

INTERMEDIATE EXAMINATION

GROUP II

(SYLLABUS 2008)

SUGGESTED ANSWERS TO QUESTIONS

JUNE 2015

Paper- 10: APPLIED INDIRECT TAXATION

Time Allowed : 3 Hours

Full Marks : 100

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

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

Wherever necessary, you may make suitable assumptions and state them clearly in your answer.

Working notes should form part of the answer.

1. (a) Fill in the blanks: 1×15=15
- (i) Penalty and fine for violation of government rules.....Service Tax.
 - (ii) Labelling and relabelling comes under.....
 - (iii) In case of imports, Education cess and SAH Education cess payable on anti-dumping duty is.....
 - (iv) Government subsidy.....form part of sale price.
 - (v) MRP provisions are not applicable for packaged commodities meant for.....
 - (vi) Advance payment of service tax is.....
 - (vii) Services provided by foreign commission agents to Indian principal.....liable to service tax.
 - (viii) Residual method is also called as
 - (ix) In case of stock/branch transfers, for inputs used in relation to the same, input tax credit, if any, in excess of.....% alone is allowed.
 - (x) Jewellery for male passenger can be imported free of customs duty up to.....
 - (xi) E-payment is mandatory from ₹onwards (Service tax).
 - (xii) The VAT rate applicable for a product in West Bengal is 1 %. When the same is sold from West Bengal to a dealer in Orissa, the CST rate is applicable is.....
 - (xiii) Filing application with the Commissioner (Appeals) for delayamount of fees are payable.
 - (xiv) Composition Scheme.....be availed by a registered dealer who makes an export sale.
 - (xv) Burden of proof of manufacture is on.....

Suggested Answer_Syll2008_June2015_Paper_10

(b) State with reasons, whether the following are True or False. (No credit will be given for mere conclusion, not supported by any reason): 2×5=10

- (i) Service is also taxable even if it is not provided in the taxable territory.
- (ii) Single registration in the case of multiple services rendered is possible subject to conditions.
- (iii) Are inputs used for other purposes, like repair, maintenance, and/or installation of capital goods, entitled for CENVAT credit?
- (iv) "Goods used for personal purposes" Input Tax Credit cannot be claimed.
- (v) Is it correct to say that all imports are free unless restricted or prohibited under the Foreign Trade Policy (FTP)?

Answer:

1. (a)
- (i) Does not attract/not liable
 - (ii) Third schedule of Central Excise
 - (iii) Nil
 - (iv) Does not
 - (v) Industrial and Institutional consumers
 - (vi) Optional
 - (vii) Are not
 - (viii) Best Judgement method
 - (ix) 2
 - (x) ₹50,000
 - (xi) ₹1
 - (xii) 1%
 - (xiii) No/Nil
 - (xiv) Cannot
 - (xv) Revenue/Department

- (b)
- (i) **FALSE** : A service is taxable only if place of provision of service is in taxable territory i.e., in India as per the Place of Provision of Service (POPS) Rules.
 - (ii) **TRUE** : Single registration in the case of multiple services rendered is possible subject to conditions.
 - (iii) **FALSE** : Under Explanation 2 Rule 2(k), goods used in the manufacture of capital goods which are further used in the factory of the manufacturer have also been brought under the definition of 'Input'. The use must be in the 'manufacture' of capital goods. Inputs used for other purposes like repair, maintenance, and/or installation of capital goods are not covered under the explanation.
 - (iv) **TRUE** : In respect of some goods Input Tax cannot be claimed. The goods are in the negative list. Goods used for personal purposes are also in the negative list. Hence it is true.
 - (v) **TRUE** : Para 2.1 of FTP states that exports and imports shall be free, except in cases where these are regulated by provisions of FTP or any other law for the time being in force. The item-wise export and import policy shall be as specified in ITS(HS) [Import Trade Classification(Harmonised System)] published and notified by DGFT, as amended from time to time. All items, except restricted, prohibited and importable through State Trading Enterprises (earlier termed as canalised items) can be freely imported [Items which could be freely imported were earlier termed as 'OGL' i.e., 'Open General Licence'].

Suggested Answer_Syll2008_June2015_Paper_10

2. (a) Mr. Baben, restaurant owner opted to pay VAT by way of composition of tax. For the month of November 2014 his total sales was ₹2,00,000. He also purchased the input material after ₹2,000 as VAT payment. Calculate the VAT payable by Mr. Baben. (VAT Rate is 12.5%) 2
- (b) Mr. Dobra sold excisable goods for ₹ 56,180 per unit. Later on it was found that the price cum duty was ₹ 70,000 per unit. Mr. Dobra collected ₹20,000 per unit separately. Calculate the assessable value under the Central Excise Act, 1944. 3
- (c) From the following particulars (CIF Value - US\$ 45,000, Rate of Exchange notified by CBEC is 45 and notified by RBI is 55 per US\$). Calculate the following 6
- (i) FOB Value
- (ii) Cost of Insurance
- (iii) Cost of Freight
- (iv) Assessable Value
- (d) Explain the following with respect to service tax whether these are taxable or not. 2+2=4
- (i) Technical testing of new drugs
- (ii) Monthly contribution of members to housing society.

Answer:

2. (a) The net Vat Payable by Mr. BABEN for November 2014 is as follows:

Particulars	Amount (₹)
Output tax payable (2,00,000 × 12.5% × 60%)	15,000
Less: ITC (not available in compounding levy)	Nil
Net Tax Payable	15,000

2. (b)

Particulars	Amount (₹)
Cum duty price (inclusive of duty 12.36%)	56,180
Hence Assessable Value (56,180 × 100 / 112.36)	50,000
Later on received is ₹20,000	
So, New Cum duty price is ₹70,000	
Assessable Value (70,000 × 100 / 112.36)	62,300

2. (c)

As per rule 10(2) proviso 3 of the Customs Valuation (Determination of Value of Imported Goods) Rules 2007 then Cost of freight, Cost of Insurance are not given or ascertainable the cost of freight and insurance will be calculated as follows:

Cost of Freight = 20% of (FOB Value + Cost of Insurance) or CIF Value × 20 / 120

Cost of Insurance = 1.125 of (FOB Value + Cost of Insurance) or CIF Value × 1.125 / 101.125

FOB Value = CIF Value - Cost of transport - Cost of Insurance

CIF Value here is (45,000 × 45) = ₹20,25,000

Cost of Insurance = ₹20,25,000 × 1.125/101.125 = ₹22,528

Cost of Freight = ₹20,25,000 × 20/120 = ₹3,37,500

FOB Value = (20,25,000 - 3,37,500 - 22,528) = ₹16,64,972

Assessable Value = 20,25,000 + 1% of CIF Value = ₹20,45,250

Suggested Answer_Syll2008_June2015_Paper_10

2. (d)

S. No	Particulars
(i)	Up to 11/07/2014 it was exempted from service tax but from 11/07/2014 exemption was withdrawn. So it is now taxable.
(ii)	Monthly Contribution of members to Housing Society up to ₹5,000 per month are exempt from Service tax.

3. (a) **Rajiv Industries Ltd. (RIL) is an Indian company. It has received taxable services from a Singapore company Sanjay Ltd. on 01.04.2014. Sanjay Ltd. raised on RIL an invoice of \$ 45,000 on 27.04.2014. RIL debited its books of accounts on 07.05.2014 and made the payment on 25.06.2014. Sanjay Ltd. and RIL are associated enterprises. Determine the point of taxation using aforesaid details.** 8

(b) **Whether waste & scrap is liable to tax? Explain with relevant case Law.** 7

Answer:

3. (a)

In case of "associated enterprises", where the person providing the service is located outside India, the point of taxation shall be:-

- (a) the date of debit in the books of account of the person receiving the service
- or
- (b) Date of making the payment whichever is earlier.

Hence, in the given case, the point of taxation shall be earlier of the following two dates:-

- (a) the date of debit in the books of account of RIL i.e. 07.05.2014
- or
- (b) Date of making the payment i.e. 25.06.2014 Thus, the point of taxation is 07.05.2014.

3. (b)

The waste and scrap actually generated in the course of manufacture alone is chargeable to duty and the waste and scrap generated without any process is not liable to excise duty.

The Apex court held that process waste and scrap was a commercially distinct and identifiable product and has commercial value. Hence, such waste and scrap were chargeable to duty, if covered in the tariff. [Union of India Vs Khandelwal metal and Engineering works (1995)]

In other words, the following conditions must be satisfied before waste and scarp is liable for excise duty:

1. It is generated in the course of manufacture
2. Such waste and scrap is moveable
3. It is marketable or deemed to be marketable
4. Such waste and scrap is listed in the Central Excise Tariff Act under the relevant section/chapter head.

Waste and scrap of exempted goods: waste and scrap arising in the course of manufacture of exempted goods is exempt from duty if exempted goods or goods chargeable to nil rate of duty are manufactured in that factory.

Waste and scrap resulting from repair or maintenance of machinery and plant is not liable to excise duty as no manufacturing process is involved in the repair or maintenance.

Suggested Answer_Syll2008_June2015_Paper_10

4. (a) Registration under service tax is compulsory in all cases - Explain. 3
(b) SSI exemption is also available even if buyer is using the goods for own consumption. Explain whether true or false. 3
(c) Input Tax Credit under VAT can be claimed in all cases - Explain. 3
(d) In case of first sale and subsequent sales, what are the forms are required to be submitted? 2
(e) T Ltd. of Delhi gives ₹20 lakhs to 'M/S LP' a partnership firm for temporary supply of manpower to T Ltd. What are the supply tax liabilities in this case? 4

Answer:

4. (a)

No registration under service tax is not compulsory in all cases. Person providing taxable service in excess of nine lakhs per annum (but less than ten lakhs) will have to register with the superintendent of Central Excise under service tax provision. Though they will be eligible for exemption if turnover is less than ten lakhs per annum. Criteria for registration is if turnover exceeds ten lakhs. This exemption is not applicable to service receiver who are liable to pay service tax under reverse charge mechanism. That is they have to take registration irrespective of limit.

4. (b)

The Statement is False.

If the goods are used for own consumption or captive consumption SSI exemption under central excise is not available.

4. (c)

No input tax credit under VAT cannot always be claimed.

- I. If the goods are purchased without tax invoice.
- II. If the goods are purchased from an unregistered dealer.
- III. If the goods are used for personal purposes.
- IV. If the goods are purchased but destroyed by fire, stolen or lost.
- V. If the goods are given as free sample.
- VI. If the goods are interstate purchase or by way of stock transfer.
- VII. If the goods are purchased from a dealer who registered under composition scheme.
- VIII. If The goods are purchased and returned within specified period
- IX. If the final products are exempt from VAT.
- X. Purchase of automobiles spare parts and accessories other than a dealer in automobiles.

4. (d)

In case of FIRST sale and Subsequent Sale E- I and E- II Forms are required to be submitted on quarterly basis.

4. (e)

In this case partial reverse charge is applicable. Here service provider liable to pay 25% of taxable value of service and service receiver liable to provide 75% of taxable value of service.

Taxable value of Service $(20,00,000 \times 100/103.09 = ₹19,40,052)$

$(25\% \text{ of } 12.36\% = 3.09)$

M/s LP S Liability $= (19,40,052 \times 12.36\%) \times 25\% = ₹59,948$

T Ltd. Liability $= (19,40,052 \times 12.36\%) \times 75\% = ₹1,79,843$

Suggested Answer_Syll2008_June2015_Paper_10

5. (a) Bearing in mind the provisions of Section 4 of the Central Excise Act, 1944, you are required to calculate the assessable value of excisable goods, for levy of excise duty from the information given below:

Particulars	₹
Cum-duty wholesale price including VAT of ₹ 2,400	62,400
Normal secondary packing cost	1,000
Cost of special secondary packing	3,500
Cost of durable and returnable packing	2,500
Freight	4,600
Transit Insurance	300
Trade discount (normal Practice)	1,600

Rate of C. E. duty as per C. E. Tariff 10% ad valorem.

State clearly the reasons for the treatment for each item in the deductions. Freight and transit insurance are shown separately in the invoices. 6

- (b) Mr. Harshavardhan, a service provider regularly paying Service Tax since 2010, furnishes the following details pertaining to the half year ended 31st March, 2015:

Particulars	Amount (₹)
Service charges billed and received for recruiting labour for rural projects	6,70,000
Advances received from Mr. Thilak, for which services were not rendered in this half year. Taxable services were rendered in May, 2015 and bill raised within 5 days of completion of service thereafter.	2,00,000
Service charges for supply of agriculture farm labour	7,25,000
Receipts for services rendered to UNESCO, an International Organisation	4,54,000
Service charges for supply of labour for Central Govt., projects	7,22,000

Excepting the advance, the service charges received do not include Service Tax, wherever due.

Ascertain the value of taxable services rendered and the service tax payable by the assessee. 5

- (c) Briefly state the customs procedure and duty payable for import through post. 4

Answer:

5. (a)

The assessable value from cum- duty price can be worked out by the under mentioned formula:

$$\text{Assessable value} = \frac{\text{Cum duty price} - \text{Permissible deduction}}{100 + \text{Rate of duty}} \times 100$$

PARTICULARS	₹	₹
Cum-duty price		62,400
Less : Deductions (See Notes)		
VAT	2,400	
Durable and returnable packing	2,500	
Freight	4,600	
Insurance	300	
Trade Discount	1,600	
		11,400

Suggested Answer_Syll2008_June2015_Paper_10

Value after Deductions		51,000
Less : Central Excise Duty thereon @ 10% Advalorem $[51,000 \times 10/110]$		4,636
Assessable Value		46,364

NOTES:

1. The transaction value does not include Excise duty, Sales tax and other taxes
2. The Excise duty is to be charged on the net price, hence trade discount is allowed as deduction.
3. With regard to packing, all kinds of packing except durable and returnable packing is included in the assessable value. The durable and returnable packing is not included as the packing is not sold and is durable in nature.
4. Freight and insurance on freight (transit insurance) will be allowed as deduction only if the amount charged is actual and it is shown separately in the invoice as per Rule 5 of the Central Excise Valuation Rules, 2000

5. (b)

Computation of taxable services by Mr. Harshavardhan

Period: Half year ended 31.03.2015

PARTICULARS	AMOUNT(₹)
Service charges billed and received for recruiting labour for Rural projects : This is not covered by negative list u/s 66D	6,70,000
Advances received from clients, for which services were not rendered in this half year : As per Point of Taxation Rules, this is taxable. $[2,00,000 \times 12.36/112/36]$. It is immaterial that services were rendered only in next half year.	1,78,000
Service charges for supply of farm labour : This is covered by negative list u/s 66D and hence not taxable	Nil
Receipts for services rendered to UNESCO : Exempt UNDER Mega Notification	Nil
Service charges for supply of labour for State Govt. Projects : This is not covered by negative list u/s 66D	7,22,000
Value of Taxable Services	15,70,000
Service tax payable @ 12.36%	1,94,052

5. (c)

IMPORT THROUGH POST:

- Label/declaration on postal article is treated as 'Entry'. Separate Bill of Entry is not required.
- Postal articles are sent to Foreign parcel Department of Post Office. This list is handed over to Principal Appraiser of Customs.
- He will inspect mail. Packets suspected of dutiable articles will be opened and examined by him. He will assess the goods and then seal the parcel.
- Goods will be handed by postmaster to addressee only on receipt of customs duty payable on the goods.
- Gifts upto ₹10,000 are free. Post parcel is exempt if customs duty is upto ₹100.

Suggested Answer_Syll2008_June2015_Paper_10

6. (a) A person did an unauthorised import of goods which is liable to confiscation. The customs officer value the goods at ₹5,00,000 (exclusive of Basic Custom Duty 10%). What is the amount of penalty imposed under section 112 of the Customs Act, 1962,
- (i) if imported goods are prohibited goods?
(ii) if imported goods are non-prohibited goods? 2+2=4
- (b) There is no Service Tax Act applicable in India still we have to pay service tax. Explain how it is possible. 3
- (c) Define 'Factory' under the Central Excise Act, 1944. 2
- (d) Which variant of VAT is mostly used and why? 4
- (e) Drawback is allowed on Sales tax also — Do you agree? 2

Answer:

6. (a)

S. No.	
I.	If it is prohibited goods penalty will be Value of Prohibited goods or ₹5,000 whichever is higher. Here y Penalty will be ₹ 5,00,000
II.	If it is Non-prohibited goods penalty will be duty sought to be evaded or ₹5,000 whichever is higher. Here duty evaded is $(₹5,00,000 \times 10.3\%) = ₹51,500$. Here Penalty will be ₹51,500.

6. (b)

Service tax was introduced in the year 1994 but till date no independent statute for levying of service tax. However following sources provide statutory provisions relating to service tax which is as follows:

- (i) Finance Act, 1994
- (ii) Rules of Service Tax
- (iii) Notifications on Service Tax
- (iv) Circulars or Office letters instruction on Service Tax
- (v) Orders on service tax.
- (vi) Trade notices on Service tax.

6. (c)

As per section 2(e) of Central Excise Act 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 production of these goods is being carried on or is ordinarily carried on.

6. (d)

Among three variants of VAT, the Consumption Variant is widely used. The reasons being **FIRSTLY**, it does not affect decisions regarding investment because the tax on capital goods is also set off against the VAT liability. Hence the system is tax neutral in respect of techniques of production.

SECONDLY, consumption variant is convenient from the point of administrative expediency as it simplifies tax administration by obviating the need to distinguish between purchases of intermediate and capital goods on one hand and consumption of goods on the other hand.

Suggested Answer_Syll2008_June2015_Paper_10

6. (e)

Drawback is allowed only on duty paid in input and service tax paid on input services. It cannot be allowed on other taxes like sales tax.

7. (a) Kathiravan Ltd. [a non-small scale sector assessee] submitted the following information:

Service Tax liability for the month of November 2014	₹ 6,29,000
Due date of discharge above liability	06.12.2014
Date on which above service tax liability was actually discharged	05.03.2015

Required: Calculate Interest and Penalty.

6

(b) Asha Ltd. supplies raw material to a job worker Kareena Ltd. After completing the job-work, the finished product of 5,000 packets are returned to Asha Ltd, putting the retail sale price as ₹20 on each packet. The product in the packet is covered under MRP provisions and 40% abatement is available on it. Determine the assessable value under central excise law from the following details:

Cost of raw materials supplied	₹ 30,000
Job worker's charges including profit	₹ 10,000
Transportation charges for sending the raw material to the job worker	₹ 3,000
Transportation charges for returning the finished packets to Asha Ltd.	₹ 3,000

4

(c) Whether the following services are exempt under this head or taxable?

Sl. No	Services provided	Whether exempt under this head or otherwise taxable?
1	Services provided to a recognized sports body by an individual as a player, referee, umpire, coach or team manager for participation in a sporting event organized by a recognized sports body	₹ 12,40,000
2	Service of a player to a franchisee which is not a recognized sports body	₹ 6,80,000
3	Services by a recognized sports body to another recognized sports body	₹ 1,20,000
4	Services by individuals such as selectors, commentators, curators, technical experts	₹ 6,90,000
5	Services of an individual as umpire, referee when provided directly to a recognized sports body	₹ 1,20,000

Ignore small service provider exemption.

5

Answer:

7. (a)

Penalty = ₹100 per day [OR] 1 % per month whichever is higher. Subject to the maximum of 50% of service tax payable

Penalty = No. of days in delay

1. Dec. 25
2. Jan. 31
3. Feb. 28

Suggested Answer_Syll2008_June2015_Paper_10

4. March 5

Total 89

Penalty = (a) $89 \times 100 = 8,900$

(b) 1% of ₹6,29,000 \times 4months = ₹25,160.

Higher of (a) & (b), i.e. ₹25,160.

Interest on delayed payment of service tax [Section 75]:

According to section 75 of finance Act, 1994 every person, liable to pay the service tax in accordance with the provision of section 68 of the Act or rules made there under, who fails to credit the tax or any part thereof to the account of the Central Government within the period prescribed, shall pay simple interest at the rate which may be prescribed by Central Government periodically. However, the rate of interest shall not be below 10% and shall not exceed 36% p.a. Rate of interest prescribed by Central Government has been exhibited in the following table:

S. No	Period of delay	Rate of simple interest in case of any Assessee other than small scale sector Assessee	Small scale sector Assessee*
(1)	(2)	(3)	(4)
1.	Upto six months	18%	15%
2.	More than six months and upto one year	18% p. a for the first six months of delay and 24% p.a. for the delay beyond six months.	15% p.a. for the first six months of delay and 21% p.a. for the delay beyond six months.
3.	More than one year.	18% p. a for the first six months of delay: 24% p.a. for the period beyond six months upto one year and 30% p.a. for any delay beyond one year.	15% p. a for the first six months of delay: 21% p.a. for the period beyond six months up to one year and 27% p.a. for any delay beyond one year.

The term small scale sector means a service provider whose value of taxable services does not exceed 60 lakh either during any of the years covered by the notice or during the last financial year.

Interest = $[6,29,000 \times 18/100] \times 3/12 = 28,305$

Total Interest + Penalty = $25,160 + 28,305 = \text{₹}53,465$

7. (b)

In case goods falling under Section 4A are manufactured on job work basis, since Section 4A has overriding effect over Section 4, hence, value shall be computed as per Section 4A only.

Assessable value under Central Excise law is computed below:

Particulars	No.	Per piece	₹
5,000 packets @ MRP ₹20 per piece (Actual cost/sale price is not relevant)	5,000	20	1,00,000
Less : Abatement @ 40%		8	40,000
Assessable Value under Section 4A		12	60,000

Suggested Answer_Syll2008_June2015_Paper_10

7. (c)

1. Exempt under this head
2. Taxable
3. Exempt under this head
4. Taxable
5. Exempt under this head

8. (a) Sarath Fertilizers Ltd. manufactures naphtha. Goods are sold at its factory gates at Chennai as well as from its depot at Sriperumpudur. The prices prevailing at these two places are different. On 21.03.2015, 9,000 Kgs have been removed from the factory to the depot at Sriperumpudur. On this day, sales have taken place at both the factory and the depot, the sale price being ₹ 1500 per Kg and ₹ 1520 per Kg respectively.

Determine the assessable value as per Section 4(b) of the Central Excise Act for the above 9,000 kgs moved to the depot.

Will your answer be different if the last sale at the depot was on 19.03.2015 (15,000 kgs at ₹ 1,490 per kg)? 4

(b) Distinguish between Pilfered goods u/s 13 and Lost or destroyed goods u/s 23 of the Customs Act 1962. 6

(c) From the following data furnished by Lasya & Co., a registered VAT dealer for the month of February 2015, determine the net VAT liability of the dealer:

Opening balance in Input Tax Credit (ITC)	₹ 2,000
Purchases from within State from registered dealers	₹ 2,10,000
Raw material X (inclusive of 5% VAT)	
Raw material Y (inclusive of 5% VAT)	₹ 3,15,000
Raw material Z (inclusive of 10% VAT)	₹ 4,40,000
Sale of finished goods L (exempted goods)	₹ 2,50,000
Sale of finished goods M (zero-rated)	₹ 3,75,000
Sale of finished goods N	₹ 6,00,000
Output VAT Rate	10%

Raw material X is used for producing product L, Raw material Y for producing product M and Raw material Z is used for producing product N. 5

Answer:

8. (a)

Determination of value of excisable goods sold at factory as well as depot

When goods are sold through depot, there is no 'sale' at the time of removal from factory. In such cases, price prevailing at depot (but at the time of removal from factory) shall be the basis of Assessable Value. The Value should be 'Normal Transaction Value' of such goods sold from the depot at the time of removal or at the nearest time of removal from factory. [Rule 7 of Valuation Rules]

As per Valuation Rule 2(b), 'Normal Transaction Value' means the transaction value at which the greatest aggregate quantities of goods are sold.

Thus, if an assessee transfers a consignment of naphtha to its depot from factory to Depot on 21.03.2015, and that variety and quality of paper is normally being sold at the depot on 21.03.2015 at transaction value of ₹1520 per kg to unrelated buyers, where price is the sole consideration for sale, the consignment cleared from the factory at Chennai on 21.03.2015

Suggested Answer_Syll2008_June2015_Paper_10

shall be assessed to duty on the basis of ₹1,520 per kg.

If assuming that on 21.03.2015 there were no sales of that variety from Sriperumpudur depot but the sales were effected on 21.03.2015, then the normal transaction value on 19.03.2015 from the said depot to unrelated buyers i.e., ₹1,490 per kg, where price is the sole consideration shall be the basis of assessment.

8. (b)

Distinction between Pilfered goods and Lost or destroyed goods

PILFERED GOODS U/S 13	LOST OR DESTROYED GOODS U/S 23
Pilferage refers to that in small quantities	Lost or destroyed postulates loss or destroyed by whatever reason whether theft, fire, accident etc.
In this case, the importer is not liable to pay duty leviable on such goods.	The duty payable on lost goods is remitted by Assistant/Deputy Commissioner.
In this case, if the pilfered goods are retrieved duty becomes payable.	In this case, restoration is impossible if the goods once destroyed.
The pilferage must have occurred after the unloading of the goods but before the proper officer has made an order for clearance for home consumption under Section 47 or deposit on a warehouse under Section 60.	In this case, the goods must have been lost or destroyed at any time before their clearance for home consumption. Thus, it also covers the cases where the goods are lost after the duty has been paid and order for clearance has been given but before the goods are actually cleared.
These provisions do not apply to warehoused goods.	Section 23 (i) is applicable to warehoused goods also.
The importer does not have to prove pilferage, as it is obvious at the time of examination by the proper officer.	In this case, the burden is case on the importer to satisfy the Assistant/ Deputy Commissioner that the imported goods have been lost or destroyed at any time before the physical clearance of the goods for home consumption.

8. (c)

Determination of VAT payable by Lasya & Co.

PARTICULARS	₹
Opening balance in Input Tax Credit (ITC)	2,000
Purchases from within State from registered dealers ITC for Raw material X (not available since used for producing exempted goods)	Nil
ITC on Raw material Y [ITC is available since used for manufacturing zero rated goods]	15,000
ITC on Raw material Z	40,000
Total ITC available	57,000
Output VAT:	
Sale of finished goods L (exempted goods)	0
Sale of finished goods M (zero-rated)	0
Sale of finished goods N	60,000
Total VAT payable	60,000
Balance VAT payable ;	3,000