

Suggested Answer_Syl12_Dec13_Paper 11

INTERMEDIATE EXAMINATION

GROUP II

(SYLLABUS 2012)

SUGGESTED ANSWERS TO QUESTIONS

DECEMBER 2013

Paper-11 : INDIRECT TAXATION

Time Allowed : 3 Hours

Full Marks : 100

The figures in the margin on the right side indicate full marks.

GROUP A

Answer Question No. 1 which is compulsory.

1. Answer the following questions with suitable reasons: 2×10=20
- (i) Recovery from Buyer is an essential condition for levy of Indirect Taxes. Comment.
 - (ii) Write a brief note on the significance of 'trade parlance test' with respect to classification of excisable goods under the Central Excise Act, 1944.
 - (iii) Goods with 'NIL' rate of duty can not be treated as non-excisable goods. Explain.
 - (iv) Set-off of input tax credit on capital goods is available only to manufacturers and not to traders. Comment.
 - (v) State briefly whether remission of duty shall be granted or not under the Central Excise Rules, 2002 in a case where Duty paid goods were damaged due to breakage in handling.
 - (vi) Special Audit under sec. 14A and 14AA of the Central Excise Act, 1944 can be done by a Cost Accountant only. Comment.
 - (vii) Who is Adjudicating Authority under the provisions of the Customs Act, 1962? Is CBEC an Adjudicating Authority?
 - (viii) Will insurance Services rendered to clients having assets in Jammu and Kashmir by the Jammu Branch of an Insurance Company be liable to Service Tax?
 - (ix) Sale of bundles of waste paper is taxable. Discuss.
 - (x) What is Tax Payer's Identification Number (T I N) for purposes of VAT?

Answer

1. (i) It is not true. Generally Indirect Taxes are recovered from buyer. It is not only the essential condition or feature of Indirect tax. Tax on goods and services will be levied even if it is not recovered from buyer.

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- (ii) If a product is not defined in the Schedules and Section Notes and Chapter Notes of the Central Excise Tariff Act, 1985, then it should be classified according to its popular meaning attached to it by those dealing with it, i.e. in its commercial sense.
- (iii) Even goods with 'Nil' rate of duty, if they find an entry in the Schedules to the tariff is excisable goods because nil rate of duty is also a rate of duty. In Vazir Sultan Tobacco Co. Ltd. Case (SC) it was held that goods with nil rate of duty can not be considered as non-excisable.
- (iv) The statement is false. As per the White Paper on VAT, set-off of input tax credit on capital goods is available to both manufacturers and traders.
- (v) Remission of duty can not be granted on duty paid goods as there is no provision for granting remission of duty of the removal of the goods.
- (vi) The statement is not valid. As per amendment made by the Finance (No. 2) Act, 2009, Chartered Accountants, in addition to Cost Accountants, are also eligible for Special Audit under Sections 14A and 14AA of the Central Excise Act, 1944.
- (vii) Under Sec. 2(1) of the Customs Act, 1962, Adjudicating Authority means any authority competent to pass any order or decision under the Act but does not include -
 - (a) Central Board of Excise and Customs
 - (b) Commissioner of Central Excise (Appeals) or
 - (c) Appellate Tribunal.It is obvious from the above that CBEC is not adjudicating authority.
- (viii) Services provided to the clients having assets in the State of Jammu and Kashmir by the Jammu Branch of the Insurance Company are not liable to Service Tax.
- (ix) If the sale of bundles of waste paper by any person comes under the purview of his main activity of a business as defined in section 2(aa) of the CST Act, 1956 and these goods are sold in the course of interstate trade or commerce then it shall attract the provision of CST.

As per sec. 2(d) of Central Sales Tax Act, 1956, goods do not include news paper. Waste paper does not necessarily mean newspaper only. But if we consider newspaper as waste paper, then sale of bundles of old newspapers as waste paper is taxable.

- (x) Tax Payer's Identification Number (T I N) is the registration number of the dealer. It consists of 11 digit numbers throughout the country. First two characters represent the State Code and the next nine characters are different in different states. TIN facilitates computer applications and helps in cross checking of information on tax payer compliance.

GROUP B

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

- 2. (a) Mr. Ramesh who has entered into a roll over Contract approached N.D.B.C. Bank for selling US \$ 35,000 at the rate of ₹ 49 per US \$. R.B.I. reference rate for US \$ is ₹ 49.50 at**

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that time. However, rate of exchange declared by CBEC for the day is ₹ 50.50 per US \$. Calculate the value of Taxable Service. 4

(b) (i) What is the minimum and maximum rate or amount of duty drawback prescribed under the Customs, Central Excise Duties and Service Tax Drawback Rules, 1995 made under Section 75 of the Customs Act, 1962? Explain with a brief note. 3

(ii) Discuss whether any duty drawback is admissible under Section 75 in the following cases and if yes, what is the quantum of such duty drawback: 3

S.No	FOB Value of Exported Goods (₹)	Rate or Amount of Drawback	Market Price of Goods (₹)	Value of Imported Material used in Goods (₹)
(a)	1,00,000	0.75% of FOB value	80,000	50,000
(b)	60,000	0.8% of FOB value	70,000	35,000

Answer

2. (a) Rule 2B of the Service Tax (Determination of Value) Rules, 2006 provides the manner of determination of the value of taxable service so far pertains to purchase or sale of foreign currency, including money changing. The value of service for a currency, when exchanged from, or to, Indian Rupees (INR), shall be equal to the difference in the buying rate or the selling rate, as the case may be, and the Reserve Bank of India (RBI) reference rate for that currency at that time, multiplied by the total units of currency.

Hence, the value of taxable service = (RBI reference rate for \$ - Selling rate for \$) × Total units

$$= ₹ (49.50 - 49) \times 35,000 = ₹ 0.50 \times 35,000$$

The Taxable Value shall be ₹ 17,500.

2. (b) (i) **Minimum rate of duty drawback - Rule 8(1)** of the Customs, Central Excise Duties and Service Tax Drawback Rules, 1995 provides that no amount or rate of drawback shall be determined in respect of any goods, the amount or rate of drawback of which would be less than one percent of the FOB value thereof, except where the amount of drawback per shipment exceeds five hundred rupees.

Maximum rate of duty drawback - Rule 8A of the Customs, Central Excise Duties and Service Tax Drawback Rules, 1995 provides that the drawback amount or rate shall not exceed one third of the market price of the export product.

(ii) The admissibility or otherwise of duty drawback in the aforesaid cases is discussed thereunder:

(a) **Drawback Admissible ₹ 750** : Even if the rate of drawback is less than 1% of FOB value of goods, drawback will be admissible because the amount of drawback i.e. 0.75% of ₹ 1,00,000 i.e. ₹ 750/- exceeds ₹ 500.

(b) **Drawback Inadmissible** : The drawback will not be admissible because it is less than 1% of the FOB value of the goods and its amount (0.8% of ₹ 60,000 i.e. ₹ 480) is less than ₹ 500.

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3. (a) Shankar Ltd., supplies raw material to a job worker Sujay Ltd. After completing the job-work, the finished product of 5,000 packets are returned to Asha Ltd. putting the retail sale price as ₹ 20 on each packet. The product in the packet is covered under MRP provisions and 40% abatement is available on it. Determine the assessable value under Central Excise law from the following details : 3

	₹
Cost of raw material supplied	30,000
Job worker's charges including profit	10,000
Transportation charges for sending the raw material to the job worker	3,000
Transportation charges for returning the finished packets to Asha Ltd.	3,000

- (b) Based on the following particulars, arrive at the CENVAT credit available on clearance of goods to Domestic Tariff Area (DTA) from an Export Oriented Unit (EOU):5

Assessable Value	₹ 20 Lakhs
Basic customs duty	10%
Excise duty	12%
Education Cess	2%
Secondary and Higher Education Cess	1%
VAT payable under State VAT law	4%

- (c) State briefly the sources of power in respect of the following Taxes: 2
- Central Excise duty
 - Customs duty (Import and Export)
 - Central Sales Tax
 - State Sales Tax (VAT)

Answer

3. (a) As the product is under MRP Scheme, the duty shall be payable only as per provisions of Section 4A of the Central Excise Act i.e on the basis of MRP less abatement and not on the basis of material cost plus job charges etc. Section 4A overrides Section 4 of the Central Excise Act.

Hence, assessable value in this case shall be determined as under:

	₹
Retail sale price of 5000 packets (5000 × 20)	1,00,000
Less: Abatement @ 40%	40,000
Assessable Value	60,000

3. (b) As per Notification No. 23/2003-CE dated 31st March, 2003 as amended, it is stipulated that while calculating the aggregate of the customs duties, additional duty of customs leviable under **Sub Section 5 of Section (3) of the Customs Tariff Act** shall be included, **if** the goods cleared into **Domestic tariff Area (DTA)** are exempt from payment of **Sales Tax** or **Value Added Tax**. Hence in the given case, it is evidenced that VAT is payable. So section 3(5) is not attracted and the special CVD is

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exempted.

As per Notification No. 23/2003 CE dated 31.03.2003, 50% of basic customs duty is exempt in case of clearance of goods by an EOU to DTA. The amount of excise duty payable by EOU is calculated as under:

Calculation of duty payable by EOU/EHTP/STP is as follows, w.e.f. 17.03.2012

	Duty %	Amount (₹)	Total Duty (₹)
A. Assessable value		20,00,000.00	
B. Basic customs duty	5	1,00,000.00	1,00,000.00
C. Sub-Total for calculating CVD '(A+B)'		21,00,000.00	
D. CVD 'C' × excise duty rate	12	2,52,000.00	2,52,000.00
E. Sub-Total for education customs 'B+D'		3,52,000.00	
P. Education of Customs - 2% of 'E'	2	7,040.00	7,040.00
G. SAH Education Cess of Customs - 1% of 'E'	1	3,520.00	3,520.00
H. Sub-total for spl CVD 'A+B+D+F+G'		23,62,560.00	
I. Special CVD u/s 3(5) - 4% of 'H' (Nil if state VAT paid)	exempt	exempt	exempt
J. Total		23,62,560.00	3,62,560.00
Notes - buyer who is manufacturer in DTA, is eligible to avail cenvat credit of D above.			

As per second proviso to rule 3(7)(a) of CENVAT credit Rules, 2004, the amount of CENVAT credit will be as under:

	₹
Additional duty of customs (CVD)	2,52,000.00
Special CVD u/s 3(5)	exempt
Total amount of credit	2,52,000

3. (c)

The sources of power for various taxes:	
1. Central excise duty: Entry 84 and 97 of list I (constitution) [84 for manufacture, 97 deemed manufactured]	
2. Customs duty (import and export): Entry 83 of list I	
3. Central Sales tax : Entry 92A of list I	
4. State Sales Tax (VAT): Entry 54 of list II	

4. (a) PQR Ltd. manufactures dutiable goods on which excise duty payable is ₹ 7 Lacs. Raw Materials, Capital goods and Input Services are used for producing the finished goods. Excise Duty on Input Goods is 2 Lacs, Capital Goods is ₹ 3 Lacs and ₹ 1 Lac on Input Services suffered. Cenvat Credit on Capital Goods is allowed up to 50% in Current year and balance in the next year. What is the Excise Duty Payable? 3

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(b) X Ltd. is engaged in providing services of renting immovable property. For the month of Dec. 2012 the billing is as follows:

(i) Rent of Building (Including Property tax 1,50,000) ₹ 12 Lacs

(ii) Let out vacant land solely for farming purposes ₹ 10 Lacs

(iii) Renting for Residential Purposes ₹ 2 Lacs

The bills are exclusive of service tax, Compute the Service Tax Payable. 3

(c) Distinguish between 'Transit' and 'Transshipment' under the Customs Act. 2

(d) What do you mean by "Appropriate State" in the context of "Central Sales Tax Act, 1956"? 2

Answer

4. (a) Excise Duty Payable on F G = 7 Lacs

Less: Cenvat Credit on Input Goods = 2 Lacs

Less: Cenvat Credit on Capital Goods = 1.5 Lacs (50 % in first year)

Less: Cenvat Credit on Input Services = 1 Lacs

Net Excise Duty Payable ₹ 2.5 Lacs.

4. (b) (i) Service Tax Payable on (₹ 12 Lacs - ₹ 1.5 Lacs) i.e ₹ 10,50,000.00 @ 12.36% = ₹ 1,29,780.00

(ii) Not Taxable.

(iii) Not Taxable.

4. (c) Transit is covered u/s 53 while Transshipment is covered u/s 54 of the Customs Act.

In "transit" goods continue to be on same vessel while in "transshipment" goods are transferred to another vessel or vehicle.

In "transit" there is continuity of records, while in "transshipment" new records are prepared.

4. (d) As per section 2 (a) of the CST Act, 1956 "Appropriate State" means

(i) In relation to a dealer who has one or more places of business situated in the same state, that state.

(ii) In relation to a dealer who has places of business situated in different states, every such state with respect to the place or places of business situated within its territory.

5. (a) PBX Limited paid both the Service Tax and interest for delayed payment and the same has been intimated to the Appropriate Authorities in writing before issue of show cause notice by the Department. In spite of the above, the Authorities issued show cause notice to the company for delay in payment of Service Tax. Discuss whether the show cause notice is justified. 3

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- (b) What is the difference between short levy and short payment? 2
- (c) Explain briefly whether VAT is leviable on Inter-State leasing. 2
- (d) Discuss briefly the rights of the owner of Warehoused goods under the Customs Act, 1962. 3

Answer

5. (a) In case of CCE&ST v. Adecco Flexione Workforce Solutions Ltd. it was held that the Department has no authority to issue a show cause notice when the tax payer has paid service tax along with interest for delayed payment properly.

The Authorities can initiate penal proceedings only against the defaulter who have not paid tax and not against the persons who have paid tax with interest on their own.

The High Court observed that if the notices are issued contrary to Sec. 73 (3) of the Finance Act,1994, the person who has issued notice should be punishable and not the person to whom it has been issued.

5. (b) Short levy arises when the charge itself is done at lower rate due to wrong classification, whereas short payment arises out of short levy or short payment of a correct levy.
5. (c) Lease of an asset in the course of inter state or import trade can not be taxed under a State VAT Law, instead it can be taxed under the Central Sales Tax Act,1956 as deemed sales. Hence VAT is not leviable in case of Inter State Leasing.
5. (d) The owner of any goods with the required permission and on payment of the prescribed fees, may
- (i) inspect the goods;
 - (ii) separate damaged or deteriorated goods from the rest,
 - (iii) Sort the goods or change the containers for preservation, sale, export or disposal of goods.
 - (iv) deal with the goods and their containers to prevent loss or deterioration or damage to the goods ;
 - (v) show the goods for sale ;
 - (vi) take samples of the goods, without entry for home consumption and if the proper officer so permits without payment of duty on such samples.

6. (a) **Star Power Ltd. is registered under 'Project Import Regulations, 1986 in order to import a gas turbine and generator (Power Equipments) at concessional rate to implement a project for setting up of a power plant and accordingly imported the above equipments, but before they could reach the project site, they were lost/destroyed in the sea within India.**

The Department denied project import concession under the heading 9801 and demanded full duty as the goods were not used in the project. Discuss in the light of decided case law, whether the demand made by the Department is tenable in law. 5

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- (b) X reported a sales turnover of ₹ 36,20,000. This includes (i) excise duty ₹ 3,00,000; (ii) deposit for returnable containers and packages ₹ 5,00,000. Sales tax was not included separately in the Sales Invoice. Compute tax liability under C. S. T. Act, assuming the rate of tax @ 2%. 3
- (c) What is meant by specific duty in the context of Excise Law? 2

Answer

6. (a) When goods are not used elsewhere in India for any purpose than that of the project or goods are destroyed in such conditions, there is no additional liability for differential duty. (Commissioner – vs- Lanco Kondapalli Power Pvt. Ltd.).

Since the goods were meant for the project and were not used for any purpose other than the project, the concession could not be withdrawn. Hence the demand made by the Department is not tenable in law.

6. (b) Sales tax is not payable on deposit for return of containers but is payable on excise duty. Hence, aggregate sale price for purpose of CST is ₹ 31,20,000 × 100/102 = ₹30,58,823.53. CST at 2% of ₹ 30,58,823.53 = ₹ 61,176.47. [30,58,823.53 + 61,176.47 = 31,20,000]
6. (c) Specific duty is the duty payable on the basis of units of measurement like weight, length, volume, thickness (length basis), Matches (per 100 boxes/packs), cement clinkers (per tonne basis).

7. (a) Mrs. Jaya imported certain goods weighing 1000 kgs. with C I F value US \$ 40,000. Exchange rate was 1 US \$ = ₹ 45 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, anti-dumping duty has been imposed in 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 Customs duty and anti-dumping duty payable by Mrs. Jaya. 6

- (b) Ascertain whether the refund of Service tax paid on input services can be claimed in the following case. 4

Total credit on Service Tax on input services	₹ 6,000
Total turnover of output services	₹ 30,000
Output services exported	₹ 20,000

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Answer

7. (a) Computation of customs duty payable:-

Particulars	₹
Total CIF value in INR = US \$40,000 × ₹ 45	18,00,000
Add: Landing charges @ 1%	18,000
Assessable value (AV)	18,18,000
Basic customs duty (BCD) @ 10%	1,81,800
Education cess (EC) @ 2% on BCD	3,636
Secondary and higher education cess (SAHEC) @ 1% on BCD	1,818
Landed value of imported goods	20,05,254
Total customs duty payable (BCD+EC+SAHEC)	1,87,254

Computation of Anti dumping duty payable:-

Particulars	₹
Value of goods in INR as per Notification = 1,000 Kgs × US \$ 60 × ₹ 45	27,00,000
Less: Landed value of goods	<u>20,05,254</u>
Anti-dumping duty payable	<u>6,94,746</u>

7. (b) Cenvat Credit in respect of the input services used in providing output services which are exported shall be allowed to be utilised towards payment of Service Tax on taxable output services. The refund of credit shall be allowed in a case where such adjustment is not possible.

In the present case the Service Tax Liability on taxable Services of ₹ 10,000 (₹ 30,000 – ₹ 20,000) is ₹ 1,236 @ 12.36%. The excess credit of ₹ 4,764 (₹ 6,000 – ₹ 1,236) can not be utilized.

Thus the refund of such credit can be claimed to the extent of ratio of export turnover to the total turnover for the given period.

i.e ₹ 4,000 (₹ 6,000 × 20,000/30,000)

8. (a) Discuss 'Related Person' under Custom Valuation Provisions. (5 instances may be given). 4
- (b) Write a brief note on the distinction between identical goods and similar goods. 2
- (c) A manufacturer manufactured 1000 nos. of Product Y, assessable value of which is ₹ 2000 per piece. Duty payable is 20%. Duty paid on raw materials is ₹ 2,00,000. The manufacturer sells 700 pieces in India and 300 pieces are exported. What is CENVAT available and what is the duty payable through PLA? 4

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Answer

8. (a) 'Related person' under custom valuation provisions

Rule 2(2) of the Customs Import/Export Valuation Rules, 2007 define that persons shall be deemed to be 'related' only if one of the conditions is satisfied:

1. They are officers/directors of one another's businesses
2. Any person directly or indirectly owns, controls or holds 5% or more of shares of both of them
3. Both of them are controlled directly or indirectly by a third person
4. Together they control a third person - directly/indirectly
5. They are members of the same family.
6. They are legally recognised partners in businesses.
7. They are employer and employee.
8. One of them directly or indirectly controls the other.

8. (b) Distinction between identical goods and similar goods:

The major distinction between the two is that the former should be the same in all respects, except for minor differences in appearance, while in the case of the latter, it is enough if they have like characteristics and like components and perform the same functions. But in both cases, (a) quality and reputation (including Trade Mark reputation) should be the same, (b) Goods should be from the same country etc. If transaction value of identical goods cannot be used, Rule 5 provides for valuation based on S.G.

8. (c) The duty payable is ₹ 400 per piece and hence duty payable on 700 pieces would be ₹ 2,80,000. The manufacturer can avail CENVAT credit of ₹ 2,00,000 and will have to pay duty of ₹80,000 by cash through PLA.

9. (a) **The assessee supplied raw materials to household ladies who were manufacturing 'Dhoop', 'Agarbatti' etc. in their houses. The final product was sold directly from the premises of the ladies and was not brought to the factory of the assessee. There was no supervision of their work by the assessee. Payment to the ladies was made on the basis of the number of pieces manufactured.**

On this basis, decide who is the manufacturer the raw material supplier or job worker.

3

- (b) **Mr. P a registered dealer gives you the following information. He sells his product within and outside the state. Vat rate was 13.5% and profit margin was 15% on cost of production.**

- (i) **Purchase of raw material from an unregistered dealer ₹ 60,000.00 (Including VAT 13.5%)**
- (ii) **Import of raw material excluding customs duty @ 10% 1,90,000.00**
- (iii) **Purchase of Raw material from a dealer within the state ₹ 2,00,000.00 (excluding VAT 4%)**

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- (iv) Purchase of raw materials from other state excluding CST ₹ 40,000.00 (CST @ 2%)
- (v) Interest on Bank Loans ₹ 1,30,000.00.
- (vi) Transportation Charges ₹ 45,000.00, Wages ₹ 60,000.00 and Manufacturing Expenses ₹40,000.00 excluding tax.

Calculate the net tax liability and total sales in this case. 5

- (c) Explain whether the following items are includible in assessable value under the customs Act. 2

(i) Bank charges paid to Banker

(ii) Service charges paid to canalizing agency

Answer

9. (a) It was held in CCE v MM Khambatwala (Supreme Court decision) that the household ladies are the manufacturers. The raw material supplier is not the manufacturer nor can it be said that the ladies were 'hired labour'. The ladies who actually did the job and made the products alone are manufacturers.

9. (b) Calculation of Total Sales and Net Tax Liability

Raw Material Purchased from an Unregistered Dealer including VAT	60,000.00
Import of Raw Material (Including Customs Duty)	2,09,000.00
Intra State Purchase (Input Credit Available ₹ 8,000.00)	2,00,000.00
Purchase of Raw Material From Other State	40,800.00
Other Expenses including Transportation, Wages etc	1,45,000.00
Interest on Bank Loan (Not Considered)	—
Total Cost of Production	6,54,800.00
Add: Profit @ 15%	98,220.00
Taxable Turnover	7,53,020.00
Add: VAT @ 13.5%	1,01,658.00
Sales	8,54,678.00

Net VAT Liability (₹ 1,01,658.00 - ₹ 8,000.00) = ₹ 93,658.00

9. (c) (i) Bank charges paid to banker for services rendered by them is not consideration of goods given to seller. Hence it is not includible.
- (ii) When imports are made by canalizing agency goods are sold to Indian buyer on "high sea sale" basis. Service charges paid to canalizing agency have to be included in Assessable Value.

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- 10.(a) “For taking Cenvat Credit, Capital Goods need not be brought to the premises of the Service Provider”—True or False—Explain. 2
- (b) Enumerate four methods of computation of arm’s length price. 2
- (c) “White Bill of Entry, Yellow Bill of Entry and Green Bill of Entry are still in Vogue”—Explain. 1
- (d) One importer needs your assistance in calculating the correct assessable value. He imports the good for subsequent sale in India. The customs officer assessed the value for ₹ 5,09,545 which includes Air Freight 25% on FOB, Insurance @ 1.125%, Unloading Charges 1% on CIF. 5

Answer

10. (a) It is absolutely true. The eligible capital goods should be used for providing output services. There is no requirement that these should be brought in the premises or used within the premises of the service provider himself. Documentary evidence of delivery and location of Capital Goods be maintained.

10. (b) Four methods of determination of arm’s length price in relation to an international transaction:

- (1) Comparable uncontrolled price method
- (2) Resale price method
- (3) Cost plus method
- (4) Profit split method

10. (c) Bill of Entry for Home Consumption, Warehousing and Ex bond clearance was of different colours. But after the introduction of Electronic Submission of Bill of Entry Colour scheme are not presently in Vogue.

10. (d) Assessable Value (A V) = (FOB+ Insurance + Air Freight) + 1% on CIF towards unloading.

Let Assume FOB is	X
Add: Air Freight	0.25 X
Add: Insurance	<u>0.01125X</u>
CIF Value	1.26125 X
Add: Unloading Charges @ 1% on CIF	<u>0.0126125 X</u>
Assessable Value	1.2738625 X

So FOB Value is (5, 09,545 ÷ 1.2738625)	= 4,00,000.00
Add: Air Freight @ 20%	= 80,000.00
Add: Insurance @ 1.125%	= <u>4,500.00</u>
CIF Value	4,84,500.00
Add: Landing Charges @ 1%	<u>4,845.00</u>
Assessable Value	4,89,345.00

11.(a) Mr. B agrees to undertake a works contract for M/S P Ltd. for repair, plastering, floor and wall tilling of a building for ₹ 20 Lacs. The breaking up of gross value charged by Mr. B to P Ltd. is not available. Find out the service tax liability in the hands of Mr. B. 4

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- (b) An SSI unit has cleared goods of the value of ₹ 70 lacs during the last financial year. The effective rate of excise duty was 10% ad valorem. EC is payable as per applicable rates. What is the duty liability of the unit for above clearances during the year 2012-13? 2
- (c) Explain whether the following statements are true or false: 2×2=4
- (i) The proper officer is not authorized to lock any warehouse with the lock of customs department.
- (ii) "Duty Drawback is allowed on wearing apparel".

Answer

11. (a) Value of declared Service ₹ 12,00,000.00 (₹ 20,00,000.00 × 60 %)

Service tax liability to Mr. B is ₹ 74,160.00 (₹ 2,00,000.00 × 12.36% × 50%)

Note: In respect of service provided or agreed to be provided by (i.e. service provider) any individual, HUF, or partnership firm/ LLP, whether registered or not, including AOP, located in taxable territory by way of service portion in execution of Works Contract to a business entity registered as a Body Corporate, located in the taxable territory, 50% of service tax is to be payable by service provider while the other 50% is payable by service receiver.

11. (b) No excise duty is liable to be paid by the SSI units up to ₹ 150 lakhs of clearance. Hence in the given case no duty is liable to be paid by the said unit.
11. (c) (i) The statement is Invalid. The proper Officer has authorized to lock any warehouse with the lock of the Customs Department as per section 62 (3) of the Customs Act.
- (ii) The statement is False. Duty drawback is not allowed on wearing Apparel.