

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)