

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

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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) The time limit for filing belated return is:
 - (a) within the assessment year
 - (b) within the assessment year or before completion of assessment whichever is earlier.
 - (c) within the one year from end of assessment year or before completion of assessment whichever is earlier
 - (d) None of above
- (ii) Appeal to High court is possible if:
 - (a) Question of fact is involved
 - (b) Question of law is involved
 - (c) Substantial question of law is involved
 - (d) None of above
- (iii) The following loss is not allowed to carry forward:
 - (a) House property loss
 - (b) loss from running and maintaining of race camels
 - (c) loss under the head "Income from other source"
 - (d) None of above
- (iv) Income referred u/s 9(1) of ITA, 1961 is:
 - (a) Not taxable
 - (b) Taxable but eligible for double tax relief
 - (c) Taxable and not eligible for double tax relief
 - (d) none of above
- (v) Income on which equalization levy is charged is:
 - (a) Chargeable under income tax
 - (b) Not chargeable under income tax
 - (c) Not an income under ITA, 1961
 - (d) None of above
- (vi) The rate of minimum Alternative Tax for unit located in International Financial Services Centre is:
 - (a) 18.5%
 - (b) 9%
 - (c) 30%
 - (d) None of above
- (vii) Deduction u/s 80 IAC for eligible start-ups is @ 100% for:
 - (a) 5 years
 - (b) 3 years
 - (c) 10years
 - (d) None of above
- (viii) Tax payable by domestic companies u/s 115BA is:
 - (a) 25%
 - (b) 29%
 - (c) 30%
 - (d) None of above

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- (ix) Which of the following company is not liable to pay MAT u/s 115JB:
- (a) Trading company
 - (b) Manufacturing company
 - (c) Tonnage tax company
 - (d) None of above
- (x) The amount of deduction in respect of salary paid to its own members in case of PFAOP is:
- (a) Without any limit
 - (b) ₹ 1,50,000
 - (c) Nil
 - (d) none of above

Section-B

(Answer any Five Questions out of seven questions)

(5 x 16 = 80 Marks)

2.

- (a) An assessee has following incomes/losses for the year 2016- 17:
- (i) Income from salary (computed) ₹ 3,00,000
 - (ii) Income from business (un adjusted) ₹ 4,00,000
 - (iii) Unabsorbed capital expenditure on research ₹ 1,20,000.
 - (iv) Current year depreciation ₹ 1,50,000
 - (v) Bought forward business loss ₹ 1,80,000
 - (vi) Short term capital ₹ 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 rubber ₹ 5,00,000
 - (x) Donation to approved scientific research ₹ 2,00,000.

Compute taxable income of assessee for AY 2017-18 and also tax liability if assessee is an individual.

10 Marks

- (b) Mr. X and Mrs. X are employed in X Ltd., where both of them are holding equity shares to the extent of 20% and 25% respectively. Salary of Mr. X is ₹20,000 pm. While that of Mrs. X is ₹ 24,000 pm. Other incomes of Mr. X and Mrs. X are ₹ 3,20,000 and ₹ 2,80,000 respectively. The income of minor Son, Master X in the form of interest on deposits is ₹ 9,500. Calculate tax liability of Mr. X and Mrs. X What will be the tax liability, if Mr. X and Mrs. X are employed in X Ltd. in their professional capacity.

6 Marks

3. Anand & Co., a limited liability partnership has submitted the following information for the year 2016-17:

- (i) It has three units: units I is commenced in special economic zone on 31-3-2011, unit II is a warehouse in west Bengal for storage of agricultural produce commenced on 1.10.2016 and unit III is commenced in Domestic Tariff Area on 1.1.2017.
- (ii) Profit of units located in SEZ ₹ 20 lakhs while export sales being ₹ 60 lakhs (3/4 of the sale proceeds brought into India within specified time limit) and domestic sales ₹ 30 lakhs
- (iii) Profit from warehouse (before deduction u/s 35AD) is Rs. 80 lakhs. Capital expenditure (including cost of land ₹ 5 lakhs) is ₹ 45 lakhs.
- (iv) Profit from unit located in DTA ₹ 10 Lakhs (after deduction of ₹ 2 lakhs which is disallowed u/s 43B)
- (v) The firm fulfils all the conditions of section 10AA (units I), section 35AD (unit II) and section 80IA (unit III) under IT Act, 1961.
- (vi) The firm is an unlisted public limited company converted into LLP. There is MAT credit of ₹ 50,000 which is unutilized at the time of conversion.

Compute tax liability (including AMT u/s 115JC) of LLP for the AY 2017-18.

16 Marks

4.

- (a) Technology Ltd. has two units one hardware unit and the other software unit. The company decided to sell its hardware unit as a going concern by way of slump sale for Rs. 320 lakhs to

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innovative Ltd in which it holds 75% equity shares. The balance sheet of Technology Ltd. as on 31.3.2017:

Liabilities	(₹ in lakhs)	Assets	(₹ in lakhs)
Paid up shares capital	410	Fixed Assets:	
General reserve	160	Hardware unit	230
Sundry liabilities:		software unit	400
Hardware unit	210	Current Assets:	
Software unit	<u>180</u>	Hardware unit	120
	<u>960</u>	Software unit	<u>210</u>
			<u>960</u>

The company setup the hardware unit on 1.4.2010 and software unit on 1.4.2015. fixed assets of hardware unit contains both depreciable and non-depreciable assets. Book value of depreciable assets is ₹ 80 lakhs whereas its WDV for tax purpose is ₹ 50 lakhs. Determine tax liability of the company from slump sale.

10 Marks

(b) What do you mean by "Substantial Question of law"?

6 Marks

5.

a) HLI Private Limited is a company with three shareholders H (40%), L (20%) and I on behalf his HUF (40%). I (HUF) is a Hindu Undivided Family whose members are Mr. I, Mrs. I and their two sons, G and J. The company gave a loan of ₹ 9 lakhs to I (HUF) on 30th April, 2011, on which date the accumulated profits of the company was ₹ 6 lakhs. What is the tax consequence of this transaction?

8 Marks

b) PQR Limited has written off certain debts as bad debts in the books of account and claimed deduction under section 36(1)(vii) in the return of income filed for Assessment year 2011-12. The Assessing Officer made disallowance for deduction of bad debts on the ground that the debts have not been established to have become irrecoverable and bad in the previous year 2010-11.

Examine the correctness of the action of the Assessing Officer.

8 Marks

6.

a) X Ltd. an Indian company, is a subsidiary of Y Ltd, a company registered in Australia. X Ltd. purchases raw materials from Y Ltd. The purchase prices are ₹ 9000, ₹ 9,600 ₹ 10,200 and ₹ 10, 600 per unit. X Ltd, however pays ₹ 82 lakhs (i.e. 800 units @ 10,250 per unit). Net profit as per P&L account is ₹ 8 lakhs. Determine arm's length price and net income of X Ltd for the A.Y 2017-18.

8 Marks

b) Mr. X, is an artist earns income of ₹ 80,000 from stage performances outside India. Tax deducted from such income is ₹ 10,000. There is not double tax avoidance agreement with that country. He earns ₹ 10,00,000 in India. He deposited ₹ 60,000 in PPF and paid ₹ 30,000 medical insurance premium in respect of his father, who is non-resident aged 70. Calculate tax liability of Mr. X and also determine relief available to him.

8 Marks

7.

Speedy Motors Ltd, an Indian Company, declared Income of ₹ 20 Crores computed in accordance with Chapter IV-D but before making any adjustments in respect of the following transactions for the year ending on 31.03.2017:

(a) Royalty of \$ 50,00,000 was paid to Fista Ltd for use of technical know-how in the manufacturing of va However, Fista Ltd had provided the same know-how to another Indian Company for \$ 45,00,000. The manufacture of Van by Speedy Motors Ltd is wholly dependent on the use of technical know-how, respect of which Fista Ltd has exclusive rights.

(b) Loan of Euro 5 Crores with interest @ 10% p.a. advanced by Hughes Ltd, French Company, was outstanding on 31.03.2017. The Total Book Value of assets of Speedy Motors Ltd on the date was ₹ 500 Crores. Hughes Ltd had also advanced similar loan to another Indian Company @ 8% p.a. Total Interest paid for the year was EURO 0.5 Crore.

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(c) 7,000 Vans sold to Hitech Ltd which holds 41% Shares in Speedy Motors Ltd at a price which is less by \$ 100 each van than the price charged from Bento Ltd.

Briefly explain the provisions of the Act affecting all these transactions and compute Taxable Income Speedy Motors Ltd for A.Y.2017-2018 assuming that the value of 1\$ and of 1 EURO was ₹ 65 and ₹ 75 respectively, throughout the year. **8 Marks**

7(b) P, a Resident Indian aged 21 years, earned a sum of ₹ 10 Lakhs during the Previous Year 2015-2016 from playing Badminton Matches in a Country with which India does not have Double Taxation Avoidance agreement. Tax of ₹ 2 Lakhs was levied on such income in the source country. In India, he earned ₹ 15 Lakhs during the Previous Year 2016-2017 from playing Badminton Matches. He has deposited ₹ 1 Lakh in Public Provident Fund during the year. Compute his Income Tax Liability for Assessment Year 2017-2018. **8 Marks**

8. Answer any four questions

4x4=16 Marks

- Rectification of mistake u/s 154 is always not possible – comment.
- What do you mean by Revision in favour of revenue u/s 263?
- Who can file a settlement application?
- Discuss the composition of bench in case Authority for Advance Rulings.
- What is the scope of Black Money and Imposition of tax Act, 2015?