

Paper 16 - Direct Tax Laws and International Taxation

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Full Marks: 100

Time allowed: 3 hours

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

Working notes should form part of the answer.

**All questions relate to the Income Tax Act 1961 and pertains to Assessment Year 2023-24,
unless otherwise stated in the questions.**

Section - A

1. Choose the correct alternative and also provide your justification: [10×2=20]

- (i)** Every assessee or ecommerce operator, who fails to credit adequate equalisation levy to the account of the Central Government within specified period, shall pay interest:
- (a) Equal to the amount of equalisation levy
 - (b) ₹ 100 for every day during which the failure continues
 - (c) ₹ 100 for every day during which the failure continues subject to maximum of amount failed to pay
 - (d) 1% of such levy for every month or part of a month by which such crediting of the tax is delayed
- (ii)** As per sec. 94B, interest expenses claimed by an entity to its associated enterprises shall be restricted to _____ of its earnings before interest, taxes, depreciation and amortization (EBITDA) or interest paid or payable to associated enterprise, whichever is less.
- (a) 30%
 - (b) 25%
 - (c) 20%
 - (d) 50%
- (iii)** MAT Credit can be carried forward and set off for:
- (a) 10 years
 - (b) 15 years
 - (c) 5 years
 - (d) Not available for carried forward
- (iv)** In the context of Double Taxation Avoidance Agreements, the term "permanent establishment" means a fixed place of business through which the business of an enterprise is wholly or partly carried on. The term "permanent establishment" does not include:
- (a) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources
 - (b) a workshop
 - (c) the maintenance of a fixed place of business solely for the purpose of advertising, for the supply of information, for scientific research, or for similar activities which have a preparatory or auxiliary character, for the enterprise.
 - (d) a farm, plantation or other place where agricultural, pastoral, forestry or plantation activities are carried on.

- (v) X Marine Lines Inc., a Singapore company engaged in shipping business collected ₹ 150 lakh towards carrying goods from Chennai Port. Its presumptive income chargeable to tax in India would be ₹
- (a) 15 lakhs
 - (b) 11.25 lakhs
 - (c) 12 lakhs
 - (d) Nil
- (vi) As per section 35DD of the Income-tax Act, the quantum of deduction of expenses incurred in case of amalgamation or demerger will be:
- (a) 1/3rd of expenses so incurred for a period of 3 years commencing from the year in which amalgamation or demerger takes places.
 - (b) 1/5th of expenses so incurred for a period of 5 years commencing from the year in which amalgamation or demerger takes places.
 - (c) 1/10th of expenses so incurred for a period of 10 years commencing from the year in which amalgamation or demerger takes places.
 - (d) 100% of expenses so incurred for a period of 5 years commencing from the year in which amalgamation or demerger takes places.
- (vii) Anonymous donation is taxable in excess of specified limit. The specified limit is higher of:
- (a) 5% of the total donations received or ₹ 50,000
 - (b) 1% of the total donations received or ₹ 1,00,000
 - (c) 5% of the total donations received or ₹ 1,00,000
 - (d) 1% of the total donations received or ₹ 50,000
- (viii) Which of the following can be corrected while processing the return of income under section 143(1)?
- (a) any arithmetical error in the return
 - (b) any error in the return of income
 - (c) any mistake in the return of income
 - (d) any claim by the taxpayer which is against law
- (ix) In case of an application made by the assessee u/s 154, the income-tax authority shall rectify the order/ refuse the rectification within _____ from the end of the month in which the application is received by the authority.
- (a) 4 years
 - (b) 2 years
 - (c) 1 year
 - (d) 6 months
- (x) Principal Commissioner or Commissioner of Income-tax is empowered to grant relief from penalty to taxpayers in genuine cases. Such power is granted under section 273A and section _____.
- (a) 273B
 - (b) 273AA
 - (c) 273
 - (d) 274

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Section – B

(Answer any five questions out of seven questions given)

2.(a) Determine the amount of interest u/s 234A in the following cases:

Name of the assessee	A	A Ltd.	B
Due date of furnishing return	31 st July	31 st October	31 st July
Date of filing return	4 th December	28 th December	Not filed
Date of completion of assessment	1 st March	15 th April	15 th February
Income as per return	₹ 5,80,000	₹ 5,00,000	—
Assessed Income	₹ 6,10,000	₹ 5,50,000	₹ 12,00,000
Advance tax paid	₹ 10,000	₹ 25,000	₹ 80,000
Tax deducted at source	₹ 10,000	₹ 15,000	₹ 80,000
Tax paid along with return	₹ 6,000	₹ 1,50,000	—

Also state interest payable u/s 234A for the purpose of sec.140A. Ignore interest under any other section. **[8]**

(b) "Fund can be obtained from various sources have different characteristics in terms of risk, cost and control." — Write about the tax planning in relation to capital structure and lease or buy decision in this context. **[8]**

3. Apple Industries Ltd. provides the following information for the financial year 2022-23:

Net profit as per statement of profit and loss after debiting/crediting the following:	₹ 120 lakh
Proposed dividend	₹ 30 lakh
Profit from unit established in SEZ	₹ 20 lakh
Provision for income-tax	₹ 18 lakh
Provision for deferred tax	₹ 10 lakh
Provision for permanent diminution in value of investments	₹ 3 lakh
Depreciation debited to statement of profit and loss ₹ 10 lakh includes depreciation on revaluation of assets to the tune of	₹ 1 lakh

Brought forward losses and unabsorbed depreciation as per books of the company are as follows: (Amount in ₹ Lakhs)

Previous Year	Brought Forward Losses	Unabsorbed Depreciation
2019 – 20	1	4
2020 – 21	1	1
2021 – 22	10	5

Compute the book profit of the company as per section 115JB for the assessment year 2023-24. **[16]**

4.(a) State the provisions regarding Appealable Orders for making an appeal to the Commissioner (Appeal). **[8]**

(b) M/s. QQ Trading Co. a sole proprietary concern, was converted into a company w.e.f 01-09-2022. Before the conversion, the sole proprietary concern had a block of Plant & Machinery (15%), whose WDV as on 1-4-2022 was ₹ 3,00,000. On 1st April itself, a new plant of the same block was purchased for ₹ 1,20,000. After the conversion, the

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company has purchased the same type of plant on 1-1-2023 for ₹ 1,60,000. Compute the depreciation that would be allocated between the concern & the company. **[8]**

5.(a) In course of assessment, the Assessing Officer made addition to assessee's income u/s 41(1) in respect of cessation / remission of trading liability of various transporters who transported the minerals for the assessee stating that the assessee had failed to produce these transporters/trade creditors before the authority, despite the summons issued to them. Justify. **[8]**

(b) Voluntary subsidies paid by a holding company, to protect the capital investment, to its loss-making subsidiary is capital receipt in the hands of the recipient. Justify with the help of the case law. **[8]**

6.(a) 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. **[8]**

(b) What is Foreign Tax Credit in the context of international taxation? State the documents which are required for availment of such credit. **[4+4=8]**

7.(a) What is International Transaction according to sec. 92B of the Income Tax Act? Also, specify some transactions which may be considered as Deemed International Transaction. **[4+4=8]**

(b) Mr. Ramesh, a resident Indian, has derived the following incomes for the previous year relevant to the A.Y. 2023-24:

1. Income from profession in India	₹ 2,44,000
2. Income from profession in country A (Tax paid in foreign country @ 5%)	₹ 4,50,000

Compute Indian tax liability of the assessee assuming that as per treaty between India and Country A, ₹ 4,50,000 is taxable in India. However foreign tax can be set off against Indian tax liability. **[8]**

8. Write short note (any four): **[4×4=16]**

- (a)** Computation of total undisclosed foreign income and asset as per Black Money and Imposition of Tax Act.
- (b)** Comparative study of ICDS II with AS 2.
- (c)** Tonnage Tax Scheme.
- (d)** Tax on Income from Patent.
- (e)** Succession of Income-Tax Authority.