

## **Paper-10 Applied Indirect Taxation**

**Time Allowed: 3 hours**

**Full Marks: 100**

Working notes should form part of the answers.

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

### **Question 1.**

#### **(a) Fill up the blanks:**

- (i) SSI unit whose turnover was less than or equal to \_\_\_\_\_ in previous year are entitled to full exemption upto \_\_\_\_\_ in current financial year.
  - (ii) Under the concept of \_\_\_\_\_ mechanism, for one service the service provider as well as service receiver is made liable for payment of service tax to the extent notified.
  - (iii) The Central Excise Revenue Audit is conducted by the \_\_\_\_\_.
  - (iv) In case of Anti-dumping, margin of dumping means the difference between normal value and \_\_\_\_\_.
  - (v) Form \_\_\_\_\_ is prescribed for application to get registered u/s 7 of CST Act.
  - (vi) The \_\_\_\_\_ sale price should be the maximum price at which excisable goods in packaged forms are sold to ultimate consumer.
  - (vii) In customs, imported goods are cleared from seaport/airport on submission of \_\_\_\_\_ for warehousing.
  - (viii) Manual Payment of service tax may be either by cheque or cash depositing it through \_\_\_\_\_ Challan with the bank designated by the CBEC.
  - (ix) \_\_\_\_\_ goods means goods declared under Section 14 of CST Act to be of special importance in interstate trade or commerce.
  - (x) In the context of central excise, \_\_\_\_\_ duty is payable on the basis of length, area, volume etc.
  - (xi) The return form ER-1 in excise is to be filed by \_\_\_\_\_ [100% Export Oriented Unit (EOU)/ manufacturer/ SSI (Small Scale Industries) unit].
  - (xii) Services rendered by a foreign diplomatic mission located in India are included in the \_\_\_\_\_ list of service in the context of service tax.
  - (xiii) In case of imported goods, if the cost of insurance is not ascertainable, such cost shall be \_\_\_\_\_% of the FOB value of the goods.
  - (xiv) Upgradation of computer system by increasing its storage or processing capacity \_\_\_\_\_ (is/ is not) manufacture.
  - (xv) Renting of an immovable property is a \_\_\_\_\_ service for the purpose of service tax.
- [15 × 1]**

#### **(b) State with reasons whether the following statements are 'True' or 'False':**

- (i) An unsecured debt is transferred to a third person for a consideration will come under the purview of service tax.
- (ii) There is no difference between 'Zero Rated Sale' and 'Exempted sale'.
- (iii) Advertising/ publicity expenditure by brand name/copyright owner is excludible in the assessable value for the purpose of excise.

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- (iv) Any goods imported in any conveyance will be allowed to remain on the conveyance and to be transited without payment of duty, to any place out of India or any customs station, called transshipment of goods.
- (v) Section 14 of CST Act describes goods of special importance consist of oilseeds, pulses etc.

[5 × 2]

### Question 2.

- (a) What are the disadvantages of indirect tax? [3]
- (b) Write down the differences between direct tax and indirect tax. [3]
- (c) What are the powers of taxation under Constitution of India? [3]
- (d) Robot Ltd., which is engaged in the manufacture of excisable goods started its business in May, 2013. It availed small scale exemption in terms of Notification No. 8/2003-C.E. dated 01-03-2003. The following details are provided (₹) ;

15,000 kg of inputs purchased @ ₹ 992.70 per kg. (inclusive of excise duty @ 12.36%)	1,48,90,500
Capital goods purchased on 25-06-2013 (inclusive of excise duty at 12.36%)	
Finished goods sold (at uniform transaction value throughout the year)	44,12,000
	2,50,00,000

Calculate excise duty payable by M/s. Robot Ltd. in cash, if any, during year 2013-14. Rate of duty on finished goods sold may be taken at 12.36% and you may assume that selling price is exclusive of central excise duty. There is neither any processing loss nor any inventory of input and output. Show your workings and notes with suitable assumptions as required. [6]

### Question 3.

- (a) Following transactions took place in the factory of Arvind Ltd. —
- (i) An imported consignment of Raw Materials was received vide Bill of Entry dated 2<sup>nd</sup> Dec, showing the following Customs Duty payments —
- |                         |          |
|-------------------------|----------|
| Basic Customs Duty      | ₹ 23,000 |
| Additional Duty (CVD)   | ₹ 20,000 |
| Special Additional Duty | ₹ 5,800  |
- (ii) A consignment of 1,000 kgs of inputs was received. The Excise Duty paid as per the invoice was ₹ 10,000. While the input was being unloaded 50 kgs were damaged, and were found to be not usable.
- (iii) Some inputs for final product were received. These were accompanied by a certified Xerox Copy (photo copy) of Invoice No. 356 dated 23<sup>rd</sup> Dec. indicating the Excise duty of ₹ 6,400 has been paid on inputs. The original for duplicate copy of invoice are not traceable.

Indicate the eligibility of CENVAT Credit under the CENVAT Credit Rules, 2004 with explanations where necessary. [8]

- (b) M/s. Mili Pvt. Ltd., not an SSI unit, purchased fibre 10,000 kg @ ₹ 50 per kg plus excise duty. The said fibre was used to manufacture intermediate product yarn. The said yarn was captively used for the manufacture of fabrics. The said fabric was exempt from duty. The other information are as follows:
- (i) Normal processing loss: 2% of inputs in manufacture of yarn
- (ii) Rate of excise duty on all products is 12.36%;
- (iii) Assessable Value of yarn: ₹ 80 per Kg.;

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- (iv) Assessable Value of Fabric (Total): ₹ 13 lakhs;
- (v) Colouring Dyes used in the manufacture of Fabric: ₹ 2 lakhs plus excise duty.
- (vi) Duty on Capital Goods imported during the period and used in the manufacture of yarn: Basic Customs Duty ₹ 20,000; Additional duty of customs under section 3(1) of the Customs Tariff ₹ 30,000; Additional duty of customs under section 3(5) of the Customs Tariff Act ₹ 10,000.

Compute - (i) CENVAT Credit available; (ii) Duty payable.

[7]

### Question 4.

(a) Compute the duty payable under the Customs Act, 1962 for an imported machinery based on the following information:

- (i) Assessable value of the imported equipment US \$ 12,000.
- (ii) Date of Bill of Entry 25.03.2014 basic customs duty on this date 20% and exchange rate notified by the Central Board of Excise and Customs US \$ 1 = ₹ 65.
- (iii) Date of Entry inwards 21.03.2014 Basic customs duty on this date 16% and exchange rate notified by the Central Board of Excise and Customs US \$ 1 = ₹ 57.
- (iv) Additional duty payable under Section 3(1) and (2) of the Customs Tariff Act, 1975: 15%.
- (v) Additional duty under Section 3(5) of the Customs Tariff Act, 1975: 4%.
- (vi) Education Cess @ 2% in terms of the Finance (No. 2) Act, 2004 and secondary and higher education cess @ 1% in terms of the Finance Act, 2007.

Make suitable assumptions where required and show the relevant workings and round off your answer to the nearest Rupee.

[7]

(b) An importer imported some goods for subsequent sale in India at \$ 30,000 on CIF basis. Relevant exchange rate as notified by the Central Government ₹60. The item imported attracts basic duty at 10% and education Cess as applicable. If similar goods were manufactured in India, Excise Duty payable as per Tariff is 14% plus education Cess of 2% and SAH 1%. Special Additional Customs Duty is 4%. Find the total duty payable.

[8]

### Question 5.

- (a) What are the taxable event in case of imports in customs. [5]
- (b) Explain abatements and composition schemes in the context of service tax. Also state the distinction between them. [5]
- (c) Gupta and Gupta is located in India and holding 51% of shares of Kate Ltd., a USA based company. Kate Ltd. provides Business Auxiliary Services to Gupta & Gupta Ltd. From the following details, determine the Point of Taxation of Gupta & Gupta Ltd.:

Agreed consideration	US \$ 1,00,000
Date on which services are provided by Kate Ltd.	16 – 09 - 2013
Date on which invoice is sent by Kate Ltd.	19 – 09 – 2013
Date of debit in the books of account of Gupta & Gupta Ltd.	30 – 09 – 2013
Date on which payment is made by Gupta & Gupta Ltd.	23 – 12 - 2013

[5]

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### Question 6.

(a) State with reasons whether service tax will be levied or not on the interest in relation to overdraft, cash credit, bill discount or exchange in the region of Banking and financial services. [5]

(b) Determine the Point of Taxation in each of following independent cases in accordance with point of Taxation Rules, 2011.

S. No.	Date of actual provision of service	Time [date] of Invoice, Bill or Challan as the case may be	Date on which payment received
1	10.04.2013	30.04.2013	06.04.2013 (part) and 16.04.2013 (remaining)
2.	10.04.2013	12.05.2013	30.04.2013
3.	10.04.2013	12.05.2013	05.04.2013 (part) and 25.04.2013 (remaining)
4.	10.04.2013	22.05.2013	12.06.2013

[5]

(c) Explain provisions relating to service tax on restaurant service. [5]

### Question 7.

(a) What is meant by export of service? [5]

(b) Compute the net VAT liability of Ritesh using the information given as follows:-

Raw material purchased from foreign market (including duty paid on imports @ 20%):  
₹ 13,200

Raw material purchased from local market (including VAT charged on the material @ 4%):  
₹ 22,880

Raw material purchased from neighbouring state (including CST paid on purchases @ 2%):  
₹ 7,854

Storage, transportation cost and interest: ₹ 2,750

Other manufacturing expenses incurred: ₹ 660

Ritesh sold the goods to Binay and earned profit @ 10% on the cost of production. VAT rate on sale of such goods is 12.5%. [5]

(c) Disha Enterprises, a dealer in Rajasthan dealing in consumer goods, submits the following information pertaining to the month of March, 2014:

(i) Exempt goods 'X' purchased for ₹ 1,75,000 and sold for ₹ 3,50,000.

(ii) Goods 'Y' purchased for ₹ 2,25,000 (including VAT) and sold at a margin of 20% profit on purchases (VAT rate for purchases and sales is 12.5%)

(iii) Goods 'Z' purchased for ₹ 2,00,000 (excluding VAT) and sold for ₹ 2,50,000 (VAT rate for purchases and sales is 4%);

(iv) His unutilized balance of input VAT credit on 01.03.2014 was ₹ 3,000.

Compute the turnover, Input VAT, Output VAT and Net VAT payable by Disha Enterprises.

[5]

### Question 8.

(a) Sri Hari, a Registered Dealer at Mumbai, furnishes the following information:

		(₹)
(i)	Inter-state sale of goods This includes the following—	40,00,000
(ii)	Excise duty	42,000
(iii)	Goods returned on 17/1/2014 [These goods were sold on	1,05,000

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	12/4/2013]	
(iv)	Cash discount shown in invoice and allowed according to prevailing trade practice	50,000
(v)	Freight and transportation charges (of this ₹ 1,50,000 is on inclusive basis)	4,50,000
(vi)	Insurance premium paid prior to delivery of goods	70,000
(vii)	Installation and commissioning charges levied separately in invoices	75,000

Compute the taxable turnover under the CST Act, assuming the rate of tax @ 2%. **[5]**

**(b)** Star Constructions undertakes works contracts and maintains sufficient records to quantify the labour and other service charges. From the details given below, calculate the taxable turnover, input tax credit and net vat payable under the State VAT Law –

- (i) Total contract price (excluding VAT) ₹ 1,80,00,000
- (ii) Materials purchased and used for the contract taxable at 12.5% VAT (inclusive of VAT) ₹ 33,75,000
- (iii) Labour charges paid for execution of the contract ₹ 40,00,000
- (iv) Other service charges paid for the execution of the contract ₹ 20,00,000
- (v) Cost of consumables used not involving transfer of property in goods ₹ 10,00,000.

Strong Constructions also purchased a plant for use in the contract for ₹20,80,000 (inclusive of VAT). In the VAT invoice relating to the same, VAT was charged at 4% separately. Assume 100% input tax credit is available on capital goods immediately. Make suitable assumptions where required and show the workings. **[5]**

**(c)** Lucky, a registered dealer submits the following information for the month of February, 2014  
(A) Details of purchase –

- (i) Raw material purchased from another State (CST @ 2%) - ₹10,00,000
- (ii) Raw material X purchased within the State - ₹15,00,000 Vat rate 1%
- (iii) Raw material Y imported from Singapore (includes customs duty paid @ 10%) - ₹11,00,000
- (iv) Raw material Z purchased within the State - ₹6,00,000 Vat rate 12.5%

(B) Details of sales –

- (i) Sale of goods produced from raw material X - ₹ 27,00,000 Rate of Vat 4%
- (ii) Sale of goods produced from inter-state purchase and imported raw materials - ₹32,00,000 Rate of Vat 1%
- (iii) Sale of goods produced from raw material Z - ₹ 8,00,000 Rate of Vat 12.5%.

(Note - The purchase and sales figures given above do not include VAT/CST.)

Assume that there was no opening or closing inventory. Compute the amount of Value Added Tax (VAT) payable by Lucky for the month of February, 2014. **[5]**