

2019

## COMMERCE

Paper : CC-204

(Indirect Tax and Corporate Tax Planning)

Full Marks : 40

*The figures in the margin indicate full marks.**Candidates are required to give their answers in their own words as far as practicable.*

## Module - I

Answer *any two* questions.

15×2

1. (a) When a tax is said to be a Value-addition based tax?
- (b) State with reasons the GST implication of the following supplies :
- A sold his personal car to B to be used by B for his personal purpose.
  - C, a registered car-seller, sold his personal car to D, a registered second-hand car seller.
  - TATA Motors, a registered supplier, supplied Nano, booked earlier by Mr. F for his personal use.
- (c) Ranveer Ltd. imported some goods for subsequent sale in India at US\$ 15,000 on assessable value basis. The relevant exchange rates and rates of duty where as follows :

| Particulars  | Date<br>2018 | Exchange Rate<br>notified by |                  | Rate of Basic<br>Customs<br>Duty |
|--|--------------|------------------------------|------------------|----------------------------------|
|  |              | RBI                          | CBIC             |                                  |
| Date of<br>submission of<br>Bill of Entry                        | 25th June    | ₹ 68.75/<br>US\$             | ₹ 69.25/<br>US\$ | 10%                              |
| Date when the<br>banker realised<br>the payment<br>from importer | 30th June    | ₹ 68.90/<br>US\$             | ₹ 69.00/<br>US\$ | 15%                              |
| Date of Entry<br>Inwards granted<br>to the vessel                | 12th July    | ₹ 67.25/<br>US\$             | ₹ 67.10/<br>US\$ | 12%                              |

Social Welfare Surcharge as applicable.

You are required to calculate the assessable value and customs duty payable.

2+8+5

Please Turn Over

2. (a) P supplied goods worth ₹ 12,000, under an intra-state supply to Q (registered) P also Supplied goods worth ₹ 6,000, under an inter-state supply, to R (registered). P purchased inputs worth ₹ 15,000, under an inter-state supply, from T (registered). Applicable rate of GST – CGST : 9% SGST : 9%, IGST : 18%.

Compute the GST liability of the taxable persons, when :

- (i) P is a registered supplier.  
(ii) P is an unregistered supplier.
- (b) Aqua Ltd. imported one high resolution scanner machine CIF valuer of which was ₹ 90,00,000. The CIF value included the following charges :
- (i) Freight from factory of the exporter to load airport was ₹ 15,00,000.  
(ii) Loading and handling charges paid were ₹ 80,000.  
(iii) Freight from load airport to the airport of importation in India was ₹ 1,20,000.  
(iv) Cost of insurance ₹ 81,211.

Find out the assessable value of the scanner machine.

(6+4)+5

3. (a) Amar of Madhya Pradesh supplied goods worth ₹ 10,00,000 to Sourav, a related person, of West Bengal for ₹ 7,00,000. Sourav, after value addition supplied the same to Tarun of West Bengal for ₹ 18,00,000. Sourav also acquired goods worth ₹ 10,00,000 from Tamal of West Bengal. Rate of GST : CGST 9%, SGST 9% and IGST is 12%.

Calculate the duty liability of Amar and Sourav assuming that Amar and Sourav are registered suppliers but Tamal is unregistered.

- (b) FOB cost of the articles imported from UK was £ 6,000. Insurance and transport cost not available. The banker realised the payment from importer at ₹ 89/£1. On the date of filing Bill of Entry, Reserve Bank of India's reference rate was ₹ 88.75/£1, whereas the exchange rate notified by CBIC was ₹ 89.75/£1.

The following duties are applicable on such imports :

Basic customs duty - @ 10%

Social welfare Surchages @ 10%

Safeguard Duty payable u/s 8B of Customs Tariff Act, 1975 - @ 30%

Integrated Tax u/s 3(7) of Customs Tariff Act, 1975 @12%

Ignore GST Compensation Cess.

Calculate the assessable value of the articles imported and total import duty payable.

10+5

4. (a) What do you mean by "Composition Levy" under GST?  
(b) State the Tax implication of participation in "Composition Levy".  
(c) How long the scheme of "Composition Levy" remains effective for a supplier?  
(d) What are the components of "Turnover" for the purpose of Composition Levy?  
(e) Write a note on "Anti-Dumping duty".

3+2+2+3+5

(3)

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## Module - II

Answer *any one* question.

10×1

5. (a) Greymind Ltd., a manufacturing company wishes to expand its business which requires an outlay of ₹ 30,00,000. The company is considering the following alternatives :

|                                    | Alternative : 1<br>₹ | Alternative : 2<br>₹ | Alternative : 3<br>₹ |
|------------------------------------|----------------------|----------------------|----------------------|
| Equity Shares of ₹ 10 each         | 30,00,000            | 20,00,000            | 10,00,000            |
| 9% Preference Shares of ₹ 100 each | —                    | —                    | 5,00,000             |
| 12% Debentures of ₹ 100 each       | —                    | 10,00,000            | 5,00,000             |
| 15% Long term loan from SBI        | —                    | —                    | 10,00,000            |

Rate of Corporate tax is 31.2%; rate of Dividend Distribution Tax is 20.55529% and rate of return is 15% (before tax).

You as a tax consultant are required to advise the company about the best option.

- (b) Bluehorizon Ltd. purchased a machine for in-house scientific research and enjoyed deduction under section 35. Now the company wishes to sell the machine. The company is facing with two options :

|            |   |
|------------|---|
| Option : 1 | To sell the machine without using it for business purpose |
| Option : 2 | To sell the machine after using it for business purpose   |

Advise the company from tax planning point of view.

6+4

6. (a) RIK Ltd. has transferred the following investments. The company furnished the following information :

Investment in listed

Equity shares of P Ltd.

|  |             |
|--|-------------|
| Date of acquisition                        | 05.12.2012  |
| Cost of acquisition                        | ₹ 8,50,000  |
| (STT paid but not included)                |             |
| Date of Transfer                           | 11.11.2018  |
| Full value of consideration                | ₹ 14,35,000 |
| Fair market of the shares as on 31.01.2018 | ₹ 13,22,000 |

Please Turn Over



The company has the following two options :

Option 1 : To transfer of listed shares without payment of STT

Option 2 : To transfer of listed shares on payment of STT

You are asked to comment on the appropriateness of the decision to transfer the shares  
[CII for 2012-13 = 200; 2017-18 = 272; 2018-19 = 280]

- (b) Sunshine Ltd. has 6,00,000 equity shares of ₹ 10 each, 4,000 9% preference shares of ₹ 100 each and investments in shares of ₹ 11,00,000. The Board of Directors of the company is considering two options :

Option I : To pay dividend @ 45% on equity shares.

Option II : To distribute the entire investments among the shareholders. Fair market value and accumulated profit on the date of distribution ₹ 28,37,000 and ₹ 10,00,000 respectively. Accumulated profit excludes the amount of bonus shares issued in past of ₹ 7,50,000.

Advise the company about the best option from tax planning point of view. Rate of Dividend Distribution Tax is 20.55529%.

6+4