

M.Com. 4th Semester Examination, 2012

INDIRECT TAXES

PAPER— COM-402

Full Marks : 50

Time : 2 hours

The figures in the right-hand margin indicate marks

Candidates are required to give their answers in their own words as far as practicable

Illustrate the answers wherever necessary

UNIT – I

1. Answer any *two* questions from the following : 5 × 2
- (a) State the taxable events for excise duty. 5
- (b) Define assessable value under Central Excise Act, Also compute assessable value from the following :
- Selling price inclusive of basic excise duty @ 10% and education cess as applicable Rs. 2,000 per

piece of product. Determine the assessable value per piece and the duty liability on sale of 540 pieces of products. 5

(c) Define 'Related Person' u/s 4(3) (b) of Central Excise Act. How is the assessable value determined for excise purpose, when sales are made to or through a related person ? 2 + 3

(d) What is cascading effect of tax ? Explain with a suitable example how VAT system can remove such cascading effect. 5

2. Answer any *one* question : 10 × 1

(a) (i) What evidence do you require to provide for availing CENVAT credit ?

(ii) Mr. A, who is a service provider, has provided services of Rs. 1,60,00,000 in 2011-12. Out of this Rs. 40,00,000 are exempted output services. Service tax paid on his input services (excluding education cess) is Rs. 10,00,000, which do not include any service specified in Rule 6(5) of cenvat credit rules. Rate of basic service tax is 10%.

Explain the options available to Mr. A for availment of cenvat credit and find which option is beneficial to him. 4 + 6

(b) (i) Write a short note on 'transaction value' under Central Excise Act.

(ii) A company manufacturing consumer durables has a factory in Gujrat. It has a depot in Kolkata. Its product is dispatched to its depot in Kolkata and sold from the depot to its dealers in Kolkata. The administrative expenses of the depot is Rs. 10,00,000, which do not include the transportation charges from Gujrat to Kolkata. Actual transportation charges from Gujrat to Kolkata depot is Rs. 1000 per unit. The company also takes a transit insurance for the goods, which costs Rs. 200 per unit for Gujrat to Kolkata.

The dealers in Kolkata are registered under CST Act. The present price of the product for sale from Kolkata depot is Rs. 22,060, inclusive of transportation and insurance charges from Gujrat to Kolkata.

The depot price is inclusive of applicable duty @ 10% plus Education Cess @ 3%, but excluding West Bengal VAT. The annual sale from Kolkata depot is 2,000 units.

As an economy measure, it is proposed to close down the depot in Kolkata and make direct sale from Gujrat to dealers in Kolkata. However, it will increase the transportation charge by Rs. 50 per unit.

The marketing manager advised, not to increase the price of the product, other wise there will be a negative impact on sale.

Evaluate, whether it will be economical to close down the depot.

Ignore West Bengal VAT, if any. 3 + 7

UNIT – II

3. Answer any *two* questions from the following : 5 × 2

(a) Write short notes on :

(i) Objective of customs duty

(ii) 'Goods' under customs Act.

(b) Discuss the provision of Duty Draw back in relation to Custome Duty.

- (c) How to demand and recover customs duty ?
- (d) State the significance of Indian customs waters under the Customs Act.

4. Answer any *one* question : 10 × 1

- (a) Mr. X imported goods having customs value (assessable value) of Rs. 2,00,000. Basic customs duty payable is 10%. If the goods were produced in India, excise duty payable would have been 14%. Education cess is as applicable. Special CVD is payable at appropriate rates. Determine the amount of customs duty payable by Mr. X for the imported goods. 10
- (b) (i) Discuss provisions of registration under Service Tax Act.
- (ii) How to appeal to the authority in case of any grievances in case of an assessee of service Tax. 5 + 5

[*Internal Assessment* : 10 Marks]