

MODEL TEST PAPER 5
INTERMEDIATE COURSE: GROUP - I
PAPER – 3: TAXATION

Time Allowed – 3 Hours

Maximum Marks – 100

SECTION – A: INCOME TAX LAW (50 MARKS)

Working Notes should form part of the answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note. However, in answers to Questions in Division A, working notes are not required.

The relevant assessment year is A.Y.2025-26.

Division A – Multiple Choice Questions

Write the most appropriate answer to each of the following multiple choice questions by choosing one of the four options given. All questions are compulsory.

1. Mr. Raja, an Indian citizen, aged 61 years, has set-up his business in Canada and is residing in Canada since 2009. He owns a house property in Canada, half of which is used by him for his residence and half is given on rent (converted into INR is ₹ 12,00,000 p.a.).

He purchased a flat in Delhi on 13.10.2019. He has taken a loan from Canara Bank in India of ₹ 34,00,000 for purchase of this flat. The interest on such loan for the F.Y. 2024-25 was ₹ 3,14,000 and principal repayment was ₹ 80,000. Mr. Raja has given this flat on monthly rent of ₹ 32,500 since April, 2024. The annual property tax of Delhi flat is ₹ 40,000 which is paid by Mr. Raja, whenever he comes to India to meet his parents. Mr. Raja visited India for 124 days during the previous year 2024-25. Before that he visited India in total for 366 days during the period 1.4.2020 to 31.3.2024.

He had a house in Ranchi which was sold in May 2021. In respect of this house, he received arrears of rent of ₹ 2,96,000 in February 2025 (not taxed earlier).

Mr. Raja has sold 10,000 listed shares @ ₹ 480 per share of A Ltd., an Indian company, on 15.9.2024, which he acquired on 05-04-2017 @ ₹ 100 per share. STT was paid both at the time of acquisition as well as at the time of transfer of such shares.

On 31-01-2018, the shares of A Ltd. were traded on a recognized stock exchange as under:

Highest price - ₹ 300 per share

Average price - ₹ 290 per share

Lowest price - ₹ 280 per share

Mr. Raja wants to pay tax under default tax regime under section 115BAC.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:-

- (i) What would be the residential status of Mr. Raja for the A.Y. 2025-26?
- (a) Resident and ordinarily resident in India
 - (b) Resident but not ordinarily resident in India
 - (c) Non-resident
 - (d) Deemed resident
- (ii) What would be amount of income taxable under the head "Income from house property" in the hands of Mr. Raja for the A.Y. 2025-26?
- (a) ₹ 2,52,200
 - (b) ₹ 1,38,200
 - (c) ₹ 9,78,200
 - (d) ₹ 10,92,200
- (iii) What amount of capital gain would arise in the hands of Mr. Raja on transfer of shares of A Ltd?
- (a) ₹ 18,00,000
 - (b) ₹ 19,00,000
 - (c) ₹ 20,00,000
 - (d) ₹ 38,00,000
- (3 x 2 = 6 Marks)**

2. Mr. Anay (aged 52 years), is a CEO of XYZ Enterprise Limited. During the previous year 2024-25, he earned salary of ₹ 1,65,00,000 and long-term capital gain on sale of listed equity shares (STT paid) amounting to ₹ 1,06,500. He earned interest of ₹ 4,82,778 on saving bank account.

Further, he has provided the following other information for filing his return of income:

He does not receive house rent allowance from his employer. Mr. Anay took a loan from State Bank of India on 27th October 2021 for repairing his house (self-occupied) at Delhi and paid interest on such borrowings of ₹ 80,000 and ₹ 1,50,000 towards principal amount during the previous year 2024-25.

Mr. Anay has made the following payments towards medical insurance premium for health policies taken for his family members:

Medical premium for his brother: ₹ 13,500 (by cheque)

Medical premium for his parents: ₹ 17,670 (by cheque)

Medical premium for self and his wife: ₹ 21,000 (by cheque).

He also incurred ₹ 6,400 towards preventive health check-up of his wife in cash. He deposited ₹ 1,00,000 towards PPF. He also deposited ₹ 50,000 and ₹ 2,50,000 towards Tier I and Tier II NPS A/c, respectively.

He has paid ₹ 5,30,000 as advance tax. His employer has deducted tax at source of ₹ 51,89,000. He is of the opinion that the balance amount of tax, if any, he will pay on 27th July 2025.

Mr. Anay shift out of the default tax regime under section 115BAC.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:-

- (i) What would be the amount of deduction available to Mr. Anay under Chapter VI-A for the assessment year 2025-26?
- (a) ₹ 2,04,070
(b) ₹ 2,42,670
(c) ₹ 2,52,670
(d) ₹ 2,02,670
- (ii) Assume that, for the purpose of answering this question alone, that Mr. Anay pays rent of ₹ 65,000 per month for his rented house at Mumbai to Mr. C, a resident individual. Is Mr. Anay liable to deduct TDS on such rent? If so, what would be the rate and amount of TDS?
- (a) Yes, Mr. Anay is liable to deduct TDS @ 3.75% amounting to ₹ 2,438 every month i.e., at the time of payment of such rent
(b) Yes, Mr. Anay is liable to deduct TDS @2% amounting to ₹ 15,600 in the month of March 2025
(c) Yes, Mr. Anay is liable to deduct TDS @5% amounting to ₹ 39,000 in the month of March 2025
(d) No, Mr. Anay is not liable to deduct TDS, since he is a salaried person
- (iii) What would be the amount of interest chargeable under section 234B on account of short payment of advance tax?
- (a) ₹ 1,980
(b) Nil
(c) ₹ 3,130
(d) ₹ 2,410
- (3 x 2 = 6 Marks)**

3. On 20.10.2024, Piya (minor child) gets a gift of ₹ 20,00,000 from her father's friend. On the same day, the amount is deposited as fixed deposit in Piya's bank account. On the said deposit, interest of ₹ 13,000 was earned during the P.Y. 2024-25. In whose hands the income of Piya shall be taxable? Also, compute the amount of income that shall be taxable if both parents pay tax under default tax regime.

- (a) Income of ₹ 20,11,500 shall be taxable in the hands of Piya's father.
(b) Income of ₹ 20,13,000 shall be taxable in the hands of Piya's father.
(c) Income of ₹ 20,11,500 shall be taxable in the hands of Piya's father or mother, whose income before this clubbing is higher.

- (d) Income of ₹ 20,13,000 shall be taxable in the hands of Piya's father or mother, whose income before this clubbing is higher. **(2 Marks)**
4. Rohit, a resident Indian, has incurred ₹ 15,000 for medical treatment of his dependent brother, who is a person with severe disability and has deposited ₹ 20,000 with LIC for his maintenance. Rohit shifts out of the default tax regime for A.Y. 2025-26. Rohit would be eligible for deduction under section 80DD of an amount equal to –
- (a) ₹ 15,000
(b) ₹ 35,000
(c) ₹ 75,000
(d) ₹ 1,25,000 **(1 Mark)**

Division B – Descriptive Questions

Question No. 1 is compulsory.

*Attempt any **two** questions from the remaining **three** questions.*

1. Mr. Amit, aged 45 years, a resident Indian has provided you the following information for the previous year ended 31.03.2025
- (i) He received royalty of ₹ 2,88,000 from abroad for a book authored by him in the nature of artistic. The rate of royalty as 18% of value of books and expenditure made for earning this royalty was ₹ 40,000. The amount remitted to India till 30th September, 2025 is ₹ 2,30,000.
- (ii) He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2021-22. Total turnover of the undertaking was ₹ 200 lakhs, which includes ₹140 lakhs from export turnover which have been received in India in convertible foreign exchange on or before 30.9.2025. Profit from this industry is ₹ 20 lakhs.
- (iii) He was holding 30% equity shares in TSP (P) Ltd., an Indian company. Company allotted shares to shareholders on 1st October, 2020. The paid up share capital of company is ₹ 20 lakh divided into 2 lakh shares of ₹ 10 each which were issued at a premium of ₹ 30 each.
- He sold all these shares on 30th April, 2024 for ₹ 60 per share. Equity shares of TSP (P) Ltd. are listed on National Stock Exchange and Mr. Amit has paid STT both at the time of acquisition and transfer of such shares. FMV on 31.1.2018 was ₹ 50 per share.
- (iv) Received ₹ 30,000 as savings bank deposits.
- (v) He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of ₹ 2,28,000. He has paid municipal taxes of ₹ 60,000 for the current financial year. Both floor are of equal size.

- (vi) He paid insurance premium of ₹ 39,000 on life insurance policy of son, who is not dependent on him and ₹ 48,000 on life insurance policy of his dependent father.
- (vii) He paid tuition fees of ₹ 42,000 for his three children to a school. The fees being ₹ 14,000 p.a. per child.

You are required to compute the total income and tax liability of Mr. Amit under normal provisions for the A.Y. 2025-26. **(15 Marks)**

2. (a) Mrs. Riya, aged 62 years, was born and brought up in New Delhi. She got married in Russia in 1996 and settled there since then. Since her marriage, she visits India for 60 days each year during her summer break. The following are the details of her income for the previous year ended 31.03.2025:

S. No.	Particulars	Amount (in ₹)
1.	Pension received from Russian Government	65,000
2.	Long-term capital gain on sale of land at New Delhi (computed)	3,00,000
3.	Short-term capital gain on sale of shares of Indian listed companies in respect of which STT was paid both at the time of acquisition as well as at the time of sale (computed)	60,000
4.	Premium paid for self to Russian Life Insurance Corporation at Russia	75,000
5.	Rent received (equivalent to Annual Value) in respect of house property in New Delhi	90,000

You are required to ascertain the residential status of Mrs. Riya and compute her total income in India for Assessment Year 2025-26 under default tax regime. **(6 Marks)**

- (b) Mr. Sameer, aged 52 years, provides you the following information and requests you to determine his advance tax liability with due dates for the financial year 2024-25.

Estimated tax liability for the financial year 2024-25	₹ 80,000
Tax deducted at source for this year	₹ 12,000

(4 Marks)

3. (a) Mr. Piyush runs a sole proprietorship firm and owns four machines which was put in use for business in March, 2023. The depreciation on these machines is charged @ 15%. The written down value of these machines as on 1st April, 2024 was ₹ 7,70,000. Two of the old machines were sold on 15th July, 2024 for ₹ 10,00,000. A second hand plant was bought for ₹ 6,10,000 on 30th December, 2024.

Further, Mr. Piyush has furnished the following particulars relating to payments made and expenditure incurred towards scientific research for the year ended 31.3.2025:

SI. No.	Particulars	₹ (in lakhs)
(i)	Payment made to UV University, an approved University	15
(ii)	Payment made to Satywati College	17

Compute the following for Assessment Year 2025-26

- (i) Claim of depreciation
(ii) Capital gains liable to tax
(iii) Deduction available under section 35 if he has shifted out of the default tax regime **(6 Marks)**
- (b) Mr. Asif bought a vacant land for ₹ 80 lakhs in March 2005. Registration and other expenses were 10% of the cost of land. He constructed a residential building on the said land for ₹ 100 lakhs during the financial year 2006-07.

He entered into an agreement for sale of the above said residential house with Mr. Hari (not a relative) in July 2024. The sale consideration was fixed at ₹ 600 lakhs and on the date of agreement, Mr. Asif received ₹ 20 lakhs as advance in cash. The stamp duty value on that date was ₹ 620 lakhs.

The sale deed was executed and registered on 10-2-2025 for the agreed consideration. However, the State stamp valuation authority had revised the values, hence, the value of property for stamp duty purposes was ₹ 670 lakhs. Mr. Asif paid 1% as brokerage on sale consideration received.

Subsequent to sale, Mr. Asif made investments in NHAI bond: ₹ 45 lakhs on 29-5-2025 and ₹ 15 lakhs on 12-7-2025.

Compute the Capital Gain chargeable to tax for A.Y. 2025-26.

Cost Inflation Index: F.Y. 2004-05	113	
F.Y. 2006-07	122	
F.Y. 2024-25	363	(4 Marks)

4. (a) Vijay Prasad, a non resident aged 50 years furnishes the following information of the income from India for the year ended on 31-03-2025:

Income by way of salary (computed)	2,75,000
Short term capital loss	(1,85,000)
Business income - Retail business	1,20,000
Business income - whole sale business	(1,00,000)
Brought forward business loss (A.Y. 2022-23)	(1,35,000)
Long term capital gain from sale of building in April 2024	2,00,000
Lottery winnings (gross)	45,000

Contribution to provident fund and NSC 1,50,000

Income of minor daughter Manisha from special talent 2,00,000

Compute his income tax liability assuming that he opts out of the default tax regime under section 115BAC. **(6 Marks)**

- (b) Mr. Kailash, a resident and ordinarily resident in India, could not file his return of Income for the assessment year 2025-26 before due date prescribed under section 139(1). Advise Mr. Kailash as a tax consultant.

What are the consequences for non-filing of return of Income within the due date under section 139(1)?

OR

- (b) Mr. Naksh has undertaken certain transactions during the F.Y.2024-25, which are listed below. You are required to identify the transactions in respect of which quoting of PAN is mandatory in the related documents—

S. No.	Transaction
1.	Payment of life insurance premium of ₹ 40,000 in the F.Y.2024-25 by account payee cheque to LIC for insuring life of self and spouse
2.	Payment of ₹ 1,10,000 to RBI for acquiring its bonds
3.	Applied for issue of credit card to SBI
4.	Payment of ₹ 1,00,000 by account payee cheque to travel agent for travel to Singapore for 3 days to visit

(4 Marks)