



FINAL EXAMINATION
MODEL QUESTION PAPER
PAPER – 15

SET - 1
TERM – DEC 2024
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.

SECTION – A (Compulsory)

- 1) Choose the correct option:** **[15 x 2 = 30]**
- (i) While computing book profit u/s 115JB, which 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
- (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.



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- (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 31.3.2024, 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 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



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- 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, 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



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- (b) ₹ 7,725
(c) ₹ 1950
(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?
(a) ₹ 1 lakh
(b) ₹ 50 lakh
(c) ₹ 1 crore
(d) ₹ 2 crore

SECTION – B

(Answer any 5 questions out of 7 questions given. Each question carries 14 marks.)

[5 x 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:
- i. Depreciation calculated on the basis of useful life of assets as per provisions of the Companies Act, 2013 is ₹50 lakhs.
 - ii. 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.
 - iii. 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.
 - iv. 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.
 - v. 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.
 - vi. 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.
 - vii. 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.
 - viii. The opening and closing stock for the year were ₹200 lakhs and ₹255 lakhs, respectively. They were overvalued by 10%.
 - ix. Provision for gratuity based on actuarial valuation was ₹500 lakhs. Actual gratuity paid debited to



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gratuity provision account was ₹300 lakhs.

- x. Commission of ₹1 lakh paid to a recovery agent for realization of a debt. Tax has been deducted and remitted as per Chapter XVIIB 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]

- 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
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	-



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Free lunch (₹ 70 x 200 days + ₹ 80 x 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

Suggest 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 compute and 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?
4. Which option is better?

[7]

- 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). Calculate 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 abroad	₹ 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]



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- 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 Assessee. [7]

- (b) XYZ (P) Ltd., an Indian Company established in the year 2008, reports total income of ₹ 22 lakh 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.

Examine and 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]

- 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 assessee does not opt for the provisions of Section 115BAC. [7]



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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 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 ₹4 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]

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. [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]