

**Paper 16-DIRECT TAX LAWS
AND
INTERNATIONAL TAXATION**

Paper 16 – Direct Tax Laws and International Taxation

Time Allowed: 3 Hours

Full Marks: 100

Section-A

1. Multiple Choice Questions with Justification

10x 2 = 20 Marks

- i. For opting safe harbour, the assessee shall require to furnish a Form No ___ to the assessing officer on or before the due date of furnishing the return of income for the relevant assessment year.
 - A. Form 3CEFB
 - B. Form 3CEB
 - C. Form 3CEC
 - D. Form 3CED
- ii. The commissioner of Income tax is the ___ appellate authority.
 - A. First
 - B. Second
 - C. Third
 - D. Fourth
- iii. Provision of advance ruling is provided under section ___ to _____.
 - A. 237 to 245
 - B. 80C to 80U
 - C. 245A to 245L
 - D. 245N to 245V
- iv. Notice of scrutiny assessment should be served within ___ months.
 - A. 5 months
 - B. 6 months
 - C. 18 months
 - D. 24 months
- v. A claim of refund shall be made in Form No _____.
 - A. Form No 20
 - B. Form No 30
 - C. Form No 30A
 - D. Form No 30B
- vi. Where the tax paid by the assessee is in excess of his tax liability, then such assessee shall be entitled to receive back such amount, called _____.
 - A. Advance tax
 - B. Refund
 - C. Revision
 - D. Rectification
- vii. Interest on refund payable to assessee is @ ___ simple interest per month.
 - A. 1/2 % per month
 - B. 1% per month
 - C. 1.5% per month
 - D. None of the above
- viii. In case of Company the return of income is verified by _____.
 - A. Karta
 - B. Principal officer
 - C. Chief executive officer
 - D. Managing Director
- ix. TDS rate on Income from Foreign Currency Bonds.
 - A. 5%
 - B. 10%
 - C. 15%
 - D. 20%

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- x. Fees for default in furnishing return of Income if the total income does not exceed five lakhs rupees is ____.
- A. ₹ 500
B. ₹ 1,000
C. ₹ 1,500
D. ₹ 5,000

Section-B

Answer any five questions out of seven questions)

2.a. PF consulting Ltd total income during the previous year ended 31.03.2018 is ₹10,50,000. Tax deducted at source by different payers amounted to ₹ 24,450 and tax paid in foreign country on a doubly taxed income amounted to ₹ 10,000 for which the company is entitled to relief under section 90 as per the double tax avoidance agreement.

During the year the company paid advance tax as under

Date of payment	Advance tax paid (₹)
15.06.2017	40,000
12.09.2017	65,000
15.12.2017	1,00,000
15.03.2017	62,000

The company filed its return of Income for the Assessment Year 2018-19 on 15.10.2018. Compute interest, if any payable by the company under section 234A, 234B and 234C. Assume the transfer pricing provision is not applicable.

8 Marks

2.b. Discuss the tax planning means in respect of Financial Management decisions.

8 Marks

3. H Ltd., engaged in diversified activities, earned a net profit of ₹ 14,25,000 after debit/credit of the following items to its profit and loss account for the year ended 31.03.2018:

16 Marks

Particulars	Amount (₹)
Items debited to Profit and Loss Account	
Expenses on Industrial Unit exempt under section 10AA	2,10,000
Provision for loss of Subsidiary	70,000
Provision for Sales Tax Demand (paid before due date)	75,000
Provision for Income tax demand	1,95,000
Expenses on purchase / sale of equity shares	15,000
Depreciation	3,60,000
Interest on deposit credited to buyers on 31.3.2018 for advance received from them, on which TDS was deposited on 31.12.2018	90,000
Items credited to Profit and Loss Account	
Income on Industrial Unit exempt under section 10AA	2,70,000
Profit from 100% EOU	60,000
Long term capital gain on sale of equity shares on which securities transaction tax was paid	3,60,000
Income from units of UTI	75,000

The company provides the following additional information:

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1. Depreciation includes ₹ 1,50,000 on account of revaluation of fixed assets.
2. Depreciation allowable as per Income tax Rules is ₹ 2,80,000.
3. Brought forward business loss / unabsorbed depreciation:

	Amount as per books		Amount as per Income Tax	
	Loss	Deprecation	Loss	Deprecation
2009-10	2,50,000	3,00,000	2,00,000	2,50,000
2014-15	Nil	2,70,000	1,00,000	1,80,000
2015-16	3,50,000	3,15,000	1,20,000	2,10,000

You are required to:

1. Compute total income of the company for the assessment year 2017-18 giving the reason for treatment of items, and
2. Examine the applicability of section 115JB of the Income Tax Act, and compute book profit and the tax credit to be carried forward.

4.a. Write a note Scrutiny Assessment.

8 Marks

4.b. From the following details submitted by R Ltd before demerger, determine the value of shares to be issued by the resulting company (say G Ltd.) to the shareholders of R Ltd. assuming division- II is proposed to be hived off.

Description	Division-I	Division-II	Head Office i.e Common to both divisions	Total
Fixed Assets After depreciation	15,00,00	10,00,000	4,00,000	29,00,000
Current Assets	10,00,000	5,00,000	1,00,000	16,00,000
Total	25,00,000	15,00,000	5,00,000	45,00,000
Share Capital			20,00,000	20,00,000
Reserve Capital			7,00,000	7,00,000
Loans	3,00,000	2,00,000	4,00,000	9,00,000
Current Liabilities	4,00,000	3,00,000	2,00,000	9,00,000
Total	7,00,000	5,00,000	33,00,000	45,00,000

Also determine the ratio of shares of the resulting company to be issued to the shareholder of demerged company assuming the shareholders of R Ltd held the shares as under:

- a. Promoters-40%
- b. Financial Institution-25%
- c. Public-35%

8 Marks

5.a. Critically comment with the help of a case law-

"Amount of tax in arrears" in sec. 221 does not include interest component.

8 Marks

5.b. Critically comment with the help of a case law-

"Foreign Taxes not being entitled to the benefit of DTAA relief, shall be allowed as expenses".

8 Marks

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6.a. Quipro Ltd is an Indian Company engaged in the business of developing and manufacturing industrial components. Its Canadian Subsidiary Techpro Inc. supplies technical information and offers technical support to Quipro for manufacturing goods, for a consideration of Euro 80,000 per year.

Income of Quipro Ltd is ₹ 70 Lakhs.

Determine Taxable Income of Quipro Ltd. if Techpro charges Euro 1,00,000 per year to others in India. What will be the answer if techpro charges Euro 50,000 per year to others. Rate per Euro = ₹ 60.

8 Marks

6.b. During the previous year 2017-18, Ms Indu, a citizen of India, is a resident of both India and Foreign country with which India has a Double Tax Avoidance Agreement (DTAA), which provides that "the Income would be taxable in country where it is earned and not in other country, but would be included for computation of tax rate in such other country". Her income is ₹ 3,25,000 from business in India and ₹ 7,00,000 from business in Foreign country. In the Foreign Country, the rate of tax is 20%. During the year, she paid a Premium of ₹ 32,000 to insure the health of her mother, a Non Resident, aged 82 years, not dependent on her, through her credit card.

Compute the tax payable by Ms Indu in India for the A.Y 2018-19. Also show the tax payable by Ms Indu in India, had there been no DTAA with such Foreign Country.

8 Marks

7.a. VKS International Ltd, the assessee, has sold goods on 12.01.2018 to L Ltd. located in a Notified Jurisdictional Area (NJA). The sale price of identical goods sold to an unfamiliar customer in New York during the previous year was 11.5 crores. While the second sale was on CIF basis, the sale to L Ltd was on F.O.B basis. Ocean Freight and Insurance amount to ₹ 20 Lakhs.

India has a Double Taxation Avoidance Agreement with the USA. The Assessee has policy of providing After Sales Support Services to the tune of ₹ 14 Lakhs to all customers except L Ltd. The ALP worked out as per Cost plus Method for identical goods is ₹ 12.10 crores.

You are required to compute the ALP for the sales made to L Ltd and the amount of consequent increase, if any, in profits of the Assessee Company.

8 Marks

7.b. The following are the particulars of Income earned by Miss Nikita, a resident Indian aged 25, for the Assessment Year 2018-19.

Particulars	₹ Lakhs
	Amount (₹)
Income from playing snooker in country L	12.00
Tax paid in country L	1.80
Income from playing snooker tournament in India	19.20
Life Insurance Premium paid	1.70
Medical Insurance premium paid for her father aged 62 years (Paid through credit card)	0.20

Compute her total income and tax payable by her for the Assessment Year 2018-2019. There is no Double Taxation Agreement between India and Country L.

8 Marks

8. Write short notes on the following (Any four to be answered out of 5 questions) (4x4=16 Marks)

- a. Computation of total undisclosed foreign income and asset [Sec. 5].
- b. Provisional Attachment.
- c. Cases not considered as under-reporting of income [Sec. 270A(2)].
- d. Enterprise Section 92F(iii)
- e. Advance Ruling [Sec. 245N(a)]