

**Multiple Choice Questions Explanation MTP 1 & MTP 2 CA Final MAY - 2024****Mock Test Paper 1**

S. No.	Explanations
<p>Case Scenario I (Q1 to Q4)</p>	<p>Q1 - TDS shall be deducted u/s 195 at rate in force i.e. 40% + cess in case of foreign company. TDS = 50 lakhs x 40% x 1.04 = 20,80,000.</p> <p>Q2 - 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>T (P) Ltd has received dividend of 550 lakhs during FY 2023-24. It has distributed 250 lakhs on 10.11.2023 i.e. during the current financial year and 230 lakhs on 12.11.2024 i.e. not before one month before due date (30.11.2024).</p> <p>Therefore, T (P) Ltd will get deduction of 250 lakhs u/s 80M and dividend taxable will be 300 lakhs.</p> <p>Q3 – Section 44C – The income of branches of foreign co. shall be computed as per section 28 to 44D, the HO expense shall be allowed as lower of following:</p> <ol style="list-style-type: none"> <li>5% of Adjusted Total Income (ATI)</li> <li>Amount of expense in nature of HO attributed to business or profession of assessee in India.</li> </ol> <p>Accordingly, expense allowed to Indian branch of Falcon Limited will be 5% of 80 lakhs (ATI) i.e. 4 lakhs.</p> <p>Q4 – Section 268A, the department can file appeal before ITAT only if tax effect is more than 50 lakhs.</p>
<p>Case Scenario II (Q5 to Q9)</p>	<p>Q5 - 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>TDS u/s 194Q is applicable if person's (buyer) last year turnover is more than 10 Crore.</p> <p>Therefore, Mr. Kunal has to collect tax on 40 lakhs at 0.1% i.e. amounts in excess of 50 lakhs.</p>

	<p>Q6 - As per section 206C(1H), if buyer does not furnish PAN or AADHAR then TCS rate is 1% instead of 0.1%.</p> <p>Q7 - Sec 206C(1G): TCS on sale of Tour package, in case of sale of an overseas tour program package (OTPP), seller receives any amount from a buyer then he is required to collect TCS @5% up to 30.09.2023. W.e.f. 01.10.2023, 5% TCS up to 7 lakhs and 20% above 7 lakhs.</p> <p>Therefore, World Travels is required to collect tax at 5% on 7 lakhs and 20% on 1.8 lakh i.e. Rs. 71,000.</p> <p>Q8 – Sec 206C(1G): TCS on remittance outside India, 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 for education or medical purpose then he required to collect TCS @ 5% in excess of 7,00,000.</p> <p>Note: If remitted amount is out of Educational Loan (referred u/s 80E) taken from Financial Institution, then TCS rate shall be 0.5% instead of 5%.</p> <p>So, Canara bank is required to collect tax at source on the amount remitted @0.5% on Rs. 6 lakhs, being the amount in excess of Rs. 7 lakhs and Bank of India is required to collect tax at source on Rs. 12 lakhs at 5%.</p> <p>Q9 - Since, Mr. Kunal has already crossed the limit of 7 lakhs for FY under LRS, TCS will be applicable on 6.5 lakhs at 20% i.e. 1,30,000. 206C(1G) Most Important for Exams 😊</p>
<p>Case Scenario III (Q10 to Q12)</p>	<p>Q10 - As per Section 165, equalization levy @6% applicable if payment for specified services (online advertisement or provision for digital advertisement space) received/receivable by NR from:</p> <ol style="list-style-type: none"> <li>Person resident in India &amp; carrying business or profession or</li> <li>Non-resident having PE in India.</li> </ol> <p>Therefore, equalisation levy will be deducted by Flax on 12 lakhs (10+2) @6% i.e. 72000.</p> <p>Q11 - Section 166A of Finance Act 2016 provides that equalisation levy collected in March is required to be deposited till 31<sup>st</sup> March.</p> <p>In case of delay in remittance, in addition to paying equalisation levy, interest u/s 170 and a penalty of Rs. 1000 for every day during which the failure continues is leviable.</p> <p>Q12 - 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> <ol style="list-style-type: none"> <li>to a person resident in India; or</li> </ol>

	<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 who uses internet protocol address located in India.]</p> <p>Considering above provisions, equalisation levy@2% shall be leviable on sale of goods to persons resident in India of Rs. 180 lakhs and sale of goods outside India but has used IP address in India for purchase of those goods of Rs. 70 lakhs</p> <p><math>180+70 = 250 \text{ lakhs} \times 2\% = 5 \text{ lakhs.}</math></p>
13	<p>Explanation 4 of section 11(1):</p> <p>(iii) Any donation (other than corpus donation) to other trust registered u/s 12AA/12AB shall be treated as application for charitable or religious purpose to the extent of 85% of such amount donated.</p> <p>(ii) Amount applied from any loan or borrowing shall not be treated as application in the current year. However, when such loan is repaid then deduction is allowed to the extent of loan repaid in that particular year.</p> <p>Therefore, in this case, application of the trust will be as below:  <math>14 \text{ lakhs} \times 85\% + 10 \text{ lakhs} = 21.90 \text{ lakhs.}</math></p>

14	<p>For the purposes of Section 115BAC, the total income of the individual or Hindu undivided family shall be computed without any deduction/exemption/set off of following-</p> <p>(i) Clause (b) of section 24 (in respect of the property referred to in sub-section (2) of section 23) i.e. interest on self-occupied property.</p> <p>(ii) Clause (32) of section 10 i.e Allowances for income of minor.</p> <p>(iii) Without set off of any loss, under the head "Income from house property" with any other head of income.</p> <p>Accordingly, interest on let out property, exemption of agricultural income and standard deduction u/s 16(ia) is allowed u/s 115BAC.</p>
15	<p>Dividend is taxable in the hands of unit holders when SPV paid taxes as per 115BAA. Further, dividend/income stripping is only applicable when such income is exempt in the hands of the assessee.</p> <p>The business trust has to deduct tax at source @10% under section 194LBA in case of distribution to a resident unit holder.</p>

### Mock Test Paper 2

S. No.	Explanations										
<p>Case Scenario I (Q1 to Q5)</p>	<p>Q1 - Dividend income received by Non Resident is taxable at 20% plus cess . Further, no deduction u/s 28 to 44C, 57 &amp; chapter VI-A is available. Therefore, 130000 is taxable at 20% plus cess.</p> <p>Q2 - 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. Apoorv is 1,30,000 – 26,000 (1,30,000 x 20%) = 1,04,000.</p> <p>As per section 194, TDS at 10% is required to be deducted if dividend payment exceeds 5k in a PY.</p> <p>Q3 - 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 &amp; chapter VI-A is available. Therefore, 135000 is taxable at 20%.</p> <p>Q4 - 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 x Cost of new asset/net consideration Further, indexation benefit is not available.</p> <table border="1" style="width: 100%; margin-top: 10px;"> <thead> <tr> <th style="text-align: left;">Particulars</th> <th style="text-align: right;">Amount</th> </tr> </thead> <tbody> <tr> <td>Sales consideration</td> <td style="text-align: right;">18,25,000</td> </tr> <tr> <td>Less: Transfer exp</td> <td style="text-align: right;">7,000</td> </tr> <tr> <td>Net consideration</td> <td style="text-align: right;">18,18,000</td> </tr> <tr> <td>Less: cost of asset</td> <td style="text-align: right;">4,65,000</td> </tr> </tbody> </table>	Particulars	Amount	Sales consideration	18,25,000	Less: Transfer exp	7,000	Net consideration	18,18,000	Less: cost of asset	4,65,000
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	<p>Q5 - If Mr. Apoorv 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:</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Sales consideration</td> <td>18,25,000</td> </tr> <tr> <td>Less: Transfer exp</td> <td>7,000</td> </tr> <tr> <td>Net consideration</td> <td>18,18,000</td> </tr> <tr> <td>Less: cost of asset</td> <td>4,65,000</td> </tr> <tr> <td>LTCG</td> <td>13,53,000</td> </tr> </tbody> </table>	Particulars	Amount	Sales consideration	18,25,000	Less: Transfer exp	7,000	Net consideration	18,18,000	Less: cost of asset	4,65,000	LTCG	13,53,000
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Case Scenario II (Q6 to Q9)	<p>Q6 - As per Explanation 4 of section 9(1)(vi) (Royalty) of the Income Tax Act - For the removal of doubts, it is hereby clarified that the transfer of all or any rights in respect of any right, property or information includes and has always included transfer of all or any right for use or right to use a computer software (including granting of a licence) irrespective of the medium through which such right is transferred.</p> <p>However, as per the definition of royalty given in the question as per DTAA, use of computer software is not included in the definition of royalty.</p> <p>Since, it is not taxable as per the DTAA provision and DTAA &amp; Income Tax Act whichever is more beneficial to assessee is seen. This income will not be taxable in India and therefore TDS will not apply.</p> <p>Q7 - 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>(iv) to a person resident in India; or</p> <p>(v) to a non-resident in the specified circumstances as referred to in sub-section (3); or</p> <p>(vi) 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>(iv) 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>(v) where the equalisation levy is leviable under section 165; or</p> <p>(vi) sales, turnover or gross receipts, as the case may be, of the e-</p>												

	<p>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>Further, as per section 166A, the equalisation levy referred to in sub-section (1) of section 165A, shall be paid by every e-commerce operator to the credit of the Central Government.</p> <p>Considering above provision, Omega Inc. is required to pay equalisation levy @2% of the consideration.</p> <p>Q8 - If there is no DTAA between India and Country F then such income will be taxable as royalty in India u/s 115A @ 20% and TDS as per section 195 will be deducted.</p> <p>TDS will be deducted at 20% plus 2% surcharge (income exceeding 1 crore for foreign company) plus 4% cess. TDS will be = <math>6,70,00,000 \times 20\% \times 1.02 \times 1.04 = 2,84,29,440</math>.</p> <p>Q9 - Since Income is taxable in India and TDS has been deducted. Provisions of equalization levy will not be applicable.</p>		
<p>Case Scenario III (Q10 to Q12)</p>	<p>Q10 - Section 143: Where a return has been made under section 139, such return shall be processed in the following manner, namely:</p> <p>(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 the return;</p> <p>Since, it is a normal adjustment, this will not be treated as under reporting of income.</p> <p>Q11 - 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 u/s 147 it would be determined as follows -:</p> <p>Assessed Income – (11,60,000) Income u/s 143(3) – 3,20,000 URI = (11,60,000) - 3,20,000 = 14,80,000 Tax on Un-Reported Income = <math>14,80,000 \times 25\% \times 104\% = 3,84,800</math> Penalty = <math>3,84,800 \times 50\% = 1,92,400</math>.</p> <p>Q12 - 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:—</p> <p>(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</p> <p>(b) no appeal against the order referred to in clause (a) has been filed.</p>		
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	Donation other than corpus donation and anonymous donation (90-10-20)	60,00,000
	Add – Part of anonymous donation i.e., higher of 5% of total donation (90,00,000 x 5% = 4,50,000) or 1,00,000	4,50,000
	<b>Total</b>	<b>64,50,000</b>
	Less - 15% deduction	9,67,500
		54,82,500
	Less- Applied Income of Trust	40,00,000
	<b>Balance</b>	<b>14,82,500</b>
	<b>Tax as per Normal Provisions</b>	
	Tax – 0-250000 = 0	
	250001-500000=12500	
	500001-10,00,000=100000	
	10,00,001-14,82,500=144750	
	On Anonymous donation as per Sec 115BBC	
	30% of 15,50,000 (20,00,000-4,50,000) = 4,65,000	7,22,250
	Add HEC i.e., 4% of 722250	28,890
	<b>Total</b>	<b>7,51,140</b>
	<b>Tax as per default tax regime 115BAC</b>	
	Tax – 0-300000 = 0	
	300001-600000 @ 5% =15000	15000
	600001-900000 @10% =30000	30000
	900001-1200000 @15% =45000	45000
	12,00,001-14,82,500 @20% =56500	56500
	On Anonymous donation as per Sec 115BBC	
	30% of 15,50,000 (20,00,000-4,50,000) = 4,65,000	6,11,500
	Add HEC i.e., 4% of 611500	24,460
	<b>Total</b>	<b>6,35,960</b>
14	Provisions of AMT u/s 115JC will apply in this case. Deduction of 80IB will be ignored in such case and total income for the purpose of 115JC will be Rs. 48 Lakhs. Tax will be 48 lakhs x 18.5% x 1.04 = Rs. 9.2352 Lakhs.	
15	As per section 35AD, building and operating a new hotel of two-star or above category & building and operating a new hospital with at least one hundred beds for patients are specified businesses.  The loss from a specified business under section 35AD in respect of any assessment year can be set off against the profit of another specified business under section 73A, irrespective of whether the latter is eligible for deduction under section 35AD.  Accordingly, Mr. Sahil can set off his loss from Green view with Cloud view and his net income will be 95 - 35 = Rs. 60 lakhs. Mr. Y cannot set off the loss of Lifecare with Lifeline hospital as the latter is not an eligible business. His total income will be 54 lakhs and loss of 25 lakhs will be carried forward.	