
PAPER 8 : INDIRECT TAXES
MAY 1998

Questions 1 and 2 are compulsory.

Answer any five of the remaining questions.

Question 1

- (a) Can a demand of Central Excise Duty under section 11A of the Central Excise Act, 1944 be raised on a manufacturer on the ground that a notional interest at the rate of 10% per annum on the interest-free security deposits received by the said manufacturer from some of its main dealers should be included in the assessable value? Decide the issue in the light of relevant decisions of Supreme Court. **(8 marks)**
- (b) A particular Central Excise Notification grants full exemption to “all products of printing industry including newspapers and printed periodicals”. A manufacturer, who is manufacturing cardboard cartons and subsequently doing varied printing on them, claims the benefit of the said exemption notification on the ground that every material on which printing work is done becomes a product of the printing industry. Is the claim of the manufacturer justified?
Give reasons for your view. **(7 marks)**

Question 2

- (a) In terms of the relevant provision of the Central Excise Rules, 1944, what are the prescribed dates for determination of duty and tariff valuation in the following situations:
- i. In respect of goods on which duty has been paid and which have been loaded into railway wagons for which the railways has issued a receipt in favour of the purchaser of the said goods, but the wagons laden with the said goods continue to be stationed within the factory premises. **(4 Marks)**
 - ii. Where any person, who has removed excisable goods for export in bond, has diverted the goods for home consumption. **(2 Marks)**
 - iii. In case of loss of goods in storage in a factory. **(2 marks)**
- (b)
- i. Define “excisable goods” as mentioned in Central Excise Act, 1944. **(2 marks)**
 - ii. Is there any difference between ‘non-excisable goods’ and ‘goods carrying nil rate of duty as per the schedule to Central Excise Act’? Explain your answer. **(1+2=3 Marks)**
 - iii. A person is neither a producer nor a curer nor a manufacturer of excisable goods, but he only stores such goods in a warehouse. Can he be called upon to pay the duty or duties on such goods? Explain the provision. **(2 marks)**

Question3

- (a) Explain the concept of duty of excise as laid down by the Supreme Court of India in its well-known judgement in the case of Union of India vs. Bombay Tyre International Ltd. Delivered in 1983. **(8 marks)**
- (b) Explain the provision in the Central Excise Act, 1944 for valuation of excisable goods with reference to retail sale price. **(7 marks)**

Question 4

- (a)
- i. Indicate the respective provisions of the Central Excise Act, 1944 and of the Central Excise Tariff Act, 1985 by virtue of which these two enactments get linked to one another. **(5 Marks)**
 - ii. What is the rate structure of Central Excise Duty as introduced in the Union Budget presented by the Finance Minister in February, 1997? **(1+1+1=3 Marks)**
- (b) Explain the emergency power of Central Government to increase duty of Excise. **(7 marks)**

Question 5

(a)

- i. The expression 'MODVAT' stands for Modified Value Added Tax. Explain the concept of Value Added Tax (VAT). Why is it called modified? **(3+2=5 Marks)**
- ii. Indicate the three aspects as specified in rule 57G of the Central Excise Rules, 1944 about which an Assistant Commissioner must be satisfied before he can condone the delay in filing declaration under the aforesaid rule. **(1+1+1=3 Marks)**

(b) What is the procedure prescribed in the relevant MODVAT rules for a manufacturer, who is engaged in the manufacture of final product X which is chargeable to 15% adv. rate of duty and also in the manufacture of another final product (Y), which is chargeable to 'nil' rate of duty and he takes credit of specified duty on any inputs (other than fuel) which is used in the manufacture of both X and Y?

(7 Marks)**Question 6**

(a) An owner of imported goods, which have been warehoused, wants to do some manufacturing operations on such goods inside the warehouse. Explain the provision under the Customs Act, 1962 dealing with such operations. **(8 Marks)**

(b) Rule 5 of the Customs Valuation (Determination of price of imported goods) Rules, 1988 deals with determination of transaction value of identical goods. Explain the guidelines prescribed for the proper officer of customs in applying Rule 5 as given in the interpretative notes to Rule 5.

(8 Marks)**Question 7**

(a) Describe the procedure prescribed in the Customs Act, 1962 in case of goods not cleared, warehoused or transhipped within 30 days after unloading. **(6 Marks)**

(b) Highlight the important features of 'safeguard duty' under the Customs Tariff Act, 1975 introduced for the first time by Finance Act, 1977. **(6 Marks)**

Question 8

a) Give the five column-headings as prescribed in the schedule to the Customs Tariff Act, 1975 as applicable for the year 1997-98. **(5 Marks)**

b) What conditions are to be satisfied by a person for availing concessions on transferring his residence? A person has made short visits to India 6 times during his stay abroad and the total period of such short visits is 7 months 15 days. Can he avail of the concession on transferring his residence? Explain your answer. **(3 + 4 = 7 Marks)**

Question 9

a) Write short notes on the following (not exceeding 10 lines each):

1. "Residual method" of valuation of imported goods. (Give any three of the basis.)
2. Power to search premises under Customs Act, 1962. **(3 + 3 = 6 Marks)**

b) Describe the following terms as contained in the Customs Act, 1962/Baggage Rules, 1994.

1. Entry.
2. Prohibited Goods.
3. Tourists. **(2 + 2 + 2 = 6 Marks)**