Mock Test Paper
Indirect Taxes
Oct. 13

Time – 3 hours

First question is compulsory and carries 20 marks. Out of remaining attempt any five questions. Each question carries 16 marks.

Question 1.

(a) RIL is a small manufacturer of health care product. During the financial year 12-13 it achieved a turn over of Rs. 1.95 crores inclusive of VAT @ 12% and Excise duty. During preceding financial year 2011-12 RIL had cleared dutiable goods worth Rs. 1.65 crores

Determine –

(i) Whether RIL is entitled to avail exemption under Notification No. 8/2003 during the financial year 2012-13.

(ii) Compute the amount of duty, if any, paid by RIL during the financial year 2012-13.

(4 Marks)

(b) Ramesh and Associates is having multiple manufacturing unit. Goods manufactured in unit A are consumed in unit B. Compute the amount of duty on the goods produced in Unit A based on following –

(i) Inputs including duty @ 16% +EC+SHEC	Rs. 1,75,800
(ii) Inward transportation	Rs. 600
(iii) Design	Rs. 2,500
(iv) Labour and overheads	Rs. 75,000
(v) Research and Development	Rs. 14,500
(vi) Packing	Rs. 5,000
(vii) Cost of transportation from unit A to B	Rs. 800
(viii) Rate of Duty - 16%	

Ramesh and Associates disposed off the scrap generated during the process of manufacture for Rs. 1,200/-. (4 Marks)

(c) Based on the following information, determine the CENVAT Credit available for use in the current year under the CENVAT Credit Rules, 2004

Amount after each item indicates Central Excise duty paid at the time of Purchase of goods. EC and SHEC is in addition to the amount of duty

	(Rs.) –
(a) Pollution control equipments -	Rs 25,000
(b) Spares for pollution control equipments -	Rs 5,000
(c) Equipments used in office -	Rs 12,000
(d) Storage Tank -	Rs 10,000
(e) Paints used for painting machinery used -	Rs 6,000
(f) Packing material -	Rs 4,000
(g) Lubricating oils -	Rs 8,000
(h) High Speed diesel oil -	Rs 7,000

(d) NAMO Limited of Gujarat purchased the following goods during the month of October 2013 –
(i) Goods worth Rs. 9,00,000 were purchased from Maharashtra on which CST was paid @ 2%
(ii) goods purchased within Gurjarat from unregistered dealer Rs. 21,50,000
(iii) Goods procured without invoice Rs. 2,00,000/-
(iv) Capital goods purchased for Rs. 9,85,000 inlcuding 10% VAT (Credit available in 36 monthly installments)
(v) Inputs purchased with VAT @ 8% Rs. 12,00,000
(vi) Value of the goods sold in Gujarat during October 2013 – Rs. 24,00,000 (VAT @ 10%)
(vii) Value of the goods sold in Rajasthan during October 2013 – Rs. 4,00,000 (CST @ 2%)

Compute –
(i) VAT credit Available during the month October 2013
(ii) VAT and CST payable for the month October 2013 (4 Marks)

(e) M/s. Premium Industries Ltd., has imported a machine from Japan at an F.O.B. cost of 1,00,000 Yen (Japanese). The other expenses incurred were as follows:

(i) Freight from Japan to Indian Port 10,000 Yen;
(ii) Insurance paid to insurer in India Rs. 5,000;
(iii) Designing Charges paid to consultancy firm in Japan 15,000 Yen;
(iv) M/s Premium Industries Ltd. spent Rs. 50,000 in India for development work connected with the machine,
(v) Transportation cost from Indian port to Factory Rs. 15,000;
(vi) Central Government has announced exchange rate of 1 Yen = Re. 0.50 by notification under Section14. However the exchange rate prevailing in the market was 1 Yen = Re. 0.51
(vii) The commission payable to the agent in India was @ 5% of F.O.B. price in Indian Rupees. The rate of custom duty is 20%. Similar goods are subject to 16% excise in India.
Find the custom duty and other duties payable :
(1) If the importer M/s Premium Industries Ltd. is importing goods for captive consumption
(2) If the importer M/s Premium Industries Ltd. is a trader and imported goods for the purpose of trading. (4 Marks)

Question 2

(a) Examine with the help of decided case law Whether technical testing and analysis services availed by the assessee for testing of clinical samples prior to commencement of commercial production and (ii) services of commission agent are eligible input services for claiming CENVAT? (5 Marks)

(b) With refernce of decided case law examine whther Appellate Authorities or Courts are authorised to permit assessee to pay reduced penalty of 25% beyond the time prescribed under section 11 AC? (5 Marks)

(c) DBA International school is engaged in providing education upto higher secondary level and –
(i) It avails services of experts for preparing study modules
(ii) It avails services of physical training staff for training the students for sports (not a part of curriculum)
(iii) It provides canteen facility to the students
(iv) It provides transportation facility to the students

Examine applicability of service tax in each case. (6 Marks)

Question 3

(a) MN & Co. filed an application before the Appellate Tribunal for stay against recovery and for condonation of delay. The Appellate Tribunal accepted the application and passed and order for condonation of delay and stay against recovery of balance amount only if the petitioner deposited 50% of the amount alleged to be due from him. Examine with the help of decided case law, if any, whether the deposit of 50% of tax amount be made a condition for condoning the delay in filing of an appeal? (5 Marks)

(b) BSI Limited availed CENVAT credit on the basis of quantity of the goods as shown in the invoice. However, assessee's records indicate that the actual quantity received in the factory was less than the quantity mentioned in the invoice. The quantity difference was negligible. However, a show cause notice was issued to the assessee to explain why excess credit availed by him should not be recovered. Examine with the help of decided case law, whether action taken by the Department is correct. (5 Marks)

(c)

(i) Who are the persons eligible to apply for Advanced Rulings?

(ii) Write a brief note on conditions for filing application settlement of case. (3 Marks each)

Question 4

(a) (i) What are prohibited goods under the Custom Act, 1962.

(ii) Mention 6 cases in which import of goods can be prohibited.

(iii) Distinguish Notified Goods and Specified Goods under the Custom Act, 1962 (2 Marks each)

(b) Discuss powers of the Central Excise Officer to rectify the error in his order under chapter V of the Finance Act, 1994. (5 Marks)

(c) Distinguish 'Payment of duty on installed capacity of production' and Compounded Levy Scheme under the Central Excise. (5 Marks)

Question 5

(a) Krishna Steel Industries Limited had opted for provisions assessment. On 20th January 2013, while authorizing the assessee to pay duty provisionally, the AC/DC required the assessee to pay Rs. 25.00 lacs as provisional duty.

On assessment was finalized on 24th April 2013 and the actual liability the assessee was decided at Rs. 23.50 lacs. The assessee applied for refund of excess duty on 26th April and refund was given to him on 30th June 2013, without interest.

The assessee claims that he is entitled for interest on such refund but Department refused to pay. Examine the correctness of the situation and advise your client accordingly. (5 Marks)

(b) Global Exim Limited imported a consignment which was unloaded in India on 2nd July. While the goods were at the port, due to heavy rains, the goods become non-marketable.

GEL wanted to transfer the title of the goods in favour of the Commissioner but the commissioner refused to accept the transfer as the goods have already become non-marketable. Examine whether GEL can transfer the title and whether the Commissioner is authroised to refuse such transfer of title. (5 Marks)

(c)

(i) Mr. Agrawal, based in Mumbai, entered into an agreement with an event organizer based in Mumbai, to participate in business exhibition to be held in Dubai. For such participation, Mr. Agrawal also paid a sum of Rs. 10.00 lacs. The event organizer is also demanding service tax on this amount. Mr. Agrawal refuse to pay service tax. Examine, whether in the given case, Mr. Agrawal can refuse to pay service Tax. (3 Marks)

(ii) Rate of service Tax was increased from 1st October 2013 from 10% to 12%. Mr. Ram had already booked an air ticket on 10th September and paid at the same time for his travel on 10th October.
When Mr. Ram was checking in at the airport, he was asked to pay differential amount of service tax. Please advice. (3 Marks)

Question 6

(a) Discuss provisions regarding vexatious search, seizure and arrest under the Central Excise. (5 Marks)

(b) Define the following

- **(i)** Factory under Central Excise
- **(ii)** Service under Chapter V of the Finance Act, 1994
- **(iii)** Transaction value under section 4 of the Central Excise (2 marks each)

(c) Examine powers of the Joint Commissioner to carry out search under Chapter V of the Finance Act, 1994 (3 Marks)

(d) Powers of the Central Government to allow rebate under Chapter V of the Finance Act, 1994 (2 Marks)

Question 7

(a) Discuss levy of excise duty when --

- **(i)** Goods are manufactured by Government itself for own use
- **(ii)** Goods manufactured in 100% EOU are borught to DTA
- **(iii)** Goods manufactured by an assessee availing SSI exemption under the brand name of another person. (2 Marks each)

(b) Write brief notes on (i) goods being water borne. (ii) Interest on duty drawback (2 Marks each)

(c) Write brief notes on the following

- **(i)** Composition scheme under VAT
- **(ii)** VAT credit on Capital Goods
- **(iii)** Goods on which VAT credit is not allowed (2 Marks each)