

GENERAL INSTRUCTIONS TO CANDIDATES



- The question paper comprises two parts, Part I and Part II.
- Part I comprises Multiple Choice Questions (MCQs).
- Part II comprises questions which require descriptive answers.
- Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
- Answers to Questions of Part I are to be marked on the OMR answer sheet given on the cover page of descriptive answer book only. Answers to questions in Part II are to be written inside the descriptive answer book. Answers to MCQs, if written inside the descriptive answer book will not be evaluated.
- OMR answer sheet given on the cover page of descriptive answer book will be in English only for all candidates, including for Hindi medium candidates.
- The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive answer book.
- You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
- Duration of the examination is 3 hours. You will be required to submit the descriptive answer book with OMR cover page to the invigilator before leaving the exam hall, after the conclusion of the exam.
- The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the descriptive answer book.
- Candidate found copying or receiving or giving any help or defying instructions of the invigilators or having/using mobile phone or smart watch or any other electronic gadget will be expelled from the examination and will also be liable for further punitive action.

PART - I

30 marks

- Answer all MCQs.
- Use HB pencil only to darken the circles for MCQ answers in the answer sheet.
- After each MCQ, four options have been given. Choose the correct or most appropriate option and darken the corresponding circle against the question number in the OMR Answer Sheet, completely, as shown below, with HB pencil.

Marking the Answers	
<p>Example : For Question No. 12, if the candidate considers the correct answer to be C, he is to mark as shown below (Correct Method)</p> <p>12 (A) (B) ● (D)</p>	<p>Not as shown below (Wrong method) :</p> <p>12 (A) (B) (C) (D)</p> <p>12 (A) (B) (C) (D)</p> <p>12 (A) (B) (C) (D)</p> <p>12 (A) (B) (C) (D)</p> <p>12 (A) (B) (C) (D)</p>

- Any answer to MCQ marked inside descriptive answer book will not be considered and no marks will be awarded.
- If a candidate wants to change the option already darkened, he should erase it completely, with good quality eraser and ensure that no mark is visible after erasing.
- No mark will be awarded if no circle is darkened or more than one circle is darkened for a particular MCQ. There is no negative marking for a wrong answer.
- Rough work, if any, must be done on the pages, specified as SPACE FOR ROUGH WORK only and nowhere else in the question paper booklet or in the answer sheet.
- Before commencement of the exam, please fill up the necessary information in the space provided below and also in the answer sheet.

Total No. of Printed Pages : 12

Maximum Marks : 30

Roll No.

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Question Paper
Booklet Code

F D A 1

Name of the Candidate

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Signature of the Candidate

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This booklet is the property of the Examination Body. Any unauthorized and illegal circulation of its contents in part or in full in any manner whatsoever is strictly prohibited. Candidates involved in such unauthorized and illegal acts are liable to be prosecuted besides being disqualified to appear in any further examinations of the Examination Body.

- (1) After each MCQ, four options have been given. Choose the correct or most appropriate option and darken the corresponding circle against the MCQ number in the OMR answer sheet.*
- (2) Answer to MCQs, if written inside the descriptive answer book shall not be awarded any mark.*
- (3) Please ensure to write and darken correct MCQ booklet number in the OMR answer sheet. The correct MCQ booklet number must also be written in the attendance register.*
- (4) Please write your Roll No. and name on the topmost page of the MCQ booklet at the specified place without fail.*

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PART – I

INTEGRATED CASE STUDY-I

On 1.4.2024, UI Ltd., an Indian company, borrowed ₹ 50 crores @ 10% p.a. from M Inc., a US entity, thereby increasing its total borrowings to ₹ 70 crores. The said loan is guaranteed by H Inc., another US entity. The place of effective management of both M Inc. and H Inc. is in the USA. The total assets of UI Ltd. are ₹ 180 crores. UI Ltd. imported telecommunication equipment worth ₹ 22 crores from H Inc. to resale in India to independent customers. Import duty of ₹ 4.50 crores on the same was paid by UI Ltd. The equipment was sold to customers in India for ₹ 30 crores. Normal GP margin of UI Ltd. in similar uncontrolled transaction is 20% on sale.

Net profit of UI Ltd. of A.Y.2025-26 was ₹ 10.25 crores after debiting interest of ₹ 6.25 crores (out of which ₹ 1.25 crores was interest pertaining to borrowings made in India from unrelated entities), depreciation of ₹ 2.5 crores and income tax of ₹ 1.5 crores. Interest expenditure to the extent of ₹ 2 crore was disallowed for the AY 2024-25 on account of the interest paid to a foreign associated enterprise under the provision relating to limitation on interest deduction in respect of debt issued by a non-resident associated enterprise.

Mrs. Jenifer, a Director of UI Ltd., during the financial year 2023-24 visited USA and stayed there for a period of 90 days. During that period, she opened a bank account with a Branch of USA Bank and deposited an amount equivalent to ₹ 50 Lakhs. The said amount was deposited by remitting the money from her bank account in India out of the salary income earned by her in India and duly disclosed in her returns of income. She invested the said money in purchase of shares in a US based company during the said financial year. The balance in the foreign bank account as on 31st December, 2023 and on 31st March, 2024 was 4 Lakhs and 1 Lakhs respectively. Neither any interest was credited or allowed by the Branch of USA bank during the said financial year, nor was any income arisen from investment in shares of USA company- directly or indirectly. Mrs. Jenifer has not

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disclosed the foreign bank account and the investment made in the shares of the foreign company in the return of income filed for AY 2024-25. Based on the information received under the automatic exchange of information, the Assessing officer has served a notice under the Black Money & Imposition of Tax Act, 2015 (Black Money Act) on 06/12/2024 asking Mrs. Jenifer to explain as to why the penalty under relevant provisions of Black Money Act should not be imposed for non-disclosure of foreign bank account and investment made in shares of USA based company.

During the FY 2023-24, Mr. Shyam father in law of Mrs. Jenifer, on the occasion of her marriage gifted ₹ 20 Lakhs by way of issue of cheque on the date her marriage in her name. Mrs. Jenifer invested the gifted amount in fixed deposit with a private bank in Mumbai. On the said fixed deposit interest of ₹ 80,000/- was accrued during the FY 2023-24 and ₹ 1,20,000/- during the FY 2024-25. She disclosed the said accrued interest income in her returns of income filed for relevant AY i.e. AY 2024-25 and AY 2025-26 under the head "Income from other sources."

From the facts given in the case study, choose the correct answer to the following Multiple Choice Questions (MCQs No. 1 to 5) :

1. The allowable deduction of interest in the computation of total income of UI Ltd. for A.Y. 2025-26 works out to – 2
(A) ₹ 7,40,00,000 (B) ₹ 5,00,00,000
(C) ₹ 6,25,00,000 (D) ₹ 8,25,00,000

2. In respect transaction of telecommunication equipment entered between UI Ltd. and H Inc for A.Y. 2025-26, assuming that the Resale Price Method is the most appropriate method, transfer pricing adjustment works out to – 2
(A) ₹ 3,00,00,000 (B) ₹ 2,50,00,000
(C) ₹ 2,00,00,000 (D) NIL

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3. In the given facts, Mrs. Jenifer for AY 2024-25 was – 2
- (A) required to disclose the foreign bank account in her return of income.
(B) not required to disclose the foreign bank account in her return of income as the balance as on 31/12/2023 was less than ₹ 5 Lakhs.
(C) not required to disclose the foreign bank account in her return of income as the balance as on 31/03/2024 was less than ₹ 5 Lakhs.
(D) required to disclose the foreign bank account in her return of income only, if her total income during the financial year 2023-24 was above basic exemption limit.
4. The amount of penalty which the Assessing Officer may impose under the Income-Tax Act, 1961 for non disclosure of investment in shares in US company in the FA Schedule in the return of income for AY 2024-25 by Mrs. Jenifer shall be – 2
- (A) ₹ 50 Lakhs (B) ₹ 1 Crore
(C) ₹ 10 Lakhs (D) NIL
5. Which of the following statement is correct in respect of money worth ₹ 20 Lakhs gifted by father in law to Mrs. Jenifer – 2
- (A) Mrs. Jenifer was required to disclose ₹ 20 Lakhs as income under the head “Income from other sources” in her return of income for AY 2024-25
(B) Mrs. Jenifer correctly included interest of ₹ 80,000/- and ₹ 1,20,000/- in her total income, respectively in her return of income for AY 2024-25 and AY 2025-26.
(C) Mr. Shyam was required to include interest of ₹ 80,000/- and ₹ 1,20,000/- in his total income in the return of income for AY 2024-25 and AY 2025-26 respectively.
(D) Mrs. Jenifer was required to include ₹ 20.80 Lakhs in her total income under the head “Income from other sources” in the return of income for AY 2024-25 and ₹ 1,20,000/- under the head “Income for other sources” for AY 2025-26.



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INTEGRATED CASE STUDY-II

Mr. A is an interior designer by profession. He also delivers online lectures on interior decoration via an e-commerce platform- Indeco-Academy. The relevant information from Mr. A's Indeco- Academy account is given hereunder :

Date of Credit for services to account of Mr. A	Date of Payment to Mr. A	Value of Services Provided (₹)
31.05.2024	10.06.2024	2,00,000
31.10.2024	10.10.2024	1,40,000
31.03.2025	10.04.2025	1,30,000

Mr. A has furnished his PAN to Indeco- Academy.

On 05.05.2024, Mr. A provided interior decorating services to Mr. N in Mumbai (whose business turnover during the FY 2023-24 was ₹ 1.99 crores) for his office premises as well as residential premises. He charged professional fee of ₹ 45,000/- for the services provided in respect of his office premises and ₹ 65,000/- for the services provided in respect of his residential premises. No business is carried out by Mr. A from the residential premises. Mr. A has provided PAN to Mr. N for the purpose of making TDS.

Gross receipts of Mr. A from interior decoration profession (excluding fees for online lecture) from clients in India (including Mr. N) in the FY 2024-25 was ₹ 38 Lakhs.

For the FY 2024-25, ₹ 1,10,000 is payable by Mr. A to Tumble LLC- a social networking website having no office in India and ₹ 1,05,000 to Doodle Inc., USA for giving online advertisements for the purpose of attracting foreign clients. Though Doodle Inc., USA has office in India, the said office is involved in providing designing services and nothing in relation to online advertisements. Mr. A, during the FY 2024-25, from a client based in Country X received ₹ 3,50,000/-. The client in country paid the above amount after deducting tax of ₹ 50,000/- as per the Income-Tax Law of Country-X. India does not have a DTAA with Country-X.

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Mr. A has not maintained the books of accounts as required under section 44AA of the Income-Tax Act and opted to be assessed under the default tax regime after computing the profit from his profession under the special provision for computing profits and gains of profession on presumptive basis.

From the facts given in the case study, choose the correct answer to the following Multiple Choice Questions (MCQs No. 6 to 8) :

6. In the given facts, Indeco-Academy in respect to amount paid/ payable to Mr. A for the lectures undertaken during the FY 2024-25, was required to deduct tax at source (Ignore Cess and Surcharge, if any) as e-commerce operator. 2
- (A) ₹ 94,000/- (B) ₹ 4,700/-
(C) ₹ 23,500/- (D) NIL
7. In the given facts, which of the following statement is correct in respect of TDS (excluding Cess and Surcharge) for the FY 2024-25 was to be made by Mr. N for the professional services rendered by Mr. A : 2
- (A) No tax was required to be deducted by Mr. N
(B) ₹ 2,200/- was required to be deducted by Mr. N
(C) ₹ 4,500/- was required to be deducted by Mr. N
(D) ₹ 11,000/- was required to be deducted by Mr. N
8. In the given fact, gross tax liability of Mr. A for AY 2025-26, including Cess and Surcharge, if any (before giving any credit for TDS, prepaid taxes or foreign tax relief etc) works out to :- 2
- (A) ₹ 3,95,720 (B) ₹ 4,06,120
(C) ₹ 3,84,280 (D) ₹ 3,49,960

INTEGRATED CASE STUDY-III

Seva Niketan, a charitable trust registered under section 12AB runs an education institution and a hospital for treatment of persons suffering from mental disorder solely for philanthropic purposes. The trust has furnished the following information :

- (i) The total receipts of the trust for the F.Y. 2024-25 for educational institution is ₹ 3.50 crores and for the hospital is ₹ 3.90 crores.
- (ii) Voluntary contributions [included in (i) above] received during the F.Y. 2024-25 from the public amounted to ₹ 115 lakhs. Voluntary contributions of ₹ 115 lakhs includes corpus donations of ₹ 65 lakhs (for purchase of building for the trust) and anonymous donations of ₹ 20 lakhs with specific direction that such donations is for the purpose of educational institution run by the trust.
- (iii) During the F.Y. 2024-25, computers for use in the educational institution of trust were purchased for ₹ 85 lakhs out of –
 - Corpus fund mentioned in (ii) above – ₹ 35 lakhs.
 - Loan – ₹ 25 lakhs
 - Voluntary contributions – ₹ 25 lakhs
- (iv) Corpus donation received during the FY 2024-25 are invested in the same FY in-
 - Post Office Saving Accounts- ₹ 15 lakhs
 - Canara Bank as Fixed deposits -₹ 5 lakhs
 - Deposit with a Private Limited Company- ₹ 10 lakhs
- (v) Amount paid to another trust registered u/s 12AB by way of donation of ₹ 12 lakhs. Out of said amount ₹ 3 lakhs are given as corpus donations.
- (vi) ₹ 6 lakhs, being the amount set apart in the F.Y. 2023-24 by the trust for charitable purpose u/s 11(2) utilized in the F.Y. 2024-25 for making donation to another charitable trust, whose object is also education.

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From the facts given in the case study, choose the correct answer to the following Multiple Choice Questions (MCQs No. 9 to 12) :

9. Out of the amount corpus donation invested in FY 2024-25 [as mentioned in (iv)] by Seva Niketan, which of the following amount would not form part of it's total income of the A.Y. 2025-26 ? 2
- (A) ₹ 30 Lakhs (B) ₹ 5 Lakhs only
(C) ₹ 20 Lakhs (D) ₹ 15 Lakhs only
10. In case, Seva Niketan, accumulate or set apart in excess of 15% of income (where such accumulation is not allowed under any specific provision of the Income-Tax Act), the tax on such excess income shall be calculated - 2
- (A) At the rate of 30%
(B) At the rate of 10%
(C) At the applicable slab rate under the selected tax regime.
(D) At the average rate of Income-tax
11. Which of the following amount in respect of purchase of computer, will be treated as application of income of Seva Niketan for AY 2025-26 : 2
- (A) ₹ 35 Lakhs from Corpus Fund
(B) ₹ 25 Lakhs from the Loan
(C) ₹ 25 Lakhs from Voluntary Contributions
(D) ₹ 60 Lakhs from the Corpus Fund & Loan
12. Tax Payable (excluding cess and surcharge) by Seva Niketan in respect of anonymous donations received during F.Y. 2024-25 works out to - 2
- (A) ₹ 6,00,000 (B) ₹ 5,70,000
(C) NIL (D) ₹ 4,27,500

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13. Shark Shipping International, a non-resident foreign company, is engaged in the business of operating a cruise ship in India and is eligible for taxation on presumptive basis under section 44BBC. The ship operates between Chennai, Andaman and Lakshadweep and provides a complete package that includes dining and cabin facilities for the passengers. During the financial year ended on 31.03.2025, from the said operations it earned ₹ 50 crores. This, ₹ 50 crores includes an amount of ₹ 10 crores received by various travel agents for booking the cruise on behalf of Shark Shipping International. The expenses for operating the cruise ships amounted to ₹ 15 crores.

Based on the above information, the profit chargeable to tax in India under the head 'Profits and gains of business or profession' on presumptive basis for the assessment year 2025-26 in the case of Shark Shipping International works out to :

- (A) ₹ 3,75,00,000 (B) ₹ 1,87,50,000
(C) ₹ 10,00,00,000 (D) ₹ 2,50,00,000

14. Mr, Raj Kumar, a resident and corporate employee for the AY 2024-25 filed his return of income on 31/07/2024 disclosing total income of ₹ 45,50,000/-. During the relevant financial year 2023-24, he purchased a plot of land in the Rural Area for actual consideration of ₹ 10 Lakhs. The value of the plot as per the stamp duty valuation authority (Guidance Value) was ₹ 19.50 Lakhs. The return has been selected for scrutiny and the FAO has issued a notice to Mr. Raj Kumar to show cause as to why the difference of ₹ 9.50 Lakhs- between the stamp duty value and actual consideration should not be added to his total income under the head "Income from other Sources" ?- Mr, Raj Kumar has actually purchased the plot for ₹ 10 Lakhs, however, he is worried that the FAO is not going to accept his version and after the assessment order, he may face penalty for under reporting of income and prosecution for wilful attempt to evade Income Tax.

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After the assessment order is passed, which amongst the following is an option available to Mr. Raj Kumar, to get the dispute resolved :

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- (A) Filing an objection before DRP.
- (B) Filing an application before DRC.
- (C) Filing a grievance petition.
- (D) Filing an appeal before the Principal Chief Commissioner.

15. Mr. Raman, a resident during the financial year 2024-25 in addition to Income under the Head "Salaries" of ₹ 20 Lakhs and Income from other sources of ₹ 70,000/- has earned the following income –

- Profit of ₹ 3,50,000 (Sale price – Cost Price) on sale of crypto currency - held for 36 months
- Loss of ₹ 20,000 on sale (Cost Price – Sale Price) of crypto currency - held for 13 months
- Gift of virtual digital asset by a friend – FMV ₹ 1,00,000/-
- Short-term capital gain of ₹ 40,000/- on sale of listed equity shares (STT paid) on 1.07.2024

Tax payable by Mr. Raman for the AY 2025-26 (Excluding Cess and Surcharge) in respect of profit from sale of crypto currency, VDU received in gift and Short-term capital gain works out to –

2

- (A) ₹ 1,41,000
- (B) ₹ 1,11,000
- (C) ₹ 1,26,000
- (D) ₹ 1,05,000

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SPACE FOR ROUGH WORK

CHARTERED ACCOUNTANTS FINAL JANUARY 2026 EXAM
PAPER 4 : DIRECT TAX LAWS & INTERNATION TAXATION
CODE : FDA1

Set-A	CORRECT OPTION
1	A
2	B
3	A
4	C O R D
5	C
6	D
7	C
8	B
9	C
10	A
11	C
12	D
13	C
14	B
15	A

Arund Kumar
Chartered
HOD (Exam)