Prepp

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RRB Grade B Exam

Legal Officer (English) 2016

R. B. I. S. B. (L. O.)

PY-2016

PAPER – II—ENGLISH

(Duration : 3 Hours)

(Maximum Marks–100)

Instructions : (1) All questions are compulsory.

(2) Figures to the right indicate full marks to each question.

(3) Each answer must be started on a fresh page.

(4) All parts of a question must be answered together without other answers intervening.

(5) Marks will be deducted if an answer far exceeds or falls short of the set limit, or is irrelevant, or if the handwriting is illegible.

(6) Answers must be written in English.

(7) Precis and its Title should be written in the precis sheet only.

(8) Candidate should use only **Blue** or **Black** ink pen/Ball point pen to write the answers.

(9) The Name, Roll No. and other entries should be written in the answer-scripts at the specified places only and these should not be written anywhere else.

Marks

1. Write an argumentative essay of about 500 words on *any one* of the following topics : (40)

   (*a*) Ban on all tobacco products should be total.

   (*b*) Euthanasia should never be permitted in our country.

   (*c*) Tourism affects environment adversely.

   (*d*) Increase in FDI in Service Sector is not good for our economy.

   (*e*) Media is overstepping its limits.

2. (*a*) Make a precis of the following passage in 200 words, and give it a suitable title. Write the precis and the title on the sheet provided for this purpose : (24)

The longest running saga in the Indian tax history may well be at an end. After years of re-negotiations, the over three-decade-old tax treaty between India and Mauritius has finally been amended to remove the capital gains exemption, albeit in a phased manner. Ordinarily, one would have expected investors to cry foul, the markets to react violently (like it did in early years of the last decade when the availability of treaty was called into question) and the overall reaction to be very negative.

However, none of this is happening today. The reasons for this aren't hard to locate. First, the world has changed considerably since the heady days of the last two decades when treaty shopping was the established norm, so much so that its validity was upheld even by the Supreme Court in the Azadi Bachao Andolan case. Global sentiment has decidedly moved away, with the OECD coming out strongly against treaty abuse in its Base Erosion and Profit Shifting (BEPS) project. There is also an increasing

[*Turn over*

recognition that tax treaties are intended to avoid double tax, and that they should not be used as a basis for double non-taxation (where income ends up not being taxed in either the source State or the State of residence). The modification of the India–Mauritius treaty seems to be in sync with global trends.

Second, the manner in which the capital gains exemption has been withdrawn is indeed creditable. Instead of an abrupt shift in policy, the protocol proposes to grandfather all existing investments. This means that only investments made after April 1, 2017 will be subject to capital gains tax, that too, after a two year transition period during which a concessional rate at 50 % of the prevailing domestic rate will apply subject to meeting a Limitation on Benefits (LoB) criteria. This provides significant reassurance to existing investors and provides a clear roadmap for the taxation of future investments.

One area where further clarity is needed is with regard to the position under the India–Singapore treaty. This treaty provides for a capital gains exemption, which is coterminus with the capital gains exemption under the India–Mauritius treaty. Given the proposed grandfathering of pre–2017 investments from Mauritius and the two-year transition period, there is an urgent need to clarify whether these will apply to investments from Singapore as well. The government seems to be cognizant of this and hopefully, one can expect clarity on this soon. Another area which the government would do well to clarify is that the provisions of the General Anti Avoidance Rule (GAAR) will not apply if the LoB conditions are satisfied.

Third, and perhaps the most important, despite the Supreme Court upholding the availability of treaty benefits under the India–Mauritius treaty, investors often faced significant challenges in obtaining treaty benefits at the tax office level. Litigation too, continued to fester on this issue, which led to the provisions of the treaty being undermined in practice. This led to significant uncertainty. A related factor is the general easing of tax rates in India, particularly in the context of long-term capital gains on unlisted securities. These are now taxed at 10 %, and the uncertainty over whether this applied to private company shares is also now favourably resolved. Under the circumstances, a judicious investor has every reason to prefer paying a reasonable tax on capital gains in India, rather than going through years of litigation to claim an exemption under the treaty, that too, in an environment that is increasingly hostile to treaty shopping. Indeed, this risk would have been exacerbated under the GAAR, which is slated to come into force next year.

In summary, the renegotiation of the treaty is likely to prove beneficial for both investors and the government. Investors get certainty on the tax front, coupled with a very reasonable mechanism for transitioning into the new regime. The government gets to put a controversial tax issue to rest, and can get on with the task of undertaking more critical reforms in the tax space. All-in-all, a win-win.

(*b*) (*i*) Answer briefly in your own words the following questions based on the passage given above : (10)

(1) What is the India—Mauritius treaty about ? How were the investors thought to react to the treaty ? 3

(2) What is stated as the primary reason for the investors' reaction to the treaty being different from what they had expressed in the past ? 2

(3) What, in the tax treaty, is expected to provide significant reassurance to the existing investors ? 2

(4) Which are the two areas of the treaty where one can expect the government to give clarifications ? 3

(*ii*) Explain clearly the contextual meaning of *any three* of the following expressions in the passage : (6)

(*a*) to be in sync with

(*b*) coterminus with

(*c*) to grandfather

(*d*) to be cognizant of

(*e*) to fester on

(*f*) to be exacerbated.

3. Attempt *any one* of the following in about 250 words : (20)

(*a*) On behalf of the Reserve Bank of India draft a circular urging all commercial banks to organize seminars in the rural areas with a view to promote National Agricultural Insurance Scheme (NAIS) among the farmers.

(*b*) Serious irregularities on the part of a bank in the disbursement of subsidies to the drought affected have been reported in the media. The RBI has constituted a committee to investigate the matter. Draft the report of the committee.

(*c*) Several instances of automated teller machines remaining out of order and ATMs declining transactions for want of cash have been brought to your notice by the Customers' Association. As the MD of the bank draft your reply to the President of the Association assuring that measures are underway to ensure hassle-free service.