

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 7

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 2013-14, 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 :
- (i) Dividend received by Indian companies from specified foreign companies would be subject to a concessional tax treatment.
 - (ii) Under section 2(22)(e), dividend includes any advance or loan made to a shareholder by a company in the ordinary course of its business, where the lending of money is a 'substantial part of the business' of the company.
 - (iii) An assessee, who has not claimed deduction under section 80-IB in the initial years, can claim deduction under the said section for the remaining years during the period of eligibility, if the stipulated conditions are satisfied.
 - (iv) The right to file appeal to the Commissioner (Appeals) against the order of the Assessing Officer is not available to the department of income-tax.
 - (v) The Appellate Tribunal can grant stay for a total period of not exceeding 180 days from the date of such order, in any proceeding relating to an appeal.
- (2 marks each)
- (b) Examine whether the following are 'assets' under the provisions of the Wealth-tax Act, 1957 :
- (i) A commercial complex.
 - (ii) A building occupied by the assessee for business purposes.
 - (iii) Aircrafts owned and used by the assessee for business purposes.
 - (iv) Land owned by the assessee situated outside a municipality but within a notified area.
 - (v) Jewellery, bullion and utensils made of precious metals.

(1 mark each)

2. (a) The net profit of Renuka Ltd., an Indian company, as per its profit and loss account prepared as per the Income-tax Act, 1961 is ₹90,00,000 after debiting and crediting following items :

	₹
Provision for income-tax	5,00,000
Provisions for deferred tax	3,00,000
Proposed dividend	7,50,000
Depreciation including depreciation on revaluation of assets ₹20,00,000 debited to profit and loss account	60,00,000
Profit from industrial unit in SEZ area	80,000
Provision for permanent diminution in the value of investments	70,000

Compute tax liability under section 115JB for the assessment year 2013-14.

(9 marks)

- (b) Specify with reason whether following acts can be considered as tax planning or tax management or tax evasion or tax avoidance :
- (i) Deposit of ₹60,000 in public provident fund account to reduce total tax liability.
 - (ii) A company installed an air conditioner at the residence of its director and treated it as business asset for depreciation.
 - (iii) X Ltd. issued a credit note for ₹40,000 as commission payable to Y who is son of X, managing director of the company. The sole purpose was to transfer the income of the company as income of Y.
 - (iv) Y, a non-resident Indian citizen visits India every year only for 181 days to remain non-resident.
 - (v) Z Ltd. deducts tax at source but fails to deposit the same in government treasury.
 - (vi) B transferred 1,000 debentures of a company to his son C before the due date of interest to reduce his tax liability.

(1 mark each)

3. (a) A limited liability partnership (LLP) has following income for the assessment year 2013-14 :

	₹
Profit from business eligible for deduction @100% of profits under section 80-IA	32,00,000
Profit from other business	48,00,000

Compute the tax payable by the LLP, assuming that it has no other income during the assessment year 2013-14.

(5 marks)

: 3 :

- (b) State, with reasons in brief, whether income-tax return is to be filed in the following cases for the assessment year 2013-14 :
- Anthony, an individual aged 82 years has a gross total income of ₹6,20,000 and he is eligible for deduction of ₹1,40,000 under Chapter VI-A.
 - Robert, an employee of X Ltd., draws a salary of ₹19,00,000 and has income from fixed deposit with bank of ₹10,000.
 - An infrastructure debt fund referred to in section 10(47) has gross total income of ₹2,10,000 and it is eligible for exemption under section 10(47) of ₹2,10,000 and is exempt from tax, as it is a notified infrastructure debt fund.
- (2 marks each)*
- (c) Discuss whether transfer pricing provisions are applicable to transaction covered by section 40A(2) relating to payment of an expenditure to close associates/relatives.

*(4 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 :
- What is the source of power of levying service tax under the Constitution of India —
 - Entry 92C of List I
 - Entry 97 of List I
 - Entry 54 of List II
 - Entry 59 of List II.
 - As per section 3 of the Central Excise Act, 1944, there is no levy of excise duty on the goods produced or manufactured in —
 - Special economic zone
 - Free trade zone
 - 100% Export oriented undertaking
 - Bio-technology park.
 - Which section of the Customs Act, 1962 is the charging section —
 - Section 3
 - Section 12
 - Section 15
 - Section 17.

- (iv) An application to Settlement Commission can be withdrawn by the applicant —
- Within 15 days
 - Within 30 days
 - Within 45 days
 - Cannot be withdrawn.
- (v) Baggage is exempt from —
- Basic customs duty
 - Additional customs duty (CVD)
 - Education cess and SHEC
 - None of the above.
- (1 mark each)*
- (b) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :
- The fifteen digit registration number under the Central Excise Act, 1944 is called _____.
 - Excisable goods consumed within the factory for further manufacture of final product is called _____.
 - The penalty for delayed submission of excise return can extend upto _____.
 - Under section 2(9) of the Customs Act, 1962 _____ includes a vessel, an aircraft or a vehicle.
 - Under section 25(2) of the Customs Act, 1962 _____ can be granted even after the duty is paid and in such case, duty has to be refunded.
- (1 mark each)*
- (c) Explain the term 'exempted services' in relation to the CENVAT Credit Rules, 2004.
- (4 marks)*
- (d) Whether an application can be made in the following cases before the Settlement Commission under section 127B of the Customs Act, 1962 :
- The additional amount of duty accepted by the applicant is ₹3,00,000.
 - The goods involved are gold and gold jewellery.
 - Case involves interpretation of classification of goods under the Customs Tariff Act, 1975.
- Give answer with reasons.

(6 marks)

: 5 :

5. (a) Sincere Exporters (P) Ltd. furnishes following information and requests you to compute the maximum refund allowable under Rule 5 of the CENVAT Credit Rules, 2004 for the relevant period :

	₹
(i) Total CENVAT credit taken on inputs	2,00,000
(ii) Total CENVAT credit taken on capital goods	2,50,000
(iii) CENVAT credit reversed under Rule 3(5C)	20,000
(iv) Export without payment of duty under bond	5,00,000
(v) Export on payment of duty under rebate	3,50,000
(vi) Value of exempted goods cleared	2,25,000
(vii) Value of dutiable goods cleared	3,75,000
(viii) Value of inputs removed as such under Rule 3(5)	50,000

(5 marks)

- (b) Honest importers imported a machine with accessories from USA. Compute the assessable value and customs duty payable thereon from the following data :

— CIF value of machine (<i>inclusive of accessories</i>)	US \$1,50,000
— CIF value of accessories compulsorily supplied alongwith the machine (<i>not shown separately</i>)	US \$30,000
— Rate of basic customs duty on machine	10%
— Rate of basic customs duty on accessories	20%
— Education cess plus secondary and higher education cess	2% + 1%
— Exchange rate	1 US \$ = ₹50
— Effective rate of excise duty on similar goods in India	12%

(5 marks)

- (c) Calculate the amount of drawback available under section 74 of the Customs Act, 1962 in the following three separate cases —

- (i) X imported computers for office use and paid ₹5,00,000 as import duty. The computers are re-exported after 13 months.

(2 marks)

- (ii) Y imported goods for his personal use and paid ₹1,00,000 as import duty. Such goods are re-exported after 3 months 10 days.

(2 marks)

- (iii) Z imported wearing apparel and paid ₹20,000 as import duty. These are re-exported after 6 months.

(1 mark)

6. (a) Tiptop Garments, a small scale unit, supplies uniforms to the Global School, bearing the name and logo of the school. Tiptop Garments have approached you as their consultant to know whether their unit will be eligible for SSI exemption under the Central Excise Act, 1944. Write a brief note explaining the relevant provisions under the Act.
(5 marks)
- (b) Loveena imported certain goods in March, 2012. An 'into bond' bill of entry was presented on 14th March, 2012 and goods were cleared from the port for warehousing. The order permitting the deposit of goods in warehouse for 6 months was issued on 21st March, 2012. Loveena did not clear the imported goods even after the warehousing period got over on 20th September, 2012. She did not obtain any extension of time as well. A notice was issued under section 72 of the Customs Act, 1962 demanding duty and other charges. Loveena cleared the goods on 10th December, 2012. Advise her about the applicability of rate of exchange and rate of duty and other charges payable with the help of a decided case law.
(5 marks)
- (c) Orange Ltd. is 100% subsidiary of Miracle Systems Corporation, USA (a foreign company). Orange Ltd. is engaged in software/consultancy service business in India and imports software products and sell/provide them to users in India. The company seeks to start hardware business in India for which hardware products will have to be imported into India from related foreign companies. It wants to file an application for advance ruling in the matter of valuation of import of such hardware products. Examine in the light of decided case law, if any, whether such application for advance ruling is maintainable in law.
(5 marks)
7. (a) Answer the following questions under Rule 22 of the Central Excise Rules, 2002, regarding submission of records, *etc.* :
- (i) Who is required to submit the records ?
 - (ii) To whom should these records be submitted ?
 - (iii) What are the records, *etc.* to be submitted ?
- (5 marks)
- (b) Can a request for provisional assessment of duty be made by an importer/exporter ? If yes, what is the amount of bond and duty to be deposited ? Is there any penalty attracted on contravention of these regulations ?
(5 marks)
- (c) What are the monetary limits for filing appeals by the Department before CESTAT, High Courts and the Supreme Court ? What would be the determinative element for ascertaining such limits ?
(5 marks)

PART — C

8. Attempt *any four* of the following :

(i) Discuss in brief the provisions regarding double taxation relief.

(5 marks)

(ii) Discuss the meaning of the term 'associated enterprise' as defined under section 92A(1).

(5 marks)

(iii) Discuss the procedure for filing application for advance ruling. Also indicate the parties affected by the advance ruling.

(5 marks)

(iv) Shilpa, an individual resident and citizen of India received remuneration from a foreign client in the previous year 2012-13. There is no DTAA with that country. The remuneration was ₹60,00,000 and ₹12,00,000 was tax imposed by that country. Income from other sources of Shilpa in India is ₹9,50,000. She has deposited ₹1,00,000 in public provident fund in the previous year 2012-13. Compute the tax relief available in India, if she brings ₹48,00,000 in India in convertible foreign exchange.

(5 marks)

(v) How the foreign institutional investors are taxed for the capital gains arising from transfer of securities ?

(5 marks)