

CA - Final - IDT Test Answer  
May 2017 Exam

Ans to QNo. 1(a) (5)

| SNO   | Particular                   | Rs. in Lacs |
|-------|------------------------------|-------------|
| (i)   | Clearance in Brand of others | -           |
| (ii)  | Export to Bhutan             | 60          |
| (iii) | Export to UK & Russia        | -           |
| (iv)  | Sec 3A                       | 50          |
| (v)   | Sec 4A (300 - 30% of 300)    | 210         |
| (vi)  | Jobwork 214/86               | -           |
|       | Previous Tenant              | 320         |
|       |                              | 105         |
|       |                              | 425         |

No Exemption of SSI shall be allowed

Ans to QNo. 1(b) (5)

| SNO   | Particular                 | Rs. in Lacs |
|-------|----------------------------|-------------|
| (i)   | Interest on overdraft      | -           |
| (ii)  | Intt on Loan with security | -           |
| (iii) | Intt on Corporate Deposit  | -           |
| (iv)  | Processing Fee             | 10          |
| (v)   | Sale of FE to Public       | 5           |
| (vi)  | Service charges for CD     | 2           |
|       | Value of Taxable Service   | 17          |
|       | Service Tax 15%            | 2.55        |

Ans to QNo. 1(c) (5)

| Particular  | ₹         |
|---|-----------|
| CIF Value [ $\$ 25000 \times 50$ ]                        | 12,50,000 |
| Add: Landing charges                                      | 12,500    |
|   | 12,62,500 |
| Add: BCD 20%  | 2,52,500  |
| Add: EC on BCD  | 7,575     |
| Landed Cost (A)   | 15,22,575 |
| Value for anti-Dumping Duty [ $500 \times 70 \times 50$ ] | 17,50,000 |
| (B)   |           |
| Anti Dumping Duty (B-A)                                   | 2,27,425  |

Normal Duty 260075

Anti Dumping Duty 227425

Ans to QNo. 1(d) (5)

| SNO | Particular                               | POPs      |
|-----|--|-----------|
| a)  | Place of SP                              | Cochin    |
| b)  | Rule 4                                   | Singapore |
| c)  | Rule 9 (Default Rule 3 is applicable) SP | Chennai   |

Ans to QNo. 2(a) (4)

| SNO | Particular             | ₹     |
|-----|------------------------|-------|
| 1)  | Unit P 15000 x 16L/50L | 4800  |
|     | Unit Q 15000 x 12L/50L | 3600  |
|     | Unit R 15000 x 13L/50L | 3900  |
|     | Unit S 15000 x 9L/50L  | 2700  |
|     | Total CENVAT           | 15000 |

Ans to QNo. 2(b) (4)

Rule 5 states of ST (determination of Value) Rule 2006 that Value of Service shall include all cost and reimbursement except if the SP acts as a pure agent. In the given case Reimbursement on Travelling and accommodation CAN NOT BE SAID Incurred as PURE AGENT.

However, Reimbursement of clearing charges has been incurred as pure agent hence no Liability of service tax on clearing charges

Ans to QNo. 2(c)(i) (4)

| Particular   | Amount |
|--|--------|
| Profit $1,00,000 - (60,000 + 24,000)$<br>$= 16,000$        |        |
| Proposed Fine 50% of 16000                                 | 8000   |
| Maximum Fine u/s 125                                       |        |
| Market Value - Import Duty<br>$1,00,000 - 24,000 = 76,000$ |        |
| Redemption fine, Lower of Proposed or Maximum              | 32000  |
| Total Amount Payable<br>$[24,000 + 8,000]$                 |        |

Ans to Q No. 2(c)(ii) (4)

Assessable Value = 6500/-

Ans to Q No. 3(a)(i) (2)

Action of Service tax authority is NOT VALID

Ans to Q No. 3(a)(ii) (2)

| Particular               | Note   | ₹         |
|--------------------------|--------|-----------|
| 5 Flats                  | Note 1 | 50,00,000 |
| 10 Flats                 | Note 1 | -         |
|                          |        | 50,00,000 |
| Less: Abatement 70%      | Note 2 | 35,00,000 |
| Value of Taxable Service |        | 15,00,000 |
| ST Payable 15%           |        | 2,25,000  |

Note 1

In case entire or part Consideration received before Issuance of Certificate of Completion by Competent authority is treated as Declared services

Note 2

Abatement is 70% provided cost of Land included in value of service

Ans to Q No. 3(a)(iii) (4)

| SNO   | Particular                 | Abatement | Value of service |
|-------|----------------------------|-----------|------------------|
| (i)   | AC Restaurant [Rule 2c]    | 60%       | 120000           |
| (ii)  | Food + Renting             | 30%       | 196000           |
| (iii) | Renting of Room            | 40%       | 72000            |
| (iv)  | Catering service (School)  | -         | -                |
| (v)   | Outdoor catering [Rule 2c] | 40%       | 90000            |
|       | Value of Taxable Service   |           | 478000           |
|       | Service tax 15%            |           | 71700            |

Ans to Q No. 3(b) (4)

EOU/EHTP/STP

Till the Date of Clearance

Others

one year, may be extended by PC for one year at a time.

PC have power to reduce the Warehousing period.

Ans to Q No. 3(c) (4)

The Process of crushing of Coal does not amount to Manufacture

DHUNSERI PETROCHEM LTD  
[AAR]

Ans to Q No. 4 2x8=16

| SNO | Particular                       | AAR               |
|-----|----------------------------------|-------------------|
| a)  | Universal Service India PL [AAR] | Export of service |
| b)  | TVS MOTORS CO. LTD               | NOT INCLUDED      |
| c)  | SANJAY INDUSTRIAL CORP           | NO                |
| d)  | OTTO BILZ (INDIA) PL             | Eligible for SSI  |
| e)  | PREMIUM SUITING PL               | TO BE CLUBBED     |
| f)  | WIPRO LTD.                       | NO                |
| g)  | DELHI TRANSPORT CORP             | NO                |
| h)  | ASSOCIATED HOTELS LTD            | YES               |

Ans to Q No. 5(a)(i) (3)

Yes, the activity carried out by Mr. A is a service and liable to Service tax

Ans to Q No. 5(a)(ii) (3)

(i) Stage Carriage

Non-AC stage Carriages is exempt vide MEN, However, AC stage Carriage is Taxable.

(ii) Metered cab is covered under Negative List hence exempt.



Ans to Q No. 5(a)(iii) (2)

|                                     |          |
|-------------------------------------|----------|
| Value of service                    | 7,00,000 |
| [600000 + 150000 - 50000]           |          |
| Value of service as per Rule 2C 60% | 420000   |
| Service Tax 15%                     | 63000    |

Ans to Q No. 5(b) (4)

Duty under Protest

If the assessee does not agree to the classification or Assessable value of goods determined by excise authorities, he can file an appeal & till the time the appeal is decided, can pay the duty under protest.

The following procedure shall be followed:-

- i) The assessee will inform the concerned officer that he is paying duty under protest.
- ii) The assessee shall obtain an acknowledgement from concerned officer as proof of such payment.
- iii) The assessee will mention on invoice, monthly / quarterly return indicating the goods that the duty under protest has been paid.

Ans to Q No. 5(c) (4)

Section 65 deals with the provisions regarding manufacturing of goods in the WH are as under:-

- a) with the permission of PC, the owner of goods carry any manufacturing process in WH in relation to such goods.
- b) In case as a result of manufacturing, any waste arises it shall be dealt with as under:
  - i) Manufactured goods are exported: Import duty on waste shall be remitted provided waste is destroyed or Duty paid on waste assuming imported as such.
  - ii) Manufactured goods are removed for HC: Import Duty on such waste shall be charged on qty. of WH goods contained in such waste.

Ans to Q No. 6(a)(i) (4)

| SNO   | Particular                   | ₹        |
|-------|------------------------------|----------|
| (i)   | PMG not liable to pay ST     | -        |
| (ii)  | Freight for Food Grain Pulse | Exempt   |
| (iii) | Service to Unregistered firm | 6,00,000 |
| (iv)  | Composite service            | 2,00,000 |
|       |                              | 8,00,000 |
|       | Less: Abatement 70%          | 560000   |
|       |                              | 240000   |
| (v)   | Clearing & FWA Service       | 200000   |
|       | Value of Taxable Service     | 440,000  |
|       | ST 15%                       | 66000    |

Ans to Q No. 6(a)(ii) (4)

| Particular              | ₹        |
|-------------------------|----------|
| Gross Amount charged    | 2,00,000 |
| Less: Value of material | 1,60,000 |
| Value of service [2A]   | 40000    |

Computation of Service Tax

| Particular                       | ST   | SBC | KKC | Total |
|----------------------------------|------|-----|-----|-------|
| Service Tax 40K                  | 5600 | 200 | 200 | 6000  |
| Less: CENVAT-Input               | -    | -   | -   | -     |
| Less CENVAT-INPUT SERVICE        | 2800 | -   | 100 | 2900  |
| Less: CENVAT-CAPITAL GOODS (50%) | 1250 | -   | -   | 1250  |
| ST Payable                       | 1550 | 200 | 100 | 1850  |

Ans to Q No. 6(b) (4)

- a) EPCG scheme allows import of CG at Nil Custom Duty.
- b) Mfr. Merchant Exporter tied up with supporting Mfr & S.P. are eligible for EPCG scheme.
- c) CG for generation of power / Transmission of power / Generator & Second hand CG are not eligible.
- d) Export obligation equivalent to 6 Times of Duty saved & be fulfilled within 6 years from the Dt. of Auth.
- e) Import of CG shall be completed within 18M from the date of issue of authorisation.
- f) Actual user condition shall be applicable till Export obligation is fulfilled.



Ans to Q No. 6 (c)(i) (2)

Extend Period

Under Excise - 2 years from Date of Notice

Under Service Tax - 1 year from Date of Notice

Normal Period

Under Excise & service Tax - 6 Months from Date of Notice

Ans to Q No. 6 (c)(ii) (2)

Kapri International (P) Ltd (SC)

Markfed Vanaspati (SC)

Change in Tariff Heading / sub Heading is not required to consider the Finished Goods liable to Excise Duty.

The crux of the judgments is that Tariff heading is not the criteria to decide the manufacturer.

Ans to Q No. 7(a) (8)

Computation of Duty Payable

| Particular                                      | ₹        | ₹       |
|---|----------|---------|
| Duty on 12,00,000 @ 12.5%                       |          | 150,000 |
| Less: <u>ENVAT</u>                              |          |         |
| Total Credit                                    | 1,00,000 |         |
| Less: (i) + (ii) + (iii) + (iv)                 | 20,000   |         |
|   | 80,000   |         |
| Less: Used exclu. for Dutiable Goods (v) + (vi) | 20,000   |         |
| Common Credit                                   | 60,000   |         |
| Less Prop. Reversal<br>60,000 x 80L/200L        | 24,000   |         |
|   | 36,000   |         |
| Eligible Credit (v) + (vi)                      | 20,000   |         |
| Capital Goods                                   | 15,000   | 71,000  |
| Duty Payable in Cash                            |          | 79,000  |

Ans to Q No. 7(b)(i) (3)

Minimum Value Addition 15%.

FOB = 10,00,000 x 15% = 1150000

Ans to Q No. 7(b)(ii) (3)

Particular

|                                      | \$    |
|--------------------------------------|-------|
| (i)                                  | -     |
| (ii) \$40000 - 2000 \$               | 38000 |
| (iii) Collection on behalf of client | -     |
| (iv) EEFC A/c                        | -     |
| (v) Loan taken                       | -     |
|                                      | 38000 |
| Duty Credit Script                   | 1900  |

Ans to Q No. 7(c) (2)

Section 74

Duty drawback allowable on re-export of duty paid Goods, the provisions are as under:-

- Refund of Duty paid on importation of the goods which are exported outside India
- The Goods must be capable of being easily identified
- All goods are eligible for DBK subject to their identification
- DBK shall be allowed even exported after use of Imported Goods
- Exported Goods should have been imported and custom duty paid thereon.
- Duty drawback is allowed @ 98% of Import Duty, if exported without use.