CA / CMA FINAL

FOR NOV / DEC. 2023 EXAMS

(AS AMENDED BY FINANCE ACT 2022 FOR A.Y. 23-24)

BB VIRTUALS

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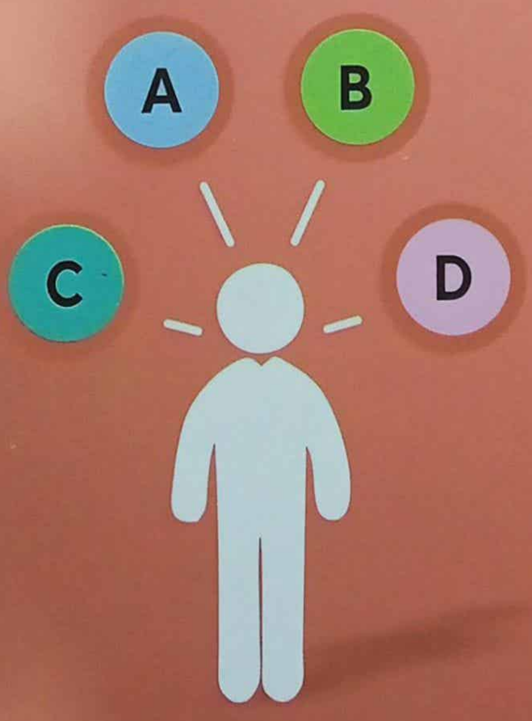
DIRECT TAX

MULTIPLE CHOICE QUESTION

MCQ & CASE SCENARIO



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Compilation of ICAI Booklet and RTP / MTP

By CA BHANWAR BORANA

MCQ AND CASE SCENARIOS

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TEST SERIES 1

Que. 1 **PGBP**

Mr. Akash is engaged in the business of running motor cars on hire. His brother, Mr. Vikas, is a dentist. Mr. Akash and Mr. Vikas each purchased a motor car of the value of ₹ 5 lakh on 1.11.2019 for their business/profession and put the same to use immediately. The written down value of motor cars as on 1.4.2019 may be taken as ₹ 50 lakh for Mr. Akash and Nil for Mr. Vikas. What is the depreciation allowable in respect of motor cars to Mr. Akash and Mr. Vikas under section 32 for A.Y.2023-24, assuming that both of them have not opted for the special provisions of section 115BAC?

(a) ₹ 11,73,750 and ₹ 69,375, respectively
(b) ₹ 7,89,188 and ₹ 58,970 respectively
(c) ₹ 5,67,249 and ₹ 62,475, respectively
(d) ₹ 12,24,375 and ₹ 1,27,500, respectively

Que. 2 **PGBP**

The turnover of Mr. Aarav, engaged in wholesale trading business, for the P.Y.2022-23 is ₹ 2 crore and the gross receipts of Mr. Vishal, engaged in legal profession is ₹ 50 lakhs. Mr. Aarav has been regularly following mercantile system of accounting and Mr. Vishal regularly follows cash basis of accounting. Out of the turnover of Mr. Aarav, he receives ₹ 1.20 crores through ECS through bank account during the P.Y.2022-23. He receives another ₹ 60 lakhs through ECS through bank account on or before 31.7.2023. Mr. Vishal receives ₹ 30 lakhs by account payee bank draft and ₹ 20 lakhs by crossed cheque during the P.Y.2022-23. What would be the income chargeable to tax under the head "Profits and Gains of Business and Profession", if they want to minimize their tax liability? Both of them maintain books of account as per section 44AA. Income computed as per the regular provisions of Income-tax Act, 1961 is ₹ 11,50,000 and ₹ 24,75,000 in the hands of Aarav and Vishal, respectively. However, they have not got the books of account audited and do not intend to do so in future.

(a) ₹ 16,00,000 and ₹ 25,00,000, respectively
(b) ₹ 13,60,000 and ₹ 25,00,000, respectively
(c) ₹ 11,50,000 and ₹ 24,75,000, respectively
(d) ₹ 12,40,000 and ₹ 25,00,000, respectively

Que. 3 **Capital Gains**

Mr. Vishal and Mr. Guha sold their residential house property in Pune for ₹ 3 crore and ₹ 4 crore, respectively, in January, 2023. The house property was purchased by them 25 months back. The indexed cost of acquisition is ₹ 1 crore and ₹ 1.75 crore, respectively. Mr. Vishal purchased two residential flats, one in Delhi and one in Agra for ₹ 70 lakhs and ₹ 80 lakhs, respectively, in April, 2023. On the same date, Mr. Guha also purchased two residential flats, one in Mumbai and the other in Pune, for ₹ 80 lakhs and ₹ 75 lakhs, respectively. Both of them invested ₹ 30 lakhs in bonds of NHAI in March, 2023 and ₹ 30 lakhs in bonds of RECL in April, 2023. What is the income taxable under the head "Capital Gains" for A.Y.2023-24 in the hands of Mr. Vishal and Mr. Guha?

(a) ₹ 70 lakhs and ₹ 95 lakhs, respectively
(b) ₹ 60 lakhs and ₹ 85 lakhs, respectively
(c) Nil and ₹ 95 lakhs, respectively
(d) Nil and ₹ 20 lakhs, respectively

Que. 4 **PGBP**

Mr. Hari is an interior decorator declaring profits under 44ADA in the P.Y.2022-23 and the earlier previous years. Mr. Hari has to pay brokerage of ₹ 10 lakhs to Mr. Lal, a broker, to buy a residential house, and ₹ 50 lakhs to Mr. Shyam, a contractor for reconstruction of the residential house. Are TDS provisions attracted in the hands of Mr. Hari in respect of the above transactions?

(a) No; TDS provisions are not attracted in the hands of Mr. Hari in respect of payments to Mr. Lal and Mr. Shyam

(b) Yes; Mr. Hari has to deduct tax from payment to Mr. Lal and Mr. Shyam
(c) Mr. Hari doesn't have to deduct tax on payment to Mr. Lal but has to deduct tax from payment to Mr. Shyam
(d) Mr. Hari doesn't have to deduct tax on payment to Mr. Shyam but has to deduct tax from payment to Mr. Lal

Que. 5 **Exemptions**

Mr. X, a foreign national and citizen of USA, working with M Inc., a US based company, came to India during the P.Y. 2022-23 for rendering services on behalf of the employer. He wishes to claim his salary income earned during his stay in India as exempt. Which of the following is not a condition to be fulfilled to claim such remuneration as exempt income under the Income-tax Act, 1961?

(a) M Inc. should not be engaged in any trade or business in India
(b) Mr. X should not be engaged in any trade or business in India
(c) Mr. X's stay in India should not exceed 90 days in aggregate during the P.Y. 2022-23
(d) Remuneration received by Mr. X should not liable to be deducted from M Inc.'s income chargeable to tax under the Income-tax Act, 1961

Que. 6 **Returns Filing**

Mr. Ram, born on 1.4.1963, has a gross total income of ₹ 2,90,000 for A.Y.2023-24 comprising of his salary income. He does not claim any deduction under Chapter VI-A. He pays electricity bills of ₹ 10,000 per month. He made a visit to Melbourne along with his wife for a month in February, 2023 for which he incurred to and fro flight charges of ₹ 1.20 lakhs. The remaining expenditure for his visa, stay and sightseeing amounting to ₹ 80,000 was met by his son residing in Melbourne. Is Mr. Ram required to file return of income for A.Y.2023-24, and if so, why?

(a) No, Ram is not required to file his return of income
(b) Yes, Ram is required to file his return of income, since his gross total income/total income exceeds the basic exemption limit
(c) Yes, Ram is required to file his return of income since he pays electricity bills of ₹ 10,000 per month, which exceeds the prescribed annual threshold
(d) Yes, Ram is required to file his return of income since he has incurred foreign travel expenditure exceeding ₹ 1 lakh

Que. 7 **Appeals**

Mr. Rajesh is aggrieved by an order passed by the Commissioner of Income-tax imposing penalty u/s 270A for under-reporting of income. What is the appellate remedy available to him under the Income-tax Act, 1961 and the specified time limit within which he has to file an appeal?

(a) He can file an appeal to Commissioner (Appeals) u/s 246A within 30 days from the date on which the order is communicated to him
(b) He can file an appeal to Commissioner (Appeals) u/s 246A within 60 days from the date on which the order is communicated to him
(c) He can file an appeal to Appellate Tribunal u/s 253 within 30 days from the date on which the order is communicated to him
(d) He can file an appeal to Appellate Tribunal u/s 253 within 60 days from the date on which the order is communicated to him

Que. 8 **Capital Gains**

Ms. Aparna and Ms. Dimple, Indian citizens residing in California since the year 2011, visit India for 60 days every year. On 1.3.2023, Ms. Aparna transferred to Ms. Dimple in California, for consideration of dollar equivalent to ₹ 15 lakhs, rupee denominated bonds (issued outside India) of X Ltd., a company incorporated in India, which were acquired by her on 1.3.2021 for a price of dollar equivalent to ₹ 10 lakhs. What are the capital gains tax implications of such transfer in the hands of Ms. Aparna?

(a) Ms. Aparna is liable to capital gains tax on long-term capital gains arising on transfer of rupee denominated bonds; indexation benefit is not available

(b) Ms. Aparna is liable to capital gains tax on long-term capital gains arising on transfer of rupee denominated bonds; indexation benefit is available

(c) Ms. Aparna is liable to capital gains tax on short-term capital gains arising on transfer of rupee denominated bonds

(d) There is no capital gains tax implication in the hands of Ms. Aparna in respect of this transaction

Que. 9 **TDS**

Mr. Sanjay, a salaried individual, pays brokerage of ₹ 40 lakhs to Mr. Harish, a broker, on 5.1.2023 to buy a residential house. His father, Mr. Hari, a retired pensioner, makes contract payments of ₹ 15 lakhs, ₹ 25 lakhs and ₹ 12 lakhs on 28.9.2022, 3.11.2022 and 15.2.2023 to Mr. Rajeev, a contractor, 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

Que. 10 **TDS**

Mr. Rajesh and Mr. Brijesh, resident individuals, are due to receive ₹ 12 lakhs each on 1.4.2022 on maturity of life insurance policy taken on 31.3.2012 and 1.4.2012, respectively, the sum assured of which is ₹ 10 lakhs. They had paid an annual premium of ₹ 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 receivable by both Mr. Rajesh and Mr. Brijesh, since the annual premium is more than ₹ 1,00,000, being 10% of ₹ 10 lakhs

(b) No; Tax is not deductible at source on maturity proceeds receivable by either Mr. Rajesh or Mr. Brijesh, since the annual premium is less than ₹ 1,20,000, being 10% of ₹ 12 lakhs

(c) No tax is deductible at source on maturity proceeds receivable by Mr. Rajesh. Tax is deductible at source on maturity proceeds received by Mr. Brijesh and the tax deductible at source is ₹ 12,000

(d) No tax is deductible at source on maturity proceeds receivable by Mr. Rajesh. Tax is deductible at source on maturity proceeds received by Mr. Brijesh and the tax deductible at source is ₹ 5,000

Que. 11 **PGBP**

A Inc. and B Inc., incorporated in Country A and Country B, respectively, whose place of effective management is also in the said countries, are engaged in the business of operation of ships and aircraft, respectively. The details of receipts etc. during the P.Y.2022-23 are as follows – (Amt. in ₹ lakhs)

Particulars	A Inc.	B Inc.
Amount paid/payable in Mumbai on account of carriage of passengers:		
• *Shipped from Mumbai port to port in Country A*	20	
• *From Mumbai airport to airport in Country B*		15
Amount paid/payable in Country A/B on account of carriage of passengers:		
• *Shipped from Mumbai port to port in Country A*	5	
• *From Mumbai airport to airport in Country B*		4
Amount received/deemed to be received in India on account of carriage of passengers:		
• *Shipped from port in Country A to Mumbai port*	7	
• *From airport in Country B to Mumbai airport*		8
Amount received/deemed to be received in Country A/B on account of carriage of passengers:		
• *Shipped from port in Country A to Mumbai port*	22	
• *From airport in Country B to Mumbai airport*		18
Profit (pertaining to Indian operations) computed as per books of account maintained by A Inc. and B Inc., after providing the deductions under the Income- tax Act, 1961	2.20	1.20

The profits and gains of business of A Inc. and B Inc. chargeable to tax in India under the Income-tax Act, 1961 for A.Y.2023-24 is –

(a) ₹ 2.20 lakhs and ₹ 1.20 lakhs, respectively, provided the books of accounts are audited under section 44AB of the Income-tax Act, 1961

(b) ₹ 1.60 lakhs and ₹ 2.025 lakhs, respectively

(c) ₹ 2.40 lakhs and ₹ 1.35 lakhs, respectively

(d) ₹ 2.70 lakhs and ₹ 3.375 lakhs, respectively

Que. 12 **Transfer Pricing**

Kaveri Ltd. is an Indian Company in which Andes Inc., a Country A company, holds 30% shareholding and voting power. During the previous year 2019-20, the Indian company supplied computers to the Country A based company @ CAD 2200 per piece. The price of computer supplied to other unrelated parties in Country A is @ CAD 2500 per piece. During the course of assessment proceedings relating to A.Y.2020-21, the Assessing Officer carried out primary adjustments and added a sum of ₹ 138 lakhs, being the difference between actual price of computer and arm's length price for 500 pieces and it was duly accepted by the assessee. The Assessing Officer passed the order, in which the primary adjustments were made, on 1.7.2022. On account of this adjustment, the excess money of ₹ 138 lakhs is available with Andes Inc, Country A. What would be the effect of this transaction while computing the total income of Kaveri Ltd. for the assessment year 2023-24, assuming that –

(i) Kaveri Ltd. declared an income of ₹ 220 lakhs;

(ii) the excess money is still lying with Andes Inc. till today;

(iii) Kaveri Ltd. has not opted to pay additional income-tax on such excess money not repatriated; and

(iv) the rate of exchange is 1 CAD = ₹ 92 and the six-month LIBOR as on 30.9.2022 is 10%. [CAD stands for Country A Dollars, which is the currency of Country A].