

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 8

**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 2016-17, unless stated otherwise.

## PART — A

(Answer ANY TWO questions from this part.)

1. (a) State with reasons in brief whether the following statements are correct or incorrect :
- A foreign company may be treated as domestic company under the Income-tax Act, 1961.
  - Tax avoidance is a device to take advantage of the loopholes in the law to reduce tax burden by honest means.
  - Special rates of income-tax are given in the relevant Finance Act.
  - An individual having gross total income of more than ₹20 lakh is liable to pay alternate minimum tax.
  - No refund can be granted under best judgment assessment under section 144.
- (2 marks each)
- (b) Write the most appropriate answer from the given options in respect of the following :
- The basic exemption limit for a limited liability partnership for the assessment year 2016-17 is —
    - ₹2,00,000
    - ₹2,50,000
    - ₹3,00,000
    - Nil.
  - Partial integrated taxation of non-agricultural income with agricultural income is not applicable to —
    - Hindu undivided family
    - Company
    - Individual
    - Artificial juridical person.

- (iii) Minimum amount of tax required to be paid by a company is @ —
- (a) 30%
  - (b) 24%
  - (c) 5%
  - (d) 18.5%.
- (iv) Advance tax is not required to be paid in the following case(s) —
- (a) If the income is computed under section 44AD
  - (b) If the amount of tax payable by the assessee is less than ₹10,000
  - (c) Both (a) and (b) above
  - (d) None of the above.
- (v) Rebate under section 87A is applicable to —
- (a) Company
  - (b) HUF
  - (c) Resident individual
  - (d) None of the above.

*(1 mark each)*

2. (a) Brisk Ltd. is a company whose 60% shares are held by Slow Ltd. Brisk Ltd. declared a dividend of ₹50 lakh to its shareholders for the financial year 2014-15 in its AGM held on 10<sup>th</sup> May, 2015. Dividend distribution tax was paid by Brisk Ltd. Subsequently, Slow Ltd. declared interim dividend amounting to ₹50 lakh in October, 2015. Compute the dividend distribution tax payable by Slow Ltd.

What would be your answer if 51% of shares of Slow Ltd. are held by an Indian company or by a foreign company ?

*(5 marks)*

- (b) Ramesh, aged 26 years, has received an offer of employment in Delhi and is offered two options of remuneration as under :

: 3 :

	<i>Offer-I</i> (₹)	<i>Offer-II</i> (₹)
Salary	2,88,000	3,60,000
Dearness allowance	2,10,000	2,10,000
Bonus	24,000	60,000
Rent free accommodation (Fair rent value)	2,16,000	—
House rent allowance (Rent payable ₹18,000 p.m.)	—	1,08,000
Total	7,38,000	7,38,000

Suggest which offer should be accepted by Ramesh to have maximum take home salary after tax.

(5 marks)

- (c) Income of previous year is taxable in the assessment year. Are there any exceptions ? Discuss.

(5 marks)

3. (a) Top Ltd. wants to raise ₹20,00,000 for a new project where rate of return is expected to be 40% before tax. The fund can be raised from the market at 18% per annum interest. The company has following three alternatives :

- (i) ₹20 Lakh to be raised by issue of share capital.  
(ii) ₹16 Lakh by issue of share capital and ₹4 lakh by raising loan.  
(iii) ₹4 Lakh by issue of share capital and ₹16 lakh by loan.

Assuming that the company will distribute entire profit as dividend to the shareholders and the rate of income-tax is 30.9% and dividend distribution tax is 20.358%, which one of the above options is preferable to the company ?

(5 marks)

- (b) Who is a non-resident individual under section 6 ? Discuss the incidence of tax on non-residents.

(5 marks)

- (c) Discuss the cases when distribution by a company is not treated as deemed dividend under section 2(22).

(5 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 :
- (i) The power to levy excise duty by the Union Government has been conferred by the Constitution of India under —
    - (a) Article 245
    - (b) Article 246
    - (c) Article 247
    - (d) None of the above.
  - (ii) If imported goods are exported as such without putting into use, the maximum rate of duty drawback is —
    - (a) 100%
    - (b) 80%
    - (c) 90%
    - (d) 98%.
  - (iii) If an SSI unit does not avail CENVAT credit on input, turnover up to which limit is fully exempted —
    - (a) ₹400 Lakh
    - (b) ₹100 Lakh
    - (c) ₹200 Lakh
    - (d) ₹150 Lakh.
  - (iv) If the customs duty was paid under protest, time-limit for filing refund claim will be —
    - (a) One year
    - (b) Six months
    - (c) No time limit applicable
    - (d) One month.
  - (v) In case of captive consumption, valuation of excisable goods will be done as per —
    - (a) CAS-3
    - (b) CAS-4
    - (c) CAS-5
    - (d) CAS-1.

*(1 mark each)*

: 5 :

(b) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :

- (i) The fifteen digit registration number under the Central Excise Act, 1944 is called \_\_\_\_\_.
- (ii) Maximum amount of penalty imposable is ₹ \_\_\_\_\_ under Rule 27 of the Central Excise Rules, 2002.
- (iii) Transaction value under central excise \_\_\_\_\_ include amount of excise duty, sales tax.
- (iv) Person arriving from abroad and carrying dutiable goods should pass through \_\_\_\_\_ channel and submit declaration.
- (v) If duty drawback is not paid within \_\_\_\_\_ of filing of claim in the prescribed manner, interest is payable by the department.

*(1 mark each)*

- (c) (i) Write a note on 'exemption from registration' under the Central Excise Act, 1944.  
(ii) Distinguish between 'tariff value' and 'MRP based value'.

*(4 marks each)*

(d) Mention the circumstances under which the application for 'advance ruling' shall not be allowed.

*(2 marks)*

5. (a) Polymer Products Ltd. manufactures polyester chips and polyester filament yarn. They removed their goods as 'deemed exports' to advance licence holders at a lower price since those buyers agreed to surrender said licences. As a consequence of surrender of advance licence by the buyers, Polymer Products Ltd. would get duty drawback. The Department considers this availment of duty drawback as additional consideration. Examine with the help of decided case law, whether the contention of the Department is correct.

*(5 marks)*

- (b) Examine with the help of decided case law, whether duty paid on printing jumbo rolls of GI paper meant for wrapping goods as per design and specification of customers with logo and name of product in colourful form amounts to 'manufacture' under section 2(f) of the Central Excise Act, 1944.

*(5 marks)*

- (c) Devesh is a shopkeeper selling various products including the goods smuggled from Dubai by some persons. The customs officers, however, seized no smuggled goods from his shop. In adjudication proceedings, the Commissioner had held that the goods dealt with by him were liable for confiscation and imposed penalty on Devesh. He, however, dropped the demand of duty on the ground that there was no evidence that Devesh had actually imported the goods. The Department reviewed the order and filed an appeal contending that duty is demandable from Devesh, being the owner of the goods.

Discuss with the help of case law, whether the contention of the Department in appeal is justified.

(5 marks)

6. (a) Sumit, a manufacturer, supplied the following information :

Cost of the machine ( <i>exclusive of duties and taxes</i> )	₹4,50,000
Transport charges of the machine ( <i>actual transport cost ₹22,500</i> )	₹25,000
Central sales tax	2%
<i>Octroi</i> not separately recovered from the buyer	₹2,000
Interest charged for delayed payments beyond 30 days	₹7,500

Calculate the assessable value and excise duty payable considering the excise duty rate as 12.5% *ad valorem*.

(5 marks)

- (b) A passenger of Indian origin brought some goods from abroad with him the value of which is exceeding the duty free allowance. These goods are specified in customs tariff as duty free goods. The customs officer is demanding duty from that passenger. Whether he can do so as per the law ? Give reasons.

(5 marks)

- (c) A person imported some goods for subsequent sale in India who is unable to determine the value of goods. The customs officer determines the value of goods to be ₹5,09,500. The value is inclusive of air freight @ 25%, insurance @ 1.125% and landing charges @ 1% of CIF. You are required to calculate assessable value of the goods.

(5 marks)

: 7 :

7. (a) (i) Explain the provisions of CENVAT credit on capital goods under rule 4(2) of CENVAT Credit Rules, 2004.  
(3 marks)
- (ii) Central excise duty amounting to ₹200 crore has been demanded from Anuj by the Principal Commissioner under adjudication order dated 20<sup>th</sup> January, 2016. Mention the amount of duty Anuj has to deposit under section 35F of the Central Excise Act, 1944 for filing the appeal before the Customs, Excise and Service Tax Appellate Tribunal.  
(2 marks)
- (b) Answer, with reasons, whether the Settlement Commission can entertain an application for settlement in the following cases :
- (i) Seizure of gold from a passenger coming from USA.  
(2 marks)
- (ii) Disputes relating to classification of goods under the first schedule to the Customs Tariff Act, 1975.  
(2 marks)
- (iii) The additional amount of customs duty accepted by the applicant is ₹3 lakh.  
(1 mark)
- (c) What are the relevant dates for filing an application for refund of central excise duty under section 11B of the Central Excise Act, 1944 in the following cases :
- (i) Goods exempted from payment of duty by a special order issued under section 5A(2) of the Central Excise Act, 1944.  
(3 marks)
- (ii) Goods assessed provisionally under rule 7 of Central Excise Rules, 2002.  
(2 marks)

**PART — C**

8. Attempt *any four* of the following :
- (a) Rewrite the following sentences after filling in the blank spaces with appropriate word(s)/figure(s) :
- (i) Dividend paid by an Indian company outside India is \_\_\_\_\_ in the case of a non-resident.

- (ii) A country where there is no tax on income or taxed at a very low rate is generally known as \_\_\_\_\_.
- (iii) CUP method of transfer pricing stands for \_\_\_\_\_.
- (iv) A transaction through which an Indian or an Indian entity earns income outside India is termed as \_\_\_\_\_ transaction.
- (v) The deemed profit and gains of a non-resident engaged in shipping business is taken as \_\_\_\_\_ % of amount received or deemed to be received in India.

(1 mark each)

- (b) Naresh, aged 61 years, is an ordinarily resident in India in the previous year 2015-16. He was invited to deliver lecture outside India and earned ₹1,50,000. The tax payable in the foreign country was at the rate of 30%. His taxable income in India from all sources is ₹3,10,000. He has deposited ₹60,000 in public provident fund account during the previous year. Calculate the tax liability of Naresh in India.

(5 marks)

- (c) Is transfer pricing applicable to domestic transactions also ? Discuss the relevant provisions.

(5 marks)

- (d) Tony Ltd. is an associated enterprise of Toha Japan. Tony Ltd. imports 170 air conditioners from Toha Japan for ₹14,000 per unit which were sold to Park Hotel for ₹17,000 per unit. Tony Ltd. also purchased identical products from Good India Ltd. which were sold to Fair Hotel at a profit of 15% on sales. The other expenses of Tony Ltd. are as follows :

	<i>Per unit (₹)</i>
Freight incurred in case of import	500
Customs duty	1,200
Freight cost in case of purchase from Good India Ltd.	300

Calculate the arm's length price. Does it have any impact on the income of Tony Ltd. ?

(5 marks)

- (e) What is 'advance pricing agreement' (APA) ? Who is eligible for APA ?

(5 marks)