

**FINAL COURSE**

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**PAPER : 7**

**Direct Tax Laws and  
International Taxation**

[Relevant for May, 2021 & November, 2021 Examinations]

**BOOKLET ON MCQs &  
CASE SCENARIOS**



**BOARD OF STUDIES**

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

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# Preface

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In certain core papers at the Intermediate and Final levels, the question paper has a dedicated section for 30 marks for objective type questions in the form of MCQs, comprising of both independent MCQs and case scenario based MCQs. These MCQs for 30 marks would be compulsory and there would be no internal or external choice available in respect of such questions. Each MCQ would have four options out of which you have to choose the one correct option.

The Board of Studies, in its endeavour to assist students in their learning process, has come out with a MCQ booklet in the above core papers. This booklet on Final (New) Paper 7 : Direct Tax Laws and International Taxation comprises of 100 independent MCQs and 30 case scenarios.

Case scenario based MCQs are all application-oriented and arise from the facts of the case. You need to apply the relevant provisions of direct tax laws to the facts of the case to choose the correct option. The independent MCQs may be application-oriented or knowledge-based. Since Final (New) Paper 7 – Direct Tax Laws and International Taxation is largely application-oriented, the independent MCQs in this subject would be mostly application-oriented.

The independent MCQs and case scenario based MCQs in this subject have to be answered on the basis of the provisions of direct tax laws, as amended by the Finance Act, 2020, the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020; as well as the significant notifications and circulars issued upto 31.10.2020. The relevant assessment year on the basis of which MCQs have to be answered is A.Y. 2021-22, unless otherwise specified in the question.

This booklet relating to Final (New) Paper 7 Direct Tax Laws and International Taxation is relevant for May 2021 and November 2021 examinations. Students appearing in November 2021 examinations need to consider the Statutory Update (containing significant notifications, circulars and other legislative amendments between 01.11.2020 and 30.04.2021), which would be web-hosted at the BoS Knowledge Portal. This booklet is also relevant for Final (Old) Paper 7: Direct Tax Laws.

Please note that before working out the independent MCQs and case scenario based MCQs in this booklet, you have to be thorough with the concepts and

provisions of direct tax laws and international taxation discussed in the November, 2020 edition of the Study Material, which is based on the provisions of direct tax laws as amended by the Finance Act, 2020, the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020; as well as the significant notifications and circulars issued upto 31.10.2020. Further, the students appearing in November 2021 examinations also need to go through the Statutory Update which will be web-hosted at the BoS Knowledge Portal.

After attaining conceptual clarity by reading the Study Material, you are expected to apply the concepts and provisions learnt in answering the independent and case scenario based MCQs given in this booklet. You have to read the case scenario and MCQs, identify the provisions of direct tax laws involved, apply the provisions correctly in addressing the issue raised/making the computation required in the MCQ, and finally, choose the correct answer. This process of learning concepts and provisions in direct tax laws and international taxation and solving independent and case scenario based MCQs based thereon will help you attain conceptual clarity and hone your application and analytical skills so that you are able to approach the examination with confidence and a positive attitude.

*Wishing you happy reading!*

## MULTIPLE CHOICE QUESTIONS

1. Mr. Akash is engaged in the business of running motor cars on hire. His brother, Mr. Vikas, is a dentist. Mr. Akash and Mr. Vikas each purchased a motor car of the value of ₹ 5 lakh on 1.11.2019 for their business/profession and put the same to use immediately. The written down value of motor cars as on 1.4.2019 may be taken as ₹ 50 lakh for Mr. Akash and Nil for Mr. Vikas. What is the depreciation allowable in respect of motor cars to Mr. Akash and Mr. Vikas under section 32 for A.Y.2021-22, assuming that both of them have not opted for the special provisions of section 115BAC?
  - (a) ₹ 11,73,750 and ₹ 69,375, respectively
  - (b) ₹ 11,77,500 and ₹ 1,05,000 respectively
  - (c) ₹ 11,77,500 and ₹ 1,27,500, respectively
  - (d) ₹ 12,24,375 and ₹ 1,27,500, respectively
  
2. The turnover of Mr. Aarav, engaged in wholesale trading business, for the P.Y.2020-21 is ₹ 2 crore and the gross receipts of Mr. Vishal, engaged in legal profession is ₹ 50 lakhs. Mr. Aarav has been regularly following mercantile system of accounting and Mr. Vishal regularly follows cash basis of accounting. Out of the turnover of Mr. Aarav, he receives ₹ 1.20 crores through ECS through bank account during the P.Y.2020-21. He receives another ₹ 60 lakhs through ECS through bank account on or before 31.7.2021. Mr. Vishal receives ₹ 30 lakhs by account payee bank draft and ₹ 20 lakhs by crossed cheque during the P.Y.2020-21. What would be the income chargeable to tax under the head "Profits and Gains of Business and Profession", if they want to minimize their tax liability? Both of them maintain books of account as per section 44AA. Income computed as per the regular provisions of Income-tax Act, 1961 is ₹ 11,50,000 and ₹ 24,75,000 in the hands of Aarav and Vishal, respectively. However, they have not got the books of account audited and do not intend to do so in future.
  - (a) ₹ 16,00,000 and ₹ 25,00,000, respectively
  - (b) ₹ 13,60,000 and ₹ 25,00,000, respectively

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- (c) ₹ 11,50,000 and ₹ 24,75,000, respectively
- (d) ₹ 12,40,000 and ₹ 25,00,000, respectively
3. Mr. Vishal and Mr. Guha sold their residential house property in Pune for ₹ 3 crore and ₹ 4 crore, respectively, in January, 2021. The house property was purchased by them 25 months back. The indexed cost of acquisition is ₹ 1 crore and ₹ 1.75 crore, respectively. Mr. Vishal purchased two residential flats, one in Delhi and one in Agra for ₹ 70 lakhs and ₹ 80 lakhs, respectively, in April, 2021. On the same date, Mr. Guha also purchased two residential flats, one in Mumbai and the other in Pune, for ₹ 80 lakhs and ₹ 75 lakhs, respectively. Both of them invested ₹ 30 lakhs in bonds of NHAI in March, 2021 and ₹ 30 lakhs in bonds of RECL in April, 2021. What is the income taxable under the head "Capital Gains" for A.Y.2021-22 in the hands of Mr. Vishal and Mr. Guha?
- (a) ₹ 70 lakhs and ₹ 95 lakhs, respectively
- (b) ₹ 60 lakhs and ₹ 85 lakhs, respectively
- (c) Nil and ₹ 95 lakhs, respectively
- (d) Nil and ₹ 20 lakhs, respectively
4. Mr. Hari is an interior decorator declaring profits under 44ADA in the P.Y.2020-21 and the earlier previous years. Mr. Hari has to pay brokerage of ₹ 10 lakhs to Mr. Lal, a broker, to buy a residential house, and ₹ 50 lakhs to Mr. Shyam, a contractor for reconstruction of the residential house. Are TDS provisions attracted in the hands of Mr. Hari in respect of the above transactions, and if so, what is the amount of tax to be deducted?
- (a) No; TDS provisions are not attracted in the hands of Mr. Hari in respect of payments to Mr. Lal and Mr. Shyam
- (b) Yes; Mr. Hari has to deduct tax from payment to Mr. Lal and Mr. Shyam
- (c) Mr. Hari does not have to deduct tax on payment to Mr. Lal but has to deduct tax from payment to Mr. Shyam
- (d) Mr. Hari does not have to deduct tax on payment to Mr. Shyam but has to deduct tax from payment to Mr. Lal

5. Mr. X, a foreign national and citizen of USA, working with M Inc., a US based company, came to India during the P.Y. 2020-21 for rendering services on behalf of the employer. He wishes to claim his salary income earned during his stay in India as exempt. Which of the following is **not** a condition to be fulfilled to claim such remuneration as exempt income under the Income-tax Act, 1961?
- (a) M Inc. should not be engaged in any trade or business in India
  - (b) Mr. X should not be engaged in any trade or business in India
  - (c) Mr. X's stay in India should not exceed 90 days in aggregate during the P.Y. 2020-21
  - (d) Remuneration received by Mr. X should not be liable to be deducted from M Inc.'s income chargeable to tax under the Income-tax Act, 1961
6. Mr. Ram, born on 1.4.1961, has a gross total income of ₹ 2,90,000 for A.Y.2021-22 comprising of his salary income. He does not claim any deduction under Chapter VI-A. He pays electricity bills of ₹ 10,000 per month. He made a visit to Melbourne along with his wife for a month in February, 2021 for which he incurred to and fro flight charges of ₹ 1.20 lakhs. The remaining expenditure for his visa, stay and sightseeing amounting to ₹ 80,000 was met by his son residing in Melbourne. Is Mr. Ram required to file return of income for A.Y.2021-22, and if so, why?
- (a) No, Ram is not required to file his return of income
  - (b) Yes, Ram is required to file his return of income, since his gross total income/total income exceeds the basic exemption limit
  - (c) Yes, Ram is required to file his return of income since he pays electricity bills of ₹ 10,000 per month
  - (d) Yes, Ram is required to file his return of income since he has incurred foreign travel expenditure exceeding ₹ 1 lakh
7. Mr. Rajesh is aggrieved by an order passed by the Commissioner of Income-tax imposing penalty under section 270A for under-reporting of income. What is the appellate remedy available to him under the

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Income-tax Act, 1961 and the specified time limit within which he has to file an appeal?

- (a) He can file an appeal to Commissioner (Appeals) u/s 246A within 30 days from the date on which the order is communicated to him
  - (b) He can file an appeal to Commissioner (Appeals) u/s 246A within 60 days from the date on which the order is communicated to him
  - (c) He can file an appeal to Appellate Tribunal u/s 253 within 30 days from the date on which the order is communicated to him
  - (d) He can file an appeal to Appellate Tribunal u/s 253 within 60 days from the date on which the order is communicated to him
8. Ms. Aparna and Ms. Dimple, Indian citizens residing in California since the year 2010, visit India for 60 days every year. On 1.3.2021, Ms. Aparna transferred to Ms. Dimple in California, for consideration of dollar equivalent to ₹ 15 lakhs, rupee denominated bonds (issued outside India) of X Ltd., a company incorporated in India, which were acquired by her on 1.3.2019 for a price of dollar equivalent to ₹ 10 lakhs. What are the capital gains tax implications of such transfer in the hands of Ms. Aparna?
- (a) Ms. Aparna is liable to capital gains tax on long-term capital gains arising on transfer of rupee denominated bonds; indexation benefit is not available
  - (b) Ms. Aparna is liable to capital gains tax on long-term capital gains arising on transfer of rupee denominated bonds; indexation benefit is available
  - (c) Ms. Aparna is liable to capital gains tax on short-term capital gains arising on transfer of rupee denominated bonds
  - (d) There is no capital gains tax implication in the hands of Ms. Aparna in respect of this transaction
9. Mr. Sanjay, a salaried individual, pays brokerage of ₹ 40 lakhs to Mr. Harish, a broker, on 5.1.2021 to buy a residential house. His father,



Mr. Hari, a retired pensioner, makes contract payments of ₹ 15 lakhs, ₹ 25 lakhs and ₹ 12 lakhs on 28.9.2020, 3.11.2020 and 15.2.2021 to Mr. Rajeev, a contractor, for reconstruction of residential house. With respect to the above payments made by Mr. Sanjay and Mr. Hari, which of the following statements is correct?

- (a) Neither Mr. Sanjay nor Mr. Hari is required to deduct tax at source, since they are not subject to tax audit, on account of being a salaried individual and pensioner, respectively
  - (b) Both Mr. Sanjay and Mr. Hari are required to deduct tax at source under the provisions of the Income-tax Act, even though they are not subject to tax audit
  - (c) Mr. Sanjay is required to deduct tax at source but Mr. Hari is not required to deduct tax at source
  - (d) Mr. Hari is required to deduct tax at source but Mr. Sanjay is not required to deduct tax at source
10. Mr. Rajesh and Mr. Brijesh, resident individuals, received ₹ 12 lakhs each on 1.4.2020 on maturity of life insurance policy taken on 31.3.2012 and 1.4.2012, respectively, the sum assured of which is ₹ 10 lakhs. They had paid an annual premium of ₹ 1.10 lakhs each. Are provisions of tax deduction at source attracted on maturity proceeds received by Mr. Rajesh and Mr. Brijesh?
- (a) Yes; Tax is deductible at source on maturity proceeds received by both Mr. Rajesh and Mr. Brijesh, since the annual premium is more than ₹ 1,00,000, being 10% of ₹ 10 lakhs
  - (b) No; Tax is not deductible at source on maturity proceeds received by either Mr. Rajesh or Mr. Brijesh, since the annual premium is less than ₹ 1,20,000, being 10% of ₹ 12 lakhs
  - (c) No tax is deductible at source on maturity proceeds received by Mr. Rajesh. Tax is deductible at source on maturity proceeds received by Mr. Brijesh and the tax deductible at source is ₹ 12,000
  - (d) No tax is deductible at source on maturity proceeds received by Mr. Rajesh. Tax is deductible at source on maturity proceeds

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received by Mr. Brijesh and the tax deductible at source is ₹ 16,000

11. A Inc. and B Inc., incorporated in Country A and Country B, respectively, whose place of effective management is also in the said countries, are engaged in the business of operation of ships and aircraft, respectively. The details of receipts etc. during the P.Y.2020-21 are as follows –

Particulars	A Inc.	B Inc.
Amount paid/payable in Mumbai on account of carriage of passengers: Shipped from Mumbai port to port in Country A From Mumbai airport to airport in Country B	₹ 20 lakhs	₹ 15 lakhs
Amount paid/payable in Country A/B on account of carriage of passengers: Shipped from Mumbai port to port in Country A From Mumbai airport to airport in Country B	₹ 5 lakhs	₹ 4 lakhs
Amount received/deemed to be received in India on account of carriage of passengers: Shipped from port in Country A to Mumbai port From airport in Country B to Mumbai airport	₹ 7 lakhs	₹ 8 lakhs
Amount received/deemed to be received in Country A/B on account of carriage of passengers: Shipped from port in Country A to Mumbai port From airport in Country B to Mumbai airport	₹ 22 lakhs	₹ 18 lakhs
Profit (pertaining to Indian operations) computed as per books of account maintained by A Inc. and B Inc., after providing the deductions under the Income-tax Act, 1961	₹ 2.20 lakhs	₹ 1.20 lakhs

The profits and gains of business of A Inc. and B Inc. chargeable to tax in India under the Income-tax Act, 1961 for A.Y.2021-22 is –

- (a) ₹ 2.20 lakhs and ₹ 1.20 lakhs, respectively, provided the books of accounts are audited under section 44AB of the Income-tax Act, 1961
- (b) ₹ 1.60 lakhs and ₹ 2.025 lakhs, respectively
- (c) ₹ 2.40 lakhs and ₹ 1.35 lakhs, respectively
- (d) ₹ 2.70 lakhs and ₹ 3.375 lakhs, respectively
12. Kaveri Ltd. is an Indian Company in which Andes Inc., a Country A company, holds 30% shareholding and voting power. During the previous year 2017-18, the Indian company supplied computers to the Country A based company @CAD 2200 per piece. The price of computer supplied to other unrelated parties in Country A is @CAD 2500 per piece. During the course of assessment proceedings relating to A.Y.2018-19, the Assessing Officer carried out primary adjustments and added a sum of ₹ 138 lakhs, being the difference between actual price of computer and arm's length price for 500 pieces and it was duly accepted by the assessee. The Assessing Officer passed the order, in which the primary adjustments were made, on 1.7.2020. On account of this adjustment, the excess money of ₹ 138 lakhs is available with Andes Inc, Country A. What would be the effect of this transaction while computing the total income of Kaveri Ltd. for the assessment year 2021-22, assuming that –
- (i) Kaveri Ltd. declared an income of ₹ 220 lakhs;
- (ii) the excess money is still lying with Andes Inc. till today;
- (iii) Kaveri Ltd. has not opted to pay additional income-tax on such excess money not repatriated; and
- (iv) the rate of exchange is 1 CAD = ₹ 92 and the six-month LIBOR as on 30.9.2020 is 10%. [CAD stands for Country A Dollars, which is the currency of Country A].

The correct answer is -

- (a) Interest of ₹ 13.80 lakhs would be added to the total income of Kaveri Ltd.
- (b) Interest of ₹ 13.418 lakhs would be added to the total income of Kaveri Ltd.

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- (c) Interest of ₹ 10.35 lakhs would be added to the total income of Kaveri Ltd.
- (d) Interest of ₹ 8.97 lakhs would be added to the total income of Kaveri Ltd.
13. During the P.Y.2020-21, Mr. Aakash has ₹ 80 lakhs of short-term capital gains taxable u/s 111A, ₹ 70 lakhs of long-term capital gains taxable u/s 112A and business income of ₹ 90 lakhs. Which of the following statements is correct?
- (a) Surcharge@25% is leviable on income-tax computed on total income of ₹ 2.40 crore, since the total income exceeds ₹ 2 crore
- (b) Surcharge@15% is leviable on income-tax computed on total income of ₹ 2.40 crore
- (c) Surcharge@15% is leviable in respect of income-tax computed on capital gains of ₹ 1.50 crore, since such income exceeds ₹ 1 crore but is less than ₹ 2 crore; in respect of business income of ₹ 90 lakhs, surcharge is leviable@25% on income-tax, since the total income exceeds ₹ 2 crore
- (d) Surcharge@15% is leviable in respect of income-tax computed on capital gains of ₹ 1.50 crore, since such income exceeds ₹ 1 crore but is less than ₹ 2 crore; in respect of business income of ₹ 90 lakhs, surcharge is leviable@10% on income-tax, since such income exceeds ₹ 50 lakhs but is less than ₹ 1 crore
14. An investment fund's income for A.Y.2021-22 comprised of the following components:
- (i) Business income ₹ 5 crore; and
- (ii) Capital loss ₹ 3 crore.
- All the unit holders of the investment fund have held units in the investment fund for more than 12 months. What would be the tax treatment?
- (a) Business income of ₹ 5 crore is taxable in the hands of the investment fund. The capital loss of ₹ 3 crore has to be carried forward by the investment fund

- (b) Business income of ₹ 5 crore is taxable in the hands of the unit holders. Capital loss of ₹ 3 crore can be carried forward only by the unit holders
  - (c) Business income of ₹ 5 crore is taxable in the hands of the investment fund. The capital loss of ₹ 3 crore cannot be carried forward by either the investment fund or the unit holders
  - (d) Business income of ₹ 5 crore is taxable in the hands of the investment fund. Capital loss of ₹ 3 crore can be carried forward only by the unit holders
15. A Ltd., an Indian company, bought back its listed shares from its shareholders and B (P) Ltd., an Indian company, bought back its unlisted shares from its shareholders in the month of March, 2021. What are the tax consequences of such buyback in the hands of A Ltd., B (P) Ltd. and the shareholders?
- (a) Additional income-tax@23.296% of the distributed income is leviable in the hands of A Ltd. and B (P) Ltd.; income arising to shareholders is exempt
  - (b) Income arising to shareholders from buyback is taxable in their individual hands; No distribution tax is leviable in the hands of A Ltd. and B (P) Ltd.
  - (c) Additional income-tax@23.296% of the distributed income is leviable in the hands of A Ltd.; income arising to shareholders of B (P) Ltd. is taxable in their individual hands
  - (d) Additional income-tax@23.296% of the distributed income is leviable in the hands of B (P) Ltd.; income arising to shareholders of A Ltd. is taxable in their individual hands
16. Mr. Ganesh and Mr. Rajesh, resident Indians born on 1.7.1960 and 1.4.1941, respectively, have not furnished their returns of income for the P.Y.2020-21. However, the total income assessed in respect of such year under section 144 is ₹ 8 lakhs and ₹ 5 lakhs, respectively. Is penalty leviable under section 270A, and if so, what is the quantum of penalty?
- (a) No penalty is leviable under section 270A in the hands of either Mr. Ganesh or Mr. Rajesh

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- (b) Yes; ₹ 36,400 and ₹ 5,200, respectively
- (c) Yes; ₹ 37,700 and ₹ 6,500, respectively
- (d) Penalty of ₹ 36,400 leviable in the hands of Mr. Ganesh; No penalty leviable in the hands of Mr. Rajesh

17. M/s. X & Co. and M/s. Y & Co. are non-resident firms in receipt of fees for technical services of ₹ 20 lakhs each in the P.Y.2020-21 from an Indian company, A Ltd., in pursuance of an agreement with A Ltd. approved by the Central Government. M/s. X & Co. does not have any fixed place of profession in India whereas M/s. Y & Co. has a fixed place of profession in India and the contract is effectively connected with such fixed place of profession. The revenue expenditure incurred by M/s X & Co. to earn FTS is ₹ 2 lakhs. The following are the details pertaining to M/s Y & Co. -

Revenue expenditure incurred to earn FTS ₹ 3.50 lakhs

Expenditure wholly and exclusively connected with fixed place of profession in India (Out of the above amount) ₹ 3 lakhs

Amount paid by fixed place of profession to Head Office otherwise than towards reimbursement of actual expenses (not included in above amounts) ₹ 1 lakh

Books of account maintained u/s 44AA Yes

Books of account audited and audit report furnished with return of income Yes

What is the tax liability in India of M/s. X & Co. and M/s. Y & Co. for P.Y.2020-21 in respect of fees for technical services?

- (a) ₹ 5,61,600 and ₹ 4,99,200
- (b) ₹ 1,87,200 and ₹ 5,30,400
- (c) ₹ 2,08,000 and ₹ 5,30,400
- (d) ₹ 1,87,200 and ₹ 1,76,800

18. A Ltd., an Indian company, borrowed money from B Inc. in Country B, C Ltd. in Country C, D Inc. in Country D and E Ltd. in Country E, the details of which are given hereunder-

<b>Lender</b>	<b>Amount borrowed by A Ltd.</b>	<b>Interest paid in the P.Y.2020-21</b>	<b>Is it an Associated Enterprise of A Ltd.?</b>
B Inc.	₹ 15 crores	₹ 1.50 crores	Yes
C Ltd.	₹ 25 crores	₹ 2.50 crores	No
D Inc.	₹ 25 crores	₹ 2.50 crores	Yes
E Ltd.	₹ 15 crores	₹ 1.50 crores	No

B Inc. has provided guarantee of loan taken by A Ltd. from C Ltd. D Inc. has deposited ₹ 15 crores with E Ltd. Earnings before Interest, Tax and Depreciation of A Ltd. for A.Y.2021-22 is ₹ 10 crores. What is the interest to be disallowed under section 94B for A.Y.2021-22?

- (a) ₹ 1 crore
  - (b) ₹ 3 crores
  - (c) ₹ 4 crores
  - (d) ₹ 5 crores
19. M Ltd. and N Ltd. are Indian companies which have to pay interest of ₹ 2 lakhs and ₹ 1 lakh outside India to Mr. P, a non-resident, during the P.Y.2020-21 on rupee denominated bonds issued in January, 2019 and April, 2019, respectively. Which of the following statements is correct relating to liability of M Ltd. and N Ltd. to deduct tax at source on such interest payable to Mr. P?
- (a) Both M Ltd. and N Ltd. do not have to deduct tax at source on such interest
  - (b) Both M Ltd. and N Ltd. have to deduct tax at source@5.2%
  - (c) M Ltd. does not have to deduct tax at source but N Ltd. has to deduct tax at source@5.2%
  - (d) N Ltd. does not have to deduct tax at source but M Ltd. has to deduct tax at source@5.2%

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20. Under which of the following cases, will arm's length price be determined by considering the median of the dataset?

Case	Most Appropriate Method	No. of entries in the dataset	Does the price at which the transaction is undertaken fall within the arm's length range beginning from the 35 <sup>th</sup> percentile of the dataset and ending on the 65 <sup>th</sup> percentile of the dataset?
I	CUP	5	-
II	RPM	6	Yes
III	TNMM	7	Yes
IV	Cost Plus	8	No

- (a) II and III  
(b) I and IV  
(c) Only IV  
(d) Only I
21. Which of the following orders is **not** appealable before Commissioner (Appeals)?
- (a) An order of penalty under section 271B for failure to get accounts audited  
(b) An order made under section 163 treating the assessee as an agent of a non-resident  
(c) An order of assessment passed by the Assessing Officer in pursuance of directions of Dispute Resolution Panel  
(d) An order made under section 201 deeming a person to be an assessee-in-default for non-deduction of tax at source
22. Which of the following statements are correct in relation to the power of an income-tax authority to collect information which may be useful for the purposes of the Income-tax Act, 1961?



- (i) The income-tax authority can enter the place of business of the assessee only after sunrise and before sunset.
- (ii) The income-tax authority may enter the place of business only during the hours at which such place is open for conduct of business.
- (iii) The income-tax authority may impound and retain in his custody, for a period not exceeding 15 days, books of account or other documents inspected by him. If he wishes to retain for a period exceeding 15 days, he has to take the prior approval of Principal Chief Commissioner or Chief Commissioner.
- (iv) The income-tax authority can on no account remove or cause to be removed from the building or place he has entered any books of account or other documents.

The correct answer is -

- (a) (i) and (iii)
  - (b) (i) and (iv)
  - (c) (ii) and (iii)
  - (d) (ii) and (iv)
23. Mr. B has been holding 10% units in Real Estate Investment Trust, 7.5% units in Securitisation Trust and 5% units in Investment Fund for more than 15 months. The following incomes were earned by the Trust/Fund during the P.Y. 2020-21:

Particulars	Investment Fund (₹)	Real Estate Investment Trust (₹)	Securitisation Trust (₹)
Rental Income from directly held real estate property	-	10,00,000	-
Interest income from Special Purpose Vehicle	-	8,00,000	-
Profit from Business	5,00,000	-	6,00,000

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Other Income (not in the nature of dividend)	2,00,000	1,00,000	-
Long-term capital loss	(12,50,000)	-	-

What would be the total income of Mr. B for P.Y. 2020-21, assuming that apart from share in above income, Mr. B had only long-term capital gains of ₹ 2,70,000?

- (a) ₹ 4,42,500
  - (b) ₹ 4,67,500
  - (c) ₹ 4,52,500
  - (d) ₹ 5,05,000
24. Mr. Mahesh is found to be the owner of two gold chains of 50 gms each (value of which is ₹ 1,45,000 each) during the financial year ending 31.3.2021 but he could offer satisfactory explanation for ₹ 50,000 spent on acquiring these gold chains. As per section 115BBE, Mr. Mahesh would be liable to pay tax of –
- (a) ₹ 1,87,200
  - (b) ₹ 2,26,200
  - (c) ₹ 1,49,760
  - (d) ₹ 1,80,960
25. Mr. Sarthak (a non-resident aged 65 years) is a retired person, earning rental income of ₹ 40,000 per month from a property located in Mumbai in the P.Y.2020-21. He is residing in Germany. Apart from rental income, he does not have any other source of income. Is he liable to pay advance tax in India? If not, why?
- (i) Yes, he is liable to pay advance tax in India.
  - (ii) No, he is not liable to pay advance tax in India as his tax liability in India is less than ₹ 10,000.

- (iii) No, he is not liable to pay advance tax in India as he has no income chargeable under the head "Profits and gains of business or profession".
- (iv) No, he is not liable to pay advance tax, since he is of the age of 60 years or more during the P.Y. 2020-21.

The correct answer is –

- (a) Only (i)
  - (b) Only (ii)
  - (c) (ii) and (iii)
  - (d) (ii), (iii) and (iv)
26. XYZ Ltd., a Foreign Institutional Investor (FII), has total income comprising of only short-term capital gains of ₹ 50 lakh on sale of listed equity shares and interest income referred under section 194LD of ₹ 15 lakh. What is the tax liability of the FII for the P.Y. 2020-21?
- (a) ₹ 8,58,000
  - (b) ₹ 16,38,000
  - (c) ₹ 15,75,000
  - (d) ₹ 18,72,000
27. Mr. Jakir, a non-resident, wants to file an application before the AAR pertaining to tax implications arising in respect of a service contract entered into with an Indian company under the provisions of the Income-tax Act, 1961. He is of the opinion that the following persons can be a revenue member of a Bench of the AAR for the purpose of adjudicating his advance ruling application -
- (i) A person from the Indian Revenue Service who is qualified to be a member of CBDT.
  - (ii) A officer of the Indian Customs and Central Excise Service who is qualified to be a member of CBEC.
  - (iii) A member from the Indian Legal Service, who is a Joint Secretary to the Government of India.

Identify, who can be a revenue member of a bench of the AAR for adjudicating his advance ruling application.

- (a) (i) or (ii)
- (b) (i) or (iii)
- (c) (i), (ii) or (iii)
- (d) (i) only

28. M/s TPS, a partnership firm, is engaged in the trading business of electrical appliances. Its turnover for the previous year 2020-21 is ₹ 1,10,00,000. It follows mercantile system of accounting. It has received the amount of its turnover in the following manner-

Amount of turnover (₹)	Mode of Receipt
70,00,000	Account payee cheques (₹ 5,00,000 received on 30.4.2021)
10,00,000	Cash (whole amount received during the P.Y. 2020-21)
15,00,000	Crossed cheques (whole amount received during the P.Y. 2020-21)
10,00,000	RTGS (₹ 2,00,000 received on 15.5.2021)

₹ 5,00,000 is not received by the firm till the due date of filing return of income for the current previous year. The profits and gains as per the books of account maintained as per section 44AA is ₹ 6,80,000. What would be the total income of the firm for A.Y.2021-22, if it wishes to make maximum tax savings without getting its books of accounts audited?

- (a) ₹ 7,34,000
  - (b) ₹ 6,80,000
  - (c) ₹ 7,20,000
  - (d) ₹ 6,90,000
29. Mr. Ranveer, a non-resident, earned interest income of ₹ 6,20,000 during the P.Y. 2020-21 on bonds, issued by Tilt Ltd., an Indian

company, under a scheme notified by the Central Government, which were purchased by him in foreign currency. Such interest is –

- (a) Not taxable
  - (b) Taxable@10.4%
  - (c) Taxable@15.6%
  - (d) Taxable@20.8%
30. X Ltd. is engaged in the business of letting out of properties. As per the memorandum of association of X Ltd., letting out of properties is its main objective. The total income of X Ltd. comprises only of rental income from the business of letting out of properties. Y Ltd. is engaged in the construction and sale of properties, which is also its main objective as per its memorandum of association. Incidentally, it lets out some properties which are held as stock-in-trade and earns rental income therefrom. Which of the following statements is correct?
- (a) Rental income from letting out of properties by X Ltd. and Y Ltd. is taxable under the head "Income from house property"
  - (b) Rental income from letting out of properties by X Ltd. and Y Ltd. is taxable under the head "Profits and gains of business or profession"
  - (c) Rental income from letting out of properties by X Ltd. is taxable under the head "Income from house property" and by Y Ltd. is taxable under the head "Profits and gains of business or profession"
  - (d) Rental income from letting out of properties by Y Ltd. is taxable under the head "Income from house property" and X Ltd. is taxable under the head "Profits and gains of business or profession"
31. PQ Ltd. is a company having two units – Unit P carries on specified business of setting up and operating warehousing facility for storage of agricultural produce and Unit Q carries on specified business of setting up and operating warehousing facility for storage of edible oil. Unit P commenced operations on 1.4.2019 and claimed deduction of

₹ 120 lakhs incurred in April, 2019 on purchase of two buildings for ₹ 70 lakhs and ₹ 50 lakhs (for operating warehousing facility for storage of agricultural produce) under section 35AD for A.Y.2020-21. However, in March, 2021, Unit P transferred its building costing ₹ 70 lakhs to Unit Q. What are the tax implications of such transfer in the hands of PQ Ltd.?

- (i) ₹ 70 lakhs would be deemed as business income in the hands of PQ Ltd. for A.Y.2021-22.
- (ii) ₹ 63 lakhs would be deemed as business income in the hands of PQ Ltd. for A.Y.2021-22.
- (iii) Actual cost of building for computing depreciation for P.Y.2020-21 would be ₹ 70 lakhs.
- (iv) Actual cost of building for computing depreciation for P.Y.2020-21 would be ₹ 63 lakhs.

Which of the above statements are correct?

- (a) (i) and (iii) above
  - (b) (i) and (iv) above
  - (c) (ii) and (iii) above
  - (d) (ii) and (iv) above
32. XYZ Ltd. engaged in the business of manufacture of steel, claimed deduction under section 80-IB on the profits and gains of business, which included transport subsidy, interest subsidy and power subsidy received from the Government and duty drawback receipts. XYZ Ltd. contended that all the above receipts are profits derived from the business of the industrial undertaking and are hence, eligible for deduction under section 80-IB. Is the contention of XYZ Ltd. correct?
- (a) Yes; transport subsidy, interest subsidy, power subsidy and duty drawback are profits derived from the business of the industrial undertaking and hence, eligible for deduction u/s 80-IB
  - (b) No; none of the above receipts can be treated as profits "derived" from the business of the industrial undertaking and hence, deduction u/s 80-IB cannot be claimed in respect of any such receipt

- (c) No; transport subsidy, interest subsidy and power subsidy received from Government are profits derived from the business of the industrial undertaking and hence, eligible for deduction u/s 80-IB. However, duty drawbacks belong to the category of ancillary profits and hence, deduction u/s 80-IB cannot be claimed in respect of such receipt
- (d) No; transport subsidy, interest subsidy and power subsidy received from Government are ancillary profits and hence, deduction u/s 80-IB cannot be claimed in respect of such receipts. However, duty drawbacks are profits derived from the business of the industrial undertaking and hence, deduction u/s 80-IB can be claimed in respect of such receipt
33. A REIT has distributed ₹ 2 crore to its unitholders, which comprises of -
- (i) Rental income from real estate property directly held by it ₹ 80 lakhs
  - (ii) Interest income from special purpose vehicle ₹ 50 lakhs
  - (iii) Dividend income from special purpose vehicle ₹ 40 lakhs
  - (iv) Capital gains on disposal of assets ₹ 30 lakhs

In this case, the special purpose vehicle is an Indian company, A Ltd., in which REIT holds 100% of shares. A Ltd. does **not** exercise option to pay tax u/s 115BAA. Which of the following statements relating to taxability of the above income are correct?

- (1) All the above income are taxable in the hands of REIT. The said income are exempt in the hands of unit holders.
- (2) Only income referred to in (i) and (ii) are taxable in the hands of REIT. Income referred to in (iii) and (iv) are taxable in the hands of unit holders.
- (3) Only income referred to in (i) and (ii) are taxable in the hands of REIT. Income referred to in (iv) is taxable in the hands of unit holders. Income referred to in (iii) is exempt both in the hands of REIT and unitholders.

- (4) Only income referred to in (iv) is taxable in the hands of REIT. Income referred to in (i) and (ii) is taxable in the hands of unit holders. Income referred to in (iii) is exempt both in the hands of REIT and unitholders.
- (5) Tax is deductible by REIT from income referred to in (i) and (ii).
- (6) Tax is deductible by REIT from income referred to in (iii) and (iv).
- (7) Tax is deductible by REIT only from income referred to in (iv).
- (8) No tax is deductible by REIT since the entire income is taxable in its hands.

The correct option is –

- (a) (1) and (8) above
  - (b) (2) and (6) above
  - (c) (3) and (7) above
  - (d) (4) and (5) above
34. During the P.Y.2020-21, HelpAid Charitable Trust registered under section 12AA received donations of ₹ 80 lakhs, out of which ₹ 10 lakhs were corpus donations and ₹ 20 lakhs were anonymous donations. The trust applied ₹ 40 lakhs towards its objects during the P.Y.2020-21. The tax liability of the trust for A.Y.2021-22 is -
- (a) ₹ 6,24,000
  - (b) ₹ 5,92,800
  - (c) ₹ 5,30,920
  - (d) ₹ 5,97,220
35. In the course of search operations under section 132 in May, 2021, Mr. Hari makes a declaration under section 132(4) on the earning of income in respect of P.Y.2020-21 not disclosed in the books of account. Mr. Hari explains the manner in which income was derived and pays the tax, together with interest in respect of such income. However, he does



not disclose such income in his return of income filed on 31.7.2021. Is penalty leviable in this case, and if so, what is the quantum of penalty?

- (a) No penalty is leviable since Mr. Hari has made a declaration under section 132(4)
  - (b) Yes; penalty@10% is leviable
  - (c) Yes; penalty@30% is leviable
  - (d) Yes; penalty@60% is leviable
36. A Ltd. filed its return of income for A.Y.2021-22 on 30<sup>th</sup> September, 2021. The return is selected for regular assessment under section 143(3). The time limit for service of notice u/s 143(2) in this case is -
- (a) 30.6.2022
  - (b) 30.9.2022
  - (c) 31.12.2022
  - (d) 31.3.2023
37. Shipcargo Inc., a company based in Netherlands operating its ships to and fro Cochin port, collected freight of ₹ 85 lakhs, demurrage of ₹ 5 lakhs and handling charges of ₹ 2 lakhs in respect of goods shipped at Cochin port. It incurred expenses of ₹ 35 lakhs during the year for operating its fleet. In respect of goods shipped at Rotterdam, Netherlands, it received ₹ 50 lakhs in India. Its tax liability (rounded off) for the A.Y.2021-22 is -
- (a) ₹ 4,21,200
  - (b) ₹ 4,43,040
  - (c) ₹ 3,12,000
  - (d) ₹ 1,77,840
38. Mr. Ganesh, a citizen of India, is employed in the Indian embassy in the USA. He is a non-resident for A.Y.2021-22. He received salary and allowances in the USA from the Government of India for the year ended 31.3.2021 for services rendered by him in the USA. In addition, he was

allowed perquisites by the Government. Which of the following statements is correct?

- (a) Salary, allowances and perquisites received outside India are not taxable in the hands of Mr. Ganesh, since he is a non-resident
  - (b) Salary, allowances and perquisites received outside India by Mr. Ganesh is taxable in India since such income is deemed to accrue or arise in India
  - (c) Salary received by Mr. Ganesh is taxable in India but allowances and perquisites are exempt
  - (d) Salary received by Mr. Ganesh is exempt but allowances and perquisites are taxable
39. Mr. Rajesh, a resident Indian, is an employee of M/s. ABC Ltd., Bangalore. In addition to the salary income from M/s. ABC Ltd., he also earns interest from fixed deposits. M/s. PQR Inc., a foreign company not having permanent establishment in India, rendered online advertisement services to Mr. Rajesh, for which Mr. Rajesh made a payment of ₹ 2 lakhs in the F.Y.2020-21.
- (i) The transaction is subject to equalisation levy since payment exceeding ₹ 1 lakh has been made for online advertisement services.
  - (ii) The transaction is subject to equalisation levy since payment is made by a resident to a non-resident not having permanent establishment in India.
  - (iii) Equalisation levy has to be deducted and paid by Mr.Rajesh.
  - (iv) Equalisation levy has to be paid by M/s. ABC Ltd.
  - (v) The rate of equalization levy is 6%.
  - (vi) The rate of equalisation levy is 2%.
  - (vii) The transaction is not subject to equalization levy.
- Which of the statements is correct?
- (a) (i), (ii), (iii) and (v)

- (b) (i), (ii), (iv) and (vi)
  - (c) (i), (ii), (iv) and (v)
  - (d) Only (vii)
40. Mr. A, aged 59 years, won ₹ 9 lakh and Mr. B, aged 50 years, won ₹ 8 lakh from lotteries. Tax deductible at source under section 194B was duly deducted. Assuming that this is the only source of income of Mr. A and Mr. B for A.Y.2021-22, are Mr. A and Mr. B liable to pay advance tax for that year?
- (a) No, Mr. A and Mr. B are not liable to pay advance tax as tax deductible at source under section 194B has been fully deducted
  - (b) Yes, Mr. A and Mr. B are liable to pay advance tax
  - (c) Mr. A is liable to pay advance tax but Mr. B is not liable to pay advance tax
  - (d) Mr. B is liable to pay advance tax but Mr. A is not liable to pay advance tax
41. Mr. Vallish, employed as Manager with ABC Ltd., pays rent of ₹ 50,000 per month to his landlord. Which of the following statements is correct?
- (a) Mr. Vallish is liable to deduct tax@10% u/s 194-I, since his annual rent exceeds ₹ 2,40,000
  - (b) Mr. Vallish is liable to deduct tax@5% u/s 194-IB every month, since he pays rent of ₹ 50,000 per month
  - (c) Mr. Vallish is liable to deduct tax@5% u/s 194-IB on the annual rent in the month of March, since he pays rent of ₹ 50,000 per month
  - (d) Mr. Vallish is not liable to deduct tax at source
42. Mr. Sanjay, a resident, and Mr. Andrew, a British citizen and a non-resident in India, are both sports commentators deriving income of ₹ 5 lakh from sports commentaries in India for A.Y.2021-22. Which of the following statements are correct?

- (i) Tax is deductible u/s 194J from remuneration payable to Mr. Sanjay.
- (ii) Tax is deductible u/s 194E from remuneration payable to Mr. Andrew.
- (iii) Tax is deductible u/s 195 from remuneration payable to Mr. Andrew.
- (iv) Mr. Andrew is not required to file his return of income u/s 139, if tax deductible at source is fully deducted.
- (v) Mr. Sanjay is not required to file his return of income u/s 139, if tax deductible at source is fully deducted.

Which of the above statements are correct, assuming that this is the only source of income for Mr. Sanjay and Mr. Andrew?

- (a) (i), (ii) and (iv)
  - (b) (i), (ii), (iv) and (v)
  - (c) (i) and (iii)
  - (d) (i), (iii) and (iv)
43. Mr. X is aggrieved by an order passed under section 143(3) by the Assessing Officer. Mr. Y is aggrieved by an order passed under section 272A by the Director General. What is the remedy available to Mr. X and Mr. Y and the time limit within which they should exercise the remedy?
- (a) Both Mr. X and Mr. Y have to file an appeal before Commissioner (Appeals) u/s 246A within 30 days of the date on which the order sought to be appealed against is communicated to them
  - (b) Both Mr. X and Mr. Y have to file an appeal before the Appellate Tribunal u/s 253 within 60 days of the date on which the order sought to be appealed against is communicated to them
  - (c) Mr. X has to file an appeal u/s 246A before Commissioner (Appeals) within 30 days of the date of service of the notice of demand relating to the assessment. Mr. Y has to file an appeal u/s 253 before the Appellate Tribunal within 60 days of the date

on which the order sought to be appealed against is communicated to him

- (d) Mr. Y has to file an appeal before Commissioner (Appeals) u/s 246A within 60 days of the date on which the order sought to be appealed against is communicated to him. Mr. X has to file an appeal u/s 253 before the Appellate Tribunal within 30 days of the date of service of the notice of demand relating to the assessment

44. Mr. Ram Mohan, a non-resident, operates an aircraft between Malaysia and Cochin. He received the following amounts while carrying on the business of operation of aircrafts for the year ended 31.3.2021:

- (i) ₹ 2 crores in India on account of carriage of passengers from Cochin.
- (ii) ₹ 1 crore in India on account of carriage of goods from Cochin.
- (iii) ₹ 3 crores in India on account of carriage of passengers from Malaysia.
- (iv) ₹ 0.50 crore in Malaysia on account of carriage of passengers from Cochin.
- (v) ₹ 1.30 crores in Malaysia on account of carriage of passengers from Malaysia.
- (vi) ₹ 1.20 crore in Malaysia on account of carriage of goods from Malaysia.
- (vii) ₹ 0.50 crore in Malaysia on account of carriage of goods from Cochin

The total expenditure incurred by Mr. Ram Mohan for the purposes of the business during the year ending 31.3.2021 was ₹ 3 crores. What is the income of Mr. Ram Mohan chargeable to tax in India under the head "Profits and gains of business or profession" for the A.Y.2021-22?

- (a) ₹ 35 lakh
- (b) ₹ 30 lakh
- (c) ₹ 20 lakh
- (d) ₹ 47.50 lakh

45. As per section 245N(a)(iv), advance ruling means determination or decision by the Authority for Advance Rulings (AAR) whether an arrangement, which is proposed to be undertaken by a person is an impermissible avoidance arrangement as referred to in Chapter X-A or not. For making an application in this regard, the applicant has to be -
- (a) Only a Non-resident
  - (b) Only a Resident
  - (c) Only a Resident falling within such class or category of persons as notified by the Central Government
  - (d) Either a resident or a non-resident
46. Gamma Ltd. has distributed on 15.12.2020, dividend of ₹ 460 lakhs to its shareholders. From April, 2020 to November, 2020, Gamma Ltd. has received dividend of ₹ 120 lakhs from domestic companies and ₹ 30 lakhs from a foreign company in which it has 5% shareholding. What is the deduction, if any, available to Gamma Ltd. in respect of such dividend?
- (a) Nil
  - (b) ₹ 120 lakhs
  - (c) ₹ 150 lakhs
  - (d) ₹ 460 lakhs
47. Mr. Hari has income of ₹ 52 lakhs under the head "Profits and gains of business or profession". One of his businesses is eligible for deduction@100% of profits under section 80-IA for A.Y.2021-22. The profit from such business included in the business income is ₹ 35 lakhs. What is the tax payable (rounded off) by Mr. Hari for A.Y.2021-22, assuming that he has no other income during the P.Y.2020-21, and credit for alternate minimum tax, if any, to be carried forward?
- (a) ₹ 3,35,400; AMT credit to be carried forward is Nil
  - (b) ₹ 10,00,480; AMT credit to be carried forward is ₹ 6,65,080
  - (c) ₹ 11,00,530; AMT credit to be carried forward is ₹ 7,65,130
  - (d) ₹ 11,50,550; AMT credit to be carried forward is ₹ 8,15,150

48. A charitable trust, created on 1.4.2018 with the objective of relief of poor, applied for registration on 31.10.2019. The application was not disposed of by the Commissioner even after the expiry of the period of 6 months stipulated u/s 12AA(2). Which of the following statements is correct?
- (a) Since the application has not been disposed of by the Commissioner, the trust is not deemed to be registered and hence, is not entitled to benefit of exemption under section 11 and 12 for any of the assessment years
  - (b) Since the application has not been disposed of by the Commissioner within the stipulated period, the trust is deemed to be registered with effect from 1.4.2018, being the date of creation of trust, and is entitled to benefit of exemption under sections 11 and 12 w.e.f. A.Y.2019-20
  - (c) Since the application has not been disposed of by the Commissioner within the stipulated period, the trust is deemed to be registered with effect from 31.10.2019, being the date of application for registration, and is entitled to benefit of exemption under sections 11 and 12 w.e.f. A.Y.2020-21
  - (d) Since the application has not been disposed of by the Commissioner within the stipulated period, the trust is deemed to be registered with effect from 1.5.2020, being the date immediately following the expiry of the six month period, but is entitled to benefit of exemption under sections 11 and 12 w.e.f. A.Y.2020-21
49. In the P.Y.2020-21, Mr. Ganguly, a resident individual aged 60 years, earned income from profession (computed) ₹ 1,45,000, winnings from card games ₹ 1,50,000 (gross). He also has interest of ₹ 40,000 on fixed deposit with banks and ₹ 9,000 on savings bank account with banks. He deposited ₹ 1,50,000 in PPF. What is the total income of Mr. Ganguly for P.Y.2020-21, assuming that he does **not** opt for section 115BAC?
- (a) ₹ 1,45,000
  - (b) ₹ 1,50,000
  - (c) ₹ 1,85,000
  - (d) ₹ 1,90,000

50. Dinesh, a resident individual of age of 47 years, has not furnished his return of income for the A.Y. 2021-22. However, his total income for such year as assessed u/s 144 is ₹ 18 lakhs. Is penalty under section 270A attracted and if so, what is the quantum of penalty?
- (a) No; penalty under section 270A is not attracted since he has not filed his return of income, hence, this is not a case of underreporting or misreporting of income.
  - (b) Yes; penalty is ₹ 3,66,600
  - (c) Yes; penalty is ₹ 1,83,300
  - (d) Yes; penalty is ₹ 1,44,300
51. The assessment of M/s. Epsilon Associates for A.Y.2019-20 was made u/s 143(3) on 28<sup>th</sup> March, 2021. The Assessing Officer added ₹ 3 lakh being 30% of ₹ 10 lakh, for non-deduction of tax at source and ₹ 4 lakh on account of unexplained investments. The assessee contested the addition on account of unexplained investments in appeal before Commissioner (Appeals). The appeal was decided against the assessee in December, 2021. What is remedy available to the assessee in respect of disallowance under section 40(a)?
- (a) The assessee can file an application for revision to the Commissioner under section 264
  - (b) The assessee can file an application for rectification under section 154, if it is a mistake apparent from the record
  - (c) The assessee can opt for either (a) or (b)
  - (d) The assessee can neither opt for remedy stated in (a) nor for remedy stated in (b)
52. The Assessing Officer within his jurisdiction surveyed a popular Cyber Café at 1 a.m. in night for the purpose of collecting information which may be useful for the purposes of the Income-tax Act, 1961. The Cyber Café is kept open for business every day between 2 p.m. and 2 a.m. He impounded and retained in his custody, books of account and other documents inspected by him, after recording his reasons for doing so, for 12 days. Which of the following statements is correct?



- (a) The Assessing Officer's action in entering the cyber café at 1 a.m. and impounding books of account and documents inspected by him is in order
  - (b) The Assessing Officer's action in entering the cyber café at 1 a.m. is not in order, since he can enter the cyber café only after sunrise but before sunset
  - (c) The Assessing Officer's action in entering the cyber café at 1 a.m. and in impounding books of account and documents inspected by him are not in order, since he can enter the cyber café only after sunrise but before sunset and he does not have the power to impound books of account under section 133B
  - (d) The Assessing Officer's action in entering the cyber café at 1 a.m. is in order but impounding books of account and documents inspected by him is not in order, since he does not have the power to impound books of account under section 133B
53. Mr. X made a fixed deposit of ₹ 12,000 with a non-banking finance company (NBFC) on 1.4.2020 in cash. Thereafter, he made another fixed deposit of ₹ 7,500 with the same NBFC on 1.8.2020 by bearer cheque. On 31.3.2021, he made yet another fixed deposit of ₹ 8,000 with the same NBFC by an account payee cheque. Which of the following statements is correct?
- (a) Penalty under section 271D is attracted at the time of acceptance of first deposit on 1.4.2020
  - (b) Penalty under section 271D is attracted at the time of acceptance of second deposit on 1.8.2020
  - (c) Penalty under section 271D is attracted at the time of acceptance of third deposit on 31.3.2021
  - (d) Penalty under section 271D is not attracted
54. Mr. Kamesh completed his studies in April, 2009 and started his export business in Mumbai in July 2009. He purchased a flat in Mizoram in January, 2010, a plot of land in UAE in February, 2013 and a flat in New York in September, 2017. In April, 2021, the Assessing Officer issued

notice under section 148 in respect of A.Y.2010-11 to A.Y.2020-21. Which of the following statements is correct?

- (a) The action of the Assessing Officer is not correct, since notice under section 148 can be issued only in respect of A.Y.2017-18 to A.Y.2020-21
  - (b) The action of the Assessing Officer is not correct, since notice under section 148 can be issued only in respect of A.Y.2015-16 to A.Y.2020-21
  - (c) The action of the Assessing Officer is not correct, since notice under section 148 can be issued only in respect of A.Y.2013-14 to A.Y.2020-21
  - (d) The action of the Assessing Officer in issuing notice u/s 148 in respect of A.Y.2010-11 to A.Y.2020-21 is correct, since notice u/s 148 can be issued within 16 years from the end of the relevant assessment year, in case income in relation to any asset outside India has escaped assessment. In this case, income chargeable to tax is deemed to have escaped assessment since Mr. Kamesh owns assets located outside India
55. Mr. Rajesh is engaged in the profession of technical consultancy and his gross receipts for the P.Y.2020-21 is ₹ 45 lakhs. He does not maintain books of account. He is also a partner of a firm, M/s. Rajesh & Co., which carries on the profession of technical consultancy. The gross receipts of the firm during the P.Y.2020-21 is ₹ 48 lakhs. Which of the following statements is correct?
- (a) Mr. Rajesh and M/s. Rajesh & Co. have to pay entire advance tax on or before 15<sup>th</sup> March, 2021
  - (b) Mr. Rajesh does not have to pay advance tax. However, M/s. Rajesh & Co. has to pay the entire advance tax on or before 15<sup>th</sup> March
  - (c) Mr. Rajesh does not have to pay advance tax. However, M/s. Rajesh & Co. has to pay advance tax in four instalments
  - (d) Mr. Rajesh has to pay entire advance tax on or before 15<sup>th</sup> March and M/s. Rajesh & Co. has to pay advance tax in four instalments

56. Mr. Rajan purchased 300 shares in Vaigai Ltd. on 12.1.2017 at a cost of ₹ 2,500 per share. The Fair Market Value (FMV) of the share as on 31.1.2018 is ₹ 1,800. Mr. Rajan sold all the shares of Vaigai Ltd. on 15.7.2020 for ₹ 3,200. Mr. Rajan's brother Mr. Ravi purchased 600 shares in Tapti Ltd. on 25.1.2017 at a cost of ₹ 1,900 per share. The FMV of the share as on 31.1.2018 is ₹ 2,400. Mr. Ravi sold all the shares of Tapti Ltd. on 31.1.2021 for ₹ 1,700 per share. What is the chargeable capital gains on sale of shares of Vaigai Ltd. and Tapti Ltd. in the hands of Mr. Rajan and Mr. Ravi, respectively, for A.Y.2021-22, assuming that STT was paid at the time of acquisition and sale?
- (a) Long-term capital gains of Mr. Rajan ₹ 2,10,000; Long-term capital loss of Mr. Ravi ₹ 4,20,000
- (b) Long-term capital gains of Mr. Rajan ₹ 4,20,000; Long-term capital loss of Mr. Ravi ₹ 4,20,000
- (c) Long-term capital gains of Mr. Rajan ₹ 4,20,000; Long-term capital loss of Mr. Ravi ₹ 1,20,000
- (d) Long-term capital gains of Mr. Rajan ₹ 2,10,000; Long-term capital loss of Mr. Ravi ₹ 1,20,000
57. The Settlement Commission passed an order on 25.6.2020 u/s 245D(4). The applicant noticed a mistake apparent from the record and filed an application for rectification on 3.7.2020. Under section 245D(6B), the Settlement Commission can amend its order on or before -
- (a) 25.12.2020
- (b) 31.12.2020
- (c) 3.1.2021
- (d) 31.1.2021
58. Under which of the following methods, arm's length price shall be the arithmetical mean of all values included in the dataset, irrespective of the number of entries in the dataset. It may be assumed that the variation between the arm's length price computed and the transaction price is 15%.
- (a) Profit split method

- (b) Resale price method
  - (c) Cost plus method
  - (d) Transactional net margin method
59. Air India Ltd. has paid an amount of ₹ 20 lakhs on 1.4.2020 to Airports Authority of India towards landing and parking charges for the month of April, 2020. Which of the following statements is correct?
- (a) No tax is deductible at source on such payment
  - (b) Tax is deductible at source@2% u/s 194C on such payment
  - (c) Tax is deductible at source@1.5% u/s 194C on such payment
  - (d) Tax is deductible at source@7.5% u/s 194-I on such payment
60. A Ltd. credited ₹ 28,000 towards fees for professional services and ₹ 27,000 towards fees for technical services to the account of Ram in its books of account on 11.05.2020. The total sum of ₹ 55,000 was paid by cheque to Ram on the same date. Which of the following statements is correct?
- (a) No tax is deductible at source from such payment
  - (b) Tax is deductible at source@7.5% u/s 194J on ₹ 55,000
  - (c) Tax is deductible at source@10% u/s 194J on ₹ 25,000
  - (d) Tax is deductible at source@10% u/s 194J on ₹ 55,000
61. Music Academy, as per its rules, pays a fixed honorarium per concert to each musician performing in the concerts organised by it. Hari, a violinist, however, refuses to accept this sum. If he requests Music Academy to pay such sum directly to Aid Us, an unregistered institution providing relief to the poor and needy in rural India, what would be the tax consequence?
- (a) No amount would be chargeable to tax in the hands of Mr. Hari, since this is a case of diversion of income at source by overriding title
  - (b) The amount payable to Aid Us would be chargeable to tax only in the hands of Mr. Hari, since it is a case of application of income

- (c) The amount payable to Aid Us would be chargeable to tax only in the hands of the institution which has received the amount
- (d) The amount payable to Aid Us would be chargeable to tax both in the hands of Mr. Hari and in the hands of the institution
62. Mr. X, set up a manufacturing unit in Warangal in the State of Telangana on 01.06.2020. It invested ₹ 30 crore in new plant and machinery on 1.6.2020. Further, it invested ₹ 25 crore in the plant and machinery on 01.11.2020, out of which ₹ 5 crore was second hand plant and machinery. The depreciation allowable under section 32 for A.Y.2021-22 is -
- (a) ₹ 23.875 crore
- (b) ₹ 20.375 crore
- (c) ₹ 14.375 crore
- (d) ₹ 14.875 crore
63. Y Ltd. purchased computers for ₹ 10 lakhs on 5<sup>th</sup> October, 2020, installed the same in its office and put the said computers to use on the same date. The depreciation allowable under section 32 for A.Y.2021-22 in respect of the said computers is –
- (a) ₹ 1.5 lakhs
- (b) ₹ 3 lakhs
- (c) ₹ 4 lakhs
- (d) ₹ 2 lakhs
64. Mr. Arvind, engaged in the business of wholesale trade, has a turnover of ₹ 90 lakhs for P.Y.2019-20 and ₹ 210 lakhs for P.Y.2020-21. In the P.Y.2020-21, he paid salary of ₹ 3 lakhs to Mr. Hari, a resident, without deduction of tax at source and commission of ₹ 51 lakhs to Mr. Rajesh, a resident, without deduction of tax at source. The disallowance under section 40(a)(ia) while computing business income of A.Y.2021-22 would be –
- (a) ₹ 54,00,000
- (b) ₹ 16,20,000

- (c) ₹ 15,30,000
- (d) Nil
65. For the previous year ended 31.3.2021, a public charitable trust, registered under section 12AA, derived income of ₹ 10 lakhs from properties held by trust and ₹ 15 lakhs, being voluntary contributions from public, out of which ₹ 8 lakhs was applied for charitable purposes and ₹ 4 lakhs towards repayment of loan taken for construction of orphanage. The total income of the trust for A.Y.2021-22 is –
- (a) ₹ 13 lakhs
- (b) ₹ 9.25 lakhs
- (c) ₹ 13.25 lakhs
- (d) ₹ 17 lakhs
66. If Country A is a notified jurisdictional area (NJA), then, the rate at which interest receivable from an infrastructure debt fund notified u/s 10(47) is taxable in the hands of Mr. Ram, a resident of Country A, and the rate at which tax has to be deducted at source on such income are, respectively, -
- (a) 30% and 5%
- (b) 5% and 5%
- (c) 30% and 30%
- (d) 5% and 30%
67. In October, 2015, Mr. Raghav, an Indian citizen who is a non-resident, bought 500 Global Depository Receipts (GDRs) of Alpha Limited, India, issued in accordance with the notified scheme of the Central Government against the company's initial issue of shares in foreign currency. In January, 2021, he sold 300 GDRs outside India to Mr. Joe, a citizen and resident of a country outside India and 200 GDRs to Mr. Kamal, a Resident but not ordinarily resident in India. What are the tax consequences of such sale transaction under the Income-tax Act, 1961?

- (a) Capital gains arising on sale of 500 GDRs shall be subject to tax @20% with indexation benefit in India
  - (b) No capital gains would arise on sale of 500 GDRs in India, since the GDRs are purchased in foreign currency
  - (c) No capital gains would arise on sale of 300 GDRs, but capital gains arising on sale of 200 GDRs shall be taxed in India @10% without indexation benefit
  - (d) No capital gains would arise on sale of 300 GDRs, but capital gains arising on sale of 200 GDRs shall be taxed @20% with indexation benefit in India
68. If ABC Ltd. has two Units, Unit 1 is engaged in power generation business and Unit 2 is engaged in manufacture of wires. Both the units were set up in Karnataka in the year 2015. In the year 2020-21, twenty lakh metres of wire are transferred from Unit 2 to Unit 1 at ₹ 125 per metre when the market price per metre was ₹ 180. Which of the following statements is correct?
- (a) Transfer pricing provisions would be attracted in this case
  - (b) Transfer pricing provisions would not be attracted in this case since Unit 1 and Unit 2 belong to the same company and are not associated enterprises
  - (c) Transfer pricing provisions would not be attracted in this case as it is not an international transaction since both Units are in India. For the purpose of Chapter VI-A deduction, the profits of power generation business shall, however, be computed as if the transfer has been made at the market value of ₹ 180 per MT
  - (d) Transfer pricing provisions would not be attracted in this case due to reasons mentioned in both (b) and (c) above
69. Mr. Anjan, a property dealer, sold a flat in Mumbai, the stamp duty of which is ₹ 2 crores for ₹ 1.80 crores to his friend Mr. Ashwin, a college lecturer. Mr. Anjan had purchased the flat one year back for ₹ 1.50 crores and the stamp duty value on that date was also ₹ 1.50 crores. What are the tax implications of such sale?

- (a) ₹ 50 lakhs would be taxable as short-term capital gains in the hands of Mr. Anjan. There would be no tax implication in the hands of Mr. Ashwin
  - (b) ₹ 50 lakhs would be taxable as business income in the hands of Mr. Anjan. There would be no tax implication in the hands of Mr. Ashwin
  - (c) ₹ 50 lakhs would be taxable as business income in the hands of Mr. Anjan and ₹ 20 lakhs would be taxable as income from other sources in the hands of Mr. Ashwin
  - (d) ₹ 50 lakhs would be taxable as short-term capital gains in the hands of Mr. Anjan and ₹ 20 lakhs would be taxable as income from other sources in the hands of Mr. Ashwin
70. Dividend received by a real estate investment trust (REIT) from special purpose vehicle (SPV) and distributed to its unit holders is –
- (a) exempt in the hands of both the REIT and the unit holders unconditionally
  - (b) exempt in the hands of the REIT only if the SPV is a specified domestic company; taxable in the hands of unit holders only if SPV does not exercise option under section 115BAA
  - (c) exempt in the hands of the REIT; exempt in the hands of unit holders only if SPV does not exercise option under section 115BAA
  - (d) taxable in the hands of the REIT; exempt unconditionally in the hands of unitholders
71. ABC Ltd., an Indian company engaged in manufacture of steel, has incurred expenditure on advertisement in a souvenir of a registered political party. Which of the following statements is correct?
- (a) Such expenditure is allowable as deduction while computing its business income
  - (b) Such expenditure is not allowable as deduction while computing its total income



- (c) Such expenditure is not allowable as deduction while computing its business income but is allowable as deduction from gross total income
- (d) Such expenditure is neither allowable as deduction from business income nor allowable as deduction from gross total income
72. Himalaya Ltd. is an eligible start-up engaged in eligible business. Its gross total income included profits of ₹ 25 lakhs from such business. The Assessing Officer made disallowance of ₹ 3 lakhs under section 40(a)(ia) and of ₹ 2 lakhs under section 43B. The deduction allowable under section 80-IAC would be –
- (a) ₹ 25 lakhs
- (b) ₹ 28 lakhs
- (c) ₹ 30 lakhs
- (d) ₹ 20 lakhs
73. In the course of search operations under section 132 in the month of May, 2021, Mr. Aakash makes a declaration under section 132(4) on the earning of income not disclosed in respect of P.Y. 2020-21. He also explains the manner in which he has derived such income and he pays the tax together with interest on such income and declares such income in the return of income filed by him in the month of July, 2021. Is penalty leviable in this case? If so, how much?
- (a) No penalty is attracted since Mr. Aakash has voluntarily made a declaration under section 132(4)
- (b) Yes; Penalty@10% of undisclosed income would be attracted even if Mr. Aakash has voluntarily made a declaration under section 132(4)
- (c) Yes; Penalty@30% of undisclosed income would be attracted even if Mr. Aakash has voluntarily made a declaration under section 132(4)
- (d) Yes; Penalty@60% of undisclosed income would be attracted even if Mr. Aakash has voluntarily made a declaration under section 132(4)

74. ABC Ltd. took on sub-lease a building from Ms. Jhanvi with effect from 1.7.2020 on a rent of ₹ 20,000 per month. It also took on hire machinery from Ms. Jhanvi with effect from 1.10.2020 on hire charges of ₹ 15,000 per month. ABC Ltd. entered into two separate agreements with Ms. Jhanvi for sub-lease of building and hiring of machinery. Which of the following statements is correct with reference to ABC Ltd.'s liability to deduct tax at source, assuming that one-month's rent was received as security deposit, which is refundable at the end of the lease period?
- (a) No tax needs to be deducted at source since rent for building does not exceed ₹ 2,40,000 p.a. and rent for machinery also does not exceed ₹ 2,40,000 p.a. Security deposit refundable at the end of the lease term is not rent for the purpose of TDS
  - (b) Tax has to be deducted@7.5% on ₹ 2,00,000 and @1.5% on ₹ 1,05,000 (i.e., rent including security deposit)
  - (c) Tax has to be deducted@10% on ₹ 1,80,000 and @2% on ₹ 90,000 (i.e., rent excluding security deposit)
  - (d) Tax has to be deducted@7.5% on ₹ 1,80,000 and @1.5% on ₹ 90,000 (i.e., rent excluding security deposit)
75. Mr. X acquired a house property at Mumbai from Mr. Y, a resident, for a consideration of ₹ 90 lakhs, on 20.6.2020. On the same day, Mr. X made two separate transactions, thereby acquiring an urban plot in Kolkata from Mr. C for a sum of ₹ 49.50 lakhs and rural agricultural land from Mr. D for a consideration of ₹ 60 lakhs. Which of the following statements is correct?
- (a) No tax deduction at source is required in respect of any of the three payments
  - (b) TDS@0.75% is attracted on all the three payments
  - (c) TDS@0.75% on ₹ 90 lakhs and ₹ 49.50 lakhs are attracted. No TDS on payment of ₹ 60 lakhs for acquisition of rural agricultural land
  - (d) TDS@0.75% on ₹ 90 lakhs is attracted. No TDS on payments of ₹ 49.50 lakhs and ₹ 60 lakhs

76. A notified infrastructure debt fund eligible for exemption under section 10(47) of the Income-tax Act, 1961 has to pay interest of ₹ 5 lakhs to a company incorporated in a foreign country. The foreign company incurred expenditure of ₹ 12,000 for earning such interest. The fund also has to pay interest of ₹ 3 lakhs to Mr. Frank, who is a resident of Country A, a notified jurisdictional area. Which of the following statements is correct?
- (a) No tax deduction at source is required in respect of both the payments
  - (b) No TDS is required in respect of ₹ 5 lakhs payable to the foreign company. However, payment of interest to Frank attracts TDS@31.2%
  - (c) TDS@5.20% is attracted on ₹ 4,88,000 payable to the foreign company. TDS@31.2% is attracted on interest payment of ₹ 3 lakhs to Mr. Frank
  - (d) TDS@5.20% is attracted on interest of ₹ 5 lakhs payable to the foreign company. TDS@31.2% is attracted on interest of ₹ 3 lakhs payable to Mr. Frank
77. A private bank has not filed its statement of financial transaction or reportable account in relation to the specified financial transactions for the financial year 2020-21. A notice was issued by the prescribed income-tax authority on 1st October, 2021 requiring the bank to furnish the statement by 31st October, 2021. The bank, however, furnished the statement only on 15th November, 2021. What would be the penalty leviable under section 271FA?
- (a) ₹ 91,500
  - (b) ₹ 13,600
  - (c) ₹ 16,800
  - (d) ₹ 22,800
78. P is a salaried employee. On 01.06.2020, he gets a gift of house property situated in Mumbai (stamp duty value ₹ 80,00,000) from Q. On 02.08.2020, P gets a gift of house property in a small town near Pune

(stamp duty value ₹ 50,000) from R. On 03.09.2020, P also gets a gift of house property in a small town near Kanpur in Uttar Pradesh from R, the stamp duty value of which is ₹ 1,00,000. What will be the tax implications in the hands of P, Q and R, assuming that they are not related to each other?

- (a) ₹ 81,00,000 shall be chargeable to tax in the hands of P as income from other sources and capital gains shall arise in the hands of Q and R respectively on account of transfer of capital asset
  - (b) ₹ 80,00,000 shall be chargeable to tax in the hands of P as income from other sources and capital gains shall arise in the hands of Q on account of transfer of capital asset
  - (c) ₹ 81,00,000 shall be chargeable to tax in the hands of P as income from other sources and no capital gains shall arise in the hands of Q and R respectively as gift does not constitute "transfer"
  - (d) ₹ 81,50,000 shall be chargeable to tax in the hands of P as income from other sources and no capital gains shall arise in the hands of Q and R respectively as gift does not constitute "transfer"
79. PQR Ltd., a domestic company, has distributed on 15.10.2020, dividend of ₹ 230 lakh to its shareholders. On 17.9.2020, PQR Ltd. has received dividend of ₹ 60 lakh from its domestic subsidiary company XYZ Ltd. The deduction under section 80M allowable to PQR Ltd. would be –
- (a) ₹ 230 lakhs
  - (b) ₹ 60 lakhs
  - (c) ₹ 170 lakhs
  - (d) Nil
80. Lima Ltd., a domestic company, purchases its own listed shares on 13th August, 2020. The consideration for buyback amounted to ₹ 23 lakh, which was paid on the same day. The amount received by the company two years back for issue of such shares determined in the manner

specified in Rule 40BB was ₹ 17 lakh. The additional income-tax payable by Lima Ltd. is –

- (a) ₹ 1,02,960
- (b) ₹ 1,04,832
- (c) ₹ 1,39,776
- (d) ₹ 1,37,280

81. A REIT derives rental income of ₹ 2 crore from real estate property directly owned by it and short-term capital gains of ₹ 1 crore on sale of developmental properties. It also receives interest income of ₹ 3 crore from Gamma Ltd., an Indian company, in which it holds controlling interest. The REIT holds 90% of the shareholding of Gamma Ltd. Which of the following statements is correct?

- (a) All the above income are taxable in the hands of REIT
- (b) REIT enjoys pass through status in respect of the above income and hence, such income are taxable in the hands of the unit holders
- (c) REIT enjoys pass through status in respect of interest income from Gamma Ltd. and hence, such income is taxable in the hands of the unit holders. Rental income and short-term capital gains are taxable in the hands of the REIT
- (d) REIT enjoys pass through status in respect of interest income from Gamma Ltd. and rental income from directly owned real estate property and hence, such income are taxable in the hands of the unit holders. Short-term capital gains is taxable in the hands of the REIT

82. Mr. Aryan is constructing a residential house property in Coimbatore for self-occupation. He has taken a loan of ₹ 35 lakhs from SBI on 30.3.2020 for this purpose. He pays interest of ₹ 3 lakhs during the P.Y.2020-21. He repays ₹ 1.50 lakhs towards principal on 31.3.2021. The construction is completed in April, 2021. The stamp duty value of the house is ₹ 46 lakhs. This is the only house property of Mr. Aryan. For A.Y. 2021-22 -

- (a) Mr. Aryan is entitled for deduction of ₹ 2 lakhs under section 24 and ₹ 1.50 lakhs under section 80C
  - (b) Mr. Aryan is entitled for deduction of ₹ 2 lakhs under section 24, ₹ 1 lakh under section 80EEA and Rs.1.50 lakhs under section 80C
  - (c) Mr. Aryan is neither entitled for deduction under section 24 nor under section 80C. He is, however, entitled for deduction of ₹ 1.50 lakhs under section 80EEA
  - (d) Mr. Aryan is not entitled for deduction under section 24, section 80C and section 80EEA
83. The assessment of Satpura Ltd. was completed under section 143(3) with an addition of ₹ 18 lakhs to the returned income. Satpura Ltd. preferred appeal before the Commissioner (Appeals) which is pending now. Which of the following statements is **not** correct?
- (a) The Assessing Officer can initiate reassessment proceedings in respect of income chargeable to tax which has escaped assessment, provided such income which has escaped assessment does not form part of the additions of ₹ 18 lakhs to the returned income, which is the subject matter of appeal
  - (b) The Assessing Officer can pass an order under 154(1) to rectify a mistake apparent from the record, provided the rectification is in relation to a matter, other than the matter which has been considered and decided in the appeal before Commissioner (Appeals)
  - (c) Under section 264, the Commissioner can revise the order pending before the Commissioner (Appeals), if the revision pertains to a matter, other than the matter(s) covered in the appeal before Commissioner (Appeals)
  - (d) Under section 263, if the order is prejudicial to the interests of the revenue, the Commissioner can revise the order pending before the Commissioner (Appeals), if the revision pertains to a matter, other than the matter(s) covered in the appeal before Commissioner (Appeals)

84. Kamala charitable trust, registered u/s 12AA, having its main object as medical relief, earned income of ₹ 2 lakhs as interest on bonds issued by local authority and agricultural income of ₹ 4 lakhs during the P.Y.2020-21. Which of the following statements is correct?
- (a) The trust has to apply such income for charitable purposes as per the provisions of section 11 to claim exemption in respect of such income
  - (b) The trust can claim exemption u/s 10(1) and 10(15) in respect of its agricultural income and income from bonds of local authority, respectively, without applying such income for charitable purposes
  - (c) The trust can claim exemption u/s 10(15) in respect of its interest income from bonds of local authority, without applying such income for charitable purposes. However, it cannot claim exemption u/s 10(1) in respect of agricultural income without applying such income for charitable purposes
  - (d) The trust can claim exemption u/s 10(1) in respect of its agricultural income. However, it cannot claim exemption u/s 10(15) in respect of its interest income from bonds of local authority without applying such income for charitable purposes
85. Delta Ltd., a domestic company, declared interim dividend of ₹ 85 lakh for the year F.Y.2020-21 and distributed the same on 27.6.2020. Mr. Ganesh, a resident, holding 15% shares in Delta Ltd., receives dividend of ₹ 12.75 lakh and Mr. Rajesh, a resident, holding 10% shares in Delta Ltd., receives dividend of ₹ 8.50 lakh. Which of the following statements is correct?
- (a) Dividend distribution tax is payable by Delta Ltd. There would be no tax on dividend received by Mr. Ganesh and Mr. Rajesh in their individual hands
  - (b) Dividend distribution tax is payable by Delta Ltd. Further, dividend of ₹ 2.75 lakhs received by Mr. Ganesh i.e., dividend in excess of ₹ 10 lakhs will be taxable at 10%

- (c) Tax is deductible by Delta Ltd. before making payment of dividend. Also, the same shall be taxable in the hands of both Mr. Ganesh and Rajesh at 10%
  - (d) Tax is deductible by Delta Ltd. before making payment of dividend. The dividend income would be included in the total income of both Mr. Ganesh and Rajesh and subject to tax in their hands at their respective slab rates
86. Which of the following individuals would be entitled to opt for presumptive taxation schemes under the Income-tax Act, 1961 for A.Y.2021-22?
- (i) A retail trader having turnover of ₹ 2 crore during the previous year 2020-21.
  - (ii) A practising chartered accountant having gross receipts of ₹ 92 lakhs during the previous year 2020-21.
  - (iii) A wholesale trader having turnover of ₹ 1.96 crore during the previous year 2020-21.
  - (iv) A doctor having gross receipts of ₹ 50 lakhs during the previous year 2020-21.
  - (v) An individual owning 8 goods carriages as on 1.4.2020. He sold 2 goods carriages on 1.5.2020 and purchased 4 goods carriages on 1.7.2020.

The correct answer is -

- (a) Only (iii)
  - (b) (iii) & (v)
  - (c) (i), (iii), (iv) & (v)
  - (d) (i), (ii), (iii), (iv) & (v)
87. Mr. Arjun's total income comprises of long-term capital gains on sale of land ₹ 5 lakhs; short-term capital gains on sale of STT paid listed equity shares ₹ 2 lakhs; income from lottery ₹ 1 lakh and savings bank interest ₹ 30,000. He invests ₹ 1.50 lakhs in PPF. His tax liability for



A.Y.2021-22, assuming that he is of the age of 40 years and does not opt for the provisions of section 115BAC, is –

- (a) ₹ 1,64,800
- (b) ₹ 1,66,400
- (c) ₹ 1,14,400
- (d) ₹ 1,13,300

88. Mrs. Kavitha, wife of Mr. Sundar, is a partner in a firm. Her capital contribution of ₹ 5 lakhs to the firm as on 1.4.2020 included ₹ 3 lakhs contributed out of gift received from Sundar. On 2.4.2020, she further invested ₹ 1 lakh out of gift received from Sundar. The firm paid interest on capital of ₹ 60,000 and share of profit of ₹ 50,000 during the F.Y.2020-21. The entire interest has been allowed as deduction in the hands of the firm. Which of the following statements is correct?

- (a) Share of profit is exempt but interest on capital is taxable in the hands of Mrs. Kavitha
- (b) Share of profit is exempt but interest of ₹ 40,000 is includible in the income of Mr. Sundar and interest of ₹ 20,000 is includible in the income of Mrs. Kavitha
- (c) Share of profit is exempt but interest of ₹ 36,000 is includible in the income of Mr. Sundar and interest of ₹ 24,000 is includible in the income of Mrs. Kavitha
- (d) Share of profit to the extent of ₹ 30,000 and interest on capital to the extent of ₹ 36,000 is includible in the hands of Mr. Sundar

89. X Ltd., a domestic company not opting for the provisions of section 115BAA, has a total income of ₹ 10,01,00,000 for A.Y.2021-22. The gross receipts of X Ltd. for P.Y.2018-19 is ₹ 260 crore. The tax liability of X Ltd. for A.Y.2021-22 is -

- (a) ₹ 2,76,55,500
- (b) ₹ 2,79,24,000
- (c) ₹ 3,46,42,610

- (d) ₹ 3,49,78,940
90. M/s. Atlanta Airlines, incorporated as a company in USA, operated its flights to India and *vice versa* during the year 2020-21 and collected charges of ₹ 280 crores for carriage of passengers and cargo, out of which ₹ 100 crores were received in US Dollars for the passenger fare from Atlanta to Delhi. Out of ₹ 100 crores, US dollars equivalent to ₹ 40 crores is received in India. The total expenses for the year on operation of such flights were ₹ 11 crores. The effective rate of income-tax applicable on total income of M/s. Atlanta Airlines is -
- (a) 42.432%
- (b) 43.68%
- (c) 41.6%
- (d) 44.512%
91. Mr. Akhilesh, a non-resident Indian citizen, is an enthusiastic sports person and is keen on contributing an article on the game of hockey in a leading newspaper in India. He approaches you to enquire on taxability of such income for A.Y. 2021-22. As per the provisions of Income-tax Act, 1961, such income shall be taxable in his hands at -
- (a) 5%
- (b) 10%
- (c) 20%
- (d) Normal tax slab rates
- (Note: The above rates are excluding cess and surcharge, if any)*
92. Samraat, a resident Indian, has earned an income of ₹ 4 lakh by way of lump sum consideration for copyright of a book, being a work of literary nature, from a publisher in Country E, with which India does not have a DTAA. The same has been taxed at a flat rate of 5% in Country E. In India, his gross total income is ₹ 7 lakhs. The double taxation relief available is -
- (a) ₹ 20,000
- (b) ₹ 7,725

- (c) ₹ 1,950
- (d) Nil
93. Mr. Ganesh is running a steel factory. The total turnover of the factory during the F.Y. 2019-20 amounted to ₹ 2.5 crores. The estimated turnover for F.Y. 2020-21 is likely to exceed ₹ 3 crore. On 10-04-2020, he availed consultancy services from a Delhi based chartered accountant. The consultancy fees amounted to ₹ 1,84,000. Should Mr. Ganesh deduct tax from consultancy fees of ₹ 1,84,000? If yes, then what shall be the amount of tax to be deducted and by when should the same be deposited with Government?
- (a) Yes; ₹ 18,400 to be deposited by 07.05.2020
- (b) Yes; ₹ 18,400 to be deposited by 07.07.2020
- (c) Yes; ₹ 15,400 to be deposited by 07.05.2020
- (d) He is not liable to deduct tax in respect of professional fees paid
94. Mr. Naveen is an employee working in a public sector company. He repaid a loan in cash of ₹ 24,000 (including interest of ₹ 5,000), which he took from his friend for higher studies. What will be the consequence of the said transaction for A.Y. 2021-22?
- (a) Disallowance under section 40A(3) of ₹ 24,000
- (b) Penalty of ₹ 24,000 u/s 271E due to violation of section 269T
- (c) Penalty of ₹ 19,000 u/s 271E due to violation of section 269T
- (d) No disallowance or penalty u/s 271E, since the principal amount of loan is less than ₹ 20,000
95. Mr. Sam (aged 40 years), a US football match referee, has earned income from football tournaments in India for A.Y. 2021-22. Are TDS provisions applicable while making payment to him and if so, under which section?
- (a) Yes; TDS@20.8% as per section 194E
- (b) Yes; TDS@5.2% as per section 194E
- (c) Yes; TDS under section 195

(d) No; TDS provisions are not applicable

96. Nikhil, an individual aged 35 years, incurs the following expenses for the benefit of his family (i.e., Self, Mrs. Nikhil and dependent children) and parents [father (80 years), mother (76 years)] during the previous year 2020-21:

Particulars	Medical insurance premium (by cheque) (₹)	Preventive health check-up expenditure (in cash) (₹)	Medical expenditure (by cheque) (₹)
For the benefit of his family	20,000	7,000	2,000
For the benefit of his father	Nil	Nil	32,000
For the benefit of his mother	6,000	Nil	Nil

What is the amount of deduction allowable u/s 80D to Nikhil for the A.Y. 2021-22?

- (a) ₹ 63,000  
 (b) ₹ 55,000  
 (c) ₹ 67,000  
 (d) ₹ 65,000
97. Mr. X took a loan from SBI on 31.03.2012 of ₹ 10,00,000. During previous year 2020-21, interest actually paid on such loan was ₹ 1,00,000. However, the amount of interest unpaid on such loan from 01.04.2012 upto 31.03.2021 is ₹ 2,00,000. As Mr. X was making continuous defaults in payment of interest, a restructuring arrangement was entered into wherein the unpaid interest was converted into Funded Interest Term Loan (FITL) which is shown separately from the original loan and no interest is chargeable on FITL. This converted interest is to be paid 4 annual equal installments from 01.04.2022. Mr. X is of the view that for A.Y. 2021-22, the following deductions shall be allowed to him while computing his business income:

- Interest of ₹ 1,00,000 on original principal of ₹ 10,00,000.
- Converted interest of ₹ 2,00,000.

Is X's view correct?

- (a) Correct, total deduction of ₹ 3,00,000 shall be allowed to Mr. X in A.Y. 2021-22
  - (b) Incorrect, no deduction shall be allowed to Mr. X in A.Y. 2021-22
  - (c) Partially correct, interest of ₹ 1,00,000 shall be fully allowed, however, proportionate amount of converted interest for the period 01.04.2020 to 31.03.2021 shall be allowed
  - (d) Incorrect, only deduction of ₹ 1,00,000 shall be allowed to Mr. X in A.Y. 2021-22
98. A search u/s 132 was carried out in the case of Mr. M on 20.12.2020. During the course of search, the assessee admitted the additional income of ₹ 50 crore as additional sales for the financial year 2019-20. While filing his return of income in response to notice u/s 153A, M did not declare the said income. What is the amount of penalty to be payable by M in respect of the said undisclosed income?
- (a) ₹ 5 crore
  - (b) ₹ 10 crore
  - (c) ₹ 15 crore
  - (d) ₹ 30 crore
99. Mr. Harry and Mr. Sujoy, resident and Indian citizens, have been appointed as senior officials of County A embassy and County B embassy, respectively, in India in October, 2020. Mr. Harry and Mr. Sujoy are subjects of Country A and Country B, respectively, and are not engaged in any other business or profession in India. The remuneration received by Indian officials working in Indian embassy in County A is exempt but in County B is taxable. The tax treatment of remuneration received by Mr. Harry and Mr. Sujoy from embassies of Country A and Country B, respectively, in India for the P.Y. 2020-21 is-

- (a) Exempt from income-tax under section 10
  - (b) Taxable under the Income-tax Act, 1961
  - (c) Remuneration received by Mr. Harry is exempt but remuneration received by Mr. Sujoy is taxable
  - (d) Remuneration received by Mr. Sujoy is exempt but remuneration received by Mr. Harry is taxable
100. Y is a foreign company having permanent establishment in India namely X. Z, a non-resident associated enterprise, has invested ₹ 900 crore through debt in X. Earnings before interest, taxes, depreciation and amortisation (EBITDA) of X during the financial year was ₹ 150 crore. What is the amount of interest allowable in respect of the debt assuming that the debt was invested on the first day of the financial year and the rate of interest is 10% p.a.?
- (a) ₹ 45 crore
  - (b) ₹ 90 crore
  - (c) ₹ 30 crore
  - (d) ₹ 27 crore

**Answer Key**

Question No.	Answer
1.	<b>(d)</b> ₹ 12,24,375 and ₹ 1,27,500, respectively
2.	<b>(d)</b> ₹ 12,40,000 and ₹ 25,00,000 respectively
3.	<b>(c)</b> Nil and ₹ 95 lakhs, respectively
4.	<b>(a)</b> No; TDS provisions are not attracted in the hands of Mr. Hari in respect of payments to Mr. Lal and Mr. Shyam
5.	<b>(b)</b> Mr. X should not be engaged in any trade or business in India

<b>6.</b>	<b>(c)</b> Yes, Ram is required to file his return of income since he pays electricity bills of ₹ 10,000 per month
<b>7.</b>	<b>(d)</b> He can file an appeal to Appellate Tribunal u/s 253 within 60 days from the date on which the order is communicated to him
<b>8.</b>	<b>(d)</b> There is no capital gains tax implication in the hands of Ms. Aparna in respect of this transaction
<b>9.</b>	<b>(d)</b> Mr. Hari is required to deduct tax at source but Mr. Sanjay is not required to deduct tax at source
<b>10.</b>	<b>(d)</b> No tax is deductible at source on maturity proceeds received by Mr. Rajesh. Tax is deductible at source on maturity proceeds received by Mr. Brijesh and the tax deductible at source is ₹ 16,000
<b>11.</b>	<b>(c)</b> ₹ 2.40 lakhs and ₹ 1.35 lakhs, respectively
<b>12.</b>	<b>(b)</b> Interest of ₹ 13.418 lakhs would be added to the total income of Kaveri Ltd.
<b>13.</b>	<b>(b)</b> Surcharge@15% is leviable on income-tax computed on total income of ₹ 2.40 crore
<b>14.</b>	<b>(d)</b> Business income of ₹ 5 crore is taxable in the hands of the investment fund. Capital loss of ₹ 3 crore can be carried forward only by the unit holders
<b>15.</b>	<b>(a)</b> Additional income-tax @23.296% of the distributed income is leviable in the hands of A Ltd. and B (P) Ltd.; income arising to shareholders is exempt

16.	(d)	Penalty of ₹ 36,400 leviable in the hands of Mr. Ganesh; No penalty leviable in the hands of Mr. Rajesh
17.	(c)	₹ 2,08,000 and ₹ 5,30,400
18.	(d)	₹ 5 crores
19.	(c)	M Ltd. does not have to deduct tax at source but N Ltd. has to deduct tax at source@5.2%
20.	(c)	Only IV
21.	(c)	An order of assessment passed by the Assessing Officer in pursuance of directions of Dispute Resolution Panel
22.	(d)	(ii) and (iv)
23.	(a)	₹ 4,42,500
24.	(a)	₹ 1,87,200
25.	(b)	Only (ii)
26.	(a)	₹ 8,58,000
27.	(d)	(i) only
28.	(c)	₹ 7,20,000
29.	(b)	Taxable @10.4%
30.	(d)	Rental income from letting out of properties by Y Ltd. is taxable under the head "Income from house property" and X Ltd. is taxable under the head "Profits and gains of business or profession"
31.	(d)	(ii) and (iv) above
32.	(c)	No; transport subsidy, interest subsidy and power subsidy received from Government are profits derived from the



	business of the industrial undertaking and hence, eligible for deduction u/s 80-IB. However, duty drawbacks belong to the category of ancillary profits and hence, deduction u/s 80-IB cannot be claimed in respect of such receipt
<b>33.</b>	<b>(d)</b> (4) and (5) above
<b>34.</b>	<b>(c)</b> ₹ 5,30,920
<b>35.</b>	<b>(d)</b> Penalty@60% is leviable
<b>36.</b>	<b>(b)</b> 30.9.2022
<b>37.</b>	<b>(b)</b> ₹ 4,43,040
<b>38.</b>	<b>(c)</b> Salary received by Mr. Ganesh is taxable in India but allowances and perquisites are exempt
<b>39.</b>	<b>(d)</b> Only (vii)
<b>40.</b>	<b>(c)</b> Mr. A is liable to pay advance tax but Mr. B is not liable to pay advance tax
<b>41.</b>	<b>(d)</b> Mr. Vallish is not liable to deduct tax at source
<b>42.</b>	<b>(c)</b> (i) and (iii)
<b>43.</b>	<b>(c)</b> Mr. X has to file an appeal before Commissioner (Appeals) u/s 246A within 30 days of the date of service of the notice of demand relating to the assessment. Mr. Y has to file an appeal before the Appellate Tribunal within 60 days of the date on which the order sought to be appealed against is communicated to him
<b>44.</b>	<b>(a)</b> ₹ 35 lakh
<b>45.</b>	<b>(d)</b> Either a resident or a non-resident

46.	(c) ₹ 150 lakhs
47.	(c) ₹ 11,00,530; AMT credit to be carried forward is ₹ 7,65,130
48.	(d) Since the application has not been disposed of by the Commissioner within the stipulated period, the trust is deemed to be registered with effect from 1.5.2020, being the date immediately following the expiry of the six month period, but is entitled to benefit of exemption under sections 11 and 12 w.e.f. A.Y.2020-21
49.	(b) ₹ 1,50,000
50.	(c) Yes; penalty is ₹ 1,83,300
51.	(b) The assessee can file an application for rectification under section 154, if it is a mistake apparent from the record
52.	(a) The Assessing Officer's action in entering the cyber café at 1 a.m. and impounding books of account and documents inspected by him is in order
53.	(d) Penalty under section 271D is not attracted
54.	(c) The action of the Assessing Officer is not correct, since notice u/s 148 can be issued only in respect of A.Y.2013-14 to A.Y.2020-21
55.	(a) Mr. Rajesh and M/s. Rajesh & Co. have to pay entire advance tax on or before 15 <sup>th</sup> March, 2021
56.	(d) Long-term capital gains of Mr. Rajan ₹ 2,10,000; Long-term capital loss of Mr. Ravi ₹ 1,20,000

<b>57.</b>	<b>(d)</b>	31.1.2021
<b>58.</b>	<b>(a)</b>	Profit split method
<b>59.</b>	<b>(b)</b>	Tax is deductible at source@2% u/s 194C on such payment
<b>60.</b>	<b>(a)</b>	No tax is deductible at source from such payment
<b>61.</b>	<b>(d)</b>	The amount payable to Aid Us would be chargeable to tax both in the hands of Mr. Hari and in the hands of the institution
<b>62.</b>	<b>(c)</b>	₹ 14.375 crore
<b>63.</b>	<b>(d)</b>	₹ 2 lakhs
<b>64.</b>	<b>(c)</b>	₹ 15,30,000
<b>65.</b>	<b>(b)</b>	₹ 9.25 lakhs
<b>66.</b>	<b>(d)</b>	5% and 30%
<b>67.</b>	<b>(c)</b>	No capital gains would arise on sale of 300 GDRs, but capital gains arising on sale of 200 GDRs shall be taxed in India @10% without indexation benefit
<b>68.</b>	<b>(a)</b>	Transfer pricing provisions would be attracted in this case
<b>69.</b>	<b>(c)</b>	₹ 50 lakhs would be taxable as business income in the hands of Mr. Anjan and ₹ 20 lakhs would be taxable as income from other sources in the hands of Mr. Ashwin
<b>70.</b>	<b>(c)</b>	exempt in the hands of the REIT; exempt in the hands of unit holders only if SPV does not exercise option under section 115BAA

71.	(c)	Such expenditure is not allowable as deduction while computing its business income but is allowable as deduction from gross total income
72.	(c)	₹ 30 lakhs
73.	(c)	Yes; penalty@30% of undisclosed income would be attracted even if Mr. Aakash has voluntarily made a declaration u/s 132(4).
74.	(d)	Tax has to be deducted@7.5% on ₹ 1,80,000 and @1.5% on ₹ 90,000 (i.e., rent excluding security deposit)
75.	(d)	TDS@0.75% on ₹ 90 lakhs is attracted. No TDS on payments of ₹ 49.50 lakhs and ₹ 60 lakhs
76.	(d)	TDS@5.20% is attracted on interest of ₹ 5 lakhs payable to the foreign company. TDS@31.2% is attracted on interest of ₹ 3 lakhs payable to Mr. Frank
77.	(a)	₹ 91,500
78.	(c)	₹ 81,00,000 shall be chargeable to tax in the hands of P as income from other sources and no capital gains shall arise in the hands of Q and R respectively as gift does not constitute "transfer"
79.	(b)	₹ 60 lakhs
80.	(c)	₹ 1,39,776
81.	(d)	REIT enjoys pass through status in respect of interest income from Gamma Ltd. and rental income from directly owned real estate property and hence, such income are taxable in the hands of the unit

		holders. Short-term capital gains is taxable in the hands of the REIT
<b>82.</b>	<b>(d)</b>	Mr. Aryan is not entitled for deduction u/s 24, section 80C and section 80EEA
<b>83.</b>	<b>(c)</b>	Under section 264, the Commissioner can revise the order pending before the Commissioner (Appeals), if the revision pertains to a matter, other than the matter(s) covered in the appeal before Commissioner (Appeals)
<b>84.</b>	<b>(d)</b>	The trust can claim exemption u/s 10(1) in respect of its agricultural income. However, it cannot claim exemption u/s 10(15) in respect of its interest income from bonds of local authority without applying such income for charitable purposes
<b>85.</b>	<b>(d)</b>	Tax is deductible by Delta Ltd. before making payment of dividend. The dividend income would be included in the total income of both Mr. Ganesh and Rajesh and subject to tax in their hands at their respective slab rates
<b>86.</b>	<b>(c)</b>	(i), (iii), (iv) & (v)
<b>87.</b>	<b>(c)</b>	₹ 1,14,400
<b>88.</b>	<b>(c)</b>	Share of profit is exempt but interest of ₹ 36,000 is includible in the income of Mr. Sundar and interest of ₹ 24,000 is includible in the income of Mrs. Kavitha
<b>89.</b>	<b>(b)</b>	₹ 2,79,24,000
<b>90.</b>	<b>(b)</b>	43.68%
<b>91.</b>	<b>(d)</b>	Normal tax slab rates

<b>92.</b>	<b>(d)</b> Nil
<b>93.</b>	<b>(a)</b> Yes; ₹ 18,400 to be deposited by 07.05.2020
<b>94.</b>	<b>(c)</b> Penalty of ₹ 19,000 u/s 271E due to violation of section 269T
<b>95.</b>	<b>(c)</b> Yes; TDS under section 195
<b>96.</b>	<b>(a)</b> ₹ 63,000
<b>97.</b>	<b>(d)</b> Incorrect, only deduction of ₹ 1,00,000 shall be allowed to Mr. X in A.Y. 2021-22.
<b>98.</b>	<b>(d)</b> ₹ 30 crore
<b>99.</b>	<b>(b)</b> Taxable under the Income-tax Act, 1961
<b>100.</b>	<b>(a)</b> ₹ 45 crore

**CASE SCENARIOS**

1. LPG, a partnership firm, is engaged in the business of manufacturing of garments. It furnishes you the following data for the year ended 31.3.2021.

**Profit & Loss Account**

Particulars	₹	Particulars	₹
Expenses	2,36,00,000	Gross Turnover	2,55,00,000
Interest to partners (including ₹ 1,20,000 paid to Gopal for loan given by Gopal HUF)	5,40,000		
Salary to Partners:			
Jay (₹ 30,000 p.m.)			
Gopal (₹ 28,000 p.m.)			
Madhav (₹ 16,000 p.m.)	8,88,000		
Net Profit	4,72,000		
	<b>2,55,00,000</b>		<b>2,55,00,000</b>

**Other Information:**

- The partners share profits and losses equally.
- During the P.Y. 2019-20, the firm had incurred a business loss of ₹ 3,00,000 and unabsorbed depreciation of ₹ 1,50,000.
- On 01.04.2020, Mr. Jayesh, a partner died and his legal heir Mr. Jay got admitted on same date. Another partner, Mr. Raj, also retired on the same date.
- Mr. Madhav is not actively engaged in conducting the affairs of the business of the firm while Mr. Jay and Mr. Gopal are actively engaged in conducting the affairs of the business.
- Interest@16% p.a. for the first time on partner's capital was paid from 01.07.2020. The clause for the same was, however, entered in the partnership deed on 01.01.2021. Salary paid to partners is authorized by the partnership deed since inception.

- Mr. Gopal relinquished his title in a land in the name of LPG for a consideration of ₹ 18 lakhs, which was duly recorded in the books of accounts of LPG on 31.10.2019. The stamp duty value of the land on that date was ₹ 20 lakhs.

From the information given above, choose the **most appropriate answer** to the following questions –

- 1.1 How much interest can the firm claim as deduction for A.Y. 2021-22?
- (a) ₹ 5,40,000
  - (b) ₹ 4,35,000
  - (c) ₹ 2,25,000
  - (d) ₹ 1,05,000
- 1.2 How much salary can the firm claim as deduction for A.Y.2021-22?
- (a) ₹ 10,05,000
  - (b) ₹ 8,88,000
  - (c) ₹ 8,70,000
  - (d) ₹ 6,96,000
- 1.3 The business loss and unabsorbed depreciation allowed to be set off while computing total income of the firm for A.Y.2021-22 are -
- (a) ₹ 3,00,000 and ₹ 1,50,000, respectively
  - (b) ₹ 2,25,000 and ₹ 1,50,000, respectively
  - (c) ₹ 1,50,000 and ₹ 1,12,500, respectively
  - (d) ₹ 2,25,000 and ₹ 1,12,500, respectively
- 1.4 What would be the total income of the firm for A.Y.2021-22?
- (a) ₹ 6,30,250
  - (b) ₹ 4,12,000



- (c) ₹ 6,04,000
- (d) ₹ 5,29,000
- 1.5 What would be the capital gains in the hands of LPG assuming that the land acquired from Gopal was sold on 28.02.2021 for ₹ 25 lakhs to Mr. Jack, fair market value and stamp duty value on the date of transfer being ₹ 30 lakhs and ₹ 28 lakhs, respectively?
- (a) ₹ 10,00,000
- (b) ₹ 12,00,000
- (c) ₹ 8,00,000
- (d) ₹ 7,00,000

**Answer Key**

Question No.	Answer
1.1	(c) ₹ 2,25,000
1.2	(d) ₹ 6,96,000
1.3	(b) ₹ 2,25,000 and ₹ 1,50,000, respectively
1.4	(c) ₹ 6,04,000
1.5	(c) ₹ 8,00,000

2. MCS Pvt. Ltd. is a company engaged in providing consultancy and business advisory services. It provides a range of services including financial management, project advisory, business mergers, business valuations, etc. During the financial year 2020-21, it has provided various services and its gross receipts amounted to ₹ 70,00,00,000. This is the first year of their operation and the company thinks it has defaulted in certain compliances. Moreover, during the year, it received the following loans in cash from various vendors due to some business exigency:
- ₹ 25,00,000 availed from Mr. A on 15<sup>th</sup> April 2020
  - ₹ 21,00,000 availed from Mr. B on 15<sup>th</sup> May 2020

- ₹ 11,000 availed from Mr. C on 15<sup>th</sup> June 2020

Further, MCS Pvt. Ltd. made the following loan repayments during the year:

- ₹ 8,000 to Mr. A on 15<sup>th</sup> July 2020 in cash
- ₹ 2,50,000 to Mr. A on 15<sup>th</sup> August 2020 through account payee cheque
- ₹ 21,000 to Mr. A on 15<sup>th</sup> September 2020 through RTGS
- ₹ 15,000 to Mr. A on 15<sup>th</sup> October 2020 through crossed cheque

MCS Pvt. Ltd. has also received an amount of ₹ 2,00,000 for services rendered to Mr. Shyam through bearer cheque. Also, he received cash of ₹ 90,000 for services rendered to Mr. Ankit. Furthermore, MCS Pvt. Ltd. does not know about the applicability of tax audit under section 44AB of the Income-tax Act, 1961.

From the information given above, choose the **most appropriate answer** to the following questions –

- 2.1 What is the amount of penalty, if any, which would be leviable on MCS Pvt. Ltd. for availing loan in cash from various vendors?
- (a) Penalty of ₹ 25,32,000 under section 271E
  - (b) Penalty of ₹ 25,21,000 under section 271D
  - (c) Penalty of ₹ 25,00,000 under section 271E
  - (d) Penalty of ₹ 25,32,000 under section 271D
- 2.2 What is the amount of penalty leviable on repayment of loan to Mr. A?
- (a) Penalty of ₹ 23,000 under section 271E
  - (b) Penalty of ₹ 23,000 under section 271D
  - (c) No penalty is leviable since the repayment otherwise than by way of prescribed modes is less than ₹ 20,000
  - (d) Penalty of ₹ 44,000 under section 271E

- 2.3 Has MCS Pvt. Ltd. violated any provision of the Income-tax Act, 1961, while receiving payment from Mr. Shyam and Mr. Akhil? If yes, what is the amount of penalty which MCS Pvt. Ltd. is liable to pay?
- (a) Yes, contravention of section 269ST on receiving payment from Mr. Shyam; Penalty of ₹ 2,00,000 u/s 271DA; No contravention on receiving payment from Mr. Akhil
  - (b) Yes, contravention of section 269ST on receiving payment from Mr. Shyam and Mr. Akhil & Penalty of ₹ 2,90,000 u/s 271DA
  - (c) Yes, contravention of section 269SU on receiving payment from Mr. Shyam & Penalty of ₹ 2,00,000 is attracted u/s 271DB; No contravention on receiving payment from Mr. Akhil
  - (d) No violation on receiving payment from either Mr. Shyam or Mr. Akhil
- 2.4 What is the time limit for filing tax audit report for A.Y. 2021-22 and the amount of penalty leviable if the company does not file its tax audit report within the due date?
- (a) 30.09.2021; penalty leviable is ₹ 35,00,000 u/s 271A
  - (b) 31.10.2021; penalty leviable is ₹ 35,00,000 u/s 271B
  - (c) 30.09.2021; penalty leviable is ₹ 1,50,000 u/s 271B
  - (d) 31.10.2021; penalty leviable is ₹ 1,50,000 u/s 271B

**Answer Key**

Question No.	Answer
<b>2.1</b>	<b>(b)</b> Penalty of ₹ 25,21,000 under section 271D
<b>2.2</b>	<b>(a)</b> Penalty of ₹ 23,000 under section 271E
<b>2.3</b>	<b>(a)</b> Yes, contravention of section 269ST on receiving payment from Mr. Shyam; Penalty of ₹ 2,00,000

	under section 271DA; No contravention on receiving payment from Mr. Akhil
2.4	(c) 30.09.2021; penalty leviable is ₹ 1,50,000 under section 271B

3. The following are the details relating to four resident entities, AB & Co., LM & Co., PQ & Co. and XY & Co. for the P.Y.2020-21 –

	Particulars	AB & Co. (Firm)	LM & Co. (Firm)	PQ & Co. (LLP)	XY & Co. (Firm)
(1)	Nature of business/profession	Retail trading	Business of plying, hiring or leasing goods carriages	Wholesale trading	Interior decoration
(2)	System of accounting	Mercantile	Cash	Mercantile	Cash
(3)	Turnover/Gross receipts	₹ 200 lakhs	₹ 101 lakhs	₹ 100 lakhs	₹ 50 lakhs
(4)	Amount received by way of RTGS/NEFT in the P.Y.2020-21 [included in (3) above]	₹ 150 lakhs	₹ 80 lakhs	₹ 70 lakhs	₹ 45 lakhs
(5)	Amount received by way of cash in the P.Y.2020-21 [included in (3) above]	₹ 30 lakhs	₹ 21 lakhs	₹ 10 lakhs	₹ 5 lakhs
(6)	Amount received by way of RTGS/	₹ 20 lakhs	-	₹ 20 lakhs	-

	NEFT between 1.4.2021 & 31.7.2021				
(7)	Working partners' salary	₹ 5 lakhs	₹ 1.50 lakhs	₹ 3 lakhs	₹ 5 lakhs
(8)	Interest on capital@12% paid to partners	₹ 1 lakh	₹ 0.50 lakh	-	₹ 2 lakhs
(9)	Profit as per books of account maintained as per section 44AA [after deducting working partners' salary and interest on capital]	₹ 5.60 lakhs	₹ 4.10 lakhs	₹ 4.50 lakhs	₹ 20 lakhs
(10)	No. of vehicles owned	-	10 (See Note 2 below for details)	-	-

**Additional information:**

- (1) It may be assumed that partners' salary and interest are authorised by the partnership deed, relates to a period after the partnership deed and is within the permissible limits laid down under section 40(b).
- (2) The details of vehicles owned by M/s. LM & Co. are as follows –

	Gross Vehicle Weight (in kgs)	Number	Date of purchase	Date when first put to use
(1)	8,000	3	28.5.2020	1.6.2020

(2)	9,000	2	31.7.2020	1.8.2020
(3)	10,000	1	17.8.2020	20.8.2020
(4)	11,000	1	30.9.2020	1.10.2020
(5)	12,000	1	11.11.2020	13.11.2020
(6)	13,000	2	31.12.2020	1.1.2021

From the information given above, choose the **most appropriate answer** to the following questions –

- 3.1 Which of the four entities are eligible to declare income on presumptive basis under the Income-tax Act, 1961 for A.Y.2021-22?
- (a) Only AB & Co and LM & Co.  
(b) Only AB & Co and XY & Co.  
(c) AB & Co, PQ & Co and XY & Co.  
(d) AB & Co, LM & Co and XY & Co.
- 3.2 What is the business income to be declared by AB & Co. and PQ & Co. for A.Y.2021-22, assuming that the entities wish to make maximum tax savings without getting their books of account audited?
- (a) ₹ 12.60 lakhs and ₹ 4.50 lakhs, respectively  
(b) ₹ 6.60 lakhs and ₹ 3.20 lakhs, respectively  
(c) ₹ 5.60 lakhs and ₹ 4.50 lakhs, respectively  
(d) ₹ 13 lakhs and ₹ 6.60 lakhs, respectively
- 3.3 What is the business income to be declared by LM & Co. for A.Y.2021-22, assuming that the firm wishes to make maximum tax savings without getting its books of account audited?
- (a) ₹ 4,48,000  
(b) ₹ 6,36,500  
(c) ₹ 4,36,500  
(d) ₹ 4,10,000

- 3.4 What is the income to be declared by XY & Co. under the head “Profits and gains of business or profession” for A.Y.2021-22, assuming that the firm wishes to make maximum tax savings, without getting its books of account audited?
- (a) ₹ 18 lakhs  
 (b) ₹ 20 lakhs  
 (c) ₹ 25 lakhs  
 (d) ₹ 22.50 lakhs
- 3.5 Would your answer to questions 3.3 and 3.4 change, if the firms decide to get their books of accounts audited?
- (a) No, there would be no change in the answer to either questions 3.3 and 3.4  
 (b) Yes, there would be change in the answer to both question 3.3 and 3.4  
 (c) There would be a change in the answer to question 3.3 but not in the answer to question 3.4  
 (d) There would be a change in the answer to question 3.4 but not in the answer to question 3.3

**Answer Key**

Question No.	Answer
<b>3.1</b>	<b>(d)</b> AB & Co, LM & Co and XY & Co.
<b>3.2</b>	<b>(a)</b> ₹ 12.60 lakhs and ₹ 4.50 lakhs, respectively
<b>3.3</b>	<b>(c)</b> ₹ 4,36,500
<b>3.4</b>	<b>(c)</b> ₹ 25 lakhs
<b>3.5</b>	<b>(b)</b> Yes, there would be change in the answer to both question 3.3 and 3.4

4. Mr. Hari, a property dealer, sold a building in the course of his business to his friend Mr. Rajesh, who is a dealer in automobile spare parts, for ₹ 100 lakh on 1.1.2021, when the stamp duty value was ₹ 120 lakh. The agreement was, however, entered into on 1.9.2020 when the stamp duty value was ₹ 110 lakh. Mr. Hari had received a down payment of ₹ 15 lakh by NEFT from Mr. Rajesh on the date of agreement. Mr. Hari has purchased the building for ₹ 50 lakh on 12.7.2019.

Mr. Hari's brother, Mr. Ravi, a retail trader, sold a residential house to Mr. Vallish, a wholesale trader for ₹ 50 lakh on 1.2.2021, when the stamp duty value was ₹ 70 lakh. The agreement was, however, entered into on 1.8.2020 when the stamp duty value was ₹ 55 lakh. Mr. Ravi had received a down payment of ₹ 5 lakh by a crossed cheque from Mr. Vallish on the date of agreement. Mr. Ravi has purchased the building for ₹ 32 lakh on 17.8.2019.

From the information given above, choose the **most appropriate answer** to the following questions –

- 4.1 What is the amount of income chargeable to tax in the hands of Mr. Hari in respect of the transaction of sale of building to Mr. Rajesh and under which head is it taxable?
- (a) ₹ 70 lakh is taxable as his business income
  - (b) ₹ 60 lakh is taxable as his business income
  - (c) ₹ 50 lakh is taxable as his business income
  - (d) ₹ 50 lakh is taxable as short-term capital gains
- 4.2 Is any amount taxable in the hands of Mr. Rajesh in respect of the above transaction? If so, what is the amount and under which head is it taxable?
- (a) No amount is taxable in the hands of Mr. Rajesh
  - (b) ₹ 20 lakh is taxable under the head "Income from Other Sources"
  - (c) ₹ 10 lakh is taxable under the head "Income from Other Sources"
  - (d) ₹ 10 lakh is taxable as his business income



- 4.3 What is the amount of income chargeable to tax in the hands of Mr. Ravi in respect of the transaction of sale of residential house to Mr. Vallish and under which head is it taxable?
- (a) ₹ 18 lakh is taxable as short-term capital gains  
 (b) ₹ 23 lakh is taxable as short-term capital gains  
 (c) ₹ 38 lakh is taxable as short-term capital gains  
 (d) ₹ 18 lakh is taxable as his business income
- 4.4 Is any amount taxable in the hands of Mr. Vallish in respect of the above transaction? If so, what is the amount and under which head is it taxable?
- (a) No amount is taxable in the hands of Mr. Vallish  
 (b) ₹ 20 lakh is taxable under the head "Income from Other Sources"  
 (c) ₹ 5 lakh is taxable under the head "Income from Other Sources"  
 (d) ₹ 5 lakh is taxable as his business income
- 4.5 Is tax deductible by Mr. Rajesh and Mr. Vallish on making payment to the seller?
- (a) Yes, tax is deductible at source by both Mr. Rajesh and Mr. Vallish  
 (b) No, tax is not deductible at source by either Mr. Rajesh or Mr. Vallish  
 (c) Tax is deductible at source by Mr. Rajesh but not by Mr. Vallish  
 (d) Tax is deductible at source by Mr. Vallish but not Mr. Rajesh

**Answer Key**

Question No.	Answer
4.1	(c) ₹ 50 lakh is taxable as his business income

4.2	(a) No amount is taxable in the hands of Mr. Rajesh
4.3	(c) ₹ 38 lakh is taxable as short-term capital gains
4.4	(b) ₹ 20 lakh is taxable under the head "Income from Other Sources"
4.5	(a) Yes, tax is deductible at source by both Mr. Rajesh and Mr. Vallish

5. The following are the particulars relating to four Indian companies, namely, A Ltd., B Ltd., C Ltd. and D Ltd. –

Particulars	A Ltd.	B Ltd.
Date of setting up/registration	1.9.2019	1.11.2020
Main object	Manufacture of steel	Manufacture of apparel
Place	Madhya Pradesh	Warangal in Telengana
Value of new plant and machinery installed and put to use on the date of setting up of the company	₹ 10 crore	₹ 4 crore
Gross Total Income of P.Y.2020-21	₹ 4.90 crore	₹ 2.80 crore
No. of new employees employed on the date of setting up of the company	1000	1000
Monthly emoluments to employees by account payee cheque:		
500 employees	₹ 24,000 per employee	₹ 24,000 per employee
500 employees	₹ 25,100 per employee	₹ 26,000 per employee
Particulars	C Ltd.	D Ltd.
Date of setting up/registration	1.4.2000	1.1.2005
Main object	Trading in leather goods	Trading in food grains
Place	Tamil Nadu	Karnataka
<b>Turnover</b>		
P.Y.2016-17	₹ 347 crore	₹ 201 crore

P.Y.2017-18	₹ 395 crore	₹ 225 crore
P.Y.2018-19	₹ 499 crore	₹ 251 crore
P.Y.2019-20	₹ 350 crore	₹ 342 crore
P.Y.2020-21	₹ 424 crore	₹ 380 crore
<b>Details of income returned &amp; assessed for A.Y.2021-22</b>		
As per return of income filed	₹ 14 crores	₹ 17 crores
Income determined u/s 143(1)(a)	₹ 16 crores	₹ 20 crores
Income assessed u/s 143(3)	₹ 20 crores	₹ 22 crores

From the information given above, choose the **most appropriate answer** to the following questions –

- 5.1 What would be the tax liability (rounded off) of B Ltd. for A.Y.2021-22, if it avails the beneficial tax rates under the special provisions inserted by the Taxation Laws (Amendment) Act, 2019 in the Income-tax Act, 1961 by fulfilling the conditions specified thereunder? Assume that the gross total income reflects the computation under the special provisions.
- (a) ₹ 70,47,040  
 (b) ₹ 22,88,000  
 (c) ₹ 25,16,800  
 (d) ₹ 17,16,000
- 5.2 What would be the tax liability (rounded off) of A Ltd. for A.Y.2021-22, if it avails the beneficial tax rates under the special provisions inserted by the Taxation Laws (Amendment) Act, 2019 in the Income-tax Act, 1961 by fulfilling the conditions specified thereunder? Assume that the gross total income reflects the computation under the special provisions.
- (a) ₹ 1,23,32,320  
 (b) ₹ 59,89,980  
 (c) ₹ 14,59,740  
 (d) ₹ 9,95,280

- 5.3 What would be the total income (rounded off) of A Ltd. and B Ltd. for A.Y.2021-22, if they do not opt for the special provisions inserted by the Taxation Laws (Amendment) Act, 2019 in the Income-tax Act, 1961? Assume that the gross total income reflects the computation under the special provisions.
- (a) ₹ 2,90,00,000; ₹ 2,40,00,000
  - (b) ₹ 58,00,000; ₹ 2,40,00,000
  - (c) ₹ 2,90,00,000; ₹ 60,00,000
  - (d) ₹ 58,00,000; ₹ 60,00,000
- 5.4 What would be the quantum of penalty payable by C Ltd. under section 270A, assuming that the under-reporting of income is not due to mis-reporting and none of the additions made in the assessment qualifies under section 270A(6)? Assume that C Ltd. has not opted for the special provisions inserted by the Taxation Laws (Amendment) Act, 2019.
- (a) ₹ 58,24,000
  - (b) ₹ 69,88,800
  - (c) ₹ 87,36,000
  - (d) ₹ 1,04,83,200
- 5.5 What would be the quantum of penalty payable by D Ltd. under section 270A, assuming that the under-reporting of income is due to misreporting? Assume that D Ltd. has not opted for the special provisions inserted by the Taxation Laws (Amendment) Act, 2019.
- (a) ₹ 1,16,48,000
  - (b) ₹ 1,39,77,600
  - (c) ₹ 2,91,20,000
  - (d) ₹ 3,49,44,000

## Answer Key

Question No.	Answer
5.1	(d) ₹ 17,16,000
5.2	(c) ₹ 14,59,740
5.3	(d) ₹ 58,00,000; ₹ 60,00,000
5.4	(b) ₹ 69,88,800
5.5	(a) ₹ 1,16,48,000

6. A business trust, registered under SEBI (Real Estate Investment Trusts) Regulations, 2014, gives particulars of its income for the P.Y.2020-21:

- (i) Interest income from Z Ltd. – ₹ 10 lakh;
- (ii) Dividend income from Z Ltd. – ₹ 5 lakh;
- (iii) Short-term capital gains on sale of listed shares (STT paid both at the time of purchase and sale) of Indian companies – ₹ 4 lakh;
- (iv) Short-term capital gains on sale of developmental properties – ₹ 8 lakh
- (v) Interest received from investments in unlisted debentures of real estate companies – ₹ 1 lakh;
- (vi) Rental income from directly owned real estate assets – ₹ 20 lakh

Z Ltd. is an Indian company in which the business trust holds 100% of the shareholding. Z Ltd. does **not** opt to pay tax under section 115BAA.

Assume that the business trust has distributed the entire ₹ 48 lakh to the unit holders in the P.Y. 2020-21 in the month of March, 2021. Mr. X is a resident holder holding 100 units and Mr. Y is a non-resident holder holding 500 units. The total number of units subscribed to by all unit holders is 5,000.

From the information given above, choose the **most appropriate answer** to the following questions -

- 6.1 In respect of the component of interest income from Z Ltd. distributed by the business trust to unit-holders X and Y -

- (a) No tax is deductible by the business trust, since such income is not taxable in the hands of unit holders
  - (b) Tax is deductible@5% on ₹ 20,000 distributed to Mr. X and @5.2% on ₹ 1 lakh distributed to Mr. Y
  - (c) Tax is deductible@7.5% on ₹ 20,000 distributed to Mr. X and @5.2% on ₹ 1 lakh distributed to Mr. Y
  - (d) Tax is deductible@10% on ₹ 20,000 distributed to Mr. X and 10.4% on ₹ 1 lakh distributed to Mr. Y
- 6.2 In respect of short-term capital gains of ₹ 4 lakh on sale of listed shares of Indian companies and ₹ 8 lakh on sale of developmental properties -
- (a) The business trust is liable to pay tax@15.6% and 31.2%, respectively
  - (b) The business trust is liable to pay tax@42.744%
  - (c) The business trust enjoys pass through status and hence, it need not pay any tax on such short-term capital gains; such income is subject to tax in the hands of unit-holders
  - (d) The business trust is liable to pay tax@15.6% and 42.744%, respectively
- 6.3 The dividend component of income from Z Ltd., distributed to unit-holders X and Y -
- (a) would be subject to distribution tax in the hands of Z Ltd., hence exempt in the hands of the business trust and the unit holders
  - (b) is exempt in the hands of the business trust, since the trust enjoys pass through status in respect of such income; such income is taxable in the hands of the unitholders X and Y
  - (c) is taxable in the hands of the business trust; hence, exempt in the hands of the unitholders

- (d) is exempt in the hands of the business trust and in the hands of the unit holders
- 6.4 If Z Ltd. exercises option under section 115BAA, then, the dividend component of income from Z Ltd., distributed to unit-holders X and Y-
- (a) would be subject to distribution tax in the hands of Z Ltd., hence exempt in the hands of the business trust and the unit holders
- (b) is exempt in the hands of the business trust, since the trust enjoys pass through status in respect of such income; such income is taxable in the hands of X and Y
- (c) is taxable in the hands of the business trust; hence, exempt in the hands of the X and Y
- (d) is exempt in the hands of the business trust and in the hands of the unit holders X and Y
- 6.5 Interest received by the business trust from investments in unlisted debentures of real estate companies and distributed to unit holders would be -
- (a) subject to tax in the hands of the unit holders
- (b) subject to tax in the hands of the business trust@31.2%
- (c) subject to tax in the hands of the business trust @42.744%
- (d) subject to tax in the hands of the business trust at the average rate of tax
- 6.6 The rental component of income from real estate assets received by the business trust and distributed to its unit holders X and Y would be -
- (a) subject to tax in the hands of the business trust@42.744%
- (b) subject to tax in the hands of the business trust@31.2%
- (c) subject to tax in the hands of the unit-holder X@10% (on

₹ 40,000) and Y@the rates in force (on ₹ 2,00,000); such tax has to be deducted at source by the business trust

- (d) subject to tax in the hands of the unit-holders X and Y; business trust has to deduct tax@7.5% on ₹ 40,000 distributed to X and at the rates in force on ₹ 2,00,000 distributed to Y

### Answer Key

Question No.	Answer
6.1	(c) Tax is deductible@7.5% on ₹ 20,000 distributed to Mr. X and @5.2% on ₹ 1 lakh distributed to Mr. Y
6.2	(d) The business trust is liable to pay tax@15.6% and 42.744%, respectively
6.3	(d) is exempt in the hands of the business trust and in the hands of the unit holders
6.4	(b) is exempt in the hands of the business trust, since the trust enjoys pass through status in respect of such income; such income is taxable in the hands of X and Y
6.5	(c) subject to tax in the hands of the business trust @42.744%
6.6	(d) subject to tax in the hands of the unit-holders X and Y; business trust has to deduct tax@7.5% on ₹ 40,000 distributed to X and at the rates in force on ₹ 2,00,000 distributed to Y

7. M/s. MNO is a firm liable to tax@30%. The following are the particulars furnished by the firm for A.Y.2021-22:

	Particulars of total income	₹
(1)	As per the return of income furnished u/s 139(1)	40,00,000
(2)	Determined under section 143(1)(a)	50,00,000



(3)	Assessed under section 143(3)	65,00,000
(4)	Reassessed under section 147	85,00,000

Mr. N, a resident individual of the age of 58 years and a partner of the above firm, has not furnished his return of income for A.Y.2021-22. However, his total income assessed in respect of such year under section 144 is ₹ 15 lakh.

From the information given above, choose the **most appropriate answer** to the following questions -

7.1 M/s. MNO is deemed to have under-reported its income since its:

- (1) income determined u/s 143(1)(a) exceeds its income declared as per return of income furnished u/s 139(1)
- (2) income assessed u/s 143(3) exceeds its income determined u/s 143(1)(a)
- (3) income reassessed u/s 147 exceeds its income assessed u/s 143(3)

The correct answer is -

- (a) (1) and (2) above
- (b) (1) and (3) above
- (c) (2) and (3) above
- (d) (1), (2) and (3) above

7.2 Mr. N is deemed to have under-reported his income since:

- (1) He is a partner of a firm which has under-reported its income
- (2) He has not filed his return of income
- (3) His assessed income exceeds the maximum amount not chargeable to tax

The correct answer is -

- (a) (1) and (2) above
- (b) (1) and (3) above

- (c) (2) and (3) above  
 (d) (1), (2) and (3) above
- 7.3 Assuming that the underreporting of income is not on account of misreporting and none of the additions or disallowances made in assessment qualifies u/s 270A(6), penalty leviable on M/s. MNO u/s 270A at the time of assessment would be:
- (a) ₹ 3,12,000  
 (b) ₹ 1,56,000  
 (c) ₹ 4,68,000  
 (d) ₹ 2,34,000
- 7.4 Assuming that the underreporting of income is on account of misreporting, penalty leviable on M/s. MNO under section 270A at the time of reassessment would be:
- (a) ₹ 3,12,000  
 (b) ₹ 2,34,000  
 (c) ₹ 12,48,000  
 (d) ₹ 6,24,000
- 7.5 Assuming that the under-reporting of income is not on account of misreporting, the under-reported income of Mr. N and penalty leviable on Mr. N u/s 270A would be:
- (a) Under-reported income ₹ 15,00,000; penalty ₹ 2,34,000  
 (b) Under-reported income ₹ 12,50,000; penalty ₹ 97,500  
 (c) Under-reported income ₹ 15,00,000; penalty ₹ 1,36,500  
 (d) Under-reported income ₹ 12,50,000; penalty ₹ 1,36,500

**Answer Key**

Question No.	Answer
7.1	(c) (2) and (3) above
7.2	(c) (2) and (3) above

7.3	(d) ₹ 2,34,000
7.4	(c) ₹ 12,48,000
7.5	(d) Under-reported income ₹ 12,50,000; penalty ₹ 1,36,500

8. An investment fund (Investment Fund I) incorporated in India in the form of a LLP has 35 unit holders each holding 2 units.

The particulars of income of Investment Fund I for the P.Y.2020-21 is as follows:

- (i) Business income - ₹ 14 lakh;
- (ii) Long-term capital gains - ₹ 21 lakhs; and
- (iii) Income from other sources - ₹ 7 lakhs.

Another investment fund (Investment Fund II) incorporated in India in the form of a company has 50 unit holders each holding 4 units. All unit holders have held the units for a period of more than a year.

The particulars of income of Investment Fund II for the P.Y.2020-21 is as follows:

- (i) Business loss – (₹ 10 lakh);
- (ii) Long-term capital losses - (₹ 20 lakhs); and
- (iii) Income from other sources - ₹ 6 lakhs.

From the information given above, choose the **most appropriate answer** to the following questions -

- 8.1 With respect to income of Investment Fund I for the P.Y.2020-21 -
- (a) ₹ 42 lakhs is taxable in the hands of the investment fund
  - (b) ₹ 1,20,000 is taxable in the hands of each unit holder
  - (c) ₹ 21 lakh is taxable in the hands of the investment fund; ₹ 60,000 is taxable in the hands of each unit holder
  - (d) ₹ 14 lakh is taxable in the hands of the investment fund; ₹ 80,000 is taxable in the hands of each unit holder

- 8.2 What is the applicable rate of tax on the component(s) of income of Investment Fund I for the P.Y.2020-21 in the hands of Investment Fund I?
- (a) The entire income of ₹ 42 lakhs is taxable@30% (plus cess@4%)
  - (b) N.A., since Investment Fund I enjoys pass through status for all its income components
  - (c) Long-term capital gains is taxable@20% (*plus* cess@4%) and other income@30% (*plus* cess@4%)
  - (d) Business income of ₹ 14 lakhs is taxable@30% (*plus* cess@4%)
- 8.3 With respect to income of Investment Fund II for the P.Y.2020-21-
- (a) Income of ₹ 6 lakhs from other sources is taxable in the hands of the investment fund and losses of ₹ 30 lakh can be carried forward by the investment fund
  - (b) Losses of ₹ 24 lakh, arrived at after set-off of business loss against income from other sources, can be carried forward by the investment fund
  - (c) Business loss of ₹ 4 lakh can be carried forward by the investment fund; capital loss of ₹ 40,000 can be carried forward by each unit holder
  - (d) Business loss of ₹ 10 lakh can be carried forward by the investment fund; Income of ₹ 12,000 from other sources is taxable in the hands of each unit holder and long-term capital loss of ₹ 40,000 can be carried forward by each unit holder
- 8.4 If, in the P.Y.2021-22, Investment Fund II has business income of ₹ 15 lakh and long-term capital gains of ₹ 25 lakhs, then, its total income for A.Y.2022-23 would be -
- (a) ₹ 5 lakh
  - (b) ₹ 10 lakh

- (c) ₹ 11 lakh
- (d) ₹ 36 lakh

**Answer Key**

Question No.	Answer
<b>8.1</b>	<b>(d)</b> ₹ 14 lakh is taxable in the hands of the investment fund; ₹ 80,000 is taxable in the hands of each unit holder
<b>8.2</b>	<b>(d)</b> Business income of ₹ 14 lakhs is taxable@30% (plus cess@4%)
<b>8.3</b>	<b>(c)</b> Business loss of ₹ 4 lakh can be carried forward by the investment fund; capital loss of ₹ 40,000 can be carried forward by each unit holder
<b>8.4</b>	<b>(c)</b> ₹ 11 lakh

9. Mr. Ram is carrying on business of trading in furniture, the annual turnover from which is around ₹ 70 to ₹ 80 lakhs. His brother, Mr. Shyam, is carrying on business of wholesale trading in food grains and his annual turnover is around ₹ 3 crores. Mr. Shyam also exports food grains to South East Asian countries directly as well as through his associates. The following are the particulars relating to Mr. Ram and Mr. Shyam from A.Y.2018-19 to A.Y.2020-21 –

<b>Mr. Ram</b>	
(i)	Filed return of A.Y.2018-19 on 30.4.2020 in response to notice under section 148 served on 20.3.2020
(ii)	Filed return of A.Y.2019-20 on 12.9.2019
(iii)	Filed return of A.Y.2020-21 on 25.9.2020
<b>Mr. Shyam</b>	
(i)	Filed return of A.Y.2018-19 on 30.4.2020 in response to notice under section 148 served on 9.4.2020
(ii)	Filed return of A.Y.2019-20 on 30.9.2019

	Assessing Officer made a reference to the Transfer Pricing Officer on 2.4.2020 under section 92CA(1) during the course of proceeding for assessment of A.Y.2019-20 and the Transfer Pricing Officer passed an order on 4.8.2020.
(iii)	Filed return of A.Y.2020-21 on 1.10.2020

From the information given above, choose the **most appropriate answer** to the following questions –

- 9.1 What is the time limit available to the Assessing Officer for completion of assessment of Mr. Ram and Mr. Shyam for A.Y.2018-19?
- 31.3.2021 in both cases
  - 31.3.2021 and 31.12.2021, respectively
  - 31.12.2020 and 31.3.2022, respectively
  - 31.3.2021 and 31.3.2022, respectively
- 9.2 What is the time limit available to the Assessing Officer for completion of assessment by passing order under section 143 for A.Y.2019-20 for Mr. Ram and Mr. Shyam?
- 30.9.2021, in both cases
  - 31.3.2021 and 31.3.2022, respectively
  - 30.9.2021 and 30.9.2022, respectively
  - 31.12.2021 and 31.12.2022, respectively
- 9.3 Assuming that Mr. Ram and Mr. Shyam have business losses pertaining to A.Y.2020-21, can they carry forward such loss for set-off against the business income of A.Y.2021-22?
- Yes, both Mr. Ram and Mr. Shyam can carry forward their business losses of A.Y.2020-21 for set-off against the business income of A.Y.2021-22
  - Mr. Ram can carry forward business losses of A.Y.2020-21 for set-off against his business income of A.Y.2021-22; however, Mr. Shyam cannot do so

- (c) Mr. Shyam can carry forward business losses of A.Y.2020-21 for set-off against his business income of A.Y.2021-22; however, Mr. Ram cannot do so
- (d) No, both Mr. Ram and Mr. Shyam cannot carry forward their business losses of A.Y.2020-21 for set-off against the business income of A.Y.2021-22

**Answer Key**

Question No.	Answer
<b>9.1</b>	<b>(d)</b> 31.3.2021 and 31.3.2022, respectively
<b>9.2</b>	<b>(b)</b> 31.3.2021 and 31.3.2022, respectively
<b>9.3</b>	<b>(c)</b> Mr. Shyam can carry forward business losses of A.Y.2020-21 for set-off against his business income of A.Y.2021-22; however, Mr. Ram cannot do so

10. Mr. B is an interior decorator by profession. He also delivers online lectures on interior decoration via an e-commerce platform – Indeco-Academy. The relevant information from Mr. B’s Indeco-Academy account is given hereunder:

Date of Credit of services to account of Mr. B	Date of Payment to Mr. B	Value of Services Provided (₹)
31.05.2020	10.06.2020	2,00,000
31.10.2020	10.10.2020	1,50,000
31.03.2021	10.04.2021	1,40,000

In addition to the above, Mr. B received ₹ 20,000 on 18.02.2021 directly from a student instead of through the Indeco-Academy payment portal. Mr. B has not furnished his PAN or Aadhar number to Indeco-Academy but has furnished his driving license for KYC requirements.

On 05.05.2020, Mr. B provided interior decorating services to Mr. N in Mumbai having business turnover of ₹ 1.2 crores during P.Y. 2019-20 for his office premises as well as residential premises, the consideration for which was ₹ 40,000 and ₹ 60,000, respectively. Mr. B has provided his PAN details to Mr. N for invoicing purpose.

Mr. B's gross receipts from interior decoration profession (excluding fees for online lectures) from clients in India (including Mr. N) in total in the P.Y.2020-21 is ₹ 40 lakhs.

Further, ₹ 1,10,000 is payable by Mr. B to Tumble LLC – a social networking website having no office in India and ₹ 1,05,000 to Doodle Inc., USA, for giving online advertisements for the purpose of attracting foreign clients. Though Doodle Inc., USA, has an office in India, the said office is involved in providing designing services and nothing in relation to online advertisements. Fortunately, Mr. B got one client based in Country A (with which India does not have a DTAA) from whom he received ₹ 3,50,000 as net income after deduction of ₹ 50,000 as foreign tax.

Profits of Mr. B computed as per books of account maintained under section 44AA is ₹ 24 lakhs. He has, however, not got his books of account audited.

From the information given above, choose the **most appropriate answer** to the following questions -

- 10.1 Is Indeco-Academy required to deduct tax at source on amount received/receivable by Mr. B? If so, what is the amount of tax to be deducted?
- (a) No tax is required to be deducted at source
  - (b) Yes; ₹ 2,325
  - (c) Yes; ₹ 15,500
  - (d) Yes; ₹ 25,500
- 10.2 Is Mr. N required to deduct tax at source under section 194J? If so, what is the amount of tax to be deducted?
- (a) No tax is required to be deducted at source u/s 194J
  - (b) Yes; ₹ 1,000
  - (c) Yes; ₹ 4,000
  - (d) Yes; ₹ 10,000
- 10.3 Is Mr. N required to deduct tax at source under section 194M? If so, what is the amount of tax to be deducted?



- (a) No tax is required to be deducted at source u/s 194M
- (b) Yes; ₹ 600
- (c) Yes; ₹ 1,200
- (d) Yes; ₹ 3,000
- 10.4 Is Mr. B required to deduct equalisation levy on the amounts payable to Tumble LLC or Doodle Inc.? If so, what is the amount of levy to be deducted?
- (a) No; there is no requirement to deduct equalisation levy from the amount payable to either Tumble LLC or Doodle Inc.
- (b) Yes; ₹ 6,600 to be deducted on the amount payable to Tumble LLC; No deduction is, however, required on the amount payable to Doodle Inc.
- (c) Yes; ₹ 6,300 to be deducted on amount payable to Doodle Inc; No deduction is required on the amount payable to Tumble LLC.
- (d) Yes; ₹ 6,600 to deducted on the amount payable to Tumble LLC and ₹ 6,300 to be deducted on the amount payable to Doodle Inc.
- 10.5 What is Mr. B's gross income-tax liability for the P.Y.2020-21, assuming that he does not exercise option u/s 115BAC ?
- (a) ₹ 5,70,960
- (b) ₹ 4,91,400
- (c) ₹ 5,08,560
- (d) ₹ 5,53,800

**Answer Key**

Question No.	Answer
<b>10.1</b>	<b>(c)</b> Yes; ₹ 15,500
<b>10.2</b>	<b>(c)</b> Yes; ₹ 4,000

10.3	(a) No tax is required to be deducted at source u/s 194M
10.4	(d) ₹ 6,600 to deducted on the amount payable to Tumble LLC and ₹ 6,300 to be deducted on the amount payable to Doodle Inc.
10.5	(a) ₹ 5,70,960

11. On 1.4.2020, UI Ltd., an Indian company, borrowed ₹ 50 crores@ 9.5% p.a. from M Inc., a US entity, thereby increasing its total borrowings to ₹ 65 crores. The said loan is guaranteed by H Inc., another US entity. The place of effective management of both M Inc. and H Inc. is in the USA. The total assets of UI Ltd. is ₹ 180 crores.

UI Ltd. imported turbo equipment worth ₹ 30 crores from H Inc. Import duty of ₹ 4.50 crores on the same was paid by UI Ltd. The equipment was sold to T Ltd. for ₹ 40 crores. Normal GP margin of UI Ltd. in similar uncontrolled transaction is 20%.

Net profit of UI Ltd. of A.Y.2021-22 was ₹ 8 crores after debiting interest of ₹ 6 crores (out of which ₹ 1.25 crores interest pertaining to local borrowings), depreciation of ₹ 2.5 crores and income tax of ₹ 1.5 crores.

From the information given above, choose the **most appropriate answer** to the following questions -

- 11.1 What is the amount of interest to be allowed in the computation of total income of UI Ltd. for A.Y. 2021-22, if for A.Y. 2020-21 there was an interest expenditure disallowed to the extent of ₹ 4 crores under section 94B?
- (a) ₹ 6,65,00,000  
(b) ₹ 4,75,00,000  
(c) ₹ 6,00,00,000  
(d) ₹ 3,65,00,000

- 11.2 The transfer pricing adjustment for the arm's length purchase price to be made in the computation of total income of UI Ltd. for A.Y. 2021-22 would be -
- (a) ₹ 3,00,00,000
  - (b) ₹ 2,50,00,000
  - (c) ₹ 2,00,00,000
  - (d) No adjustment is required, since transfer pricing adjustment cannot result in reduction of income
- 11.3 If UI Ltd. repatriated the excess money on 31.03.2022, what will be the interest income that would be added to its total income of A.Y. 2022-23, if SBI's one-year marginal of lending rate is 11.25% on 1.4.2021 and 10.25% on 1.4.2022? Assume that UI Ltd.  *suo motu*  made the primary adjustment in its books of account and filed its return for A.Y.2021-22 on 30.11.2021.
- (a) ₹ 12,01,712
  - (b) ₹ 11,18,836
  - (c) ₹ 9,32,363
  - (d) ₹ 8,49,486
- 11.4 If UI Ltd. decides not to repatriate the excess money and instead, pay additional income-tax on the entire excess money, then, what would be the additional income-tax payable?
- (a) ₹ 62,89,920
  - (b) ₹ 52,41,600
  - (c) ₹ 41,93,280
  - (d) ₹ 53,87,200
- 11.5 If UI Ltd. decides to pay additional income-tax on the entire excess money on 15.03.2022, should interest be calculated and added to its total income of A.Y.2022-23? If so, what is the amount to be added? Assume that SBI one-year marginal cost of lending rate is 11.25% on 1.4.2021 and 10.25% on 1.4.2022 -

- (a) No, since it has paid additional income-tax on the entire excess money in the P.Y.2021-22
- (b) Yes; ₹ 9,70,890
- (c) Yes; ₹ 10,42,808
- (d) Yes; ₹ 8,09,075

11.6 In addition to the facts given in the case scenario, assuming that -

- (i) on 23.08.2020, UI Ltd. has entered into an agreement for sale of turbo equipment with Y Ltd., an Indian company not related to UI Ltd;
- (ii) Y Ltd. had already entered into an agreement on 21.8.2020 for the sale of the same goods to K Inc. (unrelated to Y Ltd.), a UK entity whose place of effective management is also in the UK; and
- (iii) UI Ltd. holds shares carrying 28% voting power in K Inc.

Which of the following are associated enterprise/deemed associated enterprise of UI Ltd.?

- (a) H Inc. and K Inc.
- (b) M Inc. and K Inc.
- (c) H Inc., K Inc. and Y Ltd.
- (d) M Inc., H Inc. and K Inc.

**Answer Key**

Question No.	Answer
<b>11.1</b>	<b>(a)</b> ₹ 6,65,00,000
<b>11.2</b>	<b>(b)</b> ₹ 2,50,00,000
<b>11.3</b>	<b>(a)</b> ₹ 12,01,712
<b>11.4</b>	<b>(b)</b> ₹ 52,41,600

<b>11.5</b>	<b>(c)</b> Yes; ₹ 10,42,808
<b>11.6</b>	<b>(c)</b> H Inc., K Inc. and Y Ltd.

12. A co-operative bank provides the following information relating to cash withdrawals by its two customers during the P.Y.2020-21:

Date of cash withdrawal	Mr. A (Savings Account) (₹)	Mr. B (Current Account) (₹)
05.04.2020	20,00,000	-
10.05.2020	-	22,00,000
25.06.2020	25,00,000	-
17.07.2020	-	5,00,000
28.10.2020	35,00,000	-
10.11.2020	-	38,00,000
12.12.2020	25,00,000	-
02.01.2021	-	37,00,000

Mr. B has not filed his return of income for the last three years whereas Mr. A has been regularly filing his return of income. No other customer of the co-operative bank had withdrawn more than ₹ 10 lakhs during the P.Y. 2020-21.

One of the customers of the co-operative bank - Mr. K paid ₹ 12 lakhs out of bills for ₹ 15 lakhs raised in respect of the credit card account by account payee cheque and was declared bankrupt thereafter. The actual bad debts of the bank (including bad debts on account of Mr. K) during the P.Y. 2020-21 were ₹ 30 lakhs. The aggregate average advances made by its rural branches were ₹ 120 lakhs. The gross total income of the bank, before any deduction under section 36(1)(vii)/36(1)(viiia) for A.Y. 2021-22 is ₹ 100 lakhs.

A notice was issued to the co-operative bank on 30.09.2021 by the prescribed income tax authority requiring it to furnish the statement of financial transaction by 30.10.2021 as the co-operative bank had failed to do so. The co-operative bank, however, furnished the statement only on 25.11.2021.

From the information given above, choose the **most appropriate answer** to the following questions -

- 12.1 The amount of income-tax that is required to be deducted by the co-operative bank under section 194N during the P.Y.2020-21 in respect of withdrawals by Mr. A and Mr. B are -
- (a) ₹ 25,000 and ₹ 10,000, respectively
  - (b) ₹ 10,000 and ₹ 1,60,000, respectively
  - (c) ₹ 10,000 and ₹ 1,66,000, respectively
  - (d) ₹ 10,000 and ₹ 1,70,000, respectively
- 12.2 Assuming that the co-operative bank commenced operations on 1.4.2020, the co-operative bank can, for A.Y.2021-22, claim -
- (a) ₹ 30,00,000 only u/s 36(1)(vii),
  - (b) ₹ 20,50,000 u/s 36(1)(vii) and ₹ 30,00,000 u/s 36(1)(vii)
  - (c) ₹ 20,50,000 u/s 36(1)(vii) and ₹ 9,50,000 u/s 36(1)(vii)
  - (d) ₹ 12,00,000 u/s 36(1)(vii) and ₹ 18,00,000 u/s 36(1)(vii)
- 12.3 Identify the accounts which are required to be reported in relation to the specified financial transactions in the statement of financial transaction by the co-operative bank, based on the above mentioned facts, for P.Y. 2020-21.
- (a) Only B
  - (b) K and B
  - (c) A and B
  - (d) A, K and B
- 12.4 What is the amount of penalty leviable under section 271FA?
- (a) ₹ 1,01,500
  - (b) ₹ 1,17,000
  - (c) ₹ 89,000
  - (d) ₹ 1,02,000

- 12.5 Let us assume that, on 26.02.2021, as a result of business reorganisation, the co-operative bank got succeeded by another co-operative bank. Assuming that the deduction allowable u/s 32 for the P.Y.2020-21 is ₹ 3,50,000 and that the predecessor co-operative bank had incurred expenditure of ₹ 30,00,000 during the P.Y.2018-19 on voluntary retirement scheme for its employees, what is the aggregate deduction allowable to predecessor co-operative bank under section 32 and 35DDA for the P.Y.2020-21?
- (a) ₹ 8,61,507  
 (b) ₹ 3,17,397  
 (c) ₹ 9,50,000  
 (d) ₹ 9,17,397

**Answer Key**

Question No.	Answer
12.1	(c) ₹ 10,000 and ₹ 1,66,000, respectively
12.2	(c) ₹ 20,50,000 u/s 36(1)(vii) and ₹ 9,50,000 u/s 36(1)(vii)
12.3	(b) K and B
12.4	(d) ₹ 1,02,000
12.5	(a) ₹ 8,61,507

13. X Pvt. Ltd. ("X") is an Indian company. Y Inc ("Y") is a private company incorporated in the USA and its income is not chargeable to tax in India. Both are promoted by Mr. Ayush who holds 30% equity share capital and voting power in both X and Y. The balance sheet of X as on 31<sup>st</sup> March, 2021 is as follows:

Liabilities	Amount (₹ million)	Assets	Amount (₹ million)
Paid up capital	250	Fixed Assets	700
Loans:	800	Investments	300
From Y           620		Cash and bank balance	200
From others <u>180</u>			
Current liabilities	150		
<b>Total</b>	<b>1,200</b>	<b>Total</b>	<b>1,200</b>

**Additional information:**

- (i) The loan was advanced by Y to X on 1<sup>st</sup> July, 2020 in rupee terms and carries 6.5% p.a. rate of interest. For borrowers with similar risk profile who are not associated enterprises of Y, Y advances loan at 4% p.a. interest rate.
- (ii) X has maintained such information and document in respect of the international transaction as has been prescribed under section 92D but has not reported the transaction as an international transaction. X does not make any adjustment to its total income on account of application of provisions of Chapter X of the Income-tax Act, 1961 in its return of income.

From the information given above, choose the **most appropriate answer** to the following questions -

13.1. Are X and Y associated enterprises? If so, why?

- (i) Yes, X and Y are associated enterprises because Mr. Ayush holds voting power of 30% in both the companies.
- (ii) Yes, X and Y are associated enterprises as not less than 75% of X's total loans have been availed from Y.
- (iii) Yes, X and Y are associated enterprises since the loan advanced by Y to X is not less than 51% of the book value of X's total assets.
- (iv) No, X and Y are not associated enterprises



The most appropriate answer is -

- (a) Only (i)
- (b) (i) and (ii)
- (c) (i) and (iii)
- (d) Only (iv)

13.2 What is the amount of primary adjustment required to be made to the total income of X for A.Y.2021-22?

- (a) ₹ 1,16,25,000
- (b) ₹ 58,12,500
- (c) ₹ 1,55,00,000
- (d) ₹ 77,50,000

13.3 If X has accepted the primary adjustment made by the Assessing Officer on 31.3.2022, what should X do if it does not want to treat the excess money as deemed advance and include interest on the same in its total income?

- (i) The excess money which is available to Y, has to be repatriated to India within 90 days from the due date of filing of return.
- (ii) The excess money which is available to Y, has to be repatriated to India within 90 days from the date of order of the Assessing Officer.
- (iii) X has to pay additional income-tax @20.9664% on the excess money.
- (iv) Interest has to be paid upto the date of payment of additional income-tax.

The most appropriate answer is -

- (a) (i) or (iii)
- (b) (ii) or (iii)

- (c) (i) or [(iii) and (iv)]
  - (d) (ii) or [(iii) and (iv)]
- 13.4 If X has accepted the primary adjustment made by the Assessing Officer on 31.3.2022 and the excess money has not been repatriated into India upto 31.3.2023, what would be the consequence if X has not opted to pay additional income-tax? Assume that SBI one-year marginal cost of lending rate is 10% on 1.4.2022 and 11% on 1.4.2023.
- (a) Interest of ₹ 16,56,563 has to be added to its total income for P.Y.2022-23
  - (b) Interest of ₹ 11,60,509 has to be added to its total income for P.Y.2022-23
  - (c) Interest of ₹ 15,40,313 has to be added to its total income for P.Y.2022-23
  - (d) Interest of ₹ 20,53,750 has to be added to its total income for P.Y.2022-23
- 13.5 Which factor is relevant in determining whether penalty under section 270A of the Income-tax Act, 1961 will be leviable in respect of the primary adjustment to X's total income?
- (a) Since X has maintained information and documents as prescribed under section 92D, that by itself is sufficient for holding that X has not under-reported its income
  - (b) If the Assessing Officer/Transfer Pricing Officer makes adjustment to X's total income on account of an international transaction not being in accordance with arm's length price, that by itself is sufficient to hold that X has under-reported its income; consequently, penalty u/s 270A is leviable
  - (c) Since X has not reported the transaction as an international transaction, X will be considered to have under-reported its income and penalty will be 50% of the amount of tax payable on the under-reported income

- (d) Since X has not reported the transaction as an international transaction, X will be considered to have misreported its income and penalty will be 200% of the amount of tax payable on the misreported income

13.6 In the scenario given above, what would be the situation on account of application of transfer pricing provisions if X, the Indian company would have been the lender and Y, the US company, the borrower?

Rate of interest on loan by X to Y = 6.5% p.a.

For borrowers with similar risk profile who are not associated enterprises of X, X advances loan at 4% p.a. interest rate.

- (a) Identical adjustment would be made to the income of Y instead of X
- (b) No adjustment would be required in the hands of X or Y
- (c) Identical adjustment would be made to the income of Y as well as X
- (d) Adjustment would still be made to the income of X and no adjustment would be made to the income of Y

**Answer Key**

Question No.	Answer
<b>13.1</b>	<b>(c)</b> (i) and (iii)
<b>13.2</b>	<b>(a)</b> ₹ 1,16,25,000
<b>13.3</b>	<b>(d)</b> (ii) or [(iii) and (iv)]
<b>13.4</b>	<b>(c)</b> Interest of ₹ 15,40,313 has to be added to its total income for P.Y.2022-23
<b>13.5</b>	<b>(d)</b> Since X has not reported the transaction as an international transaction, X will be considered to have misreported its income and penalty will be 200% of the amount of tax payable on the misreported income

<b>13.6</b>	<b>(b)</b> No adjustment would be required in the hands of X or Y
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14. Z Pvt. Ltd. ("Z") files its return of income for the P.Y. 2020-21 on 30<sup>th</sup> September 2021 declaring loss of ₹ 14,00,000. The rate of income-tax applicable to the company is 30%.

The tax auditor of Z, in his audit report submitted under section 44AB, has reported a disallowance of ₹ 50,000 towards personal expenditure of directors as no evidence was produced by Z in support of this expenditure. However, Z did not disallow the same in its computation and return of income.

The return of income was processed by the Centralised Processing Centre making an addition of ₹ 50,000 towards personal expenditure and the loss u/s 143(1) was computed at ₹ 13,50,000.

The return of income was selected for scrutiny assessment and by order passed u/s 143(3), the loss as per normal provisions was reduced to ₹ 10,50,000 by making an addition of ₹ 3,00,000.

The assessment was reopened u/s 147 and by order passed u/s 147, the loss as per preceding order u/s 143(3) was converted into income of ₹ 2,00,000.

From the information given above, choose the **most appropriate answer** to the following questions (Ignore MAT) -

- 14.1. Which of the following statements regarding penalty on addition of ₹ 50,000 towards personal expenditure is correct?
- (i) Since Z has claimed deduction of amount incurred towards personal expenditure of directors, Z shall be considered to have under-reported its income.
  - (ii) The under-reporting on account of claiming personal expenditure of directors as deduction can be construed as misreporting of income as it is a claim of expenditure not substantiated by any evidence.
  - (iii) Since addition of ₹ 50,000 is an adjustment referred to in section 143(1)(a), no penalty is leviable in respect of this addition.

- (iv) No penalty is leviable if Z offers an explanation and the Assessing Officer is satisfied that the explanation is *bona fide* and Z has disclosed all the material facts to substantiate the explanation offered.
- (a) (i) and (iv)  
 (b) (ii) and (iv)  
 (c) (iii) only  
 (d) (iv) only
- 14.2 What is the penalty leviable u/s 270A as a consequence of assessment u/s 143(3), if the addition was not on account of misreporting?
- (a) ₹ 46,800  
 (b) ₹ 70,200  
 (c) ₹ 93,600  
 (d) ₹ 1,63,800
- 14.3 What is the penalty leviable u/s 270A at the time of passing of the order u/s 147 considering that all additions are on account of misreporting of income?
- (a) ₹ 7,80,000  
 (b) ₹ 5,30,400  
 (c) ₹ 1,95,000  
 (d) ₹ 1,24,800
- 14.4 Assuming that the additions made in the order u/s 147 are not on account of misreporting of income but only on account of under-reporting, Z seeks to claim immunity from imposition of penalty u/s 270A and initiation of proceedings u/s 276C of the Act by filing an application in this regard before the Assessing Officer. What are the other conditions that need to be satisfied by Z in this regard?
- (i) Pay the tax and interest payable as per the order

u/s section 147 within the period specified in the notice of demand.

- (ii) Pay the tax as per the order u/s section 147 within the period specified in the notice of demand.
- (iii) Contest the additions made in the order, after payment of tax and interest, within the period specified in the notice of demand.
- (iv) No appeal should be or should have been filed against the order.

The correct answer is-

- (a) (ii) and (iv)
- (b) (i) and (iii)
- (c) (ii) and (iii)
- (d) (i) and (iv)

14.5 Out of the addition of ₹ 3,00,000 made by order passed u/s 143(3), an amount of ₹ 1,00,000 is on account of a false entry deliberately made by Z in its books of account. Apart from penalty under section 270A, what are the other prosecution and penal consequences, if any, that would be attracted in case of Z?

- (a) Penalty of ₹ 1,00,000 u/s 271AAD and prosecution u/s 276C would be attracted
- (b) Penalty of ₹ 30,000 u/s 271AAD and prosecution u/s 276C would be attracted
- (c) Once penalty u/s 270A is levied, no other penalty will be levied but prosecution may be initiated u/s 276C
- (d) Penalty u/s 271AAD may be levied but prosecution u/s 276C will not be initiated

**Answer Key**

Question No.	Answer
14.1	(c) (iii) only
14.2	(a) ₹ 46,800
14.3	(a) ₹ 7,80,000
14.4	(d) (i) and (iv)
14.5	(a) Penalty of ₹ 1,00,000 u/s 271AAD and prosecution u/s 276C would be attracted

15. X Ltd. ("X") is an Indian company incorporated on 1<sup>st</sup> October, 2019 with the objective of manufacturing medicines using state-of-the-art technology previously unused in India. One of the incidental business objects of X as per its Memorandum of Association is trading in futures and options ("F&O") on the Bombay Stock Exchange and the National Stock Exchange.

It commences production from 1<sup>st</sup> December, 2019 from its newly-constructed manufacturing facility in Uttar Pradesh; its registered office is also situated at the said manufacturing facility.

Y Inc ("Y") is a private company incorporated in a foreign jurisdiction. X holds 30% share in the nominal value of the equity share capital of Y. Y lent an amount of ₹ 50 crores @ 6% p.a. to X on 1<sup>st</sup> April 2020 and X paid the interest due for the F.Y. 2020-21 on 31<sup>st</sup> March, 2021. The transaction is at arm's length price and X has not availed any other loan.

Profit before giving effect to interest, tax and depreciation allowance of X for FY 2020-21 is ₹ 6,00,00,000, which includes dividend of ₹ 7,50,000 received by X from Y on 1<sup>st</sup> July, 2020. It earned ₹ 2,50,000 from F&O trading during F.Y. 2020-21.

**Additional information:**

- (i) X has registered a patent in India for treatment of a novel virus which it has developed in collaboration with Y. 90% of the total expenditure for developing the patent has been incurred by X in

at its manufacturing facility in Uttar Pradesh while the remaining has been incurred by Y outside India.

- (ii) X receives royalty of ₹ 5 crore by permitting other companies to use its patent. The total expenditure incurred for earning such royalty is ₹ 42,00,000.
- (iii) On 1<sup>st</sup> January 2021, Z Pvt. Ltd. ("Z"), an Indian company, engaged in the same business as X, gets amalgamated with X. Immediately after approval of the scheme of amalgamation by the Court, X, as the amalgamated company, informs the Assessing Officer of Z as well as of X about such amalgamation. However, both Z and X had filed their returns of income for A.Y.2020-21 separately within the time specified under section 139(1) before the order of amalgamation.

From the information given above, choose the **most appropriate answer** to the following questions -

- 15.1 What would be the amount of disallowance, if any, of interest paid by X to Y in computation of total income of X?
- (a) No disallowance is attracted since the transaction is at arm's length.
  - (b) ₹ 3,00,00,000
  - (c) ₹ 1,20,00,000
  - (d) ₹ 1,80,00,000
- 15.2 At what rate of tax will income of X from manufacturing business, dividend and F&O trading be taxed, assuming that X opts for the special provisions introduced by the Taxation Laws (Amendment) Act, 2019? Ignore surcharge and health and education cess.
- (a) 15%, 10%, 22%, respectively
  - (b) 22%, 15%, 22%, respectively
  - (c) 15%, 22%, 30%, respectively
  - (d) 22%, 10%, 30%, respectively



- 15.3 Which of the statements is correct as regards taxability of royalty in the hands of X?
- (a) Royalty of ₹ 5 crore is taxable@15% u/s 115BBF
  - (b) Royalty of ₹ 5 crore is taxable@10% u/s 115BBF
  - (c) Royalty of ₹ 4.58 crore (₹ 5 crore less expenditure of ₹ 42 lakh) is taxable @10% u/s 115BBF
  - (d) Royalty of ₹ 5 crore is not eligible for concessional rate of tax u/s 115BBF, since the entire expenditure for development of patent was not incurred in India
- 15.4 If X desires to avail the beneficial rate of taxation provided under the Taxation Laws (Amendment) Act, 2019, then:
- (a) it cannot claim deduction u/s 32(1)(ii) as well as deduction u/s 80JJAA
  - (b) it can claim deduction u/s 32(1)(iia) as well as u/s 80JJAA
  - (c) it can claim deduction u/s 32(1)(ii) but cannot claim deduction u/s 80JJAA
  - (d) it cannot claim deduction u/s 32(1)(iia) but can claim deduction u/s 80JJAA
- 15.5 The Assessing Officer sought to undertake scrutiny assessment of Z by issuing notices under section 143(2) and 142(1) in the name of Z. The notices were served at the registered office of Z. Thereafter, the proceedings continued and assessment was made on Z knowing fully well that it got amalgamated with X. Which of the following statements is correct?
- (a) The notices are invalid as they have been issued to a non-existent company. However, if X participates in the assessment proceedings, its participation would operate as an estoppel and thereafter, X cannot challenge the validity of the notices
  - (b) The notices are invalid as they have been issued to a non-existent company and participation of X in the assessment proceedings would not validate the notices

- (c) X is precluded from taking technical objection as regards mention of name of Z on the notices by virtue of section 292B of the Act. The notices are valid as they have been served at the registered office of Z
- (d) The Assessing Officer is not bound to take cognisance of the intimation of amalgamation of Z with X. Since X and Z have filed separate returns, the Assessing Officer is justified in issuing notices in the name of Z and has correctly served the notices at the registered office of Z

**Answer Key**

Question No.	Answer
15.1	(c) ₹ 1,20,00,000
15.2	(b) 22%, 15%, 22%, respectively
15.3	(b) Royalty of ₹ 5 crore is taxable @10% u/s 115BBF
15.4	(d) it cannot claim deduction u/s 32(1)(ia) but can claim deduction u/s 80JJAA
15.5	(b) The notices are invalid as they have been issued to a non-existent company and participation of X in the assessment proceedings would not validate the notices

16. DEF Inc., a company incorporated under the laws of Country A, is engaged in management consultancy services. It has set up a branch office in India.

During the F.Y. 2020-21, it earns the following income in India -

- (i) Fee for technical services of ₹ 75,00,000 from ABC Ltd., an Indian company, in pursuance of an agreement made with it and approved by the Central Government. The tax rate on such income under India-Country A tax treaty is 10% on gross income.

The fee for technical services is not effectively connected with the branch office in India.

- (ii) DEF Inc. incurred expenses of ₹ 3,00,000 in earning such income from fee for technical services.
- (iii) Sale of shares of Bottle Pvt. Ltd., an Indian company, for ₹ 2,60,00,000.
- (iv) Other income ₹ 10,00,000

All the above income have been credited to the statement of profit and loss of the company

DEF Inc. had made an investment in 100% equity share capital of Bottle Pvt. Ltd., purchased for ₹ 1,75,00,000 on 5<sup>th</sup> November, 2004. The said shares were purchased out of foreign exchange of USD 3,50,000 brought from outside India.

From the information given above, choose the **most appropriate answer** to the following questions -

- 16.1 In the context of the provisions of section 115JB, state which of the following statements is correct –
- (a) The provisions of section 115JB do not get attracted in the hands of DEF Inc., since it is a foreign company
  - (b) The provisions of section 115JB do not get attracted in the hands of DEF Inc., since its entire income from India is subject to tax at a rate lower than the rate prescribed u/s 115JB
  - (c) The provisions of section 115JB are attracted in the hands of DEF Inc. since it is resident of a country with which India has a DTAA and the branch office of DEF Inc. constitutes permanent establishment in terms of such agreement
  - (d) The provisions of section 115JB are attracted in the hands of DEF Inc., since the provisions of section 115JB are applicable to every company deriving income from India

- 16.2 What is the rate at which fee for technical services received by DEF Inc. is chargeable to tax in India?
- (a) 10.4% on ₹ 75 lakh
  - (b) 10.4% on ₹ 72 lakh
  - (c) 10% on ₹ 75 lakh
  - (d) 41.6% on ₹ 72 lakh
- 16.3 In respect of sale of shares in Bottle Pvt. Ltd., state which of the following statements is correct -
- (a) The transaction of sale of shares in Bottle Pvt. Ltd. is subject to transfer pricing since DEF Inc. holds more than 26% shares in Bottle Pvt. Ltd. Hence, sale price of ₹ 2,60,00,000 shall be subject to arm's length computation
  - (b) Sale of shares in Bottle Pvt. Ltd. shall not be considered as transfer, since DEF Inc. holds whole of the share capital of Bottle Pvt. Ltd.
  - (c) Capital gains arising on sale of shares shall be taxable @20% with indexation or 10% without indexation, whichever is beneficial to DEF Inc.
  - (d) Capital gains is taxable@10% without benefit of indexation and foreign currency conversion
- 16.4 Which of the following statements is correct, assuming that the rates specified in the DTAA are the same as provided under the Act?
- (a) Only capital gains has to be reduced while computing book profit of DEF Inc. for levy of minimum alternate tax.
  - (b) Only fee for technical services has to be reduced while computing book profit of DEF Inc. for levy of minimum alternate tax.
  - (c) Both capital gains and fee for technical services have to be reduced while computing book profit of DEF Inc. for levy of minimum alternate tax

- (d) Capital gains, fee for technical services and other income have to be reduced while computing book profit of DEF Inc. for levy of minimum alternate tax

**Answer Key**

Question No.	Answer
<b>16.1</b>	<b>(c)</b> The provisions of section 115JB are attracted in the hands of DEF Inc. since it is resident of a country with which India has a DTAA and the branch office of DEF Inc. constitutes permanent establishment in terms of such agreement
<b>16.2</b>	<b>(c)</b> 10% on ₹ 75 lakh
<b>16.3</b>	<b>(d)</b> Capital gains is taxable@10% without benefit of indexation and foreign currency conversion
<b>16.4</b>	<b>(c)</b> Both capital gains and fee for technical services have to be reduced while computing book profit of DEF Inc. for levy of minimum alternate tax

17. Wellness Pvt Ltd, an Indian company incorporated on 1st April, 2020 offers multi-disciplinary marketing services in print and digital media to Indian businesses. To carry on its business, the company has engaged local advertising specialists in the field of print and digital media. These specialists attend to clients of the company by doing required consultancy, execution and also perform analysis of results. Depending upon the service request of the client – whether print or digital mode, specialists perform relevant tasks. The specialists employ their individual skills and exercise discretion, judgement while performing the duties. The policies of the company regarding working hours, annual leave applicable to the staff do not apply to these specialists. The remuneration of specialists varies every month depending upon type of service, seniority of specialist, skills involved etc.

During the year 2020-2021, Wellness Pvt Ltd recorded a turnover of ₹ 1.10 crores in its books of accounts. Inspired by the Government's Digital India initiative, the company provided electronic payment

facilities to customers. Most of the billed amount was collected through digital means, except from Customer X (Bill no. 15, dated 26th June, 2020 of ₹ 5,50,000). Customer X paid the amount in cash to the company in 4 installments on different dates - ₹ 1,50,000, ₹ 75,000, ₹ 1,75,000 and ₹ 1,50,000.

The details of payments made by the company during the year 2020-2021 are as under:

Particulars	Mode of payment	Amount (₹)
Remuneration to 20 specialists	Net-banking	35,00,000
Salary to staff (HR, junior coordinators) (Each person has total income more than ₹ 5 lakh)	Net-banking	20,00,000
Wages to 1 security guard, 2 housekeeping (wages of ₹ 15,000 p.m. each)	Cash	5,40,000
Computers purchased on 15th May, 2020 and put to use from 15th October, 2020	A/c payee Cheque	3,50,000
Interest for P.Y. 2020-21 on loan availed on 15th April, 2020 from SBI for purchase of computers	A/c payee Cheque	34,500
Other administration expenses (Each expense is of less than ₹ 8,000)	Cash	70,000
Advance given to suppliers, specialists etc.	Cash	90,000

The company could recruit a qualified finance and accounts professional only on 21st March, 2021. Post his appointment, necessary income tax statutory compliances were undertaken and the default with respect to non-deduction of tax on expenses from April, 2020 to March, 2021 was corrected in the month of April, 2021. The company withheld tax on expenses liable for withholding tax and paid such tax to the credit of Government in the same month.

Being the first year of operation, all transactions of the company are with Indian resident parties. The company has chosen to follow mercantile system of accounting for tax purposes.

From the information given above, choose the **most appropriate answer** to the following questions -

17.1 Is Wellness Pvt. Ltd. required to get its books of account audited under section 44AB for A.Y.2021-22?

- (i) No, since turnover of company is less than ₹ 5 crore.
- (ii) Yes, since the turnover of the company is more than ₹ 1 crore.
- (iii) No, since the turnover of the company is less than ₹ 2 crore.
- (iv) No, as aggregate cash receipts during the year do not exceed 5% of total amount received.
- (v) Yes, as cash payments during the year exceed 5% of aggregate payments.
- (vi) Yes, as the company is not eligible for presumptive taxation.

The correct answer is -

- (a) No, due to reasons stated in (i) and (iv) above
- (b) Yes, due to reasons stated in (ii) and (v) above
- (c) No, due to reason stated in (iii) above
- (d) Yes, due to reasons stated in (ii) and (vi) above

17.2 What is the amount to be disallowed for non-deduction of tax at source while computing profits and gains of business or profession?

- (a) Nil, since the entire amount of tax has been deducted and remitted on or before the due date of filing of return u/s 139(1)
- (b) ₹ 10,50,000

- (c) ₹ 16,50,000  
 (d) ₹ 18,12,000
- 17.3 What is the amount of depreciation allowable u/s 32(1) for the P.Y. 2020-21 on the computers purchased?
- (a) ₹ 73,600  
 (b) ₹ 70,000  
 (c) ₹ 73,450  
 (d) ₹ 76,900
- 17.4 What is the total income of Wellness Pvt Ltd. for the A.Y. 2021-22?
- (a) ₹ 69,89,900  
 (b) ₹ 69,75,500  
 (c) ₹ 53,39,900  
 (d) ₹ 47,99,900
- 17.5 Is any penalty imposable on the company for cash receipts from Customer X and if yes, how much?
- (a) No, since each receipt is less than ₹ 2,00,000  
 (b) Yes, ₹ 5,50,000  
 (c) No, since amount exceeding ₹ 2,00,000 is not received on a single day  
 (d) No, since amount received is not in the nature of loan or advance

**Answer Key**

Question No.	Answer
17.1	(b) Yes, due to reasons stated in (ii) and (v) above
17.2	(c) ₹ 16,50,000
17.3	(a) ₹ 73,600



<b>17.4</b>	<b>(a)</b> ₹ 69,89,900
<b>17.5</b>	<b>(b)</b> Yes, ₹ 5,50,000

18. Beta Ltd., a company engaged in bio-technology business, has disclosed a net profit of ₹ 33 lakh for the year ended 31<sup>st</sup> March, 2021, after debiting the following items of expenditure:

- (i) Depreciation as per the Companies Act, 2013 ₹ 15,20,000.
- (ii) Interest paid in dollars to X Inc., a foreign company, without deduction of tax at source ₹ 1,50,000. Such tax was, however, deducted on 10.4.2020 and remitted on 7.5.2020.
- (iii) Expenditure on in-house scientific research and development:
  - (a) Research equipments purchased ₹ 2,20,000.
  - (b) Remuneration paid to scientists ₹ 80,000.
- (iv) Contribution to National Laboratory for scientific research ₹ 5,00,000

**Additional information**

The company purchased a new plant and machinery for ₹ 40,00,000 on 2nd September, 2020 and put the same to use on 1<sup>st</sup> November, 2020. For this purpose, it borrowed ₹ 30,00,000 on 1st September, 2020 and paid interest@10% p.a. The company also purchased a motor car for ₹ 7,00,000 on 2<sup>nd</sup> October, 2019, which was put to use on the same date. Written down value of block of plant and machinery (15%) as on 1<sup>st</sup> April, 2020 is ₹ 95,00,000.

From the information given above, choose the **most appropriate answer** to the following questions -

- 18.1 What would be the depreciation allowable u/s 32 in respect of block of plant and machinery (15%) and motor car for A.Y.2021-22? Assume that motor car is the only asset in the block.
- (a) ₹ 28,42,500 and ₹ 2,10,000, respectively
  - (b) ₹ 17,28,750 and ₹ 1,05,000, respectively

- (c) ₹ 21,33,750 and ₹ 1,47,000, respectively
- (d) ₹ 21,25,000 and ₹ 1,78,500, respectively
- 18.2 What is the quantum of disallowance, if any, attracted for non-deduction of tax at source on interest paid to X Inc. during the P.Y.2020-21?
- (a) Nil, since the tax was deducted and deposited on or before the due date of filing of return of income
- (b) ₹ 30,000
- (c) ₹ 45,000
- (d) ₹ 1,50,000
- 18.3 What would be the deduction allowable u/s 35, if the company opts for the special provisions under section 115BAA?
- (a) Nil
- (b) ₹ 80,000
- (c) ₹ 3,00,000
- (d) ₹ 8,00,000
- 18.4 What would be the income under the head "Profits and gains of business and profession" of Beta Ltd. for A.Y.2021-22, if the company does **not** opt for the special provisions under section 115BAA?
- (a) ₹ 18,89,250
- (b) ₹ 26,35,000
- (c) ₹ 25,64,250
- (d) ₹ 26,89,250
- 18.5 What would be the income chargeable under the head "Profits and gains of business and profession" of Beta Ltd. for A.Y.2021-22, if the company opts for the special provisions under section 115BAA?
- (a) ₹ 30,94,250

- (b) ₹ 34,69,250
- (c) ₹ 37,89,250
- (d) ₹ 38,94,250

**Answer Key**

Question No.	Answer
<b>18.1</b>	<b>(c)</b> ₹ 21,33,750 and ₹ 1,47,000, respectively
<b>18.2</b>	<b>(d)</b> ₹ 1,50,000
<b>18.3</b>	<b>(c)</b> ₹ 3,00,000
<b>18.4</b>	<b>(c)</b> ₹ 25,64,250
<b>18.5</b>	<b>(b)</b> ₹ 34,69,250

19. Mallika purchased a land in Pune at a cost of ₹ 50 lakhs in December 2008 and held the same as her capital asset till 30<sup>th</sup> September, 2019. She started her real estate business on 1st October, 2019 and converted the said land into stock-in-trade of her business on the said date, when the fair market value of the land was ₹ 300 lakhs.

She constructed 20 apartments of equal size, quality and dimension and the construction was completed in December, 2020. Cost of construction of each apartment is ₹ 15 lakhs. She sold 14 apartments at ₹ 40 lakhs per apartment during the period from January, 2021 - February, 2021. The remaining 6 apartments were held in stock as on 31st March, 2021. All the six apartments were sold in April, 2021 at ₹ 40 lakhs per apartment. She also holds a penthouse in Nagpur, construction of which was completed in March, 2020, as stock-in-trade. She let out the penthouse to Mr. Harish, a salaried individual, for ₹ 60,000 per month from April, 2020 to March, 2022, who has furnished his PAN to her. He paid municipal taxes of ₹ 7,200 each for the years 2020-21 and 2021-22 in March, 2021 and March, 2022, respectively. The said penthouse was, thereafter, sold in April, 2022 for ₹ 70 lakhs.

She invested ₹ 20 lakhs in bonds issued by National Highway Authority of India on 31<sup>st</sup> March, 2021; ₹ 20 lakhs in bonds of Rural Electrification Corporation Ltd. on 30<sup>th</sup> June, 2021, ₹ 10 lakhs in bonds of Rural

Electrification Corporation Ltd. on 30<sup>th</sup> September, 2021 and ₹ 10 lakhs in bonds of National Highway Authority of India on 31<sup>st</sup> December, 2021. Mallika is subject to tax audit for the P.Y.2020-21.

Cost Inflation Indices:

F.Y.2008-09: 137;

F.Y.2018-19: 280;

F.Y.2019-20: 289;

F.Y.2020-21: 301

From the information given above, choose the **most appropriate answer** to the following questions -

19.1 What is the amount of capital gains chargeable to tax in the hands of Mallika for A.Y.2021-22?

- (a) ₹ 86,16,788
- (b) ₹ 96,16,788
- (c) ₹ 50,00,000
- (d) ₹ 60,14,599

19.2 What is the amount of income chargeable to tax in the hands of Mallika for A.Y.2021-22 under the head "Profits and gains of business or profession" for the A.Y.2021-22?

- (a) ₹ 350 lakhs
- (b) ₹ 50 lakhs
- (c) ₹ 100 lakhs
- (d) ₹ 140 lakhs

19.3 What is the amount of income chargeable to tax under the head "Capital gains" and "Profits and gains of business or profession" in the hands of Mallika for the A.Y.2022-23?

- (a) Nil and Nil, respectively
- (b) ₹ 48,35,766 and ₹ 60,00,000, respectively

- (c) ₹ 38,35,766 and ₹ 60,00,000, respectively
- (d) ₹ 58,35,766 and ₹ 60,00,000, respectively
- 19.4 Is the annual value of penthouse held as stock-in-trade taxable? If so, under which head and what is the amount taxable for A.Y.2021-22?
- (a) No, since annual value of property held as stock-in-trade is exempt for a period of two years from the end of the financial year of completion of construction
- (b) Yes, ₹ 5,04,000 under the head "Income from house property"
- (c) Yes, ₹ 4,98,960 under the head "Income from house property"
- (d) The rental income of ₹ 7,20,000 is chargeable under the head "Profits and gains of business or profession", since property is held as stock in trade
- 19.5 Is Mr. Harish liable to deduct tax at source on rent paid to Mallika in the F.Y.2020-21? If so, what is the amount of tax to be deducted and when?
- (a) No, since Mr. Harish, being a salaried employee, is not subject to tax audit; hence, there is no obligation to deduct tax at source
- (b) Yes, he has to deduct tax at source of ₹ 6,000 from rent payable every month
- (c) Yes, he has to deduct tax at source of ₹ 3,000 from rent payable every month
- (d) Yes, he has to deduct tax of ₹ 36,000 from the rent payable for March, 2021

**Answer Key**

Question No.	Answer
<b>19.1</b>	<b>(b)</b> ₹ 96,16,788

19.2	(d) ₹ 140 lakhs
19.3	(b) ₹ 48,35,766 and ₹ 60,00,000, respectively
19.4	(b) Yes, ₹ 5,04,000 under the head "Income from house property"
19.5	(d) Yes, he has to deduct tax of ₹ 36,000 from the rent payable for March, 2021

20. PQR LLP commenced operations of the business of a new three-star hotel in Baroda, Gujarat on 1.4.2020. The company incurred capital expenditure of ₹ 75 lakh on land in March, 2020 exclusively for the above business, and capitalized the same in its books of account as on 1<sup>st</sup> April, 2020. Further, during the P.Y. 2020-21, it incurred capital expenditure of ₹ 3 crore (out of which ₹ 1.25 crore was for acquisition of land and ₹ 1.75 crore was for acquisition of building) exclusively for the above business. The payments in respect of the above expenditure were made by account payee cheque. The profits from the business of running this hotel (before claiming deduction under section 35AD) for the A.Y.2021-22 is ₹ 80 lakh.

Mr. P, one of the partners of the LLP, has commenced the business of manufacture of apparel on 1.10.2020. He employed 220 new employees during the P.Y.2020-21, the details of whom are as follows –

	No. of employees	Date of employment	Regular/ Casual	Total monthly emoluments per employee (₹)
(i)	40	1.10.2020	Regular	24,000
(ii)	80	1.10.2020	Regular	24,500
(iii)	50	1.11.2020	Regular	25,500
(iv)	30	1.11.2020	Casual	25,000
(v)	20	1.12.2020	Casual	24,000

The profits and gains derived from manufacture of apparel that year is ₹ 92 lakhs and his total turnover is ₹ 5.20 crores.

From the information given above, choose the **most appropriate answer** to the following questions -

- 20.1 Assuming that PQR LLP has fulfilled all the conditions specified for claim of deduction under section 35AD and has not claimed any deduction under Chapter VI-A under the heading "C. – Deductions in respect of certain incomes, what would be the quantum of deduction under section 35AD, which it is eligible to claim as deduction, for A.Y.2021-22?
- (a) ₹ 375 lakh  
 (b) ₹ 300 lakh  
 (c) ₹ 200 lakh  
 (d) ₹ 175 lakh
- 20.2 Assuming that PQR LLP also has another existing business of running a four-star hotel in Ahmedabad, which commenced operations fifteen years back, the profits from which are ₹ 130 lakh for the A.Y.2021-22, what would be its income chargeable/loss under the head "Profits and gains of business or profession" for the A.Y.2021-22?
- (a) ₹ 130 lakh  
 (b) ₹ 35 lakh  
 (c) (₹ 45 lakh)  
 (d) ₹ 10 lakh
- 20.3 If, out of the amount of ₹ 1.25 crore paid for acquisition of land in the P.Y.2020-21, ₹ 75 lakh was paid by way of cash, what would be the answer to questions 20.1 and 20.2 above?
- (a) ₹ 175 lakh; ₹ 35 lakh, respectively  
 (b) ₹ 125 lakh; ₹ 85 lakh, respectively  
 (c) ₹ 100 lakh; ₹ 110 lakh, respectively  
 (d) ₹ 225 lakh; (₹ 15 lakh), respectively
- 20.4 Considering the assumption given in question 20.2 above, what would be the tax payable (rounded off) by PQR LLP for A.Y.2021-22?

- (a) ₹ 10,92,000
- (b) ₹ 41,48,140
- (c) Nil
- (d) ₹ 40,40,000

20.5 Would Mr. P be eligible for deduction under section 80JJAA in the A.Y.2021-22? If so, what is the quantum of deduction?

- (a) No, he would not be eligible for deduction u/s 80JJAA since the employees have not been employed for 240 days in the P.Y.2020-21. He can, however, claim deduction thereunder in the P.Y.2021-22
- (b) Yes; ₹ 63,81,000
- (c) Yes; ₹ 58,68,000
- (d) Yes; ₹ 52,56,000

**Answer Key**

Question No.	Answer	
20.1	(d)	₹ 175 lakh
20.2	(b)	₹ 35 lakh
20.3	(a)	₹ 175 lakh; ₹ 35 lakh, respectively
20.4	(b)	₹ 41,48,140
20.5	(b)	Yes; ₹ 63,81,000

21. Delta Limited has three Units – Alpha, Beta and Gamma. It transferred its Unit Gamma to Epsilon Limited by way of slump sale on 28th February, 2021. The Balance Sheet of Delta Limited as on that date is given below:

Liabilities	₹ (in lakhs)	Assets	₹ (in lakhs)
Paid up capital	2,550	Fixed Assets:	
Reserve & Surplus	930	Unit Alpha	225
		Unit Beta	225



Liabilities:		Unit Gamma	825
Unit Alpha	60	Other Assets:	
Unit Beta	165	Unit Alpha	780
Unit Gamma	135	Unit Beta	1,200
		Unit Gamma	585
<b>Total</b>	<b>3,840</b>	<b>Total</b>	<b>3,840</b>

**Additional information:**

- (i) Lump sum consideration on transfer of Unit Gamma is ₹ 1,320 lakhs.
- (ii) Fixed assets of Unit Gamma include land which was purchased at ₹ 90 lakhs in March, 2019 and revalued at ₹ 135 lakhs as on March 31, 2020.
- (iii) Other fixed assets are reflected at ₹ 690 lakhs (i.e. ₹ 825 lakhs less value of land) which represents written down value of those assets as per books. The written down value of these assets u/s 43(6) of the Income-tax Act, 1961 is ₹ 615 lakhs.
- (iv) Unit Gamma was set up by Delta Limited in March, 2019.
- (v) Assume that the turnover of Delta Ltd. for F.Y. 2018-19 is ₹ 1295 lakhs and Delta Ltd. has **not** opted for section 115BAA.
- (vi) Book profit of Delta Ltd. computed as per section 115JB is ₹ 400 lakhs

From the information given above, choose the **most appropriate answer** to the following questions -

- 21.1 For computing capital gains on slump sale of Unit Gamma, what would be the deemed cost of acquisition and improvement for the purposes of section 48 and 49 and the resultant capital gains?
- (a) ₹ 1275 lakhs and ₹ 45 lakhs, respectively
  - (b) ₹ 1230 lakhs and ₹ 90 lakhs, respectively
  - (c) ₹ 1200 lakhs and ₹ 120 lakhs, respectively
  - (d) ₹ 1155 lakhs and ₹ 165 lakhs, respectively

- 21.2 What is the tax liability on capital gain arising on slump sale of Unit Gamma?
- (a) ₹ 55,08,360
  - (b) ₹ 45,90,300
  - (c) ₹ 57,65,760
  - (d) ₹ 48,04,800
- 21.3 If Unit Gamma was set up on March, 2010 instead of March, 2019, and the sale consideration is ₹ 3000 lakhs instead of ₹ 1320 lakhs, what would be the capital gains arising to Delta Ltd. on slump sale and the resultant tax liability? The CII of F.Y.2009-10 is 148 and F.Y.2020-21 is 301. Assume that there is no change in any other information given in the case scenario.
- (a) ₹ 650.98 lakhs and ₹ 135.40 lakhs, respectively
  - (b) ₹ 650.98 lakhs and ₹ 181.10 lakhs, respectively
  - (c) ₹ 1845 lakhs and ₹ 429.81 lakhs, respectively
  - (d) ₹ 1845 lakhs and ₹ 410.62 lakhs, respectively
- 21.4 What would be the minimum alternate tax computed under section 115JB for A.Y.2021-22, if Delta Ltd. is located in an IFSC?
- (a) ₹ 66,76,800
  - (b) ₹ 62,40,000
  - (c) ₹ 40,06,080
  - (d) ₹ 37,44,000
- 21.5 If Delta Ltd. is located in an IFSC and has distributed dividend of ₹ 200 lakhs in the P.Y.2020-21, what would be the tax implications in the hands of Delta Ltd. and shareholders?
- (a) No distribution tax in the hands of Delta Ltd. and no income-tax in the hands of the shareholders in respect of dividend so distributed
  - (b) Delta Ltd. is liable to pay distribution tax; income is exempt in the hands of shareholders

- (c) No distribution tax in the hands of Delta Ltd.; shareholders liable to tax on dividend income
- (d) No distribution tax in the hands of Delta Ltd.; shareholders liable to tax on aggregate dividend income in excess of ₹ 10 lakh

**Answer Key**

Question No.	Answer
<b>21.1</b>	<b>(d)</b> ₹ 1155 lakhs and ₹ 165 lakhs, respectively
<b>21.2</b>	<b>(b)</b> ₹ 45,90,300
<b>21.3</b>	<b>(c)</b> ₹ 1845 lakhs and ₹ 429.81 lakhs, respectively
<b>21.4</b>	<b>(c)</b> ₹ 40,06,080
<b>21.5</b>	<b>(a)</b> No distribution tax in the hands of Delta Ltd. and no income-tax in the hands of the shareholders in respect of dividend so distributed

22. Ganga LLP is a limited liability partnership set up a unit in Special Economic Zone (SEZ) in the financial year 2015-16 for manufacture of textiles. The unit fulfills all the conditions under section 10AA of the Income-tax Act, 1961. During the financial year 2019-20, it has also set up a warehousing facility in Pune for storage of sugar, fulfilling the conditions for claim of deduction under section 35AD. Capital expenditure in respect of warehouse amounted to ₹ 97 lakhs (including cost of land ₹ 32 lakhs). The warehouse became operational with effect from 1st April, 2020 and the expenditure of ₹ 97 lakhs was capitalized in the books on that date.

The details for the financial year 2020-21 are given hereunder:

Particulars	₹
Profit of unit located in SEZ	60,00,000
Export sales of above unit	1,20,00,000
Domestic sales of above unit	40,00,000
Profit from operation of warehousing facility (before considering deduction under section 35AD)	1,60,00,000

Mr. Ganesh, one of the partners of the LLP, commenced the business of manufacture of leather on 1.4.2019. His turnover in the P.Y.2019-20 is ₹ 180 lakh and in the P.Y.2020-21 is ₹ 200 lakhs. The payments made in the P.Y.2020-21 is ₹ 190 lakhs. The profit for P.Y.2020-21 as per books of account maintained u/s 44AA is ₹ 12.10 lakhs. Out of the turnover of ₹ 200 lakhs, ₹ 190 lakhs is received through RTGS and NEFT and ₹ 10 lakhs is received by way of cash. Out of the payments of ₹ 190 lakhs made (including expenditure incurred), ₹ 180 lakhs is through RTGS/ NEFT and the remaining ₹ 10 lakhs through crossed cheque.

From the information given above, choose the **most appropriate answer** to the following questions -

- 22.1 What is the amount of deduction under section 10AA and 35AD available to Ganga LLP while computing income under the regular provisions of the Income-tax Act, 1961 for A.Y.2021-22?
- (a) ₹ 45 lakhs and ₹ 65 lakhs, respectively
  - (b) ₹ 22.50 lakhs and ₹ 65 lakhs, respectively
  - (c) ₹ 45 lakhs and ₹ 97 lakhs, respectively
  - (d) ₹ 22.50 lakhs and ₹ 97 lakhs, respectively
- 22.2 What is the tax liability of Ganga LLP computed under the regular provisions of the Income-tax Act, 1961 for A.Y.2021-22?
- (a) ₹ 38,43,840
  - (b) ₹ 31,70,000
  - (c) ₹ 46,30,080
  - (d) ₹ 19,65,600
- 22.3 What the alternate minimum tax (rounded off) payable by Ganga LLP as per section 115JC for A.Y.2021-22?
- (a) ₹ 39,49,750
  - (b) ₹ 41,07,740
  - (c) ₹ 43,95,280

- (d) ₹ 46,00,670
- 22.4 Is there any AMT credit to be carried forward under section 115JEE? If so, what is the amount of such credit?
- (a) Yes; ₹ 5,22,340
- (b) Yes; ₹ 7,56,830
- (c) Yes; ₹ 2,63,900
- (d) No
- 22.5 What is the income to be declared by Mr. Ganesh for A.Y.2021-22 under the head "Profits and gains of business or profession", so that he makes maximum tax savings without getting his books of account audited?
- (a) ₹ 12 lakhs
- (b) ₹ 12.10 lakhs
- (c) ₹ 12.20 lakhs
- (d) ₹ 16 lakhs
- 22.6 Can Mr. Ganesh declare income as per books of account for the A.Y.2021-22, without getting his books of account audited?
- (a) Yes, he can declare income as per books of account since the same is higher than the income computed at the presumptive rate under section 44AD
- (b) Yes, he can, since his turnover does not exceed ₹ 500 lakhs, and he has received 95% of his receipts through prescribed electronic modes
- (c) Yes, due to the reasons stated in (a) and (b) above
- (d) No, he cannot since his turnover exceeds ₹ 100 lakhs, and he cannot declare income less than presumptive income under section 44AD without getting his books of account audited

## Answer Key

Question No.	Answer
22.1	(b) ₹ 22.50 lakhs and ₹ 65 lakhs, respectively
22.2	(c) ₹ 46,30,080
22.3	(d) ₹ 46,00,670
22.4	(d) No
22.5	(c) ₹ 12.20 lakhs
22.6	(d) No, he cannot since his turnover exceeds ₹ 100 lakhs, and he cannot declare income less than presumptive income under section 44AD without getting his books of account audited

23. BMT Shipping Co. is an Indian company having its place of effective management in India. It owns three vessels out of which two are "Qualifying Ships". The registered tonnage of the two qualifying vessels is 33,840 tonnes and 230 kgs and 24,952 tonnes and 370 kgs respectively. In the F.Y. 2020-21, the first vessel was operated for 212 days and the second for 347 days.

The WDV of the block of assets for tax purposes, being ships, as on 01.04.2020 was ₹ 1200 lakhs

Ships forming part of Block of Assets	WDV as per books as on 01-04-2020 (₹ in lakhs)
Qualifying Ship 1	580
Qualifying Ship 2	270
Non-qualifying Ship 3	230

**Other Information:**

- (i) Profit from core activity referred to in section 115-VI(1) read with 115-VI(2) is ₹ 70 lakhs.
- (ii) Profit from incidental activity computed as per section 115-VI(1) read with 115-VI(5) is ₹ 14 lakhs.
- (iii) Book profits calculated as per the *Explanation* to section 115JB(2) [in so far as it relates to income derived from core and incidental activity] are ₹ 100 lakhs.

LMN Shipping Co. is a foreign company whose place of effective management is outside India in the P.Y.2020-21. Its gross receipts for P.Y.2020-21 is ₹ 630 lakhs, the break up of which is given hereunder -

	<b>Place where goods are shipped</b>	<b>Place where amount is paid to/received by BMI Shipping Co.</b>	<b>Amount paid (₹ in lakhs)</b>
(i)	Goods shipped at ports in India	In India	200
		Outside India	150
(ii)	Goods shipped at ports outside India	In India	180
		Outside India	<u>100</u>
			<b><u>630</u></b>

From the information given above, choose the **most appropriate answer** to the following questions -

- 23.1 What would be the tonnage income of BMT Shipping Co. computed under section 115VG for A.Y. 2021-22?
- (a) ₹ 71,05,880  
 (b) ₹ 71,12,028  
 (c) ₹ 71,20,454  
 (d) ₹ 71,26,602
- 23.2 What would be the written down value as on 01.04.2020 of "Qualifying Ships" of BMT Shipping Co. for tax purpose as per section 115VK?
- (a) ₹ 850 lakhs  
 (b) ₹ 944.44 lakhs  
 (c) ₹ 1200 lakhs  
 (d) ₹ 970 lakhs
- 23.3 The minimum reserve requirement as per section 115VT in case of BMT Shipping Co. for P.Y.2020-21 is -

- (a) ₹ 16.8 lakhs  
 (b) ₹ 20 lakhs  
 (c) ₹ 14 lakhs  
 (d) ₹ 15 lakhs
- 23.4 Would any amount be taxable under the other provisions of the Income-tax Act, 1961 as per section 115VT(5), if BMT Shipping Co. had transferred ₹ 15 lakhs to Tonnage Tax Reserve Account during P.Y. 2020-21? If yes, what is the amount so taxable?
- (a) Yes; ₹ 1.80 lakhs  
 (b) No amount is taxable as per section 115VT(5), since the amount transferred is more than the minimum reserve requirement  
 (c) Yes; ₹ 5 lakhs  
 (d) Yes; ₹ 21 lakhs
- 23.5 What shall be the income computed under section 44B of LMN Shipping Co. for A.Y.2021-22?
- (a) ₹ 39.75 lakhs  
 (b) ₹ 53 lakhs  
 (c) ₹ 26.50 lakhs  
 (d) ₹ 47.25 lakhs

**Answer Key**

Question No.	Answer
23.1	(c) ₹ 71,20,454
23.2	(b) ₹ 944.44 lakhs
23.3	(b) ₹ 20 lakhs
23.4	(d) ₹ 21 lakhs
23.5	(a) ₹ 39.75 lakhs



24. UJay International AG is a company incorporated under the laws of Switzerland and is a tax resident of Switzerland. It operates specific website (i.e. Ujayinternational.com) providing an online platform for sale of goods, provision of services as well as for facilitating the purchase and sale of goods and services of third parties to users based in India and outside India. It does not have any Permanent Establishment in India during the P.Y. 2020-21.

The modus operandi of the third party transactions undertaken through the such website operated by the assessee is as under :-

- Any seller is entitled to list its products for sale on such website. At the time of listing, the seller is required to provide various details regarding the product that is desired to be sold through the website, such as, photograph, description and price of the product.
- Any buyer can also register himself for buying of the goods through the assessee's website. While registering, the buyers are required to provide information, such as, their name, age and address. When the buyer accesses the website, he goes through various products listed by the sellers. Depending on his requirements, he chooses the product which he wants to purchase online, out of the variety of products available on website alongwith all the necessary details.
- The buyer is required to choose any of the payment methods for making payment of the product directly to the seller. Once the buyer clicks 'Buy It Now' button after registering itself with the website and agreeing to the terms and conditions of sale as displayed by the seller on the website, an email is sent by the assessee to the seller confirming the sale of his product listed on the website.

UJayInternational.com also collects data of potential customers located in different parts of India and other South-East Asian Countries who are interested in holidaying in different countries of Europe and Asia from GE Tourism India Pvt. Ltd., an Indian company, and other companies in

South East Asia. It sells these data to different tourism companies and hotels in Europe and Asia and earns revenue therefrom.

Assume that the gross receipts of UJay International AG from e-commerce supply and services is ₹ 8 crore during the P.Y. 2020-21.

From the information given above, choose the **most appropriate answer** to the following questions -

- 24.1 Mr. Alex being a resident of UK, visited India during November 2020 and he ordered certain apparel of brand UJay worth ₹ 10,000 from online website UJayinternational.com during his stay in India. His apparels were delivered via readymade garments showroom located in Connaught Place, Delhi. Which of the following statements is correct?
- (a) Mr. Alex is required to withhold equalization levy of ₹ 200 and deposit the same with Indian tax authorities
  - (b) UJay International AG is not required to charge equalization levy on such transaction since sale is made to Mr. Alex who is not a resident in India
  - (c) UJay International AG is not required to charge equalization levy on such transaction since it a non-resident not having any PE in India
  - (d) UJay International AG is required to charge equalization levy of ₹ 200 and deposit the same with Indian tax authorities
- 24.2 What is the due date for payment of equalization levy charged in the month of March, 2021 by UJay International AG?
- (a) April 7, 2021
  - (b) April 30, 2021
  - (c) June 30, 2021
  - (d) March 31, 2021

- 24.3 In which of the following cases, equalisation levy would be chargeable, assuming that the aggregate turnover of the E-Commerce operator is ₹ 2 crore during the P.Y. 2020-21?
- (a) Where an E-Commerce operator, being a resident in India, sells goods of parties located in India to overseas customers
  - (b) Where an E-Commerce operator, being a non-resident having PE in India and online sales is effectively connected with such PE in India
  - (c) Where a E-Commerce operator, being a non-resident having PE in India, sells goods to non-resident customers
  - (d) Where a E-Commerce operator, being a non-resident having no PE in India, provides access to online movies, TV Shows and other contents to Indian customers via its electronic platform
- 24.4 UJayInternational.com collects data of potential customers located in different parts of India who are interested in holidaying in Singapore from GE Tourism India Pvt. Ltd. During November, 2020, it sells the data to Y Tourism P Ltd., Singapore for ₹ 1,00,000. Which of the following statements is correct?
- (a) Equalisation levy of ₹ 2,000 is payable by UJayInternational.com
  - (b) Equalisation levy of ₹ 2,000 is deductible and payable by Y Tourism P Ltd.
  - (c) Equalisation levy of ₹ 6,000 is deductible and payable by Y Tourism P Ltd.
  - (d) Equalisation levy implications are not attracted in this case, since both UJayInternational.com and Y Tourism P Ltd. are non-residents

**Answer Key**

Question No.	Answer
24.1	(d) Ujay International AG is required to charge equalization levy of ₹ 200 and deposit the same with Indian tax authorities
24.2	(d) March 31, 2021
24.3	(d) Where a E-Commerce operator, being a non-resident having no PE in India, provides access to online movies, TV Shows and other contents to Indian customers via its electronic platform
24.4	(a) Equalisation levy of ₹ 2,000 is payable by UjayInternational.com

25. Mr. M (age 45 years), an Indian citizen is employed with a multinational company, Worldwide Ltd. Mr. M holds a senior level position as pharmaceutical researcher in the Indian group company of Worldwide Ltd. based at Mumbai, since 2009. Considering the importance of his role in the Worldwide Group and his exceptional performance in India, for the first time in the year 2020, he was entrusted with task to travel to other group companies of Worldwide Ltd. outside India to share his knowledge, findings in research, etc., while continuing to be based at the Mumbai office.

The details of his travel outside India during the financial year 2020-21 are as under:

Country	Period of stay
UK	20 August to 10 November
Australia	21 November to 23 December
France	10 January to 26 March

**Salary**

Mr. M is entitled to salary of ₹ 43,80,000 for the financial year 2020-21. The entire salary is paid by the Indian company in his Indian bank account. Proportionate salary was, however, borne by overseas companies based on the number of days he was physically present and

working for them in the respective countries. The overseas companies have reimbursed the proportionate amount of salary to Indian company.

Other than salary, he has not disclosed details of income under any other head to his employer.

**House Properties**

Mr. M owns a house property in Mumbai since 2009, which he occupies for his own residence. He continues to repay the loan availed in the year 2009 for purchase of this property. The interest payable for the financial year 2020-21 on such loan is ₹ 4,25,000. The brought forward losses attributable to his house property for A.Y. 2019-20 and A.Y. 2020-21 is ₹ 5,00,000.

Impressed by better infrastructure, quality education, safety in UK, Mr. M bought a residential property in the UK in December 2020. He earned rental income of GBP 3,300 (@ GBP 1,100 per month for January to March, 2021) from letting out of UK property.

The telegraphic transfer buying rates are as follows:

Date (financial year 2020-21)	Rate (GBP to INR)
31 December	93.49
31 January	93.26
28 February	92.32
31 March	93.07

**Investment in shares**

Mr. M had purchased 500 shares of Indian company XYZ Ltd on 17th March 2017 at the cost of ₹ 150 per share (STT paid). As per scheme of amalgamation dated 10th January, 2018 between XYZ Ltd with another Indian company PQR Ltd, Mr M received 250 shares of PQR Ltd in lieu of his shareholding in XYZ Ltd. On 4th April 2020, Mr. M sold shares of PQR Ltd at ₹ 325 per share (STT paid).

Date (Fair market value as on)	Company	Fair market value per share (quoted price on stock exchange)
10th January 2018	XYZ Ltd	₹ 160
10th January 2018	PQR Ltd	₹ 320
31st January 2018	PQR Ltd	₹ 360

From the information given above, choose the **most appropriate answer** to the following questions -

- 25.1 What is the residential status of Mr. M for A.Y.2021-22 as per section 6(1)?
- (a) Non-resident
  - (b) Resident and ordinarily resident
  - (c) Resident but not ordinarily resident
  - (d) Deemed resident
- 25.2 What would be the income chargeable under the head "Salaries" to be considered for the purpose of deduction of tax under section 192, assuming that he does **not** opt for section 115BAC?
- (a) ₹ 43,80,000
  - (b) ₹ 43,30,000
  - (c) ₹ 20,76,000
  - (d) ₹ 20,52,300
- 25.3 What is the cost of acquisition for computation of capital gains on sale of shares of PQR Ltd?
- (a) ₹ 81,250
  - (b) ₹ 90,000
  - (c) ₹ 37,500
  - (d) ₹ 85,000
- 25.4 Mr. M wants to know his tax liability under section 115BAC. For this purpose, what would be the amount of income chargeable under the head "Income from house property"?
- (a) ₹ 2,14,992
  - (b) ₹ 14,992
  - (c) Nil
  - (d) ₹ 3,07,131

- 25.5 Mr M does not offer income from UK property in his return of income filed for A.Y. 2021-22. Assessment has been made u/s 143(3) but Assessing Officer has not noticed this fact. What is the time limit for issuance of notice u/s 148 in this case to bring to tax income escaping assessment?
- (a) Not applicable since he is not chargeable to tax in respect of income from UK property
  - (b) till 31 March, 2026
  - (c) till 31 March, 2027
  - (d) till 31 March, 2038

**Answer Key**

Question No.	Answer
<b>25.1</b>	<b>(b)</b> Resident and ordinarily resident
<b>25.2</b>	<b>(b)</b> ₹ 43,30,000
<b>25.3</b>	<b>(a)</b> ₹ 81,250
<b>25.4</b>	<b>(a)</b> ₹ 2,14,992
<b>25.5</b>	<b>(d)</b> till 31 March, 2038

26. Pawan Ltd., an Indian company engaged in growing and manufacturing tea, receives the following dividend income during the P.Y. 2020-21. It is liable to pay income-tax @25%, since its total turnover for the P.Y.2018-19 does not exceed ₹ 400 crores. For the P.Y.2020-21, the company has paid interest on loan borrowed for making investment in the following companies, break up of which is also given below:

Name of the company	Indian/ Foreign	Details of holding by Pawan Ltd.	Dividend income (₹)	Interest expended to earn dividend (₹)
XYZ Inc.	Foreign Co.	25% of Nominal Value	80,000	8,000

PQR Inc.	Foreign Co.	30% of Nominal Value	1,80,000	9,000
ABC Ltd.	Indian Co.	51% of Nominal Value	9,00,000	1,60,000
XYZ Ltd.	Indian Co.	10% of Nominal Value	50,000	8,000

- (i) Ujwal, a shareholder holding 10% equity shares of the company borrowed ₹ 2,00,000 from the company on 31.08.2020. Ujwal had earlier taken a loan from an NBFC for investing in equity shares of Pawan Ltd. and on 31.3.2021, he paid interest of ₹ 21,000 due for the P.Y.2020-21.
- (ii) The company declared interim dividend of ₹ 2,20,000 at its General Meeting held on 10.03.2020. It paid dividend distribution tax on 24.03.2020. It distributed dividend to its shareholders on 10.04.2020.
- (iii) The company declared dividend of ₹ 3,20,000 at its AGM held on 30.09.2020, which it distributed in October, 2020.
- (iv) The accumulated profits of Pawan Ltd. as on 31.8.2020 was ₹ 20 lakhs.

Following are the major shareholders of Pawan Ltd. –

Anita 50% Shares; Mehak 10% Shares; Ujwal 10% Shares

The following are the details of other income of Miss Anita for A.Y. 2021-22 –

- i) Miss Anita had also taken a loan of ₹ 10,00,000 few years ago from Mr. J @8% simple interest to acquire shares of Pawan Ltd.
- ii) Anita has also taken housing loan which was sanctioned by SBI on 1.5.2019. The house was purchased for ₹ 60 lakhs but the stamp duty value of the house on the date of purchase was ₹ 45 lakhs. She does not own any other residential house property on the date of sanction of loan. During the year she has paid ₹ 2,50,000 as interest and ₹ 2,00,000 towards repayment of principal. The house was self-occupied till date by Miss Anita.



- iii) Miss Anita is running a furniture business whose turnover is ₹ 90 lakhs (All receipts are through banking channels). She has opted for presumptive scheme of taxation and wishes to maximise her tax savings.
- iv) She has also earned interest of ₹ 50,000 on fixed deposits.
- v) Apart from the above, she has no other source of income or investments.

From the information given above, choose the **most appropriate answer** to the following questions -

- 26.1 Which of the following statements is true with respect to dividend received by Pawan Ltd? For answering this question, ignore deduction, if any, available under section 80M.
- (a) Dividend received from XYZ Inc. and PQR Inc. is taxable @15% (*plus* HEC @4%); Dividend received from ABC Ltd. and XYZ Ltd. is taxable @25% (*plus* HEC @4%)
  - (b) Dividend received from PQR Inc. is taxable @15% (*plus* HEC @4%); Dividend received from XYZ Inc, ABC Ltd. and XYZ Ltd. is exempt in the hands of Pawan Ltd.
  - (c) Dividend received from PQR Inc is taxable @15% (*plus* HEC @4%); Dividend received from other companies is taxable @25% (*plus* HEC @4%); Interest expense of ₹ 1,76,000 to earn dividend income is allowable as deduction u/s 57
  - (d) Dividend received from PQR Inc is taxable @15% (*plus* HEC @4%); Dividend received from other companies is taxable @25% (*plus* HEC @4%); Interest expense of ₹ 1,85,000 to earn dividend income is allowable as deduction u/s 57
- 26.2 Which of the following statements is correct regarding dividend received in the P.Y. 2020-21 by Pawan Ltd. and dividend distributed by it in October, 2020?
- (a) Dividend declared and distributed by Pawan Ltd. would

be subject to dividend distribution tax in the hands of Pawan Ltd. Such dividend would be exempt in the hands of the shareholders. No deduction will be allowed to Pawan Ltd. on account of dividend received by it from other companies

- (b) Pawan Ltd. should pay dividend distribution tax on dividend declared and distributed by it *less* dividend received from all companies
- (c) Dividend declared and distributed by Pawan Ltd. would be taxable in the hands of shareholders and Pawan Ltd would deduct necessary tax at source; Pawan Ltd. would be allowed deduction, from its gross total income, a sum of ₹ 3,20,000
- (d) Dividend declared and distributed by Pawan Ltd. would be taxable in the hands of shareholders; Dividend received by it from Indian companies would be allowable as deduction from its gross total income

26.3 What will be the amount of dividend taxable in the hands of Miss Anita for the P.Y. 2020-21?

- (a) Nil, since dividend income is exempt in the hands of shareholder
- (b) ₹ 1,60,000
- (c) ₹ 80,000
- (d) ₹ 1,28,000

26.4 What is the total income of Miss Anita for A.Y.2021-22, assuming that she does **not** opt for section 115BAC?

- (a) ₹ 3,18,000
- (b) ₹ 3,68,000
- (c) ₹ 3,50,000
- (d) ₹ 2,70,000

26.5 What will be the dividend income included in the total income of Mr. Ujwal for A.Y.2021-22?

- (a) ₹ 2,32,000
- (b) ₹ 2,11,000
- (c) ₹ 1,79,000
- (d) Nil

**Answer Key**

Question No.	Answer
<b>26.1</b>	<b>(c)</b> Dividend received from PQR Inc is taxable @15% ( <i>plus</i> HEC @4%); Dividend received from other companies is taxable @25% ( <i>plus</i> HEC @4%); Interest expense of ₹ 1,76,000 to earn dividend income is allowable as deduction u/s 57
<b>26.2</b>	<b>(c)</b> Dividend declared and distributed by Pawan Ltd. would be taxable in the hands of shareholders and Pawan Ltd would deduct necessary tax at source; Pawan Ltd. would be allowed deduction, from its gross total income, a sum of ₹ 3,20,000
<b>26.3</b>	<b>(d)</b> ₹ 1,28,000
<b>26.4</b>	<b>(a)</b> ₹ 3,18,000
<b>26.5</b>	<b>(b)</b> ₹ 2,11,000

27. Mr. Sachdeva had bought a residential house worth ₹ 4 crores at Worli, Mumbai in 2018 and let out the house on rent to Mr. Akhil. The property was funded through loan from SBI. The interest due for F.Y.2020-21 to SBI is ₹ 40 lakhs, out of which he paid only ₹ 37 lakhs during the year. Mr. Sachdeva then took a loan of ₹ 2 crores from another bank, namely, MPC Bank on 1.10.2020 for construction of first floor in that house for self-occupation. The construction is in progress as on 31.3.2021. Mr. Sachdeva started repaying EMIs due to MPC Bank. During the P.Y. 2020-2021, he repaid principal amount of ₹ 30 lakhs and ₹ 5 lakhs to SBI and MPC Bank, respectively. He also paid interest of ₹ 5 lakhs to

MPC Bank out of ₹ 6 lakhs, being interest due for the period from 1.10.2020 to 31.3.2021.

Mr. Sachdeva transfers ₹ 30 lakhs to his minor daughter Miss Rysha's account as her birthday gift. Her daughter Rysha purchased a house in a village at Wada in her name. Miss Rysha gave the said house to the Panchayat head from April, 2020 at a rent of ₹ 5,000 per month. Mrs. Sachdeva's total income for A.Y.2021-22 is higher than that of Mr. Sachdeva, since she won ₹ 20 lakhs from lottery this year. In other years, Mr. Sachdeva's total income is higher than that of Mrs. Sachdeva. Miss Rysha has not had any other source of income in any earlier year. Also, she does not have any other source of income this year.

Mr. Sachdeva bought petrol driven car worth ₹ 50 lakhs and an electric vehicle worth ₹ 70 lakhs on loan from BSM Bank which it sanctioned on 1.4.2020. BSM Bank charged interest of ₹ 5 lakhs on petrol driven car and ₹ 7 lakhs on electric vehicle for the P.Y.2020-21. Mr. Sachdeva has also taken loan from FRM Bank for his daughter's higher education. He paid ₹ 50,000 as interest to FRM Bank. He also paid mediclaim of ₹ 20,000 to New India Assurance Scheme for insuring his health.

Mrs. Sachdeva owns a shop of 100 square feet area in Mumbai. She rented it to an architect who gave her an interest-free deposit of ₹ 1,00,000. The rent paid by the architect from 1<sup>st</sup> April is ₹ 60,000 per month. Mr. Sachdeva's brother, Mr. Ajay who is a non-resident sold his house at Bandra Kurla Complex, Mumbai to another non-resident, Mr. David, who is based at Germany for a consideration of ₹ 20 crores on 01.09.2020. Mr. Ajay died on 01.11.2020 on account of a car accident.

From the information given above, choose the **most appropriate answer** to the following questions -

27.1 What is the amount of interest allowable as deduction u/s 24 to Mr. Sachdeva for A.Y.2021-22?

- (a) ₹ 46 lakhs
- (b) ₹ 42 lakhs

- (c) ₹ 40 lakhs
- (d) ₹ 37 lakhs
- 27.2 What is the amount of deduction permissible to Mr. Sachdeva under Chapter VI-A of Income-tax Act, 1961 for A.Y. 2021-22?
- (a) ₹ 1,70,000
- (b) ₹ 2,20,000
- (c) ₹ 3,70,000
- (d) ₹ 14,20,000
- 27.3 Is notional interest on interest free deposit received in respect of shop let out on rent chargeable to income-tax? If so, under which head of income would the same be taxable?
- (a) No, it is not chargeable to tax
- (b) Yes, it is chargeable to tax as profits and gains from business, since a commercial property has been let out
- (c) Yes, it is chargeable to tax as "Income from Other Sources", being the residuary head of income
- (d) Yes, it is chargeable to tax as "Income from house property", since section 22 does not distinguish between a residential house property and commercial house property
- 27.4 The Assessing Officer came to know about the transaction of sale of property at BKC, Mumbai on 15<sup>th</sup> December, 2020 and wants to hold Mr. David as an agent of Mr. Ajay u/s 163(1). Can he do so? If not, why?
- (a) No, he cannot hold Mr. David as an agent since Mr. David is non-resident
- (b) No, he cannot hold Mr. David as an agent since Mr. Ajay's brother stays in India and he has to be treated as an agent
- (c) No, he cannot hold Mr. David as an agent due to reasons

stated in (a) and (b) above

- (d) Yes, he can hold Mr. David as an agent as per the provisions of the Income-tax Act, 1961
- 27.5 In whose hands would Rysha's rental income from house property at Wada be taxable?
- (a) In Rysha's hands
- (b) In Mr. Sachdeva's hands
- (c) In Mrs. Sachdeva's hands
- (d) It would change every year depending on the parent whose income is higher in that year

**Answer Key**

Question No.	Answer
27.1	(c) ₹ 40 lakhs
27.2	(c) ₹ 3,70,000
27.3	(a) No, it is not chargeable to tax
27.4	(d) Yes, he can hold Mr. David as an agent as per the provisions of the Income-tax Act, 1961
27.5	(c) In Mrs. Sachdeva's hands

28. Mr. Billabong stays in India from April to September and in UK from October to March every year. He owns a house in London, which he has let out at £ 1000 per month. He paid taxes of £ 100 levied by local authorities of London every year [1 £ = ₹ 120].

Mr. Billabong also has a flat in Winchester, UK, where he stays when he visits UK every year. It is unoccupied for the rest of the year. He paid municipal tax of £ 5000 in respect of the said house property for the F.Y.2020-21.

He owns the following house properties at Mumbai:

Flats at Mumbai	Status	Municipal tax paid in the F.Y.2020-21 (₹)
Bandra	Unoccupied	10,000
Worli	Unoccupied	20,000

The other details relating to the properties owned by him are given under:

Place	Standard Rent (₹)	Municipal Value (₹)	Fair Rent
Bandra, Mumbai	60,000 p.m.	50,000 p.m.	₹ 70,000 p.m.
Worli, Mumbai	1,30,000 p.m.	1,40,000 p.m.	₹ 1,20,000 p.m.
Winchester, UK			£ 1000 p.m.
London, UK			£ 2000 p.m.

In April, 2020, Mr. Billabong's father, Mr. Hongkong, who is 61 years old and resident in India, has sold a flat owned by him for last 5 years to his neighbour, who is 70 years old, for 3 crore which resulted in capital gains of ₹ 2 crore. He decided to immediately invest the sale proceeds received from the flat in NCD of Mahindra and Mahindra to the tune of ₹ 1.35 crore to earn a high rate of return, ₹ 20 lakhs in bonds issued by NHAI, ₹ 15 lakhs in GSec and remaining ₹ 30 lakhs in bonds issued by RECL. All the investments were made by him in June, 2020. In March, 2021, he purchased two adjacent apartments in Pune for ₹ 50 lakhs each and made suitable modifications to use them as a single house. He also purchased a flat in Baroda for ₹ 40 lakhs in April, 2021.

Further, he has received other income from various sources as detailed hereunder:

Nature of Income	Amount (₹)
Interest on Fixed Deposit (in March, 2021)	40,000
Commission (in April, 2020)	20,000
Rent (throughout the year)	2,00,000

From the information given above, choose the **most appropriate answer** to the following questions, assuming Mr. Billabong does **not** opt for section 115BAC -

- 28.1 What is the amount of municipal taxes allowable as deduction from gross annual value while computing the income from house property of Mr. Billabong for A.Y.2021-22?
- (a) ₹ 22,000
  - (b) ₹ 42,000
  - (c) ₹ 6,22,000
  - (d) ₹ 6,42,000
- 28.2 What is the income chargeable under the head "Income from House property" of Mr. Billabong for A.Y.2021-22?
- (a) ₹ 25,04,600
  - (b) ₹ 25,95,600
  - (c) ₹ 30,92,600
  - (d) ₹ 41,70,600
- 28.3 Suppose if the house property at Winchester is sold on 1.4.2020, then, what would be the income from house property for A.Y.2021-22?
- (a) ₹ 25,04,600
  - (b) ₹ 4,97,000
  - (c) ₹ 20,07,600
  - (d) ₹ 30,85,600
- 28.4 What is the amount of capital gains chargeable to tax for A.Y.2021-22 in the hands of Billabong's father?
- (a) ₹ 60,00,000
  - (b) ₹ 50,00,000
  - (c) ₹ 10,00,000



- (d) Nil
- 28.5 What is the amount of tax which would have been deducted in respect of income received by Mr. Billabong' father?
- (a) ₹ 1,000
- (b) ₹ 2,01,000
- (c) ₹ 3,00,000
- (d) ₹ 3,01,000

**Answer Key**

Question No.	Answer
<b>28.1</b>	<b>(a)</b> ₹ 22,000
<b>28.2</b>	<b>(a)</b> ₹ 25,04,600
<b>28.3</b>	<b>(c)</b> ₹ 20,07,600
<b>28.4</b>	<b>(c)</b> ₹ 10,00,000
<b>28.5</b>	<b>(d)</b> ₹ 3,01,000

29. Mr. Bharat, a cloth manufacturer, runs his proprietary business in the name of "M/s Bharat Traders". He also exports clothes outside India to his associate enterprises as well as unrelated parties. The turnover of P.Y. 2020-21 was Rs 400 lakhs from such business.

Mr. Bharat had taken a loan of ₹ 35 lakhs@9% from SBI on 01.11.2020 for a term of 10 years for the education of his brother Mr. Ram. Mr. Ram is studying in a university in London. He remitted the loan amount to Mr. Ram. For the previous year ended on 31.03.2021, he repaid principal of ₹ 7,50,000 and paid interest of ₹ 1,31,250 towards the said loan. The entire foreign remittances are settled through SBI, which is an authorised dealer.

**Other information:**

- 1) In April, 2020, he went on a tour to London for the purpose of learning new technology to leverage his business. The Foreign Tour Package was arranged by Franklin Tours and Travelers, New Delhi. The details of expenditure on this tour are as follows:

Particulars	Amount (₹)
* Ticket fare (round trip)	₹ 4,50,000
* Hotel accommodation charges	₹ 1,60,000
* Sight-seeing charges (including entry tickets, cab fare etc.)	₹ 80,000

- 2) On 15.4.2020, he sold scrap to Gentleman Suitings Plc, a foreign buyer, who remitted the payment of ₹ 80,000 for the same during the year through ABC Forex Bank, an authorised dealer.
- 3) On 17.8.2020, he received ₹ 55,00,000 from M/s Shakti Traders, a LLP, for supplying clothes as per its specifications. The raw material for the same was also supplied by the LLP. The invoice for such supplies is raised in the following manner:

Value of Material - ₹ 37,80,000

Stitching charges - ₹ 17,20,000

From the information given above, choose the **most appropriate answer** to the following questions -

- 29.1 Would Mr. Bharat be eligible for any deduction under section 80E in respect of payment of interest and repayment of loan taken for higher education of Mr. Ram? Also, does any liability for tax deduction at source or tax collection at source arise on remittances to Mr. Ram under the provisions of the Income-tax Act, 1961?
- (a) Yes, deduction u/s 80E is allowable in respect of interest payment of ₹ 1,31,250. No deduction is, however, allowable for principal repayment of loan. Mr. Bharat is required to deduct tax at source u/s 195 on the amount remitted to Mr. Ram
- (b) No, Mr. Bharat is not eligible for any deduction u/s 80E. Further, no tax deduction at source or tax collection at source liability arises on the amount remitted to Mr. Ram
- (c) Yes, Mr. Bharat is eligible for deduction u/s 80E in respect

of interest payment of ₹ 1,31,250. No deduction is, however, allowable for principal repayment of loan. Moreover, SBI is required to collect tax at source on the amount remitted to Mr. Ram @5% (*plus* cess) on ₹ 28 lakh, being the amount in excess of ₹ 7 lakh

- (d) No, Mr. Bharat is not eligible for any deduction u/s 80E. Moreover, SBI is required to collect tax at source on the amount remitted to Mr. Ram @0.5% (*plus* cess) on ₹ 28 lakh, being the amount in excess of ₹ 7 lakh.
- 29.2 Is tax is required to be collected at source on payment made by Mr. Bharat towards expenditure on foreign tour package? If yes, what would be rate of TCS and the amount on which tax is to be collected at source?
- (a) No tax to be collected at source, since the amount of expenditure does not exceed ₹ 7,00,000
- (b) Yes, tax to be collected at source @5% only on travel expenditure of ₹ 4,50,000
- (c) Yes, tax to be collected at source @5% only on travel expenditure of ₹ 4,50,000 *plus* hotel accommodation charges of ₹ 1,60,000
- (d) Yes, tax to be collected at source @5% on ₹ 6,90,000, being the total amount of expenditure on overseas tour program package
- 29.3 What is the amount of tax required to be collected at source on sale of scrap to Gentlemen Suitings Plc?
- (a) ₹ 600
- (b) ₹ 624
- (c) ₹ 800
- (d) ₹ 832
- 29.4 What is the rate at which M/s Shakti Traders LLP is required to deduct tax u/s 194C and on what amount?

- (a) @0.75% on ₹ 55,00,000
- (b) @0.75% on ₹ 17,20,000
- (c) @1.5% on ₹ 55,00,000
- (d) @1.5% on ₹ 17,20,000

**Answer Key**

Question No.	Answer
29.1	(d) No, Mr. Bharat is not eligible for any deduction u/s 80E. Moreover, SBI is required to collect tax at source on the amount remitted to Mr. Ram @0.5% ( <i>plus</i> cess) on ₹ 28 lakh, being the amount in excess of ₹ 7 lakh
29.2	(d) Yes, tax to be collected at source @5% on ₹ 6,90,000, being the total amount of expenditure on overseas tour program package.
29.3	(d) ₹ 832
29.4	(b) @0.75% on ₹ 17,20,000

30. Mr. Rajat is a diamond merchant. During the P.Y.2020-21, he has turnover of ₹ 20 crores and net profit of ₹ 60 lakhs after taking into account all the permissible deductions. He has invested in shares of various private limited companies, from which he received dividend of ₹ 12 lakhs. He has two house properties in India, both of which were self-occupied. On one of the properties, he had taken loan of ₹ 50 lakh on which interest payable was ₹ 2,50,000, out of which he paid ₹ 1,80,000 during the year. On his birthday, he received jewellery from his friend (fair market value of which was ₹ 5 lakhs). He had also withdrawn cash of ₹ 1.2 crores during the P.Y. 2020-21 in aggregate from his current account maintained with ABC Bank. Further, he also withdrew ₹ 50 lakhs from a co-operative bank account in October, 2020. He is regularly filing his return of income.

His brother Mr. Rahul has not filed his return of income for the last five years, even though his total income exceeded the basic exemption limit. He withdrew ₹ 50 lakhs from a co-operative bank account in March, 2021.

Also, Mr. Rajat holds 20% voting power in XYZ Pvt. Ltd. (closely held company and engaged in diamond manufacturing) from which he has obtained loan of ₹ 10 lakhs on 1.4.2020. The company had free reserves of ₹ 8 lakh as on 31.3.2020.

From the information given above, choose the **most appropriate answer** to the following questions -

- 30.1 Which of the following statements is correct in respect of loan of ₹ 10 lakhs obtained by Mr. Rajat from XYZ Pvt. Ltd?
- (a) ₹ 10 lakhs would be taxable as deemed dividend in the hands of Mr. Rajat
  - (b) ₹ 8 lakhs would be taxable as deemed dividend in the hands of Mr. Rajat
  - (c) The entire amount is received in the ordinary course of the business and therefore, the loan obtained would not be treated as deemed dividend
  - (d) The company will pay distribution tax@ 34.944% on ₹ 8 lakhs
- 30.2 Would cash withdrawals by Mr. Rajat during the P.Y. 2020-21 attract deduction of tax at source?
- (a) Yes, tax is required to be deducted u/s 194N @5% on ₹ 1.2 crores by ABC Bank and 2% on ₹ 50 lakhs by the co-operative bank
  - (b) Yes, tax is required to be deducted@2% on ₹ 20 lakhs u/s 194N by ABC Bank
  - (c) Yes, tax is required to be deducted@5% on ₹ 20 lakhs u/s 194N by ABC Bank
  - (d) Yes, tax is required to be deducted u/s 194N @5% on ₹ 20 lakhs by ABC Bank and 2% on ₹ 50 lakhs by the co-operative bank
- 30.3 Would cash withdrawals by Mr. Rahul during the P.Y. 2020-21 attract deduction of tax at source?
- (a) No, TDS provisions are not attracted since cash withdrawals is less than ₹ 1 crore

- (b) No, TDS provisions are not attracted in respect of cash withdrawals from co-operative bank
  - (c) No, TDS provisions are not attracted due to reasons stated in both (a) and (b)
  - (d) Yes, tax is required to be deducted@2% on ₹ 30 lakhs u/s 194N by co-operative bank
- 30.4 What is the total income of Mr. Rajat for P.Y.2020-21, assuming that he has **not** opted for section 115BAC?
- (a) ₹ 72 lakhs
  - (b) ₹ 75 lakhs
  - (c) ₹ 83 lakhs
  - (d) ₹ 83.20 lakhs
- 30.5 What is the amount of gross tax liability of Mr. Rajat for the A.Y. 2021-22, assuming that he has **not** opted for section 115BAC?
- (a) ₹ 23,59,500
  - (b) ₹ 26,34,060
  - (c) ₹ 25,94,060
  - (d) ₹ 26,40,924

**Answer Key**

Question No.	Answer
<b>30.1</b>	<b>(b)</b> ₹ 8 lakhs would be taxable as deemed dividend in the hands of Mr. Rajat
<b>30.2</b>	<b>(b)</b> Yes, tax is required to be deducted@2% on ₹ 20 lakhs u/s 194N by ABC Bank
<b>30.3</b>	<b>(d)</b> Yes, tax is required to be deducted@2% on ₹ 30 lakhs u/s 194N by the co-operative bank
<b>30.4</b>	<b>(c)</b> ₹ 83 lakhs
<b>30.5</b>	<b>(b)</b> ₹ 26,34,060