

Paper 18- Indirect Tax Laws and Practice

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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.**

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

Q.1. Choose the correct answer with justification/ workings wherever applicable: [10×2=20]

- (i) The normal warehousing period for Other than EOUs is _____ from the date of issuing the order by Customs Officer permitting deposit of goods in a warehouse.
(A) Three years
(B) Five years
(C) One year
(D) 180 days
- (ii) Service tax was levied by the Central Government by drawing power from:
(A) Entry 97 of the Union List.
(B) Entry 85 of the Union List.
(C) Entry 83 of the Union List.
(D) Entry 82 of the Union List.
- (iii) An assessee being aggrieved by the order of Assessing Officer can file a revision petition to the Commissioner within a period of..... under Central Excise Act.
(A) 2 years
(B) 60 days
(C) 1 year
(D) 30 days
- (iv) The excise duty paid at the time of purchase of Lubricating oil – ₹ 2,000 and Pollution control equipment – ₹ 22,000 by a non-SSI unit. Total Cenvat credit admissible in the current year is:
(A) ₹ 2,000
(B) ₹ 22,000
(C) ₹ 13,000
(D) ₹ 11,000
- (v) An area beyond 200 nautical miles from the base line is called:
(A) High Seas
(B) Exclusive Economic Zone
(C) Indian Customs Waters
(D) None of the above.
- (vi) Service provided by a private transport operator to a school in relation to transportation of students to and from a school is:
(A) Exempted service
(B) Fully taxable service
(C) Taxable service with abatement
(D) Not at all service.
- (vii) Any transfer of property in goods by one person to another for cash or deferred payment or for any other valuable consideration, but does not include:
(A) Mortgage
(B) Hypothecation

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- (C) Charge or pledge on goods
(D) All of the above.

(viii) Section 14A of Central Excise Act deals with:

- (A) CENVAT Credit Audit
(B) Valuation Audit
(C) CE Audit 2000
(D) None of the above.

(ix) Which of the following is not 'goods' under CST Act?

- (A) Lottery tickets
(B) Electricity and electric meters
(C) Copyrights
(D) Claim for loss or damages

(x) Mr. A purchases the goods from a manufacturer for ₹ 1,000 plus VAT @4%. If he, sell the same by adding ₹ 200 profit, his net VAT payable will be:

- (A) 48
(B) 8
(C) 40
(D) None of the above.

2.(a) M/s. Kalaji Manufacturers & Exporters Pvt. Ltd. furnishes following information and requests you to compute the maximum refund eligible under Rule 5 of CENVAT Credit Rules for the relevant period (amounts in ₹) :

(i)	Total CENVAT Credit taken on inputs	2,50,000
(ii)	Amount of CENVAT credit reversed under Rule 3(5C)	50,000
(iii)	Total CENVAT Credit taken on input services	80,000
(iv)	Total CENVAT Credit taken on capital goods	2,00,000
(v)	Value of final products exported without payment of duty	6,00,000
(vi)	Value of goods cleared for home consumption	20,00,000
(vii)	Amounts received towards services exported (includes ₹ 50,000 of advance towards services to be provided/exported after the current relevant period)	2,50,000
(viii)	Value of other services provided	2,00,000
(ix)	Value of inputs removed as such under Rule 3(5)	30,000

[10]

(b) What do you understand by Input Service Distributor?

[6]

3.(a) Compute the assessable value and total customs duty payable under the Customs Act, 1962 for an imported machine, based on the following information:

	US \$
(i) Cost of the machine at the factory of the exporter	20,000
(ii) Transport charges from the factory of exporter to the port for shipment	800
(iii) Handling charges paid for loading the machine in the ship	50
(iv) Buying commission paid by the importer	100
(v) Lighterage charges paid by the importer	200
(vi) Freight incurred from port of entry to Inland Container depot	1,000
(vii) Ship demurrage charges	400
(viii) Freight charges from exporting country to India	5,000
Date of bill of entry	20.01.2016 (Rate BCD 20%;
Exchange rate as notified by CBEC	₹ 60 per US \$)
Date of entry inward	25.03.2016 (Rate of BCD 12%;
Exchange rate as notified by CBEC	₹ 65 per US \$)

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Additional duty payable under section 3(1) of the Customs Tariff Act, 1975 12.5%

Additional duty payable under section 3(5) of the Customs Tariff Act, 1975 4% [10]

- (b) State the benefits available to EOU/ EHTP/ STP/ BTP in the context of foreign trade policy 2015-20. [6]

- 4.(a) Ms. Priya rendered taxable services to a client. A bill of ₹ 40,000 was raised on 19-6-2016. ₹ 15,000 was received from the client on 25-6-2016 and the balance on 29-6-2016. No service tax was separately charged in the bill.

(i) Is Ms. Priya liable to pay service tax, even though the same has not been charged by her?

(ii) If so, what is the value of taxable services and the service tax?

(iii) Due date of payment of service tax?

Note: previous year turnover is ₹ 25 lakhs. [2+3+1]

- (b) Euro Bank Ltd. furnishes the following information relating to services provided and the gross amount received:

Particulars	Amount (₹)
Interest on overdraft	5,00,000
Interest on loans with a collateral security	6,00,000
Interest on corporate deposits	10,00,000
Administrative charges (over and above interest) on loans, advances and deposits	6,00,000
Sale of foreign exchange to general public (It represents the value of taxable service computed as per rule 2B of the Service Tax Valuation Rules)	15,00,000
Service charges relating to issuance of Certificates of Deposits (CDs)	20,00,000

Compute the value of taxable service and the service tax liability along with Swachh Bharat Cess & Krishi Kalyan Cess of Euro Bank Ltd. considering the rate of service tax at 14% assuming that it is not eligible for small service providers exemption under NT. No. 33/2012-ST, dated 20-6-2012. [10]

- 5.(a) With reference to the Finance Act, 1994, answer the following questions:

(i) Is service tax payable on entry and exit load charged by a mutual fund from the investor?

(ii) Whether job work is liable to service tax? [3+2]

- (b) Rana Pvt. Ltd. is engaged in providing the taxable services. Compute the value of taxable service and the service tax payable by it in the month of June 2016 from the information furnished below:

Receipts	₹
Free Services provided to friend of director (Similar services are rendered for consideration of ₹1,00,000).	Nil
Subsidy received from Government for making investment in backward area	1,00,000
Interest received from client who has not made timely payment of service	2,00,000
For free service rendered to customers, amount reimbursed by the manufacture of such product	50,000
Other taxable services provided during the month	15,00,000

Note: Rana Pvt. Ltd. is eligible for small service providers' exemption under Notification No. 33/2012-ST, dated 20-06-2012.

All the above amounts are exclusive of service tax. [11]

6.(a) PQR Ltd., Ghaziabad purchased plastic granules valued ₹ 1,16,000 (inclusive of central excise) for manufacture of plastic moulded chairs. It availed CENVAT credit of excise duty of ₹ 16,000 paid on the said inputs. It subsequently cleared the said inputs as such from the factory in the following manner:

- (i) Sales to Sansar Ltd. (purchase price: ₹ 20,000) – ₹ 40,000
- (ii) Sales to Krishna Trading Co. (purchase price: ₹ 10,000) – ₹10,000
- (iii) Clearance to PQR Ltd.'s own factory at Kanpur (purchase price: ₹ 70,000) – Free of cost.

PQR Ltd. has sought your advice on the excise duty payable by it on the above clearances. Give your advice in the matter. **[8]**

(b) Mrs. Vasudha, a registered dealer in Chennai, furnishes the following information relating to Inter-state sales made by her during the year ended 31.3.2016:

	₹
Sales turnover as per books	36,72,000
Above includes	
(i) Excise duty	3,20,000
(ii) Freight (of this ₹ 30,000 alone is shown separately in sales invoices)	1,10,000
(iii) Deposit for returnable containers	2,40,000
(iv) Transfer to branch (covered by Form F)	12,15,000
(v) Packing charges	35,000

Further, in ascertaining the sales turnover above which includes CST also, the dealer has deducted the following:

1. Turnover relating to goods worth ₹ 10,000 (exclusive of tax) covered by invoice dated 2.4.2015, which were returned on 1.10.2015.
2. Goods worth ₹ 12,400 (including tax) covered by invoice dated 13.4.2015 were rejected by the customer and the dealer received back the goods on 14.10.2015.

Vasudha deals only in one type of commodity which is chargeable to VAT at 2% in Tamil Nadu.

You are required to compute the total turnover, CST and taxable turnover for the financial year 2015-16. Treatment of each item above should be shown distinctly. **[8]**

7.(a) M/s. Cool and Kool Ltd., has two units, one in Jaipur and another in Delhi. Jaipur unit manufactures condensing units which are cleared to Delhi unit on payment of appropriate excise duty. Delhi unit procures cooling units manufactured locally and combines the same with such condensing units. After conducting quality control test and affixing the brand name, the Delhi unit clears the complete units along with pipe kits, electrical cord, remote control, etc. The Department contends that the process being carried out by Delhi unit amounts to manufacture as it is not a mere process of assembly. Whereas the assessee argues that putting together various duty paid articles in a carton with a brand name to be marketed as 'air conditioner' is not a manufacture. No process is involved except that all the items are put together in one box.

Explain, with the help of decided case law, whether the contention of the Department is correct in law? **[8]**

(b) Kalyani Hotels (P) Ltd. is of the opinion that the value of service provided in restaurants and those provided in outdoor catering should be the same and therefore valuing them differently at 40% and 60% of the total amount respectively is incorrect. Discuss with an appropriate case law. **[8]**

8. Answer any four:

[4×4]

(a) Can the department file an appeal in respect of the same assessee if in respect of some years no appeal was filed in matters involving identical dispute. Write a brief note with reference to Central Excise Act. **[4]**

- (b)** Maximum Retail Price of a product (being personal deodorant) under Customs Tariff Heading No. 3307.20 is ₹ 1,500 and its assessable value is ₹ 1,000. As per Notification 13/2002-CE (NT), personal deodorant is assessable under Central Excise on the basis of Maximum Retail Price after allowing an abatement of 40%. Basic Excise Duty rate is 12.5%. What is the countervailing duty (CVD) payable under Customs Tariff Act on personal deodorant? **[4]**
- (c)** ABC Ltd. of Delhi has appointed Light Inc. of U.K. as an agent for marketing of goods manufactured by ABC Ltd. ABC Ltd. has paid a commission of \$ 7,00,000 to Light Inc. for the services rendered by Light Inc. Discuss the service tax liability in this case. **[4]**
- (d)** Bala Subramanian & Co, a registered dealer having stock of goods costing ₹ 2,50,000 purchased from outside the State, wishes to opt for the composition scheme. Advise the dealer whether it is possible? State the other conditions to be satisfied by a dealer before opting for composition scheme. **[4]**
- (e)** Differentiate between Advance Authorisation and Duty Free Advance Authorisation (DFIA). **[4]**