



The Institute of Chartered Accountants of India

Code: FN4DT273243  
 Subject : 04 Direct Tax Laws and International Taxation

Total Marks: 70  
 Marks Obtained : 52.5

GRAPH PAPER IS ON THE PENULTIMATE PAGE

Book No. 1 (containing 28 pages)

**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

CA Final Examination

Group No. 2 Paper No. 4

Subject Direct Tax Laws and International Taxation

Number of Answer Books used : Main + 1 additional sheets

Date Seal 08 SEP 2025 10 SEP 2025

273243

For use by ICAI only

273243

ICAI

Paper Code	R	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z
	N	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z
	L	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z
	1	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z

MCQ Booklet Serial No.	Paper No. (See Reverse)	Level of Exam	Intermediate	Final
7311846	4	Final	1	
		Stream	Old	New
		New	1	

Answers			
1	A	11	A
2	B	12	B
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03

Q 1

Computation of Total Income of M/s RST Ltd.  
for the Assessment Year 2025-26

Particulars	Amount	Amount
A. Profits and Gains from Business and Profession		
Net profit as per statement of Profit and Loss		97,38,000
Add:- Items disallowed / considered separately -		
<input checked="" type="checkbox"/> Foreign Travel expenditure of directors for new project abandoned [As per section 37 expenditure incurred in relation to a new business / project not related to existing business which has abandoned is not allowed as deduction as expense]	12,00,000	
<input checked="" type="checkbox"/> (ii) Payment for goods purchased from Shiv Taduas	-	



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		04	
	<p>[ As per section 43B(h), where the if the payments are made to Micro &amp; Small enterprise in time limit as per MSME Act, then it is allowed, otherwise the same is allowed in year of actual payment. Since, there is agreement with Shri Enterprise which mentioned time limit of 48 days but as per MSME Act, it cannot be more than 45 days. Payment for purchase on 16.03.2025 is made on 29.04.2025 which is within 45 days from 16.03.2025, hence the same is allowed ]</p>		
(iii)	<p>Security deposit made to HND Ltd.                      [ Even though security deposit is not claimed to and dispute, it does not lose its character of capital expenditure, hence it is not allowed                      u/s 37 ]</p>	6,50,000	
(iv)	<p>Depreciation as per companies Act 2013</p>	13,00,000	
(v)	<p>Provision for Contingency disallowed                      u/s 40A(7)</p>	3,20,000	34,70,000



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		05		
DO NOT WRITE ANYTHING HERE	<p>4.5 <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">R</span> 1Step1</p>	<p>(As per section 40A(F), provision for gratuity is not allowed as deduction. However, gratuity actually paid is allowed. Hence net provision of Rs. 3,20,000 (9,00,000 - 5,80,000) is added back.]</p>		
DO NOT WRITE ANYTHING HERE	<p>↳</p>	<p>Less:- Items allowed / considered separately -</p>		
DO NOT WRITE ANYTHING HERE	<p>↳</p>	<p>Profit earned from hedging contract for purchase of imported painting machinery [As per section 43A, profit from hedging / exchange gain will be adjusted from cost of asset, hence the same is not taxable as PG/SP]</p>	6,25,000	
DO NOT WRITE ANYTHING HERE	<p>(ii)</p>	<p>Profit from sale of plot of land [It is taxable under head Capital Gain]</p>	15,00,000	
DO NOT WRITE ANYTHING HERE	<p>(iii)</p>	<p>Depreciation on fixed assets as per Income Tax Rules</p>	12,60,000	<del>(29,85,000)</del>



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06		
<p>PGYBP from business of manufacturing leather products</p>		
<p>(iv) Depreciation on imported machinery</p>		
<p>Normal Depreciation 7,78,125  <math>(1,03,75,000 \times 15\% \times 50\%)</math></p>		
<p>Additional Depreciation 10,37,500  <math>(1,03,75,000 \times 20\% \times 50\%)</math></p>	18,15,625	(52,00,625)
<p>Profit on hedging will be reduced from cost of asset u/s 43A. So, depreciable cost of asset is Rs. 1,03,75,000 (1,10,00,000 - 6,25,000). Further, asset is put to use less than 180 days so 50% of depreciation u/s 32 is allowed. Additional depreciation is also allowed as machine.</p>		
<p>PGYBP from Business of manufacturing leather products</p>		80,07,375
<p>B. Capital Gains</p>		
<p>Long Term Capital Gain on sale of Plot</p>		

3.5 1Step2



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07		
DO NOT WRITE ANYTHING HERE	X	<p>[Sale of capital asset to 100% subsidiary is not transfer u/s 47, hence no capital will attract on the same]</p> <p style="text-align: center;">Gross</p> <p>C. <u>Income from other sources</u></p>
DO NOT WRITE ANYTHING HERE	X	<p>Purchase of shares at below FMV</p> <p>[Section 56(2)(x) is not applicable on companies]</p> <p style="text-align: center;">Gross Total Income</p> <p style="text-align: right;">80,07,375</p>
DO NOT WRITE ANYTHING HERE	X <sup>R</sup>	<p>Less:- <u>Deduction under Chapter VIA</u></p> <p>u/s 80JJAA (Note - 1)</p> <p style="text-align: right;">(28,87,500)</p> <p style="text-align: center;">Total Income</p> <p style="text-align: right;">51,19,875</p>



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Notes:-

① Calculation of deduction u/s 80JJAA -

No. of workers	Is 80JJAA allowed	Total Salary for 80JJAA
82	No	-
96	No	-
55	Yes	96,25,000
72	<del>Yes</del> No	-
		<u>96,25,000</u>
	Deduction @ 30%	<u>28,87,500</u>

1.5 (R) 1Step3

- 82 employees on 1-7-2024 have emolument more than 25,000 hence, no deduction u/s 80JJAA
- 96 employees on 1-8-2024 do not participate in RPF hence no deduction u/s 80JJAA
- 55 employees have employed more than 150 days and emoluments do not exceed 25000, hence 80JJAA allowed
- 72 employees on 1-11-2024 do not work upto 150 days hence no deduction u/s 80JJAA.

② All sections referred in solution pertain to Income Tax Act, 1961

③ Provisions of section 115BAB are also ignored even not specifically mentioned in question.

9.5 (R) 1



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Q 2 (a) (ii)

Q 2 (1) On buyback of 1000 equity shares

After 1-10-2024, amount received by assessee on buy back of shares will be taxable as deemed dividend u/s 2(22)(f) and the cost of acquisition of shares will be allowed as Long Term / Short Term Capital Loss.

The computation of income would be as under-

Particulars	Amount	Amount
<b>A. Capital Gain</b>		
Long Term Capital gain on Buy Back of 1000 shares of M/s ABC Ltd.		
Full value of consideration	-	
Less: Cost of acquisition (1000 x 40)	(40,000)	
Long Term Capital Loss		(40,000)
<b>B. Income from other sources</b>		
Deemed dividend u/s 2(22)(f) (550 x 1000)		5,50,000



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(2) On Liquidation -

The cash and plot received in consideration will be taxable under head capital gain. Further, as per section 2(22)(C), amount received on liquidation would be taxable as eq deemed dividend and the same would be reduced while calculating capital gain. Deemed dividend u/s 2(22)(C) will be upto accumulated profit of M/s ABC Ltd.

The computation of capital gains of liquidation will be as under -

Particulars	Amount	Amount
<b>A. Capital Gains</b>		
Long Term Capital gain on shares of M/s ABC Ltd.		
Full value of consideration -		
Cash (100 x 10000)	10,00,000	
FV of Land	8,00,000	
<del>X</del> $(\frac{60,00,000}{1,00,000} \times 10,000)$		
	16,00,000	
<input checked="" type="checkbox"/> Less: Deemed dividend u/s 2(22)(C)	(8,00,000)	
Net consideration	8,00,000	
<input checked="" type="checkbox"/> Less: Cost of acquisition (10000 x 40)	(4,00,000)	
Long Term Capital Gain		4,00,000

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Q 2(a)(i)

(ii)

Since, the share of both the members of AOP M/s PR Associates are defined and income of both the members are upto the basic exemption limit as per their respective regimes, the income of AOP will be taxable as per slab rates u/s 115BAC of Income Tax Act, 1961, as opted by AOP.

Computation of Tax Liability of M/s PR Associates for AY 2025-26

Particulars	Amount
Total Income	11,80,000
Tax Liability u/s 115BAC -	
upto 3,00,000 @ 0%	-
3,00,001 to 7,00,000 @ 5%	20,000
7,00,001 to 10,00,000 @ 10%	30,000
10,00,001 to 11,80,000 @ 15%	27,000
<b>Tax</b>	<b>77,000</b>
Add: H&E cess @ 4%	3,080
<b>Tax Liability</b>	<b>80,080</b>



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While computing total income of the members, share of AOP will be taxable in their hands as AOP is taxed as per normal slab rates and Rebate u/s 86 will be allowed

Computation of Tax Liability of Mr. R for the A.Y. 2025-26

Particulars	Amount
Other Income	2,97,000
✓ Share of Income of M/s PRA associates (11,80,000 x 35%)	4,13,000
<b>Total Income</b>	<b>7,10,000</b>

Calculation of Tax Liability u/s IITBAC -

upto 3,00,000	-
3,00,001 - 7,00,000 @ 5%	20,000
✓ 7,00,000 - 7,10,000 @ 10%	1,000
	<u>21,000</u>
Add: H&E cess @ 4%	840
	<u>21,840</u>
Less: Rebate u/s 86 (21,840 x $\frac{4,13,000}{7,10,000}$ )	(12,704)
	<u>9,136</u>
Tax Liability	9,136
Tax (Rounded off)	<u>9,140</u>

4 R 2aiStep1
4 R 2ai



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Q 2(b)

Computation of Total Income and Tax Liability of M/s Bittu Inc (FII) for Assessment Year 2025-26

Particulars	Amount	Amount
<u>A. Capital Gains</u>		
<u>Long term capital gains on securities</u>		
Full value of consideration	55,00,000	
Less: Cost of acquisition	(29,00,000)	26,00,000
<u>Short term capital gain on equity shares of company 'A'</u>		
Full value of consideration	16,90,000	
Less: Cost of acquisition	(6,00,000)	10,90,000
<u>Short term capital gain on equity shares of company 'B'</u>		
Full value of consideration	11,50,000	
Less: Cost of acquisition	(5,65,000)	5,85,000
<u>B. Income from other sources</u>		

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		14
	Interest received on RDB*	23,35,859
	(Since interest received is given, it is considered net of TDS @ 20.8%.)	
	Dividend income from Indian company	2,25,000
	Interest on other securities of Indian companies	8,00,000
	Total Income	76,35,859
	<u>Calculation of Tax Liability -</u>	
✓	Tax on LTCG @ 10% u/s 115AD (26,00,000 X 10%)	2,60,000
✓	Tax on STCG on shares of A u/s 111A @ 20% (10,90,000 X 20%)	2,18,000
✓	Tax on STCG on shares of B u/s 115AD @ 30% (5,85,000 X 30%)	1,75,500
✓	Tax on other investment income u/s 115AD @ 20% (33,60,859 X 20%)	6,72,172
	Tax	13,25,672
	Add H & E cum @ 4%	53,027
	Tax Liability	13,78,699
	Tax (Rounded off)	13,78,700

4.5 2bStep1



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\* Alternatively, if interest is assumed gross i.e., not reduced by TDS then total income & tax liability would be -

Particulars	Amount	Amount
Total Income		
Capital Gains		
- LTCG on sale of securities		26,00,000
- STCG on sale of shares of A		10,90,000
- STCG on sale of shares of B		5,85,000
Other Sources		
- Interest received on RDB		-18,50,000
- Dividend		2,25,000
- Interest on other securities		8,00,000
Total Income		<u>71,50,000</u>
Tax Liability -		
- Tax on LTCG @ 10% u/s 115AD		2,60,000
- Tax on STCG on shares of A u/s 111A @ 20%		2,18,000
- Tax on STCG on shares of B u/s 115AD @ 30%		1,75,500
- Tax on Investment Income u/s 115AD @ 20% (28,75,000 x 20%)		5,75,000
Tax		<u>12,28,500</u>
Add: Less @ 4%		-49,140
Tax Liability		<u>12,79,360</u>

same marks under both alternatives.

4.5 R 2b

10.5 R 2



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Q 3(a)

Computation of Total Income of Charitable Trust for the AY 2025-26

Particulars	Amount	Amount
Income from properties held by trust	1,10,00,000	
Accrued Interest on FDR	4,50,000	
<input checked="" type="checkbox"/> Total Receipts		1,14,50,000
<input checked="" type="checkbox"/> Less: - Deduction u/s 15% u/s 111(i)		(17,17,500)
		97,32,500
Less: - Application of receipts -		
<input checked="" type="checkbox"/> (i) Electricity bill paid on 18.4.24 <input checked="" type="checkbox"/> Application is allowed in the year of actual payment as per explanation to section 11	80,000	
<input checked="" type="checkbox"/> (ii) Amount paid to Event management company [ Since, whole amount is paid to M/s XYZ & Co. without deduction of TDS, 30% amount is disallowed u/s 40(a)(ia) - so, amount of application is 2,80,000 (4,00,000 x 70%) ]	2,80,000	

3  
3aStep1



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DO NOT WRITE ANYTHING HERE	Further it is assumed that GST credit has been taken, so no deduction of same will be allowed. <sup>alternate assumption is also possible</sup>		
DO NOT WRITE ANYTHING HERE	<input checked="" type="checkbox"/> (iii) Donation made to another Trust [ Donation made to another trust other than corpus donation is allowed to the extent of 85% ]	4,25,000	
DO NOT WRITE ANYTHING HERE	<input checked="" type="checkbox"/> (iv) Balance amount applied during the year	75,48,000	(83,33,000)
DO NOT WRITE ANYTHING HERE	<input checked="" type="checkbox"/> Total Income		13,99,500
DO NOT WRITE ANYTHING HERE	Note - ① <input checked="" type="checkbox"/> corpus donation will not form part of total income so Rs. 8 lac is not considered in income. ② <input checked="" type="checkbox"/> Further, application out of corpus is also not allowed. It allowed when amount is deposited back in corpus. ③ <input checked="" type="checkbox"/> The above Rs. 8 lac corpus donation & application are assumed to be not included in total receipts and application.		



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Q 3(b)

Computation of Total Income and Tax Liability  
of Mr. Kamal Sharma for AY 2025-26  
(as per default tax regime u/s 115BAC)

Particulars	Amount	Amount
A. <u>Income from Salary</u>		
Salary	23,50,000	
less: Standard deduction u/s 16(1)(a)	(75,000)	
		22,75,000
B. <u>Income from House property</u>		
Loss on self occupied property (Not allowed u/s 115BAC)	—	—
<u>PGP</u>		
Rental Income from Country K		
Rent received (GAV)	7,20,000	
less: Municipal Taxes	(72,000)	
Net Annual Value	6,48,000	
less: Deduction u/s 24(a) @ 30%	(1,94,400)	
		4,53,600
C. <u>PGP</u>		
Income from Business in Country K (13,500 x 90)		12,15,000



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DO NOT WRITE ANYTHING HERE	↑		
DO NOT WRITE ANYTHING HERE	↑	D. Capital Gain	
DO NOT WRITE ANYTHING HERE	↑	Short Term Capital Gain on sale of shares in Country K	5,40,000
DO NOT WRITE ANYTHING HERE	↑	E. Income From Other Sources -	
DO NOT WRITE ANYTHING HERE	↑	Dividend from Indian companies (1,90,000 / 0.9 - accumulated of TDs)	2,11,111
DO NOT WRITE ANYTHING HERE	↑	Interest from FDR (clubbed in hands of assessee)	24,000
DO NOT WRITE ANYTHING HERE	↑	<b>Total Income (Rounded off)</b>	<b>47,18,710</b>
DO NOT WRITE ANYTHING HERE	↑	<b>4</b> <b>3bStep1</b> Calculation of Tax Liability -	
DO NOT WRITE ANYTHING HERE	↑	Tax on total Income (Rs. 140000 + 30% on 32,18,710)	11,05,613
DO NOT WRITE ANYTHING HERE	↑	Add: H&E Cess @ 4%	44,225
DO NOT WRITE ANYTHING HERE	↑		11,49,838
DO NOT WRITE ANYTHING HERE	↑	Less: Rebate u/s 91	(5,38,192)
DO NOT WRITE ANYTHING HERE	↑	Average Tax rate in India $\frac{11,49,838}{47,18,710} \times 100$	24.368%
DO NOT WRITE ANYTHING HERE	↑	Average Tax rate in K Lower	25%
DO NOT WRITE ANYTHING HERE	↑	Double Tax Income	22,08,600
DO NOT WRITE ANYTHING HERE	↑	Tax Liability	6,11,646
DO NOT WRITE ANYTHING HERE	↑	Tax Liability (R/off)	6,11,650



20

Q 4(a)

(i) As per section 194-IA, if consideration on SDV, whichever is higher, on sale of property exceeds Rs. 50 lacs, then TDS @ 1% has to be deducted. For this purpose aggregate of all payments received by all sellers and made by all buyers will be taken. Also, if any other charges are also received it will be covered in it.

Since, property jointly purchased by Mr. A & B is Rs. 86,00,000 exceeds Rs. 50 lacs from M/s XYZ Builders, TDS u/s 194 IA is to be deducted. The TDS will be as under -

Consideration paid	86,00,000
(Higher of consideration & SDV)	
Add - Tan parking space fee	4,00,000
One time generator cost	2,50,000
Swimming pool cost	1,50,000
Total	94,00,000
TDS @ 1%	94,000 (Total)
TDS by A & B each	47,000 (1/2)

So, both Mr. A & B will deduct TDS u/s 194 IA of Rs. 47,000 each on payment to M/s XYZ Builders.

3 4ai Step 1

3 4ai



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(ii) TDS on payment of salary by M/s PPN Limited to Mr. Pankaj will be deducted as per section 192 as under

Particulars	Amount
(i) Gross Salary	37,50,000
Less: Std. ded <sup>n</sup> u/s 16(i)	(75,000)
	36,50,000
(ii) Loss from self occupied house property (not allowed u/s 115BAC)	—
(iii) Interest on FDR	60,000
<b>Total Income</b>	<b>37,35,000</b>
<b>Tax Liability -</b>	
Tax on total income (140,000 + 30% on 22,35,000)	8,10,500
Add: H&E inv @ 4%	32,420
<b>Tax Liability</b>	<b>8,42,920</b>
Less:- TDS on FDR (60,000 x 10%)	(6,000)
TDS on motor car (32,00,000 x 1%)	(32,000)
<b>Tax payable</b>	<b>8,04,920</b>

So, M/s PPN Ltd. will deduct TDS of Mr. Pankaj u/s 192 of Rs. 8,04,920 during whole year from salary paid on Rs. 67,077 per month.



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(iii) As per Section 194N, TDS on <sup>Cash</sup> withdrawal on excess of Rs. 2 crore from Bank is deducted @ 2%.

However, Urban Cooperative Bank further TDS u/s 194A is deducted by bank on interest other than term deposits @ 10% if the interest is more than Rs. 40,000.

However, since in given case Urban cooperative Bank has earned interest <sup>on FDR</sup> of Rs. 2.5 crore and withdrawn cash of Rs. 4 crore from current account from Union Bank of India.

1 4aiii Step 1  
Hence, TDS u/s 194N is not applicable on Rs. 4 crore withdrawal as it is made by co-operative bank.

X TDS on interest will be deducted @ 10% p.c., Rs. 25,00,000 on interest on FDR.

1 4aiii





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- (i) To repatriate the amount of primary adjustment into India within 90 days of date of order of TPD
- (ii) To pay tax @ 20.9664% (48% + 12% surcharge + 4% cess) on the amount of primary adjustment.



If any of above is not made, then secondary adjustments v/s 92CE will be made and interest of 6 month LIBOR on 30th October + 3% p.a. will be added to total Income of Beta Ltd.

2

4bStep2

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4b

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Q 6(a)

The tax auditor is required to report in tax audit report about whether provisions of whether section 94B are applicable in respect of any interest paid by the assessee to associated enterprise and the details of interest allowed, disallowed, brought forward and carry forward in respect of section 94B.

✓  
Further, if there is any dispute or difference of opinion between the treatment or adjustment of any item reported in tax audit report, then the tax auditor shall mention both the opinion(s) views in the audit report.

1 R 6aStep2

In the given case, the tax auditor has duty to report on the applicability of section 94B in tax audit report of ABC Ltd. Here, there are two views possible on which there is difference of opinion in respect of whether the interest of ₹ 20 lacs (i.e., 10% of ₹ 200 lacs) has to be considered for the purpose of section 94B as James Inc has deposited (associated enterprise) has deposit amount of ₹ 200 lacs against the loan of ₹ 500 lacs by Jauge Plc to ABC Ltd.



The contention of tax auditor is that the interest of Rs. 20 lacs ( $2 \text{ crores} \times 10\%$ ) has to be considered for purpose of section 94B and hence the total interest becomes Rs. 1.15 crores ( $95 \text{ lacs} +$  provisions of sec. 94B are applicable as interest exceeds Rs. 1 crore).

However, as per ABC Ltd., since Janus Inc. has not deposited corresponding and matching amount of ₹ 5 crores with PIC, hence provisions of section 94B will not be attracted.

2

6aStep1

Conclusion - Hence, the reporting requirement of tax auditor in this case is to report both the alternate views of him and ABC Ltd. for the purpose of assessing officer to understand the both in the tax audit report of ABC Ltd.

3

6a

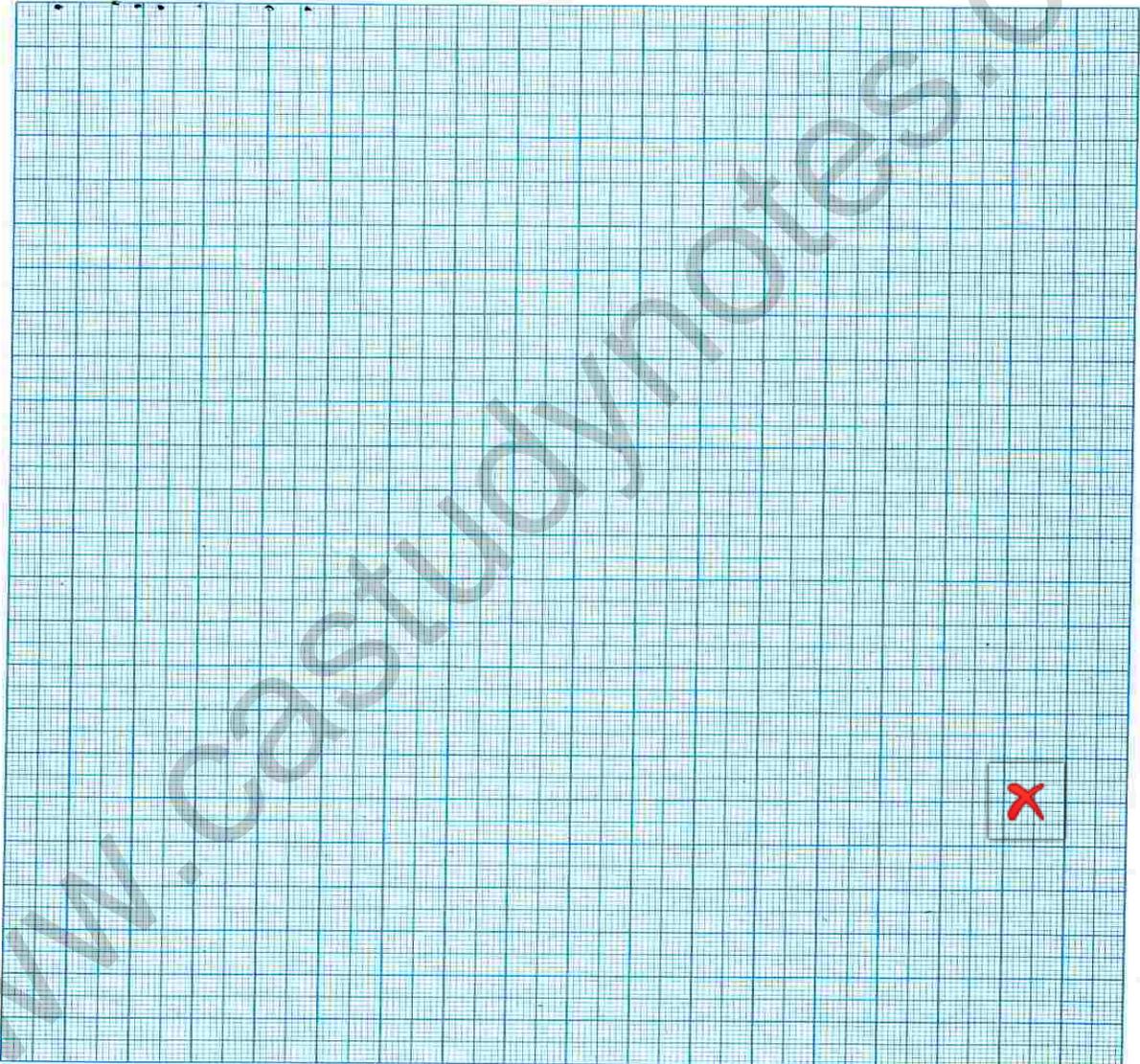


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Marks Obtained: 52.5

Addl. B  
4273243-01

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA  
ADDL. BOOK

DO NOT WRITE ROLL NUMBER ANYWHERE IN THIS  
ADDITIONAL ANSWER BOOK

Q 6(b)

(i)	<input checked="" type="checkbox"/>
<u>Tax Evasion</u>	
<p>Here, SK Ltd. is using illegal means of increasing the income of Mr. Kapil upto Rs. 7,00,000 and reducing income of SK Ltd. by Rs. 75,000 by issue of a bogus credit note where no cheques are rendered by Mr. Kapil to SK Ltd. The said arrangement is to reduce the tax liability of SK Ltd. while on other hand tax liability of Mr. Kapil will not increase as he opted for MISBAC where rebate u/s 87A is allowed upto income of Rs. 7,00,000. So, the arrangement is to evade payment of tax by SK Ltd.</p>	
(ii)	<input checked="" type="checkbox"/>
<u>Tax compliance</u>	
<p>M/s Durga &amp; Associates a partnership firm, obtained Form No. 15G/15H from its lenders</p>	



Code: FN4DT273243  
Subject : 04 Direct Tax Laws and International Taxation

Total Marks: 70  
Marks Obtained : 52.5

2

depositors (wherever applicable) and submit the same to Income tax authority. The said to make sure the compliance of the taxation affairs and to fulfil the requirements of Income tax Act, 1961 on timely basis. So, it is tax management / tax compliance.

**4** <sup>R</sup> 6bStep1

**4** <sup>R</sup> 6b

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### Result Overview

Awarded Marks: 52.5

Max Marks:70

NA Not Attempted

O Optional

M Marked

Q1\_Compulsory (Score: 9.5/14 )

Question No	Awarded Marks	Maximum Marks	Status
1	9.5	14	M

Q2\_Q6 (Score: 43/56 )

Question No	Awarded Marks	Maximum Marks	Status
2	10.5	14	M
2ai	4	4	M
2aii	2	4	M
2b	4.5	6	M
3	12	14	M
3a	6	8	M
3b	6	6	M
4	10.5	14	M
4ai	3	3	M
4aii	2.5	3	M
4aiii	1	2	M
4b	4	6	M
5	0	14	O
5aiORii	0	4	O
5aiiORiii	0	4	O
5b	0	3	O
5c	0	3	O
6	10	14	M

6a

3

6

M

6b

4

4

M

6c

3

4

M

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