DIRECTORATE OF DISTANCE EDUCATION
NALSAR UNIVERSITY OF LAW, HYDERABAD

M.A. (International Taxation)

Academic Year: 2023-2024

Second Semester Examination (June, 2024)

Paper I - 1.2.4. Permanent Establishment and Allocation of Business Profits

Duration of the Examination: 2 ½ hours **Total Marks : 70 marks**

INSTRUCTIONS TO CANDIDATES

a) **Read the instructions carefully and adhere to the same.**
b) **Please mention your DDE ID No., date of the exam, name of the programme & subject on the Answer Sheet and the Additional Answer Sheets, if any.**
c) **The questions to be interpreted as given and no clarification can be sought from the Invigilator.**
d) **Clearly indicate the question numbers while answering them. Answers without question numbers / wrong question numbers will not be evaluated.**
e) **Write the answers clearly and neatly. Answers in illegible handwriting will not be taken into consideration.**
f) **Candidates are prohibited to carry phones or any other electronic devices, books, material etc. in the Examination Hall.**
g) **Copying is strictly prohibited and is considered as a serious academic mis-conduct and the University will take action as it deems fit.**

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1) Examine in the context of provisions contained under the Income-tax Act, 1961, each of the following independent cases and state in brief whether there exists a permanent establishment and business connection in each of the cases in India so as to bring the income earned, if any, to tax net in India :-

(i) Moon Ltd., a company resident in UK, had set-up a liaison office at Mumbai to receive trade inquiries from customers in India. The work of the liaison office is not only restricted to forwarding of the trade inquiries to Moon Ltd. but the liaison office also negotiates and enters into the contracts on behalf of Moon Ltd. with the customers in India. **(10 marks)**

(ii) Jasmine Inc. a resident of UK, has set up a branch at Hyderabad for the purpose of purchase of raw materials for manufacturing its products. The branch office is also engaged in selling the products manufactured by Jasmine Inc. and in providing sales related services to customers in India on behalf of Jasmine Inc. **(10 marks)**

(iii) Mr. Raman, a resident in India and based at Delhi, is appointed as an agent by Pearl Inc. a company incorporated in UK for tracking the Indian markets. He was canvassing the orders and then communicating to Pearl Inc. in UK. He had no authority to accept the orders. All the orders were directly received, accepted and after receipt of the price/value, the delivery of goods was given by Pearl Inc. outside India. No purchase of raw material or manufacturing of finished goods took place in India. The agent was entitled to receive the commission on the sales so concluded by Pearl Inc. **(15 marks)**

(iv) Saher Co. Ltd. is a company registered in UK which organizes tours and travels and an attractive excursions between India and Sri Lanka on luxury cruise liner for 3 nights and 2 days. Saher has appointed local tour and travel operators in India for the purposes of canvassing Cruise Packages, undertake bookings from Indian customers (to be confirmed only by Saher Co.), on confirmation collect and remit amounts and identity of customers, furnish proper accounts, provide updated information on customs etc. A commission at 20% is paid to these Indian operators. Every year some employees of Saher Co. visit Indian operators offices to provide them canvassing materials, leaflets, banners etc. **(15 marks)**

2) Write short note on force of attraction rule. **(20 marks)**