

## Paper-10 - Applied Indirect Taxation

Time Allowed: 3 hours

Full Marks: 100

Answer **Question No. 1** which is compulsory and **any five** from the rest.

### Question 1.

#### (a) Fill up the blanks:

- (i) The \_\_\_\_\_ sale price should be the maximum price at which excisable goods in packaged forms are sold to ultimate consumer.
- (ii) In customs, imported goods are cleared from seaport/airport on submission of \_\_\_\_\_ for warehousing.
- (iii) Manual Payment of service tax may be either by cheque or cash depositing it through \_\_\_\_\_ Challan with the bank designated by the CBEC.
- (iv) \_\_\_\_\_ goods means goods declared under Section 14 of CST Act to be of special importance in interstate trade or commerce.
- (v) In the context of central excise, \_\_\_\_\_ duty is payable on the basis of length, area, volume etc.
- (vi) Chapter V of the Finance Act, 1994 (i.e. the service tax law), extends to the whole of India except the state of \_\_\_\_\_.
- (vii) In excise, in case of exports, the place of removal is \_\_\_\_\_ where export documents are presented to customs office.
- (viii) Unbranded software is \_\_\_\_\_. (goods/ service)
- (ix) The \_\_\_\_\_ duty is payable on imported goods to counter balance impact of excise duty on indigenous manufactures, to ensure level playing field.
- (x) As per section 66D of Finance Act, 1994 the services specified in the \_\_\_\_\_ go out of the ambit of chargeability of service tax.
- (xi) VAT prevents the \_\_\_\_\_ effect of tax by providing set-off/ input credit of tax paid earlier.
- (xii) \_\_\_\_\_ products are such products, which are produced in a process naturally in the course of manufacture of a finished product, which involves more than one process.
- (xiii) In excise, Design and Engineering Charges being an essential process/activity for the purpose of manufacture shall be \_\_\_\_\_ (included/ excluded) in the Assessable value.
- (xiv) \_\_\_\_\_ 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.
- (xv) \_\_\_\_\_ means a contract for carrying out any work which includes assembling, construction, building, altering, manufacturing, processing, fabricating, erection, installation, fitting out, improvement, repair or commissioning of any movable or immovable property.

[15 × 1]

#### (b) State with reasons whether the following are 'True' or 'False':

- (i) In excise, an SSI unit whose turnover was less than or equal to ₹ 3 crores in current financial year are entitled to full exemption upto ₹ 150 lakhs in the same i.e. current financial year.
- (ii) No duty is payable in the event of pilferage of the imported goods.

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- (iii) Charcoal is a declared good in Central Sales Tax.
- (iv) Betel Nut to supari powder is not manufacture in order to attract excise duty.
- (v) Goods manufactured/ produced outside Exclusive Economic Zone also liable to excise duty.

[5 × 2]

### Question 2.

- (a) CDR Co. Pvt. Ltd., an SSI unit procured the following inputs during the month of Jan. 2015. Determine the amount of CENVAT credit available with necessary explanation for the treatment of various items.

Items	Excise duty paid (₹)
Raw materials	52,000
Manufacturing machine	1,00,000
Light diesel oil	45,000
Greases	10,000
Office equipment	20,000
Paints	5,000

(Note: M/s. CDR Co. Pvt. Ltd. is not eligible to avail exemption under a notification based on value of clearances in a financial year)

- (b) Write down the conditions (any four) to be fulfilled in order to make a sale by a dealer to a registered dealer in Special Economic Zone not liable to tax in interstate trade or commerce.
- (c) The assessable value of imported goods is ₹ 20,00,000. The basic customs duty is 10%. The excise duty on like articles manufactured in India is 12%. Additional customs duty equal to sales tax, VAT etc. is 4%. Education Cess is 2% and Secondary & Higher Education Cess is 1%. Compute total customs duty and imported cost of the goods.

[6+4+5]

### Question 3.

- (a) Siva 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 : ₹14 lakh;
- (2) Services provided to a company located in Srinagar in relation to festival celebration in Srinagar : ₹3 lakh;
- (3) Services provided to a company located in Jaipur in relation to fashion show in Dubai: ₹13 lakh;
- (4) Services of online database access and retrieval services provided from its website: ₹ 15 lakhs (out of this, ₹10 lakh was provided to recipients located outside India).

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- (b) Are Lease Transactions subjected to levy of Value Added Tax under VAT Legislations?
- (c) "Anti-dumping is a measure to rectify the trade distortive effect of dumping and re-establish fair trade" — State the features of anti-dumping duty in this regard.

[6+5+4]

### Question 4.

- (a) Why indirect taxes are called regressive in nature as against direct taxes?
- (b) Renu imported certain goods in March 2014. An "Into Bond" bill of entry was presented on 13th March, 2014 and goods were cleared from the port for warehousing. Assessable value was \$10,00,000. The order permitting the deposit of the goods in warehouse for three months was issued on 21st March, 2014. Renu did not clear the imported goods even after the warehousing period got over on 20th June, 2014. She did not obtain any extension of time as well.

A notice was issued under section 72 demanding duty and other charges. Renu cleared the goods on 28th July, 2014. Compute the amount of duty payable by Renu while removing the goods on the basis of following information:

	13.3.2014	20.6.2014	28.7.2014
Rate of Exchange per US \$	₹ 48.20	₹ 48.40	₹ 48.50
Basic customs duty	15%	10%	12%

Assume that no additional duty or special additional duty is payable.

- (c) PTA Cements is selling white cement to selected customers. The condition for the sale is that the Dealers should place an order for transportation of the cement bags by lorries of their own transport division. The following material particulars may be used for answering the question:
- (i) Unit price for parties utilising the Company's transports ₹ 4,200 per metric ton.
- (ii) Unit price for others [during the relevant period there was no sale to this class of buyers] ₹ 4,500 per metric ton.
- Cost of transport by PTA Cement's transports ₹ 1,700 per ton
- Cost of transport by other Transport Companies ₹ 1,500 per ton
- Determine the Assessable Value.

[3+6+6]

### Question 5.

- (a) M/s. HL 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) 1,000 pieces having retail sale price (RSP) ₹ 70 per piece are sold in retail packages to wholesale dealer at ₹ 50 per piece.
- (ii) 2,500 pieces having RSP ₹ 70 per piece are sold in retail packages, but buyer is charged for 2,300 pieces only at ₹ 50 per piece (200 pieces have been given free as quantity discount).

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- (iii) 50 pieces were given away as free samples, without any RSP on the pack.
- (iv) 200 multi-packs were cleared at ₹ 90 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.

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

- (i) Exempt goods 'A' purchased for ₹ 2,00,000 and sold for ₹ 2,30,000.
- (ii) Goods 'B' purchased for ₹ 2,25,000 (including VAT) and sold at a margin of 10% profit on purchases (VAT rate 12.5%);
- (iii) Goods C purchased for ₹ 1,00,000 (excluding VAT) and sold for ₹ 1,50,000 (VAT rate 4%);
- (iv) His unutilized balance in VAT input credit on 01.03.2015 was ₹ 1,500.

Compute the turnover, Input VAT, Output VAT and Net VAT payable by Mr. Bimal.

**(c)** Are sale of bundles of old newspapers as waste papers exempt from CST?

[6+7+2]

### Question 6.

**(a)** Which are the products or activities related to agriculture outside the scope of service tax (i.e. included in the negative list)?

**(b)** Mr. C of Kolkata sells goods to Mr. A of Hyderabad and delivers the same at Kolkata to MKS Transport. The lorry receipt was sent to Mr. A by post. While goods were in transit, Mr. A sells the goods to Mr. V of Vijayawada by making an endorsement of LR and goods were diverted to Vijayawada. Is the second sale between Mr. A and Mr. V chargeable to tax?

**(c)** Duty demand of ₹ 11 lakhs was made in terms of an order in original dated 25-02-2014 against D Ltd. with interest as applicable on the ground of clandestine removal of the products manufactured by the assessee in the month of June, 2013. Penalty equal to duty demanded was also imposed. On an appeal filed by D Ltd., the Commissioner (Appeals) required assessee to deposit an amount of ₹ 5 lakhs as pre-deposit which was duly deposited on 03-06-2014. The case against D Ltd. was finally decided and duty demand of ₹ 3,20,000 was confirmed and penalty was set aside on 30-06-2014. D Ltd. filed a refund claim on 15-09-2014. Refund was sanctioned on 10-12-2014. Calculate the amount of refund admissible.

**(d)** X Ltd., a manufacturer, manufactured components within factory for own use. Cost of raw materials purchased for ₹ 45,000 to manufacture the said components. Cost of overheads as certified by a Cost Accountant, as per Cost Accounting Standard (CAS) – 4 is ₹ 25,000. Profit margin on inter departmental transfer @20%. These components are subject to Excise Duty @12.36% and State VAT rate @12.50%.

You are required to answer (i) Assessable Value of these Components, (ii) Total Excise Duty and (iii) Value Added Tax (VAT).

[3+3+5+4]

### Question 7.

**(a)** CB 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) —

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- (1) New constructions: ₹ 50 lakh;
- (2) Additions and alterations to damaged structures on land to make them workable: ₹ 25 lakhs;
- (3) Supply along with erection, commissioning and installation of plants: ₹ 72 lakhs;
- (4) Maintenance and repair of goods: ₹ 40 lakhs;
- (5) Maintenance and repair of immovable property: ₹ 30 lakhs;
- (6) Finishing and Glazing Services of an immovable property: ₹ 14 lakh;
- (7) Other works contracts: ₹ 12 lakh.

Compute taxable value and service tax thereon.

(b) Define 'Factory' as per section 2(e) of the Central Excise Act, 1944.

(c) What are the common characteristics of Service Tax Code (STC)?

(d) What is Automation of Central Excise and Service Tax or ACES?

[8+2+3+2]

### Question 8.

(a) When Provisional Anti-Dumping Duty is imposed in customs?

(b) What are the details contained in the service tax return?

(c) Mr. Rajan, a first stage dealer in pharmaceutical plant and boiler in the State of Tamil Nadu, furnishes the under mentioned information:

		(₹)
(i)	Total inter-State sales during financial year 2014-15 (CST not shown separately)	2,31,25,000
(ii)	Trade commission for which credit notes have to be issued separately	5,78,125
(iii)	Freight and transportation charges (of this ₹ 1,00,000 is on inclusive basis)	4,50,000
(iv)	Insurance premium paid prior to delivery of goods	74,000
(v)	Installation and commissioning charges levied separately in invoices	75,000

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

(d) Write a short note on Valuation Audit (Section 14A of Central Excise Act).

[2+3+5+5]