

Paper 16 - Direct Tax Laws and International Taxation

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Full Marks: 100

Time allowed: 3 hours

**The figures in the margin on the right side indicate full marks.
Working notes should form part of the answer.**

Section - A

1. Choose the correct alternative and also provide your justification: **[10×2=20]**
- (i) Where a person, responsible for deducting tax at source, fails to deposit such tax after deducting the same, is liable to simple interest @ _____ per month or part thereof from the date on which such tax was deducted to the date on which such tax is actually paid:
- (a) 1%
 - (b) 1.50%
 - (c) 5%
 - (d) 10%
- (ii) No order of rectification can be passed after the expiry of _____ years from the end of the financial year in which order sought to be rectified was passed:
- (a) 2
 - (b) 3
 - (c) 4
 - (d) 6
- (iii) 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:
- (a) Tax Havens
 - (b) Tax Planning
 - (c) Tax Evasion
 - (d) Tax Management
- (iv) Equalisation levy should be deducted if the aggregate amount of consideration paid or payable to a non-resident for specified service in a previous year exceeds:
- (a) ₹ 1,00,000
 - (b) ₹ 1,50,000
 - (c) ₹ 50,000
 - (d) ₹ 1,00,00,000.
- (v) In case where it is found that a person has under-reported his income, the quantum of penalty is _____% of the amount of tax payable on such under-reported income:
- (a) 10%
 - (b) 50%
 - (c) 100%
 - (d) 200%.
- (vi) If a person fails to comply with the provisions relating to PAN (i.e. obtaining PAN, quoting PAN, etc.), then penalty can be levied under section 272B for ₹ _____.
- (a) 1,000

- (b) 5,000
- (c) 7,500
- (d) 10,000.

(vii) Dividend received from foreign company will be included in the total income of the tax payer and will be charged to tax at _____.

- (a) 15%
- (b) 20%
- (c) 30%
- (d) Normal rate of tax applicable to the assessee.

(viii) An application for advance ruling by a resident applicant for determination of his tax liability arising out of one or more transactions valuing ₹ 100 crore or more in total which has been undertaken or is proposed to be undertaken by him is to be made in Form No. _____.

- (a) 34D
- (b) 34DA
- (c) 34E
- (d) 34EA

(ix) Which of the following form is used to furnish the return of income?

- (a) ITNS 281
- (b) Form 26AS
- (c) Form 26Q
- (d) None of these

(x) Which of the following can be corrected while processing the return of income under section 143(1)?

- (a) any arithmetical error in the return
- (b) any error in the return of income
- (c) any mistake in the return of income
- (d) any claim by the taxpayer which is against law

Section – B

(Answer any five questions out of seven questions given)

2.(a) A firm furnished its return of income on 30th June, 2020 showing income of ₹ 1,00,000. The return shows other particulars as follows -

Advance tax: ₹ 20,000
TDS: ₹ 1,000.

The AO passed the assessment order enhancing income by ₹ 5,000 on 29-3-2021. Compute interest u/s 234B. **[8]**

(b) Mr. Bedi (63 years) is a musician deriving income from concerts performed outside India of ₹ 7,50,000. Tax of ₹ 1,50,000 was deducted at source in the country where the concerts were given and remaining ₹ 6,00,000 is remitted to India. India does not have any agreement with that country for avoidance of double taxation. Assuming that the Indian income of Mr. Bedi is ₹ 3,98,000, what is the relief due to him under section 91 for

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assessment year 2020-21, assuming that Mr. Bedi has deposited ₹ 20,000 in the public provident fund account during the previous year 2019-20. **[8]**

3. P Ltd. is a manufacturing company (not having any international or specified domestic transaction). The profit and loss account of P Ltd. for the year ending March 31, 2020 is given below-

	₹		₹
GST	50,000	Sales	20,10,000
Other expenses	14,15,000		
Net profit	5,45,000		
	20,10,000		20,10,000

Other information -

1. Out of GST of ₹ 50,000, only ₹ 47,000 is paid. The payment is mode as follows-
 - A. ₹ 40,000 on September 2, 2019;
 - B. ₹ 4,000 on September 72, 2020; and
 - C. ₹ 3,000 on November 1, 2020.
2. Return of income is submitted on November 10, 2020.
3. During the previous year 2019-20, the following payments are mode in respect of expenses pertaining to earlier years-
 - A. bonus to employees pertaining to the previous year 2017-18 paid on April 30, 2019: ₹ 15,000;
 - B. customs duty pertaining to the previous year 2017-18 paid on December 1, 2019: ₹ 25,000;
 - C. electricity bill payable to BSES pertaining to previous year 2017-18 paid on May 3, 2019: ₹ 35,000;
 - D. excise duty pertaining to the previous year 2018-19 paid on May 20, 2019: ₹ 40,000; and
 - E. leave salary payable to employees pertaining to the previous year 2018-19 paid on December 2, 2019: ₹ 45,000.

These payments do not pertain to the previous year 2019-20. Consequently, these are not recorded in the profit and loss account given above. Find out the net income of P Ltd. for the assessment year 2020-21. **[16]**

- 4.(a) State the cases where Form ITR 1 or ITR 4 cannot be used by a person. State the where best judgement assessment shall be made. **[4+4=8]**

- (b) Write down the conditions which are to be satisfied for transactions, not to be regarded as transfer for the purpose of capital gain in the context of conversion of sole proprietary business and firm into company. **[4+4=8]**

- 5.(a) Palam Gas Service is engaged in the business of purchase and sale of LPG cylinders. During the relevant assessment year, assessee received freight payments of ₹ 32 lakhs from Indian Oil Corporation (IOC) with whom the assessee had entered into main contract for carriage of LPG. The transportation of LPG was done through three truck-

owners, to whom a total freight payment of ₹ 20 lakhs was made. As per the Assessing Officer, since the assessee has sub-contracted the transportation to these three persons within the meaning of sec. 194C, he was liable to deduct tax on ₹ 20 lakhs. The Assessing Officer thus disallowed these expenses u/s 40(a)(ia). Justify. **[8]**

(b) The appellant–assessee along with three others had promoted a Company. The said Company was acquired by one Synergy Credit Corporation Limited (the Acquirer Company). The appellant was offered the position of Executive Director in the Acquirer Company. Further, a Non-Compete Agreement was signed between the appellant–Assessee and the Acquirer Company imposing a restriction on the appellant from carrying on any business of Computer Software development and marketing for a period of five years for which the appellant– Assessee was paid a sum of ₹ 21,00,000/-. Now critically examine that whether the aforesaid amount of ₹ 21 lakhs is on account of 'salary' or the same is a 'capital receipt'. **[8]**

6.(a) What is Tax Haven? State the key factors which are used to determine whether a jurisdiction is a tax haven. **[2+8=10]**

(b) A Co. Ltd. of Chennai and Sky Inc. of Singapore are associate enterprises. A Co. Ltd. imported 1000 television sets at ₹ 16,000 per set without any warranty period. A Co. Ltd. also imports similar TV sets from unrelated party Sign Inc. of Japan. It is imported at ₹ 15,000 per set with warranty time of 2 years. The cost of warranty in respect of goods imported from Sky Inc. for a period of 2 years would cost ₹ 2,000. Compute arm's length price and the amount of increase in total income of A Co. Ltd. as per CUP method. **[6]**

7.(a) Bran Ltd., a company incorporated in US, sells laser printer cartridge to its 100 per cent Indian subsidiary Alpha Ltd. @ \$ 50 per cartridge. Bran Ltd. also sells its laser printer cartridge to another company Toy Ltd. in India @ \$ 80 per piece. Total income of Alpha Ltd. for the assessment year 2020-21 is ₹ 12,00,000 after making payment for 100 cartridges @ \$50 (1 \$ = ₹ 49). Alpha Ltd. has deducted tax at source while making payments to Bran Ltd. In this case, sale to unrelated party Toy Ltd. is @ \$ 80. Compute the arm's length price and taxable income of Bran Ltd. and Alpha Ltd. The rate of one dollar may be assumed to be equivalent to ₹ 49 in all transactions for the sake of simplicity. **[8]**

(b) Write down the consequences of impermissible avoidance arrangement as per sec. 98. **[8]**

8. Write short note (any four): **[4×4=16]**

- (a)** Assessment under Black Money & Imposition of Tax Act
- (b)** Central Board of Direct Taxes (CBDT)
- (c)** Tax Planning relating to Corporate Restructuring
- (d)** Scope of ICDS IV
- (e)** Scrutiny Assessment u/s 143(3).