

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 the references to sections in Part-II of the Question Paper relate to the Income-tax Act, 1961 and relevant Assessment Year is 2020-21 unless stated otherwise.*
  3. *Wherever necessary, suitable assumptions can be made and the same should be stated clearly in the answer.*
  4. *Working notes should form part of the answer.*

**PART-I**

1. (a) Determine the amount of Input Tax Credit (ITC) admissible under the provisions of CGST Act, 2017 to PQR Ltd in respect of the following transactions which have taken place in the month of January, 2020.

Take note that (i) all the conditions necessary for availing the ITC have been complied with and fulfilled; and (ii) the registered person PQR Ltd is not eligible for any threshold exemption.

Support your answer by giving brief reasons.

	<b>Particulars</b>	<b>Amount of GST (₹)</b>
(i)	Goods used in constructing an additional floor of office building at Jaipur.	24,750
(ii)	Packing materials used in the factory	6,500
(iii)	Goods destroyed in flood waters due to natural calamities	4,750

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- (iv) Paper purchased for computers printing and for photocopying machine used in Administrative Office 1,250
- (v) Inputs used for tests or for quality control check 15,600
- (5 marks)

- (b) Romeo Small Finance Bank Ltd is engaged in providing financial related services and of various types of loan facilities to its constituents, furnishes the following information relating to various services provided and the gross amount received during the month of December, 2019.

Particulars of service	Amount (₹ in lacs)
(1) Commission received for debt collection service	10
(2) Discount earned on bills discounted	3
(3) Penal interest recovered from the customers for the delay in payment of loan EMIs/Dues	2
(4) Commissioner received for service rendered to Government for the collection of taxes	5
(5) Interest earned on reverse repo transaction	10
(6) Service to merchants accepting credit/debit card payments using point of sale (POS) machine of Bank. (In 30% cases, the amount per transaction was up to ₹ 1,800 while in the other cases, the amount was exceeding ₹ 2,000)	20

Compute the value of taxable supply and of the amount of GST payable for the month of December, 2019 of Romeo Small Finance Bank Ltd. Gross amount does not include the amount of GST. Take the Rate of GST as 18%.

(5 marks)

- (c) Examine the correctness or otherwise of the following statements in accordance with the provisions of GST Act, 2017 and support your answer by giving brief reasons :
- (i) The composition scheme will not be an optional scheme.
- (ii) A taxable person having same PAN can opt to pay tax under composition scheme by seeking separate registration for branches.

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- (iii) A taxable person will be eligible to opt for composition scheme only for one out of the three or more business verticals.
- (iv) Composition scheme can be availed, where the taxable person effects inter-state supplies.
- (v) Composition tax can be collected from the customers.

*(1×5=5 marks)*

(d) Ram Bharose, intends to start business of supply and selling of the specified goods in Delhi as proprietor. However, he is not able to determine because of the complexity of the provisions of the CGST Act, 2017 as to :

- (i) the classification of the goods proposed to be supplied by him [as the classification of said goods has been contentious]; and
- (ii) the place of supply as the supplies of the said goods is to be made from Delhi to buyer located in New York.

He therefore approached his tax advisor, who advised him to get first registered under the CGST Act and thereafter apply for the advance ruling in respect of these issues as the advance ruling would bring certainty and transparency and would also avoid litigation later.

In this backdrop and the information given, you are required to advise Ram Bharose with respect to the following :

- (i) Whether he needs to get himself registered first under GST law before applying for the advance ruling ?

*(2 marks)*

- (ii) Can advance ruling be obtained to determine (a) the classification of the goods proposed to be supplied; (b) the place of supply, where the supplies of said goods is from Delhi to buyers in New York ?

*(3 marks)*

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

2. (a) PQR Travels Ltd. engaged in providing diversified services of transportation of passengers by various modes provides the details of the various services so provided to the passengers and of the amount collected there against for the month of March, 2020.

Service of Transportation of Passengers :

(1) by National Waterways	₹ 40,00,000
(2) by Air conditioned State carriages	₹ 30,00,000
(3) by contract carriages for tourism purposes	₹ 25,00,000
(4) from Mumbai to Chennai port in a vessel and such service is not for tourism purpose	₹ 12,00,000
(5) in Metered Cab	₹ 32,50,000
(6) in Radio Taxis	₹ 25,00,000
(7) in Air conditioned contract carriages	₹ 25,00,000

Compute the value of the taxable supply of the services and of the amount of GST liability payable thereon by PQR Travels Ltd for March, 2020 by taking the applicable rate of GST at 5%.

(5 marks)

- (b) Anand Kumar, a regular tax payer, filed his return of outward supplies (GSTR-1) for the month of August, 2019 before the due date. Later on, in February, 2020 he discovered certain error in the GSTR-1 return of the month of August, 2019 so filed before the due date and thus intends to correct the GSTR-1 and consults you to seek an opinion.

You are required to advise as to the suitable course of action to be taken according to statutory provisions contained under the CGST Act, 2017 so as to enable him to rectify the error so noticed in the already filed GSTR-1 return of the month of August, 2019.

(5 marks)

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- (c) Radhey Gobind & Co engaged in the wholesale business particularly dealing in the product of which supply was exempt from tax under GST. Subsequently, tax was imposed on the sale of the product by a notification issued from 01-10-2019. Radhey Gobind & Co continued to sell the product without making any change in the selling price of the product. Later, in the month of March, 2020 they realised that because of no change in the selling price, they had paid higher quantum of tax and therefore decided to file an application for refund claim by stating that there was no change in the price before and after imposition of tax and hence the burden of tax had not been passed on to the buyer.

Discuss and explain in the context of provisions of the CGST Act, 2017 supported with a decided case law, if any, whether the stand taken for refund claim by Radhey Gobind & Co shall be acceptable.

(5 marks)

- (d) A show cause notice (SCN) indicating various discrepancies was issued by the proper officer to a registered person. However, the registered person despite opportunity given, failed to give satisfactory explanation and reply relating to the shortcomings indicated in the SCN.

In this backdrop, state as per provisions of the CGST Act, 2017 what actions now against the registered person may be taken by the proper officer ?

(5 marks)

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

- 2A. (i) Destiny Advertising Agency, Ahemdabad supplying services to different customers for making booking of advertisements in different media, provides the following details and of the amounts charged there against for the month of January, 2020 :

Particulars	Amount (₹ Lakh)
(1) Aerial advertising	15
(2) Sale of time slot for advertisement to be broadcast on television	12

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(3)	Advertisement via banner at public places	7
(4)	Sale of time slot for advertisement on FM Radio/98 Radio Mirchi	13
(5)	Advertisements in Dainik Bhaskar newspaper	9
(6)	Advertisement on cover and back pages of books	1

Compute the taxable value of the services and of the amount of GST payable. Take the rate of GST in print media of 5% and in other cases of 18%. All amounts given are exclusive of GST. Ignore the threshold limit.

(5 marks)

- (ii) Trident Beauty Cosmetics Ltd operating multiple wholesale outlets of cosmetic products in different suburbs in Mumbai, Maharashtra received an order worth ₹ 3,54,000 (inclusive of GST leviable @ 18%) for supply of different cosmetic products from Prasanna Cosmetics Store of Delhi. Trident Beauty Cosmetics Ltd while checking the stocks found that order worth ₹ 1,18,000 can be fulfilled from the company's Dadar (Mumbai) store and remaining goods worth ₹ 2,36,000 can be supplied from its Malad (Mumbai) store. Both the stores were instructed to issue separate invoices for the goods supplied and sent by them to Prasanna Cosmetics Store of Delhi. The goods are required to be transported to Delhi in a single conveyance owned by Radhey Transport Carriers of Dadar (Mumbai).

You are required to advise Trident Beauty Cosmetics Ltd as per provision under the CGST Act, 2017 with regard to issuance of e-way bill/(s).

(5 marks)

- (iii) A show cause notice (SCN) under section 73(1) of the CGST Act, 2017 is being proposed to be issued to Evergreen Farm Technologies Pvt. Ltd on 31.07.2023 on account of short payment of tax during the period between 1.7.2019 and 31.12.2019. Evergreen Farm Technologies Pvt. Ltd contends that the show cause notice so proposed to be issued on 31.07.2023 is time barred in law and is thus a bad notice. You are required to examine the technical veracity of the contention of Evergreen Farm Technologies Pvt. Ltd as per CGST Act, 2017.

(5 marks)

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- (iv) When can Summary Assessment order be made by the proper Officer under the provisions of the CGST Act, 2017 ? Can such an order be requested to be withdrawn and if yes, then how and before which authority ?

(5 marks)

3. (a) Examine by giving reasons in brief in the context of provisions contained under the CGST Act, 2017 as to taxability or otherwise of the following independent supply of services :

(i) Tejas & Co of Delhi a tour operator provided services to Robert, a foreign tourist resident of UK for his tour conducted in Rajasthan and Agra for a sum of ₹ 2,50,000 and of Jammu Kashmir for a sum of ₹ 1,00,000 and received the total amount of ₹ 3,50,000.

(ii) Ms. Purnima acts as a Team Manager for Indian Sports League (ISL) a recognized sports body. She was contracted by a Multi Brand Retail Company to act as Manager for a Tennis tournament organized by them and was paid an amount of ₹ 5,00,000.

(4 marks)

- (b) Determine the time of supply (TOS) by giving reason in brief in each of the following cases in accordance with the provisions in CGST Act, 2017 :

No.	Date of completion of service	Date of Invoice	Date of receipt of payments
1.	16.07.2019	21.07.2019	26.08.2019
2.	16.08.2019	11.09.2019	01.09.2019
3.	16.09.2019	11.10.2019	Part payment on 01.10.2019 Remaining payment on 26.10.2019
4.	16.10.2019	11.11.2019	Part payment on 12.11.2019 Remaining payment on 15.11.2019

(4 marks)

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- (c) Ram Avtar resident of Nagpur has entered into a roll over contract approached NDMC Bank Ltd on 12-01-2020 for selling US \$ 4,50,000 at the rate of ₹ 75 per USD. RBI reference rate on 12-01-2020 was ₹ 76 and the rate of exchange declared by CBEC for the day was ₹ 76.50 per USD.

Calculate the value of taxable supply by explaining in brief the provisions of CGST Act, 2017 and rules framed thereunder.

(4 marks)

- (d) Discuss and explain in brief the provisions relating to refund of the amount of advance tax deposited by a casual taxable person under section 27(2) of the CGST Act, 2017.

(4 marks)

- (e) The proper officer under the CGST Act, 2017 can authorize arrest of any person under section 69 of the CGST Act, 2017. State all those situations when the proper officer can authorize arrest of any person.

(4 marks)

4. (a) Ram Ratan who has imported a machine from UK in India provides the following information and details relating to such machine and requests you to compute the assessable value and of the total amount of payable Custom duty and other taxes to be levied :

- |       |   |                   |
|-------|---|-------------------|
| (i)   | FOB value of machine  | - 8,000 UK Pounds |
| (ii)  | Air Freight paid  | - 2500 UK Pounds  |
| (iii) | Design and development charges paid in UK   | - 500 UK Pounds   |
| (iv)  | Commission payable to local agent @ 2% of FOB in INR  |                   |
| (v)   | Date of bill of entry - 24.10.2019 (Rate BCD 20%, Exchange rate as notified by CBIC ₹ 120 per UK Pound) |                   |
| (vi)  | Date of entry inward - 20.10.2019 (Rate BCD 18%, Exchange rate as notified by CBIC ₹ 115 per UK Pound)  |                   |



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- (vii) Integrated tax payable @ 12%
- (viii) GST Compensation Cess - Nil
- (ix) Insurance charges actually paid but details not available.

(6 marks)

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

(4 marks)

**PART-II**

5. (a) Chetan Lal had borrowed on Hundi a sum of ₹ 25,000 by way of a bearer cheque on 11.09.2019 and repaid the same with interest in total amounting to ₹ 30,000 by account payee cheque on 12.12.2019.

The Assessing Officer (AO) had issued a show cause notice to treat the amount borrowed by Chetan Lal on Hundi as income chargeable to tax during the previous year ended on 31-03-2020. Chetan Lal seeks your opinion as to the correctness of the action of the AO.

(3 marks)

- (b) The concept of Permanent Establishment is important in determining the tax implications of cross border transactions. Examine the significance thereof (PE), when such transactions are governed by Double Taxation Avoidance Agreements (DTAA).

(3 marks)

- (c) How and when a unilateral Advance Pricing Agreement (APA) entered into can be converted into a bilateral APA ?

(3 marks)

- (d) What is the legislative intent/objective of bringing into existence the provisions relating to transfer pricing in relation to international transactions ? Explain the statement in the context of Income Tax Act, 1961.

(3 marks)

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- (e) The Assessing Officer can complete the assessment of income from international transactions in disregard of the order passed by the Transfer Pricing Officer (TPO) by accepting the contention of the assessee. Explain.

(3 marks)

*Attempt all parts of either Q. No. 6 or Q. No. 6A*

6. (a) Examine in the context of provisions contained under the Income Tax Act, 1961 in each of the following independent cases and state in brief whether there exists business connection in each of the cases in India so as to bring the income earned in the previous year, if any to be taxed in India :
- (i) Al Rahim Ltd a company resident in Dubai had setup a liaison office at Mumbai to receive trade enquiries from the customers in India. The work of the liaison office is not only restricted for forwarding the trade enquiries to the company in Dubai but was also to negotiate and enters into the contracts on behalf of Al Rahim Ltd with the customers in India.
- (ii) John Muller Pty Inc a resident company of USA has set up a branch office at Delhi for the purpose of purchase of various materials which are being used for manufacturing its products. The branch office is engaged in selling the products manufactured by John Muller Pty Inc and also in providing the sales related services to the customers in India on behalf of John Muller Pty Inc.
- (iii) Rajendra, a resident in India and based at NOIDA is appointed as agent by KOK Pty Inc a company incorporated in USA for exploring the Indian markets. He had not been given any authority to accept the orders but was allowed for canvassing the orders and then to communicate the same to company in USA. All the orders were directly received and accepted by the company

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and after receiving the price/value thereof, the delivery of goods was given directly by the company from any of its outlets outside India. None of the activities either of purchase of raw material or of manufacturing of finished goods took place in India. The agent was entitled to receive the commission as a percentage on the sales so concluded by KOK Pty Inc of USA.

(2 Marks each = 6 Marks)

(b) Explain the taxability or otherwise of the following transactions entered into during the previous year 2019-20 in the hands of the recipients as per provisions contained under the Income-tax Act, 1961 :

(i) Nistha, a member of her father's HUF, transferred a house property owned by her to the HUF of her father without taking any consideration. The stamp duty value of the house property so transferred by her on the date of transfer is assessed at ₹ 15,00,000. The property so transferred by her was given on rent by the HUF.

(ii) Akshat received 1000 shares as a gift of ATOZ Ltd having face value of ₹ 10 each from his friend on the occasion of his 25th marriage anniversary. The fair market value on the date of gift of the shares of ATOZ Ltd was of ₹ 100 per share. He also received a car from his nephew on the same day and the fair market value of the car on the date of gift was assessed at ₹ 5,25,000.

(4 marks)

(c) Examine in brief the doctrine of "*form and substance*" in the context of tax planning under the Income Tax Act, 1961. Support your answer with the decided court cases explaining the principle of form and substance which will prevail in Income Tax matters.

(5 marks)

**OR (Alternate question to Q. No. 6)**

6A. (i) What do you understand by the term double taxation ? Discuss the connecting factors which lead to double taxation of an income.

(6 marks)

(ii) “*Live Tele Films*” is a UK base foreign company not having any Indian citizen/resident of India holding its shares. It has shot a TV film during the year ended on 31-03-2020 entirely on the Indian locations so as to show the Indian cultural heritage. The film is to be telecast exclusively in the foreign countries, but it has also been agreed with the Government of India to give the right of telecast of the film in India to “*DD-II*” free of charge. The A.O. issued a show cause notice asking the foreign company to pay tax in India on the income derived by it from the telecast of the film for A.Y. 2020-2021. Company claims that it is not liable to pay any tax in India and therefore seeks your opinion.

(5 marks)

(iii) XYZ Ltd took over the running business of a sole-proprietor by a sale deed. As per terms of the sale deed, XYZ Ltd required to pay overriding charges of ₹ 75,000 p.a. to the wife of the sole-proprietor for ten years in addition to the sale consideration. The sale deed also specifically mentioned that the amount of ₹ 75,000 is a charge on the net profits of XYZ Ltd who had accepted the obligation as a condition of purchase of the business as a going concern. *Is the payment of overriding charges by XYZ Ltd, to the wife of the sole-proprietor in the nature of diversion of income or application of income ?* Discuss and explain as per provisions of Income Tax Act, 1961.

(4 marks)

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