

Paper-11 Indirect Taxation

Time Allowed: 3 hours

Full Marks: 100

Working notes should form part of the answers.

Group-A (Answer Question 1 which is compulsory)

Question 1.

Answer the following questions with suitable reasons:

- (a) What do you understand by Trade Parlance Theory?
- (b) "Barge or Lighterage charges are not to be added to the customs value while calculating the value of imported goods." — Critically examine.
- (c) Whether services rendered by public libraries are exempted from service tax or not? Give reason.
- (d) What is Independent Professional Audit in the context of VAT?
- (e) Is customs duty levied on goods derelict, wreck, jetsam etc.? State with reason.
- (f) What is the method of the valuation for stock transfer in case of excise?
- (g) What are the conditions to be satisfied to equate assessable value with sale price as per Central Excise Act?
- (h) Define 'Sale' in the purview of Central Sales Tax Act.
- (i) The Reserve Bank of India (RBI) has provided some valuable services to the Government of India. Whether RBI is required to pay service tax on the services provided by it and why?
- (j) There was a natural calamity in the factory in the factory, but the department was not intimated in time. State whether remission of duty will be granted under the Central Excise Rules, 2002 or not with reason.

[10 × 2]

Group-B (Answer any eight questions out of the ten questions given)

Question 2.

- (a) What is Duty Entitlement Pass Book Scheme (DEPB Scheme)? Who cannot avail DEPB?
- (b) Determine the total amount of Excise Duty payable on a machine, using the details given below:

Particulars	₹
(i) Sale Price of the machine, excluding taxes and duties	2,00,000
(ii) Sales tax	20,000
(iii) Cost of durable and returnable packing included in the Sale Price given at (i) above	5,000
(iv) Design and Development charges paid by Buyer on behalf of Seller to a third party	20,000
(v) Warranty charges charged separately by the seller	6,000

Rate of Excise duty – 12%, cess – 3%, calculations should be supported by notes wherever, required.

[(2+3)+5]

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Question 3.

- (a) Write the advantages of indirect taxes (any four).
- (b) State with reasons whether CENVAT credit will be admissible in the following cases —
- Inputs used for tests or quality control check;
 - Inputs contained in waste etc.;
 - Inputs are pilfered from the store-room;
 - Materials used for repairs of capital goods.

[4+6]

Question 4.

- (a) Mr. Sen has provided the following services during the year 2013-14. Determine whether he is eligible for threshold exemption (Small Service Providers exemption) during the year 2014-15:
- Services provided outside India: ₹ 2 lakh;
 - Services (falling under negative list): ₹ 2 lakh;
 - Services fully exempt under other notifications: ₹ 5 lakh;
 - Declared Services (Sum charged ₹ 4 lakh, but, value determined as per the valuation rules is 60% i.e., ₹ 2,40,000);
 - Services (where amount charged is ₹ 60,000, but, after abatement, value is ₹ 20,000) and
 - Other services provided: ₹ 7 lakh (including ₹ 1 lakh towards services where whole of the service tax was payable by the service recipient). Provided Mr. Sen is not a GTA (Goods Transport Agency) service provider.
- (b) State the relation between Cross Border Services and its compliance with Foreign Exchange Management Act.

[7+3]

Question 5.

- (a) Describe the application of Resale Price Method (RPM) in the context of Arm's Length Price.
- (b) Mr. A manufactured and exported goods worth ₹ 10,00,000 to Mr. B of UK on 1st January, 2014 and availed duty drawback of ₹ 16,000. Mr. A imported the same goods on 8th February, 2014. What will be the customs duty payable by Mr. A, if rate of basic customs duty is 10% and goods are exempt from CVD and special CVD?
- (c) "Section 75 of Customs Act, 1962 provides some disallowances or cases when drawback allowed can be recovered." — Give some examples of such disallowances.

[5+3+2]

Question 6.

- (a) Calculate the total tax liability under the State VAT law and under the Central Sales Tax Act for the month of October 2013 from the following particulars:

Particulars	₹
Inputs purchased within the state	1,70,000
Capital goods used in the manufacture of the taxable goods (not included in the negative list)	50,000
Inputs purchased from a registered dealer who opts for composition scheme under the provisions of the Act	10,000
High seas purchases of inputs	1,20,000
Finished goods sold: (a) within the state	2,00,000
(b) in the course of inter-State trade	2,50,000

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Applicable tax rates are as follows:-

Case (A): VAT rate on capital goods 12.5%; Input tax rate within the state 12.5%; Output tax rate within the state 4%; Central sales tax rate 2%.

Case (B): VAT rate on capital goods 4%; Input tax rate within the state 4%; output tax rate within the state 12.5%; Central sales tax rate 2%.

(b) What is 'Prohibited Goods' under Customs?

[8+2]

Question 7.

(a) A & Co. a proprietorship Firm, undertook security services for B Ltd. The Taxable Value was determined as ₹3,00,000. The service was complete on 15.09.2013 and Invoice was raised on 25.09.2013. A & Co. paid the amount due on 06.10.2013. Determine the following -

- Amount for which Invoice is to be raised by M/s A & Co.
- Point of Taxation and Due date for payment of Service Tax by M/s A & Co. and M/s B Ltd.
- CENVAT Credit eligibility for M/s B Ltd. and the date of availment of credit.

(b) State the duty liability on captive consumption in excise.

[8+2]

Question 8.

(a) Prior Ltd. is in the manufacture of both excisable and non-excisable goods in their factory building rented by them from 01-10-2013 and have been occupying the same as a tenant. From the following particulars for the period 01-10-2013 to 31-03-2014 state briefly with suitable explanations whether Prior Ltd. could claim the benefit of exemption in terms of Notification No. 8/2003 – CE dated 01-03-2003 for the financial year 2014-15.

	(₹ In lakhs)
Clearances of branded goods	80
Export Sales to Nepal	80
Export Sales to USA and Canada.	120
Clearances of goods (duty paid based on annual capacity of production under Sec. 3A of the Central Excise Act, 1944)	70
Clearances of goods subject to valuation based on retail sale price under Sec. 4A of the Central excise Act, 1944 (said goods are eligible for 30% abatement)	200
Job work under Notification No. 214/86-CE.	60

During the period 01-04-2013 to 30-09-2013, the previous tenant of the building presently occupied by Prior Ltd. had cleared excisable goods of the aggregate value of ₹ 120 lakhs. Compute the aggregate value of clearances and also determine whether SSI exemption will be available or not.

(b) Mr. Dev provides services to Mr. Ali against payment of ₹ 1,12,360 in cash and motor car valuing ₹ 3 lakh. Determine value of services and service tax payable.

[8+2]

Question 9.

- (a) From the following particulars, calculate assessable value and total customs duty payable:
- (i) Date of presentation of Bill of entry : 18-06-2013 [Rate of BCD 25%; Exchange Rate: ₹ 43.60 and rate notified by CBEC ₹ 43.80]
 - (ii) Date of arrival of goods in India: 28-06-2013 [Rate of BCD 20%; Exchange Rate; ₹ 43.90 and rate notified by CBEC ₹ 44.00]
 - (iii) Rate of Additional Customs Duty : 12%;
 - (iv) CIF value 2,000 US Dollar; Air Freight 500 US Dollars, Insurance cost 100 US Dollars [Landing Charges no ascertainable].
 - (v) Education Cess applicable 3%
 - (vi) Assume there is no special CVD.

Compute the assessable value and import duties of customs.

- (b) Give some examples of land-related services in the context of service tax.

[(6+2)+2]

Question 10.

- (a) Distinguish between Safeguard Duty and Anti-dumping Act.
(b) In which cases registration of VAT can be cancelled?

[5+5]

Question 11.

- (a) A person is neither a producer nor a curer nor a manufacturer of excisable goods, but he only stores such goods in a warehouse. Can he be called upon to pay the duties of excise on such goods? Describe the provision.
- (b) Mr. X sells his land along with the standing crops and trees for ₹ 30 lakhs. Sales tax officer wants to assess for sales tax the value of standing crops and trees. Comment.
- (c) MN Ltd. is engaged in the manufacture of 'paracetamol' tablets that has an MRP of ₹ 10 per strip. The company cleared 1,00,000 tablets and distributed as physician's samples. The goods are not covered by MRP, but the MRP includes 12.36% Excise Duty and 2% CST. If the cost of production of the tablet is 40 paise per tablet, determine the total duty payable.

[3+4+3]