

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of question : 6

Total number of printed pages : 8

- NOTE :** 1. Answer **ALL** Questions.
2. **All** the references to sections mentioned in Part-A of the Question Paper relate to the Income-Tax Act, 1961 and relevant Assessment Year 2017-18, unless stated otherwise.

PART—A

1. (a) Explain the cases of exception under the Income Tax Act, 1961, if any from the general rule “Income earned by a person during a previous year is always taxable in the Assessment Year”.
(5 marks)
- (b) Compute the amount of tax relief under section 91(1) and of the tax payable by the assessee, an Indian resident, aged 50 years having following incomes during the previous year 2016-17 :
(i) Business income in India ₹ 5,50,000.
(ii) Business income in country A of ₹ 2,00,000 on which tax was deducted in the foreign country by the Government of ₹ 50,000.
(iii) Loss from business in country B of ₹ 1,00,000.
(Note : Government of India does not have any Double Tax Avoidance Agreement with either country A or with country B).
(5 marks)
- (c) Make an analysis between the purchase and taking on lease of an asset for the purpose of business by the assessee considering the Income Tax provisions and the benefits available. Which option is considered to be better as per tax provisions and other benefits ?
(5 marks)

Attempt all parts of either Q. No. 2 or Q. No. 2A

2. (a) Explain the provisions contained under the Income Tax Act, 1961 relating to set-off and carry forward of :
(i) Speculative Business Losses
(ii) Short-term Capital Losses.
(5 marks)

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(b) How will you decide the residential status of the following companies or firms for the Previous Year 2016-17 under the provisions of Income Tax Act, 1961 ? Give brief reasons for your answer :

- (i) XYZ Pharma Ltd., a company registered in India under the Companies Act, 2013.
- (ii) PQR Ltd., a company incorporated in Germany, of which the control and management of the affairs of the business is situated wholly in India.
- (iii) SVR Ltd., a French company of which the control and management of the affairs of the business is situated wholly outside India in Spain.
- (iv) ABC Ltd., a company incorporated in Australia, of which the control and management of the affairs of the business is situated partly outside India and partly in India.
- (v) PCR & Co., a partnership firm is doing its business activities in Chennai, India. All the meetings of the partners during the year for decision-making took place in Singapore and Malaysia.

(5 marks)

(c) Ravi Glass Ltd., a widely held company is considering for a major expansion of its activities for which an additional investment of ₹ 3 Crores is required. The company has following three options/alternatives for the financing of proposed additional investment of ₹ 3 crores :

- (i) By issue of Equity shares and raise the equity share capital only.
- (ii) ₹ 2 crores from issue of Equity shares and ₹ 1 crore by issue of 15% debentures.
- (iii) ₹ 1 crore from issue of Equity shares, ₹ 1 crore from issue of 15% debentures and remaining 1 crore by taking a bank loan on interest payable at 15% p.a.

The expected rate of return on the new investment has been worked out at 30%. The corporate rate of tax for the time being on the income is 30.9%. Company has proposed to declare the total net profits as dividend.

You are required to suggest the company which is the best alternative to be undertaken for the purpose of proposed investment. Assume that no other taxes are being payable/ to be charged on the distributed profits.

(5 marks)

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OR (Alternate question to Q. No. 2)

- 2A.** (i) Distinguish and differentiate between :
- (a) Tax Planning and Tax Avoidance
(b) Diversion of Income and Application of Income.
- (5 marks)
- (ii) GX Ltd. is a foreign company having business operations in India. The company has made prescribed arrangements for declaration and payment of dividends within India and paid preference share dividend of ₹ 880 lakh for financial year 2016-17. Is dividend distribution tax payable by the foreign company ? Is there any time limit for payment of DDT ? Can GX Ltd. avail deduction in respect of DDT paid ?
- (5 marks)
- (iii) The profit and loss account of XYZ Ltd. for the year ended 31-3-2017 showed a net profit of ₹ 80,00,000 after making of the following adjustments :
- (a) Depreciation ₹ 24 lakh (including depreciation on revaluation of assets of ₹ 4 lakh).
(b) Provisions for unascertained liabilities ₹ 2 lakh.
(c) Transfer to General Reserve ₹ 9 lakh.
(d) Agricultural Income ₹ 15 lakh.
(e) Amount transferred to profit and loss account from general reserve ₹ 3 lakh.
- Brought forward business losses and unabsorbed depreciation as per books of accounts were ₹ 15 lakh and ₹ 11 lakh respectively.
- Compute book profits and Minimum Alternate Tax (MAT) under section 115JB payable by XYZ Ltd. for A.Y. 2017-18.
- (5 marks)

PART—B

- 3.** (a) XYZ Ltd., sold machinery to ABC at a price of ₹ 5 lacs on 18th August, 2016 which was removed from its factory at Jaipur. The rate of excise duty applicable is 12.36% on the date of removal. ABC refused to take delivery of the machine when it reached destination. Meanwhile XYZ Ltd. increased the price of the same type of machinery to ₹ 6 lacs with effect from 19th August, 2016. The machinery as refused to by ABC has been sold on 26th August, 2016 to Mr. Lal at the revised price of ₹ 6 lacs. The excise duty including education cess applicable when the machine was sold to Mr. Lal was 15.45%

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Explain the following with reasons :

- (i) What value is to be taken as assessable value ?
- (ii) What is the rate of excise duty applicable and the amount of duty payable on above transaction ?
- (iii) The Central Excise Officer is demanding the duty on the price of ₹ 6 lacs at the time of sale to Mr. Lal. Is he right in his approach ?
- (iv) Does cost of production have any bearing on the assessable value ?

(5 marks)

- (b) Rakesh purchased goods from Ramesh for ₹ 4,50,000 which included amount of VAT charged at the rate of 12.5%. Rakesh after the purchases has made sales of 20% of goods to a trader in his own state and balance 80% of goods to other customer outside the state. Rakesh adds 20% profit on the cost while selling goods within the state and 25% of the cost when the goods are sold outside the state. Compute the amount of input VAT credit and its set off to be allowed to Rakesh. Sales outside the state were made against valid C forms and the rate of VAT at the time of sale was 12.5%.

(5 marks)

- (c) Hotel Samode Palace has provided the following information for the month of October, 2016 :

S. No.	Services Provided	(₹)
(i)	Serving of food in a restaurant with air-conditioned facility.	5,00,000
(ii)	Supply of food in convention centre for organizing conferences along with renting thereof.	3,80,000
(iii)	Renting of rooms (Declared Tariff : ₹ 5,500 per room per day)	3,20,000
(iv)	Catering services provided to a CBSE affiliated Higher Secondary School	1,00,000
(v)	Outdoor catering services provided to a Coaching institute preparing students for engineering examinations	1,80,000
	Total	14,80,000

- (i) All the above amounts are exclusive of service tax.
- (ii) Hotel Samode Palace is not eligible for small service provider's exemption under Notification No. 33/2012 ST dated 20-6-2012 and does not avail CENVAT credit on inputs and capital goods.

You are required to compute the value of taxable service and service tax liability of Hotel Samode Palace for the month of October, 2016.

(5 marks)

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- (d) “An item of excisability must necessarily pass the test of marketability.” Do you agree ? How the marketability of excisable goods is being determined ?
(5 marks)
- (e) What do you understand by the expressions “India” and “Indian Customs Waters” under the Customs Law ? Are there any differences between “Indian territorial waters” and “Indian customs waters” ? Explain the significance of Indian customs waters under Customs Law.
(5 marks)

Attempt all parts of either Q. No. 4 or Q. No. 4A

4. (a) What do you mean by the following specific terms used within the meanin of the Customs Act, 1962 :
- (i) Appellate tribunal
 - (ii) Bill of entry
 - (iii) Bill of export
 - (iv) Smuggling
 - (v) Proper officer.
- (5 marks)
- (b) XYZ Ltd. a manufacturer, produced a product “A” by using raw material X on 28-2-2017. Product “A” is movable, marketable and excisable. Product “A” was issued for captive consumption to product “B” on March 2, 2017. Product “B” got manufactured on March 5, 2017 was exempt from levy of excise duty. The value of product “A” used as intermediate product on product “B” is ₹ 15 lakh and the value of product “B” is ₹ 25 lakh. The rate of excise duty on product “A” on 28-2-2017, 2-3-2017 and 5-3-2017 was 5%, 6% and 10% respectively. Explain the meaning of the word “Captive Consumption” and also ascertain whether any excise duty is payable by the manufacturer and what will be amount of such duty.
(5 marks)
- (c) Rajesh Ltd., providing services in the field of advertisement provides the following information for the quarter ending 31-12-2016 :
- (i) Sale of space for advertisement in a national News-paper ₹ 50 lakh.
 - (ii) Sale of space for advertisement through hoardings during a cricket match ₹ 42,00,000.
 - (iii) Sale of advertisement in a national channel of T.V. ₹ 18,00,000.

Service Tax was charged extra in the bills raised wherever applicable. Invoices are issued within 30 days of the completion of the service while payment has been received in Jan. 2017.

Find out the amount of taxable services and of the tax liability for the quarter ending 31-12-2016.

(5 marks)

OR (Alternate question to Q. No. 4)

4A. (i) Mr. Kapoor is a CS and Indian resident. He brought the following items with him while returning to India from USA :

- (a) Personal Effects of ₹ 50,000
- (b) Jewellery valued at ₹ 25,000
- (c) One Camera costing ₹ 50,000
- (d) Professional equipment ₹ 40,000
- (e) Laptop worth of ₹ 30,000
- (f) Household goods of ₹ 30,000.

Compute the amount of Custom Duty payable by Mr. Kapoor on his baggage, by assuming the Rate of duty @ 36.05%.

(5 marks)

(ii) State with brief reasons whether the following services are taxable under the service tax net in India :

- (a) Services provided to the United Nations.
- (b) Health care services.
- (c) Trading of goods.
- (d) Renting of residential dwelling for use as residence
- (e) Funeral services.

(5 marks)

(iii) Anuska Motors Ltd., is the manufacturer of automobile parts for the vehicles. It has installed a gas turbine in the factory premises for generation of electricity which is being used in the production process. Naphtha is used as fuel of turbine and the assessee was availing CENVAT Credit of Excise duty paid on naphtha. The electricity generated was used partly for captive consumption and balance about 40% of the total production of electricity which was surplus was supplied to neighboring units on chargeable basis. Assessee claimed CENVAT credit on the entire input used in generation of electricity while the department

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disallowed the excise duty paid on inputs used for electricity sold to neighboring units on chargeable basis. Assessee claimed that CENVAT Credit on entire input is available as contained in the definition of input.

Examine the claim of Anuska Motors Ltd. on the basis of decided case law and state whether the assessee is correct in its arguments.

(5 marks)

5. (a) Narrate all those books and records, list of which is to be submitted in duplicate while filing return for the first time, required to be maintained by an assessee under the service tax law.
- (3 marks)
- (b) GST law in India is slated to come into existence with effect from 1-7-2017. What are the various central taxes proposed to be subsumed under the GST law ?
- (3 marks)
- (c) “*The case before the CESTAT can be represented by any one.*”
Do you agree ? If not, then state who is allowed to represent the case. Can a Company Secretary represent such case ?
- (3 marks)
- (d) ZX (Ayur) Ltd. manufactures herbal toothpastes at its factory located in Mysore. The maximum retail price (MRP) printed on the packet in AP & Tamil Nadu of ₹ 105, in Karnataka of ₹ 99, and in other places of ₹ 111. Abatement rate is 30%. Total number of units removed from factory are 10,00,000. Excise duty as per Tariff is 12.5%.
Find out the excise duty payable on the entire quantity removed.
- (3 marks)
- (e) A manufacturer based in Mumbai is willing to apply the MRP based valuation scheme in respect of the following excisable goods :
- Exports
 - Bulk sale/sale in wholesale pack
 - Package of less than 10 gram/10 ml
 - Sale to industrial/institutional consumers
- Advise the manufacturer under the excise law.

(3 marks)

6. (a) Determine the assessable value for computation of Customs Duty from the following information relating to a machine imported from U.S.A. by an Indian Company :
- | | | | |
|-------|---|------|----------|
| (i) | Cost of machine | (\$) | 25,000 |
| (ii) | Cost of goods supplied by the importer to the exporter to be used in manufacturing of machine | (₹) | 2,00,000 |
| (iii) | Design and development charge payable to the exporter | (\$) | 9,000 |
| (iv) | Installation charges of machine | (₹) | 1,00,000 |
| (v) | Packing and Insurance charges | (\$) | 1,000 |
| (vi) | Freight | (\$) | 1,000 |
| (vii) | Transportation charges of machine from port to the place of installation | (₹) | 50,000 |
- Note* : Exchange rate declared by RBI was ₹ 61 per dollar while the rate declared by the Board was ₹ 60 per dollar.
- (5 marks)
- (b) Briefly discuss, whether the following purchases are eligible for CENVAT credit as capital goods under rule 2(a) of the CCR, 2004 :
- (i) Cool Cab Services Ltd. engaged in providing the passenger transportation service, purchased 10 cabs (not registered in the name of Cool Cab Services Ltd.) for the purpose of providing said service.
- (ii) Samar Manufacturers, engaged in the manufacture of excisable goods, purchased two special purpose motor vehicles, falling under tariff heading 8705, for use in its factory.
- (4 marks)
- (c) Lalit Export House exported some goods to Germany. The invoice value of the goods exported of ₹ 45,00,000 was assessed by the customs appraiser at ₹ 50,00,000. The shipping bill was presented electronically on 20-3-2017. However, the proper officer passed order permitting clearance and loading of goods for export on 9-4-2017. Compute the export duty payable by Lalit Export House, if the rate of export duty was 9% on 20-3-2017 and 10% on 9-4-2017.
- (3 marks)
- (d) Examine the validity of the following statements and give brief reasons for your answer :
- (i) Central Government is empowered to make laws in respect of excise duty leviable on liquors (*meant for human consumption*) containing alcohol.
- (ii) Taxes on intra-state sale or purchase of goods are covered under entry 92A of Union List of the Constitution.
- (3 marks)