

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

**VGFNLN**

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)

Balaji & Company, a manufacturer of excisable goods (shoes), provides the following details for the preceding financial year:

Particulars	Rs. In Lakhs
Total value of clearances during preceding financial year (including VAT Rs. 80 lakhs)	950
Break-up of the above clearances is as under:	
Total exports [including exports to Bhutan (Rs. 250 lakhs) & Nepal (Rs. 100 lakhs)]	500
Clearances of goods without payment of duty to a unit in Electronic Hardware Technology Park	20
Job work under Notification No. 84/94 CE dated 11.04.1994	100
Job work under Notification No. 83/94 CE dated 11.04.1994	100
Clearances of goods bearing brand name of National Small Industries Corporation	150
Value of the above clearances does not include VAT	

You are required to determine if Balaji & Company is eligible for exemption in the current financial year in terms of Notification No. 8/2003 CE dated 01.03.2003. Make suitable assumptions and provide brief reasons for your answers, where necessary.

**(5 Marks)**

### Question No.1 (b)(i)

Which commodities are kept outside the purview of GST?

**(2 Marks)**

### Question No.1 (b)(ii)

List the activities to be treated as supply even if made without consideration.

**(2 Marks)**

**Question No.1 (b)(iii)**

Discuss the taxability of import of services under GST.

**(2 Marks)**

**Question No.1 (b)(iv)**

Enumerate the activities or transactions which shall be treated neither as a supply of goods nor a supply of services.

**(2 Marks)**

**Question No.1 (b)(v)**

What do you mean by composite supply & mixed supply? Briefly discuss the manner in which the tax liability on composite supplies and mixed supplies is determined?

**(2 Marks)**

**Question No.1 (c)**

Miss Priya imported certain goods weighing 1,000 kgs with CIF value US \$ 40,000. Exchange rate was 1 US \$ =Rs. 45 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 Priya.

**(5 Marks)**

**Question No.2 (a)**

Bodyfit Ltd. is manufacturer of patent and proprietary medicines. Physician samples were distributed to medical practitioners as free samples. The Central Excise Department raised the demand of excise duty on such samples.

The assessee contended that since the sale of the physician samples was prohibited under the Drugs and Cosmetics Act, 1940 and the rules made thereunder, the same could not be considered to be marketable and hence were not liable to excise duty.

Examine, with the help of a decided case law, whether the contention of the assessee is valid in law.

**(4 Marks)**

**Question No.2 (b)**

Mihir Ltd., which has a unit each in special economic zone (SEZ) and in domestic tariff area (DTA), furnishes the following information in respect of the services received by SEZ unit and DTA unit for the quarter, July to October, 2016.

- (i) Service tax (including cesses) paid on services exclusively used for authorized SEZ operations: Rs. 15 lakh.
- (ii) Service tax (including cesses) paid on services exclusively used for DTA operations: Rs. 30 lakh.
- (iii) Service tax (including cesses) paid on services commonly used for authorised SEZ operations and DTA operations: Rs. 45 lakh.

Determine the amount of refund under Notification No. 12/2013 ST dated 01.07.2013 assuming that Mihir Ltd. has opted for refund route under the said notification.

**Note:** The turnovers of SEZ unit and DTA unit during the preceding financial year were Rs. 800 lakh and Rs. 1200 lakh respectively.

**(4 Marks)**

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

With reference to the Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable and Other Goods) Rules, 2016, answer the following questions:

- (i) Is the applicant manufacturer required to file any returns? Briefly explain the provisions, if any, relating to filing of return by the applicant manufacturer.
- (ii) What consequences will follow if the goods received at concessional rate of duty are not used for intended purpose? Explain briefly.

**(4 Marks)**

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

Clearly mention the relevant date in the following cases of goods warehoused under bond:

- (i) Rate of exchange, when goods are removed for home consumption.
- (ii) Rate of duty, when goods are removed for home consumption.
- (iii) Rate of duty if the goods are not removed from warehouse within the permissible period.

**(4 Marks)**

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

M/s. Spice Jet Airlines is engaged in providing service of transport of goods by aircraft. It collected the following sums (Exclusive of taxes, if any) towards the service:

- (1) Air freight relating to goods imported into India; Rs. 13 lakhs;
- (2) Freight relating to domestic transported into India: Rs. 35 lakhs;
- (3) Air freight charged from M/s. XYZ. Ltd., for transport of goods from its Dubai branch to Sydney branch: Rs. 18 lakhs;
- (4) Freight relating to goods exported by aircraft; Rs. 20 lakhs;

Compute value of service tax & Service tax payable thereon.

**(4 Marks)**

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

Mr. X provides you with the following information for the month of July, 2016 to compute the value of taxable services and service tax, SBC & KKC thereon if all charges are exclusive of service tax, SBC & KKC. Ignore Small Service Providers' exemption:

- (1) Royalty for providing use of technical knowhow for manufacture of products: Rs. 25,00,000;
- (2) Royalty received for permanent transfer of trademark : Rs. 20,00,000;
- (3) Annual royalty form authorship of books: Rs. 18,00,000
- (4) Royalty received for temporary transfer of patent registered outside India : Rs. 3,00,000
- (5) Royalty received from Music Company for allowing recording of song composed by Mr. X for further distribution : Rs. 6,00,000;
- (6) Research and Development cess paid for import of technology : Rs. 50,000;
- (7) Receipts from providing use of some secret information: Rs. 2,00,000

**(5 Marks)**

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

Discuss the prosecution implications under section 89 of the Finance Act, 1994, if any, in respect of the following cases:

- (i) Mr. Lalit Jain, a taxable service provider, avails CENVAT credit of Rs. 40 lakh without actual receipt of excisable goods. However, he is yet to utilize such CENVAT credit.
- (ii) Mr. Kanha Goel, a service tax assessee, wilfully evades payment of service tax of Rs. 14 crore.
- (iii) Mr. Chirag Sharma, a taxable service provider, collects Rs. 6 crore as service tax from its clients in June, 2016, but deposits only Rs. 1 crore with the Central Government by February, 2017.

In the above question, what will be the prosecution implications, if Mr. Kanha Goel and Mr. Chirag Sharma are convicted for subsequent offences?

**(3 Marks)**

**Question No.3 (b)**

Two exporters namely, Skyfly Pvt. Ltd. and Landup Pvt. Ltd. have achieved the status of Status Holders (One Star Export House) in the financial year 2016-17. Both the exporters have been regularly exporting goods every year. What would have been the minimum export performance of the two exporters to achieve such status?

Both the exporters want to establish export warehouses in accordance with the applicable guidelines. What should be their minimum export turnover to enable them to establish export warehouses?

**(2 Marks)**

**Question No.3 (c)**

M/s Royal Industries started its production activities on 15th March, 2017. In the month of March, 2017, 1,000 units of raw material were purchased at Rs. 150 per unit, paying excise duty @ 8%. 800 units of raw material were consumed in manufacturing process and finished output was sold for Rs, 1,40,000 (excluding excise duty @8%). For simplification, you may ignore the conversion cost and assume the rates of excise duty.

**(2 Marks)**

**Question No.4**

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

- a) The adjudicating authority has passed an order for refund under section 11B of the Central Excise Act, 1944 which was alleged as erroneous by the Department. Can Department recover such refund under section 11A of the Central Excise Act, 1944 without review of the refund order in terms of section 35E of the Act?
- b) Can the order directing the provisional attachment of property under section 73C of the Finance Act, 1994 be made without giving any opportunity of being heard to the assessee?
- c) In case the assessee pays the service tax that he was not liable to pay, can it claim the CENVAT credit of such service tax?
- d) Whether rule 18 of Central Excise Rules, 2002 (CER) allows export rebate of excise duty paid on both inputs as well as the final product manufactured from such inputs?
- e) 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?
- f) Would countervailing duty (CVD) on an imported product be exempted if the excise duty on a like article produced or manufactured in India is exempt?
- g) Whether supply of food, edibles and beverages provided to the customers, employees and guests using canteen or guesthouse of the other person, results in outdoor caterer service?
- h) 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?

**(2 Marks each)**

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

X Bank Ltd., furnishes the following information relating to services provided and the gross amount received:

Particulars	Rs. in lakhs
Merchant Banking Services	8
Asset Management (including portfolio management)	3
Service charges for services to the Government of India	1.5
Interest on overdraft and cash credits	2
Banker to the issue	5
Locker rent	2

Repayment of financial lease made by the customer to the bank Rs. 80 lakhs which includes a principal amount of Rs. 50 lakhs.

Compute the value of taxable service under "Banking and other financial services" under the Finance Act, 1994 and the service tax liability of X Bank Ltd., considering the rate of service tax at 15%.

**(4 Marks)**

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

M/s Evasions Unlimited, manufacturing excisable goods, paid the differential duty, suo motu, to the Department as the prices of the said goods were revised with retrospective effect. The Revenue took the view that the assessee was liable to pay interest on differential duty under Section 11AB of the Central Excise Act, 1944 and penalty thereof. The assessee replied that there was no question of charging interest and penalty as the payment of differential duty was made by it at the time of issuing supplementary invoices to the customers. Discuss, with reference to a decided case law, if any, whether the view taken by the Revenue is justifiable.

**(2 Marks)**

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

State, with reasons in brief, whether the following services are taxable, under the provisions of the Finance Act, 1994 relating to Service tax:

- (i) Services in relation to production of alcoholic liquor on job work basis.
- (ii) Service of transport of goods in container by Government Railway.

**(2 Marks)**

**Question No.5 (b)**

T Ltd. imported some goods from LMP Inc. of United States by air freight. You are required to compute the value for purposes of customs duty under the Customs Act, 1962 from the following particulars:

CIF value US \$ 6,000  
Freight paid US \$ 2,000  
Insurance cost US \$ 700

The bank had received payment from the importer at the exchange rate of US \$ 1 = Rs. 46 while the CBEC notified exchange rate on the relevant date was US \$ 1 = Rs. 45.5

(Make suitable assumptions where required and provide brief explanations to your answer.)

**(4 Marks)**

**Question No.5 (c)**

Whether the value of material supplied by the contractee to the contractor for use in the execution of the works contract shall be included in the value of works contract for payment of Service tax under the composition scheme?

What is the present rate of service tax under this scheme? Can the service provider avail CENV AT credit also?

**(4 Marks)**

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

Sona Ltd., purchased a lathe machine at a cum-duty price of Rs. 18,63,680. The excise duty rate charged on the said machine was 12% plus education cess 2% plus secondary and higher education cess 1%. The machine was purchased on 1-7-2014 and was disposed of on 30-9-2016 for a price of Rs. 10,00,000 in working condition as second hand machine. Calculate the amount of CENVAT credit allowable for the financial years 2014-15 and 2015-16 and also specify the amount payable towards CENVAT, credit already taken at the time of disposal of the machinery in the year 2016-17.

**(4 Marks)**

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

D & Co. is engaged in the services of site preparation and clearance, excavation earth moving and demolition services. The gross amount received during the quarter ended 30-6-2016 for the services provided by them are given below:

Particulars	Rs.
Core extraction services for construction	1,80,000
Land reclamation work	80,000
Services in relation to agriculture	2,00,000
Renovating or restoring water sources	3,50,000
Horizontal drilling of passage of cables or drain pipes	1,00,000
Soil stabilization	90,000
Construction of transport terminals	55,000

Calculate the value of taxable services under "Site preparation and clearance, excavation, earth moving and demolition services" under the Finance Act, 1994 and the service tax payable at 15%. (Provide brief explanations where required.)

**(4 Marks)**

**Question No.6 (b)**

Explain the validity of the following statements with reference to Central Excise Laws, as amended:

- (i) Records seized by department during investigation but not relied upon in the show cause notice should be returned within 30 days of issue of show cause notice.
- (ii) Special audit under Section 14A and 14AA can be done by a cost accountant only.
- (iii) Authority of Advance Ruling under the Income-tax Act, 1961 will be authority for purposes of Central excise also.
- (iv) High Court is empowered to condone delay in filing appeal and cross objection filed under Sections 35G and 35H of the Central Excise Act, 1944, beyond the prescribed period.

**(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)**

Under Excise Audit, 2000, the selection of unit for audit is based on 'risk factors'. Explain in brief the term 'risk factors' giving any two examples.

**(2 Marks)**

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

State briefly with reference to the provisions of the Finance Act, 1994 whether the following services are liable to tax:

- (i) Permanent transfer of intellectual property rights.
- (ii) Services provided in relation to handling storage and warehousing of empty containers under storage and warehousing service.

**(2 Marks)**

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

XYZ Limited is engaged in execution of works contract which are liable to VAT as transfer of property in goods involved in execution of works contract. You are required to compute taxable value of service and service tax leviable thereon under rule 2A (ii) of Service Tax (Determination of Value) Rules, 2006 for quarter ended 30-09-2016, if the company has not availed small service provider exemption. The amount charged is exclusive of all taxes.

- (1) New construction of commercial building : Rs. 75,00,000
- (2) Erection of Textile Plant : Rs. 1,25,00,000
- (3) Additions made to abandoned structures on land to make them workable :  
Rs. 18,00,000
- (4) Repairs and maintenance of air conditioners: Rs. 25,00,000
- (5) Completion and finishing service of residential project: Rs. 12,00,000
- (6) Plastering services of commercial building : Rs. 12,80,000

**(6 Marks)**

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

Y Ltd. (raw material supplier) supplies raw material to a job worker (manufacturer) Z Ltd. The job worker after completion of the job delivers 5000 packets of finished goods to Y Ltd. In these entire packets retail sale price (maximum) of Rs. 30 per packet is marked. The product in packaged form is subject to excise duty on the basis of MRP under Section 4A of the Central Excise Act, 1944 and in respect of the same 30% abatement has been prescribed. Determine the assessable value for purpose of excise duty after considering the following particulars:

Particulars	Rs.
Cost of raw material supplied	45,000
Job charges including profit	15,000
Transport charges for dispatch to job worker	4,000
Transport charges for return of finished product	4,000

(Provide brief explanation and make assumptions where required.)

**(3 Marks)**

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

State briefly the provisions under the Customs Act, 1962 relating to duty drawback on re-export of goods.

**(3 Marks)**

**Question No.7 (c)**

Briefly explain the provisions relating to export of services under the Export of Service Rules, 2005.

**(2 Marks)**

## UPCOMING BATCHES

### CA-FINAL: (REGULAR COURSES) MAY 18

Subject	Mode	Start	End	Timings	Fees
<b>Paper 6: International Taxation: 100 Marks)</b>	<b>Face to Face</b>	<b>29.01.18</b>	<b>24.02.18</b>	<b>07:00 AM to 11:00 AM (Mon to Sat)</b>	<b>Rs. 15,000/-</b>
<b>Paper 7: Direct Tax Laws: 70 Marks &amp; International Taxation: 30 Marks (earlier Direct Tax Laws: 100 Marks)</b>	<b>Face to Face</b>	<b>04.12.17</b>	<b>03.02.18</b>	<b>07:00 AM to 11:00 AM (Mon to Sat)</b>	<b>Rs. 15,000/-</b>
<b>Paper 8: Indirect Tax Laws (GST: 75 Marks, Custom &amp; FTP: 25 Marks)</b>	<b>Face to Face</b>	<b>04.12.17</b>	<b>31.01.18</b>	<b>07:00 AM to 11:00 AM (Mon to Sat)</b>	<b>Rs. 15,000/-</b>

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