

Roll No. ....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 10

- NOTE :**
1. Answer **ALL** Questions.
  2. **All** the references to sections in Part-A of the Question Paper relate to the Income Tax Act, 1961 and relevant Assessment Year 2018-19, unless stated otherwise.
  3. Working notes should form part of the answer.

**PART—A**

1. (a) From the following information provided for the previous year 2017-18, compute the total income and tax liability considering provisions of Alternate Minimum Tax assuming the assessee is an individual :

	Amount (₹)
Net Profit as per Profit & Loss A/c	19,05,000
Depreciation as per Profit & Loss A/c	3,50,000
Depreciation as per Income Tax Rules	3,60,000
Inadmissible expenses	1,40,000
Deduction u/s 10AA (computed)	12,00,000
Deduction u/s 80-IA	35,000

(5 marks)

- (b) (i) What are the restrictions with regard to transactions in cash as per the provisions of Income Tax Act, 1961 ?

(3 marks)

- (ii) An individual wants to donate ₹ 5,000 in cash to a political party. Should the political party accept it in cash ?

(2 marks)

- (c) Discuss provisions under section 115BBD Vs. 115BBDA with reference to taxation of foreign dividends.

(5 marks)

*Attempt all parts of either Q. No. 2 or Q. No. 2A*

2. (a) Specify whether the following acts can be considered as (i) Tax planning; or (ii) Tax management; or (iii) Tax evasion.
- (i) P deposits ₹ 1,00,000 in Public Provident Fund (PPF) account so as to reduce his total income from ₹ 3,40,000 to ₹ 2,40,000.
  - (ii) SQL Ltd. maintains register of tax deduction at source affected by it to enable timely compliance.
  - (iii) An individual tax payer making tax saver fixed deposit of ₹ 1,00,000 in a nationalized bank.
  - (iv) A bank obtaining declaration from depositors in Form No. 15G/15H and forwarding the same to income-tax authorities.
  - (v) Z debits his household expenses as business expenses in the books.

*(1 mark each)*

- (b) A Ltd., a US company has a subsidiary B Ltd. in India. A Ltd. sells Laptops to B Ltd. for resale in India. A Ltd. also sells laptops to C Ltd., another reseller. It sells 40,000 Laptops to B Ltd. at ₹ 10,000 per unit. The price fixed for C Ltd. is ₹ 9,000 per unit. The warranty in case of sale of laptops by B Ltd. is provided by B Ltd. However, for laptops sold by C Ltd., A Ltd. is responsible for providing service warranty for 3 months. Both A Ltd. and B Ltd. offer extended warranty at a standard rate of ₹ 1,000 per annum. On the basis of these facts explain the method which can be applicable for determination of arm's length price. Also determine the effect on the net profit/income of B Ltd. (Assuming that C Ltd. has not entered into an advance pricing agreement) in the scenario discussed above. Determine the arm's length price also.

*(5 marks)*

: 3 :

- (c) Usha, aged 50 years, a resident in India for the previous year 2017-18 receives professional fee of ₹ 4,50,000 for rendering services outside India. Tax of ₹ 1,20,000 was deducted at source in the country with which India does not have any double taxation avoidance agreement. She incurred ₹ 1,60,000 as expenditure for earning this fee. She has income from other sources in India amounting to ₹ 2,50,000 and she deposited ₹ 1,40,000 towards Public Provident Fund. Compute the tax liability and relief under section 91 of the Income Tax Act, 1961.

(5 marks)

**OR (Alternate question to Q. No. 2)**

- 2A. (i) Written down value of a block of assets as on 1<sup>st</sup> April 2017 was ₹ 4,00,000. On 12<sup>th</sup> May, 2017, an asset belonging to the same block was purchased for ₹ 2,00,000. Suddenly a fire broke out on 18<sup>th</sup> October, 2017. Rate of depreciation on the asset is 15%. Compute the amount of capital gain, if any, in each of the following cases :
- (a) All the assets are destroyed by fire and the company receives ₹ 10,00,000 from the Insurance Company.
- (b) Part of the assets are destroyed by fire and the company receives ₹ 5,00,000 from the Insurance Company.
- (ii) Parimal, Managing Director of Heavens Engg. Pvt. Ltd. holds 70% of its paid up capital of ₹ 20 Lakh. The balance as on 31<sup>st</sup> March 2017 in General Reserve was ₹ 6 Lakh. The company on 1<sup>st</sup> July 2017 gave an interest-free loan of ₹ 5 Lakh to its Supervisor having salary of ₹ 4,000 p.m., who in turn on 15<sup>th</sup> August 2017 advanced the said amount of loan so taken from the company to Parimal. The Assessing Officer had taxed the amount of advance in the hands of Parimal. Is the action of Assessing Officer correct in the light of Provisions of Income Tax Act, 1961 ?

(2 marks)

(3 marks)

(5 marks)

: 4 :

- (iii) (a) Advise Rashmi suitably to minimise her tax liability based on the facts given below.

Rashmi, an Indian citizen, joined University of Toronto as a professor in Canada, on a monthly salary of Canadian \$ 10,000 on 1st April, 2015. She wants to come to India in the year 2017 and to stay continuously for a period of 11 months to complete her house construction in Delhi. She wants to know whether she can avoid payment of income tax leagally on her foreign income earned. She can come to India at any time in 2017 for this purpose.

(2 marks)

- (b) A is employed with XYZ Ltd. His salary is ₹ 1,00,000 per month. He is also paid house rent allowance of ₹ 20,000 per month. His wife B is also employed at a salary of ₹ 40,000 per month with ABC Ltd. where A holds 20% shares. B does not hold adequate qualification for the post which she is holding. B is the owner of a house which is self-occupied by the family. The house was constructed in the year 2015-16 with borrowed funds. Suggest a scheme for tax planning to minimise the tax liability for the financial year 2017-18 (assessment year 2018-19).

(3 marks)

#### PART—B

3. (a) Determine the place of supply according to the provisions of Integrated Goods and Services Tax Act, 2017 in the following cases :
- (i) K of Kerala places an order to H of Gurgaon (Haryana) to supply motor parts and instructs him to deliver the spare parts to U of Kanpur (U.P.) directly to save transportation cost.
- (ii) P Ltd. registered in Punjab sold its pre-installed transformer tower of electricity located at Himachal Pradesh to Bharat Ltd. registered in Delhi.

: 5 :

- (iii) M from Mumbai enters into contract with the Indian Railways controlling office situated in U.P. for sale of food items in the trains from Mumbai to Delhi.
- (iv) D of Delhi has a savings bank account with HDFC Bank in Delhi. When he was in Mumbai for official tour, he gets a DD (Demand Draft) from HDFC Bank in Mumbai.
- (v) K of Kerala avails architect services for his property located in Chennai (Tamil Nadu) from an architect H of Hyderabad in Telangana State.

(1 mark each)

- (b) Calculate FOB Value, Cost of Insurance, Cost of Freight and Assessable Value where only the CIF value is given as US \$ 5,000. Exchange rate notified by RBI and CBEC are ₹ 50 and ₹ 48 respectively for one US \$.

(5 marks)

- (c) M/s Nose Ltd. reduced the amount of ₹ 2,25,000 from the output tax liability in contravention of the provisions of section 42(10) of the CGST Act, 2017 in the month of January 2018 (vide invoice dated 12th January, 2018), which is ineligible credit at invoice level. As a result a show cause notice was issued by the Central Tax Department under section 74 of the CGST Act, 2017 along with interest. M/s Nose Ltd. paid the tax and interest on 5th March, 2018. Find the interest liability if any ? Ignore penalty.

(5 marks)

- (d) Compute the assessable value and total customs duty payable under the Customs Act, 1962 for an imported machine, based on the following information :

	Amount (US \$)
• Cost of the machine at the factory of the exporter	20,000
• Transport charges from the factory of the exporter, to the port for shipment	800
• Handling charges paid for loading the machine in the ship	50
• Buying commission paid by the importer	100
• Lighterage charges paid by the importer	200

: 6 :

- Freight incurred from port of entry to Inland Container depot 1,000
- Ship demurrage charges 400
- Freight charges from exporting country to India 5,000
  - Date of bill of entry 20-02-2018  
(Rate of BCD 20%; Exchange rate as notified by CBEC ₹ 60 per US \$)
  - Date of entry inward 25-01-2018  
(Rate of BCD 12%; Exchange rate as notified by CBEC ₹ 65 per US \$)  
Rate of IGST 12%.

(5 marks)

(e) Briefly explain the following features of GST law in India :

- (i) Consumption based tax (2 marks)
- (ii) Integrated Goods and Services Tax. (3 marks)

*Attempt all parts of either Q. No. 4 or Q. No. 4A*

4. (a) St. Thomas Hospital and Research Centre imported a machine from Long Life Scientific Ltd., USA for in-house research. The price of the machine was settled at US \$ 8,000. The machine was shipped on 10<sup>th</sup> March, 2018. Meanwhile, the hospital authorities negotiated for a reduction in the price. As a result Long Life Scientific Ltd. agreed to reduce the price by \$ 500 and communicated the revised price of \$ 7,500 by sending a fax message dated 14<sup>th</sup> March, 2018. The machine arrived in India on 17<sup>th</sup> March, 2018. The Commissioner of customs has decided to take the original price as the transaction value of the goods on the ground that the price is reduced only after the goods have been shipped.

Do you agree with the step taken by the commissioner ? Give reasons in support of your answer.

(5 marks)

: 7 :

(b) X is a registered trader in Ghaziabad (Uttar Pradesh). In the Financial Year 2017-18 total value of supplies are as follows :

(i)	Intra-state supplies made under forward charge	— ₹ 35 lakh
(ii)	Intra-state supplies made which are chargeable to GST at Nil rate	— ₹ 25 lakh
(iii)	Intra-state supplies of goods which are wholly exempt under section 11 of CGST Act, 2017	— ₹ 30 lakh
(iv)	Value of inward supplies on which tax payable under Reverse Charge Basis (RCM)	— ₹ 20 lakh

Briefly explain whether X is eligible to opt for Composition Scheme in the financial year 2018-19 ?

(5 marks)

(c) Importer BOPPA Ltd. imported two consignments of ethyl alcohol which were allowed to be cleared for home consumption on execution of a bond undertaking to produce licence within a month. Since, BOPPA Ltd. failed to fulfill the obligation, proceedings were initiated which culminated in confiscation of the goods under Section 111(d) of the Customs Act, 1962 and imposition of penalty on the importer under Section 112(a) of the Customs Act, 1962. Examine the correctness of the decision in terms of statutory provisions.

(5 marks)

**OR (Alternate question to Q. No. 4)**

**4A.** (i) Explain the validity of the following statements with reference to Chapter IX of the Customs Act, 1962 containing the provisions relating to the warehousing :

(a) The proper officer is not authorized to lock any warehouse with the lock of the Customs Department.

(2 marks)

(b) The Commissioner of Customs (Appeals) may appoint public warehouses wherein dutiable goods may be deposited.

(1 mark)

(c) The Commissioner of Customs or Principal Commissioner of Customs is not required to give a notice to the licensee for cancellation of the license of a private warehouse if he has contravened any provision of the Customs Act, 1962.

(2 marks)

(ii) Ratan exported 2,000 pairs of leather shoes @ ₹ 750 per pair. All industry rate of duty drawback is fixed on average basis i.e. @ 11% of F.O.B. subject to maximum of ₹ 80 per pair. The exporter found that actual duty paid on input was ₹ 1,95,000. He has approached you as a consultant to apply under Rule 7 of the drawback rules for fixation of 'Special Brand Rate'. Advise him suitably.

(5 marks)

(iii) With reference to recent amendments made (Vide Finance Act, 2017) in the Customs Act, 1962, examine the validity of the following statements :

- (a) A beneficial owner of imported goods is a person on whose behalf the goods are being imported but cannot be exported.
- (b) Customs area does not include a warehouse.
- (c) Customs station includes international courier terminal but does not include the foreign post office.

(5 marks)

5. (a) (i) Explain the consequences according to provisions of GST law, if a recipient of goods or services or both does not make payment for the supply within 180 days.

(2 marks)

(ii) Discuss the provisions relating to refund of balance in electronic cash ledger as per the GST law.

(2 marks)



- (iii) M/s Basu & Co., an Audit Firm based in Kolkata undertake an Audit assignment of a Mumbai based client. The contract with the client includes ₹ 5,00,000 as audit fee and arrangement of taxi for movement of auditors amounting to ₹ 15,000 actually spent by the auditors and reimbursed by the client. Find out the transaction value in the hands of M/s Basu & Co.
- (2 marks)*
- (b) What are the documents required to be prepared by the recipient of supplies from an unregistered person as per GST law ?
- (3 marks)*
- (c) Explain the concept of “Zero rated and Exempt transaction” for the purpose of availment of input tax credit in GST law.
- (3 marks)*
- (d) Briefly discuss the provisions related to Levy of late fee as per section 46 of CGST Act, 2017 on a person who fails to furnish the details of outward or inward supplies required under section 37 or 38 or 39 or 45 of CGST Act, 2017.
- (3 marks)*
6. (a) (i) B, a supplier registered in Chennai (Tamil Nadu) procures goods from China and directly supplies the same to a customer in UAE without bringing to India. With reference to the provisions of GST law examine whether the supply of goods by B to customer in UAE is an inter-state supply and is it either import or export in terms of Customs Act, 1962 ?
- (3 marks)*
- (ii) Is a dealer, who is not required to be registered because he has not crossed the turnover limit, required to pay GST under reverse charge in respect of supplies for which reverse charge is applicable ?
- (2 marks)*

- (b) Hiyakash Ltd. is a producer of certain products. The tax rate applicable on the supply of goods by them is 18%. (SGST 9% and CGST 9%). The company purchased goods worth ₹ 47,200 (Inclusive of Tax 18%) which is fully utilized in the manufacture of final products. The company sold the goods for ₹ 25,000 within the State and also exported the goods worth ₹ 8,000. The invoices are properly uploaded and matched in GSTN Portal. Calculate the tax payable by the company assuming there was no opening or closing stock of inputs or final products.

(5 marks)

- (c) Yash an importer, imported certain goods on 10th April, 2017 and paid custom duty by understating the value of goods imported. A show cause notice was issued on Yash by the proper officer on 9th August, 2017 demanding duty along with interest and penalty on the value of goods understated. The said notice was received by Yash on 14th August, 2017. Yash deposited the amount of duty and interest along with penalty that should be payable as per provisions of law on 11th September, 2017. With reference to section 28AA of the Customs Act, 1962 explain the provisions for imposition of interest and penalty, if any. Also give reasons for your answer.

(5 marks)

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