

Paper 11- Indirect Taxation

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Full Marks: 100

Time allowed: 3 hours

**The figures in the margin on the right side indicate full marks.
Working notes should form part of the answer.**

1. Answer the following questions:

(A) Multiple choice questions:

[7×2=14]

- (i) A vessel Bhishma, sailing from U.S.A. to Australia via India. Bhishma carries various types of goods namely 'A', 'B', 'C' & 'D'. 'A' & 'B' are destined to Mumbai Port and balance remains in the same vessel. Subsequently vessel chartered to Australia. The transit goods are:
- (a) 'A' & 'B'
 - (b) 'C' & 'D'
 - (c) 'A', 'B', 'C' & 'D'
 - (d) None of the above.
- (ii) Which of the following have been held as not to be a manufacturer?
- (a) Person manufacturing for own consumption
 - (b) A job-order worker
 - (c) A contractor
 - (d) Loan licensee.
- (iii) Which of the following form is used to get registered under CST?
- (a) Form F
 - (b) Form G
 - (c) Form A
 - (d) Form B
- (iv) Payment was credited in the books of accounts on 7.6.2016. Payment was credited in the bank account on 10.6.2016. Date of change in effective rate of tax is on 8.6.2016. In case of point of taxation, the date of payment will be:
- (a) 10.6.2016
 - (b) 07.6.2016
 - (c) 08.6.2016
 - (d) None of the above.
- (v) The types of duty drawback rates include:
- (a) All Industry Rate
 - (b) Brand Rate
 - (c) Special Brand Rate
 - (d) All of the above.
- (vi) The List III (Concurrent List) of Seventh Schedule to Constitution contains:
- (a) entries under exclusive jurisdiction of Union Government
 - (b) entries under exclusive jurisdiction of States
 - (c) entries where both Union and State Governments can exercise power
 - (d) None of the above.
- (vii) Section 14A of Central Excise Act deals with:
- (a) CENVAT Credit Audit
 - (b) Excise Audit 2000
 - (c) Valuation Audit
 - (d) Central Excise Revenue Audit.

(B) Say Yes or No for the following question:

[6×1=6]

- (i) Central Excise Revenue Audit (known as CERA Audit) conducted by the office of the Comptroller and Auditor General of India.
- (ii) Countervailing Duty (CVD) is payable while calculating anti-dumping duty.
- (iii) In case of pilferage, no duty is payable at all.

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- (iv) CBE & C has developed a software application called Automation of Central Excise and Sales Tax (ACES), which aims at improving tax-payer services, transparency, accountability and efficiency in indirect tax administration.
- (v) All services provided to RBI are included in the negative list.
- (vi) Service tax came into force from the year 1994.

(C) Match the following:

[5×1=5]

| | Column 'A' | | Column 'B' |
|----|---|---|--|
| 1. | Gambling | A | Negative list service |
| 2. | CST | B | Value based on retail sale price |
| 3. | Services provided to the United Nations | C | Exempted under mega exemption |
| 4. | Warehouse | D | Applies to the whole of India including the state of Jammu & Kashmir |
| 5. | Section 4A of the Central Excise Act | E | Private or public |

**Answer any five questions from the following.
Each question carries 15 marks.**

2.(a) Sri Ram, a Registered Dealer at Mumbai, furnishes the following information:

| | (₹) |
|--|-----------|
| (i) Inter-state sale of goods | 40,00,000 |
| This includes the following— | |
| (ii) Excise duty | 45,000 |
| (iii) Goods returned on 17/1/2017 [These goods were sold on 12/4/2016] | 1,05,000 |
| (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 | 75,000 |
| (vii) Installation and commissioning charges levied separately in invoices | 75,000 |

Compute the tax liability under the CST Act, assuming the rate of tax @ 2%. **[10]**

(b) State the advantages of VAT over the conventional system of taxation. **[5]**

3.(a) R & Co. furnish the following expenditure incurred by them and want you to find the assessable value for the purpose of paying excise duty on captive consumption. Determine the cost of production in terms of rule 8 of the Central Excise Valuation (Determination of Price of Excisable Goods) Rules 2000 and as per CAS – 4 (Cost Accounting Standard):

| | | ₹ |
|-------|---|-----|
| (i) | Direct material cost per unit inclusive of excise duty at 12.5% | 880 |
| (ii) | Direct wages | 225 |
| (iii) | Other direct expenses | 125 |
| (iv) | Indirect materials | 100 |
| (v) | Factory overheads | 200 |
| (vi) | Administrative overhead (25% relating to production capacity) | 100 |
| (vii) | Selling and distribution expense | 150 |

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| | | |
|--------|------------------------|-----|
| (viii) | Quality control | 25 |
| (ix) | Sale of scrap realised | 20 |
| (x) | Actual profit margin | 15% |

[8]

- (b)** ABC & Co., a SSI unit, furnishes the following details of clearances for the previous financial year (₹ in lakhs)

| | | |
|---|--|-----|
| Value of clearances in the preceding financial year | | 665 |
| It includes: | | |
| (i) | Clearances of non-excisable goods | 45 |
| (ii) | Exports to Bhutan | 120 |
| (iii) | Clearances to a unit in the STP without payment of duty and VAT | 65 |
| (iv) | Job work not fulfilling conditions under notification no. 84/94-CE dated 11.04.2014 and 214/86-CE dated 25.03.2016 | 25 |
| (v) | Clearances of goods subject to valuation u/s 4A of the Central Excise Act, 1944 (eligible for abatement of 30%) | 200 |
| (vi) | Clearances of excisable goods manufactured in rural area bearing brand name of another company | 75 |

Determine whether it is eligible for SSI exemption during the current year with suitable explanations. **[7]**

- 4.(a)** State the need for warehousing in customs. **[6]**

- (b)** An importer has imported a machine from UK at FOB cost of 10,000 UK Pounds. Other details are as follows:

- (i) Freight from UK to Indian Port was 700 pounds.
- (ii) Insurance was paid to insurer in India: ₹ 6,000.
- (iii) Design and development charges of 2,000 UK Pounds were paid to a consultancy firm in UK.
- (iv) The importer also spent an amount of ₹ 50,000 in India for development work connected with the machinery.
- (v) 10,000 were spent in transporting the machinery from Indian Port to the factory of importer.
- (vi) Rate of exchange as announced by RBI was: ₹ 68.82 = one UK Pound.
- (vii) Rate of exchange as announced by CBE&C by notification was: ₹ 68.70 = one UK Pound.
- (viii) Rate at which bank recovered the amount from importer ₹ 68.35 = one UK Pound.
- (ix) Foreign exporters have an agent in India. Commission is payable to the agent in Indian Rupees @5% of FB price.

Customs duty payable was 10%. Excise duty rate is 12.5%. Education cess of customs is as applicable. Special CVD is payable at applicable rates. Find customs duty payable. What are the duty refunds/ benefits available if the importer is (A) manufacturer (B) service provider (C) trader? **[6+3=9]**

- 5.(a)** State whether the following will be covered within the scope of service or not.

- (i) Services provided on contract basis
- (ii) Functions performed by MPs, MLAs, persons holding constitutional posts
- (iii) Amounts received by an employee from the employer on premature termination of contract of employment
- (iv) Service of Court/Tribunal **[8]**

- (b)** Mr. B agrees to undertake a works contract for M/S P Ltd. for repair, plastering, floor and wall tiling of a building for ₹ 20 Lacs. The breaking up of gross value charged by Mr. B to P Ltd. is not available. M/S P Ltd. Supplied cement of ₹ 1 lakh free of cost, which was

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used by Mr. B during providing his service. Find out the service tax liability in the hands of Mr. B. **[7]**

6.(a) State the characteristics of indirect taxes. **[5]**

(b) Write short note on the following: **[2×5=10]**

- (i) 'Dealer' under CST Act
- (ii) Registration Cum

7.(a) State the distinction between abatement and composition in service tax. **[7]**

(b)(i) Service tax of ₹ 4,000 for the month of June, 2016 was paid on its own 30.07.2016 by an HUF, with interest. The value of taxable services provided by it during the preceding financial year was ₹ 12 lakhs. Determine the amount of interest and penalty payable u/s 75 & 76 of the Finance Act, 1994. **[4]**

(ii) State the application of Place of Provision of Services Rules in the following cases:

- (A) Z, an Indian company sends engineer to USA for training to be provided by X in USA. Payment made by Z to X in foreign exchange. **[4]**
- (B) X, a Cost Accountant in J&K provides audit services to Z, located in Delhi. **[4]**

8.(a) PK Japan and XYZ Ltd. India are associated enterprises XYZ imports 200 ACs' from PK at a price of ₹ 15,000 p.u. and these are sold to ITC Hotel Ltd. at a price of ₹ 17,000 p.u. XYZ has brought similar products from Samsung India Ltd. and sold to Oberai Hotel at a gross profit of 10% of sales. XYZ incurred freight ₹ 400; customs duty ₹ 1,500 p.u. in case of purchases made from PK Japan and ₹ 200 in case of purchase made from Samsung India Ltd. Compute ALP and the amount of increase in Total Income of XYZ Ltd. if any due to such ALP. **[9]**

(b) What are different types of arm's length price? **[6]**