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- (1) After each MCQ, four options have been given. Choose the correct and most appropriate option and darken the corresponding circle against the MCQ number in the OMR answer sheet.*
- (2) Answer to MCQs, if written inside the descriptive answer book shall not be awarded any mark.*
- (3) Please ensure to 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.*
- (4) Please write your Roll No. and name on the topmost page of the MCQ booklet at the specified place without fail.*

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(3)

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PART-I

Integrated Case Study – I

Relish Pvt. Ltd. ("R") is an Indian company. Solar Inc ("S") is a company incorporated in U.S.A. and its income is not chargeable to tax in India. Both are promoted by Mr. Pawan who holds 51% equity share capital and voting power in both R and S. The balance sheet of R as on 31<sup>st</sup> March, 2025 is as follows :

Liabilities	Amount (₹ million)	Assets	Amount (₹ million)
Paid up capital and reserves	160	Fixed Assets	370
Loans :		Current Assets	210
From S 302		Cash and bank balance	20
From others 98	400		
Current liabilities	40		
<b>Total</b>	<b>600</b>	<b>Total</b>	<b>600</b>

Additional information :

The loan was advanced by S to R on 1<sup>st</sup> July, 2024 in rupee terms and carries 7% p.a. rate of interest. For borrowers with similar risk profile, S advances loan at 6% p.a. interest rate.

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R does not make any adjustment to its total income of ₹ 15 crores on account of application of provisions of Chapter X of the Income-tax Act, 1961 in its return of income for A.Y. 2025-26.

From the information given above, choose the most appropriate answer to the following questions No. 1 to 3 –

1. In case the excess money arises due to Primary adjustments and it has not been repatriated within the prescribed time limit given in Rule 10CB(1) and R chooses to pay additional income tax on such excess money, what would be the amount of additional tax payable by R ? (Ignore Interest)

(A) ₹ 4,24,008

(B) ₹ 5,27,654

☒ (C) NIL

(D) ₹ 4,74,889

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2. Identify whether R and S are associated enterprises as per provisions relating to Transfer Pricing under Income Tax Act, 1961 ? If so, why ?

(A) Yes, R and S are associated enterprises as not less than 75% of R's total loans have been availed from S.

(B) Yes, R and S are associated enterprises since the loan advanced by S to R is more than 50% of the book value of R's total assets.

☒ (C) Yes, R and S are associated enterprises because Mr. Pawan holds voting power of 51% in both the companies.

(D) No, R and S are not associated enterprises.

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(5)

JPW1

3. What is the amount of primary adjustment required to be made to the total income of R for A.Y.2025-26 assuming that "R" and "S" are associated enterprises ?

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☒ (A) ₹ 30,20,000

(B) NIL

(C) ₹ 25,16,667

(D) ₹ 22,65,000

#### Independent MCQs

4. Mr. B acquired 1000 Equity shares of PQR Limited for ₹ 400 each in May 2020. The company buyback 200 Equity shares of Mr. B, as per the scheme of buyback, in January 2025 at a price of ₹ 550 per share. The buyback was complete in January 2025 and Mr. B received the payment as per scheme. He did not sell any other capital asset during F.Y. 2024-25. What amount will be included in the Gross Total Income of Mr. B and what will be the amount of loss to be carried forward (if any) for A.Y. 2025-26 as per Income Tax Act,1961 ?

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(A) Long Term Capital Gain of ₹ 30,000 will be included under the head Capital Gains only. No loss to be carried forward.

(B) Dividend of ₹ 30,000 will be included under the head Income from other sources and a Long term capital loss of ₹ 80,000 will be carried forward.

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(C) Dividend of ₹ 1,10,000 will be included under the head Income from other sources and a Long term capital loss of ₹ 80,000 will be carried forward.

(D) The company will pay additional tax of 23.296% of ₹ 25,625 for buyback made from Mr. B and the amount of ₹ 1,10,000 will not be taxable in the hands of Mr. B.

5. ABC Bank Limited, a private bank in India has not filed its statement of financial transaction or reportable account in relation to the specified financial transaction for the financial year 2023-24 as required under section 285BA. A notice was issued by the prescribed income-tax authority on 1<sup>st</sup> September, 2024 requiring the bank to furnish the statement by 30<sup>th</sup> September, 2024. The bank, however, furnished the statement on 10<sup>th</sup> October, 2024. Calculate the penalty leviable on bank under the provision of Section 271FA of Income tax Act 1961, assuming that bank fails to provide any sufficient cause for delay. 2

(A) ₹ 5,000

(B) ₹ 71,000

(C) ₹ 61,000

(D) ₹ 10,000

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(7)

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6. M/s. Optima Corporation is an Investment fund, regulated by SEBI (Alternative Investment Fund) Regulations, 2012, made under the SEBI Act, 1992. The following are the particulars of income of Optima Corporation for F.Y. 2024-25 :

Particulars	Amount in ₹
Business Income	4,00,000
Capital Gains	28,00,000
Income from other sources	8,00,000

Assume that Optima Corporation has 8 unitholders each having one unit held by them for a period exceeding 24 months, and income from investment in the fund is the only income of the unitholder.

What would be the total income of the investment fund and each unitholder for A.Y. 2025-26 ?

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- (A) Total Income of Investment Fund will be ₹ 4,00,000 and Total income of each unitholder will be ₹ 4,50,000
- (B) Total Income of Investment Fund will be ₹ 12,00,000 and Total income of each unitholder will be ₹ 3,50,000
- (C) Total Income of Investment Fund will be ₹ 40,00,000 and Total income of each unitholder will be NIL.
- (D) Total Income of Investment Fund will be NIL and Total income of each unitholder will be ₹ 5,00,000.

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### Integrated Case Study – II

M/s. ABC Limited is an Indian company which has made investment in shares of Indian and foreign companies. During the financial year 2024-25, ABC Limited received dividends from different companies as follows :-

Name of the company	Status of the company	Shareholding held by ABC Limited	Date of declaration of dividend by the company	Gross amount of dividend in ₹	Interest Expenditure on loan borrowed for investment in shares by ABC Limited
P Ltd	Indian Company	12%	01.07.2024	3,00,000	66,000
Q Ltd	Indian Company	21%	01.11.2024	5,00,000	80,000
X Inc.	Foreign company	15%	10.02.2025	4,80,000	1,20,000

ABC Limited distributed dividend to its shareholders amounting to ₹ 2,50,000 for the Financial year 2023-24 in December 2024 and dividend of ₹ 4,50,000 for the financial year 2024-25 in March 2025. Assume that all the amounts of dividends on investment in shares by ABC Limited have been received before 31<sup>st</sup> March 2025.

A search was made under section 132 of the Income Tax Act, 1961 on M/s. ABC Limited. The search was initiated on 26.02.2025 and concluded on 06.03.2025 when the last of authorizations executed.

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M/s. ABC Limited received a notice under section 143(2) for A.Y. 2023-24, the assessment proceedings for which in the faceless manner was ongoing at the time of search. A notice under section 148 was also issued for A.Y. 2020-21 to the company as per the provisions of the Act, the proceedings for which were also pending on the date of search.

The company has made an appeal before the Commissioner of Income Tax(Appeals) for the A.Y. 2015-16 for a matter relating to a business deduction, which was dismissed by the CIT (Appeals) on 20.12.2024 and order u/s. 250 was communicated on the same date to the company. The company decided to go for further appeal on this matter in the ITAT.

Please answer the following questions no. 7 to 11 with regard to above facts and Income Tax Act, 1961.

7. What would be considered as the "Block period" as per special provisions for Assessment of search cases under section 158B to 158BI in case of M/s. ABC Limited ?

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(A) Assessment years relevant to previous years 2018-19 to 2023-24 and the period from 1<sup>st</sup> April, 2024 to 06.03.2025.

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(10)

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- (B) Assessment years relevant to previous years 2018-19 to 2023-24 and the period from 1<sup>st</sup> April, 2024 to 25.02.2025.
- (C) Assessment years relevant to previous years 2018-19 to 2023-24 and the period from 1<sup>st</sup> April, 2024 to 26.02.2025.
- (D) Assessment years relevant to previous years 2018-19 to 2024-25.

8. As per information provided relating to ABC Limited, Choose the correct option on the basis of the above facts :

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- (A) The assessment proceedings for A.Y. 2023-24 shall be deemed to have abated but assessment proceedings under section 148 shall continue.
- ☒ (B) The assessment proceedings for both A.Y. 2020-21 and A.Y. 2023-24 shall abate on the date of initiation of search under section 132.
- (C) The assessment proceedings for A.Y. 2020-21 shall abate but the Assessment proceedings for A.Y. 2023-24 will continue.
- (D) The assessment proceedings for both A.Y. 2020-21 and A.Y. 2023-24 shall continue and these two periods will be excluded from assessment of block period.

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(11)

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9. What would be the prescribed time limit for filing appeal before ITAT as per the time limit given in Section 253(3) of the Act on the matter relating to A.Y. 2015-16 for the company (Ignore condonation of delay allowable by ITAT) ? 2
- (A) On or before 18.02.2025
- ☒ (B) On or before 28.02.2025
- (C) On or before 19.01.2025
- (D) On or before 31.01.2025
10. What is the amount of dividend to be included under the head "Income from Other sources" for the A.Y. 2025-26 for ABC Limited ? 2
- ☒ (A) ₹ 10,44,000
- (B) ₹ 10,14,000
- (C) ₹ 10,24,000
- (D) ₹ 5,74,000
11. What will be the amount of deduction allowable to M/s. ABC Limited under section 80M for dividend income for A.Y. 2025-26, assuming that the company has opted special tax regime u/s. 115BAA ? 2
- (A) ₹ 4,50,000
- ☒ (B) ₹ 7,00,000
- (C) ₹ 2,50,000
- (D) NIL

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**Integrated Case Study – III**

Mr. Ramakant Gupta, a practising Chartered Accountant in Delhi, is engaged in Taxation planning and consultancy for his clients. His client GBR Inc., a country M based foreign company, is carrying on the business of manufacture and sale of artificial jewellery under the brand name "Kangan". For expansion in Indian market, it used the online advertisement services of M/s. Lima Inc., a country Z based foreign company. During the previous year 2024-25, GBR Inc. paid ₹ 7 Lakhs to Lima Inc. for such services. GBR Inc. has a permanent establishment in India but Lima Inc. has no permanent establishment in India. 7/12

Mr. Ramakant Gupta is a member of Kikli Foundation, an education institution and a registered trust under section 12AB of the Income Tax Act, 1961. The trust has made payment to an advocate of ₹ 5,90,000 (including GST of ₹ 90,000) for providing services relating to a pending case of the Trust at High Court on 20.12.2024. 590,000 + 90,000 = 6,80,000

The trust is following mercantile system of accounting. In May 2024, the trust paid salary payable for March 2024 amounting to ₹ 15,00,000 and Electricity Bill payable for the months of February and March 2024 amounting to ₹ 3,60,000.

Mr. Ramakant Gupta sold 1000 Mitcoins, a virtual digital asset to Mr. Priyal on 20.11.2024 for a consideration of ₹ 340 per Mitcoin. Mr. Priyal is employed in ABC Limited at monthly salary of ₹ 1,20,000 per month during F.Y. 2024-25. Mr. Priyal has no other source of Income.

Please answer the following questions 12 to 15 with regard to above facts and Income Tax Act, 1961.

(13)

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12. In respect of salary paid of ₹ 15,00,000 and Electricity bill paid of ₹ 3,60,000 by the trust, Identify the correct statement :

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- (A) Salary amounting to ₹ 15,00,000 will be treated as application of income for the trust for the P.Y. 2023-24 and Electricity bill amounting to ₹ 3,60,000 will be treated as application of income for the trust for the P.Y. 2024-25 as per Act.
- (B) Both Salary and Electricity bill amounting to ₹ 18,60,000 will be treated as application of income for the trust for the P.Y. 2023-24 in which sum is actually incurred since the trust is following mercantile system of accounting.
- (C) Salary amounting to ₹ 15,00,000 will be treated as application of income for the trust for the P.Y. 2024-25 and Electricity bill amounting to ₹ 3,60,000 will be treated as application of income for the trust for the P.Y. 2023-24 as per Act.
- (D) Both Salary and Electricity bill amounting to ₹ 18,60,000 will be treated as application of income for the trust for the P.Y. 2024-25 in which sum is actually paid.

13. In respect of Virtual Digital Assets(VDA) sold by Mr. Gupta to Mr. Priyal, Whether Mr. Priyal is required to deduct TDS in respect of consideration payable for VDA ?

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- (A) Yes, Mr. Priyal needs to deduct TDS u/s. 194S @ 1% of consideration of VDA of ₹ 3,40,000, since the consideration payable exceeds ₹ 50,000.

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- (B) No, Mr. Priyal need not to deduct TDS u/s. 194S, being a salaried person during F.Y. 2024-25
- (C) No, Mr. Priyal need not to deduct TDS u/s. 194S, being a specified person as per provisions of the section 194S and the consideration payable is less than ₹ 5,00,000.
- (D) No, TDS provisions u/s. 194S are not applicable when transaction takes place between two individuals directly and having no involvement of any Exchange.
14. Whether GBR Inc. is required to charge and deduct Equalisation Levy on the amount of ₹ 7 Lacs paid to Lima Inc. ?
- (A) Yes, GBR Inc. is required to charge and deduct Equalisation Levy on the amount of ₹ 7 Lacs paid to Lima Inc, since GBR Inc is having PE in India.
- (B) No, GBR Inc. is not required to charge and deduct Equalisation Levy on the amount of ₹ 7 Lacs paid to Lima Inc, since GBR Inc is a foreign company.
- (C) No, GBR Inc. is not required to charge and deduct Equalisation Levy on the amount of ₹ 7 Lacs paid to Lima Inc, since Equalisation Levy is not applicable when the amount of payment is less than ₹ 10 lacs during the previous year.
- (D) No, GBR Inc. is not required to charge and deduct Equalisation Levy on the amount of ₹ 7 Lacs paid to Lima Inc, since Equalisation Levy is not applicable on or after August 1, 2024 on such payments.

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15. Identify the correct statement in respect of payment made by the trust to an advocate for High court case.

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- (A) Kikli Foundation, the trust need not to deduct any TDS from payment made to advocate, being a registered trust u/s.12AB
- ✓ (B) Kikli Foundation, the trust need to deduct an amount of TDS of ₹ 50,000 as per section 194J of the Act from payment made to advocate, and deposit it before due date of filing Income Tax Return u/s. 139(1) to avail the sum paid as application of income for F.Y. 2024-25.
- (C) Kikli Foundation, the trust need to deduct an amount of TDS of ₹ 59,000 as per section 194J of the Act from payment made to advocate, and deposit it before due date of filing Income Tax Return u/s. 139(1) to avail the sum paid as application of income for F.Y. 2024-25.
- (D) Kikli Foundation, the trust need to deduct an amount of TDS of ₹ 50,000 as per section 194J of the Act from payment made to advocate, and deposit it before the end of Assessment year 2025-26 to avail the sum paid as application of income for Previous year 2024-25.



## PART – II

1. Krisha, Kinara and Komal were three partners in a partnership firm, KKK Enterprises. The firm carried on the business of running banquet halls for marriages and other parties or events purposes from the date of its formation i.e. 20.12.2015 till 31.03.2020. The partners converted the firm into a company from 01.04.2020 by the name KKK Private Ltd. and transferred the entire business to the company. All the partners' of the firm became the shareholders of the company in the same proportion as per their capital balance stood in the books of the firm. No other consideration was paid to the partners.

The company earned a net profit of ₹ 1,19,25,000 after debiting/ crediting the following items in its Statement of Profit and Loss for the year ended 31.03.2025 :

- (i) During the Financial year 2024-25, a sum of ₹ 1,17,000 was paid to a resident transport operator, Mr. Milan, for transporting necessary goods to the banquet halls. The payments were made in cash as follows :

Date	Amount in ₹
4 <sup>th</sup> May, 2024	26,000
23 <sup>rd</sup> July, 2024	37,000
14 <sup>th</sup> September, 2024	22,000
16 <sup>th</sup> February, 2025	32,000

The company did not deduct tax at source from such payment as Mr. Milan submitted a certificate under section 197(1) issued to him by the Assessing Officer for no deduction of tax at source.

- (ii) Depreciation as per books – ₹ 13,56,000
- (iii) Out of the debtors that were transferred to the company, one debtor, M/s. M Travels LLP, from whom ₹ 6 lakhs were due since FY 2019-20, went bankrupt on 01.12.2024 and nothing could be recovered from them. The company debited the amount of ₹ 6 lakhs in the Statement of Profit and Loss.
- (iv) Dividend received from listed companies – ₹ 5,40,000.



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Payment to stock  
broker  
(50%) 40(0)(10)

**Additional Information :**

- (i) The company invested in shares of listed companies through a stock broker. During the FY 2024-25, the company paid ₹ 1,25,000 to its resident stock broker as commission for the purchase of shares. No shares were sold during the year. No TDS was deducted on such payment.
- (ii) Depreciation as per Income-tax Rules – ₹ 15,78,000. A machinery (HYC) that the firm had used earlier was transferred to the company at the time of succession. The machinery formed part of 15% depreciation block. The WDV of the machinery was ₹ 12 lakhs as on 01.04.2024. On 01.09.2024, the machinery was discarded. The amount of depreciation as per Income-tax Rules given above (₹ 15,78,000) includes depreciation on this machine as well.   
 : Included = 150L
- (iii) The share-holding structure of the company at the start of the F.Y., i.e. 01.04.2024 was as follows :

Krishna	30%
Kinara	25%
Komal	20%
Others	25%

During FY 2024-25, Krishna sold 95% of her holdings to her daughter-in-law, Keerat.

- (iv) Brought forward business loss – ₹ 14 lakhs (relating to A.Y. 2020-21)
- (v) The company holds 65% stake in Adar Hospitality Services Pvt. Ltd., a closely held Indian company. On 12<sup>th</sup> April 2024, the company took a loan of ₹ 15 lakhs from Adar Hospitality Services Pvt. Ltd. Accumulated profits of Adar Hospitality Services Pvt. Ltd. was ₹ 31 lakhs on 01.04.2024. The company repaid the loan in full on 25<sup>th</sup> March, 2025.

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- (vi) The long-term capital gains on transfer of capital assets amounting to ₹ 55 lakhs which arose at the time of succession of firm to company was exempt at the time of conversion of firm into company in the hands of the firm as per conditions laid under section 47(xiii).

The turnover of the company for the previous year 2023-24 was ₹ 390 crores and for the previous year 2022-23 was ₹ 408 crores. You are required to compute the total income and tax payable of the company for A.Y. 2025-26 by giving brief reasons for the treatment of each item.

Would it be beneficial for the company to opt for the concessional tax regime under section 115BAA of the Act for the AY 2025-26? Examine. Ignore the provisions relating to MAT.  $22\% + 10\% + 4\%$

2. (a) M/s Mittal Metals is a Limited Liability Partnership firm (LLP) consisting of three partners J, K and L. Mr. J and Mr. K are working partners as per deed. Partnership deed authorizes interest to partners @ 14% p.a.. The deed also authorizes remuneration to the working partners @ ₹ 75,000 per month.  $90\% \text{ of first } 3L \quad \text{Gross Max} = 12\%$

It has a unit in SEZ which started its operations w.e.f. 01.06.2019. Its total turnover, export turnover and net profits for the F.Y. 2024-25 are ₹ 120 Lakh, ₹ 90 Lakh and ₹ 24 Lakh respectively. The unit fulfills all the conditions of section 10AA of Income Tax Act 1961.  $10AA = 24 \times \frac{90}{120}$

The firm has commenced the operations of a warehousing facility for storage of sugar on 01.05.2024. It incurred capital expenditure of ₹ 60 lakh on purchase of land and construction of building during the period January 2024 to April 2024 (It includes ₹ 35 lakh for cost of land) for such warehouse. This expenditure has been capitalized in the books of accounts but no depreciation has been charged on the same. The warehousing facility fulfills all the conditions of section 35AD. allowed as deduct

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Profits from operation of warehousing facility are ₹ 30 lakh, before considering deduction u/s 35AD, for the F.Y. 2024-25 and after debiting the following items :

1. Interest on capital @ 14% ₹ 11,48,000/-

2. Salary credited to all 3 partners ₹ 9,00,000 each.

(i) Compute the total income and income tax payable by the firm Mittal Metals for the A.Y. 2025-26 giving explanations for each item. (Ignore AMT provisions and Tax payable as per AMT u/s. 115JC)

(ii) Assuming that The LLP filed its return of Income for A.Y. 2025-26 in December 2025 i.e. after the due date of filing return of income as prescribed under the Act, Will it make any impact on deduction under section 10AA or deduction u/s. 35AD for A.Y. 2025-26 ? (No need to recompute total income and tax payable)

yes non-allowance

(b) Mr. Joseph, a non-resident and a person of Indian origin (aged 49 years), furnished following information for the previous year ended 31<sup>st</sup> March, 2025 :-

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Particulars	Amount in ₹
Sale proceeds of listed equity shares in A Limited, an Indian company on 31.05.2024	6,00,000
Cost of acquisition (in convertible foreign exchange) of equity shares of A Limited acquired on 01.06.2020	1,10,000 ✓
Expenditure wholly and exclusively incurred in connection with transfer of listed equity shares of A Limited	50,000 ✓

gndia

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Interest on Government Securities (net of TDS) (Acquired in convertible foreign exchange)	81,000
Interest on deposits with public limited companies (Gross) (acquired in convertible foreign exchange) Expenditure incurred in earning such income ₹ 7,500 (NIA)	3,25,000
Interest on deposits held with Private limited companies (Gross) (These deposits were made when Mr. Joseph was resident in India out of his taxable income in India during F.Y. 2014-15)	5,55,000
Fresh Investment in shares of Indian public limited companies on 11.11.2024	2,20,000

You are required to compute the total income of Mr. Joseph and Gross amount of tax payable for assessment year 2025-26 in accordance with special provisions prescribed under chapter XII-A applicable to non-residents and other provisions of the Act. Mr. Joseph has opted to shift out of default tax regime provided under section 115BAC(1A). He has no other income. The applicable tax was deducted at source from interest income. Ignore interest calculations u/s 234A, 234B and 234C and the effect of first proviso to section 48.

(Cost Inflation Index F.Y. 2020-21 : 301, F.Y. 2024-25 : 363)

JPW2

(a) Examine and Discuss each of the following independent cases of charitable trust/institutions based on the relevant provisions of Income Tax Act, 1961 and judicial pronouncements for the assessment year 2025-26 :

(i) KRA Foundation is a charitable trust registered under section 12AB engaged in the activity of providing old-age homes to senior citizens. The total receipts of the trust for the financial year 2024-25 was ₹ 145 Lakhs. This receipt of ₹ 145 lakhs includes a voluntary contribution received from Mr. Keshav, a resident individual, amounting to ₹ 70,000. During F.Y. 2024-25, out of the total receipts, the trust gave an unsecured loan of ₹ 5 lakhs to Mr. Keshav at an interest rate of 12% p.a. The scheduled banks charge interest at the rate of 11.50% for a similar kind of loan. The trust has always applied 85% of the total receipts for its objects. Discuss the implications in the hands of the trust as per the provision of the Income-tax Act. 4

(ii) M/s Medi Care Foundation, a trust registered u/s 12AB of the Income-tax Act, 1961, runs a hospital. During the financial year 2023-24, it received a voluntary contribution of ₹ 95 lakhs with a specific direction that it should form part of the corpus of the trust. The trust invested such amount in the shares of M/s Healthy Care Ltd., a public sector company. 2

On March 31, 2025, due to disinvestment by the Government, M/s Healthy Care Ltd. ceases to be a public sector company. Doesn't effect remove within 3M

(iii) M/s Medi Care Foundation, a trust registered u/s 12AB of the Income-tax Act, 1961, which runs a hospital also paid consultancy fees ₹ 1,00,000 to Mr. Suresh, a doctor on 31.08.2024. The trust did not deduct the TDS on consultancy fees paid to doctors. The accountant of the trust claims that the trust is not liable to tax audit under section 44AB (being a trust), therefore it is out of the purview of section 194J. 2

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- (b) Miss. Meera, aged 28 years, a resident individual, provides management consultancy to small and medium-sized corporations in India and abroad. She regularly travels to country K for providing consultancy services to her clients. It provides the following information to you in respect of its income during the FY 2024-25:

- (i) Amount received from providing consultancy:

In India – ₹ 35,70,000

In Country K – ₹ 12,00,000

- (ii) Amount spent in earning these incomes:

In India – ₹ 9,60,000

In Country K – ₹ 2,50,000

- (iii) Rent received from a shop in Country K – ₹ 55,000 p.m.

- (iv) Expenses incurred in earning this rental income in Country K – ₹ 1,20,000

#### **Additional information**

- (i) Country K provides 2 option to the assessee as far as taxation of income from management consultancy is concerned –

Option 1 - at a flat rate of 20% without deduction of any expenses;  
or

Option 2 – at the rate of 37% after deduction of expenses in earning the income.

- (ii) Country K taxes rental incomes at a flat rate of 27% after giving a standard deduction of 20% for regular expenses. No other expense is allowed to be deducted.

- (iii) Country K does not have any tax deduction regulations at the source. Miss Meera will opt for lowest possible tax in country K.

You are required to compute the total income and tax payable by Miss Meera in India for A.Y. 2025-26 assuming she chooses to pay tax as per default tax regime as per Section 115BAC(1A). Ignore the provisions of section 44ADA. India does (not) have any Double Taxation Avoidance Agreement with country K. Your calculations should be made upto 2 decimal points. Rebate 15.91

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) Ubclick Inc., a non-resident company (incorporated in Country Y) is engaged in the manufacturing of paints and has factories across the world including India. The factory in India produces paints and sells in the Indian market as well as worldwide since past 10 years. Its turnover for the last 3 years in India was F.Y. 2021-22 ₹ 200 crores, F.Y. 2022-23 ₹ 490 crores and F.Y. 2023-24 ₹ 540 crores. On 1.5.2024, it bought raw materials from Colours Private Ltd., a domestic company for ₹ 1 crore. Colours Private Ltd.'s turnover for the F.Y. 2021-22 was ₹ 5 crores, F.Y. 2022-23 was ₹ 8 crores and F.Y. 2023-24 was ₹ 9 crores. India does not have a DTAA with Country Y. Discuss the TDS/ TCS implications of this transaction. 2

TCS  
710 Cr.  
206C(1H)  
1750L

- (ii) M/s Seal India Pvt. Ltd., a domestic company, engaged in business of manufacturing and selling of washing powder and bars. For the purpose of promoting and to boost sales of its products it hires agents, to whom incentives and commission is paid on the basis of percentage of sales made through them. During the P.Y. 2024-25, Mr. Prakash a resident individual, is working as an agent for the company. The company paid him following commissions and incentives on the basis of target achieved by him : 4

194H  
715.07



Date of payment/credit	Particulars	Amount (₹)
13-07-2024	Commission for achieving sales target of Quarter 1	1,75,000
10-01-2025	Commission for achieving sales target of Quarter 3	1,60,000
15-01-2025	Other Incentives	1,60,000

51/2-1.

The figure of other incentives includes reimbursement of expenses of ₹ 1,00,000/- incurred on booking of air tickets for an event in Singapore for Mr. Prakash and his family members who accompany him. The company has also given Mr. Prakash laptop worth ₹ 60,000 for achieving sales target for the month of September, 2024 in October 2024.

- (iii) AntiqueMasters.com is an online portal that provides e-auction for antique items like coins, artifacts etc. and operates only in India. The owners list their items on the portal and interested buyers place bids for them on the portal itself. The portal provides the details of the buyers who make the top 3 bids. The seller chooses the buyer and intimates the portal. The portal takes money from the buyer and transfers the amount to the seller's bank account after deducting the agreed commission. The seller then delivers the item directly to the buyer's address. What will be the TDS obligations on the portal with respect to a sale amounting to ₹ 11 lakhs made by Mr. Sonu, an Indian resident, on the portal on 28<sup>th</sup> February 2025 ?

194-0

&gt; 5L ... 1/10/24

JPW2

- (b) Indiana Ltd., an Indian company engaged in the manufacturing and trading of electronic projectors. Indiana Ltd. has the following stakes in different foreign entities :

It holds 30% voting rights in Star GmbH, a German company. AE

It appoints 6 directors in Moon Inc., an American company. Moon Inc. has 15 directors on its board. No AE

It has given guarantee for a loan amounting to Euro 12 million taken by Astroid Ltd. of the UK. The value of total borrowing of Astroid Ltd. is Euro 150 million and the book value of total assets of Astroid Ltd. is Euro 160 million. No AE

Indiana Ltd. entered into the following transactions with these entities during the F.Y. 2024-25 :

#### **Transaction with Star GmbH**

Indiana Ltd. bought 1,000 units of electronic projectors from Star GmbH for ₹ 15,000 per unit for the purpose of resale in India. It sold these projectors in India without doing any modification thereon. The gross profit margin earned from such resale was 20% of Sale price. Star GmbH provided after-sales warrantee of 1 year. The cost of warrantee is 3% of sale price.

#### **Transaction with Moon Inc.**

Indiana Ltd. bought 1,000 units of similar electronic projectors (as purchased from Star GmbH) from Moon Inc. for ₹ 14,000 per unit for the purpose of resale in India. It sold these projectors in India without doing any modification and earned gross profit margin of 30% of sale price. Moon Inc. provided after-sales warrantee of 9 months. The cost of warrantee is 3% of sale price.

#### **Transaction with Astroid Ltd.**

Indian Ltd. provided consultancy services to Astroid Ltd. for ₹ 8,000 per hour for 5,000 hours. It provided similar services to Ms Comet Ltd., an unrelated Indian company for ₹ 9000 per hour.



You are required to discuss :

- (i) Whether Star GmbH, Moon Inc and Astroid Ltd. are associated enterprises/deemed associated enterprises of Indiana Ltd. as per section 92A of the Act.
- (ii) Compute the Arm Length Price (ALP) of the international transactions made between them, wherever applicable.

5. (a) Answer any **two** out of the following three sub-parts viz (i), (ii) and (iii) :

- (i) Mr. Rajneesh, a resident individual, during the course of assessment proceedings, was found guilty of making false entries in his books of accounts to evade payment of taxes. The assessing officer initiated penalty proceedings against him under section 271AAD. The penalty that is likely to be levied is ₹ 3 crores. The assessing officer passed an order to provisionally attach the properties of the assessee on 31<sup>st</sup> May 2024, since the AO is of the opinion that it is necessary to do so to protect the interest of the revenue. AO also took prior approval from the Principal Commissioner of Income-tax for passing such order. You are required to answer the following questions in this regard : PCIT

100%  
of tax  
as penalty

72 cr. allowed

258 BB

  - (A) Is the action of the Assessing Officer valid ? Is there any monetary limit with respect to the provisional attachment of properties in the present case ?
  - (B) Assume all the procedural aspects of the provisional attachment have been met, discuss the validity period of such provisional attachment. Can it be extended ?
  - (C) Is there any option available to Mr. Rajneesh where such provisional attachment of property can be avoided? If, yes, explain the relevant provisions in this regard.
- (ii) Please answer the following question covering aspects relating to Issue Involved, Provision applicable, Analysis and Conclusion as per latest Court rulings.

The assessee, M/s TQR LLP, a registered LLP, is engaged in the wholesale and retail trade of beverages. The assessee debited ₹ 5 crores to the Profit & Loss account in respect of surcharge on sales tax and turnover tax paid to the State Government. In the assessment order under section 143(3) of the Income-tax Act, 1961 the Assessing Officer made an addition of ₹ 5 crores on account of disallowance of surcharge on sales tax and turnover tax to the returned income.

The assessee contends that the order of the assessment is bad in law as no notice was issued under section 143(2) even though the assessee had participated in the assessment proceedings. The assessing officer, relying on Section 292BB, contends that when assessee has participated in assessment proceedings, now he cannot raise any objection on the assessment order. On the basis of relevant case laws and provisions of the Act, Examine the validity of the contentions of both.

- (iii) Mr. Baljit, a resident individual, e-filed his return of income for assessment year 2024-25 on 30.07.2024, offered entire interest income of ₹ 25 Lacs received from M/s Sanjay Finance Ltd., Delhi (deductor) and claimed the credit for Tax Deducted at source (TDS) by the said deductor.

4

TDS credit was not allowed by the department, pursuant to intimation issued u/s 143(1). The application filed under section 154 was also rejected for the reason that TDS credit is not reflected in Form 26AS and consequently, the said tax was recovered from the assessee itself. Advise, Mr. Baljit, on the basis of latest Court rulings, whether the department can recover tax due from him. Discuss the relevant Provisions and give conclusion.

Deductor TDS provision



- (b) (i) Under BEPS Action Plan 13, BEPS report recommends that countries adopt a standardised approach to transfer pricing documentation, wherein it mandates the three tier structure of (i) Master File (ii) Local File and (iii) Country-by-Country report. What are the advantages of the three-tier structure mandated by BEPS Action Plan 13 ?
- (ii) Explain "Static approach" and "Ambulatory approach" with regard to meaning of a term as per the domestic law, not defined in the International Tax treaty.
6. (a) (i) Mr. Ram is engaged in trading of mobiles and is the proprietor of M/s. Narang Mobiles. His turnover and aggregate receipts for the Financial year 2024-25 are ₹ 5,12,00,000. He received ₹ 22,00,000 from Sundry debtors in cash and remaining ₹ 4.90 crores were received through online banking channel before 31.03.2025. He also made a total business payment of 5,50,00,000 against purchase of goods, Rent, Salary and other business expenses during Previous year 2024-25, out of which total cash payments amounted to ₹ 28,00,000 and remaining all kind of payments made through online banking channel. No other amount received or paid during the year on business account. He has no other business in his name.
- Whether Mr. Ram is required to get books of accounts of Narang Mobiles compulsory audited for the A.Y. 2025-26 as per Section 44AB of the Income Tax Act, 1961 ? Discuss.
- Assuming Mr. Ram is required to get his accounts audited and in the light of the Tax Audit applicability u/s. 44AB of the Act, Also discuss whether the following issue need to be reported by the Chartered Accountant of Mr. Ram in the tax audit report as applicable for A.Y. 2025-26 u/s. 44AB in relation to Tax audit of M/s. Narang Mobiles in view of section 269ST. You need to give the relevant provisions of law in support of your answer.

## JPW2

- Narang Mobiles issued an invoice of ₹ 3,50,000 to M/s. XYZ and co for sale of mobiles on 10.02.2025. M/s. XYZ and co made payment of ₹ 2,50,000 through account payee cheque. The balance of ₹ 1,00,000 has been paid on 10 different dates in cash, through payment of ₹ 10,000 on each day before 31.03.2025. *single form*

Ignore the Clause numbers given in Form 3CD prescribed for Tax Audit Report u/s. 44AB for such reporting.

- (ii) M/s RH Steels Ltd. is a company incorporated in India. It sets up two units one in a Special Economic Zone (SEZ) and another in non-SEZ area for manufacturing of steel bottles. The company transfers the product of non-SEZ unit to SEZ unit at a price lower than the fair market value. In respect of such products transferred from non-SEZ unit, only insignificant manufacturing activity takes place in the SEZ unit. In this way, the company is able to show higher profits in SEZ unit than in non-SEZ unit, and consequently claims higher deduction in computation of income. The sales from bottles transferred from non-SEZ unit constitutes 15% of the total turnover of SEZ unit. Can provisions of GAAR be invoked? *yes* . 4
- (b) ABC Ltd., an Indian company has entered into an agreement for providing technical knowhow with PQR Inc., a company registered in Country A. PQR Inc. has a sister concern, XYZ LLC., in Country A, which has obtained Advance Ruling on an identical technical know-how agreement with another Indian company, MNC Ltd. 4
- The agreement is expected to be of ₹ 500 crores and expected tax liability would be ₹ 150 crores. ABC Ltd. wants to make use of this advance ruling for its assessment proceedings. So it applied to Board for Advance Rulings to issue same ruling for ABC Limited, being identical ruling. To verify the transaction between ABC Ltd and PQR Inc., the Board for Advance Rulings compel the production of books of accounts.
- Can ABC Ltd make an application for advance ruling with Board for Advance Rulings as per the Act. Also Examine whether the Board can ask for production of books of accounts when ruling on similar issue has already been given. Examine in the context of the provisions of the Income-tax Act, 1961 ?

JPW2

7500 306  
feels.