PART – I
(MCQ Portion)

30 Marks

- ***Answers to MCQs are to be marked on the OMR answer sheet as given on the cover page of the descriptive answer book only. Answer to MCQs, if written inside the descriptive answer book shall not be evaluated.***
- ***Please write and darken correct MCQ booklet number in the OMR answer sheet. The correct MCQ booklet number must also be written in the attendance register.***

Case Scenario-I

Mr. Vipin, an ordinarily resident individual born on 15 th September, 1978, has provided following details of his income :

Particulars	₹
Business Income/Loss	
• Profit from trading in Bitcoins	8,60,000
• Loss from trading in Bitcoins	3,60,000
Capital Gains	
• Consideration received on transfer of Non-Fungible Token (Net of TDS as per Section 194S) (Date of transfer: 24.02.2026)	9,90,000
• Brokerage paid at the time of transfer	40,000
• Cost of acquisition of Non-Fungible Token transferred (Gross) (Date of acquisition: 16.08.2025)	4,30,000

Gift Received on his birthday	
• Bitcoins received as a gift from brother	9,00,00
• Bitcoins received as a gift from friend	0
Brought forward losses	5,00,00
• Loss from trading in Bitcoins	1,00,00
• Long term capital loss from sale of Non-Fungible Token	0
Other Information	1,50,00
• Premium paid for insurance on health of his father who is aged 75 years	60,000

Based on the above information, choose the most appropriate answers to Question Nos. **1** to **5** below for the assessment year 2026-27 assuming that no other income has been earned by Mr. Vipin and he has opted default tax regime u/s 115BAC(1A) of the Income-tax Act, 1961.

1. Compute the income chargeable under Income-tax Act, 1961 in the hands of Mr. Vipin in respect of trading in Bitcoins. **1**

(A) ₹ 4,00,000

(B) ₹ 5,00,000

(C) ₹ 7,60,000

(D) ₹ 8,60,000

2. Calculate the Tax to be Deducted at Source (TDS) by Mr. Vipin under Section 194S in connection with the acquisition of Non-Fungible Token on 16.08.2025. **1**

(A) ₹ 4,300

(B) ₹ 21,500

(C) ₹ 43,000

(D) ₹1,29,000

3. Find out the taxable income of Mr. Vipin under Income-tax Act, 1961 resulting from the transfer of Non-Fungible Token. **1**

(A) ₹ 5,60,000

(B) ₹ 5,30,000

(C) ₹ 5,70,000

(D) ₹ 5,20,000

4. Determine the amount taxable under Section 56(2)(x) of the Income-tax Act, 1961 in respect of gift received by Mr. Vipin. **1**

(A) NIL

(B) ₹ 5,00,000

(C) ₹ 14,00,000

(D) ₹ 9,00,000

5. What is total tax liability (including health and education cess but before considering rebates and TDS) of Mr. Vipin ? **2**

(A) ₹ 4,49,160

(B) ₹ 4,59,160

(C) ₹ 4,51,360

(D) ₹ 4,41,360

Case Scenario-II

M/s John Inc., a London based non-resident company, furnished following details of its incomes in India earned during the previous year ended on 31st March, 2026 :

(i) 15% debentures of ₹ 30 lakhs received from M/s ABC Ltd., an Indian Company, on 1st December, 2025, in consideration of providing technical know-how (date of payment of interest being 31st March every year).

(ii) Dividend received ₹ 8 lakhs (net of TDS) on Global Depository Receipts (GDR) of BCD Ltd., an Indian company. GDRs have been issued under a scheme of Central Government against the initial issue of shares of the company and purchased by M/s John Inc. in foreign currency through an approved intermediary.

(iii) Business Income of ₹ 12 lakhs from a unit established at Hyderabad.

(iv) Royalty income (other than referred to in Section 44DA) of ₹ 12 lakhs received (net of TDS) from M/s PK Ltd., an Indian company, in pursuance of an agreement approved by Central Government. As per DTAA between the two countries, such royalty is taxable @ 25%.

Based on the above facts, choose the most appropriate answers to Question Nos. **6** to **10** below for the assessment year 2026-27 :

6. Determine the royalty income taxable and tax payable u/s 115A (including health and education cess) on such income which is beneficial to M/s John Inc. **2**

(A) Royalty taxable : ₹ 15,15,152 and tax payable on Royalty : ₹ 3,15,152

(B) Royalty taxable : ₹ 16,21,622 and tax payable on Royalty : ₹ 4,21,622

(C) Royalty taxable : ₹ 13,39,286 and tax payable on Royalty : ₹ 1,39,286

(D) Royalty taxable : ₹ 12,65,823 and tax payable on Royalty : ₹ 65,823

7. Which is correct in respect of interest on debenture taxable and applicable rate of tax on such income ? **1**

(A)Interest on debenture of ₹ 1,50,000 and applicable tax rate : 20% (B)Interest on debenture of ₹ 4,50,000 and applicable tax rate : 35% (C)Interest on debenture of ₹ 1,50,000 and applicable tax rate : 35% (D)Interest on debenture of ₹ 4,50,000 and applicable tax rate : 20%

8. What amount of dividend on Global Depository Receipts (GDR) of BCD Ltd. is taxable in the hands of M/s John Inc. ? **1**

(A) ₹ 8,00,000

(B) ₹ 8,92,857

(C) ₹ 10,10,101

(D) ₹ 9,47,867

9. What is the amount of tax payable (including health & education cess) by M/s John Inc on business income of ₹ 12 lakhs from the unit established at Hyderabad ? **1**

(A) ₹ 4,36,800

(B) ₹ 3,74,400

(C) ₹ 2,49,600

(D) ₹ 1,24,800

10. Compute the total income of M/s John Inc. for the assessment year 2026-27. **2**

(A) ₹ 67,58,009

(B) ₹ 62,00,000

(C) ₹ 67,50,000

(D) ₹ 36,50,000

Case Scenario-III

M/s PR Foundation, a Real Estate Investment Trust, registered under SEBI regulations, holds 51% shares in JK Ltd. Particulars relating to income earned during the previous year 2025-26 by M/s PR Foundation are as follows :

S. No.	Particulars	₹
(i)	Short term capital gains on sale of development properties	1.10 crores
(ii)	Interest income from JK Ltd.	11.70 crores
(iii)	Rental income from directly owned real estate assets	3.00 crores
(iv)	Interest from investment in unlisted debentures of companies	0.11 crores
(v)	Dividend income from JK Ltd.	3.50 crores

Mr. Puneet aged 53 years, a resident of India, holds 60% of the units of the REIT. He does not have any other income during the year.

JK Ltd. has opted to pay tax under Section 115BAA.

Based on the above information, choose the most appropriate answers to Question Nos. **11** to **14** below for the assessment year 2026-27 assuming that M/s PR Foundation has distributed all its income to unitholders in the P.Y. 2025-26 :

11. Which of the following statements correctly explains the tax treatment of dividend income in the hands of M/s PR Foundation and Mr. Puneet ? **1**

(A) ₹ 3.50 crores taxable in the hands of M/s PR foundation and ₹ 2.10 crores taxable in the hands of Mr. Puneet.

(B) ₹ 3.50 crores taxable in the hands of M/s PR foundation and No amount taxable in the hands of Mr. Puneet.

(C) No amount taxable in the hands of M/s PR foundation and ₹ 3.50 crores taxable in the hands of Mr. Puneet.

(D) No amount taxable in the hands of M/s PR foundation and ₹ 2.10 crores taxable in the hands of Mr. Puneet.

12. What is the liability of M/s PR Foundation in respect of Tax Deduction at Source (TDS) on distribution of interest income received from JK Ltd. to Mr. Puneet ? **1**

(A) Not liable to deduct tax at source

(B) Tax to be deducted at source @ 20%

(C) Tax to be deducted at source @ 10%

(D) Tax to be deducted at source @ 5%

13. Compute the total income of M/s PR Foundation and Mr. Puneet. **2**

(A) ₹ 1,21,00,000 and ₹ 10,92,00,000

(B) ₹ 19,41,00,000 and ₹ 1,64,60,000

(C) ₹ 18,20,00,000 and ₹10,92,00,000

(D) ₹ 10,92,00,000 and ₹ 1,21,00,000

14. What is the tax liability in the hands of M/s PR Foundation ? **2**

(A) ₹ 37,75,200

(B) ₹ 47,19,000

(C) ₹ 36,30,000

(D) ₹ 51,72,024

Case Scenario-IV

M/s KD Pvt. Ltd., a domestic company, declared its total income of ₹ 1,05,00,000 in its return of income for the A.Y. 2026-27 filed on 21.09.2026.

The Company made set off of brought forward business loss of ₹ 25 lakhs in its return of income which relates to A.Y. 2025-26. Return of income for A.Y. 2025-26 was filed after due date prescribed u/s 139(1). Centralized Processing Centre disallowed such claim of set off during the processing of return of income and total income of ₹ 1,30,00,000 was computed u/s 143(1).

The assessing officer selected such return of income for scrutiny assessment and made an addition of ₹ 12 lakhs under the normal provisions of the Act by passing order u/s 143(3).

Later on, the assessment was reopened u/s 147 also and the assessing officer made an addition of ₹ 15 lakhs in total income of M/s KD Pvt. Ltd. and passed an order u/s 147 assessing total income of ₹ 1,57,00,000.

Turnover during the previous year 2023-24 and 2024-25 were ₹ 397 crore and ₹ 403 crores respectively. The Company has not opted for Section 115BAA and 115BAB.

Based on the above information, choose the most appropriate answers to Question Nos. **15** to **17** below for the assessment year 2026-27 :

15. What is the amount of penalty leviable u/s 270A at the time of the assessment u/s 143(3) assuming that the addition is not on account of misreporting ? **2**

(A) ₹ 1,56,000

(B) ₹ 1,66,920

(C) ₹ 1,87,200

(D) ₹ 2,00,304

16. What is the amount of penalty leviable u/s 270A at the time of passing of the order u/s 147 considering that all the additions are on account of misreporting of income ? **2**

(A) ₹ 8,34,600

(B) ₹ 7,80,000

(C) ₹ 9,36,000

(D) ₹10,01,520

17. If addition made by the assessing officer u/s 143(3) of ₹ 12 lakhs includes an addition of ₹ 1,50,000 on account of false invoice of purchase which was issued by the person without actual supply of raw material. Such entry was recorded in books of accounts to evade tax liability. What are other prosecution and penal consequences apart from penalty u/s 270A, if any, that would be attracted in case of M/s KD Pvt. Ltd. ? **1**

(A) Penalty of ₹ 1,50,000 u/s 271AAD and prosecution u/s 276C would be attracted

(B) Penalty of ₹ 1,50,000 u/s 271AAD may be levied but prosecution u/s 276C will not be initiated

(C) Penalty of ₹ 50,000 u/s 271AAD and prosecution u/s 276C would be attracted

(D)No other penalty will be levied but prosecution may be initiated u/s 276C

18. Mr. Hitesh purchased 7,500 equity shares of M/s GK Ltd. (domestic company) of ₹ 10 each on 24.02.2010 at a premium of ₹ 40 per share. On 17.10.2025, the company buy backs 1,800 equity shares held by Hitesh at a price of ₹ 700 per share. Which option correctly states the tax treatment of the buy-back of shares ? **1**

(A)₹ 12,60,000 is taxable as dividend income in the hands of Mr. Hitesh u/s 2(22)

(f)

(B)₹ 11,70,000 is taxable as dividend income in the hands of Mr. Hitesh u/s 2(22)

(f)

(C) GK Ltd. is liable to pay additional income-tax of ₹ 2,72,563 u/s 115QA

(D)Income is exempt u/s 10(34A) in the hands of Mr. Hitesh

19. Mr. Raghav started a proprietary business on 01.04.2024 with a capital of ₹ 7,00,000. He incurred a loss of ₹ 4,00,000 during the previous year 2024-25. To overcome the financial position, his wife Mrs. Ritu gave a gift of ₹ 7,00,000 on 01.04.2025, which was immediately invested in the business of Mr. Raghav. He earned a profit of ₹ 6,00,000 during the year 2025-26.

The amount to be clubbed in the hands of Mrs. Ritu for the assessment year 2026-27 would be **1**

(A) NIL

(B) ₹ 4,20,000

(C) ₹ 3,00,000

(D) ₹ 1,80,000

20.M/s MP Ltd. is aggrieved by the order of the Commissioner of Income Tax (Appeals), which confirms the additions made by the Assessing Officer. The total income assessed by the Assessing Officer is ₹ 15 lakhs. The company intends to file an appeal before the Income Tax Appellate Tribunal (ITAT) against the order of CIT (Appeals). What is the fee payable for filing the appeal before the ITAT ? **1**

(A) ₹ 500

(B) ₹ 1,500

(C) ₹ 10,000

(D) ₹ 15,000

21. Mr. Mahesh, a partner in M/s MNO & Co., was assessed to tax on remuneration of ₹ 10 lakh received from the firm u/s 28(v) of the Income-tax Act, 1961. Subsequently, in the assessment of M/s MNO & Co., the entire remuneration paid to Mr. Mahesh was disallowed u/s 40(b). The final order in the case of the firm was passed on 02.11.2026. What is the time limit u/s 155(1A) within which the Assessing Officer can amend Mr. Mahesh's assessment to exclude the remuneration disallowed in the firm's assessment ? **1**

(A)1st November, 2027

(B)31st March, 2031

(C)31st March, 2027

(D)30th November, 2027

22. For the assessment year 2026-27, the Assessing Officer increased the total income of M/s ABC Ltd., an Indian company, by ₹ 330 lakhs based on the Arm's Length Price determined by the Transfer Pricing Officer regarding an international transaction with Associate Enterprise. Determine the additional income tax that the company should pay instead of undergoing the secondary adjustment.

1

(A) ₹ 68,64,000

(B) ₹ 61,77,600

(C) ₹ 66,00,000

(D) ₹ 69,18,912

23. Interest on enhanced compensation received by Mr. Kunal during the previous year 2025-26 is ₹ 6,00,000 which relates to four previous years 2021-22 to 2024- 25 (₹ 1,50,000 for every year).

Under the provisions of the Income-tax Act, 1961, what amount of interest on enhanced compensation is taxable under the head income from other sources in the hands of Mr. Kunal for P.Y. 2025-26 (A.Y. 2026-27) ? **1**

(A) ₹ 1,50,000

(B) ₹ 3,00,000

(C) ₹ 6,00,000

(D) NIL

PART – II
(Descriptive Portion) 70 Marks

(Candidates are required to give descriptive answers for this part inside the answer book)

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

2. Working notes should form part of the answer.

3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

4. Candidates are required to write the question number legibly.

5. All Questions relate to Assessment Year 2026-27 unless stated otherwise in the Question. Significant notifications and circulars issued upto 30th April, 2026 would be relevant.

1. Bardhaman Technologies Ltd., a domestic manufacturing company set-up and registered in 2017-18 reported net profit of ₹ 34,80,000 for previous year 2025-26 after making the following adjustments in its books : **14**

Items debited to the Profit & Loss Statement :

- Impairment loss of ₹ 6,20,000 on goodwill arising from acquisition of a competitor's business unit as per Ind AS requirements.
- Corporate Social Responsibility expenditure of ₹ 9,50,000 comprising ₹ 6,00,000 spent on construction of public library (asset created in name of trust) and ₹ 3,50,000 spent on medical relief activities.

- Provision of ₹ 14,20,000 for Expected Credit Loss (ECL) on trade receivables as per Ind AS 109 financial instruments (previous year ECL provision was ₹ 8,50,000 which was reversed this year and fresh provision created).
- There was an exchange loss of ₹ 7,30,000 on restatement of foreign currency term liability (principal amount ₹ 80,00,000), incurred for purchase of plant & machinery, as on 31st March, 2026; company capitalized 60% of this loss to the cost of plant and machinery and debited balance 40% to P&L.
- Depreciation as per Companies Act : ₹ 31,94,000.
- Professional fees of ₹ 4,20,000 paid to Indian tax consultant on 28th March, 2026 through banking channel. Though appropriate TDS was deducted but it was deposited on 5th May, 2026.
- Contribution of ₹ 8,00,000 made to an electoral trust through banking channel.

Items credited to the Profit & Loss Statement :

- Insurance claim of ₹ 9,50,000 received for theft of raw materials (costing ₹ 6,80,000) in October 2025; entire claim amount was credited to the P&L Statement.
- Dividend from Indian company ₹ 5,60,000 (as declared by company).

Additional Information :

- Agricultural land situated 5 km from Jaipur municipal limits (population 38 lakhs as per 2011 census) was sold for ₹ 95,00,000 on 10th December, 2025; purchased in July 2022 for ₹ 62,00,000; company considers it as agricultural land exempt u/s 10(37).
- Subsidy of ₹ 22,00,000 received from state government for purchase of plant & machinery for manufacturing unit in Arunachal Pradesh, backward area. 50% was credited to P&L Statement and 50% was adjusted from the value of the Plant & Machinery.
- Fixed assets Block details as on 1st April, 2025 : Plant & Machinery (15%) WDV ₹ 2,40,00,000. Building (10%) WDV ₹ 85,00,000. Purchase
- cost of Plant & Machinery in the manufacturing unit set up at Arunachal Pradesh which was purchased on 15th May, 2025 : ₹ 44,00,000.
  Turnover of Bardhaman Technologies Ltd. for the P.Y. 2023-24 was ₹
- 428 crore.

Note : (CII 2022-23- 331, 2025-26- 376)

Compute the total income and tax liability of Bardhaman Technologies Ltd. for the assessment year 2026-27 under the provision of the Income- tax Act applying and explaining the relevant provisions in brief, assuming that the assessee has not opted for any concessional tax rates under special provisions of the Income-tax Act, 1961.

Would it be beneficial for Bardhaman Technologies Ltd. to opt for Section 115BAA or Section 115BAB for financial year 2025-26. Support your view with necessary explanations.

Ignore the provisions of MAT.

2. (a) (i) Arun and Varun are partners in the firm M/s AV & Co., sharing profits equally. The firm was constituted with effect from 1st June, 2025. For the previous year 2025-26, the firm showed a net profit of ₹ 50,000 after debiting following items : **4**

(A) An invoice of ₹ 1,50,000 for the purchase of goods was issued by M/s RS & Co. on 1st March, 2026. The agreed credit period was 30 days. However, M/s AV & Co. made the payment on 5th April, 2026. M/s RS & Co. is a micro enterprise defined under MSMED Act, 2006.

(B) Expenses incurred for promoting family planning of ₹ 40,000 for its employees.

(C) The firm paid remuneration of ₹ 72,000 per month (net of TDS) to each partner, as authorised by the partnership deed. Tax was duly deducted at source (TDS) on such remuneration.

(D)The firm paid interest of ₹ 3,00,000 to each partner on their capital. The partnership deed authorised interest on capital at 15% per annum. However, the firm did not deduct tax at source on the interest paid to the partners.

Compute the total income of M/s AV & Co. for the A.Y. 2026-27.
(Ignore the provisions u/s 44AD.)

(ii) Mr. Vineet has 12,000 equity shares of DK Private Limited which were purchased for ₹ 3,60,000 on 11.12.2005. The company went into liquidation on 20.08.2025. Details of summarized financial position of the company as on 20.08.2025 are as follows : **4**

Liabilities	₹	Assets	₹
80,000 equity shares of ₹ 10 each	8,00,000	Agricultural lands in urban area	42,00,000
General Reserve	60,00,000	Cash at bank	34,50,000
Income tax payable	8,50,000		
Total	**76,50,000**	**Total**	**76,50,000**

The assets remaining after discharging the liability of income tax payable were distributed to the shareholders in the proportion of their shareholding. The market value of agricultural land as on 20.08.2025 is ₹ 1,20,00,000. On 13.02.2026, Vineet has sold the agricultural land received on liquidation for ₹ 26,00,000. Discuss the tax implications in the hands of Mr. Vineet.

(b) Nova International Ltd., a non-resident foreign company, is engaged in the manufacturing activities in India through its branch office in India. **6**

For the previous year 2025-26, the profit and loss account of the Indian branch shows a net loss of ₹ 50 crores after debiting the following items :

(1) Head office expenditure allocated to Indian branch - ₹ 30 crores

(2) Unabsorbed depreciation brought forward under Section 32(2) - ₹ 23 crores

(3) Capital Expenditure on Family Planning (for employees) - ₹ 13 crores

Additional Information :

The above head office expenditure represents administrative and managerial expenses incurred outside India. The total global head office expenditure is ₹ 200 crores and Indian turnover is 12 percent of global turnover.

You are required to compute the business income/ loss of Indian branch after applying Section 44C. Also explain the loss to be carried forward if any.

Will your answer be different if Nova International Ltd. carries on business only within India and total head office expenditure incurred is ₹ 30 crores. If yes, how much of the head office expenditure is allowed ?

3. (a) (i) Mr. Raju is the founder of Rama Trust, a public charitable trust registered u/s 12AB of the Income-tax Act, 1961. The trust runs a hospital for the treatment of various diseases. Mr. Ram, Son of Mr. Raju, was admitted in November 2025 in the hospital for treatment. He was charged a total fee of ₹ 2 lakhs as against the amount of ₹ 4 lakhs charged by the hospital for similar treatment to the general public. **3**

The Board of trustees were served with a notice by the income tax authorities for cancellation of registration u/s 12AB. Discuss whether registration can be denied to the trust. What are the further tax implications ?

(ii) M/s XYZ Charitable Trust, registered u/s 12AB of the Income-tax Act, 1961 has gross receipts of ₹ 77 lakhs during the previous year 2025-26. The trust claimed application of income of ₹ 54 lakhs including following items : **3**

(i) Professional fees of ₹ 10,00,000 paid to Mr. A, an ordinarily resident in India, on which tax was not deducted at source.

(ii) Donation (other than corpus donation) of ₹ 8,50,000 to a trust registered u/s 12AB.

(iii) Excess application of ₹ 3,75,000 related to previous year 2024-25 has been claimed during the previous year 2025-26.

You are required to compute total income of the trust for the assessment year 2026-27.

(iii)Ramji Trust, a religious trust registered under Section 12AB, runs a temple which is notified under Section 80G(2)(b). During the previous year 2025-26, it received a voluntary contribution of ₹ 10 lakh specifically for the repair of the temple. The Trust wishes to treat the said contribution as forming part of the corpus of the Trust. Discuss the validity of the claim of Ramji Trust. **2**

(b)Mr. Ishu, a resident Indian aged 41 years, has business interest in India and in some foreign nations also. He has derived income from two other nations A and B, with which India does not have DTAA. The particulars of income earned in two nations A and B and in India during the P.Y. 2025-26 are as under- 6

Particulars of Income	**A**	**B**	**India**
Gross Rental receipts from commercial property	3,20,000	2,80,000	-
Share of Income from partnership firm (loss) [The partnership deed was not evidenced by an instrument in writing]	(1,50,000)	(1,20,000)	
Share of Income from partnership firm (profit)			2,00,000
Business Income	1,95,000	2,75,000	2,90,000
STCG from sale of Vacant Site	14,00,000	-	-
Long-term capital gains on sale of residential house in Delhi March 2026 (without Indexation) (With Indexation)			40,00,000 30,00,000

The following investments were made in India during the year ended 31.03.2026 :

Purchase of residential house at Delhi in March 2026 in joint name with spouse	25,00,000

Income-tax rate structure : Country A

Upto ₹ 4 lakhs	NIL
₹ 4 lakhs to 8 lakhs	5%
Above 8 lakhs	10%

Country B : Flat rate 25% without any basic exemption limit.

Tax treatments/ concessions in other nations

(i) No statutory allowance/ deduction in respect of house property income in Country A as well as country B.

(ii) Loss from firm can be set off against other business income in Country B only (not in Country A).

Compute the net tax liability of Mr. Ishu for the assessment year 2026-27 assuming that he is paying tax under Section 115BAC.

4. (a) Discuss the relevant provisions of the Income-tax Act, 1961 with respect to deduction or collection of tax at source and calculate amount of TDS/TCS also in the following independent situations for the A.Y. 2026-27 :

(i) Mr. Kapil, an Indian resident, engaged in the business of wholesale trading at Jaipur, has gross receipts of ₹ 11 crores during the previous year 2024-25. He purchased goods from Mr. Dinesh during the previous year 2025-26, details of which are as follows : **4**

On 13.09.2025	₹ 44 lakhs
On 27.10.2025	₹ 28 lakhs
On 18.03.2026	₹ 30 lakhs

During the previous year 2024-25, Mr. Dinesh has gross receipts of ₹ 14 crores.

(ii) ABC Ltd. is a producer of natural gas. During the year it sold natural gas worth ₹ 26,50,000 to M/s Deep Co., a partnership firm. It also incurred ₹ 1,70,000 as freight for the transportation of gas. It raised the invoice and clearly bifurcated the value of gas as well as the transportation charges. **2**

(iii)M/s Het Ram Ramesh Kumar, a partnership firm paid total salary amounting ₹ 12,10,000 to Sahil, an employee, during the period April 2025 to February 2026 and salary of ₹ 1,10,000 for the month of March 2026 was paid in April 2026. **2**

(b)M/s India Car Ltd., an Indian company declared Income of ₹ 10 crores computed in accordance with Chapter IV-D but before making any adjustments in respect of the following transactions for the year ended 31.03.2026 : **6**

(i) M/s Global Car Inc., a US based Company, advanced a Loan of $ 4 crore to M/s India Car Ltd. carrying interest @ 9% p.a. The loan was outstanding on 31.03.2026. The total book value of assets of M/s India Car Ltd. on the date was ₹ 600 crores. Global Car Inc. had also advanced similar loan to another Indian Company @ 8% p.a. Total Interest paid for the year was $ 0.36 crore.

(ii) M/s India Car Ltd. sold 5000 cars to M/s Prime Car Inc., USA which holds 21% shares in M/s India Car Ltd. The cars were sold at a price of $ 200 per car lower than the price charged by M/s India Car Ltd. from M/s Jay Motors Ltd., Germany, an unrelated foreign customer, for similar cars.

(iii)M/s India Car Ltd. purchased 10000 spare parts required for manufacturing of cars, from M/s Euro Parts Inc., a UK based company at a price of 1000 Euro per unit. M/s Euro Parts Inc. sold similar material to another Indian Company at a price of 950 Euro per unit. Further, 80 percent of total requirement of spare parts of M/s India Car Ltd. is supplied by M/s Euro Parts Inc.

Briefly explain the provisions of the act with reasons whether these transactions are entered between associated enterprises/deemed associate enterprises under the provisions of Income-tax Act. Further, compute the taxable income of M/s India Car Ltd. for the A.Y. 2026-27 assuming the value of 1 $ and 1 Euro, ₹ 80 and ₹ 90 respectively throughout the year.

5. (a) Answer any two out of the following three sub-parts, viz. (i), (ii), (iii) : **4×2 =8**

Your answer should cover :

- Issue involved
- Provision applicable
- Analysis and Conclusion

(i) M/s Keshav Ltd. filed its return of income declaring total income at ₹ 10,00,000. However, it inadvertently failed to include certain figures in profit and loss account under Part A of the return. As a result, totalincome was wrongly assessed at ₹ 3,00,00,000 instead of ₹ 10,00,000 leading to a tax demand of ₹ 90,00,000 under Section 143(1).

By the time the assessee received the intimation, the time limit to file a revised return had expired. The assessee filed a revision petition under Section 264 of the Income-tax Act, 1961, before the Principal Commissioner of Income-tax (PCIT), supported by the audited figures showing the correct profits. PCIT rejected the application on the ground that apart from the assessee, none is competent to alter the return filed by the assessee. Is the contention of PCIT valid ?

(ii) M/s X Ltd., filed its return of income for A.Y. 2025-26 declaring total income of ₹ 212.52 crore. Subsequently, the Delhi High Court approved a scheme of amalgamation on 29th January, 2026, whereby M/s X Ltd. was amalgamated with M/s Y Ltd. with effect from 1st April, 2025. Consequently, M/s X Ltd. ceased to exist as a separate legal entity. M/s Y Ltd. informed the Assessing Officer

about the amalgamation on 2nd April, 2026. However, despite being aware of the amalgamation, the Assessing Officer issued a notice u/s 143(2) on 26th September, 2026 in the name of M/s X Ltd. The assessment proceedings were continued, and the Transfer Pricing Officer made an adjustment of approximately ₹ 78.97 crore relating to royalty. The assessment order was also issued in the name of "M/s X Ltd. (amalgamated with M/s Y Ltd.)". Is the assessment order passed by the Assessing Officer valid as per law ?

(iii)Universal Seeds Inc., an assessee company incorporated in the USA, carries on agricultural research activities in India through its branch office at New Delhi. It claimed that its income was exempt in India u/s 10(1). The Assessing Officer, however, treated the branch as a Permanent Establishment (PE) and raised tax demand. Assessee invoked the Mutual Agreement Procedure (MAP) under the India– USA DTAA. After several years, the MAP proceedings concluded and tax liability was finally determined. The Assessing Officer then levied interest u/s 220(2) for delayed payment of the tax liability. The assessee filed an application u/s 220(2A) seeking waiver of the interest on the grounds that dispute was pending under the MAP. The Assessing Officer rejected the assessee's application. Is the action taken by the assessing officer correct ?

(b) (i) "Hybrid mismatch arrangements are sometimes used to achieve unintended double non-taxation or long-term tax deferral in one or more ways." **2**

Examine and state the correctness or otherwise of the above statement in the context of the OECD and UN Model.

(ii) Explain the key differences between OECD and UN Model regarding Royalty as per Article 12 of Model Tax Conventions. **4**

6. (a) A survey was conducted on the premises of ABC Pvt. Ltd. (Manufacturer and exporter of textile items), consequent to which it was found that the ABC Pvt. Ltd. had made payments for hiring various buses for transportation of staff and workers at factory, without deducting tax, even though the payments to each transporter exceeded the threshold limit. The company has not deducted tax at source on the ground that since the payment was for transportation of staff and workers and not renting out machinery and equipment, such payments could not be termed as rent paid for use of machinery under Section 194-I and hence, no tax was deductible at source. In the tax audit report, the amount inadmissible under Section 40(a)(ia) was mentioned as NIL in clause 21(b) of Form 3CD. Also, there was no mention of / reporting of TDS in Clause 34(a). **6**

A representation was given by the tax auditor. The tax auditor was, however, of the view that the transactions being in the nature of contracts for transportation of staff and workers at factory would be covered under works contracts, thereby attracting the provisions of Section 194C. He relied upon the Gujarat High Court ruling in CIT (TDS) v. Shree Mahalaxmi Transport Co. (2011) 339 ITR 484.

What is the reporting responsibility of the tax auditor in such a case and the consequent ethical implications ? Examine.

(b) (i) Specify with reason whether the following acts can be considered as Tax Planning, Tax Management or Tax evasion : **2**

(A) M/s Vardhan Industries Ltd. received a cash payment of ₹ 18 lakh from a customer against sale of goods. The company intentionally recorded only ₹ 10 lakh in its books.

(B) Jeenu an individual resident in India sold his mutual fund on 25th March, 2026 to avail the benefit of ₹ 1.25 lakh u/s 112A on Long Term Capital Gain. Then he invested the same amount to purchase another mutual fund on the same day.

(ii) M/s GCC Private Limited, Mumbai, plans to acquire eight machines for use in its business. The annual depreciation on these machines, if purchased, would be approximately ₹ 50 lakhs. However, if the company opts to acquire the machines on lease instead of purchasing them outright, the annual lease rentals would be ₹ 58 lakhs, which the company can claim as an expense. Would the lease rent payment, being higher than the depreciation, be disallowed as expense under GAAR provisions ? **2**

(c) M/s ABC Ltd., an Indian resident company, has entered into an agreement with M/s Pretty Inc., a non-resident company, for the installation of mobile towers in Rajasthan for a consideration of ₹ 400 crores. M/s ABC Ltd. intends to apply with Board for Advance Rulings to determine the tax liability arising in the hands of M/s Pretty Inc. As a tax consultant, advise M/s ABC Ltd. on the following : **4**

(i) The amount of fee required to be paid along with the application for advance ruling.

(ii) The period within which the application may be withdrawn from the date of filing.

(iii) The time limit within which the board is required to pronounce the advance ruling.