Overall performance is good. Your understanding is very good. You can score good marks as your presentation is well except some points highlighted in the questions. Focus on descriptive type questions. Written practice will helps a lot.Revise all your previous topics at least once in a week rather allocate a day in a week for revision and evaluating your performance. This will help you memorize topics and bind out shortcomings in your preparation.

DT T5 (Conditional Formation)

MCQ's

1. A

2. C

3. D

4. D

5. B

Total marks 37.5

marks 5

Q 5) marks 5.5

Ans :- As per Vienna Convention on law of treaties, 1969.

Treaty means an international agreement between states in written form & governed by international law. whether embodied in a single instrument or two or more related instruments & whatever its particular designation

In Home country, tax is an obligation, while in host country it is a cost. therefore tax efficiency should be achieved.

1) DTAA & its role :-

- Double tax avoidance agreement come into existence to mitigate the hardship caused by taxing a particular income in two different states leading to double taxation

More elaboration in details is required.

- Thus, tax treaties attempts to eliminate double taxation & achieve balance and equity.

2) Types of DTAA :-

There are two types of DTAA:

1) Limited DTAA : These are those which are limited to certain types of income only.

Page:
Date:

2) Comprehensive DTAA : this are those which cover all types of income covered by any model convention. Many a time, tax treaty also covers wealth tax, gift tax etc.

4) Principles to be followed by state in relation to international agreements :

1) promote international peace & security
2) Foster respect for international law & treaty oblig.
3) Maintain just & honorable relations amongst nations
4) Encourage settlement of international disputes by arbitration.

5) Provisions under Indian law :

The power of parliament to legislate treaties with foreign countries is delegated to central government.
- Non-resident, to whom DTAA applies u/s 90, shall be allowed to claim relief under DTAA.

- However, Tax residency certificate (TRC) is to be obtained by him from the government of his resident country outside India.

6) Role of Vienna convention in application & interpretation of tax treaties :-
• It provides basic rules of interpretation of international treaties provide agreement.

Page:
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Q.4]
Ans: As per sec 165 A of Finance Act 2016.

marks 6

Amount of consideration received or receivable by an e-commerce operator from supply of goods or service to a person resident in India or person using such internet protocol address located in India, would be taxable as equality equalisation levy @ 2% would be charged on it.

Here, MNO & Co is an ecommerce operator, It is a non-reside providing ecommerce supply of goods & services.

i) where MNO & Co has no permanent establishment in India

Particulars	Amount (₹) (in lakhs)
a) Receipt from sale of goods to person resident in India.	145
b) Receipt from sale of goods to person not resident in India but using internet ~~protocal~~ protocol address located in India	60
Total receipts	205

well understanding

In given case, total receipts from such supply exceeds ₹2Cr., thus equalisation levy @ 2% would be attracted

Equalisation levy = 205 lakhs × 2%
= ₹ 410,000.

P.T.O

ii) where MNO & co has a permanent establishment in India and sale of goods is effectively connected to such permanent establishment; equalisation levy would not be attracted

as, i) Non resident e-com operator has permanent establishment in India.

ii) Sale of such goods or services is effectively connected to such permanent establishment.

★ If in the case (i) (b) → only ₹ 45 lakhs would relate to receipts from person using internet protocol address in India, equalization levy would not be attracted as gross receipts would have been less than ₹ 2cr.
i.e ₹ 1,92,00,000 (1.92 cr).

Q.3)
Ans

Calculation of total income and tax payable by Mr. Kamesh in India for A.Y. 2022-23.

Given, India has not entered into double taxation avoidance agreement with any of the country, thus Mr. Kamesh would be eligible to claim relief u/s 91.

marks 7

Particulars		Amount (₹)
Income from Business or Profession		
- Income from business or profession in India		~~7,50,000~~
	7,50,000	6,85,000
(-) Business loss in country "Y"	(65,000)	
Income from House Property		
Rent from house situated in country 'Y' (gross)	2,40,000	
(-) municipal taxes	(10,000)	
Net annual value	230000	
(-) std deduction, NAV @ 30%	(69000)	
	161,000	161,000
Income from other sources		7,50,000
Agricultural income in country 'X' (gross)	50,000	
Dividend received from company incorporated in country 'Y'	150,000	
Royalty income from a literary book from country 'X' — expenses incurred for earning royalty (600000-50,000)	5,50,000	

You are doing well

Gross total income	15,96,000
(-) deduction under Chapter VI A.	
- u/s 80QQB - royalty income from a literary book from country 'x'	(300,000)
Total income (liable to tax)	12,96,000
Tax on total income:	201300
HEC @ 4%	8052
Total tax liability	209352.

$\therefore$ Indian rate of tax = $\frac{209352}{1296000} \times 100$

= 16.15%

(-) relief u/s 91 (WN:1) (A)+(B) (WN:2).	(69,729)
Tax payable	1,39,623
round off (to nearest multiple of 10)	1,39,620.

Working Note:-

1) Calculation of doubly taxed income of country 'x'

- Agricultural income	50,000.	
- royalty income from literary book. (600,000 - 50,000)	550,000	
(-) dedn u/s 80QQB. (100% of royalty income & 300,000 whichever is less)	(300,000)	
	250,000	
		300000.

tax rate in country 'x' = @ 10%

Indian rate = @ 16.15%

$\therefore$ relief would be available on lower of above

∴ 300,000 × 10% = 30000 (A)

WN:2: 2) Calculation of doubly taxed income of country 'Y'.

Dividend received from company	1,30,000
Income from house property (as calculated above)	161,000
(Business loss in country 'Y')	(65,000)
	246,000

∴ tax rate in country 'Y' = 25% & ~~that~~ in India = 16.15

∴ relief u/s 91 = 246000 × 16.15% (lower of two rates)

= 39729 — (B)

Q.2] Calculation of tax liability of
Ans xyz ltd (foreign company).

marks 7

Particulars		Amount (₹)
1) Interest received from government of India from investment in government bonds in foreign currency. (₹500,000) (WN1)		500,000
2) Interest received from infrastructure debt fund (₹625,000)(WN-1)		625,000
3) Interest received from Indian concern from investment in debentures in Indian currency.	4,85000	
(-) expenses incurred	(25,000)	
(-) deductn under ch VIA (Contribution towards prime minister's relief fund)	(15,000)	4,45,000
4) royalty derived from Indian concern u/s 115 A		480,000
5) Dividend from Indian company		95,000
6) Interest received from Indian company u/s 194LC.		100,000
Total income.		2245,000

good understanding

Tax liability to be computed as follows:-
- Dividend received from Indian co. and interest received from government

of India will be tax @ 20%

(500,000+95000) = 595000 × 20%

= 1,19,000 ₹ | 1,19000

- Interest received from infrastructure debt fund & loan. Interest received from Indian company u/s 194LC will be taxed @ 5% | 36,250

= 625000 + 100,000

= 725000 @ 5%

=

- Tax on royalty derived from Indian concern u/s 115 to be taxed @ 10%. | 48,000

= 480,000 × 10%

= 48000.

- Tax on interest received from Indian concern from investment in India. to be taxed @ 40% | 178,000

= 445000 × 40%

= 178000

Total tax liablity.	381250
(+) HEC @ 4%	15,250
Total tax liablity (rounded off)	396500

WN: 1 :- Expenses incurred ~~will~~ not be deductible.

Q.1) Ans:- Primary adjustment of ₹ 15 crore is made by addition on account of low margin earned on transaction with associated enterprise.

marks 7

- such primary adjustment is accepted by X ltd, thus, secondary adjustment u/s 92CE is to be made.
- Thus ₹15cr would be considered as seperate transaction as a deemed loan by X ltd to Y ltd.
- Interest on such amount would be taxable in hands of X ltd, till ₹ 15cr is repatriated by Y Inc
- Interest will be calculated as, rate in prevailing condition of SBI ... + 3.25%, if the international transaction is denominated in foreign currency.

You have good conceptual Knowledge of this topic.

- Time for repatriation of such excess profit of ₹ 15 cr is 90 days from the date of final order (20 dec 2020).
  thus 90 days from 20th dec → 20 march 2021,
  thus, interest would be calculated as:-
  (15 cr × 11.25% × 11/365) = ₹ 508 562.
- It can also pay tax on such excess income @ special rate of 20.644%.

P.T.O.

Calculation in both situation will be as follows:-

~~Part~~ Particulars	i) situation: I where x does not pay addl income tax	situation II x pays additional income tax on october 2021.
Primary adjustment	15,00,00,000	15,00,00,000
(+) secondary adj. [15 cr x 11.25% x 11/365]	508,562	508,562
	150508562	150508562
secondary adj for 2021-22		
• 15 cr x 11.25% (from 1.4.20 – 31.03.22)	16875000	—
• 15 cr x 11.25% (from 1.4.21 – 31.10.21)	—	9893836
other income	20000000	20000000
Total net income	36875000	29893836
tax @ 30% + SC + HEC @ 4%	12310350	8979758
additional income tax		
~~15~~ 00,00,000 x 20.644%		
1500,00,000 x 18%	-	27000000
(+) surcharge @ 12% (*always applicable)		3240000
Total		30240000
Add^n Health & ed^n cess @4%		1209600
		31449600