

MOCK TEST PAPER 1

FINAL COURSE: GROUP - II

PAPER – 7: DIRECT TAX LAWS AND 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 Questions in Division A, working notes are not required.

All questions relate to Assessment Year 2022-23, unless stated otherwise in the question.

Total Marks: 100 Marks

Time Allowed: 3 Hours

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

Yatra Ltd. is an Indian company set up on 1.10.2021 for printing of books. On the same date, it installed new plant and machinery for ₹ 2 crore and put the same to use immediately. It employed 220 new employees on the said date @ ₹ 24,000 per month per employee. Their emoluments were paid by way of account payee cheque and all of them participate in recognized provident fund.

Shiva Ltd. is an Indian company engaged in the business of generation of electricity. The company was set up on 1.4.2019 and on that date, it had employed 500 new employees, all of whom participate in recognized provident fund. The emoluments of these employees were paid by ECS through bank account @ ₹ 17,000 per employee per month for 160 employees @ ₹ 21,000 per employee per month for 120 employees and @ ₹ 26,000 per employee per month for 220 employees. It exercises option for depreciation on written down value method on block of assets. On 1.10.2021, the company installed new plant and machinery of ₹ 9 crore and put the same to use immediately. The company has received dividend of ₹ 60 lakhs from other domestic companies during the P.Y.2021-22. Shiva Ltd. distributed dividend of ₹ 72 lakhs for the P.Y.2021-22 in July 2022.

The gross total income for A.Y. 2022-23 computed under the special provisions of the Income-tax Act, 1961 is ₹ 7.20 crore of Shiva Ltd. and ₹ 1.30 crore of Yatra Ltd.

Based on the facts of the above case scenario, choose the most appropriate answer to Q.1 to Q. 5 below:

1. Which of the following statements is correct with respect to concessional tax regime under the Income-tax Act, 1961?
 - (i) Both Shiva Ltd. and Yatra Ltd. are eligible to opt for concessional tax regime under section 115BAB.
 - (ii) Both Shiva Ltd. and Yatra Ltd. are not eligible to opt for concessional tax regime under section 115BAB.
 - (iii) Both Shiva Ltd. and Yatra Ltd. are eligible to opt for section 115BAA
 - (iv) Yatra Ltd. is eligible to opt for section 115BAB but Shiva Ltd. is not eligible for 115BAB.
 - (v) Both Shiva Ltd. and Yatra Ltd. are not eligible to opt for concessional tax regime under section 115BAA.

Choose the correct option:

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- (a) (i) & (iii)
- (b) (ii) & (iii)

- (c) (ii) & (v)
- (d) (iii) & (iv)
2. If Shiva Ltd. and Yatra Ltd. opted for concessional tax regimes, can they claim deduction under section 80JJAA? If yes, what would be the amount of deduction available while computing total income for the A.Y. 2022-23?
- (a) Yes, both can claim deduction under section 80JJAA; ₹ 1,88,64,000 allowable as deduction to Shiva Ltd. and ₹ 95,04,000 allowable as deduction to Yatra Ltd.
- (b) No deduction under section 80JJAA allowable to Shiva Ltd. and ₹ 95,04,000 allowable as deduction to Yatra Ltd.
- (c) ₹ 1,88,64,000 allowable as deduction under section 80JJAA to Shiva Ltd. and no deduction is allowable to Yatra Ltd.
- (d) No, they can not claim deduction under section 80JJAA, since they both are opting for concessional tax regimes.
3. What would be the total income and tax liability of Shiva Ltd. for the A.Y. 2022-23, if it opts for concessional tax regime?
- (a) ₹ 4,71,36,000 and ₹ 1,15,39,650
- (b) ₹ 5,31,36,000 and ₹ 1,33,73,270
- (c) ₹ 6,60,00,000 and ₹ 1,66,10,880
- (d) ₹ 4,71,36,000 and ₹ 1,18,63,190
4. What would be the tax liability of Yatra Ltd. for the A.Y. 2022-23, if it opts for concessional tax regime?
- (a) ₹ 32,71,840
- (b) ₹ 22,30,800
- (c) ₹ 5,99,910
- (d) ₹ 8,79,870
5. What would be the total income Shiva Ltd. and Yatra Ltd. for the A.Y. 2022-23, computed as per the normal provisions of the Income-tax Act, 1961?
- (a) ₹ 2,91,36,000 and ₹ 90,00,000
- (b) ₹ 4,71,36,000 and ₹ 1,30,00,000
- (c) ₹ 5,40,00,000 and Nil
- (d) ₹ 4,80,00,000 and ₹ 90,00,000

(2 x 5 = 10 Marks)

Case Scenario II

M/s. TMP LLP filed its return of income for A.Y.2022-23, declaring total income of ₹ 18 lakhs, on 2nd December, 2022. On processing of return, the total income determined under section 143(1)(a) was ₹ 22 lakhs, after disallowing claim for deduction under section 10AA on account of late furnishing of return of income. Thereafter, on scrutiny, the Assessing Officer made some additions under section 40(a)(ia) and section 43B and passed an assessment order under section 143(3) assessing total income of ₹ 35 lakhs. Later on, the Assessing Officer noticed that some information is flagged for A.Y. 2022-23 suggesting that certain income chargeable to tax had escaped assessment. Based on the said information, notice under section 148 was issued for making reassessment under section 147 after compliance with the requirements stipulated under section 148A. The total income reassessed under section 147 was ₹ 42 lakhs.

Consider that none of the additions or disallowances made in the assessment or re-assessment as above qualifies under section 270A(6). Based on the facts of the above case scenario, choose the most appropriate answer to Q. 6 to 10 below:

6. For the purpose of answering this question alone, assume that intimation under section 143(1)(a) was sent to M/s TMP LLP on 1.2.2024. would such intimation be valid?
 - (a) Yes, since it was sent within one year from the end of the financial year in which return was made.
 - (b) No, since it was sent after the expiry of nine months from the end of the financial year in which return was made.
 - (c) No, since it was sent after the expiry of one year from the end of the month in which return was made.
 - (d) No, since it was sent after the expiry of nine months from the end of the month in which return was made.
7. For the purpose of answering this question alone, assume that in case of M/s TMP LLP, certain other incomes (which had escaped assessment and came to Assessing Officer's notice subsequently in the course of reassessment proceedings) were also assessed or reassessed in the reassessment order made under section 147, in respect of which provisions of section 148A were not complied with. Examine whether the action of the Assessing Officer is valid while making reassessment order in respect of such incomes?
 - (a) The action of the Assessing Officer is not valid, since reassessment cannot be made in respect of other incomes which comes to his notice subsequently.
 - (b) The action of the Assessing Officer is not valid, since provisions of section 148A are not complied with.
 - (c) The action of the Assessing Officer is not valid, due to the reasons mentioned in (a) and (b) above.
 - (d) The action of the Assessing Officer is valid.
8. Compute the amount of penalty to be levied under section 270A of the Income-tax Act, 1961 at the time of assessment made under section 143(3)? Assume under-reporting of income is not on account of misreporting.
 - (a) ₹ 2,02,800
 - (b) ₹ 2,65,200
 - (c) ₹ 5,30,400
 - (d) ₹ 4,05,600
9. Compute the amount of penalty to be levied under section 270A of the Income-tax Act, 1961 at the time of reassessment under section 147. Assume under-reporting of income is on account of misreporting.
 - (a) ₹ 1,09,200
 - (b) ₹ 4,36,800
 - (c) ₹ 2,18,400
 - (d) ₹ 3,12,000
10. In continuation to Q 9, assume reassessment order made under section 147 was received on 12.12.2023 and M/s TMP LLP does not prefer appeal against such order, can M/s TMP LLP make application for grant of immunity from penalty? If yes, what is time limit for making the said application?
 - (a) No, M/s TMP LLP cannot make application for grant of immunity

- (b) Yes, M/s TMP LLP can make application for grant of immunity on or before 11.01.2024
- (c) Yes, M/s TMP LLP can make application for grant of immunity on or before 31.01.2024
- (d) Yes, M/s TMP LLP can make application for grant of immunity on or before 31.03.2024

(2 x 5 = 10 Marks)

11. Mr. Sharma, a resident Indian, is in retail business and his turnover for F.Y.2020-21 was ₹ 11.8 crores. He regularly purchases goods from another resident, Mr. Tondon, a wholesaler, and the aggregate payments made during the F.Y.2021-22 was ₹ 127 lakh (₹ 45 lakh on 15.4.2021, ₹ 15 lakh on 1.5.2021, ₹ 20 lakh on 1.6.2021, ₹ 25 lakh on 12.8.2021 and ₹ 22 lakh on 23.11.2021). Assume that the said amounts were credited to Mr. Tondon's account in the books of Mr. Sharma on the same date except for purchases made on 1.5.2021 and 12.8.2021. Purchases made on 1.5.2021 and 12.8.2021 were credited on 29.4.2021 and 10.8.2021, respectively. Mr. Tondon's turnover for F.Y.2020-21 was ₹ 18 crores. Examine the TDS/TCS implications, if any, under the Income-tax Act, 1961.

- (i) TCS u/s 206C(1H) required to be collected on 29.4.2021 of ₹ 1,000 and on 1.6.2021 of ₹ 2,000
- (ii) TCS u/s 206C(1H) required to be collected on 1.5.2021 of ₹ 1,000 and on 1.6.2021 of ₹ 2,000.
- (iii) TDS u/s 194Q required to be deducted of ₹ 2,500 on 10.8.2021 and ₹ 2,200 on 23.11.2021
- (iv) TDS u/s 194Q required to be deducted of ₹ 2,500 on 12.8.2021 and ₹ 2,200 on 23.11.2021
- (v) Only TDS u/s 194Q is required to be deducted of ₹ 7,700 on the date of credit of respective amount to Mr. Tondon's account.

Choose the correct option:

- (a) (i) & (ii)
- (b) (i) & (iv)
- (c) (ii) & (iii)
- (d) (v)

(2 Marks)

12. Mr. Ravi Prakash, a resident Indian aged 79 years, gets pension of ₹ 58,000 per month from the Rajasthan State Government. The same is credited to his savings account in SBI, Kota Branch. In addition, he gets interest@8% p.a. on fixed deposit of ₹ 28 lakh with the said bank. On 1.1.2022, he deposited ₹ 3 lakhs as five year term deposit in same account at interest rate of 8.5%. Interest on savings bank credited to his SBI savings account for the P.Y.2021-22 is ₹ 8,600.

What would be the tax liability of Mr. Ravi Prakash for the A.Y. 2022-23? Is Mr. Ravi Prakash required to file his return of income for A.Y.2022-23, if tax deductible at source has been fully deducted? Assume that Mr. Ravi Prakash has not opted for section 115BAC.

- (a) ₹ 48,880; No, Mr. Ravi Prakash is not required to file his return of income
- (b) ₹ 59,280; Mr. Ravi Prakash is required to file his return of income, since his total income exceeds ₹ 5,00,000
- (c) ₹ 61,880; No, Mr. Ravi Prakash is not required to file his return of income
- (d) ₹ 61,880; Mr. Ravi Prakash is required to file his return of income, since his total income exceeds ₹ 5,00,000

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(2 Mark)

13. ABC Ltd., an Indian company, paid Interest on loan taken from a wholly owned subsidiary Pix Inc., UK for ₹ 25 million. The TPO identified the following uncontrolled observations to arrive at this ALP:

Observation	Interest rate
1	5%
2	8%
3	14%
4	6%
5	12%
6	17%

What are the values (percentages) in the dataset to be selected by the TPO while computing the arm's length interest rate applying the range concept as per Rule 10CA?

- (a) 35th percentile – 8%, Median – 10%, 65th percentile – 12%
 (b) 35th percentile – 14%, Median – 10%, 65th percentile – 6%
 (c) 35th percentile – 4.9%, Median – 10%, 65th percentile – 11.05%
 (d) Arithmetic mean - 10.33%

(2 Marks)

14. T Inc., Country X, advanced USD 10 million on 1.06.2021 to KS(P) Ltd., India, in foreign currency. KS (P) Ltd accepted the loan amount under an agreement approved by the Central Government of India. The loan carries interest@9% per annum payable in foreign currency. For the financial year 2021-22, KS (P) Ltd paid interest after deducting income-tax on 31.03.2022. The TT buying rates on 01.06.2021 is 1 USD = ₹ 69; on 31.03.2022 is 1 USD = ₹ 70. What is the income-tax liability of T Inc. in India for the assessment year 2022-23 in respect of interest income earned in foreign currency from KS (P) Ltd?

- (a) Nil, exempt income
 (b) ₹ 55.692 lakhs
 (c) ₹ 111.384 lakhs
 (d) ₹ 27.846 lakhs

(2 Marks)

15. T Process Ltd, an Indian company entered into a business agreement with G LLP of UK in September 2021 for export of goods to various countries as directed by G LLP. The amount of transaction between T Process Ltd and G LLP by way of sale of goods would be ₹ 180 crores spread over 3 financial years commencing from 01.10.2021. The parties (i.e., both T Process Ltd and G LLP) apprehend some ambiguity as regards the income chargeable to tax in the hands of G LLP in India and T Process Ltd. Can T Process Ltd seek advance ruling in relation to its tax liability arising in respect of its transactions with G LLP? If so, how much is the amount of fee to be paid for seeking advance ruling?

- (a) It cannot seek advance ruling in relation to its tax liability, since T Process Ltd. is an Indian company. Hence, the question of paying fees does not arise.
 (b) It can seek advance ruling since value of transaction undertaken or proposed to be undertaken exceeds ₹ 100 crores. The amount of fee would be ₹ 5,00,000.
 (c) It can seek advance ruling since value of transaction undertaken or proposed to be undertaken exceeds ₹ 100 crores. The amount of fee would be ₹ 10,00,000.
 (d) It cannot seek advance ruling since value of transaction undertaken or proposed to be undertaken is only ₹ 60 crores in a year. Hence, the question of paying fees does not arise.

(2 Marks)

Division B – Descriptive Questions

Question No. 1 is compulsory

Attempt any **four** questions from the remaining **five** questions

1. Diamond Industries Limited, a domestic company, is engaged in the manufacturing of washing machines since 01-11-2020 in the State of Rajasthan. The net profit of the company as per Statement of Profit and Loss for the year ended 31st March, 2022, revealed profit of ₹ 1,47,50,000 after debiting or crediting the following items:
- (i) Depreciation charged during the year amounted to ₹ 34,00,000.
 - (ii) Lumpsum consideration of ₹ 36 lakhs paid to a foreign company for obtaining designs & models of washing machines and on 12-12-2021.
 - (iii) Purchased washing machine panels valued at ₹ 96 lakhs from Shipra Ltd. in which directors have substantial interest. The market value of the goods is ₹ 82 lakhs.
 - (iv) Cash subsidy of ₹ 15 lakhs received from State Government on acquisition of new plant & machinery [mentioned at point (c) in additional information] acquired on 01-07-2021 which was credited to Statement of profit and loss.
 - (v) Legal expenses incurred for issue of bonus shares at ₹ 6 lakhs and legal expenses for issue of right shares at ₹ 8 lakhs.
 - (vi) Short term capital gains of ₹ 15 lakhs arising on transfer of a capital asset being equity shares in a company on which security transaction tax is charged.
 - (vii) Long term capital gains (arrived at after taking indexation benefit) on transfer of Zero Coupon Bonds: ₹ 8 lakhs

Additional information:

- (a) Depreciation eligible under section 32 is ₹ 36 lakhs.
- (b) During the previous year 2021-22, the company transferred unlisted equity shares for a consideration of ₹ 22,00,000 which were acquired on 12.12.2020. Cost of these shares acquired is ₹ 12,00,000.
- (c) New Plant & Machinery acquired on 01-07-2021 for ₹ 75 lakhs and payment of ₹ 10 lakhs made by bearer cheque and balance by way of transfer through RTGS. Depreciation on this machinery not included in depreciation amount given at point (a).

The Company has opted for concessional rate of tax under section 115BAB in the year of incorporation.

Compute the total income and tax payable for the Assessment Year 2022-23 clearly stating the reasons for treatment of each item. **(14 Marks)**

2. (a) Gamma Ltd., a domestic company, provides the following information of its Statement of Profit and Loss for the year ended on 31/03/2022. It earned profit of ₹ 20 lakhs after debiting/crediting of the below items:

Items debited to Statement of Profit and Loss:

No.	Particulars	₹
1.	Provision for the loss of subsidiary	1,70,000
2.	Provision for doubtful debts	1,75,000
3.	Provision for income-tax	2,05,000
4.	Provision for gratuity based on actuarial valuation	3,00,000
5.	Depreciation	4,60,000
6.	Interest to financial institution (unpaid before filing of return)	2,00,000
7.	Penalty for infraction of law	1,50,000

Items credited to Statement of Profit and Loss:

No.	Particulars	₹
1.	Profit from unit established in special economic zone	6,00,000
2.	Share in income of an AOP as a member	2,00,000
3.	Income from units of UTI	1,75,000

Other Information:

- (i) Provision for income-tax includes ₹ 55,000 of interest payable on income-tax.
- (ii) Depreciation includes ₹ 2,50,000 on account of revaluation of fixed assets.
- (iii) Depreciation as per Income-tax Rules is ₹ 3,80,000.
- (iv) Brought forward loss of ₹ 11 lakhs include unabsorbed depreciation of ₹ 5 lakhs.
- (v) The AOP, of which the company is a member, has paid tax at maximum marginal rate.

Compute minimum alternate tax under section 115JB of the Income-tax Act, 1961, for A.Y. 2022-23, assuming that Gamma Ltd. is not required to comply with the Indian Accounting Standards.

(8 Marks)

- (b) Compute the total income and tax payable in India by Mr. Narayan, an individual resident in India, aged 25 years for the Assessment Year 2022-23 from the following information furnished by him for the year ended 31.3.2022:

Mr. Narayan earned royalty income of ₹ 18 lakhs from SIP Inc. of Country X, for writing articles in journals and newspapers for the year ended 31.03.2022. However, he received only ₹ 13.60 lakhs during the previous year 2021-22 and the balance is outstanding as on 31.03.2022. He maintains cash system of accounting for royalty income.

He also earned a rental income of ₹ 3.60 lakhs (gross) from a house situated in Country X. Municipal taxes paid in respect of the house amounted to ₹ 12,000 which is not allowed as deduction in Country X. No DTAA exist between India and Country X. In Country X, all incomes are charged to tax @15%.

He further earned ₹ 5.50 lakhs during the year, as dividend from M Ltd., an Indian company. On 1.04.2021, he took an educational loan from bank for his son who was pursuing MBA.

Annual repayment of loan and interest amounted to ₹ 1.40 lakhs and ₹ 0.36 lakhs, respectively.

Assume that Mr. Narayan does not opt for section 115BAC.

(6 Marks)

3. (a) Based on the relevant provisions of Income-tax Act and judicial pronouncements, discuss about the treatment of the following:
- (i) Educare, a public charitable trust, sold one of its building on 15th September, 2021, which was held by it for charitable purposes, for ₹ 5 lakhs. The asset was acquired on 23-6-2020 for ₹ 3.7 lakhs. It invested ₹ 4 lakhs in fixed deposits for the tenure of 2 years.
 - (ii) Samarpit, a trust established for the purpose of religious and charitable purposes. It runs a hospital and a school. During the year 2021-22, it received anonymous donation amounting to ₹ 3.2 crores in hospital and ₹ 4.8 crores specifically for the purpose of school.
 - (iii) Satya Trust runs an educational institution and a hospital. During the P.Y. 2021-22 the trust had annual receipts of ₹ 3.5 crores from its educational institution and ₹ 4.2 crore from the hospital. During the P.Y. 2021-22, it desires to avail exemption under section 10(23C)(iiia) and 10(23C)(iiiae), as the individual threshold under each of the sub-clauses, is less than ₹ 5 crore. Can it do so? Examine.

(8 Marks)

- (b) PR Ltd. is an Indian company engaged in the manufacturing of supreme quality cotton bedsheets. It has total borrowings of ₹ 60 crores by way of loan as on 31.03.2022. SK Ltd. of Canada imported 4 lakh bedsheets from PR Ltd. for the resale in Canada @ ₹ 2,200 per unit. PR Ltd. sold similar bedsheets to other dealers in Canada @ ₹ 2,300 per unit.

PR Ltd. received a bank guarantee on 1.04.2021 for availing a cash credit limit of ₹ 9 crores for which SK Ltd. was the guarantor. The terms of trade for other dealers was to make payment within 1 month from the date of sale of goods by PR Ltd., whereas for SK Ltd., the credit period allowed was 3 months from the date of sale of goods. The cost of capital was 12% per annum and the supply of goods is assumed to be uniform throughout the year.

You are required to determine whether PR Ltd. and SK Ltd. are associated enterprises. If yes, compute the ALP of the transaction between them and the amount to be added to the income of PR Ltd., if any, by way of an ALP adjustment.

Assuming that the above adjustments to the transfer price have been made suo-moto by PR Ltd. in its return of income, what is the time limit for the repatriation of such excess money? What are the implications if the excess money is not repatriated within such prescribed time limit?

(6 Marks)

4. (a) Examine whether TDS provisions would be attracted in the following cases, and if so, under which section. Also, specify the rate of TDS applicable in each case. Assume that all payments are made to residents.
- (i) Mr. Suresh, an individual carrying on retail business with turnover of ₹ 3.2 crores in the P.Y.2020-21. He made contract payment for repair of residential house of ₹ 3 lakhs and ₹ 75,000 towards commission to Mr. Vallish for business purposes.
- (ii) Mr. Rajesh, a wholesale trader whose turnover was ₹ 95 lakhs in P.Y. 2020-21. He made payment of ₹ 20 lakhs in January, 2022, ₹ 12 lakhs in Feb 2022 and ₹ 23 lakhs in March 2022 for reconstruction of his residential house.

(4 Marks)

- (b) Sunshine Ltd. took on sub-lease a building from James, an individual, with effect from 1.9.2021 on a rent of ₹ 20,000 per month. It also took on hire machinery from James with effect from 1.10.2021 on hire charges of ₹ 18,000 per month. Sunshine Ltd. entered into two separate agreements with James for sub-lease of building and hiring of machinery. The rent of building and hire charges of machinery for the financial year 2021-22 were ₹ 1,40,000 and ₹ 1,08,000, respectively, which were credited by Sunshine Ltd. to the account of James in its books of account on 31.3.2022. Examine the obligation of Sunshine Ltd. with regard to deduction of tax at source in respect of the rent and hire charges.

(4 Marks)

- (c) Ridham Ltd. provides you the Profit and loss A/c for the Financial Year 2020-21 and Financial Year 2021-22:

₹ in lakhs

Particulars	For the F.Y. 2020-21	For the F.Y. 2021-22	Particulars	For the F.Y. 2020-21	For the F.Y. 2021-22
Employees Benefit Expenses	390	402	Gross Profit	2030	1780
Interest paid to M & T Inc.	562	389			
Depreciation	250	254			
Income Tax	271	332			
Profit transferred to Reserves	557	403			
	2030	1780		2030	1780

On 23rd June 2020, Ridham Ltd., an Indian Company borrowed ₹ 120 crores from M & T Inc., a company incorporated in Country M. The said loan is repayable over a period of 4 years. This loan is guaranteed by Lite Ltd., a company incorporated in Country Y. Lite Ltd. holds 36% shares in Ridham Ltd.

Calculate the income under the head Profits and Gains from business and profession of Ridham Ltd. for the Assessment Year 2022-23, assuming the gross profit is calculated as per the provisions of Income-tax Act and Depreciation is also as per Income-tax Rules. Give appropriate reasons of your workings. Assume none of the companies are engaged in the business of banking.

(6 Marks)

5. (a) The business premises of Lata 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 9.8.2021 and following were also seized besides other papers and records:

- (1) Papers found in the drawer of an accountant relating to SK Ltd., Bhopal indicating details of various business transactions. However, Lata Ltd. is not having any direct or indirect connection of any nature with these transactions and SK Ltd., Bhopal and its directors.
- (2) Jewellery worth ₹ 16 lacs from the bedroom of one of the directors, which was claimed by him to be of his married daughter.

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

- (i) What action the DDI shall be taking in respect of the seized papers relating to SK Ltd., Bhopal?
- (ii) Whether the contention raised by the director as to jewellery found from his bedroom will be acceptable?

(4 Marks)

- (b) 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)

- (c) Explain the nexus approach recommended by OECD in BEPS Action Plan 5 which has been adopted in the Income-tax Act, 1961.

(6 Marks)

6. (a) A liquidator is appointed by TPO Ltd. which is undergoing liquidation. What are the statutory obligations and restrictions on the part of the liquidator under the Income-tax Act, 1961 after being so appointed? What are the consequences if he fails to perform such obligations?

(4 Marks)

- (b) Atharva (25 years) and Vihaan (32 years) are two individuals, resident in India, and they earned salary of ₹ 13 lakhs each during the previous year 2021-22. Vihaan had paid interest of ₹ 2,20,000 on loan taken in respect of a self-occupied house property. Atharva had paid ₹ 24,000 towards medical insurance of himself and his spouse. Payment was made through net banking.

You, as a consultant, are required to advise them whether they should opt for concessional rate of tax under section 115BAC or otherwise, showing the tax liability of both individuals.

(4 Marks)

(c) Trade & Co., a non-resident entity based in Australia, owns and operates an electronic facility through which it effects online sale of goods manufactured by it. Discuss the equalisation levy implications of the following receipts for the P.Y.2021-22 in the hands of Trade & Co., if –

- (i) Trade & Co. has no permanent establishment in India
- (ii) Trade & Co. has a permanent establishment in India, and the sale of goods is effectively connected to the permanent establishment in India

	Particulars	Amount in ₹
(a)	Receipts from sale of goods to persons resident in India	180 lakhs
(b)	Receipts from sale of goods to persons not resident in India but resident in other parts of South-East Asia	80 lakhs
	Out of the said sum, ₹ 38 lakhs relates to receipts from persons using internet protocol address located in India.	

Would your answer change if out of the receipts in (b) above, only ₹ 14 lakhs relate to receipts from persons using internet protocol address located in India? **(6 Marks)**