

## Paper-10

### APPLIED INDIRECT TAXATION Test Paper II/10/AIT/2008/T-1

Time Allowed-3 Hours

Full Marks-100

**Answer Question No. 1 which is compulsory and any 10 questions from rest. Q 1 carries 20 marks and other questions carry 8 marks each**

**Q1]** (a) What are the conditions for taking the CENVAT credit under the CENVAT Credit Rules, 2004 by a manufacturer? (b) Explain the differences between 'Identical goods' and 'Similar goods' with reference to Customs Valuation Rules, 2007. (10 x 2 = 20 marks)

**Q2]** Describe the Constitutional provisions under which various indirect taxes are imposed.

**Q3]** Briefly explain with reference to the provisions of Central Excise Act, 1944 : Dutiability of Waste and Scrap.

**Q4]** Discuss provisions relating to 'deemed manufacture' in respect of goods covered under MRP provisions of valuation (*ICWA Inter June 2006 (Refer para 3.8)*)  
Briefly explain with reference to the provisions of the Central Excise Act, 1944 : Labelling and branding activities.

**Q5]** ABC Co. Ltd. wanted a stainless steel tank for their manufacturing process. Since the tank was huge size, they decided to fabricate the same in their own factory to save problems of transportation. The contract of fabrication was given to XYZ Co. Ltd. who are experts in specialized stainless steel tank designing, manufacture and welding. The tank was fabricated at site as designed by XYZ Co. Ltd. Stainless steel sheets required for manufacture of tank were supplied by ABC Co. Ltd. The tank was affixed to ground with bolts but could be removed without dismantling. No excise duty was paid on the tank. Excise department wants to issue show cause notice demanding duty. Whether duty is payable ? If duty is found to be payable, whether demand notice should be issued to ABC Co. Ltd. or XYZ Co. Ltd.?

**Q6]** Discuss how are the 'incomplete or unfinished goods having the essential characteristics of finished goods' classified under the Central Excise Tariff Act, 1985?

**Q7]** (a) Refrigerators under heading No. 8418 10 carry 'abatement rate' of 40% and they are specified only in the First Schedule to the Central Excise Tariff Act 1985. Find out the amount of

duty, if the maximum retail price (MRP) of a refrigerator is Rs. 20,000 only and the rate of excise duty is 16% plus education cess as applicable (b) What legal / penal actions can be taken in case the retail sale price is unduly tampered after the removal?

**Q8]** What are the requirements to be satisfied for applicability of transaction value in a given case? (b) State true or false, giving reasons – ‘If transaction value is lower than cost of production, it cannot be accepted as assessable value for central excise purposes’.

**Q9]** A manufacturer has agreed to supply a machine on following terms: - (i) Price of the machine at Rs. 4,50,000.00 (Exclusive of taxes and duties) (ii) Packing for transportation of the machine Rs. 15,000.00, (iii) Transport charges of machinery Rs. 25,000.00, (iv) Development and tooling charges Rs. 40,000.00 (exclusive of taxes and duties), (v) C.S.T. @ 4% (vi) Octroi paid on machine supplied Rs. 2,000.00 (not recovered from party separately) (vii) Excise duty @ 16% plus education cesses as applicable (viii) Interest will be charged @ 16% on delayed payment beyond 30 days, (ix) Special discount of Rs. 5,000.00 if advance of Rs. 2,00,000.00 is paid with order. Work out the excise duty liability based on following additional information - (i) Actual transportation cost is Rs. 26,000.00, (ii) Interest of Rs. 5,000.00 was charged as party has failed to make payment within 30 days, (iii) The buyer paid advance with the order.

**Q10]** Write a note on Large Tax Payers Units. Explain procedural relaxations available to LTU.

**Q11]** Explain the provisions relating to “Invoice” under Rule 11 of the Central Excise Rules, 2002.

**Q12]** (a) As assessee has written off obsolete inputs from his books of account. Is he liable to reverse the Cenvat credit on those inputs? (b) Explain whether credit under the Cenvat Credit Rules, would be available when Inputs are used in intermediate product, which is exempt from duty. However, the final product is dutiable.

**Q13]** Define ‘inputs service’ under the Cenvat Credit Rules, 2004. Is Cenvat Credit available on mobile phone?