



## POSTAL TEST PAPER

FINAL

SYLLABUS 2022

PAPER - 15

### DIRECT TAX LAWS AND INTERNATIONAL TAXATION

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

Answer Question No. 1 and 8 are compulsory and any four from Question No. 2, 3, 4, 5, 6 & 7.

**1. Choose the correct alternative. Provide Justification for your answer. 1 Mark is allotted for the correct choice and 1 mark for the justification. [2×12=24]**

- (i) While computing book profit u/s 115JB, which one of the following is required to be reduced from the net profit?
- A. Unabsorbed Depreciation as per books of account
  - B. Brought forward business loss as per books of account
  - C. Brought forward loss or unabsorbed depreciation, whichever is less as per books of account
  - D. Income-tax paid or payable if not already debited to the Statement of Profit and Loss.
- (ii) Assessing Officer or the assessee, as the case may be, on receipt of notice that an appeal against the order of the Commissioner (Appeals) has been filed by the other party, may file a memorandum of cross objection with the Tribunal in Form \_\_\_\_\_ and within \_\_\_\_\_ days of receipt of notice that appeal has been filed by the other party.
- A. Form 36A; 15 days
  - B. Form 36A; 45 days
  - C. Form 36A; 30 days
  - D. Form 36; 60 days
- (iii) Information and documents required to be maintained u/s 92D shall be kept and maintained for a period of \_\_\_\_ from the end of the relevant assessment year.
- A. 8 years
  - B. 5 years
  - C. 10 years
  - D. 16 years
- (iv) When an Indian company pays ₹5 lakhs to a foreign company for online advertisement of its products, it has to deduct \_\_\_\_\_.
- A. equalization levy @ 6%
  - B. equalization levy @ 8%
  - C. tax at source @ 10%
  - D. tax at source @ 2%
- (v) GAAR provisions shall not apply to \_\_\_\_\_.
- A. an arrangement where the tax benefit in the relevant assessment year arising, in aggregate, to all the parties to the arrangement does not exceed a sum of ₹ 3 crore
  - B. an arrangement where the tax benefit in the relevant assessment year arising, in aggregate, to all the parties to the arrangement does not exceed a sum of ₹ 5 crore



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- C. an arrangement where the tax benefit in the relevant assessment year arising, in aggregate, to all the parties to the arrangement does not exceed a sum of ₹ 1 crore
- D. None of the above.
- (vi) ICDS is applicable in case of income under the head:
- A. Profits and gains from Business or Profession
  - B. Capital Gains
  - C. Income from House Property
  - D. All heads of income
- (vii) A is using a motor car for his personal purposes, but charges as business expenditure. This is the case of \_\_\_\_\_.
- A. Tax Avoidance
  - B. Tax Planning
  - C. Tax Evasion
  - D. Tax Management
- (viii) Uncontrolled transaction means a transaction between \_\_\_\_\_, whether resident or non-resident.
- A. enterprises other than associated enterprises
  - B. associated enterprises
  - C. any enterprises
  - D. none of the above
- (ix) When an assessee fails to furnish any information relating to a specified domestic transaction, the quantum of penalty as a percentage of value of the transaction would be \_\_\_\_\_.
- A. 2%
  - B. 1%
  - C. 5%
  - D. 3%
- (x) Advance Pricing Agreement shall be valid for such period not exceeding \_\_\_\_\_ consecutive previous years as may be specified in the agreement.
- A. 5
  - B. 3
  - C. 10
  - D. 2
- (xi) Countries that employ explicit policies designed to attract international trade oriented activities by minimization of taxes and reduction or elimination of other restrictions on business operations is described as \_\_\_\_\_.
- A. Tax Havens



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- B. Tax Planning
- C. Tax Evasion
- D. Tax Management

(xii) The provisions of sec. 92 will apply only if the aggregate value of specified domestic transactions entered into by the taxpayer during the year exceeds a sum of ₹ \_\_\_\_\_. [Please provide a brief justification]

- A. 100 crore
- B. 5 crore
- C. 10 crore
- D. 20 crore

2.(a) Who is responsible to deduct tax on income from foreign currency bonds or GDR as per sec. 196C of Income-tax Act? Specify the rate of TDS applicable thereon and also specify when the tax shall be deducted. [3]

(b) Following is the profit and loss account of Z Ltd. for the year ended on 31-3-2023

Particul	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		
	90,00,000		90,00,000

#### Additional Information:

- Interest on bank loan relating to year 2020-21 has been paid during the previous year ₹ 1,00,000.
- Whole of Custom duty is unpaid.
- Company is entitled to get deduction u/s 80G ₹ 1,00,000
- For the purpose of Income tax, depreciation is ₹ 4,00,000.
- Turnover of the company during the previous year was ₹ 65 crores and it is life time highest turnover achieved by the company.
- In past few years, company had suffered losses, following balances are still unabsorbed:

	As per Income tax Act	As per books of Accounts
Depreciation	--	₹ 3,50,000
Losses	₹ 42,50,000	₹ 4,00,000



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Compute tax liability of the company. [12]

3.(a) Write a note on Dispute Resolution Committee. [7]

(b) Arvind, a textile merchant and resident Indian is doing business in India and abroad. During the previous year 2022-23, 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 total income and tax liability for the Assessment Year 2023-24. [8]

4.(a) Describe in detail the power of Central Board of Direct Taxes (CBDT). [10]

(b) Write the scope of ICDS VI (Effects of Changes in Foreign Exchange Rates). [5]

5.(a) How to compute the total undisclosed foreign income and assets as per sec. 5 of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015? State the scope of total undisclosed foreign income and asset under this Act. [3+3=6]

(b) Would the amounts paid by resident Indian end-users / distributors to non-resident computer software manufacturers / suppliers, as consideration for the use/resale of the computer software through End-User Licence Agreement (EULAs) / distribution agreements, be considered as payment of royalty for the use of copyright in the computer software? If yes, is it liable for deduction of tax at source u/s 195? Critically examine with the help of case law. [9]

6.(a) What do you mean by Secondary Adjustment (u/s 92CE)? Explain the provisions in details. [7]

(b) 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.



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

7.(a) Specify whether the following acts can be considered as an act of (i) Tax management; or (ii) Tax planning; or (iii) Tax evasion:

- 1) X has paid the premium of ₹ 72,000 for Life Insurance Policy so as to reduce Total Income.
- 2) X has installed an air conditioner costing ₹ 60,000 at his residence but shows as it is fitted in a factory. This is with the objective to claim depreciation.
- 3) Y Ltd maintains registers of tax deductions affected by it to enable timely compliance.
- 4) Z ltd issues a credit note for ₹ 36,000 for brokerage payable to A, who is the son of G, managing director of the company. The purpose is to reduce Z ltd. income and increase A's income from ₹ 18,000 to ₹ 54,000.
- 5) A is a working partner in ABC Firm. In such a capacity, he is entitled to a salary of ₹ 7,500 per month. He treats this as salary instead of business income.
- 6) A is using a motor car for his personal purposes, but charges as business expenditure.
- 7) X always pays advance tax on time.
- 8) Y sell his residential house and purchased another residential house to claim exemption u/s 54.
- 9) X had Fixed deposit interest amounting to ₹ 15,000 but did not disclose this amount in his Income Tax Return.
- 10) Y had Saving deposit interest amounting to ₹ 5,000, he disclosed this amount under other sources and claimed deduction u/s 80TTA. [10]

(b) Write a short note on Advance Ruling. [5]

8.(a) Laxmi Ltd transferred its Unit X to Amin Ltd. by way of slump sale on 31st December, 2022. The summarized balance sheet of Laxmi Ltd. as on that date is given below:

Li	₹ in lakhs	Assets	₹ in lakhs
Share capital-paid up	2,000	Fixed Assets:	
Reserves and Surplus	950	Unit X	700
Liabilities:		Unit Y	900
Unit X	400	Unit Z	1,200
Unit Y	600	Other Assets:	
Unit Z	1,050	Unit X	650
		Unit Y	750
		Unit Z	800
	5,000		5,000

From the information given below compute the capital gain arising from slump sale of Unit X:

- i. Cost inflation index for the financial year 2007-08 is 129 being the year in which the Unit X was established. The cost inflation index for the financial year 2022-23 is 317.
- ii. The lump sum consideration received for transfer of Unit X is ₹ 1,100 lakhs.



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- iii. The fixed assets of Unit X includes a vacant land which was purchased in the financial year 2007-08 for ₹ 50 lakhs and it was revalued at ₹ 100 lakhs in the year 2022-23.
- iv. Other fixed assets reflected in the balance sheet ₹ 600 (₹ 700 lakhs less value of land) represents WDV of the assets as per books of account. The WDV of these assets under the Income-tax Act is ₹ 200 lakhs. [8]

(b) A business entity requires ₹ 50 lakhs for expansion of business. The entity has two options

Particulars	Option 1 (₹)	Option 2 (₹)	Option 3 (₹)
Equity Share of ₹ 10 each	40,00,000	30,00,000	30,00,000
12% Debentures	10,00,000	10,00,000	20,00,000
18% Loan from Bank		10,00,000	

Expected rate of return is 15% (before tax). Tax Rate is 31.2% (including cess).

On the basis of aforesaid information, you are requested to choose correct options for the following:

1. What will be the profit after tax in Option 1?
2. What will be the profit after tax in Option 2?
3. What will be the profit after tax in Option 3?
4. Which option is better and why?

[2+2+2+2=8]