

Test Series: September, 2013

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 should be made and indicated in the answer by the candidate)

Time Allowed – 3 Hours

Maximum Marks – 100

1. (a) Shakti Electronics Ltd. is engaged in the manufacture of colour television sets having its factories at Haryana and Punjab. At Haryana, the company manufactures picture tubes which are stock transferred to Punjab factory where it is consumed to produce television sets. Determine the excise duty liability of captively consumed picture tubes from the following information: - Direct Material Cost (per unit) ₹ 800; Direct Labour ₹ 100; Indirect Labour ₹ 50; Direct Expenses ₹ 100; Indirect Expenses ₹ 50; Administrative Overheads ₹ 50; Selling and Distribution Overheads ₹ 100. Additional Information: - (1) Profit margin as per the Annual Report of the company for 2012-13 was 12% before Income Tax. (2) Material cost includes excise duty paid ₹ 73 (3) Excise duty @ 12%, plus education cess of 2% and SHEC @ 1%.

(5 Marks)

- (b) M/s. ABC Ltd., sold a machinery to Mr. Mehta at a price of ₹ 6 lakh on 15th July, 2012. The machinery was cleared on the same day from the factory of M/s ABC Ltd. situated in Ahmedabad, Gujarat. The applicable excise duty including education cesses on the date of removal is 12.36%. Mr. Mehta refused to take delivery of the machine when it reached his destination. In the meantime, M/s. ABC Ltd. increased the prices of the similar type of machinery to ₹ 7 lakh with effect from 16th July, 2012. The machinery as refused by Mr. Mehta has been sold on 20th July 2012 to Mr. Rahul at the revised price of ₹ 7 lakh. There has been no change in the rate of excise duty and education cess.

Explain the following with reasons:

- (i) What is the value to be taken as assessable value?
- (ii) What is the applicable rate of excise duty and the quantum of the duty payable on above transaction?
- (iii) The Central Excise Officer is demanding duty on the price of ₹ 7 lakh at the

time of sale to Mr. Rahul. Is he right in his approach?

(iv) Does cost of production have any bearing on the assessable value? (5 Marks)

(c) Compute service tax liability from the following particulars:

Gross Amount charged by the service provider for providing works contract service	₹ 1,00,000
Actual value of material transferred in the above works contract	₹ 80,000
Excise duty paid on value of material transferred	₹ 8,750
Service tax paid on input services	₹ 1,000
Excise duty paid on capital goods purchased for being used in the provision of works contract service	₹ 1,000
Rate of service tax (inclusive of education cesses)	12.36%

(5 Marks)

(d) Purchases by L & Co. for the month of January, 2013 are as follows:

- (1) ₹ 1,00,000 at 4% VAT
- (2) ₹ 5,00,000 at 12.5% VAT

Sales of L & Co. for the month of January, 2013 are as follows:

- (1) Sales of ₹ 3,00,000 at 4% VAT
- (2) Sales of ₹ 3,00,000 at 12.5% VAT

Compute eligible input tax credit and VAT payable for the month and VAT credit to be carried forward, if any. (5 Marks)

(e) Mrs. & Mr. Aryan visited Italy and brought following goods while returning to India, after 7 days stay abroad, on 5th March, 2013:

- (i) Personal effects like clothes, etc., valued at ₹ 45,000.
- (ii) A personal computer bought for ₹ 36,000.
- (iii) A laptop computer bought for ₹ 85,000.
- (iv) Two liters of liquor bought for ₹ 1,600.
- (v) A new camera bought for ₹ 37,400.

What is the amount of custom duty payable?

(5 Marks)

2. (a) Examine the validity of the following statements:

- (i) In case of services relating to life insurance, provider of output service is obligated to pay every month an amount equal to 20% of the CENVAT credit availed on inputs and input services in that month.

- (ii) Only public sector companies are notified as the class or category of residents who can apply for advance ruling in case of specified matters relating to central excise. (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. (3 x 2 = 6 Marks)
- (ii) Under what circumstances can a Central Excise Officer make best judgement assessment under service tax law?
- (c) Answer the following with reference to the provisions of section 14 of the Customs Act, 1962 and the rules made thereunder:
- (i) What shall be the value, if there is a price rise between the date of contract and the date of actual importation?
- (ii) Whether the payment for post-importation process is includible in the value if the same is related to imported goods and is a condition of the sale of the imported goods?
- (iii) Bill of entry was filed on 27.10.2012. Will the exchange rate notified by the Central Board of Excise and Customs on 25.9.2012 be applied or the rate notified on 25.10.2012 be used? (3 Marks)
3. (a) With reference to CENVAT Credit Rules, 2004, Examine the validity of the following statements with the help of a decided case law:-
- (i) Testing of samples prior to commercial production is not an eligible input service.
- (ii) Service provided by foreign commission agent for sale of goods is an input service. (6 Marks)
- (b) Examine with the help of a decided case law whether non-filing of additional documents by an assessee despite being given several opportunities to produce the same, could be a sufficient ground for passing a non-speaking order? (6 Marks)
- (c) Miss Saloni was formerly a director of Shri Shyam Casting P. Ltd. A demand notice was raised against Miss Saloni in respect of the excise duty payable by the company. She had resigned from the Board of the company long time back. The Customs Department sought to attach the properties belonging to Miss Saloni for recovering the dues of the company. Miss Saloni contended that the action of the Department was not justified as the said properties belonged to her and not the company.
- Revenue contended that as director, Miss Saloni could not distance herself from the company's acts and omissions; she had to shoulder its liabilities.
- Do you think the Revenue's contention is valid in law? Discuss (3 Marks)

4. (a) M/s Sambhav Zarda Makers was engaged in manufacturing zarda which had the brand name of 'Lovely' It clandestinely cleared 'Lovely' zarda and stored with Shyam Trading Co. for further sales. The Shyam Trading Co. were allegedly the related concerns of Sambhav Zarda Makers.

The Commissioner imposed a penalty under rule 25 of the Central Excise Rules, 2002 on the Shyam Trading Co. However, an appeal was filed by the Shyam Trading Co to CESTAT. Examine with the help of a decided case law whether penalty under rule 25 of the Central Excise Rules, 2002 can be imposed on such firm? (6 Marks)

- (b) A society running internationally renowned schools allowed other schools to use the name, its logo and motto, and as a consideration thereof received collaboration fees from such schools which comprised of a non-refundable amount and annual fee. Examine, with the help of a decided case law whether service tax is leviable in the present case. (6 Marks)
- (c) Examine, with the help of a decided case law, whether the time-limit prescribed under section 48 of the Customs Act, 1962 for clearance of the goods within 30 days be read as time-limit for filing of bill of entry under section 46 of the Act? (3 Marks)
5. (a) (i) Write a short note on Harmonised System of Nomenclature under Central Excise. (ii) Write a short note on 'Place of Removal'. (3 x2=6 Marks)
- (b) (i) Determine the place of provision of services as well as their taxability in each of the following independent cases:
- (a) Mr. Raman, a Delhi based Interior Decorator provides his professional services in respect of property which is intended to be located in Chandigarh.
- (b) A U.S.A. based company possessing specialization in mineral exploration has been awarded a contract for mineral exploration in respect of specific sites in Canada by Mumbai based Mr. Raj Kapoor. (3 Marks)
- (ii) On what kind of sales, is central sales tax levied? Briefly explain the meaning of term "inter-State sale or purchase". (3 Marks)
- (c) What are the conditions required to be fulfilled by the importer to make the imported goods eligible for preferential rate of duty notified by the Central Government under section 25 of the Customs Act, 1962? (3 Marks)
6. (a) (i) Explain the circumstances when an Advance Ruling can be declared as void under Central Excise Act, 1944 ? (4 Marks)
- (ii) Write a brief note on provisions relating to 'payment of excise duty under protest'. (2 Marks)

Or

- (a) Whether the CENVAT Credit provisions permit transfer of Additional Duty of Customs (SAD)? (6 Marks)

- (b) (i) Smart International Boarding School provide service of education alongwith other services like providing dwelling units for residence and food for the students. How will the taxability of services provided by it be determined?
(3 Marks)
- (ii) Briefly explain the importance of VAT invoice. (3 Marks)
- (c) Discuss with a brief note the distinction between the functioning of Inland Container Depots (ICD) and Container Freight Stations (CFS). (3 Marks)
7. (a) (i) List the various authorities which can accept Bond under Central Excise Act, 1944.
(ii) Write short note on Desk review under Excise Audit, 2000. (3x2=6 Marks)
- (b) (i) With reference to Finance Act, 1994, state briefly whether the following services will be liable to service tax.
(a) Service provided in the State of Rajasthan by a person having a place of business in the State of Jammu and Kashmir.
(b) Service provided from India for use outside India (3 Marks)
- (ii) Who are not eligible for composition scheme under VAT regime? Discuss briefly. (3 Marks)
- (c) The owner of warehoused goods wants to enter the warehouse in which he has deposited the goods. Is any permission required for such purpose? Explain whether the Customs department has any control over warehoused goods of such owner?
(3 Marks)