

**HUNDRED AND FORTY-FIFTH
REPORT**

**PUBLIC ACCOUNTS COMMITTEE
(1988-89)**

(LIGHTH LOK SABHA)

**UNION EXCISE DUTIES
PRICE LISTS**

**MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)**

Presented to Lok Sabha on 5 April 1989

Laid in Rajya Sabha on 24 April, 1989

**LOK SABHA SECRETARIAT
NEW DELHI**

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CORRIGENDA TO HUNDRED AND FORTY-FIFTH REPORT
OF THE PUBLIC ACCOUNTS COMMITTEE (EIGHTH
LOK SABHA)

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

PUBLIC ACCOUNTS COMMITTEE
(1988-89)

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*Shri Amal Datta

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*Appointed as Chairman w.e.f. 5-9-1988 *vice* Shri C. Madhav Reddy resigned from chairmanship of the Committee,

@Appointed w.e.f. 7-12-1988 *vice* Shri Kalpnath Rai ceased to be a member of the Committee on his appointment as Minister of State,

(iv)

21. Shri T. Chandrasekhar Reddy
22. Shri Surender Singh

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1. Shri G. L. Batra—*Joint Secretary*
2. Shri B. D. Duggal—*Director (PAC)*
3. Shri A. Subramanian—*Senior Financial Committee Officer*

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee do present on their behalf this Hundred and Forty-Fifth Report on Paragraph 2.04 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1987, No. 5 of 1988, Union Government (Revenue Receipts—Indirect Taxes) relating to Union Excise Duties—Price Lists.

2. The Report of the C&AG of India for the year ended 31 March 1987, No. 5 of 1988, Union Government (Revenue Receipt—Indirect Taxes) was laid on the Table of the House on 10 May 1988.

3. This Report of the Committee reveals several procedural and other deficiencies/irregularities in respect of Central Excise *ad valorem* assessments. As per the Central Excise *ad valorem* assessment procedures, the price lists submitted by the assesseees are required to be approved by the department within a period ranging from 15 days to three months. These time limits have been prescribed by executive instructions issued in 1976 which were reiterated on various subsequent occasions. Even now, the Ministry of Finance consider these stipulated periods as adequate. The Committee have, however, found that large number of assessments are pending beyond the prescribed time limits. Expressing their dissatisfaction, the Committee have observed that it indicated that the quality of monitoring presently done at the levels of Central Board of Excise and Customs/Collectors left a lot to be desired. Pointing out that such administrative delays not only generate corruption but also lead to harassment of assesseees, the Committee have recommended that the Ministry of Finance should look into the administrative lapses/failures and establish a regular, methodical and more effective system of monitoring in order to ensure that the price lists are approved within the prescribed time limits and take suitable action against the officers for their lapses.

4. The Committee have found that the offences of removal of excisable goods without filing price lists and clearances without getting prior approval of the price lists, wherever necessary, are, presently, not dealt with by the department in a manner as envisaged in the Central Excise Law. The explanation offered by the Ministry

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for not initiating adequate penal action in such cases by seeking to draw a distinction between cases with intention to defraud and without such intention has not been found supported by relevant facts. The existing system of records prevailing neither in the Collectorates nor in the Board did not appear to be keeping track of either such offences or the consequent penal action, if any, is launched and its results. Pointing out that this is a highly unsatisfactory state of affairs which needs to be remedied, the Committee have recommended that the Ministry of Finance should look into the same and take suitable steps to ensure that the offences of clearance of excisable goods without filing price lists and without getting prior approval, wherever necessary should be dealt with adequately in accordance with the provisions of the Law and it should be methodically monitored on a regular basis at a central level in the Board/Ministry.

5. Section 4 of the Central Excises and Salt Act, 1944 deals with the valuation of excisable goods for the purposes of charging the duty of excise in *ad valorem* assessments. The provisions of Section 4 have been interpreted by the Supreme Court in a series of judgements. Even now the issue has not been settled. A Review Petition filed by the department against the judgement of Supreme Court in one case (Madras Rubber Factory) is still pending. The Committee have taken note of the situation arising out of the different judgements of the Supreme Court on the interpretation of Section 4 of the Central Excises and Salt Act, 1944 relating to valuation of excisable commodities. They, however, are not inclined to agree with the Ministry's decision to wait till the final judicial procurement for removing the ambiguities and simplifying the law. The Committee have recommended that the Ministry of Finance should examine the feasibility of incorporating suitable amendments to Section 4 so as to remove the ambiguities and make it simpler without waiting for the judgement of the Supreme Court in the pending case, keeping in view the practical requirements and experience, modern conditions of production and sale of manufactured goods. The Committee have further noted that 70% of the Central Excise revenue is currently being earned in terms of specific rates of duty. It has also been brought to the notice of the Committee that administration was simpler and less complicated in the case of specific rates of duty. The Committee have expressed their hope that shifting from *ad valorem* rates to specific rates will be carried out with utmost caution so that the all important consideration of revenue is not lost sight of in the process.

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6. The Committee have examined a case of alleged evasion of duty of Rs. 2.94 crores by a cigarettes manufacturer where retail prices were higher than the printed prices during the period March 1986 to February 1987. After the matter was seized of by the Committee, the Ministry of Finance have handed over the case for further investigation to the Director General (Anti-Evasion). The Committee have recommended that the inquiry be completed and action initiated expeditiously to realise the duty and other dues. They have also expressed their hope that even though the factory is not operating now, necessary steps would be taken to recover the governmental dues from the main company on whose behalf the said company was operating and/or other-wise concerned. The Committee have further noted that the department was expecting to collect about Rs. 1200 crores on account of similar alleged evasion of duty by 10 cigarettes manufacturers. The matter was reported to be pending before Courts/ adjudicating authorities. The Committee have desired that action initiated against the alleged evasion of duty on cigarettes should be vigorously pursued to their logical conclusions and no efforts should be spared to realise the legitimate dues of the Government.

7. The Committee have time and again emphasised the need to check unjust enrichment of the Central Excise assesseees at the cost of the ultimate consumers arising out of refunds of duty. In the context of the examination of the present subject, at the instance of the Committee, the Ministry of Finance stated that a proposal containing legislative measures to stop unintended benefits to the manufacturers of excisable goods arising out of refunds has been sent to the Ministry of Law for examination and concurrence.

8. The Public Accounts Committee (1988-89) examined the Audit Paragraph at their sitting held on 15 November, 1988.

9. The Committee considered and finalised this report at their sitting held on 3 April, 1988. The drafting of the report was delayed due to non-receipt of the post-evidence information in time. The Minutes of the sitting form Part II* of the Report.

10. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix II to the Report.

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

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11. The Committee would like to express their thanks to the officers of the Ministry of Finance (Department of Revenue) for the cooperation extended by them in giving information to the Committee.

12. The Committee also place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI;
April 4, 1989

Chaitra 14, 1911 (S)

AMAL DATTA
Chairman,
Public Accounts Committee.

REPORT

UNION EXCISE DUTIES—PRICE LISTS

Introductory

The duties of central excise are levied as per rates laid down in the schedule to the Central Excise Tariff Act. The Central Excise Rules, 1944, prescribe the manner of collection of duty and such duties mainly fell into two broad categories viz., Specific Rates of Duties and *Ad Valorem* Rates of Duties. Specific rates of duties are those where the rate of duty is fixed per unit namely number, weight, volume or area. *Ad valorem* rates of duty are levied on the basis of the value of the article.

2. Duties from excisable commodities which are subjected to *ad valorem* rates contribute about 30% of the total Central Excise revenue. Valuation of excisable goods for the purpose of charging of *ad valorem* rates of duty of excise is governed by:

- (i) Section 4 of the Central Excises and Salt Act, 1944;
- (ii) Central Excise Valuation Rules, 1975; and
- (iii) Rules 173C and 173CC of Central Excise Rules, 1944.

The actual determination of value of excisable goods for the purpose of excise duty is dictated by the provisions of Section 4 of the Act and the Central Excise Valuation Rules, 1975 while Rules 173C and 173CC form the procedural part in regard to submission and approval of the price lists for the assessment of duty.

3. Under Rule 173C of the Central Excise Rules, every manufacturer who manufacture excisable goods chargeable to duty *ad valorem* has to file with the proper officer a price list in the prescribed form showing the price of each such goods and the trade discount, if any, allowed in respect thereof to the buyers alongwith such other particulars as the Central Board of Excise and Customs or the Collector may specify.

4. Prior approval of the proper officer of the price list filed by an assessee shall be necessary only where the assessee (i) sells good to or through a related person as defined in Section 4 of the Act; or (ii) uses such goods for manufacture or production of other goods

in his factory; or (iii) clears such goods for free distribution; or (iv) clears such goods in any other manner which does not involve sale to a non-related person; or (v) clears the goods of the same kind and quality from his factories located in the jurisdiction of different Collectors of Central Excise or Assistant Collectors of Central Excise; or (vi) submits a fresh price list or an amendment of the price list already filed and which has the effect of lowering the existing value of the goods.

5. On receipt of the price list, the proper officer may approve the price list after making such modifications as he may consider necessary. He will thereafter return one copy of the list approved by him to the assessee who will, unless otherwise directed by the proper officer, determine the duty payable on the goods intended to be removed in accordance with such list.

6. In cases where the price list filed by the assessee is not acceptable, the assessee shall be given an opportunity by the Assistant Collector to put forth his case and be heard in person, if he so desires, before the price list is modified. In cases where the price list as approved by the Assistant Collector is contested by an assessee who wishes to produce further evidence in support of the price as declared by him, the assessee can pay duty under protest. Appeal against the assessable values approved by the Assistant Collector will lie to the Appellate Collector.

7. Rule 173CC allows an assessee who is licensed for the first time for the manufacture of excisable goods or for the storage of such goods in his warehouse and has filed the price list or who has manufactured new excisable goods for the first time and has filed the price list or who desires to revise the price list previously approved and where the price list as so revised leads to a value higher than that shown in the previously approved price list or leads to levy of duty at a higher rate than shown in the previously approved classification list, to remove such goods on payment of duty on the basis of the price declared in the list, or revised list as the case may be, pending approval of such list, and thereupon, the duty paid on such goods shall be deemed to be the duty assessed provisionally under Rule 9. Such assesseees are required to execute a proper bond in the proper form for such amount with such security or surety as the proper officer may specify, within fourteen days.

8. After the first submission of the price list by an assessee, it will be necessary for him to submit the price list in the proper proforma once every year, either at the commencement of such financial year or at the close of the accounting year followed by him, irrespective of whether or not, there is any change in the price list filed previously. Assessee is also required to file a fresh price list or an amendment to a price list already filed if there is a change in the prices of excisable goods produced by the assessee. Under Sub-rule (3) of Rule 173C, the responsibility is clearly of the assessee to intimate in advance the changes made in the price list already submitted by him for approval of the proper officer.

9. The price lists submitted by the assesseees are required to be approved by the department within a period ranging from 15 days to three months.

Irregularities in submission and approval of Price Lists

10. This Report is based on Paragraph 2.04 of the Report of the C&AG for the year ended 31 March, 1987 Union Government (Revenue Receipts—Indirect Taxes). The paragraph highlighted the results of an appraisal conducted by Audit in 28 out of the 32 Central Excise Collectoratees on filing, approval and other matters relating to price lists. A copy of the Audit paragraph is shown as Appendix I.

11. The Committee have examined the Audit paragraph in some depth. Broadly, the nature of the procedural and other deficiencies/irregularities were, delay in approval of price lists, clearance of excisable goods without filing of price list (duty involved Rs. 34.20 crores) clearance of excisable goods without getting price lists approved (duty involved Rs. 89.90 crores), delay in finalisation of provisional assessments (duty involved Rs. 349.08 crores), non-finalisation of cases where duty was paid under protest (duty involved Rs. 210.07 crores), non-filing of revised price lists/declarations (duty involved Rs. 3.40 crores), irregular permission granted for filing of price lists every month after the removal of excisable goods, sale of goods through related persons, non-filing of the price lists in the proper form (duty involved Rs. 27.48 lakhs) and a case of alleged evasion of duty by a cigarette manufacturer amounting to Rs. 2.94 crores.

12. The Committee will now deal with some of the more important areas of the working relating to submission and approval of price lists which require serious governmental attention.

Delay in approval of Price Lists

13. The Government of India in their Circular dated 13 December, 1976 have prescribed the following time limits for approval of different categories of price lists by the department.

Category	Time limit
(a) In normal cases where no further details are necessary . . .	15 days
(b) Where chemical examiners' report is required	1 month
(c) Where further hearing or further study is called for	2 months
(d) Where verification of invoices is called for	3 months

14. The above mentioned time limits were imposed on the basis of the recommendation of the Central Excise (Self Removal Procedure) Review Committee and after taking into account the different sets of circumstances. The instructions were reiterated on various subsequent occasion by the Ministry of Finance (Department of Revenue).

15. According to the Audit, during the years 1984-85 to 1986-87, 8,92,497 price lists were received in 28 Collectorates. Out of these, 22,289 price lists were pending approval on 31 March 1987. There were delays ranging from three months to one year in the approval of 29,539 price lists.

16. During evidence, the Member, Central Board of Excise and Customs admitted that there were delays in approval of price lists, it was an administrative lapse and that the Ministry was monitoring only cases that were pending for more than six months. While agreeing to monitor in future cases pending for more than three months, the Member contended that the total amount of revenue held up due to delay in finalisation of price lists was relatively not much with reference to the total revenue earned from central excise duties. From the information furnished by the Ministry of Finance (Department of Revenue) to the Committee it is seen that as on 31 March 1988, 23,104 price lists were pending approval in all the 32 Collectorates of Central Excise, taken together. Out of these 2 652

price lists were pending for more than the prescribed maximum time limit of three months. The numbers of such price lists pending for more than three months as on 31 March 1987, 1 January 1988 and 1 September 1988 were 7900, 3873 and 4918 respectively.

17. On scrutiny of the information furnished to the Committee it is seen that an amount of about Rs. 6 crores was recovered from assesseees on finalisation of 19,902 out of the pending 22,289 price lists reported in the Audit paragraph. Some of the major recoveries were from Somani Pilkington Ltd. (Rs. 2 crores), Hindustan Sanitary-ware Industries Ltd. (Rs. 1.50 crores), Khandelwal Ferro Alloys (Rs. 57.02 lakhs), Swaraj Mazda (Rs. 15.48 lakhs), etc. Similarly, an amount of Rs. 83 lakhs was refunded to the assesseees on finalisation of the price lists. In one case, an amount of Rs. 57.29 lakhs was refunded to Addison & Co.

18. The Ministry of Finance (Department of Revenue) have identified the reasons for the delay in approval of price lists and thereby causing delay in finalisation of assessments as non-receipt of further information such as invoices from sale depots, figures relating to collection of escalation charges, written contracts etc., time taken in verification of deduction relating to post manufacturing expenses, fixation of margin of profits; non-availability of cost data, assesseees' account books, balance sheets and want of decision in pending court cases. According to the Ministry, considerable time is taken in finalising the assessments where engineering project items are cleared on piece meal basis over a period of time and the final costs are settled only after the supply is completed in terms of contract. Another important reason cited by the Ministry causing delay in finalisation of the assessments is the difficulties involved in the application of the varying judgements of the courts to individual cases about the interpretation of Section 4 of the Central Excises and Salt Act regarding determination of assessable value.

19. The Committee's attention has been drawn to the fact that there are already departmental control mechanisms for overseeing the position relating to submission and finalisation of price lists. They included, the Directorate of Inspection which undertake inspection and the monthly returns available to the Central Board of Excise and Customs itself. However, it transpired during evidence that in the monthly return compiled by the Directorate of Inspection and sent to the Board, presently, there is provision to watch the position of price lists pending for more than six months only, whereas, the maximum prescribed time limit is only three months.

20. The Committee enquired as to how the Ministry proposed to tighten up the administration so as to ensure timely finalisation of price lists. In reply, the Chairman, Central Board of Excise and Customs stated during evidence that the Collectors of Central Excise have now been instructed to give special attention after the Audit objections were raised. The Board would also, in future, monitor the position of price lists pending for more than three months. The extension of the massive computerisation to all Central Excise Collectorates (presently, on Delhi and Madras Collectorates are computerised) is also expected to yield better results. However, the representative of the Ministry of Finance stated that the present maximum time limit was ideal enough for the finalisation of price lists. The Ministry, therefore, did not contemplate any change in the time limits laid down by the existing executive instructions governing price lists.

21. The Committee are not satisfied with the present position of finalisation of the Central Excise ad valorem assessments. The reasons of non-receipt of further details, chemical examiners report, invoices etc., attributed to the delays in approval of price lists, are not convincing because the existing time limits already take into account such contingencies and sets of circumstances. The fact that the present time limits are found adequate enough by the Ministry and despite their repeated instructions to adhere to the prescribed lengths of time, a large number of central excise ad valorem assessments are pending beyond their stipulated periods, would clearly indicate that the quality of monitoring presently done at the levels of the Central Board of Excise and Customs/Collectors leaves a lot to be desired. The Committee need hardly point out that such administration delays not only generate corruption but also lead to harrassment of assessees. The Committee, therefore, recommend that the Ministry of Finance should look into the administrative lapses/failures and establish a regular, methodical and more effective system of monitoring in order to ensure that the price lists are approved within the prescribed time limits and take suitable action against the officers for their lapses. The Committee would like to have a detailed report on the systems of improvement instituted and the latest position of finalisation of price lists.

22. The Committee also recommend that because the existing time limit of three months for approval of price lists is considered adequate by the Ministry, the monitoring mechanism should also review progress with reference to that period only and not six months as at present.

Clearance of excisable goods without filing price lists and without getting prior approval.

23. Removal of excisable goods without filing price lists in an offence under Rule 173Q of the Central Excise Rules, 1944. Such goods are liable to confiscation and the manufacturer shall be liable to penalty.

24. According to Apart, a test check of range records in 18 Collectorates revealed that 499 assessees cleared goods involving duty of Rs. 34.20 crores during the years 1984-85 to 1986-87 without filing price lists. Eight of these cases were decided by the department by imposing penalty. In other 44 cases, the offences were booked against the assessees which were pending adjudication. Action Taken in the remaining 447 cases was not available. During evidence the Committee enquired about the penalties imposed in these cases. The Member, Central Board of Excise and Customs stated that the information will have to be obtained from the field formations. He, however, attempted to draw a distinction between cases with intention and without intention to evade duty. Asked why cases of such offences should not be made part of the data sought by the Board in the monthly returns for monitoring, the Secretary, Ministry of Finance (Department of Revenue) stated that the system would now be introduced.

25. In a note furnished after evidence, the Ministry of Finance (Department of Revenue) stated that according to the information received from the Collectorates of Central Excise, 469 offence cases were booked during the years 1984-85 to 1986-87. Out of these cases, 454 cases have been decided and a penalty of Rs. 5.73 lakhs was imposed. The remaining 15 cases were pending adjudication.

26. As per Rule 173C(2), prior approval of price lists is necessary only in certain cases. It has been pointed out by Audit that in 6,678 cases in 19 Collectorates where the prior approval of the price lists was necessary, excisable goods involving duty of Rs. 89.90 crores were cleared during the years 1984-85 to 1986-87 without getting the price lists approved by the department.

27. The Ministry of Finance in a note furnished to the Committee stated that 705 such cases were finalised; the Ministry neither indicated the specific action taken in those cases, nor the action initiated in the remaining 5,973 such cases. Asked to clarify the position during evidence, the Member, Central Board of Excise and Customs stated that the Collectors concerned were asked to

indicate the action taken, but it was found that they did not have the relevant records.

28. On being asked as to who was responsible for the lapses, the Ministry in a note furnished after evidence stated that the number of offence cases booked by the Collectorate as reported by C&AG has not been given by the Ministry and that the Collectorates of Central Excise have reported that during this period, 615 offence cases were booked. As regards the number of cases figuring in the C&AG Report, the Ministry states that the C&AG has been approached to furnish Collectorate-wise details of cases along with the names of the assessee, Personal Ledger Account Numbers, dates of removal etc. and that on receipt of this data, it would be possible to verify facts from the Collectorates and complete the action.

29. From the facts stated above it is abundantly clear that the offences of removal of excisable goods without filing price lists and clearances without getting prior approval of the price lists, wherever necessary, are, presently, not dealt with by the department in a manner as envisaged in the Central Excise Law. The explanation offered by the Ministry for not initiating adequate penal action in such cases by seeking to draw a distinction between cases with intention to defraud and without such intention has not been supported by relevant facts. Apparently, the existing system of records prevailing neither in the Collectorates nor in the Board keep track of either such offences or the consequent penal action if any, is launched and its results. The Committee are constrained to observe that this is a highly unsatisfactory state of affairs which needs to be remedied. They recommend that the Ministry of Finance would look into the same and take suitable steps to ensure that the offences of clearance of excisable goods without filing price lists and without getting prior approval, wherever necessary, would be dealt with adequately in accordance with the provisions of the Law and it should be methodically monitored on a regular basis at a central level in the Board/Ministry.

30. The Committee would further like to have a detailed report on the penal action taken and penalties imposed on cases of violations reported in the Report of C and AG in respect of clearances of excisable goods without filing price lists and clearances without getting prior approval of price lists. The Committee consider it unfortunate in this connect that steps were not taken by the Ministry to collect details of cases commented by the C and AG until the Committee inquired and called for clarification. The

Committee consider such reluctant action as quite inconsistent with the responsibility that the Ministry is expected to discharge on the findings of Audit.

Delay in finalisation of Provisional Assessments

31. Rule 9B of the Central Excise Rules, 1944 provides for provisional assessment to duty being made under certain circumstances, stated therein, namely pending the production of any documents, furnishing of any information or completion of any test or inquiry. There is no statutory time limit fixed for finalisation of provisional assessments. The Central Board of Excise and Customs, however, issued instructions in March 1976 to the effect that provisional assessments both on account of classification and valuation, should be finalised normally within a period of three months and in any case not later than six months. These orders were reiterated in subsequent instructions issued in October 1980.

32. Rule 173CC permits an assessee to remove excisable goods in cases mentioned in that rule pending approval by the proper officer of the price lists. The duty paid on such goods is also deemed to be the duty assessed provisionally under Rule 9B of Rules *ibid*.

33. The Public Accounts Committee on several occasions in the past had adversely commented upon the delays in finalisation of provisional assessments.

34. According to Audit a review of records maintained in 25 collectorates disclosed that 5,732 provisional assessment cases were pending finalisation on 31 March 1987. In 1,713 cases the duty involved was Rs. 349.08 crores. In the remaining 4,019 cases the duty effect could not be ascertained; of these, 3,863 cases had been pending for over a year in twenty collectorates. Information in respect of remaining four collectorates could not be ascertained.

35. The oldest provisional assessment case was pending in Bhuvanewar collectorate (1970) followed by Trichy collectorate (1978-79). In Coimbatore and Madurai collectorates some of the cases had been pending since 1980-81. In Madras Collectorate, the oldest case pertained to the year 1982-83.

36. During evidence, the Chairman, Central Board of Excise and Customs stated that as on 30 September 1988 1016 cases of provisional assessments were pending, out of which only 799 cases involving duty of about Rs. 22 crores were pending for more than six months.

The Ministry of Finance (Department of Revenue) attributed the pendency mainly to the linking of issues with Court cases or appeals filed in Tribunal. At the instance of the Committee, the Ministry in a post-evidence note furnished the following break-up of cases showing category-wise reasons for the non-finalisation in respect of the 799 cases of provisional assessments:

	No. of cases
(i) Pending due to issue pending with courts, CEGAT and appellate authorities;	239
(ii) Pending due to non-approval of classification lists/price lists	235
(iii) Due to non-receipt of Chemical Examiner's report	19
(iv) Due to certain information/documents awaited from assesses	136
(v) Cases where price escalation clause exist in the contracts between the assessee and the buyer	12
(vi) Other reasons (such as pending due to issue linked up with adjudication proceedings, information from other collectorates awaited, contract not over/turnkey projects, units under closure etc.)	158
	799

37. As per instructions issued by the Central Board of Excise and Customs on 26 October, 1979, the Collectors are required to review the provisional assessment cases pending finalisation for more than three months. The Committee enquired about those reviews in the context of the pendency reported in the finalisation of provisional assessments. In reply, the Ministry merely stated that the Collectors reviewed the provisional assessments pending finalisation for more than three months without indicating the details. When asked how the Board/ Ministry monitored over the years whether the review by the Collectors was not only undertaken but also was effective, the Ministry of Finance (Department of Revenue) in a note furnished after evidence stated that the Collectors are required to send a quarterly report to the Director General of Inspection (Customs & Central Excise) indicating the reasons for pendency of provisional assessments and the progress made in the said quarter and that the Director General of Inspection in turn, with his observations, submits a consolidated report of all the Collectorates to the Board for information and necessary action. According to the Ministry, the performance of the Collectors in this regard is examined by the Board and suitable directives

are issued from time to time to the Collectors, where pendency is not adequately justified.

38. On being asked whether the delay in finalisation of provisional assessment cases did not lead to harassment of assessee and also in not safeguarding the interests of the ultimate consumer as a result of the excess burden of Central Excise duty, the Ministry admitted that delay in finalisation of provisional assessments results in adverse consequences.

39. The Committee have time and again emphasised the need for prompt finalisation of cases of provisional assessments. They regret to note that even now a large number of cases involving substantial revenue are pending finalisation beyond the stipulated period. The Ministry of Finance have attributed the pendency mainly to the linking of issues with the Court cases or appeals filed in Tribunal. However, on a scrutiny of the break-up of the total 799 cases outstanding for more than six months, it is seen that only 239 cases are pending with Courts and Tribunal etc. Evidently, majority of the cases are held up due to the departmental delays only. Obviously, the instructions issued by the Board to the Collectorates have not made any perceptible impact. The Committee deplore this. They desire that the Ministry of Finance should adopt a serious attitude and enquire into the reasons for the delay and take effective steps in order to ensure timely finalisation of provisional assessments.

Other irregularities

40. The Audit paragraph also highlights, certain other irregularities relating to filing and approval of price lists. They are: non-finalisation of cases where duty was paid under protest (duty involved Rs. 210.07 crores), non-filing of revised price lists/declarations (duty involved Rs. 3.40 crores), irregular permission granted for filing of price lists every month after the removal of excisable goods, sale of goods through related persons and non-filing of the price list in the proper form (duty involved Rs. 27.43 lakhs).

41. The Committee would like to have a further report indicating the latest position and the system improvement effected in the above mentioned areas of deficiencies.

Functioning of Classification and Valuation Cells

42. Classification lists and Price lists of excisable commodities subject to *ad valorem* assessment received from various manufacturers for approval of the Central Excise department are required

to be checked by the classification and Valuation Cells attached to various Collectorates. The Classification and Valuation Cells are required to collect intelligence especially on wholesale and retail prices in important markets and from other sources for the purposes of comparison in individual case of sales to related person, to study appointment of sole selling agents|distributors|sub-distributors/dealers by the manufacturers, etc. for the purposes of determining the value of excisable commodities. In the context of the Audit Paragraph under examination, the Committee attempted an evaluation of the working of the Valuation Cells. The position emerging out from an analysis of the data made available to the Committee is indicated in the following table:

	1984-85	1985-86	1986-87
	Rs.	Rs.	Rs.
No. of mistakes detected in the classification lists/price lists checked by the cells.	2717	3082	3958
No. of cases where additional duty recovered	130	164	255
Percentage of survival of objections.	4.78	5.32	6.44
Amount of duty collected (in lakhs)	65.60	101.24	176.05
Amount of expenditure incurred on valuation cells (in lakhs)	47.05	56.72	68.51
Percentage of cost of establishment to Addl. duty collected	71.72	56.02	38.91

43. The Committee drew attention to the poor performance of the Valuation Cells. The Secretary, Ministry of Finance (Department of Revenue) admitted in evidence that the valuation cells did not appear to be functioning properly and this was one of the main reasons for the delay in approving the price lists. In a note furnished after evidence, the Ministry of Finance (Department of Revenue) stated that measures to make evaluation cells more effective are under examination.

44. The Committee are unhappy about the dismal performance of the Valuation Cells. Evidently, the Cells have not produced tangible results commensurate with the expenditure incurred on them. The Committee therefore, recommend that the Ministry of Finance should analyse the reasons for the inefficient functioning of the Valuation Cells and take corrective steps so that they make

meaningful contributions in the valuation of excisable commodities and thereby prompt finalisation of assessments.

Valuation of excisable commodities

45. As stated elsewhere in the Report, Section 4 of the Central Excises and Salt Act, 1944 deals with the valuation of excisable goods for the purposes of charging the duty of excise in *ad valorem* assessments. The provisions of Section 4 has been interpreted by the Supreme Court in a series of judgements. In the written information furnished to the Committee as also during the course of evidence the Ministry of Finance (Department of Revenue) put forth their difficulties arising out of the varying interpretations. Problems often arise as to the applicability of the Courts judgements to the specific situations. This was one of the main reasons for the delay in the finalisation of price lists. Even now the issue has not been settled. A Review Petition filed by the department against the judgement of the Supreme Court in one case (Madras Rubber Factory) is still pending. During evidence, the representatives of the Ministry of Finance agreed that Section 4 had to be simplified. The decision in the MRF Review petition, in their view, might settle many of the issues. The Ministry, therefore, had no proposal now to amend Section 4 before the decision of the Supreme Court in the Review Petition in MRF case.

46. Referring to the intricacies involved in the valuation of excisable commodities for the purposes of charging the duty of excise, the Chairman, Central Board of Excise and Customs stated during evidence that the easiest thing was to go in for specific rate of duty from which about 70 per cent of revenue was being earned. Elaborating the point further, the Member, Central Board of Excise and Customs stated that one of the steps being taken by the department was to shift over to specific rates of duty, wherever it was found that valuation was becoming complicated and difficult to administer.

47. The Committee take note of the situation arising out of the different judgements of the Supreme Court on the interpretation of Section 4 of the Central Excises and Salt Act, 1944 relating to valuation of excisable commodities. They, however, are not inclined to agree with the Ministry's decision to wait till the final judicial pronouncement for removing the ambiguities and simplifying the law. The Committee would like the Ministry to examine the feasibility of incorporating suitable amendments to Section 4 so as to remove the ambiguities and make it simpler without waiting

for the judgement of the Supreme Court in the pending case, keeping in view the practical requirements and experience, modern conditions of production and sale of manufactured goods.

48. The Committee would like to be informed of the outcome in the MRF Review Petition.

49. The Committee further note that 70 per cent of the Central excise revenue is currently being earned in terms of specific rates of duty. It has also been brought to the notice of the Committee that administration was simpler and less complicated in the case of specific rates of duty. The Committee trust that shifting from ad valorem rates to specific rates will be carried out with utmost caution so that the all important consideration of revenue is not lost sight of in the process.

Evasion of Excise duty on cigarettes

50. The Audit Paragraph refere to a case of alleged evasion of excise duty by North East Tobacco Company, Guwahati manufacturing cigarettes on behalf of Golden Tobacco Company. According to Audit the adjusted sale price of cigarettes was approved on 22 April 1986 as Rs. 170 per thousand cigarettes and duty at the rate of Rs. 125 per thousand cigarettes which was effective from 28 February 1986. However, local verification of sale price of the cigarettes conducted by the department and reported to the concerned Assistant Collector on 4 April 1986 disclosed that the assessee sold the cigarettes at prices ranging from Rs. 187.50 to Rs. 200 per thousand.

51. As the actual sale price was more than Rs. 170 per thousand, the correct rate of duty applicable to these cigarettes was Rs. 225 per thousand and not Rs. 125 per thousand. Neither any action against the assessee for declaring lower adjusted sale price was taken nor was the effective rate of duty increased by the department. This resulted in evasion of duty amounting to Rs. 2.94 crores on 2,94,012 crores cigarettes cleared during the period from March 1986 to February 1987.

52. In their initial note furnished to the Committee, the Ministry of Finance (Department of Revenue) maintained that there was no question of short-levy because for revision of the adjusted sale price either there shuld be a flow back of money from the retail seller to the manufacturer or the manufacturer should have caused the sale of cigarettes at a price more than the adjusted sale price declared by the assessee.

53. However, during evidence, the Secretary, Ministry of Finance (Department of Revenue) stated that the case is being reviewed. In a subsequent note revising their earlier stand the Ministry stated that independent of the fact whether or not there is a flow back, in case it is established that the manufacturer has directly or indirectly caused the retail sale of the cigarettes at prices higher than the sale price declared on the cigarette packets, the matter calls for investigation. As the margin of profit of the retailers in this case appears to be insufficient, the Ministry stated that the Director General (Anti-Evasion) has been asked to conduct further investigation in the matter.

54. The Committee have been informed that North East Tobacco Company was a joint venture of the Assam Industrial Development Corporation under the management of Golden Tobacco Company. NETCO was stated to be not operating now.

55. The Committee recommend that the inquiry be completed and action initiated expeditiously to realise the duty and other dues. They trust that even though the factory is not operating now, necessary steps would be taken to recover the governmental dues from the main company on whose behalf they were operating and/or other-wise concerned. The Committee would like to be apprised of the further developments.

56. The Committee's attention has been drawn to the fact that a similar case of alleged evasion involving the same assessee was detected earlier also. Explaining the background of that case, the Member, Central Board of Excise and Customs stated during evidence that the factory when started operating in February 1985, declared a price of Rs. 80 only as adjusted sale price. After a month, they declared it as Rs. 90. On the basis of the departmental investigation in September 1985 it was found that the actual sales price was more and the party was asked to pay duty on the basis of the price of Rs. 125. A show cause notice was issued on 24 February 1986 demanding duty of Rs. 43 lakhs. The case was adjudicated on 16 October, 1987 confirming the above demand of duty and imposing a penalty of Rs. 1 lakh on NETCO and Rs. 1 lakh on GTC. The party then approached the Guwahati High Court and obtained a stay order. The case is still pending.

57. The Committee pointed out that in a case of alleged mis-declaration involving duty of Rs. 43 lakhs, a penalty of only Rs. 1 lakh was imposed by the adjudicating authority. When asked to explain why such a low amount of penalty was imposed and the relevant provisions of the law, the Ministry of Finance in a note furnished after evidence stated that the adjudicating authority found that there were clear violations of Rule 9(1) on 60 occasions.

A maximum amount of Rs. 2,000/- only was imposable as penalty under Rule 9(2) of the Central Excise Rules 1944 for each violation at the relevant point of time and therefore a total penalty of Rs. 1 lakh each on M/s. NETCO and GTC under Rule 9(2) has been imposed. The penalty imposed in this case, according to the Ministry, could be considered to be adequate considering the fact that a maximum penalty of Rs. 1.20 lakhs only could be levied in this case.

58. On enquiry by the Committee, the Ministry informed that there were provisions in the Central Excise Law to review the adjudication orders. Under Section 35 of the Central Excises & Salt Act, 1944 the Central Board of Excise & Customs may review the adjudication orders passed by the Collectors of Central Excise for the purpose of satisfying itself as to the legality or propriety of any such decision or order. In pursuance of these provisions orders passed by the Collectors are scrutinised in the Board's office and wherever Board is of the opinion that the order under scrutiny calls for modifications, suitable directions are issued to the Collectors to file appropriate appeals before the CEGAT.

59. Similarly power of review vests with the Collector for order passed by officers who are subordinate to him.

60. When asked whether the Ministry envisaged any amendment to the Central Excise Law in order to provide a more meaningful relationship between the quantum of penalty and the extent of violation so that it acts as a deterrent to evasion of duty, the Ministry in a post-evidence note stated that provisions have already been made in the Central Excise Law by adding Rule 209A in the Central Excise Rules 1944.

61. Rule 209A provides that any person who acquires possession of, or is in any way concerned in transporting; removing, depositing, keeping, concealing, selling or purchasing, or in any other manner deals with any excisable goods which he knows or has reasons to believe are liable to confiscation under the Act or Rules shall be liable to a penalty not exceeding three times the value of such goods or five thousand rupees, whichever is greater.

62. The Committee cannot but observe that irrespective of its outcome in the court of law, the amount of penalty imposed by the adjudicating authority in the present case was not proportionate with the extent of the alleged evasion of duty. The Ministry of Finance have justified the adequacy of the amount of penalty on the ground that it was the maximum that could be awarded under the existing provisions of the Central Excise law.

The Committee are greatly surprised over this. They are constrained to observe that imposition of such minor penalties would in no way act as a deterrent to evasion of duty. The committee would, therefore, like Government to define a more meaningful relationship in the Central Excise law between the quantum of penalty and the extent of violation so that it acts as a strong deterrent to evasion of central excise duty.

63. At the instance of the Committee the Ministry of Finance (Department of Revenue) have furnished details of alleged evasion of duty by 10 cigarette manufacturers where retail prices were higher than the printed prices in respect of which Government have initiated action.

64. During evidence, the Member Central Board of Excise and Customs stated that the department was expecting to collect about Rs. 1,200 crores on that account. The matter was reported to be pending before Courts/adjudicating authorities.

65. The Committee trust that the action initiated against the alleged evasion of excise duty on cigarettes will be vigorously pursued to their logical conclusions and no efforts would be spared to realise the legitimate dues of the Government. The Committee would like to be apprised of further developments in each of these cases.

Accrual of fortuitous benefits

66. Under the Central Excise Law, excise duty is to be paid before excisable goods are removed from the factories. The assessee realises from their customers a price which is inclusive of such duties paid by them. Manufacturer of excisable goods may become entitled to refunds of duty paid, if such goods are subsequently held to be non-excisable or found eligible to concessional rate of duty. In such cases, the refunds allowed to the manufacturers are obviously retained by them and cannot be returned to the buyers from whom the duty element has already been collected at the time of sale. These refunds, thus constitute unintended/fortuitous benefits to the manufacturers.

67. The issue of accrual of unintended/fortuitous benefits to the manufacturers of excisable commodities had engaged the attention of the Public Accounts Committee on several earlier occasions. Time and again the Committee have emphasised the need to check such unjust enrichment of the assessee at the cost of the ultimate consumers.

68. In an earlier section of this Report, the Committee have noted that in 21 cases an amount of Rs. 82.97 lakhs was refunded to the assesseees on finalisation of 19,902 out of the 22,289 price lists which were pending approval on 31 March 1987 in 28 Collectorates. Against this background, the Committee further took up the matter for consideration. The Member, Central Board of Excise and Customs stated during evidence that it was something which the Department did not want to happen and they were contemplating some action at the earliest. In a note furnished subsequently, the Ministry of Finance (Department of Revenue) stated that a proposal containing legislative measures to stop unintended benefits to the manufacturers of excisable goods arising out of refund of duty has been sent to Ministry of Law for examination and concurrence.

69. The Committee hope that Government would come forward with legislation at the earliest to check accrual of unintended/fortuitous benefits to manufacturers of excisable commodities arising out of refund of excise duty. They desire to be informed of the further action taken in the matter.

NEW DELHI;
 April, 4, 1989
 Chaitra 14, 1911 (S)

AMAL DATTA
 Chairman,
 Public Accounts Committee.

} APPENDIX I

| (vide para 10)

Paragraph 2.04 of the report of the Comptroller and Auditor General of India for the year ended 31 March 1987, No. 5 of 1988, Union Government (Revenue Receipts-Indirect Taxes)

Union Excise Duties—

Price lists

Introduction

Rule 173C of the Central Excise Rules, 1944, prescribes that every assessee who produces, manufactures or warehouses excisable goods chargeable to duty at a rate dependent on the value of goods should file with the proper officer, a price list.

Rule 173C(2) requires the assessee to get the price list approved before clearance of excisable goods in cases mentioned therein. In other cases an assessee can commence clearance of excisable goods after filing the price list with the department without getting its formal approval from the proper officer.

According to the amended provision of Section 4 of the Central Excises and Salt Act, 1944, the value is deemed to be the normal price at which the excisable goods are ordinarily sold by the assessee to a buyer in the course of wholesale trade for delivery at the time and place of removal, where the buyer is not a related person and the price is the sole consideration for the sale.

The first declaration regarding the price should be submitted in quadruplicate in the prescribed proforma. Thereafter every assessee is to file a declaration in the said proforma, once every year, say, at the commencement of each financial year or each accounting year followed by him irrespective of whether or not there is any change in the declaration furnished by him previously. But, if during the currency of the approved prices, there is any alteration on the basis of valuation or pattern of sales, etc. the assessee should communicate the alteration to or file a new proforma with the proper officer.

Scope of audit

The price lists are checked in audit to see that:

- (i) the price lists are in the prescribed form and contain all the information necessary for arriving at the correct prices;
- (ii) the prices approved are under Section 4(a) or Section 4(b) of the Act, after verification and the conditions prescribed are fulfilled. It is specifically seen with the help of other commercial records as to whether sales to any category or class of persons involve any additional considerations received directly or indirectly by the assessee and if so, whether such additional consideration was reflected in the valuation given in the price list;
- (iii) the discount shown agrees with the quantum of discounts actually allowed;
- (iv) where the prices are on cost basis an element of profit is added thereto;
- (v) in the case of contract prices where whole sale market does not exist, the contracts are genuine and are not vitiated by any special relationship between the contracting parties;
- (vi) abatement of duty is calculated correctly.

Highlights

An appraisal of price lists received in 28 Central Excise Collectorate was conducted. The results of appraisal are contained in the succeeding paragraphs which highlights the following:

- (i) Delay in approval of price lists.
- (ii) Clearance of excisable goods without filing price lists (duty involved Rs. 34.20 crores).
- (iii) Clearance of excisable goods without getting the price lists approved (duty involved Rs. 80.90 crores).
- (iv) Delay in finalisation of provisional assessments (duty involved Rs. 349.08 crores).
- (v) Non finalisation of cases where duty was paid under protest (duty involved Rs. 210.07 crores).

(vi) Non filing of revised price lists/declarations (duty involved Rs. 3.40 crores).

(vii) Other irregularities (short levy of duty of Rs. 3.21 crores).

(i) *Delay in approval of price lists*

The Government of India in their circular dated 13 December, 1976 have prescribed following time limits for approval of different categories of price lists by the department:

Category	Time limit
(a) In normal cases whereon further details are necessary . . .	15 days
(b) Where chemical examiner's report is required . . .	1 month
(c) Where further hearing or further study is called for . . .	2 months
(d) Where verification of invoices is called for . . .	3 months

During the years 1984-85 to 1986-87, 8,92,497 price lists were received in 28 collectorates. Out of these, 22,289 price lists were pending approval on 31 March 1987. There were delays ranging from 3 months to one year in the approval of 89,539 price lists. This worked out to about 10 per cent of the total price lists received. (The collectorate-wise details showing the delays in approval of price lists are given in annexure 2.4).

The Ministry of Finance stated (October, November and December 1987) that the delay in approval of price lists was generally due to late submission of written contracts/requisite information, cost data, verification of deductions/post-manufacturing expenses/margin of profit etc. They added that during 1986-87 the new Tariff was introduced and approval of classification list was often delayed due to complete change in the Tariff structure. The delay in approval of classification lists led to delay in the approval of price lists.

(ii) *Clearance of excisable goods without filing price lists*

Sub-rule (1) of Rule 173-C of the Central Excise Rules, 1944, requires that every assessee who produces, manufactures or warehouses excisable goods chargeable to duty at a rate dependent on the value of the goods, should file with the proper officer for his

approval, a price list in the prescribed proforma. However, under sub-rule (11) of the rule *ibid*, the Collector may allow clearance of goods on the basis of prices declared on gate passes keeping in view the market fluctuations and nature of goods. Further under sub-rule (2) of the said rule prior approval of the proper officer is necessary only under specified circumstances. However, it is an offence to clear the goods without filing the price list with the department.

A test check of range records in 18 collectorates revealed that 499 assesseees cleared goods involving duty of Rs. 34.20 crores during the years 1984-85 to 1986-87 without filing price lists. Eight of these cases were decided by the department by imposing penalty. In other forty-four cases the offences were booked against the assesseees which were pending adjudication. Action taken in the remaining 447 cases was not received (October 1987). (Collectorate-wise and year-wise details of these cases are given in Annexure 2.5).

The Ministry of Finance stated (October, November and December 1987) that offence cases booked against six assesseees in Nagpur collectorate had been finalised and penalty imposed on them. In respect of another 421 cases in ten collectorates, they added that appropriate action such as booking of offences cases was taken for contravening of provisions of Rule 5. Reply in the remaining cases has not been received (December 1987).

(ii) *Clearance of excisable goods without getting the price lists approved*

As per Rule 173C(2), prior approval of price lists is necessary only where the assessee:—

- (a) sells goods to or through related persons; or
- (b) uses such goods for manufacture or production of other goods in his factory; or
- (c) clears such goods for free distribution; or
- (d) clears such goods in any other manner which does not involve sale to non-related persons; or
- (e) clears the goods of the same kind and quality from his factories located in the jurisdiction of different Collectors of Central Excise or Assistant Collectors of Central Excise; or
- (f) when the revised price list has the effect of lowering the existing assessable value.

It was noticed in audit that in the following 6,678 cases in 19 collectorates where the prior approval of the price lists was necessary, excisable goods involving duty of Rs. 89.90 crores were cleared during the years 1984-85 to 1986-87 without getting the price lists approved by the department.

Year	No. of cases	Amount of duty (In crores of rupees);
1984-85	2,168	23.67
1985-86	2,533	32.82
1986-87	1,977	33.41
	6,678	89.90

(Collectorate-wise details are given in Annexure 2.6).

In 54 out of 68 cases relating to Jaipur and Belgaum collectorates, the department admitted the clearance of excisable goods without obtaining prior approval of the price lists as pointed out in audit and booked offence cases. Action taken in the remaining 14 cases was not intimated (October 1987).

As regards remaining 6,610 cases in the other 17 collectorates it was not known whether any action was taken by the department against the assesseees for clearing the goods without getting the price lists approved.

In respect of 2,517 cases in ten collectorates the Ministry of Finance stated (December 1987) that appropriate action such as booking of offence cases was taken for contravention of some provisions of rules.

The reply from the Ministry of Finance in the remaining cases has not been received (December 1987).

(iv) *Delay in finalisation of provisional assessments.*

Rule 9B of the Central Excise Rules, 1944, provides for provisional assessment to duty being made under certain circumstances, stated therein, namely pending the production of any documents, furnishing of any information or completion of any test or inquiry. There is no statutory time limit fixed for finalisation of provisional

assessments. The Central Board of Excise and Customs, however, issued instructions in March 1976 to the effect that provisional assessments both on account of classification and valuation, should be finalised normally within a period of three months and in any case not later than six months. These orders were reiterated in subsequent instructions issued in October 1980.

Rule 173CC permits an assessee to remove excisable goods in cases mentioned in that rule pending approval by the proper officer of the price lists. The duty paid on such goods is also deemed to be the duty assessed provisionally under Rule 9B of Rules *ibid*.

A review of records maintained in 25 collectorates disclosed that 5,732 provisional assessment cases were pending finalisation on 31 March 1987. In 1,713 cases the duty involved was Rs. 349.08 crores. In the remaining 4,019 cases the duty effect could not be ascertained. Of these, 3,863 cases had been pending for over a year in twenty collectorates. Information in respect of remaining four collectorates could not be ascertained. (The collectorate-wise details of pending provisional assessment cases are given in Annexure 2.7). The non-finalisation of provisional assessment cases was attributed to disputes in respect of post-manufacturing expenses; non submission of sale invoices; classification of goods; non-inclusion of margin of profit in respect of goods captively consumed; escalation clause in contract; non-submission of cost data, etc. Some of these cases were under adjudication by courts, CEGAT and departmental officers.

The oldest provisional assessment case was pending in Bhubaneswar collectorate (1970) followed by Trichy collectorate (1978-79). In Coimbatore and Madurai collectorates some of the cases had been pending since 1980-81. In Madras collectorate the oldest case pertained to the year 1982-83.

The Ministry of Finance stated (October and December 1987) that twelve cases relating to Chandigarh and Nagpur collectorates, had been disposed of and the concerned formations in Chandigarh collectorate had been directed to finalise remaining 42 cases on top priority basis. They added that a general reduction in pendency had been reported by the Shillong, Bangalore, Belgaum, Patna, Bhubaneswar, Jaipur and Cochin collectorates.

The reply of the Ministry of Finance in respect of remaining collectorates had not been received (December 1987).

(v) *Non-finalisation of cases where duty was paid under protest*

As per Rule 173C(8), if the assessee disputes the price list approved by the departmental officer, he may pay duty under protest on the basis of price list approved by such officer after giving him an intimation to that effect. Rule 233B embodies the procedure to be followed in such cases. The assessee paying duty under protest will not, however, be barred from claiming refund of excess duty, if any, paid by him even after a period of six months from the date of clearance of the goods by the limitation under the Central Excises and Salt Act, 1944.

A test check of range records in 25 collectorates revealed that in the following 2,948 cases, duty amounting to Rs. 210.07 crores was paid under protest during the years 1984-85 to 1986-87.

(In Crores of Rupees)		
Year	No. of cases	Amount
1984-85	881	113.92
1985-86	854	36.02
1986-87	1,213	60.13
	2,948	210.07

(Collectorate-wise details are given in Annexure 2-8).

In Delhi collectorate duty amounting to Rs. 139.02 crores was paid under protest by the nine assesseees on account of non-settlement of disputes in regard to inclusion of post manufacturing expenses, cost of tool-kits and service charges in the assessable value. Out of this, Rs. 97.81 crores pertained to the year 1984-85.

The records maintained in Shillong collectorate did not disclose as to whether the procedure for payment of duty under protest as laid down in Rule 233-B was followed in 151 cases involving duty amounting to Rs. 11.28 crores.

In Nagpur collectorate duty amounting to Rs. 2.43 crores was paid under protest in eleven cases during the years 1985-86 and 1986-87. The Ministry of Finance stated (October 1987) that in

these cases the parties have filed appeals before Collector (Appeals)/ CEGAT.

In another 911 cases relating to nine other collectorates the Ministry of Finance stated (December 1987) that there had been general reduction in pendency. They added that there could not be any revenue loss, as the respective matters had not been decided one way or the other. Reply of the Ministry in the remaining cases had not been received (December 1987).

(vi) *Non-filing of revised price lists/declarations*

(a) The first list regarding price is to be filed by every assessee in a prescribed proforma under the provisions of Rule 173C of the Central Excise Rules, 1944. Thereafter a price list has to be filed as and when there is any change in prices or in marketing pattern. However, a declaration has to be filed once every year (at the commencement of the financial year or at the close of accounting year followed by him) even if there is no change in the price earlier declared.

A test check of range records in five collectorates revealed that in 80 cases involving duty of Rs. 2.78 crores, declarations were not filed every year as required. Information in respect of other 17 collectorates was not available with the department.

(in crores of rupees)		
Year	Cases	Amount
1984-85	24	0.9 ₈
1985-86	26	1.0 ₇
1986-87	30	0.7
	80	2.7 ₃

(Collectorate-wise details are given in Annexure 2.9)

The Ministry of Finance stated (December 1987) that wherever there was contravention of some provisions of rules, appropriate action such as booking of offence cases was taken, keeping in view the gravity of situation and possible loss of revenue.

(b) If during the currency of the approved prices, there is any alteration in the basis of valuation or the pattern of sale, etc., the assessee is required to communicate the alteration to, or file a new price list with the proper officer.

Three assesseees in Bangalore collectorate revised the prices of the excisable products produced by them during the year 1984-85 and 1985-86, but they cleared these goods without filing revised price lists. The duty involved in the three cases amounted to Rs. 62.13 lakhs.

The Ministry of Finance stated (December 1987) that wherever there was contravention of some provisions of rules, appropriate action such as booking of offence cases was taken, keeping in view the gravity of situation and possible loss of revenue.

(vii) *Other Irregularities*

(a) A composite textile mill under the jurisdiction of the Madurai collectorate was permitted by the Collector of Central Excise (October 1983) to file at the end of each month a computerised price list supported by sales invoices, terms of contracts etc. in respect of all the goods cleared by them during the month. While the Central Excise Rules vested discretion in the collectorate to exempt units from filing price lists under certain circumstances, like frequent fluctuation of market price or the nature of goods and adopt the price in the gate pass or challan accompanying a particular wholesale consignment for payment of central excise duty, no provision exists in the Central Excise Rules for permitting any assessee to file price lists for all the goods cleared after the clearance of goods were affected.

(b) Two assesseees, one each in Coimbatore and Madurai collectorates, sold goods through related persons, but did not file the price lists in Part IV applicable to sales through related persons. Action was initiated directing the assessee to file the price list in appropriate part. In one case, the differential duty involved as a consequence of not filing the price list in the proper form was Rs. 27.43 lakhs. The duty involved in other case pertaining to Madurai collectorate could not be quantified.

The Ministry of Finance stated (December 1987) in cases (a) & (b) above that wherever there was contravention of some provisions of rules, appropriate action such as booking of offence cases was

taken keeping in view of the gravity of situation and possible loss of revenue.

(c) An assessee manufacturing cigarettes in Shillong collectorate, cleared them during the period 1984-85, 1985-86 and 1986-87 on payment of duty of Rs. 785.19 lakhs under protest as under:

Year	Duty paid
	Rs.
1984-85	13,03,704
1985-86	3,58,76,516
1986-87	4,13,38,500
Total	7,85,18,720

The assessee being aggrieved of the fixation of adjusted sale price by the department, filed three refund claims which were rejected by the jurisdictional Assistant Collector on the ground that the Government had fixed specific rate of duty for cigarettes on the basis of slabs determined by adjusted sale price as defined in the explanation to notifications dated 1 March, 1983, 4 August, 1984, 25 March, 1985, 24 May 1985 and 2 September 1985.

Thereupon the assessee filed a case in a High Court challenging the validity of aforesaid notifications regarding fixation of adjusted sale price as against value required to be determined under Section 4 in respect of excisable goods assessable to duty ad valorem. The case was sub judice (December 1987).

It was further noticed that the adjusted sale price of cigarettes was approved on 22 April, 1986 as Rs. 170 per thousand cigarettes and rate of duty at the rate of Rs. 125 per thousand cigarettes which was effective from 28 February 1986. However, local verification of sale price of the cigarettes conducted by the department and reported to the concerned Assistant Collector on 4 April, 1986 disclosed that the assessee sold the cigarettes at prices ranging from Rs. 187.50 to Rs. 200 per thousand.

As the actual sale price was more than Rs. 170 per thousand, the correct rate of duty applicable to these cigarettes was Rs. 225 per

thousand and not Rs. 125 per thousand. Neither any action against the assessee for declaring lower adjusted sale price was taken nor was the effective rate of duty increased by the department. This resulted in evasion of duty amounting to Rs. 2.94 crores on 2,94,012 crores cigarettes cleared during the period from March 1986 to February 1987.

The Ministry of Finance stated (December 1987) that wherever there was contravention of some provisions of rules, appropriate action such as booking of offence cases was taken, keeping in view of the gravity of situation and possible loss of revenue.

ANNEXURE 2.4

Delay in approval of pricelists
[See para 2.04 (i) of this Report]

Sl. No.	Collectorate	No. of price lists actually received				No. of price lists approved beyond time limit after			No. of price lists pending on 31-3-1987
		1984-85	1985-86	1985-86	1986-87	3 months	6 months	1 year	
1	2	3	4	5	6	7	8	9	10
1	Bombay-I	39,830	43,684	41,327	1,24,891	3,912	786	19	1,902
2	Bombay-II]	22,576	32,057	40,698	95,331	14,668	3,528	174	1,995
3	Bombay-III	17,903	24,125	33,989	76,017	12,187	11,086	1,144	5,166
4	Pune	10,403	12,638	15,993	39,039	6,896	221	10	1,185
5	Aurangabad	9,249	11,338	15,082	35,669	1,341	127	7	103
6	Goa	N.A.				N.A.			
7	Calcutta-I	N.A.				N.A.			
8	Calcutta-II (WB)	N.A.				N.A.			
9	Bolpur	N.A.				N.A.			
10	Delhi	7,945	13,009	18,804	39,758	2,574	475	47	794
		944	761	4,245	5,950	94	..	..	323
11	Shillong	513	579	776	1,868	145	203	143	1,034
12	Hyderabad	7,004	8,755	12,485	28,244	2,240	216	2	828
13	Guntur	1,636	1,519	1,342	4,547	624	86	17	2
14	Patna]	2,598	2,879	3,431	8,908	661	390	44	593

45,246	46,350	1,34,617	8	16	1	598
21,499	26,757	65,372	144	212	17	289
2,729	2,460	7,799	64	20	1	36
269	278	774	64	37	42	114
456	617	1,456	142	48	1	98
8,793	8,477	23,656	841	176	9	314
3,852	4,838	12,343	549	241	99	1,727
13,157	20,663	42,114	2,390	1,651	109	1,432
1,380	1,666	4,688	762	56	7	39
6,772	7,733	21,347	1,000	253	6	883
2,207	2,815	7,853	714	1,235	221	340
1,336	922	3,072	733	464	423	149
4,765	5,897	13,468	N.A.	238	..	37
11,531	10,121	36,665	..	530	..	616
6,170	8418	20,915	759	184	3	94
1,942	2,269	6,638	18	33	19	134
2,289	3,809	7,605	..	7	..	105
6,561	11,142	21,893x	835	181	299	1,154

31

2,92,298	3,53,409	8,92,497	63,975	22,700	2,864	22,289
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ANNEXURE 2.5

Clearance of excisable goods without filing price lists

[See para 2.04 (ii) of this Report]

Sl. No.	Collectorate	1984-85		1985-86		1986-87		Total	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1	2	3	4	5	6	7	8	9	10
			(Rs. in lakhs)		(Rs. in lakhs)		(Rs. in lakhs)		(Rs. in lakhs)
1	Bombay-I	—	N.A.	..	..	..	..	..	..
2	Bombay-II	—	N.A.	..	..	..	..	..	..
3	Bombay-III	—	N.A.	..	..	..	..	..	..
4	Pune	—	N.A.	..	..	..	..	..	..
5	Aurangabad	—	N.A.	..	..	..	..	..	..
6	Goa	—	N.A.	..	..	..	..	..	..
7	Calcutta-I	—	N.A.	..	..	..	..	..	..
8	Calcutta-II (WB)	—	N.A.	..	..	..	..	..	..
9	Bolpur	—	N.A.	..	..	..	..	..	..
10	Delhi	2	0.01	1	0.01	3	13.43	6	13.45

11	Shillong	.	.	.	.	.	.	.	..
12	Hyderabad	.	.	.	.	.	.	.	..
13	Guntur	.	.	.	.	.	.	.	..
14	Patna	.	.	.	.	.	.	.	1
15	Ahmedabad	.	.	.	.	.	.	.	..
16	Baroda	.	.	.	.	.	.	.	1
17	Rajkot	.	.	.	.	.	.	.	2
18	Chandigarh	.	.	.	.	.	.	.	..
									1
19	Cochin	.	.	.	.	.	.	.	10
20	Bangalore	.	.	.	.	.	.	.	10
21	Belgaum	.	.	.	.	.	.	.	2
22	Indore	.	.	.	.	.	.	.	..
23	Nagpur	.	.	.	.	.	.	.	..
24	Bhubaneswar	.	.	.	.	.	.	.	12
25	Jaipur	.	.	.	.	.	.	.	..
26	Madras	.	.	.	.	.	.	.	2
27	Combatore	.	.	.	.	.	.	.	1
28	Madurai	.	.	.	.	.	.	.	..
29	Trichy	.	.	.	.	.	.	.	..
30	Allahabad	.	.	.	.	.	.	.	6
31	Kanpur	.	.	.	.	.	.	.
32	Meerut	.	.	.	.	.	.	.
TOTAL									50

N.A.

N.A.

N.A.

28.91	21	152.82	126	1,770.78	148	1,952.51
..	2	0.10	4	0.02	6	0.12
1.54	..	..	144	35.21	145	36.75
N.A.,	1	1.87	8	18.44	11	20.31
..	..	..	2	1.37	2	1.37
..	9	10.85	2	37.03	12	47.88
8.90	3	6.38	6	11.48	19	26.76
119.74	12	4.17	31	141.39	53	265.30
0.15	..	..	2	0.14	4	0.29
..	5	8.38	..	..	5	8.38
..	1	0.16	5	55.31	6	55.47
7.32	12	5.11	6	9.52	30	21.95
..	..	..	7	117.22	7	917.22
0.08	3	0.13	5	0.06	10	0.27
N.A.	6	0.05	6	N.A.	13	0.05
..	1	N.A.	2	0.12	3	0.12
..	..	..	1	13.51	1	13.51
290.65	6	413.17	9	134.49	21	838.31
N.A.						
N.A.						

33

457.30	83	603.20	366	2,359.52	499	3,420.02
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ANNEXURE 2

Clearance of excisable goods without getting the price lists approved

[See para 2.04 (iii) of the report]

Sl. No.	Collectorate	Upto 1984-85		1985-86		1986-87		Total	
		No. of cases	Amount of duty	No. of cases	Amount of duty	No. of cases	Amount of duty	No. of cases	Amount of duty
1	2	3	4	5	6	7	8	9	10
		(in lakhs of rupees)		(in lakhs of rupees)		(in lakhs of rupees)		(in lakhs of rupees)	
1	Bombay-I	2	0.30	8	8.12	62	63.29	72	71.71
2	Bombay-II	8	2.09	11	0.78	99	26.71	118	29.58
3	Bombay-III	614	2.06	488	5.67	308	30.01	1,410	37.74
4	Pune	25	8.38	32	10.93	64	186.53	121	205.84
5	Aurangabad	239	2.17	325	134.34	305	96.30	869	232.81
6	Goa				N.A. —				
7	Calcutta				N.A.				
8	Calcutta-II (W.B.)				N.A.				
9	Bolpur				N.A.				
10	Delhi	655	N.A.	761	0.24	122	33.30	1,538	33.54
11	Shillong	299	22.12	523	39.85	405	31.08	1,227	93.05
12	Hyderabad . . . . .	..	..		N.A.				

13	Guntur	.	.	.	.	.	.	.	..
14	Patna	.	.	.	.	.	.	.	300
15	Ahmedabad	.	.	.	.	.	.	.	..
16	Baroda	.	.	.	.	.	.	.	..
17	Rajkot	.	.	.	.	.	.	.	..
18	Chandigarh	.	.	.	.	.	.	.	..
19	Cochin	.	.	.	.	.	.	.	9
20	Bangalore	.	.	.	.	.	.	.	1
21	Belgaum	.	.	.	.	.	.	.	..
22	Indore	.	.	.	.	.	.	.	6
23	Nagpur	.	.	.	.	.	.	.	..
24	Bhubaneswar	.	.	.	.	.	.	.	..
25	Jaipur	.	.	.	.	.	.	.	4
26	Madras	.	.	.	.	.	.	.	3
27	Coimbatore	.	.	.	.	.	.	.	3
28	Madurai	.	.	.	.	.	.	.	..
29	Trichy	.	.	.	.	.	.	.	..
30	Allahabad	.	.	.	.	.	.	.	..
31	Kanpur	.	.	.	.	.	.	.	..
32	Meerut	.	.	.	.	.	.	.	..
Total :									2,168

*Duty amount not quantified.

N.A.

2,326,01	351	3,039.52	330	2,854,67	981	8,20.20
..
..	..	..	180	3.29	180	3.29
.
..	N.A.	..	..	..	..	..
2.08	15	4.72	23	5.62	47	12.42
*N.A.	2	0.02	6	3.41	9	3.43
..	..	..	1	0.18	1	0.18
0.37	5	0.22	10	2.12	21	2.71
..
..	1	0.04	4	0.14	5	0.18
0.12	10	37.51	53	3.79	67	41.42
1.13	..	..	1	N.A.	4	1.13
0.51	..	..	3	0.48	6	0.99
N.A.	1	0.03	1	0.08	2	0.11
..
..
..
..
2,367.34	2,533	3,281.99	1,977	3,341.00	6,678	8,990

ANNEXURE 2.7

Position of cases where provisional assessment was pending finalisation on 31 March, 1987

(See para 2.04 (iv) of this Report)

Sl. No.	Collectorate	No.	Amount (in crores) 1985-86	Over a year	1986-87		Remarks
				Pending	Over 6 months	Less than 6 months	
1	2	3	4	5	6	7	8
1	Bombay-I	142	N.A.	94	N.A.	N.A.	
2	Bombay-II	80	N.A.	35	N.A.	N.A.	
3	Bombay-III	296	N.A.	296	N.A.	N.A.	
4	Pune	104	N.A.	43	N.A.	N.A.	
5	Aurangabad	103	N.A.	40	N.A.	N.A.	
6	Calcutta-I			N.A.			
7	Goa						
8	Calcutta-II						
9	Bolpur						
10	Delhi	349	46.71	265	84	N.A.	
11	Shillong	410	N.A.	55	61	294	
12	Hyderabad	177	N.A.	117	54	6	
13	Guntur	67	0.06	40	14	13	

1,182	N.A.	888	264	30
N.A.	N.A.	N.A.	N.A.	N.A.
N.A.	N.A.	N.A.	N.A.	N.A.
N.A.	N.A.	N.A.	N.A.	N.A.
39	7.21	38	1	..
1,087	N.A.	803	N.A.	N.A.
11	1.31	9	2	..
49	13.00	12	15	22
8	3.74	6	N.A.	N.A.
15	N.A.	9	N.A.	N.A.
958	206.63	893	N.A.	N.A.
35	N.A.	18	N.A.	N.A.
174	N.A.	105	39	30
214	N.A.	44	38	132
50	11.14	31	8	11
25	40.88	22	1	2
157	@18.40	N.A.	N.A.	N.A.

5,732	349.08	3,863	581	540
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ANNEXURE 2.8

Cases where duty was paid under protest

(See para 2.04 (v) of this Report)

Sl. No.	Collectorate	1984-85		1985-86		1986-87		Total	
		No. of cases	Amount (in lakhs of rupees)	No. of cases	Amount (in lakhs rupees)	No. of cases	Amount (in lakhs of rupees)]	No. of cases	Amount (in lakhs of rupees)
1	2	3	4	5	6	7	8	9	10
1	Bombay-I	59	95.30	56	136.40	53	147.74	168	379.44
2	Bombay-II	9	103.14	10	253.99	61	80.31	80	437.44
3	Bombay-III	447	255.10	62	215.46	70	407.92	579	878.48
4	Pune	82	11.05	68	31.48	29	14.06	179	56.59
5	Aurangabad	12	5.30	493	118.95	430	269.05	935	393.30
6	Goa								
7	Calcutta-I								
8	Calcutta-II								
9	Bolpur								
10	Delhi	*2	9,781.00	3	1,404.00	4	2,717.00	9	13,902.00
11	Shillong	45	85.61	69	478.69	46	564.02	151	1,128.32
12	Hyderabad . . . . .	..	..	..	..	1	150.00	1	150.00

N.A.

13	Guntur	.	.	.	.	.	.	.	2	0.47
14	Patna	.	.	.	.	.	.	.	182	36.16
15	Ahmedabad	.	.	.	.	.	.	.	3	170.39
16	Baroda	.	.	.	.	.	.	.	..	..
17	Rajkot	.	.	.	.	.	.	.	22	134.39
18	Chandigarh	.	.	.	.	.	.	.	1	0.46
19	Cochin	.	.	.	.	.	.	.	10	291.50
20	Bangalore	.	.	.	.	.	.	.	1	7.01
21	Belgaum	.	.	.	.	.	.	.	..	..
22	Indore	.	.	.	.	.	.	.	2	15.04
23	Nagpur	.	.	.	.	.	.	.	..	..
24	Bhubneshwar	.	.	.	.	.	.	.	2	400.31
35	Jaipur	.	.	.	.	.	.	.
26	Madras	.	.	.	.	.	.	.	..	..
27	Coimbatore	.	.	.	.	.	.	.	..	..
28	Madurai	.	.	.	.	.	.	.	..	..
29	Trichy	.	.	.	.	.	.	.	..	..
30	Allahabad	}	.	.	.	.	.	.	..	..
31	Kanpur	}	.	.	.	.	.	.	..	..
32	Meerut	}	.	.	.	.	.	.	..	..
Total :									881	11,392.23

*One case pertains to 1980-81 which involved duty of Rs. 90.78 crores.

**Relates to 35 cases.

4	2.51	7	83.30	13	86.28
38	192.75	219	182.72	439	411.63
22	177.32	13	213.70	38	561.41
1	1.49	2	7.08	3	8.57
14	143.30	3	100.58	39	378.28
1	0.19	1	0.03	3	0.68
9	387.42	208	436.27	227	1,115.19
3	12.25	5	19.09	9	38.35
..
1	8.21	1	10.85	4	34.10
5	18.64	6	224.03	11	242.67
1	18.48	2	141.61	5	560.40
N.A.					
..	..	2	12.05	2	12.05
..	..	4	123.75	4	123.75
..	..	8	50.92	8	50.92
..
3	0.62	38	56.63**	41	57.25
854	3,602.15	1,213	6,012.71	2,948	21,007.09

ANNEXURE 2.9

Price lists not filed at the commencement of each financial year or at the close of accounting year

(See para 2.04 (vi) of this report)

Sl. No.	Collectorate	1984-85		1985-86		1986-87		Total	
		No. of cases	Amount (in lakhs of rupees)	No. of cases	Amount (in lakhs of rupees)	No. of cases	Amount (in lakhs of rupees)	No. of cases	Amount (in lakhs of rupees)
1	2	3	4	5	6	7	8	9	10
1	Bombay-I								
2	Bombay-II								
3	Bombay-III								
4	Pune								
5	Aurangabad								
6	Goa								
7	Calcutta-I								
8	Calcutta-II								
9	Bolpur								
10	Delhi								
11	Shillong								
12	Hyderabad								
13	Guntur								

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14	Patna	10
15	Ahmedabad
16	Baroda
17	Rajkot
18	Chandigarh	1
19	Cochin	6
20	Bangalore
21	Belgaum	7
22	Indore	}	
23	Nagpur		
24	Bhubneshwar		
25	Jaipur		
26	Madras		
27	Coimbatore		
28	Madurai		
29	Trichy		
30	Allahabad		
31	Kanpur		
32	Meerut		

Total 24

10.90	8	19.11	8	44.83	26	74.90
..	..	..	2	0.01	2	0.01
..
..
0.09	..	..	..	..	1	0.09
66.63	8	78.63	12	21.02	26	166.29
..
20.64	10	9.05	8	7.07	25	36.76

— N.A. —

98.32	26	106.79	30	72.93	80	278.04
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APPENDIX-II

Conclusions/Recommendations

S. No.	Para No.	Ministry/Department Concerned	Conclusion/Recommendation
1	2	3	4
1	21	Min. of Fin. (Dept. of Revenue)	<p>The Committee are not satisfied with the present position of finalisation of the Central Excise <i>ad valorem</i> assessments. The reasons of non-receipt of further details. chemical examiners report. invoices etc., attributed to the delays in approval of price lists. are not convincing because the existing time limits already take into account such contingencies and sets of circumstances. The fact that the present time limits are found adequate enough by the Ministry and despite their repeated instructions to adhere to the prescribed lengths of time. a large number of central excise <i>ad valorem</i> assessments are pending beyond their stipulated periods. would clearly indicate that the quality of monitoring presently done at the levels of the Central Board of Excise and Customs/Collectors leaves a lot to be desired. The Committee need hardly point out that such administrative delays not only generate corruption but also lead to harassment of assessees. The Committee therefore, recommend that the Ministry of Finance should look into the administrative lapses/failures and establish a regular. methodical and more effective system of monitoring in order to</p>

ensure that the price lists are approved within the prescribed time limits and take suitable action against the officers for their lapses. The Committee would like to have a detailed report on the systems' improvement instituted and the latest position of finalisation of price lists.

2 22 Do. The Committee also recommend that because the existing time limit of three months for approval of price lists is considered adequate by the Ministry, the monitoring mechanism should also review progress with reference to that period only and not six months as at present.

3 29 Do. From the facts stated above it is abundantly clear that the offences of removal of excisable goods without filing price lists and clearances without getting prior approval of the price lists, wherever necessary, are, presently, not dealt with by the department in a manner as envisaged in the Central Excise Law. The explanation offered by the Ministry for not initiating adequate penal action in such cases by seeking to draw a distinction between cases with intention to defraud and without such intention has not been supported by relevant facts. Apparently, the existing system of records prevailing neither in the Collectorates nor in the Board keep track of either such offences or the consequent penal action if any, is launched and its results. The Committee are constrained to observe that this is a highly unsatisfactory state of affairs which needs to be remedied. They recommend that the Ministry of Finance would look into the same and take suitable

1

2

3

4

steps to ensure that the offences of clearance of excisable goods without filing price lists and without getting prior approval, wherever necessary, would be dealt with adequately in accordance with the provisions of the Law and it should be methodically monitored on a regular basis at a central level in the Board/Ministry.

4

30

Do.

The Committee would further like to have a detailed report on the penal action taken and penalties imposed on cases of violations reported in the Report of C & AG in respect of clearances of excisable goods without filing price lists and clearances without getting prior approval of price lists. The Committee consider it unfortunate in this connection that steps were not taken by the Ministry to collect details of cases commented by the C and AG until the Committee inquired and called for clarification. The Committee consider such reluctant action as quite inconsistent with the responsibility that the Ministry is expected to discharge on the findings of Audit.

5

39

Do.

The Committee have time and again emphasised the need for prompt finalisation of cases of provisional assessments. They regret to note that even now a large number of cases involving substantial revenue are pending finalisation beyond the stipulated period. The Ministry of Finance have attributed the pendency mainly to the linking of issues with the Court cases or appeals filed in Tribunal. However, on a scrutiny of the break up of the

total 799 cases outstanding for more than six months, it is seen that only 239 cases are pending with Courts and Tribunal etc. Evidently, majority of the cases are held up due to the departmental delays only. Obviously, the instructions issued by the Board to the Collectorates have not made any perceptible impact. The Committee deplore this. They desire that the Ministry of Finance should adopt a serious attitude and enquire into the reasons for the delay and take effective steps in order to ensure timely finalisation of provisional assessments.

- | | | | |
|---|----|----|---|
| 6 | 41 | Do | The Committee would like to have a further report indicating the latest position and the system improvement effected in the above mentioned areas of deficiencies. |
| 7 | 44 | Do | The Committee are unhappy about the dismal performance of the Valuation Cells. Evidently, the Cells have not produced tangible results commensurate with the expenditure incurred on them. The Committee therefore, recommend that the Ministry of Finance should analyse the reasons for the inefficient functioning of the Valuation Cells and take corrective steps so that they make meaningful contributions in the valuation of excisable commodities and thereby prompt finalisation of assessments. |
| 8 | 47 | Do | The Committee take note of the situation arising out of the different judgements of the Supreme Court on the interpretation of Section 4 of the Central Excises and Salt Act, 1944 relating to valuation of excisable commodities. They, however, are not inclined to agree with the Ministry's decision to wait till the final judicial |

1	2	3	4
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pronouncement for removing the ambiguities and simplifying the law. The Committee would like the Ministry to examine the feasibility of incorporating suitable amendments to Section 4 so as to remove the ambiguities and make it simpler without waiting for the judgement of the Supreme Court in the pending case, keeping in view the practical requirements and experience. modern conditions of production and sale of manufactured goods.

9 48 Do.

The Committee would like to be informed of the outcome in the MRF Review Petition.

10 49 Do.

The Committee further note that 70 percent of the Central excise revenue is currently being earned in terms of specific rates of duty. It has also been brought to the notice of the Committee that administration was simpler and less complicated in the case of specific rates of duty. The Committee trust that shifting from *ad valorem* rates to specific rates will be carried out with utmost caution so that the all important consideration of revenue is not lost sight of in the process.

11 55 Do.

The Committee recommend that the inquiry be completed and action initiated expeditiously to realise the duty and other dues. They trust that even though the factory is not operating now, necessary steps would be taken to recover the governmental dues from the main company on whose behalf they were operating

and/or other-wise concerned. The Committee would like to be apprised of the further developments.

- 12 62 Do. The Committee cannot but observe that irrespective of its outcome in the court of law, the amount of penalty imposed by the adjudicating authority in the present case was not proportionate with the extent of the alleged evasion of duty. The Ministry of Finance have justified the adequacy of the amount of penalty on the ground that it was the maximum that could be awarded under the existing provisions of the Central Excise law. The Committee are greatly surprised over this. They are constrained to observe that imposition of such minor penalties would in no way act as a deterrent to evasion of duty. The Committee would, therefore, like Government to define a more meaningful relationship in the Central Excise law between the quantum of penalty and the extent of violation so that it acts as a strong deterrent to evasion of central excise duty.
- 13 65 Do. The Committee trust that the action initiated against the alleged evasion of excise duty on cigarettes will be vigorously pursued to their logical conclusions and no efforts would be spared to realise the legitimate dues of the Government. The Committee would like to be apprised of further developments in each of these cases

1	2	3	4
14	69	Do.	<p>The Committee hope that Government would come forward with legislation at the earliest to check accrual of unintended/ fortuitous benefits to manufacturers of excisable commodities arising out of refund of excise duty. They desire to be informed of the further action taken in the matter.</p>
