

Roll No.

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 12

- NOTE :**
1. Answer **ALL** Questions.
 2. **All** references to sections mentioned in Part-A of the Question Paper relate to the Income Tax Act, 1961 and relevant Assessment Year 2020-21, unless stated otherwise.
 3. Working notes should form part of the answer.

PART—A

1. (a) Anirudh, resident individual, aged 57 years provides the following particulars of his income/loss, payments made and of receipts for the financial year 2019-20 :

Particulars	Amount (₹)
Gross Rent received for let out property	3,60,000
Interest paid on Housing Loan taken for construction of the let out property	4,80,000
Loss suffered in cotton trading business	4,30,000
Unexplained cash credits in books	15,00,000
Cash gifts received from friends	2,72,000

Take that the Return of Income is to be filed by Anirudh in time as per section 139(1) of the Act and the fair rent of the let out property is also same of actual rent received of ₹ 3,60,000.

You are required to compute the total income and the amount of total tax, if any, payable by Anirudh for Asst. Year 2020-21. Indicate also the items of loss which can be carried forward to subsequent years, if any.

(5 marks)

- (b) Examine and explain by giving reasons in brief as to the correctness or otherwise of each of the following statements in the context of provisions contained under the Income Tax Act, 1961 :
- (i) Every person who during the previous year was a partner of a firm or a legal representative of any deceased partner shall not be liable jointly and severally to pay the amount of tax, penalty or other sum payable by the firm.
 - (ii) The application before the authority for seeking Advance Ruling is to be filed in triplicate and be accompanied by a fee of ₹ 10,000.

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- (iii) Specified domestic transactions in case of an assessee means any business transacted between the assessee and other person as referred to in section 80-IA(10) of the I.T. Act subject to that the aggregate value of such transactions in the previous year exceeds ₹ 20 crores.
- (iv) Impermissible avoidance arrangement results directly or indirectly in the misuse, or abuse of provisions of I.T. Act and be subject to applicability of GAAR.
- (v) Tax Avoidance cannot be considered at par as Tax Evasion since it is usually done by taking advantage of loop-hole without any infringement of taxation laws so that least taxes are attracted.
- (5 marks)
- (c) General Anti Avoidance Rule (GARR) are applicable when an arrangement entered into by an assessee may be declared to be an impermissible avoidance arrangement. Explain briefly in the light of provisions of the Income Tax Act, 1961 the meaning and the purpose behind the impermissible avoidance arrangements.
- (5 marks)

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

2. (a) Janak Poly Fibres Ltd. is an Indian company having registered office in Mumbai and John Stuart LLP is a non-resident Singapore base company. There have been a series of international transactions between both these companies since last so many years. Janak Poly Fibres Ltd. has entered into an Advance Pricing Agreement (APA) on 10th January, 2020 to determine the ALP for the transactions entered with John Stuart LLP by stating that P.Y. 2019-20 is the first of the consecutive previous years. The rate adopted under the Advance Pricing Agreement is Rs. 13,500 per MT. The assessments for the assessment years 2012-13 to 2017-18 of Janak Poly Fibres Ltd. have been completed on various dates and in these years, the ALP determined and taken for the A.Y. 2012-13 to 2015-16 was ₹ 13,000 per MT and of ₹ 14,000 per MT for A.Y. 2016-17 and 2017-18. The quantity involved was 2 lakhs MT in each of these years respectively. Assessments for the subsequent assessment years for 2018-19 and 2019-20 are pending and yet to be completed. The assessee had adopted the value of ₹ 13,200 per MT in both the assessment years 2018-19 and 2019-20.

: 3 :

In the backdrop of the above and taking note of the aforesaid information, you are required to answer the following; considering the transfer pricing provisions and the provisions contained under the Income Tax Act, 1961 :

- (i) Can the Assessing Officer apply the roll back provisions for the A.Y. 2012-13 to A.Y. 2015-16 as the same will be beneficial to the department ?
- (ii) In the given situation and the set of facts, state the year for which the APA cannot be applied.
- (iii) What will happen to the assessments which have already been completed and are pending because of entering into APA ?
(5 marks)
- (b) (i) Explain the manner and the means by which taxes to be levied on the income of a non-resident assessee can be recovered under the Income Tax Act, 1961.
(3 marks)
- (ii) Examine the correctness of the following statements and provide answer with reference to the provisions contained under the Income-tax Act, 1961 :
- (1) Anil, during the financial year 2019-20, paid interest to SBI on the loan taken by him for the higher education of his son from USA. His son was employed in a firm in USA during the year after completion of education. Anil is to be not allowed to get deduction under section 80E of the Income Tax Act, 1961.
- (2) Subscription to notified bonds of NABARD would qualify for deduction under section 80C of the Income Tax Act, 1961.
(2 marks)
- (c) Anand provides the following details/particulars of his income earned from various activities during the financial year 1-04-2019 to 31-03-2020 :
- (i) Shares of XYZ Ltd an Indian company sold in the month of August, 2019 outside India in UK to a Non-resident individual which resulted into short term capital gain of ₹ 75,000.
- (ii) Interest received on the bonds from Government of India ₹ 28,500.
- (iii) Rental income of ₹ 9,00,000 received from the property located in Dubai which was deposited in the bank account maintained in Dubai. Out of this; an amount of ₹ 4,50,000 was remitted in a bank account in India during the year ended on 31-03-2020 and remaining amount was spent for the education of son doing MBA in U.K.
- (iv) Income of ₹ 1,80,000 earned from textile business in Sri Lanka which is being controlled from Mumbai.
- Compute the total income of Anand for the A.Y. 2020-21 by taking his residential status as a (i) resident, and (ii) non-resident.
(5 marks)

OR (Alternate question to Q. No. 2)

- 2A. (i) The residential status of Thomas for the previous year 2019-20 is of a resident but not ordinarily resident (R&NOR). He has following income during the year and asks you to explain by giving brief reasons as per provisions of the Income Tax Act, 1961 whether the same be taxable in the assessment year 2020-21 :
- (a) Agricultural income of ₹ 35,000 from the land used for cultivating the crop of grapes located in Nasik, Maharashtra, India.
 - (b) Dividend of ₹ 55,000 from an Indian Mutual Fund company on the MF Units as specified under section 10(23D) of Act.
 - (c) Income received and accrued outside India from a business of cosmetics of ₹ 1,25,000 which is being controlled from India.
 - (d) Gifts received from brother of ₹ 21,000 and gifts of ₹ 51,000 received from persons who are not a relative on the occasion of his marriage.
 - (e) Past untaxed profits of earlier years of ₹ 2,50,000 lying in bank account maintained in Singapore and being remitted during the previous year 2019-20 to India.
- (5 marks)
- (ii) Can a resident make an application for seeking advance ruling from the Authority for Advance Ruling (AAR) ? Enumerate all those situations in which the ruling can be obtained by a resident from the Authority.
- (5 marks)
- (iii) Lankawin Pty Inc of UK (LI) incorporated in London is a specified foreign company and is a non-resident in India. It received order for data processing services from Srikrishna Datamatics Ltd (SDL) an Indian company (holding 30% shares in Lankawin Pty Inc of UK) during the previous year 1-4-2019 to 31-3-2020. SDL has exercised a valid option for application of Safe Harbour Rules. (*Assume that the operating margin required to be shown under the Safe Harbour Rules for the given gross receipts is 18% under Rule 10TD*).

: 5 :

Particulars/details and information in respect of transactions between both the companies relating to the P.Y. 2019-20 are as under :

Particulars/Information	(₹ in Cores)
Value of international transactions entered into between both	110
Operating Expenses	93
Operating Margin	17

In this back drop, you are required to examine and answer in the context of provisions contained under the Income Tax Act, 1961 the following issues :

- Whether the two companies are the Associate Enterprises and the transaction between them is an eligible international transaction ?
- Whether SDL is an eligible assessee for the transaction with LI ?
- Whether the results shown by SDL be acceptable to department or will SDL be required to make primary adjustment ?

(5 marks)

PART—B

3. (a) Hare Rama and Hare Krishna Pvt. Ltd engaged in the business of plastic goods provides the following particulars relating to the goods sold by it to Kamdhenu Enterprises during the month of January, 2020 :

Particulars	Amount (₹)
List price of the goods sold (exclusive of the taxes and discounts)	2,50,000
Tax levied by Municipal Authority on the sale of such goods	7,500
CGST and SGST chargeable on the goods	49,280
Packing charges (not included in price above)	5,000

Hare Rama and Hare Krishna Pvt. Ltd received ₹ 7,500 as a subsidy from a NGO on the sale of such goods. The list price of ₹ 2,50,000 of the goods so given is after considering and deducting the amount of such subsidy. Hare Rama and Hare Krishna Pvt. Ltd offers 2% discount on the list price of the goods which is recorded in the invoice of the supplies.

Determine and work out the value of taxable supply as per provisions of GST law made by Hare Rama and Hare Krishna Pvt. Ltd. during the month of January, 2020 to Kamdhenu Enterprises.

(5 marks)

: 6 :

(b) Examine and state by giving brief reasons as to the taxability/exemption or otherwise of each of the following independent services as per provisions/notifications issued under the CGST Act, 2017 :

- (i) FSSAI services to Food Business Operators
- (ii) News Agency Services
- (iii) Organizing business exhibition outside India
- (iv) Slaughtering of animals
- (v) Information under RTI Act, 2005.

(5 marks)

(c) Geetanzali Overseas Pvt. Ltd. was erroneously refunded on 16.06.2019 a sum of ₹ 30,000 in excess of the actual due amount of the duty drawback. A demand notice for recovery of the excess amount so paid was issued by the department on 24-08-2019. Geetanzali Overseas Pvt. Ltd. after receipt of the demand notice from the department returned the erroneous excess refund amount of ₹ 30,000 of the duty drawback to the department on 16-10-2019.

In this backdrop, you are required to explain in brief the provision contained under the Customs Act, 1962 and also to work out and calculate the amount of interest, if any chargeable from Geetanzali Overseas Pvt. Ltd. on the excess erroneous refund of drawback so made to them.

(5 marks)

(d) LMN & Co, a partnership firm registered under GST law has its registered office located in Kochi, Kerala. The firm is engaged in the business of providing services to foreign customers for sourcing various products/goods from/in India. The vendor in India is always identified, product quality is being checked, price is mapped and thereafter the details are shared with the foreign customers.

The foreign customers place the order directly with the vendors in India so identified and details of which were being shared by LMN & Co, with the customers. LMN & Co. is having a policy to charge cost plus 12% mark up for the services so rendered and during the month of March, 2020 it has collected Euro 25,000 from customers in Sweden for such services.

You are required in the backdrop of above information, to explain in brief the applicable provisions of the GST Law and to answer thereunder about the nature of services provided by LMN & Co, place of service (POS) and whether the amount charged for services can be treated as export of service.

(5 marks)

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- (e) ANC & Co, a partnership firm having showroom in Chennai is a registered supplier under the regular scheme as per GST Laws. Total value of supplies made by them in the year ended on 31st March, 2019 was ₹ 36 lakhs. Details of transactions entered into by them during the period 01-04-2019 to 30-09-2019 being extracted from the books are given as under :

Particulars of Transactions	Amount (₹)
Intra-State supplies of product "Hot"	25,00,000
Intra-State supplies of product "Cold" (GST payable by the recipient under reverse charge)	4,00,000
Export of product "Hot"	11,00,000
Common inputs used in for all the above three supplies	25,00,000

Amounts given above are excluding the amount of GST wherever applicable. Rate of GST on all the supplies/export and on the inputs be taken at 12%.

Determine the amount of net GST liability of ANC & Co for the half year period ended on 30-09-2019.

(5 marks)

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

4. (a) Explain and state in brief the provisions of CGST Act, 2017 relating to all those situations when the authority can confiscate the goods or the conveyance for levy of penalty.
(5 marks)
- (b) (i) State in brief as per provisions of the CGST Act, 2017, a composition dealer/supplier how should raise GST bill/invoice for the supply of goods. Explain also what should be prominently stated on such invoice. Specify and state the rates of tax applicable to a dealer opting for composition scheme.
(3 marks)
- (ii) State the circumstances and the manner in which a summary assessment order passed by the proper officer under the CGST Act, 2017 can be ordered to be withdrawn.
(2 marks)

(2 marks)

- (c) PQR Ltd., registered in the State of Karnataka, manufacturers of heavy duty machinery supplied on 10th March, 2020 Milling Machinery to JKS Ltd. for their Rice Mill set up at Chennai. Tax invoice was raised by the supplier immediately after supply on 10-03-2020. The details/particulars relating to the rice mill machinery so supplied by PQR Ltd. are as under :

Particulars	Amount (₹)
Basic price of the Machinery	50,00,000
Installation of the Machine, costs are to be met by the buyer	1,20,000
Extended warranty taken by the buyer for the machinery from the suppliers	1,00,000
Cash discount as per invoice, but to be allowed only where payment is made in 15 days of supply	2% of the basic price

JKS Ltd. made the payment of the machinery on 04-04-2020 and hence was denied for cash discount by PQR Ltd. All values/amounts given above are exclusive of the amount of GST. Applicable rates under GST are to be taken as SGST 9%, CGST 9% and IGST 18%.

Compute the transaction value and the amount of GST liability. Adduce suitable working notes for the treatment of each item given while working out the amount of transaction value of the machinery.

(5 marks)

OR (Alternate question to Q. No. 4)

- 4A. (i) Modern Art & Printers Pvt. Ltd., was incorporated on 12th January, 2020, having main object of the business of supply of books, pamphlets, brochures, envelopes, annual reports, leaflets, cartons, boxes etc. These would be printed with design, logo, name, address or other contents supplied by the recipient of such goods/materials as per their orders and requirements.

Modern Art & Printers Pvt. Ltd. is desirous of knowing in the context of the provisions under the CGST Act, 2017 whether these would constitute supply of goods and/or supply of services falling under heading 9989 of the scheme of classification of services annexed to Notification No. 11/2017-CT(R) issued under CGST Act, 2017 and/or falling under Chapter-48 or 49 of the First Schedule to the Customers Tariff Act, 1975.

You are required to give suitable advice in the context of provisions contained under the Act, to Modern Art & Printers Pvt Ltd.

(5 marks)

: 9 :

- (ii) (a) Madhu Sudan, a resident individual of Jaipur, Rajasthan and not registered under GST law, has engaged Events and Events Pvt Ltd, event managers, having their registered office as per GST law at Mumbai, Maharashtra, to organise the wedding function of his daughter in a palace located in Ahmedabad, Gujarat. Determine the place of service (POS) for this event by giving in brief the provisions of CGST Act, 2017. Will your answer be different, if the function is to take place at Colombo, Sri Lanka.

(3 marks)

- (b) Sanzari Electronics of Delhi has supplied a laptop (worth ₹ 59,000) along with a laptop bag (worth ₹ 1,000) in total for ₹ 60,000 (excluding GST) to Pankaj in Jaipur. Determine the GST liability on the sale made by Sanzari Electronics by taking the following applicable rates under GST :

Item	SGST	CGST	IGST
Laptop	9%	9%	18%
Laptop bag	6%	6%	12%

(2 marks)

- (iii) Capital Forex Private Limited, registered in Delhi, is engaged in the business as an authorized money changer and has opted to charge for the service so provided as per Rule 32(2)(b) of the CGST Rules, 2017.

It has undertaken the following transactions of purchase and sale of foreign currency on 11-03-2020 :

- (i) USD 1,400 purchased from Nagesh at the rate of ₹ 70 per USD. RBI reference rate on the day of transaction was ₹ 70.20 per USD.
- (ii) USD 2,500 sold to Mohan at the rate of ₹ 69.50 per USD. RBI reference rate for the day of transaction was not available.

Explain in brief Rule 32(2)(b) of the CGST Rules, 2017 applicable as to valuation of supply in case of money changer service and also compute the value of taxable supply for both the above transactions.

(5 marks)

5. (a) Kamdhuda Enterprises, a partnership firm applied for registration under the GST law and obtained the same on 10th January, 2020. Partners of the firm to keep the rates confidential for the goods sold want to show in the GST invoices to be raised consolidated amount which is inclusive of the amount of the GST for the concerned product sold. Advise the firm, whether this will be in accordance with the CGST Act, 2017 and can they do so.

(3 marks)

- (b) Chitra of Udaipur, a registered person under GST law in the state of Rajasthan as per regular scheme, furnishes the following particulars of the Intra-State supplies/transactions (exclusive of GST) entered into during the month of January, 2020 :

Sl. No.	Particulars of Item	Amount (₹)
1.	Sale of Plastic Jewellery	6,20,000
2.	Sale of Electronic Tab (like I-pad)	4,20,000
3.	Sale of Dried Dates	5,40,000
4.	Sale of Chemical Fertilizers	5,80,000

Ascertain the GST liability of Chitra for the month of January, 2020 by taking the applicable rate as SGST 6% and CGST 6%.

(3 marks)

- (c) Ashoka Enterprises, registered under GST law in the State of Rajasthan paying taxes as contained in section 9 of CGST Act, 2017. They asked their tax manager to pay taxes on quarterly basis. However, the tax manager advised to pay taxes on monthly basis. You are consulted to examine the rival contention and the validity of the view of tax manager of paying taxes on monthly basis and also to state how such taxes and the tax for the month of March are to be paid.

(3 marks)

- (d) SAM Ltd. has two manufacturing units located in Maharashtra. One unit located in Nashik is engaged in manufacturing of fabrics and another unit located in Nagpur is engaged in manufacturing of grey cloth. They do not want to have separate registrations for both the units under the GST law. Explain as per provisions of CGST Act, 2017 whether separate registrations are to be taken for the two units when both are located in the same state.

(3 marks)

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- (e) CBZ Ltd. manufacturer of garments during the month of March, 2020 had exported the following brands/products to the customer in Germany :

Product	FOB value of goods Exported Amount (₹)	Market Price of goods exported Amount (₹)	Rate of Duty Drawback
A	4,30,000	3,50,000	30% of FOB
B	6,00,000	7,00,000	3.50% of FOB
C	3,00,000	3,50,000	1.50% of FOB

You are required to work out the amount of duty drawback as admissible as per section 75 of the Customs Act, 1962 in each of the aforesaid cases of exported goods keeping in consideration the following information :

- (i) Imported value of Product–B is ₹ 8,00,000
(ii) Product–C is manufactured out of duty free inputs.

(3 marks)

6. (a) Determine by giving brief reasons the requirement and date of issue of tax invoice under CGST Act in each of the following independent cases :

- (i) Ritu Manufacturers Pvt. Ltd. of Delhi supplies goods to Prakhar Electronics, Gurugram, Haryana. The goods were removed from its factory in Delhi on 23rd September, 2019.
(ii) Katyani Security Services Ltd. has provided security services to Royal Jewellers for their Jewellery in the exhibition (JAS-2019) organized at Jaipur on 5th October, 2019.
(iii) Sultan Industries Ltd. of Delhi entered into a contract with Prakash Entrepreneurs of Delhi for supply of spare parts of a machine to them on 27th November, 2019. The spare parts were required to be delivered on 30th November, 2019. Sultan Industries Ltd. removed the finished spare parts from its factory on 29th November, 2019.

(2×3=6 marks)

- (b) Specify all those conditions which are to be satisfied for imposing countervailing duty on the subsidized articles as specified in section 9 of the Customs Tariff Act, 1962.

(4 marks)

: 12 :

- (c) HJK Ltd. a manufacturer of Cotton Grey Fabrics having its registered office located in Coimbatore, Tamil Nadu in the month of January, 2020 had imported a fabric making machinery from a supplier of Italy. HJK Ltd. entered into a contract agreement with RS Logistics Pvt. Ltd. a licensed customs broker having its office located in Bengaluru, Karnataka, to carry out and meet all the necessary legal formalities for getting the said machine cleared from the customs station of Kandla Port and thereafter to deliver the same to them in Coimbatore.

HJK Ltd. also authorised RS Logistics Pvt. Ltd. in this context under the agreement to incur on their behalf, the various expenses in relation to clearance of the imported machine, payment of duties and charges which shall stand to be reimbursable to them on actuals.

RS Logistics Pvt. Ltd. after clearance of machine raised an invoice in February, 2020 on HJK Ltd. as under :

Particulars	Amount (₹)
Agency charges	6,40,000
Unloading of machine at Kandla port, Gujarat	50,000
Prepared and submitted Bill of Entry and customs duty paid	5,00,000
Dock dues paid	50,000
Travelling expenses	40,000
Telephone and other expenses	12,000

You, in this backdrop, are required by taking that the conditions specified in rule 33 of the CGST Rules, 2017 stand satisfied :

- (a) to state the applicable provision of Rule -33 of the CGST Rules, 2017 and the nature of service provided by RS Logistics Pvt. Ltd.
- (b) to compute the value of taxable supply.
- (c) to state your answer when RS Logistics Pvt. Ltd. had charged an amount of ₹ 13,00,000 as a lump sum consideration for getting the imported machine cleared from the customs station and bringing the same to the warehouse of HJK Ltd. in Coimbatore.

(5 marks)