

## CHAPTER - ONE

### INTRODUCTION AND METHODOLOGY

1 - 6

- 1.1 Introduction
- 1.2 Objectives for the study
- 1.3 Methodology Adopted
- 1.4 Scope of the Study
- 1.5 Limitation of the Study
- 1.6 Chapter Scheme

## CHAPTER - ONE

### INTRODUCTION AND METHODOLOGY

#### 1.1 Introduction :

Central Excise Duties were not very important till the year 1930's. An excise on cotton yarn was imposed in 1924, was later converted into excise on mill made cloth and was finally abolished in 1936. Duties on Motor Spirit in 1917, Duties on Kerosene in 1922 and duties on silver in 1930, were the earlier excises imposed in India. Central Excise, however, developed mainly in 1930's and a number of duties on Sugar, Matches and Steel ingots were imposed in 1934. The industries producing these goods had grown up under protection and the loss of revenue from custom was sought to be made up by excise duties.

During Second World War, the coverage of Excise Taxation increased. The Government was in need of more revenue and as the scope of increase in direct taxation was limited, excise duties were extended. Duties were imposed on tyres, vegetable products, tobacco, coffee, tea and betelnuts. The excises were not recognised as a good source of revenue and continued to be exploited after the World War.

On 24th February, 1944, the new Act was passed i.e., Central Excise and Salt Act, 1944. The objective of

passing of the Act is to consolidate and amend the law relating to Central Duties of excise on goods manufactured and produced in certain parts of India. Before the present Act came into force on 24th February, 1944 (Central Excises and Salt Act,), there were not less than 17 separate Excises Act and 11 sets of statutory rules. In addition there were five Acts relating to excise duty on salt.

After passing of this Act, the excise duty on Millmade cloth was re-introduced in 1949. And in 1950, the New constitution of India came into force on 26th January 1950. Under our constitution, excise duties, other than those on alcoholic liquors, opium hemp and narcotics drugs are levied by the Indian Union, Medicinal and toilet preparations containing alcohol and narcotics are taxed by the Centre, but the tax proceeds are collected and retained by the states. The proceeds of other Central Excise duties may also be shared with the states as per recommendations made by the Finance Commission from time to time.

Duties on art, silk, cement, soap and footwear were imposed in 1954. The Taxation Inquires Commission recommended substantial increases in the rates of duties on kerosene, sugar and matches, and moderate increases in the duties on cloth and tea, moreover, it recommended the levy of excise duties on a number of other commodities. The Government accepted these recommendations and in the

following years raised the rates existing duties and imposed new ones. The field of excise duties has been increasing rapidly since then.

In 1957, the States agreed to abolish Sales Tax on Textiles, Sugar and Tobacco and the Central Government levied Additional Excise Duties on these articles, later on-an Additional Excise Duty in lieu of Sales Tax was introduced on Silk Fabrics as well. These duties are imposed and collected by the centre but the proceeds are distributed amongst the States.

In addition to this, the Government of India makes different Acts, such as Central Board of Excise and Customs constituted under Central Board of Revenue Act, 1963 Central Excise Tariff Act, 1985, which are very important from the point of view of excise duties collections, various finance Act, various Finance Commission, Finance Bill etc. were came into existence.

In addition to the Union Excise Duties, a number of excise duties on specified industries are levied by Central Government. The purpose of these levies on is to Finance research, dissemination of information and other activities beneficial to the industries. There are taxes of this nature of varying specific rates of per bale of cotton produced or per square metre of certain natural and synthetic Fabrics manufactured. There are, for the same

purpose, taxes on vegetable oils and salt. These taxes are supplementary to the Union Excise Duty on the same commodities.

There is also a Cess on certain commodities, to enable the Government to raise funds for the safety and welfare of workers in the industries concerned. There are, for example a rubber cess, a coconut cess and three different coal and coke cesses for such purposes.

At present there are 40 section in Central Excises and Salt Act, 1944 and there are 234 rules in Central Excise Rules, 1944, Different excisable goods falling under the Central Excise Tariff Act, 1985. In addition to this there are various miscellaneous acts relating to Central Excise.

### 1.2 Objectives for the Study :

Following are the some of the objectives for the Study.

- 1) To examine various statutory provisions made in relation to Excise Act from time to time.
- 2) To know the share of excise revenue in the total tax revenue.

### 1.3 Research Methodology / Methodology Adopted

For this Study, I have adopted Secondary type of

data collection i.e., through library literature such as books, magazines, Tax Reports, Bare Acts, Periodicals and Daily's and the like.

#### **1.4 Scope of the Study :**

The Study is mainly dependent upon the following :

- 1) Central Excise And Salt Act, 1944.
- 2) Central Excise Rules, 1944.
- 3) Central Excise Tariff Act, 1985.

#### **1.5 Limitation of the Study :**

The present study deals with the statutory provisions only. Theoretical discussion of the law from time to time is made.

#### **1.6 Chapter Scheme :**

The First Chapter relates to the Introduction and Methodology, which includes Introduction, objectives for the Study, Methodology adopted, Scope of the Study, Limitation of the Study, Chapter scheme.

The second Chapter deals with Types of Taxes, which includes Direct and Indirect Taxes, distinctions, Revenue from Direct and Indirect Taxes, Meaning and Importance of Indirect Taxes, Percentage share of Indirect Taxes to the Total Tax Revenue, Excise Duty- Meaning and Distinctions Definitions under Central Excise and Salt Act,

1944. Excise Taxation Importance and criticism, share of Excise Revenue to the Total Tax Revenue, Revenue from union Excise Duties.

The Third Chapter indicates Statutory provisions and General Evaluation, which includes Evaluation of Indirect Taxes, Central Excise and Salt Act, 1944-Objectives and reasons, Statutory provisions relating to Central Excise Law and procedure, Evaluation of Excise Duty, Allocation of Central Excise Duties, Finance Commission and Union Excise Duties, Annual Budget and Changes in Union Excise Duties, Reforms-suggested by Chelliah and Rekhi Committee.

The Fourth Chapter indicates Evaluation of Central Excise Legislations in India with special reference to selected products which includes, Rules under Central Excise Rules, 1944 on Sugar, Tobacco, Cotton. Rate of duty chargeable on Sugar, Tobacco and Cotton under Central Excise Tariff Act, 1985.

The Fifth Chapter explains conclusions suggestions, which includes, conclusions and suggestions.