TEST PAPER 2 OF CHAPTER 11 TO 23 OF TEXTBOOK- 1

Duration: 1 Hour 15 Minutes

Marks: 30

Q1. Ashoke's assessment was made under section 143(3) of the Income-tax Act, 1961 for A.Y. 2021-22. Being aggrieved with certain additions, he preferred an appeal to the Commissioner (Appeals), which is pending at present and not being adjudicated. In the above situation, give your opinion on the following issues in the context of provisions contained under the Income-tax Act, 1961:

(i) There is new information that certain income for the same assessment year had escaped assessment. Is it possible for the Assessing Officer to issue notice under section 148?

(ii) Certain mistake in respect of issue which is not subject matter of appeal is noticed by the Assessing Officer. Can he pass an order under section 154 for rectifying the mistake?

(iii) If Ashoke files petition for revision under section 264 for a matter not being subject matter of appeal, will such petition be maintainable?

Q2. Arjun’s total income for Assessment Year 2021-22 is Rs. 10 lakhs consisting of salary, capital gain and income from other sources. After considering TDS and advance tax, a sum of Rs. 50,000 towards tax is still payable. Because of various reasons he could not file his return of income within the prescribed time limit. Arjun approaches you for advice on the following issues:

(i) Whether he can file a return of income on 1st December 2021?

(ii) Whether he will be able to revise his return of income, in case he discovers any omission or mistake in his return filed on 1-12-2021?

(iii) What amount of interest he will be subjected to for the defaults, if any, for the relevant assessment year.

Q3. ABC Ltd., a listed company, filed its return of income in which a claim for deduction under Chapter VI-A was made. The case was subjected to scrutiny assessment and order under section 143(3) was passed reducing the claim for deduction under Chapter VI-A. After 4 years from the end of assessment year, a notice under section 148 was issued giving reasons such as subsequent tribunal and other court decisions which show that the deduction was excessively allowed in this case.

Is the action of the Assessing Officer valid?
Q4. What would be the penalty leviable under section 270A in case of DEF Ltd, an Indian Company, if none of the additions or disallowances made in the assessment or reassessment qualify under section 270A(6) and the under-reported income is not on account of misreporting?

<table>
<thead>
<tr>
<th>Particulars of total income of A.Y. 2021-22</th>
<th>Amount in Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) As per the return of income furnished u/s 139(1)</td>
<td>(6,00,000)</td>
</tr>
<tr>
<td>(2) Determined under section 143(1)(a)</td>
<td>(3,00,000)</td>
</tr>
<tr>
<td>(3) Assessed under section 143(3)</td>
<td>(1,00,000)</td>
</tr>
<tr>
<td>(4) Reassessed under section 147</td>
<td>4,00,000</td>
</tr>
</tbody>
</table>

Note: The total turnover of DEF Ltd. for the P.Y. 2018-19 was Rs. 401 crores.

(5 Marks)

Q5. M/s. Pluto LLP filed its return of income for A.Y.2021-22, declaring total income of Rs. 25 lakhs, on 2nd Nov 2021. On processing of return, the total income determined under section 143(1)(a) was Rs. 30 lakhs, after disallowing claim for deduction under section 10AA on account of late furnishing of return of income. Thereafter, on scrutiny, the Assessing Officer made some additions under section 40(a)(ia) and section 43B and passed an assessment order under section 143(3) assessing total income of Rs. 40 lakhs. Later on, the Assessing Officer noticed that certain income had escaped assessment and issued notice for reassessment under section 148. The total income reassessed under section 147 was Rs. 45 lakhs.

Considering that none of the additions or disallowances made in the assessment or re-assessment as above qualifies under section 270A(6), compute the amount of penalty to be levied under section 270A of the Income-tax Act, 1961 at the time of assessment under section 143(3) and at the time of reassessment under section 147 (Assume under-reporting of income is not on account of misreporting). (6 Marks)

MCQ -1

In the course of search operations under section 132 in May, 2020, Mr. Hari makes a declaration under section 132(4) on the earning of income in respect of P.Y.2019-20 not disclosed in the books of account. Mr. Hari explains the manner in which income was derived and pays the tax, together with interest in respect of such income. However, he does not disclose such income in his return of income filed on 31.7.2020. Is penalty leviable in this case, and if so what is the quantum of penalty?

(a) No penalty is leviable since Mr. Hari has made a declaration under section 132(4)
(b) Penalty@10% is leviable
(c) Penalty@30% is leviable
(d) Penalty@60% is leviable.

(2 Marks)
MCQ -2
P Ltd. is a domestic company which filed its return of income for A.Y. 2021-22 declaring a total income of Rs. 1,15,00,000. The assessment in its case was opened by the Assessing Officer by issuing notice u/s 143(2). The Assessing Officer doubted the genuineness of loans taken by the company and added an amount of Rs. 5,00,000 to the total income u/s 68 as cash credits. What shall be the effective rate at which the said income of Rs. 5,00,000 shall be taxable in the hands of P Ltd.? (2 Marks)

(a) 77.25 %
(b) 66.768 %
(c) 78 %
(d) 33.384 %

MCQ – 3
Mr. Shiv was travelling from Delhi to Jodhpur on 05.07.2021 carrying FDRs of Rs.20 Lakhs. The said FDRs were seized by the police authorities and subsequently, requisitioned by the income-tax authorities u/s 132A. The requisition was made on 20.07.2021. Now, the Assessing Officer has issued notices to Shiv u/s 153A for A.Y. 2012-13 to A.Y. 2021-22. Whether the said notices issued by the Assessing Officer u/s 153A are valid?

a) Invalid. Notices can be issued u/s 153A in the present case by the Assessing Officer only for A.Y. 2016-17 to A.Y. 2021-22, since FDRs do not constitute an asset for the purpose of section 153A.

b) Invalid. Notices can be issued u/s 153A in the present case by the Assessing Officer for A.Y. 2016-17 to A.Y. 2022-23.

c) Notices are valid for A.Y. 2016-17 to A.Y. 2021-22. However, for A.Y. 2012-13 to A.Y. 2015-16, notices can be issued u/s 153A only if the Assessing Officer has any evidence which reveals that income, represented in form of asset is greater than or equal to Rs.50 lakhs.

d) Notices are valid for A.Y. 2012-13 to A.Y. 2021-22 as notices in case of requisition can be issued for 10 assessment years immediately preceding the A.Y. relevant to the P.Y. in which requisition is made. (2 Marks)

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