

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

# Postal Test Paper\_P16\_Final\_Syllabus 2016\_Set 2

## Paper 16- Direct Tax Laws and International Taxation

Full Marks: 100

Time allowed: 3 hours

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

1. a) State the details which have been provided in 26AS Statement. [5]

1. b) A Co. Ltd. of Chennai and Sky Inc. of Singapore are associate enterprises. A Co. Ltd. imported 1000 television sets at ₹ 16,000 per set without any warranty period. A Co. Ltd. also imports similar TV sets from unrelated party Sign Inc. of Japan. It is imported at ₹ 15,000 per set with warranty time of 2 years. The cost of warranty in respect of goods imported from Sky Inc. for a period of 2 years would cost ₹ 2,000.

Compute arm's length price and the amount of increase in total income of A Co. Ltd. as per CUP method. [5]

1. c) Whether ICDS shall apply to computation of Minimum Alternate Tax (MAT) u/s 115JB of the Act or Alternate Minimum Tax (AMT) under section 115JC of the Act? [5]

1. d) The total income of a non-resident Indian includes:

- Investment income (net) ₹ 50,000
- Long term capital gain ₹ 25,000
- Other income ₹ 2,65,000

What will be the tax payable by him in respect of assessment year 2021-22 on the above income under chapter XIA (special provisions relating to certain income of non-residents) of the I.T. Act, 1961? [5]

2. a) State the conditions which needs to be satisfied to set-off and carry forward of business loss and unabsorbed depreciation in the context of amalgamation. [7]

2. b) P Ltd. owns two undertakings. Undertaking-A is eligible for deduction u/s 80-IA and Undertaking-B is not eligible for such deduction. Date of commencement of operation in both the undertaking is 14<sup>th</sup> September, 2020. The profits earned by both the undertaking are as under:

| Previous Year | Undertaking-A (₹ in Lakhs) | Undertaking-B (₹ in Lakhs) |
|---------------|----------------------------|----------------------------|
| 2020-21       | (-) 6                      | (-) 4                      |
| 2021-22       | (-) 4                      | 10                         |
| 2022-23       | 5                          | 9                          |
| 2023-24       | 8                          | 6                          |
| 2024-25       | 9                          | (-) 3                      |

Calculate total income of P Ltd. for last three assessment years. [9]

3. a) Compute penalty leviable u/s 270A in case of X Ltd. From the following details:

| Particulars      | Total Income (₹) | Tax on Total Income (₹) | Book Profit (₹) | Tax on Book Profit (₹) |
|------------------|------------------|-------------------------|-----------------|------------------------|
| Return of income | 80,00,000        | 24,96,000               | 2,00,00,000     | 33,38,400              |
| Assessed income  | 1,20,00,000      | 40,06,080               | 2,10,00,000     | 35,05,320              |

[6]

3. b) Write the different aspects of tax planning in relation to the financial management decisions. [10]

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4. a) The assessee is engaged in the business of purchase and sale of LPG cylinders. During the relevant assessment year, assessee received freight payments of ₹ 32 lakhs from Indian Oil Corporation (IOC) with whom the assessee truck-owners, to whom a total freight payment of ₹ 20 lakhs was made. As per the Assessing Officer, since the assessee has sub-contracted the transportation to these three persons within the meaning of sec. 194C, he was liable to deduct tax on ₹ 20 lakhs. The Assessing Officer thus disallowed these expenses u/s 40(a)(ia). Critically examine whether the contention of the Revenue is tenable in law or not. [8]

4. b) Prepare a comparative analysis of Revision u/s 263 and Revision u/s 264. [8]

5. a) Arvind, a textile merchant and resident Indian is doing business in India and abroad. During the previous year 2020- 21, he disclosed the following information:

|                                                                                                                | ₹          |
|----------------------------------------------------------------------------------------------------------------|------------|
| Income from business in India                                                                                  | 27,00,000  |
| Income from business in Country- A with which India does not have agreement for avoidance of double taxation   | 15,00,000  |
| Income-tax levied by government in Country-A                                                                   | 5,00,000   |
| Loss from business in Country-B with which also India does not have agreement for avoidance of double taxation | (4,00,000) |
| Contribution to public provident fund                                                                          | 1,50,000   |
| Payment of life insurance premium on the life of his Father and mother                                         | 20,000     |

Compute the tax liability of Arvind for the assessment year 2021-22. [8]

5. b) Describe the procedures for making an application by an applicant desirous of obtaining advance ruling. [8]

6. a) Following is the profit and loss account of Z Ltd. for the year ended on 31-3-2021:

| Particulars                    | Amount           | Particulars      | Amount           |
|--------------------------------|------------------|------------------|------------------|
| To Raw material consumed       | 20,00,000        | By Sale          |                  |
| To Rent                        | 5,00,000         | Export           | 50,00,000        |
| To Salary & Wages              | 10,00,000        | Domestic         | 30,00,000        |
| To Depreciation                | 5,00,000         | By Closing Stock | 10,00,000        |
| To Provision for contingencies | 75,000           |                  |                  |
| To Wealth Tax of earlier year  | 50,000           |                  |                  |
| To Loss of subsidiary co.      | 50,000           |                  |                  |
| To Custom Duty                 | 40,000           |                  |                  |
| To Proposed dividend           | 1,00,000         |                  |                  |
| To Provision for Income tax    | 1,05,000         |                  |                  |
| To Net Profit                  | 45,80,000        |                  |                  |
|                                | <b>90,00,000</b> |                  | <b>90,00,000</b> |

**Additional Information:**

- (1) Interest on bank loan relating to year 2018-19 has been paid during the previous year ₹ 1,00,000.
- (2) Whole of Custom duty is unpaid.
- (3) Company is entitled to get deduction u/s 80G ₹ 1,00,000
- (4) For the purpose of Income tax, depreciation is ₹ 4,00,000.

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- (5) Turnover of the company during the previous year was ₹ 65 crores and it is life time highest turnover achieved by the company.
- (6) In past few years, company had suffered losses, following balances are still unabsorbed:

|              | <u>As per Income tax Act</u> | <u>As per books of Accounts</u> |
|--------------|------------------------------|---------------------------------|
| Depreciation | --                           | ₹ 3,50,000                      |
| Losses       | ₹ 42,50,000                  | ₹ 4,00,000                      |

Compute tax liability of the company. **[12]**

**6. b)** What is Unilateral Relief and Bilateral Relief in the context of Double Taxation Relief? **[4]**

**7. a)** The assessee-company, engaged in ship breaking activity, sold old and used plates, wood etc. It did not produce any document or papers to show collection of tax at source on sale of such items and payment thereof to the credit of the Central Government nor was certificate in Form No. 27C produced. The Assessing Officer observed that such items were in the nature of scrap and therefore, the assessee is liable to collect tax at source from the buyers of scrap. Accordingly, demand u/s 201(1) along with interest u/s 201(1A) was raised. The assessee claimed that such items are usable as such, and are hence not 'scrap', thus, provisions relating to collection of tax at source is not applicable. Justify. **[8]**

**7. b)** In computation of Arm's Length Price, write down the steps involved in the application of transactional net margin method. **[8]**

**8.** Write short note on the following:

**a)** Best Judgment Assessment [sec. 144]; **[8]**

**b)** Settlement Commission. **[8]**