

Test Series: August, 2017

MOCK TEST PAPER - 1

FINAL COURSE: GROUP – II

PAPER – 8: INDIRECT TAX LAWS

SUGGESTED ANSWERS / HINTS

1. (a) In order to claim the benefit of exemption under *Notification No. 8/2003 C.E. dated 01.03.2003* in a financial year, the aggregate value of clearances of all excisable goods for home consumption by a manufacturer from one or more factories should not exceed Rs. 400 lakh in the preceding financial year.

The aggregate value of clearances for home consumption of Hard Manufacturing Co. is Rs. 440 lakh in the preceding financial year [Refer computation given below]. Therefore, it is not eligible to claim the benefit of exemption under *Notification No. 8/2003 C.E. dated 01.03.2003* in the current financial year.

Computation of aggregate value of clearances for home consumption of Hard Manufacturing Co. for preceding Financial Year

Particulars	Rs. (in lakh)
Clearances of excisable goods exempted from payment of duty under a notification other than <i>Notification No. 8/2003 CE</i>	50
Clearances of account books bearing brand name of another person [Note 1]	150
Clearance of excisable goods to United Nations exempted from payment of duty under <i>Notification No. 108/95 CE</i> [Note 2]	Nil
Exports to Bhutan [Note 3]	50
Clearances of goods on which duty has been paid under section 3A of the Central Excise Act	<u>190</u>
Aggregate value of clearances in terms of <i>Notification No. 8/2003 CE</i>	<u>440</u>

Notes:

Notification No. 8/2003 C.E. dated 01.03.2003 provides that while determining the value of clearances of Rs. 400 lakh:

- clearances bearing the brand name of another person, which are ineligible for SSI exemption are excluded. However, account books falling under heading 4820 of the First Schedule of the Central Excise Tariff are entitled to small scale exemption even if they bear a brand name or trade name whether registered or not, of another person. Therefore, clearances of such account

books will not be excluded.

2. clearances of excisable goods without payment of duty supplied to United Nations under *Notification No.108/95 C.E.* are excluded.
 3. export turnover is excluded. However, exports to Bhutan are not excluded as these are treated as "clearance for home consumption".
- (b) (i) Schedule III in the CGST Act is akin to the negative list under the service tax regime. This schedule specifies transactions/ activities which shall be neither treated as supply of goods nor a supply of services.
1. Services by an employee to the employer in the course of or in relation to his employment.
 2. Services by any court or Tribunal established under any law for the time being in force.
 3. (a) Functions performed by the Members of Parliament, Members of State Legislature, Members of Panchayats, Members of Municipalities and Members of other local authorities;
(b) Duties performed by any person who holds any post in pursuance of the provisions of the Constitution in that capacity; or
(c) Duties performed by any person as a Chairperson or a Member or a Director in a body established by the Central Government or a State Government or local authority and who is not deemed as an employee before the commencement of this clause.
 4. Services of funeral, burial, crematorium or mortuary including transportation of the deceased.
 5. Sale of land and, subject to paragraph 5(b) of Schedule II, sale of building.
 6. Actionable claims, other than lottery, betting and gambling.

Explanation - For the purposes of paragraph 2, the term "Court" includes District Court, High Court and Supreme Court.

(ii) **Composite supply** means a supply made by a taxable person to a recipient and:

- comprises two or more taxable supplies of goods or services or both, or any combination thereof.
- are naturally bundled and supplied in conjunction with each other, in the ordinary course of business.

This means that in a composite supply, goods or services or both are bundled owing to natural necessities. The elements in a composite supply are dependent on the 'principal supply'.

Determination of tax liability on composite supplies:

A composite supply comprising of two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply.

Mixed supply means:

- two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person
- for a single price where such supply does not constitute a composite supply.

The individual supplies are independent of each other and are not naturally bundled

Determination of tax liability on mixed supplies:

A mixed supply comprising of two or more supplies shall be treated as supply of that particular supply that attracts highest rate of tax.

(c) Computation of customs duty payable by XYZ Industries Ltd.

Particulars	Amount
CIF value	6,000 US \$
Less: Freight	1,200 US \$
Less: Insurance	<u>1,800 US \$</u>
FOB value	3,000 US \$
Add: Freight (20% of FOB value) [Note 1]	600 US \$
Add: Insurance (actual)	<u>1,800 US \$</u>
CIF	5,400 US \$
Add: 1% for landing charges [Note 2]	<u>54 US\$</u>
Value in dollars	5,454 US \$
Exchange rate as per CBEC [Note 3]	Rs. 60 per US \$
Assessable value = Rs. 60 x 5,454 US \$	Rs. 3,27,240
Basic customs duty @ 10%	<u>Rs. 32,724</u>
Sub-total	Rs. 3,59,964
Additional duty of customs u/s 3(1) of the Customs Tariff Act (CVD) @ 12.5% of Rs. 3,59,964 (rounded off) [Note 5]	Rs. 44,996
Education cesses 3% on [Rs. 32,724 + Rs. 44,996] (rounded off)	Rs. 2,332
Total customs duty payable [Rs. 32,724 + Rs. 44,996 + Rs. 2,332]	Rs. 80,052

Notes:

1. If the goods are imported by air, the freight cannot exceed 20% of FOB price [Second proviso to rule 10(2) of the Customs (Determination of Value of Imported Goods) Rules, 2007].
2. Even if there is no information regarding landing charges, still they are charged @ 1% of CIF value [Clause (ii) of first proviso to rule 10(2) of the Customs (Determination of Value of Imported Goods) Rules, 2007].
3. Rate of exchange determined by CBEC is considered [Clause (a) of the explanation to section 14 of the Customs Act, 1962].
4. Rule 10(1)(b)(iv) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007 *inter alia* provides that value of development work undertaken elsewhere than in India is includible in the value of the imported goods. Thus, development charges of Rs. 56,000 paid for work done in India have not been included for the purposes of arriving at the assessable value.
5. Since excise duty rate on similar goods is 12.5%, CVD will be levied @ 12.5%.

Rs. 44,996 paid as additional duty of customs under section 3(1) of Customs Tariff Act, 1975 will be available as CENVAT credit and can be utilised for payment of excise duty or service tax as per the CENVAT Credit Rules, 2004. Basic customs duty of Rs. 32,724 and education cesses of Rs. 2,332 paid on imported goods will not be available as CENVAT credit.

2. (a) Where on a representation from the Principal Commissioner of Central Excise or Commissioner of Central Excise or otherwise, it is proved that an advance ruling was obtained by the concerned applicant by fraud or misrepresentation of facts, the authority for advance ruling can declare the advance ruling as void *ab initio*.

Consequently, all the provisions of the Central Excise Act shall apply to the applicant as if such ruling had never been made. Copy of such order is sent to the applicant and the Principal Commissioner of Central Excise or Commissioner of Central Excise [Section 23F of the Central Excise Act, 1944].

(b) Computation of interest payable under section 75 of Finance Act, 1994

Particulars	
Service tax paid belatedly	Rs. 60,000
No. of days of delay [Note 1]	24 days
Rate of interest [Note 2]	12%
Quantum of interest (rounded off) [Rs. 60,000 x 24/365 x 12/100]	Rs. 473

Notes:

1. As per second proviso to rule 6(1) of Service Tax Rules, 1994, the due date of payment of service tax for the month of March is 31st day of March. Therefore, there is a delay of 24 days as service tax is deposited on 24th April, 2017.
 2. As per section 75 of Finance Act, 1994 read with *Notification No. 13/2016 ST dated 01.03.2016* in case of collection of any amount as service tax but failing to pay the amount so collected to the credit of the Central Government on or before the date on which such payment becomes due, the simple interest @ 24% p.a. is payable. However, in all other cases, 15% simple interest p.a. is payable. Since in the above case, service tax has not been collected, so simple interest @ 15% p.a. is payable. However, as per proviso to section 75, the rate of interest gets reduced by 3% if the value of taxable service provided during the preceding financial year does not exceed Rs. 60 lakh. (Value of taxable services provided in preceding year in the given case is Rs. 12 lakh).
- (c) The provisions of the Customs Act, 1962 relating to payment of interest in case of provisional assessment are as under:
- (I) **Interest payable by the importer/exporter on amount payable to the Central Government, consequent to the final assessment/re-assessment:**
 - (i) The importer or exporter shall be liable to pay interest, on any amount payable to the Central Government, consequent to the final assessment order/re-assessment order under section 18(2).
 - (ii) The interest shall be payable at the rate prescribed under section 28AA of the Customs Act, 1962. Presently, the rate of interest has been fixed @ 15% p.a.
 - (iii) The interest shall be payable from the first day of the month in which the duty is provisionally assessed till the date of payment thereof.
 - (II) **Interest payable by the Central Government to the importer/exporter on amount refundable to the importer/exporter on final assessment of duty/re-assessment of duty:**
 - (i) Subject to the provisions of unjust enrichment, if any refundable amount is not refunded to the importer/exporter on final assessment of duty or re-assessment of duty, within three months from the date of final assessment of duty or re-assessment of duty.
 - (ii) The interest shall be payable at the rate prescribed under section 27A of the Customs Act, 1962. Presently, the rate of interest has been fixed @ 6% p.a.
 - (iii) The interest shall be payable from the first day immediately succeeding the period of three months from the date of assessment of duty finally or re-assessment of duty till the date of refund of such amount.

3. (a) The activity of producing mustard oil and oil cake from mustard seeds amounts to manufacture. This particular issue has been decided by the Supreme Court in the case of *Jai Bhagwan Oil and Floor Mills v. UOI* 2009 (239) ELT 401 (SC). In the instant case, the Apex Court held that the true test to ascertain whether a process is a manufacturing process producing a new and distinct article is whether the article produced is regarded in the trade, by those who deal in it, as a marketable product distinct in identity from the commodity/raw material involved in the manufacture.

When mustard seeds were subjected to the process of extraction whereby mustard oil and oil cake were produced, the process involved manufacture of mustard oil as also the manufacture of oil cake. It was certainly not a mere process of cleaning, repairing, reconditioning, recycling or assembling. Oil cake had a distinct and different identity from mustard seeds and it had a separate name, character and use different from mustard seed. Oil cake was not a waste to be thrown away, but was a valuable product with a distinct name, character, use and marketability. Resultantly, it can be concluded that the said process amounts to manufacture.

- (b) As per rule 5 of Central Excise (Appeals) Rules, 2001, an appellant is permitted, under certain specified circumstances, to produce before the Commissioner (Appeals) any evidence other than the evidence produced by him during the course of the proceedings before the adjudicating authority.

The High Court, in *Utkarsh Corporate Services v. CEx. & ST* 2014 (34) STR 35 (Guj.), has held that when production of additional evidence is permissible, raising of additional grounds on the basis of relevant facts existing on record is also permissible. Further, legal grounds can be raised at any stage before any authority.

Therefore, in view of the fact that the additional grounds raised by Protection Services before Commissioner (Appeals) were legal grounds, the Commissioner (Appeals) was not justified in denying the raising of such additional grounds.

- (c) Yes, the contention of the assessee is justified in law. The facts of the given case are similar to the case of *Atherton Engineering Co. Pvt. Ltd. v. UOI* 2010 (256) ELT 358 (Cal.). In the instant case, the Court noted that it was the use of the product that had to be considered in the instant case. If a product undergoes some change after importation till the time it is actually used, it is immaterial, provided it remains the same product and it is used for the purpose specified in the classification. Therefore, in the instant case, it examined whether the nature and character of the product remained the same.

The Court opined that if the embryo within the egg was incubated in controlled temperature and under hydration, a larva was born. The larva did not assume the character of any different product. Its nature and characteristics were same as the product or organism which was within the egg.

Hence, the Court held that the said product should be classified as feeding materials for prawns under the heading 2309. These embryos might not be proper prawn feed at the time of importation but could become so, after incubation.

4. (a) As per rule 4 of Central Excise (Determination of Retail Sale Price of Excisable Goods) Rules, 2008, where a manufacturer removes the excisable goods without declaring the retail sale price (RSP) on the package then, the RSP of such goods will be ascertained in the following manner, namely:

- (i) if the manufacturer has manufactured and removed identical goods, within a period of one month, before or after removal of such goods, by declaring the RSP, then, the said declared RSP will be taken as the RSP of such goods;
- (ii) if the RSP cannot be ascertained in the above manner, the RSP of such goods will be ascertained by conducting the enquiries in the retail market on sample basis where such goods have normally been sold at or about the same time of the removal of such goods.

If more than one RSP is ascertained, then the highest of the RSP, so ascertained, will be taken as the RSP of all such goods.

(b) Computation of service tax payable by 'Green Agro Unit' for June, 2016

Sl. No.	Particulars	Amount (Rs.)
(i)	Supply of farm labour [Note 1]	-
(ii)	Warehousing of biscuits [Note 4]	1,65,000.00
(iii)	Sale of rice on commission basis [Note 2]	68,000.00
(iv)	Training of farmers on use of new pesticides and fertilizers developed through scientific research [Note 1]	-
(v)	Renting of vacant land to a stud farm [Note 3]	1,31,500.00
(vi)	Testing undertaken for soil of a farm land [Note 1]	-
(vii)	Leasing of vacant land to a dairy farm [Note 3]	-
	Total	3,64,500.00
	Service tax @ 14%	51,030.00
	Add: SBC [Rs. 3,64,500 × 0.5%]	1,822.50
	KKC [Rs. 3,64,500 × 0.5%]	<u>1,822.50</u>
	Total service tax payable including cesses	54,675.00

Notes:

- (1) Clause (d) of negative list of services [section 66D] covers services relating to agriculture or agricultural produce by way of inter alia –
 - (i) supply of farm labour

- (ii) agricultural extension services. Agriculture extension means application of scientific research and knowledge to agricultural practices through farmer education or training.
 - (iii) agricultural operations directly related to production of any agricultural produce including testing.
- (2) Services relating to agriculture or agricultural produce by way of inter alia services provided by a commission agent for sale or purchase of agricultural produce are covered under clause (d) of section 66D. However CBEC vide *Circular No.177/03/2014 ST dated 17.02.2014*, has clarified that the definition of agricultural produce under section 65(5) of the Finance Act, 1994 covers 'paddy'; but excludes 'rice'. Hence, sale of rice on commission basis will be taxable.
- (3) Services relating to agriculture or agricultural produce by way of renting or leasing of vacant land are covered under clause (d) of section 66D. Agriculture means the cultivation of plants and rearing of all life-forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products. Thus, leasing of vacant land to a dairy farm will be included in the negative list but renting of vacant land to a stud farm will be outside the purview of negative list.
- (4) Loading, unloading, packing, storage or warehousing of agricultural produce is covered under clause (d) of Section 66D. However, agricultural produce means any produce of agriculture on which either no further processing is done or such processing is done as is usually done by a cultivator or producer which does not alter its essential characteristics but makes it marketable for primary market. Thus, warehousing of biscuit will be taxable as biscuit is not an agricultural produce.
- (5) As 'Green Agro Unit' has paid service tax of Rs. 6,18,000 during the preceding financial year, it is not eligible to small service providers exemption provided under *Notification No. 33/2012 ST dated 20.06.2012* in the current financial year.
- (c) As per section 9A(1A) of the Customs Tariff Act, 1975, following are the ways that would constitute circumvention (avoiding levy of duty by unscrupulous means) of antidumping duty imposed on an article that may warrant action by the Central Government:
 - (i) altering the description or name or composition of the article subject to such anti-dumping duty,
 - (ii) import of such article in an unassembled or disassembled form,
 - (iii) changing the country of its origin or export, or

- (iv) any other manner, whereby the anti-dumping duty so imposed is rendered ineffective.

In such cases, investigation can be carried out by Central Government and then anti dumping duty can be imposed on such articles.

- 5. (a) As per rule 16 of the Central Excise Rules, 2002, when duty paid goods are returned to the factory for being re-made, refined etc., the assessee can avail and utilize CENVAT credit of the duty paid if he states the particulars of such return in his records.

If the duty paid goods returned to the factory are subjected to a process which:

- (i) does not amount to manufacture, the manufacturer shall pay an amount equal to the CENVAT credit taken at the time when such goods are returned. Such amount shall be allowed as CENVAT credit as if it was a duty paid by the manufacturer who removes the goods.
 - (ii) amounts to manufacture, the manufacturer shall pay duty on such returned goods at the rate applicable on the date of removal and on the value as determined under the relevant provisions.
- (b) (i) As per rule 12 of PoPS Rules, the place of provision of services provided on board a conveyance during the course of a passenger transport operation, including services intended to be wholly or substantially consumed while on board, shall be the first scheduled point of departure of that conveyance for the journey. Hence, in this case the place of provision of this service will be Singapore, which is outside the taxable territory.

However, if the above service is provided on a Delhi-Bangalore-Singapore-Malaysia flight during the Singapore-Malaysia leg, then the place of provision of this service will be Delhi, which is in the taxable territory.

- (ii) Levability of service tax is determined in terms of the provisions of Finance Act, 1994 and not in terms of Income-tax Act, 1961. The fact that Mr. Diljeet is a non-resident is irrelevant for determining the taxability of services received by him.

As per section 66B of Finance Act, 1994, service tax is levied on the value of all services, other than those services specified in the negative list, *provided or agreed to be provided in the taxable territory* by one person to another.

As per rule 9 of PoPS Rules, the place of provision of services provided by a banking company, or a financial institution, or a non-banking financial company, to account holders is the location of the service provider.

Account has been defined under rule 2(b) of PoPS Rules to mean an account bearing interest to the depositor, and includes a non-resident external account

and a non-resident ordinary account. Services linked to or requiring opening and operation of bank accounts such as lending, deposits, safe deposit locker etc. are few examples of services that are provided by a banking company or financial institution to an “account holder” in the ordinary course of business.

Since, in the present case, services (safe deposit locker) are provided by Punjab Branch of Safe and Sound Bank to an account holder (Mr. Diljeet), rule 9 of PoPS Rules will apply. Thus, the place of provision of service would be Punjab and since Punjab falls in taxable territory, locker fee would be liable to service tax.

- (c) The first proviso to section 129A of the Customs Act, 1962 provides that the Appellate Tribunal shall not have jurisdiction to decide any appeal in respect of any order passed by Commissioner (Appeals) if such order relates to, -
- (a) any goods imported or exported as baggage;
 - (b) any goods loaded in a conveyance for importation into India, but which are not unloaded at their place of destination in India, or which are short landed at that destination;
 - (c) payment of drawback as provided in Chapter X, and the rules made thereunder.

In such cases, redressal lies with the Central Government. Section 129DD(1) enables the appellant to get the orders of Appellate Commissioner (on these three aspects) annulled or modified by the Central Government.

By virtue of section 129DD(1A) the Principal Commissioner of Customs or Commissioner of Customs may direct the proper officer to make an application on his behalf to the Central Government for revision of an order. However, such application can be made only if the Principal Commissioner of Customs or Commissioner of Customs is of the opinion that the order passed by the Commissioner (Appeals) under section 128A is not legal or proper.

Therefore, while an importer or exporter (i.e., an assessee) can file a review application against the orders of Commissioner (Appeals) under section 129DD(1), the departmental review application is filed under section 129DD(1A).

6. (a) Bonds may be accepted by any of the following officers:
- (i) Deputy/Assistant Commissioner of Central Excise having jurisdiction over the factory or warehouse or any other premises approved by the Principal Commissioner/Commissioner for storing non-duty paid goods
 - (ii) Jurisdictional Maritime Commissioner in case of exports or
 - (iii) Deputy/Assistant Commissioner of Central Excise (Export) as officers authorized by the Board for this purpose.

Exporters are required to indicate on the ARE-1 the complete postal address of the authority before whom the bond is executed and to whom the documents are to be submitted for admission of proof of export.

Or

If at any stage of enquiry, investigation or any other proceedings before him, any Central Excise Officer not below the rank of an Assistant/Deputy Commissioner of Central Excise having regard to the nature and complexity of the case and the interest of revenue, is of the opinion that the value has not been correctly declared or determined by a manufacturer or any person, he may, with the previous approval of the Principal Chief Commissioner/ Chief Commissioner of Central Excise, direct such manufacturer or such person to get the accounts of his factory, offices, depots, distributors or any other place, as may be specified by the said Central Excise officer, audited by a Cost/Chartered Accountant, nominated by the Principal Chief Commissioner / Chief Commissioner of Central Excise in this behalf.

The Cost/Chartered Accountant shall submit the audit report duly signed and certified to the said Central Excise Officer within the period specified by him or the period further extended on an application made to him. However, in any case the aggregate of the original and extended period cannot exceed 180 days. The expenses of audit and audit fees for special audit shall be paid by excise department.

The manufacturer shall be given an opportunity of being heard in respect of any material gathered on the basis of audit and proposed to be utilized in any proceedings under the Central Excise Act or Rules. This special audit can be conducted notwithstanding that the accounts of the manufacturer or the person have been audited under any other law for the time being in force or otherwise.

- (b) In case of taxable services provided by any person which is located in a non-taxable territory and received by any person located in the taxable territory, person liable to pay service tax is the recipient of such service [Notification No. 30/2012 ST dated 20.06.2012]. Hence, in the given case, since the business support service has been provided by Green Inc (located in non-taxable territory) and has been received by Galaxy Ltd. (located in the taxable territory), Galaxy Ltd. is liable to pay service tax (i.e., under reverse charge mechanism).

The point of taxation in respect of persons required to pay tax under the reverse charge mechanism, is the date on which payment is made. However, where the payment is not made within a period of 3 months of the date of invoice, the point of taxation will be the date immediately following the said period of three months. [Rule 7 of the Point of Taxation of Rules, 2011].

In view of the aforesaid provisions, the point of taxation in each of the given cases will be as under:

CASE	Point of taxation
CASE I	Since the importing company i.e. Galaxy Ltd makes the payment within the three months from the date of invoice, the point of taxation will be date of payment i.e. 22.02.2016
CASE II	As Galaxy Ltd. makes the payment after three months from the date of invoice, point of taxation will be the date immediately following the said period of three months. Thus, point of taxation is 19.04.2016.

- (c) As per rule 5 of the Baggage Rules, 2016, a passenger who has been residing abroad for more than one year and returns to India shall be allowed duty free clearance of jewellery in *bona fide* baggage as under:

- Jewellery upto a weight of 20 grams with a value cap of Rs. 50,000 for a gentlemen passenger
- Jewellery upto a weight of 40 grams with a value cap of Rs. 1,00,000 for a lady passenger

Thus, in the given case, Mr. Vipin would be allowed duty free jewellery upto a weight of 20 grams with a value cap of Rs. 50,000 and his wife would be allowed duty free jewellery upto a weight of 40 grams with a value cap of Rs. 1,00,000.

Further, in addition to the jewellery allowance, Mr. Vipin and his wife would also be allowed duty free clearance of jewellery worth Rs. 1,00,000 (Rs. 50,000 per person) as part of free baggage allowance.

7. (a) Remission of duty is granted when the goods are lost or destroyed by natural causes or by unavoidable accident or are claimed by the manufacturer as unfit for consumption, at any time before removal.

Hence, in this case remission of duty cannot be granted under rule 21 of the Central Excise Rules, 2002 as goods have already been cleared from the factory after payment of duty.

- (b) **Computation of value of taxable services of Tingtong Travels Pvt. Ltd. for October, 2016**

Particulars	(Rs.)
Amount charged for the services	6,00,000
Value of taxable service @ 40% of the amount charged for the service [Note 1]	2,40,000

Computation of service tax (including cesses) payable in cash by Tingtong Travels Pvt. Ltd. for October, 2016

Particulars	Service tax (Rs.)	SBC (Rs.)	KKC (Rs.)
Service tax, SBC and KKC	33,600	1,200	1,200
Less: CENVAT credit [Note 2]	<u>5,600</u>	-	<u>200</u>
	<u>28,000</u>	<u>1,200</u>	<u>1,000</u>

Service tax (including cesses) payable in cash is Rs. 30,200 (Rs. 28,000 + Rs. 1,200 + Rs. 1,000)

Notes:

1. *Notification No. 26/2012 ST* provides that value of taxable services in respect of services of renting of motor cabs is 40% of the amount charged by the service provider. In other words, an abatement of 60% of the amount charged is available in respect of services of renting of motorcab.
2. *Notification No. 26/2012 ST* provides that up to 40% CENVAT credit of input service of renting of a motorcab provided by a sub-contractor to the main contractor (providing service of renting of motorcab) could be availed by the main contractor if the sub-contractor is paying service tax on full value i.e., no abatement is being availed by sub-contractor. This credit will be available even if the main contractor pays the service tax on abated value.

Since Ramlal Cabs Pvt. Ltd. has paid service tax on full value (Rs. 1,00,000 x 15% = Rs. 15,000), TingtongTravels Pvt. Ltd. can avail credit upto 40% of CENVAT credit of input service [service tax and KKC] as SBC is not CENVATable.

3. Since TingtongTravels Pvt. Ltd. is a company, reverse charge provisions will not apply in its case. Further, provisions of partial reverse charge will not apply in case of Ramlal Cabs Pvt. Ltd. also, as in its case services are provided in similar line of business.
- (c) No authorisation is required for import of *bona fide* technical and trade samples. These are importable freely. Samples upto Rs. 3,00,000 can be imported by all exporters without duty.

Authorisation for import of samples is required only in case of vegetable seeds, bees and new drugs. Samples of tea upto Rs. 2,000 (CIF) per consignment will be allowed without authorization.