

MODEL TEST PAPER 5
FINAL COURSE: GROUP - II

PAPER – 4: DIRECT TAX LAWS & INTERNATIONAL TAXATION

Time Allowed – 3 Hours

Maximum Marks – 100

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.

All questions relate to Assessment Year 2025-26, unless stated otherwise in the question.

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. A charitable institution, engaged in education of Yoga in India, registered under section 12AB of the Income-tax Act, 1961 for the previous year ended 31 March 2025, received the following amounts of donation:

(i) Total donations during the year	₹ 40,00,000
(ii) Anonymous donations received (Included in total donations)	₹10,00,000

What amount of anonymous donations would be taxable @30% as per section 115BBC of the Income-tax Act, 1961?

 - (a) ₹ 1,00,000
 - (b) ₹ 8,00,000
 - (c) NIL
 - (d) ₹ 2,00,000

(2 Marks)
2. Mr. Bela Kapoor, furnishes the following particulars for the previous year 2024-25. What would be the amount of deduction allowable under section 35 for A.Y.2025-26, while computing his income under the head "Profits and gains of business or profession", if he is paying tax under default tax regime under section 115BAC?

Particulars	₹
Amount paid to IIT, Delhi for an approved scientific research programme	1,50,000
Amount paid to Ramaya Ltd., a company registered in India which has as its main object scientific research and development, as is approved by the prescribed authority	3,00,000
Expenditure incurred on in-house scientific research and development facility as approved by the prescribed authority related to his business	
(a) Revenue expenditure on scientific research	3,00,000
(b) Capital expenditure (including cost of acquisition of land ₹ 8,00,000) on scientific research	9,50,000

(a) ₹ Nil

(b) ₹ 4,50,000

(c) ₹ 16,00,000

(d) ₹ 9,00,000

(2 Marks)

3. Mr. K, Managing Director of Kairon Metals Private Ltd, holds 70% of its paid up capital of ₹ 20 lakhs. The balance as at 31.03.2024 in General Reserve was ₹ 7 lakhs. The company on 01.04.2024 gave an interest-free loan of ₹ 8.50 lakhs to its Supervisor having salary of ₹ 15,500 p.m., who in turn on 25.04.2024, advanced the said amount of loan so taken from the company to Mr. K. What amount would be treated as deemed dividend u/s 2(22)(e) of the Income-tax Act, 1961?

(a) NIL

(b) ₹ 7,00,000

(c) ₹ 8,50,000

(d) ₹ 4,90,000

(2 Marks)

Case Scenario I

M/s Gamma Ltd. is an Indian company engaged in providing consultancy and business advisory services. During the previous year 2024-25, it received the following loans in cash from various vendors due to some business exigency:

₹ 3,00,000 availed from Mr. Arun on 20.04.2024.

₹ 19,500 availed from Mr. Raj on 20.05.2024.

₹ 20,500 availed from Mr. Sunil on 20.06.2024

Further, the company made the following loan repayments during the year:

₹ 18,000 to Mr. Arun on 15.07.2024 in crossed cheque.

₹ 1,25,000 to Mr. Arun on 10.08.2024 through account payee cheque.

₹ 21,000 to Mr. Arun on 08.10.2024 through RTGS.

₹ 3,000 to Mr. Arun on 12.12.2024 through cash.

M/s Gamma Ltd. also furnished the following particulars for assessment year 2025-26:

S. No.	Particulars of total income	Amount (₹)
1	As per the return of income furnished under section 139(1)	(10,00,000)
2	Determined under section 143(1)(a)	(5,00,000)
3	Assessed under section 143(3)	(1,00,000)
4	Reassessed under section 147	5,00,000

The total turnover of Gamma Ltd. for the P.Y. 2022-23 was ₹ 405 crores. Ignore the provisions of section 115BAA/115BAB.

Based on the above information, choose the most appropriate option of the following Multiple Choice Questions (MCQs):-

4. What is the amount of penalty leviable on repayment of loan to Mr. Arun?
 - (a) No penalty is leviable since the repayment otherwise than by way of prescribed modes is less than ₹ 20,000
 - (b) Penalty of ₹ 21,000 under section 271E
 - (c) Penalty of ₹ 3,000 under section 271D
 - (d) Penalty of ₹ 24,000 under section 271E
5. Assuming that the underreporting of income is on account of misreporting, penalty leviable on M/s. Gamma Ltd. under section 270A at the time of assessment u/s 143(3) would be?
 - (a) ₹ 6,24,000

- (b) ₹ 1,87,200
 - (c) ₹ 1,24,800
 - (d) ₹ 2,49,600
6. What is the amount of penalty, if any, which would be leviable on M/s Gamma Ltd. for availing loan in cash from various vendors?
- (a) Penalty of ₹ 3,20,500 under section 271D
 - (b) Penalty of ₹ 3,40,000 under section 271E
 - (c) Penalty of ₹ 3,40,000 under section 271D
 - (d) Penalty of ₹ 3,19,500 under section 271E
7. Assuming that the underreporting of income is not on account of misreporting and none of the additions or disallowances made in assessment qualifies under section 270A(6), penalty leviable on M/s Gamma Ltd. under section 270A at the time of reassessment u/s 147 would be?
- (a) ₹ 93,600
 - (b) ₹ 62,400
 - (c) ₹ 1,56,000
 - (d) ₹ 1,40,400
- (2 x 4 = 8 Marks)**

Case Scenario II

Madhav, a non-resident Indian aged 45 years, furnishes following particulars of income earned by him in India during the previous year 2024-25:

- (a) Short term capital gain (computed) on sale of equity shares of M/s PQ Ltd., an Indian company ₹ 2,00,000. These shares were purchased in convertible foreign exchange on 01.06.2024 and sold on 31.01.2025. He invested whole of the sale proceeds ₹ 5,00,000 in the shares of M/s RS Ltd., an Indian company on 01.02.2025.
- (b) Long term capital gain on sale of equity shares of M/s AB Ltd., an Indian company for ₹ 3,50,000 (computed). These shares were purchased in convertible foreign exchange on 01.10.2020 and sold on 15.10.2024 for ₹ 7,00,000. Out of the sale proceeds, he further purchased the shares of

M/s X Ltd., an Indian company for ₹ 5,00,000 on 31.03.2025.

- (c) Dividend received (gross) from M/s PQ Ltd. and M/s AB Ltd. ₹ 80,000.

Assume that he opts out of the default tax regime and STT has been paid on purchase and sale of the above shares. Ignore the effect of foreign currency fluctuation.

Based on the above information, choose the most appropriate option of the following Multiple Choice Questions (MCQs):-

8. What is the tax liability of Madhav for the assessment year 2025-26 under the provisions of Chapter XII-A?
- (a) ₹ 58,240
 - (b) ₹ 16,640
 - (c) ₹ 47,840
 - (d) ₹ 39,520
9. What is the tax liability of Madhav in respect of these incomes for the assessment year 2025-26 if he opts out of the provisions of Chapter XII-A assuming that his other income exceeds basic exemption limit?
- (a) ₹ 65,520
 - (b) ₹ 73,840
 - (c) ₹ 57,200
 - (d) ₹ 87,490
10. What is the long term capital gains chargeable to tax in the hands of Madhav for the assessment year 2025-26 in respect of sale of shares of M/s AB Ltd. under the provisions of Chapter XII-A?
- (a) ₹ 1,00,000
 - (b) ₹ 2,00,000
 - (c) ₹ 3,00,000
 - (d) NIL
11. What is the tax amount on dividend income in the hands of Madhav for the assessment year 2025-26 if he opts out of the provisions of Chapter

XII-A? Ignore surcharge and cess.

- (a) ₹ 12,000 u/s 115E
- (b) ₹ 8,000 u/s 115A
- (c) ₹16,000 u/s 115A
- (d) As per the applicable slab rate

(2 x 4 = 8 Marks)

Case Scenario III

BCD Realty Trust is a business trust registered under SEBI (Real Estate Investment Trusts) Regulations, 2014. Details of its income for the previous year ended 31 March, 2025 are as follows:

- I. Rental income of ₹ 5 crores from directly owned real estate assets.
- II. Short term capital gain of ₹ 3.5 crore on sale of listed shares of Rama Ltd., an Indian company in which BCD realty trust holds controlling interest through holding 60% of the shareholding of Rama Ltd. Transfer took place on 15.4.2024.
- III. Short term capital gain of ₹1 crore on sale of development properties.
- IV. Dividend of ₹ 4.5 crore from Rama Ltd.

Miscellaneous Information:

BCD Realty Trust has distributed ₹ 12 crores to its resident and non-resident unit holders in the previous year 2024-25.

Based on the above information, choose the most appropriate option of the following Multiple Choice Questions (MCQs):-

- 12. In case of distribution of rental income component to its resident unit holders, BCD Realty Trust is liable to deduct tax at source at the rate of
 - (a) 10% under section 194-I
 - (b) 10% under section 194LBA
 - (c) 30% under section 194LBA
 - (d) 5% under section 194LBA
- 13. Which of the following statements is correct regarding taxability in the hands of BCD Realty Trust for short-term capital gain of ₹ 3.5 crore on sale of listed shares of Rama Ltd. and short-term capital gain of ₹ 1 crore on sale of development properties.

- (a) Short-term capital gain on sale of listed shares is taxable @ 15% and short-term capital gain on sale of development properties is taxable at maximum marginal rate
 - (b) Short-term capital gain on sale of listed shares is taxable at maximum marginal rate and short-term capital gain on sale of development properties is taxable @15%
 - (c) Both the short-term capital gains are taxable at maximum marginal rate
 - (d) Both the short-term capital gains are taxable @ 15%
14. Which of the following statements is correct regarding taxability in the hands of BCD Realty Trust and its unit holders in respect of Rental income of ₹ 5 crores from directly owned real estate assets:
- (a) Exempt in the hands of BCD Realty Trust and unit holders both u/s 10(23FCA).
 - (b) Taxable in the hands of BCD Realty Trust and unit holders u/s 115UA(3).
 - (c) Exempt in the hands of BCD Realty Trust u/s 10(23FCA) and taxable in the hands of unit holders u/s 115UA(3).
 - (d) Taxable in the hands of BCD Realty Trust u/s 115UA(3) and exempt in the hands of unit holders u/s 10(23FCA).
15. Which of the following statements is correct regarding taxability in the hands of BCD Realty Trust and its unit holders in respect of dividend income if Rama Ltd. has not opted to pay tax as per section 115BAA?
- (a) Exempt in the hands of BCD Realty Trust and unit holders both.
 - (b) Taxable in the hands of BCD Realty Trust but exempt in the hands of its unit holders.
 - (c) Exempt in the hands of BCD Realty Trust and taxable in the hands of unit holders.
 - (d) Taxable in the hands of BCD Realty Trust and unit holders.

(2 x 4 = 8 Marks)

Division B – Descriptive Questions

Question No.1 is compulsory.

*Answer any **four** questions out of the remaining **five** questions.*

1. Orient Pharmaceuticals Private Limited is an Indian Company, engaged in the business of manufacturing and providing access to affordable and innovative medicines and healthcare solutions. The company is incorporated in the year 2009. The company shows a Net Profit of ₹ 95 lakhs as per the Statement of Profit and Loss for the year ended March 31, 2025.

Net Profit has been arrived at after debiting and crediting the following items:

- (1) Depreciation as per the Companies Act, 2013 - ₹ 11.90 lakhs.
- (2) The amount of employee benefits includes a sum of ₹ 13,00,000 in respect of bonus payable to employees. In the previous year 2024-25, the company and its employee's union had a dispute over payment of bonus. In order to avoid late payment of bonus, the company formed a trust and transferred the amount of bonus payable to employees to the said trust. The dispute was settled in the month of August, 2025 and the trust paid the amount of bonus to the employees on 31st August, 2025.
- (3) An amount paid by the company as regularization fee for violating a law (as prescribed by Medical Council of India) of manufacturing medicines, ₹ 9.50 lakhs.
- (4) An amount of ₹ 45,000 was paid as late fees to Government for company's failure in performance of a contract within the stipulated time. There was a delay of 5 months and according to the agreement, the company had to pay late fees of ₹ 9,000 per month to the Government.
- (5) The company earned a profit of ₹ 7.50 lakhs on sale of plot of land on 25.08.2024 to Sudhakar Private Ltd., a domestic Company, the entire shares of which are held by the assessee company. The plot was acquired by Orient Pharmaceuticals Pvt. Ltd. on 20.12.2023. This profit is included in the income of the assessee company.

- (6) The company earned a profit of ₹ 4.50 lakhs on sale of 2,500 shares of M/s Stadel Ltd., a listed Indian company. These shares were sold on 08.11.2024 for ₹ 280 per share. The highest trading price of Stadel Ltd. quoted on the stock exchange as on 31.01.2018 was ₹ 175 per share and the Lowest Trading price quoted on the stock exchange was ₹ 165 per share. The said shares were acquired for ₹ 100 per share on 11.07.2016. STT paid both at the time of purchase and sale of shares.
- (7) Company debited an interest of ₹ 7.50 lakhs which the company remitted as interest to a company incorporated in USA on a loan taken 3 years ago. Tax under section 195 from such interest has been deducted in March 2025, but deposited by the company on 14th July, 2025.
- (8) The company has contributed ₹ 65,000 to an electoral trust by account payee cheque.

Following Additional information is provided by the company for P.Y 2024-25:

The depreciation charged in the Statement of Profit and Loss of ₹ 11.90 lakhs include the depreciation calculated on following assets:

- (i) It includes an amount of depreciation of ₹ 95,000 in respect of fire fighting equipments installed in the office premises and factories of the assessee. During the year, there was no incidence of fire and hence, the equipments were no used. Amount of depreciation on such equipment as per Income-tax Rules, 1962 is also same.
- (ii) A new machinery which was installed and put to use on 14.05.2024 valuing ₹ 75 lakhs.
- (iii) A machinery which was sold to a domestic company in 2016 at its WDV for ₹ 35 lakhs was re-acquired on July 5, 2024 for ₹ 65 lakhs.

There is no other fixed asset included by the company's accountant for calculation of depreciation except above these three assets mentioned above.

You are required to compute total income of the company as per Income-tax Act, 1961 for the Assessment Year 2025-26 indicating reasons for treatment of each item, assuming that the company has not opted for special provisions under section 115BAA or 115BAB. **(14 Marks)**

2. (a) (i) Mrs. Seema Aggarwal, aged 56 years, a resident individual acquired a residential house at Ayodhya on 01.04.1993 for ₹ 45,00,000. The Fair market value of the property as on 01.04.2001 was ₹ 1,20,00,000 and the stamp duty value as on 01.04.2001 was ₹ 1,02,00,000.

Mrs. Seema Aggarwal sold her residential house located at Ayodhya to Mr. Shiv Kumar on 15.10.2024 for ₹ 15,50,00,000. The value determined by the Stamp Duty Authority on 15.10.2024 was ₹ 17,00,00,000. Mr. Shiv Kumar was handed over the possession of the property on 15.10.2024 and the registration process was completed on the same date. He paid the sale proceeds in full on the date of registration.

After recovering the sale proceeds from Shiv Kumar, Mrs. Seema Aggarwal purchased one residential plot at Amritsar for ₹ 8 crores on 18.02.2025. She also deposited ₹ 3 crores in a Saving account opened with State Bank of India, Amritsar under Capital gain account scheme on 31.03.2025 for the construction of the residential house on above plot.

You are required to calculate the taxable capital gain in the hands of Mrs. Seema Aggarwal for the A.Y. 2025-26 as per the provisions of Income-tax Act, 1961. Cost Inflation Index for F.Y. 2001-02: 100 and 2024-25: 363. **(4 Marks)**

- (ii) Mr. Manjoo Menon, an assessee from Coimbatore has 20% shareholding in a Private Limited company Aurelia Exports (P) Ltd. The assessee has immovable property in Coimbatore. It was let out to the said company on monthly rent. The assessee permitted the company to provide the said property as collateral security to ABC Bank in order to enable the said company to obtain loan from the said bank.

Consequently, the property was mortgaged to the bank in 2013. That time Board of Directors passed a resolution authorizing the assessee to obtain from the company interest-

free deposit/ advance upto ₹ 20 lakhs as and when required for making available the said property as collateral security to the bank for the loan facility enjoyed by the company.

In June, 2024 Mr. Menon asked for advance rent and he received a sum of ₹ 15 lakhs from the company as advance rent in June 2024 which was to be adjusted against the rent payable to the assessee by the said company. After such adjustment for the year ended March 31, 2025, the amount of advance rent stood reduced to ₹ 8,00,000. The accumulated profits of the company as on 01.04.2024 amounted to ₹ 10,00,000.

The Assessing Officer in the assessment order for the assessment year 2025-26 sought to treat the said sum of ₹ 8,00,000 as deemed dividend under section 2(22)(e) of the Income-tax Act, 1961.

Can the advance rent given to Mr. Manjoo Menon by the company be deemed as dividend under section 2(22)(e) as per Income-tax Act, 1961? **(4 Marks)**

- (b) Miles Inc., a company incorporated in US, is engaged in development of infrastructure and providing consultancy in the same field. During the Financial Year 2024-25, its shareholders met in India for three times. The first two meetings were held to discuss the modification of rights attached to various classes of shares and the third meeting was held to discuss and decide about sale of companies' assets situated in India. The meetings of Board of Directors are held in Chicago, USA where management and commercial decisions necessary for conduct of company's business are taken.

It provides the following additional information pertaining to Financial Year 2024-25:

- (i) Dividend received ₹ 5,50,000 (Net of TDS) on Global Depository Receipts of Z Ltd., an Indian company, issued under a scheme of Central Government against the initial issue of shares of the company and purchased by Miles Inc. in foreign currency through an approved intermediary.

- (ii) Fees for technical services received from Government of India of ₹ 5,55,000 (Net of TDS). The Government of India utilised such technical services for a development project carried out by it in Nepal.

You are required to determine the residential status of Miles Inc. and compute the total income of Miles Inc. for the assessment year 2025-26 briefly explaining the relevant provisions of the Income-tax Act, 1961. **(6 Marks)**

3. (a) Please answer the following independent questions with regard to provisions applicable to Charitable Trust as per the Income-tax Act, 1961.

- (i) Devayani Trust is a registered charitable trust under section 12AB. During the previous year 2024-2025, the trust had applied ₹ 4,50,000 for the benefit of the trustee and ₹ 2,50,000 for the benefit of Mr. Sujan Dave, who has donated ₹ 3,75,000 to the trust up to 31.3.2025. Also, an amount of ₹ 2,50,000 set apart in the P.Y. 2022-2023 by the trust for charitable purposes under section 11(2) has been utilized in the P.Y. 2024-2025 for making donation to another registered charitable trust with similar object as Devayani Trust.

What is the amount of "specified income" liable to tax @30% under section 115BBI for assessment year 2025-2026? Explain with reasons.

- (ii) Parivartan, a public charitable trust has been incorporated on 01.06.2023 and immediately commenced its activities of providing "Relief of Poor". During the previous year 2023-24, it failed to file application for Provisional registration under section 12A(1)(ac). However, on 1.11.2024, it applied for the final registration as per section 12AB read with section 12A(1)(ac) in prescribed Form to avail exemption under section 11 for A.Y. 2025-26.

Is the action of the trust justified? Can a trust apply for Final registration before applying for Provisional registration? If yes, what is the time period upto which the Principal Commissioner or Commissioner will have to pass the order granting or rejecting the registration? The registration, if granted will be

applicable from which assessment year? Explain your answer based on the latest Income tax provisions. **(4 x 2 = 8 Marks)**

- (b) Following are the particulars of income earned by Mr. Kumar Saurav, a resident Indian aged 56 years in India and from Country P for the assessment year 2025-2026

Particulars	Amount in ₹
Income from India	
Income from Profession in India	10,75,000
Interest on Fixed Deposit with XYZ Bank	95,000
Interest on Savings Bank Account	47,000
Income from Country P	
Rate of Tax is 16%	
Agricultural Income in Country P (Gross)	65,000
Royalty Income from literary book from Country P	4,50,000
Expenses incurred for earning royalty	35,000
Dividend from a company incorporated in Country P	1,59,000
Rent from a house situated in Country P (Gross)	1,92,000
Municipal Tax paid in respect of the above house (not allowed as deduction in Country P)	9,500

You are required to compute the total income and net tax liability of Mr. Kumar Saurav in India for the assessment year 2025-26 assuming that India has not entered into double taxation avoidance agreement with Country P.

Assume that Mr. Kumar Saurav pays tax under the default tax regime under section 115BAC. **(6 Marks)**

4. (a) Examine the applicability of Tax Deducted at source/Tax Collected at source and calculate the amount of TDS/TCS in the following independent cases as per the provisions applicable for A.Y. 2025-26:
- (i) Raj Keshri Hotels and Resorts Limited is engaged in business of owning, operating and managing hotels during the previous year 2024-25. The tips are paid by the guests by way of

charge to the Credit Cards, UPI or Net Banking in the bills. The company disburses the same to the employees at periodic intervals. Explain with reason whether the company is responsible for deducting tax at source from disbursement of tips to its employees. **(2 Marks)**

- (ii) Lalit is an individual whose total sales in business during the year ended 31.3.2024 was ₹ 1.50 crores. He has entered into a contract with Rajesh for construction of his factory building for ₹ 5,00,000 which was credited in his books of account on 1.2.2025. No amount was credited earlier to the account of the contractor in the books of Lalit. The turnover of Mr. Lalit for previous year 2024-25 is ₹ 95 Lakhs.

He also pays a monthly rent starting from 1st April, 2024 to 31st March, 2025 of ₹ 16,000 p.m. for the office premises to Mr. Hemant, the owner of building. Besides, he also pays service charges of ₹ 5,500 per month to Mr. Hemant towards the use of furniture, fixtures and vacant land appurtenant to office. Examine the obligation of the tax deducted at source for A.Y. 2025-26. **(4 Marks)**

- (iii) XY and Co., a partnership firm selling its products 'R' through the digital facility provided by ABC Limited (an E-commerce Operator). On 28th February, 2025, ABC Limited credited in its books of account, the account of XY and Co. with a sum of ₹ 4,90,000 for the online sale of products 'R' made during the month of February-2025.

The company released a payment of ₹ 4,30,000 on 6th March 2025 to XY and Co. out of above sales made during February. Further, Mr. Rai, who purchased products 'R' through the digital facility of ABC Limited on 10th March 2025 made payment of ₹ 60,000 directly to XY and Co. on 15th March, 2025. **(2 Marks)**

- (b) Yalin Ltd. is located in Country X, a notified jurisdictional area (NJA). Armo Ltd., a domestic company sold goods to Yalin Ltd. on 15.01.2025 for ₹ 11.75 crore.

During the current financial year, Armo Ltd. sold identical goods to KB Inc., of Edinburgh, U.K. for ₹ 13 crore. KB Inc. is neither situated in any NJA nor associated person of Armo Ltd.

While sales to KB Inc., were on CIF basis, the sale to Yalin Ltd. was on FOB basis, which paid ocean freight and insurance amounting to ₹ 25 lakhs on purchases from Armo Ltd. India has a double taxation avoidance agreement with UK. The assessee has a policy of providing after sales support service to the tune of ₹ 19 lakhs to all customers except Yalin Ltd. which procured the same locally at a cost of ₹ 23 lakhs.

Whether transfer pricing provisions would be applicable on transaction between Yalin Ltd. and Armo Ltd.? If yes, compute the Arm's Length Price for the sales made to Yalin Ltd. and the amount of consequent adjustment, if any, in the profits of Armo Ltd., the assessee company for A.Y. 2025-26. Explain with reasons.

(6 Marks)

5. (a) Answer any **two** out of the following three sub-parts, viz. (i), (ii) and (iii) Your answer should cover:
- (1) Issue involved
 - (2) Provision Applicable
 - (3) Analysis and conclusion
- (i) Assessee had taken an engine on lease under an agreement with a foreign company (lessor), a tax resident of the Germany, having no permanent establishment (PE) in India. The foreign company also does not have PAN in India. The assessee company deducted tax at source @10% on lease rental as per the provisions contained under DTAA between India and Germany.

However, revenue contended that in the absence of furnishing of PAN, the assessee was under an obligation to deduct tax at a higher rate of 20% following the provisions of section 206AA. In the light of the latest Supreme Court rulings, discuss whether the contention of Revenue is correct or not.

(4 Marks)

- (ii) Mr. X filed his return of income for A.Y. 2024-25 by declaring a total income of ₹ 10 lakhs. His case was selected for scrutiny assessment and an addition of ₹ 4 lakhs was made by the Assessing Officer on account of disallowances of certain expenses. During the course of the assessment proceedings, Mr. X found that he erroneously failed to claim the set-off of brought forward losses under section 72 amounting to ₹ 3 lakhs, which he was otherwise entitled to. By the time the error was discovered by Mr. X, the time-limit for filing revised return had also expired. Hence, during the course of the proceedings, Mr. X approached the Assessing Officer to allow the set-off of the brought forward losses which was erroneously not claimed in the return of income filed under section 139(1). Whether the Assessing Officer is bound to accept the request of Mr. X? Examine. **(4 Marks)**
- (iii) ABC Pvt Ltd, a domestic company is engaged in a software development business at Techno Park, which employed 700 employees, deducted tax at source (TDS) in respect of salaries, contract payments, etc., totalling ₹ 1.10 crores upto 31.03.2025 for the assessment year (A.Y.) 2025-26. In March 2025, the assessee deposited part of the TDS being ₹ 38 lakhs and balance of ₹ 72 lakhs was deposited later in July 2025. However, the Additional Commissioner of Income Tax issued a show cause notice proposing to levy penalty under section 271C of the Income-tax Act 1961 of the amount equal to TDS and also levied penal interest under section 201(1A) of the Income-tax Act, 1961. Feeling aggrieved and dissatisfied with the levy of interest/penalty under the Income-tax Act, 1961 on late deposit of TDS, the company has approached you to seek your advice in the matter. **(4 Marks)**
- (b) (i) Explain the term "Exchange of information" as per Article 26 of Model Tax Conventions under OECD Model and UN Model and explain importance of Article 26. **(4 Marks)**
- (ii) What do you understand by "GloBE Rules"? Which entities are covered under these Rules? **(2 Marks)**

6. (a) (i) Club U Travels Private Limited, engaged in the business of travel agency remitted substantial amount to Australia as per the information collected by the Income-tax department from PTU Bank. The department collected documents from PTU Bank, which include Form 15CB issued by the chartered accountant, list of passengers, copy of their passports, date of travel and invoices raised by the foreign party.

On enquiry from the passengers and verifying their passports, it is found that they did not travel abroad on the dates mentioned in the documents. On the top of it the passengers also denied there was no transaction with Club U Travels Private Limited.

The Income-tax department concluded that the amounts were remitted by the company on the basis of false invoices and for wrong reasons. It led to FEMA violations and Form 15CB issued by the chartered accountant was a vital document in these transactions. During the six-month period in question, the chartered accountant had issued 78 certificates in Form 15CB involving remittances of ₹ 35 crores for Club U Travels Private Limited.

A representation was given by the concerned CA that he had issued Form 15CB based on invoices produced by the company and verifying the KYC documents of the signatory to the invoices. His contention was that since he was not the statutory auditor of the company, he did not examine the books of account before issuing Form 15CB or conduct due diligence of its business activities. He had charged ₹ 2,500 per certificate. Mostly, the fees were collected in cash. Some parts of the fees were credited to his bank account.

Examine the ethical implications in this case? **(6 Marks)**

- (ii) Specify with reason, whether the following acts can be considered as:

(A) Tax planning; or (B) Tax management; or (C) Tax evasion.

1. Mr. D has FDR with SBI in his name amounting to ₹ 50 lakhs. He gifted this sum of ₹ 50 lakhs to his son, on

10.04.2024, the date on which he attained 18 years of age. The purpose is to shift interest income from his hands to his son, so that there may be Zero tax implication, since his son has no other income and the total interest would be lower than taxable limits for P.Y. 2024-25.

2. Mr. Ram's Annual income is ₹ 49.50 lakhs for A.Y. 2025-26 excluding commission receivable from ABC Limited. During March 2025, he earned a commission of ₹ 6 lakhs from ABC Limited. He asked ABC Limited to transfer the commission in his wife's account, who is a housewife. He also asked them to deduct TDS in her wife's name. He did it so that his total income may not cross ₹ 50 lakhs and he can save surcharge on taxes applicable on total income exceeding ₹ 50 lakhs. His wife has no other income. **(4 Marks)**

- (b) The term 'Advance Ruling' includes within its scope, a determination by the Board for Advance Rulings only in relation to a transaction undertaken by a non-resident applicant. Examine the correctness of this statement, with reference to the provisions of the Income-tax Act 1961. **(4 Marks)**