



The Institute of Chartered Accountants of India
Indirect Taxes Committee

SUGGESTED ANSWERS
CERTIFICATE COURSE ON INDIRECT TAXES
ASSESSMENT TEST
13TH JULY, 2013

PART – A

Write the correct alternative in the in the answer column

Q. No.	Question	Answer
1.	<p>(i) Tax proposed to be levied must be within legislative competence, which should be covered by the legislative entry in the seventh schedule of the constitution</p> <p>(ii) Tax law should not be prohibited by any provision of constitution</p> <p>(iii) Tax should not be invalid under Article 13.</p> <p>(iv) Tax can be imposed by an administrative order</p> <p>Which of the above principle(s) is kept in mind in order to levy any tax as per Article 265 of the Constitution of India:</p> <p>(a) (i), (ii) and (iii)</p> <p>(b) (i) and (ii)</p> <p>(c) (i) and (iii)</p> <p>(d) All of the above</p>	(a)
2.	<p>As per Article 269 of the Constitution of India, which of the following taxes are not the taxes levied and collected by the Union, but assigned State :</p> <p>(a) Taxes on railway fares and freight</p> <p>(b) Taxes on sales or purchase of goods for newspaper</p> <p>(c) Estate duty in respect of property other than agricultural land</p> <p>(d) Taxes on consignment of goods where such consignment takes place in the course of interstate trade or commerce.</p>	(b)
3.	<p>Which of the following statement is not proposed by the Fiscal Responsibility and Budget Management Act, 2003 :</p> <p>(a) Introduction of transparent fiscal management system in the country.</p> <p>(b) Introduction of a more equitable and manageable distribution of the country's debts over the years.</p> <p>(c) Aim for fiscal stability for India in the long run.</p> <p>(d) Aim for fiscal stability for India in the short run.</p>	(d)

Q. No.	Question	Answer
4.	<p>“Manufacturer” under the Legal Metrology Act, 2009 means a person who:</p> <ul style="list-style-type: none"> i. Manufactures one or more parts, and acquires other parts of such weight or measure and after assembling those parts, claims the end product to be a weight or measure manufactured by himself or itself as the case may be. ii. Puts or causes to be put his own mark on any complete weight or measure made or manufactured by any other person and claims such product to be a weight or measure made or manufactured by himself or itself as the case may be. iii. Manufacture any part of such weight or measure but assembles parts thereof manufactured by others and claims the end product to be a weight or measure manufactured by himself or itself as the case may be. iv. Manufactures weight or measure <p>Which of the following is correct?</p> <ul style="list-style-type: none"> (a) (i), (ii) and (iii) (b) (i), (ii) and (iv) (c) (i) and (iv) (d) (ii) and (iii) 	(b)
5.	<p>Under Rule 15 of the Central Excise Rules, 2002, compounded levy scheme is presently applicable to :</p> <ul style="list-style-type: none"> (a) Pan Masala (b) Gutkha (c) Chewing Tobacco (d) Aluminium Circles 	(d)
6.	<p>When the goods are transferred from factory to depot and excise duty has to be discharged on such excisable goods which are removed to depot. In this scenario which of the following is correct :</p> <ul style="list-style-type: none"> (a) Excise duty is paid on the excisable goods when they reach depot. (b) Excise duty is paid on cost plus 10%. (c) Excise Duty is paid on the normal transaction value of the goods prevalent at the depot to unrelated customers at the time of dispatch from the factory. (d) None of the above. 	(c)
7.	<p>When excisable goods are manufactured by Mr X for sale to a foreign company by Mr A, located in USA. But goods are supplied to Mr Singh, a client of US company in Gurgaon. Mr. X receives the consideration in US Dollars. In this scenario which of the following is correct.</p> <ul style="list-style-type: none"> (a) Supply of manufactured goods provided by Mr. A qualifies as export of goods as goods are ordered by a foreign company (b) Manufactured goods supplied by Mr. X does not qualify as export since the goods are not moving from India to outside India. 	(b)

Q. No.	Question	Answer
	(c) It is an import of goods by Mr Singh who is liable to pay import duties under Customs provisions. (d) None of the above	
8.	What is the source of power for levying VAT under the Constitution of India – (a) Entry 84 of List I (b) Entry 97 of List I (c) Entry 52 of List II (d) Entry 54 of List II	(d)
9.	Input Tax Credit under Value Added Tax will not be allowed in the following circumstances : (i) Purchases from registered dealers, where invoice does not show the amount of tax separately (ii) Purchase of goods, which are being utilized in the manufacture of exempted goods. (iii) Purchase of goods for packing the final product (iv) Purchase of goods used for personal use/consumption or provided free of charge as gifts, free samples, lost or damaged/stolen before use. Which of the following is correct? (a) (i), (ii) and (iii) (b) (i), (ii) and (iv) (c) (i) and (iv) (d) All of the above	(b)
10.	There are two types of interstate sales which are taxed under section 3 of the CST Act i. e., (a) Where either the sale occasions the movement of goods within the Country and the sale occasions the movement of goods outside the country. (b) Where either sales occasions the movement of goods from one state to another or where the sales is being effected by a transfer of documents of title to the goods during their movement from one state to another. (c) Where either the sale occasions the movement of goods from one state to another or where the sale occasions the movement of goods within the state. (d) Where the sale occasions the transfer of documents of title from one state to another or where the sale occasions the movement of goods within the same State.	(b)
11.	Under the Customs Act, 1962, an appeal before tribunal against the order of Commissioner shall be filed within : (a) 60 Days (b) 3 Months (c) 45 Days (d) None of the above.	(b)

Q. No.	Question	Answer
12.	<p>Under section 46, an importer has to file a _____ for home consumption or warehousing.</p> <p>(a) Warehousing Bond (b) Bill of Entry (c) Bill of Export (d) Shipping Bill</p>	(b)
13.	<p>_____ means the value of imported goods determined in accordance with Rule 8 of Customs Valuation (Determination of Price of Imported Goods) Rules, 2007:</p> <p>(a) Computed Value (b) Deductive Value (c) Transaction Value (d) Residual Method</p>	(a)
14.	<p>Pradhan imported a consignment valuing ₹ 8 lakh vide a bill of entry presented before the proper officer on 25th April, 2013 on which date the rate of customs duty was 10%. On Pradhan's failing to produce requisite documents for the purpose of assessment, the goods were provisionally assessed at a value of ₹ 8 lakh and the duty was paid accordingly on the same date. The goods were finally assessed at a value of ₹ 12 lakh on 9th June, 2013 and the differential duty was paid on 12th June, 2013. What will be the amount of interest, if any, under section 18 of the Customs Act, 1962.</p> <p>(a) ₹ 967/- (b) ₹ 848/- (c) ₹ 1,440/- (d) ₹ 1,800/-</p>	(c)
15.	<p>Who has the power to specify limits of any custom area?</p> <p>(a) Commissioner of Customs (b) Central Board of Excise and Customs (c) Central Government (d) All of the above</p>	(a)
16.	<p>Which of the following activities are excluded from the definition of 'service'?</p> <p>(a) Marketing Services provided by Director to Company outside the scope of his employment contract (b) Transportation Services provided by employer to employees (c) Services provided by employees to employer. (d) Services provided by Insurance agents to Insurance Company.</p>	(c)
17.	<p>In case of services provided by Government, which of the following is liable to service tax?</p> <p>(a) Speed Post, express parcel, life insurance services provided by Department of Post. (b) Other Postal services provided by Department of Post (c) Services provided by Municipal Corporation for provision of utilities. (d) Water supply services by Water Supply Board</p>	(a)

Q. No.	Question	Answer
18.	<p>Which of the following expenditures incurred by the service provider but later reimbursed by the service receiver can be excluded from the taxable value?</p> <p>(a) All the expenses incurred. (b) None of the expenses incurred. (c) Expenses incurred as a pure agent of the service receiver. (d) None of the above.</p>	(c)
19.	<p>X is the owner of a branded garment shop. Y intends to open a similar shop next door. In order to avoid loss of business, X pays a certain amount to Y asking him to open his shop elsewhere. Whether any service is involved in the above transaction?</p> <p>(a) Yes. Agreeing to the obligation to refrain from an act is a declared service. Hence Y is rendering a service to X. (b) No. there is no service element here. (c) Yes, but only if there is a written agreement to that effect between the parties. (d) That would depend on the amount paid.</p>	(a)
20.	<p>XYZ Ltd., Chandigarh is engaged in business of running and operating hotels. They engage ABC Ltd., a Sri Nagar (J & K) based company to undertake construction of a hotel building at Delhi. What is the place of provision of service?</p> <p>(a) Chandigarh- place of the recipient of service (b) Jammu- location of the service provider (c) Delhi- location of the proposed building (d) None of the above</p>	(c)
21.	<p>M/s. Get Well Health Care Services is engaged in providing various services relating to health care and fitness. Which of the following health related services are liable to service tax?</p> <p>(a) Medical services provided by their Super Speciality Hospital (b) Medical services provided by their Ayurvedic Hospital (c) Para medical services provided by their Physiotherapy wing. (d) Spa and slimming services provided by their Beauty and Fitness Division.</p>	(d)
22.	<p>For which of the following situation Rule 7A of Cenvat Credit Rule, 2004 is applicable?</p> <p>(a) To Distribute duty paid on inputs and capital goods for use in providing output service (b) To Distribute duty paid on inputs and capital goods for use in manufacture of goods (c) To Distribute Service tax paid on input service for use in providing output service (d) To Distribute Service tax paid on input service for use in manufacture of goods</p>	(a)

Q. No.	Question	Answer
23.	<p>The provider of which of the following services need not issue a serially numbered invoice, bill or challan?</p> <p>(a) General Insurance Service. (b) Business Auxiliary Service. (c) Tour Operator Service. (d) Banking and Other Financial Services.</p>	(d)
24.	<p>MNP(I) Ltd. is wholly owned subsidiary of MNP Inc. USA. MNP(I) receives taxable services from MNP Inc. on various dates in the month of July 2012. However, same was accounted in the books on 30.08.2012. Payment for the same was made on 30.10.2012. What is the due date for payment of service tax on such services?</p> <p>(a) 30th October 2012 (b) 5th November 2012 (c) 5th August 2012 (d) 5th September 2012</p>	(d)
25.	<p>Which of the following forms are uses to file an appeal before the CESTAT?</p> <p>(a) Form ST 3 (b) Form ST 4 (c) Form ST 5 (d) Form ST 6</p>	(c)
26.	<p>Hotel H. Stay has 15 rooms which are let out to tourists at the rate of ₹ 975/- per day. Hotel H. Stay also provide food to the residents. What is the abatement available to them?</p> <p>(a) 60% (b) 40% (c) Not taxable as tariff value of rooms is less than ₹ 1,000 (d) No abatement would be available</p>	(c)
27.	<p>Mr. H is a service provider in India. One of his input services is imported on which he has to pay service tax. Can he discharge this liability utilizing CENVAT credit?</p> <p>(a) Yes (b) No. Explanation to Rule 3(4) of CENVAT Credit Rules, 2004 restricts such utilization (c) Yes. The only restriction is on availment of CENVAT credit on inputs used in the imported service. (d) None of the above.</p>	(b)
28.	<p>What is the current threshold exemption limit for the registration of small service providers?</p> <p>(a) ₹ 8 lakhs (b) ₹ 10 lakhs (c) ₹ 9 lakhs (d) ₹ 7 lakhs</p>	(c)

Q. No.	Question	Answer
29.	<p>With regard to transportation of passengers, which of the following activities would be liable to service tax?</p> <p>(a) Transportation of passenger in a bus having Stage Carriage permit (b) Transportation of passenger in Air-conditioned coach by Indian Railways. (c) Transportation of passenger in a metro train in New Delhi. (d) Transportation of passengers in a metered cabs or radio taxi.</p>	(b)
30.	<p>Mr. XYZ, a cricket player is representing India and he also plays for various clubs and tournament. He is receiving consideration from various Sports Bodies and Clubs for playing cricket. Which of the following is liable to service tax?</p> <p>(a) Amount received from BCCI for representing India in Tests and One day Internationals (b) Amount received from BCCI for representing India in T20 World Cup (c) Amount received from Cricket Clubs for representing them in first class cricket (d) Amount received from State Cricket Association affiliated to BCCI for representing the state</p>	(c)
31.	<p>Which of the following taxes would not continue under Goods and Services Tax:</p> <p>(a) Taxes on Land and Building (b) Taxes on professions, trades, callings and employments (c) Taxes on luxuries, entertainments, amusements, betting and gambling (d) Taxes on mineral rights</p>	(c)
32.	<p>Which of the following is not the recommendation by Thirteenth Finance Commission (TFC) :</p> <p>(a) The rates/s of Central GST and State GST should be at 5% and 7% respectively (b) Invoice Credit Method should be adopted for availing of credits (c) A compounded levy scheme should be introduced for small dealers and dealers dealing with high value goods (precious metals) (d) Inter-State transaction should be 1% rated under the MODIFIED BANK MODEL mechanism</p>	(d)
33.	<p>Which of the following condition need not be fulfilled by a hotel, travel agents, tour operators while importing motor cars, sports utility vehicles under EPCG Scheme.</p> <p>(a) Total foreign exchange earnings from current and preceding three licensing year is ₹ 1.5 Crores or more (b) Vehicle imported can be registered for non tourist purpose. (c) "Duty Saved" shall not exceed 50% of average foreign exchange earned in preceding three licensing years (d) Vehicle imported can be registered only for tourist purpose.</p>	(b)

Q. No.	Question	Answer
34.	<p>(i) Setting up of electronics and other related infrastructure in export conclave</p> <p>(ii) Equity participation in infrastructure projects under the setting up of SEZs/EIPs/ EPZs</p> <p>(iii) Stabilizing power supply through additional transformers and islanding of export production centre etc.,</p> <p>(iv) Any other activity as may be notified by DoC</p> <p>Which of the above is not the purpose of the "Assistance to Stated for Developing Export Infrastructure and Allied Activities" Scheme operated under Ministry of Commerce:</p> <p>(a) Only (ii)</p> <p>(b) Only (iv)</p> <p>(c) (i) and (iii)</p> <p>(d) (i) and (iv)</p>	(a)
35.	<p>The main objective of the SEZ Act is :</p> <p>(a) Creation of Employment Opportunities</p> <p>(b) Development of Infrastructure facilities</p> <p>(c) Export of goods and services without tax</p> <p>(d) All of the above</p>	(d)

PART – B

[Answers all questions in briefly]

1. An assessee sold certain goods to PQR Limited for ₹ 20,000 on 09.09.2012. The PQR Limited is a related person as defined under section 4(3)(b) of the Central Excise Act, 1944. The buyer did not sell the goods but used it as intermediary product. The cost of production of the goods in the hands of the assessee was ₹ 16,000. What should be the assessable value? What should be the assessable value, if the goods were sold to unrelated person for ₹ 20,000, who also used it as intermediary product? You may assume that the price charged from the buyer is excluding excise duty and other taxes.

Answer :

The proviso to Rule 9 of the Central Excise Valuation (Determination of Excisable Goods) Rules, 2000 lays down that in a case where the related person does not sell the goods but uses or consumes such goods in the production or manufacture of articles, the value thereof shall be determined in the manner specified in Rule 8.

Rule 8, provides that where the excisable goods are not sold by the assessee but are used for consumption by him or on his behalf in the production or manufacture of other articles, the value shall be one hundred and ten per cent of the cost of production or manufacture of such goods.

Therefore, when the goods are sold to a related person, the assessable value shall be 110% of ₹ 16,000 (₹ 16,000 + ₹ 1,600) i.e., ₹ 17,600. However, when the goods are sold to unrelated buyer, the assessable value will be ₹ 20,000.

OR

I Ltd. was a manufacturer of excisable goods such as polyester yarn. A ground plan of the factory was provided by the assessee to the jurisdictional Central Excise Officer and the same was approved. The ground plan showed the area in which the manufacturing is carried out as also the areas occupied for purpose of storage godowns, cycle sheds, canteen as well as the housing complex for staff and workers. The assessee had a captive power plant in the approved area. The electricity generated was supplied to the housing complex as well as for use in the manufacturing activity.

I Ltd. claimed CENVAT credit on the duty paid on furnace oil used for generation of electricity as it was used within the factory and was covered by the expression "for any other purpose" in Rule 2(k) of the CENVAT Credit Rules, 2004. The Central Excise Department wanted to deny the CENVAT credit on the duty paid on furnace

oil for generation of electricity which in turn is supplied to the housing complex on the ground that it was not used in relation to manufacture of the final product. Examine whether the stand of the Department is correct in law.

Answer :

The definition of term "input" given under Rule 2(k) of CCR, 2004 provides that the term "input" specifically excludes any goods such as food items, goods used in a guest house, residential colony, club or a recreation facility when such goods are used primarily for personal use or consumption of any employee. In the given case excise duty has been paid on furnace oil for generation of electricity which is supplied to the housing complex of employees of the factory. Thus, furnace oil would not fall within the purview of term "input". and hence, the stand taken by the Department is correct in law.

Furthermore, the definition of "input" also specifically excludes any goods which have no relationship whatsoever with the manufacture of a final product. In the given case, furnace oil used for generation of electricity which is supplied to the housing complex of employees of the factory has no relationship whatsoever with the manufacture of a final product. Thus, due to this specific exclusion also, furnace oil would not fall within the scope of term "input".

2. State briefly the circumstances under which a refund can be admitted under the proviso to section 11B(2) of the Central Excise Act, 1944.

Answer :

Under proviso to section 11B(2), a refund claim of excise duty made by a buyer/assessee can be admitted only in the following cases:

- i. Rebate of excise duty on excisable goods exported out of India or on excisable materials used in the manufacture of goods which are exported out of India;*
- ii. Unspent advance deposits lying in applicant's account current;*
- iii. Refund of credit of duty paid on inputs, provided it is payable according to any rule or notification;*
- iv. Refund of duty to manufacturer, if he has not passed on the incidence of duty to another person;*
- v. Refund of duty to buyers, provided he has borne the duty and if he has not passed on the incidence of the duty to any other person;*
- vi. To any other class of applicant, if borne by any such class of applicants, as may be specified by the Government of India, if the incidence of duty has not been passed on to any other person.*

3. Determine the taxable turnover, input tax credit and net VAT payable by a works contractor from the details given below on the assumption that the contractor maintains sufficient records to quantify the labour charges. Assume output VAT at 12.5%

Particulars	Amount (in ₹)
Total contract price (excluding VAT)	2,00,00,000/-
Labour charges paid for execution of the contract	85,00,000/-
Cost of consumables used not involving transfer of property in goods	15,00,000/-
Material purchased and used for the contract taxable at 12.5% VAT (VAT included)	90,00,000/-

The contractor also purchased a plant for use in the contract for ₹ 20,80,000/- (inclusive of VAT). In the VAT invoice relating to the same, VAT was charged at 4% . Assume 100% input tax credit is available on capital goods immediately.

Make suitable assumption wherever required and show the working notes.

Answer :

Under the works contract, the turnover for imposition of VAT is the sale price of the goods in which there is a transfer of property. The amount representing the labour and other charges incurred for such execution is deductible.

Computation of the taxable turnover, input tax credit and net VAT payable by the works contractor:

<i>Particulars</i>		<i>Amount (in ₹)</i>
<i>Total Contract Price</i>		<i>2,00,00,000</i>
<i>Less : Deduction Admissible</i>		
<i>Labour charges paid for execution of the contract</i>	<i>85,00,000</i>	
<i>Cost of consumables used not involving transfer of property in goods</i>	<i>15,00,000</i>	<i>1,00,00,000</i>
<i>Taxable Turnover</i>		<i>1,00,00,000</i>
<i>Output VAT payable @12.5% (on ₹1,00,00,000.00)</i>		<i>12,50,000</i>
<i>Less : Input VAT Credit admissible</i>		
<i>On Material Purchased (on ₹90,00,000 x 12.5/112.5)</i>	<i>10,00,000</i>	
<i>On purchase of Plant (on ₹20,80,000 x 4/104)</i>	<i>80,000</i>	<i>10,80,000</i>
<i>Net VAT Payable</i>		<i>1,70,000</i>

4. Explain briefly whether VAT is leviable on each of the following lease transactions:-
 (a) Sale of leased asset after lease period
 (b) Maintenance of leased asset

Answer :

(a) Sale of a leased asset after the lease period is over is taxable in the same manner in which normal sale of such asset would have been taxed. Normally, such sale is effected to the same lessee and hence, such sale would be a local one exigible to tax under the VAT laws of the State in which the asset is located.

(b) The maintenance of the leased asset involving supply of materials for maintenance/ repair by the lessor would not amount to works contract, as there would be no transfer of property in such materials to the lessee. Thus, there would be no VAT on the value of the materials supplied during maintenance/repair of the asset. In case of computers, generally the lessor undertakes the maintenance and repair of the leased computers. However, the materials required during such maintenance /repair would be input for sale and input tax credit will be available.

5. S Ltd., a famous builder and developer entered into an agreement with Shri Surjeet Singh in May, 2012 for constructing four flats for him for an agreed consideration of ₹ 3,25,00,000/-. Shri Surjeet Singh made payment in instalments as per following details:

Date of Receipt of Payment	Amount of Payment (in ₹)	Date of Invoice issued
16.04.2012	30,00,000/-	10.04.2012
21.05.2012	40,00,000/-	10.05.2012
27.06.2012	50,00,000/-	10.06.2012
27.07.2012	70,00,000/-	10.07.2012
19.09.2012	50,00,000/-	10.08.2012
30.11.2012	40,00,000/-	10.09.2012
21.01.2013	25,00,000/-	10.10.2012
22.03.2013	20,00,000/-	10.11.2012

S Ltd. obtained completion certificate from the competent authority in respect of four flats on 08.09.2012. Whether services provided by S Ltd. to Mr. Sumit are subject to

Service Tax. Discuss, the service tax implications of the service provided by S Ltd. To Shri. Surjeet Singh.

Answer :

The definition of term 'Residential Complex' has been changed with effect from 01.07.2012. Whereas upto 30.06.2012, "residential complex" meant any complex comprising of a building or buildings, having more than twelve residential units under the section 65(91a), with effect from 01.07.2012 according to clause (zc) of Notification No. 25/2012 dated 20.06.2012, "residential complex" means any complex comprising of a building or buildings, having more than one single residential unit.

Rule 5 of Point of Taxation Rules, 2011 becomes applicable in the present context. According to foregoing Rule 5 where a service is taxed for the first time then :

- i. No tax shall be payable to the extent the invoice has been issued and the payment received against such invoice before such service became taxable;*
- ii. No tax shall be payable if the payment has been received before service becomes taxable and invoice has been within fourteen days of the date when the service is taxed for the first time.*

Therefore, no Service Tax shall be payable to the extent of ₹1,20,00,000/- for which invoice has been issued and the payment received prior to 01.07.2012. However, the remaining amount will be liable to service tax with the applicable abatement of 70% or 75% depending upon the carpet area of the flat and amount charged.

OR

Airports Authority of India (AAI) awarded a contract for repair of Delhi Airport to BMR Group for ₹ 1845 lakh in November, 2012. Discuss, whether the aforesaid services of BMR Group are subject to service tax.

Answer :

As per Entry No 14 of the Notification No. 25/2012 dated 20.06.2012, "Services by way of construction, erection, commissioning, or installation of original works pertaining to, inter alia an airport are exempted from Service Tax.

Further, as per Explanation 1(a)(i) to Notification No. 24/2012 dated 06.06.2012 "original works" means:

- (a) all new constructions;*
- (b) all types of additions and alterations to abandoned or damaged structures on land that are required to make them workable;*
- (c) erection, commissioning or installation of plant, machinery or equipment or structures, whether pre-fabricated or otherwise;*

Since, in the present case BMR Group has been awarded a contract for repair of Delhi Airport, the contract does not falls within the purview of term "original works" and thus is not entitled for exemption under Notification No 25/2012. Therefore, aforesaid services of BMR Group are subject to Service Tax.

6. Under what circumstances Central Excise Officer can make best judgement assessment under the Finance Act, 1994, as amended?

Answer :

According to provisions of Section 72 of Finance Act 1994 if any person, liable to pay service tax :

- (a) *fails to furnish the return under section 70; or*
- (b) *having made a return, fails to assess the tax in accordance with the provisions of this Chapter or rules made thereunder, the Central Excise Officer, may require the person to produce such accounts, documents or other evidence as he may deem necessary and after taking into account all the relevant material which is available or which he has gathered, shall by an order in writing, after giving the person an opportunity of being heard, make the assessment of the value of taxable service to the best of his judgment and determine the sum payable by the assessee or refundable to the assessee on the basis of such assessment.*

OR

Rajesh Sharma, a practicing Chartered Accountant was liable to pay service tax of ₹ 9,15,000/- for the quarter ending 30.06.2012. He deposited aforementioned service tax only on 15.09.2012. Compute the amount of interest payable by CA. Rajesh Sharma under section 75 on the assumption that value of taxable services provided by him during the last financial year was ₹ 81.25 lakhs.

Answer :

W.e.f. 01.04.2011, the rate of interest to be levied under section 75 on the late payment of service tax depends upon quantum of turnover of taxable service of service provider in the preceding financial year. If the turnover of the taxable service is less than ₹ 60 lakhs, rate of interest is to be charge at 15%. However, if the turnover of taxable service is more than ₹ 60 lakhs, rate of interest will be 18%. Accordingly interest to be paid by CA. Rajesh Sharma is as follows :

<i>Value of services provided during the last financial year</i>	<i>₹ 81.25 lac</i>
<i>Rate of interest to be applied</i>	<i>18% p.a.</i>
<i>Amount of Service Tax deposited beyond the last date</i>	<i>₹ 9,15,000/-</i>
<i>Period for which interest to be levied</i>	<i>72 Days [05.07.2012 to 15.09.2012]</i>
<i>Amount of Interest to be deposited in accordance with Section 75</i>	<i>₹ 32,400/- (if calculated on the basis of 366 days)</i>