



**FINAL EXAMINATION** **SET - 1**  
**MODEL QUESTION PAPER** **TERM – DECEMBER 2023**  
**PAPER – 15** **SYLLABUS 2022**

**DIRECT TAX LAWS AND INTERNATIONAL TAXATION**

**Time Allowed: 3 Hours**

**Full Marks: 100**

The figures in the margin on the right side indicate full marks.  
Where considered necessary, suitable assumptions may be made and  
clearly indicated in the answer.

**SECTION – A (Compulsory)**

**1. Choose the correct option:** **[15 x 2 =30]**

- (i) Moon Ltd. has received ₹ 99 lakhs (net of TDS) as dividend from a domestic company on 31<sup>st</sup> Dec 2023. It has distributed ₹ 105 Lakhs as dividend to its shareholders on 31<sup>st</sup> July 2023. What is the amount of deduction available to Moon Ltd. in respect of such dividend?  
(a) ₹ 99 Lakhs  
(b) ₹ 105 Lakhs  
(c) ₹ 110 Lakhs  
(d) Nil
- (ii) Star Ltd. set up a manufacturing unit in Chennai on 1<sup>st</sup> August 2022. It invested ₹ 30 lakhs in new plant and machinery on 1<sup>st</sup> August 2022. It invested ₹ 50 lakhs in new plant and machinery on 1<sup>st</sup> Dec 2022, out of which ₹ 10 lakhs was second hand assets. What is the amount of depreciation allowed u/s 32 for the AY 2023-24?  
(a) ₹ 8,25,000  
(b) ₹ 18,25,000  
(c) ₹ 26,00,000  
(d) ₹ 17,50,000
- (iii) The book profit of Sun Ltd. is ₹ 40 lakhs and its total income is ₹ 18 lakhs. Calculate tax liability.  
(a) ₹ 6,24,000  
(b) ₹ 5,61,600  
(c) ₹ 12,48,000  
(d) ₹ 2,80,800
- (iv) A domestic company discloses its taxable income as ₹ 101 lakhs. What is the tax liability?  
(a) ₹ 32,24,000  
(b) ₹ 33,71,780



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- (c) ₹ 31,51,200  
(d) ₹34,49,680
- (v) A firm, which do not have book profits, can claim deduction u/s 40(b) to the extent of:
- (a) 100% of payment  
(b) ₹ 1,50,000 or 100% of payment, whichever is lower  
(c) ₹ 1,50,000 or 100% of payment, whichever is higher  
(d) ₹ 1,50,000
- (vi) Assessment order in response to notice u/s 143(2) shall be completed within a period of:
- (a) 12 months from the end of relevant financial year  
(b) 24 months from the end of relevant financial year  
(c) 12 months from the end of relevant assessment year  
(d) 24 months from the end of relevant assessment year
- (vii) Rounding off of tax in respect of which interest is to be calculated to nearest multiple of:
- (a) ₹100  
(b) ₹10  
(c) ₹ 1  
(d) Not required
- (viii) Income Tax Appellate Tribunal can rectify its own order if it is:
- (a) Apparent mistake  
(b) Any mistake  
(c) Any mistake other than apparent mistake  
(d) None of the above
- (ix) Equalization levy is applicable if the aggregate amount of consideration for specified transactions exceeds:
- (a) ₹ 10,000  
(b) ₹ 1,00,000  
(c) ₹ 10,00,000  
(d) ₹ 1 crore
- (x) The relief where there is no Avoidance of Double Taxation Agreement, is:
- (a) Bilateral relief  
(b) Specified relief  
(c) Unilateral relief



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- (d) No relief
- (xi) If income is taxed twice in more than one country but in the hands of different tax payers is called:
- (a) Juridical Double Taxation
  - (b) Economic Double Taxation
  - (c) Treaty Double Taxation
  - (d) Deemed Double Taxation
- (xii) Range concept principle is applied under Transfer Pricing if there is:
- (a) One reasonable price
  - (b) more than one reasonable price but not more than five
  - (c) More than five reasonable prices
  - (d) None of the above
- (xiii) Specified Domestic Transactions are covered under Transfer Pricing Provisions if aggregate value of such transactions exceeds:
- (a) ₹5 Crores
  - (b) ₹ 10 crores
  - (c) ₹ 20 crores
  - (d) No limit
- (xiv) The time limit for passing an order by Transfer pricing officer is within:
- (a) 2 years from the end of financial year of reference made
  - (b) 1 year from the end of financial year of reference made
  - (c) No time limit
  - (d) None of the above
- (xv) Yogi Ltd. of Varanasi, India exports “Product X” to YO Ltd of Tokyo, Japan an associated enterprise for ₹ 5,300 per product. Yogi Ltd. also exports similar product to Y Ltd and OY Ltd, who are unrelated for ₹ 5,350 and ₹ 5,550 respectively. What is the price considered to compute profits from transaction with YO Ltd?
- (a) ₹ 5,400
  - (b) ₹ 5,300
  - (c) ₹ 5,450
  - (d) None of the above



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**SECTION – B**

**(Answer any five questions out of seven questions given. Each question carries 14 Marks)**

2. Given below is the Profit and Loss A/C of Mitra Ltd.

Dr.	₹	Cr.	₹
Salaries	3,00,000	Gross Profit	10,00,000
Donation to charitable trust	40,000	Withdrawal from Reserve fund	24,000
Contribution to approved research	30,000	Withdrawal from Revaluation Reserve Fund	25,000
Staff welfare Fund	25,000	Agricultural income	40,000
Proposed dividend	75,000	Short term capital gain	36,000
Bad debts	5,000	Dividend	30,000
Provision for doubtful debts	15,000	Miscellaneous income	45,000
Provision for GST	35,000		
Provision for ascertained liability	10,000		
Income tax	50,000		
Penalty	4,000		
Depreciation	85,000		
Cultivation expenses	12,000		
General reserved	2,000		
Long term capital loss	16,000		
Net Profit	4,88,000		
	12,00,000		12,00,000

Other Information:

1. Depreciation includes ₹ 20,000 on account of revaluation
2. Dividend ₹ 50,000 paid on 30<sup>th</sup> September, 2023
3. GST ₹ 30,000 paid on 31<sup>st</sup> October, 2023
4. Brought forward items:

Relating for FY 2018-19	Tax Purpose	Accounts Purpose
(a) Brought forward business loss	25,000	30,000
(b) Unabsorbed depreciation	15,000	20,000

Calculate the tax liability of Mitra Ltd applying MAT u/s 115JB.

**[14]**



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3. (a) Mr Gopal, is a salaried employee who submits his income particulars for two financial years:

Income	FY 2022-23 (₹)	FY 2021-22 (₹)
Basic Salary	10,00,000	7,00,000
Dearness allowance (3/4 is part of retirement benefits)	2,00,000	1,80,000
House Rent Allowance	4,00,000	4,00,000
Rent Paid by Gopal	3,00,000	3,00,000
Arrears of Salary	3,00,000	-
Life insurance Premium	65,000	63,500

You are required to calculate amount of exemption allowed in respect in HRA, amount of deduction in respect of life insurance premium and amount of relief in respect of arrears of salary u/s 10(13A), u/s 80C and u/s 89(1) respectively. [7]

- (b) Smile Ltd. shifts its industry from urban area in Jaipur to a remote village in Rajasthan state. In the process of shifting the company sells the following assets and purchases new assets at its new place:

	Land (₹)	Building (₹)	Plants & Machinery (₹)
Cost of acquisition (as per section 50)	NA	8,50,000	4,50,000
Sale proceeds	30,00,000	25,00,000	9,50,000
Transfer expenses	30,000	25,000	9,500
Cost of new assets (acquired during April 2023)	12,00,000	8,00,000	4,00,000

Land is acquired during 2012-13 for ₹ 1,00,000 (CII:200). Compute capital gain and suggest a scheme of tax planning. [7]

4. (a) Examine how do you treat the following items when X Ltd. is merging with Y Ltd. on 1<sup>st</sup> January 2023 on the assumption:
- A. Condition u/s 2(1B) and u/s 72A does not satisfy
  - B. Condition u/s 2(1B) satisfy but conditions u/s 72A not satisfy
  - C. Conditions u/s 2(1B) and u/s 72A are satisfied



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Other Information of X Ltd.:

(i) Business Profits (before adjusting losses and expenses)	₹60,000
(ii) Expenses on merger	₹2,00,000
(iii) VRS Compensation (Paid during 2020-21)	₹4,00,000
(iv) Sale consideration of non-depreciable capital assets	₹20,00,00
(v) Indexed cost of acquisition of non-depreciable capital assets	₹12,00,000
(vi) Sale consideration of depreciable assets	₹10,00,000
(vii) WDV of depreciable assets	₹7,00,000
(viii) Non-speculation business loss relating to 1994-95	₹ 3,00,000
(ix) Unabsorbed depreciation relating to 2020-21	₹ 1,50,000
(x) Long term Capital loss relating to 2021-22	₹ 2,00,000

Business profits of Y Ltd. (before adjusting losses and expenses) ₹ 30,00,000 and long term capital gain of Y Ltd. (before adjusting losses) ₹ 3,00,000 [7]

(b) A non-resident having branch office in India submits the following information relating to the branch.

- (i) Net total income ₹ 30,00,000
- (ii) Deduction (Chapter VIA) ₹ 2,00,000
- (iii) Brought forward business loss ₹ 1,00,000
- (iv) Brought forward house property loss ₹ 30,000
- (v) Unabsorbed depreciation ₹ 1,50,000
- (vi) Expenses reimbursed by branch to Head office ₹ 3,00,000

You are required to compute total income of the branch after adjusting the amount of deduction allowed u/s 44C. [7]

5. (a) An assessee is aggrieved by the following orders:

- (i) Order passed u/s 143(3) by the Assessing officer
- (ii) Order passed u/s 263 by the commissioner of Income Tax
- (iii) Order passed u/s 254 by the Tax Tribunal (ITAT)

The assessee is willing to know the remedies available and the time limit against each remedy under the Income-Tax Act, 1961. Explain. [7]

(b) The total income of an individual assessee is ₹ 8 lakhs. Tax deducted by various payers ₹ 30,000. Tax is paid by way of self-assessment. ROI (due date 31-07-2023) submitted on 31-10-23. Assessment completed on 31-12-2023. Discuss with reasons the interest payable under various provisions. [7]



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6. (a) Analyze the special provisions relating to Double Tax Avoidance Relief in case of specified associations in India. Explain with suitable example. [7]
- (b) Mr. Prabhas, a resident has earned the following incomes for the year 2022-23.
- (i) Income from house property in India but received in UK ₹ 7,00,000
  - (ii) Royalty on patents outside India ₹ 5,00,000
  - (iii) Past untaxed income brought into India ₹ 2,00,000
  - (iv) Tax paid in respect of income (i), (ii) and (iii) above ₹ 90,000, ₹ 75,000 and ₹ 20,000 respectively.
- Calculate tax liability and relief if there is:
- (A) DTAA under tax exemption method
  - (B) DTAA under tax credit method
  - (C) NO DTAA. [7]
7. (a) X Ltd, an Indian company, supplies 50,000 products to Y Ltd, a German company and which associated, at FOB price of ₹ 4000(after a discount of ₹ 200) per product. It also supplies 5000 products of Z Ltd which is not associated, at CIF price of ₹ 5800 (including warranty charges ₹300) per product. Insurance and freight charges are ₹ 600. Profit disclosed by X Ltd is ₹ 8 Crore. Calculate reasonable profits of X Ltd by applying ALP if X Ltd is covered u/s 10AA. [7]
- (b) X Ltd, an Indian company has borrowed ₹ 50 crores from Y Ltd, an American company at an interest rate of 8% pa. X Ltd submits the following particulars:
- (i) Net Profit after interest, income tax, depreciation and dividend ₹ 5 Crore
  - (ii) Income tax ₹ 1.5 crore
  - (iii) Depreciation ₹ 1 crore
  - (iv) Dividend ₹ 0.5 crore.
- Compute taxable profits of X Ltd if book value of assets is ₹ 98 crores. Does it make any difference if book value of assets is ₹ 99 crores. [7]
8. (a) X Ltd. has two units, Unit A and Unit B engaged in operating a warehouse for storage of Computer Peripherals and mobile spares respectively, since the year 2017. Y Ltd. takes over Unit B of X Ltd. by way of Slump Sale for ₹ 350 lakhs on 01-10-2022. The expenses incurred for this transfer were ₹ 10,50,000.



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Balance sheet (Extract) of X Ltd. as on 30-09-2022

Liability	₹(in lakhs)	Asset	
Paid up equity share capital	550	<b>UNIT A</b>	
		Fixed assets	160
General reserve	180	Debtors	250
Revaluation reserve(Unit B)	110	Inventories	270
Bank Loan(70% for unit B)	115	<b>UNIT B</b>	
		Fixed assets	280
Creditors (45% for unit B)	280	Debtors	175
		Inventories	100
	<u>1235</u>		<u>1235</u>

**Other information:**

- (i) Fixed assets of unit B includes a land purchase at ₹50 lakhs during 2016 and revalued at ₹ 160 lakhs. Its stamp duty value is ₹ 150 lakhs
- (ii) Fixed assets of unit B includes a plant and machinery acquired from unit A for ₹30 Lakhs

You are required to analyse and answer following questions:

- (A) What is the profit on transfers from unit A to unit B?
  - (B) What is cost of acquisition for the purpose of computing capital gain?
  - (C) What is the tax liability on capital gain?
  - (D) What is the tax liability if above transaction is covered u/s 2(19AA) under demerger scheme? [7]
- (b) Examine the consequences that would follow if the Assessing officer make adjustment to Arm's length price in international transactions of the assessee resulting in increase in taxable income. Discuss the remedies available to the assessee to dispute such adjustment. [7]