



**M.Com. IV Semester Degree Examination, October - 2023**

**COMMERCE**

**International Taxation and Policies**

**(NEP)**

Time : 3 Hours

Maximum Marks : 70

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**Note :** Answer **any five** of the following questions with Question No. **1 (Q1)** is **Compulsory**. Each question carries **fourteen** marks.

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1. (a) Define Jurisdiction to tax. Enumerate the sources of Public International law. **7**
- (b) Define Direct taxes code. Explain its objectives and importance. **7**
  
2. (a) Discuss the constitution of Advance Ruling along with the qualification of its members. **7**
- (b) Miss Indu, a resident of India and a salaried employee employed with a Private Co. Aged 30 years, received the following sums during the previous year 2021-22. **7**
  - (i) Basic Salary - Rs. 45,000 p.m.
  - (ii) DA - 10% of basic salary
  - (iii) Transport Allowance - Rs. 8,000 p.m.
  - (iv) Medical Allowance - Rs. 3,500 p.m.

She contributed Rs. 25,000 to approved pension fund of LIC. She also paid Rs. 1,75,000 by account payee cheque for medi-claim premium to insure the health of her father, aged 65 years, (who is not dependent on her) for 5 years including the current previous year.

Apart from this she also provided guest lecture to a foreign university during the year. She received Rs. 7,92,000 from such university after deduction of tax of Rs. 1,08,000 in the country in which such university is located. India does not have any double taxation avoidance agreement under section 90 of the Income-tax Act, 1961 with that country.

Compute the tax liability of Miss Indu for the A.Y. 2022-23.



3. (a) Briefly explain the structure of Transfer pricing documentation. **7**
- (b) Rama P Ltd. Bangalore is engaged in IT enabled services. It is the Subsidiary of ABC Inc. in USA. It also provides similar services to a company KAS Ltd. at Singapore. Its billing and other information is given as hereunder : **7**
- (i) Billing per month to ABC Inc. USD 85,000.
- (ii) Billing per month to KAS Ltd. USD 70,000.
- (iii) ABC Inc. has provided a loan of USD 1,00,000 to Rama P Ltd. towards purchase of hardware for executing its project. Rate of interest charged for the said loan is at 3% p.a.
- (iv) Direct cost incurred USD 100 and indirect cost incurred USD 200 per hour.
- (v) Rama P Ltd. works 9 hours per day for 15 days to execute the projects for ABC Inc. and 8 hours per day for 15 days to execute projects for KAS Ltd. Service was provided by the company to both its customers throughout the year.
- (vi) Warranty was provided to KAS Ltd. for a period of 2 years. Cost of warranty is calculated at 1% direct cost incurred. The cost of warranty is neither included in the direct cost nor indirect cost.

Assume conversion rate 1 USD = Rs. 64. Compute Arm's Length Price as per the cost-plus method and the amount to be added, if any, to the income of Rama P Ltd.

4. (a) What are the types of Double Taxation Avoidance Agreements? Explain. **7**
- (b) Describe the role of Vienna Convention in application and interpretation of Tax treaties. **7**
5. (a) Explain the meaning of 'harmful tax practices'. Discuss their negative effects on the international economic scenario. **7**
- (b) Define Money Laundering. Explain the methods of Money Laundering. **7**



6. (a) Blackberry Ltd, a non-resident German Company, has the following incomes in India during the year ended on 31.03.2022. **10**
- (i) Dividend income of Rs. 12,50,000 from XY Ltd. an Indian company listed on recognised stock exchange.
  - (ii) 8% debentures of Rs. 20,00,000 received from X Ltd, an Indian company, on October 1, 2021 in consideration of providing technical know-how (date of payment of interest being March 31 every year).
  - (iii) Dividend received Rs. 5,50,000 (after TDS) 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 Blackberry Ltd, in foreign currency through an approved intermediary.
  - (iv) Business income of Rs. 8,00,000 from a unit established at Mumbai.
  - (v) Income by way of royalty (other than referred to in Section 44DA) amounting to Rs. 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%. (after TDS)
- You are required to compute the tax liability of Blackberry Ltd, for the Assessment Year 2022-23.
- (b) X Ltd, a company incorporated in USA, sells laser printer cartridge to its 100% Indian Subsidiary A Ltd. @ \$ 50 per cartridge. X Ltd. also sells its laser printer cartridge to another company Y Ltd. in India @ \$ 80 per piece. Total income of A Ltd. for the assessment year 2022-23 is Rs. 12,00,000 after making payment for 100 cartridge @ \$ 50. (1\$ = Rs. 69). A Ltd. has deducted tax at source while making payments to X Ltd. Compute the arm's length price and taxable income of A Ltd. **4**
7. (a) Define Tax Treaty. Discuss the basic principles of interpretation of Tax Treaties. **7**
- (b) What are the various approaches to the identification of tax havens? **7**
8. (a) Explain the importance of Functions, Assets and Risk Analysis. **5**
- (b) Mr. Jayatheertha stayed in India only for 48 days during P.Y. 2021-22. He had acquired a house property located in Country A in September 2011 for Rs. 80,00,000. Out of the investment of Rs. 80,00,000, Rs. 55,00,000 was assessed to tax in the total income of the P.Y. 2011-12 and P.Y. 2010-11, when he was resident in India. The remaining income has not been assessed to tax in any year. This asset comes to the notice of the Assessing officer in March 2022. The value of the house property on 1.4.2021 was Rs. 1,20,00,000. What is the value of undisclosed asset (house property located in Country A) in the hands of Mr. Jayatheertha for the purpose of Black Money and Imposition of Tax Act, 2015 **5**
- (c) Write a note on Other Anti avoidance measures. **4**

