

PUBLIC ACCOUNTS COMMITTEE

(1967-68)

SECOND REPORT

(FOURTH LOK SABHA)

[Audit Report (Civil) on Revenue Receipts, 1966]

CHAPTER I—REVENUE POSITION

CHAPTER II—CUSTOMS

CHAPTER III—UNION EXCISE DUTIES

CHAPTER IV—GENERAL



LOK SABHA SECRETARIAT
NEW DELHI

July, 1967

Asadha, 1889 (Saka)

Price : Rs. 1.45

336.3951R
k7

**LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA
SECRETARIAT PUBLICATIONS**

Sl No	Name of Agent	Agency No.	Sl No	Name of Agent	Agency No
ANDHRA PRADESH					
1.	Andhra University General Cooperative Stores Ltd., Waltair (Visakhapatnam)	8	11.	Charles Lambert & Company, 101, Mahatma Gandhi Road, Opposite Clock Tower, Fort, Bombay	30
2.	G. R. Lakshminpathy Chetty and Sons, General Merchants and News Agents, Newpet, Chandragiri, Chittoor District	94	12.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1	60
			13.	Deccan Book Stall, Ferguson College Road, Poona-4.	69
ASSAM					
3.	Western Book Depot, Pan Bazar, Gauhati	7	RAJASTHAN		
BIHAR					
4.	Amar Kitab Ghar, Post Box 78, Diagonal Road, Jamshedpur	37	14.	Information Centre, Government of Rajasthan, Tripolia, Jaipur City	38
GUJARAT					
5.	Vijay Stores, Station Road, Anand	35	UTTAR PRADESH		
6.	The New Order Book Company, Ellis Bridge, Ahmedabad-6	63	15.	Swastik Industrial Works, 59, Holi Street, Meerut City	2
			16.	Law Book Company, Sardar Patel Marg, Allahabad-1	48
MADHYA PRADESH					
7.	Modern Book House, Shiv Vilas Palace, Indore City	13	WEST BENGAL		
MAHARASHTRA					
8.	M/s. Sunderdas Gianchand, 601, Girgaum Road, Near Princess Street, Bombay-2.	6	17.	Granthaloka, 5/1, Anubica Mookherjee Road, Belgharia, 24 Paraganas	10
9.	The International Book House (Private) Limited, 9, Ash Lane, Mahatma Gandhi Road, Bombay-1.	23	18.	W. Newman & Company Ltd., 3, Old Court House Street, Calcutta	44
			19.	Firma K. L. Mukhopadhyay, 6/1A, Banchharam Akkur Lane, Calcutta-12.	82
10.	The International Book Service, Deccan Gymkhana, Poona-4	24	DELHI		
			20.	Jain Book Agency, Connaught Place, New Delhi	1

CORRIGENDA TO SECOND REPORT OF P.A.C. (1967-68)
PRESENTED TO LOK SABHA ON 7.8.1967

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
3	1.5	13	constitution	Constitution
4	1.9	4	Revenue	revenue
6	1.15	2	estimates	Estimates
12	1.27	1	steel	steep
12	1.29	6	something	something
13	1.32	6	structural	structurals
14	1.34	6	introduce	introduced
17	1.38	1	Explaining	Explaining
17	1.38	5	of	of
17	1.41	3	actual	actual
20	1.52	2	years	year
	(iii)			
22	2.6(ii)	2	are	and
24	2.14	9	director	Directorate of
			of audit	Audit
24	2.15	2	director	Directorate of
			of audit	Audit
26	2.22	17	Indian	India
27	2.29	1	C.B. of	C.B. of
			B. & C.	E. & C.
30	2.41	4	Countervailing	Countervailing
31	2.51(b)	1	if	of
32	2.52	1	questionnaire	questionnaire
32	2.53	5	customhouse	Custom House
33	2.56	1	improvement	improvement
42	2.94	9	necessary	necessary
43	3.1(a)	1	Control	Central
43	3.1(a)	2	Excise	Excises
43	3.2	17	prices	price
45	3.6	3	correct	come
46	3.11	1	firing	fixing
46	3.11	20	arrived at	at arrived at
49	3.20	1	Board	Board
50	3.25	13	collector	Collector
51	3.28	3	cut	out
52	3.33	6	Rs. 3.52.600	Rs. 3,52,600
54	3.40	7	after to	after
54	3.40	15	case	case

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
54	3.40	19	instalments	By Instalments
55	3.42	6	But the	But he
56	3.47	1	remitting	omitting to
60	3.62	1	Para	Para
60	3.62	13	loss,	loss of
61	3.65	5	details	details
61	3.65	5	uniformity	uniformity
64	3.77	2	collectorate	Collectorates
65	3.82	7	time to	time of
65	3.83	7	fabrics	fabrics be
69	3.101	4	whight	weight
70	3.107	1	while	white
73	3.118	1	collectors	Collectorates
73	3.120	10	Objectes	Objects
74	3.125	13	chageable	chargeable
74	3.126	3	account	current
			current	account
75	3.130	6	conversion	conversion
77	3.136	4	remidial	remedial
80	3.146	1	(ii)	(i)
96	S.No.3	Col.4	Line 11	Audit
100	" 6	" 4	" 12	batter
100	" 6	" 4	" 13	results

PARLIAMENT LIBRARY
(Library & Information Service)
Central Govt. Publications.

Accession No. 282565

Date 1.8.67

CONTENTS

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE 1967-68	(iii)
INTRODUCTION	(v)
I. Revenue Position	1
II. Customs	21
III. Union Excise Duties	43
IV. General	81

APPENDICES

I. Note on para 4(I)—Customs	82
II. Note on para 4(III)—Corporation Tax and Taxes on Income	84
III. Note on para 8.	86
IV. Note regarding financial implications in creating Directorate of Audit directly under the Board.	92
V. Note on para 12 regarding Non-levy of Countervailing Duty.	93
VI. Note on para 16(a) & (b) regarding loss of revenue due to fraudulent alteration in Bills of Entry.	94
VII. Note on para 24(b).	95
VIII. Summary of main conclusions/recommendations.	97

PART II*

Minutes of the sittings of the Public Accounts Committee held
on :—

12.12.1966

13.12.1966 (F.N.)

13.12.1966 (A.N.)

16.12.1966

22.7.1967

336.3481R
K7

*Not printed. One cyclostyled copy laid on the Table of the House and five copies placed in the Parliament Library.

PUBLIC ACCOUNTS COMMITTEE
(1967-68)

CHAIRMAN

Shri M. R. Masani

MEMBERS

2. Shri C. K. Bhattacharyya
3. Sardar Buta Singh
4. Shri Shivajirao S. Deshmukh
5. Shri R. Muthu Gounder
6. Shri D. K. Kunte
7. Shri N. R. Laskar
8. Shri V. Vishwanatha Menon
9. Shri K. K. Nayar
10. Shri Mohammad Yunus Saleem
11. Shri Narendra Kumar Salve
12. Shri Yogendra Sharma
13. Shri Sheo Narain
14. Shrimati Tarkeshwari Sinha
15. Shri P. Viswambharan
16. Shrimati Devaki Gopidas
17. Shri P. K. Kumaran
18. Shri Om Mehta
19. Shri Gaure Murahari
20. Shri M. C. Shah
21. Dr. M. M. S. Siddhu
22. Shri B. K. P Sinha

SECRETARIAT

Shri N. N. Mallya—*Joint Secretary.*

Shri Avtar Singh Rikhy—*Deputy Secretary.*

Shri R. M. Bhargava—*Under Secretary.*

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Second Report on the Audit Report (Civil) on Revenue Receipts, 1966. In this Report the Committee have dealt with (i) Revenue Positions; (ii) Customs; and (iii) Union Excise Duties (Chapters I to III of the said Audit Report). They have dealt with (i) Income-tax and (ii) Other Revenue Receipts (Chapters IV and V of the said Audit Report) in a separate Report.

2. The Audit Report (Civil) on Revenue Receipts, 1966 was laid on the Table of the House on 28th April, 1966.

The Public Accounts Committee 1966-67 (Third Lok Sabha) considered the Audit Report (Chapters I to III) at their sittings held on 12th, 13th and 16th December, 1966. Minutes of each sitting has been maintained and forms part of the Report (Part II*).

3. The draft Report was approved by the Chairman, P.A.C. (1966-67), but the Committee (1966-67) could not finalise the Report for want of time due to the sudden dissolution of the Third Lok Sabha on 3rd March, 1967. The Committee, 1967-68 (Fourth Lok Sabha), considered and finalised the Report at their sitting held on 22nd July, 1967.

4. For facility of reference the main conclusions recommendations of the Committee have been printed in thick type in the body of the Report. A statement showing the summary of the main conclusions/recommendations of the Committee is appended to the Report (Appendix VIII).

5. The Committee place on record their appreciation of the assistance rendered to them in their examination of these accounts by the Comptroller and Auditor General of India.

6. They would also like to express their thanks to the Officers of the Ministry of Finance (Department of Revenue & Insurance and Department of Economic Affairs) Central Board of Excise and Customs, Central Board of Direct Taxes and Ministry of Transport and Aviation for the Co-operation extended by them in giving information to the Committee during the course of evidence.

NEW DELHI ;
July 22, 1967.

Asadha 31, 1889 (Saka).

M. R. MASANI,
Chairman,
Public Accounts Committee.

*Not printed. (One cyclostyled copy laid on the Table of the House and five copies placed in Parliament Library).

I

REVENUE POSITION

Revenue Position and Main Heads of Revenue, paras 1-2, pages 1-2:

1.1. The total revenue receipts of the Government of India for the year 1964-65 amounted to Rs. 2229.08 crores against an anticipated revenue of Rs. 2124.30 crores, showing an excess of Rs. 104.78 crores over the budget estimates. The total revenue realised this year has registered an increase of Rs. 224.18 crores over that of 1963-64 and is nearly twice the amount realised in 1961-62. Of the total receipts of Rs. 2229.08 crores for 1964-65, Rs. 1685.15 crores represent receipts under Customs, Union Excise, Corporation Tax, Taxes on income other than Corporation Tax, Gift Tax, Land Revenue, State Excise Duties, Taxes on Vehicles, Sales Tax and other taxes and duties and the balance represents receipts from non-tax heads.

1.2. An analysis of the actuals by major heads for the year 1964-65 and the two preceding years is given below:—

Major Head,	1962-63	1963-64	1964-65	Total increase during three years
I	2	3	4	5
Tax Revenues : (In crores of rupees)				
I. Customs	245.96	334.75	397.50	151.54
II. Union Excise Duties	598.83	729.58	801.51	202.68
III. Corporation Tax	220.06	287.30	313.64	93.58
IV. Taxes on Income other than Corporation Tax	92.13	126.29	143.16	51.03
V. Estate Duty	0.06	0.42	—1.35	—1.41
VI. Taxes on Wealth	9.54	10.50	10.52	0.98
VII. Expenditure Tax	0.20	0.13	0.44	0.24
VIII. Gift Tax	0.97	1.13	2.22	1.23
X. State Excise Duties	2.26	1.62	1.44	—0.82
XII. Sales Tax	6.65	9.01	11.23	4.58
XIII. Other Taxes and Duties	2.96	3.22	3.52	0.56
Other items	1.27	1.42	1.32	0.05
TOTAL	1180.89	1505.37	1685.15	504.26

Major Heads		1962-63	1963-64	1964-65	Total increase during three years
1		2	3	4	5
Non-Tax Revenues :		(In crores of rupees)			
XIV.	Stamps	4.84	4.81	4.85	0.01
XVI.	Interest	153.23	243.56	257.29	104.06
XX.	Supplies and Disposals	4.03	5.91	6.16	2.13
XXI.	Miscellaneous Deptts.	1.70	1.49	1.87	0.17
XXV.	Agriculture	1.55	1.61	1.80	0.25
XXIX.	Industries	35.04	16.05	12.72	-22.32
XXX.	Broadcasting	4.01	5.55	6.27	2.26
XXXII.	Miscellaneous Social and Developmental Organisation	4.63	4.68	4.81	0.18
XXXVII.	Public Works	3.75	4.46	4.93	1.18
XLI.	Lighthouses & Lightships	1.01	1.11	1.33	0.32
XLII.	Aviation	1.55	1.75	2.12	0.57
XLIV.	Overseas Communication Service	2.51	2.34	3.39	0.88
XLV.	Currency and Coinage	53.46	53.82	51.86	-1.60
XLVII.	Contributions and Recoveries towards pensions and other retirement benefits.	1.95	1.14	2.39	0.44
L.	Opium	3.57	3.52	3.64	0.07
LI.	Forest	4.42	2.24	2.22	-2.20
LII.	Miscellaneous	17.18	13.30	14.84	2.34
LIII.	Contributions from Railways	20.37	24.82	23.25	2.88
LIV.	Contributions from Posts & Telegraphs	0.77	1.22	1.44	0.67
LVIII.	Dividends, etc. from Commercial and other undertakings	3.74	4.37	6.89	3.15
LX.	Extraordinary Receipts	54.86	63.20	122.46	67.60
LXIA.	Receipts connected with the National Emergency, 1962	19.25	31.37	0.56	-18.69
	Other items	6.99	7.21	6.84	-0.15
	TOTAL	404.41	499.53	543.93	139.52
	TOTAL RECEIPTS	1585.30	2004.90	2229.08	643.78

1.3. The Committee pointed out that the rates of Estate Duty were revised at higher rates by the FINANCE ACT, 1964 and it was expected (vide para 77 of Finance Minister's budget speech) that an additional revenue of Rs. 300 lakhs in addition to Rs. 440 lakhs at the then existing rates would accrue.

1.4. The Ministry of Finance in reply to a questionnaire on the subject had stated that the quota of States was fixed at Rs. 6.78 crores in anticipation of full collection of the budget which was not reached in 1964-65 and this resulted in the deficit. The representative of the Central Board of Direct Taxes stated that the rates of Estate Duty had been raised 40 to 85 per cent and because of this the estimates were nearly doubled. Some of the big assessments which were expected to be completed within time could not be done. In reply to a question, the witness stated that the budget was based merely on the earlier year's collection. If the rate was the same, the budget figures were repeated, but if the rate was increased and there was any pending assessment, it was taken into account.

1.5. As regards the disbursement of revenue from the Estate Duty to States, the representative of Department of Economic Affairs stated that it was paid in two instalments—one half of the budget estimate was paid in September and the rest (revised estimate minus the amount already paid) was paid in March and this was subject to readjustment as soon as the Auditor General's certificate of net proceeds was available. As the Auditor General's certificate for 1964-65 had not been received, the Ministry had decided that wherever overpayments were made in previous years, it was to be taken into account in paying next year's share. Asked why payment could not be withheld till the certificate was received, and unless the net receipts were known how it could be distributed, the witness stated that according to the constitution the net proceeds were supposed to form part of the Consolidated Fund of India and as such it had to be paid out in the same year. The payments were made on the basis of revised estimates.

1.6. The Committee pointed out that initially the collections were credited to the Consolidated Fund of India and withdrawals were made from it to make payment to the States which was not strictly correct as in this process the States were either paid more or less than what was due to them. The witness stated that in that case, the Department would not be able to pay to the States anything during that year as bulk of the Estate Duty revenue was received in March and the actuals were known in April. As payments had to be made before 31st March, payment was made on the basis of

the revised estimate under the assumption that revised estimates would be realised.

1.7. At the instance of the Committee, the Ministry have furnished a statement showing the budget estimates and actuals of Estate Duty for the year 1962-63, 1963-64 and 1964-65 as under:

Year	Budget Estimates	Actuals	Actual amounts of Estate Duty collections distributed among the States
(Figures in crores of Rupees)			
1962-63	4.00	3.94	3.88
1963-64	4.35	4.65	4.22
1964-65	7.00	5.43	6.78

1.8. Asked if payment for the previous year could not be made in the next year, the witness stated that the Department did not want to delay making of provisional payments as the State finances would be affected at least for a year, in the process of change over from the existing practice which was common not only for estate duty but for Income-Tax, excise, etc. The present method of payment was provided in the rules framed under the Estate Duty Distribution Act and laid before Parliament. The Committee were also informed that adjustment had been made upto 1963-64 for which Auditor General's certificate had been received and there was no overpayment. The Ministry have further stated that it has since been decided that for purposes of Estate Duty also the provisional payment of share paid to states will be subjected to adjustment in the following year when departmental actuals are available.

1.9. While the Committee are glad that the percentage of variation in Tax Revenue has come down to 7.09 per cent in 1964-65 from 18.24 per cent in 1962-63 and 10.99 per cent in 1963-64, they find that the Revenue receipts of the Government of India for 1964-65 had exceeded the budget estimate by as much as Rs. 104.78 crores. Since the excesses in revenue receipts persist from year to year and as the variations are fairly wide and the percentage of variation in Tax Revenue is even now as high as 7 per cent, the Committee would like to reiterate the recommendation made in para 1.10 of their 44th Report, 1966 (Third Lok Sabha) and expect that the Ministry would try to frame the Budget estimates more realistically so as to ensure that variations between the estimates and the actuals are kept to the minimum.

Variations between the Budget Estimates and the Actuals—Para 3, page 3.

1.10. The variation of Rs. 104.78 crores between the Budget Estimates and the Actuals is made up of an excess of Rs. 111.59 crores in Tax Revenue reduced by a shortfall of Rs. 6.81 crores in Non-Tax Revenues:—

(In crores of rupees)

(A) Tax Revenues:

Year	Budget	Actuals	Variations	Percentage.
1962-63	998.75	1180.89	+182.14	18.24
1963-64	1356.33	1505.37	+149.04	10.99
1964-65	1573.56	1685.15	+111.59	7.09

(B) Non-Tax Revenues :

1962-63	382.18	404.41	+22.23	5.82
1963-64	479.85	499.53	+19.68	4.11
1964-65	550.74	543.93	-6.81	1.24

1.11. The Committee referring to the overall variation of 7.09 per cent under the revenue during 1964-65 desired to know what specific action the Ministry had taken in pursuance of the Committee's recommendation contained in paras 1.9 and 1.10 of their 44th Report (Third Lok Sabha) wherein it was suggested that variation exceeding 3 to 4 per cent should be regarded as a matter of concern requiring special remedial measure. The representative of the Central Board of Direct Taxes stated that so far as Income-Tax was concerned, remedial measures fell under two categories.

1.12. Firstly, the Commissioners were asked to scrutinize the balance-sheets of the bigger companies and assesseees and send reports roundabout the time when the budget estimates were being prepared. When balance-sheets were not available they contacted the officers of the company and ascertained from them what the firms expected to be their actual profits. On that basis, in the case of companies, the actual figures were tabulated and estimates were made.

1.13. The second step was that Ministries like Commerce, Industry or the Department of Economic Affairs were consulted, who took into account all the special circumstances. Apart from these the actual collections made in the earlier years, taxes deducted at

source, taxes deducted from dividends, etc. were taken into account in framing the estimates.

1.14. In reply to a question, the representative of the Department of Economic Affairs stated that budget estimates for 1965-66 for tax revenue was Rs. 1818 crores and actual was Rs. 1925.16 crores and for non-tax revenue the budget estimates were Rs. 528 crores and actuals were Rs. 565.16 crores.

1.15. The Committee hope that, with the various measures taken by the Ministry, it would be possible to make future Budget estimates more realistic and the variations between the estimates and the actuals would be substantially brought down.

Reasons for the variations between the Budget Estimates and the Actuals (Tax revenues), para 4, pages 3-4.

1.16. Though the total net variation between the Budget Estimates and the Actuals of all revenues realised by way of taxes and duties is Rs. 111.59 crores, the variation between the budget estimates and the Actuals in so far as the principal heads of tax revenues of Customs, Central Excise, Corporation Tax and Taxes on income other than Corporation Tax only are concerned, it works out to Rs. 113.44 crores. The figures are as follows :—

(In crores of rupees)

	Budget Estimate	Actuals	Variation	Percentage
I. Customs	336.37	397.50	+61.13	18.17
II. Union Excise Duties.	769.54	801.51	+31.97	4.15
III. Corporation Tax.	296.67	313.64	+16.97	5.72
IV. Taxes on income other than Corporation Tax	*139.79	*143.16	+3.37	2.41

(*Exclude the shares of net proceeds assignable to States.)

1.17. Customs.—The amount of the difference between the Budget Estimates and the Actuals for this year is the highest recorded over the past five years. The figures for the period 1960-61 to 1964-65 are given below:—

(In crores of rupees)

Year.	Budget Estimate	Actuals	Variation	Percentage
1960-61	162.50	170.03	+7.53	4.6
1961-62	189.64	212.25	+22.61	11.9
1962-63	207.82	245.96	+38.14	18.3
1963-64	301.20	334.75	+33.55	11.14
1964-65	336.37	397.50	+61.13	18.17

1.18. The Ministry of Finance have explained that the main reasons for the variation between the Estimates and the Actuals during 1964-65 are: (i) increase in additional duty of Excise, (ii) increased imports generally and under Export Promotion Schemes, (iii) imposition of regulatory duty, and (iv) adjustment of Note Pass cases.

1.19. A break up of the Budget Estimates and the actuals in respect of the minor heads for the year 1964-65 is set out with comparative figures for the previous year:—

(In lakhs of rupees).

	1963-64			Percent- age	1964-65			Percent- age
	Budget	Actuals	Vari- ations		Budget	Actuals	Vari- ations	
Imports . . .	3,03,05	3,38,53	+35,48	11.71	3,39,36	4,04,64	+65,28	19.2
Exports . . .	3,95	3,37	—58	14.68	2,96	2,43	—53	17.9
Miscellaneous .	2,70	3,73	+1,03	38.15	2,75	4,22	+1,47	53.4
Deduct—Refunds and Drawbacks	—8,50	—10,88	—2,38	28	—8,70	—13,79	—5,09	58.5
TOTAL .	3,01,20	3,34,75	33,55	11.14	3,36,37	3,97,50	61,13	18.1

1.20. In reply to a question the witness stated that the variation of 18.17 per cent in customs revenue between estimates and actuals for the year 1964-65 had occurred due to some mid-year measures. Explaining the variation of 53.45 per cent under the head 'miscellaneous' the witness stated that it represented the sale of confiscated goods etc. and the amount collected therefrom. As regards the variation of 58.51 per cent under Refunds and Drawbacks, the witness stated that it was partly because the number of refund claims had gone up and also because the number of articles under the Drawback Scheme had gone up during that year. At the beginning of 1964-65, the number of Drawback items was 225; but during the course of the year, 65 more items were added making it 290 at the end of the year. He also stated that when each item was added to the Drawback Scheme, no estimate was made because it depended upon the amount of export of that item. Asked whether in that case the budget calculation would not be upset, the representative of the Department of Economic Affairs stated that it would be reflected to some extent in the revised estimates which was Rs. 11.54 crores. He added that the budget estimate was prepared at a stage when the actuals for the previous year

were not available. Normally the estimates were a projection of the revised estimates of the prior year.

1.21. At the instance of the Committee the witness agreed to furnish a statement, showing the effective custom duty on Kerosene oil, Motor spirit and Industrial fuel oils for the years 1964-65 and the quantity imported during the period. The information has been received from the Ministry and is at Appendix I*.

1.22. Asked whether the Ministry were aware that the difference in excise duties on low speed diesel oil was largely responsible for adulteration of the oil for agricultural purposes, the Chairman, Central Board of Excise and Customs stated that the real problem was not so much the difference in duty between the high and low speed diesel oil as the difference in duty between either of oils and kerosene. They were aware of the problem but by and large the admixture was marginal. There was an admixture of low speed diesel oil and kerosene which tended to be substituted for high speed diesel oil. The duty on kerosene was kept low in the public interest.

1.23. While the overall variation between the budget estimates and the actuals for Customs Revenue showed a downward trend in 1963-64, the Committee find that the percentage of variation had increased in 1964-65 and this was even higher than the figures for 1962-63. In many cases, the pattern of variation under different heads was such that the actuals varied widely from the estimates. They also find from evidence that the variations were mainly due to mid-term measures taken by the Government. The Committee would like to urge upon the Ministry that when Government initiates any mid-term measures which tend to increase or decrease duties, the matter should be brought to the notice of Audit in time, so that the fact is taken due note of before the Audit para is finally included in the Report.

1.24. Union Excise.—The total Budget Estimates under the head "II-Union Excise Duties" were Rs. 769.54 crores. Against this, the Actuals came to Rs. 801.51 crores showing an increase of Rs. 31.97 crores. This works out to 4.15 per cent as against 5 per cent last year (1963-64). Though the overall percentage of variation has, thus, shown a decrease, large variations persist in some of the minor heads. The following statement gives a list of such items:—

*NOTE—Not vetted by Audit

(In lakhs of rupees)

Commodities	Budget Estimates	1963-64 Actuals		Total	Vari- ation	Percen- tage	Budget Estimates		Total	1964-65 Actuals		Total	Vari- ation	Percen- tage
		Basic Duties	Special Duties				Basic Duties	Special Duties		Basic Duties	Special Duties			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. Plastics	1,50	2,06	42	2,48	98	65.33	2,00	40	2,40	4,51	90	5,41	3,01	225.42
2. Sodium Silicate	..	5	..	5	5	..	40	..	40	69	..	69	29	72.50
3. Woollen Yarn	2,67	2,87	65	3,52	85	31.84	3,69	1,23	4,92	2,02	50	2,52	—2,40	48.78
4. Electric Wire and Cables	2,25	3,59	..	3,59	1,34	59.55	3,40	..	3,40	4,94	..	4,94	1,54	45.29
5. Cosmetics	1,50	1,42	28	17,0	20	13.33	1,25	25	1,50	1,73	35	2,08	58	38.67
6. Synthetic Organic Dye Stuff	2,48	1,76	17	1,93	—55	22.18	1,82	..	1,82	2,50	1	2,51	69	37.91
7. Vegetable Non- essential Oil	75	1,42	..	1,42	67	89.33	1,70	..	1,70	1,08	..	1,08	—62	36.46
8. Electric Motor	1,44	1,61	30	1,91	47	32.64	1,42	28	1,70	1,93	39	2,32	62	36.47
9. Asbestos Cement Products	90	1,30	..	1,30	40	44.44	1,20	..	1,20	1,62	..	1,62	42	35
10. Caustic Soda	55	65	..	65	10	18.18	60	..	60	79	..	79	19	31.66
11. Rubber Products	1,02	58	18	76	—26	25.49	1,35	27	1,62	82	26	1,08	—54	33.33
12. Wireless Receiv- ing sets	1,67	1,46	46	1,92	25	14.97	1,30	43	1,73	1,75	55	2,30	57	32.95

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
13. Motor Vehicles	13,60	12,46	2,40	14,86	1,26	9,26	11,00	2,60	13,60	14,38	3,65	18,03	4,43	32,57
14. Woollen Fabrics	1,80	1,76	34	2,10	30	16,67	1,80	36	2,16	1,24	24	1,48	—68	31,48
15. Footwear	2,15	2,43	..	2,43	28	13,02	3,20	..	3,20	2,23	..	2,23	—97	30,31
16. Artificial Silk Fabrics	1,02	1,55	26	1,81	79	77,45	1,15	23	1,38	1,56	20	1,76	38	27,54
17. Refined Diesel Oil & Vaporising Oil	59,06	61,52	5,71	67,23	8,17	13,83	59,00	5,30	64,30	75,32	6,75	82,07	17,77	27,64
18. Cotton Yarn	9,20	10,28	2,39	12,67	3,47	37,72	18,16	1,94	20,10	22,91	2,21	25,12	5,02	24,97
19. Nitric Acids etc.	85	1,08	..	1,08	23	27,06	81	..	81	99	..	99	18	22,22
20. Refrigerators and Airconditioning machines	1,33	1,28	49	1,77	44	33,08	1,40	47	1,87	1,67	60	2,27	40	21,39
21. Patent and Proprietary medicines	5,40	5,62	..	5,62	22	4,07	5,55	..	5,55	6,50	..	6,50	95	17,12
22. Vegetable Products	13,44	12,34	2,24	14,58	1,14	8,48	12,50	2,50	15,00	10,86	2,06	12,92	—2,08	13,87
23. Cycles and parts thereof	1,65	1,72	..	1,72	7	4,24	1,65	..	1,65	1,88	..	1,88	23	13,93
24. Jute Manufactures	4,40	5,93	57	6,50	2,10	47,73	5,50	55	6,05	6,32	56	6,88	83	13,72
25. Sugar	63,80	52,11	..	52,11	—11,69	18,32	58,25	..	58,25	51,04	..	51,04	—7,21	12,38
26. Diesel Oil	18,90	15,28	1,45	16,73	—2,17	11,48	16,40	1,50	17,90	13,89	1,23	15,12	—2,78	15,53

	1	2	3	4	5	6	7	8	8	10	11	12	13	14	15
27. Iron and Steel Products	..	20,50	38,13	..	38,13	17,63	8.6	50,41	..	50,41	46,19	..	46,19	-4,22	8.37
28. Rubber Cess	92	..	92	92	..	..	..	..	1,64	..	1,64	1,64	..
29. Other items Collectively	..	419,15	396,03	36,51	432,54	13,39	..	402,45	39,74	442,19	422,76	40,11	462,87	20,68	..
TOTAL	..	652,98	639,21	54,82	694,03	41,05	..	669,36	58,05	727,41	705,76	60,57	766,33	38,92	..
Deduct—Refunds and Drawbacks	..	4,50	7,47	8	7,55	3,05	..	5,77	..	5,77	9,07	23	9,30	3,53	..
TOTAL	..	648,48	631,74	54,74	686,48	38,00	..	663,59	58,05	721,64	696,59	60,34	757,03	35,39	..
Additional excise duties	..	47,86	..	..	43,34	-4,52	..	..	..	48,13	..	..	44,71	-3,42	..
Deduct—Refunds and Drawbacks	24	24	..	..	..	23	..	..	23	..	..
TOTAL—Net Revenue	..	696,34	..	..	729,58	33,24	..	..	..	769,54	..	..	810,51	31,97	4.15

In this connection, the Ministry of Finance have stated as follows :—

“The increased yields from duties on various mineral oils, paper, plastics, tyres, Rayon and Cotton yarn, motor vehicles, matches and electric wires are due to increased production and clearances. A part of the increase under mineral oils is due to the enhancement of additional duties levied on them during the year. Levy of regulatory duty on mineral oils with effect from 17-2-65 has also contributed for an increase in the revenue.

1.25. The Committee referred to pages 5 and 6 of the Audit Report and pointed out that there had been large variations under all the sub-heads. The witness stated that even though in the cases of individual items, there had been variation there had been considerable improvement so far as the overall performance was concerned.

1.26. He added that so far as plastics were concerned, the variation was primarily due to the change in the coverage. The coverage of this particular item was widened in 1964-65 and this could not be foreseen. Artificial resins and synthetic resins which were not covered by this item were later on covered and the financial effect of this change could not be foreseen. Similarly, the number of factories producing this particular item namely plastics and resins steeply rose from 17 in 1963-64 to 118 in 1964-65, which had a tremendous impact on production and consequently on revenue.

1.27. In the case of woollen yarn, there was a steel fall and that was primarily due to the lesser import of wooltops; it dropped from 7 million k.g. to a little over one million k.g.

1.28. In the case of Sodium Silicate the witness added that it was a new item, and most of the manufacture was in the small-scale sector. So, the accurate statistics required was not available to them.

1.29. In reply to a question the witness stated that the basic excise duty (on motor-cars below 16 HP) was Rs. 1000 or 10% *ad valorem* whichever was higher plus the special excise duty which would be 33 1/3 per cent, and the total came to about Rs. 1333. He added that the total effect of excise duties collected on a Fiat car, according to the company's own rough calculation, came to something between 30 and 33 1/3% of their ex-factory price. He further stated that it was not an one-point tax and the duty was imposed separately on battery, tyres, steel sheets etc. The Committee desired to know whether any production quota was in vogue for motor vehicles and if so, why the increase in production was not taken into account. The witness stated that if the revenue that was earned in the mid-year due to the budget change and the regulatory duty that was imposed was applied, the figure would drop from 4.1% to 2.9% or so. He, however, admitted that at the time of framing the budget in the case of motor vehicles, the import of parts which were of a pretty high order was not taken into consideration and there was a change in production programme of the existing units which was also not taken care of which resulted in wrong calculation.

1.30. Asked why there had been an increase under the head 'Nitric Acids etc.' even when the duty on acids (except sulphuric acid) was withdrawn wef 1-3-1965, the witness stated that all acids except sulphuric acid were exempted from March, 1965 but the production of sulphuric acid registered a pretty high increase which was not taken note of and this accounted for the rise. The witness admitted that this could not be foreseen as in almost all the cases proper liaison which was now being maintained with the Administrative Ministries and other agencies was not being maintained then.

1.31. Asked why there had been a shortfall under the heads 'diesel oil NOS' in spite of the fact that the rate of additional excise duty was increased on this item and a regulatory duty was also imposed, the witness stated that what was lost in the case of diesel oil N.O.S. was more than off set in the case of refined diesel oil. He also added that if all the performance was taken together, the margin of variation was only of the order of 4.1% because in 1963-64, while the percentage of production of refined diesel oil was of the order of 18.1%, in the case of diesel oil N.O.S. it was of the order of 8.9%. All of a sudden because of some change either due to the change in the technical programme, or out of an anxiety to conserve foreign exchange because most of the diesel oil is imported, this ratio was changed in 1964-65 from 18.1 to 9.1 per cent and 8.9% to 7.7% respectively. He also added that the shortfall was not because of high estimating. It was primarily due to the fact that in the middle of the year there were two changes in the rates of additional excise duty. Also, Barauni refinery had come into existence during the course of the year. These changes in the rates accounted for nearly Rs. 8.1 crores. The regulatory duty was also imposed for the first time that year and it accounted for Rs. 27 lakhs. The witness added that those two items accounted for nearly Rs. 9 crores which could not be foreseen.

1.32. As regards the variation under the head 'iron and steel products' the witness stated that there was a reduction in the clearance of iron and steel products although production was maintained more or less at the same level, and this fall could not be anticipated. He also added that it was primarily due to the slackening of demand for structural and mild steel bars, rods etc. and this slackening process was still continuing.

1.33. Even though the percentage of variation between the actual receipts and the budget estimates for the year 1964-65 in respect of "Excise Duty" when compared with the earlier year was less, the Committee find that under some of the heads like 'Plastics', 'Sodium Silicate', 'Woollen Yarn' etc. the variations were fairly substantial.

From the evidence the Committee find that the reasons for such variations were mainly:

- (i) even when the coverage for plastics was changed, the Department failed to assess the financial implication properly;
- (ii) proper statistics in respect of the production of Sodium Silicate was not available;
- (iii) change in the production programme of motor cars and the import of the foreign parts therefor were not adequately taken note of at the time of preparing the budget estimates; and
- (iv) the lack of proper liaison with the Ministry concerned resulted in the failure to take note of the big increase in the production of Sulphuric Acid.

1.34. In all these cases the Committee feel that the estimates could have been framed with greater accuracy if only the Ministry had taken more initiative to keep itself informed of development. They, however, hope that the Ministry would benefit from their experience and would try to effect better co-ordination through measures such as are stated to have been introduced in other Ministries in collecting up-to-date information and frame the estimates more realistically.

1.35. *Corporation Tax and Taxes on Income etc.*—The total amount of difference between the Budget Estimates and the Actuals for 1964-65 as follows :—

(In crores of rupees)

	Budget Estimates	Actuals	Variations	Percentage
Corporation Tax	296.67	313.64	+16.97	5.72
Taxes on income, other than Corporation Tax	139.79*	143.16*	+3.37*	2.41
(*Excluding the share assignable to States)				

The above percentages of variations show an improvement from the position relating to 1963-64. The details of the variations under the various minor heads are indicated in the following statement :—

(In lakhs of rupees)

	1963-64				1964-65			
	Budget Estimates	Actuals	Increase(+) Shortfall(—)	Percentage of variation	Budget Estimates	Actuals	Increase(+) Shortfall(—)	Percentage of variation
	1	2	3	4	5	6	7	8
I.I. Corporation Tax								
(i) Ordinary Collections (†)	2,02.00	2,65.20	(+)63.20	31.19	2,89.17	2,97.73	(+)8.56	2.96
(ii) Excess Profits Tax	..	(a) 1	(+)1	..	..	(—)11	(—)11	..
(iii) Business Profits Tax	..	(—)1	(—)1	..	..	(b)1	(+)1	..

	1	2	3	4	5	6	7	8
(iv) Sur-Tax . . . . .	..	..	..	..	6.50	13.26	(+)6.76	104.15
(v) Super Profits Tax	20.00	22.10	(+)2.10	10.5	1.00	2.75	(+)1.75	175
TOTAL	2,22.00	2,87.30*	(+)65.30	29.41	2,96.67	3,13.64	(+)16.97	5.72

@ The actuals against 'Ordinary Collections' include receipts under the minor head 'Miscellaneous'.

*Differs from figure shown in 1965 Audit Report due to certain adjustments since made.

(a) The actual amount of Rs. 33,000.

(b) The actual amount is Rs. 49,114.

Taxes on Income other than Corporation Tax

(vi) Ordinary Collections @ (a)	1,91.05	2,25.70	(+)34.65	16.03	2,30.65	2,52.58	(+)21.93	9.51
(vii) Surcharge (Central)	5.00	7.40	(+)2.40	48	6.55	6.26	(—)29	4.43
(viii) Surcharge (Special)	3.95	4.83	(+)88	22.28	3.08	2.86	(—)22	7.14
(ix) Additional Surcharge (Union)	18.00	7.47	—10.53	58.5	7.00	5.41	(—)1.59	22.71
(x) Excess Profits Tax . . . . .	..	19	(+)19	..	..	(—)1	(—)1	..
(xi) Business Profit Tax . . . . .	..	(c)(—)1	(—)1	..	..	(—)17	(—)17	..
Shares of net proceeds Assigned to States	(—)97.95	(—)119.29	(—)21.34	21.78	(—)1,07.49	(—)1,23.77	(—)16.28	15.14
TOTAL	1,20.05	1,26.29*	(+)6.24	5.19	1,39.79	1,43.16	(+)3.37	2.41

@@ The Actuals against 'Ordinary Collections' include receipts under the minor heads 'Miscellaneous', 'Changed'.

*Differs from figure shown in 1965 Audit Report due to certain adjustments since made in England.

(c) The actual amount is Rs. (—)23,622.

1.36. The Ministry's explanation regarding the overall variations between the budget estimates and the actual collections of Corporation Tax and income tax is as follows:

- (i) Larger profits in the Corporate Sector.
- (ii) Measures taken to improve the tax collection by tightening the assessment and collection measures.
- (iii) Completion of larger number of assessments.

1.37. As regards the variation under the head "Super Profit Tax", the Ministry of Finance (Deptt. of Rev.) have stated that since "Super Profit Tax" was abolished in 1964-65 it was anticipated that only a small collection would be made under this head. With regard to "Sur Tax", the Ministry have stated that the variation is due to (i) increase in the level of corporate earnings in the relevant year which could not be anticipated; and (ii) inadequate data available in the first year of its levy.

1.38. Explaining the variation of 22.71% under the head 'Additional Surcharge (Union)' the witness stated that a more accurate budgeting depended on the estimates made by the assessee while filing their advance tax estimates. The assessee revised their estimates at the end of the year and this could not be foreseen.

1.39. As regards the variation of 104% and 175% under the head 'Sur Tax and Super profits Tax', the witness stated that surtax was introduced in 1964-65 and some concessions as compared to super profit tax were given. The collection was estimated at Rs. 6.5 crores but it was exceeded because there was a drive for increased collections that year. At the instance of the Committee, the witness agreed to furnish a note stating the reasons for variations between estimate and actuals of the order of 104.15% and 175% in respect of sur tax and super profit tax respectively and why a reasonable estimate of revenue could not be made.

1.40. The information has been received and is at Appendix II. It has been stated *inter alia* in the note that "the wide margin of difference between the budget estimates and the actuals from surtax in 1964-65 was also attributable to increase in the level of corporate earnings in the relevant year which could not be anticipated."

1.41. Asked whether the Ministry had taken into account the profits in the corporate sector while formulating the budget for corporate taxation and the figure of actual profits for 1964-65, the witness stated that there were 24385 companies in 1963-64 and 25323 companies in 1964-65. A study of the balance sheets of 1157 companies for the

assessment years 1963-64 and 1964-65 showed the following position before provision for taxation was made:—

1963-64	1964-65
Rs. 307 crores	Rs. 343 crores

1.42. A provision of Rs. 147 crores for taxation was made in 1963-64 and a provision for Rs. 173 crores in 1964-65. The profits of companies had gone up by about 11 per cent in 1964-65 as compared to the position of 1963-64. At the instance of the Committee, the witness agreed to furnish the total number of assessable companies at present.

1.43. The information has been furnished stating that the number of companies assesseees as on 31st March was 26,408.

1.44. The Committee hope that the Ministry will continue to make efforts to prepare their estimates more realistically so that the wide variation between the estimate and actual is reduced to the minimum.

Cost of collection, para 6, page 12

1.45. The expenditure during the year 1964-65 incurred in collecting the principal items of tax receipts together with the corresponding figures for 1963-64 are shown below:—

(In crores of rupees)

Head of Revenues.	1963-64			1964-65		
	Gross collections	Expenditure incurred on collections	Percentage of expenditure on revenue collections	Gross collections	Expenditure incurred on collections	Percentage of expenditure on the revenue collections
(1)	(2)	(3)	(4)	(5)	(6)	(7)
I. Customs	334.75	4.14	1.2	397.50	4.62	1.2
II. Union Excise	729.58	8.95	1.2	801.51	9.77	1.2
III. Income Tax and IV. Corporation Tax.	532.88	6.72	1.3	580.57	7.75	1.3

1.46. Though the cost of collection in terms of percentage has remained almost the same as that of the last year, the actual amount of expenditure for collection of custom duty has increased by 48 lakhs; Income-Tax and Corporation Tax has increased by 1.03 crores and in the case of Central Excise by 82 lakhs.

1.47. The increase of Rs. 48 lakhs in the cost of collection of Customs revenue was stated to be mainly due to (i) sanctioning of additional posts for Bombay and Calcutta Customs House, (ii) expenditure for newly taken over Customs administration in Goa for the whole year 1964-65 (the date of taking over the Customs administration in Goa, Daman and Diu is 19th December, 1963), and (iii) enhancement of the rate of dearness allowance during the year 1964-65.

1.48. The increase of Rs. 82 lakhs in the cost of collection of Union Excise Duties was stated to be mainly due to (i) accrual of annual increments as well as sanction of new posts in 1964, and (ii) revision of dearness allowance, house rent and City Compensatory allowance in 1964.

1.49. The increase of Rs. 1.03 crores in the cost of collection of Income-Tax (including Corporation Tax) was stated to be mainly due to (i) a large number of posts created in 1964 and (ii) revision of dearness allowance, house rent and City Compensatory allowances in 1964-65.

1.50. The Committee pointed out that the percentage of cost of collection of Customs, Union excise, Income-tax and Corporation Tax had remained at 1963-64 level while the actual expenditure for collection of customs duty had increased by Rs. 48 lakhs, Union excise by Rs. 82 lakhs and Income-Tax and Corporation Tax by Rs. 1.03 crores. One of the reasons given by the Ministry for the increase of Rs. 1.03 crores in the case of cost of collection of Income-tax etc. was that 'a large number of posts were created in 1964.'

1.51. The witness stated that the number of assessments completed in 1964-65 as compared to 1963-64 had increased by nearly four lakhs and as against 1,100 cases completed by each officer in 1962-63, the corresponding number for 1964-65 was 1,500. Further as a result of the increase in the number of officers, comparatively senior officers were released from the lower income cases completely and to that extent they were putting their attention to other cases. The Committee pointed out that increase in the cost of collection worked out to 16 per cent but the increase in the taxes collected was only Rs. 46 crores out of Rs. 600 crores. The witness stated that part of the increase was due to increase in dearness allowance which accounted for Rs. 28 lakhs. Certain posts were also created towards the end of the earlier year and it accounted for an increase of Rs. 18 lakhs more on this account.

1.52. At the instance of the Committee the witness agreed to furnish the following information:

- (i) What were the actual number of posts created in Income Tax Deptt. during the year 1964-65 and how many were actually filled and what was the expenditure? As a result of the increase of the number of officers to what extent the work in regard to big and complicated cases of assessment have been tightened?
- (ii) What were the steps taken to improve the administration in order to enable the officers to devote more time to complicated cases; and
- (iii) What was the gross collection of the Income-Tax during the years 1965-66 and expenditure in collection? What were the reasons for variation in the percentage of the cost of collection as compared with 1964-65?

1.53. The note has been received from the Ministry. The note *inter alia* states "the total expenditure on the Income-tax Deptt. during 1965-66 was Rs. 9.62 crores. The collection amounted to Rs. 597.04 crores and the cost of collection expressed as a percentage of revenue was 1.61%."

1.54. The note further states ".....As the collections are dependent on various economic factors, the increase in the manpower will result in increase in disposals of assessments but will not necessarily result in addition to income-tax revenue."

1.55. The Committee find that even though the cost of collection in terms of percentage had remained almost the same as in 1963-64, the actual expenditure for collection had gone up by Rs. 2.33 crores. The expenditure on the Department has increased by another Rs. 1.48 crores in 1965-66 as compared to 1964-65. From the evidence and the note they also find that the increase has been mainly due to (i) creation of additional posts (ii) accrual of increments (iii) revision of rate of allowances to the staff.

1.56. The Committee would like Government to keep a careful watch on the progress made with the clearance of arrears of assessment. They also expect that with the appointment of additional staff, there would be better collection of revenues. They would like to watch, through future Audit Reports, the results achieved by the Department in this connection.

II

CUSTOMS

Customs Receipts—Para 8—Page 14.

2.1. The total receipts from Customs Revenue during the year 1964-65 were Rs. 387.50 crores, derived as under:—

	Rs.
(a) Customs imports	404,64,02,584
(b) Customs exports	2,42,58,360
(c) Miscellaneous	4,22,00,768
	<hr/>
Gross revenue	411,28,61,712
(—)Deduct Refunds and drawbacks.	13,78,51,407
	<hr/>
Total net revenue	397,50,10,305
	<hr/>

2.2. The Committee asked whether at the time of fixing 'drawback' for art silk fabrics and art silk yarn, the fact that their production was increasing and that some of the fabrics were manufactured out of the indigenous and not imported yarn had been taken into consideration. The Committee also enquired if machinery was there to see that drawback was allowed only for the imported yarn used in exportable fabrics. The representative of the Central Board of Excise and Customs replied that in the case of drawbacks there was an all-industry rate in some cases and there was a specific rate for particular manufacturers. The witness added that, in the case of particular manufacturers, statistics were taken as to how much of imported yarn and indigenous material was used. It was added that wherever there was an all-industry rate, a sort of average was arrived at. The witness elucidating the point stated that if in an industry as a whole 60 per cent of the imported goods were used and 40 per cent of indigenous material, then same proportion was taken into account for working out the drawback rate. The Committee were

informed that with the increase, in the production of indigenous artificial silk yarn the percentage, which had been fixed when the production was lower, was liable to be revised.

2.3. When asked at what interval the drawback rates were generally revised, the witness replied that the endeavour was to revise them every two years. But really, the witness added, it had not been possible to stick to that. As there were thousands of rates, it had not been possible to revise them at a fixed interval. However, it was stated that when things were brought to the notice of the authorities either by the trade or by the customs officers the rate might be examined and revised.

2.4. The witness informed the Committee in reply to a question that for the purpose of drawback and the working out of the rates and laying down the day-to-day implementation of policy, there was a small committee on which were represented the Ministries of Finance and Commerce, the Comptroller and Auditor General and other Ministries concerned. In reply to a query the witness stated that though generally the C.B.R. took the initiative in reducing the drawback, the customs officers too sometimes pointed out that the rate was out of date.

2.5. Asked when the drawbacks were last fixed, the witness replied that it was a continuous process and every year the rates were being revised. The witness also disclosed that in principle the rate of drawback was to be equal to the import duty paid, but for a short period, due to the practical method of working out the average, the former might be a little more.

2.6. The Committee desired to be furnished with the following information:—

- (i) A note containing the particulars of specific items on the export of which there has been more than 10 per cent increase in the amount of drawback paid during 1964-65 as compared to 1963-64.
- (ii) A note stating the amounts of drawbacks paid during 1964-65 on the export of art silk yarn and thread and silk fabrics, cycles and steel products.
- (iii) A note stating whether the revised pattern of import and indigenous elements was taken into consideration, at the time of revising the rates of drawbacks in July, 1966.

2.7. The note (Appendix III) furnished by the Ministry indicates that (i) there was an increase of more than 10 per cent in the amount of drawback paid during 1964-65, as compared to 1963-64, on 85 items; and (ii) the amounts of drawback paid during 1964-65 on the export of art silk yarn and thread fabrics and art silk fabrics, cycles (including cycle parts) and steel products were Rs. 2.85 crores, Rs. 21.49 lakhs and Rs. 64.84 lakhs respectively.

2.8. The Committee also note, from the information supplied, that the rates of drawback of 33 items had been revised during July, 1966 to 13th March, 1967. Out of 33 items, rates were revised on 11 items after taking into account the revised pattern of imported and indigenous elements contained in there. The Ministry have stated that on 7 items, out of the remaining 22 items, "the question of imported and indigenous element does not arise" as the actual import of raw material had to be verified before drawback claims were admitted.

2.9. The Committee feel that it would be advisable to keep the existing pattern of import and indigenous elements in view while revising the rates of drawback.

2.10. They also feel that the rate of drawbacks should be reviewed periodically, particularly in the case of commodities like art silk fabrics, where the amount of drawback is substantial.

Para 9—Page 14.

2.11. A test audit of the various customs stations revealed a total short levy of customs duty to the extent of Rs. 8.11 lakhs and an excess levy of Rs. 94,866. Besides this, other defects and lacunae in customs procedure and two cases of loss of customs duty due to fraudulent alterations of Bills of Entry were noticed.

Para 10—Page 14.

2.12. The short levy of duty of Rs. 8,11,172 has arisen on account of the following reasons:—

	Rs.
(a) Wrong classification of goods	3,57,188
(b) Non-levy of countervailing duty	1,69,373
(c) Mistakes in calculation	99,033
(d) Duty levied at rates lower than those prescribed	71,788
(e) Other reasons.	1,13,790
	<hr/>
	8,11,172
	<hr/>

2.13. Under-assessments arising out of the wrong classification of goods [Category (a) above] have shown a striking increase over those detected and reported in the Audit Reports previous years :—

	Rs.
1962-63	98,918
1963-64	87,532
1964-65	3,57,188

2.14. The Committee referred to the recommendation contained in their 21st Report and reiterated in the 27th Report that both the Appraising Department and the Internal Audit Department of the Customs House should be strengthened and intensive training should also be given and to the information conveyed to them in 1965 that a scheme had been drawn up for the purpose they asked what was the present stage of implementation of the scheme. The representative of the Central Board of Customs and Excise stated that the creation of a directorate of audit directly under the Board had been postponed on account of financial stringency. With regard to the re-organisation of the appraising department the witness stated, that it was in a very advanced stage of consideration and was likely to be finalised shortly. He, however, added that they were trying to strengthen their internal audit department by giving a little more staff. The witness stated that on the central excise side they recently took a decision and posted certain Assistant Collectors to be directly responsible for audit. In the course of time, the witness added, they proposed to adopt the same system on the customs side also.

2.15. The Committee desired to be furnished with a note stating the financial implications of creating the directorate of audit directly under the Board, the level at which it was decided to keep it in abeyance, and the opinion of the Minister.

2.16. The note has been furnished and is at Appendix IV. It has been stated in the note that the financial implication involved in setting up the Directorate of Revenue Audit were estimated at about Rs. 36.5 lakhs and that the decision to hold the proposal in abeyance was taken at the level of the Finance Minister.

2.17. The Committee regret that in spite of their observations in the 21st Report and the 27th Report (Third Lok Sabha) no improvement is visible in the working of the Internal Audit Organisation. They hope that the question of re-organisation be given immediate consideration and all necessary steps taken to improve the working

of the internal Audit organisation. They would like to be informed of the decision arrived at in this connection along with the progress made with their implementation.

Short levy due to wrong classification of goods under the Indian Customs Tariff—para 11, page 15.

2.18. 'Michigan Tractor' Model 175 imported in May, 1963, was assessed by a custom house to duty at the concessional rate of 15 per cent. *ad valorem* applicable to "Earth shifting machinery" under item 72 Indian Customs Tariff. The relevant catalogue, invoice and other documents were called for in audit to verify the correctness of the assessment. On a re-examination of the relevant documents as a result of this audit query, the Custom House itself decided that the Tractor was correctly assessable to duty as a 'Conveyance' under item 75 Indian Customs Tariff @ 2½ per cent *ad valorem* under item 34(4) Central Excise Tariff. The consignment was re-assessed accordingly and the consequential difference in duty of Rs. 1,11,165, recovered from the importer. Report regarding re-assessment of similar cases of tractors is awaited.

2.19. The Committee were informed that the classification of items was a complex problem. Though it had been under consideration for a considerable time and the D.G.T.D. and the Ministry of Law had been consulted, it had not been possible to arrive at a final satisfactory decision. The witness then explained as to how the tractor in the present case had been classified initially as machinery instead of conveyance.

2.20. The Committee asked why a tractor was treated as vehicle for the purpose of excise duty and as machinery for the purpose of customs duty. The witness replied that it was on account of different wording in the two Acts and added that the tractor in question was actually a loader. The witness further stated that the Ministry of Law also held that view.

2.21. The Committee were informed that the Tariff Revision Committee which was constituted to go into the customs tariff and bring it up-to-date had submitted a report which was under consideration. The witness added that because of difficulties of the countervailing duty, the Government of India had agreed to include in the terms of reference of the Tariff Revision Committee the question of aligning of the Central Excise Tariff with the customs tariff so that difficulties about countervailing duty might be avoided.

2.22. In reply to a query it was stated that the report of the Tariff Revision Committee regarding customs tariff had been completed

and submitted to the Government. The witness added that the Ministry of Commerce had already passed a resolution adopting the broad lines, but as actual implementation of the report would involve complete recasting of the tariff it would have to be seen that there was no loss or gain of revenue. The scope of the tariff was to be realigned carefully and brought in line with international agreements like GATT. The witness added that detailed work on the Report had already started and it would take sometime before the tariff was completely recast. The Chairman, Central Board of Excise and Customs, intervening, stated that the Report of the Committee was received in September or October, and its implementation would involve legislation. He added that the Committee had also been entrusted with the job of putting the central excise tariff on a more scientific basis. The witness however thought that all the problems would not be solved, because everything imported had to pay duty under some item or the other unless it was declared free, whereas everything produced or manufactured in Indian did not pay Central Excise Duty.

2.23. The witness, however, opined that 'the whole thing requires systematisation and our tariff is out of date but we are certainly doing all we can to bring them in line with modern conditions.'

2.24. The Committee were informed, in reply to a question, that "sometimes the various customs houses take different view of the classification" and had classified identical items differently. The witness added that the tariff contained only 87 items which covered 300 to 400 items with the sub-items. All the articles imported had to be brought under one or the other of those items and opinions might differ in the various custom houses. The witness further stated that when a lack of uniformity in the interpretation of the tariff was brought to their notice, the Central Board of Excise and Customs gave a ruling which applied to all custom houses and it became uniform. He also added that "we cannot avoid lack of uniformity."

2.25. In reply to a question, it was stated that when the instructions were issued by the Board everyone tried to follow them. It might be that in a case or two the instructions would be interpreted differently. The witness added that if the same person gave a different interpretation of the same item, it was pure negligence which had no justification.

2.26. The Committee note that one particular piece of machinery has been classified differently for the purpose of levying excise and

customs duty. Certain items have also been classified differently by the different Custom Houses. The Committee feel that an effort should be made to avoid such anomalies as far as possible.

2.27. The Committee hope that the Report of the Tariff Revision Committee on customs would receive due consideration and changes introduced as a result of the Committee's recommendations would systematise the tariff and bring it in line with modern conditions. The Committee hope that now that the question of aligning of the Central Excise Tariff with the Customs Tariff has been referred to the Tariff Revision Committee with the receipt of the report (of the Tariff Revision Committee), difficulties about the imposition of countervailing duties would be reduced considerably and the Central Excise Tariff would also be put on a more scientific basis.

Para 11, Page 15

2.28. In a major Custom House, 'Pig Tin Grade G' imported in January, 1964 was allowed clearance without payment of duty classifying it as 'Tin Scrap & Tin plate scrap' under item 69(1) Indian Customs Tariff. However, as the Custom House had some doubts regarding the correctness of the classification under item 69(1), the matter was referred to the Central Board of Customs and Central Excise for ruling. According to the general instructions of the Board, the Collector should, in such cases, assess the goods at the rate most favourable to the Government. This, however, was not done. In their ruling dated 5th February, 1965 the Board ordered that the goods should be assessed under item 70(1) Indian Customs Tariff as a result of which a sum of Rs. 89,796 became recoverable in this case.

2.29. The representative of the C.B. of B. & C informed the Committee what the meaning of the Customs Officer should have been a ruling of the Board as that for the customs officer it was the easiest thing to do - to rate and leave it to somebody to decide later what should be the actual rate. To avoid such a decision, the witness stated that the officers were encouraged to take a final and fair decision.

2.30. In regard to the case mentioned in the Audit Report the witness stated that the decision was taken at the level of a Deputy Collector, who had kept himself in touch with the Collector. At the time of taking a decision he had no doubt and he gave the final decision. But as he thought that another view was possible. He referred the matter to the Board for a ruling. The witness further added.

that it was only when the officer was unable to make up his mind at all that he assessed the other rate and not merely for the reason that his subordinates had expressed different opinion or that the practice followed at some other port was different. The officer took the final decision so that the importer might not be left in the lurch.

2.31. In reply to a further query the witness stated: "I may be quite clear in my mind that what I am doing is the right thing, but at the same time I may feel that there is much to be said for certain other views also, so I will refer to the Board."

2.32. The witness clarifying the point further stated that if the officer himself could not make up his mind and felt that there were two or three opinions which were equally valid, he should, according to the instructions assess at the highest rate. Otherwise he was to assess according to his own judgment and that assessment was final.

2.33. The Chairman of the Board, expressing his opinion about the case in question, stated that there was a *bona fide* error of judgment, the officer who passed the order thought that the point was quite clear, but when he went to the Collector the latter thought that to be on the safe side he could make a reference forgetting that to be on the safe side they should not have lost him to a higher rate of duty. The witness added that at the time the officer gave the decision he himself was absolutely clear that he was taking the correct decision.

2.34. The Committee then referred to the reference made to the Board and pointed out that even the Deputy Collector had expressed a doubt. The witness replied that his decision was final, only as a measure of abundant caution that he made a reference.

2.35. The Committee regretted to note that regarding revenue to the *exchequer* upon all concerned to pay duty *disregarding* *the* *provisions* prescribed in such matters and the Board *take* *serious* view of similar deviations in future.

Non-levy of countervailing duty, para 12, page 15.

2.36. (i) A consignment of "Cementing aggregate mounted on automobile and spare parts" valued at Rs. 1,53,499 and imported in September, 1963 was assessed to duty by a Custom House as "conveyances not otherwise specified" under item 75 Indian Customs Tariff at 55 per cent *ad-valorem*, whereas similar equipment of the same assessable value imported by the same party was

assessed to duty at the composite rate of 78.25 per cent. *ad valorem* comprising the basic customs duty under item 75 Indian Customs Tariff, surcharge thereon and countervailing duty for "motor vehicles, not otherwise specified" under item 34(4) Central Excise Tariff. On this discrepancy being pointed out, the short levy of Rs. 35,689 being the countervailing duty in the former case was recovered by the Custom House.

2.37. The Committee were informed that the commodity was assessed by two different appraisers but was countersigned by the same principal appraiser. Asked whether any action had been taken against the officer concerned, the witness stated that the explanation of the appraiser and the audit officer was called for, and since the explanations were not convincing, the officers had been cautioned to be careful. In reply to a query, the Chairman, C.B. & E.C. stated that the supervising staff should also be accountable for the mistake and he would certainly see that that was done.

2.38. The Committee desired to be furnished with a note stating whether similar equipment imported at the same port was differently assessed on two occasions, and if so, the date on which both the bills of entry were assessed and also whether both the bills of entry referred to in the para were assessed to duty by the same appraiser and if so, whether he offered any reasons for assessing the goods differently on the two occasions. Information furnished by the Ministry is at Appendix v.

2.39. From the note furnished by the Ministry the Committee regret to note that the same item was classified differently within a short period of two months. The Committee are glad to note that as a result of audit objection, short levy of countervailing duty to the extent of Rs. 35,689 was recovered by the Custom House. They, however, are left with the impression that this mistake took place primarily due to negligence. They hope that suitable action would now be taken against the persons responsible for the lapse.

2.40. The Committee would also desire that the Central Board of Excise & Customs should devise suitable measures by which the classification of similar articles differently by different appraisers is eliminated.

Para 14, page 16—Duty levied at rates lower than those Prescribed:

2.41. A consignment of "under-ground telephone cables" imported in March, 1963 was assessed to duty by a Custom House under

Item 73(1) Indian Customs Tariff read with item 33-B Central Excise Tariff at the composite rate of 62.75 per cent. (basic Customs duty 50 per cent *ad valorem*, 10 per cent, surcharge on duty and Countervailing duty at 5 per cent on the assessable value plus duty, i.e., 155 per cent) in vogue prior to 1st March, 1963. As the basic customs duty under item 73(1) was raised to 60 per cent, *ad valorem* with effect from 1st March, 1963 the correct duty leviable on the consignment was at the composite rate of 74.3 per cent. On this being pointed out, the short levy of Rs. 14,495 was recovered.

2.42. The representative of the Board informed the Committee that the case was an obvious mistake. He added that after the meeting of the Public Accounts Committee last year, instructions had been issued to the Collectors that they must take steps to see that their tariff books were kept up-to-date and also that such mistakes were avoided. He hoped that the things would improve.

2.43. The Chairman of the Board, in reply to a query, stated that the persons responsible for the mistake had been charge-sheeted and had also been punished.

2.44. The Committee desired to be informed of any investigation made to find out whether there were similar mistakes other than those detected by the Audit.

2.45. The Ministry have furnished the following information:

"The Collector of Customs, Calcutta, has reported that even though the rate of duty had been changed by the Finance Act, 1963, the old rate of duty was applied by the individual Appraiser. This was clearly a mistake on the part of the Appraiser concerned and a case of individual carelessness and negligence. In the post-budget period, I.A.D. and C.R.A.D. pay particular attention to changes brought about by the Budget in rates of duty but no other case was pointed."*

2.46. The Committee hope that the authorities would go into this matter and find out how the particular officer was unaware of the revised rate of duty. If it was on account of certain lacuna in the procedure of intimating the changes to concerned officers, the Committee desire that steps would be taken to rectify that.

* A similar case of wrong assessment in Telecommunication Cables imported in March, 1963 by the same Customs House was commented upon in para 18 of the 27th report of PAC (Third Lok Sabha)

**Loss of Revenue due to Fraudulent Alterations in Bills of Entry—
Para 16, page 18.**

2.47.(a) The Internal Audit Department of a Custom House found that on a consignment of 18 cases of art silk yarn imported in October, 1964, a sum of Rs. 7,305.30 only had been collected as duty instead of Rs. 27,305.30 which was the correct amount of duty payable on the consignment. The Internal Audit branch raised an objection to the short realisation of Rs. 20,000. As no reply to this objection was received from the Accounts Departments, enquiries were made which revealed that the objection along with the original Bill of Entry had neither reached the Accounts Department nor was it traceable in the Custom House. The duplicate copy of the Bill of Entry was also found missing from Internal Audit after it was received there.

2.48. As the loss of both the copies of the Bills of Entry appeared suspicious, departmental investigations were made which revealed that only a sum of Rs. 7,305.30 had been shown as paid in the pay-in-slip of the Cash Department, whereas the triplicate copy of the Bill of Entry obtained from the Custom House agent showed the amount of Rs. 27,305.30. On interrogation, an employee of the Custom House agent admitted having made fraudulent alterations in the amount of the duty stamp both on the duplicate and triplicate copies. In his statement he also implicated a clerk in the Internal Audit Department of having conspired with him to defraud Government revenues to the extent of Rs. 20,000 on this consignment. A demand for Rs. 20,000 has been issued to the importers concerned and the Custom House clearing agents. The clearing agents, it is stated, have informally promised to make the payment. The amount has not yet been paid (December, 1965).

2.49. Further investigations carried out so far have revealed four more cases of fraudulent alterations of Bills of Entry by the same clearing agent involving an amount of Rs. 44,725.98. In two of these four cases, a lower amount of duty has been paid by manipulating the figure of duty entered in the duty stamp and in the rest of the two cases, no duty at all had been paid and the goods were cleared by affixing forged duty-paid stamps.

2.50. A final report regarding completion of the investigation is awaited.

2.51. (b) A case of loss of revenue in particular Custom House on account of fraudulent alterations in Bills of Entry was reported in para 21 of the Audit Report. (Civil) on Revenue Receipts, 1965. A

similar case was reported from another Custom House in March, 1965. The facts are as under:—

Since 1961, a group of persons two of whom possessed customs passes issued to them as clerks of licensed Dalals were operating in all manner as clearing agents in collusion with some Custom House Agents and Dalals, and were defrauding customs duties by tampering with the quantities declared in the Bills of Entry for goods like art silk yarn and unexposed cinematograph films assessable at specific rates of duty. The duty defrauded in 38 consignments worked out to Rs. 1,70,381. The full extent of the fraud on all the consignments cleared by the group is reported to be still under investigation.

2.52. In reply to the Committee's questionnaire, the Ministry have furnished the information which is at Appendix VI.

2.53. Referring to the cases mentioned in sub-para (a) the witness stated that five cases in all were detected. In one case, a person had paid about Rs. 7,000 as duty when he should have paid Rs. 27,000. Two persons were involved in this case; a clearing agent's man and another person from the customs house who acted in collusion with the first man. The person involved in this case has been convicted and imprisoned. The clerk who was colluding with the convicted person was also being prosecuted in a court of law by S.P.E. The trial was in progress before a special judge. The other four cases were also in the process of investigation. The total amount involved in the other 4 cases mentioned in sub-para (a) was stated to be Rs. 44,725. The witness informed the Committee that it was the same clearing agent who was involved in all these cases.

2.54. In the case mentioned at 'b' above, the Ministry of Finance have informed the Committee in a written note as under:—

"As regards the fraud committed by.....Company involving a loss of duty amounting to Rs. 1,70,381 the investigation has been completed and action to prosecute the persons involved in the fraud has also been taken.

No recovery of the amount involved has so far been effected."

They also informed the Committee that the following steps have been taken to plug loopholes:

"In order to plug the loopholes in the existing procedure and prevent the Clearing Agents/Importers from making fraudulent alterations in the Bills of Entry, a system is being introduced of perforating both in words and figures the

amount of duty on all copies of the Bills of Entry with pin-point typewriters. Simultaneously, from the long range point of view, this Ministry are considering other appropriate measures for eliminating the chances of fraudulent alterations in Bills of Entry."

2.55. The Committee note that the persons involved in the frauds have been or are being prosecuted. The Committee are, however, unhappy that frauds involving a total sum of Rs. 2,35,107 have been committed. They hope the authorities will take necessary safeguards against the possibility of such frauds.

2.56. The Committee hope that the improvement in the system which was proposed to be introduced and the other measures which the Ministry intended to take would eliminate opportunities for fraudulent alterations in Bill of Entry. They desire that a proper watch should also be kept on the new system so that cases of frauds are altogether eliminated.

2.57. The Committee would like to be informed of the final action in cases where prosecution proceedings are in progress and of the recovery of amounts from the persons concerned.

Para 17, page 20—Short levy due to omission to revise incorrect assessment on receipt of a tariff ruling.

2.58. According to executive instructions issued by the Central Board of Revenue in 1924, when a ruling issued by the Central Board of Revenue or the Government of India in the interpretation of the Customs Tariff shows that the practice of any Custom House in the assessment of goods has been incorrect, ordinarily no proceedings shall be taken under section 39 of the Sea Customs Act, 1878 if it appears that duty has been short levied previous to the receipt of the ruling in the Custom House.

2.59. Aircraft materials of special shape or quality are assessable to duty at a concessional rate under an exemption notification dated 21st December, 1957 of the Government of India. In a tariff ruling issued by the Central Board of Revenue in February, 1961 it was ordered that items like paints, varnishes, thinners, adhesive cement etc. are general purpose articles and could not be regarded as Aircraft materials qualifying for assessment at the concessional rate. In a Custom House, such articles were being assessed wrongly as Aircraft materials prior to the receipt of the tariff ruling. The Board's ruling of February, 1961, was given effect to in that Custom House with effect from May, 1961, the date on which the ruling was received in

that Custom House. However, no action was taken to recover the differential duty on paints, varnishes, etc. imported and assessed as aircraft materials at the concessional rate prior to that date, but on which no duty had been paid at the time of receipt of the tariff ruling.

2.60. It was pointed out in audit (June, 1962) that the Board's instructions of 1924 would only apply to cases where duty had already been actually short levied prior to the receipt of the tariff ruling and not in cases where only the assessment had been made without the duty thereon having been paid by the parties. The Custom House did not agree and referred the matter to the Board in November, 1963. The Board agreeing with the views of Audit clarified in October, 1964 that all assessments on which duty had not been paid as on the date of receipt of a Tariff Ruling in a Custom House should be subjected to the higher duty in accordance with the ruling.

2.61. The Ministry informed Audit that on a review of the past importations it was found that 20 cases involving a total duty of Rs. 31,947 required revision on the basis of the tariff ruling and 30 more cases relating to the year 1961 remained to be reviewed. (December, 1965).

2.62. The witness, explaining the reasons for the short levy, stated that two or three points were involved in the case, which pertained to the instructions issued in 1924. The witness stated that a Tariff Ruling only stated the position as it was in law and it was effective in the Customs House from the date of receipt by them. The witness further stated that, at the time of receipt in the customs house, a question had arisen as to which particular bill of entry it was to regulate. After considering the pros and cons, the witness disclosed it was decided to give effect to it in case of all bills of entry, even though they might have been assessed prior to the receipt of tariff ruling, if the duty had not been paid.

2.63. The Committee asked why the clarification given in the form of a tariff ruling was made applicable from the date the ruling was given and not from the time the law had come in force. The witness replied that there were various limitations in the Customs Act and added that the rulings were given as early as 1924 and it would have to be looked into a little more closely. The Chairman of the Board, clarifying the point, stated that as far as he understood it, the purpose behind the relaxation was that in commodity taxes like this, whatever might be assessed, the goods had already changed hands. If after one year they retrospectively raised the demand and collected it, the merchants would probably have great difficulty in

realising it, and all of them might not be able to do it. He, however, stated that the matter needed to be reconsidered and added that it should be given careful consideration before a decision was taken.

2.64. The Committee hope that the question as to the date from which a 'Tariff Ruling' should be given effect to, would be considered from all angles, as was promised by the Chairman of the Central Board of Excise and Customs during evidence, and that a decision would be taken at an early date. This decision should be circulated to all the Customs Houses, so that a uniform practice is followed everywhere.

Other topics of interest—19, page 21.

2.65. During scrutiny of the records of a major Custom House it was observed that there had been no proper coordination between the Port Trust and the Custom House in the matter of landed goods. As a result, duty was not recovered on certain packages landed but subsequently found missing. The total number of such packages and the amount of customs duty involved, during the period 1st April, 1956 to 31st March, 1965, as estimated by the Custom House were 2867 packages and Rs. 7,52,286 respectively. The Custom House could not intimate the value of missing goods.

2.66. The Ministry informed Audit that the duty on 749 packages amounting to Rs. 3,74,500 (arrived on a notional estimate) could not be recovered in the absence of a specific provision in the Sea Customs Act, 1878, and as regards the remaining cases dealt with after 1st February, 1963, they had the power to forego the revenue under the Customs Act, 1962.

2.67. The Senior Member, Central Board of Excise and Customs, explained to the Committee that, prior to the Customs Act, which came in force from 1st February, 1963, an importer mentioned in the Bill of Entry the number of packages consigned to him and the duty was charged on the packages, under the Sea Customs Act, even if goods were missing or had been pilfered. The witness stated that the consignee, when he came to know that the goods were missing, abandoned them and did not proceed with the Bill of Entry as he had not to pay the duty on the abandoned goods. The witness added that the Port Trust being the bailees of the goods were not responsible for making good the loss.

2.68. The Committee enquired if the question how the custom duty could be safeguarded, either by making the Port Trust

or the importers or the shipping companies responsible for the correct landing and clearing of the goods had been examined. The witness replied that so far as the goods prior to the landing was concerned, the responsibility was of the Shipping Company. The Shipping Company had to account for the lost goods and if their explanation was not satisfactory, a penalty duty was imposed on them by customs.

2.69. In reply to a question, the witness stated that at the time goods were discharged from the ship a tally was taken by the Port Trust Officers. In case the goods did not land the Port Trust authorities issued a 'B' certificate, which indicated that the goods had not landed.

2.70. The witness further stated that in case the goods did not land, when they had been loaded at the start, it was assumed that there was pilferage or mischief in the ship itself. It was for that reason that the shipping company's explanation was called for as missing of goods on board was assumed to be due to surreptitious consumption unless the loss was satisfactorily explained by the shipping company. The Shipping Company was given a receipt for the goods off loaded by them at the port. After the off-loading, the witness stated, the responsibility of the company ceased.

2.71. The Chairman, Port Trust, informed the Committee that under the Indian Contracts Act, the Port Trust's liability extended to that of a bailee for a period of seven days after the goods landed at the port. The witness added that after seven days there was no liability of the Port Trust. Elucidating the point the witness stated that if a particular cargo was available for delivery within seven days from the date of landing and pilferage took place after seven days, there was no liability on the part of the Port Trust. Within seven days also, the liability of the Port Trust is limited to that of a bailee. The bailee was expected to take reasonable care and caution over the custody of the property and the Port Trust had taken various measures for the safe custody of the cargo for which they were liable. The witness added that there was a regular watch and ward system which kept a proper watch on the goods in the custody of the port. In addition, the State Police had also been assigned duties at the port. He added that, in spite of those measures any pilferage took place, it was most unfortunate but for this the Port Trust was not liable. •

2.72. The Committee then asked whether no one was responsible for the safe custody of goods after the expiry of seven days. The

witness replied, "I am afraid under Section 61(A)(2) of the Port Trust Act that is the position." He added that though there was no legal obligation or liability on the Port Trust beyond seven days, it did not mean that they had no incentive to take care of goods after that period.

2.73. In reply to a question, the witness stated that at a rough approximation, about 40 to 50% of the goods were cleared after the period of Port Trust baileeship was over. It was stated in reply to a query that though the number of packages stolen from the ports had not increased as compared to earlier years, the value of lost stores had somewhat gone up to some extent. The Committee were informed that the Port Trust got a year's report from the Commissioner of Police about all the thefts registered and the action taken to recover them. The witness stated that remissions or refunds on pilfered goods were given by the customs on the basis of returns showing the packages short landed, excess landed and the articles found missing from the goods landed, sent to them by the Port Trust. He added that the Port Trust had a record of packages which had landed but were missing. The witness added that the pilferage report sent by the Port Trust was based upon the cases reported to the police. It was disclosed that the record of the value of goods lost at the port was not available with the Port Trust as they had no invoices. The witness also revealed that when it was known that goods had been lost, a diligent search was made. If the goods were not traced, a report to the police was made.

2.74. In reply to a question, the representative of the Central Board of Excise & Customs stated that if the pilferage was brought to the notice of the customs before the order for clearance from them was given, the duty was remitted under Section 13 of the Act. The witness stated that the ways in which the pilferage could be brought to the notice of the Customs authorities were different. When specifically asked whether it meant that if a consignee got the goods cleared after seven days and there was shortage, he escaped custom duty on the lost goods, the witness replied "Yes, if the goods have been pilfered". The witness added that this provision had been added to the Act on the ground that it was unfair to the importer that he should be asked to pay duty on missing pilfered goods.

2.75. The Committee asked why the duty should not be charged on the Port Trust on the goods lost after the seven-day period, since they were in the custody of goods and when they also charged demurrage after seven days. The representative of the Port Trust replied that the Port Trust, having taken all reasonable measures to

prevent pilferage, could not be held responsible. He added that it was felt that within seven days it should be possible for an importer to remove the goods. The witness further stated that, as the importers had to pay higher rents for the warehouses outside, they preferred to pay demurrage which was very low. He added that normally within a period of seven days it should be possible to clear the goods. The witness further stated that the State Police was also responsible for safe custody. The Port Trust had the State Police either on loan or on deputation from the State Government and they paid the State Government for their services.

2.76. In reply to a question it was stated that the consignees did not turn up to collect the goods within the free time for reasons. If the consignee had to remove the goods to a hired godown, he calculated and considered which was more economical for him whether not to take delivery within the permissible period or to remove the goods to a godown, and resorted to the more profitable method. The witness added that if he found that it was profitable not to take delivery, the consignee became indifferent and did not turn up earlier. The witness stated that another factor was connected with the customs process. He thought if that could be accelerated, it would be of help. He added that the Customs took time in having chemical tests, appraisal etc. According to the witness, a third reason might be that the consignee was not able to get railway wagons for the up-country despatch of goods. The Port Trust authorities, the witness added, charged a concessional demurrage if the consignee was not able to get wagons, his making efforts.

2.77. The witness clarifying the point further stated that it was not that the Port Trust were complacent about the pilferages because they had no statutory liability. The witness, stating that they had devised the best methods, added that there were people who were clever enough to defeat the rigorous measures and pilferages did take place, which was unfortunate. He also added that each measures had been intensified from time to time.

2.78. In regard to the value of duty lost, the Committee were informed that it was calculated on a rough basis by the Customs, as they were not aware of the value of goods lost. They came to know of the missing goods only when the party filed the Bill of Entry and did not clear the goods. The representative of the Central Board of Excise & Customs further stated that they resorted to the national value under Section 167(17) when the value was not ascertainable.

2.79. The Committee were informed that during 1964-65, demurrage worth Rs. 3 to 4 crores was charged by Bombay Port Trust, whereas in 1965-66 it was nearly Rs. 5 crores.

2.80. In response to a query, it was disclosed that under Section 64 of the Act goods not cleared within two months could be auctioned. Whereas under Section 64A the period was one month only. The witness stated that for some years past Section 64A was not being enforced rigorously. He added that it was now being enforced with good results and the number of auctions held and packages auctioned had increased. The witness also disclosed that at the auctions due to rings being formed, the highest price reached was often much below the reserve price fixed by the customs. Suggestions, he added, were being made to the Government that if two consecutive auctions proved infructuous, the Port Trust might be allowed to dispose of the goods by private negotiation.

2.81. The Committee were informed in reply to a question, that the loss of customs revenue on account of pilferage, theft, missing of packages etc. had not been estimated under the old Act. However, under the new Act the revenue lost on that account had been assessed on the basis of the claims put in by the traders and accepted by the customs. Otherwise, the witness added, the loss on the total goods lost or pilfered, whether claimed or not, had not been assessed. The Committee were also informed that an expert study team had been appointed which was looking into the matter from all aspects. In reply to a query, however, it was stated that the team was not going into the question of fixing the Port Trust's responsibility *vis-a-vis* customs responsibility and the individual importers' responsibility for goods which were found missing.

2.82. The Committee desired to be furnished with a note showing the details of amounts realised by public auctions and the reserve price of unclaimed goods during the last 2 years at various ports. The note has been received.

2.83. The Committee feel that it is a most anomalous position that the goods lost after landing at a port are not liable to duty. The Customs Law does not provide for the recovery of duty from the Port Trusts from whose custody the goods are lost. The responsibility of the Port Trusts extends to that of a bailee for a period of seven days after the goods are landed at the port. As a bailee the Port Trusts were expected to take reasonable care and caution over the safe custody of property. The Port Trusts charge demurrage on the goods, delivery of which is not taken within seven days. The

amount of the demurrage charged was Rs. 3 to Rs. 4 crores in 1964-65 and nearly Rs. 5 crores in 1965-66 in Bombay Port alone. In these circumstances, the Committee are of the view that the Port Trusts cannot be completely absolved of the responsibility for the loss of goods held by them, and it is reasonable that the Port Trust is held responsible at least partly for the loss of custom duty on packages pilfered from their (Port Trusts) custody. The Committee feel that this aspect needs further looking into especially in view of the fact that the value of missing stores has gone up in recent years. Moreover, when the loss of goods after landing is assumed to be due to their being directed surreptitiously the Committee think that the entire position needs to be reviewed. Unless something drastic is done, the Committee are afraid imported goods will continue to be pilfered and surreptitiously removed and the public exchequer would be put to loss.

2.84. The Committee are sorry to note that the authorities do not possess a complete record of goods lost and their value. There is no system of keeping such a record and for that purpose the figures supplied by the police authorities alone can be relied upon. The Committee feel that a proper account of goods received and lost during and after the seven days period should be maintained by the Port Trusts and also by Customs authorities.

2.85. The Committee also feel that there is need to devise measures by which the Ports do not become warehouses for the importers, till they are able to find suitable accommodation outside. Such a tendency on the part of importers should be effectively discouraged.

2.86. The Committee were informed during evidence that an expert study team had been appointed to look into the matter from all aspects. The Committee would like to be informed of the findings of the expert study team and the action taken.

Arrears—Para 20—Page 22

2.87. The total amount of customs duty remaining unrealised as on 31st October, 1965, was Rs. 47.46 lakhs as against Rs. 112.08 lakhs for the corresponding period last year. Out of the sum of Rs. 47.46 lakhs, Rs. 22.16 lakhs had been outstanding for more than one year.

2.88. The Committee desired to be furnished with the yearly break-up of the arrears of Rs. 22.16 lakhs. In a note submitted to

the Committee, the Ministry of Finance (Department of Revenue and Insurance) stated that, while furnishing the break-up of the total amount of Rs. 22.16 lakhs, some of the Collectors have given the up-to-date position as on 30th June 1966. On that date the figure for such arrears works out to Rs. 31,36,058 as against the figure of Rs. 22.16 lakhs outstanding earlier.

2.89. An annual break-up of this figure of Rs. 21.36 lakhs as furnished by the Ministry is as under:

Year	Amount
1951-52	6,000.00
1952-53	Nil.
1953-54	Nil.
1954-55	Nil.
1955-56	11,837.00
1956-57	2,99,200.00
1957-58	17,039.00
1958-59	19,338.00
1959-60	14,453.00
1960-61	23,367.00
1961-62	52,319.00
1962-63	8,22,738.00
1963-64	8,69,767.00
	<u>21,36,058.00</u>

2.90. Out of the total arrears of nearly Rs. 21.36 lakhs about Rs. 4 lakhs relate to cases which have been taken to the Courts of Law and no recovery is possible until the Courts' verdicts are received.

2.91. As regards the steps taken to recover the old arrears, the Ministry stated in their note that the following action is taken depending on the merits of each case after repeated reminder to these parties fail to make them pay up the duty in arrears.

- (i) Any money owing to the party by the Customs Department is deducted for being adjusted against the outstanding demand.
- (ii) Detention and sale of goods under the control of the Customs Deptt. is being resorted to, if the owner of the goods does not pay the duty.
- (iii) Where the measures mentioned at (i) and (ii) above do not prove fruitful, certificates specifying the amounts due

from the party concerned are sent to the Collector of the district in which the party owns any property or resides or carries on business and the said Collector on receipt of such certificates proceeds to recover the specified amount as if it were an arrear of land revenue. In some baggage cases the nearest Central Excise Customs Officers are instructed to contract the parties concerned to expedite recovery.

2.92. The Committee asked about the reasons why the arrears for the years 1951-52, 1955-56 and 1956-57 were still pending. The representative of the Board stated that there was only one case pertaining to the year 1951-52 involving duty of Rs. 6,000 relating to the import of a car at the Attari Border under a particular system. Unfortunately, the full particulars of the person who had purchased the card were not mentioned in the register. The amount of duty had been shown as outstanding for a long time, as the Department were trying to locate the assessee concerned. Otherwise the amount would have been written off long ago. As regards the arrears of Rs. 11,837 pertaining to the year 1956-57, the witness stated that the amount which related to the Calcutta Custom House had since been reduced to Rs. 1,981. With regard to the amount of Rs. 2,99,200 pertaining to the year 1956-57, the witness stated that out of this an amount of Rs. 2,92,818 was involved in cases pending in the courts and out of the balance an amount of Rs. 6,301 was pending recovery.

2.93. Asked if there was still any system of credit payment of duty, the representative of the Board stated that there existed a system of provisional payment of duty and also a system of deferred payment against a bank guarantee had been introduced.

2.94. The Committee are glad to note the decrease in the arrears of customs duty. The total amount of customs duty remaining unrealised as on 31st October, 1965 was Rs. 47.46 lakhs as against Rs. 112.08 lakhs for the corresponding period last year. The Committee feel concerned however, over the arrears of duty which have been pending for the last several years. (As on 30th June, 1966, the outstanding for more than one year was Rs. 21,36,058). The Committee note the measures taken by the Department to recover the arrears. They desire that the necessary action should be taken to liquidate the old outstanding amounts.

2.95. The Committee also hope that the Department will take the necessary steps to ensure that the introduction of the new system of deferred payment of duty against bank guarantees does not result in an accumulation of arrears in future.

III

UNION EXCISE DUTIES

Under-assessment/loss of revenue arising from wrong fixing of assessable values—para 24—page 24.

3.1 (a) In terms of 'Explanation' under section 4 of the Control Excise and Salt Act, 1944, "no abatement or reduction of declared ex-factory price" shall be allowed except in respect of 'trade discount' and "the amount of duty payable" for the purpose of ascertaining the assessable value of an article subjected to *ad valorem* assessment. Where, however, the declared price includes elements which are attributable to post-factory processes and thereby referable to the sales organisation, as distinct from the manufacturing unit proper, the Board in a clarification issued in November, 1957, instructed that such elements should first be excluded from the declared price to arrive at the ex-factory price.

3.2 In the case of a foot-wear manufacturer whose declared price was inclusive of (i) sales organisational expenses, (ii) trade discount, and (iii) Central Excise duty element, it was noticed in Audit that a "flat discount" on account of (a) their expenses like distribution charges, travelling expenses, advertisement expenses, etc. which were referable to sales organisation, and (b) trade discount both being at a stated percentage of the declared price, was allowed to be deducted from the declared price of the footwear for the purpose of ascertaining the Central Excise duty element included therein. But in terms of the provisions of aforesaid Act and also the Board's orders of November, 1957, referred to above, the ex-factory price should have first been ascertained by deducting the sales organisational expenses (at the stated percentage of the declared price) from the declared price. Trade discount is one of the elements of ex-factory price and is calculated at the stated percentage of the ex-factory price and not of the declared price if such declared prices, includes sales organisational expenses. The deduction of the 'flat discount' from the declared price thus resulted in lowering the ex-factory price and thereby the assessable value. This resulted in a loss of revenue to the extent of Rs. 9,60,821 for the period from March, 1964 to October, 1964.

3.3 The draft para was sent to the Ministry on 10th November, 1965 and the Ministry replied in February, 1966, that the method of working out the assessable value is being ascertained.

3.4 The Committee desired to know how the assessable value was determined in this case prior to 1957. The representative of the Board stated that prior to the issue of orders by the Board in this appeal case different rates of discount were being allowed by different collectors ranging from 3 to 6 percent for the purpose of determining the assessable value. In the present case prior to 1957, the Calcutta Collectorate allowed average trade discount, freight octroi and sales tax discount and also expenses on account of sales-tax, octroi charges etc. totalling 7.10 percent out of which the average trade discount allowed was the order of Rs. 4.90 percent. The party appealed against this. In the case of the same Company, the Delhi Collector had been allowing the expenses on account of these items of the order of 3 percent but the party was not satisfied with this and filed an appeal. This led to the particular decision taken by the Board in 1957.

3.5 The Committee asked whether according to Section 4 of the Central Excise Act, the Board was justified in allowing any deduction other than trade discount. The witness stated that when the Board decided this appeal in 1957, they felt that allowance of post factory expenses would be in keeping with the provisions of Sec. 4 of the Act. Later, in another case the Mysore High Court had also held in 1962 that it would be incumbent legally to allow trade discount and also overhead charges and post factory expenses to the distributor. The Chairman of the Board stated that Sec. 4 of the Central Excise Act was based on the old Sec. 30 of the Sea Customs Act which in turn was based on the old British legislation of the 19th Century. It contemplated free open sale at the factory gate. But in the modern business that practice did not always take place. While interpreting the provisions of the Act they had constructively to take into account the price which would become chargeable at a point of time when the goods were delivered from the factory. On the customs side, they had reduced the price to mean the landed cost. On the Central Excise side also they had been constructively interpreting the price as they believed to be the intention behind this section. Asked whether the Board had considered the question of amending the Central Excise Act, the witness stated that a Bill had been drafted.

3.6 Asked if the interpretation given by the Board in 1957 was uniformly being applied by the collectors, the witness stated that a circular had been issued to all the collectorates laying down the principle coming out of the Board's decision. Asked how the case decided by the Mysore Court arose in 1962, the witness stated that as the facts of case were not exactly the same, the collector had just overlooked the particular decision of the Board. He added that in

application of the broad principle in individual cases, "depending on the facts of the case the Revenue Officer errs on the side of caution. He leaves it to the party to correct up in appeal."

3.7 It is not clear to the Committee how in the present case trade discount was allowed at a certain percentage of the declared price of footwear instead of the ex-factory price (i.e. declared price minus sale organisation charges), as envisaged in the Board's orders of November, 1957. The deduction of flat discount from the declared price results in lowering the ex-factory price and thereby the assessable value.

3.8 The Committee hope that, after the proposed amendment of the relevant Section of the Act, such ambiguities will not arise.

Para 24(b)

3.9 (b) The duty on patent or proprietary medicines was levied by the Finance Act of 1961 under Tariff item 14-E. The duty is on *ad valorem* basis and statutorily the assessable value is to be fixed in accordance with the provisions of section 4 of the Central Excises and Salt Act, by finding out the wholesale cash price. However, the Central Board of Revenue issued instructions in April, 1961 stating that where a manufacturer voluntarily agreed to declare his wholesale price at a rate which was not less than 25 per cent, lower than the published retail price for medicine, the assessing officer might accept such price for the purpose of assessment without insisting on production evidence for verifying the wholesale price. This 25 per cent is towards discounts allowed on the consumer's list price. In another circular issued in September, 1961, the Board confirmed that if the actual discount ascertainable in any case was less than 25 per cent only the actual discount should be taken and not the higher percentage of 25. The ingredients of the Board's order were thus:—

- (1) that the value declared should be not less than 25 per cent lower than the published retail prices;
- (2) that the acceptance of this was discretionary with the Collector who was not prevented from verifying the actual figures in any particular case;
- (3) that if the actual discounts were lower than 25 per cent, only the lower discounts should be allowed.

3.10 In September, 1961, however, the then Secretary, Revenue Department, during his visit to one of the Collectorates issued verbal instructions that the intention of the orders issued in April, 1961

was "to accept the assessable prices strictly within Section 4 or the publicised retail prices less 25 per cent or nett trade prices less 10 per cent whichever may be in favour of the assessee and that there was no intention to verify whether the actual discounts granted worked out to the above percentages. Following the verbal instructions, the Collector allowed the higher discounts of 25 per cent or 10 per cent, without verifying the actual discounts and asked the Board to confirm specifically, the Secretary's verbal instructions in this regard. The Board did not confirm these instructions but on the contrary explained in a letter issued in March, 1962, that the percentages of 25 and 10 were the maximum admissible and that if a manufacturer declared a lower discount, the assessable value should be determined only with reference to such lower discounts. Even after the receipt of this clarification, the wrong procedure of allowing the maximum discounts was continued in some cases till 19th May, 1962. Thus Government lost revenue and manufacturers in a particular region gained an advantage of Rs. 1,97,570 during the period from 26th April, 1961 to 18th May, 1962. Further, in Audit's view, it is doubtful if the instructions issued regarding determination of assessable value in this case, by allowing discounts with reference to the consumer's price or the retailer's price are in accordance with the provisions of Section 4 of the Central Excises and Salt Act, 1944.

3.11 The Committee asked whether the fixing of assessable value by allowing an *ad hoc* discount of 25 per cent was valid under Section 4 of the Central Excise and Salt Act. The representative of the Board stated that the whole question was examined in consultation with the Ministry of Law who advised that the orders issued by the Board were by and large in keeping with the provisions of Section 4 of the Act. Asked about the trade practice obtaining prior to 19th May, 1962 in regard to allowing discounts on published retail prices or net trade prices, the witness stated that the whole position was being regulated by the executive instructions of April, 1961. According to these instructions if a party voluntarily agreed to declare their wholesale price at a rate that was not more than 25 per cent lower than the published retail price, it was acceptable to the assessing officer. But that did not preclude the party from going in for assessment *ad valorem* basis according to Section 4 of the Act. Asked how the figure of 25 per cent was fixed, the witness stated that this was the measure evolved in the interest of administrative simplification, otherwise a large number of assessment disputes would have arisen. The Chairman of the Board stated that the figure of 25 per cent was arrived at after detailed discussion with the three Associations. The witness added that the pro-

vision of 25 per cent rebate would be covered in the proposed amendment to the law. Asked how the fixing of the maximum limit of 25 per cent helped the Department, the Chairman of the Board stated that there were hundreds and hundreds of different medicines and if the actual discount was to be taken into account it would become rather a difficult operation for all these assessments to be made provisionally.

3.12 Asked whether any confirmation of the Secretary's verbal instructions to the Collector in September, 1961 was sent, the Chairman of the Board stated that on the 28th October, 1961 a D.O. letter from the Secretary of the Board was sent to the Collector concerned in reply to his letter of 9th October, 1961 but it was not endorsed to other collectorates. The reply stated:

"The decision of the Board as contained in paragraph 6 of Circular letter No. 3 Med/61 dated the 26th April, 1961, has not been superseded. Hence the executive instructions giving discretion to the assessing officers to accept without detailed scrutiny, assessable values which are declared by a manufacturer to be not more than 25 per cent lower than the publicised retail are still operative."

"It is confirmed that for such cases only where no retail prices to the consumers are publicised and the manufacturers only publish the prices at which the retail dealers get their supplies, another alternative was accepted by the Secretary. According to this alternative the assessable values can be accepted by assessing officers provided such values are not more than 10 per cent lower than the published trade prices meant for supplies to the retail dealers."

3.13 The witness added that a circular to all the collectorates was issued on the 14th February, 1962. On his attention being drawn to the Board's letter of March, 1962, the Chairman of the Board stated that some slips had occurred while issuing this letter which stated:

"It is to be noted that the percentage of discounts indicated at 25 per cent and 10 per cent under the two alternatives procedures are maximum limits. If the manufacturer is actually giving lesser discount he is expected to declare the percentage of the allowance actually given by him."

3.14 The witness added that a slip had also been made while issuing the circular of September, 1961 which referred to the actual assessment for determination of the actual discount. The witness further stated as soon as this letter of March, 1962 which negatived the Government's intention not to co-relate the discount to actual discount for administrative convenience, came to the notice of Revenue Secretary, he made a query and the whole matter was gone into by Board and the Secretary in April, 1962. It was felt that to set the matter at rest, legal backing to the instructions should be given and that was why the notification of 19th May, 1962, was issued. This notification was in keeping with the Revenue Secretary's instructions regarding allowance of 25 per cent discount on published retail price or 10 per cent discount on trade price.

3.15 The Committee pointed out that the notification issued in May, 1962, giving a legal cover to the Board's instructions should have been issued in October, 1961, after receipt of a query from the Collector. The Chairman of the Board agreed that this should have been issued in October or November when the second rate was announced. He added that the reason for the delay was partly that while they came to a broad conclusion on 25 per cent discount, it took them some time to finalise it as it required much more careful and detailed consideration. He further stated that in April, 1962 again the law was changed, and they waited till this amendment to see whether with the wide coverage there were some charges. That was why it took them till May, 1962 to issue the notification.

3.16 The Chairman of the Board expressed the view that the decision in this case was a practical administrative decision, although it might be said that technically in law it was not a fully legal decision. The Law Ministry had themselves opined that it was substantially in keeping with the law and the subsequent notification had formally legalised this.

3.17 The Committee desired to be furnished with a note stating whether as a result of the Board's action in this case there had been any discriminatory treatment.

3.18 In a note (Appendix VII) submitted to the Committee, the Ministry of Finance (Department of Revenue and Insurance) have stated that while it is no doubt true that there was a certain amount of discriminatory treatment in the other collectorates as compared to the Bombay Central Excise Collectorate (where discounts at a flat rate of 10 per cent or 25 per cent were allowed without detailed scrutiny of invoices) it is apparent that the degree of discrimination was marginal and the discriminatory treatment was confined to a

short period from October, 1961 to the 18th May, 1962. Uniformity was restored with the issue of notification No. 91/62, dated the 18th May, 1962 which confirmed the Government's intention of allowing the discounts of 25 per cent over the consumer prices, where these are published or 10 per cent over the trade price provided the manufacturer opts for such assessment uniformly in respect of all his dutiable products.

3.19. The Committee note that there had been confusion in allowing trade discount in the various collectorates till the matter was put on a uniform footing by the Board's notification issued in May 1962. Somewhat conflicting instructions were issued by the Board and the the Secretary, Revenue Department, which resulted in different practices being followed by the Bombay Collectorate and other Collectorates. It appears that there has been a lack of co-ordination between the Secretary, Department of Revenue and the Board in this matter resulting in citizens being taxed differently under the same law although for a short period. The argument that the degree of discriminial was marginal and the discriminatory treatment was confined to a short period (October, 1961 to 18th May, 1962) does not mitigate the violation of the healthy principle of taxing the citizens uniformly under the same tax law. The Committee hope that such situation will be avoided in future.

3.20. In the present case, the Bdoard should have immediately applied its mind to the reference made by the Collector concerned on 9th October, 1961, after the visit of the Secretary in September, 1961, and issued the necessary notification much more promptly to ensure uniformity in the levy of the excise duty in all the Collectorates. The delay in the issue of the notification is regrettable. The Committee hope that suitable steps will be taken by the Ministry to avoid such delays in future.

Para 24(c)

3.21. Central Excise duties are leviable on refrigerators on an *ad valorem* basis. Under section 4 of the Central Excises and Salt Act, 1944, the value for purposes of assessment shall be the wholesale cash price for delivery at the place of manufacture or the nearest wholesale market. From this wholesale price, no abatement or reduction shall be allowed in determining the assessable value except in respect of trade discount.

3.22. According to the orders of the Government of India, any discount which has been allowed only under a particular contract and is not generally available to any independent wholesale purchaser is not admissible for deduction in ascertaining the assessable

value of the article. The Government of India had further clarified that any price charged to a sole selling agent or distributor is not an acceptable price for purposes of assessment.

3.23. A factory manufacturing refrigerators in one of the Collectorate was under an agreement, allowing to its sole selling agents a trade discount of 10 per cent. This trade discount was not allowed to any independent dealer other than the sole selling agents. The factory was deducting this trade discount even in respect of the refrigerators cleared from the factory premises to its own show-rooms. The factory was paying excise duty on the assessable value arrived at after deducting this discount in respect of the sales to sole selling agents and the clearances for the show-room.

3.24. On account of this irregular deduction of trade discount in the case of the sales to sole selling agents and clearances to the show-room, there had occurred a short levy of duty to the extent of Rs. 8,71,541 for the period from March, 1961, to March, 1964. On this being pointed out, a supplementary demand has been issued by the Department.

3.25. According to Audit, the Collectorate had since withdrawn the demand. The Committee asked how the Collector had withdrawn the demand. The representative of the Board stated that the demand in this case had been raised by the Asstt. Collector, on an objection raised by the Concurrent Audit Party. But the party appealed to the Collector against the order of the Asstt. Collector and the former allowed the party's appeal in June, 1966 setting aside the Asstt. Collector's order. The witness added that earlier in 1962 also the Asstt. Collector had passed an appellate order disallowing 10 per cent discount in respect of clearance from show-rooms only and an appeal against the Asstt. Collector's order had been admitted by the Collector in 1963. Explaining the justification for the collector allowing deduction of the trade discount given by the Manufacturer to its sole selling agents for the purpose of assessments the representative of the Board stated that the so-called sole selling agents or distributors were actually nothing but dealers. There was no restriction on the number of dealers. Everybody who offered to function as a distributor or dealer, fulfilling the terms and conditions was treated alike. There were 91 such parties in this case. That being the position, the trade discount that the manufacturers claimed had to be allowed and was allowed by the Collector. When the Committee asked whether the action of the Collector was justified according to the orders of the Board and under the law, the witness stated that this matter was considered by the

Mysore High Court in connection with another case in 1962. According to the decision of the High Court even the sole selling agents should not be debarred unless it had been established that because of the special relationships something out of the way had been given to them.

3.26. Asked if the decision of the Mysore High Court was referred to by the Collector when he admitted the appeal in 1963 the witness replied in the negative and added that the Collector gave his decision according to his own understanding of the law that this discount was permissible to these so called sole selling agents who in actual reality were nothing but dealers. He came to the conclusion that in this particular case, there was nothing which was given out of the way because of any special relationship between the manufacturer and the dealers.

3.27. The Committee asked why in view of these decisions the Board's circular was not amended so that there was no discrimination against any party. The Chairman of the Board agreed that the circular needed to be changed as it was not fully consistent with some of the later developments. He added that they had not done so pending the passage of the new Bill which itself had been delayed. The witness further stated that in the meanwhile, they had circulated the High Court's decision, and so the circular should be treated as modified.

3.28. The Committee suggest that in order to put the matter beyond any doubt and ensure uniformity in the levy of duty, the Board should issue revised instructions clearly bringing out the principle contained in the judgment of the Mysore High Court.

3.29. The Committee pointed out that in the present case the Board had no opportunity to examine the matter and asked whether under the present system it was in keeping with the principle of impartiality of the appellate authority that an appeal against the orders of the Assistant Collector should be heard by the Collector who was also the administrative head of the Collectorate. The Chairman of the Board stated that the legal position was being rectified in the new Bill in which power was being taken by the Board to review the decision of the Collector. He added that in the present case, the Collector having already given a decision originally, if the Assistant Collector had consulted the Collector before raising a demand on receipt of the Audit Objection, the appeal would have come to the Board. The witness promised to issue a general circular on this matter. When the Committee suggested the appeals involving more than a certain amount of money should be heard by an

independent authority other than the Collector, the witness stated that this matter might be considered when the new Bill was before the Parliament. He added that question regarding setting up a tribunal had been argued in different ways for a number of years.

3.30. The Committee note that the Board propose to take powers to review the orders of the Collector passed in appeal. The Committee also suggest that the question regarding referring appeals in cases involving amounts above a certain limit to an independent authority other than the collector should also be seriously considered. This would create more confidence in the appellate authority, as under the present system the Collectors who hear the appeals are also the administrative heads of the collectorates.

Para 24(d)

3.31. In one Collectorate, the assessable values of chinaware and porcelainware, in the case of a particular manufacture, were fixed in December, 1964 for the quarterly periods from October, 1962 to December, 1964 at amounts higher than those declared by the manufacturer. The prices fixed for the subsequent quarterly periods were also higher. The manufacturer made a representation against the fixing of the higher prices and the goods manufactured by him were allowed clearance, on the execution of a bond, at the prices declared by him. It was however, seen that the manufacturer, while selling the goods to his dealers, recovered from them the excise duty applicable to the higher assessable values as determined by the Department for the period from 1st January, 1965 to 31st May, 1965 and retained with him the differential duty amounting to Rs. 77,739 so recovered.

3.32. The Department has issued a demand for the recovery of this amount as well as for the recovery of the differential duty from October, 1962 to December, 1964, amounting to Rs. 2.75 lakhs.

3.33. The Committee asked for the reasons for the delay of more than two years in fixing the assessable value in this case. The representative of the Board stated that this inordinate delay was due to frequent transfer of the superintendents in charge of the circles. There were four transfers in quick succession. The witness added that in all four demands of the order of Rs. 3.52.600 had been raised by the superintendent during the period 17-10-1962 to 1-4-1965, which also included that for Rs. 77,739 referred to in the Audit para. Later the Assistant Collector reduced the discount of 16½ per cent allowed by the Superintendent to 12 per cent and gave some allowance for overhead charges. On the party's appeal to the collector, he

had set aside the order of the Asstt. Collector and directed a de-novo examination of the whole question.

3.34. When it was pointed out that the party had already recovered the differential duty amounting to Rs. 77,739 from the dealers, the witness stated that the party had informed the Department in a letter that final adjustments through credit/debit would take place with the customers after the settlement of the actual discount by the Department. Asked whether it was proper to allow the party to retain the duty collected from the consumers pending the finalisation of the case the Chairman of the Board agreed that this point was a valid one but added that this position would exist as long as the system of provisional assessment continued. It was inherent in the system that the party in order to safeguard itself might collect more duty from the customers. The witness agreed that provisional assessments should be finalised quickly and secondly in a case like this, there should be some system of remitting to Government the duty collected by the party from the customers in anticipation of the final assessment. He promised to examine the legal position with a view to finding out if the law required to be strengthened. When Committee suggested that an appeal should not be entertained unless the amount was paid by the party, the witness stated that there was much force in the point that in case of provisional assessments demand might be enforced before arguing the case with the party.

3.35. The Committee are unhappy over the inordinate delay in fixing the assessable value of the goods by the Superintendent concerned. The Committee hope that the Department will take necessary steps to ensure that in future transfers of staff do not interfere with the disposal of the assessment work.

3.36. A more serious feature of this case is that the manufacturer has retained the differential duty amounting to Rs. 77,739 collected from the dealers. The Committee were informed that this was inherent in the system of provisional assessment of duty that the party in order to safeguard itself might collect higher duty from the customers. If so, the Committee consider it as a very unsatisfactory position which needs rectification. They desire that this aspect should be seriously considered so that pending the finalisation of the provisional assessment, the tax realised from the consumers is deposited with Government.

3.37. All the same, the Committee are doubtful whether in a case such as this one where different rates of duty are not involved, it was proper to allow provisional assessment under section 9-B. This matter needs examination.

Para 24 (f)

3.38. For the determination of the assessable value, deduction is allowed from the declared price (inclusive of duty) to the extent of the amount of duty payable by the manufacturer. It was, however, noticed that in the case of two tyre manufacturers, deduction on account of basic and special excise duties in one case and special excise duty in another, was allowed at the full rates notwithstanding the fact that one of these factories did not pay any special excise duty at all and paid basic duty at a concessional rate, and the other factory had paid special excise duty at less than full rate, under an exemption notification.

3.30. This irregularity in assessment has resulted in an under-assessment to the extent of Rs. 5,69,650 for the period from 1st March, 1964 to 31st May, 1965. On this being pointed out, the Department has so far raised demands to the extent of Rs. 2,48,752.

3.40. The Committee asked how in these two cases originally the standard rates of duty were allowed as deduction when under the notification issued under rule 8 of the Central Excise Rules, the duty actually payable was to be deducted. The representative of the Board stated that when the budget instructions were issued it was expected that the Collectors would be implementing them correctly. Only after 2 to 3 months, when there were representations about the implementation of the budget instructions was the whole matter gone into and instructions were issued on 5th August, 1964 as to how the deductions were to be allowed and where the deductions were not to be allowed to the full extent of the standard rate of duty. Asked why after the issue of clarification in August, there was delay in raising the demands in these two cases, the witness stated that there was delay in one of the cases, while in the other case there was no delay. In the first case, the demand raised was Rs. 2,11,619 but the party had gone in appeal and nothing had been collected yet. In the second case, out of the total amount of Rs. 2,63,000 involved, in 6 demands, the party were paying a sum of Rs. 2,44,576 instalments, and only in one case they had gone in appeal.

3.41. The Committee asked whether in view of the fact that the rectification related to a mistake in calculation of duty, differential duty could not be collected before hearing the appeal. The Chairman of the Board stated that the confusion in this case had arisen about the duty 'payable' or 'paid', which had been equated by the Board. As regards the question of collection of differential duty

before hearing the appeal, the witness stated that it had not been customary in the Department to do so, but added that this point was worth looking into.

3.42. The representative of the Board informed the Committee that in the present case the party had represented to the Collector that the demand for the deposit of the amount before the appeal be waived but the Collector has not agreed to this. After the receipt of the Board's circular dated 5th August, 1964, the Collector had issued the demand on 25th August, 1964. But the later revised the demand on 24th December, 1964 because of some arithmetical calculation. The witness added that the party had come up in appeal on that ground.

3.43. Committee are surprised how in these two cases standard rates of duty were allowed as deduction. Even after the Board issued the clarification in August, 1964, there was inordinate delay in one of the two cases in raising the demand, which is indefensible.

3.44. In the second case although the demand of Rs. 2,11,619 was raised more than two years back, the duty has not yet been realised pending the disposal of the appeal preferred by the party. The Committee suggest that in such obvious cases of mistakes where action by way of rectification has been taken, the question whether the differential duty can be collected before hearing the appeals may be looked into, as promised during evidence.

Para 24(G)

3.45. The price of certain refrigeration and air-conditioning machinery was approved by the department for the purpose of levy of excise duty on an *ad valorem* basis during the period from March, 1962 to February, 1965. However, the manufacturer was charging from the wholesale dealers, warranty, packing, forwarding and publicity charges in addition to this. Since these charges form part of the wholesale price, the Department was requested in June, 1964 to review the assessable value of the machinery. The assessable value was revised upward with effect from 22nd February, 1965 after taking into account the above-mentioned charges. A demand for differential duty amounting to Rs. 64,920 for the period from 20th November, 1964, to 21st February, 1965, was raised against the manufacturer and realised.

3.46. The Department has been requested by Audit to work out the loss of revenue for the period from March, 1962, to 19th November, 1964 as the claim on this account has become time barred. The Ministry have stated that the figure of loss of revenue is being ascertained and steps are being taken to fix responsibility for the lapse.

3.47. The Committee asked for the reasons for remitting add warranty packing, forwarding and other charges to the assessable value till it was pointed out by Audit in September, 1964. The representative of the Board stated that this was a case of lapses by staff at different levels. The explanations of the persons concerned had been called for and demands had been raised against party for about Rs. 4 lakhs after the case was examined by the Director of Inspection, Customs and Central Excise.

3.48. Asked on what basis the party had collected the excise duty from their customers, the witness stated that this information had not been collected. The Committee asked whether a provision could be made in the retail bills and cash memos to show the amount of excise duty separately like the sales tax. The Chairman of the Board stated that most of the goods that attracted excise duty like sugar, cement, cloth etc. moved in large bulk and in these cases excise duty was indicated in the excise documents. He added that in the case of consumer goods which were not many, the suggestion or indicating the excise duty in cash memos also was worth considering. The representative of the Board stated that the consumer goods on which excise duty was levied were not many. The manufacturerers' invoice to the wholesaler even at present showed the excise duty separately.

3.49. The Committee pointed out that it would be an unsatisfactory position if the manufacturer had already charged higher duty from the customer. The representative of the Board stated that in this case according to their information "the manufacturers have just collected the duty which was wrongly assessed." Referring to the recovery of duty for the time-barred period (March, 1962 to November, 1964), the witness stated the parties sometimes made voluntary payments. In the present case, they would check up "whether they have collected more than what they have paid to us."

3.50. The Committee take a serious view of the lapse of the officers omitting to add warranty, packing, forwarding and other charges to the assessable value of the refrigeration and air-conditioning machinery in this case which resulted in under assessment of duty amounting to more than Rs. 4 lakhs. They would like to know about the action taken against the officers concerned.

3.51. The Committee feel concerned to note that the duty for the period March, 1962 to November 19, 1964, has become time-barred. It would be a very unsatisfactory position, if the manufacturer has

already collected the differential duty for this period from his customers. The Committee desire that the position in this regard may be verified and, if the duty has already been collected, the assessee may be asked to make a voluntary payment as suggested by the representative of the Board during evidence.

3.52. The Committee also suggest that, where the excise duty is collected from the customers, the desirability of showing it separately in the cash memo may be examined.

*Under-assessment/loss of revenue arising from misclassification—
para 26-pp. 28-30.*

3.53. (a) The Tariff definition of Patent or Proprietary medicines was revised with effect from 24th April, 1962 to include under this item, such preparations which had on themselves or their containers a name, mark, symbol, monogram or a label indicating the connection between the medicines and the person who had the right to use the name or mark. In December, 1962, the Board clarified that if a label was used so as to highlight the name of the manufacturer to a greater extent than that of the name of the medicine, the preparation would fall within the revised definition of the Tariff item and attract levy of duty. It has come to notice that there were delays even upto August, 1963 in examining the labels of medicines to determine whether they fall within the revised definition. Recovery of duty in respect of these cases was not made until the date of communication of the results of scrutiny of the labels to the manufacturers according to Audit. In some of the cases that have come to notice, the loss of revenue on account of such delays amounted to Rs. 1,94,148.

3.54. Referring to the clarifications issued by the Board from time to time, the Committee asked whether any instructions were issued earlier than December, 1962 bringing to the notice of all the collectorates the revised definition of the patent and proprietary medicines assessable with effect from 24th April, 1962. The representative of the Board stated the along with the Budget changes, certain instructions on the subject were communicated to all the collectors. It was only when divergent practices obtaining in the different collectorates came to notice of the Board, that clarificatory instructions were issued first in December, 1962 and later in June, 1963. The instructions were just by way of rough and ready guidance. But still a spate of representations were made that high demands of duty were being made on the basis of the revised

definition of the medicines. It was only in that context that further instructions were issued in November, 1963, envisaging that the duty on a particular product should be levied from the date on which the revised decision was communicated to the manufacturers and that the demands for the realisation of duty on clearances made in the past should not be issued.

3.55. The Committee asked about the justification for not applying the original definition of the medicines given in April, 1962 and for issuing the instructions in November, 1963. The witness stated that on receipt of spate of representations that higher rates of duty were being levied, the Board treated the whole matter as a change of practice. As the whole matter was complex, it was felt that when the collectors came to a decision that certain items ought to be treated as excisable in view of the changed definition, their decision should be given effect to prospectively and not retrospectively. The Chairman of the Board stated that there was confusion in applying the new definition to the various medicines which had been claimed by the assesseees as standard pharmaceutical products but which according to the Revenue officers attracted the proprietary concept because of the shape and size of the labels. In December, 1962, the Board circulated a list of some 30 or 35 items which were taxable or non-taxable. After they received the instructions of December, 1962, some of the Collectors represented that theoretically the Board had changed the scope of the definition of proprietary medicines, which necessitated the levy of the duty retrospectively. The Board decided that since before a particular date the collectors had allowed clearance of certain medicines without levying duty, it would be unfair to claim it retrospectively.

3.56. While pointing out that there might be justification for refund of duty in cases of medicines which were not ultimately found dutiable, the Committee asked about the justification for refund of duty in the case of those medicines which were actually dutiable. The Chairman of the Board stated that according to a tariff ruling of 1924, once a practice was changed, it operated only prospectively so far as assessments were concerned. The witness added that the Board's instructions issued in November, 1963 did not specifically provide that refunds should be given. But the collectors probably found that in some cases the officers had already collected the duty while in others the demands were pending. Therefore, they thought that in cases where they had actually recovered the duty, refunds should be given. The witness agreed that in theory the decision of the collectors should have a retrospective effect from April, 1962

subject to the law of limitation, but added that being a new excise duty and attracting a small sector of assessee, it was considered fair to levy it prospectively. Asked if it was the intention of the Board to allow refunds, the witness stated that instructions envisaged withdrawal of the demands which involved refunds of duty also. The witness agreed that in cases where the burden of duty had been passed on by the manufacturer to the consumer, the refund would have given them a windfall.

3.57. The Committee desired to be furnished with a note stating whether at the time of refunding duty any verification was made whether the duty had not already been collected from the consumers. The note has been received stating that it had been ascertained from the Collector, Central Excise, Baroda that no duty was collected by the manufacturers from the consumers.

3.58. The Committee note that in this case there were three distinct stages in application of the tariff viz.,

- (a) the introduction of the new definition of proprietary medicines from 24th April 1962;
- (b) the clarificatory orders issued by the Board on 27th December 1962; and
- (c) issue of orders by the Board on 12th November, 1963 that revised levy should take effect from the date of communication of the orders to the manufacturers and that the earlier demands should be withdrawn.

3.59. The Committee find that instructions of November, 1963 that the revised levy should take effect from the date of communication of orders to the manufacturers were issued because of the special circumstances of this case that mistakes had been made by collectors in the past in classifying the various medicines and the orders of December, 1962, amounted to a change in the practice. It is, however, doubtful whether there is any legal authority to issue these instructions authorising the collectors to levy duty prospectively from the date of communicating the decision. According to the Ministry's own admission during evidence, the decision of the collectors "could have retrospective effect right from April, 1962—subject to the law of limitation".

3.60. Another draw-back in the instructions of November, 1963 was that the lower officers could benefit a licensee by delaying communication of the decision and the assessee could also dodge

receiving the revised communication, which would result in loss of duty.

3.61. The committee desire that, in order to avoid such confusion in the case of levy of a new excise duty, the orders issued with the Budget instructions should in future be more clear and specific and apply retrospectively.

3.62. *Para 26 (b)*: Tableware is chargeable to duty at 15 per cent *ad valorem* while other articles of chinaware and porcelainware under category "not otherwise specified" are to pay duty at 10 per cent *ad valorem*. Conventional items of tableware like vegetable dish, bogithala, Kashmiri bowls, tumblers, etc. which are generally associated with dinner sets in Indian homes were assessed in one Collectorate at 10 per cent *ad valorem* instead of at 15 per cent. Audit pointed out in September, 1963 that these items should be properly classified as tableware but no action was taken by the Collectorate to rectify the assessment until the Central Board of Excise and Customs pointed out the same misclassification in February, 1964. On account of the wrong classification, there had occurred a loss revenue to the extent of Rs. 30,702 for the period August, 1962 to February, 1964.

3.63. Similar wrong classification relating to Kashmiri bowls in another Collectorate also came to the notice of Audit resulting in a loss of revenue to the extent of Rs. 17,036.

3.64. The representative of the Board stated that in this case in the first instructions issued in September, 1961, the collectors were asked to consult one another as to whether a particular item was to be treated as tableware keeping in view the budget instructions. The budget instructions did not go beyond indicating the particular entries against the particular item. Subsequently it came to the notice of the Board that "Kundis" had been assessed at different rates in different collectorates. The instructions were issued in July, 1962 saying that "Kundis" and 'pialis' were to be assessed not as tableware. A question arose whether some Kashmiri "battis" and bowls were to be treated as tableware. In 1964 ruling was given by the Board that these should be treated as tableware and not as Kundis and pialis. But even then doubts were being raised, and a comprehensive ruling was issued by January, 1965 as to what should be treated as tableware or otherwise. According to the previous instructions some Kundis and pialis were assessable at the lower rate of duty, but subsequently that was changed and these articles were charged duty a tableware.

3.65. This case illustrates the divergent practices in classifying the same article in different Collectorate and frequent change of classification by the Board through executive instructions. The Committee would like to stress that the Budget instruction should give the necessary details to ensure uniformity in the levy of duty.

3.66. The Committee also understand from Audit that there has been considerable flexibility in issuing executive instructions. In some cases the Board has chosen to term certain instruction as "tariff ruling" and in some other cases the same type of instructions have been taken as "guide-lines". It is also understood that there is no statutory authority for the Board to issue any ruling and it is only by way of established practice borrowed from Customs that tariff rulings are issued. The Committee desire that this aspect should be carefully examined and if necessary suitable provision be made in the Act authorising the Board under specified circumstances to issue tariff rulings.

3.67. Para 26 (c): Offset paper weighing 85 grammes and above per square metre is not used for printing or writing but for drawing as reported by the Tariff Commission in 1959. Having regard to this, the Central Board of Revenue clarified in August, 1963 that such paper should be assessed under Tariff item 17(1). However, it was noticed in Audit that such paper cleared by a factory during the period August, 1963 to April, 1965 was assessed at a lower rate of duty treating it as falling under item 17(3) instead of at the higher rate applicable. This incorrect classification resulted in a short-levy of Rs. 1,49,409. The department has since raised a demand in May, 1965. Report of recovery was awaited.

3.68. The Ministry, while admitting the audit objection, replied that the initial misclassification arose because the local Central Excise officers misinterpreted the Board's ruling of August, 1963.

3.69. The representative of the Board stated that in this case the instructions issued by the Board were that those varieties of paper weighing about 85 grammes per sq. meter were to be classified as printing and writing paper under Tariff item 17(3) and heavier varieties under Tariff item 17(1) [now item 17(2)]. The witness added that these instructions were "a bit confusing" and had since been amended. The duty short levied had been recovered but the matter had come up in appeal to the Board.

3.70. The Committee regret to note that, due to confusion in the Board's instructions, there was an under assessment of duty to the extent of Rs. 1,49,409 in one case which has since been recovered

The Committee hope that the Board will take adequate steps to ensure that such confusing instructions are not issued by it in future.

3.71. Para 26 (e): According to an order issued by a Collector of Central Excise on the 17th January, 1964, only glass tubings of 4 to 10 mm bore and 1 mm wall thickness, if made from neutral glass, were to be assessed at 5 per cent *ad valorem* as "laboratory glass-ware" under Tariff item 23A(2). As this order was to take retrospective effect subject to rule of limitation, glass tubings of the above size not made from neutral glass and those of other sizes were to be assessed under Tariff item 23A(4) at 15 per cent *ad valorem* with retrospective effect. It was however, noticed in the case of one glass factory that glass tubings of sizes other than 4 to 10 mm bore and 1 mm wall thickness made from neutral glass were assessed to duty at the rates of 5 per cent and 10 per cent *ad valorem* respectively instead of at 15 per cent *ad valorem*. Besides, no demand for special excise duty leviable prior to the 1st March, 1964 and also been raised. On these omission, being pointed out, the Department raised demand for Rs. 32,327 for the period from 1st March, 1961 to 30th November, 1964.

3.72. The representative of the Board stated that in this case there was no delay on the part of the collector in issuing instructions based on the Board orders of the 8th January, 1963. The Collector had originally issued instructions on the 16th January, 1963 i.e. 8 days after the Board's order. Subsequently, the collector repeated the instructions on 15th February, 1963 and 17th January, 1964. The witness admitted that there was a lapse on the part of the field staff in not implementing the order, and he added that disciplinary proceedings had been drawn up against the officer concerned. He added that out of the total demand of Rs. 26,000 raised, a sum of Rs. 1174.73 had been recovered.

3.73. The Committee regret to note the lapse on the part of the field staff in not implementing the order of the Collector regarding classification of glass tubings till Audit pointed out the mistake. They would like to know the action taken against the field staff concerned.

Para 27.—*Incorrect application of exemption orders*

3.74. (a) Under a notification issued in April, 1962 by the Government of India, which was amended in June, 1962, the first 20,000 sq. metres of cotton fabrics cleared in a month for home consumption from any processing factory are exempt from payment of duty in excess of the duty leviable on such fabrics at the time of the entry into the factory. While auditing the assessments of

some of the processing/dye works, it was noticed that cotton fabrics bleached in one factory and cleared under bond to an independent processor for dyeing/printing were cleared free of duty from the second factory applying the exemption relating to 20,000 sq. metres referred to above. It was noticed that the clearances were not counted against the 20,000 sq. metres quota of the first factory. As only that much duty as is in excess of that leviable at the time of entry of the fabrics into the factory could be exempted, it was held in Audit that in such cases the duty payable at the time of removal of fabrics from the first factory should be recovered in full at the time of their final clearance from the second factory and only that portion of the duty as is in excess of the amount payable at the time of entry of the fabrics in the second factory could be exempted while computing the 20,000 sq. metres quota of the second processor. The procedure followed by the Collectorate amounted really to an evasion of duty. Accepting the views of Audit, the Collector reviewed all such clearances from 24th April, 1962 and has raised demand of differential duty amounting to Rs. 23,925.

3.75. The representative of the Board stated that disciplinary proceedings had been initiated against the officers responsible for the lapses. He added that out of the demand of Rs. 23,925 raised, an amount of Rs. 19,609 had become time-barred.

3.76. The Committee note that, in effect, an evasion of duty amounting Rs. 23,925 occurred in this case through the lapse of the officers in wrongly applying the orders contained in the notification. The Committee hope that suitable action would be taken against the officers concerned, and steps taken to avoid recurrence of such cases in future.

3.77. Para 27 (f): Under a notification issued in October, 1960, manufacturers producing water-paints, oil-paints and enamels whose total output taken together did not exceed 150 metric tonnes in a financial year were granted exemption from duty in respect of the first 50 metric tonnes of their clearances in a year. The Government clarified in February, 1964 that this concession was applicable only to manufacturers who produced both water-paints and oil-paints and enamels and not to those who produced water-paints alone or oil-paints and enamels alone in a year. It was noticed in Audit that several manufacturers, who produced only one of these items, namely oil paints and enamels or water-paints, were given the benefits of the concession, even though the notification was clear that it should be applied only to cases of manufacturers who produced both these items. By extending the concession contrary

to the notification, the Department has lost a total duty of Rs. 7,63,085 in four collectorate alone. After the draft para had been sent to them, the Ministry have issued a notification (on 18th December, 1965) with retrospective effect from 1st October, 1960 extending concession to manufacturers producing only one of these items.

3.78. The Committee asked about the circumstances in which the Central Excise authorities in the four collectorates did not apply the express provisions of exemption notification and clarificatory instructions. The representative of the Board stated that in this case the instructions "issued in 1964 in reply to a specific query from a particular collector i.e. Collector Madras were not correct". The intention of Government from 1955 when the particular item was included in the tariff, had been that the manufacturers of one or more items would be entitled to exemption of duty upto 50 tons provided that the total output did not exceed 150 tons. The clarification of 1964 was based on the Law Ministry's strict interpretation of the provision of the notification and did not correctly reflect the intention of Government. The original intention had been reflected subsequently in a revised notification. In reply to a question, the witness stated that the amount involved was Rs. 7,63,685. The Committee desired to be furnished with a note stating the number of parties involved in the case and the largest amount of concession given to a single party.

3.79. The note has been furnished stating that concession in question was allowed to 129 manufacturers and that the largest amount involved in the case of a single manufacture was Rs. 90,891.

3.80. The Committee regret to observe that this is another case where an audit objection was frustrated by the issue of a notification extending a concession of duty retrospectively. If the intention was always that the exemption would apply even to cases where paints alone or enamels alone were produced, the Committee are surprised that, Government should have issued a clarification in February, 1964 in consultation with the Ministry of Law that this concession was applicable only to manufacturers who produced both paints and enamels. The Committee hope that, the issue of incorrect clarification at variance with the intentions of Government will be avoided.

- ...

Assessment at lower rates of duty—Para 28—pp. 34-35.

3.81. Specific rates of duty have been prescribed for cotton fabrics depending on the average count of yarn used in such fabrics.

By a notification issued in June, 1962, the Central Government made the levy applicable at two stages:—

- (1) at the grey stage; and
- (2) at the processed stage.

The rate at the processed stage is an additional levy depending on the type of processed cloth and is payable on the duty-paid or exempted grey cloth used for processing. Duty is thus, leviable firstly on the full quantity of grey cloth produced at the rates prescribed and a further duty is recoverable on the processed fabrics cleared as such at the rates appropriate thereto.

3.82. It was seen in Audit that in certain factories which had the facilities of clearing the grey cloth for processing in bond, the duty finally levied and recovered on the grey cloth so cleared was based on the quantity of processed cloth actually produced therefrom and not on the larger quantity of grey cloth which had been removed in bond. This was because a portion of grey cloth got converted into fents, rags and chindies at the time to processing. As under the terms of the notification issued in June, 1962, duty recoverable was on the full quantity of grey cloth issued in bond, the Government has lost revenue to the extent of Rs. 1,93,50,840 in seven Collectorates only.

3.83. The Ministry have replied that it was not the intention that the grey stage duty should first be recovered and only should the duty-paid cotton fabrics allowed to move to a processing unit. The Law Ministry, however, expressed the view that the language of the notification issued in June, 1962, points to the conclusion that the intention is that the duty should be calculated at each stage, viz., (i) grey stage and (ii) processed stage, whether such processing takes place in a composite mill or in a separate unit to which the grey fabrics might have been removed in bond. It is interesting to note that although the language of the notification issued in June, 1962 was thus clear and specific, the Collectorates continued to violate its terms which has resulted in the loss of revenue mentioned above.

3.84. The representative of the Board stated that the earlier notification of April, 1962 brought out the position clearly. According to the earlier notification and Rule 96(d) it was clear that the Government's intention was to allow movement of cloth from the producing factory to the processing factory for processing and clearance on payment of duty at the final stage. But subsequently

in an attempt to simplify the wording in the notification of June, 1962, "the intention of Government was lost sight of". The position was rectified in the latest notification issued on 28th April, 1965. The witness agreed that by not following the provisions of the notification of June, 1962 technically there was loss of revenue in this case but it was not intentional. He added that no collectorate had implemented these instructions, although legally it was obligatory to charge duty at two stages. The legal lacuna came to notice sometime later and the whole matter was examined in consultation with the Ministry of Law and the position rectified.

3.85. The Committee regret to note that the intention of Government was lost sight of while issuing the notification of June, 1962, in an attempt to simplify the wording. They would like to emphasise that due care should be taken in drafting notifications which have important financial implications.

Other Omissions and Irregularities—Para 29—pp. 35—39.

(a) *Under assessment to tobacco cured in whole leaf form and used for the manufacture of biris.*

3.86. The finance Act of 1959 amended item 4(1)(5) of the First Schedule to the Central Excises and Salt Act, 1944, and prescribed that non-flue-cured tobacco of certain physical specifications if not actually used for the manufacture of cigarettes, smoking mixtures for pipes and cigarettes and biris would be subject to duty at 50 P per lb. An explanation was also inserted under the Tariff item to the effect that such varieties of unmanufactured tobacco used in the manufacture of biris as the Central Government, by a notification in the official gazette, may specify in that behalf, shall not be deemed to fall with in sub-item (5) of item 4(1), but shall be subjected to the higher rate of duty as specified in sub-item (6) of item 4(1).

3.87. Thus, under the substantive part of the Tariff item 4(1)(5) as amended in 1959, tobacco cured in whole leaf form and packed or tied in bundles, hooks or bunches or in the form of twists or coils is to be subjected to the lower rate of duty if two conditions are satisfied; (a) it had to conform to the physical specification prescribed and (b) it was not actually used for the manufacture of biris. If tobacco cured in whole leaf form was actually used in the manufacture of biris it would be subject to the higher rate of duty under item 4(1)(6), since such tobacco would fall outside the scope of item 4(1)(5)(iv).

3.88. It was, however, noticed in Aud't that in some of the Collectorates, the higher rate of duty was not levied in respect of the

tobacco cured in whole leaf form, even though it was known that the tobacco was cleared for use in the manufacture of biris. It has been explained that the higher rate of duty could not be imposed in such cases till a notification was issued by the Government specifying the variety as a variety used for the manufacture of biris. No such notification has been issued by the Government so far.

3.89. The omission to levy higher duty on the tobacco cured in whole leaf form but used in the manufacture of biris has resulted in loss of revenue of Rs. 1,68,49,359 during the years 1963 and 1964, in seven Collectorate.

3.90. The representative of the Board admitted that so far operative part of the present item 4(I)(5) was concerned, "the position was not free from doubt."

3.91. He added that in pursuance of the observation of the Public Accounts Committee made in para 31 of their 21st Report (Third Lok Sabha) that intention of Government was not made clear in the working of the amendment to item 9(1)(5) necessary action was being taken to make the necessary changes in the tariff. Asked for the reasons for the delay in taking action in this regard, the witness stated that since the presentation of the Report, two main budgets had been introduced but in neither of these was the particular item of tobacco touched. It was considered that merely to introduce an item for this minor drafting improvement could afford to wait a little longer.

3.92. On his attention being drawn to the Law Ministry's opinion of June, 1959 that absence of any notification under the Explanation would not preclude Government from collecting the higher rate of duty, the witness stated that subsequently the Law Ministry had given an opinion at the level of Secretary (Legislative Deptt.) at a meeting where other Joint Secretaries were also present, which nullified the earlier advice of the Deputy Legal Advisor. The relevant portion of the opinion read:

"It was agreed that as there is no provision in the law as it stands now, it is not possible to realise the differential duty either from the original assessee or from the actual users."

3.93. The witness added that the higher rate of duty could be levied only if they had issued a notification specifying the varieties of tobacco used for manufacture of biris. Explaining the reasons for not issuing a notification, the witness stated that considerable

part of the same variety of tobacco which was being used for biri making was also used for other purposes including chewing. If a notification was issued that variety would have to be assessed at the higher rate uniformly whatever the use.

3.94. The Chairman of the Board stated that under present tariff if a person declaring the end use of tobacco for biri making was charged at the higher rate of duty, another person not so declaring would be charged at the lower rate. Thus the Department "will be encouraging deliberately further evasion and avoidance". Therefore it was not the intention to charge the higher rate of duty till a particular type of tobacco was notified as attracting the higher rate. The explanation to the tariff item and the words 'biris' were added to the tariff items for that purpose. But later on it transpired that the Explanation might not fully serve the purpose in view. The question, therefore, arose whether the heading itself of item would require some amendment. The witness agreed that they should have taken the earliest opportunity to rectify legislation if it was not workable.

3.95 The Committee regret to note, that in spite of the observations made in para 31 of their 21st Report (Third Lok Sabha) that the amendment made to item 9(1) (5) was not clear, no action has been taken by Government to rectify the position although two Budgets have since been presented to the House. Nor has any notification been issued specifying the varieties of unmanufactured tobacco used in the manufacture of biris which would attract the higher rate of duty, as envisaged in the Explanation to the tariff item. The Committee feel that it is high time that the position is rectified with a view to putting it beyond any doubt.

Failure to draw periodical samples and failure to act promptly on chemical test reports.—Para 29(b).

3.96. A duty of 25P per kilogram was imposed on shoddy yarn from 24th April, 1962. The Central Board of Revenue in a letter issued in April, 1961 had defined shoddy woollen yarn as yarn containing 95 per cent. or more of shoddy wool and having upto 5 per cent. of virgin wool or other fibres. It was noticed that in a Collectorate no attempt was made to draw samples of shoddy yarn manufactured by a factory till March, 1962. A sample was drawn by the Sector Officer only on 29th March, 1962 and sent for analysis to the Deputy Chief Chemist. The Deputy Chief Chemist after analysis intimated the results on the 1st May, 1962 to the effect that the sample contained 89.9 per cent of wool (mainly shoddy) and 10.1

per cent of other fibres (regenerated cellulose). No action was, however, taken on the test report although the sample did not conform to the definition of shoddy yarn. Subsequently, in June, 1962, the Board issued a letter revising the definition of shoddy woollen yarn as yarn containing 80 per cent or more of shoddy wool. This definition was given retrospective effect and no demands were raised in this case.

3.97. The loss of revenue in this case on account of non-levy of duty on the basis of the test report is estimated at Rs. 2,71,122 for the period from 1st March, 1961 to 22nd June, 1962.

3.98. The Committee asked for the reasons for the failure of the Central Excise Officials to draw the samples as soon as the Board's instructions of April, 1961 were received. The representative of the Board stated that this was a case of lapse on the part of the officer.

3.99. The departmental proceedings had been started against the officer, whose explanation was under the Collector's consideration. The witness added that the Board came to know about the case when the audit objection was raised. Then they asked the Collector about the action taken in this regard and he called for the explanation of the officer.

3.100. The Committee regret to note the delay on the part of the officer in drawing samples of the yarn. Even after drawing the samples and getting the report of the Deputy Chief Chemist, no action was taken to charge the yarn to duty. This resulted in a loss of revenue amounting to Rs. 2,71,122 for the period from 1st March, 1961 to 22nd June, 1962. The Committee would like to know the action taken against the officer concerned.

Para 29(c): Incorrect levy of duty based on weight instead of by volume.

3.101. Prior to 1st March, 1963, Central Excise duty on liquid paint could be levied on the basis of weight, if sold by weight, and on the basis of volume, if sold by volume. The duty on the basis of weight was, however, less than the duty leviable if assessment was made on the basis of equivalent volume measure. In one State, liquid paint could only be sold by volume with effect from 1st January, 1962, as the State Government prohibited the sale of such liquid paint by weight from that date.

3.102. Notwithstanding the above prohibitory orders of the State, liquid paints were cleared by weight, instead of by volume, in certain factories under two collectorates within that State and assessment was also made on the basis of weight. Since the licensee could sell the paint only by volume after 1st January, 1962, the Central Excise duty should have been levied on that basis under Tariff item 14(1)(4)(iii) instead of by weight. By not doing so,

the Government lost a revenue of Rs. 1,47,756 for the period from 1st January, 1962 to 28th February, 1963.

3.103. The Ministry have replied that the Central Excise Department was not aware of the prohibitory orders in question issued by the State Government as no copy of the notification was received in any Central Excise formation upto 8th June, 1965 when a copy of the notification was obtained from the State Government by the Collector of Customs and Central Excise. In seven cases, verification conducted has since revealed that the paints had been sold by volume. In these seven cases, the differential duty amounting to Rs. 10,420 has since been realised. As regards the other cases, the legal position is stated to be under examination.

3.104. The Committee asked how the Central Excise authorities in West Bengal were not aware of the State Government's notification which should have appeared in the Gazette. The representative of the Board stated that "in this case there had been lack of coordination between the central and State Government". He added that in certain cases the differential duty had since been recovered but in other cases the demands had become time-barred. Out of the total revenue involved amounting to Rs. 25,099 a sum of Rs. 10,420 had been recovered. When it was pointed out that according to the Audit para, the revenue lost amounted to Rs. 1,47,756 for the period 1st January, 1962 to 28th February, 1963, the witness stated they would check up the position and submit a note to the Committee. *The information is still awaited.*

3.105. The Committee regret to observe that there was a lack of co-ordination between the Central Excise Officers and the State Government in this case which according to Audit resulted in loss of revenue amounting to Rs. 1,47,756 for the period 1st January, 1962 to 28th February, 1963. They trust that necessary steps have been taken to ensure that all notifications issued by State Government having a bearing on the administration of Central Excise duties are received and taken proper note of by the Central Excise Officers.

3.106. The Committee note that the differential duty amounting to Rs. 10,420 has been realised in seven cases where paints had been sold by volume. They would like to know about the outcome of the examination of the legal position in regard to the realisation of duty in other similar cases.

Para 29 (d): Non-recovery of special excise duty.

3.107. One of the paper mills was clearing while pulp board on payment of the concessional rate of Central Excise duty contemplated in the Government of India notification issued in March,

1964. However, special excise duty at 20 per cent. of the basic excise duty prescribed in Tariff item 17 was omitted to be levied on such clearances. This has resulted in a loss of revenue of Rs. 73,362 for five months. The Ministry have stated that instructions have been issued to recover the amount.

3.108. The representative of the Board stated that the amount had since been realised and disciplinary action had been taken against the officers concerned for the omission.

3.109. The Committee note that this is a straight case of failure to levy special excise duty on paper Boards, and they hope that such cases will be avoided in future.

(e) Under-assessment of excise duty on iron and steel products.

3.110. The rate of excise duty on iron and steel products was Rs. 110 per metric tonne with effect from 1st March, 1964. This rate was to be reduced by Rs. 22 per metric tonne if the products had been manufactured from old and used scraps, thus bringing the effective rate on such products to Rs. 88 per metric tonne with effect from 1st March, 1964.

3.111. In one Collectorate, the excise duty on the products was recovered at Rs. 38 per metric tonne from 1st March, 1964 to 30th September, 1965 after allowing a further rebate of Rs. 50 per metric tonne which was admissible if the product had been manufactured from ingots. The additional rebate of Rs. 50 metric tonne was not allowable as the product had been manufactured out of old and used scrap and not from ingots. The duty short recovered on this account works out to Rs. 2,03,584

3.112. The Committee asked about the circumstances in which the rebate on account of ingot duty was given in addition to the rebate specifically mentioned in the notification relating to iron and steel products manufactured out of old iron scrap. The representative of the Board stated that in the tariff dealing with the items of iron and steel, different rate of duty was payable according to the form of the products, the various stages of manufacture viz., pig iron, steel ingots, semis, structurals etc. In the present case, the duty on steel ingots was Rs. 90 per ton and additional duty on products was Rs. 20 per ton. In the notification issued by the Board it was stated that all steel scraps lying in the market would be treated as having paid duty. But steel scrap might be in the form of products in which case according to strict reading of the notification, it was not dutiable at Rs. 110 per ton.

3.113. When it was pointed out that different Collectorates had charged different rates of duty, the witness agreed that "the notification as drafted was liable to different interpretations, unless the officers took care to read it along with other notifications". The witness added that after the receipt of the Audit para, another notification was issued clarifying duty leviable on different items.

3.114. In reply to a question the representative of the Board stated that the notifications issued by the Board were vetted by the Ministry of Law and very often the draft notifications were shown to the Ministries concerned. The witness could not say whether in this particular case this was done. The Chairman of the Board stated "that a large number of notifications are issued and in some cases, it transpires that they mean something else later on. We try to be careful as humanly as it is possible".

3.115. When it was pointed out how Audit officers were able to find defects in the notifications, the witness agreed that Audit looked at them from a fresh mind.

3.116. The Committee asked whether it was not feasible to show the draft notifications etc. to Audit before issue and in this connection drew attention to the following recommendation contained in para 1.229 of their 46th Report (Third Lok Sabha).

"The Committee note the stand taken by the Ministry. However, the Committee have come across several instances, where instructions have been issued and because of Audit subsequently objecting to them, the Government had to withdraw or change those orders. It seems to the Committee that instead of starting on wrong lines and rectifying them later, it would be advantageous to all concerned to have an independent check to ensure that the instructions issued are well within the four corners of the law and the rules. On a consideration of the cases before them, the Committee are satisfied that it would be better if such instructions are issued in consultation with the Comptroller and Auditor General. This procedure need not of course, extend to Administrative instructions with which the C. & A.G. is not generally concerned. The Committee would accordingly urge the Government to reconsider the matter."

3.117. The Chairman, of the Board stated that they would consider this matter.

3.118. Asked whether there was any system to ensure that the instructions issued by the Board were correctly implemented by the collectors, the Chairman of the Board stated that the Director of

Inspection and his regional officers inspected the collectors. Apart from this, the Members of the Board also visited the collectorates. They met public and the officers and properly tried to see that the Government's intentions were being interpreted.

3.119. The Committee suggested that the Board should also consider appending a statement of objects and reasons to each notification to avoid ambiguities and ensure uniform application of the duty. The witness promised to consider the matter.

3.120. The Committee feel concerned to learn that in this case the notification was interpreted and applied differently in different collectorates. In para 1.229 of their 46th Report (Third Lok Sabha) the Committee suggested it would be better if such instructions are issued by the Department of Revenue in consultation with the Comptroller and Auditor General, except in case of the administrative instructions. The Committee desire that this suggestion should also be considered in relation to the instructions, notifications etc. on the Central Excise and Customs side. The Ministry should also consider appending a Statement of Objects and Reasons to each notification to avoid ambiguities and to ensure their uniform application.

(f) Loss of revenue due to withdrawal of demands.

3.121. During 1960-61, a licensee received under bond, five consignments of tobacco coming under the Tariff description 4 I (6). These consignments were subsequently cleared (without subjecting the tobacco to any processing within the warehouse) during the period November, 1960 to April, 1961. The description of the tobacco shown in the assessment documents, however, was "tobacco other than flue-cured in whole leaf form for biris—4 I(5)(iv)" which carried a lower rate of duty than 4 I(6). The clearance at the lower rate of duty was permitted by the Department without verifying the physical form of the tobacco presented for assessment as required under departmental instructions. Subsequently, the Department raised demands for differential duty to the extent of Rs. 22,942. However, on a revision petition filed by the party, out of the sum of Rs. 22,942, demands amounting to Rs. 16,675 were cancelled on the ground that they were time-barred. The failure on the part of the Department to verify the correctness of the description noted by the licensee in the assessment documents and to ensure beyond doubt the physical form of tobacco, at the time of clearance, has resulted in the loss of revenue of Rs. 16,675.

3.122. The representative of the Board stated that in this case, the demand had been raised by the Department and honoured by the party. But subsequently, when the party came up in revision petition, the demands to the extent of Rs. 16,674.42 were cancelled by Government because they were time barred.

3.123. The Committee regret to observe that a loss of revenue amounting to Rs. 16,675 occurred in this case due to the failure of the departmental officers to exercise sufficient care at the time of assessing tobacco when cleared from warehouses. The failure of the officers merits serious notice.

Para 20(g): Irregular refund of duty.

3.124. With effect from 24th April, 1962 duty was payable on copper and copper alloys (containing not less than 50 per cent by weight of copper). A factory manufactured 1099.496 metric tonnes of copper rods out of copper bars imported prior to 24th April, 1962 and on which no countervailing duty had been paid. Initially, duty was charged at Rs. 100 per metric tonne on these rods but the entire duty of Rs. 1,09,950 was subsequently refunded to the factory on the ground that the copper rods were rolled from pre-exercise copper bars and that these were already in the market. The rods were fresh product and were cleared from the factory after introduction of duty and such, duty was payable. The refund of Rs. 1.10 lakhs was thus, irregular.

3.125. From 1st March, 1963 the duty on copper in crude stage (which includes bars and rods) was raised from Rs. 100 to Rs. 300 per metric tonne. The same factory manufactured 2267.978 metric tonnes of copper rods out of copper bars imported prior to 1st March, 1963 on which countervailing duty at Rs. 100 per metric tonne had been paid. When these rods were cleared from the factory on or after 1st March, 1963 differential duty at Rs. 200 per metric tonne was assessed and realised. But subsequently, the entire amount of duty viz. Rs. 4,53,595 was refunded to the factory on instructions from the Central Board of Revenue. The refund here was also irregular as the copper bars were processed into copper rods and were cleared after the duty had been raised by Rs. 200 per metric tonne and therefore, the differential duty was chargeable on the quantity cleared as copper rods.

3.126. The Ministry have replied that the amount of duty of Rs. 1,09,950 referred to in the first paragraph has since been recovered by adjustment in the account current of the party.

3.127. As regards the amount of Rs. 4.54 lakhs, the Ministry's contention is that the copper rods produced out of bars having paid duty at Rs. 100 per metric tonne prior to 1st March, 1963, should not be subjected to duty again after 1st March, 1963, specially when the secondary producers manufacturing goods from another crude form were not subjected to licensing control.

3.128. The Committee asked on what grounds, the duty was refunded in the two cases. The representative of the Board stated that "crude copper was defined as copper in any crude form including ingots bars blocks, slabs billets, shots and pallets." According to the Law Ministry's opinion in the case of aluminium, if any form of metal was converted into another form of metal, but it falls under the same sub-item of tariff, no further duty was leviable. On this ground, the Assistant Collector refunded the amount of duty of Rs. 1.09 lakhs in the first case. The witness added that in this case since no countervailing duty had been paid, the duty was payable. Accordingly another demands was issued and the amount had been realised. In the second case, as the copper was duty paid, (at the lower rate) no additional duty was chargeable, according to the advice of the Law Ministry. The rods which had been converted from bars, continued to be crude copper. The witness however added that it was doubtful whether rods were included in the definition of crude copper. When the Committee pointed out that in spite of the opinion of the Law Ministry, duty was levied in the first case, the witness stated that the only difference was that in the second case at least duty had been paid for the rods. He added that for practical reasons a notification had since been issued stating that all copper available after a particular date should be treated as duty paid.

3.129. The irregular refund of duty amounting to Rs. 1.10 lakhs allowed in the first case is regrettable. The Committee note that the duty has since been realised.

3.130. As regards the second case, the Committee find that the duty leviable according to Rule 9 of the Central Excise Rule is the duty in force on the day the goods are cleared from the factory. During evidence the witness was doubtful whether in this case the copper rods converted from bars continued to be covered under the definition of crude copper. If the conversion into rods is regarded as a process of manufacture, differential duty should have been charged. The Committee feel that this matter needs further examination.

***Incorrect exemption given under Khadi and other Handloom Industries Development (Additional Excise Duty on cloth) Act, 1953—
Para 30(c)***

3.131. An additional excise duty in the form of 'handloom cess' is leviable on all cloth woven from any material including silk, artificial silk, staple fibre and wool, under the provisions of the Khadi and other Handloom Industries Development (Additional Excise duty on cloth) Act, 1953. Under that Act, the Government are given the power to exempt by notification, from the whole or any part of the additional excise duty, any variety of cloth which is for the time being exempt from the duty of excise imposed under the Central Excises and Salt Act, 1944. Thus, exemption, partial or whole, can be given from the handloom cess only on those varieties of cloth which are exempt from the duty imposed under the Central Excises and Salt Act, 1944.

3.132. Cut pieces of cotton fabrics known as fents were wholly exempt from basic duty till 29th February, 1960 after which date, this exemption was withdrawn and specific rates of duty were imposed.

3.133. However, the Government of India issued executive instructions in February, 1960 that handloom cess would not be leviable on fents even after 1st March, 1960. The instructions were followed by a notification issued on 22nd April, 1960 exempting cut pieces of cotton fabrics from levy of handloom cess. The instructions issued by the Government of India and the notification which followed it, are *ultra vires* the provisions of the Khadi and other Handloom Industries Development (Additional Excise duty on Cloth) Act, 1953. As this variety of cloth pays excise duty under the Central Excises and Salt Act, whatever be the rate of that excise duty, the Government of India have no powers to exempt it from the payment of the handloom cess.

3.134 From 24th April, 1962, fabrics of cotton, wool and silk manufactured on handloom (when processed) were subjected to excise duty under the Central Excises and Salt Act, 1944. No additional excise duty in the form of 'handloom cess' was, however, levied and recovered on such fabrics.

3.135. The amount involved in this run to well over Rs. 30 lakhs and it is extraordinary that the exemptions should have been granted without even verifying whether the Government had power to do so.

3.136. The representative of the Board admitted that in the case there was a genuine mistake in which more than one Ministry was involved i. e. Ministries of Commerce, Finance and Law. He added that necessary remedial action was now being taken by introducing necessary legislation.

3.137. The Committee are unhappy over the issue of executive instructions in February, 1960 and the notification in April, 1960 exempting cut pieces of cotton fabrics from levy of handloom cess, in contravention of the Section 5 (e) of the Khadi and other Handloom Industries Development (Additinal Excise Duty on cloth) Act, 1953. The Committee are surprised that none of the Ministries concerned viz., Commerce, Finance and Law was able to notice the illegality. The Committee hope that Government will take early remedial action.

Arrears of Union Excise Duties—Para 30(d):

3.138. The total amount of demands outstanding as on 1st April, 1965 in respect of Union Excise Duties was Rs. 1109.84 Lakhs as given below:

Commodity	Pending for more than one year	Pending for more than one month but not more than one year	Total
Un manufactured tobacco	239.09	73.45	312.54
Refined Diesel Oils	11.90	107.39	119.29
V.N.E. oils	20.38	3.16	23.54
Vegetable product	30.79	.30	31.09
Paints and Varnishes	13.69	4.31	18.00
Soap	13.81	2.07	15.88
Paper	19.41	12.25	31.66
Cotton fabrics	24.75	108.54	133.29
Iron and Steel products	9.45	4.02	13.47
All other commodities	263.55	147.53	411.08
TOTAL	646.82	463.02	1109.84

3.139. The representative of the Board stated that they had been trying to keep the arrears down. So far as the arrears of duty on manufactured items were concerned there had been a downward trend. But in the case of the duty on unmanufactured products viz tobacco etc. when they had to control licences of the order of

about 7 lakhs, the trend of the arrears had been a bit upward. Asked about the reasons for arrears of Rs. 846.82 lakhs pending for more one year, the witness stated that certain arrears related to the cases pending in courts, the demands having been issued at the instance of Audit. In 9 collectorates, out of the total pending demand of Rs. 5.78 crores, an amount of Rs. 2.99 crores related to court cases. The Committee desired to be furnished with a note stating the largest amount due from a single individual or concern which was more than one year old.

3.140. The information has been furnished stating that the largest amount due which is more than one year old is Rs. 91,69,527.50 in one case. The demands had been issued, as the party appeared to be a master weaver in respect of large quantities of cotton fabrics manufactured in power looms. The party had filed writ petitions in the High Court of Bombay. The case had still to be adjudicated.

3.141. The Committee feel concerned over the increase of the total arrears of union excise duties from Rs. 801.03 lakhs as on 1-4-64 to Rs. 1109.84 lakhs as on 1-4-65 (which includes Rs. 646.82 lakhs pending for more than one year). Out of this figure, arrears of duty on unmanufactured tobacco alone have increased from Rs. 284.25 lakhs to Rs. 312.54 lakhs (which includes Rs. 239.09 lakhs pending for more than one year). The Committee have in their previous Reports stressed that vigorous steps should be taken to liquidate the arrears. They regret that there is no perceptible improvement in the position, especially in the case of unmanufactured tobacco. They desire that the Board should take necessary action to arrest the upward trend of the arrears.

Remissions and abandonments of claims to revenue—Para 30(e):

3.142. The total amount remitted, abandoned or written-off during 1964-65 was Rs. 2,65,923. The reasons for remissions and written off are as follows:—

	No. of cases	Amount Rs.
I. Remission of revenue due to loss by		
(a) Fire	58	31852
(b) Flood	57	25923
(c) Theft	13	4879

	No. of cases	Amount Rs.
II. Abandonment or write-off on account of :		
(a) Assessee having died leaving behind no assets	62	16300
(b) Assessee being untraceable	32	68681
(c) Assessee having left India	12	1704
(d) Assessee being alive but incapable of paying duty	180	101279
(e) Other reasons	42	15215
TOTAL	456	265,923

Frauds and Evasions—Para 30(f)

3.143. The following statement gives the position relating to the number of cases prosecuted for offences under the Central Excise Law for fraud and evasion, together with the amount of penalties imposed and the value of goods confiscated:—

(i) Total number of offences under the Central Excise Law prosecuted in courts	11*
(ii) Total value of goods seized	Not available.
(iii) Total value of goods confiscated	Rs. 11,680
(iv) Total amount of penalties imposed	Rs. 6,22,455
(v) Total amount of duty assessed to be paid in cases where levy of duty was adjudged	Rs. 31,33,276
(vi) Total amount of fine adjudged in lieu of confiscation	Rs. 5,75,622
(vii) Total amount settled in composition	Rs. 1,10,312
(viii) Total value of goods destroyed after confiscation	Rs. 63,239
(ix) Total value of goods sold after confiscation	Not available.

3.144. In a note furnished to the Committee, the Ministry of Finance have stated that out of the total number of offences prosecuted in courts, 3 cases resulted in acquittals and 2 cases were still pending.

3.145. The Committee asked for the reasons for the re-missions and also frauds and evasions. The representative of the Board stated that the remissions were largely due to either fire, flood or theft. So far as abandonment or write offs were concerned, they

*The figure was shown as 25 in the Audit Report. On rechecking the correct figure was reported as 11 by the Ministry.

were due to various reasons i. e. the assessee having died leaving behind no assets, the assessee being untraceable or having left the country or the assessee being incapable of paying duty etc.

3.146. The Committee desired to be furnished with (ii) a note stating the present position regarding recovery of the duty of Rs. 31,33,276 assessed to be paid in cases where levy of duty was adjudged i.e. item vi of para 30(f); and

(ii) a statement giving details of the major cases of frauds and evasions referred to in para 30(f).

The information has been received.

3.147. The Committee note that the total number of offences prosecuted in courts was 11 out of which 3 cases resulted in acquittals and 2 cases were still pending.

The Committee hope that the cases which are pending will be finalised expeditiously.

IV

GENERAL

4.1. The Committee have not made recommendations/observations in respect of some of the paragraphs of the Audit Report (Civil) on Revenue Receipts, 1966. They expect that the Department will none-the-less take note of the discussions in the Committee and take such action as is found necessary.

M. R. MASANI,
Chairman,
Public Accounts Committee

NEW DELHI;
July, 22, 1967

Asadha 31, 1889 (Saka)

APPENDIX I

(Ref. para 1.21 of this Report)

"Para 4(I)—Customs :

(i) A statement may be furnished showing the effective custom duty on Kerosene oil, Motor Spirit and Industrial fuel oils for the year 1964-65 and the quantity imported during the period."

2. The information regarding the quantity imported during 1964-65 is given below :—

Product	Quantity imported during 1964-65 (in tonnes)
(1) Kerosene oil :	
(a) Kerosene superior	795,315
(b) Aviation Turbine Fuel (assessed as Kerosene superior)	290,419
(c) Kerosene inferior	215,240
(2) Motor Spirit (Aviation Gasoline)	99,716
(3) Industrial Fuel oil (Furnace oil)	612,047

3. The effective rates of duty from time to time during 1964-65 for the three categories in question are furnished in the enclosure.

Approved by Addl. Secy. to the
Govt. of India

F. No. 2/16/66-Cus. (T.U.)

*Effective Customs Duty on Kerosene Oil, Motor Spirit, Industrial Fuel Oils for
the year 1964-65*

Period	Kerosene		Motor Spirit	Industrial Fuel Oils	
	Superior	Inferior		Diesel oil not otherwise specified	Furnace oil
1	2	3	4	5	6
	Rs.	Rs.	Rs.	Rs.	Rs.
Upto 5-10-64	204.27 per kilolitre at 15 degrees of centigrade thermometer.	127.27 per kilolitre at 15 degrees of centigrade thermometer.	494.85 per kilolitre at 15 degrees of centigrade thermometer.	230.54 per metric tonne.	56.15 per metric tonne.
From 6-10-64 to 17-11-64	209.80 per kilolitre	132.80 per kilolitre	507.05 per kilolitre	234.20 per metric tonne.	59.81 per metric tonne.
From 18-11-64 to 16-2-65	226.00 per kilolitre	149.00 per kilolitre	544.00 per kilolitre	245.50 per metric tonne.	71.11 per metric tonne.
From 17-2-65 to 30-4-65	226.00 per kilolitre	149.00 per kilolitre	554.00 per kilolitre	256.50 per metric tonne.	77.61 per metric tonne.

APPENDIX II

(Ref. Para 1.40 of this Report)

MINISTRY OF FINANCE

(Department of Revenue & Insurance)

Para 4(III) Corporation Tax and taxes on Income etc.

A note may be furnished stating the reasons for variations between estimates and actuals of the order of 104.15% and 175% in respect of Sur Tax and Super Profits Tax respectively. Could not the Government make a reasonable estimation of the revenue?

(ii) What is the total number of assessable companies at present.

REPLY OF THE MINISTRY

Surtax

The Budget Estimates under the head "Surtax" for the year 1964-65 was fixed at the figure of Rs. 6.50 crores while the actuals amounted to Rs. 13.26 crores. The Budget Estimates of Rs. 6.50 crores was based on the data then available, viz., the information gathered from the study of the latest balance sheets of several companies, the relevant statistics published in the Reserve Bank of India Bulletins as to the average ratio of profits of companies in relation to their capital and reserves, the information available from the latest income-tax revenue statistics regarding the total number of companies in various ranges of income and the total amount of income assessed in each range. The figures were projected to the assessment year 1964-65 having regard to the rate of growth of the number of companies and their earnings during earlier years. Calculations were made on this data with reference to the proposed rate structure of surtax.

2. The liability to surtax depends on the quantum of the chargeable profits in excess of the statutory deduction (10% of the capital and reserves and certain borrowed moneys or Rs. 2 lakhs whichever is higher), or, in other words, on the ratio of the profits to the capital and reserves and the qualifying borrowed moneys. As this ratio varies from one company to another, there is an inherent difficulty in arriving at a correct estimate or an estimate, which is fairly close to the actual yield of revenue from a tax of the nature of surtax,

unless full data is available to determine the profit ratios of various groups of companies comprised in a particular range of income. In the absence of such data, the budget estimates had to be fixed on the basis of averages arrived at on the basis of the available data. This was also the first year of this tax. The wide margin of difference between the budget estimates and the actual yield from surtax for 1964-65 was also attributable to increase in the level of corporate earnings in the relevant year, which could not be anticipated.

3. In 1965-66 the variation between the budget estimates and the actuals are very much less as the actuals stood at Rs. 18.48 crores as against the budget estimates of Rs. 15.50 crores.

Super Profits tax

Actuals stood at Rs. 2.75 crores against Budget Estimates of Rs. 1 crore, registering an increase of Rs. 1.75 crores. Super Profits Tax, which was introduced in 1963, was abolished in 1964. This tax could have been collected only out of arrear assessments brought forward on 1-4-1964. In the year 1963-64, out of 3,918 cases for disposal, provisional assessments were completed in 1,051 cases and final assessments in 451 cases. As considerable number of assessments had been completed on provisional basis in 1963-64, the collection under this head was estimated at Rs. 1 crore. However, the actual collections reached a figure of Rs. 2.75 crores.

(ii) The total number of company assesseees as on 31st March, 1966 was 26,468.

(This has been vetted by audit *vide* Shri Gaurishanker's D.O. No. 585-Rev. A/21-67 dated 16-2-1967).

G. S. SRIVASTAVA,

Joint Secretary to the Govt. of India.

F. No. 83/56/66-I.T. (B)

APPENDIX III

(Ref. Para 2.7 of this Report)

A note may be furnished containing the particulars of specific items on the export of which there has been 10 per cent increase in the amount of drawback paid during 1964-65 as compared to 1963-64.

On the following items there had been more than 10% increase in the amount of drawback paid during 1964-65 as compared to 1963-64.

1. V. Belt.
2. Hessian cloth.
3. High speed spring Bobbling.
4. Card Grillfins.
5. Prusion Blue.
6. Cine Projectors.
7. PVC Cables.
8. Motor Vehicles (Chasis).
9. Printed Magazines.
10. Lathe Machines.
11. Shoe Uppers.
12. Iron Products.
13. Paper Laminated Hessian Bags.
14. Pumps.
15. Copper Wire.
16. Copper Utensils.
17. Copper Cables.
18. Safety Razor Blades.
19. Hacksaw Blades.
20. Electric Motors.
21. Water Heaters.
22. Fountain Pens.
23. Cotton Garments.
24. Brass Lamp Holders.

25. Crackers.
26. Copper Fnyaite.
27. Asbestos Cement.
28. Sulphuric Acid.
29. Tea Chests.
30. View Masters.
31. Glazed tiles.
32. Polythene lined Jute bags.
33. Thorium nitrate.
34. Fluorescent Fixtures.
35. Drinking Chocolate.
36. Sugar Mill Machinery.
37. Tarpaulin.
38. Iron Castings.
39. Rubber Solution.
40. Spokes.
41. Air Compressors.
42. Umbrella Ribs.
43. Copper Conductors.
44. Almn. Articles.
45. Concrete Mixtures.
46. Cusion Repair Composition.
47. Camel Back.
48. Refrigerators.
49. Flash Light Cases.
50. Oil Mill Machinery.
51. Tooth Brushes.
52. Chemicals.
53. Cocoa Powder and Butter.
54. Almn. Sulphate.
55. Tinopal.
56. Cycles (including cycle parts.)
57. Tea Processing machinery.
58. Pipe Tobacco.
59. Laminated Safety glass.
60. Paper Products.

61. Water Coolers.
62. Woollen goods.
63. Gas Mantles.
64. Pure Silk.
65. Staple fibre yarn, thread and fabrics.
66. Rubber goods.
67. Leather Cloth.
68. Foot-wear.
69. Steel products.
70. Cigarettes.
71. Gaskets.
72. Electric Wires and cables.
73. Motor Vehicles.
74. Alumina Ferric
75. Sewing Machines.
76. Glass and Glassware.
77. Artificial teeth.
78. Cultured pearls.
79. Disinfectants & antiseptics.
80. Silver ware.
81. Articles made of gold including gold Jewellery.
82. Dichromates.
83. Electrical accessories (Chokes).
84. GI Wire products.
85. Diamonds.

3. A note may be furnished stating the amounts of drawback paid during 1964-65 on the export of art silk yarn and Thread, Art Silk fabrics, Cycles and Steel products.

The information is as under:—

** (a) Art Silk Yarn & Thread and

(b) Art Silk fabrics	Rs. 2,85,22,295.65
----------------------	--------------------

** (c) Cycles (including cycle part).	Rs. 21,49,459.62
---------------------------------------	------------------

(d) Steel products	Rs. 64,84,705.21
--------------------	------------------

** No separate record of the amount of drawback paid on Art Silk Yarn/Thread and Fabrics is maintained. Figures furnished under (a) and (b) above are inclusive of all of them. Similarly complete Bicycles and parts thereof have been clubbed together since no separate figures are available.

4. A note may be furnished stating whether the Ministry took into consideration the revised pattern of import and indigenous elements at the time of revising the rates of drawback in July, 1966.

The All industry (Schedule I of the Drawback Rules) rates for the following items were revised from July, 1966 to date (13-3-1967):—

- 1. Plastic goods.**
- 2. Cigarette in the manufacture of which foreign tobacco other than tobacco of Pakistan and Burma origin has been used.**
- 3. Steel products.**
- 4. Hydraulic brake fluid conforming to Indian Standard specification I.S., 317 (1951).**
- 5. Potassium Citrate monohydrate.**
- 6. Pipe or Cigarette tobacco in the manufacture of which foreign tobacco other than tobacco of Pakistan and Burma origin has been used.**
- 7. Dichromates.**
- 8. Chromic Acid.**
- 9. Ivory products.**
- 10. Articles made of gold, either wholly or partly.**
- 11. Mild Steel Paper pins and Clips, coated or otherwise.**
- 12. Pigments, colours, paints, Enamels, varnishes, Lacquers and Paint ancillaries.**
- 13. Handicrafts and other articles made of Alabaster.**
- 14. Cigar in the manufacture of which foreign Cigar Wrapper tobacco other than Cigar Wrapper tobacco of Pakistan or Burma origin has been used.**
- 15. PVC-Cables.**
- 16. Brass-Semis, Circle Sheets, Plates, extrusion and brass manufactures including brass Builders, Hardware and Artware.**
- 17. Polo Sticks.**
- 18. Plastic Sequins.**

19. Cork Wadding.
20. Silk fabrics.
21. Zip fastners.
22. Cinema films. . .
23. Alumina Ferric.
24. Articles made of Stainless Steel.
25. Printing Inks (Black only).
26. Silver Nitrate.
27. Bicycle Spokes with nipples and washers complete.
28. Copper Cables and Conductors.
29. Match boxes.
30. Alum and Aluminium Sulphate Iron free.
31. Articles made of Copper not otherwise specified.
32. All Aluminium Conductors.
33. PVC Insulated Aluminium Cables.

While working out the revised rates from July, 1966 onwards, this Ministry had taken into account the revised pattern of import and indigenous elements contained in respect of the following items:—

1. Plastic goods.
2. Silk fabrics.
3. Bicycle spoke, complete with nipple and washers.
4. Pigments, colour, paints, Enamels, varnishes, Lacquers, and paint ancillaries.
5. Steel products.
6. Brass semis, Circles, sheets, plates, extrusion and brass manufactures including brass builders, Hardware and Artware.
7. Copper Cables and conductors.
8. Articles made of Copper not otherwise specified.
9. Articles made of Stainless Steel.

Out of the remaining items, the question of imported and indigenous element does not arise in respect of the following items as the actual import of raw material has to be verified before drawback claims are admitted.

1. Cigarette in the manufacture of which foreign tobacco other than tobacco of Pakistan and Burma origin has been used.

2. Pipe or Cigarette tobacco in the manufacture of which foreign tobacco other than tobacco of Pakistan and Burma origin has been used.

3. Ivory products.

4. Articles made of gold, either wholly or partly.

5. Cigar in the manufacture of which foreign tobacco other than tobacco of Pakistan and Burma origin has been used.

6. Polo Sticks.

7. Silver Nitrate.

In the remaining items, the rates have been revised on the basis of old data.

Sd/- T. C. SETH,

Joint Secretary to the Government of India.

(Vetted by Audit)

(F. No. Misc/68/65-DBK)

APPENDIX IV

(Ref. Para 2.16 of this Report)

MINISTRY OF FINANCE (DEPT. OF REVENUE & INSURANCE)

"A note may be furnished stating the financial implications in creating Directorate of Audit directly under the Board, the level at which it was decided to keep it in abeyance and the opinion of the Minister thereon."

The financial implication involved in setting up the Directorate of Revenue Audit is estimated at about Rs. 36.5 lakhs.

The notes recorded in the Department of Expenditure show that the decision to hold the proposal in abeyance was taken at the level of F.M. The note of the Financial Adviser (P.&C) is also relevant in this connection:

"No lumpsum provision need be made. The Scheme may be put to us and as shall examine them to see whether it is necessary for these Schemes to be put through this year or they can wait for another year. The Department had asked for some of these Schemes last year also, but the F.M. in view of financial stringency had decided to postpone them."

S. K. BHATTACHARJEE,

Joint Secretary.

F. No. 2/7/67-Ad. IV:

APPENDIX V

(Ref. Para 2.38 of this Report)

MINISTRY OF FINANCE (DEPARTMENT OF REVENUE & INSURANCE)

Para 12-Sub-para (i)

A note may be furnished stating whether similar equipment imported at the same port was differently assessed on two occasions and if so, the dates on which both the Bills of entry were assessed. It may also be stated whether both the bills of entry referred to in the para were assessed to duty by the same appraiser and if so, whether he offered any reasons for assessing the goods differently on the two occasions.

Reply:

Two consignments of Cementing Aggregate mounted on automobile and declared as such were imported by the Oil & Natural Gas Commission, Bombay, but were assessed differently. The particulars are:

(1) The first Bill of Entry (which was correctly assessed) was classified by the Appraiser on 8-10-1963 and countersigned by the Principal Appraiser on 11-10-1963.

(2) The second Bill of Entry (which was wrongly assessed) was classified by the Appraiser on 16-12-1963 and countersigned by the Principal Appraiser on 19-12-1963.

These two Bills of Entry were assessed by different Appraisers. The Appraiser, who classified the second Bill of Entry wrongly, had already been cautioned.

Since the same Principal Appraiser had countersigned the two Bills of Entry showing different assessments within a short period of two months, the Collector is examining the matter for considering further action against the Principal Appraiser. Similarly, since the same Audit Clerk had audited both the Bills of Entry on the same date, the collector is considering further action against the Audit Clerk.

F. No. 20/47/66-CUS.I.

Sd./D. P. ANAND,
*Additional Secretary to the
Government of India.*

APPENDIX VI

(Ref. para 2.52 of this Report)

MINISTRY OF FINANCE

(Department of Revenue & Insurance)

Para 16(a) and (b)—Loss of revenue due to fraudulent alterations in Bills of Entry

- (a) Has the investigation been completed, and has the amount been recovered from the party?
- (b) What safeguards have been taken by the Board to stop recurrence of such frauds?

The replies to the above points are given below seriatim:—

- (a) Five frauds involving an evasion of Customs Duty amounting to Rs. 64,725.98 were committed by M/s. Ashar Brothers. Out of these five cases of fraud, investigations have been completed in one case and prosecution proceedings have also been initiated. The other four cases are still under investigation by the Special Police Establishment. The amount involved has not yet been recovered.

As regards the fraud committed by M/s. R. Singh & Company involving a loss of duty amounting to Rs. 1,70,361/- the investigation has been completed and action to prosecute the persons involved in the fraud has also been taken.

No recovery of the amount involved has so far been effected.

- (b) In order to plug the loopholes in the existing procedure and prevent the Clearing Agents/Importers from making fraudulent alterations in the Bills of Entry, a system is being introduced of perforating both in words and figures the amount of duty on all copies of the Bills of Entry with pin-point typewriters. Simultaneously, from the long range point of view, this Ministry are considering other appropriate measures for eliminating the chances of fraudulent alterations in Bills of Entry.

Sd/- D. P. ANAND,

Joint Secretary to the Government of India.

F. NO. 55/19/66-CUS. IV

APPENDIX VII

(Ref : Para 3.18 of this Report)

A note may be furnished stating whether as a result of the Board's decision in this case there has been discriminatory treatment.

NOTE

This para pertains to Bombay Central Excise Collectorate. Apart from Bombay Collectorate, the drugs industry is largely concentrated in Baroda, Calcutta, Orissa and Madras Collectorates. In Baroda and Jamnagar divisions of Baroda Collectorate, assessment of patent or proprietary medicines during the period October, 1961 to the 18th May 1962, that is, before the issue of notification No. 91/62-Central Excise dated the 19th May 1962, was made under *adhoc* discount procedure without verification of invoices and discounts at the flat rate of 10% or 25% were allowed irrespective of actual discounts granted by the manufacturer. In other words, the same practices as in vogue in Bombay Collectorate was followed in these divisions of the Baroda Collectorate. In Surat divisions of Baroda Collectorate, no assessment was made under *ad hoc* discount procedure.

In Calcutta and Orissa Collectorates, discounts upto 10% or 25% were allowed provisionally and differential duty was realised on actual verification of invoices if actual discounts allowed by the manufacturer happened to be less than 10% or 25%. However, on a random checking, it appears that the difference between actual discounts and the flat rate of 10% or 25% was not much. For example, as against the flat rate of 25% on the consumer price, the actual discounts in many cases worked out to around 22-23%.

In Madras Collectorate, the *adhoc* discount procedure was availed of by only some of the licensees. Some of them actually allowed discounts at a rate of 10% or 25% or even more. Discounts at a flat rate of 10% or 25% were granted to these licensees. A few of the licensees were found to have allowed discounts at lesser rates; only the actual discounts allowed by these licensees were taken into account in determining the assessable value.

Besides the above Collectorates, there is a sprinkling of major units of drugs manufacturers in Poona, Hyderabad and Delhi Collectorates. In Poona Collectorate, the three major units allowed actual discount of 25% and were, therefore, allowed the discount of 25%. Some smaller units in Poona collectorate allowed less than 25% discount and they were granted the actual discount allowed by them. The same practice appeared to have been followed in Hyderabad and Delhi collectorates as well.

To sum up, while it is no doubt true that there was a certain amount of discriminatory treatment (the background has been already explained) in the other collectorates as compared to the Bombay Central Excise Collectorate (where discounts at a flat rate of 10% or 25% were allowed without detailed scrutiny of invoices) is is apparent that the degree of discrimination was marginal and the discriminatory treatment was confined to a short period from October 1961 to the 18th May 1962. Uniformity was restored with the issue of notification No. 91/62 dated the 18th May 1962 which confirmed the Government's intention of allowing the discounts of 25% over the consumer prices, where these are publicised or 10% over the trade prices provided the manufacturer opts for such assessment uniformly in respect of all his dutiable products.

(Approved by Joint Secretary)

APPENDIX VIII

Summary of main conclusion/Recommendation

S. No.	Para No. of Report	Ministry/ Department concerned	Conclusion/Recommendation
1	2	3	4
1	1.9	Ministry of Finance Departments of Revenue and Insurance and Economic Affairs.	While the Committee are glad that the percentage of variation in Tax Revenue has come down to 7.09% in 1964-65 from 18.24% in 1962-63 and 10.99% in 1963-64, they find that the revenue receipts of the Government of India for 1964-65 had exceeded the budget estimate by as much as Rs. 104.78 crores. Since the excesses in revenue receipts persists from year to year and as the variations are fairly wide and the percentage of variation in Tax Revenue is even now as high as 7%, the Committee would like to reiterate the recommendation made in para 1.10 of their 44th Reoprt 1966 (Third Lok Sabha) and expect that the Ministry would try to frame the Budget estimates more realistically so as to ensure that variations between the estimates and the actuals are kept to the minimum.
2	1.15	—Do.—	The Committee hope that, with the various measures taken by the Ministry, it would be possible to make future Budget estimates

1 2

3

4

more realistic and the variations between the estimates and the actuals would be substantially brought down.

3 1.23

Ministry of Finance

Department of Revenue and Insurance and Economic Affairs.

While the overall variation between the budget estimates and the actuals for Customs Revenue showed a downward trend in 1963-64 the Committee find that the percentage of variation had increased in 1964-65 and this was even higher than the figures for 1962-63. In many cases, the pattern of variation under different heads was such that the actuals varied widely from the estimates. They also find from evidence that the variations were mainly due to mid-term measures taken by the Government. The Committee would like to urge upon the Ministry that when Government initiates any mid-term measures which tend to increase or decrease duties, the matter should be brought to the notice of Andit in time, so that the fact is taken due note of before the Audit para is finally included in the Report.

8

4 1.33

—Do.—

Even though the percentage of variation between the actual receipts and the budget estimates for the year 1964-65 in respect of "Excise Duty" when compared with the earlier year was less, the Committee find that under some of the heads like 'Plastics', 'Sodium Silicate', 'Woollen Yarn' etc. the variations were fairly substantial.

From the evidence the Committee find that the reasons for such variations were mainly:

- (i) even when the coverage for plastics was changed, the Department failed to assess the financial implication properly;
- (ii) proper statistics in respect of the production of Sodium Silicate was not available;
- (iii) change in the production programme of motor cars and the import of the foreign parts therefor were not adequately taken note of at the time of preparing the budget estimates; and
- (iv) the lack of proper liaison with the Ministry concerned resulted in the failure to take note of the big increase in the production of Sulphuric Acid.

1.34

—Do—

In all these cases the Committee feel that the estimates could have been framed with greater accuracy if only the Ministry had taken more initiative to keep itself informed of development. They, however, hope that the Ministry would benefit from their experience and would try to effect better co-ordination through measures such as are stated to have been introduced in other Ministries in collecting up-to-date information and frame the estimates more realistically.

5

1.44

—Do—

The Committee hope that the Ministry will continue to make efforts to prepare their estimates more realistically so that the wide

variation between the estimate and actual is reduced to the minimum.

6 1-55 Ministry of Finance
Department of Revenue
and Insurance and
Economic Affairs.

The Committee find that even though the cost of collection in terms of percentage had remained almost the same as in 1963-64, the actual expenditure for collection had gone up by Rs. 2.33 crores. The expenditure on the Department has increased by another Rs. 1.48 crores in 1965-66 as compared to 1964-65. From the evidence and the note they also find that the increase has been mainly due to (i) creation of additional posts (ii) accrual of increments (iii) revision of rate of allowances to the staff.

1-56

—Do—

The Committee would like Government to keep a careful watch on the progress made with the clearance of arrears of assessment. They also expect that with the appointment of additional staff, there would be better collection of revenues. They would like to watch, through future Audit Reports (the results achieved by the Department in this connection).

7 2.9 Ministry of Finance
Department of Revenue &
Insurance.

The Committee feel that it would be advisable to keep the existing pattern of import and indigenous elements in view while revising the rates of drawback.

2.10 —Do—

They also feel that the rate of drawbacks should be reviewed periodically, particularly in the case of commodities like art silk fabrics, where the amount of drawback is substantial.

8 2.17 —Do—

The Committee regret that in spite of their observations in the 21st Report and the 27th Report (Third Lok Sabha) no improvement is visible in the working of the Internal Audit Organisation. They hope that the question of re-organisation be given immediate consideration and all necessary steps will be taken to improve the working of the internal Audit organisation. They would like to be informed of the decisions arrived at in this connection along with the progress made with their implementation.

9 2.26 —Do—

The Committee note that one particular piece of machinery has been classified differently for the purpose of levying excise and customs duty. Certain items have also been classified differently by the different Custom Houses. The Committee feel that an effort should be made to avoid such anomalies as far as possible.

2.27 —Do—

The Committee hope that the Report of the Tariff Revision Committee on customs would receive due consideration and changes introduced as a result of that Committee's recommendations would systematise the tariff and bring it in line with modern conditions. The Committee hope that now that the question of aligning of the Central Excise tariff with the Customs Tariff has been referred to the Tariff Revision Committee, with the receipt of the report (of the Tariff Revision Committee), difficulties about the imposition of

countervailing duties would be reduced considerably and the Central Excise Tariff would also be put on a more scientific basis.

10 2.35

Ministry of Finance
Department of Revenue &
Insurance.

The Committee regret to note that there was a loss of revenue to the extent of Rs. 89,796 - on account of the disregarding of instructions existing in the matter. They hope that learning from this case, it would be enjoined upon all concerned to pay due regard to the procedure prescribed in such matters and the Board would also take serious view of similar deviations in future.

11 2.39

—Do—

From the note furnished by the Ministry the Committee regret to note that the same item was classified differently within a short period of two months. The Committee are glad to note that as a result of audit objection, short levy of countervailing duty to the extent of Rs. 35,689 was recovered by the Custom House. They however, are left with the impression that this mistake took place primarily due to negligence. They hope that suitable action would now be taken against the persons responsible for the lapse.

2.40

—Do—

The Committee would also desire that the Central Board of Excise & Customs should devise suitable measures by which the classification of similar articles differently by different appraisers is eliminated.

12 2.46

The Committee hope that the authorities would go into this matter and find out how the particular officer was unaware of the revised rate of duty. If it was on account of certain lacuna in the procedure of intimating the changes to concerned officers, the Committee desire that steps would be taken to rectify that.

2.55

The Committee note that the persons involved in the frauds have been or are being prosecuted. The Committee are, however, unhappy that frauds involving a total sum of Rs. 2,35,107 have been committed. They hope the authorities will take necessary safeguards against the possibility of such frauds.

2.56

—Do—

The Committee hope that the improvement in the system which was proposed to be introduced and the other measures which the Ministry intended to take would eliminate opportunities for fraudulent alterations in Bill of Entry. They desire that a proper watch should also be kept on the new system so that areas of frauds are altogether eliminated.

2 57

—Do—

The Committee would like to be informed of the final action in cases where prosecution proceedings are in progress and of the recovery of amounts from the persons concerned.

14 2 64

The Committee hope that the question as to the date from which a 'Tariff Ruling' should be given effect to, would be considered from all as was promised by the Chairman of the Central Board of Excise and Customs during evidence, and that a decision would be taken at an early date. This decision should be circulated to all the Customs Houses, so that a uniform practice is followed everywhere.

1	2	3	4
---	---	---	---

15 2-83 Min. of Finance (Deptt. of
Revenue and Insurance)
Min. of Transport & shipping

The Committee feel that it is a most anomalous position that the goods lost after landing at a port are not liable to duty. The Customs Law does not provide for the recovery of duty from the Port Trusts from whose custody the goods are lost. The responsibility of the Port Trusts extends to that of a bailee for a period of seven days after the goods are landed at the port. As a bailee the Port Trusts were expected to take reasonable care and caution over the safe custody of property. The Port Trusts charges demurrage on the goods, delivery of which is not taken within seven days. The amount of the demurrage charged was Rs. 3 to Rs. 4 crores in 1964-65 and nearly Rs. 5 crores in 1965-66 in Bombay Port alone. In these circumstances, the Committee are of the view that the Port Trusts cannot be completely absolved of the responsibility for the loss of goods held by them, and it is reasonable that the Port Trust is held responsible at least partly for the loss of customs duty on packages pilfered from their (Port Trusts) custody. The Committee feel that this aspect needs further looking into especially in view of the fact that the value of missing stores has gone up in recent years. Moreover, when the loss of goods after landing is assumed to be due to their being diverted surreptitiously the Committee think that the entire position needs to be reviewed. Unless something drastic is done, the Committee are afraid imported goods will continue to be pilfered and surreptitiously removed and the public exchequer would be put to loss.

2.84

—Do—

The Committee are sorry to note that the authorities do not possess a complete record of goods lost and their value. There is no system of keeping such a record and for that purpose the figures supplied by the police authorities alone can be relied upon. The Committee feel that a proper account of goods received and lost during and after the seven days period should be maintained by the Port Trusts and also by Customs authorities.

2.85

—Do—

The Committee also feel that there is need to devise measures by which the Ports do not become warehouses for the importers, till they are able to find suitable accommodation outside. Such a tendency on the part of importers should be effectively discouraged.

2.86

—Do—

The Committee were informed during evidence that an expert study team had been appointed to look into the matter from all aspects. The Committee would like to be informed of the findings of the expert study team and the action taken.

16

2.94

Min. of Finance (Deptt. of
Revenue & Insurance)

The Committee are glad to note the decrease in the arrears of Customs duty. The total amount of Customs duty remaining unrealised as on 31st October, 1965 was Rs. 47.46 lakhs as against Rs. 112.08 lakhs for the corresponding period last year. The Committee feel concerned, however, over the arrears of duty which have been pending for the last several years. (As on 30th June, 1966, the outstanding for more than one year was Rs. 21,36,058). The Committee note the measures taken by the Department to recover the arrears. They desire that necessary action should be taken to liquidate the old outstanding amounts.

2	3	4
2 95	Min. of Finance (Deptt. of Revenue & Insurance)	The Committee also hope that the Department will take the necessary steps to ensure that the introduction of the new system of deferred payment of duty against bank guarantees does not result in an accumulation of arrears in future.
17	3.7	—Do—
		It is not clear to the Committee how in the present case trade discount was allowed at a certain percentage of the declared price of footwear instead of the ex-factory price (i.e. declared price minus sale organisation charges). as envisaged in the Board's orders of November, 1957. The deduction of flat discount from the declared price results in lowering the ex-factory price and thereby the assessable value.
	3.8	—Do—
		The Committee hope that, after the proposed amendment of the relevant Section of the Act, such ambiguities will not arise.
18	3.19	—Do—
		The Committee note that there had been confusion in allowing trade discount in the various collectorates till the matter was put on a uniform footing by the Boards' notification issued in May, 1962. Somewhat conflicting instructions were issued by the Board and the Secretary, Revenue Departments, which resulted in different practices being followed by the Bombay Collectorate and other Collectorates. It appears that there has been a lack of co-ordination between the Secretary, Department of Revenue and the Board in this matter resulting in citizens being taxed differently under the same

law although for a short period. The argument that the degree of discrimination was marginal and the discriminatory treatment was confined to a short period (October, 1961 to 18th May, 1962) does not mitigate the violation of the healthy principle of taxing the citizens uniformly under the same tax law. The Committee hope that such a situation will be avoided in future.

3.20

—Do—

In the present case, the Board should have immediately applied its mind to the reference made by the Collector concerned on 9th October, 1961, after the visit of the Secretary in September, 1961, and issued the necessary notification much more promptly to ensure uniformity in the levy of the excise duty in all the Collectorates. The delay in the issue of the notification is regrettable. The Committee hope that suitable steps will be taken by the Ministry to avoid such delays in future.

19 3.28

—Do—

The Committee suggest that in order to put the matter beyond any doubt and ensure uniformity in the levy of duty, the Board should issue revised instructions clearly bringing out the principle contained in the judgment of the Mysore High Court.

20 3.30

—Do—

The Committee note that the Board propose to take powers to review the orders of the Collector passed in appeal. The Committee also suggest that the question regarding referring appeals in cases involving amounts above a certain limit to an independent authority other than the collector should also be seriously considered. This would create more confidence in the appellate authority, as under

the present system the Collectors who hear the appeals are also the administrative heads of the collectorates.

21 3.35

Ministry of Finance

Department of Revenue
and Insurance

The Committee are unhappy over the inordinate delay in fixing the assessable value of the goods by the Superintendent concerned. The Committee hope that the Department will take necessary steps to ensure that in future transfers of staff do not interfere with the disposal of the assessment work.

3.36

—Do—

A more serious feature of this case is that the manufacturer has retained the differential duty amounting to Rs. 77,739 collected from the dealers. The Committee were informed that this was inherent in the system of provisional assessment of duty that the party in order to safeguard itself might collect higher duty from the customers. If so, the Committee consider it as a very unsatisfactory position which needs rectification. They desire that this aspect should be seriously considered so that pending the finalisation of provisional assessment, the tax realised from the consumers is deposited with Government.

3.37

—Do—

All the same, the Committee are doubtful whether in a case such as this one where different rates of duty are not involved, it was proper to allow provisional assessment under section 9-B. This matter needs examination.

- 22 3.43 —Do—
- The Committee are surprised how in these two cases standard rates of duty were allowed as deduction. Even after the Board issued the clarification in August, 1964, there was inordinate delay in one of the two cases in raising the demand, which is indefensible.
- 3.44 —Do—
- In the second case although the demand of Rs. 2,11,619 was raised more than two years back, the duty has not yet been realised pending the disposal of the appeal preferred by the party. The Committee suggest that in such obvious cases of mistakes where action by way of rectification has been taken, the question whether the different duty can be collected before hearing the appeals, may be looked into, as promised during evidence.
- 23 3.50 —Do—
- The Committee take a serious view of the lapse of the officers in omitting to add warranty, packing, forwarding and other charges to the assessable value of refrigeration and air-conditioning machinery in this case which resulted in under assessment of duty amounting to more than Rs. 4 lakhs. They would like to know about the action taken against the officers concerned.
- 3.51 —Do—
- The Committee feel concerned to note that the duty for the period March, 1962 to November 19, 1964, has become time-barred. It would be a very unsatisfactory position, if the manufacturer has already collected the differential duty for this period from his customers. The Committee desire that the position in this regard may be verified and, if the duty has already been collected, the assessee may be asked to make a voluntary payment as suggested by the representative of the Board during evidence.

1	2	3	4
	3.52	Ministry of Finance Department of Revenue and Insurance	The Committee also suggest that, where the excise duty is collected from the customers, the desirability of showing it separately in the cash memo may be examined.
24	3.58	—Do—	<p>The Committee note that in this case there were three distinct stages in application of the tariff viz.,</p> <ul style="list-style-type: none"> (a) the introduction of the new definition of proprietary medicines from 24-4-62; (b) the clarificatory orders issued by the Board on 27.12.62; and (c) issue of orders by the Board on 12.11.63 that revised levy should take effect from the date of communication of the orders to the manufacturers and that the earlier demands should be withdrawn.
	3.59	—Do—	The Committee find that instructions of November, 1963 that the revised levy should take effect from the date of communication of orders to the manufacturers were issued because of the special circumstances of this case that mistakes had been made by collectors in the past in classifying the various medicines and the orders of December, 1962, amounted to a change in the practice. It is, however, doubtful whether there is any legal authority to issue these instructions authorising the collectors to levy duty prospectively from the date of

communicating the decision. According to the Ministry's own admission during evidence, the decision of the collectors "could have retrospective effect right from April, 1962—subject to the law of limitation".

3.60 —Do—

Another draw-back in the instructions of November, 1963 was that the lower officers could benefit a licensee by delaying communication of the decision and the assessee could also dodge receiving the revised communication, which would result in loss of duty.

3.61 —Do—

The Committee desire that, in order to avoid such confusion in the case of levy of a new excise duty, the orders issued with the Budget instructions should in future be more clear and specific and apply retrospectively.

25 3.65 —Do—

This case illustrates the divergent practices in classifying the same article in different Collectorates and frequent change of classification by the Board through executive instructions. The Committee would like to stress that the Budget instructions should give the necessary details to ensure uniformity in the levy of duty.

3.66 —Do—

The Committee also understand from Audit that there has been considerable flexibility in issuing executive instructions. In some cases the Board has chosen to term certain instructions as "tariff rulings" and in some other cases the same type of instructions have been taken as "guide-lines". It is also understood that there is no statutory authority for the Board to issue any ruling and it is only by way of established practice borrowed from Customs that tariff rulings are issued. The Committee desire that this aspect should be carefully

1	2	3	4
			<p>examined and if necessary suitable provision be made in the Act authorising the Board under specified circumstances to issue tariff rulings.</p>
26	3.70	<p>Ministry of Finance</p> <hr/> <p>Department of Revenue and Insurance</p>	<p>The Committee regret to note that, due to confusion in the Board's instructions, there was an under assessment of duty to the extent of Rs. 1,49,409 in one case which has since been recovered. The Committee hope that the Board will take adequate steps to ensure that such confusing instructions are not issued by it in future.</p>
27	3.73	—Do—	<p>The Committee regret to note the lapse on the part of the field staff in not implementing the order of the Collector regarding classification of glass tubings till Audit pointed out the mistake. They would like to know the action taken against the field staff concerned.</p>
28	3.76	—Do—	<p>The Committee note that, in effect, an evasion of duty amounting Rs. 23,925 occurred in this case through the lapse of the officers in wrongly applying the orders contained in the notification. The Committee hope that suitable action would be taken against the officers concerned, and steps taken to avoid recurrence of such cases in future.</p>
29	3.80	—Do—	<p>The Committee regret to observe that this is another case where an audit objection was frustrated by the issue of a notification</p>

extending a concession of duty retrospectively. If the intention was always that the exemption would apply even to cases where paints alone or enamels alone were produced, the Committee are surprised that, Government should have issued a clarification in February, 1964 in consultation with the Ministry of Law that this concession was applicable only to manufacturers who produced both paints and enamels. The Committee hope that, the issue of incorrect clarification at variance with the intentions of Government will be avoided.

30 3.85

—Do—

The Committee regret to note that the intention of Government was lost sight of while issuing the notification of June, 1962, in an attempt to simplify the wording. They would like to emphasise that due care should be taken in drafting notifications which have important financial implications.

113

31 3.95

The Committee regret to note, that in spite of the observations made in para 31 of their 21st Report (Third Lok Sabha) that the amendment made to item 9(1) (5) was not clear, no action has been taken by Government to rectify the position although two Budgets have since been presented to the House. Nor has any notification been issued specifying the varieties of unmanufactured tobacco used in the manufacture of Biris which would attract the higher rate of duty, as envisaged in the Explanation to the tariff item. The Committee feel that it is high time that the position is rectified with a view to putting it beyond any doubt.

32 3.100

—Do—

The Committee regret to note the delay on the part of the officer in drawing samples of the yarn. Even after drawing the samples

and getting the report of the Deputy Chief Chemist, no action was taken to charge the yarn to duty. This resulted in a loss of revenue amounting of Rs. 2,71,122 for the period from 1st March, 1961 to 22nd June, 1962. The Committee would like to know the action taken against the officer concerned.

33 3.105 Ministry of Finance
 Department of Revenue
 and Insurance.

The Committee regret to observe that there was a lack of co-ordination between the Central Excise Officers and the State Government in this case which according to Audit resulted in loss of revenue amounting to Rs. 1,47,756 for the period 1st January, 1962 to 28th February, 1963. They trust that necessary steps have been taken to ensure that all notifications issued by State Government having a bearing on the administration of Central Excise duties are received and taken proper note of by the Central Excise Officers.

3.106 —Do—

The Committee note that the differential duty amounting to Rs. 10,420 has been realised in seven cases where paints had been sold by volume. They would like to know about the outcome of the examination of the legal position in regard to the realisation of duty in other similar cases.

34 3.109 —Do—

The Committee note that this is a straight case of failure to levy special excise duty on paper Boards, and they hope that such cases will be avoided in future.

35 3.120

—Do—

The Committee feel concerned to learn that in this case the notification was interpreted and applied differently in different collectorates. In para 1.229 of their 46th Report (Third Lok Sabha) the Committee suggested it would be better if such instructions are issued by the Department of Revenue in consultation with the Comptroller and Auditor General, except in case of the administrative instructions. The Committee desire that this suggestion should also be considered in relation to the instructions, notifications etc. on the Central Excise and Customs side. The Ministry should also consider appending a Statement of Objects and Reasons to each notification to avoid ambiguities and to ensure their uniform application.

36 3.123

—Do—

The Committee regret to observe that a loss of revenue amounting to Rs. 16,675 occurred in this case due to the failure of the departmental officers to exercise sufficient care at the time of assessing tobacco when cleared from warehouses. The failure of the officers merits serious notice.

115

37 3.129

—Do—

The irregular refund of duty amounting to Rs. 1.10 lakhs allowed in the first case is regrettable. The Committee note that the duty has since been realised.

3.130

—Do—

As regards the second case, the Committee find that the duty leviable according to Rule 9 of the Central Excise Rule is the duty in force on the day the goods are cleared from the factory. During evidence the witness was doubtful whether in this case the copper rods converted from bars continued to be covered under the defini-

1	2	3	4
			tion of crude copper. If the conversion into rods is regarded as a process of manufacture, differential duty should have been charged. The Committee feel that this matter needs further examination.
38	3.137	Ministry of Finance (Department of Revenue and Insurance) Ministry of Commerce Ministry of Law	<p>The Committee are unhappy over the issue of executive instructions in February, 1960 and the notification in April, 1960 exempting cut pieces of cotton fabrics from levy of handloom cess, in contravention of the Section 5(e) of the Khadi and other Handloom Industries Development (Additional Excise Duty on Cloth) Act, 1953. The Committee are surprised that none of the Ministries concerned viz., Commerce, Finance and Law was able to notice the illegality. The Committee hope that Government will take early remedial action.</p>
39	3.141	Ministry of Finance Department of Revenue and Insurance.	<p>The Committee feel concerned over the increase of the total arrears of union excise duties from Rs. 801.03 lakhs as on 1-4-64 to Rs. 1109.84 lakhs as on 1-4-65 (which includes Rs. 646.82 lakhs pending for more than one year). Out of this figure, arrears of duty on unmanufactured tobacco alone have increased from Rs. 284.25 lakhs to Rs. 312.54 lakhs (which includes Rs. 239.09 lakhs pending for more than one year). The Committee have in their previous Reports stressed that vigorous steps should be taken to liquidate the arrears. They regret that there is no preceptible improvement in the position, especially in the case of unmanufactured tobacco. They desire that the Board should take necessary action to arrest the upward trend of the arrears.</p>

40 3.147 —Do—

The Committee note that the total number of offences prosecuted in courts was 11 out of which 3 cases resulted in acquittals and 2 cases were still pending.

The Committee hope that the cases which are pending will be finalised expeditiously.

41 4.1 — Do —

The Committee have not made recommendations|observations in respect of some of the paragraphs of the Audit Report (Civil) on Revenue Receipts, 1966. They expect that the Department will nonetheless take note of the discussions in the Committee and take such action as is found necessary.

117

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
DELHI—<i>contd.</i>			30.	People's Publishing House, Rani Jhansi Road, New Delhi	76
21.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi	3	31.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi	88
22.	Atma Ram & Sons, Kashmere Gate, Delhi-6	9	32.	Hind Book House, 82, Janpath, New Delhi	95
23.	J. M. Jaina & Brothers, Mori Gate, Delhi	11	33.	Bookwell, 4 Sant Narakari Colony, Kingsway Camp, Delhi-9	96
24.	The Central News Agency, 23/90, Connaught Place, New Delhi	15	MANIPUR		
25.	The English Book Store, 7-L, Connaught Circus, New Delhi	20	34.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annex, Imphal	77
26.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi	23	AGENTS IN FOREIGN COUNTRIES		
27.	Bahree Brothers, 188, Lajpatrai Market, Delhi-6	27	35.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.—2	
28.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi	66			
29.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1	68			

© 1967 BY LOK SABHA SECRETARIAT

PUBLISHED UNDER RULE 382 OF THE RULES OF PROCEDURE AND CONDUCT OF
BUSINESS IN LOK SABHA (FIFTH EDITION) AND PRINTED BY THE GENERAL
MANAGER, GOVERNMENT OF INDIA PRESS, MINTO ROAD, NEW DELHI
