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Roll No.

Total No. of Questions – 6

Total No. of Printed Pages – 12

Maximum Marks – 70

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive type answers.
4. Ensure that you receive the question paper relating to both the parts. If you have not received both, bring it to the notice of the invigilator.
5. Answers to Questions in Part I are to be marked on the OMR answer sheet only. Answers to questions in Part II are to be written on the descriptive type answer book. Answers to MCQs, if written in the descriptive type answer book, will not be evaluated.
6. OMR answer sheet will be in English only for all candidates, including for Hindi medium candidates.
7. The bar coded sticker provided in the attendance register, is to be affixed only on the descriptive type answer book. No bar code sticker is to be affixed on the OMR answer sheet.
8. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
9. Duration of the examination is 3 hours. You will be required to submit (a) Part I of the question paper containing MCQs, (b) OMR answer sheet thereon and (c) the answer book in respect of descriptive type answer book to the invigilator before leaving the exam hall, after the conclusion of the exam.
10. The invigilator will give you acknowledgement on Page 2 of the admit card, upon receipt of the above-mentioned items.
11. Candidate found copying or receiving or giving any help or defying instructions of the invigilators will be expelled from the examination and will also be liable for further punitive action.

PART – II

70 marks

1. Question paper comprises 6 questions. Answer Question No. 1 which is compulsory and any 4 out of the remaining 5 questions.
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

All questions relate to Assessment Year 2021-22 unless stated otherwise in the question.

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PART – II

1. The net profit of M/s Dilip Industries Ltd engaged in the manufacturing of Iron and Steel in Belampalli a notified backward area in Andhra Pradesh, after debit/credit of the following amounts to its Statement of Profit and Loss for the year ended 31 -03-2021 was ₹ 1000 lakhs. 14

Amounts Debited

1. Depreciation calculated as per useful life of its assets ₹ 350 Lakhs.
2. The company has paid ₹ 50 Lakhs on 01-08-2020 to a research institution recognized and notified by the Central Government which has its object of undertaking Scientific research. 100% allowed
3. The company has provided interest at 8% p.a. on ₹ 350 Lakhs being amount borrowed from a Non-banking Financial company on 01-05-2020 for purchase of machinery. The interest outstanding as on 31-03-2021 was paid on 01-11-2021. 100% disallowed
4. Salary of ₹ 100 Lakhs to foreign technicians for installation of Machinery at the factory premises was paid without deduction of tax. 100% b/c
5. General Expenses include ₹ 35 Lakhs, incurred towards bringing drinking water to the village in which the factory is situated. CR → disallowed
6. Donation includes ₹ 10 lakhs given to a political party. 80%
7. The company has incurred expenditure of ₹ 25 Lakhs, towards purchase of coal for its smelting furnace for which invoice is not available. However, indirect evidence such as Goods Inward report, online payment made towards the purchases are available. The auditors have made an adverse remark in their Report in this regard.

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Amounts credited.

1. The company had made a sale of for ₹ 20 Lakhs to M/s A.Co Engineers a sole proprietary concern, on 10-10-2019. On 01-02-2000 ₹ 10 Lakhs was written off in the books as bad debts. Due to the demise of the sole proprietor, the company could collect only ₹ 7 Lakhs towards the final settlement on 01-03-2021. The amount recovered was shown as Bad debts recovered and credited to Statement of Profit and Loss.

Additional Information

1. Written down value of its assets as on 01-04-2020 was as follows:-
 - a. Factory Building ₹ 1200 Lakhs, -10%
 - b. Computers and accessories ₹ 50 Lakhs, -40%
 - c. Office appliances ₹ 30 Lakhs, -15%
 - d. Tractors used for movement of raw materials, Semi finished goods and Finished goods within the factory premises 20 lakhs, -15%
 - e. Plant and Machinery ₹ 800 Lakhs, -15%Additions made to the assets were as follows:
 - i. Factory Buildings ₹ 300 Lakhs – Put to use from 01-11-2020.
 - ii. Computers ₹ 25 Lakhs – Put to use on 01-05-2020.
 - iii. Tractors ₹ 15 Lakhs on 01-08-2020 and ₹ 10 Lakhs – Put to use on 01-02-2021.
 - iv. Plant and machinery ₹ 500 Lakhs – Installed and put to use on 01-02-2021.
 - v. Expenditure incurred towards the grant of ISO 9001 certificate ₹ 10 Lakhs. This amount is included in the Property, Plant and Asset Schedule as Intangible asset.

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- f. The recognition granted to the research association which was engaged in scientific research was subsequently withdrawn by the Government on 28-02-2021.

You are required to Compute the Total Income of the Company for the Assessment Year 2021-22.

Ignore MAT and the provisions of Sec 115 BAA.

2. (a) M/s A Ltd, entered into a scheme of amalgamation with M/s X Ltd and Y Ltd.(Transferor). The appointed date of the scheme was 01-01-2015. The schemes which also incorporated provisions for filing returns beyond the stipulated time were duly approved and sanctioned by National Company Law Tribunal on 31-05-2018, which was duly filed with the Assessing officer on 10-06-2018. M/s A Ltd, X Ltd and Y Ltd filed its original return of income for the Asst. Year 2016-17 on 31-08-2016 declaring loss of ₹ 100 lakhs, ₹ 150 lakhs and ₹ 120 lakhs, respectively. M/s A Ltd thereafter filed a revised return on 31-12-2018 claiming further loss for Assessment Year 2016-17 based on the revised computation of X Ltd. The Assessing Officer did not entertain the revised Return stating that it was time barred, and condonation was not taken from CBDT for filing revised return beyond stipulated time. What is your view ?

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M/s A & Co.'s return for the Assessment Year 2018-19 was selected for scrutiny. Disallowances to the extent of ₹ 50 lakhs and ₹ 75 lakhs was made since the assessee could not prove that bad debts claimed were supported by requisite evidences and repairs and maintenance which were booked on an estimate. It was further observed that another partnership firm M/s B & Co was a partner of M/s A & Co. The assessing officer proposed to change the status as AOP and complete the assessment.

Discuss whether the proposal of the Assessing Officer to change the status as AOP is correct in law.

- (b) The assessment of AK Ltd. for the assessment year 2016-17 was reopened u/s 148, and a notice by the Assessing Officer (AO) was issued u/s 142(1), requiring the assessee to file a return of income after recording reason in its internal order sheet that ineligible depreciation to the extent of ₹ 10 Crores has been claimed. The assessee filed its return in response to the notice, and the Authorized Representative (AR) also filed a Power of Attorney in his favour to represent the company. The assessee sought reasons for reopening the assessment, which was overlooked by the AO under the pretext that it is a procedural matter, and the reasons were shown to the AR. The AO completed the reassessment confirming the addition.

As a Tax Consultant, examine whether the order passed u/s 147 is valid.

- (c) Mr. Ram, a citizen of USA, resides in San Jose in USA since 2004. He is a non-resident since Asst. Year 2004-05. He works for X Inc. a US based company. He came to India on 10th January, 2020, to visit his aged parents. He could return back on only 31st Jan 2021. He was permitted to work from home in India by his employer. The details of his earnings and withholding Tax during the said period is as given below :

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(All figures in US \$)

Months	Salary	Federal Tax	State Tax	Social Security Tax	TT Buying rate as on the last day of the immediately preceding the month in which tax has been paid/deducted (in INR)(assumed)
Jan 2020	8750	1313	525	613	71
Feb 2020	6250	938	375	438	71
March 2020	6250	1600	420	420	71
April 2020	6250	1600	420	420	72
May 2020	6250	1600	420	420	72
June 2020	6250	1600	420	420	72
July 2020	6250	1600	420	420	72
August 2020	6250	1600	420	420	72
Sep 2020	6250	1600	420	420	72
October 2020	6250	1600	420	420	72
Nov 2020	6250	1600	420	420	72
Dec 2020	6250	1600	420	420	72
Jan 2021	6250	1600	420	420	72

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He has also earned Fixed Deposit Interest in USA on 30-09-2020 US\$ 200(Tax deducted US\$20) and on 31-03-2021 US \$ 220(Tax Deducted US\$ 22)

As per Article 2 of the DTAA, the taxes covered for credit are Federal Income Taxes imposed by Internal Revenue Code but excluding Social Security Taxes.

Return of Income for Asst. Year 2021-22 was filed on 25th August, 2021.

You are required to:-

1. Compute Tax payable if any by Mr. Ram (Assume that Tax as per Sec 115 BAC is opted).
2. Advise Mr. Ram the procedure involved to claim Foreign Tax credit.

3. (a) An Investment Fund incorporated in India in the form of a company has 20 resident unit-holders, each holding 5 units. Out of these 16 unit-holders are holding units for more than 12 months and 4 unit-holders are holding units for less than 12 month as on 31.03.2021.

The particulars of income of the Investment fund for the previous year 2020-21 are as follows:

- (i) Business income - ₹ 20 Lakhs.
- (ii) Long-term capital losses - ₹ 30 Lakhs.
- (iii) Income from other sources - ₹ 40 lakhs.

Discuss the tax treatment with respect to the above income in the hands of investment fund as well as in the hands of unit-holders for the A.Y. 2021-22.

What would be the implication in the hands of unit-holders if the Investment fund distributes only 80% of its income to the unit-holders during the year ?

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- (b) Cherry Ltd., a non-resident German company, has the following incomes in India during the year ended on 31.03.2021: 6
- (i) Dividend income of ₹ 12,50,000 from XY Ltd., an Indian company listed on recognized stock exchange.
 - (ii) 8% debentures of ₹ 20,00,000 received from X Ltd., an Indian Company, on October 1, 2020 in consideration of providing technical knowhow (date of payment of interest being March 31 every year).
 - (iii) Dividend received ₹ 5,50,000 on Global Depository Receipts of Y Ltd., an Indian company, issued under a scheme of Central Government against the initial issue of shares of the company and purchased by Cherry Ltd. in foreign currency through an approved intermediary.
 - (iv) Business Income of ₹ 8,00,000 from a unit established at Mumbai.
 - (v) Income by way of royalty (other than referred to in section 44DA) amounting to ₹ 10,00,000, received from Z Ltd., an Indian company, in pursuance of an agreement approved by Central Government. As per DTAA between the two countries, such royalty is taxable @12%.

With brief reasons for the treatment of the above incomes, you are required to compute the tax liability of Cherry Ltd. for the Assessment Year 2021-22.

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4. (a) Tulsi Foundations, a public charitable and religious trust registered under Section 12AA, runs a hospital and also owns a temple. It furnishes you the following information for the year ended 31st March, 2021: 8
- (i) Gross receipts from hospital ₹ 200 Lakhs.
 - (ii) Voluntary contributions (not included in gross receipts) received from public amounted to ₹ 35 Lakhs. It includes corpus donation of ₹ 5 Lakhs and anonymous donation ₹ 10 Lakhs. Out of the anonymous donations of ₹ 10 Lakhs, ₹ 8 Lakhs are made to the donation box of temple.
 - (iii) Operational expenses incurred for the hospital amounted to ₹ 94 Lakhs and for the temple amounted to ₹ 15 Lakhs.
 - (iv) On 1st January 2021, ₹ 6 Lakhs was paid to a contractor in cash for the overall maintenance of the hospital. This amount is included in the operational expenses of the hospital.
 - (v) On 1st May, 2020, the trust purchased and installed new computer software for ₹ 25 Lakhs for the hospital. The rate of depreciation is 40% as per Income Tax Act, 1961.
 - (vi) The trust gave donation of ₹ 12 Lakhs to Balaji trust (having objects of charitable nature), registered under Section 12AA, but not similar to the objects of the donor trust.

Compute the total income and income tax liability of the trust for the Assessment Year 2021-22 in such a manner that it can avail the optimal benefit within the four corners of law.

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- (b) Mr. Naveen, an individual resident in India, aged 52 years, earned royalty income of ₹ 15 Lakhs from XY Inc. of Canada, for writing articles in journals and newspapers for the year ended 31.03.2021. However, he received only ₹ 12.50 Lakhs during the previous year 2020-21 and the balance is outstanding as on 31.03.2021. He maintains cash system of accounting for royalty income.

He also earned a rental income of ₹ 2.40 Lakhs (gross) from a house situated in Canada. Municipal taxes paid in respect of the house amounted to ₹ 10,000 which is not allowed as deduction in Canada.

DTAA between India and Canada provides for tax @ 15% in Canada without prejudice to taxation of the same income in India.

He further received ₹ 3.50 lakhs during the year, as dividend from X Ltd., an Indian company. On 1.04.2020, 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. Naveen in India for the Assessment Year 2021-22, assuming that he does not opt for section 115BAC.

5. (a) Discuss and compute the liability for deduction of tax at source, if any, in the following cases for the Assessment Year 2021-22:

- (i) A notified infrastructure debt fund eligible for exemption u/s 10(47) of the Income Tax Act, 1961 pays interest of ₹ 4.50 Lakhs to a company incorporated in USA. The US Company incurred expenditure of ₹ 15,000 for earning such interest. The fund also pays interest of ₹ 2.50 Lakhs to Mr. R, who is a resident of a notified jurisdictional area.

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- (ii) On 17.06.2020, a commission of ₹ 40,000 was retained by the consignee 'Harshit Packaging Ltd.' and not remitted to the consignor 'Hari Developers', while remitting the sales consideration.

- (iii) Mr. Harsh, an employee of M/s XY Ltd. since 10.04.2017, resigned on 31.03.2021 and withdrew ₹ 80,000 being the balance in his EPF account. His PAN is available with M/s XY Ltd.

- (iv) Param Construction Ltd. sells a flat to Mr. Mani for ₹ 48 Lakhs on 15.01.2021. The agreement to sell provides that in addition, Mr. Mani has to pay maintenance charges (of ₹ 5,000 per month) for 24 months in advance, ₹ 2,00,000 for car parking to be used exclusively by him and ₹ 1,00,000 for club membership fees to the Param Construction Ltd. before the flat is registered in the name of Mr. Mani. The flat is registered on 30.03.2021.

- (b) Paras Ltd. is an Indian company engaged in the manufacturing of supreme quality mink blankets. It has total borrowings of ₹ 60 Crores by way of loan as on 31.03.2021. Saksham Ltd. of Germany imported 5 lakh blankets from Paras Ltd. for the resale in Germany @ ₹ 2,000 per unit. Paras Ltd. sold similar blankets to other dealers in Germany @ ₹ 2,100 per unit. Paras Ltd. received a bank guarantee on 1.04.2020 for availing a cash credit limit of ₹ 9 Crores for which Saksham Ltd. was the guarantor. The terms of trade for other dealers was to make payment within 1 month from the date of sale of goods by Paras Ltd., whereas for Saksham Ltd. the credit period allowed was 3 months from the date of sale of goods. The cost of capital was 12% per annum and the supply of goods is assumed to be uniform throughout the year.

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You are required to determine whether Paras Ltd. and Saksham Ltd. are associated enterprises. If yes, compute the ALP of the transaction between them and the amount to be added to the income of Paras Ltd, if any, by way of an ALP adjustment.

Assume that the above adjustments to the transfer price have been made suo-moto by Paras Ltd. in its return of income, what is the time limit for the repatriation of such excess money ? What are the implications if the excess money is not repatriated within such prescribed time limit ?

6. (a) A liquidator is appointed by ABC Ltd. which is undergoing liquidation. What are the statutory obligations and restrictions on the part of the liquidator under the Income Tax Act, 1961 after being so appointed ? What are the consequences if he fails to perform such obligations ? 4
- (b) Explain Base Erosion and Profit Sharing [BEPS]. What are its adverse effects ? 4
- (c) 'The application of tax treaty may result into double taxation for the tax payers.' In the light of the statement answer the following questions- 6
- (1) What are the approaches for the elimination of double taxation under Model Conventions ? Explain.
 - (2) Explain the meaning of Juridical Double Taxation and Economic Double Taxation. —
 - (3) Can the problems of Economic Double Taxation be solved by the above approaches ? Explain.