

- NOTES: (1) WORKING NOTES SHOULD FORM PART OF ANSWERS.
(2) NEW QUESTION SHOULD BE ON NEW PAGE

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 in this division are compulsory.

1. M/s. MNO is a firm liable to tax@30%. The following are the particulars furnished by the firm for A.Y.2020-21:

	Particulars of total income	Rs.
(1)	As per the return of income furnished u/s 139(1)	40,00,000
(2)	Determined under section 143(1)(a)	50,00,000
(3)	Assessed under section 143(3)	65,00,000
(4)	Reassessed under section 147	85,00,000

Mr. N, a resident individual of the age of 58 years and a partner of the above firm, has not furnished his return of income for A.Y.2020-21. However, his total income assessed in respect of such year under section 144 is Rs. 15lakh.

- (i) M/s. MNO is deemed to have under-reported its income since:
- (1) Income determined under section 143(1)(a) exceeds income declared as per return of income furnished u/s 139(1)
 - (2) Income assessed under section 143(3) exceeds income determined under section 143(1)(a)
 - (3) Income reassessed under section 147 exceeds income assessed under section 143(3)

The correct answer is -

- (a) (1) and (2) above
 - (b) (1) and (3) above
 - (c) (2) and (3) above
 - (d) (1), (2) and (3) above
- (ii) Mr. N is deemed to have under-reported his income since:
- (1) He is a partner of a firm which has under-reported its income
 - (2) He has not filed his return of income
 - (3) His assessed income exceeds Rs. 2,50,000

The correct answer is -

- (a) (1) and (2) above
- (b) (1) and (3) above
- (c) (2) and (3) above
- (d) (1), (2) and (3) above

- (iii) Assuming that the underreporting of income is not on account of misreporting and none of the additions or disallowances made in assessment qualifies under section 270A(6), penalty leviable on M/s. MNO under section 270A at the time of assessment would be:
- (a) Rs. 3,12,000
 - (b) Rs. 1,56,000
 - (c) Rs. 4,68,000
 - (d) Rs. 2,34,000
- (iv) Assuming that the underreporting of income is on account of misreporting and all the additions or disallowances made in reassessment qualifies under section 270A(6), penalty leviable on M/s. MNO under section 270A at the time of reassessment would be:
- (a) Rs. 3,12,000
 - (b) Rs. 2,34,000
 - (c) Rs. 12,48,000
 - (d) Rs. 6,24,000
- (v) Assuming that the under-reporting of income is not on account of misreporting, the under-reported income of Mr. N and penalty leviable on Mr. N under section 270A would be:
- (a) Under-reported income Rs. 15,00,000; penalty u/s 270A Rs. 2,34,000
 - (b) Under-reported income Rs. 12,50,000; penalty u/s 270A Rs. 97,500
 - (c) Under-reported income Rs. 15,00,000; penalty u/s 270A Rs. 1,36,500
 - (d) Under-reported income Rs. 12,50,000; penalty u/s 270A Rs. 1,36,500

(1x5 Marks=5 Marks)

2. Secondary adjustment under section 92CE is not required to be done where a primary adjustment to the transfer price,
- (a) has been made suo motu by the assessee
 - (b) made by the Assessing Officer has been accepted by the assessee
 - (c) made by the Assessing Officer has been contested by the assessee
 - (d) is made as per the safe harbour rules
- (1 Mark)**
3. Any transfer of a capital asset, being _____, made by a non-resident to another non-resident is not treated as transfer provided that transfer is made outside India.
- (a) Bonds or Global Depository Receipts referred to in section 115AC(1)
 - (b) Rupee denominated bond of an Indian company
 - (c) Government Security carrying a periodic payment of interest
 - (d) All of the above
- (1Mark)**
4. Mr. D derived short term capital gain on sale of one asset Rs. 1,26,000 while long term capital loss on sale of another asset Rs. 1,28,000. What shall be the net capital gain in the hands of Mr. D while computing his total income?
- (a) Short term gain of Rs. 1,26,000 and long term capital loss to be carried forward Rs. 1,28,000

- (b) Long term capital loss to be carried forward Rs. 2,000
- (c) Short term capital gain Rs. 1,28,000
- (d) None of the above

(1 Mark)

5. Identify the person who may not be regarded as agent of non-resident as defined under section 163 of the Act.

- (a) Employee of non-resident
- (b) Person having business connection with the non-resident
- (c) Trustee of non-resident
- (d) Relative of non-resident

(1 Mark)

6. Income from shipping business of a non-resident is charged to tax in the previous year itself. In such a case, prescribed percentage of the amount paid or payable on account of such carriage to the non-resident shall be deemed to be income accruing in India to the non resident and tax on such income is payable at the rates applicable to a_____ .

- (a) Foreign company
- (b) Domestic company
- (c) Partnership firm
- (d) Limited Liability Partnership

(1 Mark)

7. Out of the followings, which is not a condition enumerated under section 40(b) of the Income tax Act?

- (a) Remuneration to a working partner or interest to any partner is in accordance with the terms of the partnership deed
- (b) Remuneration to a working partner or interest to any partner shall not pertain to a period prior to the date of earlier partnership deed where such remuneration or interest was not authorized
- (c) Remuneration to a working partner or interest to any partner shall not exceed permissible limit.
- (d) None of the above

(2 Marks)

8. Work out from the following particulars, the amount of capital gain which shall be deemed to have been applied for charitable or religious purpose arising out of sale of a capital asset utilized for the purposes of trust.

Particulars	Rs.
Cost of transferred asset	2,40,000
Sale consideration	3,80,000
Cost of new asset purchased	3,00,000
Expenses in connection with transfer	20,000

- (a) Rs.2,40,000
- (b) Rs.3,00,000
- (c) Rs.60,000
- (d) Rs.3,60,000

(2 Marks)

9. Mr. X filed return of income for assessment year 2019-20 claiming a refund of Rs.50,000. The said refund was granted and paid to the assessee on March 1, 2020 after processing the return under section 143(1). Later on, the case was taken up for regular assessment by issue of notice under section 143(2) and the said assessment was completed on August 17, 2020 resulting in demand of Rs.2,500. Is the assessee liable to interest on the amount of refund already granted to him and if so, what is the amount of such interest?

(a) Yes, u/s. 234 D, Rs.3000

(b) Yes, 234 D, Rs.1350

(c) Yes, u/s.234D, Rs.1500

(d) Assessee not liable to any such interest

(2 Marks)

10. As per the powers conferred under second proviso to section 132(1) of the Act, where, it is not possible or practicable to take physical possession of any valuable article or thing and remove it to a safe place due to its volume weight or other physical characteristics or due to its being of a dangerous nature, the Authorised Officer may serve an order on the owner or the person who is in immediate possession thereof that he shall not remove, part with or otherwise deal with it except with the previous permission of such Authorised Officer and such action of the Authorised Officer shall be _____ of such valuable article or thing.

(a) deemed to be seizure

(b) seizure

(c) confiscation

(d) All of the above

(2 Marks)

11. As per section 221 of the Act, when an assessee is in default or is deemed to be in default in making a payment of tax, he shall, in addition to the amount of the arrears and the amount of interest payable Section 220(2), be liable, by way of penalty, to pay such amount as the Assessing Officer may direct, and in the case of a continuing default, such further amount or amounts as the Assessing Officer may, from time to time, direct, so however, that the total amount of penalty does not exceed

(a) The amount of tax in arrears

(b) 50% of tax in arrears

(c) 150% of tax in arrears

(d) 200% of tax in arrears

(2 Marks)

12. As per section 164A of the Act, if a statement containing purpose, particulars and details of trust, beneficiaries & property is forwarded, within 3 months from the date of declaration of the trust to the Assessing Officer and if such statement indicates the share of beneficiaries, then such trust shall be assessable

(a) At maximum marginal rate

(b) At the rates applicable to each beneficiary

(c) At the rates applicable to an AOP

(d) At special rate at the discretion of assessing officer

(2 Marks)

13. Mr. Madhukant is an employee of M/s. PQR Ltd. He had taken property on rent from Mr. Suresh, resident, for his residential purpose for the monthly rent of Rs. 70,000 w.e.f. 1st February, 2020.

He claims that he is not required to deduct tax at source since (i) he is not an assessee covered by tax audit under section 44AB(a)/(b) (ii) rent for the financial year 2019-20 does not exceed Rs. 1,80,000 (limit prescribed under section 194-I). Advise him with suitably.

- (a) Mr. Madhukant shall not deduct TDS
- (b) Mr. Madhukant shall not deduct TDS under section 194-I but shall deduct TDS under section 194 IA @10%
- (c) Mr. Madhukant shall not deduct TDS under section 194-I but shall deduct TDS under section 194 IB @10%
- (d) Mr. Madhukant shall not deduct TDS under section 194-I but shall deduct TDS under section 194 IB @5%

(2 Marks)

14. The assessing officer has made an addition of Rs. 50 lakh due to application of arm's length price in the hands of Jamuna Cleaning Services Ltd. (JCSL) Against such addition, -

- (a) Appeal can be filed to High Court
- (b) Deduction cannot be claimed under chapter VI A in respect of such enhanced income
- (c) Set-off cannot be claimed even if JCSL has brought forward business losses
- (d) Rectification application can be filed under section 154 alleging that the interpretation done by the Assessing officer is debatable point of law.

(2 Marks)

15. Interest of Rs. 80,000 on debenture is paid by Y Ltd. on January 10, 2020 to the account of resident payee. Tax is deducted on the same day. Tax is deposited on August 10, 2020. Due date of filing return for Y Ltd. is September 30, 2020. Tax consequence of such transaction while computing income under the head "PGBP" is:

- (a) Interest expense of Rs. 80,000 shall be disallowed for the previous year 2019-20 and same shall be allowed as deduction in the previous year 2020-21
- (b) Interest expense of Rs. 24,000 shall be disallowed for the previous year 2019-20 and same shall be allowed as deduction in the previous year 2020-21
- (c) Interest expense of Rs. 80,000 shall be disallowed for the previous year 2020-21 and same shall be allowed as deduction in the previous year 2021-22
- (d) Interest expense of Rs. 80,000 shall be allowed for the previous year 2019-20.

(2 Marks)

16. Mr. X is liable for clubbing of income in respect of his three minor sons namely X1, X2, and X3. Incomes of X1, X2 and X3 for the particular previous year were Rs. 1200, Rs.1500/- and Rs.1800 respectively. Find out the net income to be clubbed in the Hands of Mr. X after claiming exemption u/s. 10(32).

- (a) Rs. Nil
- (b) Rs.300
- (c) Rs.1500
- (d) None of the above

(2 Marks)

Division B – Descriptive Questions

Question No. 1 is compulsory

Attempt any four questions from the remaining five questions

Question No.1

M/s. Hind Udyog, a manufacturing partnership firm, consisting of three partners namely X, Y and Z, provides following information relating to the year ending on 31.03.2020.

Net profit of Rs. 28.75 Lakhs as per profit and loss account, was arrived at after debiting / crediting the following items :

- (i) The firm had provided amount of Rs. 2 Lakhs being sum estimated as payable to workers based on agreement to be entered with the workers union towards periodical wage revision once in three years. The provision is based on a fair estimation on wage and reasonable certainty of revision once in three years.
- (ii) Sale proceeds of import entitlements amounting to Rs. 1 lakh have been credited to profit and loss account, which the firm claims as capital receipt not chargeable to income tax.
- (iii) Goods and Service Tax demand paid includes an amount of Rs. 5,300 charged as penalty for delayed filling of returns and Rs. 12,750 towards interest for delay in deposit of tax.
- (iv) A free air ticket was provided by a supplier for reaching a certain volume of purchase during the F.Y. 2019 – 20. The same is not credited in profit & loss account because it was encashed by the firm for Rs. 2 lakhs in April 2020.
- (v) Interest amounting Rs. 20,000 paid to X as a Karta of HUF @ 18% per annum.
- (vi) The firm had taken on lease an old building for the purpose of locating its business. Due to old age of building, it was demolished and a new building put up, which was used by the firm from September, 2019. The cost of new building Rs.10 lakh was written off as revenue expenditure. The lessor permitted the firm to have an extension of the lease by another 20 years.
- (vii) Loss incurred in transactions of purchase and sale of shares (without delivery) of various companies Rs. 3 lakhs.
- (viii) A scheduled bank sanctioned and disbursed a term loan in the financial year 2015 – 16 for a sum of Rs. 50 lakhs. Interest of Rs. 8 lakhs was in arrears. The bank has converted the arrears of interest into a new loan repayable in 10 equal installments. During the year, the company has paid 2 installments and the amount so paid has been reduced from Funded Interest in the Balance Sheet.

The firm furnishes following additional information relating to it :

- (1) Provision for audit fees Rs. 2.5 lakhs was made in the books for year ended on 31.03.2019 without deducting tax at source. Such fees was paid to the auditors in September, 2019 after deducting tax under section 194J and the tax so deducted was deposited on 7th October, 2019.

- (2) The firm had made an investment of Rs. 23 lakhs and Rs. 12 lakhs on the construction of two warehouses (excluding the cost of land), in rural areas for the purpose of storage of agricultural produce and edible oil respectively. These were made available for use from 15 September 2019. The profits from setting of these warehouses (before claiming deduction under section 35AD and 32) for Assessment year 2020 – 21 is Rs. 15 lakhs and Rs. 5 lakhs respectively.
- (3) In July, 2019 firm received a dividend of Rs. 11 lakhs from A Ltd. in which it holds 10% of shares.

Compute the total income of M/s Hind Udyog for the A.Y. 2020 – 21 by analyzing, integrating and applying the relevant provisions of Income tax law. Explain in brief, the reasons for the treatment of each items.

(14 MARKS)

QUESTION : 2

(A) Asha Memorial Trust running hospitals is registered under Section 12A. Following particulars relevant for the previous year ended 31st March, 2020 are furnished to enable you to compute tax liability of the trust :

- (i) Income from running of hospitals Rs. 14.25 lacs.
- (ii) Donation received (including anonymous donation Rs. 3 lacs) Rs. 5.75 lacs.
- (iii) Amount applied for the purpose of hospital Rs. 18 lacs. Out of Rs. 18 lakhs, Rs. 5 lakhs was paid to contractor in cash for providing cleaning and sanitation facilities.
- (iv) The trust had accumulated Rs. 15 lacs under Section 11(2) in the financial year 2013 – 14 for a period of five years for extension of one of its hospitals. The trust has spent Rs. 13.50 lacs for the said purpose till 31st March, 2020.

Compute the taxable income of the trust and tax payable by Asha Memorial Trust for the assessment year 2020 – 21.

(6 MARKS)

(B) Examine the applicability of provisions relating to deduction of tax at source and compute the liability, if any, for deduction of tax at source in the following cases for the financial year ended 31.03.2020.

- (i) Rs. 80,000 towards interest on compensation credited to the account of the payee by Motor Accidents Claim Tribunal on 30.11.2019.
- (ii) Rs. 3,00,000 paid on 30.09.2019 as consideration to Mr. B resident in India, on account of compulsory acquisition of his residential building acquired for laying railway tracks.
- (iii) Ravi Kumar aged 67 years derived Rs. 6,00,000 as salary from his employer, XYZ Ltd. for the year ended 31.03.2020. The following details are provided by him to the employer :

Particulars	Rs.
Loss from self – occupied house property at Mumbai	2,00,000
Net loss from let – out property	2,00,000
Net loss from business activity	1,00,000
Interest income from bank	3,20,000

(8 MARKS)

QUESTION : 3

(A) (a) Zenith Formulations Ltd. an Indian Company engaged in pharmaceutical formulations in Tamil Nadu, started adoption of Ind AS compliance with effect from 1st April 2017.

(i) The book profits after adjustments of all items specified in section 115JB(2) amounted to Rs. 52.26 lakhs (except the adjustment for brought forward losses). For the year ended 31.3.2020.

(ii) Brought forward losses as per books are as under. (Rs. In Lakhs)

Financial year	Business loss	Depreciation
2015 – 16	4.60	4.90
2016 – 17	1.75	2.20

(iii) The business loss of Rs. 4.60 lakhs and Rs. 1.75 lakhs have been deducted while computing book profits under section 115JB for the assessment years 2018 – 19 & 2019 – 20, respectively.

(iv) The particulars of Other Comprehensive Income for the year ended 31.03.2020 :

A : Other Comprehensive Income (OCI) that may be re – classified to profit and loss :		Debit	Credit
(i)	Deferred gain Cash flow hedges		5.50
(ii)	Deferred costs of hedging	1.00	
(iii)	Comprehensive income from discontinued operations		4.20
(iv)	Exchange Differences of foreign exchange operations	2.30	
Total		3.30	9.70

B : Other comprehensive Income (OCI) that will not be re – classified to profit and loss :		Debit	Credit
(i)	Changes in fair values of equity instruments	10.00	
(ii)	Deferred gains on cash flow hedges		7.25
(iii)	Deferred costs of hedging	4.10	
(iv)	Share of other comprehensive income of other associates		3.20
(v)	Re – measurements of post employment benefit obligations		4.45
(vi)	Revaluation surplus for assets		7.50
Total		14.10	22.40

(v) The transaction amount as on convergence date (01.04.2017) stood at Rs. 52.50 lakhs (credit balance) including capital reserve of Rs. 8 lakhs and adjustment of Rs. 4.50 lakhs relating to translation difference in a foreign operation.

(vi) The National Company Law Tribunal (NCLT). Chennai Bench has admitted an application under section 7 of Insolvency and Bankruptcy Code, 2016 (IBC) made by financial creditor against the company for initiation of Corporate Insolvency Resolution Process on 30th March, 2020.

(1) Compute MAT liability for the assessment year 2020 – 21, applying the provisions relating to Ind AS compliant companies.

(2) Assuming that the income tax under normal provisions of income – Tax Act, 1961 for the assessment year 2020 – 21 works out to Rs. 9.20 lakhs,

compute the tax credit, if any, to be carried forward by the company including the period up to which it will be available to be carried forward.

(8 MARKS)

(B) Amar P Ltd., Bangalore is engaged in IT Enabled services. It is the subsidiary of ABC Inc in US. It also provides similar services to a company SAK Ltd. at Singapore. Its billings and other information is as given hereunder :

- (i) Billings per month to ABC Inc. USD 85000
- (ii) Billings per month to SAK Ltd. USD 70000
- (iii) ABC Inc has provided a loan of USD 100000 to Amar P Ltd. towards purchase of hardware for executing its project. Rate of interest charged for the said loan is at 3% p.a.
- (iv) Direct and Indirect cost incurred are USD 100 and USD 200 per hour respectively.
- (v) Amar P Ltd. works 9 hours per day for 15 days to execute the projects for ABC Inc. and 8 hours per day for 15 days to execute projects for SA K Ltd. Service was provided by the company to both its customers throughout the year.
- (vi) Warranty was provided to SAK Ltd. for a period of 2 years. Cost of warranty is calculated at 1% of direct cost incurred. The cost of warranty is neither include in the direct nor indirect cost.

Assume conversion rate 1 USD = Rs. 64 Compute Arm's Length Price as per the cost – plus method and the amount to be added if any to the income of Amar P Ltd.

(6 MARKS)

QUESTION : 4

(A) Following are the details of Income provided by Mr. Singh, the assessee for the financial year ended 31st March, 2020.

- (i) Rental income from property at Bangalore Rs. 3 lakhs, Standard Rent Rs. 2,50,000, Fair Rent Rs. 2,80,000.
- (ii) Municipal and water tax paid during 2019 – 20; Current year Rs. 35,000; Arrears Rs. 1,50,000.
- (iii) Interest on loan borrowed towards major repairs to the property Rs. 1,50,000.
- (iv) Arrears of rent of Rs. 30,000 received during the year, which was not charged to tax in earlier years.

Further, the assessee furnished following additional information regarding sale of property at Chennai :

- (i) Mr. Singh's father acquired a residential house in April 2012 for Rs. 25,000 and thereafter gifted this property to the assessee, Mr. Singh on 1st December, 2014.
- (ii) The property, so gifted, was sold by Mr. Singh on 10th June 2019. The consideration received was Rs. 25,00,000.

(iii) Stamp duty charges paid by the purchaser at the time of registration @ 13% (as per statutory guidelines) was Rs. 3,90,000.

(iv) Out of the sale consideration received :

(A) On 2.1.2020 the assessee had purchased two adjacent flats, in the same building, and made suitable modification to make it as one unit. The investment was made by separate sale deeds, amounting being Rs. 8,00,000 and Rs. 7,00,000, respectively.

(B) On 10.10.2019 Rs. 10 lakhs was invested in bonds issued by National Highway Authority of India, but the allotment of the bonds was made on 1.2.2020.

Compute Mr. Singh's taxable income for assessment year 2020 – 21.

Cost inflation index : F.Y. 2012 – 13 : 200; F.Y. 2014 – 15 : 240; F.Y. 2019 – 20 ; 289

(8 MARKS)

(B) Red Ltd., a non-resident foreign company, had entered into a collaboration agreement approved by the Central Government, with Blue Ltd. an Indian company on February 21, 2004 and is in receipt of following payments during the previous year ending on March 31, 2020:

(i) Interest on 8% debentures for Rs. 40 lakhs issued by Blue Ltd. on July 1, 2019 in consideration of providing of technical know-how, manufacturing process and designs (date of payment of interest being March 31 every year).

(ii) Service charges @ 2.5% of the value of plant and machinery for Rs. 500 lakhs leased out to Blue Ltd. payable each year before March 31.

(iii) Apart from the above incomes, Red Ltd. received a long-term capital gain amounting to Rs. 1.90 Lakhs on sale of debentures of Green Ltd., an Indian company, subscribed in US\$.

Compute the Total Income of Red Ltd. and determine its tax liability for the assessment year 2020-21.

(6 MARKS)

QUESTION : 5

(A) X Ltd., has two units, unit 'N' and unit 'Y', Unit 'N' engaged in the business of power generation installed a windmill and had a profit of Rs. 100 lakhs in Assessment Year 2020 – 21. X Ltd. claimed depreciation of Rs. 120 lakhs on windmill against the profit of Rs. 100 lakhs from power generation business which was eligible for deduction under section 80 – IA. Unit Y, engaged in manufacturing of wires, non – eligible business, had a profit of Rs. 70 lakhs for Assessment Year 2020 – 21.

The loss of Rs. 20 lakhs, i.e. balance depreciation not set off pertaining to unit 'N' was set off against the profits of Unit Y carrying on non – eligible business, by the assessee, X Ltd. The Assessing Officer was of the view that depreciation relating to a business eligible for deduction under section 80 – IA cannot be set – off against non – eligible business income. Hence, unabsorbed depreciation should be carried forward to the subsequent year to be set off against eligible business income of the assessee of that year.

Give your views on the correctness of the action of the Assessing Officer.

(6 MARKS)

- (B)** AUM Enterprises, a partnership firm filed its return of income for the A.Y. 2017 – 18 on 30.07.2017. The assessment under section 143(3) was completed on 15th March, 2019 and the A.O. made two additions to the income of assessee namely,
- (i) Addition of Rs. 8 Lakhs for unexplained cash credit u/s 68 and
 - (ii) Addition of Rs. 3 lakhs u/s 40(a) (ia) due to non - furnishing of the evidence of TDS payment

The assessee being aggrieved, contested the addition of Rs. 8 Lakhs u/s 68 and made an appeal to the CIT (A). The appeal was decided on 5th January, 2020 against the assessee. Now, the assessee seeks your advice as to whether it should apply for revision to CIT u/s 264 or for rectification u/s 154 to' the A.O. as regards disallowance under section 40(a)(ia). Advise?

(4 MARKS)

- (C)** Specify the quantum of Fee/ Penalty, if any, to be levied in the following cases. Your answer must specify the relevant provisions of Income – Tax Act, 1961.
- (i) Mr. Abhiram, an individual, whose taxable income working out to Rs. 13.25 lakhs, filed the return of Income on 12.03.2021 for the assessment year 2020 – 21. The due date for furnishing return of income under section 139(1) is 30.09.2020.
 - (ii) Mrs. Sirisha filed the return of income on 31.01.2021 for the assessment year 2020 – 21. The due date for furnishing return of income is 31.08.2020 under section 139(1) and her taxable income is Rs. 4.98 lakhs.
 - (iii) Mr. Robert received a sum of Rs. 2.50 lakhs from Mr. Rajiv on 31.01.2020 in cash in contravention of provisions of section 269ST.

(4 MARKS)

QUESTION : 6

- (A)** The business premises of Mr. Rajneesh was subjected to a survey under section 133A of the Act. There were some indiscriminating materials found at the time of survey. The assessee apprehends reopening of assessments of the earlier years. He wants to know whether he can approach the Settlement Commission.

Explain briefly the basic conditions to be satisfied and the benefits that may accrue to Mr. Rajness by approaching the Settlement Commission.

(4 MARKS)

- (B)** ECO& Co. filed an application for advance ruling for A. Ys. 2018-19, 2019-20 and 2020 – 21with the Authority for Advance Ruling (MR). For the assessment years 2018-19 and 201 9 – 20, notices under section 143(2) were issued to the assessee and subsequently, before the date of filing application with AAR, notice under section 142(1) along with questionnaire was issued. For the assessment year 2020-21, notice under section 143(2) was issued before the date of filing of application with the AAR and notice under section 142(1) along with questionnaire was served on the assessee after the date of filing application with the AAR.

Can the AAR reject the application on the ground that proceedings are already pending?

(Your answer should cover these aspects : (i) issue invoked, (ii) Provisions applicable, (iii) Analysis and (iv) Conclusion)

(You may assume that the provisions relating to Advance Ruling for the earlier assessment years were the same as those prevailing for the A.Y. 2020 – 21)

(4 MARKS)

(C) State with brief reason, whether the following statements are true or false :

- (i) Where a notice under Section 143(2) is issued to the assessee, it is not required to process under section 143(1), the return of income filed by the assessee.
- (ii) Even without rejecting the books of account, if any, maintained by the assessee, the Assessing Officer can make a reference to the Valuation Officer u/s 142A for estimating the cost of construction of an immovable property.
- (iii) Expenses of special audit conducted under section 142 shall be paid by the Central Government.
- (iv) Only an individual can be regarded as a Tax Return Prepare under section 139B.

(4 MARKS)

(D) Examine and state the correctness or otherwise of each of the following statements in the context of provisions contained under the Income – tax Act, 1961 and answer by giving brief reasons/ contents thereof :

- (a) Tax Avoidance is not defined in taxing statute. It is the outcome of actions taken by the assessee, none of which or no combination of which is illegal or forbidden by the law as such. The international literature tends to describe the tax avoidance in many ways. If yes, state briefly ways of tax avoidance.

(2 MARKS)