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UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination – December, 2017

Program: B. Com., LL.B. (Hons.) Taxation Laws		**Semester**	: VII
Subject (Course): Income Tax Law and Practice		**Max. Marks**	**: 100**
Course Code	: LLBL 471	**Duration**	**: 3 Hrs**
No. of page/s:	**2**		

Section A: 10 Marks

Question 1: Write a short note on the following: **(Attempt any 2)**

i. Tax Management
ii. Person of Indian Origin
iii. Association of Persons Vs. Body of Individuals.

[2*5= 10 Marks]

Section B: 20 Marks

Question 2: Answer the following in short. **Support your answers with suitable illustrations/ case law (if any):**

i. What is Transfer Pricing?
ii. What is Double Taxation Avoidance Agreement (DTAA)?

[2*5=10 Marks]

Question 3: Distinguish between the following:

i. Tax avoidance and tax evasion
ii. Exemption method and tax relief/credit method.

[2*5=10 Marks]

Section C: 20 marks

Question 4: What are the tax benefits under the Income Tax Act, 1961('Act') with respect to the repayment of home loans (principal amount and interest)? Explain it with the help of relevant provisions of the Act?

[10 Marks]

Question 5: What is the Rule of beneficial construction? Explain with help of relevant case laws.

[10 Marks]

Section D: 50 marks

Question 6: If everything about tax havens is so clandestine, why haven't they been banned at the outset? Comment.

[10 Marks]

Question 7: Mr. P is an American National. Determine his residential status for the A.Y.2015-16 in the following situations:

i. If he comes to India for the first time on 15th November, 2014.
ii. If his grandfather was born in Lahore on 13th August, 1946 and he visits India for first time on 18th May, 2014 and goes back to America on 19th Dec, 2014.

[20 Marks]

Question 8: Company 'A' is a non resident company in country R and is wholly owned by company 'X' in country T. Company 'X' is a financial company with substantial reserves and looking for investments in India. Company 'X uses its subsidiary company 'A' to route its investment in an Indian company 'B' whereby company 'A' purchases the shares of company 'B'. After sometime, company 'A' sells the shares of company 'B' to another company 'C' and realizes capital gains. As per the provisions of relevant DTAA Protocol between country R and India, a shell/conduit company is not eligible for capital gains exemption in India. However, a company shall not be deemed to be a shell/conduit company if its total annual expenditure on operations in country R is equal to or more than Rs. 1,00,00,000/- in the immediately preceding period of 24 months from the date the gains arise. Company 'A' claims that capital gains are not taxable in India as it is not a shell company as per the relevant DTAA Protocol and that it incurred Rs. 1,20,00,000/- (Rs. 40,00,000/- as license fees and local office expenses, Rs. 80,00,000/- as interest payments to 'X' company, its parent holding company) as business expenses as per P&L A/C to show its economic presence in country 'R' as it claimed expenditure exceeding the limit prescribed therein and therefore is not a shell/conduit company. Will the revenue authorities invoke GAAR in this case? Discuss.

[20 Marks]

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