



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.

SECTION – A (Compulsory)

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

(i) While computing book profit u/s 115JB, one of the following is required to be reduced from the net profit:

- (a) Unabsorbed Depreciation as per books of account
- (b) Brought forward business loss as per books of account
- (c) Brought forward loss or unabsorbed depreciation, whichever is less as per books of account
- (d) Income-tax paid or payable if not already debited to the Statement of Profit and Loss

(ii) A Ltd. filed its return of income for A.Y. 2024-25 on 30th September, 2024. The return is selected for regular assessment under section 143(3). The time limit for service of notice u/s 143(2) in this case is

- (a) 30.06.2025
- (b) 30.09.2025
- (c) 31.12.2025
- (d) 31.03.2026

(iii) India Ltd. Purchased computers for ₹5,00,000 on 6th October,2023, installed the same in its office and put the said computers to use on the same date. The depreciation allowable under section 32 for A.Y. 2024-25 in respect of the said computers is -

- (a) ₹ 37,500
- (b) ₹ 2,00,000
- (c) ₹ 1,00,000
- (d) ₹ 75,000

(iv) Mr. Ram is found to be the owner of 2 gold chains of 50 grams each (value of which is ₹1,30,000 each) during the financial year ending 31.03.2024 which are not recorded in his books of account and he could not offer satisfactory explanation for the amount spent on acquiring these gold chains. As per section 115BBE, Mr. Ram would be liable to pay tax of-

- (a) ₹ 2,02,800
- (b) ₹ 1,01,400
- (c) ₹ 1,97,600
- (d) ₹ 98,800



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- (v) ABC Ltd. credited ₹28,000 towards fees for professional services and ₹27,000 towards fees for technical services to the account of Ram in its books of account on 11.05.2023. The total sum of ₹55,000 was paid by cheque to Ram on the same date. Which of the following statements is correct?
- (a) Tax is deductible at source @2% u/s 194J on ₹55,000
 - (b) Tax is deductible at source @10% u/s 194J on ₹25,000
 - (c) Tax is deductible at source @10% u/s 194J on ₹55,000
 - (d) No tax is deductible at source from such payment.
- (vi) Mr. Virat is aggrieved by an order passed by the Commissioner of Income-tax imposing penalty under section 270A for under-reporting of income. What is the appellate remedy available to him under the Income-tax Act, 1961 and the specified time limit within which he has to file an appeal?
- (a) He can file an appeal to Commissioner (Appeals) u/s 246A within 30 days from the date on which the order is communicated to him
 - (b) He can file an appeal to Commissioner (Appeals) u/s 246A within 60 days from the date on which the order is communicated to him
 - (c) He can file an appeal to Appellate Tribunal u/s 253 within 30 days from the date on which the order is communicated to him
 - (d) He can file an appeal to Appellate Tribunal u/s 253 within 60 days from the date on which the order is communicated to him
- (vii) For the previous year ended 31.03.2024, a public charitable trust, registered under section 12AB, derived income of ₹10 lakhs from properties held under trust and ₹15 lakhs, being voluntary contributions from public, out of which ₹8 lakhs were applied for charitable purposes and ₹4 lakhs towards repayment of loan taken for construction of orphanage. The amount of ₹4 lakhs was not claimed as application in any earlier previous year. The total income of the trust for A.Y.2024-25 is-
- (a) ₹13,00,000
 - (b) ₹9,25,000
 - (c) ₹13,25,000
 - (d) ₹17,00,000
- (viii) During the P.Y. 2023-24, Mr. Rohit has ₹80 lakhs of short-term capital gains taxable u/s 111A, ₹70 lakhs of long-term capital gains taxable u/s 112A and business income of ₹90 lakhs. Which of the following statements is correct assuming that Mr. Rohit pays tax under the default tax regime under section 115BAC?
- (a) Surcharge@25% is leviable on income-tax computed on total income of ₹2.40 crore, since the total income exceeds ₹2 crore
 - (b) Surcharge@15% is leviable on income-tax computed on total income of ₹2.40

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- crore
- (c) Surcharge@15% is leviable in respect of income-tax computed on capital gains of ₹1.50 crore, since such income exceeds ₹1 crore but is less than ₹2 crore; in respect of business income of ₹90 lakhs, surcharge is leviable@25% on income-tax, since the total income exceeds ₹2 crore.
- (d) Surcharge@15% is leviable in respect of income-tax computed on capital gains of ₹1.50 crore, since such income exceeds ₹1 crore but is less than ₹2 crore; in respect of business income of ₹90 lakhs, surcharge is leviable@10% on income-tax, since such income exceeds ₹50 lakhs but is less than ₹1 crore
- (ix) Mr. Salman, a property dealer, sold a flat in Mumbai, the stamp duty of which is ₹2 crores for ₹1.80 crores to his friend Mr. Amir, a college lecturer. Mr. Salman had purchased the flat one year back for ₹1.50 crores and the stamp duty value on that date was also ₹1.50 crores. What are the tax implications of such sale?
- (a) ₹50 lakhs would be taxable as short-term capital gains in the hands of Mr. Salman. There would be no tax implication in the hands of Mr. Amir
- (b) ₹50 lakhs would be taxable as business income in the hands of Mr. Salman. There would be no tax implication in the hands of Mr. Amir
- (c) ₹50 lakhs would be taxable as business income in the hands of Mr. Salman and ₹20 lakhs would be taxable as income from other sources in the hands of Mr. Amir
- (d) ₹50 lakhs would be taxable as short-term capital gains in the hands of Mr. Salman and ₹20 lakhs would be taxable as income from other sources in the hands of Mr. Amir.
- (x) B is a foreign company having permanent establishment in India namely A. C, a non-resident associated enterprise, has invested 900 crores through debt in A. Earnings before interest, taxes, depreciation and amortisation (EBITDA) of A during the financial year was 150 crores. What is the amount of interest allowable in respect of the debt assuming that the debt was invested on the first day of the financial year and the rate of interest is 10% p.a?
- (a) 45 crore
- (b) 90 crore
- (c) 30 crore
- (d) 27 crore
- (xi) GAAR provisions shall not apply to:
- (a) an arrangement where the tax benefit in the relevant assessment year arising, in aggregate, to all the parties to the arrangement does not exceed a sum of ₹3 crore
- (b) an arrangement where the tax benefit in the relevant assessment year arising,

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- in aggregate, to all the parties to the arrangement does not exceed a sum of ₹5 crore
- (c) an arrangement where the tax benefit in the relevant assessment year arising, in aggregate, to all the parties to the arrangement does not exceed a sum of ₹1 crore
- (d) None of the above
- (xii) Zero India Private Ltd. borrowed ₹500 crores from an Indian Bank. Y Inc. (USA) guaranteed the borrowings of Indian Company. Select the correct statement:
- (a) Both are associated enterprises when the Y Inc. guarantees ₹40 crores on behalf of Zero India Private Ltd.
- (b) Both are associated enterprises when the Y Inc. guarantees ₹49 crores on behalf of Zero India Private Ltd.
- (c) Both are associated enterprises when the Y Inc. guarantees ₹50 crores on behalf of Zero India Private Ltd.
- (d) Both are associated enterprises irrespective of amount of guarantee made by Y Inc.
- (xiii) Akash, a resident Indian, has earned an income of US dollars equivalent to ₹4 lakh in the P.Y. 2023-24 by way of lump sum consideration for copyright of a book, being a work of literary nature, from a publisher in Country E, with which India does not have a DTAA. The same has been taxed at a flat rate of 5% in Country E. The amount has been remitted to India in March, 2024. His gross total income as per the Income-tax Act, 1961 for A.Y. 2024-25 is ₹7 lakhs. What would be the deduction available under section 91 for A.Y. 2024-25 assuming that Akash exercises the option to shift out of the default tax regime under section 115BAC?
- (a) ₹ 20,000
- (b) ₹ 7,725
- (c) ₹1,950
- (d) Nil
- (xiv) Tax haven is a place where –
- (a) Tax rates are very high
- (b) There is no tax on income
- (c) Tax rates are very low
- (d) There is no tax on income or tax rates are very low
- (xv) PQR Ltd., Kolkata having international transactions exceeding ₹100 crore omitted to furnish report required under section 92E. How much is the penalty leviable for the failure to furnish report under section 92E ?



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- (a) ₹1 lakh
(b) ₹50 lakh
(c) ₹1 crore
(d) ₹2 crore

Answer:

(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
c	a	c	a	d	d	b	b	c	a
(xi)	(xii)	(xiii)	(xiv)	(xv)					
a	c	d	d	a					

SECTION – B

(Answer any 5 questions out of 7 questions given. Each question carries 14 marks.) [5 × 14 = 70]

- 2) XYZ Ltd. is engaged in the manufacture of textile since 01-04-2012. Its Statement of Profit & Loss shows a profit of ₹700 lakhs after debit/credit of the following items:
- Depreciation calculated on the basis of useful life of assets as per provisions of the Companies Act, 2013 is ₹50 lakhs.
 - Employer's contribution to EPF of ₹2 lakhs and Employees' contribution of ₹2 lakhs for the month of March, 2024 were remitted on 8th May 2024.
 - The company appended a note to its Income Statement that industrial power tariff concession of ₹2.5 lakhs was received from the State Government and credited the same to P & L Account.
 - The company had provided an amount of ₹25 lakhs being sum estimated as payable to workers based on agreement to be entered with the worker's union towards periodical wage revision once in 3 years. The provision is based on a fair estimation on wage and reasonable certainty of revision once in 3 years.
 - The company had made a provision of 10% of its debtors towards bad and doubtful debts. Total sundry debtors of the company as on 31-03-2023 was ₹200 lakhs.
 - A debtor who owed the company an amount of ₹40 lakhs was declared insolvent and hence, was written off by debit to Profit and loss account.
 - Sundry creditors include an amount of ₹50 lakhs payable to A & Co, towards supply of raw materials, which remained unpaid due to quality issues. An agreement has been made on 31-03-2024, to settle the amount at a discount of 75% of the outstanding. The amount waived is credited to Profit and Loss account.
 - The opening and closing stock for the year were ₹200 lakhs and ₹255 lakhs, respectively. They were overvalued by 10%.
 - Provision for gratuity based on actuarial valuation was ₹500 lakhs. Actual gratuity paid debited to gratuity provision account was ₹300 lakhs.

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- x. Commission of ₹1 lakh paid to a recovery agent for realization of a debt. Tax has been deducted and remitted as per Chapter XVIIIB of the Act.
- xi. The company has purchased 500 tons of industrial paper as packing material at a price of ₹30,000/ton from PQR, a firm in which majority of the directors are partners. PQR's normal selling price in the market for the same material is ₹28,000/ton.

Additional Information:

- i. There was an addition to Plant & Machinery amounting to ₹50 lakhs on 10-06-2023, which was used for more than 180 days during the year. Additional depreciation has not been adjusted in the books.
- ii. Normal depreciation calculated as per Income-tax rules is ₹80 lakhs.
- iii. The company had credited a sub-contractor an amount of ₹10 lakhs on 31-03-2023 towards repairing a machinery component. The tax so deducted was remitted on 31-12-2023.
- iv. The company has collected ₹7 lakhs as sales tax from its customers and paid the same on the due dates. However, on an appeal made, the High Court directed the Sales Tax Department to refund ₹3 lakhs to the company. The company in turn refunded ₹2 lakhs to the customers from whom the amount was collected and the balance of ₹1 lakh is still lying under the head "Current Liabilities",

Compute total income and tax payable for A.Y. 2024-25. Ignore MAT provisions & provisions of section 115BAA.

Note - The turnover of XYZ Ltd. for the P.Y.2021-22 was ₹460 crores.

[14]

Answer:

Computation of Total Income of XYZ Ltd. for the A.Y. 2024-25

Particulars	Amount (₹)
Profits and Gains from Business and Profession	
Profit as per Statement of profit and loss account	7,00,00,000
Add: Items debited but to be considered separately or to be disallowed	
(a) Depreciation as per Companies Act, 2013 disallowed	50,00,000
(b) Employees' contribution to EPF [Since employees' contribution to EPF has not been deposited on or before the due date under the PF Act, the same is not allowable as deduction as per section 36(1)(va). Since the same has been debited to profit and loss account, it has to be added back for computing business income].	2,00,000
(c) Employers contribution to EPF [As per section 43B, employers' contribution to EPF is allowable as deduction since the same has been deposited	Nil



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on or before the 'due date' of filing of return u/s 139(1). Since the same has been debited to profit and loss account, no further adjustment is necessary]		
(d) Industrial power tariff concession received from State Government [Any assistance in the form of, inter alia, concession received from the Central or State Government would be treated as income as per section 2(24)(xviii). Since the same has been credited to profit and loss account, no adjustment is required].	Nil	
(e) Provision for wages payable to workers [The provision is based on fair estimate of wages and reasonable certainty of revision, the provision is allowable as deduction, since ICDS X requires 'reasonable certainty for recognition of a provision, which is present in this case. As the provision has been debited to profit and loss account, no adjustment is required while computing business income]	Nil	
(f) Provision for doubtful debts [10% of ₹200 lakhs] [Provision for doubtful debts is allowable as deduction u/s 36(1)(vii) only in case of banks, public financial institutions, state financial corporations, state industrial investment corporations and non-banking financial corporations. Such provisions is not allowable as deduction in the case of a manufacturing company. Since the same has been debited to profit and loss account, it has to be added back for computing business income]	20,00,000	
(g) Bad debts written off [Bad debts write off in the book of account is allowable as deduction u/s 36(1)(vii). Since the same has already been debited to profit and loss account, no further adjustment is required]	Nil	
(h) Discount given by Sundry Creditors for supply of raw materials [Discount of 75% given by Sundry Creditors for supply of raw materials is taxable u/s 41(1). Since the same has already been credited to profit and loss account, no further adjustments is required]	Nil	
(i) Provision for gratuity	2,00,00,000	



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[Provision of ₹500 lakhs for gratuity based on actuarial valuation is not allowable as deduction as per section 40A (7). However, actual gratuity of ₹300 lakhs paid is allowable as deduction. Hence, the difference has to be added back]		
(j) Commission paid to recovery agent for realization of a debt. [Communication of ₹1 lakh paid to a recovery agent for realisation of a debt is an allowable expense u/s 37 as per <i>Super Tannery (India) Ltd.</i> (2005) (All). Since the same has been debited to profit and loss account, no further adjustment is required]	Nil	
(k) Purchase of paper at a price higher than the fair market value [The difference between the purchase price (₹30,000 per ton) and the fair market value (₹28,000 per ton) multiplied by the quantity purchased (500 tons) has to be added back since the purchase is from a related party, a firm in which majority of the directors are partners, at a price higher than the fair market value]	10,00,000	
(l) Sales tax not refunded to customers out of sales tax refund [The amount of sales tax refunded to the company by the Government is a revenue receipt chargeable to tax u/s 41(1). Deduction can be claimed of amount refunded to customers [<i>Thirumalaiswamy Naidu & Sons</i> (1998) (SC)]. Hence, the net amount of ₹1,00,000 (i.e., ₹3,00,000 minus ₹2,00,000) would be chargeable to tax]	1,00,000	2,83,00,000
		9,83,00,000
Less: Items credited but to be considered separately/permissible expenditure and allowances		
(m) Depreciation as per Income tax Act, 1961	80,00,000	
(n) Over-valuation of stock [₹55 lakhs × 10/110] [The amount by which stock is over-valued has to be reduced for computing business income ₹50 lakhs, being the difference between closing and opening stock, has to be adjusted to remove the effect of over-valuation]	5,00,000	
(o) Additional Depreciation [Additional depreciation @20% is allowable on 50 lakhs, being actual cost of new plant & machinery acquired on 10.06.2023, as the same was put to use for more than 180 days in the P.Y.2023-24.]	10,00,000	



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(p) Payment to a sub-contractor where tax deducted last year was remitted after the due date of filing of return [30% of ₹10 lakhs, being payment to a sub- contractor, would have been disallowed u/s 40(a)(ia) while computing the business income of A.Y.2023-24, since tax deducted was remitted after the due date of filing of return. However, the same is allowable in A.Y.2024-25, since the remittance has been made on 31.12.2023]	3,00,000	98,00,000
Total Income		8,85,00,000

Computation of Tax liability of XYZ Ltd. for A. Y. 2024-25

Particulars	₹
Tax @30% on the above total income (since the turnover exceeded ₹400 crore in the P.Y. 2021-22)	2,65,50,000
Add: Surcharge @7% (since total income exceeds ₹1crore but less than ₹10 crore)	18,58,500
	2,84,08,500
Add: Health & Education cess@4%	11,36,340
Total tax liability	2,95,44,840

Notes:

1. Employees contribution to PF deposited after the due date mentioned under the PF Act is not allowable as deduction as per section 36(1)(va).

Further, Explanation 2 provides that - For the removal of doubts, it is hereby clarified that the provisions of section 43B shall not apply and shall be deemed never to have been applied for the purposes of determining the "due date" under this clause.

2. ₹50 lakhs, being the addition to plant and machinery on 10.6.2023 qualifies for additional depreciation@20% u/s 32(1)(ia). Since only the normal depreciation as per Income-tax Rules, 1962, has been debited to profit and loss account, additional depreciation of ₹10 lakhs (being 20% of ₹50 lakhs) has to be deducted while computing business income.
3. Since the tax deducted during the P.Y.2022-23 was remitted only on 31.12.2023, i.e., after the due date of filing of return for A.Y.2023-24, ₹3,00,000, being 30% of 10 lakhs would have been disallowed while computing the business income of that year. Since the tax deducted has been remitted on 31.12.2023, ₹3,00,000 would be allowed as deduction while computing the business income of the A.Y.2024-25.

- 3) (a) **Ramesh, who is neither a director nor has a substantial interest in any company, is offered employment by Freewheel Ltd., Mumbai with the following two alternatives:**

Particulars	I	II
Basic pay	66,000	66,000
Bonus	9,000	9,000



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Education allowance for 2 children	30,200	-
Education facility for 2 children in school maintained by employer	-	30,200
Sweeper allowance	10,000	-
Sweeper facility	-	10,000
Entertainment allowance	6,000	-
Club facility	-	6,000
Transport allowance for personal use	1,800 pm	-
Free car (1200 cc) facility for performing journey between office to home and vice versa (car owned by employer)	-	12,000
Medical allowance	18,000	-
Medical bills reimbursement facility	-	18,000
Allowance for gas, electricity and water supply	4,500	-
Free gas, electricity and water supply (bills will be in the name of the employer)	-	4,500
Holiday home allowance	8,000	-
Holiday home facility	-	8,000
Lunch allowance	18,000	-
Free lunch (₹70 × 200 days + ₹80 × 50 days)	-	18,000
Diwali gift allowance	7,500	-
Gift on Diwali	-	7,500
A rent-free unfurnished home – lease rent	14,000	14,000

Which of the two alternatives Ramesh should opt for on the assumption that both employer and employee will contribute 10% of salary towards unrecognized provident fund? Interest free loan of ₹20,000 will be given to him for purchasing household items. Assume that he has opted out for new tax regime. [7]

- (b) A business entity requires ₹50 lakhs for expansion of business. The entity has two options:

Particulars	Option 1	Option 2	Option 3
	₹	₹	₹
Equity Share of ₹10 each	40,00,000	30,00,000	30,00,000
12% Debentures	10,00,000	10,00,000	20,00,000
18% Loan from Bank		10,00,000	

Expected rate of return is 15% (before tax). Tax Rate is 31.2% (including Cess).

On the basis of aforesaid information, you are requested to choose correct options for the following:

1. What will be the profit after tax in Option 1?
2. What will be the profit after tax in Option 2?
3. What will be the profit after tax in Option 3?



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4. Which option is better?

[7]

Answer:

3. (a) As both the options are yielding equivalent facilities, hence the option where tax liability can be minimized is the better choice for the assessee. Accordingly, computation of taxable salary of Ramesh under both options are as under:

Particulars	Working	Option 1		Option 2	
		Details (₹)	Amount (₹)	Details (₹)	Amount (₹)
Basic salary			66,000		66,000
Bonus			9,000		9,000
Allowances					
Children education allowance		30,200			
Less: Exemption u/s 10(14) Rule 2BB	100 × 2 × 12	2,400	27,800		
Transport allowance		21,600			
Less: Exemption u/s 10(14)		Nil	21,600		
Holiday home allowance			8,000		
Medical allowance			18,000		
Sweeper allowance			10,000		
Entertainment allowance			6,000		
Lunch allowance			18,000		
Gas, electricity & water allowance			4,500		
Diwali gift allowance			7,500		
Perquisites u/s 17(2)					
Rent free accommodation					
(Being minimum of the following):					
Rent paid by employer		14,000		14,000	
10% of salary*		19,640	14,000	7,500	7,500
Car facility for performing journey between office to home and vice versa	Exempted				Nil
Education facility				30,200	

**FINAL EXAMINATION****SET - 1****MODEL ANSWERS****TERM – DEC 2024****PAPER – 15****SYLLABUS 2022****DIRECT TAX LAWS AND INTERNATIONAL TAXATION**

Less: Exempted			24,000	6,200
Interest free loan exempted up to ₹20,000		Nil		Nil
Sweeper facility				10,000
Club facility				6,000
Holiday home facility				8,000
Medical facility				18,000
Gift	7,500 – 5,000			2,500
Gas, electricity & water facility				4,500
Free lunch facility	(20×200)+(30×50)			5,500
Gross Taxable Salary			2,10,400	1,43,200
Less: Standard Deduction u/s 16(ia)			50,000	50,000
Taxable Salary			1,60,400	93,200

*Salary for the purpose of -

Particulars	Rent free accommodation	
	Option 1 (₹)	Option 2 (₹)
Basic	66,000	66,000
Bonus	9,000	9,000
Children education allowance	27,800	-
Transport allowance	21,600	-
Holiday home allowance	8,000	-
Medical allowance	18,000	-
Sweeper Allowance	10,000	-
Entertainment allowance	6,000	-
Lunch allowance	18,000	-
Gas, electricity & water allowance	4,500	-
Diwali gift allowance	7,500	-
Total	1,96,400	75,000

Note: Contribution to URPF is not taxable.

Conclusion: Option 2 is better.

3. (b)

Particular	Option 1 (₹)	Option 2 (₹)	Option 3 (₹)
Share Capital	40,00,000	30,00,000	30,00,000



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12% Debentures	10,00,000	10,00,000	20,00,000
18% loan from Bank	—	10,00,000	
EBIT	7,50,000	7,50,000	7,50,000
Cost to Company			
Debenture Interest	1,20,000	1,20,000	2,40,000
Interest on loan from Bank	—	1,80,000	--
Net Profit before tax and dividend	6,30,000	4,50,000	5,10,000
Tax Payable @ 31.2%	1,96,560	1,40,400	1,59,120
Profit after tax	4,33,440	3,09,600	3,50,880
Return on Capital	10.84%	10.32%	11.70%

Option 3 is better as in this option return on capital is maximum.

- 4) (a) Smile Ltd. is a wholly-owned subsidiary company of Happy Ltd., an Indian company. Smile Ltd. owns Plant-A and Plant-B (depreciation rate 40%, depreciated value of the block ₹3,00,000 on 1st April, 2023). Plant-B was purchased and put to use on 10th November, 2021 (cost being ₹70,000). Plant-B is transferred by Smile Ltd. to Happy Ltd. on 14th December, 2023 for ₹20,000. It is put to use by Happy Ltd. on the same day. Happy Ltd. owns Plant-C on 1st April, 2023 (depreciation rate 40%, depreciated value ₹60,000). Find out the amount of depreciation in the hands of Smile Ltd. and Happy Ltd. for the assessment year 2024-25.

[7]

- (b) Mr. Crown, a non-resident, gives you the following information for the year ended 31-3-2024

Interest on Government securities (gross)	21,000
Dividend on shares of foreign companies received aboard	52,000
Interest from deposits in Indian companies (gross)	30,000
Income from horse races in India	20,000

He has donated a sum of ₹10,000 to Municipal Corporation of Delhi for promotion of family planning. He has paid ₹2,000 by cheque to New India Assurance Co. for mediclaim for himself. He has also spent ₹16,000 on medical treatment of his minor son who is physically handicapped.

Compute total income of Mr. Crown for the assessment year 2024-25 assuming that he has opted for old regime.

[7]

Answer:

4. (a) Depreciation in the hands of Smile Ltd. for the assessment year 2024-25

Particulars	Amount (₹)
Depreciated value of the Plant A and B on 1 st April, 2023	3,00,000
Less: Plant B transferred to Happy Ltd	20,000
WDV as on 31 st March, 2024	2,80,000

**FINAL EXAMINATION****SET - 1****MODEL ANSWERS****TERM – DEC 2024****PAPER – 15****SYLLABUS 2022****DIRECT TAX LAWS AND INTERNATIONAL TAXATION**

Depreciation for the block P.Y. 2023-24	1,12,000
WDV at the end of the year	1,68,000

Depreciation in the hands of Happy Ltd. for the assessment year 2024-25

Particulars	Amount (₹)
Depreciated value of the block on 1 st April 2023	60,000
Add: Actual Cost of Plant B acquired from Smile Ltd (See Note)	33,600
WDV as on 31 st March, 2024	93,600
Depreciation on transferred asset [$₹ 33,600 \times \frac{1}{2} \times 40\%$]	6,720
Other Asset @ 40% of ₹60,000	24,000
Total Depreciation	30,720

Note: Actual Cost of Plant B in the hands of Happy Ltd.

Particulars	Amount (₹)
Actual Cost of Plant B in the hands of Smile Ltd on Nov 10, 2021	70,000
Less: Depreciation for P.Y 2021-22 (1/2 of 40% of ₹70,000)	14,000
Balance on April 1, 2022	56,000
Less: Depreciation for the P.Y. 2022-23	22,400
Balance on April 1, 2023	33,600

4. (b) Computation of Total Income of Mr. Crown, a non-resident, for the A.Y.2024-25

Particulars	Working	Amount (₹)	Amount (₹)
Income from other sources			
Dividend from:			
Foreign company	Non-resident	Nil	
Interest from:			
Government securities		21,000	
Indian company deposits		30,000	51,000
Casual income:			
Winning from horse races			20,000
Gross Total Income			71,000
Less: Deduction			
U/s 80D (Medical insurance)		2,000	
U/s 80DD (Handicapped son)	Non-resident	Nil	
U/s 80G (Donation)	Note	6,900	8,900
Total Income			62,100

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Note: Computation of Deduction u/s 80G:

Computation of Adjusted GTI:

Adj. GTI = GTI – Deduction u/s 80CCC to 80U other than 80G

= ₹71,000 – ₹2,000 = ₹69,000

Qualifying amount for donation = 10% of Adjusted GTI = 10% of ₹69,000 = ₹6,900

Deduction: In case of donation to Municipal Corporation for family planning, rate of deduction is 100% of qualifying amount. Hence, deduction u/s 80G shall be ₹6,900 (being 100% of ₹6,900).

5) (a) Discuss with reasons the following statements:

- I. The ITAT cannot admit additional evidence during the hearing of the appeal.
- II. The Commissioner of income-tax can revise an order during the pendency of an appeal before the First Appellate Authority.
- III. The Commissioner of Appeals cannot admit an appeal filed beyond 30 days from the date of receipt of order by an Assesse. [7]

(b) XYZ (P) Ltd., an Indian Company established in the year 2008, reports total income of ₹22 lakhs for the previous year ended 31st March, 2024. Tax deducted at source by different payers amounted to ₹1,68,000 and tax paid in Country A on a doubly taxed income amounted to ₹30,000 for which the company is entitled to relief u/s 90 as per the double taxation avoidance agreement.

During the year, the company paid advance tax as under:

Date of payment	Advance tax paid (₹)
13-06-2023	45,000
14-09-2023	90,000
13-12-2023	1,00,000
14-03-2024	1,05,000

The company filed its return of income for the A.Y 2024-25 on 3rd November, 2024.

Compute interest, if any, payable by the company u/s 234A, 234B and 234C and fee payable u/s 234F. Assume that transfer pricing provisions are not applicable and that the company has not opted for the provisions of section 115BAA.

Note- Turnover of XYZ (P) Ltd. for P.Y 2021-22 is ₹251 crores. [7]

Answer:

5. (a)

- (I) Rule 29 of ITAT Rules, 1963 deals with production of additional evidence before the Appellate Tribunal. The parties to the appeal shall not be entitled to produce additional evidence, either oral or documentary, before the Tribunal. However, the following are the exceptions to this rule-

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- (A) Where the ITAT requires any document to be produced or any witness to be examined or any affidavit to be filled to enable it to pass orders or for any other substantial cause; or
- (B) Where the income-tax authorities have decided the case without giving sufficient opportunity to the Assessee to adduce evidence either on points specified by them or not specified by them.

In case (a) above, the ITAT may allow such document to be produced or witness to be examined or affidavit to be filled.

In case (b) above, the ITAT may allow such evidence to be adduced. However, in both cases, the ITAT should record its reasons in writing.

- (II) Revision of orders by the Commissioner can be carried out u/s 263 or section 264.

Revision of orders prejudicial to the interest of revenue [Section 263]

Section 263(1)(c) provides that if an order passed by the Assessing Officer has been the subject matter of any appeal, the same cannot be revised. However, at the same time, the power of the Principal Commissioner or Commissioner under sub-section (1) of section 263 shall extend to such matters as had not been considered and decided in such appeal.

Revision of other orders (Section 264)

The Principal Commissioner or Commissioner shall not revise any order u/s 264, where an appeal against the order lies to the CIT(A) or to the Appellate Tribunal, but it has not been made and the time within which such appeal may be made has not expired. However, if the assessee has waived his right of appeal, the Principal Commissioner or Commissioner can revise the order under this section.

- (III) As per section 249(3) of the Income-tax Act, 1961, the CIT(A) may admit an appeal after the expiry of the period of 30 days specified in section 249(2) if he is satisfied that the appellant had sufficient cause for not presenting the appeal within the prescribed time.

5. (b) Interest u/s 234A: Since the return of income has been furnished by XYZ (P) Ltd. on 3rd November, 2024 i.e., after the due date for filing return of income (31.10.2024), interest u/s 234A will be payable for 1 month @ 1% p.m. on the amount of tax payable on the total income, as reduced by tax reliefs and prepaid taxes.

Particulars	₹
Tax on total income (₹22,00,000×26%) [Since turnover of P.Y 2021-22 does not exceed ₹400 crore, the rate of tax would be 26% (i.e. 25%+HEC@4%)]	5,72,000
Less: Advance tax paid	3,40,000
Less: Tax deducted at source	1,68,000
Less: Relief of tax allowed u/s 90	<u>30,000</u>
Tax payable on self-assessment	<u>34,000</u>



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Interest u/s 234A = ₹34,000 × 1% × 1 months = ₹340

Interest u/s 234B: Where the advance tax paid by the assessee is less than 90% of the assessed tax, the assessee would be liable to pay interest u/s 234B.

Computation of assessed tax	₹
Tax on total income (₹22,00,000 × 26%)	5,72,000
Less: Tax deducted at source	1,68,000
Less: Relief of tax allowed u/s 90	<u>30,000</u>
Assessed Tax	<u>3,74,000</u>
90% of assessed tax = ₹3,74,000 × 90%	
= ₹3,36,600	

Since the advance tax paid by XYZ (P) Ltd. i.e. ₹3,40,000 is more than ₹3,36,600, being 90% of the assessed tax ₹3,74,000, it is not liable to pay interest u/s 234B.

Interest u/s 234C:

Particulars	₹
Tax on total income (₹22,00,000 × 26%)	5,72,000
Less: Tax deducted at source	1,68,000
Less: Relief of tax allowed u/s 90	<u>30,000</u>
Tax due on return income / Total advance tax payable	3,74,000

Calculation of interest payable/s 234C:

Due date for payment of advance tax	Advance tax paid till date (₹)	Advance tax paid till date (%)	Minimum % of tax due on returned income to be paid till date to avoid interest u/s 234C		Shortfall (₹)	Interest (₹)
			%	Amount (₹)		
15.06.2023	45,000	15%	12%	44,800	-	Nil (See Note below)
15.09.2023	1,35,000	45%	36%	1,34,640	-	Nil (See Note below)
15.12.2023	2,35,000	75%	75%	2,80,500	45,500	45,500 × 1% × 3 months = 1,365
15.03.2024	3,40,000	100%	100%	3,74,000	34,000	34,000 × 1% = 340
Interest payable u/s 234C (Nil + Nil + ₹1,365 + ₹340)						₹1,705

Note: Since the advance tax paid by XYZ (P) Ltd. on 13th June, 2023 is more than 12% of the tax due on returned income (i.e. ₹ 3,74,000) and the advance tax paid on 14th September, 2023 is more than 36% of the tax due on returned income, it is not liable to pay any interest u/s 234C in respect of these two quarters.

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Fees u/s 234F:

₹ 5,000 is payable u/s 234F by way of fees, since the return was filed after the due date.

6) (a) Discuss the Rollback provisions of Advance Pricing Agreement? [7]

(b) Mr. Rahul, an Indian citizen aged 52 years, left India on 1st April 2020 to settle in Country X, but owing to some personal unavoidable circumstances, he returned back to India permanently on 1st June 2023.

He has a residential property in Country Y from which he earned an income of \$25,000 for the year ended 31st March 2024. He is eligible for basic exemption limit of \$8,000 and on balance income, he paid income tax @20% in Country X. The tax was paid on 10th May 2024 from his bank account in India.

His income from business in India is ₹5,00,000 for the year ended on 31st March 2024. He also received dividend amounting to ₹1,25,000 from an Indian company and interest of 11,500 on saving bank account with SBI, during the year.

The exchange rates of 1\$ on various dates is given below:

1.04.2023 - ₹74; 31.03.2024 - ₹75; 10.05.2024 - ₹75.5

Compute the net tax liability of Mr. Rahul in India for the assessment year 2024-25 on the assumption that there is no DTAA between India and Country X.

Assume that the Assesse does not opt for the provisions of Section 115BAC. [7]

Answer:

6. (a)

In many countries the APA scheme provides for “roll back” mechanism for dealing with ALP issues relating to transactions entered into during the period prior to APA. The “roll back” provisions refers to the applicability of the methodology of determination of ALP, or the ALP, to be applied to the international transactions which had already been entered into in a period prior to the period covered under an APA. However, the “roll back” relief is provided on case to case basis subject to certain conditions. Providing of such a mechanism in Indian legislation would also lead to reduction in large scale litigation which is currently pending or may arise in future in respect of the transfer pricing matters.

1. Subject to the provisions of this rule, the agreement may provide for determining the arm’s length price or specify the manner in which arm’s length price shall be determined in relation to the international transaction entered into by the person during the rollback year (hereinafter referred to as “rollback provision”).
2. The agreement shall contain rollback provision in respect of an international transaction subject to the following:
 - i. the international transaction is same as the international transaction to which the agreement (other than the rollback provision) applies;

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- ii. the return of income for the relevant rollback year has been or is furnished by the applicant before the due date specified u/s 139;
 - iii. the report in respect of the international transaction had been furnished in accordance with sec. 92E;
 - iv. the applicability of rollback provision, in respect of an international transaction, has been requested by the applicant for all the rollback years in which the said international transaction has been undertaken by the applicant; and
 - v. the applicant has made an application seeking rollback in Form 3CEDA in accordance with sub-rule (5);
3. Rollback provision shall not be provided in respect of an international transaction for a rollback year, if:
- i. the determination of arm's length price of the said international transaction for the said year has been subject matter of an appeal before the Appellate Tribunal and the Appellate Tribunal has passed an order disposing of such appeal at any time before signing of the agreement; or
 - ii. the application of rollback provision has the effect of reducing the total income or increasing the loss, as the case may be, of the applicant as declared in the return of income of the said year.
4. Where the rollback provision specifies the manner in which arm's length price shall be determined in relation to an international transaction undertaken in any rollback year then such manner shall be the same as the manner which has been agreed to be provided for determination of arm's length price of the same international transaction to be undertaken in any previous year to which the agreement applies, not being a rollback year.
5. The applicant may, if he desires to enter into an agreement with rollback provision, furnish along with the application, the request for the same in Form No. 3CEDA with proof of payment of an additional fee of ₹5 lakhs.
6. (b) Mr. Rahul is a resident in India for A.Y.2024-25, since his stay in India in the P.Y.2023-24 is for 304 days which exceeds the minimum required stay of 182 days in that previous year. Also, his stay in India is for 1461 days (i.e., 365 days each in P.Y.2015-16 to P.Y.2019-20 + 1 day for leap year) during the last seven years (which exceeds the minimum specified requirement of 730 days in the immediately preceding seven years) and he has been resident in 7 years (P.Y.2013-14 to P.Y.2019-20) out of 10 years immediately preceding P.Y.2023-24.
- Hence, he is resident and ordinarily resident in India for A.Y.2024-25. Accordingly, his global income would be subject to tax. He would, however, be entitled for deduction under section 91 in respect of doubly taxed income earned in Country X.



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Computation of total Income of Mr. Rahul for A.Y. 2024-25

Particulars	₹	₹
Income from House Property [Residential property in Country X]		
Annual Value (\$25,000×₹75, exchange rate on 31.3.2024)	18,75,000	
Less: Deduction under section 24 - 30% of NAV	5,62,500	13,12,500
Profits and Gains of Business or Profession		
Income from business in India		5,00,000
Income from Other Sources		
Dividend from Indian company [1,25,000 × 100/90]	1,38,889	
Interest on savings bank account with SBI	11,500	1,50,389
Gross Total Income		19,62,889
Less: Deduction under Chapter VIA		
Under section 80TTA - Interest on savings bank account (actual interest of ₹11,500 or ₹10,000, whichever is lower)		10,000
Total Income		19,52,889
Total Income (rounded off)		19,52,890

Computation of tax liability of Mr. Rahul for A.Y. 2024-25

Particulars	₹
Tax on total income [30% of ₹9,52,890 + ₹1,12,500]	3,98,367
Add: Health and Education cess @4%	15,935
	4,14,302
Less: Relief under section 91 (See Working Note Below)	1,78,500
Net Tax Liability	2,35,802
Net Tax liability (rounded off)	2,35,800

Working Note: Calculation of Relief under section 91

Particulars	₹	₹
Average rate of tax in India [i.e., ₹4,14,302/₹19,52,890 ×100]	21.21%	
Average rate of tax in country Y [20% of \$ 17,000 (\$ 25,000-\$ 8,000) = \$ 3,400/\$ 25,000 × 100 = 13.6%	13.6%	
Doubly taxed income		
Income from house property	13,12,500	
Deduction u/s 91 on ₹13,12,500 @13.60% (being the lower of average Indian tax rate (21.21%) and foreign tax rate (13.60%)]		1,78,500

7. (a) BPL Ltd., the assessee, has sold goods on 12.01.2024 to X Ltd., located in notified jurisdictional area (NJA), for ₹10.50 crores. During the current financial year, BPL Ltd. charged ₹11.50

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crores from JD of New York and ₹12 crores from ZZ of London for sale of identical goods and both of which are neither associated enterprises of BPL Ltd. nor they are situated in any NJA. While sales to JD and ZZ were on CIF basis, the sale to X Ltd., was on FOB basis, which paid ocean freight and insurance amounting to ₹20 lakhs on purchases from BPL Ltd.

India has a Double Taxation Avoidance Agreement with the U.S.A. and U.K. The assessee has a policy of providing after sales support service to the tune of ₹14 lakhs to all customers except X Ltd. which procured the same locally at a cost of ₹18 lakhs.

Compute the ALP for the sales made to X Ltd., and the amount of consequent increase, if any, in the profit the assessee-company. [7]

- (b) JK Ltd., a resident Indian Company, on 01-04-2023 has borrowed ₹100 crores from M/s. P Inc, a Company incorporated in US, at an interest rate of 9% p.a. The said loan is repayable over a period of 10 years. Further, loan is guaranteed by Mis Q Inc incorporated in US. M/s. R Inc, a non-resident, holds shares carrying 30% of voting power both in M/s JK Ltd. and Mis Q. Inc. M/s R Inc has also deposited ₹100 crores with M/s P Inc.

Other information:

Net profit of M/s. JK Ltd. was ₹10 crores after debiting the above interest, depreciation of ₹5 crores and income-tax of ₹3.40 crores. Calculate the amount of interest to be disallowed under the head "Profits and gains of business or profession" in the computation of M/s JK Ltd.

Discuss your answer with reasons. [7]

Answer:

7. (a) A transaction where one of the parties thereto is a person located in a NJA would be deemed to be an international transaction and all parties to the transaction would be deemed as associated enterprises. Accordingly, all the provisions of transfer pricing would be attracted in case of such a transaction.

Hence, the transactions between BPL Ltd, an Indian company and X Ltd., located in NJA, would be deemed to be international transactions between associated enterprises.

The transactions of BPL Ltd. with JD of New York and ZZ of London for sale of identical goods are comparable uncontrolled international transactions, since they are neither associated enterprises of BPL Ltd. nor are they situated in NJA. Hence, Comparable Uncontrolled Price (CUP) method can be used to determine ALP.

Where more than one price is determined by the most appropriate method, CUP method in this case, then, the arithmetic mean has to be taken in cases where the number of entries in the dataset is less than 6 (in this case it is only 2). However, the benefit of permissible variation between the ALP and the transfer price based on the rate notified by the Central Government (i.e., maximum of 3% of transaction price) would not be available in respect of such transaction



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Computation of ALP using CUP method

Particulars	JD	ZZ
	₹ in crores	₹ in crores
Price charged by BPL Ltd. (on CIF basis)	11.50	12.00
Less: Ocean freight and insurance, has to be reduced since the price charged to X Ltd. is on FOB basis	0.20	0.20
	11.30	11.80
Less: Cost of after-sales support service (has to be reduced, since such services are being provided to JD and ZZ but not to X Ltd.)	0.14	0.14
Arm's Length Price	11.16	11.66
Arithmetic mean of the above prices [(₹11.16 crores + ₹11.66 crores)/2]		11.41
Less: Price at which goods were sold to X Ltd.		10.50
Arm's length adjustment [increase in profit of BPL Ltd.]		0.91

7. (b) If an Indian company, being the borrower, incurs any expenditure by way of interest in respect of any debt issued by its non-resident associated enterprise (AE) and such interest exceeds Rs. 1 crore, then, the interest paid or payable by such Indian company in excess of 30% of its earnings before interest, taxes, depreciation and amortization (EBITDA) or interest paid or payable to associated enterprise, whichever is lower, shall not be allowed as deduction as per section 94B.

Further, where the debt is issued by a lender which is not associated but an associated enterprise either provides an implicit or explicit guarantee to such lender or deposits a corresponding and matching amount of funds with the lender, such debt shall be deemed to have been issued by an associated enterprise and limitation of interest deduction would be applicable.

In the present case, since M/s R Inc. holds 30% of voting power i.e., more than 26% of voting power in both JK Ltd and M/s Q Inc., JK Ltd. and M/s Q Inc. are deemed to be associated enterprises.

Since loan of ₹100 crores taken by JK Ltd., an Indian company from M/s P Inc., is guaranteed by M/s Q Inc., an associated enterprise of JK Ltd., such debt shall be deemed to have been issued by an associated enterprise and interest payable to M/s P. Inc. shall be considered for the purpose of limitation of interest deduction u/s 94B.

Computation of interest to be disallowed as per section 94B in the computation of Income under the head Profits and Gains of Business or Profession of M/s. JK Ltd.

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Particulars	₹
Net Profit	10,00,00,000
Add: Interest already debited (₹100 crores × 9%)	9,00,00,000
Depreciation	5,00,00,000
Income tax	3,40,00,000
EBITDA	27,40,00,000
Interest paid or payable by JK Ltd.	9,00,00,000
Interest paid or payable in excess of the lower of the following would be disallowed:	
Total Interest-30% of EBITDA (9 Cr. - 8.22Cr.)	₹78,00,000
Interest paid or payable to	₹9,00,00,000 non-resident AE
Interest to be disallowed as deduction	78,00,000

Note: - Since R Inc., an associated enterprise of JK Ltd., has deposited a matching amount of ₹100 crores with P Inc., the interest payable by JK Ltd. to P Inc. on loan of ₹100 crores borrowed from P Inc. would be subject to limitation of interest deduction on the basis of this line of reasoning also.

8. Justify the following situations on the basis of — Issue Involved, Relevant Provision of Law and Analysis & Conclusion:

- (a) M/s XYZ Travels is a Travel Agent engaged in sale of air tickets of Air Go and Air Jet Airlines. It earns standard commission@5% as well as supplementary commission. Air Go and Air Jet have deducted tax at source under section 194H on the standard commission, which is a fixed percentage designated by the International Air Transport Association (IATA). However, they have not deducted tax on the supplementary commission, which is the additional amount XYZ Travels charges over and above the net fare quoted by Air Go and Air Jet and retained by XYZ Travels as its own income.

The details of the amounts at which the tickets were sold are transmitted by XYZ Travels to an organization known as the Billing and Settlement Plan ("BSP") which functions under the aegis of the IATA. This auxiliary amount charged on top of the net fare was portrayed on the BSP as a "supplementary commission" in the hands of XYZ Travels. The contract between

XYZ Travels and the airlines stated that "all monies" received by XYZ Travels were held as the property of the air carrier until they were recorded on the billing and settlement plan and properly gauged.

Air Go and Air Jet contended that tax is not deductible on supplementary commission which XYZ Travels retains out of the sale proceeds of the air tickets, since there is no agency relationship between the airlines and XYZ Travels and that the supplementary commission is not within the control of the airlines. Discuss the correctness of the above contention. [7]

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- (b) "The arm's length price (ALP) determined by the Tribunal, which is the final fact-finding authority, is final and cannot be the subject matter of scrutiny by the High Court as it does not give rise to a substantial question of law; accordingly, in an appeal u/s 260A, the High Court is precluded from examining the correctness of determination of the ALP". [7]

Answer:

8.(a)

Issue Involved: The issue under consideration in this case is whether TDS under section 194H is attracted in respect of both standard and supplementary commission paid by Air Go and Air Jet Airlines to XYZ Travels.

Relevant provision of law: TDS@5% is attracted on income by way of commission or brokerage payable to a resident, where the amount or aggregate amount credited or paid to a person during the financial year exceeds ₹15,000.

Analysis & Conclusion: Section 194H does not distinguish between direct and indirect payments. Both standard commission and supplementary commission fall within the meaning of "commission" under clause (i) of the Explanation thereto.

Section 194H is to be read with section 182 of the Contract Act, 1872. If a relationship between two parties as culled out from their intentions as manifested in the terms of the contract between them indicates the existence of a principal-agent relationship as defined under section 182 of the Contract Act, the definition of "commission" under section 194H stands attracted and the requirement to deduct tax at source arises.

There was no transfer in terms of the title in the tickets and they remained the property of the airline company throughout the transaction. Every action taken by the travel agents is on behalf of the air carriers and the services they provide is with express prior authorization. Accordingly, the contract is one of agency that does not distinguish in terms of stages of the transaction involved in selling flight tickets. The accretion of the supplementary commission to the travel agents was an accessory to the actual principal-agent relationship. Notwithstanding the lack of control over the actual fare, the contract definitively stated that "all monies" received by the agent were held as the property of the air carrier until they were recorded on the billing and settlement plan and properly gauged. The billing and settlement plan also demarcated "supplementary commission" under a separate heading.

Hence, once the IATA made the payment of the accumulated amounts shown on the billing and settlement plan, it would be feasible for the assesses, being the airlines to deduct tax at source on this additional income earned by the agent.

The contention of Air Go and Air Jet is not correct and they are required to deduct tax at source under section 194H on both the standard commission and supplementary commission paid to XYZ Travels.

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Issue Involved: The issue under consideration is whether the arm's length price (ALP) determined by the Tribunal, which is the final fact-finding authority, is final and cannot be the subject matter of scrutiny by the High Court as it does not give rise to a substantial question of law.

Relevant provision of law: As per section 260A(1), an appeal shall lie to the High Court from every order passed in appeal by the Appellate Tribunal, if the High Court is satisfied that the case involves a substantial question of law.

Analysis & Conclusion: The Apex Court, in *SAP Labs India Pvt. Ltd. v ITO* [2023] 454 ITR 121, laid down the following with respect to the powers of High Court to consider the substantial question of law involving determination of arm's length price (ALP):

- While determining the ALP, the Tribunal has to follow the guidelines stipulated under Chapter X of the Income-tax Act, 1961, namely, sections 92 to 92F of the Act and Rules 10A to 10E of the Income-tax Rules, 1962. Any determination of the ALP under Chapter X not in accordance with the relevant provisions of the Income-tax Act, 1961 and Rules can be considered as perverse and it may be considered as a substantial question of law as perversity itself can be said to be a substantial question of law. Therefore, there cannot be any absolute proposition of law that in all cases where the Tribunal has determined the ALP, the same is final and cannot be the subject matter of scrutiny by the High Court in an appeal under section 260A.

When the determination of the ALP is challenged before the High Court, it is always open for the High Court to consider and examine whether the ALP has been determined while taking into consideration the relevant guidelines under the Act and the Rules.

- The High Court can examine the question of comparability of two companies or selection of filters and examine whether the same is done judiciously and on the basis of the relevant material/evidence on record. The High Court can also examine whether the comparable transactions have been taken into consideration properly or not, i.e., to the extent as to whether non-comparable transactions are considered as comparable transactions or not.

Therefore, in an appeal challenging the determination of the arm's length price, it is always open for the High Court to examine in each case, within the parameters of section 260A, whether while determining the ALP, the guidelines laid down under the Income-tax Act, 1961 and the Income-tax Rules, 1962 are followed or not and whether the determination of the ALP and the findings recorded by the Tribunal while determining the ALP are perverse or not.

Therefore, the statement is not correct.