

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 2014-15, unless stated otherwise.

PART — A

1. (a) Virat Ltd. is a widely held company. It is currently considering a major expansion of its production facilities and the following alternatives are available :

<i>Particulars</i>	<i>Alt-1</i>	<i>Alt-2</i>	<i>Alt-3</i>
	(₹)	(₹)	(₹)
Share capital	50,00,000	20,00,000	10,00,000
14% Debentures	—	20,00,000	15,00,000
18% Loan from Bank	—	10,00,000	25,00,000

Expected rate of return before tax is 30%. Rate of dividend of the company since 1995 has not been less than 22% and date of dividend declaration is 30th June every year. Which alternative should the company opt with reference to tax planning ?

(5 marks)

- (b) XYZ LLP has income of ₹72,00,000 under the head 'profits and gains of business or profession'. One of its business is eligible for deduction @ 100% of profits under section 80-IB for the assessment year 2014-15. The profit from such business included in the business income is ₹58,00,000. Compute the tax payable by the LLP, assuming that it has no other income during the previous year 2013-14.

(5 marks)

- (c) The book profits of a company in the previous year 2013-14 computed in accordance with section 115JB are ₹60,00,000. If the total income for the same period computed as per the provisions of the Income-tax Act, 1961 is ₹12,00,000, calculate the tax payable by the company in the assessment year 2014-15 and also indicate whether the company is eligible for any tax credit.

(5 marks)

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

2. (a) Explain how the arm's length price in relation to an international transaction is computed under 'resale price method' as per rule 10B(1)(b) of the Income-tax Rules, 1962. (4 marks)
- (b) What are the different forms under advance ruling ? (4 marks)
- (c) Discuss the mode of determination of fair market value of Employees Stock Option, if shares are : (4 marks)
- (i) Listed in a recognised stock exchange in India
- (ii) Not listed in any recognised stock exchange in India.
- (d) What are the objectives of tax planning ? (3 marks)

OR (Alternate Question to Q.No. 2)

- 2A. You are the Financial Controller in a manufacturing company having turnover exceeding ₹800 crore. Write a report for your Managing Director highlighting the legal position pertaining to the following :
- (i) Tax on distributed income by a company for buy-back of unlisted shares.
- (ii) Time-limit for completion of assessment/reassessment when a reference is made to the Transfer Pricing Officer (TPO).
- (iii) Allowance for acquisition and installation of new plant and machinery under section 32AC.
- (iv) Tax consequences of assignment of keyman insurance policy before maturity by employer-company to its employee. (15 marks)

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PART — B

3. (a) Following information is provided in respect of manufacture of a product 'X' for the purpose of captive consumption in the same factory :

	₹
Cost of direct material (includes central excise duty ₹1,854)	16,854
Cost of direct employees	12,300
Consumable stores and repairs	8,400
Quality control cost	4,300
Research and development cost	2,700
Administrative cost :	
Production related	3,000
Others	1,500
Selling and distribution cost	3,600
Scrap value realised	1,500

Note : CENVAT credit of the excise duty so paid is available.

Determine the assessable value for the purpose of levy of central excise duty giving working notes wherever required.

(5 marks)

- (b) Florus Advertising Agency received the following charges during the quarter ended 31st March, 2014, for the services rendered by it :

<i>Services rendered</i>	₹
Sale of space for advertisement in newspaper	45,000
Services related to preparation of advertisement	85,000
Sale of time for advertisement to be broadcast on radio	65,000
Advertisement <i>via</i> banner at public places	50,000
Sale of time for advertisements to be broadcast on TV channel	1,00,000
Aerial billboards	90,000
Canvassing advertisement for publishing on a commission basis	35,000

Additional information :

- (i) Point of taxation for all the aforesaid cases falls during the quarter ended 31st March, 2014.
- (ii) All the charges stated above are exclusive of service tax.
- (iii) Small service providers' exemption under Notification No. 33/2012-ST dated 26th June, 2012 need not be taken into account.

Compute the service tax liability of Florus Advertising Agency for the quarter ended 31st March, 2014. Give appropriate working notes also.

(5 marks)

- (c) The particulars regarding sale, purchase, *etc.*, of Shubham Udyog for the last quarter of the year 2013-14 are as under :

<i>Particulars</i>	<i>₹</i>
1. Purchases of raw material within the State :	
(i) Taxable @ 1%	40,00,000
(ii) Taxable @ 4%	60,00,000
(iii) Taxable @ 12.5%	10,00,000
2. Sale of goods manufactured from raw material purchased @ 4% tax rate :	
(i) Taxable sale within the State (<i>tax rate 4%</i>)	20,00,000
(ii) Exempted sale within the State	10,00,000
(iii) Sale in the course of inter-State trade or commerce (<i>CST rate 2%</i>)	10,00,000
3. Sale of raw material purchased @ 1% tax rate	44,00,000
4. Goods manufactured from the raw material purchased @ 12.5% tax rate were given on lease. The deemed sale price of such goods taxable @ 12.5%	12,00,000

You may assume that input tax credit of tax paid on raw material used in manufacture of leased goods is available immediately.

Compute the amount of value added tax (VAT) payable by Shubham Udyog for the relevant quarter. There was no opening or closing inventory. How can Shubham Udyog utilise the balance of input tax credit, if any ?

(5 marks)

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(d) Uncool Ltd. is liable to pay the following amounts under the Central Excise Act, 1944 :

	₹
(i) Central Excise duty	24,00,000
(ii) Interest	1,50,000

Further, Uncool Ltd. is also liable to pay the amounts under the following statutes :

	₹
(a) The Recovery of Debts Due to Banks and Financial Institutions Act, 1993	4,50,000
(b) The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002	3,00,000
(c) The Factories Act, 1948	4,50,000
(d) The Customs Act, 1962	9,00,000

Uncool Ltd. has a property with a realisable value of ₹30 lakh. State the legal remedy under section 11E of the Central Excise Act, 1944 available to Central Excise Department for recovery of the dues of ₹25,50,000.

(5 marks)

(e) A consignment of 800 metric tonnes of edible oil of Malaysian origin was imported in January, 2014 by a charitable organisation in India for free distribution to below poverty line citizens in a backward area under the scheme designed by the Food and Agriculture Organisation. Only a nominal price of US \$10 per metric tonne was charged for the consignment to cover the freight and insurance charges. The customs house found out that at or about the time of importation of this gift consignment, the following imports of edible oil of Malaysian origin were also made :

<i>S.No.</i>	<i>Quantity imported (in metric tonnes)</i>	<i>Unit price (in US \$) (CIF)</i>
1.	20	260
2.	100	220
3.	500	200
4.	900	175
5.	400	180
6.	780	160

The rate of exchange on the relevant date was US \$1= ₹60 and the rate of basic customs duty was 10% *ad valorem plus* education cess. There is no countervailing duty or special additional duty.

Calculate the amount of duty leviable on the consignment under the Customs Act, 1962 with appropriate assumptions and explanations, where required.

(5 marks)

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

4. (a) Keshav Cement Ltd. manufactures grey and white cement at Rajasthan. It repaired the worn-out parts of cement manufacturing plant at its workshop. During the process of repair, scrap of M.S. channels, M.S. beams, M.S. angles and cutting was generated. It removed the said scrap without paying excise duty from the factory. Department has issued a show cause notice demanding the duty on the said scrap contending that the process of generation of scrap and waste amounted to 'manufacture' in terms of section 2(f) of the Central Excise Act, 1944.

Examine with the help of decided case law, whether the contention of the Department is correct.

(5 marks)

- (b) Swayam was the director of Om Steel Pvt. Ltd. till 16th May, 2013. On 18th July, 2013, Customs Authority issued notice to the former director, *i.e.*, Swayam seeking to attach his properties for recovery of the dues of the company. Revenue contended that as per the provisions of section 179 of the Income-tax Act, 1961 and section 18 of the Central Sales Tax Act, 1956, in case of a private company, where any tax dues of the company under relevant statutes cannot be recovered, every person who was director of the said company at any time during the period for which tax is due shall be jointly and severally liable for the payment of tax. On this base, the Customs Authority has invoked provisions of section 142 of the Customs Act, 1962.

Examine, with a decided case law, whether the Customs Authority is justified in its action.

(5 marks)

- (c) The Service Tax Department issued a show cause notice in November, 2012 to Anmol Logistics Service Ltd. for demanding service tax amounting to ₹5 crore. A reply to show cause notice was filed by the company in January, 2013. The Department has issued an order under section 87(b) of the Finance Act, 1994 freezing all the bank accounts of the company.

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The company filed a writ petition contending that the Department has no power to freeze bank accounts for the amount which is pending final adjudication. On the other hand, the Department has submitted that the service tax had been recovered by the company on behalf of the Revenue and the company is merely a trustee to hold the amount and this amount is due and payable by the company. Therefore, the adjudication is a mere formality and even provisional adjudication is good enough to invoke the provisions of section 87 of the Finance Act, 1994. The Department has further contended that if the order is set aside, the company would withdraw the entire amount from the bank account and Department would have no remedy to recover the same.

Examine whether the contention of the company is legal with the help of a decided case law.

(5 marks)

OR (Alternate question to Q.No. 4)

4A. (i) Mention with reasons where the appeal/revision application will lie against the following orders :

- (a) Order passed by the Commissioner of Customs (Appeals) rejecting the application for duty drawback.
- (b) Order passed by the CESTAT disallowing the benefit of SSI Notification to a proprietary concern providing services.
- (c) Order passed by the Commissioner of Central Excise (Appeals) rejecting the application for remission of Central Excise duty on goods lost during transit from factory to warehouse.

(2 marks each)

(ii) (a) Mention the situation when the imported goods are warehoused but are not deemed to be warehoused.

(3 marks)

(b) Mention the maximum period for which goods are allowed to be warehoused but not deemed to be warehoused.

(2 marks)

(c) What is the maximum period allowed to an importer under section 47 of the Customs Act, 1962 to pay the duty after the return of bill of entry to him ?

(1 mark)

(iii) (a) Mention the relevant date for determination of rate of service tax, value of taxable service and rate of exchange, if any, under the provisions of the Finance Act, 1994.

(2 marks)

(b) Mention the maximum amount of penalty imposable under service tax law for failure to take registration as per section 69 of the Finance Act, 1994.

(1 mark)

5. (a) Distinguish between 'exempted goods' and 'nil rated goods' under excise law.

(4 marks)

(b) Specify the circumstances in which benefit of small scale exemption Notification No. 8/2003-C.E., dated 1st March, 2003 will be available though the goods are bearing the brand name of other person.

(4 marks)

(c) Mention the expenses which are to be included in the assessable value of imported goods as per Rule 10(2) of the Customs Valuation (Determination of Price of Imported Goods) Rules, 2007.

(3 marks)

(d) Explain the expression 'zero rating' with reference to VAT.

(2 marks)

(e) Mention the provisions of Rule 5 of the Point of Taxation Rules, 2011 relating to levy of service tax for the first time.

(2 marks)

6. (a) Write a brief note on the need for amending the Constitution of India for introducing goods and services tax (GST) in India.

(5 marks)

(b) Mention the purchases in respect of which input tax credit is not available to the purchasers under the VAT law.

(5 marks)

(c) Mention the due date for payment of service tax under the Finance Act, 1994 by a partnership firm.

(5 marks)