

PARUL UNIVERSITY
FACULTY OF COMMERCE
M.Com (Hons) Winter 2016 – 17 Examination

Semester: 3

Date: 08/12/2017

Subject Code: 16201203

Time: 10:30am to 01:00pm

Subject Name: Indirect Taxes

Total Marks: 60

Instructions:

1. Attempt all questions as directed.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.

Q.1 (A) Multiple Choice Questions:**(6)**

1. Return of service tax is required to be furnished in form

a. ST-1	b. ST-2
c. ST-3	d. None of the above
2. Which of the state is excluded from the Jurisdiction of Service Tax Law?

a. Jammu and Kashmir	b. Rajasthan
c. West Bengal	d. Assam
3. Service Tax is administered by:

a. Service Tax Department	b. Income tax Department
c. Excise Department	d. State VAT Department
4. Excise duty can be levied on those goods which are :

a. Manufactured in India	b. Sold in India
c. Removed from the factory	d. None of the above
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 excise duty on alcoholic goods manufactured by the manufacturer is payable to :

a. State Government	b. Central Government
c. Corporation	d. Local authority

Q.1 (B) Do as directed:**(6)**

1. Under reverse charge mechanism, which services have been notified, where service tax is payable by both the service provider and any other person liable for paying service tax?
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. What are the basic conditions for levy of excise duty under section 3 of the Central Excise Act, 1944?
4. Explain briefly with reference to the provisions of the Central Excise Act the term “Deemed Manufacture”.
5. Briefly explain the following with reference to the provisions of the Central Excise Act, 1944:
 “Assembly tantamounts to manufacture”
6. What legal/penal actions can be taken in case the retail sale price is not mentioned or is unduly tampered after the removal?

Q.2 Answer the following: (04 Marks Each)**(12)****1.**

Bahubali Ltd. enters into a contract with Devsena Ltd. for construction of a new building to be used primarily for commercial purposes for a total consideration of Rs. 150 lakhs on 02.07.2017. As per the terms of contract, Bahubali Ltd. is required to make payment at different stages of completion of the building namely, 50%, 75% and 100%.

Determine the point of taxation using relevant details given as under:

Stage	Date	Date of Issuance of invoice	Date of payment	Amount paid (Rs.)
Initial booking	02.07.2017	02.07.2017	02.07.2017	15 lakh
50% completion of building	15.03.2018	22.03.2018	29.03.2018	60 lakh
75% completion of building	20.06.2018	24.07.2018	25.07.2018	35 lakh
100% completion of building	30.09.2018	21.10.2018	20.10.2018	40 lakh

Note: A certificate from a Chartered Engineer registered with the Institution of Engineers (India) has been obtained with respect to each stage (viz., 50%, 75% and 100%) of completion of building.

2.

Mr. Rahul Gandhi provided interior decorator's services in the half year ended on 30th September, 2016. The due date of filing the return for the said half year was 25th October, 2016. Compute the amount payable by her in terms of rule 7C of the Service Tax Rules, 1994, if any, in each of the following independent cases:

Cases	Date of filing of service tax return
Case I	01.11.2016
Case II	22.11. 2016
Case III	28.11. 2016
Case IV	04.12. 2016
Case V	14.12. 2016
Case VI	03.05.2017
Case VII	02.06.2017
Case VIII	22.06.2017

3.

Explain and Expand the Following

"Mere selling of a commodity does not mean it is marketable" **and** "How are the 'incomplete or unfinished goods having the essential characteristics of finished goods' classified under the Central Excise Tariff Act, 1985"?

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

(18)

1.

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:

Particulars	Rs.
Cost of direct materials (includes central excise duty Rs. 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.

2.

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

- (i) 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.
- (ii) 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.
- (iii) 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.
- (iv) 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.
- (v) Rohit, a consulting engineer provides his professional consultancy services to a U.K. based company in respect of its three immovable properties located in U.K., USA and Dubai.
- (vi) ABC Testings Ltd., an Indian firm provides 'technical inspection and certification service' in respect of a newly developed product of an overseas firm (for a newly launched car which has to meet emission standards in different Countries). The overseas firm has provided its newly developed product to ABC Testings Ltd. for the purpose of testing. The testing is carried out in Gujarat (10%), Kerala (30%), and Canada (60%).

3. Following independent services were provided in the month of October, 2017:

Services rendered	Amount (Rs.)
Advertising through mobile SMS and e-mails	10,00,000
Sale of space for advertisement in newspaper	6,50,000
Sale of space for advertisement in Doon Yellow Pages	50,000
Sale of space for advertisement in business directories	40,000
Advertisement by means of banner at public places	75,000
Advertisement on cover and back pages of 'Books'	1,20,000

Compute the service tax liability in each of the aforesaid cases assuming that all the charges stated above are exclusive of service tax. Ignore exemption for small service providers. Rate of service tax is 15% (including SBC & KKC).

4.

M/s. Patanjali Ltd. has introduced new product "Dant Kanti" toothpaste, notified under section 4A of the Central Excise Act, 1944, with a notified abatement of 30%. Determine the central excise duty payable if rate of duty is 12.5%

- (i) 1,000 pieces having retail sale price (RSP) Rs. 70 per piece are sold in retail packages to wholesale dealer at Rs. 50 per piece.
- (ii) 2,500 pieces having RSP Rs. 70 per piece are sold in retail packages, but buyer is charged for 2,400 pieces only at Rs. 50 per piece (100 pieces have been given free as quantity discount).
- (iii) 50 pieces were given away as free samples, without any RSP on the pack.
- (iv) 200 multi-packs were cleared at Rs. 90 per pack, each containing two toothpaste tubes and one toothbrush free (without any RSP on it). Each tooth paste tube was having RSP Rs. 70, which was scored out and each multi-pack had RSP of Rs. 130.

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

(18)

1.

Alpha Ltd., a manufacturer of excisable goods, has two production units - Unit A and Unit B. Unit A of Alpha Ltd. manufactures product 'X'. 80% of such production is consumed captively by Unit B to further manufacture product 'Y' and the remaining 20% is sold to unrelated buyers at Rs. 75 per unit. In April, 2017, Unit A has manufactured 1000 units of product 'X'. Assuming that there is no opening and closing

inventory of product X, compute its assessable value (entire production) for the purpose of central excise duty from the following information provided by Alpha Ltd. in relation to Unit A for the month of April, 2017 -

Particulars	Rs.
Cost of direct materials (inclusive of central excise duty @ 12.5%)	22,500
Cost of direct salaries (includes house rent allowance of ₹ 12,000)	30,000
Consumable stores and repairs	8,400
Depreciation of machinery	500
Quality control cost	4,300
Research & development cost	2,700
Administrative cost:	
Production related	2,000
Project management related	1,800
Interest and financial charges	2,400
Cost incurred due to break down of machinery	1,300
Amortized cost of moulds and tools received free of cost from the production unit 'B' for being used only in the manufacture of goods to be consumed by unit 'B'	600
Selling and distribution cost	4,600
Scrap value realized	1,500

2.

A. Compute service tax liability as per rule 2A(i) of the Service Tax (Determination of Value) Rules, 2006 from the following particulars: **(3 Marks)**

Gross amount (excluding all taxes) charged by the service provider for providing works contract service	Rs. 1,00,000
Actual value of material transferred in the above works contract (VAT under the relevant State VAT Law has been paid on this value)	Rs. 70,000
Excise duty paid on inputs	Rs. 8,750
Service tax paid on input services	Rs. 1,400
SBC paid on input services	Rs. 50
KKC paid on input services	Rs. 50
Excise duty paid on the capital goods, purchased during the year, used in the provision of works contract service	Rs. 1,000
Rate of service tax (including SBC & KKC)	15%

B. Kejriwal Bank Ltd. furnishes the following information relating to services provided and the gross amount received. Compute the value of taxable service and service tax payable: **(6 Marks)**

	Particulars	Rs. (Lakhs)
(i)	Administration charges collected for extending home loans	10.00
(ii)	Discount earned on bills discounted	4.50
(iii)	Value of sale and purchase of forward contract	5.70
(iv)	Charges received on credit card and debit card facilities extended	3.80
(v)	Commission received for service rendered to Government for tax collection	6.00
(vi)	Margin earned on reverse repo transaction	25.00

Note: Kejriwal Bank Ltd. is not eligible for small service providers' exemption under Notification No. 33/2012 – ST dated 20.06.2012. Rate of service tax is 15% (including SBC & KKC).

3.

- A. Batman sold to Superman a machine at the sale price (excluding taxes and duties) of Rs. 2,00,000. Rate of excise duty is 12.5%.

Determine the total amount of excise duty payable on the machine using additional details given below: **(4 Marks)**

Sr. No.	Particulars	Rs.
i.	Design and development charges paid by Superman on Batman's behalf to a third party (Ironman)	20,000
ii.	Warranty charges charged separately by Batman	5,000
iii.	Sales tax	20,000
iv.	Cost of durable and returnable packing (such cost has been amortized and included in the cost of the machine)	5,000

- B. Modi Ltd. carried out following works, all of which are liable to State sales-tax / VAT as transfer of property is involved in the execution of such works contract:- **(5 Marks)**

(i) New constructions: Rs. 60 lakh

(ii) Additions and alterations to damaged structures on land to make them workable: Rs. 40 lakh;

(iii) Maintenance and servicing of goods: Rs. 20 lakh;

(iv) Maintenance and repairs of immovable property: Rs. 25 lakh;

(v) Glazing and plastering of an immovable property: Rs. 30 lakh.

Compute the taxable value of services involved in the execution of aforesaid works-contract assuming that the amounts given above represent the total amount charged for the works contract excluding all taxes.