

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) In which of the following services, Cenvat credit cannot be availed?
(a) Rent-a-cab service utilized to carry employees from home to factory and back;
(b) Goods transport service for inputs;
(c) Sales promotion expense;
(d) All of the above.
- (ii) The selling price of VINTEX Ltd. inclusive of Basic Excise Duty @ 12.5% and CST 2% is ₹ 3600. What would be the assessable value of the product per unit under Central Excise Act?
(a) ₹3,325.90
(b) ₹3,137.25
(c) ₹3,065.10
(d) None.
- (iii) An importer imported some goods @ \$10000 on CIF. Following Dollar rates on the date of presentation of BOE is given. What is the exchange rate?
(a) Inter Bank closing Rate ₹ 43.38 per dollar
(b) RBI floor rate 1\$= ₹ 43.37
(c) CBEC under Customs Act 1\$= ₹ 43.55
(d) Rate at which bank has ready payment from importer 1\$=₹ 43.58
- (iv) Which of the following amount to manufacture under central Excise Act 1944?
(a) Cutting and sizing;
(b) Repairing & reconditioning;
(c) Mixing of metals;
(d) None.
- (v) When excise duty is payable on the basis of certain unit like weight, length, volume, thickness etc., it is called:
(a) Duty based on production capacity;
(b) Specific Duty;
(c) Duty based on Tariff value;
(d) Compounded Levy Scheme.
- (vi) Which of the following is not a declared good under CST Act?
(a) rice;
(b) jowar;
(c) wheat;
(d) charcoal.
- (vii) Service of beautification of buildings at Srinagar is ₹ 3,00,000. The amount of service tax payable will be —
(a) ₹ 45,000;
(b) Nil;
(c) ₹ 22,500;
(d) None of the above.

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

[6×1=6]

- (i) Duty Draw Back (DDB) is allowed on wearing apparel.
(ii) Service to WHO is exempted.
(iii) Customs duty is not levied on goods Derelict, Wreck.

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- (iv) VAT can be imposed on the value of service.
 (v) Unbranded software is service.
 (vi) Goods manufactured or produced in SEZ are excluded excisable goods.

(C) Match the following:

[5×1=5]

	Column 'A'		Column 'B'
1.	Legal service	A	Harmonised System of Nomenclature
2.	Jute	B	An input service
3.	Swachh Bharat Cess	C	avoids cascading effect of tax
4.	VAT	D	Declared goods under CST
5.	HSN	E	@0.5% on the value of taxable services

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

2.(a) Mr. H, the proprietress of Aarav Enterprises is a registered dealer in Vadodara (Gujarat). From the under mentioned particulars relating to the quarter ended 31st March, 2016. Find out her taxable turnover and the tax payable under the Central Sales Tax Act, 1956:

- (i) Goods worth ₹ 2,20,000 were invoiced to its against at NOIDA (U.P) while the goods were in transit, these were sold to Uttar Pradesh Government for ₹ 2,41,020. The rate of tax in respect of such goods in the appropriate state is 13.5%.
 (ii) Sale to a 100% Export Oriented Undertaking (EOU), goods worth ₹ 20,20,000 in Mumbai. The rate of tax in the State is 1%.

The above selling prices are inclusive of the central sales tax. The dealer has submitted all necessary declarations, wherever required. **[7]**

(b) Mr. Raj is a registered dealer and gives the following information. You are required to compute the net tax liability and total sales under the VAT from the following information.

Raj sells his products to dealers in his state and other states as well.

The profit margin in 15% of cost of production and VAT rate of sales is 13.5% of sales.

- (i) Intra state purchase of raw material is ₹ 2,50,000 (excluding VAT of 5%)
 (ii) Purchase of raw material from an unregistered dealer ₹ 80,000 (including VAT of 13.5%)
 (iii) Import of raw material ₹ 1,85,000 (excluding custom duty of 10%)
 (iv) Purchase of raw material from other state ₹ 50,000 (excluding CST of 2%)
 (v) Transportation charges, wages and other manufacturing expenses excluding tax ₹ 1,45,000
 (vi) Interest on bank loan ₹ 1,60,000. **[8]**

3.(a) A manufacturer having a factory at Mumbai has uniform price of ₹ 2,000 per unit (exclusive of taxes and duties) for sale anywhere in India. During the financial year 2015-16, he made the following sales:

Particulars	Quantity sold in units	Cost of transportation (₹)
Goods sold at factory in Mumbai	1,000	Nil
Goods sold from New Delhi	500	12,000
Goods sold from Chennai	600	48,000

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Goods sold from Kolkata	900	30,000
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Find assessable value per unit and total excise duty payable by the manufacturer. Excise duty @ 12.5%. [7]

- (b) C Ltd. is engaged in manufacturing water pipes. Compute Cenvat Credit admissible to C Ltd. The Excise Duty paid at the time of purchase of following goods is:

	Value in ₹
Raw Steel	10,000
Water pipe making machine	13,000
Lubricating Oil	2,000
Equipments used in office	12,000
Petrol	7,500
Pollution control equipment	25,000
Components, spares equipment	18,000

[8]

- 4.(a) State the characteristics of Similar Goods in the context of customs. [4]

- (b) CIF value of imported goods is ₹ 10,00,000. Basic Customs duty payable is 10%. If the goods were produced in India, excise duty payable would have been 12.5%. Education Cess is 2% and SAH Education Cess is 1%. Special CVD is payable at appropriate rates. Find the Customs duty payable. What are the duty refunds /benefits available if the importer is (a) manufacturer or, (b) service provider or, (c) trader? [11]

- 5.(a) Specify whether the following payments can be treated as consideration for service:

- (i) Amount received in settlement of dispute
- (ii) Amount received advances for performance of service
- (iii) Security deposit that is returnable on completion of provision of service. [9]

- (b) Determine Point of Taxation (with reasons) in the following cases –

No.	Date of Completion of Service	Date of Payment	Date of Invoice
1	10/08/2016	06/09/2016	18/08/2016
2	10/08/2016	10/09/2016	13/09/2016
3	10/08/2016	05/08/2016	17/08/2016

[6]

- 6.(a) Write about the canon of certainty and canon of economy, as enunciated by Adam Smith. [5]

- (b) Write short on the following: [5+5=10]

- (i) Advantages of VAT
- (ii) Status holders in foreign trade policy.

- 7.(a) ABC Bank Ltd. provides the following information for the month of January, 2017. Compute the value of taxable services and service tax payable. Consider the rate of service tax including cess is 15%.

	Amount in ₹ lakhs
1. Interest received on various loans including home loan	1,500
2. Administrative charges and folio charges collected	120

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3. Value of sale and purchase of forward contract	100
4. Charges for credit and debit card extended	200
5. Charges for ATM card transaction	350
6. Commission received for DD, transfer and cheque collection	200
7. Margin earned on reverse repo transactions	400

[9]

(b)(i) Jeevan has entered into franchise agreement with a leading franchisor for providing service under the brand name of franchisor. The details of business of Jeevan are as follows:

- Started business on 1.5.2016
- Reached value of service provided ₹ 5 lakhs on 1.7.2016
- Reached value of service provided ₹ 9 lakhs on 1.8.2016
- Reached value of service provided ₹ 10 lakhs on 1.9.2016.

Advise Jeevan when he should apply for registration under service tax.

[4]

(ii) whole-time director of a company is receiving salary of rupees twenty two lakhs from a private limited Company. Is service tax payable? If payable, who is liable to pay service tax?

[2]

8.(a) State relevance of 'arm's length price' in international transactions between associated companies.

[5]

(b) Explain which enterprise can be termed as 'associated enterprises'. Your answer need not contain provisions relating to 'deemed associated enterprise'.

[5]

(c) C Ltd., a resident Indian company, sold goods to its associated enterprise D Inc. of USA. D Inc. sold goods to its independent buyers at US dollars 15,000. D Inc. earned profit of 15% on purchase cost in that transaction. Calculate Arm's Length price in the hands of C Ltd. State the effect on C Ltd., if C Ltd. sells the goods to D Inc.

(i) above the Arm's Length Price,

(ii) below the Arm's Length Price.

[5]