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**PAPER 8 : INDIRECT TAXES**  
**MAY 2002**

Question 1, and 6 are compulsory.

The candidates are required to attempt three questions out of Question Nos.2,3,4 and 5 and two questions out of Question Nos. 7,8 and 9

**PART - A**

**Question 1**

- a) M/s T.E.L. are in the business of supplying “Turbo-alternators” to various customers. They manufacture steam turbines in the factory which are removed to the customer’s site on the payment of Central Excise duty. They purchase duty paid alternators from the market which are delivered at the customer’s site. M/s T.E.L. assemble both the items and fix them permanently on a platform at the site. Department demands Central Excise duty payable on “Turbo-alternators”, when it comes into existence after being assembled on the platform embedded to the earth. Is the view taken by the department correct? Please discuss the help of case laws, if any. **(5 Marks)**
- b) M/s U.T.A. manufacture welding electrodes which are put first in Polythene bags and then packed together in Cardboard cartons. They sell electrodes at the factory gate packed in Cardboard cartons whereas such electrodes are also packed in wooden boxes when sold to their customers located at outstations. Is the department justified to include the cost of wooden boxes in the assessable value of the welding electrodes? Discuss with the help of case laws, if any. **(5 Marks)**
- c) M/s R.M.T. Industries manufacture cigarette which are sold in wholesale, exfactory, at—cum—duty price to wholesale dealers. The price charged to all the dealers from the cigarettes on credit are requiring to deposit interest free security with M/s R.M.T. The department has demanded duty free M/s R.M.T. contending that they had earned notional interest in the security deposit received from the dealers which should be included in the assessable value of the cigarettes being the additional consideration. Duty on cigarettes is being charged on advalorem basis. Discuss the stand taken by the department with decided case laws, if any. **(5 Marks)**

**Question 2**

- a) Write a note on Central Excise (No.2) Rules, 2001 **(7 Marks)**
- b)
- i. ‘Erstwhile Rule 51A read with old Rules 173H and 173L containing stringent provisions have been replaced by the Rule 16 of the Central Excise (No.2) Rules, 2001 to ease the problems faced by the Assesses’. Discuss the above statement. **(7 Marks)**
- ii. Discuss Rule 8 of the Central Excise Rules, 2001 regarding the manner of Payment of Central Excise Duty. **(4 marks)**

**Question 3**

- a)
- i. Define “Capital Goods” under CENVAT Credit Rules 2001.
- ii. Explain the meaning of “Input” with reference to CENVAT Credit Rules, 2001. **(4 Marks)**
- b)
- i. Explain under what circumstances can manufacture claim refunds of CENVAT Credit in cash under the CENVAT Credit Rules, 2001 **(4 Marks)**
- ii. Is a manufacturer allowed to remove the inputs on which CENVAT Credit has been taken as such? Explain the provisions on the above aspect under the CENVAT Credit Rules, 2001. **(3 Marks)**

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#### Question 4

- a)
- i. What are the clearances whose values are excluded for the purpose of calculating the Small Scale Exemption Limit (SSI) while calculating the turnover of Rs.100/300 lakhs? **(4 Marks)**
  - ii. What are the types of “acts” that would constitute an offence under section 9 of the Central Excise Act, 1944? **(4 Marks)**
- b)
- i. What are the cases in which appeal cannot be heard by the Customs Excise and Gold (Control) Appellate Tribunal under the Central Excise Act, 1944? **(4 Marks)**
  - ii. Explain the powers of adjudication of Central Excise Officers for demand of Central Excise Duty. **(4 Marks)**

#### Question 5

- a) Write short notes on any two of the following with reference to Central Excise Laws:
- i. Powers of Search and Seizure
  - ii. Duty paid under Protest
  - iii. Self-assessment. **(3 × 2 = 6 Marks)**
- b)
- i. What are the services rendered by a practicing Chartered Accountant liable to Service Tax in terms of Notification NO.59/98-Service tax dated 16th October, 1998. **(5 Marks)**
  - ii. Define any two terms with reference to Service tax.
    - a. Stock – broker<sup>1</sup>
    - b. Advertisement
    - c. Courier Agency. **(2×2= 4Marks)**

#### Question 6

- (a)
- i. M/s. N.E.I imported rubber seals and filed a Bill of Entry for clearance. The customs department assessed the duty classifying the rubber seals under heading no.40.16 of the Customs Tariff. The goods were assessed accordingly and the importer paid the duty on 2.5.2001. Subsequently, on 29.10.2001, M/s. N.E.I filed a claim for refund of duty contending that rubber seals are classifiable under Heading No.84.82 which attracts at lesser rate of customs duty. Is the refund of customs duty admissible to M/s.N.E.I? Discuss with the help of case laws, if any. **(6 Marks)**
  - ii. M/s A.B.L. imported asbestos fiber from abroad. Asbestos fibre is extracted from rocks. When the department asked the importer to pay the additional Customs duty (Counter-vailing duty) under section 3(1) of the Customs Tariff Act, 1975, the importer argued that duty is not levied as asbestos fiber has not been obtained as a result of manufacture. Is the contention of M/s. A.B.L. correct? Discuss. **(6 Marks)**
- (b) Write short notes on:
- i. Adhoc Exemption under the Customs Act, 1962
  - ii. Indian Customs Waters under the Customs Act, 1962. **(2 × 2 = 4 Marks)**

#### Question 7

- (a) Explain Rule 3 of Rules for interpretation of the Customs Import Tariff Schedule. **(6 Marks)**
- (b) Explain the meaning of single dash (-) and double dash (--) used in the Customs Tariff Schedule for imported goods. **(3 Marks)**
- (c) How to determine duty when goods consist of articles liable to different rates of duty? **(3 Marks)**

#### Question 8

(a)

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- i. Explain the differences between 'Identical goods' and 'Similar goods' with references to Customs Valuation Rules, 1988. **(4 Marks)**
- ii. Enumerate the various costs and services that are to be added to the 'Transaction Value' under Rule 9 of the Customs Valuation Rules, 1988. **(4 Marks)**
- (b) M/s H.R.C. imported a consignment of computer software and manuals valued at U.S. \$ 42 lakhs and contended that the actual was only U.S. \$ 10 lakhs while the balance amount represented license fee for using the software at multiple locations and as such customs duty is payable only on the actual value of U.S. \$ 10 lakhs. Is the contention raised by M/s H.R.C. correct? Discuss. **(4 Marks)**

### Question 9

- (a) Write short notes on any two of the following:
- (i) Goods imported removed from the warehouse as per section 72 of the Customs Act, 1962.
  - (ii) Distinction between clearance for Home Consumption and Clearance for Warehousing.
  - (iii) Levy of Customs duty on goods derelict, Wreck, Jetsam etc. **(4 × 2 = 8 Marks)**
- (b) Write a note on:  
'Abatement of duty on damaged or deteriorated goods imported. **(4 Marks)**