



FINAL EXAMINATION
MODEL QUESTION PAPER
PAPER – 15

SET - 1
TERM – JUNE 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.
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. Kumar Industries is engaged in manufacture of leather products. It was set up in backward area and became eligible for subsidy @ 25% for the generator, to be used in guest house, acquired by it for ₹ 12 lakhs on 15.12.2023. It received the subsidy in March 2024. The amount of depreciation for the year at the applicable rate would be _____.
 - a. ₹ 67,500
 - b. ₹ 90,000
 - c. ₹ 1,80,000
 - d. Nil

- ii. In the year of restructuring, depreciation shall be:
 - a. available to the successor company fully
 - b. apportioned between successor and predecessor on the basis of number of days
 - c. available to the predecessor company fully
 - d. None of the above

- iii. Uncontrolled transaction means a transaction between _____, whether resident or non-resident.
 - a. enterprises other than associated enterprises
 - b. associated enterprises
 - c. any enterprises
 - d. none of the above

- iv. The provisions of sec. 92 will apply only if the aggregate value of specified domestic transactions entered into by the taxpayer during the year exceeds a sum of ₹ _____.
 - a. 100 crore
 - b. 5 crore



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- c. 10 crore
d. 20 crore
- v. In respect of DTAA, generally, India follows:
- UN Model
 - UK Model
 - OECD Model
 - US Model
- vi. ICDS is applicable in case of income under the head:
- Profits and gains from Business or Profession
 - Capital Gains
 - Income from House Property
 - All heads of income
- vii. Auddy Fertilisers P Ltd., is a manufacturer. A factory building has been constructed for ₹ 40 lakhs and occupied on 12.02.2023. Additional depreciation allowable for the said factory building is _____.
- Nil
 - ₹ 4,00,000
 - ₹ 2,00,000
 - None of the above
- viii. MSP Ltd., has spent a sum of ₹ 20 lakhs towards meeting its corporate social responsibility (CSR) under the Companies Act, 2013. The amount of deduction available while computing the business income is _____.
- Nil
 - ₹ 10 lakhs
 - ₹ 15 lakhs
 - ₹ 20 lakhs
- ix. Napa Ltd. earned ₹ 15 lakhs by way of transfer of carbon credit. The tax liability in respect of carbon credit is _____.
- ₹ 1,56,000
 - ₹ 2,34,000
 - ₹ 4,68,000
 - Nil



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- x. Vikash has advertised on Facebook to promote his business of coaching. He is required to pay ₹ 20,000 in the previous year 2023-24 to Facebook for the advertising services availed. What amount is required to be deducted as equalisation levy?
- ₹ 1,200
 - ₹ 800
 - ₹ 400
 - Nil
- xi. When an assessee fails to furnish any information relating to a specified domestic transaction, the quantum of penalty as a percentage of value of the transaction would be —
- 2%
 - 1%
 - 5%
 - 3%
- xii. A is using a motor car for his personal purposes, but charges as business expenditure. This is the case of _____.
- Tax Avoidance
 - Tax Planning
 - Tax Evasion
 - Tax Management
- xiii. Countries that employ explicit policies designed to attract international trade oriented activities by minimization of taxes and reduction or elimination of other restrictions on business operations is described as _____.
- Tax Havens
 - Tax Planning
 - Tax Evasion
 - Tax Management
- xiv. During the course of survey in the premises of Ratan & Co. on 10.01.2024, stocks of goods purchased for ₹ 10 lakhs were found to be not recorded in the books of account. The firm has brought forward loss of ₹ 5 lakhs and incurred business loss of ₹ 2 lakhs for the year ended 31.03.2024 without considering the unaccounted



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stock. The tax liability of the firm including the said unaccounted purchase would be _____.

- a. ₹ 7,80,000
 - b. ₹ 3,12,000
 - c. ₹ 93,600
 - d. Nil
- xv. 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.

SECTION – B

(Answer any five questions out of seven questions given. Each question carries 14 Marks)
[5x14=70]

2. Following is the profit and loss account of Z Ltd. for the year ended on 31-3-2024:

Particulars	Amount	Particulars	Amount
To Raw material consumed	23,25,000	By Sale	1,60,00,000
To Rent	3,50,000	By Closing Stock	10,00,000
To Salary & Wages	12,00,000	By Revaluation Reserve	25,000
To Depreciation	5,00,000	By General Reserve	1,00,000
To Provision for contingencies	75,000		
To Wealth Tax	50,000		
To Provision for bad debts	40,000		



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To Proposed dividend	1,00,000		
To Provision for Income tax	1,05,000		
To Net Profit	1,23,80,000		
	1,71,25,000		1,71,25,000

Additional Information:

- (1) The amount of depreciation includes depreciation on revaluation of assets ₹ 50,000. Further, for the purpose of Income tax, depreciation is ₹ 4,00,000.
- (2) Turnover of the company during the previous year was ₹ 530 crores. However, during the financial year 2021-22, turnover of the company was ₹ 250 crores only.
- (3) In past few years, company had suffered losses, following balances are still unabsorbed:

	<u>As per Income tax Act</u>	<u>As per books of Accounts</u>
Depreciation	₹ 66,00,000	Nil
Losses	₹ 35,50,000	Nil

Compute tax liability of the company.

[14]

3. (a) On 01-10-2023, Mr. Shah of Surat is offered an employment by Vimal & Co. Ltd., Surat on a basic salary of ₹ 55,500 p.m. Other allowances are dearness allowance (not forming part of salary for retirement benefits) ₹ 50,000 p.m., medical allowance ₹ 10,000 p.m. and bonus being 1 month's basic salary. The company gives an option to Mr. Shah either to take a rent-free accommodation in Surat of the fair rental value of ₹ 20,000 p.m. or to accept house rent allowance of ₹ 20,000 p.m. Mr. Shah join the job with house rent allowance and takes a house in Surat at a monthly rent of ₹ 20,000.
Analyse whether he has made a wise choice from tax advantage view (old regime). **[7]**
- (b) 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]**



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4. (a) X Ltd. has several undertakings carrying on several businesses. During the year 2023-24, the company sold one of its undertaking (as it was continuously generating loss since last 5 years) for a lump sum value of ₹ 300 lacs without assigning value to individual asset and liabilities. The fair market value of the capital asset of that unit is ₹ 350 lacs. Book value of sundry assets and liabilities of the undertaking as on the date of sale is as under:

Items	Book Value
Land	₹ 50 lacs (Value for the purpose of Stamp duty ₹ 70,00,000)
Machinery	₹ 70 lacs (WDV as per IT Act ₹ 60 lacs)
Furniture	₹ 50 lacs (WDV as per IT Act ₹ 90 lacs)
Stock	₹ 30 lacs
Debtors	₹ 40 lacs
Creditors	₹ 50 lacs

Brokerage on transfer paid @ 5%. Compute capital gain. [7]

- (b) USA Airlines incorporated as a company in USA operates its flights to India and vice versa during the year 2023-24 and collects charges of ₹ 150 lakh for carriage of passengers and cargo out of which ₹ 90 lakh were received in US Dollars for the passenger fare booked from New York to Mumbai. The total expenses for the year on operation of such flights were ₹ 195 lakh. Income chargeable to tax of the foreign airlines may please be computed. [7]
5. (a) Summarize a comparison between revision u/s 263 and revision u/s 264. [7]
- (b) Mr. Goswami submitted his return on 25th July, 2024 for the assessment year 2024-25. The following particulars are furnished by him for the previous year 2023-24:

	₹
Tax payable on assessed income	1,03,950
Tax deducted at source	36,450
Advance taxes paid as under:	
15th June, 2023	Nil
15th September, 2023	18,500
15th December, 2023	16,125
15th March, 2024	25,250

You are required to examine and compute the interest, if any, payable by the assessee at the time of filing return of income. [7]

6. (a) Analyze, in brief, the different models of tax convention in DTAA. [7]



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- (b) Amar, an individual, resident of India, receives the following payments after TDS during the previous year 2023-24:

(i)	Professional fees on 17.08.2023	2,40,000
(ii)	Professional fees on 04.03.2024	1,60,000

Both the above services were rendered in country X on which TDS of ₹ 50,000 and ₹ 30,000 respectively has been deducted. He had incurred an expenditure of ₹ 2,40,000 for earning both these receipts / income. His income from other sources in India is ₹ 5,00,000 and he has made payment of ₹ 70,000 towards LIC. Compute the tax liability of Amar and also the relief u/s 91, if any, for A.Y.2024-25. [7]

7. (a) Brain Inc. London has 35% equity in Salem Ltd. The company Salem Ltd. is engaged in development of software and maintenance of customers across the globe, which includes Brain Inc.

During the year 2023-24, Salem Ltd. spent 2000 men hours for developing and maintaining a software for Brain Inc. and billed at ₹ 1,000 per hour. The cost incurred for executing maintenance work to Brain Inc. for Salem Ltd. amount to ₹ 15,00,000. Similar such work was done for unrelated party Try Ltd. in which the profit was at 50%.

Brain Inc. gives technical support to Salem Ltd. which can be valued at 8% of gross profit. There is no such functional relationship with try Ltd.

Salem Ltd. gives credit period of 90 days the cost of which is 3% of the normal billing rate which is not given to other parties.

Compute ALP under cost plus method in the hands of Salem Ltd. and the impact of the same on the total income. [7]

- (b) SD Ltd., an Indian Company, has borrowed ₹ 100 crores on 01-04-2023 from M/s. SM Inc., a company incorporated in UK, at an interest rate of 10% p.a. The said loan is repayable over a period of 10 years. Further, this loan is guaranteed by M/s MSPL Inc. incorporated in UK. M/s. MM Inc., a non-resident, holds shares carrying 35% of voting power both in M/s SD Ltd. and M/s MSPL Inc. Net profit of M/s. SD Ltd. for P.Y. 2023-24 was ₹ 11 crores after debiting the above interest, depreciation of ₹ 5 crores and income-tax of ₹ 4 crores.

Calculate the amount of interest to be allowed to be claimed under the head "Profits and gains of business or profession" in the computation of M/s SD Ltd. Also explain allowability of such disallowed interest, if any. [7]



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8. (a) Roma purchases 600 equity shares in XY (P) Ltd. on 1-04-2023 @ ₹ 150 each. On 31-12-2023, XY (P) Ltd. is demerged. In the scheme of demerger, division Y was transferred to Y (P) Ltd. (resulting company). On that date balance sheet of XY (P) Ltd. is as follow –

Liabilities	Division		Total	Asset	Division		Total
	X	Y			X	Y	
6,000 E. Shares			6,00,000	Land	-	2,50,000	2,50,000
General Reserve			4,00,000	Plant	1,75,000	1,00,000	2,75,000
Loan (General)			2,00,000	Investment	2,50,000	-	2,50,000
Loan (Specific)	60,000	75,000	1,35,000	Stock	1,95,000	2,30,000	4,25,000
Creditors	25,000	40,000	65,000	Debtors	55,000	45,000	1,00,000
				Cash and Bank	25,000	75,000	1,00,000
			14,00,000				14,00,000

Y (P) Ltd., in consideration of the demerger, issued equity share of ₹ 100 each (at par) to the shareholders of XY (P) Ltd. on proportionate basis. You are required to compute –

- Number of shares of Y (P) Ltd. received by Roma and cost thereof.
- Cost of acquisition of shares held by Roma in XY (P) Ltd. after demerger.

Capital gain, if Roma sold 200 shares of XY (P) Ltd. @ ₹ 125 & 100 shares of Y(P) Ltd. @ ₹ 110 on 31-03-2024. [7]

- (b) Explain when two enterprises will be considered as an associated enterprise? Examine the different circumstances when two enterprises are treated as deemed associated enterprises. If X Inc. holds 30% equity shares in Y Ltd. as well as in Z Inc., does Y Ltd. And Z Inc. considered as associated enterprise? Justify. [7]