
PAPER 8 : INDIRECT TAXES
MAY 1997

Questions 1 and 2 are compulsory.
Answer any five of the remaining questions

Question 1

- (a) Examine giving adequate reasons as to whether the manufacturing company 'X' and its customer company 'Y' are "related persons" for the purpose of valuation of excisable goods, under the following circumstances:
- i. Some directors of 'X' are also directors of 'Y'.
 - ii. 'X' sells a majority of its production to 'Y' and has financial involvements, apart from not charging rent for use of its vehicles by 'Y' and that the advertisement expenses of products of 'X' were incurred by 'Y'.
 - iii. 'Y' is a distributor of 'X', but not a relative of 'X'.
- Your answer should be distinct and separate for each given situation. **(3×3=9 Marks)**

- (b) "Papadwala" supplied certain raw materials and inputs to several household ladies for making 'Papads'. The said ladies at their own premises, using their labour force made 'Papads' and received job-charges. "Papadwala" did not supervise their undertakings.

The Central Excise Department raises huge demand of duty on "Papadwala", alleging that he is the manufacturer. You are engaged by the notice as counsel to represent him in the adjudicating proceeding. State, giving reasons, the tenability of the Department's notice/claim. You may take the help of decided cases on the point. **(6 Marks)**

Question 2

- (a) Indicate any nine purposes specified in the Customs Act, 1962 for which the Central Government can prohibit the import or export of goods of any specified description. **(9 Marks)**
- (b) State the provisions of the Customs Act, 1962 relating to licensing of private warehouses. **(6 Marks)**

Question 3

- (a) Write a short note not exceeding twenty lines, on each of the following in relation to Central Excise Law:
- i. Place of removal.
 - ii. Exemption from duty/resignation for SS/s. **(4+5=9 Marks)**
- (b) What do you understand by "redemption fine"? State the provisions relating to imposition of such fine under the Customs Act, 1962. **(5 Marks)**

Question 4

- (a) Briefly state and summarise the types of controls prescribed under the Central Excise Rules, 1944, for levy and collection of duties of excise in industry. **(9 Marks)**
- (b) An importer imports an article into India and no like article is produced or manufactured in India.
- a. State, giving reasons, whether the imported article is liable to the levy of additional duty of customs (CVD). **(5 Marks)**

Question 5

- (a) What are the provisions of the Central Excises Act, 1944 governing "special audit"? When and by whom can such audit be directed and conducted? **(9 Marks)**
- (b) Write short notes (not exceeding fifteen lines in each case) on the following:
- i. Temporary detention of baggage imported into India.
 - ii. Power of an officer of customs to summon persons. **(2.5 × 2=5 Marks)**

Question 6

- (a) State and summarise the provisions of the Central Excise Rules, 1944 governing recovery of modvat credit wrongly availed or utilized by a manufacturer. Also state the provisions pertaining to charging of interest on such credit. The answer shall pertain only to input-duty credit. **(9 Marks)**
- (b) What are the circumstances under which goods imported by a passenger, could be considered as his “bonafide baggage” under the Customs Act, 1962? **(5 Marks)**

Question 7

- (a)
- “Vendibility criterion” is a litmus-test to be fulfilled, before any goods can be subjected to the levy of excise duty. Discuss the statement with the help of illustrations.
 - a partner of a firm may be vicariously made liable for culpable acts and omissions of the firm. Discuss the statement with the help of illustrations. **(5+4=9 Marks)**
- (b) Outline the provisions of the Customs Act, 1962 relating to determination of duty where goods consist of articles liable to different rates of duty. **(5 Marks)**

Question 8

- (a) **(5+4=9 Marks)**
- Outline the provisions of the Central Excise Act, 1944 which empower the Central Government not to recover duty of excise in cases of non-levy or short-levy as a result of general practice. If duty has been paid despite such practice, it is refundable.
 - How are goods manufactured in a FTZ (Free Trade Zone) but sold in the DTA (Domestic Tariff Area) subjected to the levy of excise duty?
- (b) Bring out the distinction (under Customs Act, 1962) between:
- Fine and Penalty.
 - Rules and Regulations. **(2.5×2=5 Marks)**

Question 9

- (a)
- Outline the procedure for assessment of duty of excise by the proper officer under the C.E. Rules, 1944
 - A manufacturer has availed and utilized modvat credit on ‘capital goods’ towards payment of duty on final products. What would be the duty liability, if he sells the ‘capital goods’ after using them for a period of five years. **(5+4=9 Marks)**
- (b) Write short notes not exceeding 10 lines each on:
- “Boat-note” under Customs Act, 1962.
 - Protective duties under Customs Tariff Act, 1975. **(2.5×2=5 Marks)**