

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) Goods are classified under Central Excise Tariff Act based on the "Harmonized System of Nomenclature" having _____ digit classification.
- (ii) Sea beyond _____ miles from the coastal base line is called High Sea.
- (iii) The effective rate of service tax _____ % of the value of taxable service.
- (iv) In customs _____ means transfer from one conveyance to another with or without payment of duty.
- (v) Form F in CST is used in _____.
- (vi) SSI unit whose turnover was less than or equal to _____ in previous year are entitled to full exemption upto _____ in current financial year.
- (vii) 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.
- (viii) The Central Excise Revenue Audit is conducted by the _____.
- (ix) In case of Anti-dumping, margin of dumping means the difference between normal value and _____.
- (x) Form _____ is prescribed for application to get registered u/s 7 of CST Act.
- (xi) Tax Identification Number consists of _____ characters.
- (xii) Where the value of taxable services provided _____ ₹ 10 lakhs in the previous financial year, the concerned service provider would not be required to pay service tax upto receipts of _____ in the current financial year.
- (xiii) In customs, if cost of transport is not ascertainable, it will be taken as _____ of the FOB value of goods.

[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.
- (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]

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Question 2.

- (a) Robot Ltd., which is engaged in the manufacture of excisable goods started its business in May, 2014. 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 25-06-2014 (inclusive of excise duty at 12.36%)	44,12,000
Finished goods sold (at uniform transaction value throughout the year)	2,50,00,000

Calculate excise duty payable by M/s. Robot Ltd. in cash, if any, during year 2014-15. 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.

- (b) State the procedures for duty drawback on Re-Export as per Sec. 74 of the Customs Act, 1962.
- (c) Write down the provisions of section 72 in relation to the best judgment assessment under the service tax law?
- (d) Ascertain the Assessable Value in respect of each of the clearances given below –

Removed to	Price at Depot as on		Actual Sale Price at Depot on 01/02/2015
	01/01/2015	31/01/2015	
Mysore Depot	₹ 210/unit	₹ 205/unit	₹ 215/unit
Patna Depot	₹ 220/unit	₹ 215/unit	₹ 225/unit
Tirupati Depot	₹ 230/unit	₹ 225/unit	₹ 235/unit

The goods were cleared to respective Depots on 01/01/2015 and actually sold at the depots on 01/02/2015.

[6+3+3+3]

Question 3.

- (a) List out the items which will appear on the Concurrent List (list III) given in Schedule Seven of the Constitution.
- (b) What are the essential ingredients of a sale under CST Act?
- (c) What are the provisions relating to the payment of excise duty on inputs/capital goods cleared as such an assessee on which CENVAT credit has been availed?
- (d) "VAT avoids cascading effect of Tax" — explain.

[2+5+6+2]

Question 4.

- (a) Write short notes on Project Import and mention Eligible Projects.
- (b) Following transactions took place in the factory of Arvind Ltd. —
- (i) An imported consignment of Raw Materials was received vide Bill of Entry dated 2nd Dec, showing the following Customs Duty payments —
- | | |
|--------------------|----------|
| Basic Customs Duty | ₹ 23,000 |
|--------------------|----------|

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- | | |
|-------------------------|----------|
| 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 23rd 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.

- (c) An interior decorator charges ₹ 6,50,000 from a client for providing professional services. The breakup of the bill is as follows:-

- (i) Value of furniture sold to the client – ₹ 3,00,000
- (ii) Labour and facility charges – ₹ 2,00,000
- (iii) Value of materials consumed in providing the service – ₹ 1,50,000

Compute the amount of service tax to be charged from the client.

- (d) What is the condition for levy of Specific Safeguard Duty u/s 8C of Customs Tariff Act?

[3+6+4+2]

Question 5.

- (a) Determine the Taxable Turnover, Input Tax Credit and net VAT payable by a Works Contractor from the details given below on the assumption that the Contractor maintains sufficient records to quantify the labour charges. Output VAT at 12.5%:

Particulars	(₹ in Lakhs)
Total Contract Price (excluding VAT)	105
Labour Charges paid for execution of the contract	40
Cost of Consumables used not involving transfer of property in goods	5
Material purchased and used for the Contract, taxable at 12.5% VAT (VAT included)	45

Contractor also purchased a Plant for use in the contract for ₹ 10.4 lakhs. In the VAT Invoice, VAT was charged at 4% separately, and the said amount of ₹ 10.4 Lakhs is inclusive of VAT.

- (b) M/s. Megha Pvt. Ltd., not an SSI unit, purchased fibre 10,000 kg @ ₹ 50 per kg plus excise duty. The said fiber 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.;
 - (iv) Assessable Value of Fabric (Total): ₹ 13 lakhs;
 - (v) Coloring 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.

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- (c) Vedic Hospital and Research Centre imported a machine from Bob Scientific Equipments Chicago for in-house research. The price of the machine was settled at US \$ 5000. The machine was shipped on 10th January. Meanwhile, the Hospital Authorities negotiated for a reduction in the price. As a result, Bob Scientific Equipment agreed to reduce the price by \$850 and sent the revised price of \$ 4150 under a telex dated 15th January.

The machine arrived in India on 19th January. The Commissioner of Customs has decided to take the original price as the transaction value of the goods on the ground that the price is reduced only after the goods have been shipped.

Do you agree to the stand taken by the Commissioner? Give reasons.

- (d) Is transfer of property in goods without consideration chargeable to CST?

[4+6+3+2]

Question 6.

- (a) State the relationship between Warehousing Bond and Bonded Warehouse.
 (b) Compute the purchases eligible for availing input tax credit from the following particulars:

Purchases	₹
Goods for resale within the State	10,000
Capital goods required for the purpose of the manufacture or resale of taxable goods	14,000
Goods purchased from the unregistered dealer	3,200
Goods which are being utilized in the manufacture of exempted goods	6,600
High sea purchases	2,700

- (c) Prominent Ltd. sold 100 units manufactured by it for ₹ 12,000 per unit. It had received interest-free advance of ₹ 6,00,000 from the buyer for the whole of the year. Compute the assessable value of 100 units sold in following independent case:

- (i) The price charged from other buyers is ₹ 11,500 per unit.
 (ii) The price charged from other buyers is ₹ 12,800 per unit.
 (iii) The normal rate of interest is 12% per annum and the price charged from other buyers is ₹12,800 per unit.

[4+6+5]

Question 7.

- (a) Zadu Ltd. enters into a contract with PQR Ltd. for construction of a new building primarily for the purpose of commerce or industry for a total consideration of ₹450 lakhs on 03-07-2014. The relevant details are given as under –

Stage	Date [Expected]	Date of issuance of invoice	Date of Payment	Amount of Payment (₹)
Initial/Booking	03-07-2014	03-07-2014	03-07-2014	45 lakhs
50% completion of building [after getting certificate from the stipulated Chartered Engineer]	15-03-2015	22-03-2015	29-03-2015	170 lakhs

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75% completion of building [after getting certificate from the stipulated Chartered Engineer]	20-06-2015	21-07-2015	25-07-2015	115 lakhs
100% completion of building [after getting certificate from the stipulated Chartered Engineer]	30-09-2015	20-10-2015	07-10-2015	120 lakhs

Determine the Point of Taxation in respect of each of above stage of completion.

- (b) Gold Energy Ltd. imported a lift from England at an invoice price of ₹ 20,00,000. The assessee had supplied raw material worth ₹ 5,00,000 to the supplier for manufacture of said lift. Due to safety reasons, the lift was not taken to the jetty in the port but was unloaded at outer anchorage. The charges incurred for such unloading amounted to ₹ 30,000 and the cost incurred on transport of the lift from outer anchorage to the jetty was ₹ 45,000. The importer was also required to pay ship demurrage charges ₹ 10,000. The lift was imported at actual cost of transport ₹ 45,000 and insurance charges ₹ 20,000. Compute its assessable value.
- (c) A hotel has provided bundled service of renting along with supply of food and catering for a marriage function of a celebrity. The total amount charged (exclusive of taxes) by the hotel was ₹ 100 lakh. The celebrity had supplied certain foreign beverages (FMV ₹ 10 lakh) free of cost. The excise duty paid on food items by the hotel is ₹ 2,25,480, while service tax paid on input services used in providing such services is ₹ 1,12,360. Determine the service tax liability assuming that assessee has opted for abatement available, if any.
- (d) How will the assessable value under the subject transaction be determined under section 4 of the Central Excise Act, 1944?
Contracted sale price for delivery at buyer's premises ₹ 10,00,000. The contracted sale price includes the following elements of cost:
- (I) Cost of drawings and designs ₹ 6,000
 - (II) Cost of primary packing ₹ 3,500
 - (III) Cost of packing at buyer's request for safety during transport ₹ 7,500
 - (IV) Excise duty ₹ 2,11,200
 - (V) VAT (Sales tax) ₹ 37,000
 - (VI) Octroi ₹ 19,500
 - (VII) Freight and insurance charges paid from factory to 'place of removal' ₹ 20,000
 - (VIII) Actual freight and insurance from 'place of removal' to buyer's premises ₹ 42,300.

[4+4+4+3]

Question 8.

- (a) Describe the taxability of 'bundled services'.
- (b) A commodity is imported into India from a country covered by a notification issued by the Central Government under section 9A of the Customs Tariff Act, 1975. Following particulars are made available :
- CIF value of the consignment: US\$ 25,000
 - Quantity imported: 550 kgs.
 - Exchange rate applicable: ₹ 50=US\$ 1
 - Basic customs duty: 20%.
 - Education and secondary and higher education cess as applicable.

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As per the notification, the anti-dumping duty will be equal to the difference between the costs of commodity calculated @ US\$70 per kg. and the landed value of the commodity as imported.

Appraise the liability on account of normal duties, cess and the anti-dumping duty.

Assume that only 'Basic Customs Duty' (BCD) and education and secondary and higher education cess are payable.

(c) Write a short note on the Place of Provision of Passenger Transportation Services.

(d) What is the provision for registration in case of Multiple Services?

[4+5+4+2]