



The Institute of Chartered Accountants of India
Indirect Taxes Committee

SUGGESTED ANSWERS

CERTIFICATE COURSE ON INDIRECT TAXES ASSESSMENT TEST

HELD ON 9th AUGUST, 2015

PART - A

Write the correct alternative in the in the answer column

Q. No.	Question	Answer
1.	Which of the following activities amounts to manufacture? (a) Pulverising of Chilly (b) Reprocessing of Coffee (c) Crushing of Sugarcane (d) Slicing of Pineapple	(c)
2.	Within how many days from the date of the receipt of Money Bill shall Rajya Sabha return the same to Lok Sabha with recommendations? (a) 14 days (b) 15 days (c) 30 days (d) 45 days	(a)
3.	Which of the following forms should be used by the Appellant while filing an appeal not involving rate of duty or valuation, with the High Court against the order of Appellate Tribunal? (a) EA4 (b) EA5 (c) EA6 (d) EA7	(c)
4.	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 to State: (a) Taxes on railway fares and freight. (b) Taxes on sales or purchase of goods for newspaper.	(b)

Q. No.	Question	Answer
	(c) Estate duty in respect of property other than agricultural land (d) Taxes on consignment of goods where such consignment takes place in the course of interstate trade or commerce..	
5.	Which of the following would be eligible for SSI exemption even when the goods bear the brand name of another person? (a) Goods manufactured for Khadi Board (b) Goods manufactured in rural area (c) Manufacturer of components of a machinery for use as original equipment. (d) All of the above	(d)
6.	An Input Service Distributor has a common credit on Rs. 30, 000 pertaining to more than one unit. It has 4 units namely A, B, C and D which are operational in the Current year. Their turnovers for the previous are as follows: A (manufacturing only excisable goods) – Rs. 50 lacs B (manufacturing excisable as well as exempted goods – Rs. 45 lacs C (providing only exempted services) – Rs. 30 lacs D (providing taxable as well as exempted services) – Rs. 55 lacs The Credit admissible to C is : (a) Nil (b) Rs. 5, 000 (c) Rs. 7, 500 (d) Rs. 12, 000	(a)
7.	Which of the following are included while computing “Transaction Value” under Central Excise: (a) Dharmada (b) Accessories (c) Interest on deposits & advances (d) Interest on delayed payment of receivables	(a)
8.	Mr. Peter sold goods to Mr. Bob charging Rs. 500/ piece on 15.04.2015. 1000 such pieces are sold. Peter allows a credit period of 45 days for making the payment beyond which the product is charged at Rs. 520/ piece. Determine the excise duty payable if	(d)

Q. No.	Question	Answer
	Bob makes the payment after 50 days of sale: (a) Rs. 61, 800 (b) Rs. 62, 500 (c) Rs. 64, 272 (d) Rs. 65, 000	
9.	Mr. Anuj is engaged in the manufacture, production and storage of bicycles. However he has not taken registration under Excise as required by section 6 of the Central Excise Act, 1944. The penalty leviable under section 37(4) would be: (a) Rs. 2000 (b) Rs. 5000 (c) The duty leviable on such goods or Rs. 2000 whichever is greater. (d) The duty leviable on such goods or Rs. 5000 whichever is greater	(d)
10.	State which of the following Statements are True or False: (i) TIN (Tax Payer's Identification Number) is the registration number of the dealer consisting of 15 digit numerals throughout the country. (ii) Hire purchase and financial leasing transactions are both 'deemed sale of goods' for purpose of levy of State Vat and 'declared service' for levy of service tax. The above statements are: (a) False, False (b) False, True (c) True, False (d) True, True	(b)
11.	Central Government levies Central Sales Tax by drawing power from Entry _____ of the Union List: (a) 92A (b) 92C (c) 97	(a)

Q. No.	Question	Answer
	(d) 84	
12.	Levy of VAT in case of hire purchase transaction arises : (a) On First instalment (b) On Last instalment, when ownership is transferred (c) On Delivery of Goods (d) On Every instalment	(c)
13.	M/s. Secure is a contractor engaged in providing security services to its clients. They employ casual labour and deploys them to client location for providing security services. The service tax rate applicable on services provided by labour to contractor is? (a) 8.4 % (b) 14 % (c) There is a specific exemption available to such contract and hence there is no service tax (d) Service tax is not leviable on such contracts	(d)
14.	Fluke Ltd. is engaged in providing services of betting, gambling, lottery etc. In this regard, it utilizes the services of MyAid Ltd. for organising and promoting such gambling & betting events. Whether the service transaction between the two companies is taxable? (a) No as covered under the negative list. (b) Yes. Leviable to service tax under section 66B. (c) Yes, as it is a declared service u/s 66E (d) No, as covered under the Mega Exemption Notification	(b)
15.	A two storey house is given on rent; one floor of which is to be used as residence and the other for housing a printing press. If a single rent deed is executed what would be the service tax liability? (a) Nil, as covered in Negative List (b) 50 % taxable and remaining 50 % exempt (c) Full Value @ 14 % as it would be treated as renting of commercial property. (d) None of the above	(c)
16.	Sammy Ltd. is organising a theatrical performance for which they are charging Rs. 750/ person as the admission fees. What	(b)

Q. No.	Question	Answer
	<p>would be the service tax liability on admission fee of Rs. 750?</p> <p>(a) Nil, as covered by Negative List of services (b) Nil, as covered under Mega Exemption Notification (c) 14 % , as fees charged is in excess of Rs.500 (d) None of the above</p>	
17.	<p>Safe & Sound Co. is a partnership firm which provides manpower supply services to Ellie Ltd. The aggregate value of taxable services provided by Safe & Sound Co. during the month of July 2015 is Rs. 15 lakhs. In this scenario which of the following is correct?</p> <p>(a) Safe & Sound Co. will pay Rs. 2, 10, 000 as the Service Tax liability. (b) Safe & Sound Co. will pay Rs. 52, 500 and Ellie Ltd. will pay Rs. 1, 57, 500 as the Service Tax liability (c) Safe & Sound Co. will pay Rs. 1, 57, 500 and Ellie Ltd. will pay Rs. 52, 500 as the Service Tax liability (d) Ellie Ltd. will pay Rs. 2, 10, 000 as the Service Tax liability</p>	(d)
18.	<p>M/s Dream Destination are tour operators providing tour services only by arranging and booking hotels, guest houses, hostels etc. for the travellers on a tour. What would be the % of abatement applicable to them</p> <p>(a) 10 % (b) 25 % (c) 75 % (d) 90 %</p>	(d)
19.	<p>Rahul is an architect based in Mumbai. He provides his service to Tulips Hospitality Ltd, an Indian hotel chain (which has business establishment at Delhi) for its newly acquired property in Dubai. In the given situation, which of the following statements holds true as per Place of Provision of Service Rules, 2012:</p> <p>(a) As the service is received in Dubai, it would not be taxable in India. (b) Place of provision would be Delhi and service would be taxable in India.</p>	(b)

Q. No.	Question	Answer
	<p>(c) Place of provision would be Mumbai and services would be taxable in India.</p> <p>(d) Place of provision of service would be Delhi and service would not be taxable in India.</p>	
20.	<p>Investa Ltd. is a banking company which provides taxable services to its customers. Determine the Point of Taxation with regards to the information provided below:</p> <p>Date of Completion of Service : 5th April 2015</p> <p>Date of Invoice : 10th May 2015</p> <p>Date on which payment is received : 15th May 2015</p> <p>(a) 5th April 2015</p> <p>(b) 5th May 2015</p> <p>(c) 10th May 2015</p> <p>(d) 15th May 2015</p>	(c)
21.	<p>Alpha Ltd. has entered into a contract for construction of a building with Beta Ltd. As per the agreement, the amount payable by Alpha Ltd. to Beta Ltd. is Rs. 45 lacs in addition to steel and cement to be supplied by Alpha Ltd. for which it charged Rs. 8 lacs from Beta Ltd. FMV of steel and cement is Rs. 13 lacs. What would be the taxable value of services?</p> <p>(a) Rs. 20, 00, 000</p> <p>(b) Rs. 21, 20, 000</p> <p>(c) Rs. 23, 20, 000</p> <p>(d) Rs. 58, 00, 000</p>	(a)
22.	<p>What would be the value of taxable service if the bill amount is Rs. 5, 500 and Service tax @ 14 % is not shown separately?</p> <p>(a) Rs. 4, 730</p> <p>(b) Rs. 4, 825</p> <p>(c) Rs. 5, 000</p> <p>(d) Rs. 5, 500</p>	(b)
23.	<p>Dharma Ltd. is engaged in providing taxable services. For the half year ended on 30th September 2014 it had filed return on 25th January 2015. The amount of late fee payable by Dharma Ltd. would be:</p>	(c)

Q. No.	Question	Answer
	(a) Rs. 1, 000 (b) Rs. 6, 200 (c) Rs. 7, 200 (d) Rs. 20, 000	
24.	Mr Manoj made an application for refund on 5 th April 2015 of Rs. 5,000. However he was granted refund on 5 th August 2015. The amount received by Mr. Manoj is? (a) Rs. 5, 000 (b) Rs. 5, 021 (c) Rs. 5, 025 (d) Rs. 5, 100	(c)
25.	Committee of Commissioners of Central Excise may direct Central Excise officer to appeal to the Appellate Tribunal if it objects to the order passed by CCE (Appeals) u/s 85. Such an appeal is required to be filed within _____ from the date on which order sought to be appealed against is received by the Committee. (a) 1 month (b) 2 months (c) 3 months (d) 4 months	(d)
26.	An Arbitral Tribunal provides consultation services to R Ltd., a business entity worth Rs. 50 lacs. Turnover of R Ltd. during the preceding year was Rs. 30 lacs. Determine the tax payable by the Arbitral Tribunal: (a) Rs. 7 lakhs (b) Rs. 3.5 lakhs (c) Nil, as the tax would be payable by R Ltd. under Reverse Charge (d) Nil, as the same is Covered under the Mega Exemption List.	(c)
27.	Determine the amount payable as service tax and interest by Ms. Charu who provides taxable services valuing Rs. 25 lacs for the quarter ended 30.06.2015 and makes the payment on 31.03.2016. Assume Service tax Rate at 14 % for all the calculations. Ignore Penalty. Pick options from below:	(c)

Q. No.	Question	Answer
	<p>(a) Rs. 3, 50, 000 (b) Rs. 3, 97, 250 (c) Rs. 4, 01, 062 (d) Rs. 4, 02, 500</p>	
28.	<p>Mr. Amit started a new venture in June 2015 of providing services of renting of motor vehicles to carry passengers. He provides his services to Allure Ltd., a body corporate and does not opt for abatement scheme. Determine the tax payable by him if the value of services provided is Rs. 40 lacs.</p> <p>(a) Nil, as tax would be paid by Allure Ltd. under Reverse Charge (b) Rs. 2, 80, 000 (c) Rs. 3, 36, 000 (d) Rs. 5, 60, 000</p>	(b)
29.	<p>Who is liable to pay service tax in the following cases:</p> <p>(i) Case I - Security Services provided by Gamma Ltd., to Sigma Ltd. (ii) Case II - Services provided by Mr. A, selling /marketing agent of lottery tickets to B Ltd. who is a lottery distributor /selling agent</p> <p>(a) Case-I - Gamma Ltd. and Case-II - Mr. A (b) Case-I -Gamma Ltd. and Case-II - B Ltd. (c) Case-I - Sigma Ltd. and Case-II - Mr. A (d) Case-I - Sigma Ltd. and Case-II - B Ltd.</p>	(b)
30.	<p>State whether the following statements are true or false:</p> <p>(i) Services provided by a mutual fund agent to an Asset Management Company are exempt from service tax vide Mega Exemption Notification 25/2012. (ii) In partial reverse charge, the service receiver can claim the Credit of tax after making the payment of Service Tax without linking it to the payment to be made to the service provider.</p> <p>Choose from options below:</p> <p>(a) True, True (b) True, False (c) False, True</p>	(c)

Q. No.	Question	Answer
	(d) False, False	
31.	<p>Who headed the Select Committee of Rajya Sabha to whom the 122nd Constitution Amendment (GST) Bill, 2014 as passed by Lok Sabha was referred?</p> <p>(a) Shri Nandan Nilekani (b) Shri K M Mani (c) Shri Bhupendra Yadav (d) Shri Abdul Rahim Rather</p>	(c)
32.	<p>In case of inter-state transactions, the Inter-State seller will Pay IGST on value addition after adjusting available credit of:</p> <p>(a) CGST (b) IGST (c) SGST (d) All of the above</p>	(d)
33.	<p>Which of the following monitors the receipt and payments for exports and imports</p> <p>(a) Director General of Foreign Trade (DGFT) (b) Central Board of Excise & Customs (CBEC) (c) Reserve Bank of India(RBI) (d) State VAT Departments</p>	(c)
34.	<p>Which of the following has been constituted to advise the government on policy measures for increasing exports , review policy procedures for imports & exports and examine issues relevant for promotion of India's foreign trade:</p> <p>(a) Customs Department (b) Board of Trade (c) Director General of Foreign Trade (DGFT) (d) None of the above</p>	(b)
35.	<p>Indian Trade Classification Code based Harmonized System of Coding [ITC (HS)] uses ___ digit code for import export operations to suit the national trade requirements.</p> <p>(a) 8 (b) 10 (c) 12 (d) 15</p>	(a)

PART – B

[Answers 6 questions in brief]

1. M/s. New Bakery manufactures biscuits named as “Choconuts”. Biscuits are notified under section 4A of the Central Excise Act, 1944 with an abatement of 30%. The following information has been furnished by M/s. New Bakery with regard to clearances of packs of “Choconuts”:
- 2,500 packs having MRP Rs. 70 per pack were sold in retail packages, but buyer is charged for 2,400 packs only at Rs. 50 per pack (100 packs have been given free as quantity discount).
 - 50 packs were given away as free samples, without any MRP on the pack.
 - 400 packs manufactured on job work basis for Modern Bakers, another bakery company, were cleared after putting MRP of Rs. 70 each. Each such pack is sold by Modern Bakers at Rs. 60 to individual customers. Cost of raw material supplied by Modern Bakers is Rs. 12,000, job charges including profit of M/s. New Bakery is Rs. 6,000, transportation charges of raw material to M/s. New Bakery and biscuits to Modern Bakers is Rs. 2,000.
 - 80 packs of biscuits having MRP Rs. 70 each were packed in a single package for protection and safety during transportation and cleared at Rs. 5000. 500 of such packages were cleared.

Determine the central excise duty payable assuming the rate to be 12.5%. No Cess charged.

Note: Turnover of M/s. New Bakery in the previous financial year is Rs. 450 lakh.

(5 Marks)

Answer

Computation of central excise duty payable by M/s. New Bakery

Particulars	(Rs.)	(Rs.)
Retail sale price of 2,500 packs (2,500 × Rs. 70)	1,75,000	
Less: Abatement @ 30%	52,500	
Assessable value (A) [Note 1]		1,22,500
Retail sale price of 50 packs given as free samples (50 × Rs. 70)	3,500	
Less: Abatement @ 30%	1,050	
Assessable value (B) [Note 2]		2,450
Retail sale price of 400 packs manufactured on job work basis (400 × Rs. 70)	28,000	

Less: Abatement @ 30%	8,400	
Assessable value (C) [Note 3]		19,600
Retail sale price of 500 packages containing 80 packs each packed for safety in transportation (80 x Rs. 70 x 500)	28,00,000	
Less: Abatement @ 30%	8,40,000	
Assessable value (D) [Note 4]		19,60,000
Total assessable value (A) + (B) + (C) + (D)		21,04,550
Excise duty @ 12.5 % of Rs. 21,04,550		2,63,068.75
Total excise duty payable (rounded off)		2,63,069

Note:

1. Provisions of section 4A of Central Excise Act, 1944 override the provisions of section 4 of the said Act. Therefore, assessable value will be retail sale price declared on the package less abatement irrespective of the quantity discounts offered to the buyer [*Indica Laboratories v. CCE (2007) 213 ELT 20 (CESTAT 3 Member Bench)*].
2. Free samples of the products covered under MRP based assessment are valued under rule 4 of the Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000 by taking into consideration the deemed value under section 4A [*Circular No. 915/05/2010-CX dated 19.02.2010*].
3. Provisions of section 4A override the provisions of section 4. Therefore, assessable value will be retail sale price declared on the package less abatement and not the value as determined under rule 10A of Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000 [viz. the price at which the principal manufacturer sells the goods].
4. Outer packaging for protection/safety during transportation is not wholesale package. Such packaging does not require details like name/address, cost, month year etc. [*State of Maharashtra v. Raj Marketing (2011) 272 ELT 8 (SC)*]. Therefore, valuation of such package will be done on the basis of section 4A i.e., RSP less abatement.
5. Since the turnover of M/s. New Bakery in the previous financial year is ` 450 lakh, it will not be entitled to SSI exemption available under *Notification No. 8/2003 CE dated 01.03.2003* in the current year.

OR

1. Dev Ltd., a manufacturer, has furnished the following information regarding inputs received in the factory and input service used for manufacture:

Sr. No.	Particulars		Excise duty/Service Tax Rs.
(1)	Raw material	Invoice dated 14-09-2014	31,500
(2)	Grease and Oil	Invoice dated 10-04-2015	5,000
(3)	Input Service	Invoice dated 22-10-2014	19,500
(4)	Office Equipment	Invoice dated 25-11-2014	7,250
(5)	Light Diesel Oil	Invoice dated 02-04-2015	22,000
(6)	Paints	Invoice is missing	3,000

Determine the total CENVAT Credit that can be availed during the month of April, 2015. Show working notes with suitable assumptions as may be required.

The company is not entitled to SSI exemption under Notification No. 8/2003 CE dated 01-03-2003.

(5 Marks)

Answer:

Computation of CENVAT credit that can be availed by Dev Ltd. during the month of April, 2015

Particulars	Rs.
Raw material (Note 1)	31,500
Grease and oil (Note 1)	5,000
Input service (Note 2)	19,500
Office Equipment (Note 3)	-
Light Diesel Oil (Note 4)	-
Paints (Note 5)	-
Total CENVAT credit that can be availed during the month of	56,000

Notes:

1. A manufacturer can take CENVAT credit of inputs upto one year from the date of issue of invoice [Third proviso to rule 4(1) of CENVAT Credit Rules, 2004 (hereinafter referred to as CCR)]
2. A manufacturer can take CENVAT credit of input services upto one year from the date of issue of invoice [Sixth proviso to rule 4(7) of CCR]
3. Office equipment is not an eligible capital goods for the manufacturer in terms of the definition of capital goods as per rule 2(a)(A)(1) of CCR.
4. Light Diesel Oil is not an input in terms of definition of inputs as per rule 2(k)(A) of CCR.

5. CENVAT credit cannot be availed without a valid invoice [Rule 9(1)(a) of CCR]
2. ABC Industries Ltd. imports an equipment by air. CIF price of the equipment is 10,000 US\$, freight paid is 2,000 US\$ and insurance cost is 3,000 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. 62 per US\$ while rate of exchange notified by RBI is Rs. 63.5 per US\$. ABC Industries Ltd. expends Rs. 72,000 in India for certain development activities with respect to the imported equipment.

Basic customs duty is 10%, education cesses are 3% and excise duty leviable on similar goods in India is 12.5%. 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 ABC Industries Ltd.
- (ii) Determine the amount of CENVAT credit available to ABC Industries Ltd. How can such CENVAT credit be utilised by ABC Industries Ltd.?

(5 Marks)

Answer:

Computation of customs duty payable by ABC Industries Ltd.

Particulars	Amount
CIF value	10,000 US \$
<i>Less: Freight</i>	2,000 US \$
<i>Less: Insurance</i>	3,000 US \$
FOB value	5,000 US \$
Assessable value for customs purpose:	
FOB value	5,000 US \$
<i>Add: Freight (20% of FOB value) [Note 1]</i>	1,000 US \$
<i>Add: Insurance (actual)</i>	3,000 US \$
CIF for customs purpose	9,000 US \$
<i>Add: 1% for landing charges [Note 2]</i>	90 US \$
Value for customs purpose	9,090 US \$
Exchange rate as per CBEC [Note 3]	Rs. 62 per US \$
Assessable value = Rs. 60 x 9,090 US \$	Rs. 5,63,580
Basic customs duty @ 10%	Rs. 56,358

Sub-total	Rs. 6,19,938
Additional duty of customs u/s 3(1) of the Customs Tariff Act (CVD) @ 12.5% of Rs. 6,19,938 (rounded off) [Note 5] [Education cess on CVD is exempt]	Rs. 77,492
Education cesses 3% on [Rs. 56,358+77,492] (rounded off)	Rs. 4,015
Total customs duty payable [Rs. 56,358 + Rs. 77,492 + Rs. 1,691]	Rs. 1,37,865

Rs. 77,492 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. 56,358 and education cesses of Rs. 4,015 paid on imported goods will not be available as CENVAT credit.

Note:

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.72, 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%. Education cess and Secondary and Higher Education Cess on CVD are exempt - Notification No.s 13/14-Cus both dated 17.03.2012

OR

2. **A.** Answer the following with reference to the provisions of the Customs Act 1962 and rules made thereunder :
 - a. Mr. A filed a claim for payment of duty drawback amounting to Rs. 1, 46,000 on 31-12-2014. But the amount was received on 28-02-2015. You are required to calculate the amount of interest payable to Mr. A on the amount of duty drawback claimed.
 - b. Mr. X was erroneously refunded a sum of Rs. 40,000 in excess of actual drawback on 20-04-2014. The same was returned to the Department on 20-08-

2014. You are required to calculate the amount of interest chargeable from Mr. X.

(5 marks)

Answer:

A. Computation of interest payable to Mr. A on duty drawback claimed

Particulars	Amt. (Rs.)
Duty drawback claimed	1, 46,000
No. of days of delay [31.12.2014 to 28.02.2015]	60 days
Rate of interest	6%
Quantum of interest (rounded off) [Rs. 1, 46,000 x 60/365 x 6/100]	1440

Note: Since the claim of duty drawback is not paid to claimant within 1 month from the date of filing such claim, interest @ 6% per annum is payable from the date after the expiry of the said 1 month period till the date of payment of such drawback [Section 75A(1) of the Customs Act, 1962].

B. Computation of interest chargeable from Mr. X on excess duty drawback paid

Particulars	Amt. (Rs.)
Duty drawback erroneously refunded	40,000
No. of days of delay [21.04.2015 to 20.08.2015]	122 days
Rate of interest	18%
Quantum of interest (rounded off) [Rs. 40,000 x 122/365 x 18/100]	2,407

Notes:

- Interest is payable, by the claimant, on erroneous refund of duty drawback @ 18% per annum for the period beginning from the date of payment of such drawback to the claimant, till the date of recovery of such drawback [Section 75A(2) of the Customs Act, 1962].
- It has been assumed that in the given case, a demand for recovery of the erroneous refund has been issued by the Department.

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 @ 12.5%.

Particulars	Amount (Rs. In lakhs)
Total Contract Price (excluding VAT)	100
Labour Charges paid for execution of the contract	35
Cost of consumables used not involving transfer of property in goods	5
Material purchased and used for the contract taxable at 12.5% VAT (VAT included)	45

The contractor also purchased a plant for use in the contract for Rs. 10.4 lacs (inclusive of VAT). In the VAT invoice relating to the same, VAT was charged at 4% separately. Assume 100% input tax credit is available on capital goods immediately.

Make suitable assumptions wherever required and show the working notes.

(5 marks)

Answer:

Under works contract, where labour and service charges are quantifiable the turnover for imposition of VAT is the contract price less the labour and other charges incurred in such execution

Computation of Taxable Turnover, input tax credit and net VAT payable by the works contractor

<i>Particulars</i>	<i>Amount(Rs.)</i>	<i>Amount (Rs.)</i>
Total Contract Price		<i>1,00,00,000</i>
<i>Less: Deductions admissible</i>		
c. Labour charges paid for executing the	<i>35,00,000</i>	

contract		
d. Cost of consumables in which no property is transferred	5,00,000	
Total Deductions		40,00,000
Taxable turnover		60,00,000
Output VAT payable @ 12.5% (on Rs. 60 lacs) [A]		7,50,000
Less: Admissible input tax credit		
a. On material (45,00,000 x 12.5/112.5)	5,00,000	
b. On plant (10,40,000 x 4/104)	40,000	
Input Tax Credit [B]		5,40,000
Net VAT payable (A-B)		2,10,000

OR

3. a. Compute the invoice value to be charged and amount of tax payable under VAT by a dealer who had purchased goods for Rs. 2,40,000 (exclusive of VAT) and after adding for expenses of Rs. 20,000 and of profit Rs. 30,000 had sold out the same. The rate of VAT on purchases and sales is 12.5%.

(3 marks)

Answer:

Computation of Invoice Value

<i>Particulars</i>	<i>Invoice value to be charged(Rs.)</i>
Purchase price of goods	2,40,000
Add: Expenses	20,000
Add: Profit Margin	30,000
Amount to be billed	2,90,000
Add: VAT @12.5%	36,250
Total invoice value	3,26,250

Computation of VAT to be paid

VAT charged in the invoice	36,250
Less: VAT credit on input 12.5% of Total Rs. 2,40,000	30,000
Balance VAT payable	6,250

- b. Compute the VAT payable by R, who purchased goods from a manufacturer on payment of Rs. 8,40,000 (including VAT) and earned 20% profit on sale price. VAT rates both on purchase and sale is 5%.

(2 marks)

Answer:

Computation of sale price and VAT liability

<i>Particulars</i>	<i>Amount (Rs.)</i>
<i>Purchase Value of Goods exclusive of VAT (8,40,000/1.05)</i>	<i>8,00,000</i>
<i>Add: Profit 25 % [Note 1]</i>	<i>2,00,000</i>
<i>Sale Value</i>	<i>10,00,000</i>
<i>VAT @ 5%</i>	<i>50,000</i>
<i>Total</i>	<i>10,50,000</i>
<i>VAT payable</i>	<i>50,000</i>
<i>Less: Input Tax Credit (8, 00,000 x 5%)</i>	<i>40,000</i>
<i>Net VAT payable</i>	<i>10,000</i>

Working Note

Suppose Sale Price is Rs. 100

Profit @ 20% on Sale price = Rs. 20

Cost Price = Rs. 80

Profit % on Cost = $20/80 \times 100 = 25\%$

4. a. Explain briefly with respect to the provisions of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007 the chief reasons for which the proper officer could raise doubts on the truth or accuracy of the declared value.

(3 marks)

Answer:

As per explanation to rule 12 of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007, the chief reasons for which the proper officer could raise doubts on the truth or accuracy of the declared value may include:-

- (a) The significantly higher value at which identical or similar goods imported at or about the same time in comparable quantities in a comparable commercial transaction were assessed;
- (b) The sale involves an abnormal discount or abnormal reduction from the ordinary competitive price;
- (c) The sale involves special discounts limited to exclusive agents;
- (d) The mis-declaration of goods in parameters such as description, quality, quantity, country of origin, year of manufacture or production;
- (e) The non-declaration of parameters such as brand, grade, specifications that have relevance to value;
- (f) The fraudulent or manipulated documents

AND

- b. Write a short note on the applicability of safeguard duty under the Customs Tariff Act, 1975 on articles imported by EOU/SEZ unit and cleared as such into domestic tariff area (DTA).

(2 marks)

Answer:

Section 8B(2A) of Customs Tariff Act, 1975, as amended by the Finance (No. 2) Act, 2014, provides for levy of safeguard duty on articles imported by an EOU/unit in a SEZ that are cleared as such into DTA. In such cases, safeguard duty shall be levied on that portion of the article so cleared as was leviable when it was imported into India.

OR

4. Miss Savita imported certain goods weighing 1,000 kgs with CIF value US\$ 50,000. Exchange rate was 1 US\$ = Rs. 62 on the date of presentation of bill of entry. Basic customs duty is chargeable @ 10% and education cess as applicable. There is no excise duty payable on these goods, if manufactured in India.

As per Notification issued by the Government of India, anti-dumping duty has been imposed on these goods. The anti-dumping duty will be equal to difference between amount calculated @ US \$ 60 per kg and landed value of goods. You are required to compute custom duty and anti - dumping duty payable by Miss Savita.

Note: Goods imported are exempt from payment of additional duty under section 3(5) of Customs Tariff Act.

(5 marks)

Answer:

Computation of customs duty payable:

Particulars	Amount (Rs.)
Total CIF value in INR = US \$ 50,000 x Rs. 62	31, 00, 000
Add: Landing charges @1%	31, 000
Assessable value (AV)	31, 31, 000
Basic customs duty (BCD) @10%	3, 13, 100
Education Cesses @ 3% on (C)	9, 393
Landed value of imported goods	34, 53, 493
Total Customs Duty payable including Education Cesses	3, 22, 493

Computation of anti - dumping duty payable

Particulars	Amount (Rs.)
Value of goods in INR as per Notification = 1,000 Kgs x US \$ 60 x Rs. 50	37, 20, 000
Less: Landed value of goods	34, 53, 493
Anti-dumping duty payable	2, 66, 507

5. A Ltd. Of Mumbai made a total purchases of input and capital goods of Rs. 60, 00, 000 during the month of May 2015. The following information is available:

- (i) Goods worth Rs. 15, 00, 000 were purchased from Bihar on which CST @ 2% was paid.
- (ii) The purchases made in May 2015 include goods purchased from unregistered dealers amounting to Rs. 18, 50, 000.
- (iii) It purchased capital goods (not eligible for input tax credit) worth Rs. 6, 50, 000 and those eligible for input tax credit for Rs. 9, 00,000.
- (iv) Sales made in Mumbai during the month of May 2015 is Rs. 20, 00, 000 on which VAT @ 12.5% is payable.

All purchases are exclusive of tax. VAT @ 4% is paid on local purchases.

Calculate the following:

- a. Amount of purchases eligible for input tax credit
- b. Amount of input tax credit available in the month of May 2015
- c. Net VAT payable for May 2015.

(5 marks)

Answer:

Computation of purchases eligible for input tax credit, input tax credit available in the month of May 2015 and Net VAT payable for May 2015:-

S. No.	Particulars	Amount (Rs.)
i	Goods purchased from Bihar on which CST @ 2% was paid. (purchases from outside the state on which CST is payable are not eligible for input tax credit)	-
ii	Purchases from unregistered dealers (purchases from unregistered dealers are not eligible for input tax credit)	-
iii	Capital Goods eligible for input tax credit	9, 00,000
iv	Balance purchases liable to VAT thus eligible for input tax credit Rs. [60,00,000 – (15,00,000 + 18,50,000 + 6,50,000 + 9,00,000)]	11,00,000
	Purchases eligible for Input Tax Credit	20,00,000
	VAT paid on purchases eligible for input tax credit (Rs. 11,00,000 * 4%)	44,000

VAT paid on capital goods eligible for input tax credit (credit available in 3 years) [(9,00,000*4%)/3] [Note 1]	12,000
Input Tax Credit available	56,000
Output VAT payable [20,00,000 * 12.5%]	2,50,000
Less: Input tax credit	56,000
Net VAT payable	1,94,000

Note 1: It has been assumed that tax credit on Capital goods can be adjusted over 3 years i.e. 1/3 for 3 years. The Credit on Capital Goods of varies from State to State Provisions i.e. a period of 2 years or equal monthly instalments are also correct.

OR

5. a. State various purposes for which goods can be purchased at concessional rate under Central Sales Tax Act, by issuing C form.

(2 marks)

Answer:

As per section 8(3) of CST Act, goods

- (i) intended for resale,
- (ii) for use in manufacture or processing for sale
- (iii) for use in telecommunications network
- (iv) for use in mining
- (v) for use in power generation/distribution, or
- (vi) containers and packing materials

are only eligible for concessional rate of CST.

- b. Mr. Akashi, a dealer located in the State of Gujarat, dealing in machinery used is rolling mills furnishes following information for the financial year 2014-15.

- (a) Total inter-state Sales during in the financial year (CST not shown separately) – Rs. 1, 14, 75,000
- (b) Trade Commission for which credit notes have been issued separately – Rs. 1, 05, 000

- (c) Freight and Transportation charges charged separately in invoice – Rs. 1,00,000
- (d) Freight charges included in value but not shown separately – Rs. 2,00,000
- (e) Insurance for transport of machinery upto destination – Rs. 37,500
- (f) Installation and commissioning charges levied separately in invoice – Rs. 50,000
- (g) The buyers have issued C form in respect of machinery bought by them from Mr. Akashi. Compute the tax liability under CST Act

(3 marks)

Answer:

S.N.	Particulars		Amount (Rs.)
a.	Gross Sales Turnover (including CST)		1,14,75,000
b.	Less:		
	(i) Trade Commission	1,05,000	
	(ii) Freight charged separately	1,00,000	
	(iii) Installation and Commissioning	50,000	2,55,000
c.	Aggregate Sale Price for CST		1,12,20,000
d.	Less: CST payable = $(1,12,20,000 \times 2)/102$		2,20,000
e.	Turnover for year 2014-15		1,10,00,000

6. Sueno Media Agency provided the following services during the quarter ended 30.06.2015

S. No.	Particulars of Receipt	Amount (Rs.)
(a)	Advertising through mobile SMS & emails	20, 00, 000
(b)	Sale of space for advertisement in newspaper	5, 00, 000
(c)	Sale of advertisements in yellow pages including Rs. 50, 000 for ads in business directories.	3, 75, 000
(d)	Advertisements on back and cover pages of the books	2, 00, 000
(e)	Canvassing advertisements for publishing on a Commission basis	65, 000
(f)	Services related to preparation of advertisement	1, 20, 000

Compute the Service Tax liability for the quarter ended 30.06.2015 assuming the following:

- (i) Agency is not eligible for exemption under *Notification 33/2012 –ST dated 20.06.2012*
- (ii) Rate of Service Tax is 14%
- (iii) Point of taxation for all the aforesaid services falls during the quarter ended 30.06.2015.
- (iv) All the charges are exclusive of service tax.

Provide suitable notes wherever required.

(5 marks)

Answer:

Computation of Service Tax liability of Sueno Media Agency for the quarter ended 30.06.2015.

Particulars	Amount (Rs.)
Advertising through mobile SMS & emails [Note 1]	20, 00, 000
Sale of space for advertisement in newspaper [Note 1]	-
Sale of advertisements in yellow pages including Rs. 50, 000 for ads in business directories. [Note 1]	3, 75, 000

Advertisements on back and cover pages of the books [Note 1]	-
Canvassing advertisements for publishing on a Commission basis [Note 1]	65, 000
Services related to preparation of advertisement [Note 1]	1, 20, 000
Value of Taxable Services	25, 60, 000
Service Tax @ 14%	3, 58, 400
Final Service Tax Liability	3, 58, 400

Notes:

- 1) Selling of advertisements in Print Media is included in the negative list of services under Section 66D (g) of the Finance Act, 1994. Thus service tax levy extends to advertisements in all media except print media. Hence, advertisement through mobile SMS & emails are liable to service tax.

As per section 65B(39a) of Finance Act, 1994 print media inter alia means newspaper and books but does not include yellow pages or business directories. Thus sale of advertisements in yellow pages including business directories is liable to service tax.

Services related to preparation of advertisements and canvassing advertisements for publishing on a Commission basis are liable to service tax as they do not form a part of the negative list of services.

OR

6. **A)** Compute independently, in each of the following cases, the taxable value of services provided by an authorized dealer in foreign exchange to its customers. Show working notes as may be required:

- (i) 5000 US \$ are sold by Mr. Arman to the 'Deal Cracker', an authorized dealer @ Rs. 63.50 per US \$. The RBI reference rate is Rs. 64.00 for that day.
- (ii) Rs. 40, 00,000 is changed into Canadian \$ and the exchange rate offered is Rs. 50 per Canadian \$. RBI reference rate for conversion of INR into Canadian \$ is not available.

- (iii) On 01-05-2015, Ms. Emma gets Rs. 2, 00,000 Euro converted into 8, 00,000 Dirham. As on 01-05-2015, RBI reference rate is 1 Euro = Rs. 70.5, 1 Dirham = Rs. 18.

(3 marks)

Answer:

- (i) Value of taxable service = (RBI reference rate for \$ – Selling rate for \$) × Total units of US \$ [Rule 2B of the Service Tax (Determination of Value) Rules, 2006]
=Rs. (64-63.50) × 5,000
=Rs. 2,500.
- (ii) First proviso to rule 2B of the aforesaid rules provides that if the RBI reference rate for a currency is not available:
Value of taxable service = 1% of the gross amount of Indian Rupees provided/received by money changer
=1% of Rs. 40, 00,000
=Rs. 40,000.
- (iii) Second proviso to rule 2B of the aforesaid rules provides that in case neither of the currencies exchanged is Indian Rupee:
Value of taxable service = 1% of the lesser of the two amounts the money changer would have received by converting any of the two currencies into Indian Rupee at that time at the reference rate provided by RBI.
Hence, in the given case, value of taxable service would be 1% of the lower of the following:-
(a) Euro 2, 00,000 × Rs. 70.5 = Rs. 1, 41, 00,000
(b) Dirham 8, 00,000 × Rs. 18 = Rs. 1, 44, 00,000

Value of taxable service = 1% of Rs. 1, 41, 00,000 = Rs. 1, 41, 000

B) Explain the following with reference to Finance Act:

- a. Consideration as per section 67
b. Government as per section 65B

(2 marks)

Answer:

B) a. Consideration:

Explanation (a) to section 67 of the Act provides an inclusive definition of consideration. i.e., "Consideration" not only includes any amount that is payable for the taxable services provided or to be provided but also includes any reimbursable expenditure or cost incurred by service provider and charged in the course of provision of service except, in such circumstances and subject to conditions prescribed and includes any amount retained by lottery distributor or selling agent from gross sale amount of lottery ticket, in addition to the fee or commission, if any or discount received i.e. Difference in the face value of lottery ticket and the price at which the distributor or selling agent gets such ticket.

In other words, 'consideration' means everything received or recoverable in return for a provision of service which includes monetary payment and any consideration of non- monetary nature or deferred consideration as well as recharges between establishments located in a non-taxable territory on one hand and taxable territory on the other hand.

c. Government

"Government means the Departments of the Central Government, a State Government and its Departments and a Union territory and its Departments, but shall not include any entity, whether created by a statute or otherwise, the accounts of which are not required to be kept in accordance with article 150 of the Constitution or the rules made thereunder"