

INTERMEDIATE EXAMINATION

JUNE 2015

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.

All questions are compulsory. In question No. 1, all sub-questions are compulsory. In question Numbers 2 to 8, student may answer any two of the three sub-questions (a), (b) and (c).

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

Working notes should form part of the answer.

1. Answer the following questions with suitable reasons: 1×20=20
- (a) A State Government prescribed Vat rate on a product as follows:
(i) Goods manufactured within State – 5%.
(ii) Goods brought from outside State and sold within State – 12.5%.
State constitutional validity of the provision.
- (b) State when invoice is required to be issued if goods are manufactured and captively consumed within factory.
- (c) In Central Excise Tariff, how many digits are used to indicate a Tariff Item?
- (d) A manufacturer took Cenvat credit of service tax paid by him on consultancy services of ₹ 10,000 on 20.5.2014, on basis of invoice of the consultant dated 15.5.2014. He made payment of the bill to the consultant on 27.12.2014. Advise the manufacturer if any action is required on the part of manufacturer.
- (e) Assessee was claiming classification of his goods under chapter heading 84. However, CESTAT (Tribunal) had passed order classifying the goods under another chapter heading. Assessee intends to file appeal against decision of Tribunal. Advise where he should file appeal.
- (f) State distinction between Indian Customs Water and Territorial Waters, so far as coverage of area is concerned.
- (g) A vessel MV Jayadeep sailing from Australia to USA via India was carrying various goods. Name A, B and C. Goods A and B were unloaded at Kolkata port while goods C were carried further without unloading. Whether goods C are imported goods, export goods, transit goods or transhipped goods?
- (h) An importer kept imported goods in customs bonded warehouse on 15.7.2014 and cleared the goods from customs on 13.12.2014 on payment of customs duty. Is he liable to pay interest? State reason.
- (i) An importer imported some inputs free of duty under Advance Authorisation. He exported the final product and fulfilled export obligation. Even after that, he has some excess stock of imported inputs. Can he sell the same?
- (j) An importer intends to import raw material valued at ₹ one lakh under 'Duty Free Import Authorisation' (DFIA). He wishes to know what is the minimum FOB value of exports he is required to achieve by exporting products made out of the imported raw material. Advise him.
- (k) A tax consultant in India provided consultancy service in India to a foreign diplomat in his personal capacity. The consultancy was in respect of his personal income tax issues. Is the service taxable?

Please Turn Over

- (l) AB Ltd. is liable to pay service tax of ₹ 50,000 on 6th August, 2014. However, he paid duty on 16th August, 2014 on his own with interest, without any show cause notice. How much penalty is payable?
- (m) A newspaper company charged ₹ 1,00,000 for an advertisement received by it through Advertisement Agent. The newspaper paid ₹ 15,000 as commission to the Advertisement Agent. Calculate service tax payable by newspaper company.
- (n) A telephone company issued invoice for month of December 2014 for net amount of ₹ 1,500, excluding service tax. Invoice was issued on 15.1.2015. How much service tax the telephone company should charge in the invoice?
- (o) Name two services covered under definition of 'continuous supply of service'.
- (p) Who is required to issue F form under Central Sales Tax Act and to whom?
- (q) At what frequency C form is required to be issued?
- (r) A manufacturer purchased 1,000 kg of inputs @ ₹ 100 per kg. Vat rate was 5%. During transit 50 kg were stolen and the manufacturer received 950 kg in his factory. Calculate the input tax credit available to the manufacturer.
- (s) In an international transaction with group company, actual transaction value was 10,000 US Dollars. The average of arms length price determined by Income Tax Officer was 10,250 US Dollars. The Income Tax Officer proposes to add the difference to the profit of Indian company. Advise the company.
- (t) In certain circumstances, the Income Tax Officer is required to accept the transaction price without requiring the assessee to submit detailed data for calculating arm's length price. Where these circumstances are specified in law?
2. Answer *any two* of the three sub-questions (a), (b) and (c): 2×2=4
- (a) Service tax cannot be imposed on a transaction which is covered entirely within powers of State Government. Is it correct? State your view giving reasons. 2
- (b) Why direct taxes are termed as 'progressive' and indirect taxes are termed as 'regressive'? 2
- (c) State the purpose of constituting 'Large Taxpayer Unit' (LTU). 2
3. Answer *any two* of the three sub-questions (a), (b) and (c): 8×2=16
- (a) (i) State situations where a manufacturer can claim remission of excise duty on manufactured goods. Whether such remission is admissible before goods are removed from the factory or after removal of goods from the factory or in both the cases? 3
- (ii) A manufacturing unit has effected clearances of goods of the value of ₹ 610 lacs during the Financial Year 2014-15. The said clearances include the following:
- (1) Clearance of excisable goods without payment of excise duty by a EOU unit – ₹ 130 lacs
- (2) Job work in terms of notification no. 214/86-CE – ₹ 80 lacs
- (3) Export to Bhutan – ₹ 70 lacs
- (4) Export to USA – ₹ 30 lacs
- (5) Goods manufactured in rural area with the brand name of the others – ₹ 90 lac
- Is the unit eligible for excise exemption during 2015-16? 5

- (b) (i) A Ltd. manufactured dutiable goods of ₹ 10 lakhs and exempted goods of ₹ 5 lakhs (excluding taxes and duties). The total Cenvat credit available to him on input goods and input services is ₹ 25,750. A Ltd. is not in position to bifurcate this credit between dutiable goods and exempted goods. Advise A Ltd. on best course of action. 3
- (ii) Compute assessable value of excisable goods for levy of Central Excise and excise duty payable, on basis of following information: 5
- Gross Price excluding Vat of ₹ 2,500, but including applicable excise duty—₹ 25,000
 - Packing cost (charged separately in invoice but included in aforesaid gross price)—₹ 2,500
 - Cost of durable and returnable packing used for transporting goods upto destination (not charged in invoice)—₹ 3,000
 - Outward freight arranged at request of customer and charged separately in invoice (included in aforesaid gross price)—₹ 2,250
 - Trade discount (given as deduction from aforesaid gross price)—₹ 1,500
 - Rate of excise duty—12.50% (ignore education cess)
- (c) (i) Are goods manufactured in Special Economic Zone (SEZ) excisable goods? Is supply made by DTA unit to SEZ unit 'export' for purpose of Central Excise? 2+1=3
- (ii) Deepika Auto Components (manufacturer) cleared manufactured products, during March, 2014. Duty payable was as follows—Basic excise duty—₹ 56,000, National Calamity Contingent Duty (NCCD)—₹ 2,000, Education Cess—₹ 1,160 and SAH Education cess—₹ 580. The manufacturer received inputs on which duty paid was as follows—Basic duty—₹ 50,000, education cess—₹ 1,000 and SAHE cess—₹ 500. He also received various input services, on which tax paid was as follows—Service tax—10,000, Education cess—₹ 200 and SAH Education cess—₹ 100. There was no opening balance in his Personal Ledger Account.
- State the duty payable by him for March 2014. What is the due date of payment of duty? What the manufacturer can do with that excess Cenvat credit? 3+1+1=5
4. Answer *any two* of the three sub-questions (a), (b) and (c). 6×2=12
- (a) (i) What is 'high seas sale'? State the basis on which goods imported are to be valued for customs duty purposes. 2
- (ii) Calculate customs duty payable on basis of following information— 4
- (1) Assessable value of goods as per section 14 of Customs Act—₹ 1,00,000
 - (2) Basic customs duty—10%
 - (3) Excise duty rate 12.50%
 - (4) Education cess and secondary higher education cess on excise duty is exempt by way of notification
 - (5) The product is covered under MRP valuation provisions. The imported goods contained 1,000 packages. MRP printed on each package is ₹ 200. The abatement available on MRP is 40%
- (b) (i) Name the methods of valuation of export goods. 2
- (ii) State purpose of levying additional duty (special additional duty) under section 3(5) of Customs Tariff Act. 2
- (iii) State distinction between section 74 and section 75 of Customs Act in relation to duty drawback. 2

Please Turn Over

- (c) (i) Bill of Entry for clearance for home consumption was presented on 3rd May, 2015. The ship was granted entry inwards on 15th May 2015, Customs duty was assessed on 17th May, 2015. Customs duty was paid on 20th May, 2015 and goods were cleared from customs on 22nd May, 2015. Which is date relevant for rate of customs duty and valuation? 2
- (ii) Mrs. Latika and Mr. Suraj Prakash, Indian residents, after visiting Paris for seven days, returned to India on 5.2.2015. They brought following goods—
- (1) personal effects like cloths, etc.—₹ 1,39,000
 - (2) Two laptop computers valued at ₹ 89,000 and 84,000
 - (3) One personal computer—₹ 36,000
 - (4) Two litres of liquor—₹ 3,200
 - (5) One specialised new camera with invoice in name of Mrs. Latika Prakash—₹ 97,400
- Compute the customs duty payable 4
5. Answer any two of the three sub-questions (a), (b) and (c). 4×2=8
- (a) State provisions relating to import and export of gift articles in Foreign Trade Policy. 2×2=4
- (b) (i) Which is RCMC? 1
- (ii) An exporter has got good export orders. He requires an imported machinery to fulfil those export orders. He seeks your advise in the matter. Advise him about a scheme suitable to him and its conditions relating to exports. 1+2=3
- (c) State purpose of SION. Which authority fixes SION (Standard Input Output Norms)? What are the conditions to obtain Advance Authorisation even if SION is not fixed for his product? 2+1+1=4
6. Answer any two of the three sub-questions (a), (b) and (c). 10×2=20
- (a) (i) A service provider filed his half yearly return for the period April, 2014 to September, 2014 on 20th October, 2014. Later he realised that there was mistake in the return. Upto what date he can file revised return? What would be your answer if he had filed original return on 5th December, 2014? 2+1=3
- (ii) A service provider commenced provision of service. The details are—
- (1) Date of commencement of business—1.4.2014
 - (2) Achieved turnover of ₹ 5 lakhs—1.7.2014
 - (3) Achieved turnover of ₹ 9 lakhs—1.9.2014
 - (4) Achieved turnover of ₹ 10 lakhs—1.10.2014
 - (5) Achieved turnover of ₹ 20 lakhs—31.3.2015
- State the last date on which he is required to apply for registration under service tax. What is maximum penalty imposable for late registration? 2+1=3
- (iii) Grand Security Services, a proprietorship firm, provided security services to JES Fabricators Ltd. The bill for services provided during 2014-15 was as follows:
- (1) Salary of security guards ₹ 20,00,000
 - (2) ESI paid on wages of security guards— ₹ 50,000
 - (3) Provident fund paid on wages of security guards—₹ 1,00,000
 - (4) Supervision-charges—₹ 3,00,000
- Calculate the service tax payable by Grand Security Services. 4

- (b) (i) An Indian company provided services to a Dubai firm, in relation to organisation of IPL in Dubai. Advice whether the service is subject to service tax. Give reasons for your view. 3
- (ii) Value of services provided by M/s Clean and Clean (a proprietary firm) during 2013-14 was ₹ 55 lakhs. For the quarter ending June, 2014, the service tax payable was ₹ 20 lakhs. It was actually paid on 9th October, 2014. Calculate the interest payable by the assessee. 3
- (iii) Deepak Construction Ltd. (contractor) obtained contract for construction of a factory building of Jeevan Food Processors [a partnership firm]. The contract was with material for total value of ₹ 20 lakhs. However, the customer was required to supply steel required for construction free of cost. Accordingly, the customer supplied steel valued at ₹ 2 lakhs to the contractor. Calculate service tax payable by the contractor. 4
- (c) (i) When can a Central Excise Officer make best judgement assessment of service tax liability of a person? 2
- (ii) 'Refrain from act or tolerating an act or situation' is a 'declared service'. Name any four activities which can be subjected to service tax under this 'declared service'. 2
- (iii) A hotel provided following services:
- (1) Hotel room with daily rent—₹ 1,500 (availed eligible Cenvat credit)
 - (2) Hotel room with daily rent—₹ 900 (did not avail Cenvat credit)
 - (3) Renting of motor vehicle with driver—₹ 1,800 (did not avail any Cenvat credit)
 - (4) Renting of hall for marriage with food—₹ 10,000 (availed eligible Cenvat credit)
- Calculate service tax liability in each case. 1.5×4=6

7. Answer any two of the three sub-questions (a), (b) and (c): 6×2=12
- (a) (i) XYZ Ltd. made an inter-state sale of ₹ 10 lakhs plus CST @ 2% on 16.7.2014. State Vat rate on those goods is 13.5%. The goods were returned by customer on 12.2.2015 as non-saleable. Calculate how much CST would be payable. 3
- (ii) Small dealers are eligible for composition scheme under Vat. However, some dealers are not eligible for composition scheme of Vat, even if they are not small dealers. 3
- (b) (i) Bims Traders, a registered dealer in Haryana made total interstate sale of ₹ 16,00,000 (including CST @ 2%) during 2014-15, as per invoices issued. These include installation charges of ₹ 25,000 charged separately and outward freight and insurance charges incurred at request of buyer and charged separately in invoice ₹ 60,000. The total sale value also included excise duty of ₹ 80,000. The dealer had given trade discount of ₹ 48,000 by way of a credit note. Goods worth ₹ 40,000 were sold on 6.6.2014 and returned on 1.12.2014. The buyers had issued C form for all invoices. Calculate CST payable. 4
- (ii) A borrower had taken loan from Bank on basis of pledge of gold. The borrower failed to repay loan and interest. Hence, gold was sold by bank to recover the loan amount. Vat department is demanding Vat on this sale. Bank states that it is not business of bank to sell gold. Advise Bank. 2
- (c) (i) A dealer purchased goods from a manufacturer on payment of ₹ 11,50,000. It was including Vat. He fixed selling price considering margin of 20% on net purchase price. VAT rate on both purchases and sales is 15%. Calculate his selling price and net Vat payable by him in cash. 4
- (ii) What is TIN in VAT? 2

Please Turn Over

8. Answer any two of the three sub-questions (a), (b) and (c): 4×2=8
- (a) State relevance of 'arm's length price' in international transactions between associated companies. 4
- (b) AMF Electronics Ltd. an indian company, declared income of ₹ 9 lakhs for the AY 2014-15. While scrutinising the records, it was found by Income Tax Officer that the Indian company had sold 100 electronic gadgets to its foreign parent company PFM Inc. @ 60 dollars per piece. 70 pieces of similar gadgets were sold to another unrelated company in USA @ 100 dollars per piece. Compute the taxable income of AMF Electronics Ltd., explaining the method you will apply. Exchange rate of dollars may be taken as one dollar = ₹ 60. 4
- (c) (i) In case of royalty paid by an Indian company to a company in USA for technical services, what is the rate of tax to be deducted at source? 2
- (ii) An Indian company is required to pay ₹ 1,00,000 to a German company for technical knowhow. It deducted ₹ 10,000 as income tax at source and paid ₹ 90,000 to the German company. On what amount the Indian company will be liable to pay service tax under reverse charge? 2

C