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Question Paper	
Direct Tax Laws	Duration: 60
Details: Test – 4	Marks: 30

Instructions:

- All the questions are compulsory
- Properly mention test number and page number on your answer sheet, Try to upload sheets in arranged manner.
- In case of multiple choice questions, mention option number only Working notes are compulsory wherever required in support of your solution
- Do not copy any solution from any material. Attempt as much as you know to fairly judge your performance.

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Q-1: X Ltd., Y, Z and C Ltd. (e-commerce participants) supply goods in India through Klipkart (a Singapore based website) owned by Klipkart Ltd. Klipkart Ltd. wants to know tax to be deducted under section 194-O in the following different situations—

Situation	Particulars
1.	During the financial year 2021-22, X Ltd. sells goods of Rs. 54 lakh through Klipkart Ltd. Klipkart Ltd transfers Rs.45.9 lakh (i.e., gross sales: Rs.54 lakh minus commission :15%) through RTGS on 31-03-2022.
2.	The above payment is made by Klipkart Ltd. in 3 installments – Rs.23.8 lakh on 01-01-2022, Rs.9.35 lakh on 01-03-2022 and the balance of Rs.12.75 lakh is transferred to the account of X Ltd. (in the books of Klipkart Ltd.) on 31-03-2022 (actual payment is made through RTGS on 18-05-2022).
3.	In Situation 2, assume that e-commerce participant is not X Ltd, but X, an individual.
4.	During the financial year 2021-22, Y (an individual, e-commerce participant) supplies services (aggregate value of which is Rs.3.5 lakh) through Klipkart Ltd. Y has furnished his PAN to Klipkart Ltd.
5.	During the financial year 2021-22, Z (an individual, e-commerce participant) supplies goods (aggregate value of which is Rs.5 lakh) through Klipkart Ltd. Z has furnished his PAN to Klipkart Ltd.
6.	C Ltd. is an e-commerce participant. It supplies goods in India through Klipkart Ltd. (i.e., e-commerce operator). During the financial year 2021-22, C Ltd. sells goods of Rs.80 lakh through Klipkart Ltd., out of which Rs.30 lakh is directly received by C Ltd. and Rs. 50 lakh is received first by Klipkart Ltd. and later on it is remitted to C Ltd. on 31-03-2022. Commission of C Ltd. in the two cases is 15%. C Ltd. gets the payment directly from the customers as follows—

	<p>(a) First payment of Rs.18 lakh - It is received by C Ltd. on 06-10-2021.</p> <p>(b) Second payment of Rs.12 lakh - Received by C Ltd. on 10-01-2022.</p> <p>Amount of Rs.50 lakh is remitted by Klipkart Ltd. (after deducting 15% of Rs.80 lakh as commission) to C Ltd. on 31-03-2022.</p>
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(6 Marks)

Q-2: Discuss the following with reference provisions of the Act relating to appeals filed before Income Tax Appellate Tribunal –

- (1) A petition for stay of demand was filed before ITAT by Mr. X in respect of a disputed demand for which appeal was pending before it, on which stay was granted by the ITAT for 120 days vide order dated 1-1-2021. The appeal has not been disposed of until 30-4-2021.
- (2) The Appellate Tribunal passed an order on 2-2-2022. However, afterwards it suo moto finds a mistake in the said order, and hence rectifies the same on 2-8-2022.
- (3) The assessee, whose appeal has been decided by the Tribunal on 8-8-2017, applies for review of the same on 1-2-2021. Is he correct?
- (4) Mr. X has showed income of Rs 50 lakhs in the return filed by him. However, the Assessing Officer assesses the same at Rs 56 lakhs. Hence, Mr. X filed an appeal before the Commissioner (Appeals) which passed an order against him. Aggrieved by the order of the Commissioner (Appeals), Mr. X files an appeal before the Tribunal and his matter is being heard by a single member bench.

(4 Marks)

Q-3: Discuss the following in light of the provisions of section 143-

- (1) Mr. Ramesh filed his return of the assessment year 2022-23. The assessing officer finds that there is some arithmetic calculation mistake in the return. The Assessing officer decides to make necessary adjustments to the income/tax shown in the return, so as to rectify such mistake.
- (2) Mr. Suresh filed his return of the assessment year 2022-23 on 31-07-2022. He has claimed set-off of brought business loss for assessment year 2021-22 [The return of the assessment year 2021-22 was furnished beyond the due date specified under Section 139(1)1. He has received intimation under Section 143(1) for assessment year 2022-23 on 1-10-2022 in which set off of loss so claimed is to be disallowed. The essence has not responded to the intimation till 31-10-2022.
- (3) Mr. Suresh filed his return of income for the assessment year 2021-22 on 5th July 2021. A sum of Rs. 25,000/- is refundable to him as per the return. What is the time limit within which he can expect the receipt of intimation in respect of amount of refund?
- (4) Mr. Munish filed his return of income for the assessment year 2021-22 on 1st April 2021. As per the return, a sum of Rs.50,000/- is payable by him. He receives intimation on 1st April 2022 in respect of the said return. He is waiting for the issue of notice of demand in respect of the said sum of Rs. 50,000/-.
- (5) Mr. Sanjay has not filed his return of income for the assessment year 2021-22. On 15th July 2021, he receives a notice under section 143(2) from the Income tax Department requiring Mr. Sanjay to attend the office of the assessing officer on 1st August 2021.

(5 Marks)

Q-4: Fearless General Finance & Investment Limited, a residuary non-banking company, accepts public deposits, issues deposit certificate and repays the same after some period of time along with interest, under different schemes run by it. Following transactions were noted from their books of account:

- I. Mr. A, an individual, has deposited Rs. 15,000 on 1st May, 2017 for 48 months by bearer cheque and another Rs. 15,000 on 30th June, 2020 in cash to purchase a new certificate of 48 months tenure.
- II. Mr. A has applied for premature withdrawal against both the certificates and the company has paid him Rs. 16,500, by a bearer cheque, against principal and interest on 23rd March, 2021, due against his first certificate (purchased in 2017) and Rs. 15,500 in cash on 25th March, 2021, against the second certificate.

Discuss the violation of income tax provision, if any, and consequential penalty for each transaction. Will it make any difference if the certificates were held by Mr. A with his wife Mrs. A, jointly, while repaying back in cash or bearer cheque?

(5 Marks)

Q-5: The business premises of Ram Bharose Ltd. and the residence of two of its directors at Delhi were searched under section 132 by the DDI, Delhi. The search was concluded on 9.8.2019 and following were also seized besides other papers and records:

- (i) Papers found in the drawer of an accountant relating to Shri Krishna Ltd., Mumbai indicating details of various business transactions. However, Ram Bharose Ltd. is not having any direct or indirect connection of any nature with these transactions and Shri Krishna Ltd., Mumbai and its directors.
- (ii) Jewellery worth Rs.5 lacs from the bed room of one of the director, which was claimed by him to be of his married daughter.
- (iii) Papers recording certain transactions of income and expenses having direct nexus with the business of the company for the period from 16.4.2016 to date of search. It was admitted by the director that the transactions recorded in such papers have not been incorporated in the books.

You are required to answer on the basis of aforesaid and the provisions of Act, following questions:

- (a)** What action the DDI shall be taking in respect of the seized papers relating to Shri Krishna Ltd., Mumbai?
- (b)** Whether the contention raised by the director as to jewellery found from his bed-room will be acceptable?
- (c)** What presumption shall be drawn in respect of the papers which indicate transactions not recorded in the books?
- (d)** Can the company move an application for settlement of case as per Chapter XIX-A of the Act?

(5 Marks)

MCQ's

1. On 01-07-2021. Mr. Rajesh started a 9 month recurring deposit of Rs. 1,80,000 per month @ 6.25% p.a. with TP Bank. The recurring deposit matures on 31-03-2021. Interest on such deposit amount is Rs. 42,590. Examine the TDS implications under section 194A.
- A.** Tax is required to be deducted by TP Bank on the interest of Rs. 42,590 as it exceeds the threshold limit of Rs. 40,000/-
 - B.** Tax is not required to be deducted by TP Bank on the interest of Rs. 42,590/- as it does not exceeds the threshold limit of Rs. 50,000/-
 - C.** Tax is required to be deducted by TP Bank on the interest of Rs. 42,590/- as it exceeds the threshold limit of Rs. 5,000/-

D. Tax is required to be deducted by TP Bank on the interest of Rs. 42,590/- as it exceeds the threshold limit of Rs. 10,000/-

2. In case of assessment of a person where search is Initiated u/s 132 and requisition is made u/s 132A, the Assessing Officer shall Issue a notice to such person requiring him to furnish a return of Income within such period as may be specified in the notice for _____.

A. 12 assessment years immediately proceeding the assessment year relevant to the previous year in which the search is conducted or the requisition is made and of the relevant assessment year or years.

B. 8 assessment years immediately preceding the assessment year relevant to the previous year in which the search is conducted or the requisition is made and of the relevant assessment year or years.

C. 6 assessment years immediately proceeding the assessment year relevant to the previous year in which the search is conducted or the requisition is made and of the relevant assessment year or years.

D. 4 assessment years immediately proceeding the assessment year relevant to the previous year in which the search is conducted or the requisition is made and of the relevant assessment year or years.

3. For Assessment Year 2016-17, assessment under section 143(3) was made at Rs.30 lakhs as against the returned income of Rs. 6,00,000/-. The assessee filed a revision application under section 264 on 25.12.2018 contending that the assessment was made in haste since the assessment was getting time-barred. The CIT under section 264 by his order dated 30.06.2019 cancelled the assessment and directed the Assessing Officer to make a fresh assessment after giving reasonable opportunity of being heard to the assessee. The said order under section 264 is received by the Assessing Officer on 4.7.2019. By what time should the fresh assessment be completed?

- A. Up to 31.3.2022
- B. Up to 31.3.2021
- C. Up to 31.3.2020
- D. Up to 30.9.2021

4. Which of the following benefits are not allowable to Ms. Sakshi, a non- resident, while computing her total income and tax liability for A.Y. 2021-22 under the Income-tax Act, 1961?

- A. Deduction of 30% of gross annual value while computing her income from house property in Bangalore
- B. Tax rebate of Rs. 9,500 from tax payable on her total income of Rs. 4,40,000/-
- C. Deduction for donation made by her to Prime Minister's National Relief Fund
- D. Deduction for interest earned by her on NRO savings account permitted to be maintained by RBI

5. An assessment order u/s 143(3) dated 15-9-2021 was served on the assessee on 25-09-2021. The Commissioner wants to make a revision of the order passed u/s 143(3) by invoking section 263. The time limit for passing revision order u/s 263 is:

- A. 31st March, 2022
- B. 31st March, 2023
- C. 31st March, 2024
- D. 26th September, 2025

(1 × 5 = 5 Marks)