

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)** "The recovery from buyer is an essential condition for levy of indirect taxes" — Critically examine.
- (ii)** State the functional areas of Settlement Commission.
- (iii)** What is Account Current?
- (iv)** How many copies of Account Current are distributed?
- (v)** What is the method of the valuation for stock transfer in case of excise?
- (vi)** Is customs duty levied on goods derelict, wreck, jetsam etc.? State with reason.
- (vii)** What is APTA in the context of customs?
- (viii)** What is Non Injurious Price in Anti Dumping Duty?
- (ix)** Can EOU/SEZ/EHTP/BTP/STP supply goods against advance authorization?
- (x)** In which form application for advanced authorization is made?
- (xi)** What is the place of provision for Passenger Transportation Services?
- (xii)** XY & Co., a proprietary firm provides service relating to security of building to PS & Co, a partnership firm, for ₹ 10 lakhs. State the persons liable to pay service tax.
- (xiii)** 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)?
- (xiv)** Is Services provided outside employment for a consideration taxable?
- (xv)** Is Services provided on contract basis taxable?
- (xvi)** State the distinction between 'Zero Rated Sale' and 'Exempted Sale'.
- (xvii)** Are sale of bundles of old newspapers as waste papers exempt from CST and why?
- (xviii)** Whether Government subsidy form part of sale price under Central Sales Tax Act, 1956?
- (xix)** Define Cross-Border Transaction in the context of International transactions.
- (xx)** What are the Challenges in the comparability analysis of International transactions?

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

- (a) Describe how indirect taxes are administered in India.
- (b) Write the advantages of indirect taxes (any two).
- (c) Write down the differences between direct tax and indirect tax.

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

(a)(i) Boral Ltd., which is engaged in the manufacture of excisable goods started its business in May, 2014. 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 25-06-2014 (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. Boral Ltd. in cash, if any, during year 2014-15. 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 notes with suitable assumptions as required. **[6]**

(ii) Under Central Excise Tariff Act goods are classified using 8-digit system as headings under 'Harmonised System of Nomenclature' — Justify. **[2]**

(b)(i) When is the CENVAT Credit on inputs not admissible? **[5]**

(ii) What is Automation of Central Excise and Service Tax or ACES? **[3]**

(c) (i) DEB Ltd. has a manufacturing unit situated in Lucknow. In the financial year 2014-15, 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-

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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 financial year 2015-16. **[5]**

(ii) ABC Ltd. is engaged in the manufacture of 'paracetamol' tablets that has an MRP of ₹ 50 per strip. The company cleared 1,00,000 tablets and distributed as physician's samples. The goods are not covered by MRP, but the MRP includes 12.36% Excise Duty and 2% CST. If the cost of production of the tablet is ₹ 2 per tablet, determine the total duty payable. **[3]**

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

(a)(i) 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? **[4]**

(ii) When Provisional Anti-Dumping Duty is imposed in customs? **[2]**

(b) Following transactions took place in the factory of Pisco 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. **[6]**

(c) From the following particulars, calculate assessable value and total customs duty payable:

- (i) Date of presentation of Bill of entry : 14-05-2014 [Rate of BCD 25%; Exchange Rate: ₹43.40 and rate notified by CBEC ₹ 43.80]
- (ii) Date of arrival of goods in India: 27-05-2014 [Rate of BCD 20%; Exchange Rate; ₹ 44.10 and rate notified by CBEC ₹ 44.20]

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- (iii) Rate of Additional Customs Duty : 12%;
- (iv) CIF value 2,000 US Dollar; Air Freight 500 US Dollars, Insurance cost 100 US Dollars [Landing Charges no ascertainable].
- (v) Education Cess applicable 3%
- (vi) 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]**

(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)** Explain the various Input Duty Relief Schemes.
- (c)** Discuss the concept of Duty Drawback on Re-Export goods.

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

(a)(i) M/s. SURYA 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 ;
- (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 ; **[6]**

(ii) Describe the taxability of 'bundled services' with suitable example. **[4]**

(b)(i) Uday Ltd. of Mumbai (having diversified business) has provided the following services, whose values are listed below. Compute its service tax liability:

- (1) Services provided to a company located in Colombo in relation to organization of a sport event in Colombo: ₹ 25 lakh;
- (2) Services provided to a company located in Srinagar in relation to festival celebration in Srinagar: ₹ 5 lakh;
- (3) Services provided to a company located in Chennai 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). **[5]**

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

(c)(i) A Ltd. provided services valuing ₹ 8 lakhs during the financial year 2013-14. During 2014-2015, it has provided taxable services valuing ₹ 10 lakhs and has received payments towards payable services ₹ 8.5 lakhs. It has also received services in the nature of transport of goods by road on 1-4-2014, valuing ₹ 50,000 (exclusive of service tax), in respect of which it is the person liable to pay service tax. Freight has been paid on 10-6-2014. Compute the service tax, if any, payable by A Ltd. for the financial year 2014-2015. It is given that goods transport service is exempt to the extent of 75% of value thereof. [6]

(ii) Mr. X practicing Cost Accountant received ₹ 20,00,000 (exclusive of service tax) in the June 2014. He paid service tax on 26th July 2014. Gross receipt in the year 2013-14 is ₹ 25 lakhs. You are required to calculate Interest on delay payment of service tax. [4]

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

(a)(i) Compute the VAT liability of Usha for the month of March, 2015 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%. [4]

(ii) Mr. P of Kolkata sells goods to Mr. T of Hyderabad and delivers the same at Kolkata to ABC Transport. The lorry receipt was sent to Mr. T by post. While goods were in transit, Mr. T 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. T and Mr. U chargeable to tax? [2]

(b) Umar 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

Umar 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.

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Assume 100% input tax credit is available on capital goods immediately. **[6]**

(c) (i) Distinguish between a Sale for Export and Sale in the Course of Export in the context of Central Sales Tax. **[2]**

(ii) Are Lease Transactions subjected to levy of Value Added Tax under VAT Legislations? State in details. **[4]**

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

(a) State the object of introducing Transfer pricing?

(b) Write down the scope of international transaction.

(c) State the difficulties in applying the arm's length principle?