



The Institute of Chartered Accountants of India

Code: FN7DL566609
 Subject : Direct Tax Laws & International Taxation

Total Marks: 70
 Marks Obtained : 47.5

Number of Answer Books used : Main + 2 additional sheets

For use by ICAI only

566609



04 DEC 2020

ICAI

Q.No.	To be ticked (✓) by the candidate against the Questions answered	Marks Awarded (To be filled by Examiner)					Total
		a	b	c	d	e	
1	✓						
2	✓						
3							
4	✓						
5	✓						
6	✓						
7							
8							
9							
10							
11							
12							
13							
14							
Total							

Use only Blue / Black Ball Point Pen to write and shade the circles.
AVOID RED PEN.
 Write the marks in the boxes before shading the respective circles.

Total Marks awarded

0	0
1	1
2	2
3	3
4	4
5	5
6	6
7	7
8	8
9	9

Total Marks awarded (in words) _____

Examiner's Signature _____



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INSTRUCTIONS TO THE CANDIDATE

Answers are not to be written on this page

1. Roll number should be written in figures and words in the allotted space at the right hand corner of the answer sheet only and nowhere else including additional answer book/s and graph paper.
2. Roll number should be written in the box in numbers and darken the appropriate circles of the OMR portion provided in the right hand corner of the cover page with **Black / Blue** ball point pen.
3. Fill particulars such as name of Examination up No., Paper No. and subject at the appropriate space at the left hand upper corner.
4. Remove the Bar Code sticker of the particular paper from the Attendance sheet and affix the same on the box provided in the right hand corner of the cover page.
5. Since a machine will read the Roll no., please check and ensure that Roll number written in numbers, words and circles darkened are correct. In case any candidate fills this information wrongly, Institute will not take any responsibility for rectifying the mistake.
6. The answers should be written neatly and legibly
7. The answer to each question must be commenced on a fresh page and question number prominently written at the top of each answer. Alternatively, the question number should be distinctly written in the margin.
8. The answer to each question in all parts should be fully completed in one page or in a consecutive set of pages, before the next question is taken up.
9. Writing of Roll number in place/s other than the space provided for the purpose or writing distinguishing mark, symbols like "OM", "Sri", "Jesus", "786", etc., will tantamount to adoption of "unfair means"
10. Before submission of answer book to the invigilator take care to score out (X) blank pages, if any, that you might have left.



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	Particulars.	Amount. (₹ in Lakhs).
(Q.1)	MP Ltd	
	Net Profit as per P/L.	560,00,000 560
	Add:	
	Expenses not allowable but debited to P/L.	
	i) Depreciation.	52 <input style="width: 30px;" type="text"/>
	ii) Contribution to Scientific Laboratory [as considered separately]	2.5 <input style="width: 30px;" type="text"/>
	iii) Payment to M/S Bansal Transport. [These Expenses are eligible as payment made to a transport operator having upto 10 carriages and furnishes PAN] [No disallowance under 40(a)]	— <input style="width: 30px;" type="text"/>



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		4	
	iv)	Bonus to staff. [It is of the year. 2018-19 but as 43B disallowance would have been attracted in last PY and hence 100% deduction in current year]	5 —
2	1Step1	v) Interest for plant and Machinery. [Interest of ₹5L shall be added to the cost of the asset as it was incurred specifically for such asset and before such asset was put to use. Hence should be capitalised as per ICDS and sec 43B]	5 <input type="text"/>
2	1Step2	vi). Bad debts. [as the debtor has become insolvent, such bad debts are allowable under 36 and as already debited no further adjustment]	— <input type="text"/>

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vii)	Payment made for specified online services without deduction of Equilisation levy of 6% [Such amount is entirely unallowed. As it is paid to a Non resident having no PE in India and is a specified online service, Equilisation levy of 6% should have been deducted. Non deduction attracts 100% disallowance]	5 <input type="text"/>
viii)	Expert opinion on new Business set-up 2 Step 3. These are expenses not related to existing Business as they are capital in nature and are for new business establishment]. Less: Amount credited to P/L but not considered income.	2 <input type="text"/>
i)	Industrial power tariff concession [This is in revenue nature and hence shall be treated as Business	— <input type="text"/>



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		6	
2	1Step4	income. As already credited to P/L no further adj] (Sec 28)	
	ii)	Profit on sale of land. [Capital gains shall be considered separately]	(8)
2	1Step5		
	ii)	Additional compensation due to interim order for compulsory acquisition of land. [Not a Business income and hence considered separately].	(5)
		Less: Expenses eligible for deduction but not debited to P/L.	
1.5	1Step6	Natural depreciation.	(71)
	ii)	Debt issue expense. (Issue of debt is in the course of Business and as per relevant case law an eligible Business expense which shall be allowed as deduction) [1500L x 3% = 45L]	(45)



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<p>11.5¹</p> <p>iii)</p>	<p>Purchase of cotton.</p> <p>[These are business expenses which are not recorded in the Books but are otherwise eligible. It is assumed that assessee is following mercantile accounting system]</p>	<p>(3)</p> <p><input type="text"/></p>
<p>iv)</p>	<p>Contribution to National Labouratory.</p> <p>[eligible for deduction u/s 35 @ 150% of expenses]</p> <p><input type="text"/></p> <p>Add:</p> <p>Expenses not eligible for deduction.</p>	<p>(3.75)</p> <p><input type="text"/></p>
<p>i)</p>	<p>Purchase of Cotton Bales.</p> <p>(As the expenditure in excess of the fair value, the excess amount is not eligible for deduction. u/s 4[2])</p> <p>[1000 B x (500 - 4600)]</p> <p>(It is presumed that purchase of Bale @ 50L is debited to P/L)</p>	<p>4</p> <p><input type="text"/></p>
<p>6¹ Step 7</p>		<p>494.75</p>



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Total Business Income .

494.75

Notes :

i) Transfer to 100% subsidiary Co. ARM Ltd is an exempt transfer u/s 47 and hence no capital gain on the same shall be attracted.

ii) Depreciation is assumed to have effect of ₹5L as no information about the date of loan/ date of put to use of machinery is given. Alternatively, if the loan is assumed to be taken at the start of the year, then entire 5 would be entitled to Normal depreciation of $5 \times 15\% = 0.75L$ and additional depreciation of $5 \times 20\% = 1L$.

Business Income shall vary accordingly.



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iii) Additional compensation as per Tribunal order would be taxed under capital gains as it is related to compulsory acquisition of land.



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	Particulars.	Amount
Q.2		
11.5		
	Gross receipts from Hospital.	860.
	[560 - <input type="text"/> - 8]	542.
	(Corpus donation and anonymous donation are excluded from total receipt as they are not to be considered for income application)	
	Gross receipts from Rehab Centre.	220
	Grant from state Govt.	<input type="text"/>
1.5	2aStep1	
	Exempt portion of Anonymous donation (WN iii).	1.4
1	2aStep2	
	Total Income.	770.9
	(-) deemed application of 15%	(115.635)
	Income to be applied in PY.	655.265



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11	
	Less:
	<u>Income Application</u>
	i) Admin. exp. of hospital. 335 L <input type="text"/>
	ii) Admin exp of Rehab Centre. 138 L <input type="text"/>
2	iii) Cost of land & Building. 150 L <input type="text"/>
2aStep3	iv) Amount donated to Jan Kalyan Trust. 11 L.
	(It is given out of hospital's corpus donation but not as a corpus donation to such trust and hence can be considered as application).
	v) Repayment of Loan. 6.65 L <input type="text"/>
	Less: Amount disallowed to be treated as application (3.6) <input type="text"/>
	for non deduction of TDS u/s 40(a). [12,00,000 x 30% = 3.6 L]
	Total Income applied (637.05) in current year

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		12	
7.5	2a	Income not applied in current year	18.215
1	2aStep4	'-) Amount accumulated u/s 11(2) (Note vii)	(15) <input type="text"/>
		Income taxable in current year.	3.215
1	2aStep5	+) Anonymous Donation. Taxable u/s 115BBF. (Note(iii))	6 <input type="text"/>
		Total Income of Trust. for the AY 2020-21.	9.815
		Tax Liability.	
1	2aStep6	Anonymous Donation u/s 115BBF (Taxable @ 30%)	198.000 <input type="text"/>
		Balance Taxable as per Slab Rates.	3575



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Total Tax Payable	201,575
+ HEC (4%)	8063.
	209,638

Total Tax Payable = 209,640 (R/O).

NOTES:

- i) Voluntary contributions and anonymous donation are treated a part of the Total Receipts of the Hospital.
- ii) Corpus donation are not to be treated as income as they are received for specific purpose and hence are liability. Hence they are excluded from gross receipts.
- iii) Anonymous donation received by a Trust other than wholly religious trust shall be taxable



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under sec 115BBF.

Accordingly,

$$\begin{aligned} \text{Total Donations} &= 20 + 8 \\ (\text{Voluntary} + \text{Anonymous}) &= 28. \end{aligned}$$

Exempt as per 115BBF.

↑ 50% of Total Donation
100,000

Hence Exempt = 1.4 Lakhs.

Balance shall be taxable
i.e. 8 - 1.4 (66) shall be taxable
@ 30%.

- iv) As per SC Judgement, total receipts shall be considered for the purpose of deemed application of 15%. Hence Exempt portion of anonymous donations as well as grant received is considered. Alternative view can also be taken and pure receipts shall be considered accordingly.



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v) As Trust is following cash system, fees not realized from patients are not to be treated income.

vi) If the Trust is unable to apply its entire income in the current year, such income or part of it can be accumulated as per 11(2) by filing Form 10 on or before due date of return.

Such amount shall be invested in specified securities as per 11(5). As only 1L is invested out of the total amount of 2L set apart, Amount eligible for accumulation is ₹ 1L only.

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4

D. 2 b)
2b

i)

a)

As per newly added sec 194N,

2

2bStep1

(a) withdrawals from Bank in
excess of ₹1 crore shall be
liable for TDS deduction @ 2%
in excess of ₹1 crore.

This section is applicable from 1/1/19. Hence
before 31/8/19 any withdrawal before
31/8/19 shall not attract TDS but
the same shall be included for
the purpose of calculation of the
limit of ₹1 crore.

b).

As M/s Kashish Ltd is withdrawing
₹10 lakhs in cash every month.

It withdrawal exceed ₹1 crore
in the month of ~~November~~ when
total February

withdrawal amounts to. (10 lakhs
x 11 months) = 1.1 crore.

2

2bStep2

Hence bank shall deduct TDS @ 2%

on such withdrawal in the
month of February and March
amounting to. 10,00,000 x 2%

20,000 for each month respectively.



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- c) As the payment made by M/s Kashdash (P) Ltd do not exceed ₹ 10,000 per day in respect of any invoice paid to a person, the same shall not be disallowed u/s 40 A(3). However where there are any other expenses related to event management of Kashdash which attract relevant provision of Chap. XII the same shall be deducted and deposited by Kashdash.





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Q4 y. 4
a).

MAT computation for
Mahadev & Sons Ltd.

Net Profit as per P/L.
for year. 31/3/2020. 27.

Add: Items debited to P/L
but not eligible u/s 115JB

2.5	4aStep1	i) Current Year depreciation. (to the extent of revaluation)	5
		ii) Income Tax	6
		iii) Provision for unascertained liability.	3
			14
		Less: Items credited to P/L. but not eligible u/s 115JB	
		i) Net Agriculture Income in India [as taxable u/s 10(1)]	11

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6

4a

3

4aStep3

Amount withdrawn from
 Reval. Reserve.
 (to the extent of depreciation)

5

(16)

Hence, Book profits before
 deduction of Busⁿ loss/
 unabsorbed depreciation.

25

→ Business loss. 10 Lakhs.
 or
 unabsorbed depre 13 lakhs
 ciation.

(10)

0.5

4aStep2

Book profits as per IISJB

15 lakhs

Notes:

i) Income and expenses related to IOAA
 are not eligible for deduction
 and hence no effect of same.

ii) Interest to Bank unpaid upto return
 filing due date or penalty for
 infraction of Law do not affect Book
 profit.



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iii) Similarly LTCG otherwise taxable
 u/s 112A is also not required to be
 excluded.

iv) Amount withdrawn from reserve
 is not ~~added~~^{reduced} back as at the
 time of creation of the same was
 not added to Book profits.

Q. 4
 b).

2 4b

Round trip financing means
 an financing arrangement
 where an entity advance loan
 to an enterprise where such
 other enterprise further advances
 any loan or guarantee to
 any other enterprise which
 is associated with the 1st
 enterprise.

1 4bStep1

1 4bStep2

Round Trip financing transaction
 are generally undertaken
 with a view to reduce the
 tax burden of the overall group.

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Q.4
4c

DO NOT WRITE ANYTHING HERE

4cStep1

4cStep2

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

As the assessment of M/s Manish and Co, was initiated by AO u/s 276CC where return u/s 139(1) was not filed by M/s Manish and Co, the same order of the assessment passed by AO shall be appealable with CIT. within 30 days of the receipt of the order. Now CIT has granted the relief in part and hence the assessing officer has validly given effect of the order passed by CIT and Bal Tax of ₹ 8500 is payable by Manish and Co.



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5.5

Q5

P.S
a)

→ As the trust is created solely for the benefit of Mr. Lal Singh and his family members, it is not eligible for deduction u/s 11.

Accordingly such trusts shall be taxed as an association of persons or Body of Individual.

1

5aStep1

As the beneficiaries of trust have no other income, it means all members of AOP/BoI have their income below basic Exemption limit and in such case, entire income of totakus shall be taxable in the hands of ~~trust~~ AOP.

If the members had income below BEI then their share of income will be added to their total income and they would receive an exemption at average tax rate.



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3

5a

Tax liability of Lal Singh Welfare Trust.

Total Income. 10,00,000.

2

5aStep2

Tax as per slab rates. 112,500
+ HEC @ 4%.

117,000

If father of Mr. Lal Singh was receiving monthly pension of ₹25,000, in such case he would have an income of $25,000 \times 12 = 300,000$.

Now if he is a senior citizen with age of 60 years or above, then BEI for him is 300,000 or 500,000 respectively.

But if he is not a senior citizen, in such case as the member of AOP/BOI have income above basic exemption limit, Lal Singh Trust would be charged @ MMRT (42.4744%) and such income would be exempt



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in the hands of member v/s 86.

In such case tax liability
of Lal Singh Teest
= ₹ 427,3440

Q.5
b)

Case I: Sujata is resident of Both countries and India has a DTAA with such country.

In such a case, provisions of DTAA as beneficial to the Assesse would be applicable.

As per ~~DTAA~~ sec 90, if India has DTAA with another country, any income deem to accrue or arise in such country shall be

- i) either exempt.

- ii) Tax payable in that country would be allowed as credit.



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Hence, tax payable by Sujata would be.

Income from Business in India.	575,000
-----------------------------------	---------

Gross Total income.	575,000
---------------------	---------



5bStep1

→ Chp VI A deduction. 80D (limited upto 25,000 as premium for mother who is non resident).	(25,000)
--	----------

Net Taxable income.	550,000
---------------------	---------

Tax on above.	23,400
---------------	--------

14,00,000 would be taxable in other country as it is earned and accrued there.



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1.5 5b

Case II: where there is no DTAA with that country.

0 5bStep2

In such case unilateral relief u/s 91 shall be allowed, subjected to conditions.

Particulars	Amt.
-------------	------

Income from Business.

• In India	₹ 5,00,000
	575,000

• outside India.	14,00,000
------------------	-----------

Gross Total Income.		19,75,000
---------------------	--	-----------

- Ded ⁿ u/ Chap VIA.		
80D Medical premium		(25,000)

1.5 5bStep3

Net Taxable Income.		19,50,000
---------------------	--	-----------

Tax on above		413,400
--------------	--	---------

- Unilateral relief u/s 91 (WN 1)		(280,000)
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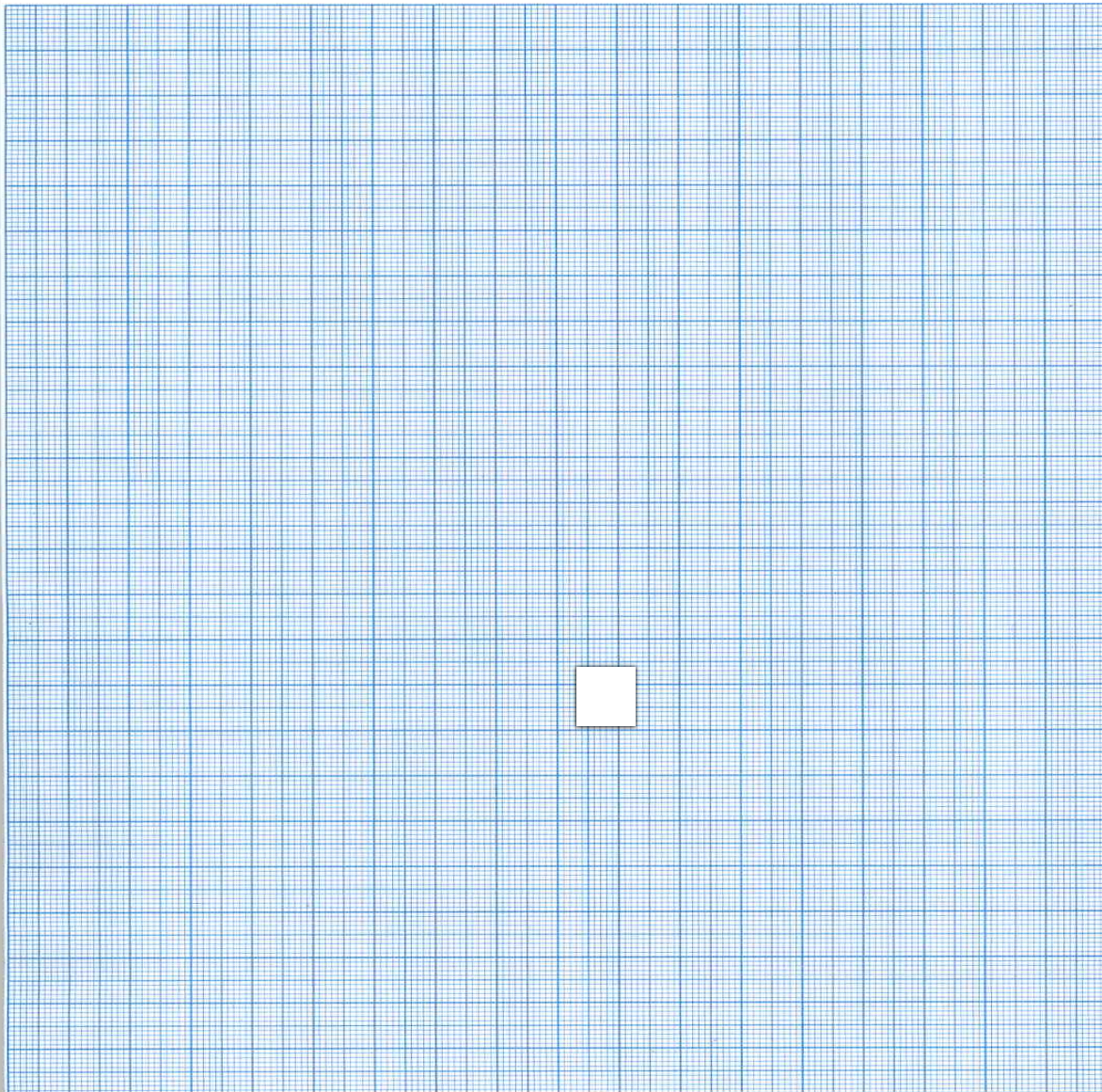


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~~tax~~ Balance Tax Payable
 by Sujata. 133,400.

Unilateral relief u/s 91.

Tax rate in India. 21.2%
 $\left(\frac{413,400}{19,50,000} \right)$

Tax rate in Foreign Country. 20%

Doubly taxed Income x 20%
 $= 14,00,000 \times 20\%$
 $= 280,000$

Relief u/s 91 = 280,000



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Addl. Book No. ①



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
ADDL. BOOK

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ADDITIONAL ANSWER BOOK

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①

11.5 c).

5c

If during the course of assessment u/s 148 the assessing officer comes across any fresh grounds which were not present at the time of initiation of sec 148 and the reasons for the same are not mentioned in response to sec 148,

the same can be taxed in the reassessment whether or not, the original grounds are maintained.

This was held in the case of Mehak Finvest Pvt. Ltd. However contrary judgement was given in Rambaxy Laboratory case where if the original income is not taxed any additional income cannot be taxed in the same assessment.



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Q6 (p. 6 a).

If Al Kuber is a company incorporated outside India, then it would be treated as resident if majority Board meetings are held in India if it fulfills the Active Business outside India test.

Condition 1:

Passive Income is not more than 50% of total income.

$$\text{Passive Income} = 45 + 80 + 560 + 320 = 1005$$

$$\text{Total Income} = 730 + 1370 + 560 + 320 = 2980$$

% = 33.72%, Hence it satisfies Condition 1.

2

6aStep1



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Condition 2: Assets ^{in India} amount to $\leq 50\%$ of total ass.

Assets in India = 2525

Total assets = 6150

Assets in India constitute $\leq 50\%$ of Total assets.

% = 41.06%

Hence, this condition is also fulfilled.

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Condition 3: Employee in India amount to $\leq 50\%$ of total employees.

No. of employees % = $\frac{70}{160}$

= 43.75%

This test is also fulfilled.

2

6aStep2

Condition 4: Payroll expense in India amount to $\leq 50\%$ of total Expense.

Payroll expense = $\frac{940}{2190}$

= 42.92%

This test is also fulfilled.

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6a

As it is satisfying, Active Business outside India test,

1

6aStep3

It will be resident in the country where majority Board meetings are held.

As they are held in Dubai, it'll be non resident in India

1

6b

0

Q. 6 b)
6bStep1

In case of transfer of property to major child, as the same is validly in his name, the property of Mr. Anand has been transferred to his son back in July 2002. Hence, such transfer is not made with a view of escaping from the recovery proceedings and the same is not allowed to be attached.

1

6bStep2

Action of TRO in attaching Jaipur property is incorrect.



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Addl. Book No. 2

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 ADDL. BOOK

DO NOT WRITE ROLL NUMBER ANYWHERE IN THIS
 ADDITIONAL ANSWER BOOK

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Q.6 c).

2

6cStep1

As M/s TD Inc, hold more than 26% in both the companies, ND Ltd and TY Inc are associated enterprises.

Further loan of 90 crores is guaranteed by associated enterprise, attracting the provision of sec 94F (Thin capitalisation).

Accordingly only 3 Interest Exp of 30% of EBITDA shall be treated as interest expense in current year and Bal shall be carried forward for 8 asst. years.




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5	6c	Hence.	(marks)
		Net Profit after Tax, Int, depre.	11
		+ Interest (90 x 10%)	9
		+ Tax	4
		+ Depreciation	5
		EBITDA	29
3	6cStep2	$30\% \text{ of EBITDA} = 29 \times 30\%$ $= 8.7$	
		Hence of 9 marks, 8.7 marks is allowed and Bal. 0.3 marks is disallowed. Bush Expense.	
		Taxable IBFP	11
		+ disallowed Bush exp (9 - 8.7)	0.3
		Income from Business.	11.3
		Bal 0.3 shall be carried forward for 8 asst. years.	



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Result Overview

Awarded Marks: 47.5

Max Marks:70

NA Not Attempted

O Optional

M Marked

Q1 Compulsory (Score: 11.5/14)

Question No	Awarded Marks	Maximum Marks	Status
1	11.5	14	M

Q2_Q6 (Score: 36/56)

Question No	Awarded Marks	Maximum Marks	Status
Q2	11.5	14	M
2a	7.5	10	M
2b	4	4	M
Q3	0	14	O
3a	0	6	O
3b	0	2	O
3c	0	6	O
Q4	8	14	M
4a	6	6	M
4b	2	4	M
4c	0	4	M
Q5	5.5	14	M
5a	3	6	M
5b	1.5	6	M
5c	1	2	M
Q6	11	14	M
6a	5	5	M
6b	1	4	M
6c	5	5	M

OMR ANSWER SHEET

Use Only H.B Pencil to darken the appropriate Circle.

Use Black Ball point pen to write in the Boxes

Roll Number

2	5	1	9	5	3
1	1	1	1	1	1
<input checked="" type="radio"/>	2	2	2	2	2
3	3	3	3	3	<input checked="" type="radio"/>
4	4	4	4	4	4
5	<input checked="" type="radio"/>	5	5	<input checked="" type="radio"/>	5
6	6	6	6	6	6
7	7	7	7	7	7
8	8	8	8	8	8
9	9	9	<input checked="" type="radio"/>	9	9
0	0	0	0	0	0

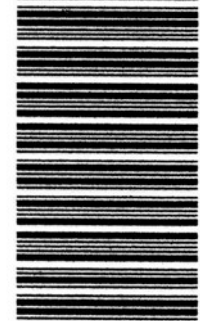
Paper No. (See Reverse)

7
2
3
4
6
<input checked="" type="radio"/>
8

Paper Code

L	F	D	1
A	A	A	
B	B	B	
C	C	C	
D	D	<input checked="" type="radio"/>	
E	E	E	
F	<input checked="" type="radio"/>	F	
G	G	G	
H	H	H	
I	I	I	
J	J	J	
K	K	K	
<input checked="" type="radio"/>	L	L	
M	M	M	
N	N	N	
O	O	O	
P	P	P	
Q	Q	Q	
R	R	R	
S	S	S	
T	T	T	
U	U	U	
V	V	V	
W	W	W	
X	X	X	
Y	Y	Y	
Z	Z	Z	

OMR Sheet No.



7068862

MCQ Booklet Serial No.

4	2	6	3	9	1	8
1	1	1	1	1	<input checked="" type="radio"/>	1
2	<input checked="" type="radio"/>	2	2	2	2	2
3	3	3	<input checked="" type="radio"/>	3	3	3
<input checked="" type="radio"/>	4	4	4	4	4	4
5	5	5	5	5	5	5
6	6	<input checked="" type="radio"/>	6	6	6	6
7	7	7	7	7	7	7
8	8	8	8	8	8	<input checked="" type="radio"/>
9	9	9	9	<input checked="" type="radio"/>	9	9
0	0	0	0	0	0	0

Level of Exam

Final
INTERMEDIATE <input type="radio"/>
FINAL <input checked="" type="radio"/>

Stream

New
OLD <input type="radio"/>
NEW <input checked="" type="radio"/>

Signature of Candidate with Pen

Man

Signature of Invigilator with Pen

Si

SPACE FOR SEAL STAMP

DATE OF EXAM

04 DEC 2020

1	A	<input checked="" type="radio"/>	C	D	16	<input checked="" type="radio"/>	B	C	D
2	<input checked="" type="radio"/>	B	C	D	17	A	B	C	<input checked="" type="radio"/>
3	<input checked="" type="radio"/>	B	C	D	18	A	<input checked="" type="radio"/>	C	D
4	A	<input checked="" type="radio"/>	C	D	19	<input checked="" type="radio"/>	B	C	D
5	A	<input checked="" type="radio"/>	C	D	20	A	B	<input checked="" type="radio"/>	D
6	A	B	<input checked="" type="radio"/>	D	21	A	<input checked="" type="radio"/>	C	D
7	A	B	<input checked="" type="radio"/>	D	22	A	B	<input checked="" type="radio"/>	D
8	A	B	C	<input checked="" type="radio"/>	23	<input checked="" type="radio"/>	B	C	D
9	A	<input checked="" type="radio"/>	C	D	24	A	B	C	D
10	A	B	<input checked="" type="radio"/>	D	25	A	B	C	D
11	A	B	<input checked="" type="radio"/>	D	26	A	B	C	D
12	A	B	<input checked="" type="radio"/>	D	27	A	B	C	D
13	A	B	C	<input checked="" type="radio"/>	28	A	B	C	D
14	A	<input checked="" type="radio"/>	C	D	29	A	B	C	D
15	A	B	<input checked="" type="radio"/>	D	30	A	B	C	D

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