

DEPARTMENTAL EXAMINATION OF INSPECTORS OF CENTRAL EXCISE

(PAPER-I) CENTRAL EXCISE (Without Books)

Date : 19.01.2016

Time : 10.00 am To 1.00 PM

MAXIMUM MARKS: 100

PASS MARKS: 50

Note:

1. Attempt **total five** questions. **Question No.8 (Eight) is compulsory.**
2. Candidates have options to answer in Hindi.
3. Use of Mobile/Smart Phones is strictly prohibited during examination.

Q.No.1 Explain the following. Answer may be **limited to 100 words**. [2.5x8]

- (a) What is “taxable event” for purpose of levy of Central Excise duty?
- (b) Are goods manufactured in SEZ unit, excisable goods? Is supply made by DTA unit to SEZ unit be treated as “physical export” for purpose of Central Excise?
- (c) Recovery of Central Excise duty from buyer is an essential condition for levy of indirect tax.
- (d) State briefly the sources of power in respect of Central Excise duty?
- (e) Show Cause Notice is not required to be issued in remand proceedings.
- (f) Redemption fine cannot be imposed when goods are physically not available for confiscation.
- (g) Goods with ‘NIL’ rate of duty cannot be treated as non-excisable goods.
- (h) Whether remission of excise duty shall be granted under the Central Excise- Rules 2002 in a case where duty paid goods were damaged due to breakage in handling.

Q.No.2

- (a) What are the conditions for treating transaction value as the assessable value of excisable goods? [5]
- (b) The Cum duty price of a product is Rs.150 per piece and the assessee paid duty @ 20% adv. Subsequently, it was found that rate of duty was 30% adv. and the assessee had not collected anything over and above Rs.150 per piece from his buyer; determine the assessable value? Permissible deduction may be taken as NIL? [5]
- (c) The price of a machine cleared on 20.08.2015 at Chennai to a buyer was Rs.4 Lakh (Exclusive of Central Excise duty). Suddenly, the buyer refused to take delivery of the machine. From 01.09.2015, the manufacturer at Chennai increased the price of machine to Rs.4.20 Lakh with immediate effect. The manufacturer then sold the machine to another buyer directly on 10.09.2015 at increased price of Rs. 4.20 Lakh. Find out the Central Excise duty payable by the manufacturer taking rate of Central Excise duty 10%? [10]

Q.No.3

- (a) What are the obligations of manufacturers who are availing Cenvat Credit on the inputs commonly used in the manufacture of dutiable as well as exempted goods? [10]
- (b) A manufacturer has sent his inputs for job work under Rule 4(5) of Cenvat Credit Rules,2004. What is the time limit within which the goods should be returned to factory after job work? Explain the consequences if goods are not returned within the specified period? [5]
- (c) A manufacturer purchased 1000 Kgs of inputs @ 100/- per Kg. During transit 50 Kgs. were stolen and the manufacturer received 950 Kgs. in the factory. Calculate the available input credit to the manufacturer. Rate of Central Excise duty is 10%. [5]

Q.No.4

[5x4]

- (a) Name two situations where excise duty liability is not of the manufacturer but of the person who has supplied the raw material.
- (b) State the “L.T.U.” & objective behind the concept of LTU
- (c) there is difference of opinion about interpretation of a provision in Foreign Trade Policy among following authorities :
 - (i) Principal Chief Commissioner of Customs.
 - (ii) Director General of Foreign Trade.
 - (iii) Revenue Secretary, Ministry of Finance.
 - (iv) Chairman of CBEC.

Whose interpretation will be final and binding on the Central Excise Authorities?

- (d) An assessee received a SCN. The demand of excise duty was confirmed against him by Commissioner (A). He feels that his case is not very strong and hence he is in two minds whether to approach settlement Commission or file an appeal with CESTAT? What appears to be more proper?

Q.No.5

- I. Explain briefly with reference to Rule 21 of Central Excise Rules 2002 about granting the remission of duty of Central Excise in following cases :- [6]

- (a) When the finished goods left the factory on payment of Central Excise duty and destroyed by fire in transit.
- (b) If remission is granted, whether Cenvat Credit on inputs used to manufacture the finished goods required to be reversed.
- (c) Who is the competent authority to grant remission when the amount of Central Excise duty involved in the destroyed goods in Rs.9500/-.

- II. A unit ‘A’, which is not availing SSI exemption benefit, sold a machine at a factory gate to ‘B’ for Rs.4,00,000/- (excluding taxes and duties). A Cash discount of 3% was allowed since ‘B’ has made full payment in advance. Following details are also available:- [10]

- (a) Expenses pertaining to installation and erection of the machine at ‘B.S’ premises. Machine was permanently fixed to earth -Rs. 20,000/-.
- (b) Cost of durable and returnable packing (such cost has been amortized and included in the cost of Machine) Rs.5000.00.
- (c) Actual freight and insurance form factory to buyer’s premises – Rs.25000.

Determine the total amount of excise duty payable on the machine. Assume that transaction is on principal to principal basis. Take rate of Excise duty at 12.6%.

- III. In Central Excise Tariff how many digits are used to indicate a tariff item? [4]

Q.No.6 Explain any five of the following.

[5 x4]

- (a) Explain difference between Tariff Rate of duty and Effective Rate of duty?
- (b) Explain difference between export and deemed export?
- (c) Explain difference between manufacture and job work?
- (d) Explain the term “Doctrine of unjust enrichment”
- (e) Explain difference between Refund and Rebate.
- (f) Explain term “De-novo Adjudication”.

Q.No.7

- (a) Explain the situations when an amount is required to be credited to the consumer welfare fund set up under Section 12C of Central Excise Act 1944. [5]
- (b) Discuss briefly and explain the residual penalty under Rule 27 of Central Excise Rules 2002. [5]
- (c) What is difference between short levy and short payment? [5]
- (d) Explain the conditions under which MRP valuation shall apply under Central Excise Act, 1944. [5]

Q.No.8 A manufacturer named XYZ is engaged in manufacture of excisable goods and is registered with Central Excise. The officers of Preventive Branch gathered information and came to know that the value of clearances of said manufacturer has much more than that declared to the department. The officers, on strength of a Search Warrant, raided the manufacturing premises of said manufacturer and seized invoices issued by the manufacturer, which were not declared to the department and on which no Excise duty was paid. On scrutiny of invoices, the clearance value was found to be Rs.10 Crores. He had declared the department the value of goods cleared as Rs.6 Crores and paid the duty accordingly. Applicable rate of duty during the relevant period was 12%. Ignore Education Cess and S.H.E. Cess for duty calculation purposes.

In the light of the above said facts, answer following questions:- [5x4]

- (i) Calculate the Central Excise duty recoverable from the assessee?
- (ii) Identify the provisions of Central Excise Acts and Rules, which have been contravened in this case?
- (iii) Identify the provisions under which Central Excise duty can be demanded from the unit?
- (iv) Whether extended period of limitation can be invoked or not? Please justify your answer.
- (v) Mention the Penal provisions under Central Excise Rules/Act, which can be invoked in the SCN to be issued to the unit.
