

FINAL EXAMINATION

December 2015

P-16(TMP)
Syllabus 2012

Tax Management and Practice

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

Wherever required, the candidate may make suitable assumptions and state them clearly in the answer.

Working notes should form part of the relevant answer.

All questions in Income Tax relate to the Assessment Year 2015-16, unless stated otherwise

SECTION A

Tax Management

Answer any five questions from this Section.

1. (a) The following is the balance sheet of VV Ltd. as on 31.03.2015, on which date the Fertilizer Division was transferred by way of slump sale for a consideration of ₹ 300 lakhs:

Liabilities	₹ in lakhs	Assets	₹ in lakhs
Paidup capital	1,000	Fixed Assets:	
Reserves	700	Cement Division	300
Liabilities:		Fertilizer Division	500
Cement Division	400	Steel Division	1,000
Fertilizer Division	500	Other Assets:	
Steel Division	600	Cement Division	200
		Fertilizer Division	400
		Steel Division	800
	3,200		3,200

Additional information:

- Fixed Assets of Fertilizer Division include land, which was acquired for ₹ 40 lakhs in 2007 and re-valued at ₹ 100 lakhs on 31.03.2015, just before slump sale.
- Other Fixed Assets of Fertilizer Division represent their Written Down Values as per books. The written down value under Section 43(6) of the Income Tax Act is ₹ 320 lakhs.
- Other Assets of Fertilizer Division reflected at ₹ 400 lakhs represent book value of non-depreciable assets.
- The Fertilizer Division is operational from 1st January, 2012.

Compute the Capital Gain chargeable to income tax on the slump sale of Fertilizer Division, for the Assessment Year 2015-16. Also suggest a possible reinvestment for availing exemption from the resultant Capital Gains.

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Please Turn Over

(b) Fig Ltd. is engaged in manufacture of both excisable and non-excisable goods in its factory from 01.11.2014 which was occupied by it as tenant. The following particulars are pertaining to the period from November 1, 2014 to March 31, 2015:

Sl. No.	Particulars	₹ in lakhs
(i)	Clearances of branded goods of another company	70
(ii)	Export sales to Bhutan	60
(iii)	Export sales to UK and Russia	120
(iv)	Clearance of goods (duty paid based on annual capacity of production under Section 3A of the Central Excise Act, 1944)	50
(v)	Clearance of goods subject to valuation based on retail sale price under Section 4A of the Central Excise Act, 1944 (said goods are eligible for 30% abatement)	300
(vi)	Job-work under Notification No. 214/86-CE	80

During the period from 01.04.2014 to 31.10.2014, the previous tenant of the building which is presently occupied by Fig Ltd. had cleared excisable goods of the aggregate value of ₹ 105 lakhs.

Your advice is sought as to whether Fig Ltd. could claim the benefit of exemption in terms of Notification No. 8/2003-CE dated 01.03.2003 for the Financial Year 2015-16.

Advice suitably, showing the necessary computation and working notes/explanations. 7

2. (a) VKS Hotels (P) Ltd. located in Nilgiri District of Tamilnadu State, was established in April, 2012. Nilgiri District is a specified district having 'World Heritage Site' status and is eligible for deduction under section 80-ID of the IncomeTax Act, 1961. It furnishes you the following information for the year ended 31.03.2015:

- (i) Net Profit as per Profit and Loss Account ₹ 20 lakhs.
- (ii) Depreciation debited in the books ₹ 70 lakhs.
- (iii) Amount received towards Dharmadha by separately mentioning in the sales bills ₹ 7,00,000. This has not been credited to Profit and Loss Account.
- (iv) ₹ 10 lakhs was paid towards use of trademark for 10 years in April, 2014. This has been debited to Profit and Loss Account.
- (v) Provision for gratuity based on actuarial valuation debited to Profit and Loss Account ₹ 8 lakhs.
- (vi) Dividend received from subsidiary Indian company credited to Profit and Loss Account ₹ 2,00,000.
- (vii) Depreciation as per Income Tax Rules ₹ 60 lakhs.
- (viii) ₹ 5,00,000 was paid towards feasibility study for examining proposals for commencing a textile business and the project was abandoned.

Compute the total income of VKS Hotels (P) Ltd. for the Assessment Year 2015-16. Ignore MAT provisions. 7

