

INTERMEDIATE EXAMINATION

June 2017

P-11(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 questions 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.

1×25=25

- (a) A dealer engaged in effecting inter-state sale is required to get himself registered where his turnover is;
- (A) even one paisa
 - (B) ₹ 9,00,000
 - (C) ₹ 19,00,000
 - (D) ₹ 50,00,000
- (b) In case of sale to registered dealers which issue C forms the maximum rate of CST tax is
- (A) 0%
 - (B) 1%
 - (C) 4%
 - (D) 2%
- (c) Which of the following services is exempted in case of passenger transportation services?
- (A) Metered Taxi
 - (B) Contract carriage
 - (C) Radio Taxi
 - (D) None of the above

Please Turn Over

- (d) CESTAT (Tribunal) has passed an order on issue relating to classification of goods. An assessee is aggrieved with the order. Where should he file the appeal?
- (A) Supreme Court
 - (B) High Court
 - (C) Settlement Commission
 - (D) Central Board of Excise and Customs
- (e) Which of the following is not a declared goods under CST?
- (A) Cereals
 - (B) Hides and Skin
 - (C) Cotton Yarn
 - (D) Cigarettes
- (f) An Architect raised bill on customer of ₹ 10,00,000. The customer deducted TDS (of income tax) of ₹ 1,00,000 and issued cheques of ₹ 9,00,000. The Architect is liable to pay Service tax on
- (A) ₹ 10,00,000
 - (B) ₹ 1,00,000
 - (C) ₹ 9,00,000
 - (D) He is exempt from service tax
- (g) An importer imported some goods @4,10,000 on CIF. Following Euro rates on the date of presentation of BOE (Bill of Entry) is given. What is the exchange rate for customs valuation?
- (A) Inter Bank closing Rate ₹ 63.50 per Euro
 - (B) RBI rate 1 Euro = ₹ 63.75
 - (C) Exchange rate notified by CBEC – 1 Euro = ₹ 64.05
 - (D) Rate at which bank has ready payment from importer 1 Euro = ₹ 64.20
- (h) State the form in which a service provider is required to file return. What is the periodicity of filing return?
- (i) A provider of works contract service has charged service tax as well as VAT in his invoice. While calculating service tax payable, should he include or exclude VAT amount?
- (j) State true or false:
Excise duty is payable if goods are manufactured in Kashmir.

(k) Fill up the blank:

Review by the Government relating to levy of _____ duty is called New Shipping Review.

(l) Fill up the blank:

Duty drawback rate shall not exceed _____ per cent of market price of export goods.

(m) A company had hired a taxi for purpose of its marketing activities. The taxi operator has charged service tax in his invoice. Can the company avail its Cenvat credit?

(n) What is the period for which Advance Pricing Agreement can be executed?

(o) In VAT, exports are zero rated and not exempt. State true or false.

(p) If goods can be classified under two different headings and both headings are equally applicable—

(A) Heading which appears earlier in tariff prevails.

(B) Heading which appears later in tariff prevails.

(C) The assessee can decide which heading to choose.

(D) The heading where rate of duty is maximum will apply.

(q) In case of variation between arm's length price and actual price, the actual price can be accepted in case of whole trading if variation is less than specified percentage. What is that percentage?

(r) An Export Oriented Unit (EOU) can be set up anywhere in India. State true or false.

(s) What is the normal period for which EPCG authorisation will be issued?

(t) What is IEC under Foreign Trade Policy?

(u) An SEZ unit intends to avail services from a service provider. The service provider can provide service without levying service tax if the SEZ unit issues a certificate in prescribed form. What is that form?

(v) Automobile components are covered under MRP Valuation provisions. A manufacturer Delta Ltd. is supplying automobile components to Tata Motors which are to be used in manufacture of trucks. Department is insisting that Delta Ltd. should pay excise duty on basis of MRP. Advise Delta Ltd.

(w) An Export Oriented Undertaking (EOU) intends to procure some goods from a manufacturer in India without payment of excise duty. Which certificate he is required to issue to Indian manufacturer?

- (x) A contractor is providing works contract service of construction of public road. A sub-contractor is providing service to main contractor. Can the sub-contractor claim exemption from service tax?
- (y) What is the rate at which service tax is payable on Bank on its interest income?

2. (a) Sanjay & Co furnish the following expenditure incurred by them and want you to find the assessable value for the purpose of paying excise duty on captive consumption. Determine the cost of production in terms of Rule 8 of the Central Excise Valuation (Determination of Price of Excisable Goods) Rules 2000 and as per CAS-4 (Cost Accounting Standard)

	Particulars	₹
(i)	Direct material cost per unit inclusive of excise duty @12.5%	9,200
(ii)	Direct wages	4,200
(iii)	Other direct expenses	720
(iv)	Indirect materials	125
(v)	Factory overheads	1,400
(vi)	Administrative overhead (25% relating to production capacity)	275
(vii)	Selling and distribution expense	475
(viii)	Quality control	124
(ix)	Sale of scrap realized	45
(x)	Actual profit margin	20%

- (b) A small scale manufacturer had achieved sales of ₹124 crores in 2015-16. Turnover achieved during 2016-17 was ₹1.72 crores. Normal duty payable on the product is 12.5%. Find the total excise duty paid by the manufacturer during 2016-17 if,

- (i) The unit has availed Cenvat Credit
- (ii) The unit has not availed Cenvat Credit

(Note: The turnover is without taxes and duties)

(c) Explain whether the following items can be included in/excluded from the transaction value under Section 4 of the Central Excise Act, 1944 5

- (i) Collection expenses incurred in respect of empty bottles for filling aerated waters from the premises of buyers to the manufacturers.
- (ii) Delivery and collection charges of gas cylinders and collection of empty cylinders.
- (iii) Notional Interest accruing on deposits for sale/return of gas cylinders as well as rentals.
- (iv) Cash discount known at the time of clearance of goods and availed by the customer.
- (v) Value of system software loaded in laptop before removal from factory.

3. (a) Explain salient features of Anti-Dumping Duty? Who determines anti-dumping duty that can be levied? Where appeal can be filed against order notifying anti-dumping duty on a product? 5+1+1=7

(b) A consignment is imported by air. CIF price is 4000 Euro. Air freight is 1100 Euro and insurance cost is 50 Euro. Exchange rate announced by CBE & C as per customs notification is 1 Euro = ₹ 88. Basic customs duty payable is 10%. Excise duty on similar goods produced in India is 12.5%. Find value for customs purpose and total customs duty payable. How much Cenvat can be availed by importer, if he is manufacturer? 4+3+1=8

4. (a) Explain difference between Pilferage and Loss or destroyed goods for purpose of levy and exemption from customs duty. 5

(b) Mr. Narayanan, a registered dealer of plant and boiler in the State of Rajasthan, furnishes the under mentioned information:

Particulars	Amount (₹)
(i) Total inter-state sales during financial year 2015-16 (CST not shown separately)	4,62,50,000
(ii) Trade commission for which credit notes have to be issued separately	11,56,250
(iii) Freight and transportation charges (of this ₹ 3,00,000 are not charged separately in invoice)	9,00,000
(iv) Insurance premium paid prior to delivery of goods	1,40,000
(v) Installation and commissioning charges levied separately in invoices	1,50,000

Compute the tax liability under the CST Act, assuming that the buyers have issued C forms for these transactions. 5

- (c) A manufacturer of machinery in India filed income tax return for AY 2016-17. He declared profit of ₹ 74 lakhs. The manufacturer had sold 500 machines to its Associated Enterprise outside India @20,000 US dollars per piece. He had also sold similar 700 machines to an unrelated buyer outside India for 22,000 US dollars per machine. Exchange rate is 1 US dollar = ₹ 65.00. Rest of his sales were within India. Compute his taxable income. Which method would you recommend in computing the profit? 5

5. (a) ABC Ltd. of Gujarat made total purchases of input and capital goods for ₹ 65,00,000 during the month of January 2017. The following further information are as follows:

- (i) Goods worth ₹ 25,00,000 were purchased from Tamil Nadu on which C.S.T. @2% was paid.
- (ii) The purchase made in January 2017 includes goods purchased from un-registered dealers amounting to ₹ 18,50,000.
- (iii) It purchased capital goods for ₹ 6,50,000 (not eligible for Input Tax Credit) and those eligible for input tax credit for ₹ 9,00,000.

Sales made in the State of Gujarat for ₹ 10,00,000 on which VAT @13.50% during the month of January 2017. All purchases are exclusive of tax and VAT on purchases @5%. Calculate net VAT liability.

Note: Credit on capital goods is available in 36 equal monthly instalments. 7

- (b) State briefly whether the following persons are liable to apply for registration under the Finance Act, 1994 and Service tax (Registration Special Category of Persons) Rules, 2005 and if so from which date. In both cases aggregate value of taxable services was ₹ 6,00,000 upto 31.03.2017. 4

- (i) An input service distributor who starts his business with effect from 1st January, 2017.
- (ii) A provider of taxable service under brand name of another person. The brand name is not registered by such another person.

- (c) State briefly whether the following service under the Finance Act, 1994 relating to service tax are taxable service. 4

- (i) Service provided by a person having a place of business in Rajasthan to a customer in State of Jammu and Kashmir.
- (ii) Consultancy Service provided from India to a customer out of India.
- (iii) Service provided by tour operator in India to a customer in India for tour to Singapore.
- (iv) Service provided to an Export Oriented Unit.

6. (a) Mr. Sridhar is an air travel agent, who discharges his service tax liability at special rates provided under rule 6(7) of the Service Tax Rules, 1994. Compute his service tax liability for the quarter Oct–Dec, 2016 with the help of following particulars furnished by him:

Particulars	Basic fare as per rule 6(7) of Service Tax Rules, 1994 (₹)	Other charges and fee (₹)	Taxes (₹)	Total value of tickets (₹)
Domestic Bookings	2,48,910	13,980	6,990	2,69,880
International Bookings	10,72,110	60,170	30,085	11,62,365

Mr. Sridhar wants to pay service tax at the general rate of 15% (including cess) in respect of bookings done by him during the quarter Jan–Mar, 2017, instead of following rule 6(7). Can he do so? Explain. 5+2=7

- (b) A service provider provided services and charged service tax in invoices, though he was not registered under service tax. Determine the interest payable by him from the following particulars:

Service tax payable	₹ 1,39,500
Due date of payment	06.06.2016
Date of payment	06.01.2017

Note: Turnover of services in the preceding financial year was ₹120 lakhs. Service tax of ₹1,39,500 has been collected from clients before 06.06.2016. 4

- (c) Dealers having turnover below specified limit can pay State VAT under a composition scheme. However, certain dealers are not eligible to pay State VAT under composition scheme, even if their turnover is below specified limits. Which are such dealers? 4
7. (a) Mr. Vishal has filed his service tax return for the half year ended on 31.03.2016 on 25.04.2016. Later some mistakes were found on 20.08.2016. He wants to know whether he can revise the said return. Advise him suitably,
- (i) where additional service tax is payable consequent to the error discovered

- (ii) where he has paid excess service tax as per the original return, and
- (iii) where he did not claim Cenvat credit of certain input services.

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(b) In May, 2015, Mrs. Dixit, a service provider, received a sum of ₹ 10 lakhs from a client. He remitted the service tax due on the same, to the credit of the Central Govt. In March, 2016, it was mutually agreed that no services need to be provided and the assessee agreed to refund ₹10 lakhs. He issued a credit note to the client on 31.03.2016. Can the assessee take credit for the excess service tax earlier remitted earlier?

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(c) Poorni Wires Ltd. sells a product to the buyers at ₹ 363.94 per unit. This price includes excise duty at 12.5%, as also State VAT at 5%. Sales commission of 5% on cost tubes is given to the commission agents who had arranged the sale. Compute the assessable value (AV) of the product under excise law.

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8. (a) State purpose of advance authorization and Duty Free Import Authorization schemes. Explain the distinction between advance authorization and Duty Free Import Authorization Schemes.

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(b) A manufacturer is manufacturing taxable goods as well as exempted goods. He avails input tax credit of common inputs and input services. Explain the options available to the manufacturer in such cases.

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(c) An air conditioned restaurant has supplied following information for the period January 2017: Restaurant Charges— ₹2,00,000 Service charges collected separately in invoice— ₹ 20,000. Service tax was collected separately at appropriate rates. Calculate his service tax liability assuming service tax rate of 15%. Ignore the cess.

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