Paper-11 Indirect Taxation

Time Allowed: 3 hours **Full Marks: 100**

Working notes should form part of the answers.

1. Answer the following questions [1 × 20= 20]

(i) Whether all Excisable goods are dutiable goods?
(ii) Whether duty can be levied if the goods manufactured by the manufacturer is not movable but marketable?
(iii) Whether goods has been defined in the Central Excise Act?
(iv) Whether classification is irrelevant, since all products attract 12% duty?
(v) Whether airfare collected by air travel agent in respect of service provided by him should be included in the value of services?
(vi) Whether Service provided from India with respect to immovable property situated abroad is called export of services?
(vii) Whether service tax required to be paid by an individual on monthly basis?
(viii) Whether revised returns can be filed within 90 days from the date of original return filed by the assessee?
(ix) Whether manufacture includes any process incidental or ancillary to the completion of a manufactured product?
(x) List out the items which will appear on the Concurrent List (list III) given in Schedule Seven of the Constitution.
(xi) Whether registration is also available under VAT for TOT dealers or compounding tax opted dealer?
(xii) Whether a certificate of registration under VAT is available?
(xiii) Are sale of bundles of old newspapers as waste papers exempt from CST?
(xiv) When Provisional Anti-Dumping Duty is imposed in customs?
(xv) What is APTA in the context of customs?
(xvi) "Barge or Lighterage charges are not to be added to the customs value while calculating the value of imported goods." — Critically examine.
(xvii) What is Duty Entitlement Pass Book Scheme (DEPB Scheme)?
(xviii) Who cannot avail DEPB?
(xix) What are the different types of arm's length price?
(xx) Who are said to be unrelated person under international transactions?

(2) Answer any two questions [2 × 2= 4]

(a) What are the disadvantages of indirect tax?
(b) Write down the differences between direct tax and indirect tax.
(c) What are the powers of taxation under Constitution of India?

(3) Answer any two questions [2 × 8=16]

(a) Robot 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%) Capital goods purchased on 25-06-2013 (inclusive of excise duty at 12.36%)	1,48,90,500

Finished goods sold (at uniform transaction value throughout the year)	44,12,000
	2,50,00,000

Calculate excise duty payable by M/s. Robot 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) Following transactions took place in the factory of Arvind 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	₹ 23,000
Additional Duty (CVD)	₹ 20,000
Special Additional Duty	₹ 5,800

(ii) A consignment of 1,000 kgs of inputs was received. The Excise Duty paid as per the invoice was ₹ 10,000. While the input was being unloaded 50 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. 356 dated 23rd Dec. indicating the Excise duty of ₹ 6,400 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.

(c) M/s. Mili Pvt. Ltd., not an SSI unit, purchased fibre 10,000 kg @ ₹50 per kg plus excise duty. The said fibre was used to manufacture intermediate product yarn. The said yarn was captively used for the manufacture of fabrics. The said fabric was exempt from duty. The other information are as follows:

(i) Normal processing loss: 2% of inputs in manufacture of yarn
(ii) Rate of excise duty on all products is 12.36%;
(iii) Assessable Value of yarn: ₹80 per Kg.;
(iv) Assessable Value of Fabric (Total): ₹13 lakhs;
(v) Colouring Dyes used in the manufacture of Fabric: ₹2 lakhs plus excise duty.
(vi) Duty on Capital Goods imported during the period and used in the manufacture of yarn: Basic Customs Duty ₹20,000; Additional duty of customs under section 3(1) of the Customs Tariff ₹30,000; Additional duty of customs under section 3(5) of the Customs Tariff Act ₹10,000.

Compute - (i) CENVAT Credit available; (ii) Duty payable.

(4) Answer any two questions [2 × 6= 12]

(a) Compute the duty payable under the Customs Act, 1962 for an imported machinery based on the following information:

(i) Assessable value of the imported equipment US $ 12,000.
(ii) Date of Bill of Entry 25.03.2014 basic customs duty on this date 20% and exchange rate notified by the Central Board of Excise and Customs US $ 1 = ₹ 65.
(iii) Date of Entry inwards 21.03.2014 Basic customs duty on this date 16% and exchange rate notified by the Central Board of Excise and Customs US $ 1 = ₹ 57.
(iv) Additional duty payable under Section 3(1) and (2) of the Customs Tariff Act, 1975: 15%.

(v) Additional duty under Section 3(5) of the Customs Tariff Act, 1975: 4%.

(vi) Education Cess @ 2% in terms of the Finance (No. 2) Act, 2004 and secondary and higher education cess @ 1% in terms of the Finance Act, 2007.

Make suitable assumptions where required and show the relevant workings and round off your answer to the nearest Rupee.

(b) What are the taxable event in case of imports in customs.

(c) An importer imported some goods for subsequent sale in India at $ 30,000 on CIF basis. Relevant exchange rate as notified by the Central Government ₹60. The item imported attracts basic duty at 10% and education Cess as applicable. If similar goods were manufactured in India, Excise Duty payable as per Tariff is 14% plus education Cess of 2% and SAH 1%. Special Additional Customs Duty is 4%. Find the total duty payable.

(5) Answer any two questions [2 × 4= 8]

(a) Describe the benefits in case of supply to EOUs (Export Oriented units) from DTA (Domestic tariff Area) units?

(b) List out the powers of the DGFT (Director General of Foreign Trade).

(c) State salient features of EPCG scheme under Foreign Trade Policy.

(6) Answer any two questions [2×10= 20]

(a) (i) Explain abatements and composition schemes in the context of service tax. Also state the distinction between them. **[5]**

(ii) Gupta and Gupta is located in India and holding 51% of shares of Kate Ltd., a USA based company. Kate Ltd. provides Business Auxiliary Services to Gupta & Gupta Ltd. From the following details, determine the Point of Taxation of Gupta & Gupta Ltd.:

Agreed consideration	US $ 1,00,000
Date on which services are provided by Kate Ltd.	16 – 09 - 2013
Date on which invoice is sent by Kate Ltd.	19 – 09 – 2013
Date of debit in the books of account of Gupta & Gupta Ltd.	30 – 09 – 2013
Date on which payment is made by Gupta & Gupta Ltd.	23 – 12 - 2013

[5]

(b)(i) State with reasons whether service tax will be levied or not on the interest in relation to overdraft, cash credit, bill discount or exchange in the region of Banking and financial services. **[5]**

(ii) Determine the Point of Taxation in each of following independent cases in accordance with point of Taxation Rules, 2011.

S. No.	Date of actual provision of service	Time [date] of Invoice, Bill or Challan as the case may be	Date on which payment received
1	10.04.2013	30.04.2013	06.04.2013 (part) and 16.04.2013 (remaining)
2.	10.04.2013	12.05.2013	30.04.2013
3.	10.04.2013	12.05.2013	05.04.2013 (part) and 25.04.2013 (remaining)
4.	10.04.2013	22.05.2013	12.06.2013

[5]

(c) (i) Explain provisions relating to service tax on restaurant service. **[5]**

(ii) What is meant by export of service? **[5]**

(7) Answer any two questions [2 × 6= 12]

(a) Compute the net VAT liability of Ritesh using the information given as follows:-
Raw material purchased from foreign market (including duty paid on imports @ 20%): ₹ 13,200
Raw material purchased from local market (including VAT charged on the material @ 4%): ₹ 22,880
Raw material purchased from neighbouring state (including CST paid on purchases @ 2%): ₹ 7,854
Storage, transportation cost and interest: ₹ 2,750
Other manufacturing expenses incurred: ₹ 660
Ritesh sold the goods to Binay and earned profit @ 10% on the cost of production. VAT rate on sale of such goods is 12.5%.

(b) Disha Enterprises, a dealer in Rajasthan dealing in consumer goods, submits the following information pertaining to the month of March, 2014:

(i) Exempt goods 'X' purchased for ₹ 1,75,000 and sold for ₹ 3,50,000.
(ii) Goods 'Y' purchased for ₹ 2,25,000 (including VAT) and sold at a margin of 20% profit on purchases (VAT rate for purchases and sales is 12.5%)
(iii) Goods 'Z' purchased for ₹ 2,00,000 (excluding VAT) and sold for ₹ 2,50,000 (VAT rate for purchases and sales is 4%);
(iv) His unutilized balance of input VAT credit on 01.03.2014 was ₹ 3,000.

Compute the turnover, Input VAT, Output VAT and Net VAT payable by Disha Enterprises

(c) Sri Hari, 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	42,000
(iii)	Goods returned on 17/1/2014 [These goods were sold on 12/4/2013]	1,05,000
(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 basis)	4,50,000
(vi)	Insurance premium paid prior to delivery of goods	70,000
(vii)	Installation and commissioning charges levied separately in invoices	75,000

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

(8) Answer any two questions [2 × 4= 8]

(a) One of the methods for determining Arm's Length Price is Resale Price Method (RPM). State the applicability of RPM.

(b) Specify the scope of international transaction. Also mention the elements which are included in the Intangible property.

(c) Compute the 'arm length price' (ALP) in the following cases :

(i) Medical Instruments Ltd. is a 100% Indian subsidiary of a US company. The parent company sells one of its products to the Indian subsidiary at a price of US$ 100 per unit. The same product is sold to unrelated buyers at a price of US$ 125 per unit.
(ii) The US parent company sells the same product to an unrelated company in India @ US$ 80 per unit.