Direct Tax Laws & International Taxation

Mock Test Paper Series

by
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For CA Final Examination
June, 2020

( Contact for more details 9779430034 )
Mock Test – 5

(AMT, Company Assessment, TDS, TCS, Advance Tax & Interest)

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 | Air India Ltd. has paid amount of Rs.20 lakhs during the year ended 31.3.2020 to Airports Authority of India towards landing and parking charges.  

a) No tax is deductible at source from such payment  
b) Tax is deductible at source@2% u/s 194C on such payment  
c) Tax is deductible at source@2% u/s 194-I on such payment  
d) Tax is deductible at source@10% u/s 194-I on such payment  |
|---|---|
| II | A Ltd. credited Rs.28,000 towards fees for professional services and Rs.27,000 towards fees for technical services to the account of Ram in its books of account on 12.11.2019. The total sum of Rs.55,000 was paid by cheque to Ram on the same date.  

a) No tax is deductible at source from such payment  
b) Tax is deductible at source@10% u/s 194J on the entire payment of Rs.55,000  
c) Tax is deductible at source@10% u/s 194J on Rs.25,000 (Rs.55,000 - Rs.30,000)  
d) Tax is deductible at source@2% u/s 194J on Rs.25,000 (Rs.55,000 - Rs.30,000)  |
| III | ABC Ltd. took on sub-lease a building from Ms. Jhanvi with effect from 1.7.2019 on a rent of Rs.20,000 per month. It also took on hire machinery from Ms. Jhanvi with effect from 1.10.2019 on hire charges of Rs.15,000 per month. ABC Ltd. entered into two separate agreements with Ms. Jhanvi for sub-lease of building and hiring of machinery. Which of the following statements are correct with reference to ABC Ltd.’s liability to deduct tax at source, assuming that one-month’s rent was received as security deposit, which is refundable at the end of the lease period?  

a) No tax needs to be deducted at source since rent for building does not exceed Rs.1,80,000 p.a. and rent for machinery also does not exceed Rs.1,80,000 p.a. Security deposit refundable at the end of the lease term is not rent for the purpose of TDS  
b) Tax has to be deducted@10% on rent of Rs.2,00,000 (including security deposit) for building, but no tax needs to be deducted on rent for machinery (including security deposit), since the same does not exceed Rs.1,80,000.  
c) Tax has to be deducted@10% on Rs.2,00,000 and @2% on Rs.1,05,000 (i.e. rent including security deposit)  
d) Tax has to be deducted@10% on Rs.1,80,000 and @2% on Rs.90,000. Security deposit refundable at the end of the lease period is not rent  |
| IV | Mudra Adco Ltd., an advertising company, has retained a sum of Rs.15 lakhs, towards charges for procuring and canvassing advertisements, from payment of Rs.1 crore due to Cloud TV, a television channel, and remitted the balance amount of Rs.85 lakhs to the television channel. Which of the following statements are correct?  

a) No TDS is attracted on the sum of Rs.15 lakhs retained by Mudra Adco Ltd.  
b) TDS@2% is attracted on the sum of Rs.15 lakhs retained by Mudra Adco Ltd  
c) TDS@5% is attracted on the sum of Rs.15 lakhs retained by Mudra Adco Ltd.  
d) TDS@10% is attracted on the sum of Rs.15 lakhs retained by Mudra Adco Ltd.  |
| V | Mr. X acquired a house property at Mumbai from Mr. Y, a resident, for a consideration of Rs.90 lakhs, on 20.6.2019. On the same day, Mr. X made two separate transactions, thereby acquiring an urban plot in Kolkata from Mr. C for a sum of Rs.49,50,000 and rural agricultural land from Mr. D for a consideration of Rs.60 lakhs. Which of the following statements are correct?  

a) No tax deduction at source is required in respect of any of the three payments.  
b) TDS@1% is attracted on all the three payments.  
c) TDS@1% on Rs.90 lakhs and Rs.49,50,000 are attracted. No TDS on payment of Rs.60,00,000 for...
VI. A notified infrastructure debt fund eligible for exemption under section 10(47) of the Income-tax Act, 1961 pays interest of Rs.5 lakhs to a company incorporated in a foreign country. The foreign company incurred expenditure of Rs.12,000 for earning such interest. The fund also pays interest of Rs.3 lakhs to Mr. Frank, who is a resident of Country A, a notified jurisdictional area. Which of the following statements are correct?

a) No tax deduction at source is required in respect of both the payments.
b) No TDS is required in respect of payment of Rs.5 lakhs to the foreign company. However, payment of interest to Frank attracts TDS@31.2%
c) TDS@5.20% is attracted on Rs.4,88,000 to the foreign company. TDS@31.2% is attracted on interest payment of Rs.3 lakhs to Mr. Frank.
d) TDS@5.20% is attracted on interest payment of Rs.5 lakhs to the foreign company. TDS@31.2% is attracted on interest payment of Rs.3 lakhs to Mr. Frank.

VII. Raman & Associates had made payment of Rs.2 lakh to the contractors for carrying out labour job work at various sites, but had not deducted tax at source. What are the tax consequences?

a) Rs.2,00,000 has to be added back while computing business income. However, no penalty is leviable.
b) Rs.60,000 has to be added back while computing business income. However, no penalty is leviable.
c) Penalty equal to the amount of tax which has not been deducted is leviable in this case. Also, Rs.2,00,000 has to be added back while computing business income.
d) Penalty equal to the amount of tax which has not been deducted is leviable in this case. Also, Rs.60,000 has to be added back while computing business income.

VIII. Salary paid by M/s AK & Co. to its partner falls within the limits prescribed under section 40(b)(v). Does AK & Co. have to deduct tax on salary paid to its partner?

a) Yes; tax is deductible at source under section 192 on salary paid to its partners.
b) No; salary paid to partner is not subject to tax deductible at source.
c) Yes; tax is deductible at source under section 192 on salary paid to resident partners but under section 195 on salary paid to the non-resident partner.
d) Salary paid to resident partner is not subject to tax deduction at source; but tax has to be deducted under section 195 on salary paid to the non-resident partner.

IX. Mr. Ganesh is running a steel factory. The total turnover of the factory during the F.Y. 2018-19 amounted to Rs.2.5 crores. The estimated turnover for F.Y. 2019-20 is likely to exceed Rs.3 crore. On 10-04-2019, he took consultancy of a Delhi based Chartered Accountant. The consultancy fees amounted to Rs.1,84,000. Should Mr. Ganesh deduct tax from consultancy fees of Rs.1,84,000? If yes, then what shall be the amount of tax to be deducted and by when the same should be deposited with Government?

a) Yes; Rs.18,400 to be deposited by 07.05.2019.
b) Yes; Rs.18,400 to be deposited by 07.07.2019.
c) Yes; Rs.15,400 to be deposited by 07.05.2019.
d) He is not liable to deduct tax in respect of professional fees paid.

X. Which of the following amounts, if debited to the statement of profit or loss, are required to be added while computing book profits for the purpose of MAT?

I. Income-tax
II. Proposed dividend
III. Depreciation
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IV.</strong></td>
<td>Interest on Income-tax</td>
</tr>
<tr>
<td><strong>V.</strong></td>
<td>Amount transferred to general reserve</td>
</tr>
<tr>
<td><strong>VI.</strong></td>
<td>Provision for losses of subsidiary company</td>
</tr>
<tr>
<td><strong>VII.</strong></td>
<td>Dividend paid</td>
</tr>
<tr>
<td>a)</td>
<td>I, III, V, VI, VII</td>
</tr>
<tr>
<td>b)</td>
<td>I, II, V, VII</td>
</tr>
<tr>
<td>c)</td>
<td>I, II, III, IV, V, VI, VII</td>
</tr>
<tr>
<td>d)</td>
<td>I, II, III, V, VI, VII</td>
</tr>
</tbody>
</table>

**XI**

PQR Ltd. is a company which already possesses a TAN and uses the same for the purpose of TDS. Now, PQR Ltd. wants to sell some scrap of his business to A Ltd. on which it is required to collect tax at source @1%. Whether PQR Ltd. is required to apply for a separate TAN for the purpose of TCS?

- a) No, PQR Ltd. is not required to apply for a separate TAN for the purpose of TCS as TAN allotted for TDS can be used for TCS also.
- b) Yes, PQR Ltd. is required to apply for a separate TAN for the purpose of TCS as tax deduction account number and tax collection account number are different account numbers.
- c) No, PQR Ltd. is not required to apply for a separate TAN for the purpose of TCS as there is no requirement of obtaining TAN for the purpose of TCS.
- d) No, PQR Ltd. is not required to apply for a separate TAN for the purpose of TCS as in case of TCS, PAN can be quoted in place of TAN.

**XII**

The rate of deduction of tax from interest payable to a foreign company (located in a country with which there is no DTAA) by an Indian company on borrowing made by it from the said foreign company by way of issue of rupee denominated bonds on 31.03.2019 is:

- a) Nil
- b) 5% + HEC
- c) 5% + Surcharge (if applicable) + HEC
- d) 20% + HEC

**XIII**

Mr. Sanjay, a salaried individual, pays brokerage of Rs.40 lakhs on 5.1.2020 to buy a residential house. His father, Mr. Hari, a retired pensioner, makes contract payments of Rs.15 lakhs, Rs.25 lakhs and Rs.12 lakhs on 28.9.2019, 3.11.2019 and 15.2.2020 for reconstruction of residential house. With respect to the above payments made by Mr. Sanjay and Mr. Hari, which of the following statements is correct?

- a) Neither Mr. Sanjay nor Mr. Hari is required to deduct tax at source, since they are not subject to tax audit, on account of being a salaried individual and pensioner, respectively.
- b) Both Mr. Sanjay and Mr. Hari are required to deduct tax at source under the provisions of the Income-tax Act, even though they are not subject to tax audit.
- c) Mr. Sanjay is required to deduct tax at source but Mr. Hari is not required to deduct tax at source.
- d) Mr. Hari is required to deduct tax at source but Mr. Sanjay is not required to deduct tax at source.

**XIV**

Mr. Rajesh and Mr. Brijesh, resident individuals, received Rs.12 lakhs each on 31.3.2020 on maturity of life insurance policy taken on 31.3.2012 and 1.4.2012, respectively, the sum assured of which is Rs.10 lakhs. They had paid an annual premium of Rs.1.10 lakhs each. Are provisions of tax deduction at source attracted on maturity proceeds received by Mr. Rajesh and Mr. Brijesh?

- a) Yes; Tax is deductible at source on maturity proceeds received by both Mr. Rajesh and Mr. Brijesh, since the annual premium is more than Rs.1,00,000, being 10% of Rs.10 lakhs.
- b) No; Tax is not deductible at source on maturity proceeds received by either Mr. Rajesh or
Mr. Brijesh, since the annual premium is less than Rs.1,20,000, being 10% of Rs.12 lakhs.

- No tax is deductible at source on maturity proceeds received by Mr. Rajesh. Tax is deductible at source on maturity proceeds received by Mr. Brijesh and the tax deductible at source is Rs.12,000.
- No tax is deductible at source on maturity proceeds received by Mr. Rajesh. Tax is deductible at source on maturity proceeds received by Mr. Brijesh and the tax deductible at source is Rs.16,000.

XV

Mr. A, whose total sales is Rs.201 lakhs, declares profit of Rs.10 lakhs for the F.Y. 2019-20. He is liable to pay advance tax –

- in one instalment
- in two instalments
- in three instalments
- in four instalments

Descriptive Questions

Q.2

HSBC Hong kong undertake its banking business in India through its various branches in India, including a branch in IFSC. All the consideration received by IFSC unit is in foreign currency. It furnishes the following information based on which you are suppose to calculate its tax liability (Including MAT):

<table>
<thead>
<tr>
<th>Particulars</th>
<th>IFSC Branch</th>
<th>Other Branch</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Profit before taxation</td>
<td>Rs. 50 Lakhs</td>
<td>Rs. 300 Lakhs</td>
</tr>
<tr>
<td>(Out of the above profits, Rs. 30 lakhs and Rs. 80 lakhs represents interest income on monies borrowed by Indian concern in foreign currency from IFSC Branch and other Branches respectively)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2) Provision for NPA as per the prudential norms</td>
<td>Rs. 10 lakhs</td>
<td>Rs. 30 lakhs</td>
</tr>
</tbody>
</table>

Other Information:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>As per Books</th>
<th>As per Income tax laws</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) B/f loss for A.Y. 2019-2020</td>
<td>(Rs.20 lakhs)</td>
<td>(Rs. 30 lakhs)</td>
</tr>
<tr>
<td>(the loss pertains only to Non-IFSC unit)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2) UAD of A.Y. 2019-2020</td>
<td>Rs. 5 lakhs</td>
<td>Rs. 10 lakhs</td>
</tr>
</tbody>
</table>

Q.3

Tulsi Private Ltd., a company engaged in ship breaking activity, sold some old and used plates, wood etc., in respect of which it did not collect tax from the buyer. The company claimed that such items are usable as such. Hence these are not ‘scrap’ to attract the provisions for collection of tax at source. The Assessing Officer treated such items in the nature of ‘scrap’ and raised a demand under section 201(1) and interest under section 201(1A).

Is the action of the Assessing Officer in treating such items as ‘scrap’ tenable in law? Discuss.

Q.4

Should capital gains exempt under section 54EC, which forms part of the net profit in the statement of profit and loss of the assessee-company, be taken into account for calculation of tax on book profits as per section 115JB?

Q.5

ACHARYA LLP, a limited liability partnership in India is engaged in development of software and providing IT enabled services through two units, one of which is located in a notified Special Economic Zone (SEZ) in Chennai (commenced from 01.04.2006).

The particulars relating to previous year 2019-20 furnished by the assessee are as follows:
- Total Turnover: SEZ unit Rs. 120 lakhs and the other unit Rs. 100 lakhs
- Export Turnover: SEZ unit Rs. 100 lakhs and the other unit 60 lakhs
- Profit: SEZ unit Rs. 48 lakhs and the other unit Rs. 42 lakhs
- Amount debited to Profit and Loss Account towards Special Economic Zone Re-Investment Reserve Account Rs. 21 lakhs.

The Assessee has no other income during the year.

(i) Compute tax payable by ACHARYA LLP for the Assessment Year 2020-21.
Q. 6
Monohar & Hari LLP is engaged in multiple business activities. The following information is furnished for the year ended 31.03.2020:

(i) Net profit as per Profit and Loss Account Rs. 52 lakhs.
(ii) Working partner salary debited to profit and loss account Rs. 40,20,000 as authorized by the LLP agreement.
(iii) Interest on capital paid to partners @ 15% Rs. 15,75,000. This is authorized by the LLP agreement.
(iv) Depreciation debited to profit and loss account Rs. 8,10,000.
(v) Eligible depreciation under section 32 Rs. 10,35,000.
(vi) The Net Profit includes profit from under taking located in SEZ (4th year) Rs. 20 lakhs. The total turnover is Rs. 200 lakhs and the export turnover is Rs. 150 lakhs.
(vii) The unit has earned income from generation of power and the eligible deduction under section 80-IA amounts to Rs. 8 lakhs.

You are required to compute the total income of the firm and also the alternative minimum tax (AMT) and decide the final tax liability of the firm for the assessment year 2020-21.

Q. 7
SRK Limited has a carried forward MAT credit of Rs. 3 lakhs under section 115JAA(3) of the Income-tax Act from assessment year 2019-20. The company's total income and book profit under section 115JB in assessment year 2020-21 are Rs. 6 lacs and Rs. 7.50 lakhs respectively. Compute the tax payable by the company for assessment year 2020-21 and the amount to be carried forward under section 115JAA.

Q. 8
Auto Ltd., a manufacturer of automobiles, sells premium cars (each of value between Rs.12 lakh to Rs.25 lakh) and small cars (each of value between Rs.5 lakh to Rs. 9 lakh) to its dealers across the country. Discuss whether the manufacturers are liable to collect tax at source under section 206C.
Also, discuss the liability, if any, of dealers to collect tax at source on sale of these cars to the retail customers, if no part of the consideration is received in cash? Would your answer change, if part of the consideration is received in cash?

Q. 9
Gamma (P) Ltd., an Indian company established in the year 2007, reports total income of Rs. 22 lakh for the previous year ended 31st March, 2020. Tax deducted at source by different payers amounted to Rs. 1,68,000 and tax paid in Country A on a doubly taxed income amounted to Rs. 30,000 for which the company is entitled to relief under section 90 as per the double taxation avoidance agreement.
During the year, the company paid advance tax as under:

<table>
<thead>
<tr>
<th>Date of payment</th>
<th>Advance tax paid (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>13-06-2019</td>
<td>45,000</td>
</tr>
<tr>
<td>14-09-2019</td>
<td>90,000</td>
</tr>
<tr>
<td>13-12-2019</td>
<td>1,00,000</td>
</tr>
<tr>
<td>14-03-2020</td>
<td>1,05,000</td>
</tr>
</tbody>
</table>

The company filed its return of income for the A.Y. 2020-21 on 3rd November, 2020. Compute interest, if any, payable by the company under sections 234A, 234B and 234C and fee payable under section 234F. Assume that transfer pricing provisions are not applicable and that the company has not opted for the provisions of section 115BAAA.

Note – Turnover of Gamma (P) Ltd. for P.Y. 2017-18 is Rs. 251 crore.

Q. 10
Explain whether tax has to be deducted at source, as per the provisions of the Income Tax Act, 1961 under the following situations, each being independent of the other. If yes, the rate of tax and the amount of TDS should be stated (Provisions of DTAA may be ignored):

(i) Rent of Rs. 2,00,000 paid by Govindaya Tubes LLP to Mr. Naresh, who has been living in Singapore for the last 12 years and has never visited India during such period. The building is used for training purposes.
(ii) Mrs. Sarawathi purchased a house property for Rs. 48 lakhs on 12.01.2020 from Mrs. Lakshmi, a resident. The value adopted by the stamp valuation authority was Rs. 55 lakhs.
(iii) Divya & Co., a partnership firm, has paid lorry freight of Rs. 3 lakhs on 12.03.2020 to Mr.
Govinda, a lorry fleet owner having 11 Lorries and having PAN.

Q. 11 State with reason, whether tax is required to be deducted at source with reference to relevant provision of the Income-tax Act, 1961, and the quantum of tax, if any for the following:
   (i) Premature withdrawal from recognized provident fund Rs.55,000 on 01.10.2019 by Mr. H, who furnished declaration in Form No. 15G.
   (ii) Interest on fixed deposit to Mr. J paid by one branch of State Bank of India Rs.7,000 and another branch of the same bank Rs.4,000. The bank uses Core Banking Solutions (CBS).
   (iii) Salary paid to Mr. K, aged 58, by a software company located in Hyderabad Rs.15 lakhs. Mr. K was employed throughout the year at New Jersey, United States and the payment was made by branch office at New Jersey.
   (iv) Payment of Rs.2 lacs made by LS Company Ltd. for internet services to ABC Communications (P) Ltd.

Q. 12 State whether the TDS provisions are attracted in the following cases:
   a. Mr. Mahadevan engaged in trading business with a turnover of Rs.80 lakhs for the previous year 2018-19 and turnover of Rs. 85 lakhs in the financial year 2019-20 paid interest of Rs.30,000 to Mr. Swami.
   b. Mr. Singhvi engaged in manufacturing activity paid salary of Rs.3,50,000 to Mr. Ghosh during the previous year 2019-20 which is the first year of commencement of business.
   c. Cure Well Hospitals Ltd. paid professional charges to Dr. Sakhthikanal Rs.40,000.
   d. Garg & Co. a firm of Cost Accountants paid rent of Rs. 2,70,000 (Rs. 22,500 per month) to a partner's son by cash.
   e. Ramnath & Co. paid interest on term loan taken for car of Rs.31,000 to UCO Bank.
   f. Mr. Ranjan resigned from MT Pharma after rendering service for 4 years. He received Rs. 60,000 from recognized provident fund account.
   g. Padmaja & Co. made contract payments of Rs. 7,500 per month aggregating to Rs.90,000 to CD & Co. during the year 2019-20.
   h. Shiva Industries Ltd. paid brokerage of Rs. 18,000 to Sanvitha Ltd. on 30.01.2020.

Q. 13 M/s. NIACO Ltd., an Indian Company reports total income of Rs. 10,50,000 for the previous year ending March 31, 2020. Tax deducted at source by different payers amounts to Rs.24,450 and tax paid in foreign country on a doubly taxed income amounts to Rs. 10,000 for which the company is entitled to relief under section 90 as per DTAA. During the year the company pays advance tax on June 15, 2019 – Rs.40,000 ; on September 12, 2019 - Rs.65,000; on December 15, 2019 – Rs.1,00,000 and on March 15, 2020 - Rs.62,000. The company files its return of income for the assessment year 2020-21 on October 15, 2020. There is no international transaction and no transfer pricing provisions are applicable. Compute interest, if any, payable by the company under sections 234A, 234B and 234C. The due date for filing return of income is September 30, 2020.

Q. 14 MNC Ltd. is engaged in this business of managing and operating hotels. The assessee allowed the employees to accept tips from customers. Some customers paid the bill and tips to the employees through credit card. The assessee, being employer collected the amounts and disbursed tips to the employees on monthly basis. The assessee did not deduct tax at source on the said payments as the amounts were not in the nature of salary. Does the action of the assessee satisfy the legal requirements?

Q. 15 State whether tax has to be deducted at source under the provisions of the Income-tax Act, 1961:
   (i) Vaasu & Co., a partnership firm pays following amounts as interest to the partners in the firm X Rs. 43,000, Y Rs. 9,000. X is resident in India, Y is a non-resident and he is resident of Country J with which India has no DTAA.
   (ii) Barun Pvt. Ltd., has paid Rs. 35,000 as sitting fees to D, who is a director not employed with the company.

Q. 16 Pradhan (P) Ltd. gives you the following information for the Financial Year 2019-20:
   (i) It paid a refundable deposit of Rs. 5 lakhs to the landlord where the company has commenced manufacturing activity during the year.
   (ii) It paid Rs. 3 lakhs to a hotel accommodation where the training programme for the marketing
| Q. 17 | ABC Ltd., an Indian Company, was registered on 01.04.2015. It is solely engaged in the manufacture of textiles. Its turnover for the P.Y. 2016-17, P.Y. 2017-18 and P.Y. 2018-19 and P.Y 2019-20 are Rs.50 crore, Rs.350 crore, Rs.410 crores and 450 crore respectively. What would be the total tax payable by ABC Ltd., for A.Y.2020-21, if its total income for the P.Y. 2019-20 is Rs.9 crore? Would the rate of tax for A.Y.2020-21 in the case of ABC Ltd. be different, if it was registered on 01.04.2019 instead of 01.04.2015? If yes, what are the conditions to be fulfilled by it to avail such differential rate of tax?  
[Note-Ignore provisions relating to Minimum Alternate Tax, section 115BAA, 115BAB] |
| Q. 18 | Arnold Ltd. (incorporated in UK) has a branch office (PE) in India. The Net Profit of the Branch as per the statement of profit and loss for the year ended 31.03.2020 was Rs.83 lakhs. It includes the following:  
(i) Dividend from Indian companies (listed) Rs.8,00,000.  
(ii) Dividend from Indian companies (unlisted) Rs.4,00,000.  
(iii) Interest received from MMS Ltd. of Mumbai Rs.7,00,000. The amount was received by the Indian company MMS Ltd. in foreign currency as per loan agreement dated 01.04.2014 (section 194LC applicable).  
(iv) Fee for technical services received from Barun Co. Ltd., Kolkata Rs. 25,00,000. The agreement was made on 10.08.2007 and was approved by Central Government. Expenditure incurred for providing technical service amounts to Rs.6,00,000.  
**Additional information:**  
Total income chargeable to tax as per regular provisions of the Income-tax Act, 1961 (Act) is Rs.20,00,000 (without considering the items (i) to (iv) above).  
You are required to compute the book profit tax under section 115JB of the Act for the assessment year 2020-21 and also the total income-tax liability of the assessee.  
Your working should be supported by notes |
| Q. 19 | Anustup Chandra Ltd., a domestic company incorporated on 01/04/2017, engaged in manufacture of sugar, furnishes the following information pertaining to the year ended 31-3-2020:  
(i) Net profit as per the Statement of Profit and Loss is Rs. 77 lakhs after considering the items listed in (ii) to (vi) below.  
(ii) The company is a member of Vishnu Foods & Co., an AOP in which the members’ shares are determinate and their shares in profit/loss are clearly known. The entire income of the AOP is from business activities. During the year, the company has derived share income of Rs. 9 lakhs from the AOP. The company has spent a sum of Rs. 90,000 towards earning such income.  
(iii) The company has provided for income-tax (including interest under sections 234B and 234C of Rs. 62,000) for Rs. 3 lakhs and Rs. 5 lakhs towards share in loss of foreign subsidiary. |
<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>(iv)</td>
<td>Amount debited to the Statement of Profit and Loss towards interest to a public financial institution is Rs. 12 lakhs. Of this, Rs. 4 lakhs was paid on 12-12-2019 only.</td>
</tr>
<tr>
<td>(v)</td>
<td>The company committed breach of building norms while extending the factory building. The City Corporation initiated proceedings against the company and the company settled the issue by paying compounding fee of Rs. 1 lakh. This amount forms part of general expenses, which has been debited to the Statement Profit and Loss.</td>
</tr>
<tr>
<td>(vi)</td>
<td>In the administrative expenses, the company has debited a sum of Rs. 70,000 towards fee for delayed filing of statement of TDS under section 234E of the Income-tax Act, 1961.</td>
</tr>
<tr>
<td>(vii)</td>
<td>The company has credited revaluation surplus of Rs. 10 lakhs on fair valuation of assets under Ind AS 16 and Ind AS 38 to other equity.</td>
</tr>
<tr>
<td>(viii)</td>
<td>The company has credited Rs. 5 lakhs to other comprehensive income on fair valuation of equity instruments in which the company has Investment.</td>
</tr>
<tr>
<td>(ix)</td>
<td>Depreciation debited in the profit and loss account of Rs. 1.5 lakhs, the actual cost of the asset was already allowed as deduction u/s 35AD in P.Y. 2017-18.</td>
</tr>
<tr>
<td>(x)</td>
<td>The brought forward loss u/s 73A of A.Y. 2018-19 is Rs. 3 lakhs.</td>
</tr>
<tr>
<td>(xi)</td>
<td>Rs. 5 lakhs debited for expenditure towards agriculture extension project.</td>
</tr>
<tr>
<td>(xii)</td>
<td>The company sold its land and has credited to its profit and loss account Rs. 15 lakhs being the difference between the sale price and the carrying amount as on 31st March 2019. The land was sold on 1/10/2019 at Rs. 50 lakhs whereas it was acquired on 1/1/2017 at Rs. 30 lakhs. On 1/2/2020 it invested Rs. 12 lakhs in NHAI bond. CII of F.Y. 2019-2020 is 289 and of 2016-2017 is 264.</td>
</tr>
</tbody>
</table>

You are required to compute the income-tax payable by the company for the assessment year 2020-21. The company is an Indian Accounting standard compliant company. Also suggest whether the company should opt for the provision of Section 115BAA. 

Note: The Turnover of company for the P.Y 2017-18 was Rs. 390 crore.
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 27th April, 2020 for the following topics:
- Partnership
- AOP, BOI
- Trust
- Political Parties
- Co-Operative Societies