

Paper 7 – Direct Tax Laws & International Taxation (New Course)

1. Which of the following amounts, if debited to the statement of profit or loss, are required to be added while computing book profits for the purpose of MAT?
- I. Income-tax
 - II. Proposed dividend
 - III. Depreciation
 - IV. Interest on Income-tax
 - V. Amount transferred to general reserve
 - VI. Provision for losses of subsidiary company
 - VII. Dividend paid

- (a) I, III, V, VI, VII
- (b) I, II, V, VII
- (c) I, II, III, IV, V, VI, VII
- (d) I, II, III, V, VI, VII

2. Z Ltd., a company providing telecommunication service, obtains a telecom license on 01.04.2017 for a period of 10 years which ends on 31.03.2027 (license fee being Rs.27 lakh). Find out the amount of deduction allowable to Z Ltd. in respect of such license fee during the A.Y. 2019-20 if the entire amount of license fee is paid on 01.04.2018.

- (a) Nil
- (b) Rs.27 lakh
- (c) Rs.3 lakh
- (d) Rs.2.7 lakh

3. Following are the details given in the case of PQR, which is a partnership firm for A.Y. 2019-20:

Returned total income	1,00,00,000
Total income determined u/s 143(1)(a)	1,10,00,000
Total income assessed u/s 143(3)	1,50,00,000
Total income reassessed u/s 147	2,00,00,000

Compute the amount of under-reported income, on which penalty shall be leviable on reassessment u/s 147.

- (a) Rs.90,00,000
- (b) Rs.1,00,00,000
- (c) Nil
- (d) Rs.50,00,000

4. A Ltd. deducted tax at source u/s 194J in respect of fees of Rs.10 lac paid to an Indian law firm for legal and professional services. After deduction of tax at source, A Ltd. failed to pay the said amount to the credit of the Central Government on or before the due date of filing return of income. Which of the following are the consequences of non-deposit of tax at source after deduction of the same?

- I. Disallowance of Rs.3 lac u/s 40(a)(ia).
- II. Levy of interest at the rate of 1.5% per month or part of a month from date of deduction till the date of payment.

- III. Levy of interest at the rate of 1% per month or part of a month from date of deduction till the date of payment.
 - IV. Rigorous imprisonment for a term not less than 3 months but which may extend to 7 years and fine.
 - V. Penalty as directed by the Assessing Officer u/s 221 upto a maximum of tax in arrears i.e., Rs.1 lac in the instant case.
 - VI. Penalty u/s 271C of Rs.1 lac.
- (a) I, III, VI
 - (b) I, III, V, VI
 - (c) I, II, IV, V, VI
 - (d) I, II, IV, V
5. PQR Ltd. is a company which already possesses a TAN and uses the same for the purpose of TDS. Now, PQR Ltd. wants to sell some scrap of his business to A Ltd. on which it is required to collect tax at source @1%. Whether PQR Ltd. is required to apply for a separate TAN for the purpose of TCS?
- (a) No, PQR Ltd. is not required to apply for a separate TAN for the purpose of TCS as TAN allotted for TDS can be used for TCS also.
 - (b) Yes, PQR Ltd. is required to apply for a separate TAN for the purpose of TCS as tax deduction account number and tax collection account number are different account numbers.
 - (c) No, PQR Ltd. is not required to apply for a separate TAN for the purpose of TCS as there is no requirement of obtaining TAN for the purpose of TCS.
 - (d) No, PQR Ltd. is not required to apply for a separate TAN for the purpose of TCS as in case of TCS, PAN can be quoted in place of TAN.
6. In which of the following transfers, the benefit of indexation is available in case the asset is a long-term capital asset?
- (a) Transfer of securities by a foreign institutional investor u/s 115AD.
 - (b) Transfer of undertaking or division in a slump sale u/s 50B.
 - (c) Transfer of shares in an Indian Company purchased in foreign currency by a non-resident assessee
 - (d) None of the above
7. In case of Reema & Sons, a partnership firm, assessment proceedings were completed by the Assessing Officer u/s 148 of the Income-tax Act, 1961 at a total income of Rs.2,50,000 for A.Y. 2016-17. Aggrieved by the assessment order, the Assessee preferred an appeal before CIT(A) which also confirmed the action of the Assessing Officer and provided no relief to the Assessee. Thereafter, the Assessee is desirous of filing an appeal against the order of the CIT(A) before the Hon'ble ITAT. Guide him regarding the amount of fee that is required to be paid by him in respect of the appeal to be filed before ITAT.
- (a) Rs.500
 - (b) Rs.1,500
 - (c) Rs.2,500
 - (d) Rs.10,000

8. Ms. Neha is a working partner in Ramaiya & Associates. As per the terms of the partnership deed, she is paid a fixed monthly salary of Rs.39,800. In this case, salary of Rs.39,800 shall be charged to tax in the hands of Neha in which head of income and to what extent?
- Salaries
 - Profits and gains of business or profession, to the extent of amount allowed to the Firm u/s 40(b).
 - Profits and gains of business or profession, to the extent of amount not allowed to the Firm u/s 40(b).
 - Income from other sources

9. Written down value of 4 machines at the beginning of the previous year 2018-19 forming part of block of assets carrying 15% rate of depreciation was Rs.6,00,000. The following 3 machines of the same block were bought (not included in WDV above):

Machines	Date of Purchase	Date when put to use	Cost (Rs.)
A	5.1.18	14.1.19	50,000
B	5.4.18	15.5.18	1,00,000
C	15.5.18	31.1.19	2,00,000

Four machines of this block (other than those which were acquired and put to use for less than 180 days) were sold for Rs.4,00,000. Calculate the depreciation for A.Y. 2019-20. Ignore additional depreciation.

- Rs.67,500
 - Rs.82,500
 - Rs.60,000
 - Rs.63,750
10. On 05.04.2018, A (P) Ltd. issued 20,000 shares to X at Rs.40 per share. The face value per share is Rs.10 and fair market value of each share as determined u/s 56(2)(viib) is Rs.30 per share. X was not in India from the date of issue of shares to him up till 02.09.2018 but he came back to India on 03.09.2018. Whether any tax implications shall arise in the hands of A (P) Ltd. on account of the said transaction? If yes, compute the amount taxable in the hands of A (P) Ltd.?
- No tax implications shall arise in the hands of A (P) Ltd. as X was non-resident in India at the time of issue of shares.
 - The amount would be chargeable to tax in the hands of A (P) Ltd., irrespective of the residential status of X.
 - Yes, the amount chargeable to tax in the hands of A (P) Ltd. as income from other sources shall be Rs.2,00,000
 - Yes, the amount chargeable to tax in the hands of A (P) Ltd. as income from other sources shall be Rs.6,00,000
11. The rate of deduction of tax from interest payable to a foreign company (located in a country with which there is no DTAA) by an Indian company on borrowing made by it from the said foreign company by way of issue of rupee denominated bonds on 31.03.2019 is:

- (a) Nil
- (b) 5% + HEC
- (c) 5% + Surcharge (if applicable) + HEC
- (d) 20% + HEC

12. At the time of computation of taxable income of Star Pvt. Ltd., its tax consultant found that the company won a lottery of Rs.5 crore on 20.12.2018. Apart from the lottery receipt, there were no other receipts in the hands of the company during the year 2018-19. The company follows mercantile system of accounting. The tax consultant was of the view that the income of the company for A.Y. 2019-20 shall be computed as per the provisions of ICDS IV which deals with Revenue Recognition. In light of these facts, which of the following statements is true?

- (a) The view of the tax consultant is correct as for computing the business income or income from other sources, any revenue is to be recognized as per the provisions of ICDS IV.
- (b) The view of the tax consultant is incorrect as ICDS IV is not applicable on recognition of lottery receipts.
- (c) The view of the tax consultant is correct as for any person following mercantile system of accounting, all ICDS are to be mandatorily followed for computing income.
- (d) The view of the tax consultant is incorrect as ICDS are not applicable for FY 2018-19.

13. Mr. X received an assessment order dated 11.11.2018 on 15.11.2018 wherein his total income was assessed at Rs.20 lakh. The returned income of X was Rs.5 lakh. However, Mr. X did not accept the assessment order and filed an appeal against the same before the Commissioner of Income Tax (Appeals). Now, while contesting the appeal, he wishes to submit some evidences that were not submitted by him before the Assessing Officer. As the Tax Consultant of Mr. X, what will be your advise to him regarding the submission of the said evidences?

- (a) Commissioner of Income Tax (Appeals) has no power to accept any evidences other than the evidences already submitted before the Assessing Officer.
- (b) Commissioner of Income Tax (Appeals) may accept the additional evidences if the conditions given in Rule 46A(1) of the Income-tax Rules, 1962 are satisfied.
- (c) Commissioner of Income Tax (Appeals) may accept the additional evidences if the conditions given in Rule 46 (1) of the Income-tax Rules, 1962 are satisfied.
- (d) Commissioner of Income Tax (Appeals) has no power to reject any evidences which the Appellant wishes to submit before him during the appellate proceedings.

14. A Pvt. Ltd. is a company engaged in the business of trading of household appliances. The directors of the said company are desirous of converting it into a LLP. After the conversion, all the assets and liabilities of the company shall be transferred to the LLP. The conversion of the company into LLP shall take place in the financial year 2018-19. The details of the total sales and total value of assets of the company are as follows:

Previous Year	Total Sales (in Rs.)	Total value of assets (in Rs.)
2014-15	78,00,000	1,88,00,000
2015-16	50,00,000	3,56,00,000
2016-17	45,78,000	4,78,00,000
2017-18	60,00,000	5,00,00,000

2018-19	85,00,000	10,00,00,000
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The directors have approached you to determine whether any capital gains shall arise in the hands of the company on its conversion to LLP. Advise them.

- (a) No capital gains shall arise in the hands of the company as the transaction under consideration is not a 'transfer' as per the provisions of Section 47.
- (b) Capital gains shall arise in the hands of the company as the conversion of a company to LLP amounts to transfer of capital asset.
- (c) No capital gains shall arise in the hands of the company as any kind of conversion such as conversion of firm into LLP, conversion of company into firm, conversion of company into LLP, etc. does not amount to transfer of capital asset.
- (d) Capital gains shall arise in the hands of the company as the amount of total sales and total value of assets in P.Y. 2018-19 exceeds the prescribed limits mentioned in Section 47(xiiiib).

15. A Bench of the Authority for Advance Rulings ("AAR") consists of a Chairman/Vice-chairman, one revenue member and one law member. An Assessee filed an application before the AAR pertaining to interpretation of certain provisions of the Income-tax Act, 1961. Determine which of the following persons can be a revenue member of the AAR for the purpose of adjudicating the said application?

- (a) A person from the Indian Revenue Service who is qualified to be a member of CBDT
- (b) A person from the Indian Customs and Central Excise Service who is qualified to be a member of CBEC
- (c) A member from the Indian Legal Service
- (d) Any person from the Indian Revenue Service

Solution

1.	(c)	6.	(d)	11.	(a)
2.	(c)	7.	(c)	12.	(b)
3.	(d)	8.	(b)	13.	(b)
4.	(d)	9.	(a)	14.	(a)
5.	(a)	10.	(c)	15.	(a)