

**CA/CMA  
FINAL  
MCQ**

**For May 25/ Sept 25/ Jan 26**

**By CA VIJAY SARDA**

# 1. Basics Of Income Tax

## Question 1 [Medium]

X Ltd., a domestic company not opting for the provisions of section 115BAA, has a total income of Rs. 10,01,00,000 for A.Y.2025-26. The gross receipts of X Ltd. for P.Y.2022-23 is Rs. 260 crores. The tax liability of X Ltd. for A.Y.2025-26 is-

- (A) Rs. 2,68,50,000 (B) Rs. 2,79,24,000 (C) Rs. 2,91,49,120 (D) Rs. 3,34,88,000

## Question 2 [Easy]

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

- (A) Surcharge@25% is leviable on income-tax computed on total income of Rs. 2.40 crore, since the total income exceeds Rs. 2 crores.  
(B) Surcharge@15% is leviable on income-tax computed on total income of Rs. 2.40 crore  
(C) Surcharge@15% is leviable in respect of income tax computed on capital gains of Rs. 1.50 crore, since such income exceeds Rs. 1 crore but is less than Rs. 2 crores; in respect of business income of Rs. 90 lakhs, surcharge is leviable@25% on income-tax, since the total income exceeds Rs. 2 crores  
(D) Surcharge@15% is leviable in respect of income tax computed on capital gains of Rs. 1.50 crore, since such income exceeds Rs. 1 crore but is less than Rs. 2 crores; in respect of business income of Rs. 90 lakhs, surcharge is leviable@10% on income tax, since such income exceeds Rs. 50 lakhs but is less than Rs. 1 crore

[Hint: Refer Surcharge Table]

## Question 3 [Difficult]

Mr. Nekinsaan, aged 43 years, provides the following income details for P.Y. 2024-25 as follows:

| Particulars                                                      | Rs. In lakhs |
|------------------------------------------------------------------|--------------|
| Capital Gains under section 112A [Date of transfer - 29/09/2024] | 120          |
| Capital Gains under section 111A [Date of transfer - 25/11/2024] | 110          |
| Other Income                                                     | 520          |

What shall be the tax liability of Mr. Nekinsaan under optional tax regime as per normal provisions of the Income-tax Act, 1961 for A.Y. 2025-26?

- (A) Rs. 2,57,08,440  
(B) Rs. 2,44,42,760  
(C) Rs. 2,60,14,170  
(D) Rs. 2,63,66,240

## Question 4 [Medium]

Mr. Raman, aged 64 years, was not able to provide satisfactory explanation to the Assessing Officer for the investments of Rs. 7 lakhs not recorded in the books of accounts. What shall be the tax payable by him on the value of such investments considered to be deemed income as per Sec 69?

- (A) Rs. 2,18,400
- (B) Rs. 55,000
- (C) Rs. 5,46,000
- (D) Rs. 54,600

**[Hint: Refer Sec 115BBE]**

**Question 5 [Difficult]**

Miss Nisha (45 years) is a non resident individual. For the A.Y. 2025-26, she has earned Long-term capital gain on 31-10-2024 from transfer of listed equity shares (STT has been paid on acquisition and transfer of the said shares)- Rs. 1,80,000 and Other income – Rs. 2,75,000 Calculate the tax liability of Miss Nisha for A.Y. 2025-26 under default tax regime.

- (A) Nil
- (B) Rs. 9,620
- (C) Rs. 5,720
- (D) Rs. 7,150

**[Hint: Refer Sec 115BAC and 87A]**

**Question 6 [Difficult]**

Mr. Ashutosh, aged 65 years and a resident in India, has a total income of Rs. 3,20,00,000 , comprising long term capital gain on 10/05/2024 taxable under section 112 of Rs. 57,00,000 long term capital gain on 10/08/2024 taxable under section 112A of Rs. 65,00,000 and other income of Rs. 1,98,00,000. What would be his tax liability for A.Y. 2025-26 under default tax regime.

- (A) Rs. 90,49,980
- (B) Rs. 98,36,940
- (C) Rs. 90,53,720
- (D) Rs. 85,38,690

**Answers**

| Question No. | Answers |
|--------------|---------|
| 1            | (B)     |
| 2            | (B)     |
| 3            | (D)     |
| 4            | (C)     |
| 5            | (D)     |
| 6            | (A)     |

## 2. Income Tax Authorities

### Question 1: [Easy]

In the course of search operations under section 132 in the month of May, 2025, Mr. Aakash makes a declaration under section 132(4) on the earning of income not disclosed in respect of P.Y. 2024-25. 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, 2025. Is penalty leviable in this case? If so, how much?

- (A) No penalty is attracted since Mr. Aakash has voluntarily made a declaration under section 132(4)
- (B) Yes; Penalty@10% of undisclosed income would be attracted even if Mr. Aakash has voluntarily made a declaration under section 132(4)
- (C) Yes; Penalty@30% of undisclosed income would be attracted even if Mr. Aakash has voluntarily made a declaration under section 132(4)
- (D) Yes; Penalty@60% of undisclosed income would be attracted even if Mr. Aakash has voluntarily made a declaration under section 132(4)

**[Hint: Refer Sec 271AAB]**

### Question 2 [Easy]

In the course of search operations under section 132 in May, 2025, Mr. Hari makes a declaration under section 132(4) on the earning of income in respect of P.Y.2024-25 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 31.7.2025. 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 under section 132(4)
- (B) Yes; penalty@10% is leviable
- (C) Yes; penalty@30% is leviable
- (D) Yes; penalty@60% is leviable

**[Hint: Refer Sec 271AAB]**

### Question 3 [Medium]

The Assessing Officer within his jurisdiction surveyed a popular Cyber Cafe 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 Cafe 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 cybercafe 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 cyber cafe at 1 a.m. is not in order, since he can enter the cyber cafe only after sunrise but before sunset.
- (C) The Assessing Officer's action in entering the cyber cafe 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 cafe only after sunrise but before sunset and he does not have the power to impound books of account under section 133B.

(D) The Assessing Officer's action in entering the cyber cafe 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 under section 133B.

**[Hint: Refer Sec 133A]**

**Question 4 [Medium]**

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?

- (i) The income-tax authority can enter the place of business of the assessee only after sunrise and before sunset.
- (ii) The income-tax authority may enter the place of business only during the hours at which such place is open for conduct of business.
- (iii) 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.
- (iv) The income-tax authority can on no account remove or cause to be removed from the building or place he has entered any books of account or other documents.

The correct answer is-

- (A) (i) and (iii)      (B) (i) and (iv)      (C) (ii) and (iii)      (D) (ii) and (iv)

**[Hint: Refer Sec 133B]**

**Answers**

| Question No. | Answers |
|--------------|---------|
| 1            | (C)     |
| 2            | (D)     |
| 3            | (A)     |
| 4            | (D)     |

# 3. Capital Gains

## Question 1 [Easy]

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 March, 2025. 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 as dividend under the head "Income from other sources" ; 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.

**[Hint: Refer sections 46A ]**

## Question 2 [Medium]

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 Rs. 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 Rs. 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.

**[Hint: Refer section 47 ]**

## Question 3 [Medium]

Mr. Rajan purchased 300 shares in Vaigai Ltd. on 12.1.2017 at a cost of Rs. 2,500 per share. The Fair Market Value (FMV) of the share as on 31.1.2018 is Rs. 1,800. Mr. Rajan sold all the shares of Vaigai Ltd. on 15.7.2024 for Rs. 3,200. Mr. Rajan's brother Mr. Ravi purchased 600 shares in Tapti Ltd. on 25.1.2017 at a cost of Rs. 1,900 per share. The FMV of the share as on 31.1.2018 is Rs. 2,400. Mr. Ravi sold all the shares of Tapti Ltd. on 31.1.2025 for Rs. 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) LTCG of Mr. Rajan Rs. 2, 10,000; Long-term capital loss of Mr. Ravi Rs. 4,20,000
- (B) LTCG of Mr. Rajan Rs. 4,20,000; Long-term capital loss of Mr. Ravi Rs. 4,20,000
- (C) LTCG of Mr. Rajan Rs. 4,20,000; Long-term capital loss of Mr. Ravi Rs. 1,20,000

(D) LTCG of Mr. Rajan Rs. 2,10,000; Long-term capital loss of Mr. Ravi Rs. 1,20,000  
[Hint: Refer section 55(2)(ac)]

**Question 4 [Difficult]**

Mr. Vishal and Mr. Guha sold their residential house property in Pune for Rs. 3 crore and Rs. 4 crores, respectively, in January, 2025. The house property was purchased by them 25 months back. The indexed cost of acquisition is Rs. 1 crore and Rs. 1.75 crore respectively. Mr. Vishal purchased two residential flats, one in Delhi and one in Agra for Rs. 70 lakhs and Rs. 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 Rs. 80 lakhs and Rs. 75 lakhs, respectively. Both of them invested Rs. 30 lakhs in bonds of NHA1 in March, 2025 and Rs. 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) Rs. 70 lakhs and Rs. 95 lakhs, respectively
- (B) Rs. 60 lakhs and Rs. 85 lakhs, respectively
- (C) Nil and Rs. 95 lakhs, respectively
- (D) Nil and Rs. 20 lakhs, respectively

[Hint: Refer sections 54 and 54EC]

**Question 5 [Difficult]**

In P.Y. 2024-25, Mr. A has transferred the following assets:

| Asset transferred          | Full value of consideration (Rs.) | Indexed Cost of Acquisition (Rs.) | Transfer Date |
|----------------------------|-----------------------------------|-----------------------------------|---------------|
| Residential house property | 8 crores                          | 6 crores                          | 25.11.2024    |
| Jewellery                  | 3 crores                          | 2 crores                          | 05.01.2025    |

Mr. A bought a new residential house property on 01.04.2023 for Rs. 1 crore and on 28.02.2025 deposited Rs. 3 crores in a capital gains deposit account scheme. On 01.05.2025, Mr. A has withdrawn Rs. 3 crores from capital gains deposit account and acquired a residential house property worth Rs. 2.5 crore. What would be the capital gains in the hands of Mr. A for A.Y. 2025-26, if the expenses in connection with transfer of jewellery were Rs. 2,00,000?

- (A) Rs. 80,50,000
- (B) Rs. 81,55,705
- (C) Rs. 98,00,000
- (D) Rs. 48,00,000

**Question 6 [Difficult]**

Mr. Ram, an Indian resident, purchased a residential house property at Gwalior on 28.05.1999 for Rs. 28.5 lakhs. The fair market value and the stamp duty value of such house property as on 1.4.2001 was Rs. 33.5 lakhs and Rs. 32.4 lakhs, respectively. On 05.02.2012, Mr. Ram entered into an agreement with Mr. Byomkesh for sale of such property for Rs. 74 lakhs and received an amount of Rs. 3.9 lakhs as advance. However, as Mr. Byomkesh did not pay the balance amount, Mr. Ram forfeited the advance. What would be the indexed cost of acquisition of Mr. Ram if he sells the property on 23.05.2024?

Cost Inflation Index for F.Y 2001-02: 100; F.Y. 2024-25: 363

- (A) Rs. 1,16,58,000
- (B) Rs. 1,07,44,800
- (C) Rs. 89,29,800
- (D) Rs. 1,03,45,500

**Question 7 [Difficult]**

Mr. A (aged 45 years) sold an agricultural land for Rs. 52 lakhs on 04.10.2024 acquired at a cost of Rs. 49.25 lakhs on 13.09.2023 situated at 7 kms from the jurisdiction of municipality having population of 4,00,000 and also sold another agricultural land for Rs. 53 lakhs on 12.12.2024 acquired at a cost of Rs. 46 lakhs on 15.02.2023 situated at 1.5 kms from the jurisdiction of municipality having population of 12,000. What would be the amount of capital gain chargeable to tax in the hands of Mr. A for the A.Y. 2025-26?

CII for F.Y. 2022-23: 331, 2023-24: 348; 2024-2025: 363

- (A) Short-term capital gain of Rs. 9.75 lakhs
- (B) Short-term capital gain of Rs. 7 lakhs
- (C) Long-term capital gain of Rs. 2,72,212
- (D) Long-term capital gain of Rs. 2,50,158

**[Hint: Refer definition of capital asset]**

**Question 8 [Medium]**

A building was acquired on 01.04.1995 for Rs. 20,00,000 and sold for Rs. 80,00,000 on 01.09.2024. The fair market value of the building on 01.04.2001 was Rs. 25,00,000. Its stamp duty value on the same date was Rs. 22,00,000. Determine the capital gains on sale of such building for the A.Y. 2025-26?

CII for F.Y. 2001-02: 100; F.Y. 2024-25: 363

- (A) Rs. 58,00,000
- (B) Rs. 55,00,000
- (C) Rs. 60,00,000
- (D) Rs. 14,000

**Answers**

| Question No. | Answers |
|--------------|---------|
| 1            | (A)     |
| 2            | (D)     |
| 3            | (D)     |
| 4            | (C)     |
| 5            | (B)     |
| 6            | (D)     |
| 7            | (B)     |
| 8            | (A)     |

# 4. Income From other sources

## Question 1: [Easy]

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

- (A) Rs. 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) Rs. 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) Rs. 50 lakhs would be taxable as business income in the hands of Mr. Anjan and Rs. 20 lakhs would be taxable as income from other sources in the hands of Mr. Ashwin
- (D) Rs. 50 lakhs would be taxable as short-term capital gains in the hands of Mr. Anjan and Rs. 20 lakhs would be taxable as income from other sources in the hands of Mr. Ashwin

[Hint: Refer Sec 43CA and 56(2)(x)]

## Question 2 [Easy]

P is a salaried employee. On 1.6.2024, he gets a gift of house property situated in Mumbai (stamp duty value Rs. 80,00,000) from a. On 2.8.2024, P gets a gift of house property in a small town near Pune (stamp duty value Rs. 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 Rs. 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) Rs. 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) Rs. 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) Rs. 81,00,000 shall be chargeable to tax in the hands of P as income from other sources and no capital gains shall arise in the hands of Q and R respectively as gift does not constitute "transfer".
- (D) Rs. 81,50,000 shall be chargeable to tax in the hands of P as income from other sources and no capital gains shall arise in the hands of Q and R respectively as gift does not constitute "transfer"

[Hint: Refer Sec 47 and 56(2)(x)]

## Answers

| Question No. | Answers |
|--------------|---------|
| 1            | (C)     |
| 2            | (C)     |

# 5. PGBP

## Question 1 [Easy]

Mr. Arvind, engaged in the business of wholesale trade, has a turnover of Rs. 90 lakhs for P.Y.2023-24 and Rs. 210 lakhs for P.Y.2024-25. In the P.Y.2024-25, he paid salary of Rs. 3 lakhs to Mr. Hari, a resident, without deduction of tax at source and commission of Rs. 51 lakhs to Mr. Rajesh, a resident, without deduction of tax at source. The disallowance under section 40(a)(ia) while computing business income of A.Y.2025-26 would be-

- (A) Rs. 54,00,000
- (B) Rs. 16,20,000
- (C) Rs. 15,30,000
- (D) Nil

[Hint: Refer Sec 192, 192M and 40(a)(ia)]

## Question 2 [Easy]

Y Ltd. purchased computers for Rs. 10 lakhs on 5th October, 2024, installed the same in its office and put the said computers to use on the same date. The depreciation allowable under section 32 for A.Y.2025-26 in respect of the said computers is-

- (A) Rs. 1.5 lakhs
- (B) Rs. 3 lakhs
- (C) Rs. 4 lakhs
- (D) Rs. 2 lakhs

[Hint: ₹ 10 Lakhs x 40% x 50% ]

## Question 3 [Medium]

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

- (A) Rental income from letting out of residential properties by X Ltd. and Y Ltd. is taxable under the head "Income from house property"
- (B) Rental income from letting out of properties by X Ltd. and Y Ltd. is taxable under the head "Profits and gains of business or profession"
- (C) Rental income from letting out of properties by X Ltd. is taxable under the head "Income from house property" and by Y Ltd. is taxable under the head "Profits and gains of business or profession"
- (D) Rental income from letting out of properties by Y Ltd, is taxable under the head "income from house property" and X Ltd. is taxable under the head "Profits and gains of business or profession"

## Question 4 [Medium]

The turnover of Mr. Aarav, engaged in wholesale trading business for the P.Y.2024-25 is Rs. 2 crore and the gross receipts of Mr. Vishal, engaged in legal profession is Rs. 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 Rs. 1.20 crores through ECS through bank account during the P.Y.2024-25. He receives another Rs. 60 lakhs through ECS through bank account on or before 31.7.2025. Mr. Vishal receives Rs. 30 lakhs by account payee bank draft and Rs. 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 Rs. 11,50,000 and Rs. 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) Rs. 16,00,000 and Rs. 25,00,000, respectively

(B) Rs. 13,60,000 and Rs. 25,00,000, respectively

(C) Rs. 11,50,000 and Rs. 24,75,000, respectively

(D) Rs. 12,40,000 and Rs. 25,00,000, respectively

**[Hint: Refer Sec 44AD & 44ADA]**

### Answers

| Question No. | Answers |
|--------------|---------|
| 1            | (C)     |
| 2            | (D)     |
| 3            | (A)     |
| 4            | (D)     |

# 6. TDS and TCS

## Question 1: [Easy]

Mr. Vallish, employed as Manager with ABC Ltd., pays rent of Rs. 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 194-1, since his annual rent exceeds Rs. 2,40,000
- (B) Mr. Vallish is liable to deduct tax@5% u/s 194-IB every month, since he pays rent of Rs. 50,000 per month
- (C) Mr. Vallish is liable to deduct tax@5% u/s 194-IB on the annual rent in the month of March, since he pays rent of Rs. 50,000 per month
- (D) Mr. Vallish is not liable to deduct tax at source

**[Hint: Refer Sec 194-IB]**

## Question 2 [Medium]

ABC Ltd. took on sub-lease a building from Ms. Jhanvi with effect from 1.7.2024 on a rent of Rs. 20,000 per month. It also took on hire machinery from Ms. Jhanvi with effect from 1.10.2024 on hire charges of Rs. 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 Rs. 2,40,000 p.a. and rent for machinery also does not exceed Rs. 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 Rs. 2,00,000 and @2% on Rs. 1,05,000 (i.e., rent including security deposit)
- (C) Tax has to be deducted@10% on Rs. 1,80,000 and @2% on Rs. 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 Rs. 1,05,000 (i.e., rent including security deposit) for machinery, since the same does not exceed Rs. 1,80,000

**[Hint: Refer Sec 194-I]**

## Question 3 [Medium]

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

- (A) No; TDS provisions are not attracted
- (B) Yes; Tax of Rs. 50,000 is required to be deducted
- (C) Yes; Tax of Rs. 1,25,000 is required to be deducted
- (D) Yes; Tax of Rs. 2,10,000 is required to be deducted

**[Hint: Refer Sec 194N]**

**Question 4 [Difficult]**

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

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

**[Hint: Refer Sec 194M]**

**Question 5 [Difficult]**

Mr. Sanjay, a salaried individual, pays brokerage of Rs. 40 lakhs to Mr. Harish, a broker, on 05.01.2025 to buy a residential house. His father, Mr. Hari, a retired pensioner, makes contract payments of Rs. 15 lakhs, Rs. 25 lakhs and Rs. 12 lakhs on 28.9.2024, 3.11.2024 and 15.2.2025 to Mr. Rajeev, a contractor, for reconstruction of residential house. With respect to the above payments made by Mr. Sanjay and Mr. Hari, which of the following statements is correct?

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

**[Hint: Refer Sec 194M]**

**Answers**

| Question No. | Answers |
|--------------|---------|
| 1            | (D)     |
| 2            | (C)     |
| 3            | (B)     |
| 4            | (A)     |
| 5            | (D)     |

# 7. Deductions

## Question 1: [Easy]

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

- (A) Rs. 138 lakhs      (B) Rs. 120 lakhs  
(C) Rs. 130 lakhs      (D) Rs.150 lakhs

[Hint: Refer Se 80M ]

## Question 2 [Medium]

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

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

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

- (A) Rs. 63,000      (B) Rs. 55,000      (C) Rs. 67,000      (D) Rs. 65,000

[Hint: Refer Se 80D ]

## Question 3 [Medium]

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

- (A) Rs. 1,45,000      (B) Rs. 1,50,000      (C) Rs.1,85,000      (D) Rs. 1,90,000

[Hint: Refer Sec 80TTB and 80C]

## Answers

| Question No. | Answers |
|--------------|---------|
| 1            | (C)     |
| 2            | (A)     |
| 3            | (B)     |

# 8. Assessment Procedure

## Question 1: [Easy]

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

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

**[Hint: Refer Sec 139(1)]**

## Question 2 [Easy]

Which of the following cannot be adjusted in computation of total income while processing the return of income for A.Y. 2025-26 under section 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.

**[Hint: Refer Sec 143(1)]**

## Question 3 [Medium]

Mr. Ram, born on 1.4.1964, has a gross total income of Rs. 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 Rs. 10,000 per month. He visited to Melbourne along with his wife for a month in February, 2024 for which he incurred to and fro flight charges of Rs. 1.20 lakhs. The remaining expenditure for his visa, stay and sightseeing amounting to Rs. 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 Rs. 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 Rs. 1 lakh.

**[Hint: Refer proviso to Sec 139(1)]**

## Question 4 [Difficult]

A survey is conducted u/s 133A in the premises of Mr. Aarav and a search is conducted u/s 132 in the premises of his friend, Mr. Arjun, on 1.5.2024. The Assessing Officer issued notices under section 148 for A.Y. 2022-23, A.Y.2023-24 and A.Y. 2024-25 to Mr. Aarav and Mr. Arjun. However, such notices were not accompanied by the copy of an order passed under section 148A.

Is the action of the Assessing Officer in issuing such notices under section 148 to Mr. Aarav and Mr. Arjun valid?

- (A) No; the action of the Assessing Officer In issuing such notices under section 148 is not valid in both cases.
- (B) Yes; the action of the Assessing Officer in issuing such notices under section 148 is valid in both cases.
- (C) Yes, the action of the Assessing Officer in issuing such notice under section 148 is valid in the case of Mr. Arjun, but not in the case of Mr. Aarav.
- (D) Yes, the action of the Assessing Officer in issuing such notice under section 148 is valid in the case of Mr. Aarav, but not in the case of Mr. Arjun

**[Hint: Refer Sec 148 and 148A]**

**Question 5 [Difficult]**

Mayank, aged 50 years, sold his residential house for Rs. 30 lakhs during the previous year 2021- 22, whereas the stamp duty value of the same was Rs. 38 lakhs. He computed a long-term capital gain of Rs. 5 lakhs by taking the full value of consideration as Rs. 30 lakhs and paid tax accordingly by filing his return of income under section 139(1). During the previous year 2024-25, he wants to correct the full value of consideration by filing an updated return under section 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) Rs. 57,200      (B) Rs. 83,200      (C) Rs. 1,66,400      (D) Rs. 1,14,400

**[Hint: Refer Sec 140(3)]**

**Answers**

| Question No. | Answers |
|--------------|---------|
| 1            | (D)     |
| 2            | (D)     |
| 3            | (C)     |
| 4            | (C)     |
| 5            | (B)     |

# 9. Appeals and Revision

## Question 1: [Easy]

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

- (A) An order of penalty under section 2718 for failure to get accounts audited.
- (B) An order made under section 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.
- (D) An order made under section 201 deeming a person to be an assessee-in-default for non-deduction of tax at source.

**[Hint: Refer Sec 246A]**

## Question 2 [Easy]

Mr. Rajesh is aggrieved by an order passed by the Commissioner of Income-tax imposing penalty under section 270A for under-reporting of income on 15.12.2024. 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.
- (D) He can file an appeal to Appellate Tribunal u/s 253 within two months from the end of month in which the order is communicated to him.

**[Hint: Refer Sec 253]**

## Question 3 [Medium]

Which of the following orders can be revised by the Principal Commissioner under section 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 under section 92CA or cancelling the said order and directing a fresh order.

What is the time limit for revision under section 263?

The correct answer is-

- (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.

**[Hint: Refer Sec 263]**

#### Question 4 [Medium]

The assessment of M/s. Epsilon Associates for A.Y.2023-24 was made u/s 143(3) on 28th December, 2024. The Assessing Officer added Rs. 3 lakhs being 30% of Rs. 10 lakh, for non-deduction of tax at source and Rs. 4 lakhs 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, 2025. What is remedy available to the assessee in respect of disallowance under section 40(a)?

- (A) The assessee can file an application for revision to the Commissioner under section 264.
- (B) The assessee can file an application for rectification under section 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).

**[Hint: Refer Doctrine of total Merger]**

#### Question 5 [Medium]

Mr. X is aggrieved by an order passed under section 143(3) by the Assessing Officer. Mr. Y is aggrieved by an order passed under section 272A by the Director General on 31.07.2024. 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
- (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
- (D) Mr. Y has to file an appeal before Commissioner (Appeals) u/s 246A within 60 days of the date on which the order sought to be O appealed against is communicated to him. Mr. X has to file an appeal u/s 253 before the Appellate Tribunal within 30 days of the date of service of the notice of demand relating to the assessment

**[Hint: Refer Sec 246A and 253]**

### Answers

| Question No. | Answers |
|--------------|---------|
| 1            | (C)     |
| 2            | (D)     |
| 3            | (C)     |
| 4            | (B)     |
| 5            | (C)     |

# 10. Clubbing

## Question 1: [Easy]

Mrs. Kavitha, wife of Mr. Sundar, is a partner in a firm. Her capital contribution of Rs. 5 lakhs to the firm as on 01.04.2024 included Rs. 3 lakhs contributed out of gift received from Sundar. On 02.04.2024, she further invested Rs. 1 lakh out of gift received from Sundar. The firm paid interest on capital of Rs. 60,000 and share of profit of Rs. 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 Rs. 40,000 is includible in the income of Mr. Sundar and interest of Rs. 20,000 is includible in the income of Mrs. Kavitha
- (C) Share of profit is exempt but interest of Rs. 36,000 is includible in the income of Mr. Sundar and interest of Rs. 24,000 is includible in the income of Mrs. Kavitha
- (D) Share of profit to the extent of Rs. 30,000 and interest on capital to the extent of Rs. 36000 is includible in the hands of Mr. Sundar

[Hint: Refer Sec 64(1)(iv)]

## Question 2: [Easy]

On 20.10.2024, Pihu (minor child) gets a gift of Rs. 20,00,000 from her fathers friend. On the same day, the amount is deposited as fixed deposit in Pihu's bank account. On the said deposit, interest of Rs. 13,000 was earned during the P.Y. 2024-25. In whose hands the income of Pihu shall be taxable? Also, compute the amount of income that shall be taxable under default regime under section 115BAC

- (A) Income of Rs. 20,11,500 shall be taxable in the hands of Pihu's father
- (B) Income of Rs. 20,13,000 shall be taxable in the hands of Pihu's father
- (C) Income of Rs. 20,11,500 shall be taxable in the hands of Pihu's father or mother, whose income before this clubbing is higher
- (D) Income of Rs. 20,13,000 shall be taxable in the hands of Pihu's father or mother, whose income before this clubbing is higher

[Hint: Refer Sec 64(1A)]

## Question 10 [Difficult]

Pankaj gifted an amount of Rs. 3,00,000 to his wife, Pinky and Rs. 2,00,000 to his daughter, Rinky aged 20 years, on 1st April 2021. Both Pinky and Rinky invested the amounts on the same date in Government of India 11% Taxable Bonds. The interest accrues yearly and is reinvested in the same bonds. Determine what will be the amount taxable in hands of Pinky for A.Y. 2025-26.

- (A) Rs. 4,473
- (B) Rs. 12,132
- (C) Rs. 33,000
- (D) Rs: 36,630

[Hint: Refer Sec 64(1A)]

## Answers

| Question No. | Answers |
|--------------|---------|
| 1            | (C)     |
| 2            | (D)     |
| 3            | (B)     |

# 11. Miscellaneous Provisions

## Question 1: [Easy]

The Assessing Officer imposed penalty of Rs.50 lakhs under section 271AAD on Mr. Rajesh. Can he provisionally attach the property of Mr. Rajesh to protect the interest of the Revenue?

- (A) No, he cannot do so
- (B) Yes, he can do so in the manner provided in the Second Schedule
- (C) Yes, he can do so with the prior approval of the prescribed higher authorities
- (D) Yes, he can do so in the manner provided in the Second Schedule with the prior approval of the prescribed higher authorities

**[Hint: Refer section 281B]**

## Question 2 [Easy]

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

- (A) Only Rs. 12 lakhs from Mr. Z
- (B) Only Rs.10 lakhs from Mr. Y and Rs.12 lakhs from Mr. Z
- (C) Rs.5 lakhs from Mr. W, Rs.8 lakhs from Mr. X, Rs.10 lakhs from Mr. Y and Rs.12 lakhs from Mr. Z
- (D) Rs.2 lakhs from Mr. V, Rs.5 lakhs from Mr. W, Rs.8 lakhs from Mr. X, Rs. 10 lakhs from Mr. Y and Rs. 12 lakhs from Mr. Z

**[Hint: Refer Sec 285BA read with Rule 114E]**

## Question 3 [Easy]

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

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

**[Hint: Refer Sec 281B]**

## Question 4 [Medium]

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

- (i) Cash payment in aggregate of Rs. 6 lakh by Mr. X for purchase of bank drafts during the F.Y. 2024-25
- (ii) Cash deposits aggregating to Rs. 26 lakhs by Mr. Y in his current account during the F.Y.2024-25

- (iii) Cash deposits aggregating to Rs.12 lakhs by Mr. Z in his savings bank account during the F.Y.2024-25
  - (iv) Withdrawals of Rs. 55 lakhs through bearer cheque by Mr. A from his current account during the F.Y.2024-25
  - (v) Credit card payment of Rs.12 lakh during F.Y.2024-25 made by Mr. B by account payee cheque
  - (vi) Credit card payment of Rs. 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)

**[Hint: Refer Sec 285BA Read with Rule 114E]**

**Question 5 [Difficult]**

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

- (i) Rs.8 lakh by EC5 through bank account on 10.04.2024
- (ii) Rs. 18,000 by cash on 18.08.2024
- (iii) Rs. 12,000 by cash on 19.09.2024

During the year, ABC (P) Ltd. Repaid the following loans to XYZ(P) Ltd. -

- (i) Rs.6 lakh by account payee cheque on 15.06.2024
- (ii) Rs.50,000 by cash on 03.07.2024
- (iii) Rs.1,50,000 by ECS through bank account on 03.08.2024
- (iv) Rs.15,000 by cash on 01.09.2024
- (v) Rs.15,000 by cash on 01.10.2024

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

- (A) Rs. 30,000 under section 271D and Rs.80,000 under section 271E
- (B) Rs.18,000 under section 271D and Rs. 50,000 under section 271E
- (C) Rs. 12,000 under section 271D and Rs. 80,000 under section 271E
- (D) Rs. 50,000 under section 271E

**[Hint: Refer Sec 269SS, 269T and 271E]**

**Answers**

| Question No. | Answers |
|--------------|---------|
| 1            | (A)     |
| 2            | (B)     |
| 3            | (C)     |
| 4            | (B)     |
| 5            | (D)     |

# 12. Taxation of Digital Transactions

## Question 1: [Medium]

During the P.Y. 2024-25, BS (P) Ltd. entered into an agreement with TP LLC of Tokyo, Japan which is engaged in providing online advertisement services for promoting its business outside India. As per the agreement, the service charges are fixed at Rs. 90,000 p.m. It paid service charges regularly each month up to January, 2025 and deducted & remitted the taxes/ levy to the credit of the Central Government on time as per the applicable legal provisions. However, for February 2025 and March 2025, the monthly amounts were credited to TP LLC and debited to expenditure A/c on 31.03.2025 with equalization levy payable shown as liability. BS (P) Ltd. has not entered into any international transaction during the P.Y. 2024-25. What is the last date by which BS(P) Ltd. should remit equalization levy for allowance of deduction during the P.Y. 2024-25 of the amount paid and/or payable to TP LLC?

- (A) 31.10.2025
- (B) 07.04.2025
- (C) 30.09.2025
- (D) 30.11.2025

## Question 2 [Medium]

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 Rs. 1.80 crores, rendered online advertisement services to Mr. Rajesh, for which Mr. Rajesh made a payment of Rs. 2 lakhs in the F.Y.2024-25.

- (i) The transaction is subject to equalisation levy since payment exceeding Rs. 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 equalization 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)

[Hint: Refer section 165 and 165A of the Finance Act, 2016]

## Answers

| Question No. | Answers |
|--------------|---------|
| 1            | (A)     |
| 2            | (D)     |

# 13. Non- resident Taxation

## Question 1: [Easy]

Mr. Ranveer, a non-resident, earned interest income of Rs. 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%

[Hint: Refer Sec 115AC]

## Question 2 [Easy]

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. income chargeable to tax under the Income-tax Act, 1961

[Hint: Refer Sec 10(6)(vi)]

## Question 3 [Easy]

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 non-resident
- (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

[Hint: Refer section 9(1)(iii) and section 10(7)]

## Question 4 [Medium]

M Ltd. and N Ltd. are Indian companies which have to pay interest of Rs. 2 lakhs and Rs. 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, 2024 and August, 2024, 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@ 9.36%
- (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%
- [Hint: Refer Sec 194LC]**

**Question 5 [Difficult]**

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

- (A) Rs. 4,21,200
- (B) Rs. 3,87,660
- (C) Rs. 3,12,000
- (D) Rs. 1,77,840

**[Hint: Refer Sec 44B]**

**Answers**

| Question No. | Answers |
|--------------|---------|
| 1            | (B)     |
| 2            | (B)     |
| 3            | (C)     |
| 4            | (B)     |
| 5            | (B)     |

# 14. DTAA

## Question 1 [Medium]

Samraat, a resident Indian, has earned an income of US dollars equivalent to Rs. 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 Rs. 7 lakhs. What would be the deduction available under section 91 for A.Y.2025-26 assuming that Samraat exercises the option to shift out of the default tax regime under section 115BAC?

- (A) Rs. 20,000
- (B) Rs. 7,725
- (C) Rs. 1,950
- (D) Nil

## Answers

| Question No. | Answers |
|--------------|---------|
| 1            | (D)     |

# 15. Tax Treaties

## Question 1: [Easy]

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

[Hint: Refer Subjective Interpretation]

## Answers

| Question No. | Answers |
|--------------|---------|
| 1            | (B)     |

# 16. Transfer Pricing

## Question 1: [Easy]

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 Rs. 125 per metre when the market price per metre was Rs. 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 Rs. 180 per MT
- (D) Transfer pricing provisions would not be attracted in this case due to reasons mentioned in both (b) and (c) above

[Hint: Refer Sec 92BA]

## Question 2 [Easy]

Alpha Ltd.'s total income of A.Y. 2024-25 has increased by Rs. 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.2020-21 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.2014-15 cannot be set-off 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

[Hint: Refer First proviso to Sec 92C(4)]

## Question 3 [Easy]

Y is a foreign company having permanent establishment in India namely X. Z, a non- resident associated enterprise, has invested Rs. 900 crores through debt in X. Earnings before interest, taxes, depreciation and amortisation (EBITDA) of X during the financial year was Rs. 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) Rs. 45 crores
- (B) Rs. 90 crores
- (C) Rs. 30 crores
- (D) Rs. 27 crores

[Hint: Refer Sec 94B]

## Question 4 [Medium]

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
- [Hint: Refer Rule 10CA(7)]**

**Question 5 [Medium]**

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)

**[Hint: Refer Sec 270A and 271AA]**

**Question 6 [Difficult]**

A notified infrastructure debt fund eligible for exemption under section 10(47) of the Income-tax Act, 1961 has to pay interest of Rs. 5 lakhs to a company incorporated in a foreign country. The foreign company incurred expenditure of Rs. 12,000 for earning such interest. The fund also has to pay interest of Rs. 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 Rs. 5 lakhs payable to the foreign company. However, payment of interest to Frank attracts TDS @ 31.2%
- (C) TDS@5.20% is attracted on Rs. 4,88,000 payable to the foreign company. TDS@31.2% is attracted on interest payment of Rs. 3 lakhs to Mr. Frank
- (D) TDS@5.20% is attracted on interest of Rs. 5 lakhs payable to the foreign company. TDS@31.2% is attracted on interest of Rs. 3 lakhs payable to Mr. Frank

**[Hint: Refer Sec 94A]**

**Answers**

| Question No. | Answers |
|--------------|---------|
| 1            | (A)     |
| 2            | (B)     |
| 3            | (A)     |
| 4            | (A)     |
| 5            | (D)     |
| 6            | (D)     |

# 17. Advance Rulings

## Question 1: [Medium]

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

[Hint: Refer Sec 245N]

## Answers

| Question No. | Answers |
|--------------|---------|
| 1            | (D)     |

# 18. BEPS

## Question 1: [Easy]

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

[Hint: Refer Action Plan 15]

## Question 2: [Medium]

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 & 14
- (C) BEPS Action Plan 5 (2nd component - Exchange of information on tax rulings), 11, 12, 13 & 14
- (D) BEPS Action Plan 5 (1st component - Preferential tax regimes), 12, 13 and 14

## Question 3: [Difficult]

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

[Hint: Refer Action Plan 2]

## Answers

| Question No. | Answers |
|--------------|---------|
| 1            | (D)     |
| 2            | (C)     |
| 3            | (D)     |

# 19. Latest Development in International tax

## Question 1: [Easy]

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

[Hint: Refer]

## Question 2 [Easy]

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 3 [Easy]

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 jurisdiction
- (D) 25% of residual profit that will be allocated to market jurisdictions

## Question 4: [Medium]

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)

[Hint: Refer]

## Question 5: [Medium]

In Scope companies are MNCs with –

- (A) Global turnover of above 10 billion euros and profitability above 10% (i.e., PAT/revenue)
- (B) Global turnover of above 10 billion euros and profitability above 20% (i.e., PBT/revenue)
- (C) Global turnover of above 20 billion euros and profitability above 10% (i.e., PBT/revenue)
- (D) Global turnover of above 20 billion euros and profitability above 10% (i.e., PAT/revenue)

[Hint: Refer]

## Answers

| Question No. | Answers |
|--------------|---------|
| 1            | (D)     |
| 2            | (A)     |
| 3            | (D)     |
| 4            | (B)     |
| 5            | (C)     |

# 20. Dispute Resolution

## Question 1: [Difficult]

Which of the following is not a specified order in relation to a dispute under section 245MA?

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

The correct answer is-

- (A) Only (i) above
- (B) (i) and (ii) above
- (C) (i) and (iii) above
- (D) (i), (ii) and (iii) above

[Hint: Refer Sec 245MA read with rule 44DAD]

## Question 2 [Difficult]

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

- (i) Mr. X, who is convicted of an offence punishable under the Prohibition of Benami Transactions Act, 1988
- (ii) Mr. Y, who is convicted of any offence punishable under the Income-tax Act, 1961
- (iii) Mr. Z, in respect of whom proceedings under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 have been initiated for the assessment year for which resolution of dispute is sought
- (iv) Mr. A, in respect of whom penalty under section 271D has been levied for failure to comply with the provisions of section 2695S of the Income-tax Act, 1961

The correct answer is –

- (A) Mr. Y and Mr. A
- (B) Mr. X and Mr. Y
- (C) Mr. X, Mr. Y and Mr. A
- (D) Mr. X, Mr. Y and Mr. Z

[Hint: Refer Sec 245MA]

## Answers

| Question No. | Answers |
|--------------|---------|
| 1            | (D)     |
| 2            | (D)     |

# 21. Assessment Of Various Entities

## Question 1: [Easy]

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 REIT only if the SPV is a specified domestic company; taxable in the hands of unit holders only if SPV does not exercise option under section 115BAA
- (C) exempt in the hand of REIT; exempt in the hands of unit holders only if SPV does not exercise option under section 115BAA
- (D) taxable in the hands of the REIT; exempt unconditionally in the hands of unitholders

## Question 2 [Easy]

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

- (A) The trust has to apply such income for charitable purposes as per the provisions of section 11 to claim exemption in respect of such income.
- (B) The trust can claim exemption u/s 10(1) and 10(15) in respect of its agricultural income and income from bonds of local authority, respectively, without applying such income for charitable purposes.
- (C) The trust can claim exemption u/s 10(15) in respect of its interest income from bonds of local authority, without applying such income for charitable purposes. However, it cannot claim exemption u/s 10(1) in respect of agricultural income without applying such income for charitable purposes.
- (D) The trust can claim exemption u/s 10(1) in respect of its agricultural income. However, exemption u/s 10(15) in respect of its interest income from bonds of local authority is not available if it is claiming the benefit of section 11 and 12.

**[Hint: Refer Sec 11(7)]**

## Question 3 [Medium]

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

- (A) Rs. 13,00,000    (B) Rs. 9,25,000    (C) Rs. 13,25,000    (D) Rs. 17,00,000

## Question 4 [Medium]

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

- (i) Another charitable trust registered u/s 12AB out of its current year income derived from property held under trust
- (ii) An educational institution referred to in section 10(23) (vi) out of its current year income derived from property held under trust

(iii) Another charitable trust registered u/s 12AB out of the accumulated income of the trust  
Which of the above voluntary contributions are permitted as application of income for charitable purposes for A.Y.2025-26 under the provisions of the Income-tax Act, 1961?

(A) None of the above (B) Only (i) above (C) (i) And (ii) above (D) (i) and (iii) above

**[Hint: Refer Sec 11]**

**Question 5 [Difficult]**

A REIT has distributed Rs. 2 crore to its unitholders, which comprises of -

- (i) Rental income from real estate property directly held by it Rs. 80 lakhs
- (ii) Interest income from special purpose vehicle Rs. 50 lakhs
- (iii) Dividend income from special purpose vehicle Rs. 40 lakhs
- (iv) Capital gains on disposal of assets Rs. 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 is exempt in the hands of unit holders.
- (2) Only income referred to in (i) and (ii) are taxable in the hands of REIT. Income referred to in (iii) and (iv) are taxable in the hands of unit holders.
- (3) Only income referred to in (i) and (ii) are taxable in the hands of REIT. Income referred to in (iv) is taxable in the hands of unit holders. Income referred to in (iii) is exempt both in the hands of REIT and unitholders.
- (4) Only income referred to in (iv) is taxable in the hands of REIT. Income referred to in (i) and (ii) is taxable in the hands of unit holders. Income referred to in (iii) is exempt both in the hands of REIT and unitholders.
- (5) Tax is deductible by REIT from income referred to in (i) and (ii).
- (6) Tax is deductible by REIT from income referred to in (iii) and (iv).
- (7) Tax is deductible by REIT only from income referred to in (iv)
- (8) No tax is deductible by REIT since the entire income is taxable in its hands.

The correct option is -

- (A) (1) and (8) above (B) (2) and (6) above
- (C) (3) and (7) above (D) (4) and (5) above

**[Hint: Refer taxability of REIT]**

**Question 6 [Difficult]**

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

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

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

- (A) Rs. 4,42,500    (B) Rs. 4,67,500    (C) Rs. 4,52,500    (D) Rs. 5,05,000

**Question 7 [Easy]**

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

- (A) 8 years  
(B) 6 years  
(C) 7 years  
(D) 10 years

**[Hint: Refer Sec 115VY]**

**Question 8 [Medium]**

Mr. Hari has income of Rs. 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 Rs. 35 lakhs. What would be the tax liability (rounded off) of Mr. Hari for A.Y.2024-25, assuming that he has no other income during the P.Y.2023- 24 and exercises the option to shift out of the default tax regime under section 115BAC?

- (A) Rs. 3,35,400    (B) Rs. 10,00,480    (C) Rs. 11,00,530    (D) Rs. 11,50,550

**Answers**

| Question No. | Answers | Question No. | Answers |
|--------------|---------|--------------|---------|
| 1            | (C)     | 6            | (A)     |
| 2            | (D)     | 7            | (A)     |
| 3            | (B)     | 8            | (C)     |
| 4            | (C)     |              |         |
| 5            | (D)     |              |         |

## 22. Provisions to counteract unethical tax practices

### Question 1: [Easy]

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 Rs. 18 lakhs. Is penalty under section 270A attracted and if so, what is the quantum of penalty?

- (A) No; penalty under section 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 Rs. 3,66,600
- (C) Yes; penalty is Rs. 1,19,600
- (D) Yes; penalty is Rs. 1,83,300

### Question 2 [Easy]

Mr. Mahesh is found to be the owner of two gold chains of 50 gms each (value of which is Rs. 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) Rs. 1,80,960
- (B) Rs. 2,26,200
- (C) Rs. 90,480
- (D) Rs. 1,23,958

[Hint: Refer Sec 115BBE]

### Question 3 [Medium]

Mr. Ganesh and Mr. Rajesh, resident Indians born on 1.7.1963 and 1.4.1944, respectively, have not furnished their returns of income for the P.Y.2024-25. However, the total income assessed in respect of such year under section 144 is Rs. 8 lakhs and Rs. 5 lakhs, respectively. Is penalty leviable under section 270A, and if so, what is the quantum of penalty?

- (A) No penalty is leviable under section 270A in the hands of either Mr. Ganesh or Mr. Rajesh
- (B) Penalty of Rs. 37,400 leviable in the hands of Mr. Ganesh; No penalty leviable in the hands of Mr. Rajesh
- (C) Yes; Rs. 36,400 and Rs. 6,500, respectively
- (D) Penalty of Rs. 15,600 leviable in the hands of Mr. Ganesh; No penalty leviable in the hands of Mr. Rajesh

[Hint: Refer Sec 270A]

### Question 4 [Difficult]

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

(A) Rs. 49 lakhs      (B) Rs. 47 lakhs      (C) Rs. 37 lakhs      (D) Rs. 35 lakhs

**[Hint: Refer Black Money ]**

**Question 5 [Diffcult]**

Mr. Arvind acquired a flat in Country "P" in the P.Y.2018-19 for Rs. 50 lakhs. Out of the said sum, Rs. 20 lakhs were assessed to tax in total income of the P.Y.2018-19 and earlier years. This asset comes to the notice of the Assessing Officer in the previous year 2024- 25. If the value of the flat on 1.4.2024 is Rs. 90 lakhs, the amount chargeable to tax under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 in the year 2024-25 would be:

- (A) Rs. 90 lakhs
- (B) Rs. 70 lakhs
- (C) Rs. 54 lakhs
- (D) Rs. 30 lakhs

**[Hint: Refer Black Money]**

**Answers**

| Question No. | Answers |
|--------------|---------|
| 1            | (C)     |
| 2            | (B)     |
| 3            | (D)     |
| 4            | (C)     |
| 5            | (C)     |

## Case Study 1:

Mr. Subhash is retailer of car spare parts he started his business in May 2022. His turnover for the PY 2023-24 was Rs 10.50 cr. He generally purchases goods from car accessories & Co. only. Car accessories & Co. manufacturers and sells spare parts directly to the customers as well as through an e-commerce platform –CarParts.com Car accessories & Co.'s turnover from the business for the PY 2023-24 was Rs. 15 cr.

The relevant information of purchases made by Mr. Subhash in PY 2024-25 is given hereunder:

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

In addition to the above, Mr. Subhash also purchased spare parts of car accessories & Co. for Rs. 12,00,000 inclusive of GST@ 18% through CarParts.com on 31.12.2024. The Payment was made directly to Car accessories & Co. on 15.01.2025. PAN is duly furnished by Mr. Subhash, Car accessories & Co. and CarParts.com. The GST portion is indicated separately in the invoice of Car Accessories & Co. but it is not shown separately when the goods are purchased through CarParts.com

Based on the above facts, choose the most appropriate answer to Q. No 1 to 5:

### Question 1

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

- (A) Yes; Rs. 1,000 on 18.06.2024, Rs. 2,537 on 17.08.2024 and Rs 1,050 on 14.02.2025
- (B) Yes; Rs. 2,537 on 17.08.2024 and Rs. 1,050 on 14.02.2025
- (C) Yes; Rs. 1,000 on 18.06.2024, Rs. 2,150 on 17.08.2024 and Rs 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; Rs. 1,000 on 30.06.2024, Rs. 2,150 on 17.08.2024 and Rs. 1,050 on 28.02.2025
- (B) Yes; Rs 310 on 02.06.2024, Rs 1,770 on 30.06.2024, Rs. 2,537 on 17.08.2024 and Rs. 1,239 on 28.02.2025
- (C) Yes; Rs. 310 on 02.06.2024
- (D) No, Car accessories & Co. is not liable to collect tax at source

### Question 3

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

- (A) No, the answer of MCQ 1 and 2 would be the same
- (B) Yes, the answer of MCQ 1 would change to (D) but the answer of MCQ 2 would be the same
- (C) Yes, the answer of MCQ 1 would change to (D) and the answer of MCQ 2 would change to (B)
- (D) Yes, the answer of MCQ 1 would change to (D) but the answer of MCQ 2 would change to (A)

### Question 4

Are the provisions of the 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 Rs. 12 lakhs @0.1%
- (B) Car accessories & Co. is required to collect tax at source on Rs. 12 lakhs @ 0.1%
- (C) CarParts.com is required to deduct tax at source on Rs. 12 lakhs @0.1%
- (D) CarParts.com is required to deduct tax at source on Rs. 12 lakhs @1%

### Question 5

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

- (A) 5%
- (B) 1%
- (C) 0.1%
- (D) Car accessories & Co. is not liable to collect tax at source.

### Case Study 2:

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

|                           | % of holding of A Ltd. | Date of declaration of dividend by the company | Date of Distribution of dividend by the company | Amount of dividend [Gross] (Rs) | Interest expenditure on loan borrowed for investment in shares (Rs) |
|---------------------------|------------------------|------------------------------------------------|-------------------------------------------------|---------------------------------|---------------------------------------------------------------------|
| B Ltd., an Indian company | 10%                    | 20.06.2024                                     | 03.07.2024                                      | 2,00,000                        | 45,000                                                              |
| C Inc, a foreign company  | 22%                    | 17.09.2024                                     | 12.10.2024                                      | 4,00,000                        | 90,000                                                              |
| D Inc., a foreign company | 30%                    | 13.11.2024                                     | 28.11.2024                                      | 6,00,000                        | 1,30,000                                                            |
| E ltd., an Indian company | 15%                    | 14.01.2025                                     | 02.02.2025                                      | 3,20,000                        | 70,000                                                              |

A Ltd. declared and distributed dividend of Rs. 6 lakhs for the FY 2023-24 in June, 2024 and dividend of Rs. 7 lakhs for the FY 2024-25 in July, 2025.

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

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

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

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

### Question 1

What is the amount of dividend income includible in the gross total income of A Ltd. for AY 2025-26 under the provisions of the Income tax Act , 1961?

- (A) Rs. 11,85,000
- (B) Rs. 12,16,000
- (C) Rs. 13,15,000
- (D) Rs. 13,36,000

### Question 2

What is the deduction allowable under section 80M to A Ltd. for AY 2025-26?

- (A) 6,00,000
- (B) 7,00,000
- (C) 9,20,000
- (D) 12,16,000

### Question 3

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

- (A) Rs. 1,04,830
- (B) Rs. 1,03,580
- (C) Rs. 1,78,780
- (D) Rs. 78,990

**Question 4**

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

- (A) Resident and Ordinarily resident
- (B) Resident but not ordinarily resident
- (C) Non-resident
- (D) Deemed resident

**Question 5**

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

- (A) Rs. 2,64,260
- (B) Rs. 2,60,520
- (C) Rs. 1,43,520
- (D) Rs. 1,75,760

**Case Study 3:**

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

| Ships forming part of block of assets | WDV as per books as on 01.04.2024<br>(Rs. In lakhs) |
|---------------------------------------|-----------------------------------------------------|
| Qualifying Ship 1                     | 580                                                 |
| Qualifying Ship 2                     | 270                                                 |
| Non- qualifying Ship 3                | 230                                                 |

**Other Information:**

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

LMN shipping Co. is a foreign company whose place of effective management is outside India in the PY 2024-25. Its gross receipts for PY 2024-25 is Rs. 630 lakhs, the break up of which is given hereunder-

|      | Place where goods are shipped        | Place where amount is paid to/received by BMT shipping Co. | Amount paid (Rs. In lakhs) |
|------|--------------------------------------|------------------------------------------------------------|----------------------------|
| (i)  | Goods shipped at ports in India      | In India                                                   | 200                        |
|      |                                      | Outside India                                              | 150                        |
| (ii) | Goods shipped at ports outside India | In India                                                   | 180                        |
|      |                                      | Outside India                                              | <u>100</u>                 |
|      |                                      |                                                            | <b>630</b>                 |

From the information given above, choose the most appropriate answer to MCQ 1 to 5-

### Question 1

What would be the tonnage income of BMT shipping Co. computed under section 115VG for AY 2025-26?

- (A) Rs. 71,05,880
- (B) Rs. 71,12,028
- (C) Rs. 71,20,454
- (D) Rs. 71,26,602

### Question 2

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

- (A) Rs. 850 lakhs
- (B) Rs. 944.44 lakhs
- (C) Rs. 1200 lakhs
- (D) Rs. 970 lakhs

### Question 3

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

- (A) Rs. 16.8 lakhs
- (B) Rs. 20 lakhs
- (C) Rs. 14 lakhs
- (D) Rs. 15 lakhs

### Question 4

Would any amount be taxable under the other provisions of the Income tax Act, 1961 as per section 115VT(5), if BMT Shipping Co. had transferred Rs. 15 lakhs to tonnage tax reserve account during PY 2024-25? If yes, what is the amount so taxable?

- (A) Yes; Rs. 1.80 lakhs
- (B) No amount is taxable as per section 115VT(5), since the amount transferred is more than the minimum reserve requirement
- (C) Yes; Rs. 5 lakhs
- (D) Yes; Rs. 21 lakhs

### Question 5

What shall be the income computed under section 44B of LMN Shipping Co. for AY 2025-26 ?

- (A) Rs. 39.75 lakhs
- (B) Rs. 53 lakhs
- (C) Rs. 26.50 lakhs
- (D) Rs. 47.25 lakhs

### Case Study 4:

Mr. Rajat is a diamond merchant. During the P.Y.2024-25, he has turnover of Rs 20 crores and net profit of Rs. 60 lakhs after taking into account all the permissible deductions. He has invested in shares of various private limited companies, from which dividend of Rs. 12 lakhs is receivable by him. He has two house properties in India, both of which were self-occupied. On one of the properties, he had taken loan of Rs. 50 lakh on which interest payable was Rs. 2,50,000, out of which he paid Rs. 1,80,000 during the year. On his birthday, he received jewellery from his friend (fair market value of which was Rs. 5 lakhs). He had also withdrawn cash of Rs. 1.2 crores during the P.Y. 2024-25 in aggregate from his current account maintained with ABC Bank. Further, he also withdrew Rs. 50 lakhs from a co-operative bank account in October, 2024. He is regularly filing his return of income.

His brother, Mr. Rahul has not filed his return of income for the last five years, even though his total income exceeded the basic exemption limit. He withdrew Rs. 50 lakhs from a co-operative bank account in March, 2025.

Also, Mr. Rajat holds 20% voting power in XYZ Pvt. Ltd. (closely held company and engaged in diamond manufacturing) from which he has obtained loan of Rs. 10 lakhs on 1.4.2024. The company had free reserves of Rs. 8 lakh as on 31.3.2024.

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

### Question 1

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

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

### Question 2

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

- (A) Yes, tax is required to be deducted u/s 194N @5% on Rs. 1.2 crores by ABC Bank and 2% on Rs. 50 lakhs by the co-operative bank
- (B) Yes, tax is required to be deducted @ 2% on Rs. 20 lakhs u/s 194N by ABC Bank
- (C) Yes, tax is required to be deducted @ 5% on Rs. 20 lakhs u/s 194N by ABC Bank
- (D) Yes, tax is required to be deducted u/s 194N @ 5% on Rs. 20 lakhs by ABC Bank and 2% on Rs. 50 lakhs by the co-operative bank

### Question 3

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

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

### Question 4

What is the total income of Mr. Rajat for PY 2024-25, assuming that he has shifted out of the default tax under section 115BAC?

- (A) Rs. 72 lakhs
- (B) Rs. 75 lakhs
- (C) Rs. 83 lakhs
- (D) Rs. 83.20 lakhs

### Question 5

What is the amount of gross tax liability of Mr. Rajat for the AY 2025-26, assuming that he has shifted out of the default tax regime under section 115BAC ?

- (A) Rs. 23,59,500
- (B) Rs. 26,34,060
- (C) Rs. 25,94,060
- (D) Rs. 26,40,924

### Case Study 5:

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

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

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

### Question 1

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

- (A) Rs. 70 lakh is taxable as his business income
- (B) Rs. 60 lakh is taxable as his business income

- (C) Rs. 50 lakh is taxable as his business income
- (D) Rs. 50 lakh is taxable as short term capital gain

**Question 2**

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

- (A) No amount is taxable in the hands of Mr. Rajesh
- (B) Rs. 20 lakhs is taxable under the head of ‘Income from other sources’
- (C) Rs. 10 lakhs is taxable under the head of ‘Income from other sources’
- (D) Rs. 10 lakh is taxable as his business income

**Question 3**

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

- (A) Rs. 18 lakh is taxable as short-term capital gains
- (B) Rs. 23 lakh is taxable as short-term capital gains
- (C) Rs. 38 lakh is taxable as short-term capital gains
- (D) Rs. 18 lakh is taxable as his business income

**Question 4**

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

- (A) No amount is taxable in the hands of Mr. Vallish
- (B) Rs. 20 lakh is taxable under the head ‘Income from other sources’
- (C) Rs. 5 lakh is taxable under the head ‘Income from other sources’
- (D) Rs. 5 lakhs is taxable as his business income

**Question 5**

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

- (A) Yes, tax is deductible at source by both Mr. Rajesh and Mr. Vallish
- (B) No, tax is not deductible at source by either Mr. Rajesh or Mr. Vallish
- (C) Tax is deductible at source by Mr. Rajesh but not by Mr. Vallish
- (D) Tax is deductible at source by Mr. Vallish but not Mr. Rajesh

**Case Study 6:**

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

| Particulars                                                                                        | A Ltd.               | B Ltd.                 |
|----------------------------------------------------------------------------------------------------|----------------------|------------------------|
| Date of setting up/registration                                                                    | 01.09.2019           | 01.11.2024             |
| Main object                                                                                        | Manufacture of steel | Manufacture of apparel |
| Place                                                                                              | Madhya Pradesh       | Warangal in Telangana  |
| Value of new plant and machinery installed and put to use on the date of setting up of the company | Rs. 10 crore         | Rs. 4 crore            |
| Gross Total Income of PY 2024-25                                                                   | Rs. 4.90 crore       | Rs. 2.80 crore         |

|                                                                                            |                                                    |                                                    |
|--------------------------------------------------------------------------------------------|----------------------------------------------------|----------------------------------------------------|
| No. of new employees employed on the date of setting up of the company                     | 1,000                                              | 1,000                                              |
| Monthly emoluments to employees by account payee cheque:<br>500 employees<br>500 employees | Rs. 24,000 per employee<br>Rs. 25,100 per employee | Rs. 24,000 per employee<br>Rs. 26,000 per employee |

| Particulars                                          | C Ltd.                   | D Ltd.                 |
|------------------------------------------------------|--------------------------|------------------------|
| Date of setting up/registration                      | 01.04.2000               | 01.01.2005             |
| Main object                                          | Trading in leather goods | Trading in food grains |
| Place                                                | Tamil Nadu               | Karnataka              |
| Turnover :                                           |                          |                        |
| PY 2020-21                                           | Rs. 347 crore            | Rs. 201 crore          |
| PY 2021-22                                           | Rs. 395 crore            | Rs. 225 crore          |
| PY 2022-23                                           | Rs. 499 crore            | Rs. 251 crore          |
| PY 2023-24                                           | Rs. 350 crore            | Rs. 342 crore          |
| PY 2024-25                                           | Rs. 424 crore            | Rs. 380 crore          |
| Details of income returned & assessed for AY 2025-26 |                          |                        |
| As per return of income filed                        | Rs. 14 crores            | Rs. 17 crores          |
| Income determined u/s 143(1)(a)                      | Rs. 16 crores            | Rs. 20 crores          |
| Income assessed u/s 143(3)                           | Rs. 20 crores            | Rs. 22 crores          |

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

### Question 1

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

- (A) Rs. 70,47,040
- (B) Rs. 22,88,000
- (C) Rs. 25,16,800
- (D) Rs. 17,16,000

### Question 2

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

- (A) Rs. 1,23,32,320
- (B) Rs. 59,89,980
- (C) Rs. 14,59,740
- (D) Rs. 9,95,280

### Question 3

What would be the total income (rounded off) of A Ltd. And B Ltd. For AY 2025-26, if they do not opt for the special provisions of Sec 115BAA/115BAB, as the case may be? Assume that the gross total income reflects the computation under the special provisions.

- (A) Rs. 2,90,00,000; Rs. 2,40,00,000
- (B) Rs. 58,00,000; Rs. 2,40,00,000
- (C) Rs. 2,90,00,000; Rs. 60,00,000
- (D) Rs. 4,90,00,000; Rs. 60,00,000

### Question 4

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

- (A) Rs. 58,24,000
- (B) Rs. 69,88,800
- (C) Rs. 87,36,000
- (D) Rs. 1,04,83,200

### Question 5

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

- (A) Rs. 1,16,48,000
- (B) Rs. 1,39,77,600
- (C) Rs. 2,91,20,000
- (D) Rs. 3,49,44,000

### Case Study 7:

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

- (i) Interest income from Z Ltd. Rs. 10 lakh;
- (ii) Dividend income from Z Ltd. - Rs. 5 lakh;
- (iii) Short-term capital gains on sale of listed shares on 31.10.2024 (STT paid both at the time of purchase and sale) of Indian companies Rs. 4 lakh,
- (iv) Short-term capital gains on sale of developmental properties on 13.04.2024 - Rs. 8 lakh
- (v) Interest received from investments in unlisted debentures of real estate companies Rs, 1 lakh;
- (vi) Rental income from directly owned real estate assets- Rs. 20 lakh

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

Assume that the business trust has distributed the entire Rs. 48 lakh to the unit holders in the P.Y. 2024-25 in the month of March, 2025, Mr. X is a resident holder holding 100 units and Mr.

Y is a non-resident holder holding 500 units. The total number of units subscribed to by all unit holders is 5,000.

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

### Question 1

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

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

### Question 2

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

- (A) The business trust is liable to pay tax @15% plus HEC@4% and at MMR, respectively
- (B) The business trust is liable to pay tax at MMR.
- (C) The business trust enjoys pass through status and hence, it need not pay any tax on such short-term capital gains; such income is subject to tax in the hands of unit holders
- (D) The business trust is liable to pay tax @20% plus HEC @4% and at MMR, respectively

### Question 3

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

- (A) Would be subject to distribution tax in the hands of Z ltd., hence exempt in the hands of the business trust and the unit holders
- (B) Is exempt in the hands of the business trust, since the trust enjoys pass through status in respect of such income; such income is taxable in the hands of the 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 under section 115BAA, then, 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 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 unitholders would be –

- (A) Subject to tax in the hands of unitholders
- (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 hands of 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 unitholders 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 unitholder X@ 10% (on Rs. 40,000) and Y@ the rates in force (on Rs. 2,00,000); such tax has to be deducted at source by the business trust
- (D) Subject to tax in the hands of the unitholders X and Y; business trust has to deduct tax @ 10% on Rs. 40,000 distributed to X and at the rates in force on Rs. 2,00,000 distributed to Y

### Case Study 8:

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

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

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

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

#### Question 1

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

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

The correct answer is:

- (A) (1) and (2) above
- (B) (1) and (3) above
- (C) (2) and (3) above
- (D) (1), (2) and (3) above

### Question 2

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

- (1) He is a partner of a firm which has under reported his 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 disallowance made in assessment qualified u/s 270A(6), penalty leviable on M/s MNO u/s 270A at the time of assessment would be:

- (A) Rs. 3,12,000
- (B) Rs. 1,56,000
- (C) Rs. 4,68,000
- (D) Rs. 2,34,000

### Question 4

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

- (A) Rs. 3,12,000
- (B) Rs. 2,34,000
- (C) Rs. 12,48,000
- (D) Rs. 6,24,000

### Question 5

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

- (A) Under-reported income Rs. 15,00,000; penalty Rs. 1,36,500
- (B) Under-reported income Rs. 12,50,000; penalty Rs. 52,000
- (C) Under-reported income Rs. 12,00,000; penalty Rs. 72,800
- (D) Under-reported income Rs. 12,00,000; penalty Rs. 1,56,000

### Case Study 9:

Mr. Sunil, Mr. Sriram and M. Shyam are three brothers, who are resident Indians in independent retail trade business of food grains in Pune, Thane and Nagpur, respectively. Their turnover for F.Y.2023-24 were Rs. 9 crores, Rs. 10 crores and Rs. 12 crores, respectively. They regularly purchase food grains from another resident, Mr. Ashwath, a wholesaler in Mumbai. The turnover of Mr. Ashwath for F.Y.2023-24 was Rs. 18 crores.

They all follow mercantile system of accounting. The aggregate amount credited by the brothers to the account of Mr. Ashwath during each month of the FY 2024-25 is shown in the table below.

It may be assumed that the entire amount relating to Mr. Ashwath for a particular month is credited to his account on the last date of that month and is paid entirely on the last date of the immediately following month. Likewise, Mr. Ashwath also debits the accounts of Mr. Sunil, Mr. Sriram and Mr. Shyam on the last date of the month with the amount of sales effected during each month.

| Month           | Value of purchases from Mr. Ashwath |                 |                 |
|-----------------|-------------------------------------|-----------------|-----------------|
|                 | Mr. Sunil                           | Mr. Sriram      | Mr. Shyam       |
|                 | Rs.                                 | Rs.             | Rs.             |
| April, 2024     | 5.90 lakhs                          | 7.50 lakhs      | 9.80 lakhs      |
| May, 2024       | 7.10 lakhs                          | 6.85 lakhs      | 8.75 lakhs      |
| June, 2024      | 8.20 lakhs                          | 8.20 lakhs      | 9.45 lakhs      |
| July, 2024      | 6.80 lakhs                          | 6.45 lakhs      | 6.80 lakhs      |
| August, 2024    | 4.90 lakhs                          | 5.95 lakhs      | 6.30 lakhs      |
| September, 2024 | 5.80 lakhs                          | 7.10 lakhs      | 8.15 lakhs      |
| October, 2024   | 7.20 lakhs                          | 8.60 lakhs      | 7.80 lakhs      |
| November, 2024  | 6.70 lakhs                          | 6.80 lakhs      | 9.10 lakhs      |
| December, 2024  | 8.10 lakhs                          | 7.85 lakhs      | 7.90 lakhs      |
| January, 2025   | 9.00 lakhs                          | 8.90 lakhs      | 8.25 lakhs      |
| February, 2025  | 7.90 lakhs                          | 6.70 lakhs      | 7.95 lakhs      |
| March, 2025     | 8.40 lakhs                          | 9.10 lakhs      | 7.75 lakhs      |
| <b>Total</b>    | <b>86 lakhs</b>                     | <b>90 lakhs</b> | <b>98 lakhs</b> |

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

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

### Question 1

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

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

### Question 2

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

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

### Question 3

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

- (A) 20% and 5%, respectively
- (B) 5% and 1%, respectively
- (C) 5%, in both cases
- (D) 1%, in both cases

### Question 4

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

- (A) Mr. Krishna has to deduct tax at source on 30.06.2024 on Rs. 10 lakhs, being the amount in excess of the threshold of Rs. 50 lakhs.
- (B) Mr. Krishna has to deduct tax at source on 02.07.2024 on Rs. 10 lakhs
- (C) Mr. Ashwath has to collect tax at source on 30.06.2024 on Rs. 10 lakhs, being the amount in excess of the threshold of Rs. 50 lakhs.
- (D) Mr. Ashwath has to collect tax at source on 02.07.2024 on Rs. 10 lakhs

### Case Study 10:

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

| Date of credit of services to account of Mr. B | Date of payment to Mr. B | Value of services Provided (Rs.) |
|------------------------------------------------|--------------------------|----------------------------------|
| 31.05.2024                                     | 10.06.2024               | 2,00,000                         |
| 31.10.2024                                     | 10.10.2024               | 1,50,000                         |
| 31.03.2025                                     | 10.04.2025               | 1,40,000                         |

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

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

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

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

Profits of Mr. B computed as per books of account maintained under section 44AA is Rs. 24 lakhs. He has, however, not got his books of account audited.

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

### Question 1

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

- (A) No tax is required to be deducted at source
- (B) Yes; Rs. 5,100
- (C) Yes; Rs 25,500
- (D) Yes; Rs. 1,02,000

### Question 2

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

- (A) No tax is required to be deducted at source u/s 194J
- (B) Yes; Rs. 1,000
- (C) Yes; Rs. 4,000
- (D) Yes; Rs. 10,000

### Question 3

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

- (A) No tax is required to be deducted at source u/s 194M
- (B) Yes; Rs. 600
- (C) Yes; Rs. 1,200
- (D) Yes; Rs. 3,000

### Question 4

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

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

### Question 5

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

- (A) Rs. 5,70,960
- (B) Rs. 4,91,400
- (C) Rs. 5,08,560
- (D) Rs. 5,53,800

### Case Study 11

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

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

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

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

**Question 1**

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

- (A) Rs. 6,65,00,000
- (B) Rs. 4,75,00,000
- (C) Rs. 6,00,00,000
- (D) Rs. 3,65,00,000

**Question 2**

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

- (A) Rs. 3,00,00,000
- (B) Rs. 2,50,00,000
- (C) Rs. 2,00,00,000
- (D) No adjustment is required, since transfer pricing adjustment cannot result in reduction of income

**Question 3**

If UI Ltd. repatriated the excess money on 31.03.2026, what will be the interest income that would be added to its total income of A.Y. 2026-27, if SBI's one-year marginal of lending rate is 11.25% on 01.04.2025 and 10.25% on 01.04.2026? Assume that UI Ltd. suo motu made the primary adjustment in its books of account and filed its return for A.Y. 2025-26 on 30.11.2025.

- (A) Rs. 12,01,712
- (B) Rs. 12,08,333
- (C) Rs. 9,32,363
- (D) Rs. 8,49,486

**Question 4**

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

- (A) Rs. 62,89,920
- (B) Rs. 52,41,600
- (C) Rs. 41,93,280
- (D) Rs. 53,87,200

**Question 5**

If UI Ltd. decides to pay additional income-tax on the entire excess money on 15.03.2026, should interest be calculated and added to its total income of A.Y 2026-27? If so, what is the amount to be added? Assume that SBI one-year marginal cost of lending rate is 11.25% on 01.04.2025 and 10.25% on 01.04.2026-

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

## Case Study 12

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

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

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

One of the customers of the co-operative bank, Mr. K paid Rs. 12 lakhs out of bills for Rs. 15 lakhs raised in respect of the credit card account by account payee cheque and was declared bankrupt thereafter. The actual bad debts of the bank (including bad debts on account of Mr K) during the P.Y 2024-25 were Rs. 20 lakhs. The aggregate average advances made by its rural branches were Rs 120 lakhs. The gross total income of the bank, before any deduction under section 36(1)(vii)/36(1) (viiia) for A.Y 2025-26 is Rs 100 lakhs.

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

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

### Question: 1

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

- (A) Rs. 25,000 and Nil, respectively
- (B) Rs. 10,000 and Rs. 3,90,000, respectively
- (C) Rs. 10,000 and Rs. 1,56,000, respectively
- (D) Rs. 2,10,000 and Rs. 1,96,000, respectively

### Question 2

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

- (A) Only B
- (B) K and B
- (C) A and B
- (D) A, K and B

### Question 3

What is the amount of penalty leviable under section 271FA?

- (A) Rs. 1,01,500
- (B) Rs. 1,17,000
- (C) Rs. 89,000
- (D) Rs. 1,02,000

### Question 4

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

- (A) Rs. 8,64,110
- (B) Rs. 3,17,397
- (C) Rs. 8,61,507
- (D) Rs. 9,17,397

### Case Study 13

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

| Liability           | Amount<br>(Rs. million) | Assets                | Amount<br>(Rs. million) |
|---------------------|-------------------------|-----------------------|-------------------------|
| Paid up capital     | 250                     | Fixed Assets          | 700                     |
| Loans:              |                         | Investments           | 300                     |
| From Y              | 620                     |                       |                         |
| From others         | 180                     |                       |                         |
|                     | 800                     |                       |                         |
| Current liabilities | 150                     | Cash and bank balance | 200                     |
| <b>Total</b>        | <b>1,200</b>            | <b>Total</b>          | <b>1,200</b>            |

Additional information:

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

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

### Question 1

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

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

The most appropriate answer is-

- (A) Only (i)
- (B) (i) and (ii)
- (C) (i) and (iii)
- (D) Only (iv)

### Question 2

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

- (A) Rs. 1,16,25,000
- (B) Rs. 58,12,500
- (C) Rs. 1,55,00,000
- (D) Rs. 77,50,000

### Question 3

If X has accepted the primary adjustment made by the Assessing Officer on 31.03.2026, what should X do if it does not want to treat the excess money as deemed advance?

- (A) The excess money which is available to Y, has to be repatriated to India within 90 days from the due date of filing of return.
- (B) The excess money which is available to Y, has to be repatriated to India within 90 days from the date of order of the Assessing Officer.
- (C) X has to pay additional income-tax @20.9664% on the excess money.
- (D) Either (B) or (C)

### Question 4

If X has accepted the primary adjustment made by the Assessing Officer on 31.03.2026 and the excess money has not been repatriated into India upto 31.03.2027, what would be the consequence if X has not opted to pay additional income-tax ? Assume that SBI one-year marginal cost of lending rate is 10% on 01.04.2026 and 11% on 01.04.2027.

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

### Question 5

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

- (A) Since X has maintained information and documents as prescribed under section 92D, that by itself is sufficient for holding that X has not under-reported its income.
- (B) If the Assessing Officer/Transfer Pricing Officer makes adjustment to X's total income on account of an international transaction not being in accordance with arm's length price, that by itself is sufficient to hold that X has under-reported its income; consequently, penalty u/s 270A is leviable.
- (C) Since X has not reported the transaction as an international transaction, X will be considered to have under-reported its income and penalty will be 50% of the amount of tax payable on the under-reported income.
- (D) Since X has not reported the transaction as an international transaction, X will be considered to have misreported its income and penalty will be 200% of the amount of tax payable on the misreported income.

### Question 6

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

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

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

- (A) Identical adjustment would be made to the income of Y instead of X.
- (B) No adjustment would be required in the hands of X or Y.
- (C) Identical adjustment would be made to the income of Y as well as X.
- (D) Adjustment would still be made to the income of X and no adjustment would be made to the income of Y.

### Case Study 14

LPG, a partnership firm, is engaged in the business of manufacturing of garments. It furnishes you the following data for the year ended 31.03.2025.

#### Profit & Loss Account

| Particulars                                                                                         | Rs.                | Particulars    | Rs.                |
|-----------------------------------------------------------------------------------------------------|--------------------|----------------|--------------------|
| Expenses                                                                                            | 2,36,00,000        | Gross Turnover | 2,55,00,000        |
| Interest to Partners<br>(including Rs. 1,20,000 paid<br>to Gopal for loan given by<br>Gopal HUF )   | 5,40,000           |                |                    |
| Salary to Partners:<br>Jay (Rs. 30,000 p.m.)<br>Gopal (Rs. 28,000 p.m.)<br>Madhav (Rs. 16,000 p.m.) | 8,88,000           |                |                    |
| Net Profit                                                                                          | 4,72,000           |                |                    |
|                                                                                                     | <b>2,55,00,000</b> |                | <b>2,55,00,000</b> |

**Other Information:**

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

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

**Question: 1**

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

- (A) Rs. 5,40,000
- (B) Rs. 4,35,000
- (C) Rs. 2,25,000
- (D) Rs. 1,05,000

**Question 2**

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

- (A) Rs. 10,05,000
- (B) Rs. 8,88,000
- (C) Rs. 8,70,000
- (D) Rs. 6,96,000

**Question 3**

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

- (A) Rs. 3,00,000 and Rs. 1,50,000, respectively
- (B) Rs. 2,25,000 and Rs. 1,50,000, respectively
- (C) Rs. 1,50,000 and Rs. 1,12,500, respectively
- (D) Rs. 2,25,000 and Rs. 1,12,500, respectively

**Question 4**

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

- (A) Rs. 6,30,250
- (B) Rs. 4,12,000
- (C) Rs. 6,04,000
- (D) Rs. 5,29,000

## Case Study 15

X Id. ("X") is an Indian company incorporated on 1<sup>st</sup> October, 2022 with the objective of manufacturing medicines using state-of-the-art technology previously unused in India.

It commences production from 1<sup>st</sup> December, 2022 from its newly-constructed manufacturing facility in Uttar Pradesh, its registered office is also situated at the said manufacturing facility.

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

Profit before giving effect to interest, tax and depreciation allowance of X for F.Y. 2024-25 is Rs. 6,00,00,000, which includes dividend of Rs. 7,50,000 received by X from Y on 1<sup>st</sup> July, 2024.

Additional information:

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

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

### Question 1

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

- (A) No disallowance is attracted since the transaction is at arm's length.
- (B) Rs. 3,00,00,000
- (C) Rs. 1,20,00,000
- (D) Rs. 1,80,00,000

### Question 2

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

- (A) 15%, 15%, 22%, respectively
- (B) 22%, for all income referred to above
- (C) 15%, 22%, 30%, respectively
- (D) 22%, 15%, 30%, respectively

### Question 3

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

- (A) Royalty of Rs. 5 crore is taxable@15% u/s 115BBF
- (B) Royalty of Rs. 5 crore is taxable@10% u/s 115BBF

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

#### Question 4

If X desires to avail the beneficial rate of taxation provided under section 115BAA, then:

- (A) It cannot claim deduction u/s 32(1)(ii) as well as deduction u/s 80JJAA
- (B) It can claim deduction u/s 32(1)(ia) as well as u/s 80JJAA
- (C) It can claim deduction u/s 32(1)(ii) but cannot claim deduction u/s 80JJAA
- (D) It cannot claim deduction u/s 32(1)(ia) but can claim deduction u/s 80JJAA

#### Case Study 16

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

During the FY 2024-25, it earns the following income in India -

- (i) Fee for technical services of Rs. 75,00,000 from ABC Ltd., an Indian company, in pursuance of an agreement made with it and approved by the Central Government. The tax rate on such income under India-Country A tax treaty is 20% on gross income. The fee for technical services is not effectively connected with the branch office in India.
- (ii) DEF Inc. incurred expenses of Rs. 3,00,000 in earning such income from fee for technical services.
- (iii) Sale of shares of Bottle Pvt. Ltd., an Indian company, for Rs. 2,60,00,000 on 15<sup>th</sup> April 2024.
- (iv) Other income Rs. 10,00,000

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

DEF Inc. had made an investment in 100% equity share capital of Bottle Pvt. Ltd., purchased for Rs. 1,75,00,000 on 5<sup>th</sup> November, 2005. The said shares were purchased out of foreign exchange USD 3,50,000 brought from outside India.

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

#### Question 1

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

- (A) The provisions of section 115JB do not get attracted in the hands of DEF Inc., since it is a foreign company
- (B) The provisions of section 115JB do not get attracted in the hands of DEF Inc., since its entire income from India is subject to tax at a rate lower than the rate prescribed u/s 115JB

- (C) The provisions of section 115JB are attracted in the hands of DEF Inc. since it is resident of a country with which India has a DTAA and the branch office of DEF Inc. constitutes permanent establishment in terms of such agreement.
- (D) The provisions of section 115JB are attracted in the hands of DEF Inc., since the provisions of section 115JB are applicable to every company deriving income from India

### Question 2

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

- (A) 20.8% on Rs. 75 lakhs  
(B) 10.4% on Rs. 72 lakhs  
(C) 20% on Rs. 75 lakhs  
(D) 41.6% on Rs. 72 lakhs

### Question 3

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

- (A) The transaction of sale of shares in Bottle Pvt. Ltd. is subject to transfer pricing since DEF Inc. holds more than 26% shares in Bottle Pvt. Ltd. Hence, sale price of Rs. 2,60,00,000 shall be subject to arm's length computation
- (B) Sale of shares in Bottle Pvt. Ltd. shall not be considered as transfer, since DEF Inc. holds whole of the share capital of Bottle Pvt. Ltd.
- (C) Capital gains arising on sale of shares shall be taxable @20% with indexation or 10% without indexation, whichever is beneficial to DEF Inc.
- (D) Capital gains is taxable@10% without benefit of indexation and foreign currency conversion

### Question 4

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

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

### Case Study 17

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

## Mr. Sahil

| Particulars                                                                                                                                                                                                                                                                                                              | Amount (Rs.) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| Amount remitted to his elder son Aarav, who is pursuing two-year MBA Program from Columbia University, USA                                                                                                                                                                                                               |              |
| - Out of own savings through HDFC Bank, an authorized dealer liberalized Remittance Scheme (LRS) of the RBI                                                                                                                                                                                                              |              |
| (i) Towards tuition fees on 05.07.2024                                                                                                                                                                                                                                                                                   | 3,50,000     |
| (ii) To meet day to day expenses for study purpose                                                                                                                                                                                                                                                                       |              |
| - 10.05.2024                                                                                                                                                                                                                                                                                                             | 1,20,000     |
| - 29.09.2024                                                                                                                                                                                                                                                                                                             | 90,000       |
| - 01.01.2025                                                                                                                                                                                                                                                                                                             | 1,35,000     |
| - Through Axis Bank, an authorized dealer under Liberalized Remittance Scheme (LRS) out of                                                                                                                                                                                                                               |              |
| (i) Loan (towards tuition fees) on                                                                                                                                                                                                                                                                                       |              |
| - 11.10.2024                                                                                                                                                                                                                                                                                                             | 3,50,000     |
| - 10.01.2025                                                                                                                                                                                                                                                                                                             | 3,50,000     |
| (ii) Own savings (to meet day to day expenses) on 01.07.2024                                                                                                                                                                                                                                                             | 1,50,000     |
| To complete the formalities of admission, Mr. Sahil visited the USA from 10.04.2024 to 13.04.2024 for which he purchased a tour package from M/s Gate 2 travel, a foreign tour operator and remits money under LRS on 05.04.2024. International travel tickets and hotel accommodation are included in the said package. | 5,20,000     |

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

## Mr. Akhil

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

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

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

### **Question: 1**

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

(A) Yes; TCS of Rs. 2,000 on 29.09.2024 and TCS of Rs. 27,000 on 01.01.2025

- (B) Yes; TCS of Rs. 500 on 29.09.2024 and TCS of Rs. 27,000 on 01.01.2025
- (C) Yes; TCS of Rs. 500 on 29.09.2024 and TCS of Rs. 6,750 on 01.01.2025
- (D) No tax is required to be collected at source since receipts do not exceed Rs. 7 lakhs

**Question 2**

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

- (A) Yes; TCS of Rs. 7,500 on 01.07.2024; TCS of Rs. 1,750 on 11.10.2024 and TCS of Rs. 1,750 on 10.01.2025
- (B) Yes; TCS of Rs. 17,500 on 11.10.2024 and TCS of Rs. 17,500 on 10.01.2025
- (C) Yes; TCS of Rs. 1,750 on 11.10.2024 and TCS of Rs. 1,750 on 10.01.2025
- (D) No tax is required to be collected at source, on the remittances for education and for other purposes since each receipt does not exceed Rs. 7 lakh.

**Question 3**

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

- (A) Yes; TCS of Rs. 26,000
- (B) Yes; TCS of Rs. 1,04,000
- (C) No tax is required to be collected at source, since tour package is purchased from a foreign tour operator
- (D) No tax is required to be collected at source, since receipt does not exceed Rs. 7 lakh

**Question 4**

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

- (A) Yes; Rs. 2,500 is required to be collected at source
- (B) Yes; Rs. 37,500 is required to be collected at source
- (C) Yes; Rs. 45,000 is required to be collected at source
- (D) No tax is required to be collected at source

**Question 5**

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

- (A) Rs. 33,88,000
- (B) Rs. 5,48,000
- (C) Rs. 33,96,000
- (D) Rs. 5,40,000

**Question 6**

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

- (A) Rs. 7,47,550
- (B) Rs. 12,900

- (C) Nil
- (D) Rs. 12,480

## Case Study 18

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

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

Mr. Sachdeva bought petrol driven car worth Rs. 50 lakhs and an electric vehicle worth Rs. 70 lakhs on loan from BSM Bank which it sanctioned on 1.4.2022, BSM Bank charged interest of Rs. 5 lakhs on petrol driven car and Rs. 7 lakhs on electric vehicle for the PY 2024-25, Mr. Sachdeva has also taken loan from FRM Bank for his daughter's higher education. He paid Rs. 50,000 as interest to FRM Bank. He also paid Mediclaim of Rs. 20,000 to New India Assurance Scheme for insuring his health.

Mrs. Sachdeva owns a shop of 100 square feet area in Mumbai. She rented it to an architect who gave her an interest-free deposit of Rs. 1,00,000. The rent paid by the architect from 1<sup>st</sup> April, 2024 is Rs. 60,000 per month. Mr. Sachdeva's brother, Mr. Ajay who is a non-resident sold his house at Bandra Kurla Complex, Mumbai to another non-resident, Mr. David, who is based at Germany for a consideration of Rs. 20 crores on 01.09.2024 Mr. Ajay died on 01.11.2024 on account of a car accident.

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

### Question: 1

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

- (A) Rs. 46 lakhs
- (B) Rs. 42 lakhs
- (C) Rs. 40 lakhs
- (D) Rs. 37 lakhs

### Question 2

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

- (A) Rs. 1,70,000
- (B) Rs. 2,20,000
- (C) Rs. 3,70,000
- (D) Rs. 14,20,000

### Question 3

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

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

### Question 4

The Assessing Officer came to know about the transaction of sale of property at BKC, Mumbai on 15<sup>th</sup> December, 2024 and wants to hold Mr. David as an agent of Mr. Ajay u/s 163(1). Can he do so? If not, why ?

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

### Question 5

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

- (A) In Rysha's hands
- (B) In Mr. Sachdeva's hands
- (C) In Mrs. Sachdeva's hands
- (D) It would change every year depending on the parent whose income is higher in that year

### Case Study 19

PQR LLP commenced operations of the business of a new three-star hotel in Baroda, Gujarat on 1.4.2024. The company incurred capital expenditure of Rs. 75 lakh on land in March, 2024 exclusively for the above business, and capitalized the same in its books of account as on 1 April, 2024. Further, during the P.Y. 2024-25, it incurred capital expenditure of Rs. 3 crore (out of which Rs. 1.25 crore was for acquisition of land and Rs. 1.75 crore was for acquisition of building) exclusively for the above business. The payments in respect of the above expenditure were made by account payee cheque. The profits from the business of running this hotel (before claiming deduction under section 35AD) for the A.Y. 2025-26 is Rs. 80 lakh.

Mr. P, one of the partners of the LLP, has commenced the business of manufacture of apparel on 1.10.2024. He employed 220 new employees during the P.Y.2024-25, the details of whom are as follows –

|       | No. of Employees | Date of Employment | Regular/ casual | Total Monthly emoluments per employee (Rs.) |
|-------|------------------|--------------------|-----------------|---------------------------------------------|
| (i)   | 40               | 01.10.2024         | Regular         | 24,000                                      |
| (ii)  | 80               | 01.10.2024         | Regular         | 24,500                                      |
| (iii) | 50               | 01.11.2024         | Casual          | 25,500                                      |
| (iv)  | 30               | 01.11.2024         | Regular         | 25,000                                      |
| (v)   | 20               | 01.12.2024         | Casual          | 24,000                                      |

All regular employees participate in Recognized Provident Fund and their emoluments are paid by account payee cheque. The profits and gains derived from manufacture of apparel that year is Rs. 92 lakhs and his tola, turnover is Rs. 10.20 crores

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

**Question: 1**

Assuming that PQR LLP has fulfilled all the conditions specified for claim of deduction under section 35AD and has not claimed any deduction under Chapter VI-A under the heading "C. - Deductions in respect of certain incomes", what would be the quantum of deduction under section 35AD, which it is eligible to claim as deduction, for A.Y.2025-26?

- (A) Rs. 375 lakh
- (B) Rs. 300 lakh
- (C) Rs. 200 lakh
- (D) Rs. 175 lakh

**Question 2**

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

- (A) Rs. 130 lakh
- (B) Rs. 35 lakh
- (C) (Rs. 45 lakh)
- (D) Rs. 10 lakh

**Question 3**

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

- (A) Rs. 175 lakh; Rs. 35 lakh, respectively
- (B) Rs. 125 lakh; Rs. 85 lakh, respectively
- (C) Rs. 100 lakh; Rs. 110 lakh, respectively
- (D) Rs. 225 lakh; (Rs. 15 lakh), respectively

#### Question 4

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

- (A) Rs. 10,92,000
- (B) Rs. 41,48,140
- (C) Rs. Nil
- (D) Rs. 40,40,000

#### Question 5

Would Mr. P be eligible for deduction under section 80JJAA in the A.Y. 2025-26? If so, what is the quantum of deduction?

- (A) No, he would not be eligible for deduction u/s 80JJAA since the employees have not been employed for 240 days in the P.Y. 2024-25. He can, however, claim deduction thereunder in the P.Y.2025-26.
- (B) Yes; Rs. 63,81,000
- (C) Yes; Rs. 58,68,000
- (D) Yes; Rs. 52,56,000

#### Case Study 20

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

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

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

#### Question 1

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

- (A) No: TDS/TCS provisions are not attracted for FY 2024-25, since the turnover of Mr. Harshit in the immediately preceding financial year i.e., F.Y. 2023-24 does not exceed Rs. 10 crores
- (B) Yes, Mr. Harshit has to deduct tax@0.1% of Rs. 30 lakhs (Rs. 15 lakhs on 18.10.2024 and Rs. 15 lakhs on 11.2.2025)
- (C) Yes, Mr. Pranav has to collect tax@0.1% of Rs. 30 lakhs (Rs. 15 lakhs on 18.10.2024 and Rs. 15 lakhs on 11.2.2024)
- (D) Yes, Mr. Pranav has to collect tax@0.1% of Rs. 80 lakhs

### Question 2

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

- (A) Not applicable, since there is no requirement to deduct or collect tax
- (B) 20%
- (C) 5%
- (D) 1%

### Question 3

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

- (A) Yes; Rs. 25,000
- (B) Yes; Rs. 5,000
- (C) Yes; Rs. 2,500
- (D) No tax is required to be collected at source, since the receipt does not exceed Rs. 7 lakh

### Question 4

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

- (A) TCS@0.5% of Rs. 8 lakhs and TCS@5% of Rs. 12 lakhs are attracted in respect of remittance for son's and daughter's education, respectively.
- (B) TCS@5% of Rs. 8 lakhs and Rs. 5 lakhs are acted in respect of remittance for son's and daughter's education, respectively
- (C) TCS@0.5% of Rs. 8 lakhs and TCS@5% of Rs 5 lakhs are attracted in respect of remittance for son's and daughter's education, respectively.
- (D) TCS@5% of Rs. 8 lakhs is attracted in respect of remittance for son's education, No TCS is attracted in respect of remittance for daughter's education

### Question 5

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

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

## Case Study 21

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

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

| Particulars                                                                                         | Rs.         |
|-----------------------------------------------------------------------------------------------------|-------------|
| Profit of unit located in SEZ                                                                       | 60,00,000   |
| Export sales of above unit received in India in convertible foreign exchange on or before 30.9.2025 | 1,20,00,000 |
| Domestic sales of above unit                                                                        | 40,00,000   |
| Profit from operation of warehousing facility (before considering deduction under section 35AD)     | 1,60,00,000 |

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

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

### Question 1

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

- (A) Rs. 45 lakhs and Rs. 65 lakhs, respectively
- (B) Rs. 22.50 lakhs and Rs. 65 lakhs, respectively
- (C) Rs. 45 lakhs and Rs. 97 lakhs, respectively
- (D) Rs. 22.50 lakhs and Rs. 97 lakhs, respectively

### Question 2

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

- (A) Rs. 38,43,840
- (B) Rs. 31,70,000
- (C) Rs. 46,30,080
- (D) Rs. 19,65,600

### Question 3

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

- (A) Rs. 39,49,750
- (B) Rs. 41,07,740
- (C) Rs. 43,95,280
- (D) Rs. 46,00,670

### Question 4

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

- (A) Yes; Rs. 5,22,340
- (B) Yes; Rs. 7,56,830
- (C) Yes; Rs. 2,63,900
- (D) No

### Question 5

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

- (A) Rs. 12 lakhs
- (B) Rs. 12.10 lakhs
- (C) Rs. 12.20 lakhs
- (D) Rs. 16 lakhs

### Case Study 22

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

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

A survey under section 133A of the Act was conducted in its branch premises in January, 2025 and undisclosed assets of Rs. 90 lakhs were found. Assessment for the assessment year 2024-25 was completed by making addition of the entire undisclosed asset of 90 lakhs. The assessee preferred appeal before CIT (Appeals) who gave complete relief to the assessee. The Income-tax Department wants to file an appeal before ITAT.

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

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

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

**Question 1**

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

- (A) Rs. 20,80,000
- (B) Rs. 20,00,000
- (C) Rs. 18,20,000
- (D) Rs. 10,40,000

**Question 2**

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

- (A) Rs. 70 lakhs
- (B) Rs. 320 lakhs
- (C) Rs. 300 lakhs
- (D) Rs. 550 lakhs

**Question 3**

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

- (A) Rs. 4,00,000
- (B) Rs. 6,00,000
- (C) Rs. 12,00,000
- (D) Rs. 18,00,000

**Question 4**

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

- (A) No, as the tax liability is less than Rs. 60 lakhs
- (B) Yes, as the tax liability is more than Rs. 25 lakhs
- (C) Yes, as the tax liability is more than Rs. 60 lakhs
- (D) No, as the undisclosed asset is less than Rs. 100 lakhs

### Answers [Case Study 1]

| Question No. | Answers |
|--------------|---------|
| 1            | (C)     |
| 2            | (C)     |
| 3            | (C)     |
| 4            | (C)     |
| 5            | (C)     |

### Answers [Case Study 2]

| Question No. | Answers |
|--------------|---------|
| 1            | (B)     |
| 2            | (D)     |
| 3            | (D)     |
| 4            | (C)     |
| 5            | (C)     |

### Answers [Case Study 3]

| Question No. | Answers |
|--------------|---------|
| 1            | (C)     |
| 2            | (B)     |
| 3            | (B)     |
| 4            | (D)     |
| 5            | (A)     |

### Answers [Case Study 4]

| Question No. | Answers |
|--------------|---------|
| 1            | (B)     |
| 2            | (B)     |
| 3            | (D)     |
| 4            | (C)     |
| 5            | (B)     |

### Answers [Case Study 5]

| Question No. | Answers |
|--------------|---------|
| 1            | (C)     |
| 2            | (A)     |
| 3            | (C)     |
| 4            | (B)     |
| 5            | (A)     |

### Answers [Case Study 6]

| Question No. | Answers |
|--------------|---------|
| 1            | (C)     |
| 2            | (A)     |
| 3            | (D)     |
| 4            | (B)     |
| 5            | (A)     |

### Answers [Case Study 7]

| Question No. | Answers |
|--------------|---------|
| 1            | (C)     |
| 2            | (D)     |
| 3            | (D)     |
| 4            | (B)     |
| 5            | (C)     |
| 6            | (D)     |

### Answers [Case Study 8]

| Question No. | Answers |
|--------------|---------|
| 1            | (C)     |
| 2            | (C)     |
| 3            | (D)     |
| 4            | (C)     |
| 5            | (C)     |

### Answers [Case Study 9]

| Question No. | Answers |
|--------------|---------|
| 1            | (D)     |
| 2            | (B)     |
| 3            | (B)     |
| 4            | (D)     |

### Answers [Case Study 10]

| Question No. | Answers |
|--------------|---------|
| 1            | (C)     |
| 2            | (C)     |
| 3            | (A)     |
| 4            | (D)     |
| 5            | (A)     |

### Answers [Case Study 11]

| Question No. | Answers |
|--------------|---------|
| 1            | (A)     |
| 2            | (B)     |
| 3            | (A)     |
| 4            | (B)     |
| 5            | (C)     |

### Answers [Case Study 12]

| Question No. | Answers |
|--------------|---------|
| 1            | (C)     |
| 2            | (B)     |
| 3            | (D)     |
| 4            | (C)     |

### Answers [Case Study 13]

| Question No. | Answers |
|--------------|---------|
| 1            | (C)     |
| 2            | (A)     |
| 3            | (D)     |
| 4            | (C)     |
| 5            | (D)     |
| 6            | (B)     |

### Answers [Case Study 14]

| Question No. | Answers |
|--------------|---------|
| 1            | (C)     |
| 2            | (D)     |
| 3            | (B)     |
| 4            | (C)     |

### Answers [Case Study 15]

| Question No. | Answers |
|--------------|---------|
| 1            | (C)     |
| 2            | (B)     |
| 3            | (B)     |
| 4            | (D)     |

### Answers [Case Study 16]

| Question No. | Answers |
|--------------|---------|
| 1            | (C)     |
| 2            | (C)     |

|   |     |
|---|-----|
| 3 | (D) |
| 4 | (A) |

### Answers [Case Study 17]

| Question No. | Answers |
|--------------|---------|
| 1            | (C)     |
| 2            | (C)     |
| 3            | (A)     |
| 4            | (D)     |
| 5            | (D)     |
| 6            | (B)     |

### Answers [Case Study 18]

| Question No. | Answers |
|--------------|---------|
| 1            | (C)     |
| 2            | (C)     |
| 3            | (A)     |
| 4            | (D)     |
| 5            | (B)     |

### Answers [Case Study 19]

| Question No. | Answers |
|--------------|---------|
| 1            | (D)     |
| 2            | (B)     |
| 3            | (A)     |
| 4            | (B)     |
| 5            | (B)     |

### Answers [Case Study 20]

| Question No. | Answers |
|--------------|---------|
| 1            | (C)     |
| 2            | (D)     |
| 3            | (A)     |
| 4            | (A)     |
| 5            | (C)     |

### Answers [Case Study 21]

| Question No. | Answers |
|--------------|---------|
| 1            | (B)     |
| 2            | (C)     |
| 3            | (D)     |
| 4            | (D)     |
| 5            | (C)     |

## Answers [Case Study 22]

| Question No. | Answers |
|--------------|---------|
| 1            | (C)     |
| 2            | (C)     |
| 3            | (A)     |
| 4            | (C)     |