

INTERMEDIATE EXAMINATION

June 2017

P-11(ITX)
Syllabus 2016

Indirect Taxation

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

Question No. 1, including all its sub-questions is compulsory.

Answer any five questions from the rest.

Wherever necessary, you may make suitable assumptions and state them clearly in your answer.

Working notes should form part of the answer.

Part-I

(All questions are compulsory.)

1. (A) Answer the following:

1×10=10

- (i) Which of the following is not a consumption based tax?
 - (a) Value Added Tax (VAT)
 - (b) Central Excise
 - (c) Service Tax
 - (d) Central Sales Tax
- (ii) Who is not empowered to perform Special Audit u/s. 14A of the Central Excise Act?
 - (a) Cost Accountant
 - (b) Chartered Accountant
 - (c) Assistant Commissioner of Central Excise (Audits)
 - (d) None of the above
- (iii) The selling price of a motor cycle is ₹ 65,000. The product attracts Basic Excise Duty @ 12.5% and CST @ 2%. What would be the assessable value of the product under the Central Excise Act?
 - (a) 56644.88
 - (b) 74587.50
 - (c) 56277.06
 - (d) None of the above

Please Turn Over

- (iv) What is the frequency of filing returns under Central Excise by a Small Scale Industry?
- (a) Bi-monthly
 - (b) Monthly
 - (c) Quarterly
 - (d) Half-yearly
- (v) Name the product which is not eligible for CENVAT Credit.
- (a) Raw material
 - (b) Furnace oil
 - (c) Diesel for generation of electricity
 - (d) None of the above
- (vi) Which of the following is levied in lieu of Central Excise Duty on import of goods?
- (a) Safeguard Duty
 - (b) Counter Veiling Duty (CVD)
 - (c) Special Additional Duty
 - (d) Anti-dumping Duty
- (vii) What would be the value of household article a person can bring without payment of customs duty, when he has stayed abroad for 18 months and shifting his residence to India?
- (a) ₹ 60,000
 - (b) ₹ 1,00,000
 - (c) ₹ 2,00,000
 - (d) ₹ 5,00,000
- (viii) Which of the following services is covered under Reverse Charge Mechanism?
- (a) Chartered Accountants Service
 - (b) Cost Accountant Service
 - (c) Legal Service
 - (d) Information Technology Software Service

- (ix) Which of the following persons can pay service tax on Receipts Basis, if the value of taxable services is ₹ 50 lakhs or less in the previous financial year?
- (a) Company
 - (b) Hindu Undivided Family
 - (c) Limited Liability Partnership (LLP)
 - (d) None of the above
- (x) VAT Rate of Computer, if sold within Tamil Nadu, is 5%. If the product is sold to an unregistered buyer in Kerala, the CST rate will be
- (a) Nil
 - (b) 2%
 - (c) 5%
 - (d) 10%

(B) Match the following:

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- | | |
|-----------------------|------------------------|
| (a) Central Excise | (i) State Levy |
| (b) Export of Goods | (ii) Manufacture |
| (c) Insurance Service | (iii) Zero Rated |
| (d) Value Added Tax | (iv) Inter-state Sales |
| (e) Central Sales Tax | (v) Reverse Charge |

(C) State whether each of the following statement is correct or incorrect:

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- (a) Goods are classified under Central Excise Tariff Act based on 'Historic System of Nomenclature (HSN)'.
- (b) Free samples are exempt from Central Excise Duty.
- (c) Cenvat Credit on input services can be used for payment of service tax by a person engaged in construction of complex service claiming abatement.
- (d) Goods Transport Agencies (GTA) shall neither register under service tax rules nor pay service tax as the services provided by them are covered under Reverse Charge.
- (e) Service Tax and VAT are mutually exclusive.

(D) Fill in the blanks:

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- (a) Turnover Threshold limit for composition scheme under State VAT as per White Paper was _____.
- (b) Central Sales Tax applies to the whole of India _____ the State of Jammu & Kashmir.
- (c) The place of provision of service in case of intermediary services is the location of _____.
- (d) EOU can sell a portion of their production in Domestic Tariff Area (DTA) up to _____ of their FOB value of exports.
- (e) An assessee claim refund of excise duty within _____ from relevant date u/s. 11B of Central Excise Act, 1994.

Part-II

(Answer any five questions.)

2. (a) (i) Why direct taxes are called progressive and indirect taxes are regressive?

(ii) Explain 'canon of certainty' and 'canon of economy'.

4+4=8

- (b) Supreme Industries Ltd., manufacturer of specialized wet grinding machines having its factories at Hosur and Coimbatore. Hosur Unit of the company manufactures the motors that are sent to the unit at Coimbatore to be fitted in the wet grinders manufactured there. Determine the excise duty liability of the captively consumed motor from the following information:

	₹
(i) Direct Material Cost (including Excise Duty ₹ 188)	1,688
(ii) Direct Labour	300
(iii) Direct Expenses	150
(iv) Indirect Labour and Expenses	250
(v) Quality Control Cost	100
(vi) Administrative Overheads	150

Additional Information:

- Hosur Unit realized ₹ 450 on sale of scrap.
- Profit margin as per company's annual report is 15% before Income-tax.
- Applicable Excise Duty Rate is 12.5%.

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3. (a) (i) KRC Pipes Ltd., engaged in the manufacture of PVC pipes claimed ₹ 2,50,000 as input credit in respect of excise duty paid on purchase of steel, cement and other materials used for construction of the factory building. State with reasons whether the action of the company is tenable in law?

In the above if the amount spent was towards service tax in respect of services used in relation to modernization/renovation or repair of the factory building, whether Cenvat Credit will be available? Give reasons.

- (ii) MR & Co. incurred various expenses during the month of March 2017. The nature of expenses and the amount of excise duty/service tax element included in the expenses are given hereunder:

Sl. No	Description	Excise Duty/ Service Tax (₹)
1	Purchase of Raw Materials	10,000
2	Inward Freight Charges (service tax paid on reverse charge basis)	1,500
3	Advertisement Expenses	2,500
4	Motor Cab Rental	3,000
5	Outdoor Catering (food supplied by outdoor caterers to the employees)	1,500
6	Audit Fees	5,000
7	Computer Networking	1,500
8	Sales Commission	500

You are required to state whether the amount of duty/tax as listed above are CENVATABLE inputs or input services. Also state the amount of CENVAT credit.

3+4=7

- (b) (i) Chota & Sons manufacturer of matches has cleared goods of the value of ₹ 90 Lakhs during the Financial Year 2016-17 exclusive of duties and taxes. The goods attract 12.5% *ad valorem* excise duty (The value of clearance of the assessee during the year 2015-16 was ₹ 40 Lakhs). Determine the duty liability otherwise.

- (ii) SSI Ltd., located in rural area has made a clearance of goods of the value of ₹ 550 Lakhs during the Financial Year 2016-17. The said value of clearance consists of the following:

Sl. No	Description	₹ in Lakhs
1	Clearance of goods with own brand name within India	250.00
2	Clearance of goods bearing the brand name of others	75.00
3	Export to Nepal	20.00
4	Clearances to 100% EOU	130.00
5	Value of goods manufactured on job work basis in terms of Notification No. 214/86-CE	75.00
	Total	550.00

Examine with reference to the notification governing SSI whether the benefit of exemption would be available to SSI Ltd., for the Financial Year 2017-18. 4+4=8

4. (a) (i) Explain in brief the rationale of charging Additional Duty of Customs u/s. 3(1)(CVD) and u/s. 3(5) of the Customs Act (Special CVD).

- (ii) What is meant by 'Margin of Dumping' and 'Injury Margin'? How Anti Dumping Duty is quantified? Narrate with suitable examples. 3+4=7

- (b) Informatics Ltd., imported a photography printer by air from Best Inc., of USA, as per following details.

Particulars	USD \$
CIF Value	4,500
Air Freight Paid	1,000
Insurance Cost	250

- The rate of exchange notified by CBEC is ₹ 64.50 per USD and Inter Bank Selling Rate is ₹ 65 per USD.
- Basic Customs Duty @ 10% *ad valorem*. There is no CVD and Special CVD.

You are required to compute the Assessable Value and Import Duty payable by Informatics Ltd. 8

5. (a) (i) Whether service tax will be attracted on services provided free of cost? Give your answer with reasoning.

(ii) Name three activities that would be regarded as transaction only in money, thus are outside the scope of service tax.

(iii) Explain in brief provisions relating to centralized registration in service tax.

(b) (i) State whether the following services are taxable or not?

3+3+3=9

(A) Warehousing Rent towards storage of

(a) Tomato and

(b) Tomato Ketchup;

(B) Renting of building for residential usage;

(C) Non air-conditioned restaurants.

(ii) Rajula Builders P Ltd., a newly started company ventured in construction of buildings seeks your advice on the service tax implications relating to their residential apartment project to be undertaken at New Delhi. What would be your advice to them? 3+3=6

6. (a) M/s. Ashok Builders, engaged in construction works, has given the following information in respect of its receipts from various services provided in the month of April, 2017:

(i) Construction of new commercial building – ₹ 55 lakhs

(ii) Construction of additional floors in an existing building – ₹ 10 lakhs

(iii) Renovation of a damaged building not in use – ₹ 15 Lakhs

(iv) Replacement of floor tiles in a residential building – ₹ 2.50 Lakhs

(v) Maintenance charges for upkeep of an office building – ₹ 1.50 Lakhs

You are required to calculate the value of taxable service in each of the above case and state the total service tax liability of M/s. Ashok Builders. 7

- (b) (i) ABC Ltd., furnishes the following information such as Date of Completion of Service, Date of Invoice, Date of Receipt of Payment and Rate of Tax in force on the respective dates. You are required to find out the Point of Taxation, Rate of Tax and Due Date of payment of tax in each situation:

S. No	Completion of Service		Invoice		Receipt	
	Date	Rate in force	Date	Rate in force	Date	Rate in force
1	10-05-16	14.5%	05-06-16	15%	25-05-16	14.5%
2	20-05-16	14.5%	26-05-16	14.5%	02-06-16	15%
3	05-06-16	15%	31-05-16	14.5%	30-05-16	14.5%
4	07-06-16	15%	31-05-16	14.5%	02-06-16	15%
5	06-06-16	15%	10-06-16	15%	25-05-16	14.5%

- (ii) What are the conditions stipulated in Rule 6(4A) of the Service Tax Rules, 1994 relating to self-adjustment of excess paid service tax? 5+3=8

7. (a) (i) State the instances when movement of goods from one State to another would not be considered as Inter-state Sales under CST Act.
- (ii) What is meant by 'Penultimate Sale'? Explain the provisions of Section 5(3) of CST Act?
- (iii) Lokesh Traders, a firm situated in Tamilnadu sold goods worth ₹. 2,55,000 (inclusive of CST 2%) to Rajesh Enterprises, a firm situated in Karnataka. Local VAT rate of the said goods in Tamilnadu is 12.5%. What would be CST payable by Lokesh Traders
- (a) if Rajesh Enterprise is a Registered Dealer and C Form given;
- (b) if Rajesh Enterprises is a Registered Dealer and C Form not given; and
- (c) if Rajesh Enterprises is an unregistered dealer? 2+2+3=7
- (b) (i) VAT payable on product 'Limcy' is 10% if the product is sold within the State of Andhra Pradesh. If the product is sold to Maharashtra, what will be CST payable if
- (i) Buyer furnishes Form "H";
- (ii) Buyer furnishes Form "C";
- (iii) Buyer furnishes Form "F"; and
- (iv) Buyer furnishes Form "J"?
- (ii) Mr. Abdul Raheem, a dealer registered under VAT, purchased goods worth ₹ 5,00,000 including VAT. He intends to earn a gross margin of 10% on his net purchase cost. The VAT rate is 12.5% on both purchases and sales. You are required to
- (a) Find his selling price and the net VAT payable.

- (b) How would you demonstrate to him that the VAT payable by him is only on the value addition? 2+6=8

8. Answer any three questions:

5×3=15

- (a) State the situations where a manufacturer can claim remission of excise duty on manufactured goods. Whether such remission is admissible in case of theft of goods?
 - (b) Write short notes on 'Transit' and 'Transshipment' of goods under Customs Act.
 - (c) Explain in brief provisions relating to service tax on 'Service provided by the Government'.
 - (d) Explain role of a Cost Accountant under VAT.
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