

2025

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) Shapurji Ltd., a heavy machinery manufacturer (registered at Jaipur, Rajasthan), supplied a purely customised machine as per the specification of Agarwal Industries Pvt. Ltd. (registered at Udaipur, Rajasthan) under an invoice dated 10th June, 2025. Both Shapurji Ltd. and Agarwal Industries Pvt. Ltd. are related. No open market value of like 'kind and quality' of the machine is available due to high customization. Shapurji Ltd. provides the following information relating to the production of the aforementioned machine :

Direct materials costs (inclusive of IGST 28%) ₹ 3,07,200, Direct employee costs (include HRA of ₹ 1,44,000) ₹ 3,60,000, Other factory overheads ₹ 1,08,500, Depreciation of machinery ₹ 6,000, Scrap value realised ₹ 22,000, Quality control cost ₹ 51,600, Administration cost related to production ₹ 24,000, Cost incurred due to machinery breakdown ₹ 22,000, Salaries to office staff ₹ 2,50,000, VRS compensation to employees ₹ 2,20,000, Research and development cost ₹ 32,400, Amortised costs of dies and tools supplied by the recipient ₹ 7,500, Selling and distribution overhead ₹ 45,000.

Shapurji Ltd. provides the following additional information relating to machine :

- (i) ITC of the IGST so paid is available.
- (ii) Actual profit margin is @ 18%.
- (iii) The terms of contract do not provide for any stipulation that dies and tools are to be supplied by Agarwal Industries Pvt. Ltd. to Shapurji Ltd.
- (iv) The machine attracts CGST @ 9%, SGST @ 9% and IGST @ 18%.

You are required to calculate the taxable value of the supply and GST payable, if any, on the above machine. 6+1

- (b) Movers & Packers India Ltd., a registered goods transport agency (GTA) under GST law (located at Jalandhar, Punjab), issued a consignment note to Bharat Industries Ltd. (registered in Tamil Nadu) for transporting goods by road from Mumbai to Chennai. The amount of freight (exclusive of any taxes) was ₹ 5,00,000. You are informed that Movers & Packers India Ltd. opted to pay GST @ 5% (CGST @ 2.5% and SGST @ 2.5%) as per GST laws.

- (i) State the person liable to pay GST and the amount of tax payable.
- (ii) Will your answer differ if Bharat Industries Ltd. is an undertaking of Central Government? 1+2+1

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- (c) In February, 2025, Shah International Hotel (registered in Goa) provided accommodation to the customers in its guest house having 30 guest suites with facilities like car parking, cooling, heating and internet services on a daily rental of ₹ 3,000. 50% of the suites were occupied by the customers in February 2025. Catering and fooding services were provided separately to those who opted for it at a cost of ₹ 1,000 per day of occupancy. Total amount collected from catering and fooding services in February 2025 was ₹ 4,00,000. Shah International Hotel issued invoices on the same day of providing services.

Assume the rates of GST are as under :

Services	Rate of GST (CGST + SGST)
Renting of guest house service	18%
Food and catering service	5%
Parking services	18%

Based on the above information, you are required to calculate the amount of GST payable on the supplies made for the month of February, 2025. 4

2. Zydus India Ltd. (ZIL), a registered bulk drugs supplier of Haridwar (Uttarakhand), furnished the following information for the month of February 2025 :
- On 5th February, 2025, it consigned bulk drugs of ₹ 55,00,000 to its agent Moon Pharmaceuticals, a registered supplier of Gurgaon, Haryana. On 8th February, 2025, Moon Pharmaceuticals sold the same to Apollo Medical (unrelated wholesaler) of Gurgaon for ₹ 60,00,000. Both of them issued invoice at the time of delivery of these drugs.
 - On 10th February, 2025, it also supplied bulk drugs to Mankind Laboratories Ltd. of Noida (registered in Uttar Pradesh) for a consideration of ₹ 35,00,000 (open market value of the same was ₹ 70,00,000). 25% shares of Mankind Laboratories Ltd. were owned by ZIL. Further, Mankind Laboratories Ltd. was also not eligible for full input tax credit.
 - Advance of ₹ 30,00,000 was received on 12th February, 2025 for the supply of bulk drugs to Ajanta Pharmaceuticals, a registered drug wholesale supplier of Haridwar (Uttarakhand). Invoice was issued on 10th March, 2025 when these drugs were delivered.
 - Supplied bulk drugs on 18th February, 2025 of ₹ 30,00,000 (Open market value ₹ 40,00,000) to Himalaya Hospital & Medical Research Centre (HHMRC) for developing life-saving drugs, unrelated to supplier's business. HHMRC (located and registered at Rishikesh, Uttarakhand) was not related ZIL. Additionally, ZIL charged HHMRC ₹ 1,00,000 for a special packing requested by HHMRC. To manage severe cash crisis, ZIL offered HHMRC a secondary discount of 2% for paying within 3 days of receipt of the goods and HHMRC accepted the same.
 - Novotech Inc. of USA (related to ZIL) provided drug development services of US\$ 10,000 (₹ 8,50,000 equivalent) on 20th February, 2025. ZIL issued a self-invoice for such services on 21st February, 2025 and was eligible to get full input tax credit for the transaction.

Assume the rates of GST are as follows :

Particulars	CGST	SGST	IGST
Bulk drugs	2.5%	2.5%	5%
Drug development services	9%	9%	18%

Zyodus India Ltd. (ZIL) had the following Input Tax Credits (ITCs) at the beginning of February, 2025 :

CGST	SGST	IGST
₹ 60,000	₹ 50,000	₹ 6,50,000

ZIL followed the practice of utilising ITC of IGST available after adjustment of output IGST, 50% against output CGST, to the extent required and the balance, if any, against output SGST.

You are required to calculate GST liability of Zyodus India Ltd. payable in cash for the month of February, 2025 assuming all the inward and outward supplies mentioned above are exclusive of taxes and all conditions necessary for availing ITC have been fulfilled. 2+2+2+3+2+4

3. (a) Game 11 is an online money gaming portal operating from China. On the basis of Contest Entry Amount (CEA) and platform fees @ 10%, it provides the users a platform to play and win in different online games. On 15th April, 2025, Mr. Arjuna Reddy, an unregistered person from Chikkamagaluru (Karnataka) deposited ₹ 10,000 (inclusive of GST) in master wallet of Game 11. On 20th April, 2025, he used ₹ 7,000 from the wallet for playing a virtual game and won an amount of ₹ 25,000 which was credited to his master wallet. Using master wallet on 25th April 2025, he placed a bet of face value of ₹ 25,000 (using winning amount) in WWF wrestling operated by Game 11. He, however, lost the bet. On 28th April, 2025 he had further deposited ₹ 15,000 and bought a chip of ₹ 15,000 for use in casino maintained by Game 11 and won ₹ 30,000.
- Calculate the taxable value of supply and total GST payable assuming a rate of IGST @ 28% for the above transactions.
 - Ascertain whether Game 11 is required to obtain any registration under GST law in India.
 - Will your answer differ, if Mr. Reddy is registered under GST law in Karnataka? 3+1+1
- (b) On 1st January, 2025, Mr. Ravi Khanna (a registered perfume supplier in New Delhi) boarded in New Delhi-Howrah Duranta Express from New Delhi with 200 bottles of perfume. During his journey from New Delhi to Kolkata, he sold 50 bottles of perfume @ ₹ 1,000 each in the train. The remaining 150 bottles were sold @ ₹ 1,000 each in a store located at New Market area of Kolkata.
- For 50 bottles sold during the journey, determine the place of supply and GST payable, if any. Applicable GST rates on perfumes: CGST @ 14%, SGST @ 14% and IGST @ 28%. 3
- (c) Max Ltd., a registered person of West Bengal, received taxable supply of services of ₹ 1,50,000 from Gupta & Associates of West Bengal, an unregistered advocate firm. Max Ltd.'s turnover in the preceding financial year was ₹ 2 crore. The firm issued invoice to Max Ltd. on 24th April, 2025. Max Ltd. entered the payment in the books of accounts on 2nd May, 2025, whereas, the bank account of Max Ltd. was debited for the same on 4th May, 2025. Determine the time of supply of services. 3
- (d) Write the differences between Rules and Regulations with reference to customs law. 4

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4. (a) MC Ltd. imported machinery from GL PLC, London at Euro 19,000. GL PLC holds 5% shares in MC Ltd. MC Ltd. is of opinion that transaction value is acceptable under Rule 3(1) of Customs Valuation (Determination of Value of Imported Goods) Rules, 2007 (hereinafter referred to as Rule), and the same should be considered, otherwise, company has requested to determine assessable value as per Rule 8 of the Rule.

MC Ltd. furnished following cost related data collected from GL PLC :

- (i) Cost of materials incurred by exporter-Euro 11,000
- (ii) Fabrication charges incurred by exporter-Euro 5,000
- (iii) Other chargeable expenses incurred by exporter-Euro 200
- (iv) Normal margin of Profit of GL PLC is @ 15% of FOB
- (v) Other indirect cost of exporter in connection to export Euro 725
- (vi) Freight from exporter's factory to port of loading Euro 250
- (vii) Air freight from London to Indian Airport — Not ascertainable.
- (viii) Insurance charges paid to Oriental Insurance Co. ₹ 25,000.
- (ix) CBIC notified rate applicable is Euro 1 = ₹ 100

The Customs authority is of opinion that transaction value should not be accepted and value as per Rule 7 of the Rule is available, Rule 8 is not applicable.

Compute the assessable value and give reference of Rule considered by you and why is the same to be considered? 7

- (b) A commodity is imported into India by Hada Textiles Ltd. from U.S.A. covered by a notification issued by the Central Government under section 9A of the Customs Tariff Act, 1975.

Following particulars are made available:

- (i) FOB value of the consignment is US\$ 2,25,000 for Indian importer. The similar goods are sold by exporter to other importers of Japan at USD 400 per Kg (CIF). Sea freights are incurred USD 50,000 for export to Japan and ₹ 3,80,000 for export to India. Insurance is not ascertainable for export of both the countries.
- (ii) Quantity imported is 750 kgs.
- (iii) Similar kind goods are being produced and sold in India at ₹ 40,000 per kg. (excluding GST)

Exchange rate notified by CBIC : \$1 = ₹ 84.50.

Basic Customs Duty (BCD) 15%, Social Welfare Surcharge applicable as per the Finance Act, 2018. Assume that only Basic Customs Duty and Social Welfare Surcharge are payable. IGST @18% is also applicable.

You are required to calculate Anti-Dumping duty payable by Hada Textiles Ltd. 8

Module - IIAnswer *any one* question.

5. (a) A company is planning to purchase a machine costing ₹ 5,00,000 for a new project that would continue for the next 4 years. The company has two options as follows :

- (i) Buying the machine from own fund. 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 a scrap value of ₹ 80,000.
- (ii) Taking the asset on lease with year-end rental charges of ₹ 1,40,000 p.a. for 4 years.

Applicable corporate tax rate is 26% and internal rate of return is 14%. The company seeks your advice on the above two alternatives.

[Given : PV Factor of Re. 1	Year 1	Year 2	Year 3	Year 4
@14%	0.877	0.770	0.675	0.592]

- (b) MM Ltd. earned a long-term capital gains of ₹ 75 lakhs on transfer of a land under compulsory acquisition. The company has the following two options to minimize the tax liability:

- (i) To invest the gain in purchasing new land to get exemption u/s 54D
- (ii) To invest the gain in specified bonds to get exemption u/s 54EC

Advise the company from tax planning point of view.

7½+2½

6. (a) S&L India Private Ltd. computed Gross Total Income of ₹ 100 crores including LTCG of ₹ 10 crores for the assessment year 2024-25. The company is also eligible for deduction u/s 80G of ₹ 2 crores and u/s 80M of ₹ 8 crores.

Book profit of the company u/s 115JB is also computed to be ₹ 100 crores. MAT credit brought forward amounts to ₹ 6 crores.

Normal tax rate applicable to the company is 25% plus surcharge and health and education cess as applicable. The company wishes to opt for section 115BAA from the assessment year 2024-25. Advise the company regarding the decision.

- (b) Winco Ltd. commenced its business operation related to setting up and operating a cold chain facility in April 2023. During July 2023, the company incurred capital expenditure on purchase of assets of ₹ 45 lakhs including land of ₹ 10 lakhs. Winco Ltd. has provided other information relating to the previous year 2023-24 as follows :

Profit from the cold chain facility business ₹ 90 lakhs

(Computed before depreciation and deductions)

Eligible deduction u/s 80G ₹ 2 lakhs

Eligible deduction u/s 80JJAA ₹ 20 lakhs

The Board of Directors seeks your professional advice on whether it would be beneficial to claim the deduction under Section 35AD of the Income-tax Act from the profits of the specified business or not. The new assets purchased are eligible (other than land) for normal and additional depreciation of 15% and 20% respectively.

6+4