Paper 16 – Tax Management and Practice

Whenever required, the candidate may make suitable assumptions and state them clearly on the answers.

Working notes should form part of the relevant answer.

Answer all the questions.

1. Answer any three Question [3x5=15]

Answer the following with the help of decided case law:

(a) Will the two units of a single legal entity surrounded by a common boundary wall be considered as one factory for the purpose of availing CENVAT credit, if they have separate central excise registrations? [5]

Solution:

Sinter Industries Ltd. v. CCEx. [2013] 287 ELT 261 (Guj.)

Facts:

Sintex Industries Ltd., a company registered under the Companies Act, 1956 has two units - a textile division and a plastic division located on a common ground surrounded by a common boundary wall and adjoining each other. Though a part of the single legal entity i.e. Sintex Industries Ltd. having a common PAN under the Income-tax Act, 1961, but the 2 units have been separately registered under the Central Excise Act, 1944. Sintex Industries Ltd. installed DG sets/electricity generation plant in textile division and was using furnace oil as fuel in the generation of electricity. The textile unit availed CENVAT credit on furnace oil used as fuel for the generation of electricity, which was used for captive consumption in their own factory. However, in case of lower utilisation of electricity or when required by the plastic unit, part of the electricity generated was supplied to the plastic division. The Department issued a notice requiring the textile unit to reverse the credit taken on the furnace oil used in the generation of electricity to the extent the same was supplied to the plastic division.

Assessee's contention:

The assessee contends that as both the units were located in the same premises surrounded by a common boundary wall adjoining each other and are parts of a single legal entity, and no price was charged for the supply of electricity to the other unit, it could not be treated as supplied to a different entity but must be treated as consumed within its own factory. Separate excise registrations did not make separate entities.

Decision:

The High Court rejecting the contention of assessee held that,-

Having obtained separate registration, the assessee was estopped from contending that the said division was a factory within factory simply because both of them were situated within the same boundary wall. Assessee was entitled to credit on eligible inputs utilised for the generation of electricity only to the extent the same was utilised in the unit registered for that purpose i.e the textile unit but not to the extent it was supplied to the plastic unit bearing separate registration.

(b) Whether the manufacture and sale of the specified goods that do not physically bear a brand name, from sale outlets, would disentitle the assessee from benefit of SSI exemption?

[5]

Solution:

***CCEx. v. Australian Foods India (P) Ltd. [2013] 287* ELT 385 (SC)**

Facts:

The assessee was engaged in the manufacture and sale of cookies from branded retail outlets of "Cookie Man", acquiring the brand name from M/s. Cookie Man Pvt. Ltd., Australia. No brand name was affixed or inscribed on the cookies, but they were sold in plastic pouches/ containers on which the brand name was affixed. Along with these, the assessee also sold cookies loosely with plain plates and tissue papers, from the counter of the same retail outlet. These loose cookies were not separately manufactured by retail outlets or received separately by the retail outlets. They were taken out of the sealed pouches or containers and displayed for sale separately. Excise duty was paid on the cookies sold in the said pouches/containers but no duty was paid on cookies sold loosely claiming the same as unbranded and therefore eligible for SSI exemption.

Assessee 's contention:

As the specified goods did not bear any brand name affixed or inscribed on it or the packaging in which these were sold also did not bear any brand name or logo, the said goods will be considered as unbranded goods and the prescribed SSI exemption cannot be denied.

Decision:

It is not necessary for goods to be stamped with a trade or a brand name to be considered as branded goods (under SSI exemption notification). In case of goods like liquids, soft drinks, bulk, dairy products etc., which cannot physically bear the brand name, a scrutiny of the surrounding circumstances is necessary to decide whether it is branded or unbranded. Factors like packaging/ wrapping, accessories, uniform of vendors, invoices, menu cards, hoardings/displays, boards of outlets are to be considered. Exclusive branded outlets from which the goods are sold, is often conclusive/crucial factor to hold goods as branded. In the given case, as the same cookies were sold unbranded from same counter, from outlet carrying the brand name (where no other products were sold), under same invoices as that of the branded cookies, they continued to be branded cookies. Hence, they were not entitled to SSI exemption. It is immaterial that the tissues and plates in which the cookies were served did not bear the brand name.

(c) Whether turpentine oil is manufactured with the aid of power and whether assessee will not be entitled the benefit of exemption? [5]

Solution:

CCEx. v. Gurukripa Resins Pvt. Ltd. [2011] 270 ELT 3 (SC)

Facts:

The assessee was engaged in the manufacture and clearance of "Rosin" and "Turpentine oil". The turpentine oil manufactured without the aid of power, was chargeable with Nil rate of duty, but Turpentine oil, in relation to which manufacture was carried on with the aid of power, was liable to excise duty @ 16%. The turpentine oil was manufactured from Rosin. Rosin was lifted to manufacturing platform which was subsequently heated to remove impurities and purified material was heated to make vapours of Turpentine oil which was condensed by using water and vapours of turpentine oil were converted into turpentine oil. The water which was used for condensation was lifted to 30 ft height with the aid of electric motor. The Department denied exemption treating that turpentine oil was manufactured with the aid of power and the same was liable to excise duty @ 16%.

Decision:

The Supreme Court held that lifting of water to overhead tank with the aid of electric motor is integrally connected with the manufacture of turpentine oil since without sprinkling of water on vapours, condensation is not possible and without condensation turpentine oil cannot be obtained. The Supreme Court observed that an activity or operation which is essential requirement and is integrally connected with further operation for production of ultimate goods, and the process without which manufacture of the final product is impossible, would be a process in relation to manufacture. Thus, in this case, water used for condensation is essential for carrying out manufacturing activity which is lifted with help of electric motors. Thus, the assessee used power in or in relation to manufacture of turpentine oil and hence, was not eligible for exemption.

(d) Whether the assessee manufactures blank CDs/DVDs as an intermediate product to be classifiable as excisable goods?
Whether the writ petition was maintainable for quashing of a show cause notice and also of an adjudication order when the alternative remedies by way of an appeal has not been exhausted. [5]

Solution:

Sidharth Optical Disc Pvt. Ltd v. UOI [2013] 288 ELT 17 (Del)

Facts:

The assessee, a manufacturer of pre-recorded audio CDs, VCDs, DVDs, claimed exemption from payment of central excise duty. The manufacturing process undertaken by the assessee is an integrated one, where the process of manufacture and transfer of data takes place simultaneously. The pre-recorded CDs are manufactured using the basic raw material polycarbonate. The stamping and the moulding takes place simultaneously, i.e in the process of moulding the polycarbonate, the data on the stamper is transferred on to the discs in the form of lands and pits and then the said discs are coated with aluminium layer etc. to form a final pre-recorded disc. The Revenue issued a show cause notice demanding duty/interest/penalty contending that during the manufacture of pre-recorded CDs etc.

blank CDs, VCDs etc are manufactured and thereafter the data is recorded, as data cannot be recorded on granules. The blank CDs/ VCDs/ DVDs so produced at the intermittent stage are liable to duty as they are a distinct commodity separately classifiable and dutiable under the Central Excise Tariff Act, 1985 and there is no exemption thereon. The Commissioner having confirmed the demand, the writ petition was filed by the assessee.

Assessee 's contention:

The manufacturing process is an integrated one and the manufacture and printing takes place simultaneously and no independent exigible product as blank CD emerged in the intermittent stage. To support its contention the assessee also produced the Expert's opinion for the same.

Decision:

It is evident from analysis of the manufacturing process that at no point of time there emerged blank CD's /DVD's as excisable goods. The stamping and moulding takes place simultaneously i.e while liquified polycarbonate solidifies, it is imprinted with data by the stamper. It is not the case where pressed discs after cooling were captively used for the data transfer. Thus, no manufacture takes place of blank CD's. Since first test of manufacture is not satisfied therefore second test of marketability cannot be satisfied as no product comes into existence. Therefore, blank CD's/DVD's/VCD's are not manufactured and are not excisable. The burden to prove the test of manufacture and marketability vests with the department. Considering the second question regarding maintainability of the writ petition, it was held that, 'Ordinarily' a writ petition under Article 266 cannot be entertained when adequate remedy by way of an appeal is available with the assessee. However, when situation warrants, the interference of High Court by exercise of powers under Article 266 is justified. Thus, when there is no disputed question of fact and SCN demanding duty is found to be misconceived, the writ petition to High Court can be entertained.

2. Answer any two Questions [2x5=10]

(a) List out the members of Approval Committee under Special Economic Zones Act, 2005.

[5]

Answer:

Every Approval Committee shall consist of—

(a) the Development Commissioner-Chairperson, ex officio;

(b) two officers of the Central Government to be nominated by that Government-Members, ex officio;

(c) two officers of the Central Government to be nominated by that Government to represent the Ministry or Department dealing with revenue-Members, ex officio;

(d) one officer of the Central Government to be nominated by that Government to represent the Ministry or Department dealing with Economic affairs (financial services)-Member, ex officio;

(e) two officers of the State Government concerned to be nominated by that State Government- Members, ex officio;

(f) a representative of the Developer concerned-Special invitee.

(b) M/s. XYZ Ltd., a manufacturer of various excisable goods, furnishes you with the following information for the year ended 31st March, 2014. From the under mentioned information, determine whether the company will be entitled SSI exemption under Notification No. 8/2003 dated 01-03-2003 during the financial year 2014-15:

(i) Clearances of finished excisable goods covered under Section 4A of Central Excise Act [Notified abatement 20% of RSP of goods ₹150 lakhs;

(ii) Value of clearances of inputs as such under Rule 3(5) of Cenvat Credit Rules, 2004 on which Cenvat Credit has been taken ₹25 lakhs;

(iii) Value of clearances of excisable goods bearing brand name of foreign company which is assigned in favour of XYZ Ltd. ₹86 lakhs;

(iv) Value of clearance as licensee of goods carrying the brand name of another person upon full payment of duty = ₹250 lakhs;

(v) Value of clearance of waste and scrap which were exempt from duty = ₹30 lakhs;

(vi) Value of clearances of plastic containers for packing of pickles produced by them under brand name of Nilons Pickles. Nilons pickles use these plastic containers ₹30 lakhs;

(vii) Clearances of other excisable goods ₹134 lakhs. [5]

Solution:

Computation of value of clearances in the financial year 2013-14 *(₹ in lakhs):*

(i) Clearances of finished excisable goods covered under Section 4A of Central Excise Act (₹150 lakhs - 20%)	120
(ii) Value of clearances of inputs as such under Rule 3(5) of Cenvat Credit Rules, 2004 on which Cenvat Credit has been taken. **[WN-1]**	-
(iii) Value of clearances of excisable goods bearing brand name of foreign company which is assigned in favour of ABC Ltd. **[WN-2]**	86
(iv) Value of clearance as licensee of goods carrying the brand name of another person upon full payment of duty **[WN-3]**	-
(v) Value of clearance of waste and scrap which were exempt from duty **[WN-4]**	30
(vi) Value of clearances of plastic containers packing of pickles produced by then under brand name of Nilons Pickles **[WN-5]**	30
(vii) Clearances of other excisable goods	134
Total value of clearances	**400**

Working Note:

(1) As per Circular No. 57/88, dated 27-10-1988 in case inputs on which Cenvat credit has been taken are removed as such, there value shall not be included in value of clearances of ₹400 lakhs. Since the same have not been manufactured by the assessee.

(2) In case if trade mark of foreign company is assigned in favour of assessee, then assessee becomes the owner of such trade mark and exemption in respect of clearances made under such brand name will be available, hence the same shall be included in determination of value of clearances of ₹400 lakhs.

(3) Since the said goods are manufactured in brand name of another person, hence the same are not eligible for exemption and the value of the same shall not be included in

determination of ₹400 lakhs.

(4) Clearances of waste and scrap shall be includible in value of clearance for determination of ₹400 lakhs even if the same are exempt from duty.

(5) Clearances of plastic containers bearing the brand name of others is included provided that such plastic containers are meant for use as packing materials by the person whose brand name such goods bear. Hence, clearances of plastic containers bearing the brand name of Nilons Pickles would be included.

Conclusion: Since the value of clearances for home consumption does not exceeds ₹400 lakhs in the financial year 2013-14, XYZ Ltd. is eligible to claim the benefit of exemption under Notification No. 8/2003 - G.E. dated 01.03.2003 in the financial year 2014-15.

(c) "A 100% Export-Oriented Undertaking (EOU) engaged in manufacture of excisable goods should pay excise duty in a special manner and general provisions do not apply to them." Discuss. [5]

Answer:

The aforesaid statement is correct. The relevant provisions are discussed as under -

(i) 100% EOU removing goods in Domestic Tariff Area (DTA) *i.e.* other parts of India: Proviso of Section 3(1) of Central Excise Act, 1944, provides that in case of any excisable goods which are, produced or manufactured by a 100% EOU and brought to any other place in India, the duties of excise which shall be levied and collected thereon, shall be an amount equal to the aggregate of the duties of customs, which would be leviable under the Customs Act, 1962, on like goods produced or manufactured outside India if imported into India.

(ii) Valuation of goods as per provisions of Customs Act, 1962: The value of such goods will be determined in accordance with the provisions of Customs Act, 1962 and Customs Tariff Act, 1975 if the duty to be levied is ad-valorem.

(iii) Highest rate to be levied : Where, in respect of any such like goods, any duty of customs is leviable at different rates, then, such duty shall be deemed to be leviable at the highest of those rates.

(iv) Exemption in respect of clearances made by 100% EOU to DTA *[Notification No. 23/2003-C.E., dated 31-3-2003]:* DTA clearances by 100% EOU are exempt from -

(a) 50% of the basic customs duties leviable thereon;

(b) additional duty of customs under section 3(5) of Customs Tariff Act, 1975.

Exemption from additional duty under section 3(5) is available only if the goods so removed are not exempt from payment of sales tax/VAT in India. Thus, if goods are leviable to VAT/sales tax in India, then such goods will be exempt from levy of additional duty of customs under section 3(5).

3. Answer all Questions

(a) A commodity is imported into India from a country covered by a notification issued by the Central Government under section 9A of the Customs Tariff Act, 1975.
Following particulars are made available:

CIF value of the consignment: US$25,000
Quantity imported: 500 kgs.
Exchange rate applicable : ₹60=US$1
Basic customs duty: 20%.
Education and secondary and higher education cess as applicable.

As per the notification, the anti-dumping duty will be equal to the difference between the cost of commodity calculated @ US$70 per kg. and the landed value of the commodity as imported.
Appraise the liability on account of normal duties, cess and the anti-dumping duty.
Assume that only 'Basic Customs Duty' (BCD) and education and secondary and higher education cess are payable. [5]

Solution*:*

The following points are to be taken note of -

(1) The question clearly states that only basic customs duty, EC and SHEC thereon and anti-dumping duty are leviable on the goods in question and no other duty viz. additional duty of customs u/s 3(1) or special additional duty of customs under section 3(5) is leviable.

(2) For the purposes of the notifications imposing anti-dumping duty, "landed value" means the assessable value as determined under the Customs Act, 1962 and includes all duties of customs except duties levied under sections 3, 8B, 9 and 9A of the said Customs Tariff Act, 1975.

(3) No EC and SHEC is imposable on anti-dumping duty.

Keeping in mind the aforesaid, the relevant computations are as under *(amounts in ₹)* -

CIF Value of the consignment (in Indian ₹) [US $ 25000 × 60]	15,00,000
Add: Landing Charges @ 1 %	15,000
Assessable Value	**15,15,000**
Add: Basic Customs Duty @ 20%	3,03,000
Add: EC and SHEC @ 3% on Basic Customs Duty	9,090
Landed Value/Cost of the goods [A]	**18,27,090**
Cost of commodity for the purposes of anti-dumping notification [500 Kg. x US$ 70 per Kg. x ₹60 per dollar] **[B]**	21,00,000
Anti dumping duty [B - A]	**2,72,910**

Or,

Discuss with reference to decided case laws as to how the 'value' shall be determined under section 14 of the Customs Act, 1962 in the following case - The goods are purchased on high seas.

Answer:

Valuation in case goods are purchased on high seas: Section 14(1) provides that the value of goods shall be the transaction value i.e. the price actually paid or payable for the goods when sold for export to India for delivery at the time and place of importation.
Purchase on high sea basis means that the imported goods are acquired by a buyer from the original importer while they in the high seas i.e., the purchase takes place before they reach India.
In case of imported goods purchased on high sea sales basis, the price, at which the goods are acquired by the buyer from the original importer, can be the price for the delivery of such goods at the time and place of importation and, therefore, such price would be taken to be the value of such goods. In case of more than one high sea sales, the last sale price i.e., the actual high-seas-sale-contract price paid by the last buyer would be taken as the value of such goods.

(c) Gopal Care Ltd. imported a lift from England at an invoice price of ₹17,50,000. The assessee had supplied raw material worth ₹7,50,000 to the supplier for the manufacture of said lift. Due to safety reasons, the lift was not taken to the jetty in the port but was unloaded at the outer anchorage. The charges incurred for such unloading to ₹25,000 and the cost incurred on transport of the lift from outer anchorage to the jetty was ₹50,000. The importer was also required to pay ship demurrage charges ₹10,000. The lift was imported at an actual cost of transport ₹45,000 and insurance charges ₹20,000.
Compute its assessable value. [5]

Solution:
The answer is as follows -

		Total
	₹	₹
FOB value being the invoice price		17,50,000
Add: Raw material supplied by assessee under Rule 10(1)(b)		7,50,000
FOB Value		25,00,000
Add: Transportation under Rule 10(2) **[WN-1]**		
Sea Freight	45,000	
Ship demurrage charges	10,000	
Lighterage	25,000	
Barge charges	50,000	1,30,000
Add: Actual cost of insurance		20,000
CIF Value		26,50,000
Add: Landing Charges @1% **[WN-2]**		26,500
Assessable Value		26,76,500

Working Notes:

(1) The cost of transport of the imported goods includes the ship demurrage charges on charted vessels, lighterage or barge charges.
(2) The landing charges @1% of CIF value relate to loading, unloading and handling charges at port.

(c) Determine the value of purchases eligible for input credit in the case given below -

Inputs purchased from a registered dealer (however, the dealer has opted for the composite scheme under the VAT)	**8,00,000**
Raw material purchased from unregistered dealer	**1,50,000**
Inputs used for being used in the execution of work contract	**80,000**
High seas purchase of inputs	**75,000**
Goods purchased for sale to other parts of India in course of inter-state trade or commerce	**10,00,000**

[5]

Solution:

The following are not qualified for input credit -	
Inputs purchased from a registered dealer (who has opted for the composite scheme under the VAT)	8,00,000
Raw material purchased from unregistered dealer	1,50,000
High seas purchase of inputs	75,000
The following are qualified for input credit -	
Inputs used for being used in the execution of work contract	80,000
Goods purchased for sale to other parts of India in course of inter-state trade or commerce	10,00,000

4. Answer any two Question [2x5=10]

(a) X provides computer maintenance service since 2002. During the quarter ending December 31, 2013, he provides computer maintenance service to A Ltd. X receives ₹15,00,000 from A Ltd. and ₹16,40,000 from holding company of A Ltd. A Ltd. is of the view that only ₹15,00,000 is chargeable to tax (service tax on ₹15,00,000 will be paid by A Ltd.). Find out service tax liability on this case on the assumption that any additional liability will be borne by X (and not by A Ltd. or its holding company). [5]

Solution:

Consideration received for an activity carried by a person from another person is chargeable to service tax. It is not necessary that the service provider should receive consideration from the recipient of service. Consideration can be paid by any other person on behalf of the recipient of service. Consequently, even ₹16,40,000 received from holding company of recipient of service is chargeable to tax. Service tax liability in this case will be calculated as follows -

	₹
Consideration paid by A Ltd.	15,00,000
Consideration paid by holding company [since service tax on this consideration is not additionally paid, value of taxable service out of this consideration will be ₹14,59,594 (i.e., ₹16,40,000 x 100 ÷ 112.36)]	14,59,594

Value of taxable service	29,59,594
Service tax @ 12.36%	3,65,806

(b) Discuss whether the following services are chargeable to service tax -

- **(i) Marketing service provided by Punjab Government to a business entity.**
- **(ii) Development of course contents for Delhi University against a charge.**
- **(iii) Service provided as agents for inland waterways.**
- **(iv) Sale of time for broadcasting on Radio Mirchi. [5]**

Solution:

i. Marketing service - Marketing service is a support service. It is provided by Government of Punjab to a business entity. It is not in negative list and chargeable to tax.

ii. Development of course contents - It is a service provided to an educational institute in respect of education which is not chargeable to service tax. Consequently, service tax is not applicable. It is given in Mega Exemption Notification.

iii. Services provided as agents for inland waterways - These services *are* not covered in the negative list. These are in the nature of services used for providing the negative list entry service of transport of goods on inland waterways and, consequently, covered by service tax.

iv. Broadcasting - Sale of space or time for advertisement to be broadcast on radio or TV, is not in the negative list and chargeable to tax.

(c) Discuss whether the following services are chargeable to service tax -

- **(i) Commission received for canvassing advertisement for publishing.**
- **(ii) Pre-school education provided by Star Play School. Star Play School is not recognized by any authority.**
- **(iii) Charges are collected by a developer for distribution of electricity within a residential complex.**
- **(iv) Publication of advertisement in Hindustan Times. [5]**

Solution:

i. *Canvassing advertisement* - It is not in the negative list and chargeable to tax.

ii. *Pre-school education* - It is in negative list under *Category 12*. It is not chargeable to tax. Even if school is not recognized, it is not chargeable to tax.

iii. *Collection by a developer for distribution of electricity* - Such service is not covered in the negative list and chargeable to service tax. The developer or the housing society would be covered under the negative list only if it is entrusted with such function by Central or a State Government or if it has a license under the Electricity Act, 2003 for distribution of electricity.

iv. Advertisement - Charges for publication of advertisement in a magazine/newspaper is covered in the negative list *(Category 7)*. It is not chargeable to tax.

Section B
Answer all the Questions

5. Answer any three Questions [3x5=15]

Answer the following with the help of decided case laws

(a) Whether for the purpose of Section 54EC of IT Act, 1961, the period of investment of six months should be reckoned after the date of transfer or from the end of the month in which transfer of capital asset took place? [5]

Solution:

Facts

Assessee in individual capacity has sold a flat situated at Lotus Co-operative Society, Usmanpura Ahmedabad for a consideration of ₹64 lacs. The appellant had computed the Capital Gain at ₹Nil and declared the same as per the Return of Income. A working of the Capital Gain was admittedly furnished along with the return of income. The basis for "Nil" capital gain was that the gain was stated to be at ₹56,65,767/- however the assessee had made the investment in NHAI bond of ₹45 lacs and claimed the deduction u/s. 54EC of IT Act. The assessee has also made an investment in "capital gain account scheme" of ₹12 lacs, not in controversy.

Contention of the Revenue

The AO has referred the provisions of Section 54EC of IT Act and thereafter discussed that a sale document was registered on 10th of June, 2008; hence, the assessee was required to purchase the NHAI bond within six months from the said date of registration, i.e., 10th June, 2008. However, the assessee had purchased the NHAI bond on 17th of December, 2008, alleged by the AO. A show cause was issued as to why the claim of exemption be not disallowed in respect of the investment made in NHAI bond in the light of the provisions of Section 54EC of IT Act being not invested within six months.

Contention of the Assessee

The assessee has informed that the sale consideration was deposited in a capital gain account out of which the investment was made in the specified asset, i.e., NHAI bond to claim the benefit of the provisions u/s.54EC of IT Act. The assessee has also explained to the AO that the last date of expiry of six months from the date of transfer of the Long Term Capital Asset was 10th of December, 2008 however the assessee had allegedly tendered a cheque on 8th December, 2008 vide an application no.157602 to the bank. According to assessee since the application for the purchase of those bonds was tendered in the bank on 8th December, 2008, which was within the period of six months from the date of the transfer of the Long Term Capital Asset, therefore, the assessee was eligible for the deduction u/s.54EC. According to the assessee the cheque was cleared on 17th of December, 2008.

Alternatively the assessee's contention was that up to the end of the month of December 2008 the said investment was eligible for the deduction. The AO was not convinced and held that the assessee was required to invest the capital gain in the specified asset within a period of six months from the date of the transfer and that requirement was not complied with by the assessee; hence, not eligible for the deduction u/s. 54EC of IT Act. Accordingly an addition of ₹45 lacs was made in the hands of the assessee.

ITAT Judgment and discussion

The subtle question is that whether the word "month" refers in this section a period of 30 days or it refers to the months only. Section 54EC, if we read again prescribes that an investment is required to be made within a period of six months. Whether the intention of the legislator was to compute six calendar months or to compute 180 days. To resolve this controversy, we are guided by a decision of Hon'ble Allahabad High Court pronounced in the case of Munnalal Shri Kishan Mainpuri, 167 ITR 415 where answering the dispute in respect of law of limitation the Hon'ble Court has clearly held that there is nothing in the context of section 256(2) to warrant the conclusion that the word 'month' in it refers to a period of 30 days, therefore, refers to six months in Section 256(2) is to six calendar months and not 180 days. Rather, in this cited decision an interesting observation of the court was that while comparing the precedents the contextual setting is to be examined and if entirely distinct and different then do not warrant to apply universally. Even in the case of Tamal Lahiri Vs. Kumar P. N. Tagore, 1978 AIR 18 11/1979 SCC (1) 75, it was opined while interpreting Section 533 of Bangalore Municipal Act, 1932 that the expression six months in the said section means six calendar months and not 180 days. A copy of the judgment is placed before us. The purpose of mentioning this plank of argument is that after scrutinizing few more Sections of The Act it is evident that on some occasion the Legislature had not used the terms "Month" but used the number of days to prescribe a specific period. For example in Section 254(2A) First Proviso it is prescribed that the Tribunal may pass an order granting stay but for a period not exceeding one hundred and eighty days. This is an important distinction made in this statute while subscribing the limitation/ period. This distinction thus resolves the present controversy by itself.

So the logical conclusion is that in the absence of any definition of the word ' month' in The Act, the definition of General Clauses Act 1897 shall be applicable and by doing so there is no attempt on our part to interpret the language of Sec. 54EC , what to say a liberal or literal interpretation. We hereby hold that the Legislature has in its wisdom has chosen to use the word 'month'. This was done by keeping in mind the definition as prescribed in General Clauses Act 1857. Therefore we have also read the word 'month' within the recognized ways of interpretation. Rather we have also seen both; the conventional as well as lexicon meaning. Here there in no attempt to supply casus omissus but replicated as per the language used.

Investment had been made in the month of December, 2008. However the present case there is no dispute about the investment which had actually been made by the assessee. The said investment, alleged to be few days late from the date of transfer in the month of June, 2008. It is not the case of the Revenue that the appellant had altogether fudged the dates. Once the purpose of the introduction of the section was served by making the investment in the specified assets then that purpose has to be kept in mind while granting incentive.

We hereby hold that the investment in question qualifies for the deduction U/s 54EC. Resultantly assessee's grounds are hereby allowed. The question referred is answered in favour of the assessee.

(b) Did the Income Tax Appellate Tribunal (ITAT) fall into error in not holding that the loss of ₹4,92,71,000/- on account of derivative transaction was a speculative loss, and was entitled to the benefit of Section 73, in view of the Explanation to Section 73 of the Income Tax Act. [5]

Solution:

Facts

The brief facts are that the assessee claimed loss of ₹492.71 lakhs on account of purchase and sale of shares. The assessee argued that the loss in trading of derivatives was not a speculative loss in terms of Section 43(5) of the Income Tax Act and could not be disallowed as speculative loss under any provisions of the Income Tax Act. The Assessing Officer rejected that submission and held that Section 73 applied since it was independent of Section 43(5). Explanation to Section 73 can be applied even if there is delivery based sale purchase of shares and also in situations of trading of derivatives. It was held that the assessee was not engaged in any of the specifically excluded categories of business as to render Explanation to Section 73 inapplicable. The AO held that loss of ₹492.71 lakhs had to be treated as speculative loss and could not be allowed to be adjusted against business income. The CIT (Appeals) rejected the assessee's contentions. Therefore, a further appeal was preferred to the ITAT, which accepted the contention that Explanation to Section 73 applied, and granted the relief claimed. The revenue is in appeal against that part of the impugned order of the Tribunal.

Decision

It is no doubt, tempting to hold that since the expression "derivatives" is defined only in Section 43(5) and since it excludes such transactions from the odium of speculative transactions, and further that since that has not been excluded from Section 73, yet, the Court would be doing violence to Parliamentary intendment. This is because a definition enacted for only a restricted purpose or objective should not be applied to achieve other ends or purposes. Doing so would be contrary to the statute. Thus contextual application of a definition or term is stressed; wherever the context and setting of a provision indicates an intention that an expression defined in some other place in the enactment, cannot be applied, that intent prevails, regardless of whether standard exclusionary terms (such as "unless the context otherwise requires") are used.

The stated objective of Section 73- apparent from the tenor of its language is to deny speculative businesses the benefit of carry forward of losses. Explanation to Section 73 (4) has been enacted to clarify beyond any shadow of doubt that share business of certain types or classes of companies are deemed to be speculative. That in another part of the statute, which deals with computation of business income, derivatives are excluded from the definition of speculative transactions, only underlines that such exclusion is limited for the purpose of those provisions or sections. To borrow the Madras High Court's expression, "derivatives are assets, whose values are derived from values of underlying assets"; in the present case, by all accounts the derivatives are based on stocks and shares, which fall squarely within the explanation to Section 73 (4). Therefore, it is idle to contend that derivatives do not fall within that provision, when the underlying asset itself does not qualify forthe benefit, as they (derivatives – once removed from it and entirely dependent on stocks and shares, for determination of their value).

In the light of the above discussion, it is held that the Tribunal erred in law in holding that the assessee was entitled to carry forward its losses; the question framed is answered in favour of therevenue and against the assessee. The appeal is, therefore, allowed; there shall be no order as to costs.

(c) Whether consideration for transfer of sales tax incentive taxable as revenue receipt? [5]

Solution:

Sun-N-Sand Hotels Pvt. Ltd. Vs. The Dy CIT.

Issue:-

The assessee's contention is that the subsidy/benefit so received is a capital receipt not liable to tax whereas the revenue authorities have considered such sales tax benefits/subsidies as revenue receipt and have taxed accordingly.

Held:-

Assessee has sold its sales tax incentives and what it has received is not sales tax benefit/ incentive but sale consideration on transfer of its entitlement and sale consideration is nothing but is a benefit directly arising from business and, is therefore, a revenue receipt. The learned counsel has vehemently supported the assessee's claim by relying upon the Government Policy on Wind Power Generation and to substantiate its claim the assessee has also relied upon the Special Bench decision of the Tribunal in the case of Reliance Industries Ltd. 88 ITD 273. The assessee has also relied upon the decision of the Hon'ble Jammu & Kashmir High Court in the case of Shree Balaji Alloys 333 ITR 335; High Court of Punjab & Haryana 237 CTR 321; High Court of Karnataka 35 DTR 104; High Court of Bombay in the case of Chaphalkar Brothers 351 ITR 309 and High Court of Gujarat in the case of Inox Leisure Ltd. 351 ITR 314.

None of the aforementioned decisions is applicable to the facts of present case as in none of the above cases the assessees have sold their entitlement of sales tax subsidy. Whereas in the present case the assessee has sold it sales tax benefit therefore, it has no hesitation to hold that what the assessee has received is sales consideration for the transfer of its sales tax entitlement and by any stretch of imagination it cannot accept the said consideration as sales tax incentive being capital in nature. After considering the facts as stated hereinabove, what the assessee has received is taxable as revenue receipt.

(d) Whether addition made by AO of notional interest which was not in existence is correct? [5]

Solution:

CIT vs. M/s. Sahara India Mutual Benefit Co. Ltd. (Allahabad High Court)

In the instant case, M/s. Sahara India is the collecting agent not only of the assessee but also of various other companies. As per MoU, the assessee charges interest from M/s. Sahara India where delay in transmission of funds exceeds two months. From the record, it appears that the assessee has charged interest on the balance of ₹13,80,08,484/- and no interest was paid on the balance of ₹6,49,86,400/-, as the same did not exceed two months. When the parties have agreed not to charge the interest, as per the condition laid down in the MoU i.e. "if the remittance is within the less than two months", then the AO cannot compel to do so.

Needless to mention that yardstick will have to be applied from the businessman's point of view and certainly not according to the AO, as per the ratio laid down in the case of Voltamp Transformers (P) Ltd. vs. CIT, (1981) 129 ITR 105 (Guj); CIT vs. Walchand & Co., 65 ITR 381 (SC). It is only the assessee, who knows the commercial and business relations and the situation thereof and department is not supposed to interfere as per the ratio laid down in the case of Kewal Chand vs. CIT, 183 ITR 207, 211 (Cal).

In the case of Highways Construction Co. Pvt. Ltd. vs. Commissioner of Income-tax, [1993] 199 ITR 702 (supra), the Gauhati High Court observed that -

"…If the assessee had not bargained for interest, or had not collected interest, we fail to see how the income-tax authorities can fix a notional interest as due, or collected by the assessee. Our attention has not been invited to any provision of the Income-tax Act empowering the income-tax authorities to include in the income interest which was not due or not collected".

In the instant case, the addition was made by the AO on notional interest which was not in the existence. So, the first appellate authority as well as the Tribunal have rightly deleted.

In the light of above discussion and by considering the totality of the facts and circumstances of the case, there find no reason to interfere with impugned orders passed by the Tribunal. The same are hereby sustained along with reasons mentioned therein.

The answer to the substantial questions of law are in favour of the assessee and against the department.

6. ABC Ltd. is engaged in manufacture of chemical (since 1960) and paper (since 2009). The following data is noted from the balance sheet of ABC Ltd. as on March 31, 2013—

	(₹ in thousand)
Equity share *capital*	**60,00**
Preference share capital	***10,00***
General reserve	***40,00***
Revaluation reserve	***6,00***
Share premium Total	***8,00***
Total	**1,24,00**

	(₹ in thousand)		
	Chemical division	**Paper division**	**Total**
Land	**30,00**	**20,00**	**50,00**
Plant and machinery	**16,00**	**36,00**	**52,00**
Stock	**5,00**	**9,00**	**14,00**
Debtors and other current assets	**4,00**	**11,00**	**15,00**
Less : Creditors	**4,00**	**3,00**	**7,00**
Total	**51,00**	**73,00**	**1,24,00**

Revaluation reserve was created by making upward revision of land belonging to chemical division (₹1 lakh) and paper divisions (₹5 lakh). The company wants to transfer paper division on April 1, 2013 by way of slump sale for a total consideration of ₹108 lakh (transfer expenses being ₹38,000). By taking into consideration the following additional information, find out the amount of capital gains and other tax consequences.

1. Transfer agreement does not specify value of individual assets/liabilities. However, the value of land of paper division for the purpose of stamp duty is ₹46 lakh. The same amount is adopted by the stamp valuation authority of the MP Government.

2. The rate of depreciation on plant and machinery owned by ABC Ltd. is 15 per cent. The depreciated value of the block (consisting of chemical division and paper division) on April

1,2013 is ₹70 lakh for income-tax purpose. Apart from transferring plant and machinery of paper division, the company purchases an old Plant P for ₹1 lakh and sells Plant Q for ₹20 lakh (situation 1) or ₹50 lakh (situation 2) in September 2013. Plant P and Q belong to chemical division.

Plant and machinery (old) of the paper division was purchased in May 2009 for ₹95 lakh. The division started commercial production in June 2009. However, one of the plant (cost ₹10 lakh) was put to use in March 2010. No other asset for paper division is purchased/ sold between May 2009 and March 2013. [10]

Solution:

ABC Ltd. transfers paper division for a lump sum consideration. Transfer satisfies all conditions of section 2(42C). Paper division was set up in 2009 and it is transferred on April 1, 2013. The capital gain (or loss) will be long-term. The sale consideration is ₹108 lakh. The cost of acquisition is net worth of paper division which will be determined as follows—

Computation of written down value for the purpose of computing depreciation

	Situation 1 ₹	***Situation 2*** ₹
Depreciated value of the block of assets of chemical and paper divisions on April 1, 2013	70,00,000	70,00,000
Add : Cost of Plant P	(+)1,00,000	(+)1,00,000
Less : Sale proceeds of Plant Q	(-)20,00,000	(-)50,00,000
Balance (a)	51,00,000	21,00,000
Less : Depreciated value of assets of paper division, it cannot exceed (a) **[see Note]**	(-)50,05,119	(-)21,00,000
Written down value	94,881	Nil
Less : Depreciation available to X Ltd. for the previous year 2013-14	14,232	Nil

Note - Computation *of depreciated value of assets of paper division (as if paper division only paper division)* is owned by ABC *Ltd.*—

Depreciated value on April 1, 2009	Nil
Add : Cost of assets acquired and put to use during 2009-10	95,00,000
Written down value on March 31, 2010	95,00,000
Less : Depreciation for 2009-10 (15% of ₹85 lakh + 7.5% of ₹10 lakh)	13,50,000
Depreciated value on April 1, 2010	81,50,000
Less : Depreciation for 2010-11	12,22,500
Depreciated value on April 1, 2011	69,27,500
Less : Depreciation for 2011-12	10,39,125
Depreciated value on April 1, 2012	58,88,375
Less : Depreciation for 2012 -13	8,83,256
Depreciated value on April 1, 2013	50,05,119

Computation of *net worth of paper division*

	Situation 1 ₹	*Situation 2* ₹
Land (excluding ₹5 lakh which was added by revaluation)	15,00,000	15,00,000
Plant and machinery (i.e., amount considered while computing written down value)	50,05,119	21,00,000
Stock	9,00,000	9,00,000
Debtors and other current assets	11,00,000	11,00,000
Total	85,05,119	56,00,000
Less : Creditors	3,00,000	3,00,000
Net worth	82,05,119	53,00,000

	Situation 1 ₹	*Situation 2* ₹
Computation of capital gain on transfer of paper division		
Sale consideration	1,08,00,000	1,08,00,000
Less: Cost of acquisition (being net worth, indexation benefits is not available)	82,05,119	53,00,000
Expenses on transfer	38,000	38,000
Long-term capital gain	25,56,881	54,62,000

7. Answer any two Questions [2x5=10]

(a) X, Y and Z are members of X (HUF). They are also partners of XYZ & Co., a partnership firm. X (HUF) deposits ₹ 90,000 in XYZ & Co. (interest rate being 20 per cent). On April 1, 2013 there is a partial partition of X(HUF) and after partial partition, the deposit of ₹90,000 with the firm is divided between the three members- X, Y and Z equally. In other words, from April 1, 2013, deposit of ₹90,000 is transferred in the individual names of X, Y and Z and the firm pays interest on the deposit to the individual partners. Discuss whether interest on deposit is covered by section 40(b) and interest will be partly disallowed. [5]

Solution:

A reading of section 171(9) clearly shows that a partial partition effected in a HUF after December 31, 1978 is held to be null and void and clause (b) of sub-section (9) of section 171 provides that the joint family shall continue to be assessed under the Act as if no partial partition has taken place.

It is not possible to accept the submission that when the partial partition had been declared null and void, it should be limited only for the purpose of assessment of the joint family and it would not extend to other purposes like claiming deduction or grant of exemption which is available under other provisions of the Act. Once the partial partition is declared to be null and void, it is null and void for the purposes of the Act and the interest paid by the firm, though to the erstwhile members of the joint family, should be treated as if the interest is paid to the joint family.

Therefore, the interest payments made by the firm, would be treated as if the firm had made the interest payments to the joint family and such payments are not hit by section 40(b) – CIT v. B.S. Sundaravadivel Mudaliar & Cons [2003] 128 Taxman 74 (Mad.).

(b) For the assessment year 2009-10, assessment of X Ltd. is completed under section 143(1) [income assessed: ₹ 4,47,000]. On March 28, 2014, the Assessing Officer issues a notice under section 148 to X Ltd. that an income of ₹ 45,760 has escaped assessment. The said notice is received by X Ltd. on April 3, 2014. Is the notice valid? [5]

Solution:

In this case notice can be issued up to March 31, 2014. A clear distinction has been made out between "issue of notice" and "service of notice" under the Act. Section 149 prescribes the period of limitation. It categorically prescribes that no notice under section 148 shall be issued after the prescribed limitation has lapsed. Section 148(1) provides for service of notice as a condition precedent to making the order of reassessment. Once a notice is issued within the period of limitation, jurisdiction becomes vested in the Assessing Officer to proceed to reassess. The mandate of section 148(1) is that reassessment shall not be made until there has been service. The requirement of issue of notice is satisfied when a notice is actually issued. In this case, admittedly, the notice is issued within the prescribed period of limitation as March 31, 2014 is the last day of that period. Service under the Act is not a condition precedent to conferment of jurisdiction on the Assessing Officer to deal with the matter but it is a condition precedent to the making of the order of assessment. The Assessing Officer has issued notice within limitation — R.K. Upadhaya v. Shanabhai P. Patel [1987] 166 ITR 163 (SC).

(c) Company X which has an accumulated business loss of ₹10,00,000 and unabsorbed depreciation of ₹7,00,000 wants to reorganize its business by amalgamating with a rival company Y, which is engaged in the same line of production but with a smaller capital, but has an efficient management set up and more modern machinery. Company Y is agreeable to the amalgamation.

What are the alternative courses available to the companies for effecting the merger and how would you advise them as to the best course of action? [5]

Solution:

The alternatives for merger that are available to X and Y are: (i) merger of X into Y, whereby X goes out of existence; (ii) merger of Y into X, whereby Y goes out of existence; and (iii) merger of X and Y into a new company, whereby a new company, say Z, is formed and both X and Y go out of existence.

All the three mergers can take place under one of the following situations—

a. If the merger is not an "amalgamation" within the meaning of section 2(1B).

b. If the merger is an "amalgamation" within the meaning of section 2(1B), though it does not satisfy provisions of section 72A.

c. If the merger satisfies conditions of sections 2(1B) and 72A.

Under the aforesaid situations, the set off of accumulated business loss of ₹10,00,000 and unabsorbed depreciation of ₹7,00,000 is possible in the following cases :

	Whether set off of unabsorbed business loss/ depreciation allowance is possible?		
	Situation (a)	Situation (b)	Situation (c)
(i) Merger of X into Y (X goes out of existence after merger)	No	No	Yes
(ii) Merger of Y into X (Y goes out of existence)	Yes	Yes	Yes
(iii) Merger of X and Y into Z (X and Y go out of existence, Z is formed as a new company)	No	No	Yes

To conclude, it can be said that if the conditions of section 72A are satisfied, any of the three alternatives for mergers can be adopted, as in all the cases the loss can be set off by the amalgamated company. If, however, conditions of section 72A are not satisfied, alternative (ii) (i.e., merger of company Y into X) should be adopted, as in this case, company X would be able to carry forward and setoff of loss/depreciation even if the merger does not fulfill the requirement of section 2(1B). This kind of merger is also known as reverse merger.

8. Answer any one Question [1x5]

(a) X is aged 35 years. His father has settled a house property in trust giving whole life interest therein to X. The income from the property for the years 2010-11 to 2013-14 was ₹70,000, ₹81,000, ₹82,000 and ₹86,000 respectively. The expenses incurred each year were ₹3,000, ₹17,000, ₹500 and ₹18,000 respectively. Calculate the value of life interest of X in the property so settled on the valuation date March 31, 2014 on the assumption that the value of house as per Schedule III is (a) ₹15 lakh, or (b) ₹6 lakh. [Multiplier at the age of 35 is 10.804] [5]

Solution:

Situation (a) - X has a life interest in the property which has been settled by his father. The value of the life interest has to be determined under rule 17 of Schedule III to Wealth-tax Act. The multiplier at the age of 35 is given as 10.804. The value of life interest, therefore, comes to ₹8,51,895 (i.e., ₹78,850 x 10.804) (see Note). The value of life interest of X in the house will be taken as ₹8,51,895 (as it is less than ₹15,00,000)

Note: The average annual income from one property for the years 2011-12 to 2013-14 is determined as under:

Years	**2011-12** ₹	**2012-13** ₹	**2013-14** ₹	**Total** ₹	**Average** ₹
Income (i)	81,000	82,000	86,000	2,49,000	83,000
Expenses	17,000	500	18,000	35,500	11,833
Less : Expenses (₹11,833 or 5% of ₹83,000 whichever is less) (ii)					4,150
Average annual income [(i) - (ii)]					78,850

Situation (b) - The value of life interest is ₹8,51,895. However, value of the house in respect of which X has interest is ₹6,00,000. Therefore, value of life interest shall be taken as equal to ₹6,00,000 (it cannot be more than value of the house).

(b) X furnishes the following particulars for the compilation of his wealth-tax return for assessment year 2014-15:

Particulars	**₹**
1. Gifts of jewellery made to wife from time to time aggregating ₹60,000 market value on valuation date	**3,00,000**
2. Flat purchased under installment payment scheme in 1972 for ₹7,50,000, used for purposes of his residence and market value as on March 31, 2014 (installment remaining unpaid : ₹50,000)	**18,00,000**
3. Urban land transferred to minor handicapped child valued on March 31, 2014	**5,00,000**

Explain how you will deal with these items. Make suitable assumptions, if required. [5]

Solution:

Computation of net wealth of X

	₹
Jewellery held by wife	*3,00,000*
Flat: ₹ 7,50,000	
Less: Debt due ₹ 50,000	
Balance ₹ 7,00,000	--- *
*[*exempt under section 5(vi)]*	
Urban land held by minor child [not to be included as the minor child is handicapped]	---
Net wealth	**3,00,000**

9. Answer any two Questions [2x5=10]

(a) Who can be treated as an agent of a non-resident foreign collaborator for the purpose of proceedings and/or any other matters under the Income Tax Act? [5]

Answer:

Section 2(7) defines the term 'assessee' to include a representative assessee within its scope. The Assessing Officer is statutorily empowered to issue notice under section 163 to any person to deem him as the agent of the non-resident foreign collaborator.

Who may be regarded as agent [Section 163]: The term 'agent', in relation to a non-resident, includes any person in India:

(i) who is employed by or on behalf of the non-resident; or

(ii) who has any business connection with the non-resident within the meaning of Section 9(1)(i); or

(iii) from or though whom the non-resident is in receipt of any income, whether directly or indirectly; or

(iv) who is the trustee of the non-resident,

(v) and includes also any other person who, whether a resident or non-resident, has acquired by means of a transfer, a capital asset in India.

(vi) However, a broker in India who, in respect of any transaction, does not deal directly with or on behalf of a non-resident principal but deals with or through a non-resident broker shall not be deemed to be an agent under this section in respect of the income attributable to those transactions provided the following conditions are fulfilled:

(vii) the transactions are carried on in the ordinary course of business through the first mentioned broker; and

(viii) the non-resident is carrying on such transactions in the ordinary course of his business and not as a principal.

(b) Discuss the taxability of the following incomes in case of a foreign company, assuming that the Indian subsidiary has no authority to enter into or conclude contracts on behalf of the foreign company:

(i) Income derived from back office operations performed by its Indian subsidiary.

(ii) Income from providing stewardship services to its Indian subsidiary involving briefing of the staff of the Indian company to ensure that the output meets the requirements of foreign company. [5]

Answer:

The following case-law discusses the two issues -

(i) The Supreme Court has, in DIT (International Taxation) v. Morgan Stanley and Co. Inc. [2007] 292 ITR 416 (SC), held that back office operations and stewardship services are not taxable as these activities do not fall under the scope of "permanent establishment" of the Double Taxation Avoidance Agreement (DTAA).

Back Office operations performed by an Indian subsidiary company for its foreign holding company would not be considered as a permanent establishment in India, since the Indian subsidiary company has no authority to enter into or conclude contracts on behalf of the foreign company. Therefore, income arising from back office operations performed by an Indian company for the foreign company cannot be taxed in India in the hands of the foreign company.

(ii) Stewardship services involving briefing of the staff of the Indian Company was performed by the foreign company to ensure that the output meets the requirements of the foreign company. Through these activities, the foreign company was merely protecting its own interests in the competitive world by ensuring the quality and confidentiality of the services of the Indian Company.

Though as per Article 5(2)(1) of the DTAA, furnishing of services within the contracting state (India, in this case) by an enterprise through its employees or other personnel can constitute a permanent establishment, however, in this case, the stewards are not involved in the day to day management or in any specific services to be undertaken by the Indian subsidiary company. Accordingly, these activities do not fall under the definition of "permanent establishment' of the DTAA.

(c) Ravi, aged 66 years and ordinarily resident in India, is a professional. He has earned ₹4,00,000 from services provided outside India. His foreign income was taxed at 20% in that country where services were rendered. India does not have any tax treaty with that country. Assuming that Indian income of Ravi is ₹3,00,000, what relief of tax under section 91 of the Income-tax Act, 1961 will be allowed to him? Ravi has contributed ₹32,000 towards public provident fund. [5]

Solution:

Computation of total income, tax payable and relief under section 91 (amounts in ₹) -

Indian Income		3,00,000
Income from services provided outside India		4,00,000
Gross Total Income		7,00,000
Less: Deduction under section 80C (PPF ₹32,000)		32,000
Total Income		6,68,000
Income Tax on total income (age : 66 years; Basic Exemption: 2,50,000)		58,600
Add: Education Cess and SHEC @ 3%		1,758
Total Tax		60,358
Indian Rate of Tax (Average Rate of Tax) [Total Tax ÷ Total Income]	9.04%	
Foreign Rate of Tax (given)	20.00%	
Doubly Taxed Income	4,00,000	
Less: Relief under section 91 to the extent of the lower of —		
(i) Doubly taxed Income x Indian Rate of Tax	36,160	
(ii) Doubly Taxed Income x Foreign Rate of Tax	80,000	36,160
Tax payable (rounded off to nearest ₹10)		24,198