

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8 Total number of printed pages : 7

PART—A

(Answer ANY TWO questions from this part.)

1. (a) When is a house property not considered as an 'asset' under the Wealth-tax Act, 1957 ?

(2 marks)
- (b) What are the considerations that should weigh with a company while deciding on whether to issue equity shares or debentures ? Discuss briefly.

(4 marks)
- (c) You are the Company Secretary of a manufacturing company. Your company is going to appoint a consultant on a monthly salary of Rs.60,000. Prepare a remuneration plan so that the company's fringe benefit tax liability and employee's personal tax liability is reduced to minimum possible level.

(14 marks)
2. (a) Getmax Ltd. gets a compensation of Rs.2 crore from Megha Ltd., an Indian company, on termination of an agreement. How would you decide whether this compensation is taxable or not in the hands of Getmax Ltd. ?

(5 marks)
- (b) When is depreciation subject to fringe benefit tax (FBT) ? How is FBT charged on such depreciation ?

(5 marks)
- (c) A company reimburses a sum of Rs.15,000 during the financial year 2006-07 to one of its employees on account of medical expenditure. Discuss the tax liability of the employer and employee.

(5 marks)

- (d) What is the tax treatment of expenditure on issue of bonus shares ?

(5 marks)

3. (a) What is 'minimum alternate tax' (MAT) ? What is the treatment of following debited to profit and loss account while calculating book profit :

- (i) Fringe benefit tax
- (ii) Wealth-tax
- (iii) Provision for doubtful debt
- (iv) Penalty for non-payment of income-tax
- (v) Dividend tax
- (vi) Banking cash transaction tax
- (vii) Proposed dividend
- (viii) Excise duty due, but not paid
- (ix) Provision for gratuity
- (x) Depreciation ?

(12 marks)

- (b) Sun Bright Ltd., an Indian company, furnishes following particulars of its income for the previous year 2006-07. Calculate its total income and income-tax liability for the assessment year 2007-08 :

	<i>Rs.</i>
Income from business	5,20,000
Dividend received during the year :	
— from Indian company	20,000
— from foreign company	5,000
Gains from transfer of capital assets :	
— short term capital gains	25,000
— long term capital gains	50,000
Agricultural income in India	35,000

Additional information :

- (i) Income from business includes Rs.1,50,000 profit earned from a new small scale industry set up on 1st October, 1999 which is eligible for deduction under section 80-IB.
- (ii) Business expenses already charged from business income include Rs.10,000 revenue expenditure and Rs.30,000 capital expenditure on family planning programme for employees.
- (iii) Company has debited following donations in the profit and loss account of the business of company :
 - Rajiv Gandhi Foundation: Rs.50,000; and
 - Prime Minister's National Relief Fund: Rs.25,000.

(8 marks)

PART—B

(Answer ANY FOUR questions from this part.)

4. (a) Define 'excisable goods' and distinguish it from 'exempted goods'.
(4 marks)
- (b) List down the items specifically included in the scope of the term 'goods' under the Customs Act, 1962, bringing out the effect of such inclusion.
(4 marks)
- (c) Subsequent sales during the movement of goods from one State to another pursuant to an inter-State sale, would always be exempt from tax. Do you agree ? Give reasons.
(4 marks)
- (d) What is the general rule regarding valuation of taxable service ? Indicate the position where the gross amount charged by a service provider includes service tax payable.
(3 marks)

(3 marks)

5. (a) A big ship carrying merchandise and stores enters into the territorial waters of India, but it cannot enter the port. In order to unload the merchandise, smaller ships are employed. Stores are consumed on board the ship as well as by the smaller ships.
- (i) Examine whether such consumption of stores attracts customs duty. Cite relevant provisions and case law, if any.
 - (ii) Stores are further supplied to the above ships. Will such supplies be treated as export and be entitled to duty-drawback ?
- (4 marks)*
- (b) Ajay Ltd. supplied and installed air-conditioning equipment in the premises of Vijay Ltd. In the invoice raised by it, the value of the equipment was shown as Rs.5 lakh and installation and commission charges as Rs.1 lakh. What is the value of 'taxable service' on which service tax is payable ? Will it make any difference if the price of the equipment and installation charges are not separately shown in the invoice and a consolidated amount of Rs.6 lakh is shown ?
- (4 marks)*
- (c) Reliable Ltd. writes off the value of certain finished goods and inputs in its books of account as they have become obsolete. But, the goods are not removed from the factory premises. The department demands central excise duty on such goods. Whether the demand is justified ?
- (4 marks)*
- (d) Rozy reported sales turnover of Rs.45,20,000. This includes the following :
- (i) Excise duty Rs.3 lakh; and
 - (ii) Deposit for returnable containers and packages Rs.4 lakh. Sales tax was not included separately in the sales invoice.

Compute the tax liability of Rozy under the Central Sales Tax Act, 1956, assuming that sales have been made to registered dealers against Form-C and the rate of tax is 3% in the State. Goods sold are undeclared goods.

(3 marks)

6. (a) State, giving reasons in brief, whether the following statements are correct or incorrect :
- (i) No central sales tax is payable if goods are supplied to an export oriented unit (EOU).
 - (ii) Lottery tickets are not 'goods' under the Central Sales Tax Act, 1956.
 - (iii) Any provider of taxable service whose aggregate value of taxable service in a financial year exceeds Rs.3 lakh is required to apply for service tax registration.

(2 marks each)

- (b) A manufacturer of steel furniture sold the furniture without painting. After the furniture is sold, wherever necessary painting is done at the instance of buyers, as per their specifications either by the painters suggested by the manufacturer or other painters directly engaged by the buyers. Consider whether such painting would amount to 'manufacture'.

(5 marks)

- (c) Jacob receives a machine in his factory. He utilises 50% of the duty paid thereon as CENVAT credit even before the erection of the machine. Can he do so ?

(2 marks)

- (d) Can an assessee use CENVAT credit for payment of interest, penalty and fine in lieu of confiscation ?

(2 marks)

7. (a) State, giving reasons in brief, whether the following statements are correct or incorrect :
- (i) At present, education cess is payable @ 2% on the value of taxable services.
 - (ii) The invoice issued by a service provider should indicate the service tax charged separately.
 - (iii) Appeal against the order passed by the Commissioner of Central Excise (Appeals) relating to service tax can be filed before the Customs, Excise and Service Tax Appellate Tribunal (CESTAT) within three months from the date of receipt of the order.
 - (iv) An assessee availing exemption under the notification based on the value of clearances in a financial year has to file a monthly return of the production and removal of goods within 10 days of the month to which the return relates.
 - (v) In case of import of an article, additional duty of customs is not levied if no like article is produced or manufactured in India.
 - (vi) A dealer can furnish Form-C to the assessing authority upto the time of assessment.
- (2 marks each)*
- (b) Define 'declared goods' under the Central Sales Tax Act, 1956. What are the restrictions in regard to levying of tax on sale or purchase of declared goods within a State ?
- (3 marks)*
8. (a) What are the various reasons for which excisable goods can be confiscated and penalty is imposable on a manufacturer of excisable goods under the Central Excise Rules, 2002 ?

(5 marks)

- (b) What are the various orders passed by the Commissioner of Central Excise (Appeals) against which an appeal does not lie with the Customs Excise Service Tax Appellate Tribunal ?

(4 marks)

- (c) (i) Who is authorised to appoint public warehouses under the Customs Act, 1962 ?
- (ii) What are the places where such warehouses can be appointed ?
- (iii) What is the purpose for which such warehouses are appointed ?

(1 mark each)

- (d) In what cases refund of export duty is admissible under the Customs Act, 1962 ?

(3 marks)

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