

## 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:

- (i) 'Assessee' means a person liable to pay Service Tax and includes his \_\_\_\_\_.
- (ii) In the event of transfer of the business, the \_\_\_\_\_ should obtain a fresh certificate of Service Tax registration.
- (iii) Where assessee provides more than one services then assessee should file his return in a single return form \_\_\_\_\_.
- (iv) If export proceeds are received in \_\_\_\_\_, no export benefits shall be available.
- (v) Credit of \_\_\_\_\_ paid on inputs and capital goods purchased from other States will not be available.
- (vi) Refund of excess VAT credit is permitted only if goods were \_\_\_\_\_.
- (vii) The \_\_\_\_\_ dealer is required to issue C form in the course of inter-state purchase or sale.
- (viii) Fees paid to \_\_\_\_\_ for dispensation of justice will not be subject to service tax as these are excluded from definition of service.
- (ix) Taxable event in the case of exportation is when the vessel cross the \_\_\_\_\_ of India.
- (x) Goods must be \_\_\_\_\_ in the condition in which the Department wants to levy Excise Duty. Even a single buyer is sufficient to constitute \_\_\_\_\_.
- (xi) Excisable Goods represent goods specified in \_\_\_\_\_ Schedule of Central Excise Tariff Act, 1985 which are subject to duty of excise, and includes \_\_\_\_\_.
- (xii) Duties of Customs shall be levied on all \_\_\_\_\_ and \_\_\_\_\_ Goods.

[15 × 1]

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

- (i) Manufacture implies a change, but every change is not manufacture.
- (ii) Labelling and branding of the products are amounted to manufacture.
- (iii) Profit made on transportation is includible even if sale completed at place of removal and transport arranged at request of buyer
- (iv) Tool kits or first aid kits sold along with the two wheelers are inputs to be eligible for Cenvat credit under the Cenvat Credit Rules, 2002.
- (v) No levy of customs duty on goods derelict, wreck, jetsam etc.

[5 × 2]

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### Question 2.

- (a) If there is a matter in Concurrent List and both Centre and State make a law on that matter, which law will prevail?
- (b) Who can make a law on tax – Centre or State?
- (c) Vendibility criterion/Marketability is a litmus test to be fulfilled before any goods can be subjected to levy of excise duty. Discuss this statement with the help of decided cases.

[3 +2+10=15]

### Question 3.

- (a) Determine the assessable value for purpose of excise duty under the Central Excise Act, 1944 in the following cases:
- (i) An assessee sells his excisable goods for ₹ 120 per piece and does not charge any duty of excise in his invoice. Subsequently it was found that the goods were not exempted from excise duty but were liable at 20% advalorem.
- (ii) Certain excisable goods were sold for ₹ 120 per piece and 20% advalorem is the rate of excise duty. Subsequently it was found that the price cum duty was in fact ₹ 140 per piece as the assessee had collected ₹ 20 per piece separately.
- (iii) The cum duty price per piece was ₹120 and the assessee had paid duty at 20% advalorem. Subsequently it was found that the rate of duty was 30% advalorem and the assessee had not collected anything over and above ₹ 120 per piece.
- (b) Sona Ltd., purchased a lathe machine at a cum-duty price of ₹ 18,63,680. The excise duty rate charged on the said machine was 16% plus education cess 2% plus secondary and higher education cess 1%. The machine was purchased on 1-7-2013 and was disposed of on 30-9-2015 for a price of ₹ 10,00,000 in working condition as second hand machine. Calculate the amount of CENVAT credit allowable for the financial year 2013-14 and 2014-15 and also specify the amount payable towards CENVAT credit already taken at the time of disposal of the machinery in the year 2014-15.

[8+7=15]

### Question 4.

- (a) Miss Priyanka imported certain goods weighing 1,000 kgs. with CIF value US \$ 40,000. Exchange rate was 1 US \$ = ₹ 60 on the date of presentation of bill of entry. Basic customs duty is chargeable @ 10% and education cess as applicable. There is no excise duty payable on these goods, if manufactured in India. As per Notification issued by the Government of India, antidumping duty has been imposed on these goods. The anti-dumping duty will be equal to difference between amount calculated @ US \$ 60 per kg. and 'landed value' of goods. You are required to compute custom duty and anti-dumping duty payable by Miss Priyanka.
- (b) Compute the assessable value for purpose of determination of Customs duty from the following data: - (i) Machinery imported from USA by air (FOB price) - USD 4,000 (ii) Accessories compulsorily supplied alongwith the machinery - USD 1,000 (iii) Air freight - USD 1,200 (iv) Insurance Charges - Actuals not available (v) Local agent's commission to be paid in Indian Currency – ₹ 9,300 (vi) Transportation from Indian Airport to factory ₹ 4,000. Exchange rate USD 1 = ₹ 48. Provide explanations where necessary.
- (c) Mrs. & Mr. Kapoor visited Germany and brought following goods while returning to India. (i) Their personal effects like clothes, etc., valued at ₹ 35,000. (ii) A personal computer bought for ₹ 46,000. (iii) A laptop computer bought for ₹ 95,000. (iv) Two litres of liquor bought for ₹ 1,600. (v) A new camera bought for ₹ 47,400. What is the amount of customs duty payable?

[3×5=15]

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### Question 5.

(a) Compute the interest payable for the delayed payment of service tax by the service providers in the following cases - (a) Service provider XYZ Ltd. – ₹ 1,23,600, delay 20 days. The aggregate value of taxable services rendered in the previous financial year was ₹ 40 lakhs (b) Service provider Mr. Pravin – ₹ 2,16,000, delay 25 days. The aggregate value of taxable services rendered in the previous financial year was ₹ 62 lakhs. Assume that the service tax liability and the delay given relates to a period in the financial year 2013-14.

(b) ABC Ltd., a unit in SEZ, received services from various service providers in relation to authorized operations in SEZ during the month July, 2013. At the time of making payment, service provider asks it to pay tax, however, it argues that service tax is not applicable on taxable services provided to it. The following details are furnished for the month July, 2013:

- (a) Value of Taxable services used exclusively for authorised operations within SEZ: ₹5,00,000
- (b) Value of Taxable Services used by SEZ units and DTA units : ₹ 8,00,000
- (c) Value of Taxable services used wholly for DTA units : ₹ 3,00,000
- (d) Export Turnover of SEZ Unit: ₹ 1,00,00,000
- (e) Turnover of DTA Unit: ₹ 60,00,000
- (f) Service Tax Rate: 12.36%

Compute the amount payable as service tax by M/s. XYZ along with incentives available to it by way of exemption/refund/CENVAT Credit for the month assuming that all conditions are complied with.

(c) Mr. Ranjan has provided the following services during the year 2013-14. Determine whether he is eligible for small service provider exemption during the year 2014-15:

	Particulars	₹
(a)	Service exported outside India	5,00,000
(b)	Renting of residential dwelling for residence	5,00,000
(c)	Service fully exempt under mega exemption notification	8,00,000
(d)	Declared services (Value as per Section 67 read with the valuation rules is 40% of the total amount charged)	6,00,000
(e)	Value of Services in which 30% abatement has been provided; and	2,00,000
(f)	Other services provided (including ₹ 50,000 towards services where whole of the service tax was payable by the service recipient)	5,60,000

**[3×5=15]**

### Question 6.

(a) A partnership firm, gives the following particulars relating to the services provided to various clients by them for the half-year ended on 30-09-2013.

- (i) Total Bills raised for ₹ 8,75,000 out of which bill for ₹ 75,000 was raised on a approved International organization and payments of bills for ₹ 1,00,000 were not received till 30-09-2013.
- (ii) Amount of ₹ 50,000 was received as an advance from XYZ Ltd. on 25-09-2013 to whom the services were to be provided in October, 2013. You are required to find out the:
  - (a) Taxable value of services; and
  - (b) Amount of service tax and education cess and secondary and higher education

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cess payable.

- (b) Under what circumstances a dealer of the goods can move goods from one State to another State without payment of CST?
- (c) Distinguish between Special Audit u/s 14A and 14AA of Central Excise Act.

[3×5=15]

### Question 7.

- (a) Compute net VAT liability of Rishi from the following information –

Raw materials from foreign Market (Includes duty paid on imports @20%) – ₹ 1,20,000

Raw material purchased from local market - Cost of Raw material ₹ 2,50,000

Add : Excise duty @ 16% ₹40,000 (sub-total – ₹ 2,90,000) –

Add: VAT @ 4% - ₹ 11,600. Total ₹ 3,01,600

Raw material purchased from neighbouring State (Includes CST @ 2%) – ₹ 51,000

Storage and transportation cost – ₹ 9,000

Manufacturing expenses – ₹ 30,000.

Rishi sold goods to Resav and earned profit @ 12% on the cost of production. VAT rate on sale of such goods is 4%.

- (b) Lucky, a registered dealer submits the following information for the month of February, 2014  
(A) Details of purchase –

(i) Raw material purchased from another State (CST @ 2%) - ₹10,00,000

(ii) Raw material X purchased within the State - ₹15,00,000 Vat rate 1%

(iii) Raw material Y imported from Singapore (includes customs duty paid @ 10%) - ₹11,00,000

(iv) Raw material Z purchased within the State - ₹6,00,000 Vat rate 12.5%

(B) Details of sales –

(i) Sale of goods produced from raw material X - ₹ 27,00,000 Rate of Vat 4%

(ii) Sale of goods produced from inter-state purchase and imported raw materials - ₹32,00,000 Rate of Vat 1%

(iii) Sale of goods produced from raw material Z - ₹ 8,00,000 Rate of Vat 12.5%.

(Note - The purchase and sales figures given above do not include VAT/CST.)

Assume that there was no opening or closing inventory. Compute the amount of Value Added Tax (VAT) payable by Lucky for the month of February, 2014.

- (c) Star 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 –
- (i) Total contract price (excluding VAT) ₹ 1,80,00,000
- (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 ₹ 40,00,000

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- (iv) Other service charges paid for the execution of the contract ₹ 20,00,000
- (v) Cost of consumables used not involving transfer of property in goods ₹ 10,00,000.

Strong 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. Make suitable assumptions where required and show the workings. **[3×5=15]**

### Question 8.

- (a) What are the records to be maintained by the persons availing credit?
- (b) What are the duties levied under Central Excise Act?
- (c) Whether capital goods not defined as Capital goods will be eligible as input?
- (d) What are the types of Drawback rates?
- (e) What is the date for determination of rate of duty in case of goods cleared from warehouse? **[5×3=15]**