

Note - Following questions are new and not included in compact:

MCQs – No. 1, 24, 27, 46, 48, 54, 57, 83 and 101 to 120.

Case Scenarios – No. 9, 18, 26 and 31 to 40.

Multiple Choice Questions
For May and November 2022 students

S. No.	Explanations																																																												
1	<p>Depreciation rate for Motor Vehicles used in a business of running on hire is 30% (45% if acquired and put to use between 23.08.19 to 31.03.2020) Depreciation rate for Other Motor Vehicles is 15% (30% if acquired and put to use between 23.08.19 to 31.03.2020) Therefore, depreciation on assets purchased on 01.11.2019 will be charged at special rates @45% and 30% for Mr. Akash and Mr. Vikash respectively.</p> <p>Calculation of Depreciation allowable for FY 2021-22-</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Particulars</th> <th style="text-align: center;">Mr. Akash</th> <th style="text-align: center;">Mr. Vikas</th> </tr> </thead> <tbody> <tr> <td>WDV as on 01.04.2019</td> <td style="text-align: right;">₹ 50,00,000.00</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Add: Put to use for less than 180 days (01.11.2019)</td> <td style="text-align: right;">₹ 5,00,000.00</td> <td style="text-align: right;">₹ 5,00,000.00</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">₹ 55,00,000.00</td> <td style="text-align: right;">₹ 5,00,000.00</td> </tr> <tr> <td>Depreciation</td> <td></td> <td></td> </tr> <tr> <td> `-On Opening WDV</td> <td style="text-align: right;">₹ 15,00,000.00</td> <td style="text-align: center;">₹ -</td> </tr> <tr> <td> `-On asset put to use on 01.11.2019 at special rate for half year</td> <td style="text-align: right;">₹ 1,12,500.00</td> <td style="text-align: right;">₹ 75,000.00</td> </tr> <tr> <td>WDV as on 01.04.2020</td> <td></td> <td></td> </tr> <tr> <td> `On normal asset</td> <td style="text-align: right;">₹ 35,00,000.00</td> <td style="text-align: center;">₹ -</td> </tr> <tr> <td> `Special rate asset</td> <td style="text-align: right;">₹ 3,87,500.00</td> <td style="text-align: right;">₹ 4,25,000.00</td> </tr> <tr> <td>Depreciation</td> <td></td> <td></td> </tr> <tr> <td> `Normal assets</td> <td style="text-align: right;">₹ 10,50,000.00</td> <td style="text-align: center;">₹ -</td> </tr> <tr> <td> `Special rate assets</td> <td style="text-align: right;">₹ 1,74,375.00</td> <td style="text-align: right;">₹ 1,27,500.00</td> </tr> <tr> <td>WDV as on 01.04.2021</td> <td></td> <td></td> </tr> <tr> <td> `Normal assets</td> <td style="text-align: right;">₹ 24,50,000.00</td> <td style="text-align: center;">₹ -</td> </tr> <tr> <td> `Special rate assets</td> <td style="text-align: right;">₹ 2,13,125.00</td> <td style="text-align: right;">₹ 2,97,500.00</td> </tr> <tr> <td>Depreciation</td> <td></td> <td></td> </tr> <tr> <td> `Normal assets</td> <td style="text-align: right;">₹ 7,35,000.00</td> <td style="text-align: center;">₹ -</td> </tr> <tr> <td> `Special rate assets</td> <td style="text-align: right;">₹ 95,906.00</td> <td style="text-align: right;">₹ 89,250.00</td> </tr> <tr> <td>Total Depreciation allowable for FY 2021-22</td> <td style="text-align: right;">₹ 8,30,906.00</td> <td style="text-align: right;">₹ 89,250.00</td> </tr> </tbody> </table>	Particulars	Mr. Akash	Mr. Vikas	WDV as on 01.04.2019	₹ 50,00,000.00	-	Add: Put to use for less than 180 days (01.11.2019)	₹ 5,00,000.00	₹ 5,00,000.00	Total	₹ 55,00,000.00	₹ 5,00,000.00	Depreciation			`-On Opening WDV	₹ 15,00,000.00	₹ -	`-On asset put to use on 01.11.2019 at special rate for half year	₹ 1,12,500.00	₹ 75,000.00	WDV as on 01.04.2020			`On normal asset	₹ 35,00,000.00	₹ -	`Special rate asset	₹ 3,87,500.00	₹ 4,25,000.00	Depreciation			`Normal assets	₹ 10,50,000.00	₹ -	`Special rate assets	₹ 1,74,375.00	₹ 1,27,500.00	WDV as on 01.04.2021			`Normal assets	₹ 24,50,000.00	₹ -	`Special rate assets	₹ 2,13,125.00	₹ 2,97,500.00	Depreciation			`Normal assets	₹ 7,35,000.00	₹ -	`Special rate assets	₹ 95,906.00	₹ 89,250.00	Total Depreciation allowable for FY 2021-22	₹ 8,30,906.00	₹ 89,250.00
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2	Mr. Aarav is eligible for presumptive taxation as per Sec 44AD, since his turnover is																																																												

upto 2Cr.

Presumptive PGBP income = Turnover/ Gross Receipt x 8% but if turnover or gross receipt is received by account payee cheque/DD/ECS upto due date of return of return filing then PGBP Income = Turnover/ Gross Receipts * 6%.

Mr. Vishal is engaged in legal profession and his Gross receipt is upto 50 lacs then he is eligible for Presumptive basis for profession. PGBP income = Gross receipts * 50%.

Both Mr. Aarav and Mr. Vishal have not got the books of a/c audited and do not intend to do in future so they can opt for presumptive taxation.

Mr. Aarav Income 12,40,000 i.e. [(6% of 1,80,00,000) +(8% of 20,00,000)]

Mr. Vishal Income 25,00,000 i.e. (50% of 50,00,000)

3 Sec 54 provides exemption on Capital gain on sale of Residential house property used by individual/ HUF. if assessee purchase One House property in India within 1 year before or 2 years after the date of transfer or complete construction in India within 3 years after date of transfer. then Capital gain is exempt to the extent purchase/ construction of new House property.

W.E.F. from AY 2020-21, if LTCG is upto 2 Crores then assessee can acquire 2 Residential houseproperties in prescribed time limits. (Added by FA 2019).

For claiming exemption u/s 54EC, Assessee has to invest in NHAI/RECL/PFCL/RFCL within 6 months from the date of transfer. assessee can claim maximum exemption of Rs. 50 lacs.

Particulars	Mr. Vishal	Mr. Guha
FVOC	₹ 3,00,00,000.00	₹ 4,00,00,000.00
Indexed Cost of Acquisition	₹ 1,00,00,000.00	₹ 1,75,00,000.00
Long term Capital Gain	₹ 2,00,00,000.00	₹ 2,25,00,000.00
Less: Exemptions		
U/s 54		
Since capital gain is up to 2 crores, benefit of both the properties will be available	₹ 1,50,00,000.00	
Since capital gain exceeds 2 crores, benefit of only one the property will be available		₹ 80,00,000.00
U/s 54EC (Max. 50 lakhs)		
Bonds of NHAI	₹ 30,00,000.00	₹ 30,00,000.00
Bonds of RECL	₹ 20,00,000.00	₹ 20,00,000.00
Long term Capital Gain after exemption	₹ -	₹ 95,00,000.00

4 As per the section 194H, any person making payment of any income in respect of commission/brokerage is required to deduct TDS. In case of Individual/ Hindu

	<p>Undivided Family (HUF) provisions of section 194H applies only if the total Turnover exceeds 1 crore in case of business or gross receipts exceeds fifty lakhs in case of profession.</p> <p>However, as per sec 194M Individual or HUF (other than covered u/s 194C,194H,194J) make a payment to resident person for contract, commission, brokerage or fees for professional service then TDS @5% required to be deducted if aggregate of sum paid/credited is more than 50,00,000.</p> <p>TDS under Section 194C is not liable for deduction if the payment for contract is made for personal purpose of individual / HUF.</p> <p>In the given case, 194H is not applicable to Mr. Hari as his gross receipts does not exceed 50 lakhs (declaring profit u/s 44ADA). Further, 194C is also not applicable.</p> <p>Further, since the payment made to Mr. Lal and Mr. Shyam individually does not exceed 50 lakhs, therefore no TDS is to be deducted u/s 194M.</p>
5	<p>As per sec 10(6)(vi) following conditions are required to be fulfilled to claim exemption -</p> <ul style="list-style-type: none"> (i) Foreign entity is not engaged in any trade or business in India. (ii) His stay in India does not exceed the aggregate period of 90 days in such PY. (iii) Such remuneration is not liable to be deducted from the income of employer chargeable under this act. <p>There is no such condition that Mr. X or employee should not be engaged in any trade or business in India</p>
6	<p>As per seventh proviso of sec 139(1) (Added by FA 2019)</p> <ul style="list-style-type: none"> (i) has deposited an amount or aggregate of the amounts exceeding one crore rupees in one or more current accounts maintained with a banking company or a co-operative bank; or (ii) has incurred expenditure of an amount or aggregate of the amounts exceeding two lakh rupees for himself or any other person for travel to a foreign country; or (iii) has incurred expenditure of an amount or aggregate of the amounts exceeding one lakh rupees towards consumption of electricity; (iv) or fulfils any other condition as may be prescribed. <p>In this case, Total electricity expenditure is 1,20,000 (10,000 * 12)</p> <p>As per sec 139(1), for individual if GTI (before claiming exemption u/s 54, 54B, 54D, 54EC, 54F, 54G, 54GA, 54GB) > basic exemption, then return filing is compulsory. Mr Ram was born on 01.04.1962. On 31.03.2022, his age will be considered as 60 years based on CBDT Circular. So, for Mr. Ram basic exemption limit is 3,00,000.</p> <p>Hence, Mr Ram is required to file his return of income since he pays electricity bills of Rs. 10,000 per month (Rs. 1.20 Lakhs per annum) which is more than threshold of Rs. 1 lakh.</p>

7	<p>As per Sec 253, any order of CIT/CCIT/DIT/DGIT can be appealed against ITAT. Appeal to ITAT has to be filed within 60 Days from date of receipt of a copy of order sought to be appealed against.</p>
8	<p>Ms. Aparna and Ms. Dimple both are Non-Resident as per section 6. As per sec 47(viia), transfer of rupee denominated bond of Indian company by one NR to another NR Outside India is not a transfer and hence, capital Gain not applicable in this case.</p>
9	<p>As per the section 194H, any person making payment of any income in respect of commission/brokerage is required to deduct TDS. In case of Individual/Hindu Undivided Family (HUF) provisions of section 194H applies only if the total Turnover exceeds 1 crore in case of business or gross receipts exceeds fifty lakhs in case of profession.</p> <p>However, as per sec 194M Individual or HUF (other than covered u/s 194C,194H,194J) make a payment to resident person for contract, commission, brokerage or fees for professional service then TDS @5% required to be deducted if aggregate of sum paid/credited is more than 50,00,000.</p> <p>So, Sanjay is not required to deduct TDS on brokerage amount under Section 194H since he is a salaried Individual and not required to deduct tax under Section 194M since the brokerage amount not exceeding the threshold limit.</p> <p>TDS under Section 194C is not liable for deduction if the payment for contract is made for personal purpose.</p> <p>However, if payment exceeds 50,00,000, then TDS under Section 194M is required to be deducted. Hence, Mr. Hari is required to deduct tax under Section 194M.</p>
10	<p>As per sec 194DA, TDS is required to be deducted on receipt of maturity proceeds of a life insurance policy on income portion @5% if policy matured on or after 01.09.2019.</p> <p>No TDS if amount exempted u/s 10(10D) and Amount less than Rs. 1,00,000.</p> <p>TDS not required to be deducted in case of Mr Rajesh because it is exempted u/s 10(10D) as Policy has been taken before 01.04.2012 and premium paid is not exceeding 20% of policy value.</p> <p>TDS required to be deducted in case of Mr Brijesh as policy has been taken on or after 01.04.2012 and premium paid is exceeding 10% of policy value.</p> <p>TDS = 10,500 i.e., 5% of 2,10,000 [12,00,000 - 9,90,000 (1,10,000 * 9)] Note - 9 years has been calculated as 01.04.2012 to 01.04.2021.</p>
11	<p>As per sec 44B and 44BBA, when Non-Resident is engaged in shipping Business and operation of aircraft respectively, then presumptive income is 7.5% of specified sum for Shipping Business and 5% of specified sum for operation of aircraft.</p> <p>Specified sum means -</p>

	<p>1. the amount paid or payable (whether in or out of India) to the assessee or to any person on his behalf on account of the carriage of passengers, livestock, mail or goods from any port in India; and</p> <p>2. the amount received or deemed to be received in India by or on behalf of the assessee on account of the carriage of passengers, livestock, mail or goods from any port outside India.</p> <table border="1"> <tr> <td>Shipping Business</td> <td>Operation of aircraft</td> </tr> <tr> <td>7.5% of (2000000 + 500000 + 700000) i.e., Rs. 2,40,000</td> <td>5% of (1500000 + 400000 + 800000) i.e., Rs. 1,35,000</td> </tr> </table>	Shipping Business	Operation of aircraft	7.5% of (2000000 + 500000 + 700000) i.e., Rs. 2,40,000	5% of (1500000 + 400000 + 800000) i.e., Rs. 1,35,000
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12	<p>As per Section 92CE and Rule 10CB, If Primary adjustment made by AO and excess money or part thereof not repatriated within 90 days from the date of order, then interest shall be calculated and added as part of income.</p> <p>Where the international transaction is denominated in foreign currency then interest at six- month LIBOR as on 30th September of relevant PY+3% shall be added as part of income.</p> <p>Hence, interest rate would be 13% = (10%+3%)</p> <p>As per section 92CE(2A) Assessee can pay additional Income tax @20.9664% instead of secondary adjustment.</p> <p>Excess money = 1,38,00,000</p> <p>Interest = 1,38,00,000 x 13/100 x 273/365 = 13.418 Lakhs</p> <p>Note – 273 days has been calculated from 02.07.2021 to 31.03.2022</p>				
13	<p>Surcharge to individual, HUF, AOP, BOI and Artificial Judicial Person assessee will be 15% on taxon Dividend Income & capital gains u/s 111A & 112A where total income including such capital gains exceed Rs. 2 Cr.</p> <p>Surcharge on tax on remaining total income will also be 15% in case total income of assessee exceeds 2 Crores and not 5 crores due to 111A or 112A or Dividend Income.</p>				
14	<p>As per Section 115UB, PGBP income of investment funds is taxable in hands of investment funds.</p> <p>As per amendment made by FA 2019, Losses other than PGBP of Investment Fund shall be distributed to unit holders and unit holder can set off and carry forward such loss if unit holder hold such units for 12 months or more. So, long term capital loss of Rs. 3 Crores shall be carrying forward by unit holders.</p>				
15	<p>Provisions of section 115QA were initially applicable only to unlisted companies. However, vide the Finance (No. 2) Act, 2019, the provisions of section 115QA are amended and the same is made applicable to the listed companies also.</p> <p>As per Sec 115QA, rate of tax is 23.296% (Tax Rate applicable is 20% plus 12 % SC plus 4% HEC). Amount received by shareholders is exempt u/s 10(34A).</p>				
16	<p>Mr. Ganesh (Age 60 years 9 months) –</p> <p>Tax as per Slab Rate:</p> <ul style="list-style-type: none"> • Upto 3 Lakhs – Tax Amount Nil • From 3 – 5 Lakhs– Tax Amount (2 Lakhs x 5% = 10,000) • From 5 – 8 Lakhs– Tax Amount (3 Lakhs x 20% = 60,000) • Total Tax = 70,000 + HEC @ 4% = 72,800 <p>Penalty under Sec 270A = 50% of tax payable = 36,400</p>				

	<p>Mr. Rajesh – Since his age is 80 years completed on 31-03-2021 (as per CBDT Circular), he will get the basic exemption of 5 Lakhs, and hence no tax is payable.</p>
17	<p>When Royalty or Fees for technical service received by Non-Resident or Foreign Company which has – PE in India – Section 44DA is applicable No PE in India -Section 115A is applicable Section 115A – 10% on Gross FTS = 200000 + Cess 4% = 2,08,000 Sec 44DA – Net Income = 20 Lakhs – 3 Lakhs (Expenditure wholly and exclusively connected with fixed place of profession in India is allowed) = 17,00,000 taxable @ 30% + 4% Cess = 5,30,400</p> <p>Expenditure wholly and exclusively not connected with fixed place of profession in India and Amount paid by fixed place of profession to Head Office otherwise than towards reimbursement of actual expenses is disallowed.</p>
18	<p>As per Section 94B, in case of the debt is issued by a lender which is not associated but an associated enterprise either provides an implicit or explicit guarantee to such lender or deposits a corresponding and matching amount of funds with the lender, such debt shall be deemed to have been issued by an associated enterprise. Hence, C Ltd. and E Ltd. both are associated enterprises.</p> <p>Lower of the following will be disallowed – 1. Total Interest – 30% of EBITDA 2. Interest paid to AE</p> <p>Alternate View = Allowed interest is 30% of EBITDA Here. As per both views, disallowed interest would be 5 Crores.</p>
19	<p>As per Section 10(4C), interest is exempted on RDB issued between 17/09/18 to 31/03/2019. Hence, only N Ltd. Is required to deduct TDS in this case.</p>
20	<p>Range concept is applicable only when data sets entries are 6 or more. If Actual transaction price is falling within 35th and 65th percentile, then actual transaction will be considered as ALP. In case, if it is not falling, then ALP will be determined by considering the median of the dataset.</p>
21	<p>An order of assessment passed by the Assessing Officer in pursuance of directions of Dispute Resolution Panel cannot be appealed before CIT(A)</p>
22	<p>Below are the powers of an income-tax authority to collect information—</p> <ul style="list-style-type: none"> ▪ The income-tax authority may enter the place of business only during the hours at which such place is open for conduct of business ▪ The income-tax authority can on no account remove or cause to be removed from the building or place he has entered any books of account or other documents.
23	<p>REIT Rental income received by unitholder from REIT and interest received by unitholder from business trust (which was received from SPV) shall be taxable in hands of unitholder.</p>

	<p>Therefore, taxable amount = 18 lakh x 10% share = 1.8 lakh.</p> <p>Securitisation Trust Section 115TCA - Any income accruing or arising to, or received by, a person, being an investor of a securitisation trust, out of investments made in the securitisation trust, shall be chargeable to income-tax in the same manner as if it were the income accruing or arising to, or received by, such person, had the investments by the securitisation trust been made directly by him. Therefore, taxable amount = 6 lakh x 7.5% share = 0.45 lakh.</p> <p>Investment Fund Section 115UB – All income received by unit holders from investment fund are taxable in hands of unit holders (except PGBP). Loss other than PGBP is allowed to be carried forward by Unit holder. Therefore, taxable amount = 2 lakh x 5% share = 0.10 lakh. Share in capital loss = 12.50 lakh x 5% share = 0.625 lakh.</p> <p>Total Income = 1.8+0.45+0.10+2.70-0.625 = 4.425 lakhs.</p>
24	<p>As per Section 115BBE, tax is chargeable at 60%. Further, surcharge of 25% and HEC of 4% will be levied). Effective rate is 78% Therefore, tax payable will be 2,90,000 (145000*2) * 78% = 2,26,200.</p>
25	<p>As per section 208, Advance tax shall be payable during a financial year in every case where the amount of such tax payable by the assessee during that year, as computed in accordance with the provisions of this Chapter, is ten thousand rupees or more.</p> <p>Exception - Resident senior citizen not having income under the head "PGBP". Here, Sarthak is a non-resident.</p>
26	<p>As per Section 115AD, short term capital gain will be chargeable at 15% (Gain referred to in section 111A) As per Section 115A, Interest referred under Section 194LD will be chargeable at 5%.</p>
27	<p>Section 165A of Finance Act 2016 - (1) On and from the 1st day of April, 2020, there shall be charged an equalisation levy at the rate of 2% of the amount of consideration received or receivable by an e-commerce operator from e-commerce supply or services made or provided or facilitated by it—</p> <ul style="list-style-type: none"> (i) to a person resident in India; or (ii) to a non-resident in the specified circumstances as referred to in sub-section (3); or (iii) to a person who buys such goods or services or both using internet protocol address located in India. <p>(2) The equalisation levy under sub-section (1) shall not be charged—</p> <ul style="list-style-type: none"> (i) where the e-commerce operator making or providing or facilitating e-commerce supply or services has a permanent establishment in India

	<p>and such e-commerce supply or services is effectively connected with such permanent establishment;</p> <p>(ii) where the equalisation levy is leviable under section 165; or</p> <p>(iii) sales, turnover or gross receipts, as the case may be, of the e-commerce operator from the e-commerce supply or services made or provided or facilitated as referred to in sub-section (1) is less than two crore rupees during the previous year.</p> <p>(3) For the purposes of this section, "specified circumstances" mean—</p> <p>(i) sale of advertisement, which targets a customer, who is resident in India or a customer who accesses the advertisement through internet protocol address located in India; and</p> <p>(ii) sale of data, collected from a person who is resident in India or from a person whose internet protocol address located in India.]</p> <p>Considering above provisions, the turnover of ABC & Co. is Rs. 201 Crore and of PQR & Co. is Rs. 199 Crore for services to persons resident in India and persons using internet protocol address located in India.</p> <p>Therefore, equalisation levy is attracted in the hands of ABC & Co. but not PQR & Co.</p>
28	<p>M/s TPS is eligible for presumptive taxation as per Sec 44AD, since his turnover is upto 2Cr. Presumptive PGBP income = Turnover/ Gross Receipt x 8% but if turnover or gross receipt is received by account payee cheque/DD/ECS upto due date of return of return filing then PGBP Income = Turnover/ Gross Receipts x 6%.</p> <p>M/s TPS have not got the books of a/c audited so they can opt for presumptive taxation. Income 7,20,000 i.e. [(6% of 80,00,000) +(8% of 30,00,000)]</p>
29	<p>Section 115AC, Tax on income by way of interest on bonds of an Indian company issued in accordance with such scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf is chargeable at 10% (plus HEC@4%)</p>
30	<p>As per sec 28 Charging section - Any profit or gain of any Business/ Profession chargeable under PGBP. So, for X Ltd letting out of properties is its main objective so total income of X Ltd is taxable under the head PGBP.</p> <p>The same has also been given in Chennai Properties Case Law.</p> <p>For Y Ltd construction and sale of properties is its main Business. Y Ltd let out some properties which are held as stock in trade and earned rental income. Such Rental income from letting out of properties is taxable under Income from House Property.</p>
31	<p>As per sec 35AD Assets on which deduction claimed u/s 35AD should be exclusively used for specified business for minimum 8 years from the year of acquisition. If it is used for non- specified business within 8 years then following shall be taxable under PGBP i.e., Amount of tax claimed u/s 35AD earlier less depreciation that would have been allowable if sec 35AD not there.</p> <p>Actual cost of assets for computing depreciation would be Actual cost less depreciation claimed as per Explanation 14 to Section 43(1).</p>

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Actual cost of building for computing depreciation for P.Y.2021-22 would be Rs. 63 lakhs.																			
32	<p>As per CBDT Circular 39/2016, transport subsidy, interest subsidy and power subsidy received from government are profit derived from the business of the industrial undertaking and hence, eligible for deduction u/s 80-IB. However as per Case Law of Otcher Pharma, Duty Drawback under Customs Act belong to the category of ancillary profit hence deduction u/s 80-IB cannot be claimed in respect of such receipt.</p>																		
33	<p>Section 10(23FC) - Interest & Dividend from SPV shall be fully exempt in hands of REIT Section 10(23FCA) - any income of a business trust, being a real estate investment trust, by way of renting or leasing or letting out any real estate asset owned directly by such business trust will be exempt. Any other income (except interest from SPV & Rental income from REIT) received by unit Holders for Business Trust shall be exempt in hands of Unitholders u/s 10(23FD). Dividend from SPV exempt in hands of Business Trust as well as Unit holders if SPV not opted section 115BAA.</p> <p>Capital Gain on disposal of capital assets is taxable in hands of Business Trust but exempted in hands of unit holders as per sec 10(23FD)</p> <p>Therefore,</p> <table border="1"> <thead> <tr> <th>Income</th> <th>REIT</th> <th>Unit holder</th> </tr> </thead> <tbody> <tr> <td>Rental Income</td> <td align="center">Exempt</td> <td align="center">Taxable</td> </tr> <tr> <td>Interest</td> <td align="center">Exempt</td> <td align="center">Taxable</td> </tr> <tr> <td>Dividend</td> <td align="center">Exempt</td> <td align="center">Exempt</td> </tr> <tr> <td>Capital Gain</td> <td align="center">Taxable</td> <td align="center">Exempt</td> </tr> </tbody> </table> <p>REIT will deduct TDS for rental income and Interest, since they are taxable in hands of unitholder.</p>	Income	REIT	Unit holder	Rental Income	Exempt	Taxable	Interest	Exempt	Taxable	Dividend	Exempt	Exempt	Capital Gain	Taxable	Exempt			
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34	<table border="1"> <tr> <th>Particulars</th> <th>Amount</th> </tr> <tr> <td>Donation other than corpus donation and anonymous donation (80-10-20)</td> <td align="right">50,00,000</td> </tr> <tr> <td>Add – Part of anonymous donation i.e., higher of 5% of total donation (80,00,000*5% = 4,00,000) or 1,00,000</td> <td align="right">4,00,000</td> </tr> <tr> <td>Total</td> <td align="right">54,00,000</td> </tr> <tr> <td>Less-15%</td> <td align="right">8,10,000</td> </tr> <tr> <td></td> <td align="right">45,90,000</td> </tr> <tr> <td>Less- Applied Income of Trust</td> <td align="right">40,00,000</td> </tr> <tr> <td>Balance</td> <td align="right">5,90,000</td> </tr> <tr> <td>Tax – 0-250000 = 0</td> <td></td> </tr> </table>	Particulars	Amount	Donation other than corpus donation and anonymous donation (80-10-20)	50,00,000	Add – Part of anonymous donation i.e., higher of 5% of total donation (80,00,000*5% = 4,00,000) or 1,00,000	4,00,000	Total	54,00,000	Less-15%	8,10,000		45,90,000	Less- Applied Income of Trust	40,00,000	Balance	5,90,000	Tax – 0-250000 = 0	
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	30% of 16,00,000 (20,00,000-4,00,000) = 4,80,000	5,10,500												
	Add HEC i.e., 4% of 510500	20,420												
	Total	5,30,920												
35	<p>As per Section 271AAB, penalty @ 60% is levied since he does not furnish the return disclosing the undisclosed income.</p> <p>As per Sec.271AAB, where an assessee during a search admits the undisclosed income and specify the manner in which such income was earned and pay tax & interest on such undisclosed income and also furnish the return of income declaring undisclosed income u/s 139(1)/period specified u/s 153A notice then in such case penalty would be levied @ 30%. In other cases, penalty would be 60%</p>													
36	As per Section 143(2), notice has to be served within 6 months from the end of the financial year in which return was filled.													
37	<p>As per sec 44B, when Non-Residents is engaged in shipping Business then presumptive income is 7.5% of specified sum for Shipping Business.</p> <p>Specified sum mean amount paid or payable on account of carriage of goods at/from any port/place in India and amount received or deemed to be received in India on account of passengers at/from any port/place outside India.</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Amount collected (85+5+2)</td> <td>92,00,000</td> </tr> <tr> <td>Amount received in India</td> <td>50,00,000</td> </tr> <tr> <td>Total</td> <td>1,42,00,000</td> </tr> <tr> <td>Deemed Income @7.5%</td> <td>10,65,000</td> </tr> <tr> <td>Tax rate for Foreign Company i.e., 40% +HEC (41.6% of 1065000)</td> <td>4,43,040</td> </tr> </tbody> </table>		Particulars	Amount	Amount collected (85+5+2)	92,00,000	Amount received in India	50,00,000	Total	1,42,00,000	Deemed Income @7.5%	10,65,000	Tax rate for Foreign Company i.e., 40% +HEC (41.6% of 1065000)	4,43,040
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38	<p>As per sec 9(1)(iii) Salary received by Indian Citizen from Govt for service Rendered outside India is taxable.</p> <p>However, as per Sec 10(7) perquisite and allowance are exempt.</p> <p>Based on combined reading of these sections, it can be concluded that Salary received by Mr. Ganesh is taxable in India but allowances and perquisites are exempt.</p>													
39	<p>Every person, being a resident and carrying on business or profession or a non-resident having a permanent establishment in India shall deduct the equalisation levy on the amount paid or payable to a non-resident in respect of the specified service at the rate of 6%, if the aggregate amount of consideration for specified service in a previous year exceeds one lakh rupees.</p> <p>Equalisation levy is not applicable where the payment for the specified service by the person resident in India or the PE in India is not for the purpose of carrying out business or profession. Hence, in this case equalisation levy not applicable because Mr. Rajesh does not use such service for Business or profession purpose as he is salaried individual and does not have any PGBP income</p>													
40	Tax on income from lottery will have to pay flat 30 per cent of the winning amount and there is no basic exemption limit.													

	Particulars	A	B																
	Tax on lottery income @30%	270000 (30% of 900000)	240000 (30% of 800000)																
	HEC@4%	10,800	9,600																
	Total	2,80,800	2,49,600																
	Less: TDS	2,70,000	2,40,000																
	Net Tax Payable	10,800	9,600																
	Advance tax applicable for A because tax amount is more than 10,000.																		
41	As per 194-IB, A salaried employee must deduct TDS on rent paid if the total rent payable for a month is more than Rs. 50,000 per month. Here rent is 50000 per month hence 194-IB not applicable.																		
42	The service rendered by a commentator in relation to sports activities has been notified by the CBDT as a professional service for the purposes of section 194J. So, if person is resident in India, then TDS will be deducted as per 194J, and if person is Non- Resident, then TDS will be deducted as per provision of section 195.																		
43	Section 246A specifies the orders against which an appeal can be filed before the CIT (Appeals) in respect of Assessment order passed under section 143(3). A taxpayer can file an appeal to the ITAT in respect of following orders: - Order passed by the Commissioner of Income-Tax (Appeals) under section 250, section 270A, section 271, section 271A, 271J or section 272A.																		
44	<p>Section 44BBA -</p> <p>(1) Notwithstanding anything to the contrary contained in sections 28 to 43A, in the case of an assessee, being a non-resident, engaged in the business of operation of aircraft, a sum equal to five per cent of the aggregate of the amounts specified in sub-section (2) shall be deemed to be the profits and gains of such business chargeable to tax under the head "Profits and gains of business or profession".</p> <p>(2) The amounts referred to in sub-section (1) shall be the following, namely: —</p> <p>(a) the amount paid or payable (whether in or out of India) to the assessee or to any person on his behalf on account of the carriage of passengers, livestock, mail or goods from any place in India; and</p> <p>the amount received or deemed to be received in India by or on behalf of the assessee on account of the carriage of passengers, livestock, mail or goods from any place outside India.</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Amount in Crore</th> </tr> </thead> <tbody> <tr> <td>2 crores in India on account of carriage of passengers from Cochin.</td> <td>2.00</td> </tr> <tr> <td>1 crore in India on account of carriage of goods from Cochin.</td> <td>1.00</td> </tr> <tr> <td>3 crores in India on account of carriage of passengers from Malaysia.</td> <td>3.00</td> </tr> <tr> <td>0.50 crore in Malaysia on account of carriage of passengers from Cochin.</td> <td>0.50</td> </tr> <tr> <td>0.50 crore in Malaysia on account of carriage of goods from Cochin</td> <td>0.50</td> </tr> <tr> <td>Total</td> <td>7</td> </tr> <tr> <td>Tax as per 44BBA @5%</td> <td>0.35</td> </tr> </tbody> </table>			Particulars	Amount in Crore	2 crores in India on account of carriage of passengers from Cochin.	2.00	1 crore in India on account of carriage of goods from Cochin.	1.00	3 crores in India on account of carriage of passengers from Malaysia.	3.00	0.50 crore in Malaysia on account of carriage of passengers from Cochin.	0.50	0.50 crore in Malaysia on account of carriage of goods from Cochin	0.50	Total	7	Tax as per 44BBA @5%	0.35
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45	Section 245N(a)(iv) says "a determination or decision by the Authority																		

	<p>whether an arrangement, which is proposed to be undertaken by any person being a resident or a non-resident, is an impermissible avoidance arrangement as referred to in Chapter X-A or not”</p>														
46	<p>Section 80M - Where the gross total income of a domestic company in any previous year includes any income by way of dividends from any other domestic company or a foreign company or a business trust, there shall, in accordance with and subject to the provisions of this section, be allowed in computing the total income of such domestic company, a deduction of an amount equal to so much of the amount of income by way of dividends received from such other domestic company or foreign company or business trust as does not exceed the amount of dividend distributed by it on or before the due date.</p> <p>Note – Due date means one month before due date of ROI u/s 139(1)</p> <p>Gamma Ltd has received dividend of 120 lakhs and 30 lakhs from domestic and foreign company respectively. And it has paid 130 lakhs to its shareholders.</p> <p>Therefore, Gamma Ltd will get deduction of complete 130 lakhs u/s 80M.</p>														
47	<p>AMT = 11,00,530 (5200000*18.50% + 10% surcharge + 4% HEC) Normal Tax = 3,35,400 ((52 lakh – 35 lakh) @ slab rates)</p> <p>AMT credit to be carried forward is Rs. 7,65,130 (1100530-335400)</p>														
48	<p>As per section 115A, Royalty & FTS received by Foreign Company shall be taxable at 10%.</p> <p>Further, it shall not be necessary to furnish a return of income if the following conditions are satisfied:</p> <ol style="list-style-type: none"> The total income consists of only interest or dividend or royalty & FTS income. TDS has been deducted from such income. <p>Since, the DTAA between India and Country A provides that royalty will be subject to tax in the Source State at 9%, ABC Inc will pay tax at 9%.</p> <p>Accordingly, ABC Inc. has to file its return of income u/s 139 for A.Y.2022-23, but XYZ Inc. need not file its return of income.</p>														
49	<p>Deduction u/s 80C is not available against special rate income i.e. winnings from card games</p> <p>Computation of Total Income</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>PGBP</td> <td>1,45,000</td> </tr> <tr> <td>Winnings</td> <td>1,50,000</td> </tr> <tr> <td>Interest on FD</td> <td>40,000</td> </tr> <tr> <td>Saving Interest</td> <td>9,000</td> </tr> <tr> <td>Total</td> <td>3,44,000</td> </tr> <tr> <td>Deduction-</td> <td></td> </tr> </tbody> </table>	Particulars	Amount	PGBP	1,45,000	Winnings	1,50,000	Interest on FD	40,000	Saving Interest	9,000	Total	3,44,000	Deduction-	
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	80C (only for normal income)	1,45,000	
	80TTB	49,000	
	Total Income	1,50,000	
50	<p>Section 270A, penalty will be leviable @50% for under reporting of income. Under reported income is Rs. 18 lakhs in the given case.</p> <p>Tax is 3,66,600 (18 lakh @ slab rate)Penalty = 1,83,300 (3,66,600*50%)</p>		
51	<p>As per sec. 154(1), with a view to rectifying any mistake apparent from the record an income-tax authority referred to in section 116 may, —</p> <p>(a) amend any order passed by it under the provisions of this Act.</p> <p>Here order is passed by assessing officer, so assessee can file an application for rectification under 154.</p> <p>Section 264 can not be used since the matter is subject matter of appeal (Total Merger)</p>		
52	<p>As per sec 133A(2), an income-tax authority may enter any place of business or profession referred to in sub-section (1) only during the hours at which such place is open for the conduct of business or profession and, in the case of any other place, only after sunrise and before sunset. Here AO has entered in business hours, so his action is correct.</p> <p>An income-tax authority may impound books of accounts (Max 15 Working days)</p> <p>Hence, action of impound of books is right.</p>		
53	<p>Under specified circumstances, section 269SS restricts the person from taking or accepting loan; deposit or any specified sum, if the amount is Rs.20,000 or more from any other person other than the following mode –</p> <p>An account payee cheque; or An account payee bank draft; or Electronic clearing system through a bank account; or Any other electronic mode, as specified.</p> <p>The penalty provision of section 271D applies in case the person contravenes provisions of section 269SS of the Income Tax.</p> <p>Here, amount is 12,000 which is deposit in cash and 7,500 which is deposited in bearer cheque, so penalty will not be applicable.</p>		
54	<p>Sec 206C(1G): TCS on remittance outside India or sale of Tour package (Added by FA 20 w.e.f. 01/10/20)</p> <p>1) In case of authorised dealer, who receives an amount of more than 7,00,000 in PY from a buyer who remitting such amount out of India under the Liberalised Remittance Scheme (LRS) of the RBI then he required to collect TCS @ 5% in excess of 7,00,000.</p> <p>Note: If remitted amount is out of Educational Loan taken from Financial Institution, then TCS rate shall be 0.5% instead of 5%.</p> <p>2) In case of sale of an overseas tour program package (OTPP), seller receives</p>		

	<p>any amount from a buyer required to collect TCS @5%.</p> <p>So, SBI is required to collect tax at source on the amount remitted to Mr. Harsh @0.5% (plus cess) on Rs. 3 lakhs, being the amount in excess of Rs. 7 lakhs. and Travel agency is required to collect tax at source on Rs. 3 lakhs at 5%.</p>
55	As per Section 44ADA, eligible assessee (Individual and Partnership Firm) can pay advance tax in one instalment on or before 15 th March of the financial year.
56	<p>In case of in relation to a long-term capital asset, being an equity share in a company or a unit of an equity-oriented fund or a unit of a business trust referred to in section 112A, acquired before the 1st day of February, 2018, shall be higher of—</p> <p>(i) the cost of acquisition of such asset; and</p> <p>(ii) lower of—</p> <p>(A) the fair market value of such asset; and</p> <p>(B) the full value of consideration received or accruing as a result of the transfer of the capital asset.</p> <p>Accordingly, COA in case of Mr. Rajan = Rs. 2500 per share COA in case of Mr. Ravi = Rs. 1900 per share</p>
57	<p>As per section 115A, dividend income for non-residents is taxable at 20% without any deduction of expenses incurred.</p> <p>Therefore, tax liability of Mr. Vaibhav = $500000 * 20% * 1.04 = 104000$.</p> <p>Since, Mr. Pranav does not have any other income except dividend and no investments deductions, it will be beneficial for him to pay tax u/s 115BAC.</p> <p>Further, as per section 57, deduction up to 20% w.r.t interest exp can be claimed against dividend income.</p> <p>Income = $7,00,000 - 1,40,000$ (20% of 7,00,000) = 5,60,000.</p> <p>Tax liability as per section 115BAC = $60000 * 10% + 250000 * 5% = 18500 + 4% \text{ cess} = 19,240$.</p>
58	In Profit Split Method, arm's length price shall be the arithmetical mean of all values which are dataset. It may be assumed that the variation between the arm's length price computed and the transaction price is 15%.
59	As per Sec 194C, in a case of contract between parties, TDS will be deducted @ 2% where payment made to other than individual & HUF. In case of Japan airlines Co Ltd v CIT (SC) it was held that landing and parking charges payable by airlines in respect of aircrafts are not for the use 'use of land' per se but the charges are in respect of number of facilities provided by the Airport Authority of India. Thus, landing and parking charges payable by airlines would attract TDS u/s 194C and not under 194-I
60	As per Sec. 194J, No TDS will be deducted where payment made for professional services and technical services does not exceed Rs.30,000 respectively, such limit of Rs.30,000 is applicable separately for professional fees & Technical fees.
61	This is the case of Diversion of Income. Hence, the income would be taxable in hands of Mr. Hari as well as unregistered Trust.

62	Section 32(1)(iia) – Additional depreciation @20% is allowed in case of manufacturing business. Therefore, normal depreciation @15% + additional depreciation@20% will be allowed to assessee (excluding 2 nd hand P&M) Depreciation at half rate will be allowed for P&M put to use for less than 180 days.														
63	U/s 32, Depreciation will be allowed @ 40% on Computers In this case, 20% i.e., half rate on Rs.10 lakh since computers purchased and installed on 5 th October 2020.														
64	If any amount is paid or credited to resident & TDS has not been deducted or TDS has been deducted but not paid to government upto due date of return filing, then 30% of such sum shall be disallowed in current P.Y. For TDS u/s 194-H, assessee required to deduct only if last year Turnover is more than one crore in case of business or Gross Receipts is more than 50 lakhs in case of profession. No disallowance on payment of salary because, for salary Income of Rs.300000, Mr. Hari will be eligible for relief u/s 87A, hence no TDS will be required to be deducted. Disallowance under section 40(a)(ia) @30% on commission amount would be attracted for not deducting TDS.														
65	<table border="1"> <tr> <td>Income from properties held by trust</td> <td>10 lakhs</td> </tr> <tr> <td>Voluntary contributions</td> <td>15 lakhs</td> </tr> <tr> <td>Gross Income</td> <td>25 lakhs</td> </tr> <tr> <td>Less: Standard deduction @15%</td> <td>3.75</td> </tr> <tr> <td>Less: Amount applied for charitable purpose</td> <td>8.00</td> </tr> <tr> <td>Less: Amount applied for repayment of loan for construction of Orphanage</td> <td>4.00</td> </tr> <tr> <td>Total Taxable Income</td> <td>9.25</td> </tr> </table>	Income from properties held by trust	10 lakhs	Voluntary contributions	15 lakhs	Gross Income	25 lakhs	Less: Standard deduction @15%	3.75	Less: Amount applied for charitable purpose	8.00	Less: Amount applied for repayment of loan for construction of Orphanage	4.00	Total Taxable Income	9.25
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66	As per Sec.115A any interest received by a non-resident and foreign company from infrastructure debt fund u/s 10(47) will be taxable @ 5% + 4% HEC. As per section 94A, TDS will be deducted @ 30% + 4% HEC on transaction made with person located in NJA &														
67	As per section 47(viia) any transfer of bonds / GDR referred in sec.115AC made outside India by Non-Resident to another Non-Resident shall not be treated as transfer & capital gain not applied, but where such transaction made between Non-resident & Resident then capital gain will be applicable. Transfer is made by NR to resident LTCG is taxable @10% without indexation u/s 115AC.														
68	Section 92BA - "specified domestic transaction" in case of an assessee means any of the following transactions, not being an international transaction, namely:— (iii) any transfer of goods or services referred to in sub-section (8) of section 80-IA; Section 80-IA(8) - Where any goods or services held for the purposes of the eligible business (power generation) are transferred to any other business carried on by the assessee, or where any goods or services held for the purposes of any other														

	business carried on by the assessee are transferred to the eligible business and, in either case, the consideration, if any, for such transfer as recorded in the accounts of the eligible business does not correspond to the marketvalue of such goods or services as on the date of the transfer, then, for the purposes of the deduction under this section, the profits and gains of such eligible business shall be computed as if the transfer, in either case, had been made at the market value of such goods or services as on that date
69	In this case, SDV is more than 110% of the Consideration, Applying Sec 50C i.e., SDV of the immovable property is taken as full value of consideration Rs. 50 lacs (2 Crores -1.5 Crores) would be taxable in the hands of Mr. Anjan as business income (Since Anjan is a property dealer), and Rs. 20 lacs (2 Crores - 1.8 Crores) would be taxable in the hands of Mr. Ashwin in IFOS as per Sec 56(2)(X).
70	Interest from SPV & Dividend shall be fully exempt u/s 10(23FC) Any other income (except interest from SPV & Rental income from REIT) received by unitHolders for Business Trust shall be exempt in hands of Unitholders u/s 10(23FD). Dividend taxable only when SPV paid taxes as per 115BAA. Hence, exempt for both REIT and Unitholders.
71	As per Sec. 37, any expenditure incurred on advertisement souvenir of a political partyregistered in India will not be allowed. However, as per provisions of Sec. 80GGB, such expenditure incurred shall be allowed as deduction from Gross total income to a company.
72	Profit after adjustments will be Rs. 30 lakhs so deduction available will be Rs. 30 lakhs only. i.e.100% of the profits.
73	As per Sec.271AAB, where an assessee during a search admits the undisclosed income and specify the manner in which such income was earned and pay tax & interest on such undisclosed income and also furnish the return of income declaring undisclosed income u/s 139(1)/period specified u/s 153A notice then in such case penalty would be levied @ 30%. In other cases, penalty would be 60%
74	As per section 194-I, TDS is deductible since aggregate of amount of rent payable to a person exceeds Rs.2,40,000 in a FY. TDS on rent of P&M will be deducted @ 2% and for L&B @ 10% (refundable fixed deposit is not considered as part of rent)
75	TDS as per Section 194IA is to be deducted when amount of consideration is 50 Lakhs or more. Further, No TDS is to be deducted in case of Rural agriculture land.
76	As per section 94A, TDS will be deducted @ 30% + 4% HEC on transaction made with person located in NJA & as per Sec.115A any interest received by a non-resident and foreign company from infrastructure debt fund u/s 10(47) will be taxable @ 5% + 4% HEC. No deduction of any expenditure is available.
77	Failure to furnish Statement of financial transaction or reportable account within the timeprescribed u/s 285BA(2) attracts a penalty of a sum of Rs.500 for every day during which failure continues till the notice period. Failure to furnish Statement of financial transaction or reportable account within

	<p>the time prescribed u/s 285BA(5) i.e. time given in notice issued attracts a penalty of A sum of Rs.1,000for every day during which failure continues. Therefore, penalty is 153 (from 1st June to 31st oct) x 500 + 15 (from 1st Nov to 15th Nov) x 1000 = 91500 31st May is the due date for filing Statement of Financial Transaction</p>
78	<p>As per sec 47, Gift is not treated as transfer. Hence, no Capital gain will arise in hands of Q andR. As per sec 56(2)(X), gift is taxable in hands of P. In case of immovable property (withoutconsideration) if SDV per property >50000, then entire SDV is taxable in hands of recipient. Since SDV of property in Mumbai and UP exceed 50,000 hence their SDV will be taxable for P.</p>
79	<p>Section 80M - Where the gross total income of a domestic company in any previous year includes any income by way of dividends from any other domestic company or a foreign company or a business trust, there shall, in accordance with and subject to the provisions of this section, be allowed in computing the total income of such domestic company, a deductionof an amount equal to so much of the amount of income by way of dividends received from such other domestic company or foreign company or business trust as does not exceed the amount of dividend distributed by it on or before the due date. Note – Due date means one month before due date of ROI u/s 139(1).</p>
80	<p>Provisions of section 115QA were initially applicable only to unlisted companies. However, videthe Finance (No. 2) Act, 2019, the provisions of section 115QA are amended and the same is made applicable to the listed companies also. As per Sec 115QA, taxable value is Buyback amount - Issue price i.e. 6,00,000 (23,00,000- 17,00,000) and tax amount is 6,00,000 x 23.296% (Tax Rate applicable is 20% plus 12 % Surcharge plus 4% HEC)</p>
81	<p>Interest income and rental income is exempted in hand of REIT as per section 10(23FC) and10(23FCA) respectively but taxable in hands of unit holder and STCG is taxable in hands of REIT but exempted in hands of unit holder as per section 10(23FD)</p>
82	<p>He is not entitled for deduction as it will be granted to him after construction as 1/5 under Sec 24 80EEA is not allowed as SDV is 45 Lakhs or more. 80C is not allowed as the property is under construction.</p>
83	<p>Section 80M - Where the gross total income of a domestic company in any previous year includes any income by way of dividends from any other domestic company or a foreign company or a business trust, there shall, in accordance with and subject to the provisions of this section, be allowed in computing the total income of such domestic company, a deductionof an amount equal to so much of the amount of income by way of dividends received from such other domestic company or foreign company or business trust as does not exceed the amount of dividend distributed by it on or before the due date.</p>

	<p>Note – Due date means one month before due date of ROI u/s 139(1)</p> <p>ABC Ltd has received dividend of 10 lakhs (9 lakhs/0.90) and 8 lakhs from domestic and foreign company respectively. And it has paid 15 lakhs to its shareholders.</p> <p>Therefore, ABC Ltd will get deduction of complete 15 lakhs u/s 80M.</p>																																	
84	<p>Section 11(7) - Where a trust or an institution has been granted registration under section 12AA and the said registration is in force for any previous year, then, nothing contained in section 10 other than [clause (1), clause (23C) and clause (46)] thereof shall operate to exclude any income derived from the property held under trust from the total income of the person in receipt thereof for that previous year.</p>																																	
85	<p>DDT is scrapped from FY 2020-21. Further, dividend income is taxable in hands of recipient at slab rate.</p>																																	
86	<p>Section 44AD is applicable for Resident Individual/HUF and Resident Firm (excluding LLP) if Turnover or gross receipts of business is upto Rs.2 Crores.</p> <p>Section 44ADA is applicable for resident professionals if gross receipt of Profession is upto Rs.50lacs,</p> <p>Section 44AE is applicable if assessee, being a person engaged in plying, leasing or hiring of goods carriages does not own more than 10 vehicles at any time during the P.Y.</p> <p>Hence, Case (i) and (iii)-Eligible for 44AD; Case (iv)- Eligible for 44ADA; Case (v)-Eligible for 44AE; Case (ii) not eligible for 44ADA as receipts exceed Rs.50 Lakhs.</p>																																	
87	<table border="1"> <thead> <tr> <th>Particulars</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>LTCG</td> <td>5,00,000</td> </tr> <tr> <td>STCG</td> <td>2,00,000</td> </tr> <tr> <td>Income from Lottery</td> <td>1,00,000</td> </tr> <tr> <td>Saving bank interest</td> <td>30,000</td> </tr> <tr> <td>Gross Total Income</td> <td>8,30,000</td> </tr> <tr> <td>Less: 80TTA</td> <td>10,000</td> </tr> <tr> <td>Less: 80C – PPF (to the extent of normal income-interest)</td> <td>20,000</td> </tr> <tr> <td>Total Income</td> <td>8,00,000</td> </tr> <tr> <td colspan="2">Calculation of Tax</td> </tr> <tr> <td>Lottery @ 30%</td> <td>30,000</td> </tr> <tr> <td>STCG @ 15%</td> <td>30,000</td> </tr> <tr> <td>LTCG (500000-250000*) @20%</td> <td>50,000</td> </tr> <tr> <td></td> <td>1,10,000</td> </tr> <tr> <td>Add – 4%</td> <td>4,400</td> </tr> <tr> <td></td> <td>1,14,400</td> </tr> </tbody> </table> <p>*Basic exemption</p>		Particulars	Amount	LTCG	5,00,000	STCG	2,00,000	Income from Lottery	1,00,000	Saving bank interest	30,000	Gross Total Income	8,30,000	Less: 80TTA	10,000	Less: 80C – PPF (to the extent of normal income-interest)	20,000	Total Income	8,00,000	Calculation of Tax		Lottery @ 30%	30,000	STCG @ 15%	30,000	LTCG (500000-250000*) @20%	50,000		1,10,000	Add – 4%	4,400		1,14,400
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88	As per section 64(1)(iv), where assets transferred by an individual to his/her spouse are invested by the transferee in the business, then proportionate income is to be included in total income of transferor. Share of profit is exempted in hands of partners but interest income $300000/500000 * 60000 = 36000$ will be clubbed in hands of Mr. Sunder and $200000/500000 * 60000 = 24000$ is taxable in hands of Mrs. Kavitha. Clubbing shall be applicable only if gifted money is included in opening capital.
89	Marginal relief concept will apply - Tax on 10 crores @25% plus 7% surcharge Add: 100000 Add: 4% cess Answer – 27924000
90	40% (foreign company) Plus 5% surcharge (foreign company) Plus 4% Health and education cess
91	Mr. Akhilesh is a Non-Resident and Indian Citizen and hence Section 194E will not be applicable. In this case, TDS will be deducted under section 195 at normal tax slab rates. Such Income will be taxable at slab rate.
92	Income 7 Lakhs – deduction 300000 (u/s 80QCB) = 4 Lakhs Since NTI is below 5 Lakhs, Tax will be nil due to rebate u/s 87A
93	Section 194J is applicable to Mr. Ganesh because his last year T/o exceed 1cr (Turnover threshold is checked and not tax audit for applicability of TDS deduction). If tax is deducted then required to deposit 7th of next month for April to Feb and 30th April of next F.Y. for March month
94	As per section 269T a person should not repay loan/deposit/advance in relation to immovable property including interest in cash for an amount of 20000 or more. On violation of Section 269T, penalty shall be levied @100% of such loan/ deposit/ advance repayment (excluding interest) under Section 271E.
95	Sec 194E is applicable on NR sportsmen/Association/Entertainer & not on match referee. Hence, section 195 is applicable in this case on payments made to Non-Resident.
96	As per sec 80D, medical claim insurance (20000+6000) + preventive health check-up (maximum upto 5000) + medical expenditure for senior citizen 32000 is allowed under Chapter VIA
97	As per sec 43B conversion of unpaid interest into loan shall not be considered as payment of interest so only actual payment of interest Rs. 100000 is allowed as deduction
98	As per Sec.271AAB, where an assessee during a search admits the undisclosed income and specify the manner in which such income was earned and pay tax & interest on such undisclosed income and also furnish the return of income declaring undisclosed income u/s 139(1)/period specified u/s 153A notice then in such case penalty would be levied @ 30%. In other cases, penalty would be 60%
99	As per section 10(6)(ii), in case of an individual who is not a citizen of India remuneration received by him as an official of an embassy, high commission etc. of a foreign state or member of the staff of any of that official is exempt from tax only

	<p>if corresponding Indian official in that foreign country enjoys a similar exemption. In the given case, both of them are Indian citizens and hence no exemption shall be allowed.</p>
100	<p>As per Sec.94B, Interest expenses of similar nature (like guarantee, commission etc.) incurred by an Indian company or a permanent establishment of a foreign company in India in respect of any debt issued by a non-resident, being an associated enterprise shall be disallowed interest, if interest is more than 30 % of EBITDA, while calculating income under the head PGBP income.</p>
101	<p>For claiming exemption u/s 54EC, assessee has to invest in NHAI/RECL/PFCL/RFCL within 6 months from the date of transfer. Further, assessee can claim maximum exemption of Rs. 50 lacs.</p> <p>LTCG on sale of house property will be taxable at 20% and balance income at slab rate. Further, surcharge of 25% will be levied if income exceed 2 crore up to 5 crore.</p> <p>Therefore, Tax on LTCG = 75,50,000 (1,25,50,000 – 50,00,000) * 20% = 15,10,000 Tax on other income at slab rates = 43,12,500 Total Tax = 58,22,500 Add: surcharge at 25% = 14,55,625 Total tax inc surcharge = 72,78,125 Add: cess @4% = 2,91,125 Tax payable = 75,69,250.</p>
102	<p>As per Section 194N, TDS @2% is applicable only if payer paying sum or aggregate of sum in cash in excess of one crore in PY from one or more accounts maintain by payee.</p> <p>TDS applicable only on excess of amount over one crore.</p> <p>TDS not applicable of withdrawal by Registered Commission Agent/trader operating under Agriculture Produce Market Committee (APMC) and certifies that withdrawal is made for the purpose of making payment to farmers.</p> <p>Since, Kunal & Co. is not registered as per the provisions brought out above, withdrawal from bank in excess of 1 crore will attract TDS @ 2% i.e. 2500000*2% = 50,000.</p>
103	<p>Section 115VY provides that where the amalgamating companies are tonnage tax companies, the provisions of this Chapter shall, as far as may be, apply to the amalgamated company for such period as the option for tonnage tax scheme which has the longest unexpired period continues to be in force.</p>
104	<p>As per section 206C(1H), any person (seller) whose last year turnover is more than 10 crore is required to collect tax at source on sale of goods to the buyer at 0.1% of consideration in excess of 50 lakhs.</p> <p>If buyer does not furnish PAN or AADHAR then TCS rate is 1% instead of 0.1%.</p> <p>Therefore, Petal LLP will collect tax at 0.1% of 5 lakhs i.e. Rs. 500.</p>
105	<p>Marginal relief concept will apply - Tax on 10 crores @30% plus 7% surcharge Add (NTI – 10 crore): 200000</p>

	<p>Add: 4% cess Answer – 3,35,92,000</p>
106	<p>As per section 270A(9), failure to report any international transaction or any transaction deemed to be an international transaction or any specified domestic transaction, to which the provisions of Chapter X apply shall be treated as mis reporting of income and penalty would be 200% of amount of the tax payable.</p> <p>Further, as per section 271AA, failure to keep & maintain information and document for international transaction or failure to report such transaction attracts penalty of 2% of the value of such transaction.</p>
107	<p>As per section 92C, if income of one associated enterprise is increased by Assessing officer then deduction under chapter VI-A & section 10AA shall not be allowed against increased part of its income.</p>
108	<p>As per section 143(1), the total income or loss of an Assessee shall be computed after making the following adjustments to the returned income:</p> <ul style="list-style-type: none"> (i) any arithmetical error in the return; or (ii) an incorrect claim, if such incorrect claim is apparent from any information in the return. (iii) disallowance of loss claimed, if return is filed beyond due date u/s 139(1) (iv) disallowance of expenditure or increase of income indicated in the audit report but not taken into account in computing the total income in the return (v) disallowance of deduction claimed under section 10AA or under any of the provisions of Chapter VI-A under the heading "C-Deductions in respect of certain incomes, if return is filed beyond due date u/s 139(1) (vi) addition of income appearing in Form 26AS or Form 16A/16 which has not been included in computing the total income in the return <p>No adjustment shall be made under cause (vi) in relation to a return furnished for A.Y. commencing on or after 1/4/2018.</p>
109	<p>As per section 44BBB, only foreign company is eligible for business of civil construction or business of erection of p&m in connection with turnkey power project approved by CG.</p> <p>Therefore, Mr. Akash (NR) is not eligible for it.</p>
110	<p>Section 194N provides that in case of a recipient who has not filed the returns of income for all of the three assessment years for which the time limit of file return of income under sub-section (1) of section 139 has expired, immediately preceding the previous year in which the payment of the sum is made to him, then TDS shall be deducted on the amount or the aggregate of amounts, as the case may be, in cash exceeding Rs. 20 lakhs during the previous year;</p> <p>And the deduction shall be—</p> <ul style="list-style-type: none"> (a) an amount equal to 2% of the sum where the amount or aggregate of amounts, as the case may be, being paid in cash <i>exceeds 20 lakhs</i> during the previous year

	<p>but does <i>not exceed 1 crore</i>; or</p> <p>(b) an amount equal to 5% of the sum where the amount or aggregate of amounts, as the case may be, being paid in cash exceeds 1 crore during the previous year.</p> <p>Total withdrawal by Mr Ravish are 99 lakhs. Therefore, tax will be deducted at 2% above 20 lakhs. TDS = 79 lakhs * 2% = 1.58 lakhs.</p>
111	<p>As per section 206C(1H), any person (seller) whose last year turnover is more than 10 crore is required to collect tax at source on sale of goods to the buyer at 0.1% of consideration in excess of 50 lakhs. TCS under this section will not apply if TDS is deducted u/s 194Q.</p> <p>Section 194Q is applicable w.e.f 01.07.2021.</p> <p>In given case, transaction took place on 01.06.2021 and payment is also received within 7 days, therefore, section 206C(H) will apply and TCS to be collected at 0.10% on Rs. 40 lakhs.</p>
112	<p>Mr. Vyomesh (Non-resident)</p> <p>Calculation of tax payable at slab rates: Tax on 2,50,000 (5,00,000 – basic exemption limit) @5%= 12,500 Tax on next 5,00,000 @20% = 1,00,000 Tax on next 3 lakhs @30% = 90,000 Total = 2,02,500 Add: 4% cess = 8100 Total Tax = 2,10,600</p> <p>Section 270A, penalty will be leviable @50% for under reporting of income.</p> <p>Therefore, penalty = 1,05,300 (2,10,600*50%).</p>
113	<p>Section 264 provides that the Principal Commissioner or Commissioner has no power to revise any order which has been made the subject matter of an appeal to the Commissioner (Appeals), even if the relief claimed in the petition is different from the relief claimed in appeal. The concept of total merger would apply in the case of section 264. It was so held by the Supreme Court in the case of Hindustan Aeronautics Ltd v. CIT (2000).</p> <p>Section 154 provides that where any matter had been considered and decided in any proceeding by way of appeal or revision relating to an order, Assessing Officer may amend the order for rectification of mistake apparent from the record, in relation to a matter other than the matter which has been considered and decided. The concept of partial merger would apply in the case of section 154.</p> <p>In the present case, since the order passed by the Assessing Officer in respect of the addition of unexplained investment became the subject matter of an appeal to the Commissioner (Appeals), the assessee, ABC associates cannot apply for revision under section 264 even if the subject matter of revision i.e., addition of `3.25 lakhs under section 40(a)(ia) is different from the subject matter of appeal.</p>

	<p>However, ABC associates can apply to the Assessing Officer for rectification of the order u/s 154 in respect of addition of `3.25 lakh under section 40(a)(ia), as this matter has not been considered and decided in any proceeding by way of appeal or revision.</p>
114	<p>If an assessee opt for section 115BAC then he is not be allowed to claim deduction of chapter VI-A.</p> <p>Mr. Ganesh has made investment in PPF and taken medical policies also, therefore he should pay tax as per normal provisions only so as to claim these deductions.</p> <p>Since, Mr Rajesh does not have such major deductions, he can opt for Section 115BAC.</p> <p>Note – Students must calculate tax under both alternatives and accordingly choose the option.</p>
115	<p>As per section 10(4D), following income shall be exempt: Any income accrued or arisen to, or received by a specified fund</p> <ol style="list-style-type: none"> as a result of transfer of capital asset referred to in clause of section 47 (viiab) {RDB of Indian company}, on a recognised stock exchange located in any International Financial Services Centre and where the consideration for such transaction is paid or payable in convertible foreign exchange or as a result of transfer of securities (other than shares in a company resident in India) or any income from securities issued by a non-resident (not being a permanent establishment of a non-resident in India) and where such income otherwise does not accrue or arise in India or any income from a securitisation trust which is chargeable under the head "Profits and gains of business or profession", to the extent such income accrued or arisen to, or is received, is attributable to units held by non-resident (not being the permanent establishment of a non-resident in India) or is attributable to the investment division of offshore banking unit, as the case may be. <p>Therefore, in given question, income at point (i), (ii), (iv) and (v) shall be exempt as per above section.</p>
116	<ol style="list-style-type: none"> Section 10(23FC) - Dividend from SPV shall be fully exempt in hands of REIT. Dividend received by unit Holders from REIT shall be exempt in hands of Unitholders u/s 10(23FD) if SPV not opted section 115BAA. If Dividend income is taxable in hands of unit holders then REIT shall deduct TDS u/s 194LBA. Section 10(23FC) - SPV means Indian Company in which REIT holds controlling interest & any specific percentage of shareholding (presently 50% or more). <p>Therefore,</p> <ol style="list-style-type: none"> REIT enjoys pass through status for dividends irrespective of whether SPV opts 115BAA or not.

	<p>b) If SPV opts 115BAA then dividend income is taxable in hands of unit holders.</p> <p>c) If dividend income is taxable in hands of unit holders then REIT is required to deducted TDS on that dividend.</p>
117	<p>Section 165A of Finance Act 2016 - (1) On and from the 1st day of April, 2020, there shall be charged an equalisation levy at the rate of 2% of the amount of consideration received or receivable by an e-commerce operator from e-commerce supply or services made or provided or facilitated by it—</p> <p>(i) to a person resident in India; or</p> <p>(ii) to a non-resident in the specified circumstances as referred to in sub-section (3); or</p> <p>(iii) to a person who buys such goods or services or both using internet protocol address located in India.</p> <p>(2) The equalisation levy under sub-section (1) shall not be charged—</p> <p>(i) where the e-commerce operator making or providing or facilitating e-commerce supply or services has a permanent establishment in India and such e-commerce supply or services is effectively connected with such permanent establishment;</p> <p>(ii) where the equalisation levy is leviable under section 165; or</p> <p>(iii) sales, turnover or gross receipts, as the case may be, of the e-commerce operator from the e-commerce supply or services made or provided or facilitated as referred to in sub-section (1) is less than two crore rupees during the previous year.</p> <p>(3) For the purposes of this section, "specified circumstances" mean—</p> <p>(i) sale of advertisement, which targets a customer, who is resident in India or a customer who accesses the advertisement through internet protocol address located in India; and</p> <p>(ii) sale of data, collected from a person who is resident in India or from a person whose internet protocol address located in India.</p> <p>As per Section 165, equalization levy @6% applicable if payment for specified services (advertisement) received/receivable by NR from:</p> <p>a) Person resident in India & carrying business or profession or</p> <p>b) Non resident having PE in India.</p> <p>However, equalization levy not applicable if NR having PE in India & service connected with such PE or Aggregate amount received by NR from payer is up to Rs. 1,00,000 in PY.</p> <p>Therefore, no equalization levy applicable on amount paid to B Ltd as NR (service provider) have PE in India.</p> <p>Equalization levy @ 2% will be applicable on amount paid to A Ltd as conditions of section 165A are satisfied.</p>
118	<p>Section 92A provides that two enterprises shall be treated as associated enterprises</p>

	<p>if any person holds at least 26% shares of each of such enterprise.</p> <p>Therefore, SS Ltd and TY Inc. are associated enterprises.</p> <p>Further, as per Section 94B, in case of the debt is issued by a lender which is not associated but an associated enterprise either provides an implicit or explicit guarantee to such lender or deposits a corresponding and matching amount of funds with the lender, such debt shall be deemed to have been issued by an associated enterprise.</p> <p>Lower of the following will be disallowed –</p> <p>3. Total Interest – 30% of EBITDA 4. Interest paid to AE</p> <p>EBIDTA = 11 + 5 + 4 + 9 (90 crore * 10%) = 29 crore Lower of two is disallowed:</p> <p>1. 9 crore – 30% of 29 crore = 0.30 crore 2. 9 crore</p> <p>Therefore, interest allowable is 8.7 Crore.</p>
119	<p>Donations made to any trust or institution registered u/s 12AB or 10(23C) (other than corpus donation) can be treated as application of income.</p> <p>Amount applied out of corpus fund shall not be treated as application in current year. However, when the income of PY is utilised to invest or deposit back into specified mode for such corpus then such amount shall be allowed as application.</p> <p>Therefore, donation out of accumulated income of the trust shall not be treated as application for the year.</p>
120	<p>Donations made to any trust or institution registered u/s 12AB or 10(23C) (other than corpus donation) can be treated as application of income.</p> <p>Therefore, no deduction will be available.</p>

CASE SCENARIOS

S. No.	Explanations
1	<p>1.1) As per section 40(b), Where an individual is a partner in a firm otherwise than in a representative capacity, the provisions of section 40(b) shall not apply to any interest payable by the firm to such individual on behalf of any other person. Such interest shall be allowed as deduction in full even though the interest rate is more than 12% p.a. In normal cases, interest @ 12% is allowed from the date of partnership deed.</p> <p>Therefore, interest on HUF loan (Rs. 1,20,000) will be fully allowed and to partners, it will be allowed at 12% for 3 months (from 01.01.2022)</p>

Capital Amount = $(540000-120000)/16*100*12 \text{ month}/9 \text{ month} = 35,00,000$
 Interest allowed = $35 \text{ lakh}*12\%*3/12$ (Interest of Partners) + 120000 (Interest of HUF Loan)
 = 225000

1.2) Remuneration is paid only to the working partner, therefore remuneration paid to Madhav is not allowed.

Calculation of allowable remuneration-

Net profit	472000
Add: Interest as per Books	540000
Less: Interest allowed (as calculated above)	225000
Add: Remuneration	888000
Less: Unabsorbed Depreciation	150000
Book Profit	1525000
Allowable remuneration First 3 lakhs = 90% or 1.5 lakh (whichever is higher) Balance @60%	1005000
Or	
Remuneration paid to working partners (Jay and Gopal)	696000
Whichever is lower.	

1.3) Section 78(1) - If there is retirement of partner or death of partner the firm shall not carryforward share of retired /deceased partner in the losses of firm. If Legal heir becomes partner after death of any partner, then firm can C/F and Set-off Losses. Section 78 does not apply to unabsorbed dep so it can be c/f by firm even if partner dies or retires.

Raj Share = $3 \text{ Lakhs} \times \frac{1}{4} = 75,000$ will not be allowed.

1.4) Calculation of total income

Net profit	472000
Add: Remuneration	888000
Add: Interest as per books	540000
Less: Interest allowable	225000
Less: Remuneration allowable	696000
Less: unabsorbed loss and dep	375000
Total	604000

1.5) As per Section 45(3), FVOC will be amount recorded in books of firm. However,

	<p>in case of immovable property if SDV is more than amount recorded then SDV shall be treated as FVOC in the hands of Gopal. i.e. 20 lakhs.</p> <p>Now, for firm, Purchase price would be the selling price for Gopal i.e 20 Lakhs. SDV is more than 110% of actual consideration, hence SDV will be treated as FVOC. Therefore, capital gain = 28 lakh – 20 lakh = 8 lakhs.</p>
2	<p>Section 269SS - No person shall take or accept from any other person, any loan or deposit or any specified sum, otherwise than by an account payee cheque or account payee bank draft or use of electronic clearing system through a bank account if the amount of such loan/advance/deposit is more than 20,000 or the account balance exceeds 20,000 on the date of accepting such loan/advance/deposit. Penalty – Amount of loan/ deposit taken or accepted (section 271D)</p> <p>Section 269T - No branch of a banking company or a co-operative bank and no other company or co-operative society and no firm or other person shall repay any loan or deposit made with it or any specified advance received by it otherwise than by an account payee cheque or account payee bank draft drawn in the name of the person who has made the loan or depositor paid the specified advance, or by use of electronic clearing system through a bank account if the amount of such loan/advance/deposit repaid is more than 20,000 or the account balance (outstanding as on such date) exceeds 20,000 on the date of repayment of such loan/advance/deposit. Penalty – Amount of loan/deposit so repaid (section 271E)</p> <p>Section 269ST - No person shall receive an amount of two lakh rupees or more— (a) in aggregate from a person in a day; or (b) in respect of a single transaction; or (c) in respect of transactions relating to one event or occasion from a person, otherwise than by an account payee cheque or an account payee bank draft or use of electronic clearing system through a bank account. Penalty – Sum equal to amount received (section 271DA)</p> <p>2.1) Violation exist for Mr. A and Mr. B loan. 2.2) Cash payment and cross cheque payment is violation. 2.3) Contravention for Mr shyam since amount is 2 lakhs, no contravention in case of Mr.Ankit since amount is 90,000 only.</p> <p>Due date for filing return is 31.10.2022. Tax Audit due date is one month before the due date of ROI as per Sec 139(1). Penalty leviable under Section 271B if assessee fails to get accounts audited is 0.50% of Turnover or Gross Receipts (subject to max 1.5 lakh).</p>
3	<p>3.1) As per section 44AD, eligible assessee for this section are resident firms (excluding LLP)/individual/HUF having Turnover/Gross Receipts upto Rs.2 Cr. and not in the business of section 44AE, agency, commission and brokerage.</p>

	<p>Resident assessee is eligible for 44ADA if he is engaged in profession as referred in Sec 44AA and Gross Receipt is upto Rs. 50 Lakhs</p> <p>For the business of plying, hiring, leasing such goods carriage presumptive income will be calculated as per Sec44AE. 44AE is applicable only if assessee owns Max 10 Vehicles. Therefore, in the given case eligible firms for declaring income on presumptive basis are AB & Co., LM & Co. and XY & Co.</p> <p>3.2) As per section 44AD, income on presumptive basis is Turnover/Gross Receipts *6% (for account payee cheque/DD/ECS received upto due date of ROI) and for remaining modes it is Turnover/GR *8%. Therefore, in the given cases income will be calculated as follows -:</p> <p><u>AB & Co.</u> Presumptive Income = $(150+20) *6\% + 30*8\% = \text{Rs. } 12,60,000$ Working Partner's Salary and Interest shall not be deductible while computing income as per Sec 44AD</p> <p><u>PQ & Co.</u> Since sec 44AD is not applicable therefore book profits of Rs.4,50,000</p> <p>3.3) As per section 44AE, presumptive income (after deducting partners remuneration, salary, interest, etc. as per 40(b)) in case of transporters is as follows –</p> <p>Heavy Goods Vehicle (more than 12000 kgs) = Rs.1,000 per ton per vehicle for every month or part thereof. Other Vehicle = Rs.7500 per vehicle per month or part thereof.</p> <p>Purchase Date (not put to use) is considered under Sec 44AE. In the given case presumptive income for LM & Co. is as follows -: $= (11*3*7500 + 9*2*7500 + 8*1*7500 + 7*1*7500 + 5*1*7500 + 4*2*13*1000) - (1,50,000 + 50,000)$ $= 6,36,500 - 2,00,000$ $= 4,36,500.$</p> <p>3.4) As per section 44ADA, presumptive income in case of professional is (Gross Receipt*50%). Therefore, income of XY & Co. for AY 22-23 would be = $50,00,000*50\% = \text{Rs.}25,00,000$</p> <p>3.5) Yes, since in both the cases, presumptive income is more than the income calculated as per books of accounts. Hence, if assessee wishes to get their books of accounts audited, then they can declare income as per books of accounts maintained.</p>
4	<p>4.1) Section 43CA - Where the consideration received due to transfer of asset (other than a capital asset), being land or building or both, is less than stamp duty value in respect of such transfer, the SDV shall, for the purposes of computing</p>

	<p>profits and gains from transfer of such asset, be deemed to be the full value of the consideration. However, where the SDV does not exceed 110% of consideration the sale consideration shall be treated as FVOC.</p> <p>If the date of agreement and registration are not same, then assessee can take SDV on the date of agreement if he has received consideration or part thereof upto date of agreement in A/c payee cheque/DD, use of ECS, etc.</p> <p>Since, SDV on date of agreement does not exceed 110% of 100 lakhs, therefore 100 lakhs will be treated as FVOC.</p> <p>Business Income (since Rajesh is a property dealer) = 100 lakh – 50 lakh = 50 lakhs</p> <p>4.2) Where immovable property is acquired for inadequate consideration, if per immovable property (SDV – Consideration) exceeds 50,000 AND SDV is more than 110% of consideration then difference between SDV and consideration is taxable under IFOS – Section 56(2)(x)</p> <p>In instant case, since SDV on date of agreement does not exceed 110% of 100 lakhs. Nothing is chargeable in IFOS.</p> <p>4.3) Provision similar to section 43CA exist for transfer of capital asset also (Section 50C).</p> <p>In instant case, since down payment on date of agreement is received by crossed cheque, SDV on date of agreement is not acceptable.</p> <p>Further, SDV on date of transfer exceeds 110% of 50 lakh i.e. more than 55 lakhs, therefore, 70 lakh will be treated as FVOC.</p> <p>Short Term Capital Gain = 70 – 32 = 38 lakhs.</p> <p>No indexation benefit since period of holding does not exceed 24 months.</p> <p>4.4) Where immovable property is acquired for inadequate consideration, if per immovable property (SDV – Consideration) exceeds 50,000 AND SDV is more than 110% of consideration then difference between SDV and consideration is taxable under IFOS – Section 56(2)(x)</p> <p>In instant case, since SDV on date of transfer exceed 110% of 50 lakhs and difference (70 lakh-50 lakh) is more than 50,000.</p> <p>20 lakhs (70 lakh – 50 lakh) will be chargeable in IFOS.</p> <p>4.5) Section 194IA – TDS @ 1% is deductible by payee on transfer of immovable property if the consideration is 50 lakh or more.</p> <p>Therefore, TDS is to be deducted by both Rajesh and Vallish.</p>
5	<p>Section 80JJAA – 1) Deduction of an amount equal to 30% of additional employee cost incurred is allowed. 2) "additional employee" means an employee who has been employed during the previous year but does not include—</p> <p>(a) an employee whose total emoluments are more than 25000 per month; or</p> <p>(b) an employee for whom the entire contribution is paid by the</p>

Government under the Employees' Pension Scheme notified in accordance with the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (19 of 1952); or

(c) an employee employed for a period of less than 240 days during the previous year; or However, for apparel, footwear or leather products business, period is 150 days

(d) an employee who does not participate in the recognised provident fund: additional employees employed during the previous year:

Section 115BAB – Applicable only if company set up and registered on or after the 1st October 2019. Tax Rate – 17.16% (15% + 10% + 4%)

Section 115BAA – Tax rate 25.168% (22% + 10% + 4%)

5.1) B Ltd

As per section 115BAB, tax rate is 15% plus surcharge 10% plus HEC 4%.

Deduction u/s 80JJAA = (500 employees * 24000 * 5 months) * 30% = 1.8 crore

Total Income = GTI less deduction u/s 80JJAA

= 2.8 crore – 1.8 crore = 1 crore

Tax = 1 crore * 0.15 * 17.16% = 17,16,000.

5.2) A Ltd

As per section 115BAA, tax rate is 22% plus surcharge 10% plus HEC 4%.

Deduction u/s 80JJAA = (500 employees * 24000 * 12 months) * 30% = 4.32 crore

Total Income = GTI less deduction u/s 80JJAA

= 4.9 crore – 4.32 crore = 0.58 crore

Tax = 0.58 crore * 25.168% = 14,59,740.

5.3) A Ltd

Total Income under special provisions = 0.58 crore

Since the company was set up in September 2020, it already had claimed benefit of additional depreciation in PY 20-21 and therefore no additional claim is available to it.

Total Income = 0.58 crore

B Ltd

For B Ltd, 50% of additional depreciation will be allowed in PY 21-22 since P&M put to use for less than 180 days in this PY

Total Income under special provisions = 1 crore

Less: Additional dep since P&M put to use for less than 180 days (4 crore * 20% * 1/2) = 0.40 crore

Total Income = 1 crore - 0.40 crore = 0.60 Crore.

5.4) Since his turnover in PY 2019-20 is more than 400 crore, tax rate of 30% is applicable. Since in this case return is filed therefore penalty will be 50% of tax on URI for under-reporting of income u/s 270A, at the time of assessment it

	<p>would be determined as follows -:</p> <p>Assessed Income – 16 Crore Income u/s 143(3) – 20 Crore URI = 20 Crore – 16 Crore = 4 Crore Tax on Un-Reported Income = 4 crore * 30%* 1.12* 1.04 = 1.39766 crore Penalty = 1.39776*50% = 0.69888 crore.</p> <p>5.5) Since his turnover in PY 2019-20 is less than 400 crore, tax rate of 25% is applicable. In the given case penalty on account of mis-reporting of income u/s 270A will be 200% of taxon URI, at the time of reassessment it will be determined as follows -: Assessed Income – 20 Crore Income u/s 143(3) – 22 Crore URI = 22 Crore – 20 Crore = 2 Crore Tax on Un-Reported Income = 2 crore *25%* 1.12* 1.04 = 0.5824 crore Penalty = 0.5824*200% =1.1648 crore.</p>
<p>6</p>	<p>6.1) The business trust has to deduct tax at source under section 194LBA – - @10%, on interest component of income distributed to resident unit holders; and - @5% (plus cess), on interest component of income distributed to non-corporate Non-resident unit holders and foreign companies.</p> <p>Interest component of income distributed to unit holders is taxable in the hands of the unit holders – @5%, in case of unit holders, being non-corporate non-residents or foreign companies; and at normal rates of tax, in case of resident unit holders.</p> <p>Therefore, tax is deductible at 10% for Mr. X (Resident) and 5.2% (including HEC) for Mr. Y (Non-resident).</p> <p>6.2) As per section 115UA(2), the business trust is liable to pay tax@15% under section 111Ain respect of short-term capital gains on sale of listed shares and MMR for sale of developmental properties.</p> <p>6.3) Section 10(23FC) - Interest & Dividend from SPV shall be fully exempt in hands of REIT. Any other income (except interest from SPV & Rental income from REIT) received by unitHolders for Business Trust shall be exempt in hands of Unitholders u/s 10(23FD). Dividend taxable only when SPV paid taxes as per 115BAA. Therefore, no tax payable by REIT or unit holder.</p> <p>6.4) Since, tax is paid by SPV as per section 115BAA. Dividend will be taxable in hands of funitholder. Dividend exempt in hands of business trust due to its pass-through status.</p> <p>6.5) Such interest is taxable at maximum marginal rate, in the hands of the Business trust, asper section 115UA(2). However, there would be no tax liability in the hands of the unit holderson the interest component of income distributed to</p>

	<p>them, by virtue of section 10(23FD).</p> <p>6.6) The distributed income or any part thereof, received by a unit holder from the REIT, which is in the nature of income by way of renting or leasing or letting out any real estate asset owned directly by such REIT is deemed income of the unit holder as per section 115UA(3). The business trust has to deduct tax at source@10% under section 194LBA in case of distribution to a resident unit holder and at rates in force in case of distribution to a non- resident unit holder.</p>
<p>7</p>	<p>7.1) M/s MNO Ltd. has under reported its income since twice (i) AO has issued order of scrutiny assessment u/s 143(3) for return processed u/s 143(1)(a) where AO has determined under reporting of income. (ii) Further, AO has reassessed income u/s 147 and found escaping of income assessed u/s 143(3).</p> <p>7.2) Mr. N has under reported its income since he has not furnished his return of income u/s 139(1), upon which AO has assessed income u/s section 144 which exceeds maximum amount not chargeable to tax.</p> <p>7.3) Since in this case return is filed therefore penalty will be 50% of tax on URI for under- reporting of income u/s 270A, at the time of assessment it would be determined as follows –</p> <p>Assessed Income – 65,00,000 Income u/s 143(1) – 50,00,000 URI = 65,00,000-50,00,000 = 15,00,000 Tax on Un-Reported Income = $\{(15,00,000 + 50,00,000) * 30\% - (50,00,000) * 30\% \} * 104\% = 4,68,000$ Penalty = 4,68,000*50% = 2,34,000.</p> <p>7.4) In the given case penalty on account of mis-reporting of income u/s 270A will be 200% of tax on URI, at the time of reassessment it will be determined as follows -:</p> <p>Reassessed income – 85,00,000 Income assessed in last order – 65,00,000 URI = 85,00,000-65,00,000 = 20,00,000 Tax on Un-Reported income = $\{(20,00,000+65,00,000) * 30\% - (65,00,000) * 30\% \} * 104\% = 6,24,000$ Penalty = 6,24,000*200% = 12,48,000.</p> <p>7.5) In the given case return has not been furnished by assessee, penalty on account of under- reporting of income u/s 270A by Mr. N will be 50% of tax on URI, the same will be assessed as follows -:</p> <p>Assessed Income – 15,00,000 URI = 15,00,000-2,50,000 = 12,50,000 Tax on URI = $(2,50,000*5\% + 5,00,000*20\% + 5,00,000*30\%) * 104\% = 2,73,000$ Penalty = 2,73,000*50% = 1,36,500.</p>

<p>8</p>	<p>As per Section 115UB, PGBP income of investment funds is taxable in hands of investment funds. Section 115UB – All income received by unit holders from investment fund are taxable in hands of unit holders (except PGBP). As per amendment made by FA 2019, Losses other than PGBP of Investment Fund shall be distributed to unit holders and unit holder can set off and carry forward such loss if unit holder hold such units for 12 months or more.</p> <p>8.1) As per taxation on investment fund, PGBP income of Rs.14,00,000 will be taxable in the hands of investment fund and remaining income of Rs.28,00,000 (Capital Gain-21,00,000 + IFOS – 7,00,000) will be taxable in the hands of unit holder i.e. Rs.80,000 to each holder (28,00,000/35).</p> <p>8.2) As per taxation on investment fund, PGBP income of Rs, 14,00,000 will be taxable @30%plus HEC 4% since it is LLP.</p> <p>8.3) As per taxation on investment fund PGBP loss of Rs. 4,00,000 (PGBP loss 10,00,000 – IFOS6,00,000) will be carried forward by Investment Fund II and since units have been hold by holders for a period of atleast 12 months therefore capital loss of Rs.40,000 (20,00,000/50) can be c/f by each unit holder.</p> <p>As per taxation on investment fund PGBP income will be Rs. 11,00,000 for A.Y. 23-24 as PBGP income for current year is Rs. 15,00,000 and carried forward loss of previous year is Rs.4,00,000.</p>
<p>9</p>	<p>9.1) As per section 153(2), time limit of 12 months from the end of F.Y. in which notice u/s 148 was served for completing assessment. (9 months if notice served before 01.04.2019).</p> <p>Therefore, for Mr. Ram, 1 year from end of FY 2019-20 will be allowed i.e. 31.03.2021. For Mr. Shyam, 1 year from end of FY 2020-21 will be allowed i.e. 31.03.2022.</p> <p>9.2) As per section 153(1), time limit of 9 months from the end of relevant A.Y. is provided for completing assessment u/s 143. (12 months for AY 2019-20 & 202-21).</p> <p>As per section 153(1), where reference is made to TPO u/s 92CA then the time limit shall increase by 12 months.</p> <p>Therefore, for Mr. Ram, 1 year from end of relevant AY 2019-20 will be allowed i.e. 31.03.2021. For Mr. Shyam, 2 years from end of relevant AY 2019-20 will be allowed i.e. 31.03.2022.</p> <p>9.3) Based on provisions brought out in point 9.2 above, For AY 2020-21, time limit of 1 year from end of AY 2020-21 will be allowed i.e. 31.03.2022.</p>

	<p>For AY 2021-22, time limit of 9 months from end of AY 2021-22 will be allowed i.e. 31.12.2022.</p> <p>9.4) Turnover of Mr. Ram is less than 1 crore, therefore, due date for return filing is 31.07.2021. He filed his return on 30.09.2021 i.e. after the due date.</p> <p>Turnover of Mr. Shyam is 3 crore, thereby leading to tax audit. Therefore, due date for return filing is 30.09.2021. He filed his return on 30.09.2021 i.e. within the due date.</p> <p>Therefore, Mr Shyam can c/f losses but Mr Ram cannot.</p>
10	<p>10.1) Section 194-O: Where sale of goods or services of an e-commerce participant is facilitated by an e-commerce operator, such e-commerce operator shall, at the time of creditor at the time of payment thereof to such e-commerce participant by any mode, whichever is earlier, deduct income-tax at the rate of 1% of the gross amount of such sales or services or both.</p> <p>Explanation—For the purposes of this sub-section, any payment made by a purchaser of goods or recipient of services directly to an e-commerce participant for the sale of goods or provision of services or both, facilitated by an e-commerce operator, shall be deemed to be the amount credited or paid by the e-commerce operator to the e-commerce participant and shall be included in the gross amount of such sale or services for the purpose of deduction of income-tax under this sub-section</p> <p>Further, as per Section 206AA, If the e-Commerce participant does not furnish his PAN or Aadhaar, TDS must be deducted at the rate of 5%.</p> <p>In instant case, 200000, 150000, 140000 and 20000 will be liable for TDS deduction at 5% rate. $510000 * 5 / 100 = 25500$</p> <p>10.2) As per Section 194J, TDS on professional services provided by Mr. B for office premises of Mr. N are liable to TDS @10%, therefore Mr. N will deduct TDS of Mr. B on Rs.40,000 @10% i.e. Rs.4,000.</p> <p>10.3) As per Section 194M, TDS is not required to be deducted if professional services received less than Rs. 50,00,000. Hence in given case Mr. N is not required to deduct TDS of Mr. B u/s 194M as total services received are less than Rs. 50 Lacs.</p> <p>10.4) As per sec 165 of FA 2016 equalization levy @6% is applicable if payment for specified services is received/ receivable by NR from person resident in India carrying business or profession, specified services includes online advertisement. In the given case, Mr. B has received online advertisement services from Tumble LLC and Doodle Inc. Therefore, equalization levy of Rs.6,600 on Tumble LLC and Rs. 6,300 on Doodle Inc. is required to be deducted.</p> <p>10.5) Since, assessee does not want to get accounts audited, hence 44ADA is</p>

	<p>applicable if gross receipts is upto 50 Lacs. Total Gross receipts = 49,10,000 (200000 + 150000+ 140000+ 20000+ 4000000+ 400000)</p> <p>In given case, since PGBP shown is less than 50% and audit is not done. Assessee have to optsection 44ADA. PGBP = 4910000*50% = 24,55,000 Tax as per Slab rates = 5,70,960 (inclusive of HEC)</p>
<p>11</p>	<p>11.1) As per sec 94B, excess interest paid by Indian Company to a NR being an associate enterprise shall be disallowed, also such disallowed interest can be carried forward upto a period of 8 Ays. Hence, in the given case allowed interest for computation of income of UI ltd. for AY 2022-23 is as follows -: Interest paid to AE – 30% of EBITDA</p> <p>Here, EBITDA = PAT + Tax + Interest + Depreciation EBITDA = 8 + 1.5 + 6 + 2.5 = 18 Cr. Interest Allowed (Max which can be allowed) = 18*30/100 = 5.4Cr. Interest paid to AE in AY 22-23 = Rs. 4.75 Cr. (50 crore * 9.5%)</p> <p>Since, actual interest is less than max allowed interest, hence nothing will be disallowed. Therefore, additional interest that can be further allowed (C/f from AY 21-22) = 5.4 – 4.75 = 0.65 Cr. Local borrowings interest will be fully allowed. Hence, Allowed interest expenditure for AY 22-23 = 4.75 + 1.25 + 0.65 = Rs. 6.65 Cr.</p> <p>11.2) As per Section 92C, calculation of ALP by Resale Price Method (RPM) on import of turboequipment by UI Ltd from H Inc. is as follows - : Resale price of Equipment sold to unrelated party = 40,00,00,000 (-) Normal GP margin @ 20% = (8,00,00,000) Arm's Length Price = 32,00,00,000</p> <p>Purchase related expenses [inclusive of custom duty paid] = 34,50,00,000</p> <p>Increase in Income of UI Ltd. = 34,50,00,000 – 32,00,00,000 = Rs.2,50,00,000</p> <p>11.3) As per section 92CE, if excess money of Rs. 2.5 crore is not repatriated in India thenfollowing interest income will be added -: = 2,50,00,000*(11.25%+3.25%) * 121/365days = Rs. 12,01,712. No. of Days = 31 (Dec) + 31 (Jan) + 28 (Feb) + 31 (March) =121 days Interest is calculated from the due date of filling of return in cases where primary adjustmentis made suo motu.</p> <p>11.4) As per section 92CE (2A), additional Income Tax on amount to be repatriated will be @18%, such tax will be increased by surcharge of 12% + 4% HEC. In the given case calculationof additional tax to be paid will be -</p>

	<p>Tax to be paid = $2,50,00,000 \times 20.9664\% = \text{Rs. } 52,41,600$.</p> <p>11.5) Excess money should be repatriated within 90 days from due (i.e 28-02-23) but in the given case, the same has been repatriated on 15-03-23. As per section 92CE (2A), if the assessee pays additional income tax, he will not be required to make secondary adjustment or compute interest from the date of payment of such tax. In the given case additional tax has been paid by UI Ltd on 15.03.2023, hence interest income to be added for AY 23-24 will be as follows :- $= 2,50,00,000 \times (11.25\% + 3.255) \times 105/365 = \text{Rs. } 10,42,808$.</p> <p>11.6) As per section 92A, UI Ltd holds more than 26% shares of K Inc and Y Ltd and K Inc has prior agreement of sale for such transaction, hence H Inc, K Inc and Y Ltd. are associate and deemed associates of UI Ltd.</p>
12	<p>12.1) As per section 194N, TDS @ 2% is applicable on cash withdrawals in excess of Rs. 1 Crore. However, if the account holder has not filled his ROI for the 3 years immediately preceding the PY then TDS @ 2% is applicable on withdrawals above Rs.20,00,000 but upto Rs. 1Cr. and TDS @ 5% on withdrawals in excess of Rs. 1Cr. Therefore, in the given case TDS u/s 194 for account holders will be as follows :-</p> <p><u>Mr. A</u> Total cash withdraws = Rs.1,05,00,000 TDS on Rs.5,00,000 @ 2% = Rs.10,000</p> <p><u>Mr. B</u> Total cash withdrawal = Rs.98,00,000 TDS on 78 lakhs (98 lakhs – 20 lakh) @ 2% = 1.56 lakhs</p> <p>12.2) As per sec 36(1)(vii), Indian banks can provide provision for bad debts @8.5% of GTI (before this deduction) + 10% of aggregate average advances made by rural branches. If provision for bad debts is less than actual bad debts, then remaining bad debts allowed u/s 36(1)(vii). Therefore, in given case amount of provision will be :- $= 100,00,000 \times 8.5\% + 120,00,000 \times 10\% = \text{Rs. } 20,50,000$ Total actual bad debts = Rs. 20,00,000 Therefore, deduction for bad debts u/s 36(1)(vii) = Rs.20,50,000 u/s 36(1)(vii) = NIL</p> <p>12.3) As per the provisions of IT Act, reportable accounts under SFT are of Mr. B & Mr. K as Mr. B has withdrawals of more than Rs. 50 Lacs from his current account and Mr. K has paid a bill of credit card in excess of Rs. 10 Lacs from account payee cheque.</p> <p>12.4) As per section 271FA penalty for non-filing of SFT from the due date of 31st May of the AY till the till the period of expiry of notice is Rs.500 per day and Rs.1000 on failure to furnish the same after expiry of notice period. In the given case penalty u/s 271FA would be :-</p>

	<p>= (1/06/22-30/10/22)152 days *500 + (31/10/22-25/11/22) 26 days *1000 =Rs. 1,02,000.</p> <p>12.5) In the given assets have been used by predecessor company for 332 days till 26/02/22, therefore deduction u/s 32 & 35DDA will be as follows -: =350000*331/365 + (30,00,000/5) *331/365 =8,61,507.</p>
13	<p>13.1) Section 92A: Two enterprises shall be deemed to be associated enterprises if, at anytime during the previous year- any person or enterprise holds, directly or indirectly, shares carrying not less than twenty-sixper cent of the voting power in each of such enterprises or a loan advanced by one enterprise to the other enterprise constitutes not less than fifty-oneper cent of the book value of the total assets of the other enterprise.</p> <p>13.2) 620 million * 2.5% (6.5-4) * 9/12 months = 1,16,25,000.</p> <p>13.3) If primary adjustment is made due to order of AO, then the excess money is required to be brought back within 90 days from the date of order of AO. Alternatively, additional income tax u/s 92CE(2A) can be paid and then the excess money willnot be required to be repatriated. However, interest will be charged upto date of payment ofadditional income tax.</p> <p>13.4) As per section 92CE, if excess money of Rs. 1,16,25,000 is not repatriated in India within90 days from the date of order of AO, then following interest income will be added to PY 23-24 -: = 1,16,25,000*(10.00%+3.25%) = Rs. 15,40,313. Interest is calculated from the date of order by AO in cases where primary adjustment is madeAO.</p> <p>13.5) As per section 270A(9), failure to report any international transaction or any transactiondeemed to be an international transaction or any specified domestic transaction, to which the provisions of Chapter X apply shall be treated as mis reporting of income and penalty would be 200% of amount of the tax payable.</p> <p>13.6) No adjustment would be required in hands of X and Y since this is an extra income to Xand income of Y is not chargeable to tax in India.</p>
14	<p>14.1) Section 143: Where a return has been made under section 139, such return shall be processed in the following manner, namely: (a) the total income or loss shall be computed after making the following adjustments, namely: (ii) an incorrect claim, if such incorrect claim is apparent from any information in thereturn; Since, it is a normal adjustment, this will not be treated as under reporting of income.</p> <p>14.2) Since in this case return is filed therefore penalty will be 50% of tax on URI</p>

for under-reporting of income u/s 270A, at the time of assessment it would be determined as follows -:

Assessed Income – (10,50,000)

Income u/s 143(1) – (13,50,000)

URI = 13,50,000-10,50,000 = 3,00,000

Tax on Un-Reported Income = 300000*30%* 104% = 93,600

Penalty = 93,600*50% = 46,800.

14.3) In the given case penalty on account of mis-reporting of income u/s 270A will be 200%of tax on URI, at the time of reassessment it will be determined as follows -:

Reassessed income – 2,00,000

Income assessed in last order – (10,50,000)

URI = 2,00,000-(-10,50,000) = 12,50,000

Tax on Un-Reported income = 12,50,000*30%*104% = 3,90,000

Penalty = 3,90,000*200% = 7,80,000.

14.4) Section 270AA: An assessee may make an application to the Assessing Officer to grant immunity from imposition of penalty under section 270A and initiation of proceedings under section 276C or section 276CC, if he fulfils the following conditions, namely:—

(a)- the tax and interest payable as per the order of assessment or reassessment under sub-section (3) of section 143 or section 147, as the case may be, has been paid within the period specified in such notice of demand; and

(b) no appeal against the order referred to in clause (a) has been filed.

14.5) Section 271AAD –

(1) Without prejudice to any other provisions of this Act, if during any proceeding under this Act, it is found that in the books of account maintained by any person there is—

(i) a false entry; or

(ii) an omission of any entry which is relevant for computation of total income of such person, to evade tax liability,

(2) Such person shall pay by way of penalty a sum equal to the aggregate amount of such false or omitted entry.

Section 276C –

(1) If a person wilfully attempts in any manner whatsoever to evade any tax, penalty or interest chargeable or imposable, or under reports his income, under this Act, he shall, without prejudice to any penalty that may be imposable on him under any other provision of this Act, be punishable,—

(i) in a case where the amount sought to be evaded or tax on under-reported income exceeds twenty-five hundred thousand rupees, with rigorous imprisonment for a term which shall not be less than six months but which may extend to seven years and with fine;

	<p>in any other case, with rigorous imprisonment for a term which shall not be less than three months but which may extend to two years and with fine.</p>
15	<p>15.1) As per sec 94B, excess interest paid by Indian Company to a NR being an associate enterprise shall be disallowed. Hence, in the given case disallowed interest is as follows -: Interest paid to AE – 30% of EBITDA</p> <p>Here, Interest Allowed = $6 \times 30 / 100 = 1.8$ Crore. Interest paid to AE = Rs. 3 Cr. (50 crore*6%) Therefore, interest disallowed = 3 crore -1.8 crore = 1.2 crore.</p> <p>15.2) Section 115BAA: Notwithstanding anything contained in this Act but subject to the provisions of this Chapter, other than those mentioned under section 115BA and section 115BAB, the income-tax payable in respect of the total income of a person, being a domestic company, for any previous year relevant to the assessment year beginning on or after the 1st day of April, 2020, shall, at the option of such person, be computed at the rate of 22%. Section 115BBD provides tax rate of 15% for dividend received from foreign company where Indian company holds 26% or more.</p> <p>Here 115BAB is not eligible as assessee is engaged into trading in futures and options. Company should not be engaged in any business other than business of manufacturing to avail 115BAB.</p> <p>15.3) Section 115BBF - Any income by way of royalty in respect of a patent developed and registered in India, shall be taxable at 10%. No deduction in respect of any expenditure or allowance shall be allowed to the eligible assessee under any provision of this Act.</p> <p>"developed" means at least seventy-five per cent of the expenditure incurred in India by the eligible assessee for any invention in respect of which patent is granted under the Patents Act, 1970.</p> <p>15.4) As per section 115BAA, the assessee can claim deduction u/s 80JJAA. No deduction u/s 32(1)(ia) will be allowed.</p>
16	<p>16.1) Section 115JB is applicable to all companies.</p> <p>As per Explanation 4.—For the removal of doubts, it is hereby clarified that the provisions of this section shall not be applicable and shall be deemed never to have been applicable to an assessee, being a foreign company, if the assessee is a resident of a country or a specified territory with which India has an agreement referred to in sub-section (1) of section 90 or the Central Government has adopted any agreement under sub-section (1) of section 90A and the assessee does not have a permanent establishment in India in accordance with the provisions of such agreement.</p> <p>Since, in present case, DEF Inc. has permanent establishment, section 115JB is applicable.</p> <p>16.2) As per Section 115A, it is taxable at 10% + HEC 4% while as per DTAA, tax</p>

	<p>rate is 10% whichever is more beneficial would apply. Note - Deduction of expenses not allowed.</p> <p>16.3) Section 112(1)(c)(iii) - Long-term capital gains arising from the transfer of a capital asset, being unlisted securities or shares of a company not being a company in which the public are substantially interested, shall be calculated at the rate of ten per cent on the capital gains in respect of such asset as computed without giving effect to the first and second proviso to section 48 (indexation and foreign currency conversion).</p> <p>16.4) Both capital gains on securities and fee for technical services have to be reduced while computing book profit of DEF Inc. for levy of minimum alternate tax since they are taxable at a rate lower than rate in section 115JB.</p>				
17	<p>17.1) Section 44AB - Every person, carrying on business shall, if his total sales, turnover or gross receipts, as the case may be, in business exceed or exceeds one crore rupees in any previous year shall get its books audited.</p> <p>Provided that in the case of a person whose—</p> <p>(a) aggregate of all amounts received including amount received for sales, turnover or gross receipts during the previous year, in cash, does not exceed five per cent of the said amount; and</p> <p>(b) aggregate of all payments made including amount incurred for expenditure, in cash, during the previous year does not exceed five per cent of the said payment, this clause shall have effect as if for the words "one crore rupees", the words "five crore rupees" had been substituted.</p> <p>In given case, his receipts in cash does not exceed 5% (1.1 crore*5% = 5.5 lakh), amount received in cash is also 5.5 lakh. Total payments made = 65,84,500, payment in cash = 7,00,000. Payments allowed in cash = 3,29,225 (6584500*5%) Since, the turnover exceeds 1 crore and cash payments exceeds 5% of total payment, Audits per Sec. 44AB is mandatory.</p> <p>17.2) TDS is required in case of payments made to specialists under section 194J and payment of salary u/s 192. Therefore, disallowed amount under Section 40(a)(ia) - = 16,50,000 ((35,00,000+20,00,000)*30%)</p> <p>17.3) Calculation of depreciation: Asset value = 3,50,000 Interest to be capitalized from 15th April to 14th Oct = 34500*6/11.5 months = 18000 Total asset value = 350000+18000 = 368000. Depreciation = 368000*40/100*1/2 = 73600.</p> <p>17.4) Calculation of total income</p> <table border="1" data-bbox="300 1917 1342 2033"> <tr> <td>Gross receipts</td> <td>1,10,00,000</td> </tr> <tr> <td>Less: Payments for Remuneration, Salary and other Admin Expense</td> <td>55,70,000</td> </tr> </table>	Gross receipts	1,10,00,000	Less: Payments for Remuneration, Salary and other Admin Expense	55,70,000
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18	<p>18.1) Depreciation rate for Motor Vehicles is 15% (30% if acquired and put to use between 23.08.19 to 31.03.2020)</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Beta Ltd.</th> </tr> </thead> <tbody> <tr> <td>WDV as on 01.04.2019</td> <td>-</td> </tr> <tr> <td>Add: Put to use (02.10.2019)</td> <td>₹ 7,00,000.00</td> </tr> <tr> <td>Total</td> <td>₹ 7,00,000.00</td> </tr> <tr> <td>Depreciation for 2019-20</td> <td>₹ 2,10,000.00</td> </tr> <tr> <td>WDV as on 01.04.2020</td> <td>₹ 4,90,000.00</td> </tr> <tr> <td>Depreciation for 2020-21</td> <td>₹ 1,47,000.00</td> </tr> <tr> <td>WDV as on 01.04.2021</td> <td>₹ 3,43,000.00</td> </tr> <tr> <td>Depreciation allowable on Motor Vehicle for FY 2021-22</td> <td>₹ 1,02,900.00</td> </tr> </tbody> </table> <p>Depreciation on block of plant & machinery (15%) –</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Beta Ltd.</th> </tr> </thead> <tbody> <tr> <td>WDV as on 01.04.2021</td> <td>₹ 95,00,000.00</td> </tr> <tr> <td>Add: Assets Put to use (01.11.2021) including interest (30,00,000*10%*2/12 months = 50,000)</td> <td>₹ 40,50,000.00</td> </tr> <tr> <td>Total</td> <td>₹ 1,35,50,000.00</td> </tr> <tr> <td>Depreciation</td> <td></td> </tr> <tr> <td>-On Opening WDV</td> <td>₹ 14,25,000.00</td> </tr> <tr> <td>-On asset put to use on 01.11.2021</td> <td>₹ 3,03,750.00</td> </tr> <tr> <td>Additional depreciation on new asset purchase at half rate</td> <td>₹ 4,05,000.00</td> </tr> <tr> <td>Depreciation allowable on 15% block for FY 2021-22</td> <td>₹ 21,33,750.00</td> </tr> </tbody> </table> <p>18.2) As per section 40(a)(i), any amount paid or credited to NR or foreign Co. & if: a. TDS has not been deducted in PY or</p>	Particulars	Beta Ltd.	WDV as on 01.04.2019	-	Add: Put to use (02.10.2019)	₹ 7,00,000.00	Total	₹ 7,00,000.00	Depreciation for 2019-20	₹ 2,10,000.00	WDV as on 01.04.2020	₹ 4,90,000.00	Depreciation for 2020-21	₹ 1,47,000.00	WDV as on 01.04.2021	₹ 3,43,000.00	Depreciation allowable on Motor Vehicle for FY 2021-22	₹ 1,02,900.00	Particulars	Beta Ltd.	WDV as on 01.04.2021	₹ 95,00,000.00	Add: Assets Put to use (01.11.2021) including interest (30,00,000*10%*2/12 months = 50,000)	₹ 40,50,000.00	Total	₹ 1,35,50,000.00	Depreciation		-On Opening WDV	₹ 14,25,000.00	-On asset put to use on 01.11.2021	₹ 3,03,750.00	Additional depreciation on new asset purchase at half rate	₹ 4,05,000.00	Depreciation allowable on 15% block for FY 2021-22	₹ 21,33,750.00
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b. TDS deducted but not paid to Govt. up to due date of return filing then such sum (100%) shall not be allowed as deduction in current PY.

Therefore, 1,50,000 will be disallowed in this case.

18.3) If assessee opts section 115BAA then company can not claim deductions u/s 35(1)(ii), (ia), (iii), 35(2AA) and 35(2AB).

Therefore, expenditure for in house research u/s 35(1)(i) & (iv) is allowed. i.e. 2,20,000 + 80,000 allowed.

18.4) Calculation of income under the head PGBP:

Particulars	Amount
Net Profit	33,00,000
Add: dep as per companies act	15,20,000
Less: dep as per IT act (computed in 18.1 above)	22,36,650
Add: Interest paid to X inc. (disallowed)	1,50,000
Less: Interest on borrowed funds (30,00,000*10%*5/12 months) {01.11.2021 to 31.03.2022}	1,25,000
	26,08,350

18.5) Calculation of income under the head PGBP if company opts section 115BAA:

Particulars	Amount
Profit computed at 18.4 above	26,08,350
Add: Additional dep on assets not allowed	4,05,000
Add: Contribution to national laboratory not allowed	5,00,000
	35,13,350

19

19.1) As per section 45(2), Conversion of capital asset into stock in trade is treated as transfer, capital gain shall arise where an assessee converts capital asset in stock in trade. Capital gain shall be taxable in the year in which such stock in trade is sold.

Calculation of capital gain for PY 21-22 -

FVOC (FMV on date of Transfer)	300	
Indexed cost of acquisition (50*301/137)	109.85	
Capital Gain	190.15	
Capital Gain chargeable to tax (190.15 * 14/20)	133.11	Capital gain shall be taxable in the year in which such stock in trade is sold
Less: exemption u/s 54EC	40	Max 50 lakhs deduction allowed, investment can be made within 6 months from sale.
Capital gain taxable	93.11	

19.2) PGBP = Sale value – Cost of land – cost of construction
 = (40 lakhs * 14 Flats – 300 lakhs * 14 / 20 – 15 lakhs * 14 Flats) = 140 lakhs.

19.3) Calculation of capital gain PY 22-23 -

Capital Gain	190.15	
Capital Gain chargeable to tax (190.15 * 6/20)	57.04	
Less: exemption u/s 54EC	10	Max 50 lakh deduction allowed, investment can be made within 6 months from sale.
Capital gain taxable	47.04	

PGBP = Sale value – Cost of land – cost of construction
 = (40 lakhs * 6 Flats – 300 * 6/20 – 15 lakhs * 6 Flats) = 60 lakhs.

19.4) IFHP =

Annual Value = 60000 * 12 months = 720000
 Less: standard deduction @ 30% = 216000
 Taxable = 504000.

Since, municipal taxes are paid by tenant, it will not be deducted.

19.5) Section 194IB - Individual and HUF are required to deduct TDS @ 5% on rent paid for immovable property if rent per month or part thereof exceeds 50,000. This deduction is to be made at the time of credit of such rent for the last month of the previous year or the last month of tenancy as the case may be.

20) 20.1) As per section 35AD, 100% deduction is allowed in respect of all capital expenses except-
 a) Land b) Goodwill c) Financial Instruments.

20.2) Loss of Specified business can be set off only against specified business income, irrespective of whether the latter is eligible for deduction under section 35AD.

Loss under specified business = 80 – 175 = 95 lakh
 Profit of other hotel = 130 lakh
 Net = 130 – 95 = 35 lakhs

20.3) No change in answer since no deduction was taken for land.

20.4) Normal tax = 35 lakh * 30% * 1.04 = 10.92 lakhs

Calculation of AMT -

Profit = 35 lakh
 Add: Deduction u/s 35AD = 175 lakhs
 Less: Depreciation u/s 32 on 175 Lakhs @ 10% = 17.5 lakh

Adjusted total income = 192.50 lakhs
 AMT = $192.50 \times 18.5\% \times 1.12 \times 1.04 = 41.48144$ lakhs
 Tax payable = 41.48144 lakhs

20.5) Section 80JAA – 1) Deduction of an amount equal to 30% of additional employee cost incurred is allowed. 2) "additional employee" means an employee who has been employed during the previous year but does not include—
 (a) an employee whose total emoluments are more than 25,000 per month; or
 (b) an employee for whom the entire contribution is paid by the Government under the Employees' Pension Scheme notified in accordance with the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (19 of 1952); or
 (c) an employee employed for a period of less than 240 days during the previous year; or However, for apparel, footwear or leather products business, period is 150 days
 (d) an employee who does not participate in the recognised provident fund:
 additional employees employed during the previous year:

40	1.10.2021	Regular	24000	182	Eligible
80	1.10.2021	Regular	24500	182	Eligible
50	1.11.2021	Regular	25500	151	Not eligible since salary exceed 25k
30	1.11.2021	Casual	25000	151	Eligible
20	1.12.2021	Casual	24000	90	Not eligible since employed for less than 150 days

Calculation of Deduction –

Employees	Months	Salary	Total Salary
40	6	24000	57.60 Lakhs
80	6	24500	117.6 Lakhs
30	5	25000	37.5 Lakhs
	Total		212.7 Lakhs
	Deduction @ 30%		63.81 Lakhs

21

21.1) Section 50B

Calculation of Deemed Cost

Depreciable Asset	615	WDV as per income tax is considered
Other FA	90	Revaluation to be ignored
Other assets	585	
	1290	
Liabilities	135	
Net worth	1155	
Calculation of Capital Gain		
Sale Value	1320	
Net worth	1155	
Short term Capital Gain	165	POH is less than 3 years

	<p>21.2) Tax rate applicable to the company is 25% since turnover in 19-20 was less than 400crores. Short term capital gain other than 111A will be taxable at normal tax rates. Tax liability = 165 lakhs * 25% * 1.07*1.04 = 45,90,300.</p> <p>21.3)</p> <table border="1" data-bbox="300 432 1390 591"> <thead> <tr> <th colspan="3">Calculation of Capital Gain</th> </tr> </thead> <tbody> <tr> <td>Sale Value</td> <td>3000</td> <td></td> </tr> <tr> <td>Net worth</td> <td>1155</td> <td></td> </tr> <tr> <td>Long term Capital Gain</td> <td>1845</td> <td>POH is more than 3 years</td> </tr> </tbody> </table> <p>Tax liability = 1845 lakhs * 20% * 1.12*1.04 = 429.81 lakhs.</p> <p>21.4) MAT Rate in case of IFSC is 9%. 400 lakh*9%*1.07*1.04 = 40,06,080.</p> <p>21.5) No tax on distributed profits shall be chargeable in respect of the total income of a company being a unit located in International Financial Services Centre, deriving income solely in convertible foreign exchange, for any assessment year on any amount declared, distributed or paid by such company, by way of dividends (whether interim or otherwise) on or after the 1st day of April, 2017 out of its current income, either in the hands of the company or the person receiving such dividend.</p>	Calculation of Capital Gain			Sale Value	3000		Net worth	1155		Long term Capital Gain	1845	POH is more than 3 years										
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22	<p>22.1) Section 10AA - Since, it is the 6th year of operations, 50% of export profit will be exempt. Deduction = 60 lakh * 120 lakh/160 lakhs * 50% = 22.50 lakhs</p> <p>Section 35AD - 100% deduction is allowed in respect of all capital expenses except a) Land b) Goodwill c) Financial Instruments. Therefore, deduction = 65 lakhs.</p> <p>22.2)</p> <table border="1" data-bbox="300 1375 1136 1818"> <tbody> <tr> <td>Profit of unit located in SEZ</td> <td>60 lakhs</td> </tr> <tr> <td>Less: Deduction u/s 10AA</td> <td>22.50 lakhs</td> </tr> <tr> <td>A</td> <td>37.50 lakhs</td> </tr> <tr> <td>Profit from warehouse</td> <td>160 lakhs</td> </tr> <tr> <td>Less: Deduction u/s 35AD</td> <td>65 lakhs</td> </tr> <tr> <td>B</td> <td>95 lakhs</td> </tr> <tr> <td>A+B</td> <td>132.50 lakhs</td> </tr> <tr> <td>Tax Liability 132.50*30%*1.12*1.04</td> <td>46.3008 lakhs</td> </tr> </tbody> </table> <p>22.3)</p> <table border="1" data-bbox="300 1899 1161 2018"> <tbody> <tr> <td>Taxable Income</td> <td>132.50 Lakhs</td> </tr> <tr> <td>Add: Deduction u/s 10AA</td> <td>22.50 lakhs</td> </tr> <tr> <td>Add: Deduction u/s 35AD</td> <td>65 lakhs</td> </tr> </tbody> </table>	Profit of unit located in SEZ	60 lakhs	Less: Deduction u/s 10AA	22.50 lakhs	A	37.50 lakhs	Profit from warehouse	160 lakhs	Less: Deduction u/s 35AD	65 lakhs	B	95 lakhs	A+B	132.50 lakhs	Tax Liability 132.50*30%*1.12*1.04	46.3008 lakhs	Taxable Income	132.50 Lakhs	Add: Deduction u/s 10AA	22.50 lakhs	Add: Deduction u/s 35AD	65 lakhs
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		220	
	Less: Dep u/s 32 (65 Lakhs*10%)	6.5 lakhs	
	Adjusted Total Income	213.5 lakhs	
	Tax Liability $213.50 * 18.50\% * 1.12 * 1.04$	46,00,670	

22.4) Tax as per normal provision was higher. Therefore, no AMT credit will be there.

22.5) As per section 44AD, income on presumptive basis is Turnover/Gross Receipts *6% (for account payee cheque/DD/ECS received upto due date of ROI) and for remaining modes, it is Turnover/GR *8%.
Therefore, in the given cases income will be calculated as follows -:
 $190 \text{ lakhs} * 6\% + 10 \text{ lakhs} * 8\% = 12.20 \text{ lakhs}$.

22.6) Section 44AB - Every person, carrying on business shall, if his total sales, turnover or gross receipts, as the case may be, in business exceed or exceeds one crore rupees in any previous year shall get its books audited.
Since, income declared as per books is less than presumptive profit, hence, Audit is mandatory.

23

23.1) Section 115UG -
Tonnage shall be rounded off to nearest multiple of 100 tons. Therefore, Ship 1 rounded off to 33800 tonnes and ship 2 to 25000 tonnes.

Particulars	Ship 1	Ship 2
First 1,000 tons (1,000 x 70/100)	700	700
Next 9,000 tons (9,000 x 53/100)	4770	4770
Next 15,000 tons (15,000 x 42/100)	6300	6300
Balance (8,800 x 29/100)	2552	-
	14322	11770

Ship 1 = $14322 * 212 \text{ days} = 30,36,264$
Ship 2 = $11770 * 347 \text{ days} = 40,84,190$
Total = 71,20,454

23.2) Section 115VK - (1) For the purposes of computing depreciation under clause (iv) of section 115VL, the depreciation for the first previous year of the tonnage tax scheme (hereafter in this section referred to as the first previous year) shall be computed on the written down value of the qualifying ships as specified under sub-section (2).

(2) The written down value of the block of assets, being ships, as on the first day of the first previous year, shall be divided in the ratio of written down value as per books of the qualifying ships (hereafter in this section referred to as the qualifying assets) and the book written down value of the non-qualifying ships (hereafter in this section referred to as the other assets).

In the instant case, WDV as per books of Qualifying ships is 850 lakhs (580+270)
WDV as per books of all ships is 1080 lakhs
Ratio = $850/1080 = 78.704\%$

Therefore, WDV of qualifying ships for tax purpose = 1200 lakhs * 78.704% = 944.44 Lakhs.

23.3) Section 115VT. (1) A tonnage tax company shall, subject to and in accordance with the provisions of this section, be required to credit to a reserve account (hereafter in this section referred to as the Tonnage Tax Reserve Account) an amount not less than 20% of the book profit derived from the activities referred to in clauses (i) and (ii) of sub-section (1) of section 115V-I in each previous year to be utilised in the manner laid down in sub-section (3):

Provided that a tonnage tax company may transfer a sum in excess of twenty per cent of the book profit and such excess sum transferred shall also be utilised in the manner laid down in sub-section (3).

In our case, Book profits calculated as per the Explanation to section 115JB(2) [in so far as it relates to income derived from core and incidental activity] are Rs. 100 lakhs.

Therefore, minimum reserve requirement is Rs. 20 lakhs (100 lakh * 20%)

23.4) Section 115VT (5) - Notwithstanding anything contained in any other provision of this Chapter, where the amount credited to the Tonnage Tax Reserve Account in accordance with sub-section (1) is less than the minimum amount required to be credited under sub-section (1), an amount which bears the same proportion to the total relevant shipping income, as the shortfall in credit to the reserves bears to the minimum reserve required to be credited under sub-section (1) shall not be taxable under the tonnage tax scheme and shall be taxable under the other provisions of this Act.

Amount required to be credits is 20 lakhs

Amount credited is Rs. 15 lakhs

Shortfall = 5 lakh i.e. 25%.

Total Income from core and non-core activities = 70 lakh + 14 lakh = 84 lakhs

Amount that will be taxable under other provisions of the Act due to shortfall = 84 lakhs * 25% = 21 lakhs.

23.5) As per sec 44B, when Non-Residents is engaged in shipping Business then presumptive income is 7.5% of specified sum for Shipping Business.

Specified sum mean amount paid or payable on account of carriage of goods at/from any port/place in India and amount received or deemed to be received in India on account of passengers at/from any port/place outside India.

Particulars	Amount
Goods shipped at ports in India (200+150)	350
Goods shipped at ports outside India but consideration received in India	180
Total	530
Deemed Income @7.5%	39.75

24 Section 165A of Finance Act 2016 - (1) On and from the 1st day of April, 2020,

	<p>there shall be charged an equalisation levy at the rate of two per cent. of the amount of consideration received or receivable by an e-commerce operator from e-commerce supply or services made or provided or facilitated by it—</p> <ul style="list-style-type: none"> (i) to a person resident in India; or (ii) to a non-resident in the specified circumstances as referred to in sub-section (3); or (iii) to a person who buys such goods or services or both using internet protocol address located in India. <p>(2) The equalisation levy under sub-section (1) shall not be charged—</p> <ul style="list-style-type: none"> (i) where the e-commerce operator making or providing or facilitating e-commerce supply or services has a permanent establishment in India and such e-commerce supply or services is effectively connected with such permanent establishment; (ii) where the equalisation levy is leviable under section 165; or (iii) sales, turnover or gross receipts, as the case may be, of the e-commerce operator from the e-commerce supply or services made or provided or facilitated as referred to in sub-section (1) is less than two crore rupees during the previous year. <p>(3) For the purposes of this section, "specified circumstances" mean—</p> <ul style="list-style-type: none"> (i) sale of advertisement, which targets a customer, who is resident in India or a customer who accesses the advertisement through internet protocol address located in India; and (ii) sale of data, collected from a person who is resident in India or from a person whose internet protocol address located in India.] <p>24.1) Therefore, Ujay International is required to charge equalisation levy of 2% since Mr. Alex accessed the advertisement through internet protocol address located in India.</p> <p>24.2) Section 166A of Finance Act 2016 – Equalisation levy collected in March is required to be deposited till 31st March.</p> <p>24.3) Considering section 165A of Finance Act, 2016 mentioned above, e-commerce operator having no PE in India providing services to person resident in India is liable for collecting equalisation levy.</p> <p>24.4) Considering the specified circumstances mentioned in section 165A of Finance Act, 2016, equalisation levy of 2000 is deductible and payable by Y tourism Ltd since the data relates to Indian customers.</p>
25	<p>25.1) As per section 6(1), a person is treated as resident in India if He stays in India for 182 days or more in PY Or Stay in India for 60 days or more in PY and 365 days in Last 4 PY's.</p> <p>As per section 6(6), a person will be treated as ordinary resident if he satisfies</p>

both conditions-
Resident for 2 PY or more in Last 10 PYs
And
Stay in India for 730 days or more in Last 7 PYs.

In the given case, his stay in India during PY is = 30+31+30+31+20+12+9+10+6 = 179 days. He does not satisfy 1st condition. However, since he is staying in India since 2009. He will satisfy the 2nd condition of section 6(1) and both the conditions of section 6(6).

Therefore, he is considered as resident and ordinary resident.

25.2) Since, entire salary is paid by Indian company and will therefore will be liable for TDS deduction after reducing standard deduction of 50,000.

25.3) Cost of acquisition is-
Lower of Sale value or FMV as on 31.01.2018 (say A)
And higher of COA or A.

Therefore, in our case:

Sale value = Rs. 81,250 (325*250 shares)

FMV as on 31.01.2018 = Rs. 90,000 (360*250 shares)

Actual COA = Rs. 75,000 (150*500 shares)

Therefore, COA for computation of capital gains = Rs. 81,250.

25.4) IFHP

Particulars	Amount	Rate (March)	Amount Rs.
Rent	3300 GBP	93.07	307131
Less: 30% deduction			92139.3
Taxable			214991.7

TTBR on last day of PY is used to convert foreign currency amount for HP income. No deduction in respect of interest is allowed for self-occupied property if assessee has opted to pay tax as per section 115BAC.

26) 26.1) **Section 115BBD** provides tax rate of 15% for dividend received from foreign company where Indian company holds 26% or more. Further, no deduction in respect of any expenditure or allowance is allowed under any provision of this Act.

Dividend Income other than above, is taxable at normal slab rates (i.e. 25% in case of this company).

As per **section 57**, deduction up to 20% w.r.t interest expense can be claimed against dividend income.

Therefore, Dividend from PQR Inc is taxable @15% (plus HEC @4%) and Dividend from other companies is taxable @25% (plus HEC @4%).

Further, Interest expense of `1,76,000 to earn dividend income is allowable as deduction u/s 57 (other than belonging to PQR Inc.).

26.2) **Section 80M** - Where the gross total income of a domestic company in any previous year includes any income by way of dividends from any other domestic company or a foreign company or a business trust, there shall, in accordance with and subject to the provisions of this section, be allowed in computing the total income of such domestic company, a deduction of an amount equal to so much of the amount of income by way of dividends received from such other domestic company or foreign company or business trust as does not exceed the amount of dividend distributed by it on or before the due date.

Note – Due date means one month before due date of ROI u/s 139(1)

Therefore, in this case, dividend distributed by it in October 2021 of Rs. 3,20,000 will be allowed as deduction u/s 80M. Further, dividend income is taxable in hands of shareholders and Pawan Ltd is required to deduct tax as per section 194.

26.3) Dividend received by Ms Anita is $3,20,000 * 50\% = 1,60,000$

Deduction u/s 57 will be allowed to her up to 20% of dividend income i.e. $1,60,000 * 20\% = 32,000$.

Taxable Dividend Income = 1,28,000.

26.4) Deduction of Rs. 1.5 lakhs u/s 80EEA is allowed to individuals for loan taken for purchase of house property. Stamp duty value of house should be up to 45 lakhs. Assessee does not own any residential house property on the date of sanction of loan. First, deduction should be claimed u/s 24(b) of house property and remaining interest deduction u/s 80EEA.

Computation of total income of Ms. Anita

Dividend Income (net of expense)	1,28,000
PGBP as per section 44AD (90 lakhs * 6%)	5,40,000
Interest on FD	50,000
Less: Interest deduction u/s 24 (b)	2,00,000
Less: Interest deduction u/s 80EEA	50,000
Less: Deduction u/s 80C (MAX 1.5 lakhs)	1,50,000
Total Income	3,18,000

26.5) As per section 2(22)(e), any payment by a company in which the public are

not substantially interested by way of loan to a shareholder, who is the beneficial owner of sharesholding not less than 10% of voting power, is deemed as divided to the extent to which the company possesses accumulated profits. Accordingly, in this case, Rs. 2 lakhs would be deemed as dividend u/s 2(22)(e) and taxable in hands of Mr. Ujwal.

However, interest deduction up to 20% of dividend income will be allowed to Mr Ujwal.

Calculation of taxable Dividend income is as follows:

Deemed dividend u/s 2(22)(e)	2,00,000
Less: Interest deduction u/s 57 (up to 20% of dividend income)	21,000
Dividend declared by company (3,20,000 * 10%)	32,000
	2,11,000

- 27
- 27.1) Interest is allowed on due or paid basis. Therefore, full 40 lakhs will be allowed.
Interest on under-construction property is allowed when the construction gets complete. Limit of 2 Lakhs is only applied in case of Self Occupied House Property.
- 27.2) 80C – 1,50,000 (repayment of principal to the extent of 1.5 lakh)
80EEB (Interest on Electric Vehicle loan) – 1,50,000
80E (Interest on education loan)– 50,000
80D (Medical premium)– 20,000
Total = 3,70,000
- 27.3) No such enabling provision in Income from house property, therefore not chargeable to tax.
- 27.4) Section 163. (1) For the purposes of this Act, "agent", in relation to a non-resident, includes any person in India—
(a) who is employed by or on behalf of the non-resident; or
(b) who has any business connection with the non-resident; or
(c) from or through whom the non-resident is in receipt of any income, whether directly or indirectly; or
(d) who is the trustee of the non-resident;
and **includes also any other person who, whether a resident or non-resident, has acquired by means of a transfer, a capital asset in India.**
Therefore, Mr. David can be treated as an Agent.
- 27.5) Section 64(1A) – Income of minor child is taxable in hands of parent whose income is more before clubbing minor's income.

<p>28</p>	<p>Municipal taxes paid for let out/deemed let out properties are allowed as deduction. Further, Assessee can at his option claim max. two properties as self-occupied property.</p> <p>In given case, there are total 4 properties, 2 in India and 2 outside India. London property is already let out, so assessee can choose the property having higher GAV as self-occupied property to save tax, which in our case is Worli and Winchester property. Therefore, Bandra property will be treated as deemed let out.</p> <p>28.1) Allowable Municipal tax London property = 1000 pound * Rs. 120 = 12000 Bandra Property = 10000 Total = 22000</p> <p>28.2) Annual rent = Higher of Municipal value or fair rent subject to standard rent. Calculation of Income from House Property London Property = ((24000-100) * Rs. 120) – 30% Std Deduction = 2007600 Bandra Property = (720000-10000) – 30% Std Deduction = 497000 Total = 25,04,600.</p> <p>28.3) Since, Winchester property is sold, Assessee can claim both the Indian properties as self-occupied property. Therefore, IFHP will only be for London property i.e. 20,07,600.</p> <p>28.4) Calculation of Capital gain chargeable to tax: Capital Gain – 2 crores Less: Exemption u/s 54EC NHAI bonds – 0.20 crore RECL bonds – 0.30 crore</p> <p>Less: Exemption u/s 54 (deduction allowed for 2 properties if capital gain is upto 2 crore) Pune properties – 1 cr. (treated as single house) Baroda – 0.40 crore</p> <p>Chargeable capital gain = 0.10 crore</p> <p>28.5) TDS deductible on sale of property u/s 194IA @1% of 3 Crores = 3 Lakhs TDS deductible on brokerage u/s 194H @ 5% of 20000 = 1000 No TDS required on interest since it is upto 50,000 (Resident Senior citizen) No TDS on rent required since it is less than 2,40,000.</p>
<p>29</p>	<p>29.1) Section 80E, Deduction is allowed if loan is taken for education of self, spouse, children and any other student from whom assessee is a legal guardian. (Brother is not covered)</p> <p>Sec 206C(1G): TCS on remittance outside India or sale of Tour package (Added by FA 20)</p>

	<p>w.e.f. 01/10/20)</p> <p>1) In case of authorised dealer, who receives an amount of more than 7,00,000 in PY from a buyer who remitting such amount out of India under the Liberalised Remittance Scheme (LRS) of the RBI then he required to collect TCS @ 5% in excess of 7,00,000.</p> <p>Note: If remitted amount is out of Educational Loan taken from Financial Institution, then TCS rate shall be 0.5% instead of 5%.</p> <p>2) In case of sale of an overseas tour program package (OTPP), seller receives any amount from a buyer required to collect TCS @5%.</p> <p>So, SBI is required to collect tax at source on the amount remitted to Mr. Ram @0.5% (plus cess) on Rs. 28 lakhs, being the amount in excess of Rs. 7 lakhs.</p> <p>29.2) As per Section 206C(1G) - tax @5% will be collected on total amount remitted (6.9 lakh)</p> <p>29.3) Section 206C(1), TCS @ 1% is collected on sale of scrap. 4% H&EC is applicable if buyer is foreign company or NR.</p> <p>29.4) Section 194C, TDS @1% (in case payee is Individual/HUF) is deducted for the amount of contract*. *In case of Job work, the TDS shall be deducted on the invoice value excluding the value of material, if material value mentioned separately in Invoice.</p>
30	<p>30.1) As per section 2(22)(e), any payment by a company in which the public are not substantially interested by way of loan to a shareholder, who is the beneficial owner of shareholding not less than 10% of voting power, is deemed as dividend to the extent to which the company possesses accumulated profits. Accordingly, in this case, Rs. 8 lakhs would be deemed as dividend u/s 2(22)(e) and taxable in hands of Mr. Rajat.</p> <p>30.2) As per Section 194N, TDS @2% is applicable only if payer paying sum or aggregate of sum in cash in excess of one crore in PY from one or more accounts maintain by payee. TDS applicable only on excess of amount over one crore. In this case, withdrawal from ABC bank in excess of 1 crore will attract TDS. Withdrawal from co-operative bank does not require TDS deduction since amount withdrawn is less than 1 crore.</p> <p>30.3) Section 194N provides that in case of a recipient who has not filed the returns of income for all of the three assessment years relevant to the three previous years, for which the time limit of file return of income under sub-section (1) of section 139 has expired, immediately preceding the previous year in which the payment of the sum is made to him, the provision of this section shall apply with the modification that—</p> <p>(i) the sum shall be the amount or the aggregate of amounts, as the case may be, in cash exceeding twenty lakh rupees during the previous year; and</p>

(ii) the deduction shall be—

(c) an amount equal to *two per cent* of the sum where the amount or aggregate of amounts, as the case may be, being paid in cash *exceeds twenty lakh rupees* during the previous year but does *not exceed one crore rupees*; or

(d) an amount equal to five per cent of the sum where the amount or aggregate of amounts, as the case may be, being paid in cash exceeds one crore rupees during the previous year:

30.4) & 30.5)

Particulars	Amount (lakhs)	Remarks
PGBP	60	-
Other Source		
Dividend	12	Dividends are taxable in hands of shareholders
Deemed dividend	8	Deemed dividend u/s 2(22)(e)
Gift	5	Taxable u/s 56(2)(x), since Value of gift exceeds 50k
House Property	-2	Allowed on due basis, max 2 lakh in case of self-occupied property
Total Income	83	
Tax Liability		
Tax as per Slab Rate	23.025	
Add: surcharge at 10%	2.3025	
	25.3275	
Add: 4% H&EC	1.0131	
Gross liability	26.34060	

31 31.1) As per section 206C(1H), any person (seller) whose last year turnover is more than 10 crore is required to collect tax at source on sale of goods to the buyer at 0.1% of consideration in excess of 50 lakhs. TCS under this section will not apply if TDS is deducted u/s 194Q.

TDS u/s 194Q is applicable if person's (buyer) last year turnover is more than 10 Crore.

Therefore, Mr. Panav has to collect tax on 30 lakhs at 0.1%.

31.2) As per section 206C(1H), if buyer does not furnish PAN or AADHAR then TCS rate is 1% instead of 0.1%.

31.3) Sec 206C(1G): TCS on remittance outside India or sale of Tour package

- 1) In case of authorised dealer, who receives an amount of more than 7,00,000 in PY from a buyer who remitting such amount out of India under the

	<p>Liberalised Remittance Scheme (LRS) of the RBI then he required to collect TCS @ 5% in excess of 7,00,000.</p> <p>Note: If remitted amount is out of Educational Loan taken from Financial Institution, then TCS rate shall be 0.5% instead of 5%.</p> <p>2) In case of sale of an overseas tour program package (OTPP), seller receives any amount from a buyer required to collect TCS @5%.</p> <p>Therefore, Thomas cook is required to collect tax at 5% on 5 lakh i.e. Rs. 25,000.</p> <p>31.4) Therefore, for remittance of Rs. 15 lakhs out of education loan, TCS @0.5% will be collected on 8 lakhs. For, remittance of 12 lakhs out of personal savings, TCS@5% will be collected on 5 lakhs.</p> <p>31.5) Since, Mr. Pranav has already crossed the limit of 7 lakhs for FY under LRS, TCS will be applicable on 6 lakhs at 5% i.e. 30,000.</p>																																
32	<p>Section 115BBD provides tax rate of 15% for dividend received from foreign company where Indian company holds 26% or more. Further, no deduction in respect of any expenditure or allowance is allowed under any provision of this Act.</p> <p>As per section 57, deduction up to 20% w.r.t interest expense can be claimed against dividend income.</p> <p>Section 80M - Where the gross total income of a domestic company in any previous year includes any income by way of dividends from any other domestic company or a foreign company or a business trust, there shall, in accordance with and subject to the provisions of this section, be allowed in computing the total income of such domestic company, a deduction of an amount equal to so much of the amount of income by way of dividends received from such other domestic company or foreign company or business trust as does not exceed the amount of dividend distributed by it on or before the due date.</p> <p>Note – Due date means one month before due date of ROI u/s 139(1)</p> <p>32.1)</p> <table border="1" data-bbox="296 1592 1382 1993"> <thead> <tr> <th>Particulars</th> <th>Amount</th> <th>Amount</th> <th>Remarks</th> </tr> </thead> <tbody> <tr> <td>Dividend from B Ltd</td> <td>2,00,000</td> <td></td> <td></td> </tr> <tr> <td>Less: Interest on loan</td> <td>40,000</td> <td>1,60,000</td> <td>Allowed to the extent of 20% of 2,00,000 u/s 57</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Dividend from C Inc.</td> <td>4,00,000</td> <td></td> <td></td> </tr> <tr> <td>Less: Interest on loan</td> <td>80,000</td> <td>3,20,000</td> <td>Allowed to the extent of 20% of 4,00,000 u/s 57</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Dividend from D Inc.</td> <td>6,00,000</td> <td></td> <td></td> </tr> </tbody> </table>	Particulars	Amount	Amount	Remarks	Dividend from B Ltd	2,00,000			Less: Interest on loan	40,000	1,60,000	Allowed to the extent of 20% of 2,00,000 u/s 57					Dividend from C Inc.	4,00,000			Less: Interest on loan	80,000	3,20,000	Allowed to the extent of 20% of 4,00,000 u/s 57					Dividend from D Inc.	6,00,000		
Particulars	Amount	Amount	Remarks																														
Dividend from B Ltd	2,00,000																																
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Less: Interest on loan	80,000	3,20,000	Allowed to the extent of 20% of 4,00,000 u/s 57																														
Dividend from D Inc.	6,00,000																																

Less: Interest on loan	-	6,00,000	Tax is payable u/s 115BBD as per 30% shareholding is held, therefore no deduction is allowed
Dividend from E Ltd	3,20,000		
Less: Interest on loan	64,000	2,56,000	Allowed to the extent of 20% of 3,20,000 u/s 57
Dividend Income includible in GTI		13,36,000	

32.2) Dividend distributed for FY 2021-22 up to Due date (i.e. one month before due date of ROI u/s 139(1)) is allowed as deduction u/s 80M i.e. 7 lakhs.

32.3) Calculation of tax liability of Mr. Akash

Particulars	Normal Provisions	Section 115BAC	Remarks
Salary	12,00,000	12,00,000	
Less: Standard deduction	50,000	-	Not allowed u/s 115BAC
Dividend Income (net of expenses)	48,000	48,000	60,000 - 20% of 60,000 (allowed in both regime)
Total Income	11,98,000	12,48,000	
Tax as per applicable slabs	1,71,900	1,24,600	
Add: cess@4%	6,876	4,984	
Total Tax Liability	1,78,776	1,29,584	

32.4) As per **section 6(1)**, a person is treated as resident in India if:

He stays in India for 182 days or more in PY (Basic condition 1)

Or

Stay in India for 60 days or more in PY and 365 days in Last 4 PY's. (Basic condition 2)

Only basic condition 1 is applicable for determination of residential status if Indian citizen or person of Indian origin engaged outside India in any employment or a business or profession & visiting India during PY and his total income (excluding income from foreign source) is up to 15 lakhs in PY.

In the instant case, Mr. Aarav is an Indian Citizen having income less than 15 lakhs in India & visits India for 4 months i.e. 120 days each, therefore he will be considered as Non-resident in India.

32.5) Calculation of tax liability of Mr. Aarav

Particulars	Normal Provisions	Section 115BAC	Remarks
Interest on Fixed deposits	14,00,000	14,00,000	
Dividend Income (net of expenses)	72,000	72,000	90,000 - 20% of 90,000 (allowed in both regime)
Total Income	14,72,000	14,72,000	
Tax as per applicable slabs	He will obviously be higher than	1,80,500	
Add: cess@4%	1,87,720	7,220	
Total Tax Liability		1,87,720	

33 33.1) Section 44AD is applicable for Resident Individual/HUF and Resident Firm (excluding LLP) if Turnover or gross receipts of business is upto Rs.2 Crores.

Section 44ADA is applicable for resident professionals if gross receipt of Profession is upto Rs.50 lacs,

Mr. Arvind and Mr. Arjun are eligible for section 44AD since their turnover is less than 2 crore.

Mr Aakash is eligible for section 44ADA since his turnover is less than 50 lakhs.

33.2) Section 44AB - Every person, carrying on business shall, if his total sales, turnover or gross receipts, as the case may be, in business exceed or exceeds one crore rupees in any previous year shall get its books audited.

Provided that in the case of a person whose—

(a) aggregate of all amounts received including amount received for sales, turnover or gross receipts during the previous year, in cash, does not exceed five per cent of the said amount; and

(b) aggregate of all payments made including amount incurred for expenditure, in cash, during the previous year does not exceed five per cent of the said payment, this clause shall have effect as if for the words "one crore rupees", the words "ten crore rupees" had been substituted.

Mr. Arjun
Turnover – 1.8 crore

In given case, his receipts in cash does not exceed 5% (2 crore*5% = 10 lakhs), amount received in cash is also 10 lakh.

Total payments made = 1.60 crore, payment in cash = 8.10 lakhs. Payments allowed in cash =8 lakhs (1.60 crore*5%)

Since, the turnover exceeds 1 crore and cash payments exceeds 5% of total payment, audit as per Sec. 44AB is mandatory. However, since his turnover is up to 2 crore, he is eligible for section 44AD and can pay taxes at 6%/8%.

Therefore, audit is not mandatory for him.

<p>Mr. Anand Turnover – 5 crore</p> <p>In given case, his receipts in cash does not exceed 5% (5.5 crore*5% = 27.5 lakhs), amount received in cash is 27 lakh.</p> <p>Total payments made = 4.50 crore, payment in cash = 22 lakhs. Payments allowed in cash =22.50 lakhs (4.50 crore*5%)</p> <p>Since, the turnover does not exceeds 10 crore and cash receipt & payments does not exceeds 5% of total receipt & payment respectively, Audit as per Sec. 44AB is not mandatory.</p> <p>33.3) As per section 44AD, income on presumptive basis is Turnover/Gross Receipts *6% (for account payee cheque/DD/ECS received upto due date of ROI) and for remaining modes, it is Turnover/GR *8%.</p> <p>Therefore, in the given cases income will be calculated as follows -:</p> <p>Mr. Arvind $85 \text{ lakhs} * 6\% + 10 \text{ lakhs} * 8\% = 5.9 \text{ lakhs.}$</p> <p>Mr. Arjun $165 \text{ lakhs} * 6\% + 15 \text{ lakhs} * 8\% = 11.1 \text{ lakhs.}$</p> <p>Mr. Anand He is not eligible for section 44AD, therefore he has to mandatory get books audited. Income as per books – 30 lakhs</p> <p>33.4) Since profit of Mr. Arjun as per books of accounts is 10.50 lakhs (11.1 lakhs as per 44AD). Therefore, the answer will change only for him. Mr. Arvind's income is indifferent and Mr. Anand has no choice.</p> <p>33.5) As per section 139(1), for person (other than a company) whose accounts are required to be audited under this Act or under any other law for the time being in force, the due date is 31st October of the assessment year. For other assesses, 31st July of the assessment year.</p> <p>Mr. Arvind He should opt for section 44AD (income is same) Due date = 31st July 2022.</p> <p>Mr. Arjun He should get his accounts audited for maximum savings Due date = 31st October 2022.</p> <p>Mr. Anand He is not required to get his accounts audited as per section 44AB (reasons mentioned above)</p>

	<p>Due date = 31st July 2022.</p> <p>Mr. Aakash He should opt for section 44AD (income will be $48 * 50\% = 24$ lakhs) Due date = 31st July 2022.</p>
34	<p>As per section 6(1), a person is treated as resident in India if He stays in India for 182 days or more in PY Or Stay in India for 60 days or more in PY and 365 days in Last 4 PY's.</p> <p>As per section 6(6), a person will be treated as ordinary resident if he satisfies both conditions- Resident for 2 PY or more in Last 10 PYs And Stay in India for 730 days or more in Last 7 PYs.</p> <p>34.1) Mrs. Sowmya Period of stay during PY 2021-22 = 3rd Oct 2021 to 31st Jan 2022 i.e. 121 days. She spend May, December and January in India each year. Therefore, period of stay in last 4 PYs = $(31+31+31)*4 = 372$ days.</p> <p>She satisfy the condition of section 6(1) i.e. stay in India for 60 days or more in PY and 365 days in Last 4 PY's. Therefore, she is a resident.</p> <p>Period of stay in last 7 PYs = $(31+31+31)*7 = 651$ days. Therefore, 2nd condition of section 6(6) is not satisfied.</p> <p>Therefore, she is considered as resident but not ordinary resident.</p> <p>34.2) Mr. Dinesh Period of stay during PY 2021-22 = 1st April 2021 to 28th September 2021 less one month of visit to Country X i.e. $30+31+30+31+31+28-30 = 151$ days. He spends 11 months each year in India since 2016. Therefore, period of stay in last 4 PYs = $(365-30)*4 = 1340$ days.</p> <p>He satisfy the condition of section 6(1) i.e. stay in India for 60 days or more in PY and 365 days in Last 4 PY's. Therefore, he is a resident.</p> <p>Period of stay in last 7 PYs = $(365-30)*5^{\#} = 1675$ days. Also, he will be resident in each of the 5 PY due to stay more than 182 days in each year. Therefore, both condition of section 6(6) are satisfied.</p> <p>Therefore, he is considered as resident and ordinary resident.</p> <p>[#]It is mentioned that he is in India since 2016, it is assumed, he is from April 2016.</p> <p>Mr. Karthik Period of stay during PY 2021-22 = 2nd December 2021 to 31st March 2022 i.e.</p>

30+31+28+31 = 120 days.

He spends 2 month in India upto year 2019 and one month in July 2020. Therefore, period of stay in last 4 PYs =

2020-21 – 31 days

2019-20 – 62 days

2018-19 – 62 days

2017-18 – 62 days

Total = 217 days.

He does not satisfy the condition of section 6(1) i.e. stay in India for 60 days or more in PY and 365 days in Last 4 PY's. Therefore, he is a non-resident.

34.3) Mr. Dinesh

Since he is resident and ordinary resident, his all global income will be taxable in India.

Particulars	Amount	Remarks
Indian Salary Income	8,50,000	April 2021 to 20 th September 2021
Salary from MNC Inc.	29,86,200	From October 2021 to March 2022 at \$7000 p.m. (calculation shown in note)
Less: Standard deduction	-50,000	
FD Interest	40,000	
Total Income	38,26,200	

Note:

As per Rule 115, the rate of exchange for the calculation of the value in rupees of any income accruing or arising or deemed to accrue or arise to the assessee in foreign currency shall be the telegraphic transfer buying rate of such currency as on the specified date.

"Specified date" means, in respect of income chargeable under the head "Salaries", the last day of the month immediately preceding the month in which the salary is due, or is paid in advance or in arrears.

Therefore, income will be calculated as follows:

Salary Month	Date of rate being used	Rate to be used	Income after conversion
October	30.9.2021	70.00	490000
November	31.10.2021	70.40	492800
December	30.11.2021	71.00	497000
January	31.12.2021	71.30	499100
February	31.1.2022	71.90	503300

March	28.2.2022	72.00	504000
Total			29,86,200

34.4) Mr. Karthik

Since he is non-resident, only Indian income will be taxable in India.

Particulars	Amount	Remarks
Indian Salary Income	3,84,000	5 th December 2021 to 31 st March 2022. December – 99200 *27/31 = 86400 January - 99200 February - 99200 March - 99200
Less: Standard deduction	-50,000	
Saving Interest	9500	
Less: Deduction u/s 80TTA	9500	
Total Income	3,34,000	

34.5) Mr. Rajesh

Period of stay during PY 2021-22 = 30 days.

He spend one month in India each year. Therefore, period of stay in last 4 PYs = (30)*4 = 120 days.

He does not satisfy either condition of section 6(1). Therefore, he is a non-resident.

35 35.1) As per section 80, assessee is required to file the return up to the due date u/s 139(1) for carry forward of business loss u/s 72(1). However, house property losses & unabsorbed depreciation can be c/f even if return late filed.

35.2) Section 264 provides that the Principal Commissioner or Commissioner has no power to revise any order which has been made the subject matter of an appeal to the Commissioner (Appeals), even if the relief claimed in the petition is different from the relief claimed in appeal.

Section 154 provides that where any matter had been considered and decided in any proceeding by way of appeal or revision relating to an order, Assessing Officer may amend the order for rectification of mistake apparent from the record, in relation to a matter other than the matter which has been considered and decided. The concept of partial merger would apply in the case of section 154.

Since, the matter related to addition on account of unexplained cash credit has been subject matter of appeal, therefore, assessee cannot make application u/s 264 & for rectification u/s 154.

35.3) Section 269ST - No person shall receive an amount of two lakh rupees or

	<p>more—</p> <ul style="list-style-type: none"> (a) in aggregate from a person in a day; or (b) in respect of a single transaction; or (c) in respect of transactions relating to one event or occasion from a person, otherwise than by an account payee cheque or an account payee bank draft or use of electronic clearing system through a bank account. <p>Note – The CBDT has clarified that in respect of receipt in the nature of repayment of loan by NBFCs or HFCs, the receipt of one instalment of loan repayment in respect of loan shall constitute as a 'single transaction' as specified in clause (b) of section 269ST and all the instalment paid for a loan shall not be aggregated for the purpose of determining applicability of section 269ST.</p> <p>On violation of Section 269ST, penalty shall be levied @100% of such receipt under Section 271DA. The penalty is imposed by J.C.</p> <p>In the instant case, NBFC has 3 lakhs on 30th September in cash which is in excess of allowed limit of 2 lakhs. It will be treated as violation of 269ST and 100% penalty will be applicable on 3 lakhs.</p> <p>35.4) As per section 194A, no TDS is required to be deducted on payment of interest by firm to partners. However, this section is only applicable for resident payee.</p> <p>TDS on interest payment made to non-resident partners is dealt by section 195 which states that TDS to be deducted at rate in force or DTAA rate.</p> <p>Therefore, no TDS required for interest payment to Mr. Ajay (resident partner) but TDS will be deducted on interest payment to Mr. Anil (Non-resident partner) as per section 195.</p> <p>35.5) As per section 40(b), interest on partner's capital & loan is allowed at maximum 12% p.a simple interest. Further, interest@ 12% is allowed from the date of partnership deed & cannot be retrospective.</p> <p>Therefore, interest will be allowed from 01.06.2021 at 12% rate. i.e. 7 lakhs * 12%/14% * 10/12 months = 5 lakhs.</p>
36	<p>36.1) As per section 115A, dividend income received by Non Resident is taxable at 20% plus cess . Further, no deduction u/s 28 to 44C, 57 & chapter VI-A is available. Therefore, 125000 is taxable at 20% plus cess.</p> <p>36.2) As per section 57, deduction up to 20% w.r.t interest exp can be claimed against dividend income. Therefore, amount taxable in hands of Mr. Devansh is 1,25,000 – 25,000 (1,25,000*20%) = 1,00,000.</p>

As per section 194, TDS at 10% is required to be deducted if dividend payment exceeds 5k in a PY.

36.3) As per section 115E, tax rate on investment income from assets acquired in foreign currency is 20% for NRIs. Further, no deduction u/s 28 to 44C, 57 & chapter VI-A is available.

Therefore, 120000 is taxable at 20% plus.

36.4) As per section 115F, LTCG on forex assets shall be exempt if net consideration is utilized for acquiring other FOREX assets within 6 months from date of transfer.

Exempt amount = LTCG * Cost of new asset/net consideration

Further, indexation benefit is not available.

Particulars	Amount
Sales consideration	16,25,000
Less: Transfer exp	7,000
Net consideration	16,18,000
Less: cost of asset	4,50,000
LTCG	11,68,000
Exemption u/s 115F $11,68,000 * 4,50,000 / 16,18,000$	3,24,845
Net LTCG	8,43,155

36.5) If Mr. Devansh is resident in India:

As per fourth proviso to section 48, indexation benefit is not allowed in case of bonds/debentures.

Further, no exemption for investment in shares of Indian Company will be available.

Calculation of LTCG shall be as follows:

Particulars	Amount
Sales consideration	16,25,000
Less: Transfer exp	7,000
Net consideration	16,18,000
Less: cost of asset	4,50,000
LTCG	11,68,000

37

37.1) Payment made to NR:

As per section 40(a)(i), any amount paid or credited to NR or foreign Co. & if:

- a. TDS has not been deducted in PY or
- b. TDS deducted but not paid to Govt. up to due date of return filing then such sum (100%) shall not be allowed as deduction in current PY.

Payment made to Resident:

As per section 40(a)(ia), any amount paid or credited to Resident & if:

- a. TDS has not been deducted in PY or
- b. TDS deducted but not paid to Govt. up to due date of return filing then 30% of such sum shall not be allowed as deduction in current PY.

Exception to section 40(a)(i) & 40(a)(i)

If any amount paid/credited to payee without deduction of TDS but such payee furnish his ROI & takes into account such amount in total income & has paid the tax due on such income.

Then deduction of such expense shall be allowed accordingly. (30%/100% disallowed in current year and will be allowed in the year in which payee file his ROI.

In the instant case, Star Co. Ltd has not deducted TDS on royalty of 8 lakhs. The payee has filed ROI and paid tax on such income. 30% of 8 lakhs i.e. 2,40,000 will be disallowed in CY and allowed in next year.

TDS on interest payment was deducted in march 2022 and paid up to due date of return filing, therefore 100% deduction will be allowed.

37.2) As per section 40(a)(v), if employer pays tax on non-monetary perquisite out of his pocket then such tax is not allowed as deduction.

As per section 36(1)(iva), employer contribution towards pension scheme referred u/s 80CCD is allowed to the extent of actual contribution or 10% of salary (Basic + DA), whichever is lower.

Therefore, Rs. 6 lakh paid on account of tax on non-monetary perq will be disallowed. Further, contribution in excess of 10% will be disallowed i.e. $33,60,000 * 4/14 = 9,60,000$.

Allowable deduction:

$$NPS = 33,60,000 - 9,60,000 = 24,00,000$$

$$\text{Tax on non-monetary perq} = 0$$

37.3) Production of fertilizers in India is a specified business as per section 35AD. As per section 35AD, 100% deduction for capital expenses (except Land, G/w & FI) is allowed.

Therefore, PGBP in this case will be:

	Amount (in cr)
Net profit as per books	2.20
Add: Dep on building and P&M	0.90
Less: Deduction of Building	3.00
Less: Deduction of P&M	4.00
Net Profit	(3.90)
Loss of 3.9 crore will be c/f to next year (as loss of specified business can be set off against income of other specified business only)	

37.4) Warehousing of edible oils is not a specified business as per section 35AD.

	Amount (in lakhs)
Net profit as per books	70
Less: Dep on building (2.50 crore * 10%)	25

Less: Dep on p&m (3.20 crore * 15%)	48
Net Profit	(3)
Loss of 3 lakh can be set off against other business income	

37.5) Computation of tax liability of Star Co. Ltd for AY 2022-23

	Normal Provision (in lakhs)	MAT (in lakhs)
Net Profit/Book Profit	520	835
Tax at 25% as turnover less than 400 cr in PY 19-20	130	-
Tax at 15%	-	125.25
Tax Liability	130	125.25
Add: Surcharge @7%	9.10	8.7675
	139.10	134.0175
Add: cess@4%	5.564	5.3607
Total tax payable	144.664	139.3782

Since, tax as per normal provisions is more, Star Co. is required to pay tax under normal provisions. However, MAT credit c/f can be utilised to the extent of normal tax exceeds MAT i.e. 5.2858 lakhs (144.664-139.3782)
Therefore, tax payable = 139.3782 lakhs

37.6) MAT credit c/f = 20 lakhs – 5.2858 lakhs = 14.7142 lakhs

38 38.1) Calculation of Tax Liability of Mr. Sumit

Normal Provisions

Total Income = 12,00,000 – 50,000 (standard deduction) – 1,50,000 (interest on HP) – 50,000 (80C) = 9,50,000.

Tax as per slab rate is 1,06,600.

Section 115BAC

Total Income = 12,00,000

Tax as per slab rate is 1,19,600.

He should not opt section 115BAC.

38.2) Calculation of Tax Liability of Mr. Sneha

Total Income:

	Normal Provisions	Section 115BAC
Salary	10,50,000	10,50,000
Less: Standard deduction	50,000	-
Salary Income	10,00,000	10,50,000
House Property		
Gross Annual Value	3,60,000	3,60,000
Less: 30% deduction	1,08,000	1,08,000

Net Annual Value	2,52,000	2,52,000
Less: Interest u/s 24	2,50,000	2,50,000
Income under HP	2,000	2,000
Less: 80C	80,000	-
Total Income	9,22,000	10,52,000

Tax as per slab rate is 1,00,780 (Normal Provisions)

Tax as per slab rate is 88,820 (Section 115BAC)

Mrs. Sneha should opt Section 115BAC to maximise tax savings.

38.3) Sec 206C(1G): TCS on remittance outside India or sale of Tour package:

- 1) In case of authorised dealer, who receives an amount of more than 7,00,000 in PY from a buyer who remitting such amount out of India under the Liberalised Remittance Scheme (LRS) of the RBI then he required to collect TCS @ 5% in excess of 7,00,000.

Note: If remitted amount is out of Educational Loan taken from Financial Institution, then TCS rate shall be 0.5% instead of 5%.

- 2) In case of sale of an overseas tour program package (OTPP), seller receives any amount from a buyer required to collect TCS @5%.

AB Bank Ltd shall collect Tax of `1,000 [TCS@5% on amount exceeding ` 7,00,000] on remittance made by P and tax of ` 61,000 [TCS@ 5% on ` 12,20,000, being the amount remitted by Q].

38.4) AB Bank shall collect tax @5% on amount exceeding 7 lakhs under the LRS. i.e. 5% on 7,50,000 = 37,500.

39

39.1) TDS on payment made to Mr. U on account of rent will be deducted under section 195 at normal tax slab rates. Such Income will be taxable at slab rate. (Note: 194-I is applicable only in case of resident payee)

39.2) Section 206C(1H) –

- Applicable on seller of goods whose total sales, gross receipts or turnover from the business carried on by him exceed ten crore rupees during the previous financial year.
- A seller needs to collect TCS at the rate of 0.1 per cent on receipts of sale consideration for sale of any goods of the value or aggregate of such value exceeding fifty lakh rupees.

Therefore, in this case, TCS will be collected on goods sold to ABC Ltd since the sale amount is more than 50 lakhs. TCS will be collected on 25 lakhs at 0.1%

39.3) Sec 206C(1G): TCS on remittance outside India or sale of Tour package

- 1) In case of authorised dealer, who receives an amount of more than 7,00,000 in PY from a buyer who remitting such amount out of India

	<p>under the Liberalised Remittance Scheme (LRS) of the RBI then he required to collect TCS @ 5% in excess of 7,00,000.</p> <p>Note: If remitted amount is out of Educational Loan taken from Financial Institution, then TCS rate shall be 0.5% instead of 5%.</p> <p>So, bank is required to collect tax at source on the amount remitted by Mr. X @0.5% on Rs. 0.50 lakhs, being the amount in excess of Rs. 7 lakhs. i.e. Rs. 250</p> <p>39.4)</p> <ul style="list-style-type: none"> • As per section 112A, LTCG in excess of Rs. 1 lakh is taxable @10%. • As per section 112A, benefit of FMV as on 31.01.2018 will be available on equity share or a unit of an equity-oriented fund or a unit of a business trust acquired before the 1st day of February, 2018. • Intimation u/s 143(1) is not treated as completion of assessment, therefore revised return can be filed after that as well if time is available. <p>39.5) Section 44AB - Every person, carrying on business shall, if his total sales, turnover or gross receipts, as the case may be, in business exceed or exceeds one crore rupees in any previous year shall get its books audited.</p> <p>Provided that in the case of a person whose—</p> <p>(c) aggregate of all amounts received including amount received for sales, turnover or gross receipts during the previous year, in cash, does not exceed five per cent of the said amount; and</p> <p>(d) aggregate of all payments made including amount incurred for expenditure, in cash, during the previous year does not exceed five per cent of the said payment, this clause shall have effect as if for the words "one crore rupees", the words "ten crore rupees" had been substituted.</p> <p>Provided further that for the purposes of this clause, the payment or receipt, as the case may be, by a cheque drawn on a bank or by a bank draft, which is not account payee, shall be deemed to be the payment or receipt, as the case may be, in cash.</p> <p>In given case, his receipts in cash exceed 5% (4.95 crore*5% = 24.75 lakh), amount received in cash & by crossed cheque is 42.40 lakh.</p> <p>Since, the turnover exceed 1 crore and cash receipt exceeds 5% of total receipts, Audit as per Sec. 44AB is mandatory. Due date being 31.09.2022.</p>
40	<p>40.1) As per sec 35AD Assets on which deduction claimed u/s 35AD should be exclusively used for specified business for minimum 8 years from the year of acquisition. If it is used for non- specified business within 8 years then following shall be taxable under PGBP i.e., Amount of tax claimed u/s 35AD earlier less depreciation that would have been allowable if sec 35AD not there.</p> <p>Actual cost of assets for computing depreciation would be Actual cost less depreciation claimed as per Explanation 14 to Section 43(1).</p>

Particulars	Amount
Deduction claimed u/s 35AD (purchase on 31.10.2018)	30,00,000
Less: Depreciation for PY 2018-19 @ 7.5%	2,25,000
WDV as on 01.04.2019	27,75,000
Less: Depreciation for PY 2019-20 @15%	4,16,250
WDV as on 01.04.2020	23,58,750
Less: Depreciation for PY 2020-21 @15% (Depreciation for PY 21-22 has not been taken since asset transferred in PY 21-22)	3,53,812
PGBP Income	20,04,938
Actual cost of plant & machinery for computing depreciation for P.Y.2021-22 would be Rs. 20,04,938.	

40.2) Calculation of Cost of acquisition (net worth) for the purpose of capital gain

Item	Amount	Remarks
Plant & Machinery (Depreciable Asset)	20,04,938	WDV as per income tax is considered
Land	50,00,000	Revaluation to be ignored (160-110)
Other FA	90,00,000	280,00,000-160,00,000-30,00,000
Debtors	175,00,000	
Inventories	100,00,000	
(A)	435,04,938	
Bank Loan	80,50,000	115,00,000*70%
Trade Creditors	126,00,000	280,00,000*45%
Cost of acquisition/ Net worth	228,54,938	

40.3) Calculation of capital gain and tax payable on slump sale

Calculation of Capital Gain		
Sale Value (Note 1)	350,00,000	
Less: transfer expense	10,50,000	
Less: Cost of acquisition	228,54,937	
Long term Capital Gain	110,95,063	POH is more than 3 years
Calculation of tax payable		
Rate of tax	22%+4% cess	As per section 115BAA
Tax payable	25,38,550	110,95,063*22%*1.04

Note 1- Calculation of Full Value of Consideration

Particulars	(in lakhs)
Fair Market Value of capital assets transferred by way of slump sale as on 30.09.2021	
Land (stamp duty value as on 30.09.2021, being the date of slump sale)	150
Other fixed assets (book value as appearing in the books of account)	120
Debtors (book value appearing in the books of account)	175
Inventories (book value appearing in the books of account)	100
Less: Value of trade creditors of Unit B	126
Less: Value of bank loan of Unit B	80.50
Fair market value of capital assets transferred by way of slump sale [FMV 1]	338.50
Fair market value of the consideration received or accruing as a result of transfer by way of slump sale [value of monetary consideration received, in this case] [FMV 2]	350.00
Full value of consideration [Higher of FMV 1 and FMV 2]	350.00

40.4) As per section 50B(3), Every assessee, in the case of slump sale, shall furnish in the prescribed form a report of an accountant as defined in the Explanation below sub-section (2) of section 288 *before the specified date referred to in section 44AB* indicating the computation of the net worth of the undertaking or division, as the case may be, and certifying that the net worth of the undertaking or division, as the case may be, has been correctly arrived at in accordance with the provisions of this section.

As per section 44AB "specified date", in relation to the accounts of the assessee of the previous year relevant to an assessment year, means date one month prior to the due date for furnishing the return of income under sub-section (1) of section 139.

Since, due date for filing of return for companies is 31st October of the assessment year.

Above report has to be furnished up to 30.09.2022.

40.5) As per section 47, following transactions are not regarded as transfer:

- a) No capital gain in hands of shareholders of demerged company when they receive shares of resulting company
- b) No capital gain when assets transferred by demerged company to resulting company.