

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 7

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 Ltd. wants to acquire a machine on 1st April, 2013. It will cost ₹60 lakh. It is expected to have a useful life of 5 years. Scrap value will be ₹10,000. If the machine is purchased through borrowed funds, rate of interest is 11.5% per annum. Loan is repayable at the end of 5 years. If machine is acquired through lease, lease rent would be ₹16 lakh per annum. Profit before depreciation and tax is expected to be ₹4.50 crore every year. Depreciation is charged @ 15% on written down value. Besides, additional depreciation is available in the first year. Investment allowance is, however, not available. Average rate of tax may be taken at 32.445%.

A Ltd. seeks your advice whether it should —

- (i) Acquire the machine through own funds or borrowed funds; or
(ii) Take it on lease.

Present value factor shall be taken @10%. At this rate present values of rupee one are —
year 1 : 0.9091; year 2 : 0.8264; year 3 : 0.7513; year 4 : 0.6830; and year 5 : 0.6209.

(15 marks)

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

2. (a) In relation to the Authority for Advance Ruling (AAR), state in brief, covering the vital points in the following questions :
- (i) What is meant by advance ruling ?
(ii) What is the composition of AAR ?
(iii) Who is an applicant ?

(10 marks)

- (b) A CEO of an unlisted public company approached you with a proposal to convert the company into a Limited Liability Partnership (LLP) without attracting any liability towards capital gain tax. Draft a suitable reply.

(5 marks)

OR (Alternate question to Q.No. 2)

- 2A.** (i) A corporate assessee, who inadvertently failed to claim deduction under section 80IB during the initial years, cannot claim deduction under the said section for the remaining years during the period of eligibility, in spite of fulfillment of stipulated conditions. Examine the assertion contained in the above para in the background of judicial decision.
- (5 marks)
- (ii) Whether MAT credit admissible under section 115JAA has to be set-off against the assessed tax payable before calculating interest under sections 234A, 234B and 234C.
- (5 marks)
- (iii) Discuss the provisions regulating determination of fair market value of ESOPs.
- (5 marks)

PART – B

- 3.** (a) The aggregate value of clearances by Rama Ltd. during the financial year 2013-14 is ₹960 lakh. Determine the amount of CENVAT credit available to Rama Ltd. in respect of the following items procured by them in the month of November, 2013 :

<i>Item</i>	<i>Excise Duty Paid (including EC and SHEC) ₹</i>
(i) Raw materials	1,44,000
(ii) Capital goods used for generation of electricity for captive use within the factory	3,00,000
(iii) Goods used in the guest house primarily for personal use	80,000
(iv) Inputs used for making structures for support of capital goods	2,50,000
(v) Parts and components for use in the manufacture of final product	80,000
(vi) Goods for providing free warranty	20,000

(5 marks)

: 3 :

- (b) JAM Ltd., a unit manufacturing goods eligible for exemption under SSI Scheme has furnished the under mentioned particulars :

Turnover during 2012-13 ₹17.40 crores, which included the following :

	<i>(₹ in crore)</i>
Export to Japan	10.00
Export to Bhutan	1.60
Sale to an SEZ unit in Surat	2.00
Sale of 'nil' rated goods in India	1.50

Turnover during the financial year 2013-14 is ₹2.5 crore. Total duty paid on inputs for achieving the above turnover of ₹2.5 crore is ₹25 lakh. Duty payable on output is 16%.

Based on the particulars furnished, find out —

- (i) Whether the unit is eligible to enjoy SSI benefits under Notification No. 8/2003-CE. If so, what is the duty payable in the year 2013-14 by JAM Ltd.
- (ii) What would be duty liability of the assessee if he does not avail SSI exemption ?

(5 marks)

- (c) SM Ltd. imported a machine at FOB value of ₹34,00,000. This sum includes ₹4,00,000 attributable to post-importation activities to be called by the seller. SM Ltd. had supplied raw materials worth ₹10,00,000 to the seller for the manufacture of the said machine. The goods were imported by vessel and actual cost of transport is ₹1,60,000. The importer has also paid demurrage charges of ₹10,000 and lighterage and barge charges ₹30,000 in addition to said ₹1,60,000. SM Ltd. also paid ₹50,000 for transportation of goods from port of entry to Inland container. The actual cost of insurance is ₹1,00,000.

Compute the assessable value based on Rule 3 read with Rule 10 of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007, assuming amount attributable to post-importation activities is not payable as a condition of the sale of imported goods.

(5 marks)

: 4 :

- (d) Kotecha Coaching Centre, engaged in imparting coaching service, furnishes the under mentioned information and amounts received by it for the half-year ended 31st March 2013 :

	(₹)
Coaching fee for CA examination	5,00,000
Coaching fee for CS examination	2,00,000
Sports coaching fee from a local University	1,00,000
Fee for management diploma of a foreign university (not recognised by law in force in India)	8,00,000
Coaching and training provided by sending staff to the residence of service recipients	7,00,000

Compute the value of taxable service assigning reason for treatment of each amount.

(5 marks)

- (e) GB Co. furnishes the following information :
- Raw material purchased ₹10,00,000 plus VAT @ 4%
 - Manufacturing expenses (non-capital nature) ₹4,00,000.
 - Sales price ₹16,00,000 plus VAT @ 4%
 - Purchased plant and machinery of ₹5,00,000 *plus* VAT @ 4% which are eligible for full input tax credit in the year of acquisition itself.
- (i) Compute VAT liability under —
- (a) Gross Product Variant Method
 - (b) Consumption Variant Method.
- (ii) State which variant is beneficial to the dealer ?

(5 marks)

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

4. (a) Zen Engineering Ltd. manufactures various types of flexible packaging machines known as form, fill and seal machines. Machines are made to order as all the dimensions of packaging/sealing of pouches are provided by the customer. The machines are required to be tested by the engineers of the customers before dispatch of the machines. The company makes entry in daily stock account (RG-1) only after the completion of inspection and when the customer is satisfied. The contention of the Department is that the manufacture of machine is complete before testing of machine and its acceptance by the customer.

Examine with the help of decided case law, whether the contention of the department is justified.

(5 marks)

- (b) Joy Impex imported capital goods for setting-up a sugar plant. The capital goods were warehoused under bond and the warehousing period was to expire on 30th September, 2013. The proper officer of customs issued the demand notice under section 72 of the Customs Act, 1962 for removal of goods. Joy Impex filed the Bill of Entry on 25th March, 2014. The import duty on the capital goods was exempted fully by a Notification dated 17th February, 2014. Joy Impex claimed exemption from payment of duty contending that the relevant date for rate of duty as per section 15(1)(b) of the Customs Act, 1962 is the date of submission of green bill of entry.

Examine with the help of decided case law, whether the contention of the importer is justified.

(5 marks)

- (c) Surface Engineers manufacture and supply centralised lubrication system. They also undertake erection and commissioning at the site as a part of their business activity. Surface Engineers paid the central excise duty on whole value of centralised lubrication system including that for services of erection and commission. They did not pay the service tax separately on the value of services contending that there could not be levy of tax under two parliamentary legislations on the same transaction. The Department demanded service tax on the value of service and imposed penalty on Surface Engineers.

Examine with the help of case law whether the action of the Department is lawful.

(5 marks)

OR (Alternate question to Q.No. 4)

- 4A. (i) Discuss emergency power of Central Government to increase the rate of central excise duty.
(5 marks)
- (ii) Mention the categories of persons who can be searched by the proper officer of customs under section 100 of the Customs Act, 1962.
(5 marks)
- (iii) Mention the services excluded from the definition of 'service' under section 65B(44) of the Finance Act, 2012.
(5 marks)
5. (a) Distinguish between 'non-excisable goods' and 'nil' rated goods.
(3 marks)
- (b) Mention briefly Rule 5 of general rules for the interpretation of Schedule to the Central Excise Tariff Act, 1985.
(3 marks)
- (c) Discuss briefly the provisions for imposition of penalty on director of a company for offences committed by the company in relation to service tax.
(3 marks)
- (d) Distinguish between 'transit' and 'transshipment' of goods under the Customs Act, 1962.
(3 marks)
- (e) Bring out the distinction between 'rules' and 'regulations' under the Customs Act, 1962.
(3 marks)
6. (a) (i) Write a brief note on 'goods and service tax' (GST).
(2 marks)
- (ii) Mention the products which are proposed to be outside the purview of GST.
(3 marks)
- (b) (i) Write a note on 'registration under VAT'.
(2 marks)
- (ii) Mention briefly the different methods for computation of VAT.
(3 marks)

: 7 :

- (c) (i) Mention the basic rule of place of provision of services as per Rule 3 of the Place of Provision of Services Rules, 2012.

(2 marks)

- (ii) Dharam, a resident of Srinagar is planning to construct a house in New Delhi. He got the architectural drawings made from one renowned architect, Masood, who is a resident in Jammu. Examine whether service tax is liable to be paid in this case ?

(3 marks)

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