

Mock Test Paper - Series II: August, 2025

Date of Paper: 7th August, 2025

Time of Paper: 2 P.M. to 5 P.M.

FINAL COURSE: GROUP - II

PAPER – 4: DIRECT TAX LAWS & INTERNATIONAL TAXATION

Working Notes should form part of the answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note. However, in Answers to Question in Division A, working notes are not required.

All questions relate to Assessment Year 2025-26, unless stated otherwise in the question.

Time Allowed – 3 Hours

Maximum Marks – 100

Division A – Multiple Choice Questions

Write the most appropriate answer to each of the following multiple-choice questions by choosing one of the four options given. All questions are compulsory.

Case Scenario I

Taara Limited has three Units – H, I and J. It transferred its Unit J to Joshi Limited by way of slump sale on 1st April, 2024. The Balance Sheet of Taara Limited as on that date is given below:

Liabilities	(₹ in lakhs)	Assets	(₹ in lakhs)
Paid up capital	2,900	Fixed Assets:	
Reserve & Surplus	1280	Unit H	525
		Unit I	475
Liabilities:		Unit J	985
Unit H	160	Other Assets:	
Unit I	465	Unit H	920
Unit J	335	Unit I	1,550
		Unit J	685
Total	5,140	Total	5,140

Additional information:

- Lump sum consideration on transfer of Unit J is ₹ 1,340 lakhs.
- Fixed assets of Unit J include land which was purchased at ₹ 85 lakhs in February, 2023 and revalued at ₹ 150 lakhs as on March 31, 2024. The stamp duty value of land on 1st April, 2024 was ₹ 190 lakhs.

- (iii) Other fixed assets represent plant and machinery and furniture, which are reflected at ₹ 835 lakhs (i.e., ₹ 985 lakhs less value of land) which represents written down value of those assets as per books. The written down value of these assets u/s 43(6) of the Income-tax Act, 1961 is ₹ 725 lakhs.
- (iv) Other assets do not include jewellery, artistic work, shares and securities.
- (v) Liabilities represent ascertained liabilities and does not include provision for taxation or proposed dividend.
- (vi) Unit J was set up by Taara Limited in February 2023.
- (vii) Assume that the turnover of Taara Ltd. for F.Y. 2022-23 is ₹ 960 lakhs and Taara Ltd. has **not** opted for section 115BAA.
- (viii) Book profit of Taara Ltd. computed as per section 115JB is ₹ 320 lakhs

From the information given above, choose the **most appropriate answer** to MCQ.1 to 4 below:

1. For computing capital gains on slump sale of Unit J, what would be the deemed cost of acquisition and improvement for the purposes of section 48 and 49 and the resultant capital gains?
 - (a) ₹ 1270 lakhs and ₹ 105 lakhs, respectively
 - (b) ₹ 1270 lakhs and ₹ 70 lakhs, respectively
 - (c) ₹ 1160 lakhs and ₹ 215 lakhs, respectively
 - (d) ₹ 1160 lakhs and ₹ 180 lakhs, respectively
2. What is the tax liability on capital gain arising on slump sale of Unit J? Assume for the purpose of answering this MCQ that this is the only source of income of Taara Ltd.
 - (a) ₹ 71,77,560
 - (b) ₹ 35,88,780
 - (c) ₹ 47,85,040
 - (d) ₹ 59,81,300
3. What would be the minimum alternate tax computed under section 115JB for A.Y. 2025-26, if Taara Ltd. is located in an IFSC and derives its income solely in convertible foreign exchange?
 - (a) ₹ 32,04,864
 - (b) ₹ 53,41,440

- (c) ₹ 33,54,624
- (d) ₹ 55,91,040
4. Assume for the purpose of answering this MCQ, Taara Ltd. is a company incorporated in Country 'F' and having unit J in India, whether the transfer of unit J will still be considered as slump sale and is there any liability on Joshi Ltd. to deduct TDS for the payment made to Taara Ltd. Choose the most appropriate answer:
- (a) The transaction qualifies as a slump sale, taxable under Section 50B. Since undertaking is located in India, the gains are deemed to accrue in India under Section 9(1)(i), Joshi Ltd. is required to deduct TDS under Section 195.
- (b) The transaction does not qualify as a slump sale, however since the undertaking is located in India, the gains are deemed to accrue in India under Section 9(1)(i), Joshi Ltd. is required to deduct TDS under Section 195.
- (c) The transaction qualifies as a slump sale taxable under Section 50B, and since the undertaking is located in India, the gains are deemed to accrue in India under Section 9(1)(i), however TDS provisions are not attracted in case of slump sale.
- (d) The transaction is exempt under Section 47(v), being transfer between foreign holding company and Indian Subsidiary, however Joshi Ltd. is required to deduct TDS under Section 195. **(2 x 4 = 8 Marks)**

Case Scenario II

An investment fund (Investment Fund X) incorporated in India in the form of a LLP has 35 unit holders each holding 2 units.

The particulars of income of Investment Fund X for the P.Y.2024-25 is as follows:

- (i) Business income - ₹ 14 lakh;
- (ii) Long-term capital gains (transfer takes place on 14.5.2024) - ₹ 21 lakhs; and
- (iii) Income from other sources - ₹ 7 lakhs.

Another investment fund (Investment Fund Y) incorporated in India in the form of a company has 50 unit holders each holding 4 units. All unit holders have held the units for a period of more than a year.

The particulars of income of Investment Fund Y for the P.Y.2024-25 is as follows:

- (i) Business loss – (₹ 10 lakh);
- (ii) Long-term capital losses - (₹ 20 lakhs); and
- (iii) Income from other sources - ₹ 6 lakhs.

From the information given above, choose the **most appropriate answer** to MCQ.5 to 8 below:

5. With respect to income of Investment Fund X for the P.Y.2024-25 -
- (a) ₹ 42 lakhs is taxable in the hands of the investment fund
 - (b) ₹ 1,20,000 is taxable in the hands of each unit holder
 - (c) ₹ 21 lakh is taxable in the hands of the investment fund; ₹ 60,000 is taxable in the hands of each unit holder
 - (d) ₹ 14 lakh is taxable in the hands of the investment fund; ₹ 80,000 is taxable in the hands of each unit holder
6. What is the applicable rate of tax on the component(s) of income of Investment Fund X for the P.Y.2024-25 in the hands of Investment Fund X?
- (a) The entire income of ₹ 42 lakhs is taxable@30% (plus cess@4%)
 - (b) N.A., since Investment Fund X enjoys pass through status for all its income components
 - (c) Long-term capital gains is taxable@20% (plus cess@4%) and other income@30% (plus cess@4%)
 - (d) Business income of ₹ 14 lakhs is taxable@30% (plus cess@4%)
7. With respect to income of Investment Fund Y for the P.Y.2024-25-
- (a) Income of ₹ 6 lakhs from other sources is taxable in the hands of the investment fund and losses of ₹ 30 lakh can be carried forward by the investment fund
 - (b) Losses of ₹ 24 lakh, arrived at after set-off of business loss against income from other sources, can be carried forward by the investment fund
 - (c) Business loss of ₹ 4 lakh can be carried forward by the investment fund; capital loss of ₹ 40,000 can be carried forward by each unit holder
 - (d) Business loss of ₹ 10 lakh can be carried forward by the investment fund; Income of ₹ 12,000 from other sources is taxable in the hands of each unit holder and long-term capital loss of ₹ 40,000 can be carried forward by each unit holder
8. If, in the P.Y.2025-26, Investment Fund Y has business income of 15 lakh and long-term capital gains of ₹ 25 lakhs, then, its total income for A.Y.2026-27 would be -
- (a) ₹ 5 lakh
 - (b) ₹ 10 lakh
 - (c) ₹ 11 lakh
 - (d) ₹ 36 lakh
- (2 x 4 = 8 Marks)**

Case Scenario III

Shiva Pvt. Ltd. files its return of income for the P.Y. 2024-25 on 30th September 2025 declaring loss of ₹ 14,00,000. The rate of income-tax applicable to the company is 30%.

The tax auditor of Shiva Pvt. Ltd., in his audit report submitted under section 44AB, has reported a disallowance of ₹ 50,000 towards personal expenditure of directors as no evidence was produced by Shiva Pvt. Ltd. in support of this expenditure. However, Shiva Pvt. Ltd. did not disallow the same in its computation and return of income.

The return of income was processed by the Centralised Processing Centre making an addition of ₹ 50,000 towards personal expenditure and the loss u/s 143(1) was computed at ₹ 13,50,000.

The return of income was selected for scrutiny assessment and by order passed u/s 143(3), the loss as per normal provisions was reduced to ₹ 10,50,000 by making an addition of ₹ 3,00,000.

The assessment was reopened u/s 147 and by order passed u/s 147, the loss as per preceding order u/s 143(3) was converted into income of ₹ 2,00,000.

From the information given above, choose the **most appropriate answer** to MCQ.9 to 12 below: (Ignore MAT) -

9. Which of the following statements regarding penalty on addition of ₹ 50,000 towards personal expenditure is correct?
- (i) Since Shiva Pvt. Ltd. has claimed deduction of amount incurred towards personal expenditure of directors, Shiva Pvt. Ltd. shall be considered to have under-reported its income.
 - (ii) The under-reporting on account of claiming personal expenditure of directors as deduction can be construed as misreporting of income as it is a claim of expenditure not substantiated by any evidence.
 - (iii) Since, addition of ₹ 50,000 is an adjustment referred to in section 143(1)(a), no penalty is leviable in respect of this addition.
 - (iv) No penalty is leviable if Shiva Pvt. Ltd. offers an explanation and the Assessing Officer is satisfied that the explanation is *bona fide* and Shiva Pvt. Ltd. has disclosed all the material facts to substantiate the explanation offered.
- (a) (i) and (iv)
 - (b) (ii) and (iv)
 - (c) (iii) only
 - (d) (iv) only

10. What is the penalty leviable u/s 270A as a consequence of assessment u/s 143(3), if the addition was not on account of misreporting?
- ₹ 46,800
 - ₹ 70,200
 - ₹ 93,600
 - ₹ 1,63,800
11. What is the penalty leviable u/s 270A at the time of passing of the order u/s 147 considering that all additions are on account of misreporting of income?
- ₹ 7,80,000
 - ₹ 5,30,400
 - ₹ 1,95,000
 - ₹ 1,24,800
12. Assuming that the additions made in the order u/s 147 are not on account of misreporting of income but only on account of under-reporting, Shiva Pvt. Ltd. seeks to claim immunity from imposition of penalty u/s 270A and initiation of proceedings u/s 276C of the Act by filing an application in this regard before the Assessing Officer. What are the other conditions that need to be satisfied by Shiva Pvt. Ltd. in this regard?
- Pay the tax and interest payable as per the order u/s section 147 within the period specified in the notice of demand.
 - Pay the tax as per the order u/s section 147 within the period specified in the notice of demand.
 - Contest the additions made in the order, after payment of tax and interest, within the period specified in the notice of demand.
 - No appeal should be or should have been filed against the order.

The correct answer is-

- (ii) and (iv)
 - (i) and (iii)
 - (ii) and (iii)
 - (i) and (iv)
- (2 x 4 = 8 Mark)**
13. G Ltd., a resident Indian Company, on 01-04-2024 has borrowed ₹ 80 crores from M/s. M Inc, a Company incorporated in Country F, at an interest rate of 8% p.a. The said loan is repayable over a period of 12 years. Further, loan is guaranteed by M/s A Inc incorporated in Country F. M/s. C Inc, a non-resident, holds shares carrying 40% of voting

power both in M/s G Ltd. and M/s A Inc. M/s C Inc has also deposited ₹ 80 crores with M/s M Inc.

Interest payable by G Ltd. to M Inc. would be subject to limitation of interest deduction because –

- (i) M/s. C Inc. holds shares carrying 40% voting power in G Ltd.
- (ii) M/s. C Inc. holds shares carrying 40% voting power both in G Ltd. and M/s. A Inc.
- (iii) M/s. A Inc. guarantees the loan taken by G Ltd. from M/s. M Inc.
- (iv) M/s. C Inc. has deposited ₹ 80 crores with M/s. M Inc.

The most appropriate answer is –

- (a) (i) and (iv) above
- (b) (ii) and (iii) above
- (c) (i) and (iii) above
- (d) Either (a) or (b)

(2 Marks)

14. Mr. Tarun, a resident individual, sells handmade crafts exclusively through CraftKart Ltd., an e-commerce platform. He started his business on 01st October 2024. During the financial year 2024–25, the total sales facilitated through the platform amounted to ₹ 6,20,000. CraftKart Ltd. charged a commission of ₹ 20,000 and remitted final amount to Mr. Tarun on 31st March 2025 after deducting its commission and applicable TDS. Mr. Tarun has furnished his PAN to the platform.

Based on the above facts, what is the correct amount of TDS deductible by CraftKart Ltd. under section 194-O of the Income-tax Act, 1961?

- (a) ₹ 6,200
- (b) ₹ 31,000
- (c) ₹ 620
- (d) ₹ 62,000

(2 Marks)

15. GlobalFin Services Ltd., a company incorporated in an IFSC (International Financial Services Centre), is engaged exclusively in the business of:

- Lending in the form of financial leases and providing guarantees, and
- Intra-group financing and cash management activities as part of Global Treasury operations.

It does not accept any public deposits, and it is not registered as a Banking Unit with the IFSC Authority.

During the F.Y. 2024-25, GlobalFin Services Ltd. borrows \$30 million from its associated enterprise based in the UK and pays interest in foreign currency equivalent to ₹ 15 crores. EBIDTA of the company for the P.Y. 2024-25 is ₹ 40 crores.

What would be amount of interest allowed as deduction while computing Profits and Gains from business or profession in the hands of GlobalFin Services Ltd.? Assume transaction is undertaken at Arm's Length Price.

- (a) ₹ 3 crores
- (b) NIL
- (c) ₹ 15 crores
- (d) ₹ 12 crores

(2 Marks)

Division B – Descriptive Questions

Question No. 1 is compulsory

Attempt any four questions from the remaining five questions

1. M/s. Zenpack Manufacturing Pvt. Ltd., an Indian company engaged in the manufacture of eco-friendly packaging products, operates a production facility in Indore, Madhya Pradesh. For the financial year ended 31st March 2025, the company has reported a net profit of ₹68,50,000 in its Profit and Loss Account after considering the following items:
 - (a) Depreciation as per the Companies Act: ₹ 59,00,000
 - (b) Loss of ₹ 19,00,000 arising from destruction of old machinery by fire. Scrap value of ₹ 9,10,000 was realised on 31st August 2024. The insurance claim was rejected on grounds of negligence.
 - (c) Tax demand of ₹ 8,40,000 (including cess of ₹ 33,600) relating to A.Y. 2022-23 was paid during F.Y. 2024-25 upon completion of assessment in September 2024.
 - (d) Power subsidy of ₹ 17,00,000 received from the Central Government during F.Y. 2024-25 to be adjusted against electricity bills of F.Y. 2023-24. This amount was not credited to income for F.Y. 2023-24.
 - (e) Interest income of ₹7,50,000 earned on margin money deposits for securing bank guarantees (included in the P&L Account).
 - (f) Raw material of ₹ 14,00,000 (including ₹ 2,75,000 GST with no ITC) used exclusively for in-house R&D, debited to the P&L.

- (g) Online advertisement payment of ₹ 18,00,000 made to Yulong Materials Ltd., China (a non-resident with no PE in India) as on 15th July 2024, without deduction of TDS or payment of equalisation levy.
- (h) Dividend of ₹ 3,33,000 received from a foreign company (in which Zenpack holds 29% of equity share capital). Expenses of ₹ 19,000 (other than interest) were incurred to earn such income.
- (i) Interest expense of ₹ 15,00,000 for a loan taken from PNB Bank relating to F.Y. 2024-25 was discharged through issue of 7.5% debentures in March 2025.

Additional Information:

- 1. Depreciation allowable as per Income-tax Act, 1961: ₹ 43,20,000 (including scrap value adjustment but not on assets mentioned in 2,3 and 4 below)
- 2. A printer (integral to the packaging plant and qualifying for additional depreciation) was installed on 1st May 2024 at a cost of ₹ 92,50,000.
- 3. Another specified printer was installed on 23rd October 2024 for ₹ 26,34,000.
- 4. The following assets were acquired after 30th October 2024:
 - (a) Lorries for transport to depots – ₹ 85,00,000
 - (b) Machinery imported from Hungary – ₹ 1,35,00,000 (arrived on 30th March 2025, installed on 10th April 2025)

All other fixed assets (except the Hungarian machine) were installed and put to use before 31st March 2025.

The turnover of the company for F.Y. 2022–23 was ₹ 415 crores. The company has not opted for section 115BAA/115BAB, and you may ignore the provisions of MAT for this question.

Compute the Total Income and Tax Payable of M/s. Zenpack Manufacturing Pvt. Ltd. for the Assessment Year 2025-26, clearly stating the brief reasons for treatment of each of the above adjustments. **(14 Marks)**

- 2. (a) TrueValue Pvt. Ltd. was converted into a Limited Liability Partnership (LLP), named TrueValue LLP, on 1st October 2024. The following details pertain to TrueValue Pvt. Ltd. as on 31st March 2025:
 - 1. Brought forward business loss from P.Y. 2020-21: ₹ 65 lakhs
 - 2. Written down value (WDV) of assets under the Income-tax Act, 1961:

- Plant and Machinery (15%): WDV ₹ 28 lakhs (Market value ₹ 27 lakhs)
 - Plant and Machinery (35AD deduction claimed): Cost ₹ 67 lakhs
 - Building (10%): WDV ₹ 64 lakhs (Market value ₹ 95 lakhs)
3. Land (acquired in 2015): Cost ₹ 90 lakhs (Market value ₹ 140 lakhs)
 4. Expenditure on voluntary retirement scheme (VRS) incurred during P.Y. 2022-23: ₹ 34 lakhs. Deduction of ₹ 6.8 lakhs each has already been allowed for P.Y. 2022-23 and P.Y. 2023-24 under section 35DDA.
 5. Unadjusted MAT Credit under section 115JAA: ₹ 9.2 lakhs
 6. Unabsorbed depreciation: ₹ 75 lakhs

Assuming that the conversion complies with all the prescribed conditions under section 47(xiiib), explain the tax treatment of each of the above items in the hands of TrueValue LLP post-conversion. **(8 Marks)**

- (b)
 - (i) Axis Research Solutions is engaged in providing scientific research services to various non-resident clients. Among these clients is Emerald Inc., which guarantees 12% of the total loans availed by Axis Research Solutions. Examine whether transfer pricing provisions under the Income-tax Act, 1961 would be applicable to this arrangement.
 - (ii) Without prejudice to the answer to (i) above, assuming that transfer pricing provisions are applicable in this case, and the Assessing Officer makes a primary adjustment of ₹ 440 lakhs to the transfer price for the previous year 2022-23, vide order dated 31.03.2024 which is accepted by Axis Research Solutions. What are the subsequent compliance requirements under the Income-tax Act, 1961, and what would be the implications of non-compliance?

Assume that the transaction is denominated in Indian Rupees, and that no repatriation of the adjusted amount has taken place up to 31.03.2025. Also, the one-year marginal cost of funds-based lending rate (MCLR) of State Bank of India as on 1.4.2024 is 9%. **(6 Marks)**

3.
 - (a)
 - (i) "Helping Hands Foundation", a charitable trust registered under section 12AB of the Income-tax Act, got merged with another entity on 01st April 2024, that is not eligible for registration under section 12AB or approval under section 10(23C).

As a result of the merger, all assets and liabilities of the original trust were transferred to the merged entity. The trust appointed a registered valuer to determine the fair value of its assets and liabilities.

Based on the following particulars (including the valuation report), compute the tax liability, if any, in the hands of Helping Hands Foundation arising due to such merger:

1. Land:
 - Stamp duty value: ₹ 24 lakhs
 - Fair market value (open market): ₹ 19 lakhs
 - Book value: ₹ 16 lakhs
2. Equity shares (75,000 shares in FGT Ltd., listed on Delhi Stock Exchange):
 - Lowest trading price on 1.4.2024: ₹ 85 per share
 - Highest trading price on 1.4.2024: ₹ 95 per share
 - Book value: ₹ 77 lakhs
3. Preference shares (55,000 shares in KEY's Ltd.):
 - Fair market value as on 1.4.2024: ₹ 58 lakhs
 - Book value: ₹ 45 lakhs
4. Corpus fund as on 1.4.2024: ₹ 19 lakhs
5. Outside liabilities: ₹ 83 lakhs
6. Provision for taxation: ₹ 11 lakhs
7. Outstanding dues for utility payments: ₹ 21 lakhs **(8 Marks)**

- (b) Mr. Raghav Sharma, aged 39 years, is a resident individual, and his income for the financial year relevant to Assessment Year 2025-26 arises from the following sources:

1. Income from sole proprietorship business in Pune: ₹ 55 lakhs
2. Share of profit from a partnership firm in Mumbai: ₹ 28 lakhs
3. Agricultural income from coffee estates in Country 'Z' (a foreign country with which India does not have a Double Taxation Avoidance Agreement – DTAA):

- Gross income: \$ 45,000
 - Tax deducted at source in Country 'Z': \$ 12,000
4. Brought forward business loss (relates to coffee estates) of \$ 5,000 from F.Y. 2023-24 in Country 'Z', which is not allowed to be set off against other income under the laws of that country.
5. The following investments and expenses were made by Mr. Raghav during the year:
- Contribution to Public Provident Fund (PPF): ₹ 1,50,000
 - Medical insurance premium (paid via account payee cheque) for his own health: ₹ 26,000
 - Medical insurance premium for his resident senior citizen parents (aged 65 and 68 years): ₹ 64,000
 - Medical expenditure of ₹ 18,000 on the treatment of his dependent sister, who is a person with disability. She does not claim deduction under section 80U.

You are required to Compute the Total Income and Net Tax Liability of Mr. Raghav Sharma for A.Y. 2025–26, after allowing relief under section 91 (since no DTAA exists).

The exchange rate is 1 \$ = ₹ 80 and Mr. Raghav opt out for taxation under default tax regime u/s 115BAC. **(6 Marks)**

4. (a) Examine and compute the liability for deduction of tax at source, if any, in cases stated hereunder, for the financial year ended 31st March, 2025, in accordance with the provisions of the Income-tax Act, 1961:
- (i) Mr. Kunal, an employee of Vertex Engineering Pvt. Ltd. (an Indian domestic manufacturing company), availed a loan of ₹ 11 lakhs from his employer to fund his son's higher education in Germany. Out of the total loan, an amount of ₹ 9,15,000 was remitted directly to a German university on 1st October 2024 towards tuition fees.
- He also remitted to his son an amount of ₹ 6,98,000 for pursuing higher studies in Germany towards his out-of-pocket expenses on 20.02.2025. Both the remittances were made through the same authorized dealer under the Liberalized Remittance Scheme of RBI.

- (ii) Mr. Rajat Kapoor, engaged in the manufacturing of textile goods, had a turnover of ₹ 18 crores in the financial year 2023–24 and is accordingly covered under section 44AB for mandatory audit. In January 2025, he purchased a residential house for ₹ 7.5 crores from Mr. Sameer for personal use. Stamp duty value of the property is ₹ 4.5 crores. He also paid commission 13% of the purchase value to Mr. Neeraj for facilitating the transaction. The property is not used for any business purpose.
- (iii) M/s Lucky Draw Pvt. Ltd., a company engaged in the business of marketing and distribution of lottery tickets across various states in India, appointed Mr. Rakesh, a resident individual, as an agent for promoting and selling lottery tickets. On 1st November 2024, the company paid a commission of ₹ 1,20,000 to Mr. Rakesh for the tickets sold during the second quarter of the financial year 2024-25.
- (iv) Mr. Vivek received a contract from Alpha Garments Ltd. to stitch 12,000 T-shirts according to specific requirements. To execute this order, he purchased cloth worth ₹ 45 lakhs from TrendTex Pvt. Ltd. on 24th January 2025. Upon completion, he raised a single consolidated invoice as follows:

Sale of 12,000 T-shirts @ ₹ 600 each = ₹ 72,00,000

Note: *TrendTex Pvt. Ltd. is a closely connected entity to Alpha Garments Ltd., as defined under section 40A(2)(b) of the Income-tax Act.*

(2 x 4 = 8 Marks)

- (b) EcoPack Solutions Pvt. Ltd., an Indian company, is engaged in the manufacture of eco-friendly packaging materials, with its manufacturing facility located in Gujarat, India. EcoPack Solutions Pvt. Ltd. is a wholly owned subsidiary of GreenCore Global Ltd., a company incorporated in Country Zeta.

Ownership Structure of GreenCore Global Ltd.:

- Lucas Pereira and Daniel Zhang, both citizens and tax residents of Country Omega, each held 50% of the equity share capital of GreenCore Global Ltd.
- In April 2017, both Lucas and Daniel had invested the equivalent of INR 150 crores each in GreenCore Global Ltd.

On 1st June 2024, Lucas and Daniel sold their entire shareholding in GreenCore Global Ltd. to Mr. Arjun Das, a resident of Country Omega, for a consideration equivalent to INR 400 crores each, based on a mutually agreed fair market valuation.

GreenCore Global Ltd. follows the calendar year as its accounting period (i.e., January to December).

The relevant extract of the balance sheet of GreenCore Global Ltd. as on 31st December 2023, 1st June 2024 and 31st December 2024 are as follows:

Particulars	As 31 st December 2023 (in INR crores)	As on 1 st June 2024 (in INR crores)	As on 31 st December 2024 (in INR crores)
Details GreenCore Global Ltd. regarding			
Book value of assets	2,000	2,600	3000
Liabilities	600	500	700
Fair Market Value of assets (without reduction of liabilities)	1600	2200	1900
Details regarding investment in EcoPack Solutions Pvt. Ltd.			
Cost of acquisition	300	300	300
Book value of assets in balance sheet of EcoPack Solutions Pvt. Ltd.	700	1100	960
Liabilities	300	400	500
Fair market value of assets in balance sheet of EcoPack Solutions Pvt. Ltd. (without reduction of liabilities)	700	1200	1200

Determine whether the income arising from the transfer of shares of GreenCore Global Ltd. is chargeable to tax in India in the hands of Lucas Pereira and Daniel Zhang for the Assessment Year 2025–26.

Assume that there is no Double Taxation Avoidance Agreement (DTAA) between India and Country Zeta, and between India and Country Omega. **(6 Marks)**

5. (a) Answer **any two** out of the following sub-parts viz (i), (ii) and (iii):
- (i) The Commissioner of Income-tax issued notice to revise the order passed by an Assessing Officer under section 143. During the pendency of

proceedings before the Commissioner, on the basis of material gathered during survey under section 133A after issue of the first notice, the Commissioner of Income-tax issued a second notice, the contents of which were different from the contents of the first notice. Examine whether the action of the Commissioner is justified as to the second notice. **(4 Marks)**

- (ii) Due to the nature, complexity and volume of the accounts of M/s. Nexgen Analytics Private Limited, during the assessment proceedings, the Assessing Officer issued the direction for inventory valuation under section 142(2A) of the Income-tax Act. The relevant approval has been taken by the AO and the company was given an opportunity of being heard as per law. The AO wants to appoint a Chartered Accountant in practice for the purpose. The AO fixed the fees for inventory valuation at ₹ 2,50,000 and asked the CA to raise the bill for valuation report directly to the company after completion of the valuation. Is AO justified in doing so? What are the relevant provisions for Inventory valuation under section 142(2A)? Discuss in detail. **(4 Marks)**

- (iii) "The arm's length price determined by the Tribunal, which is the final fact-finding authority, is final and cannot be the subject matter of scrutiny by the High Court as it does not give rise to a substantial question of law. Accordingly, in an appeal u/s 260A, the High Court is precluded from examining the correctness of the determination of the ALP" – Examine the correctness of this statement with reference to a Supreme Court ruling. Your answer should cover: (1) Issue Involved (2) Provision Applicable (3) Analysis and Conclusion. **(4 Marks)**

- (b) Examine and state the correctness or otherwise of each of the following in the context of BEPS Action Plan and Income-tax Act, 1961 and answer in brief with reasons/contents thereof:

- (i) "Country by Country (CBC) report not requires Multi National Enterprises (MNEs) to provide an annual report of economic indicators". Explain with reference to BEPS Action Plan.
- (ii) What are the basic three fundamental pillars of BEPS Action Plans?
- (iii) Why there is a need for international collaboration to protect tax sovereignty of its countries? **(6 Marks)**

6. (a) (i) The Indian branch of Slack Ltd, Country Y has carried out some transactions with ZH Co. Ltd., Bengaluru in the financial year 2024-25. The value of the transaction is ₹ 600 crores. ZH Co. Ltd. applied for advance ruling in January, 2025 to know exactly the tax consequences of its transactions with the non-resident Slack Ltd., Country Y, both for itself and on non-resident.

What would be the amount of fee to be accompanied with the applicable for advance ruling.

Assume application for ruling is accepted by Board for Advance Rulings (BAR). On 30.04.2025 BAR pronounced its ruling and said ruling was communicated to ZH Co. Ltd. on the same date. ZH Co. Ltd. was, however, not satisfied with said ruling. State whether the advance ruling pronounced by BAR is binding on ZH Co. Ltd. Is there any remedy available to ZH Co. Ltd. if it is aggrieved with the said ruling? Examine. **(4 Marks)**

- (ii) From the following details compute the taxable income of Mr. Mohan for the sale and purchase of Bitcoins and NFT made during the year:

Date	Particulars	Units	Amount (₹)
June 15, 2024	Purchase (Bitcoin)	5000	50,000
July 15, 2024	Sale (Bitcoin)	2500	25,500
July 20, 2024	Sale (Bitcoin)	2500	28,750
	Expenses Incurred on Sale of Bitcoin		15,000
August 1, 2024	Purchase (NFT)	10000	1,50,000
August 16, 2024	Sale (NFT)	6000	89,000
August 31, 2024	Sale (NFT)	4000	56,000
	Expenses Incurred on Sale of NFT		18,000

(4 Marks)

- (b) BlueEdge Consulting Private Limited, engaged in the business of consulting services, remitted substantial amounts to Australia as per the information collected by the Income-tax Department from ISB Bank. The department collected documents from ISB Bank, which included Form 15CB issued by the chartered accountant, list of foreign clients, copies of consultancy agreements, email correspondences, and invoices raised by the foreign service providers.

On enquiry with the alleged foreign clients and verifying the email trails, it was found that no actual consultancy services were rendered by or to the parties on the dates mentioned in the documents. In fact, the supposed clients denied having any business transaction with BlueEdge Consulting Private Limited.

The Income-tax Department concluded that the amounts were remitted by the company on the basis of fictitious consultancy agreements and fake invoices, and that the foreign remittances were made under false pretenses. This pointed towards violations under FEMA, and Form 15CB issued by the chartered accountant was considered a critical document in facilitating these remittances.

During the six-month period in question, the chartered accountant had issued 78 Form 15CB certificates involving total remittances of ₹ 35 crores for BlueEdge Consulting Private Limited. A representation was submitted by the concerned CA stating that he had issued the Form 15CB based solely on the invoices and documents submitted by the company, and by verifying the KYC details of the signatory to those documents.

He contended that since he was not the statutory auditor of the company, he neither examined the company's books of account nor conducted any due diligence of its business activities prior to issuing the certificates. He had charged ₹ 3,300 per certificate, with most of the fees collected in cash, and a portion credited to his bank account.

Is Chartered Accountant's contention, correct? Examine the ethical implications in this case with the relevant clauses of the Chartered Accountants Act, 1949.

(6 Marks)

Mock Test Paper - Series II: August, 2025

Date of Paper: 7th August, 2025

Time of Paper: 2 P.M. to 5 P.M.

FINAL COURSE: GROUP – II

PAPER – 4: DIRECT TAX LAWS & INTERNATIONAL TAXATION

SOLUTIONS

Division A – Multiple Choice Questions

MCQ No.	Most Appropriate Answer	MCQ No.	Most Appropriate Answer
1.	(c)	9.	(c)
2.	(d)	10.	(a)
3.	(a)	11.	(a)
4.	(a)	12.	(d)
5.	(d)	13.	(d)
6.	(d)	14.	(c)
7.	(c)	15.	(c)
8.	(c)		

1. Computation of Total Income and Tax Payable by
M/s Zenpack Manufacturing Pvt. Ltd. for the A.Y. 2025-26

Particulars		Amount (in ₹)	
I	Profits and gains of business and profession Net profit as per profit and loss account Add: Items debited but to be considered separately or to be disallowed (a) Depreciation as per Companies Act (b) Loss due to destruction of machinery by fire Loss of ₹ 19 lakhs due to destruction of old machinery caused by fire is not deductible since it is capital in nature. Since the loss has been debited to profit and loss account, the same is required to be added back while computing business income.	59,00,000 19,00,000	68,50,000

(c) Tax paid (including surcharge and cess) Tax paid including surcharge and cess is not allowed while computing business income under section 40(a)(ii). Since the tax paid has been debited to profit and loss account, the same is required to added back while computing business income]	8,40,000
(f) Purchase price of raw material for in-house research Purchase price of raw material used for the purpose of in-house research and development qualifies for 100% deduction u/s 35(2AB) or 35(1)(i). GST on which ITC is not admissible is an expense and can be claimed as deduction under section 37. As the amount has already been debited to profit and loss account, no further adjustment is necessary.	Nil
(g) Payment to Yulong Materials Ltd. for online digital advertisement Disallowance @ 100% would be attracted under section 40(a)(ib) for non-deduction of equalization levy on payment for online digital advertisement to Yulong Materials Ltd. Since the payment has been debited to profit and loss account, the same is required to added back while computing business income as payment made before 1st August 2024.	18,00,000
(h) Expenses on earning dividend income The allowability or otherwise of expenses on dividend income has to be considered while computing income under the head "Income from other sources". Since the same has been debited to the profit and loss account, it has to be added back while computing business income]	19,000
(i) Interest settled by issuing debentures As per section 43B, conversion of interest into a debenture shall not be deemed as	15,00,000

	actual payment, and hence would not be allowed as deduction. Since the interest has been debited to the profit and loss account, it has to be added back while computing business income]		
			1,19,59,000
			1,88,09,000
	Less: Items credited but not taxable or chargeable to tax under another head		
	(b) Scrap value of machinery	9,10,000	
	Scrap value of machinery, being capital in nature, has to be reduced from WDV of machinery. Since the same has been credited to the profit and loss account, it has to be deducted while computing business income.		
	(d) Power Subsidy received from Central Government	Nil	
	As per ICDS VII, Government grant (subsidy) which is receivable as compensation for expenses or losses incurred in a previous financial year shall be recognised as income of the period in which it is received. Since the subsidy is received in the P.Y. 2024-25, it would be taxable in P.Y. 2024-25. Since such subsidy has been credited to profit and loss account, no further adjustment is required.		
	(e) Interest on margin money deposited with Bank	Nil	
	Interest income received on funds kept as margin money for obtaining the bank guarantee would be taxable under the head "Profits and gains of business or profession" ¹ . Since such interest has already been credited to profit and loss account, no further adjustment is required.		

¹ As decided in CIT v. K and Co. (2014) 364 ITR 93 (Del)

	(h) Dividend received from foreign company	3,33,000	
	Dividend received from foreign company is taxable under "Income from other sources". Since the same has been credited to the profit and loss account, it has to be deducted while computing business income.		
			12,43,000
			1,75,66,000
	Less: Depreciation as per Income-tax Act, 1961		
	Normal depreciation		
	- Depreciation on assets other than on printers, machinery & lorries stated in AI (2), (3) & (4)	43,20,000	
	- On Printer [92,50,000 x 15%]	13,87,500	
	- On Printer installed on 23 rd October 2024 [26,34,000 x 15% x 50%]	1,97,550	
	- On Lorries for transporting goods to sales depots [85,00,000 x 15% x 50%, since it is used for less than 180 days]	6,37,500	
II	- On Machine imported from Hungary [Nil, since it is not installed in P.Y. 2024-25]	Nil	65,42,550
	Additional depreciation		
	- On Printer [92,50,000 x 20%]	18,50,000	
	- On Printer installed on 23 rd October 2024 [26,34,000 x 20% x 50%]	2,63,400	21,13,400
			89,10,050
	Income from Other Sources		
	Dividend received from foreign company		3,33,000
	[Dividend received from a foreign company is chargeable to tax under the head "Income from other sources". ₹ 15,000, being an expense other than interest payment is not allowable as deduction from dividend income.]		
	Gross Total Income/ Total Income		92,43,050

Computation of Tax payable	
Tax on ₹ 92,43,050 @30% (since the turnover exceed ₹ 400 crores in the F.Y. 2022-23)	27,72,915
Add: Health and Education cess @ 4%	1,10,917
Tax Payable	28,83,832
Tax Payable (Rounded off)	28,83,830

2. (a) Tax treatment in the hands of TrueValue LLP on conversion of TrueValue Pvt. Ltd. into TrueValue LLP

(i) **Business loss of ₹ 65 lakhs (relating to P.Y. 2020-21)**

As per section 72A(6A), the business loss of ₹ 65 lakhs of TrueValue Pvt. Ltd. would be deemed to be the loss of TrueValue LLP for P.Y. 2024-25 and it would be able to set off and carry forward such loss.

The carry forward is for 8 assessment years subsequent to the assessment year 2025-26.

However, if subsequent to the conversion, TrueValue LLP fails to fulfill any of the conditions mentioned in section 47(xiiib), the set-off of business loss so made in any previous year would be deemed to be the income chargeable to tax in the year in which such conditions are not complied with.

(ii) **Depreciation and written down value of assets**

In case of conversion of TrueValue Pvt. Ltd. into TrueValue LLP, depreciation on assets shall be apportioned between the company and LLP in the ratio of the number of days for which the assets were used by them.

Total Depreciation

Plant and machinery (15%) = ₹ 28 lakhs x 15% = ₹ 4,20,000

Building (10%) = ₹ 64 lakhs x 10% = ₹ 6,40,000

In the hands of TrueValue LLP (for 182 days)

Plant and machinery (15%) = ₹ 4,20,000 x 182/365 = ₹ 2,09,425

Building (10%) = ₹ 6,40,000 x 182/365 = ₹ 3,19,123

WDV in the hands of TrueValue LLP

As per section 43(6), the actual cost of the block of assets in the hands of TrueValue LLP shall be the WDV of the block of assets as in the case of TrueValue Pvt. Ltd. on the date of conversion.

WDV of P & M (15%) = ₹ 28 lakhs – ₹ 2,09,425 (₹ 4,20,000 x 182/365)
= ₹ 25,90,575

WDV of Building (10%) = ₹ 64 lakhs – ₹ 3,19,123 (₹ 6,40,000 x 182/365)
= ₹ 60,80,877

Actual cost of Plant and machinery on which deduction has been allowed or is allowable to the assessee under section 35AD would be 'NIL' in the hands of TrueValue Pvt. Ltd. and TrueValue LLP.

(iii) Cost of land acquired in 2015 at ₹ 90 lakhs (Market value ₹ 140 lakhs)

The cost of acquisition of land in the hands of TrueValue LLP would be the cost for which TrueValue Pvt. Ltd. acquired it, i.e., ₹ 90 lakhs.

(iv) Expenditure on voluntary retirement benefit of ₹ 34 lakhs

As per section 35DDA, in case of conversion of TrueValue Pvt. Ltd. into TrueValue LLP, deduction would be available to TrueValue LLP for the remaining periods from the previous year in which conversion took place. Since deduction of ₹ 6.8 lakhs each has been claimed by TrueValue Pvt Ltd. in P.Y. 2022-23 and P.Y. 2023-24, TrueValue LLP would be eligible for deduction of ₹ 6.8 lakhs each for the remaining three previous years, namely P.Y.2024-25, P.Y.2025-26 and P.Y.2026-27 under section 35DDA.

(v) Unadjusted MAT credit u/s 115JJAA of ₹ 9.2 lakhs

As per section 115JAA(7), in case of conversion of TrueValue Pvt. Ltd. into TrueValue LLP, the credit for MAT paid by TrueValue Pvt. Ltd. cannot be availed by the successor LLP i.e., TrueValue LLP.

(vi) Unabsorbed depreciation of ₹ 75 lakhs

As per section 72A(6A), TrueValue LLP would be able to carry forward and set-off the unabsorbed depreciation of ₹ 75 lakhs of TrueValue Pvt. Ltd.

However, if subsequent to the conversion, TrueValue LLP fails to fulfill any of the conditions mentioned in section 47(xiiib), the set-off of depreciation so made in any previous year would be deemed to be the income chargeable to tax in the year in which such conditions are not complied with.

- (b) (i) Provision of scientific research services falls within the scope of international transaction under section 92B. Axis Research Solutions and Emerald Inc. are deemed to be associated enterprises as per section 92A(2)(d), since Emerald Inc. guarantees not less than 10% of the total borrowings of Axis Research Solutions. Since, there is an international transaction between associated enterprises, transfer pricing provisions are attracted in this case.
- (ii) Where the Assessing Officer has made a primary adjustment of ₹ 440 lakhs to the transfer price and the same has been accepted by Axis Research Solutions, secondary adjustment has to be made in the books of account as per section 92CE, since the primary adjustment made by the Assessing Officer and accepted by Axis Research Solutions exceeds ₹ 100 lakhs and the primary adjustment is in relation to P.Y.2022-23.

The excess money determined based on the primary adjustment has to be repatriated to India within 90 days from the date of order, failing which the same would be deemed as an advance and interest would be computed at the one-year marginal cost of fund lending rate of State Bank of India as on 1.4.2024 + 3.25%, since the international transaction has been denominated in Indian Rupees.

In this case, since the excess money has not been repatriated within 90 days, the same would be deemed to be an advance made by Axis Research Solutions to Emerald Inc. and interest would be computed @12.25% (9% + 3.25%) from 1.4.2025, being the date of the order of the Assessing Officer. The interest would amount to ₹ 53.90 lakhs (i.e., 12.25% of ₹ 440 lakhs) for the P.Y.2024-25.

Alternatively, Axis Research Solutions can opt to pay additional income tax @20.9664% (tax @18% plus surcharge @12% plus cess @4%) on ₹ 440 lakhs, which would amount to ₹ 92,25,216. In such a case, secondary adjustment is not required to be made.

3. (a) As per section 115TD, the accreted income of "Helping Hands Foundation", a charitable trust, registered under section 12AA which merged with an entity not entitled for registration under section 12AB or approval under section 10(23C), would be chargeable to tax at maximum marginal rate @ 34.944% [30% plus surcharge @12% plus cess@4%].

**Computation of accreted income and tax liability in the hands of
the trust arising as a result of merger with the “not eligible”
entity for A.Y. 2025-26**

Particulars	Amount (₹)
Aggregate FMV of total assets as on 1.4.2024, being the specified date (date of merger) [See Working Note 1]	1,49,50,000
Less: Total liability computed in accordance with the prescribed method of valuation [See Working Note 2]	104,00,000
Accreted Income	45,50,000
Tax Liability @ 34.944% of ₹ 45,50,000	15,89,952
Working Notes:	
(1) Aggregate fair market value of total assets on the date of merger	
- Land, being an immovable property [The fair market value of land would be higher of ₹ 19 lakhs i.e., price that the land would ordinarily fetch if sold in the open market and ₹ 24 lakhs, being stamp duty value as on the specified date]	24,00,000
- Quoted equity shares in FGT Ltd. [75,000 x ₹ 90 per share] [₹ 90 per share, being the average of the lowest (₹ 85) and highest price (₹ 95) of such shares on the date of merger]	67,50,000
- 55,000 preference shares of KEY's Ltd. [The fair market value which it would fetch if sold in the open market on the date of merger i.e., FMV on 1.4.2024]	58,00,000
	1,49,50,000
(2) Total liability	
- Outside liabilities	83,00,000
- Corpus Fund of ₹ 19 lakhs [not includible]	-
- Provision for taxation ₹ 11 lakhs [not includible]	-
- Liabilities in respect of payment of various utility bills [since this liability is an ascertained liability]	21,00,000
	1,04,00,000

(b) **Computation of total income and net tax liability of
Mr. Raghav Shama for A.Y. 2025-26**

Particulars	₹	₹
Profits and gains from business and profession		
Income from sole proprietary concern in India	55,00,000	
Share of profit from a partnership firm in India of ₹ 28 lakhs, is exempt	<u>Nil</u>	
Business profit	55,00,000	
Less: Business Loss ² in Country Z (\$ 5000 x ₹ 80/\$)	<u>4,00,000</u>	51,00,000
Income from Other Sources		
Agricultural income from coffee estates in Country 'Z', is taxable in India (\$ 45000 x ₹ 80/\$)		<u>36,00,000</u>
Gross Total Income		87,00,000
Less: Deductions under Chapter VI-A		
Under section 80C [deposit in PPF]	1,50,000	
Under section 80D	75,000	
[Medical insurance premium paid ₹ 26,000 for self, restricted to ₹ 25,000; ₹ 64,000 for senior citizen parents, restricted to ₹ 50,000]		
Under section 80DD		
[Flat deduction of ₹ 75,000 irrespective of the expenditure incurred on dependent sister, being a person with disability]	<u>75,000</u>	
		<u>3,00,000</u>
Total Income		84,00,000
Tax on ₹ 84,00,000 [(30% x ₹ 74,00,000) plus ₹ 1,12,500]		23,32,500
Add: Surcharge@10%, since total income exceeds ₹ 50 lakh but does not exceed ₹ 1 crore.		<u>2,33,250</u>
		25,65,750
Add: HEC@4%		<u>1,02,630</u>
		26,68,380

² Since the eight year has not expired from the assessment year in which such business loss was incurred, such business loss can be set-off against current year business income.

Average rate of tax in India [i.e., ₹ 26,68,380/₹ 84,00,000 x 100]	31.77%	
Average rate of tax in Country 'Z' [i.e., \$ 12000/\$ 45000]	26.67%	
Doubly taxed income [₹ 36,00,000 – ₹ 4,00,000]	32,00,000	
Rebate under section 91 on ₹ 32,00,000 @26.67% (lower of average Indian tax rate and rate of tax in Country 'Z')		<u>8,53,440</u>
Net tax liability [₹ 26,68,380 – ₹ 8,53,440]		<u>18,14,940</u>

4. (a) (i) Tax would be collectible at source under section 206C(1G) by the authorised dealer, who received an amount, under the Liberalised Remittance Scheme of the RBI, for overseas remittance from Mr. Kunal at the rate of 5% of the sum exceeding ₹ 7 lakhs. Tax of ₹ 10,750 (5% of ₹ 2,15,000, being the sum exceeding ₹ 7 lakhs) would be collectible by the authorised dealer on 1.10.2024 on remittance of ₹ 9,15,000 for education of his son out of the loan from his employer. The concessional rate of TCS of 0.5% would not be applicable, since the amount of remittance is not out of a loan obtained from any financial institution as referred under section 80E.

Tax of ₹ 34,900 (5% of ₹ 6,98,000) would be collectible by the authorised dealer on 20.2.2025 on remittances of ₹ 6,98,000 for education of his son for out of pocket expenses.

- (ii) Section 194-IA is attracted where the consideration for transfer of immovable property or the stamp duty value of such property, is ₹ 50,00,000 or more. As per section 194-IA, Mr. Rajat Kapoor paying ₹ 7.5 crores to Mr. Sameer, as consideration for transfer of house property, is required to deducted tax at source @1% of consideration or the stamp duty value, whichever is higher. The tax deduction under section 194-IA would be ₹ 7,50,000, being 1% of ₹ 7.5 crores, since SDV is lower than the consideration.

Since Mr. Rajat Kapoor's turnover for the P.Y. 2023-24 exceeded ₹ 1 crore and payment of commission i.e., ₹ 97,50,000 (13% of ₹ 7.5 crores) exceeds ₹ 15,000, Mr. Rajat Kapoor is required to deduct tax under section 194H @2% (with effect from 1st October 2024, the rate of TDS under section 194H has been reduced from 5% to 2%) from commission payment

to Mr. Neeraj. The tax deduction under section 194H would be ₹ 1,95,000, being 2% of ₹ 97.50 lakhs

- (iii) As per section 194G of the Income-tax Act, 1961, any person paying to a resident any income by way of commission, remuneration, or prize (by whatever name called) on the sale of lottery tickets shall deduct tax at source at the time of credit or payment, whichever is earlier, if the amount exceeds ₹ 15,000 in a financial year.

With effect from 1st October 2024, the rate of TDS under section 194G has been reduced from 5% to 2%.

In the given case, M/s Lucky Draw Pvt. Ltd. has paid a commission of ₹ 1,20,000 to Mr. Rakesh, a resident agent, on 1st November 2024 for selling lottery tickets. Since the amount exceeds the threshold limit of ₹ 15,000, tax is deductible at source under section 194G.

Accordingly, tax to be deducted = ₹ 1,20,000 × 2% = ₹ 2,400

Hence, M/s Lucky Draw Pvt. Ltd. is required to deduct ₹ 2,400 as TDS under section 194G.

- (iv) Tax is required to be deducted under section 194C by Alpha Garments Ltd. on payment for stitching of T-shirts to Mr. Vivek,
- since the supply of t-shirts is as per the specification of Alpha Garments Ltd. and the cloth is purchased from TrendTex Pvt. Ltd., which is an associate of Alpha Garments Ltd, specified under section 40A(2), and
 - Since a consolidated invoice has been raised, tax would be deducted on the entire amount, including the cost of purchases.

Tax rate would be deducted@1% under section 194C since the contractor is an individual. Therefore, tax to be deducted = ₹ 72,00,000 × 1% = ₹ 72,000

- (b) Capital gain arising in the hands of Lucas Pereira and Daniel Zhang from transfer of a capital asset situated in India would be deemed to accrue or arise in India. Shares of GreenCore Global Ltd., Country Zeta, shall be deemed to be situated in India if those shares derive directly or indirectly, its value substantially from assets located in India.

Shares of GreenCore Global Ltd. would be deemed to derive its value substantially from the assets located in India, if on the specified date, the fair

market value of Indian assets (without reduction of liabilities) i.e., fair market value of assets of EcoPack Solutions Pvt. Ltd. –

- exceeds ₹ 10 crores; and
- represents at least 50% of the value of all the assets owned by GreenCore Global Ltd.

Specified date would be the date of transfer i.e., 1.6.2024 since book value of the assets of GreenCore Global Ltd. on the date of transfer i.e., 2,600 crores exceed the book value of the assets as on the last balance sheet date preceding the date of transfer i.e., 2,000 crores by at least 15%.

Shares of GreenCore Global Ltd. derives its value substantially from assets located in India since the fair market value of assets located in India (without reduction of liabilities) on 1.6.2024, being the specified date i.e., 1200 crores exceed ₹ 10 crores and represents more than 50% i.e., 54.545% of the fair market value of assets of GreenCore Global Ltd. i.e., ₹ 2,200 crores.

Hence, the shares of GreenCore Global Ltd. would be deemed to be a capital asset situated in India and the capital gains from the transfer of shares of GreenCore Global Ltd. by Lucas Pereira and Daniel Zhang would be deemed to accrue or arise in India. Accordingly, the capital gains arising from transfer of shares of GreenCore Global Ltd. would be taxable in the hands of Lucas Pereira and Daniel Zhang in India as per Income-tax Act, 1961.

5. (a) (i) The action of the Commissioner in issuing the second notice is ***not justified***. The term “record” has been defined in clause (b) of *Explanation 1* to section 263(1). According to this definition “record” shall include and shall be deemed always to have included all records relating to any proceeding under the Act available at the time of examination by the Commissioner. In other words, the information, material, report etc. which were not in existence at the time the assessment was made and came into existence afterwards can be taken into consideration by the Commissioner for the purpose of invoking his jurisdiction under section 263(1). However, at the same time, in view of the express provisions contained in clause (b) of the *Explanation 1* to section 263(1), such information, material, report etc. can be relied upon by the Commissioner only if the same forms part of record when the action under section 263 is taken by the Commissioner.

Issuance of a notice under section 263 succeeds the examination of record by Commissioner. In the present case, the Commissioner initially issued a notice under section 263, after the examination of the record available

before him. The subsequent second notice was on the basis of material collected under section 133A, which was totally unrelated and irrelevant to the issues sought to be revised in the first notice. Accordingly, the material on the basis of which the second notice was issued could not be said to be “record” available at the time of examination as emphasized in *Explanation 1(b)* to section 263(1).

- (ii) As per section 142(2A), if at any stage of the proceedings, the Assessing Officer, having regard to the nature and complexity of the accounts, volume of the accounts etc. is of the opinion that it is necessary so to do, he may, with the previous approval of the Principal Chief Commissioner (PCC) or Chief Commissioner (CC) or the Principal Commissioner (PC) or Commissioner (C) get the inventory valued by a Cost Accountant and furnish a report of such inventory valuation. Opportunity of being heard is to be given to the assessee before directing to get the inventory valued.

For inventory valuation, Cost Accountant should be nominated by PCC or CC or PC or C of Income-tax. Further, the expenses of inventory valuation including remuneration of Cost Accountant shall be determined by the PCC or CC or PC or C of Income-tax in accordance with the prescribed guidelines, and not by the AO. The expenses so determined shall be paid by the Central Government.

In the present case, though AO has taken the relevant approval and the company was given opportunity of being heard, the Assessing Officer is not justified in appointing a Chartered Accountant in practice, fixing his fees himself and asking the CA to raise the bill to the company. For inventory valuation, a Cost Accountant nominated by PCC or CC or PC or C can be appointed and expenses of inventory valuation including remuneration are also determined by these authorities. Such expenses shall be paid by the Central Government and not by the company.

- (iii) **Issue Involved:** The issue under consideration is whether the arm’s length price (ALP) determined by the Tribunal, which is the final fact-finding authority, is final and cannot be the subject matter of scrutiny by the High Court as it does not give rise to a substantial question of law.

Relevant provision of law: As per section 260A(1), an appeal shall lie to the High Court from every order passed in appeal by the Appellate Tribunal, if the High Court is satisfied that the case involves a substantial question of law.

Analysis & Conclusion: The High Court have the powers to consider the substantial question of law involving determination of arm's length price (ALP)

- While determining the ALP, the Tribunal has to follow the guidelines stipulated under Chapter X of the Income-tax Act, 1961, namely, sections 92 to 92F of the Act and Rules 10A to 10E of the Income-tax Rules, 1962. Any determination of the ALP under Chapter X not in accordance with the relevant provisions of the Income-tax Act, 1961 and Rules can be considered as perverse and it may be considered as a substantial question of law as perversity itself can be said to be a substantial question of law. Therefore, there cannot be any absolute proposition of law that in all cases where the Tribunal has determined the ALP, the same is final and cannot be the subject matter of scrutiny by the High Court in an appeal under section 260A.

When the determination of the ALP is challenged before the High Court, it is always open for the High Court to consider and examine whether the ALP has been determined while taking into consideration the relevant guidelines under the Act and the Rules.

- The High Court can also examine the question of comparability of two companies or selection of filters and examine whether the same is done judiciously and on the basis of the relevant material/evidence on record. The High Court can also examine whether the comparable transactions have been taken into consideration properly or not, i.e., to the extent as to whether non-comparable transactions are considered as comparable transactions or not.

Therefore, in an appeal challenging the determination of the arm's length price, it is always open for the High Court to examine in each case, within the parameters of section 260A, whether while determining the ALP, the guidelines laid down under the Income-tax Act, 1961 and the Income-tax Rules, 1962 are followed or not and whether the determination of the ALP and the findings recorded by the Tribunal while determining the ALP are perverse or not.

The statement is, therefore, not correct.

Note – The facts given in the question are similar to the facts in *SAP Labs India Pvt. Ltd. v. ITO* [2023] 454 ITR 121 wherein the issue came up before the Supreme Court. The above answer is based on the rationale of the Supreme Court in the said case

- (b) (i) **Incorrect** – Country by Country (CbC) report requires MNEs to provide an annual report of economic indicators viz. the amount of revenue, profit before income tax, income tax paid and accrued in relation to the tax jurisdiction in which they do business.
- (ii) The Action Plans were structured around three fundamental pillars viz.:
- (a) Introducing '**coherence**' in the domestic rules that affect cross-border activities.
 - (b) Reinforcing of '**substance**' requirements in existing international standards; Alignment of taxation with location of value creation and economic activity; and
 - (c) Improving **transparency** and **tax certainty**.
- (iii) There is a need for countries to collaborate on tax matters so that they are able to get their due share of taxes due to following reasons –
- The interaction of separate sets of domestic laws enforced by sovereign countries causes frictions, including potential double taxation for corporations operating in many countries.
 - It also causes gaps, in cases where corporate income is untaxed, both in the country of source and in the country of residence, or is taxed only at nominal rates.
 - BEPS relates primarily to instances where the interaction of different tax rules & tax systems leads to double non-taxation.
 - It also relates to arrangements that achieve no or low taxation by shifting profits away from the jurisdictions where the activities creating those profits take place.
6. (a) (i) Since the value of transaction between M/s ZH Co. Ltd and Slack Ltd, in respect of which ruling is sought, exceeds ₹ 300 crores, fees of ₹ 10 lakhs to be accompanied with the application

Advance ruling pronounced by Board for Advance Rulings is not binding on ZH Co. Ltd. Section 245W provides that the applicant who is aggrieved by any ruling pronounced or order passed by the Board for Advance Rulings may appeal to the High Court against such ruling. He has to do so within **60 days from the date of the communication** of that ruling or order, in the prescribed form and manner.

Accordingly, if ZH Co. Ltd. is aggrieved by the advance ruling pronounced by BAR, it can file an appeal before the High Court on or before 29th June 2025. The High Court can grant extension of a further period of 30 days for filing the appeal, if it is satisfied, on an application made by ZH Co. Ltd. in this behalf, that it was prevented by sufficient cause from presenting the appeal within the 60 days period as specified above.

(ii) **Computation of Taxable Income of Mr. Mohan**

	₹
Sale of 2500 Bitcoin 15.07.2024	
Sale Consideration	25,500
Less: Cost of Acquisition (2500 x 50000/5000)	25,000
Gain	500
Sale of 2500 Bitcoin 20.07.2024	
Sale Consideration	28,750
Less: Cost of Acquisition (2500 x 50000/5000)	25,000
Gain	3,750
Sale of 6000 NFT 16.08.2024	
Sale Consideration	89,000
Less: Cost of Acquisition (6000 x 150000/10000)	90,000
Loss on Sale of NFT [Neither setoff of loss nor carry forward of loss allowed]	1,000
Sale of 4000 NFT 31.08.2024	
Sale Consideration	56,000
Less: Cost of Acquisition (4000 x 150000/10000)	60,000
Loss on Sale of NFT [Neither setoff of loss nor carry forward of loss allowed]	4,000
Taxable income	4250

Note: VDA income would be taxed @30% under section 115BBH without any deduction of expenses.

- (b) Form 15CB is a certificate of an accountant wherein he certifies that he has examined the agreement between the remitter and the beneficiary requiring such remittance. He has to also examined the relevant documents and books of account required for ascertaining the nature of remittance and for determining the rate of deduction of tax at source.

The Chartered Accountant certifying the Form 15CB undertakes to have verified the agreement between the remitter and the beneficiary as well as the relevant documents and books of account to ascertain the nature of remittance and determine the rate of TDS.

In this case, however, the Chartered Accountant mentioned that he had only verified KYC of signatory to invoice and the invoices thereof.

He had not only failed to justify as to how verification of invoices was considered as sufficient compliance for certifying the forms but also failed to bring on record the said invoices.

Thus, he failed to provide any basis on which he relied for issuing Form 15CB certificates to the company, hence Chartered Accountant's contention was not correct.

On account of such failure, clauses (7) and (8) of Part I of the Second Schedule to the Chartered Accountants Act, 1949 for failure to exercise due diligence in discharging his professional responsibilities and failure to obtain sufficient information may be invoked.