

INTERMEDIATE EXAMINATION

December 2013

P-11(ITX)
Syllabus 2012

Indirect Taxation

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

GROUP A

Answer Question No. 1 which is compulsory.

1. Answer the following questions with suitable reasons: 2×10=20
- (i) Recovery from Buyer is an essential condition for levy of Indirect Taxes. Comment.
 - (ii) Write a brief note on the significance of 'trade parlance test' with respect to classification of excisable goods under the Central Excise Act, 1944.
 - (iii) Goods with 'NIL' rate of duty can not be treated as non-excisable goods. Explain.
 - (iv) Set-off of input tax credit on capital goods is available only to manufacturers and not to traders. Comment.
 - (v) State briefly whether remission of duty shall be granted or not under the Central Excise Rules, 2002 in a case where Duty paid goods were damaged due to breakage in handling.
 - (vi) Special Audit under sec. 14A and 14AA of the Central Excise Act, 1944 can be done by a Cost Accountant only. Comment.
 - (vii) Who is Adjudicating Authority under the provisions of the Customs Act, 1962? Is C B E C an Adjudicating Authority?
 - (viii) Will Insurance Services rendered to clients having assets in Jammu and Kashmir by the Jammu Branch of an Insurance Company be liable to Service Tax?
 - (ix) Sale of bundles of waste paper is taxable. Discuss.
 - (x) What is Tax Payer's Identification Number (T I N) for purposes of VAT?

GROUP B

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

2. (a) Mr. Ramesh who has entered into a roll over Contract approached N. D. B. C. Bank for selling US \$ 35,000 at the rate of Rs. 49 per US \$. R. B. I. reference rate for US \$ is Rs. 49.50 at that time. However, rate of exchange declared by C B E C for the day is Rs. 50.50 per US \$. Calculate the value of Taxable Service. 4
- (b) (i) What is the minimum and maximum rate or amount of duty drawback prescribed under the Customs, Central Excise Duties and Service Tax Drawback Rules, 1995 made under Section 75 of the Customs Act, 1962? Explain with a brief note. 3

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- (ii) Discuss whether any duty drawback is admissible under Section 75 in the following cases and if yes, what is the quantum of such duty drawback: 3

S. No	FOB Value of Exported Goods (Rs.)	Rate or Amount of Drawback	Market Price of Goods (Rs.)	Value of Imported Material used in Goods (Rs.)
(a)	1,00,000	0.75% of FOB value	80,000	50,000
(b)	60,000	0.8% of FOB value	70,000	35,000

3. (a) Shankar Ltd., supplies raw material to a job worker Sujay Ltd. After completing the job-work, the finished product of 5,000 packets are returned to Asha Ltd. putting the retail sale price as Rs. 20 on each packet. The product in the packet is covered under MRP provisions and 40% abatement is available on it. Determine the assessable value under Central Excise law from the following details : 3

	Rs.
Cost of raw material supplied	30,000
Job worker's charges including profit	10,000
Transportation charges for sending the raw material to the job worker	3,000
Transportation charges for returning the finished packets to Asha Ltd.	3,000

- (b) Based on the following particulars, arrive at the CENVAT credit available on clearance of goods to Domestic Tariff Area (DTA) from an Export Oriented Unit (EOU): 5

Assessable Value	Rs. 20 Lakhs
Basic customs duty	10%
Excise duty	12%
Education Cess	2%
Secondary and Higher Education Cess	1%
VAT payable under State VAT law	4%

- (c) State briefly the sources of power in respect of the following Taxes: 2

- (i) Central Excise duty
- (ii) Customs duty (Import and Export)
- (iii) Central Sales Tax
- (iv) State Sales Tax (VAT)

4. (a) PQR Ltd. manufactures dutiable goods on which excise duty payable is Rs. 7 Lacs. Raw Materials, Capital goods and Input Services are used for producing the finished goods. Excise Duty on Input Goods is 2 Lacs, Capital Goods is Rs. 3 Lacs and Rs. 1 Lac on Input Services suffered. Cenvat Credit on Capital Goods is allowed up to 50% in Current year and balance in the next year. What is the Excise Duty Payable? 3
- (b) X Ltd. is engaged in providing services of renting immovable property. For the month of Dec. 2012 the billing is as follows:
- (i) Rent of Building (Including Property tax 1,50,000) Rs. 12 Lacs
 - (ii) Let out vacant land solely for farming purposes Rs. 10 Lacs
 - (iii) Renting for Residential Purposes Rs. 2 Lacs
- The bills are exclusive of service tax, Compute the Service Tax Payable. 3
- (c) Distinguish between "Transit" and "Transshipment" under the Customs Act. 2
- (d) What do you mean by "Appropriate State" in the context of "Central Sales Tax Act, 1956"? 2
5. (a) PBX Limited paid both the Service Tax and interest for delayed payment and the same has been intimated to the Appropriate Authorities in writing before issue of show cause notice by the Department. In spite of the above, the Authorities issued show cause notice to the company for delay in payment of Service Tax. Discuss whether the show cause notice is justified. 3
- (b) What is the difference between short levy and short payment? 2
- (c) Explain briefly whether VAT is leviable on Inter-State leasing. 2
- (d) Discuss briefly the rights of the owner of Warehoused goods under the Customs Act, 1962. 3
6. (a) Star Power Ltd. is registered under 'Project Import Regulations, 1986 in order to import a gas turbine and generator (Power Equipments) at concessional rate to implement a project for setting up of a power plant and accordingly imported the above equipments, but before they could reach the project site, they were lost/destroyed in the sea within India.
- The Department denied project import concession under the heading 9801 and demanded full duty as the goods were not used in the project. Discuss in the light of decided case law, whether the demand made by the Department is tenable in law. 5
- (b) X reported a sales turnover of Rs. 36,20,000. This includes (i) excise duty Rs. 3,00,000; (ii) deposit for returnable containers and packages Rs. 5,00,000. Sales tax was not included separately in the Sales Invoice. Compute tax liability under C. S. T. Act, assuming the rate of tax @ 2%. 3
- (c) What is meant by specific duty in the context of Excise Law? 2
7. (a) Mrs. Jaya imported certain goods weighing 1000 kgs. with C I F value US \$ 40,000. Exchange rate was 1 US \$ = Rs. 45 on the date of presentation of bill of entry. Basic customs duty is chargeable @ 10% and education cess as applicable. There is no excise duty payable on these goods, if manufactured in India.
- As per notification issued by the Government of India, anti-dumping duty has been imposed in these goods. The anti-dumping duty will be equal to difference between amount calculated @ US \$ 60 per kg. and landed value of goods. You are required to compute Customs duty and anti-dumping duty payable by Mrs. Jaya. 6

Please Turn Over

- (b) Ascertain whether the refund of Service tax paid on input services can be claimed in the following case. 4
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|---|------------|
| Total credit on Service Tax on input services | Rs. 6,000 |
| Total turnover of output services | Rs. 30,000 |
| Output services exported | Rs. 20,000 |
8. (a) Discuss 'Related Person' under Custom Valuation Provisions. (5 instances may be given). 4
- (b) Write a brief note on the distinction between identical goods and similar goods. 2
- (c) A manufacturer manufactured 1000 nos. of Product Y, assessable value of which is Rs. 2000 per piece. Duty payable is 20%. Duty paid on raw materials is Rs. 2,00,000. The manufacturer sells 700 pieces in India and 300 pieces are exported. What is CENVAT available and what is the duty payable through PLA? 4
9. (a) The assessee supplied raw materials to household ladies who were manufacturing 'Dhoop', 'Agarbatti' etc. in their houses. The final product was sold directly from the premises of the ladies and was not brought to the factory of the assessee. There was no supervision of their work by the assessee. Payment to the ladies was made on the basis of the number of pieces manufactured.
- On this basis, decide who is the manufacturer the raw material supplier or job worker. 3
- (b) Mr. P a registered dealer gives you the following information. He sells his product within and outside the state. Vat rate was 13.5% and profit margin was 15% on cost of production.
- (i) Purchase of raw material from an unregistered dealer Rs. 60,000.00 (Including VAT 13.5%)
 - (ii) Import of raw material excluding customs duty @ 10% 1,90,000.00
 - (iii) Purchase of Raw material from a dealer within the state Rs. 2,00,000.00 (excluding VAT 4%)
 - (iv) Purchase of raw materials from other state excluding CST Rs. 40,000.00 (CST @ 2%)
 - (v) Interest on Bank Loans Rs. 1,30,000.00.
 - (vi) Transportation Charges Rs. 45,000.00, Wages Rs. 60,000.00 and Manufacturing Expenses Rs. 40,000.00 excluding tax.
- Calculate the net tax liability and total sales in this case. 5
- (c) Explain whether the following items are includible in assessable value under the customs Act. 2
- (i) Bank charges paid to Banker
 - (ii) Service charges paid to canalizing agency
10. (a) "For taking Cenvat Credit, Capital Goods need not be brought to the premises of the Service Provider"—True or False—Explain. 2
- (b) Enumerate four methods of computation of arm's length price. 2
- (c) "White Bill of Entry, Yellow Bill of Entry and Green Bill of Entry are still in Vogue"— Explain. 1
- (d) One importer needs your assistance in calculating the correct assessable value. He imports the good for subsequent sale in India. The customs officer assessed the value for Rs. 5,09,545 which includes Air Freight 25% on FOB, Insurance @ 1.125%, Unloading Charges 1% on CIF. 5
11. (a) Mr. B agrees to undertake a works contract for M/S P Ltd. for repair, plastering, floor and wall tiling of a building for Rs. 20 Lacs. The breaking up of gross value charged by Mr. B to P Ltd. is not available. Find out the service tax liability in the hands of Mr. B. 4

- (b) An SSI unit has cleared goods of the value of Rs. 70 lacs during the last financial year. The effective rate of excise duty was 10% ad valorem. EC is payable as per applicable rates. What is the duty liability of the unit for above clearances during the year 2012-13? 2
- (c) Explain whether the following statements are true or false: 2×2=4
- (i) The proper officer is not authorized to lock any warehouse with the lock of customs department.
 - (ii) "Duty Drawback is allowed on wearing apparel".
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