

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) Form ER-1 has to be submitted by the manufacturer on:
- (i) weekly basis
 - (ii) monthly basis
 - (iii) quarterly basis
 - (iv) half-yearly basis.
- (b) S.S.I. units can make the excise duty payments once in:
- (i) Months
 - (ii) Quarter
 - (iii) Half- year
 - (iv) Annual
- (c) Which of the following amount to manufacture under central Excise Act 1944?
- (i) Cutting and sizing
 - (ii) Repairing & reconditioning
 - (iii) Mixing of metals
 - (iv) None
- (d) Which of the following rule of the Place of Provision of Services Rules, 2012 is dealt with performance based services?
- (i) Rule 4
 - (ii) Rule 5
 - (iii) Rule 6
 - (iv) Rule 7
- (e) As per sec 2(d) of the CST Act, 'Goods' includes all materials, articles, commodities and all other kinds of movable property, but does not include:
- (i) newspapers
 - (ii) stocks
 - (iii) shares
 - (iv) All of the above.
- (f) VAT rate of gold, if within State of Gujarat, is 1%. If gold is sold to an unregistered buyer in Delhi, the CST rate will be:
- (i) Nil
 - (ii) 1%
 - (iii) 4%
 - (iv) 10%
- (g) In case of customs valuation, if the cost of insurance is not ascertainable, these will be calculated at:
- (i) 1.125% of FOB Value of goods
 - (ii) 20% of FOB Value of goods
 - (iii) 10% of FOB Value of goods
 - (iv) 1.50% of FOB Value of goods

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(B) Say Yes or No for the following question: **[6×1=6]**

- (a) Excise Department cannot challenge the reasonability of MRP printed on the package.
- (b) Cenvat credit can be availed on the rent-a-cab service utilized to carry employees from home to factory and back.
- (c) Hides and skins are declared goods under CST Act.
- (d) A service provider is required to file return in form ST-4 on quarterly basis within 15 days from close of quarter.
- (e) Duty drawback is allowed on wearing apparels.
- (f) Registration of Service Tax is granted by Commissioner of Central Excise.

(C) Match the following: **[5×1=5]**

	Column 'A'		Column 'B'
1.	Tax Identification Number	A	Calculation of cost of production for captive consumption
2.	All type of services provided by RBI	B	person does not have any dutiable goods
3.	Krishi Kalyan Cess	C	@0.5% on the value of taxable services
4.	CAS-4	D	consist of 11 digits
5.	Green channel	E	included in negative list

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

2.(a) Anuradha & Co., a registered dealer in VAT, furnishes following details of purchases and sales for the month of March, 2016:

Particular	Amount (₹)
Opening balance of VAT Input Tax Credit	25,000
Opening balance of stock of inputs	Nil
Purchase of goods from registered dealers within the State (including State VAT)	28,62,500
Purchases from outside State against issue of C form (including CST amount)	15,30,000
Net sales within State excluding State VAT	55,00,000
Closing stock of goods purchased within the State as on 31.03.2016 (inclusive of VAT paid on purchases)	1,14,500

VAT rate on both inputs and outputs is 14.5%. Determine VAT liability of dealer for the month of March, 2016. **[8]**

(b) Laxman & Co. furnishes to you the following information.

- 1) Interstate sale of goods (it includes ₹ 10,00,000 being the value of goods transferred to Chennai branch for which it had issued form F ₹ 69,00,000)
- 2) Dharmada collected separately ₹ 25,000 (This was collected only from buyers who had voluntarily agreed to pay such charges).
- 3) Weighment charges recovered separately from buyers ₹ 2,40,000
- 4) Cash discount shown in invoice as per trade practices ₹ 60,000
- 5) Transit insurance charges recovered from buyer to cover transit loss based on their request ₹ 50,000.

Calculate the turnover and CST payable on the assumption that all the sales were made to registered dealers who have issued 'c' forms. Assume that the prices are exclusive of CST. **[7]**

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3.(a) B Ltd manufactures two products namely, Eye Ointment and Skin Ointment. Skin Ointment is a specified product under section 4A of the Central Excise Act, 1944. The sale prices of the two products are ₹ 43 per unit and ₹ 33 per unit respectively. The sale price of both the products included 12.5% excise duty as BED, education cess of 2% and SAH of 1%. It also includes CST of 2%. Additional information is as follows:
Units cleared: Eye Ointment - 1,00,000 units, Skin Ointment – 1,50,000 units. Deduction permissible under section 4A: 40%.

Calculate the total excise duty liability of B Ltd for both the products. [7]

(b) Following transactions took place in the factory of A Ltd.:

(i) An imported consignment of raw materials was received vide Bill of Entry dated 2.12.15 showing the following customs duty payments: Basic Customs duty ₹ 25,000; 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) A vehicle containing machinery was received. The machinery was purchased through a dealer and not from the manufacturer. The dealer's Invoice No. 925, dated 3.9.15 marked 'original for buyer' certified that the excise duty paid by the manufacturer of machinery was ₹ 24,000. The dealer is registered with the Central Excise Authorities.

(iv) Some inputs for final products were received. These were accompanied by a certified Xerox copy (photo copy) of Invoice No. 286 dated 15.1.2016 indicating that Excise duty of ₹ 6,400, has been paid on inputs. The original or duplicate copies of invoice are not traceable.

Indicate the eligibility of CENVAT Credit in each case under the CENVAT Credit Rules, 2004 with explanations where necessary. [8]

4.(a) What is transit of goods and transshipment of goods? Give examples. [4+4]

(b) 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\$25,000

Quantity imported: 500 kgs.

Exchange rate applicable: ₹ 50= US\$1

Basic customs duty: 20%

Education and secondary and higher Education Cess as applicable as per the Finance Act, 2008.

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]

5.(a) What do you understand by Automation of Central Excise and Service Tax (ACES)? State the usefulness of it. [4+4]

(b) Determine Point of Taxation (with reasons) in the following cases –

No.	Date of Completion of Service	Date of Payment	Date of Invoice
1	10/08/2016	06/09/2016	18/08/2016
2	10/08/2016	10/09/2016	13/09/2016
3	10/08/2016	05/08/2016	17/08/2016

[7]

6.(a) A Trader supplies raw material of ₹ 1,150 to processor. Processor processes the raw material and supplies finished product to the trader. The processor charges ₹ 450,

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which include ₹ 350 as processing expenses and ₹ 100 as his (processor's) profit. Transport cost for sending the raw material to the factory of processor is ₹ 50. Transport charges for returning the finished product to the trader from the premises of the processor is ₹ 60. The finished product is sold by the trader at ₹ 2,100 from his premises. He charges Vat separately in his invoice at applicable rates. The rate of duty is 12.5%. What is the Assessable Value and what is total duty payable? [5]

- (b) AB Bank Ltd., furnishes the following information relating to services provided and the gross amount received —

	₹ (lakhs)
Merchant Banking Services	10
Asset Management (including portfolio management)	3
Service charges for services to the Government of India	1.5
Interest on overdraft and cash credits	3
Banker to the issue	5
Locker rent	2

Repayment of financial lease made by the customer to the bank ₹ 80 lakhs which includes a principal amount of ₹ 50 lakhs. Compute the value of taxable service under the Finance Act, 1994 and the service tax liability of AB Bank Ltd. [10]

- 7.(a) State the differences between direct taxes and indirect taxes. [5]
(b) Write short note on the following: [2×5=10]
(i) Anti-dumping duty
(ii) Deemed export under foreign trade policy

- 8.(a) A manufacturer of paper machinery filed income tax return, declaring profit of ₹ 97 lakhs. The manufacturer had sold 50 numbers of paper machinery to its associated enterprise outside India @ USD 3,000 per machinery. 30 pieces of similar machinery were sold to an unrelated buyer. Exchange rate of dollar was one dollar = ₹ 65. Compute the taxable income of the manufacturer stating the method you will apply, under following three independent and separate situations —
(i) 30 pieces were sold to unrelated buyers at USD 3,500 per piece.
(ii) 30 pieces were sold to unrelated buyers at USD 3,080 per piece.
(iii) 30 pieces were sold to unrelated buyers at 2,800 USD per piece. [10]

- (b) C Ltd., a resident Indian company, sold goods to its associated enterprise D Inc. of USA. D Inc. sold goods to its independent buyers at US dollars 15,000. D Inc. earned profit of 15% on purchase cost in that transaction. Calculate Arm's Length price in the hands of C Ltd. State the effect on C Ltd., if C Ltd. sells the goods to D Inc.
(i) above the Arm's Length Price,
(ii) below the Arm's Length Price. [5]