

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) Examine, by giving reasons in brief, as to the correctness of the following statements in context of the provisions of the Income-tax Act, 1961 :
- (i) A foreign company is always treated as a foreign company for the purpose of income-tax.
  - (ii) Section 80TTA is applicable to all assesseees.
  - (iii) An individual has an income of ₹9 lakh from the business of growing and curing coffee for the financial year 2014-15. Is there any obligation for him to file his return of income for the assessment year 2015-16 ?
  - (iv) Dividend distribution tax shall be deposited within 14 days from the payment of dividend.
  - (v) Tax avoidance is always legitimate.
- (2 marks each)
- (b) Write the most appropriate answer from the given options in respect of the following :
- (i) Income from house property of a political party is —
    - (a) Taxable
    - (b) Not taxable
    - (c) Partly taxable and partly not taxable
    - (d) None of the above.
  - (ii) A bond washing transaction is a type of activity falling under —
    - (a) Tax planning
    - (b) Tax avoidance
    - (c) Tax evasion
    - (d) None of the above.

- (iii) The minimum alternate tax rate for a domestic company with a book profit of ₹2 crore for the assessment year 2015-16 is —
- (a) 18.0550%
  - (b) 20.0077%
  - (c) 19.4361%
  - (d) 20.9605%.
- (iv) Any person discontinuing any business or profession shall give notice to the Assessing Officer under section 176(3) within —
- (a) 30 Days
  - (b) 45 Days
  - (c) 60 Days
  - (d) 15 Days.
- (v) A non-resident having liaison office in India is required to file a statement in Form No. 49C in respect of that office within —
- (a) 30 Days from the end of relevant financial year
  - (b) 60 Days from the end of relevant financial year
  - (c) 180 Days from the end of relevant financial year
  - (d) None of the above.

(1 mark each)

2. (a) The statement of profit and loss of Prime Ltd. for the year ended 31<sup>st</sup> March, 2015 shows a net profit of ₹62 lakh. The profit is arrived at after adjusting the following items :
- (i) Net agricultural income of ₹12 lakh from land situated in Karnataka.
  - (ii) Transfer to general reserve ₹4 lakh.
  - (iii) Provision of ₹1 lakh for unascertained liabilities.
  - (iv) Depreciation provided ₹20 lakh. Out of this ₹2 lakh is provided on a revalued asset.
  - (v) Salary ₹15 lakh paid to its employees. It includes a salary of ₹5 lakh paid to the Managing Director of the company.

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- (vi) Amount written-off as bad debts ₹3 lakh.
- (vii) Apart from the above items, the company has a brought forward loss and unabsorbed depreciation to the tune of ₹10 lakh and ₹8 lakh respectively.

Compute the book profit of the company for the previous year 2014-15 as per section 115JB.

*(5 marks)*

- (b) On 1<sup>st</sup> October, 2014, Yen Ltd., a domestic company has distributed a dividend of ₹280 lakh to its shareholders. On 1<sup>st</sup> September, 2014, Yen Ltd., has received a dividend of ₹110 lakh from its domestic subsidiary Zen Ltd., on which Zen Ltd., paid dividend distribution tax as per section 115-O.

Compute the amount of income-tax payable by Yen Ltd. on the distributed dividend, if any, for the assessment year 2015-16.

*(5 marks)*

- (c) Explain the provisions of charging 'alternate minimum tax' and its rationale.

*(5 marks)*

3. (a) Rajan has an income of ₹65 lakh computed under the head 'profits and gains from business or profession' during the previous year 2014-15. One of his businesses is eligible for claiming deduction @ 100% of the profits under section 80-IB. The computed profit from such business is ₹30 lakh.

Compute the tax payable by Rajan, assuming that he has no other income during the previous year 2014-15 relevant for the assessment year 2015-16.

*(5 marks)*

- (b) What is the actual cost of block of assets in the hands of a successor limited liability partnership (LLP) when a private limited company or unlisted public limited company is converted into an LLP ?

*(5 marks)*

- (c) Under what circumstances can an assessee appeal to the Appellate Tribunal ? Which documents are required to be attached with an appeal petition ?

*(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) Indirect tax is a tax on —
    - (a) Enjoyment
    - (b) Consumption
    - (c) Both enjoyment and consumption
    - (d) None of the above.
  - (ii) Service tax was levied by the Central Government by drawing power from —
    - (a) Entry No. 54 of State List
    - (b) Entry No. 84 of Union List
    - (c) Entry No. 97 of Union List
    - (d) Entry No. 84 of State List.
  - (iii) Input tax credit under VAT cannot be claimed in respect of purchases made —
    - (a) From unregistered dealer
    - (b) From the dealer who opted composition scheme
    - (c) Without invoice
    - (d) All of the above.
  - (iv) Additional duty under section 3(5) of the Customs Act, 1962 is levied to off-set the effect of —
    - (a) Sales tax
    - (b) Value added tax
    - (c) Local tax
    - (d) All of the above.

*(1 mark each)*

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- (b) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :
- (i) \_\_\_\_\_ duty is levied on *pan masala*, chewing tobacco and cigarettes.
  - (ii) VAT was first introduced in the State of \_\_\_\_\_ in India.
  - (iii) First appraisal system is a \_\_\_\_\_ based assessment.
  - (iv) As per the principle of unjust enrichment, the refundable excise duty will be credited to a \_\_\_\_\_ fund.
  - (v) The 'negative list' concept of service tax has been introduced through Finance Act \_\_\_\_\_.

(1 mark each)

- (c) Distinguish between the following :
- (i) 'Abatement' and 'remission' of customs duty.
  - (ii) 'Tariff value' and 'assessable value' under excise law.

(4 marks each)

- (d) Mention the items of goods for which *ad hoc* exemption from customs duty can be given by the Government.

(3 marks)

5. (a) Whether the benefit of exemption meant for imported goods can also be given/made available to smuggled goods ? Elucidate your answer with the help of a decided case law, if any.

(5 marks)

- (b) Nargis Industries purchased some machines and paid the excise duty on them. Such machines were used in the manufacture of excisable goods. It claimed CENVAT credit of the excise duty paid on the machines. The machines were insured and got destroyed by fire for which a claim on the insurance company was made by Nargis Industries. The insurance company paid the claim inclusive of the excise duty paid on purchase

of such machines. The Central Excise Department contended that the refund of excise duty by the insurance company in the claim requires reversal of the CENVAT credit availed on such machines by Nargis Industries.

Explain with the help of a decided case law, if any, whether Nargis Industries is required to reverse the CENVAT credit availed on the machines so destroyed by fire.

*(5 marks)*

- (c) Marketability is a decisive test to levy excise duty under the excise law. Explain, in the light of a decided case law, whether intermediate products which were in crude form would constitute goods for the levy of duty.

*(5 marks)*

6. (a) Bittoo manufactures machinery (charger machines) for selling in the market. Selling price per unit of the machine was ₹10,000. The price of the machine includes packing charges of ₹500 and transportation charges from Bittoo's factory to buyer's place of ₹300.

Calculate the assessable value and excise duty payable (assume that applicable rate of excise duty is 14%, education cess is 2% and secondary and higher education cess is 1%).

*(5 marks)*

- (b) Aman, an importer, imported certain goods for subsequent sale in India. The value of the goods declared by Aman is ₹4,25,000, whereas transaction value of similar goods in the market is ₹5,09,945. This transaction value is inclusive of air freight 25% and insurance 1.125% of FOB and unloading charges of 1% on CIF. Find out the assessable value of the goods imported.

*(5 marks)*

- (c) Lips and Toes Ltd. manufactures four types of 'nail polish' namely Sweety, Pretty, Beauty and Tweety. The company has availed CENVAT credit of ₹4,00,000 on the common inputs used in the manufacture of nail polishes. During the financial year 2014-15, the company manufactured 1,000 litres of each type of nail polish. The CENVAT credit availed input was used in equal proportion in all the four types of products.

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Calculate the CENVAT credit amount not available or amount payable under Rule 57AA read with Rule 57AD of CENVAT Rules of Central Excise, using the following data :

<i>Product</i>	<i>Nature of Sale</i>	<i>Sale price excluding sales tax and other local taxes</i>
Sweety	Sale for home consumption	₹30 per 20 ml bottle
Pretty	Sold to a 100% EOU	₹40 per 20 ml bottle
Beauty	Fully exported out of India	₹50 per 20 ml bottle
Tweety	Supplied to defence canteen under exemption	₹60 per 20 ml bottle

(5 marks)

7. (a) Under Excise Audit – 2000, the selection of unit for audit is based on 'risk factors'. Explain in brief the term 'risk factors' with examples.

(5 marks)

- (b) Ascertain whether an exporter is entitled to duty drawback in the following cases and if yes, what is the quantum of such duty drawback :

- (i) FOB value of goods exported is ₹50,000. Rate of duty drawback on such export of goods is 1%.
- (ii) FOB value of 2,000 Kgs. of goods exported is ₹2,00,000. Rate of duty drawback on such export is ₹30 per Kg. Market price of goods exported is ₹50,000 (in whole-sale market).

(5 marks)

- (c) Whether clearances of two firms with common brand name, common management and common accounts and goods being manufactured in the same factory premises, can be clubbed for the purpose of SSI exemption ? Explain.

(5 marks)

**PART — C**

8. Attempt *any four* of the following :

- (a) When shall a transaction be considered as an international transaction ?  
(5 marks)
- (b) When will you consider a country as a tax haven ?  
(5 marks)
- (c) What is arm's length price ? Why is it determined ?  
(5 marks)
- (d) Can a resident assessee who is a partner of a firm claim that the advance ruling obtained by another partner of the firm in respect of a similar issue faced by that partner is applicable to him also ? Will such advance ruling be binding on him too ?  
(5 marks)
- (e) Justify and explain in the following cases whether the entities shall be deemed to be 'associated enterprises' under section 92A(2) :
- (i) Jetty Inc. of U.K. holds 9% shares in Indi Ltd., India. The total book value of Indi Ltd., India is ₹57,25,000. Jetty Inc. of U.K. has given a loan to Indi Ltd., India of ₹26,00,000.
- (ii) Rose India Ltd., has appointed 7 out of the 14 directors in the Board of Thorn India Ltd.
- (iii) Hone Japan Ltd. has 25% voting power of Hone (India) Pvt. Ltd.
- (iv) Joy India's total borrowings amounted to ₹100 crore, out of which guarantee has been given by Bounty India Ltd., for a borrowing of ₹50 crore.
- (v) Happy Ltd. supplied consumables and raw material of ₹360 crore to Rose Ltd. Total consumables and raw materials consumed by Rose Ltd. was ₹400 crore.  
(5 marks)