

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:176  
ANSWERED ON:01.03.2002  
C & AG REPORT ON MODVAT  
PRABHUNATH SINGH

**Will the Minister of FINANCE be pleased to state:**

- (a) whether in para 4.5 of C&AG report 11 of 2001 (Indirect Taxes - Central Excise and Service Tax) the C&AG has held that MODVAT credit has not been reversed on inputs used in exempted final products;
- (b) if so, whether the Chief Commissioner of Central Excise, Jaipur stated rule 57D was involved under which credit of duty was not to be denied even though irregularly availing MODVAT credit and as such responsibility of the officials cannot be fixed;
- (c) if so, the manner in which Rule 57D is obstructive to rule 57C;
- (d) whether there is any proposal to review all the existing rules that obstruct the other rule and cause loss to the financial interest of the State;
- (e) if so, whether it is further a fact that it is the responsibility of the Government to safeguard the financial interest of the State; and
- (f) if so, the reasons for his Ministry not safeguarding the financial interest of the State in one case or the other?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE ( GINGEE N. RAMACHANDRAN)

- (a) Yes, Sir. Ministry of Finance has furnished the Action Taken Note to C&AG confirming the raising of demands and adjudicated the same with interest and penalty. C&AG have since treated the para as settled.
- (b) Chief Commissioner of Central Excise, Jaipur has reported that during the discussion in the PACs visit to Jaipur on 12th November, 2001, (minutes of which have not been received from the Lok Sabha Secretariat), the Chief Commissioner had stated the legal position with regard to the provision of Rule 57D (as it was at the relevant time) of the Central Excise Rules, 1944, that MODVAT credit should not be denied on the ground that part of the input was contained in any waste, refuse or by-product arising during the manufacture of the final product.
- (c) Rule 57D of the Central Excise Rules, 1944 was not obstructive to Rule 57C.
- (d), (e) & (f) The rules are reviewed from time to time on need basis. There is no rule which obstructs other rule(s) causing loss to the financial interest of the State.