

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-A of the Question Paper relate to the Income-tax Act, 1961 and relevant Assessment Year 2019-20, unless stated otherwise.
 3. Working notes should form part of the answer.

PART—A

1. (a) Miss, Nargis, purchased a residential house property in Jaipur for ₹ 1,20,000 on 15th May, 1975. She further incurred expenses on additions/alteration and modification in respect of the said house property in different years, details of which are :

Particulars of Expenses	Amount (₹)
(a) Construction of a first floor in the F.Y. 1982-83	3,50,000
(b) Construction of a second floor in the F.Y. 2002-03	9,50,000
(c) Modification/alteration/addition in the F.Y. 2012-13	6,00,000

The house property was sold by her on 20th August, 2018 for ₹ 80,00,000 and the expenses incurred on transfer were of ₹ 50,000. The value assessed by the stamp valuation authority on the date of sale was of ₹ 85,00,000. The fair market value of the house property determined as on 1st April, 2001 was ₹ 12,50,000.

Compute the amount of capital gains chargeable to tax for the assessment year 2019-20. The cost inflation indices for various years are :

Financial Year	Cost Inflation Index
2001-02	100
2002-03	105
2012-13	200
2018-19	280

(5 marks)

: 2 :

- (b) (i) The control and management of the business done by Siddharth-HUF is located in London and all policy decisions are being taken therefrom. Mr. Siddharth, the karta of the HUF, born in Jaipur, visited India during the previous year 2018-19 after a gap of 15 years. He came to India on 1st April, 2018 and left for London via Dubai on 30th Nov., 2018.
Determine the residential status of Mr. Siddharth and Siddharth-HUF for the A.Y. 2019-20.
(3 marks)
- (ii) Explain with brief reasons as per provisions contained under the Income-tax Act, 1961, whether the interest of ₹ 5,00,000 paid to Mr. John, a non-resident (resident of UK) in the month of February, 2019 by Mr. Smith, a non-resident (resident of USA) on the money borrowed of ₹ 50,00,000 for the purpose of doing business in garments at Mumbai shall be subject to tax in India in the hands of Mr. John for the Asst. Year 2019-20.
(2 marks)
- (c) (i) Kwatra, a non-resident, made an application to the Authority for Advance Rulings (AAR) on 2nd July, 2018 in relation to a transaction proposed to be undertaken by him. He decided on 31st August, 2018 to withdraw the said application. Can he withdraw the application on 31st August, 2018 ?
(3 marks)
- (ii) When can an advance ruling pronounced by the Authority for Advance Rulings be declared to be void ?
(2 marks)

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

2. (a) Explain with brief reason as to allowability as per the provisions of the Income-tax Act, 1961 of the following payments made during the year while computing income from business or profession for the Assessment Year 2019-20 :
- (i) Purchase of oil-seeds of ₹ 70,000 by Arun Oil Company from a farmer on 16th August, 2018 by making payment in cash.
(2 marks)

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(ii) Tax of ₹ 25,000 paid on the non-monetary perquisite provided to the employees by Hotel Samode Palace.

(2 marks)

(iii) Salary payment of ₹ 2,00,000 made outside India by XYZ Ltd., an Indian company, to Ram without deduction of tax at source.

(1 mark)

(b) Explain the term “Advance Pricing Agreement” as specified under section 92CC of the Income-tax Act, 1961. State the purpose and validity of the same. Who are bound by Advance Pricing Agreement ?

(5 marks)

(c) Mr. Pankaj, a resident, aged 58, neither working as a salaried employee, nor doing any business or carrying on any profession, had the following receipts during the P.Y. 2018-19 :

Particulars of Income	Amount (₹)
(i) Directors fee received from a Company	20,000
(ii) Interest on FDRs of Bank	32,000
(iii) Amount credited in bank of which source is not known to him	20,000
(iv) Net amount of winnings from lotteries	70,000
(v) Royalty received on a poetry book written by him for which an amount of ₹ 1,000 was spent on typing of manuscript	13,000
(vi) Interest received on loan given to a relative	5,000
(vii) Interest on Post Office Savings Bank Account	1,500
(viii) Interest on Monthly Income Scheme of Post Office	63,000

Compute the income chargeable to tax under the respective heads of income for the Asst. Year 2019-20.

Notes : 1. Computation of gross total income will suffice.

2. Computation of tax is NOT required.

(5 marks)

OR (Alternate question to Q. No. 2)

- 2A. (i) Explain by giving brief reasons, whether the following statements are true or false, with regard to the provisions contained in Income-tax Act, 1961 :
- (a) Payment made through a cheque duly crossed as “& Co” in respect of a business expenditure incurred on 16th Feb., 2019 for ₹ 45,000 is not hit by the provisions of section 40A(3).
(2 marks)
- (b) It is a mandatory condition to write off the amount due from debtor in the books of accounts to claim deduction thereof as bad debt.
(2 marks)
- (c) Failure to deduct tax at source in accordance with the provisions of Chapter XVII-B from the amounts payable to a resident as rent or royalty will not result in disallowance of the expenditure thereof while computing the business income, where the resident payee has also not paid the tax due on such income.
(1 mark)
- (ii) Mr. Ramesh, a non-resident Indian acquired/purchased shares of a company XYZ Ltd. in foreign currency on 1st Jan., 2008 for ₹ 10,00,000. These shares were sold by him in the recognized stock exchange through a broker on 1st Jan., 2018 for ₹ 30,00,000. The amount of sales consideration of the shares of ₹ 30,00,000 so received by him was re-invested in purchase of shares of other company ABC Ltd. on 30th March, 2018. The shares of ABC Ltd. purchased on 30th March, 2018 were also sold by him on 30th June, 2018 for ₹ 35,50,000.
Discuss the tax implications relating to the two transactions of sales of the shares in the relevant assessment years under the Income-tax Act, 1961. **The assessment years involved, must be clearly stated in your answer.**

(5 marks)

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- (iii) Compute the book profit of company A Ltd. using the following summarised details of profit and loss account for the year ended 31st March, 2019 :

Sl. No.	Particulars	Debit side ₹ (in lakh)	Particulars	Credit side ₹ (in lakh)
1	Purchases	37	Sales	90
2	Depreciation (normal)	6	Withdrawal from reserve created in 2006 by debiting profit and loss account	10
3	Depreciation because of revaluation	4	Withdrawal from reserve created in the year 2000 without debiting profit and loss account	9
4	Other expenses	5	Withdrawal from revaluation reserve	4
5	Net profit	61		
	Total	113	Total	113

(5 marks)

PART—B

3. (a) Examine the following independent transactions/activities in accordance with the provisions contained under in the CGST Act, 2017 and state in brief whether the same constitute “Supply” under the said Act :
- (i) Arya Pvt. Ltd. entered into a hire purchase agreement for ₹ 20 lakhs with Anu Machines Pvt. Ltd. for supply of a heavy duty machine unit.
- (ii) Asha got a LED TV of 52 inches from Sony Electronics Stores in exchange, for her old 52 inches TV.
- (iii) M/s Bharat Electronics disposed scrap part of its electric unit to a scrap dealer in the normal course of business.

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- (iv) Mr. Babu Lal borrows an amount of ₹ 1,50,000 from one of his relatives Mr. Shyam Lal and agrees to repay the entire amount of ₹ 1,50,000 after a year.
- (v) M/s Raj Enterprises applied for a loan from State Bank of India against which loan processing fees and interest are charged by the bank.

(1×5=5 marks)

- (b) From the following information, compute the SGST/CGST/IGST payable for the month of April, 2018 :

(1)	Sales of mixers of grinders within the State (taxable value)	2,20,00,000
(2)	Sales of mixers of grinders outside the State (taxable value)	1,40,00,000
(3)	Value excluding taxes of steel jars supplied free to buyers, as per promotion scheme for sales outside the state	7,00,000
(4)	Cash incentive given to dealers outside the State for achieving target during the year 2017-18	3,28,000
(5)	Taxable value of supplies of parts, made free to fulfill warranty obligations	1,50,000
(6)	Late payment penalty collected from dealers for delayed payments (intra-State only)	50,000

(5 marks)

- (c) Harry has rented his building consisting of ground floor, first and second floors. The building is located in a residential complex. The ground floor is rented out for the purpose of residence to B. The first and second floors have been rented out for providing commercial coaching to the same person B. Harry charges a lump-sum amount of ₹ 1 lakh as rent from B. Renting of immovable property for residential purposes is exempted and for commercial purposes attracts 18%.

Is Harry liable to pay GST and if yes, what would be the value on which tax has to be paid, say for the month of April, 2018 ? Would your answer be different, if the rent for residential purposes is ₹ 25,000 and the rent for commercial purposes is ₹ 75,000 per month ? Harry has effects other taxable supplies also.

(5 marks)

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- (d) Compute the total customs duties and integrated tax payable based on the following information :

Sl. No.	Particulars	US \$
(i)	FOB value of solar cells	1,000
(ii)	Freight from the exporting country	250
(iii)	Insurance	10
(iv)	Buying commission	50
(v)	Date of filing bill of entry 20th Jan., 2019 (Rate BCD 5%, Safeguard duty 70%,	
(vi)	Exchange rate notified by RBI ₹ 70.05 and by CBIC ₹ 70 (for 1 USD) on the date of presentation of bill of entry.	

(5 marks)

- (e) PQR Ltd., of Mumbai having its business activities spread over different places/ locations in India provides the following particulars/details of its GST liabilities for the quarter ended on 30th Sept., 2018 : (The balance in Electronic Cash Ledger available with PQR Ltd. was of ₹ 6,25,000) :

S. No.	Particulars	Amount (₹)
(1)	Demand raised as per section 73 or section 74 under CGST Act, 2017 belonging to July, 2018.	6,00,000
(2)	Demand raised as per the old provisions of Indirect Taxes being applicable on PQR Ltd.	1,10,000
(3)	Tax liability of CGST, SGST/UGST, IGST for supplies made during August, 2018.	1,25,000
(4)	Interest & Penalty on delayed payment and filing of returns belonging to August, 2018.	20,000
(5)	Tax liability of CGST, SGST/UGST, IGST for supplies made during September, 2018.	1,50,000
(6)	Interest & Penalty on delayed payment and filing of returns belonging to September, 2018.	25,000

Suggest the manner in which the company can utilise the balance amount available in the Electronic Cash Ledger for discharging the tax liability.

(5 marks)

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

4. (a) GP Scraps, imported during August 2018, by sea, a consignment of metal scrap weighing 8,000 M.T. from China and filed a bill of entry for home consumption. The Assistant Commissioner passed an order for clearance of goods and applicable duty was paid on the goods. GP Scraps thereafter found, on taking delivery from the Port Trust Authorities (*i.e.* before the clearance for home consumption), that only 7,500 M.T. of scrap was available at the docks, although they had paid duty for the entire 8,000 M.T., as there was no short-landing of cargo had been indicated. The short-delivery of 500 M.T. was also substantiated by the Port-Trust Authorities, who gave a “*weightment certificate*” to GP Scraps.

On filing a representation to the Customs Department, GP Scraps has been directed by the Department in writing to justify as to which provision of the Customs Act, 1962 governs their claim for remission of duty on the 500 M.T. not delivered by the Port-Trust to them.

You are approached by GP Scraps as ‘Counsel’ for an opinion/advice. Examine the issues and tender your opinion as per law, giving reasons.

(5 marks)

- (b) Anand Nursery engaged in agricultural related services provides the following details of the transactions for the month of December, 2018 :

S. No.	Particulars	Amount (₹ in lakhs)
(1)	Renting of Agro-machinery	5
(2)	Cultivation of Ornamental flowers	2.5
(3)	Processing of Tomato ketchup	3
(4)	Processing of Potato chips	1.5

You are required to compute the value of taxable services of Anand Nursery for December, 2018. Brief reasons to be given for each item along with the working.

(5 marks)

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- (c) You are required to determine in the context of the provisions contained in the CGST Act, 2017 whether the company ABC Pvt. Ltd., incorporated in Karnataka is liable to be registered under GST Act, when the company has effected following supplies within the state of Karnataka :

S. No.	Particulars	(Rupees)
(1)	Intra-State supply of goods chargeable with GST@ 18%	9,60,000
(2)	Intra-State supply of goods which are wholly exempt from GST u/s 11 of CGST Act, 2017	6,40,000
(3)	Intra-State supply of goods chargeable @ Nil rate	4,25,000
(4)	Export of goods to Dubai	3,75,000
		<i>(5 marks)</i>

OR (Alternate question to Q. No. 4)

- 4A. (i) Explain the provisions for claiming duty drawback and also ascertain whether the exporter is entitled to duty drawback in the following independent cases and if yes, state the amount of such duty drawback :
- (a) FOB value of goods exported is ₹ 5,50,000. Rate of duty drawback on such export of goods is 1.75%.
(3 marks)
- (b) FOB value of 2,000 kgs. of goods exported is ₹ 2,00,000. Rate of duty drawback on such export is ₹ 30 per kg. The market price of goods is of ₹ 50,000 in the wholesale market.
(2 marks)
- (ii) Venus Bakery Products Ltd. is doing business of manufacturing and selling of different types of Cakes, Pastries, Biscuits, Cookies and other bakery products through a network of dealers. The bakery sells the goods to the dealers on the price less discount at a standard rate and pays GST accordingly. It offers additional discount on the stocks when goods remain unsold with the dealers as an incentive to push the sales. Can the additional discount so given on unsold stocks be reduced from the price at which the goods were sold and consequential tax adjustments be made ?
(5 marks)

- (iii) When can an appeal be filed to the Appellate Tribunal under the Customs Act, 1962 as per section 129-A ? State also matters for which the Appellate Tribunal does not hold jurisdiction.

(5 marks)

5. (a) Sugandha Enterprises, dealers of Watches, Leather goods and other items is supplying a Kit containing a piece of Watch, a Wallet and a Pen bundled as a Combo Pack for ₹ 12,500. The rates of GST on pen is 12%, on wallet is 18% and on watch is 28%. The selling price of individual items is Watch ₹ 11,000, Wallet ₹ 1,000 and Pen ₹ 1,500. Determine the nature of supply of the combo pack and the rate of GST to be charged.

(3 marks)

- (b) There are separate valuation provisions for goods and services under the CGST, SGST and IGST provisions. Examine the correctness of this statement.

(3 marks)

- (c) State briefly the provisions of refund of anti-dumping duty with reference to section 9AA of the Customs Tariff Act, 1975.

(3 marks)

- (d) Ravi Pratap imported certain goods from U.S., for which a bill of entry was presented on 28th Nov., 2018 to the Custom Authorities. The assessable value of consignment was 2,00,000 dollars and the rate of exchange on 28th Nov., 2018 was ₹ 65. Order for the deposit of goods in the warehouse for 3 months was issued on 1st Dec., 2018. Ravi Pratap failed to clear goods from the warehouse within the allowed period of three months and also did not obtain permission for extension of warehousing period. The goods were not cleared from the warehouse till 28th Feb., 2019. The rate of exchange on 28th Feb., 2019 was ₹ 63 per dollar. Notice under section 72 of the Customs Act, 1962 was served on the importer and finally removed the goods from warehouse on 30th March, 2019. The rate of exchange on the date of removal was ₹ 64. The rate of Custom duty was 15%, 10% and 8% on 28th Nov., 2018, 28th Feb., 2019 and 30th March, 2019 respectively.

Compute amount of Customs duty payable by assuming that no additional duty or SAD is payable.

(3 marks)

- (e) Explain by giving brief reasons in the context of provisions contained under the CGST Act, 2017 pertaining to composition scheme :
- (i) Can a registered person, who purchases goods from a supplier paying tax under the Composition Scheme, avail credit of tax paid on purchases made from the composition dealer ?
- (ii) Can a person paying tax under the Composition Scheme issue a tax invoice under GST ?
- (iii) Can a person who has opted to pay tax under the Composition Scheme avail Input Tax Credit on his inward supplies ?

(3 marks)

6. (a) Govinda Exports, a partnership firm, is registered under GST in the State of Gujarat. The firm exports goods without payment of tax under letter of undertaking in accordance with the provisions of section 16(3) (a) of the IGST Act, 2017.

The supplies made during a tax period are as under :

S. No.	Particulars	(₹)
(i)	Domestic supplies of taxable product 'P' during the period [excluding tax @ 5%] [Inputs used in manufacturing of such goods are taxable @ 18%]	14,00,000
(ii)	Export of product 'Q' to Austria for Euro 20,000. Assessable value under customs in Indian rupees. [Export duty is levied on product 'Q' at the time of exports]	12,00,000

Product P is not notified as a product, in respect of which refund of unutilized ITC shall not be allowed under section 54(3)(ii) of the GGST Act, 2017.

The ITC available for the above tax period is as follows :

S. No.	Particulars	(₹)
(i)	On inputs (including ₹ 60,000 on export of exempt supplies)	4,60,000
(ii)	On capital goods	1,40,000
(iii)	On input services (including ₹ 18,000 on outdoor catering)	2,10,000

You are required to compute the maximum amount of refund admissible to the supplier for the given tax period.

(8 marks)

- (b) Vivitha Chemicals Ltd. is a manufacturing company registered under GST in the State of Tamil Nadu. It manufactures two taxable products “Supreme” and “Maroon”, and one exempt product “Delight”. All purchases are from outside the State from registered suppliers.

On 1st October, 2018, product “Delight” got withdrawn from the exemption notification and product “Maroon” got exempted through an exemption notification.

The supplier furnishes the under-mentioned details (Amounts are excluding GST at 12% for Raw materials and 18% for Capital goods) :

S. No.	Particulars	Price (₹)
(a)	Machinery “D” purchased on 22nd Oct., 2018 for being used in manufacturing products “Supreme” and “Delight”.	4,00,000
(b)	Machinery “E” purchased on October 1, three years before 1st Oct., 2018, for being exclusively used in manufacturing product “Delight”. From 1st Oct., 2018, such machinery will also be used for manufacturing product “Maroon”.	5,00,000
(c)	Raw Material used for manufacturing “Supreme” purchased on 9th Oct., 2018.	7,00,000
(d)	Raw Material used for manufacturing “Maroon” purchased on 27th Oct., 2018.	6,82,000
(e)	Raw Material used for manufacturing “Delight” purchased on 25th Oct., 2018.	2,00,000

Compute the amount of input tax credit credited to Electronic Credit Ledger for the month of October, 2018.

(7 marks)