

Paper-10 Applied Indirect Taxation

Time Allowed: 3 hours

Full Marks: 100

Working notes should form part of the answers.

Answer Question No. 1 which is compulsory and any five from the rest.

Question 1.

(a) Fill up the blanks:

- (i) Registration under VAT for those dealers is compulsory whose gross annual turnover is above _____.
- (ii) _____ is used by the seller for claiming the exemption on making penultimate sales in Central Sales Tax.
- (iii) _____ means a person engaged in the manufacture or production of goods on behalf of a principal manufacturer from any inputs or goods supplied by the said principal manufacturer or by any other person authorised by him.
- (iv) _____ Scheme is presently applicable only to stainless steel pattas/pattis and aluminium circles.
- (v) Additional Duty of customs equal to excise duty is payable on imported goods u/s _____ of Customs Tariff Act.
- (vi) Goods are classified under Central Excise Tariff Act based on the "Harmonized System of Nomenclature" having _____ digit classification.
- (vii) Sea beyond _____ miles from the coastal base line is called High Sea.
- (viii) The effective rate of service tax _____ % of the value of taxable service.
- (ix) In customs _____ means transfer from one conveyance to another with or without payment of duty.
- (x) Form F in CST is used in _____.
- (xi) VAT prevents the _____ effect of tax by providing set-off/ input credit of tax paid earlier.
- (xii) _____ products are such products, which are produced in a process naturally in the course of manufacture of a finished product, which involves more than one process.
- (xiii) In excise, Design and Engineering Charges being an essential process/activity for the purpose of manufacture shall be _____ (included/ excluded) in the Assessable value.
- (xiv) _____ goods in custom means any goods, the import or export of which is subject to any prohibition under the Customs Act or any other law for the time being in force.
- (xv) _____ means a contract for carrying out any work which includes assembling, construction, building, altering, manufacturing, processing, fabricating, erection, installation, fitting out, improvement, repair or commissioning of any movable or immovable property.

[15 × 1]

(b) State with reasons whether the following are 'True' or 'False':

- (i) In excise, an SSI unit whose turnover was less than or equal to ₹ 3 crores in current financial year are entitled to full exemption upto ₹ 150 lakhs in the same i.e. current financial year.

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- (ii) No duty is payable in the event of pilferage of the imported goods.
- (iii) Sawdust generated while cutting wood is not amount to manufacture under Central Excise law.
- (iv) Similar Goods means imported goods which are same in all respects, including physical characteristics, quality and reputation except for minor differences in appearance that do not affect the value of the goods.
- (v) Valuation Audit is conducted as per Section 14AA of the Central Excise Act when it is suspected that goods are not correctly valued or are undervalued. **[5×2]**

Question 2.

- (a) If there is a matter in Concurrent List and both Centre and State make a law on that matter, which law will prevail? **[3]**
- (b) Who can make a law on tax – Centre or State? **[2]**
- (c) Vendibility criterion/Marketability is a litmus test to be fulfilled before any goods can be subjected to levy of excise duty. Discuss this statement with the help of decided cases. **[10]**

Question 3.

- (a) Determine the assessable value for purpose of excise duty under the Central Excise Act, 1944 in the following cases:
 - (i) An assessee sells his excisable goods for ₹ 120 per piece and does not charge any duty of excise in his invoice. Subsequently it was found that the goods were not exempted from excise duty but were liable at 20% advalorem.
 - (ii) Certain excisable goods were sold for ₹ 120 per piece and 20% advalorem is the rate of excise duty. Subsequently it was found that the price cum duty was in fact ₹ 140 per piece as the assessee had collected ₹ 20 per piece separately.
 - (iii) The cum duty price per piece was ₹120 and the assessee had paid duty at 20% advalorem. Subsequently it was found that the rate of duty was 30% advalorem and the assessee had not collected anything over and above ₹ 120 per piece. **[8]**
- (b) Give the consequences regarding excise duty liability if goods manufactured by EOU (Export Oriented unit) & brought to DTA (Domestic tariff Area). **[4]**
- (c) There are different forms of Bonds available under Central Excise. Write briefly about those Bonds which are very common in Excise. **[3]**

Question 4.

- (a) Determine the cost of production on manufacture of the under-mentioned product for purpose of captive consumption in terms of Rule 8 of the Central Excise Valuation Rules, 2000

(Amount in ₹)

Direct material	11,648
Direct wages & salaries	8,400
Works overheads	6,200
Quality control costs	3,500
Research and development costs	2,400

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Administrative overheads	4,100
Selling and distribution costs	1,600
Realizable value of scrap	1,200

The Administrative Overheads are in relation to production activities.
Material cost includes Excise duty ₹ 1,648.

[7]

(b) State briefly with reasons whether credit under the CENVAT Rules, 2004 would be available in the following cases:

- (i) Inputs are pilfered from the store-room.
- (ii) Final product is cleared in durable and returnable packing material.
- (iii) An input becomes a waste and is sold as scrap.
- (iv) Inputs used in trial runs

[8]

Question 5.

(a) Answer the following questions with reference to the Section 14 of the Customs Act, 1962 & relevant Rules regarding the valuation of goods:

- (i) What shall be the value if there is price rise between the date of contract and the date of actual importation?
- (ii) Whether the payment for post-importation process is includible, if the same is related to imported goods and is a condition of the sale of the imported goods?
- (iii) Bill of Entry was filed on 27.10.2013. Will you apply the Exchange Rate notified by the CBEC on 25.9.2013 or notified on 25.10.2013?

[5]

(b) Describe the procedures to be followed in clearance of goods imported by post.

[5]

(c) Compute taxable value and service tax from following sums received by M/s. ABC Medical Centre (exclusive of service tax) (Ignore small service provider's exemption) -

- (1) Testing (with Transmission of medical samples between laboratories): ₹ 6 lakh ;
- (2) Medicines consumed as a part of health care services : ₹ 5 lakh ;
- (3) Preventive health care services : ₹4 lakh ;
- (4) Treatment along with Facilities provided such as TV, AC, room rent, meal to patient (as a part of package): ₹33 lakh ;
- (5) Genetic affinity examination for determining biological father : ₹4 lakh ;
- (6) Hair transplant services due to injury in a fire accident: ₹7 lakh ;
- (7) Cosmetic surgery of a film star : ₹16 lakh ;
- (8) Conducting medical examinations of individuals : ₹1 lakh

[5]

Question 6.

(a) What are the specified services where the place of provision is the location of the service provider?

[5]

(b) Mr. Sen has provided the following services during the year 2013-14. Determine whether he is eligible for threshold exemption (Small Service Providers exemption) during the year 2014-15:

- (1) Services provided outside India: ₹ 2 lakh;
- (2) Services (falling under negative list): ₹ 2 lakh;
- (3) Services fully exempt under other notifications: ₹ 5 lakh;
- (4) Declared Services (Sum charged ₹ 4 lakh, but, value determined as per the valuation rules is 60% i.e., ₹ 2,40,000);
- (5) Services (where amount charged is ₹ 60,000, but, after abatement, value is ₹ 20,000).

[5]

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- (c) AB Ltd. Carried out following works, all of which are leviable to sales-tax/VAT as transfer of property involved in the execution of works contract (the sum charged given below are exclusive of all taxes) -
- (1) New constructions: ₹ 50 lakh;
 - (2) Additions and alterations to damaged structures on land to make them workable: ₹ 25 lakhs;
 - (3) Supply along with erection, commissioning and installation of plants: ₹ 72 lakhs;
 - (4) Maintenance and repair of goods: ₹ 40 lakhs;
 - (5) Maintenance and repair of immovable property: ₹ 30 lakhs;
- Compute taxable value and service tax thereon. [5]

Question 7.

- (a) What are the details contained in the service tax return? [5]
- (b) An interior decorator charges ₹ 6,50,000 from a client for providing professional services. The breakup of the bill is as follows:-
- (a) Value of furniture sold to the client – ₹ 3,00,000
 - (b) Labour and facility charges – ₹ 2,00,000
 - (c) Value of materials consumed in providing the service – ₹ 1,50,000
- Compute the amount of service tax to be charged from the client. [5]
- (c) What are the essential ingredients of a sale under CST Act? [5]

Question 8.

- (a) Determine the Taxable Turnover, Input Tax Credit and net VAT payable by a Works Contractor from the details given below on the assumption that the Contractor maintains sufficient records to quantify the labour charges. Output VAT at 12.5%:

Particulars	(₹ in Lakhs)
Total Contract Price (excluding VAT)	105
Labour Charges paid for execution of the contract	40
Cost of Consumables used not involving transfer of property in goods	5
Material purchased and used for the Contract, taxable at 12.5% VAT (VAT included)	45

Contractor also purchased a Plant for use in the contract for ₹ 10.4 lakhs. In the VAT Invoice, VAT was charged at 4% separately, and the said amount of ₹ 10.4 Lakhs is inclusive of VAT. [5]

- (b) Calculate the total tax liability under the State VAT law and under the Central Sales Tax Act for the month of October 2013 from the following particulars:

Particulars	₹
Inputs purchased within the state	1,70,000
Capital goods used in the manufacture of the taxable goods (not included in the negative list)	50,000
Inputs purchased from a registered dealer who opts for composition scheme under the provisions of the Act	10,000
High seas purchases of inputs	1,20,000
Finished goods sold: (a) within the state	2,00,000
(b) in the course of inter-State trade	2,50,000

Applicable tax rates are as follows:-

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Case (A): VAT rate on capital goods 12.5%; Input tax rate within the state 12.5%; Output tax rate within the state 4%; Central sales tax rate 2%.

Case (B): VAT rate on capital goods 4%; Input tax rate within the state 4%; output tax rate within the state 12.5%; Central sales tax rate 2%. **[5]**

(c) What are the records to be maintained by the persons availing credit? **[5]**