

Roll No.

Total No. of Questions – 6

Total No. of Printed Pages – 15

Maximum Marks – 70



GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to MCQs in Part I are to be marked on the OMR answer sheet as given on the cover page of descriptive answer book only. Answers to questions in Part II are to be written in the same descriptive answer book. Answers to MCQs, if written inside the descriptive answer book will not be evaluated.
6. OMR answer sheet given on the cover page of descriptive answer book will be in English only for all candidates, including for Hindi medium candidates.
7. **The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive answer book.**
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit the descriptive answer books with OMR cover page to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the descriptive answer book.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators or having / using mobile phone or smart watch or any other electronic gadget will be expelled from the examination and will also be liable for further punitive action.

PART – II

70 Marks

1. Question paper comprises 6 questions. Answer Question No. 1 which is compulsory and any 4 out of the remaining 5 questions.
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.
4. All questions relate to Assessment Year 2025-26 unless stated otherwise in the questions. Significant notification and circulars issued upto 28th February, 2025 would be relevant.

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PART – II

1. M/s RST Ltd., a company resident in India, engaged in the manufacturing of leather products. The Statement of Profit & Loss for the year ended 31st March, 2025 shows a net profit of ₹ 97,38,000 after debiting or crediting the following items :

- (i) Foreign travel expenditure of ₹ 12,00,000 regarding three directors for a collaboration agreement with a foreign company for setting up a new plant in London for manufacturing of plastic products. The negotiation could not succeed and project was abandoned.
- (ii) Goods purchased of ₹ 4 lakhs from M/s Shiv Traders (a micro enterprise) were delivered on 16.03.2025. M/s RST Ltd raised the quality issues on 01.04.2025, which were resolved by M/s. Shiv Traders on 05.04.2025. M/s RST Ltd paid the above amount on 29.04.2025. Payment terms agreed was 48 days from date of delivery as per written contract.
- (iii) Security deposit of ₹ 6,50,000 was paid to MNO Ltd. on 01.05.2024 for hiring a building on rent for business purpose. Due to unforeseen circumstances, RST Ltd. vacated the building which resulted in a dispute. To end the dispute, RST Ltd. agreed not to claim the security deposit and claimed the amount as deduction.
- (iv) Profit of ₹ 6,25,000 earned from hedging contract entered into for meeting out loss in foreign currency payments regarding an imported printing machinery valued at ₹ 110 lakhs. The machinery was installed and put to use on 05.01.2025.

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- (v) Depreciation of ₹ 13,00,000 under Companies Act, 2013, has been charged.
- (vi) One plot of land was sold on 28-08-2024 at a profit of ₹ 15,00,000 to M/s James Inc., Russia (a wholly owned subsidiary company).
- (vii) Provision of ₹ 9,00,000 has been made for gratuity based on actuarial valuations. The gratuity actually paid of ₹ 5,80,000 to retired employees during the financial year was debited to Gratuity Provision account.

The Company furnished following additional information:

- (i) The plot of land sold to M/s James Inc. was purchased at a cost of ₹ 32,00,000 on 22.03.2014 and value assessed by the stamp valuation authority was ₹ 60,00,000.

(Cost Inflation Index : FY 2013-14 : 220, 2024-25 : 363)

- (ii) The Company employed following 305 additional workers during the F.Y. 2024-25 :

No. of workers	Date from which employed	Regular/Casual	Wages/month (₹)
82	01-07-2024	Regular	25,200
96	01-08-2024	Casual	24,800
55	01-09-2024	Regular	25,000
72	07-11-2024	Regular	24,300

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The regular employees participate in recognized provident fund while the casual employees do not participate. Additional wages were paid through account payee cheque.

- (iii) The Company purchased 7,500 equity shares of M/s PQR Pvt. Ltd. at ₹ 40 per share on 05.09.2024. The fair market value per share on such date was ₹ 95.
- (iv) Depreciation on fixed assets as per Income Tax Rules excluding depreciation on imported printing machine is ₹ 12,60,000.

Compute the Total Income of M/s RST Ltd. for the A.Y. 2025-26. Ignore MAT and the provisions of section 115BAA.

2. (a) (i) M/s PR Associates is an Association of Persons (AOP) has two members namely Mr. P and Mr. R. Mr. P aged 46 years has 65% share and Mr. R aged 44 years has 35% share. 4

For the financial year 2024-25, the AOP has earned income of ₹ 11,80,000. Mr. P and Mr. R has also earned income other than income from AOP of ₹ 2,45,000/- and ₹ 2,97,000/- respectively.

Mr. P opted to pay tax under old tax regime and the AOP and its member Mr. R opted new tax regime u/s 115BAC. Compute tax liability of PR Associates and its member Mr. R for the A.Y. 2025-26.

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(ii) Mr. Shivansh purchased 11,000 equity shares of ₹ 10 each of M/s ABC Ltd. on 08.03.2007 at a premium of ₹ 40 per share. On 07.10.2024, the Company buy-backs 1,000 equity shares held by Shivansh at a price of ₹ 550 per share. 4

M/s ABC Ltd. distributed its assets to shareholders on its liquidation on 15.11.2024. Shivansh received ₹ 100 per share in cash and one plot of land in consideration of remaining 10,000 shares. The book value and fair market value of such land on 15.11.2024 was ₹ 45 lakhs and ₹ 60 lakhs respectively. On this date, M/s ABC Ltd. has equity share capital of ₹ 10,00,000 (1,00,000 equity shares of ₹ 10 each) and accumulated profits of ₹ 80,00,000.

Cost Inflation Index: 2024-25 : 363, 2006-07 : 122

Compute income chargeable in respect of following in the hands of Mr. Shivansh assuming he has not opted tax regime u/s 115BAC for the A.Y. 2025-26 :

- (1) On buyback of 1,000 equity shares; and
- (2) Capital Gains chargeable on liquidation.

(b) M/s Bittu Inc. (a notified Foreign Institutional Investor "FII"), has furnished following details regarding its income for the financial year 2024-25 : 6

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Short Term Capital Gains :

Sale proceeds on sale of equity shares of Company 'A' : ₹ 16,90,000

(Sold on 10.02.2025)

Cost of acquisition (Purchased on 08.09.2024) : ₹ 6,00,000

STT paid both at the time of purchase and sale

Sale proceeds on sale of equity shares of Company 'B' : ₹ 11,50,000

(Sold on 29.12.2024)

Cost of acquisition (Purchased on 24.05.2024) : ₹ 5,65,000

(STT not paid on shares of Company 'B')

Long Term Capital Gains :

Sale proceeds on sale of securities on 13.01.2025 : ₹ 55,00,000

Purchase cost of securities on 18.06.2015 : ₹ 29,00,000

Cost inflation index :

Financial year 2015-16 : 254, 2024-25 : 363

Income on securities :

Interest received from an Indian Company on

investment in rupee denominated bonds : ₹ 18,50,000

(Issued on 25.06.2020)

Dividend income from Indian Companies : ₹ 2,25,000

Interest on other securities of Indian Companies : ₹ 8,00,000

Compute the total income and tax liability of M/s Bittu Inc. for the assessment year 2025-26.

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3. (a) A public charitable trust engaged in "Relief of Poor" and registered under section 12AB, for the previous year ending 31.3.2025, derived gross income of ₹ 114.50 lacs, which consists of the following :

Particulars	Amount in ₹
Income from properties held by trust	1,10,00,000
Accrued Interest on FDR [FDR was made in financial year 2022-23 for investment under section 11(5) with regard to amount set apart in terms of Section 11(2)]	4,50,000

During the financial year, the trust applied a sum of ₹ 86 lacs towards charitable purposes, as per the objects of the trust, which includes :

- Electricity bill amounting to ₹ 80,000 paid on 18.04.2024 pertaining to March 2024. The trust follows the mercantile system of accounting.
- Amount of ₹ 4,72,000 (including GST of ₹ 72,000) paid to M/s. XYZ and Co, an event management company, for advertising and organising a fundraising programme at Delhi. The full amount of ₹ 4,72,000 was remitted to M/s. XYZ and Co through RTGS on 1.3.2025.
- ₹ 5,00,000 paid to M/s Parivartan, another charitable trust having same objects, by way of donation (other than corpus donation).

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Additional information :

The trust received a sum of ₹ 8 lacs as corpus donation for constructing a playground for poor children in F.Y. 2023-24. It spent ₹ 8 lacs in F.Y. 2024-25 for constructing the same.

You are required to compute the total income of the Charitable trust for the A.Y. 2025-26.

(b) Mr. Kamal Sharma (Age 32 years) is the Marketing manager in M/s. 6
Patio Systems Ltd. since 01.10.2021. His income for the Financial year 2024-25 in India consists of

- (i) Salary (before standard deduction) of ₹ 23.50 lakhs;
- (ii) Interest on Housing loan in respect of property at Delhi (self-occupied by him) of ₹ 2,20,000;
- (iii) Dividend received from Indian companies ₹ 1,90,000/-.
- (iv) Interest on FDR, ₹ 24,000 received on FDR made by Mr. Kamal Sharma in the name of his wife. Mrs. Kamal Sharma, who does not have any other source income.

He has the following income for the year ended 31st March 2025 in Country 'K' :

- (i) Income from business in Country K = Euro 13,500;
- (ii) Rent from house property in Country K = Euro 8,000;
- (iii) Municipal taxes in respect of the above house (Not allowed as deduction in Country K) = Euro 800;

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- (iv) Short-term capital gain of Euro 6,000 on sale of shares of companies registered in Country 'K' and sale proceeds were credited in bank account in Country 'K' on 31.03.2025.

During F.Y. 2024-25, Mr. Kamal Sharma visited the country K for 30 days. He has never stayed there for more than a month in one financial year. India has not signed any DTAA with Country 'K'. The fiscal year for the purpose of income-tax is the same (both in India and Country 'K'). Rate of tax in Country 'K' is 25% in respect of all incomes.

Assume that Rate of 1 Euro = ₹ 90 for all calculation purposes.

Compute the total income and net tax liability of Mr. Kamal Sharma for the A.Y. 2025-26 under the default tax regime.

4. (a) Examine the obligation of Tax Deduction at source/Tax Collection at source in the following cases keeping in view the provisions of the Income-tax Act, applicable for Assessment Year 2025-26 :

- (i) Mr. A and Mrs. A jointly purchased a fully built-up and ready to move flat at Lucknow on 10.12.2024 from M/s XYZ Builders Limited for ₹ 86 Lacs. In addition, they have paid an amount of ₹ 4 Lacs for two car parking spaces to M/s XYZ Builders Limited. They also paid one time generator cost of ₹ 2,50,000 and swimming pool cost of ₹ 1,50,000 to the M/s XYZ Builders Limited. The stamp duty value of the property is ₹ 75 lacs. Mr. A and Mrs. A, each paid ₹ 47 lacs to the Builder for effecting the sale deed on 10.12.2024.

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(ii) Gross Salary received by Mr. Pankaj, aged 42 years during the F.Y. 2024-25 from M/s PPN Limited is ₹ 37,50,000. House property loss declared by him for the financial year (along-with documentary evidence) is ₹ 2,00,000 in respect of his self-occupied property. ₹ 60,000 is interest accrued on FDR with State Bank of India for F.Y. 2024-25 in respect of which TDS was deducted at applicable rate by the Bank. Mr. Pankaj purchased a Motor car of ₹ 32,00,000 on 01.12.2024 for personal purposes, TCS was separately charged on the purchase price of Motor Car at applicable rate. He has no other income. Mr. Pankaj has submitted relevant information to his employer M/s PPN Limited in prescribed form with supporting evidences. 3

He also intimated his employer his intention to exercise the option to choose default tax regime for the financial year.

(iii) An Urban Cooperative Bank (engaged in the business of banking) made an FDR of ₹ 100 crores with Union Bank of India (UBI) at 2.5% p.a. interest as per RBI guidelines for maintaining capital adequacy ratio. The said Cooperative Bank is also maintaining a current account with UBI from which, it withdrew ₹ 4 crores in cash during the financial year 2024-25. The Cooperative Bank is filing its returns of income without any default. 2

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- (b) Beta Ltd. is an Indian Company in which Robert Inc. (a company incorporated in Country E), holds 30% shareholding and voting power during the financial year 2024-25. 6

During the financial year 2024-25, the Beta Ltd. supplied 700 pieces of computers to Robert Inc. @ USD 1100 per piece. The price of computer supplied to other un-related parties in Country E is @USD 1400 per piece. The Transfer Pricing Officer while determining of arm's length price of 700 pieces of computers sold to Robert Inc. adopted the price charged for computer supplied to un-related parties as Internal uncontrolled comparable transaction and proposed adjustment to total income.

Considering above facts, you are required to answer the following questions :

- (i) Would Beta Ltd. and Robert Inc. be treated as associate enterprises for the purpose of transfer pricing ? If yes, why ?
- (ii) What are the options available to Beta Ltd., if it accepts enhancement to total income made on account of determination of Arm's length price by the Transfer Pricing Officer ?

5. (a) Answer any two out of the following three sub-parts, viz. (i), (ii), (iii).

Your answer should cover :

- Issue involved
- Provision applicable
- Analysis and Conclusion

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- (i) In case of an assessee, the Assessing Officer passed an order u/s 143(3) on 15/12/2022. CIT passed the order u/s 263 on 26.03.2025 holding that the said assessment order passed u/s 143(3) was erroneous and prejudicial to the interests of the revenue. CIT set aside the assessment order and directed the AO to make fresh assessment after conducting necessary enquiries. The order passed u/s 263 was dispatched to assessee on 28.03.2025. The AO issued notice u/s 142(1) to the assessee on 06.05.2025 for making fresh assessment. 4

The assessee contended that it had come to know about the revision order only when he received notice u/s 142(1) dated 06.05.2025. The copy of the order passed by CIT u/s 263 was supplied to him on 29.05.2025 on the request made to the Assessing Officer by him after receipt of notice u/s 142(1). Hence, the revision order is beyond the period of limitation u/s 263(2).

- (ii) M/s. Rama Ltd. filed its return of income claiming deduction for bad debts. The return was processed u/s 143(1)(a) of Income Tax Act, 1961. Thereafter, the Assessing Officer noticed that the assessee had wrongly claimed amounts of bad debts, he issued a notice u/s 154 after expiry of the time limit prescribed u/s 154(7). During the pendency of the proceedings initiated by notice u/s 154, the Assessing Officer issued a notice u/s 148A(1) of The Act. It is contention of M/s. Rama Ltd that the notice issued u/s 148A(1) is illegal. 4

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- (iii) AZ Foundation, trust registered u/s 12AB, runs an educational institution. 4
The trust is paying rent of ₹ 30 lakhs per annum for the building occupied by it but the trust has not deducted TDS on such rent under the relevant provisions of the Income-tax Act. The ITO TDS has issued a notice to show cause as to why, the trust should not be treated an assessee in default for the tax deductible and the interest should not be imposed for such default. The income of the trust is being exempt, whether ITO TDS was justified in issuing the said show cause notice ?
- (b) What is the need of applying principles of interpretation of law for 3
interpreting a tax- treaty (DTAA), briefly describe the objective behind such interpretation ?
- (c) Briefly describe Indicators of BEPS activity recommended under action 3
plan 11 of Base Erosion and Profit Shifting (BEPS).
6. (a) ABC Ltd., an Indian company engaged in producing electrical 6
equipment, during the financial year 2024-25, paid interest of ₹ 95 lakhs to James Inc. (a non-resident associated enterprise) on loan borrowed from it. On 01-04-2024, ABC Ltd. also borrowed ₹ 5 crores from Jorge Plc. at the interest rate of 10% per annum. Jorge Plc. is a foreign company in which ABC Ltd. holds 20% voting power. James Inc. deposited ₹ 2 crores with Jorge Plc. According to ABC Ltd, since the

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interest paid to non-resident associated enterprise does not exceed ₹ 1 crore in the F.Y. 2024-25, the provisions of section 94B are not applicable in its case. As per opinion of the tax auditor, the interest of ₹ 20 lakhs (i.e., 10% of ₹ 2 crore) also has to be considered for the purpose of section 94B. ABC Ltd. contended that James Inc. has not deposited a corresponding and matching amount of ₹ 5 crores with Jorge Plc. and hence, the provisions of section 94B will not be attracted in this case. Examine the reporting requirement, if any, of the tax auditor in this case.

(b) State with reasons whether the following acts can be considered as Tax Planning or Tax Compliance or Tax Evasion : 4

- (i) One credit note was issued by SK Ltd. of ₹ 75,000 as commission payable to Mr. Kapil, although Mr. Kapil has not rendered any service to SK Ltd. Mr. Kapil is the son of the managing director of SK Ltd. The objective behind the issue of credit note is to increase the total income of Mr. Kapil from ₹ 6,25,000 to ₹ 7,00,000 and correspondingly reduce the total income of SK Ltd. Mr. Kapil opted to pay tax under section 115BAC.
- (ii) M/s Durga Associates, a partnership firm, obtained declaration in Form No. 15G/15H from its lenders/depositors (wherever applicable) and submitted the same to prescribed income-tax authorities.

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(c) M/s Rio Inc., a non-resident company entered into contract with an Indian company M/s ABC Ltd. for installation of plant and machineries. The amount of contract is ₹ 125 crores. M/s Rio Inc. made an application to the Board for Advance Rulings for determination of rate of withholding tax on receipts from M/s. ABC Ltd. As a tax consultant, you are required to answer following questions :

- (i) Can M/s Rio Inc. withdraw such application made to the Board for Advance Rulings ?
 - (ii) What is the time line within which Board for Advance Rulings is required to pronounce its advance ruling ?
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