

Indirect Taxation

Time Allowed: 3 hours

Full Marks: 100

Group-A
(Answer Question 1 which is compulsory)

Question 1

Answer the following questions with suitable reasons:

- (i) "A service provider cannot opt for centralised registration under service tax even though he has centralised billing system." — Discuss
- (ii) "VAT helps in checking tax evasion and in achieving neutrality." — Is the statement true? Justify.
- (iii) A biscuit manufacturing company prints on the packages the MRP of ₹5.00 for the state of West Bengal, ₹6.00 for Madhya Pradesh and ₹7.00 for the rest part of India. What will be the Assessable Value for the purpose of calculating the excise duty?
- (iv) "No anti-dumping duty is payable by EOUs under the Customs Act, 1962, even where the goods imported are used for manufacture of goods sold in India." — Clarify.
- (v) What is 'Goods' under CST Act?
- (vi) Mitali, a consulting engineer, raised a bill of ₹2,19,225 (including Service Tax) on her client for Consultancy Services rendered by her on January 15, 2013. If a partial payment of ₹1,33,945 is received by Mitali on February 5, 2013, what would be the amount of Service Tax payable by her for the quarter ended on March 31, 2013.
- (vii) A manufacturer produces a product which is not sold but supplied to a related person who consumes it in his production process. What will be the valuation for such captive consumption?
- (viii) Determine the point of taxation in case of copyright, trade marks etc.
- (ix) A retailer sold cold drinks to its buyers for ₹20 (₹10 for the cold drinks and the balance ₹10 for the bottle) if they want to get it at their home. The retailer refunds the amount of the bottle if the buyer returns it in the usable condition. Then whether the amount taken for returnable bottles should be included in the assessable value or not?
- (x) "Goods already exported cannot be confiscated under Customs Act." — Explain.

[10×2]

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Group-B

(Answer any eight questions out of the ten questions given)

Question 2

- (a) What is 'excluded excisable goods' in Excise?
- (b) An importer has imported certain goods and while determining the assessable value, landing charges @ 1% of CIF value were added. The importer has claimed that actual landing charges are much lower than 1% of the CIF value in his case. You have been asked to advise whether the importer can file a bill of entry by adding actual landing charges instead of notional 1% of CIF value or not.
- (c) What are the schemes introduced to obtain inputs free from duty or to grant refund of the same?

[2+3+5]

Question 3

Mr. Sen, a service provider, has provided services of ₹4,00,000 in 2012-13. Out of this, ₹2,50,000 are taxable output services and ₹1,50,000 are exempt output services. Service tax paid on his input services (excluding education cess and SAH education cess) is ₹4,000 which do not include any service specified in rule 6(5) of Cenvat credit rules. Rate of basic service tax is @ 12%.

Calculate the service tax in each of the following cases:

- (i) If out of ₹4,000 of service tax paid by Mr. Sen on his input services, ₹1,000 are in respect of exempt output services and ₹3,000 pertains to taxable output services.
- (ii) Mr. Sen not maintains separate books of account and willing to pay an 'amount'.
- (iii) Mr. Sen wants to pay amount by reversing proportionate amount of input tax credit [Rule 6(3)(ii)].

[10]

Question 4

- (a) What advantage is associated with the collection of indirect tax as against the direct tax?
- (b) Purchase price of the inputs purchased from the local market (inclusive of VAT) ₹ 52,000.

VAT rate on purchases 4%

Storage cost incurred ₹ 2,000

Transportation cost ₹ 8,000

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Goods sold at a profit margin of 10% on cost of such goods

VAT rate on sales 12.5%

From the above informations calculate the VAT liability of Mr. Roy for the month of February 2013, using 'invoice method' for computation of VAT.

- (c) Romit of Kolkata sells his land along with the standing crops and trees for ₹20 lakhs to Prasad of Chennai. Central Sales Tax Officer wants to assess to tax the value of standing crops and trees in the said land. Comment.

[2+5+3]

Question 5

- (a) There are difficulties in applying arm's length principle in a number of situations in international consensus. What are those difficulties?
- (b) Assessable value of certain goods imported from Canada is ₹5,00,000. The packet contains 5,000 pieces with maximum retail price of ₹200 each. The goods are assessable under section 4A of the Central Excise Act, 1944 after allowing an abatement of 40%. The excise duty rate is 12% ad valorem. Calculate the amount of additional duty of customs under section 3(1) of the Customs Tariff Act, 1975 assuming basic customs duty @ 10% ad valorem.

[5+5]

Question 6

- (a) Discuss whether the following leads to "Manufacture" —
- (i) Upgradation of computer system
 - (ii) Lifts and escalators
- (b) Specify the areas from where the Central Government, the State Government and the local self Government can get the tax revenues?
- (c) What are the allowances a professional get in addition to the General Free Allowance when he/she returning to India?

[4+2+4]

Question 7

- (a) Find Assessable Value and duty payable. The product is not covered under section 4A. Maximum Retail Trade Price: ₹1,300 per unit, State Vat, Octroi and other Local Taxes: 10% of net price, Cash Discount: 3%, Trade Discount: 8%, Primary and Secondary packing cost included in the above MRP: ₹180, Excise duty rate: 12% ad valorem plus education cesses as applicable.

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- (b) "Section 75 of Customs Act, 1962 provides some disallowances or cases when drawback allowed can be recovered." — Describe any six of such disallowances.
- (c) Who is Dealer according to Section 2(b) of Central Sales Tax Act?

[5+3+2]

Question 8

- (a) Based on the following information, determine the CENVAT Credit available for use in the current year under the Cenvat Credit Rules, 2004:

Goods	Excise Duty paid at the time of purchase of goods (₹)
i. Pollution Control Equipments	30,000
ii. Spares for pollution control equipments	3,000
iii. Equipments used in office	13,000
iv. Storage tank	8,000
v. Paints used for painting machinery used	7,000
vi. Packing material	5,000
vii. Lubricating oils	9,000
viii. High speed diesel oil	5,000

- (b) Calculate the value of taxable service of Robin Transport Company engaged in the business of transport of goods by road. Give reasons for taxability or exemption of each item. No freight is received from any of the specified category of consignor/consignee. Suitable assumption may be made wherever required. Robin does not avail cenvat credit.

1.	Total freight charges received by Robin during the year	6,45,000
2.	Freight charges received for transporting fruits	59,500
3.	Freight collected for transporting small consignment for	39,500

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	persons who paid less than ₹750 for each consignment	
4.	Freight collected for transporting goods in small vehicles for person who paid less than ₹1500 per trip	72,000

[5+5]

Question 9

- (a) Describe the term "reasonably accurate comparability adjustments" in the context of the transfer pricing.
- (b) Sunny Ltd., Kolkata sells goods for a value of ₹15,50,000 inclusive of central sales tax @ 2% to Munni Ltd. in Nagpur, both of them are registered dealers. The local sales tax on goods in Kolkata is 1%. Ascertain sales tax payable. If Munni Ltd. were unable to submit Form-C, being an unregistered dealer, what will be the central sales tax liability, if the local sales tax rate is 12.50%?
- (c) What is Point of Taxation?
- (d) "The CBE&C has developed a new software application called Automation of Central Excise and Service Tax (ACES)" — specify the objectives and uses of this application.

[3+2+3+2]

Question 10

- (a) "In exceptional circumstances, goods can be cleared from factory without payment of excise duty and stored in any other premises." — Discuss.
- (b) A manufacturer purchased certain inputs from R. The, assessable value was ₹25,500 and the Central Excise duty was calculated at ₹3,152 making a total amount of invoice at ₹28,652. However, the buyer manufacturer paid only ₹22,320 to R in full settlement of this bill. How much CENVAT credit can be availed by the manufacturer and why?
- (c) **What would be the situation where the payment for a service is made at one location (say by the headquarters of a business) but the actual rendering of the service is elsewhere (i.e. a fixed establishment)?**

[2+3+5]

Question 11

- (a) "Assembly is manufacture only if machinery can be removed without dis-assembly" — explain the line with regards to the marketability test.
- (b) What is meant by 'place of business' under the Central Sales Tax Act, 1956? What should a dealer do towards registration, if he has more than one place of business?

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(c) A dealer purchased 11,000 kgs. of inputs on which VAT paid @ 4% was ₹4,000. He manufactured 10,000 kgs. of finished products from the inputs. 1,000 kgs. was the process loss. The final product was sold at uniform price of ₹10 per kg. as follows – Goods sold within the state – 4,000 kgs. Finished product sold in inter-state sale against C form – 2,500 kgs. Goods sent on stock transfer to consignment agents outside the state – 2,000 kgs. Goods sold to Government departments outside the state – 1,500 kgs. There was no opening or closing stock of inputs, WIP or finished product. The state Vat rate on the finished product of dealer is 12.5%. Calculate liability of VAT and CST. Find VAT credit available to dealer and tax required to be paid in cash.

In the above problem, if 2,000 kgs. were exported (and not stock transferred), what would be the tax liability and credit available?

[2+3+5]