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CA FINAL (May 2026)
GROUP II - PAPER 4
DIRECT TAX LAWS & INTERNATIONAL TAXATION
SUGGESTED ANSWERS
(Series 2)

PART - I (MCQs)

MCQ - 2 marks each														
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.
C	D	D	B	D	D	B	D	A	C	A	D	C	D	B

PART - II (Descriptive Answers)

Answer 1

Computation of total income of Regal (P) Ltd. for the A.Y. 2026-27 u/s 115BAB

Particulars	₹	₹
Income from House Property		
Rental income [₹ 60,000 x 12] [No deduction is allowable in respect of such income, since the company has opted for concessional regime under section 115BAB. Hence, deduction for municipal taxes paid and deduction@30% of net annual value is not allowable]		7,20,000
Profits and gains of business or profession		
Net profit as per Statement of profit and loss	2,20,00,000	
Add: Income debited to statement of profit and loss, but considered separately or disallowed		
Licence fee for obtaining franchise (Franchise is an intangible asset eligible for depreciation @ 25%. Since one-time licence fee of ₹ 22 lakh paid for obtaining franchise has been debited to statement of profit and loss, the same has to be added back. Depreciation @ 25% has to be provided in respect of the intangible asset since it has been used for more than 180 days during the year)	22,00,000	
Payment in cash to a goods transport operator [₹ 32,000 paid to B & Co., a goods transport operator, in cash is deductible while computing business income, as the disallowance under section 40A(3) would be attracted in case of payment to a transport contractor only when such cash payment exceeds ₹ 35,000. Since it is already debited to statement of profit and loss, no further adjustment is required]	-	

Municipal taxes in respect of let-out part of office premises	8,000	
[Municipal taxes paid in respect of office premises, debited to Statement of Profit and Loss has to be added back to compute business income, since same is to be considered separately under the head "Income from house property"]		
Contribution to approved scientific research association	2,00,000	
[Not allowable as deduction since company is opting for 115BAB]		
Amount paid to contractor without deduction of tax at source [₹ 5 lakhs x 30%]	1,50,000	
[Payment to contractor without deduction of tax at source would attract disallowance at 30% of expenditure under section 40(a)(ia)]		
Depreciation on tangible fixed assets		
[The amount of ₹ 2.20 lakh, being depreciation as per books of account, debited to statement of profit and loss has to be added back]	<u>2,20,000</u>	
	2,47,78,000	
<u>Depreciation under section 32</u>		
Tangible fixed assets	2,60,000	
Intangible asset (Franchise) 25% of ₹ 22,00,000	5,50,000	
Plant & Machinery		
- Normal Depreciation (₹ 20,00,000 x 7.5%, since put to use for less than 180 days during the year)	1,50,000	
- Additional depreciation [not allowable since company is opting for section 115BAB]	<u>-</u>	<u>9,60,000</u>
		2,38,18,000
Less: Income credited to Statement of Profit and Loss, but taxable under other heads of income		
Rental income from letting out of office premises	7,20,000	
(Rental income from letting out a part of the office premises is taxable under "Income from house property". Therefore, it has to be deducted while calculating business income, since the income has been credited to statement of profit and loss)		
Dividend from Gamma Limited	10,000	
Dividend credited to statement of profit and loss account to be deducted as it is taxable under the "Income from other sources"		
Capital gain on sale of shares		
Gain on transfer of shares to be taxed under the head "Capital Gains" [1000 x 180 (280 - 100)]	<u>1,80,000</u>	2,29,08,000
<u>Capital Gains</u>		
Sales consideration (₹ 280 x 1000 shares)	2,80,000	
Less: Cost of acquisition	<u>1,10,000</u>	1,70,000
Higher of		
- Actual cost [₹ 1,00,000 (₹ 100 x 1000)]		
- ₹ 1,10,000, being lower of		
- FMV as on 31.1.2018 of ₹ 1,10,000 [₹ 110 x 1,000]		
- Sale consideration of ₹ 2,80,000 [₹ 280 x 1000]		

Income from Other Sources		
Dividend from Gamma Limited		10,000
Gross Total Income		2,38,08,000
Less: Deduction under section 80JJAA [allowable even though company opts for section 115BAB] 30% of additional employee cost of ₹ 1,40,76,000 [₹ 23,000 x 51 employees employed on 1.4.2025 x 12 months] [See Note below]		<u>42,22,800</u>
Total Income		<u>1,95,85,200</u>
Tax liability		
Tax payable on LTCG @12.5% on ₹ 45,000 in excess of ₹ 1,25,000		5,625
Tax payable on dividend @22% on ₹ 10,000		2,200
Tax payable on rental income @22% on ₹ 7,20,000		1,58,400
Tax @ 15% on ₹ 1,86,85,200 [i.e., business income of ₹ 2,29,08,000 – ₹ 42,22,800]		<u>28,02,780</u>
		29,69,005
Add: Surcharge@10%		<u>2,96,901</u>
		32,65,906
Add: Health and education cess@4%		<u>1,30,636</u>
Tax liability		<u>33,96,542</u>
Tax liability (rounded off)		33,96,540

Note – For the purpose of deduction under section 80JJAA, employees employed on 1.6.2025 and 1.8.2025 do not qualify as additional employees, since their monthly emoluments exceed ₹ 25,000. Employees employed on 1.9.2025 also do not qualify as additional employees, since they have been employed for less than 240 days in P.Y.2025-26. Therefore, only employees employed on 1.4.2025 qualify as additional employees for the purpose of deduction u/s 80JJAA.

Answer 2A

Computation of capital gains of Mr. Sanjay

Particulars	₹	₹
Redemption of BLR growth fund		
Full value of consideration [Redemption value]	1,40,00,000	
Less: Cost of acquisition	<u>1,20,00,000</u>	
Long term capital gains [Since it is debt fund (as more than 65% of the proceeds are invested in debt instruments) and it was held by Mr. Sanjay for more than 24 months immediately preceding the date of its transfer]		20,00,000
Redemption of ABC Strategic fund		
Full value of consideration [Redemption value]	50,00,000	
Less: Cost of acquisition	<u>46,00,000</u>	
Short term capital gains [Since it is a specified mutual fund (as more than 65% of its proceeds are invested in debt instruments) which is acquired on or after 1.4.2023 , this fund would be considered as short-term capital asset as per section 50AA irrespective of period of holding]		4,00,000
Redemption of ABD Midcap fund		

Full value of consideration [Redemption value]	1,18,00,000	
Less: Cost of acquisition	<u>1,15,00,000</u>	
Short term capital gains [Since it is equity-oriented fund (as more than 65% of its proceeds are invested in equity shares of domestic companies) and it was held by Mr. Sanjay for not more than 12 months immediately preceding the date of its transfer]		3,00,000
Redemption of SBA Growth fund		
Full value of consideration [Redemption value]	1,20,00,000	
Less: Cost of acquisition	<u>1,10,00,000</u>	
Long term capital gains [Since it is equity-oriented fund (as more than 65% of its proceeds are invested in equity shares of domestic companies) and it was held by Mr. Sanjay for more than 12 months immediately preceding the date of its transfer]		10,00,000
		37,00,000
Less: Exemption under section 54F		
Capital gain arising on transfer of a long-term capital asset other than a residential house shall not be chargeable to tax to the extent such capital gain is invested in purchase of one residential house in India within one year before or two years after date of transfer of original asset. Therefore, in the present case, the exemption would be available only in respect of long-term capital gains from redemption of BLR growth fund and SBA Growth fund.		
Exemption from long term capital gains from redemption of BLR short term fund [20,00,000 x 1,40,00,000/1,40,00,000]		20,00,000
Exemption from long term capital gains from redemption of SBA Growth fund [10,00,000 x 60,00,000 (2 crores - 1.40 crores)/1,20,00,000]		5,00,000
Capital gains chargeable to tax		12,00,000

Answer 2B**Computation of "Book Profit" for levy of MAT under section 115JB**

Particulars	₹	₹
Net Profit as per Statement of Profit and Loss		83,00,000
Less: Net profit to be decreased by the following amounts as per Explanation 1 to section 115JB:		
Dividend income from listed and unlisted Indian companies, credited to statement of profit and loss [Dividend income from listed and unlisted Indian companies is Taxable u/s 115A @20% in the hands of a foreign company. No adjustment is required]	Nil	
Interest income from an Indian company as per loan agreement, where the loan is given in foreign currency [Since income by way of interest chargeable @5% u/s 115A, being a rate lower than 15%, credited to statement of profit and loss, same has to be reduced to arrive at book profit]	7,00,000	

Fees for technical services under an agreement approved by the Central Government	Nil	
[No adjustment is required since the foreign company carries on business through a permanent establishment i.e., a branch in India. Such income, being effectively connected with the branch in India, is taxable@35% under section 44DA. Since the income is not taxable at a rate less than 15% it should not be reduced for determining book profit]		<u>7,00,000</u>
Book Profit		<u>76,00,000</u>

Computation of tax liability

Particulars	₹	₹
Minimum Alternate Tax on book profit under section 115JB = 15% of ₹ 76,00,000	11,40,000	
Add: Education cess @4%	<u>45,600</u>	11,85,600
Income-tax computed as per the regular provisions of the Act		
- 35% [since Arnold Ltd. is a foreign company] of total income of ₹ 20 lakhs plus FTS ₹ 19 lakhs (₹ 25 lakhs – ₹ 6 lakhs)]	13,65,000	
- Tax@ 20% on dividend of ₹ 12 lakhs from Indian Companies	2,40,000	
- Tax@ 5% on interest of ₹ 7 lakhs from MMS Ltd. as per loan agreement, the loan being given in foreign currency	<u>35,000</u>	
	16,40,000	
Add: Education cess @4%	<u>65,600</u>	17,05,600
Since income-tax computed as per regular provisions of the Income-tax Act, 1961, is higher than MAT liability, income-tax payable would be computed as per the regular provisions of the Income-tax Act,1961:		
Total income-tax liability		<u>17,05,600</u>

Answer 3A

- (i) As per section 11(1A), where a capital asset held under trust (building, in this case) is transferred and only a part of the net consideration is utilized for acquiring another capital asset, the amount of **capital gains deemed to have been utilised** for charitable or religious purposes **shall be the excess of the proceeds utilised over the cost of asset transferred.**

In the present case, **capital gain of ₹ 2,00,000** [₹ 4,20,000 less ₹ 2,20,000] **would arise on transfer of building held under trust.** Further, the trust has invested part of the net consideration i.e., ₹ 3,00,000 out of ₹ 4,20,000, in fixed deposits for the tenure of 2 years.

Where the net consideration on sale of a capital asset is invested in fixed deposits, it is regarded as utilised for acquiring another capital asset. Accordingly, **capital gains utilised for investing in fixed deposits is deemed to be applied for charitable purpose.**

Since only a part of the net consideration of ₹ 3,00,000 out of ₹ 4,20,000 is utilized for investing in fixed deposits, the **amount of capital gains to the extent of ₹ 80,000** (being the excess of proceeds utilized i.e., ₹ 3,00,000 over cost of transferred asset i.e., ₹ 2,20,000) would be **deemed to be utilised** for charitable purpose.

The **balance of ₹ 1,20,000 is taxable in the hands of the trust.** Applying such income to the objects of the trust would make the transaction, tax neutral.

(ii) As per **section 115BBC**, **anonymous donations** received inter alia by trust or institution referred u/s 11 would be **taxable @ 30% in excess of higher of:**

- **5% of the total donations** received by the assessee; or
- **₹ 1 lakh**

However, provisions of section 115BBC would **not apply to anonymous donation** received by trusts/institutions created or established wholly **for religious** and charitable purposes (i.e. partly charitable and partly religious institutions/trusts) other than anonymous donation made with a specific direction that such donation is for any university or other educational institution or any hospital or other medical institution run by such trust or institution.

In the present case, HelpAge trust is established for religious and charitable purposes and runs a temple and a school. During the year, it received anonymous donation of ₹ 3 crores for Temple and ₹ 8 crores for School. Since it received anonymous donation separately for temple and school, the **provisions of section 115BBC would not be attracted in respect of donations of ₹ 3 crores received for Temple.**

However, the **provisions of section 115BBC would be attracted in respect of anonymous donation received for school.**

Answer 3B

Computation of total income of Mr. Suresh

Particulars	₹	₹
Income from House Property [House situated in Country Y]		
Gross Annual Value	2,40,000	
Less: Municipal taxes paid in Country Y	<u>10,000</u>	
Net Annual Value	2,30,000	
Less: Deduction under section 24 – 30% of NAV	<u>69,000</u>	1,61,000
Profits and Gains of Business or Profession		
Income from profession carried on in India	8,00,000	
Less: Business loss in Country “Y” from proprietary business	<u>65,000</u>	
	7,35,000	
Royalty income from a literary book from Country X (after deducting expenses of ₹ 1,00,000)	<u>5,00,000</u>	12,35,000
Income from Other Sources		
Agricultural income in Country X [Not exempt]	60,000	
Dividend income from a company in Country Y	<u>1,50,000</u>	<u>2,10,000</u>
Gross Total Income		16,06,000
Less: Deduction under Chapter VI-A		
Under section 80QQB – Royalty income of a resident from literary book allowable as deduction since the amount has been bought into India with six months from the end of previous year		<u>3,00,000</u>
Total Income		13,06,000
Computation of tax liability of Mr. Suresh		

Tax on total income [30% of ₹ 3,06,000 + ₹ 1,10,000, since Mr. Suresh is a senior citizen, he is eligible for higher basic exemption limit of ₹ 3,00,000]		2,01,800
Add: Health and education cess @4%		<u>8,072</u>
		2,09,872
Less: Deduction under section 90 (See Working Note 1)		39,532
Less: Deduction under section 91 (See Working Note 2)		<u>26,000</u>
Tax Payable		1,44,340

Working Note 1

Calculation of deduction under section 90: Deduction under section 90 is available in respect of Country Y with which India has a DTAA.		
	₹	₹
Foreign tax paid in Country Y on Rental income of ₹ 2,40,000 plus Dividend income of ₹ 1,50,000 @ 15% [Business loss is not allowable as deduction in Country Y and no deduction is available in respect of municipal tax]	58,500	
Income pertaining to Country Y forming part of total income in India		
Income from house property	1,61,000	
Dividend	<u>1,50,000</u>	
	3,11,000	
Less: Loss from business set-off against other business income	<u>65,000</u>	
	<u>2,46,000</u>	
Average rate of tax in India [i.e., ₹ 2,09,870/₹ 13,06,000 x 100]	16.070%	
Tax payable in India on the income forming part of total income @16.070% on ₹ 2,46,000	39,532	
As per Rule 128, lower of tax paid in Country Y and tax payable in India is allowable as deduction		39,532

Working Note 2

Calculation of deduction under section 91: Deduction under section 91 is available in respect of Country X with which India has no DTAA		
		₹
Average rate of tax in India [i.e., ₹ 2,09,870/₹ 13,06,000 x 100]	16.070%	
Average rate of tax in Country X	10%	
Doubly taxed income pertaining to Country X		
Agricultural Income	60,000	
Royalty Income [₹ 6,00,000 - ₹ 1,00,000 (Expenses) - ₹ 3,00,000 (deduction under section 80QCB)]	<u>2,00,000</u>	
	2,60,000	
Deduction under section 91 on ₹ 2,60,000 @10% [being the lower of average Indian tax rate (16.070%) and Country X tax rate (10%)]		26,000

Answer 4A

- (i) As per **section 194-IA, consideration** for transfer of any immovable property **include all charges** in the nature of, inter alia, parking charges, generator cost and swimming pool cost.

In case of more than one transferee, **consideration shall be aggregate of amount paid by all the transferees** for transfer of such property.

In the present case, since aggregate value of consideration of both transferees i.e., of Mr. A and Mrs. A **not less than ₹ 50 lakhs, tax is required to be deducted** at source under section 194-IA **@1% on ₹ 94 lakhs or 1% on ₹ 47 lakhs by Mr. A and 1% on ₹ 47 lakhs by Mrs. A** since consideration of ₹ 94 lakhs is higher than stamp duty value of ₹ 75 lakhs on purchase of flat from M/s XYZ Builders Ltd.

- (ii) M/s PPN Limited, being an employer has to deduct tax at source under section 192 from the salary of Mr. Pankaj at the time of payment by applying average rate of income-tax computed at rates provided in section 115BAC, where an employee does not exercise an option to shift out of this tax regime. While computing tax, employer PPN Ltd. has to consider any other income chargeable to tax and any tax deducted at source and tax collected at source of Mr. Pankaj.

Computation of tax liability of Mr. Pankaj under default tax regime

Particulars	₹
Gross Salary	37,50,000
Less: Standard deduction under section 16(ia)	75,000
	36,75,000
Interest on self-occupied property [Not allowed under default tax regime]	Nil
	36,75,000
Interest on FDR	60,000
Total Income	37,35,000
Tax on ₹ 37,35,000 at slab rate [30% of ₹ 13,35,000 + ₹ 3,00,000]	7,00,500
Add: HEC@4%	28,020
Tax liability	7,28,520
Less: TDS under section 194A @10% on interest on FDR of ₹ 60,000	6,000
TCS under section 206C(1F) @1% on motor car of ₹ 32 lakhs	32,000
Tax liability	6,90,520
M/s PPN Limited has to deduct tax of ₹ 6,90,520.	

- (iii) No deduction of tax under **section 194A** is to be made on interest income credited or paid to co-operative society engaged in banking business.

Accordingly, Union Bank of India (UBI) is **not required to deduct tax** at source under section 194A **on interest on FDR to Urban Co-operative Bank.**

Liability to deduct tax at source under **section 194N** shall not be applicable on payment made to co-operative society engaged in banking business. Accordingly, Union Bank of India is also **not required to deduct tax at source on cash withdrawal by Urban co-operative bank.**

Answer 4B

- (i) A Co. Ltd, Mumbai has manufactured and supplied garments as per the variations and customization in accordance with its AE. However, such customization is not carried by it on the goods sold to other unrelated parties.

In cases of contract manufacturing transactions with AEs, the most appropriate method is the **Transactional Net Margin Method (TNMM)**.

- (ii) DEF Co. Ltd. manufactures semi-finished drugs in bulk and sells them to related parties. In the case of sale of semi-finished goods to related parties, the most appropriate method is the **Cost Plus Method**, in which adjustment of gross profit mark-up is to be made on the direct and indirect costs of production.
- (iii) ZY Ltd., Bengaluru provided identical call centre services to both related and unrelated parties. In respect of provision of services, the most appropriate method can be either the **Comparable Uncontrolled Price (CUP) or Cost Plus Method (CPM) and Transactional Net Margin method (TNMM)**, since in all these three methods there are similar transactions with related parties and unrelated parties; and adjustments are made for functional differences.

Answer 5A

- (i) **Issue Involved:** The issue involved in this case is whether Mr. Rajshekaran's application, for adjustment of tax liability on income surrendered during search by sale of seized gold bars, can be entertained where assessment has not been completed.

Provision applicable: The provision contained in section 132B(1) lays down manner in which the assets seized u/s 132 may be dealt with. An **assessee is entitled to make an application to Assessing Officer for adjustment of seized assets towards existing tax liability**.

Analysis: Here, the application by the assessee is not for adjustment of any existing liability, but "towards the automatic tax liability". In the said provision, the expression used is "the amount of the liability determined". "A liability is determined" **only on completion of the assessment**. Until the assessment is complete, it cannot be postulated that a liability has been crystallized.

Conclusion: Accordingly, the **action of the Assessing Officer** rejecting the application on the ground that such action can be taken only after the assessment is completed and a demand has been quantified, **is justified**.

Note - The facts given in the question are similar to the facts in Hemant Kumar Sindhi & Another v. CIT (2014) 364 ITR 555 wherein the issue came up before the Allahabad High Court. The above answer is based on the rationale of the Allahabad High Court in the said case.

- (ii) **Issue Involved:** The issue under consideration is whether the loss incurred on account of foreign currency fluctuation at the time of repayment of loan taken for financing procurement of capital equipment on lease or hire purchase by its customers would be allowable as revenue expenditure.

Another issue under consideration is whether the Tribunal can entertain a fresh claim for the first time in exercise of its powers under section 254.

Provisions applicable: Under section 37, any expenditure (not being in the nature of expenditure described in sections 30 to 36), and not being in the nature of capital expenditure or personal expenses of the assessee, laid out or expended wholly and exclusively for the purposes of the business or profession shall be allowed in computing income chargeable under the head "Profits and gains of business or profession".

Section 254(1) empowers the Appellate Tribunal to pass such order thereon as it thinks fit, after giving both the parties to the appeal an opportunity of being heard.

Analysis and Conclusion: The activity of the M/s ABC Finance Limited of financing its customers for procurement of capital equipment on lease or hire purchase, was an independent transaction

or activity of the assessee. The transaction of loan between the M/s ABC Finance Limited and UK based company is necessary for carrying on its business of financing.

It was not for creation of an asset of the assessee as such. The loan was wholly and exclusively used for the purpose of business of financing to its customers.

Accordingly, M/s ABC Finance Limited is justified in availing deduction of the entire expenditure or loss suffered by it in connection with such a transaction in terms of section 37.

As regards the restriction in powers to accept a new claim for the first time, such limitation on accepting new claims would apply to the “assessing authority” but would not impinge upon the plenary powers of the Tribunal bestowed under section 254.

Note - The facts given in the question are similar to the facts in **Wipro Finance Ltd. v. CIT (2022) 443 ITR 250** wherein the issue came up before the Supreme Court. The above answer is based on the rationale of the Supreme Court in the said case.

Answer 5B

Advantages of the three-tier structure mandated by BEPS Action Plan 13:

- (a) Taxpayers will be required to **articulate consistent transfer pricing positions**;
- (b) Tax administrations would **get useful information** to assess transfer pricing risks;
- (c) Tax administrations would be able to **make determinations about where their resources can most effectively be deployed**, and, in the event audits are called for, provide information to commence and target audit enquiries;

Static Approach - Under static approach, a term not defined in the treaty to be assigned the meaning as per the domestic law which **prevailed on the date of signing** the international tax treaty.

Ambulatory Approach - Under Ambulatory approach, a term not defined in the treaty to be assigned the meaning as per the domestic law which is **prevailing on the date of application** of the international tax treaty.

Answer 6A

As per section 44AB, every person inter alia carrying on business or profession is required to get his accounts **audited** before the “specified date” by an accountant, if total sales, **turnover** or gross receipts in business **exceeds ₹ 1 crore** in any previous year.

However, tax audit is **not required** in case of such person carrying on business whose total sales, turnover or gross receipts in business **≤ ₹ 10 crore** in the relevant previous year (P.Y.), if -

- **aggregate cash receipts** including amount received for sales, turnover, gross receipts in the relevant previous year **≤ 5% of such receipts**; and
- **aggregate cash payments** including amount incurred for expenditure in the relevant P.Y. **≤ 5% of such payments** or

As per **section 44AD**, a resident individual, HUF or Partnership firm (but not LLP) engaged in eligible business and who has not claimed deduction under section 10AA or Chapter VIA under “C – deductions in respect of certain incomes” whose total turnover/ gross receipts in the P.Y. **≤ ₹ 200 lakhs** (where cash receipts do not exceed 5% of total turnover, higher threshold limit of ₹ 300 lakhs applicable) can declare 8%/6%, as the case may be, of total turnover/sales/gross receipts or a sum higher than aforesaid sum claimed to have been earned by the assessee. However, **a person inter alia carrying on any agency business are not eligible for presumptive provisions of section 44AD.**

In present case, since **Mr. Abhinav Ahuja is carrying on travel agency business**, he is **not eligible for presumptive provisions of section 44AD**, though his turnover does not exceed ₹ 3 crores.

In this case, the turnover of Mr. Abhinav Ahuja exceeds ₹ 1 crore but does not exceed ₹ 10 crore. Accordingly, it has to be seen whether cash receipts exceed 5% of aggregate receipts and cash payments exceed 5% of aggregate payments, to determine whether tax audit is compulsory. During the year, his **cash receipts** are ₹ 13,35,000 plus ₹ 52,500 totaling to ₹ 13,87,500, which is **4.83%** of total receipts of ₹ 2,87,00,000. **Cash payments** made during the year are ₹ 20,58,000 which is **7.98%** of aggregate payments of ₹ 2,58,00,000. Since his cash payments during the year, exceed 5% of aggregate payments made during the year, **he is required to get the accounts audited under section 44AB** and furnish tax audit report on or before the specified date i.e., one month prior to the due date of filing return of income under section 139(1).

Answer 6B

An arrangement which **lacks commercial substance or is deemed to lack commercial substance would be an impermissible avoidance agreement** where the **main purpose** or one of the main purposes of the arrangement is to **obtain a tax benefit**. Accordingly, **GAAR provisions would be attracted** in respect of such impermissible avoidance agreement.

An arrangement, which involves or includes **round tripping of funds, is deemed to lack commercial substance**.

Round trip financing includes any arrangement in which, through a series of transactions—

- (a) **funds are transferred among the parties** to the arrangement; and
- (b) such transactions **do not have any substantial commercial purpose** other than obtaining the tax benefit (but for the purposes of Chapter X-A, on GAAR),

without having any regard to—

- (A) whether or not the funds involved in the round trip financing can be traced to any funds transferred to, or received by, any party in connection with the arrangement;
- (B) the time, or sequence, in which the funds involved in the round trip financing are transferred or received; or
- (C) the means by, or manner in, or mode through, which funds involved in the round trip financing are transferred or received

Answer 6C

Advance ruling pronounced by Board for Advance Rulings is **not binding** on LT Co. Ltd. Section 245W provides that the applicant who is aggrieved by any ruling pronounced or order passed by the Board for Advance Rulings may **appeal to the High Court** against such ruling. He has to do so **within sixty days** from the date of communication of that ruling or order, in prescribed form and manner.

Accordingly, if LT Co. Ltd. is aggrieved by the advance ruling pronounced by BAR, it can file an appeal before the High Court on or before 29th June 20XX. The High Court can **grant extension of a further period of 30 days for filing the appeal**, if it is satisfied, on an application made by LT Co. Ltd. in this behalf, that it was prevented by sufficient cause from presenting the appeal within the 60 days period as specified above.