

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 8

NOTE : All the references to sections mentioned in Part-A and Part-C of the Question Paper relate to the Income-tax Act, 1961 and relevant Assessment Year 2015-16, unless stated otherwise.

PART — A

(Answer ANY TWO questions from this part.)

1. (a) Comment on the following in the context of provisions of the Income-tax Act, 1961 relevant for the assessment year 2015-16 :
 - (i) Alternate minimum tax (AMT) having a specific rate is applicable on all class of assessees.
 - (ii) Prior assent of the President of India is required before Finance Bill becomes the Finance Act.
 - (iii) A company in liquidation is also a 'company' and the income-tax authorities are entitled to call upon the liquidator to make a return of the company's income.
 - (iv) Computer accessories and peripherals are treated *at par* with computers and computer software, and hence are eligible for depreciation at the higher rate.
 - (v) No remedy is available to an assessee who is aggrieved from the order of the Commissioner of Income-tax (CIT) passed under section 263.

(2 marks each)
- (b) Write the most appropriate answer from the given options in respect of the following :
 - (i) Credit of minimum alternate tax (MAT) in respect of excess amount of tax paid under section 115JB could be carried forward for —
 - (a) 8 Assessment years
 - (b) 5 Assessment years
 - (c) 7 Assessment years
 - (d) 10 Assessment years.

- (ii) As per section 115BBD, the rate of income-tax payable by an Indian company on the dividend received from specified foreign company is —
- 30%
 - 22%
 - 10%
 - 15%.
- (iii) An exercise aimed at reducing the tax liability by taking advantages of the loopholes in the law is known as —
- Tax evasion
 - Tax avoidance
 - Tax management
 - Tax planning.
- (iv) An assessee is permitted to revise income-tax return filed, any time before —
- Completion of assessment
 - Expiry of relevant assessment year
 - Expiry of one year from the end of the assessment year or before the completion of assessment whichever is earlier
 - None of the above.
- (v) The basic exemption limit for an HUF for the assessment year 2015-16 is —
- ₹2,50,000
 - ₹2,00,000
 - ₹3,00,000
 - Nil.

(1 mark each)

2. (a) Enlist all those assets which are not included in the net wealth of an assessee.
- (b) Discuss the concept of deemed dividend under section 2(22)(e).
- (c) X Ltd., an Indian company, has computed net profit of ₹5,00,000 under normal provisions of the Companies Act, 2013. The statement of profit and loss has been included with the following amounts :
- Proposed dividend ₹3,00,000
 - Provision for unascertained liability ₹30,000
 - Transfer to general reserve ₹35,000
 - Amount withdrawn from general reserve ₹10,000
 - Income-tax paid ₹20,000.

Calculate the tax liability of the company for the assessment year 2015-16 and also tax credit, if any, available to the company.

(5 marks each)

: 3 :

3. (a) A public limited company is considering a major expansion of its production facility which is expected to improve its productivity from the present rate of 20% to 25% (before tax). Following three proposals have been put before the management for financing a project of ₹200 crore :

<i>Source of Finance</i>	<i>Proposal-I</i>	<i>Proposal-II</i>	<i>Proposal-III</i>
Equity share capital	100	60	50
12% Preference shares	50	60	—
15% Debentures	50	80	150
TOTAL	<u>200</u>	<u>200</u>	<u>200</u>

- (i) The rate of dividend on equity shares has not been less than 24% in the past years which is to be maintained.
- (ii) The rate of income-tax is 33.99% and the rate of dividend distribution tax is 16.995%.

Your opinion is sought by the management of the company regarding the most suitable option for financing the project with proper justifications.

(10 marks)

- (b) Differentiate between 'diversion of income' and 'application of income'.

(5 marks)

PART – B

(Answer Question No.4 which is compulsory
and any two of the rest from this part.)

4. (a) Write the most appropriate answer from the given options in respect of the following :
- (i) Which of the following is not a characteristic of indirect taxes —
- These are pervasive
 - These are regressive
 - Tax evasion is less
 - Collection cost is more.
- (ii) What is the source of power for levying value added tax (VAT) under the Constitution of India —
- Entry 92A of Union List
 - Entry 97 of Union List
 - Entry 54 of State List
 - Entry 59 of State List.

- (iii) Compounded levy scheme under Rule 15 of the Central Excise Rules, 2002 is applicable to —
- Pan Masala
 - Aluminium circles
 - Gutkha
 - All of the above.
- (iv) Residual penalty under section 117 of the Customs Act, 1962 shall be —
- Upto ₹1,00,000
 - Minimum ₹1,00,000
 - Upto ₹10,000
 - Minimum ₹10,000.
- (v) Free baggage allowance is —
- ₹35,000
 - ₹40,000
 - ₹45,000
 - ₹50,000

(1 mark each)

- (b) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :
- CESTAT has power to refuse to admit an appeal if the amount of duty involved does not exceed ₹ _____.
 - Payment of duty on provisional basis may be allowed under the Central Excise Rules, 2002 if the assessee executes a bond in Form _____.
 - Special audit under section 14AA of the Central Excise Act, 1944 is also known as _____.
 - On gold and silver, customs duty is charged with reference to _____.
 - _____ means the value of imported goods determined in accordance with Rule 8 of the Customs Valuation (Determination of Price of Imported Goods) Rules, 2007.

(1 mark each)

: 5 :

(c) Distinguish among the following :

- (i) 'Production', 'manufacture' and 'process' under the Central Excise Act, 1944.
- (ii) 'Detention', 'seizure' and 'confiscation' under the Customs Act, 1962.

(4 marks each)

(d) Mention briefly the implications of failure to pay the central excise duty declared as payable by an assessee under Rule 8(3A) of the Central Excise Rules, 2002.

(2 marks)

5. (a) Techno Ltd. is a manufacturer of machinery for sugar and cement industries. It entered into a contract for setting-up a sugar manufacturing plant in Vietnam. It manufactured/purchased certain machineries and transported the same in a container to Vietnam for setting-up the sugar plant.

The assessee availed CENVAT credit of said machineries sent to Vietnam, arguing that said machineries were sugar plants in completely knocked down (CKD) condition and were, therefore, eligible for credit as input/capital goods.

Examine the veracity of the assessee's argument with reference to decided case law, if any.

(5 marks)

- (b) Department's investigation revealed that Ashu & Co. (a dealer) had bought computer parts from smugglers and was dealing in smuggled goods though no smuggled goods were seized from his possession. Duty was demanded from him under section 28 and 125(2) of the Customs Act, 1962.

Discuss, with the help of a decided case law, whether the action of the Department is justified in the light of the provisions of the Customs Act, 1962.

(5 marks)

- (c) As per section 32M of the Central Excise Act, 1944, every order of settlement passed under section 32F shall be conclusive as to the matters stated therein and cannot be re-opened in any proceeding. Discuss, with the help of decided case law, whether any writ or special leave petition is maintainable against settlement order.

(5 marks)

6. (a) Virat & Co. is eligible for exemption in terms of Notification No.8/2003-CE, dated 1st March, 2003 for the year 2014-15. Its total clearances during the year were ₹360 lakh including the following :

(₹ in lakh)

(i) Value of clearances of goods with other's brand name (including ₹50 lakh in respect of goods manufactured in a rural area)	100
(ii) Value of clearances for captive consumption (final products are eligible for SSI exemption)	30
(iii) Job work exempted from duty under Notification No.214/86	40
(iv) Sales to 100% EOU against Form CT-3	50
(v) Exports to Bhutan (against convertible foreign exchange)	60

Other clearances were of the goods with own brand name in India.

Determine the total duty payable by Virat & Co. for the year 2014-15 assuming effective rate of excise duty at 12.36%. Amount of clearances do not include any duty or tax.

(5 marks)

- (b) Rose Ltd. produced 20,000 Kgs. of yarn. The cost of production of yarn is ₹220 per Kg. (as per CAS-4). The removal of yarn on 1st December, 2014 is as under :

- (i) 5,000 Kgs. of yarn sold to independent buyers at a transaction value of ₹250 per Kg.
- (ii) 4,000 Kgs. of yarn sold to related distributor at a transaction value of ₹248 per Kg. who further sold the same goods to a related retailer at a normal transaction value of ₹255 per Kg. on the same day.
- (iii) 11,000 Kgs. of yarn sold to a related party at a transaction value of ₹248 per Kg. who captively consumed the yarn for manufacture of fabric.

Assuming that the price charged from the buyers is excluding excise duty, determine the assessable value under the Central Excise Act, 1944. Also state the applicable statutory provisions.

(5 marks)

: 7 :

- (c) Compute the assessable value under the Customs Act, 1962 for an imported machine, based on following information :

	<i>US \$</i>
(i) Cost of machine at the factory of the exporter	40,000
(ii) Transport charges from the factory of exporter to the port of shipment	1,500
(iii) Handling charges for loading the machine in the ship	100
(iv) Buying commission paid by the importer	200
(v) Lighterage charges paid by the importer	404
(vi) Ship demurrage charges on chartered vessels	808
(vii) Freight incurred from port of entry to inland container depot	2,000

Date of bill of entry : 28th November, 2014 (Rate of exchange notified ₹60 per US \$).

Date of entry inward : 2nd December, 2014 (Rate of exchange notified ₹62 per US \$).

(5 marks)

7. (a) What is a large tax-payer unit ? What are the eligibility criteria for a person to be entitled to be a large tax-payer unit ? List the manufacturers to whom this scheme shall not be applicable under the central excise ?

(5 marks)

- (b) Answer the following questions with reference to Chapter X of the Customs Act, 1962 containing provisions relating to duty drawback :

- (i) What is the meaning of term 'export' for the purpose of duty drawback under section 75 of the Act ?

(3 marks)

- (ii) What are the provisions made under section 75A of the Act in relation to duty drawback not paid within specified time period ?

(2 marks)

- (iii) What are the provisions made under section 76 of the Act for not allowing the duty drawback ?

(2 marks)

- (c) What is the time-limit for filing an appeal to CESTAT ? Can delay in filing an appeal be condoned ? If yes, upto what extent ?

(3 marks)

PART – C

8. Attempt *any four* of the following :

- (a) State, with reasons in brief, whether the following statements are true or false :
- (i) A tax haven is a country where there is lot of scope for tax evasion.
 - (ii) A non-resident is not liable to pay income-tax on the income earned and received in India.
 - (iii) Passive foreign investment company is one whose assets are primarily intended to generate income from investments.
 - (iv) Form No. 34C is applicable for a non-resident applicant under advance ruling.
 - (v) Outbound transaction refers to a transaction through which a foreign company earns income from India.

(1 mark each)

- (b) Discuss in brief 'transfer pricing' and also enlist methods of determination of arm's length price.

(5 marks)

- (c) Discuss the meaning of the term 'deemed international transaction' as defined under section 92B(2).

(5 marks)

- (d) Ms. Ganga (date of birth 14th September, 1933) is resident and ordinary resident in India. Her income is ₹8,88,000 from a business in India and ₹2,11,000 from a business in foreign country with which India has a double taxation avoidance agreement (DTAA). According to DTAA, "income is taxable in the country in which it is earned and not in the other country. However, in the other country, such income can be included for computation of tax rate."

The business income of ₹2,11,000 earned in foreign country is taxable @ 21%. Ms. Ganga during the previous year deposited ₹1,00,000 in public provident fund account (out of which ₹25,000 was deposited from foreign income). She also received an interest of ₹90,000 on government securities.

Compute the tax liability of Ms. Ganga in India for the assessment year 2015-16.

(5 marks)

- (e) Define 'applicant' under section 245N(b) who can seek advance ruling.

(5 marks)