

PARUL UNIVERSITY
FACULTY OF COMMERCE
M.Com.(Hons) Winter 2018 – 19 Examination

Semester: 4

Subject Code: 16201254

Subject Name: Indirect Taxes - Customs Duty and GST

Date: 04/12/2018

Time: 02:00 pm to 04:30 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 Do as directed.**A) Multiple choice type questions. (Each of one mark)****(06)**

1. If such imported goods are not cleared either for home consumption or for warehouse within _____ days or within such further time as the proper officer may allow or if the title to any imported goods is relinquished, the custodian of the goods is permitted, with the approval of the customs department and after giving notice to the importer, to sell the goods by auction.
 - a) 60
 - b) 15
 - c) 90
 - d) 30
2. _____ is a document, which indicates the price, the terms and other conditions on which the seller is willing to supply goods to the buyer.
 - a) Indent
 - b) Air Consignment Note
 - c) Quotation
 - d) Non Negotiable document
3. The importer of any goods in respect of which a bill of entry for warehousing has been presented under section 46 and assessed to duty under section 17 or section 18 shall execute a bond in a sum equal to _____ the amount of the duty assessed on such goods
 - a) 2 times
 - b) 3 times
 - c) 4 times
 - d) 5 times
4. Interest @ _____ will be payable if goods remain in the warehouse beyond 90 days from the date on which the order under section 60(1) is made.
 - a) 20 %
 - b) 10%
 - c) 15%
 - d) 5%
5. Which of the following is a volatile good?
 - a) Liquor
 - b) Wood
 - c) Plastic
 - d) Steel
6. A licensee shall file with the Bond Officer a monthly return in prescribed form, of the receipt, storage, operations and removal of the goods in the warehouse, within ___ days after the close of the month to which such return relates.
 - a) 5
 - b) 7
 - c) 8
 - d) 10

B) Definitions / One-liners / Terms. (Each of one mark)**(06)**

1. What do you mean by Sight Draft?
2. What do you mean by Ex- Factory Price?
3. Define warehouse as per section 2(43) of Customs Act, 1962.
4. Write the full form of OTL in Customs Act, 1961?
5. Goods, other than capital goods, intended for use in any hundred per cent export- oriented undertaking, can be warehoused till the expiry of five years. True or False?
6. Which warehouse remains under physical control of proper officer (under customs lock)?

Q.2 Answer the following Questions. (Each of 04 mark)**(12)**

1. Differentiate between direct and indirect taxes.
2. An importer entered into a contract for supply of crude sunflower seed oil @ U.S. \$ 435 C.I.F./Metric ton. Under the contract, the consignment was to be shipped in the month of July. The period was extended by mutual agreement and goods were shipped on 5th August at old prices.
 In the meanwhile, the international prices had gone up due to volatility in market and other imports during the month of August were at higher prices. Department sought to increase the assessable value on the basis of the higher prices of contemporaneous imports.
 Decide whether the contention of the Department is correct, with reference to a decided case

law, if any.

3. What rights does the owner of goods have on the goods after they are warehoused?

Q.3 Answer the following. (Any Three)

(18)

1. A material was imported by air at CIF price of 5,000 US\$. Freight paid was 1,500 US\$ and insurance cost was 500 US\$. The banker realized the payment from importer at the exchange rate of ₹ 61 per dollar. Central Board of Excise and Customs notified the exchange rate as ₹ 60 per US\$. Find the value of the material for the purpose of levying duty.

2. ABC Industries Ltd. imports an equipment by air. CIF price of the equipment is 6,000 US\$, freight paid is 1,200 US\$ and insurance cost is 1,800 US\$. The banker realizes the payment from importer at the exchange rate of ₹ 61 per US\$. Central Board of Excise and Customs notifies the exchange rate as ₹ 60 per US\$ while rate of exchange notified by RBI is ₹ 62 per US\$. ABC Industries Ltd. expends ₹ 56,000 in India for certain development activities with respect to the imported equipment.

Basic customs duty is 10% and education cesses are 3% on duty. Ignore GST Compensation Cess.

You are required to compute the amount of total duty and integrated tax payable by ABC Industries Ltd. under Customs law.

3. BSA & Company Ltd. has imported a machine from U.K. From the following particulars furnished by it, arrive at the assessable value for the purpose of customs duty payable.

Particulars	Amount
Price of the machine	10,000 U.K. Pounds
Freight (air)	3,000 U.K. Pounds
Engineering and design charges paid to a firm in U.K.	500 U.K. Pounds
License fee relating to imported goods payable by the buyer as a condition of sale	20% of Price of machine
Materials and components supplied in UK by the buyer free of cost valued at ₹ 20,000	
Insurance paid to the insurer in India	₹ 6,000
Buying commission paid by the buyer to his agent in U.K.	100 U.K. Pounds

Other particulars:

(i) Inter-bank exchange rate: ₹ 98 per U.K. Pound.

(ii) CBEC had notified for purpose of section 14 of the Customs Act, 1962, exchange rate of ₹ 100 per U.K. Pound.

(iii) Importer paid ₹ 5,000 towards demurrage charges for delay in clearing the machine from the Airport.

(Make suitable assumptions wherever required and show workings with explanations)

4. Jagat Corporation Limited imported some goods from US. The details of the transaction are as follows:-

Authority	Rate of exchange
CBEC	1 US \$= ₹ 62
RBI	1 US \$= ₹ 61

CIF value of the goods is \$ 1,50,000 Rate of basic custom duty is 10% Rate of education cess is 2%

Rate of secondary and higher education cess is 1%

Integrated tax leviable under section 3(7) of Customs Tariff Act, 1975 is 18%. Ignore GST Compensation Cess.

Calculate total customs duty and integrated tax payable thereon.

Q.4 Answer the following. (Any two)**(18)**

1. Write a short note on Sections 57, 58, 58A and 58B of Customs Act, 1962.
2. A consignment of 1000 metric tonnes of edible oil of Malaysian origin was imported by a charitable organization in India for free distribution to below poverty line citizens in a backward area under the scheme designed by the Food and Agricultural Organization. This being a special transaction, a nominal price of US\$10 per metric tonne was charged for the consignment to cover the freight and insurance charges. The Customs House found out that at or about the time of importation of this gift consignment there were following imports of edible oil of Malaysian origin:.

S. No.	Quantity imported in metric tonnes	Unit price in US \$ (CIF)
1.	200	260
2.	90	220
3.	1010	200
4.	900	175
5.	400	180
6.	780	160

The rate of exchange on the relevant date was 1 US \$ = ₹ 60.00 and the rate of basic customs duty was 10% ad valorem. Ignore Integrated tax and GST Compensation Cess. Calculate the amount of duty leviable on the consignment under the Customs Act, 1962 with appropriate assumptions and explanations, where required.

3. Vipul imported certain goods in May, 20XX. An 'into Bond' bill of entry was presented on 14th May, 20XX and goods were cleared from the port for warehousing. Assessable value on that date was US \$ 1,00,000. The order permitting the deposit of goods in warehouse for 4 months was issued on 21st May, 20XX. Vipul deposited the goods in warehouse on the same day but did not clear the imported goods even after the warehousing period got over on 21st September, 20XX.

A notice was issued under section 72 of the Customs Act, 1962, demanding duty and interest. Vipul cleared the goods on 14th October, 20XX. Compute the amount of duty and interest payable by Vipul while removing the goods on the basis of the following information:

Particulars	14-05-20XX	21-09-20XX	14-10-20XX
Rate of exchange per US \$ (as notified by Central Board of Excise & Customs)	₹ 65.20	₹ 65.40	₹ 65.50
Basic customs duty	15%	10%	12%

Integrated Tax leviable under section 3(7) of the Customs Tariff Act is exempt.