

Paper-11 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:

- (a) What is Account Current? How many copies of Account Current are distributed?
- (b) Define 'Factory' as per section 2(e) of the Central Excise Act, 1944.
- (c) When Provisional Anti-Dumping Duty is imposed in customs?
- (d) State how many variants of VAT have?
- (e) Mr. Y is a provider of taxable service under the brand name of others. He started his business in April, 2013. Taxable turnover for the year 2013-14 is ₹ 5 lakh. Whether registration is compulsory for him?
- (f) Mr. Roy, an importer submit Bill of Entry (assume manual filing of bill of entry) in white paper to remove goods from warehouse for home consumption. Whether the action taken by Mr. Roy is correct or not (state with reason).
- (g) What are the basic and essential elements of goods in excise?
- (h) Are sale of bundles of old newspapers as waste papers exempt from CST?
- (i) What is the place of provision for Passenger Transportation Services?
- (j) What is APTA in the context of customs?

[10 × 2]

Answer:

- (a) Account Current is a record for duty liability settled by cash payments, where every credit represents duty paid and every debit represents the duty liability. It is otherwise called Personal Ledger Account (PLA).

The PLA must be prepared in triplicate. Original and duplicate copies of the PLA should be sent to the Central Excise Officer along with the return in ER-1/ ER-2/ ER-3.

- (b) As per section 2(e) of the Central Excise Act, 1944, 'factory' means any premises, including the precincts thereof, wherein or in any part of which excisable goods other than salt are manufactured, or wherein or in any part of which any manufacturing process connected with the production of these goods is being carried on or is ordinarily carried on.
- (c) When there is a pending determination of margin of dumping, duty can be imposed on provisional basis. After dumping duty is finally determined, Central Government can reduce such duty and refund duty extra collected than that finally calculated. Such duty can be imposed upto 90 days prior to date of notification, if there is history of dumping which importer was aware or where serious injury is caused due to dumping.
- (d) There are three variants of VAT which are —
- (i) Gross Product Variant
 - (ii) Income Variant

Answer to PTP_Intermediate_Syllabus 2012_Jun2014_Set 2

- (iii) Consumption Variant
- (e) Yes, Registration is compulsory for service provider irrespective of his turnover, if he provides service under the brand name of others. For Mr. Y registration is compulsory under the Finance Act, 1994.
- (f) Mr. Roy has to submit bill of entry printed on yellow paper and it is often called 'Yellow Bill of Entry' in case for removal of goods from warehouse for home consumption. So the action taken by Mr. Roy to submit bill of entry in white paper is not correct.
- (g) The two basic and essential elements of goods are emanated:
(i) They should be movable, and
(ii) They should be marketable.
- (h) As per section 2(d) of CST Act, goods do not include 'news paper'. When old newspapers are sold as newspapers, they are only in the character of newspapers and they are not goods. However, when the newspapers are sold as waste papers, they are not newspapers and hence they are goods. Therefore, sale of bundles of old newspapers as waste papers is taxable.
- (i) As per rule 11 of Place of Provision of Services Rules, 2012, the place of provision of a passenger transportation service is the place where the passenger embarks on the conveyance for a continuous journey.
- (j) Bangladesh, Sri Lanka, South Korea, India and China are exchanging tariff concessions under Asia-Pacific Trade Agreement (APTA). Certificate of Origin (CoO) is required to be obtained from Export Inspection Council [EIC].

Group-B

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

Question 2.

- (a) **BMR Co. Pvt. Ltd., an SSI unit procured the following inputs during the month of Jan. 2014. 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

Answer to PTP_Intermediate_Syllabus 2012_Jun2014_Set 2

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

(b) State the procedures to claim for duty drawback at the time of export.

[6+4]

Answer:

(a) Computation of CENVAT Credit available during Jan. 2014

[Since the assessee is not eligible for SSI-exemption i.e., its value of clearances during preceding year exceeds ₹ 400 lakhs, hence, the credit of capital goods is admissible only upto 50% in the first year i.e. current year of acquisition and balance in the next year(s).]

Name of Item	Eligible as	Reason	₹
Raw materials	Input	Used in factory and related to manufacture	52,000
Manufacturing machine	Capital goods	Used within factory [50% of ₹ 1,00,000]	50,000
Light diesel oil	Not eligible	Specifically excluded from 'input' [Rule 2(k)(A) of Cenvat Credit Rules 2004]	NIL
Greases	Input	Used in factory and related to manufacture	10,000
Office equipment	Not eligible	Specifically excluded from capital goods [Rule 2(a) of Cenvat Credit Rules 2004]	NIL
Paints	Input	Used in factory and related to manufacture	5,000
Total CENVAT Credit admissible			1,17,000

(b) At the time of export, exporter shall endorse on the 'shipping bill' the description, quantity and other details to decide whether goods are eligible for duty drawback. He should submit one extra copy of shipping bill for drawback purposes. Copy of Invoice should be submitted.

If shipping bill under drawback is submitted electronically, that itself will be treated as claim for drawback.

Declaration by Exporter – A declaration should be made rule 12(1)(a)(ii) of Duty Drawback Rules, on shipping bill or bill of export that claim of drawback. Further declarations are also required when brand rate or special brand rate has been fixed. These declarations have to be signed by exporter.

Triplicate copy of Shipping Bill is the drawback copy and should be marked as 'Drawback Claim Copy'. It should be submitted with pre-receipt on reverse side with revenue stamp.

Declaration for non-availment of Cenvat – (a) If the manufacturer-exporter or supporting manufacturer of merchant exporter is registered with Central Excise, fact of non-availment of Cenvat credit can be verified from ARE-1 form furnished (b) If the manufacturer-exporter or supporting manufacturer of merchant exporter is not registered with Central Excise, they have to submit self-declaration about non-availment of Cenvat in prescribed form.

Answer to PTP_Intermediate_Syllabus 2012_Jun2014_Set 2

Question 3.

(a) Riya imported certain goods in March 2013. An "Into Bond" bill of entry was presented on 13th March, 2013 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, 2013. Riya did not clear the imported goods even after the warehousing period got over on 20th June, 2013. She did not obtain any extension of time as well.

A notice was issued under section 72 demanding duty and other charges. Riya cleared the goods on 28th July, 2013. Compute the amount of duty payable by Riya while removing the goods on the basis of following information:

	13.3.2013	20.6.2013	28.7.2013
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.

(b) When a foreign company can set up a branch office in India in the matter of cross-border services? Which are the activities the branch office can carry on in the same case?

[6+4]

Answer:

(a) Computation of duty payable by Riya

Particulars	₹
Assessable Value [US\$ 10 lakh x ₹ 48.20 per US\$] (Rate of exchange means the rate of exchange in force on the date of presentation of bill of entry for warehousing u/s 46 i.e., rate in force on 13-3-2013 viz- ₹ 48.20 shall be applied)	4,82,00,000
Customs Duty @ 10% (Rate of duty in force on date of deemed removal u/s 72 viz. date of expiry of warehousing period viz. on 20-6-2013 i.e., 10% shall be applied)	48,20,000
Add: EC and SHEC @ 3%	1,44,600
Total customs duty	49,64,600

Note: Mrs. Riya would also be liable to pay interest u/s 61 @ 15% for period beyond 90 days from date of depositing into warehouse. The calculation is —

- ◆ Date of depositing into warehouse : 21-3-2013
- ◆ 90 days period expires on : 21-3-2013 + 90 days = 19-6-2013
- ◆ Date of clearance and payment of duty : 28-7-2013
- ◆ Period of delay : 28-7-2013 - 19-6-2013 = 39 days
- ◆ Interest = ₹ 49,64,600 x 15% x 39 days ÷ 365 days = ₹ 79,570.

(b) The permission to set up a branch office in India by a foreign company is granted by the Reserve Bank of India. A Branch office of a foreign company upon approval from the RBI must be compulsorily registered under the (Indian) Companies Act, 1956.

Answer to PTP_Intermediate_Syllabus 2012_Jun2014_Set 2

Upon registration under the Companies Act, 1956 the branch office can carry on its business activities in the same way as a domestic company. Unlike a liaison office a branch office can generate revenue from the sales in the local market and repatriate the profits to the foreign parent company.

A branch office so approved and registered can carry on the following activities:-

- (i) Export/Import of goods
- (ii) Rendering professional or consultancy services
- (iii) Carrying out research work, in which the parent company is engaged
- (iv) Promoting technical or financial collaborations between Indian companies and parent or overseas group company
- (v) Representing the parent company in India and acting as buying selling agents in India
- (vi) Rendering services in Information Technology and development of software in India.

Question 4.

(a) 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.

(b) Ram 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).**

[4+6]

Answer:

(a) Section 8(6) of Central Sales Tax Act, 1956 provides that sale made by a dealer in the course of interstate trade or commerce to a registered dealer in any Special Economic Zone is not liable for tax subject to the following conditions:

- i. The sale should be to a registered dealer in Special Economic Zone.
- ii. The registered dealer has been purchasing the goods for the purpose of setting up operation, maintenance, manufacture, trading, production, processing, assembling, repairing, reconditioning, reengineering, packaging or for use as packing material or packing accessories in an unit located in any Special Economic Zone.
- iii. The establishment of such unit is authorized by the Authority specified by the Central Government.

Answer to PTP_Intermediate_Syllabus 2012_Jun2014_Set 2

- iv. The goods or class of goods shall be specified in the certificate of registration of such dealer.
- v. The dealer selling the goods should obtain a declaration in the prescribed form duly filled and signed by the dealer in Special Economic Zone to whom such goods are sold.
- vi. The above declaration should be furnished, by the dealer, who sold the goods to the prescribed authority.

(b) The taxable value and service tax is computed below (amount in ₹) -

(1)	Services provided to a company located in Colombo in relation to organization of a sport event in Colombo: As per Rule 6 of the Place of Provisions Rules, 2012, in case of services provided in relation to organization of events, the services shall be taxable at the place of location of event. Since event is held in non-taxable territory, it is not liable to service tax.	Nil
(2)	Services provided to a company located in Srinagar in relation to festival celebration in Srinagar: As per Rule 6 of the Place of Provisions Rules, 2012, in case of services provided in relation to organization of events, the services shall be taxable at the place of location of event. Since event is held in non-taxable territory, it is not liable to service tax.	Nil
(3)	Services provided to a company located in Jaipur in relation to fashion show in Dubai: Since services are in relation to event held in Dubai, hence, as per Rule 6, they are not taxable. But, since the services are provided to a recipient located in taxable territory (Jaipur) and both service provider and recipient are located in taxable territory, hence, as per Rule 8, these services are liable to service tax.	₹ 13,00,000
(4)	Services of online database access and retrieval services provided from its website: As per Rule 9, the place of provision is the place of location of service provider. Since service provider Ram Ltd. is located in Mumbai (taxable territory), hence, these services will be taxable in full irrespective of location of the service recipient.	₹ 15,00,000
	Total Taxable Value	28,00,000
	Service tax @ 12.36%	3,46,080

Question 5.

(a) Are Lease Transactions subjected to levy of Value Added Tax under VAT Legislations?

(b) Duty demand of ₹ 11 lakhs was made in terms of an order in original dated 25-02-2013 against CD Ltd. with interest as applicable on the ground of clandestine removal of the products manufactured by the assessee in the month of June, 2012. Penalty equal to duty demanded was also imposed. On an appeal filed by CD Ltd., the Commissioner (Appeals) required assessee to deposit an amount of ₹ 5 lakhs as pre-deposit which was duly deposited on 03-06-2013. The case against CD Ltd. was finally decided and duty demand of ₹ 3,20,000 was confirmed and penalty was set aside on 30-06-2013. CD Ltd. filed a refund claim on 15-09-2013. Refund was sanctioned on 10-12-2013. Calculate the amount of refund admissible.

Answer:

(a) Levy: The Constitutional Authority to levy Sales Tax / VAT on Lease Transactions is contained in Article 366 of Constitution of India, which provides that tax on sale or purchase includes "a tax on the transfer of the right to use any goods for any purpose for cash, deferred payment or other valuable consideration."

Taxable Event: Transfer of right to use any "goods" for any purpose for a "valuable consideration". Hence, transfer of assets without consideration and lease of Immovable property does not attract levy of VAT / Sales Tax.

Taxable Turnover:

= Amount of Valuable Consideration Paid or Payable during given period + Any Charges before delivery thereof, (Less) Interest / Finance Charges included in Lease Payments (only in some States)

Input Tax Credit:

(i) Lessor's Books:

- Lessor will collect VAT on Lease Rentals over a period of time. Against such VAT Liability, the Lessor can claim Input Tax Credit of VAT Paid on purchase of the leased asset.
- Some States provide for claiming of Input Tax Credit on such purchases only over the lease period, and not against any other VAT liability.
- Some other States provide for complete utilization of Input Tax Credit on such purchase, against any VAT Liability. Some other States provide an option to carry forward the excess credit.

(ii) Input Tax credit on Capital Goods: Assets given on lease will be generally capitalized by the Lessor in his books, and will be treated as Capital Assets. Hence, provision relating to Input Tax Credit on Capital Goods will apply, i.e. utilization of credit over a period of time such within 36 Months etc.

(b) Calculation of refund admissible -

- (1) Amount of pre-deposit refundable = Deposit made ₹ 5 lakh - Total demand upheld ₹ 3,20,000 (it is given that penalty has been set aside, but, no details as to interest are available; it is assumed, therefore, that interest on duty demanded is NIL) = ₹ 1,80,000.
- (2) Period for which interest on pre-deposit grantable u/s 35FF :
 - (i) from : 3 months after expiry of date of communication of appellate order (no application is required to be made for refund) i.e., 3 months from 30-6-2013 i.e., 30-9-2013 ;
 - (ii) to : date of refund viz. 10-12-2013
 - (iii) total period: 30-9-2013 to 10-12-2013 = 71 days.
- (3) Interest u/s 35FF = ₹ 1,80,000 X 6% p.a. X 71 days ÷ 365 days = ₹ 2,101.
- (4) Total amount refundable = ₹ 1,80,000 + ₹ 2,101 = ₹ 1,82,101.

Answer to PTP_Intermediate_Syllabus 2012_Jun2014_Set 2

Question 6.

(a) Why indirect taxes are called regressive in nature as against direct taxes?

(b) APT 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 APT Cement's transports ₹ 1,700 per ton

Cost of transport by other Transport Companies ₹ 1,500 per ton

Determine the Assessable Value.

(c) What are the policies adopted by the Central Government for setting up Special Economic Zone?

[3+5+2]

Answer:

(a) Direct taxes depend on paying capacity. Rich person is taxed more compared to poor person. But Indirect taxes do not depend on paying capacity. Since the indirect tax is uniform, the tax payable on commodity is same, whether it is purchased by a poor man or a rich person. Hence, the indirect taxes are termed as 'regressive'.

Although this argument is only partially correct for indirect taxes; as it is possible to levy lower taxes on goods of daily consumption while levying higher taxes on luxury goods and the regressive effect can be reduced in many circumstances.

(b) Where Cash Price is not the sole consideration, the cash equivalent of the other consideration should be added to the Cash Price, to arrive at the Assessable Value.

Valuation of Goods:

Particulars	₹
Unit Price of goods supplied (per Metric Ton)	4,200
Add: Extra Consideration through Transportation Cost as per Rule 6	
Transport by Manufacturer's transport facilities ₹ 1,700	
Less: Transport by outsider's transport facilities ₹ (1,500)	200
Assessable Value	4,400

Notes:

(i) Cash Price of the goods is not the sole consideration of sale. Manufacturer charges further consideration by insisting use of his transport facility.

Answer to PTP_Intermediate_Syllabus 2012_Jun2014_Set 2

(ii) U/s 4, Actual Sale Price only is considered for valuation and not the List Price. Therefore, ₹ 4,500 is not considered being List Price and not actual.

(c) Central Government has liberal policy for setting up such zones. SEZ can be set up in public, private, joint sector or by Central Government or State Government, jointly or severally. Developer of such SEZ can allocate fully developed plots to entrepreneurs on purely commercial basis. Developer of SEZ can provide services like water, electricity, security, restaurants, recreation etc. He can also develop township adjacent to SEZ.

Question 7.

(a) There are many quantitative and qualitative filters available to filter the companies in transfer pricing issues. Name few of those filters.

(b) M/s. Tooth 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).
- (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.

[4+6]

Answer:

(a) In transfer pricing, after selection of comparable companies, the next step is to filter these companies with the use of quantitative and qualitative filters. The following filters are often used:

- (i) Companies whose data is not available for the relevant year
- (ii) Companies for which sufficient financial data is not available to undertake analysis
- (iii) Different financial year filter
- (iv) Turnover filter
- (v) Service Income filter
- (vi) Export filter
- (vii) Diminishing Loss filter
- (viii) Related party filter
- (ix) Employee cost filter
- (x) Onsite and offsite filter
- (xi) Fixed Asset filter
- (xii) Research & Development Expense filter
- (xiii) Income Tax filter

Answer to PTP_Intermediate_Syllabus 2012_Jun2014_Set 2

(b) The duty is as computed below —

Particulars	₹
(i) 1,000 pieces @ RSP ₹ 70 per piece (The packages sold are 'retail packages' meant for retail sale to consumer. The fact that the same is to a wholesaler is irrelevant because the relevant factor is 'package', which is 'retail package'. Hence, the goods will be assessed under RSP based duty. The actual sale price is irrelevant for the purposes of section 4A.)	70,000
(ii) 2,500 pieces @ RSP ₹ 70 per piece (Even if price is charged for 2,300 pieces and 200 pieces are given free as quantity discount/bonus, such bonus quantity is also manufactured product and is, therefore, liable to duty. Section 4A refers to deemed value, which will be computed for all the 2,500 pieces removed from the factory in 'retail packages')	1,75,000
(iii) Samples : 50 pieces @ RSP ₹ 70 per piece (Samples of notified goods are to be valued under section 4A only and RSP of identical goods is to be taken as the value even if the RSP is not indicated on the pack)	3,500
(iv) Multi-packs : 200 packs RSP ₹ 130 per piece (In case of multi-packs, if RSP of individual items is scored out, then, RSP of multi-pack is to be considered. Here, the multi-pack contains tooth brush as well, which is not a commodity of same kind as the toothpaste; however, a composite RSP of ₹ 130 is affixed, which includes the value of toothpaste as well as toothbrush.)	26,000
Total RSP	2,74,500
Less /Abatement @ 30%	82,350
Assessable Value under section 4A	1,92,150
Duty @ 12.36%	23,750

Question 8.

(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. Alok, a dealer in Mumbai dealing in consumer goods, submits the following information pertaining to the Month of March, 2014:

- (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%);

Answer to PTP_Intermediate_Syllabus 2012_Jun2014_Set 2

(iv) His unutilized balance in VAT input credit on 01.03.2014 was ₹ 1,500.

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

[3+7]

Answer:

(a) The products or activities related to agriculture included in the negative list are:

1. Cultivation, harvesting, seed testing
2. Supply of farm labour
3. Trimming, sorting etc. thereby marketable in the primary market
4. Renting of agro machinery loading, unloading, packing, storage and warehousing of agricultural produce
5. Agricultural extension services
6. Services by any agricultural produce marketing committee.

(b) Computation of VAT payable

Finished goods	Tax on Finished Goods			Input Tax on Materials			Net (Output Tax - Input Tax) (₹)
	Value (₹)	Rate	Tax (₹)	Value (₹)	Rate	Tax (₹)	
Opening Balance						1,500	-1,500
Goods A	2,30,000	NIL	Exempt	2,00,000	NIL	Exempt	0
Goods B (Purchase price excluding VAT = ₹ 2,25,000 X 12.5 ÷ 112.5)	2,20,000	12.50%	27,500	2,00,000	12.50%	25,000	2,500
Goods C	1,50,000	4.00%	6,000	1,00,000	4.00%	4,000	2,000
Total			33,500			30,500	3,000

Question 9.

(a) AB 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) -

- (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) Describe Advance Authorisation.

Answer to PTP_Intermediate_Syllabus 2012_Jun2014_Set 2

[8+2]

Answer:

- (a) Computation of taxable value & service tax: Since data regarding valuation under Rule 2A(i) is not given, value is computed as per Rule 2A(ii) at specified % of gross amount charged.

	Amount charged ₹	% of amount charged	Taxable Value ₹
New constructions (It is "original works")	50,00,000	40.00%	20,00,000
Additions and alterations to damaged structures on land to make them workable (It is "original works")	25,00,000	40.00%	10,00,000
Supply along with erection, commissioning and installation of plants (It is "original works")	72,00,000	40.00%	28,80,000
Maintenance and repair of goods	40,00,000	70.00%	28,00,000
Maintenance and repair of immovable property	30,00,000	60.00%	18,00,000
Finishing and Glazing Services of an immovable property	14,00,000	60.00%	8,40,000
Other works contracts (Assumed it is neither original works nor any works contract in relation to maintenance, etc. of goods)	12,00,000	60.00%	7,20,000
Total Taxable Value under Rule 2A(ii)			1,20,40,000
Service Tax @ 12.36%			14,88,144

- (b) Inputs required to manufacture export products can be imported without payment of customs duty under Advance Authorisation. Advance Authorisation can be granted to merchant exporter or manufacturer exporter to import raw materials. Since the raw materials can be imported before exports of final products, the Authorisation issued for this purpose is called 'advance Authorisation'.

Question 10.

- (a) 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.
- (b) What are the details contained in the service tax return?
- (c) What is Automation of Central Excise and Service Tax or ACES?

[5+3+2]

Answer:

- (a) Computation of imported cost and customs duty (amounts in ₹):

Answer to PTP_Intermediate_Syllabus 2012_Jun2014_Set 2

Assessable Value		20,00,000
Add: Basic Customs duty @ 10%	[A]	2,00,000
Total value for levy of additional duty of customs u/s 3(1) of Customs Tariff Act, 1975		22,00,000
Add: Additional Customs Duty =Excise duty i.e. 12%	[B]	2,64,000
Add: Education Cess on total customs duty i.e. 3% of [A + B]	[C]	13,920
Total value for the levy of additional duty of customs u/s 3(5) of Customs Tariff Act, 1975	[D =B + C]	24,77,920
Add: Additional duty of customs equal to sales tax etc. @ 4% of [D]	[E]	99,117
Total cost of imported goods		25,77,037
Total Customs duty	[A + B + C + E]	5,77,037

(b) The service tax return contains the following major details:

- (i) particulars of assessee viz. name, registration number, address, etc.;
- (ii) particulars of taxable services viz. Nature;
- (iii) particulars of period viz. financial year, half year period (April-September or October-March),
- (iv) particulars of value of taxable services viz. amount received, advance received, details of exempted services, abatement/exemption claimed, etc.;
- (v) particulars of service tax viz. service tax & education cess payable, details of payment, interest or penalty paid, payment of excess collection of service tax, if any, etc.;
- (vi) particulars of Cenvat Credit viz. opening balance, availed, utilized, closing balance, etc.

(c) The Central Board of Excise & Customs has developed a new software application called Automation of Central Excise and Service Tax or ACES, which aims at improving tax-payer services, transparency, accountability and efficiency in indirect tax administration. It is a centralized, web based software application which automates various processes of Central Excise and Service Tax for Assessee and Department, and gives complete end to end solution.

Question 11.

- (a)** Mr. K of Kolkata sells goods to Mr. H of Hyderabad and delivers the same at Kolkata to MKS Transport. The lorry receipt was sent to Mr. H by post. While goods were in transit, Mr. H 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. H and Mr. V chargeable to tax?
- (b)** What are the common characteristics of Service Tax Code (STC)?
- (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.

[3+3+4]

Answer:

- (a)** The first sale by Mr. K to Mr. H is chargeable to central sales tax. However, sale of goods by H to V is exempt under Section 6(2) of Central Sales Tax Act, 1956 i.e. subsequent sale by transfer of documents to avoid multiple tax incidences.

Note: Form E-I from K and Form C from V has to be received by H.

Answer to PTP_Intermediate_Syllabus 2012_Jun2014_Set 2

(b) Service Tax Code (STC) also known as Service Tax Registration number contains 15 digits PAN based number. The common feature is —

- i. The first 10 digits of this number (i.e. STC) are the same as the PAN of such person.
- ii. Next 2 digits are ST
- iii. Next 3 digits are serial numbers indicating the number of registrations taken by the service taxpayer against a common PAN. (for example 001 for one registration number, 002 for two registration numbers of such a person having common PAN for such premises)

(c) The Salient Features of Anti-dumping:

- (i) It is an instrument for ensuring fair trade and is not a measure of protection per se for the domestic industry
- (ii) It provides relief to the domestic industry against the injury caused by dumping and gives domestic industry a level playing field.
- (iii) The duty is imposed as a deterrent effect to discourage dumped imports, so that users can buy material from domestic industry from whom they were not buying earlier on account of availability of cheap dumped imports.
- (iv) The idea is to levy and collect extra tax, rather to take the landed value of imports to a level where domestic industry can fairly compete with imports and sell the product in the domestic market.