

Your overall performance is good. Revise all your previous topics at least once in a week rather allocate a day in a week for revision and evaluating your performance. This will help you memorize topics and bind out shortcomings in your preparation.

Division - A

Q.1

1. A. ✓
2. B. ✓
3. C. ✓
4. D. ✓
5. (A) ✓
6. (D) ✓

Total marks 95

Q.2

1. (D) ✓
2. (D) ✓
3. (C) ✓
4. (C) ✓

Q.3

(D) ✓

Q.4

(D) ✓

marks 30

Q.5

(C) ✓

Q.6

(A) ✓

Q.7

(C) ✓

Q.8

(A) ✓

Q.9

(C) ✓

Answer to Q.1.

~~WNR-3~~ Computation of business total Income of XYZ Ltd

marks 14
Particular

Amount in Lakh

Profit as per P&L A/c

✓ 150.00

Add: Amount Debited in P&L but not allowed as exp.

a) License fee. (WNR-1)

✓ 20.00

b) Municipal tax

✓ 0.15

c) Loss due to destruction of machinery

✓ 3.00

d) amt payable to contractor (WNR-2)

✓ 0.27

e) Short term capital loss on sale of share of HLL

✓ 0.20

f) Depreciation debited in P&L.

✓ 1.80

✓ 174.62

less: a) Depreciation —

5.00

Intangible asset ($20 \times 25\%$)

✓ 1.75

Fixed assets (given)

✓ 6.00

b) Rental income.

✓ 0.10

c) Dividend income.

✓ 1.80

d) Great performance

PGBP income ✓ 160.77

WV-1 licensee fee

Franchise fee paid by XYZ Pvt Ltd is an intangible asset eligible for dep @ 25%. Therefore, it will not be allowed as an expense so, should be added back to P&L A/c

WV-2 Amount Payable to Contractor

As per sec. 206AA, if PAN is not furnished, the rate of TDS is 20%.

Since, the Co. has deducted tax @ 21%, therefore disallowance u/s 40(a) will attract and 30%. Payment made to contractor will be disallowed.

∴ ₹ 90000 × 30% = ₹ 27000 will not be allowed as expense.

WV-4 Col. of deemed dividends

As per sec. 2(2)(c) of The Income Tax Act, 1961 if any closely held co. gives loan to any person who is substantially interested in Co. loan amount will be deemed to be dividend extend to accumulated profit.

Loan amt: ₹ 200000

Acc. Profit: ₹ 50000

Deemed dividend: ₹ 50000

Sol Statement Showing computation of total income of XYZ Ltd. Net

<u>Particular</u>	<u>Amount</u>
A. Income from house property (GAV)	600000.
less: Municipal taxes paid	0
MAV.	600000
less: Standard ded. @ 30%, 619 24	(180000) 420000.
B. Income from PGBP (NR=3)	16077000
C. Income from Capital Gain Short term capital loss. (to be clif)	(20000) 0.
D. Income from Other Source Dividend from P. LTD.	160000
Deemed dividend (NR=4)	50000 60000
Total Income	<u>16557000</u>

Answer to Question2(A)(E)

marks 4

Computation of total income under chapter XII - A
for AY 2022-23

Particulars

	<u>Amount</u> ₹
a) Income from House Property	270000
b) Cr on sale of debentures -	₹
full value of cond -	600000
less: comm. to broker.	<u>(6000)</u>
Net sale cond	594000
less: cost of acq.	<u>(400000)</u>
	194000

c) Dividend from Indian Co.	75000.
d) Interest on debenture	10000
	<u>639000</u>

You have good conceptual Knowledge of this topic.

Total income

Computation of tax payable -

Tax on investment income -

$$\text{₹}(100000 + 75000) \times 20\%.$$

35000

Tax on ITCG

$$\text{₹} 194000 \times 10\%.$$

19400

Tax on other income

$$250000 - \text{Nil}$$

$$20000 \times 5\% = 1000$$

1800

Add

Total tax
HFC@4%

55400

2210

Tax payable

57620

Q(1) (ii)

marks 4

Computation of total income if M&P are responsible

(a) For PY 2020-21

(AY 2021-22)

Particulars

Opening Stock

Purchase $\left[\text{£ } 30000 \times \frac{1}{10} \right]$

Amount

0

30000

Sales

Closing Stock

0

(30000)

Net Profit

AY 2022-23

You have done this question very nicely

(b) For PY 2021-22

Particulars

Amount

(i) Income from PGBP -

Opening Inventory 30000

FMV on date of conversion

$\left[\text{£ } 31750 \times \frac{1}{10} \right]$ 31750

Net Profit 1750 1750

(ii) Income from Capital gain

Full value of land $\left(\text{£ } 39500 \times \frac{50}{100} \right)$

16250

(iii) Cost of acq

$\left(\text{£ } 31750 \times \frac{50}{100} \right)$

(158750)

STC6.

3750

9 (B)
marks 6

a) Determination of gross margin of comparable uncontrolled transaction of Sale Itself and Particulars

✓ E

Direct cost of service (\$100 x 8 hrs x 15 days)	12000
Indirect cost of service (\$200 x 8 hrs x 15 days)	24000
	<u> </u>
- Total Cost	36000
Add: Cost of warranty (12000 x 1.1)	120
	<u> </u>
Total Cost	36120
	<u> </u>
	70000

Billing for month:

You have good conceptual clarity about this question

Margin per month 33880

Profit margin to cost

$$\frac{33880}{36120} \times 100\% = \underline{\underline{93.80\%}}$$

b) Determination of arm's length price
Particulars

Direct Cost	(\$100 x 9 hrs x 15 days)	<u>bmt</u> 13500
Indirect Cost	(\$200 x 9 hrs x 15 days)	27000
Int'l Cost	(\$100000 x $\frac{3}{100} \times \frac{1}{12}$)	250
	<u> </u>	<u> </u>
	Total Cost	60750
	<u> </u>	<u> </u>
Add: Profit margin to cost	<u>38293</u>	<u> </u>
	<u> </u>	<u> </u>
ALP.	98973	<u> </u>
	<u> </u>	<u> </u>
Actual Billing price	<u>85000</u>	<u> </u>

Since, actual billing price i.e. \$ 85000 is more than arms length price \$ 78974.
 Therefore, no adj. is to be made to income of Brat P. Ltd.

Answer to Q. 3 (a)

Computation of total income of brat (₹ in lakhs)
 marks 8

Particulars

Income from Medical Clg (exempt) —
 Gross receipt from hospital (425-32) 393
 less: Hospital operational exp (105) 288

Income from bus - incidental to main object 2
 Add: Voluntary Contribution (32-3-3.4) 25.60
 315.60

less: 15% of income being set apart 47.34
 268.26

In this question you have performed well.

b) Income rec. on 31-3-22 (18)

c) Am't applied for purpose of hospital -

- Cost of new computer software (28)
- Cost of laptop (35)
- Repayment of loan (15)

d) am't set apart for acq. of building (80)

Total income 80.

Add: Anonymous donation

Total income of trust

3,40

✓ 10,66

marks 6

3 (b)

Computation of Total Income of PGR Ltd for AY 21-22

A. PGBP Income

Profit from SEZ unit

₹ 4000000

(less: Deduction u/s 10AA

(₹ 3200000)

$$\left(₹ 4000000 \times \frac{8000000}{10000000} \right)$$

800000 800000

Profit from Specified buss. u/s 35AD

10500000

Profit

(6500000)

(less: Deduction u/s 35AD.

4000000

4000000

You described it well.

Total Income

4800000

Tax under normal pro. 1440000

(4800000 x 30%)

Tax under AMT (WN) ✓ 2562250

Tax payable

2562250

Add: Surcharge @ 12%

307470

APD: HEC @ 4%

2869720

114788

Total tax payable

✓ 2984510

W.W.

Computation of adjusted total income

E

Total Income	4800000
W.L.: Deduction u/s 35 AD	6500000
W.L.: Deduction u/s 32 ($6500000 \times \frac{1}{10}$)	(650000)

Add: ded. u/s 10AA	3900000
ATI	13850000

AMT @ 18.5% of ATI
 $(\text{₹}13850000 \times 18.5\%)$

2562210

marks 3

4(A)(i)

D) As per sec. 192 of Income Tax Act, 1961, TDS by any person responsible for paying any income chargeable under the head "Salaries". However, employer will be entitled to relief u/s 89 and consequently he will be required to furnish to person responsible for making the payment such particulars in such form as prescribed.

2) As per section 194B, of The Income Tax Act, 1981, if any person makes payment for winning from any game, crossword, Name, etc, require to deduct TDS @ 30% of amount exceed ₹ 1000.
 Therefore, ATI channel is req. to deduct TDS @ ₹ 1800000 × 30% = ₹ 300000

Performance is good

- 3) As per section 196, any payment made to central government does not require deduction of TDS.
- 4) As per section 194J, TDS @ 10% required to be deducted if consideration is paid for any professional service above ₹ 30,000.
Therefore, TDS @ $\frac{30000 \times 10\%}{100} = ₹ 3000$ required to be deducted.
- 5) As per section 194G, the person responsible for paying to any person stocking, distributing, purchasing or selling lottery ticket shall at time of audit of commission or payment, whichever is earlier, requires to deduct TDS @ 5%. If amt of commission exceed ₹ 1500.
Therefore, TDS @ $\frac{20000 \times 5\%}{100} = ₹ 1000$ required to be deducted.
- 6) As per sec. ~~194BB~~ 194BB, if any person make payment for winning from horse race, in excess of ₹ 10000, requires to deduct TDS @ 30%.
- Therefore, In given case TDS @ $\frac{500000 \times 30\%}{100} = ₹ 15000$ required to be deducted.

4 (A) (ii)

marks 3

As per section 206C, every seller shall collect TCS at source @ 0.75%. In case of sale of scrap from the buyer at the time of delivery of amt payable by buyer to account or except of such amount, whichever is earlier.

Scrap means waste and scrap from the manufacturing or mechanical working of material which is definitely not useable as such.

In the given scenario, Tulsi Pvt Ltd, a company engaged in ship breaking activity, sold some old and used plates, wood, etc., in respect of which it did not collect TCS from buyer. The GO claimed that such items are useable as such.
Performance is good

As defined above in meaning of scrap, such items sold by Tulsi Pvt Ltd can be used as such, therefore, they did not come under the definition of scrap, and there is no liability of Tulsi Pvt Ltd to collect TCS on such.

Therefore, the action of AD in treating such items as scrap is not tenable in law.

4 (b)

Computation of total income of Mr. Sunilch.
marks 6 PY 2020-21

Particulars

Amount

a) LTCG on transfer of foreign exchange asset less: expenses with transfer	650000 <u>(8000)</u>	570000
b) Income from <u>Other Source</u> -		
Interest on govt securities	95000	
Interest on deposit with public Ltd Co.	260000	
Dividend Income from Indian Co.	75000	
Int on dep. with publ Ltd Co.	<u>590000</u>	1020000

In this question you have performed well

Total Income

1590000

Computation of tax liability

① Tax on LTCG ($\text{£} 570000 \times 10\%$)	57000
② Tax on investment income ($95000 + 260000 + 75000$) $\times 20\%$	86000

③ Tax on other income (590000)	<u>30500</u>
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Total income tax

173500

ADD: HFC @ 4%.

6940

180440

Less: TDS

183800

Refund amt

3360

O. G. (A)

marks 5

(i) There is an arrangement of setting up of a unit in SEZ which results in a tax benefit. This is a case where tax payer is taking advantage of a fiscal incentive offered to him by complying with the conditions imposed & economic consequences of the provisions in legislation.

Hence, revenue would not invoke GAAR as regards this arrangement.

Good performance

(ii) As there is not misrepresentation of facts or false submissions, it is not a case of tax evasion. The Co. has tried to take advantage of tax provisions by diverting profits from non SEZ unit to SEZ unit.

This is not the intention of SEZ legislation. However, such tax avoidance is specifically dealt with through transfer pricing regulations that deny tax benefits.

Therefore GAAR will not revoke:

marks 3

6(6)

Computation of self assessment tax payable by Mr. Kamal

Particular

amt

Tax payable on the basis of return
less:
a) advance tax paid
b) TDS
c) amt of double taxation relief

200000
(40000)
(6000)
(10000)

Tax payable 90000

ADD: Fee u/s 234F 5000

Interest payable u/s 234A, 234B & 234C 43000
 $\text{£}(10000 + 20000 + 8000)$

Amt payable as self 133000
assessment tax

Tax Consequences —

(a) Mr. Kamal pays self-assessment tax of £ 105000.

Self assessment tax paid will be first utilized on fee and interest £ 48000 and balance amount

Out of Rs. 1,05,000, Rs. 5,000 shall be adjusted towards fee and Rs. 38,000 shall be adjusted towards interest payable u/s 234A/ 234B / 234C and the balance Rs. 62,000 towards tax payable. The balance tax payable Rs. 28,000 shall be recovered along with interest. Further, Mr. Kamal shall be liable to interest u/s 220 and penalty of upto Rs. 28,000 u/s 221

However, £ 76000 is still payable by Mr. Kamal and will also attract interest and late fee.

b) If Mr. Ravinder pays self-assessment tax of £ 35000, the whole amount will be adjusted towards fee £ 5000 & interest payable £ 30000. The balance sum payable £ 98000 / (or £ 90000 + Interest £ 8000) shall be recovered along with interest.

marks 3

6 (c)

Mr. Ravinder shall be deemed to be resident of that country with which he has closer personal & economic relation.

Since, Mr. Ravinder has a permanent house in UAE & also has a habitual abode in that country due to his employment in UAE, he shall be deemed to be resident of UAE for AY 2021-22.

However, in order to claim relief under DTAA, Mr. Ravinder has to obtain a tax residency certificate.

Therefore, Income from dividend, interest & capital gain will be taxed in India, and if as per DTAA agreement with UAE any concessional rate is applicable, it will be taxed at such concessionary rate.

Therefore, claim of Ravinder that none of income earned by him in India, will not be taxed because of DTAA is wrong.