

**PPPRIME ACADEMY**  
**FINAL – 41<sup>ST</sup> SESSION PROGRESS TEST**  
**INDIRECT TAX LAWS**

No. of Pages: 2

Total Marks: 75  
Time Allowed: 2Hrs

**I. Answer the following along with suitable working notes. Provide notes wherever necessary.**

1. M/s. Fresh Bakery manufactures biscuits named as “Choconuts”. Biscuits are notified under section 4A of the Central Excise Act, 1944 with an abatement of 30%. The following information has been furnished by M/s. Fresh Bakery with regard to clearances of packs of “Choconuts”:

- (i) 2,500 packs having MRP ₹ 70 per pack were sold in retail packages, but buyer is charged for 2,400 packs only at ₹ 50 per pack (100 packs have been given free as quantity discount).
- (ii) 50 packs were given away as free samples, without any MRP on the pack.
- (iii) 400 packs manufactured on job work basis for Modern Bakers, another bakery company, were cleared after putting MRP of ₹ 70 each. Each such pack is sold by Modern Bakers at ₹ 60 to individual customers. Cost of raw material supplied by Modern Bakers is ₹ 12,000, job charges including profit of M/s. Fresh Bakery is ₹ 6,000, transportation charges of raw material to M/s. Fresh Bakery and biscuits to Modern Bakers is ₹ 2,000.
- (iv) 80 packs of biscuits having MRP ₹ 70 each were packed in a single package for protection and safety during transportation and cleared at ₹ 5000. 500 of such packages were cleared.

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

Note: Turnover of M/s. Fresh Bakery in the previous financial year is ₹ 450 lakh. **(5 Marks)**

2. With reference to the position of service tax law as applicable on or after 01.10.2014, what would be the place of provision of service in the following independent cases?

- (i) PQ Trade Links of Hyderabad are appointed as commission agent by a foreign company for sale of its goods to Indian customers. In lieu of their services, PQ Trade Links receive a fixed percentage of commission from the concerned foreign company.
- (ii) ST Fabricators of Mysore has temporarily imported certain goods from its customer located in Egypt for repairs. The said goods have been re-exported to Egypt after carrying out the necessary repairs without being put to any use in Mysore. **(10 Marks)**

3. Manoj Ltd. imports business support services from Green Ltd. of USA on 13.10.2014. The relevant invoice for \$ 1,20,000 is raised by Green Ltd. on 18.10.2014. Manoj Ltd. makes the payment against the said invoice as follows:

Case I 22.11.2014

Case II 27.02.2015

Determine point of taxation in each of the aforesaid cases. **(5 Marks)**

4. A SSI unit has effected clearances of goods of the value of ₹ 475 lacs during the financial year 2014-15. The said clearances include the following:

- (i) Clearance of excisable goods without payment of excise duty to a 100% EOU ₹ 120 lacs
- (ii) Job work in terms of Notification No. 214/86 CE, which is exempt from duty ₹ 75 lacs
- (iii) Export to Nepal and Bhutan ₹ 50 lacs
- (iv) Goods manufactured in rural area with the brand name of the others ₹ 90 lacs

Examine with reference to the notification governing SSI exemption under the Central Excise Act whether the benefit of exemption would be available to the unit for the financial year 2015-16.

**(5 Marks)**

**PART B**

**(5 x 10 = 50 marks)**

1. Zamir Ltd. Collected following sums (exclusive of taxes) -
- (1) Transport of passengers on vessel from Chennai to Port Blair : ₹ 6 lakh;
  - (2) Transport of passengers by vessels from Chennai to Dubai : ₹ 40 lakhs (services of ₹ 6 lakh was provided after crossing maritime zones of India);
  - (3) Transport of passengers by vessels from Dubai to Chennai : ₹ 50 lakhs (services of ₹ 7 lakh were provided after crossing maritime zones of India);
  - (4) Transport of passengers by stage carriage : ₹ 10 lakh;
  - (5) Transport of passengers by contract carriage : ₹ 5 lakh;
  - (6) Transport of passengers by contract carriage for tour : ₹ 6 lakh;
  - (7) Transport of passengers by ropeway: ₹ 2 lakh;
  - (8) Running cruise ships : ₹ 6 lakh (within territorial waters of India);
  - (9) Metro transport of passengers : ₹ 140 lakhs;
  - (10) Transport through national waterways: ₹ 8 lakh.
- Compute taxable value. Specify whether covered under negative list u/s 66D. **(10 Marks)**

2. Mention briefly the specific exclusions from the definition of the term 'service' as provided in section 65B(44) of the Finance Act, 1994. **(10 Marks)**

- 3.
- a) Robust Engineers Ltd. removed goods from their factory at Delhi on 20.04.2014 for sale from their depot at Mumbai. On that date, the normal transaction value of goods at Delhi factory was ₹ 20,000 while the normal transaction value at Mumbai depot was ₹ 19,000. The rate of duty was 12% ad-valorem. The said goods were sold from Mumbai depot on 15.05.2014. On that date, the normal transaction value at Mumbai depot was ₹ 22,000 and rate of duty was 16%. M/s. Robust Engineers Ltd. paid the duty on ₹ 20,000 at the rate of 12%. The Central Excise Department claimed that central excise duty should be levied @ 16% on the value of ₹ 22,000. Examine whether Department's claim is correct. **(5 Marks)**
  - b) As per rule 5 of valuation rules, cost of transportation from factory to point of removal shall be deducted. Comment **(5 Marks)**

4. 'Z' has entered into an agreement with XY Ltd. for running a canteen in XY Ltd.'s premises for its employees. XY Ltd. has provided the place on rent and reimburses certain expenses for maintenance and running the canteen. 'Z' charges cash from individual customers for food, eatables and beverages supplied according to rates stipulated in the menu card. 'Z' is of the view that since it is not providing any service to XY Ltd. but only selling goods in its canteen to individual customers, it is not liable to pay any service tax. Furthermore, since it is paying VAT on the sale of food and beverages, there should not be any service tax liability on the activity undertaken by him. Examine the situation and discuss if 'Z' is liable to pay service tax with the help of a decided case law, if any. **(10 Marks)**

- 5.
- a) "Services provided by a person to another are taxable under service tax law." Is there any exception(s) to this general rule whereby services provided by a person to oneself are taxable? Discuss by giving example. **(5 Marks)**
  - b) With reference to the provisions of rule 16 of Central Excise Rules, 2002, explain the procedure for availment of CENVAT credit when:
    - (i) the duty paid goods returned to the factory are put through a process not amounting to manufacture;
    - (ii) the duty paid goods returned to the factory are put through a process amounting to manufacture. **(5 Marks)**