit computed in accordance with Explanation 1 to section 115JB(2)		38,81,000
Add: Items credited to OCI that will not be reclassified to profit or loss:		
Deferred gains on cash flow hedges	7,25,000	
Share of Other Comprehensive Income of Other Associates	3,20,000	
Re-measurement of post-employment benefit Obligations	4,45,000	
Revaluation surplus for assets ₹7,50,000 [Book profit not to be increased by revaluation surplus for assets as per proviso to section 115JB(2A)]	Nil	
		14,90,000
		53,71,000
Less: Items debited to OCI that will not be reclassified to profit or loss:		
Deferred costs of hedging	4,10,000	
Changes in fair values of equity instruments ₹10,00,000 [Book profit not to decreased by changes in fair values of equity instruments as per proviso to section 115JB(2A)]	Nil	
		4,10,000
Add: One-fifth of Transition amount [Credit Balance]		
Transition amount	52,50,000	
Less: Amounts to be excluded from above		
Capital Reserve	8,00,000	
Transition difference in foreign operations	4,50,000	

	40,00,000	
One-fifth of ₹40,00,000		8,00,000
Book Profit for levy of MAT		57,61,000
MAT on book profit u/s 115JB = 15% of ₹57,61,000		8,64,150
Add: HEC @ 4%		34,566
MAT liability for A.Y.2025-26		8,98,716
MAT liability for A.Y.2025-26 (rounded off)		8,98,720
Particulars		₹
MAT liability for A.Y.2025-26 (rounded off)		8,98,720
Income-tax computed as per the normal provisions of the Act for A.Y.2025-26		7,20,000
Since the income-tax liability computed as per the regular provisions of the Income-tax Act,1961 is less than the MAT payable, the book profit would be deemed to be the total income and tax is leviable @15%: The total tax liability (rounded off) is ₹8,98,720.		
Computation of tax credit to be carried forward		
Tax payable for A.Y.2025-26 on deemed total income		8,98,720
Less: Income-tax payable as per the normal provisions of the Act		7,20,000
Tax credit in respect of tax paid on deemed income		1,78,720
[Can be carried forward for 15 Assessment Years i.e., upto A.Y.2039-40]		

Question 5B. (6 Marks)

A transaction where one of the parties thereto is a person located in a NJA would be deemed to be an international transaction and all parties to the transaction would be deemed as associated enterprises.

Accordingly, all the provisions of transfer pricing would be attracted in case of such a transaction.

Hence, the transactions between KVS Ltd, an Indian company and L Ltd., located in NJA, would be deemed to be international transactions between associated enterprises.

The transactions of KVS Ltd. with AJ of New York and KP of London for sale of identical goods are comparable uncontrolled international transactions, since they are neither associated enterprises of KVS Ltd. nor are they situated in NJA. Hence, Comparable Uncontrolled Price (CUP) method can be used to determine ALP.

Where more than one price is determined by the most appropriate method, CUP method in this case, then, the arithmetic mean has to be taken in cases where the number of entries in the dataset is less than 6 (in this case it is only 2). However, the benefit of permissible variation between the ALP and the transfer price based on the rate notified by the Central Government (i.e., maximum of 3% of transaction price) would not be available in respect of such transaction

Computation of ALP using CUP method

Particulars	AJ	KP
	₹ in crores	₹ in crores
Price charged by KVS Ltd. (on CIF basis)	11.50	12.00
Less: Ocean freight and insurance, has to be reduced since the price charged to L Ltd. is on FOB basis	0.20	0.20
	11.30	11.80
Less: Cost of after-sales support service (has to be reduced, since such services are being provided to AJ and KP but not to L Ltd.)	0.14	0.14
Arm's Length Price	11.16	11.66
Arithmetic mean of the above prices [(₹ 11.16 crores + ₹ 11.66 crores)/2]		11.41
Less: Price at which goods were sold to L Ltd.		10.50
Arm's length adjustment [increase in profit of KVS Ltd.]		0.91

Question 6A. (5 Marks)

Every assessee would be liable to tax@30% in respect of his undisclosed foreign income and asset of the previous year. Undisclosed foreign asset would be liable to tax in the previous year in which such asset comes to the notice of the Assessing Officer.

Section 2(2) of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 defines "assessee" to include a person being -

- (a) a resident in India within the meaning of section 6 of the Income-tax Act, 1961 in the previous year; or
- (b) a non-resident or not ordinarily resident in India within the meaning of section 6(6) of the Income-tax Act, 1961 in the previous year but who was resident in India either in the previous year to which the income referred to in section 4 relates; or in the previous year in which the undisclosed asset located outside India was acquired.

Mr. Rajiv is non-resident for the P.Y. 2024-25 (the previous year in which notice is issued by the Assessing Officer), since he returned to the Singapore in April 2020 and visited every year only for 1 month. He was also a non-resident for the P.Y. 2012-13, when he acquired shares of listed companies in Singapore and P.Y. 2020-21, when he established a leather goods manufacturing factory in Malaysia, since he was in India only during the previous years from P.Y. 2013-14 to P.Y. 2019-20. However, he was resident in India in the P.Y. 2015-16, when he acquired one apartment in Canada.

Accordingly, the issue of notice on Mr. Rajiv under section 10 of the Black Money Act, 2015, is tenable in law, in respect of apartment in Canada since he was resident in the previous year 2015-16 when the property was acquired.

However, notice issued in respect of shares of listed companies in Singapore acquired in the P.Y.2012-13 and leather goods manufacturing factory established in Malaysia in the P.Y.2020-21 is not tenable in law, since Mr. Rajiv was non-resident in the previous years in which undisclosed assets were acquired and also in the previous year in which it comes to the notice of Assessing Officer.

Question 6B. (5 Marks)**Computation of Total Income of ABC Ltd. for A.Y.2025-26**

Particulars	₹
Profits and gains of business or profession	48,00,000
Income from other sources (See Note below)	3,69,000
Gross Total income	51,69,000
Less: Deduction u/s 80M	
(i) Dividend from Dom, & Foreign Company. 3,69,000	
(ii) Dividend distributed by ABC Ltd. 4,20,000	
Whichever is Lower	(3,69,000)
Total Income/Net Taxable Income	48,00,000
From BCD Inc., a Danish company	65,000
From EFG Inc., an English company	1,50,000
From HIJ Inc., a Dutch company	1,07,000
From shares in Indian subsidiaries	47,000
Dividend is taxable at normal rates [No deduction is allowed in respect of any expenses except interest as per sec 57]	3,69,000

Computation of tax liability of ABC Ltd. for the A.Y.2025-26

Particulars	₹
Tax @ 30% on balance income of ₹48,00,000	14,40,000
Add: Health & Education cess @ 4%	57,600
Tax liability	14,97,600

Question 6C. (4 Marks)

The Assessing Officer can exercise his power of survey under section 133A only after obtaining the approval of the Principal Director General or the Director General or the Principal Chief Commissioner or the Chief Commissioner.

Assuming that he has obtained such approval in this case, he is empowered under section 133A to enter any place of business of the assessee within his jurisdiction only during the hours at which such place is open for the conduct of business .

In the case given, the "Silver" a popular Gym is open from 5.00 a.m. to 10.00 p.m. for the conduct of business. The Assessing Officer entered the Gym at 9:30 pm in the night which falls within the working hours of the Sports Complex.

Therefore, the claim made by the owner to the effect that the Assessing Officer could not enter the Gym at night is not valid.

Further, as per section 133A(3)(ia), the Assessing Officer may, impound and retain in his custody for such period as he thinks fit, any books of account or other documents inspected by him after recording reasons for doing so. However, the Assessing Officer cannot remove cash kept at the Gym. Moreover, he shall not retain any books of account or other documents in his custody for a period exceeding 15 days (excluding holidays) without obtaining the approval of the Principal Chief Commissioner or Chief Commissioner or Principal Director General or Director General or the Principal Commissioner or Commissioner or Principal Director or Director, as the case may be.