PAPER 2
DIRECT TAX LAWS

(DIRECT TAX LAWS & INTERNATIONAL TAXATION)

Time Allowed - 3 Hours | Maximum Marks - 100

Printed Pages- **18**

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 Question in Division A, working notes are not required.

All questions relate to Assessment Year 2019-20, unless stated otherwise in the question.

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 in this division are compulsory.

Question No. 1 (2 Marks)

ABC Ltd. owns the following assets on 01.04.2018:

Assets	Rate of Depreciation	WDV on 01.04.2018
Plant A	15%	3,50,000
Plant B	15%	1,75,000

On 10.06.2018, the company acquires Plant C for Rs. 25,000 (ROD 15%). The company sells the following assets during the previous year 2018-19:

Assets	Sale consideration	Expenses on transfer
Plant A	2,25,000	12,000
Plant B	3,50,000	-
Plant C	85,000	200

Determine the amount of depreciation and capital gains for the A.Y. 2019-20 in the hands of ABC Ltd. Further, is it possible for ABC Ltd. to avoid tax on capital gains?

(a) Depreciation: Nil and Short term capital gain: Rs.97,800. Further, it is not possible for ABC Ltd. to avoid tax on capital gains.

(b) Depreciation: Rs.82,500 and Short term capital gain: Rs.1,80,300. Further, it is not possible for ABC Ltd. to avoid tax on capital gains.

(c) Depreciation: Nil and Short term capital gain: Rs.1,10,000. Further, ABC Ltd. can avoid tax on capital gains if it purchases another plant (eligible for depreciation @15%) during the previous year 2018-19 of Rs.1,80,300 or more.

(d) Depreciation: Nil and Short term capital gain: Rs.97,800. Further, ABC Ltd. can avoid tax on capital gains if it purchases another plant (eligible for depreciation @15%) during the previous year 2018-19 of Rs.97,800 or more.

Question No. 2 (2 Marks)

PQR Ltd. took on sub-lease a building from Ms. Sara with effect from 1.7.2018 on a rent of Rs.20,000 per month. It also took on hire machinery from Ms. Sara with effect from 1.10.2018 on hire charges of Rs.15,000 per month. PQR Ltd. entered into two separate agreements with Ms. Sara for sub-lease of building and hiring of machinery. Which of the following statements are correct with reference to PQR Ltd.'s liability to deduct tax at source, assuming that one-month's rent was received as security deposit, which is refundable at the end of the lease period?

(a) No tax needs to be deducted at source since rent for building does not exceed Rs.1,80,000 p.a. and rent for machinery also does not exceed Rs.1,80,000 p.a. Security deposit refundable at the end of the lease term is not rent for the purpose of TDS

(b) Tax has to be deducted@10% on Rs.1,80,000 and @2% on Rs.90,000. Security deposit refundable at the end of the lease period is not rent.

(c) Tax has to be deducted@10% on rent of Rs.2,00,000 (including security deposit) for building, but no tax needs to be deducted on rent for machinery (including security deposit), since the same does not exceed Rs.1,80,000.

(d) Tax has to be deducted@10% on Rs.2,00,000 and @2% on Rs.1,05,000 (i.e. rent including security deposit)

Question No. 3 (2 Marks)

Music Academy, as per its rules, pays a fixed honorarium per concert to each musician performing in the concerts organised by it. Hari, a violinist, however, refuses to accept this sum. If he requests Music Academy to pay such sum directly to Aid Us, an unregistered institution providing relief to the poor and needy in rural India, what would be the tax consequence?

a) No amount would be chargeable to tax in the hands of Mr. Hari, since this is a case of diversion of income at source by overriding title.

b) The amount payable to Aid Us would be chargeable to tax only in the hands of Mr. Hari, since it is a case of application of income

c) The amount payable to Aid Us would be chargeable to tax only in the hands of the institution which has received the amount

d) The amount payable to Aid Us would be chargeable to tax both in the hands of Mr. Hari and in the hands of the institution.

Question No. 4 (2 Marks)

In October, 2014, Mr. Raghav, an Indian citizen who is a non-resident, bought 500 Global Depository Receipts (GDRs) of Alpha Limited, India, issued in accordance with the notified scheme of the Central Government against the company's initial issue of shares in foreign currency. In January, 2019, he sold 300 GDRs outside India to Mr. Joe, a citizen and resident of a country outside India and 200 GDRs to Mr. Kamal, a Resident but not ordinarily resident in India. What are the tax consequences of such sale transaction under the Income tax Act, 1961?

a) Capital gains arising on sale of 500 GDRs shall be subject to tax @20% with indexation benefit in India
b) No capital gains would arise on sale of 500 GDRs in India, since the GDRs are purchased in foreign currency
c) No capital gains would arise on sale of 300 GDRs, but capital gains arising on sale of 200 GDRs shall be taxed in India @10% without indexation benefit
d) No capital gains would arise on sale of 300 GDRs, but capital gains arising on sale of 200 GDRs shall be taxed @20% with indexation benefit in India

Question No. 5 (2 Marks)

The assessment of Satpura Ltd. was completed under section 143(3) with an addition of Rs.18 lakhs to the returned income. Satpura Ltd. preferred appeal before the Commissioner (Appeals) which is pending now. Which of the following statements is incorrect?

a) The A.O. can initiate reassessment proceedings in respect of income chargeable to tax which has escaped assessment, provided such income which has escaped assessment does not form part of the additions of Rs.18 lakhs to the returned income, which is the subject matter of appeal.
b) The A.O. can pass an order under 154(1) to rectify a mistake apparent from the record, provided the rectification is in relation to a matter, other than the matter which has been considered and decided in the appeal before Commissioner (Appeals).
c) Under section 264, the Commissioner can revise the order pending before the Commissioner (Appeals), if the revision pertains to a matter, other than the matter(s) covered in the appeal before Commissioner (Appeals)
d) Under section 263, if the order is prejudicial to the interests of the revenue, the Commissioner can revise the order pending before the Commissioner (Appeals), if the revision pertains to a matter, other than the matter(s) covered in the appeal before Commissioner (Appeals)

Question No. 6 (2 Marks)
Kamala charitable trust, registered u/s 12AA, having its main object as medical relief, earned dividend income of Rs.3 lakhs, income of Rs.2 lakhs from mutual funds registered under section 10(23D) and agricultural income of Rs.4 lakhs during the P.Y.2018-19. Which of the following statements is correct?

a) The trust has to apply such income for charitable purposes as per the provisions of section 11 to claim exemption in respect of such income.
b) The trust can claim exemption under section 10(1), 10(34) and 10(35) in respect of its agricultural income, dividend and income from mutual funds, respectively, without applying such income for charitable purposes.
c) The trust can claim exemption under sections 10(34) and 10(35) in respect of its dividend and income from mutual funds, respectively, without applying such income for charitable purposes. However, it cannot claim exemption under section 10(1) in respect of agricultural income without applying such income for charitable purposes.
d) The trust can claim exemption under section 10(1) in respect of its agricultural income without applying such income for charitable purposes. However, it cannot claim exemption in respect of its income from mutual funds registered under section 10(23D) and dividend income of Rs.3 lakhs without applying such income for charitable purposes.

Question No. 7 (2 Marks)
A REIT derives rental income of Rs.2 crore from real estate property directly owned by it and short term capital gains of Rs.1 crore on sale of developmental properties. It also receives interest income of Rs.3 crore from Gamma Ltd., an Indian company, in which it holds controlling interest. The REIT holds 80% of the shareholding of Gamma Ltd. Which of the following statements is correct?

a) All the above income are taxable in the hands of REIT

b) REIT enjoys pass through status in respect of the above income and hence, such income are taxable in the hands of the unit holders.

c) REIT enjoys pass through status in respect of interest income from Gamma Ltd. and hence, such income is taxable in the hands of the unit holders. Rental income and short-term capital gains are taxable in the hands of the REIT

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

Question No. 8 (2 Marks)

Mrs. Kavitha, wife of Mr. Sundar, is a partner in a firm. Her capital contribution of Rs.5 lakhs to the firm as on 1.4.2018 included Rs.3 lakhs contributed out of gift received from Sundar. On 2.4.2018, she further invested Rs.1 lakh out of gift received from Sundar. The firm paid interest on capital of Rs.60,000 and share of profit of Rs.50,000 during the F.Y.2018-19. The entire interest has been allowed as deduction in the hands of the firm. Which of the following statements is correct?

a) Share of profit is exempt but interest on capital is taxable in the hands of Mrs. Kavitha

b) Share of profit is exempt but interest of Rs.40,000 is includible in the income of Mr. Sundar and interest of Rs.20,000 is includible in the income of Mrs. Kavitha

c) Share of profit is exempt but interest of Rs.36,000 is includible in the income of Mr. Sundar and interest of Rs.24,000 is includible in the income of Mrs. Kavitha

d) Share of profit to the extent of Rs.30,000 and interest on capital to the extent of Rs.36,000 is includible in the hands of Mr. Sundar

Question No. 9 (2 Marks)

In the course of search operations under section 132 in the month of May, 2019, Mr. Aakash makes a declaration under section 132(4) on the earning of income not disclosed in respect of P.Y. 2018- 19. He also explains the manner in which he has derived such income and he pays the tax together with interest on such income and declares such income in the return of income filed by him in the month of July, 2019. Is penalty leviable in this case?

a) No penalty is attracted since Mr. Aakash has voluntarily made a declaration under section 132(4).

b) Penalty@10% of undisclosed income would be attracted even if Mr. Aakash has voluntarily made a declaration under section 132(4).

c) Penalty@30% of undisclosed income would be attracted even if Mr. Aakash has voluntarily made a declaration under section 132(4).

d) Penalty@60% of undisclosed income would be attracted even if Mr. Aakash has voluntarily made a declaration under section 132(4).

Question No. 10 (2 Marks)

An Assessing Officer entered a hotel run by a person, in respect of whom he exercises jurisdiction, at 8.30 p.m. for the purpose of collecting information, which may be useful for the purposes of the Act. The hotel is kept open for business every day between 8 a.m. and 10 p.m. As per the provisions of section 133B.

a) The A.O. cannot enter the premises at 8.30 p.m. since it is after sunset

b) The A.O. can enter premises at 8.30 p.m. and take away books of account kept at the hotel after taking prior approval of the Principal Chief Commissioner or Chief Commissioner.

c) The A.O. can enter premises at 8.30 p.m. and take away books of account kept at the hotel after recording reasons for doing so.

d) The A.O. can enter premises at 8.30 p.m. but cannot take away books of account kept at the hotel

Question No. 11 (1 Mark)

Distribution of assets at the time of liquidation of a company

a) is not a transfer in the hands of the company or the shareholders
b) is not a transfer in the hands of the company but capital gains is chargeable to tax on such distribution in the hands of the shareholders
c) is not a transfer in the hands of the shareholders but capital gains is chargeable to tax on such distribution in the hands of the company
d) is a transfer both in the hands of shareholders and company

Question No. 12 (1 Mark)

Mr. A, aged 32 years, is resident and ordinarily resident in India and is deputed to USA under employment. He has received salary equivalent to Rs.40 lakhs in USA. The income earned by him in India comprises only of interest on fixed deposits, which is below the maximum amount not chargeable to tax. Determine the taxability of Mr. A in respect of the abovementioned incomes;

a) Only interest income is taxable in India
b) Only salary income is taxable in India
c) Both interest income and salary income are taxable in India
d) He has no taxable income in India

Question No. 13 (1 Mark)

While conducting the tax audit of the assessee, M/s PQR Private Limited, you have observed that a payment is made towards installation of machinery by a company in its factory to a vendor, Mr. Raj amounting to Rs.45,000 and the company has not deducted any withholding tax on such payment. Determine the applicable section and the rate of TDS.

a) U/s 194J @10%
b) U/s 194C @2%
c) U/s 194C @1%
d) No TDS is applicable on said payment

Question No. 14 (1 Mark)

The objective of carrying out assessment u/s 147 is to bring under the tax net _________

a) Any money, bullion, jewellery, valuable article, etc. which are undisclosed
b) Any income which has escaped assessment
c) Any of the above
d) Both of the above

Question No. 15 (1 Mark)

As per section 115QA(3), tax to credit of Government in case of distributed income of domestic company for buy-back of shares shall be deposited within _________ days from date of payment of any consideration to the shareholder on buy-back of shares.

a) 7 days
b) 14 days
c) 10 days
d) 30 days

Question No. 16 (1 Mark)

If any person fails to keep and maintain any such information and document as required by sec. 92D in respect of an international transaction or specified domestic transaction, the Assessing Officer or Commissioner (Appeals) may direct that such person shall pay, by way of penalty, a sum equal to _____

a) Rs. 5,00,000
b) 2% of the value of each international transaction or specified domestic transaction entered into by such person
c) Rs. 1,00,000
d) 1% of the value of each international transaction or specified domestic transaction entered into by such person

Question No. 17 (1 Mark)

Mr. Hari, a salaried individual, pays rent of Rs.55,000 per month to Mr. Raghav from June, 2018. Which of the following statement is correct?

a) No tax is required to be deducted for F.Y.2018-19 since Mr. Hari is not subject to tax audit u/s 44AB
b) Mr. Hari has to deduct tax@5% from rent paid every month
c) Mr. Hari has to deduct tax@5% on the entire rent paid for F.Y.2018-19 from the rent payable for March, 2019
d) Mr. Hari has to deduct tax of Rs.55,000 from rent payable for March, 2019

Question No. 18 (1 Mark)

Mr. Aryan is constructing a residential house property in Mumbai for self-occupation. He has taken a loan of Rs.35 lakhs on 30.3.2018 for this purpose. He pays interest of Rs.3 lakhs during the P.Y.2018-19. He repays Rs.3 lakhs towards principal on 31.3.2019. The construction is completed in April, 2019. This is the only house property of Mr. Aryan. For A.Y.2019-20,

a) Mr. Aryan is entitled for deduction of Rs.2 lakhs under section 24 and Rs.1.50 lakhs under section 80C
b) Mr. Aryan is entitled for deduction of Rs.2 lakhs under section 24, Rs.50,000 under section 80EE and Rs.1.50 lakhs under section 80C.
c) Mr. Aryan is neither entitled for deduction under section 24 nor under section 80C. He is, however, entitled for deduction of Rs.50,000 under section 80EE.
d) Mr. Aryan is not entitled for deduction under section 24, section 80C and section 80EE.

Question No. 19 (1 Mark)

Himalaya Ltd. is an eligible start-up engaged in eligible business. Its gross total income included profits of Rs.25 lakhs from such business. The Assessing Officer made disallowance of Rs.3 lakhs under section 40(a)(ia) and of Rs.2 lakhs under section 43B. The deduction allowable under section 80-IAC would be –

a) Rs.25 lakhs
b) Rs.28 lakhs
c) Rs.30 lakhs
d) Rs.20 lakhs

Question No. 20 (1 Marks)

Mr. Anjan, a property dealer, sold a flat in Mumbai, the stamp duty of which is Rs.2 crores for Rs.1.80 crores to his friend Mr. Ashwin, a college lecturer. Mr. Anjan had purchased the flat one year back for Rs.1.50 crores and the stamp duty value on that date was also Rs.1.50 crores. What are the tax implications of such sale?

a) Rs.50 lakhs would be taxable as short-term capital gains in the hands of Mr. Anjan. There would be no tax implication in the hands of Mr. Ashwin
b) Rs.50 lakhs would be taxable as business income in the hands of Mr. Anjan. There would be no tax implication in the hands of Mr. Ashwin
c) Rs.50 lakhs would be taxable as business income in the hands of Mr. Anjan and Rs.20 lakhs would be taxable as income from other sources in the hands of Mr. Ashwin.
d) Rs.50 lakhs would be taxable as short-term capital gains in the hands of Mr. Anjan and Rs.20 lakhs would be taxable as income from other sources in the hands of Mr. Ashwin.

Division B – Descriptive Questions

Question No. **1** is compulsory

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

Question No. 1(a) (10 Marks)

The net profit of Phi Ltd. as per profit and loss account for the previous year 2018-19 is Rs. 200 lakhs after debiting/crediting the following items:

(i) Provision for income-tax: Rs. 17 lakhs
(ii) Dividend Distribution tax: Rs. 3 lakhs
(iii) Securities transaction tax: Rs. 2 lakh
(iv) Transfer to General Reserve: Rs. 5 lakhs
(v) Provision for deferred tax: Rs. 12 lakhs
(vi) Proposed Dividend: Rs. 6 lakhs
(vii) Preference Dividend: Rs. 4 lakhs
(viii) Provision for permanent diminution in value of investments: Rs. 3 lakhs
(ix) Provision for gratuity based on actuarial valuation: Rs. 7 lakhs
(x) Depreciation debited to Profit & Loss Account is Rs. 22 lakhs. This includes depreciation on revaluation of assets to the tune of Rs. 6 lakhs.
(xi) Agricultural income: Rs. 4 lakhs (Expenditure to earn agricultural income : Rs. 1 lakh)
(xii) Transfer from Special Reserve: Rs. 2 lakhs
(xiii) Transfer from Revaluation Reserve: Rs. 7 lakhs

Brought forward business losses and unabsorbed depreciation as per books of the company are as follows:

Previous year	Brought forward business loss (Rs. in lakhs)	Unabsorbed Depreciation (Rs. in lakhs)
2015-16	4	3
2016-17	3	-
2017-18	6	2

Compute the book profit of Phi Ltd. under section 115JB for the A.Y. 2019-20. Compute the tax liability of the company for the A.Y.2019-20, if the total income computed as per the provisions of the Income-tax Act, 1961 is Rs. 135 lakhs.

Question No. 1(b) (4 Marks)

A Ltd., a resident Indian company, on 1.4.2018 has borrowed Rs.100 crore from M/s Solid Inc., a company incorporated in US, at an interest rate of 9% p.a. The said loan is repayable over a period of 10 years. Further, loan is guaranteed by M/s X Inc incorporated in US. X Inc. holds share carrying 30% of voting power in A Ltd. The EBITDA of A Ltd. was Rs.10 crore. Calculate the amount of interest to be disallowed under the head "Profits and gains of business or profession" in the computation of A Ltd.

Question No. 2(a) (7 Marks)

Beta Limited has two units - one engaged in manufacture of computer hardware and the other involved in developing software. As a restructuring drive, the company has decided to sell its software unit as a going concern by way of slump sale for Rs. 700 lacs to a new company called Theta Limited, in which it holds 82% equity shares. The balance sheet of Beta limited as on 31st March 2019, being the date on which software unit has been transferred, is given hereunder –

Balance Sheet as on 31.3.2019

Liabilities	Rs. (in lacs)	Assets	Rs. (in lacs)
Paid up Share Capital	300	Fixed Assets	
General Reserve	150	Hardware unit	170
Share Premium	50	Software unit	200
Revaluation Reserve	120	Debtors	
Current Liabilities		Hardware unit	140
Hardware unit	40	Software unit	110
Software unit	90	Inventories	
		Hardware unit	95
	___	Software unit	35
	750		**750**

Additional Information:

(i) The Software unit is in existence since April, 2012.

(ii) Fixed assets of software unit includes land which was purchased at Rs. 40 lacs in the year 2007 and revalued at Rs. 60 lacs as on March 31, 2019.

(iii) Fixed assets of software unit mirrored at Rs. 140 lacs is written down value of depreciable assets as per books of account. However, the written down value of these assets under section 43(6) of the Income-tax Act, 1961 is Rs. 100 lacs.

(a) Ascertain the tax liability, which would arise from slump sale.

(b) What would be your advice as a tax-consultant to make the restructuring plan of the company more tax-savvy, without changing the amount of sale consideration?

Question No. 2(b) (4 Marks)
Anuradha, a resident individual aged 60 years and a retired employee of the Prasar Bharati, is a reputed singer deriving income of Rs. 1,00,000 from music concerts performed abroad. Tax of Rs. 10,000 was deducted in the country where the concerts were performed. India does not have any Double Taxation Avoidance Agreement under section 90 of the Income-tax Act, 1961, with that country. Her income in India amounted to Rs. 6,00,000. In view of tax planning, she has deposited Rs. 1,50,000 in Public Provident Fund and paid contribution to approved Pension Fund of LIC Rs. 25,000. She also paid Rs. 32,000 as mediclaim premium to insure her health and Rs. 31,000 to insure the health of her mother, a non-resident aged 79 years, who is not dependent on her. Compute the tax liability of Anuradha for the Assessment year 2019-20.

Question No. 2(c) (3 Marks)
Mr. Kumar, a non-resident individual, is due to receive interest of Rs.4 lakhs during February 2019 from a notified infrastructure debt fund eligible for exemption under section 10(47). He incurred expenditure amounting to Rs.15,000 for earning such income. Assuming that Mr. Kumar is a resident of a NJA, discuss the tax implications under section 94A, read with sections 115A and 194LB.

Question No. 3(a) (6 Marks)
NBR Medical Equipments Inc. (NBR) of Canada has received an order from a leading UK based Hospital for development of a hi-tech medical equipment which will integrate the best of software and latest medical examination tool to meet varied requirements. The order was for 3,00,000 Euros. To execute the order, NBR joined hands with its subsidiary Precision Components Inc. (PCI) of USA and Bioinformatics India Ltd. (BIL), an Indian Company; PCI holds 30% of BIL. NBR paid to PCI and BIL Euro 90,000 and Euro 1,00,000 respectively and kept the balance for itself. In the entire transaction, a profit of Euro 1,00,000 is earned. Bioinformatics India Ltd. Incurred a Total Cost of Euro 80,000 in execution of its work in the above contract. The relative contribution of NBR, PCI and BIL may be taken at 30%, 30% and 40% respectively. Compute the Arm's length Price and the incremental Total income of Bioinformatics India Ltd.

Question No. 3(b) (4 Marks)

Examine and explain in the context of provisions contained in the Act as to correctness of the action taken by the Assessing officer for making adjustments of the following items white assessing the book profits of "Sonu Pvt. Ltd" for the year ended 31.03.2019:

(i) Prior period expenses of Rs. 3 lacs debited in profit and loss account.

(ii) Depreciation @ 9.5%, as per rates prescribed under Schedule XIV of the Companies Act, 1956, on the car valuing Rs. 20 lacs purchased on 01-01-2019, charged for whole of the year in the profit & loss account.

Question No. 3(c) (2 Marks each)

(i) Company X borrowed money from Company Y and used it to buy shares in three 100% subsidiary companies of X. Though the fair market value per share was Rs. 100, X paid Rs. 600. The amount received by the said subsidiary companies was transferred back to another company connected to Y. The said shares were sold by X for Rs. 1000/5 each and a short term capital loss was claimed. This was set off against short-term capital gains from other sources. Al the companies are India Companies. Can GAAR be invoked?

(ii) Z Ltd., an Indian Company, is in the business of import and export of certain goods. It purchases goods from Country P and sells the same in country Q. It sets up a subsidiary in Country A- a zero/low tax jurisdiction. The director of Z Ltd. Finalizes the contracts in India but shows the documentation of the purchase and sale in Country A. The day to day management operations are carried out in India. The goods move from P directly to Q. The transactions are recorded in the books of subsidiary in country A, where the profits are tax exempt. Can GAAR be invoked?

Question No. 4(a) (7 Marks)

Massy incorporated, a foreign company furnishes the following data for the previous year ending 31.3.2019

S. No.	Particular	Rs.
(i)	Royalty from Indian concern under an agreement made on 15.9.1995 approved by Central Government	3,00,000
(ii)	Expenditures as per section 28 to 44C for earning such income	2,00,000
(iii)	Interest from an Indian company on money lent in foreign currency	11,00,000
(iv)	Expenditure on collection of above interest	50,000
(v)	Income from units purchased in foreign currency	5,00,000
(vi)	Collection charges for collecting above income	40,000

(vii)	Gross sale of business in India	30,00,000
(viii)	Expenditure as per section 28 to 44C for above business	28,00,000
(ix)	Short term capital gain referred to in section 111A	2,40,000
(x)	Sale of shares on 15.10.2018 through recognized stock exchange Rs. 6,00,000, the cost of share purchased on 1.5.2009 is Rs. 1,20,000. The securities transaction tax on such transaction has been paid. The fair market value of such shares as on 31.1.2018 was Rs 4,10,000	
(xi)	Interest on money lent in Indian currency Rs. 4,00,000. Collection charges incurred on collection of such interest Rs. 5000.	
(xii)	Donations to P.M.N.R.F.	10,00,000

Determine the total income of the foreign company and the tax payable by it. What would be the total income and the tax payable, if the donation was Rs. 7,95,000 instead of Rs. 10,00,000.

Question No. 4(b) (4 Marks)

During October 2018, a search was conducted under section 132 in the business premises of Mr. Q. At that time, the following assessments of Mr. Q were pending before the Assessing Officer; Assessment under section 143(3) for A.Y. 2016-17 and A.Y. 2017-18; and reassessment proceeding under section 147 for A.Y. 2015-16 Based on the above facts, you are required to explain the provisions applicable in case of the following:

(i) In respect of which assessment years can notice be issued for making post-search assessment?

(ii) Fate of pending assessments and reassessment.

(iii) State the consequence, if the post-search, assessment orders are annulled by the Income Tax Appellate Tribunal.

Question No. 4(c) (3 Marks)

Pramod, a resident individual of age of 52 years, has not furnished his return of income for the A.Y. 2018-19. However, his total income for such year as assessed u/s 143(3) is Rs. 14 Lakhs. Whether penalty u/s 270A attracted? If yes, what will be the quantum of penalty leviable? [Note: Assume that this is not a case of misreporting]

Question No. 5 (a) (2 Marks each)
Answer the following:

(i) X & Co. Diagnostic Centre P Ltd. Has claimed referral fee paid to doctors as revenue expenditure for the assessment year 2019-20. Tax has been deducted under section 194H of the IT Act, 196 for the said payments. The Assessing Officer proposes to disallow such expenditure. Examine the correctness of the action fo the Assessing Officer.

(ii) R Limited transferred a building worth Rs. 25 lakhs to the Chief Executive Officer, Mr. Mohan Lal, a resident individual on his retirement under an agreement for not carrying on any activity related to its business for a period of five years. In course of assessment under section 143(3), the Assessing Office found that no tax had been deducted at source by R Limited and on that ground, he disallowed the expenditure by invoking the provision of section 40(a)(ia), Examine the correctness of the action of the Assessing Officer.

(iii) Mr. Janak is proprietor of M/s. Yash Texnit which is engaged in garment manufacturing business. The entire block of Plant & Machinery chargeable to depreciation @ 15%, has 15 different machinery items as at 31-03-2019. One of the machinery used for packing had become absolete and was discarded by Mr. Janak in July' 14. Assessee filed its return for A.Y. 2019-20 claiming total depreciation of Rs. 40 lacs which includes Rs. 4.00 lacs beings the depreciation claimed on the machinery item discarded by Mr. Janak. The A.O. disallowed the claim of depreciation of Rs. 4.00 lacs during the course of scrutiny assessment. Comment on the validity of action taken by A.O.

Question No. 5 (b) (2 Marks each)
Explain in brief, the treatment as to the taxability and/or allowability, under the provisions of income-tax Act, 1961, for the assessment year 2019-20, in the following case:

(i) 'A' Ltd., an investment company, received dividend income of Rs.1,00,000 on its investment in shares in domestic companies. It incurred interest expenditure of Rs. 2,00,000 on the borrowed capital utilized in the investment of shares.

(ii) 'B' Ltd is a company engaged in the business of financing and investment in shares. It suffered loss of Rs. 3,00,000 on account of futures and options, a transaction in the form of derivatives in which the underlying asset was shares

Question No. 5 (c) (4 Marks)
AUM Enterprises, a partnership firm, filed its return of income for the A.Y. 2016-17 on 30-07-2016. The assessment u/s 143(3) was completed on 15th June, 2018 and the A.O made two additions to the income of assessee, namely,

(i) Addition of Rs. 8 Lakhs for unexplained cash credit u/s 68 and
(ii) Addition of Rs. 3 lakhs u/s 40(a)(ia) due to non-furnishing of the evidence of TDS payment.

The assessee, being aggrieved, contested the addition of Rs. 8 Lakhs u/s 68 and appeal to the CIT (A). The appeal was decided on 5th January, 2019 against the assessee. Now, the assessee seeks your advice as to 'whether it should apply for revision to CIT u/s 264 or for rectification u/s 154 to the A.O. as regards disallowance u/s 40(a)(ia). Advise.

Question No. 6 (a) (7 Marks)
R Ltd. Which owns industrial undertaking manufacturing chemicals in Delhi owns the followings assets:

(i)	Plant and Machinery	WDV as on 1.4.2018 Rs. 21,00,000
(ii)	Building	WDV as on 1.4.2018 Rs. 12,00,000
(iii)	Furniture and Fixtures	WDV as on 1.4.2018 Rs. 50,000
(iv)	Industrial land	Cost of acquisition in 1998 was Rs. 6,00,000 but market value as on 1.4.2001 was Rs. 10,90,000

As per the policy of the Government, R Ltd. Is shifting the industrial undertaking from Delhi, which is an urban area to other area. The Company sells all the assets which it owns and purchase a new building and plant and machinery in the other area. The sale consideration of the assets sold during the previous year 2018-19 is as under:

		Rs.
(i)	Plant & Machinery	30,00,000
(ii)	Building	40,00,000
(iii)	Furniture & Fixtures	60,000
(iv)	Industrial Land	38,00,000
The new assets acquired during the period 1.1.2019 to 30.9.2019 are as under		
(i)	Plant & Machinery	17,00,000
(ii)	Buildings	31,60,000

Compute the capital gain chargeable to tax for the assessment year 2019-20.

Question No. 6 (b) (3 Marks)

From the following information compute the tax payable by R for the assessment year 2019-20:

1) Listed shares purchased on 31.8.2002 for Rs. 40,000 sold for Rs. 4,00,000 on 1.11.2018 through a recognised stock exchange FMV as on 31.1.2018 Rs. 2,70,000
2) Gold ornaments purchased for Rs. 2,00,000 on 1.9.2001 sold for Rs. 5,50,000 on 1.12.2018
3) His gross salary for the previous year ending 31.3.2019 was Rs. 5,00,000

Question No. 6 (c) (2 Marks)

In course of scrutiny assessment of Mr. X, the Assessing officer, on the basis of information available with him sought an explanation for the source of the expenditure of Rs. 20 lakhs incurred on the wedding of his daughter. The said expenditure was neither recorded in the books of account maintained nor was the explanation offered by Mr. X satisfactory. What are the consequences?

Question No. 6 (d) (2 Marks)

X carrying on a business as sole proprietor, died on 31.3.2018 On his death, the same business was continued by his legal heirs, by forming a firm. As on 31.3.2018, a determined business loss of Rs. 5 lacs is to be carried forward under the Income-tax Act, 1961.

Does the firm consisting of all legal heirs of Mr. X, get a right to have this loss adjusted against its current income?

COST INFLATION INDEX TABLE

FY	CII	FY	CII	FY	CII	FY	CII	FY	CII	FY	CII
2001-02	100	2004-05	113	2007-08	129	2010-11	167	2013-14	220	2016-17	264
2002-03	105	2005-06	117	2008-09	137	2011-12	184	2014-15	240	2017-18	272
2003-04	109	2006-07	122	2009-10	148	2012-13	200	2015-16	254	2018-19	280

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DIRECT TAX

Mode	Start	End	Hours	Timings	Fees*
Face to Face	01.05.19	31.07.19	200	7-11am (M.W.F Sun)	15,000/-

INDIRECT TAX

Mode	Start	End	Hours	Timings	Fees*
Face to Face	02.05.19	31.07.19	160	7-11am (T.T.S)	15,000/-

CA FINAL : CRASH COURSE NOV 19 EXAM

DIRECT TAX

Mode	Start	End	Hours	Timings	Fees*
Face to Face	05.08.19	16.08.19	80	7.30am 4.00pm (10 Days)	8000/-

INDIRECT TAX

Mode	Start	End	Hours	Timings	Fees*
Face to Face	19.08.19	29.08.19	80	7.30am 4.00pm (10 Days)	8000/-

CA INTER : REGULAR COURSE NOV 19 EXAM

TAXATION

Mode	Start	End	Hours	Timing	Fees
Face to Face	02.09.019	05.10.19	120	7.00 to 11:00am	10000/-

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