

Mock Test Paper - Series I: March, 2025

Date of Paper: 17th March, 2025

Time of Paper: 2 P.M. to 5 P.M.

FINAL COURSE: GROUP - II

PAPER – 4: DIRECT TAX LAWS & INTERNATIONAL TAXATION

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

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

Time Allowed: 3 Hours

Total Marks: 100 Marks

Division A – Multiple Choice Questions

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

Case Scenario I

Jandhan co-operative bank provides the following information relating to cash withdrawals by its two customers during the P.Y.2024-25:

Date of cash withdrawal	Mr. Ashok (Savings Account) (₹)	Mr. Bablu (Current Account) (₹)
05.04.2024	20,00,000	-
10.05.2024	-	18,00,000
25.06.2024	25,00,000	-
17.07.2024	-	5,00,000
28.10.2024	35,00,000	-
10.11.2024	-	38,00,000
12.12.2024	25,00,000	-
02.01.2025	-	37,00,000

Mr. Ashok has been regularly filing his return of income while Mr. Bablu has not filed his return of income for the last three years. No other co-operative bank customer had withdrawn more than ₹ 10 lakhs during the P.Y. 2024-25.

Mr. Kishor, a Jandhan Cooperative Bank customer, paid ₹ 12 lakhs out of payments for ₹ 15 lakhs raised in relation to the credit card account using an account payee check before being declared bankrupt. In the previous year 2024–2025, the bank's actual bad debts, including those owed to Mr. Kishore were ₹ 20 lakhs.

On September 30, 2025, the prescribed income tax authority sent a notification to the cooperative bank, stating that it was required to provide the statement of financial transactions by October 30, 2025 as they had failed to do so. The co-operative bank, however, furnished the statement only on November 25, 2025.

From the information given above, choose the most appropriate answer from MCQ 1 to MCQ 4 below:

1. The amount of income-tax that is required to be deducted by Jandhan co-operative bank under section 194N during the P.Y.2024-25 in respect of withdrawals by Mr. Ashok and Mr. Bablu are -
 - (a) ₹ 25,000 and Nil, respectively
 - (b) ₹ 10,000 and ₹ 3,90,000, respectively
 - (c) ₹ 10,000 and ₹ 1,56,000, respectively
 - (d) ₹ 2,10,000 and ₹ 1,96,000, respectively
2. Identify the accounts which are required to be reported in relation to the specified financial transactions in the statement of financial transaction by the Jandhan co-operative bank, based on the above-mentioned facts, for P.Y. 2024-25.
 - (a) Only Bablu
 - (b) Kishor and Bablu
 - (c) Ashok and Bablu
 - (d) Ashok, Kishor and Bablu
3. 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
4. Let us assume that, on 26.02.2025, as a result of business reorganisation, Jandhan co-operative bank got succeeded by Dhanvarsha co-operative bank. Assuming that the

deduction allowable u/s 32 for the P.Y. 2024-25 is ₹ 3,50,000 and that the predecessor co-operative bank had incurred expenditure of ₹ 30,00,000 during the P.Y.2022-23 on voluntary retirement scheme for its employees, what is the aggregate deduction allowable to predecessor co-operative bank u/s 32 and 35DDA for the P.Y.2024-25?

- (a) ₹ 8,61,507
- (b) ₹ 3,17,397
- (c) ₹ 8,61,507
- (d) ₹ 9,17,397

(2 x 4 = 8 Marks)

Case Scenario II

Xylo Pvt. Ltd.(Xylo) is an Indian company. Yen Inc., (Yen) is a private company incorporated in the USA and its income is not chargeable to tax in India. Both are promoted by Mr. Aryan who holds 30% equity share capital and voting power in both Xylo and Yen. The balance sheet of Xylo as on 31st March, 2025 is as follows:

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

Additional information:

- (i) The loan was advanced by Yen Inc. to Xylo on 1st July, 2024 in rupee terms and carries 6.5% p.a. rate of interest. For borrowers with similar risk profile who are not associated enterprises of Yen Inc., it advances loan at 4% p.a. interest rate.
- (ii) Xylo 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. Xylo 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 from MCQ 5 to MCQ 9 below:

5. Are Xylo and Yen associated enterprises? If so, why?
- (i) Yes, Xylo and Yen are associated enterprises because Mr. Aryan holds voting power of 30% in both the companies.
 - (ii) Yes, Xylo and Yen are associated enterprises as not less than 75% of Xylo's total loans have been availed from Yen.
 - (iii) Yes, Xylo and Yen are associated enterprises since the loan advanced by Yen to Xylo is not less than 51% of the book value of Xylo's total assets.
 - (iv) No, Xylo and Yen are not associated enterprises
- The most appropriate answer is -
- (a) Only (i)
 - (b) (i) and (ii)
 - (c) (i) and (iii)
 - (d) Only (iv)
6. What is the amount of primary adjustment required to be made to the total income of Xylo for A.Y.2025-26?
- (a) ₹ 1,16,25,000
 - (b) ₹ 58,12,500
 - (c) ₹ 1,55,00,000
 - (d) ₹ 77,50,000
7. If Xylo has accepted the primary adjustment made by the Assessing Officer on 31.3.2026, what should Xylo do if it does not want to treat the excess money as deemed advance?
- (a) The excess money which is available to Yen, has to be repatriated to India within 90 days from the due date of filing of return.
 - (b) The excess money which is available to Yen, has to be repatriated to India within 90 days from the date of order of the Assessing Officer.
 - (c) Xylo has to pay additional income-tax @20.9664% on the excess money.
 - (d) Either (b) or (c)

8. If Xylo has accepted the primary adjustment made by the Assessing Officer on 31.3.2026 and the excess money has not been repatriated into India upto 31.3.2027, what would be the consequence if Xylo has not opted to pay additional income-tax? Assume that SBI one-year marginal cost of lending rate is 10% on 1.4.2026 and 11% on 1.4.2027.
- (a) Interest of ₹ 16,56,563 has to be added to its total income for P.Y.2026-27
 - (b) Interest of ₹ 11,60,509 has to be added to its total income for P.Y.2026-27
 - (c) Interest of ₹ 15,40,313 has to be added to its total income for P.Y.2026-27
 - (d) Interest of ₹ 20,53,750 has to be added to its total income for P.Y.2026-27
9. 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 Xylo's total income?
- (a) Since Xylo has maintained information and documents as prescribed under section 92D, that by itself is sufficient for holding that Xylo has not under-reported its income
 - (b) If the Assessing Officer/Transfer Pricing Officer makes adjustment to Xylo'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 Xylo has not reported the transaction as an international transaction, Xylo 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 Xylo has not reported the transaction as an international transaction, Xylo will be considered to have misreported its income and penalty will be 200% of the amount of tax payable on the misreported income

(2 x 5 = 10 Marks)

Case Scenario III

Wave Inc., a corporation incorporated in Country T, specializes in the manufacturing of computer hardware components and also owns the online social networking platform Attire. Smile Ltd., an Indian entity, generally imports computer hardware parts from Wave Inc. However, during the previous year 2024-25, Smile Ltd. did not procure any computer hardware parts from Wave Inc. Instead, on 24th July 2024, it made a payment of ₹ 5,50,000 to Wave Inc. for advertising its business on the Attire platform. However, Smile Ltd. neither deducted tax at source nor equalisation levy on such payment.

On 9th November 2024, Wave Inc. sold 3,500 equity shares it held in XYZ Ltd., an Indian company, for a price of ₹102 per share. These shares were originally acquired by Wave Inc. on 15th April 2011 at a cost of ₹36.40 per share. The purchase and sale of these shares were carried out through a recognized stock exchange in India, and Securities Transaction Tax (STT) was duly paid on both the purchase and sale transactions. The Fair Market Value (FMV) of these shares on 31st January 2018 was assessed at ₹90 per share.

CII for F.Y.2011-12 – 182; F.Y.2024-25 – 363.

Smile Ltd. has received a draft order from the Assessing Officer under Section 144C of the Income-tax Act, 1961, following adjustments made by the Transfer Pricing Officer to the arm's length price for the Assessment Year 2024-25. However, Smile Ltd. does not prefer to file the objection against the draft order before the Dispute Resolution Panel; Instead, it wants to file an appeal before the CIT (Appeals) under section 246A against the final order received from the Assessing Officer.

From the information given above, choose the most appropriate answer from MCQ 10 to MCQ 12 below:

10. In respect of payment made by Smile Ltd. for advertising services provided by Wave Inc., which of the following statements are correct?
 - (a) Equalisation levy is not attracted and no penalty leviable for non-deduction
 - (b) Tax is deductible at source u/s 195 by Smile Ltd. and hence, interest is payable for non-deduction of TDS
 - (c) Equalization levy of ₹ 33,000 is deductible by Smile Ltd. and penalty of ₹ 1,000 per day is attracted for non-deduction
 - (d) Equalization levy of ₹ 33,000 is deductible by Smile Ltd. and penalty of ₹ 33,000 is attracted for non-deduction
11. Compute the amount of long-term capital gains arising to Wave Inc. on transfer of listed shares of XYZ Ltd. What would be the tax treatment of such capital gains under the Income-tax Act, 1961?
 - (a) ₹ 42,000. The same would be taxable@12.5% u/s 112A
 - (b) ₹ 42,000. However, the said amount would not be subject to any tax.
 - (c) No capital gain would arise, since cost of acquisition would be ₹ 102.
 - (d) ₹ 1,13,400; However, the said amount would not be subject to any tax.

12. Which of the following statements are correct, in relation to the remedies available to Smile Ltd. under the Income-tax Act, 1961, if it is not satisfied with the draft order passed by the Assessing Officer?
- (a) It can file an objection before the Dispute Resolution Panel against the draft assessment order
 - (b) It can file an appeal before CIT (Appeals) after getting the final assessment order
 - (c) Either (a) or (b)
 - (d) Both (a) and (b)

(2 x 3 = 6 Marks)

- 13.. Thunder Ltd., an Indian company, had taken on lease a commercial premises for its operations, with an initial security deposit of ₹ 4.2 crores paid to the lessor at the start of the lease agreement. After several years, the company decided to vacate the premises and relocate to a new location. However, a dispute arose between the company and the lessor concerning the terms for vacating the premises. To avoid prolonged litigation and expedite the resolution of the issue, Thunder Ltd. agreed to forgo the security deposit of ₹ 4.2 crores. Whether the amount of security deposit foregone by Thunder Ltd. allowable as deduction while computing business income?
- (a) Yes, allowable as deduction as such expenditure is of revenue nature and incurred on account of dispute
 - (b) No, deduction would not be allowed as such expenditure is of capital nature
 - (c) Yes, allowable as deduction over the five years period
 - (d) Yes, allowable as deduction since the amount of foregone security deposit becomes the income of lessor.

(2 Marks)

14. Vishwas Trust, a public charitable trust registered under section 12AB of the Income-tax Act, 1961, operates a hospital offering medical treatment for various diseases. Mr. Arjun, the son of Mr. Ranbir, the founder of the trust, was admitted to the hospital for heart surgery. While the general public is charged ₹ 7.4 lakhs for similar treatment, Mr. Arjun was charged a concessional fee of ₹3.6 lakhs. The Board of Trustees is concerned that providing this benefit to a relative of the founder may result in the cancellation of the trust's registration under section 12AB and the denial of exemption under section 11 on the entire income of the trust for the P.Y. 2024-25. Is the opinion of the Board of trustees', correct?

- (a) No; registration cannot be cancelled, however, the exemption under section 11 would be denied to the trust in respect of entire income of the trust for the P.Y. 2024-25.
- (b) Yes, registration can be cancelled, and trust would not be eligible for exemption under section 11
- (c) No; registration cannot be cancelled, and entire income is eligible for exemption under section 11.
- (d) No; registration cannot be cancelled, and the value of benefit provided to Mr. Ranbir would be deemed as income of the trust.

(2 Marks)

15. Mr. Veer, a resident individual aged 45 years, has a total income of ₹ 4,05,00,000 for A.Y. 2025-26. His income includes a computed salary of ₹ 1,80,00,000, long-term capital gains of ₹ 60,00,000 taxable at 20% under section 112, and ₹ 45,00,000 under section 112A from a transfer on 23rd December 2024. He also earned short-term capital gains of ₹ 1,00,00,000 under section 111A from a transfer on 10th January 2025 and interest income of ₹ 20,00,000. What would be his tax liability for A.Y.2025-26, assume he has opt out for the default tax regime u/s 115BAC?

- (a) ₹ 1,20,56,200
- (b) ₹ 1,02,67,400
- (c) ₹ 1,14,33,010
- (d) ₹ 1,14,51,700

(2 Marks)

Division B – Descriptive Questions

Question No. 1 is compulsory

*Attempt any **four** questions from the remaining **five** questions*

1. Narmada Ltd. is engaged in the business of manufacturing car spare parts since 1st April 2021. Its statement of profit and loss shows a net profit of ₹350 lakhs for the year ended 31-03-2025, after debiting and crediting the following items:
- ◆ Fees of ₹1 lakh paid to independent directors for attending Board meeting without deduction of tax at source under section 194J.
 - ◆ The opening and closing stock for the year were ₹ 200 lakhs and ₹ 255 lakhs, respectively. They were overvalued by 10%.

- ◆ Depreciation provided in accounts as per straight line basis ₹ 50 lakhs.
- ◆ ₹ 9 lakhs contribution to a National Laboratory approved under section 35(2AA).
- ◆ GST of ₹ 2.10 lakhs, pertaining to P.Y.2024-25, was paid on 27-12-2025.
- ◆ The company has also purchased goods of ₹ 63 lakhs from M/s. Saraswati Ltd. in which directors have substantial interest. The market value of the goods is ₹ 58 lakhs.
- ◆ The company has made cash payments for purchases of ₹ 5 lakhs on 17-08-2024 due to cash demanded by the supplier. It also made cash payments to transport operator for hiring of lorry on the following dates:
06-06-2024 - ₹ 40,000; 03-07-2024 - ₹ 35,000; 15-01-2025 - ₹ 52,000.
- ◆ The company has incurred legal expenses of ₹ 5 lakhs and ₹ 4 lakhs for issue of bonus shares and for issue of right shares, respectively.
- ◆ Donation paid to a registered political party by way of cheque ₹17 lakhs

Additional Information:

- (i) Normal depreciation allowable as per the Income-tax Rules, 1962 is ₹ 62 lakhs.
- (ii) A debt of ₹ 4 lakh was claimed as bad debt in the previous year 2022-23. A sum of ₹ 2 lakh was recovered during the P.Y. 2024-25. The effect of recovery of bad debt was not given in books of account.

The total turnover of the company for previous year 2022-23 was ₹ 390 crores and for financial year 2023-24 ₹ 405 crores.

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

- 2 (a) PNG LLP, a limited liability partnership in India, is involved in the development of software and providing IT-enabled services through two distinct units: Unit A and Unit B. Unit A is located in a Special Economic Zone (SEZ), while Unit B is situated in the Domestic Tariff Area (DTA). For the 6th year of its operations, which ended on 31st March 2025, the LLP has provided the following information related to its activities and financial performance:

Items	(Amount in ₹ Lacs)	
	Unit A	Unit B
Export Turnover	1200	920
Domestic Turnover	200	460
Duty Draw Back	38	38
Profit on sale of Import Entitlement	24	Nil
Salaries paid	540	192
Other expenses	420	473
Net Profit of the year	502	753

Additional Information:

- (i) **Unit A:** Expenses of ₹24 lacs are disallowable under section 43B and export sales proceeds received in India amounted to ₹1040 lacs. Export sales of ₹1200 lacs include freight and insurance of ₹200 lacs and realization of ₹1040 lacs includes amount of insurance and freight charges of ₹140 lacs.
- (ii) **Unit B:** Export sales received in India was ₹850 lacs. Expenses charged and are to be disallowed as per section 40A(3) are of ₹47 lacs.

Compute tax payable by PNG LLP for the Assessment Year 2025-26. **(8 Marks)**

- (b) Lokesh, who is 50 years old, has been serving as the CEO of Platinum India Ltd. since April 1, 2019. His total income in India is derived from multiple sources. During the previous year 2024-25, he receives a salary of ₹ 23 lakhs before any standard deduction is applied. Additionally, he paid ₹ 1,80,000 towards interest on loan borrowed for a self-occupied property. Furthermore, he receives ₹ 1,60,000 as interest on bank fixed deposits.

For the year ending 31st March 2025, Lokesh has also earned income from several sources in Country 'A'. He earned USD 25,000 from his business operations in Country A and received USD 4,500 as rent from a house property. Although he paid municipal taxes of USD 450 on the house property, these taxes are not deductible in Country A. Lokesh also earned a dividend of USD 10,000 from shares held in Country A, which was declared and paid in March 2025. Additionally, he realized a short-term capital gain of USD 5,000 from the sale of shares of companies registered in Country A, with the sale proceeds credited to his bank account outside India on 28th March 2025.

India has DTAA with Country 'A' and the tax paid in Country 'A' is eligible for tax credit in India. The fiscal year for income-tax is the same both in India and Country

'A'. Rate of tax is 20% in Country 'A' in respect of all incomes. Income-tax was paid by Lokesh on 25.05.2025 for the incomes of the year ended 31st March 2025 in Country 'A'.

Compute the total income and net tax liability of Lokesh for the A.Y. 2025-26. Assume Lokesh pays tax under default regime under section 115BAC.

The TT buying rate of 1 USD on various dates: 28.02.2025= ₹ 70; 28.03.2025 = ₹ 70.50; 31.03.2025 = ₹ 71; 30.04.2025 = ₹ 72; and 25.05.2025 = ₹ 73.

(6 Marks)

3. (a) "Feed the People," a charitable trust registered under section 12AB of the Income-tax Act, merged with another entity on 1st April 2024, which is not eligible for section 12AB registration or section 10(23C) approval.

As a result of the merger, all assets and liabilities of the original trust were transferred to the merged entity. The trust engaged a registered valuer to determine the value of its assets and liabilities. Based on the details below, compute the tax liability arising from the merger:

- (i) Stamp duty value of land held ₹ 15 lakhs. However, if this land is sold in the open market, it would ordinarily fetch ₹ 17 lakhs. The book value of the land is ₹ 20 lakhs.
- (ii) 75,000 equity shares in Ink Ltd. traded in Delhi Stock Exchange. The lowest price per share on 1.4.2024 was ₹ 75 and the highest price on that day was ₹ 85. The book value was ₹ 67 lakhs.
- (iii) 55,000 preference shares held in N Ltd. The shares will fetch ₹ 44 lakhs, if they are sold in the open market on 1.4.2024. Book value was ₹ 25 Lakhs.
- (iv) Corpus fund as on 1.4.2024 ₹ 15 Lakhs.
- (v) Outside liabilities ₹ 90 lakhs
- (vi) Provision for taxation ₹ 5 lakhs.
- (vii) Liabilities in respect of payment of various utility bills ₹ 6 lakhs. **(8 Marks)**

- (b) FASHION Inc., a notified Foreign Institutional Investor (FII), derived the following incomes during the financial year 2024-25:-

- (1) Dividend from listed shares of Indian companies – ₹ 7,15,000
- (2) Interest on securities – ₹ 16,72,000 (Expenses of ₹ 95,000 has been incurred to earn such income)

(3) Income from sale of securities and shares:

Security/Share	Purchase Date	Sale Date	Sale Consideration (₹)	Purchase Cost (₹)
Bonds of January Ltd.	5th May 2018	7th March 2025	58,00,000	33,00,000
Listed Shares of Exe Ltd.	2nd May 2024	9th February 2025	14,50,000	9,90,000
Unlisted Equity Shares of May Ltd.	1st July 2024	7th March 2025	7,90,000	3,22,000

CII: FY 2017-18: 272; FY 2023-24: 348. In case of listed securities, STT has been paid both at the time of purchase and sale.

Compute the total income and tax liability of the FII, FASHION Inc., for the A.Y. 2025-26 as per section 115AD, assuming that no other income is derived by FASHION Inc. during the F.Y.2024-25. **(6 Marks)**

4. (a) Examine the liability for tax deduction at source in the following cases for the assessment year 2025-26:
- On 21st July 2024, Mr. Anuj, a resident, bought a house property in Chennai from Mr. Josh for ₹ 85 lakhs. Additionally, he acquired an urban plot in Mumbai from Mr. Anant for ₹ 49,00,000 and rural agricultural land from Mr. Digvijay for ₹ 55 lakhs in two independent transactions. The Stamp Duty value of urban plot is ₹ 54 lakhs.
 - Under section 10(47) of the Income-tax Act, 1961, a notified infrastructure debt fund paid ₹ 6 lakhs as interest to a Hongkong based company, which incurs ₹ 15,000 as expenses to earn this income. It also makes an interest payment of ₹ 2.5 lakhs to Mr. Aman, a resident of a notified jurisdictional area.
 - Vikasa Ltd. has incurred an expenditure of ₹ 18 lakhs towards landing and parking charges, paid to the Airports Authority of India, for the year ending 31st March 2025.
 - An employee of the Central Government who receives arrears of salary for

the past three years wants to know if tax is to be deducted on the entire amount during the current year. **(8 Marks)**

- (b) ASHA (P) Ltd., located in Cochi, is engaged in the manufacturing of toys and exports them to various associated and other enterprises across Southern Countries. The company has consistently furnished reports regarding its international transactions with its associated enterprises, complying with transfer pricing regulations. On February 15, 2024, ASHA (P) Ltd. applied for an Advance Pricing Agreement (APA), which was subsequently signed on May 5, 2024, in order to ensure pricing certainty for these international transactions.

The company also applied in respect of the international transactions to which APA applies for rollback benefit which was agreed and signed in January 2025. The details of the status of income tax assessments are as follows:

Assessment Year	Status of Assessment/Dispute
2019-20	The matter is pending before High Court with regard to acquisition of a company by the assessee and the dispute is about set off of loss of the erstwhile company
2020-21 & 2021-22	There is no dispute and the assessments have been completed.
2022-23	The assessment for the A.Y. 2022-23 was completed by making reference to the TPO who enhanced the arm's length price of the international transaction by ₹ 500 lakhs.
2023-24	ALP of international transaction was disputed before the tribunal which set aside the order for fresh consideration by the Assessing Officer in November 2024.
2024-25	The income tax return ('ITR') was filed on 29 th December 2024.

If the APA is applied, the ALP determined for the A.Y. 2022-23 would get enhanced by ₹ 300 lakhs as against ₹ 500 lakhs originally determined by TPO.

Discuss the applicability of rollback agreement for various assessment years in case of ASHA (P) Ltd. **(6 Marks)**

5. (a) Attempt **any two** out the following three sub-parts:
- (i) An Income-tax authority did not file an appeal to the Income-tax Appellate Tribunal against an order of the Commissioner (Appeals) decided against the Income-tax department on a particular issue in case of one assessee, Bela for assessment year 2024-25 on the ground that the tax effect of such

dispute was less than the monetary limit prescribed by CBDT. In assessment year 2025-26, similar issue arose in the assessments of Shweta and her sister Shefali, which was decided by the Commissioner (Appeals) against the Department. Can the Income-tax department move an appeal to the Tribunal in respect of A.Y. 2025-26 against the orders of the Commissioner (Appeals) for Shweta and her sister Shefali? **(4 Marks)**

- (ii) The Assessing Officer filed a complaint against M/s. D & G, a firm, for failure to furnish its return of income for the A.Y.2018-19 within the due date under section 139(1). The complaint was filed in accordance with section 276CC of the Income-tax Act, 1961. The tax payable on the assessed income, as reduced by the advance tax paid and tax deducted at source, was ₹70,000. The appeal filed by the firm against the order of assessment was allowed by the Commissioner (Appeals). The Assessing Officer passed an order giving effect to the order of the Commissioner (Appeals). The tax payable by the firm as per the said order of the Assessing Officer was ₹ 9,100. The Assessing Officer has accepted the order of the Commissioner (Appeals) and has not preferred an appeal against it to the Income Tax Appellate Tribunal. The firm wants to know if the prosecution's actions may be sustained given the case's facts and circumstances. **(4 Marks)**

- (iii) In March 2013, Mr. Rajiv, an Indian national, returned to India to take charge as CEO of BOS (P) Ltd., an Indian company. He held this position from April 1, 2013, to March 31, 2020. Before this, he worked for Orange Inc. in the Singapore from May 2000 to February 2013. He returned to Orange Inc. in the Singapore in April 2020 and permanently settled there. Mr. Rajiv visits India every year only for 1 month during his stay in Singapore. It was discovered that throughout his tenure as CEO of BOS (P) Ltd., he accumulated undeclared wealth and income, including

- (i) shares of listed companies in Singapore acquired on 10th December, 2012;
- (ii) acquired one apartment in Canada on 20th April 2015 and
- (iii) established a leather goods manufacturing factory in Malaysia on 15th April 2020.

The above undisclosed assets came to the notice of Assessing Officer in April 2024, and he issued notice under the Black Money Act, 2015 in July, 2024.

Is the Assessing Officer's notice of Mr. Rajiv under the Black Money Act of

2015 legally tenable?

(4 Marks)

- (b) What does a hybrid mismatch mean, and how is it different from a branch mismatch? Describe briefly the reasons of hybrid mismatch arrangements. Which BEPS Action Plan provides recommendations in this regard? **(6 Marks)**

6. (a) The Assessing Officer conducted a survey at 9:30 p.m. at a well-known gym under his jurisdiction called "Silver" for collecting information which may be useful for the purpose of Income-tax Act, 1961. The concerned gym is kept open for business every day between 5 a.m. and 10 p.m. The owner of the gym claims that the A.O. could not enter his business premises after sunset and late in the night. The Assessing Officer wanted to take away with him the books of account and cash kept at the premises of the Gym. Determine whether the Gym's owner's claim is correct and whether the Assessing Officer's suggested course of action is appropriate. **(4 Marks)**

- (b) Determine if the following practices fall under the categories of (i) tax planning, (ii) tax management, or (iii) tax evasion. Briefly explain your response.

(I) Ms. Kanika deposits ₹1,50,000 in PPF account to lower her total income from ₹5,90,000 to ₹4,70,000, in order to be in the 5% total income slab.

(II) A corporate entity installed an air-conditioner costing ₹70,000 at a director's home in accordance with the terms of his appointment, but it is treated as if it was installed in the factory's quality control area. This procedure is performed with the aim of treating it as a plant for depreciation purposes. **(4 Marks)**

- (c) A foreign national hockey player who is a non-resident in India, Mr. Robert Jonson, won ₹ 45 lakhs by competing in hockey competitions in India. In addition, he received ₹ 10,000 for writing an article about hockey for an Indian sports magazine. He earned about ₹ 69,100 in lottery winnings (net).

With reference to the provisions of the Income-tax Act, 1961, you are required to—

(i) Examine whether the above income are subject to deduction of tax at source.

(ii) Decide whether it is necessary for him to file his return of income for A.Y. 2025-26. **(3 Marks)**

- (d) Mr. Saiyyam, a non-resident, made an application to the Authority for Advance Rulings on 15.6.2024 in relation to a transaction proposed to be undertaken by him. On 21.7.2024, he decides to withdraw the said application. Can he withdraw the application on 21.7.2024? Examine. **(3 Marks)**