

WRAP Exams · wrapexams.com

Prelims PYQ, Mains model answers, and copy evaluation. Write to the desk for this paper, a doubt, or the AI waitlist.

ask@wrapexams.com · +91 85951 84903 · wrapexams.com

Q8

Which one of the following situations best reflects "Indirect Transfers" often talked about in media recently with reference to India? (a) An Indian company investing in a foreign enterprise and paying taxes to the foreign country on the profits arising out of its investment (b) A foreign company investing in India and paying taxes to the country of its base on the profits arising out of its investment (c) An Indian company purchases tangible assets in a foreign country and sells such assets after their value increases and transfers the proceeds to India (d) A foreign company transfers shares and such shares derive their substantial value from assets located in India Official key: D.

UPSC Civil Services Prelims 2022 · General Studies · 2 marks · Economy

Indian economy, budget, schemes - Prelims GS Paper I.

Explanation

(a)

Indian firm taxed abroad on its foreign profits. Ordinary outbound investment, not an indirect transfer.

(b)

Foreign firm taxed at home on Indian profits. Residence taxation, not the Vodafone-type transfer.

(c)

Indian firm selling foreign tangibles. A direct asset sale abroad.

(d) Official key

A foreign company transfers shares that derive substantial value from Indian assets. That is the indirect-transfer case.

Summary

Official key is (d). Indirect transfer is a change in control of a foreign company whose shares get their value from assets in India (Vodafone / Explanation 5 to section 9). The other three are ordinary cross-border investment or asset sales.

Related possible facts

These can be asked in a future Prelims paper.

Vodafone (2012)

Supreme Court; later retrospective amendment on indirect transfers.

Explanation 5, s.9

Income-tax Act: shares of a foreign company deriving value from India.

WRAP Exams · Write. Read. Analyse. Practice. · <https://wrapexams.com/upsc/prelims/gs/2022/which-one-of-the-following-situations-best-reflects-indirect-transfers-often-talked-about-in-media-recently-with-reference-to-india/> · ask@wrapexams.com · wrapexams.com

WRAP Exams