



**FINAL EXAMINATION**  
**MODEL QUESTION PAPER**  
**PAPER - 15**

**SET 1**

**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.

Question No. 1 and 8 are compulsory; Answer any four from Question No. 2, 3, 4, 5, 6 & 7

**SECTION - A**

**1. (a) Choose the correct alternative. Provide Justification for your answer. 1 Mark is allotted for the correct choice and 1 mark for the justification. [2 × 12 =24]**

- (i) 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 \_\_\_\_\_. [Please provide a brief justification]
- 2%
  - 1%
  - 5%
  - 3%
- (ii) Information and documents required to maintained u/s 92D shall be kept and maintained for a period of \_\_\_\_ from the end of the relevant assessment year. [Please provide a brief justification]
- 8 years
  - 5 years
  - 10 years
  - 16 years
- (iii) Advance Pricing Agreement shall be valid for such period not exceeding \_\_\_\_\_ consecutive previous years as may be specified in the agreement. [Please provide a brief justification]
- 5
  - 3
  - 10
  - 2
- (iv) As per section \_\_\_\_\_ when any specified domestic transaction is carried out between associated enterprises, the said transaction should be carried out at arm's length price. [Please provide a brief justification]
- 90
  - 91
  - 92
  - 90A



**FINAL EXAMINATION**  
**MODEL QUESTION PAPER**  
**PAPER - 15**

**SET 1**

**DIRECT TAX LAWS AND INTERNATIONAL TAXATION**

- (v) In the year of restructuring, depreciation shall be \_\_\_\_\_. [Please provide a brief justification]
- available to the successor company fully
  - apportioned between successor and predecessor on the basis of number of days
  - available to the predecessor company fully
  - None of the above
- (vi) A is using a motor car for his personal purposes, but charges as business expenditure. This is the case of \_\_\_\_\_. [Please provide a brief justification]
- Tax Avoidance
  - Tax Planning
  - Tax Evasion
  - Tax Management
- (vii) During the course of survey in the premises of Jagan & Co. on 10.01.2023, 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 31.03.2023 without considering the unaccounted stock. The tax liability of the firm including the said unaccounted purchase would be \_\_\_\_ (including surcharge and cess). [Please provide a brief justification]
- ₹ 7,80,000
  - ₹ 3,12,000
  - ₹ 93,600
  - Nil
- (viii) Tripti Charitable Trust registered u/s 12AB paid rent for premises at ₹30,000 per month by cash. It also did not deduct tax on salary paid to its manager amounting to ₹ 9,80,000 for the previous year 2022-23. The total income of the assessee would be increased by \_\_\_\_\_ because of the above said transactions. [Please provide a brief justification]
- ₹ 3,60,000
  - ₹ 6,54,000
  - ₹ 8,40,000
  - ₹ 2,52,000
- (ix) Royalty of ₹ 10 lakh received by a foreign company from an Indian concern in pursuance of an agreement approved by the Central Government in the previous year 2022-23. What will be tax liability of the company? [Please provide a brief justification]



**FINAL EXAMINATION**  
**MODEL QUESTION PAPER**  
**PAPER - 15**

**SET 1**

**DIRECT TAX LAWS AND INTERNATIONAL TAXATION**

- a. Nil  
b. ₹ 1,04,000  
c. ₹ 4,16,000  
d. None of the above
- (x) Harivallabh Pvt. Ltd., has spent a sum of ₹ 10 lakhs towards meeting its corporate social responsibility (CSR) under the Companies Act, 2013. The amount of deduction available while computing the business income is \_\_\_\_\_. [Please provide a brief justification]
- a. Nil  
b. ₹ 10 lakhs  
c. ₹ 15 lakhs  
d. ₹ 12.5 lakhs
- (xi) When an Indian company pays ₹5 lakhs to a foreign company for online advertisement of its products, it has to deduct \_\_\_\_\_. [Please provide a brief justification]
- a. equalization levy @ 6%  
b. equalization levy @ 8%  
c. tax at source @ 10%  
d. tax at source @ 2%
- (xii) Venus Traders is engaged in turmeric trade with a turnover exceeding ₹ 1000 lakhs dispatched its goods through Indian Railways. The amount of freight payable as on 31.03.2023 was ₹1,40,000. It wants to claim the freight as expenditure. To satisfy such claim, it has to pay the freight to Indian Railways \_\_\_\_\_. [Please provide a brief justification]
- a. before due date specified in Section 139(1)  
b. before the end of the previous year  
c. before the end of the assessment year  
d. there is no time restriction

**SECTION - B**

2. (a) A private limited company has share capital in the form of equity share capital. The shares were held until 31<sup>st</sup> March, 2021 by 4 members A, B, C and D equally. The company made losses/profits for the past three assessment years are as follow:

Asst. Year	Business Loss	Unabsorbed depreciation	Total
2019-20	Nil	₹ 15,00,000	₹ 15,00,000
2020-21	Nil	₹ 12,00,000	₹ 12,00,000
2021-22	₹ 9,00,000	₹ 9,00,000	₹ 18,00,000



**FINAL EXAMINATION**  
**MODEL QUESTION PAPER**  
**PAPER - 15**

**SET 1**

**DIRECT TAX LAWS AND INTERNATIONAL TAXATION**

The above figures have been accepted by the tax department.

During the previous year 31-3-2022, A sold his shares to Y and during the previous year 31-3-2023, B sold his shares to Z. The profits for the past two years are as follows:

- 31-3-2022 ₹ 18,00,000 (before charging depreciation ₹ 9,00,000)
- 31-3-2023 ₹ 45,00,000 (before charging depreciation ₹ 7,50,000)

Compute taxable income for A.Y. 2023-24.

- (b) Shri Anuj, an ordinarily resident in India, provides following details of his income for the previous year relevant to the A.Y. 2023-24
- Income from India ₹ 3,40,000
  - Income from Country Z ₹ 2,00,000
  - Investment in PPF ₹ 10,000

Further, it is to be noted that:

- (i) India has avoidance of double taxation agreement with Country Z. According to the said agreement, income is taxable in the country in which it is earned and not in the other country. However, in the other country, such income can be included for the purpose of computation of tax rate.
- (ii) Foreign income has been taxed in Country Z @ 20%.

Compute Indian tax payable.

[7 + 8 = 15]

3. (a) Mr. Brown, a non-resident, made an application to the Board for Advance Rulings on 12.7.2022 in relation to a transaction proposed to be undertaken by him. On 10.9.2022, he decides to withdraw the said application. Suggest whether he can withdraw the application on 10.9.2022.

- (b) Compute ALP through following information:

- A Ltd. is a distributor of IT products.
- A Ltd. purchases these products from its related party, P Ltd.
- A Ltd. also trades in laptops manufactured by X Ltd.
- P Ltd as well as X Ltd would supply the warranty replacements free of cost to A Ltd.
- Other details are as under:

Particulars	P Ltd (AE)	X Ltd
Purchase price of A Ltd.	INR 15,000	INR 22,000
Sale price of A Ltd	INR 18,000	INR 26,000
Other expenses incurred by A Ltd	INR 500	INR 700

[5 + 10 = 15]



**FINAL EXAMINATION**  
**MODEL QUESTION PAPER**  
**PAPER - 15**

**SET 1**

**DIRECT TAX LAWS AND INTERNATIONAL TAXATION**

4. (a) Analyze the given information to determine the penalty leviable u/s 270A in case of X Ltd from the following details:

<b>Particulars</b>	<b>Total Income</b>	<b>Tax on Total Income</b>	<b>Book Profit</b>	<b>Tax on Book Profit</b>
Return of income	80,00,000	24,96,000	2,00,00,000	33,38,400
Assessed income	1,20,00,000	40,06,080	2,10,00,000	35,05,320

- (b) Write a brief note on secondary adjustment u/s 92CE. **[10 + 5 = 15]**
5. (a)(i) Distinguish between Tax Planning and Tax Avoidance.  
(ii) How could you compute total undisclosed foreign income and asset under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015?

- (b) Megabyte Inc. of France and R Ltd. of India are associated enterprises. R Ltd. imports 3,000 compressors for Air Conditioners from Megabyte Inc. at ₹ 7,500 per unit and these are sold to Pleasure Cooling Solutions Ltd at a price of ₹ 11,000 per unit. R Ltd. had also imported similar products from Cold Inc. Poland and sold outside at a Gross Profit of 20% on Sales. Megabyte Inc. offered a quantity discount of ₹ 1,500 per unit. Cold Inc. could offer only ₹ 500 per unit as Quantity Discount. The freight and customs duty paid for imports from Cold Inc. Poland had cost R Ltd. ₹ 1,200 per piece. In respect of purchase from Cold Inc., R Ltd. had to pay ₹ 200 only as freight charges.

Analyze in the light of the related provisions of Income Tax Law and compare the amount of Arm's Length Price and Total Income of R Ltd. **[(3+4)+8=15]**

6. (a) Smile Ltd. is a wholly-owned subsidiary company of Happy Ltd. Smile Ltd. owns Plant-A and Plant-B (depreciation rate 40%, depreciated value of the block ₹ 3,00,000 on 1st April, 2022). Plant-B was purchased and put to use on 10th November, 2020 (cost being ₹ 70,000). Plant-B is transferred by Smile Ltd. to Happy Ltd. on 14th December, 2022 for ₹ 20,000. It is put to use by Happy Ltd. on the same day. Happy Ltd. owns Plant-C on 1st April, 2022 (depreciation rate 40%, depreciated value ₹ 60,000).

Assess the amount of depreciation in the hands of Smile Ltd. and Happy Ltd. for the assessment year 2023-24 in accordance with the related provisions of Law.

- (b) State the disclosure requirements of ICDS III. **[9 + 6 = 15]**



**FINAL EXAMINATION**  
**MODEL QUESTION PAPER**  
**PAPER - 15**

**SET 1**

**DIRECT TAX LAWS AND INTERNATIONAL TAXATION**

7. (a) 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.

- (b) Sri Sen, 20 years, went to England from India for higher education on 1st December, 2019. So long he was in England, he had a residence in India. In winter vacations, he came twice to India. First time he came on 1st January, 2021 and stayed for 20 days, and second time he came on 15th December, 2021 and stayed for 25 days. After completing the education, he came back to India forever on 30th December, 2022.

On 01/01/2023, he got the job in Ram Ltd. for a monthly salary of ₹ 1,00,000. His salary has credited into his bank account on the last day of the month.

During the previous year 2022-23, he also earned saving bank interest of ₹ 13,360/- . In order to save tax, during the year, he has also invested ₹ 50,000 in PPF.

On the basis of aforesaid information, you are requested to suggest Sri Sen on the following issues:

- (i) What is the residential status of Sri Sen for the previous year 2022-23?
- (ii) What is his total income?
- (iii) Is he required to file return of income for the A.Y. 2023-24?
- (iv) If in case, he is required to file return of income, please suggest, in which ITR he is required to file his return of income. [5 + 10 = 15]

**SECTION - C**

8. (a) Mr. Amin, furnishes you the following particulars of income for previous year 2022–23:

Particulars	₹
Income from business in India (computed)	11,00,000
Dividend received from Company incorporated in Country X (gross)	2,00,000
Royalty income from writing text book for schools in Country Y (gross)	6,00,000
Expenditure incurred for authoring text book	50,000
Business loss in Country Y (gross)	2,50,000
Health insurance premium paid for his father (age 67) a resident in India (His father is not dependent on Mr. Amin)	30,000



**FINAL EXAMINATION**  
**MODEL QUESTION PAPER**  
**PAPER - 15**

**SET 1**

**DIRECT TAX LAWS AND INTERNATIONAL TAXATION**

The business loss in Country Y is eligible for set off against other income as per the Income-tax law of that country.

There is no DTAA between India and Country “X” and Country “Y” given above. The rate of tax in Country “X” and Country “Y” may be taken as 10% and 25% respectively any threshold exemption limit).

On the basis of aforesaid information, you are requested to submit a report highlighting the qualifications of your answer which should be integrated with related tax laws w.r.t. the following:

1. What will be his tax liability before any relief u/s 90 or 91?
  2. What is his average rate of tax?
  3. State the eligible amount of relief u/s 90 or 91
- (b) Following is the profit and loss account of Z Ltd. for the year ended on 31-3-2023

<b>Particulars</b>	<b>Amount</b>	<b>Particulars</b>	<b>Amount</b>
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		
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 2020-21, turnover of the company was ₹ 250 crores only.
3. In past few years, company had suffered losses, following balances are still unabsorbed:

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

Formulate the tax liability of the company and also highlight the possible causes for which the company must have suffered losses in the past few years and submit a report by integrating the related provisions of Tax Laws with the facts of the case.

**[8+8 = 16]**