

M.Com. 4th Semester Examination, 2011

INDIRECT TAXES

PAPER—CM-2202

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) Write a short note on 'deemed manufacture'.

(b) Outline the organizational hierarchy of the Department of Central Excise.

- (c) Define 'goods' with its exception, under Central Excise Act, 1944.
- (d) Determine the total amount of Excise Duty payable on a machine, using the following details :
- (i) Sales price of the machine excluding taxes and duties — Rs. 2,00,000.
 - (ii) Sales tax — Rs. 20,000.
 - (iii) Cost of durable and returnable packing included in the sales price given above — Rs. 5,000.
 - (iv) Design and development charges paid by buyer on behalf of seller to a third party — Rs. 20,000.
 - (v) Warranty charges charged separately by the seller — Rs. 5,000.

Rate of excise duty 10%, Education cess 3%

Calculations should be supported by notes, wherever required.

2. Answer any *one* question :

10 × 1'

(a) (i) 'One to one correlation is not necessary for Cenvat credit'. Explain with example.

(ii) Lakme Ltd. manufactures four types of nail polishes, namely Sweety, Pretty, Beauty and Tweety. The company has availed CENVAT credit of Rs. 4,00,000 on the common inputs used in the manufacture of nail polishes. During the financial year 2010-11 the company manufactured 1000 litres of each type of nail polishes. The following additional information is available. Discuss the eligibility of Cenvat credit availed by the manufacturer. Advise assessee about the steps to be taken under the Cenvat Credit Rules ? 3 + 7

<u>Product</u>	<u>Nature of Sale</u>	<u>Sale price excluding taxes</u>
Sweety	Sale to Home consumption	Rs. 30 per 20 ml bottle
Pretty	Sale to a 100% EOU	Rs. 40 per 20 ml bottle
Beauty	Fully exported	Rs. 50 per 20 ml bottle
Tweety	Supplied to Defence canteen under exemption	Rs. 50 per 20 ml bottle

- (b) (i) Write down different bases on which excise duty is calculated.
- (ii) X Co. manufactured 550 units of a product at a cost of Rs. 350 per unit during a particular period.

The company sold 120 units @ Rs. 700 to industrial customers, 70 units @ Rs. 690 to a Department of Central Government, 210 units to wholesalers @ Rs. 720, 70 units to retail customers @ Rs. 800 per unit. The company also distributed 20 units as free sample.

The balance units were in stock, out of which 25 units were so damaged, that these become unsaleable.

Out of 70 units sold to the Government Department, 25 units were rejected, which were subsequently sold to other customers @ Rs. 300 per unit, without bringing them in the factory.

[Note that all the prices are exclusive of excise duty and sales tax].

The rate of duty on the product is 10% and education cess @ 3%.

(A) Find the total amount of duty payable.

(B) Advise management about steps to be taken in respect of 25 damaged units. $3 + (5 + 2)$

UNIT – II

3. Answer any *two* questions : 5×2

(a) Write short notes on : $2 \frac{1}{2} \times 2$

(i) Indian Territorial Water

(ii) Safeguard duty.

(b) When customs duty is exempted? 5

(c) Discuss warehousing facility according to Indian Customs Act. 5

(d) Define 'Service Tax'. Who is liable to pay service tax? $2 + 3$

4. Answer any *one* question : 10×1

(a) An importer has imported a machine from Japan at FOB cost of 18,00,000 Yens. Other information are as follows :

(i) Freight from Japan to Indian Port was 36,000 Yens.

- (ii) Transit insurance charges were 1% of FOB value.
- (iii) Design charges paid to a firm in Japan 1,80,000 Yens.
- (iv) Packing charges of 22,000 Yen were charged extra.
- (v) Development cost in India Rs. 40,000
- (vi) An amount of 1,95,000 Yen was payable to Japanese manufacturer.
- (vii) Customs duty was 20% and special additional duty was 4%. Excise duty on similar machinery in India would be 16%.
- (viii) Rate of Exchange :

RBI : 1 Yen = Rs. 0.309

CBEC : 1 Yen = Rs. 0.302

[Central Board Excise and custom]

Actual an incurred by assessee :

1 Yen = Rs. 0.290.

Find out customs duty payable.

10

(b) (i) What are the different types of assessment in service tax ?

(ii) How to recover the service tax from an assessee?

6 + 4

[*Internal Assessment* : 10 Marks]
