

## **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) Goods are classified under Central Excise Tariff Act based on the "Harmonized System of Nomenclature" having \_\_\_\_\_ digit classification.
- (ii) A service provider whose previous year taxable services are less than or equal to ₹ \_\_\_\_\_, in the current year such service provider is called as small service provider.
- (iii) Sea beyond \_\_\_\_\_ miles from the coastal base line is called High Sea.
- (iv) \_\_\_\_\_ goods means goods declared under Section 14 of CST Act to be of special importance in interstate trade or commerce.
- (v) Chapter V of the Finance Act, 1994 (i.e. the service tax law), extends to the whole of India except the state of \_\_\_\_\_.
- (vi) The return form ER-1 in excise is to be filed by \_\_\_\_\_ [100% Export Oriented Unit (EOU)/ manufacturer/ SSI (Small Scale Industries) unit].
- (vii) Registration under VAT for those dealers is compulsory whose gross annual turnover is above \_\_\_\_\_.
- (viii) \_\_\_\_\_ Scheme is presently applicable only to stainless steel pattas/pattis and aluminium circles.
- (ix) An SSI unit \_\_\_\_\_ (is eligible/ is not eligible) for SSI exemption, if it manufactures goods bearing the brand name of any other person.
- (x) In customs, if cost of transport is not ascertainable, it will be taken as \_\_\_\_\_ of the FOB value of goods.
- (xi) The Central Excise Revenue Audit is conducted by the \_\_\_\_\_.
- (xii) In excise, in case of exports, the place of removal is \_\_\_\_\_ where export documents are presented to customs office.
- (xiii) Upgradation of computer system by increasing its storage or processing capacity \_\_\_\_\_ (is/ is not) manufacture.
- (xiv) \_\_\_\_\_ is the basic document for assessment of custom duty and clearance of imported goods.
- (xv) \_\_\_\_\_ 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.

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**(b) State with reasons whether the following statements are 'True' or 'False':** **[5 × 2]**

- (i) An unsecured debt is transferred to a third person for a consideration will come under the purview of service tax.
- (ii) 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.
- (iii) Betel Nut to supari powder is not manufacture in order to attract excise duty.
- (iv) Importers can store imported goods without payment of duty in public warehouse or private warehouse.
- (v) Inter-state leasing is taxed under a State VAT Law.

### Question 2.

**(a) Whether recovery from buyer is not essential condition for levy of indirect taxes?** **[2]**

**(b) State the power of taxation under Constitution of India.** **[2]**

**(c) List out the items which will appear on the Concurrent List (list III) given in Schedule Seven of the Constitution.** **[2]**

**(d) M/s. Kalpana Ltd., sold machinery to Mr. Gupta at a price of ₹ 7 lakhs on 15th June, 2014 and the same was removed from the factory at Kolkata. The rate of excise duty applicable is 12.36% on the date of removal. Mr. Gupta refused to take delivery of the machine when it reached his destination. In the meantime, M/x. Kalpana Ltd. increased the prices of the similar type of machinery to ₹ 8.5 lakhs with effect from 16th June, 2013. The machinery as refused by Mr. Gupta has been sold on 20th June 2014 to Mr. Basu at the revised price of ₹ 8.5 lakhs. The excise duty including Education Cess is 12.36% applicable with effect from 10th June, 2014.**

Explain the following with reasons:

- (i) What is the value to be taken as assessable value?
- (ii) What is the rate of excise duty applicable and duty payable on above transaction?
- (iii) The Central Excise Officer is demanding duty on the price of ₹ 8.5 lakhs at the time of sale to Mr. Basu. Is he right in his approach?

**Does cost of production have any bearing on the assessable value?** **[4]**

**(e) 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	13,483
Direct wages & salaries	7,900
Works overheads	5,700
Quality control costs	4,800
Research and development costs	2,700
Administrative overheads	3,900
Selling and distribution costs	3,200
Realizable value of scrap	1,300

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The Administrative Overheads are in relation to production activities.  
Material cost includes Excise duty ₹ 1,483.

[5]

### Question 3.

(a) Snow Ltd. sold 100 units manufactured by it for ₹ 15,000 per unit. It had received interest-free advance of ₹ 3,00,000 from the buyer for the whole of the year. Compute the assessable value of 100 units sold in following independent case:

- (i) The price charged from other buyers is ₹ 14,500 per unit.
- (ii) The price charged from other buyers is ₹ 16,300 per unit.
- (iii) The normal rate of interest is 12% per annum and the price charged from other buyers is ₹16,300 per unit. [5]

(b) Why indirect taxes are called regressive in nature as against direct taxes? [5]

(c) Distinguish between Safeguard Duty and Anti-dumping Duty for the purpose of customs. [5]

### Question 4.

(a) M/s. Human Care Ltd. has introduced a new product 'Paradise' toothpaste, notified under Section 4A of the Central Excise Act, 1944, with a notified abatement of 30%. Determine the central excise duty payable if rate of duty is 12%, education cess is 2% and secondary and higher education cess is 1%:

- (i) 1,500 pieces having retail sale price (RSP) ₹ 65 per piece are sold in retail packages to wholesale dealer at ₹ 50 per piece.
- (ii) 2,500 pieces having RSP ₹ 65 per piece are sold in retail packages, but buyer is charged for 2,100 pieces only at ₹ 50 per piece (400 pieces have been given free as quantity discount).
- (iii) 50 pieces were given away as free samples, without any RSP on the pack.
- (iv) 350 multi-packs were cleared at ₹ 80 per pack, each containing two toothpaste tubes and one toothbrush free (without any RSP on it). Each tooth paste tube was having RSP ₹ 70, which was scored out and each multi-pack had RSP of ₹ 130.

Make suitable assumptions wherever required and show the calculations with appropriate notes.

[9]

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

- (i) Final product is cleared in durable and returnable packing material.
- (ii) An input becomes a waste and is sold as scrap.
- (iii) Inputs used in trial runs. [6]

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### Question 5.

(a) A commodity is imported into India from a country covered by a notification issued by the Central Government under section 9A of the Customs Tariff Act, 1975. Following particulars are made available :

CIF value of the consignment: US\$ 30,000

Quantity imported: 600 kgs.

Exchange rate applicable: ₹ 50 = US\$ 1

Basic customs duty: 20%.

Education and secondary and higher education cess as applicable.

As per the notification, the anti-dumping duty will be equal to the difference between the costs of commodity calculated @ US\$70 per kg. and the landed value of the commodity as imported.

Appraise the liability on account of normal duties, cess and the anti-dumping duty.

Assume that only 'Basic Customs Duty' (BCD) and education and secondary and higher education cess are payable. **[7]**

(b) "SEZ are like a separate island within country." — describe SEZ (Special Economic Zone) in relation to taxation issues. **[4]**

(c) State the procedures to claim for duty drawback at the time of export. **[4]**

### Question 6.

(a) What are the export incentives available to the manufacturer? **[5]**

(b) An interior decorator charges ₹ 7,00,000 from a client for providing professional services. The breakup of the bill is as follows:-

- i. Value of furniture sold to the client – ₹ 3,50,000
- ii. Labour and facility charges – ₹ 1,50,000
- iii. Value of materials consumed in providing the service – ₹ 2,00,000

Compute the amount of service tax to be charged from the client. Provided all the amounts are exclusive of service tax. **[5]**

(c) PQR Ltd. enters into a contract with TBZ Ltd. for construction of a new building primarily for the purpose of commerce or industry for a total consideration of ₹ 370 lakhs on 02-04-2013. The relevant details are given as under –

Stage	Date [Expected]	Date of issuance of invoice	Date of Payment	Amount of Payment (₹)
Initial/Booking	02-04-2014	02-04-2014	02-04-2014	50 lakhs
50% completion of building [after getting certificate from the stipulated Chartered Engineer]	14-10-2014	20-10-2014	26-10-2014	120 lakhs

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75% completion of building [after getting certificate from the stipulated Chartered Engineer]	22-02-2015	24-03-2015	26-03-2015	110 lakhs
100% completion of building [after getting certificate from the stipulated Chartered Engineer]	30-07-2015	20-08-2015	10-08-2015	90 lakhs

Determine the Point of Taxation in respect of each of above stage of completion.

**[5]**

### Question 7.

**(a)** Bhubaneswar 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: ₹ 65 lakh;
- (2) Additions and alterations to damaged structures on land to make them workable: ₹ 30 lakhs;
- (3) Supply along with erection, commissioning and installation of plants: ₹ 87 lakhs;
- (4) Maintenance and repair of goods: ₹ 35 lakhs;
- (5) Maintenance and repair of immovable property: ₹ 42 lakhs;
- (6) Finishing and Glazing Services of an immovable property: ₹ 12 lakh;
- (7) Other works contracts: ₹ 6 lakh.

Compute taxable value and service tax thereon.

**[6]**

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

- (1) Testing (with Transmission of medical samples between laboratories): ₹ 15 lakh ;
- (2) Medicines consumed as a part of health care services : ₹ 8.50 lakh ;
- (3) Preventive health care services : ₹ 6 lakh ;
- (4) Treatment along with Facilities provided such as TV, AC, room rent, meal to patient (as a part of package): ₹ 74 lakh ;
- (5) Genetic affinity examination for determining biological father : ₹ 14 lakh ;
- (6) Hair transplant services due to injury in a fire accident: ₹ 18 lakh ;
- (7) Cosmetic surgery of a film star : ₹ 18 lakh ;
- (8) Conducting medical examinations of individuals : ₹ 3 lakh.

**[5]**

**(c)** Sri Pramod, a Registered Dealer at Mumbai, furnishes the following information:

		(₹)
(i)	Inter-state sale of goods This includes the following—	40,00,000
(ii)	Excise duty	38,000
(iii)	Goods returned on 17/1/2015 [These goods were sold on 12/4/2014]	89,000
(iv)	Cash discount shown in invoice and allowed according to prevailing trade practice	50,000
(v)	Freight and transportation charges (of this ₹ 1,50,000 is on inclusive	4,50,000

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	basis)	
(vi)	Insurance premium paid prior to delivery of goods	60,000
(vii)	Installation and commissioning charges levied separately in invoices	68,000

Compute the taxable turnover under the CST Act, assuming the rate of tax @ 2%. **[4]**

### Question 8.

**(a)** State the details which are contained in the service tax return? **[4]**

**(b)** Mr. Gaya, a dealer in Kolkata dealing in consumer goods, submits the following information pertaining to the Month of March, 2015:

- (i) Exempt goods 'A' purchased for ₹ 1,50,000 and sold for ₹ 1,70,000.
- (ii) Goods 'B' purchased for ₹ 2,00,000 (including VAT) and sold at a margin of 10% profit on purchases (VAT rate 12.5%);
- (iii) Goods C purchased for ₹ 1,25,000 (excluding VAT) and sold for ₹ 1,70,000 (VAT rate 4%);
- (iv) His unutilized balance in VAT input credit on 01.03.2015 was ₹ 2,000.

Compute the turnover, Input VAT, Output VAT and Net VAT payable by Mr. Gaya. **[4]**

**(c)** What is Independent Professional Audit in the context of VAT? **[3]**

**(d)** 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)	120
Labour Charges paid for execution of the contract	53
Cost of Consumables used not involving transfer of property in goods	7
Material purchased and used for the Contract, taxable at 12.5% VAT (VAT included)	48

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. **[4]**