

Paper-11 Indirect Taxation

PTP_ Intermediate_Syllabus 2012_Jun2015_Set 3

The following table lists the learning objectives and the verbs that appear in the syllabus learning aims and examination questions:

	Learning objectives	Verbs used	Definition
LEVEL B	KNOWLEDGE	List	Make a list of
	What you are expected to know	State	Express, fully or clearly, the details/facts
		Define	Give the exact meaning of
		COMPREHENSION	Describe
	What you are expected to understand	Distinguish	Highlight the differences between
		Explain	Make clear or intelligible/ state the meaning or purpose of
		Identify	Recognize, establish or select after consideration
		Illustrate	Use an example to describe or explain something
		APPLICATION	Apply
	How you are expected to apply your knowledge	Calculate	Ascertain or reckon mathematically
		Demonstrate	Prove with certainty or exhibit by practical means
		Prepare	Make or get ready for use
		Reconcile	Make or prove consistent/ compatible
		Solve	Find an answer to
		Tabulate	Arrange in a table
	ANALYSIS	Analyse	Examine in detail the structure of
	How you are expected to analyse the detail of what you have learned	Categorise	Place into a defined class or division
		Compare and contrast	Show the similarities and/or differences between
Construct		Build up or compile	
Prioritise		Place in order of priority or sequence for action	
Produce		Create or bring into existence	

Paper-11 Indirect Taxation

Time Allowed: 3 hours

Full Marks: 100

Working notes should form part of the answers.

1. Answer the following questions [1 × 20= 20]

- (i)** What are the procedures are followed by the Central Excise department for collection of Central Excise duty?
- (ii)** When excise audit is compulsory to an assessee?
- (iii)** Whether desk review audit can be conducted by a practicing Chartered Accountant or a practicing Cost Accountant in the premises of manufacturer?
- (iv)** Who will bear the expenses of audit under Excise Audit?
- (v)** Whether all goods manufactured are subject to Central Excise Duty?
- (vi)** Whether services delivered by a person having a place of business in Jammu and Kashmir to a person having a place of business in Andhra Pradesh is subject to service tax?
- (vii)** Whether statutory services are also taxable services?
- (viii)** A person having a place of business in Maharashtra provides to a person having a place of business in Jammu and Kashmir. Whether such service is liable to service tax law?
- (ix)** What is the taxable event under Custom Act in case of exportation?
- (x)** What are the types of Drawback rates?
- (xi)** R Ltd., a company incorporate in USA holds 30% shares of P Ltd. an Indian Company. It also holds 32% and 25% shares of Q Ltd. and S Ltd. a company incorporated in Germany and Canada. Whether P Ltd. Q Ltd. and S Ltd are associated enterprise?
- (xii)** X Ltd. participates in the management or control or capital of Y Ltd. Whether X Ltd. and Y Ltd. is an associate enterprises?
- (xiii)** What is the time limit for submission of bill of entry after the delivery of Import General Manifest?
- (xiv)** How many day within which cargo should be cleared from the wharf from the date unloading?

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- (xv) Whether a service is rendered free service tax is payable?
- (xvi) Whether value of goods transferred to the job worker is included in the assessable value of service?
- (xvii) Whether service Tax can be levied on an advance payment received?
- (xviii) What are the types of registration under VAT?
- (xix) Whether dealers Voluntary Registration always rejected by the department?
- (xx) Whether dealer dealing with inter-state sales has to compulsorily register under the State VAT?

(2) Answer any two questions [2 × 2= 4]

- (a) List the characteristics of Indirect Taxes.
- (b) If there is a matter in Concurrent List and both Centre and State make a law on that matter, which law will prevail?
- (c) Who can make a law for Wealth tax on agricultural property – Central or State?

(3) Answer any two questions [2 × 8=16]

- (a) Punjab National Bank provides the following information for the month of June:

CENVAT Credit available on Inputs	₹ 2,00,000
CENVAT Credit available on Inputs Services	₹ 4,00,000
Service Tax liability before availing eligible CENVAT	₹10,00,000

Determine the amount of CENVAT Credit available to Punjab National Bank for the month of June, 2014 in view of Rule 6(3B) of Cenvat Credit Rules, 2004. Also determine the net service tax liability of the bank after availing the eligible CENVAT Credit. **[8]**

- (b) (i) Give the consequences regarding excise duty liability if goods manufactured by EOU (Export Oriented unit) & brought to DTA (Domestic Tariff Area). **[5]**
- (ii) There are different forms of Bonds available under Central Excise. Write briefly about those Bonds which are very common in Excise. **[3]**

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- (c) Determine the cost of production on manufacture of the under-mentioned product for purpose of captive consumption in terms of Rule 8 of the Central Excise Valuation Rules, 2000
(Amount in ₹)

Direct material	11,648
Direct wages & salaries	8,400
Works overheads	6,200
Quality control costs	3,500
Research and development costs	2,400
Administrative overheads	4,100
Selling and distribution costs	1,600
Realizable value of scrap	1,200

The Administrative Overheads are in relation to production activities.
Material cost includes Excise duty ₹ 1,648.

[8]

(4) Answer any two questions [2 × 6= 12]

- (a) State briefly with reasons whether credit under the CENVAT Credit Rules, 2004 would be available in the following cases:
- Inputs are pilfered from the store-room.
 - Final product is cleared in durable and returnable packing material.
 - An input becomes a waste and is sold as scrap.
 - Inputs used in trial runs.
- (b) Answer the following questions with reference to the Section 14 of the Customs Act, 1962 & relevant Rules regarding the valuation of goods:
- What shall be the value if there is price rise between the date of contract and the date of actual importation?
 - Whether the payment for post-importation process is includible, if the same is related to imported goods and is a condition of the sale of the imported goods?
 - Bill of Entry was filed on 27.10.2014. Will you apply the Exchange Rate notified by the CBEC on 25.9.2014 or notified on 25.10.2014?
- (c) Describe the procedures to be followed in clearance of goods imported by post.

(5) Answer any two questions [2 × 4= 8]

- (a) What kind of duty is to be performed by DGFT regarding SCOMET Items?
- (b) "Advance Authorisation' is not transferable, while material imported under DFIA will be transferable after fulfillment of export obligation." — Write about Advance Authorisation and DFIA (Duty Free Import Authorisation) in this context.

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(c) "Duty drawback rates are of following types – (A) All Industry Rate (B) Brand Rate and (C) Special Brand Rate." — Describe.

(6) Answer any two questions [2 × 10= 20]

(a)(i) Compute taxable value and service tax from following sums received by M/s. Sen Medical Centre (exclusive of service tax) (Ignore small service provider's exemption) -

- (1) Testing (with Transmission of medical samples between laboratories): ₹ 6 lakh ;
- (2) Medicines consumed as a part of health care services : ₹ 5 lakh ;
- (3) Preventive health care services : ₹4 lakh ;
- (4) Treatment along with Facilities provided such as TV, AC, room rent, meal to patient (as a part of package): ₹33 lakh ;
- (5) Genetic affinity examination for determining biological father : ₹4 lakh ;
- (6) Hair transplant services due to injury in a fire accident: ₹7 lakh ;
- (7) Cosmetic surgery of a film star : ₹16 lakh ;
- (8) Conducting medical examinations of individuals : ₹1 lakh

[5]

(ii) What are the specified services where the place of provision is the location of the service provider? [5]

(b)(i) Mr. Amit has provided the following services during the year 2014-15. Determine whether he is eligible for threshold exemption (Small Service Providers exemption) during the year 2015-16:

- (1) Services provided outside India: ₹ 2 lakh;
- (2) Services (falling under negative list): ₹ 2 lakh;
- (3) Services fully exempt under other notifications: ₹ 5 lakh;
- (4) Declared Services (Sum charged ₹ 4 lakh, but, value determined as per the valuation rules is 60% i.e., ₹ 2,40,000);
- (5) Services (where amount charged is ₹ 60,000, but, after abatement, value is ₹ 20,000). [5]

(ii) CD 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;

Compute taxable value and service tax thereon.

[5]

(c)(i) What are the details contained in the service tax return? [5]

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

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- (a) Value of furniture sold to the client – ₹ 3,00,000
(b) Labour and facility charges – ₹ 2,00,000
(c) Value of materials consumed in providing the service – ₹ 1,50,000
Compute the amount of service tax to be charged from the client.

[5]

(7) Answer any two questions [2 × 6= 12]

- (a) What are the essential ingredients of a sale under CST Act?
(b) 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.

- (c) Calculate the total tax liability under the State VAT law and under the Central Sales Tax Act for the month of October 2014 from the following particulars:

Particulars	₹
Inputs purchased within the state	1,70,000
Capital goods used in the manufacture of the taxable goods (not included in the negative list)	50,000
Inputs purchased from a registered dealer who opts for composition scheme under the provisions of the Act	10,000
High seas purchases of inputs	1,20,000
Finished goods sold: (a) within the state	2,00,000
(b) in the course of inter-State trade	2,50,000

Applicable tax rates are as follows:-

Case (A): VAT rate on capital goods 12.5%; Input tax rate within the state 12.5%; Output tax rate within the state 4%; Central sales tax rate 2%.

Case (B): VAT rate on capital goods 4%; Input tax rate within the state 4%; output tax rate within the state 12.5%; Central sales tax rate 2%.

(8) Answer any two questions [2 × 4= 8]

- (a)** Describe the application of Resale Price Method (RPM) in the context of Arm's Length Price.
- (b)** There are many quantitative and qualitative filters available to filter the companies in transfer pricing issues. Name few of those filters.
- (c)** The transfer price adopted for an international transaction of sale of goods by an Indian Company during the financial year 2014-15 is ₹ 35 lakhs, whilst the Arm's Length Price determined using the most appropriate method are ₹ 32 Lakhs and ₹ 42 lakhs. With reference to transfer pricing provisions, discuss whether any adjustment is required. The rate of permissible variation prescribed by the Central Government may be assumed to be 2% of the transfer price for this class of international transaction.