

Test Series: August, 2017

**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) From the following particulars for the preceding financial year, find out whether Hard Manufacturing Co. is eligible for small scale exemption under *Notification No. 8/2003-C.E. dated 01-03-2003* for the current financial year:

| Sr. No. | Particulars                                                                                                                                 | Rs. (in lakhs) |
|---------|---------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| 1.      | Clearance of excisable goods exempted from payment of duty under a notification other than <i>Notification No. 8/2003-C.E.</i>              | 50             |
| 2.      | Clearance of account books bearing brand name of another person, falling under Heading 4820 of First Schedule to the Central Excise Tariff. | 150            |
| 3.      | Clearance of excisable goods to United Nations exempted from payment of duty under <i>Notification No. 108/95-C.E.</i>                      | 85             |
| 4.      | Total Exports [including export to Bhutan Rs. 50 lakh]. Other exports are to USA & UK                                                       | 250            |
| 5.      | Clearance of goods (duty paid based on annual capacity of production under section 3A of the Central Excise Act, 1944)                      | 190            |

Show your calculations, workings and explanations clearly, wherever required. Hard Manufacturing Co. is not a jewellery manufacturer. (5 Marks)

- (b) (i) Enumerate the activities or transactions which shall be treated neither as a supply of goods nor a supply of services. (5 Marks)
- (ii) What do you mean by composite supply & mixed supply? Briefly discuss the manner in which the tax liability on composite supplies and mixed supplies is determined? (5 Marks)
- (c) XYZ Industries Ltd. imports an equipment by air. CIF price of the equipment is 6,000 US\$, freight paid is 1,200 US\$ and insurance cost is 1,800 US\$. The banker realizes the payment from importer at the exchange rate of Rs. 61 per US\$. Central Board of Excise and Customs notifies the exchange rate as Rs. 60 per US\$ while rate of

exchange notified by RBI is Rs. 62 per US\$. XYZ Industries Ltd. expends Rs. 56,000 in India for certain development activities with respect to the imported equipment.

Basic customs duty is 10%, excise duty leviable on similar goods in India is 12.5% and education cesses are 3% on duty. Additional duty of customs leviable under section 3(5) of the Customs Tariff Act is exempt.

You are required to:

- (i) compute the amount of total customs duty payable by XYZ Industries Ltd.
  - (ii) determine the amount of CENVAT credit available to XYZ Industries Ltd. How can such CENVAT credit be utilised by XYZ Industries Ltd.? (5 Marks)
2. (a) Discuss the circumstances when an advance ruling will be void under the Central Excise Act, 1944. (4 Marks)
- (b) Service tax of Rs. 60,000 for the month of March, 2017 was paid on 24<sup>th</sup> April, 2017 by an HUF. The value of taxable services provided by it during the preceding financial year was Rs. 12 lakh. Determine the amount of interest payable under section 75 of the Finance Act, 1994.

Note: The service tax of Rs. 60,000 has not been collected from service receiver.

(8 Marks)

- (c) State briefly the provisions of the Customs Act, 1962 relating to payment of interest in case of provisional assessment. (4 Marks)
3. (a) Whether production of mustard oil and oil cake from mustard seeds amounts to manufacture? You are required to examine the situation with the help of a decided case law. (4 Marks)
- (b) Protection Services, a proprietorship firm, was engaged in providing security services to its customers. A show cause notice for demanding service tax was issued to the firm and the demand was confirmed. The order was challenged in appeal before the Commissioner, Central Excise (Appeals). The Commissioner (Appeals) denied the raising of the following three additional legal grounds by Protection Services during the course of personal hearing:
- (i) Being a proprietary firm, it cannot be considered as security agency;
  - (ii) Issue involved being interpretation of law, penalty is not imposable; and
  - (iii) As per decisions, staff salary is to be excluded from the gross amount received for security services.

Discuss with the help of a decided case law (if any), whether the Commissioner (Appeals) was justified in not allowing the raising of the additional grounds.

(8 Marks)

- (c) PQR Company Ltd. had imported brine shrimp eggs. This was classified as "prawn feed" for customs duty purposes under chapter heading No. 2309 of the Customs Tariff schedule which includes use as animal feed. The department's view was that this should be classified under chapter heading No. 051199 as non-edible animal products unfit for human consumption.

M/s. PQR Company Ltd. provided literature to support their contention that the imported material contained little organisms/embryos which later became larva that were fed to the prawns. Therefore, according to the importers, the nature and character of the product was not changed or altered by nurturing or incubation. Hence, the classification should be as prawn feed under chapter heading No. 2309.

Decide with the help of case law, if any, whether the contention of the assessee, M/s. PQR Co. is correct in law. (4 Marks)

4. (a) Chill Beverages Ltd. has removed the aerated water bottles without declaring the retail sale price under section 4A of the Central Excise Act, 1944. Discuss briefly how the retail sale price of these goods shall be ascertained. (4 Marks)
- (b) 'Green Agro Unit' furnishes the following details with respect to the services provided by them in the month of June, 2016:

| Sl. No. | Particulars                                                                                        | Amount (Rs.) |
|---------|----------------------------------------------------------------------------------------------------|--------------|
| (i)     | Supply of farm labour                                                                              | 78,000       |
| (ii)    | Warehousing of biscuits                                                                            | 1,65,000     |
| (iii)   | Sale of rice on commission basis                                                                   | 68,000       |
| (iv)    | Training of farmers on use of new pesticides and fertilizers developed through scientific research | 1,30,000     |
| (v)     | Renting of vacant land to a stud farm                                                              | 1,31,500     |
| (vi)    | Testing undertaken for soil of a farm land                                                         | 1,10,000     |
| (vii)   | Leasing of vacant land to a dairy farm                                                             | 45,500       |

Compute the service tax liability of 'Green Agro Unit' for the month of June, 2016. Service tax @ 15% [including Swachh Bharat Cess (SBC) & Krishi Kalyan Cess (KKC)] has been charged separately, wherever applicable. 'Green Agro Unit' has paid service tax of Rs. 6,18,000 during the preceding financial year. (8 Marks)

- (c) With reference to section 9A(1A) of the Customs Tariff Act, 1975, mention the ways that constitute circumvention of antidumping duty imposed on an article which may warrant action by the Central Government. (4 Marks)

5. (a) With reference to the provisions of rule 16 of Central Excise Rules, 2002, explain the procedure for availment of CENVAT credit when:
- the duty paid goods returned to the factory are put through a process not amounting to manufacture;
  - the duty paid goods returned to the factory are put through a process amounting to manufacture. (4 Marks)
- (b) With reference to Place of Provision of Service Rules (PoPS), 2012 answer the following question:
- A movie-on-demand is provided as on-board entertainment during the Bangalore-Delhi leg of a Singapore-Bangalore-Delhi flight against a charge of Rs. 800 per passenger in addition to the fare of Rs. 30,000 per passenger. What will be the place of provision of service in this case? Will your answer change, if the above service is provided on a Delhi-Bangalore-Singapore-Malaysia flight during the Singapore-Malaysia leg?
  - Mr. Diljeet has a permanent residence at Punjab. He has a savings bank account with Punjab Branch of Safe and Sound Bank. On April 1, 2014, Mr. Diljeet opened a safe deposit locker with the Punjab Branch of Safe and Sound Bank. Mr. Diljeet went to USA for official work in December, 2014 and has been residing there since then. Mr. Diljeet contends that since he is a non-resident during the year 2015-16 in terms of the Income-tax Act, service tax cannot be levied on the locker fee charged by Safe and Sound Bank for the year 2015-16.  
Examine the correctness of the contention of Mr. Diljeet. (8 Marks)
- (c) State the circumstances under which a revision petition can be filed before the Central Government under the Customs Act. (4 Marks)
6. (a) Indicate the central excise authorities who can accept bonds executed for various purposes and obligations of exporter in respect of bond acceptance while filling in ARE-1 form. (4 Marks)

Or

Explain briefly the provisions relating to Special Audit in certain cases under section 14A of the Central Excise Act, 1944. (4 Marks)

- (b) Galaxy Ltd. imports business support services from Green Inc of USA on 13.01.2016. The relevant invoice for \$ 4,20,000 is raised by Green Inc. on 18.01.2016. Galaxy Ltd. makes the payment against the said invoice as follows:

|         |            |
|---------|------------|
| Case I  | 22.02.2016 |
| Case II | 27.05.2016 |

Determine point of taxation in each of the aforesaid cases. (8 Marks)

- (c) Mr. Vipin and his wife (non-tourist Indian passengers) are returning from Dubai to India after staying there for a period of two years. They wish to bring gold jewellery purchased from Dubai. Please enumerate provisions of customs laws for jewellery allowance in their case. (4 Marks)
7. (a) Can remission of duty be granted on duty paid goods which are destroyed by fire in transit after being cleared from the factory? Explain. (4 Marks)
- (b) Tingtong Travels Pvt. Ltd., located in Gujarat, is engaged in providing services of renting of motorcab and discharges its service tax liability by availing abatement granted under *Notification No. 26/2012 ST dated 20.06.2012*. Amount charged for the services rendered by the company during the month of October, 2016 is Rs. 6,00,000. The invoices for such services have been issued by Tingtong Travels Pvt. Ltd. in the month of October, 2016.
- The company has sub-contracted a part of its services to Ramlal Cabs Pvt. Ltd., which is also engaged in providing services of renting of motorcab. Ramlal Cabs Pvt. Ltd. has raised an invoice for Rs. 1,15,000 dated 25.10.2016 (value of services is Rs. 1,00,000 and service tax payable thereon [including Swachh Bharat Cess (SBC) and Krishi Kalyan Cess (KKC is Rs. 15,000)] on Tingtong Travels Pvt. Ltd. for the services sub-contracted to it during the month of October, 2016. Tingtong Travels Pvt. Ltd. has received the invoice raised by Ramlal Cabs Pvt. Ltd. on 25.10.2016.
- Determine service tax (including SBC & KKC) payable in cash by Tingtong Travels Pvt. Ltd. for the month of October, 2016 assuming that Tingtong Travels Pvt. Ltd. avails the abatement, if any, available to it under *Notification No. 26/2012 –ST dated 20.06.2012*. (8 Marks)
- (c) State in brief policy for import of samples. (4 Marks)