

**Paper 16 – Direct Tax Laws
And
International Taxation**

Time Allowed: 3 Hours

Full Marks: 100

Answer Question No. 1 which is compulsory and any FIVE from Question No 2 to 8.

Section-A

1. Choose the most appropriate alternative:

10x 2 = 20

- I. Assessment u/s 143(1) can be made within a period of:
 - (a) 4 years from the end of the month in which return is filed
 - (b) 4 years from the end of the financial year in which return is filed.
 - (c) 4 years from the end of the assessment year in which return is filed
 - (d) None of above
- II. Which of the following mistake is not rectifiable u/s 154:-
 - (a) Value of closing and opening stock
 - (b) Clerical mistake
 - (c) Double taxation relief
 - (d) None of above
- III. Levy of late filing fees u/s 234E is for delay in filling of:
 - (a) Return of income
 - (b) TDS/TCS return
 - (c) Annual information report
 - (d) None of above
- IV. The provisions of section 92 will apply only if the aggregate value of specified domestic transactions during the year exceeds:
 - (a) ₹ Twenty thousand
 - (b) ₹ Twenty lakhs
 - (c) ₹ Twenty crores
 - (d) None of above
- V. Income of disabled (physically) minor child is:
 - (a) Clubbed with parents total income
 - (b) Taxed in the hands of minor child
 - (c) Exempted
 - (d) None of above
- VI. Presumptive Taxation Scheme u/s 44AD is applicable, at the option of assessee if turnover is:
 - (a) Not more than ₹ One crore
 - (b) Not more than ₹ Two crores
 - (c) Not more than ₹ 50 lakhs
 - (d) None of above
- VII. Penalty u/s 271(1)(c) shall be levied at the rate of:
 - (a) 100% of tax sought to be evaded
 - (b) 300% of tax sought to be evaded
 - (c) 100% to 300% of tax sought to be evaded
 - (d) None of above
- VIII. Subsidy from the Government, received by a trust established by the government is:
 - (a) Not an income
 - (b) Part of income
 - (c) Exempted income
 - (d) None of above

- IX. Double Taxation Relief is allowed on the basis of:
- (a) PAN
 - (b) TRC
 - (c) Aadhaar
 - (d) None of above
- X. ICDS is applicable if assessee is maintaining the books of account under:
- (a) Cash basis
 - (b) Mercantile system
 - (c) Hybrid system
 - (d) None of above

Section-B

(Answer any Five Questions out of seven questions)

(5 x 16= 80Marks)

2(a) An assessee has following incomes/losses for the year 2016-17:

9 Marks

- (i) Income from house property (computed) ₹ 3,00,000
- (ii) Income from business (un adjusted) ₹ 4,00,000
- (iii) Unabsorbed depreciation ₹ 1,20,000.
- (iv) Current year depreciation ₹ 1,50,000
- (v) Bought forward business loss ₹ 1,80,000
- (vi) Short term capital loss ₹ 3,00,000
- (vii) Short term capital gain ₹ 2,00,000
- (viii) Long term capital gain ₹ 4,00,000
- (ix) Income from growing and manufacturing of tea ₹ 5,00,000
- (x) Donation to approved scientific research ₹ 2,00,000.

Compute taxable income of assessee for A.Y 2017-18 and also tax liability if assessee is a company.

2(b) An Indian citizen gives the following particulars:

7 Marks

- (i) Business income (computed) ₹ 2,50,000.
- (ii) Long term capital gain ₹ 2,00,000.
- (iii) Short term capital gain u/s 111A ₹ 1,00,000.
- (iv) Other short term capital gain ₹ 50,000.
- (v) Donation to GOI for promotion of family planning ₹ 25,000.
- (vi) Donation to approved institution ₹ 10,000
- (vii) Donation to National laboratory for research ₹ 50,000.
- (viii) Payment of medical insurance premium ₹ 30,000
- (ix) Contribution to National pension Scheme ₹ 17,000.
- (x) House hold expenses ₹ 20,000

Calculate tax liability of assessee for A.Y 2017-18.

3. The net profit of santosh Fertilizers Ltd., for the year ended 31.3.2017 is ₹ 40 lakhs.

The following debits are found in P&L A/c:

- (i) Land Development charges paid to Government ₹ 80,000.
- (ii) Cost of stocks lost in fire ₹ 3,00,000.
- (iii) Design and development charges ₹ 60,000.
- (iv) Market survey and project report for setting up new factory as a part of expansion of existing unit ₹ 2,00,000.
- (v) Replacement of non-fire proof doors by fire proof doors ₹ 1,50,000.
- (vi) Developing and making of green trees in the factory premises ₹ 50,000.
- (vii) Income tax paid ₹ 20,000

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(viii) Depreciation as per IT Rules ₹ 1,25,000.

The following credits are found in P&L A/c:

- (i) Interest on units of notified mutual fund ₹ 30,000.
- (ii) Interest on income tax refund ₹ 5,000
- (iii) Rent from letting of part of godown building ₹ 2,00,000.
- (iv) Export incentives ₹ 40,000

The following additional information is available:

- (i) Unabsorbed depreciation ₹ 90,000 and brought forward business loss ₹ 70,000 as per books of account.
- (ii) Long term capital gain ₹ 10,00,000 on sale of land. Total sale consideration is ₹ 25,00,000 and 25% of the sale consideration is invested in the bonds specified in section 54EC.

Compute tax liability of Santosh Fertiliser Ltd., by applying MAT provisions.

16 Marks

4.a. X Ltd. is merged with Y Ltd. X Ltd. has the following losses as on date of merger:

- (i) Unabsorbed depreciation ₹ 10 lakhs.
- (ii) Unabsorbed business loss (non-speculation) ₹ 16 lakhs.
- (iii) Unabsorbed business loss (speculation) ₹ 3 lakhs

Discuss the benefits available to Y Ltd. if:

- (a) The merger is an "amalgamation" within the meaning of Sec. 2(1B)
- (b) The merger is an "amalgamation" within the meaning of Sec. 2(1B) but does not fulfil conditions of Sec. 72A.
- (c) The merger satisfied the conditions of Sec. 2(1B) and Sec. 72A.

10 Marks

4.b. What do you understand by the expression Protective Assessment? Illustrate your answer with an example.

6 Marks

5.

(a) 'Sachin' settled 1/4th share of his property under a trust for the education and maintenance of his minor daughter, 'Pallavi'. Under the terms of the trust deed, the income accruing to the trust, after meeting the expenses of maintenance and education of 'Pallavi' was to be accumulated and paid over to her on attaining majority. The Assessing Officer has assessed the income arising from the 1/4th share of the property so settled for the benefits of 'Pallavi' in the hands of 'Sachin'.

Is the Assessing Officer Justified and correct in doing so?

8 Marks

(b) Y Ltd. was amalgamated with X Ltd. in accordance with a scheme of amalgamation. Assets and liabilities were transferred and vested with X Ltd. X Ltd. is of the view that excess consideration paid by it over the value of net assets acquired from Y. Ltd. should be considered as goodwill arising on amalgamation. X Ltd. claimed depreciation on such goodwill, but the claim was rejected by the Assessing Officer on the ground that goodwill is not an asset falling under Explanation 3 to section 32(1) of the Income-tax Act, 1961. Is the action of the Assessing Officer valid?

8 Marks

6.

(a) X Ltd. an Indian company supplied certain goods to its holding company Y Ltd., a German company. X Ltd. also supplied similar goods to another German based company Z Ltd, an unrelated company. Selling price is Euro 500 per unit (FOB) and Euro 700 per unit (CIF) respectively. Insurance and freight amounts to Euro 200 per unit. No. of units supplied are 8000 and 7900 respectively. Compute the reasonable profit for the transaction with Y Ltd. by applying arm's length price.

9 Marks

(b) Mr. X has earned the following incomes:

- (i) Salary from X Ltd in India ₹ 8 lakhs.
- (ii) Income from house property outside India ₹ 6 lakhs

He paid the following:

- (i) Life insurance premium ₹ 1 lakh.

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(ii) Tax outside India ₹ 2 lakhs

Calculate his tax liability if there is double tax avoidance agreement.

7 Marks

7.

7(a) Mobeaux LLP of Poland and Vamsi Ltd of India are Associated Enterprises. Vamsi imports 1000 compressors Air Conditioners from Mobeaux at ₹ 7,500 per unit and these are sold to Winland Cooling Solutions Ltd at ₹ 11,000 per unit. Vamsi had also imported similar products from De-Heat Ltd and sold outside at a Gross profit 20% on Sales.

Mobeaux offered a Quantity Discount of ₹ 1,500 per unit. De-Heat could offer only ₹ 500 per unit as Quantity Discount. The Freight and Customs Duty paid for imports from Poland had cost Vamsi ₹ 1,200 apiece. In respect of purchase from De-Heat, Vamsi had to pay ₹ 200 only as Freight Charges.

Determine the Arm's Length Price and the amount of increase in Total Income of Vamsi Ltd. **8 Marks**

7(b) Prabir is musician deriving income of ₹ 75,000 from concerts performed outside of India. Tax of ₹ 10,000 were deducted at source in the country where the concerts were performed. India does not have any double tax avoidance agreement with that country. His income in India amounted to ₹ 8,25,000. Computed tax liabilities of Prabir for the assessment year 2017-18 assuming he has deposited ₹1,00,000 in Public Provident Fund, ₹ 50,000 in LIC and Medical Insurance premium in respect of his father ₹ 20,000.

8 Marks

8. Answer any four questions.

4x4=16 Marks

- (a) Discuss the levels of appeal available to the assessee for grievances redressal.
- (b) Who is the competent authority of rectify any mistake apparent from record in an order passed u/s 154.
- (c) Explain the nature of revision of order u/s 264 and its time limit.
- (d) When can an application to settlement commission be made?
- (e) What is the basis of charge u/s 3 of Black Money and Imposition of Tax Act, 2015?