

INTERMEDIATE EXAMINATION

June 2012

I-P10(AIT)
Syllabus 2008

Applied Indirect Taxation

Time Allowed: 3 Hours

Full Marks: 100

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

Answer Question No. 1 (carrying 25 marks) and answer any five (each carrying 15 marks) from the rest.

Wherever required the candidate may make suitable assumptions and state them clearly in the answers.

All questions relate to the assessment year 2012-13 unless stated otherwise in the question.

Please: (1) Answer all bits of a question at one place.

(2) Open a new page for answer to a new question.

Working notes should form part of the answer.

1. (a) Fill in the blanks:

1×9=9

- (i) Goods manufactured in SEZ are _____ goods.
- (ii) An Assessee can claim refund of Excise Duty within _____ from relevant date in Form R.
- (iii) Landing charge is _____ % of C I F value. It is a _____ charge.
- (iv) In case import is through post, label/declaration on postal article is treated as _____.
- (v) In case of Captive consumption, valuation is done on the basis of cost of production plus _____. Cost of production is calculated as per _____ of the Institute of Cost and Works Accountants of India.
- (vi) Central Government can grant general or total exemption from Service Tax but it can not grant with _____ effect.
- (vii) R N R (Revenue Neutral Rate) is _____ % for most of the commodities.
- (viii) Appeal to commissioner (Appeals) should be filed within _____ days from the order of Officer Lower in rank than commissioner.
- (ix) Remand means sending the case back to _____ authorities for decision.

(b) State with reasons, whether the following statements are *true* or *false*. (Answers without reasoning will not receive any credit).

2×5=10

- (i) Unbranded Software is service.
- (ii) No anti-dumping duty is payable by E O Us under the Customs Act, 1962, even where the goods imported are used for manufacture of goods sold in India.
- (iii) If goods are pilfered in port before clearance, customs duty is still payable by the importer.
- (iv) Specific duty leviable under the Central Excise Act is based on the value of article/goods being assessed.
- (v) Insurance company which takes possession of damaged goods for which it has paid, sells the damaged goods. The insurance company is a dealer under the Central Sales Tax Act.

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- (c) In each of the cases given below, one out of four alternatives is correct. Indicate the correct answer (= 1 mark) and give workings/reasons briefly in support of your answer (= 1 mark). 2×3=6

(i) ALIANCE & CO. a dealer in Delhi dealing in consumer goods, had purchased goods of ₹ 2,16,000 (exclusive VAT) and after adding for expenses of ₹ 24,000 and of Profit ₹ 60,000 had sold out the same. If the rate of VAT on purchase and sales is 12.5% what would be the amount of tax payable (Net) under VAT?

- (A) ₹ 10,500
(B) ₹ 9,000
(C) ₹ 3,000
(D) None of the above

(ii) MR. SMITH a consulting engineer, raised a bill of ₹ 2,48,175 (Including Service Tax) on his client for consultancy Services rendered by him on January 15, 2012. If a partial payment of ₹ 1,93,025 is received by Mr. Smith on February 5, 2012, what would be the amount of Service Tax payable by him for the quarter ending March 31, 2012.

- (A) ₹ 23,175
(B) ₹ 1,75,000
(C) ₹ 15,150
(D) Insufficient data

(iii) The selling price of VINTEX LTD. inclusive of basic Excise duty @ 8%, education cess @ 2%, SAHEC @ 1% and CST @ 2% is ₹ 3,600. What would be the assessable value of the product per unit under the Central Excise Act?

- (A) ₹ 3325.94
(B) ₹ 3260.87
(C) ₹ 3065.10
(D) None of (A), (B) & (C)

2. (a) Discuss the essential requirements for application of transaction value for the determination of assessable value. 3

(b) Does 'Renting of Lockers' by Bank amounts to sale? 2

(c) Answer the following with reference to decided case laws as to how value shall be determined under Sec. 14 of the Customs Act, 1962 and the rules made thereunder. 2+2=4

(i) There has been a price rise between the date of contract and the date of actual importation. The contract was over 6 months before the date of shipments.

(ii) The goods are purchased on High Seas.

(d) Answer the following with reference to the Finance Act, 1994 as amended relating to applicability of Service Tax. 2×3=6

(i) Services in relation to production of alcoholic liquor on Job Work basis.

(ii) Services provided by a practicing Chartered Accountant representing a client before Income Tax Officer in Assessment proceeding.

(iii) Services provided by a Club or association to its non-members.

3. (a) Briefly state the provision of the Central Excise Act, 1944 relating to 'payment of duty under protest'. 3

(b) When can VAT registration be cancelled? 2

(c) What is meant by: 2

(i) Margin of Dumping and (ii) 'Injury Margin'.

110.4048

- (d) VARUN & CO. is a dealer in an electronic product, chargeable to CST at 2%. For the year ended March 31, 2012, the dealer has shown total Turnover (including CST) is ₹ 39,27,000.

In the above, the dealer has treated the following amounts thus:

(i) Dharmada collected from buyers, shown Separately in invoices	₹ 28,000
(ii) Weighment charges incidental to sale	₹ 14,000
(iii) Central excise duty collected (including cess)	₹ 2,06,000

The dealer has recorded the following amounts in separate folios in the ledger:

(i) Packing charges (These have been collected separately from buyers through Debit notes)	₹ 45,000
(ii) Cash discounts allowed to buyer	₹ 18,000
(iii) Indemnity/Guarantee charges collected from buyers to cover loss during transit.	₹ 12,000
(iv) Marine Insurance premium for transporting goods to the premises of buyers, collected from buyers.	₹ 32,000

Required:

Determine the total and Taxable Turnover under the Central Sales Tax Act 1956 for the financial year 2011-12. (You are required to show the treatment of each and every items distinctly). 8

- 4/ (a) From the following information provided by S. K. compute the amount of VAT payable for the month of July, 2011.

Input worth ₹ 2,00,000 were purchased within the state ₹ 4,00,000 worth of finished goods were sold within the state and ₹ 2,00,000 worth of goods were sold in the course of inter state trade. VAT paid on procurement of Capital goods worth ₹ 2,00,000 during the month was at 12.5%. If the input and output tax rate in the state are 12.5% and 4% respectively and the Central Sales Tax rate is 2%, show the total tax liability under the state VAT law and under the Central Sales Tax Act. 5

- (b) M/s. Rama Traders placed orders for import of sugar from various exporters abroad. All import documents were in the name of M/s. Rama Traders. After import, M/s. Rama Traders allotted the imported sugar to various buyer in India. No Sales Tax was charged as the sales were treated as "in the course of import". Is this in order? Discuss. 3

- (c) Does a Civil Courts have jurisdiction to hear matters of Indirect Taxes? 2

- (d) VENTEX LTD, sold a machinery to TEXMECO on 28th September, 2011 and the price of the machinery when it was removed from the factory at Hyderabad on the date of Sale was ₹ 4 lakh. The rate of excise duty applicable is 10.3% (inclusive of EC & SAHEC) on the date of removal. TEXMECO LTD however, refused to take delivery of the machinery when it reached their destination. Subsequently VENTEX LTD. increased the prices of similar type of machinery to ₹ 4.50 lakh with effect from 1st October 2011. The machinery as refused by TEXMECO LTD. has been sold on 3rd October 2011 to Voith Ltd. at the revised price of ₹ 4.50 lakh.

Required:

- (i) What is the value to be taken as assessable value? Explain with reasons.
(ii) What is the duty payable on above transaction? 5

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5. (a) "Every manufacture is production; every production is not manufacture"—Explain the Statement (Under Central Excise Act). 3

(b) Discuss the following:

(i) Who is responsible to pay Service Tax when the recipient of sponsorship services is located out side India?

(ii) Who is liable to pay e-payment of Service Tax? 2×2=4

(c) ANURIM MACHINE LTD, a manufacture, has agreed to supply a machine on the following terms and conditions:

- | | |
|--|---|
| (i) Price of Machine | : ₹ 4,08,000 (Exclusive of taxes and duties) |
| (ii) Machine erection expenses | : ₹ 31,000 |
| (iii) Packing for transportation of Machine | : ₹ 5,000 |
| (iv) Design and drawing relating to manufacture of machine | : ₹ 36,000 (exclusive of taxes and duties) |
| (v) Central Sales Tax | : 2% |
| (vi) Central Excise duty | : 16% plus education cess and SAH education cess as applicable. |

(vii) Cash discount of ₹ 6,000 will be offered if full payment is received before despatch of goods.

Additional information is available:

(a) The buyer made all payment before delivery of machine.

(b) The manufacturer incurred a cost of ₹ 1,200 in loading the machine in truck in his factory.

These are not charged separately to buyer.

Required:

Determine the Assessable Value and Excise Duty payable. 8

6. (a) DCK STOCK BROKERS LTD is a registered stockbroker on Mumbai Stock Exchange. DCK Stock Brokers Ltd furnishes you the following information fo services provided by it during the year 2011-12.

- Brokerage charged from investors for transaction (Sale/purchase of listed securities) on behalf of investors: ₹ 12 lakh (out of this certain transactions were entered into through sub-brokers and a brokerage of ₹ 1.80 lakh were paid during the year to various sub-brokers).
- Brokerage for transactions in listed securities for other brokers : ₹ 2.40 lakh;
- Commission/Brokerage for Arbitrage Transactions for other brokers : ₹ 3.00 lakh.
- Brokerage for purchase/sale of listed securities on Jaipur Stock Exchange through a Jaipur-based Broker: ₹ 6 lakh (out of this, brokerage of ₹ 2.40 lakh was paid to Jaipur broker).
- Under writing Commission for underwriting issue of BPT Ltd : ₹ 30 lakh,
- Demat/Depository charges collected from various customers (on actual basis) and paid to the concerned Depository : ₹ 36 lakh.

Your are required to compute value of Taxable Service under 'Stock Broking Services' and Net Service Tax payable thereon. 9

(b) State with reason whether the following would amount to manufacture under the Central Excise Act, 1944:

(i) Printing of Colour Logo on glass bottle.

(ii) Assembly and filling of different parts into one article. 2×2=4

(c) How should "Value" be calculated for determining SSI for Central Excise purposes? 2

7. (a) Ascertain whether the refund of Service Tax paid on input services can be claimed in the following cases:

Total credit of Service Tax on input services.	₹ 6,000	
Total Turnover of out put service.	40,000	
Output service exported.	30,000	3

- (b) Write a brief note how the terms 'Warehouse', 'Warehouse goods' and 'Warehousing station' are defined in the Custom Act, 1962. 3

- (c) Which section is termed as 'charging section' under CEA. 1

- (d) COMFORT LTD, an importer, has imported a machine from USA at FOB Cost of \$ 10000.

- (i) Freight from port in USA to Indian port was \$ 700
- (ii) Insurance was paid to insurer in India ₹ 6000
- (iii) Design and development charges of \$ 2000 were paid to a consultancy firm in USA.
- (iv) The importer also spent an amount of ₹ 50,000 in India for development work connected with the machinery.
- (v) ₹ 10,000 were spent in transporting the machinery from India port to the factory of Importer (POLSON LTD).
- (vi) Rate of exchange as announced by RBI was : ₹ 44.70 = One US \$.
- (vii) Rate of exchange as announced by CBE & C (Board) by notification under section 14(3)(a)(i) : ₹ 44.60 = One US \$.
- (viii) Rate which bank recovered the amount from importer : ₹ 44.30 = One US \$.
- (ix) Foreign exporters have an agent in India. Commission is payable to the agent in Indian Rupees @ 5% of FOB price. Basic Custom Duty payable is 10%.

If similar goods produced in India, Excise duty payable would have been 16%. Special CVD is payable at 4%.

Required:

- (i) Find the customs duty payable.
- (ii) How much CENVAT can be availed by Importer if he is a manufacturer. 8

8. (a) ZEESLINA LTD cleared various manufactured final Products during September, 2011. The duty payable for September 2011 on his final products was as follows:

Basic : ₹ 2,50,000,

Education cesses as applicable

During the month, he received various inputs on which total duty paid by suppliers of inputs was as follows:

Basic duty : ₹ 60,000

Education cess : ₹ 1,200 and

SAH education cess : ₹ 600

Excise duty paid on capital goods received during the month was as follows:

Basic duty : ₹ 18,000

Education cess : ₹ 360

SAH education cess : ₹ 180

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Service Tax paid on input services was as follows:

Service Tax : ₹ 15,000

Education Cess : ₹ 300

SAHE Cess : ₹ 150

166000
3320
840

Required:

How much duty ZEESLINA LTD (Assessee) will be required to pay by GAR-7 challan for the month of September 2011, if there was no opening Balance in his PLA Account?

7

(b) Name two situations where excise duty liability is not of the actual manufacturer but of the person who has supplied the Raw material to the manufacturer.

2

(c) Write Short Notes on:

(i) Place of Business under the Central Sales Tax Act 1956.

(ii) Reverse Charge in VAT and Service Tax.

2x3=6