

INTERMEDIATE EXAMINATION

December 2016

*P-II(ITX)
Syllabus 2012*

Indirect Taxation

Time Allowed: 3 Hours

Full Marks: 100

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

Question no. 1, is compulsory. Answer any five out of remaining seven questions.

Total six questions are to be answered.

1. Answer the following questions with suitable reasons:

1×25=25

- (a) What is the purpose of payment of duty or tax under protest?
- (b) A manufacturer procured certain inputs. The assessable value for excise valuation was ₹ 10,000. Excise duty paid @ 12.5% was ₹ 1,250. Later he sold 50% of those inputs @ ₹ 6,000, as these were in excess of his requirements. Advise the manufacturer about steps he should take.
- (c) Which of the following service received by a manufacturer or service provider is not eligible for Cenvat Credit?
 - (i) Legal Services
 - (ii) Coaching and training
 - (iii) Maintenance service provided to a motor car not eligible for Cenvat credit as capital goods
 - (iv) Procurement of inputs
- (d) What are the products covered under third schedule of Central Excise Act.
- (e) A small scale manufacturer having turnover below certain limit of turnover is not required to obtain excise registration. However, he is required to submit declaration to excise department once he crosses a specified turnover. What is that specified turnover, when declaration is required to be filed?
- (f) A manufacturer filed return but did not pay excise duty as declared in return. What is the penalty if a manufacturer fails to pay excise duty within one month from due date?
- (g) In ports where imported goods are cleared on manual submission of documents, imported goods are cleared from customs port on payment of customs duty on submission of
 - (i) White Bill of Entry
 - (ii) Green Bill of Entry
 - (iii) Yellow Bill of Entry
 - (iv) Pink Bill of Entry

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- (h) What are 'Coastal goods'?
- (i) State provision in customs law in respect of pilfered goods.
- (j) What is period upto which imported goods can be kept in customs warehouse without payment of interest?
- (k) State the ceiling on quantum of duty drawback in relation to market price of export goods.
- (l) State the administrative authority for Foreign Trade Policy.
- (m) What the normal period of validity of Authorisation issued under Foreign Trade Policy?
- (n) A service provider imported consumables which were used for providing taxable service in India. Following duties were paid at the time of imports – Basic customs duty of 10%, CVD equal to excise duty payable in India, special additional duty @ 4%, Education Cess 1% and Secondary and Higher Education Cess – 1%. Advise if he can avail Cenvat credit of any of these duties? If so – which duty or duties?
- (o) State the time limit for issue of show cause notice to service provider when there is no charge of suppression of facts or wilful misstatement.
- (p) A service provider collected service tax from his customer but did not pay it to Government. What is rate at which interest is payable by service provider?
- (q) State true or false – The air travel agent is not required to pay service tax on air fare recovered by him from his customer.
- (r) What is the time limit for filing revised return under service tax?
- (s) Name the Act under which service tax is imposed in India.
- (t) A merchant exporter in West Bengal procures material for export from a manufacturer in Orissa. Which form the merchant exporter should issue to manufacturer in Orissa so that the supplier need not charge Central Sales Tax (CST) in his invoice?
- (u) State Vat rate of a commodity is 1%. These were sold inter-state to unregistered buyer outside the State. What would be rate of Central Sales Tax?
- (v) Tax Identification Number for State Vat consists of
 - (i) 10 digit alpha-numeric code
 - (ii) 11 digit numeric code
 - (iii) 12 digit alpha-numeric code
 - (iv) 13 digit numeric code
 - (v) None of the above

- (w) A dealer is importing goods and selling them in one State only. Can he opt for composition scheme for payment of State Vat?
- (x) State the maximum period for which Advance Pricing Agreement can be executed?
- (y) Arm's length price (ALP) can be computed by various methods. If two methods give two different ALP, which price should be adopted?

2. (a) Following information is provided in respect of manufacture of an engine for purpose of captive consumption in the same factory. **Calculate value** for purpose of Central Excise duty. 7

	₹
Cost of direct material (including central excise duty ₹ 5,245 eligible for Cenvat credit)	1,45,245
Cost of direct employees	27,340
Consumable stores and repairs	13,800
Quality Control Cost	7,900
Research and Development Cost	15,150
Factory Overheads	2,850
Administration Cost – Production related	19,280
Administration Cost – Others	5,780
Selling and distribution cost	9,150
Scrap value realised	2,720

- (b) Certain goods were imported from Korea into India Normal value of these goods in Korea is ₹ 2,100. Export price to India is ₹ 1,600. Landed cost in India is ₹ 1,900. Fair selling price of that product in India is ₹ 2,200. **Calculate anti-dumping** duty that can be imposed on these goods if imported in India. 3

- (c) (i) Explain purpose of Place of Provision of Service Rules.
- (ii) What would be place of provision of service in relation to design of a building?
- (iii) What would be place of provision of consultancy services? 5

3. (a) (i) State situations where an exporter would prefer to pay excise duty on final products and claim rebate of excise duty paid, instead of clearing goods under bond without payment of excise duty.
- (ii) Which documents are required to be prepared at time of clearance from factory to clearing goods for export under claim of rebate?
- (iii) Can he claim rebate of excise duty in following situations:
- (A) Supplies to unit in Special Economic Zone
- (B) Supply to EOU unit
- 3+3+2=8

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- (b) An exporter intends to import some capital goods for manufacture of goods which he plan to export. He is not sure how much he would be able to export and hence does not want to give commitment about export obligation. He intends to export his products first and then claim benefit of duty exemption on capital goods. Advise him how he can do so.

Can indigenous capital goods be procured by him without payment of excise duty?

4+1=5

- (c) **Name any** two transactions where both State Vat and service tax are payable on same transaction. 2

4. (a) A manufacturer imported raw material for his production from USA. The details are as follows:

- (i) FOB value – USD 30,000
- (ii) Packing charges – USD 500
- (iii) Value of returnable container in which the goods were packed – USD 4,000
- (iv) Insurance charges from foreign port upto India – USD 200
- (v) Ocean freight from foreign port to India – USD 700
- (vi) Commission paid to agent in India of foreign supplier – USD 500
- (vii) Transport charges from Indian port to factory in India – ₹ 15,000
- (viii) Erection expenses incurred at factory in India – ₹ 25,000

Exchange rate is 1 USD = ₹ 62.00 on date of filing of Bill of Entry. The exchange rate was 1 USD = ₹ 62.25 when customs duty was paid. Central Excise duty in similar goods in India is 12.5%. **Calculate**

(A) Assessable value for customs and

(B) **Total customs duty** payable

(C) **Duties** eligible for Cenvat Credit.

4+3+2=9

- (b) If a particular activity or transaction is not covered under any of three Lists in seventh schedule to Constitution, which authority is empowered to exercise the power in respect of such activity or transaction? Under which provision? Name a tax levied under authority of those provisions. 1+1+1=3
- (c) Deepa Glow Ltd., manufactures a product specified under section 4A of the Central Excise Act, 1944. The maximum retail sale price of the product as printed on carton is ₹ 100. This includes 12.5% excise duty and 2% CST. For this product, 30% abatement is allowable under section 4A. Quantity of 1,000 pieces were sold by Deepa Glow Ltd. to the wholesale dealers at ₹ 75 per piece. You are required to **compute** the excise duty liability. 3

5. (a) Abhimanyu Road Carriers, a Goods Transport Agency, furnished following data with respect to services provided by it in June 2016—

Sr No.	Details	Amount in ₹
1	Goods transport services provided to ABC Ltd. on issues of consignment note	40,00,000
2	Goods transport service for transport of goods without issuing any consignment note	1,70,000
3	Goods transport service provided to an unregistered partnership firm on issue of consignment note	8,00,000
4	Composite service of packing, loading, transport of goods, unloading and unpacking at destination	5,00,000
5	Goods transport service provided to an individual person on issue of consignment note	15,00,000
6	Goods transport service of ginned cotton	2,00,000

Calculate service tax payable by Abhimanyu Road Carriers considering service tax rate as 15% [Ignore cesses]. 7

- (b) State the conditions to be fulfilled, subject to which transaction value can be accepted as assessable value for purpose of valuation under section 4 of Central Excise Act. 4

- (c) Who is the adjudicating authority if customs duty demand is less than ₹ 5 lakhs?

Where appeal can be filed against his order?

What is the time limit for filing appeal?

How much delay can be condoned by Appellate Authority?

How much pre-deposit of duty is required for filing first appeal?

Where further appeal can be filed against order of first appellate authority? 4

6. (a) **Find service tax payable** in each of following cases. Each transaction is independent of other transactions. Service tax rate is 15%. Ignore cesses. 7

- Supply of farm Labour – ₹ 1,00,000
- Transport of postal mail by a vessel – ₹ 60,000
- Serving food in non-air conditioned restaurant – ₹ 1,05,000
- Renting of hotel rooms with morning breakfast with room rent ₹ 1,500 per day – ₹ 3,00,000
- Construction of office building with material for customer on his land – ₹ 10,00,000
- Royalty for providing use of technical knowhow on which R&D cess was paid – ₹ 3,00,000
- Development of Information Technology Software – ₹ 8,00,000

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- (b) Explain the scheme in Foreign Trade Policy to promote export of services from India. 5
- (c) A manufacturer in Tamil Nadu received an order from a buyer in Maharashtra. The manufacturer manufactured goods as per the order received and despatched goods to its depot in Maharashtra without charging CST. The depot in Maharashtra sold the goods to buyer in Maharashtra charging Maharashtra State Vat. The depot in Maharashtra issued F form to manufacturer in Tamil Nadu. Discuss the validity of transaction and liability of Vat. 3
7. (a) A service provider has various places in India from which he is providing taxable service. He intends to apply for centralised registration for his taxable services. State —
- (i) Conditions for eligibility to obtain Centralised registration.
- (ii) Authority to whom he should apply for centralised registration.
- (iii) Can he obtain more than one centralised registration?
- (iv) Distinction between centralised registration and input service distributor. 3+1+1+2=7
- (b) Distinguish between zero rated sale and exempt sale, in relation to State Vat provisions. State transaction which is presently zero rated under State Vat. 3+1=4
- (c) State purpose and scope of safe harbour rules. 4
8. (a) Mita Enterprise from State of West Bengal furnishes following data for month ending June, 2016:
- (i) Vat rate on inputs – 5%
- (ii) Vat rate on output – 14.5%
- (iii) Inputs purchased from registered dealers within State during the month – ₹ 30,00,000
- (iv) Output sold to buyers within State of West Bengal during the month – ₹ 18,00,000
- (v) Output sold to buyers inter-state from whom C forms have been received – ₹ 6,00,000 (excluding CST as applicable)
- (vi) Inputs purchased from other States as inter-state purchases – ₹ 3,00,000 (excluding CST @ 2%)
- (vii) Opening stock of inputs – Nil. Closing stock of inputs purchased within State as on 30.06.2016 – ₹ 12,50,000. Closing stock of inputs purchased from other States as on 30.06.2016 – ₹ 1,50,000
- Compute**
- (a) Vat liability
- (b) Central Sales Tax (CST) payable and
- (c) Net Vat payable in cash. 6

- (b) A manufacturer of paper machinery filed income tax return, declaring profit of ₹ 97 lakhs. The manufacturer had sold 50 numbers of paper machinery to its associated enterprise outside India @ USD 3,000 per machinery. 30 pieces of similar machinery were sold to an unrelated buyer. Exchange rate of dollar was one dollar = ₹ 65.

Compute the taxable income of the manufacturer stating the method you will apply, under following three independent and separate situations —

- (i) 30 pieces were sold to unrelated buyers at USD 3,500 per piece.
- (ii) 30 pieces were sold to unrelated buyers at USD 3,080 per piece.
- (iii) 30 pieces were sold to unrelated buyers at 2,800 USD per piece.

3+2+1=6

- (c) What is meant by 'reverse charge' in service tax?

Who is liable to pay service tax in case of services of non-executive and independent director?

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