

Paper 16- Direct Tax Laws and International Taxation



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## Paper-16: - Direct Tax Laws and International Taxation

Full Marks: 100

Time allowed:3 hours

*Answer Question No. 1 which is compulsory and any five from Question Nos. 2 to 8*

1. Choose the correct alternative and also provide your justification

10 × 2=20

i. The authority for advance ruling will not allow consideration of any question involving determination of \_\_\_\_\_ of any property.

- a. income
- b. reasonable expected rent
- c. fair market value
- d. none of the above

Reason:

ii. Where a sole proprietary concern is succeeded by a company in the business carried on by it as a result of which the sole proprietary concern sells or otherwise transfers any capital asset to the company, the transaction is not regarded as transfer provided certain conditions are satisfied. One of those condition is:

- a. Proprietor holds not less than 51% of the total voting power in the company and his shareholding continues to remain as such for a period of 3 years from the date of succession
- b. Proprietor holds not less than 51% of the total voting power in the company and his shareholding continues to remain as such for a period of 5 years from the date of succession
- c. Proprietor holds not less than 50% of the total voting power in the company and his shareholding continues to remain as such for a period of 3 years from the date of succession
- d. Proprietor holds not less than 50% of the total voting power in the company and his shareholding continues to remain as such for a period of 5 years from the date of succession.

iii. Interest on refund due to TDS or TCS or Advance tax shall be allowed, provided the amount of refund is not \_\_\_\_\_ of the tax determined u/s 143(1) or on regular assessment.

- a. less than 10%
- b. less than 90%
- c. more than 10%
- d. less than 20%

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- iv. Special rate of tax as provided in sec. 115A on interest on infra-bond being issued to non-resident is:
- 5%
  - 20%
  - 10%
  - 15%
- v. The ICDS is required to be followed:
- by all assessee (other than an individual or a Hindu undivided family who is not required to get his accounts of the previous year audited u/s 44AB)
  - by all assessee
  - by all assessee (other than an individual or a Hindu undivided family)
  - none of the above
- vi. 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 \_\_\_\_\_.
- Tax Planning
  - Tax Havens
  - Tax Evasion
  - Tax Management
- vii. The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 extends to:
- Whole of India except the state of Jammu and Kashmir
  - Whole of India
  - Whole of India except the state of Arunachal Pradesh
  - Whole of India except the state of Jammu and Kashmir & Assam
- viii. A foreign company means a company which is not —
- An Indian company
  - A domestic company
  - An Indian company as well as a domestic company.
  - None of the above

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ix. Filing return of income within prescribed time limit is \_\_\_\_\_.

- a. tax evasion
- b. tax avoidance
- c. tax planning
- d. tax management

x. Out of the following, which is the power of the CBDT

- a. Instructions to subordinate authorities
- b. Issue General or Special order to subordinates
- c. Admit application or claim after expiry of time limit
- d. All of the above

2(a) Explain the circumstances under which the Assessing Officer can resort to provisional attachment of the property of the assessee. 8 Marks

2(b) A Ltd. made the following payments of advance tax during the financial year 2018-19:

	<u>₹ in lakh</u>		<u>₹ in lakh</u>
June 15, 2018	3.70	September 15, 2018	3.50
December 15, 2018	10.25	March 18, 2019	8.80

The return of income is filed on 31-7-2019 showing -

Business income	₹ 80 lakh
Long term capital gain taxable @ 20% (as on 1-12-2018)	₹ 10 lakh

Compute interest payable u/s 234C.

8 Marks

3. From the following profit & loss account of Ronie for the year ended 31-3-2019, compute his gross total income for the assessment year 2019-20:

Particulars	Amount (₹)	Particulars	Amount (₹)
Opening stock	4,00,000	Sales	2,40,00,000
Purchases	2,30,00,000	Closing stock	4,80,000
Salaries	8,00,000	Income from house property	80,000
Rent, rates & taxes	1,20,000	Dividend from an Indian company	9,000
Legal charges	40,000		
Miscellaneous expenses	20,000		
Provision for bad debts	30,000		
Provision for gratuity	20,000		
Provision for income tax	40,000		
Salary to Mrs. Ronie	36,000		

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Depreciation	40,000	
Net profit	23,000	
	2,45,69,000	2,45,69,000

### Additional information

1. Purchases include ₹1,00,000 paid in cash to cultivator for purchase of an agricultural produce.
2. Purchases also include ₹1,00,000 paid by way of compensation to a supplier as the assessee was unable to take the delivery of goods due to lack of storage space and finances.
3. Opening stock was overvalued by 25% and closing stock was undervalued by 25%.
4. Salary includes ₹15,000 paid as customary bonus on the occasion of Diwali over and above the bonus payable under the Payment of Bonus Act, 1956.
5. Rent, rates & taxes include ₹10,000 on account of disputed sales tax demand. ₹3,000 on account of municipal taxes for property let out. It also includes ₹ 5,000 as customs penalty paid during the year.
6. An amount of ₹20,000 from a customer was written off from the provision for bad debts
7. An employee retired on 28-3-2019. Gratuity payable to him was ₹20,000. A provision was created for the same this year and it was paid on 2-04-2019.
8. Mrs. Ronie is a law graduate and actively working in the assessee's firm. 16 Marks

4(a) Compute total income of each investment fund for A.Y. 2019-20 from the following details:

Income	Fund A (₹)	Fund B (₹)	Fund C (₹)
Business Income	Nil	5,00,000	(2,00,000)
Capital Gains	20,00,000	15,00,000	(5,00,000)
Income from Other Sources	5,00,000	3,00,000	10,00,000

Further, it is also given that there are 20 unit holder each holding one unit. You are also requested to compute income of unit holder assuming that income from investment fund is the only income of unit holder. 8 Marks

4(b) Write short notes on Anonymous Donation. 8 Marks

5(a) Critically comment with the help of a case law:

A fresh claim before the Assessing Officer can be made only by filing a revised return and not otherwise. Discuss. 8 Marks

5(b) State the method of computation of income from construction and service contract. 8 Marks

6(a) Shri Suresh, an ordinarily resident in India, provides following details of his income for the previous year relevant to the A.Y. 2019-20

- Income from India ₹6,80,000
- Income from Country Z ₹ 4,00,000

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- Investment in PPF ₹80,000

Further, it is to be noted that:

a) India has avoidance of double taxation agreement with Country Z. According to said agreement, income is taxable in the country in which it is earned and not in other country. However, in the other country such income can be included for the purpose of computation of tax rate.

b) Foreign income has been taxed in Country Z @ 20%.

Compute Indian tax payable.

8 Marks

6(b) Write short note on "berry ratio"

8 Marks

7(a) Videsh Ltd., a US company has a subsidiary, Hind Ltd. in India. Videsh Ltd. sells mobile phones to Hind Ltd. for resale in India. Videsh Ltd. also sells mobile phones to Bharat Ltd. another mobile phone reseller. It sold 48,000 mobile phones to Hind Ltd. at ₹ 12,000 per unit. The price fixed for Bharat Ltd. is ₹ 11,000 per unit.

The warranty in case of sale of mobile phones by Hind Ltd. is handled by itself, whereas, for sale of mobile phones by Bharat Ltd., Videsh Ltd. is responsible for warranty for 6 months. Both Videsh Ltd. and Hind Ltd. extended warranty at a standard rate of ₹ 500 per annum.

On the above facts, how is the assessment of Hind Ltd. going to be affected? Show your calculations also.

8 Marks

7(b) State the provision relating to assessment u/s 10 of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015.

8 Marks

8. Write short note

4 × 4 = 16 Marks

- Under-reporting of income for levy of penalty u/s 270A
- Revision u/s 264
- Appointment of income tax authorities
- 'Case' in light of provision of settlement commission

