

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 2014-15, unless stated otherwise.

**PART — A**

(Answer ANY TWO questions from this part.)

1. (a) State, with reasons in brief, whether the following statements are true or false :
- There is a two-fold distribution of legislative powers as stipulated in Article 246 read with Schedule VII of the Constitution of India.
  - Power subsidy received by an assessee from the State Government, year after year, on the basis of actual power consumption shall be treated as a capital receipt.
  - Duty drawback receipts cannot be treated as profit derived from business of the industrial undertaking to be eligible for deduction under section 80-IB.
  - Only Indian companies deriving profits from manufacture of goods in a factory are eligible for deduction under section 80JJAA in respect of additional wages paid to new regular workmen employed in such factory.
  - Dividend received from a foreign subsidiary on which tax is payable under section 115BBD by domestic holding company shall not be subject to dividend distribution tax under section 115-O.

(2 marks each)

- (b) State, with reasons, whether the following lands owned by Ganga Ltd., none of which have been classified as 'agricultural land' in the records of the Government, constitute assets chargeable to wealth-tax on the valuation date 31<sup>st</sup> March, 2014 :

Land	Aerial distance from the local limits of any Municipality	Population according to the preceding census (Nos.)
A	2 Kms.	20,000
B	4 Kms.	1,00,000
C	6 Kms.	5,00,000
D	8 Kms.	10,00,000
E	10 Kms.	15,00,000

(5 marks)

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2. (a) From the following information, calculate interest payable by Ms. Manjusha under section 234C regarding deferment of payment of advance tax for the assessment year 2014-15 during the financial year 2013-14 :

(i) Total advance tax payable	₹75,000
(ii) 1 <sup>st</sup> installment deposited	₹18,500 before due date
(iii) 2 <sup>nd</sup> installment deposited	₹25,000 before due date
(iv) 3 <sup>rd</sup> installment deposited	₹31,500 before due date

(5 marks)

- (b) From the following information, compute the total income of a limited liability partnership firm and tax payable by it for the assessment year 2014-15 :

	₹
(i) Net profit	9,75,000
less : exemption under section 10AA	7,50,000
Taxable profit	<u>2,25,000</u>
(ii) Long-term capital gains on transfer of shares in a recognised stock exchange ( <i>computed</i> )	4,00,000
(iii) Interest on savings bank deposits	25,000

(6 marks)

- (c) Examine whether wealth-tax is chargeable in respect of net wealth of following persons under the Wealth-tax Act, 1957 :

- (i) Hindu deity
- (ii) Reserve Bank of India
- (iii) Partnership firm
- (iv) Association of persons.

(1 mark each)

3. (a) Discuss in brief, whether a return of income shall be regarded as defective in the following cases :

- (i) If all items in the form of return of income have not been duly filled in the manner indicated in the return form.

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- (ii) If the tax together with interest, if any, payable in accordance with the provisions of section 140A has not been paid on or before the date of furnishing of the return.
- (iii) If a few statements, annexures, proof of prepaid taxes, accounts, *etc.*, are not attached with the return of income.

*(2 marks each)*

- (b) Comment in brief on the following statements with the help of a decided case law, if any :

- (i) An assessee can make an additional/new claim before an appellate authority, which was not claimed by the assessee in the return of income (though he was legally entitled to), otherwise than by way of filing a revised return of income.
- (ii) The High Court has an inherent power under the Income-tax Act, 1961 to review an earlier order passed on merit.

*(3 marks each)*

- (c) Higher penalty is levied for failure to furnish annual information return within the period specified in notice under section 285BA(5). Elucidate.

*(3 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) Central sales tax is governed by —
    - (a) Entry 92A of List I
    - (b) Entry 97 of List I
    - (c) Entry 52 of List II
    - (d) Entry 54 of List II.
  - (ii) Which of the following goods are outside value added tax (VAT) chain —
    - (a) Luxurious goods
    - (b) Petrol
    - (c) Declared goods
    - (d) Precious stones.

- (iii) A first time offence shall be punishable with a term of imprisonment upto 7 years with fine if evasion of Central Excise duty leviable exceeds —
- ₹20 lakh
  - ₹30 lakh
  - ₹50 lakh
  - ₹100 lakh.
- (iv) The nomenclature of 'customs house agent' has been changed to —
- Person-in-charge
  - Authorised representative
  - Customs agent
  - Customs broker.
- (v) 'Adjudicating authority' under section 2(1) of the Customs Act, 1962 does not include —
- Commissioner
  - Deputy Commissioner
  - Assistant Commissioner
  - Commissioner (Appeals).

(1 mark each)

- (b) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :
- The white paper specifies that registration under the VAT law shall not be compulsory for small dealers with gross annual turnover not exceeding \_\_\_\_\_.
  - Section 35D(3) of the Central Excise Act, 1944 provides that if any case involves amount upto \_\_\_\_\_ in duty/fine/penalty, a single member of Tribunal can decide the case.
  - If the amount of refund claimed under the Customs Act, 1962 is less than \_\_\_\_\_, the same shall not be refunded.
  - The doctrine of promissory *estoppel* has its genesis in the \_\_\_\_\_.
  - An Indian passenger who has been residing abroad for over one year and is returning to India shall be allowed clearance, free of duty on his *bona fide* baggage, jewellery upto \_\_\_\_\_ in the case of gentleman passenger.

(1 mark each)

: 5 :

(c) Discuss in brief, under section 5 of the Central Excise Act, 1944 read with Rule 21 of the Central Excise Rules, 2002, whether remission of duty will be available in following independent cases of excisable goods :

- (i) Goods were cleared from factory after payment of duty but destroyed by fire in transit.
- (ii) Loss of molasses due to auto combustion in sugar factory.
- (iii) Goods manufactured in factory and claimed by manufacturer as unfit for consumption or for marketing, but necessary evidence is not produced by the assessee.

(2 marks each)

(d) Can an application for settlement be revised ? Explain in brief giving reasons.

(4 marks)

5. (a) Anil has provided you the following information :

- (i) Purchased raw material worth ₹280.90 (including central excise duty ₹30.90);
- (ii) Availed services worth ₹168.54 (including service tax ₹18.54);
- (iii) Incurred other expenses of ₹450 on manufacturing final product; and
- (iv) Removed the final product earning profit of ₹100.

Calculate the amount of central excise duty payable by Anil, if the effective rate of duty is 12.36%. Also calculate the total cost of final product to the consumer.

(5 marks)

(b) Based on the following data, find out the duty payable and CENVAT credit available on clearance of goods to domestic tariff area (DTA) from an export oriented unit (EOU) :

- |  |            |
|--|------------|
| (i) Assessable value (under central excise law)                    | ₹32,00,000 |
| (ii) Assessable value (under customs law)                          | ₹30,00,000 |
| (iii) Basic customs duty   | 10%        |
| (iv) Excise duty   | 12%        |
| (v) Education cess <i>plus</i> secondary and higher education cess | 3%         |
| (vi) VAT payable under State VAT law                               | 4%         |

(5 marks)

- (c) A bill of entry was presented on 28<sup>th</sup> March, 2014. The vessel carrying goods arrived on 3<sup>rd</sup> April, 2014. Entry inwards was granted on 4<sup>th</sup> April, 2014 and the bill of entry was assessed on that date and was also returned to the importer for payment of duty on the same day. The duty amounting to ₹3,65,000 was paid by the importer on 11<sup>th</sup> April, 2014.

Calculate the amount of interest payable, if any, under section 47(2) of the Customs Act, 1962 given that there were three public holidays on 5<sup>th</sup>, 6<sup>th</sup> and 8<sup>th</sup> April, 2014.

(5 marks)

6. (a) Sun Ltd. has set-up a dubious company in the name of Moon Ltd., with separate registration to misutilise the benefits of SSI exemption notification. It was established that Moon Ltd. did not manufacture and clear any goods and that all the transactions shown by it were, in fact, the transactions undertaken by the original company viz., Sun Ltd. Thus, the manufacture and clearances shown by the two units separately were clubbed together as manufacture and clearance of a single unit viz., Sun Ltd., in terms of the applicable SSI exemption notification and the differential duty and penalty was imposed on Sun Ltd. At the same time, penalty was also imposed on the dubious company viz., Moon Ltd.

Examine, with the help of a decided case law, whether the action taken by the Department is valid in law.

(5 marks)

- (b) The Settlement Commission ordered to release the seized goods of the assessee on payment of a specified amount of fine and penalty adjudicated by it. However, since the seized goods had already been auctioned by the Department, the Commission directed the Revenue to refund to the assessee, the amount remaining in balance after adjustment of expenses and charges as payable in terms of section 150 of the Customs Act, 1962.

There was a long delay in payment of balance sale proceeds but no interest was paid on it. It was contended by the Department that since the amount paid did not represent the amount of duty or interest, the provisions of sections 27 and 27A of the Customs Act, 1962 relating to claim for refund of duty and interest on delayed refunds respectively, would not be applicable. Do you think the Revenue's contention is valid in law? Discuss the issue in the light of decided case law, if any.

(5 marks)

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- (c) Can Tribunal transfer appeal of assessee from one bench to another bench in different State ? Discuss referring to a decided case law, if any.

(5 marks)

7. (a) What is the frequency of conducting audit as per the Excise Audit – 2000 ? Also explain in brief the significant risk factors on the basis of which units are selected for such audit.

(6 marks)

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

- (i) Duty drawback is not allowed on re-export of wearing apparel without use.
- (ii) In case any manufacturer/exporter finds that all industry rate of drawback for any class of goods is less than 98% of the duties/taxes paid on the material or components or input services used in the production/manufacture and packing of the said goods, he may apply for fixation of special brand rate.
- (iii) Interest is chargeable @ 18% per annum from exporter if drawback is paid to him erroneously.

(2 marks each)

- (c) Who are the residents eligible to file an application for advance ruling under the Customs Act, 1962 ?

(3 marks)

### PART — C

8. Attempt *any four* of the following :

- (i) X Ltd. is an Indian company. It has a subsidiary, Y Ltd., in US. X Ltd. sold 100 computers to Y Ltd. at \$50 each. It has sold 200 computers to Z Ltd. of US at \$80 each in the same financial year. Total income of X Ltd. in the previous year 2013-14 was ₹12,00,000 which included sale of computers. Compute arm's length price and taxable income of X Ltd. The exchange rate of dollar may be assumed at ₹60 per dollar.

(5 marks)

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- (ii) Write short note on 'Safe Harbour Rules'.  
(5 marks)
- (iii) Discuss the applicability of advance ruling.  
(5 marks)
- (iv) Discuss the meaning and importance of 'permanent establishment'.  
(5 marks)
- (v) If a tax payer has legitimately reduced his tax burden by taking advantage of a treaty, the benefit cannot be denied to him on the ground of loss of revenue. Explain in the context of decided case law.  
(5 marks)

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