2023

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.

1. (a) Kajal of West Bengal, a registered supplier, not having so far crossed the turnover limit of ₹ 1.5 crore in any preceding financial year, applied for availing composition levy scheme. Following information, relating to the current financial year, are provided :

Kajal acquired the following inputs :

From Indra of Kolkata	Taxable items	₹ 5,00,000
From Jagjit of Punjab	Exempted items	₹ 4,00,000

Output generated from aforesaid inputs and supplied by Kajal :

Recipient of supply: L(within the state)	
Taxable supply ₹ 7,00,000	Exempted supply Rs. 3,00,000

You are required :

(i) to calculate GST Liability of Kajal when:

Situation (I) : Kajal is not allowed to avail composition levy scheme [Rate of GST: on inputs acquired by Kajal – CGST : 6%, SGST : 6%, on output supplied by Kajal – CGST : 8%, SGST: 8%].

Situation (II) : Kajal is allowed to avail composition levy scheme [Rate of GST: CGST: 0.5%, SGST: 0.5%] and (i) Kajal is a trader, (ii) Kajal is a manufacturer.

(ii) to calculate, in each situation separately, burden of GST borne by Kajal.

(b) GST is a Value Addition based Tax. Discuss the validity of the statement with appropriate example. 11+4

2. Two identical iPhones each with two-year service warranty are supplied by Mr. X (from his registered place of business in Kolkata) to Mr. Y (a related person) for a consolidated price of ₹ 3,00,000. Price of similar items available in the market is ₹ 4,00,000. Rate of IGST on iPhone 18%.

Mr. Y supplied one of the iPhones with two-year service warranty and a Nikon D780 DSLR camera to Mr. Z's mother residing at Patna (for her personal use), for ₹ 3,50,000, on the basis of instruction from Mr. Z (with principal place of business in Kolkata). Rate of GST on iPhone is CGST 18% and that on camera is 28%. The other phone is kept by Mr. Y for his personal use. Mr. Y's registered place of business is in Patna.

Determine:

(a) Location of supplier and place of supply in each case giving reasons.

(b) GST liability of Mr. X and Mr. Y.

(c) Destination for GST revenue. 15

3. (a) Huda Ltd. of USA exports a machine to Maac India Ltd. of India at $ 4,00,000 on FOB contract basis. The machine of a similar kind is not being sold by Huda Ltd. in the market of the USA as it is customised according to the design specification and requirements of the importer. However, in features and functions wise the machine resembles another similar machine which is exported by Huda Ltd. to Avon Ltd. of Italy for $ 5,00,000 on CIF basis. The expenses incurred on freight and insurance of this machine are $ 10,000.
The landed cost of the machine in India is $ 5,23,920. The machine with similar kinds of features and functions is being produced and sold in India at ₹ 4.92 crore (including GST). The rate of exchange notified by CBIC: $ 1 = ₹ 80. Calculate the amount of anti-dumping duty payable by Maac India Ltd.

(b) Raalia Ltd. imported on 22nd January, 2023 a machine by air from a London based exporter Branjolina Ltd., which was contracted on GIF basis. Due to price volatility in the international market, however, the prices are subject to changes between the date of contract and actual importation. In consequence, through several negations, the parties agreed for negotiated price payable as follows :

Particular	**Actual Contract Price (£)**	**Changed Price (£)**	**Negotiated Price (£)**
CIF Value	7,500	8,400	8,100
Air Freight	500	600	550
Cost of Insurance	200	300	250

Other Information :

Engineering and design charges paid to a firm in UK - £ 400
License fee relating to imported goods payable by the buyer as a condition of sale - £ 300
Commission payable to local agent - @ 1% of FOB cost in local currency
Raalia Ltd. paid towards demurrage charges for delay in clearing the machine from the airport- ₹ 50,000
The "Into Bond" Bill of Entry for warehousing the machine was filed on 25th January, 2023.
The machine was cleared and duly warehoused on 2nd February, 2023
Raalia Ltd. filed "Ex-Bond" Bill of Entry for home consumption on 30th April, 2023 and cleared the machine on 5th May, 2023.

The following rates are available :

Date	Exchange Rate in ₹ / £ 1 Notified by		Rate of BCD
	RBI	CBIC	
22th January, 2023	91.50	92.30	25%
25th January, 2023	89.00	90.00	20%
2nd February, 2023	90.20	91.50	20%
30th April, 2023	90.24	91.60	12%
5th May, 2023.	89.50	90.40	15%

Social Welfare Surcharge @10% and IGST u/s 3(7) of the CTA, 1975 @18% are also leviable on the imported machine.

Compute the assessable value and customs duty payable by Raalia Ltd. for importing the machine into India. 5+10

4. (a) BP Ltd. imported on 20th May, 2023 from Japan, 10 Stereo Speakers 20 LED TV and 30 Music system at US \$10, \$40 and \$30 respectively. The date of entry inward was granted to vessel on 1st June, 2023. Bill of entry was submitted on 26th May, 2023.

Compute the total customs duty payable by the company based on the following additional information :

***Additional Information* :**

(i) 5 Stereo speakers were damaged after unloading and after examination for assessment by the custom authority but before actual home clearance.

(ii) 3 LED TV were pilfered before unloading and before proper officer has made an order for clearance for home consumption.

(iii)

Particular	20th May, 2023	26th May, 2023	1st June, 2023
Exchange Rate notified by CBIC : per US $	82.60	82.60	83.20
Basic Customs Duty	15%	18%	20%

(iv) Social Welfare Surcharge — 10%

IGST u/s 3(7) of the Customs Tariff Act, 1975 — 18% and GST Compensation Cess u/s 3(9) of the Customs Tariff Act, 1975 — Nil.

(b) BS Ltd., an importer from Mumbai, imported a machine from France. From the information given below, determine the assessable value and basic custom duty of the imported goods under the Customs Act, 1962:

FOB cost of the machine	Euro 20,000
Materials and components supplied by the buyer at free of cost	Euro 500
Buying commission paid by the buyer to its agent in France	Euro 200
SK Ltd. incurred in India for certain development activities with respect to the imported machine	₹ 1,00,000
Handling Charges paid for unloading the machine in Mumbai Airport	₹ 80,000
Commission payable to local agent - (in % of FOB cost in local currency)	@ 10%
Air freight paid	Euro 4,500
Insurance charges	₹ 6,000
The importer company paid road transport cost from Mumbai Airport to their Factory in Ahmedabad	₹ 50,000

Bill of entry was submitted on 20th May, 2023(BCD 20%, Exchange rate notified by CBIC ₹ 90.60 per Euro). Date of entry inward 14th May, 2023(BCD 15%, Exchange rate notified by CBIC ₹ 90.50 per Euro).

(c) From the information given below determine the safeguard duty payable by X Ltd. under section 8B of Custom tariff Act, 1975.

(i) X Ltd. imported Palm oil from a developing country ₹ 59 crores from 1st April, 2022 to 31st March, 2023. Total import of Palm oil (including from developing country) is ₹ 2,000 crores.

(ii) Safeguard duty is 30%.

(iii) Whether your answer is different in case import by X Ltd. from a developing country was ₹ 62 crores. 5+5+5

Module - II

Answer ***any one*** question.

5. (a) State which of the following acts to be considered as tax planning :

(i) Black Ltd. installed an air conditioner at the residence of a director as per terms of employment but treats the same as plant for the purpose of claiming depreciation to reduce tax payment.

(ii) White Ltd. appointed eligible employees for business and claims deduction u/s 80JJAA and reduces tax payment.

(b) Green Ltd. engaged in the business of carriage of goods, furnished the following information for the P.Y. 2021-22 :

(i) Net Profit for 2021-22 computed at ₹ 3,35,000 (after considering depreciation ₹ 75,000, donation to PM CARES fund ₹ 10,000 and dividend received from Red Ltd. ₹ 15,000).

(ii) Red Ltd. is a foreign company where Green Ltd. holds 5% of equity share capital.

(iii) Depreciation as per IT rules ₹ 90,000.

(iv) On 01.04.21, the company owned 3 trucks (out of which two are heavy goods vehicle of 14 tons). The company sold one of the heavy goods vehicle on 03.05.21 and purchased one light goods vehicle on 18.10.21.

You are required to advise Green Ltd. so that the company pays minimum amount of tax.

(c) On 01.05.16 Blue Ltd. issued 5,00,000 equity shares of ₹ 10 each at a premium of ₹ 65 per share. On 03.01.22 the company wishes to buy back 1,00,000 equity shares at ₹ 105 per share. The Board of Directors of the company approaches you about the tax implications of such buy back.

You as a tax consultant are required to advise Blue Ltd. 1+6+3

6. (a) NBD private Ltd. located in Siliguri shifted its industrial undertaking from urban area to a non-urban area during the previous year 2021-22. In the process of shifting, the company sold some of the assets and acquired new assets as follows :

Particulars	Land	Building	Plant & Machinery
Capital gains on sale of assets in Siliguri during June-July 2021 (₹ in lakhs)	47	24	59
Nature of capital gains	LTCG	STCG	STCG
Cost of new assets purchased in the non-urban area during August 2021 (₹ in lakhs)	25	18	38

Compute the taxable capital gains of NBD Private Ltd. for the assessemnt year 2022-23 from the tax planning point of view. Normal tax rate applicable to the company is 30%.

(b) A company needs to acquire a machine costing ₹ 5,00,000 in August, 2023 for a new project that would continue for the next 4 years. The company has two options as follows :

(i) It can purchase the machine in 4 equal instalments without any interest starting from August, 2023. The machine will constitute a single asset block eligible for normal and additional rates of depreciation at 15% and 20% respectively. After 4 years, the machine is expected to be discarded at zero value.

(ii) It can acquire the machine by paying hire charges of ₹ 1,20,000 p.a. for 4 years starting from August, 2023.

Applicable corporate tax rate is 31.2% and internal rate of return is 14%.

The company seeks your advice on the above alternatives.

Given that :

	Year 0	Year 1	Year 2	Year 3	Year 4
PV factor of ₹ 1 @ 14%	1.000	0.877	0.769	0.675	0.592

3+7