

PAPER -INDIRECT TAX LAWS- Solution

Answer 1

(a) Computation of assessable value of the excisable goods:-

Contracted sale price	Rs.9,00,000
Less:	
Excise duty (Note – 1)	Rs.1,11,200
VAT (Note – 1)	Rs.37,000
Octroi (Note – 1)	Rs.9,500
Actual freight from “place of removal” to buyer’s premises (Note – 2)	<u>Rs.42,300</u>
	<u>Rs.2,00,000</u>
Assessable value	<u>Rs.7,00,000</u>

Notes - In the given question, for the purpose of determining the assessable value of the excisable goods:-

1. the duty of excise, sales tax and other taxes, if any, actually paid or payable on the excisable goods shall be excluded [Section 4(3)(d) of the Central Excise Act, 1944].
2. the cost of transportation from the place of removal up to the place of delivery of the excisable goods shall be deducted [Rule 5 of the Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000].
3. the cost of transportation, worth Rs. 20,000, from the factory to the place of removal shall not be excluded [Explanation 2 to rule 5 of Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000].
4. cost of packing, Rs. 3,000 and Rs. 7,000 shall not be deducted. In this regard, it has been clarified that as per section 4 of the Central Excise Act, 1944, packing charges shall form part of the assessable value whether packing is ordinary or special, or primary or secondary. Any charges recovered for packing are the charges recovered in relation to the sale of the goods under assessment and, hence, will form part of the transaction value of the goods [Circular no. 354/81/2000 dated 30/6/2000].

(b) No, the Department’s plea is not justified in law. The facts of the given case are similar to the case of *CCE v. Tarpaulin International 2010 (256) E.L.T. 481 (S.C.)*. The Apex Court opined that stitching of tarpaulin sheets and making eyelets did not change basic characteristic of the raw material and end product. The process did not bring into existence a new and distinct product with total transformation in the original commodity. The original material used i.e., the tarpaulin, was still called tarpaulin made-ups even after undergoing the said process. Hence, it could not be said that the process was a manufacturing process. Therefore, there could be no levy of Central excise duty on the tarpaulin made-ups.

Hence, the Supreme Court held that conversion of tarpaulin into tarpaulin made-ups would not amount to manufacture.

(c) **Computation of the value of taxable service under the category of ‘erection, commissioning or installation services’ for the month of October, 2011:-**

Particulars	Amount (`)
Installation of thermal insulation	12,00,000
Installation of transformers (Note-2)	15,50,000
Installation of street lights (Note-2)	4,00,000
Value of taxable service	31,50,000

Notes:

1. *Notification No. 12/2010 ST dated 27.02.2010* has specifically exempted services relating to ‘erection, commissioning or installation’ of Mechanized Food Grain Handling Systems.

2. Circular No.123/5/2010-TRU dated 24.05.2010 clarifies that installation of transformers and street lights is taxable under the category of erection, commissioning or installation service.
3. Services rendered wholly within an airport are classifiable under the category of 'airport service' [Proviso to section 65(105)(zzm)].

(d)

Determination of eligible purchase for Input Tax credit		Rs.
Purchases made in January, 2010		55,00,000
Less:		
(i) Inter-State purchases (input credit not available)	15,00,000	
(ii) Purchase from unregistered dealer (input credit not available)	18,50,000	
(iii) Capital goods (not eligible for input credit)	6,50,000	40,00,000
Total purchases eligible for tax credit		15,00,000

Calculation of Input tax credit available		Rs.
Input tax credit available		
VAT credit eligible purchase of input @ 4%		24,000
4% of (Rs.15,00,000 – Rs.9,00,000)		
i.e. 4% of Rs.6,00,000		
VAT credit on eligible capital goods		
(4% of Rs.9,00,000) x $\frac{1}{36}$		1,000
Input credit available for January, 2010		25,000
Calculation of VAT payable or credit to carry forward		Rs.
Output Tax		1,25,000
VAT on sales @ 12.5% of Rs.10,00,000		
Less: Input tax credit		25,000
Vat payable		1,00,000
credit to be carry forward		NIL

(e) COMPUTATION OF ASSESSABLE VALUE AND CUSTOM DUTY

PARTICULARS	Amount (in Foreign currency)	Amount (Rs.)
FOB Value	\$ 10,00,000	
Add: Air Freight (note 1)	\$ 2,00,000	
Add: Insurance Charges (note 2)	\$ 11,250	
Add: Adjustment Under Rule 10(1)		
1) selling commission 5% (\$ 10,00,000) (note 3)	\$50000	
2) royalty 5% (\$ 10,00,000) (note 4)	\$50000	
3) design & drawing charges (note 5)	\$10000	
Value in Foreign Currency	\$1321250	

Rate of Exchange (note 6)	1\$=Rs. 46.80	
CIF Value in Rupees		6,18,34,500
Add: Landing Charges as per Rule 10(2) (note 8) (1% of CIF)		6,18,345
Assessable Value		6,24,52,845
Duty on A.V. BCD @25%(6,24,52,845)		1,56,13,211
CVD @ 16.48%(A.V.+BCD) 16.48%(6,24,52,845 + 1,56,13,211)		1,28,65,286
Education Cess @ 2 %(BCD + CVD)		5,69,570
H/S ED. Cess @ 1% (BCD + CVD)		2.84,785
Total Customs Duty Payable		2,93,32,852

Note 1 : As per rule 10(2) In case of goods imported by Air, the cost of transportation to be added is actual or 20% of F.O.B. whichever is lower. Hence in given case cost of transportation is added 20% of F.O.B i.e. \$ 2,00,000

Note 2 : As per rule 10(2) if cost of insurance is not ascertainable then it is added as 1.125% of F.O.B. i.e. \$ 11,250

Note 3 : As per rule 10(1)(a) Commissions and brokerage, except buying commissions to the extent they are incurred by the buyer but are not included in the price actually paid or payable for the imported goods, shall be added in T.V. Thus in given case selling commission is added in T.V. eventhough paid to local agent in India

Note 4 : As per Explanation to rule 10(1) - Where the royalty, licence fee or any other payment for a process, whether patented or otherwise, shall be added to the price actually paid or payable for the imported goods, notwithstanding the fact that such goods may be subjected to the said process after importation of such goods.

Note 5: As per rule 10(1)(b) the value, apportioned as appropriate for engineering, development, art work, design work, and plans and sketches undertaken elsewhere than in India and necessary for the production of the imported goods where supplied directly or indirectly by the buyer free of charge or at reduced cost is to be added in T.V. Hence in given case Drawing & design charges added in T.V.

Note 6 : As per Section 14 "rate of exchange" means the rate of exchange as determined by the Board.

Note 7: As per Proviso to section 14 price shall be calculated with reference to the rate of exchange as in force on the date on which a bill of entry is presented under section 46. Hence relevant rate for exchange rate is 1\$ = 46.80 as on 28-2-03

Note 8 : As per section 15 if a bill of entry has been presented before the date of entry inwards of the vessel or the arrival of the aircraft by which the goods are imported, then relevant date for duty rate is the date of such entry inwards or the arrival, as the case may be. Hence relevant rate is 25% as on 10-3-03

Note 9 : As per rule 10(2) landing charges shall be added as 1% of CIF

Answer2

(a) **Computation of the amount of CENVAT credit available to Gangotri Manufacturing Ltd.:-**

Items	Excise duty paid (including EC and SHEC) (`)
Raw materials	52,000
Capital goods used for generation of electricity for captive use (50% of ` 1,00,000) (Note-1 & 2)	50,000
Motor spirit (Note-3)	Nil
Inputs used for construction of a building (Note-3)	Nil
Dairy and bakery products consumed by the employees (Note-3)	Nil

Motor vehicle (Note-3)	Nil
Total CENVAT credit available	1,02,000

Notes:-

1. Capital goods used for generation of electricity for captive use within the factory are eligible capital goods under rule 2(a) of the CENVAT Credit Rules, 2004.
2. Since, aggregate value of clearances of Gangotri Manufacturing Ltd. for the financial year 2010-11 is ` 450 lakh i.e. more than ` 400 lakh, it is not eligible for SSI exemption. Therefore, CENVAT credit of only 50% of the duty paid is available in respect of the eligible capital goods in the year of purchase [Third proviso to rule 4(2)(a)].
3. As per the definition of inputs under rule 2(k), there is specific exclusion with regard to the following:-
 - (i) motor spirit
 - (ii) goods used for construction of a building or a civil structure or a part thereof
 - (iii) any goods, such as food items used primarily for personal use or consumption of any employee
 - (iv) motor vehicles

(b) **Yes**, the Department's contention is valid in law. The facts of the given case are similar to the case of *Maruti Suzuki India Ltd. v. CCE 2010 (257) E.L.T. 226 (Tri. – LB)*. The Larger Bench of the Tribunal drew the following propositions:-

(i) Transaction value includes the amount paid by reason of/in connection with sales of goods

The transaction value is not confined to the amount actually paid and is not restricted to flow back of consideration or part thereof to the assessee directly but even for discharge of sales obligations both in present and future. Thus, all deferred and future considerations are added to assessable value.

(ii) Definition of transaction value is extensive, at the same time restrictive and exhaustive in relation to the items excluded there from

Extensive

The use of expressions like "includes in addition to" and "including but not limited to" in the definition clause establishes that it is of very wide and extensive in nature.

Restrictive and exhaustive

At the same time, it precisely pinpoints the items which are excluded there from, with the prefix as "but does not include". Since, exclusions are defined, no presumption for further exclusions is permissible. Hence, the definition is restrictive and exhaustive in relation to the items excluded there from.

(iii) PDI and after sales service charges is a payment on behalf of the assessee to the dealer by the buyer

Any amount collected by the dealer towards pre-delivery inspection or after sale services from the buyer of the goods under the understanding between the manufacturer and the dealer or forming part of the activity of sales promotion of the goods would be a payment on behalf of the assessee to the dealer by the buyer, and hence, it would form part of the assessable value of such goods.

Hence, it was held that the charges towards pre-delivery inspection and after-sale-service recovered by dealers from buyers of the cars would be included in the assessable value of cars.

(c) Yes, Provision of section 11A is not applicable to compounded levy scheme.

The facts of the given case are similar to the case of *HANS STEEL ROLLING MILL [2011](SC)* where S.C. Held that

Compounded levy scheme is a comprehensive scheme in itself and general provisions of sec 11A in the Act cannot prevail over specific provision.

Hence provision of section 11A is not applicable to compounded levy scheme.

- (d)
- i. No, service tax is not payable on construction of complex service in relation to Jawaharlal Nehru National Urban Renewal Mission and Rajiv AwaasYojana. *Notification No. 28/2010 ST dated 22.06.2010*, with effect from 01.07.2010, has exempted the construction of complex service in relation to Jawaharlal Nehru National Urban Renewal Mission and Rajiv AwaasYojana from service tax.
 - ii. No, service tax is not payable on air transport of crew members on board the aircraft because *Notification No. 25/2010 ST dated 22.06.2010* has specifically exempted the air transport of crew members on board the aircraft.

Answer-3

(a)

- (i) No, the Department's contention is not valid in law. The facts of the given case are similar to the case of **Xerox India Ltd. [2010] (SC) where S.C. observed that**

Product shall be classified under heading 8471.60 as Automatic Data Processing Machine

Rule 3(b) provides the composite goods shall be classified as if they consisted of the material or component which gives them their essential character.

Xerox Regal 5799 has about 85% of its total parts and components along with manufacturing cost allocated to printing, while the same is 74% in case of Xerox XD155df model. This clearly shows that the printing function emerges as the principal function and gives the Multi-Functional Machines its essential character. Printers are classifiable under Heading 8471.60, therefore, multi functional machines also become classifiable under Heading 8471.60.

- (ii) Section 2(d) of the Central Excise Act, 1944 carries an explanation which states that the expression "goods", for purpose of the said clause, includes any article, material or substance which is capable of being bought and sold for a consideration and such goods shall be deemed to be marketable.

Rule 2(d) of the CENVAT Credit Rules, 2004 defines exempted goods as excisable goods which are exempt from the whole of the duty of excise leviable thereon and includes goods which are chargeable to nil rate of duty and goods in respect of which the benefit of an exemption under notification No. 1/2011-CE, dated the 1st March, 2011 is availed

(b)

- (i) The provisions of Chapter V have been extended to any service provided or to be provided by or to the installations, structures and vessels within the continental shelf and the exclusive economic zone of India, constructed for the purposes of prospecting or extraction or production of mineral oil and natural gas vide Notification No. 14/2010-S.T. dated 27-2-2010.

- (ii) Effect of amendment: All Service providers (Whether Public or Private) providing service of **transport of goods in by rail, in any manner fall under purview of taxable service.**

But Central Government under notification No. 33/2009 – ST exempted service provided by Government Railways

- (iii) Notification No. 24/2009-S.T

Service in relation to management, maintenance or repair of roads IS EXEMPTED from the whole of the service tax leviable thereon under section 66 of the said Finance Act.

- (c) No, the application for remission of duty filed by the Lucrative Laminates is not valid in law. The facts of the given case are similar to the case of *CCE v. Decorative Laminates (I) Pvt. Ltd. 2010 (257) E.L.T. 61 (Kar.)*. The High Court, while interpreting section 23, stipulated that section 23 states that only when the imported goods have been lost or destroyed at any time before clearance for home consumption, the application for remission of duty can be considered. Further, even before an order for clearance of goods for home consumption is made, relinquishing of title to the goods can be made; in such event also, an importer would not be liable to pay duty.

Therefore, the expression "*at any time before clearance for home consumption*" would mean the time period as per the initial order during which the goods are warehoused or before the expiry of the extended date for clearance and not any period after the lapse of the aforesaid periods. The said expression cannot extend to a period after the lapse of the extended period merely because the licence holder has not cleared the goods within the stipulated time.

Moreover, since in the given case, the goods continued to be in the warehouse, even after the expiry of the warehousing period, it would be a case of goods improperly removed from the warehouse as per section 72(1)(b) read with section 71.

The High Court, overruling the decision of the Tribunal, held that the circumstances made out under section 23 were not applicable to the present case since the destruction of the goods or loss of the goods had not occurred before the clearance for home consumption within the meaning of that section. When the goods are not cleared within the period or extended period as given by the authorities, their continuance in the warehouse will not attract section 23 of the Act.

Answer 4

(a)

(i) Computation of the value of first clearances and the duty liability:-

Particulars	Rs.
1. Value of clearances of goods with own brand name	75,00,000
2. Value of clearance of goods with brand name of other parties (Note-1)	90,00,000
Total value of first clearances	1,65,00,000
Value on which duty is chargeable (Rs. 1,65,00,000 – 1,50,00,000) =	15,00,000
Excise duty payable @ 16% (Rs. 15,00,000 × 16%)	2,40,000
Education cess payable @ 3% (Rs. 2,40,000 × 3%)	7,200
Total excise duty payable	2,47,200

Notes:

1. SSI units in rural area are eligible to clear goods with other's brand name availing the exemption as per Notification No. 8/2003.
2. Notification No. 8/2003 also provides that value of clearances of goods totally exempt under other notifications need not be taken into account for calculation of aggregate value of first clearances.

(ii) **No, As per rule 3(1) of cenvat credit rules, 2004 manufacturer cannot avail credit of excise duty paid under notification 1/2011**

(b)

(i) The Larger Bench of the Tribunal, in case of *CCE v. BSBK Pvt. Ltd. 2010 (18) S.T.R. 555 (Tri. – LB)*, decided the issue as to whether the service provided by way of "advice, consultancy or technical assistance" in the case of turnkey contracts would attract service tax and could these turnkey contracts be vivisected.

It noted that Article 366(29-A)(b) to the Constitution has allowed the vivisection of indivisible contracts in order to find out goods component and value thereof. Therefore, the remnant part of the contract may be attributable to the scope of service tax under the provisions of the Finance Act, 1994.

It inferred that turnkey contracts can be vivisected and discernible service elements involved therein can be segregated and classifiable as well as valued for levy of service tax under the Finance Act, 1994 provided such services are taxable services as defined by that Act and depending on the facts and circumstance of each case, services by way of advice, consultancy or technical assistance in the case of turnkey contract shall attract service tax liability.

(ii) The VAT Registration may be cancelled under following circumstances:

- (i) Discontinuance of business; or
- (ii) Disposal of business; or
- (iii) Transfer of business to a new location;
- (iv) Annual turnover of a manufacturer or a trader dealing in designated goods or services falling below the specified amount.

(c)

(i) **Foreign going vessel or aircraft: [Section 2(21)]:**

The term is defined to mean any vessel or aircraft for the time being engaged in the carriage of goods or passengers between any port or airport in India and any port or airport outside India, whether touching any intermediate port or airport in India or not, and includes-

- any naval vessel of any foreign Government taking part in any naval exercise;
- any vessel engaged in fishing or any other operations outside the territorial waters of India;
- any vessel or aircraft proceeding to a place outside India for any purpose whatsoever;

(ii) **"Adjudicating authority" [Section 2(1)]**

means any authority competent to pass any order or decision under the Customs act, 1962, but does not include the Central Board of Excise and Customs constituted under the Central Boards of Revenue Act, 1963 Commissioner of Central Excise (Appeals) or Appellate Tribunal;

Answer 5

(a)

(i) Meaning of Consumer Welfare Fund:-

The Consumer Welfare Fund has been established by the Central Government under the provisions of section 12C of the Central Excise Act, 1944 wherein the following amounts are credited:-

- the refund of duty of excise/customs, which is not to be granted to the applicant,
- any income from investment of the amount credited to the Fund and any other monies received by the Central Government for the purposes of this Fund, and
- surplus amount of service tax referred to in section 73A(6) of the Finance Act, 1994 as amended.

Utilization of funds:-

Section 12D of the Central Excise Act, 1944 provides that:-

- any money credited to the fund shall be utilized by the Central Government for the welfare of the consumers in accordance with such rules framed in this behalf.
- The Central Government shall maintain or, if it thinks fit, specify the authority, which shall maintain, proper and separate account and other relevant records in relation to the Fund in such form as may be prescribed in consultation with the Comptroller and Auditor General of India.

(ii) Ashwani Tobacco Co. Pvt. Ltd. v. UOI

It elucidated that the order of settlement made by the Settlement Commission is distinct from the adjudication order made by the Central Excise Officer. The scheme of settlement is contained in Chapter-V of the Central Excise Act, 1944 while adjudication undertaken by a Central Excise officer is contained in the other Chapter of the said Act.

Once the petitioner has adopted the course of settlement, he has to be governed by the provisions of Chapter V. Therefore, the benefit under the proviso to section 11AC, which could have been availed when the matter of determination of duty was before a Central Excise Officer would not be attracted to the cases of a settlement, undertaken under the provisions of Chapter-V of the said Act.

(b) Computation of VAT payable by Mr. Ram for the month of October, 2011:-

Particulars	
(A) Output tax payable	
(i) On sale of finished goods produced from Goods 'A' within the State ($\text{₹ } 5,00,000 \times 12.5\%$)	62,500
(ii) On taxable sale of finished goods produced from Goods 'C' within the State ($\text{₹ } 35,00,000 \times 4\%$)	1,40,000
Total (A)	2,02,500
(B) Input tax credit available	
(i) Goods 'A' (Exempt)	Nil
(ii) Goods 'B' (Note-1)	Nil
(iii) Goods 'C' ($\text{₹ } 30,00,000 \times 12.5\%$)	3,75,000
Total (B)	3,75,000
Net VAT payable = (A)-(B)	(1,72,500)
CST payable on inter-state sale of goods produced from Goods 'A' ($\text{₹ } 7,00,000 \times 1\%$) shall be paid from the balance of credit of Rs. 1,72,500.	7,000
Balance of input credit carried forward to next month	1,65,500

Notes:

- Since, there is no opening and closing inventory, it implies that entire purchase of the Goods 'B' is used to manufacture the finished goods (which are exempt from tax). Further, purchases of goods, which are being utilized in the manufacture of exempted goods, are not eligible for input tax credit. Hence, no input tax credit is available in respect of VAT paid on purchase of Goods 'B'.
 - If finished goods are sold in the course of inter-state trade and commerce, credit is allowed.
- (c) The contention of the Department is not justified in law. The facts of the given case are similar to the case of Atherton Engineering Co. Pvt. Ltd. v. UOI 2010 (256) ELT 358 (Cal.) In the instant case, the Court noted that it

was the use of the product that had to be considered in the instant case. If a product undergoes some change after importation till the time it is actually used, it is immaterial, provided it remains the same product and it is used for the purpose specified in the classification. Therefore, in the instant case, it examined whether the nature and character of the product remained the same.

The Court opined that if the embryo within the egg was incubated in controlled temperature and under hydration, a larva was born. This larva did not assume the character of any different product. Its nature and characteristics were same as the product or organism which was within the egg.

Hence, the Court held that the said product should be classified as feeding materials for prawns under the heading 2309. These embryos might not be proper prawn feed at the time of importation but could become so, after incubation.

Answer 6

(a)

(i) Circular No. 898/18/2009-CX dated 15-9-2009

Board clarified that when the assessee does not pay the duty & interest within 30 days of order of adjudicating Authority, even if such duty is paid within 30 days of the appellate order upholding the demand, the benefit of reduced penalty of 25% shall not be available.

Hence 'P' cannot avail the benefit of reduced penalty

(ii) Repeated (same as 5(a)(i))

(b)

(i) As per explanation Rule 2(e) of **cenvat Credit Rules,2004 Exempted service includes trading.**

if input commonly used for exempted service as well as trading assessee is not maintaining separate books of account then as per Rule 6(3)(i) of cenvat Credit Rules,2004 Avail the full credit of inputs & Input service commonly used & thereafter pay an amount equal to 5% of value of the exempted services.

Value of trading= Sale price less cost of goods sold (excluding the expenses incurred towards their purchase)

OR

10% of the cost of goods sold,

Whichever is more.

(ii) **Time period for making applications for registrations under Service Tax is:**

- (i) Within 30 days from the date on which the levy of service tax is brought into force in respect of the relevant services. Or
- (ii) When the Service is already covered, within 30 days from the date of commencement of business of providing such service.

Consequences of Failure:

Penalty which may extend to

- (a) Rs.200 per day during which the failure continuous, or
- (b) Rs.5000 whichever is higher.

(c) No, Revenue's contention is not valid. The refund claim filed by Baidnath Medicals is valid in law. The facts of the given case are similar to the case of *Aman Medical Products Ltd. v. CCus. Delhi 2010 (250) ELT 30 (Del.)*. The High Court, referring to the language of section 27, interpreted that it is not necessary that the duty paid by the importer must be pursuant to an order of assessment. The duty paid by the importer can also be 'borne by him'. Clauses (i) and (ii) of sub-section (1) of section 27 are clearly in the alternative because the expression 'or' is found in between clauses (i) and (ii). The object of section 27(ii) is to cover those classes of case where the duty is paid by a person without an order of assessment.

Answer-7

(a)

The amount of Cenvat credit to be reversed shall be computed as follows:-

- i. No. of quarters = 1.2.2010 to 2.4.2011 = 5 quarters, for which the credit not reversible = 10% x 4 (for first year) + 8% for first quarter of 2nd year = 48%. Hence, the balance credit being 52% of the total excise duty of Rs.1,03,000 shall be reversed i.e. amount payable = 103000 x 52% = 53560.
- ii. No. of quarters = 1.3.2010 to 2.8.2014 = 18 quarters (4 years + 2 quarters of 5th year), for which the credit not reversible = 10% x 4 (for first year) + 8% x 4 (for 2nd year) + 5% x 4 (for 3rd year) + 1% x 6 (for 4th year and 2 quarters of year 5) = 98%. Hence, the balance credit being 2% of the total excise duty of Rs.1,03,000 shall be reversed i.e. amount payable = 103000 x 2% = 2060.
- iii. In this case, the computers are being removed after expiry of 5 years from 1.3.2010. Hence, the provisions relating to reversal under Rule 3(5) do not apply. Further, as per Rule 3(5A), when the capital goods are cleared as waste and scrap, the manufacturer shall pay an amount equal to the duty leviable on transaction value. Since M/s. ABC & Co. is a provider of taxable service, therefore, Rule 3(5A) doesn't apply to it. Hence, no payment its required to be made by M/s. ABC & Co.

(b)

(i) Rule 3 of the Export of Service Rules, 2005 classifies the taxable services in three categories:-

(a) When the immovable property in respect of which the service is rendered is situated abroad.

(b) When the service is performed outside India.

(c) When the service is provided to a recipient located outside India.

In the first category, exemption is available in respect of the specified services only when the immovable property is outside India. In the second category, a group of services have been listed. If any such service is partly performed outside India, it shall be considered to have been performed outside India. The services listed in third category when provided in relation to business or commerce shall be eligible for exemption as 'export of services' when the recipient of such services are located outside India.

Any service which is taxable may be exported without payment of service tax provided the export receipts are in convertible foreign exchange. Central Government has granted some rebate notifications for input services or inputs used for export of taxable services.

(ii) The following records should be maintained under VAT system:

- (i) Purchase records
- (ii) Sales records
- (iii) VAT account containing the details of output tax and input tax together with credit and debit notes issued during the period
- (iv) Separate record for exempt sale

The following records should also be kept and produced to an officer:-

Copies of invoices, debit and credit notes issued, all purchase invoices, details of tax charged on purchases and sales, total output tax, input tax and net tax for each period, details of goods manufactured and delivered from the factory, details of each supply of goods from the business premises. Failure to keep these records may attract penal provisions under the State VAT law.

- (c) Project Imports are the imports of machinery, instruments, and apparatus etc., falling under different classifications, required for initial set up of a unit or for substantial expansion of an existing unit. In a project several different items are required, each of which is importable at different rates of customs duties. Hence, it becomes very complicated to make assessment for such project imports. Therefore, one consolidated rate of customs duty has been made applicable for all items imported under a project irrespective of the nature of the goods and their customs classification.

The items eligible for project import are specified in Heading 98.01 of the Customs Tariff Act, 1975. These include all items of machinery, spare parts within prescribed limits, components or raw materials etc. for initial setting up of a unit or for substantial expansion of the same. The eligible projects or the projects for which the scheme has been made applicable are Industrial Plants, Irrigation Projects, Power Projects, Mining Projects, Projects for Oil or Mineral Exploration and other projects as may be notified by the Central Government.