

The WAY CA test series – SEPT 2025

CA FINAL

P4 : DIRECT TAXATION
SEMI FINAL

04.07.2025

TIME : 3 HRS

Maximum Marks : 100

All Question Papers are uploaded Here 

https://t.me/catestseries_thewaychannel

GENERAL INSTRUCTIONS TO CANDIDATES

1. Write your name and subject name at the top of the first page of your answer sheet
2. The question paper comprises of two parts, Part I and Part II.
3. Part I comprises of MCQs and Part II comprises of descriptive questions.
4. Working notes should form part of answer, if any.
5. Answers should be written only in English.
6. Duration of the examination is 3 hrs only.
7. Students who want to get their paper evaluated follow the instructions given in the channel link above.

PART I

1. Answer all MCQs
2. After each MCQ, four options are given. Choose the correct and most appropriate option, and write the letter corresponding to that option on the first page of your answer sheet.

PART II

1. Question paper comprises 6 questions. Answer Question No. 1 which is compulsory and any 4 out of the remaining 5 questions

The WAY CA test series – SEPT 2025

CA FINAL

P4 : DIRECT TAXATION
SEMI FINAL

04.07.2025

TIME : 3 HRS

Maximum Marks : 100

PART I

30 Marks

1. 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 NHAI in March, 2024 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? $(1 \times 2 = 2)$
- 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 ₹ 300,000

2. 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?

(1 × 2 = 2)

- a) Rs. 2,57,08,440
- b) Rs. 2,44,42,760
- c) Rs. 2,60,14,170
- d) Rs. 2,63,66,240

3. 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.

(1 × 2 = 2)

- a) Rs. 4,473
- b) Rs. 12,132
- c) Rs. 33,000
- d) Rs. 36,630

4. 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.

The WAY CA test series – SEPT 2025

CA FINAL

P4 : DIRECT TAXATION
SEMI FINAL

04.07.2025

TIME : 3 HRS

Maximum Marks : 100

- 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?

(1 × 2 = 2)

- a) (i), (ii), (iii) and (v)
- b) (i), (ii), (iv) and (vi)
- c) (i), (ii), (iv) and (v)
- d) Only (vii)

the WAY

Case Study - 1

A Ltd. is an Indian company which has invested in shares of other Indian and foreign companies. During the P.Y.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] (₹)	Interest expenditure on loan borrowed for investment in shares (₹)
B Ltd., an Indian	10%	20.6.2024	3.7.2024	2,00,000	45,000

The WAY CA test series – SEPT 2025

CA FINAL

P4 : DIRECT TAXATION
SEMI FINAL

04.07.2025

TIME : 3 HRS

Maximum Marks : 100

company					
C Inc, a foreign company	22%	17.9.2024	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%	14.1.2025	2.2.2025	3,20,000	70,000

A Ltd. declared and distributed dividend of ` 6 lakhs for the F.Y.2023-24 in December, 2024 and dividend of ` 7 lakhs for the F.Y.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 grandparents 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 ` 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 a partner with a software development firm in Country Y. His share of profit in the Country Y firm for the F.Y.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 ` 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 ` 14 lakhs from fixed deposits with Bank of India.

The WAY CA test series – SEPT 2025

CA FINAL

P4 : DIRECT TAXATION
SEMI FINAL

04.07.2025

TIME : 3 HRS

Maximum Marks : 100

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] (₹)	Interest expenditure on loan borrowed for investment in shares (₹)
Aakash	10%	December, 2024	60,000	15,000
	10%	July, 2025	70,000	15,000
Aarav	15%	December, 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 Act, 1961 [Ignore the provisions of DTAA, if any, with Country Y for the purpose of answering these questions] you are required to choose the most appropriate answer to the below mentioned questions 5 to 8 (4 × 2 = 8)

5. What is the amount of dividend income includible in the gross total income of A Ltd. for A.Y.2025-26 under the provisions of the Income-tax Act, 1961?
- a) ₹ 11,85,000
 - b) ₹ 12,16,000
 - c) ₹ 13,15,000
 - d) ₹ 13,36,000
6. What is the deduction allowable u/s 80M to A Ltd. for A.Y.2025-26?
- a) ₹ 6,00,000
 - b) ₹ 7,00,000
 - c) ₹ 12,16,000

The WAY CA test series – SEPT 2025

CA FINAL

P4 : DIRECT TAXATION
SEMI FINAL

04.07.2025

TIME : 3 HRS

Maximum Marks : 100

d) ₹ 13,00,000

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

a) ₹ 1,04,830

b) ₹ 78,988

c) ₹ 1,78,780

d) ₹ 93,290

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

a) ₹ 2,64,260

b) ₹ 2,60,520

c) ₹ 1,39,780

d) ₹ 1,75,760

Case Study – 2

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 (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 - 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 u/s 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 9 to 14 (6 × 2 = 12)

9. In respect of the component of interest income from Z Ltd. distributed by the business trust to unit-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
10. 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 -

The WAY CA test series – SEPT 2025

CA FINAL

P4 : DIRECT TAXATION
SEMI FINAL

04.07.2025

TIME : 3 HRS

Maximum Marks : 100

- a) The business trust is liable to pay tax MMR i.e. 39%
- b) The business trust is liable to pay tax@42.744%
- c) The business trust enjoys pass through status and hence, it need not pay any tax on such 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@15.6%/20.8% (w.e.f. from 23rd July 2024) and at MMR, respectively

11. 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

12. If Z Ltd. exercises option u/s 115BAA, then, the dividend component of income from Z Ltd., distributed to unit-holders X and Y-

- a) Would be subject to distribution tax in the hands of Z Ltd., hence exempt in the hands of the business trust and the unit holders
- b) is exempt in the hands of the business trust, since the trust enjoys pass through status in respect of such income; such income is taxable in the hands of X and Y

- c) is taxable in the hands of the business trust; hence, exempt in the hands of the X and Y
- d) is exempt in the hands of the business trust and in the hands of the unit holders X and Y

13. Interest received by the business trust from investments in unlisted debentures of real estate companies and distributed to unit holders would be -

- a) subject to tax in the hands of the unit holders
- b) subject to tax in the hands of the business trust @30%
- c) subject to tax in the hands of the business trust at MMR
- d) subject to tax in the hands of the business trust at the average rate of tax

the WAY

14. The rental component of income from real estate assets received by the business trust and distributed to its unit holders X and Y would be -

- a) subject to tax in the hands of the business trust at MMR
- b) subject to tax in the hands of the business trust@31.2%
- c) subject to tax in the hands of the unit-holder X@10% (on 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 unit-holders 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

15. Mr. Devam has income of ₹ 52 lakhs under the head “Profits and gains of business or profession”. One of his businesses is eligible for deduction@100% of profits u/s 80-IA for A.Y.2024-25. The profit from such business included in the business income is ₹ 35 lakhs. What would be the tax liability (rounded off) of Mr. Devam for A.Y.2025-26, assuming that he has no other income during the P.Y.2024-25 and exercises the option to shift out of the default tax regime u/s 115BAC? (1 × 2 = 2)

- a) ₹ 3,35,400
- b) ₹ 10,00,480
- c) ₹ 11,00,530
- d) ₹ 11,50,550

the WAY

The WAY CA test series – SEPT 2025

CA FINAL

**P4 : DIRECT TAXATION
SEMI FINAL**

04.07.2025

TIME : 3 HRS

Maximum Marks : 100

PART – II

70 Marks

Question : 1(a)

14 Marks

The trading and profit and loss account of Pingu Trading Pvt. Ltd. having business of agricultural produce, consumer items and other products for the year ended 31.03.2025 is as under:

Trading Account

Particulars	Rs	Particulars	Rs
Opening Stock	3,75,000	Sales	1,55,50,000
Purchases	1,25,75,000	Closing Stock	4,50,000
Freight & Cartage	1,26,000		
Gross profit	29,24,000		
	1,60,00,000		1,60,00,000

Profit and Loss Account

Particulars	Rs	Particulars	Rs
Bonus to staff	47,500	Gross profit	29,24,000
Rent of premises	53,500	Income-tax refund	20,000
Advertisement	5,000	Warehousing charges	15,00,000
Bad Debts	75,000		
Interest on loans	1,67,500		
Depreciation	71,500		
Goods and Services tax demand paid	1,08,350		
Miscellaneous expenses	5,25,650		

The WAY CA test series – SEPT 2025

CA FINAL

P4 : DIRECT TAXATION
SEMI FINAL

04.07.2025

TIME : 3 HRS

Maximum Marks : 100

Net profit of the year	33,90,000		
	44,44,000		44,44,000

On scrutiny of records, the following further information and details were extracted/ gathered:

- a. There was a survey under section 133A on the business premises on 31.3.2025 in which it was revealed that the value of closing stocks of 31.3.2024 was ₹ 8,75,000 and a sale of ₹ 75,000 made on 13.3.2025 was not recorded in the books. The value of closing stocks after considering these facts and on the basis of inventory prepared by the department as on 31.3.2025 worked out at ₹ 12,50,000, which was accepted to be correct and not disputed.
- b. Income-tax refund includes amount of ₹ 4,570 of interest allowed thereon.
- c. Bonus to staff includes an amount of ₹ 7,500 paid in the month of December 2024, which was provided in the books on 31.03.2024.
- d. Rent of premises includes an amount of ₹ 5,500 incurred on repairs. The assessee was under no obligation to incur such expenses as per rent agreement.
- e. Advertisement expenses include an amount of ₹ 2,500 paid for advertisement published in the souvenir issued by a political party. The payment is made by way of an account payee cheque.
- f. Miscellaneous expenses include:
 - i. amount of ₹ 15,000 paid towards penalty for non-fulfillment of delivery conditions of a contract of sale for the reasons beyond control,

The WAY CA test series – SEPT 2025

CA FINAL

P4 : DIRECT TAXATION
SEMI FINAL

04.07.2025

TIME : 3 HRS

Maximum Marks : 100

- ii. amount of ₹ 1,00,000 paid to the wife of a director, who is working as junior lawyer for taking an opinion on a disputed matter. The junior advocate of High Courts normally charge only ₹ 25,000 for the same opinion,
- iii. amount of ₹ 1,00,000 paid to an Electoral Trust by cheque.
- g. Goods and Services Tax demand paid includes an amount of ₹ 5,300 charged as penalty for delayed filing of returns and ₹ 12,750 towards interest for delay in deposit of tax.
- h. The company had made an investment of ₹ 25 lakhs on the construction of a warehouse in rural area for the purpose of storage of agricultural produce. This was made available for use from 15.09.2024 and the income from this activity is credited in the Profit and Loss account under the head “Warehousing charges”.
- i. Depreciation under the Income-tax Act, 1961 works out at ₹ 65,000.
- j. Interest on loans includes an amount of ₹ 80,000 paid to Mr. X, a resident, on which tax was not deducted.

Compute the income chargeable to tax for assessment year 2025-26 of Pingu Trading Pvt. Ltd, ignoring MAT and provisions of section 115BAA. Support your answer with working notes.

Question : 2(a)

8 Marks

M/s Sriram Enterprises, a proprietorship having 2 units. Unit 1 is transferred on 1.4.2024 by way of slump sale for a total consideration of `

The WAY CA test series – SEPT 2025

CA FINAL

P4 : DIRECT TAXATION
SEMI FINAL

04.07.2025

TIME : 3 HRS

Maximum Marks : 100

14 lakhs. Unit 1 was started in the year 2005-06. The expenses incurred for this transfer were ` 38,000. Balance Sheet as on 31.3.2024 is as under:

Liabilities	Total (₹)	Assets	Unit 1 (₹)	Unit 2 (₹)	Total (₹)
Own Capital	17,00,000	Land	13,00,000	3,00,000	16,00,000
Revaluation Reserve (for land of unit 1)	5,00,000	Machinery	4,00,000	2,00,000	6,00,000
Bank loan (70% for unit 1)	4,00,000	Debtors	2,00,000	1,40,000	3,40,000
Trade creditors (25% for unit 1)	3,50,000	Patents	2,50,000	1,60,000	4,10,000
Total	29,50,000	Total	21,50,000	8,00,000	29,50,000

Other information:

- Revaluation reserve is created by revising upward the value of the land of Unit 1. The stamp duty value on 1.4.2024 is ` 10 lakhs.
- No individual value of any asset is considered in the transfer deed.
- Patents were acquired on 1.7.2022 on which no depreciation has been charged.
- The value of machinery represents the written down value as per the Income-tax Act, 1961.

Compute the capital gain for the assessment year 2025-26.

Question : 2(b)

6 Marks

The WAY CA test series – SEPT 2025

CA FINAL

P4 : DIRECT TAXATION
SEMI FINAL

04.07.2025

TIME : 3 HRS

Maximum Marks : 100

Mr. Vikas has commenced the business of manufacture of computers on 1.4.2024. He employed 420 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 (₹)
(i)	75	1.4.2024	Regular	24,000
(ii)	125	1.5.2024	Regular	26,000
(iii)	120	1.7.2024	Casual	24,500
(iv)	100	1.9.2024	Regular	24,000

The regular employees participate in recognized provident fund while the casual employees do not. Compute the deduction, if any, available to Mr. Vikas for A.Y.2025-26, if the profits and gains derived from manufacture of computers that year is ₹ 90 lakhs and his total turnover is ₹ 11.48 crores.

What would be your answer if Mr. Vikas has commenced the business of manufacture of leather products on 1.4.2024?

Question : 3(a)

8 Marks

Asma Rani Public Charitable Trust runs a hospital cum rehabilitation centre to treat patients suffering from leprosy. The trust is registered u/s 12AB and following cash system of accounting, furnishes the following information.

- Gross Receipts from Hospital ₹ 560 Lakhs
- Gross Receipts from Rehabilitation ₹ 220 Lakhs

The WAY CA test series – SEPT 2025

CA FINAL

P4 : DIRECT TAXATION
SEMI FINAL

04.07.2025

TIME : 3 HRS

Maximum Marks : 100

- Fees not realised from patients as at 31.03.2025 ₹ 36 Lakhs
- Administration Expenses paid for hospital ₹ 335 Lakhs
- Administration Expenses paid for Rehab. Centre ₹ 138 Lakhs
- Acquired a building for ₹ 150 Lakhs for expansion of Rehabilitation centre (Cost of land included therein ₹ 85 Lakhs). Stamp duty value of land & building on the date of registration was ₹ 185 Lakhs
- Grant received from State Government ₹ 7.50 Lakhs
- Administration expense includes payments of ₹ 12 Lakhs to resident doctors & contractors on which TDS is deducted u/s 192 & 194C but such TDS has not been deducted.
- Voluntary contributions (including corpus Donations for ₹ 10 Lakhs) is ₹ 20 Lakhs. These contributions are included in Gross Receipts of hospital. The corpus donation is invested in modes specified under section 11(5).
- Anonymous donations received ₹ 8 Lakhs.
- Amount donated to Jan kalyan Trust registered u/s 12AB running similar hospital in Bihar (includes Corpus donation ₹ 5 Lakhs from hospital receipts) - ₹ 11 Lakhs
- Repayment of loan taken earlier for construction of Rehabilitation Centre - ₹ 6.65 Lakhs.
- The Trust set apart ₹ 15 Lakhs for acquiring another table & equipment for OT. Form 10 was filed and A.O was duly informed as required u/s 11(2).

Compute the Total Income of the trust and its I.T Liability for the AY 2025-26 assuming that trust has opted for section 115BAC.

Question : 3(b)

6 Marks

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 ` 90 lakh on 1.1.2025, when the stamp duty value was ` 150 lakh. The agreement was, however, entered into on 1.9.2024 when the stamp duty value was ` 140 lakh. Mr. Hari had received a down payment of ` 15 lakh by a crossed cheque from Mr. Rajesh on the date of agreement. Discuss the tax implications in the hands of Mr. Hari and Mr. Rajesh, assuming that Mr. Hari has purchased the building for ` 75 lakh on 12th July, 2023.

Would your answer be different if Hari was a share broker instead of a property dealer?

Question : 4(a)

8 Marks

M/s. Gomati P Ltd., a closely held company, is in the business of growing and manufacturing rubber. The profit & loss account for the year ended 31.03.2025 of the company shows a net profit ₹ 37.65 crores after debiting depreciation of ₹ 30 crores.

The company has provided the following additional information:

- i. The company has deposited ₹ 30 crores in a special account with NABARD on 29.04.2025.

The WAY CA test series – SEPT 2025

CA FINAL

P4 : DIRECT TAXATION
SEMI FINAL

04.07.2025

TIME : 3 HRS

Maximum Marks : 100

- ii. The company has brought forward losses of ₹ 6 crores pertaining to Assessment Year 2023-24. Mr. A who continuously held 60% of shares carrying voting power since incorporation of the company, had sold his entire holding to Mr. B on 01.08.2024.
- iii. The company had an accumulated balance of ₹ 200 crores in the special account with NABARD as on 01.04.2024. It has withdrawn ₹ 40 crores and utilized the same for following purposes:
- Purchase of a new sprinkling machine for use in its operation ₹ 10 crores
 - Purchase of office appliances for corporate office at Chennai ₹ 10 crores,
 - Purchase of computers and accessories ₹ 5 crores,
 - Construction of a godown at a cost of ₹ 1 crore near the rubber estate to store raw rubber,
 - Repairs to machinery ₹ 35 lakhs.
- iv. On 31.03.2025, the company has sold machinery which was purchased on 10.05.2021 for ₹ 10 crores. The purchase of the said machinery was in accordance with the scheme of deposit.
- v. Depreciation allowable as per Tax Audit Report is ₹ 28 crores.

Compute Taxable and Exempt Income of M/s. Gomati (P) Ltd.

Question : 4(b)

6 Marks

Helpage is a charitable trust set up on 1.4.2010 with the object of providing relief to the poor. Later on, in April, 2012, it changed its object

The WAY CA test series – SEPT 2025

CA FINAL

P4 : DIRECT TAXATION
SEMI FINAL

04.07.2025

TIME : 3 HRS

Maximum Marks : 100

to medical relief. It applied for registration on the basis of its new object, i.e., medical relief, on 1.9.2012 and was granted registration under Section 12AA on 1.2.2013.

On 1.4.2024, Helpage got merged with Poor Aid, is not eligible for registration under section 12AB or approval under section 10(23C). All the assets and liabilities of the erstwhile trust became the assets and liabilities of Poor Aid. The trust appointed a registered valuer for the valuation of its assets and liabilities. From the following particulars (including the valuation report), calculate the tax liability in the hands of the trust arising as a result of such merger:

(i) Land

Location	Date of purchase	Stamp duty value on 1.4.2024	Value which the land would fetch, if sold in the open market on 1.4.2024	Book Value on 1.4.2024
		\	\	\
Noida	1.9.2010	55 lakhs	58 lakhs	50 lakhs
Gurgaon	1.9.2013	100 lakhs	120 lakhs	110 lakhs

(ii) Shares

Type of shares	Date of purchase	Face value of each share	Purchase price of each share	Price at which each share is quoted on BSE as on 1.4.2024		Open market value as on 1.4.2024 #
				Highest price	Lowest price	
		\	\	\	\	\
5000 Quoted equity shares of A Ltd.	1.5.2014	100	110	320	300	

The WAY CA test series – SEPT 2025

CA FINAL

P4 : DIRECT TAXATION
SEMI FINAL

04.07.2025

TIME : 3 HRS

Maximum Marks : 100

2000 Preference shares of B Ltd.	1.9.2015	100	100	-	-	180
----------------------------------	----------	-----	-----	---	---	-----

on the basis of report of Merchant Banker

(iii) Liabilities

Book value of liabilities on 1.4.2024 = ₹ 120 lakhs. This includes –

- a. Corpus fund ₹ 12 Lakhs.
- b. Provision for taxation ₹ 8 lakhs; and
- c. Reserves and Surplus ₹ 18 lakhs

the WAY

Question : 5

4 × 2 = 8 Marks

(a) Answer any two out of the following three sub-parts viz (i), (ii), (iii)

- i. ABC Limited owning an industrial undertaking was amalgamated with XYZ Limited on 01.04.2024. All the conditions of section 2(1B) were satisfied.

ABC Limited has the following brought forward losses as assessed till the Assessment Year 2024-25:

	Particulars	₹ (in lakhs)
(i)	Speculative Loss	4
(ii)	Unabsorbed Depreciation	18
(iii)	Unabsorbed expenditure of capital nature on scientific research	2
(iv)	Business Loss	120

XYZ Limited has computed a profit of ` 140 lacs for the financial year 2024-25 before setting off the eligible losses of ABC Limited but after providing depreciation at 15% per annum on ` 150 lakhs, being the consideration at which plant and machinery were transferred to XYZ Limited. The written down value as per Income-tax record of ABC Limited as on 1st April, 2024 was ` 100 lakhs.

The above profit of XYZ Limited includes speculative profit of ` 10 lacs.

Compute the total income of XYZ Limited for Assessment Year 2025-26 and indicate the losses/ other allowances to be carried forward by it.

- ii. In the following independent circumstances, discuss whether the provisions of GAAR would be applicable
- a) Milo Ltd., an Indian company, is making losses for the past several years. Tilo Ltd., another Indian company, having huge profits acquired Ms. Milo Ltd.
 - b) DAMP Inc., a company incorporated in Country A, holds 1000 equity shares in MAP Ltd., an Indian listed entity since 01.04.2016. MAP Ltd. Issued 1000 bonus to DAMP Inc, As per the treaty between India and country A, the capital gain is taxable in the country where the transferor of shares is a resident. The tax laws of Country A, exempt capital gains. DAMP

Inc, sells all the shareholding in MAP Ltd. and earned a capital gain of Rs. 5 Crores

- c) A Ltd., an indian company, incorporates a wholly owned subsidiary company B, in country B which is Low Tax Jurisdiction with equity share capital of Rs. 1 Crore. Out of the equity capital, company B gives loan to C Ltd., an Indian company at the rate of 5%. There is no other activity in Company B.
- d) Bee Ltd., an indian company sets up a unit in SEZ in FY 2019-20 for manufacturing of chemicals. It claims 50% deduction of Rs. 100 crores earned from that unit u/s 10AA of the Act.

the WAY

- iii. Sun Ltd., an Indian company, is engaged in the business of manufacture and sale of carpets. To expand its international sales, it hired the services of a London based company, Shine Inc., for online advertisements. Shine Inc. has no permanent establishment in India. During the year, Sun Ltd. paid 5 lakh to Shine Inc. for such services and deducted the equalization levy on 15.03.2025 and credited it to the account of Central Government on 15.04.2025.

You are required to-

- (i) Compute interest leviable to Sun Ltd. on the delayed payment of equalization levy.

The WAY CA test series – SEPT 2025

CA FINAL

P4 : DIRECT TAXATION
SEMI FINAL

04.07.2025

TIME : 3 HRS

Maximum Marks : 100

(ii) What are the circumstances under which penalty cannot be imposed?

(iii) Sun Ltd. is aggrieved by the order imposing penalty. What is the time limit for filing of appeal against the order of the Assessing Officer imposing the penalty?

Question : 5 (b)

6 Marks

Rudra Ltd. has one unit of Special Economic Zone (SEZ) and other unit of Domestic Tariff area (DTA). The company provides the following details for the previous year 2024-25

Particulars	Rudra Ltd. (₹)	Unit in DTA (₹)
Total Sales	6,50,00,000	2,50,00,000
Export Sales	5,60,00,000	1,60,00,000
Net Profit	70,00,000	20,00,000

Calculate the eligible deduction under section 10AA of the Income tax Act, 1961, for the assessment year 2025-26, in the following situations:

- If both the units were set up and start manufacturing from 22-05-2017
- If both the units were set up and start manufacturing from 14-05-2020 (received approval upto 31-03-2020)

The WAY CA test series – SEPT 2025

CA FINAL

P4 : DIRECT TAXATION
SEMI FINAL

04.07.2025

TIME : 3 HRS

Maximum Marks : 100

Question : 6 (a)

6 Marks

T and Q are individuals, aged 28 years and 30 years respectively, who constitute an Association of Persons, sharing profit and losses in the ratio of 2:1. For the accounting year ended 31st March 2025, the Profit and Loss account of the business is as under:

		Figures are in ₹ '000s	
Cost of goods sold	4,250	Sales	4,900
Remuneration to:		Dividend from Indian companies	25
T	130	Long term capital gains (computed)	640
Q	170		
Employees	256		
Interest to:			
T	48.3		
Q	35.7		
Other expenses	111.7		
GST penalty due	39		
Net profit	524.3		
	5,565		5,565

Additional information furnished:

a. Other expenses included:

- i. wrist watches costing ₹ 2,500 each were given to 12 dealers, who had exceeded the sales quota prescribed under a sales promotion scheme;
- ii. employer's contribution of ₹ 6,000 to the Provident Fund for the month of November, 2024 was paid on 14th January 2025.
- iii. ₹ 30,000 was paid in cash to an advertising agency for publicity.

The WAY CA test series – SEPT 2025

CA FINAL

P4 : DIRECT TAXATION
SEMI FINAL

04.07.2025

TIME : 3 HRS

Maximum Marks : 100

b. Outstanding GST penalty was paid on 15th October 2025. The penalty was imposed for non-filing of returns and statements by the due dates.

T and Q had, for this year, income from other sources of ₹ 3,60,000 and ₹ 2,32,000 respectively.

Required to:

- i. Compute the total income of the AOPs for the assessment year 2025-26; and
- ii. Discuss the tax implication for that year in the hands of the individual members.

Question : 6 (b)

4 Marks

Mr. X, a resident, has provided the following particulars of his income for the P.Y 2024-25

- | | | |
|--|---|--------------|
| • Income from Salary (Computed) | - | Rs. 4,00,000 |
| • Income from House Property (Computed) | - | Rs. 3,80,000 |
| • Agricultural Income from a land in Assam | - | Rs. 4,50,000 |
| • Expenses incurred for earning agricultural Income- | | Rs. 1,60,000 |

Compute his tax liability assuming that Mr. X has exercised the option to shift out of the default tax regime and his age is 75 Years

Question : 6 (c)

4 Marks

The WAY CA test series – SEPT 2025

CA FINAL

P4 : DIRECT TAXATION
SEMI FINAL

04.07.2025

TIME : 3 HRS

Maximum Marks : 100

Determine the capital gains/loss on transfer of listed equity shares (STT paid both at the time of acquisition and transfer of shares) and units of equity oriented mutual fund (STT paid at the time of transfer of units) for the A.Y.2025-26 and tax, if any, payable thereon, in the following cases, assuming that these are the only transactions covered under section 112A during the P.Y.2024-25 in respect of these assesseees:

- (i) Mr. Prasun purchased 300 shares in A Ltd. on 20.5.2017 at a cost of ₹ 400 per share. He sold all the shares of A Ltd. on 31.5.2024 for ₹ 1200. The price at which these shares were traded in National Stock Exchange on 31.1.2018 is as follows –

Particulars	Amount in ₹
Highest Trading Price	700
Average Trading Price	680
Lowest Trading Price	660

- (ii) Mr. Raj purchased 200 units each of equity oriented funds, Fund A and Fund B on 1.2.2017 at a cost of ₹ 550 per unit. The units were not listed at the time of purchase. Subsequently, units of Fund A were listed on 1.1.2018 and units of Fund B were listed on 1.2.2018 on the National Stock Exchange. Mr. Raj sold all the units on 3.8.2024 for ₹ 900 each. The details relating to quoted price on National Stock Exchange and net asset value of the units are given hereunder:

Particulars	Fund A	Fund B
	Amount in ₹	Amount in ₹
Highest Trading Price	750 (on 31.1.2018)	800 (on 1.2.2018)

The WAY CA test series – SEPT 2025

CA FINAL

P4 : DIRECT TAXATION
SEMI FINAL

04.07.2025

TIME : 3 HRS

Maximum Marks : 100

Average Trading Price	700 (on 31.1.2018)	750 (on 1.2.2018)
Lowest Trading Price	650 (on 31.1.2018)	700 (on 1.2.2018)
Net Asset Value on 31.1.2018	800	950

ALL THE BEST

Join our telegram Channel for More updates

https://t.me/catestseries_thewaychannel

