

MOCK TEST PAPER – 1
FINAL COURSE: GROUP – II
PAPER – 8: INDIRECT TAX LAWS

Question No. 1 is compulsory.

*Attempt any **five** questions from the remaining **six** Questions.*

(Wherever appropriate, suitable assumption/s should be made and
indicated in the answer by the candidate)

Time Allowed – 3 Hours

Maximum Marks – 100

1. (a) Parsvnath Industrial Corporation (PIC) provides services from its office located at Saurashtra while its head office is located at Gorakhpur.

The excise duty paid at Saurashtra office of PIC for the month of December '11 is as follows:-

₹

Excise duty paid on:-

Inputs used in providing output service	1,80,000
Capital goods purchased and involved in providing output service	2,50,000
Input services used in output service	4,20,000

The invoices in respect of aforementioned inputs, capital goods and input services are in the name of Gorakhpur office. Compute the amount of the CENVAT credit admissible to Saurashtra office of PIC for the month of December '11. (5 Marks)

- (b) Bharat Cloth Mills delivered 1000 meters of cloth to Sambhav Readymade Garments on 10.01.2012 from its depot located at Ahmedabad @ ₹ 110 per meter. The goods were dispatched to the depot from the factory located in Surat on 05.01.2012. Ex-factory price on 05.01.2012 was ₹ 120 per meter. The sales of identical variety of cloth effected from Ahmedabad depot on the two relevant dates is as follows:-

On 05.01.2012		On 10.01.2012	
Cloth sold (in meters)	Rate per meter (₹)	Cloth sold (in meters)	Rate per meter (₹)
100	135	200	120
850	125	1,000	110

500	120	550	115
450	115	375	108

Calculate the assessable value of 1,000 meters of cloth sold by Bharat Cloth Mills.

(5 Marks)

- (c) Mess Bank Ltd., furnishes the following information relating to services provided and the gross amount received in the month of January, 2012:

	₹ (lakhs)
Merchant banking services	8
Asset Management (including portfolio management)	3
Service charges for services to the Government of India	1.5
Interest on overdraft and cash credits	2
Banker to the issue	5
Locker rent	2

Repayment of financial lease made by the customer to the bank ₹ 80 lakhs which includes a principal amount of ₹ 50 lakhs.

Compute the value of taxable service under "banking and other financial services" under the Finance Act, 1994 and the service tax liability of Mess Bank Ltd., considering the rate of service tax at 10.3%.

Notes:

- Mess Bank Ltd. is not eligible for small service provider's exemption.
- All the above receipts are exclusive of service tax.
- Point of taxation of all above receipts is in January, 2012.

(5 Marks)

- (d) Compute the net VAT liability of Rudra using the information given as follows:-

Particulars	Rupees
Raw material purchased from foreign market (including duty paid on imports @ 20%)	12,000
Raw material purchased from local market (including VAT charged on the material @ 4%)	20,800
Raw material purchased from neighbouring state (including CST paid on purchases @ 2%)	7,140
Storage, transportation cost and interest	2,500
Other manufacturing expenses incurred	600

Rudra sold the goods to Rajul and earned profit @ 10% on the cost of production. VAT rate on sale of such goods is 12.5%. (5 Marks)

- (e) Laminates International Group has imported a machine by air from United States. Bill of entry is presented on 18.07.2011. However, entry inwards is granted on 7.08.2011.

The relevant details of the transaction are provided as follows:-

CIF value of the machine imported	\$ 13,000
Air freight paid	\$ 2,800
Insurance charges paid	\$200

Rate of exchange as announced by	As on 18.07.2011	As on 7.08.2011
CBEC	1 US \$=Rs 46	1 US \$=Rs 45.80
RBI	1 US \$=Rs 46.10	1 US \$=Rs 46.10

Calculate the assessable value (in rupees) for the purposes of levy of customs duty.

Make suitable assumptions wherever necessary. (5 Marks)

2. (a) Discuss with a brief note the validity of the following statements with reference to the Cenvat Credit Rules, 2004
 - (i) Dumpers or tippers used for providing mining services are not treated as capital goods.
 - (ii) CENVAT credit cannot be used for paying Clean Energy Cess (3 x 2 = 6 Marks)
- (b) With reference to the provisions of the Finance Act, 1994 relating to service tax write a brief note on the following:
 - (i) Taxability of construction of complex service in relation to Jawaharlal Nehru National Urban Renewal Mission and Rajiv Awaas Yojana
 - (ii) Taxability of taxable services provided for distribution of electricity under Business auxiliary services (3 x 2 = 6 Marks)
- (c) Write a brief note with reference to the provisions of the Customs Act, 1962 regarding e-payment of customs duty. (3 Marks)
3. (a) M/S STR Ltd. was engaged in the manufacture of electronic transformers, semiconductor devices and other electrical and electronics equipments. During the course of such manufacture, the assessee also manufactured machinery in the nature of testing equipments to test their final products. The assessee had stated in their balance sheet that the addition to the plant and machinery included testing equipments. The said position was further substantiated in the Director's report wherein it was mentioned that during the year, the company developed a large

number of testing equipments on its own.

The Central Excise Department has issued a show cause notice to M/S STR Ltd. that the assembling of the testing equipments for testing the final product in the factory amounts to manufacture under the Central Excise Act, 1944. However the assessee submitted that the said project was undertaken only to avoid importing of such equipment from the developed countries with a view to save foreign exchange. Write a brief note with reference to decided case law if any whether the Department's view in the matter is legally sustainable. (6 Marks)

- (b) Examine, with the help of a decided case law, whether the service provided by way of "advice, consultancy or technical assistance" in the case of turnkey contracts will attract service tax and can these turnkey contracts be vivisected. (6 Marks)
- (c) Murlidhar Ltd. imported certain parts of a machine and filed a Bill of Entry. Murlidhar Ltd. paid the higher duty in ignorance of a notification which allowed him the payment of duty at a concessional rate.

Later Murlidhar Ltd filed a refund claim under Section 27 of the Customs Act, 1962 by producing the certificate issued by the Chartered Accountant (CA) to establish that the amount of duty in relation to which such refund is claimed, has not been passed on by him to any other person. The refund claim was rejected by the department as there was no other evidence other than the certificate issued by CA.

Discuss with reference to decided case law if any whether the stand taken by the Department is correct in law. (3 Marks)

- 4. (a) M/S Desire Co. Ltd. purchased some capital goods and paid the excise duty on it. The said capital goods were used in the manufacture of excisable goods, hence it claimed the CENVAT credit of the excise duty paid on it. However, after three years the said capital goods (which were insured) were destroyed by fire. The Insurance Company reimbursed the amount to the assessee, which included the excise duty, which the assessee had paid on the capital goods. The Excise Department demanded the reversal of the CENVAT credit by the assessee on the ground that the assessee had availed a double benefit. Discuss with reference to decided case law if any whether the stand taken by the Central Excise Department is correct in law. (6 Marks)
- (b) M/S OMN Ltd. was engaged in manufacture and sale of its products as well as erection and commissioning of the finished products. The customer was charged for the services rendered as well as the value of the manufactured products. The assessee had paid the excise duty on whole value including that for services, but did not pay the service tax on the value of services on the ground that there could not be levy of tax under two parliamentary legislations. The Department has issued a show cause notice to M/S OMN Ltd demanding the service tax.

Briefly discuss, with reference to case law, whether the show cause notice is sustainable in law. (6 Marks)

- (c) The Customs Department seized some documents from the office premises of the assessee, M/S Manmohan under panchnama. The assessee sought copies of the documents seized from his office premises and print outs drawn from the Laptop during his attendance in DRI. However, Revenue officers replied that the documents would be provided to him on completion of the investigation. Discuss with reference to decided case law if any whether the stand taken by the Department is correct in law. (3 Marks)
5. (a) Discuss briefly, whether excise duty is attracted on the excisable goods manufactured in the following cases:
- (i) in the State of Jammu and Kashmir;
 - (ii) by or on behalf of the Government. (3 x 2 = 6 Marks)
- (b) (i) Explain in brief the manner of determination of value as per rule 3 of the Service Tax (Determination of Value) Rules, 2006.
- (ii) Briefly discuss the different variants of VAT. (3 x 2 = 6 Marks)
- (c) What is the purpose of interpretation rules regarding Customs Tariff? Do they form part of the tariff schedule? Explain the Akin Rule of interpretation. (3 Marks)
6. (a) With reference to the Central Excise Act, 1944 and the rules thereunder, explain briefly whether the following persons require registration or not?
- (i) Persons, who manufacture excisable goods chargeable to 'nil' rate of duty;
 - (ii) Central Government undertakings manufacturing excisable goods;
 - (iii) 100% EOU. (6 Marks)

OR

- (i) Briefly explain the term 'large taxpayer' with reference to the Central Excise Rules, 2002.
 - (ii) List the various authorities which can accept Bond under Central Excise Act, 1944. (3 x 2=6 Marks)
- (b) (i) What are the prevailing audit norms for service tax assesseees?
- (ii) Briefly explain the system of cross checking under VAT laws. (3 x 2 = 6 Marks)
- (c) Write a brief note on "remission of duty in case of volatile goods" under section 70 of the Customs Act, 1962. (3 Marks)
7. (a) (i) What is the period of provisional attachment of property as per section 11DDA if any proceeding is pending under section 11A or section 11D of the Central

Excise Act, 1944?

- (ii) Which reasons shall not be considered as special and adequate for awarding sentence of imprisonment for a term of less than six months as per section 9(3) of the Central Excise Act, 1944? (3 x 2 = 6 Marks)
- (b) (i) What do you understand by 'Centralized Registration' under service tax? Which authority grants the Centralised Registration?
(ii) Briefly explain different modes of incentives under VAT. (3 x 2 = 6 Marks)
- (c) Discuss with a brief note the distinction between the functioning of Inland Container Depots (ICD) and Container Freight Stations (CFS). (3 Marks)