

Roll No.....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 6

Total number of printed pages : 11

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) (i) State the period of holding for considering the shares in a private limited company to be treated as long-term capital asset. (1 mark)
- (ii) An assessee has purchased a car for business purposes on 10th June, 2016 for ₹ 10 lakhs. This is the only asset in the block of assets. In the previous years 2016-17 and 2017-18, 25% of the usage of car was for personal purposes. What is the depreciation allowable for the assessment year 2018-19 ? You may take the rate of depreciation as 15%. (2 marks)
- (iii) Vikas, a resident in India, has received dividend of ₹ 13 lakhs from A Ltd., an Indian company, on which the company has paid DDT under section 115-O of the Income-Tax Act, 1961. He has incurred expenditure of ₹ 1 lakh for earning such dividend. What is the tax payable by him in respect of such dividend income ? (2 marks)
- (b) State with brief reason, whether the following relate to tax planning, tax avoidance or tax evasion :
- (i) Setting up of a liaison office in India by a foreign company, instead of a full fledged establishment to run its business activities in India.

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- (ii) Investment in bonds approved for purposes of section 54EC.
- (iii) Businessman claiming depreciation on a refrigerator purchased for residential use.
- (iv) Visiting a foreign country for certain number of days to reduce the number of days of stay in India.
- (v) Assessee has two residential houses. He wants to sell a vacant site purchased 6 years back. To avail exemption under section 54F, he gifts a residential house to his major son.

(1 mark each = 5 marks)

- (c) Explain in the context of provisions contained under the Income-Tax Act, 1961, the Income test and the Assets test with reference to passive foreign investment company.

(5 marks)

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

2. (a) Shakshitha Pvt. Ltd., furnishes the following summarized position of its profit and loss account and pertinent additional information thereto, for the year ended 31-3-2018 :

(All amounts are ₹ in lakhs)

- | | | |
|-------|---|----------------------|
| (i) | Net profit as per books | 26 |
| (ii) | Share income from an AOP | 6 |
| | Expenditure debited in books for earning such income | 0.8 |
| (iii) | Provision for income-tax | 2 |
| (iv) | CSR expenditure debited to P & L Account | 14 |
| (v) | Royalty received relating to business
(Chargeable at 10%) | 6 |
| (vi) | The brought forward business loss and depreciation are as under : | |
| | As per books | As per IT Act |
| | Business loss for AY 2017-18 | 4 |
| | Depreciation | 3 |
| (vii) | The members as well as their shares in the AOP in which Shakshitha Pvt. Ltd. is a member, are specific and determinate. | |

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(viii) In the current year, the depreciation charged as per books is the same as that of the one allowable as per Income-Tax Act, 1961, before considering the provisions of section 32(2).

Compute the book profits of the company and the tax on book profits under section 115JB for the AY 2018-19.

The company is not an Ind-As compliant company.

(5 marks)

(b) Answer the following questions in the context of provisions contained under the Income-Tax Act, 1961 by taking each an independent case of Advance Ruling :

(i) Applicability of advance ruling and to whom the same is binding.

(2 marks)

(ii) When can the advance ruling be void ?

(1 mark)

(iii) Fees to be paid and form to be filed for obtaining the advance ruling.

(2 marks)

(c) From the following particulars relating to Mrs. Sridevi for the assessment year 2018-19, compute the deduction available under Chapter VI-A of the Income-Tax Act, 1961 :

₹

Gross total income	11,90,000
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Above includes the following :

Short-term capital gains from sale of listed shares	50,000
Long-term capital gains from sale of vacant site	1,50,000
Winnings from crossword puzzles (gross)	90,000

Other information :

Contribution to PPF	
in the name of son, a software engineer	80,000
Stamp paper and registration expenses relating to	
residential house purchased during the year	85,000
Donation to National Defence Fund	40,000
Donation given to Bhhodhan Charitable Trust	
recognised for section 80G purposes	80,000

(5 marks)

OR (Alternate question to Q. No. 2)

- 2A.** (i) What is Advance Pricing Agreement (APA) under section 92CC of the Income-Tax Act, 1961 ? Discuss and explain the validity and the binding nature of APA.
(5 marks)
- (ii) On 11.5.2017, Rama Ltd purchased its own shares having face value of ₹ 10. Amount offered to shareholders was ₹ 80 per share. Total amount distributed by Rama Ltd on buy back of 15,000 shares is ₹ 13,50,000. These shares were issued in the year 2004-05 at a premium of ₹ 15. Kaka one of the shareholder holding 1,500 shares (cost of acquisition ₹ 25 per share, year of acquisition 2007-08) got ₹ 1,35,000. Determine tax consequences in the hands of Kaka (Shareholder) and Rama Ltd. under section 115QA for AY. 2018-19, assuming shares are unlisted.
(5 marks)
- (iii) Bharani Exports Ltd (BEL), has a SEZ unit in 8th year of its operation. 90% of its export sales are to Lovely LLC of USA, which has guaranteed the loan of ₹ 100 crore taken by BEL. Export sales turnover for the year is ₹ 300 crore. There is no DTA sales. The Assessing officer, after examination of the records, concluded that the assessee BEL had failed to maintain proper records of the international transactions, computed the ALP and made an addition of ₹ 32 lakhs to the income returned. He also proposes to levy penalty. The assessee seeks your advice on the proposed action of the AO. Advise suitably.
Can the assessee claim deduction under section 10AA in respect of the addition of ₹ 32 lakhs made on account of transfer pricing adjustments ?
BEL has not entered into any Advance Pricing Agreement (APA).
(5 marks)

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PART—B

3. (a) Particulars relating to import of product Z by Mr. Prahalad on 23-12-17 from Antwerp, Belgium to the Chennai airport, are given hereunder :

FOB value of the Product	\$ 10,000
Cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation	\$ 2,500
Insurance	\$ 1,000
Unloading charges at Chennai airport	₹ 34,000
Exchange rate notified by CBEC on 23-12-17	1\$ = ₹ 64
Exchange rate notified by RBI on 23-12-17	1\$ = ₹ 64.50
Basic customs duty	10%

Ascertain the assessable value and the amount of duty payable by Mr. Prahalad.

(5 marks)

- (b) State with brief reasons, whether the following statements are true or false in the light of the provisions contained in the Customs Act, 1962 :

(i) Customs area includes a warehouse; (3 marks)

(ii) A beneficial owner of imported goods is a person on whose behalf the goods are being imported. (2 marks)

- (c) XYZ Ltd, having its head office at Mumbai, is registered as Input Service Distributor (ISD). It has three units in different cities situated in 'Mumbai', 'Jabalpur' and 'Delhi' which are operational in the current year. XYZ Ltd. furnishes the following information for the month of July 2017 :

- CGST paid on services used only for Mumbai Unit : ₹ 3,00,000

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- IGST, CGST & SGST paid on services used for all units : ₹ 12,00,000
- Total turnover of the units for the previous financial year is as follows :

Unit	Turnover (₹)
Total Turnover of three units	₹ 10,00,00,000
Turnover of Mumbai unit	₹ 5,00,00,000
Turnover of Jabalpur unit	₹ 3,00,00,000

Determine the credit to be distributed by XYZ Ltd. to each of its three units.

(5 marks)

- (d) Siddarth Transports Ltd., is running a regular tourist bus service, carrying passengers and goods from Coimbatore, Tamil Nadu to Trivandrum, Kerala, with effect from 1st August, 2017. Discuss whether such inter-state movement of various modes of conveyance carrying goods or passengers or both, between distinct persons as specified in section 25(4) of the CGST Act, 2017 [except in cases where such movement is for further supply of the same conveyance), is leviable to IGST.

(5 marks)

- (e) Bharghav Pesticides Ltd., a domestic company, intends to start a business in Kolkata, involving supply of certain goods, mostly meant for foreign buyers in China. There is some difficulty in the classification of the goods. Can the company seek advance ruling from the Authority for Advance Ruling formed under CGST Act, 2017 in respect of the issue of classification of goods ? Can the company also seek ruling on issues involving place of supply ?

(5 marks)

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

4. (a) From the following details pertaining to Ashwathama, a registered dealer engaged in purchase and sale of goods, ascertain the GST liability (SGST/CGST/IGST) for the month of November, 2017 :

Particulars	Amount (₹)
Sale price charged to customers within State (excluding GST)	12,50,000
Commission charged to buyers	12,000
Packing and forwarding expenses incidental to sale	18,000
Weighment charges, shown separately in invoices	9,500
Prompt payment discount, indicated in invoice 1%, if payment made within 1 month. All buyers of goods have availed the discount.	

The rates of taxes for the goods supplied are as under :

Particulars	Rate
CGST	9%
SGST	9%
IGST	18%

(5 marks)

- (b) Jayakumar Textiles Ltd., purchased a machinery on 12th August, 2017 for ₹ 12 lakhs (excluding GST). The company put the machinery to use after the purchase and availed input tax credit for the eligible amount.

The machinery was sold as second hand machinery on 14th May, 2018 for ₹ 9 lakhs. During purchase as well as sale of the machinery, the GST rate applicable was 18%. Assuming that there was no change in legal position after November, 2017, discuss the steps which Jayakumar Textiles Ltd., is required to take at the time of sale of the second-hand machine. Briefly state the statutory provisions involved.

(5 marks)

- (c) Compute the assessable value of an imported product (as on 11-12-2017), in the following independent situations :

Case 1

Particulars	Figure (Euro €)
FOB value	2,000
Freight, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation	Not known
Insurance charges	20

Case 2

Particulars	Figure (Euro €)
FOB value	2,000
Sea freight, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation	100
Insurance charges	Not known

(5 marks)

OR (Alternate question to Q. No. 4)

- 4A. (i) AB Ltd. imported Super Kerosene Oil (SKO) and stored it in a warehouse. An ex bond bill of entry for home consumption was filed and duty was paid as per the rate prevalent on the date of presentation of such bill of entry and the order for clearance for home consumption was passed. On account of highly combustible nature of SKO, the importer made an application to permit the storage of such kerosene oil in the same warehouse until actual clearance for sale/use. The application was allowed. However, the rate of duty increased when the goods were actually removed from the warehouse. The department demanded the differential duty. The company challenged the demand. Whether it will succeed ? Discuss briefly, taking support of decided case(s), if any.

(5 marks)

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- (ii) Balram, a registered supplier, furnishes the following details pertaining to the month of October, 2017 (first month of starting of business) :

Particulars	Amount (₹)
Purchases of goods within the State	8,00,000
Purchases of goods from outside the State	10,00,000
Inter State Sales	6,00,000
Intra State Sales	12,50,000

The rates of taxes for the goods supplied are as under :

Particulars	Rate
CGST	6%
SGST	6%
IGST	12%

Compute the GST payable by the supplier Balram for the month of October, 2017.

(5 marks)

- (iii) In the context of 'Clear first, Pay later' concept evolved under the customs law, state the objectives of the concept and the persons who are eligible to avail this facility.

(5 marks)

5. (a) Vinod, a supplier of goods in Vadodara furnishes the following particulars pertaining to supplies likely to be effected by him during the third and fourth quarters of the FY 2017-18 :

Value of supply of goods chargeable to GST ₹ 18 lakhs

Goods to be supplied to World Health

Organization, Ahmedabad office ₹ 4 lakhs

All supplies will be within the State only. He desires to know whether he should get himself registered for GST purposes. Advise him suitably.

(3 marks)

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(b) Harivallabh, a registered supplier, rendered taxable service for ₹ 2 lakhs on 1-11-2017. The tax invoice was raised on 9-12-2017. Payment was received the next day. Ascertain the time of supply for GST purposes.

(3 marks)

(c) State the due dates for payment of deferred customs duty under 'Clear first, Pay later' system evolved under the Customs Act, 1962.

(3 marks)

(d) State the Form Number and the due date for its filing under CGST Act, 2017 of the return by :

- (i) a composition scheme taxable person
- (ii) a registered person deducting tax at source
- (iii) an input service distributor.

(1 mark each = 3 marks)

(e) Briefly explain provisions related to e-way bill as per CGST Act, 2017 relating to :

- (i) What is e-way bill and when it is being required ? (1 mark)
- (ii) What is its validity period ? (2 marks)

6. (a) Answer the following with reference to GST (compensation to states) Act, 2017 :

- (i) Projected Growth Rate
- (ii) Base year
- (iii) Projected Revenue for any year
- (iv) Calculation and release of compensation
- (v) Objective of GST (compensation to states) Act, 2017

(1 mark each=5 marks)

- (b) Briefly define the following terms as per CGST Act, 2017 :
- (i) Adjudicating Authority (2 marks)
 - (ii) Aggregate Turnover (2 marks)
 - (iii) Exempt Supply (1 mark)
- (c) Hema Lubricants Ltd., filed an appeal before the Appellate Tribunal against the order of the Appellate Authority, wherein the issue was revolving around the place of supply. The Tribunal decided the issue against the company and in favour of the department. The company is of the firm opinion that its view is correct and hence there is need to take the issue to an appellate forum higher than the Appellate Tribunal. As the Company Secretary, dealing with indirect tax matters, advise the company about filing of appeal before the appropriate forum.
- (5 marks)