

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 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 2015-16, unless stated otherwise.

**PART – A**

1. (a) Amar, an individual, resident of India, receives the following payments after TDS during the previous year 2014-15 :

	₹
(i) Professional fees on 17.08.2014	2,40,000
(ii) Professional fees on 04.03.2015	1,60,000

Both the above services were rendered in Pakistan on which TDS of ₹50,000 and ₹30,000 respectively has been deducted. He had incurred an expenditure of ₹2,40,000 for earning both these receipts/income. His income from other sources in India is ₹3,00,000 and he has made payment of ₹70,000 towards LIC.

Compute the tax liability of Amar and also the relief under section 91, if any, for assessment year 2015-16.

(5 marks)

- (b) Apple Industries Ltd. provides the following information for the financial year 2014-15 :

Net profit as per statement of profit and loss after debiting/crediting the following :	₹120 lakh
Proposed dividend	₹30 lakh
Profit from unit established in SEZ	₹20 lakh
Provision for income-tax	₹18 lakh
Provision for deferred tax	₹10 lakh
Provision for permanent diminution in value of investments	₹3 lakh
Depreciation debited to statement of profit and loss ₹10 lakh includes depreciation on revaluation of assets to the tune of	₹1 lakh

: 2 :

Brought forward losses and unabsorbed depreciation as per books of the company are as follows :

<i>Previous Year</i>	<i>Brought Forward Losses</i>	<i>Unabsorbed Depreciation</i>
2010 – 11	1	4
2011 – 12	1	1
2012 – 13	10	5

Compute the book profit of the company as per section 115JB for the assessment year 2015–16.

(5 marks)

- (c) Explain whether the benefit of exemption under section 54EC would be available in the case of 'capital gains arising on transfer of depreciable asset'.

(5 marks)

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

2. (a) What are the 'specified domestic transactions' which are subject to transfer pricing provisions ?

(5 marks)

- (b) Comment on the following in the context of provisions contained in the Income-tax Act, 1961 :

(i) The provisions of section 115JB are applicable in case of foreign companies.

(2 marks)

(ii) The provisions of dividend distribution tax are applicable to an undertaking or enterprise engaged in developing, operating and maintaining a special economic zone (SEZ).

(3 marks)

- (c) Explain the meaning of 'eligible expenses' for the purposes of claiming benefit under section 35D. Also enumerate these eligible expenses.

(5 marks)

*OR (Alternate question to Question No. 2)*

- 2A. (i) (a) Tinoo Ltd. is eligible to claim deduction of ₹2 crore under section 80-IA. It has filed its return of income after the due date as specified in section 139(1). Discuss the allowability of deduction under section 80-IA.

(2 marks)

: 3 :

- (b) Sahil sold a residential house on 15<sup>th</sup> March, 2015 to Neeraj for ₹30 lakh of which value applied by stamp valuation authority was ₹38 lakh. Sahil purchased this house in March, 2004 for ₹12 lakh but the stamp duty value of the same was ₹15 lakh. In the context of these transactions, compute the following —
- Income out of this transaction, if any, in the hands of Neeraj.
  - Cost of acquisition to Neeraj.
- (2 marks)*
- (c) An HUF, resident in India, has a gross total income of ₹5,40,000 for the assessment year 2015-16. It made a payment of ₹50,000 for life insurance premium of one of its members. Whether the HUF is entitled to claim the rebate as per section 87A ?
- (1 mark)*
- (ii) In the context of transfer pricing provisions in relation to international transactions, what are the factors to be considered while selecting the most appropriate method ?
- (5 marks)*
- (iii) Vijay is employed with Sunder Ltd., at a monthly salary of ₹45,000. He also receives ₹15,000 per month as house rent allowance. He deposited ₹40,000 in the PPF account. He also pays ₹30,000 as tuition fees of his two children.
- Vijay's wife, Isha is employed with Chander Ltd., at a monthly salary of ₹25,000, where Vijay holds 21% of the shares of the company. Isha is not adequately qualified for the post held by her in Chander Ltd.
- Isha owns a house used as self occupied house by the family. Municipal value of the house is ₹3,60,000. It was constructed with borrowed funds in 2013-14. Interest on loan is ₹1,80,000 p.a. Isha insured the house and paid insurance premium of ₹8,000 to United India Insurance Company. She also paid ₹20,000 as municipal taxes.
- Suggest a scheme of tax planning for both Vijay and Isha to minimise their tax liability during the financial year 2014-15.
- (5 marks)*

**PART – B**

3. (a) AB Pipe Ltd. is engaged in the manufacture of water pipes. From the following details for the month of May, 2014, compute the amount of CENVAT credit available to them under the CENVAT Credit Rules, 2004 :

: 4 :

CENVAT paid on purchases is detailed below —

<i>Particulars</i>	₹
Raw steel	42,000
Water pipe making machine	16,000
Spare parts for the above machine	9,000
Grease & oil	3,000
Office equipment	42,560
Diesel	12,980

Provide explanation for treatment of various items.

(5 marks)

- (b) Gold Ltd. is having a manufacturing unit at Ghaziabad. During the financial year 2013-14, the value of total clearances from the unit was ₹880 lakh as per the following details :

	(₹ in lakh)
(i) Clearances to 100% EOU	80
(ii) Clearances exempted <i>vide</i> Notification No.214/86-C.E. dated 25 <sup>th</sup> March, 1986	125
(iii) Exports to USA	125
(iv) Exports to Nepal	50
(v) Clearance as loan licensee of goods carrying the brand name of another upon full payment	180
(vi) Balance clearance of goods in the normal course	320

Find out whether the unit is entitled to benefit of exemption under Notification No.8/2003-C.E. dated 1<sup>st</sup> March, 2003 as amended for the financial year 2014-15. Explain with reasons.

(5 marks)

- (c) Chandu Industries Ltd. imported some goods from USA. The details of the transactions are as under :

CIF value of goods	US \$1,44,000
Rate of basic duty	10%
Rate of education cess	2%
Rate of secondary & higher education cess	1%

If similar goods were manufactured in India, excise duty payable as per tariff plan would be 12%.

: 5 :

You are required to calculate the assessable value and total duty payable thereon as per provisions of customs law.

Note : Rate of exchange is as follows :

As per CBEC	1 US \$ = ₹63
As per RBI	1 US \$ = ₹60

(5 marks)

- (d) Chikoo Constructions Ltd. is running real estate business. Following information relates to the services provided by them from January to March, 2014 :

	₹
Construction of residential complex meant for use of Members of Parliament	40,00,000
Repair and maintenance of a railway station	25,00,000
Repair services provided to State govt. relating to plant for sewerage treatment	16,00,000
Construction of roads in a factory	15,00,000
Construction services provided to International Labour Organisation	6,00,000

Assuming that Chikoo Constructions Ltd. has taxable services of ₹1.50 crore during financial year 2012-13, compute the value of taxable services and the service tax liability for the quarter ending March, 2014. Give working notes also.

(5 marks)

- (e) Following information relates to purchases and sales of Kapil Ltd. for the month of September, 2014 :

	₹
Purchases for resale within the State	8,00,000
Purchases from registered dealers who opted for composition scheme	4,00,000
Purchases to be used as consumable stores for manufacture of taxable goods	6,00,000
Purchases of goods where invoices do not show the amount of taxes separately	5,00,000
Purchases of goods for personal consumption	2,00,000
Purchases of capital goods (not eligible for input credit)	5,50,000
Purchases of capital goods (eligible for input credit)	5,76,000

Sales made within the State during the month of September, 2014 was ₹50,00,000 on which VAT @ 4% was payable.

Assuming all purchases given above are exclusive of VAT @ 12.5%, calculate —

- (i) The amount of input tax credit available for the month of September, 2014.
- (ii) VAT payable for the month of September, 2014.
- (iii) Input tax credit carried forward.

Assume that the input VAT credit on eligible capital goods is available in 24 equal monthly installments. Also make suitable assumptions wherever required and show the workings.

(5 marks)

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

4. (a) Baba Ltd. is a small scale unit manufacturing plastic name plates for motor vehicles as per specifications provided to them by their customers, who are vehicle manufacturers. For the purpose of classification under First Schedule to the Central Excise Tariff Act, 1985, the assessee has claimed that plastic name plates are 'parts and accessories of motor vehicles'. The Central Excise Department has proposed classification as 'other plastic products' in respect of these plastic name plates. The Department's view is that motor vehicle is complete without affixation of name plates and name plate cannot be treated as part of the motor vehicle. Whether the stand taken by the Department is legally correct ? Briefly discuss with reference to relevant case law.

(5 marks)

- (b) In a search conducted in the office premises of Zebra Ltd., large quantity of rough diamonds was recovered. It was found that these were imported without a license. After adjudication, penalty was imposed on Zebra Ltd. and goods were confiscated.

An option was given to the company to redeem goods on payment of redemption fine and customs duty at appropriate rate. During the relevant period, there was an exemption notification in respect of these goods. Zebra Ltd. claimed benefit of the exemption notification for payment of customs duty.

Discuss in the light of a decided case, whether Zebra Ltd.'s contention is correct.

(5 marks)

- (c) Neem Infotech, while retaining the copyright with it, is selling information technology software as :
- (i) Shrink wrap software
  - (ii) Multiple user/paper license; and
  - (iii) Internet download.

: 7 :

In terms of end user license agreement (EULA), the contract is given for customised development of software, delivered online or downloaded on the internet.

The assessee is of the view that since it has been settled by the Supreme Court ruling in TCS case [2004(178)ELT22(SC)] that software (branded as well as unbranded) is 'goods', there is no element of service and hence service tax cannot be levied in this case.

Discuss, in the light of case law, if any, the following questions —

- (i) Whether the transaction may be called as 'sale' or 'deemed sale' ?
- (ii) Whether the transaction is liable to service tax ? If yes, state the category of the service also.

(5 marks)

**OR (Alternate question to Question No. 4)**

- 4A.** (i) (a) Mention the time-limit within which the CENVAT credit of duty paid on inputs and service tax paid on input services can be availed under the CENVAT Credit Rules, 2004.
- (3 marks)
- (b) Mention the circumstances under which a price less than the manufacturing cost and profit of excisable goods can be deemed to be the transaction value under section 4 of the Central Excise Act, 1944.
- (3 marks)
- (ii) (a) Mention the rates of interest payable on delayed payment of service tax under section 75 of the Finance Act, 1994.
- (3 marks)
- (b) Discuss whether service tax is leviable on the monthly contribution collected from members to be used by residents welfare association for the purpose of making payments to the third parties in respect of commonly used services or goods ?
- (3 marks)
- (iii) Mention the amount which is required to be deposited mandatorily before filing an appeal before the Commissioner (Appeals) and CESTAT under the Customs Act, 1962.
- (3 marks)

5. (a) Discuss the validity of the following statements with reference to the Central Excise Rules, 2002, as amended :
- (i) The general procedures prescribed for export under claim for rebate and export without payment of duty under bond do not apply to Nepal.
  - (ii) In respect of goods received at concessional rate of duty, return is required to be filed on monthly basis.
  - (iii) Submission of annual financial information statement in Form ER 4 is compulsory for all assessees.
- (2 marks each)*
- (b) Earth Ltd. is located in India and holding 51% of shares of Sun Ltd. Sun Ltd. provides business auxiliary services to Earth Ltd.
- From the following details, determine the point of taxation of Earth Ltd :
- |   |                                  |
|---|----------------------------------|
| Agreed consideration                                | US \$1,00,000                    |
| Date on which services were provided by Sun Ltd.    | 16 <sup>th</sup> September, 2014 |
| Date on which invoice is sent by Sun Ltd.           | 19 <sup>th</sup> September, 2014 |
| Date of debit in the books of account of Earth Ltd. | 30 <sup>th</sup> September, 2014 |
| Date on which payment is made by Earth Ltd.         | 23 <sup>rd</sup> December, 2014  |
- (3 marks)*
- (c) Explain how sales tax incentives cause problems for VAT system.
- (3 marks)*
- (d) Is the transaction value under the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007, acceptable even if goods are sold to related persons ? Give reasons.
- (3 marks)*
6. (a) Mention the broad rates under the existing VAT regime.
- (5 marks)*
- (b) Briefly explain the concept of goods and services tax (GST).
- (5 marks)*
- (c) What do you understand by 'continuous supply of service' ? Also mention the point of taxation in case of continuous supply of service.
- (5 marks)*