

Paper-11 Indirect Taxation

Time Allowed: 3 hours

Full Marks: 100

Group-A **(Answer Question 1 which is compulsory)**

Question 1.

Answer the following questions with suitable reasons:

- (a) Whether mere bringing together of parts of a plant and machinery at site can be termed as manufacture?
- (b) "VAT helps in checking tax evasion and in achieving neutrality." — Is the statement true? Justify.
- (c) Whether imports of samples are duty free in customs?
- (d) What is the value of taxable services of transport of passengers of air if the amount charged from passengers for flights starting from London to Mumbai ₹350 lakhs (exclusive of service tax)?
- (e) A manufacturer puts labeling on packaged products which is produced by him. Is such labeling amounted to manufacture?
- (f) Mr. X, a dealer in Delhi, transfers property in goods to Ram of Bangalore without any consideration. Is the transfer chargeable to CST?
- (g) What are intermediary services?
- (h) Can the rate of drawback be determined provisionally by the exporter?
- (i) A manufacturer produces a product which is not sold but supplied to a related person who consumes it in his production process. What will be the valuation for such captive consumption?
- (j) How goods are classified under "Harmonised System of Nomenclature"?

[10×2]

Question 2.

- (a) Ronny Ltd., a small scale manufacturer had achieved sales of ₹ 91 lakhs in 2011-12. Turnover achieved during 2012-13 was ₹ 1.67 crores. Normal duty payable on the product is 12% plus education cesses as applicable. Find the total excise duty paid by Ronny Ltd. during 2012-13 (1) If the unit has availed Cenvat credit, (2) If the unit has not availed Cenvat credit. [The turnover is without taxes and duties].
- (b) Write down the differences between direct tax and indirect tax.
- (c) Mr. Sen, a manufacturer sells goods to Mr. Mehta, a distributor for ₹ 2,000 (excluding of VAT). Mr. Mehta sells goods to Mr. Kumar, a wholesale dealer for ₹ 2,400. The wholesale dealer sells the goods to a retailer for ₹ 3,000, who ultimately sells to the consumers for ₹ 5,000. Compute the Tax Liability, input credit availed and tax payable by the manufacturer, distributor, wholesale dealer and retailer under Invoice method assuming VAT rate @ 12.5%.

[3+4+3]

Question 3.

- (a) Nayantara Ltd. filed its service tax returns for the half years ending on September 2012 and March 2013 on 25-11-2012 and 31-7-2013. The two half yearly returns show a service tax liability of ₹2,50,000 and ₹1,20,000 respectively. Is any late fee/fine payable by Nayantara Ltd.? If yes, what is the quantum of such fee in both the cases? Will your answer be different if Nayantara Ltd. files a nil return for the half year ending on September 2012?
- (b) Define arm's length principle. Also mention the difficulties in applying the arm's length principle.

[4+6]

Question 4.

- (a) Reenee Ltd. imported a lift from Germany at an invoice price of ₹25,00,000. The assessee had supplied raw material worth ₹5,00,000 to the supplier for the manufacture of said lift. Due to safety reasons, the lift was not taken to the jetty in the port but was unloaded at the outer anchorage. The charges incurred for such unloading amounted to ₹25,000 and the cost incurred on transport of the lift from outer anchorage to the jetty was ₹50,000. The importer was also required to pay ship demurrage charges ₹12,000. The lift was imported at an actual cost of transport ₹45,000 and insurance charges ₹20,000. Compute its assessable value.
- (b) The RR Airport used to collect 'users fee' @ ₹800/- for every outgoing international passenger. No users' fee was payable by domestic passengers and/or international passengers reaching the Airport from any foreign destination.

The Department sought to levy service tax thereon under 'Airport Services'.

The RR Airport contended that the user's fee is not for any service rendered, as the same is not charged from all passengers (to whom equivalent services are provided) but is charged only from outgoing international passenger. The assessee submitted that the same is charged in view of Board of Director's decision to collect users' development fee for enhancing the revenue of the Airport to cope up with the expenditure and debt servicing? Discuss whether the view taken by the Department is correct.

- (c) What types of restrictions and conditions are imposed on declared goods (section 15 of CST Act, 1956)?

[4+3+3]

Question 5.

- (a) "Advance Authorisation' is not transferable, while material imported under DFIA will be transferable after fulfillment of export obligation." — Write about Advance Authorisation and DFIA (Duty Free Import Authorisation) in this context.
- (b) Having regard to the provisions of section 4 of the Central Excise Act, 1944, compute the assessable value of the excisable goods, for levy of duty of excise, given the following information:

(Amount in ₹)

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Cum-duty wholesale price including sales tax of ₹2,000	15,500
Normal secondary packing cost	1,000
Cost of special secondary packing	1,500
Cost of durable and returnable packing	2,000
Freight	750
Insurance on freight	200
Trade discount (normal practice)	1,000
Rate of excise duty as per Tariff (add EC and SAHEC)	12% Adv.

Also state the reasons for the admissibility or otherwise of the deductions.

(c) What is the place of provision of services relating to events?

[4+5+1]

Question 6.

- (a) Compute the amount of interest (if any) as per Customs Act, 1962 in the following case: Piano Ltd. imported goods valuing ₹ 300 lakhs vide a Bill of Entry presented before the proper officer on 01-11-2012, on which the rate of customs duty was 10%. The proper officer decided that the goods are subject to chemical examination and therefore, the same were provisionally assessed at a value of ₹ 300 lakhs and Piano Ltd. paid provisional duty ₹ 30 lakhs on the same date. Piano Ltd. wants to voluntarily pay duty of ₹10 lakhs on 15-12-2012. Can it do so what are the conditions which are to be completed before such payment.
- (b) What are the issues relating to risk regarding transfer pricing in India?
- (c) What is Negative List in service tax? Give an example of two such services which is included in negative list and their exceptions.

[3+2+5]

Question 7.

- (a) Mr. Zed reported sales turnover of ₹ 35,00,000. This includes the following:
- (a) Excise duty ₹ 3,23,540; and
 - (b) Deposit for returnable containers and packages ₹ 5,00,000.
- Sales Tax was not included separately in the sales invoice.
Compute tax liability under the CST Act, assuming the rate of tax @ 2%.
- (b) Mr. Maity presents the following details for the quarter ending 31st March, 2013 —
1. Opening balance of input VAT credit as on 01.01.2013: ₹25,500.
 2. Inputs purchased during 01.01.2013 to 31.03.2013: ₹40 lakhs.
 3. Within the state sales of manufactured goods: ₹55 lakhs.
 4. Inter-state sales: ₹6 lakhs.
- CST rate is 2%. There was no inventory as on 01.01.2013 or 31.03.2013. The VAT laws governing Mr. Maity provide for the return of input VAT credit after the end of the first financial year itself.

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VAT rate is 12.5% on inputs and 4% on sales. Compute the amount of refund available to Mr. Maity.

- (c) Write a short note on Export Promotion Councils (EPC). Also give the reference of Registration Cum Membership Certificate (RCMC) in that context.

[3+3+4]

Question 8.

- (a) "The input service distributor may distribute the CENVAT CREDIT in respect of the service tax paid on the input service to its manufacturing units or units providing output service, subject to the following conditions" — List out those conditions.
- (b) An importer has imported certain goods and while determining the assessable value, landing charges @ 1% of CIF value were added. The importer has claimed that actual landing charges are much lower than 1% of the CIF value in his case. You have been asked to advise whether the importer can file a bill of entry by adding actual landing charges instead of notional 1% of CIF value or not.
- (c) Ananda & Co. manufactured 1,000 units of Product A, out of which 800 units were cleared to a sister unit for captive consumption and balance 200 units were lying in stock. Compute assessable value for central excise purpose for Product A from the following:
- Cost of production of 1,000 units as per CAS-4 = ₹7,80,000
 - Profit margin as per Annual report of the company = 15% on cost
 - Selling price per unit (excluding excise duty and other taxes) = ₹950.

What will be the answer if the balance 200 units were sold to an unrelated buyer @₹930 per unit (exclusive of taxes) on the same day?

[4+3+3]

Question 9.

- (a) What is Anti-Dumping?
- (b) A Ltd., purchased a machine at a cum-duty price of ₹ 18,63,680. The excise duty rate charged on the said machine was 16% plus education cess 2% plus secondary and higher education cess 1%. The machine was purchased on 1-7-2012 and was disposed of on 30-9-2014 for a price of ₹ 10,00,000 in working condition as second hand machine.
- Calculate the amount of CENVAT credit allowable for the financial years 2012-13 and 2013-14 and
 - Also specify the amount payable towards CENVAT credit already taken at the time of disposal of the machinery in the year 2013-14.

- (c) What are the services that are provided "in respect of goods that are made physically available, by the receiver to the service provider, in order to provide the service"?

[2+5+3]

Question 10.

- (a) After visiting Pakistan for 10 days, Mr. & Mrs. Z brought to India a laptop computer valued at ₹35,000, personal effects valued at ₹66,000 and a personal computer for ₹47,000. They have returned by land route viz. Amritsar Railway Station. What is the customs duty payable?
- (b) State whether the following elements are to be included or not as part of the 'Transaction value' under section 4 of the Central Excise Act, 1944.
- (i) Erection and commissioning charges
 - (ii) System software etched in the computer system
 - (iii) Cylinder holding charges
 - (iv) After-sales warranty charges.
- (c) What is meant by 'place of business' under the Central Sales Tax Act, 1956? What should a dealer do towards registration, if he has more than one place of business?

[3+4+3]

Question 11.

- (a) State briefly whether the following service under the Finance Act, 1994 relating to service tax are taxable service.
- (i) Service provided in the State of Rajasthan by a person having a place of business in the State of Jammu and Kashmir.
 - (ii) Service provided from India for use outside India
 - (iii) Service provided from outside India and received in India by Individual otherwise than purpose of use in business or commerce.
 - (iv) Service provided to an Export Oriented Unit.
- (b) Explain distinguishing features between provisions of 'pilferage' and 'loss or destruction of goods' under Customs Act.
- (c) Mr. Laxman, a manufacturer, purchased a raw for ₹3,30,000 (inclusive of 10% VAT) and plant and machinery for ₹6,00,000 (VAT Nil). The manufacturing and other expenses (including building rent, wages etc.) are ₹4,40,000. He sales the resultant products at 80% above cost (VAT on sales is 4%). The plant and machinery is depreciated at 10% straight line. Compute the amount of VAT payable adopting the addition method.

[4+3+3]