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## FINAL EXAMINATION

June 2014

P16(TMP)  
Syllabus 2012

### Tax Management and Practice

Time Allowed: 3 Hours

Full Marks: 100

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

*Wherever required, the candidate may make suitable assumptions and state them clearly in the answer.*

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

*All sub-divisions of a question should be answered continuously.*

#### SECTION A

Answer **all** questions.

1. Answer *any three* sub-divisions:

5×3=15

- (a) An assessee submitted an application under section 32E of the Central Excise Act, 1944 to the Settlement Commission. Pointing out that the applicant had not made a true and full disclosure of its duty liability and the manner in which same was arrived at was also not correct, the Commission rejected the application. The assessee contended that obligation to make truthful disclosure of duty liability would arise only after the application was admitted and not prior to that. Is plea taken by the assessee, tenable in law?
- (b) The assessee was engaged in the manufacture of tooth paste. It was sold as a combo pack of tooth paste and a bought out tooth brush. No extra amount was collected from buyers for the tooth brush. The assessee availed CENVAT credit of central excise duty paid on the tooth brush. Revenue contended that the tooth brush was not an input for the manufacture of the tooth paste and the cost of tooth brush was not added in the M.R.P. of the combo pack and hence the assessee had availed CENVAT credit of duty paid on tooth brush in contravention of the provisions of the CENVAT Credit Rules, 2004. Is this contention justified?
- (c) The assessee was running a fast-food restaurant in which "soft-serves" were dispensed through vending machines. Such softy ice-creams in fast food chain outlets contain just 5 per cent milk fat, whereas hardened ice-creams served as dessert must mandatorily contain more than 8 percent. According to the assessee, soft-serve will not fall in the definition of "ice-cream" as understood under the Prevention of Food Adulteration Act. Assume that while ice-creams attracted 16 percent excise duty, edible preparations not specified elsewhere enjoyed complete exemption. The assessee contended that it dealt with only the latter. Is such claim correct?

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- (d) (i) A SSI unit has purchased new machinery in April, 2013, on which excise duty of ₹ 2 lacs has been paid.

The monthly clearances for home consumption from this unit are as under:

Month	Value (₹ in lacs)
April, 2013	30
May, 2013	40
June, 2013	60
July, 2013	52
August, 2013	55

Can the unit avail Cenvat credit for new machinery purchased? If so, how much and in which month can it avail the same? 3

- (ii) A SSI unit has paid excise duty of ₹ 15,450 during the year ended 31-3-2013. Is it required to submit its return of excise duty electronically during the subsequent year? 2

2. Answer *any two* sub-divisions:

5×2=10

- (a) Briefly discuss the Central Excise procedures to be followed by an EOU in respect of its DTA sales.
- (b) Compute the Assessable Value and Excise Duty payable u/s 4 of the Central Excise Act, 1944 from the following information:

Particulars	Amt. in ₹
Price of machinery excluding taxes and duties	6,00,000
Installation and erection expenses	25,000
Packing charges (primary and secondary)	13,000
Design and engineering charges	4,000
Cost of material supplied by buyer free of charge	10,000
Pre-delivery inspection charges	850

Other information:

- (i) Cash discount @ 2% on price of machinery was allowed as per terms of contract since full payment was received before dispatch of machinery.
- (ii) Bought out accessories supplied along with machinery valued at ₹ 7,250.
- (iii) Central Excise Duty rate 12% and cess as applicable.
- (c) M/s Action Ltd. is a manufacturer having its factory situated in Mumbai. During the financial year 2013-14, the total value of clearances from the factory was ₹ 520/- lakhs. The detailed break up of clearances are as follows:
- Clearances without payment of duty to a unit in Software Technology Park— ₹ 100/- lakhs.

- Clearances of non-excisable goods ₹ 110 lakhs.
- Clearances worth ₹ 60 lakh which are used captively to manufacture finished products that are exempt under notification other than Notification No. 8/2003.
- Clearances of excisable goods in normal course ₹ 250 lakhs.

Part of the factory at Mumbai is used by M/s Action Ltd. and another part of the same factory is used by M/s Passion Ltd. M/s Passion Ltd. has cleared the goods worth ₹ 100 lakhs during FY 2013-14, which were exempted under notification other than SSI exemption notification.

Briefly explain whether M/s Action Ltd. will be eligible to the benefits of exemption under Notification No. 8/2003 for the year 2014-15.

3. Answer *all* sub-division:

(a) From the following details furnished by Mrs. Vasudha, a registered dealer for the month of March, 2014, ascertain the VAT payable for the said month, as per White Paper on VAT: 5

Particulars	Amount in (₹)
Raw materials imported from China	5,00,000
Customs duty paid in addition at 10.3%	
Intra-State purchase of raw materials	2,00,000
CST, at 2% has been charged on the above, in addition	
Intra-State purchase of raw materials from registered dealers	4,00,000
VAT paid on above, over and above the price	
Sale of finished goods within State	12,00,000
Branch transfer to other State (from goods purchased within State) at cost price	1,25,000
Closing stock of finished goods	1,00,000
Opening VAT	2,250
Input and output VAT rates are	1%

**OR,**

From the following particulars, calculate assessable value and total customs duty payable:

- CIF value 2000 US Dollars; Air Freight 500 US Dollars, Insurance cost 100 US Dollars; Landing Charges not available.
- Date of presentation of bill of entry: 20.01.2014 (Rate of BCD 25%; Exchange Rate: ₹ 58.60 and rate notified by CBEC ₹ 58.80)
- Date of arrival of goods in India: 30.01.2014 (Rate of BCD 20%; Exchange Rate: ₹ 58.90 and rate notified by CBEC ₹ 59.00)
- Rate of Additional Customs Duty under section 3(1): 12%
- Additional Duty of customs u/s 3(5): 5%
- Education Cess applicable 2% and SAHEC is 1%

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