No. of Printed Pages : **2**

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M.Com. IV Semester Degree Examination, Sept./Oct. - 2024

COMMERCE

A. International Taxation and Policies

(NEP)

Time : 3 Hours Maximum Marks : 70

Note : *Answer **any five** of the following questions with **Question No.1 is Compulsory.** Each question carries **Fourteen** Marks.*

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1. (a) What are the basic principles of International Tax Law ? Explain. **7**

(b) Define Direct Taxes Code. Explain the objectives of Direct Taxes Code. **7**

2. (a) Define Non-Resident. What are the incomes which are not taxable for non-residents and foreign companies under Income Tax Act 1961 ? **7**

(b) Miss Keerthi, a resident individual has derived the following income during the previous year 2022-2023. **7**

1. Income from profession- ₹ 3,50,000.
2. Rent received from house property located in foreign country AB is ₹ 20,000 per month received there. Municipal taxes paid in that country is ₹ 40,000. Income tax paid in the foreign country in equivalent Indian currency is ₹ 25,000 on the net income of ₹ 2,00,000.
3. Royalty on books from foreign country XY in equivalent Indian currency is ₹ 15,00,000 (eligible for deduction u/s 80QQB). Tax is paid in country XY @ 20%. The expenses incurred for earning royalty is ₹ 1,50,000.
4. Interest from savings account amounts to ₹ 24,000. Miss Keerthi,wishes to know whether she is eligible to claim double taxation relief and if so, the quantum applicable. India does not have DTAA with either of the two countries.

3. (a) What is Transfer Pricing ? Explain the significance of Arm's Length Priniciples. **7**

(b) MG Glasses Ltd., India Exports semi-finished glasses to its parent company Moon Glasses Inc., USA. The exports are made at $ 200 per glass to the US company (Freight & Insurance cost $ 75 incurred separately). The cost per glass works out to $ 125 on import, Moon Glasses Inc., USA polishes the glasses and markets the same @ $ 500 per glass. The polishing and marketing process cost @ $100 per glass. Ascertain the Arm's Length Price for the said transactions along with explanations. **7**

4. (a) Define Tax Treaties. Explain the features of Tax Treaties. **7**

(b) Explain the types of Double Taxation Avoidance Agreements (DTAA). **7**

5. (a) Define Money-Laundering. What are the sources of illegal money ? Explain **7**

(b) Explain the adverse effects of Base Erosion and Profit Shifting. **7**

6. (a) Define Advance Rulings. What are the Powers of officers under Advance Rulings ? **7**

(b) Hyundai Motors Ltd. an Indian company declared income of ₹ 300 crores computed in accordance with Chapter IV-D but before making any adjustments in respect of the following transactions for the year ended on 31.03.2023. **7**

(i) 10,000 cars sold to Rida Ltd., which holds 30% shares in Hyundai Motors Ltd. at a price which is less by $ 200 each car than the price charged from Shingto Ltd.

(ii) Royalty of $ 1,20,00,000 was paid to Kyoto Ltd. (Associated Enterprise) for the use of technical know-how in the manufacturing of car. However, Kyoto Ltd. had provided the same know-how to another Indian company for $ 90,00,000.

(iii) Loan of Euro 1000 crores carrying interest @ 10% p.a advanced by Dorf Ltd. a German Company was outstanding on 31.03.2023. The said German company had also advanced a loan of similar amount to another Indian company @ 9% p.a. Total Interest paid for the year was Euro 100 crores.

Explain in brief the Transfer pricing provisons of the Act affecting all these transactions and compute the income of the company chargeable to tax for A.Y. 2023-24. Keeping in mind that the value of 1$= ₹ 50 and 1 Euro = ₹ 55.

7. Describe the role of Vienna Convention in application and interpretation of Tax treaties. **14**

8. (a) House A is located in a country outside India was bought in the year 1995 for ₹ 15 Lakhs. It was sold in the year 2000 for ₹ 22 Lakhs. The amount was deposited in a bank account in that country. In the year 2001 another House B was purchased for ₹ 35 Lakhs. The Investment in House B was made through withdrawal from the bank account in the foreign country. House B has not been transferred before the valuation date and its value on the valuation date is ₹ 48 Lakhs. **5**

Assuming that the value of foreign bank account under Rule 3 (1) (e) Black money Imposition of Tax Act is ₹ 60 Lakhs. Compute the Fair market value of the assets.

(b) Write a note on Functions, Assets and Risk (FAR) Analysis under Transfer pricing. **5**

(c) Differentiate between Black lists, White lists and Grey Lists under tax havens. **4**

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