FINAL EXAMINATION
Syllabus 2016

Paper 16: DIRECT TAX LAWS AND INTERNATIONAL TAXATION (DTI)

Time Allowed: 3 Hours **Full Marks: 100**

There are Sections A, B, C and D to be answered subject to instructions given against each.

Section A **You are required to answer all the questions. Each question carries 1 mark.** **Instructions: Each question is followed by 4 Answer choices and only one is correct. You are required to select the choice which according to you represents the correct answer.**					**20 × 1 = 20 Marks**
1.	**a.**	Tax rate for Short term capital gain covered u/s 111A is ________________.			
		(i)	10%		
		(ii)	15%	A	
		(iii)	20%		
		(iv)	30%		
	b.	Business Trust means a trust registered as __________________.			
		(i)	an Infrastructure Investment Trust under the SEBI (Infrastructure Investment Trusts) Regulations, 2014		
		(ii)	a Real Estate Investment Trust under the SEBI (Real Estate Investment Trusts) Regulations, 2014		
		(iii)	Both (i) and (ii)	A	
		(iv)	Neither (i) or (ii)		
	c.	Where a person has exercised the option u/s 115BAA, the provision of sec. 115JB (i.e. MAT) is __________ .			
		(i)	applicable		
		(ii)	not applicable	A	
		(iii)	partially applicable		
		(iv)	None of the above		
	d.	Rate of TDS on payment to an individual contractor u/s 194C when PAN is available is			
		(i)	0.75%		
		(ii)	1%	A	
		(iii)	2%		
		(iv)	None of the above		
	e.	Any transaction of immovable property in which possession is allowed against part performance of the contract shall be treated as ________.			
		(i)	Transfer	A	
		(ii)	Gift		
		(iii)	Sale		
		(iv)	Purchase		
	f.	Where the advance tax liability of the assessee is ______ or more, the assessee should pay such tax in the previous year itself within the due date.			

		(i)	Rs. 12,000		
		(ii)	Rs. 120,000		
		(iii)	Rs. 10,000	A	
		(iv)	Rs. 100,000		
	g.	Mr. X an individual aged 40 years has Gross Total Income of Rs. 5,62,000 for the assessment year 2022-2023 and 80C deduction is Rs. 50000. Calculate tax including cess.			
		(i)	Rs. 15,400		
		(ii)	Rs. 15,496	A	
		(iii)	Rs. 15,450		
		(iv)	Rs. 14,900		
	h.	Borrowing costs are interest and other costs incurred by a person in connection with the borrowing of funds and include___________________.			
		(i)	commitment charges on borrowings;		
		(ii)	amortised amount of discounts or premiums relating to borrowings;		
		(iii)	amortised amount of ancillary costs incurred in connection with the arrangement of borrowings;		
		(iv)	All of the above	A	
	i.	U/s 131(3), an income tax authority cannot retain in his custody any books or documents for a period _______ without obtaining approval from higher authorities.			
		(i)	exceeding 15 days	A	
		(ii)	exceeding 30 days		
		(iii)	upto completion of assessment		
		(iv)	None of the above		
	j.	X Marine Lines Inc., a Singapore company engaged in shipping business collected Rs. 150 lakh towards carrying goods from Chennai Port. Its presumptive income chargeable to tax in India would be			
		(i)	Rs.15 lakhs		
		(ii)	Rs.11.25 lakhs	A	
		(iii)	Rs.12 lakhs		
		(iv)	Nil		
	k.	An appeal to the Commissioner of Income-tax (Appeals) shall be filed in _____________.			
		(i)	Form No.35	A	
		(ii)	Form No 36		
		(iii)	Form No.34C		
		(iv)	Form No.35B		
	l.	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.			
		(i)	Managing Director		
		(ii)	Manager		
		(iii)	Liquidator	A	
		(iv)	Chartered Accountant		

	m.	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.			
		(i)	3 months	A	
		(ii)	6 months		
		(iii)	12 months		
		(iv)	18 months		
	n.	Statutory limit u/s. 16(ii) for deduction of entertainment allowance in case of a non-government employee is ___________.			
		(i)	Rs.5,000		
		(ii)	12.5 % of emplyees' salary		
		(iii)	20% of emplyees' salary		
		(iv)	NIL	A	
	o.	Section 80P deals with the ______________			
		(i)	Income of co-operative societies	A	
		(ii)	Income of mutual funds		
		(iii)	Income of infrastructure funds		
		(iv)	Income of AOP		
	p.	While computing taxable interest on delayed compensation, a standard deduction is allowed @ _______.			
		(i)	50%	A	
		(ii)	30%		
		(iii)	15%		
		(iv)	Nil		
	q.	A person is deemed to have substantial interest in a company if he is ______________.			
		(i)	An employee or director		
		(ii)	Entitled to 10% of profits of the concern		
		(iii)	The owner of at least 25% of equity capital of the company		
		(iv)	The owner of at least 20% of equity capital of the company	A	
	r.	The provisions of Alternate Minimum Tax (AMT) will be applicable when the adjusted total income of the individual taxpayer exceeds __________ .			
		(i)	Rs. 10,00,000		
		(ii)	Rs. 20,00,000	A	
		(iii)	Rs. 30,00,000		
		(iv)	Rs. 40,00,000		
	s.	Unabsorbed business losses cannot be carried for more than ____________.			
		(i)	12 assessment years		
		(ii)	10 assessment years		
		(iii)	8 assessment years	A	
		(iv)	7 assessment years		
	t.	In which of the following transaction, quoting 'Permanent Account Number' (PAN) is compulsory w.e.f. 01-04-2016?			

		(i)	Time deposit up to Rs. 35,000 with a bank		
		(ii)	Sale or purchase of any immovable property valued at Rs. 4,00,000		
		(iii)	Payment to LIP exceeding Rs. 50,000 in a financial year	A	
		(iv)	None of the above		
Section B **You are required to answer all the questions. Each question carries 2 marks.** **Instructions: Each question is followed by a space where you are required to type your answer.**					**10 × 2 = 20 Marks**
2.	a.	Under which section Best Judgment assessment is covered?			
		Type your answer here Section 144			
	b.	An individual assessee has paid a sum under an annuity plan of the Life Insurance Corporation of India (LIC) amounting to Rs. 160,000. Calculate amount of deduction u/s 80 CCC?			
		Type your answer here Rs. 150,000			
	c.	Which ICDS is related to Tangible Fixed Assets?			
		Type your answer here ICDS V			
	d.	An Advance Pricing Agreement is entered between the taxpayers, the tax administration of the host country and the foreign tax administration. What do you call this type of Advance Pricing Agreement?			
		Type your answer here Bilateral			
	e.	A person is required to furnish a return of income u/s 139(1) for assessment year 2021-22 has furnished his return on 29.12.2021 and his total income is Rs. 4.5 lakhs. State the amount of fee, if any, payable by him.			
		Type your answer here Rs. 1000			
	f.	What is the time limit for completion of assessment u/s 144?			
		Type your answer here within 9 months from the end of the relevant assessment year			
	g.	What will be the rate of TDS applicable for payment of income by way of interest on an infrastructure debt fund referred to in sec. 10(47) to a non-resident or a foreign company?			
		Type your answer here 5% (+ Surcharge + cess)			
	h.	What is the prescribed rate of interest for the purpose of Sec. 234D?			
		Type your answer here ½% p.m. or part thereof			
	i.	For how many years, advance pricing agreement is valid?			
		Type your answer here Not exceeding 5 consecutive previous years			
	j.	What is the threshold limit for applicability of Thin capitalization?			
		Type your answer here Rs.1 Crore			
Section C **You are required to answer any 4 out of 6 questions in this section** **Instructions: Each question is followed by a space where you are required to type your answer.**					**12 × 4 = 48 Marks**

3.	a.	Explain the disclosure requirements of Income computation and disclosure standards (ICDS) VII.	4
		Type your answer here Following disclosure shall be made in respect of Government grants: i. nature and extent of Government grants recognised during the previous year by way of deduction from the actual cost of the asset or assets or from the written down value of block of assets during the previous year; ii. nature and extent of Government grants recognised during the previous year as income; iii. nature and extent of Government grants not recognised during the previous year by way of deduction from the actual cost of the asset or assets or from the written down value of block of assets and reasons thereof; and iv. nature and extent of Government grants not recognised during the previous year as income and reasons thereof.	
	b.	What are the presumption in case of search u/s 132 (4A)?	4
		Type your answer here Presumption in case of search [Sec. 132(4A)] Where any books of account, other documents, money, bullion, jewellery or other valuable article or thing are, or is found in the possession or control of any person in the course of search, it may be presumed that - i. Such books of account, other documents, money, bullion, jewellery or other valuable article or thing belongs to such person; ii. The contents of such books of account and other documents are true; iii. The signature and every other part of such books of account and other documents which purport to be in the handwriting of any particular person, are in that person's handwriting; and iv. In the case of a document stamped, executed or attested, it was duly stamped and executed or attested by the person by whom it purports to have been so executed or attested.	
	c.	Mr. X did not file his return of income u/s 139(1) within the time limit prescribed. Calculate the fee charged u/s 234F in the following two situations: (i) Total income is Rs. 4,90,000 and return is furnished on 31st December of the assessment year (ii) Total income is Rs. 6,90,000 and return is furnished on 31st December of the assessment year	2+2
		Type your answer here Calculation of fee charged u/s 234F: (i) Since his total income does not Total income is Rs. 4,90,000 and return is furnished on 31st December of the assessment year = Rs. 1,000 (ii) Total income is Rs.6,90,000 and return is furnished on 31st December of the assessment year = Rs. 5,000	
4.	a.	AB is an association governed by the provisions of sec. 44A of the Income-tax Act. The subscription receipts for the year ended 31st March, 2022 were Rs. 61,000. The expenditure in the normal course of its activities was Rs. 86,000. Its other income taxable under the Act works out to Rs. 76,000. On these facts, you are consulted as to: a. How AB's taxable income will be determined for assessment year 2022-23? b. In case the association did not have the other income taxable will there be any difference in the computation of its income?	3+3

Type your answer here

a. Rs. 51,000

b. Nil

ROUGH WORK

Computation of total income

Particulars	Amount Rs.
Other Income	76,000
Less: Deficiency (Note 1)	25,000
Total Income	51,000

Note 1: Calculation of deficiency

Particulars	Amount Rs.
Subscription received	61,000
Less: Expenditure	86,000
Deficiency	25,000

Maximum deficiency can be set off against other income is lower of the following:

a. Actual Deficiency i.e. Rs. 25,000

b. 50% of other income i.e., Rs. 38,000 being 50% of Rs. 76,000

In case, association do not have any other taxable income, then the total income shall be nil and the deficiency of Rs. 25,000 shall not be carried forward.

b. M/s. QQ Trading Co. a sole proprietary concern, was converted into a company w,e,f. 01-09-2021. Before the conversion, the sole proprietary concern had a block of Plant & Machinery (15%), whose WDV as on 01-04-2021 was Rs.3,00,000. On 1st April itself, a new plant of the same block was purchased for Rs.1,20,000. After the conversion, the company has purchased the same type of plant on 01-01-2022 for Rs. 1,60,000. Compute the depreciation that would be allowable to : **3+3**

a. QQ Trading co.

b. Company

Type your answer here

a. Rs.26,408

b. Rs.48,592

Computation of depreciation on plant and machinery if there were no succession

Particulars	Plant & Machinery
W.D.V. as on 01/04/2021	3,00,000
Add: Purchase during the year	1,20,000
	4,20,000
Less: Sale during the year	Nil
	4,20,000
Depreciation @ 15% of Rs.4,20,000	63,000

<u>Allocation of depreciation between sole proprietary concern and the successor company</u>

The depreciation of Rs.63,000 is to be allocated in the ratio of number of days the assets were used by the sole proprietary concern and the successor company.

Calculation of allowable depreciation to sole proprietary concern

Particulars	Amount
Ex-sole proprietary:	
Plant & machinery are used by sole proprietary concern from 01/04/2021 to 31/08/2021 i.e. 153 days.	
Depreciation for 153 days (Rs. 63,000 × 153/365)	26,408

Calculation of allowable depreciation to successor company

Particulars	Amount
Plant & machinery of sole proprietary concern used by the successor company from 01/09/2021 to 31/03/2022 i.e. 212 days. Depreciation for such period (Rs.63,000 × 212/365)	36,592
After conversion	
Depreciation in respect of assets purchased by the successor company on 1/1/2022 is fully allowable in the hands of successor company [50% of 15% on Rs.1,60,000].	12,000
Total depreciation	48,592

5. a. M/s BBB LLP filed its return of income for A.Y. 2022-23, declaring total income of Rs. 19 lakhs, on 2nd August, 2021. On processing of return, the total income determined under section 143(1) (a) was Rs. 22 lakhs, after disallowing claim for deduction under section 10AA on account of late furnishing of return of income. Thereafter, on scrutiny, the assessing officer made some additions under 40(a)(ia), 40A(3), under section 43B and passed an assessment order under section 143(3) assessing total income of Rs. 35 lakhs. Later on, the assessing officer noticed that certain income had escaped assessment and issued notice for reassessment under section 148. The total income reassessed under section 147 was Rs. 43 lakhs. **4+4**

Considering that none of the additions or disallowances made in the assessment or reassessment as above qualifies u/s 270A(6), compute the amount of penalty to be levied under section 270A of the Income-tax Act, 1961:

a. at the time of assessment under section 143(3); and
b. at the time of reassessment under section 147.

Type your answer here

a. Rs. 2,02,800
b. Rs.1,24,800

ROUGH WORK

Computation of penalty loveable u/s 270A

Particulars	Rs.	Rs.
Assessment u/s 143(3), under-reporting of income:		
Total income assessed u/s 143(3)	35,00,000	
Less: Total income determined u/s 143(1)(a)	22,00,000	
	13,00,000	
Tax payable on under-reported income:		
Tax on under-reported income of Rs. 13 lakhs plus total income of Rs. 22 Lakhs determined u/s 143(1) (a) [30% of Rs. 35 lakh +HEC @ 4%]	10,92,000	
Less: Tax on total income determined u/s 143(1)(a) [30% of Rs. 22 lakh + HEC @ 4%]	6,86,400	
	4,05,600	
Penalty leviable @ 50% of tax payable		2,02,800
Reassessment u/s 147, under-reported income:		
Total income reassessed u/s 147	43,00,000	
Less: Total income assessed u/s 143(3)	35,00,000	
	8,00,000	
Tax payable on under-reported income:		
Tax on under-reported income of Rs. 8 lakhs plus total income of Rs. 35 Lakhs assessed u/s 143(3) [30% of Rs. 43 lakh +HEC @ 4%]	13,41,600	
Less: Tax on total income assessed u/s 143(3) [30% of Rs. 35 lakh + HEC @ 4%]	10,92,000	
	2,49,600	
Penalty leviable @ 50% of tax payable		1,24,800

b. Explain computation of income on presumptive basis of shipping business in case of non-residents. 4

Type your answer here

Computation of income on presumptive basis of shipping business in case of non-residents u/s 44B

Applicable to	All non-resident assessee
Condition	Assessee must be engaged in the business of operation of ships.
Estimated income	Income taxable under the head "Profits & gains of business or profession" from such business shall be estimated at 7.5% of the amount being aggregate of the following: 1. The amount paid or payable (whether in or out of India) to the assessee (or to any person on his behalf) on account of the carriage of passengers, livestock, mail or goods shipped at any port in India; and 2. The amount received or deemed to be received in India by or on behalf of the assessee on account of the carriage of passengers, livestock, mail or goods shipped at any port outside India.
Notes: The amount paid or payable or received or deemed to be received, as the case may be, shall also include demurrage charges or handling charges or any other amount of similar nature.	

6. a. M/S PQR converted itself into a company as on 31/03/2018. As on date, balance sheet of the firm was as under: 2+2+2+2

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
P's Capital	41,000	Machinery (WDV as per IT Act)	1,01,000
Q's Capital	1,11,000	Investments (acquired on 14/08/2004)	51,000
R's Capital	51,000	Stock	71,000
Creditors	1,01,000	Debtors	60,500
		Bank	20,500
	3,04,000		3,04,000

Following value was agreed upon on conversion –
Machinery Rs. 1,20,000

Investments Rs. 2,50,000

Stock Rs. 90,000

Debtors Rs. 60,500

The firm fulfilled all the conditions of sec.47 (xiii) and partners account are settled by way of issuing equity shares in their capital ratio. However, on 01/04/2021, all partners transferred all of their shares.

From the aforesaid information please state:

a. Taxable Capital gain in hands of the firm for the A.Y. 2018-19 and 2022-23
b. Taxable Capital gain in hands of the company for the A.Y. 2018-19 and 2022-23
c. Taxable business income in hands of the firm for the A.Y. 2018-19 and 2022-23
d. Taxable business income in hands of the company for the A.Y. 2018-19 and 2022-23

Type your answer here

a. Nil and Nil
b. In A.Y. 2018-19: Nil and In A.Y. 22-23: ₹ 1,27,239 (as Long term capital gain) & Rs.19,000 (as Short term capital gain)
c. In A.Y. 2018-19: Rs.19,000 and In A.Y. 22-23: Nil
d. In A.Y. 2018-19: Nil and In A.Y. 22-23: Nil

As per sec. 47A(3), where any of the conditions laid down in sec. 47(xiii) are not complied with, the gain exempted u/s 47(xiii) shall be charged to tax in the hands of successor company in the previous year in which the requirements of sec. 47(xiii) are violated. One of the conditions stated in sec. 47(xiii) is that the partner of the old firm cannot transfer shares of the successor company till 5 years. In the given case, all partners sold shares of the successor company within 5 years hence earlier exempted gain shall be revoked.

ROUGH WORK

Computation of taxable income in the hands of successor company for the A.Y. 2022-23

Particulars	Investments	Machinery
Sale consideration	2,50,000	1,20,000
Less: Expenses on transfer	Nil	Nil
Net Sale Consideration	2,50,000	1,20,000
Less: Indexed cost of acquisition [Rs. 51,000 × 272/113]	1,22,761	Nil
Less: Cost of acquisition (being WDV)	Nil	1,01,000
Long Term Capital Gain	1,27,239	Nil
Short Term Capital Gain	Nil	19,000

b. Explain deduction of expenses incurred in case of amalgamation or demerger [Sec. 35DD]. 4

Type your answer here

Applicable to: An Indian company

Conditions:

(a) Assessee has incurred certain expenditure wholly & exclusively for the purpose of amalgamation or demerger.

(b) No deduction has been claimed for such expenses under any other section.

Quantum of deduction: 1/5th of expenses so incurred for a period of 5 years commencing from the year in which amalgamation or demerger takes places.

7. a. Shri AL, an ordinarily resident in India, provides following details of his income for the previous year relevant to the A.Y. 2022-23 4+4

- Income from India Rs. 3,45,000
- Income from Country X Rs. 2,10,000
- LIC Premium Rs. 11,000

Further, it is to be noted that:

a) India has avoidance of double taxation agreement with Country X. 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 X @ 20%.

State:

a. Average rate of tax in India
b. Tax liability in India after rounding off

Compute Indian tax payable.

Type your answer here a. 4.07% b. Rs.13,610

Rough Work

Computation of total income and tax liability of Shri AL for the A.Y. 2022-23

Particulars	Amount Rs.
Income from India	3,45,000
Income from Country X	2,10,000
Gross Total Income	5,55,000
Less: Deduction u/s 80C [LIC Premium]	11,000
Total income	5,44,000
Tax on above (250000X5% + 44000X 20%)	21,300
Add: Health & Education cess @4 %	852
Tax and cess payable	22,152
Less: Relief u/s 90 [Rs. 2,10,000 x 4.07%*]	8,547
Tax payable in India	13,610

*Average rate of Indian tax = Rs. 22,152 / Rs. 5,44,000 × 100 = 4.07%

ROUGH WORK

Computation of total income and tax liability of Shri AL for the A.Y. 2022-23

Particulars	Amount Rs.
Income from India	3,45,000
Income from Country X	2,10,000
Gross Total Income	5,55,000
Less: Deduction u/s 80C [LIC Premium]	11,000
Total income	5,44,000
Tax on above (250000X5% + 44000X 20%)	21,300
Add: Health & Education cess @4 %	852
Tax and cess payable	22,152
Less: Relief u/s 90 [Rs. 2,10,000 x 4.07%*]	8,547
Tax payable in India	13,610

*Average rate of Indian tax = Rs. 22,152 / Rs. 5,44,000 x 100 = 4.07%

b. A sold a machine to B (associated enterprise) and in turn B sold the same machinery to C (an independent party) at sale margin of 30% for Rs. 4,00,000 but B has incurred Rs. 4,000 in sending the machine to C. From the above data, determine arm's length price. — 4

Type your answer here

Arm's Length Price = Rs. 2,76,000

ROUGH WORK

Computation of Arm's Length Price

Particulars	Details	Amount
Sales price to B		4, 00,000
Less: Gross Margin	4,00,000 × 30%	1, 20,000
Balance		2, 80,000
Less: Expenses incurred by B		4,000
Arm's length price		2,76,000

8. **You are required write Short Notes on any 4 out of 5 questions.** — **4 × 3 = 12 Marks**

a. Tax Haven

Type your answer here

Many fiscally sovereign territories and countries use tax and non-tax incentives to attract activities in the financial and other services sectors. These territories and countries offer the foreign investor an environment with a no or only nominal taxation which is usually coupled with a reduction in regulatory or administrative constraints. The activity is usually not subject to information exchange because, for example, of strict bank secrecy provisions. These jurisdictions are known as tax havens. In other words, any country which modifies its tax laws to attract foreign capital could be considered a tax haven. The central feature of a haven is that its laws and other measures can be used to evade or avoid the tax laws or regulations of other jurisdictions.

		A tax haven is a state or a country or territory where income tax is levied at a low rate or no tax at all is levied. Individuals and/or corporate entities can find it attractive to establish shell subsidiaries or move themselves to areas where reduced or nil tax is charged. This creates a situation of tax competition among governments though tax heaven countries may not always be profitable. Some tax heavens have become failure like Beirut, Tangiers, Liberia, etc. Different jurisdictions tend to be havens for different types of taxes, and for different categories of people and/or companies.	
	b.	Scope of total undisclosed foreign income and asset under Black Money & Imposition of Tax Act	
		Type your answer here <u>Scope of total undisclosed foreign income and asset [Sec. 4]</u> The total undisclosed foreign income and asset of any previous year of an assessee shall be: a) the income from a source located outside India, which has not been disclosed in the return of income furnished u/s 139 of the Income-tax Act; b) the income, from a source located outside India, in respect of which a return is required to be furnished u/s 139 of the Income-tax Act but no return of income has been furnished u/s 139 of the Income-tax Act; and c) the value of an undisclosed asset located outside India. Any variation made in the income from a source outside India in the assessment or reassessment of the total income of any previous year, of the assessee under the Income-tax Act in accordance with the provisions of section 29 to section 43C (Profits and gains of business or profession) or section 57 to section 59 (Income from other sources) or section 92C (Transfer pricing) of the said Act, **shall not** be included in the total undisclosed foreign income. To avoid double taxation, the income included in the total undisclosed foreign income and asset under this Act shall not form part of the total income under the Income-tax Act.	
	c.	Impermissible avoidance arrangement	
		Type your answer here An impermissible avoidance arrangement means an arrangement, the main purpose of which is to obtain a tax benefit, and it— (a) creates rights, or obligations, which are not ordinarily created between persons dealing at arm's length; (b) results, directly or indirectly, in the misuse, or abuse, of the provisions of this Act; (c) lacks commercial substance or is deemed to lack commercial substance u/s 97, in whole or in part; or (d) is entered into, or carried out, by means, or in a manner, which are not ordinarily employed for bona fide purposes.	
	d.	**Transfer treated as void u/s 281**	
		Type your answer here Where, during the pendency of any proceeding under this Act or after the completion thereof, but before the service of notice by TRO, any assessee creates a charge on or parts with the possession (by way of sale, mortgage, gift, exchange or any other mode of transfer whatsoever) of, any of his assets in favour of any other person, such charge or transfer shall be void as against any claim in respect of any tax or any other sum payable by the assessee as a result of the completion of the said proceeding or otherwise.	

		Assets means land, building, machinery, plant, shares, securities and fixed deposits in banks, to the extent to which any of the assets aforesaid does not form part of the stock-in-trade of the business of the assessee. However, such charge or transfer shall not be void if it is made: (i) for adequate consideration and without notice of the pendency of such proceeding or without notice of such tax or other sum payable by the assessee; or (ii) with the previous permission of the Assessing Officer. This section applies to cases where the amount of tax or other sum payable or likely to be payable exceeds Rs. 5,000 and the assets charged or transferred exceed Rs. 10,000 in value.	
	e.	Scrutiny Assessment u/s 143(3) .	
		Type your answer here Where the Assessing Officer or the prescribed income-tax authority (here-in-after collectively referred to as 'Assessing Officer') considers it necessary to ensure that the assessee has not - • understated his income; or • declared excessive loss; or • under paid the tax, He can make a scrutiny in this regard and gather such information and evidence as he deems fit. And on the basis of such information and evidence so collected, he shall pass an assessment order. Such order shall be treated as regular assessment order. Conditions for scrutiny assessment • A return has been furnished u/s 139 or in response to a notice u/s 142(1); and •Assessing Officer considers it necessary or expedient to ensure that the assessee has not understated his income, declared excessive loss or under-paid the tax. **Procedure** Notice for scrutiny [Sec. 143(2)] Assessing Officer shall serve on the assessee a notice requiring the assessee, on a date specified in the notice, to produce, or cause to be produced, any evidence on which assessee may rely, in support of the return. Time limit of notice No notice shall be served on the assessee after the expiry of 3 months from the end of the financial year in which the return is furnished. Order After collecting such information and hearing such evidence as the assessee produces in response to the notice u/s 143(2) and after taking into account all relevant materials, which the Assessing Officer has gathered; The Assessing Officer shall, by an order in writing, make an assessment of the total income or loss of the assessee and determine the sum payable by him or refund of any amount due to him on the basis of such assessment. Time limit for completion of scrutiny assessment Assessment u/s 143(3) should be completed within 9 months from the end of the relevant assessment year.	
		Section D **You are required to answer all the questions in this section** **Instructions: Each question is followed by a space where you are required to type your answer.**	**12 ×1 =12 Marks**

9.		F Ltd., an Indian company, earned a profit of Rs. 54 lakhs after debit/ credit of the following items to its Statement of Profit and Loss for the year ended on 31.3.2022:	

(i) Items debited to Statement of Profit and Loss:

Sl. No.	Particulars	Amount Rs.
1.	Provision for the loss of subsidiary	83,000
2.	Provision for doubtful debts	92,000
3.	Provision for income-tax	145,000
4.	Provision for gratuity based on actuarial valuation	417,000
5.	Depreciation	307,000
6.	Interest to financial institution (unpaid before filing of return)	72,000
7.	Penalty for infraction of law	14,000

(ii) The following are credited in P/L Account Statement:

Sl. No.	Particulars	Amount Rs.
1.	Profit from unit established in special economic zone	1520,000
2.	Share in income of an AOP as a member	195,000
3.	Long term capital gains	320,000

Other Information:

i) Depreciation includes Rs. 81,000 on account of revaluation of fixed assets.

ii) Depreciation as per Income-tax Rules, 1962 is Rs. 412,000

iii) Balance of Statement of Profit and Loss shown in Balance Sheet at the asset side as at 31.3.2021 was Rs. 32 lakhs which includes unabsorbed depreciation of Rs. 18 Lakhs.

iv) The AOP, of which the company is a member, has paid tax at maximum marginal rate.

v) Provision for income-tax includes Rs. 65,000 of interest payable on income-tax.

Based on the above information you are required to answer the following questions.

	a.	Compute Book profit for the purpose of section 115JB for A.Y. 2022-23.	6

Type your answer here

Book Profit = Rs. 42,06,000

ROUGH WORK

Computation of Book Profit for MAT u/s 115JB for AY 2022-23

Particulars	Rs.	Rs.
Net Profit as per Statement of Profit and Loss		54,00,000
Add: Net Profit to be increased by the following amounts as per Explanation 1 to Sec 115JB:		
• Provision for loss of subsidiary	83,000	
• Provision for doubtful debts	92,000	
• Provision for income-tax	145,000	
• Depreciation as per books of accounts	307,000	627,000
		60,27,000
Less: Net Profit to be decreased by the following amounts as per Explanation 1 to Sec 115JB:		
• Share in income of an APO as a member	195,000	
• Depreciation other than depreciation on revaluation of assets (Rs. 307,000-Rs. 81,000)	226,000	
• Unabsorbed Depreciation or brought forward business loss, whichever is less as per the books of account	14,00,000	18,21,000
Book Profit		42,06,000

	b.	What was the object behind the introduction of Minimum Alternate Tax?	2

Type your answer here

The objective of introduction of MAT is to bring into the tax net "zero tax companies" which in spite of having earned substantial book profits and having paid handsome dividends, do not pay any tax due to various tax concessions and incentives provided under the Income-tax Law

	c.	What would be tax amount u/s 115JB (after round off)?	2

Type your answer here

Tax payable = Rs. 6,56,140

ROUGH WORK

Computation of MAT Liability under section 115JB

Particulars	Rs.
15% of book profit of Rs. 42,06,000	630,900
Add: Health & Education & Cess @ 4%	25,236
MAT Liability	656,136
MAT Liability (rounded off)	656,140

	d.	What would be tax amount u/s 115JB (after round off), if FLtd. is a unit located in an International Financial Service Center and derives its income solely in convertible foreign exchange?	2

Type your answer here

Rs. 3,93,680

ROUGH WORK

Computation of MAT Liability under section 115JB where Father Ltd. is a unit located in an IFSC and derives its income solely in convertible foreign exchange

Particulars	Rs.
9% of book profit of Rs. 42,06,000	378,540
Add: Health & Education & Cess @ 4%	15,142
MAT Liability	393,682
MAT Liability (rounded off)	393,680

END