

Paper 16 - Direct Tax Laws and International Taxation

MTP_Final_Syllabus 2016_Jun2023_Set1

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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

All questions relate to the Income Tax Act 1961 and pertains to Assessment Year 2023-24, unless otherwise stated in the questions

1. Choose the correct alternative and also provide your justification: [10×2=20]

- (i) What is the due date of filing the return of income in case of a company who is required to furnish a report in Form No. 3CEB under section 92E?
- September 30 of the assessment year
 - November 30 of the assessment the year
 - July 31 of the assessment year
 - June 30 of relevant assessment the year
- (ii) Return filed under which of the following sections can be revised u/s 139(5)?
- 139(1)
 - 139(4)
 - 139(5)
 - All of the above
- (iii) Notice u/s 143(2) (i.e. notice of scrutiny assessment) should be served within a period of _____ from the end of the financial year in which the return is filed.
- 3 months
 - 12 months
 - 24 months
 - 18 months
- (iv) As per section 115JB, every taxpayer being a company is liable to pay MAT, if the Income tax payable on the total income, computed as per the provisions of the Income-tax Act in respect of any year is less than _____
- 15.50%
 - 18.00%
 - 15.00%
 - 20.00%
- (v) As per section 178(3), the _____ of a company has to intimate the tax authority before he parts with any of the assets of the company or the properties in his hands and has to set aside the amount if any intimated to him by the tax authorities.
- Managing Director
 - Manager
 - Chartered Accountant
 - Liquidator

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- (vi) Any mistake which is apparent from the record in any order passed by the Assessing Officer can be rectified under section _____.
- 154
 - 147
 - 143
 - 254
- (vii) As per section 115QA (3), tax to credit of Government in case of distributed income of domestic company for buy-back of shares shall be deposited within _____ days from date of payment of any consideration to the shareholder on buy-back of shares.
- 7 days
 - 14 days
 - 10 days
 - 30 days
- (viii) If any person fails to keep and maintain any information and document as required by sec. 92D in respect of an international transaction or specified domestic transaction, the Assessing Officer or Commissioner (Appeals) may direct that such person shall pay, by way of penalty, a sum equal to _____
- ₹ 5,00,000
 - 2% of the value of each international transaction or specified domestic transaction entered into by such person
 - ₹ 1,00,000
 - 1% of the value of each international transaction or specified domestic transaction entered into by such person
- (ix) X Marine Lines Inc., a Singapore company engaged in shipping business collected ₹ 150 lakhs towards carrying goods from Chennai Port. Its presumptive income chargeable to tax in India would be ₹ _____
- 15 lakhs
 - 11.25 lakhs
 - 12 lakhs
 - Nil
- (x) 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%

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Section B

(5 Questions to be answered out of 7 questions. Each question carries 16 marks)

2. (a) North Star Consulting Ltd.'s total income during the previous year ended 31st March 2023 is ₹10,50,000. Tax deducted at source by different payers amounted to ₹24,450 and tax paid in foreign country on a doubly taxed income amounted to ₹ 10,000 for which the company is entitled to relief u/sec. 90 as per the double tax avoidance agreement. During the year, the company paid advance tax as under:

Date of payment	Advance tax paid (₹)
15.06.2022	40,000
12.09.2022	65,000
15.12.2022	1,00,000
15.03.2023	62,000

The company filed its return of income for the ay 2023-2024 on 15th October 2023. Compute interest if any payable by the company under sec. 234A, 234B and 234C. Assume that transfer pricing provision is not applicable. **10 marks**

- (b) What will be the tax planning related to employee's remuneration or salary income? **6 marks**

3. M/s Bhagirathi Ltd. a manufacturing company, having an annual turnover of ₹ 7,000 lakhs, shows a net profit of ₹ 850 lakhs after debit/ credit of following amounts to its statement of profit and loss account for the year ended 31st March 2023:

- Depreciation as per Companies Act ₹ 65 lakhs
- Employer's contribution to EPF of ₹18 lakhs together with similar amount of Employee's contribution for the month of March, 2023 was remitted on 20th May, 2023. The due date for the remittance to the credit of employer's EPF account being 15th April, 2023)
- GST paid includes an amount of ₹ 10,500 charged as penalty for delayed filling of returns and ₹15,400 towards interest for delay in deposit of tax
- An amount of ₹10 lakhs were incurred on notified skill development project u/sec 35CCD
- Loss of ₹ 20 lakhs, on destruction of an old machinery by fire in the factory and ₹ 5 lakhs received as scrap value on this machinery. The insurance company did not admit the claim of the company on the charge of gross negligence
- Dividend ₹ 15 lakhs from a foreign company in which the company holds 32% of the equity share capital of the company, (expenditure on earning dividend income ₹ 50,000)
- profit of ₹ 15 lakhs on the sale of a building to X LTD. a domestic company, the entire shares of which are held by the assessee company. The building was acquired by Bhagirathi LTD on 1st December, 2021.

Additional information:

- (1) Normal depreciation computed as per Income Tax Rules is ₹ 92 lakhs.

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- (2) During the previous year 2021-2022 the company has purchased a new plant and machinery worth ₹ 20 lakhs on 10th January, 2022. Balance of additional depreciation on this machine is not included in the depreciation computed for the previous year 2022-2023.
- (3) The company had created in the account of a sub- contractor, an amount of ₹7 lakhs on 31st March, 2022 towards repairs of factory building. The tax deducted on such payment was remitted on 31st December, 2022.
- (4) on 15th May, 2023 M/S Bhagirathi Ltd, declared and distributed dividend of ₹ 20 lakhs.

Compute the total income and tax payable by M/S Bhagirathi Ltd. for the Assessment Year 2023-2024 clearly stating the reasons for treatment of each item. Assume that the company has opted for section 115BAA for the A.Y. 2023-24. **16 marks**

4. (a) (i) What is Dispute Resolution Committee as per Sec. 245MA? Explain briefly. **5 marks**
- (ii) State the cases where best judgement assessment is applicable. **4 marks**

(b) M/s AP a wholesale enterprise, has sold one of its undertaking consisting of Machinery A (rate of depreciation 30%), Machinery X (rate of depreciation 15%), Building B (rate of depreciation 10%) for ₹ 15,00,000 on 1/9/2022.

1. Machinery A, originally acquired for ₹ 5,00,000 on 1/8/2019
2. Machinery X, originally acquired for ₹ 10,00,000, the amount of depreciation allowed on such machinery up to the A.Y. 1988-89 ₹ 2,00,000 and depreciation for A.Y. 1989-90 to 2022-23 (assuming this is the only machinery in the block) is ₹ 7,94,000.
3. Building B acquired on 17/7/2022 for ₹ 4,00,000.
4. During the year, new machinery Z (15%) purchased for ₹ 5,00,000 on 7/7/2022.

Compute depreciation for the A.Y. 2023-24:

- Machinery (rate of depreciation 30%) block [WDV as on 1/4/2022 is ₹9,00,000]
 - Machinery (rate of depreciation 15%) block [WDV as on 1/4/2022 is ₹8,00,000]
 - Building (rate of depreciation 10%) block [WDV as on 1/4/2022 is ₹5,00,000].
- 7 marks**

5. (a) Would the amounts paid by resident Indian end-users / distributors to non-resident computer software manufacturers / suppliers, as consideration for the use/resale of the computer software through End-User License Agreement (EULAs) / distribution agreements, be considered as payment of royalty for the use of copyright in the computer software? If yes, is it liable for deduction of tax at source u/s 195? Decide with the help of case law. **10 marks**

(b) Can bonus shares received by shareholders be taxable under the head 'Income from other sources' as per the provisions of sec. 56(2)(x), as they are received without consideration? Justify your answer with the help of case laws. **6 marks**

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6. (a) X LTD. is an Indian Company. It is Indian subsidiary of A Inc. (a US company having business connections in US Europe and Asia). X LTD. has taken a loan from A Inc. from the data given below, find out dis allowance under sec. 94B and net income of X LTD. for assessment years 2022-2023 and 2023-2024.

(₹ in crore)

		Previous Year	
		2021-2022	2022-2023
- Business income (calculated after deducting the following)-	(1)	156	400
- Interest to A Inc.	(2)	130	140
- interest to others in India and outside India (recipients are not associated enterprises)	(3)	70	90
- Depreciation (normal and additional) under section 32	(4)	30	20
- Amounts deductible under section 35	(5)	10	5
- Amortization of expenses under section 35D	(6)	15	15
- Investment in allowance under sec 32 AD	(7)	25	Nil
Transfer pricing adjustment under section 92 out of (b) made by IPO	(8)	20	40

10 marks

- (b) Mr. Bansal, a resident Indian and aged 67 years has, derived following income during the previous year 2022-2023:

Particulars	Amount (₹)
(i) Income from Business in India	2,50,000.00
(ii) Commission (Gross) from a company in Hong Kong (Tax paid in Hong Kong ₹ 60,000)	3,00,000.00
(iii) Dividend (gross) from a company in Hong Kong (Tax paid in Hong Kong ₹ 18,000)	90,000.00
(iv) Interest on fixed deposits and savings Accountant with Banks in India	2,00,000.00

India has no double tax avoidance agreement with Hong Kong. Compute the Income tax payable by Mr. Bansal for Assessment Year 2023-2024. **6 marks**

7. (a) Khazana Ltd is an Indian Company engaged in the business of developing and manufacturing Industrial components. Its Canadian Subsidiary Techpro Inc. supplies technical information and offers technical support to Khazana for manufacturing goods, for a consideration of Euro 1,00,000 per year. Income of Khazana Ltd is ₹ 90 Lakhs. Determine the Taxable Income of Khazana Ltd if Techpro charges Euro 1,30,000 per year to other entities in India. What will be the answer if Techpro charges Euro 60,000 per year to other entities. (Rate per Euro may be taken at ₹ 50) **6 marks**

- (b) Mr. Ashoke an Individual resident in India, aged 52 years earned Royalty Income of ₹15 lakhs from XY Inc. of Canada for writing articles in newspapers and magazines for the year ended 31.03.2023. however, has received only ₹ 12.50 lakhs during the previous year 2022-2023 and the balance is outstanding as on 31.03.2023. He maintains cash system of accounting for the royalty income. He also earned a rental income of ₹10,000 which is not allowed as deduction in Canada. DTTA between India and Canada provides for tax @ 15% in Canada without prejudice to taxation of the same income in India. He further received ₹3.5 lakhs during the year, as dividend from X Ltd an Indian company on 01.04.2022 he took an educational loan from bank for his son who was pursuing MBA. Annual repayment of loan and interest amounted to ₹1.20 lakhs and ₹0.24 lakhs respectively.

Compute the total Income and tax payable by Mr. Ashoke in India for the assessment year 2023-24, assuming that he does not opt for selection 115BAC.

10 marks

8. Short note (any 4 questions to be answered out of 5 questions). 4x4 marks=16 marks

- (a) Computation of undisclosed foreign income and asset u/s 5 of Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015.
- (b) Comparison between AS7 and ICDS III.
- (c) Power to impound or retain books of Income Tax Authority Sec. 131(3).
- (d) Power of Principal Commissioner or Commissioner to Grant Immunity from Penalty [Sec. 273AA].
- (e) Charge of equalisation levy on e-commerce supply of services [Sec. 165A].