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## BASIC TAX RATE

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### QUESTION 1:

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.

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## PGBP AND FIRM TAXATION

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### **QUESTION 1:**

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 2:**

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

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## **INCOME FROM OTHER SOURCES, DIVIDENDS & DEEMED DIVIDEND**

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### **QUESTION 1:**

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.

### **QUESTION 2:**

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 & 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 & R respectively as gift does not constitute "transfer".

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## CAPITAL GAINS

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### QUESTION 1:

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 2:

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

**QUESTION 3:**

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

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## CLUBBING OF INCOME

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### QUESTION 1:

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

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## ADVANCE TAX, TDS AND TCS

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### QUESTION 1:

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:

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 Rs 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:**

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 ₹ 10 lakhs to Mr. Lal, a broker, to buy a residential house, and ₹ 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:**

Mr. Sanjay, a salaried individual, pays brokerage of ₹ 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 ₹ 15 lakhs, ₹ 25 lakhs and ₹ 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:**

Kunal & Co LLP engaged in manufacturing business withdrew from its bank account ₹ 125 lakhs by cash (each individual withdrawal does not exceed ₹ 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 ₹ 50,000 is required to be deducted
- (c) Yes; Tax of ₹ 1,25,000 is required to be deducted
- (d) Yes; Tax of ₹ 2,10,000 is required to be deducted

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## ALTERNATE MINIMUM TAX (AMT)

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### QUESTION 1:

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

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# TAXATION IN CASE OF LIQUIDATION AND BUY BACK

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## **QUESTION 1:**

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

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## **BUSINESS TRUST, INVESTMENT FUND AND SECURITISATION TRUST**

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### **QUESTION 1:**

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:**

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.



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## EQUALISATION LEVY

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### QUESTION 1:

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)

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# TONNAGE TAXATION

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**QUESTION 1:**

Two tonnage tax companies X Ltd. and Y Ltd. are amalgamated to form a new tonnage company 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

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## NON-RESIDENT & NRI TAXATION

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### QUESTION 1:

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:

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:

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 liable to be deducted from M Inc.'s income chargeable to tax under the Income tax Act, 1961

**QUESTION 4:**

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

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## **DTAA & ADVANCE RULING (BOAR)**

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### **QUESTION 1:**

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:**

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

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## TRANSFER PRICING

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### **QUESTION 1:**

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:**

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:**

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:**

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:**

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:**

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)

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# MTC, BEPS, TAX TREATIES & LATEST DEVELOPMENTS

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## **QUESTION 1:**

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:**

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:**

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:**

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:**

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:**

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:**

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:**

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:**

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

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## **ASSESSMENT PROCEDURE, APPEALS, DRC, PENALTIES & MISC. PROV.**

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### **QUESTION 1:**

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:**

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:**

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 from 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:**

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:**

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:**

The Assessing Officer within his jurisdiction surveyed a popular Cybercafe 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:**

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:**

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:**

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:**

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:**

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)



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:**

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 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:**

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:**

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:**

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

**QUESTION 18:**

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:**

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:**

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:**

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:**

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:**

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

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**Case scenario 2 (Business Trust)**

**QUESTION 1:**

In respect of the component of interest income from Z Ltd. distributed by the business trust to unitholders 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 ₹ 20,000 distributed to Mr. X and @5.2% on ₹ 1 lakh distributed to Mr. Y
- (c) Tax is deductible@10% on ₹ 20,000 distributed to Mr. X and @5.2% on ₹ 1 lakh distributed to Mr. Y
- (d) Tax is deductible@10% on ₹ 20,000 distributed to Mr. X and 10.4% on ₹ 1 lakh distributed to Mr. Y

**QUESTION 2:**

In respect of short-term capital gains of ₹ 4 lakh on sale of listed shares of Indian companies and ₹ 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 shortterm 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 unitholders 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 unitholders X and Y
- (c) is taxable in the hands of the business trust; hence, exempt in the hands of the unitholders
- (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 ₹ 40,000) and Y@ the rates in force (on ₹ 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 ₹ 40,000 distributed to X and at the rates in force on ₹ 2,00,000 distributed to Y.

**Case scenario 3 (Transfer Pricing)**

**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 ₹ 4 crores under section 94B?

- (a) ₹ 6,65,00,000 (b) ₹ 4,75,00,000  
(c) ₹ 6,00,00,000 (d) ₹ 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) ₹ 3,00,00,000  
(b) ₹ 2,50,00,000  
(c) ₹ 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 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 AY 2025-26 on 30.11.2025

- (a) ₹ 12,01,712 (b) ₹ 12,08,333  
(c) ₹ 9,32,363 (d) ₹ 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) ₹ 62,89,920 (b) ₹ 52,41,600  
(c) ₹ 41,93,280 (d) ₹ 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; ₹ 9,70,890
- (c) Yes; ₹ 10,42,808
- (d) Yes; ₹ 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.

**Case scenario 4 (IFOS, PGBP, CG)**

**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) ₹ 70 lakh is taxable as his business income
- (b) ₹ 60 lakh is taxable as his business income
- (c) ₹ 50 lakh is taxable as his business income
- (d) ₹ 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) ₹ 20 lakh is taxable under the head Income from Other Sources
- (c) ₹ 10 lakh is taxable under the head Income from Other Sources
- (d) ₹ 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) ₹ 18 lakh is taxable as short-term capital gains
- (b) ₹ 23 lakh is taxable as short-term capital gains
- (c) ₹ 38 lakh is taxable as short-term capital gains
- (d) ₹ 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) ₹ 20 lakh is taxable under the head Income from Other Sources
- (c) ₹ 5 lakh is taxable under the head Income from Other Sources
- (d) ₹ 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 & 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

**Case scenario 5 (Penalty u/s 270A)**

**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) ₹ 3,12,000                                  (b) ₹ 1,56,000  
(c) ₹ 4,68,000                                  (d) ₹ 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) ₹ 3,12,000                                  (b) ₹ 2,34,000  
(c) ₹ 12,48,000                                (d) ₹ 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 ₹ 15,00,000; penalty ₹ 1,36,500
- (b) Under-reported income ₹ 12,50,000; penalty ₹ 52,000
- (c) Under-reported income ₹ 12,00,000; penalty ₹ 78,000
- (d) Under-reported income ₹ 12,00,000; penalty ₹ 1,56,000

**Case scenario 6 (TDS/TCS)**

**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 MCO 1 and 2 be different? If yes, what would be the answer of MCO 1 and 2?

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

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

**Case scenario 7 (TDS/TCS)**

**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 MCO.

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

- (a) Ashwath has to collect tax at source from Mr. Sunil and Mr. Sriram@1% on the amount exceeding the prescribed threshold of ₹ 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 ₹ 50 lakhs, at the time of receipt of such amount every month (i.e, from 31.12.2024 & 30.11.2024, respectively).
- (c) Ashwath has to collect tax at source from Mr. Sunil @1% on the amount exceeding the prescribed threshold of ₹ 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 ₹ 50 lakhs, at the time of receipt of such amount every month (i.e., from 31.12.2024).

**QUESTION 4:**

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

**Case scenario 8 (TDS/TCS)**

**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; ₹ 2,290
- (c) Yes; ₹ 25,500
- (d) Yes; ₹ 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; ₹ 1,000
- (c) Yes; ₹ 4,000
- (d) Yes; ₹ 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; ₹ 600
- (c) Yes; ₹ 1,200
- (d) Yes; ₹ 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; ₹ 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; ₹ 6,300 to be deducted on amount payable to Doodle Inc; No deduction is required on the amount payable to Tumble LLC
- (d) Yes; ₹ 6,600 to deducted on the amount payable to Tumble LLC and ₹ 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) ₹ 5,70,960
- (b) ₹ 4,91,400
- (c) ₹ 5,08,560
- (d) ₹ 5,53,800

**Case scenario 9 (TDS/TCS)**

**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 ₹ 2,000 on 29.9.2024 and TCS of ₹ 27,000 on 1.1.2025
- (b) Yes; TCS of ₹ 500 on 29.9.2024 and TCS of ₹ 27,000 on 1.1.2025
- (c) Yes; TCS of ₹ 500 on 29.9.2024 and TCS of ₹ 6,750 on 1.1.2025
- (d) No tax is required to be collected at source since receipts do not exceed ₹ 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 ₹ 7,500 on 1.7.2024; TCS of ₹ 1,750 on 11.10.2024 and TCS of ₹ 1,750 on 10.1.2025
- (b) Yes; TCS of ₹ 17,500 on 11.10.2024 and TCS of ₹ 17,500 on 10.1.2025

- (c) Yes; TCS of ₹ 1,750 on 11.10.2024 and TCS of ₹ 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 ₹ 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 ₹ 26,000
- (b) Yes; TCS of ₹ 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 ₹ 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; ₹ 2,500 is required to be collected at source
- (b) Yes; ₹ 37,500 is required to be collected at source
- (c) Yes; ₹ 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) ₹ 33,88,000
- (b) ₹ 5,48,000
- (c) ₹ 33,96,000
- (d) ₹ 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) ₹ 7,47,550
- (b) ₹ 12,900
- (c) Nil
- (d) ₹ 12,480

**Case scenario 10 (Trust)**

**QUESTION 1:**

Seva Niketan wants to avail exemption u/s 10(23C) (iiia) and 10(23C) (iiiae) 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 ₹ 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 ₹ 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) ₹ 25 lakhs
- (b) ₹ 40 lakhs
- (c) ₹ 15 lakhs
- (d) ₹ 55 lakhs

**QUESTION 3:**

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

- (a) ₹ 30 lakhs
- (b) ₹ 46 lakhs
- (c) ₹ 48 lakhs
- (d) ₹ 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) ₹ 36.8 lakhs
- (b) ₹ 25 lakhs
- (c) ₹ 38 lakhs
- (d) ₹ 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; ₹ 6,00,000
- (b) No; ₹ 5,70,000
- (c) Yes; the trust is not liable to pay tax u/s 115BBC(1) (i)
- (d) No; ₹ 4,42,500

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## ANSWER KEYS

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### BASIC TAX RATE

| Q. No. | Answers                                                                                                                        |
|--------|--------------------------------------------------------------------------------------------------------------------------------|
| 1      | (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. |

### PGBP AND FIRM TAXATION

| Q. No. | Answers                                     |
|--------|---------------------------------------------|
| 1      | (c) ₹ 15,30,000                             |
| 2      | (d) ₹12,40,000 and ₹25,00,000, respectively |

### IFOS, DIVIDENDS & DEEMED DIVIDEND

| Q. No. | Answers                                                                                                                                                                                                 |
|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1      | (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                                    |
| 2      | (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". |

### CAPITAL GAINS

| Q. No. | Answers                                                                                                 |
|--------|---------------------------------------------------------------------------------------------------------|
| 1      | (d) There is no capital gains tax implication in the hands of Ms. Aparna in respect of this transaction |
| 2      | (d) Long-term capital gains of Mr. Rajan ₹ 2,10,000; Long-term capital loss of Mr. Ravi ₹1,20,000       |
| 3      | (c) Nil and ₹95 lakhs, respectively                                                                     |

**DEDUCTION FROM GTI**

| Q. No. | Answers        |
|--------|----------------|
| 1      | (b) ₹ 1,50,000 |
| 2      | (a) ₹ 63,000   |
| 3      | (c) ₹130 lakhs |

**CLUBBING OF INCOME**

| Q. No. | Answers                                                                                                                                                             |
|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 |

**ADVANCE TAX, TDS AND TCS**

| Q. No. | Answers                                                                                                           |
|--------|-------------------------------------------------------------------------------------------------------------------|
| 1      | (d) Mr. Vallish is not liable to deduct tax at source                                                             |
| 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 |
| 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 ₹ 50,000 is required to be deducted                                                               |

**ALTERNATE MINIMUM TAX (AMT)**

| Q. No. | Answers        |
|--------|----------------|
| 1      | (c) ₹11,00,530 |

**TAXATION IN CASE OF LIQUIDATION AND BUY BACK**

| Q. No. | Answers                                                                                                                                                 |
|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 |

**TAXATION OF TRUST & INSTITUTIONS**

| Q. No. | Answers                |
|--------|------------------------|
| 1      | (b) ₹ 9,25,000         |
| 2      | (c) (i) and (ii) above |

**BUSINESS TRUST, INVESTMENT FUND AND  
SECURITISATION TRUST**

| Q. No. | Answers                                                                                                                  |
|--------|--------------------------------------------------------------------------------------------------------------------------|
| 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                                                                                                    |

**EQUALISATION LEVY**

| Q. No. | Answers        |
|--------|----------------|
| 1      | (d) Only (vii) |

**BLACK MONEY ACT, 2015**

| Q. No. | Answers        |
|--------|----------------|
| 1      | (c) ₹ 54 lakhs |
| 2      | (c) ₹37 lakh   |

**TONNAGE TAXATION**

| Q. No. | Answers        |
|--------|----------------|
| 1      | (c) ₹ 54 lakhs |
| 2      | (c) ₹37 lakh   |

**NON-RESIDENT & NRI TAXATION**

| Q. No. | Answers                                                                                         |
|--------|-------------------------------------------------------------------------------------------------|
| 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 |

**DTAA & ADVANCE RULING (BOAR)**

| Q. No. | Answers                                 |
|--------|-----------------------------------------|
| 1      | (d) Nil                                 |
| 2      | (d) Either a resident or a non-resident |

**TRANSFER PRICING**

| Q. No. | Answers                                                                                                                                                   |
|--------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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)                                                                                                                                      |

**MTC, BEPS, TAX TREATIES & LATEST DEVELOPMENTS**

| Q. No. | Answers                             |
|--------|-------------------------------------|
| 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), 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                                   |

**ASSESSMENT PROCEDURE, APPEALS, DRC, PENALTIES & MISC. PROV.**

| Q. No. | Answers                                                                                                                                                                                                                  |
|--------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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) |

CA SHIRISH VYAS / CA FINAL / DIRECT TAX / MCO'S

|    |                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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) (i), (ii) and (iii) above                                                                                                                                                                                                                                                                                                                                                                                                   |
| 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                                                                                                                                                                                                                                                                                                                                                                                                           |
| 19 | (c) Yes; Penalty@30% of undisclosed income would be attracted even if Mr. Aakash has voluntarily made a declaration u/s 132(4)                                                                                                                                                                                                                                                                                                  |
| 20 | (c) Yes; Penalty@30% of undisclosed income would be attracted even if Mr. Aakash has voluntarily made a declaration u/s 132(4)                                                                                                                                                                                                                                                                                                  |
| 21 | (d) Penalty of ₹.15,600 leviable in the hands of Mr. Ganesh;<br>No penalty leviable in the hands of Mr. Rajesh.<br>[Calculate tax as per default tax regime & apply 50% penalty]                                                                                                                                                                                                                                                |
| 22 | (b) ₹.2,26,200                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 23 | (c) Yes; penalty is ₹.1,19,600                                                                                                                                                                                                                                                                                                                                                                                                  |

**CASE SCENARIO****Case Scenario – 1 (Tonnage Taxation)**

| Q. No. | Answers             |
|--------|---------------------|
| 1      | (c) ₹ 71,20,454     |
| 2      | (b) ₹944.44 lakhs   |
| 3      | (b) ₹ 20 lakhs      |
| 4      | (d) Yes; ₹ 21 lakhs |
| 5      | (a) ₹ 39.75 lakhs   |

**Case scenario 2 (Business Trust)**

| Q. No. | Answers                                                                                                                                                                                  |
|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1      | (c) Tax is deductible@10% on ₹ 20,000 distributed to Mr. X and @5.2% on ₹ 1 lakh distributed to Mr. Y                                                                                    |
| 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                                                                             |
| 3      | (d) is exempt in the hands of the business trust and in the hands of the unit holders                                                                                                    |
| 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                   |
| 5      | (c) subject to tax in the hands of the business trust at MMR                                                                                                                             |
| 6      | (d) subject to tax in the hands of the unit-holders X and Y; business trust has to deduct tax@10% on ₹ 40,000 distributed to X and at the rates in force on ₹ 2,00,000 distributed to Y. |

**Case scenario 3 (Transfer Pricing)**

| Q. No. | Answers                       |
|--------|-------------------------------|
| 1      | (a) ₹ 6,65,00,000             |
| 2      | (b) ₹ 2,50,00,000             |
| 3      | (a) ₹ 12,01,712               |
| 4      | (b) ₹ 52,41,600               |
| 5      | (c) ₹ 10,42,808               |
| 6      | (c) H Inc., K Inc. and Y Ltd. |

**Case scenario 4 (IFOS, PGBP, CG)**

| Q. No. | Answers                                                                 |
|--------|-------------------------------------------------------------------------|
| 1      | (c) ₹ 50 lakh is taxable as his business income                         |
| 2      | (a) No amount is taxable in the hands of Mr. Rajesh                     |
| 3      | (c) ₹ 38 lakh is taxable as short-term capital gains                    |
| 4      | (b) ₹ 20 lakh is taxable under the head Income from Other Sources       |
| 5      | (a) Yes, tax is deductible at source by both Mr. Rajesh and Mr. Vallish |

**Case scenario 5 (Penalty u/s 270A)**

| Q. No. | Answers                                                 |
|--------|---------------------------------------------------------|
| 1      | (c) (2) and (3) above                                   |
| 2      | (c) (2) and (3) above                                   |
| 3      | (d) ₹ 2,34,000                                          |
| 4      | (c) ₹ 12,48,000                                         |
| 5      | (c) Under-reported income ₹ 12,00,000; penalty ₹ 78,000 |

**Case scenario 6 (TDS/TCS)**

| Q. No. | Answers                                                                                      |
|--------|----------------------------------------------------------------------------------------------|
| 1      | (a) Yes; ₹ 1,000 on 18.06.2024, ₹2,537 on 17.08.2024 and ₹1,050 on 14.02.2025                |
| 2      | (c) Yes; ₹310 on 2.06.2024                                                                   |
| 3      | (c) Yes, the answer of MCO 1 would change to (d) and the answer of MCO 2 would change to (b) |
| 4      | (c) CarParts.com is required to deduct tax at source on ₹ 12 lakhs @0.1%                     |
| 5      | (c) 0.1%                                                                                     |

**Case scenario 7 (TDS/TCS)**

| Q. No. | Answers                                                                                                                                                                                                                                            |
|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 ₹ 50 lakhs) at the 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 ₹ 50 lakhs, at the time of receipt of such amount every month (i.e, from 31.12.2024 and 30.11.2024, respectively). |
| 3      | (b) 5% and 1%, respectively                                                                                                                                                                                                                        |
| 4      | (d) Mr. Ashwath has to collect tax at source on 2.7.2024 on ₹ 10 lakhs                                                                                                                                                                             |

**Case scenario 8 (TDS/TCS)**

| Q. No. | Answers                                                                                                                                                                                                                                            |
|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 ₹ 50 lakhs) at the 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 ₹ 50 lakhs, at the time of receipt of such amount every month (i.e. from 31.12.2024 and 30.11.2024, respectively). |
| 3      | (b) 5% and 1%, respectively                                                                                                                                                                                                                        |
| 4      | (d) Mr. Ashwath has to collect tax at source on 2.7.2024 on ₹ 10 lakhs                                                                                                                                                                             |
| 5      | (a) ₹ 5,70,960                                                                                                                                                                                                                                     |

**Case scenario 9 (TDS/TCS)**

| Q. No. | Answers                                                               |
|--------|-----------------------------------------------------------------------|
| 1      | (c) Yes; TCS of ₹ 500 on 29.9.2024 and TCS of ₹ 6,750 on 1.1.2025     |
| 2      | (c) Yes; TCS of ₹ 1,750 on 11.10.2024 and TCS of ₹ 1,750 on 10.1.2025 |
| 3      | (a) Yes; TCS of ₹ 26,000                                              |
| 4      | (d) No tax is required to be collected at source                      |
| 5      | (d) ₹ 5,40,000                                                        |
| 6      | (b) ₹ 12,900                                                          |

**Case scenario 10 (Trust)**

| Q. No. | Answers                                                                                        |
|--------|------------------------------------------------------------------------------------------------|
| 1      | (c) No, it cannot do so since aggregate receipts from education and hospital exceed ₹ 5 crores |
| 2      | (c) ₹ 15 lakhs                                                                                 |
| 3      | (b) ₹ 46 lakhs                                                                                 |
| 4      | (a) ₹ 36.8 lakhs                                                                               |
| 5      | (d) No; ₹ 4,42,500                                                                             |

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