

**Paper – 16: Direct Tax Laws and International  
Taxation**

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**Full Marks: 100**

**Time allowed: 3 hours**

**Answer question No. 1 which is compulsory and any five from the rest**

1. a) Compute taxable income of a charitable trust for the A.Y. 2021-22 under the following cases:

Particulars	Case 1	Case 2
Income other than voluntary contribution	5,00,000	15,00,000
Voluntary contribution	80,000	2,00,000
Voluntary contribution in the corpus of the trust	1,50,000	5,00,000
Income applied for the purpose for which trust is created	4,93,000	2,00,000

**[5]**

1. b) Who may be treated as an Agent of a Non-resident as per Sec. 163? Also, state its exception, if any. **[4+1=5]**

1. c) State the nature of Appealable Orders to the Income Tax Appellate Tribunal (ITAT). **[5]**

1. d) Megabyte Inc. of France and R Ltd. of India are associated enterprises. R Ltd. imports 3,000 compressors for Air Conditioners from Megabyte Inc. at ₹ 7,500 per unit and these are sold to Pleasure Cooling Solutions Ltd at a price of ₹ 11,000 per unit. R Ltd. had also imported similar products from Cold Inc. Poland and sold outside at a Gross Profit of 20% on Sales. Megabyte Inc. offered a quantity discount of ₹ 1,500 per unit. Cold Inc. could offer only ₹ 500 per unit as Quantity Discount. The freight and customs duty paid for imports from Cold Inc. Poland had cost R Ltd. ₹ 1,200 per piece. In respect of purchase from Cold Inc., R Ltd. had to pay ₹ 200 only as freight charges. Determine the Arm's Length Price. **[5]**

2. a) Smile Ltd. is a wholly-owned subsidiary company of Happy Ltd., an Indian company. Smile Ltd. owns Plant-A and Plant-B (depreciation rate 40%, depreciated value of the block ₹ 3,00,000 on 1st April, 2020). Plant-B was purchased and put to use on 10th November, 2018 (cost being ₹ 70,000). Plant-B is transferred by Smile Ltd. to Happy Ltd. on 14th December, 2020 for ₹ 20,000. It is put to use by Happy Ltd. on the same day. Happy Ltd. owns Plant-C on 1st April, 2020 (depreciation rate 40%, depreciated value ₹ 60,000). Find out the amount of depreciation in the hands of Smile Ltd. and Happy Ltd. for the assessment year 2021-22. **[4+4=8]**

2. b) What are the Powers of authorities while conducting surveys u/s 133A of the Income-tax Act 1961? **[8]**

3. a) A partnership firm had been constituted by 'M' and his family members. The said firm owned a land. The purpose of the partnership firm was to run a super speciality hospital and, accordingly, the firm started construction of the hospital building. Thereafter, an agreement was entered into between the firm and the company by which it was agreed that the firm would complete the construction of the building and hand over possession of the same on completion, on the condition that the entire cost of construction of the building would be borne by the assessee company. The assessee-company filed its return in which it claimed depreciation on the building part of the said property. The Assessing Officer rejected the claim of depreciation and added back the same. Justify. **[8]**

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3. b) Who is responsible to deduct TDS on interest to non-resident? When such tax shall be deducted and what rate? **[6+1+1=8]**

4. a) The net profit of Renuka Ltd. an Indian company, as per its profit and loss account prepared as per the Income-tax Act, 1961 is ₹ 90,00,000 after debiting and crediting following items:

	₹
Provision for income-tax	5,00,000
Provisions for deferred tax	3,00,000
Proposed dividend	7,50,000
Depreciation including depreciation on revaluation of assets ₹ 20,00,000 debited to profit and loss account	60,00,000
Profit from industrial unit in SEZ area	80,000
Provision for permanent diminution in the value of investments	70,000

Compute tax liability under section 115JB for the assessment year 2021-22. **[8]**

4. b) What are the disclosure requirement of Income Computation and Disclosure Standards relating to Government Grants and discuss its significant deviation from AS-12? **[2+6=8]**

5. a) State the procedures for making application for Advance Pricing Agreement (APA). **[8]**

5. b) Compute arm's length price from following information:

Particulars	Related Party	Unrelated Party
Price paid (inclusive of taxes)	INR 25,000	INR 23,500
Delivery terms	CIF	FOB
Quantity	100 pcs	110 pcs
Availability of Input Tax Credit	No	Yes
Quantity	100 pcs	110 pcs
Freight cost	-	INR 1,200
Insurance cost	-	INR 700
Input Tax Credit	-	INR 2,000

**[8]**

6. What is Central Board of Direct Taxes? Write about the powers conferred on it. **[6+10=16]**

7. Write short notes in the context of Black Money & Imposition of Tax Act on the following:

- a) Scope of total undisclosed foreign income and asset [Sec. 4] **[6]**  
 b) Assessment [Sec. 10] **[10]**

8. a) J Inc. of Korea and CD Ltd, an Indian Company are associated enterprises. CD Ltd. manufactures Cell Phones and sells them to J.K.& F Inc., a Company based at Nepal. During the year CD Ltd. supplied 2,50,000 Cellular Phones to J Inc. Korea at a price of ₹ 3,000 per unit and 35,000 units to JK & F Inc. at a price of ₹ 5,800 per unit. The transactions of CD Ltd with JK & F Inc. are comparable subject to the following considerations:

Sales to J Inc. are on FOB basis, sales to JK & F Inc. are CIF basis. The freight and insurance paid by J Inc. for each unit @ ₹ 700. Sales to JK & F Inc. are under a free warranty for Two Years whereas sales to J Inc. are without any such warranty. The estimated cost of executing such warranty is ₹ 500. Since J Inc.'s order was huge in volume, quantity discount of ₹ 200 per unit was offered to it.

Compute the Arm's Length Price and the subsequent amount of increase in the Total Income of CD Ltd, if any. **[8]**

- 8. b)** What do you mean by International Transaction (Sec. 92B) and Deemed International Transaction in the context of International Taxation. **[8]**