**DIRECTORATE OF DISTANCE EDUCATION**
**NALSAR UNIVERSITY OF LAW, HYDERABAD**

# *M.A. (International Taxation)*

**Academic Year: 2022-2023**

**First Semester - End Semester Examination (January, 2023)**

## Paper III - 1.1.3. Scope of Tax Treaties

**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)** Himachal Ltd. is an Indian Company involved in manufacturing and trading in woollen garments under the brand name —HWOOLI. In order to expand its exports sale, it launched a massive publicity campaign in overseas market. For the purpose of online advertising, it hired Doodle Inc., a US based company, which has no permanent establishment in India, and paid Rs.20 lakhs for its services in the previous year 2021-22.

Discuss the tax implications of such transaction in the hands of Himachal Ltd. and Doodle Inc. **(25 marks)**

**2)** An Indian company, India Private Limited (Ind Co) had attracted foreign investments from investors across the globe. For the year FY 2022-23, Ind Co desires to declare dividends to its two foreign shareholders, out of which one shareholder is Disney LLC, a limited liability corporation in US.

It may be noted that for US tax purposes, LLC is classified as a partnership and can operate as a pass-through under check-the-box regulations. The partners of LLC are tax resident of US. Further being an unincorporated entity, LLC is not akin to a corporation or body corporate under the Indian tax laws. Also, LLC may not be construed as a partnership firm as per 2(23)(i) of the Income Tax Act.

Determine whether the entity characterization should be based on the domestic tax laws of resident state (or) source state. Explain the characterization of the entity under both the scenarios and comment on the eligibility of treaty benefit.

**(25 marks)**

**3)** Write a short note on 'liable to tax' criterion. **(20 marks)**

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