MOCK TEST PAPER 2

FINAL (OLD) COURSE: GROUP – II

PAPER – 7: DIRECT TAX LAWS

SOLUTIONS

Division A – Multiple Choice Questions

MCQ No.	Most Appropriate Answer
1.	(b)
2.	(d)
3.	(a)
4.	(d)
5.	(a)
6.	(a)
7.	(b)
8.	(d)

MCQ No.	Most Appropriate Answer
9.	(a)
10.	(a)
11.	(d)
12.	(a)
13.	(b)
14.	(b)
15.	(c)

Division B – Descriptive Questions

1. (a) Computation of Business Income of Sakshi Ltd. for the A.Y.2021-22

Particulars	Amount (₹)	
Profits and gains of business and profession		
Net profit as per the statement of profit and loss		5,60,00,000
Add: **Items debited but to be considered separately or to be disallowed**		
(a) **Depreciation as per Companies Act**	52,00,000	
(c) **Contribution to National Laboratory**	-	
[Contribution to National laboratory for scientific research qualifies for 100% deduction u/s 35(2AA). Since 100% has been debited to the statement of profit and loss, no adjustment required to be made while computing business income]		
(e) **Payment to transporter**	-	
[No tax is required to be deducted at source u/s 194C on payment to a transporter declaring income under section 44AE, who has furnished a declaration to that effect along with PAN. Therefore, disallowance@30% of payment for non-deduction at source u/s 40(a)(ia) would **not** be attracted in respect of payment of ₹ 3.50 lakhs to M/s. BP Transport]		
(f) **Interest on loan for purchase of plant and machinery**	5,00,000	
[Interest on loan taken for purchase of plant and machinery for use in business is allowable as deduction u/s 36(1)(iii)		

	for the period after the date the asset is first put to use. Hence, such interest for the period upto the date the asset is first put to use is not allowable as deduction. Accordingly, out of ₹ 15 lakhs paid towards such interest, only ₹ 10 lakhs is allowable as deduction. ₹ 5 lakhs, being interest paid upto the the date till such machinery was commissioned has to be added back while computing business income]		
(g)	**Bad debts written off** [No adjustment is required in respect of debt of ₹ 20 lakhs written off owing to insolvency of the debtor, since bad debts written off in the books of account is fully allowable as deduction u/s 36(1)(vii). Since the said amount has already been debited to the statement of profit and loss, no further adjustment is required]	-	
(i)	**Payment for online advertisement services** [Since the payment for online advertisement services is made to a non-resident not having PE in India, equalization levy@6% has to be deducted. Since the same has not been deducted, disallowance@100% of the payment would be attracted u/s 40(a)(ib)]	5,00,000	
(**j**)	**Payment to Consultant for opinion on new business** [Payment to consultant for expert opinion on new business **is capital in nature**. Hence, the same is not allowable as deduction u/s 37. Since the amount has been debited to the statement of profit and loss, the same has to be added back]	2,00,000	
(iv)	**Purchase of cotton at a price higher than the FMV** [Since the purchase is from a related party, a firm in which majority of the directors of the company are partners, at a price higher than the fair market value, the difference between the purchase price (₹ 5,000 per bale) and the fair market value (₹ 4,600 per bale) multiplied by the quantity purchased (1000 bales) has to be added back]	4,00,000	68,00,000
			6,28,00,000
Less:	**Items credited to statement of profit and loss, but not includible in business income/ permissible expenditure and allowances**		
(b)	**Industrial power tariff concession received from State Government** [Any assistance in the form of, *inter alia*, concession received from the Central or State Government would be treated as income. Since the same has been credited to statement of profit and loss, no adjustment is required]	-	
(d)	**Profit on sale of plot of land** [Short-term capital gains arise on sale of plot of land held for less than 24 months. However, in this case, since the transfer is to a 100% subsidiary company, which is an Indian company, the same would not constitute a transfer	8,00,000	

	for levy of capital gains tax as per section 47(iv). Since the same has been credited to the statement of profit and loss, the same has to be reduced while computing business income]		
(h)	**Additional compensation received from State Government in respect of land** [Since the additional compensation has been received pursuant to an interim order of the Court, the same would be deemed as income chargeable to tax under the head **"Capital Gains"** in the year of final order as per section 45(5). Since the compensation has been credited to the statement of profit and loss, the same has to be deducted while computing business income"]	5,00,000	
AI(i)	**Depreciation as per Income-tax Rules, 1962** [₹ 71,00,000, being normal depreciation on book assets + ₹ 75,000, being 15% of ₹ 5,00,000, being the interest on loan taken for acquiring plant and machinery upto the date of commissioning]	71,75,000	
AI(ii)	**Discount on issue of debentures** [Allowable as deduction over the tenure of debentures i.e., 5 years Hence, 1/5th allowable as deduction in P.Y.2020-21 (1/5th of ₹ 45 lakhs, being 3% of ₹ 1500 lakhs)]	9,00,000	
AI(iii)	**Purchases omitted to be recorded in the books of account** Since the purchase is made in March, 2021 (i.e., P.Y. 2020-21), in respect of which bill of ₹ 3 lakhs received in March, 2021, which has been omitted to be recorded in the books in this year, it has to be deducted to compute the business income[1] It is logical to assume that the company is following mercantile system of accounting	3,00,000	96,75,000
Profits and gains from business and profession			**5,31,25,000**

2. (a) Tax treatment in the hands of STP LLP on conversion of STP Pvt. Ltd. into STP LLP

(i) **Unabsorbed depreciation of ₹ 30 lakhs**

As per section 72A(6A), STP LLP would be able to carry forward and set-off the unabsorbed depreciation of ₹ 30 lakhs of STP Pvt. Ltd. as on 31.3.2020.

However, if subsequent to the conversion, STP LLP fails to fulfill any of the conditions mentioned in section 47(xiiib), the set-off of depreciation so made in any previous year would be deemed to be the income chargeable to tax in the year in which such conditions are not complied with.

(ii) **Business loss of ₹ 25 lakhs (relating to P.Y. 2012-13)**

As per section 72A(6A), the business loss of ₹ 25 lakhs of STP Pvt. Ltd. would be deemed

[1] *Kedarnath Jute Manufacturing Company Ltd. v. CIT (1971) 82 ITR 363 (SC)*

to be the loss of STP LLP for P.Y. 2020-21 and it would be able to set off and carry forward such loss.

The carry forward is for 8 assessment years subsequent to the assessment year 2021-22.

However, if subsequent to the conversion, STP LLP fails to fulfill any of the conditions mentioned in section 47(xiiib), the set-off of business loss so made in any previous year would be deemed to be the income chargeable to tax in the year in which such conditions are not complied with.

(iii) Unadjusted MAT credit u/s 115JJAA of ₹ 6.5 lakhs

As per section 115JAA(7), in case of conversion of STP Pvt. Ltd. into STP LLP, the credit for MAT paid by STP Pvt. Ltd. cannot be availed by the successor LLP i.e., STP LLP.

(iv) Depreciation and written down value of assets

In case of conversion of STP Pvt. Ltd. into STP LLP, depreciation on assets shall be apportioned between the company and LLP in the ratio of the number of days for which the assets were used by them.

Total Depreciation

Plant and machinery (15%) = ₹ 12 lakhs x 15% = ₹ 1,80,000

Building (10%) = ₹ 30 lakhs x 10% = ₹ 3,00,000

In the hands of STP LLP (for 151 days)

Plant and machinery (15%) = ₹ 1,80,000 x 151/365 = ₹ 74,466

Building (10%) = ₹ 3,00,000 x 151/365 = ₹ 1,24,110

WDV in the hands of STP LLP

As per section 43(6), the actual cost of the block of assets in the hands of STP LLP shall be the WDV of the block of assets as in the case of STP Pvt. Ltd. on the date of conversion.

WDV of P & M (15%) = ₹ 12 lakhs – ₹ 1,05,534 (1,80,000 x 214/365) = ₹ 10,94,466

WDV of Building (10%) = ₹ 30 lakhs – ₹ 1,75,890(3,00,000 x 214/365) = ₹ 28,24,110

Actual cost of Plant and machinery on which deduction has been allowed or is allowable to the assessee under section 35AD would be 'NIL' in the hands of STP Pvt. Ltd. and STP LLP.

(v) Cost of land acquired in 2001 at ₹ 60 lakhs (Market value ₹ 110 lakhs)

The cost of acquisition of land in the hands of STP LLP would be the cost for which STP Pvt. Ltd. acquired it, i.e., ₹ 60 lakh.

(vi) Expenditure on voluntary retirement benefit of ₹ 25 lakhs

As per section 35DDA, in case of conversion of STP Pvt. Ltd. into STP LLP, deduction would be available to STP LLP for the remaining periods from the previous year in which conversion took place. Since deduction of ₹ 5.4 lakh each has been claimed by STP Pvt Ltd. in P.Y. 2018-19 and P.Y. 2019-20, STP LLP would be eligible for deduction of ₹ 5.4 lakh each for the remaining three previous years, namely P.Y.2020-21, P.Y.2021-22 and P.Y.2022-23 under section 35DDA.

(b) Computation of total income of Mr. Rakesh for A.Y.2021-22

Particulars	₹	₹
Income from House Property [House situated in Country T]		
Gross Annual Value[2]	2,40,000	

[2] *Rental income has been taken as GAV in the absence of other information relating to fair rent, municipal value etc.*

Less: Municipal taxes paid in Country T	10,000	
Net Annual Value	2,30,000	
Less: Deduction under section 24 – 30% of NAV	69,000	1,61,000
Profits and Gains of Business or Profession		
Income from profession carried on in India	8,00,000	
Less: Business loss in Country "T" from proprietary business	65,000	
		7,35,000
Income from Other Sources		
Agricultural income in Country S [Not exempt]	60,000	
Royalty income[3] from a literary book from Country S (after deducting expenses of ₹ 1,00,000)	5,00,000	
Dividend received from a company in Country T	1,50,000	7,10,000
Gross Total Income		**16,06,000**
***Less:* Deduction under Chapter VI-A**		
Under section 80QQB – Royalty income of a resident from literary book allowable as deduction since the amount has been bought into India within six months from the end of the previous year		3,00,000
Total Income		**13,06,000**
Note – Since adjusted total income (i.e., ₹ 16,06,000) does not exceed ₹ 20 lakhs, AMT would not be attracted in this case.		
Computation of tax liability of Mr. Rakesh for A.Y.2021-22		
Tax on total income [30% of ₹ 3,06,000 + ₹ 1,10,000, since Mr. Rakesh is a senior citizen, he is eligible for higher basic exemption limit of ₹ 3,00,000]		2,01,800
Add: Health and education cess @4%		8,072
		2,09,872
Less: Deduction under section 91 **(See Note below)**		62,900
Tax Payable		**1,46,972**
Tax Payable (rounded off)		**1,46,970**

Note

Calculation of deduction under section 91:		
	₹	**₹**
Doubly taxed income pertaining to Country S[4]		
Agricultural Income	60,000	
Royalty Income [₹ 6,00,000 – ₹ 1,00,000 (Expenses) – ₹ 3,00,000 (deduction under section 80QQB)]	2,00,000	

[3] Alternatively, royalty income can be taxable under the head "Profits and gains from business or profession".

[4] Doubly taxed income includes only that part of income which is included in the assessees total income. The amount deducted under Chapter VIA is not doubly taxed and hence, no relief is allowable in respect of such amount – CIT v. Dr. R.N. Jhanji (1990) 185 ITR 586 (Raj.).

	2,60,000	
Average rate of tax in India [i.e., ₹ 2,09,870 / ₹ 13,06,000 x 100]	16.070%	
Average rate of tax in Country S	10%	
Deduction under section 91 on ₹ 2,60,000 @10% [being the lower of average Indian tax rate (16.070%) and Country X tax rate (10%)]		26,000
Doubly taxed income pertaining to Country T[5]		
Income from house property	1,61,000	
Dividend	1,50,000	
	3,11,000	
Less: Loss from business set-off against other business income	65,000	
Doubly taxed income	**2,46,000**	
Average rate of tax in Country T	15%	
Average rate of tax in India [i.e., ₹ 2,09,870 / ₹ 13,06,000 x 100]	16.070%	
Deduction under section 91 on ₹ 2,46,000 @15% [being the lower of average Indian tax rate (16.070%) and Country T tax rate (15%)]		36,900
Total deduction under section 91		**62,900**

3. **(a)** Section 11(1)(a) stipulates that in order to avail exemption of income derived from property held under trust wholly for charitable or religious purposes, the trust is required to apply for charitable or religious purposes, 85% of its income from such property. In this case, the trust has earned income of Rs. 4,90,000 for the year ended 31.3.2021. It has also earned short term capital gain from sale of capital asset for Rs. 10,60,000. The trust had utilized the entire amount of Rs. 15,50,000 for the purchase of a building meant for charitable purposes.

The Supreme Court, in *S.RM. M. CT. M. Tiruppani Trust v. CIT (1998) 230 ITR 636,* ruled that the assessee-trust, which applied its income for charitable purposes by purchasing a building for use as a hospital, was entitled to exemption under section 11(1) in respect of such income.

The ratio of the decision squarely applies to the case of the charitable trust in question. Therefore, the charitable trust is justified in claiming that the purchase of the building amounted to application of its income for charitable purposes.

Under section 11(1A), where the whole of the sale proceeds of a capital asset held by a charitable trust is utilised by it for acquiring another capital asset, the capital gain arising therefrom is deemed to have been applied to charitable purposes and would be exempt. Section 11(1A) does not make any distinction between a long-term capital asset and a short-term capital asset. The claim of the charitable trust to the effect that the capital gain is deemed to have been applied to charitable purposes is tenable in law.

(b) **Computation of taxable income of Pavitra charitable trust**

	Particulars	Rs.
(i)	Income from property held under trust (net)	12,00,000
(ii)	Income (net) from business (incidental to main objects)	5,00,000

[5]*Doubly taxed income includes only that part of income which is included in the assessees total income. The amount deducted under Chapter VIA is not doubly taxed and hence, no relief is allowable in respect of such amount – CIT v. Dr. R.N. Jhanji (1990) 185 ITR 586 (Raj.).*

(iii)	Voluntary contributions from public	
	Voluntary contribution made with a specific direction towards corpus are alone to be excluded under section 11(1)(d). In this case, there is no such direction and hence, included.	8,00,000
		25,00,000
	Less: 15% of the income eligible for retention / accumulation without any conditions	3,75,000
		21,25,000
	Less: Amount applied for the objects of the trust	
	(i) Amount spent for charitable purposes (Rs. 11,60,000 - Rs. 3,60,000)	8,00,000
	(ii) Repayment of loan for construction of orphan home	3,60,000
	Taxable Income	**9,65,000**

(c) A transaction where one of the parties thereto is a person located in a NJA would be deemed to be an international transaction and all parties to the transaction would be deemed as associated enterprises. Accordingly, all the provisions of transfer pricing would be attracted in case of such a transaction.

Hence, the transactions between KP Ltd, an Indian company and LM Ltd., located in NJA, would be deemed to be international transactions between associated enterprises.

The transactions of KP Ltd. with XY of US and RS of London for sale of identical goods are comparable uncontrolled international transactions, since they are neither associated enterprises of KP Ltd. nor are they situated in NJA. Hence, Comparable Uncontrolled Price (CUP) method can be used to determine ALP.

Where more than one price is determined by the most appropriate method, CUP method in this case, then, the arithmetic mean has to be taken in cases where the number of entries in the dataset is less than 6 (in this case it is only 2). However, the benefit of permissible variation between the ALP and the transfer price based on the rate notified by the Central Government (i.e., maximum of 3% of transaction price) would **not** be available in respect of such transaction

Computation of ALP using CUP method

Particulars	**XY**	**RS**
	₹ in crores	**₹ in crores**
Price charged by KP Ltd. (on CIF basis)	12.60	13.20
Less: Ocean freight and insurance, has to be reduced since the price charged to LM Ltd. is on FOB basis	0.20	0.20
	12.40	**13.00**
Less: Cost of after-sales support service (has to be reduced, since such services are being provided to XY and RS but not to LM Ltd.)	0.12	0.12
Arm's Length Price	**12.28**	**12.88**
Arithmetic mean of the above prices [(12.28 crores + ₹ 12.88 crores)/2]		**12.58**
Less: Price at which goods were sold to LM Ltd.		11.40
Arm's length adjustment [increase in profit of KP Ltd.]		**1.18**

4. (a) Section 194N provides that every person, including, *inter alia*, a banking company, who is responsible for paying, in cash, any sum or aggregate of sums exceeding ₹ 1 crore during the previous year to any person from one or more accounts maintained by such recipient-person with it, shall deduct tax at source @2% of such sum.

In the present case, M/s XYZ (P) Ltd., an Indian company, has withdrawn ₹ 12,00,000 in cash on 7th of each month from the current account with Canara Bank, which is totalling to ₹ 1.44 crores in aggregate during the previous year 2020-21. Thus, Canara Bank is required deducted tax at source of ₹ 88,000 @ 2% on the amount exceeding ₹ 1 crore i.e., ₹ 44 lakhs.

(b) Section 9(1)(ii) provides that any income which falls under the head "salaries" is deemed to accrue or arise in India, if it is earned in India. The *Explanation* thereto further clarifies that income payable for services rendered in India shall be regarded as income earned in India.

Section 192(1) requires the person responsible for paying any income chargeable under the head "Salaries" to deduct income-tax, at the time of payment, at the average rate of income-tax computed on the basis of the rates in force for the financial year on the amount payable.

Since the TDS provisions relating to payment of income chargeable under the head "Salaries" form an integrated code along with the charging and computation provisions under the Act, section 192(1) has to be read with section 9(1)(ii) and the *Explanation* thereto. Therefore, if any payment under the head "Salaries" falls within section 9(1)(ii), then TDS provisions under section 192 gets attracted. Consequently, the Indian tax deductor assessee is duty bound to deduct, from the portion of salary paid by it, tax at source under section 192(1) on the entire salary paid to the employee, including special allowance paid abroad to the employee by the foreign company.[6]

In this case, all the employees are resident in India, since they have worked with M/s Twinkle Ltd. throughout the previous year 2020-21. If the tax due on special allowance received from the M/s Swiss Inc. is paid by the recipient-employees, then, M/s Twinkle Ltd. would not be treated as an assessee-in-default under section 201(1), if these resident-employees have furnished a return of income under section 139 on or before the due date of filing return of income, disclosing such income, and have also furnished a certificate to this effect from an accountant in the prescribed form. However, interest under section 201(1A)@1% per month or part of month shall be payable by M/s Twinkle Ltd. from the date on which such tax was deductible to the date of furnishing of return by such resident employee.

In cases where the tax has not been paid by the recipient employee, the Assessing Officer can proceed under section 201(1) to recover the shortfall in payment of tax and interest thereon under section 201(1A) from M/s Twinkle Ltd.

However, no penalty under section 271C would be attracted, if M/s Twinkle Ltd. was under the genuine and *bona fide* belief that it was not under any obligation to deduct tax at source from the special allowance paid by M/s Swiss Inc.. This is provided for under section 273B.

(c) As per section 5(2), Mr. Yatin, a non-resident, is chargeable to tax in respect of income which accrues or arises or which is deemed to accrue or arise to him in India or which is received or deemed to be received in India in the previous year 2020-21.

Computation of total income and tax liability of Mr. Yatin for A.Y. 2021-22

Particulars		Amount (₹)
(i)	Income from a business in Pune	3,80,000
(ii)	Dividend from a Canadian company received in Dubai [Not taxable as the same accrues or arises outside India and is also received outside India]	Nil

[6] *CIT, New Delhi v. Eli Lilly & Co. (India) P. Ltd. (2009) 312 ITR 225(SC)*

(iii)	Income from profession in Singapore, which was set up in India, received in Dubai but spent in India [Not taxable, as it accrues or arises outside India and is also received outside India]	Nil
(iv)	Interest on saving bank deposit in SBI	10,500
(v)	Income from a business in Singapore which is controlled from Pune (50% received in India) (50% of ₹ 1,20,000 is taxable in India)	60,000
(vi)	Income from agricultural land in Singapore, received there and then brought to India [Not taxable as such income accrues or arises outside India and is also received outside India]	Nil
(vii)	Interest from an Indian company on rupee denominated bonds issued in Singapore on 1.3.2019 [Exempt u/s 10(4C)]	Exempt
(viii)	Long term capital gain on sale of shares purchased and sold through recognized stock exchange [The gain in excess of ₹ 1,00,000 is taxable @10% u/s 112A]	1,35,000
	Gross Total Income	**5,85,500**
	Less: Deduction u/s 80TTA [Interest on savings bank account allowable as deduction upto ₹ 10,000]	10,000
	Total Income	**5,75,500**
	Tax liability	
	Tax on ₹ 35,000, being in excess of ₹ 1 lakh @10% [u/s 112A]	3,500
	Tax on balance income of ₹ 4,40,500	9,525
		13,025
	Add: Health & education cess@4%	521
	Tax liability	**13,546**
	Tax liability (rounded off)	**13,550**

5. **(a)** Section 276CC provides for prosecution for willful failure to furnish a return of income within the prescribed time, in a case where tax would have been evaded had the failure not been discovered. Since the amount of tax which would have been evaded does not exceed ₹ 25 lakh, the imprisonment would be for a term of 3 months to 2 years. In addition, fine would also be attracted.

However, in a case where the return of income of A.Y. 2020-21 is not filed within the due date, prosecution proceedings will not be attracted if the tax payable by a person, other than a company, on the total income determined on regular assessment, as reduced by the advance tax, if any, paid and any tax deducted at source, does not exceed ₹ 10,000.

In this case, not only the tax liability of M/s. M & Co., proprietary concern, for A.Y.2020-21 as per the original order of assessment exceeded ₹ 10,000, but the reduced tax liability of ₹ 18,500 as a result of the order of the Commissioner (Appeals) also exceeds ₹ 10,000. Therefore, since the tax liability of the proprietary concern on final assessment for A.Y.2020-21 was determined at ₹ 18,500, which exceeds ₹ 10,000, the prosecution proceedings are maintainable.

In case of a company also, the answer would be the same and prosecution proceedings **would be maintainable.**

(b) (I) Penalty under section 271C is attracted for failure to deduct tax at source. The penalty would be a sum equal to the amount of tax which such person has failed to deduct. Such penalty can be imposed only by the Joint Commissioner. Therefore, Blue & Associates shall be liable for penalty under section 271C equal to the amount of tax which they have failed to

deduct under section 194C from the payments made to the contractors. The penalty would be in addition to the disallowance of 30% of expenditure/payment under section 40(a)(ia).

(II) Section 133(6) empowers the Income-tax authority to require any person to furnish information in relation to such points or matters which will be useful for or relevant to any enquiry or proceeding under the Act. Failure on the part of an assessee to furnish the information in relation to such points or matters as required makes him liable for penalty under section 272A(2) of Rs. 100 for every day during which the failure continues.

(c) <u>On payment to M Inc.</u>

Equalisation levy would not be attracted where the non-resident service provider (M Inc., in this case) has a permanent establishment in India and the services are effectively connected to the permanent establishment in India. Therefore, X Ltd. is not required to deduct equalisation levy on ₹ 34 lakhs, being the amount paid towards online advertisement services to M Inc, in this case.

However, tax has to be deducted by X Ltd. at the rates in force under section 195 in respect of such payment to M Inc. Non-deduction of tax at source under section 195 would attract disallowance under section 40(a)(i) of 100% of the amount paid while computing business income.

M Inc. is chargeable to income-tax in respect of ₹ 34 lakhs received from X Ltd. @40%(excluding surcharge, if any, and HEC) and it can claim credit of tax deducted at source by X Ltd.

<u>On payment to J Inc.</u>

Equalisation levy of 6% is attracted in respect of the amount of consideration for, *inter alia*, online advertisement, received or receivable by a non-resident not having permanent establishment in India, from, *inter alia*, a resident in India, if such consideration exceeds ₹ 1 lakh.

In this case, X Ltd. is required to deduct equalisation levy of ₹ 1,20,000 i.e., @6% of ₹ 20 lakhs, being the amount paid towards online advertisement services provided by J Inc., a non-resident having no permanent establishment in India.

Non-deduction of equalisation levy would attract disallowance under section 40(a)(ib) of 100% of the amount paid while computing business income.

Section 10(50) provides that any income arising from providing any specified service on or after the date on which the provisions of Chapter VIII of the Finance Act, 2016 comes into force, and chargeable to equalisation levy under that Chapter would be exempt from income-tax. Therefore, ₹ 20 lakh is exempt from income-tax in the hands of J Inc.

6. (a) The right of membership is not a private asset and it is merely a personal privilege granted to the member. It is non-transferable and incapable of alienation by the member or his legal representative except to the limited extent provided in the rules and regulations of the stock exchange and subject to the fulfillment of conditions prescribed by the stock exchange. The nomination, even if permitted, is subject to the rules and is not automatic. The right of nomination is vested in the stock exchange absolutely in the case of death of or default of a member.

Thus, the membership card is not the property of the assessee and therefore cannot be attached under section 281B. It has been so held by the Apex Court in the case of *Stock Exchange Ahmedabad vs. ACIT (2001) 248 ITR 209*.

(b) Tax Planning / Tax Management / Tax Evasion

	Answer	Reason
(i)	Tax planning	Depositing money in PPF and claiming deduction under section 80C is as per the provisions of law. Hence, it is a legitimate tax planning measure which enables her to reduce her tax liability by claiming a deduction permissible under the Income-tax Act, 1961.

(ii)	Tax evasion	An air conditioner fitted at the residence of a director as per the terms of his appointment would be a furniture qualifying for depreciation@10%, whereas an air conditioner fitted in a factory would be a plant qualifying for a higher depreciation@15%. The wrong treatment unjustifiably increases the amount of depreciation and consequently, reduces profit and consequent tax liability. Treatment of air-conditioner fitted at the residence of a director as a plant fitted at the factory would tantamount to furnishing of false particulars with an attempt to evade tax.

(c) (i) The notice under section 153A can be issued for six assessment years preceding the assessment year relevant to the previous year in which the search is conducted. In this case, the search is conducted in the previous year 2020-21, the relevant assessment year for which is A.Y.2021-22. Therefore, notice can be issued for the six preceding assessment years i.e. for assessment years 2015-16 to 2020-21.

In case where books of account or other documents or evidences reveal that the income in the form of immovable property (being land or building or both) share and securities, loans and advances, deposits in bank account, escaped assessment amounting in all to ₹ 50 lakhs or more in any of the 4 assessment years or in aggregate in the 4 assessment years, prior to the six assessment years mentioned above, notice can be issued for such prior four assessment years, (i.e., A.Y. 2011-12 to A.Y. 2014-15).

(ii) As per section 153A, the assessment or reassessment relating to any assessment year, falling within the above period of six assessment years and for the relevant assessment year or years, pending on the date of initiation of the search under section 132, shall abate. In other words, they will cease to be applicable. Therefore, the assessments under section 143(3) for assessment years 2018-19 and 2019-20 and the reassessment proceeding under section 147 for assessment year 2017-18 **shall abate.**

(iii) Section 153A provides that where the post-search assessment order is annulled in any appeal or any other legal proceeding, the abated assessment and reassessment proceedings shall stand revived. Therefore, the assessments under section 143(3) relating to assessment years 2018-19 and 2019-20 and the reassessment proceeding relating to assessment year 2017-18, which abated on initiation of search, **shall stand revived** with effect from the date of receipt of the order of such annulment by the Principal Commissioner or Commissioner.