DIRECTORATE OF DISTANCE EDUCATION
NALSAR UNIVERSITY OF LAW, HYDERABAD

M.A. (International Taxation)

Academic Year: 2023-2024

First Semester Repeat Examination (June, 2024)

Paper I - 1.1.1. Understanding International Tax Treaties and Treaty Interpretation (Batch 2023-2025)

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) Pursuant to the Base Erosion and Profit Shifting Action Plan 1, the Finance Act, 2016 vide Chapter VIII introduced "Equalisation Levy". Thus, Equalisation levy do not form part of the Income Tax Act, 1961 and consequently tax treaty benefits are denied. The equalisation levy has been brought into force to tackle direct tax issues relating to digital businesses. This is also supported by the concept of 'horizontal equity'; that is, taxing digital services rendered by non-residents with the objective of equalising their tax burden with other Indian competitors who are subject to income tax in India.

In view of international law and the General Rule of Interpretation under Vienna Convention of Law of Treaties, examine if India's unilateral action amounts to a breach of international obligation or not. **(25 marks)**

2) Sagrika is a fashion blogger based in UK. Two years ago, as a hobby she started a YouTube channel on everyday outfits and formal wear for working women. Soon her popularity grew and she became one of the most sought-after social media influencers. Subsequently, reputed brands of ready-made garments, make-up brands, and accessories would send her free products for their promotion. Since last one year Sagrika has been on a world tour travelling different countries and creating contents for her YouTube videos by visiting the local garment shops of different countries. Since July 2023 till the end of March 2024, she has been in India visiting different states and understanding their unique style of clothing. While in India she continued to make her videos, this time with Indian-styled clothing. In the financial year 2023-24, she earned an income from YouTube and other social media sites, received by her in her bank account in the UK.

Does her income from YouTube and other social media be said to have any territorial nexus in India? If yes, why. If not, why not. **(25 marks)**

3) Write a short note on the significance of the Preamble to the tax treaty and its role in the interpretation of the treaty. **(20 marks)**

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