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CS Professional 2024 Question Paper · Goods and Services Tax (GST) and Corporate Tax Planning

EXAM
CS Professional

YEAR
2024

TYPE
Question Paper

SUBJECT
Goods and Services Tax (GST) and Corporate Tax Planning

DATE
December 2024

NEW SYLLABUS

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OPEN BOOK EXAMINATION

Time allowed : 3 hours ***Maximum marks : 100***

Total number of questions : 6 ***Total number of printed pages : 19***

NOTE : 1. *Answer All Questions.*

2. *All the reference to sections in Part I of the question paper relates to the provision of GST Laws.*

3. *All the references to sections in Part-II of the Question Paper relates to the Income-tax Act, 1961 and relevant Assessment Year 2024-25 unless stated otherwise.*

4. *Wherever necessary, suitable assumption can be made and the same to be stated clearly in the answer.*

5. *Working notes should form part of the answer.*

PART–I

1. (*a*) Sunderwani Pvt. Ltd. is registered with the jurisdictional GST authorities in the State of Rajasthan and operates as wholesale supplier of machines. Company wants to appoint you as a Manager mainly for GST related work. For this purpose company provide you the following information related to the month of April, 2024.

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Receipts on outward supply (exclusive of GST) for the month of April, 2024 are as follows :

Particulars	Amount (₹)
Intra-State supply to unregistered person	75,00,000
Inter-state supply to registered person	6,00,000
Amount received for Actionable claim from normal business debtors of intra-state	3,00,000

Assume applicable rate on outward supply as CGST @ 9% and SGST @ 9% and IGST @ 18%.

Details of GST paid on Inward Supply are as follows during the month of April, 2024 :

Particulars	CGST Paid (₹)	SGST Paid (₹)
Raw materials purchase for which invoice is missing but delivery challan is available	1,40,000	1,40,000
Company purchased capital goods of ₹ 4,00,000 and Paid GST ₹ 48,000 on it and claimed depreciation of ₹ 67,200 @ 15% on full amount of ₹ 4,48,000 under Income Tax Act, 1961	24,000	24,000
Tax on Raw materials purchase which used for zero rated outward supply	2,20,000	2,20,000
Motor bus for transportation of persons having approved seating capacity of 14 persons (including driver), depreciation not claimed on GST portion	1,50,000	1,50,000

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Details of other Input Services availed during the month of April, 2024 :

S. No.	Particulars
(*i*)	₹ 50,000 Paid for legal service to an advocate Mr. Sunil Gupta in the course of intra-state, taxable @ 9% CGST, 9% SGST and 18% IGST
(*ii*)	Paid ₹ 1,60,000 to Mr. Deepak of Gujarat, for renting (including cost of fuel) of motor vehicle designed to carry passengers where supplier opt to pay IGST @ 5%

Additional Information :

(*i*) All the amount stated in the above tables are exclusive of GST, wherever applicable.

(*ii*) Aggregate turnover of company in previous year 2023-24 was ₹ 5 Crore.

(*iii*) Opening balance of input tax credit was NIL.

As a GST Consultant, you are required to give the following answers with references to the GST Law :

(*i*) Compute the Gross GST Liability to be paid by company under forward charges for the month of April, 2024.

(*2 marks*)

(*ii*) Compute the Gross GST Liability to be paid by company under reverse charges for the month of April, 2024.

(*2 marks*)

(*iii*) Compute the Input Tax Credit available for payment of Tax for the month of April, 2024.

(*4 marks*)

(*iv*) Compute the Net Tax liability for Sunderwani Pvt. Ltd. to be paid in Cash for the month of April, 2024.

(*2 marks*)

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(*b*) Kamal who is proprietor of Kamal General Store a registered supplier under composition scheme in the state of Uttar Pradesh, shut down his Store and disposed off stock as follows :

(*i*) Donated stock of 200 kg rice to slums, costing ₹ 25,000

(*ii*) Transferred stock of 50 kg pulses to his brother costing ₹ 20,000

(*iii*) Scrapped empty bags and cartons and sold for ₹ 6,500

(*iv*) Consumed stock of 100 kg flour in his family costing ₹ 12,000.

Determine whether above disposals will be treated as ''Supply'' under GST ? If yes, calculate the amount of taxable supply.

(*5 marks*)

(*c*) BGL Gas Limited supplied Industrial Oxygen Gas through pipelines to City Care Hospital Limited. The hospital made monthly payments to the supplier as per contract. Invoice is issued by the supplier for every quarter and supported by a statement of the goods dispatched and payments made, and the recipient has to pay the differential amount, if any accordingly.

The details of the various events are as under :

Date	Events
05.05.2024 05.06.2024 05.07.2024	Payments of ₹ 1.50 lakh made in 5th day of each month (i.e. 1.5 lakh on 5 May, 1.5 lakh on 5 June and 1.5 lakh on 5 July)
03.07.2024	Statement of accounts issued by supplier, with invoice for the quarter April-June, 2024
17.07.2024	Differential payment of ₹ 38,000 received by supplier for the quarter April-June, 2024 as per statement of accounts

From the above information, find out the time of supply as per the provisions of CGST Act, 2017.

(*5 marks*)

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(*d*) Lara Enterprise is a registered Proprietary concern at Varanasi, Uttar Pradesh. It exported Zero rated Dental care solutions to USA. Details of transactions for Exported Goods are mentioned below.

Particulars	Date
Bill of Supply	31.03.2022
Aircraft Left India	02.04.2022

Application for Refund claim was made on 30.03.2024. Acknowledgement for same received on 10.04.2024. However, the department did not process the refund application till 30.06.2024. What legal remedy is available with Lara Enterprise under GST law ? Also discuss the relevant provision of GST law in this regards.

(*5 marks*)

2. (*a*) BCH Ltd, is registered under GST in the state of Maharashtra. It sells readymade cloths across India through e-commerce operator Skart.

Skart is registered with Madhya Pradesh GST Authority as TCS collector and collects Tax (TCS) on supplies made through it.

BCH Ltd made sales of ₹ 4,35,000 and received sales returns of ₹ 42,560 in the month of May, 2024. Sales amount above is exclusive of GST but sales return are inclusive of GST.

Determine the amount of TCS to be collected by Skart for the month of May, 2024. Assume applicable tax rate 6% CGST, 6% SGST and 12% IGST as the case may be. Working Note should form part of your answer.

(*5 marks*)

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(*b*) Farm Tractors Limited, Salem (Tamil Nadu) is engaged in the production and supply of tractors to farmers with a provision of two years warranty for replacement of parts, if any along with first three services to be provided as free of cost from the date of delivery. During the month of April, 2024, 75 farmers who purchased tractors during financial year 2023-24, lodged their warranty claims for replacement of parts. The total input cost (ITC claimed) of these replacements as born by the company was ₹ 4,05,000 including GST @ 12% and ₹ 1,78,000 including GST @ 18%. Later, GST officer reversed all this ITC claimed on warranty alleging that the company provided warranties with no additional consideration charged from farmers. Whether the allegation of the officer is tenable as per GST Law ?

(*5 marks*)

(*c*) The Electronic Credit Ledgers of Nath Motors Ltd showed the following monthly closing balances for 3 months :

Months	**CGST**	**SGST**	**IGST**	**Total ITC balance in all 3 ECL**
January, 2024	500	500	4000	5000
February, 2024	1000	1000	2000	4000
March, 2024	1500	1500	1000	4000

The company utilised an ITC of ₹ 3000 out of IGST as available in January, 2024, at the time of filing GSTR 3B for January, 2024 on 18.02.2024. The same was later on reversed on 20.04.2024 due to the wrong availment and utilisation at the time of filing GSTR 3 B for January, 2024. Calculate interest liability, if any on such wrong availment and utilization of IGST under the GST Law.

(*5 marks*)

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3. (*a*) The GST Commissioner issued a notice to KK Tobacco Co., Kanpur on 20.05.2024 for initiating an audit under section 65 of CGST Act, 2017 with a mention to start the audit from the end of l5 days from the date of notice. The firm received the notice on 26.05.2024. The firm provided records and documents for audit on 20.06.2024 and the audit was started on 25.06.2024 by audit team at the place of business of the firm. What is the date of ''commencement of audit'' to complete it within the time allowed as per the GST law ?

(*3 marks*)

(*b*) S Limited and T Limited are related persons. S Limited issued a corporate guarantee to City Bank on behalf of T Limited for availing a working capital loan of ₹ 1 crore, for a period of l8 months further extendable on renewal and charged ₹ 2,00,000 for this service. The open market value of comparable similar transactions in the market is 2,50,000. Calculate the value of supply of this service as taxable in the hands of S Limited.

(*3 marks*)

(*c*) Puneet developed and launched an online gaming app ''GameZ'', on 20.03.2024 to start the business of online gaming w.e.f. 0l.04.2024 and registered under GST voluntarily on 20.03.2024. He received initial deposits of ₹ 500 each from 20 persons by the end of March, 2024. He seeks your advice whether he is liable to pay tax on this initial amount of ₹ 10,000 as deposited, when filing return of supply for the month of March, 2024 ?

(*3 marks*)

(*d*) Vijay started supply of goods within the state of Maharashtra from 1st July 2023. His turnover exceeded ₹ 40 lakh on 25th March, 2024. However, he didn't apply for registration.

Determine the amount of penalty, if any that may be imposed on Vijay under CGST Act, 20l7, if the tax evaded by her, as on said date, on account of failure to obtain registration is ₹ 24,500.

(*3 marks*)

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(*e*) Name the GST Forms to be used in the case of the following situations by the registered persons :

(*i*) Naresh, by mistake, deposited cash of ₹ 2,550 under the head IGST instead of under the head late fee ₹ 2,000 and interest of ₹ 550. Now he wants to rectify the mistake, if possible. Which form is required to file to rectify this mistake ?

(*ii*) Aman, a supplier recently registered with GST, incorrectly reports the HSN code in his first GSTR-1 filed. Name the Form this error has impacted resulting in the recipient not be able to claim the correct Input Tax Credit ?

(*2+1=3 marks*)

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

4. (*a*) Residential Welfare Association of Ekta Co-operative Housing Society, registered under the Societies Registration Act, 1860 charged from its 3 members as below against provision of various services for May, 2024 :

Member	**Repair & Maintenance (₹)**	**Parking Charge (₹)**	**Water Charges (₹)**	**Property Tax (Common Area) (₹)**	**Total (₹)**
Pooja-Flat 1	6500	500	2000	800	9800
Pooja-Flat 2	7000	–	500	800	8300
Srinivas	5500	1000	1800	800	9100

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Other Information :

(*i*) Pooja is the owner of flat 1 and flat 2, while Srinivas is owner of only 1 flat.

(*ii*) All the above flats are same space size in the society.

(*iii*) Parking and Water Charges are reimbursed by members against their separate individual bills.

From the above information, you are required to explain the provisions of taxability of services provided by the society under GST. Also calculate the taxable amount of Society under GST.

(*5 marks*)

(*b*) Sumo Motors Limited, a registered person, while filing monthly returns for the months from August, 2019 to March, 2020, made payments of CGST and SGST in a wrong head considering one of its customers supply to be an Intra-State supply, but which was later held to be an Inter-State supply, subject to IGST.

Later on, having realized on its own that the said transaction is an Inter-State supply, the company paid IGST in respect of the said transactions on 10.05.2023 and filed an application electronically in FORM GST RFD-01 for claim of refund of CGST and SGST as paid under wrong head. However, the application for claim of refund was rejected by the Adjudicating Authority on the grounds of limitation.

Comment whether this rejection of refund was justified in law, with reference to decided case law, if any.

(*5 marks*)

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(*c*) Sonal, a famous Kathak Dancer of Mumbai has received following considerations in the month of February, 2024 :

	Particulars	Amount (₹)
(*i*)	Amount received as dance performance at the annual day function of a girls college at Delhi	1,20,000
(*ii*)	Amount received as dance performance at a music concert held at Mumbai	2,50,000
(*iii*)	Amount received for being hired as a brand ambassador by ''PARI : Save Girl Child'', an NGO registered under 12AA of the Income Tax Act, 1961 in the state of Gujarat	20,00,000
(*iv*)	Amount received as coaching fees in recreational activities relating to arts in Mumbai	2,80,000
(*v*)	Amount received as Rent for her house in Mumbai given to Harish a Government Employee for use of his residence @ ₹ 60,000 per month	60,000

Determine the value of taxable supply under CGST Act, 2017, by Sonal for the month of February, 2024. Assume all the above amounts are exclusive of GST.

(*5 marks*)

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OR (Alternate to Q No. 4)

4A. (*i*) Stonecliff Ltd is engaged in supplying taxable services in Karnataka. The Assistant Commissioner of Central Tax passed an adjudication order under section 73 of the CGST Act, 2017 on 10th June, 2024, which was received by Stonecliff Ltd on 18th June, 2024. In the said order, GST liability of ₹ 5,00,000 (CGST + SGST) was decided along with a penalty of ₹ 50,000 (CGST + SGST).

Stonecliff Ltd was in complete disagreement with said order. So, it filed an appeal before the Appellate Authority on 23rd June, 2024.

Discuss the relevant provision of GST law and determine the amount of pre-deposit (CGST + SGST) to be made by Stonecliff Ltd for filing the appeal.

Whether your answer would be different if Stonecliff Ltd appeals only against part of the demanded amount, say ₹ 3,50,000 and admits the balance liability of tax amounting to ₹ 1,50,000 and proportionate penalty arising from the said order ?

Note : Ignore the amount of interest.

(5 marks)

(*ii*) EON International Ltd. is registered under GST in Karnataka, Maharashtra, Rajasthan and Punjab. Due to closure of business activities in Karnataka with effect from 31 May, 2024, EON International Ltd. filed an application for cancellation of registration before the jurisdictional tax authorities of Karnataka. The application for cancellation of registration was filed on 30 June, 2024. The registration was suspended with immediate effect from 30 June, 2024, by the jurisdictional tax authorities. The final order of cancellation was dated 31 July, 2024.

You are required to advise EON International Ltd. regarding the last date for filing the final return by it in Karnataka.

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Further, EON International Ltd. was also registered as an ISD (Input Service Distributor) in Karnataka. Said registration was cancelled with effect from 30 June, 2024 with an order dated 3l July, 2024. Advise whether the final return is required to be filed upon cancellation of ISD registration by EON International Ltd. ? If yes, what is the due date for filing said final return ?

(*5 marks*)

(*iii*) ‘‘There is no distinction between GST Practitioner and Authorised Representative’’. Comment of the validity on the above statement, with reference to provision of Goods and Services Tax law.

(*5 marks*)

PART–II

5. (*a*) TTU Limited is considering an expansion plan of its running business. Company wants to choose between a debt offer and an equity offer for its expansion plans. The current plan is as follows :

Particulars	**Amounts (in crores)**
Equity Share Capital (₹ 10 per share)	30
11% Debt	18
Reserve and Surplus	42
Total Capitalisation	90
Total Sales	260

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Less : Total Cost	224
EBIT	36
Less : Interest @11%	1.98
EBT	34.02
Less : Tax @ 34.944% (Tax @ 30% + 12% Surcharge + 4% Cess)	11.89
EAT	22.13

The expansion plan is estimated to cost ₹ 50 crores. If the expansion plan is financed through equity, new shares can be sold at the premium of ₹ 10 per share and the price-earnings ratio will be 6 times. If this is financed through debt, the new rate of debt will be 12% and the price-earnings ratio will be l0 times.

The expansion plan will generate extra sales of ₹ 130 crores with a return of 11% on sales before interest and taxes.

If the company is to follow a policy of maximizing the market value of shares, which form of financing should be chosen ?

(*5 marks*)

(*b*) VRT Limited is a company incorporated under the Companies Act, 1956 which is having two undertakings engaged in manufacture of cement and steel, decided to hive off cement division to RTY Limited a company incorporated under the Companies Act, 2013 by way of demerger.

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The net worth of VRT Limited immediately before demerger was ₹ 45 crore. The net book value of assets transferred to RTY Limited was ₹ 15 crore. The demerger was made in January, 2024. In the scheme of demerger, it was fixed that for each equity share of ₹ 10 each (fully paid up) of VRT Limited, two equity shares of ₹ 10 each (fully paid up) were to be issued.

Mr. Manish held 30,000 equity shares in VRT Limited which were acquired in the financial year 2007-2008 for ₹ 4,00,000. He received 60,000 equity shares from RTY Limited consequent to demerger in January 2024. He sold all the shares of RTY Limited @ ₹ 10 in March, 2024.

Based on the facts of the above information, answer each of following cases separately :

(*i*) Does the transaction of demerger attract any income tax liability in the hands of VRT Limited or RTY Limited ?

(*ii*) Would capital gain arise in the hands of Mr. Manish on receipt of shares of RTY Limited in January, 2024 ?

(*iii*) Whether the sale of shares by Mr. Manish affect the tax benefits availed by VRT Limited and/or RTY Limited ?

(*iv*) Compute the capital gain in hands of Mr. Manish on sale of share of RTY Ltd. Ignore indexation.

(*5 marks*)

(*c*) PK Fertilizers Ltd. owning a unit located in SEZ and engaged in the production and export of Industrial chemicals, fertilizers, following information were made available of the company for the FY ended 31.03.2024 in the 6th year of its operations :

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Particulars	(Amount in ₹)		
	SEZ Unit Noida	Non SEZ Unit Pune	Total
Total Turnover	15,60,000	14,20,000	29,80,000
Export Turnover	8,32,000	6,86,000	15,18,000
Profit for the year	3,22,000	5,36,000	8,58,000
Brought forward Business Loss (AY 2021-22)	1,86,000	–	1,86,000
Brought Forward Unabsorbed Depreciation (AY 2022-23)	–	75,000	75,000

Note :

(1) Total turnover and export turnover, both of Non SEZ unit include ₹ 75,000 and ₹ 25,000 towards freight and insurance as charged by the entity in the Bill of Entry.

From the above information, compute the following for assessment year 2024-25 :

(*i*) Deduction eligible for claim under section 10AA of Income Tax Act.

(*ii*) Net Taxable Income of the company.

(*5 marks*)

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Attempt all parts of either Q No 6 or Q. No. 6A

6. (*a*) QTR Ltd sold an undertaking as slump sale which was held by more than 4 years and earned ₹ 15,00,000 as capital gain including gain from depreciable fixed assets.

Income tax department wants to calculate and consider the gain on fixed assets as short term capital Gain since it is arising from depreciable assets u/s 50.

Comment on the action of the department with the help of the decided case law, if any.

(*5 marks*)

(*b*) RPL Infra Limited, incorporated on 01.04.2023 and entered into an agreement on July 1, 2023 with NHAI, a PSU of the Central Government and started the operation and maintenance of highways and tolls situated in the state of Bihar. The Status of gross investment in capital assets and incomes earned during the year ending 31.03.2024 were as under :

Particulars	**Amount (₹)**
Plant & Machinery	25,00,000
Assembly & Installation Cost of above	1,30,000
Office appliances including computers and computer software	4,60,000
Capital Work in progress (Construction of Office Building)	8,50,000
Net Profits during the year	7,38,000

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Note :

(*i*) Plant and Machinery includes an Excavator machine of cost being 25% of total value of Plant and Machinery which was imported from Dubai on 30.04.2023.

(*ii*) Assembly and Installation Cost were paid by bank except payments of two labourers of ₹ 10,000 and ₹ 15,000 was made in cash.

(*iii*) Depreciation rate under income tax was 15%.

From the above information given, compute the following amounts for the Assessment Year 2024-25 :

(*i*) Allowed deductions under section 35AD, if any available to the company.

(*ii*) Loss to be carried forward for set off in subsequent Assessment years by the company.

(*4+1=5 marks*)

(*c*) Sun Limited, an Indian company owned two subsidiary companies including Moon Limited (Singapore), a 100% subsidiary and Mars Private Limited (U.K.), a subsidiary with 75% shareholding held by Sun Limited and 25% shares held by Moon Limited. Sun Limited provides following information for FY 31.03.2024.

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Particulars	Amount (₹)
Final Dividend from Moon Limited (Singapore)	5,00,000
Interim Dividend from Mars Private Limited (U.K.)	2,50,000
Dividend from Venus Joint Venture LLP (a Joint Venture with the company)	50,000
Interest paid on overdraft facility (Funds borrowed for investments in both the subsidiary companies & JV)	3,00,000
Dividend distributed by the company to shareholders	4,50,000

From the above information, compute the deduction eligible under section 80M for Sun Limited for the assessment year 2024-25.

(*5 marks*)

OR (Alternate to Q. No. 6)

6A. (*i*) Dilip & Sons, a partnership firm is in the business of retail trade, furnishes you the following data for Previous Year ended on 31st March, 2024.

Particulars	Amount (₹)	Particulars	Amount (₹)
Operating Expenses	32,95,000	Gross receipts	40,00,000
Interest to partner @ 24%	1,00,000		
Salary to partner A	2,30,000		
Salary to partner B	2,85,000		
Net profit	90,000		
Total	**40,00,000**	**Total**	**40,00,000**

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All the gross receipts are by account payee cheque only. Advise, whether firm opt for section 44AD of the Income Tax Act, 1961 or not, by comparing the taxable income of the firm for assessment year 2024-25 under both the options.

(*5 marks*)

(*ii*) JHN Ltd. took over the running business of Vimal, a sole-proprietor by a sale deed. As per the sale deed, JHN Ltd. undertook to pay overriding charges of ₹ 15,000 p.a. to Vimal's wife in addition to the sale consideration. The sale deed also specifically mentioned that the amount was charged on the net profits of JHN Ltd., who had accepted that obligation as a condition of purchase of the going concern. Examine, in the light of a decided case law whether the payment of overriding charges by JHN Ltd. is in the nature of diversion of income or application of income with regard to corporate tax planning.

(*5 marks*)

(*iii*) Explain the ''Permissive tax planning'' and ''Purposive Tax Planning'' with respect to three examples of each.

(*5 marks*)

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