Direct Tax Laws & International Taxation

Mock Test Paper Series

by
CA. Durgesh Singh

For CA Final Examination
June, 2020

( Contact for more details 9779430034 )
Mock Test – 3

(Capital Gain including NRI, 115AD, 115AB & Surrogate Taxes)

Key Instructions:

1) Read the questions very carefully.
2) For descriptive questions, the answers should be in line with the specific question asked and the marks allocated.
3) Check the time taken for each question.
4) Notes/working notes should be attached suitably.
5) Figures on the right indicate the marks.
6) If you want to download this question paper then do the same from telegram channel http://t.me/cadurgeshsingh
7) Highlighted Questions in pink shade are for New Syllabus students only.
8) For answers and solution video download DSTC Mobile Application from Google Play Store and Contact for more details at 9779430034.
Multiple Choice Questions

Q. 1

In October, 2014, Mr. Raghav, an Indian citizen who is a non-resident, bought 500 Global Depository Receipts (GDRs) of Alpha Limited, India, issued in accordance with the notified scheme of the Central Government against the company’s initial issue of shares in foreign currency. In January, 2020, he sold 300 GDRs outside India to Mr. Joe, a citizen and resident of a country outside India and 200 GDRs to Mr. Kamal, a Resident but not ordinarily resident in India. What are the tax consequences of such sale transaction under the Income-tax Act, 1961?

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

II

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

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

III

Dividend received by a real estate investment trust (REIT) from special purpose vehicle (SPV) and distributed to its unit holders is –

a) exempt in the hands of both the REIT and the unit holders unconditionally
b) exempt in the hands of the REIT only if the SPV is a specified domestic company; exempt in the hands of unit holders only if taxable in the hands of REIT
c) exempt in the hands of the REIT only if the SPV is a specified domestic company; exempt in the hands of unit holders only if exempt in the hands of REIT
d) exempt in the hands of the REIT only if the SPV is a specified domestic company; exempt unconditionally in the hands of unit holders

IV

PQR Ltd., a domestic company, has distributed on 15/10/2019, dividend of Rs.230 lakh to its shareholders. On 17/9/2019, PQR Ltd. has received dividend of Rs.60 lakh from its domestic subsidiary company XYZ Ltd., on which XYZ Ltd. has paid dividend distribution tax under section 115-O. The additional income-tax payable by PQR Ltd. under section 115-O is-

a) Rs.29.70 lakhs
b) Rs.34.944 lakhs
c) Rs.34.608 lakhs
d) Rs.29.42 lakhs

V

Lima Ltd., a domestic company, purchases its own listed shares on 13th August, 2019. The consideration for buyback amounted to Rs.23 lakh, which was paid on the same day. The amount received by the
company two years back for issue of such shares determined in the manner specified in Rule 40BB was Rs.17 lakh. The additional income-tax payable by Lima Ltd. is –

a) Rs.1,03,824  
b) Rs.1,04,832  
c) Rs.1,39,776  
d) Rs.1,38,432

### VI

A REIT derives rental income of Rs.2 crore from real estate property directly owned by it and short term capital gains of Rs.1 crore on sale of developmental properties. It also receives interest income of Rs.3 crore from Gamma Ltd., an Indian company, in which it holds controlling interest. The REIT holds 80% of the shareholding of Gamma Ltd. Which of the following statements is correct?

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

### VII

Delta Ltd., a domestic company, declared dividend of Rs.85 lakh for the year F.Y.2019-20 and distributed the same on 27.6.2020. Mr. Ganesh, holding 15% shares in Delta Ltd., receives dividend of Rs.12.75 lakh in June, 2020. Mr. Rajesh, holding 10% shares in Delta Ltd., receives dividend of Rs.8.50 lakh. Which of the following statements is correct?

a) Dividend distribution tax u/s 115-O is attracted in the hands of Delta Ltd. There would be no tax on dividend received by Mr. Ganesh and Mr. Rajesh in their individual hands.  
b) Dividend distribution tax u/s 115-O is attracted in the hands of Delta Ltd. However, dividend received by Mr. Ganesh and Mr. Rajesh is also taxable in their individual hands  
c) Dividend distribution tax is payable by Delta Ltd. u/s 115-O. Also, dividend received by Mr. Ganesh is taxable in his hands@10%.  
d) Dividend distribution tax is payable by Delta Ltd. u/s 115-O. Also, Mr. Ganesh has to pay tax@10% on dividend of Rs.2.75 lakhs received by him.

### VIII

Mr. Arjun’s, aged 40 years, total income comprises of long-term capital gains on sale of land Rs.5 lakhs; short- term capital gains on sale of STT paid listed equity shares Rs.2 lakhs; income from lottery Rs.1 lakh and savings bank interest Rs.30,000. He invests Rs.1.50 lakhs in PPF. His tax liability for A.Y.2020-21 is –

a) Rs.1,64,800  
b) Rs.1,66,400  
c) Rs.1,14,400  
d) Rs.1,13,300

### IX

A Foreign Institutional Investor (FII) has total income which includes short-term capital gains on sale of preference shares of Rs.50 lakh. The rate of tax for charging such income to tax is:

a) 10%  
b) 15%  
c) 30%  
d) 40%
In which of the following transfers, the benefit of indexation is available in case the asset is a long-term capital asset?

a) Transfer of securities by a foreign institutional investor u/s 115AD.
b) Transfer of undertaking or division in a slump sale u/s 50B.
c) Transfer of shares in an Indian Company purchased in foreign currency by a non-resident assessee
d) None of the above

A Pvt. Ltd. is a company engaged in the business of trading of household appliances. The directors of the said company are desirous of converting it into a LLP. After the conversion, all the assets and liabilities of the company shall be transferred to the LLP. The conversion of the company into LLP shall take place in the financial year 2019-20. The details of the total sales and total value of assets of the company are as follows:

<table>
<thead>
<tr>
<th>Previous Year</th>
<th>Total Sales (in Rs.)</th>
<th>Total value of assets (in Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-15</td>
<td>78,00,000</td>
<td>1,88,00,000</td>
</tr>
<tr>
<td>2015-16</td>
<td>50,00,000</td>
<td>3,56,00,000</td>
</tr>
<tr>
<td>2016-17</td>
<td>45,78,000</td>
<td>4,78,00,000</td>
</tr>
<tr>
<td>2017-18</td>
<td>60,00,000</td>
<td>5,00,00,000</td>
</tr>
<tr>
<td>2018-19</td>
<td>85,00,000</td>
<td>10,00,00,000</td>
</tr>
</tbody>
</table>

The directors have approached you to determine whether any capital gains shall arise in the hands of the company on its conversion to LLP. Advise them.

a) No capital gains shall arise in the hands of the company as the transaction under consideration is not a ‘transfer’ as per the provisions of Section 47.
b) Capital gains shall arise in the hands of the company as the conversion of a company to LLP amounts to transfer of capital asset.
c) No capital gains shall arise in the hands of the company as any kind of conversion such as conversion of firm into LLP, conversion of company into firm, conversion of company into LLP, etc. does not amount to transfer of capital asset.
d) Capital gains shall arise in the hands of the company as the amount of total sales and total value of assets in P.Y. 2018-19 exceeds the prescribed limits mentioned in Section 47(xiiiib).

A is a resident individual aged 45 years. Find out his tax liability for A.Y. 2020-21 on the basis of the following particulars:

Business income
Dividend from different domestic companies
(dividend distribution tax has been paid by these companies) 5,00,000
- G Ltd. 40,00,000
- H Ltd. 10,000
- I Ltd. 11,90,000
Expenditure for earning dividend income 2,60,000

a) Rs.4,49,800
b) Rs.6,09,180
c) Rs.4,22,760
d) Rs.13,000

A REIT has distributed Rs.2 crore to its unitholders, which comprises of-
(i) Rental income from real estate property directly held by it Rs.80 lakhs
(ii) Interest income from special purpose vehicle Rs.50 lakhs
(iii) Dividend income from special purpose vehicle Rs.40 lakhs
(iv) Capital gains on disposal of assets Rs.30 lakhs

In this case, the special purpose vehicle is an Indian company, in which REIT holds 100% of shares. Which of the following statements relating to taxability of the above income are correct?

(1) All the above income are taxable in the hands of REIT. The said income are exempt in the
CA Final Direct Tax Laws and International Taxation (Paper – 7) Mock Test Series - 3

hands of unit holders.

(2) Only income referred to in (i) and (ii) are taxable in the hands of REIT. Income referred to in (iii) and (iv) are taxable in the hands of unit holders.

(3) Only income referred to in (i) and (ii) are taxable in the hands of REIT. Income referred to in (iv) is taxable in the hands of unit holders. Income referred to in (iii) is exempt both in the hands of REIT and unitholders.

(4) Only income referred to in (iv) is taxable in the hands of REIT. Income referred to in (i) and (ii) is taxable in the hands of unit holders. Income referred to in (iii) is exempt both in the hands of REIT and unitholders.

(5) Tax is deductible by REIT from income referred to in (i) and (ii).

(6) Tax is deductible by REIT from income referred to in (iii) and (iv).

(7) Tax is deductible by REIT only from income referred to in (iv).

(8) No tax is deductible by REIT since the entire income is taxable in its hands. The correct option is –

a) (1) and (8) above
b) (2) and (6) above
c) (3) and (7) above
d) (4) and (5) above

Question XIV to XVII are based on the following information:
A business trust, registered under SEBI (Real Estate Investment Trusts) Regulations, 2014, gives particulars of its income for the P.Y.2019-20:

(a) Interest income from Z Ltd. – Rs.10 lakh;
(b) Dividend income from Z Ltd. – Rs.5 lakh;
(c) Short-term capital gains on sale of listed shares (STT paid both at the time of purchase and sale) of Indian companies – Rs.4 lakh;
(d) Short-term capital gains on sale of developmental properties – Rs.8 lakh
(e) Interest received from investments in unlisted debentures of real estate companies Rs.1 lakh;
(f) Rental income from directly owned real estate assets – Rs.20 lakh

Z Ltd. is an Indian company in which the business trust holds 100% of the shareholding. Assume that the business trust has distributed the entire Rs. 48 lakh to the unit holders in the P.Y. 2019-20. Mr. X is a resident holder holding 100 units and Mr. Y is a non-resident holder holding 500 units. The total number of units subscribed to by all unit holders is 5,000.

XIV In respect of the component of interest income from Z Ltd. distributed by the business trust to unit-holders X and Y;

a) No tax is deductible by the business trust, since such income is not taxable in the hands of unit holders.

b) Tax is deductible@5% on Rs.20,000 distributed to Mr. X and @5.2% on Rs.1 lakh distributed to Mr. Y

c) Tax is deductible@10% on Rs.20,000 distributed to Mr. X and @5.2% on Rs.1 lakh distributed to Mr. Y

d) Tax is deductible@5% on Rs. 20,000 distributed to Mr. X and 10.4% on Rs.1 lakh distributed to Mr. Y

XV In respect of short-term capital gains of Rs.4 lakh on sale of listed shares of Indian companies and Rs.8 lakh on sale of developmental properties;

a) The business trust is liable to pay tax@15.6% and 31.2%, respectively

b) The business trust is liable to pay tax @ 42.744%.

c) The business trust enjoys pass through status and hence, it need not pay any tax on such short-term capital gains; such income is subject to tax in the hands of unit-holders.

d) The business trust is liable to pay tax@15.6% and 42.744%, respectively
The dividend component of income from Z Ltd., distributed to unit-holders;

a) would be subject to distribution tax in the hands of Z Ltd., hence exempt in the hands of the business trust and the unit holders.
b) is exempt in the hands of the business trust, and consequently, would be subject to tax in the hands of the unit holders
c) would be exempt from distribution tax in the hands of Z Ltd., and hence taxable in the hands of the business trust.
d) would be exempt from distribution tax in the hands of Z Ltd., and not taxable either in the hands of the business trust or in the hands of the unit holders.

Interest received by the business trust from investments in unlisted debentures of real estate companies and distributed to unit holders would be;

a) Subject to tax in the hands of the unit holders
b) Subject to tax in the hands of the business trust @ 31.2%
c) Subject to tax in the hands of the business trust @ 42.744%
d) Subject to tax in the hands of the business trust at the average rate of tax

The rental component of income from real estate assets received by the business trust and distributed to its unit holders X and Y would be;

a) Subject to tax in the hands of the business trust @ 42.744%
b) Subject to tax in the hands of the business trust @ 31.2%
c) Subject to tax in the hands of the unit-holder X @ 10% (on Rs.40,000) and Y @ the rates in force (on Rs.2,00,000); such tax has to be deducted at source by the business trust.
d) Subject to tax in the hands of the unit-holders X and Y; business trust has to deduct tax @ 10% on Rs.40,000 distributed to X and at the rates in force on Rs.2,00,000 distributed to Y.

Mr. More, an Engineering graduate who worked abroad for the past 20 years in software industry, returned to India recently. He inherited one residential house at Fort, Mumbai which was acquired by his father in 1950’s. The fair market value of the property as on 01.04.2001 is Rs. 5 lakhs. The property, if sold now i.e.FY-19-20, would fetch a price of Rs. 3 crores. He desires to start a company for manufacture of fertilizer at Rajkot. He wants to have a tax-free use of entire sale proceeds in the venture contemplated by him. Cost inflation index for the FY-2019-20 is 289. Advise Mr. More suitably within the four comers of law.

Mr. Pritesh sold a vacant site for Rs.100 lakhs on 10.09.2019. The site was acquired in April, 2008 for Rs.20 lakhs. The stamp duty valuation on the date of sale was Rs.110 lakhs. Mr. Pritesh paid 2% as brokerage without deduction of tax at source and it was paid in cash. He deposited Rs.30 lakhs in capital gain bonds issued by REC on 27.04.2020. He acquired a residential property in April, 2020 for Rs.40 lakhs and in the document his name and his wife’s name were mentioned as buyers. His wife is a home maker. Compute the capital gains chargeable to tax in the hands of Mr. Pritesh. Cost inflation index: F.Y. 2008-09 = 137; F.Y. 2019-20 = 289.

Mr. Warner a resident sold a residential property for Rs. 90 lakhs to Mr. Sukwinder on 17.08.2019. The stamp duty valuation on the date of sale was Rs.110 lakhs. Mr. Pritesh paid 2% as brokerage without deduction of tax at source and it was paid in cash. He deposited Rs.30 lakhs in capital gain bonds issued by REC on 27.04.2020. He acquired a residential property in April, 2020 for Rs.40 lakhs and in the document his name and his wife’s name were mentioned as buyers. His wife is a home maker. Compute the capital gains chargeable to tax in the hands of Mr. Pritesh. Cost inflation index: F.Y. 2008-09 = 137; F.Y. 2019-20 = 289.
registration fee paid for the property amounts to Rs. 6 lakhs. He repaid the bank loan out of the sale proceeds of both the assets referred earlier. The new residential building was let out for a monthly rent of Rs. 1 lakh from 01.07.2019. Interest for the year 2019-20 in respect of the property amounts to Rs. 6 lakhs.

Compute the total income of Mr. Warner for the Assessment Year 2020-21.

Cost inflation index F.Y. 2004-05 = 113; F.Y.2013-14 = 220; F.Y. 2019-20 = 289

Q. 5

Nikki Ltd. an Indian company, engaged in growing and manufacturing tea receives the following dividend income during the P.Y. 2019-20 and also the company has paid remuneration for realizing the dividend, break up of which is also given below:

<table>
<thead>
<tr>
<th>Co. Information</th>
<th>Details about holding</th>
<th>Dividend income</th>
<th>Remuneration(Expense)</th>
</tr>
</thead>
<tbody>
<tr>
<td>XYZ Inc.</td>
<td>Foreign Co.</td>
<td>25% of Nominal Value</td>
<td>80,000</td>
</tr>
<tr>
<td>PQR Inc.</td>
<td>Foreign Co.</td>
<td>30% of Nominal Value</td>
<td>1,85,000</td>
</tr>
<tr>
<td>LMN Inc.</td>
<td>Foreign Co.</td>
<td>55% of Nominal Value</td>
<td>2,15,000</td>
</tr>
<tr>
<td>ABC Ltd.</td>
<td>Indian Co.</td>
<td>&gt; 50% of Nominal Value</td>
<td>90,000</td>
</tr>
</tbody>
</table>

(i) A shareholder holding 10% equity shares of the company borrowed Rs. 3,00,000 from the company @18% p.a. on 31.08.2019

(ii) On 01.08.2019, the company redeemed its redeemable bonus shares for Rs. 9,09,000

(iii) The company declared dividend of Rs. 4,20,000 at its AGM held on 30.09.2019. But the dividend remained unpaid up to 31.03.2020.

(iv) Business Income of Nikki Ltd. for PY 2019-20 is Rs. 40,00,000 before depositing the money in NABARD. On 01/08/2020 the company deposited Rs. 8,00,000 in NABARD account.

(v) 58% shares of Nikki Ltd are held by Neel Ltd.

Compute total income and tax liability of Nikki Ltd., ignoring MAT provisions. Also compute additional income tax payable by it u/s 115-0. The company is of the opinion that the scope of DDT would be restricted to 40% of the dividend declared as the source of the dividend declared is derived from the agricultural land. Analyse the contention of the company while computing the DDT.

Q. 6

Amit Singh, a resident individual, sold a factory building purchased by him 5 years back, on 1-2-2020. He had been allowed depreciation during all the past years. This was the only asset in the block. He purchased a residential house in Chennai on 1-6-2020, investing the whole of capital gains. He does not own any other house property. He has claimed exemption under section 54F of the Income-tax Act, 1961.

The Department opposes the claim of the ground that the asset sold was a depreciable asset and the resultant capital gain was short-term in nature.

(i) Is the assessee eligible for the exemption

(ii) Will your answer be the same if the new residential house purchased is in London?

Q. 7

XYZ Private Limited, an Indian company (having 5,000 shares of Rs.100 per share) is engaged in producing cooking spices. MNO Private Ltd., another Indian company is engaged in producing edible oil and processing foods.

It is decided that XYZ Private Limited will be amalgamated with MNO Private Limited with effect from 1st March, 2020.

The total consideration for transfer of assets is Rs. 9.75 lakhs, the break-up of which is as follows:

Capital assets Rs.6 lakhs.
Net current assets Rs. 3.75 lakhs.

Consideration is to be satisfied by issue of 3 equity shares of MNO Private Limited at Rs.130 per share for every 2 equity shares of XYZ Private Limited.

One Mr. Vishnu held 700 equity shares in MNO Private Limited which were acquired in the financial year 2009-10 for Rs.2,00,000. Mr. Vishnu received 1,050 equity shares from MNO Private Limited consequent to amalgamation in March, 2020.

Against the above backdrop, you are required to answer the following questions:

(i) Does the transaction of amalgamation attract any income-tax liability in the hands of XYZ Private Ltd.?

(ii) Compute capital gain in the hands of Mr. Vishnu on receipt of shares of MNO Private Limited.

(iii) Compute capital gain in the hands of Mr. Vishnu if he sells the shares of MNO Private Limited at Rs.600 per share on 31st March, 2020.

(iv) Will sale of shares of MNO Private Limited by Mr. Vishnu affect the tax benefit, if any availed by XYZ Private
Q. 8
Mr. Pandurang sold a residential house property and invested whole of the long-term capital gain for purchasing a residential flat. The possession was not handed over by the builder to the assessee even after 3 years, even though the entire sale consideration has been paid. The Assessing Officer refused to grant exemption u/s 54 on the ground that the prescribed condition for purchase of a residential house had not been compiled with, in as much as the possession had not been handed over. Judge the correctness of the action of the Assessing Officer.

Q. 9
Tani purchased a land at a cost of Rs.10 Lakhs in the financial year 1984-85 and held the same as her capital asset till 31st March, 2012, fair market value of such land as on 1st April, 2001 is Rs.7 Lakhs. Tani started her real estate business on 1st April, 2012 and converted the said land into stock-in-trade of her business on the said date, when the fair market value of the land was Rs.150 Lakhs. She constructed 20 flats of equal size, quality and dimension. Cost of construction of each flat is Rs.8 Lakhs. Construction was completed in December, 2019. She sold 15 flats at Rs.20 Lakhs per flat between January, 2020 and March, 2020. The remaining 5 flats were held in stock as on 31st March, 2020. She invested Rs.50 Lakhs in bonds issued by Power Finance Corporation Ltd. on 31st March, 2020. Compute the amount of chargeable capital gain and business income in the hands of Tani arising from the above transactions for Assessment Year 2020-21 indicating clearly there as on for treatment for each item. Cost Inflation Index: FY 2001-02: 100; FY 2012-13: 200; FY 2019-20: 289.

Q. 10
Mr. X was the owner of a Freehold land. In April 2018, he entered into a collaboration agreement with Arihant Builders for developing the property. According to the terms of the agreement, Arihant Builders were to develop, construct, and put up a building consisting of four independent floors – ground floor, first floor, second floor and third floor with terrace at its own cost. Mr. X handed over to Arihant Builders, the physical possession of the entire property, for the limited purpose of development. Arihant Builders was to get the third floor plus the undivided interest in the land to the extent of 25% for its exclusive enjoyment. The remaining floors (i.e., the ground floor, first and second) were to be handed over to Mr. X after construction.

The cost of construction of each floor was Rs. 1 crore, which was borne by Arihant Builders. In addition to the cost of construction incurred by Arihant Builders on development of the property, a further amount of Rs. 5 crore was payable by Arihant Builders to Mr. X as consideration against the rights of Mr. X. Part completion certificate of ground, first and 2nd floor was received on 31/03/2020. The SDV as on the said date was Rs. 50 lakhs, 60 lakhs, 75 lakhs respectively.

You are required to discuss and resolve the following issues arising in the assessment of Mr. X as a result of the above transaction –
(i) What is the year of chargeability of the capital gains on transfer of land?
(ii) For computation of capital gains, what should be the full value of consideration accruing as a result of transfer of the capital asset?
(iii) Is Mr. X eligible for exemption under section 54F?
(iv) If the answer to (ii) is yes, whether exemption is to be restricted to the cost of construction of one independent floor, on the reasoning that the floors given to Mr. X contained independent residential units having separate entrances and therefore, cannot qualify as a single residential unit?

Q. 11
Aries Tubes Private Ltd. went into liquidation on 01.06.2019. The company was seized and possessed of the following funds prior to the distribution of assets to the shareholders:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share Capital (issued on 01.04.2014)</td>
<td>5,00,000</td>
</tr>
<tr>
<td>Reserves prior to 1.6.2019</td>
<td>3,00,000</td>
</tr>
<tr>
<td>Excess realization in the course of liquidation</td>
<td>5,00,000</td>
</tr>
<tr>
<td>Total</td>
<td>13,00,000</td>
</tr>
</tbody>
</table>

There are 5 shareholders, each of whom received Rs.2,60,000 from the liquidator in full settlement. The shareholders desire to invest the resultant element of capital gains in long term specified assets as defined in section 54EE. You are required to examine the various issues and advice the shareholders about their liability to income tax.
Q. 12

A non-resident Indian, has the following sources of income in India. Compute his total income & determine his tax liability:

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Particulars</th>
<th>Amount (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Dividend from Indian Companies</td>
<td>50,00,000</td>
</tr>
<tr>
<td>(ii)</td>
<td>Interest earned on debentures of Indian company invested out of remittance in convertible foreign exchange</td>
<td>75,000</td>
</tr>
<tr>
<td>(iii)</td>
<td>Interest paid on money borrowed for investment in the debentures.</td>
<td>25,000</td>
</tr>
</tbody>
</table>
| (iv)   | Long-term capital gains on sale of shares subscribed in convertible foreign exchange:  
         Cost in 2002-03 | 20,00,000  |
         Sale in 2019-20 | 30,00,000  |
         Brokerage | 10,000  |
| (v)    | House property income in India | 2,00,000  |
| (vi)   | Income from off shore investments made through category 1 AIF | 6,00,000  |
| (vii)  | TDS | 30,000 |

The house property was acquired out of a loan from HDFC. The repayment of loan made during the year amounted to Rs.20,000. The assessee also claimed deductions of Rs.10,000 by way of donation to the Prime Minister Relief Fund.

Q. 13

SQL Inc., a notified Foreign Institutional Investor (FII) and assessed like an AOP derived the following incomes from various sources for the financial year 2019-20:

1. Income in respect of securities: Rs. 2,80,50,000
   Expenses incurred in respect thereof: Rs. 50,000
   (the above income includes an interest of Rs. 16,00,000 received from an Indian company on the investment of rupee denomination bonds and dividend income of Rs. 3,50,000 from a domestic company referred to in section 115-O).

2. Capital Gains:
   (i) Long Term:
       Sale proceeds on sale of securities on 15/01/2020 | Rs. 52,00,000
       Purchase cost of securities on 25/05/2015 | Rs. 28,00,000
   (ii) Short Term:
        Sale proceeds of equity shares of Company A (Jan., 2020): (STT paid on Company A shares) | Rs. 13,50,000
        Cost of acquisition (Aug., 2019) | Rs. 5,50,000
        Sale proceeds of equity shares of Company B (Dec., 2019) | Rs. 9,25,000
        Cost of acquisition (April, 2019) (STT not paid on Company B Shares) | Rs. 4,85,000

Compute the taxable income of SQL Inc. and tax liability for the assessment year 2020-21 as per applicable provisions of the Income Tax Act, 1961, assuming that no other income is derived by SQL Inc. (FII) during the financial year 2019-20.

Q. 14

Parul Ltd. is a category 2 AIF as registered with the SEBI. It has 6 high net worth individual as equal investor. The date from which the investments is held by the investors in the AIF are as under:

- Investor 1 = 01/06/2019
- Investor 2 = 01/12/2019
- Investor 3 = 31/01/2019
- Investor 4 = 01/02/2019
→ Investor 5 = 01/03/2019
→ Investor 6 = 01/11/2018

The following details of A.Y. 2019-20 was furnished:
- Business loss = Rs. 25 lakhs
- Long term capital loss = Rs. 50 lakhs

For A.Y. 2020-21 following details are furnished:
- Business income = Rs. 75 lakhs
- Short term capital gain = Rs. 20 lakhs
- Long term capital gain = Rs. 20 lakhs
- IFOS (loss) = Rs. 1.5 crore

Compute the total income of AIF for A.Y. 2020-21 and discuss the treatment of loss both in the hands of AIF and the unitholder.
For answers and solution video download DSTC Mobile Application from Google Play Store and Contact for more details at 9779430034.

Next Test will be released on 17th April, 2020 for the following topics:
- Profits & Gains from Business or Profession
- Set off and Carry forward of Losses
- ICDS