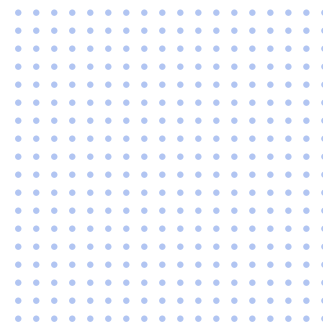




FOR CMA FINAL EXAM PREPARATION

CMA Final 2024 Question Paper · Paper 15 Direct Tax Laws And International Taxation

EXAM	YEAR	TYPE
CMA Final	2024	Question Paper

SUBJECT	DATE
Paper 15 Direct Tax Laws And International Taxation	December 2024

FINAL EXAMINATION

December 2024

P-15(DIT)
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.
Wherever considered necessary, suitable assumptions may be made and
clearly indicated in the respective answer.
All workings must form part of the relevant answer.

Section – A**(Answer Question No.1 which is compulsory.)****1. Choose the correct alternative from the four alternatives given:****2×15=30**

- (i) Ganesh (P) Ltd. is engaged in manufacturing activity. It is covered by section 115BA. For the assessment year 2024-25, its total income computed as per section 115BA is ₹ 24 lakhs and its book-profit computed as per the provisions of section 115JB is ₹ 45 lakhs. How much is the final tax liability of Ganesh (P) Ltd. (including Surcharge and HEC)?
- (A) ₹ 6,24,000
 (B) ₹ 3,74,400
 (C) ₹ 7,02,000
 (D) ₹ 9,36,000
- (ii) What is the maximum time limit for rectification of any mistake which is apparent from the record in an order passed by the Assessing Officer?
- (A) 4 years from the end of the financial year in which the order was passed.
 (B) 2 years from the end of the financial year in which the order was passed.
 (C) 1 year from the end of the financial year in which the order was passed.
 (D) There is no time limit.
- (iii) Under which section interest shall be charged for deferment of advance tax?
- (A) Section 234A
 (B) Section 234B
 (C) Section 234C
 (D) Section 234D

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(2)

- (iv) Chaitanya, a resident is employed in a multinational company as General Manager. He paid for his residence ₹ 60,000 as monthly rent throughout the financial year 2023-24. Which of the following statement is correct?
- (A) Liable to deduct TDS @ 10% since the annual rent exceeds ₹ 2,40,000.
 (B) Liable to deduct TDS @ 5% every month, since rent exceeded ₹ 50,000 per month.
 (C) Rent payment being a personal expenditure, it is not liable for tax deduction at source.
 (D) Liable to deduct tax at source @ 5% on the total rent paid during the year in the month of March, 2024.
- (v) Naveen employed in a FMCG company constructed a residential house property meant for self-occupation. He availed a bank loan of ₹ 60 lakhs. The loan was sanctioned on 01.04.2021. Interest on loan for the financial year 2023-24 amounts to ₹ 3,50,000. Naveen actually paid ₹ 2,50,000 towards interest up to 31st March, 2024. How much of the amount of interest is eligible for deduction for the assessment year 2024-25 in case he has opted out of default regime contained in section 115BAC (1A)?
- (A) ₹ 2,00,000 under section 24
 (B) ₹ 2,50,000 under section 24
 (C) ₹ 2,00,000 under section 24 and ₹ 1,50,000 under section 80EEA
 (D) ₹ 2,00,000 under section 24 and ₹ 50,000 under section 80EE
- (vi) Which of the following cannot be adjusted in computation of total income while processing the return of income (ITR) under section 143(1)?
- (A) An incorrect claim made which is apparent from any information in the ITR
 (B) An arithmetical error in the ITR
 (C) Any income appearing in Form 26AS which has not been included in total income
 (D) Any expenditure disallowed in audit report but not adjusted while filing return of income
- (vii) In the assessment of X Co (P) Ltd., the Assessing Officer made an addition of ₹ 12 lakhs. The tax payable was ₹ 3,12,000 and interest payable was ₹ 98,000 for the addition made. The addition is covered by misreporting of income contained in section 270A(9). How much is the penalty leviable under section 270A in respect of the misreported income?
- (A) ₹ 6,24,000
 (B) ₹ 3,12,000
 (C) ₹ 4,10,000
 (D) ₹ 1,56,000

(3)

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- (viii) Dave Ltd., an Indian company, deducts TDS from salary of its employees. To avoid interest and penalty, it always deposits the TDS to the credit of the Central Government 5 days before the prescribed 'due date'. What would you call this act of remittance of TDS amount?
- (A) Tax Planning
 - (B) Tax Evasion
 - (C) Tax Avoidance
 - (D) Tax Management
- (ix) Ketan a resident individual acquired an apartment in Singapore during the financial year 2020-21 and only 50% of its acquisition price was disclosed to the Income-tax authorities in India. The fact of non-disclosure of the asset's full acquisition price came to the notice of the Assessing Officer in April, 2023 and a notice under section 10 of the Black Money Act, 2015 was issued in June, 2023. What is the time limit for passing the order to tax the undisclosed foreign asset under the Black Money Act, 2015?
- (A) 31st March, 2024
 - (B) 31st March, 2025
 - (C) 31st March, 2026
 - (D) 31st December, 2024
- (x) Income tax assessment under section 143(3) in the case of Mohit (P) Ltd. for the assessment year 2022-23 was completed with ALP adjustment of ₹ 200 lakhs being added to its total income. Mohit (P) Ltd. accepted the ALP adjustment in the assessment but does not want to make secondary adjustment. How much is the additional income-tax payable by Mohit (P) Ltd. to avoid making secondary adjustment in the books of account?
- (A) ₹ 62,40,000
 - (B) ₹ 52,00,000
 - (C) ₹ 41,93,280
 - (D) ₹ 37,44,000

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- (xi) The Assessing Officer (AO) referred an international transaction for ₹ 3 crores entered into by Anuj (P) Ltd. with HIJ Inc., an associated enterprise (AE). In the same financial year, Anuj (P) Ltd. has entered into similar transactions with AST LLP of Singapore, [an AE] for ₹ 4 crores, and with RST LLP of Hong Kong [also an AE], for ₹ 12 crores. What is the scope of power of the Transfer Pricing Officer (TPO) as regards determination of ALP in respect of international transactions entered into by Anuj (P) Ltd.?
- (A) The TPO can determine ALP only in respect of the transaction which was referred to him by the AO.
- (B) The TPO can determine ALP in respect of any other international transaction whose value exceeded ₹ 5 crores, even though it was not referred to him.
- (C) The TPO can determine the ALP of any other international transaction whose value exceeded ₹ 10 crores, even though it was not referred to him.
- (D) The TPO can determine the ALP in respect of any other international transaction also, which comes to his knowledge, regardless of the value.
- (xii) Robert (non-resident), a famous tennis player, came to India to play in a tennis tournament. He stayed in India for 31 days during the financial year 2023-24. He earned ₹ 10,00,000 as participation fee from the organizers of the tournament. He earned no other income in India during the financial year 2023-24. How much is the tax deductible at source under section 194E for the income earned by Robert in India?
- (A) ₹ 3,12,000
- (B) ₹ 2,08,000
- (C) ₹ 1,04,000
- (D) No tax is deductible on such payment to non-resident sportsman.
- (xiii) The order of the Transfer Pricing Officer in determining the arm's length price of an international transaction is binding on which of the following?
- (A) Assessing Officer
- (B) Commissioner of Income-tax
- (C) Commissioner of Income-tax (Appeals)
- (D) Both Assessing Officer and Commissioner of Income-tax

(5)

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- (xiv) Lekha & Co LLP having entered into international transactions did not obtain and furnish report from the accountant for the assessment year 2024-25. How much is the penalty leviable under section 271BA of the Act?
- (A) ₹ 10,00,000
(B) ₹ 5,00,000
(C) ₹ 1,50,000
(D) ₹ 1,00,000
- (xv) Which Model of DTAA is generally followed by India when it enters into double taxation avoidance agreements with other countries?
- (A) UN Model
(B) UK Model
(C) US Model
(D) OECD Model

Section – B

Answer any five questions from Question No.2 to Question No.8.

Each question carries 14 marks.

14×5=70

2. M/s Devi (P) Limited is engaged in the business of manufacturing of leather goods and articles. Its Net Profit as per Statement of Profit and Loss was ₹ 43,45,000 for the year ended 31st March, 2024 after considering the following items:
- (i) Raw material purchase includes a purchase from WS & Co LLP for ₹ 15 lakhs on 12th March, 2024. WS & Co LLP is a micro enterprise as per MSMED Act, 2006. A sum of ₹ 8 lakhs was paid on 20th March, 2024 and the balance was paid on 10th July, 2024. There is no agreement or valid reason for the delayed payment made.
 - (ii) One Senior Manager of the company Atul went on a business trip to foreign country and he died there in road accident. The company paid gratuity voluntarily to his dependent amounting to ₹ 10 lakhs. It was claimed as business expenditure.
 - (iii) Advertisement expenditure paid ₹ 2.50 lakhs to Surya LLP, in which one of its directors is a designated partner. Similar advertisement expenditure was incurred for ₹ 1,90,000 being the payment to Moon LLP an unrelated party. For both the expenses, tax was deducted and remitted promptly.

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- (iv) Late fee for delayed filing of TDS quarterly statement under section 234 E ₹ 10,000 and interest under section 201(1A) ₹ 25,000 debited as general expenses.
- (v) Employees Provident Fund recovered from salary of the month of August 2023 ₹ 60,000 was remitted on 16th October, 2023 and of March 2024 ₹ 40,000 was remitted on 20th August, 2024. Such recoveries shown as credit in Statement of Profit and Loss.
- (vi) Employer's contribution to provident fund of similar amounts were also remitted on the same date as stated in (v) above. These amounts are debited in the Statement of Profit and Loss.
- (vii) On the occasion of New Year (i.e.01.01.2024), the company gave one laptop to each of its 10 distributors. The cost of laptops was ₹ 60,000 each. The company did not deduct any amount by way of tax deduction at source for the laptops given to the distributors. The cost of laptops were debited to the Statement of Profit and Loss under the head 'sales promotion expenses'.
- (viii) One machinery was acquired on 10th September, 2023 for ₹ 15.50 lakhs for which payment was made through banking channels and ₹ 1,50,000 was incurred by way of expenses for its installation by making payment through UPI. The said machinery was previously used by a foreign company outside India for six years. The machinery was put to use from 25th September, 2023 and the company had claimed depreciation @15% and additional depreciation @20%.
- (ix) Annual bonus debited to Statement of Profit and Loss ₹ 15 lakhs. The same was unpaid till the date of filing of ITR [which actually was filed on 3rd December, 2024 for the assessment year 2024-25].
- (x) Donation to registered political party by net banking ₹ 1,80,000 and by cash ₹ 20,000 debited in the Statement of Profit and Loss.
- (xi) A sum of ₹ 5 lakhs was waived by an NBFC, compromising ₹ 3.80 lakhs towards principal and ₹ 1.20 lakhs for interest as part of one-time settlement. Interest amount waived is credited to Statement of Profit and Loss. The principal amount waived was credited to Capital Reserve. The said loan was originally obtained for acquiring a vacant site.

You are required to compute the total income of M/s Devi (P) Limited for the assessment year 2024-25. Give brief reasons for treatment of each item given above. 14

Note: Ignore provisions of sections 115BA / 115BAA / 115BAB.

(7)

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3. (a) Anand, an Indian resident, aged 52 years, gives the following information for the year ended 31st March, 2024:

- (i) Income from manufacturing business (as per Profit and Loss Account) ₹ 10,60,000
- (ii) Depreciation as per Books ₹ 56,000
- (iii) Depreciation as per Income Tax Act ₹ 77,000 (includes additional depreciation of ₹ 11,000)
- (iv) Loss from speculation business ₹ 1,25,000
- (v) Public Provident Fund investment ₹ 1,50,000
- (vi) Medical insurance premium paid for self and spouse ₹ 35,000

Compute the total income of Anand both as per default regime and normal provisions of the Act. Decide which option is better for Anand. 7

- (b) Palam Ltd., Delhi is a domestic company engaged in the manufacturing activity. The following details relate to financial year 2023-24:

- (i) Gross Revenue from operations: ₹ 80,00,000
- (ii) Manufacturing expenses (excluding depreciation): ₹ 30,00,000
- (iii) Normal Depreciation (as per Income Tax Act): ₹ 7,00,000
- (iv) Additional Depreciation (as per Income Tax Act): ₹ 2,00,000
- (v) The company is eligible for deduction section 80-IA: ₹ 5,00,000
- (vi) The company is eligible for deduction section 80-JJAA: ₹ 4,00,000
- (vii) The turnover of the company never exceeded ₹ 400 crores in its lifetime.

You are required to suggest the company as to whether it should opt for the regular provisions or provisions of section 115BAA in order to minimise its tax liability on the assumption that it has satisfied all the applicable conditions. 7

4. (a) Patel Co (P) Ltd. consisted of 4 individual shareholders Arun, Bimal, Chirag and Dhaval having equal shareholding. It was decided to convert the company into an LLP by name Patel LLP. The company has brought forward depreciation of ₹ 5 lakhs and business loss (of assessment year 2023-24) of ₹ 10 lakhs. Shareholder Bimal does not want to continue in the business and wants to transfer his shareholding to Arun. You are the tax counsel of the company.

Explain briefly the conditions to be satisfied by the company to have relief from capital gain on conversion into an LLP. Also, state how timing of the exit of shareholder Bimal be made from Patel LLP so that it does not lose the benefit of set off of unabsorbed depreciation and brought forward business loss. 7

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(8)

(b) Paul Ltd., a foreign company, is engaged in India in the activity of civil construction at various locations in West Bengal in connection with turnkey power projects approved by the Central Government. Also, it is engaged in provision of consultancy services which is done through a branch office located at Chennai. There is no administrative or financial nexus between branch office at Chennai and civil construction activity of Paul Ltd. which was managed from outside India. For the financial year 2023-24, it furnishes you the following information:

- (i) Gross amount received in India from civil construction projects in India (referred above) ₹ 60,00,000
- (ii) Gross amount received outside India from civil construction projects in India (referred above) ₹ 30,00,000
- (iii) Amount spent in relation to civil construction projects in India (referred above) ₹ 4,60,000
- (iv) Gross amount received in India as fee for technical services in relation to providing consultancy to Indian companies ₹ 2,00,000
- (v) Amount spent in relation to providing technical consultancy to Indian companies ₹ 70,000

You are required to compute the total income of Paul Ltd. liable to tax in India for the assessment year 2024-25.

7

5. (a) The Assessing Officer (AO) of Dheeraj (P) Ltd. passed an assessment order under section 143(3) on 7th July, 2023 in respect of assessment year 2022-23 where he disallowed certain expenses to the extent of ₹ 5,00,000. However, he enhanced depreciation claim in respect of one of the assets. Dheeraj (P) Ltd. filed an appeal with the CIT (Appeals) against the disallowance of expenses. The CIT wants to revise the order under section 263 to withdraw allowance of enhanced depreciation made by the AO. Can the CIT exercise his revisionary power under section 263? Will your answer change if the CIT (Appeals) has disposed of the appeal without passing the order? Your answer should explain the relevant provisions of the Income-tax Act.

7

(b) Briefly answer the following by applying relevant legal provisions:

- (i) Laxmi a resident Indian has undisclosed foreign deposit of ₹ 30 lakhs. How much is the amount of tax payable under Black Money Act, 2015?
- (ii) Narain Ltd. received ₹ 10 lakhs as subsidy to meet 20% of the cost of machinery which was meant to reduce air pollution in the factory. How would the subsidy be dealt with as per ICDS VII?
- (iii) On 10th December, 2023 Ramesh (age 82) sold a vacant land for ₹ 40 lakhs and the resultant long-term capital gain (computed) was ₹ 12 lakhs. He has no other income chargeable to income-tax. How much Ramesh must have paid as advance tax instalments for the financial year 2023-24 to avoid interest levy, if any?

(9)

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- (iv) Hari (age 67), a pensioner retired from SBI, has monthly pension of ₹ 82,000 throughout the previous year 2023-24. His only other income was savings bank account interest of ₹ 32,000. He filed his ITR on 29th October, 2024. No tax was deducted on pension paid to him. How much is payable by way of interest by Hari for non-payment of advance tax and delay in filing ITR? 7

6. (a) Thirst Ltd. (TL), is an Indian company, engaged in international transactions, for the past 2 decades. It has been having international transactions with GH Inc., of Sweden for the past 8 years. On 23rd October, 2024, it entered into an Advance Pricing Agreement (APA) with the Department.

The details relating to the last five assessment years are as under:

Asst. year	Date of filing ITR	ALP determined by assessee (per unit)	ALP determined as per APA (per unit)
2020-21	12-11-2020	₹ 12,000	₹ 12,200
2021-22	18-10-2021	₹ 12,500	₹ 12,400
2022-23	13-03-2023	₹ 13,000	₹ 13,200
2023-24	29-11-2023	₹ 13,600	₹ 13,800
2024-25	30-09-2024	₹ 14,000	₹ 14,300

You are required to advise TL about the following, with clear reasons: (i) Number of years for which APA will apply (assessment years may be stated); and (ii) Assessment years for which roll back will apply by giving supporting reasons. 7

- (b) Rahul, a resident individual and a cricketer (aged 30 years), derived income of ₹ 15,25,000 from matches played in Country X. Income in Country X was taxed @ 10% with no basic exemption limit. There is no DTAA between India and Country X. His income from matches in India amounted to ₹ 4,90,000. He deposited ₹ 1,50,000 in Public Provident Fund; paid premium on his Life Insurance policy ₹ 35,000. He also deposited ₹ 50,000 in National Pension Scheme. He paid ₹ 30,000 towards his Health Insurance premium and ₹ 38,000 for Health Insurance premium of his parents who are non-residents and dependent on him.

Compute the total income and tax liability of Rahul for assessment year 2024-2025 on the assumption that he opted out of default regime and is eligible for relief under section 91. 7

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(10)

7. (a) Tan Ltd., an Indian company, is a part of a multi-national group by name Colours Inc. of USA. During the financial year 2022-23, it entered into various transactions with its group companies spread in different countries. All the transactions are denominated in Indian Rupee. It gives you the following information:

Particulars	Blue LLC	Pink Inc.	Green GmbH
Transaction price declared by Tan Ltd.	₹ 3 crores	₹ 5 crores	₹ 10 crores
Transaction price computed by the Transfer Pricing Officer	₹ 3.5 crores	₹ 4.5 crores	₹ 12 crores
Date of order of the AO	31st October 2023		
Date of repatriation of amount lying with the AE	31st December 2023	Not done so far	31st March 2024

Assume

- (i) 1-year marginal cost of fund lending rate of State Bank of India as on the relevant date is 7%.
- (ii) 6 months London Interbank Offered Rate (LIBOR) as on the relevant date is 5%.

You are required to discuss the tax implication of the above in the hands of Tan Ltd. as regards primary and secondary adjustment, assuming Tan Ltd. has accepted all the adjustments made by the Assessing Officer. 7

- (b) Netra (P) Ltd. is a resident Indian company having registered office in Hyderabad. On 1st April, 2023 it borrowed a sum of ₹ 25 crores from a company Z Ltd. incorporated in UK, which is the holding company of Netra (P) Ltd. at an interest rate of 10.5% per annum. There were no other borrowings made by Netra (P) Ltd. The net profit reported by Netra (P) Ltd. was ₹ 347.50 lakhs after debiting interest on borrowed funds, depreciation of ₹ 80 Lakhs, provision for income-tax ₹ 70 lakhs and amortization of expenses ₹ 20 lakhs.

You are required to calculate the amount of interest eligible for deduction. Also explain the legal provisions to support your conclusion. 7

(11)

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8. Present your answer for the following situations under the headings (i) Issue involved; (ii) Provisions applicable; (iii) Analysis of the issue and (iv) Conclusion.

- (a) Yarns (P) Ltd., could not succeed in the appeal filed before the CIT(A), for deletion of the addition of ₹ 75 lakhs made by the Assessing Officer (AO) in the scrutiny assessment under section 143(3). The company filed an appeal before the ITAT and also sought stay of collection of tax. The ITAT granted stay, initially for 180 days and subsequently extended the stay for 365 days. Even after the 365 days, the appeal was not disposed of, by the ITAT. The AO served a notice of demand and asked the company to pay the tax, citing that the stay granted by ITAT got vacated immediately after the expiry of 365 days. Is the action of the AO valid in law? 7
- (b) EE (P) Ltd. is engaged in distribution of computer software and hardware. It procured copyrighted software from foreign companies and sold the same to its customers. No value addition was made. The softwares were “ready to use” softwares. Also, it procured computers in which softwares were affixed as an integrated unit. In the assessment, the amount paid for purchase of software was subjected to disallowance since no tax was deducted at source on the payments made to foreign companies supplying “ready to use softwares”. The company wants to know the correct legal position. Also, it wants clarity as regards hardware purchased and software affixed therein. You are the tax consultant for EE (P) Ltd. You are requested to give your opinion in this regard. 7
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