

**PARUL UNIVERSITY**  
**FACULTY OF COMMERCE**  
**M.Com (Hons) Summer 2017 – 18 Examination**

Semester: 3

Subject Code: 16201203

Subject Name: Indirect Taxes -Central Excise &amp; Service Tax

Date: 31/05/2018

Time: 10.30 am to 1.00 pm

Total Marks : 60

**Instructions:**

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.
4. Start new question on new page.

**Q.1 (A) Multiple Choice Questions:****(06)**

1. Service tax was introduced first time on:
 

|               |               |
|---------------|---------------|
| a. 5 services | b. 4 services |
| c. 3 services | d. 7 services |
2. The power to levy service tax is now provided by the Constitution vide entry No.
 

|                          |                         |
|--------------------------|-------------------------|
| a. 92C of the Union list | b. 54 of the State list |
| c. 97 of the Union list  | d. 93 of the Union list |
3. Service Tax is administered by:
 

|                           |                          |
|---------------------------|--------------------------|
| a. Service Tax Department | b. Income tax Department |
| c. Excise Department      | d. State VAT Department  |
4. Processing can amount to manufacture if a \_\_\_\_\_ and \_\_\_\_\_ product known in the market emerges.
 

|                      |                           |
|----------------------|---------------------------|
| a. Existing, similar | b. New, identifiable      |
| c. New, Similar      | d. Existing, identifiable |
5. Non-Dutiable goods means :
 

|  |   |
|--|---|
| a. Name of the product not mentioned in the Tariff Act                   | b. Name of the product mentioned in the Tariff Act                    |
| c. Name of the product mentioned in the Tariff Act with the Rate of Duty | d. Name of the product mentioned in the Tariff Act with the Zero Rate |
6. The Central Excise law is administered by
 

|                                    |  |
|------------------------------------|--|
| a. Central Board of Indirect Taxes | b. Central Board of Excise and Customs |
| c. Central Board of Excise Duty    | d. Central Government                  |

**Q.1 (B) Do as directed:****(06)**

1. Define Factory.
2. As per Point of Taxation Rules 2011, what will be the point of taxation when services are received from "Associated Enterprises" located outside India?
3. Discuss briefly, whether excise duty is attracted on the excisable goods manufactured in the State of Jammu and Kashmir.
4. How are the 'incomplete or unfinished goods having the essential characteristics of finished goods' classified under the Central Excise Tariff Act, 1985?
5. Explain briefly the significance of "Trade Parlance Test" with respect to classification of excisable goods under the Central Excise Act, 1944.
6. Write down the meaning of Consignment Note.

**Q.2 Answer the following:****(4+4+4)****(12)**

1. Write down the contents of consignment note.
2. Name any 8 services where entire service tax is payable by any person liable for paying service tax. (other than service provider)
3. BCC Ltd. is engaged in providing taxable services. For the half year ended on 30<sup>th</sup> September, it filed its return on:-
  - Case I: 9<sup>th</sup> November
  - Case II: 23<sup>rd</sup> November
  - Case III: 25<sup>th</sup> January
 Determine the amount of late fee payable by BCC Ltd. in each of the independent cases.

4. Service tax of ₹ 4,000 for the month of March, 20XX was paid on 24<sup>th</sup> April, 20XX by an HUF.  
 5. The value of taxable services provided by it during the preceding financial year was ₹ 12 lakh. Determine the amount of interest payable under section 75 of the Finance Act, 1994.  
 Note: The service tax of ₹ 4,000 has not been collected from service receiver.

**Q.3 Answer the following: (Any three out of four)**

**(6+6+6)**

**(18)**

1. Compute the value of taxable service and service tax liability in each of the following independent cases:

| Services rendered   | Amount (₹) |
|---|------------|
| Sale of space for advertisement in newspaper                  | 45,000     |
| Services related to preparation of advertisement              | 85,000     |
| Sale of time for advertisement to be broadcast on radio       | 65,000     |
| Advertising via banners at public places                      | 50,000     |
| Sale of time for advertisement to be broadcast on TV          | 1,00,000   |
| Channel Sale of space for advertisement in yellow pages       | 25,000     |
| Advertising via aerial bill-boards                            | 90,000     |
| Canvassing advertisement for publishing on a commission basis | 35,000     |

**Note:** All the charges stated above are exclusive of service tax and none of the service providers is eligible for Small service providers' exemption. Rate of service tax is 15% (including SBC & KKC).

2. Determine the place of provision of services as well as their taxability in each of the following cases:

- Mr. A, the owner of an immovable property located in New Delhi, gives the said property to Mr. B of London on rent, for commercial purposes. Mr. B pays the rent in UK pounds.
- Mr. Rahul, a Delhi based interior decorator, provides his professional services in respect of an immovable property which is located in San Diego, U.S.A.
- A U.S.A. based company possessing specialization in mineral exploration has been awarded a contract for mineral exploration in respect of specific sites in Canada by Mumbai based Mr. Ram Kapoor.
- ABC Ltd. agrees to provide services connected with oil exploration [by virtue of single agreement for consolidated consideration] to XYZ Ltd. in respect of specific sites located in Assam, Gujarat and Maharashtra. The proportion of services provided by ABC Ltd. in above States worked out to be 25%, 60% and 15%. ABC Ltd. does not have a centralized registration.

3. Machine India Ltd. is engaged in the manufacture of machines. It has supplied one machine to M/s. Z & Co. at a price of ₹ 8,50,000 (excluding taxes and duties). Cash discount @ 2% on price of machinery is allowed to M/s. Z & Co. Further, following additional amounts have been charged from M/s. Z & Co.:

|       | Particulars  | ₹ (in lakhs) |
|-------|--|--------------|
| (i)   | Expenses pertaining to installation and erection of the machine at M/s Z & Co.'s premises (Machine was permanently affixed to earth) | 30,000       |
| (ii)  | Packing charges  | 12,500       |
| (iii) | Design and engineering charges   | 4,000        |
| (iv)  | Pre-delivery inspection charges (charged by Machine India Ltd.)  | 1,000        |

M/s Z & Co. has supplied material worth ₹ 10,000 free of charge to Machine India Ltd. for being used in production of machine.

Determine the total amount of central excise duty payable thereon from the aforesaid information.

Rate of excise duty is 12.5%.

4. Discuss whether an option is available to an air travel agent to pay service tax at a rate lower than the rate specified in section 66B of the Finance Act, 1994? If yes, mention the rates of service tax in such case.

**Q.4 Answer the following: (Any two out of three)**

**(9+9)**

**(18)**

1 (i). Heena Ltd. is engaged in providing taxable services. It received following amounts in the month of September, 20XX. Compute the value of taxable services and the service tax payable by it:

|       | Particulars of receipts   | Amount(₹) |
|-------|---|-----------|
| (i)   | Advances received from clients for which no service has been rendered so far.   | 10,00,000 |
| (ii)  | Demurrage charges recovered for use of services beyond the agreed period.   | 25,000    |
| (iii) | Security deposits forfeited for damages done by service receiver owing to his negligence in the course of receiving a service (not due to unforeseen actions)                       | 35,000    |
| (iv)  | Payment received from a client for the service provided in September (including ₹ 25,000 paid extra by mistake). However, Heena Ltd. refused to return the excess payment received. | 2,00,000  |

Note: Heena Ltd. is not eligible for small service providers' exemption under Notification No. 33/2012-S.T. dated 20.06.2012 and service tax has not been charged separately. Rate of service tax is 15% (including SBC & KKC).

(ii). Compute the assessable value of the goods manufactured by Bharat Enterprises, under section 4 of the Central Excise Act, 1944, with the help of the following particulars:-

| Particulars  | Amount (₹) |
|--|------------|
| Contracted sale price for delivery at factory                              | 2,42,000   |
| The contracted sale price includes the following elements of cost:-        |            |
| (i) Cost of containers supplied by the buyer                               | 15,200     |
| (iii) Loading and handling charges incurred after removal from the factory | 6,000      |
| (iii) Dharmada charges   | 2,100      |

2 (i). The following information is provided in respect of manufacture of a product "X" for captive consumption in the same factory. You are required to determine the value for purpose of duty of excise in terms of rule 8 of the Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000:

|  |        |
|--|--------|
| Cost of direct materials (includes central excise duty ₹ 1,875*) | 16,875 |
| Cost of direct employees   | 12,300 |
| Consumable stores and repairs                                    | 8,400  |
| Quality control cost   | 4,300  |
| Research & development cost                                      | 2,700  |
| Administrative cost:   |        |
| Production related   | 3,000  |
| Others   | 1,500  |
| Selling and distribution cost                                    | 3,600  |
| Scrap value realized   | 1,500  |

\*Note: CENVAT credit of the excise duty so paid is available.

(ii). Hema Manufacturers gets its product manufactured on job work basis from Meltex Ltd., an independent processor. The details of the transaction are as follows:

|   | <b>Amount (₹)</b> |
|---|-------------------|
| Cost of material sent to job worker for processing                              | 5,000             |
| Processing charges (₹ 1000 processing charges & ₹ 500 profit)                   | 1,500             |
| Transportation charges for sending the goods to the premises of the Meltex Ltd. | 200               |

After processing, goods are sold by Hema Manufacturers at ₹ 8,000 from the premises of Meltex Ltd. Ascertain the assessable value of the goods as per section 4 of the Central Excise Act, 1944 read along with relevant rules.

3.(i) Enumerate the conditions under which MRP valuation under section 4A of the Central Excise Act, 1944 shall apply.

(ii). Excise Department cannot challenge the reasonability of MRP printed on the package. Discuss the validity of the statement.

(iii). State the procedure for valuing excisable goods that are to be sold from depot/branch or premises of a consignment agent under the Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000.