

**2025****COMMERCE****Paper : CC-104****(Direct Tax)****Full Marks : 40***The figures in the margin indicate full marks.**Candidates are required to give their answers in their own words as far as practicable.***Module - I**Answer *any two* questions.

1. (a) Taj International Ltd. is a company having two units— Hotels Unit is engaged in the specified business of building and operating new hotels of three stars or above category and Destination Management Unit carries on non-specified business of operating international and domestic tours, voyage ventures and adventure journeys etc. The Hotels Unit purchased plant and machinery on 01.05.2021 and claimed deduction u/s 35AD of ₹ 30,00,000 in assessment year 2022-23 in respect of the investment in plant and machinery. During previous year 2024-25, the said machinery was deployed by Hotels Unit for use in the activities of Destination Management Unit.

Compute the income chargeable for the profits and gains of business or profession and the actual cost of machinery u/s 43(1) for the assessment year 2025-26.

(Rate of depreciation chargeable to the block of Plant and Machinery is 15%.)

- (b) Singenta Bio-medicals Ltd., engaged in the business of manufacturing pharmaceutical products, commenced its business on 01.06.2024. It incurred the following expenses for the purpose of research connected with its business :

Previous Year	Items	Amount (₹)
2020-21	Land	30,00,000
	Salaries (including perquisites of ₹ 5,00,000)	15,00,000
2021-22 (incurred after 01.07.2021)	Building	85,00,000
	Salaries (including perquisites of ₹ 2,00,000)	22,00,000
	Raw materials	15,00,000
2022-23	Raw materials	9,00,000
2023-24	Plant & Machinery acquired on 01.05.2023	25,00,000
2024-25	Raw materials and salaries	11,00,000

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Since the result of the research in respect of clinical drug trial was not successful, the company sold its existing plant and machinery for ₹ 40,00,000 on 01.03.2025 and closed the existing research activity.

Discuss the tax consequences of the above for the assessment year 2025-26 assuming that all the necessary conditions have been fulfilled. You are also informed that assessee's line of business is eligible for claiming deduction u/s 35 and the assessee does not opt for new tax regime.

6+6½

2. (a) Biotique Cosmetics Ltd., an unlisted company, acquired 7,000 shares in Sugar India Ltd. (listed on NSE) on 25.05.2012 at a cost of ₹ 420 per share. On 01.12.2018, Sugar India Ltd. was amalgamated with Lotus Herbals Ltd., an Indian company listed on NSE. Under the scheme of amalgamation, Biotique Cosmetics Ltd. was allotted 5,250 shares of Lotus Herbals Ltd. on 01.12.2018 when the Fair Market Value (FMV) of each share was ₹ 1,260. In order to meet the requirement of cash, Biotique Cosmetics Ltd. sold 4,500 shares on 22.07.2024 for ₹ 1,488 per share. The highest fair market value at which the shares of Sugar India Ltd. were traded in NSE on 31.01.2018 was ₹ 844 per share.

Discuss the tax implications in respect of Biotique Cosmetics Ltd. for the relevant assessment years.

- (b) Marron Tiger Ltd. is a wholly owned subsidiary company of Zouk India Ltd. Both of them are Indian companies. Marron Tiger Ltd. transferred a plot of land to Zouk India Ltd. on 25.10.2015 for ₹ 54,00,000. Marron Tiger Ltd. had acquired this land on 01.10.1999 for ₹ 19,00,000. The fair market value of the same as on 01.04.2001 was ₹ 18,00,000. Zouk India Ltd. converted the land as its stock-in-trade on 31.08.2023 (the fair market value of the same as on 31.08.2023 was ₹ 78,00,000) and then sold it on 20.07.2024 for ₹ 82,00,000.

Discuss the tax effects of the above transactions for the relevant assessment years in the hands of Marron Tiger Ltd. and Zouk India Ltd.

5½+7

3. (a) Zindal Steel Ltd., an unlisted steel manufacturing company, went into liquidation on 31.12.2024 due to some technical issues. The following data relate to the company as on that date :

Particulars	Amount (₹)
Equity Share Capital of ₹ 100 each	50,00,000
Accumulated Profits	20,00,000

**Additional information :**

- (i) Zindal Steel Ltd. advanced loan of ₹ 12,00,000 at an interest rate of @ 10% p.a. to its holding company (held 60% shares) Mittal Metalics Ltd. on 01.04.2024. The accumulated profits of Zindal Steel Ltd. as on 01.04.2024 was ₹ 18,00,000. The loan was repaid by the company on 30.12.2024 together with interest.

- (ii) Sigma Ltd. (listed on BSE) acquired 20% equity shares in Zindal Steel Ltd. on 10.10.2022 for ₹ 16,00,000. During liquidation, Sigma Ltd. received from Zindal Steel Ltd. a sum of ₹ 50 per share in cash and a plot of land valuing ₹ 11,00,000 in the books of Zindal Steel Ltd. The market value of the said land on the date of distribution on 25.01.2025 was ₹ 15,00,000.
- (iii) The land so received from Zindal Steel Ltd. was sold by Sigma Ltd. on 28.03.2025 for ₹ 20,00,000.

Discuss the tax treatments in the hands of Sigma Ltd. for the relevant assessment year.

- (b) Electro Ltd., an undertaking engaged in the business of generation and distribution of power, has opted for straight line method (SLM) of depreciation for income tax purposes. The company acquired a Diesel Electric and Gas Plant for ₹ 50,00,000 on 15.04.2022 and put to use the same on 01.10.2022. The rate of depreciation is @ 8.24%. Examine the tax treatment if the Plant was sold on 01.04.2024 for (i) ₹ 46,00,000; or (ii) ₹ 58,00,000. 7½+(2+3)

4. Statement of P & L of Gucci Ltd., an internationally reputed leather footwear and bag manufacturer, reported a net profit (before tax) of ₹ 280 lakhs for the financial year ended 31st March, 2025 after debiting or crediting the following items :

**Amount Debited :**

- (a) Depreciation charged as per the Companies Act, 2013 was ₹ 35 lakh.
- (b) The company paid ₹ 50 lakh on 01.08.2024 to a research institution recognised and notified by the Central Govt. which had its object of undertaking scientific research.
- (c) The company had provided interest @ 8% p.a. on ₹ 30 lakh, being an amount borrowed from a NBFC on 01.05.2024 for purchase of new machinery from Istanbul. The interest outstanding as on 31.03.2025 was paid on 15.12.2025.
- (d) Salary of ₹ 8 lakh was paid to foreign technicians for installation of imported machinery at the factory premises.
- (e) Donation of ₹ 5 lakh was given for renovation of temple notified by the central government, having archaeological importance.
- (f) The company also donated a sum of ₹ 20 lakh to approved local authority for promotion of family planning and ₹ 5 lakh to PM CARES fund through ECS.

**Amount Credited :**

The company had made a sale of ₹ 20 lakh to Khosla Ltd. on 10.10.2022. On 01.02.2023, ₹ 10 lakh were written off as bad debts in the books of accounts. Due to its liquidation, the company could collect only ₹ 8 lakh towards the balance due as final settlement on 01.03.2025. The amount recovered is shown as bad debts recovered and credited to statement of P & L.

**Additional Information :**

- (i) The company is subject to tax audit u/s 44AB for the financial year 2024-25.
- (ii) Normal allowable depreciation as per the Income Tax Rules was ₹ 30.20 lakh.

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- (iii) The company purchased new machinery from Istanbul for ₹ 40 lakh on 01.05.2024 and was put to use for the factory on 01.01.2025. The normal depreciation mentioned above includes depreciation of the imported machinery. Rate of additional depreciation is @ 20%.
- (iv) The recognition granted to the research association which was engaged in scientific research was subsequently withdrawn by the Central Govt. on 31.01.2025.
- (v) The company employed 15 additional employees on 01.12.2021 at a monthly salary of ₹ 25,000 each. In the year 2024-25, 40 additional employees were employed by the company. 20 out of 40 employees joined on 01.05.2024 on a monthly salary of ₹ 24,000, 10 joined on 01.06.2024 on a monthly salary of ₹ 26,000 and another 10 joined on 01.11.2024 on a monthly salary of ₹ 22,000. All these employees contribute to RPF. All the employees who joined on or after 01.04.2021 are still in its payroll as on 31.03.2025.

You are required to compute the Total Income of the company for the A.Y. 2025-26. Ignore MAT and the provisions of Sec. 115BAA. 12½

### Module - II

Answer *any one* question.

5. (a) Miss Pathak (age 45 years), a resident individual in India, provides the following information for the previous year 2024-25 :

Income from business in India	₹ 9,20,000
Income from other sources	₹ 1,80,000
Income from business in Country Z	₹ 5,00,000
Deductions under Chapter VI-A	₹ 2,00,000
Tax paid in Country Z	@ 15%

Calculate Tax payable in India (ignoring section 115BAC) assuming that :

- [I] Govt. of India has Double Taxation Avoidance Agreement (DTAA) with Country Z and DTAA provides that the income from Country Z :

- (i) would be taxable in the Country Z and not in India, but it would be included for computation of tax rate in India.
- (ii) would be taxable in both Country Z and India. However, tax paid in Country Z can be set off against Indian tax liability.

[II] Govt. of India does not have DTAA with Country Z.

- (b) EFG LLP furnished the following information for the previous year 2024-25 :

– Income from specified business unit (after considering deduction u/s 35AD of ₹ 20,00,000) ₹ 98,00,000

– Depreciation allowable in respect of assets eligible for deduction u/s 35AD	₹ 7,00,000
– Income from other sources	₹ 12,50,000
– Long-term capital gain on sale of land during November 2024	₹ 10,00,000
– Deduction u/s 80JJAA	₹ 6,50,000

Regular tax rate - 30%; Rate of AMT - 18.5%; surcharge and cess as applicable. Compute tax payable by EFG LLP for the assessment year 2025-26. 7½+7½

6. (a) Reliable Steel Ltd., an Indian company, has reported a business loss of ₹ 3 lakh during the previous year 2024-25. In addition, the company provides the following details :

- Dividend received from a domestic company : ₹ 12,50,000
- Interest on borrowed capital to earn the above dividend : ₹ 3,00,000
- Dividend paid to shareholders during August 2025 : ₹ 9,00,000

Compute total income of Reliable Steel Ltd. for the A.Y. 2025-26.

- (b) Mithan Manufacturing Private Company Ltd., an Indian company, has furnished the following information for the year ended 31.03.2025. Compute tax liability of the company for the assessment year 2025-26.

	(₹)
(I) Net Profit as per the Statement of Profit and Loss following the Companies Act, 2013	33,00,000
(II) Expenses included in the Statement of Profit and Loss :	
• Provision for Income Tax	2,60,000
• Depreciation (including depreciation on account of revaluation of assets : ₹ 50,000)	2,70,000
• Deferred Tax Liability	80,000
• Contribution to Swachh Bharat Kosh	1,00,000
(III) Income included in the Statement of Profit and Loss :	
• Short-term Capital Gains u/s 111A (effected on 13/01/2025)	3,50,000
• Amount withdrawn from general reserve	3,00,000
(IV) Other information :	
(i) Depreciation as per the IT Rules : ₹ 2,00,000.	
(ii) The company has purchased goods at ₹ 70,000 from XYZ LLP, a firm in which majority of the directors of Mithan Manufacturing Private Company Ltd. are the partners. The firm's normal selling price for the same goods in the market is ₹ 60,000.	

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(iii) The company has the following brought forward business losses and unabsorbed depreciation :

	For accounting purpose		For tax purpose	
	Business Loss (₹)	Unabsorbed Depreciation (₹)	Business Loss (₹)	Unabsorbed Depreciation (₹)
A.Y. 2022-23	-	1,40,000	-	10,000
A.Y. 2023-24	1,00,000	1,50,000	-	1,60,000

(iv) The company is also eligible for a deduction under section 80JJAA of ₹ 4,50,000.

(v) Applicable normal tax rate is 25% and MAT rate is 15%. Surcharge and HEC are as applicable. 3+12

[CII for FY : 2001-02 : 100, 2012-13 : 200, 2015-16 : 254, 2018-19 : 280, 2022-23 : 331, 2023-24 : 348, 2024-25 : 363]