

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.

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

Q.1. Choose the correct answer with justification/ workings wherever applicable: [10×2=20]

(i) In the context of anti-dumping duty, the difference between the normal value and the export price of the goods is the:

- (a) injury margin
- (b) margin of dumping
- (c) drawback
- (d) none of the above.

(ii) Which of the following service is not included in the definition of input services as per Cenvat Credit Rules?

- (a) credit rating;
- (b) legal services;
- (c) services provided in relation to health services used primarily for personal use;
- (d) coaching and training

(iii) Mr. X an Indian resident, aged 45 years, returned to India after visiting USA on 10/04/2016. He had gone to USA on 13/03/2016. On his way back to India he brought a watch worth 23,000 with him. The customs duty will be payable by him:

- (a) nil
- (b) ₹ 8,292
- (c) ₹ 2,369
- (d) none of the above

(iv) Additional Duty of Customs as per sec 3(1) of the Customs Tariff Act, 1975 or Countervailing Duty (CVD) cannot be imposed on:

- (a) Anti Dumping Duty;
- (b) Protective duty;
- (c) Safeguard duty;
- (d) All of the above.

(v) If remission of duty for loss of goods involved is up to ₹ 10,000, the adjudicating authority will be:

- (a) Superintendent of Central Excise;
- (b) Assistant Commissioner of Central Excise;
- (c) Joint Commissioner of Central Excise;
- (d) Commissioner of Central Excise.

(vi) Which of the following is a variant of VAT?

- (a) Gross Product Variant;
- (b) Income Type Variant;
- (c) Consumption Type Variant;
- (d) All of the above.

(vii) Which of the following is not considered as a declared goods u/s 14 of the CST Act?

- (a) Cotton fabrics;

Answer to MTP_Final_Syllabus 2016_Jun2017_Set 1

- (b) Cotton Yarn;
(c) Gutka;
(d) Unmanufactured Tobacco.
- (viii) The Department of Agriculture, Co-operation and Farmers Welfare, provided Soil Conservation Service, Animal Husbandry, Dairying and Fisheries to a farmer by charging fee of ₹20,000. It's taxability will be:
(a) exempted under Negative List
(b) exempted under Mega Exemption
(c) taxable at normal rate
(d) taxable with abatement
- (ix) Which of the following is a Duty Exemption Scheme under Foreign Trade Policy 2015-2020?
(a) Merchandise Exports from India Scheme (MEIS);
(b) Duty Drawback Scheme;
(c) Advance Authorisation Scheme;
(d) Service Exports from India Scheme (SEIS).
- (x) M/s. DLF Ltd., sponsored ₹ 20 lakhs in respect of a Tournament organized by Board of Council for Cricket in India (BCCI). The person liable to pay tax:
(a) DLF Ltd.
(b) BCCI
(c) both DLF Ltd. & BCCI
(d) exempted service.

Answer to 1:

(i) (b) Margin of dumping is the difference between normal value (i.e. exporter's sale price in his country) and export price (price at which he is exporting the goods) of the goods.

(ii) (c) As per rule 2(l) of the Cenvat Credit Rules, input service excludes such services which are provided in relation to health services, beauty treatment, outdoor catering etc. used primarily for personal use.

(iii) (a) General Free Allowance of ₹ 50,000 is admissible. So, the customs duty payable is nil (₹ 23,000 – ₹ 50,000).

(iv) (d) No Countervailing Duty (CVD) on Anti Dumping Duty, Safeguard duty, Protective duty.

(v) (a) If remission of duty for loss of goods involved is up to ₹ 10,000, the Superintendent of Central Excise is adjudicating authority.

(vi) (d) VAT could be levied with three specific variants, viz., Gross Product Variant, Income Type Variant, and Consumption Type Variant.

(vii) (c) Declared goods are paddy, rice, wheat, Cotton fabrics, Cotton Yarn, Unmanufactured Tobacco, Woven fabrics of wool etc. But Gutka, Cotton yarn waste etc. are not considered as declared goods.

(viii) (b) The activity is specifically exempted under entry no. 59 of Mega Exemption and hence, not taxable.

(ix) (c) Advance Authorisation Scheme and Duty Free Import Authorization Scheme — these two are the exemption scheme under Foreign Trade Policy 2015-2020.

Answer to MTP_Final_Syllabus 2016_Jun2017_Set 1

(x) (a) M/s DLF Ltd., is liable to pay service tax under reverse charge being a recipient of such sponsorship services from BCCI (not a National Sports Federation).

2.(a) M/s R & Co. Ltd. have cleared their goods manufactured final products during January, and the duty payable is ₹ 2,40,000. Given below are the details of excise duty payable by them during the month at the time of purchase of goods.

		₹	
(i)	On inputs (Raw Materials)	1,00,000	(Invoice for excise duty of ₹ 20,000 paid was received by the assessee on February)
(ii)	On input service	20,000	
(iii)	On welding electrodes for repairs and maintenance of capital goods	5,000	
(iv)	Fuel (excluding HSD/Petrol)	6,000	
(v)	Storage tank	8,000	
(vi)	Tubes and Pipes (used in the factory)	14,000	
(vii)	Air Conditioner for the office of the Factory Manager	12,000	

Find the total duty payable by the assessee for the month of January, after taking into account the CENVAT credit available. [10]

Answer:

CENVAT Credit receivable as on 31st January:

S. No.	Particulars	Basic Excise Duty/ Service Tax	Remarks	Workings
(i)	Input Goods	80,000	20,000 allowed as CENVAT credit in the month of Feb .	₹ 1,00,000 - 20,000 = ₹ 80,000
(ii)	Input services	20,000	It is assumed that input service tax was paid	
(iii)	On welding electrodes for repairs and maintenance of capital goods	5,000	Considered as input goods as per the Supreme Court judgement in case of <i>Hindustan Zinc Ltd.</i>	
(iv)	Fuel (excluding HSD/ Petrol)	6,000	Considered as inputs	
(v)	Storage tank	4,000	Capital goods	₹ 8,000 x 50% = ₹ 4,000
(vi)	Tubes and Pipes (used in the factory)	7,000	Capital goods	₹ 14,000 x 50% = ₹ 7,000
(vii)	Air Conditioner for the office of the Factory Manager	—	Not considered as input goods	
	CENVAT Credit Receivable at the end of January 2014	1,22,000		

Statement showing total duty payable by the assessee for the month of January:

S. No.	Particulars	Basic Excise Duty
(i)	Output	₹ 2,40,000
(ii)	CENVAT Credit Receivable	₹ 1,22,000
	Excise Duty liability after CENVAT Credit.	₹ 1,18,000

Answer to MTP_Final_Syllabus 2016_Jun2017_Set 1

(b) State the validity of the following statements with reference to the CENVAT Credit Rules, 2004:

- (i) CENVAT credit of the Service tax paid can be claimed in a case where a manufacturer does not have registration under Service Tax provisions.
- (ii) Where the inputs (other than capital goods) are written off in the books of accounts and the amount of excise duty has been availed, the manufacturer would be required to reverse the credit.
- (iii) Credit of duties of excise on inputs will not be available if inputs are used in intermediate product, which is exempt from duty, even though the final product is dutiable. [2+2+2]

Answer:

- (i) The given statement is valid: Input Service Tax Credit is allowed to a manufacturer against excise duty payable on finished goods, even though he may not register as per the Service tax provisions.
- (ii) The given statement is valid: if the inputs are not used for manufacturer of dutiable finished goods, no CENVAT credit is allowed.
- (iii) The given statement is invalid: Inputs are eligible for CENVAT credit even if the intermediate product is exempt from excise duty, provided final product is dutiable.

3.(a) An importer imported some goods for subsequent sale in India. The Customs Officer assessed value of goods for ₹ 10,19,090.

The above value includes the following:

Air Freight 25% on Free on Board (FOB)

Insurance @1.125%

Unloading charges @1% on Cost, Insurance and Freight (CIF)

Importer approached you to find correct assessable value for his import. [10]

Answer:

Assessable value (AV) = (FOB + Insurance + Air freight) + 1% on CIF towards unloading charges

Let assume FOB	= X
Add: Air Freight	= 0.25X
Add: Insurance	= 0.01125X

CIF Value	= 1.26125X
Add: unloading charges 1% on CIF value	= 0.0126125X

Assessable value	= 1.2738625X
	=====
	₹

FOB value	= 8,00,000 (₹ 10,19,090 ÷ 1.2738625)
Add: Air freight 20% on FOB	= 1,60,000
Add: Insurance @1.125%	= 9,000

CIF Value	= 9,69,000
Add: 1% unloading charges on CIF value	= 9,690

Assessable value	= 9,78,690
	=====

Answer to MTP_Final_Syllabus 2016_Jun2017_Set 1

(b) State the benefits available to status holders in the context of foreign trade policy 2015-20. [6]

Answer:

Benefits to Status holders:

- 1) Authorisation and Customs Clearances for both imports and exports may be granted on self declaration basis;
- 2) Fixation of Input Output Norms (SION) on priority by the Norms Committee i.e. within 60 days.
- 3) Exemption from compulsory negotiation of documents through banks. The remittance receipts, however, would continue to be received through banking channels by way of e-BRC by DGFT.
- 4) Exemption from furnishing of Bank Guarantee in Schemes under foreign trade policy.
- 5) Two Star Export Houses and above are permitted to establish export warehouses.
- 6) Three Star and above Export House shall be entitled to get benefit of Accredited Clients Programme (ACP) as per the guidelines of CBEC.
- 7) Status holders shall be entitled to export freely exportable items on free of cost basis for export promotion subject to an annual limit of ₹ 10 lakh or 2% of average annual export realization during preceding 3 licensing years, whichever is higher.
- 8) Manufacturer exporters who are also Status Holders shall be eligible to self-certify their goods as originating from India.

4.(a) Uber (USA) operating radio taxi services in India. In the month of January 2017, the following services are rendered by it.

Free services provided to new customers who travelled for the first time. However, payment made to taxi drivers ₹ 10,00,000.

Hire charges collected from customers ₹ 12,25,500. Payment made to taxi drivers ₹ 11,00,000.

Uber appointed X Pvt. Ltd., as their representative in India. Person liable to pay service tax is willing to avail abatement if any.

You are required to find:

(i) Who is liable to pay service tax.

(ii) Service tax liability

(iii) Due date of payment of service tax

Assume for all services point of taxation is in the month of January 2017.

[2+6+1]

Answer:

Particulars	Value in ₹ (1)	Value in ₹ (2)
(i) Service tax is liable to pay by aggregator or representative of the aggregator if he has no place of business in India	X Pvt. Ltd.	X Pvt. Ltd.
Value of services paid to taxi driver	10,00,000	12,25,500
Less: Abatement 60%	-6,00,000	-7,35,300
Value of service subject to service tax	4,00,000	4,90,200
(ii) Service tax 14%	56,000	68,628
Swachh Bharat Cess 0.5%	2,000	2,451
Krishi Kalyan Cess 0.5%	2,000	2,451
(iii) Due date	6-2-2017	6-2-2017

(b) Ajay Ltd. has agreed to render services to Mr. Guru. The following are the chronological events:

₹

Contract for services entered into on 1-6-2016

Answer to MTP_Final_Syllabus 2016_Jun2017_Set 1

Completion of provision of service on 30-6-2016	
Advance received on 1st June, 2016 towards all services	60,000
Total value of services, billed on 25th July, 2016	2,10,000
Above includes non-taxable services of	70,000
Balance amount is received in Aug, 2016	

When does the liability to pay service tax arise and for what amount? Contract contains clear details of services; consideration and service tax are charged separately, as mutually agreed upon. [7]

Answer:

Invoice issued within 30 days from the date of completion of service. Part payment before completion, remaining later, hence, as per rule 3 of the Point of Taxation Rules, 2011, point of taxation is as follows:

Advance received towards taxable services on 1st June 2016 = ₹ 40,000 (i.e. ₹ 60,000 x ₹ 1,40,000/ ₹ 2,10,000). Service tax is payable on ₹ 40,000 for the month of June 2016. Service tax is ₹ 6,000 (i.e. ₹ 40,000 x 15%), due date is 6th July 2016.

Date of invoice is the point of taxation for the balance of amount.

Tax on taxable services for 25th July 2016, on which service tax payable is ₹ 15,000 [i.e. ₹ 1,00,000 (i.e. ₹ 1,50,000 x ₹ 1,40,000/ ₹ 2,10,000) x 15%].

Due date is 6th Aug 2016.

5.(a) Briefly examine whether the following activities are liable to service tax as per the provisions of Finance Act, 1994.

- (i) Mr. Ravi, a singer performs in a bus where passengers drop some coins in his bowl kept, either after feeling rejoiced or out of compassion.
- (ii) Mr. Rajesh during long drive with his wife Manju violated traffic rules and was imposed fine of ₹ 1,000.

Also, examine would your answer be different in (i) if Mr. Ravi is called upon Mumbai to perform in an award show for ₹ 50,000. [5]

Answer:

- (i) Mr. Ravi is not liable to pay service tax as service tax is leviable on the services provided or to be provided. Mr. Ravi has performed an activity without consideration and any activity without consideration does not come within the ambit of definition of "service". In this case passengers are under no obligation to pay any amount for listening to him nor have they engaged him for his services.
- (ii) Service tax is not leviable in this case as in order to be service; an activity has to be carried out for a consideration. Therefore, fine being the legal consequence of Mr. Rajesh's action is not in the nature of consideration for an activity.

If Mr. Ravi is called upon Mumbai to perform in an award show for ₹ 50,000, then this activity would come within the ambit of definition of "service", as it becomes an activity for a consideration. Resultantly, this activity would be liable to service tax.

(b) Queen Hotel Ltd., provider of rooms. Rent charged per day per room is as follows:

	₹	
Room Rent	=	550
Furniture rent	=	400
Air-conditioner rent	=	150
Refrigerator rent	=	50

Answer to MTP_Final_Syllabus 2016_Jun2017_Set 1

Less: Discount = (250)

Net amount charged = 900

During the month of Jan 2017, 20 rooms are let out throughout the month, and balance 35 rooms are let out only for 15 days.

Painting services received by Queen Hotel Ltd. for ₹ 1,12,360 (including service tax ₹ 12,360) for painting hotel rooms before giving on rent. Room perfume purchased by paying central excise duty ₹ 2,700 and Air-condition machine purchased by paying excise duty of ₹ 10,500 in the month of Jan 2017. Find the service tax liability for the month of Jan 2017 in the following two cases.

Case 1: Abatement not availed.

Case 2: Abatement availed.

[11]

Answer:

(1) Since, Declared Tariff is ₹ 1,150, Hotel Queen Ltd., is liable to pay service tax.

Room Rent = ₹ 550

Furniture rent = ₹ 400

Air-conditioner rent = ₹ 150

Refrigerator rent = ₹ 50

Declared Tariff = ₹ 1,150

(2) Taxable Services = ₹ 10,30,500

(20 rooms x 31 days x ₹ 900) = ₹ 5,58,000

(35 rooms x 15 days x ₹ 900) = ₹ 4,72,500

Statement showing service tax liability of QUEEN HOTEL LTD.

Particulars	CENVAT Credit availed ₹	CENVAT Credit not availed ₹
Taxable services	10,30,500	10,30,500
Less: Abatement (i.e. 40%)	Not Allowed	(4,12,200)
Taxable Services	10,30,500	6,18,300
Service tax 14%	1,44,270	86,562
Less: Cenvat Credit on Input Services	(12,360)	(12,360)
Less: Cenvat Credit on Input Goods	(2,700)	Not allowed
Less: Cenvat Credit on Capital Goods (i.e. 50%)	(5,250)	Not allowed
Net Service tax liability	1,23,960	74,202
Swachh Bharat Cess 0.5% ₹ 10.3050 Lakhs (or) ₹ 6.183 Lakhs	5,153	3,092
Krishi Kalyan Cess 0.5% ₹ 10.3050 Lakhs (or) ₹ 6.183 Lakhs	5,153	3,092
Total tax	1,34,266	80,386

6.(a) PQR Ltd., Ghaziabad purchased plastic granules valued ₹ 1,16,000 (inclusive of central excise) for manufacture of plastic moulded chairs. It availed CENVAT credit of excise duty of ₹ 16,000 paid on the said inputs. It subsequently cleared the said inputs as such from the factory in the following manner:

(i) Sales to Sansar Ltd. (purchase price: ₹ 20,000) – ₹ 40,000

(ii) Sales to Krishna Trading Co. (purchase price: ₹ 10,000) – ₹ 10,000

(iii) Clearance to PQR Ltd.'s own factory at Kanpur (purchase price: ₹ 70,000) – Free of

Answer to MTP_Final_Syllabus 2016_Jun2017_Set 1

cost.

PQR Ltd. has sought your advice on the excise duty payable by it on the above clearances. Give your advice in the matter. [7]

Answer:

Statement showing reversal or credit or an amount payable by PQR Ltd. as per Rule 3(5) of the CENVAT Credit Rules, 2004:

Particulars	CENVAT credit reversal (₹)	Workings
Sales to Sansar Ltd	3,200	$₹ 16,000 \times ₹ 20,000 / ₹ 1,00,000 = ₹ 3,200$
Sales to Krishna Trading Co.	1,600	$₹ 16,000 \times ₹ 10,000 / ₹ 1,00,000 = ₹ 1,600$
Clearance to PQR Ltd.'s own factory at Kanpur	11,200	$₹ 16,000 \times ₹ 70,000 / ₹ 1,00,000 = ₹ 11,200$
Total	16,000	

Working note:

(1) Cost of purchases ₹ 1,00,000 (i.e. ₹ 1,16,000 – ₹ 16,000).

(b)(i) X Ltd (manufacturer) provides the following information for the month of April:

Purchases within the state on 1st April:	
Purchase of Raw materials and Components	₹ 1,00,000
4% VAT paid on above purchases	₹ 4,000
Machinery (Capital Goods) purchased for (life 10 years)	₹ 5,00,000
4% VAT paid on above capital Goods	₹ 20,000
Sales within the state:	
Total value of sales	₹ 4,00,000
@4% VAT payable on sales	

Compute the VAT under Income Variant. [5]

Answer:

Sales	₹ 4,00,000
Less: Cost of Materials and Components	₹ 1,00,000
Proportionate amount of Depreciation on Machinery	₹ 50,000
Net Sales	₹ 2,50,000
VAT payable on ₹ 2,50,000 x 4%	₹ 10,000

Alternatively:

4% VAT on sales	= ₹ 16,000
Less: ITC on Input goods	= ₹ 4,000
Less: ITC on Capital goods to the extent of Depreciation	= ₹ 2,000 (₹ 50,000 x 4%)
Net VAT payable	= ₹ 10,000

(ii) A Ltd. is located in Special Economic Zone. It wants to know the concessional benefits under the CST Act. [4]

Answer:

A dealer selling goods to a unit of Special Economic Zone is exempt from central sales tax provided the SEZ unit satisfies the following conditions:

- Goods must be used for the purpose of manufacture, production, processing, assembling, repairing, reconditioning, re-engineering, packaging or for use as trading or packing material or packing accessories by the unit located in special economic zone.
- SEZ unit should issue Form 'I' to the seller of goods.

Answer to MTP_Final_Syllabus 2016_Jun2017_Set 1

7.(a)(i) Parsvnath Music System Ltd. imported recorded audio and video discs in boxes each containing 50 discs. Each individual disc was then packed in transparent plastic cases known as jewel boxes. An inlay card containing the details of the content of the compact disc was also placed in the jewel box. The whole thing was then shrink wrapped and sold in wholesale. The Department contended that the said process amounted to manufacture.

Explain, with the help of decided case law, if any whether Department's contention is justified in law. [5]

Answer:

The Bombay High Court observed that none of the activity that the assessee undertook involved any process on the compact discs that were imported. It held that the activities carried out by the assessee did not amount to manufacture since the compact disc had been complete and finished when imported by the assessee. They had been imported in finished and completed form.

The activity of packing imported compact discs in a jewel box along with inlay card does not amount to manufacture under section 2(f) of the Central Excise Act, 1944 [*CCE v Sony Music Entertainment (I) Pvt. Ltd.* 2010 (249) ELT 341 (Bom)].

Hence, Departmental contention is not justifiable.

(ii) ABC Ltd., imported artemia cyst (i.e. brine shrimp eggs). The same has been classified as 'prawn feed' under the heading 2309 (i.e. Heading 2309 of the Customs Act, 1975, includes products of a kind used in animal feeding, not elsewhere specified or included, obtained by processing vegetable or animal materials to such an extent that they have lost the essential characteristics of the original material, other than vegetable waste, vegetable residues and by-products of such processing.) which includes products used as animal feed. However, the Department contended that this product was classifiable under the heading 0511.99 (i.e. which refers to other products in the category of non edible animal products). The contention of importer was that these imported cysts contained little organisms/ embryos which later became larva that prawns feed on. Therefore, according to them, the nature and character of the product was not changed by nurturing or incubation. You are required to examine whether the contention of the Department is justified in law. [6]

Answer:

If a product undergoes some change after importation till the time it is actually used, it is immaterial, provided it remains the same product and it is used for the purpose specified in the classification. Therefore, in the given case, it examined whether the nature and character of the product remained the same.

The Hon'ble High Court held that if the embryo within the egg was incubated in controlled temperature and under hydration, a larva was born. This larva did not assume the character of any different product. Its nature and characteristics were same as the product or organism which was within the egg.

Hence, the Court in the case of *Atherton Engineering Co. Pvt. Ltd. v UOI* 2010-TIOL-271-HC-Kol-Cus., held that the said product should be classified as feeding materials for prawns under the heading 2309. These embryos might not be proper prawn feed at the time of importation but could become so, after incubation.

The contention of the Department is not justified in law.

(b) Dwarakanath Devasthanams, Dwaraka was running guest houses for the pilgrims. The department issued S.C.N. stating that the assessees were liable to get service tax registration under "short term accommodation service" and thus liable to pay service tax.

Answer to MTP_Final_Syllabus 2016_Jun2017_Set 1

The assessees, on the other hand submitted that they were not club or any other association and thus, were not liable to get registered under service tax. The Assessee contested that since they were running guest houses without any profit motive, they were not liable to pay service tax.

You are required to examine whether the show cause notice issued by the department is valid or not, by referring to case law, if any. [5]

Answer:

The facts of this case are similar to that in Tirumala Tirupati Devasthanams v. Suptd. [2013] 30 taxmann.com 343 (AP). It was held therein that —

- the assessee was running guest houses by whatever name they are called whether it was a shelter for pilgrims or any other name ;
- hence, such activity amounted to renting of property for accommodation ;
- it fell under declared service u/s 66E(a) of the Finance Act, 1994 and
- was liable to service tax accordingly.

However, such services were eligible for abatement as per Notification No. 26/2012-ST and, further, if declared tariff was below ₹ 1,000 per day or equivalent, the services were exempt.

8. Answer any four:

[4×4]

(a) Can a document which is relevant for a proceeding under the Central Excise Act, 1944 be searched by a Central Excise Officer? Explain the relevant provisions. [4]

Answer:

As per the provisions of section 12F of the Central Excise Act, 1944, where the Joint Commissioner/ Additional Commissioner of Central Excise or such other Central Excise Officer as may be notified by the Board has reasons to believe that any goods liable to confiscation or any documents or books or things, which in his opinion shall be useful for or relevant to any proceedings under Excise Officer to search and seize or may himself search and seize such documents or books or things.

The provisions of the Code of Criminal Procedure, 1973, relating to search and seizure shall, so far as may be, apply to search and seizure under this section.

However, the police officer would have to submit the copies of any record made, to the Commissioner of Central Excise.

(b) Mr. D, an exporter was held guilty of exporting 'prohibited goods' due to which his goods were confiscated. He demanded the release of goods in lieu of redemption fine under section 125 of the Customs Act, 1962.

However, the customs officer denied to grant him the said option.

Examine whether, in the instant case, the customs officer is bound to release the goods in lieu of redemption fine. [4]

Answer:

In case of Prohibited Goods	In case of Non-Prohibited Goods
The adjudicating officer may provide an option to the owner of the goods to pay redemption fine in lieu of confiscation if the importation or exportation of goods is prohibited.	If importation or exportation of goods is not prohibited, the option to pay redemption fine shall be given to the owner of goods.

Therefore, an exporter guilty of exporting prohibited goods is not entitled as such to an option to pay fine in lieu of confiscation under section 125 of the Customs Act, 1962.

It is at the discretion of the adjudicating officer to give or not to give such an option to the exporter guilty of exporting prohibited goods.

Answer to MTP_Final_Syllabus 2016_Jun2017_Set 1

(c) Hotel Beach Glory has provided the following information for the month of April 2016:

S. No.	Services Provided	(₹)
(i)	Serving of food in a restaurant with air-conditioned facility	3,00,000
(ii)	Supply of food in convention centre for organizing conferences along with renting thereof	2,80,000

You are required to compute the value of taxable service for the month of April 2016.

Note:

- (i) All the above amounts are exclusive of service tax.
- (ii) Hotel Beach Glory is not eligible for small service provider's exemption under Notification No. 33/2012-ST, dated 20.06.2012 and does not avail CENVAT credit on inputs and capital goods. [4]

Answer:

Computation of value of taxable services by Hotel Beach Glory

Particulars	₹	Remarks
Serving of food in a restaurant with air-conditioned facility	1,20,000	$3,00,000 \times 40\%$
Supply of food in convention centre for organizing conferences along with renting thereof	1,96,000	Value ₹ 2,80,000 Less: 30% Abatement ₹ (84,000) Taxable value ₹ 1,96,000
Total taxable services	3,16,000	

(d) Write a short note on addition method for computation of VAT. [4]

Answer:

Aggregate all the factor payments including profits to arrive at the total value in which the applicable rate is applied to calculate the tax.

Under Addition method items aggregated are as follows:—

- Factor payments
- Rent, carrying cost, packing cost, insurance, transportation etc
- Depreciation
- Profits

The method is used mainly when the clear details are given for the addition made.

Addition method does not easily accommodate exemptions of intermediate dealers. This method does not facilitate detecting evasion of tax.

(e) Mention few capital goods which are eligible under EPCG Scheme. [4]

Answer:

Eligible capital goods for import under EPCG Scheme:

1. Capital Goods including capital goods in CKD/SKD condition
2. Computer software systems
3. Spares, moulds, dies, jigs, fixtures, tools & refractories for initial lining and spare refractories
4. Capital goods for Project Imports notified by CBEC.