
**PAPER 8 : INDIRECT TAXES
MAY 2001**

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

Question 1

- (a) Discuss briefly with reference to Sec.4 of the Central Excise Act, 1944 and the Central Excise Valuation Rules,2000 how “value” for the purposes of the said section is to determined in each of the following situations? **(2×4=8 Marks)**
- i. X Ltd., does not effect any sales of its goods ex-factory. Goods are sold only from Depots / branches situated away from the factory and costs are incurred for transport of goods from factory to depots. X Ltd., the assessee and its customers are not “Related persons” and price is the sole consideration for the sale. What is the basis for determining the “value” of clearances ex-depot / branches.
 - ii. An assessee splits up the pricing system and charges a price for the goods and separately charges for packing. How would the cost of packing be treated in this case for determining “value”?
 - iii. An assessee charges warranty charges separately for all those customers who on an optional basis desire to take the ‘after sales service’ provided by the assessee. Are ‘warranty charges’ includible for purposes of ‘value’ in such cases?
 - iv. The assessee allows the buyers 30 days to make payment for the goods supplied. Interest is charged by the assessee from the buyer only, if payments are made beyond this period. How is interest to be treated for purposes of determining ‘value’?
- (b) Discuss the CENVAT Credit Scheme for Capital Goods with specific reference to Rule 57AA and Rule 57AC of the Central Excise Rules, 1944. **(7 Marks)**

Question 2

- (a) With reference to sec.4 of the Central Excise Act, 1944 briefly explain the meaning of the following expressions: **(4×2=8 Marks)**
- i. Related persons;
 - ii. Transaction value.
- (b) “A” Company manufactures and sells metal containers. Some of the metal containers sold to Company “B” were found to be defective and were returned to “A” company for remaking. Company “A” manufactures new metal containers out of such returned defective containers and takes CENVAT Credit equal to the duty paid earlier, when the metal containers were originally supplied treating these as ‘inputs’. The defective containers are deseamed and the metal sheets obtained are sent for printing. After printing the sheets are cut to size and rolled into the size of finished metal containers. Then they are sent to the welding line for making new containers. Company ‘A’ claims that since manufacture of a new product has taken place the defective container should be treated as ‘inputs’ and CENVAT Credit allowed on the same. The Excise Department’s view is hat no new product has come into existence since the defective containers were not melted and remade. The defective containers being ‘final products’ cannot be considered as inputs. Briefly discuss with reference to the Central Excise Act and Rules whether the stand taken by the Department is correct. **(7 Marks)**

Question 3

- (a) Briefly explain the provisions of Rule 12 of the Central Excise Rules, 1944 relating to “Rebate of duty on goods exported”. **(7 Marks)**
- (b)
- i. Write a short note on the specified documents under Rule 57AE of the Central Excise Rules 1944 for taking CENVAT Credit. **(4×2=8 Marks)**

- ii. A SSI unit clears goods with labels carrying M.R.P of Rs.67 per unit in the ordinary course of its business. The same goods are supplied at Rs.52 per unit pack marked as M.R.P under contract to Canteen Stores Department (CSD), which in turn sells them at the same price of Rs.52 per unit pack to Defence Service Personnel at various places. The labels used for sale to Canteen Stores carry the inscription "For C.S.D. only". The Excise Department insists that the SSI unit should pay duty with reference to the M.R.P. of Rs.67 per unit pack even in respect of the sales to CSD. With reference to sec. 4A of the Central Excise Act, 1944, briefly discuss whether the stand taken by the Department is correct.

Question 4

- (a) Discuss the provisions of Rule 173H of the Central Excise Rules, 1944 regarding re-entry of duty paid goods into the factory. **(7 Marks)**
- (b) Briefly explain the procedural requirements under Chapter X of the Central Excise Rules, 1944 with respect to remission of duty on goods used for special industrial purposes. **(8 Marks)**

Question 5

- (a) Write short notes on any **two** of the following with reference to the provisions of the Central Excise Act and Rules made thereunder : **(4×2=8 Marks)**
- i. Power to summon
 - ii. Registration
 - iii. Duty paid under protest.
- (b) Write a short note on the "Appellate Remedies" (i.e. right of appeal to persons aggrieved by the order passed by an adjudicating authority) under the provisions of the Central Excise Act, 1944. **(7 Marks)**

Question 6

- (a) Explain briefly the difference "Safeguard duty" and "Anti-dumping Duty" under the Customs Tariff Act, 1975. **(4 Marks)**
- (b) "V" steels imported various items for its captive power plant with technical know how from "N" Engineering. U.S.A. The relevant drawings of the turbine shaft and layout of the turbine shaft was in a semi-finished condition. Before fitting, this turbine shaft had to be further ground and finished as per the dimensions of the shaft indicated in the layout drawing. "V" steels paid US \$ 2000 for the layout drawing and did not pay any customs duty on this amount. The customs Department has claimed that this amount of US \$ 2000 forms part of the transaction value under Rule 9(1) of the Customs Valuation Rules, 1988. The counter of "V" steels to this claim made by the Department is that the drawing indicating the dimensions of the turbine shaft was merely a layout drawing of the turbine with other items of the turbine room.
Explain with specific reference to the provisions of Rule 9 of the Customs Valuation Rules, 1988, whether the claim made by the department is tenable ? **(6 Marks)**
- (c) A consignment of 800 metric tons of skimmed milk powder of US origin was imported by a Non-profit making organisations for free distribution of milk to the children in a tribal area under a World Health Programme. This being a special transaction a nominal price of US\$10 per metric ton was charged for the consignment to cover freight and insurance charges. The Customs Department found out at or about the time of importation of this gift consignment there were the following imports of skimmed milk powder of US origin.

Sr.No.	Quantity imported in Metric tons	Unit price in US\$ C.I.F
1	20	260
2	100	220
3	500	200

4	900	175
5	400	180
6	780	160

The rate of exchange on the relevant date was 1 US \$ = Rs.46.

Briefly explain, how the assessable value for purposes of Customs Duty will be arrived at in this case under the Customs Act, 1962 and the Customs valuation Rules, 1988.

Question 7

Write short notes on any **three** of the following with reference to the provisions of the Customs Act, 1962 and the Customs Tariff Act, 1975: **(4×3=12 Marks)**

- Project Imports
- Burden of Proof
- Drawback U/s. 75 of the Customs Act, 1962
- Redemption Fine and Penalty.

Question 8

- Explain briefly the difference between “Public Bonded Warehouse” and “Private Bonded Warehouse” under the Customs Act, 1962. **(3×4=12 Marks)**
- State briefly the circumstances under which goods deposited in a bonded warehouse could be removed under the Customs Act, 1962.
- Discuss briefly the owner’s right to deal with warehoused goods under the Customs Act, 1962.
- Explain briefly the penal provisions of Sec.72 of the Customs Act, 1962 in respect of goods improperly removed from a warehouse.

Question 9

- Write short notes on any **two** of the following with reference to the provisions of the Customs Act, 1962: **(3×2=6 Marks)**
 - Prohibited goods
 - Stores
 - Entry.
- Explain briefly with reference to the provisions of the Customs Act, 1962 any **two** of the following : **(3×2=6 Marks)**
 - Provisional assessment
 - Determination of duty on sets of articles imported
 - Assessment of accessories supplied with the main equipment that is imported.