

Roll No.

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 15

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 2022-23 unless stated otherwise.

3. Wherever necessary, suitable assumptions can be made and the same be stated clearly in the answer.

4. Working notes should form part of the answer.

PART-I

1. (a) Sukesh Private Ltd., registered in Uttar Pradesh, is engaged in supplying of services, its turnover was ₹ 30 lakh in the financial year 2020-21. It has provided the following information of outward supply for the month of May, 2022 :

| <i>S. No.</i> | <i>Particulars</i> | <i>Amount</i> (₹) |
|---------------|---|----------------------|
| (i) | Fee for the coaching provided to students for competitive exams. The coaching centre is run by Sukesh Private Ltd. in Uttar Pradesh | 6,00,000 |
| (ii) | Receipts for services provided in relation to conduct of examination in Saransh University, Delhi (Providing education recognized by Indian Laws) | 20,000 |

: 2 :

| | | |
|-------|--|--------|
| (iii) | Amount received from Kamal Public School, a higher secondary school at Noida (Uttar Pradesh) for transportation of students from their residence and back. | 50,000 |
| (iv) | Amount received for providing the security and housekeeping services in VT Public School—a pre-school at Delhi | 30,000 |

Note : Rate of CGST, SGST and IGST are 9%, 9% and 18% respectively. All the amounts given above are exclusive of taxes.

Compute the total GST Liability of Sukesh Private Ltd. for the month of May, 2022.

(5 marks)

- (b) Aditi Company Ltd. is engaged in the manufacturing of heavy machinery. It procured the following items during the month of April, 2022 :

| <i>S. No.</i> | <i>Items</i> | <i>GST Paid</i> (₹) |
|---------------|--|------------------------|
| (i) | Electrical transformers to be used in the manufacturing process | 5,00,000 |
| (ii) | Trucks used for the transport of raw material | 1,20,000 |
| (iii) | Goods purchased from R traders (Invoice of R Traders is received in the month of April, 2022 and debited in the books of account in the April, 2022, but goods were received in the month of May, 2022 | 1,50,000 |
| (iv) | Confectionery items for consumption of employees working in the factory | 20,000 |

: 3 :

Determine the amount of Input Tax Credit (ITC) available with Aditi Company Ltd., in the month of April, 2022 by giving necessary explanations for treatment of various items. Assume that :

- (i) All the conditions necessary for availing the ITC have been fulfilled.
- (ii) Aditi Company Ltd. is not eligible for any threshold exemption.

(5 marks)

- (c) Suncity Private Ltd., a manufacturer registered in the state of Rajasthan, sold synthetic cloth to a retail seller in Maharashtra, at a value of ₹ 49,000 (excluding IGST leviable @ 5%). Now, it wants to send the consignment of such cloth to the retail seller in Maharashtra.

You are required to advise Suncity Private Ltd. on the following issues with reference to the provisions relating to the electronic way bill (e-way bill) as prescribed under the GST law :

- (i) Whether e-way bill is mandatorily required to be generated in respect of such movement of goods ?
- (ii) If yes, who is required to generate the e-way bill ?
- (iii) What will be the consequences for non-issuance of e-way bill ?

(5 marks)

- (d) RP Manufacturers Ltd., registered in Mumbai (Maharashtra), is a manufacturer of footwear. It imports a footwear making machine from USA. RP Manufacturers Ltd. enters into a contract with Kartik Logistics, a licensed customs broker with its office at Ahmedabad (Gujarat), to meet all the legal formalities in getting the said machine cleared from the customs station.

: 4 :

Apart from this, RP Manufacturers Ltd. authorises Kartik Logistics to incur, on its behalf, the expenses in relation to clearance of the imported machine from the customs station and bringing the same to the warehouse of RP Manufacturers Ltd. expenses shall be reimbursed on the actual basis in addition to agency charges.

Kartik Logistics provided following details in the invoice issued by it to RP Manufacturers Ltd. :

| <i>S. No.</i> | <i>Particulars</i> | <i>Amount</i> (₹) |
|---------------|--|----------------------|
| (i) | Agency charges | 4,00,000 |
| (ii) | Unloading of machine at Kandla port, Gujarat | 45,000 |
| (iii) | Charges for transportation of machine from Kandla port, Gujarat to Kartik Logistics' godown in Ahmedabad, Gujarat | 25,000 |
| (iv) | Charges for transportation of machine from Kartik Logistics' Ahmedabad godown to the warehouse of RP manufacturers Ltd. in Mumbai, Maharashtra | 31,000 |
| (v) | Dock dues paid | 60,000 |
| (vi) | Port charges paid | 30,000 |
| (vii) | Prepared and submitted Bill of Entry and paid customs duty | 6,00,000 |
| (viii) | Hotel expenses | 47,000 |
| (ix) | Travelling expenses | 48,000 |

According to GST law, compute the value of supply made by Kartik Logistics with the help of given information.

Note : All amounts are exclusive of GST.

(5 marks)

: 5 :

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

2. (a) Determine the place of supply according to IGST Act, 2017 in the following independent cases :
- (i) Suresh (New Delhi) boards the New Delhi-Udaipur train at New Delhi. Suresh sells the goods taken on board by him (at New Delhi) in the train, at Chittorgarh (Rajasthan) during the journey.
 - (ii) Ajay Spinners Ltd. imports electric food processors from USA for its Kitchen Store in Bhilwara (Rajasthan). Ajay Spinners Ltd. is registered in Rajasthan.
 - (iii) Amit, a manager in a bank is transferred from Bareilly, Uttar Pradesh to Bhopal, Madhya Pradesh. Amit's family is stationed in Kanpur, Uttar Pradesh. He hires Hari Carriers of Lucknow, Uttar Pradesh (registered in Uttar Pradesh), to transport his household goods from Kanpur to Bhopal.
 - (iv) Baldev, a resident of Jaipur, opens his saving account in Jaipur branch of a nationalized Bank after undergoing the KYC process. He goes to Amritsar (Punjab) for some official work and withdraws money from Bank's ATM in Amritsar thereby crossing his limit of free ATM withdrawals.
 - (v) Chandrasekhar, an architect (New Delhi), enters into a contract with John of New York to provide professional services in respect of his immovable properties located in Pune and New York.
- (5 marks)
- (b) Virat rents out a commercial building owned by him to Rohit for the month of October 2021, for which he charges a rent of ₹ 20,00,000. Virat paid the maintenance charges of ₹ 1,00,000 (for October 2021) as charged by the local society. The charges have been reimbursed to him by Rohit.

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Additionally, Rohit had given ₹ 2,50,000 to Virat as interest free refundable security deposit.

Also, Virat has paid the municipal taxes of ₹ 2,85,000 which he has not charged from Rohit.

You are required to determine the value of supply and the GST liability of Virat for October 2021 assuming CGST and SGST rates to be 9% each.

Note : All the amounts given above are exclusive of GST.

(5 marks)

- (c) From the following information of independent cases, your expert advice, with appropriate reasoning is sought on the applicability of TDS/TCS provisions of the CGST Act, 2017.

You shall also quantify the amount of TDS/TCS, as the case be, if the same is applicable.

Note : Rate is CGST, SGST and IGST are 9%, 9% and 18% respectively. All the amounts given are exclusive of taxes.

- (i) Avis Fashions, a designer cloth dealer registered in the state of Rajasthan, effected supply through 'FARE DEAL', an electronic commerce operator (ECO). Net value of taxable intra-State supplies effected for the month of October, 2021 was ₹ 2,00,000.

(2 marks)

- (ii) Tarun, a registered supplier in Maharashtra, was awarded a work contract by Government of Maharashtra amounting ₹ 4,00,000. Of this, value of exempt supply was ₹ 1,00,000.

(3 marks)

: 7 :

- (d) “A Registered person opted for composition scheme under section 10(1) of the CGST Act, 2017 cannot provide supply of any service either outward or inward service”.

Discuss the validity of the above statement.

(5 marks)

OR (Alternate question to Q. No. 2)

- 2A. (i) Determine the time of supply under CGST Act, 2017 by giving reason in brief in the following independent cases assuming that GST is payable under reverse charge mechanism (RCM) :

| S. No. | Date of payment by recipient for supply of service | Date of issue of invoice by supplier of service |
|---------------|---|--|
| (i) | August 11, 2021 | June 29, 2021 |
| (ii) | August 11, 2021 | June 1, 2021 |
| (iii) | Part payment made on June 30, 2021 and balance amount paid on September 1, 2021 | June 29, 2021 |
| (iv) | Payment is entered in the books of account of recipient on June 28, 2021 and debited in recipient bank account on June 30, 2021 | June 1, 2021 |
| (v) | Payment is entered in the books of account of recipient on June 30, 2021 and debited in recipient bank account on June 26, 2021 | June 29, 2021 |

(5 marks)

- (ii) What are the matters on which advance ruling can be sought under GST law ?

(5 marks)

(iii) Anil, a retailer who keeps zero inventories, presents the following expected information for the year :

(a) Purchase of goods : ₹ 50 lakh (GST @ 5% extra)

(b) Sales (at fixed selling price inclusive of all taxes) : ₹ 60 lakh (GST rate on such goods is @ 5%).

Discuss whether he should opt for composition scheme under GST law if composition tax is 1% of turnover. Expenses for keeping detailed statutory records required under the GST Law will be ₹ 1,75,000 p.a., which shall get reduced to ₹ 75,000 if composition scheme is opted for. Other fixed expenses are ₹ 2,75,000 p.a.

(5 marks)

(iv) Raj, a registered supplier, runs a general store in Bhilwara, Rajasthan. Some of the goods sold by him are exempt whereas some are taxable. You are required to advise him on the following issues :

(a) Whether Raj is required to issue a tax invoices in all cases, even if he is selling the goods to the end consumers ?

(b) Raj sells some exempted as well as taxable goods valuing ₹ 6,000 to a school student. Is he mandatorily required to issue two separate GST documents ?

(c) Raj wishes to know whether it is necessary to show tax amount separately in the tax invoices issued to the customers ?

(5 marks)

3. (a) From the following details of April, 2022, calculate the amount to be paid, for release of goods detained or seized u/s 129 of the CGST Act, 2017, if owner of the goods does not come forward for payment of applicable tax and penalty. Details are as follows :

| <i>Particulars</i> | <i>Amount</i> (₹) |
|------------------------------|----------------------|
| Value of goods | 30,00,000 |
| Applicable GST on such goods | 3,60,000 |

Would your answer be different if goods were exempted from GST and value remains the same ₹ 30,00,000 ?

(4 marks)

: 9 :

- (b) Explain circumstances when the Proper Officer can cancel registration under GST laws on his own.

(4 marks)

- (c) Ghumte Raho Ltd, a tour operator, availed input tax credit (ITC) in respect of certain transactions where no such supplier was existent or from a person not doing any business from the registered place of business.

Jurisdictional Deputy Commissioner of GST wants to restrict the utilization of the credit by Ghumte Raho Ltd. You have been approached by Ghumte Raho Ltd. to give your advice on the following questions raised by it :

- (i) Is it possible for the Department to restrict the utilization of credit which is already availed ?
- (ii) If yes, under what circumstances this can be done by the Department ?

(4 marks)

- (d) Discuss the provisions relating to issue of an invoice/document in the following circumstances under GST law :

- (i) Advance payment is received against a supply, but subsequently no supplies are made.
- (ii) Goods are sent on approval for sale or return basis and are removed before the supply takes place.
- (iii) Miss Dhanvi provides continuous supply of services to her client, where the due date of payment for such services are not ascertainable. No advance has been received in this behalf.

(4 marks)

- (e) J & Co. self-assessed its tax liability as ₹ 80,000 for the month of April, 2022 but failed to make the payment.

Subsequently the Department initiated penal proceedings against J & Co. for recovery of penalty under section 73 of the CGST Act, 2017 for failure to pay GST and issued show cause notice on 9th August, 2022 which was received by J & Co. on 13th August, 2022.

: 10 :

J & Co. deposited the tax along with interest on 25th August, 2022 and informed the department on the same day.

Department is contending that company is liable to pay a penalty of ₹ 40,000 (i.e. 50% of ₹ 80,000).

Examine the correctness of the stand taken by the Department with reference to the provisions of the CGST Act, 2017. Explain the relevant provisions in brief.

(4 marks)

4. (a) Mrs. Nandini, an Indian resident who was on a visit to London, returned after 45 days. She was carrying with her the following items :

| <i>S. No.</i> | <i>Particulars</i> | <i>Amount</i> (₹) |
|---------------|--|----------------------|
| (i) | Personal effects | 80,000 |
| (ii) | Laptop computer | 75,000 |
| (iii) | Jewellery-30 grams (Purchased in London) | 1,30,000 |
| (iv) | Music System | 60,000 |

Compute the customs duty payable by Mrs. Nandini with reference to the Baggage Rules, 2016.

- (b) What will be the dates of commencement of the definitive anti-dumping duty in the following cases under Section 9A of the Customs Tariff Act, 1975 and the rules made thereunder :
- Where anti-dumping duty is imposed retrospectively from a date prior to the date of imposition of provisional duty.
 - Where no provisional duty is imposed
 - Where provisional duty is imposed.

(5 marks each)

PART-II

5. (a) With reference to Income Tax Act, 1961, compare the benefits available, where the asset is acquired on lease and assets purchase from own fund.
- (b) The net result of the business carried on by a branch of foreign company in India for the year ended 31st March, 2022 was at a loss of ₹ 150 lakh after charging off head office expenses of ₹ 220 lakh allocated to the branch.

Explain with reasons the income to be declared by the branch in its Income tax return for the assessment year 2022-23.

- (c) On 31st December, 2021, Miss Saroj paid a sum of 6,000 USD to Samarveera, a management consultant practicing in Tokyo (Japan), specializing in project financing. The payment was made in Japan. Samarveera is a non-resident. The consultancy is related to a project in India with possible Ceylonese collaboration.

Is this payment chargeable to Income Tax in India in the hands of Samarveera for the assessment year 2022-23 ?

- (d) With reference to Income Tax Act, 1961, briefly discuss the difference between General Anti Avoidance Rules 'GAAR' and Specific Anti Avoidance Rules 'SAAR'.
- (e) "Liaison office maintained in India to explore the opportunity of business in India does not constitute business connection".

In the context of provisions contained in the Income Tax Act, 1961, examine the correctness of the above statement if above activity is approved by the Reserve Bank of India.

(3 marks each)

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

6. (a) SKK Pvt. Ltd. has prepared its Statement of Profit and Loss as per Schedule III to the Companies Act, 2013. The net profit for the year ended 31st March, 2022 as per Statement of Profit and Loss was ₹ 220 lakh. Following are the details furnished :

| <i>S. No.</i> | <i>Particulars</i> | <i>Amount</i> <i>(₹ in lakh)</i> |
|---------------|--|-------------------------------------|
| (i) | Provisions of income tax debited | 50 |
| (ii) | Proposed dividend debited | 40 |
| | Other expenses debited includes : | |
| (i) | Provision for doubtful debts | 10 |
| (ii) | Provision for warranty (Uncertain liability) | 30 |
| (iii) | Penalty for infraction of law | 11 |
| (iv) | Depreciation (It includes depreciation on revalued assets ₹ 100 lakh) | 600 |
| (v) | Bank interest on term loan (Note : Actually paid during the previous year and upto filing of ITR u/s 139(1) was ₹ 65 lakh) | 80 |
| (vi) | Expenses incurred on violation of section 40A(3A) | 18 |
| (vii) | Expenses incurred but TDS not deducted up to the date of filing of ITR u/s 139(1) | 10 |

You are required to compute book profit under section 115JB of the Income Tax Act, 1961 for the assessment year 2022-23.

(5 marks)

: 13 :

(b) With reference to the Income Tax Act, 1961, discuss whether the following acts can be considered as tax evasion, tax avoidance, tax planning, tax management or otherwise for the assessment year 2022-23 :

- (i) J Ltd. issued a credit note for ₹ 85,000 for brokerage payable to Amar who is son of Q, managing director of the company. The purpose is to increase total income of Amar from ₹ 1,60,000 to ₹ 2,45,000 and reduce Company's income correspondingly.
- (ii) Sunil is using a Car for his personal purposes, but charged car related expenses as business expenditure.
- (iii) ABC industries Ltd. installed an air-conditioner costing ₹ 65,000 at the residence of a director as per terms of his appointment but treats it as fitted in quality control section in the factory. This is with the objective to treat it as plant for the purpose of computing depreciation.
- (iv) A bank obtaining declaration from depositors in Form No. 15G/15H and forwarding the same to income-tax authorities.
- (v) Mahesh deposited ₹ 50,000 in PPF account with the Post Office to avail tax deduction under section 80C. (Assume he has not opted for section 115BAC of the Income Tax Act, 1961).

(5 marks)

(c) The Assessing Officer have to consider some factors while selecting the appropriate transfer pricing method. Discuss those factors in brief.

(5 marks)

OR (Alternate question to Q. No. 6)

- 6A.** (i) Sanjay, a resident of India received gifts during the financial year 2021-22 as follows :
- ₹ 40,000 from his elder brother residing in Jaipur,
 - ₹ 1,99,000 from his friend residing in USA
 - ₹ 49,000 from his friend residing in New Delhi (received on the occasion of birthday of Sanjay)
 - Shares received from his father, the fair market value (i.e. value as per stock exchange) of the shares on the date of gift was ₹ 3,00,000
 - ₹ 60,000 from his friend residing in Mumbai (received on the occasion of marriage of Sanjay).

You need to advise Sanjay with regard to tax treatment of each of the above item and calculate the total taxable value of the gifts in the hands of Sanjay for the assessment year 2022-23.

(5 marks)

- (ii) K Ltd., a public company incorporated under the Companies Act, 2013 has two units—one engaged in manufacture and the other involved in service. As the company is planning for restructuring of the company, it has decided to sell its Manufacturing unit as a going concern by way of slump sale for ₹ 50,000 to a new company called M Ltd., in which it holds 73% equity shares.

The balance sheet of K limited as on 31st March, 2022, being the date on which Manufacturing unit has been transferred, is given hereunder :

Balance Sheet as on 31-03-2022

| Liabilities | Amount (₹) | Assets | Amount (₹) |
|-------------------------------|-------------------|------------------------|-------------------|
| Paid up Share Capital | 40,000 | Fixed Assets :- | |
| General Reserve | 13,000 | Service unit | 18,000 |
| Share Premium | 8,000 | Manufacturing unit | 25,000 |
| Revaluation Reserve | 13,400 | Debtors :- | |
| Current Liabilities :- | | Service unit | 15,000 |
| Service unit | 8,000 | Manufacturing unit | 16,000 |
| Manufacturing unit | 6,000 | Inventories :- | |
| | | Service unit | 10,500 |
| | | Manufacturing unit | 3,900 |
| Total | 88,400 | Total | 88,400 |

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Company has furnished following additional information :

- (i) The Manufacturing unit is in existence since June, 2016.
- (ii) Fixed Assets of Manufacturing unit includes land which was purchased at ₹ 6,000 in the month of July 2016 and revalued at ₹ 8,000 as on March 31, 2022.
- (iii) Fixed assets of Manufacturing unit is at ₹ 17,000 (₹ 25,000 minus land value ₹ 8,000) is written down value of depreciable assets as per books of account. However, the written down value of these assets under section 43(6) of the Income Tax Act, 1961 is ₹ 11,000.

For the assessment year 2022-23, Ascertain the tax liability, which would arise to K Limited from slump sale.

Cost inflation index for the financial year 2016-17 was 264 and for 2021-22 it was 317.

(5 marks)

(iii) State with brief reasons, which method of determination of Arm's Length Price (ALP) will be most appropriate in the following cases :

- (a) AY Ltd., Bengaluru provided identical call centre services to both related and unrelated parties.
- (b) B Co. Ltd., Mumbai is engaged in manufacture of garments. It manufactured and supplied as per the variation and customization in finishing of products to its associated enterprises Xylo Inc. UK as compared to the goods regularly sold to third parties.
- (c) JEF Co. Ltd., is engaged in manufacture of medicines. It manufactured semi-finished drugs in bulk and sold to related parties located in India and outside India. It adds gross profit mark up on direct and indirect costs of production.

(5 marks)

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