

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER 3 – EXAMINATION – SUMMER 2019

Subject Code: 2830009

Date: 06/05/2019

Subject Name: Corporate Taxation

Time: 02:30 PM To 05:30 PM

Total Marks: 70

Instructions:

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

- Q.1 (a)** **Objective Questions** **06**
- The liability of tax payer is determined with reference to his or her _____ .
1. A. Residential status B. Aadhar card
C. Bank account details D. Education
- Income received in India by a non-resident company is _____ .
2. A. Taxable B. Non-taxable
C. Partly taxable D. None of the above
- OECD stands for
3. A. Organisation for Ecological Co-operation and Development B. Organisation for Economic Co-operation and Degradation
C. Organisation for Economic Commerce and Development D. Organisation for Economic Co-operation and Development
- In India, Authority for Advance Rulings is constituted by _____ .
4. A. State Government B. Central Government
C. Union Territory D. General Public
- Relief from double taxation is available as _____ .
5. A. Unilateral relief B. Bilateral relief
C. Both (a) and (b) D. None of the above
- ‘The double taxation avoidance agreements entered into by the Government of India override the domestic law’. This statement is _____ .
6. A. True B. False
C. Both (a) and (b) D. Neither true nor false
- Q.1 (b)** **Short / Definition Questions** **04**
1. What is meant by arm's length price?
 2. What is Place of Effective Management?
 3. What is advance ruling?
 4. What is tax avoidance?
- Q.1 (c)** **04**
- Q.2 (a)** **07**
- Discuss tax planning considerations in respect of employees' remuneration.

- (b)** Calculate taxable income in the hands of Mr. John, a non-resident, from his following sources of income: **07**
- i. Income from a business in Chennai Rs. 20,000
 - ii. Interest on UK Development Bonds Rs. 10,000 (received in UK)
 - iii. Dividend from British company received in India Rs. 10,000
 - iv. Income from a business in New Jersey Rs. 50,000
 - v. Interest on debentures in an Indian company Rs. 5000
 - vi. Income from a business in Mumbai, managed from London Rs. 30,000
 - vii. Income from property situated in Leicester, received there Rs. 15,000

OR

- (b)** Examine the correctness or otherwise (with reason) of the following with reference to the provisions of the Income-tax Act, 1961: **07**
- i. Transfer pricing rules shall have no implication where income is computed on the basis of book profits.
 - ii. Assessing Officer can complete the assessment of income from international transaction by disregarding the order passed by the Transfer Pricing Officer and accepting the argument of assessee.

- Q.3 (a)** How tax planning can be helpful in financial management decisions? Discuss. **07**
- (b)** The following are the details of income earned by Ms. Vidhi, a resident Indian, aged 25, for assessment year 2019-20: **07**

Income from playing snooker matched in country M	Rs. 12,00,000
Tax paid in country M	Rs. 1,80,000
Income from playing snooker tournaments in India	Rs. 19,20,000
Life insurance premium paid	Rs. 1,10,000

Compute her taxable income for assessment year 2019-20. There is no Double Taxation Avoidance Agreement between India and country M.

OR

- Q.3 (a)** Explain various measures for tax planning of non-residents. **07**
- (b)** Mr. Balram is a non-resident. His appeal pertaining to assessment year 2014-15 is pending before Income-tax Appellate Tribunal. The issue involved computation of export profit and tax thereon. The same issue pertains for assessment year 2015-16 as well. Mr. Balram's brother Mr. Krishna has obtained an advance ruling from the Authority of Advance Rulings. Mr. Balram proposed to use the said ruling for his assessment of assessment year 2015-16. Can he do so? **07**
- Q.4 (a)** What is international transaction as per Income-tax Act, 1961? What is included in its scope? **07**

- (b) Specify with reason, whether the following acts can be considered as (a) tax planning, or (b) tax management, or (c) tax evasion: **07**
- i. Mr. P deposits Rs. 1,00,000 in PPF account so as to reduce his total income from Rs. 3,40,000 to Rs. 2,40,000.
 - ii. XYZ Ltd. maintains register to record tax deduction at source to enable time compliance.
 - iii. An individual tax payer making tax saver deposit in a nationalized bank.
 - iv. A partnership firm obtaining declaration from lenders/ depositors in Form No. 15G/15H and forwarding the same to income-tax authorities.
 - v. A company installed air-conditioner costing Rs. 75,000 at the residence of director. The same was shown as being fitted in the quality control section of the factory, to claim depreciation.
 - vi. ABC Ltd. issued a credit note for Rs. 80,000 as brokerage payable to Mr. Aditya who is the son of the managing director of the company. This is done to increase the total income of Mr. Aditya from Rs. 4,00,000 to Rs. 4,80,000 and reduce the income of ABC Ltd.
 - vii. A company remitted provident fund contribution of both its own contribution and employees' contribution on monthly basis before due date.

OR

- Q.4** (a) Explain various methods for determining Arm's Length Price. **07**
(b) Q, a non-resident, made an application to the Authority for Advance Rulings on 02/07/18 in relation to a transaction proposed to be undertaken by him. On 31/08/18, he decides to withdraw the said application. Can Q withdraw the application on 31/08/18? Explain with reason. **07**

- Q.5** Cosmos Ltd., a company incorporated in Mauritius, has a branch office in Hyderabad opened in April 2018. The Indian branch has filed return of income for assessment year 2019-20 disclosing income of Rs. 50,00,000. It paid tax at the rate applicable to domestic company i.e. 30% plus education cess on the basis of the clause in Double Taxation Avoidance Agreement between India and Mauritius, which read as follows: **14**

“The taxation on a permanent establishment which an enterprise of a contracting state has in the other contracting state shall not be less favorably levied in that other State than the taxation levied on enterprises of that other State carrying on the same activities in the same circumstances.”

However, the Assessing Officer computed tax on Indian branch at the rate applicable to a foreign company i.e. 40% plus education cess.

Is the action of the Assessing Officer in accordance with law?

OR

Q.5

Arif is a resident of both India and another foreign country in the previous year 2018-19. He owns immovable properties (including residential houses) in both the countries. He earned income of Rs. 50,00,000 from rubber estates in the foreign country during the financial year 2018-19. He also sold some house property situated in foreign country resulting in short-term capital gain of Rs. 10,00,000 during the year. Arif has no permanent establishment of business in India. However, he has derived rental income of Rs. 6,00,000 from property let out in India and he has a Lucknow where he stays during his visit to India.

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Double Taxation Avoidance Agreement between Indian and the foreign country where Arif is resident, provides that *“where an individual is a resident of both the contracting state, then he shall be deemed to be resident of the contracting state in which he has permanent home available to him. If he has permanent home in both the contracting states, he shall be deemed to be resident of the contracting state with which his personal and economic relations are closer.”*

You are required to examine with reasons whether the business income of Arif arising in foreign income and the capital gains in respect of sale of the property situated in foreign country can be taxed in India.
