

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

**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. Multiple Choice Questions:

**10x 2 = 20**

- i. The commissioner of IT Act (Appeal) shall dispose off the appeal within a period of \_\_\_\_\_ from the financial year in which appeal is made.
  - A. 1 yrs
  - B. 2 yrs
  - C. 3 yrs
  - D. None of the above
- ii. As per section 142(2A), the tax authorities can direct the taxpayer to get his accounts audited from a \_\_\_\_\_ nominated by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner.
  - A. Cost Accountant
  - B. Chartered Accountant
  - C. Company Secretary
  - D. None of the above
- iii. The quantum of deduction in respect of royalty on patents as mentioned in Section 80RRB is
  - A. ₹ 1,50,000
  - B. ₹ 2,00,000
  - C. ₹ 2,50,000
  - D. ₹ 3,00,000
- iv. The additional tax will have to paid by the principal officer of the domestic company and the company within \_\_\_\_ days from the date of declaration of dividend.
  - A. 7 days
  - B. 9 days
  - C. 14 days
  - D. 21 days
- v. In case of the Local Authority the return is verified by the \_\_\_\_\_.
  - A. Karta
  - B. Managing Director
  - C. Principal officer
  - D. Liquidator
- vi. Pay as you earn scheme is known as
  - A. Interest
  - B. Income tax
  - C. Advance tax
  - D. None of the above
- vii. Form for making application of settlement of cases as specified u/s 245C(1)
  - A. Form 24A
  - B. Form 26AS
  - C. Form 34B
  - D. None of the above

## MTP\_ Final \_Syllabus 2016\_ Dec 2017\_Set 1

- viii. Application made to the authority for advance ruling can be withdrawn after the lapse of \_\_\_\_\_ days period of application with the permission of authority if facts and circumstances so justify.
- A. 15 days  
B. 30 days  
C. 45 days  
D. 60 days
- ix. Monetary limit of disposing of a case by a single member of ITAT u/s 255(3) is \_\_\_\_\_.
- A. ₹ 15 lakh  
B. ₹ 20 Lakh  
C. ₹ 50 lakh  
D. ₹ 65 Lakh
- x. An eligible business as referred to section 44AD shall pay the advance tax during each financial year on or before the \_\_\_\_\_.
- A. 15<sup>th</sup> September  
B. 15<sup>th</sup> December  
C. 15<sup>th</sup> March  
D. 31<sup>st</sup> March

### Section-B

(Answer any Five Questions out of seven questions)

**2(a)** Sagar submits the following information for previous year 2016-17 relevant to the A.Y 2017-18:

**8 Marks**

Particulars	Amount (₹)
Profit from Business A situated in Delhi	1,50,000
Profit from Business B situated in Bombay	1,00,000
Loss from Business C carried in New York (the business is controlled from India but profits are not received in India)	60,000
Unabsorbed depreciation of business C	35,000
Income from house property situated in India	10,000
Income from house property situated in London (rent received in London)	20,000

Find out the Gross Total Income of Sagar for the assessment year 2017-18 if he is (a) Resident in India (b) Not ordinarily resident in India and (c) Non-resident in India.

**2(b)** Ms. Banerjee, a resident individual and self-employed industrial designer, furnished the following particulars for the year ended 31<sup>st</sup> March, 2017.

**8 Marks**

Particulars	Amount (₹)
Gross total income	5,00,000
Housing loan principal repayment. The property is under construction at Jaipur as on 31 <sup>st</sup> March, 2017	1,10,000
Principal repayment of housing loan from a relative. This property is self-occupied situated at Jodhpur	50,000
Contribution to Public Provident Fund in the name of her mother	70,000

## MTP\_ Final \_Syllabus 2016\_ Dec 2017\_Set 1

She deposited per month in her account under a pension scheme notified by the Central Government.	4,000
Compute total income of Ms. Banerjee for Assessment Year 2017-18 stating reasons for the deduction eligible under appropriate provisions of Chapter VI-A.	

**3** The following is the profit and loss account for the year ending 31.3.2017 of ABC Bros. having three partners: **16 Marks**

Profit & Loss A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
Establishment & other expenses	48,00,000	By gross profit	78,20,000
Interest to partners @ 15%		Profit on sales of equity shares sold after 2 years through recognised stock	1,40,000
A                     90,000			
B                     1,20,000			
C                     60,000			
	2,70,000		
Salary to designated partners		Rent from house property	60,000
A                     2,40,000			
B                     1,80,000	4,20,000		
Net profit	26,60,000	Interest on bank deposits	10,000
		Profit on equity shares sold after 10 months through RSE	1,20,000
	81,50,000		81,50,000

Other Information:

1. Establishment expenses include ₹ 1,20,000 on account of bonus which was due on 31<sup>st</sup> March 2017.
2. The firm is eligible for 100% deduction under section 80-IC as it is established in notified area in Himachal Pradesh.
3. Shares were sold through recognized stock exchange and securities transaction tax of ₹1000 is included in the establishment expenses on account of the same

Compute the tax payable by the Limited Liability Firm.

**4(a)** State the due date of Return of income of charitable trust and political party. **8 Marks**

**4(b)** R Ltd., merges with G Ltd., and Indian company under a scheme of amalgamation on 1.10.2012. The following non-depreciable assets were transferred by R Ltd. to G Ltd. **8 Marks**

Sl/No.	Asset	Date of Acquisition by R Ltd	Cost to R Ltd	Value at which transferred to G Ltd.	Fair market value as on 1.4.1981
1	Share of X Ltd	15.4.1980	1,00,000	3,00,000	1,50,000
2	Urban land	14.5.1984	3,10,000	10,00,000	2,00,000
3	Gold	26.3.1995	4,00,000	3,50,000	1,50,000

After amalgamation, G Ltd. sold all the assets on 28.3.2017.

Sl/No.	Asset sales price
1	Shares of X Ltd.                     19,00,000
2	Urban-land                             29,00,000
3	Gold                                       15,00,000

## MTP\_ Final \_Syllabus 2016\_ Dec 2017\_Set 1

---

Compute capital gains in the hands of G Ltd., for assessment year 2017-18.

**5(a)** Can an assessee, engaged in the business of developing a housing project, be denied deduction under section 80-IB(10) on the ground that the ownership of land has not yet been transferred to the assessee and the approval to build the housing project has been taken in the name of the land owner, though the assessee assumes the entire risks and rewards of the project? Discuss with relevant case laws.

**8 Marks**

**5(b)** Does the Central Board of Direct Taxes (CBDT) have the power under section 119(2)(b) to condone the delay in filing return of income? Discuss with relevant case laws.

**8 Marks**

**6(a)** VKS international Ltd, the Assessee, has sold goods on 12.01.2016 to L Ltd. located in a Notified Jurisdictional 9 (NJA), for ₹ 10.5 Crores. The sale price of identical goods sold to an unfamiliar customer in New York during the 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 a policy of providing Males 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**

**6(b)** Pankaj , a Resident Indian aged 29 years, earned a sum of ₹ 10 Lakhs during the previous year 2016-17 from playing golf matches in a country with which India does not have double taxation avoidance agreement. Tax of ₹ 20 lakhs was levied on such income in the source country. In India, he earned ₹ 15 Lakhs during the previous year 2016-17 from playing golf matches. He has deposited ₹ 1 lakh in public provident fund during the year. Compute his Income Tax Liability for the Assessment Year 2017-18.

**8 Marks**

**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 ₹ 80,000 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 ₹ 8,30,000. Computed tax liabilities of Prabir for the assessment year 2017-18 assuming he has deposited ₹1,20,000 in Public Provident Fund, ₹ 60,000 in LIC and Medical Insurance premium in respect of his father ₹ 20,000.

**8 Marks**

**8. Short Notes (Answer any four questions out of five)**

**(4 x 4=16 Marks)**

- Procedure of imposing penalty [Section 274].
- Compounding of offence.
- Authority of Advance Rulings".
- GAAR.
- Jurisdiction and Powers of settlement commission.