

Paper 7 – Direct Tax Laws & International Taxation (New Course)

1. Air India Ltd. has paid amount of Rs.20 lakhs during the year ended 31.3.2019 to Airports Authority of India towards landing and parking charges.
 - (a) No tax is deductible at source from such payment
 - (b) Tax is deductible at source@2% u/s 194C on such payment
 - (c) Tax is deductible at source@2% u/s 194-I on such payment
 - (d) Tax is deductible at source@10% u/s 194-I on such payment
2. A Ltd. credited Rs.28,000 towards fees for professional services and Rs.27,000 towards fees for technical services to the account of Ram in its books of account on 12.11.2018. The total sum of Rs.55,000 was paid by cheque to Ram on the same date.
 - (a) No tax is deductible at source from such payment
 - (b) Tax is deductible at source@10% u/s 194J on the entire payment of Rs.55,000
 - (c) Tax is deductible at source@10% u/s 194J on Rs.25,000 (Rs.55,000 - Rs.30,000)
 - (d) Tax is deductible at source@2% u/s 194-J on Rs.25,000 (Rs.55,000 - Rs.30,000)
3. Mr. Hari, a salaried individual, pays rent of Rs.55,000 per month to Mr. Raghav from June, 2018. Which of the following statement is correct?
 - (a) No tax is required to be deducted for F.Y.2018-19 since Mr. Hari is not subject to tax audit u/s 44AB
 - (b) Mr. Hari has to deduct tax@5% from rent paid every month
 - (c) Mr. Hari has to deduct tax@5% on the entire rent paid for F.Y.2018-19 from the rent payable for March, 2019
 - (d) Mr. Hari has to deduct tax of Rs.55,000 from rent payable for March, 2019
4. A Ltd., an Indian company, has a wholly owned subsidiary in Sri Lanka, and it extends corporate guarantee to the said non-resident subsidiary. If the amount guaranteed is Rs.90 crore, the Assessing Officer has to accept the guarantee fee declared by A Ltd. for F.Y.2018-19, if the guarantee fee declared is –
 - (a) Rs.45 lakhs
 - (b) Rs.80 lakhs
 - (c) Rs.90 lakhs
 - (d) Either (a) or (b)
5. ABC Ltd. an Indian company paid dividend distribution tax under section 115-O in respect of dividend distributed by it to its resident and non-resident shareholders. Mr. John, a shareholder of ABC Ltd. and a resident of Country X, has to pay tax in Country X on dividend received by him from ABC Ltd., as per the domestic tax laws of Country X. This is an example of:
 - (a) Juridical double taxation
 - (b) economic double taxation
 - (c) territorial double taxation
 - (d) municipal double taxation
6. Music Academy, as per its rules, pays a fixed honorarium per concert to each musician performing in the concerts organised by it. Hari, a violinist, however, refuses to accept this sum. If he requests Music Academy to

pay such sum directly to Aid Us, an unregistered institution providing relief to the poor and needy in rural India, what would be the tax consequence?

- (a) No amount would be chargeable to tax in the hands of Mr. Hari, since this is a case of diversion of income at source by overriding title.
 - (b) The amount payable to Aid Us would be chargeable to tax only in the hands of Mr. Hari, since it is a case of application of income
 - (c) The amount payable to Aid Us would be chargeable to tax only in the hands of the institution which has received the amount
 - (d) The amount payable to Aid Us would be chargeable to tax both in the hands of Mr. Hari and in the hands of the institution.
7. An application for advance ruling was made on 31.05.2018 in relation to a transaction proposed to be undertaken by Mr. Andrew, a resident of Germany. On 07.07.2018, he decides to withdraw the said application.
- (a) Application cannot be withdrawn once filed
 - (b) Application can be withdrawn on 07.07.2018 only with special permission of Principal Chief Commissioner
 - (c) Application cannot be withdrawn since 30 days from date of application have passed
 - (d) Application can be withdrawn on 07.07.2018 with permission of the AAR, if the circumstances of the case so justify
8. X Ltd., a company engaged in the business of manufacturing, paid Rs.2 lakh to IISc, Bangalore (an approved and notified institution) for scientific research. It also incurred capital expenditure of Rs.12 lakh (including cost of acquisition of land Rs.5 lakh) on in-house research and development facility as approved by the prescribed authority. The deduction under section 35 for A.Y.2019-20 would be
- (a) Rs.9,00,000
 - (b) Rs.13,50,000
 - (c) Rs.14,00,000
 - (d) Rs.10,00,000
9. Mr. X, set up a manufacturing unit in Warangal in the state of Telangana on 01.06.2018. It invested Rs.30 crore in new plant and machinery on 1.6.2018. Further, it invested Rs.25 crore in the plant and machinery on 01.11.2018, out of which Rs. 5 crore was second hand plant and machinery. The depreciation allowable under section 32 for A.Y.2019-20 is
- (a) Rs.15.375 crore
 - (b) Rs.20.375 crore
 - (c) Rs.14.875 crore
 - (d) Rs.11.375 crore
10. Y Ltd. purchased computers of the value of Rs.10 lakhs in November, 2018 and installed the same in its office. The depreciation allowable under section 32 for A.Y.2019-20 in respect of the same is –
- (a) Rs.6 lakhs
 - (b) Rs.3 lakhs
 - (c) Rs.4 lakhs
 - (d) Rs.2 lakhs

11. Mr. Arvind, engaged in the business of wholesale trade, has a turnover of Rs.90 lakhs for P.Y.2017-18 and Rs.210 lakhs for P.Y.2018-19. In the P.Y.2018-19, he paid salary of Rs.3 lakhs to Mr. Hari, a resident, without deduction of tax at source and commission of Rs.25,000 to Mr. Rajesh, a resident, without deduction of tax at source. The disallowance under section 40(a)(ia) while computing business income of A.Y.2019-20 would be –
- (a) Rs.3,25,000
 - (b) Rs.97,500
 - (c) Rs.90,000
 - (d) Nil
12. A public charitable trust registered under section 12AA for the previous year ended 31.3.2019, derived income of Rs.10 lakhs from properties held by trust and voluntary contributions from public 15 lakhs, out of which Rs.8 lakhs was applied for charitable purposes and Rs.4 lakhs towards repayment of loan taken for construction of orphanage. The total income of the trust for A.Y.2019-20 is –
- (a) Rs.13 lakhs
 - (b) Rs.9.25 lakhs
 - (c) Rs.13.25 lakhs
 - (d) Rs.17 lakhs
13. If Country A is a notified jurisdictional area (NJA), then, the rate at which interest receivable from a infrastructure debt fund notified u/s 10(47) is taxable in the hands of Mr. Ram, a resident of Country A, and the rate at which tax has to be deducted at source on such income are, respectively, -
- (a) 30% and 5%
 - (b) 5% and 5%
 - (c) 30% and 30%
 - (d) 5% and 30%
14. In October, 2014, Mr. Raghav, an Indian citizen who is a non-resident, bought 500 Global Depository Receipts (GDRs) of Alpha Limited, India, issued in accordance with the notified scheme of the Central Government against the company's initial issue of shares in foreign currency. In January, 2019, he sold 300 GDRs outside India to Mr. Joe, a citizen and resident of a country outside India and 200 GDRs to Mr. Kamal, a Resident but not ordinarily resident in India. What are the tax consequences of such sale transaction under the Income-tax Act, 1961?
- (a) Capital gains arising on sale of 500 GDRs shall be subject to tax @20% with indexation benefit in India
 - (b) No capital gains would arise on sale of 500 GDRs in India, since the GDRs are purchased in foreign currency
 - (c) No capital gains would arise on sale of 300 GDRs, but capital gains arising on sale of 200 GDRs shall be taxed in India @10% without indexation benefit
 - (d) No capital gains would arise on sale of 300 GDRs, but capital gains arising on sale of 200 GDRs shall be taxed @20% with indexation benefit in India
15. If ABC Ltd. has two Units, Unit 1 is engaged in power generation business and Unit 2 is engaged in manufacture of wires. Both the units were set up in Karnataka in the year 2014. In the year 2018-19, twenty lakh metres of wire are transferred from Unit 2 to Unit 1 at Rs.125 per metre when the market price per metre was Rs.180. Which of the following statements is correct?

- (a) Transfer pricing provisions would be attracted in this case
- (b) Transfer pricing provisions would not be attracted in this case since Unit 1 and Unit 2 belong to the same company and are not associated enterprises.
- (c) Transfer pricing provisions would not be attracted in this case as it is not an international transaction since both Units are in India. However, for the purpose of Chapter VIA deduction, the profits of power generation business shall, however, be computed as if the transfer has been made at the market value of Rs.180 per MT.
- (d) Transfer pricing provisions would not be attracted in this case due to reasons mentioned in both (b) and (c) above.

16. Which of the following is not an eligible international transaction for application of safe harbor rules?

- (i) Preparation of user documentation
- (ii) Receipt of intra-group loans where the amount of loan is denominated in Indian rupees
- (iii) Providing implicit corporate guarantee
- (iv) Purchase and export of core auto components
- (v) Receipt of intra-group services from group member

Choose the correct option

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

17. XYZ Ltd. has failed to report an international transaction entered by it with PQR Inc., which is a specified foreign company in relation to XYZ Ltd. What would be the penalty leviable in this case?

- (i) 2% of the value of transaction
- (ii) 50% of tax payable on under-reported income
- (iii) 200% of tax payable on under-reported income

Choose the correct option

- (a) Only (i)
- (b) Only (iii)
- (c) (i) & (ii)
- (d) (i) & (iii)

18. Alpha Ltd.'s total income of A.Y.2019-20 has increased by Rs.34 lakhs due to application of arm's length price by the Assessing Officer on transactions of purchase of goods from its foreign holding company in respect of a retail trade business carried on by it, and the same has been accepted by Alpha Ltd., then, -

- (a) business loss of A.Y.2015-16 cannot be set-off against the enhanced income
- (b) deductions under Chapter VI-A cannot be claimed in respect of the enhanced income
- (c) unabsorbed depreciation of A.Y.2010-11 cannot be set-off against the enhanced income

- (d) Business loss referred to in (a), deductions referred to in (b) and unabsorbed depreciation referred to in (c) cannot be set-off against the enhanced income.
19. Mr. Anjan, a property dealer, sold a flat in Mumbai, the stamp duty of which is Rs.2 crores for Rs.1.80 crores to his friend Mr. Ashwin, a college lecturer. Mr. Anjan had purchased the flat one year back for Rs.1.50 crores and the stamp duty value on that date was also Rs.1.50 crores. What are the tax implications of such sale?
- (a) Rs.50 lakhs would be taxable as short-term capital gains in the hands of Mr. Anjan. There would be no tax implication in the hands of Mr. Ashwin
 - (b) Rs.50 lakhs would be taxable as business income in the hands of Mr. Anjan. There would be no tax implication in the hands of Mr. Ashwin
 - (c) Rs.50 lakhs would be taxable as business income in the hands of Mr. Anjan and Rs.20 lakhs would be taxable as income from other sources in the hands of Mr. Ashwin.
 - (d) Rs.50 lakhs would be taxable as short-term capital gains in the hands of Mr. Anjan and Rs.20 lakhs would be taxable as income from other sources in the hands of Mr. Ashwin.
20. Dividend received by a real estate investment trust (REIT) from special purpose vehicle (SPV) and distributed to its unit holders is –
- (a) exempt in the hands of both the REIT and the unit holders unconditionally
 - (b) exempt in the hands of the REIT only if the SPV is a specified domestic company; exempt in the hands of unit holders only if taxable in the hands of REIT
 - (c) exempt in the hands of the REIT only if the SPV is a specified domestic company; exempt in the hands of unit holders only if exempt in the hands of REIT
 - (d) exempt in the hands of the REIT only if the SPV is a specified domestic company; exempt unconditionally in the hands of unit holders
21. Which of the following can be treated as "profits derived from" business or undertaking to qualify for deduction under section 80-IB?
- (i) Transport subsidy
 - (ii) Duty drawback receipts
 - (iii) interest subsidy
 - (iv) power subsidy
- (a) Only (ii)
 - (b) (ii) & (iii)
 - (c) (i), (iii) & (iv)
 - (d) All the above
22. ABC Ltd., an Indian company engaged in manufacture of steel, has incurred expenditure on advertisement in a souvenir of a political party. Which of the following statements are correct?
- (a) Such expenditure is allowable as deduction while computing its business income.
 - (b) Such expenditure is not allowable as deduction while computing its total income.
 - (c) Such expenditure is not allowable as deduction while computing its business income but is allowable as deduction from gross total income.

- (d) Such expenditure is neither allowable as deduction from business income nor allowable as deduction from gross total income
23. Rental income earned from the business of letting out of properties is –
- always taxable as income from house property
 - always taxable as business income
 - taxable as business income or income from house property, at the option of the assessee. However, the practice should be followed consistently.
 - taxable as business income only if the entire or substantial income of the assessee was from letting out of property. Otherwise, the same would be taxable as income from house property.
24. ABC Ltd., an Indian company commenced business on 1.2.2019. It incurred preliminary expenses of Rs.35 lakhs during the period from 1.4.2018 to 31.1.2019. The cost of the project is Rs.5 crore. The following are the details as on 31.3.2019: Issued Share Capital - Rs.3 crore; Share Premium - Rs.50 lakhs; Debentures - Rs.1 crore; Long-term borrowings - Rs.2 crore. The deduction under section 35D for P.Y.2018-19 is –
- Rs.5 lakhs
 - Rs.6 lakhs
 - Rs.6.50 lakhs
 - Rs.7 lakhs
25. Himalaya Ltd. is an eligible start-up engaged in eligible business. Its gross total income included profits of Rs.25 lakhs from such business. The Assessing Officer made disallowance of Rs.3 lakhs under section 40(a)(ia) and of Rs.2 lakhs under section 43B. The deduction allowable under section 80-IAC would be –
- Rs.25 lakhs
 - Rs.28 lakhs
 - Rs.30 lakhs
 - Rs.20 lakhs
26. Delta Limited is engaged in growing and manufacturing rubber in India. It commenced its operations from 1st April, 2018. It acquired plant and machinery (second hand), factory building and furniture at a cost of Rs.62 lakhs, Rs.37 lakhs and Rs.8 lakhs, respectively, in the P.Y. 2018-19 by way of ECS through bank account. Assuming that all the assets were put to use for more than 180 days during the P.Y. 2018-19, you are required to compute the written down value of each block as on 1st April, 2019.
- Rs.52.70 lakhs; Rs.33.30 lakhs & Rs.7.20 lakhs
 - Rs.58.75 lakhs; Rs.35.71 lakhs & Rs.7.72 lakhs
 - Rs.58.28 lakhs; Rs.35.52 lakhs & Rs.7.68 lakhs
 - Rs.59.675 lakhs; Rs.36.075 lakhs & Rs.7.8 lakhs
27. An Assessing Officer entered a hotel run by a person, in respect of whom he exercises jurisdiction, at 8.30 p.m. for the purpose of collecting information, which may be useful for the purposes of the Act. The hotel is kept open for business every day between 8 a.m. and 10 p.m. As per the provisions of section 133B,
- The A.O. cannot enter the premises at 8.30 p.m. since it is after sunset
 - The A.O. can enter premises at 8.30 p.m. and take away books of account kept at the hotel after taking prior approval of the Principal Chief Commissioner or Chief Commissioner.

- (c) The A.O. can enter premises at 8.30 p.m. and take away books of account kept at the hotel after recording reasons for doing so.
- (d) The A.O. can enter premises at 8.30 p.m. but cannot take away books of account kept at the hotel
28. In the course of search operations under section 132 in the month of May, 2019, Mr. Aakash makes a declaration under section 132(4) on the earning of income not disclosed in respect of P.Y. 2018-19. He also explains the manner in which he has derived such income and he pays the tax together with interest on such income and declares such income in the return of income filed by him in the month of July, 2019. Is penalty leviable in this case?
- (a) No penalty is attracted since Mr. Aakash has voluntarily made a declaration under section 132(4).
- (b) Penalty@10% of undisclosed income would be attracted even if Mr. Aakash has voluntarily made a declaration under section 132(4).
- (c) Penalty@30% of undisclosed income would be attracted even if Mr. Aakash has voluntarily made a declaration under section 132(4).
- (d) Penalty@60% of undisclosed income would be attracted even if Mr. Aakash has voluntarily made a declaration under section 132(4).
29. ABC Ltd. took on sub-lease a building from Ms. Jhanvi with effect from 1.7.2018 on a rent of Rs.20,000 per month. It also took on hire machinery from Ms. Jhanvi with effect from 1.10.2018 on hire charges of Rs.15,000 per month. ABC Ltd. entered into two separate agreements with Ms. Jhanvi for sub-lease of building and hiring of machinery. Which of the following statements are correct with reference to ABC Ltd.'s liability to deduct tax at source, assuming that one-month's rent was received as security deposit, which is refundable at the end of the lease period?
- (a) No tax needs to be deducted at source since rent for building does not exceed Rs.1,80,000 p.a. and rent for machinery also does not exceed Rs.1,80,000 p.a. Security deposit refundable at the end of the lease term is not rent for the purpose of TDS
- (b) Tax has to be deducted@10% on rent of Rs.2,00,000 (including security deposit) for building, but no tax needs to be deducted on rent for machinery (including security deposit), since the same does not exceed Rs.1,80,000.
- (c) Tax has to be deducted@10% on Rs.2,00,000 and @2% on Rs.1,05,000 (i.e. rent including security deposit)
- (d) Tax has to be deducted@10% on Rs.1,80,000 and @2% on Rs.90,000. Security deposit refundable at the end of the lease period is not rent.
30. Mudra Adco Ltd., an advertising company, has retained a sum of Rs.15 lakhs, towards charges for procuring and canvassing advertisements, from payment of Rs.1 crore due to Cloud TV, a television channel, and remitted the balance amount of Rs.85 lakhs to the television channel. Which of the following statements are correct?
- (a) No TDS is attracted on the sum of Rs.15 lakhs retained by Mudra Adco Ltd.
- (b) TDS@2% is attracted on the sum of Rs.15 lakhs retained by Mudra Adco Ltd
- (c) TDS@5% is attracted on the sum of Rs.15 lakhs retained by Mudra Adco Ltd.
- (d) TDS@10% is attracted on the sum of Rs.15 lakhs retained by Mudra Adco Ltd.
31. Mr. X acquired a house property at Mumbai from Mr. Y, a resident, for a consideration of Rs.90 lakhs, on 20.6.2018. On the same day, Mr. X made two separate transactions, thereby acquiring an urban plot in Kolkata

from Mr. C for a sum of Rs.49,50,000 and rural agricultural land from Mr. D for a consideration of Rs.60 lakhs. Which of the following statements are correct?

- (a) No tax deduction at source is required in respect of any of the three payments.
- (b) TDS@1% is attracted on all the three payments.
- (c) TDS@1% on Rs.90 lakhs and Rs.49,50,000 are attracted. No TDS on payment of Rs.60,00,000 for acquisition of rural agricultural land
- (d) TDS@1% on Rs.90 lakhs is attracted. No TDS on payments of Rs.49,50,000 and 60,00,000

32. A notified infrastructure debt fund eligible for exemption under section 10(47) of the Income-tax Act, 1961 pays interest of Rs.5 lakhs to a company incorporated in a foreign country. The foreign company incurred expenditure of Rs.12,000 for earning such interest. The fund also pays interest of Rs.3 lakhs to Mr. Frank, who is a resident of Country A, a notified jurisdictional area. Which of the following statements are correct?

- (a) No tax deduction at source is required in respect of both the payments.
- (b) No TDS is required in respect of payment of Rs.5 lakhs to the foreign company. However payment of interest to Frank attracts [TDS@31.2%](#)
- (c) TDS@5.20% is attracted on Rs.4,88,000 to the foreign company. TDS@31.2% is attracted on interest payment of Rs.3 lakhs to Mr. Frank
- (d) TDS@5.20% is attracted on interest payment of Rs.5 lakhs to the foreign company. TDS@31.2% is attracted on interest payment of Rs.3 lakhs to Mr. Frank

33. Mr. Ram, a resident individual aged 55 years, has not furnished his return of income for A.Y.2019-20. However, the total income assessed in respect of such year under section 144 is Rs.12 lakh. Determine the quantum of penalty leviable under section 270A?

- (a) Penalty leviable is Rs.1,79,400, being tax payable on total income of Rs.12 lakh
- (b) Penalty leviable is Rs.89,700, being 50% of tax payable on Rs.12 lakh
- (c) Penalty leviable under section 270A is Rs.53,300, being 50% of tax payable on under-reported income of Rs.9.50 lakhs (i.e., Rs.12 lakhs - basic exemption limit of Rs.2.50 lakhs)
- (d) Penalty leviable under section 270A is Rs.1,06,600, being tax payable on under-reported income of Rs.9.50 lakhs (i.e., Rs.12 lakhs - basic exemption limit of Rs.2.50 lakhs)

34. A private bank has not filed its statement of financial transaction or reportable account in relation to the specified financial transactions for the financial year 2018-19. A notice was issued by the prescribed income-tax authority on 1st October, 2019 requiring the bank to furnish the statement by 31st October, 2019. The bank, however, furnished the statement only on 15th November, 2019. What would be the penalty leviable under section 271FA?

- (a) Rs.91,500
- (b) Rs.13,600
- (c) Rs.16,800
- (d) Rs.22,800

35. Raman & Associates had made payment of Rs.2 lakh to the contractors for carrying out labour job work at various sites, but had not deducted tax at source. What are the tax consequences?

- (a) Rs.2,00,000 has to be added back while computing business income. However, no penalty is leviable
- (b) Rs.60,000 has to be added back while computing business income. However, no penalty is leviable

- (c) Penalty equal to the amount of tax which has not been deducted is leviable in this case. Also, Rs.2,00,000 has to be added back while computing business income.
- (d) Penalty equal to the amount of tax which has not been deducted is leviable in this case. Also, Rs.60,000 has to be added back while computing business income
36. Mr. Aryan is constructing a residential house property in Mumbai for self-occupation. He has taken a loan of Rs.35 lakhs on 30.3.2018 for this purpose. He pays interest of Rs.3 lakhs during the P.Y.2018-19. He repays Rs.3 lakhs towards principal on 31.3.2019. The construction is completed in April, 2019. This is the only house property of Mr. Aryan. For A.Y.2019-20,
- (a) Mr. Aryan is entitled for deduction of Rs.2 lakhs under section 24 and Rs.1.50 lakhs under section 80C
- (b) Mr. Aryan is entitled for deduction of Rs.2 lakhs under section 24, Rs.50,000 under section 80EE and Rs.1.50 lakhs under section 80C.
- (c) Mr. Aryan is neither entitled for deduction under section 24 nor under section 80C. He is, however, entitled for deduction of Rs.50,000 under section 80EE.
- (d) Mr. Aryan is not entitled for deduction under section 24, section 80C and section 80EE.
37. PQR Ltd., a domestic company, has distributed on 15/10/2018, dividend of Rs.230 lakh to its shareholders. On 17/9/2018, PQR Ltd. has received dividend of Rs.60 lakh from its domestic subsidiary company XYZ Ltd., on which XYZ Ltd. has paid dividend distribution tax under section 115-O. The additional income-tax payable by PQR Ltd. under section 115-O is –
- (a) Rs.29.70 lakhs
- (b) Rs.34.944 lakhs
- (c) Rs.34.608 lakhs
- (d) Rs.29.42 lakhs
38. Lima Ltd., a domestic company, purchases its own unlisted shares on 13th August, 2018. The consideration for buyback amounted to Rs.23 lakh, which was paid on the same day. The amount received by the company two years back for issue of such shares determined in the manner specified in Rule 40BB was Rs.17 lakh. The additional income-tax payable by Lima Ltd. is –
- (a) Rs.1,03,824
- (b) Rs.1,04,832
- (c) Rs.1,39,776
- (d) Rs.1,38,432
39. A REIT derives rental income of Rs.2 crore from real estate property directly owned by it and short term capital gains of Rs.1 crore on sale of developmental properties. It also receives interest income of Rs.3 crore from Gamma Ltd., an Indian company, in which it holds controlling interest. The REIT holds 80% of the shareholding of Gamma Ltd. Which of the following statements is correct?
- (a) All the above income are taxable in the hands of REIT
- (b) REIT enjoys pass through status in respect of the above income and hence, such income are taxable in the hands of the unit holders.
- (c) REIT enjoys pass through status in respect of interest income from Gamma Ltd. and hence, such income is taxable in the hands of the unit holders. Rental income and short-term capital gains are taxable in the hands of the REIT

- (d) REIT enjoys pass through status in respect of interest income from Gamma Ltd. and rental income from directly owned real estate property and hence, such income are taxable in the hands of the unit holders. Short-term capital gains is taxable in the hands of the REIT
40. Mr. Hari has income of Rs.52 lakhs under the head "Profits and gains of business or profession". One of his businesses is eligible for deduction@100% of profits under section 80-IB for A.Y. 2019-20. The profit from such business included in the business income is Rs.20 lakhs. The tax payable by Mr. Hari (rounded off), assuming that he has no other income during the P.Y.2018-19, is –
- Rs.8,03,400
 - Rs.10,89,950
 - Rs.9,90,860
 - Rs.11,00,530
41. The assessment of Satpura Ltd. was completed under section 143(3) with an addition of Rs.18 lakhs to the returned income. Satpura Ltd. preferred appeal before the Commissioner (Appeals) which is pending now. Which of the following statements is incorrect?
- The A.O. can initiate reassessment proceedings in respect of income chargeable to tax which has escaped assessment, provided such income which has escaped assessment does not form part of the additions of Rs.18 lakhs to the returned income, which is the subject matter of appeal.
 - The A.O. can pass an order under 154(1) to rectify a mistake apparent from the record, provided the rectification is in relation to a matter, other than the matter which has been considered and decided in the appeal before Commissioner (Appeals).
 - Under section 264, the Commissioner can revise the order pending before the Commissioner (Appeals), if the revision pertains to a matter, other than the matter(s) covered in the appeal before Commissioner (Appeals)
 - Under section 263, if the order is prejudicial to the interests of the revenue, the Commissioner can revise the order pending before the Commissioner (Appeals), if the revision pertains to a matter, other than the matter(s) covered in the appeal before Commissioner (Appeals)
42. Kamala charitable trust, registered u/s 12AA, having its main object as medical relief, earned dividend income of Rs.3 lakhs, income of Rs.2 lakhs from mutual funds registered under section 10(23D) and agricultural income of Rs.4 lakhs during the P.Y.2018-19. Which of the following statements is correct?
- The trust has to apply such income for charitable purposes as per the provisions of section 11 to claim exemption in respect of such income.
 - The trust can claim exemption under section 10(1), 10(34) and 10(35) in respect of its agricultural income, dividend and income from mutual funds, respectively, without applying such income for charitable purposes.
 - The trust can claim exemption under sections 10(34) and 10(35) in respect of its dividend and income from mutual funds, respectively, without applying such income for charitable purposes. However, it cannot claim exemption under section 10(1) in respect of agricultural income without applying such income for charitable purposes.
 - The trust can claim exemption under section 10(1) in respect of its agricultural income without applying such income for charitable purposes. However, it cannot claim exemption in respect of its income from mutual funds registered under section 10(23D) and dividend income of Rs.3 lakhs without applying such income for charitable purposes.

43. Delta Ltd., a domestic company, declared dividend of Rs.85 lakh for the year F.Y.2018-19 and distributed the same on 27.6.2019. Mr. Ganesh, holding 15% shares in Delta Ltd., receives dividend of Rs.12.75 lakh in June, 2019. Mr. Rajesh, holding 10% shares in Delta Ltd., receives dividend of Rs.8.50 lakh. Which of the following statements is correct?
- Dividend distribution tax u/s 115-O is attracted in the hands of Delta Ltd. There would be no tax on dividend received by Mr. Ganesh and Mr. Rajesh in their individual hands.
 - Dividend distribution tax u/s 115-O is attracted in the hands of Delta Ltd. However, dividend received by Mr. Ganesh and Mr. Rajesh is also taxable in their individual hands
 - Dividend distribution tax is payable by Delta Ltd. u/s 115-O. Also, dividend received by Mr. Ganesh is taxable in his hands@10%.
 - Dividend distribution tax is payable by Delta Ltd. u/s 115-O. Also, Mr. Ganesh has to pay tax@10% on dividend of Rs.2.75 lakhs received by him.
44. Which of the following individuals would be entitled to opt for presumptive taxation schemes under the Income-tax Act, 1961 for A.Y.2019-20?
- A retail trader having turnover of Rs.2 crore during the previous year 2018-19
 - A practising CA having gross receipts of Rs.92 lakhs during the previous year 2018-19.
 - A wholesale trader having turnover of Rs.1.96 crore during the previous year 2018-19.
 - A doctor having gross receipts of Rs.50 lakhs during the previous year 2018-19
 - Individual owning 8 goods carriages as on 1.4.2018. He sold 2 goods carriages on 1.5.2018 and purchased 4 goods carriages on 1.7.2018.
- Only (iii)
 - (iii) & (v)
 - (i), (iii), (iv) & (v)
 - (i), (ii), (iii), (iv) & (v)
45. Mr. Arjun's, aged 40 years, total income comprises of long-term capital gains on sale of land Rs.5 lakhs; short-term capital gains on sale of STT paid listed equity shares Rs.2 lakhs; income from lottery Rs.1 lakh and savings bank interest Rs.30,000. He invests Rs.1.50 lakhs in PPF. His tax liability for A.Y.2019-20 is –
- Rs.1,64,800
 - Rs.1,66,400
 - Rs.1,14,400
 - Rs.1,13,300
46. Mrs. Kavitha, wife of Mr. Sundar, is a partner in a firm. Her capital contribution of Rs.5 lakhs to the firm as on 1.4.2018 included Rs.3 lakhs contributed out of gift received from Sundar. On 2.4.2018, she further invested Rs.1 lakh out of gift received from Sundar. The firm paid interest on capital of Rs.60,000 and share of profit of Rs.50,000 during the F.Y.2018-19. The entire interest has been allowed as deduction in the hands of the firm. Which of the following statements is correct?
- Share of profit is exempt but interest on capital is taxable in the hands of Mrs. Kavitha
 - Share of profit is exempt but interest of Rs.40,000 is includible in the income of Mr. Sundar and interest of Rs.20,000 is includible in the income of Mrs. Kavitha

- (c) Share of profit is exempt but interest of Rs.36,000 is includible in the income of Mr. Sundar and interest of Rs.24,000 is includible in the income of Mrs. Kavitha
- (d) Share of profit to the extent of Rs.30,000 and interest on capital to the extent of Rs.36,000 is includible in the hands of Mr. Sundar
47. X Ltd., a domestic company, has a total income of Rs.10,01,00,000 for A.Y.2019-20. The gross receipts of X Ltd. for P.Y.2016-17 is Rs.240 crore. The tax liability of X Ltd. for A.Y.2019-20 is
- Rs.2,76,55,500
 - Rs.2,79,24,000
 - Rs.3,46,42,610
 - Rs.3,49,78,940
48. M/s. Atlanta Airlines, incorporated as a company in USA, operated its flights to India and vice versa during the year 2018-19 and collected charges of Rs.280 crores for carriage of passengers and cargo, out of which Rs.100 crores were received in US Dollars for the passenger fare from Atlanta to Delhi. Out of Rs.100 crores, US dollars equivalent to Rs.40 crores is received in India. The total expenses for the year on operation of such flights were Rs.11 crores. The effective rate of income-tax applicable on total income of M/s. Atlanta Airlines is
- 42.432%
 - 43.68%
 - 43.26%
 - 42.024%
49. Abhinav, an individual aged 52 years resident in India, bought 3,000 equity shares of Rs.10 each of Theta Ltd. at Rs.70 per share on 1.6.2018. He sold 1,800 equity shares at Rs.50 per share on 3.11.2018 and the remaining 1,200 shares at Rs.60 per share on 23.3.2019. Theta Ltd. declared a dividend of 40%, the record date being 14.8.2018. On 15.3.2019, Abhinav sold a house from which he derived a long-term capital gain of Rs.1,25,000. Assuming Abhinav's interest income from bank fixed deposit is Rs.3,00,000, his tax liability (rounded off) for A.Y.2019-20 would be
- Rs.18,620
 - Rs.19,920
 - Rs.20,110
 - Rs.18,440
50. Ms Geetha, born in USA, comes to India for the first time on 5.1.2019 and left India on 28.5.2019. She was born and brought up in the USA but her grandparents were born in Karachi before the year 1940. In December, 2015, she bought, in foreign currency, 500 Global Depository Receipts of PQR Ltd, an Indian Company, which were issued in accordance with the notified scheme of the Central Government against the initial issue of shares of PQR Ltd. In January, 2018, she sold 300 GDRs outside India to Mr. Frank, a citizen and resident of Country 'X' and 200 GDRs to Mr. Kamal, a Resident but not ordinarily resident in India. Comment on the tax consequences of such sale transaction under the Income-tax Act, 1961 –
- Capital gains arising on sale of 500 GDRs shall be subject to tax @20% with indexation benefit in India
 - No capital gains would arise on sale of 500 GDRs in India, since the GDRs are purchased in foreign currency

- (c) No capital gains would arise on sale of 300 GDRs, but capital gains arising on sale of 200 GDRs shall be taxed in India @10% without indexation benefit
- (d) No capital gains would arise on sale of 300 GDRs, but capital gains arising on sale of 200 GDRs shall be taxed @20% with indexation benefit in India

Solution

1	(b)	11	(d)	21	(c)	31	(d)	41	(c)
2	(a)	12	(b)	22	(c)	32	(d)	42	(d)
3	(c)	13	(d)	23	(d)	33	(b)	43	(d)
4	(c)	14	(c)	24	(b)	34	(a)	44	(c)
5	(b)	15	(a)	25	(c)	35	(d)	45	(c)
6	(d)	16	(d)	26	(a)	36	(d)	46	(c)
7	(d)	17	(d)	27	(d)	37	(b)	47	(b)
8	(b)	18	(b)	28	(c)	38	(c)	48	(b)
9	(b)	19	(c)	29	(d)	39	(d)	49	(c)
10	(d)	20	(d)	30	(a)	40	(d)	50	(c)