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**CA FINAL (Nov 2024)**  
**GROUP II - PAPER 4**  
**DIRECT TAX LAWS & INTERNATIONAL TAXATION**  
**(Series 3)**

**Time Allowed: - 3 Hours**

**Maximum Marks: 100**

This question paper comprises two parts, Part I and Part II.  
Part I comprises MCQ & Part II comprises questions which require descriptive answers.  
All questions relate to A.Y. 2024-25 unless stated otherwise in the question.

**PART - I (MCQs)**  
**All MCQs are compulsory**

**Question no. 1-15 carry 2 marks each**

**This Case Scenario contains MCQ 1-5**

Mr. B is an interior decorator by profession. He also delivers online lectures on interior decoration via an e-commerce platform – Indeco-Academy. The relevant information from Mr. B's Indeco-Academy account is given hereunder:

<b>Date of Credit of services to account of Mr. B</b>	<b>Date of Payment to Mr. B</b>	<b>Value of Services Provided (₹)</b>
31.05.2023	10.06.2023	2,00,000
31.10.2023	10.10.2023	1,50,000
31.03.2024	10.04.2024	1,40,000

In addition to the above, Mr. B received ₹ 20,000 on 18.02.2024 directly from a student instead of through the Indeco-Academy payment portal. Mr. B has not furnished his PAN or Aadhar number to Indeco-Academy but has furnished his driving license for KYC requirements.

On 05.05.2023, Mr. B provided interior decorating services to Mr. N in Mumbai having business turnover of ₹ 1.2 crores during P.Y. 2022-23 for his office premises as well as residential premises, the consideration for which was ₹ 40,000 and ₹ 60,000, respectively. Mr. B has provided his PAN details to Mr. N for invoicing purpose.

Mr. B's gross receipts from interior decoration profession (excluding fees for online lectures) from clients in India (including Mr. N) in total in the P.Y.2023-24 is ₹ 40 lakhs.

Further, ₹ 1,10,000 is payable by Mr. B to Tumble LLC – a social networking website having no office in India and ₹ 1,05,000 to Doodle Inc., USA, for giving online advertisements for the purpose of attracting foreign clients. Though Doodle Inc., USA, has an office in India, the said office is involved in providing designing services and nothing in relation to online advertisements. Fortunately, Mr. B got one client based in Country A (with which India does not have a DTAA) from whom he received ₹ 3,50,000 as net income after deduction of ₹ 50,000 as foreign tax.

Profits of Mr. B computed as per books of account maintained under section 44AA is ₹ 24 lakhs. He has, however, not got his books of account audited.

From the information given above, choose the most appropriate answer to the following questions -

1. **Is Indeco-Academy required to deduct tax at source on amount received/receivable by Mr. B? If so, what is the amount of tax to be deducted?**
  - (a) No tax is required to be deducted at source
  - (b) Yes; ₹ 5,100
  - (c) Yes; ₹ 25,500
  - (d) Yes; ₹ 1,02,000
2. **Is Mr. N required to deduct tax at source under section 194J? If so, what is the amount of tax to be deducted?**
  - (a) No tax is required to be deducted at source u/s 194J
  - (b) Yes; ₹ 1,000
  - (c) Yes; ₹ 4,000
  - (d) Yes; ₹ 10,000
3. **Is Mr. N required to deduct tax at source under section 194M? If so, what is the amount of tax to be deducted?**
  - (a) No tax is required to be deducted at source u/s 194M
  - (b) Yes; ₹ 600
  - (c) Yes; ₹ 1,200
  - (d) Yes; ₹ 3,000
4. **Is Mr. B required to deduct equalisation levy on the amounts payable to Tumble LLC or Doodle Inc.? If so, what is the amount of levy to be deducted?**
  - (a) No; there is no requirement to deduct equalisation levy from the amount payable to either Tumble LLC or Doodle Inc.
  - (b) Yes; ₹ 6,600 to be deducted on the amount payable to Tumble LLC; No deduction is, however, required on the amount payable to Doodle Inc.
  - (c) Yes; ₹ 6,300 to be deducted on amount payable to Doodle Inc; No deduction is required on the amount payable to Tumble LLC.
  - (d) Yes; ₹ 6,600 to deducted on the amount payable to Tumble LLC and ₹ 6,300 to be deducted on the amount payable to Doodle Inc.
5. **What is Mr. B's gross income-tax liability for the P.Y.2023-24, assuming that he does not exercise option u/s 115BAC?**
  - (a) ₹ 5,70,960
  - (b) ₹ 4,91,400
  - (c) ₹ 5,08,560
  - (d) ₹ 5,53,800

**This Case Scenario contains MCQ 6-10**

X Ltd. ("X") is an Indian company incorporated on 1<sup>st</sup> October, 2022 with the objective of manufacturing medicines using state-of-the-art technology previously unused in India. One of the incidental business objects of X as per its Memorandum of Association is trading in futures and options ("F&O") on the Bombay Stock Exchange and the National Stock Exchange.

It commences production from 1<sup>st</sup> December, 2022 from its newly-constructed manufacturing facility in Uttar Pradesh; its registered office is also situated at the said manufacturing facility.

Y Inc ("Y") is a private company incorporated in a foreign jurisdiction. X holds 30% share in the nominal value of the equity share capital of Y. Y lent an amount of ₹ 50 crores@6% p.a. to X on 1<sup>st</sup> April 2023 and X paid the interest due for the F.Y. 2023-24 on 31<sup>st</sup> March, 2024. The transaction is at arm's length price and X has not availed any other loan.

Profit before giving effect to interest, tax and depreciation allowance of X for F.Y. 2023-24 is ₹ 6,00,00,000, which includes dividend of ₹ 7,50,000 received by X from Y on 1<sup>st</sup> July, 2023. It earned ₹ 2,50,000 from F & O trading during F.Y. 2023-24.

Additional information:

- (i) X has registered a patent in India for treatment of a novel virus which it has developed in collaboration with Y. 90% of the total expenditure for developing the patent has been incurred by X in at its manufacturing facility in Uttar Pradesh while the remaining has been incurred by Y outside India.
- (ii) X receives royalty of ₹ 5 crore by permitting other companies to use its patent. The total expenditure incurred for earning such royalty is ₹ 42,00,000.

From the information given above, choose the most appropriate answer to the following questions -

6. **What would be the amount of disallowance, if any, of interest paid by X to Y in computation of total income of X for A.Y.2024-25?**
  - (a) No disallowance is attracted since the transaction is at arm's length.
  - (b) ₹ 3,00,00,000
  - (c) ₹ 1,20,00,000
  - (d) ₹ 1,80,00,000
7. **At what rate of tax, will income of X from manufacturing business, dividend and F&O trading be taxed, assuming that X opts for the special provisions of section 115BAA/115BAB, as the case may be? Ignore surcharge and health and education cess.**
  - (a) 15%, 15%, 22%, respectively
  - (b) 22%, for all income referred to above.
  - (c) 15%, 22%, 30%, respectively
  - (d) 22%, 15%, 30%, respectively
8. **Which of the statements is correct as regards taxability of royalty in the hands of X?**
  - (a) Royalty of ₹ 5 crore is taxable@15% u/s 115BBF
  - (b) Royalty of ₹ 5 crore is taxable@10% u/s 115BBF
  - (c) Royalty of ₹ 4.58 crore (₹ 5 crore less expenditure of ₹ 42 lakh) is taxable @10% u/s 115BBF
  - (d) Royalty of ₹ 5 crore is not eligible for concessional rate of tax u/s 115BBF, since the entire expenditure for development of patent was not incurred in India
9. **If X desires to avail the beneficial rate of taxation provided under section 115BAA/115BAB, as the case may be, then:**
  - (a) it cannot claim deduction u/s 32(1)(ii) as well as deduction u/s 80JAA
  - (b) it can claim deduction u/s 32(1)(iia) as well as u/s 80JAA
  - (c) it can claim deduction u/s 32(1)(ii) but cannot claim deduction u/s 80JAA
  - (d) it cannot claim deduction u/s 32(1)(iia) but can claim deduction u/s 80JAA
10. **Which Action Plan of BEPS counter harmful tax practices?**

- (a) Action Plan 2
- (b) Action Plan 3
- (c) Action Plan 4
- (d) Action Plan 5

**The following scenario relates to questions 11-15**

BMT Shipping Co. is an Indian company having its place of effective management in India. It owns three vessels out of which two are "Qualifying Ships". The registered tonnage of the two qualifying vessels is 33,840 tonnes and 230 kgs and 24,952 tonnes and 370 kgs respectively. In the F.Y. 2023-24, the first vessel was operated for 212 days and the second for 347 days.

The WDV of the block of assets for tax purposes, being ships, as on 01.04.2023 was ₹ 1200 lakhs

Ships forming part of Block of Assets	WDV as per books as on 01.04.2023 (₹ in lakhs)
Qualifying Ship 1	580
Qualifying Ship 2	270
Non-qualifying Ship 3	230

Other Information:

- (i) Profit from core activity referred to in section 115-VI(1) read with 115-VI(2) is ₹ 70 lakhs.
- (ii) Profit from incidental activity computed as per section 115-VI(1) read with 115-VI(5) is ₹ 14 lakhs.
- (iii) Book profits calculated as per the Explanation to section 115JB(2) [in so far as it relates to income derived from core and incidental activity] are ₹ 100 lakhs.

LMN Shipping Co. is a foreign company whose place of effective management is outside India in the P.Y.2023-24. Its gross receipts for P.Y.2023-24 is ₹ 630 lakhs, the breakup of which is given hereunder:

	Place where goods are shipped	Place where amount is paid to/received by BMI Shipping Co.	Amount paid (₹ in lakhs)
(i)	Goods shipped at ports in India	In India	200
		Outside India	150
(ii)	Goods shipped at ports outside India	In India	180
		Outside India	<u>100</u>
			<b><u>630</u></b>

From the information given above, choose the most appropriate answer to the following questions -

- 11. What would be the tonnage income of BMT Shipping Co. computed under section 115VG for A.Y. 2024-25?**
- (a) ₹ 71,05,880
  - (b) ₹ 71,12,028
  - (c) ₹ 71,20,454
  - (d) ₹ 71,26,602
- 12. What would be the written down value as on 01.04.2023 of "Qualifying Ships" of BMT Shipping Co. for tax purpose as per section 115VK?**
- (a) ₹ 850 lakhs
  - (b) ₹ 944.44 lakhs
  - (c) ₹ 1200 lakhs

- (d) ₹ 970 lakhs
- 13. The minimum reserve requirement as per section 115VT in case of BMT Shipping Co. for P.Y.2023-24 is -**
- (a) ₹ 16.8 lakhs  
(b) ₹ 20 lakhs  
(c) ₹ 14 lakhs  
(d) ₹ 15 lakhs
- 14. Would any amount be taxable under the other provisions of the Income-tax Act, 1961 as per section 115VT(5), if BMT Shipping Co. had transferred ₹ 15 lakhs to Tonnage Tax Reserve Account during P.Y. 2023-24? If yes, what is the amount so taxable?**
- (a) Yes; ₹ 1.80 lakhs  
(b) No amount is taxable as per section 115VT(5), since the amount transferred is more than the minimum reserve requirement  
(c) Yes; ₹ 5 lakhs  
(d) Yes; ₹ 21 lakhs
- 15. What shall be the income computed under section 44B of LMN Shipping Co. for A.Y.2024-25?**
- (a) ₹ 39.75 lakhs  
(b) ₹ 53 lakhs  
(c) ₹ 26.50 lakhs  
(d) ₹ 47.25 lakhs

## PART - II (Descriptive Answers)

**This part comprises 6 questions. Question No. 1 is compulsory. Attempt any 4 questions out of the remaining 5 questions.**

- 1** On, 1.4.2023, Binu Ltd. of Delhi, a domestic company, engaged in the business of manufacturing of metro rail seats, converted into an LLP by name M/s. Soumya LLP fulfilling all the conditions specified in section 47(xiiib) of the Income-tax Act, 1961. Some of the relevant information is given below in respect of Binu Ltd., as on 31.3.2023: **14**
- (a) Voluntary Retirement Scheme (VRS) expenditure incurred by the company during the PY 2021-22 is ₹ 20 lakhs. The company was allowed deduction of ₹ 4 lakhs each for the PYs 2021-22 & 2022-23 under section 35DDA.
- (b) 150 equity shares in Toyo Ltd., an Indian company listed in Bombay Stock Exchange was acquired for ₹ 1,900 per share on 10.1.2018. On conversion, these shares become the property of M/s. Soumya LLP.
- (c) Besides other assets transferred to M/s. Soumya LLP by M/s. Binu Ltd., it also transferred two factory buildings. On 1.4.2023, M/s. Soumya LLP leased out one factory building along with plant and machineries and furniture etc. at a consolidated lease rent of ₹ 50,000 per month.

During the previous year 2023-24, the M/s. Soumya LLP earned a profit of ₹ 25,40,000 after debit/credit of the following items to its Profit and loss account:

- (i) Mr. Binu is the working partner of the LLP. He is also a working partner in another firm. He is actively engaged in the business of both the firms. Binu gets, a salary of ₹ 55,000 p.m. from M/s. Soumya LLP and the same is authorised in the deed of LLP.
- (ii) Mr. Ayushman, an employee, was deputed to work in the client's office in Mumbai for three months. The LLP has paid his salary in cash for the months when he was in Mumbai, amounting to ₹ 3,45,000 (net of TDS and other deductions), since he did not have a bank account in Mumbai. This payment was included in amount of "salary" debited to profit and loss account. Mr. Ayushman is normally posted in Delhi being the headquarter of M/s. Soumya LLP.
- (iii) Amount of ₹ 25,000 was paid towards penalty for non-fulfilment of delivery conditions of a contract for sale for the reasons beyond its control.
- (iv) The LLP had provided an amount of ₹ 18 lakhs being the sum estimated as payable to workers based on agreement to be entered with workers union towards periodical wage revision once in 3 years. The provision, is based on a fair estimation of wage and reasonable certainty of revision once in 3 years.
- (v) Depreciation debited to profit and loss account ₹ 5,40,000.
- (vi) Gratuity provisions based on actuarial valuations ₹ 6.5 lakhs. (Gratuity actually paid ₹ 4 lakhs to retired employees debited in Gratuity provision account).
- (vii) Profit on sale of shares of M/s. Toyo Ltd. ₹ 1,27,500. These shares were sold on 31.5.2023 for ₹ 2,750 per share. The highest price of Toyo Ltd. quoted on

the stock exchange as on 31.1.2018 was ₹ 2,500 per share.

- (viii) Repairs to plant and machinery include ₹ 59,000 in respect of plant and machinery given on lease.
- (ix) Factory licence fee paid ₹ 15,000 for each factory building.
- (x) Legal fee includes ₹ 26,000 paid to an advocate for drafting and registering the lease agreement.

**Additional Information:**

- (1) Under an agreement of debt restructuring, the bank has converted unpaid interest amounting to ₹ 9,00,000 up to 31.7.2023 into a new loan account repayable in 3 equal annual instalments. The first instalment was paid in March 2024 by debiting the new loan account.
- (2) Mr. Binu, being a working partner, bought a car which is registered in his own name out of the funds of LLP. The car was used exclusively for the purposes of the business of the LLP only. The depreciation on the car amounts to ₹ 15,000 for the PY 2023-24 which is not included in the depreciation amount debited to profit and loss account.
- (3) Depreciation as per Income-tax Rules ₹ 8,10,000 (including depreciation on the assets given on lease amounting to ₹ 90,000). It does not include depreciation on car.
- (4) The LLP sold import entitlements on 1.5.2023 for ₹ 1,50,000. This sum is not included in profit and loss account by treating it as capital receipt.

You are required to discuss the implication of such conversion and calculate the total income in the hands of M/s Soumya LLP for the Assessment Year 2024-25.

**2 (a)**

Mr. Rajesh is a resident unitholder of PQR Ltd. and Shipra Ltd. PQR Ltd. is incorporated as an Investment Fund and Shipra Ltd. is a Real Estate Investment Trust. (REIT), which holds 100% shareholding in GPL Ltd., an Indian company. Mr. Rajesh holds 10% units in both Shipra Ltd. and PQR Ltd. since the year 2021. The particulars of income of Shipra Ltd. and PQR Ltd. for the previous year 2023-24 are given below:

**8**

Particulars	Shipra Ltd.	PQR Ltd.
Dividend Income from GPL Ltd.	₹ 2 crores	
Interest Income from GPL Ltd.	₹ 3 crores	
Short-term capital gains on sale of developmental properties	₹ 1 crore	
Business income		₹ 35 lakhs.
Long-term capital losses		₹ 27 lakhs
Interest income		₹ 52 lakhs

GPL Ltd. does not exercise option under section 115BAA for A.Y. 2024-25. Shipra Ltd. and PQR Ltd. distribute 90% of its income to the unit-holders during the year after deducting applicable TDS. Compute total income and net tax payable by Mr. Rajesh for the A.Y. 2024-25, assuming that he has opted for section 115BAC.

**2 (b)** 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 business connection in each of the cases in India so as to bring the income earned, if any, to tax net in India :-

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- (i) ABC Ltd., a company resident in Dubai, 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 ABC Ltd. but the liaison office also negotiates and enters into the contracts on behalf of ABC Ltd. with the customers in India.
- (ii) XYZ Inc. a resident of USA, 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 XYZ Inc. and in providing sales related services to customers in India on behalf of XYZ Inc.
- (iii) Mr. Rajesh, a resident in India and based at Delhi, is appointed as an agent by PQR Inc. a company incorporated in UK for tracking the Indian markets. He was canvassing the orders and then communicating to PQR 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 PQR 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 PQR Inc.

**3 (a)** Asma Rani Public Charitable Trust runs a hospital cum Rehabilitation Centre to treat patients suffering from leprosy. The trust is registered u/s 12AB and following cash system of accounting, furnishes the following information:

8

- Gross Receipts from Hospital ₹ 560 Lakhs
- Gross Receipts from Rehabilitation ₹ 220 lakhs
- Fees not realized from patients as at 31.3.2024 ₹ 36 Lakhs
- Administration Expenses paid for hospital ₹ 335 Lakhs
- Administration Expenses paid for Rehab. Centre ₹ 138 Lakhs
- Acquired a building for ₹ 150 lakhs for expansion of Rehabilitation centre (Cost of land included therein ₹ 85 lakhs). Stamp duty value of Land & Building on the date of registration was ₹ 185 lakhs.
- Grant received from State Govt. ₹ 7.50 lakhs
- Administration expense includes payments of ₹ 12 lakhs to resident doctors & contractors on which TDS is required to be deducted u/s 192 & 194C but such TDS has not been deducted.
- Voluntary contributions (including Corpus Donations for ₹ 10 lakhs) is ₹ 20 Lakhs. These contributions are included in Gross Receipts of hospital. The corpus donation is invested in modes specified under section 11(5).
- Anonymous donations received ₹ 8 Lakhs.
- Amount donated to Jan Kalyan Trust registered u/s 12AB running similar

hospital in Bihar (includes Corpus donation of ₹ 5 Lakhs from hospital receipts) - ₹ 11 Lakhs.

- Repayment of loan taken earlier for construction of Rehabilitation Centre - ₹ 6.65 Lakhs.
- The trust set apart ₹ 15 lakhs for acquiring another table & equipment for OT. Form 10 was filed and A.O. was duly informed as required u/s 11(2).

Compute the Total Income of the trust and its I.T. Liability for the A.Y. 2024-25 assuming trust has not opted for Section 115BAC.

- 3 (b)** MNO Ltd., having its registered office in Mumbai, is engaged in multiple businesses. It has borrowed ₹ 200 crores from State Bank of India (SBI) for which 100% guarantee was given by the parent company, ABC Inc. of Country A. The total borrowings of MNO Ltd. is ₹ 1,000 crores. **6**

MNO Ltd. buys mobile phones from ABC Inc. The mobile phones are branded for which royalty at ₹ 100 per mobile phone sold is paid to ABC Inc. Similar mobile phones are also sold to other customers in India by ABC Inc. but no royalty is charged from them. The credit period offered to MNO Ltd. is 2 months, whereas for other customers, the credit period is 1 month. During the year, 10 lakh mobile phones were bought for an aggregate sum of ₹ 2,600 crores from ABC Inc. The purchase could be assumed as uniform throughout the financial year 2023-24. The cost of capital may be adopted as 10% per annum. ABC Inc. would have billed ₹ 2,400 crores (excluding interest component for the delay beyond 1 month) for supply of identical quantity of similar mobile phones to other customers. It may be assumed that the entire purchase has been sold out by 31st March, 2023.

Determine the arm's length price (ALP) of the transaction of purchase of mobile phones by MNO Ltd. from ABC Inc., Country A and its impact on the assessable income, if any, for the assessment year 2024-25.

- 4 (a)** In respect of the following independent case scenarios, you are required to discuss the provisions related to tax deducted at source and compute amount of tax deductible: **8**

- (i) Tam Electronics Ltd., an Indian company, imports certain computer software from Jam Electronics Inc., a non-resident company based in USA for reselling it to the end users in India. Tam Electronics Ltd. paid a sum of ₹ 85 crores to Jam Electronics Inc.

Note: As per India-USA DTAA, import of computer software for reselling it to end users in India is not royalty and not taxable in India.

- (ii) DEHP Ltd., a public sector bank in India, paid ₹ 20 crores to M/s NFGS Ltd., an organisation that provides ATM networks to the banks as commission for facilitating ATM credit/debit cards. NFGS Ltd. also facilitates online convenience banking. It links together the country's ATM in a single network.
- (iii) Mr. A received an order from PQR Ltd. to stitch T-shirts. To complete such order, he purchased cloth of ₹ 35 lakhs from Fashion Ltd. He stitched T-

shirts as per given specifications and supplied to PQR Ltd. He raised a consolidated invoice in the following manner:

Sale of 8000 T-shirts @ ₹ 500 each = ₹ 40,00,000

Fashion Ltd. is closely related to PQR Ltd. as specified under section 40A(2)(b).

- (iv) Mr. David, a Canadian citizen and non-resident sportsman, received following sums from India:
- (a) Income from participation in matches ₹ 4,58,000
  - (b) Honorarium from writing an article related to sports for a sports magazine ₹ 1,25,000.

- 4 (b)** Miss Sapna, a resident of India and a salaried employee employed with a private co., aged 30 years, received the following sums during the previous year 2023-24. **6**

Basic Salary	₹ 45,000 p.m.
DA	10% of basic salary
Transport Allowance	₹ 8,000 p.m.
Medical Allowance	₹ 3,500 p.m.

She contributed ₹ 15,000 to approved Pension Fund of LIC. She also paid ₹ 1,75,000 by account payee cheque for mediclaim premium to insure the health of her father, aged 65 years, who is not dependent on her as a lumpsum payment for 5 years including the current previous year.

Apart from this, she also provided guest lecture to a foreign university during the year. She received ₹ 7,92,000 from such university after deduction of tax of ₹ 1,08,000 in the country in which such university is located. India does not have any double taxation avoidance agreement under section 90 of the Income-tax Act, 1961, with that country. Compute the tax liability of Ms. Sapna for the A.Y. 2024-25, assuming that she does not opt for Section 115BAC.

- 5 (a)** (i) Mr. Rakesh received the draft order from the Assessing Officer as per section 144C of the Income-tax Act, 1961 due to variations determined by the Transfer Pricing Officer in the arm's length price. But Mr. Rakesh did not prefer to file the objection against the draft order before the Dispute Resolution Panel, instead, he prefer to do appeal before the CIT appeals under section 246A against the final order received from the Assessing Officer. **8**

You are required to advise Mr. Rakesh, whether his contentions are tenable? Discuss the issue with reference to provisions of section 144C of the Income-tax Act, 1961.

- (ii) The assessment of R & Sons HUF was completed u/s 143(3) of the Income-tax Act 1961 with an addition of income of ₹ 7 Lakh to the returned income. The assessee contends that the order of the assessment is bad in law as no notice was issued u/s 143(2) even though the assessee had participated in the assessment proceedings. The Assessing Officer, relying on section 292BB,

contends that when assessee has participated in assessment proceedings, now he cannot raise any objection on the assessment order. Examine the validity of the contentions of both and give your opinion on who is correct.

**5 (b)** Arnold Ltd. (incorporated in UK) has a branch office (PE) in India. The Net Profit of the Branch as per the statement of profit and loss for the year was ₹ 83 lakhs. It includes the following:

6

- (i) Dividend from Indian companies (listed) ₹ 8,00,000.
- (ii) Dividend from Indian companies (unlisted) ₹ 4,00,000.
- (iii) Interest from MMS Ltd. of Mumbai ₹ 7,00,000. The loan was received by the Indian company MMS Ltd. in foreign currency as per loan agreement on or before 30.6.2023 (section 194LC applicable).
- (iv) Fee for technical services from Barun Co. Ltd., Kolkata ₹ 25,00,000. The agreement was approved by Central Government. Expenditure incurred for providing technical service amounts to ₹ 6,00,000.

**Additional information:**

Total income chargeable to tax as per regular provisions of the Income-tax Act, 1961 is ₹ 20,00,000 (without considering the items (i) to (iv) above).

You are required to compute the book profit tax under section 115JB of the Act for the assessment year 2024-25 and also the total income-tax liability of the assessee.

**6 (a)** Sun Ltd., an Indian company, is engaged in the business of manufacture and sale of carpets. To expand its international sales, it hired the services of a London based company, Shine Inc., for online advertisements. Shine Inc. has no permanent establishment in India. During the previous year 2023-24, Sun Ltd. paid ₹ 5 lakh to Shine Inc. for such services and deducted the equalization levy on 15.03.2024 and credited it to the account of Central Government on 15.04.2024.

6

You are required to -

- (i) Compute interest leviable to Sun Ltd. on the delayed payment of equalization levy.
- (ii) What are the circumstances under which penalty cannot be imposed?
- (iii) Sun Ltd. is aggrieved by the order imposing penalty. What is the time limit for filing of appeal against the order of the Assessing Officer imposing the penalty?

**6 (b)** Mr. Harshit stayed in India only for 48 days during P.Y.2023-24. He had acquired a house property located in Country A in September 2013 for ₹ 80 lakh. Out of the investment of ₹ 80 lakh, ₹ 55 lakh was assessed to tax in the total income of the P.Y.2013-14 and P.Y.2012-13, when he was resident in India. The remaining income has not been assessed to tax in any year. This asset comes to the notice of the Assessing Officer in March 2024. The value of the house property on 1.4.2023 was ₹ 120 lakh.

4

What is the value of undisclosed asset (house property located in Country A) in the hands of Mr. Harshit for the purpose of Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 and in which year would the same be chargeable to tax?

- 6 (c)** Explain the meaning of "Treaty" as per Article 2 of Vienna Convention on Law of Treaties, 1969. Why it come into play?

**4**