

MOCK TEST PAPER 2

FINAL COURSE: GROUP - II

PAPER – 7: DIRECT TAX LAWS AND 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 2023-24, unless stated otherwise in the question.

Total Marks: 100 Marks

Time Allowed: 3 Hours

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

XYZ Ltd., a company engaged in the business of manufacture of leather, has disclosed a net profit of ₹ 33 lakhs for the year ended 31st March, 2023, after debiting the following items of expenditure:

- (i) Depreciation as per the Companies Act, 2013 ₹ 15,20,000.
- (ii) Interest paid in dollars to MNO Inc., a foreign company, without deduction of tax at source ₹ 1,50,000. Such tax was, however, deducted on 10.4.2023 and remitted on 7.5.2023.
- (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, 2022 and put the same to use on 1st November, 2022. For this purpose, it borrowed ₹ 30,00,000 on 1st September, 2022 and paid interest@10% p.a. The company also purchased a motor car on 2nd October, 2019, which was put to use on the same date. The WDV of such motor car and plant & machinery (15%) as on 1.4.2022 is ₹ 3,43,000 and ₹ 95,00,000, respectively.

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

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.2023-24? Assume that such motor car is the only asset in the block.
 - (a) ₹ 28,42,500 and ₹ 75,862, respectively
 - (b) ₹ 17,28,750 and ₹ 82,556, respectively
 - (c) ₹ 21,33,750 and ₹ 1,02,900, respectively
 - (d) ₹ 21,25,000 and ₹ 1,24,950, respectively
2. What is the quantum of disallowance, if any, attracted for non-deduction of tax at source on interest paid to MNO Inc. during the P.Y.2023-24?
 - (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
3. What would be the deduction allowable u/s 35, if the company opts for the special provisions under section 115BAA?
- (a) Nil
 (b) ₹ 5,00,000
 (c) ₹ 3,00,000
 (d) ₹ 8,00,000
4. What would be the income under the head “Profits and gains of business and profession” of XYZ Ltd. for A.Y.2023-24, if the company does **not** opt for the special provisions under section 115BAA?
- (a) ₹ 27,33,350
 (b) ₹ 26,28,350
 (c) ₹ 26,08,350
 (d) ₹ 27,20,050
5. What would be the income chargeable under the head “Profits and gains of business and profession” of XYZ Ltd. for A.Y.2023-24, if the company opts for the special provisions under section 115BAA?
- (a) ₹ 38,13,350
 (b) ₹ 35,13,350
 (c) ₹ 36,38,350
 (d) ₹ 35,17,100

(2 x 5 = 10 Marks)

Case Scenario II

The following information pertains to Mr. Arihant, an Indian citizen, non-resident in India for the previous year 2022-23:

| | Particulars | ₹ | ₹ |
|-------|---|---|-----------|
| (i) | Dividend from MNO Ltd., an Indian Company (Gross) Less: Interest on loan taken for purchase of shares of MNO Ltd. | 1,25,000 <u>30,000</u> | 95,000 |
| (ii) | Interest on debentures of TLP Pvt. Ltd. (subscribed in convertible foreign exchange) Less: Interest on loan taken for purchase of debentures | 1,20,000 <u>20,000</u> | 1,00,000 |
| (iii) | Long-term capital gains on sale of debentures of XYZ Ltd. subscribed in convertible foreign currency: Sale on 15 th March 2023 Purchased on 10 th June, 2004 Less: Commission to brokers at the time of sale | 16,25,000 <u>4,50,000</u> 11,75,000 <u>7,000</u> | 11,68,000 |
| (iv) | Re-invested the sale proceeds of debentures for purchase of listed shares of an Indian company ABC Ltd. on 30 th April, 2023 | | 4,50,000 |

Cost Inflation Index: F.Y. 2004-05 - 113; F.Y.2022-23 – 331.

Based on the facts of the above case scenario, choose the most appropriate answer to Q. 6 to 10 below:

6. What is the amount of dividend taxable in the hands of Mr. Arihant and at what rate MNO Ltd. is required to deduct tax at source on dividend income distributed to Mr. Arihant?
- (a) ₹ 95,000 and 10%
 - (b) ₹ 1,00,000 and 10%
 - (c) ₹ 1,00,000 and 20.8%
 - (d) ₹ 1,25,000 and 20.8%
7. Assuming Mr. Arihant is a resident in India for the P.Y. 2022-23, determine the amount of dividend taxable in the hands of Mr. Arihant and at what rate MNO Ltd. is required to deduct tax at source on dividend income distributed to Mr. Arihant?
- (a) ₹ 95,000 and 10%
 - (b) ₹ 1,00,000 and 10%
 - (c) ₹ 1,00,000 and 20%
 - (d) ₹ 1,25,000 and 20%
8. What is the amount of interest on debentures of TLP Pvt. Ltd. taxable in the hands of Mr. Arihant and at what rate? Ignore surcharge and cess.
- (a) ₹ 1,20,000 taxable @20%
 - (b) ₹ 1,00,000 taxable @20%
 - (c) ₹ 1,00,000 taxable at normal rates of tax (slab rates)
 - (d) ₹ 1,20,000 taxable at normal rates of tax (slab rates)
9. What would be the amount of long-term capital gains taxable in the hands of Mr. Arihant on sale of debentures of XYZ Ltd., if he opts for the provisions of Chapter XII-A of the Income-tax Act, 1961? Ignore the effect of first proviso to section 48 (benefit of foreign currency conversion).
- (a) ₹ 11,68,000
 - (b) ₹ 8,43,155
 - (c) ₹ 8,49,615
 - (d) ₹ 8,44,554
10. Assuming that Mr. Arihant is a resident in India for the previous year 2022-23, what would be the amount of taxable capital gains on sale of debentures of XYZ Ltd. in the hands of Mr. Arihant?
- (a) ₹ 11,68,000
 - (b) ₹ 3,55,611
 - (c) ₹ 8,43,155
 - (d) ₹ 8,44,554
- (2 x 5 = 10 Marks)**
11. In the course of search operations under section 132 in May, 2023, Mr. Puri makes a declaration under section 132(4) on the earning of income in respect of P.Y. 2022-23 not disclosed in the books of account. Mr. Puri 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 31.7.2023. Is penalty leviable in this case, and if so, what is the quantum of penalty?
- (a) No penalty is leviable since Mr. Puri 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 **(2 Marks)**

12. Mr. Raghav, a resident, and Mr. John, a American citizen and a non-resident in India, are both sports commentators deriving income of ₹ 5 lakh from sports commentaries in India for A.Y.2023-24. Which of the following statements are correct?

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

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

(2 Marks)

13. Alpha Ltd., an Indian company, purchases coal from Beta Ltd., another Indian company, for ₹ 60 lakhs during the P.Y.2022-23, to manufacture steel. Alpha Ltd. furnishes a declaration that such coal is used to manufacture steel and not for trading. What are the TCS/TDS implications on such transaction, if the purchases were spread evenly throughout the year and Alpha Ltd.'s annual turnover was ranging between ₹ 12 crores and ₹ 15 crores; and Beta Ltd.'s annual turnover was ranging between ₹ 15 crores and ₹ 20 crores in the last few years?

- (a) Tax@1% has to be collected by Beta Ltd. on ₹ 60 lakhs under section 206C(1).
- (b) Tax@0.1% has to be collected by Beta Ltd. on ₹ 10 lakhs under section 206C(1H)
- (c) No tax has to be collected at source by Beta Ltd.; however, tax@0.1% has to be deducted under section 194Q by Alpha Ltd. on ₹ 10 lakhs.
- (d) No tax has to be collected at source by Alpha Ltd.; Alpha Ltd. also does not have to deduct tax at source.

(2 Marks)

14. A survey is conducted u/s 133A in the premises of Mr. Atharva and a search is conducted u/s 132 in the premises of his friend, Mr. Harish, on 1.5.2023. The Assessing Officer issued notices under section 148 for A.Y. 2020-21, A.Y.2021-22 and A.Y. 2022-23 to Mr. Atharva and Mr. Harish. However, such notices were not accompanied by the copy of an order passed under section 148A. Is the action of the Assessing Officer in issuing such notices under section 148 to Mr. Aarav and Mr. Arjun valid?

- (a) No; the action of the Assessing Officer in issuing such notices under section 148 is not valid in both cases.
- (b) Yes; the action of the Assessing Officer in issuing such notices under section 148 is valid in both cases.
- (c) Yes, the action of the Assessing Officer in issuing such notice under section 148 is valid in the case of Mr. Harish, but not in the case of Mr. Atharva.
- (d) Yes, the action of the Assessing Officer in issuing such notice under section 148 is valid in the case of Mr. Atharva, but not in the case of Mr. Harish

(2 Marks)

15. Mr. Suresh, a resident Indian aged 61 years, has income of ₹ 45 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-IB for A.Y. 2023-24. The profit from such business included in the business income is ₹ 20 lakhs. What would be the tax liability of Mr. Suresh, assuming that he has no other income during the P.Y. 2022-23 and he does not opt to pay tax as per section 115BAC.
- (a) ₹ 5,85,000
(b) ₹ 5,82,400
(c) ₹ 7,02,000
(d) ₹ 8,65,800

(2 Marks)

Division B – Descriptive Questions

Question No. 1 is compulsory

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

1. M/s Sunshine Industries Ltd., an Indian company, is engaged in assembling and manufacturing of automobiles and auto components in Pune, Maharashtra. The net profit after debit/credit of the following amounts to its Statement of Profit and Loss for the year ended 31-03-2023 was ₹ 9,50,00,000.
- (i) Depreciation calculated as per useful life of its assets ₹ 2,80,00,000.
(ii) Donation of ₹ 12,00,000 given to a political party by way of account payee cheque.
(iii) The company has paid ₹ 50,00,000 on 15-08-2022 to a research institution recognized and notified by the Central Government which has as its object, undertaking of scientific research.
(iv) Dividend received from foreign company of ₹ 15,00,000 in which it holds 30% of the equity share capital.
(v) Long-term capital gain of ₹ 4,00,000 on sale of equity shares on which STT was paid at the time of acquisition and sale.
(vi) Interest at 10% p.a. on ₹ 4,20,00,000, being amount borrowed from State Bank of India on 01-06-2022 for purchase of machinery. The interest outstanding as on 31-03-2023 was paid on 01-12-2023.
(vii) Profit of ₹ 8,00,000 on sale of a plot of land to PQR Limited, an Indian company, the entire shares of which are held by the Sunshine Industries Ltd. The plot was acquired on 30th June, 2021.
(viii) Salary of ₹ 1,00,00,000 to foreign technicians for installation of machinery at the factory premises was paid.
(ix) The company sold automobile parts for ₹ 22,00,000 to M/s ABC Co Engineers, a sole proprietary concern, on 01.11.2020. On 01.02.2023 ₹ 12,00,000 was written off in the books as bad debts. The sole proprietor died on 01.03.2023 and the company managed to collect ₹ 11,00,000 towards full and final settlement on 30.03.2023. The entire amount collected was shown as bad debts recovered and credited to Statement of Profit and Loss.

Additional Information:

1. Depreciation computed as per Income-tax Rules, 1962 is ₹ 1,50,00,000 other than on the additions in assets made during the year.
2. Additions made to the assets were as follows:
- (i) Office Building ₹ 3,00,00,000 - Put to use from 15-12-2022.
(ii) Computers ₹ 25,00,000 - Put to use on 11-05-2022.
(iii) Plant and machinery ₹ 5,00,00,000 - Installed and put to use on 01-01-2023.

3. The company declared and distributed dividend for the financial year 2022-23 on 31.5.2023 for ₹ 12,00,000.

Compute the total income of the company and tax liability for the assessment year 2023-24, assuming company opts for concessional tax regime under section 115BAA. Total turnover of the company for the P.Y. 2020-21 was ₹ 402 crores. **(14 Marks)**

2. (a) The profit and loss account of the Fast Forward & Associates, a partnership firm, showed a net profit of ₹ 80 lakhs after debiting/crediting of the following sums:
- (i) Interest on capital @13% - ₹ 7,15,000
 - (ii) Interest on loan taken from one of the partners@ 15% - ₹ 90,000
 - (iii) Interest on bank fixed deposits made out of surplus funds ₹ 35,000 (Gross)
 - (iv) Depreciation as per books of accounts ₹ 1,15,650
 - (vi) A building purchased in the year 2019 having a WDV as on 1.4.2022 of ₹ 36.45 lakhs was sold on 10.10.2022 for ₹ 90 lakhs. The differential amount was credited to profit and loss account. The building was the only asset in the block.

Additional Information:

- (a) The firm has four partners. Only 2 are working partners. Partnership deed authorises payment of interest to partners in the range of 12% - 16% and also payment of remuneration to all the four partners @ ₹ 20,000 per month. Remuneration paid to partners not debited to P& L A/c.
- (b) It applied for establishing a unit in SEZ and the letter of approval was granted on 30.3.2020. However, it started the operation of SEZ only on 15.10.2020. The total turnover, export turnover and net profit for the year ended 31.3.2023 were ₹ 120 lakhs, ₹ 40 lakhs and ₹ 7.5 lakhs respectively. The net profit is included in the profit of ₹ 80 lakhs mentioned above.
- (c) Out of the amount received from sale of building, the firm invested ₹ 60 lakhs on 5.4.2023 in 5-years specified bonds of the National Highways Authority of India. The bonds were issued on 31.5.2023.
- (d) Depreciation as per Income-tax Rules, 1962 is ₹ 14,000 excluding depreciation on assets mentioned in (e) and (f) below.
- (e) WDV of Motor car as on 1.4.2022 (purchased and put to use on 1.1.2020) of ₹ 6,80,000.
- (f) Cost of mobile phones (purchased and put to use on 11.10.2022) ₹ 20,000

Compute the total income of the firm for the A.Y. 2023-24 giving reasons/explanations for the treatment of each item under the normal provisions of the Act. **(8 Marks)**

- (b) Mr. Pradeep, aged 48 years, a resident individual has furnished the following details of income earned during the previous year 2022-23:

India

- (i) Income from a sole-proprietary business in Indore ₹ 80 lakhs.
- (ii) Share of profit from a partnership firm in Bhopal ₹ 20 lakhs.

Country G

- (iii) Agricultural Income (gross) from tea gardens of CGD 40000. Taxable @20%.
- (iv) Brought forward business loss of F.Y.2019-20 in Country G was CGD 5,200 which is not permitted to be set off against other income as per the laws of that country.

Country M

- (v) Dividend income (gross) of CMD 30,000. Taxable @10%.
- (vi) Rental Income of CMD 52,000 from house property. Taxable @15%. CMD 6,000 paid towards Municipal taxes in Country M. Municipal taxes are not allowed as deduction in Country M.

Other Information

- Mr. Pradeep has deposited ₹1,50,000 in public provident fund and paid medical insurance premium of ₹ 28,000 by account payee cheque to insure the health of himself and his wife (aged 48 years).
- India has no DTAA with Country G and Country M.

Compute total income and tax liability of Mr. Pradeep for the A.Y. 2023-24 after providing for deduction under section 91, assuming that 1 CGD/CMD = ₹70. Mr. Pradeep is not opting for section 115BAC.

(6 Marks)

3. (a) The Balance Sheet of M/s Ratan Charitable Trust as on 31.1.2023, and its other information is given hereunder:

| Particulars | ₹ in lakhs |
|---|-----------------------|
| <u>Liabilities</u> | |
| Capital fund | 800.00 |
| Sundry creditors | <u>335.00</u> |
| Total | <u>1135.00</u> |
| <u>Assets</u> | |
| Land (purchased in the year 2009) | 100.00 |
| Land and buildings purchased in the year 2016 | 800.00 |
| 2000 equity shares of ₹ 1000 each in M/s XP Ltd. shares are listed in Bombay Stock Exchange (at face value) | 20.00 |
| Balance in current account of a nationalized bank | 10.00 |
| Balanced in fixed deposits with scheduled banks | 200.00 |
| Cash in hand | 3.50 |
| Tax Deducted at Source | <u>1.50</u> |
| Total | <u>1135.00</u> |

The application for registration was made on 15-4-2012 and registration under section 12AA of the Income-tax Act, 1961 was granted on 1-7-2012 to M/s Ratan Charitable Trust. However, the registration was cancelled on 31-1-2023. An appeal was preferred against the order of cancellation, which was dismissed by the Appellate authorities. The order confirming the cancellation was received on 31-3-2023.

Additional Information:

- (1) Stamp duty value of the land (purchased in 2009) as on 31-1-2023 was ₹ 120.00 lakhs but if sold in the open market, the property would fetch ₹ 250 lakhs as per a registered valuer's certificate.
- (2) Land and building (purchased in 2016), if sold in the open market will fetch ₹ 1000 lakhs as per a registered valuer's certificate. Stamp duty value as on 31-1-2023 was ₹ 1050 lakhs.
- (3) The highest and lowest value per share of M/s XP Ltd. traded on 31-1-2023 was ₹ 1099 and ₹ 1051 respectively.

- (4) Sundry Creditors include ₹ 30 lakhs provided on estimated basis to contractors for which no bills are received.

Based on the above information, calculate the exit tax payable by the Charitable Trust and state the latest day on which the said tax has to be paid. Give working notes wherever necessary.

(8 Marks)

- (b) Fox Fire Inc., a foreign company, headquartered at USA, has a branch in India. For the financial year ended 31.03.2023, the branch has shown net profit of ₹ 28 lakhs after charge of the following expenses:
- (i) Depreciation for the current financial year of ₹ 15 lakhs.
 - (ii) Unabsorbed depreciation for previous financial year of ₹ 17 lakhs.
 - (iii) Capital Expenditure incurred for promoting family planning amongst its employees of ₹ 7 lakhs. ₹ 7 Lakhs is one fifth of the total expenditure incurred on promoting family planning.
 - (iv) Expenditure incurred for Scientific research ₹ 11 lakhs.
 - (v) Business loss brought forward for A.Y. 2022-23 of ₹ 25 lakhs.
 - (vi) Deductions under Chapter VI-A of ₹ 20 lakhs.
 - (vii) Head Office expenses of ₹ 120 lakhs allocated to the branch.

Compute income to be declared by the branch in its return for the Assessment Year 2023-24.

(6 Marks)

4. (a) Examine the applicability of provisions relating to deduction/collection of tax at source and compute the liability, if any, for deduction/collection of tax at source in the following cases for the financial year ended 31st March, 2023 as per the provisions contained under the Income-tax Act, 1961:
- (i) Mr. Swaraj remitted ₹ 7,80,000 through an authorized dealer under the Liberalised Remittance Scheme of RBI towards maintenance expenses of his son pursuing education in Canada. He also remitted ₹ 5,80,000 through the same authorized dealer for his son's education out of loan taken from his employer, TP Ltd., a manufacturing company.
 - (ii) Mr. Blue [E-commerce participant] sells goods worth ₹ 84 lakhs on e-commerce website of TIDE [E-commerce operator]. Mr. Blue has not furnished PAN or AADHAR no. to the e-commerce operator. He has furnished his return of Income for all the assessment years before the due date of filing return of Income.

(2 x 2 = 4 Marks)

- (b) Mr. Pradeep, a resident Indian aged 32 years, gifted a sum of ₹ 30 lakhs to his wife Mrs. Preeti on the occasion of her 30th birthday. Out of the said sum, Mrs. Preeti purchased a car for ₹ 29,52,000 inclusive of RTO charges of ₹ 2,15,000, insurance of ₹ 51,575, extended warranty of ₹ 25,255 and accessories charges of ₹ 35,460 during the P.Y. 2022-23. These charges were shown separately in the invoice. Mrs. Preeti furnished her Aadhaar No. to the dealer. She is a housewife and does not have any income except rental income of ₹ 25,000 p.m. in respect of a house property gifted to her by her father.

Mr. Pradeep is of the opinion that his wife is not required to furnish return of income, since her total income does not exceed the basic exemption limit. Examine.

(4 Marks)

- (c) Trimex Inc. incorporated in Country X, holds 27% controlling interest in Red Ltd., an Indian Company. Red Ltd. declared dividend of ₹ 50,00,000 during the P.Y. 2022-23. The DTAA between India and Country X, which came into force on 1.1.2018, provides for taxation of dividend @15%.

Thereafter, India entered into a DTAA with Country Y, which came into force from 15.5.2018. The India-Country Y DTAA, *inter alia*, provides for concessional tax rate of 10% in respect of dividend. Country X is an OECD member since 2015 and Country Y is also an OECD member since 2017.

Mr. Davis, CFO of Trimex Inc. seeks your opinion on whether the concessional tax rate provided in the DTAA between India and Country Y can be availed by a resident of Country X and if so, are there any further conditions to be satisfied in this regard. You may assume that the protocol annexed to India's DTAs with all OECD member countries contain the relevant tax parity clause.

Would your answer change, if Country Y had become an OECD member only in the year 2020?

(6 Marks)

5. (a) Mr. Sharma furnished his return of income for A.Y.2022-23 declaring total income of ₹ 28,00,000 for the A.Y. 2022-23. He received an assessment order under section 143(3) on 26.11.2023 enhancing the total income for the A.Y.2022-23 by ₹ 5,00,000. He is aggrieved by the said order and is desirous of knowing whether he can file an application before the Dispute Resolution Committee (DRC). He informs you that no order of detention has been made and no prosecution proceedings have been initiated or instituted against him under any law for the time being in force. However, penalty under section 271D has been levied on him for failure to comply with the provisions of section 269SS.

Can Mr. Sharma file an application before the DRC?

- (i) If yes, what is the time limit for making an application to DRC against such order under the Income-tax Act, 1961. He is also keen to know, whether, in case he is aggrieved by the order passed by the DRC, can he file appeal against such order of DRC?
- (ii) Would your answer be different, if assessment order is based on information received under a DTAA with Country X?

(4 Marks)

- (b) Examine whether the following persons are required to file return of income for A.Y.2023-24, giving brief reasons for your answer –

- (i) Mr. Arvind, aged 28 years, whose turnover from business is ₹ 70 lakhs for the P.Y.2022-23 and whose total income computed as per books of account is ₹ 2 lakhs. This is the first year of his business. He has no other income. He is not claiming any deduction under Chapter VI-A or section 10AA.
- (ii) Mr. Bipin, aged 52 years, who has deposited ₹ 50 lakhs in his savings bank account with SBI on 28th March, 2023. The said sum was received as a gift from his son, Mr. Shaurya, aged 25 years, who is employed in a company. Mr. Bipin used the said sum to purchase a flat for ₹ 30 lakhs on 25th April, 2023 for self-residence. The balance money was transferred to a 1-year fixed deposit on 28th April, 2023. Mr. Bipin does not maintain any other bank account. He is not in receipt of any other source of income other than interest on this fixed deposit.

(4 Marks)

- (c) (i) Explain the correctness or otherwise of the following statements giving proper reasons thereof:

(A) Mr. Shalin, a resident individual, is aggrieved by an order passed by the Board for Advance Ruling. Since the decision of the Board is binding on the applicant, he has no other option but to accept the ruling of the Board.

(B) M/s TNS Ltd., an Indian public sector company, wants to seek advance ruling from the Board for Advance Ruling (BAR) in respect of a matter relating to computation of its total income involving a question of law relating to such computation. However, the matter is already pending before the Income-tax Appellate Tribunal (ITAT) as on the date of application for advance ruling. It cannot seek the BAR ruling till the matter is pending before the ITAT.

(3 Marks)

- (ii) M/s Alpha LLC., a Singapore entity, owns and operates an online shopping app, Fitzone. On this platform, it facilitates the sale of various kinds of goods owned by different entities. M/s Alpha LLC does not have a permanent establishment in India. During the F.Y. 2022-23, it gives you the following details:

| Particulars | Amount In ₹ |
|---|-------------|
| Receipts from sale of good to persons resident in India using internet from India | 1,96,00,000 |
| Sale proceeds received from persons resident in India, while visiting some other neighboring countries. | 7,00,000 |

You are required to discuss the tax implications of these transactions in respect of M/s Alpha LLC.

(3 Marks)

6. (a) A liquidator is appointed by TPO Ltd. which is undergoing liquidation. What are the statutory obligations and restrictions on the part of the liquidator under the Income-tax Act, 1961 after being so appointed? What are the consequences if he fails to perform such obligations? **(4 Marks)**
- (b) Vikas (28 years) and Vansh (29 years) are two individuals, resident in India, and they earned salary of ₹ 13 lakhs each during the previous year 2022-23. Vansh had paid interest of ₹ 2,20,000 on loan taken in respect of a self-occupied house property. Vikas had paid ₹ 24,000 towards medical insurance of himself and his spouse. Payment was made through net banking.

You, as a consultant, are required to advise them whether they should opt for concessional rate of tax under section 115BAC or otherwise, showing the tax liability of both individuals. **(4 Marks)**

- (c) Tick Ltd., Australia, holds 30% equity shares in Toe Ltd., India. Toe Ltd. develops software and also provides the related support services. Toe Ltd. during the year billed Tick Ltd., Australia for 150 man-hours at the rate of ₹ 2,500 per man hour. The total cost (direct and indirect) for executing this work amounted to ₹ 3,50,000.

However, Toe Ltd. billed GN Ltd., India at the rate of ₹ 3,500 per man hour for the similar level of manpower and earned Gross Profit of 40% on its cost.

The transactions of Toe Ltd. with Tick Ltd. and GN Ltd. are comparable, subject to the following differences:

- (i) While Toe Ltd. also derives technological support from Tick Ltd., there is no such support from GN Ltd. The value of technological support received from Tick Ltd. may be put at 15% of normal gross profits,
- (ii) As Tick Ltd. gives business in large volumes, Toe Ltd. offered to Tick Ltd., a quantity discount which may be valued at 10% of the normal gross profits,
- (iii) In the case of rendering services to Tick Ltd., Toe Ltd. neither runs any risk nor incurs any marketing costs. On the other hand, in the case of services to GN Ltd., Toe Ltd. has to assume all the risks and costs associated with the marketing function which may be estimated at 20% of the normal gross profits,
- (iv) Toe Ltd. offered one month credit to Tick Ltd. The cost of providing such credit may be valued at 5% of the normal gross profits. No such credit was given to GN Ltd.

Compute the Arm's Length Price alongwith income to be adjusted under the cost plus method.

(6 Marks)