

INTERMEDIATE EXAMINATION

December 2013

I-P10(AIT)

Syllabus 2008

Applied Indirect Tax

Time Allowed: 3 Hours

Full Marks: 100

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

*Answer **Question No. 1** which is compulsory and **any five** from the rest.*

Wherever necessary, you may make suitable assumptions and state them clearly in your answer.

Working notes should form part of the answer.

1. (a) Fill up the blanks:

1×15=15

- (i) Duties of customs including export covered in _____.
- (ii) Section 5A of the Central Excise Act, 1944 empowers the _____ to grant exemption from levy of excise duty.
- (iii) Exclusive Economic Zone extends to _____ from the base line of coast.
- (iv) Cenvat Credit Audit is covered under _____ of Central Excise Act.
- (v) No interest is payable, if warehousing goods stored less than _____ days.
- (vi) Project import under customs duty, should be subject to maximum of _____.
- (vii) _____ is a separate island as if outside India, where inputs or capital goods and input services can be obtained without duty/service tax.
- (viii) _____ is the rebate of excise duty and customs duty paid on inputs used in exported final products under section 75 of Customs Act.
- (ix) The effective rate of duty shall be _____ on baggage.
- (x) Statutory services are _____ services.
- (xi) Under service tax legislation, services by a performing folk artist in dance as a brand ambassador is _____.
- (xii) The rate of CST applicable to goods exempt from State sales tax is _____.
- (xiii) Government subsidy _____ form part of sale price under the CST Act, 1956.
- (xiv) Branch transfer or stock under the Central Sales Tax Act, 1956 must be effected by Form _____.
- (xv) In respect of capital goods sent for job work should be brought back within _____ days from the date of dispatch, under the CST Act, 1956.

(b) State with reasons whether the following are 'True' or 'False':

2×5=10

- (i) Parts used for repair or replacement during warranty period are excisable.
- (ii) Countervailing Duty (CVD) is payable on Assessable Value + Basic Custom Duty + Anti Dumping Duty.
- (iii) Service Tax shall not be chargeable on any taxable service if the same is provided free of cost.

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- (iv) Petrol is declared goods under CST Act.
- (v) Levy of VAT will have effect on retail price of goods.

2. (a) P Ltd. manufactures a product whose selling price is Rs. 50,000.00. The above selling price includes the following:

	Rs.
• Packing charges	3,500
• Transport from manufacturer to buyers place	5,000
• Excise Duty, EC & SHEC is 14%, 2% & 1% respectively	

Find the Assessable Value & Excise Duty payable. 5

(b) Distinguish between "Point of Taxation" and "Taxable Event" in the context of Service tax. 2

(c) The burden of proving that the transfer of goods is otherwise than by way of sale under the CST Act, 1956 shall be on the sales tax authority.—Explain. 2

(d) Given the following particulars. CIF Value: US \$ 15,000.00. Exchange rates as notified rates by RBI Rs. 48 = 1 US \$ by CBEC Rs. 44 = 1 US \$. Calculate the following under the Customs Act, 1962:

- FOB value
- Cost of insurance
- Cost of freight
- Assessable value

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3. (a) Write a brief note on the following with reference to the provisions of the Finance Act, 1994:

3+2

(i) Vacant land given on lease or license for construction of a building or temporary structure at a later stage to be used for furtherance of business or commerce.

(ii) Activities relating to promotion of a brand of goods, event, business entity.

(b) Explain briefly, with reference to Rule 21 of the Central Excise Rules, 2002, about granting of remission of duty of Central Excise on the following: 2+2+1

(i) When the finished goods have left the factory on payment of Central Excise duty and destroyed by fire in transit.

(ii) If remission is granted, whether Cenvat Credit on inputs used to manufacture the finished goods required to be reversed.

(ii) Who is the competent authority to grant remission when the amount of Central Excise Duty involved in the destroyed goods is Rs. 9,500?

(c) From the following particulars arrive at the VAT liability for the month of April 2012 and also determine the amount of Input Tax Credit to be carried forward for the next month: 5

(i) Input Tax rate 5% and Output Tax rate is 14.5% in the State.

(ii) Input purchased in the month from within the State—Rs. 50,00,000

- (iii) Output sold to buyers within the State during the month—Rs. 15,00,000
- (iv) Output sold to buyers as inter-State sales during the month—Rs. 4,00,000
(CST rate is 2% against Form 'C')
- (v) Inputs purchased from other States as Inter-State purchases against Form 'C' @ 2% of Rs. 3,00,000

4. (a) The following information is furnished by Mr. Krishna on 6th February 2013, in respect of Machinery imported from USA:

Particulars	Amount
FOB value	\$ 20,000
Exchange rate	\$ 1=Rs. 44
Air freight	\$ 4,500
Insurance charges	Not Known
Landing charges	Rs. 1,000
Basic customs duty	10%
Excise duty chargeable on similar goods in India as per tariff rate	16%
Additional duty of customs u/s 3(5) of the Customs Tariff Act, 1975	4%

Calculate the total Customs Duty payable by Mr. Krishna.

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- (b) Winter Ltd., dispatches goods from Andhra Pradesh and raises invoice on X in Tamil Nadu, Winter Ltd., charges 2% CST and pays the same in Andhra Pradesh. During the course of movement of goods, X sells goods to Y in Kerala and Y ultimately sells goods to Z in Trivandrum. Z takes delivery of goods and the movement of goods comes to end. Sales from X to Y and Y to Z are by transfer of lorry way bill receipts. Explain the Forms to be issued so that the first and subsequent sales are exempt from Central Sales Tax. 4
 - (c) Arun sells his land along with the standing crops and trees for Rs. 20 lakhs. Sales tax officer wants to assess for CST, the value of standing crops and trees. Comment. 3
5. (a) Is a sale by VPP liable to Central Sales Tax? 3
- (b) Explain in brief the nature and significance of "Anti-dumping Duty". 5
- (c) M/s. AB Ltd. Mumbai sell iron rods (which are not declared goods) to M/s. CD Ltd. at Hyderabad for a value of Rs. 10,00,000 inclusive of CST @ 2%. The local sales tax on iron rods in Mumbai is 12.5%. Both the dealers are registered dealers.
- (i) What is the Central Sales Tax payable?
 - (ii) If CD Ltd. is unable to submit Form 'C' being an unregistered dealer, what will be the CST liability if the local sales tax rate is 12.5%? 3
- (d) An importer imported goods for sale in India at \$ 12,000 on C.I.F. basis. Relevant foreign exchange rate notified by Central Govt. and RBI was Rs. 45.00 and Rs. 45.50 respectively. The item imported attracts basic duty at 10% and education cess. If similar goods were manufactured in India, excise duty payable as per tariff is 14% plus 2% education cess and SAH 1%. Find out the assessable value and total value of the goods and duty payable. 4

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6. (a) Compute the cost of production of manufacture of the under mentioned product for the purpose of captive consumption as per rule 8 of the Central Excise Valuation (DPF) Rules, 2000: 8

	Rs.
1. Cost of material (Inclusive of Excise duty at 12.36%)	1,12,360
2. Direct wages	47,000
3. Other direct materials	13,500
4. Computer use for office purpose	41,000
5. Quality control test incurred for production process	17,000
6. Engineer charges paid for installation of machinery	12,750
7. Other factory overhead	27,000
8. Salary of staff appointed for office duty	84,000
9. Sale of scrap realized	1,800
10. Actual profit margin	15%
11. Administrative overhead (100% related to administrative works)	1,00,000
12. Selling and distribution overhead	39,000

- (b) What is meant by "Boat Notes"? 3
- (c) How the point of taxation will be determined if the date of invoice or the date of payment or both are not available? 4
7. (a) Under VAT legislation, "Composition Scheme does not apply to all dealers".—Explain. 4
- (b) Which industries are not eligible for SSI exemption under the Central Excise irrespective of their turnover? 2
- (c) What do you mean by transaction value under the Customs Act, 1962? 3
- (d) Calculate the Assessable Value under the Central Excise Act, 1944: 6
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|---------------|-------------------------------|
| Production | 800 units on 01.01.2013 |
| Quantity sold | 130 units @ 210 on 15.01.2013 |
| | 70 units @ 200 on 18.01.2013 |
- On 19.01.2013—50 units given as free samples.
- Balance 550 units are in stock as on 31.01.2013 (at the end of the factory day)
8. (a) Under the Central Excise Valuation (Determination of Price of Excisable Goods) Rules 2000, in case of Captive Consumption, should valuation be supported by certificate from Cost Accountant? Explain. 3
- (b) Explain the concept of "GREEN CHANNEL" and "RED CHANNEL" in the context of Customs Act, 1962. 3
- (c) Is transfer of property in goods without consideration be chargeable to CST? 3
- (d) What are the records and accounts to be maintained under state VAT legislation? 3
- (e) What action can be taken by the Department in case of misuse of service tax credit? 3