

Total No. of Questions-7  
Time Allowed - 3 Hours

**VGFNLM**

Total No. of Printed Pages- 12  
Maximum Marks - 100

## INDIRECT TAX LAWS

Question No. 1 is Compulsory

Attempt any **five** from the remaining **six** questions

Wherever required, suitable assumptions may be made by the candidate and stated clearly in the answer.

Working notes should form part of the answer

### Question No.1 (a)

Fig Ltd. is engaged in manufacture of both excisable and non-excisable goods in its factory from 01.11.2016 which was occupied by it as tenant. The following particulars are pertaining to the period from November 1, 2016 to March 31, 2017:

SI. No.	Particulars	In lakhs
(i)	Clearances of branded goods of another company	70
(ii)	Export sales to Bhutan	60
(iii)	Export sales to UK and Russia	120
(iv)	Clearance of goods (duty paid based on annual capacity of production under Section 3A of the Central Excise Act, 1944)	50
(v)	Clearance of goods subject to valuation based on retail sale price under Section 4A of the Central Excise Act, 1944 (said goods are eligible for 30% abatement)	300
(vi)	Job-work under Notification No. 214/86-CE	80

During the period from 01.04.2016 to 31.10.2016, the previous tenant of the building which is presently occupied by Fig Ltd. had cleared excisable goods of the aggregate value of Rs. 105 lakhs.

Your advice is sought as to whether Fig Ltd. could claim the benefit of exemption in terms of Notification No. 8/2003-CE dated 01.03.2003 for the Financial Year 2017-18.

Advice suitably, showing the necessary computation and working notes/explanations.

**(5 Marks)**

### Question No.1 (b)

Damodhar Bank Ltd., is a bank rendering certain special types of services to its customers. For the month of March, 2017, the following details are made available:

Particulars	Amount (Rs. in
Interest on overdrafts	220
Interest on loans with a collateral security	432
Interest on corporate deposit	235
Processing charges (over and above interest) for loans	10
Sale of foreign exchange to general public	5
Service charges relating to issuance of CD	2

The aforesaid receipts are exclusive of service tax and wherever applicable, service tax has been charged separately. The assessee is not eligible for small service provider exemption.

As regards sale of foreign exchange to general public, the above represents value of taxable service as per rule 2B of the Service Tax (Determination of Value) Rules, 2006.

Compute the service tax payable by the assessee.

(5 Marks)

### Question No.1 (c)

BG Ltd., an Indian company located at Kolkata, imported into India certain commodities in December, 2016 from a country which is covered by a Notification issued under Section 9A of the Customs Tariff Act, 1975. The relevant particulars relating to import are as follows:

CIF value of the consignment—US \$ 25,000

Quantity imported—500 kgs.

Exchange rate applicable—US \$ 1 = Rs. 50

Basic Customs Duty (BCD)—20%

Education Cess and Secondary & Higher Education Cess may be adopted, where applicable.

As per the Notification, the anti-dumping duty leviable will be equal to the difference between the cost of the commodity calculated @ US \$ 70 per kg. and the landed value of the commodity as imported.

Calculate the liability on account of normal duties, and anti-dumping duty. Assume that only BCD and Education Cess and Secondary & Higher Education Cess are payable.

(5 Marks)

### Question No.1 (d)

State the place of provision of service in the following cases:

- RR Agency of Cochin is appointed as commission agent by a foreign company for sale of its goods to Indian customers. RR Agency is eligible for a fixed percentage of commission from the foreign company.
- PQR Hardwares, Bangalore imported second hand computers from its customers located in Singapore for repairs. After necessary repairs, the computers were re-exported to South Africa without being put to use in India.
- Vivi Airlines, an airlines company located in Chennai hired aircraft from a foreign airlines company located in Colombo, Sri Lanka, for a period of 15 days. The aircraft was used in Colombo-Kuala Lumpur sector.

(5 Marks)

### Question No.2 (a)

An input service distributor has a total of 4 units viz. P, Q, R and S which are operational in the current year ended 31.03.2017. It has a common input service credit of Rs. 15,000 pertaining to more than one unit. The details of the turnover in the previous year and current year are given below:

Turnover in Rs.		
Unit	Previous year	Current year
P (Manufacturing excisable goods)	16,00,000	17,00,000
Q (Providing taxable and exempted service)	12,00,000	13,00,000
R (Manufacturing excisable and exempt goods)	13,00,000	20,00,000
S (Providing exclusively exempted service)	9,00,000	12,00,000

How will the CENVAT credit be distributed?

(4 Marks)

**Question No.2 (b)**

M/s. Dolphin Consultants (DC) in Mumbai has entered into a contract in April, 2016 with Tungabhadra Steels Ltd. (TSL) in Karnataka for conducting technical survey in relation to setting up of steel plants in various locations, all over India. As per terms of the contract, DC is to receive consultancy fees and reimbursement of expenses actually incurred on travelling and accommodation for carrying out the survey. The parties also separately agreed that DC would pay the clearing charges for goods imported by TSL through Mumbai port. For this purpose, TSL declared DC as their agent.

Discuss on what principles the value of taxable service will be computed by DC.

**(4 Marks)**

**Question No.2 (c)(i)**

A person made unauthorized import of goods which was confiscated by the customs authorities. The person was given an option to pay fine in lieu of confiscation, it is proposed to impose fine equal to 50% of margin of profit. From the following particulars calculate the maximum of fine that can be imposed:

Assessable value Rs. 60,000;  
Total duty payable Rs. 24,000; and  
Market value Rs. 1,00,000.

Calculate the amount of fine and the total amount to be paid by the importer to clear the consignment.

**(4 Marks)**

**Question No.2 (c)(ii)**

ABC Co. Ltd., is a leading manufacturer of mobile phones. A particular brand manufactured by it whose cost was Rs. 8,000 was sold in the market for Rs. 6,500. The reason for sale below the manufacturing cost was to penetrate the market. The average industry profit on such type of mobile phone is 5%. Determine the assessable value of the mobile phone manufactured by ABC Co. Ltd.

**(4 Marks)**

### Question No.3 (a)(i)

X Ltd. filed the ST-3 return on 30th November 2016 for the period from 1st April 2016 to 30th September, 2016. Subsequently on 1st February 2017, some mistakes were found in the ST-3 return which was originally submitted on 30th November 2016. Service tax authorities rejected the revised return filed by X Ltd. on 5th February, 2017, since the revised return was filed by the assessee after 90 days from the due date of filing the return. Is the action of the department correct?

(2 Marks)

### Question No.3 (a)(ii)

XYZ Limited engaged in the business of construction of Residential Complex, it constructed 20 flats for which completion certificate from competent authority received on 15-07-2016. The flats are sold as under:

Particular	Amount	Full Payment Received on
5 Flats	10 Lac each	01-06-2016
10 Flats	12 Lac each	28-07-2016

Remaining flats are in stock, it is further provided that the cost of land is included in the cost of construction. Compute Service Tax Payable assuming the amount stated herein above are excluding Service Tax

(2 Marks)

### Question No.3 (a)(iii)

Hotel Beach Glory has provided the following information for the month of October, 2016:

SNo	Services provided	(Rs.)
(i)	Serving of food in a restaurant with air-conditioned facility	3,00,000
(ii)	Supply of food in convention centre for organizing conferences along with renting thereof	2,80,000
(iii)	Renting of rooms (Declared Tariff: Rs. 2,500 per room per day)	1,20,000
(iv)	Catering services provided to a CBSE affiliated Higher Secondary School	60,000
(v)	Outdoor catering services provided to a Coaching Institute preparing students for engineering examinations	1,50,000
<b>Total</b>		<b>9,10,000</b>

You are required to compute the value of taxable service and service tax liability of Hotel Beach Glory for the month of October, 2016.

(4 Marks)

### Question No.3 (b)

Explain the warehousing period as given u/s 61 of Custom Act?

(4 Marks)

### Question No.3 (c)

Will the process of crushing of coal amount to manufacture under the Central Excise Act, 1944? Justify your answer with the help of decided rulings.

(4 Marks)

### Question No.4

Answer the following, your answer must be supported with the help of decided case law:

- a) The applicant proposes to provide payment processing service to a US company which in turn provides name registration, web hosting, designing and other services to customers in India. What would be the place of provision of services provided by applicant and whether such services would qualify as 'export of service'?
- b) Whether the pre-delivery inspection charges and after sale service provided by dealer be included in the assessable value.
- c) In case the revenue authorities themselves have doubts about the dutiability of a product, can extended period of limitation be invoked alleging that assessee has suppressed the facts?
- d) Whether an assessee using a foreign brand name, assigned to it by the brand owner with right to use the same in India exclusively, is eligible for SSI exemption?
- e) Should the clearances of two divisions of the assessee having separate central excise registration, be clubbed for determining the turnover for claiming SSI exemption?
- f) Whether filing of declaration of description, value etc. of input services used in providing IT enabled services (call centre/BPO services) exported outside India, after the date of export of services will disentitle an exporter from rebate of service tax paid on such input services?

- g) Based on the contractual arrangement, can the assessee ask the Department to recover the tax dues from a third party or wait till the assessee recovers the same?
- h) Can the Commissioner (Appeals) remand back a case to the adjudicating authority under section 85 of the Finance Act, 1994?

**(2 Marks each)**

**Question No.5 (a)(i)**

10 persons, each contributing Rs. 1,000 per month, come together to organize a chit for 10 months, in June, 2016. Mr. A is the foreman of such chit fund. At the end of first month, Rs. 10,000 (Rs. 1,000/- × 10) are available in the kitty of the chit fund.

The said amount is put to auction by Mr. A and those subscribers who are interested in drawing the money early because of their needs participate in the auction. Mr. B, the successful bidder, offers the highest discount of Rs. 1,000 and thus, is given the chit amount.

Mr. A receives Rs. 50 (5% of discount amount) as commission for conducting the proceedings of the chit. The balance Rs. 950 is distributed to all the subscribers as dividend. Examine whether the activity carried out by Mr. A is liable to service tax?

**(3 Marks)**

**Question No.5 (a)(ii)**

With reference to the amendments made by the Finance Act, 2016 and relevant notifications, if any, discuss the service tax implications on passengers' transportation service, by the following modes of transport:

- (i) Stage carriage
- (ii) Metered cab

**(3 Marks)**

**Question No.5 (a)(iii)**

An outdoor caterer charges total sum of Rs.6 lakhs (excluding taxes); client supplies goods and services valuing Rs.1.5 lakhs (fair market value, excluding taxes) to the caterer on payment of Rs.50,000 (excluding taxes). Compute the value of taxable service and tax thereon.

**(2 Marks)**

**Question No.5 (b)**

When one can pay duty under protest in Excise?

**(4 Marks)**

**Question No.5 (c)**

State the provisions regarding manufacturing of goods in the warehouse as per section 65 of the Custom Act, 1962.

**(4 Marks)**

**Question No.6 (a)(i)**

M/s. PMG Goods Services, a goods transport agency (GTA) furnishes the following information in respect of services provided for the month ending on March 31st, 2017. Determine the value of taxable services and tax thereon under the Finance Act, 1994.

S. No.	Particular	Amount
i)	Service provided to M/s. Alka Co. Ltd. where person liable to pay freight is Alka Co. Ltd	25,50,000
ii)	Freight for transport of food grains and pluses	2,50,000
iii)	Service to an unregistered firm	6,00,000
iv)	Service provided as a clearing and forwarding agent	2,00,000
v)	Composite service provided which include packing/unpacking, loading, unloading in the course of transportation by road	2,00,000
vi)	Service tax paid on input services used for providing goods transport agency services	72,000

(Provide suitable explanations where required)

**(4 Marks)**



**Question No.6 (a)(ii)**

Compute the service tax liability (including cesses) as per rule 2A(i) of the Service Tax (Determination of Value) Rules, 2006 from the following particulars:

Particular	Amount
Gross amount (excluding all taxes) charged by the service provider providing works contract service for	Rs. 2,00,000
Actual value of material transferred in the above works contract (VAT under the relevant State VAT Law has been paid on this value)	Rs. 1,60,000
Excise duty paid on inputs	Rs. 20,000
Service tax paid on input services	Rs. 2,800
SBC paid on input services	Rs. 100
KKC paid on input services	Rs. 100
Capital goods valuing Rs. 20,000 (exclusive of excise duty) have been purchased during the year and used in the provision of works contract service (rate of excise duty is 12.5%)	
Rate of service tax (including SBC & KKC) 15%	

**(4 Marks)**

**Question No.6 (b)**

Briefly state the Export Promotion Capital Goods Scheme as per Foreign Trade Policy (2015-2020)

**(4 Marks)**

**Question No.6 (c)(i)**

Elaborate the provisions regarding time limits for completion of assessment under Service Tax and Excise Law by the Adjudicating Authority.

**(2 Marks)**

**Question No.6 (c)(ii)**

Is change in tariff heading/sub-heading under the Central Excise Tariff Act, 1985 required between the input material and the resultant finished product so as to render such finished products liability to duty?

**(2 Marks)**

**Question No.7(a)**

Prajakta Processors Pvt. Ltd. furnishes following details for the financial year 2015-16:

Particular	(Rs.)
Turnover of dutiable goods	1,20,00,000
Turnover of exempted goods	60,00,000
Turnover of non-excisable	20,00,000
<b>Total</b>	<b>2,00,00,000</b>

Details of CENVAT credit for the month of October, 2016 are as under:

Particulars			(Rs.)
I.	CENVAT credit on inputs and input services		1,00,000
	The above CENVAT credit includes:		
(i)	CENVAT credit on inputs used exclusively for manufacture of exempted goods	8,000	
(ii)	CENVAT credit on input services used exclusively for manufacture of exempted goods	8,000	
(iii)	CENVAT credit on inputs used exclusively for manufacture of non-excisable goods	2,000	
(iv)	CENVAT credit on input services used exclusively for manufacture of non-excisable	2,000	
(v)	CENVAT credit on inputs used exclusively for manufacture of dutiable goods	10,000	
(vi)	CENVAT credit on input services used exclusively for manufacture of dutiable goods	10,000	

II.	CENVAT credit on machinery (50% of the credit availed in the month). The machinery is used in the manufacture of dutiable goods, exempted goods and non-excisable goods.	15,000
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Details of finished products manufactured and cleared in the month of October, 2016 are as under:

Particulars	(Rs.)
Turnover of dutiable goods	12,00,000
Turnover of exempted goods	1,00,000
Turnover of non-excisable	50,000
<b>Total</b>	<b>13,50,000</b>

Prajakta Processors Pvt. Ltd. wishes to reverse proportionate CENVAT credit under rule 6(3)(ii) of CENVAT Credit Rules, 2004.

You are required to compute the net duty payable (in cash) by Prajakta Processors Pvt. Ltd. for the month of October, 2016.

**(8 Marks)**

**Question No.7 (b)(i)**

XYZ Ltd has imported imported inputs without Payment of duty under Advance authorisation. The CIF value is Rs. 10,00,000/- the Input processed & final Product exported. What should be the minimum value of Export (FOB) as per the provision of Advance Authorisation.

**(3 Marks)**

**Question No.7 (b)(ii)**

Compute Duty credit Script under SEIS Scheme on the Basis of following information:-

- (i) The Net FE earning in the preceeding FY was \$ 30000
- (ii) Supply of Service from India to UK \$ 40000 expense \$ 2000 [INR 120000]
- (iii) Collection of \$ 80000/- on behalf of client
- (iv) Export realisation \$ 10000 from EEFC A/C
- (v) Loan taken \$ 1,00,000
- (vi) Rate notified 5%

**(3 Marks)**

**Question No.7 (c)**

State Provisions of Section 74 of the Customs Act, 1962 relating to duty drawback.

**(2 Marks)**

**UPCOMING BATCHES FOR NOV 2017**  
**Faculty: CA VIJAY GAURAV**

Subject	Course	Classes	Start	End	Time	Fee
Direct Tax	Regular	50	22-05-17	31-07-17	5.30-8.30pm	15,000
Indirect Tax	Regular	50	22-05-17	31-07-17	7-10 am	15,000
Direct Tax	Crash	20	01-08-17	25-08-17	7-11 am	8,000
Indirect Tax	Crash	20	01-09-17	23-09-17	5-9 pm	8,000