

Strategic Level Exam -December 2023

Corporate Taxation – Question bank 3

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Required:

1. Ascertain the tax exposure to Value Added Tax a person in respect of the information given in the following questions. (State your assumption clearly, if any)

Question 01

ABC Ltd is a registered person for Value Added Tax and engaged in manufacturing and supply of VAT liable article to domestic customers. Company has provided following details for supply Rs. 20Mn value of article that was made during the month of October 2022.

1. Supplier made the above supply to customer with a 2 months credit period
2. However, customer was entitled to 5% additional discount if they settle their bills within one month. The respective customer has settled the total bill and obtained the 5% discount benefit.
3. Goods was dispatched to the above customer on 15th October 2022.
4. Invoice was issued to the above customer on 01st October 2022.

Question 02

PQR Ltd is a registered person for Value Added Tax and engaged in manufacturing and supply of VAT liable article to domestic customers. Company has provided following details for supply Rs. 30Mn value of article that was made during the month of September 2022.

1. Goods was dispatched to the above customer on 05th September 2022.
2. Supplier made the above supply to customer with a 3 months credit period
3. However, customer was entitled to 5% additional discount if they settle their bills within one month. The respective customer has not obtained the 5% discount benefit.
4. Invoice was issued to the above customer on 01st September 2022.

Question 03

ST Brothers is a registered partnership for Value Added Tax and engaged in manufacturing and supply of VAT liable article to domestic customers. The Enterprise has provided following details for supply Rs. 10Mn value of article that was made during the month of December 2022.

1. As the demand for Goods for the season was high, goods were dispatched to the above customer on 24th December 2022.
2. Supplier made the above supply to customer with a 1-month credit period

3. However, customer was entitled for a 5% additional discount if they settle their bills within 15 days. The respective customer has obtained the 5% discount benefit.
4. Invoice was issued to the above customer on 02nd January 2023.

Question 04

RN Construction (Pvt) Ltd is a registered company for Value Added Tax and engaged in rendering building construction services to domestic customers. The Company has entered into a contact with a customer to build shopping complex. Customer is a registered person for Value Added Tax. Contact was signed in the month of October 2022. Construction period was 6month. Value of the contact without taxes was Rs. 300 Mn and Rs. 28.75 Mn was paid at the time of the signing the agreement. It is agreed to settle the advance at the completion level of the project. Further, 2% of the value of the contact has been paid by the customer as a refundable deposit which shall be released upon the completion of the project. After the verification of the progress report provided by project engineer, company issues an invoice to customer. Accordingly, six invoices were issued and settlements were made by the customer. Details are as follows;

1. Completion of preliminary work – Invoice issued on 15th October 2022. Service value was Rs. 50Mn. Customer paid 30Mn on 22nd October and 44,375,000/- on 30th October.
2. Completion of the Structure –3 levels- Invoice issued on 30th November for service value of Rs, 75Mn. Customer paid 30Mn on 2nd December and 45Mn on 10th December.
3. Customer has paid Rs. 57.5Mn on 30th December
4. Completion of balance work – Service value Rs. 75Mn. Invoice was issued on 15th January 2023 and Payment was made on 25th January 2023.
5. Completion of balance work – Service value Rs. 50Mn. Invoice was issued on 15th February 2023 and Payment was made on 2nd March 2023.
6. Completion of the project – Service value Rs. 50Mn. Invoice was issued on 25th March 2023 and Payment was made on 30th March 2023.

Question 05

Recreation (Pvt) Ltd is a registered company for Value Added Tax and engaged in rendering building construction services to domestic customers. LP Property (Pvt) Ltd is the parent company of the Recreation (Pvt) Ltd. LP Property (Pvt) Ltd is investing in lands. Recreation (Pvt) Ltd has entered into a contact with a customer to build a hotel. The hotel was planned to constructed on a land belong to LP Property (Pvt.) Ltd. Customer is a registered person for Value Added Tax. Three party agreement was signed in the month of October 2022, with customer, developer and the property owner. Construction period was 8month. Value of the contact without taxes was Rs. 650 Mn and Rs. 115 Mn was paid at the time of the signing the agreement. It is agreed to settle the advance at the completion level of the project. Further, 5% of the value of the contact has been paid by the customer as a refundable deposit which shall be released upon the completion of the project. After the verification of the progress report provided by project engineer, company issues an invoice to customer. Accordingly, eight invoices were issued and settlements were made by the customer. Details are as follows;

1. Completion of preliminary work – Invoice issued on 25th October 2022. Service value was Rs. 100Mn. Customer paid 30Mn on 30th October and 84,375,000/- on 10th November.

2. Completion of the Structure – Invoice issued on 10th November for service value of Rs, 125Mn. Customer paid 75Mn on 22nd November and 50Mn on 10th December.
3. Customer has paid Rs. 57.5Mn on 20th December
4. Completion of balance work – Service value Rs. 75Mn. Invoice was issued on 15th December 2022 and Payment was made on 30th December.
5. Completion of balance work – Service value Rs. 75Mn. Invoice was issued on 15th February 2023 and Payment was made on 2nd March 2023.
6. Completion of balance work – Service value Rs. 75Mn. Invoice was issued on 15th February 2023 and Payment was made on 2nd March 2023.
7. Completion of the balance work – Service value Rs. 50 Mn. Invoice was issued on 25th April 2023 and Payment was made on 3rd May 2023.
8. Transfer deed for the land used for the development project was made by the LP Property (Pvt) Ltd on 30th May 2023 for 150Mn.

Question 06

RJ (Pvt) Ltd is a registered company for Value Added Tax and engaged in rendering consultancy services to customers in and outside Sri Lanka. Details of the supply made for the period ended 31.03.2023 is as follows;

Value of service rendered for local customer (VAT Registered) Rs. 25Mn

Money received on the disposal of scarp items, made to staff members Rs. 57,500/-

Value of Service rendered to Foreign customers (USD equivalent LKR vale) Rs. 50Mn. This amount has been received to the bank account in the month of April 2023.

