

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:

- (a) What is the condition for levy of Specific Safeguard Duty u/s 8C of Customs Tariff Act?
- (b) Under Central Excise Tariff Act goods are classified using 8-digit system as headings under 'Harmonised System of Nomenclature' — Justify.
- (c) If an importer sold 75 units of imported goods @ ₹ 80, 65 units @ ₹ 75 and 50 units @ ₹ 55 in India, then what will be the basis of valuation of those imported goods? Provided, all the imported goods are identical or similar in nature.
- (d) Whether an unsecured debt is transferred to a third person for a consideration will come under the purview of service tax or not?
- (e) Define 'Business' as per section 2(aa) of the CST Act, 1956.
- (f) 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.
- (g) State the requirement of Space Availability Certificate.
- (h) By whom Central Excise Revenue Audit is conducted? Also state his responsibility regarding this audit.
- (i) State the distinction between 'Zero Rated Sale' and 'Exempted Sale'.
- (j) State the functional areas of Settlement Commission.

[10 × 2]

Group-B

(Answer any eight questions out of the ten questions given)

Question 2.

- (a) List out the items which will appear on the Concurrent List (list III) given in Schedule Seven of the Constitution.
- (b) Robot 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%)	44,12,000
Finished goods sold (at uniform transaction value throughout the year)	2,50,00,000

Calculate excise duty payable by M/s. Robot 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

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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.

- (c) "SEZ are like a separate island within country." — describe SEZ (Special Economic Zone) in relation to taxation issues.

[2+6+2]

Question 3.

- (a) Following transactions took place in the factory of Arvind 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 | ₹ 23,000 |
| Additional Duty (CVD) | ₹ 20,000 |
| Special Additional Duty | ₹ 5,800 |
- (ii) A consignment of 1,000 kgs of inputs was received. The Excise Duty paid as per the invoice was ₹ 10,000. While the input was being unloaded 50 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. 356 dated 23rd Dec. indicating the Excise duty of ₹ 6,400 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.

- (b) State the procedures for duty drawback on Re-Export as per Sec. 74 of the Customs Act, 1962.
- (c) "The recovery from buyer is an essential condition for levy of indirect taxes" — Critically examine.

[6+3+1]

Question 4.

- (a) An interior decorator charges ₹ 6,50,000 from a client for providing professional services. The breakup of the bill is as follows:-

- (i) Value of furniture sold to the client – ₹ 3,00,000
(ii) Labour and facility charges – ₹ 2,00,000
(iii) Value of materials consumed in providing the service – ₹ 1,50,000
- Compute the amount of service tax to be charged from the client.

- (b) What are the essential ingredients of a sale under CST Act?

[5+5]

Question 5.

- (a) Determine the Taxable Turnover, Input Tax Credit and net VAT payable by a Works Contractor from the details given below on the assumption that the Contractor maintains sufficient records to quantify the labour charges. Output VAT at 12.5%:

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Particulars	(₹ in Lakhs)
Total Contract Price (excluding VAT)	105
Labour Charges paid for execution of the contract	40
Cost of Consumables used not involving transfer of property in goods	5
Material purchased and used for the Contract, taxable at 12.5% VAT (VAT included)	45

Contractor also purchased a Plant for use in the contract for ₹ 10.4 lakhs. In the VAT Invoice, VAT was charged at 4% separately, and the said amount of ₹ 10.4 Lakhs is inclusive of VAT.

- (b) One of the methods for determining Arm's Length Price is Resale Price Method (RPM). State the applicability of RPM.

[4+6]

Question 6.

- (a) M/s. Mili Pvt. Ltd., not an SSI unit, purchased fibre 10,000 kg @ ₹ 50 per kg plus excise duty. The said fibre was used to manufacture intermediate product yarn. The said yarn was captively used for the manufacture of fabrics. The said fabric was exempt from duty. The other information are as follows:

- (i) Normal processing loss: 2% of inputs in manufacture of yarn
- (ii) Rate of excise duty on all products is 12.36%;
- (iii) Assessable Value of yarn: ₹ 80 per Kg.;
- (iv) Assessable Value of Fabric (Total): ₹ 13 lakhs;
- (v) Colouring Dyes used in the manufacture of Fabric: ₹ 2 lakhs plus excise duty.
- (vi) Duty on Capital Goods imported during the period and used in the manufacture of yarn: Basic Customs Duty ₹ 20,000; Additional duty of customs under section 3(1) of the Customs Tariff ₹ 30,000; Additional duty of customs under section 3(5) of the Customs Tariff Act ₹ 10,000.

Compute - (i) CENVAT Credit available; (ii) Duty payable.

- (b) RVI Ltd. enters into a contract with PQR Ltd. for construction of a new building primarily for the purpose of commerce or industry for a total consideration of ₹450 lakhs on 03-07-2013. The relevant details are given as under –

Stage	Date [Expected]	Date of issuance of invoice	Date of Payment	Amount of Payment (₹)
Initial/Booking	03-07-2013	03-07-2013	03-07-2013	45 lakhs
50% completion of building [after getting certificate from the stipulated Chartered Engineer]	15-03-2014	22-03-2014	29-03-2014	170 lakhs
75% completion of building [after getting certificate from the stipulated Chartered Engineer]	20-06-2014	21-07-2014	25-07-2014	115 lakhs

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100% completion of building [after getting certificate from the stipulated Chartered Engineer]	30-09-2014	20-10-2014	07-10-2014	120 lakhs
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Determine the Point of Taxation in respect of each of above stage of completion.

[6+4]

Question 7.

(a) Grid Energy Ltd. imported a lift from England at an invoice price of ₹ 20,00,000. The assessee had supplied raw material worth ₹ 5,00,000 to the supplier for manufacture of said lift. Due to safety reasons, the lift was not taken to the jetty in the port but was unloaded at outer anchorage. The charges incurred for such unloading amounted to ₹ 30,000 and the cost incurred on transport of the lift from outer anchorage to the jetty was ₹ 45,000. The importer was also required to pay ship demurrage charges ₹ 10,000. The lift was imported at actual cost of transport ₹ 45,000 and insurance charges ₹ 20,000. Compute its assessable value.

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

(c) How the selection of companies is made to compare in Transfer Pricing study?

[4+4+2]

Question 8.

(a) A commodity is imported into India from a country covered by a notification issued by the Central Government under section 9A of the Customs Tariff Act, 1975. Following particulars are made available :

CIF value of the consignment: US\$ 25,000

Quantity imported: 550 kgs.

Exchange rate applicable: ₹ 50=US\$ 1

Basic customs duty: 20%.

Education and secondary and higher education cess as applicable.

As per the notification, the anti-dumping duty will be equal to the difference between the costs of commodity calculated @ US\$70 per kg. and the landed value of the commodity as imported.

Appraise the liability on account of normal duties, cess and the anti-dumping duty.

Assume that only 'Basic Customs Duty' (BCD) and education and secondary and higher education cess are payable.

(b) Prediction Ltd. sold 100 units manufactured by it for ₹ 12,000 per unit. It had received interest-free advance of ₹ 6,00,000 from the buyer for the whole of the year. Compute the assessable value of 100 units sold in following independent case:

(i) The price charged from other buyers is ₹ 11,500 per unit.

(ii) The price charged from other buyers is ₹ 12,800 per unit.

(iii) The normal rate of interest is 12% per annum and the price charged from other buyers is ₹ 12,800 per unit.

[5+5]

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Question 9.

(a) 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	
Mysore Depot	₹ 210/unit	₹ 205/unit	₹ 215/unit
Patna Depot	₹ 220/unit	₹ 215/unit	₹ 225/unit
Tirupati Depot	₹ 230/unit	₹ 225/unit	₹ 235/unit

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

(b) State the conditions under which an EOU can clear its products to the DTA?

[3+7]

Question 10.

(a) A hotel has provided bundled service of renting along with supply of food and catering for a marriage function of a celebrity. The total amount charged (exclusive of taxes) by the hotel was ₹ 100 lakh. The celebrity had supplied certain foreign beverages (FMV ₹ 10 lakh) free of cost. The excise duty paid on food items by the hotel is ₹ 2,25,480, while service tax paid on input services used in providing such services is ₹ 1,12,360. Determine the service tax liability assuming that assessee has opted for abatement available, if any.

(b) Compute the purchases eligible for availing input tax credit from the following particulars:

Purchases	₹
Goods for resale within the State	10,000
Capital goods required for the purpose of the manufacture or resale of taxable goods	14,000
Goods purchased from the unregistered dealer	3,200
Goods which are being utilized in the manufacture of exempted goods	6,600
High sea purchases	2,700

(c) What is Non Injurious Price in Anti Dumping Duty?

[4+5+1]

Question 11.

(a) Write a short note on the Place of Provision of Passenger Transportation Services.

(b) State the relationship between Warehousing Bond and Bonded Warehouse.

(c) Is transfer of property in goods without consideration chargeable to CST?

[4+4+2]