

EXAMINATION OF ARTICLED CLERKS

PAPER IV

TAXATION

Monday, 23rd April, 2018

Time: 3 Hours (1:00 PM to 4:00 PM)

(Total Marks: 100)

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- Note:**
1. *Figures to the right indicate full marks.*
 2. *Answer should be legible and to the point.*
 3. *Reference to "the Act" means the Income Tax Act 1961.*
 4. *Please support your answers with the relevant provisions of the Act and caselaw.*

1. Answer in Yes or No. Please provide reasons for your answer in not more than 2 bullet points. **30 Marks**
 - (a) Will the expenses incurred by an assessee for promotion films, slides, advertisement films of its products be a capital expenditure?
 - (b) Will liquidated damages received by a company from the supplier of plant for failure to supply machinery to the company within the stipulated time be a revenue receipt?
 - (c) Can subsidy received by the assessee from the Government under the scheme of industrial promotion for expansion of its capacities, modernization and improving its marketing capabilities be treated as a capital receipt?
 - (d) Can notional interest on security deposit given to the landlord in respect of residential premises taken on rent by the employer and provided to the employee, be included in the perquisite value of rent-free accommodation given to the employee?
 - (e) Can the amount transferred to profit and loss account in case of waiver of loan taken by assessee for business purposes be assessed as business income under section 41(1) of the Income-tax Act, 1961?
 - (f) Will the provisions of Section 115-O imposing an additional tax on dividend be applicable in the event of declaration, distribution or payment of dividend by a domestic company, even if the said company generates only agriculture income?

- (g) Would payment by an assessee for non-exclusive distribution rights of 'Adwords Programs' along with access to intellectual property rights, secret process embedded in Adwords Programme as tool of trade for generation of income to an Irish company amount to Royalty chargeable to tax in India?
- (h) Can services rendered by an Indian subsidiary company to enable the foreign company to render services to its clients abroad, give rise to its fixed place PE in India.
- (i) Will payments made by an assessee to its employees under the nomenclature 'Good work reward' constitute bonus within the meaning of section 36(1)(ii) of the Income-tax Act, 1961?
- (j) Are the provisions of Sections 234A, 234B and 234C applicable to proceedings before the Settlement Commission?

2. Write short notes on any **three** of the following. **15 Marks**
- (a) Income from house property.
 - (b) Computation of arm's length price.
 - (c) Time limit for issuing notice under section 148 of the Act where income has escaped assessment.
 - (d) Jurisdiction of assessing officers.
3. Is an assessee liable to pay penalty under section 271(1)(C) of the act for making an incorrect claim? Please advise. **5 Marks**
6. Can notional interest on security deposit given to the landlord in respect of residential premises taken on rent by the employer and provided to the employee, be included in the perquisite value of rent-free accommodation given to the employee? **5 Marks**
7. Sale of Agricultural land is made by the assessee to a non-agriculturist. Will the land be treated as a Capital asset and the proceeds thereof treated as capital gains? **10 marks**
8. Explain any **five** of the following: **20 Marks**
- (a) Agricultural income.
 - (b) Block of assets.
 - (c) Charitable Purpose.
 - (d) Fringe benefits.
 - (e) Dividend.

(f) Short-term Capital asset.

(g) Resident

9. What do the terms 'salary' and 'perquisite' include? **10 Marks**

10. When will an appeal lie to the Supreme Court? **5 Marks**