

## 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) The return form ER-1 in excise is to be filed by \_\_\_\_\_ [100% Export Oriented Unit (EOU)/ manufacturer/ SSI (Small Scale Industries) unit].
- (ii) Services rendered by a foreign diplomatic mission located in India are included in the \_\_\_\_\_ list of service in the context of service tax.
- (iii) In case of imported goods, if the cost of insurance is not ascertainable, such cost shall be \_\_\_\_\_% of the FOB value of the goods.
- (iv) Upgradation of computer system by increasing its storage or processing capacity \_\_\_\_\_ (is/ is not) manufacture.
- (v) Renting of an immovable property is a \_\_\_\_\_ service for the purpose of service tax.
- (vi) Registration under VAT for those dealers is compulsory whose gross annual turnover is above \_\_\_\_\_.
- (vii) \_\_\_\_\_ is used by the seller for claiming the exemption on making penultimate sales in Central Sales Tax.
- (viii) \_\_\_\_\_ means a person engaged in the manufacture or production of goods on behalf of a principal manufacturer from any inputs or goods supplied by the said principal manufacturer or by any other person authorised by him.
- (ix) \_\_\_\_\_ Scheme is presently applicable only to stainless steel pattas/pattis and aluminium circles.
- (x) Additional Duty of customs equal to excise duty is payable on imported goods u/s \_\_\_\_\_ of Customs Tariff Act.
- (xi) An SSI unit \_\_\_\_\_ (is eligible/ is not eligible) for SSI exemption, if it manufactures goods bearing the brand name of any other person.
- (xii) The due date of e-payment of service tax in case of an individual is \_\_\_\_\_ (5<sup>th</sup>/ 6<sup>th</sup>/ 15<sup>th</sup>) of the month following the \_\_\_\_\_ (month/ quarter) in which the service is provided or deemed to be provided.
- (xiii) In case of exports, the place of removal is \_\_\_\_\_ where export documents are presented to customs office for the purpose of calculate the assessable value in excise.
- (xiv) As per section 2(j) of the Central Sales Tax Act, the definition of \_\_\_\_\_ means the aggregate of the sale prices received and receivable by him in respect of sales of any goods in the course of interstate trade or commerce made during any prescribed period and determined in accordance with the provisions of the CST Act and the Rules made there under.

[15 × 1]

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

- (i) Inter-state leasing is taxed under a State VAT Law.
- (ii) If an individual renders services to himself, it is not liable for service tax.
- (iii) Sawdust generated while cutting wood is not amount to manufacture under Central Excise law.
- (iv) 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.
- (v) Valuation Audit is conducted as per Section 14AA of the Central Excise Act when it is suspected that goods are not correctly valued or are undervalued.

[5 × 2]

**Question 2.**

**(a)** Mr. Dey has provided the following services during the year 2014-15. Determine whether he is eligible for threshold exemption (Small Service Providers exemption) during the year 2015-16:

- (1) Services provided outside India: ₹ 2 lakh;
- (2) Services (falling under negative list): ₹ 2 lakh;
- (3) Services fully exempt under other notifications: ₹ 5 lakh;
- (4) Declared Services (Sum charged ₹ 4 lakh, but, value determined as per the valuation rules is 60% i.e., ₹ 2,40,000);
- (5) Services (where amount charged is ₹ 60,000, but, after abatement, value is ₹ 20,000) and
- (6) Other services provided: ₹ 7 lakh (including ₹ 1 lakh towards services where whole of the service tax was payable by the service recipient). Provided Mr. Dey is not a GTA (Goods Transport Agency) service provider.

**(b)** What do you understand by Trade Parlance Theory?

**(c)** Distinguish between Safeguard Duty and Anti-dumping Duty for the purpose of customs.

[7+2+6]

**Question 3.**

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

- (i) Date of presentation of Bill of entry: 18-06-2014 [Rate of BCD 25%; Exchange Rate: ₹ 43.60 and rate notified by CBEC ₹ 43.80]
- (ii) Date of arrival of goods in India: 28-06-2014 [Rate of BCD 20%; Exchange Rate; ₹ 43.90 and rate notified by CBEC ₹ 44.00]
- (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)** Write the advantages of indirect taxes (any five).

**(c)** State the duty liability on captive consumption in excise.

[(6+2)+5+2]

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### Question 4.

- (a) Promo Ltd. is in the manufacture of both excisable and non-excisable goods in their factory building rented by them from 01-10-2014 and have been occupying the same as a tenant. From the following particulars for the period 01-10-2014 to 31-03-2015 state briefly with suitable explanations whether Promo Ltd. could claim the benefit of exemption in terms of Notification No. 8/2003 – CE dated 01-03-2003 (SSI exemption) for the financial year 2015-16.

	(₹ In lakhs)
Clearances of branded goods	80
Export Sales to Nepal	80
Export Sales to USA and Canada	120
Clearances of goods (duty paid based on annual capacity of production under Sec. 3A of the Central Excise Act, 1944)	70
Clearances of goods subject to valuation based on retail sale price under Sec. 4A of the Central Excise Act, 1944 (said goods are eligible for 30% abatement)	200
Job work under Notification No. 214/86-CE.	60

During the period 01-04-2014 to 30-09-2014, the previous tenant of the building presently occupied by Promo Ltd. had cleared excisable goods of the aggregate value of ₹ 120 lakhs. Compute the aggregate value of clearances and also determine whether SSI exemption will be available or not.

- (b) Mr. Yadav provides services to Mr. Sharma against payment of ₹ 1,12,360 in cash and motor car valuing ₹ 3 lakh. Determine value of services and service tax payable.
- (c) In which cases registration of VAT can be cancelled?

[8+2+5]

### Question 5.

- (a) Mr. Pankaj sells his land along with the standing crops and trees for ₹ 30 lakhs. Sales tax officer wants to assess for sales tax the value of standing crops and trees. Comment.
- (b) D & Co. a proprietorship Firm, undertook security services for H Ltd. The Taxable Value was determined as ₹ 3,00,000. The service was complete on 15.09.2014 and Invoice was raised on 25.09.2014. D & Co. paid the amount due on 06.10.2014. Determine the following -
- Amount for which Invoice is to be raised by M/s D & Co.
  - Point of Taxation and Due date for payment of Service Tax by M/s D & Co. and M/s H Ltd.
  - CENVAT Credit eligibility for M/s H Ltd. and the date of avilment of credit.
- (c) PQ Ltd. is engaged in the manufacture of 'paracetamol' tablets that has an MRP of ₹ 10 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 40 paise per tablet, determine the total duty payable.

[4+8+3]

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### Question 6.

- (a) Determine the total amount of Excise Duty payable on a machine, using the details given below:

Particulars	₹
(i) Sale Price of the machine, excluding taxes and duties	2,00,000
(ii) Sales tax	20,000
(iii) Cost of durable and returnable packing included in the Sale Price given at (i) above	5,000
(iv) Design and Development charges paid by Buyer on behalf of Seller to a third party	20,000
(v) Warranty charges charged separately by the seller	6,000

Rate of Excise duty – 12%, cess – 3%, calculations should be supported by notes wherever, required.

- (b) The Reserve Bank of India (RBI) has provided some valuable services to the Government of India. Whether RBI is required to pay service tax on the services provided by it and why?
- (c) Mr. X manufactured and exported goods worth ₹ 10,00,000 to Mr. Y of UK on 1<sup>st</sup> January, 2015 and availed duty drawback of ₹ 16,000. Mr. X imported the same goods on 8<sup>th</sup> February, 2015. What will be the customs duty payable by Mr. X, if rate of basic customs duty is 10% and goods are exempt from CVD and special CVD?
- (d) A person is neither a producer nor a curer nor a manufacturer of excisable goods, but he only stores such goods in a warehouse. Can he be called upon to pay the duties of excise on such goods? Describe the provision.
- (e) What is Independent Professional Audit in the context of VAT?

[5+2+3+3+2]

### Question 7.

- (a) Calculate the total tax liability under the State VAT law and under the Central Sales Tax Act for the month of October 2014 from the following particulars:

Particulars	₹
Inputs purchased within the state	1,70,000
Capital goods used in the manufacture of the taxable goods (not included in the negative list)	50,000
Inputs purchased from a registered dealer who opts for composition scheme under the provisions of the Act	10,000
High seas purchases of inputs	1,20,000
Finished goods sold: (a) within the state	2,00,000
(b) in the course of inter-State trade	2,50,000

Applicable tax rates are as follows:-

Case (A): VAT rate on capital goods 12.5%; Input tax rate within the state 12.5%; Output tax rate within the state 4%; Central sales tax rate 2%.

Case (B): VAT rate on capital goods 4%; Input tax rate within the state 4%; output tax rate within the state 12.5%; Central sales tax rate 2%.

- (b) What is 'Prohibited Goods' under Customs?
- (c) Rohit is doing only job work by charging ₹ 30 per product. The cost of the materials supplied to him for the job work is ₹ 100 per product. From Rohit's factory, the principal manufacturer sells the goods at ₹ 200 per product to unrelated buyers. Calculate the excise duty payable.
- (d) Define 'Sale' in the purview of Central Sales Tax Act.

[8+2+3+2]

**Question 8.**

- (a) There was a natural calamity in the factory in the factory, but the department was not intimated in time. State whether remission of duty will be granted under the Central Excise Rules, 2002 or not with reason.
- (b) State with reasons whether CENVAT credit will be admissible in the following cases —
- (i) Inputs used for tests or quality control check;
  - (ii) Inputs contained in waste etc.;
  - (iii) Inputs are pilfered from the store-room;
  - (iv) Materials used for repairs of capital goods.
- (c) "Barge or Lighterage charges are not to be added to the customs value while calculating the value of imported goods." — Critically examine.
- (d) What are "Intermediary Services" in the context of service tax?
- (e) What are the conditions to be satisfied to equate assessable value with sale price as per Central Excise Act?

**[2+6+3+2+2]**