

INTERMEDIATE EXAMINATION

December 2017

P-11(ITX)
Syllabus 2016

INDIRECT TAXATION

Time Allowed: 3 Hours

Full Marks: 100

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

Question No. 1, including all its sub-questions is compulsory.

Answer any five questions from the rest.

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

Working notes should form part of the relevant answers.

Part-I

(All questions are compulsory.)

1. (a) Answer the following:

1×10=10

- (i) Sale under CST Act includes a transaction in the nature of/a delivery of goods on _____.
(A) job work
(B) hypothecation
(C) hire purchase
(D) pledge
- (ii) MRP of ₹ 80 is printed on an excisable product sold in the State of West Bengal and ₹ 84 for rest of India. The assessable value adopted for the purposes of central excise will be
(A) As per MRP for the sales in respective States.
(B) ₹ 84
(C) ₹ 82
(D) ₹ 80
- (iii) The selling price of a machinery is ₹ 10,000. The product attracts Basic Excise Duty @12.5% and CST @2%. What would be the CST payable?
(A) 225
(B) 200
(C) 196
(D) 221

Please Turn Over

- (iv) Central Excise Revenue Audit conducted by the _____.
- (A) C & AG
 - (B) Excise department
 - (C) Cost Accountant
 - (D) Chartered Accountant
- (v) Name the product not eligible for SSI exemption under Central Excise:
- (A) Sugar
 - (B) Computer
 - (C) Watches
 - (D) Bicycle
- (vi) Sources of Service tax are
- (A) Finance Act, 1994
 - (B) CBEC Circulars
 - (C) Notifications issued by the CBEC
 - (D) All three above, besides others
- (vii) The inter-state turnover as per books of Achaya is ₹ 12 lakhs. The same includes freight charges of ₹ 1.2 lakhs, not shown separately in the invoices. The total turnover of the assessee as per the CST Act is (₹ Lakhs):
- (A) 10.2
 - (B) 10.8
 - (C) 12
 - (D) None of the above
- (viii) Assessable value of goods for customs purposes is
- (A) Actual Value
 - (B) Deemed Value
 - (C) Standard Value
 - (D) None of the above

(ix) Which of the following is covered under Reverse Charge mechanism?

- (A) Motor-cab hire charges
- (B) Directors remuneration
- (C) Commission
- (D) Telephone Charges

(x) When the actual date of service was on 31st March, 2017 and invoice was raised on 10th April, 2017, what would be the point of taxation when the payment for the said service was received on 15th March, 2017?

- (A) 31st March, 2017
- (B) 6th April, 2017
- (C) 15th March, 2017
- (D) 10th April, 2017

(b) Match the following:

1×5=5

	Column A		Column B
1.	Packing charges	A	Exempted service
2.	Yellow Bill	B	Included in value
3.	Trading of goods	C	Warehousing
4.	SEZ	D	B1 Bond
5.	Goods removed without payment of duty	E	I Form

(c) State whether each of the following is correct or incorrect:

1×5=5

- (i) Service provider providing services under the brand name of other can claim Small Service Provider Exemption.
- (ii) MRP valuation shall apply to goods covered under MRP valuation scheme even if they are supplied in bulk quantity not intended for retail sale.
- (iii) Outsourced manufacturing unit can act as an Input Service Distributor.
- (iv) Taxable event in case of import of goods, under customs, is the date of entry into Indian Territorial Waters.
- (v) A dealer dealing with works contract is liable to pay VAT on the value of materials transferred while executing the contract.

(d) Fill up the blanks:

1×5=5

- (i) As per Article 246(3), State Government has exclusive powers to make laws for State with respect to any matter enumerated in List II of _____ Schedule to Constitution.
- (ii) The first two digits in the Tax Payers Identification Number (TIN) represent _____ code.
- (iii) A product is exempt from levy of VAT in a State. When that product is sold from that State in inter-State sale, the CST is leviable at _____%.
- (iv) When a product is not sold in outside market but is used captively, where the cost of production of such product is ₹ 10 lakhs, the assessable value is ₹ _____. The product is sold by others in the market for ₹ 12 lakhs.
- (v) Service tax paid on assignment charges of a natural resource to be allowed as CENVAT credit spread evenly over a period of _____ years.

Part-II

(Answer any five questions.)

2. (a) (i) Why the Seventh Schedule of the Constitution of India is important from taxation perspective? Discuss.
- (ii) An important disadvantage of the indirect tax regime is its cascading effect. Do you agree? Explain shortly.

5+3=8

- (b) Nirmal Industries Ltd., furnish the following information relevant for the month of May 2017. You are required to find the assessable value for the purpose of paying excise duty on captive consumption with reference to rule 8 of Central Excise Valuation (Determination of price of excisable goods) Rules, 2000 and as per CAS-4.

- (1) Cost of Raw Materials (inclusive of Excise Duty @12.5%) — ₹ 13,200
- (2) Factory Wages — ₹ 2500
- (3) Manufacturing Expenses — ₹ 1000
- (4) Other Direct Expenses — ₹ 2750
- (5) Research & Development Cost — ₹ 250
- (6) Administrative Overheads (including expenses relating to Marketing Office ₹ 100) — ₹ 350
- (7) Sale of scrap realized — ₹ 200
- (8) Interest on delayed payments by customers — ₹ 500
- (9) Profit Margin — 20%

Computation of Excise Duty Liability of Nirmal Industries Ltd.,

3. (a) State with brief reason, whether the following statements are *true* or *false*: 4
- The provisions of the CCR, 2004 in relating to availment and utilization of credit of service tax apply to whole of India including Jammu and Kashmir.
 - Dumpers used in the factory of a manufacturer for carrying bulk raw material, are eligible capital goods for the purposes of claiming the CENVAT credit.
- (b) Calculate the CENVAT credit available with M/S Jupiter & Co., in respect of the following transactions, for the month of December, 2016: 6

Sl. No.	Item	Excise duty paid (₹)
(i)	Raw materials used in the factory of Jupiter & Co.	80,000
(ii)	Goods used in the guest house primarily for the temporary of the newly recruited employee.	30,000
(iii)	Inputs used for making structures for support of capital	1,45,000
(iv)	Capital goods used as parts and components in manufacture of final product	50,000

You are further required to append note on the treatment of each item above.

- (c) A Ltd. is having a manufacturing unit at Faridabad. In the financial year 2016-17 the value of total clearances from the unit was ₹ 750 lakhs as per the following details:
- Exports to USA – ₹ 100 lakhs; to Nepal – ₹ 50 lakhs
 - Clearances to a 100% export oriented unit – ₹ 75 lakhs
 - Clearances as loan licensee of goods carrying the brand name of another upon full payment of duty – ₹ 200 lakhs
 - Clearances exempted vide Notification No. 214/86 – C.E. dated 25.03.86 – ₹ 125 lakhs.
 - Balance clearances of goods in the normal course : ₹ 200 lakhs. You are required to state with reasons whether the unit is entitled to the benefit of exemption under Notification No. 8/2003 – C.E. dated 01.03.2003 as amended in the financial year 2009-10. 5
4. (a) (i) Whether goods cleared from Domestic Tariff Area (DTA) to Special Economic Zones (SEZ) attract export duty? Explain.
- (ii) Do the provisions of the Customs Act permit manufacture of goods in a warehouse? If so, discuss the provisions in brief. 4+4=8

- (b) Compute the Assessable Value of a machine imported from Germany by RLI Ltd., under Customs Act, 1962. Also determine the duty liability of RLI Ltd. 7

Particulars	USD \$
FOB Value	30,000
Air Freight Paid	7,250
Insurance & Transit Cost	Not Known
Designing Charges incurred in India	₹ 15,000
Indian Agent's Commission	₹ 20,000
Transport Charges from port to factory in India	₹ 15,000
Rate of duty	10%
If the machinery is manufactured in India Excise duty payable as per Tariff	12.5%

The rate of exchange notified by CBEC is ₹ 65 per USD.

5. (a) Paul Ltd. filed its service tax returns for the half years ending on September, 2015 and March, 2016 on 25.11.2015 and 31.07.2016. The two half yearly returns show a service tax liability of ₹ 4,00,000 and ₹ 2,00,000 respectively. Is any late fee/fine payable by Paul Ltd.? If yes, what is the quantum of such fee in both fee cases?

Will your answer be different if Paul Ltd. files a nil return for the half year ending on September, 2015? 5

- (b) Ms. Padmapriya provided sponsored services for a cinema dance competition titled "Who is the next Michael Jackson" for Ajantha Arts Academy, run by Easygoing Arts Pvt. Ltd., on 19.02.2017. Who will be liable to pay service tax in this case?

Will your answer be different, if the above Academy is owned by an individual? 4

- (c) A service provider has received an advance of ₹ 5 lakhs from the service receiver on 14.06.2016. No invoice was raised by him for this purpose. No service was provided during the half year ended 30.06.2016. In February, 2017, the above sum was agreed to be returned and a credit note was raised. When advance was received, is any service tax payable? What is the point of taxation? 3

- (d) Vaibhav, an authorised Money Changer, exchanged \$ 2,00,000 on 15th March, 2017 at ₹ 66 per \$. You are required to compute the value of taxable service as per Rule 2B of the Service Tax (Determination of Value) Rules, 2006, in the under-mentioned situations:
- Where the RBI reference rate for \$ is not available;
 - When the RBI reference rate was ₹ 66.25 per \$.
 - Where the \$ 2,00,000 had been converted into € 1,30,000; the RBI reference rate for \$ being as above and ₹ 101 for €.
6. (a) What do you mean by service under Service Tax Act? 5
- (b) Mr. X Practicing Cost Accountant received ₹ 20,00,000 (exclusive of service tax) in the June, 2016. He paid service tax on 26th July, 2016. Gross receipt in the year 2015-16 is ₹ 25 lakhs. You are required to calculate Interest on delay payment of service tax. 5
- (c) A consulting engineer provided following services in a month:
- Free Professional advice to his friend (normal charges for such service would be ₹ 10,000).
 - Computer software services ₹ 10 lakhs.
 - Consultancy Services to Government of Gujarat ₹ 8 lakhs. Service Tax was charged separately, wherever applicable. He has paid ₹ 50,000 as cess under Section 3 of the Research and Development Cess Act, 1986. What is the amount of service tax payable by him? Service tax rate of 15%. 5
7. (a) (i) Mr. X of Delhi sold Mobile sets to Mr. Y of West Bengal. The goods are dispatched by Lorry and the Lorry Receipt (LR) is sent by X to Y by courier. In the mean time, Y decides to sell the goods to Z of U.P. Is there any legally permitted way to not charge CST by Y on the sales effected to Z? Explain the provisions with reference to CST Act.
- (ii) Define 'Works Contract' as per CST Act. Can sales tax be levied on activity of construction of building? 4+4=8
- (b) (i) State various purposes for which goods can be purchased at concessional rate under CST Act by issuing C Form.
- (ii) Mr. Abraham is a manufacturer of plastic chairs situated in Bengaluru. He seeks your advice while calculating the VAT on sales as well as net VAT liability from the following information:
- Plastic granules purchased from local market (inclusive of VAT @5%) — ₹ 3,67,500;
 - Manufacturing Expenses — ₹ 1,25,000;

(III) Profit on cost @30%;

(IV) Excise Duty @12.5%;

(V) Output VAT @14.5%.

3+4=7

8. Answer any three questions from the following:

5×3=15

- (a) What do you mean by First Stage Dealer and Second Stage Dealer as per Central Excise Act?
 - (b) What do you mean by the term "Goods" as per Customs Act?
 - (c) List out the examples for Continuous supply of Services under the Service Tax Act.
 - (d) What are the advantages of VAT?
-