

INTERMEDIATE EXAMINATION

June 2015

I-P10(AIT)

Syllabus-2008

Applied Indirect Taxation

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

Answer Question No. 1 which is compulsory and any five from the rest.

Wherever necessary, you may make suitable assumptions and state them clearly in your answer.

Working notes should form part of the answer.

1. (a) Fill in the blanks: 1×15=15
- (i) Penalty and fine for violation of government rules _____ Service Tax.
 - (ii) Labelling and relabelling comes under _____.
 - (iii) In case of imports, Education cess and SAH Education cess payable on anti-dumping duty is _____.
 - (iv) Government subsidy _____ form part of sale price.
 - (v) MRP provisions are not applicable for packaged commodities meant for _____.
 - (vi) Advance payment of service tax is _____.
 - (vii) Services provided by foreign commission agents to Indian principal _____ liable to service tax.
 - (viii) Residual method is also called as _____.
 - (ix) In case of stock/branch transfers, for inputs used in relation to the same, input tax credit, if any, in excess of _____ % alone is allowed.
 - (x) Jewellery for male passenger can be imported free of customs duty up to _____.
 - (xi) E-payment is mandatory from ₹ _____ onwards (Service tax).
 - (xii) The VAT rate applicable for a product in West Bengal is 1%. When the same is sold from West Bengal to a dealer in Orissa, the CST rate is applicable is _____.
 - (xiii) Filing application with the Commissioner (Appeals) for delay _____ amount of fees are payable.
 - (xiv) Composition Scheme _____ be availed by a registered dealer who makes an export sale.
 - (xv) Burden of proof of manufacture is on _____.
- (b) State with reasons, whether the following are True or False (No credit will be given for mere conclusion, not supported by any reason): 2×5=10
- (i) Service is also taxable even if it is not provided in the taxable territory.
 - (ii) Single registration in the case of multiple services rendered is possible subject to conditions.
 - (iii) Are inputs used for other purposes, like repair, maintenance, and/or installation of capital goods, entitled for CENVAT credit?
 - (iv) "Goods used for personal purposes" Input Tax Credit cannot be claimed.
 - (v) Is it correct to say that all imports are free unless restricted or prohibited under the Foreign Trade Policy (FTP)? _____

Please Turn Over

2. (a) Mr. Baben, restaurant owner opted to pay VAT by way of composition of tax. For the month of November 2014 his total sales was ₹ 2,00,000. He also purchased the input material after ₹ 2,000 as VAT payment. Calculate the VAT payable by Mr. Baben. (VAT Rate is 12.5%) 2
- (b) Mr. Dobla sold excisable goods for ₹ 56,180 per unit. Later on it was found that the price cum duty was ₹ 70,000 per unit. Mr. Dobla collected ₹ 20,000 per unit separately. Calculate the assessable value under the Central Excise Act, 1944. 3
- (c) From the following particulars (CIF Value – US\$ 45,000, Rate of Exchange notified by CBEC is 45 and notified by RBI is 55 per US\$). Calculate the following 6
- (i) FOB Value
- (ii) Cost of Insurance
- (iii) Cost of Freight
- (iv) Assessable Value
- (d) Explain the following with respect to service tax whether these are taxable or not. 2+2=4
- (i) Technical testing of new drugs
- (ii) Monthly contribution of members to housing society.
3. (a) Rajiv Industries Ltd. (RIL) is an Indian company. It has received taxable services from a Singapore company Sanjay Ltd. on 01.04.2014. Sanjay Ltd. raised on RIL an invoice of \$ 45,000 on 27.04.2014. RIL debited its books of accounts on 07.05.2014 and made the payment on 25.06.2014. Sanjay Ltd. and RIL are associated enterprises. Determine the point of taxation using aforesaid details. 8
- (b) Whether waste & scrap is liable to tax? Explain with relevant Case Law. 7
4. (a) Registration under service tax is compulsory in all cases – Explain. 3
- (b) SSI exemption is also available even if buyer is using the goods for own consumption. Explain whether true or false. 3
- (c) Input Tax Credit under VAT can be claimed in all cases – Explain. 3
- (d) In case of first sale and subsequent sales, what are the forms are required to be submitted? 2
- (e) T Ltd. of Delhi gives ₹ 20 lakhs to 'M/S LP' a partnership firm for temporary supply of manpower to T Ltd. What are the supply tax liabilities in this case? 4
5. (a) Bearing in mind the provisions of Section 4 of the Central Excise Act, 1944, you are required to calculate the assessable value of excisable goods, for levy of excise duty from the information given below:

Particulars	₹
Cum-duty wholesale price including VAT of ₹ 2400	62,400
Normal secondary packing cost	1,000
Cost of special secondary packing	3,500
Cost of durable and returnable packing	2,500
Freight	4,600
Transit Insurance	300
Trade discount (normal practice)	1,600

Rate of C.E. duty as per C.E. Tariff 10% *ad valorem*.

State clearly the reasons for the treatment for each item in the deductions. Freight and transit insurance are shown separately in the invoices. 6

- (b) Mr. Harshavardhan, a service provider regularly paying Service Tax since 2010, furnishes the following details pertaining to the half year ended 31st March, 2015:

Particulars	Amount (₹)
Service charges billed and received for recruiting labour for rural projects	6,70,000
Advances received from Mr. Thilak, for which services were not rendered in this half year. Taxable services were rendered in May, 2015 and bill raised within 5 days of completion of service thereafter.	2,00,000
Service charges for supply of agriculture farm labour	7,25,000
Receipts for services rendered to UNESCO, an International Organisation	4,54,000
Service charges for supply of labour for Central Govt. projects	7,22,000

Excepting the advance, the service charges received do not include Service Tax, wherever due.

Ascertain the value of taxable services rendered and the service tax payable by the assessee. 5

- (c) Briefly state the customs procedure and duty payable for import through post. 4
6. (a) A person did an unauthorised import of goods which is liable to confiscation. The customs officer value the goods at ₹ 5,00,000 (exclusive of Basic Custom Duty 10%). What is the amount of penalty imposed under section 112 of the Customs Act, 1962,
- (i) if imported goods are prohibited goods?
- (ii) if imported goods are non-prohibited goods? 2+2=4
- (b) There is no Service Tax Act applicable in India still we have to pay service tax. Explain how it is possible. 3
- (c) Define 'Factory' under the Central Excise Act, 1944. 2
- (d) Which variant of VAT is mostly used and why? 4
- (e) Drawback is allowed on Sales tax also — Do you agree? 2

7. (a) Kathiravan Ltd. [a non-small scale sector assessee] submitted the following information:

Service Tax liability for the month of November 2014	₹ 6,29,000
Due date of discharge above liability	06.12.2014
Date on which above service tax liability was actually discharged	05.03.2015

Required: Calculate Interest and Penalty. 6

Please Turn Over

- (b) Asha Ltd. supplies raw material to a job worker Kareena Ltd. After completing the job-work, the finished product of 5,000 packets are returned to Asha Ltd, putting the retail sale price as ₹ 20 on each packet. The product in the packet is covered under MRP provisions and 40% abatement is available on it. Determine the assessable value under central excise law from the following details:

Cost of raw materials supplied	₹ 30,000
Job worker's charges including profit	₹ 10,000
Transportation charges for sending the raw material to the job worker	₹ 3,000
Transportation charges for returning the finished packets to Asha Ltd.	₹ 3,000

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- (c) Whether the following services are exempt under this head or taxable?

Sl. No	Services provided	Whether exempt under this head or otherwise taxable?
1	Services provided to a recognized sports body by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body	₹ 12,40,000
2	Service of a player to a franchisee which is not a recognized sports body	₹ 6,80,000
3	Services by a recognized sports body to another recognized sports body	₹ 1,20,000
4	Services by individuals such as selectors, commentators, curators, technical experts	₹ 6,90,000
5	Services of an individual as umpire, referee when provided directly to a recognized sports body	₹ 1,20,000

Ignore small service provider exemption.

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8. (a) Sarath Fertilizers Ltd. manufactures naphtha. Goods are sold at its factory gates at Chennai as well as from its depot at Sriperumpudur. The prices prevailing at these two places are different. On 21.03.2015, 9,000 Kgs have been removed from the factory to the depot at Sriperumpudur. On this day, sales have taken place at both the factory and the depot, the sale price being ₹ 1500 per Kg and ₹ 1520 per Kg respectively.

Determine the assessable value as per Section 4(b) of the Central Excise Act for the above 9,000 kgs moved to the depot.

Will your answer be different if the last sale at the depot was on 19.03.2015 (15000 kgs at ₹ 1490 per kg)?

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- (b) Distinguish between Pilfered goods u/s 13 and Lost or destroyed goods u/s 23 of the Customs Act, 1962.

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- (c) From the following data furnished by Lasya & Co., a registered VAT dealer for the month of February 2015, determine the net VAT liability of the dealer:

Opening balance in Input Tax Credit (ITC)	₹ 2,000
Purchases from within State from registered dealers	
Raw material X (inclusive of 5% VAT)	₹ 2,10,000
Raw material Y (inclusive of 5% VAT)	₹ 3,15,000
Raw material Z (inclusive of 10% VAT)	₹ 4,40,000
Sale of finished goods L (exempted goods)	₹ 2,50,000
Sale of finished goods M (zero-rated)	₹ 3,75,000
Sale of finished goods N	₹ 6,00,000
Output VAT Rate	10%

Raw material X is used for producing product L, Raw material Y for producing product M and Raw material Z is used for producing product N.