Paper-11 Indirect Taxation

Time Allowed: 3 hours **Full Marks: 100**

Working notes should form part of the answers.

Group-A
(Answer Question 1 which is compulsory)

Question 1.
Answer the following questions with suitable reasons: **[10×2]**

(a) Under Central Excise Tariff Act goods are classified using 8-digit system as headings under 'Harmonised System of Nomenclature' — Justify.
(b) Define Cross-Border Transaction in the context of International transactions.
(c) Is customs duty levied on goods derelict, wreck, jetsam etc.? State with reason.
(d) What is APTA in the context of customs?
(e) What is the place of provision for Passenger Transportation Services?
(f) State the distinction between 'Zero Rated Sale' and 'Exempted Sale'.
(g) AB & Co., a proprietary firm provides service relating to security of building to PK & Co, a partnership firm, for ₹ 10 lakhs. State the persons liable to pay service tax and amount of tax payable by them.
(h) Are sale of bundles of old newspapers as waste papers exempt from CST and why?
(i) What is the method of the valuation for stock transfer in case of excise?
(j) When Provisional Anti-Dumping Duty is imposed in customs?

Group-B
(Answer any eight questions out of the ten questions given)

Question 2.
(a) Bitan Ltd., which is engaged in the manufacture of excisable goods started its business in May, 2013. It availed small scale exemption in terms of Notification No. 8/2003-C.E. dated 01-03-2003. The following details are provided (₹) ;

15,000 kg of inputs purchased @ ₹ 992.70 per kg. (inclusive of excise duty @ 12.36%)	1,48,90,500
Capital goods purchased on 25-06-2013 (inclusive of excise duty at 12.36%)	45,60,000
Finished goods sold (at uniform transaction value throughout the year)	2,50,00,000

Calculate excise duty payable by M/s. Bitan Ltd. in cash, if any, during year 2013-14. Rate of duty on finished goods sold may be taken at 12.36% and you may assume that selling price is exclusive of central excise duty. There is neither any processing loss nor any inventory of input and output. Show your workings and notes with suitable assumptions as required.

(b) What is Duty Entitlement Pass Book Scheme (DEPB Scheme)? Who cannot avail DEPB?
[6+(2+2)]

Question 3.

(a) Compute the VAT liability of Manyata for the month of March, 2014 using the invoice method of computation of VAT - Purchases from the local market (including VAT @ 4%) – ₹ 62,400, Storage cost incurred – ₹ 800, Transport Cost – ₹ 1,750. Goods sold at a margin of 10% on the cost of such goods sold. VAT rate of sales is 4%.

(b) Describe the taxability of 'bundled services'.

(c) State the object of introducing Transfer pricing?

[4+3+3]

Question 4.

(a) Describe how indirect taxes are administered in India.

(b) Navin Ltd. of Mumbai (having diversified business) has provided the following services, whose values are listed below. Compute its service tax liability:

(1) Services provided to a company located in Colombo in relation to organization of a sport event in Colombo: ₹ 25 lakh;

(2) Services provided to a company located in Srinagar in relation to festival celebration in Srinagar: ₹ 5 lakh;

(3) Services provided to a company located in Jaipur in relation to fashion show in Dubai: ₹ 12 lakh;

(4) Services of online database access and retrieval services provided from its website: ₹ 17 lakhs (out of this, ₹10 lakh was provided to recipients located outside India).

(c) What is Automation of Central Excise and Service Tax or ACES?

[3+5+2]

Question 5.

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

(b) Esking Ltd. has a manufacturing unit situated in Lucknow. In the financial year 2013-14, the total value of clearances from the unit was ₹465 lakhs.

The breakup of clearances is as under:

i. Clearances worth ₹ 85 lakhs of certain non-excisable goods manufactured by it.

ii. Clearances worth ₹ 55 lakhs exempted under specified job work notification.

iii. Exports worth ₹ 100 lakhs (₹ 75 lakhs to USA and ₹ 25 lakhs to Nepal).

iv. Clearances worth ₹ 50 lakhs which were used captively to manufacture finished products those are exempt under notifications other than Notification No. 8/2003-CE., dated 01-03-2003 as amended.

v. Clearances worth ₹ 200 lakhs of excisable goods in the normal course.

Explain briefly, the treatment for various items and state, whether the unit will be eligible for the benefits of exemption under Notification No. 8/2003-CE dated 1-3-2003 as amended for the year 2014-15.

[(2+2+2)+4]

Question 6.

(a) Ruby Constructions undertakes works contracts and maintains sufficient records to quantify the labour and other service charges. From the details given below, calculate the taxable turnover, input tax credit and net VAT payable under the State VAT Law.

Sl. No.	Particulars	Amount (₹)
(i)	Total contract price (excluding VAT @12.5%)	1,95,00,000
(ii)	Materials purchased and used for the contract taxable at 12.5% VAT (inclusive of VAT)	33,75,000
(iii)	Labour charges paid for execution of the contract (excluding VAT @12.5%)	40,00,000
(iv)	Other service charges paid for the execution of the contract (excluding VAT @12.5%)	20,00,000
(v)	Cost of consumables used not involving transfer of property in goods (excluding VAT @12.5%)	15,00,000

Ruby Constructions also purchased a plant for use in the contract for ₹ 20,80,000 (inclusive of VAT). In the VAT invoice relating to the same VAT was charged at 4% separately.

Assume 100% input tax credit is available on capital goods immediately.

(b) Mr. A of Kolkata sells goods to Mr. E of Hyderabad and delivers the same at Kolkata to BBS Transport. The lorry receipt was sent to Mr. E by post. While goods were in transit, Mr. E sells the goods to Mr. U of Vijayawada by making an endorsement of LR and goods were diverted to Vijayawada. Is the second sale between Mr. E and Mr. U chargeable to tax?

(c) Write the advantages of indirect taxes (any two).

[6+2+2]

Question 7.

(a) Write down the scope of international transaction.

(b) Compute the assessable value under the Central Excise Act, 1944 in the following case:

Production	:	2,000 units on 01.01.2014
Quantity sold	:	500 units @ ₹ 200 per unit 600 units @ ₹ 190 per unit
Samples clearances	:	75 units
Balance in stock	:	825 units (at the end of factory day for 01.01.2014)

Assume that the rate per unit is exclusive of Central Excise duty.

[5+5]

Question 8.

(a) State the situation where an abatement of duty on damaged or deteriorated goods is given in customs as per section 22 of the Customs Act. How the abatement of duty on damaged or deteriorated goods is computed?

(b) Following transactions took place in the factory of Pipli Ltd. —

(i) An imported consignment of Raw Materials was received vide Bill of Entry dated 2nd Dec, showing the following Customs Duty payments —

Basic Customs Duty ₹ 10,000

Additional Duty (CVD) ₹ 12,000
Special Additional Duty ₹ 4,000

(ii) A consignment of 1,000 kgs of inputs was received. The Excise Duty paid as per the invoice was ₹ 12,360. While the input was being unloaded 45 kgs were damaged, and were found to be not usable.

(iii) Some inputs for final product were received. These were accompanied by a certified Xerox Copy (photo copy) of Invoice No. 270 dated 23rd Dec. indicating the Excise duty of ₹ 5,500 has been paid on inputs. The original for duplicate copy of invoice are not traceable.

Indicate the eligibility of CENVAT Credit under the CENVAT Credit Rules, 2004 with explanations where necessary.

[(3+1)+6]

Question 9.

(a) Describe the benefits in case of supply to EOUs (Export Oriented units) from DTA (Domestic Tariff Area) units?

(b) Ascertain the Assessable Value in respect of each of the clearances given below –

Removed to	Price at Depot as on		Actual Sale Price at Depot on 01/02/2014
	01/01/2014	31/01/2014	
Kolkata Depot	₹ 190/unit	₹ 180/unit	₹ 230/unit
Mumbai Depot	₹ 185/unit	₹ 190/unit	₹ 210/unit
Ranchi Depot	₹ 195/unit	₹ 200/unit	₹ 220/unit

The goods were cleared to respective Depots on 01/01/2014 and actually sold at the depots on 01/02/2014.

(c) Distinguish between a Sale for Export and Sale in the Course of Export in the context of Central Sales Tax.

[4+3+3]

Question 10.

(a) From the following particulars, calculate assessable value and total customs duty payable:

(i) Date of presentation of Bill of entry : 14-05-2013 [Rate of BCD 25%; Exchange Rate: ₹ 43.40 and rate notified by CBEC ₹ 43.80]

(ii) Date of arrival of goods in India: 27-05-2013 [Rate of BCD 20%; Exchange Rate; ₹ 44.10 and rate notified by CBEC ₹ 44.20]

(iii) Rate of Additional Customs Duty : 12%;

(iv) CIF value 2,000 US Dollar; Air Freight 500 US Dollars, Insurance cost 100 US Dollars [Landing Charges no ascertainable].

(v) Education Cess applicable 3%

(vi) Assume there is no special CVD.

Also determine the Cenvat credit eligibility if the buyer is — (1) manufacturer (2) service provider and (3) trader. [Provide working notes as and when required]

(b) Are Lease Transactions subjected to levy of Value Added Tax under VAT Legislations? State in details.

[6+4]

Question 11.

(a) M/s. Sinjen Ltd. received the following sums (exclusive of taxes). Compute its service tax liability (Ignore small service provider's exemption)-

(1) Commission from selling of various goods belonging to other parties : ₹ 6.5 lakh ;
(2) Commission from acting as Clearing and Forwarding Agent: ₹ 6.8 lakh ;
(3) Commission from acting as clearing agent: ₹ 4.8 lakh ;
(4) Commission from acting as forwarding agent: ₹ 2 lakh ;
(5) Margin earned from trading in shares : ₹ 4.6 lakh ;
(6) Margin from trading in futures : ₹ 4.8 lakh ;

(b) Write down the significance of Green Channel and Red Channel in customs.

[6+4]