

Paper-10 Applied Indirect Taxation

Time Allowed: 3 hours

Full Marks: 100

Working notes should form part of the answers.

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

Question 1.

(a) Fill up the blanks:

[15 × 1]

- (i) Goods are classified under Central Excise Tariff Act based on the "Harmonized System of Nomenclature" having _____ digit classification.
- (ii) A service provider whose previous year taxable services are less than or equal to ₹ _____, in the current year such service provider is called as small service provider.
- (iii) Sea beyond _____ miles from the coastal base line is called High Sea.
- (iv) _____ goods means goods declared under Section 14 of CST Act to be of special importance in interstate trade or commerce.
- (v) Chapter V of the Finance Act, 1994 (i.e. the service tax law), extends to the whole of India except the state of _____.
- (vi) The return form ER-1 in excise is to be filed by _____ [100% Export Oriented Unit (EOU)/ manufacturer/ SSI (Small Scale Industries) unit].
- (vii) Registration under VAT for those dealers is compulsory whose gross annual turnover is above _____.
- (viii) _____ Scheme is presently applicable only to stainless steel pattas/pattis and aluminium circles.
- (ix) An SSI unit _____ (is eligible/ is not eligible) for SSI exemption, if it manufactures goods bearing the brand name of any other person.
- (x) In customs, if cost of transport is not ascertainable, it will be taken as _____ of the FOB value of goods.
- (xi) The Central Excise Revenue Audit is conducted by the _____.
- (xii) In excise, in case of exports, the place of removal is _____ where export documents are presented to customs office.
- (xiii) Upgradation of computer system by increasing its storage or processing capacity _____ (is/ is not) manufacture.
- (xiv) _____ is the basic document for assessment of custom duty and clearance of imported goods.
- (xv) _____ goods in custom means any goods, the import or export of which is subject to any prohibition under the Customs Act or any other law for the time being in force.

(b) State with reasons whether the following statements are 'True' or 'False':

[5 × 2]

- (i) An unsecured debt is transferred to a third person for a consideration will come under the purview of service tax.
- (ii) Similar Goods means imported goods which are same in all respects, including physical characteristics, quality and reputation except for minor differences in appearance that do not affect the value of the goods.
- (iii) Betel Nut to supari powder is not manufacture in order to attract excise duty.

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- (iv) Importers can store imported goods without payment of duty in public warehouse or private warehouse.
- (v) Inter-state leasing is taxed under a State VAT Law.

Question 2.

(a) State briefly with reasons whether credit under the CENVAT Rules, 2004 would be available in the following cases:

- (i) Final product is cleared in durable and returnable packing material.
- (ii) An input becomes a waste and is sold as scrap.
- (iii) Inputs used in trial runs

(b) An interior decorator charges ₹ 7,00,000 from a client for providing professional services. The breakup of the bill is as follows:-

- (i) Value of furniture sold to the client – ₹ 3,50,000
- (ii) Labour and facility charges – ₹ 1,50,000
- (iii) Value of materials consumed in providing the service – ₹ 2,00,000

Compute the amount of service tax to be charged from the client. Provided all the amounts are exclusive of service tax.

(c) Mr. Rabin, a dealer in Kolkata dealing in consumer goods, submits the following information pertaining to the Month of March, 2014:

- (i) Exempt goods 'A' purchased for ₹ 1,50,000 and sold for ₹ 1,70,000.
- (ii) Goods 'B' purchased for ₹ 2,00,000 (including VAT) and sold at a margin of 10% profit on purchases (VAT rate 12.5%);
- (iii) Goods C purchased for ₹ 1,25,000 (excluding VAT) and sold for ₹ 1,70,000 (VAT rate 4%);
- (iv) His unutilized balance in VAT input credit on 01.03.2014 was ₹ 2,000.

Compute the turnover, Input VAT, Output VAT and Net VAT payable by Mr. Rabin.

[6+4+5]

Question 3.

(a) After visiting USA, Mrs. & Mr. Dutta brought to India a lap top computer valued at ₹ 60,000, personal effects valued at ₹ 85,000 and a personal computer for ₹55,000. What is the customs duty payable?

(b) ABC Ltd. enters into a contract with TWL Ltd. for construction of a new building primarily for the purpose of commerce or industry for a total consideration of ₹ 370 lakhs on 02-04-2013. The relevant details are given as under –

Stage	Date [Expected]	Date of issuance of invoice	Date of Payment	Amount of Payment (₹)
Initial/Booking	02-04-2013	02-04-2013	02-04-2013	50 lakhs
50% completion of building [after getting certificate from the stipulated Chartered Engineer]	14-10-2013	20-10-2013	26-10-2013	120 lakhs

MTP_Intermediate_Syllabus 2008_Jun2014_Set 1

75% completion of building [after getting certificate from the stipulated Chartered Engineer]	22-02-2014	24-03-2014	26-03-2014	110 lakhs
100% completion of building [after getting certificate from the stipulated Chartered Engineer]	30-07-2014	20-08-2014	10-08-2014	90 lakhs

Determine the Point of Taxation in respect of each of above stage of completion.

(c) List out the items which will appear on the Concurrent List (list III) given in Schedule Seven of the Constitution.

(d) M/s. Alpana Ltd., sold machinery to Mr. Das at a price of ₹ 7 lakhs on 15th June, 2013 and the same was removed from the factory at Kolkata. The rate of excise duty applicable is 12.36% on the date of removal. Mr. Das refused to take delivery of the machine when it reached his destination. In the meantime, M/s. Alpana Ltd. increased the prices of the similar type of machinery to ₹ 8.5 lakhs with effect from 16th June, 2013. The machinery as refused by Mr. Das has been sold on 20th June 2013 to Mr. Basak at the revised price of ₹ 8.5 lakhs. The excise duty including Education Cess is 12.36% applicable with effect from 10th June, 2013.

Explain the following with reasons:

- (i) What is the value to be taken as assessable value?
- (ii) What is the rate of excise duty applicable and duty payable on above transaction?
- (iii) The Central Excise Officer is demanding duty on the price of ₹ 8.5 lakhs at the time of sale to Mr. Basak. Is he right in his approach?
- (iv) Does cost of production have any bearing on the assessable value?

(e) Is transfer of property in goods without consideration chargeable to CST?

[3+4+2+4+2]

Question 4.

(a) Determine the Taxable Turnover, Input Tax Credit and net VAT payable by a Works Contractor from the details given below on the assumption that the Contractor maintains sufficient records to quantify the labour charges. Output VAT at 12.5%:

Particulars	(₹ in Lakhs)
Total Contract Price (excluding VAT)	120
Labour Charges paid for execution of the contract	53
Cost of Consumables used not involving transfer of property in goods	7
Material purchased and used for the Contract, taxable at 12.5% VAT (VAT included)	48

Contractor also purchased a Plant for use in the contract for ₹ 10.4 lakhs. In the VAT Invoice, VAT was charged at 4% separately, and the said amount of ₹ 10.4 Lakhs is inclusive of VAT.

(b) Determine the cost of production on manufacture of the under-mentioned product for purpose of captive consumption in terms of Rule 8 of the Central Excise Valuation Rules, 2000 (amount in ₹)

Direct material	13,483
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Direct wages & salaries	7,900
Works overheads	5,700
Quality control costs	4,800
Research and development costs	2,700
Administrative overheads	3,900
Selling and distribution costs	3,200
Realizable value of scrap	1,300

The Administrative Overheads are in relation to production activities.
Material cost includes Excise duty ₹ 1,483.

- (c) Distinguish between Safeguard Duty and Anti-dumping Duty for the purpose of customs.
(d) Why indirect taxes are called regressive in nature as against direct taxes?

[4+4+5+2]

Question 5.

- (a) White Ltd. sold 100 units manufactured by it for ₹ 15,000 per unit. It had received interest-free advance of ₹ 3,00,000 from the buyer for the whole of the year. Compute the assessable value of 100 units sold in following independent case:
- The price charged from other buyers is ₹ 14,500 per unit.
 - The price charged from other buyers is ₹ 16,300 per unit.
 - The normal rate of interest is 12% per annum and the price charged from other buyers is ₹ 16,300 per unit.

- (b) Sri Prakash, a Registered Dealer at Mumbai, furnishes the following information:

		(₹)
(i)	Inter-state sale of goods This includes the following—	40,00,000
(ii)	Excise duty	38,000
(iii)	Goods returned on 17/1/2014 [These goods were sold on 12/4/2013]	89,000
(iv)	Cash discount shown in invoice and allowed according to prevailing trade practice	50,000
(v)	Freight and transportation charges (of this ₹ 1,50,000 is on inclusive basis)	4,50,000
(vi)	Insurance premium paid prior to delivery of goods	60,000
(vii)	Installation and commissioning charges levied separately in invoices	68,000

Compute the taxable turnover under the CST Act, assuming the rate of tax @ 2%.

- (c) State the details which are contained in the service tax return?
- (d) The assessable value of imported goods is ₹ 50,00,000. The basic customs duty is 10%. The excise duty on like articles manufactured in India is 12%. Additional customs duty equal to sales tax, VAT etc. is 4%. Education Cess is 2% and Secondary & Higher Education Cess is 1%. Compute total customs duty and imported cost of the goods.

[4+4+3+4]

Question 6.

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- (a)** A commodity is imported into India from a country covered by a notification issued by the Central Government under section 9A of the Customs Tariff Act, 1975. Following particulars are made available :

CIF value of the consignment: US\$ 30,000

Quantity imported: 600 kgs.

Exchange rate applicable: ₹ 50 = US\$ 1

Basic customs duty: 20%.

Education and secondary and higher education cess as applicable.

As per the notification, the anti-dumping duty will be equal to the difference between the costs of commodity calculated @ US\$70 per kg. and the landed value of the commodity as imported.

Appraise the liability on account of normal duties, cess and the anti-dumping duty. Assume that only 'Basic Customs Duty' (BCD) and education and secondary and higher education cess are payable.

- (b)** Munna Ltd. Carried out following works, all of which are leviable to sales-tax/VAT as transfer of property involved in the execution of works contract (the sum charged given below are exclusive of all taxes) -

(1) New constructions: ₹ 65 lakh;

(2) Additions and alterations to damaged structures on land to make them workable: ₹ 30 lakhs;

(3) Supply along with erection, commissioning and installation of plants: ₹ 87 lakhs;

(4) Maintenance and repair of goods: ₹ 35 lakhs;

(5) Maintenance and repair of immovable property: ₹ 42 lakhs;

(6) Finishing and Glazing Services of an immovable property: ₹ 12 lakh;

(7) Other works contracts: ₹ 6 lakh.

Compute taxable value and service tax thereon.

- (c)** "The recovery from buyer is an essential condition for levy of indirect taxes" — Critically examine.

[6+8+1]

Question 7.

- (a)** M/s. Poly Care Ltd. has introduced a new product 'Paradise' toothpaste, notified under Section 4A of the Central Excise Act, 1944, with a notified abatement of 30%. Determine the central excise duty payable if rate of duty is 12%, education cess is 2% and secondary and higher education cess is 1%:

(i) 1,500 pieces having retail sale price (RSP) ₹ 65 per piece are sold in retail packages to wholesale dealer at ₹ 50 per piece.

(ii) 2,500 pieces having RSP ₹ 65 per piece are sold in retail packages, but buyer is charged for 2,100 pieces only at ₹ 50 per piece (400 pieces have been given free as quantity discount).

(iii) 50 pieces were given away as free samples, without any RSP on the pack.

(iv) 350 multi-packs were cleared at ₹ 80 per pack, each containing two toothpaste tubes and one toothbrush free (without any RSP on it). Each tooth paste tube was having RSP ₹ 70, which was scored out and each multi-pack had RSP of ₹ 130.

MTP_Intermediate_Syllabus 2008_Jun2014_Set 1

Make suitable assumptions wherever required and show the calculations with appropriate notes.

(b) Compute taxable value and service tax from following sums received by M/s. Twinkle Medical Centre (exclusive of service tax) (Ignore small service provider's exemption) -

- (1) Testing (with Transmission of medical samples between laboratories): ₹ 7.5 lakh ;
- (2) Medicines consumed as a part of health care services : ₹ 4.25 lakh ;
- (3) Preventive health care services : ₹ 3 lakh ;
- (4) Treatment along with Facilities provided such as TV, AC, room rent, meal to patient (as a part of package): ₹ 37 lakh ;
- (5) Genetic affinity examination for determining biological father : ₹ 7 lakh ;
- (6) Hair transplant services due to injury in a fire accident: ₹ 9 lakh ;
- (7) Cosmetic surgery of a film star : ₹ 9 lakh ;
- (8) Conducting medical examinations of individuals: ₹ 1.5 lakh

[6+9]

Question 8.

(a) ABC Ltd. is engaged in the manufacture of 'paracetamol' tablets that has an MRP of ₹ 50 per strip. The company cleared 1,00,000 tablets and distributed as physician's samples. The goods are not covered by MRP, but the MRP includes 12.36% Excise Duty and 2% CST. If the cost of production of the tablet is ₹ 2 per tablet, determine the total duty payable.

(b) What is Non Injurious Price in Anti Dumping Duty?

(c) Explain abatements and composition schemes in the context of service tax. Also state the distinction between them.

(d) Bias Energy Ltd. imported a lift from England at an invoice price of ₹ 17,00,000. The assessee had supplied raw material worth ₹ 6,00,000 to the supplier for manufacture of said lift. Due to safety reasons, the lift was not taken to the jetty in the port but was unloaded at outer anchorage. The charges incurred for such unloading amounted to ₹ 29,000 and the cost incurred on transport of the lift from outer anchorage to the jetty were ₹ 37,000. The importer was also required to pay ship demurrage charges ₹ 12,000. The lift was imported at actual cost of transport ₹ 49,000 and insurance charges ₹ 15,000. Compute its assessable value.

[3+1+6+5]