

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 6

NOTE : All references to sections mentioned in Part-A of the Question Paper relate to the Income-tax Act, 1961 and the relevant Assessment Year 2010-11 unless stated otherwise.

PART—A

(Answer ANY TWO questions from this part.)

1. (a) Ms. Radha is employed in Star Services Ltd., Nagpur at a salary of Rs.60,000 per month. She purchased a flat in Jaipur from Jaipur Development Authority (JDA) on lease for 99 years for Rs.19,00,000 in 1991. She has paid Rs.30,000 as municipal taxes and Rs.16,000 for insurance. She gave her flat on rent to her employer at Rs.40,000 per month. The employer has borne the cost of repairs and incurred Rs.12,000 on that. The employer has provided this flat to Ms. Radha as rent-free accommodation facility. Find out the value of the house for the purpose of wealth-tax.
Would it make any difference if the salary of Ms. Radha is Rs.4,000 per month?
(10 marks)
 - (b) Discuss in brief whether the concerned authority shall allow the application for advance ruling in the following cases —
 - (i) Application filed by a resident, where an appeal made by the non-resident company is pending before the appellate authority which is related to the application made by the resident taken up by the authority for advance ruling.
 - (ii) Application involving determination of fair market value of a house property.
 - (iii) Application involving an issue, already decided by the appellate tribunal in another case in favour of the revenue.*(2 marks each)*
 - (c) “The Income-tax Appellate Tribunal is vested with the power to rectify any mistake in its order apparent from record.” Discuss.
(4 marks)
2. (a) Are provisions of minimum alternate tax (MAT) under section 115JB applicable to foreign companies also ? Which companies are exempt from the provisions of MAT ?
(8 marks)

- (b) Explain the provisions relating to revision of assessment order prejudicial to the interest of assessee.
- (8 marks)*
- (c) Whether relief under section 89 is available for compensation under voluntary retirement scheme (VRS) ?
- (4 marks)*
3. (a) A company claims deduction of certain expenditure in computation of its total income under the Income-tax Act, 1961. Consider the allowability or otherwise of the following expenditures giving brief reasons for your answers and show the amount of deduction also :
- (i) Payment of Rs.30,000 made in cash to a transport operator for hiring goods carriages on 8th February, 2010.
 - (ii) The company has incurred expenditure on scientific research (except on land and building) on in-house research and development facility approved by the prescribed authority for Rs.2,00,000. The company is not engaged in the business of manufacture of any article/thing specified in the list of Schedule XI of the Income-tax Act, 1961.
 - (iii) The company paid pre-payment premium to IDBI during the financial year 2009-10 for restructuring its debts and reducing the rate of interest. Amount of premium was Rs.40,000.
 - (iv) Fine was paid for belated payment of excise duty. The payment was purely compensatory in nature (fine Rs.25,000).
- (3 marks each)*
- (b) Piyush Ltd. commenced operations of the business of laying and operating a cross-country natural gas pipeline network for distribution on 20th June, 2006. The company incurred capital expenditure of Rs.60 lakh during the period 1st April, 2008 and 31st March, 2009 exclusively for the above business, and capitalised the same in its books of account as on 1st April, 2009. Further, during the financial year 2009-10, it incurred capital expenditure of Rs.1,600 lakh (including Rs.400 lakh for acquisition of land) exclusively for the above business. Compute the deduction under section 35AD for the assessment year 2010-11, assuming that Piyush Ltd. has fulfilled other conditions specified in section 35AD.
- (4 marks)*
- (c) Explain briefly the provisions regarding mandatory requirement of furnishing PAN in all TDS statements, bills, vouchers and correspondence between deductor and deductee under section 206AA.
- (4 marks)*

PART—B

(Answer ANY FOUR questions from this part.)

4. (a) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :
- (i) _____ means the value referred to in sub-section (1) of section 14 of the Customs Act, 1962.
 - (ii) Under _____ the assessee is required to pay a predetermined sum to the department at fixed periodic intervals instead of paying duty on the basis of excisable goods cleared.
 - (iii) _____ is the basis for arriving at assessable value under section 4A of the Central Excise Act, 1944.
 - (iv) The appeal against order-in-original passed by a Commissioner of Central Excise is to be filed in Form No. EA-3 in _____.
 - (v) Under the Central Excise Act, 1944, the assessee is required to submit monthly return in _____.
 - (vi) The Central Government may impose _____ under section 8B of the Customs Tariff Act, 1975, if it is satisfied that the goods are being imported in large quantities and they are causing serious injury to domestic industry.
 - (vii) The aggregate value of clearances of all excisable goods for home consumption for the purpose of availing exemption under SSI Notification No. 8/2003 should not exceed Rs. _____ lakh in the preceding financial year.

(1 mark each)

- (b) Distinguish between the following :

- (i) 'Manufacturer exporters' and 'merchant exporters' for the purpose of excise concession under the central excise laws.
- (ii) 'Abatement of duty' and 'remission of duty' under the Customs Act, 1962.

(4 marks each)

5. (a) Cold Drinks Pvt. Ltd. manufactures non-alcoholic beverage base also known as concentrate. The concentrate is sold to bottling companies who make the aerated beverage from the concentrate and sell the same to the consumer. The brand name of aerated beverage is 'India Cola'. Cold Drinks Pvt. Ltd. had given advertisement which carried the brand name and bottle of the aerated beverage. They claimed the CENVAT credit of the service tax paid on advertisement service. The department wants to disallow the CENVAT credit contending that the company was not manufacturing aerated beverage but the concentrate and, therefore, advertisement was not in or in relation to manufacture of concentrate and accordingly

it was not an input service. The contention of the company is that the advertisement of soft drink enhances the marketability of the concentrate and the expenditure on advertisement forms part of the price. Examine whether the contention of the department is correct.

(5 marks)

- (b) Automobile Ltd. manufactures parts of motor-car and supply the same to Manav Udyog Ltd. (MUL) on payment of central excise duty. After 6 months, as a result of negotiations, MUL increased the price of the parts with retrospective effect. Automobiles Ltd. issued a supplementary invoice to MUL and paid the differential central excise duty on the enhanced value. The department directed the company to pay interest on the amount of duty paid late under section 11AB of the Central Excise Act, 1944. Examine the matter with the help of decided case law, if any.

(5 marks)

- (c) What are the various refund of duty in respect of which principle of unjust enrichment will not apply under section 27 of the Customs Act, 1962 ?

(5 marks)

6. (a) Venus Ltd. procures duty-paid Kraft paper and then laminates it in its own factory with a coating of polyethelene resulting in polyethelene laminated Kraft paper. In reply to a show cause notice, Venus Ltd. has challenged the demand of duty on the following grounds :

(i) Lamination with polyethelene does not amount to manufacture.

(ii) Both unlaminated and laminated Kraft papers admittedly fall under the same entry in the central excise tariff.

Examine whether the contention of Venus Ltd. is acceptable.

(5 marks)

- (b) Two trucks are intercepted by the customs department. The officers of the customs department conducted search of the vehicle in the presence of witness and it is found that one of the trucks has a secret chamber and 175 kgs. of heroine and 39 kgs. of opium of foreign orgin were concealed in the said secret chamber. During the course of investigation, the statement of Mahesh, the registered owner of the vehicle, is taken under section 108 of the Customs Act, 1962 and 15 witnesses are examined. However, Mahesh completely denies his culpability in the offence. He contends that though the vehicle is registered in his name, but he had sold the truck much before the contraband goods were recovered therefrom. Examine whether Mahesh has committed any offence. Decide with the help of case law, if any.

(5 marks)

- (c) Hotel Radhika Palace charges 10% of the bill amount for giving room for holding function as service charges. Department has asked them to include the said amount in the assessable value for paying service tax under the category of Mundap Keeper. Hotel Radhika Palace has submitted that the amount @ 10% collected

from customers is subsequently disbursed among the staff and, therefore, it is not part of their income and cannot be included in the gross amount charged by them. Examine the case and advise suitably.

(5 marks)

7. (a) Dura Pipe Ltd. is engaged in the manufacture of water pipes. From the following details for the month of May, 2010, compute the amount of CENVAT credit available to them under the CENVAT Credit Rules, 2004 for 2010-11. CENVAT paid on purchases is detailed below :

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

Provide explanation for treatment of various items.

(8 marks)

- (b) Determine the taxable turnover, input tax credit and net VAT payable by a works contractor from the details given below on the assumption that the contractor maintains sufficient records to quantify the labour charges. Assume output VAT @ 12.5% *ad valorem* :

	<i>Rs. In Lakhs</i>
(i) Total contract price (excluding VAT)	100
(ii) Labour charges paid for execution of the contract	20
(iii) Cost of consumables used not involving transfer of property in goods	6
(iv) Materials purchased and used for the contract taxable @ 12.5% VAT (VAT included)	45

The contractor also purchased a plant for use in the contract for Rs.10.4 lakh. In the VAT invoice relating to the same, VAT was charged @ 4% separately and the said amount of Rs.10.4 lakh is inclusive of VAT.

Assume 100% input credit on capital goods. Make suitable assumptions wherever required and show the working notes.

(7 marks)

8. (a) State, with reasons in brief, whether the following statements are true or false :
- (i) An application from an NRI setting-up a joint venture in India with a resident Indian for advance ruling under section 23C of the Central Excise Act, 1944 regarding admissibility of CENVAT credit of excise duty paid on the goods used in relation to manufacture of goods, is not maintainable.
 - (ii) Service provider is allowed to pay service tax on a provisional basis.
 - (iii) Vessels engaged in fishing outside the territorial waters of India are foreign going vessels.
 - (iv) An application can be filed for settlement of case before the Settlement Commission involving question of classification of excisable goods.
 - (v) Captive consumption of excisable goods within the factory is required to be valued on the basis of sale price of similar goods manufactured by others.
- (2 marks each)*
- (b) Discuss whether a director of a private limited company can be held liable to pay central sales tax after its liquidation.

(5 marks)

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