

Strategic Level Exam -December 2023

Corporate Taxation – Question Bank 5 (VAT)

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– PIM USJP

SECTION 1

Question 02

Comfort Dress (Pvt) Limited (CD) is a company incorporated in Sri Lanka. It manufactures and sale of garments. The materials are imports for the manufacturing process and also utilities are sourced from a supplier in Sri Lanka. The garments are supplied Sri Lanka market. The following information was extracted from the draft financial statements prepared for the quarter ended 31 December 2022.

Revenue	Note	Rs '(000)
Sales of garments		1,525,000
Sale of garment sawing services to exporters		510,000
Other Income/receipts		
Dividend Income		3,500
Profit on Sale of Land		6,200
Receipt from Sale of scraps and second graded garments		460

Additional Information

- Garments are sold to retails shops chains, and they are registered for VAT purposes. Sales represented the amount recognized to sales accounts during the period of three month ended 31st December 2022.
- As per the request made by a customer who has a renowned shopping chain in Negombo region, Rs. 125,000,000/- worth of goods were delivered on 23rd December 2022. Invoices for such goods were issued on 10th January 2023 for the total amount of Rs. 125,000,000/-.
- Subcontract manufacturing services made to direct exports of Garments. They are registered for SVAT scheme under RIP and RIS category
- VAT paid on the importation of raw materials are Rs. 12,100,000/-. VAT paid on purchases of accessories from local suppliers are Rs. 3,600,000/-
- A block of land recorded under investment assets has been disposed during the period for Rs. 22,000,000/-. This was purchased in the year 1981 for Rs. 12,000,000/-. Revaluation was done as of 01.04.1998 for Rs. 15,000,000/- . Rs. 800,000/- paid as commission and other charges. VAT paid on such expenses are Rs. 25,000/-
- VAT has been paid on Service obtained for following.
 - Machinery repair – Rs. 500,000/-
 - Security Services Rs. 25,000/-
 - Transport services Rs. 125,000/-. Out of this amount Rs. 50,000/- related to transport services used for factory staff transportation.
 - Rent paid for machinery and building Rs. 575,000/-

Unabsorbed input VAT brought forward from previous taxable period was. Rs. 7,000,000/-
During the period of three month ended 31st December 2022 company has paid following VAT payment as installment taxes.

On 19th October 2022 – Rs. 70,600,000

On 18th November 2022 – Rs. 68,000,000

On 15th December 2022 – Rs. 68,000,000

Required:

Assess the balance VAT payable for the quarter ended 31st December 2022 as per the provisions of the VAT Act. (15 marks)

Question 02

Lassana Flowers (Pvt) Limited (LF) is a company incorporated in Sri Lanka. It provides event management services. Company has its own gardens and flowers are used for the above business.

The following information was extracted from the draft financial statements prepared for the quarter ended 31 December 2022.

Revenue	Note	Rs '(000)
Sales of cut flowers to local customers		625,000
Sales of cut flowers to export market (Rupee equivalent value)		600,000
Event management fee – local customers		575,000
Other Income/receipts		
Interest Income – USD deposit		1,500
Profit on Sale of furniture		2,900

Additional Information

1. Sales represented the amount recognized to sales accounts during the period of three month ended 31st December 2022.
2. Exports made during the three-month period ended 31st December 2022 were recognized to the financial statements and company has received total exports proceeds within 90 days from the exports.
3. VAT paid on the importation of materials used for event decoration items are Rs. 2,500,000/-. VAT paid on purchases of accessories for garden are Rs. 600,000/-.
4. Receipts from the sale of Office furniture was Rs. 5,750,000/-. Cost was Rs.1,500,000/- Rs. 600,000/- paid as commission and other charges. VAT paid on such expenses are Rs. 90,000/-
5. VAT has been paid on Service obtained for following.
 - i. Service External decorator service providers – Rs. 500,000/-
 - ii. Garden Security Services Rs. 125,000/-
 - iii. Transport services Rs. 125,000/-. Out of this amount Rs. 50,000/- related to transport services used for transport of fertilizer for garden.
 - iv. Rent paid for administrative office Rs. 675,000/-

Unabsorbed input VAT brought forward from previous taxable period is Rs. 2,500,000/-

During the period of three month ended 31st December 2022 company has paid following VAT payment as installment taxes.

On 19th October 2022 – Rs. 50,600,000

On 18th November 2022 – Rs. 18,000,000

On 15th December 2022 – Rs. 18,000,000

Required:

Assess the balance VAT payable for the quarter ended 31st December 2022 as per the provisions of the VAT Act. (15 marks)

Madavi (Pvt.) Ltd. is a company registered for Value Added Tax (VAT) / (SVAT) purposes and engages in the business of Manufacturing and selling of Toys.

The following information for the quarter ended 31st March 2023 was extracted from the books of the company.

(1) Income (exclusive of VAT)

Description	Amount (Rs.)
Local Sale of Toys	80,200,000
Supply to Exporters (SVAT registered)	40,350,000
Export of Toys	80,000,000

(2) Other Receipts

Description	Amount (Rs.)
Interest on Fixed Deposit	1,150,000
Proceeds on Disposal of Land	40,600,000
Sale of rejected/Low graded Toys	3,450,000

(3) Input VAT paid by the company:

Description	Amount (Rs.)
Import of Raw Material	4,200,000
Local Purchases of material and Consumable	11,200,000
Professional Charges on Land valuation	180,000

(4) The excess input VAT brought forward from the previous quarter amounts to Rs.9,200,000/-.

(5) The company has received Simplified VAT Credit Vouchers (SVCV) on SVAT sales.

Required:

Assess the balance VAT payable for the quarter ended 31st March 2023 as per the provisions of the VAT Act. (15 marks)