

INTERMEDIATE EXAMINATION

June 2013

I-P10(AIT)
Syllabus-2008

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 required, the candidate may make suitable assumptions and state them clearly in the answers.

All questions relate to the assessment year 2013-14 unless stated otherwise in the question.

1. (a) Fill in the blanks : 1×15=15
- (i) For non-corporate assessees, e-filing of service tax return is_____.
 - (ii) Yellow Bill of Entry is required for_____.
 - (iii) The effective rate of Service Tax at present is_____.
 - (iv) SSI units are required to submit_____return in Form No. ER-3.
 - (v) In Customs and Excise law, the commitment of offence beyond reasonable doubt has to be proved by_____.
 - (vi) The time limit for filing appeal to CESTAT is_____.
 - (vii) The Central Sales Tax applicable to goods exempt from State Sales Tax is_____.
 - (viii) Assessable Value in case of Captive Consumption is the Cost of Production plus_____.
 - (ix) The Fifteen Digit PAN based registration number is Called_____Under the Indirect Tax.
 - (x) The Finance Act, 2012 introduced_____Number of Services on which no tax has been levied.
 - (xi) Exclusive Economic Zone extends to_____Nautical Miles from the base line of the coast.
 - (xii) MRP Provisions are not applicable for packaged commodities meant for_____.
 - (xiii) Post Shipment Charges_____considered for Assessable Value under the Customs Act.
 - (xiv) VAT_____be imposed on the value of Service.
 - (xv) The unutilized Cenvat Credit can be carried forward up to_____number of years.
- (b) State with reasons, whether the following are True or False : 2×5=10
- (i) Stock transfer is to be treated as Inter State Sale under the CST Act, 1956.
 - (ii) Transfer by way of mortgage are liable to CST.
 - (iii) "Service provider providing taxable service under brand name of others"—liable to pay service tax.
 - (iv) Captive consumption goods need certification.
 - (v) Buying Commission is always includible in Customs Value.
2. (a) Explain briefly how the valuation of an excisable goods will be done when the same is sold to both related and unrelated buyers? 5
- (b) Briefly explain "Prohibited Goods" under the Customs Act, 1962. What is the purpose of the interpretation rules regarding Custom Tariff ? 3+2=5
- (c) Write a brief note on the deficiencies of the VAT system. 5

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3. (a) Discuss about the eligibility of cenvat credit in each of the following situations :
- (i) 2.0 Metric Tonnes of Raw Materials on which Central Excise Duty paid was Rs. 20,000-00 which were destroyed by accidental fire after the same are issued to the shop floor for production of Finished Goods. 2+1+2=5
 - (ii) 1.0 metric Tonne of Raw materials on which Central Excise Duty paid was Rs. 10,000-00 were used in manufacture of the Finished Goods for which Central Excise Duty was payable Rs. 8,000-00.
 - (iii) The original copy of the Central Excise Invoice for 1000 units of Raw Materials purchased was missing; however, duplicate for transporter copy of the same Invoice is available, which also shows that the Central Excise Duty of Rs. 10,000-00 had been paid on Raw Materials. 2+1+2=5
- (b) A Trader supplied consignments of goods in a single carriage to his two different buyers, (i) Reserve Bank of India and (ii) a unit located within Special Economic Zone. The amounts of freights were Rs. 3,000-00 and Rs. 4,000-00 respectively. In the first case, the freight was paid by the consignee and in the second case the freight by the consignor. Assess the Service Tax liabilities of the freight payers. Discuss whether exemption from payment of Service Tax is available in these cases or not. 1+2+2=5
- (c) Illustrate with an example, whether inter-state purchases liable to Central Sales Tax are eligible for Input Tax Credit or not. 5
4. (a) A manufacturer having Central Excise Registration Certificate imports an equipment from abroad. Compute the duty payable under Customs Act, 1962 for such import on the following information :
- (i) Assessable Value of the imported equipment is US \$ 15,500.
 - (ii) Date of Bill of Entry is 19.03.2012. Basic Custom Duty on this date was 12% and exchange rate notified by the Central Board of Excise and Customs is US \$1 = Rs. 55-00.
 - (iii) Date of Entry inwards is 14.03.2012. Basic Custom Duty on that was 10% and exchange rate notified by the Central Board of Excise and Customs is US \$1 = Rs. 58-00.
 - (iv) Additional Duty payable @ 12% under Section 3(1) & (2) of the Custom Tariff Act, 1975.
 - (v) Additional Duty under Section 3(5) of the Custom Tariff Act, 1975 @ 4%.
 - (vi) Education Cess and Secondary and Higher Education Cess @ 2% and 1% respectively.
- State which exchange rate and the rate of Custom Duty shall be the applicable rates in this case.
Which amount shall be eligible for availment of Cenvat Credit for the manufacturer (Importer)? 5+1+1=7
- (b) (i) Explain briefly the Compulsory Registration and Voluntary Registration under the VAT Act.
- (ii) Mr. W, a manufacturer sells goods to Mr. X a distributor for Rs. 5,000-00 (excluding of VAT). Mr. X, sells the goods to Mr. Y, a wholesale dealer for Rs. 6,000-00. Mr. Y, the wholesale dealer sells the goods to a retailer for Rs. 7,500-00, who ultimately sells to the consumers for Rs. 9,200-00. Compute the tax liability, Input Tax credit availed and tax payable by the manufacturer, distributor, wholesale dealer and retailer under Invoice method assuming the rate of VAT as 13.5%. 2+2+4=8
5. (a) X Ltd. imported goods from Switzerland 400 units @ 110. Following further information is also needs to be considered :
- (i) Freight (Vessel) — \$ 5000
 - (ii) Demurrage (Part & Parcel) — \$ 1000
 - (iii) Insurance — \$ 50
 - (iv) Landing Charges — ₹ 1,50,000
 - (v) Royalty for use of Patent — \$ 10
 - (vi) Royalty as a condition of Sale — \$ 20000
- The Rate of Duty is 10-3%. Assuming exchange rate is ₹ 30-00. 6
Find the duty payable.

- (b) "Brand owners are not liable to pay excise duty". Is there any exception in this regard? Explain. 4
- (c) Mr. Madhukar an "Interior Designer" received ₹ 2,00,000-00 as advance towards an account payee cheque while signing a contract. He received ₹ 4,00,000-00 through credit card while providing service and another ₹ 5,00,000-00 by a pay order after completion of service. All transactions took place during the Financial Year 2012-2013. Compute the value of taxable service and tax payable thereon. 5
6. (a) Explain the validity of the Statements with reference to the provision of the Customs Act, 1962 with suitable reasons.
- (i) Can warehouse goods be transferred from one warehouse to another warehouse under the Customs Act, 1962 ?
- (ii) "Duty is required to be paid on pilfered goods" — explain. 2+2=4
- (b) Explain the validity of the Statements with reference to the provision of the Central Excise Act, 1944 with suitable reasons.
- (i) **Cenvat Credit** of service tax paid can be claimed in a case where a manufacturer does not have registration under Service Tax Act.
- (ii) Specific duty is payable by the assessee on excisable goods based on the value of goods. 2+2=4
- (c) Explain the validity of the Statements with reference to the provision of the Finance Act, 1994 with suitable reasons.
- (i) Statutory services are also taxable service.
- (ii) Speed Post Services provided by the Post Office are liable to service tax. 2+2=4
- (d) Discuss the role of a Cost Accountant in the context of VAT. 3
7. (a) Determine the assessable value for purpose of Excise Duty under the Central Excise Act, 1944 in the following cases:
- (i) An assessee sells his excisable goods for ₹ 120 per piece and does not charge any duty of excise in his invoice. Subsequently, it was found that the goods were not exempted from excise duty, but were liable at 20% ad valorem.
- (ii) Certain excisable goods were sold for ₹ 120 per piece and 20% ad valorem is the rate of excise duty. Subsequently, it was found that the price cum duty was in fact ₹ 140 per piece as the assessee had collected ₹ 20 per piece separately.
- (iii) The cum duty price per piece ₹ 120 and the assessee had paid duty at 20% ad valorem. Subsequently, it was found that the rate of duty was 30% ad valorem and the assessee had not collected anything over and above ₹ 120 per piece. 6
- (b) Mrs. & Mr. Kapoor visited Germany and brought following goods while returning to India:
- (i) The personal effects like clothes, etc., valued at ₹ 35,000.
- (ii) A personal computer bought for ₹ 46,000.
- (iii) A laptop computer bought for ₹ 95,000.
- (iv) Two litres of liquor bought for ₹ 1600.
- (v) A new camera bought for ₹ 47,400.
- What is the amount of customs duty payable ? 5

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- (c) Compute the invoice value to be charged and amount of tax payable under VAT by a dealer who had purchased goods for ₹ 1,20,000 and after adding for expenses of ₹ 10,000 and of profit ₹ 15,000 had sold out the same. The rate of VAT on purchases and sales is 12.5%. 4
8. (a) Discuss with a brief note the distinction between the functioning of Inland Container Depots (ICD) and Container Freight Stations (CFS). 3
- (b) Compute the VAT amount payable by R, who purchased goods from a manufacturer on payment of ₹ 6,30,000 (including VAT) and earned 20% profit on sale price. VAT rates both on purchase and sales is 5%. 4
- (c) Explain briefly whether 'assembly' would tantamount to 'manufacture' under the Central Excise Act, 1944. 3
- (d) Bharath Institute, a partnership firm, is running a coaching centre and has been paying service tax of more than ₹ 10,00,000 in the past several years. The details pertaining to the quarter ended 30.09.2012 are as under.

| Particulars | Amount ₹ |
|--|-----------|
| Value of free coaching rendered | 3,90,000 |
| Coaching fees collected from students (Service Tax collected separately) on 16.08.2012 | 54,00,000 |
| Advance received on 30.09.2012 from another coaching centre for coaching their students, on 30.09.2012 | 12,00,000 |

- (i) One student was refunded the total fee ₹ 40,000 plus service tax on 15.01.2013.
- (ii) Another student was refunded ₹ 10,000 (including Service tax) on 16.04.2013 due to deficient service.

Determine the service tax liability for the quarter and indicate the date by which the service tax has to be remitted by the assessee. 5