

MOCK TEST PAPER 2
FINAL COURSE: GROUP – II
PAPER – 7: DIRECT TAX LAWS & INTERNATIONAL TAXATION
SOLUTIONS

Division A – Multiple Choice Questions

MCQ No.	Most Appropriate Answer	MCQ No.	Most Appropriate Answer
1.	(c)	9.	(b)
2.	(d)	10.	(a)
3.	(c)	11.	(d)
4.	(c)	12.	(c)
5.	(b)	13.	(c)
6.	(d)	14.	(c)
7.	(b)	15.	(d)
8.	(a)		

Division B – Descriptive Questions

1. Computation of total income and tax liability of M/s Sunshine Industries Ltd. for the A.Y. 2023-24 as per section 115BAA

	Particulars	Amount in ₹	
I	Profits and gains of business and profession		
	Net profit as per Statement of Profit and Loss		9,50,00,000
	Add: Items debited but to be considered separately or to be disallowed		
	(i) Depreciation as per useful life of assets	2,80,00,000	
	(ii) Donation to political party	12,00,000	
	[Since donation to political party is not wholly and exclusively for the purpose of business or profession, it is not allowable as deduction u/s 37. Since the amount of contribution is debited to statement of profit and loss, the same has to be added back]		
	(iii) Contribution to research institution approved and notified by the Central Government for scientific research	50,00,000	
	[As per section 35(1)(ii), 100% deduction is allowed for amount paid to a research institution undertaking scientific research, if such institution is approved for this purpose and notified by the Central Government. However, since company is opting for section 115BAA, deduction in respect of this contribution is not allowed. Since the amount of contribution is debited to statement of profit and loss, the same is required to be added]		

<p>(vi) Interest on borrowing paid to State Bank of India (SBI) [10% x ₹ 420 lakhs x 10/12] [Interest on borrowing from SBI upto 1.1.2023, being the date when machinery is installed and put to use, is not allowable as deduction since it has to be capitalized as part of the cost of the asset. Interest for January, February and March 2023 is disallowed as per section 43B since it is not paid on or before the due date of filing return of income i.e., 31.10.2023. Since the entire interest has been debited to the statement of profit and loss, it has to be added back while computing business income]</p>	35,00,000	
<p>(viii) Salary for installation of machinery [As per ICDS V, expenses which are specifically attributable for bringing the fixed asset to its working condition would form part of actual cost. Therefore, salary to foreign technicians for installation of machinery is a capital expenditure and not allowable as deduction. Since it has been debited to the statement of profit and loss, it has to be added back while computing business income]</p>	1,00,00,000	
		<u>4,77,00,000</u>
		14,27,00,000
Less: Items credited but not chargeable to tax or chargeable to tax under other head of income/expenses allowed but not debited		
<p>(iv) Dividend received from foreign company [Dividend received from foreign company is taxable under the head "Income from other Source". Since the same has been credited to Statement of Profit and loss, it has to be deducted while computing business income.</p>	15,00,000	
<p>(v) Long-term capital gain on sale of equity shares [Long-term capital gain on sale of equity shares is taxable under the head "Capital Gains". Since the same has been credited to Statement of Profit and loss, it has to be deducted while computing business income.</p>	4,00,000	
<p>(ix) Bad debt recovered [The deduction of bad debt allowed u/s 36 was ₹ 12 lakhs out of the total debt of ₹ 22 lakhs; Since the amount not written off as bad debt is ₹ 10 lakhs (₹ 22 lakhs - ₹ 12 lakhs) while the amount recovered in respect of such debt is ₹ 11 lakhs, only the excess sum of ₹ 1 lakh would be chargeable to tax as business income. Since the entire amount of ₹ 11 lakhs recovered has been credited to the statement of profit and loss, ₹ 10 lakhs has to be reduced while computing business income.]</p>	10,00,000	
<p>(vii) Profit on sale of plot of land Capital gains arising on sale of plot of land are taxable under the "Capital Gains". Since the same has been</p>	8,00,000	

	credited to the statement of profit and loss, the same has to be reduced while computing business income]		37,00,000
			13,90,00,000
	Less: Depreciation as per Income-tax Rules, 1962	1,50,00,000	
	Depreciation on assets acquired during the P.Y.		
	- Office building Purchased and put to use on 15.12.2022 [₹ 300 lakhs x 10% x 50%, since it has been put to use for less than 180 days during the year]	15,00,000	
	- Computer Purchased and put to use on 11.5.2022 [₹ 25 lakhs x 40%, since it has been put to use for 180 days or more during the year]	10,00,000	
	- Plant and machinery On P & M installed and put to use on 1.1.2023 [₹ 624.5 lakhs (₹ 500 lakhs + ₹ 100 lakhs of salary for installation + ₹ 24.5 lakhs, being interest from 1.6.2022 to 31.12.2022) x 15% x 50%, since it has been put to use for less than 180 days during the year]	46,83,750	2,21,83,750
	Additional depreciation (since company is opting for section 115BAA, additional depreciation is not allowed)	-	-
	Profits and gains from business or profession		11,68,16,250
II	Capital Gains		
	Profit on sale of plot of land [Short-term capital gains arise on sale of plot of land held for less than 24 months. However, in this case, since the transfer is to a 100% subsidiary company, which is an Indian company, the same would not constitute a transfer for levy of capital gains tax as per section 47(iv)]	-	
	Long-term capital gain on listed equity shares	<u>4,00,000</u>	4,00,000
III	Income from Other Sources		
	Dividend received from a foreign company		15,00,000
	Gross Total Income		11,87,16,250
	Less: Deduction under Chapter VI-A		
	Deduction under section 80GGB [Donation to political party is not allowable as deduction to Diamond Industries Ltd., since the company is opting for section 115BAA]		-
	Deduction under section 80M allowable, even if, company is opting for section 115BAA, to the extent of lower of dividend received and dividend distributed. Therefore, ₹ 12,00,000, being the amount of dividend distributed allowable as deduction		12,00,000
	Total Income		11,75,16,250

Computation of tax liability as per section 115BAA

Particulars	Amount in ₹
Tax payable on LTCG @10% u/s 112A on ₹ 3,00,000, being the LTCG in excess of ₹ 1,00,000	30,000
Tax @ 22% on ₹ 11,71,16,250	<u>2,57,65,575</u>
	2,57,95,575
Add: Surcharge @ 10%	<u>25,79,558</u>
	2,83,75,133
Add: Health and education cess @4%	<u>11,35,005</u>
Tax liability	<u>2,95,10,138</u>
Tax liability (rounded off)	2,95,10,140

2. (a) **Computation of Total Income of M/s Fast Forward & Associates, a partnership firm, for the A.Y. 2023-24**

	Particulars	Amount (in ₹)
I	Profits and gains of business and profession	
	Net profit as per profit and loss account	80,00,000
	Add: Items debited but to be considered separately or to be disallowed	
	(1) Interest to partners on capital	55,000
	[As per section 40(b), interest to partners authorized by the partnership deed is allowable as deduction subject to a maximum of 12% p.a.] [₹ 7,15,000 x 1%/13%]	
	(2) Interest on loan taken from partner	18,000
	[As per section 40(b), interest to partners authorized by the partnership deed is allowable as deduction subject to a maximum of 12% p.a., whether it is interest on partner's capital or loan] [₹ 90,000 x 3%/15%]	
	(3) Depreciation as per books of account	1,15,650
		<u>1,88,650</u>
		81,88,650
	Less: Items credited but chargeable to tax under another head/expenses allowed but not debited	
	1. Interest on bank fixed deposits made out of surplus fund	35,000
	[Interest received from bank on fixed deposits made out of surplus funds is assessable under the head 'Income from other sources'. Since the same has been credited to profit and loss account, it has to be deducted while computing business income]	
	2. Profit on sale of building	53,55,000
	[Capital gain on sale of building is taxable under the head "Capital Gains". Since such gains has been	

	credited to profit and loss account, the same has to be deducted while computing business income]		53,90,000
			27,98,650
	Less: Depreciation as per Income-tax Rules, 1962	14,000	
	- Depreciation on Motor car [₹ 6,80,000 x 30%, eligible for higher depreciation since purchased and put to use on 1.1.2020]	2,04,000	
	- Mobile phone [₹ 20,000 x 15% x 50%, since purchased and put to use for less than 180 days]	<u>1,500</u>	<u>2,19,500</u>
	Book Profit		25,79,150
	Less: Salary to working partners		
	(i) As per limits given under section 40(b)		
	On first ₹ 3,00,000 @90%	2,70,000	
	On the balance of ₹ 22,79,150 @ 60%	<u>13,67,490</u>	
		16,37,490	
	(ii) Salary actually paid to working partners [₹ 20,000 x 12 x 2]	4,80,000	
	Deduction allowed being (i) or (ii) whichever is less		<u>4,80,000</u>
			20,99,150
II	Capital Gains		
	1. Short term capital gain on sale of building forming part of block of asset [Since building was the only asset in the block]		
	Full value of consideration	90,00,000	
	Less: Cost of acquisition [WDV as on 1.4.2022]	<u>36,45,000</u>	
		53,55,000	
	Less: Exemption under section 54EC [Investment in bonds of NHAI, the maximum deduction u/s 54EC would be ₹ 50 lakhs]	<u>50,00,000</u>	3,55,000
	[Available against depreciable asset, being a building held for more than 24 months and the payment for bonds has been made within six months from the date of transfer, exemption u/s 54EC would be available even if the allotment of bonds was made after the expiry of the six months ¹]		
III	Income from Other Sources		
	Interest from bank on fixed deposits		35,000
	Gross Total Income		24,89,150
	Less: Deduction under section 10AA [₹ 7,50,000 x 40,00,000/ ₹ 1,20,00,000 x 100%]		

¹ Hindustan Unilever Ltd. v. DCIT (2010) 325 ITR 102 (Bom.)

[Unit in SEZ is eligible for deduction u/s 10AA since it obtained the letter of approval on or before 31 st March, 2020 and started operations before 31.3.2021]	2,50,000
Total Income	22,39,150

(b) **Computation of total income and tax liability of Mr. Pradeep for A.Y. 2023-24**

Particulars	₹	₹
Income from house property		
Gross annual value ² of house property in Country M [₹ 52,000 x ₹ 70/CMD]	36,40,000	
Less: Municipal taxes [₹ 6,000 x ₹ 70/CMD]	<u>4,20,000</u>	
Net Annual value	32,20,000	
Less: Deduction @30%	<u>9,66,000</u>	22,54,000
Profits and gains from business and profession		
Income from sole proprietary concern in India	80,00,000	
Share of profit from a partnership firm in India of ₹ 20 lakhs, is exempt under section 10(2A)	<u>Nil</u>	
Business profit	80,00,000	
Less: Business Loss ³ in Country G (CGD 5200 x ₹ 70/CGD)	<u>3,64,000</u>	76,36,000
Income from Other Sources		
Agricultural income from tea gardens in Country G, is taxable in India (CGD 40000 x ₹ 70/CGD)	28,00,000	
Dividend income from Country M (CMD 30000 x ₹ 70/CGD)	<u>21,00,000</u>	<u>49,00,000</u>
Gross Total Income		1,47,90,000
Less: Deductions under Chapter VI-A		
Under section 80C [deposit in PPF]	1,50,000	
Under section 80D [Medi-claim premium paid Rs.28,000, restricted to	<u>25,000</u>	<u>1,75,000</u>
Total Income		1,46,15,000
Tax on total income		
Tax on ₹ 1,46,15,000 [(30% x ₹ 1,36,15,000) plus ₹ 1,12,500]		41,97,000

² In absence of any information regarding fair rent and standard rent, actual rent is considered as gross annual value.

³ Since the eight year has not expired from the assessment year in which such business loss was incurred, such business loss can be set-off against current year business income.

Add: Surcharge@15%, since total income exceeds ₹ 1 crore but does not exceed ₹ 2 crore		<u>6,29,550</u>
		48,26,550
Add: HEC@4%		<u>1,93,062</u>
		50,19,612
Average rate of tax in India [i.e., ₹ 50,19,612/₹ 1,46,15,000 x 100]	34.3456%	
Rebate u/s 91 in respect of income in Country G		
Average rate of tax in Country G	20%	
Doubly taxed income [₹ 28,00,000 – ₹ 3,64,000]	24,36,000	
Rebate under section 91 on ₹ 24,36,000 @20% (lower of average Indian tax rate and rate of tax in Country G)		4,87,200
Rebate u/s 91 in respect of income in Country M		
Average rate of tax in Country M [CMD 3,000 (30,000 x 10%) + CMD 7800 (52,000 x 15%)/ CMD 82,000] x 100	13.1707%	
Doubly taxed income [₹ 22,54,000 + ₹ 21,00,000]		
Rebate under section 91 on ₹ 43,54,000 @13.1707% (lower of average Indian tax rate and rate of tax in Country G)		<u>5,73,452</u>
Tax liability in India		<u>39,58,960</u>

3. (a) As per section 115TD, the accreted income of “M/s Ratan Charitable Trust”, registered under section 12AA would be chargeable to tax at maximum marginal rate @ 34.944% [30% plus surcharge @12% plus cess@4%] for the reason of cancellation of registration.

Computation of exit tax payable by M/s Ratan Charitable Trust	
Particulars	Amount (₹)
Aggregate FMV of total assets as on 31.1.2023, being the specified date (date of order of cancellation of the registration) [See Working Note 1]	12,85,00,000
Less: Total liability computed in accordance with the prescribed method of valuation [See Working Note 2]	<u>3,05,00,000</u>
Accreted Income	<u>9,80,00,000</u>
Tax Liability @ 34.944% of ₹ 9,80,00,000	3,42,45,120
Working Note 1: <u>Aggregate fair market value of total assets on the date of cancellation of the registration</u>	
Valuation of Land, being an immovable property purchased in the year 2009	-
[Value of land purchased in the year 2009 not includible in the aggregate fair market value, since the exemption provisions under section 11 and 12 would	

apply from P.Y.2012-13, being the previous year in which application for registration of trust is made]	
Valuation of Land and building, being an immovable property, purchased in 2016	10,50,00,000
[The fair market value of land and building would be higher of ₹ 1,000 lakhs i.e., price that the land and building would ordinarily fetch if sold in the open market as per registered valuer's certificate and ₹ 1,050 lakhs, being stamp duty value as on the specified date i.e., 31.1.2023]	
Valuation of Quoted equity shares in M/s XP Ltd. [2,000 x ₹ 1,075 per share]	21,50,000
[The fair market value of quoted shares would be ₹ 1,075 per share, being the average of the lowest (₹ 1,051) and highest price (₹ 1,099) of such shares on the specified date i.e., 31.1.2023]	
Balance in current account of a nationalized bank	10,00,000
Balance in fixed deposits with scheduled banks	2,00,00,000
Cash in hand	3,50,000
	12,85,00,000
Working Note 2 - Total liability	
Book value of liabilities in the balance sheet on specified date	11,35,00,000
Less: Capital fund	8,00,00,000
Less: Contingent liability on estimated basis to contractor for which no bills are received	30,00,000
Total liability of M/s Ratan Charitable Trust	3,05,00,000
The latest day on which such tax has to be paid is 14 th April, 2023, being 14 days from 31.3.2023, the date on which the order confirming the cancellation is received.	

(b) **Computation of income to be declared by the branch in its return of income**

Computation of Head Office expenses allowable u/s 44C:		
Particulars	₹	₹
Net profit of the branch		28,00,000
Add: Head office expenditure debited to profit and loss	1,20,00,000	
Unabsorbed depreciation	17,00,000	
Capital expenditure for promoting family planning	7,00,000	
Brought forward business loss	25,00,000	
Deductions under Chapter VI-A	<u>20,00,000</u>	
		<u>1,89,00,000</u>
Adjusted total income		<u>2,17,00,000</u>
Note – Depreciation for the current financial year and capital expenditure on scientific research are not required to be added back for computing adjusted total income.		
Head office expenses allowable u/s 44C = ₹ 10,85,000		
Being the lower of -		
(i) 5% of ₹ 2,17,00,000 = ₹ 10,85,000		
(ii) Actual Head Office expenses allocated to the branch = ₹ 1,20,00,000		

Income to be declared by the branch for A.Y.2023-24	
Particulars	₹
Net profit of the branch	28,00,000
<i>Add:</i> Head office expenditure debited to profit and loss	<u>1,20,00,000</u>
	1,48,00,000
<i>Less:</i> Head office expenses allowable u/s 44C	<u>10,85,000</u>
Income to be declared by the branch	<u>1,37,15,000</u>

4. (a) (i) An authorised dealer, who receives an amount for overseas remittance from a buyer, being a person remitting such amount out of India under the Liberalised Remittance Scheme of RBI, is required to collect tax at source @5%. In case the remittance is for a purpose other than purchase of overseas tour programme package, then, no tax has to be collected at source, if the amount or aggregate of amount remitted by a buyer is less than ₹ 7 lakhs; and where the said amount exceeds ₹ 7 lakhs, tax has to be collected at source @5% of the amount or aggregate of amount in excess of ₹ 7 lakhs.

Tax is required to be collected at source @0.5% of the amount or aggregate of amount in excess of ₹ 7 lakhs where remittance is made out of loan from a bank or financial institution notified by the Central Government referred under section 80E. However, in the present case, Mr. Swaraj remitted the amount out of the loan taken from his employer being a manufacturing company, tax is required to be deducted @5% on the amount or aggregate of amount in excess of ₹ 7 lakhs.

Accordingly, the authorised dealer has to collect tax at source @5% on the amount remitted by Mr. Swaraj in excess of ₹ 7,00,000 towards maintenance expenses of his son studying in Canada as well as on amount remitted out of the loan taken from his employer not being the financial institution defined under section 80E.

Thus, Rs. 33,000 [5% of Rs. 6,60,000 (Rs. 7,80,000 + Rs. 5,80,000 – Rs. 7,00,000)] has to be collected at source on the remittances made by Mr. Swaraj.

- (ii) In a case where sale of goods of an e-commerce participant (Mr. Blue) is facilitated by an e-commerce operator (TIDE) through its e-commerce website, section 194-O requires the e-commerce operator to deduct tax at source @1% on ₹ 84 lakhs, being the gross amount of sales facilitated through the e-commerce website.

As per section 206AA, in case where the deductee has not furnished his PAN, tax is required to be deducted at source at higher of 1% or 5%. Accordingly, tax has to be deducted at source @5% of Rs. 84 lakhs = Rs. 4.2 lakhs.

- (b) Mrs. Preeti's income from house property would be ₹ 2,10,000 (₹ 3,00,000 less 30% of net annual value). Since this is her only source of income, her gross total income/total income for A.Y.2023-24 would be ₹ 2,10,000, which is lower than the basic exemption limit. Hence, she is not required to file her return of income for A.Y.2023-24 as per section 139(1)(b), since her gross total income/total income does not exceed the basic exemption limit of ₹ 2,50,000.

However, clause (iv) to seventh proviso of section 139(1) provides that a person (other than a company or a firm) who is not required to furnish a return u/s 139(1) has to furnish return on or before the due date if he/she fulfills such other conditions as may be prescribed under Rule 12AB.

Rule 12AB, *inter alia*, prescribes that any person other than a company or a firm, who is not required to furnish a return under section 139(1), has to file income-tax return in the prescribed form and manner on or before the due date if, the aggregate of tax deducted at source and tax collected at source during the previous year, in case of such person, is ₹ 25,000 or more.

Accordingly, it has to be examined whether, in Mrs. Preeti's case, the requirement to file return for A.Y.2023-24 arises due to TDS/TCS, in her case, exceeding ₹ 25,000 in the P.Y.2022-23.

As per section 206C(1F), every person, being a seller, who receives any amount as consideration for sale of a motor vehicle of the value exceeding ₹ 10 lakhs, has to collect tax from the buyer @1% of the sale consideration.

Accordingly, dealer of the car is required to collect tax at source of ₹ 26,247 @1% on ex-showroom price i.e., ₹ 26,24,710 (₹ 29,52,000 – ₹ 2,15,000 – ₹ 51,575 – ₹ 25,255 – ₹ 35,460) from Mrs. Preeti, being the buyer of the car.

Hence, as per the seventh proviso to section 139(1) read with Rule 12AB, Mrs. Preeti is required to mandatorily file her return of income for A.Y.2023-24, even though her gross total income/total income does not exceed the basic exemption limit, since tax collected at source during the P.Y. 2022-23, in her case is ₹ 26,247 which exceeds the threshold of ₹ 25,000.

- (c) The CBDT has, vide *Circular No. 3/2022 dated 3.2.2022*, clarified that the applicability of the Most Favoured Nation (MFN) clause and benefit of the lower rate or restricted scope of source taxation rights in relation to certain items of income including dividends provided in India's DTAA with the third State (Country Y, in this case) will be available to the first (OECD) State (Country X, in this case) **only when all the following conditions are met:**

Condition	Satisfaction of condition in the case on hand
(i) The second treaty (with the third State) is entered into after the signature/ Entry into Force of the treaty between India and the first state	This condition is satisfied as India has entered into a DTAA with Country Y on 15.5.2018, after it has entered into a DTAA with Country X on 1.1.2018.
(ii) The second treaty is entered into between India and a State which is a member of the OECD at the time of signing the treaty with it;	This condition is satisfied as India has entered into a DTAA on 15.5.2018 with Country Y, which is a member of OECD since 2017. Hence, on 15.5.2018, Country Y was an OECD member.
(iii) India limits its taxing rights in the second treaty in relation to rate or scope of taxation in respect of relevant items of income	This condition is satisfied since in DTAA between India and Country Y, dividend is taxable@10%.
(iv) A separate notification has been issued by India, importing the benefits of the second treaty into the treaty with the first State as required by the provisions of section 90(1) of the Income-tax Act, 1961.	In this case, conditions (i), (ii) and (iii) mentioned above have been satisfied. The concessional rate of 10% can be applied for taxing the dividend received by Trimex Inc. from Red Ltd., an Indian company, only if India has issued a separate notification importing the benefits of India-Country Y tax treaty into India-Country X tax treaty, as required by the provisions of sections 90(1). If such notification has been issued, then, the concessional rate of 10% can be applied for taxing the dividend received by Trimex Inc. from Red Ltd., an Indian company; otherwise, it cannot be applied, even if other conditions are satisfied.

In case if Country Y became an OECD member only in the year 2020, then, the concessional rate of 10% cannot be applied for taxing dividend received by Trimex Inc. from Red Ltd., since Country Y was not an OECD member on 15.5.2018, at the time when India signed the DTAA with it. Consequently, condition (ii) mentioned above would not be satisfied in such a case. Hence, dividend received by Trimex Inc. from Red Ltd. would be subject to tax@15%.

5. (a) Dispute Resolution Committee (DRC) would resolve dispute in the case of a person who opts for dispute resolution under Chapter XIX-AA in respect of dispute arising from any variation in the specified order in his case and who fulfils the specified conditions. Specified order includes an assessment order passed under section 143(3), where the aggregate sum of variations made *vide* such order does not exceed ₹ 10 lakh; the total income as per such return furnished by the assessee for the assessment year relevant to such order does not exceed ₹ 50 lakhs and such order is not based on search or requisition or survey or any information received under a DTAA.

Accordingly, in the present case, Mr. Sharma can file an application before DRC, since the assessment order received on 26.11.2023 is a specified order and he satisfies the specified conditions on account of no order of detention being made and no prosecution proceedings being initiated or instituted against him. Non-levy of penalty under income-tax law is not a specified condition, therefore, the levy of penalty under section 271D on him does not result in non-compliance with the specified condition. Mr. Sharma has to file an application for resolution of dispute in the prescribed form on or before 25.12.2023 i.e., within one month from the date of receipt of the specified order.

However, once a modified order is passed by the DRC, no appeal or revision would lie against such order.

If assessment order is based upon the information received under an DTAA entered with India, Mr. Sharma, will **not** be eligible to make an application before DRC, since it is not a specified order.

- (b) (i) Yes, Mr. Arvind is required to file his return of income for A.Y.2023-24.

As per section 139(1)(b), an individual is required to file his return if his total income, without giving effect to deductions under, *inter alia*, Chapter VI-A and section 10AA, exceeds the basic exemption limit. In this case, Mr. Arvind's total income of ₹ 2,00,000 is lower than the basic exemption limit of ₹ 2,50,000. However, such person referred to in section 139(1)(b) who is not required to file his return on account of his total income being lower than the basic exemption limit would be required to file return of income if, *inter alia*, his turnover in business exceeds ₹ 60 lakhs. In this case, since Mr. Arvind's turnover from business for the P.Y.2022-23 is ₹ 70 lakhs, he has to file return of his income for A.Y.2023-24.

- (ii) Yes, Mr. Bipin is required to file his return of income for A.Y.2023-24.

Gift of ₹ 50 lakhs received from son is not taxable under section 56(2)(x) in the hands of Mr. Bipin, since his son is his relative, and gifts from a relative are excluded from the applicability of section 56(2)(x). The only income of Mr. Bipin for the P.Y.2022-23 would be interest on savings account for a period of 4 days from 28th March, 2023 to 31st March, 2023 on ₹ 50 lakhs, which would be lower than the basic exemption limit. As per section 139(1)(b), an individual is required to file his return if his total income exceeds the basic exemption limit. In this case, Mr. Bipin's total income is lower than the basic exemption limit of ₹ 2,50,000.

However, such person referred to in section 139(1)(b) who is not required to file his return on account of his total income being lower than the basic exemption limit would be required to file return of income if, *inter alia*, the deposit in his savings account is ₹ 50 lakhs or more during the previous year.

Since a deposit of ₹ 50 lakhs has been made in the savings account of Mr. Bipin in the P.Y.2022-23, he is required to file his return of income for A.Y.2023-24.

- (c) (i) (A) The statement is **not** correct.

The binding provision will not apply to an advance ruling pronounced by the Board of Advance Ruling. Therefore, the order passed by the Board for Advance Ruling is not binding on Mr. Shalin.

He may appeal to the High Court against such order within sixty days from the date of the communication of that order.

- (B) The statement is **not** correct.

A resident falling within any class or category of persons as notified by the Central Government i.e., a public sector undertaking can seek advance ruling even if question raised is pending before the Appellate Tribunal.

- (ii) M/s. Alpha LLC is an e-commerce operator since it is a non-resident owning and operating an online shopping app for facilitating sale of goods. Equalisation levy is attracted since it does not have a permanent establishment in India. Equalisation levy@2% is leviable on the amount of consideration received or receivable by M/s. Alpha LLC from online sale of goods facilitated by it to persons resident in India, since the aggregate consideration from such sale exceeds ₹ 2 crore in the F.Y.2022-23.

	Particulars	Amount in ₹
(a)	Receipts from sale of goods to persons resident in India using internet from India	196 lakhs
(b)	Receipts from persons resident in India, even if it is while visiting neighbouring countries	7 lakhs
Amount of consideration		203 lakhs

Equalisation levy = 2% of ₹ 203 lakhs = ₹ 4.06 lakhs.

6. (a) As per section 178, every person who is the liquidator of any company which is being wound up, whether under the orders of a Court or otherwise, is under a statutory obligation to give notice of such appointment within thirty days to the Assessing Officer who is entitled to assess the income of the company.

The liquidator is debarred from parting with the assets of company and its properties in his hands until he is notified by the Assessing Officer of the amount which will be sufficient to provide for any tax which is then, or is likely thereafter, to become payable by the company except with the prior approval of the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner and on being so notified, shall set aside an amount equal to the amount notified.

Consequences on failure to perform such obligations

If the liquidator fails to notify the Assessing Officer of his appointment within the time specified or fails to set aside the amount intimated by the Assessing Officer as being sufficient to provide for the tax liability of the company or parts with any of the assets or property of the company in his hands in contravention of the above provisions, he shall be personally liable for payment of the tax which the company would be liable to pay.

However, if the amount of any tax payable by the company is notified by the Assessing Officer, the personal liability of the liquidator shall be to the extent of such amount.

Failure to comply with the above requirement would be an offence punishable under section 276A.

(b) Computation of Tax Liability of Mr. Vikas & Mr. Vansh for the A.Y. 2023-24 as per regular provisions of Income-tax Act

Particulars	Mr. Vikas	Mr. Vansh
Income under the head "Salaries"		
Salary	13,00,000	13,00,000
Less: Standard deduction u/s 16(ia)	<u>50,000</u>	<u>50,000</u>
	12,50,000	12,50,000
Less: Set-off of loss from house property of ₹ 2,00,000, being deduction for interest on loan borrowed for self-occupied property u/s 24(b) allowable to the extent of ₹ 2,00,000	<u>-</u>	<u>2,00,000</u>
Gross Total Income/Total Income	12,50,000	10,50,000
Less: Deduction u/s VI-A		
Section 80D – Medical insurance premium	<u>24,000</u>	<u>-</u>
Tax Liability	12,26,000	10,50,000
Upto ₹ 2,50,000	Nil	Nil
₹ 2,50,001 to ₹ 5,00,000 @ 5%	12,500	12,500
₹ 5,00,001 to ₹ 10,00,000 @ 20%	1,00,000	1,00,000
Above ₹ 10,00,000 @30%	<u>67,800</u>	<u>15,000</u>
	1,80,300	1,27,500
Add: Health and Education cess @4%	<u>7,212</u>	<u>5,100</u>
Tax liability	1,87,512	1,32,600
Tax liability (rounded off)	1,87,510	1,32,600

Computation of Tax Liability of Mr. Vikas & Mr. Vansh for the A.Y. 2023-24 as per section 115BAC

Particulars	Mr. Vikas	Mr. Vansh
Total Income (computed as per regular provisions)	12,26,000	10,50,000
Add: Standard deduction u/s 16(ia) [Not allowable as deduction u/s 115BAC]	<u>50,000</u>	<u>50,000</u>
	12,76,000	11,00,000
Add: Set-off loss from house property in respect interest on loan for self-occupied property [not allowable as deduction u/s 115BAC]	<u>-</u>	<u>2,00,000</u>
	12,76,000	13,00,000
Add: Deduction under section 80D[Not allowable as deduction u/s 115BAC]	<u>24,000</u>	<u>-</u>
Total income as per section 115BAC	13,00,000	13,00,000
Tax Liability		
Upto ₹ 2,50,000	Nil	Nil
₹ 2,50,001 to ₹ 5,00,000 @ 5%	12,500	12,500
₹ 5,00,001 to ₹ 7,50,000 @ 10%	25,000	25,000
₹ 7,50,001 to ₹ 10,00,000 @ 15%	37,500	37,500
₹ 10,00,001 to ₹ 12,50,000 @ 20%	50,000	50,000

₹ 12,50,001 to ₹ 13,00,000 @ 25%	<u>12,500</u>	<u>12,500</u>
	1,37,500	1,37,500
Add: Health and education cess @4%	<u>5,500</u>	<u>5,500</u>
Tax Liability	1,43,000	1,43,000

Since tax liability of Mr. Vikas as per section 115BAC of ₹ 1,43,000 is lower than the tax liability of ₹ 1,87,510 computed as per the regular provisions of the Act, it is advisable for him to opt for section 115BAC.

However, in case of Mr. Vansh, since his tax liability as the normal provisions of ₹ 1,32,600 is lower than the tax liability of ₹ 1,43,000 as per section 115BAC, it is advisable for him not to opt for section 115BAC and pay tax as per regular provisions.

- (c) Two enterprises are deemed to be associated enterprises where one enterprise, directly or indirectly, holds shares carrying not less than 26% of the voting power in the other enterprise.

In this case, since Tick Ltd., a foreign company, holds 30% equity shares in Toe Ltd., an Indian company, Tick Ltd. and Toe Ltd. are deemed to be associated enterprises. Since the transaction of developing software and providing related support service by Toe Ltd. to Tick Ltd. is an international transaction between associated enterprises, the provisions of transfer pricing would be attracted in this case.

Computation of Arm's Length Price as per Cost Plus Method

Particulars	%	%
Gross Profit mark-up on cost in case of GN Ltd. Ltd. [an unrelated party]		40%
Less: Adjustments for functional and other differences		
- Value of technology support [Tick Ltd. provides technology support, but GN Ltd. does not provide such support. Therefore, value of technology support shall be adjusted] [15% of 40%, being gross profit]	6%	
- Quantity discount to Tick Ltd. [Quantity discount is allowed to Tick Ltd. as it gives business in large volumes, but the same is not provided to GN Ltd. Therefore, it shall be adjusted] [10% of 40%, being gross profit]	4%	
- Risk and cost associated with marketing [Toe Ltd. has to bear all the risk and costs associated with the marketing function in case of GN Ltd., while there is no such risk in case of services to Tick Ltd. Therefore, market risk and cost shall be adjusted] [20% of 40%, being gross profit]	8%	
		<u>18%</u>
		22%
Add: Cost of credit to Tick Ltd. [Toe Ltd has provided credit of 1 month to Tick Ltd. but not to the unrelated party. Therefore, adjustment for the cost of such credit has to be carried out to arrive at the ALP] [(5% of 40%, being gross profit)]		<u>2%</u>
Arm's length gross profit mark up to cost		<u>24%</u>
Cost incurred by Toe Ltd. for executing Tick Ltd.'s work		3,50,000
Add: Adjusted gross profit (₹ 3,50,000 x 24%)		<u>84,000</u>
Arm's length billed value		4,34,000
Less: Actual Billed Income from Tick Ltd. (₹ 2,500 x 150 man hours)		<u>3,75,000</u>
Total Income of Toe Ltd to be increased by		<u>59,000</u>