

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:

[15 × 1]

- (i) The effective rate of service tax _____ % of the value of taxable service.
- (ii) Form _____ is prescribed for application to get registered u/s 7 of CST Act.
- (iii) Services rendered by a foreign diplomatic mission located in India are included in the _____ list of service in the context of service tax.
- (iv) As per the definition of goods in excise, the two essential elements of goods are it should be movable and _____.
- (v) _____ 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.
- (vi) There are two types of registration in the context of VAT, one is Compulsory Registration and another is _____ Registration.
- (vii) In case of Anti-dumping, margin of dumping means the difference between normal value and _____.
- (viii) The _____ sale price should be the maximum price at which excisable goods in packaged forms are sold to ultimate consumer.
- (ix) Unbranded software is _____. (goods/ service)
- (x) The due date of e-payment of service tax in case of an individual is _____ (5th/ 6th/ 15th) of the month following the _____ (month/ quarter) in which the service is provided or deemed to be provided.
- (xi) VAT prevents the _____ effect of tax by providing set-off/ input credit of tax paid earlier.
- (xii) In customs, _____ means transfer from one conveyance to another with or without payment of duty.
- (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) _____ 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.

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

[5 × 2]

- (i) Advertising/ publicity expenditure by brand name/copyright owner is excludible in the assessable value for the purpose of excise.
- (ii) Sawdust generated while cutting wood is not amount to manufacture under Central Excise law.
- (iii) Central Sales Tax is leviable on sale of stocks, shares and securities traded by a dealer in shares.
- (iv) The CENVAT Credit Audit can be ordered by the Commissioner of Central Excise as per Section 14A of Central Excise Act.
- (v) If an individual renders services to himself, it is not liable for service tax.

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Question 2.

- (a) Bitan Ltd., which is engaged in the manufacture of excisable goods started its business in May, 2013. It availed small scale exemption in terms of Notification No. 8/2003-C.E. dated 01-03-2003. The following details are provided (₹) ;

15,000 kg of inputs purchased @ ₹ 992.70 per kg. (inclusive of excise duty @ 12.36%)	1,48,90,500
Capital goods purchased on 25-06-2013 (inclusive of excise duty at 12.36%)	45,60,000
Finished goods sold (at uniform transaction value throughout the year)	2,50,00,000

Calculate excise duty payable by M/s. Bitan Ltd. in cash, if any, during year 2013-14. Rate of duty on finished goods sold may be taken at 12.36% and you may assume that selling price is exclusive of central excise duty. There is neither any processing loss nor any inventory of input and output. Show your workings and notes with suitable assumptions as required.

- (b) Describe the taxability of 'bundled services'.
- (c) From the following particulars, calculate assessable value and total customs duty payable:
- Date of presentation of Bill of entry : 14-05-2013 [Rate of BCD 25%; Exchange Rate: ₹ 43.40 and rate notified by CBEC ₹ 43.80]
 - Date of arrival of goods in India: 27-05-2013 [Rate of BCD 20%; Exchange Rate; ₹ 44.10 and rate notified by CBEC ₹ 44.20]
 - Rate of Additional Customs Duty : 12%;
 - CIF value 2,000 US Dollar; Air Freight 500 US Dollars, Insurance cost 100 US Dollars [Landing Charges no ascertainable].
 - Education Cess applicable 3%
 - Assume there is no special CVD.

Also determine the Cenvat credit eligibility if the buyer is — (1) manufacturer (2) service provider and (3) trader. [Provide working notes as and when required]

[6+3+6]

Question 3.

- (a) Compute the VAT liability of Manyata for the month of March, 2014 using the invoice method of computation of VAT — Purchases from the local market (including VAT @ 4%) – ₹ 62,400, Storage cost incurred – ₹ 800, Transport Cost – ₹ 1,750. Goods sold at a margin of 10% on the cost of such goods sold. VAT rate of sales is 4%.
- (b) Describe how indirect taxes are administered in India.
- (c) Navin Ltd. of Mumbai (having diversified business) has provided the following services, whose values are listed below. Compute its service tax liability:
- Services provided to a company located in Colombo in relation to organization of a sport event in Colombo: ₹ 25 lakh;
 - Services provided to a company located in Srinagar in relation to festival celebration in Srinagar: ₹ 5 lakh;

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- (3) Services provided to a company located in Jaipur in relation to fashion show in Dubai: ₹ 12 lakh;
- (4) Services of online database access and retrieval services provided from its website: ₹ 17 lakhs (out of this, ₹10 lakh was provided to recipients located outside India).

(d) Explain the effect on Cenvat credit in case of transfer/merger/shifting of undertaking.

[4+3+5+3]

Question 4.

- (a) Mr. A of Kolkata sells goods to Mr. E of Hyderabad and delivers the same at Kolkata to BBS Transport. The lorry receipt was sent to Mr. E by post. While goods were in transit, Mr. E sells the goods to Mr. U of Vijayawada by making an endorsement of LR and goods were diverted to Vijayawada. Is the second sale between Mr. E and Mr. U chargeable to tax?
- (b) Write the advantages of indirect taxes (any two).
- (c) Esking Ltd. has a manufacturing unit situated in Lucknow. In the financial year 2013-14, the total value of clearances from the unit was ₹ 465 lakhs.

The breakup of clearances is as under:

- i. Clearances worth ₹ 85 lakhs of certain non-excisable goods manufactured by it.
- ii. Clearances worth ₹ 55 lakhs exempted under specified job work notification.
- iii. Exports worth ₹ 100 lakhs (₹ 75 lakhs to USA and ₹ 25 lakhs to Nepal).
- iv. Clearances worth ₹ 50 lakhs which were used captively to manufacture finished products those are exempt under notifications other than Notification No. 8/2003-CE., dated 01-03-2003 as amended.
- v. Clearances worth ₹ 200 lakhs of excisable goods in the normal course.

Explain briefly, the treatment for various items and state, whether the unit will be eligible for the benefits of exemption under Notification No. 8/2003-CE dated 1-3-2003 as amended for the year 2014-15.

- (d) Explain abatements and composition schemes in the context of service tax. Also state the distinction between them.

[2+2+5+(2+2+2)]

Question 5.

- (a) Ruby Constructions undertakes works contracts and maintains sufficient records to quantify the labour and other service charges. From the details given below, calculate the taxable turnover, input tax credit and net VAT payable under the State VAT Law.

Sl. No.	Particulars	Amount (₹)
(i)	Total contract price (excluding VAT @ 12.5%)	1,95,00,000
(ii)	Materials purchased and used for the contract taxable at 12.5% VAT (inclusive of VAT)	33,75,000
(iii)	Labour charges paid for execution of the contract (excluding VAT @12.5%)	40,00,000
(iv)	Other service charges paid for the execution of the contract (excluding VAT @12.5%)	20,00,000
(v)	Cost of consumables used not involving transfer of property in goods (excluding VAT @12.5%)	15,00,000

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Ruby Constructions also purchased a plant for use in the contract for ₹ 20,80,000 (inclusive of VAT). In the VAT invoice relating to the same VAT was charged at 4% separately.

Assume 100% input tax credit is available on capital goods immediately.

(b) State the situation where an abatement of duty on damaged or deteriorated goods is given in customs as per section 22 of the Customs Act. How the abatement of duty on damaged or deteriorated goods is computed?

(c) Compute the assessable value under the Central Excise Act, 1944 in the following case:

Production	:	2,000 units on 01.01.2014
Quantity sold	:	500 units @ ₹ 200 per unit
		600 units @ ₹ 190 per unit
Samples clearances	:	75 units
Balance in stock	:	825 units (at the end of factory day for 01.01.2014)

Assume that the rate per unit is exclusive of Central Excise duty.

[6+(3+1)+5]

Question 6.

(a) Following transactions took place in the factory of Pipli Ltd. —

- (i) An imported consignment of Raw Materials was received vide Bill of Entry dated 2nd Dec, showing the following Customs Duty payments —

Basic Customs Duty	₹ 10,000
Additional Duty (CVD)	₹ 12,000
Special Additional Duty	₹ 4,000
- (ii) A consignment of 1,000 kgs of inputs was received. The Excise Duty paid as per the invoice was ₹ 12,360. While the input was being unloaded 45 kgs were damaged, and were found to be not usable.
- (iii) Some inputs for final product were received. These were accompanied by a certified Xerox Copy (photo copy) of Invoice No. 270 dated 23rd Dec. indicating the Excise duty of ₹ 5,500 has been paid on inputs. The original for duplicate copy of invoice are not traceable.

Indicate the eligibility of CENVAT Credit under the CENVAT Credit Rules, 2004 with explanations where necessary.

(b) Distinguish between a Sale for Export and Sale in the Course of Export in the context of Central Sales Tax.

(c) Write down the significance of Green Channel and Red Channel in customs.

[6+5+4]

Question 7.

(a) M/s. Sinjen Ltd. received the following sums (exclusive of taxes). Compute its service tax liability (Ignore small service provider's exemption)-

- (1) Commission from selling of various goods belonging to other parties : ₹ 6.5 lakh ;
- (2) Commission from acting as Clearing and Forwarding Agent: ₹ 6.8 lakh ;
- (3) Commission from acting as clearing agent: ₹ 4.8 lakh ;

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- (4) Commission from acting as forwarding agent: ₹ 2 lakh ;
- (5) Margin earned from trading in shares : ₹ 4.6 lakh ;
- (6) Margin from trading in futures : ₹ 4.8 lakh ;

(b) Are Lease Transactions subjected to levy of Value Added Tax under VAT Legislations? State in details.

(c) Ascertain the Assessable Value in respect of each of the clearances given below –

Removed to	Price at Depot as on		Actual Sale Price at Depot on 01/02/2014
	01/01/2014	31/01/2014	
Kolkata Depot	₹ 190/unit	₹ 180/unit	₹ 230/unit
Mumbai Depot	₹ 185/unit	₹ 190/unit	₹ 210/unit
Ranchi Depot	₹ 195/unit	₹ 200/unit	₹ 220/unit

The goods were cleared to respective Depots on 01/01/2014 and actually sold at the depots on 01/02/2014.

[7+5+3]

Question 8.

(a) What is Automation of Central Excise and Service Tax or ACES? State the usefulness of ACES.

(b) Leela Ltd., a manufacturer, manufactured components within factory for own use. Cost of raw materials purchased for ₹ 57,000 to manufacture the said components. Cost of overheads as certified by a Cost Accountant, as per Cost Accounting Standard (CAS) – 4 is ₹ 23,000. Profit margin on inter departmental transfer @ 20%. These components are subject to Excise Duty @ 12.36% and State VAT rate @ 12.50%.

You are required to answer (i) Assessable Value of these Components, (ii) Total Excise Duty and (iii) Value Added Tax (VAT).

(c) Mickey Hotels Pvt. Ltd has given the following information for period Oct. 2013 to March, 2014. Compute value of taxable services and tax thereon:

- (1) Reception room and vehicle parking space were let out for a film shooting for 3 months. The charges received for this ₹ 5.5 lacs.
- (2) Conference hall was let out to a Jain Pariwar Trust for a week for a music competition for ₹ 90,000.
- (3) The hotel was booked by a customer for 3 days for a marriage function. The room booking charges were received in advance (excluding service tax) in the said period of ₹ 65,000. The electricity charges separately billed ₹ 20,000, hire charges including catering charges (including food) for 3 days billed of ₹ 3,27,000 after deducting the advance.
- (4) During the year, the conference hall was let out to ABC Ltd. The charges received were as under :
Hall rent ₹ 4 Lacs, computer & projector systems charges ₹ 27,000, electricity charges ₹ 35,000. Hall rent includes charges for snacks and cold drinks ₹ 50,000.
- (5) The hotel garden was let out to a political party for 3 days for a meeting. Charges received ₹ 25,000.

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The hotel charges 10% service charges which are later distributed as tips to employees. The above charges are excluding service tax.

[(2+2)+4+7]