



The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53

GRAPH PAPER IS ON THE PENULTIMATE PAGE
Book No. 1 (containing 28 pages)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
FINAL Examination

Group No. 2 Paper No. 7
Subject: Direct Tax Laws & International Taxation
Number of Answer Books used: Main + 3 additional sheets
Date Seal: 14 NOV 2023

For use by ICAI only

160087

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
NOVEMBER 2023

Paper Code: J F R 1

J	A	B	C	D	E	F	G	H	I	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z
F	A	B	C	D	E	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z
R	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	S	T	U	V	W	X	Y	Z
1																									

MCQ Booklet Serial No. 4215061
Paper No. (See Reverse) 7
Level of Exam: FINAL
Stream: NEW
Intermediate: 1
Final: 0
Old: 1
New: 0

Answers			
1	A ● C D	11	A B ● D
2	A ● C D	12	A B ● D
3	● B C D	13	A B ● D
4	A ● C D	14	● B C D
5	● B C D	15	● B C D
6	A B C ●	16	A B C ●
7	A B C ●	17	A ● C D
8	A ● C D	18	A B C D
9	A B ● D	19	A B C D
10	A B ● D	20	A B C D
		21	A B C D
		22	A B C D
		23	A B C D
		24	A B C D
		25	A B C D
		26	A B C D
		27	A B C D
		28	A B C D
		29	A B C D
		30	A B C D



The Institute of Chartered Accountants of India

Code: FN7DL160087
 Subject : 07 Direct Tax Laws & International Taxation

Total Marks: 70
 Marks Obtained : 53

CANDIDATE

Illustration for Filling the MCQ Booklet Serial No.

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

INSTRUCTIONS TO THE CANDIDATE FOR FILLING THE MCQ ANSWER FIELDS

Use Only **H.B. Pencil to Darken the appropriate Circle.**

- Write and darken the correct MCQ Booklet Serial No. as printed on your question booklet which will be taken as final for evaluation. In case any candidate fills in this information wrongly, Institute will not take any responsibility for rectifying the mistake.
- Please darken the complete circle.
- If you want to change your Answer, erase the all darkened circle completely and make a fresh mark.
- Please do NOT make any stray marks on the OMR cover page.
- Rough work must NOT be done on the OMR cover page.
- Mark your answer only in the appropriate space against the number corresponding to the question.

How to mark answers

CORRECT METHOD	WRONG METHOD
(A) ● (C) ● (D) ●	● ● ● ● ● ● ●

Q. No.	To be ticked (✓) by the candidate against the Questions answered Descriptive Type	LIST OF EXAM, PAPER NO. AND PAPER NAME (TO BE REFERRED TO FOR FILLING ON THE REVERSE SIDE)		
		EXAM	PAPER NO.	PAPER NAME
		Intermediate - New		
1		Intermediate - (NEW COURSE)	2	CORPORATE AND OTHER LAWS
2		Intermediate - (NEW COURSE)	4	TAXATION
3		Intermediate - (NEW COURSE)	6	AUDITING AND ASSURANCE
4		Intermediate - (NEW COURSE)	7	ENTERPRISE INFORMATION SYSTEMS AND STRATEGIC MANAGEMENT
		Final - NEW		
5		FINAL - (NEW COURSE)	3	ADVANCED AUDITING AND PROFESSIONAL ETHICS
6		FINAL - (NEW COURSE)	4	CORPORATE AND ECONOMIC LAWS
7		FINAL - (NEW COURSE)	7	DIRECT TAX LAWS AND INTERNATIONAL TAXATION
8		FINAL - (NEW COURSE)	8	INDIRECT TAX LAWS
9				
10				
11				
12				
13				
14				
Total				



The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53

03

Ques 2(a)

Computation of Book Profits

Particulars	Amount (₹)
Net Profit as per Schedule III A/cs	89,00,000
Add: Items to be excluded as per explanation (i) of 115JB	
① Depreciation as per Companies Act	34,00,000
② Interest to NBFC not paid upto due date is not covered in explanation	—
③ Penalty for infraction of law is not covered in explanation	—
④ Proposed dividend not part of expense	3,50,000
⑤ Provision for Income Tax	2,75,000
⑥ Expense relating to 10AA is not covered in explanation	—
⑦ Transfer to General Reserves without Profit & Loss	5,00,000



The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53

Particulars	Amount (Rs.)	
<u>Add:</u> Items to be excluded		
⑤ Expenditure in relation to 80IA is not covered	-	<input checked="" type="checkbox"/>
Total additions	1,34,25,000 15,25,00,000	
<u>Less:</u> Items to be deducted as per Section 115JB, explanation (i)		
① Depreciation without revaluation reserve. Since "Book Depreciation" information & revalued portion not given, it is assumed there is no revaluation	34,00,000	<input checked="" type="checkbox"/>
② Amount withdrawn from reserve shall not be adjusted since book profit was not increased in the previous year	-	<input checked="" type="checkbox"/>
③ Profits from 10AA undertaking not covered in explanation	-	<input checked="" type="checkbox"/>




The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53

05



Particulars	Amount (Rs.)
<u>Less:</u> <u>Less: Items to be excluded</u>	
(4) Profits from SOIA undertaking not covered in explanation	— ✓
(5) Brought forward: Business Loss as per books — 8,75,000 Depreciation as per books — 0	— ✓
(6) Refer (Whichever is lower to be deducted)	
(6) Referred tax credit a part of tax	(3,57,000) ✓
Total deductions	(37,57,000) (34,00,000)
Net Book profits as per Section 115TB	1,00,25,000 96,68,000
MAT rate @ 15% for companies	14,50,200
(+) Surcharge Cess @ 4%	58,008
Total MAT payable	<u>15,08,208</u>
Rounded off MAT	<u>15,08,210</u> ✓



The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53

06

Ques 2(b)

(i) 44 BBA deemed income (₹ Lakhs)

Particulars	Amount (₹)	Amount (₹)
① <u>Delhi - New York (trip)</u>		
Total		
Total Income	90	
(-) Not assessable (₹) arise in India	(40)	
	<u>50</u>	
Net Income chargeable		<u>50</u>
② <u>Mumbai - New York (trip)</u>		
Total Income	70	
(-) Not assessable (₹) arise in India	(30)	
	<u>40</u>	
Net Income chargeable		<u>40</u>
(-) Expenses		NA
Total collection charges		<u>90</u>
Net Income chargeable to tax = Total collection		X 5%

DO NOT WRITE ANYTHING HERE



The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53

07

$= 90,00,000 \times 5\%$
 $= 4,50,000$

2biStep1 3

As per section 44 BBA of the Income Tax Act, 1961, in relation to air transport entities who ~~in any~~ income are ~~non~~ non resident, the income chargeable to tax is calculated at a presumptive rate of 5% of the following incomes:

(i) Any income where the departure of the flight is from an airport in India, whether the income is received in (a) outside India

(ii) Any income which is received in India, whether its departure is from airport in India (a) outside India

No expenses shall be allowable against such income.

2bi 3



The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53



08



(ii) Non Resident Indian (NRI)

Particulars	Amount (Rs.)
Long Term Capital Gain <input checked="" type="checkbox"/>	

Total Consideration	9,00,000
(-) Transfer Expenses	(15,000) <input checked="" type="checkbox"/>
(-) Cost of Acquisition	(6,00,000) <input checked="" type="checkbox"/>

Net Gain Capital Gain	2,85,000
----------------------------------	----------

2biiStep1



(-) Sec 115F deduction	(1,12,712) <input checked="" type="checkbox"/>
------------------------	--

Net Income @ rate of 10%	84,712	28,500
-------------------------------------	--------	-------------------

(+) Tax @ rate of 10%	8,471	1,140
-----------------------	-------	------------------

(+) Cess @ 4%	339	
---------------	-----	--

Total tax payable	8,810	29,640
-------------------	-------	-------------------

Notes:

- As per section 115E, where a Non Resident Indian is a citizen of India (a) Person of Indian origin, then if such person has made investment in India in prescribed instruments through foreign exchange, then ~~such~~

→ Capital Gains (Long Term) shall be taxable @ 10%

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE



The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53

09

→ Other Investment Income shall be taxable @ 20%.

- As per section 115D, indoxation benefits shall not be allowed in computation of capital gain.
- As per section 115D, brokerage expenses are allowable expenses.
- See 115F deduction:
- $\text{Capital gain} \times \frac{\text{Investment Value}}{\text{Net Sale Proceeds}}$
$$= 2,85,000 \times \frac{3,50,000}{8,85,000} \quad (* \text{Net of Brokerage})$$

$$= \underline{\underline{1,12,712}}$$

Assumption:
Mr. Aadi is an Indian citizen / Person of Indian origin.

2bii ✓ 3

2 ✓ 13



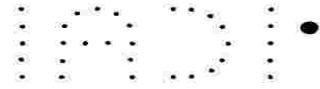
The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53



10



Ques 3ca)

(i) As per explanation to sec 11(C) of Income Tax Act, 1961, inserted vide Finance Act, 2022,

→ any amount to be applied by trust shall be considered as applied only on the actual payment and not on accrual basis ✓

Hence, in the given case the electricity bill will be treated as application of income in the PY of payment → PY 2023-24 ✓

(ii) As per section 11 & 12 of the Income Tax Act, 1961 where a person is registered as Trust under the Act, and claiming the respective deductions, then no ~~other~~ other exemption of section 10 shall be provided except,

- (i) 10(1) → Agriculture Income
- (ii) 10(23D) → Trust Income &
- (iii) 10(46).

Thus in the given case, exemption under

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE



The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53

11

10 (1) will be available ✓ to Mookthi Foundation.

3aStep1 ✓ 4

(iii) As per explanation (1) clause (a) subclause (i) of Section 11(1) of the Income Tax Act, 1961,

→ where the trust has not been able to realise any part of income earned during a previous year, then such amount shall be ~~to~~ claimed separately and treated as income only in such year when the income has been actually received (or) in the subsequent year of such receipt. ✓

In the given case, the actual income is received on 31st July 2023.

Hence, such amount shall be applied before the subsequent year → (PY 24-25). ✓

(iv) As per explanation (4) of Section 11(1) of the Income Tax Act, 1961

→ where the trust had made any expenses out of amount utilised out of either



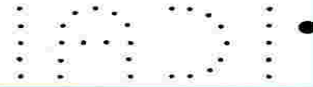
The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53



12



loan ~~acc~~ corpus funds, then such amount shall be treated as income only in the year of repayment of such ~~loan~~ corpus.

Hence, in the given case, 45,00,000 shall not be considered as application. ✓

Only Rs - 6,00,000 which is repaid shall be treated as application of income. ✓

3aStep2



4

3a



8

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE



The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53

13

Ques 3(b)

Calculation of total Income:

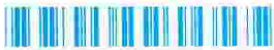
Particulars	Amount (Rs.)	
I. Income From House property		
Loss from House Property	(4,50,000)	
Amount to be set off as per section 72	2,00,000	
Balance Loss carry forward	(2,50,000)	<input checked="" type="checkbox"/>
II. PGBP Income		
Business Income in India	8,99,500	
Business Income in A	8,00,000	
(-) House property loss setoff	(2,00,000)	<input checked="" type="checkbox"/>
Total Income	14,99,500	14,99,500
III. Income from other source		
A- Fixed Deposit (₹ 8000 x Rs 82)	6,56,000	<input checked="" type="checkbox"/>
Saving Bank Interest from India	50,500	
Agriculture Income - M	1,20,000	<input checked="" type="checkbox"/>
Total Income	8,26,500	8,26,500



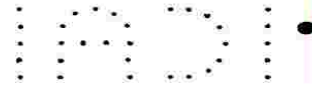
The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53



14



Particulars	Amount	
Gross Total Income	<u>23,26,000</u>	
E) 80C Reduction on PPF of married son	(1,50,000)	<input checked="" type="checkbox"/>
E) 80TTB, senior citizen interest income	(50,000)	<input checked="" type="checkbox"/>
Total Interest	7,06,500	
3bStep1 <input checked="" type="checkbox"/> 3 $6,56,000 + 50,500$ (01)		
Slab (whichever is lower)	50,000	
Net Taxable Income	<u>21,26,000</u>	
<u>II. Calculation of Tax</u>		
Net Total Income	21,26,000	
<u>Tax:</u>		
Upto 3,00,000	Nil	
3,00,000 to 5,00,000 @ 5%	10,000	
5,00,000 to 10,00,000 @ 20%	1,00,000	
10,00,000 to 21,26,000 @ 30%	3,37,800	
Total tax	<u>4,47,800</u>	

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE



The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53

15

Particulars	Amount
(+) Cost @ 4%	17,912
Tax as per Indian Law	4,65,712
(-) Rebate tax US 91 (Working Note)	3,19,010
Net tax payable	1,46,702

Working Note:
Effective tax rate in India = $\frac{4,65,712}{2,12,600} \times 100$
 $= 21.91\%$

Tax rate in Country A' = 25%

Tax rate in Country M' = 0%

Amount doubly taxed in relation to Country A'
 $= 8,00,000 + 6,56,000$
 $= 14,56,000$

Rebate = $14,56,000 \times 21.91\%$ (Being the lower rate)
 $= 3,19,010$



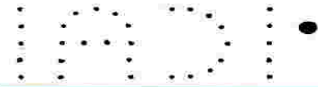
The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53



16



Notes:

① Interest on PPF is fully exempt under section 10C(11) of Income Tax Act, 1961 & hence has not been considered

② Since the entire agriculture income is exempt in "M", it is not doubly taxed and hence no rebate

3bStep2



3

③ Entire 80TTB deduction of Rs. 50,000 is assumed to be out of Saving Bank Interest in India

Alternatively^A if it was considered to be out of country A's FD, then the

→ rebate u/c 91 is Rs. 3,08,055
→ Tax payable is Rs. 1,57,657.

④ Assumption/Condition

① ~~Sec~~ Section 91 rebate is available since

→ Smt. Manisha is resident in India

→ There is no DTAA between India & A/M.

→ Income is subject to tax (or) tax paid in other country

→ Such income has not accrued (or) arisen in India

3b



6

3



14

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE



The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE



Ques 4(a)

(i) As per section 80E of the Act, deduction in relation to interest payment of education loan is provided if such loan was taken from bank/financial institution for the purpose of education of self, spouse (or) children.

As per section 206C(1G), any amount remitted through ^{by authorised dealer} ~~LRs~~ ^{in excess of} ~~shall be taxable at~~ ^{in a financial year} ~~at~~ the rate of 5% TCS

Provided, if section 80E is satisfied, then the TCS shall be 0.5%

In the given case, 80E is not satisfied and hence TCS of 5% ^{in a financial year} in excess of
Rs. 7,00,000 to be charged

TCS
During first payment
$$= (875000 - 700000) \times 5\%$$
$$= 1,75,000 \times 5\%$$
$$= \underline{8,750}$$



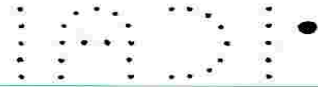
The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53



18



4aiStep1



3

During second payment
 $= (4,75,000 - 0) \times 5\%$
 $= \underline{23,750}$



Hence, Authorised dealer shall deduct Rs 8,750 & 23,750 respectively during the 2 payments.

4ai



3

(ii) As per section 194 IA, where any person transfers an immovable property to a resident Indian, then TDS shall be deducted @ 1% ✓ of the sale consideration (or) stamp duty value, whichever is higher, if such amount is greater than 50,00,000. ✗

Hence, $TDS = \cancel{50,00,000} \times 1\%$
as per 194 IA $= \underline{50,00,000}$



As per section 194 H, where any person whose turnover in the previous year is greater than 1 crore (or) gross receipts (in case of business) (or) gross receipts is greater than 50 lakh (in case of profession), then if such person pays any commission (or) brokerage, TDS shall be deducted @ 5% on



DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE



The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53

19

such amount

$$\begin{aligned} \text{TDS as per 194H} &= 5 \text{ Crores} \times 12\% \times 5\% \\ &= 60,00,000 \times 5\% \\ &= \underline{3,00,000} \end{aligned}$$

4aiiStep1 2

The purpose of transaction whether personal or business is irrelevant for 194 IA & 194H.

Hence Mr. Mandap is required to deduct TDS of ₹ 5,00,000 and ₹ 3,00,000 respectively.

4aii 2

(iii) The given fact is incorrect.

The given case shall be dealt with as per "UCO Bank" case law.

As per the referred case law, where any amount of the litigants is deposited by the Registrar General with Banks, the interest as per section 194A shall not be deducted on such amount, due to the reason that such person is not the beneficiary of the funds.

4aiiiStep1 2

He holds such amount in fiduciary capacity as trustee.



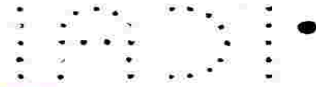
The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53



20



TDS U/s 194A shall be deducted upon the finalisation of the case, where such amount is returned back to the assessee, in the name of assessee.

4a iii



2

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE



The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53

21

Ques 4 (b)

As per section 92A(c) of the IT Act, 1961 two entities are said to be associated enterprises, where one entity provides ~~more than 10% of the guarantee of~~ more than 10% of the total borrowings of other entity.

Hence Paras Ltd & SHA Inc. are ~~an~~ associated enterprises

Arm's Length Calculation:

Calculated as per comparable uncontrolled transaction method as per section 92C

Particulars	Amount (in lac)
Uncontrolled price (2100 per unit x 5 lac _{units})	10,500
Less: Cash Credit Limit facility received (900 lac x 12% p.a x 2/12)	(900)
Add: Credit terms facility provided (10,500 x 12% p.a x 2/12)	630
Arm's Length price	10,230



The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53



22



Actual amount charged ₹ 10,000
(2000 per unit x 5000 units)

Since the difference of 230 lacs is less than the tolerance band of 3% [10000 x 3% = 300 lacs], there is no requirement of Aron's Length Adjustment.

4bStep1



0

In case, the adjustment for Transfer Price is being made suo-moto by Paras Ltd then the excess amount shall be repatriated within 90 days from the date of filing of return.

Alter 1: Section 92CE
If such amount is not repatriated, then interest @
→ MCLR (BI rate) + 3.25%
(or)

→ LIBOR + 3.00%

shall be computed and added to income ~~from~~ of Paras Ltd, from the due date of filing of return.

Alter 2: Section 93CE

If such amount cannot be repatriated due to any reasons, Paras Ltd shall pay tax for such amount at the rate

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE



The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53

23

of 20.9664% (18% + 12% surcharge + 4% cess) as one time payment. Also credit of tax paid shall not be taken up by Paras Ltd.

4bStep2 ✓ 1.5

Alternatively, if only cash credit interest is taken for adjustment,

$$\begin{aligned} \text{Arms Length price} &= 10,230 + 900 - 108 \\ &= \underline{11,022 \text{ Lacs}} \end{aligned}$$
$$\begin{aligned} \text{Arms Length adjustment} &= 11,022 - 10,000 \\ &= \underline{1,022 \text{ Lacs}}. \end{aligned}$$

1022 Lacs exceeds tolerance band of 3%, and hence adjustment to be made mandatorily.

4b ✓ 1.5

4 ✓ 8.5

DO NOT WRITE ANYTHING HERE



The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53



24



Ques 1
Assets M/s Beage Dental Care Pvt Ltd
PY: 2022-23

Particulars	Amount (Rs.)	
Net profit as per P/L A/c	79,50,000	<input type="checkbox"/>
<u>Add: Items not allowed / Items added back</u>		
→ Depreciation as per Companies Act	85,00,000	<input type="checkbox"/>
Only depreciation as per IT Act is allowed as per section 32 of the Act		
→ Loss on destruction of machine	17,20,000	<input checked="" type="checkbox"/>

[Where no compensation has been received by insurance company, then such loss on damage is treated as dead loss and expense / income shall not be debited / credited]

$$\text{Net reversal} = 25,00,000 - 7,80,000 \\ = 17,20,000$$

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE



The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53

Particulars	Amount (Rs.)
→ Tax demand	₹ 70,000
(Any income tax paid including surcharge, cess if any shall not be allowed as per section 37 & 40(a)(ii) of the Act)	<input checked="" type="checkbox"/>
→ GST credit	2,75,000
(GST amount paid on which credit is taken is not an allowable expense as per section 37)	<input checked="" type="checkbox"/>
→ Payment of online digital Ad	12,00,000
(As per section 40(a)(i)(b) of the IT Act, whose equalisation levy has not been duly deducted according to Chapter VIII of Finance Act, then 100% of such expense shall be disallowed)	<input checked="" type="checkbox"/>



The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53



26



Particulars	Amount
→ Interest payment by debentures	20,00,000 <input checked="" type="checkbox"/>
(As per Explanation 3c to section 43B, where the interest is not actually paid, then such amount shall be disallowed. Conversion of such payable into debentures does not tantamount to payment)	<input checked="" type="checkbox"/>
TOTAL (A)	2,22,15,000

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

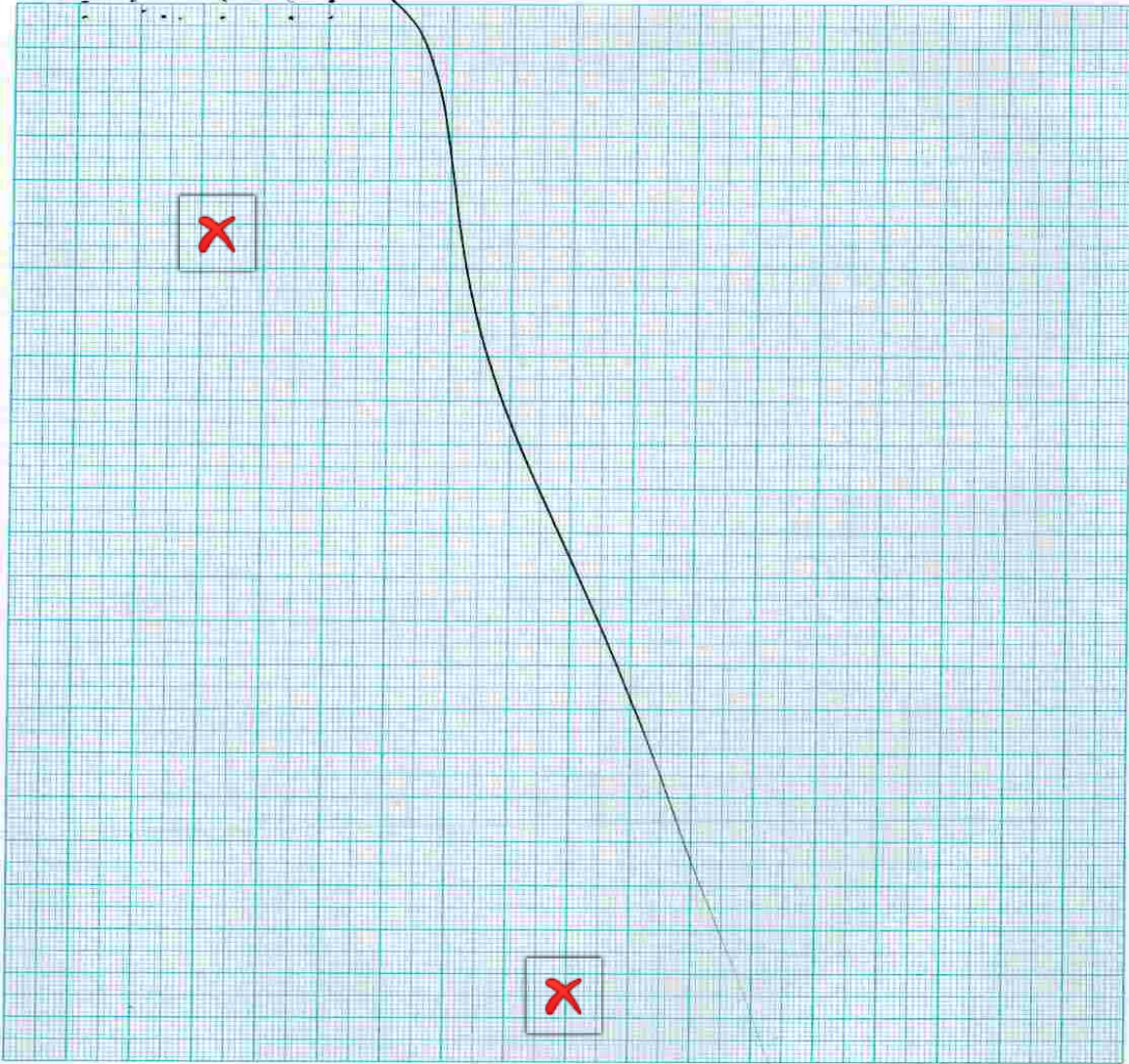



The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject : 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained : 53

27





The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53

Particulars	Amount (₹)
<u>Less: Items allowed/not to be credited to P&L.</u>	
→ Power subsidy already credited.	13,00,000 ✓
[Any subsidy whether power, transport or otherwise shall be treated as income for the purpose of IT Act]	
→ Interest received on margin deposit	— ✓
(Since margin deposit is made for obtaining guarantee, which is intricately linked to the running of business such amount shall be treated as P&BP Income ✓ Case law: K & Co)	
→ Dividend Income	2,35,750 ✓ ✓
(To be considered in Income from other sources)	
1Step1 ✓ 4 Net Income = 2,50,750 - 15,000* = 2,35,750	
1Step2 ✓ 2.5 It is assumed that dividend interest was debited in P&L and hence reversed now.	



The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53



1708549

Addl. Book No.1.....

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
ADDL. BOOK

DO NOT WRITE ROLL NUMBER ANYWHERE IN THIS
ADDITIONAL ANSWER BOOK

DO NOT WRITE ANYTHING HERE
DO NOT WRITE ANYTHING HERE
DO NOT WRITE ANYTHING HERE


Particulars	Amount
→ Depreciation as per <u>IT Act</u>	32,50,000 <input checked="" type="checkbox"/>
(Allowed as per section 32 of the Act)	
→ Depreciation on purchases during the year <u>(WN)</u>	<input type="checkbox"/> 56,59,500
TOTAL (B)	(91,45,250)
Net PGT BP Income (A-B)	<u>1,30,69,750</u>



The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53

2			
Particulars			Amt.
II. Income from other sources			
Dividend income		2,50,750	
E) Interest expense restricted to 20% as per section 57		(15,000)	
			2,35,750
Total Income			<u>1,33,05,500</u>
Tax @ 30% <input checked="" type="checkbox"/> as the turnover in FY 20-21 > 400 crores			39,91,650
Surcharge @ 7% <input checked="" type="checkbox"/> applicable for companies with turnover of 10-100 cr			2,79,416
	Total		<u>42,71,066</u>
A) Cess @ 4%			1,70,843
	Total tax payable		<u>44,41,908</u>
	Rounded off		<u>44,41,910</u>

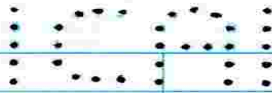
DO NOT WRITE ANYTHING HERE



The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53



3



Working Note 11: Depreciation

Normal Depreciation

$$\begin{aligned} \text{Air Compressor} &= 74,00,000 \times 15\% \\ &= \underline{11,10,000} \quad \checkmark \end{aligned}$$

$$\begin{aligned} \text{Air Pollution Control Equipment} &= 23,45,000 \times 40\% \\ &= \underline{9,38,000} \quad \checkmark \end{aligned}$$

$$\begin{aligned} \text{Lorries for transporting goods} &= 95,00,000 \times 15\% \times \frac{1}{2} \\ &= \underline{7,12,500} \quad \checkmark \end{aligned}$$

Machine imported is put use only on 10/4/23 and hence no depreciation during the year ✓

$$\begin{aligned} \text{Total Depreciation} &= 11,10,000 + 9,38,000 \\ &\quad + 7,12,500 \\ &= \underline{27,60,500} \end{aligned}$$

Additional Depreciation as per 32(c) of Act

$$\begin{aligned} \text{Air compressor \& Air pollution equipment:} \\ &= (74,00,000 + 23,45,000) \times 20\% \\ &= \underline{19,49,000} \quad \checkmark \quad \checkmark \end{aligned}$$

1Step3



4.5



The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53

4

4

Logias for good transport
 $= 95,00,000 \times 10\%$
 $= 9,50,000$

Total additional depreciation = 28,99,000

Hence total depreciation on new purchases
 $= 27,60,500 + 28,99,000$
 $= 56,59,500$

* It has been assumed that air compressors belongs to normal "plant & machinery" group of 15%.

1



11

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

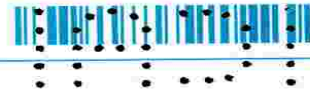


The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53

2



shall not be levied on the contravention of section 269T.

(3) Analysis & Conclusion:

In the given case, IT Fin Ltd, merely passes adjustment entry in books.

This is done to avoid the unnecessary circular transfer of shares between both the parties as the other party owed amount to be paid on sales to IT Finance Ltd.

Therefore in the given case, the Assessing Officer is not justified in imposing penalty under section 271E on contraventions of section 269T.

5aiORii



1

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

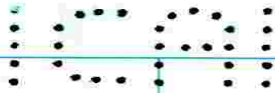
DO NOT WRITE ANYTHING HERE



The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53



3



1708552

Option 3 :

(1) Issues involved:

Whether the forex loss arising due to fluctuations in currency rates, in relation to loan obtained for the purpose of utilising in trading operations is to be treated as revenue expenditure?



(2) Provisions Applicable

Case law : ~~Wipro~~ Wipro Finance Pvt Ltd

As per the referred case law, when an entity is normally engaged in the business of leasing and hiring and such entity is also involved in the business of providing finances to the parties for obtaining such lease & hires then in such cases,

any loss arising due to forex fluctuation of the rates shall be treated to be incurred for the normal operating activities and hence the same shall be treated as revenue expenditure and not capital expenditure.





The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53

4

(3) Analysis & conclusion:

In the given case, M/s ABC Finance Ltd at first claimed Rs 1.1 crores as revenue expenditure, but in the appeal claimed Rs. 3.57 crores as revenue expense in whole.

The same was approved by Tribunal overriding the order of AO.

The fluctuation loss was in relation to the trading operations (leasing & hiring) of M/s ABC finance Ltd, along with loan providing services.

Hence the Tribunal is justified and the entire 3.57 crores shall be claimed as revenue expense.

5aiiORiiiStep1



1.5

5aiiORiii



1.5

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE



The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53



Addl. Book No. 3

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
ADDL. BOOK

DO NOT WRITE ROLL NUMBER ANYWHERE IN THIS
ADDITIONAL ANSWER BOOK

Ques 5(b)

As per section 165 of the Finance Act, equalisation levy @ 6% shall be deducted by any person resident in India (or) Permanent Establishment of Non-Resident in India on payment made for "specified services".

specified services means,

- i) Online advertisement space
- ii) Any digital advertisement space which facilitates the provision of services in relation to advertisement
- iii) Any other service as may be notified by CG, provided by persons other than residents.

Levy shall not be applicable:

- i) if it is not in relation to business (or) profession
- ii) if The payment $< 1,00,000$.

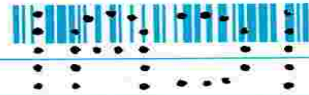


The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53

2



As per section 166 of Finance Act, such amount deducted shall be paid before the 7th of every month.

If not paid, then interest shall be charged at 1% per month (or) part thereof from the next day.

Also penalty equal of Rs. 1000 per day shall be charged, upto a maximum of the equalisation levy amount.

ABC Inc
Taking into account above points, Raghu Ltd shall ~~collect~~ deduct levy of Rs. 18,000 from payment to ABC Inc.

$$\text{Levy} = 3,00,000 \times 6\% = \boxed{18,000} \quad \checkmark$$

$$\text{Interest} = 18,000 \times 1\% \times 9 \text{ months} \\ \text{(8-7-22 to 23-3-23)}$$

$$= \boxed{1,620} \quad \checkmark$$

$$\text{Penalty} = 1000 \text{ per day} \times 259 \text{ (or) Levy [Lower]} \\ = 2,59,000 \text{ (or) } 18,000 \text{ [WEL]} \\ = \boxed{18,000}$$

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE

DO NOT WRITE ANYTHING HERE



The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53

3

1708554

5bStep1 ✓ 3

Raghu Ltd shall not ✓ deduct levy in relation to ~~ABC~~ LMF Inc, as such entity is a permanent establishment in India and the service is effectively connected to the PE.

However, in relation to LMF Inc, TDS provisions shall be duly applied.

5bStep2 ✓ 1

As per section 195 ✓ of the ~~Companies Act~~ IT Act, where any payment is made by any person to a non-resident then TDS shall be deducted at the effective rates in force.

If the rate is 40%, then TDS shall be at $40 + 4\% = 41.6\%$

$$195 \text{ TDS} = 4,50,000 \times 41.6\% = \underline{1,87,200}$$

Alternatively if LMF Inc is considered to be an ~~Indian~~ Resident, then section 194 C shall apply for the work/contract service and TDS shall be deducted @ 2%.



The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject: 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained: 53

4



194C TDS
= 450000 x 2%
= 9000



5b 4

5 6.5



DO NOT WRITE ANYTHING HERE



The Institute of Chartered Accountants of India

Code: FN7DL160087
Subject : 07 Direct Tax Laws & International Taxation

Total Marks: 70
Marks Obtained : 53

Result Overview

Awarded Marks: 53

Max Marks:70

NA Not Attempted

O Optional

M Marked

Q1_Compulsory (Score: 11/14)

Question No	Awarded Marks	Maximum Marks	Status
1	11	14	M

Q2_Q6 (Score: 42/56)

Question No	Awarded Marks	Maximum Marks	Status
2	13	14	M
2a	7	8	M
2bi	3	3	M
2bii	3	3	M
3	14	14	M
3a	8	8	M
3b	6	6	M
4	8.5	14	M
4ai	3	3	M
4aii	2	3	M
4aiii	2	2	M
4b	1.5	6	M
5	6.5	14	M
5aiORii	1	4	M
5aiiORiii	1.5	4	M
5b	4	6	M
6	0	14	O
6ai	0	3	O
6aii	0	2	O
6aiii	0	3	O
6b	0	6	O