CA FINAL NOV'19

SUBJECT- DIRECT TAX LAWS AND INTERNATIONAL TAXATION

Test Code – FNJ 7260

(Date :)

(Marks -100)

PART A : MULTIPLE CHOICE QUESTIONS -------- (30 MARKS)

PART B : DESCRIPTIVE TYPE QUESTIONS---------- (70 MARKS)

PART A : MULTIPLE CHOICE QUESTIONS

QUESTION 1 . MULTIPLE CHOICE QUESTIONS (2*10= 20 MARKS)

1. Zinc Ltd. owns the following assets on 01.04.2018:

Assets	Rate of Depreciation	WDV on 01.04.2018
Plant A	15%	4,05,000
Plant B	15%	1,95,000

On 10.06.2018, the company acquires Plant C for Rs. 20,000 (rate of depreciation is 15%). The company sells the following assets during the previous year 2018-19:

Assets	Sale consideration	Expenses on transfer
Plant A	2,00,000	12,000
Plant B	3,72,000	-
Plant C	85,000	200

Determine the amount of depreciation and capital gains for the A.Y. 2019-20 in the hands of Zinc Ltd. Further, is it possible for Zinc Ltd. to avoid tax on capital gains?

(a) Depreciation: Nil and Short term capital gain: Rs.24,800. Further, it is not possible for Zinc Ltd. to avoid tax on capital gains.
(b) Depreciation: Rs.93,000 and Short term capital gain: Rs.1,17,800. Further, it is not possible for Zinc Ltd. to avoid tax on capital gains.
(c) Depreciation: Nil and Short term capital gain: Rs. 24,800. Further, Zinc Ltd. can avoid tax on capital gains if it purchases another plant (eligible for depreciation @15%) during the previous year 2018-19 of Rs. 24,800 or more.
(d) Depreciation: Rs. 93,000 and Short term capital gain: Rs.1,17,800. Further, Zinc Ltd. can avoid tax on capital gains if it purchases another plant (eligible for depreciation @15%) during the previous year 2018-19 of Rs.1,17,800 or more.

2. Z Ltd. purchased a plant for Rs.50,00,000 (depreciation rate: 15%) on 20.05.2018. Before commencement of the commercial production, expenses of Rs.50,000 were incurred by Z Ltd. for trial run of the plant. What will be the treatment of the expenditure incurred on the said trial run as per the provisions of ICDS-V which deals with tangible fixed assets?

(a) The expenditure of Rs.50,000 is required to be capitalized as the commercial production has not commenced.
(b) The expenditure of Rs.50,000 can be claimed as a revenue expenditure by the company.
(c) The expenditure of Rs.50,000 has to be treated as deferred revenue expenditure.
(d) No treatment has been provided in ICDS-V in relation to expenditure incurred on trial run by an assessee.

3. Mr. Aryan is constructing a residential house property in Mumbai for self-occupation. He has taken a loan of Rs.35 lakhs on 30.3.2018 for this purpose. He pays interest of Rs.3 lakhs during the P.Y.2018-19. He repays Rs.3 lakhs towards principal on 31.3.2019. The construction is completed in April, 2019. This is the only house property of Mr. Aryan. For A.Y.2019-20,
   (a) Mr. Aryan is entitled for deduction of Rs.2 lakhs under section 24 and Rs.1.50 lakhs under section 80C
   (b) Mr. Aryan is entitled for deduction of Rs.2 lakhs under section 24, Rs.50,000 under section 80EE and Rs.1.50 lakhs under section 80C.
   (c) Mr. Aryan is neither entitled for deduction under section 24 nor under section 80C. He is, however, entitled for deduction of Rs.50,000 under section 80EE.
   (d) Mr. Aryan is not entitled for deduction under section 24, section 80C and section 80EE.

4. The tax liability of Mr. Sunil for the financial year 2018-19 came to Rs. 1,54,000. He has paid advance tax of Rs. 1,38,000 and there was a TDS credit of Rs. 44,000 in his account. He filed his return of income on 30th July, 2019 claiming the refund due. His assessment was completed under section 143(1) and he was granted the refund on 15 th February, 2020. Subsequently, his case was selected for scrutiny and his income was assessed under section 143(3). As per the assessment order dated 25th August, 2020, his income was recomputed after making certain additions and his revised tax liability was computed at Rs. 1,76,000. Whether he will be liable to pay any interest on the excess refund granted to him? If yes, then for what period?
   (a) Sunil will be liable to pay interest on the excess refund of Rs. 22,000 at the rate of ½ percent for a period of 7 months.
   (b) Sunil will not be liable to pay any interest on the excess refund granted to him.
   (c) Sunil will be liable to pay interest on the excess refund of Rs. 22,000 at the rate of 1 percent for a period of 6 months.
   (d) Sunil will be liable to pay interest on the total refund of Rs. 28,000 at the rate of ½ percent for a period of 7 months.

5. Mr. Ganesh is running a steel factory. The total turnover of the factory during the F.Y. 2017-18 amounted to Rs.1.95 crores and he opts for presumptive tax scheme under section 44AD. The estimated turnover for F.Y. 2018-19 is likely to exceed Rs.2 crore. On 10-04-2018, he took consultancy of a Delhi based Chartered Accountant. The consultancy fees amounted to Rs.1,84,000. Should Mr. Ganesh deduct tax from consultancy fees of Rs.1,84,000? If yes, then what shall be the amount of tax to be deducted and by when the same should be deposited with Government?
   (a) Yes; Rs.18,400 to be deposited by07.05.2018
   (b) Yes; Rs.18,400 to be deposited by07.07.2018
   (c) Yes; Rs.15,400 to be deposited by07.05.2018
   (d) He is not liable to deduct tax in respect of professional fees paid

6. A public charitable trust registered under section 12AA for the previous year ended 31.3.2019, derived income of Rs.10 lakhs from properties held by trust and voluntary contributions from public 15 lakhs, out of which Rs.8 lakhs was applied for charitable purposes and Rs.4 lakhs towards repayment of loan taken for construction of orphanage. The total income of the trust for A.Y.2019-20 is –
   (a) Rs.13 lakhs
   (b) Rs.9.25 lakhs
   (c) Rs.13.25 lakhs
   (d) Rs.17 lakhs

7. ABC India Pvt. Ltd and XYZ India Pvt. Ltd are related parties, as defined under section 40A(2)(b), who have entered into a transaction for purchase of goods for Rs. 25 lacs on 2nd April, 2018. The Arm Length Price for such goods is Rs. 15 lacs. Aggregate value of such transactions in the previous year 2018-19 is Rs. 22.5 crores. Can the transaction be considered as a specified domestic transaction to attract transfer pricing provisions?
   (a) Yes, as the aggregate transaction value exceeds Rs. 20 crores
   (b) Yes, as parties are related parties.
   (c) No, transfer pricing provisions are not applicable in this case
   (d) Yes, since parties are related parties and the aggregate transaction value exceeds Rs. 20 crores

8. Nikhil, an individual whose age is 35 years incurs the following expenses for the benefit of his family (i.e., Nikhil, Mrs. Nikhil and dependent children) and parents [father (80 years), mother (76 years)] during the previous year 2018-19:

	Medi-claim insurance premium (by cheque)	**Preventive health check- up expenditure (in cash)**	**Medical expenditure (by cheque)**
For the benefit of Nikhil, Mrs. Nikhil and children	Rs.20,000	Rs.7,000	Rs.2,000
For the benefit of father	Nil	Nil	Rs.32,000
For the benefit of mother	6,000	Nil	Nil

Compute the amount of deduction allowable to Nikhil for assessment year 2019-20.

(a) Rs.63,000 (b) Rs.55,000 (c) Rs.67,000 (d) Rs.65,000

9. In October, 2014, Mr. Raghav, an Indian citizen who is a non-resident, bought 500 Global Depository Receipts (GDRs) of Alpha Limited, India, issued in accordance with the notified scheme of the Central Government against the company's initial issue of shares in foreign currency. In January, 2019, he sold 300 GDRs outside India to Mr. Joe, a citizen and resident of a country outside India and 200 GDRs to Mr. Kamal, a Resident but not ordinarily resident in India. What are the tax consequences of such sale transaction under the Income-tax Act, 1961?
   (a) Capital gains arising on sale of 500 GDRs shall be subject to tax @20% with indexation benefit in India
   (b) No capital gains would arise on sale of 500 GDRs in India, since the GDRs are purchased in foreign currency
   (c) No capital gains would arise on sale of 300 GDRs, but capital gains arising on sale of 200 GDRs shall be taxed in India @10% without indexation benefit
   (d) No capital gains would arise on sale of 300 GDRs, but capital gains arising on sale of 200 GDRs shall be taxed @20% with indexation benefit in India

10. Which of the following can be treated as "profits derived from" business or undertaking to qualify for deduction under section 80-IB?
   (i) Transport subsidy
   (ii) Duty drawback receipts
   (iii) interest subsidy
   (iv) power subsidy
   (a) Only (ii)
   (b) (ii) & (iii)
   (c) (i), (iii) & (iv)
   (d) All the above

QUESTION 2 . MULTIPLE CHOICE QUESTIONS (1*10= 10 MARKS)

1. A Foreign Institutional Investor (FII) has total income which includes short-term capital gains on sale of preference shares of Rs.50 lakh. The rate of tax for charging such income to tax is:
   (a) 10% (b) 15% (c) 30% (d) 40%

2. Mr. Akhilesh, a non-resident Indian citizen, is an enthusiastic sports person and is keen on contributing an article on a game of Hockey in a leading newspaper in India. He approaches you to enquire on taxability of such income for A.Y. 2019-20. As per the provisions of Income-tax Act, 1961, such income shall be taxable in his hands at –
(a) 5% (b) 10% (c) 20% (d) Normal tax slab rates

3. Mr. Harry and Mr. Sujoy , resident and Indian citizens, have been appointed as senior officials Country A embassy and Country B embassy, respectively , in India in October 2018. Mr. Harry and Mr. Sujoy are subjects of Country A and Country B , respectively and are not engaged in any other business or profession in India. The remuneration received by Indian officials working in Indian embassy in Country A is exempt but in Country B is taxable. The tax treatment of remuneration received by Mr. Harry and Mr. Sujoy from embassies of Country A and Country B respectively in India for the P.Y 2018 -19 is

(a) Exempt from income tax under section 10

(b) Taxable under the Income Tax Act , 1961

(c) Remuneration received by Mr. Harry is exempt but Remuneration received by Mr. Sujoy is taxable

(d) Remuneration received by Mr. Sujoy is exempt but Remuneration received by Mr. Harry is taxable

4. Which of the following is not an eligible international transaction for application of safe harbor rules?

(i) Preparation of user documentation

(ii) Receipt of intra-group loans where the amount of loan is denominated in Indian rupees

(iii) Providing implicit corporate guarantee

(iv) Purchase and export of core auto components

(v) Receipt of intra-group services from group member

Choose the correct option

(a) Only (ii)
(b) (ii) & (v)
(c) (ii), (iv) & (v)

(d) (ii), (iii), (iv) & (v)

5. KLM Ltd. an Indian company paid dividend distribution tax under section 1 15 - O in respect of dividend distributed by it to its resident and non -resident shareholders. Mr. Roy, a shareholder of KLM Ltd. and a resident of Country Y, has to pay tax in Country Y on dividend received by him from KLM Ltd., as per the domestic tax laws of Country Y. This is an example of:
(a) Juridical double taxation
(b) economic double taxation
(c) territorial double taxation
(d) municipal double taxation

6. In which of the following transfers, the benefit of indexation is available in case the asset is a long-term capital asset?

(a) Transfer of securities by a foreign institutional investor u/s 115AD.

(b) Transfer of undertaking or division in a slump sale u/s 50B.

(c) Transfer of shares in an Indian Company purchased in foreign currency by a non - resident assessee

(d) None of the above

7. In case where primary adjustment to transfer price is made *suo moto* by an Indian company, the time limit for repatriation of "excess money" is –

(a) 60 days from 30th September of the A.Y.

(b) 90 days from 30th September of the A.Y.

(c) 60 days from 30th November of the A.Y.

(d) 90 days from 30th November of the A.Y.

8. The provision relating to limitation of interest deduction in respect of debt issued by a non-resident associated enterprise would not apply where the expenditure by way of interest or similar nature is –

(a) Rs.2.10 crore
(b) Rs.2 crore
(c) Rs.1.50 crore
(d) Rs.1 crore

9. In order to claim relief under the tax treaty in India, a non-resident –

(a) Should have a business presence in India

(b) Should produce his Permanent Account Number

(c)Should produce Tax Residency Certificate (TRC)
(d) Should produce his income-tax return filed in the home country

10. Shaurya, resident in India, has earned an income of Rs.4 lakh by way of lump sum consideration for copyright of a book, being a work on literary from a publisher in Country E, with which India does not have a DTAA. The same has been taxed at a flat rate of 5% in Country E. In India, his gross total income is Rs.7 lakhs. The double taxation relief available is

(a) Rs.20,000 (b) Rs.7,725 (c) Rs.1,931 (d) Rs.1,950

PART B : DISCRIPTIVE TYPE QUESTIONS

QUESTION 1 IS COMPULSORY. ATTEMPT ANY 4 OUT OF REMAINING 5 QUESTIONS.

QUESTION : 1

Saudi Oil Corporation is a foreign Company engaged in the exploration of oil and gas in all countries including India. In respect of its Indian business, the company has prepared the P & L a/c in accordance with the Companies Act, 2013 and such statement of profit and loss account for the PY ended 31.03.2019 shows a net profit of Rs. 65 Lakhs. The net profit from activities in all other countries stands at Rs. 550 Lakhs. The company informs that while arriving at the NET PROFIT as indicated above in respect of Indian business, the following debits / credits have been made in its P & L a/c.

Credits to the P & L A/c.	Rs. (In Lakhs)
(i) Net agricultural income in India	16
(ii) Share of profits from a firm engaged in business in India.	15
(iii) Amount withdrawn from reserve created during 2016 – 17 (Book profit was not increased by the amount transferred to such reserve in the year 2016 – 17)	3
(iv) Profits from an Industrial Undertaking covered and qualified for deduction u/s 10AA	30
(v) Profits from an Industrial Undertaking covered and qualified for deduction u/s 80 – IC	6
(vi) Credited Revaluation Surplus of Rs. 10 lakhs on fair valuation of assets under Ind AS 16 and Ind AS 38 to other equity (OCI).	10
(vii) Credited Rs. 5 lakh to OCI on fair valuation of equity installments in which the company has invested.	5
Debits to the P & L A/c.	
(i) Expenditure relating to section 10AA undertaking	12
(ii) Depreciation for current year under Companies Act, 2013	24
(iii) Interest to Financial institutions not paid up to the date of filing the return	6
(iv) Penalty for infraction of law	1
(v) Proposed Dividend	3
(vi) Provision for Taxation (Income – tax)	2
(vii) Transfer to General Reserve	5
(viii) Provision for Unascertained Liabilities	2
(ix) Expenditure relating to section 80 – IC undertaking (Sikkim)	5
(x) In the administrative expenses, the company has debited a sum of Rs. 70,000 towards fee for delayed filing of statement of TDS u/s 234E of the Act.	

The following additional information is also provided :

Brought forward book loss : Rs. 12 Lakhs.

Depreciation allowable under Income – tax rules : Rs. 30 Lakhs. Brought forward business loss and unabsorbed Depreciation as per Income – tax law : Rs. 18 lakhs. (Loss Rs. 8 Lakhs and Depreciation Rs. 10 Lakhs).

You are requested to **<u>compute the total tax liability of the company</u>** for the AY 2019 – 20 and **<u>MAT credit to be carried forward.</u>** **(14 MARKS)**

QUESTION : 2

A. ABC LLP, a limited liability partnership in India is engaged in development of software and providing IT enabled services through two units, namely, Unit A and Unit B. Unit A is setup in Special Economic Zone (SEZ) and Unit B is set up in a Domestic Tariff Area (DTA). The LLP furnishes the following information relating to its 3rd year of operation ended on 31-3-2019:

Items	(Amount in Rs. Lacs)	
	Unit A	Unit B
Export Turnover	1200	920
Domestic Turnover	200	460
Duty Draw Back	38	38
Profit on sale of Import Entitlement	24	Nil
Salaries paid	540	192
Other expenses	420	473
Net Profit of the year	502	753

Additional Information:

(i) **Unit A**: Expenses of Rs.24 lacs are disallowable under section 43B and export sales proceeds received in India amounted to Rs.1040 lacs. Export sales of Rs.1200 lacs include freight and insurance of Rs.200 lacs and realization of Rs.1040 lacs includes amount of insurance and freight charges of Rs.140 lacs.

(ii) **Unit B**: Export sales received in India was Rs.850 lacs. Expenses charged and are to be disallowed as per section 40A(3) are of Rs.47 lacs.

Compute tax payable by ABC LLP for the Assessment Year 2019-20. **(8 MARKS)**

B. The assessee is a non – corporate assessee for the A.Y. 2019 – 20. Income of the assessee is calculated as follows :

Particulars	Amount (Rs.)
Net profit as per P/L account	67,60,000
Add : Excess depreciation (i.e. excess of depreciation debited to P/L A/c over depreciation u/s 32)	2,000
Add : Disallowance u/s 37(1) and u/s 43B	10,000
Total	67,72,000
Less : Deduction u/s 10AA	(65,00,000)
Business Income	2,72,000
LTCG(on transfer of land)	1,50,000
Gross Total Income	4,22,000
Less : Deductions under chapter VIA :	
(i) u/s 80G Rs. 3,000	(51,000)
(ii) u/s 80 – IB Rs. 48,000	
Total Income	3,71,000

Calculate AMT & AMT Credit where the assessee is Non – Resident individual.

(6 MARKS)

QUESTION : 3

A. **<u>Compute the taxable income</u>** of Mr. Singh for the P.Y. 2018 – 19.

Following are the details of income provided by Mr. Singh, the assessee for the financial year ended 31st March 2019.

1. Rental income from property at Bangalore – Rs. 2,00,000/- Standard rent – Rs. 1,50,000 Lahkhs, Fair rent Rs. 1,80,000.
2. Municipal & Water tax paid during 2018 – 2019 – Current year – Rs. 35,000, Arrears – Rs. 1,50,000.
3. Interest on Loan borrowed towards major repairs to the property – Rs. 6,00,000.
4. Unrealized rent of Rs. 5,00,000 received during the year which was not charged to tax in earlier year.

Mr. Singh sold a house property in Chennai, the details are as under :

1. Mr. Singh's father acquired a residential house in April, 1993 for Rs. 25,000 and thereafter gifted property to Mr. Singh on 1.03.1994.
2. The property so gifted was sold by Mr. Singh on 10.06.2018 the consideration received was Rs. 25,00,000.
3. Stamp duty charges paid by the purchaser at the time registration @ 13% was Rs. 3,90,000. The stamp duty value as on the date of agreement was Rs. 35,00,000.
4. On 2.01.2019, the assesse had purchased 2 adjacent flats in the same building and made suitable modifications to make it as 1 unit. The investment was made by separate sale deeds, amount being Rs. 18,00,000 & Rs. 17,00,000 respectivley.

On 15.03.2019, Rs. 15 Lakhs was invested in bonds issued by NHAI, but allotment was made on 3.4.2019.

Mr. Singh being one of the investors of Securitisation Trust received Rs. 5 lakh during the previous year 2018 – 19. The Securitisation Trust has the following incomes in previous year 2018 – 19 :

Interest Income : Rs. 5 lakhs

Dividend Income : Rs. 7 Lakhs

STCG : Rs. 15 lakhs

Mr. Singh received dividend from investment in various companies during financial year 2018 – 19 to the tune of Rs. 11.5 lakhs.

<u>Compute the total income</u> of A.Y – 2019 – 20. (CII : F.Y. – 2018 – 19 : 280, F.Y. – 2013 – 14 : 220, F.Y. – 2001 – 02 : 100) **(10 MARKS)**

B. SS Inc, UK holds 30% of capital of DS Ltd., an Indian Company, DS Ltd. has declared income of Rs. 150 lakhs for PY 2018 – 19 before making any following transfer pricing adjustments.

(i) Royalty of USD 12 Lakh was paid to SS Inc for use of technical know – how. SS Inc. had provided similar know – how to another Indian company at USD 9 Lakh.

(ii) Loan of USD 500 Lakh carrying interest @ 15% p.a. was advanced by Korean company XY Inc. Total book value of assets of DS Ltd. is Rs. 900 Lakhs. PP Ltd. has advanced similar loan to another Indian company @ 12% p.a. Total interest paid for year was USD 75 Lakhs.

Compute the adjusted total income of DS Ltd. for PY 2018 – 19. Assume 1 USD = Rs. 63.

(4 MARKS)

QUESTION : 4

A. Determine the applicability of the provision for tax deduction at source under section 194DA in the following cases :

(i) Mr. X, a resident, is due to receive Rs. 4.50 Lakhs on 31.3.2019, towards maturity proceeds of LIC policy taken on 1.4.2016, for which the sum assured is Rs. 4 Lakhs and the annual premium is Rs. 1,25,000.

(ii) Mr. Y, a resident, is due to receive Rs. 2.75 Lakhs on 31.3.2019 on LIC policy taken on 31.3.2012 for which the sum assured is Rs. 2.50 lakhs and the annual premium is Rs. 35,000.

(iii) Mr. Z a resident, is due to receive Rs. 95,000 on 1.10.2018 towards maturity proceeds of LIC policy taken on 1.10.2012 for which the sum assured is Rs. 90,000 and the annual premium was Rs. 15,000.

(3 MARKS)

B. PQR Limited has the following carried forward losses as assessed till the Assessment Year 2018-19:

	Particulars	**Rs. (in lacs)**
(i)	Speculative Loss	4
(ii)	Unabsorbed Depreciation	18
(iii)	Unabsorbed expenditure of capital nature on scientific research	2
(iv)	Business Loss	120

PQR Limited was amalgamated with LMN Limited on 01.04.2018. All the conditions of section 2(1B) were satisfied.

LMN Limited has computed a profit of Rs.130 lacs for the financial year 2018-19 before setting off the eligible losses of PQR Limited but after providing depreciation at 15% per annum on Rs.150 lacs, being the consideration at which plant and machinery were transferred to LMN Limited. The written down value as per Income-tax record of PQR Limited as on 1st April, 2018 was Rs.100 lacs.

LMN Limited also has speculative profit of Rs.10 lacs during the F.Y. 2018-19.

<u>**Compute the total income of LMN Limited for Assessment Year 2019-20 and indicate the losses/ other allowances to be carried forward by it.**</u> **(6 Marks)**

C. The income of the trust through donation is Rs. 100 Lakhs. However, out of the same donations, a donor has committed to donate Rs. 1 Lakh to the trust on 28/03/2019 which he pays only on 02/ 04/2019. The trust has been able to utilize only 82 lakhs out of the total donations received. The trust could not utilize Rs. 2 lakhs because it couldn't find a suitable occasion to utilize it is attainment of the objects of the trust. **Compute the total income of the trust.**

(5 MARKS)

QUESTION : 5

A. Explain the circumstances under which the Assessing Officer can resort to provisional attachment of the property of the assessee. Also, state the period of time for which such attachment can take place. **(4 Marks)**

OR

A. Whether Foreign judgments are binding on Indian Courts ? **(4 MARKS)**

B. On 15^{th} January 2018, a searh u/s 132 was conducted in the premises of Mr. Rana, a jewellery manufacturer. The AO found Rs. 50 lakh in cash, which was comprised of demonetised currency notes. i.e. 500 and 1000 notes. Unexplained jewellery worth Rs. 2 crore and unaccounted property documents valued Rs. 80 lakh were also found.

(a) The assesse did not disclose the income in the return of income.

(b) The assesse admitted the undisclosed income and submitted before the AO that he had derived such income in cash.

He paid the tax and interest on the income, declared such income in his ROI & furnished it within due date.

Referring to the provisions of the Act as amended by The Taxation Laws (Second Amendment) Act, 2016, you are required to compute the amount of penalty to be levied in both the above cases. **(4 MARKS)**

C. An assessee deducted the tax at the time of making the payment of salaries. However, it delayed depositing the amounts of tax deducted with the revenue. The quantum of tax deducted was deposited with the revenue along with the interest by the assesse on its own before any notice determining the amount or declaring the assesse to be in default was made by the Revenue. The Assessing Officer levied penalty under section 221 of the Income – tax Act, 1961. For failure to pay tax deducted at source within the prescribed time. Is the action of Assessing Officer justified ? **(3 MARKS)**

D. "Proceedings cannot be initiated under the Act, unless a proper notice to this effect has been served upon." In this context answer :

On whom should the notice be addressed and served upon in the cases where the assessee is a dissolved frim, a deceased person and a partitioned HUF.

(3 MARKS)

QUESTION : 6

A. Can Treaty override the domestic tax law. **(3 MARKS)**

B. DS Limited, a company incorporated in Mauritius, has a branch office in Hyderabad opened in April, 2013. The Indian branch has filed return of income for assessement year 2019 – 20 disclosing income of Rs. 50 Lakhs. It paid tax at the rate applicable to domestic company i.e. 30% plus education cess on the basis of paragraph 2 of Article 24 (Non –

Discrimination) of the Double Taxation Avoidance Agreement between India and Mauritius, which reads as follows :

"The taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting State shall not be less favourably levied in that other State than the taxation levied on enterprises of that other State carrying on the same activities in the same circumstances."

However, the Assessing Officer computed tax on the Indian branch at the rate applicable to a foreign company i.e. 40% plus education cess.

Is the action of the Assessing Officer in accordance with law ? **(3 MARKS)**

C. RAMCO Soft Consult Ltd's total income during the P.Y. ended 31st March, 2019 is Rs. 21,00,000. TDS deducted by payers of Rs. 54,450 & Co. has paid tax of Rs. 25,000 in a foreign country with which India has been entered into DTAA. During the year, the company paid advance tax as under :

Date of payment	Advance tax paid (Rs.)
15.06.2018	40,000
12.09.2018	65,000
15.12.2019	1,00,000
15.03.2019	62,000

The company filed ROI for AY 2019 – 20 on 15th November, 2019. **Compute interest**, if any, payable by the company u/s 234A, B & C. Assume transfer pricing provisions not applicable. **(8 MARKS)**