

Paper 16 – Tax Management and Practice

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Full Marks: 100

Time allowed: 3 hours

Answer Question No. 1 which is compulsory and any five from the rest

1.(a) Fill in the blanks:

[5×1=5]

- (i) Authorisation for Export Promotion Capital Goods (EPCG) Scheme is valid for _____ months from the date of issue of Authorization.
- (ii) The application for compulsory registration should be submitted by a dealer within _____ days of making an inter-state sale.
- (iii) Goods cleared from DTA to SEZ _____ (is/ is not) liable to export duty.
- (iv) As per section 245Q(3), an application can be withdrawn by the applicant within _____ days from the date of filling of a valid application complete in all respects according to the Act and Rules in the office of the Authority.
- (v) An appeal once filled cannot be _____.

(b) Choose the most appropriate alternative:

[5×1=5]

- (i) Which of the following agriculture services or agricultural produce is excluded from the negative list of services?
 - (A) Cultivation, harvesting, seed testing
 - (B) Renting of agro machinery
 - (C) Cultivation of ornamental flowers
 - (D) Grinding, sterilizing extraction of packaging in retail packs of agricultural products.
- (ii) If goods are pilfered after the order of clearance is made but before the goods are actually cleared, what will be the consequence?
 - (A) No duty is payable by the importer
 - (B) Importer has to pay duty and no refund can be claimed
 - (C) Importer has to pay duty but refund can be claimed
 - (D) None of the above.
- (iii) Mr. A purchases the goods from a manufacturer for ₹ 1,000 plus VAT @4%. If he, sell the same by adding ₹ 200 profit, his net VAT payable will be:
 - (A) 48
 - (B) 8
 - (C) 40
 - (D) None of the above.
- (iv) Failure to keep and maintain any information and document shall attract a penalty under section 271AA which shall be a sum equal to _____ of the value of each specified transaction entered into by the person.
 - (A) 2%
 - (B) 3%
 - (C) 5%
 - (D) 10%
- (v) Deduction available under section 80GG towards rent paid shall not exceeds ₹ _____ per month.
 - (A) ₹ 2,000
 - (B) ₹ 5,000
 - (C) ₹ 7,500
 - (D) ₹ 10,000.

(c) State true or false with reasons:

[5×2=10]

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- (i) M/s. DLF Ltd., sponsored ₹ 20 lakhs in respect of a Tournament organized by Board of Council for Cricket in India (BCCI). BCCI is liable to pay service tax.
- (ii) Funeral, burial, crematorium or mortuary services including transportation of the deceased are included in the negative list.
- (iii) In case of Advance Authorisation, 20% value addition is required.
- (iv) Every application for stay of demand should be accompanied by fees of ₹ 1,000.
- (v) Where an offence under this Act has been committed by a Hindu undivided family, the karta thereof shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

2. The Statement of Profit & Loss of Ram Limited, a domestic company for the year ended 31st March, 2017 discloses a net profit of ₹ 120 lacs after debiting/crediting the following items:

- (i) Provision for doubtful debts ₹ 2.40 lacs
- (ii) Provision for income tax ₹ 18 lacs
- (iii) Provision for deferred tax ₹ 9 lacs
- (iv) Depreciation ₹ 15 lacs (including depreciation on revaluation of assets ₹ 3 lacs.)
- (v) Provision from export in unit set up in Special Economic Zone ₹ 22 lacs (eligible for deduction under section 10AA)
- (vi) Provision for loss of subsidiary company ₹ 20 lacs
- (vii) Profit on sale of land held as capital asset for 10 years ₹ 10 lacs

The Company has informed you that the entire capital gain on sale of land was invested in bonds of Rural Electrification Corporation Limited within six months from the date of sale. Details of brought forward losses and unabsorbed depreciation as per books of the company:

Previous Year	Brought forward loss (₹ in lacs)	Unabsorbed depreciation (₹ in lacs)
2010-11	-	4
2011-12	2	3
2012-13	8	2

Compute "book profit" under section 115JB of the Income-tax Act, 1961 for the Assessment Year 2017 – 18. **[16]**

3.(a) Shree Ram Charitable Trust registered under section 12AA of the Income-tax Act, 1961 runs a school. During the year ended 31st March, 2014, it sold one building for a sum of ₹ 50 lacs. The building was acquired by the trust at ₹ 10 lacs in the year 2009- 10.

The trust utilized ₹ 41 lacs out of sale consideration in construction of an additional school building.

Advise the trust on the taxable capital gain.

Cost inflation indices are:

FY 2009 – 10 :632

FY 2013 – 14 :939

[8]

(b) Rajat, who is an practicing CMA in Delhi, furnishes the following particulars for the previous year 2016-17

Particulars	Amount (₹)
Income from profession	2,12,000
Short term capital gain on sale of gold	18,000
Long term capital gain on sale of gold	6,000
Interest on Government Securities	11,000
Payment of interest on loan taken from a bank for higher studies of	10,000

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his daughter	
Payment made by credit card for Mediclaim policy on his own health and the health of his wife	4,000
Rent paid for a house in Delhi	42,000
Determine his total income for the assessment year 2017-18.	

[8]

- 4.(a)(i)** State the procedures to be adopted to import second hand goods under FTP. **[4]**
- (ii)** "Duty credit scrip can be used for importing inputs and capital goods which are freely transferable." — State the uses of duty credit scrip under FTP. **[4]**
- (b)** Does the Income Tax Appellate Tribunal have the following powers?
- (i) Power to allow the assessee to urge any ground of appeal which was not raised by him before the commissioner (Appeals). **[8]**
- (ii) Power to recall its own order. **[8]**

- 5.(a)(i)** Briefly examine whether the following activities are liable to service tax as per the provisions of Finance Act, 1994.

(A) Mr. Ravi, a singer performs in a bus where passengers drop some coins in his bowl kept, either after feeling rejoiced or out of compassion.

(B) Mr. Rajesh during long drive with his wife Manju violated traffic rules and was imposed fine of ₹ 1,000.

Also, examine would your answer be different in (i) if Mr. Ravi is called upon Mumbai to perform in an award show for ₹ 50,000. **[6]**

- (ii)** Services of a NGO registered under sec. 12AA of the Income Tax Act, 1961 working for the rehabilitation of disabled. The aggregate value of taxable services is ₹ 20 Lakh. Determine its taxability. **[2]**

- (b)** JE Ltd., manufactures two products L and M, L being a product specified under section 4A of the Central Excise Act, 1944. The sale prices of L and M are ₹ 60 and ₹ 40.80 per unit, respectively. The selling price of product M includes 12.5% basic excise duty, also 2% CST. For product L, 30% abatement is allowable under section 4A. 10,000 units of each product were removed from the factory to sales depots. Common inputs were used to manufacture product L and M. Total excise duty was paid on these inputs for ₹ 10,300. You are required to compute the excise duty liability. Product L is exempted from excise duty. JE Ltd. opted to pay an amount on exempted final product. **[8]**

- 6.(a)** X Ltd. imported 500 units of minerals from High Seas for sale in India. Selling price exclusive of duties and taxes. Freight from port to depot in India is ₹ 10,150 and Insurance ₹ 1,250.

Sale quantity	Unit price
400 units	100
300 units	90
150 units	100
500 units	95
250 units	105
350 units	90
50 units	100

Basic Customs Duty 12% and education cess as applicable. Calculate total customs duty as per Rule 7 of Customs Valuation (Determination of Value of Imported Goods) Rules, 2007. Assume there are no CVD and Spl. CVD applicable for the product. **[5]**

- (b)(i)** Mr. Sharvil reported under mentioned data for the financial year 2016-17:

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	Amount ₹
(i) Total interstate sales during the F.Y. 2016-17 [Inclusive of C.S.T]	1,01,55,800
(ii) Above sales include excise duty	13,60,000
(iii) Incentive on sales received from manufacturer	2,30,000
(iv) Deposit for returnable containers and packages	8,00,000
(v) Good worth ₹ 87,550 (inclusive of tax) made vide Invoice No. 101/ACA, dated 29.9.2016 were returned on 31.3.2017.	

Determine the turnover and CST payable assuming the rate of tax at 2%. **[8]**

- (ii)** Mr. H is the owner of a restaurant selling food. He opted to pay the VAT by way of composition of tax. For January 2017, his total sales were ₹ 100,000. He also purchased the input material after payment of VAT of ₹ 1,000. Calculate the net VAT liability of Mr. H. **[3]**

- 7.(a)(i)** National Instruments Systems imported various products from its Holding Company and supplies the same to its customers in India. The imported products are PXI Controllers, Input/output Modules, Signal Converters, chassis and its parts. Assessee claims that these products were computer based instrumentation products. Accordingly N.I. Systems filed 64 bills of entries, under Customs Tariff Headings 8471, 8473 and other headings falling under Chapter 84.

However, on verification of the technical data (including the catalogue and the webcast of the importer), Department observed that the subject goods were not structurally designed to function as a computer. PXI Controllers, I.O. Modules and Chassis are parts and accessories of a system/instrument which are suitable for use solely or mainly with a number of machines, instruments, apparatus of the same Heading, i.e., 9032 like sensors, thermostats etc.

Discuss in the light of decided case law, if any, whether the view of the department is correct in law? **[6]**

- (ii)** An assessee claims that CENVAT credit can be availed on machineries purchased for being used in setting up a sugar plant in foreign country. But Department claims that the bought-out machinery was not eligible capital goods as the same had not been used by the assessee in its factory premises. **[5]**

- (b)** The assessee's firm was engaged in the activity of developing of exposed negatives, film processing, and printing of photographs. According to the assessee, the services rendered by a colour photo laboratory did not fall within the mischief of "photography" and/or "photography studio or agency". Hence, they were not liable to pay the service tax. However, Department contended the views of assessee's and demanded the service tax under the category of photography and/or photography studio or agency services. **[5]**

- 8.(a)** Where any reference is made by the Assessing Officer to the Transfer Pricing Officer (TPO) under section 92 CA of the Income-tax Act, what are the procedures to be followed by the TPO ? Can TPO exercise his jurisdiction on any international transaction not referred to him but subsequently noticed by him in course of proceeding before him? **[8]**

- (b)** BB India Limited produces steel furniture which is supplied to its holding company BB Inc. USA. BB India Limited raises invoice for US \$ 3,000 per piece of furniture, while the direct and indirect costs of manufacturing work out to US \$ 2,250 per piece. BB India Limited does not supply its products to any other party either in India or abroad. The data base in public domain shows that the still furniture industry in India of comparable companies has export turnover of US \$ 3,000 million and the industry average of total

expenses of comparable companies is 80%. Determine whether the transaction entered into by BB India Limited is at arm's length. **[8]**