



GLOBAL CMA

INDIRECT TAXATION

Paper-11

Syllabus-2016

Answer of Postal test Paper
Set-2

Sol.1 (A) MCQ

- (i) D
- (ii) A
- (iii) D
- (iv) C
- (v) A
- (vi) D
- (vii) B

(B) Say Yes/No for the following questions:

- (i) No
- (ii) Yes
- (iii) No
- (iv) Yes
- (v) No
- (vi) No

(C) Match the following:

Column 'A'	Column 'B'
(i) CETA	A. Year 1985
(ii) POT	B. Point Of Taxation
(iii) Valuation Audit	C. Section 14A of Central Excise Act
(iv) Form J	D. Goods Sold to Foreign Mission Diplomatic
(v) ST Extend to Whole India Except	E. Jammu & Kashmir

Sol. 2 (a)

Cost of production is required to be computed as per CAS-4. Material cost is required to be exclusive of Cenvat credit available.

Sr. No.	Particulars	Total Cost (Rs.)
1	Material Consumed (Net of Excise duty) (11,600 – 1,289)	10,311
2	Direct Wages and Salaries	8,400
3	Direct Expenses	-
4	Works Overheads	6,200
5	Quality Control Cost	3,500
6	Research and Development Cost	2,400
7	Administrative Overheads	4,100
Less: Sale of Scrap		(1,200)
Cost of Production		33,711
Add: 10% Profit margin on cost of production (i.e. 33,711 × 10%)		3,371
Assessable Value as per Rule 8 of the Valuation Rules		37,082

Sol. 2(b)

ACES homepage is an interface for users/ Assessors to access the Central Excise and Service Tax applications.

The website also enables users to make online payment through e-Payment option, download the Returns offline utilities through Download option.

The website also keeps track on latest updates of the ACES application and gives links to various other sites under CBEC.

Automation of Central Excise and Service Tax (ACES) is also a valuable platform for a smooth and successful transition to the coming GST regime and it provides the bedrock for a modern e-governance-based indirect tax administration in India.

Sol. 2(C)

A security bond is a binding pledge to pay the government if you break the law or the conditions governing the employment of a helper. You need a bond for every helper you employ, unless she is Malaysian.

Sol. 3(b)

SSI exemption is available upto first clearances of Rs 150 lakhs. While calculating limit of Rs 150 lakhs, exports to countries other than Nepal and Bhutan, job work under notification No. 214/86-CE and supplies to EOU (deemed exports) are not required to be considered. However, supplies to Nepal and Bhutan are required to be considered. If these are excluded, the turnover of the assessee for purpose of calculation of limit of Rs 150 lakhs is Rs 160 lakhs [(= Rs400 – Rs100 – Rs 90 – Rs50) lakhs]. Thus, the assessee can avail exemption of Rs 150 lakhs and will have to pay duty on Rs 10 lakhs.

Sol. 4(a)

SECTION 74. Drawback allowable on re-export of duty-paid goods. - (1) When any goods capable of being easily identified which have been imported into India and upon which any duty has been paid on importation, -

(i) are entered for export and the proper officer makes an order permitting clearance and loading of the goods for exportation under section 51; or

(ii) are to be exported as baggage and the owner of such baggage, for the purpose of clearing it, makes a declaration of its contents to the proper officer under section 77 (which declaration shall be deemed to be an entry for export for the purposes of this section) and such officer makes an order permitting clearance of the goods for exportation; or

(iii) are entered for export by post under section 82 and the proper officer makes an order permitting clearance of the goods for exportation, ninety-eight per cent of such duty shall, except as otherwise hereinafter provided, be re-paid as drawback, if –

a. the goods are identified to the satisfaction of the Assistant Commissioner of Customs or Deputy Commissioner of Customs as the goods which were imported; and

b. the goods are entered for export within two years from the date of payment of duty on the importation thereof :

Provided that in any particular case the aforesaid period of two years may, on sufficient cause being shown, be extended by the Board by such further period as it may deem fit.

(2) Notwithstanding anything contained in sub-section (1), the rate of drawback in the case of goods which have been used after the importation thereof shall be such as the Central Government, having regard to the

duration of use, depreciation in value and other relevant circumstances, may, by notification in the Official Gazette, fix.

(3) The Central Government may make rules for the purpose of carrying out the provisions of this section and, in particular, such rules may –

- a. Provide for the manner in which the identity of goods imported in different consignments which are ordinarily stored together in bulk, may be established;
- b. Specify the goods which shall be deemed to be not capable of being easily identified; and
- c. Provide for the manner and the time within which a claim for payment of drawback is to be filed.

(4) For the purposes of this section -

(a) goods shall be deemed to have been entered for export on the date with reference to which the rate of duty is calculated under section 16;

(b) in the case of goods assessed to duty provisionally under section 18, the date of payment of the provisional duty shall be deemed to be the date of payment of duty.

SECTION 75. Drawback on imported materials used in the manufacture of goods which are exported.

- (1) Where it appears to the Central Government that in respect of goods of any class or description manufactured, processed or on which any operation has been carried out in India, being goods which have been entered for export and in respect of which an order permitting the clearance and loading thereof for exportation has been made under section 51 by the proper officer, or being goods entered for export by post under section 82 and in respect of which an order permitting clearance for exportation has been made by the proper officer, a drawback should be allowed of duties of customs chargeable under this Act on any imported materials of a class or description used in the manufacture or processing of such goods or carrying out any operation on such goods, the Central Government may, by notification in the Official Gazette, direct that drawback shall be allowed in respect of such goods in accordance with, and subject to, the rules made under sub-section (2).

Provided that no drawback shall be allowed under this sub-section in respect of any of the aforesaid goods which the Central Government may, by rules made under sub-section (2), specify, if the export value of such goods or class of goods is less than the value of the imported materials used in the manufacture or processing of such goods or carrying out any operation on such goods or class of goods, or is not more than such percentage of the value of the imported materials used in the manufacture or processing of such goods or carrying out any operation on such goods or class of goods as the Central Government may, by notification in the Official Gazette, specify in this behalf :

Provided further that where any drawback has been allowed on any goods under this sub-section and the sale proceeds in respect of such goods are not received by or on behalf of the exporter in India within the time allowed under the Foreign Exchange Management Act, 1999 (42 of 1999), such drawback shall except under such circumstances or such conditions as the Central Government may, by rule, specify be deemed never to have been allowed and the Central Government may, by rules made under sub-section (2), specify the procedure for the recovery or adjustment of the amount of such drawback.

(1A) Where it appears to the Central Government that the quantity of a particular material imported into India is more than the total quantity of like material that has been used in the goods manufactured, processed or on which any operation has been carried out in India and exported outside India, then, the Central Government may, by notification in the Official Gazette, declare that so much of the material as is contained in the goods exported shall, for the purpose of sub-section (1), be deemed to be imported material.

(2) The Central Government may make rules for the purpose of carrying out the provisions of sub-section (1) and, in particular, such rules may provide -

(a) for the payment of drawback equal to the amount of duty actually paid on the imported materials used in the manufacture or processing of the goods or carrying out any operation on the goods or as is specified in the rules as the average amount of duty paid on the materials of that class or description used in the manufacture or processing of export goods or carrying out any operation on export goods of that class or description either by manufacturers generally or by persons processing or carrying on any operation generally or by any particular manufacturer or particular person carrying on any process or other operation, and interest if any payable thereon;

(aa) for specifying the goods in respect of which no drawback shall be allowed;

(ab) for specifying the procedure for recovery or adjustment of the amount of any drawback which had been allowed under sub-section (1) or interest chargeable thereon;

(b) for the production of such certificates, documents and other evidence in support of each claim of drawback as may be necessary;

(c) for requiring the manufacturer or the person carrying out any process or other operation to give access to every part of his manufactory to any officer of customs specially authorised in this behalf by the Assistant Commissioner of Customs or Deputy Commissioner of Customs to enable such authorised officer to inspect the processes of manufacture, process or any other operation carried out and to verify by actual check or otherwise the statements made in support of the claim for drawback.

(d) for the manner and the time within which the claim for payment of drawback may be filed;

(3) The power to make rules conferred by sub-section (2) shall include the power to give drawback with retrospective effect from a date not earlier than the date of changes in the rates of duty on inputs used in the export goods.

Sol. 4(b)

(a) Janashree Bima Yojana (JBY); or

(b) Aam Aadmi Bima Yojana (AABY).

(c) life micro-insurance product as approved by the Insurance Regulatory and Development Authority, having maximum amount of cover of fifty thousand rupees.

(d) Varishtha Pension Bima Yojana

(e) Pradhan Mantri Jeevan Jyoti Bima Yojana

(f) Pradhan Mantri Jan Dhan Yojana.

Sol. 5(a)

The service of security agency is covered under reverse charge mechanism where the service provided by Individual/firm/HUF/AOP to any Body corporate or Incorporation whereas the payment of 100% service tax made by service receiver.

Sol. 5(b)

Particular	Amout
Cost of Purchases (52,500X100/105)	50, 000
Add: Storage cost and transportation cost	10, 000
Total Cost	60, 000
Add: Profit 5% on Cost (Rs 60,000 x 5%)	3, 000

Taxable Turnover	63,000
Add: VAT on Taxable Turnover (63,000 x 13.50%)	8,505
VAT payable on Sales	8,505
Less: ITC (52,500 – 50,000)	2,500
Net VAT liability payable by Mr. X for the month of Jan 2016	6,005

Sol. 6(a)

One major disadvantage of Vat is tremendous paper work and record keeping. Vat system can work only if record keeping is proper and reliable. The elaborate record keeping is not possible to small businesses. Hence, exemption is granted to tiny businesses whose turnover is below prescribed limits. In case of small businesses, a composition scheme is provided where tax is paid on gross value of sales at a fixed rate.

Sol. 6(b)

Explanation 2 to section 2(b) clarifies that government, which, whether or not in the course of business; buys, sells, supplies or distributes; goods directly or otherwise, for cash or for deferred payment or for commission, remuneration or other valuable consideration shall be a dealer. However, a government in relation to any sale, supply or distribution of surplus, unserviceable or old stores or material or waste products or obsolete or discarded machinery or parts or accessories thereof shall not be deemed to be a dealer. There being no discrimination between Central and State Governments, the statement is incorrect.

Sol. 6(C)

Sec 2(dd) - 'Place of Business' includes:

- (a) In any case, where a dealer carries on business through an agent (by whatever name called), the place of business of such agent;
- (b) A warehouse, godown or other place where a dealer stores his goods; and
- (c) A place where a dealer keeps his books of account.

Sol. 7(a)

Indirect taxes do not depend on paying capacity. Since the indirect tax is uniform, the tax payable on commodity is same, whether it is purchased by a poor man or a rich person. Hence, the indirect taxes are termed as 'regressive'. (This argument is only partially correct; as it is possible to levy lower taxes on goods of daily consumption while levying higher taxes on luxury goods and the regressive effect can be reduced in many circumstances.)

Tax on goods and services increases its prices, which reduces demand of goods and services. Lesser demand means lower growth of industrialization.

High customs/ excise duty increases smuggling, hawala trade and mafia gangs, which is harmful in many ways. Similarly, high excise duty leads to evasion.

Higher customs duty and excise duty increases cost of modern machinery and technology.

Indirect taxes increase the prices of products and hence are often perceived as inflationary.

Sol.7(b)

'Bundled service' means a bundle of provision of various services wherein an element of provision of one service is combined with an element or elements of provision of any other service or services. An example of 'bundled service' would be air transport services provided by airlines wherein an element of transportation of passenger by air is combined with an element of provision of catering service on board. Each service involves differential treatment as a manner of determination of value of two services for the purpose of charging service tax is different.

Two rules have been prescribed for determining the taxability of such services in clause (3) of section 66F of the Act. These rules, which are explained below, are subject to the provisions of the rule contained in sub section (2) of section 66F.

Sol. 8(a)

The total selling price is as follows –

Qty	Price	Total (Rs)
510	250	1,27,500
840	200	1,68,000
35	200	7,000
Total		3,02,500

Duty payable is 12.5% of Rs 3,02,500 i.e. Rs 37,812.50.

Sol. 8(b)

The significance of Indian Customs Waters is as under-

- (i) Any person who has landed from/ about to board/ is on board any vessel within Indian Customs water and who has secreted about his person, any goods liable to confiscation or any documents relating thereto may be searched [Section 100];
- (ii) Any person within Indian Customs waters, who has committed an offence punishable under section 132 or 133 or 135 or 135A or 136, may be arrested [Section 104];
- (iii) Any vessel within Indian custom water, which has been, is being, or is about to be, used in the smuggling of any goods or in carriage of any smuggling goods, may be stopped [Section 106];
- (iv) Any goods which are brought within the Indian customs waters for the purpose of being imported from a place outside India, contrary to any prohibition imposed by or under this Act or any other law for the time being in force, shall be liable to confiscation [Section 111(d)]; and
- (v) Any vessel which is or has been within Indian customs waters is constructed, adapted, altered or fitted in any manner for concealing for concealing goods shall be liable to confiscation [Section 115(1)(a)].