

INTERMEDIATE EXAMINATION

December 2017

**P-11(ITX)
Syllabus 2012**

Indirect Taxation

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 five questions.

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

Working notes should form part of the answer.

1. (A) Choose the best answer:

1×10=10

- (a) Central Excise Revenue Audit (CERA) is conducted by
- (i) Cost Accountant
 - (ii) Chartered Accountant
 - (iii) Office of CAG
 - (iv) Excise Department
- (b) Period of limitation for claiming customs duty refund is _____.
- (i) 6 months from the date of import/export
 - (ii) 6 months from the date of payment of duty and interest
 - (iii) one year from the date of import/export
 - (iv) one year from the date of payment of duty and interest
- (c) The portal used for filing Central Excise Returns is
- (i) ACES
 - (ii) CBEC
 - (iii) OLTAS
 - (iv) None of the above

Please Turn Over

- (d) Periodicity of filing Service Tax return (ST-3) by a partnership firm is
- (i) Monthly
 - (ii) Quarterly
 - (iii) Half-yearly
 - (iv) Annual
- (e) Small service providers exemption threshold for service tax purposes is
- (i) ₹ 5 lakhs
 - (ii) ₹ 15 lakhs
 - (iii) ₹ 10 lakhs
 - (iv) ₹ 50 lakhs
- (f) CAS 9 deals with
- (i) Material Cost
 - (ii) Repairs & Maintenance
 - (iii) Packing Material Cost
 - (iv) Pollution Control Cost
- (g) Under Foreign Trade Policy, the term "STPI" stands for
- (i) Software Traders Place in India
 - (ii) Software Technology Part of India
 - (iii) Small Traders & Practitioners in India
 - (iv) None of the above
- (h) CST is not chargeable on the following as it is not sale of goods:
- (i) Business
 - (ii) Copyright
 - (iii) Trade Mark
 - (iv) Advance License
- (i) Definition of service includes _____.
- (i) an activity
 - (ii) for consideration
 - (iii) Both
 - (iv) None of (i) and (ii)

- (j) Goods returned are not liable to sales tax if they are returned
- (i) by the buyer at any time in the financial year in which sale takes place.
 - (ii) within six months of the end of the financial year in which sale takes place.
 - (iii) within six months of sale.
 - (iv) within six months of sale but not-later than three months from end of the relevant financial year in which sale took place.

(B) Match the following:

1×5=5

| | Column A | | Column B |
|----|---|---|--------------------------------------|
| 1. | ACES | A | Jammu & Kashmir |
| 2. | White Colour BOE | B | Penultimate sale |
| 3. | IEC | C | Home consumption |
| 4. | Form H | D | Import Export Code |
| 5. | Excise Duty extends to whole of India including | E | Automation of Central Excise and S.T |

(C) Fill up the blanks:

1×5=5

- (a) Recovery of tax from buyer _____ (is/is not) and essential condition for levy of indirect taxes.
- (b) For claiming CENVAT credit relating to capital goods, an eligible capital asset _____ (should/need not) be in the name of the assessee.
- (c) Duty drawback rate shall not exceed _____ per cent of market price of export goods.
- (d) For service tax, an establishment of a person located in taxable territory and another establishment of such person located in non-taxable territory are treated as establishments of _____ (same/distinct) person(s).
- (e) Where goods purchased within the State are used for personal consumption, input tax credit _____ (can/cannot) be claimed in respect of such goods.

(D) State whether each of the following statement is correct or incorrect:

1×5=5

- (a) Plant & Machinery assembled and erected at site and embedded to earth shall be treated as goods and chargeable to excise duty.

- (b) A person aggrieved by the order of CESTAT in the matters of classification or valuation of goods can make an appeal before High Court.
- (c) Manufacturer of capital goods can avail 50% of the total duty relating to inputs directly delivered by a supplier to a job worker on the direction of the said manufacturer.
- (d) Buying commission is always includible in customs valuation.
- (e) Unbranded software is goods.
2. (a) (i) How do indirect taxes differ from direct taxes from the angle of nature of tax? 2
- (ii) In the context of psychology of taxpayer as regards manner of collection and payment, state the advantage of indirect taxes. Highlight the psychology of manufacturers in this context. 2
- (iii) State the types of entries contained in List III of the Seventh Schedule to the constitution of India. 2
- (b) State the procedure followed for collection of excise duty. 2
- (c) Madusudhan Wires Ltd. sells a product to the buyers at ₹ 363.94 per unit. This price includes excise duty at 12.5% and State VAT at 5%.
Additionally, as a routine practice, sales commission of 5% on cost tubes is given to the stockists.
Compute the assessable value (AV) of the product under excise law. 4
- (d) In central excise levy, when does the taxable event take place? Explain with an example. 3
3. (a) Discuss with brief reason, whether Aswin Pharma Ltd., a manufacturer is entitled to CENVAT credit in respect of the following items purchased in June, 2016: 5
- (i) Machinery purchased in the name of its sister concern Sriram Medico Pvt. Ltd., to whom raw materials are sent on job work basis.
- (ii) An open truck used inside its factory for moving raw materials and stores.
- (b) Vasudha Coils Ltd. (VCL), an Indian company was the receiver of service from an associated enterprise based in Singapore viz., Grey Inc. (GI). Taxable services were received by it on 03-07-2016. Following further details are available:
- * Invoice raised by GI for USD 12,000 on 23-07-2016.
 - * Above transaction recorded in books of VCL on 03-08-2016.
 - * Payment made to GI by VCL on 29-08-2016.
- You are required to determine the point of taxation based on above details. 4

(c) What are the methods of valuation for customs duty? Is it mandatory that they should be applied sequentially? 6

4. (a) Mr. Shyam, an importer, imported certain goods CIF value was US \$ 22,000 and quantity 1100 kgs. Exchange rate was 1 US \$ = ₹ 70 on date of presentation of Bill of Entry. Customs Duty rates are:

- (i) Basic Customs Duty 10%,
- (ii) Education Cess 2%,
- (iii) SAH Education Cess 1%.

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 on these goods.

The anti-dumping duty will be equal to difference between amount calculated @ US \$ 35 per kg. and "landed value" of goods. Compute Customs Duty liability and anti-dumping liability.

7

(b) The following information is furnished by Mr. Varun on 8th June 2016, in respect of articles of jewellery imported from USA in the month of April 2017:

| | |
|---|---------------|
| FOB value | \$ 25,000 |
| Exchange rate | \$ 1 = ₹ 68 |
| Air freight | \$ 6,500 |
| Insurance Charges | Not known |
| Loading Charges | ₹ 1,000 |
| Basic customs duty | 10% |
| Excise duty chargeable on similar goods in India as per tariff rate | 12.5% |
| Additional duty of customs u/s 3(5) of the Customs Tariff Act, 1975 | As applicable |

Calculate the total customs duty payable by Mr. Varun.

8

5. (a) What is meant by 'Importer Exporter Code number' (IEC)? State the procedure for obtaining IEC number. When is the quoting of IEC number *not* require for import/export? 4
- (b) Who are the administrative authorities involved in the formulation and administration of FTP in India? 4
- (c) Outline the salient features of the Post Export EPCG (Export Promotion Capital Goods) Duty Credit Scrip schemes. 4
- (d) Describe the benefits in case of supply to EOUs (Export Oriented Units) from DTA (Domestic Tariff Area) units, other than deemed exports. 3
6. (a) ABT transport providing goods transport services. 'A Ltd.' sold goods from Mumbai to 'B Ltd.' of Chennai. Freight charged by ABT transport for transporting said goods is ₹ 1,00,000 (exclusive of ST) as per consignment note, dated 1st July 2015. Freight paid by A Ltd. on 15th September 2016.

You are required to answer:

- (i) Name of provider of service and recipients of service.
- (ii) Who is liable to pay service tax and why?
- (iii) Due date of payment of service tax.
- (iv) Service Tax liability. 6
- (b) X Ltd. filed the ST-3 return on 30th November 2016 for the period from 1st April, 2016 to 30th September, 2016. Subsequently on 1st February, 2017, some mistakes were found in the ST-3 return which was originally submitted on 30th November, 2016. Service tax authorities rejected the revised return filed by the X Ltd. on 5th February, 2017, since the revised return was filed by the assessee after 90 days from the due date of filing the return (i.e. 25th October, 2016). Is the action of the department correct? 4
- (c) Answer the following with reference to the Finance Act, 1994 as amended relating to applicability of service tax:
- Service provided by educational institutions like IIMs by charging a fee from prospective employers like corporate houses regarding recruiting candidates through campus interviews. 5

7. (a) (i) M/s Raj Builders, a works contractor, has furnished the following details to you:
- (A) Total contract price (excluding VAT) — ₹ 50 lakhs
 - (B) Labour charges paid for the execution of the contract — ₹ 20 lakhs
 - (C) Cost of consumables used not involving transfer of property in goods — ₹ 2 lakhs
 - (D) Material purchased and used for the contract taxable @ 14.5% Vat (VAT included) — ₹ 25 lakhs
- The contractor also purchased a plant for use in the contract for ₹ 9.50 lakhs. In the VAT invoice relating to the same VAT was charged @ 5% separately and the said amount of ₹ 9.50 lakhs includes VAT. Assume 50% input credit on capital goods.
- Determine the taxable turnover, input tax credit and net VAT payable by Raj Builders. Assume output VAT at 14.5%. 5
- (ii) Explain the distinction between “Zero rated sales” and “Exempt sales”. 3
- (b) Vasudha & Co., is a dealer in consumer durables, chargeable to CST @ 2% For the year ended 31.03.2017, the dealer has shown total turnover (excluding CST) at ₹ 25.00 lakhs. In the above, the dealer has added the following amounts:
- (i) Dharmada collected from buyers, shown separately in invoice ₹ 15,000;
 - (ii) Weighment charges incidental to sales ₹ 5,000;
 - (iii) Indemnity/Guarantee charges collected from buyer to cover loss during transit ₹15,000;
 - (iv) Cash discount allowed to buyer ₹ 10,000.
- The dealer has made the following transactions which were not added in the total turnover. 7
8. (a) Outline the issues related to intangibles in the context of transfer pricing. 6
- (b) State whether the following are associated enterprises, in the context of transfer pricing provisions: 4
- (i) A Finance (non-corporate) guarantees loan taken from Sun Finance by Moon & Co. (P) Ltd. for a term loan of ₹ 12 crores taken from a bank. A & Co. (P) Ltd. has a total borrowing of ₹ 90 crores.

(ii) LMN Investments has advanced loan of ₹ 30 crores to PQR Ltd. The book value of total assets of PQR Ltd. is ₹ 80 crores, but the market value is ₹ 55 crores.

(c) From the details of independent transactions given below, determine the point of taxation for each case for the purposes of service tax: 5

| Sl. No. | Date of completion of service | Date of issue of invoice | Date of receipt of payment |
|---------|-------------------------------|--------------------------|---|
| (i) | 11-01-2017 | 25-02-2017 | 20-02-2017 |
| (ii) | 11-01-2017 | 05-02-2017 | 50% on 03-02-2017 and balance on 28-02-2017 |