

MASTER MINDS
SERVICE TAX

1. Service tax was introduced in India in the year:
a) 1993 b) 1995 c) 2004 d) 1994
2. Service tax was introduced first time on:
a) 5 services b) 3 services c) 4 services d) 7 services
3. Service tax was initially levied in India by the Constitution vide entry No.
a) 92C of the Union list b) 54 of the State list
c) 92C of the concurrent list d) 97 of the Union list
4. The provisions relating to service tax are given in:
a) Chapter V of the Finance Act, 1994
b) Chapter V and VA of the Finance Act, 1994
c) Chapter VII and VIII of the Finance Act, 2004
d) The Service tax Act, 1994
5. The power to levy service tax is now provided by the Constitution vide entry No.
a) 92C of the Union list b) 97 of the Union list
c) 54 of the State list d) 93 of the Union list
6. Service tax is applicable to:
a) Whole of India b) Whole of India except Jammu and Kashmir
c) Whole of India, except Jammu and Kashmir and Union Territories of Dadra, Nagar Haveli, Daman & Diu
7. Service tax was introduced in India on the recommendation of:
a) Kelkar Committee b) Dr. Raja J Chaliah Committee
c) Dr. Man Mohan Singh Committee d) Dr. Yashwant Sinha Committee
8. Service tax is levied in India by following the:
a) Comprehensive approach b) Selective approach
9. Service tax is governed and administered by
a) CBDT b) CBEC
10. The power to make rules for service tax is given to Central Government by
a) sections 66 and 67 of the Finance Act, 1994
b) section 94 of the Finance Act, 1994
c) sections 94 and 96-1 of the Finance Act, 1994
d) sections 93 and 94 of the Finance Act, 1994
11. Service tax is payable on the value of taxable service @
a) 12% b) 12.24% c) 12.36% d) 10.3%
12. Service tax is a charge on:
a) Taxable service provided b) Taxable service to be provided
c) Taxable service provided or to be provided
d) Any service provided or to be provided
13. Education cess was levied by
a) The Finance Act, 1994 b) The Finance No. (2) Act, 2004
c) The Finance Act, 2006
14. Where service is received from outside India, such service shall be:
a) taxable in the hands of service provider b) taxable in the hands of Service recipient
c) exempt from service tax
15. Service tax is not payable if the aggregate value of taxable service does not exceed:
a) Rs.8,00,000 b) Rs. 10,00,000 c) Rs. 4,00,000 d) Rs. 6,00,000
16. If the aggregate value of taxable service in the preceding financial year exceeds Rs. 10,00,000,

- service tax shall be payable during the current financial year -
- If the aggregate value of taxable service exceed, Rs. 10,00,000 during the current year.
 - on the entire aggregate value of service,
 - If the aggregated value of taxable service exceeds Rs. 10,00,000 during the current financial year.
- 17.** If the aggregate value of taxable service in the preceding previous year is less than Rs. 10,00,000, service tax in the current financial year shall be payable:
- on the entire aggregate value of service
 - on the amount which is in excess of Rs. 10,00,000
- 18.** Service tax is not payable on any service provided to:
- an undertaking in a free trade zone
 - an undertaking in a software technological park
 - an undertaking in a special economic zone
 - a developer or unit in a special economic zone
- 19.** Secondary and Higher Education Cess was levied by- -
- The Finance (2) Act, 2004
 - The Finance Act, 2006
 - The Finance Act, 2007
- 20.** The provisions relating to valuation of taxable services are contained in:
- section 65 of the Finance Act, 1994
 - section 67 of the Finance Act, 1994
 - section 65A of the Finance Act, 1999
 - None of the above
- 21.** State whether True or False
- Service tax is payable on the gross amount
 - Charge of service tax is in relation to service provided or to be provided
- 22.** Gross amount charged for the taxable services includes:
- only that amount received towards the taxable service which is received before the provision of such services
 - Only that amount received towards the taxable service which is received after the provision of such services.
 - Any amount received towards the taxable services whether received before, during or after provision of such services.
- 23.** Due date of payment of service tax, other than for the month of March, in case of a company is:
- 5th day of the month immediately following each quarter
 - 5th day of month immediately following the calendar month
 - 25th day of month immediately following the calendar month
- 24.** Due date of payment of service tax other than for the quarter ending March in case of partnership firm is:
- 5th day of the month immediately following each quarter
 - 5th day of the month immediately following the calendar month
 - None of the above
- 25.** Due date of payment of service tax for the month/quarter ending 31st March is:
- 31st March
 - 5th day of the month immediately following March
 - None of the above
- 26.** State whether True or False
- Service tax is always paid by the service provider
 - Service tax is to be Paid at the stage of rendering the service
 - Service tax is payable on the money which is received in advance
 - In case the payment of service tax is made by cheque, the date of payment is the date on which the cheque is encashed by the bank
 - Service tax has to be rounded off to nearest rupees ten
 - Service tax is not payable if it has not been charged in bill

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27. Return of service tax has to be filed:

- a) monthly b) quarterly c) half-yearly d) yearly

28. Due date of filing return is:

- a) 5th of the month following the particular half-year
b) 15th of the month following the particular half-year
c) 25th of the month following the particular half-year
d) 30 days of the month following the particular half-year

29. Return of service tax is to be filed in:

- a) Form ST-I b) Form ST-3 c) Form ST-2

30. State whether true or false

- a) There is no need to file a nil return
b) Separate returns will have to be filed if multiple services are provided
c) If due date of filing return happens to be a holiday, the return can be filed on the next working day immediately following the holiday

Answers to multiple choice questions

- | | | | | |
|--------|---------|-------------|-------------|-------------|
| 1. (D) | 9. (B) | 17. (B) | 24. (A) | 27. (C) |
| 2. (B) | 10. (C) | 18. (D) | 25. (A) | 28. (C) |
| 3. (A) | 11. (C) | 19. (C) | 26. (A) (F) | 29. (B) |
| 4. (B) | 12. (C) | 20. (B) | 26. (B) (F) | 30. (A) (F) |
| 5. (B) | 13. (B) | 21. (A) (T) | 26. (C) (T) | 30. (B) (F) |
| 6. (B) | 14. (B) | 21. (B) (T) | 26. (D) (F) | 30. (C) (T) |
| 7. (B) | 15. (B) | 22. (C) | 26. (E) (F) | |
| 8. (B) | 16. (B) | 23. (B) | 26. (F) (F) | |

PRACTICAL PROBLEMS

Problem No.1 A partnership firm, gives the following particulars relating to the services provided to various clients by them for the half-year ended on 30-9-2008:

- Total bills raised for Rs. 8,75,000 out of which bill for Rs. 75,000 was raised on an approved International Organization and payments of bills for Rs. 1,00,000 were not, received till 30-9-2008.
- Amount of Rs. 50,000 was received as an advance from XYZ Ltd. on 25-9-2008 to whom the services were to be provided in October, 2008.

You are required to work out the:

- taxable value of services
- Amount of service tax payable.

Solution

	Rs.
Total Bills Raised	8,75,000
Less: Bill raised for an approved international organization (not liable to service tax) 75,000	
Amount not yet received <u>1,00,000</u>	<u>1,75,000</u>
Add: Amount received in advance	<u>50,000</u>
Taxable value of services provided	<u>7,50,000</u>
Service tax payable @ 12.36% on Rs. 7,50,000	<u>92,700</u>

Problem No.2 Ajay Ltd. has agreed to render services to Mr. Guru. The following are the chronological events:

Contract for services entered into on 3 1-8-2008	Rs.
Advance received in September, 2008 towards all services	60,000
Total value of services, billed in February, 2009	2,10,000
Above includes non-taxable services of	70,000
Balance amount is received in March, 2009	

When does the liable to pay service tax arise and for what amount? Contract contains clear details of services; consideration and service tax are charged separately, as mutually agreed upon.

Solution: As taxable service includes the services to be provided, the liability to pay service tax arises both at the time of receipt of advance in September, 2008 and at the time of receipt of balance consideration in March 2009. However, the liability to pay service tax arises only upon the receipt of the value of taxable services and not when the bill is raised.

Advance portion	Rs.
Advance received towards all Services in September 2008	60,000
Amount billed for taxable services (2,10,000 - 70,000)	1,40,000
proportionate advance received towards taxable services (60,000 x 1,40,000/2,10,000)	40,000
Service tax @ 12% (since, service tax is charged separately) on Rs. 40,000	4,800
Add: Education cess @ 2%	96
Add: SHEC @ 1%	48
Total service tax liability	4,944

The due date for payment of service tax in the above case will be 5-10-2008.

Balance portion	Rs.
Total amount billed	2,10,000
Less: Amount for non-taxable service	70,000
	1,40,000
Less: Amount already received on which service tax has been paid	40,000
Balance amount	1,00,000
Service tax @ 12% on Rs. 1,00,000	12,000
Add: Education cess @ 2%	240
Add: SHEC @ 1%	120
Total Service tax liability	12,360

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VALUED ADDED TAX

1. Tax is levied under VAT at:
 - a) Last stage of sale
 - b) Multi Stage
 - c) First stage of sale
 - d) First and last stage of sale
2. State whether true or false:
 - a) Input credit under VAT is available on account of Central Sales Tax paid on the purchases
 - b) Input credit is available on account of import duty paid on goods purchased from a country out side India
 - c) Input credit is payable on account of VAT paid on capital goods
 - d) Input credit is available only if the purchaser has obtained proper tax in voice
 - e) VAT avoids cascading effect
 - f) Vat is easy to administer and transparent
3. VAT is calculated by deducting tax credit from tax collected
 - a) during the payment period
 - b) during the financial year
 - c) during any period

Answers to multiple choice questions

1. (B) 2. (B) (F) 2. (D) (T) 2. (F) (T)
2. (A) (F) 2. (C) (T) 2. (E) (T) 3. (A)

PRACTICAL PROBLEMS

Problem No.1: Compute the invoice value to be charged and amount of tax payable under VAT by a dealer who had purchased goods for Rs. 1,20,0000 and after adding for expenses of Rs.10,000 and of profit Rs. 15,000 had sold out the same.
The rate of VAT on purchases and sales is 12.5%.

Invoice value to be charged

Purchase price of goods	1,20,000
Add: Expenses	10,000
Add: Profit margin	15,000
Amount to be billed	1,45,000
Add: VAT @ 12.5%	18,125
Total invoice value	1,63,125

VAT to be paid

VAT charged in the invoice	18,125
Less: VAT credit on input 12.5% of Rs. 1,20,000	15,000
Balance VAT payable	3,125

Problem No.2: Manufacturer A sold product X to B of Delhi @ Rs. 1000 per unit. He has charged CST @ 4% on the said product and paid Rs. 60 as freight.
B of Delhi sold goods to C of Delhi @ Rs. 1250 per unit and charged VAT @ 12.5%.
C of Delhi sold goods to D, a consumer @ Rs. 1500 per unit and charged VAT @ 12.5%

B Liability of VAT	Rs.
Cost of product X purchased from Mumbai Rs. 1000 + 40 (CST) + Rs. 60 (Credit of CST shall not be allowed under VAT)	1,100
Sale price	1,250
VAT payable	156.25
C Liability of VAT	Rs.

Purchase price exclusive of VAT	1,250
VAT credit to be taken	<u>156.25</u>
Sale price	1,500
VAT payable @ 12.5%	187.50
VAT credit allowed	<u>156.25</u>
Net VAT payable	31.25