

MAY 2010

FINAL  
GROUP-II PAPER-8  
INDIRECT TAXES

Roll No.....

Total No. of Questions—6]

[Total No. of Printed Pages—6

Time Allowed—3 Hours

Maximum Marks—100

**TNT**

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi medium. If a candidate who has not opted for Hindi medium, answers in Hindi, his answers in Hindi will not be valued.

Attempt **all** questions.

Marks

**PART—A**

1. (a) (i) Briefly explain with reference to the Central Excise (Removal of Goods at Concessional Rate of Duty for manufacture of Excisable Goods) Rules, 2001 the provision relating to “return of goods to supplier”. 2×2  
=4
- (ii) Explain briefly the expression ‘assessee’ with reference to the Central Excise Rules, 2002.
- (b) With reference to the Central Excise Rules, 2002 mention the time limits prescribed for the following cases : 2×2  
=4
- (i) Filing of Annual Installed Capacity Statement
- (ii) Return of seized records that have not been relied upon by the Department.
- (c) Explain briefly the provisions relating to Registration under Central Excise where a person has more than one premises requiring registration. 4
- (d) What are the grounds on which remission of duty can be granted under Central Excise Rules, 2002 ? When should such application be submitted to the Central Excise officer ? Write a brief note. 4

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- (e) Explain with a brief note (giving reasons for your answer) the correctness of the following statements with reference to the Central Credit Rules, 2004 : 2×2  
=4

(i) CENVAT credit is not available on Cement, Angles, Channels, Centrally Twisted Deform bar (CTD) or Thermo Mechanically Treated bar (TMT) and other items used for construction of factory shed, building or laying of foundation or making of structures for support of Capital goods.

(ii) Rule 6(3) gives an option to the manufacturer opting not to maintain separate accounts to pay an amount equal to 5% of the price of the exempted goods.

2. (a) An assessee moved an application on 1.1.2009 under Sec. 35C(2) of the Central Excise Act, 1944 for rectification of mistake in an order passed on 4.7.2008. The Tribunal took up the application on 1.1.2010 and dismissed the same on the ground that the tribunal cannot entertain an application for rectification beyond a period of 6 months. Explain briefly with reference to any decided case law whether the Tribunal's decision is correct in law. 3

- (b) Compute the assessable value under the Central Excise Act, 1944 in the following case : 3

Production : 2,000 units on 1.1.2010

Quantity sold : 450 units @ Rs. 200 per unit

650 units @ Rs. 190 per unit

Samples clearances : 50 units

Balance in stock : 850 units (at the end of factory day for 1.1.2010)

Assume that the rate per unit is exclusive of Central Excise duty.

- (c) Hero Automobiles is engaged in the manufacture of motor cars. Compute the amount of CENVAT credit admissible from the following particulars with suitable explanations where required : 4

Goods Purchased	Duty paid at the time of purchase of the goods (Rs.)
(i) Raw Steel	5,00,000
(ii) Batteries	2,00,000
(iii) Cutting oil	70,000
(iv) Electric lamps for lighting manufacturing area	80,000

- (d) M/s Punctual Ltd., (manufacturing watches) has cleared goods of the value of Rs. 120 lakhs during the financial year 2009-10 exclusive of duties and taxes. The goods attract 8% advalorem Excise Duty plus Education cess as applicable. Determine the Excise Duty liability when the assessee opts for CENVAT facility and also in the case when the assessee decides not to avail CENVAT benefit. The turnover of the assessee in the previous year 2008-09 was Rs. 100 lakhs. 5

3. (a) Aarogya Products Ltd., is manufacturing tooth powder called 'Dantmanjan'. The product is manufactured exclusively in accordance with the formulae prescribed in Ayurvedic texts that are authoritative and is notified in the First Schedule to the Drugs and Cosmetics Act, 1940. The assessee has contended that the product 'Dantmanjan' is a medicament. The Department has taken a stand that the said product is a tooth powder i.e. cosmetic/toiletry preparation. You are to write a brief note whether the stand taken by the Department in the matter of classification under the First Schedule to the Central Excise tariff is correct in law. 5

- (b) Machchar Khalas is engaged in the manufacture of liquid mosquito destroyer. It obtains concentrated alletherin and dilutes the same by adding solvents, deodorized Kerosene oil, perfume (as a masking agent) and a stabilising agent. Briefly examine with a note whether the addition of stabilizing agent, masking agent etc. amounts to manufacture within the meaning of Section 2(6) of the Central Excise Act, 1944. 5
- (c) What is Consumer Welfare Fund ? How is this fund utilised ? Write a brief note with reference to the provisions of the Central Excise Act, 1944. 5

## PART—B

4. (a) Explain briefly the following with reference to the Customs Act, 1962 : 2×2  
=4
- (i) Assessment
- (ii) Imported goods.
- (b) Briefly explain the methodology for calculation of export duty after the introduction of the 'Transaction value' concept under Section 14 of the Customs Act, 1962. 4
- (c) Discuss with a brief note the distinction between the functioning of Inland Container Depots (ICD) and Container Fright Stations (CFS). 4
- (d) Briefly examine with a note the correctness of the following statement with reference to the Customs Act, 1962 : 4
- "Interest under Section 47 is chargeable only after the expiry of warehousing period specified under Section 61(1) of the Customs Act, 1962."
- (e) Briefly explain the term 'Export' for the purpose of duty drawback under Section 75 of the Customs Act, 1962. Is duty drawback available if the goods do not reach the destination ? 4

5. (a) Compute the assessable value for purpose of determination of Customs duty from the following data : 5

	US \$
Machinery imported from USA by air (FOB price)	4,000
Accessories compulsorily supplied alongwith the machinery	1,000
Air freight	1,200
Insurance charges	Actuals not available
Local agent's commission to be paid in Indian Currency	Rs. 9,300
Transportation from Indian Airport to factory	Rs. 4,000
Exchange rate US \$ 1 = Rs. 48	

Provide explanations where necessary.

- (b) Tony India imported various components in different consignments separately on the basis of valid import licences. The Department has taken a stand that in view of the provision in Rule 2(a) of the Interpretative Rules the goods will attract import duty as if they were finished goods and the benefit of an exemption notification exempting components only will not be available. Write a brief note with reference to decided case law, if the stand taken by the Department is correct in law. 5
- (c) Briefly write a note on whether an exporter who has been held guilty of exporting 'prohibited goods' is entitled to an option to pay fine in lieu of confiscation under Section 125 of the Customs Act, 1962 5

### PART—C

- (a) Examine briefly whether any liability to Service tax would arise in the following cases : 2×3 =6
- Services provided by one scheduled bank to another scheduled bank in relation to inter-bank transactions of purchase and sale of Foreign Currency.
  - Services provided to or from installations, structures and vessels in the entire continental shelf and exclusive economic zone of India.

- (iii) Services provided to any person by Government Railways in relation to transport of goods by rail.
- (b) Write a brief note whether the Commissioner of Central Excise is empowered to revise or review the orders pertaining to Service tax passed by an adjudicating authority subordinate to him. 2
- (c) (i) State briefly the position under Rule 5 of the Taxation of Services (provided from outside India and received in India) Rules, 2006 the circumstance when such service could be treated as input service. 2×2 =4
- (ii) Briefly indicate the provisions under the Finance Act, 1994 relating to interest under Sec. 75.
- (d) Briefly explain with a note the time period for filing a claim for refund of Service tax by an exporter of goods and sanction of refund claim by the Department. 3