

Paper 11 - Indirect Taxation

PTP_Intermediate_Syllabus 2012_June2016_Set 1

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 What you are expected to know	List	Make a list of
		State	Express, fully or clearly, the details/facts
		Define	Give the exact meaning of
	COMPREHENSION What you are expected to understand	Describe	Communicate the key features of
		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 How you are expected to apply your knowledge	Apply	Put to practical use
		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 How you are expected to analyse the detail of what you have learned	Analyse	Examine in detail the structure of
		Categorise	Place into a defined class or division
		Compare and contrast	Show the similarities and/or differences between
Construct		Build up or compile	
Priorities		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

The figures in the margin on the right side indicate full marks.

All questions are compulsory. In question No. 1, all sub-questions are compulsory. In question Numbers 2 to 8, student may answer any two of the three sub-questions (a),(b) and (c). Wherever necessary, you may make suitable assumptions and state them clearly in your answer. Working notes should form part of the answer.

1. Answer the following questions with suitable reasons: [1×20=20]

- (a) What are the procedures to be followed by the Central Excise department to collect Central Excise duty?
- (b) What is the method of the valuation for stock transfer in case of excise?
- (c) State the items which are covered under the compounded levy scheme for excise duty purpose.
- (d) State the treatment of design and engineering charges in computing the assessable value of excisable goods.
- (e) Whether storage tank is capital goods under the Cenvat Credit Rules.
- (f) Whether a service is rendered free service tax is payable?
- (g) What is Non Injurious Price in Anti Dumping Duty?
- (h) Whether the services provided by the Reserve Bank of India are included in the negative list.
- (i) A transporter charges ₹ 10,000 for transportation of goods which includes ₹ 1,000 towards the octroi paid on behalf of the owner. What shall be the amount liable to service tax?
- (j) State the percentage of abatement in respect of construction service for residential unit having carpet area less than 2,000 sq. ft. and amount charged is less than ₹ 1 crore.
- (k) What is the place of provision for Passenger Transportation Services?
- (l) What is anti-subsidy duty in custom?
- (m) What will be the cost of transportation if it is not ascertainable in case of imported goods?
- (n) Whether refund of VAT Credit is possible?
- (o) What is 'Goods' under CST Act?
- (p) What are the types of registration under VAT?
- (q) What are the different types of methods in computing arm's length price?
- (r) Who are said to be unrelated person under international transactions?
- (s) Mention the name of any one export from India scheme under Foreign Trade Policy.
- (t) What is Importer-Exporter Code in Foreign Trade Policy?

2. Answer any two questions: [2×2=4]

- (a) What are the powers of taxation under Constitution of India? 2
- (b) State any two characteristics of Indirect Tax. 2
- (c) Who can make a law on tax – Centre or State? 2

3. Answer any two questions. [8×2=16]

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- (a) (i) State the conditions for levy of excise duty on waste and scrap. **4**
- (ii) An excisable product is covered under the Provisions of the Legal Metrology Act, 2009 and falls in the category of 'specified goods' subject to excise duty on the basis of retail sale price. Following particulars are made available: MRP printed on the package is ₹ 10,500 per unit. The price is inclusive of excise duty of 12.5%. Compute the assessable value, and excise duty payable if it is eligible for an abatement of 38%. **4**

- (b) (i) Compute assessable value and amount of excise duty payable under the Central Excise Act, 1944 and rules made thereunder from the following information:

Particulars	No. of Units	Price at Factory Per Unit	Price at Depot per Unit	Rate of Duty Ad valorem
(i) Goods transferred from factory to depot on 15 th March, 2016	1000	₹ 200	₹ 220	12.5%
(ii) Goods actually sold at depot on 25 th March, 2016	750	₹ 225	₹ 250	8%

- (ii) RNT Manufacturers has a canteen for the workers in its factory, as per requirement of the Factories Act, 1948. It purchases a cooking gas range for use in the canteen. Supplier of cooking gas range has charged excise duty of ₹ 3,750. Can RNT manufacturers avail the CENVAT credit of the excise duty paid on cooking gas range? **2**
- (iii) A particular Central Excise Notification grants full exemption to all products of Printing Industry including Newspapers and printed Periodicals. A manufacturer, who is Manufacturing Cardboard Cartons and subsequently doing varied printing on them, claims the benefit of the said Exemption Notification on the ground that every material on which, printing work is done becomes a product of the Printing Industry. Is the claim of the Manufacturer Justified? Give reasons. **3**

- (c) (i) A Small Scale Industrial unit (SSI) is required to pay the following Central Excise duties by October 5, 2015 for clearances effected from its factory in respect of final products manufactured during the month of September, 2015:
- | | |
|--|--------|
| Basic Excise Duty (B.E.D.) (in ₹) | 56,000 |
| National Calamity Contingent Duty (N.C.C.D) (in ₹) | 1,000 |
- Balance available as credit at the beginning September, 2015 were: B.E.D.: ₹ 25,000, N.C.C.D. ₹ 2,000
 - No inputs were received during the month. However, certain inputs were received on October 1, 2015 on which total duty paid by the suppliers of inputs was : B.E.D.: ₹ 16,000
 - Excise duty paid on Capital goods received during the month was as follows: B.E.D.: ₹ 20,000.

For the month of September, 2015 you are required to determine:

1. The credit available for utilization;
2. The permissible extent to which such credit available may be utilized against payment of B.E.D., N.C.C.D.; and
3. The B.E.D. payable through account current (P.L.A.)

6

- (ii) State the implication of tariff item for excise duty purpose. **2**

4. Answer any two questions.

[6×2=12]

- (a) State the differences between safeguard duty and Anti-dumping. **6**
- (b) (i) A bill of entry was presented on 1st November, 2015. The vessel carrying goods arrived on 11th November, 2015. Entry inwards was granted on 12th November, 2015 and the bill of entry was assessed on that date and was also returned to the importer for payment of duty on that date. The duty amounting to ₹ 2,40,000 was paid by the importer on 20th November, 2015. Calculate the amount of interest payable under section 47(2) of the Customs Act, 1962, given that there were two holidays on 14th and 15th November, 2015. **4**
- (ii) Mention the time limit to file Import Report in case of a vehicle. **2**
- (c) After visiting USA, Mrs. & Mr. Z brought to India a laptop computer valued at ₹ 75,000, personal effects valued at ₹ 85,000 and a personal computer for ₹ 50,000. Calculate the customs duty payable? **6**

5. Answer any two questions.

[4×2=8]

- (a) State the important features of the Foreign Trade Policy. **4**
- (b) Write short notes on: Passenger Baggage – Import and Export thereof. **4**
- (c) State the items of capital goods which are eligible under Export Promotion Capital Goods Scheme (EPCG). **4**

6. Answer any two questions:

[10×2=20]

- (a) (i) A builder has entered into agreement to sale a flat (carpet area 1800 sq ft to customer. The breakup of his charges are as follows:
- (1) Price of flat (including apportioned value of cost of land) : ₹ 50,00,000
 - (2) Prime Location Charges (PLC) (extra charges for getting sea view) : ₹ 2,50,000
 - (3) Charges for providing space for covered parking : ₹ 1,20,000
 - (4) Club membership fee (for club to be formed after construction is complete): ₹ 1,60,000
 - (5) Charges for carrying out modifications as required by customer : ₹ 2,00,000
 - (6) Stamp duty for executing sale deed on actual basis : ₹ 4,00,000
 - (7) Documentation Charges : ₹ 80,000
 - (8) Maintenance charges to maintain building till the residential complex is handed over to Housing Society of members: ₹ 2,00,000.
- The builder received payment of ₹ 15,00,000 before construction was complete and balance amount was received after obtaining completion certificate from the Corporation. The builder has availed services for construction of flat on which service tax of ₹ 40,000 had been paid. He had used cement, steel and building material during construction, on which excise duty paid was ₹ 50,000. Compute the service tax payable. **8**
- (ii) Compute taxable value and service tax from following sums received by M/s. Rakhi Services Ltd.(exclusive of service tax) (ignore small service provider's exemption)
- Toll Receipts from Highway of Jaipur to Chomu: ₹ 80,00,000;
 - Commission earned on toll receipts : ₹ 75,000. **2**
- (b) (i) Mr. Sen has a permanent residence at Ahmedabad. He has a savings bank account with Ahmedabad Branch of Safe and Sound Bank. On April 1, 2014 Mr. Sen opened a safe deposit locker with the Ahmedabad Branch of Safe and Sound Bank. Mr. Sen went to USA for official work in December, 2014 and has been residing there since then. Mr. Sen contends that since he is a non resident

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during the year 2015-16 in terms of the Income-tax Act, service tax cannot be levied on the locker fee charged by Safe and Sound Bank for the year 2015-16. Examine the correctness of the contention of Mr. Sen. **5**

- (ii) A Ltd. has received services from a foreign company. Under the agreement, they are liable to pay know-how charges tax free. TDS @ 40% is liable to be made under Income-tax law. The sum paid tax-free: ₹ 588; rate of TDS: 41.2% and service tax: 14.5%. Compute the amount of service tax payable. **5**

- (c) (i) Barin Sugar Mills is engaged in the manufacture of sugar. Government of India had issued directions under the Sugar Control Order for sugar companies to maintain buffer stock of sugar of certain quantity for a specified period. In order to compensate the sugar mill the government had extended buffer stock subsidy towards storage, interest and insurance charges in respect of the buffer stock of sugar actually held by the sugar mill. The department has issued a show cause notice to the assessee raising a demand of service tax on the ground that the amount received by the sugar mill as buffer subsidy is covered under the taxable service of 'storage and warehousing'. Discuss whether the action of the department is sustainable in law. **5**

- (ii) M/s Asha & Co. provided Works Contract Service to M/s Bihari Ltd. for ₹ 3,00,000. M/s Asha & Co. is a Small Service Provider and hence he availed the exemption. Can such exemption be availed by M/s Bihari Ltd. also? **3**

- (iii) State the due dates for payment of service tax by an individual. **2**

7. Answer any two questions.

[6×2=12]

- (a) Gold Constructions undertakes works contracts and maintains sufficient records to quantify the labour and other service charges. From the details given below, calculate the taxable turnover, input tax credit and net vat payable under the State VAT Law –

(I) Total contract price (excluding VAT) ₹ 1,80,00,000

(II) Materials purchased and used for the contract taxable at 12.5% VAT (inclusive of VAT) ₹33,75,000.

(III) Labour charges paid for execution of the contract ₹ 40,00,000.

(IV) Other service charges paid for the execution of the contract ₹ 20,00,000.

(V) Cost of consumables used not involving transfer of property in goods ₹10,00,000.

Gold Constructions also purchased a plant for use in the contract for ₹20,80,000 (inclusive of VAT). In the VAT invoice relating to the same, VAT was charged at 4% separately. Assume 100% input tax credit is available on capital goods immediately. Make suitable assumptions where required and show the workings. **6**

- (b) (i) What are the essential ingredients of a sale under CST Act? **4**
 (ii) Define 'turnover' as per CST Act. **2**

- (c) Compute the net VAT liability of Ritesh using the information given as follows:-

Raw material purchased from foreign market (including duty paid on imports @ 20%):	₹ 13,200
Raw material purchased from local market (including VAT charged on the material @ 4%):	₹22,880
Raw material purchased from neighbouring state (including CST paid on purchases @ 2%):	₹7,854
Storage, transportation cost and interest:	₹2,750
Other manufacturing expenses incurred:	₹660

Ritesh sold the goods to Binay and earned profit @ 10% on the cost of production. VAT rate on sale of such goods is 12.5%. **6**

8. Answer any two questions.

[4×2=8]

- (a)** Compute the 'arm's length price' (ALP) in the following cases:
- (i)** Medical Instruments Ltd. is a 100% Indian subsidiary of a US company. The parent company sells one of its products to the Indian subsidiary at a price of US\$ 100 per unit. The same product is sold to unrelated buyers at a price of US\$ 125 per unit.
 - (ii)** The US parent company sells the same product to an unrelated company in India @ US\$ 80 per unit. **2+2**
- (b)** The transfer price adopted for an international transaction of sale of goods by an Indian Company during the financial year 2015-16 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. **4**
- (c)** State the difficulties in applying the Arm's length Principle in international transfer pricing. **4**