Paper-10 - Applied Indirect Taxation

Time Allowed: 3 hours **Full Marks: 100**

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

Question 1.

(a) Fill up the blanks:

(i) The _________ sale price should be the maximum price at which excisable goods in packaged forms are sold to ultimate consumer.

(ii) In customs, imported goods are cleared from seaport/airport on submission of __________ for warehousing.

(iii) Manual Payment of service tax may be either by cheque or cash depositing it through _________________ Challan with the bank designated by the CBEC.

(iv) ____________ goods means goods declared under Section 14 of CST Act to be of special importance in interstate trade or commerce.

(v) In the context of central excise, _____________ duty is payable on the basis of length, area, volume etc.

(vi) Chapter V of the Finance Act, 1994 (i.e. the service tax law), extends to the whole of India except the state of _________________.

(vii) In excise, in case of exports, the place of removal is _________ where export documents are presented to customs office.

(viii) Unbranded software is ____________. (goods/ service)

(ix) The ___________ duty is payable on imported goods to counter balance impact of excise duty on indigenous manufactures, to ensure level playing field.

(x) As per section 66D of Finance Act, 1994 the services specified in the ______________ go out of the ambit of chargeability of service tax.

(xi) VAT prevents the ____________ effect of tax by providing set-off/ input credit of tax paid earlier.

(xii) ___________ products are such products, which are produced in a process naturally in the course of manufacture of a finished product, which involves more than one process.

(xiii) In excise, Design and Engineering Charges being an essential process/activity for the purpose of manufacture shall be ________ (included/ excluded) in the Assessable value.

(xiv) ______________ goods in custom means any goods, the import or export of which is subject to any prohibition under the Customs Act or any other law for the time being in force.

(xv) _______________ means a contract for carrying out any work which includes assembling, construction, building, altering, manufacturing, processing, fabricating, erection, installation, fitting out, improvement, repair or commissioning of any movable or immovable property.

[15 ×1]

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

(i) In excise, an SSI unit whose turnover was less than or equal to ₹ 3 crores in current financial year are entitled to full exemption upto ₹ 150 lakhs in the same i.e. current financial year.

(ii) No duty is payable in the event of pilferage of the imported goods.

(iii) Charcoal is a declared good in Central Sales Tax.
(iv) Betel Nut to supari powder is not manufacture in order to attract excise duty.
(v) Goods manufactured/ produced outside Exclusive Economic Zone also liable to excise duty.

[5 × 2]

Answer to Question 1(a):

(i) retail
(ii) Bill of Entry
(iii) GAR-7
(iv) Declared
(v) specific
(vi) Jammu and Kashmir
(vii) Port
(viii) service
(ix) countervailing
(x) negative list
(xi) cascading
(xii) Intermediate
(xiii) Included
(xiv) Prohibited
(xv) Works contract

Answer to Question 1(b):

(i) False: In excise, an SSI unit whose turnover was less than or equal to ₹ 4 crores in previous year are entitled to full exemption upto ₹ 150 lakhs in current financial year.

(ii) True: As per Section 13 of the Customs Act, 1962 no duty is payable at all if the goods are pilfered. If the duty is paid before finding the pilferage, refund can be claimed if goods are found to be pilfered during examination but before order for clearance are made.

(iii) False: Although coal (including coke in all its forms) is declared as goods of special importance in interstate trade or commerce but charcoal is excluded from that. So charcoal is not a declared good.

(iv) True: Crushing betel nuts into smaller pieces and sweetening them does not result in a distinct product, as 'betel nut remains a betel nut'. So it does not amount to manufacture.

(v) False: The Central Excise Act, 1944 has been extended to the designated areas in the Continental Shelf and Exclusive Economic Zone (EEZ) of India. It means goods manufactured/ produced outside EEZ excise duty does not attract.

Question 2.

(a) CDR Co. Pvt. Ltd., an SSI unit procured the following inputs during the month of Jan. 2015. Determine the amount of CENVAT credit available with necessary explanation for the treatment of various items.

Items	Excise duty paid (₹)
Raw materials	52,000
Manufacturing machine	1,00,000
Light diesel oil	45,000
Greases	10,000
Office equipment	20,000
Paints	5,000

(Note: M/s. CDR Co. Pvt. Ltd. is not eligible to avail exemption under a notification based on value of clearances in a financial year)

(b) Write down the conditions (any four) to be fulfilled in order to make a sale by a dealer to a registered dealer in Special Economic Zone not liable to tax in interstate trade or commerce.

(c) The assessable value of imported goods is ₹ 20,00,000. The basic customs duty is 10%. The excise duty on like articles manufactured in India is 12%. Additional customs duty equal to sales tax, VAT etc. is 4%. Education Cess is 2% and Secondary & Higher Education Cess is 1%. Compute total customs duty and imported cost of the goods.

[6+4+5]

Answer:

(a) Computation of CENVAT Credit available during Jan. 2015
[Since the assessee is not eligible for SSI-exemption i.e., its value of clearances during preceding year exceeds ₹ 400 lakhs, hence, the credit of capital goods is admissible only upto 50% in the first year i.e. current year of acquisition and balance in the next year(s).]

Name of Item	Eligible as	Reason	₹
Raw materials	Input	Used in factory and related to manufacture	52,000
Manufacturing machine	Capital goods	Used within factory [50% of ₹ 1,00,000]	50,000
Light diesel oil	Not eligible	Specifically excluded from 'input' [Rule 2(k)(A) of Cenvat Credit Rules, 2004]	NIL
Greases	Input	Used in factory and related to manufacture	10,000
Office equipment	Not eligible	Specifically excluded from capital goods [Rule 2(a) of Cenvat Credit Rules, 2004]	NIL
Paints	Input	Used in factory and related to manufacture	5,000
Total CENVAT Credit admissible			**1,17,000**

(b) Section 8(6) of Central Sales Tax Act, 1956 provides that sale made by a dealer in the course of interstate trade or commerce to a registered dealer in any Special Economic Zone is not liable for tax subject to the following conditions:

i. The sale should be to a registered dealer in Special Economic Zone.

ii. The registered dealer has been purchasing the goods for the purpose of setting up operation, maintenance, manufacture, trading, production, processing, assembling, repairing, reconditioning, reengineering, packaging or for use as packing material or packing accessories in an unit located in any Special Economic Zone.

iii. The establishment of such unit is authorized by the Authority specified by the Central Government.

iv. The goods or class of goods shall be specified in the certificate of registration of such dealer.

v. The dealer selling the goods should obtain a declaration in the prescribed form duly filled and signed by the dealer in Special Economic Zone to whom such goods are sold.

vi. The above declaration should be furnished, by the dealer, who sold the goods to the prescribed authority.

(c) Computation of imported cost and customs duty (amounts in ₹):

Assessable Value		20,00,000
Add: Basic Customs duty @ 10%	**[A]**	2,00,000
Total value for levy of additional duty of customs u/s 3(1) of Customs Tariff Act, 1975		22,00,000
Add: Additional Customs Duty =Excise duty i.e. 12%	**[B]**	2,64,000
Add: Education Cess on total customs duty i.e. 3% of [A + B]	**[C]**	13,920
Total value for the levy of additional duty of customs u/s 3(5) of Customs Tariff Act,1975	**[D =B + C]**	24,77,920
Add: Additional duty of customs equal to sales tax etc. @ 4% of [D]	**[E]**	99,117
Total cost of imported goods		**25,77,037**
Total Customs duty	**[A + B + C + E]**	**5,77,037**

Question 3.

(a) Siva Ltd. of Mumbai (having diversified business) has provided the following services, whose values are listed below. Compute its service tax liability:

(1) Services provided to a company located in Colombo in relation to organization of a sport event in Colombo : ₹14 lakh;

(2) Services provided to a company located in Srinagar in relation to festival celebration in Srinagar : ₹3 lakh;

(3) Services provided to a company located in Jaipur in relation to fashion show in Dubai: ₹13 lakh;

(4) Services of online database access and retrieval services provided from its website: ₹ 15 lakhs (out of this, ₹10 lakh was provided to recipients located outside India).

(b) Are Lease Transactions subjected to levy of Value Added Tax under VAT Legislations?

(c) "Anti-dumping is a measure to rectify the trade distortive effect of dumping and re-establish fair trade" — State the features of anti-dumping duty in this regard.

[6+5+4]

Answer:

(a) The taxable value and service tax is computed below (amount in ₹) -

(1)	Services provided to a company located in Colombo in relation to organization of a sport event in Colombo: As per Rule 6 of the Place of Provisions Rules, 2012, in case of services provided in relation to organization of events, the services shall be taxable at the place of location of event. Since event is held in non-taxable territory, it is not liable to service tax.	Nil
(2)	Services provided to a company located in Srinagar in relation to festival celebration in Srinagar: As per Rule 6 of the Place of Provisions Rules, 2012, in case of services provided in relation to organization of events, the services shall be taxable at the place of location of event. Since event is held in non-taxable territory, it is not liable to service tax.	Nil
(3)	Services provided to a company located in Jaipur in relation to fashion show in Dubai: Since services are in relation to event held in Dubai, hence, as per Rule 6, they are not taxable. But, since the services are provided to a recipient located in taxable territory (Jaipur) and both service provider and recipient are located in taxable territory, hence, as per Rule 8, these services are liable to service tax where service recipient is located.	₹ 13,00,000
(4)	Services of online database access and retrieval services provided from its website: As per Rule 9, the place of provision is the place of location of service provider. Since service provider Ram Ltd. is located in Mumbai (taxable territory), hence, these services will be taxable in full irrespective of location of the service recipient.	₹ 15,00,000
	Total Taxable Value	**28,00,000**
	Service tax @ 12.36%	**3,46,080**

(b) Levy: The Constitutional Authority to levy Sales Tax / VAT on Lease Transactions is contained in Article 366 of Constitution of India, which provides that tax on sale or purchase includes "a tax on the transfer of the right to use any goods for any purpose for cash, deferred payment or other valuable consideration."

Taxable Event: Transfer of right to use any "goods" for any purpose for a "valuable consideration". Hence, transfer of assets without consideration and lease of Immovable property does not attract levy of VAT / Sales Tax.

Taxable Turnover:

= Amount of Valuable Consideration Paid or Payable during given period + Any Charges before delivery thereof, (Less) Interest / Finance Charges included in Lease Payments (only in some States)

Input Tax Credit:

(i) **Lessor's Books:**

- Lessor will collect VAT on Lease Rentals over a period of time. Against such VAT Liability, the Lessor can claim Input Tax Credit of VAT Paid on purchase of the leased asset.
- Some States provide for claiming of Input Tax Credit on such purchases only over the

lease period, and not against any other VAT liability.

- Some other States provide for complete utilization of Input Tax Credit on such purchase, against any VAT Liability. Some other States provide an option to carry forward the excess credit.

(ii) **Input Tax credit on Capital Goods:** Assets given on lease will be generally capitalized by the Lessor in his books, and will be treated as Capital Assets. Hence, provision relating to Input Tax Credit on Capital Goods will apply, i.e. utilization of credit over a period of time such within 36 Months etc.

(c) The Salient Features of Anti-dumping:

(i) It is an instrument for ensuring fair trade and is not a measure of protection per se for the domestic industry

(ii) It provides relief to the domestic industry against the injury caused by dumping and gives domestic industry a level playing field.

(iii) The duty is imposed as a deterrent effect to discourage dumped imports, so that users can buy material from domestic industry from whom they were not buying earlier on account of availability of cheap dumped imports.

(iv) The idea is to levy and collect extra tax, rather to take the landed value of imports to a level where domestic industry can fairly compete with imports and sell the product in the domestic market.

Question 4.

(a) Why indirect taxes are called regressive in nature as against direct taxes?

(b) Renu imported certain goods in March 2014. An "Into Bond" bill of entry was presented on 13th March, 2014 and goods were cleared from the port for warehousing. Assessable value was $10,00,000. The order permitting the deposit of the goods in warehouse for three months was issued on 21st March, 2014. Renu did not clear the imported goods even after the warehousing period got over on 20th June, 2014. She did not obtain any extension of time as well.

A notice was issued under section 72 demanding duty and other charges. Renu cleared the goods on 28th July, 2014. Compute the amount of duty payable by Renu while removing the goods on the basis of following information:

	13.3.2014	20.6.2014	28.7.2014
Rate of Exchange per US $	₹ 48.20	₹ 48.40	₹ 48.50
Basic customs duty	15%	10%	12%

Assume that no additional duty or special additional duty is payable.

(c) PTA Cements is selling white cement to selected customers. The condition for the sale is that the Dealers should place an order for transportation of the cement bags by lorries of their own transport division. The following material particulars may be used for answering the question:

(i) Unit price for parties utilising the Company's transports ₹ 4,200 per metric ton.

(ii) Unit price for others [during the relevant period there was no sale to this class of buyers] ₹ 4,500 per metric ton.

Cost of transport by PTA Cement's transports	**₹ 1,700 per ton**
Cost of transport by other Transport Companies	**₹ 1,500 per ton**

Determine the Assessable Value.

[3+6+6]

Answer:

(a) Direct taxes depend on paying capacity. Rich person is taxed more compared to poor person. But Indirect taxes do not depend on paying capacity. Since the indirect tax is uniform, the tax payable on commodity is same, whether it is purchased by a poor man or a rich person. Hence, the indirect taxes are termed as 'regressive'.

Although this argument is only partially correct for indirect taxes; as it is possible to levy lower taxes on goods of daily consumption while levying higher taxes on luxury goods and the regressive effect can be reduced in many circumstances.

(b) Computation of duty payable by Renu

Particulars	**₹**
Assessable Value [US$ 10 lakh x ₹ 48.20 per US$] (Rate of exchange means the rate of exchange in force on the date of presentation of bill of entry for warehousing u/s 46 i.e., rate in force on 13-3-2014 viz- ₹ 48.20 shall be applied)	4,82,00,000
Customs Duty @ 10% (Rate of duty in force on date of deemed removal u/s 72 viz. date of expiry of warehousing period viz. on 20-6-2014 i.e., 10% shall be applied)	48,20,000
Add: EC and SHEC @ 3%	1,44,600
Total customs duty	49,64,600

Note: Mrs. Renu would also be liable to pay interest u/s 61 @ 15% for period beyond 90 days from date of depositing into warehouse. The calculation is —

- Date of depositing into warehouse : 21-3-2014
- 90 days period expires on : 21-3-2014 + 90 days = 19-6-2014
- Date of clearance and payment of duty : 28-7-2014
- Period of delay : 28-7-2014 - 19-6-2014 = 39 days
- Interest = ₹ 49,64,600 x 15% x 39 days ÷ 365 days = ₹ 79,570.

(c) Where Cash Price is not the sole consideration, the cash equivalent of the other consideration should be added to the Cash Price, to arrive at the Assessable Value.

Valuation of Goods:

Particulars		**₹**
Unit Price of goods supplied (per Metric Ton)		4,200
Add: Extra Consideration through Transportation Cost as per Rule 6		
Transport by Manufacturer's transport facilities	₹ 1,700	
Less: Transport by outsider's transport facilities	₹ (1,500)	200
Assessable Value		**4,400**

Notes:

(i) Cash Price of the goods is not the sole consideration of sale. Manufacturer charges further consideration by insisting use of his transport facility.

(ii) U/s 4, Actual Sale Price only is considered for valuation and not the List Price. Therefore, ₹ 4,500 is not considered being List Price and not actual.

Question 5.

(a) M/s. HL Care Ltd. has introduced a new product 'Paradise' toothpaste, notified under Section 4A of the Central Excise Act, 1944, with a notified abatement of 30%. Determine the central excise duty payable if rate of duty is 12%, education cess is 2% and secondary and higher education cess is 1%:

(i) 1,000 pieces having retail sale price (RSP) ₹ 70 per piece are sold in retail packages to wholesale dealer at ₹ 50 per piece.

(ii) 2,500 pieces having RSP ₹ 70 per piece are sold in retail packages, but buyer is charged for 2,300 pieces only at ₹ 50 per piece (200 pieces have been given free as quantity discount).

(iii) 50 pieces were given away as free samples, without any RSP on the pack.

(iv) 200 multi-packs were cleared at ₹ 90 per pack, each containing two toothpaste tubes and one toothbrush free (without any RSP on it). Each tooth paste tube was having RSP ₹ 70, which was scored out and each multi-pack had RSP of ₹ 130.

Make suitable assumptions wherever required and show the calculations with appropriate notes.

(b) Mr. Bimal, a dealer in Mumbai dealing in consumer goods, submits the following information pertaining to the Month of March, 2015:

(i) Exempt goods 'A' purchased for ₹ 2,00,000 and sold for ₹ 2,30,000.

(ii) Goods 'B' purchased for ₹ 2,25,000 (including VAT) and sold at a margin of 10% profit on purchases (VAT rate 12.5%);

(iii) Goods C purchased for ₹ 1,00,000 (excluding VAT) and sold for ₹ 1,50,000 (VAT rate 4%);

(iv) His unutilized balance in VAT input credit on 01.03.2015 was ₹ 1,500.

Compute the turnover, Input VAT, Output VAT and Net VAT payable by Mr. Bimal.

(c) Are sale of bundles of old newspapers as waste papers exempt from CST?

[6+7+2]

Answer:

(a) The duty is as computed below —

Particulars	₹
(i) 1,000 pieces @ RSP ₹ 70 per piece (The packages sold are 'retail packages' meant for retail sale to consumer. The fact that the same is to a wholesaler is irrelevant because the relevant factor is 'package', which is 'retail package'. Hence, the goods will be assessed under RSP based duty. The actual sale price is irrelevant for the purposes of section 4A.)	70,000

(ii) 2,500 pieces @ RSP ₹ 70 per piece (Even if price is charged for 2,300 pieces and 200 pieces are given free as quantity discount/bonus, such bonus quantity is also manufactured product and is, therefore, liable to duty. Section 4A refers to deemed value, which will be computed for all the 2,500 pieces removed from the factory in 'retail packages')	1,75,000
(iii) Samples : 50 pieces @ RSP ₹ 70 per piece (Samples of notified goods are to be valued under section 4A only and RSP of identical goods is to be taken as the value even if the RSP is not indicated on the pack)	3,500
(iv) Multi-packs : 200 packs RSP ₹ 130 per piece (In case of multi-packs, if RSP of individual items is scored out, then, RSP of multi-pack is to be considered. Here, the multi-pack contains tooth brush as well, which is not a commodity of same kind as the toothpaste; however, a composite RSP of ₹ 130 is affixed, which includes the value of toothpaste as well as toothbrush.)	26,000
Total RSP	2,74,500
Less /Abatement @ 30%	82,350
Assessable Value under section 4A	1,92,150
Duty @ 12.36%	23,750

(b) Computation of VAT payable

Finished goods	Tax on Finished Goods			Input Tax on Materials			Net (Output Tax - Input Tax) (₹)
	Value (₹)	Rate	Tax (₹)	Value (₹)	Rate	Tax (₹)	
Opening Balance						1,500	-1,500
Goods A	2,30,000	NIL	Exempt	2,00,000	NIL	Exempt	0
Goods B (Purchase price excluding VAT = ₹ 2,25,000 X 12.5 ÷ 112.5)	2,20,000	12.50%	27,500	2,00,000	12.50%	25,000	2,500
Goods C	1,50,000	4.00%	6,000	1,00,000	4.00%	4,000	2,000
Total			33,500			30,500	3,000

(c) As per section 2(d) of CST Act, goods do not include 'news paper'. When old newspapers are sold as newspapers, they are only in the character of newspapers and they are not goods. However, when the newspapers are sold as waste papers, they are not newspapers and hence they are goods. Therefore, sale of bundles of old newspapers as waste papers is taxable.

Question 6.

(a) Which are the products or activities related to agriculture outside the scope of service tax (i.e. included in the negative list)?

(b) Mr. C of Kolkata sells goods to Mr. A of Hyderabad and delivers the same at Kolkata to MKS Transport. The lorry receipt was sent to Mr. A by post. While goods were in transit, Mr. A sells the goods to Mr. V of Vijayawada by making an endorsement of LR and goods were diverted to Vijayawada. Is the second sale between Mr. A and Mr. V chargeable to tax?

(c) Duty demand of ₹ 11 lakhs was made in terms of an order in original dated 25-02-2014 against D Ltd. with interest as applicable on the ground of clandestine removal of the products manufactured by the assessee in the month of June, 2013. Penalty equal to duty demanded was also imposed. On an appeal filed by D Ltd., the Commissioner (Appeals) required assessee to deposit an amount of ₹ 5 lakhs as pre-deposit which was duly deposited on 03-06-2014. The case against D Ltd. was finally decided and duty demand of ₹ 3,20,000 was confirmed and penalty was set aside on 30-06-2014. D Ltd. filed a refund claim on 15-09-2014. Refund was sanctioned on 10-12-2014. Calculate the amount of refund admissible.

(d) X Ltd., a manufacturer, manufactured components within factory for own use. Cost of raw materials purchased for ₹ 45,000 to manufacture the said components. Cost of overheads as certified by a Cost Accountant, as per Cost Accounting Standard (CAS) – 4 is ₹ 25,000. Profit margin on inter departmental transfer @20%. These components are subject to Excise Duty @12.36% and State VAT rate @12.50%.

You are required to answer (i) Assessable Value of these Components, (ii) Total Excise Duty and (iii) Value Added Tax (VAT).

[3+3+5+4]

Answer:

(a) The products or activities related to agriculture included in the negative list are:

1. Cultivation, harvesting, seed testing
2. Supply of farm labour
3. Trimming, sorting etc. thereby marketable in the primary market
4. Renting of agro machinery loading, unloading, packing, storage and warehousing of agricultural produce
5. Agricultural extention services
6. Services by any agricultural produce marketing committee.

(b) The first sale by Mr. C to Mr. A is chargeable to central sales tax. However, sale of goods by A to V is exempt under Section 6(2) of Central Sales Tax Act, 1956 i.e. subsequent sale by transfer of documents to avoid multiple tax incidences.

Note: Form E-I from C and Form C from V has to be received by A.

(c) Calculation of refund admissible -

(1) Amount of pre-deposit refundable = Deposit made ₹ 5 lakh - Total demand upheld ₹ 3,20,000 (it is given that penalty has been set aside, but, no details as to interest are available; it is assumed, therefore, that interest on duty demanded is NIL) = ₹ 1,80,000.

(2) Period for which interest on pre-deposit grantable u/s 35FF :

(i) from : 3 months after expiry of date of communication of appellate order (no application is required to be made for refund) i.e., 3 months from 30-6-2014 i.e., 30-9-2014;

(ii) to : date of refund viz. 10-12-2014

(iii) total period: 30-9-2014 to 10-12-2014 = 71 days.

(3) Interest u/s 35FF = ₹ 1,80,000 X 6% p.a. X 71 days ÷ 365 days = ₹ 2,101.

(4) Total amount refundable = ₹ 1,80,000 + ₹ 2,101 = ₹1,82,101.

(d) Rule 8 of Central Excise Valuation (determination of price of excisable goods) Rules, 2000

	₹
Cost of Material	45,000
Overhead Cost	25,000
Cost of Production	70,000
ADD: 10% profit margin (as per Rule 8 of Valuation Rules)	7,000
(i) Assessable Value	77,000
(ii) Excise Duty = ₹ 77,000 x 12.36/100	9,517

(iii) VAT payable is nil, since these components are consumed internally. VAT will attract only when there is a sale.

Question 7.

(a) CB Ltd. Carried out following works, all of which are leviable to sales-tax/VAT as transfer of property involved in the execution of works contract (the sum charged given below are exclusive of all taxes) —

(1) New constructions: ₹ 50 lakh;

(2) Additions and alterations to damaged structures on land to make them workable: ₹ 25 lakhs;

(3) Supply along with erection, commissioning and installation of plants: ₹ 72 lakhs;

(4) Maintenance and repair of goods: ₹ 40 lakhs;

(5) Maintenance and repair of immovable property: ₹ 30 lakhs;

(6) Finishing and Glazing Services of an immovable property: ₹ 14 lakh;

(7) Other works contracts: ₹ 12 lakh.

Compute taxable value and service tax thereon.

(b) Define 'Factory' as per section 2(e) of the Central Excise Act, 1944.

(c) What are the common characteristics of Service Tax Code (STC)?

(d) What is Automation of Central Excise and Service Tax or ACES?

[8+2+3+2]

Answer:

(a) Computation of taxable value & service tax: Since data regarding valuation under Rule 2A(i) is not given, value is computed as per Rule 2A(ii) at specified % of gross amount charged.

	Amount charged ₹	% of amount charged	Taxable Value ₹
New constructions (It is "original works")	50,00,000	40.00%	20,00,000

Additions and alterations to damaged structures on land to make them workable (It is "original works")	25,00,000	40.00%	10,00,000
Supply along with erection, commissioning and installation of plants (It is "original works")	72,00,000	40.00%	28,80,000
Maintenance and repair of goods	40,00,000	70.00%	28,00,000
Maintenance and repair of immovable property	30,00,000	70.00%	21,00,000
Finishing and Glazing Services of an immovable property	14,00,000	70.00%	9,80,000
Other works contracts (Assumed it is neither original works nor any works contract in relation to maintenance, etc. of goods)	12,00,000	70.00%	8,40,000
Total Taxable Value under Rule 2A(ii)			1,26,00,000
Service Tax @ 12.36%			**15,57,360**

(b) As per section 2(e) of the Central Excise Act, 1944, 'factory' means any premises, including the precincts thereof, wherein or in any part of which excisable goods other than salt are manufactured, or wherein or in any part of which any manufacturing process connected with the production of these goods is being carried on or is ordinarily carried on.

(c) Service Tax Code (STC) also known as Service Tax Registration number contains 15 digits PAN based number. The common feature is —

i. The first 10 digits of this number (i.e. STC) are the same as the PAN of such person.
ii. Next 2 digits are ST
iii. Next 3 digits are serial numbers indicating the number of registrations taken by the service taxpayer against a common PAN. (for example 001 for one registration number, 002 for two registration numbers of such a person having common PAN for such premises)

(d) The Central Board of Excise & Customs has developed a new software application called Automation of Central Excise and Service Tax or ACES, which aims at improving tax-payer services, transparency, accountability and efficiency in indirect tax administration. It is a centralized, web based software application which automates various processes of Central Excise and Service Tax for Assessees and Department, and gives complete end to end solution.

Question 8.

(a) When Provisional Anti-Dumping Duty is imposed in customs?

(b) What are the details contained in the service tax return?

(c) Mr. Rajan, a first stage dealer in pharmaceutical plant and boiler in the State of Tamil Nadu, furnishes the under mentioned information:

		(₹)
(i)	**Total inter-State sales during financial year 2014-15 (CST not shown separately)**	**2,31,25,000**

(ii)	**Trade commission for which credit notes have to be issued separately**	**5,78,125**
(iii)	**Freight and transportation charges (of this ₹ 1,00,000 is on inclusive basis)**	**4,50,000**
(iv)	**Insurance premium paid prior to delivery of goods**	**74,000**
(v)	**Installation and commissioning charges levied separately in invoices**	**75,000**

Compute the tax liability under the CST Act, assuming the rate of tax @ 2%.

(d) Write a short note on Valuation Audit (Section 14A of Central Excise Act).

[2+3+5+5]

Answer:

(a) When there is a pending determination of margin of dumping, duty can be imposed on provisional basis. After dumping duty is finally determined, Central Government can reduce such duty and refund duty extra collected than that finally calculated. Such duty can be imposed upto 90 days prior to date of notification, if there is history of dumping which importer was aware or where serious injury is caused due to dumping.

(b) The service tax return contains the following major details:

(i) particulars of assessee viz. name, registration number, address, etc.;
(ii) particulars of taxable services viz. Nature;
(iii) particulars of period viz. financial year, half year period (April-September or October-March),
(iv) particulars of value of taxable services viz. amount received, advance received, details of exempted services, abatement/exemption claimed, etc.;
(v) particulars of service tax viz. service tax & education cess payable, details of payment, interest or penalty paid, payment of excess collection of service tax, if any, etc.;
(vi) particulars of Cenvat Credit viz. opening balance, availed, utilized, closing balance, etc.

(c) Computation of tax liability

	(₹)
Sales turnover	2,31,25,000
Less: Trade Commission	5,78,125
Freight and transportation charges to the extent shown separately in the invoices	3,50,000
Installation and commissioning charges levied separately in invoices	75,000
Total Turnover	**2,21,21,875**
Less: Central Sales Tax (₹ 2,21,21,875 x 2/102)	4,33,762
Taxable turnover	**2,16,88,113**

(d) Valuation Audit (Section 14A of Central Excise Act)

(i) Deputy Commissioner of Central Excise or Assistant Commissioner with prior approval of Chief Commissioner can order the Valuation of Assessable Value.

(ii) Audit has to be done by a qualified Cost Accountant or Chartered Accountant.

(iii) The Cost Accountant or Chartered Accountant has to be nominated by the Chief Commissioner.

(iv) The maximum time limit for submission of such cost audit report is 180 days from the date of receipt of cost audit order by the manufacturer.

(v) The expenses and audit fees shall be paid by excise department to the cost auditor.

(vi) The auditor is required to find:

(1) Whether the assessable value of goods manufactured by the assessee is correct. Whether classification of goods has been done correctly

(2) Wherever certification is required and whether such certification has been obtained

(3) Whether the cost of production shown in the cost sheet is in accordance with the Cost Accounting Standard 4 issued by the Institute of Cost and Works Accountants of India

(4) Whether raw material shown in the purchase book matches with the purchase invoice.