

INTERMEDIATE EXAMINATION

JUNE 2014

INDIRECT TAXATION

P-11(ITX)

Syllabus 2012

Time Allowed: 3 Hours

Full Marks : 100

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

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

Working notes should form part of the answer.

Group A

Answer Question No. 1 which is compulsory

1. Answer the following questions with suitable reasons: 2×10=20

- (i) 'Ownership of raw material is not relevant to determine excise duty liability'. Explain with reference to the condition for levy of excise duty.
- (ii) State significance of single dash and double dash in classification of goods under Central Excise Tariff.
- (iii) An assessee is selling 20% of his production through related persons and 80% is being sold to unrelated persons. How the goods sold to related persons should be assessed?
- (iv) A unit in Special Economic Zone (SEZ) has manufactured and supplied some goods to Indian customer. Which duty will be payable on such supplies?
- (v) Explain briefly when pilferage should have occurred for purpose of eligibility for remission from duty of customs under section 13 of the Customs Act, 1962.
- (vi) A non-executive director of a company is receiving sitting fees and commission of ₹ three lakhs from a private limited company. Is service tax payable? Under which head? Who is liable to pay service tax?
- (vii) A service was provided on 15th April, 2014. What would be point of taxation in each case, if invoice was raised on (a) 15th April, 2014 (b) 14th May, 2014 (c) 30th June, 2014?
- (viii) State (a) restrictions on State Governments on imposing sales tax on 'goods of special importance' (b) Provision if goods of special importance are purchased within the State and sold inter-state.
- (ix) List the goods which have been kept outside Vat provisions as per White Paper released on Vat.
- (x) Which entry in Seventh Schedule to Constitution of India is relevant for purpose of imposition of service tax?

Group B

Answer any eight questions out of the ten questions given

2. (a) Cost of a machine manufactured by a manufacturer was ₹ 10 lakhs. It was high due to some factors beyond his control. Some of his competitors were selling the similar machine for ₹ 7 lakhs. Hence, the manufacturer decided to sale the machine at a loss to penetrate the market. Excise department contended that excise duty should be payable on basis of cost of production, even if the machine is sold at lower price. Advise the manufacturer about the correct legal position. 4
- (b) Explain difference between duty drawback under section 74 of Customs Act and section 75 of Customs Act. 3

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- (c) A dealer claims that he has sent some goods out of State on stock transfer basis. What evidence he is required to produce before sales tax officer to prove the stock transfer? If he is unable to produce that evidence, what are the consequences? 3
3. (a) 'Narima Business Services', a proprietary firm, is a labour contractor supplying manpower to Garmil Interiors Pvt. Ltd. (Principal Employer). During October 2014, the wages paid to the labourer by Narima Business Services were ₹ 1,40,000. They had paid employer's provident fund contribution of ₹ 12,000 and ESIC contribution of ₹ 6,500. They also charged ₹ 14,000 as their service charges. Calculate the service tax to be charged and payable by Narima Business Services. 5
- (b) XYZ Ltd., a small scale manufacturer, purchased machine on 1.7.2010 for ₹ 10,00,000 on which excise duty paid @ 10.30% was ₹ 103,000. He availed the Cenvat credit and utilised the capital goods. On 2.10.2014 he sold the machinery as second hand goods for ₹ 7,00,000. At the time of sale, the excise duty payable was 12.36%. State what steps he is required to take to comply with statutory provisions. 5
4. (a) Determine liability of Vat of X Ltd. for the month of December 2013, using invoice method of computation, from the following data:
- (i) Purchase price of goods acquired from local market (including State Vat @ 4%) ₹ 104 lakhs
 - (ii) Manufacturing cost including transportation, insurance, handling and warehousing cost incurred by X Ltd. ₹ 8,50,000
 - (iii) Goods sold at a profit margin of 14% of cost
 - (iv) Vat rate on sale of goods 12.50%. 4
- (b) State salient features of EPCG scheme under Foreign Trade Policy. 3
- (c) Discuss relevance of customs valuation in transfer pricing mechanism. 3
5. (a) Explain the method to be adopted for distribution of Cenvat credit by Input Service Distributor (ISD) under Cenvat Credit Rules. 4
- (b) What is meant by 'Indian customs water' under section 2(28) of Customs Act, 1962? 3
- (c) State the time limit for filing appeal before Commissioner (Appeals) in service tax. Can he condone delay in filing appeal? How much? If appeal is filed even beyond that limit, which authority can grant further condonation of delay in filing appeal? 3
6. (a) '3C' is a firm of consulting engineers. The value of services provided by them during 2012-13 was ₹ forty five lakhs. They raised a bill dated January 25, 2014 for ₹ 1,12,360 (inclusive of service tax at 12.36%). The client made part payment of ₹ 56,180 on 4th February, 2014. How much service tax should be paid by '3C'? What would be the due date of payment of service tax? Will there be any change in your answer if value of services provided by them during 2012-13 was ₹ 60 lakhs? 5
- (b) Which dealers are not eligible to opt for composition scheme under Vat regime? 5
7. (a) Compute assessable value and excise duty payable under Central Excise Act, 1944 in respect of following transactions during March 2014:
- (i) Opening stock – Nil. Production – 2,000 units in March, 2014
 - (ii) Quantity sold – 450 units @ ₹ 200 per unit on 5.3.2014 and 650 units @ ₹ 190 per unit on 15.3.2014 (exclusive of excise duty and Vat)
 - (iii) Free Samples cleared on 17.3.2014 – 50 units
 - (iv) Balance in stock on 31.3.2014 – 850 units
 - (v) Cost of production – ₹ 100 per unit.
- General rate of excise duty is applicable without any exemption. What is due date of payment of excise duty? 4

- (b) In what circumstances safeguard duty can be imposed by Central Government? 3
- (c) Briefly explain provisions relating to 'educational service' covered under the negative list of services. 3
8. (a) A dealer purchased goods within Maharashtra for ₹ 10,00,000 during 2013-14. He paid State Vat @ 5%. The dealer sold the goods in inter-state sale for ₹ 12,50,000 against C form. Can the dealer claim any refund? How much? What is the condition? 3
- (b) Explain provisions relating to service tax on restaurant service. 4
- (c) What is meant by export of service? 3
9. (a) Assessee imported certain items from USA and the CIF value is ₹ 70,000. The imported items are in a package containing 500 individual packages with RSP (Retail Sale Price) of ₹ 200 per package. The items of import are subject to valuation under section 4A of Central Excise Act, 1944 based on RSP with an abatement of 30% on the RSP for purpose of duty. The rate of excise duty is 12% ad valorem and education cess as applicable. The items are subject to basic customs duty at 10%. Calculate the additional duty of customs (CVD) under section 3(a) of the Customs Tariff Act, 1975. 4
- (b) P Ltd. of Mumbai has provided service of beautification of a flat located in Mumbai. The flat belongs to a person who is resident of Kashmir. What is the place of provision of service? Whether service tax will be payable by P Ltd.? Explain with reference to Place of Provision of Service Rules. 3
- (c) Enumerate transactions which are defined as 'deemed sale of goods' under Constitutional provisions. 3
10. (a) State whether Cenvat credit can be availed on the following input services:
 (i) Works contract service relating to construction of factory building;
 (ii) Goods transport service for inputs;
 (iii) Sales promotion expenses;
 (iv) Rent-a-cab service utilised to carry employees from home to factory and back. 4
- (b) Following particulars are available in respect of certain goods imported into India by air –
 FOB Price – US\$ 30,000. Exchange rate notified by RBI 1 USD = ₹ 60.70. Exchange rate notified by CBE&C-1 USD = ₹ 60.90. Compute the assessable value of goods as per Customs Act, 1962. The importer is unable to give details of freight and insurance expenses. 4
- (c) Write a note on 'penultimate sale' under Central Sales tax Act. 2
11. (a) Speedway Works Ltd. have carried out following works which are liable to sales tax as it is works contract involving transfer of property in goods during the course of performance of work. You are required to calculate value of the service and the service tax payable from the following particulars:
 (i) New construction of work – ₹ 5 lakhs;
 (ii) Supply, erection and commissioning of new plant and machinery – ₹ 150 lakhs;
 (iii) Repairs and maintenance of immovable property – ₹ 3 lakhs.
 These amounts are excluding service tax and Vat. 4
- (b) Explain purpose of Advance Authorisation under Foreign Trade Policy. 4
- (c) Distinguish between yellow bill of entry and green bill of entry under Customs Act. 2