

**FINAL EXAMINATION  
GROUP - IV  
(SYLLABUS 2016)**

**SUGGESTED ANSWERS TO QUESTIONS**

**JUNE - 2017**

**Paper-18 : INDIRECT TAX LAWS AND PRACTICE**

Time Allowed : 3 Hours

Full Marks : 100

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

All questions are compulsory. In Question No. 1, all sub-questions are compulsory.

In Question Numbers 2 to 8, student may answer any 5 questions.

Wherever necessary, you may make suitable assumptions and state them clearly in your answer.

Working notes should form part of the answer.

**Section – A**

1. Comment on the following questions along with valid reasons: 2x10=20
- (a) JK Engineering Co. manufactured a machinery on 20-01-2017, when excise duty was 8%. These were entered in Daily Stock Account on 20-01-2017. These were sold from factory on 16-02-2017. On that date, rate of excise duty was 12.50%. At what rate excise duty is payable?
  - (b) A provider of service did not pay service tax due to ignorance. During audit, the mistake was pointed out. He paid the service tax along with interest on his own before receiving any notice from department. What is the penalty that can be imposed on him?
  - (c) A manufacturer has head office in Kolkata and factories at Raurkela, Nagpur and Raipur. He is receiving services at his Kolkata office, on which service tax has been charged by the service provider. He is not providing any service from Kolkata. Can he utilize the credit of service tax paid on the various input services received by him at Kolkata? Advise him.
  - (d) Service provided from India with respect to immovable property situated abroad is called export of services.
  - (e) The directors of a private company in liquidation are jointly and severally liable personally for any sales liability of the company in liquidation.
  - (f) A demand of ₹ 8,50,000 of excise duty plus penalty was confirmed by Joint Commissioner, Assesse filed appeal and the demand was set aside by Commissioner (Appeals). Department is of the view that order of Commissioner (Appeals) is not proper. Advise department on action that can be initiated by them.
  - (g) Deepak Finance Company is engaged in sale and purchase of foreign exchange. He received 1,000 US dollars from a foreign tourist on 7-11-2016 and paid him ₹ 67,600 in exchange. The RBI reference rate on that day was 1USD = ₹ 69.40. Calculate value of service on which service tax is payable and service tax payable if service tax rate is 15%. Ignore cesses.
  - (h) Subsidy given by Government to manufacturers to compensate cost of production will form part of sale price.
  - (i) It is necessary to specify the heading under which the service being provided is falling.
  - (j) An importer imported machinery. At the time of imports, he paid following duties— Basic customs duty, Countervailing duty, Special countervailing duty, Anti dumping duty and Customs education cess. He sells the imported machinery in India. Is he eligible to get any refund of import duties if he resales the goods in India?

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## Answer:

1. (a) The excise duty is payable @ 12.50%. The date on which goods are cleared from factory is relevant for payment of excise duty.
- (b) No penalty can be imposed as matter stands closed if tax with interest is paid before show cause notice, as per section 73(3) of Finance Act, 1994.
- (c) He can utilize the credit. He should register his Kolkata office as Input Service Distributor. He can take credit of service tax and then transfer the Cenvat credit to his factories by issuing monthly invoice.
- (d) Yes. Service provided from India with respect to immovable property situated abroad is called export of services.
- (e) If a private company is wound up and any tax assessed on the company cannot be recovered, then every person who was a director of the private company at any time during the period for which tax is due shall be jointly and severally liable for the payment of such tax, unless he proves that the non recovery cannot be attributed to any gross neglect, misfeasance or breach of duty on his part in relation to the affairs of the company.
- (f) Usually the Department can file appeal with Tribunal against the order of Commissioner (Appeals), if it is of the view that the order is not proper. However, if the excise duty involved is less than rupees ten lakhs, Department cannot file appeal before Tribunal against the order of Commissioner (Appeals), as per the litigation policy of the Government of India.
- (g) Value of service = (₹ 69.40 – ₹ 67.60) × 1,000 USD = ₹ 1.80 × 1,000 USD = ₹ 1,800  
Service tax @15% = ₹ 270.
- (h) Government subsidy does not constitute amount payable to the dealer (by his customer) as consideration for the sale of goods. Hence, it is not includible in sale price.
- (i) Specify the heading under which the service being provided is fallen, is necessarily for the purpose of classification.
- (j) He is entitled to get refund of special CVD of 4% paid by him at the time of imports.

## Section – B

Answer any five questions out of seven questions given. Each question carries 16 marks.

2. (a) Mahesh Chemicals Ltd. furnished the following information for the month of October, 2016:
  - (i) Input chemical Alpha - Invoice dated 12-07-2015- Excise duty paid - ₹ 4,50,000
  - (ii) Input chemical Beta —Invoice dated 21-03-2016 - Excise duty paid— ₹ 3,50,000
  - (iii) Input Gama—Original excise invoice not available but Xerox copy duly certified by excise officer available — Excise duty paid— ₹ 2,30,000
  - (iv) Security Services—Invoice dated 12-10-2016— Service tax paid— ₹ 53,200
  - (v) Machinery falling under chapter heading 84 —Invoice dated 3-07-2014— Excise duty paid on machinery by supplier— ₹ 5,00,000
  - (vi) Invoice of Goods Transport Agency (GTA) for bringing raw materials to the factory was dated 21-07-2016. Service tax was paid by Mahesh Chemicals Ltd. ₹ 24,000 under reverse charge in the return of September, 2016. However, payment of freight was made to the Goods Transport Agency till December, 2016.
  - (vii) Taxi was hired by purchase manager to visit supplier for discussions on price. The service tax charged by taxi operator was ₹ 1,200.
  - (viii) Spare parts for machinery were imported on which duty paid was as follows— Basic customs duty ₹ 1,000; Countervailing duty (CVD) ₹ 1,375; Education cess 47.50; Secondary and Higher Education cess ₹ 23.75; Special CVD under section 3(5)—500; Anti-dumping duty- ₹ 300.Determine the Cenvat credit that can be availed by access during the month of October 2016. 8
- (b) Some articles have been specifically excluded from definition of 'input' in Cenvat

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Credit Rules even if they have relation with manufacture. What are those items? 8

Answer:

2. (a) (i) Cenvat credit is not eligible as invoice date is beyond one year.  
(ii) Cenvat credit of ₹ 3,50,000 on input goods available  
(iii) Cenvat credit is not available on basis of Xerox copy of invoice.  
(iv) Cenvat credit of input service of ₹ 53,200 is available.  
(v) Time limit of one year for taking Cenvat credit is not applicable in respect of capital goods. Hence, Cenvat credit of 50% of excise duty i.e. 2,50,000 [50% of ₹ 5,00,000] is available.  
(vi) Cenvat credit of GTA input service of ₹ 24,000 available, even if payment of bill amount is not made to service provider.  
(vii) These services are not eligible for Cenvat Credit.  
(viii) Cenvat credit of CVD (₹ 1,375) and special CVD (₹ 500) is available i.e. total credit of ₹ 1,875 is available.  
Thus, total Cenvat credit available is as follows - 3,50,000 + 53,200 + 2,50,000 + 24,000 + 1,875 = ₹ 6,79,075.
- (b) Following items have been excluded from definition of input in Cenvat Credit Rules.  
(A) light diesel oil, high speed diesel oil or motor spirit, commonly known as petrol;  
(B) any goods used for - (a) construction or execution of works contract of a building or a civil structure or a part thereof; or (b) laying of foundation or making of structures for support of capital goods, - - except for the provision of service portion in the execution of a works contract or construction service as listed under clause (b) of section 66E of the Act  
(C) Capital goods except when used as parts or components in the manufacture of a final product and if the value of such capital goods is upto ₹ 10,000 per piece.  
(D) motor vehicles  
(E) any goods, such as food items, goods used in a guesthouse, residential colony, club or a recreation facility and clinical establishment, when such goods are used primarily for personal use or consumption of any employee; and  
(F) any goods which have no relationship whatsoever with the manufacture of a final product.
3. (a) Calculate the Assessable Value of raw material Zeeta imported from USA by air and total customs duty payable, on basis of following details:  
(i) FOB Value of Zeeta— 5,000 US dollars  
(ii) Air freight paid— 1,400 US dollars  
(iii) Insurance for transit of machine— not ascertainable  
(iv) Commission paid to Indian Local Agent— ₹ 30,000  
(v) Cost of transport of goods from port to godown of importer in India— ₹ 17,000.  
(vi) Exchange rate is One US dollar as notified by CBE&C= ₹ 68.80. RBI reference rates = ₹ 68.70. Exchange rate at which actually payment was made to Bank— ₹ 69.10.  
(vii) Customs duty rate —10%. Excise duty on similar product if manufactured in India— 12.50%. 12

(b) What are the various Scope of FTP? 4

Answer:

- |  |                    |
|--|--------------------|
| 3. (a) FOB Value of Zeeta                  | 5,000 US Dollars   |
| Air freight restricted to 20% of FOB value | 1,000 US Dollars   |
| Insurance @ 1.125% of FOB value            | 56.25 US Dollars   |
| Total value                                | 6056.25 US Dollars |
| Value in Indian Rupees @ ₹ 68.80           | ₹ 4,16,670         |

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Add - Local Agent's Commission	₹ 30,000
CIF Value in Rupees	₹ 4,46,670
Add - Landing charges @ 1%	₹ 4,467
Assessable value for customs purposes	₹ 4,51,137

Calculation of Excise duty

Seq.	Duty Description	Duty %	Amount	Total Customs Duty
(A)	Assessable Value ₹		4,51,137	
(B)	Basic Customs Duty	10	45,113.70	45,113.70
(C)	Sub-Total for calculating CVD '(A+B)'		4,96,250.70	
(D)	CVD 'C x excise duty rate	12.5	62,031.33	62,031.33
(E)	Sub-total for edu cess on customs 'B+D'		1,07,145.03	
(F)	Edu Cess of Customs - 2% of 'E'	2	2,142.90	2,142.90
(G)	SAH Education Cess of Customs -1% of 'E'	1	1,071.45	1,071.45
(H)	Sub-total for Spl CVD 'C+D+F+G'		5,61,496.38	
(I)	Special CVD under section 3(5) -4% of 'H'	4	22,459.85	22,459.85
(J)	Total Customs Duty			1,32,819.23
(K)	Total duty rounded to	₹		1,32,819

**Note:** Here, it is assumed that special CVD @4% is payable, as goods are chargeable to VAT in India.

- (b) The following are the various scopes of FTP:
- (i) Policy for regulating import and export of goods and services.
  - (ii) Export Promotional Measures.
  - (iii) Duty Remission and Duty Exemption Scheme for promotion of exports.
  - (iv) Export Promotion Capital Goods (EPCG) Scheme.
  - (v) Export Oriented Undertakings (EOU/EHTP/STP & BTP) Schemes.
  - (vi) Deemed Exports.
  - (vii) Quality complaints and Trade Disputes.

4. (a) Okeepa Computer Services Ltd. were liable to pay service tax of ₹ 3,00,000 for the month of June, 2016. However, the service tax was deposited on 18-04-2017 on his own, without department taking any action. Okeepa Computer Services Ltd. has shown the amount as payable in their return filed on 22-10-2016. The value taxable service provided by them during the preceding financial year was ₹ 65 lakhs.
- (i) Compute the amount of interest payable by Okeepa Computer Services Ltd.
  - (ii) Calculate penalty payable.
  - (iii) What action could have been initiated by department against the assessee?

3+2+3=8

- (b) Mahan Construction Ltd. provided following services in December, 2016. All these services were provided with own material.
- (i) Installation of machinery—₹ 1,50,000
  - (ii) Plastering of an existing building (finishing services)—₹ 1,00,000
  - (iii) Installation of electrical fittings in a building—₹ 60,000
  - (iv) Construction of office building of customer- ₹ 5,00,000. The customer had provided steel and cement of ₹ 1,00,000 to Mahan Constructions Ltd.

Compute the value of services and service tax payable. Assume rate of service tax as 15%. Ignore cesses.

8

**Answer:**

4. (a) The calculations are as follows-
- (A) Due date of payment was 6-7-2016.
- Delay is as follows - July - 25, August - 31, September - 30, October - 31, November - 30, December - 31, January 2017 - 31, February 2017 - 28, March - 31, April - 18.

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Total days - 286

The interest payable under section 75 of Finance Act, 1994 is 15% w.e.f. 14-5-2016.  
Hence, interest payable is =  $(286 \times 15 \times 3,00,000) / (365 \times 100) = ₹ 35,260.27$

- (B) No penalty is payable as assessee paid service tax with interest on his own as per section 73(3) of Finance Act, 1994.
- (C) Department could have started recovery proceedings under section 73(1B) of Finance Act, 1994, without issue of any show cause notice. The recovery can be done by any of mode as specified in section 87 of Finance Act, 1994.

The department could have detained, seized and sold his movable or immovable property. Department could have initiated garnishee proceedings. Department could have issued certificate to District Collector to recover the amount as land revenue.

- (b) (i) Service tax is on 40% of ₹ 1,50,000 i.e. on ₹ 60,000 @ 15%. Hence, service tax payable is ₹ 9,000.
- (ii) Service tax is payable on 70% of ₹ 1,00,000 i.e. on ₹ 70,000 @ 15%. Hence, service tax payable is ₹ 10,500.
- (iii) Service tax is payable on 70% of ₹ 60,000 i.e. on ₹ 42,000 @ 15%. Hence, service tax payable is ₹ 6,300.
- (iv) Value of free material supplied has to be added. Hence, service tax is payable on 40% of ₹ 6,00,000 i.e. on ₹ 2,40,000 @ 15%. Hence, service tax payable is ₹ 36,000.

5. (a) Explain concept, purpose of provisions of 'pure agent' in service tax valuations. What are the conditions for exclusion of payments received by service provider from service receiver? Define pure agent. Give one illustration explaining the concept.

**3+3+2+2=10**

- (b) Mr. R has received the following amounts from the activities undertaken by him during the quarter ended on 31st March, 2016:

Sl. No.	Particulars	₹ (in Lakhs)
(i)	Amount received for trading in Government securities*	8.00
(ii)	Amount received for trading in shares*	14.50
(iii)	Commission for acting as clearing and forwarding agent	18.25
(iv)	Commission earned on sale of goods belonging to others	1.75
(v)	Charges for providing auxiliary service relating to commodity futures	7.00

\* Represents difference between sale price and purchase price.

Your are required to compute the value of taxable service and services tax liability of Mr. R for the said quarter.

Note:

- (i) Rate of service tax is 14% and Swachh Bharat Cess 0.5% and KKC @ 0.5% is applicable. All the above amounts are exclusive of service tax.
- (ii) Mr. R is not eligible for small service provider's exemption under Notification No.33/2012-ST, dated 20-06-2012. 6

**Answer:**

5. (a) In many cases, a service provider incurs some expenditure on behalf of service receiver and then recovers the amount from him. Such expenditure is not part of service provided by him to service receiver, but is incurred by him as per business practice or convenience.

These are not part of service provided and hence are not includible. Rule 5(2) provides that the expenditure or costs that a service provider incurs, as a pure agent of the client, shall be excluded from the value if such service provider fulfills

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prescribed conditions.

### Conditions to be satisfied for exclusion from 'value'

As per rule 5(2) of Service Tax (Determination of Value) Rules, 2006, expenditure or costs incurred by service provider are not includible in value of service only if all the following conditions are satisfied:

- (i) the service provider acts as a pure agent of the recipient of service when he makes payment to third party for the goods or services procured;
- (ii) the recipient of service receives and uses the goods or services so procured by the service provider in his capacity as pure agent of the recipient of service;
- (iii) the recipient of service is liable to make payment to the third party;
- (iv) the recipient of service authorises the service provider to make payment on his behalf;
- (v) the recipient of service knows that the goods and services for which payment has been made by the service provider shall be provided by the third party;
- (vi) the payment made by the service provider on behalf of the recipient of service has been separately indicated in the invoice issued by the service provider to the recipient of service;
- (vii) the service provider recovers from the recipient of service only such amount as has been paid by him to the third party; and
- (viii) the goods or services procured by the service provider from the third party as a pure agent of the recipient of service are in addition to the services he provides on his own account.

### Meaning of 'Pure agent'

Explanation 1 to the rule 5 of Service Tax Rules provides that for the purpose of rule 5(2), 'pure agent' means a person who —

- (a) enters into a contractual agreement with the recipient of service to act as his pure agent to incur expenditure or costs in the course of providing taxable service;
- (b) neither intends to hold nor holds any title to the goods or services so procured or provided as pure agent of the recipient of service;
- (c) does not use such goods or services so procured; and
- (d) receives only the actual amount incurred to procure such goods or services.

### Illustration where payment is not as 'pure agent'

X contracts with Y, a real estate agent to sell his house and thereupon Y gives an advertisement in television. Y billed X including charges for television advertisement and paid service tax on the total consideration billed. In such a case, consideration for the service provided is what X pays to Y. Y does not act as an agent on behalf of X when obtaining the television advertisement even if the cost of television advertisement is mentioned separately in the invoice issued by X. Advertising service is an input service for the estate agent in order to enable or facilitate him to perform his services as an estate agent.

This illustration clearly shows distinction between payments made as 'pure agent' and payment made as 'Principal'.

(b)

S. No	Particulars	₹ (in lakhs)	Remarks
(i)	Amount received for trading in Government securities	Not taxable	Treated as Goods
(ii)	Amount received for trading in shares*	Not taxable	Treated as Goods
(iii)	Commission for acting as clearing and forwarding agent	18.25	Taxable service
(iv)	Commission earned on sale of goods belonging to others	1.75	Taxable service

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(v)	Charges for providing auxiliary service relating to commodity futures	7.00	Taxable service
	Taxable services	27.00	
	Service Tax @14% on ₹ 27 lakhs	3.78	
	Swachh Bharat Cess @ 0.5% on ₹ 27 lakhs	0.135	
	Krish Kalyan Cess @ 0.5% on ₹ 27 lakhs	0.135	
	Total Service Tax	4.05	

6. (a) Nayar Machinery Manufacturers Ltd. sold a special machine to a customer. The details contract are as follows:

- (i) Net price—₹ 10,00,000
- (ii) Packing Charges charged extra— ₹ 12,000
- (iii) Erection and commissioning charged extra by separate debit note, for erection at the place of customer's factory— ₹ 60,000
- (iv) Charges for designing the special machinery by separate debit note— ₹ 50,000
- (v) Insurance Charges for despatch of machinery from factory to the place customer at actuals— ₹ 12,000
- (vi) Outward freight of machinery from factory to customer's place charged at actual — ₹ 20,000 extra
- (vii) CST charged extra at applicable rates against C form.
- (viii) Cash discount @2% was allowable on basic price if customer paid total amount before despatch of goods. The customer had made full advance payment.

Excise duty rate is 12.5% which was charged extra. Calculate:

- (A) Assessable Value of the machine
- (B) Excise duty payable
- (C) CST payable

5+1+4=10

(b) State goods which are eligible for concessional rate of central sales tax and conditions for the same. 6

**Answer:**

6. (a) Calculations of excise duty

Excise duty is not payable on the following -

- (i) erection and commissioning charges
- (ii) Insurance for dispatch of final product
- (iii) Outward freight
- (iv) CST.

Thus, aggregate sale price in respect of which excise duty' payable is as follows -

- (A) Basic price-₹ 10,00,000
- (B) Add - Design charges -₹ 50,000
- (C) Add - Packing charges - ₹ 12,000
- (D) Sub-total - ₹ 10,62,000
- (E) Less - Cash discount allowable as deduction - ₹ 20,000.

Hence, value = D-E = ₹ 10,42,000

Excise duty @ 12.5% = ₹ 1,30,250.

CST is payable on value + Excise duty i.e. on ₹ 11,72,250.

CST @ 2% = ₹ 23,445.

Note:

- (1) Deduction of design charges is not allowable as it is directly related to supply of special machinery
- (2) Packing charges are not allowed as deduction from the assessable value.
- (3) Cash discount is ₹ 20,000 [2% of ₹ 10,00,000]. This is allowable as deduction.

(b) All goods purchased by registered dealer are not eligible for concessional rate. Only

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those goods for which a dealer is eligible and which are contained in his Registration Certificate are eligible for concessional rate.

Section 8(3) of the CST Act indicates the goods which a registered dealer can obtain at concessional rate. Only those items can be incorporated in the registration certificate issued to him.

Conditions for which Goods can be purchased under concessional rate:

- (i) Goods as being intended for re-sale
- (ii) For use in the manufacture or processing of goods for sale,
- (iii) For use in telecommunication network or in mining or
- (iv) For use in generation or distribution of electricity or any other form of power
- (v) Container or other materials intended for the packing of goods for sale (i.e. primary packing materials)
- (vi) Container or other materials used for packing of any goods mentioned in point (i) or (iv) above (i.e. Secondary packing materials).

7. (a) **Jimco is a company which issues meal vouchers. Usually, the employer purchases these coupons and issue them either free or at concessional to employees as employee perquisite. The employee can go to any of the specified restaurants affiliated to Jimco. The employee gets food and pays for food through these vouchers. The sales tax department issued notice to Jimco to pay State Vat on these coupons at the rate applicable to food items. Advise the company with help of case law, if any.** 8

- (b) **Yamuna Assemblers are getting various components from customers. These were assembled by them to make water purification plant. This was done on job work basis only. Yamuna Assemblers received notice from excise department to pay excise duty on the plant. Advise the assessee with the help of case law, if any.** 8

**Answer:**

7. (a) The issue is similar to case decided by Supreme Court in Sodexo SVC India P Ltd. v. State of Maharashtra (2016) 53 GST 293 (SC).

It was observed that the vouchers are not transferable. These are 'pre-paid payment instruments'. These are 'Paper Based Vouchers' issued with permission of RBI under Payments and Settlement Systems Act, 2007'.

These are not 'goods', as these cannot be traded and sold separately. These are not transferable and cannot be traded.

- (b) The issue is similar to case decided by Supreme Court in Poonam Spark v. CCE (2015) 51 GST 812 (SC).

In this case, it was held that assembly of various parts to make water purification plant on job work basis amounts to 'manufacture', as new and identifiable product is coming into existence.

Hence, excise duty will be payable on full value of goods including the value of components.

8. **Answer any four questions from the following:**

**4x4=16**

- (a) **Explain Foreign going Vessel or Aircraft**



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- (b) Input Service Distributor (ISD)
- (c) Dealer as per VAT
- (d) Export Promotion Capital Goods (EPCG) Scheme
- (e) Explain SION

**Answer:**

8. (a) As per section 2(21) of the Customs Act, the foreign going vessel or aircraft means any vessel or aircraft for the time being in the carriage of goods or passengers between any port or airport in India and any port or airport outside India, whether touching any intermediate port or airport in India or not.

The following are also included in the definition:

- (i) A foreign naval vessel doing naval exercises in Indian waters
- (ii) A vessel engaged in fishing or any other operation (like oil drilling by domestic vessel or foreign vessel) outside territorial waters
- (iii) A vessel going to a place outside India for any purpose whatsoever.

- (b) In case of input service distributor registration under Service Tax provisions is compulsory irrespective of the turnover limit.

Input service distributor means an office managing the business of manufacturer or producer of final products or provider of output services, which receives invoices issued under Rule 4A of the Service Tax Rules, 1994 towards purchase of input services and issues invoice, bill or, as the case may be, challan for the purpose of distributing the credit of service tax paid under said services to such manufacturer or producer or provider, as the case may be. [Rule 2(m) of the CENVAT CREDIT RULES, 2004]

w.e.f. 11-7-2014 Manner of distribution of credit by input service distributor has been revised. The same has been explained under Rule 7 of the Cenvat Credit Rules, 2004.

Note: Swachh Bharat Cess (SBC) not eligible for CENVAT Credit.

W.e.f. 01.04.2016, manner of distribution of credit by input service distributor furthermore has been revised.

- (c) The term dealer includes —
- (i) Sole Proprietor
  - (ii) Partnership
  - (iii) Private Company
  - (iv) Public Company
  - (v) Government Enterprise
  - (vi) Club, Society or Association
  - (vii) Hindu undivided family

There are basically two categories of dealers under VAT law,

- VAT dealer, and
- Turnover Tax (TOT) dealer.

VAT dealer means a dealer who is registered for VAT. Input tax is applicable only to purchasing VAT dealers. Hence it is not applicable to a TOT dealer.

- (d) This scheme permits exporter to procure capital goods at concessional rate of customs duty/zero customs duty in return exporter is under an obligation to fulfill the export obligation.

Authorization shall be valid for 18 months from the date of issue of Authorization.

Import of capital goods shall be subject to 'Actual User' condition till export obligation

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is completed. After export obligation is completed, capital goods can be sold or transferred.

- (e) Standard Input Output Norms or SION in short is standard norms which define the amount of input/inputs required to manufacture unit of output for export purpose. Input output norms are applicable for the products such as electronics, engineering, chemical, food products including fish and marine products, handicraft, plastic and leather products etc. SION is notified by DGFT in the Handbook, and is approved by its Boards of Directors. An application for modification of existing Standard Input-Output norms may be filed by manufacturer exporter and merchant-exporter. The Directorate General of Foreign Trade (DGFT) from time to time issue notifications for fixation or addition of SION for different export products. Fixation of Standard Input Output Norms facilitates issues of Advance License to the exporters of the items without any need for referring the same to the Headquarter office of DGFT on repeat basis.

Basics Requirements of Standard Input Output Norms:

For fixation/modification of Standard Input Output Norms (SION) following details are required:

- Technical Details of the export product
- Chartered Engineer certificate certifying the import requirements of raw materials
- Production and Consumption data of the manufacturer/supporting manufacturer of the preceding three licensing years as given in serial no 3 of sub section XII, duly certified by the Chartered Accountant/Cost Accountant/Jurisdictional Excise Authority.