



Paper 16- Direct Tax Laws and International Taxation

MTP_Final_Syl2016_June2019_Paper16_Set 2

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. Notice u/s 143(2) (i.e. notice of scrutiny assessment) should be served within a period of _____ from the end of the financial year in which the return is filed.
- 6 months
 - 12 months
 - 24 months
 - 18 months
- ii. MAT shall not apply to any income accruing or arising to a company from
- Life insurance business
 - Banking business
 - Business of transmission of electricity
 - All of the above
- iii. As per section 178(3), the _____ of a company has to intimate the tax authority before he parts with any of the assets of the company or the properties in his hands and has to set aside the amount if any intimated to him by the tax authorities.
- Managing Director
 - Manager
 - Chartered Accountant
 - Liquidator
- iv. An appeal to the Commissioner of Income-tax (Appeals) shall be filed in Form No. _____.
- 35
 - 36
 - 34C
 - 35B
- v. If the amount of income in respect of which the penalty is imposed or imposable for the relevant year(s) exceeds ₹ _____, then no order reducing or waiving the penalty under section 273A(1) shall be made by the Principal Commissioner or Commissioner, except with

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the previous approval of the Principal Chief Commissioner or Chief Commissioner or Principal Director General or Director General, as the case may be

- a. 1,00,000
 - b. 2,00,000
 - c. 5,00,000
 - d. 10,00,000
- vi. The provisions of sec. 92 will apply only if the aggregate value of specified domestic transactions entered into by the taxpayer during the year exceeds a sum of ₹ ____.
- a. 100 crore
 - b. 5 crore
 - c. 10 crore
 - d. 20 crore
- vii. Advance Pricing Agreement shall be valid for such period not exceeding ____ consecutive previous years as may be specified in the agreement.
- a. 5
 - b. 3
 - c. 10
 - d. 2
- viii. 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
- ix. Borrowing costs are interest and other costs incurred by a person in connection with the borrowing of funds and include:
- a. commitment charges on borrowings;
 - b. amortised amount of discounts or premiums relating to borrowings;
 - c. amortised amount of ancillary costs incurred in connection with the arrangement of borrowings;
 - d. All of the above

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- x. U/s 131(3), an income tax authority can not retain in his custody any books or documents for a period _____ without obtaining approval from higher authorities.
- Exceeding 30 days
 - exceeding 15 days
 - upto completion of assessment
 - None of the above

2(a) State the power of settlement commission. 8 marks

2(b) M/s. QQ Trading Co. a sole proprietary concern, was converted into a company w,e,f 01-09-2018. Before the conversion, the sole proprietary concern had a block of Plant & Machinery (15%), whose WDV as on 1-4-2018 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 company has purchased the same type of plant on 1-1-2019 for ₹ 1,60,000. Compute the depreciation that would be allocated between the concern & the company. 8 Marks

3. Critically examine the following with the help of case law: 16 Marks

- Directions issued by the DRP without application of mind, simply accepting the TPO's order, without independent reasoning and findings, is liable to be set aside.
- In case of NBFCs, income from NPAs would be taxable on receipt basis

4(a) Orange Industries Ltd. provides the following information for the financial year 2018-19: 8 Marks

Net profit as per statement of profit and loss after debiting/crediting the following:	₹120 lakh
Proposed dividend	₹ 20 lakh
Profit from unit established in SEZ	₹ 20 lakh
Securities transaction tax paid	₹ 1 lakh
Provision for income-tax	₹ 18 lakh
Provision for deferred tax	₹ 10 lakh
Amount transferred to General Reserve	₹ 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

Bought forward losses and unabsorbed depreciation as per books of the company are as follows :

(₹ in lakh)

Previous Year	Brought Forward Losses	Unabsorbed Depreciation
2014 – 15	2	3

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2015 - 16	2	2
2016 - 17	8	5

Compute the book profit of the company as per section 115JB for the assessment year 2019-20.

- 4(b) Distinguish between tax planning, tax avoidance and tax evasion 8 Marks
- 5(a) Indicate briefly the points to be taken into account while preparing annual accounts for the purpose of MAT. 8 Marks
- 5(b) Write short notes on ICDS VII 8 Marks
- 6(a) Briefly discuss the legal propositions in case of any conflict between the provisions of the Double Tax Avoidance Agreement (DTAA) and the Income-tax Act, 1961. 8 Marks
- 6(b) If a tax payer has legitimately reduced his tax burden by taking advantage of treaty, the benefit cannot be denied to him on the ground of loss of revenue. Explain in the context of decided case law. 8Marks
- 7(a) Discuss the meaning of the term 'associated enterprise' as defined under section 92A. 8 Marks
- 7(b) 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 Marks
8. Write short note 4 × 4= 16 Marks
- Binding effect of advance ruling
 - Amalgamation u/s 2(1B)
 - Door to door survey u/s 133B
 - Provisional attachment u/s 281B

