

**Paper 18- Indirect Tax Laws and Practice**

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Full Marks: 100

Time allowed: 3 hours

The figures in the margin on the right side indicate full marks.  
Working notes should form part of the answer.

**Section - A**  
**Answer Question No. 1 which is compulsory**

1. Choose the correct answer with justification/ workings wherever applicable: [8×2=16]
- (i) If the invoice is issued within the prescribed period of 30 days from the date of completion of the provision of service, the point of taxation will be:
    - (a) Date of invoice
    - (b) Date of invoice or date of payment, whichever is earlier
    - (c) Date of completion of the provision of service
    - (d) Date of completion of the provision of service or date of payment, whichever is earlier.
  - (ii) In case of goods liable for confiscation amounting upto ₹ 50,000, the adjudicating authority for confiscating goods u/s 122 of the Customs Act, 1962 will be:
    - (a) The superintendent of Customs
    - (b) The Deputy/Assistant Commissioner of Customs
    - (c) The Joint/ Additional Commissioner of Customs
    - (d) Commissioner of Customs
  - (iii) Which of the following service is included in the definition of input services?
    - (a) legal services
    - (b) credit rating
    - (c) market research
    - (d) All of the above.
  - (iv) The relevant date for determination of rate of duty and tariff valuation in case of warehoused goods entered for home consumption is:
    - (a) Date of presentation of bill of entry
    - (b) Date of entry inwards of the vessel/arrival of the aircraft or vehicle
    - (c) Date of presentation of bill of entry or date of entry inwards of the vessel/arrival of the aircraft/ vehicle whichever is later
    - (d) Date of presentation of bill of entry or date of entry inwards of the vessel/arrival of the aircraft/ vehicle whichever is earlier.
  - (v) If senior advocate provide service of ₹ 1,50,000/- to business entity for Legal services, then who is liable to pay service tax?
    - (a) Senior advocate
    - (b) Business entity
    - (c) Exempted service
    - (d) None of the above
  - (vi) Indian Institute of Management, Ahmedabad provided services by way of Executive Development Programme for ₹ 55 lakhs. The amount of Service Tax liability (@15%) will be:
    - (a) Nil
    - (b) ₹ 5.78 lakhs
    - (c) ₹ 8.25 lakhs
    - (d) None of the above.
  - (vii) In FTP, advance authorization scheme is a type of which export promotion scheme?
    - (a) Duty exemption scheme
    - (b) Duty remission scheme
    - (c) Reward scheme
    - (d) EPCG scheme.

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(viii) Clean and Green Pvt. Ltd. provided the bio-medical waste treatment facility to a veterinary clinic. This is a:

- (a) Exempted service under negative list
- (b) Exempted service under mega exemption
- (c) taxable service
- (d) taxable service with abatement.

**Answer:**

- (i) (b) If the invoice is issued within the prescribed period of 30 days from the date of completion of the provision of service, the point of taxation will be date of invoice or date of payment, whichever is earlier.
- (ii) (a) In case of goods liable for confiscation amounting upto ₹ 50,000, the adjudicating authority for confiscating goods u/s 122 of the Customs Act, 1962 will be the superintendent of Customs.
- (iii) (d) The definition of input service includes legal services, credit rating, market research etc.
- (iv) (c) The relevant date for determination of rate of duty and tariff valuation in case of warehoused goods entered for home consumption is the date of presentation of bill of entry or date of entry inwards of the vessel/arrival of the aircraft/ vehicle whichever is later.
- (v) (a) If senior advocate provide legal services to business entity, then senior advocate is liable to pay service tax.
- (vi) (c) Service tax @15% will be charged on ₹ 55 lakhs. So, the service tax liability will be ₹ 8.25 lakhs.
- (vii) (a) In FTP, there are various export promotion schemes. Advance authorization scheme is a type of duty exemption scheme.
- (viii) (c) It is a taxable service. Scope of the entry 3 of mega exemption is restricted to services provided by veterinary clinic in relation to healthcare of animals or birds but no exemption can be availed by the service providers who are providing taxable services to such veterinary clinics.

### Section – B

Answer any four questions out of six questions given. Each question carries 16 marks.

2.(a) The spectrum is assigned to ABC Company for a total consideration of ₹ 1200 crores, by the Government of India for 20 years in an auction held in May 2016. ABC Company chooses to make full upfront payment on the due date (i.e. 25-6-2016).

ABC Company assigns the right to use the spectrum to XYZ Company on 1.8.2016 (and issues invoice dated 1.8.2016) for a consideration of ₹ 930 crores.

Find the eligibility of CENVAT Credit to ABC Company and net tax liability in the year 2016-17?

Note: ignore Krishi Kalyan Cess.

[10]

**Answer:**

According to the sixth proviso to rule 4(7) of the CENVAT Credit Rules, the CENVAT Credit in respect of the service tax paid would be spread over 3 years as follows:

Financial Year	Amount of CENVAT Credit eligible to be taken (1/3 of total Service Tax paid) (₹ in crores) (₹ 1200 × 14%) × 1/3
2016-17	₹ 56
2017-18	₹ 56
2018-19	₹ 56

CENVAT credit available for the year 2016-17 is ₹ 56 crores.

Swachh Bharat Cess is ₹ 6 crores paid which is not allowed as CENVAT credit.

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Statement showing total tax liability of ABC Company in the year 2016-17

Particulars	₹ in Crores	Working note
Service Tax payable by ABC company	130.20	(₹ 930 crores × 14%)
Less: CENVAT credit	(56)	
Net Service tax	74.20	
Less: CENVAT credit	(74.20)	Balance CENVAT credit is ₹ 112 crores or service tax liability is ₹ 74.20 cores, whichever is less.
Net service tax liability	Nil	
Swachh Bharat cess paid being provider of service	4.65	(₹ 930 crores × 0.50%)
Total tax liability	4.65	

**Note:** CENVAT Credit of Service Tax paid on the one-time charges payable in full up front or in instalments, for the service of the assignment of the right to use any natural resource is required to be spread over a period of three years.

If the manufacturer of goods or provider of service further assigns such right to another person for consideration, he will be liable to pay service tax. In that case he avails the balance CENVAT credit which he would have used in remaining years. This CENVAT credit shall not exceed the service tax payable by him on his output service of assignment of right to use natural resources.

**2.(b) State briefly the provisions of the CENVAT Credit Rules, 2004 in respect of removal of inputs and capital goods on which CENVAT credit has been availed in the following cases:**

- (i) Capital goods removed in good condition after being put to use for a period of two years, in respect of which period, depreciation under the Income-tax Act, 1961 was claimed.
- (ii) An input becomes a waste and is sold as scrap.
- (iii) Sale of the factory along with the said inputs and capital goods. [6]

**Answer:**

- (i) An amount equal to CENVAT credit taken on the said capital goods, reduced by 2.50% for each quarter of a year or part thereof from the date of taking the CENVAT credit is required to be paid.
- (ii) Where input goods or capital goods are scrapped they are deemed to have undergone a manufacture as they are no longer in their original form. If this scrapped item is named in the central excise tariff duty will be payable as an amount as per the tariff on waste or scrap at the time of place of removal.
- (iii) If factory is sold, it does not amount to removal of inputs and capital goods. In such case, no duty is payable on inputs and capital goods.

**3.(a) XYZ Industries Ltd., has imported certain equipment from Japan at an FOB cost of 2,00,000 Yen (Japanese). The other expenses incurred by M/s. XYZ Industries in this connection are as follows:**

- (i) Freight from Japan to India Port 20,000 Yen
- (ii) Insurance paid to Insurer in India ₹ 10,000
- (iii) Designing charges paid to Consultancy firm in Japan 30,000 Yen
- (iv) M/s. XYZ Industries had expended ₹ 1,00,000 in India for certain development activities with respect to the imported equipment
- (v) XYZ Industries had incurred road transport cost from Mumbai port to their factory in Karnataka ₹ 30,000

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- (vi) The Central Board of Excise and Customs had notified for purpose of section 14(3)\* of the Customs Act, 1962 exchange rate of 1 Yen = ₹ 0.3948. The interbank rate was 1 Yen = ₹ 0.40
- (vii) M/s XYZ Industries had effected payment to the Bank based on exchange rate 1 Yen = ₹ 0.4150.
- (viii) The commission payable to the agent in India was 5% of FOB cost of the equipment in Indian Rupees.
- Arrive at the assessable value for purposes of customs duty under the Customs Act, 1962 providing brief notes wherever required with appropriate assumptions. [11]

**Answer:**

Statement showing computation of assessable value for the imported goods

Particulars	Amount in Yen	Remarks	Working note
Free on Board (FOB)	2,00,000		
Designing charges	30,000	Addable into the assessable value	
Development charges	—	Not addable into the assessable value, because these are post shipment expenses	
Road transport charges	—	Not addable into the assessable value, because these are post shipment expenses	
Commission	10,000	Addable into the assessable value	2,00,000 × 5% = 10,000
FOB value of the Customs	2,40,000		
	Amount in Rupees		
Total	94,752	Exchange rate of the Central Board of Excise and Customs (CBE&C) is relevant	2,40,000 Yen × 0.3948
Insurance	10,000	Addable into the assessable value	
Freight	7,896	Addable into the assessable value	20,000 × 0.3948
Total CIF value	1,12,648		
1% loading and unloading on CIF	1,126.48		₹ 1,12,648 × 1%
Assessable Value	1,13,774.48 or 1,13,774		

**3.(b) What do you understand by Deemed Exports under Foreign Trade Policy? [5]**

**Answer:**

Goods manufactured in India and supplies from DTA to EOU, EHTP, STP & BTP units will be regarded as deemed exports and DTA supplier shall be eligible for export incentives.

The following supplies considered as deemed exports:

Goods supplied by a manufacturer:

1. Supply of goods against Advance Authorisation/Advance Authorisation for Annual Requirement/Duty Free Import Authorisation.
2. Supply of goods to units located in EOU/STP/BTP/EHTP.

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3. Supply of capital goods against EPCG authorization.
4. Supply of marine freight containers by 100% EOU provided said containers are exported within 6 months by another 100% EOU.

Goods supplied by a Main contractor/sub-contractor:

1. Supply of goods to projects or turnkey contracts financed by multilateral or bilateral agencies/Funds notified by Department of Economic Affairs (DEA), under International Competitive Bidding.
2. Supply of goods to any project where import is permitted at zero customs duty.
3. Supply of goods to mega power projects against International Competitive Bidding.
4. Supply to goods to UN or international organisations.
5. Supply of goods to nuclear projects through competitive bidding (need not be international competitive bidding).
6. Export of finished goods from job worker's premises may be permitted, provided such premises are registered with Central Excise authorities. Where job worker is SEZ/EOU/EHTP/STP/BTP unit, no such excise registration is required and export may be effected either from job worker's premises or from premises of unit. Export of such

**4.(a) Mr. Ram has provided the following services during the year 2016-17. Determine whether he is eligible for small service provider exemption during the year 2017-18:**

- (i) Service exported to USA ₹ 25,00,000
- (ii) Fee from agricultural activities ₹ 2,50,000
- (iii) Services provided by way of transport of defence material in a vessel for ₹ 4,50,000
- (iv) Declared services (value as determined under valuation rules is 40% of the total amount charged) for ₹ 6,00,000
- (v) Value of construction services (in which 70% abatement has been provided) for ₹ 2,00,000.
- (vi) Legal consultancy services (reverse charge applicable) for ₹ 7,00,000. [8]

**Answer:**

Statement showing aggregate value of Mr. Ram in the P.Y. 2016-17

Particulars	Amount	Working note
Service exported to USA	Nil	Not includible
Fee from agricultural activities	Nil	Not includible
Services provided by way of transport of defence material in a vessel	Nil	Not includible
Declared services	2,40,000	6,00,000 x 40%
Value of construction services	60,000	30% includible
Legal consultancy services	7,00,000	Fully includible
<b>Aggregate value (as per NT 33/2012)</b>	<b>10,00,000</b>	

Since, the aggregate value is ₹ 10,00,000 during the financial year 2016-17, Mr. Ram is eligible for small service provider exemption during the year 2017-18.

**4.(b) The following information relates to purchases and sales of K.K. Ltd. for the month of September 2016:**

	₹
<b>(i) Purchases for resale within the State</b>	<b>8,00,000</b>
<b>(ii) Purchases from registered dealers who opted for composition scheme</b>	<b>4,00,000</b>
<b>(iii) Purchases to be used as consumable stores for manufacture of taxable goods</b>	<b>6,00,000</b>
<b>(iv) Purchases of goods where invoices does not show the amount of taxes separately</b>	<b>5,00,000</b>
<b>(v) Purchases of goods for personal consumption</b>	<b>2,00,000</b>

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(vi) Purchases of capital goods (not eligible for input credit)	5,50,000
(vii) Purchases of capital goods (eligible for input credit)	5,76,000
Sales made within the State during the month of September 2016 was ₹ 50,00,000 on which VAT @ 4% was payable.	

Assuming that all purchases given above are exclusive of VAT @ 12.5%, Calculate:

(i) The amount of input tax credit available for the month of September 2016.

(ii) VAT payable for the month of September 2016.

(iii) Input tax credit carried forward.

**Note:** The input VAT credit on eligible capital goods is available in 24 equal monthly installments. (Make suitable assumptions where required and show the workings) [8]

**Answer:**

(i) Input tax credit available for the month of September 2016 is ₹ 1,78,000

Purchases for resale within the State	₹ 8,00,000
Purchases to be used as consumable stores for manufacture of taxable goods	₹ 6,00,000
Total purchases (other than capital goods) eligible for ITC	<u>₹ 14,00,000</u>
ITC = ₹ 14,00,000 x 12.5% =	₹ 1,75,000
ITC (on capital goods) = ₹ 5,76,000 x 12.5% x 1/24 =	₹ 3,000
Total ITC for the month of September 2016 =	₹ 1,78,000

(ii) VAT payable for the month of September 2016 is ₹ 22,000

Total sales = ₹ 50,00,000
4% VAT on sales = ₹ 50,00,000 x 4% = ₹ 2,00,000
Less: ITC = ₹ 1,78,000
Net VAT Payable = ₹ 22,000

(iii) Input tax credit carried forward is ₹ 69,000

ITC on capital goods = ₹ 72,000 – ₹ 3,000 = ₹ 69,000.

**5.(a)(i) 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:**

(A) An input service distributor who starts his business with effect from 1st January, 2017.

(B) A provider of taxable service under an unregistered brand name of another person.

In both cases aggregate value of taxable services was ₹ 6,00,000 upto 31-1-2017. [4]

(ii) Sri Hanuman is a practicing Cost Accountant. His Gross taxable services during the year 2016-17 are ₹ 9,50,000. Is registration compulsory for him? If so in which year? [2]

**Answer:**

(i) (A) In case of input service distributors registration is compulsory without any threshold limit. Such person has to obtain the registration within 30 days from the date of commencing the business.

(B) A Job worker or a person who renders taxable services under some other brand name, then such person is not eligible to get the exemption limit. Therefore such a job worker is liable for registration within 30 days from the date of undertaking such activities.

(ii) Yes, Registration is compulsory in the year 2016-17.

**5.(b) Compute taxable value and service tax from following sums received by M/s. DSS medical centre (exclusive of service tax) (ignore small service provider's exemption) for the year ending 31.03.2017:**

(i) Testing (with transmission of medical samples between laboratories): ₹ 10 lakhs;

(ii) Medicine consumed as a part of health care service: ₹ 5 lakhs;

(iii) Preventive health care services: ₹ 4 lakhs;



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- (iv) Treatment along with facilities provided such as TV, AC, room rent, medal to patients (as a part of package): ₹ 33 lakhs;
- (v) Genetic affinity examination for determining biological father: ₹ 4 lakhs;
- (vi) Hair transplant services due to injury in a fire accident: ₹ 7 lakhs;
- (vii) Cosmetic surgery of a film star: ₹ 16 lakhs;
- (viii) Conduction medical examinations of individual: ₹ 1 lakh. [10]

**Answer:**

1. Testing (with transmission of medical samples between laboratories) - Exempt
2. Medicine consumed as a part of health care service - such medicines are never sold - dominant nature is health care services, which is exempt- fully exempt
3. Preventive health care services - Exempt ('care' is also exempt)
4. Treatment along with facilities provided such as TV, AC, room rent, medal to patients (as a part of package) : Natural bundling in ordinary course of business - essential character is 'health care services', which is exempt - fully exempt
5. Genetic affinity examination for determining biological father: ₹ 4 lakhs - not related to 'diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy' - not exempt - Taxable
6. Hair transplant services due to injury in a fire accident: - Exempt, as it has been done to restore damage due to fire accident
7. Cosmetic surgery of a film star: ₹ 16 lakhs - not exempt- taxable
8. Conduction medical examinations of individual: Exempt

Hence, total taxable services = ₹ 4 lakhs + ₹ 16 lakhs = ₹ 20 lakhs. Service tax @ 15% = ₹ 3,00,000

- 6.(a)(i) Rishabh Dev & Co. is engaged in the manufacture of liquid mosquitoes' destroyer. It obtains concentrated alletherin and converts it into diluted alletherin by adding solvent deodorized kerosene oil, perfume (as a masking agent) and DHT (as a stabilizing agent). Revenue alleges that the addition of stabilizing agent, masking agent etc. amounts to manufacture within the meaning of section 2(f) of the Central Excise Act, 1944. Do you think that Revenue's allegation is tenable in law? [6]**
- (ii) Assessee imported Compact Disk Read Only Memory (CD ROMs) containing images of drawings and designs of engineering goods. The Appellant (i.e. assessee), filed a Bill of Entry for the clearance of the CD ROM containing drawings, designs of engineering goods. The assessee claimed classification under Custom Tariff heading 4906, or, heading 4911, or, as Information Technology Software, or as CD ROM, where exemption is given from duty. However, the Department classified the same under Customs Tariff heading 8524.39 thereby recorded CD ROMs, liable to duty. Discuss in the light of decided case law, if any, whether the classification of the department is correct in law? [5]**

**Answer:**

- (i)** The final product manufactured by the respondent was a diluted form of insecticide-alletherin which would only kill small insects like mosquitoes. Hence, only the potency of the insecticide was being reduced.

Mere processing of the goods was not manufacture, unless a new product emerges as per section 2(f) of the Central Excise Act, 1944. In the present case, no new substance was formed and only a diluted form of original substance was packaged under a different brand name.



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Therefore, it could not be termed as manufacture. The Revenue's allegation is not tenable in law. [CCE v *Karam Chand* 2009 (236) ELT 647 (HP)]

- (ii) The Hon'ble Supreme Court held that "What is made duty free is the Compact Disk Read Only Memory (CD-ROM) as it is and not a disc containing certain drawings and designs". It further said that the data in a compact disk does not fall within the meaning of the term 'software' to entail the benefit (i.e. nil rate of duty).

Software is a computer program, which enables the computer to function. The drawings and designs of engineering goods recorded on a CD ROM could not be regarded as a "computer program" or "instructions" meant for functioning of computer. In fact, they are "output" of computer software, which generate such drawings and designs. Therefore, they are not Information Technology Software.

The Supreme Court has ruled that the department can impose appropriate duty on the import of CD ROMs containing images of drawing and designs of engineering goods. The assessee cannot claim clearance of such goods at zero duty, said the apex court in the case of *M/s L.M.L. Ltd v Commissioner of Customs* (2010).

Therefore, the classification of the department is correct in law.

- 6.(b) The assessee was engaged in the manufacture of sugar. The Central Government directed him to maintain buffer stock of free sale sugar for the specified period. The Government of India extended buffer subsidy towards storage, interest and insurance charges for the said buffer stock of sugar. Department issued a show cause notice to the assessee raising the demand of service tax alleging that amount received by the assessee as buffer subsidy was for the services covered within the definition of 'storage and warehousing services'. Comment. [5]**

**Answer:**

Service tax not chargeable on the buffer subsidy provided by the Government for storage of free sale sugar, under the category of 'storage and warehousing services', because the buffer stock is maintained for specified period at the direction of the government to maintain free sale supply, under the Sugar Development Fund Act, 1982.

Where stored goods are belongs to assessee's own goods and no one can provide service to himself. Government of India extended subsidy on account of loss of interest, cost of insurance etc. incurred on account of maintenance of stock [CCE v *Nahar Industrial Enterprises Ltd.* 2010 (19) STR 166 (P&H)].

**7. Answer any four: [4×4]**

- (a) Section 35F of the Central Excise Act, 1944 stipulates that duty and penalty will have to be paid unless an appropriate stay is obtained. Briefly state the criteria required to be satisfied for grant of stay/waiver of pre-deposit and admission of appeal. [4]
- (b) State the points of difference between valuation of imported goods under Customs Act, 1962 and imported services under Finance Act, 1994 and valuation of imported goods and services, as per relevant Accounting Standard. [4]
- (c) M/s. Pure Drugs Ltd. manufactures medicines which are liable to excise duty only under the Medicinal and Toilet Preparations (Excise Duties) Act, 1955. The Assistant Commissioner of Central Excise has directed it to pay the service tax as it is not covered by Negative List [Section 66D(f) of the Finance Act, 1994] since the Central Excise Duty under Section 3 of the Central Excise Act, 1944 is not payable on the medicines manufactured by it. Examine whether M/s. Pure Drugs Ltd. is liable to pay service tax for the year 2014-15. Give reasons in support of your answer. [4]
- (d) When is a sale said to take place in the course of inter-state trade or commerce? [4]
- (e) Describe SION (Standard Input Output Norms) in the context of foreign trade policy. [4]

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**Answer:**

- (a)** Pre-deposit of duty and penalty for hearing appeal may be dispensed by appellate authority, if it would cause undue hardship to the person.

Undue hardship may be financial hardship, *prima facie* case, balance of convenience, irreparable injury or loss. *Prima facie* case means (i) not considering decision of courts in the issue by lower authority (ii) order without jurisdiction (iii) not following principles of natural justice by lower authority (iv) order based on no evidence etc.

While granting stay, interest of revenue should be safeguarded.

- (b)** Difference between valuation of imported goods and imported services:

S.No.	Imported Goods	Imported Services
(i)	Valuation for imported goods as per Customs Valuation (Determination of Value of Imported Goods) Rules, 2007	Valuation for imported services should be as per Service Tax (Determination of Value) Rules, 2006
(ii)	Related person concept plays vital role under customs	Related person concept has no importance
(iii)	Assessable value will be calculated by adding 1% on CIF value	There is no such concept
(iv)	CBE & C exchange rate as on the date of submission of bill of entry is relevant	There is no such concept
(v)	Imported goods should be valued for the balance sheet purpose as per Accounting Standard - 2.	There is no such Accounting Standards for Imported services so far.
(vi)	Closing stock should be valued inclusive of all taxes and duties unless credit allowed.	Service should be valued inclusive of all taxes and duties unless credit allowed.

- (c)** M/s. Pure Drugs Ltd. is not liable to pay service tax for the year 2014-15, since, process on which excise duty is leviable under the Medicinal and Toilet Preparations (Excise Duties) Act, 1955 has been incorporated under negative list w.e.f. 10th May 2013.

- (d)** As per Section 3(a) of the Central Sales Tax Act, 1956, a sale or purchase of goods shall be deemed to take place in the course of inter-state trade or commerce if the sale or purchase occasions the movement of goods from one state to another;

As per Section 3(b) of the Central Sales Tax Act, 1956, a sale or purchase of goods shall be deemed to take place in the course of inter-state trade or commerce if the sale or purchase is effected by a transfer of documents of title to the goods during their movement from one State to another.

- (e)** Standard Input Output Norms or SION in short is standard norms which define the amount of input/ inputs required to manufacture unit of output for export purpose. Input output norms are applicable for the products such as electronics, engineering, chemical, food products including fish and marine products, handicraft, plastic and leather products etc. SION is notified by DGFT in the Handbook, and is approved by its Boards of Directors.

An application for modification of existing Standard Input-Output norms may be filed by manufacturer exporter and merchant-exporter. The Directorate General of Foreign Trade (DGFT) from time to time issue notifications for fixation or addition of SION for different export products. Fixation of Standard Input Output Norms facilitates issues of Advance License to the exporters of the items without any need for referring the same to the Headquarter office of DGFT on repeat basis.

Basic Requirements of Standard Input Output Norms:

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For fixation/modification of Standard Input Output Norms (SION) following details are required:

- Technical Details of the export product
- Chartered Engineer certificate certifying the import requirements of raw materials
- Production and Consumption data of the manufacturer/supporting manufacturer of the preceding three licensing years.

### **Section – C**

**Answer Question No. 8 which is compulsory and any one question out of two questions given.**

**8. Choose the correct answer with justification/ workings wherever applicable: [2×2=4]**

- (i) **A purchases goods from B for ₹ 12,000. A is a registered person and B is an unregistered person. The goods supplied by B are taxable goods @ 18%. In such a case, who will be liable to pay taxes?**
- (a) **B as supplier;**  
(b) **A under reverse charge;**  
(c) **None of A or B;**  
(d) **Both A & B.**
- (ii) **Mr. H has an office in Bihar and he makes supply exclusively in Bihar. He has made supply of taxable goods of ₹ 10 lakhs and exempted goods of ₹ 12 lakhs. What would be his liability for registration?**
- (a) **Liable to be registered as his aggregate turnover exceeds ₹ 20 lakhs**  
(b) **Liable to be registered as his aggregate turnover exceeds ₹ 10 lakhs**  
(c) **Not liable to be registered as his taxable turnover does not exceeds ₹ 20 lakhs**  
(d) **Not liable to be registered as his taxable turnover does not exceeds ₹ 50 lakhs.**

**Answer:**

- (i) (b) A will pay the taxes under reverse charge and claim credit of taxes paid under reverse charge.
- (ii) (a) Bihar does not fall under the special category of States. Mr. H is liable to be registered as his aggregate turnover exceeds ₹ 20 lakhs.

**9.(a) Write down any two benefits of Goods and Services Tax (GST) which are available to the consumers. [4]**

**Answer:**

Benefits of GST to Consumers:

- (i) Final price of goods is expected to be lower due to seamless flow of input tax credit between the manufacturer, retailer and service supplier;
- (ii) It is expected that a relatively large segment of small retailers will be either exempted from tax or will suffer very low tax rates under a compounding scheme-purchases from such entities will cost less for the consumers;
- (iii) Average tax burden on companies is likely to come down which is expected to reduce prices and lower prices mean more consumption.

**9.(b) Mention the names of any four state taxes which are subsumed under GST. [4]**

**Answer:**

The state taxes which are subsumed under GST are:

1. State VAT;
2. Central Sales Tax;
3. Purchase Tax;
4. Luxury Tax;
5. Entry Tax (All forms);
6. Entertainment Tax (except those levied by the local bodies);

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7. Taxes on advertisements etc.

- 9.(c)(i) What is the taxable event under GST? [2]**  
**(ii) What is meant by zero rated supply under GST? [2]**

**Answer:**

- (i) The taxable event under GST shall be the supply of goods or services or both made for consideration in the course or furtherance of business.  
(ii) Zero rated supply means export of goods and/or services or supply of goods and/or services to a SEZ developer or a SEZ Unit.

- 9.(d) What is a Composite Supply under CGST/ SGST/UTGST Act? Give an example. [4]**

**Answer:**

Composite Supply means a supply made by a taxable person to a recipient comprising two or more supplies of goods or services, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply. For example, where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is the principal supply.

- 10.(a) What is Goods and Service Tax (GST)? [4]**

**Answer:**

The introduction of Goods and Services Tax (GST) is a very significant step in the field of indirect tax reforms in India. It is a destination based tax on consumption of goods and services. It is levied at all stages right from manufacture up to final consumption with credit of taxes paid at previous stages available as setoff. So, it can be said that only value addition will be taxed and burden of tax is to be borne by the final consumer. In India, it is a dual GST as the Centre and States simultaneously levying it on a common tax base.

- 10.(b) State any two features of GST. [4]**

**Answer:**

The salient features of GST are as under:

- (i) GST is applicable on "supply" of goods or services as against the earlier concept of tax on the manufacture of goods or on sale of goods or on provision of services.
- (ii) GST is based on the principle of destination based consumption taxation as against the earlier principle of origin based taxation.
- (iii) It is a dual GST with the Centre and the States simultaneously levying it on a common base. The GST to be levied by the Centre is called Central GST (CGST) and that is levied by the States [including Union territories with legislature] is called State GST (SGST). Union territories without legislature levy Union Territory GST (UTGST).
- (iv) An Integrated GST (IGST) is levied on inter-State supply (including stock transfers) of goods or services. This is collected by the Centre so that the credit chain is not disrupted.
- (v) Import of goods is treated as inter-State supplies and is subject to IGST in addition to the applicable customs duties.
- (vi) Import of services is treated as inter-State supplies and is subject to IGST.

- 10.(c)(i) What is a taxable supply? [2]**  
**(ii) What are inter-state supplies and intra-state supplies? [2]**

**Answer:**

- (i) A 'taxable supply' means a supply of goods or services or both which is chargeable to goods and services tax under the GST Act.
- (ii) Where the location of the supplier and the place of supply are in same state it will be intra-state and where it is in different states it will be inter-state supplies.

**10.(d) Are self-supplies taxable under GST? Justify.**

**[4]**

**Answer:**

Inter-state self-supplies such as stock transfers, branch transfers or consignment sales shall be taxable under IGST even though such transactions may not involve payment of consideration. Every supplier is liable to register under the GST law in the State or Union territory from where he makes a taxable supply of goods or services or both. However, intra-state self-supplies are not taxable subject to not opting for registration as business vertical.