

Paper 11- Indirect Taxation

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Full Marks: 100

Time allowed: 3 hours

The figures in the margin on the right side indicate full marks.
Working notes should form part of the answer.

1. Answer the following questions:

(A) Multiple choice questions:

[7×2=14]

- (a) Value of captively consumed excisable goods is to be taken at —
(i) 110% of cost production;
(ii) 120% of cost production;
(iii) 100% of cost production;
(iv) 90% of cost production.
- (b) Service of beautification of buildings at Srinagar is ₹ 3,00,000. The amount of service tax payable will be —
(i) ₹ 45,000;
(ii) Nil;
(iii) ₹ 22,500;
(iv) None of the above.
- (c) Services provided by the Central Government to A Ltd., (whose turnover of 2015-16 is ₹ 10 lakhs) is ₹ 50,000. The service tax liability will be:
(i) exempted service
(ii) ₹ 7,500
(iii) ₹ 4,500
(iv) Not at all service
- (d) Bonafide Baggage including _____ personal effects is exempt from customs duty.
(i) Used
(ii) Unused
(iii) Damaged
(iv) Lost
- (e) Which of the following is not a declared good under CST Act?
(i) rice;
(ii) jowar;
(iii) wheat;
(iv) charcoal.
- (f) EOU has to issue _____ certificate for obtaining inputs without payment of Duty.
(i) CT - 1
(ii) CT - 2
(iii) CT - 3
(iv) None of the above
- (g) If the maximum retail price (MRP) of a refrigerator is ₹ 20,000, carry abatement rate of 40% and rate of excise duty is 12.5%, the amount of duty will be:
(i) ₹ 2,500
(ii) ₹ 1,000
(iii) ₹ 1,500
(iv) None of the above.

(B) Say Yes or No for the following question:

[6×1=6]

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- (a) Service tax is levied under entry 97 of List I of Seventh Schedule to Constitution of India.
- (b) Buying commission is always includible in customs valuations.
- (c) No fees are payable while applying for service tax registration.
- (d) Territorial waters of India extend upto 24 nautical miles inside sea from baseline on coast of India.
- (e) Unbranded software is service.
- (f) In order to attract excise duty under central Excise Act 1944, goods must be movable or immovable.

(C) Match the following:

[5×1=5]

	Column 'A'		Column 'B'
1.	Pollution control equipment	A	avoids cascading effect of tax.
2.	VAT	B	Declared goods under CST
3.	B-4 Bond	C	Removal of confiscated goods
4.	Indirect taxes	D	Eligible for Cenvat credit as capital goods
5.	Jute	E	regressive in nature.

**Answer any five questions from the following.
Each question carries 15 marks**

- 2.(a)** Mr. X, a dealer located in the State of Maharashtra, dealing in machinery used in rolling mills furnishes following information for the financial year 2015-16.
- (i) Total inter-state Sales during in the financial year (CST not shown separately) – ₹ 2,29,50,000
- (ii) Trade Commission for which credit have been issued separately – ₹ 5,78,125
- (iii) Freight and Transportation charges charged separately in invoice – ₹ 4,00,000
- (iv) Freight charges included in value but not shown separately – ₹ 2,00,000
- (v) Insurance for transport of machinery upto destination – ₹ 75,000
- (vi) Installation and commissioning charges levied separately in invoice – ₹ 1,00,000
- (vii) The buyers have issued C forms in respect of machinery bought by them from Mr. X. Compute the tax liability under CST Act. **[10]**
- (b)** Compute the purchases eligible for availing input tax credit to determine the VAT liability from the following particulars:-

Purchases	₹
Goods for resale within the State	10,000
Capital goods required for the purpose of the manufacture or resale of taxable goods	14,000
Goods purchased from the unregistered dealer	3,200
Goods which are being utilized in the manufacture of exempted goods	6,600
High seas purchases	2,300

[5]

- 3.(a)** Hero Electronics Ltd. is engaged in the manufacture of colour television sets having its factories at Kolkata and Gujarat. At Kolkata the company manufactures picture tubes which are stock transferred to Gujarat factory where it is consumed to produce television sets. Determine the Excise duty liability of captively consumed picture tubes from the following information:- Direct material cost (per unit) ₹ 800; Direct Labour ₹ 100; Indirect Labour ₹ 50; Direct Expenses ₹ 100; Indirect Expenses ₹ 50; Administrative Overheads ₹ 50; Selling and Distribution Overheads ₹ 100. Additional Information:- (1) Profit Margin as per the Annual Report of the company for 2015-16 was 12% before

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Income Tax. (2) Material Cost includes Excise Duty paid ₹89 (3) Excise Duty Rate applicable is 12.5%. **[8]**

- (b)** A Small Scale Unit (SSI) has effected clearances of goods of the value of ₹ 460 lakhs during the financial year 2015-16. The said clearances include the following: (i) Clearance of excisable goods without payment of Excise duty to a 100% EOU unit - ₹ 40 lakhs. (ii) Export to Nepal and Bhutan - ₹ 50 lakhs, (iii) Job-work in terms of Notification No. 214/86 C.E., which is exempt from duty - ₹ 60 lakhs. (iv) Goods manufactured in rural area with the brand name of others - ₹ 70 lakhs. Write a brief note with reference to the Notifications governing SSI under the Central Excise Act whether the benefit of exemption would be available to the unit for the financial year 2016-17. **[7]**

- 4.(a)** State the distinctions between pilfered goods u/s 13 of the Customs Act and Lost or destroyed goods u/s 23 of the Customs Act. **[6]**

- (b)** M/s. Premium Industries Ltd., has imported a machine from Japan at an F.O.B. cost of 1,00,000 yen (Japanese). The other expenses incurred were as follows: (i) Freight from Japan to Indian port 10,000 yen; (ii) insurance paid to insurer in India ₹ 5,000; (iii) Designing charges paid to consultancy firm in Japan 15,000 yen; (iv) M/s Premium Industries Ltd. spent ₹ 50,000 in India for development work connected with the machine; (v) Transportation cost from Indian port to factory ₹ 15,000; (vi) Central Government has announced exchange rate prevailing in the market was 1 yen = ₹ 0.40 by notification under section 14(3). However the exchange rate prevailing in the market was 1 yen = ₹ 0.4052 (vii) M/s Premium Industries Ltd. made payment to the bank based on exchange rate of 1 yen = ₹ 0.4150, (viii) The commission payable to the agent in India was @5% of F.O.B. price in Indian rupees. The rate is BCD @10%. Similar goods are subject to 12.5% excise in India. Education cess and special CVD is applicable. Find the customs duty and other duties payable. How much CENVAT can be availed by importer, if he is manufacturer? **[7+2]**

- 5.(a)** Specify whether the following payments can be treated as consideration for service:

- (i) Amount received in settlement of dispute
- (ii) Amount received advances for performance of service
- (iii) Security deposit that is returnable on completion of provision of service.
- (iv) Excess payment made as a result of a mistake. **[8]**

- (b)** M/s. LST Ltd. is engaged in the business of renting of immovable properties owned by it. During the quarter ended on 31-03-2016, it has collected a rent (exclusive of property tax of ₹ 20 lakhs) of ₹ 120 lakhs. The said sum includes rent from,-

- (1) Vacant land used for horticulture : ₹ 10 lakhs;
- (2) A building let out to RBI: ₹ 12 lakhs;
- (3) A temple hall was let out for religious purpose for general public : ₹ 15 lakhs;
- (4) Residential houses let out to individuals for commercial use : ₹ 20 lakhs

Compute the value of taxable services, assuming the rent is exclusive of service tax in each case. Ignore Small Service Providers' exemption. **[7]**

- 6.(a)** State the advantages of indirect taxes. **[5]**

- (b)** Write short note on the following: **[5+5=10]**

- (i) VAT Invoice
- (ii) Status holders in foreign trade policy

- 7.(a)** Explain any four services under negative list. **[7]**

- (b)** XYZ Ltd. of Delhi, engaged in various businesses has provided the following services, whose values are listed below. Compute its service tax liability:

- (1) Service of interior decoration in respect of immovable property located in Jammu: ₹ 5 lakh;
- (2) Professional services of valuation of immovable properties [vide a single contract for a consolidated consideration] to Mumbai based Reliance Industries Ltd. in respect of its four properties located in Delhi, Kashmir, Kolkata and London. It is assumed that XYZ Ltd. performed 20%, 30%, 15% and 35% of his total services in

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foregoing four cities respectively : ₹20 lakhs;

- (3) Architectural services to an Indian Hotel Chain which has business establishment in Mumbai for its newly acquired property in Sydney: ₹ 40 lakh; **[8]**

8.(a) State relevance of 'arm's length price' in international transactions between associated companies. **[5]**

(b) Explain which enterprise can be termed as 'associated enterprises'. Your answer need not contain provisions relating to 'deemed associated enterprise'. **[5]**

(c) Gama Pharmaceuticals Ltd. is an Indian subsidiary of a UK Company Gama Pharma Ltd. The UK parent company sales its products to unrelated buyers at 300 UK pounds per unit. What would be the Arms Length Price (ALP) in following two independent situations?

i. The UK Parent company sales its product to Indian subsidiary at 250 UK pounds per piece.

ii. The product is sold to Indian subsidiary at 320 UK pounds per unit. **[2½+2½]**