

2014

M. Com.

4th Semester Examination

INDIRECT TAXES

PAPER — COM-402

Full Marks : 50

Time : 2 Hours

The figures in the right-hand margin indicate full marks.

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

Illustrate the answers wherever necessary.

Unit—I

[Marks : 20]

1. Answer any two questions : 5×2
 - (a) Write down the limitations of Indirect taxes. 5
 - (b) Define 'Excisable goods' as mentioned in Central Excise Act, 1944. What is 'Excluded Excisable goods'? 4+1
 - (c) M/S Dental Care Ltd. has introduced a new product 'CLOVE' toothpaste, notified under section 4A of the Central Excise Act, 1944, with a notified abatement

(Turn Over)

of 30%. Determine the central excise duty payable if rate of duty is 12%, education cess is 2% and secondary and higher education cess is 1%—

- (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 the 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 are 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 toothpaste tube was having RSP Rs. 70, which was crossed out and each multi-pack had RSP of Rs. 130. 5
- (d) ABC Co. Ltd. procured the following inputs during the month of January, 2014. Determine the amount of CENVAT Credit available with necessary explanation for the treatment of various items on which excise duty was paid as follows :
- (i) Raw materials Rs. 52,000;
 - (ii) Manufacturing machine Rs. 1,00,000;

- (iii) Diesel oil Rs. 40,000;
- (iv) Greases Rs. 10,000;
- (v) Office Equipment Rs. 20,000.

5

2. Answer any *one* question from the following : 10×1

(a) (i) Write down four instances of utilization of CENVAT Credit. What is the time limit for availing of such credit ?

(ii) Mr. A is a manufacturer of a goods in India. Mr. A has manufactured goods of Rs. 90,00,000 in the financial year 2013-14. Out of this, Rs. 70,00,000 are taxable final products and Rs. 20,00,000 are exempted final products. Excise duty paid on his inputs (excluding Education cess and SAHE cess) is Rs. 10,00,000. Rate of basic excise duty on final product is 12% [Ignore Education cess and SAHF cess]. Discuss the options available to Mr. A for avail of CENVAT Credit, if he is not able to bifurcate inputs between those used for exempt goods and taxable final products. Calculate CENVAT Credit available to him under different options and explain which option is beneficial to him.

4+1+5

(b) A company manufacturing consumer durables has a factory in Tamilnadu. It has a depot at Maharashtra. Its product A is dispatched to its depot in Maharashtra and sold from the depot to its dealers in Maharashtra.

The depot administrative expenses are Rs. 8,00,000 per annum. These do not include transportation charges from Tamilnadu to Maharashtra. The dealers in Maharashtra are registered under CST Act. The present price of the product for sale of Maharashtra depot is Rs. 22,500 inclusive of transportation charges from Tamilnadu to Maharashtra. Actual transportation charge from Tamilnadu to Maharashtra is Rs. 1,000 per piece. The depot price is inclusive of applicable duty @ 12% plus education cess as applicable, but exclusive of Maharashtra Sales tax. Sales from Maharashtra depot is 2,000 pieces per annum. As an economy measure, it is proposed to close down the depot in Maharashtra and make direct sale from Tamilnadu to dealers in Maharashtra.

The Marketing department argues that this will reduce the profitability of the product as CST payable @ 4% will have to be borne in that case.

The finance department argues that the extra tax burden will get offset by reduction in depot expenses and slight reduction in excise duty quantum.

Evaluate the financial implications to decide whether it will be economical to close down the depot.

Ignore the effect of Maharashtra VAT.

Unit—II**[Marks : 20]**

3. Answer any two questions : 5×2
- (a) What is 'territorial water' and 'customs water' as per Indian Customs Act ? What is the significance of those term ? 3+1
- (b) Discuss procedure of exporting goods in brief. 5
- (c) What is duty drawback ? What are the provisions of Indian Customs Act regarding confiscational Penalty of goods ? 2+3
- (d) A & Co. a partnership firm in providing legal consultancy services. Determine the amount of taxable services and tax thereon from the following information :
- (i) Advance received from clients for which no service has been rendered so far Rs. 4,50,000.
- (ii) Services was Billed to clients [the company maintains accrual basis of accounting] Rs. 6,75,000.
- (iii) The firm has received the following amounts during the year relating to taxable services rendered in March '12 Rs. 1,50,000.
- (iv) Amount received relating to taxable services rendered in current year 2013-14 Rs. 16,50,000. 4+1

4. Answer any one question : 10×1

(a) Determine the assessable value of imported goods and customs duty payable on these from the following :

(i) Cost of a Machine \$ 4,00,000;

(ii) Insurance for transit \$ 500;

(iii) Freight to Indian Shipping Co. Rs. 2,00,000;

(iv) Transport cost :

From Factory to Port in U.S.A. \$ 2,000;

From Indian Port to Factory in India
Rs. 2,00,000;

(v) Installation cost of the machine Rs. 75,000;

(vi) Loading charges incurred \$ 750;

(vii) The excise duty of similar type of products in India is 12%. VAT of similar type of product is 4%. 5+5

(b) What is the assessment procedure in Service Tax? How service tax is recovered from assessee? How appeal is made by assessee according to the Act.

4+3+3

[Internal Assessment : 10 Marks]